

SF391 - 0 - Cottage Food Exemption Modified

Chief Author: **Bill Lieske**
 Committee: **Agriculture, Veterans, Broadband, And Rural Development**
 Date Completed: **2/3/2025 1:32:15 PM**
 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	FY2025	FY2026	FY2027	FY2028
General Fund	-	5	-	-	-
Total	-	5	-	-	-
Biennial Total			5		-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General 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: Karl Palm **Date:** 2/3/2025 1:32:15 PM
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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		FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	5	-	-	-	-
Total	-	5	-	-	-	-
Biennial Total			5			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	5	-	-	-	-
Total	-	5	-	-	-	-
Biennial Total			5			-
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

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

This bill amends Minnesota Statutes 2024, section 28A.152, subdivisions 1, 2, 3, 4 and creates a new subdivision 8.

This bill will modify the qualification for the exemption from individual to person, 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

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 subdivision 1 part (1) of that section which states "the individual is registered with the commissioner under section 28A.152, subdivision 4;" and 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, except that pet treats may also be delivered by mail or commercial delivery."

It is assumed the Minnesota Statute 25.391 EXEMPTION FOR COTTAGE FOOD PRODUCERS; HOME-PROCESSED PET TREATS exemption qualification restriction to individuals would remain in place for home processed pet treats, but that all other amendments of this bill would apply.

All costs associated with the passage of this bill related to home-processed pet treats would be absorbed by the Agriculture Fund for Minnesota Statute Chapter 25. The number of registrants and fees paid is not expected to be significantly impacted by this bill.

Sections 1, 2, 3, 4 Exemption Qualification Modification to Person and Gross Receipts Adjustments

It is assumed that a person who registers as exempt from the licensing provisions under Minnesota Statute Section 28A.152 cannot also hold a food handling license issued under the provisions of Minnesota Statute Chapter 28A.

The passage of this bill will require modifications to all food licensing related internal policies and interpretations, procedures, work instructions, and staff training materials. The passage of this bill will also 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 application and renewal systems, printed applications and renewal forms, fact sheets, handouts, external audience training materials, online licensing wizard, and Spanish language translated 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 and outreach activities identified above are estimated as a one-time cost of \$4,245 based on MDA staff hours and MNIT service hours.

Section 5 Report to the Legislature

The passage of this bill will require a legislative report to be developed and submitted by January 10, 2026, and every 2 years thereafter. The cost for the initial report is estimated to be \$526 in FY 26. This ongoing in each applicable reporting year beginning FY 28 is minimal (\$142).

Future adjustments to gross annual receipt limitations and registration fee exemptions in MS 28A.152 would require additional modification to agency materials as noted for sections 1, 2, 3, 4 above. Future modification costs were not calculated in this fiscal note.

Expenditure and/or Revenue Formula

Sections 1, 2, 3, 4

Staff hours to coordinate activities, complete updates, and attend outreach meetings = \$3,445. Services to update existing translated materials would be obtained through the Enterprise Translations Office.

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

Section 5

Staff hours to complete and approve report FY 26 = \$526

Staff hours to update and re-approve report FY 28 = minimal (\$142)

All sections

Expense total for FY26 = \$4,771

Expenses total for FY28 = minimal (\$142)

Long-Term Fiscal Considerations

The passage of this bill will increase the annual gross food sales allowance to qualify for the exemption from licensing to handle foods. This bill is expected to increase the volume of unregulated foods prepared and sold by some cottage food producers. As there are known food safety hazards related to the sale of home prepared 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. Passage of this bill may result in a reduction of revenue collected

to the Agriculture Fund from food handling license fees if the rate of this change is greater than expected.

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. However, the rate of this change is not currently known as it will be based on individual business operation considerations.

References/Sources

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