

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7291

BILL NUMBER: HB 1309

NOTE PREPARED: Feb 17, 2009

BILL AMENDED: Feb 16, 2009

SUBJECT: Home-Based Processors.

FIRST AUTHOR: Rep. Blanton

FIRST SPONSOR: Sen. Steele

BILL STATUS: As Passed House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill establishes a program to allow home-based processors to prepare and sell certain food products. The bill establishes requirements for home based processors.

Effective Date: (Amended) Upon Passage.

Explanation of State Expenditures: (Revised) This bill establishes requirements for food manufactured and sold by home-based processors to be enforced by the State Department of Health (SDH). SDH may perform annual inspections of processing facilities and may perform additional inspections under certain circumstances. Additionally, SDH may also sample and test foods produced by home-based processors under certain conditions. SDH is required to order cessation of production if an imminent health hazard is determined to exist. SDH may also adopt rules regarding the manufacturing and sale of food produced by home-based processors. These provisions may increase the workload of SDH.

SDH currently inspects processing facilities other than home-based processors and regulates their activities to prevent health hazards. SDH reports that in order to inspect and provide regulation of home-based processors, they may require additional staff and resources. The funds and resources required above could be supplied through a variety of sources, including the following: (1) existing staff and resources not currently being used to capacity; (2) existing staff and resources currently being used in another program; (3) authorized, but vacant, staff positions, including those positions that would need to be reclassified; (4) funds that, otherwise, would be reverted; or (5) new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend upon legislative and administrative actions.

(Revised) Background Information: SDH reverted \$4.4 M to the General Fund at the end of FY 2008.

Kentucky has a similar program in which the Kentucky Department of Food Safety provides regulation and oversight. In Kentucky, home-based processors that specialize in low-risk food products are required to register with the Department of Food Safety, but are not assessed a registration fee. These processors are not routinely inspected, but Kentucky reports there is a considerable amount of in-office program and administrative human resource work dedicated to the non-fee generating activities.

Explanation of State Revenues: (Revised) *Penalty Provision*: To the extent that individuals recklessly violate or fail to comply with the labeling requirement contained in the bill, more individuals may be subject to penalties for misbranded products, a Class B misdemeanor. If additional court cases occur and fines are collected, revenue to both the Common School Fund (from fines) and the state General Fund (from court fees) would increase. The maximum fine for a Class B misdemeanor is \$1,000. However, any additional revenue would likely be small.

Explanation of Local Expenditures: (Revised) *Penalty Provision*: A Class B misdemeanor is punishable by up to 180 days in jail.

Explanation of Local Revenues: (Revised) *Penalty Provision*: If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from court fees. However, any change in revenue would likely be small.

State Agencies Affected: SDH; Purdue University.

Local Agencies Affected: Trial courts, local law enforcement agencies.

Information Sources: Scott Gilliam, SDH; Sandra Bastin, The University of Kentucky; Mark Reed, Kentucky Department of Food Safety.

Fiscal Analyst: Bill Brumbach, 232-9559.