

SB338 as amended Class C.pdf

Uploaded by: Lory Ebron

Position: FAV

COMMISSIONERS FOR SOMERSET COUNTY

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COMMISSIONERS

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RANDY LAIRD, VICE-PRESIDENT
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DEPUTY COUNTY ADMINISTRATOR
ERNEST J. LEATHERBURY, JR.

COUNTY ATTORNEY
KIRK G. SIMPKINS

February 7, 2024

The Honorable Pamela Beidle
Finance Committee
3 East
Miller Senate Office Building
Annapolis, MD 21401

Re: **Senate Bill 338 as amended** –Alcoholic Beverages-Class C Fraternal or Sororal Organization – **Letter of Support**

Dear Senator Beidle and Committee Members:

The Board of Commissioners for Somerset County wish to state their support to Senate Bill 338 as amended – Alcoholic Beverages-Class C Fraternal or Sororal Organization.

The passage of the local bill will allow Service Club license holders in Somerset County to purchase alcohol from local retailers. The burden of cost to these non-profit organizations is causing much hardship; as currently they are required to buy bulk amounts from three specific distributors/wholesalers, two of which are located across the Bay Bridge, and the other in Salisbury; who only deliver once a week. Having to purchase in this way is a financial hardship to their inventory expense.

The benefits that will be gained by the passage of this bill will improve cost control by eliminating required minimum purchases, providing flexibility to buy minimum requirements such as single bottles, split cases and last-minute purchases that are needed. In addition, the passage of this bill will create a more competitive marketplace and reduce delivery scheduling and volunteer requirements.

Thank you for your consideration, and we therefore powerfully recommend a **favorable report** on SB 338 as amended.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Charles Laird', is written over a faint circular stamp.

Charles Laird
President

Cc: Delegate Otto

SB 338 - Carozza Testimony_FINAL.pdf

Uploaded by: Senator Mary Beth Carozza

Position: FAV

MARY BETH CAROZZA
Legislative District 38
Somerset, Wicomico,
and Worcester Counties

Education, Energy, and
the Environment Committee



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Executive Nominations Committee

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

February 23, 2024

The Senate Finance Committee

**SB 338 – Somerset County – Alcoholic Beverages – Class C Veterans’
Organization or Club License**

Statement of Support by Bill Sponsor Senator Mary Beth Carozza

Thank you Chair Beidle, Vice Chair Klausmeier, and members of the distinguished Senate Finance Committee for this opportunity to present Senate Bill 338 – Somerset County – Alcoholic Beverages – Class C Veterans’ Organization or Club License as amended.

SB 338 as amended would allow the holder of a Class C (veterans’ organization or club) beer, wine, and liquor license in Somerset County to purchase liquor from a retail dealer. A Class C license is issued to “a local unit of a nationwide nonprofit veterans’ organization or club” such as the American Legion Post 16. This nonprofit located in Crisfield donated over \$175,000 last year to support needed veterans’ programs, youth activities, and many other local and regional nonprofit organizations.

American Legion Post 16 in Crisfield, Maryland brought the need for this legislation to the attention of the Somerset County Commissioners. In your hearing packet, the Somerset County Commissioners highlight the benefits of the legislation for nonprofits including improving cost control by eliminating required minimum purchases, providing flexibility to buy minimum requirements such as single bottles, split cases and last-minute purchases if needed.

American Legion Post 16 Commander Donald Waters has provided written testimony that the requirement to purchase nearly all wine and spirits from three large distributors, two of which are located on the Western Shore, is a major cost disadvantage and financial hardship on American Legion Post 16, which is a small and local operation. You also will hear oral testimony from the Adjutant of American Legion Post 16, Terry Pehan, who emphasizes the importance of being able to purchase competitively in this challenging economic environment.

I want to publicly thank Adjutant Pehan for making the extra effort to travel from Crisfield to be with us today and for his leadership with ongoing efforts to resolve the current purchasing challenges of American Legion Post 16, and of course for his 26 years of military service in the United States Air Force.

Prior to the repeal of the Somerset County Liquor Control Board, small clubs and small bars and restaurants could only purchase from the Somerset County Liquor Control Board, which did not require the purchase of an entire case of one type of liquor, whereas the wholesalers impose a per-bottle fee on any bottle of liquor not sold by the case. The Somerset County Liquor Control Board never required these small organizations with limited funding and limited customer bases to order in advance, to place minimum sized orders, or to order by the case and never imposed an additional fee for doing so.

None of the wholesalers operate brick and mortar establishments in Somerset County and all purchases from the wholesalers must be made by ordering in advance and through delivery to the legion. The three wholesalers only deliver once a week, not on the same day, and not during Post 16's normal business hours, which are late afternoon or evening. All have a three-case minimum purchase, forcing these small establishments to carry a huge and expensive inventory, limits their critical cash flow, and leaves these small volunteer organizations struggling to coordinate with the wholesalers on delivery. This was an unintended consequence of abolishing the Somerset County Liquor Control Board that we hope to rectify.

I am aware of the opposition of the Alcohol, Tobacco, and Cannabis Commission, and last week I requested Executive Director Jeff Kelly to work directly with us on possible solutions to resolving the current purchasing challenges facing American Legion Post 16 and other Class C beer, wine, and liquor retail license holders in Somerset County. These efforts are ongoing, and I want to thank Director Kelly for his leadership in assisting us with the issues that prompted this legislation.

I thank you for your kind attention and consideration, and I respectfully request a favorable report on SB 338 as amended.

Senate Amendment.pdf

Uploaded by: Senator Mary Beth Carozza

Position: FAV



SB0338/913528/1

AMENDMENTS
PREPARED
BY THE
DEPT. OF LEGISLATIVE
SERVICES

12 FEB 24
08:38:31

BY: Senator Carozza
(To be offered in the Finance Committee)

AMENDMENTS TO SENATE BILL 338
(First Reading File Bill)

AMENDMENT NO. 1

On page 1, in line 2, after “C” insert “**Fraternal or Sororal Organization and**”; in line 3, strike “License” and substitute “**Licenses**”; in line 4, after “Class C” insert “(fraternal or sororal organization) or a Class C”; and in line 14, after “Section” insert “29-1001 and”.

AMENDMENT NO. 2

On page 1, after line 21, insert:

“29-1001.

(a) There is a Class C (fraternal or sororal organization) beer, wine, and liquor license.

(b) The Board may issue the license for use by a lodge or chapter of a nonprofit and nationwide fraternal or sororal organization that:

(1) is composed of inducted members;

(2) was operating in the county for at least 1 year before the license application was made;

(3) has at least 25 members paying dues of at least \$15 per year per member; and

(4) owns or operates a home or clubhouse that is principally for the use of its members and guests when accompanied by members.

(c) The license authorizes the license holder to sell beer, wine, and liquor at retail at the place described in the license for on-premises consumption.

(d) The license holder may sell beer, wine, and liquor during the hours and days as set out for a Class C beer, wine, and liquor license under § 29–2004 of this title.

(e) NOTWITHSTANDING ANY OTHER PROVISION OF LAW, THE LICENSE HOLDER MAY PURCHASE ALCOHOLIC BEVERAGES FROM A RETAIL DEALER.

(F) The annual license fee is \$316.”.

Senate Delegation Support - Committee Requirement.

Uploaded by: Senator Mary Beth Carozza

Position: FAV

MARY BETH CAROZZA
Legislative District 38
Somerset, Wicomico,
and Worcester Counties

Education, Energy, and
the Environment Committee

Executive Nominations Committee



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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

February 22, 2024

The Honorable Pamela Beidle
Senate Finance Committee
3 East
Miller Senate Office Building
Annapolis, Maryland 21401

Dear Chair Beidle,

The Somerset County Delegation supports Senate Bill 338 – Somerset County – Alcoholic Beverages – Class C Veterans’ Organization or Club License. I thank you for your committee’s consideration of this bill and request a favorable report.

In Service,

A handwritten signature in black ink that reads "Mary Beth Carozza".

MARY BETH CAROZZA
State Senator – District 38
Somerset, Worcester, and Wicomico

SB338 23 Feb 24 - rev 2.pdf

Uploaded by: Terry Pehan

Position: FWA

SB338/Senate Finance Committee
Oral/Written Testimony 23 Feb 24
American Legion Stanley Cochrane Post 16 Crisfield, Md.
Terry S. Pehan, Adjutant

The Honorable Pamela Beidle and Committee Members:

Chairman Beidle and Committee members, good afternoon. I am Terry Pehan. I'm a volunteer, and serve as Adjutant of our American Legion Post in Crisfield, Maryland. I am also a retired Air Force officer having served for over 26 years. Thank you for this opportunity to appear before the Senate Finance Committee in support of SB338.

When Somerset County divested itself from operating the county alcohol dispensary, the accepted understanding was that local establishments, like the Legion and the Elks, holders of "Class C: Beer, Wine and Liquor licenses" would be able to purchase their alcohol requirements from any licensed county retailer.

The current system of requiring **ALL** alcohol beverages to be purchased **ONLY** from state authorized wholesale distributors was, we believe, an unintentional result. After all, why would small, non-profit organizations like our local Legion Post and Elks Lodges be forced to buy ALL their alcohol from a mini-monopoly of only three alcohol distributors???

I would like to strongly emphasize that these same restrictive alcohol purchasing requirements DO NOT EXIST for any other products needed to operate our small Post. For example, food and operational supplies.

We can buy our food from large wholesale distributors like Holt and Sysco...or, we can buy whatever we need from our local Food Lion, Dollar General, small seafood businesses or farmers' markets. There are NO restrictions on our purchasing from any of these suppliers, only on alcohol!

It is important to emphasize that the mini-monopolies of the three alcohol distributors are not being eliminated from selling to the Legion. SB338 provides us choice! The same choice that you and I enjoy every day so that competitive, "best price" purchasing is provided to small, non-profit organizations like the Legion and the Elks.

We all competitively purchase every day for essential commodities like gasoline, food, clothes; and.... we "shop around" so to speak. Well, for the Legion and Elks, an essential commodity is alcohol. We need to be provided that same opportunity to purchase competitively to "shop around"from county retail businesses as well as our current wholesalers.

Your support of SB338 will allow veteran and fraternal organizations like the Legion and the Elks to purchase in smaller quantities, purchase last minute requirements and most importantly, to purchase competitively in this challenging economic environment.

We need your help to survive!! We strongly ask for your favorable report on SB338 as amended.

Thank You.

SB338 Waters Alcohol Class C as Amended.pdf

Uploaded by: Terry Pehan

Position: FWA

February 12, 2024

The Honorable Pamela Beidle
3E Miller Senate Office Building
11 Bladen Street
Annapolis, Md. 21401

Re: **Senate Bill 338 as amended** – Alcoholic Beverages-Class C Fraternal or Sororal Organization – **Letter of Support**

Dear Senator Beidle and Committee Members:

The Officers of American Legion Stanley Cochran Post 16 in Crisfield Maryland wish to state their strong support to Senate Bill 338 as amended – Alcoholic Beverages-Class C Fraternal or Sororal Organization.

We are a non-profit veterans organization governed by a membership elected group of volunteers and supported by our membership of Legionnaires, Auxiliary and Sons of the Legion. The passage of this local bill will allow us, and like service club license holders, to purchase alcohol from local retailers. We are currently required to purchase all alcohol from three large distributors, two of which are located on the western shore, at a major cost disadvantage for our small and local operation. Additionally, the majority of our purchases MUST be made by-the-case, or pay a “price penalty” for a lesser order or split case. Requiring purchases in this manner is a major financial hardship and requires excessive inventory expense. By comparison, we also buy food product and soft goods from two large food distributors, SYSCO and Holt Foods. Yet, we can also buy from our local Food Lion store, seafood distributors and farmer’s markets without restriction. This allows us the needed ability to competitively purchase and also purchase in small quantities and last minute items when needed. Why should there be such a required disadvantage and penalty in our purchase of alcohol??

The benefits to be gained by the passage of this bill will significantly help to improve our cost control and cash flow, both of which are critically important to us and to our ability to survive and operate in this economic environment.

Thank you for your consideration, and we respectfully and strongly recommend a **favorable report** on SB 338 as amended.

Sincerely,
Donald Waters
Commander

SB338 - Somertset County - Alcoholic Beverages - C

Uploaded by: Alcohol, Tobacco, and Cannabis Administration Thomas Akras

Position: UNF



February 23, 2024

BILL: SB338 – Somerset County - Alcoholic Beverages - Class C Veterans' Organization or Club License
COMMITTEE: Finance Committee
POSITION: Unfavorable Report

Hon. Pamela Beidle, Chair and Members of the Finance Committee

I write on behalf of the Alcohol, Tobacco, and Cannabis Commission (ATCC) to request the Finance Committee to issue **an unfavorable report on SB338 – Somerset County - Alcoholic Beverages - Class C Veterans' Organization or Club License.**

SB338 seeks to allow a Class C (Veterans Organization or Club) beer, wine, and liquor retail license holder to purchase alcoholic beverages from another retail dealer for resale at their premises.

State law requires that a permanent retail license holder may only purchase alcoholic beverages for sale from a licensed wholesaler.¹ Passage of SB338 would set a new precedent by allowing a permanent retail license holder to purchase alcoholic beverages from another retailer, which would be in direct conflict with Maryland's three-tier system of regulation. Only temporary or "per diem" alcoholic beverage license holders are exempted from this rule, which exist only for the duration of a special event.²

Maryland operates under a three-tier alcoholic beverage distribution system that promotes public safety and health, responsible sales and consumption, efficient tax collection, and a competitive market environment. This system separates alcohol production, wholesale distribution, and retail sales into distinct operations to prevent excessive vertical integration and monopolization within the alcoholic beverage industry. This system also limits financial interests *between* licensees in the same tier to protect the competitive market.³ Federal Circuit Courts have consistently upheld the "unquestionable legitimacy" of the States that operate a three-tier system of alcohol regulation like Maryland to ensure consumers have access to safe products.⁴

¹ Alc. Bev. Can. 6-311(b)(1)

² Alc. Bev. Can. 6-311(b)(2)

³ See e.g. Alc. Bev. Can. 4-109(a)(16)-(20)

⁴ See *Sarasota Wine Mkt., LLC v. Schmitt*, 987 F.3d 1171 (2021), *Lebamoff Enters. v. Whitmer*, 956 F.3d 863 (2020), or *B-21 Wines, Inc. v. Bauer*, 36 F.4th 214 (2022).

While the ATCC understands that the intent behind SB338 is to make it easier for Class C (Veterans Organization or Club) beer, wine, and liquor retail license holders in Somerset County to purchase small amounts of product for sale at their location and address the dissolution of the County dispensary system in 2023. However, passage of SB338 may pose challenges to monitoring the distribution of legitimate products throughout the three-tier system, at risk to the Maryland consumer.

To that end, the ATCC will work with the Class C (Veterans Organization or Club) beer, wine, and liquor license holders in Somerset County and licensed wholesalers in the State to resolve the issues concerning product amount and availability. Working together to resolve issues between the tiers within Maryland's regulated system to ensure the orderly distribution of alcoholic beverages is not new to the ATCC.

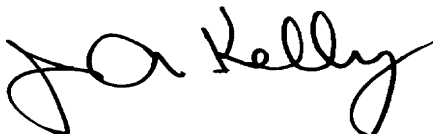
During the 2022 Legislative Session, the Washington County Delegation introduced HB1117 that included language which would have allowed Class B, Class C, and Class D licensees to obtain a local permit to purchase alcoholic beverages from another retailer, to address limited product amounts and availability from licensed wholesalers. Ultimately, the Economic Matters Committee rejected the idea of a "retailer permit," which would have undermined the three-tier system.

However, after the hearing on HB1117 the ATCC pledged to work with Washington County retailers, the Washington County Board of Liquor License Commissioners, and licensed wholesalers to address the issue. Soon after the 2022 Legislative Session, the licensed wholesalers held a town hall meeting in Washington County and directly addressed the questions and concerns of the local retailers. As a result, the product amount and availability issues were resolved. The ATCC believes that a similar collaborative effort with all stakeholders at the table will resolve the issues raised in SB338.

Accordingly, the ATCC requests the Finance Committee to issue an **unfavorable report to SB338 – Somerset County - Alcoholic Beverages - Class C Veterans' Organization or Club License.**

I look forward to answering any questions or concerns that you have regarding this matter.

Sincerely,

A handwritten signature in black ink that reads "JA Kelly". The signature is written in a cursive, flowing style.

Jeffrey A. Kelly
Executive Director

HB 443 - American Legion (3).pdf

Uploaded by: Bob Douglas

Position: UNF

OPPOSE SB 338

LICENSED BEVERAGE DISTRIBUTORS OF MARYLAND

Madame Chair, Vice Chair and Finance Committee Members:.

The Licensed Beverage Distributors of Maryland provide most of the wine and spirit to retailers in Maryland and work to uphold Maryland's highly regarded regulatory system. It is in the interest of Marylanders and the wholesale industry to have a strong regulatory system to protect citizens, among other marketplace problems, from contaminated beverages, disparate pricing, and counterfeit products. This bill, SB 338, creates a hole in the State's regulatory system. The bill allows certain social organizations to by-pass the current regulatory system for convenience and profit. It permits some social entities to purchase directly alcoholic beverages from a retailer and then sell them to a consumer. There is no apparent social benefit for this exception. There is, however, significant harm to Maryland.

First, if certain social organizations are exempted from the State's regulatory system, where is the line drawn in future years? If an American Legion is exempted, why not a country club? Why not any other licensed social group in the State. How can you discriminate when they ask?

Second, buying alcoholic products outside the current system abolishes several safeguards. Wholesalers track who sells what beverages to the public. If there is an issue with a beverage, such as a tampered shipment, wholesalers have a written record of who purchased the product for sale to the public. Consequently, the tampered product can be pulled quickly from the marketplace and protect consumers. When a product is purchased from a retailer for resale to the public, there is no paper trail enabling a recall of a contaminated bottle.

For the protection of Marylanders, we ask the committee to uphold the proven and effective regulatory system in Maryland by providing an UNFAVORABLE report on SB 338.

Bob Douglas, Licensed Beverage Distributors of Maryland
Bobdouglasoffice@gmail.com 410-456-9319