

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 687 (Senator Kramer)
Education, Health, and Environmental Affairs

Alcoholic Beverages - Prohibition of Donations to Regulators

This bill prohibits specified individuals responsible for the regulation and control of alcoholic beverages in the State from accepting a contribution of money or property worth \$100 or more from an entity or individual associated with the alcohol, tobacco, or motor fuel industry with respect to the regulation of alcohol, tobacco, or motor fuel. The bill's prohibition applies to (1) the Comptroller; (2) an employee in the Office of the Comptroller; (3) a member of a local licensing board; and (4) an officer elected or appointed to any office of trust or profit under the Maryland Constitution or other State law, including a mayor or other chief executive officer of a municipal corporation.

Fiscal Summary

State Effect: The bill is not anticipated to affect State finances or operations.

Local Effect: The bill is not anticipated to affect local government finances or operations.

Small Business Effect: None.

Analysis

Current Law/Background:

Task Force to Study State Alcohol Regulation, Enforcement, Safety, and Public Health

Chapter 25 of 2018 established the Task Force to Study State Alcohol Regulation, Enforcement, Safety, and Public Health. The task force was required to examine whether the State agency that is now assigned the tasks of regulating the State alcoholic beverages

industry and enforcing associated laws is the most appropriate agency to ensure the safety and welfare of Maryland residents, or whether those tasks should be assigned to another State agency or to one created specifically to carry out those tasks.

Ultimately, the task force made 23 recommendations, including prohibiting all alcohol regulators and elected officials, on State and local levels, from accepting donations from entities or individuals associated with the alcohol, tobacco, or motor fuel industries with respect to regulation of alcohol, tobacco, or motor fuel.

Field Enforcement Division of the Comptroller's Office

The Comptroller's Office issues licenses to manufacturers and wholesalers and is responsible for enforcing the laws that are applicable to the purchase or importation of alcoholic beverages. Specifically, two divisions within the Comptroller's Office are primarily tasked with the regulation process. The Revenue Administration Division is responsible for collecting tax revenue from the sale of alcoholic beverages, and the Field Enforcement Division (FED) oversees licenses and investigates the manufacture, sale, purchase, use, and transportation of alcohol.

FED agents are charged with investigating violations of State revenue laws pertaining not only to alcoholic beverages violations, but also to violations involving tobacco, trader's and transient vendors' licenses, the sales and use tax, the International Fuel Tax Agreement, and motor fuel taxes. FED is authorized to inspect and search building and space premises where alcoholic beverages are housed, use equipment to measure quantity and quality of alcoholic beverages, and issue summonses for witnesses for hearings and inquiries. FED works with State's attorneys to provide evidence against individuals in possession of contraband alcoholic beverages, or selling alcoholic beverages without authorization.

Investigations conducted by FED agents may result in an arrest or a criminal citation. Agents also work closely with other state law enforcement agencies and federal law enforcement agencies to monitor and arrest individuals that live in the State or who live outside the State but commit revenue crimes in Maryland.

Regulation of Retail Licenses by the Local Boards

Maryland's 23 counties, the City of Baltimore, and the City of Annapolis all have boards of license commissioners. Four of these 25 licensing jurisdictions also have a liquor control board or department of liquor control that holds a partial or total monopoly on the wholesale distribution of alcoholic beverages within that jurisdiction.

The local boards of license commissioners may issue licenses in their jurisdictions to individuals. They may not issue licenses to partnerships, corporations, or limited liability corporations, but the individual receiving a license may act on behalf of an incorporated or unincorporated entity. Generally, a license on behalf of a partnership is issued to three individuals; a license on behalf of a corporation or incorporated or unincorporated club is issued to three officers of the corporation or club; and a license issued on behalf of a limited liability company is issued to three authorized individuals. A local board may restrict the number of licenses for a neighborhood, divide a municipality into licensing districts, and determine areas in which a license may not be issued.

A board of license commissioners is composed of three to five members. About half of the boards are appointed by the Governor, while the other half are appointed by a local governing body or are the local governing body sitting as the board. As shown in **Exhibit 1**, in some jurisdictions, the county council or county commissioners choose the local licensing board or sit as the board. For additional information, see the 2017 Department of Legislative Services report on the [Regulation of the Alcoholic Beverages Industry in Maryland](#).

Exhibit 1
Boards of License Commissioners by Jurisdiction

<u>County</u>	<u>Number of Members</u>	<u>Appointment Authority</u>
Allegany	3	Governor
City of Annapolis	5	Mayor
Anne Arundel	3	Governor
Baltimore City	3 (plus 1 substitute)	Mayor and President of City Council ¹
Baltimore	3 (plus 2 substitutes)	County Executive
Calvert	3 (plus 1 substitute)	Governor
Caroline	3 (plus 1 substitute)	Governor
Carroll	3 (plus 1 substitute)	County Commissioners
Cecil	3	County Commissioners
Charles	5	County Commissioners
Dorchester	5 ²	N/A
Frederick	3	Governor
Garrett	3	Governor
Harford	5	County Executive
Howard	5 ³	County Executive
Kent	3 ⁴	N/A
Montgomery	5	County Executive
Prince George's	5	County Executive
Queen Anne's	5	County Commissioners
St. Mary's	5	Governor
Somerset	3	Governor
Talbot	3	Governor
Washington	3	Governor
Wicomico	3	Governor
Worcester	3	Governor

¹ In Baltimore City, the mayor appoints two members, and the president of the city council appoints one member and one substitute member.

² In Dorchester County, the five-member county council sits as the board, and each member may appoint one substitute.

³ In Howard County, the five-member county council sits as the board, and hearing authority is delegated to a five-member Alcoholic Beverage Hearing Board. The county executive is responsible for appointing the five-member board from lists generated by the council members.

⁴ In Kent County, the three county commissioners sit as the board.

Source: *Regulation of the Alcoholic Beverages Industry in Maryland*, November 2017, Department of Legislative Services

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office; State Ethics Commission; City of Takoma Park; Carroll, Harford, and Queen Anne's counties; Department of Legislative Services

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