

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 171
Economic Matters

(Delegate G. Clagett, *et al.*)

Budget and Taxation and Finance

Business Regulation - Vending Machine Sales - Bulk Vending Machine Exemption

This bill exempts bulk vending machines from State licensing requirements for vending machines.

Fiscal Summary

State Effect: Minimal general fund revenue decrease due to the reduction in annual vending machine licenses. No effect on expenditures.

Local Effect: Counties experience a minimal revenue decrease due to the reduction in annual vending machine licenses sold.

Small Business Effect: Potential minimal. Small businesses that have bulk vending machines in the State save \$2.50 per machine per year.

Analysis

Current Law: Individuals who sell goods through vending machines must be licensed by the State. The cost for each license is \$2.50 per year, which is paid to circuit court clerks within each county; 5% of this revenue is allocated to the State's general fund.

Individuals who fail to properly license a vending machine are guilty of a misdemeanor and may be fined up to \$100 per violation.

Background: Bulk vending machines contain unsorted merchandise – often confections, nuts, gumballs, toys, or novelties – and dispense a product without selection by the customer. Most bulk vending machines are not electronically operated. Bulk vending is

a separate segment of the vending industry from full-line vending (*e.g.*, snack and soda vending) and involves different products and strategies. According to the National Bulk Vending Association, bulk vending represents less than 1% of the total vending industry.

According to the Comptroller's Office, the number of vending machine licenses has declined 4.4% each year between 2004 and 2008. The Comptroller's Office does not track the number of bulk vending licenses but estimates that 2% of vending machines in the State are bulk vending machines.

State Fiscal Effect: Vending machine license revenue is collected by circuit clerk courts in each county, and 5% of the revenue is allocated to the general fund. The Comptroller's Office estimates that 1,006 vending machine licenses will be issued for bulk vending machines in fiscal 2010, out of a total of 50,283 licenses. By fiscal 2014 the number is projected to decline to 840. The result is a general fund revenue decrease of roughly \$100 per year.

Local Fiscal Effect: County revenues decline due to a loss of annual license fees, but the loss is minimal. In fiscal 2010, bulk vending machines generate about \$2,400 in revenue for all counties. Legislative Services advises that the loss of revenue due to removing the bulk vending machine license requirement does not significantly impact any county in the State.

The Administrative Office of the Courts advises that it does not track the number of violations relating to improperly or unlicensed vending machines; however, it expects the loss of fine revenue as a result of this bill to be minimal.

Additional Information

Prior Introductions: None.

Cross File: SB 174 (Senator Brinkley, *et al.*) - Finance and Budget and Taxation.

Information Source(s): Department of Legislative Services.

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