

Department of Legislative Services  
 Maryland General Assembly  
 2018 Session

FISCAL AND POLICY NOTE  
 Third Reader - Revised

Senate Bill 956

(Senator Eckardt, *et al.*)

Finance and Budget and Taxation

Economic Matters

Alcoholic Beverages - Maryland Beer and Brewery Promotion Program -  
 Establishment

This bill establishes the Maryland Beer and Brewery Promotion Program and Fund in the Department of Commerce (Commerce). The program provides grants to eligible applicants designed to promote Maryland beer, assist Maryland breweries, and educate the public about brewing in Maryland. The fund is established as a special fund in the department, and receives the revenue collected from the existing 9 cents per gallon alcoholic beverages tax on beer produced at Maryland breweries. **The bill takes effect July 1, 2018.**

Fiscal Summary

**State Effect:** General fund revenues decrease by about \$0.8 million annually. Special fund revenues and expenditures increase correspondingly. Special fund revenues and expenditures increase further to the extent that State agencies receive grants under the program (not shown below).

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Revenue	(\$787,800)	(\$779,900)	(\$779,900)	(\$779,900)	(\$779,900)
SF Revenue	\$787,800	\$779,900	\$779,900	\$779,900	\$779,900
SF Expenditure	\$787,800	\$779,900	\$779,900	\$779,900	\$779,900
Net Effect	(\$787,800)	(\$779,900)	(\$779,900)	(\$779,900)	(\$779,900)

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

**Local Effect:** Local revenues and expenditures increase beginning as early as FY 2019 to the extent that local governments receive grants under the program.

**Small Business Effect:** Potential meaningful.

## Analysis

**Bill Summary:** The purposes of the program are to (1) provide grants to nonprofit organizations and government agencies designed to promote Maryland beer, assist Maryland breweries, and educate the public about brewing in Maryland and (2) conduct other promotional activities.

In order to qualify for participation in the program, an applicant must be a nonprofit organization or a government agency. The fund may only be used to provide (1) grants to eligible applicants that are consistent with the purposes of the program and (2) for the program's administrative expenses. Expenditures from the fund may only be made in accordance with the State budget. An eligible applicant may not use a grant provided under the program to satisfy a matching fund requirement of another State grant.

**Current Law/Background:** The alcoholic beverages tax on beer is 9 cents per gallon. This is separate and distinct from the 9% sales tax imposed on alcoholic beverages. Generally, revenues from this tax and the related taxes on distilled spirits and wine are deposited into the general fund after making a distribution to an administrative cost account for costs associated with administering the alcoholic beverages tax laws. Fiscal 2017 revenues from the tax on distilled spirits, wine, and beer were \$16.9 million, \$6.9 million, and \$8.3 million, respectively.

Chapter 282 of 2015 redirected revenue from the alcoholic beverages tax on wine produced at Maryland wineries to the Maryland Wine and Grape Promotion Fund in the Maryland Department of Agriculture, which is used to provide grants to nongovernmental organizations and to conduct other activities for promotional purposes. The fiscal and policy note for that legislation estimated about \$170,000 would be redirected annually from the general fund.

Breweries in Maryland holding a Class 5 brewery, Class 7 micro-brewery, or Class 8 farm brewery license represent all of the breweries producing beer in the State. The Comptroller's Office estimates that 12% of all beer consumed in Maryland is craft beer, of which about 80% is produced in Maryland.

**State Fiscal Effect:** Based on the Comptroller's projections for revenues from the alcoholic beverages tax on beer produced at Maryland breweries, general fund revenues decrease by about \$0.8 million annually beginning in fiscal 2019. Special fund revenues and expenditures for Commerce increase correspondingly to provide grants to eligible recipients and for administrative expenses. This analysis assumes that Commerce can administer the grants through its existing staff at the Maryland Office of Tourism. To the extent this is not the case in a given fiscal year, less grant funding may be provided. Special

fund revenues and expenditures for State agencies that receive grants from the program increase beginning as early as fiscal 2019.

**Local Fiscal Effect:** Local revenues and expenditures increase beginning as early as fiscal 2019 from grants received from the program.

**Small Business Effect:** Small nonprofits that receive grant funding from the program directly benefit from the funding and are able to promote Maryland beer and conduct other activities for promotional purposes. Most breweries are also small businesses and may benefit from additional revenue due to the promotional activities.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 1370 (Delegate Luedtke, *et al.*) - Economic Matters.

**Information Source(s):** Department of Commerce; Comptroller's Office; Department of Legislative Services

**Fiscal Note History:** First Reader - February 22, 2018  
nb/rhh Third Reader - April 5, 2018  
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