

**NOTE: This is an earlier version of the fiscal note for SF1254-1A.**

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Fiscal Note

2021-2022 Legislative Session

**SF1254 - 1A - Cottage Food Producer Requirements Modified**

Chief Author: **Andrew Mathews**  
 Committee: **Agriculture And Rural Development Finance And Policy**  
 Date Completed: **3/5/2021 5:47:26 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   |             |
|-----------------------|----------|-----------|------------|------------|-------------|
|                       | FY2021   | FY2022    | FY2023     | FY2024     | FY2025      |
| General Fund          | -        | -         | -          | -          | -           |
| Agriculture Fund      | -        | 14        | (7)        | (7)        | (7)         |
| <b>Total</b>          | -        | <b>14</b> | <b>(7)</b> | <b>(7)</b> | <b>(7)</b>  |
| <b>Biennial Total</b> |          |           | <b>7</b>   |            | <b>(14)</b> |

| Full Time Equivalent Positions (FTE) | Biennium |           |           | Biennium  |           |
|--------------------------------------|----------|-----------|-----------|-----------|-----------|
|                                      | FY2021   | FY2022    | FY2023    | FY2024    | FY2025    |
| General Fund                         | -        | -         | -         | -         | -         |
| Agriculture Fund                     | -        | .6        | .6        | .6        | .6        |
| <b>Total</b>                         | -        | <b>.6</b> | <b>.6</b> | <b>.6</b> | <b>.6</b> |

**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:** Jim Carlson      **Date:** 3/5/2021 5:47:26 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.

| <b>State Cost (Savings) = 1-2</b>                        |   | <b>Biennium</b> |            |            | <b>Biennium</b> |             |
|--|---|-----------------|------------|------------|-----------------|-------------|
| Dollars in Thousands                                     |   | FY2021          | FY2022     | FY2023     | FY2024          | FY2025      |
| General Fund   | - | -               | -          | -          | -               | -           |
| Agriculture Fund   | - | 14              | (7)        | (7)        | (7)             | (7)         |
| <b>Total</b>   | - | <b>14</b>       | <b>(7)</b> | <b>(7)</b> | <b>(7)</b>      | <b>(7)</b>  |
| <b>Biennial Total</b>                                    |   |                 | <b>7</b>   |            |                 | <b>(14)</b> |
| <b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b> |   |                 |            |            |                 |             |
| General Fund   |   |                 |            |            |                 |             |
| Expenditures   | - | 1               | 1          | 1          | 1               | 1           |
| Absorbed Costs   | - | (1)             | (1)        | (1)        | (1)             | (1)         |
| Agriculture Fund   | - | 128             | 107        | 107        | 107             | 107         |
| <b>Total</b>   | - | <b>128</b>      | <b>107</b> | <b>107</b> | <b>107</b>      | <b>107</b>  |
| <b>Biennial Total</b>                                    |   |                 | <b>235</b> |            |                 | <b>214</b>  |
| <b>2 - Revenues, Transfers In*</b>                       |   |                 |            |            |                 |             |
| General Fund   |   |                 |            |            |                 |             |
| General Fund   | - | -               | -          | -          | -               | -           |
| Agriculture Fund   | - | 114             | 114        | 114        | 114             | 114         |
| <b>Total</b>   | - | <b>114</b>      | <b>114</b> | <b>114</b> | <b>114</b>      | <b>114</b>  |
| <b>Biennial Total</b>                                    |   |                 | <b>228</b> |            |                 | <b>228</b>  |

**Bill Description**

This bill relates to agriculture, modifying certain requirements for cottage food producers.

This bill amends Minnesota Statutes 2020, section 28A.152, subdivisions 1 through 5.

This bill will modify the exemption from food licensing to persons rather than individuals, require all registrants to pay a registration fee, define residence, increase the sales limitation, require the MDA to provide training in multiple languages and clarify product, labeling, and registration requirements.

**Assumptions**

The current law collects a fee of \$50 from approximately 230 registrants (5% of total registrants) for approximately \$11,500. This bill will require fees from all registrants, approximately 5,000, and will reduce the fee to \$25 for a total of \$125,000 annually.

It is estimated there will be an annual cost of \$57,264 for the increased processing time of 15 minutes per additional registration fee to be processed.

The passage of this bill will require the agency to provide training in English, Spanish, Somali and Hmong languages. Total expenses of \$69,347 in the first year include a one-time cost of \$21,355 for training material translation and ongoing costs of \$47,992 for 6 interpreted training courses and 2 English courses annually.

The Minnesota Department of Agriculture receives a general fund appropriation of \$25,000 annually to support agency services for the implementation of Minnesota Statute 28A.152 Cottage Food Exemption. Passage of this bill will require ongoing expenditures to the program for outreach activities of \$1,264 (presentations, external meetings, and inquiry responses) and outbreak investigation activities to be absorbed by the general fund appropriation.

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 agency handouts, fact sheets, online licensing wizard and agency websites. Updates to agency materials is estimated as a one-time cost of \$1,600 to be paid by the agriculture fund.

The passage of this bill will increase the annual cap on food sales 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 concerns related to home preparation of foods, this increase is expected 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 currently unknown, MDA investigation costs are estimated to begin at \$1,200 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.

### **Expenditure and/or Revenue Formula**

Registration Fees Collected:

\$25 fee x 5,000 registrations = \$125,000

Costs:

Staff time for additional registration processing:

4770 additional registrations x 15 min per registration = 1,193 hours

1,193 hours x \$48 per hour (salary and fringe) = \$57,264

\$21,355 for training material translation one-time cost

\$47,992 for 6 interpreted training courses and 2 English courses annually

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\$69,347 in FY22 and then \$47,992 in FY23 and subsequent fiscal years

\$1,264 for ongoing outreach activities (external meetings, presentations, etc.) to be absorbed by the general fund

\$1,600 for one-time modification of outreach materials

### **Long-Term Fiscal Considerations**

This bill will increase the volume of unregulated food offered for sale to Minnesota consumers. Food prepared in private residences is a source of foodborne illness outbreaks. The expected result is additional foodborne illnesses and subsequently an increase in identified outbreaks. Outbreak investigation costs impact multiple agencies including the MDA, laboratories, MDH and local boards of health. All these agencies play a role in public health response which are expected to increase as a result of this bill.

### **Local Fiscal Impact**

The Minnesota Department of Agriculture 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**

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