

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 1, 2019

TO: Honorable Lois W. Kolkhorst, Chair, Senate Committee on Health & Human Services

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
 Legislative Budget Board

IN RE: **SB572** by Kolkhorst (Relating to foods produced by a cottage food production operation and a cottage food industry study.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB572, As Introduced: a negative impact of (\$1,543,008) through the biennium ending August 31, 2021.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2020	(\$843,900)
2021	(\$699,108)
2022	(\$697,742)
2023	(\$697,742)
2024	(\$697,742)

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2019
2020	(\$843,900)	4.0
2021	(\$699,108)	4.0
2022	(\$697,742)	4.0
2023	(\$697,742)	4.0
2024	(\$697,742)	4.0

Fiscal Analysis

The bill would amend the Health and Safety Code as it relates to foods produced by a cottage food production operation and a cottage food industry study.

The bill would expand the list of foods allowed to be sold as cottage foods. The bill amends Chapter 437 of the Health and Safety Code to delete the word "pickles" and add "pickled vegetables, including pickled beets and carrots." The bill would also add fermented products or canned goods that are acidified or low acid, and require the Department of State Health Services (DSHS) to approve these cottage food products prior to their sale, including review of recipes, product descriptions, and the process utilized to produce the product or good.

The bill would direct DSHS to conduct a competitiveness study of the state's cottage food industry, comparing the Texas cottage foods program with other state cottage foods programs and laws, to evaluate the effect of Texas cottage food law on the cottage foods industry competitiveness. The bill would require the agency to submit a report detailing the findings to the Legislature no later than December 1, 2020.

The bill would take effect September 1, 2019.

Methodology

According to DSHS, the bill would require the agency to test at least 1,000 different cottage food products, totaling 5,000 lab tests performed by a private contracted laboratory. DSHS estimates this lab testing would cost \$198,350 in fiscal year 2020 and \$148,350 in subsequent fiscal years. DSHS also indicates that the agency would require 1.0 FTE to manage the commercial laboratory testing contract and monitor vendor performance.

DSHS indicates that the agency would require 3.0 FTEs to support the review and approval of foods required by the bill, assuming the agency receives 1,000 recipes for evaluation each year.

DSHS estimates that the total cost of the additional 4.0 FTEs would be \$268,520 in fiscal year 2020 and \$347,971 in subsequent fiscal years.

DSHS assumes that other operating costs, including oversight support costs from the Health and Human Services Commission and information technology capabilities to track recipes, would equal \$93,984 in fiscal year 2020 and \$69,628 in subsequent fiscal years.

DSHS indicates that costs associated with indirect rates for the health and lab programs would be \$283,046 in fiscal year 2020, \$133,160 in fiscal year 2021, and \$132,893 in subsequent fiscal years.

The estimated total cost in General Revenue to comply with the provisions of the bill would be \$843,900 in fiscal year 2020, \$699,108 in fiscal year 2021, and \$697,742 in subsequent fiscal years.

Technology

Technology costs are estimated to be \$19,536 in fiscal year 2020 and \$17,344 in subsequent fiscal years, relating to licensing costs and information technology-related capital equipment for the additional FTEs.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 529 Health and Human Services Commission, 537 State Health Services,
Department of, 551 Department of Agriculture

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