

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 701 (Senator Ready)
 Finance

Public Health - Cottage Food Products - Nonpotentially Hazardous Foods and Refrigerated Baked Goods

This bill alters the definition of “cottage food product” to mean a nonpotentially hazardous food, as specified in regulations adopted by the Maryland Department of Health (MDH), *or a refrigerated baked good*, that is sold in the State by a cottage food business. “Refrigerated baked good” means a baked food product that requires refrigeration to maintain its safety, quality, or freshness, including a cheesecake, custard, meringue, fresh fruit tart, and refrigerated nonmeat pie.

Fiscal Summary

State Effect: MDH general fund expenditures increase by \$90,800 in FY 2026 for staff to manage increased requests for food label reviews and unique identification numbers. Future years reflect ongoing staff costs, with a reduction from a full-time to a part-time position in FY 2027. Revenues are not affected.

(in dollars)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	90,800	38,200	40,000	41,800	43,600
Net Effect	(\$90,800)	(\$38,200)	(\$40,000)	(\$41,800)	(\$43,600)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local health departments (LHDs) can handle increased inspection responsibilities with existing resources, as discussed below.

Small Business Effect: Potential meaningful.

Analysis

Current Law: A “cottage food business” is a business that (1) produces or packages cottage food products in a residential kitchen in Maryland; (2) sells cottage food products; and (3) has annual revenues from the sale of cottage food products that do not exceed \$50,000.

A cottage food business is generally not required to obtain a license. Among other requirements, cottage food products must be labeled with the statement, “Made by a cottage food business that is not subject to Maryland’s food safety regulations.” MDH is authorized to investigate any complaint alleging that a cottage food business has violated applicable food safety laws.

Under § 21-301 of the Health-General Article, “cottage food product” means a nonhazardous food, as specified in regulations adopted by MDH, that is sold in the State (1) directly to a consumer from a residence, at a farmer’s market or a public event, by personal delivery, or by mail delivery or (2) to a retail food store, including a grocery store or a food cooperative.

Maryland regulations (COMAR 10.15.03.02) define a cottage food product as a *nonpotentially hazardous* food, which includes nonpotentially hazardous hot-filled canned acid fruit jellies, jams, preserves, and butters, as specified; fruit butters, jam, preserve, and jelly made from specified fruits; nonpotentially hazardous baked goods; foods manufactured on a farm by a licensed food processor; nonpotentially hazardous candy; and any other nonpotentially hazardous foods produced by a licensed entity.

Prior to selling a cottage food product to a retail store, the owner of a cottage food business must submit to MDH (1) documentation of the owner’s successful completion of an MDH-approved food safety course and (2) the label that will be affixed to the product. The label must include the phone number and email address of the cottage food business and the date the cottage food product was made.

State Fiscal Effect: MDH advises that the Prevention and Health Promotion Administration (PHPA) currently (1) provides unique identification numbers upon request and (2) reviews food labels and proof of completion of a safe food handling course so businesses can satisfy the requirements of selling products at a retail food store. These come at no cost to cottage food businesses. MDH advises that it currently takes about 20 hours per week to complete these duties, and an average of 16 weeks to complete each request.

MDH anticipates that the inclusion of refrigerated baked goods as cottage food products will result in more requests for identification numbers and reviews of product labels by

PHPA that cannot be completed with existing budgeted resources. Thus, MDH general fund expenditures increase by \$90,756 in fiscal 2026, which accounts for the bill's October 1, 2025 effective date. This estimate reflects the cost of hiring one environmental health specialist to manage the increased volume of requests. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1.0
Salary and Fringe Benefits	\$83,387
Operating Expenses	<u>7,369</u>
Total FY 2026 State Expenditures	\$90,756

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses. This estimate assumes that after the initial batch of new identification numbers and label reviews for cottage food businesses seeking to see refrigerated baked goods under the bill are complete, the environmental health specialist is able to transition from a full-time to part-time (25%) basis after nine months.

To the extent that only a minimal number of businesses request label reviews and/or identification numbers, MDH may not need to retain staff on a permanent basis and costs decrease in out-years.

Local Fiscal Effect: The Maryland Association of County Health Officers advises that, under the bill, LHD food inspectors would be responsible for reviewing more foods and adding refrigerated baked goods to the number of items that could result in foodborne illness outbreak investigations. These expanded responsibilities would need to be handled with existing resources.

Small Business Effect: Expanding the definition of cottage food products to include refrigerated baked goods allows cottage food businesses to expand their offerings and for new small cottage food businesses to enter the market to sell refrigerated baked goods.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Maryland Association of County Health Officers; Maryland Department of Health; Department of Legislative Services

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km/jc

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