Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

House Bill 91   (Delegate Bozman, *et al.*)

Appropriations   Education, Health, and Environmental
Affairs

Worcester County - Liquor Control Board - Borrowing Limit

This bill raises the aggregate amount of funds that may be borrowed by the Worcester County Liquor Control Board from $3 to $5 million.

The bill takes effect June 1, 2005.

Fiscal Summary

State Effect: None.

Local Effect: Potential increase of debt service expenditures for the Worcester County Liquor Control Board. Potential increase in county and municipal revenues received from the liquor control board.

Small Business Effect: Potential minimal positive impact on small business revenues.

Analysis

Current Law: The Liquor Control Board of Worcester County is authorized to borrow up to $3 million.

Chapter 97 of 1999 raised the borrowing limit of the Worcester County Liquor Control Board from $500,000 to $1 million. The borrowing limit was again increased from $1 to $3 million by Chapter 127 of 2003.

Background: In general, most Maryland jurisdictions permit the sale of alcoholic beverages through a three-tier system in which retail alcoholic beverage licensees purchase alcoholic beverages from licensed Maryland wholesalers who purchase alcoholic beverages from licensed manufacturers and import companies. In Montgomery, Somerset, Wicomico, and Worcester counties, however, the counties operate dispensary systems through which they act as the wholesalers for retail alcoholic beverage licensees in their respective jurisdictions.

For the fiscal year ending April 30, 2004, Worcester County operated six dispensary stores with net profits of approximately $703,000. Additionally, the county received approximately $659,000 in gross license receipts, for total revenues of approximately $1.4 million.

In 2003, the Worcester County Liquor Control Board moved into a new office building with a larger warehouse capacity. The extra room allows the board to purchase more bulk inventory from suppliers. The county advises that increasing the limit of aggregate funds that may be borrowed by the county liquor control board will allow the county to take advantage of bulk purchases directly from alcoholic beverage suppliers at discount prices.

Worcester County advises that the maximum amount the liquor control board has borrowed is $1.8 million, and the current debt is $899,000.

Local Fiscal Effect: Any increase in the board's debt service expenditures would depend on the amount of additional debt incurred, the term of the debt, and the amount of time to repay the debt.

The county advises that the interest rate for its current debt for the fiscal year ending April 30, 2005 is 4.11%. For illustrative purposes only, if the liquor control board borrows the full $5 million authorized by this bill and the interest rate remains at 4.11%, the liquor control board could pay approximately $205,500 in interest in fiscal 2006.

As required by law, half of net profits in excess of the reserve fund is paid directly to the Worcester County Commission, and the other half is divided among the municipalities or housing communities in which the dispensaries are located, in proportion to the net profits on total sales of the dispensaries located in those areas. Buying inventory at discount prices from suppliers could increase the net profits of the county liquor control board, meaning more net profits could be remitted to the county, municipalities, and housing communities.

Small Business Effect: If the liquor control board purchases inventory from suppliers at discounted prices, the savings could be passed on to small businesses that purchase alcoholic beverages from the county dispensaries.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - January 26, 2005
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