

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 838 (Senator Ready)
 Finance

Public Health - Cottage Food Businesses and Home Bakeries

This bill alters the definition of “cottage food product” to mean a *nonpotentially hazardous* food that is sold in the State in accordance with State law and regulations: (1) directly to a consumer from a residence, at a farmer’s market, at a public event, by personal delivery, or by mail delivery or (2) to a retail store, including a grocery store or food cooperative. The bill also applies provisions governing a cottage food business and a cottage food product to a “home bakery” and a “home bakery product” and makes conforming changes.

Fiscal Summary

State Effect: Maryland Department of Health (MDH) general fund expenditures increase by \$51,900 in FY 2027 for additional staff to handle requests related to home bakeries and home bakery products. Revenues are not affected.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	51,900	58,300	61,200	64,000	66,900
Net Effect	(\$51,900)	(\$58,300)	(\$61,200)	(\$64,000)	(\$66,900)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local health departments can handle any additional complaint investigations with existing budgeted resources. Revenues are not affected.

Small Business Effect: Meaningful.

Analysis

Bill Summary: A “home bakery” is a business that (1) produces or packages home bakery products in a residential kitchen; (2) sells the home bakery products in accordance with State law and regulations; and (3) has annual revenues from the sale of home bakery products in an amount not exceeding \$50,000.

“Home bakery product” means a nonpotentially hazardous or potentially hazardous food, as specified in regulations adopted by MDH, that is bread, a cake, a pie, a cookie, a cracker, a doughnut, a muffin, a pastry, a pizza crust, or any other similar baked good, whether partially or completely baked; and is sold in the State in accordance with State law and regulations (1) directly to a consumer from a residence, at a farmer’s market, at a public event, by personal delivery, or by mail delivery or (2) to a retail store, including a grocery store or a food cooperative.

Current Law: A “cottage food business” is a business that (1) produces or packages cottage food products in a residential kitchen; (2) sells the cottage food products; and (3) has annual revenues from the sale of cottage food products in an amount not exceeding \$50,000.

A “cottage food product” is a nonhazardous food that is sold in the State (1) directly to a consumer from a residence, at a farmer’s market, at a public event, by personal delivery, or by mail delivery, or (2) to a retail food store, including a grocery store or a food cooperative.

The owner of a cottage food business may only sell cottage food products that are stored on the premises of the business and are repackaged with a label that contains:

- either (1) the name and address of the business; or (2) the name and phone number of the business and the identification number assigned to the business;
- the name of the cottage food product;
- the ingredients of the cottage food product in descending order of the amount of each ingredient by weight;
- the net weight or net volume of the cottage food product;
- allergen information as specified by federal labeling requirements;
- if any nutritional claim is made, nutritional information as specified by federal labeling requirements;
- a specific statement designating the product as being made by a cottage food business; and

- if the product is offered for sale at a retail food store, (1) the phone number and e-mail address of the cottage food business and (2) the date the cottage food product was made.

A cottage food business does not need to be licensed by MDH if it complies with applicable laws and regulations. Before selling cottage food products, the business owner must submit to MDH (1) documentation of successful completion of a food safety course, and (2) the label that will be affixed to the cottage food product. A cottage food business is not exempt from applicable State and federal tax laws. MDH provides each cottage food business with a unique identification number, which must be included in their labeling.

The definitions of food processing plant and food service facility are not inclusive of cottage food businesses.

MDH may investigate any complaint alleging a violation of the law by a cottage food business in the State. On receipt of a complaint, a representative of MDH may enter and inspect the premises of a cottage food business at a reasonable time to determine compliance. The owner of a cottage food business may not refuse access to the representative, nor may the owner interfere with the inspection. An investigation may include sampling a cottage food product to determine if it is misbranded or adulterated.

By December 30 annually, MDH must report to the Senate Finance Committee and House Health Committee (1) the documentation and labels submitted by cottage food businesses and (2) any complaints received related to a cottage food business or product.

State Fiscal Effect: MDH advises that it currently provides technical assistance for cottage food businesses, including commenting on product labels to ensure they meet requirements, and it has seen annual increases in requests for assistance and unique identification numbers. By adding home bakeries, MDH anticipates a significant increase in workload.

Therefore, MDH general fund expenditures increase by \$51,857 in fiscal 2027, which accounts for the bill’s October 1, 2026 effective date. This estimate reflects the cost of hiring one part-time (50%) sanitarian to handle increased requests and complaints related to home bakery businesses and products. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	0.5
Salary and Fringe Benefits	\$43,758
Operating Expenses	<u>8,099</u>
Total FY 2027 State Expenditures	\$51,857

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Small Business Effect: Additional small businesses may be able to generate revenue as a home bakery under the new designation.

Additional Comments: MDH advises that cottage food businesses operate out of private kitchens, which are not regulated by the State. The bill would increase the variety of products being produced in residential kitchens. Home kitchens operating at a high capacity under the bill may be more likely to have food contamination or other safety concerns, and allowing partially cooked hazardous baked goods to be sold by home bakeries may further increase safety concerns.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See SB 701 of 2025.

Designated Cross File: None.

Information Source(s): Maryland Association of County Health Officers; Maryland Department of Agriculture; Maryland Department of Health; Department of Legislative Services

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