

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

House Bill 1350 (Delegate Cane)
Economic Matters

Wicomico County - Alcoholic Beverages Licenses - Pub-Breweries and Micro-Breweries

This bill exempts a business entity in Wicomico County from a general provision that prohibits business entities from having a financial interest in the premises upon or in which any alcoholic beverage is sold at retail or in any business conducted by any licensee. The bill also increases, from three to five, the number of Class B beer, wine, and liquor licenses that a person may hold and still remain eligible for a Class 6 pub-brewery license or a Class 7 micro-brewery license. The bill also allows a holder of a Class A alcoholic beverages license to hold a Class 7 micro-brewery license and up to five Class B beer, wine, and liquor licenses in Wicomico County.

The bill takes effect July 1, 2011.

Fiscal Summary

State Effect: General fund revenues increase by \$500 annually, beginning in FY 2012, from the issuance of one Class 7 micro-brewery license. Expenditures are not affected.

Local Effect: Wicomico County revenues increase by at least \$1,300 annually beginning in FY 2012. Enforcement can be handled with existing resources.

Small Business Effect: Potential meaningful for any business that is able to obtain an additional Class B beer, wine, and liquor license or a Class A license and still maintain eligibility for a brewery license.

Analysis

Current Law: 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 that 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.

Under the three-tier system, a business entity that holds or is connected with a business that holds an alcoholic beverages manufacturer's license may not have any financial interest in a retail establishment where its beverages are sold.

A business entity means any holder of a manufacturer's or wholesaler's license, or anyone connected with the business of the license holder. It also includes any distiller, nonresident or resident dealer, brewer, rectifier, blender, or bottler of alcoholic beverages.

Class 7 micro-brewery (on- and off-sale) licenses are issued by the Comptroller's Office for use in 18 jurisdictions – Allegany, Anne Arundel, Baltimore, Calvert, Carroll, Charles, Dorchester, Frederick, Garrett, Harford, Howard, Montgomery, Prince George's, Talbot, Wicomico, and Worcester counties; Baltimore City; and the City of Annapolis. 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.

In Wicomico County, the Comptroller may issue a Class 6 pub-brewery license or a Class 7 micro-brewery license, but not both, to a person that holds not more than three Class B beer, wine and liquor licenses.

Class 7 micro-breweries may sell up to 4,000 barrels of beer to customers for consumption on the premises and may collectively brew, bottle, or contract for up to 22,500 barrels of malt beverages each calendar year.

Class A alcoholic beverages licenses are retail licenses for off-site consumption. Class B alcoholic beverages licenses are issued to hotels and restaurants for on-site consumption.

Background: There are currently 13 Class 7 micro-brewery licenses issued in the State; however, none are currently located in Wicomico County. There are 53 Class B beer, wine, and liquor licenses and 71 Class A licenses in Wicomico County.

State Fiscal Effect: The Comptroller issues Class 7 micro-brewery licenses for an annual license fee of \$500. It is expected that one micro-brewery license will be issued. As a result, general fund revenues increase by \$500 annually from the issuance of an additional license. The Comptroller can handle issuance of the additional license with existing budgeted resources.

Local Fiscal Effect: Wicomico County estimates that the bill will result in one additional Class B beer, wine, and liquor license being issued. Accordingly, revenues increase by \$1,320 annually beginning in fiscal 2012. If a Class A license is also issued to the holder of a Class 7 micro-brewery license, revenues will further increase by \$350 annually.

Additional Information

Prior Introductions: None.

Cross File: SB 917 (Senator Colburn) - Education, Health, and Environmental Affairs.

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

Fiscal Note History: First Reader - March 22, 2011
mc/hlb

Analysis by: Jennifer K. Botts

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