

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 1480
Economic Matters

(Delegates Bozman and Conway)

Education, Health, and Environmental
Affairs

Worcester County – Liquor Control Board – Net Profits from Dispensaries

This emergency bill clarifies that the requirement for the Worcester County Liquor Control Board to first pay, from the net profits of its liquor dispensaries, any and all sums advanced to or borrowed by the board applies to amounts that are currently due and owing.

Fiscal Summary

State Effect: None.

Local Effect: Worcester County would receive its share of revenues from the net profits of liquor dispensary operations in FY 2004 and subsequent years. Municipalities would receive their share of revenues from the net profits of liquor dispensary operations in FY 2004 and subsequent years. Expenditures would not be affected.

Small Business Effect: None.

Analysis

Current Law: All net profits arising from the operation of Worcester County's liquor dispensaries are first applied to the payment of any and all sums advanced to or borrowed by the board. The Liquor Control Board is authorized to create and maintain a reserve fund. Fifty percent of all remaining profits in excess of the reserve fund must be paid to the Worcester County Commissioners by June 1 of each year. The remaining 50% must be paid to the mayors and city councils of Berlin, Ocean City, Pocomoke City, and Snow

Hill in proportion to the net profits on total sales of the dispensaries situated in each of these municipalities. Any net profits attributed to a dispensary two miles outside of one of these municipalities goes to the county general fund. Net profits to the four municipalities must be used for general municipal purposes.

The board is authorized to borrow up to \$3 million for adequate capital resources to operate its dispensaries.

Background: The Worcester County Liquor Control Board operates six liquor dispensaries in the county. Five of the six dispensaries are located in the county's four municipalities: one in Berlin, two in Ocean City, one in Pocomoke City, and one in Snow Hill. The sixth is located in a rural area.

In fiscal 2002, the last year for which a complete set of data is available, net profits from the six liquor dispensaries totaled \$634,208. Of this total, Worcester County received \$337,177, Berlin received \$32,994, Ocean City received \$238,190, Pocomoke City received \$17,241, and Snow Hill received \$8,606.

Local Fiscal Effect: Worcester County advises that borrowed funds in any one year typically have not exceeded \$100,000 and that all debt has been repaid on June 1 of the year in which the funds were borrowed. The county further advises that the board borrowed \$600,000 in fiscal 2004 to purchase a new warehouse; the loan has a 15-year term. The board's current outstanding debt is approximately \$691,000.

The county has interpreted statute regarding the distribution of liquor dispensary net profits to mean that all debt must be repaid before the remaining net profits are distributed to the county and its municipalities. Since the board's current debt of approximately \$691,000 would exceed anticipated net profits of approximately \$630,000, the board would use all of the liquor dispensary net profits to pay existing debt on June 1, 2004. Accordingly, there would be no net profits remaining for distribution to the county and its municipalities. If only the outstanding debt that is currently due is paid on June 1, 2004, distribution of the remaining net profits to the county and its municipalities would occur in fiscal 2004. In future years, distribution of net profits would be maintained.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Worcester County, Department of Legislative Services

Fiscal Note History: First Reader - March 11, 2004
n/ljm

Analysis by: Christopher J. Kelter

Direct Inquiries to:
(410) 946-5510
(301) 970-5510