

Department of Legislative Services  
Maryland General Assembly  
2014 Session

FISCAL AND POLICY NOTE  
Revised

House Bill 356

(Delegate Barkley, *et al.*)

Economic Matters

Education, Health, and Environmental Affairs

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Alcoholic Beverages - Class 8 Farm Breweries - Festival Licenses

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This bill expands the eligibility for special festival licenses in Baltimore City and Baltimore, Carroll, Dorchester, Frederick, Garrett, St. Mary's, and Wicomico counties to include holders of a Class 8 farm brewery license. The bill also specifies that in Garrett County, a holder of a Class 8 farm brewery license may open on Sundays during specified hours in a *precinct* in an election district where the voters, in a referendum authorized by law, have approved Sunday beer sales at a farm.

The bill also authorizes a holder of a Class 8 farm brewery license to enter into a written temporary delivery agreement with a distributor for the delivery and return of beer to a beer festival or a wine and beer festival provided the festival is located within a sales territory for which the holder does not have a franchise with a distributor under the Beer Franchise Fair Dealing Act.

The bill takes effect July 1, 2014.

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**Fiscal Summary**

**State Effect:** None. The Comptroller can enforce the bill using existing budgeted resources. In FY 2013, there were two Class 8 farm brewery licenses issued in the State.

**Local Effect:** The bill does not materially affect local operations or finances.

**Small Business Effect:** Minimal.

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## Analysis

### **Current Law/Background:**

#### *Class 8 Farm Brewery Manufacturer's License*

Chapters 542 and 543 of 2012 established a Class 8 farm brewery manufacturer's license. In fiscal 2013, there were two Class 8 farm brewery licenses issued in the State (Milkhouse Brewery at Stillpoint Farm in Frederick County and Manor Hill Farm in Howard County).

A holder of a Class 8 farm brewery manufacturer's license is authorized to sell and deliver beer manufactured in a facility on the licensed farm or in a facility other than one on the licensed farm to (1) a wholesaler licensed to sell and deliver beer in the State or (2) a person in another state authorized to acquire beer. The beer to be sold and delivered must be manufactured with an ingredient from a Maryland agricultural product, including hops, grain, and fruit, produced on the licensed farm. The annual license fee is \$200.

A Class 8 farm brewery may be located only at the place stated on the license and a licensee may exercise the privileges of a Class 8 farm brewery license. A licensee may (1) sell beer produced by the licensee for consumption on the licensed farm; (2) provide samples of beer, in an amount not exceeding six fluid ounces per brand, that the licensee produces to a consumer at no charge or for a fee; and (3) sell or serve specified foods.

A licensee may operate seven days a week, except in Garrett County, where a licensee may open on Sundays (from 1 p.m. until 10 p.m.) only in an election district where the voters, in a referendum authorized by law, have approved Sunday beer sales at a farm.

A licensee may not sell or allow to be consumed at the location of the farm brewery any alcoholic beverage other than the beer produced by the licensee except under certain conditions.

A licensee may sponsor a multibrewery activity at the licensed farm that includes the products of other Maryland breweries and provides for the sale of beer by the glass for consumption on the premises only.

#### *Special Festival Licenses*

Several local jurisdictions are authorized to issue special festival licenses which are generally issued for beer festivals. Dorchester County is authorized to issue a beer and wine festival license. A Class 8 farm brewery license holder is currently not eligible to obtain a special festival license in any of the jurisdictions specified in the bill. While the

special festival license fees and festival durations vary by jurisdiction, the license fees generally range from \$15 to \$150 per festival, with each festival generally lasting two to three days.

### *Beer Franchise Fair Dealing Act*

Chapter 877 of 1974 established the Beer Franchise Fair Dealing Act. In general, the Act serves to regulate and control the agreements, franchises, and relationships between manufacturers of beer and their distributors for the purpose of fostering and promoting temperance in the consumption of beer, and to promote respect for and obedience to the laws controlling the distribution and sale of beer.

The Act prohibits a franchisor who has contracted with a particular franchisee to distribute certain brands in a designated sales territory from entering into a second franchise with another beer distributor to distribute the same brand or brands in the former franchisee's territory. The Act further prohibits a franchisee of a given territory from making any sale or delivery of beer to any retail licensee whose place of business is not within the territory granted to the franchisee. In this manner, the Act serves to eliminate intrabrand competition between franchisees in a given territory.

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## **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland Department of Agriculture, Comptroller's Office, Department of Legislative Services

**Fiscal Note History:** First Reader - February 12, 2014  
ncs/lgc Revised - House Third Reader - March 9, 2014

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Analysis by: Trevor S. Owen

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