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Ways and Means Committee

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THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

February 17, 2020

FAVORABLE SUPPORT of HB 1333
Minority Participation in the Alcoholic Beverages Industry - Study

Dear Chairman Davis and Members of the Economic Matters Committee:

I urge you to vote a favorable report on HB 1333: Minority Participation in the Alcoholic Beverages Industry - Study. HB 1333 seeks to provide recommendations to the ongoing disparities in the alcoholic beverages industry in the state.

What the Bill Does

This bill requires the Governor's Office of Small, Minority, and Women Business Affairs (GOSBA), in consultation with specified entities, to conduct a study of the participation of minority-owned businesses in the alcoholic beverages industry in the State.

The legislation will serve as a basis in determining and reporting the disparity levels of the industry which, since the end of Prohibition in 1933, has been dominated by a small number of companies. Doing such, would expand opportunities for minority distributors in the state of Maryland to distribute to regulated venues that are engaged in the purchase of alcoholic beverages.

The study conducted will provide a substantial reporting through the following areas:

1. **Research of historical and current levels of participation by minority-owned businesses** in the alcoholic beverages industry in the State
2. **Evaluation of market activity in retail sales** of alcoholic beverages in the State, especially in areas with high **concentrations of minority population**
3. **Demonstration of disparities in the levels of participation of minorities** in the alcoholic beverages industry through a commissioned and completed disparity study
4. Provide **recommendations for legally supportable mechanisms to increase the participation** of minorities in each tier of the alcoholic beverages industry

GOSBA must report its findings and recommendations to the Governor and General Assembly **by January 1, 2021**.

Why Support the Bill

Although minorities, particularly African Americans, constitute a considerable portion of the consumers of alcoholic beverages, we are grossly underrepresented in the alcoholic beverages industry's three-tier distribution system, as manufacturers, wholesalers, and retailers.

The structure of the alcoholic beverages industry has systemically impeded progress for minorities seeking to operate a successful business in the marketplace. Over 30 percent of our state's populations is African American. As such, the minority population plays a major role in the purchase and consumption of distilled spirits contributing significantly to the \$600 million in revenue generated by this industry in 2018-2019.

It is no secret that economies strengthen and become more profitable when diversity is prioritized. As the Chairman of the Legislative Black Caucus, I understand that MBEs are not limited to solely African-American firms, rather black businesses represent a strong subset of the minority population which serves as the engine for a vibrant economic community in the state of Maryland.

Without legislation that confirms these ongoing disparities, minorities will continue to be cut out of the revenue stream in the alcoholic beverage industry.

Fiscal Impact

Generally, a statewide disparity study costs between \$3 million and \$5 million. However, GOSBA advises that if an original study for the alcohol industry is necessary, it may cost as much as \$500,000. It is to be noted that GOSBA can conduct the study with existing resources, as mentioned in the bill's fiscal note.

I strongly urge you to support HB 1333: Minority Participation in the Alcoholic Beverages Industry - Study

Sincerely,

Darryl Barnes

Darryl Barnes
Chairman, Legislative Black Caucus of Maryland, Inc.