

Department of Legislative Services
 Maryland General Assembly
 2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1024
 Economic Matters

(Delegate Mautz, *et al.*)
 Education, Health, and Environmental Affairs

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. The Comptroller may issue up to 25 permits throughout the State, and each Class 4 license holder may only be issued one permit. A permit may only be granted for a location that complies with any relevant requirements that apply to the issuance of a local retail license in the jurisdiction. 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, 2017.

Fiscal Summary

State Effect: General fund revenues increase by as much as \$6,250 annually beginning in FY 2018. General fund expenditures in the Comptroller’s Office increase by \$81,900 in FY 2018 for a field enforcement investigator to issue and monitor auxiliary winery permits and for one-time programming costs.

(in dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GF Revenue	\$6,300	\$6,300	\$6,300	\$6,300	\$6,300
GF Expenditure	\$81,900	\$41,000	\$43,300	\$45,700	\$48,300
Net Effect	(\$75,600)	(\$34,700)	(\$37,000)	(\$39,500)	(\$42,100)

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

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 88 Class 4 limited winery licenses issued in the State.

State Revenues: General fund revenues increase by \$250 for each auxiliary winery permit issued. Because the Comptroller is likely to issue all 25 permits authorized by the bill, general fund revenues are expected to increase by \$6,250 annually beginning in fiscal 2018.

State Expenditures: General fund expenditures increase by \$81,880 in fiscal 2018, which accounts for the bill's July 1, 2017 effective date. This estimate reflects the cost of hiring one half-time field enforcement officer within the Comptroller's Office to issue and monitor the new permits. It includes a one-time expenditure increase of \$38,000 in fiscal 2018 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	0.5
Salary and Fringe Benefits	\$38,927
IT Expenses	38,000
Operating Expenses	<u>4,953</u>
Total FY 2018 State Expenditures	\$81,880

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

Additional Information

Prior Introductions: HB 520 of 2016, a similar bill, received a hearing in the House Economic Matters Committee, but no further action was taken. Its cross file, SB 1068, passed the Senate but received an unfavorable report from the House Economic Matters Committee.

Cross File: SB 718 (Senator Eckardt) - Education, Health, and Environmental Affairs.

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

Fiscal Note History: First Reader - February 15, 2017
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