

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 305 (Delegates Lisanti and Kerr)
 Economic Matters

Department of Agriculture - Maryland Made Promotion Fund

This bill establishes a Maryland Made Promotion Fund, administered by the Maryland Department of Agriculture (MDA), to develop and promote the use of a “Maryland Made” logo to promote alcoholic beverages that are produced using ingredients grown in the State. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: General/special fund expenditures increase by at least \$53,500 in FY 2021; future years reflect ongoing costs. Special fund revenues increase beginning in FY 2021 from any fees charged by MDA, as discussed below.

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
SF Revenue	-	-	-	-	-
GF/SF Exp.	\$53,500	\$47,200	\$48,200	\$49,900	\$51,600
Net Effect	(-)	(-)	(-)	(-)	(-)

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

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: MDA is authorized to establish an application process for the use of the “Maryland Made” logo and charge a reasonable fee for the use of the logo. Any fees collected are deposited in the fund, which consists primarily of the fees and any money

appropriated in the State budget to the fund. Interest earnings of the fund are credited to the fund and do not accrue to the general fund.

The fund may be used only for:

- the development of a “Maryland Made” logo to be used by manufacturers, wholesalers, and retailers of alcoholic beverages to indicate that the manufacturer of an alcoholic beverage ensures that at least 51% of the ingredients used in the annual production of the alcoholic beverage are grown in the State;
- public education and outreach efforts to promote the use of the “Maryland Made” logo;
- promotions, in coordination with the Maryland Office of Tourism, of alcoholic beverages that use the “Maryland Made” logo; and
- reasonable costs of administering the fund.

Current Law/Background:

Current Statutory Authority

The Secretary of Agriculture has certain authority under current statute to establish and/or regulate marketing insignia or terms for agricultural products of the State. The Secretary, for example, may:

- devise and establish official trademarks or other insignia for farm products of the State and secure copyrights for them under the law of the United States or the State;
- permit the use of official trademarks or other insignia on farm products of the State or on their containers and charge reasonable and necessary fees for that use;
- prevent the unauthorized or improper use of official trademarks or other insignia and protect them from infringements; and
- adopt related regulations and take any other related actions necessary.

The Secretary is also authorized (under Chapter 413 of 2010) to adopt standards to regulate the use of the terms “locally grown” and “local” to advertise or identify an agricultural product.

Maryland Department of Agriculture’s Marketing Program

The *2019 MDA Annual Report* describes Maryland’s Best, the department’s agricultural marketing program as engaging in various efforts to promote the State’s agricultural products, focusing on reaching the entire supply chain. The program is primarily supported by federal funding from the U.S Department of Agriculture’s Specialty Crop Block Grant

Program, supplemented by State funds (due to restrictions on federal funding) used to promote dairy, meat, poultry, and agritourism. In 2019, the program's efforts included (1) the Maryland's Best Food and Beverage Expo, an event to connect Maryland farmers and processors with wholesale buyers, and Growing the Movement, an expo that connects Maryland cut flower growers with regional florists; (2) dissemination of information through the Maryland's Best website, press releases, and radio, print, and online advertising; (3) Maryland's Best Buy Local Week; and (4) Maryland's Best Ice Cream Trail.

Licensed Alcoholic Beverage Manufacturers

Alcoholic beverages manufacturers (breweries, wineries, and distilleries) are currently licensed and regulated by the Comptroller's Office; however, these regulatory and licensing duties must transfer to the Alcohol and Tobacco Commission by July 1, 2020, pursuant to Chapter 12 of 2019. There are nine licenses that authorize the production of alcoholic beverages in the State: four for beer, two for wine, and three for liquor. Each license authorizes the production of different amounts of beer, wine, or liquor and grants the license holder various other privileges and responsibilities related to, among other things, the sale and sampling of beer, wine, or liquor products on the licensed premises, the sale of food, and whether the license holder must use State-grown agricultural products.

For example, a Class 5 brewery license authorizes the brewing of any amount of beer with few other restrictions, while a Class 8 farm brewery license authorizes only the brewing of up to 15,000 barrels of beer each year, but that beer must be manufactured with an ingredient from a Maryland agricultural product. Under a Class 4 limited winery license, the license holder must own or have under contract at least 20 acres of grapes or other fruit in cultivation in the State for use in the production of wine. If less than 20 acres are owned or under contract, at least 51% of the ingredients used in the annual production of the license holder's wine must be grapes or other fruit grown in the State. The Secretary of Agriculture may grant a one-year exemption to an applicant, from the percentage requirement.

State Revenues: Special fund revenues to the new fund increase beginning in fiscal 2021, reflecting the collection of any fees charged by MDA for the use of the "Maryland Made" logo. Under the bill, MDA is explicitly authorized to charge a reasonable fee for the use of a "Maryland Made" logo. A reliable estimate of any increase in special fund revenues cannot be made at this time.

State Expenditures: General/special fund expenditures increase by at least \$53,501 in fiscal 2021, which accounts for the bill's July 1, 2020 effective date. This estimate reflects the cost of hiring a part-time agricultural marketing specialist to manage the program. The estimate includes a salary, fringe benefits, one-time start-up costs, and ongoing operating

expenses. The information and assumptions used in calculating the estimate are stated below:

- Management of the program cannot be absorbed by existing staff; MDA indicates that current marketing staff are fully engaged in other marketing programs.
- General funds are needed to cover any costs not covered with fee revenues; as noted above, the extent to which fees are charged by MDA under the bill is unknown.
- General/special fund expenditures may increase by a greater amount to cover any additional costs (*e.g.*, advertising) for the promotion of the use of the “Maryland Made” logo and the products using it.

Position	0.5
Salary and Fringe Benefits	\$48,293
Operating Expenses	<u>5,208</u>
Minimum FY 2021 State Expenditures	\$53,501

Future year expenditures reflect salaries with annual increases and employee turnover and ongoing operating expenses.

Small Business Effect: The bill may have a meaningful impact on small businesses – whether producers of agricultural products used by alcoholic beverages manufacturers, or manufacturers, wholesalers, or retailers who use the “Maryland Made” logo – to the extent the logo and the Maryland Made Promotion Fund’s promotion of the products using it increases the demand for those small businesses’ products. MDA indicates that there is a fairly well-documented preference for local agricultural/food products in the State.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Maryland Department of Agriculture; Comptroller’s Office; Department of Legislative Services

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mm/lgc

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