

**Department of Fiscal Services**  
Maryland General Assembly

**FISCAL NOTE**

House Bill 930 (Montgomery County Delegation)  
Economic Matters

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**Montgomery County - Alcoholic Beverages (Dispensary System)**  
**MC 723-97**

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This bill terminates the alcoholic beverages dispensary system in Montgomery County and the Department of Liquor Control. The retail dispensary system terminates on October 1, 2001, while the wholesale dispensary system terminates on October 1, 2000. However, the dispensary system remains in operation until the county council enacts comprehensive legislation that creates a rational system of retail and wholesale alcoholic beverages licenses for the county. If the county council does not enact such legislation by April 1, 2000, the Board of License Commissioners must propose a plan for the disposition of the system. This plan must be submitted by October 1, 2000 to the General Assembly. After termination, the Department of Liquor Control must liquidate the entire alcoholic beverages stock and distribute any profits. Any reserve funds after the liquidation must be deposited in the county's general fund.

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Montgomery County revenues would decrease significantly beginning in FY 2001 as discussed below. Expenditures would not be affected.

**Small Business Effect:** Potential meaningful effect on small businesses as discussed below.

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**Fiscal Analysis**

**Local Revenues:** Currently, the net profits of the Montgomery County dispensary system are remitted annually to the county's general fund. In fiscal 1996 the system remitted \$12.1 million in net profits to the county's general fund. Of this amount, approximately \$3.9 million was from the retail dispensary system and \$8.2 million was from the wholesale dispensary system. Based on fiscal 1996 data, county revenues would decrease by an estimated \$6.1 million in fiscal 2001 due to the termination of the wholesale dispensary system on October 1, 2000. This estimate reflects the termination of the system for 75% of the year. Annually, the county would lose approximately \$8.2 million from the termination of the wholesale dispensary system. Under the bill's provisions, the retail dispensary system terminates on October 1, 2001. As a result, county revenues would decrease by an additional \$2.9 million in fiscal 2002. This estimate reflects the termination of the system's operations for 75% of the year. Annually, the county would lose \$3.9 million from the termination of the retail dispensary system.

After the dispensary system terminates, the entire stock must be liquidated and any profits distributed. Since the liquidation would not occur until fiscal 2002, the liquidation proceeds cannot be reliably estimated at this time.

**Small Business Effect:** Currently, there are 21 county-owned liquor stores in Montgomery County. Four of the stores are run by private contractors. If the dispensary system is terminated, the impact on small businesses could be meaningful. Small businesses could be responsible for operating the dispensary system in Montgomery County depending upon the scope of the plan enacted either by the county council or the Board of License Commissioners. If the plan results in the "franchising" of the dispensary system's operations, additional job opportunities could be created in the county either through the expansion of existing businesses or the creation of new businesses. Although the impact on jobs and revenues cannot be quantified at this time, it is expected to be meaningful.

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**Information Source(s):** Montgomery County, Department of Fiscal Services

**Fiscal Note History:** First Reader - March 5, 1997  
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