

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 296 (Somerset County Delegation)
Economic Matters

Somerset County - Alcoholic Beverages (Store Reserves)

This bill repeals the limitation on the amount of store reserves that can be maintained by the Somerset County Liquor Control Board. Currently, the reserves cannot exceed \$48,000. The bill also removes the limitation on the use of these reserves. Under current law, the board may have reserves in order to provide adequate working capital and to cover any losses sustained by the board’s dispensary operations. In addition, the bill increases the amount of reserves allocated to the county’s three dispensaries.

Fiscal Summary

State Effect: None.

Local Effect: Indeterminate effect on revenues for Somerset County, the City of Crisfield, and the Town of Princess Anne. Somerset County Liquor Control Board reserve funds could increase depending upon the board’s net profits and the amount of funds it holds in reserves. No effect on expenditures.

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

Fiscal Analysis

Bill Summary: The maximum amount of reserve funds distributed to each dispensary under the bill would be as follows:

Dispensary	July 1, 1997 to June 30, 1999	July 1, 1999 to June 30, 2001	July 1, 2001 and thereafter
Crisfield	\$22,000	\$29,000	\$35,000
West Princess Anne Election District	\$22,000	\$29,000	\$35,000
Hi-Way Dispensary	\$27,000	\$36,000	\$45,000
Total	\$71,000	\$94,000	\$115,000

Background: The Somerset County Liquor Control Board operates three dispensaries (Crisfield, West Princess Anne election district, and Hi-Way Dispensary). Under current law, 25% of all net proceeds generated by the dispensaries in Crisfield and in the West Princess Anne election district, in excess of the mandated reserve funds, must be remitted to the City of Crisfield and the Town of Princess Anne in equal amounts (12.5% each). The remaining 75% is distributed to Somerset County. The county also receives 100% of all net proceeds from the Hi-Way Dispensary in excess of the mandated reserve funds.

For the year ended April 30, 1996 the board had gross profits of \$378,400 and expenses of \$237,114. Of the \$141,286 in net profits, the board distributed \$117,787 to the county and \$11,750 each to the City of Crisfield and the Town of Princess Anne, as provided under existing law. The board ended the year with \$48,000 in reserve funds.

Local Effect: The bill increases the amount of reserve funds allocated to the three dispensaries in Somerset County. Based on this, revenues for the county and the two municipalities could be affected depending upon the level of net profits generated by the dispensaries and the amount of reserve funds maintained by the dispensaries. Currently, reserve funds cannot exceed \$48,000. For example, if the dispensaries generate the same net profit (\$141,286) in 1998 as in 1996, county and municipal revenues could decrease by \$23,000 in the aggregate. This decrease assumes that the dispensaries would maintain the maximum allotted reserve funds of \$71,000 in 1998. However, if the net profit in 1998 exceeds the net profit in 1996 by more than \$23,000, county and municipal revenues could increase in the aggregate. Conversely, if the net profit in 1998 is lower than in 1996, county and municipal revenues could decrease.

Small Business Effect: For the year ended April 30, 1996 the Somerset County Liquor Control Board purchased approximately \$930,000 in alcoholic beverages. The bill increases the amount of reserve funds received by the three dispensaries in Somerset County. To the extent that the additional monies lead to more alcoholic beverages purchases from suppliers, small business suppliers could be favorably impacted. The impact cannot be reliably estimated.

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

Fiscal Note History: First Reader - March 5, 1997

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