

**Department of Fiscal Services**  
Maryland General Assembly

**FISCAL NOTE**  
**Revised**

House Bill 202 (Chairman, Economic Matters Committee)  
(Departmental - Comptroller)

Economic Matters

Referred to Economic & Environmental Affairs

---

**Alcoholic Beverages - Micro-Brewery License Authority**

---

This amended, departmental bill allows a Class 7 micro-brewery to brew, bottle, or enter into contracts for up to 22,500 barrels of malt beverages annually. Currently, a micro-brewery may only brew up to 10,000 barrels annually. The bill also limits the amount of beer that such a licensee may sell on the premises to 4,000 barrels. If a micro-brewery wishes to exceed the limit, it must divest itself of any retail license and obtain a Class 5 manufacturer's license. A micro-brewery may obtain a Class 2 rectifying license for a premises located within one mile of the existing micro-brewery in order to bottle malt beverages brewed at the micro-brewery. In addition, a micro-brewery may contract with the holder of a Class 5 brewery license, a Class 7 micro-brewery license, a Class 2 rectifying license, or a nonresident dealer's permit to brew and bottle malt beverages on their behalf. A micro-brewery may also store malt beverages under an individual storage permit or at a licensed public storage facility for subsequent sale and delivery.

The bill also authorizes a holder of a Class 2 rectifying license to sell and deliver to any class of wholesale licensee. Presently, a holder of a rectifying license may only sell and deliver to a holder of a Class 1 or Class 2 wholesaler's license.

The bill is effective June 1, 1997.

---

**Fiscal Summary**

**State Effect:** Potential minimal general fund revenue increase as discussed below. No effect on expenditures.

**Local Effect:** None.

**Small Business Effect:** The Office of the Comptroller has determined that this bill has a meaningful impact on small businesses (attached). Fiscal Services concurs with this assessment as discussed below. (The attached assessment does not reflect amendments to the bill.)

---

### Fiscal Analysis

**State Revenues:** To date, there are eight micro-breweries in Maryland. If micro-breweries expand their operations by opening up separate bottling facilities, general fund revenues would increase by \$600 for each additional Class 2 rectifying license issued. The number of such bottling facilities cannot be determined beforehand, but it is assumed to be small. In addition, the expansion of the brewing threshold could lead to the creation of additional micro-breweries. For each new micro-brewery license issued, general fund revenues would increase by \$500 due to the annual license fee. The State would also collect a one-time application fee of \$200 from each new micro-brewery. Further, the three existing pub-breweries could decide to upgrade their licenses to micro-brewery licenses. This upgrade would not affect general fund revenues because the license fees are the same. The bill also allows micro-breweries to store malt beverages under an individual storage permit. Since the annual fee for this permit is small (\$50), any additional revenue increase would be minimal.

**Small Business Effect:** Currently, there are eight micro-breweries operating in Maryland. Based on 1995 figures, the micro-brewery industry generated between \$6 million and \$8 million in revenues, including the restaurant businesses. According to the Comptroller's Office, micro-breweries produced approximately 211,000 gallons of beer in 1995 and 276,000 gallons in 1996. Under the bill's provisions, micro-breweries are allowed to expand their production capacity. As a result, their level of operations should increase significantly. Similarly, Class 5 breweries and other Class 7 micro-breweries, and holders of nonresident dealers' permits and Class 2 rectifying licenses could experience an increase in their operations depending upon the number of micro-breweries that contract with these businesses to brew and bottle malt beverages.

---

**Information Source(s):** Office of the Comptroller, Department of Fiscal Services

**Fiscal Note History:** First Reader - January 24, 1997

brd Revised - House Third Reader - March 19, 1997

---

Analysis by: Thomas Himler

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710