

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 514

(Delegates Bozman and Conway)

Economic Matters

Education, Health, and Environmental Affairs

Worcester County - Liquor Dispensaries - Homeowners Associations

This bill authorizes the Worcester County Liquor Control Board to establish and maintain a liquor dispensary in a housing development with a population of at least 10,000 that is overseen by a homeowners association and has a special police force. The bill also provides that a homeowners association is entitled to 50% of the net profits of alcoholic beverages sold at a dispensary located in the housing development. The homeowners association is required to use the profits for the benefit of the housing development's special police force.

The bill takes effect June 1, 2004.

Fiscal Summary

State Effect: None.

Local Effect: Worcester County and Town of Berlin revenues would decrease if liquor dispensary profits are paid to a homeowners association. Worcester County expenditures would increase due to start-up costs and ongoing operational expenses if a new liquor dispensary is established in Ocean Pines.

Small Business Effect: Minimal.

Analysis

Current Law: The Worcester County Liquor Control Board is authorized to establish and maintain liquor dispensaries only at Pocomoke City, Snow Hill, Berlin, and Ocean City, and in any rural area that may be approved by the board and the Worcester County Commissioners.

All net profits arising from the operation of dispensaries are first applied to the payment of any and all sums advanced to or borrowed by the board. The 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. Net profits to the four municipalities must be used for general municipal purposes.

Background: The Worcester County Liquor 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 dispensary is located in West Ocean City.

Worcester County advises that Ocean Pines is the only housing development in the county that has a population of at least 10,000, is overseen by a homeowners association, and has a special police force. Ocean Pines has more than 15,000 full-time residents and an additional 7,500 summertime residents, is represented by the Ocean Pines Association, and has a special police force of 15 sworn officers with full police powers.

Local Revenues: In fiscal 2002, the last year for which a complete set of data is available, net profits from the six liquor dispensaries provided Worcester County with \$337,177 in revenues, Berlin with \$32,994 in revenues, Ocean City with \$238,190 in revenues, Pocomoke City with \$17,241 in revenues, and Snow Hill with \$8,606 in revenues. All net profits from the dispensary in West Ocean City are provided to Worcester County.

Since the bill is enabling legislation, any fiscal impact would occur only if the liquor control board opens a new liquor dispensary in Ocean Pines. Worcester County advises that a liquor dispensary in Ocean Pines would be located between the dispensaries in Berlin and West Ocean City. The county further advises that a dispensary located in Ocean Pines would likely reduce existing sales and net profits at the Berlin and West Ocean City dispensaries. Accordingly, revenues to Berlin and Worcester County would decrease. However, any impact cannot be reliably estimated at this time.

Local Expenditures: All start-up costs and ongoing expenses for a liquor dispensary established in Oceans Pines would be the responsibility of the Worcester County Liquor Control Board. The board estimates that start-up costs would be approximately \$125,000 which includes expenses for fixtures and other one-time expenses (\$50,000) and inventory and other merchandise (\$75,000). The board would incur ongoing annual expenditures of approximately \$108,000, including personnel costs (\$60,000), rent for the new dispensary location (\$30,000), and other utility and operational costs (\$18,000).

Additional Information

Prior Introductions: None.

Cross File: None.

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

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