

Individual State Agency Fiscal Note

Bill Number: 1500 HB	Title: Cottage food sales cap	Agency: 495-Department of Agriculture
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
Agricultural Local Account-Private/Local 126-7	22,310	26,770	49,080	70,660	101,750
Total \$	22,310	26,770	49,080	70,660	101,750

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.0	1.0	1.0	1.0	1.0
Account					
General Fund-State 001-1	128,190	117,930	246,120	224,540	193,450
Agricultural Local Account-Private/Local 126-7	22,310	26,770	49,080	70,660	101,750
Total \$	150,500	144,700	295,200	295,200	295,200

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.

Legislative Contact: Rebecca Lewis	Phone: 360-786-7339	Date: 01/23/2023
Agency Preparation: Gena Reich	Phone: 505394781	Date: 01/24/2023
Agency Approval: Nicholas Johnson	Phone: (360) 902-2055	Date: 01/24/2023
OFM Review: Matthew Hunter	Phone: (360) 529-7078	Date: 01/24/2023

Part II: Narrative Explanation

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

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

House Bill 1500 raises annual gross sales of cottage food products from \$25,000 to \$50,000 annually in RCW 69.22.050 and adds a requirement that the department will review the cap on annual gross sales every two years. Washington State Department of Agriculture (WSDA) will implement the sales cap increases using traditional rulemaking for the initial increase from \$25,000 to \$50,000 and expedited rulemaking every other year to implement the ongoing inflationary increases.

Ongoing inflationary increases are based on the Consumer Price Index for the Seattle Washington area for urban wage earners and clerical workers, compiled by the Bureau of Labor Statistics, United States Department of Labor based on the year rule making is initiated.

New Section 2 is added to 69.22 RCW for the department to maintain sufficient full-time equivalent staff to ensure timely processing of permits under this chapter and to provide improved service levels.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished 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.

Applications submitted to WSDA in 2020 were 218 and in 2021 were 267, this was a 22% increase. Applications submitted to WSDA in 2022 were 213, this was a 20% decrease which may have been at least partly due to the current cottage food gross annual sales cap and our current inflation level.

484 cottage food firms (end 2022) x 20% increase = 97 (96.8) additional cottage food permits anticipated for 2023.

97 additional cottage food firms X \$230 annually (public health review and permitting inspection) = \$22,310 in additional revenue.

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished 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 on July 1st 2023.

The addition of 1 FTE Food Safety Compliance Specialist 3 to oversee and process cottage food applications is needed in order to maintain or improve service levels, provide technical assistance and ongoing cottage food permitting process improvement. This person will also assist with the new increased biennial investigation and allowable gross income adjustment requirements.

Goods and other services includes \$5,750 for Attorney General Office support and WSDA rulemaking estimated expense for initial rulemaking. This cost would be repeated at future rates one time each biennium.

1. Rulemaking – 20 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. This bill will require updating the WSDA Cottage Food Application form, cottage food publications and Food Safety Program website initially and with every increase to the allowable gross income for cottage food (anticipated every 2 years). These expenses are covered by Agency Administrative Overhead costs.

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

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
001-1	General Fund	State	128,190	117,930	246,120	224,540	193,450
126-7	Agricultural Local Account	Private/Local	22,310	26,770	49,080	70,660	101,750
Total \$			150,500	144,700	295,200	295,200	295,200

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	1.0	1.0	1.0	1.0	1.0
A-Salaries and Wages	75,100	75,100	150,200	150,200	150,200
B-Employee Benefits	29,600	29,600	59,200	59,200	59,200
C-Professional Service Contracts					
E-Goods and Other Services	19,400	13,600	33,000	33,000	33,000
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service	600	600	1,200	1,200	1,200
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-Agency Admin Overhead	25,800	25,800	51,600	51,600	51,600
Total \$	150,500	144,700	295,200	295,200	295,200

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 2024	FY 2025	2023-25	2025-27	2027-29
Food Safety Compliance Specialist 3	75,120	1.0	1.0	1.0	1.0	1.0
Total FTEs		1.0	1.0	1.0	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

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

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

NONE

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Requires rulemaking to implement the initial gross sales cap increase and expedited rulemaking to implement ongoing inflationary gross sales cap increases based on the Consumer Price Index every two years in WAC 16-149-040.