



Legislative Council Staff
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Fiscal Note

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Prime Sponsors:

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Bill Status: Bill Request
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Bill Topic: **AUTHORIZING DIRECT-TO-CONSUMER SALES OF RAW MILK**

Summary of Fiscal Impact:	<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
	<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> Local Government
	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill legalizes the direct-to-consumer sales of raw milk if certain conditions are met. It increases state expenditures beginning in FY 2024-25.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of \$388,116 to the Department of Public Health and Environment.

Fiscal Note Status: The fiscal note reflects the draft bill requested by the Water Resources and Agriculture Review Committee.

Table 1
State Fiscal Impacts Under Bill 15

		Budget Year FY 2024-25	Out Year FY 2025-26
Revenue		-	-
Expenditures	General Fund	\$388,116	\$416,844
	Centrally Appropriated	\$63,556	\$73,164
	Total Expenditures	\$451,672	\$490,008
	Total FTE	3.2 FTE	3.7 FTE
Transfers		-	-
Other Budget Impacts	General Fund Reserve	\$58,217	\$62,527

Summary of Legislation

In current law, the sale of raw, unpasteurized milk is prohibited. The bill legalizes the sale of raw cow or goat milk when it is sold directly to consumers at the point of production, the consumer's residence, or at a farmer's market or roadside market.

To sell raw milk, a raw milk producer must be registered with the Department of Public Health and Environment (CDPHE), which must establish handling, storage, labelling, and transportation requirements for the sale of raw milk by rule. CDPHE may investigate raw milk producers and apply a civil penalty or embargo to a producer that violates the program's requirements. CDPHE may also produce educational materials regarding the risks of raw milk consumption.

Background and Assumptions

Although sales of raw milk are prohibited in Colorado, consumption of raw milk is permitted when the consumer owns the cow or goat that produces the milk, or through cow share and goat share programs, where the consumer holds an interest in the livestock and receives the milk directly. The dairy where the animal is located must be registered with CDPHE, and there are about 250 cow share or goat share operations in Colorado. The fiscal note assumes that 80 percent of raw milk producers registered to operate as a cow or goat share will take the additional steps under the bill to sell raw milk.

CDPHE investigates outbreaks associated with raw milk approximately every other year based on current law, as unpasteurized milk can contain bacteria such as campylobacter, e. coli, or salmonella; viruses, and parasites. The fiscal note assumes that CDPHE investigations will increase to one-to-two outbreaks per year due to increased consumption of raw milk.

Lastly, the fiscal note assumes the program will be supported by the General Fund, as the bill does not give the CDPHE specific authority to collect a registration fee. See Technical Note.

State Expenditures

The bill increases expenditures in CDPHE by approximately \$450,000 in FY 2024-25 and \$490,000 in future years. The fiscal note assumes that expenditures are paid from the General Fund. Costs are shown in Table 2 and detailed below.

**Table 3
 Expenditures Under Bill 15**

	FY 2024-25	FY 2025-26
Department of Public Health and Environment		
Personal Services	\$285,010	\$326,108
Operating Expenses	\$4,096	\$4,736
Capital Outlay Costs	\$20,010	-
Laboratory Operating Expenses	\$53,250	\$79,500
Educational Materials	\$25,000	\$5,000
Travel	\$750	\$1,500
Centrally Appropriated Costs ¹	\$63,556	\$73,164
Total Cost	\$451,672	\$490,008
Total FTE	3.2 FTE	3.7 FTE

¹ Centrally appropriated costs are not included in the bill's appropriation.

Department of Public Health and Environment. Expenditures include establishing the new regulatory program to manage registrations of raw milk producers and to investigate complaints or potential disease outbreaks.

- **Staff.** Administering the registration program requires 1.0 FTE in the Division of Environmental Health and Sustainability, decreasing to 0.9 FTE in future years. This work includes drafting rules, maintaining records, reviewing labels, and collaborating on inspections.

In addition, the Disease Control and Public Health Response Division requires 2.7 FTE beginning in FY 2024-25 to investigate outbreaks, collect and test samples, and develop educational materials.

All staff positions are prorated in FY 2024-25 to account for the bill's effective date. Capital outlay and standard operating costs are included.

- **Laboratory operating expenses.** CDPHE requires sample collection testing supplies, estimated at \$225 per sample for 300 samples per year. This is prorated in the first year for the program's start date. Additional operating expenditures include data system upgrades and expanding the laboratory's accreditation scope, which requires an annual fee. CDPHE currently has salmonella and listeria on their lab accreditation scope; they will add e. coli, campylobacter, and brucella.

- **Educational materials.** CDPHE will create general materials for consumers, best practices for producers, and public health response materials in both English and Spanish. Educational materials will be updated as needed in future years.
- **Travel.** CDPHE staff requires additional operating resources for travel to respond to outbreaks.

Department of Law. CDPHE may require general counsel support to promulgate rules for the regulatory program. This can be accomplished within existing legal services appropriations.

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. These costs, which include employee insurance and supplemental employee retirement payments, are shown in Table 2.

Other Budget Impacts

General Fund reserve. Under current law, an amount equal to 15 percent of General Fund appropriations must be set aside in the General Fund statutory reserve. Based on this fiscal note, the bill is expected to increase the amount of General Fund held in reserve by the amounts shown in Table 1, decreasing the amount of General Fund available for other purposes.

Technical Note

Unlike most registration/regulatory programs, the bill does not give the CDPHE specific authority to collect a fee from registered raw milk producers, nor does it identify a cash fund in which fees may be deposited or used to support the program. Thus, the fiscal note assumes that General Fund is required to support the new program.

For information purposes, if the bill is interpreted or amended to allow the CDPHE to collect a registration fee, it is estimated to result in about \$490,000 in cash fund revenue per year, assuming 200 producers register and pay a \$2,450 annual fee. This revenue would be subject to TABOR, which would increase the state's TABOR refund obligation and reduce General Fund available to spend or save throughout the current forecast period (FY 2024-25 and FY 2025-26). If fee revenue is collected, it is assumed to be available to support program expenditures beginning in FY 2025-26.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2024-25, the bill requires a General Fund appropriation of \$388,116 to the Department of Public Health and Environment, and 3.2 FTE.

State and Local Government Contacts

District Attorneys
Public Health and Environment

Information Technology

Law