

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 866

(Senator Peters)

Education, Health, and Environmental Affairs

Economic Matters

**Prince George's County - Alcoholic Beverages - Licenses, Salaries, Inspectors,
and Bottle Clubs**

This bill makes several changes to alcoholic beverages licensing provisions in Prince George's County, including provisions relating to residency requirements and capital investment requirements for certain licenses. The bill also increases the salaries of members of the Board of License Commissioners and the board's attorney, decreases the number of part-time liquor inspectors, and increases the salaries of part-time liquor inspectors. Finally, the bill enhances enforcement provisions relating to bottle clubs in the county and establishes a special Sunday off-sale permit in the county.

The bill takes effect July 1, 2015.

Fiscal Summary

State Effect: None.

Local Effect: Prince George's County revenues increase by \$58,500 in FY 2016, \$67,500 in FY 2017, and \$72,000 annually beginning in FY 2018 from special Sunday off-sale permit fees. Specified provisions of the bill result in a net annual increase in board expenditures of \$5,423, as discussed below, which can be handled with the board's current resources. It is assumed that the bill's enforcement provisions relating to bottle clubs do not materially affect local finances.

Small Business Effect: Potential meaningful impact in Prince George's County. The bill's changes to residency requirements and the number of BH licenses an entity may hold are expected to have a positive impact on current and future licensees. Any small catering business seeking a Class BCE license may incur additional costs to meet the minimum capital investment requirements. Licensees that obtain the Sunday off-sale permit also benefit.

Analysis

Bill Summary: The bill:

- increases, from \$500,000 to \$1 million, the minimum capital investment for a catering business to be issued, prospectively, a Class BCE license;
- specifies that prohibitions against the sale of alcoholic beverages within 1,000 feet of a place of worship or a school do not apply to a BCE license;
- alters specified residency requirements;
- allows the board to permit an individual, partnership, or corporation to hold or have an interest in an unlimited number of BH licenses, rather than no more than four;
- increases the annual salary of board members from \$17,000 to \$20,000;
- increases the annual salary of the chair of the board from \$18,000 to \$22,000;
- increases the annual salary of the board's attorney from \$15,500 to \$18,500;
- increases the salary of part-time inspectors from \$10,900 to \$13,900;
- decreases the number of part-time liquor inspectors from 32 to 24;
- authorizes a county liquor inspector to order the immediate closure of a bottle club under specified situations; and
- establishes notice, hearing, appeal, and penalty provisions applicable to the closure of a bottle club.

The bill also establishes a special Sunday off-sale permit in the county and authorizes the board to issue the permit to the holder of any Class A license or to the holder of a Class B beer, wine, and liquor license with an off-sale privilege. The new permit authorizes the sale of alcoholic beverages for consumption off the licensed premises only on Sunday from 8 a.m. to midnight. The annual permit fee is \$450, which is in addition to the annual fee for the licensee's existing license. The board is authorized to adopt regulations to carry out the provisions related to the new permit.

Current Law:

Residency Requirements

In Prince George's County, if an application is made for a sole proprietorship or partnership, an alcoholic beverages license must be applied for and issued to all partners as individuals, all of whom (1) must have resided in Prince George's County for at least two years prior to the application; (2) are registered voters in the county; and (3) must continue to be bona fide residents of the county as long as the license is in effect.

A license may not be issued, renewed, or transferred to an individual applying on behalf of a corporation, unincorporated association, or limited liability company, unless bona fide residents of the county own 25% of the total issued capital stock of the corporation or unincorporated association or 25% of the interests of the limited liability company, as applicable. If a close corporation has no officers or directors, in order to make the application, at least 25% of the stock must be held by county residents.

BH Licenses and Class BCE Licenses

The board may permit an individual, partnership, or corporation to hold or have an interest in not more than four BH licenses.

In order to obtain a Class BCE license, a catering establishment must, among other things, have a minimum capital investment of \$500,000 for dining room facilities and kitchen equipment, not including the cost of land, buildings, or a lease. Class BCE license applicants are currently subject to the provision that generally prohibits, with specified exceptions, a license from being granted to sell alcoholic beverages in any building located within 1,000 feet of a school building or within 500 feet of a place of worship.

Salaries and Inspectors

The annual salary of each board member is set at \$17,000, and the chairman's annual salary is set at \$18,000. The board's attorney's salary is set at \$15,500.

There are three full-time and 32 part-time alcoholic beverages inspectors. Chapter 156 of 2010 increased the salary of a part-time inspector from \$9,976 to \$10,900. County liquor inspectors, which have all the powers of a peace officer or a constable or a sheriff, must visit and inspect every licensed premises periodically and must carry on the other duties that the board prescribes.

Bottle Clubs

In Prince George's County, a "bottle club" means a premises or establishment that:

- is subject to any license issued by the State or Prince George's County; and
- serves, gives, dispenses, keeps, or allows to be consumed by a patron alcoholic beverages from supplies that the patron purchased, reserved, or otherwise brought to the premises or establishment; or serves, gives, dispenses, or allows to be consumed by a patron paying admission alcoholic beverages from supplies purchased or otherwise brought to the premises or establishment by an owner or operator or an agent of an owner or operator.

A bottle club includes a restaurant, hotel, club, room, dance studio, disco, place of public entertainment, or other place open to the public. It does not include any establishment for which a license for the premises has been issued under the provisions of the Alcoholic Beverages Article.

An owner or operator of a bottle club in Prince George's County may not, among other things, sell, give, serve, dispense, keep, or allow to be consumed in the bottle club any alcoholic beverage, setups, or other component parts of mixed alcoholic drinks. A person who violates provisions relating to bottle clubs in the county is guilty of a misdemeanor and subject to maximum penalties of two years imprisonment and/or a \$10,000 fine.

Restrictions on Sales

In Prince George's County, a holder of a Class A retail off-sale alcoholic beverages license or a Class B or Class D alcoholic beverages license with off sale privileges, or any agent, servant, or employee of the holder, may not sell any alcoholic beverages for consumption off the licensed premises between the hours of 12 a.m. and 6 a.m.

A holder of a Class A beer, wine, and liquor license or any agent, servant, or employee of a holder of a Class A beer, wine, and liquor license may not make any sale on Sunday after 12 a.m. except when December 24 and 31 fall on a Sunday.

A Class B beer, wine, and liquor licensee may not sell any alcoholic beverages for consumption off the licensed premises between the hours of 12 a.m. and 6 a.m. or on Sunday after 12 a.m. from any separate store established on the licensed premises as an "off-sale store" or to keep an "off-sale store" open for business on Sunday after 12 a.m., except that beer and light wine only may be sold from an "off-sale" store which is attached to and a part of the licensed premises on Sunday after 8 a.m. until 12 a.m. the following day. The board of license commissioners determines what constitutes an "off sale store."

Local Fiscal Effect: Prince George's County reports that there are currently about 160 licensed premises that could be eligible for the additional Sunday off-sale permit under the bill. The county assumes that about 130 of these licensees seek the permit in fiscal 2016, about 150 seek the permit in 2017, and about 160 applicants seek the permit each year thereafter. Accordingly, anticipated permit fee revenue under the bill totals \$58,500 in fiscal 2016, \$67,500 in fiscal 2017, and \$72,000 annually thereafter.

The bill's elimination of county residency requirements for license holders has the potential to increase the pool of businesses investing in alcoholic beverages establishments. However, any increase in license fee revenues cannot be readily predicted or quantified.

Prince George's County advises that increasing the salaries of board members and the board attorney increases board expenditures, with fringe benefits, by \$20,623 annually. Increasing the salaries of part-time inspectors by \$3,000 each, while decreasing the number of part-time inspectors from 32 to 24, produces a net annual savings to the board of \$15,200. Thus, overall, the bill increases county expenditures by \$5,423 annually, which can be absorbed with existing resources.

It is assumed that the bill's enforcement provisions relating to bottle clubs do not materially affect local finances.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Prince George's County, Department of Legislative Services

Fiscal Note History: First Reader - March 16, 2015
min/lgc Revised - Senate Third Reader - April 1, 2015

Analysis by: Guy G. Cherry

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