

Individual State Agency Fiscal Note

Bill Number: 1500 S 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	34,435	34,435	68,870	68,870	68,870
Total \$	34,435	34,435	68,870	68,870	68,870

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	116,065	110,265	226,330	226,330	226,330
Agricultural Local Account-Private/Local 126-7	34,435	34,435	68,870	68,870	68,870
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.

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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.

Substitute House Bill 1500 differs from HB 1500 as follows:

- Section 1. (b) adds a requirement for Washington State Department of Agriculture (WSDA) to review and update that cap according to inflation every four years by expedited rulemaking.
- Section 2. of the bill amends RCW 69.22.030 to extend the renewal frequency of cottage foods permits from every year to every two years.

SHB 1500 amends RCW 69.22.050 to increase the cap on annual gross sales for cottage food operations from \$25,000 to \$50,000.

Section 1. (b) adds a requirement for WSDA to review and update that cap according to inflation every four years by expedited rulemaking.

This would be accomplished by updating WAC 16-149-040, in accordance with RCW 36.04.353.

The 4 year review and increase of the cap is to be 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.

Section 2 of the bill amends RCW 69.22.030 to extend the renewal frequency of cottage foods permits from every year to every two years.

Additionally, section 3 of the bill adds a new section to 69.22 RCW requiring 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.

484 cottage food firms x 20% increase = 97 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.

97 additional cottage food firms X \$125 annual inspection=\$12,125 required by RCW 69.22

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 4 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	116,065	110,265	226,330	226,330	226,330
126-7	Agricultural Local Account	Private/Local	34,435	34,435	68,870	68,870	68,870
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.