

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 697

(Delegates Otto and Carozza)

Economic Matters

Education, Health, and Environmental Affairs

Worcester County - Alcoholic Beverages - Class A Beer, Wine, and Liquor
License

This bill establishes a Class A beer, wine, and liquor (BWL) license in Worcester County, and authorizes the Worcester County Board of License Commissioners to issue a Class A BWL license in accordance with specified requirements. The license authorizes the license holder to sell beer, wine, and liquor, at retail, at the place described in the license. Sales are required to be made in a sealed package or container. The package or container may not be opened and its contents may not be consumed on the premises. The hours of sale are 6 a.m. to 2 a.m. the following day, Monday through Sunday. The annual license fee is \$4,500.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: None.

Local Effect: Worcester County revenues increase by \$4,500 for every license issued. Worcester County can monitor licenses with existing resources. Retail sales at the county dispensary may decrease.

Small Business Effect: Potential meaningful impact on small businesses that apply for and receive a Class A BWL license and have sales in excess of the license fee.

Analysis

Bill Summary: The board may issue the license to an individual for use at (1) a store previously operated by the Department of Liquor Control (DLC); (2) an establishment outside a 10-block radius of a store previously operated by DLC that is in Ocean City; or (3) an establishment outside a 1-mile radius of a store previously operated by DLC that is not in Ocean City.

The distance restriction on issuing licenses to establishments expires on the earlier of July 1, 2017, or the date a license is issued for use by a store previously operated by DLC to which the distance restriction applies.

Current Law/Background: In general, most Maryland jurisdictions permit the sale of alcoholic beverages through a three-tier system in which retail alcoholic beverages licensees (first tier) purchase alcoholic beverages from licensed Maryland wholesalers (second tier) who purchase alcoholic beverages from licensed manufacturers and import companies (third tier). In some counties, including Worcester County, the counties operate dispensary systems that act as the second-tier wholesalers for retail alcoholic beverages licensees in their respective jurisdictions. With specified exceptions, the Worcester County DLC has a monopoly on the sale and distribution of wine, liquor, or any other alcoholic beverage containing more than 14% of alcohol by volume in the county. A license holder is required to purchase all wine containing more than 14% of alcohol by volume and liquor from the department. A license holder may purchase beer and wine containing 14% alcohol by volume or less from a licensed wholesaler. The Worcester County DLC also operates four retail stores.

In fiscal 2015, a total of 195 alcoholic beverage licenses were issued for use in Worcester County.

Local Fiscal Effect: Worcester County revenues increase by \$4,500 for every license issued. Worcester County estimates that they will receive 4 new Class A license applications and as many as 18 applications from existing licensees seeking to convert to a Class A license. However, because Worcester County operates a modified dispensary system, retail sales at the dispensary may decrease due to competition from Class A BWL licensees. Because the actual number of licenses that may be issued as a result of the bill is unknown, and the total revenue lost at county dispensaries cannot be calculated, the total impact on county revenues cannot be quantified at this time.

Additional Information

Prior Introductions: None.

Cross File: SB 967 (Senator Mathias) – Education, Health, and Environmental Affairs.

Information Source(s): Worcester County, Department of Legislative Services

Fiscal Note History: First Reader - February 18, 2016
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