

Department of Legislative Services  
Maryland General Assembly  
2008 Session

FISCAL AND POLICY NOTE  
Revised

Senate Bill 584

(Senator Della, *et al.*)

Education, Health, and Environmental Affairs

Economic Matters

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Baltimore City - Alcoholic Beverages Act of 2008

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This bill alters certain provisions relating to the licensing of alcoholic beverages in Baltimore City by • increasing alcoholic beverages licensing fees; • establishing new alcoholic beverages licenses; • specifying alcoholic beverages districts and license transfer requirements; • imposing and increasing miscellaneous fees; • increasing salaries of the board of liquor license commissioners; • altering positions and pay grades for existing board staff; • requiring a criminal history records check for new licensees; • authorizing inspectors to examine identification documents for purchasers of alcoholic beverages; and • altering registration requirements for bottle-clubs.

The bill takes effect June 1, 2008.

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Fiscal Summary

**State Effect:** Any additional costs associated with conducting criminal history records checks would be offset by fees paid by the applicant.

**Local Effect:** Baltimore City alcoholic beverages licensing and fee revenues could increase by \$366,400 beginning in FY 2009 and city expenditures for the board of liquor license commissioners could increase by \$153,000 on an annualized basis.

**Small Business Effect:** Potential meaningful impact on small business restaurants, bars, and other alcoholic beverages license holders due to increased fees and due to the protection against competition provided by the bill.

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## Analysis

**Bill Summary/Current Law:** The bill alters certain provisions relating to the licensing of alcoholic beverages in Baltimore City as discussed below.

### *Increases Alcoholic Beverages Licensing Fees*

The bill increases certain licensing fees for the sale of alcoholic beverages in Baltimore City, as detailed in **Exhibit 1**.

### *New Alcoholic Beverages Licenses*

The bill adds several new alcoholic beverages licenses that can be issued in Baltimore City including:

- **Special Licenses:** In addition to the annual license fee, licensees must pay \$1,000 annually for a room service license if the establishment has fewer than 100 rooms; \$500 annually if the licensee provides live entertainment; and \$200 annually if the licensee provides outdoor tables or café service.
- **Special 1-day license.**
- **Class B Beer, Wine, and Liquor Restaurant Licenses:** The restaurant must have a minimum capital investment of \$200,000 and a minimum seating capacity of 75 persons. Certain additional restrictions apply for the 46<sup>th</sup> alcoholic beverages district.

### *Alcoholic Beverages Districts and License Transfers*

The bill specifies that certain alcoholic beverages districts in Baltimore City are coterminous with the legislative districts in the Legislative Districting Plan of 2002 as ordered by the Maryland Court of Appeals on June 21, 2002. The bill also revises and clarifies provisions that restrict the issuance and transfer of licenses into certain areas within the city while providing certain exemptions from such restrictions. With limited exceptions, new licenses for the sale of alcoholic beverages cannot be issued in the following districts: 40<sup>th</sup>; 41<sup>st</sup>; 43<sup>rd</sup>; 44<sup>th</sup>; 45<sup>th</sup>; and 46<sup>th</sup>.

### *Miscellaneous Fees*

The bill imposes or increases several fees for the holder of alcoholic beverages licenses in Baltimore City by:

- establishing a \$50 renewal application fee.
- establishing a \$20 duplicate license fee for establishments that sell alcoholic beverages in multiple public areas.
- increasing the transfer fee from \$100 to \$200.
- increasing the supplementary license fee from \$50 to \$75 for a Class A retail off-sale license.
- requiring the owner of a bottle club to pay a registration fee to be set by the board.

### *Salaries and Personnel Issues*

The bill increases the annual salaries of the members of the Baltimore City Board of Liquor License Commissioners from \$18,000 to \$28,000. The salary for the board chairman increases from \$18,500 to \$28,500. Board members would also be eligible to receive the same health benefits as full-time liquor inspectors. In addition, the bill modifies the titles of certain board positions and reclassifies the pay grades for several existing positions. The annual salary for permanent part-time inspectors is increased from \$1,200 to \$3,600; whereas, the maximum number of permanent part-time inspectors that can be employed by the board is reduced from 18 to 12.

### *Criminal History Records Check*

The bill requires the Baltimore City Board of Liquor License Commissioners to obtain national and State criminal history records checks for any new alcoholic beverages license applicant. This requirement does not apply to applicants who are renewing a current license. Under current law, the board requires any application for an alcoholic beverages license to include a statement that the applicant has never been convicted of a felony or been adjudged guilty of violating the laws governing the sale of alcoholic beverages in the State of Maryland.

Alcoholic beverages licensing authorities in 16 counties (Calvert, Caroline, Carroll, Cecil, Charles, Dorchester, Frederick, Garrett, Harford, Howard, Kent, Montgomery, St. Mary's, Somerset, Talbot, and Wicomico) are required to perform a State and national criminal history records check and fingerprinting; whereas in 3 counties (Anne Arundel, Prince George's, and Worcester) licensing authorities are only required to perform a State criminal history records check. The costs to an applicant for obtaining a criminal history

records check is \$38 for a state records check and \$57 for a state and national records check.

### *Miscellaneous Provisions*

- Inspectors are authorized to examine any identification used as proof of age by a person to purchase alcoholic beverages. The examination must be made on the premises of the licensed establishment where the purchase is attempted.
- When registering a bottle club with the board of license commissioners, the owner must provide evidence of all required inspections of the establishment and business licenses issued by the State or board. In addition, the board must meet the same notice and hearing requirements for the registration application that is used for an alcoholic beverages license application. At the hearing, the board must determine whether to register the bottle club establishment and, before approving an application for registration, the applicant must provide copies of all inspections, a trader's license, a sales and use tax license, and a use and occupancy permit. Anyone seeking to renew a registration for an additional year must pay a renewal fee. If a protest has been filed by the board or by 10 residents, commercial tenants (without alcoholic beverages licenses), or real estate owners, the board may not approve the application for registration without providing for a hearing.

**Background:** The Baltimore City Board of Liquor License Commissioners is comprised of three members and is responsible for regulating the sale, storage, and distribution of retail alcoholic beverages in Baltimore City. Board members are appointed by the Governor, with the advice and consent of the city senators, and serve two-year terms. All permanent licenses issued by the board are annual licenses and are valid from May 1 through April 30 each year. Licensees must file renewal applications during the month of March to renew the license for the next year. There is no application fee to file a renewal but late renewal filings are subject to a \$50 per day penalty, not to exceed \$1,500.

**Local Fiscal Effect:** Baltimore City alcoholic beverages licensing and fee revenues could increase by \$366,366 beginning in fiscal 2009 and city expenditures for the board of liquor license commissioners could increase by \$153,043 on an annualized basis as shown in **Exhibit 2**.

### *Alcoholic Beverages Licensing Fees*

Increasing some existing alcoholic beverages license fees by approximately 20% would generate \$169,866 in additional revenue as illustrated in Exhibit 1. The board estimates that \$100,000 would be generated from the surcharge on live entertainment and outdoor table service, \$8,000 from increases to the Class A BWT fee and \$5,000 from the room service surcharge. The board would also receive \$67,500 from the new \$50 renewal processing fee, \$15,000 from increasing the transfer fee, and \$1,000 from the new duplicate license fee.

In summary, the board of license commissioners could receive an additional \$366,366 in revenues on an annualized basis.

### *Salaries and Personnel Issues*

Increasing the annual salaries for the board of liquor license commissioners would cost \$42,250 on an annualized basis. This estimate is based on a \$10,000 salary increase for each of the three board members, including payroll taxes and \$10,000 for additional health benefits.

The board currently has 18 inspector positions with most of the inspectors being at the top of their pay grade. Establishing a new inspector III position would make at least five inspectors eligible for a promotion at a cost of \$22,250 or \$4,450 for each inspector. The bill requires the board to downsize its part-time inspector force to 12 positions from 18, but increases the salary to \$3,600; this change would cost \$21,600. Establishing an Inspection Division office assistant would cost an additional \$13,800, which reflects the additional salaries and fringe benefits for a reclassification of an existing community aide who currently functions in this position. Upgrading the pay grade for several positions (assistant chief inspector, chief inspector, assistant executive secretary, and 3-1-1 call center supervisor) could cost \$53,143, assuming all employees' salaries (both current and as adjusted under the bill) are set at the low end of the pay grade.

In summary, personnel expenses for the board of liquor license commissioners could increase by \$153,043 on an annualized basis.

**Exhibit 1**  
**Baltimore City Alcoholic Beverages License Fees**  
**Current and Proposed Fees and Revenues**

License Type	Number of Licenses	Fee Amount			Revenues		
		Current	Proposed	Difference	Current	Proposed	Increase
<b>Class A Licenses</b>							
BW	40	\$110.00	\$110.00	\$0.00	\$4,400	\$4,400	\$0
BWL	245	715.00	858.00	143.00	175,175	210,210	35,035
A-2 BWL	12	715.00	858.00	143.00	8,580	10,296	1,716
Special Sunday	589	50.00	75.00	25.00	29,450	44,175	14,725
<b>Class B Licenses</b>							
BW	15	165.00	165.00	0.00	2,475	2,475	0
BWL <sup>1</sup>	274	1,100.00	1,320.00	220.00	301,400	374,640	73,240
BWL-HM	20	5,500.00	6,500.00	1,000.00	110,000	130,000	20,000
BD7-BWL	518	1,320.00	1,320.00	0.00	683,760	683,760	0
BWL-Arena	6	10,000.00	12,000.00	2,000.00	60,000	72,000	12,000
Racing Establishments	362	55.00	55.00	0.00	19,910	19,910	0
<b>Class C Licenses</b>							
BW	25	82.50	82.50	0.00	2,063	2,063	0
BWL	67	550.00	550.00	0.00	36,850	36,850	0
<b>Class D Licenses</b>							
BW	54	165.00	165.00	0.00	8,910	8,910	0
BWL	92	687.50	825.00	137.50	63,250	75,900	12,650
<b>Golf Course</b>	5	500.00	600.00	100.00	2,500	3,000	500
<b>Total</b>					<b>\$1,508,723</b>	<b>\$1,678,589</b>	<b>\$169,866</b>

<sup>1</sup>Class BWL holders with greater than 200 seating capacity pay a fee of \$1,800. This has been factored into the estimate.

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**Exhibit 2**  
**Baltimore City Board of Liquor License Commissioners – Increase in**  
**Revenues and Expenditures**  
**Annualized Basis**

	<u><b>Increase</b></u>
<b>Revenues</b>	
Increase in existing license fees	\$169,866
Surcharge for live entertainment and outdoor table service	100,000
Renewal processing fee of \$50	67,500
Doubling of transfer fees	15,000
Specific increases for Class A BWT fees	8,000
Room service surcharge	5,000
Duplicate license fee	1,000
<b>Total Increase in Revenues</b>	<b>\$366,366</b>
<b>Expenditures</b>	
Increase board members salaries (reflects annualized costs including payroll taxes and additional health care coverage)	\$42,250
Promotion of five existing employees to the new inspector III position	22,250
Increased salaries for part-time inspectors	21,600
Creation of Inspection Division office assistant to be filled by existing employee	13,800
Upgrade for assistant chief inspector to grade 97	14,218
Reclassify existing position to a 3-1-1 call center supervisor position	12,893
Upgrade for chief inspector to grade 99	13,506
Upgrade administrative coordinator to grade 99	12,526
<b>Total Increase in Expenditures</b>	<b>\$153,043</b>
<b>Net Effect</b>	<b>\$213,323</b>

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## **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Baltimore City, Department of Legislative Services

**Fiscal Note History:** First Reader - March 6, 2008  
mll/hlb Revised - Senate Third Reader - March 26, 2008

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