

# Individual State Agency Fiscal Note

Revised

<b>Bill Number:</b> 1685 HB	<b>Title:</b> Increasing the cap on gross sales for cottage food operations.	<b>Agency:</b> 495-Department of Agriculture
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

ACCOUNT	FY 2022	FY 2023	2021-23	2023-25	2025-27
Agricultural Local Account-Private/Local 126-7	19,780	23,700	43,480	62,700	90,200
<b>Total \$</b>	19,780	23,700	43,480	62,700	90,200

### Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.1	1.0	0.6	1.0	1.0
<b>Account</b>					
General Fund-State 001-1	0	137,500	137,500	240,700	213,200
Agricultural Local Account-Private/Local 126-7	4,500	23,700	28,200	62,700	90,200
<b>Total \$</b>	4,500	161,200	165,700	303,400	303,400

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact . Factors impacting the precision of these estimates , and alternate ranges (if appropriate) , are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia , complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia , complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

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## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

House Bill 1685 raises the annual gross sales of cottage food products from \$25,000 to \$50,000 annually in RCW 69.22.050 and adds a requirement that Washington State Department of Agriculture (WSDA) shall periodically review the cap on annual gross sales and increase as WSDA deems necessary to account for increasing costs of doing business. Rulemaking will be required to adjust the gross sales cap in WAC 16-149-040 and to set standards for the review and adjustment of the gross sales cap.

The Food Safety Program is operating at capacity with current Cottage Food permitting system demands. The trend of significant increases continuing year over year for Cottage Food permit applications is expected to continue. This along with the additional regulatory requirements proposed in this bill will impact existing service levels.

### II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

Program is estimating a 20% increase in permitting requests annually as a result of the increased gross sales cap in addition to the historical trends at the state and national level for more home based food production.

-Permitted end of year in 2020 was 382 and 2021 was 453, this is a 19% increase

-Applications submitted in 2020 was 218 and 2021 was 267, this is a 22% increase

453 cottage food firms (end 2021) x 19% increase = 86 additional cottage food permits anticipated for 2022.

86 additional cottage food firms X \$230 annually (public health review and permitting inspection) = \$19,780 in additional revenue

### II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

At current staffing levels, it will take an undetermined amount of time to conduct rulemaking resulting from these new requirements. The timeline for implementation of the periodic review of gross sales includes rulemaking, stakeholder outreach and training on the new rules and procedures is also unknown. WSDA assumes that the bill will take effect in May 2022.

The addition of one FTE to oversee and process cottage food applications is needed in order to maintain service levels with these increased requirements, provide technical assistance, conduct rulemaking and manage the Cottage Food Permitting process ongoing.

Goods and other services includes \$3,100 in FY2022 and \$6,500 FY2023 for Attorney General Office support.

1. Rulemaking – 40 hours
2. Program Consultation – 20 hours

Agency Administrative Overhead (payroll, HR, IT and Financial) is calculated at the agency indirect rate of 24.6% of direct program salaries and benefits.

Debt Service is computer leasing calculated at \$600 per year per person shown as object P.

One time cost for external IT system developers to implement an electronic process within the program's IT data system.  
(15 hours x \$200/hour = \$3,000)

The addition of 1 FTE at the Public Health Advisor 4 series (range 60) for oversight of the Cottage Food permitting process.

### Part III: Expenditure Detail

#### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
001-1	General Fund	State	0	137,500	137,500	240,700	213,200
126-7	Agricultural Local Account	Private/Local	4,500	23,700	28,200	62,700	90,200
<b>Total \$</b>			4,500	161,200	165,700	303,400	303,400

#### III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	0.1	1.0	0.6	1.0	1.0
A-Salaries and Wages	800	80,300	81,100	160,600	160,600
B-Employee Benefits	300	31,300	31,600	62,600	62,600
C-Professional Service Contracts					
E-Goods and Other Services	3,100	21,600	24,700	24,200	24,200
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service		600	600	1,200	1,200
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-Agency Administrative Overhead	300	27,400	27,700	54,800	54,800
<b>Total \$</b>	4,500	161,200	165,700	303,400	303,400

#### III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
Public Health Advisor 4	80,292	0.1	1.0	0.6	1.0	1.0
<b>Total FTEs</b>		0.1	1.0	0.6	1.0	1.0

#### III. D - Expenditures By Program (optional)

NONE

### Part IV: Capital Budget Impact

#### IV. A - Capital Budget Expenditures

NONE

#### IV. B - Expenditures by Object Or Purpose

NONE

#### IV. C - Capital Budget Breakout

*Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods*

NONE

**IV. D - Capital FTE Detail:** *List FTEs by classification and corresponding annual compensation . Totals need to agree with total FTEs in Part IVB*

NONE

#### Part V: New Rule Making Required

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules .*

Rulemaking will be required to implement the periodic review of gross sales and set standards. WAC 16-149-040 will also need to be updated to include the new gross sales cap.