



Colorado
Legislative
Council
Staff

SB16-058

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 16-0149

Date: February 16, 2016

Prime Sponsor(s): Sen. Hill

Bill Status: Senate Business, Labor & Technology

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BILL TOPIC: COLORADO FARM TO CONSUMER SALES

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
State Revenue	\$300	\$300
Cash Funds	300	300
State Expenditures	(\$98,760)	(\$109,806)
General Fund	(86,921)	(93,302)
Cash Funds	3,800	
Centrally Appropriated Costs	(15,639)	(16,504)
TABOR Impact	\$300	\$300
FTE Position Change	(1.2) FTE	(1.2) FTE
Appropriation Required:	(\$86,921) - Department of Public Health and Environment and \$3,800 - Department of Agriculture (FY 2016-17).	
Future Year Impacts:	Ongoing revenue increase.	

Note: This fiscal note is provided pursuant to Joint Rule 22 (b) (2) and reflects strike-below Amendment L.003.

Summary of Legislation

The bill amends the "Colorado Cottage Foods Act," which allows homemade food producers to sell certain food products directly to consumers. Current law divides the types of products that may be sold by producers into two tiers and specifies the foods that comprise each tier. The bill eliminates the tiered system and the State Board of Health's authority to make rules governing the production of tier two foods, which currently consist of pickled vegetables. The bill expands the type of foods that may be sold by producers under the Cottage Foods Act to include other nonpotentially hazardous foods and encourages, rather than mandates, a producer to take a food safety course.

The bill allows homemade food producers with annual sales of up to \$50,000, rather than \$10,000 per eligible food product, to be covered by the act. The bill defines an informed end

consumer as the last purchaser of a product who has been informed that the product is not licensed, regulated, or inspected. Under the bill, informed end consumers, regardless of age, purchasing food or food products produced under the Cottage Foods Act assume the inherent risks in the purchase, use, or ingestion of the food or food products and are legally responsible for all damages, injury, or deaths that result from the inherent risks of purchasing or ingesting foods produced under the act. However, legal actions based upon the negligence of the producer are not precluded by the bill.

The bill expands the provisions of the Custom Processing of Meat Animals Act, which regulates the slaughter and processing of certain animals for human consumption, to include the processing of poultry, and exempts producers who raise and slaughter up to 1,000 poultry each calendar year from the provisions of the act. Poultry producers exempted from the Custom Processing of Meat Animals Act must continue to comply with the act's requirements related to record keeping and labeling. In order to qualify for the exemption, the producer must not buy or sell poultry products other than those produced on the producer's own farm, the poultry must be properly labeled, be healthy when slaughtered, be slaughtered under sanitary practices, and can only be sold in Colorado.

The bill requires any person who wishes to slaughter more than 1,000 but fewer than 20,000 poultry to obtain a license from the Colorado Department of Agriculture (CDA). Both licensed and exempted poultry producers may sell poultry to individual and licensed food establishments. The CDA is required to consult with the Colorado Department of Public Health and Environment (CDPHE) regarding labeling of poultry sold under the act. All poultry and poultry products must be marked as required by the Agriculture Commissioner by rule.

State Revenue

This bill **increases state revenue from fees by at least \$300 per year beginning in FY 2016-17**. Revenue will be deposited into the Inspection and Consumer Services Cash Fund in CDA. The fiscal note assumes at least one new licensed poultry processing facility will pay the current annual licensing fee of \$300 under this bill.

TABOR Impact

This bill increases state revenue from fees which will increase the amount of money required to be refunded under TABOR. TABOR refunds are paid out of the General Fund.

State Expenditures

This bill will result in an overall **reduction in state expenditures of \$98,760 and 1.2 FTE in FY 2016-17 and \$109,806 and 1.2 FTE in FY 2017-18**. This includes a General Fund reduction for CDPHE of \$102,561 and 1.2 FTE in FY 2016-17 and \$109,806 and 1.2 FTE in FY 2017-18 plus an increase of cash fund expenditures of \$3,800 for FY 2016-17 only from the Inspection and Consumer Services Cash Fund in CDA. These impacts are shown in Table 1 and explained below.

Table 1. Expenditures Under SB16-058		
Cost Components	FY 2016-17	FY 2017-18
Personal Services	(\$70,202)	(\$76,583)
FTE	(1.2) FTE	(1.2) FTE
Operating Expenses and Capital Outlay Costs	(1,140)	(1,140)
Legal Services	3,800	
Computer System Modifications and Maintenance	(1,500)	(1,500)
Travel	(14,079)	(14,079)
Centrally Appropriated Costs*	(15,639)	(16,504)
TOTAL	(\$98,760)	(\$109,806)

* Centrally appropriated costs are not included in the bill's appropriation.

Department of Public Health and Environment. The CDPHE was appropriated funds under House Bill 15-1102 to implement the addition of Tier II foods. Because this bill eliminates the tiers from the Cottage Foods Act, the associated responsibilities which include complaint follow up, field inspections for product labeling, training and outreach to cottage food producers, and enforcement actions for violations of the State Board of Health's rules will no longer be required. The State Board of Health is in the process of adopting rules under HB 16-1102 which will be repealed after the effective date of this bill. The CDPHE will also be required to consult with the CDA on labeling of poultry. This effort is expected to be addressed within existing appropriations.

Department of Agriculture. The CDA is required to develop rules for labeling poultry in consultation with the CDPHE as well as create forms for new small poultry licences. This requires 40 hours of legal services hours from the Department of Law at \$95.01 per hour for a total of \$3,800. Inspection staff will inspect additional processing facilities within existing appropriations.

Higher Education. Some institutions of higher education provide food safety courses for cottage food producers. Because food safety courses are no longer mandatory under the bill, it is likely that fewer producers will take the courses resulting in a reduction in tuition revenue for those institutions that offer them.

Centrally appropriated costs. Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are estimated in the fiscal note for informational purposes and summarized in Table 2.

Table 2. Centrally Appropriated Costs Under SB16-058		
Cost Components	FY 2016-17	FY 2017-18
Employee Insurance (Health, Life, Dental, and Short-term Disability)	(\$9,632)	(\$9,642)
Supplemental Employee Retirement Payments	(6,007)	(6,862)
TOTAL	(\$15,639)	(\$16,504)

Local Government Impact

Some local public health departments provide food safety courses for cottage food producers. Because food safety courses are no longer mandatory under the bill, it is likely that fewer producers will take the courses resulting in a reduction in fee revenue for the departments that offer them.

Effective Date

The bill takes effect August 10, 2016, if the General Assembly adjourns on May 11, 2016, as scheduled, and no referendum petition is filed.

State Appropriations

For FY 2016-17, the Department of Public Health and Environment requires a reduction in its General Fund appropriation of \$86,921. The Department of Agriculture requires an appropriation of \$3,800 from the Inspection and Consumer Services Cash Fund to be reappropriated to the Department of Law.

State and Local Government Contacts

Agriculture
Information Technology

Higher Education
Public Health and Environment

Research Note Available

An LCS Research Note for SB16-058 is available online and through the iLegislate app. Research notes provide additional policy and background information about the bill and summarize action taken by the General Assembly concerning the bill.