

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 520 (Delegate Mautz)
 Economic Matters

Alcoholic Beverages - Auxiliary Winery Permit

This bill establishes an auxiliary winery permit, which the Comptroller may issue to a Class 4 limited winery for use off the licensed premises anywhere in the State. There is no limit to the number of permits that a single applicant may be issued. The permit authorizes the holder to exercise all privileges of a Class 4 license at the premises, except for fermenting and bottling wine or distilling and bottling pomace brandy. While selling or providing samples of wine, a permit holder must have an agent present who is certified by an approved alcohol awareness program. An applicant must submit an application to the Comptroller and pay an annual fee of \$250 for the permit.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: General fund revenues increase by \$250 for each auxiliary winery permit issued. General fund expenditures in the Comptroller’s Office increase by \$102,500 in FY 2017 for a field enforcement investigator to issue and monitor auxiliary winery permits.

(in dollars)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
GF Revenue	-	-	-	-	-
GF Expenditure	\$102,500	\$60,600	\$63,100	\$65,700	\$68,400
Net Effect	(\$102,500)	(\$60,600)	(\$63,100)	(\$65,700)	(\$68,400)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Minimal. Class 4 limited winery license holders that obtain an auxiliary winery permit benefit from being able to sell wine at the permit’s location.

Analysis

Current Law: The Comptroller may issue a winery off-site permit to a Class 4 limited winery. The permit may be used only (1) during the Montgomery County Agricultural Fair; (2) one night each week from June through November at the North Beach Friday Night Farmers' Market; (3) at an event that has as its major purpose an activity that is other than the sale and promotion of alcoholic beverages and for which the participation of a winery is a subordinate activity; (4) at farmers' markets that are listed on the Farmers' Market Directory of the Maryland Department of Agriculture; and (5) at a wine festival that has as its primary purpose the promotion of Maryland wine and is authorized by the Comptroller.

Background: There are currently 79 Class 4 limited winery licenses issued in the State.

State Revenues: General fund revenues increase by \$250 for each auxiliary winery permit issued. The Comptroller's Office estimates auxiliary winery permits will increase general fund revenues by between \$1,000 and \$5,000 in fiscal 2017. However, since there are 79 Class 4 limited winery licenses in the State, and there is no limit on the number of permits that may be issued to a single winery, the Department of Legislative Services assumes more than 20 permits will be issued annually.

State Expenditures: General fund expenditures increase by \$102,541 in fiscal 2017, which accounts for the bill's July 1, 2016 effective date. This estimate reflects the cost of hiring one field enforcement officer within the Comptroller's Office to issue and monitor the new permits. It includes a one-time expenditure increase of \$38,200 in fiscal 2017 to create new permit forms and make reporting changes. It also includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1
Salaries and Fringe Benefits	\$59,376
IT Expenses	38,200
Operating Expenses	<u>4,965</u>
Total FY 2017 State Expenditures	\$102,541

Future year expenditures reflect a full salary with annual increases and employee turnover, as well as annual increases in ongoing operating expenses.

Additional Comments: The bill specifies that there is no limit as to the number of permits that may be issued to a single applicant, but it also says a holder of a Class 4 winery license may be issued only one permit. This analysis assumed there is no limit on the number of permits that may be issued.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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min/hlb

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