Department of Legislative Services

Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 1522	(Delegates Mathias and Conway)
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 $5 million to $6 million.

The bill takes effect July 1, 2009.

Fiscal Summary

State Effect: None.

Local Effect: Potential increase in 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 $5 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 increased from $1 million to $3 million by Chapter 127 of 2003 and from $3 million to $5 million by Chapter 27 of 2005.

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.

According to the Comptroller's *Alcohol and Tobacco Tax Annual Report,* for 2008, Worcester County operated six dispensary stores with net profits of $878,000. Additionally, the county received $742,000 in gross license receipts, for total revenues of $1.6 million.

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 indicates that the maximum amount the liquor control board has borrowed is $4.7 million, and the current debt is $3.3 million. Currently, the liquor control board's debt reaches its yearly maximum during the spring months, when the board purchases inventory for the summer season.

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 interest rate on the board's debt for the current fiscal year ending April 30, 2009 is 3.8%. *For illustrative purposes only*, if the liquor control board borrows the additional $1 million authorized by this bill and the interest rate remains at 3.8%, the board will pay an additional $72,300 annually in debt service beginning in fiscal 2010.

As required by law, half of net profits in excess of the reserve fund is paid directly to the Worcester County government, 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 may increase the net profits of the county liquor control board, resulting in more revenues 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 may 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

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Analysis by: Amy A. Devadas

Direct Inquiries to:
(410) 946-5510
(301) 970-5510