

SF1563 - 0 - Cottage Food Exemption Modified

Chief Author: **Bill Lieske**
 Committee: **Agriculture and Rural Development**
 Date Completed: **2/24/2023 9:01:38 AM**
 Agency: **Agriculture Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		
		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Agriculture Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Agriculture Fund	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Chloe Burns **Date:** 2/24/2023 9:01:38 AM
Phone: 651-297-1423 **Email:** chloe.burns@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
Agriculture Fund		-	-	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Agriculture Fund						
Expenditures		-	4	-	-	-
Absorbed Costs		-	(4)	-	-	-
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Agriculture Fund						
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

This bill relates to agriculture, modifying certain requirements for the cottage food exemption from licensing.

This bill amends Minnesota Statutes 2022, section 28A.152, subdivisions 3 and 4. creates a new subdivision 8.

This bill will modify the limitation on sales from gross receipts of \$78,000 to \$85,000, modify the exemption from registration fees from annual gross receipts of \$5,000 to \$8,500, remove the January 1, 2022, Minnesota Department of Agriculture (MDA) adjustment to the registration fee exemption level, and adds a requirement for the MDA to submit an ongoing report to the legislature on MS 28A.152 subd.3 and subd. 4 sales adjustments based on the Consumer Price Index, and a history of when those amounts have changed.

Assumptions

General Applicability to Home-Processed Pet Treats

It is assumed the passage of this bill will apply to registrants for Minnesota Statute 25.391 EXEMPTION FOR COTTAGE FOOD PRODUCERS; HOME-PROCESSED PET TREATS due to section subdivision 2 of that section which states, "Direct sales to consumers. An individual qualifying for the exemption under subdivision 1 may sell the exempt pet treats to consumers in accordance with section 28A.152."

All costs associated with the passage of this bill would be absorbed by the Agriculture Fund.

The number of registrants and fees paid is not expected to be significantly impacted by this bill.

Sections 1 and 2 Gross Sales Adjustments

The passage of this bill will require modifications to all agency materials relating to food licensing and the licensing exemption in MS 28A.152. Specifically, updates will be needed for the agency website, online systems, printed applications and renewal forms, fact sheets, handouts, external audience training materials, online licensing wizard, and Spanish language translated materials. This will also require modifications to all licensing related internal policies, procedures, work instructions and staff training materials. All updates will require outreach activities for registered users and applicable stakeholder groups such as the University of Minnesota Extension and other partners.

Updates to agency materials identified above is estimated as a one-time cost of \$3,260 based on MDA staff hours, contracted translation services, and MNIT service hours.

Section 3 Report to the Legislature

The passage of this bill will require a legislative report to be developed and submitted by January 10, 2025 and every 2 years thereafter. The cost for each report is estimated to be minimal in FY25 and in FY 27. This would be an ongoing minimal cost in each applicable reporting fiscal year.

Future adjustments to gross annual receipt limitations and registration fee exemptions in MS 28A.152 would require further modifications to agency materials as noted for sections 1 and 2. Future modification costs were not calculated in this fiscal note.

Expenditure and/or Revenue Formula

Sections 1 and 2

Staff hours to coordinate activities, complete updates, and attend outreach meetings = \$2,210

Contracted services to updates to existing translated materials estimated at \$250

MNIT Services to update online application and renewal systems, 10 hours at \$80/hr = \$800

Indirect charges (IDC) is estimated to be \$510

Section 3

Staff hours to complete and approve report FY 25 = \$425 including IDC

Staff hours to update and re-approve report FY 27 = \$110 including IDC

Expense total for FY24 = \$3,770

Expenses total for FY25 = minimal (\$425)

Expenses total for FY27 = minimal (\$110)

Long-Term Fiscal Considerations

The passage of this bill will increase the annual gross food sales limitation, which is expected to increase the volume of unregulated foods prepared and sold by some individual cottage food producers. As there are known food safety hazards related to home preparation of foods, this increase has the potential to result in additional foodborne illnesses in Minnesotans and related illness outbreak investigations on the part of the MDA. While the expected rate of increase in investigations is unknown, MDA investigation costs are estimated to begin at \$1,500 per incident investigated.

With the passage of this bill, it is anticipated that some Food Handler licensees may choose to stop licensed activities and produce under the expanded Cottage Food exemption. This is not expected to significantly impact the number of Food Handler license applications in subsequent years; however, the rate of this change is not currently known as it will be based on individual business operation considerations.

Local Fiscal Impact

The MDA delegates retail food licensing, inspection, and enforcement authority to 7 local Boards of Health under Minnesota Statute 28A.075 and 28A.0752. The passage of this bill is not expected to significantly impact local jurisdictions in the number of food business applications and license fee collection.

It is anticipated that some licensed food handlers may choose to stop licensed activities and may produce under this expanded exemption. However, the rate of this change is not currently known as it will be based on individual business operation considerations.

References/Sources

N/A

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