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**SF 2390** – Licensure of Food Establishments (LSB2427SV)  
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Fiscal Note Version – As Amended and Passed By the Senate

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**Description**

**Senate File 2390** as amended changes requirements related to hotel sanitation, home bakeries, food establishments, and food processing plants. The Bill makes the following changes:

- Revises fee structures and increases annual license fees for retail food establishments (grocery stores), food service establishments (restaurants), home food establishments, mobile food vendors, hotels, food processing plants, and farmers market vendors.
- Assesses new fees for school production kitchens and serving sites.
- Requires a food establishment or food processing plant seeking licensure to renew prior to the time of the expiration of licensure or within 60 days of the expiration date.
- Adds a \$200 general application fee for licensure under Iowa Code chapter [137F](#) with specified exclusions within the Bill. Additionally, the Bill requires an individual conducting an event to submit a \$50 application fee 60 days prior to the event.
- Changes the penalty from a flat 10.0% upon failure to renew a licensure on or before the expiration date to 10.0% of the license fee per month.

The Bill is effective January 1, 2019.

**Background**

The Food and Consumer Safety Bureau, located in the Administration Division of the Department of Inspections and Appeals (DIA), is responsible for administering and enforcing the Iowa Food Code (Iowa Code chapter [137F](#)). The Bureau conducts food safety inspections at food establishments (grocery stores, convenience stores, and restaurants), food processing plants, school concession stands, and mobile food units. Currently, the DIA collects annual license fees from retail food establishments (grocery stores) and food service establishments (restaurants) at an amount that corresponds to the establishment's gross annual sales.

**Assumptions**

- All applicable establishments and vendors will remit license fees at the new license fee amount.
- Current fee revenue is based on FY 2015 and FY 2016 data.
- If an establishment is licensed as both a grocery and restaurant, the grocery is presumed to be the predominant form of sales.

**Fee Changes**

Table 1 details the fee changes for hotel food sites as a result of [SF 2390](#) as amended.

**Table 1  
Hotel Food Sites  
Current vs. Proposed Annual License Fee Structures**

Current		Proposed	
Guest Rooms	License Fee	Guest Rooms	License Fee
1-15 Rooms	\$ 27.00	1 to 30 Rooms	\$ 50.00
16-30 Rooms	40.50	31-100 Rooms	100.00
31-75 Rooms	54.00	More than 100 Rooms	150.00
76-149 Rooms	57.50		
More than 149 Rooms	101.25		

Hotel licenses that are not renewed by the licensee on or before the expiration date will be assessed a penalty of 10.0% of the above license fee per month beyond the expiration date if the license is renewed at a later date. The estimated increase in license fee revenue due to the restructuring of and increases in hotel food site fees is \$15,000.

**Home Food Establishments (Bakeries)**

The current annual license fee for home food establishments is \$33.75. The Bill will increase the annual license fee for home food establishments to \$50.00. This \$16.25 increase in fees is expected to increase license fee revenue from home food establishments by \$25,000.

**Table 2  
Food Service Establishments  
Current vs. Proposed Fee Structures**

Current		Proposed	
Gross Annual Sales	License Fee	Gross Annual Sales	License Fee
Less than \$50,000	\$ 67.50	Less than \$100,000	\$ 150.00
\$50,000-\$99,999.99	114.50	Between \$100,000 and \$500,000	300.00
\$100,000-\$249,999.99	236.25	\$500,000 or more	400.00
\$250,000-\$499,999.99	275.00		
\$500,000 or more	303.75		

The estimated increase in license fee revenue from food service establishments as a result of [SF 2390](#) as amended is \$454,050.

**Table 3**  
**Retail Food Establishments**  
**Current vs. Proposed Fee Structures**

Current		Proposed	
Gross Annual Sales	License Fee	Gross Annual Sales	License Fee
Less than \$10,000	\$ 40.50	Less than \$250,000	\$ 150.00
\$10,000-\$249,999.99	101.25	Between \$250,000 and \$750,000	300.00
\$250,000-\$499,999.99	155.25	\$750,000 or more	400.00
\$500,000-\$749,999.99	202.50		
\$750,000 or more	303.75		

The estimated increase in license fee revenue from retail food establishments as a result of [SF 2390](#) as amended is \$276,500.

**School Food Fees**

The Bill assesses new fees for school food serving and production kitchen sites. There are approximately 500 school food production kitchens, and each production kitchen will be assessed a new fee of \$300 under the Bill. There are approximately 91 school food serving sites, and each serving site will be assessed a new fee of \$200. The new fees assessed for school food serving sites and production kitchen sites are estimated to generate \$170,000 in additional revenue.

**Mobile Food Vendors**

The current annual license fee for mobile food vendors is \$27, and the Bill will increase the fee to \$250. This increase is expected to generate an additional \$134,800 in license fee revenue.

**Food Processing Plants**

**Table 4**  
**Food Processing Plants**  
**Current vs. Proposed Fee Structures**

Current		Proposed	
Gross Annual Sales	License Fee	Gross Annual Sales	License Fee
Less than \$50,000	\$ 67.50	Less than \$200,000	\$ 150.00
\$50,000-\$249,999.99	135.00	\$200,000-\$1,999,999.99	300.00
\$250,000-\$499,999.99	202.50	\$2,000,000 or more	500.00
\$500,000 or more	337.50		

The estimated increase in license fee revenue due to the restructuring of an increase in food processing plant fees is \$57,300.

**Farmers Market Vendors**

Farmers market vendors are currently assessed a license fee of \$100, and the Bill increases the fee to \$150. This increase is expected to generate an additional \$6,700 in license fee revenue.

**Fiscal Impact**

The General Fund fiscal impact of [SF 2390](#) as amended would be an increase in revenues of approximately \$1.3 million annually due to increased fees. The DIA is permitted to retain up to \$800,000 in license fee revenue collected by the Department (with the exception of license fees collected on behalf of a municipal corporation). The DIA can then use the collected fee revenue to cover the costs of local food inspections. The amount of fee revenue over \$800,000 is deposited into the General Fund. As a result of the Bill, an estimated \$563,350 would be deposited into the General Fund.

The detailed breakdown is as follows:

**Table 5**  
**Estimated New Fee Revenue under SF 2390**

<b>Food Establishment</b>	<b>Fee Type</b>	<b>New Fee Revenue</b>
Hotel Food Sites	License	\$ 15,000
Home Bakeries	License	25,000
Food Service Establishments	License	454,050
Temporary Foods	Application	30,000
Vending Machines	License	3,000
Mobile Food Vendors	License	134,800
Retail Food Establishments	License	276,500
Food Processing Plants	License	57,300
Farmers Market Vendors	License	6,700
Large Events	Application	1,000
School Food Production Kitchens	License	151,800
School Food Serving Sites	License	18,200
All Non-Exempt Entities	Application	190,000
<b>Total Revenue</b>		<b>\$ 1,363,350</b>

**Source**

Department of Inspections and Appeals

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/s/ Holly M. Lyons

April 26, 2018

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.