

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE
Revised

House Bill 203

(Delegate Cane, *et al.*)

Economic Matters

Education, Health, and Environmental Affairs

Wicomico County - Alcoholic Beverages Act of 2008

This bill adds Wicomico County to the list of jurisdictions authorizing Class 6 pub-brewery licenses, Class 7 micro-brewery (on- and off-sale) licenses; and allows these licensees to retain a financial interest in retail alcoholic beverage licenses. The bill creates a Class B special wine license that enables a licensee to sell wine for consumption off premises and authorizes the board of license commissioners to issue a special Class C beer; beer and wine; or beer, wine, and liquor license for an entertainment event held by a county fire department. Upon the death of a licensee, the bill also provides for the issuance of a new license to a surviving spouse or business partners. The bill limits the number of Class 6 and Class 7 licenses that may be issued to a person holding no more than 3 Class B licenses. The Class 6 and Class 7 license may only be issued within a City of Salisbury enterprise zone, and a Class 7 licensee may only sell beer for off-premises consumption to a wholesaler.

The bill takes effect July 1, 2008.

Fiscal Summary

State Effect: None.

Local Effect: Wicomico County revenues could increase by approximately \$11,300 beginning in FY 2009 through the sale of additional licenses. The actual revenue increase would depend upon the number of new licenses issued by the board of license commissioners and the number of sealed refillable containers sold for off-premises consumption. County expenditures would not be affected.

Small Business Effect: Minimal.

Analysis

Current Law: A Class 6 pub-brewery license is issued by the Comptroller to a holder of a Class B beer, wine, and liquor (on-sale) license. The license is permitted in nine jurisdictions. In part, the holder of a Class 6 pub-brewery license may sell malt beverages for off-premises consumption in sealed refillable containers. The license fee is \$500 per license year.

A Class 7 micro-brewery (on- and off-sale) license is also issued by the Comptroller in 16 jurisdictions. In general, the license is issued only to a holder of a Class B beer, wine, and liquor (on-sale) license that is issued for use on the premises of a restaurant with exceptions for Montgomery and Prince George's counties. A holder of a Class 7 micro-brewery license may, in part, brew and bottle malt beverages at the license location for sale to go. The license fee is \$500 per license year.

In seven jurisdictions, upon the death of any married licensee, or upon the death of any licensee holding a license in partnership, upon application to the Comptroller, a new license is issued. The Wicomico County Liquor License Board states that upon the death of a licensee, the license transfer is currently accomplished through the estate or the heirs.

Hotels and restaurants can apply for a Class B beer, wine, and liquor license that allows the facility to sell all types of alcohol. In Maryland, a Class B (on-sale) hotel and restaurant license is issued by the liquor control board and allows the licensee to sell alcohol (*i.e.*, beer, wine, and liquor) at retail for consumption on the premises or elsewhere.

Background: Currently, the Comptroller licenses a total of 13 Class 7 micro-breweries in the State. A small business has expressed an interest in opening either a Class 6 pub-brewery or a Class 7 micro-brewery in Wicomico County. A pub-brewery or a micro-brewery is a small craft brewery that specializes in brewing malted beverages.

Wicomico County currently allows pub-breweries. What the county does not allow is the sale of fresh beer in pint- or gallon-sized resealable growlers to go. Wicomico County also does not currently allow micro-breweries, and the county wants to be added to the list of counties allowing micro-breweries to potentially stimulate small business interest for such a county-based venture.

Several Wicomico County restaurants carry extensive collections of bottled wine. Currently, restaurants can re-cork bottles of wine; the restaurants are interested in allowing customers to purchase the bottles of wine to go. This bill will allow beer, wine, and liquor restaurants to have an off-sale wine privilege only through the purchase of the

Class B special wine (B-SWL) (off-sale) license. This license would be a second, additional license, purchased by restaurants with an annual license fee of \$1,500.

The bill also allows the Wicomico County Board of License Commissioners to issue a special Class C multiple event beer; beer and wine; or beer, wine, and liquor license to volunteer fire departments. Fire departments can purchase one of four licenses to hold a predetermined number of events in a year. Depending on the license selected, the fire department can hold 10 events up to a maximum of 40 events per year under one license. The annual fee for the special license ranges from \$400 to \$1,100 for a license.

The Wicomico County Liquor License Board states that upon the death of licensees, the license transfer is conducted through the estate or the heirs. In the past, transferring business licenses for these entities has not been a significant issue to the county. Recently, a licensee who owned the majority of shares in a chain of restaurants passed away and difficulties have arisen with regard to transferring the license to a new licensee. This bill is to allow the interest of the licensee to be transferred to another member of the corporation or limited liability company internally without passage through the deceased's estate or heirs.

Local Fiscal Effect: Wicomico County revenues could increase by approximately \$11,300 in fiscal 2009 due to an increase in licensing revenues. This estimate, which reflects the bill's July 1, 2008 effective date, is based on the following information and assumptions:

- county revenues increase by \$7,500 due to five established restaurants purchasing the \$1,500 Class B special wine (B-SWL) (off-sale) license; and
- county revenues increase by \$3,800 as a result of five volunteer fire departments purchasing multi-event licenses (two departments purchasing the \$400 license and three departments purchasing the \$1,000 license).

A potential minimal revenue increase also exists if a small business establishes either a Class 6 pub-brewery or a Class 7 micro-brewery in Wicomico County.

Additional Information

Prior Introductions: None.

Cross File: SB 157 (Senator Colburn) – Education, Health, and Environmental Affairs.

Information Source(s): Wicomico County, Comptroller's Office, Department of Legislative Services

Fiscal Note History: First Reader - February 14, 2008
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