

Department of Legislative Services  
Maryland General Assembly  
2025 Session

FISCAL AND POLICY NOTE  
First Reader

Senate Bill 542  
Finance

(Senator Charles, *et al.*)

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Alcoholic Beverages Industry - Study

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This bill requires the Governor’s Office of Small, Minority, and Women Business Affairs (GOSBA) to contract with an independent consultant to complete a study of the structure and composition of the distribution and retail sector of the alcoholic beverages industry in the State, and make recommendations on identifying and eliminating barriers to minority participation in that industry. By December 1, 2026, GOSBA must submit the completed report and recommendations, along with any additional pertinent information, to the Governor and the General Assembly. **The bill takes effect June 1, 2025, and terminates June 30, 2027.**

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Fiscal Summary

**State Effect:** No effect in FY 2025. General fund expenditures increase for GOSBA by approximately \$335,000 in FY 2026 and \$165,000 in FY 2027, for a total of \$500,000, to hire a consultant to conduct the required study and make recommendations, as discussed below. Revenues are not affected.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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Analysis

**Bill Summary:**

The study must include:

- current participation rates and data organized by racial and ethnic demographics for distributors and retailers;

- historical business participation rates and data organized by racial and ethnic demographics for distributors and retailers;
- the names and total numbers, organized by racial and ethnic demographics, of the following that are carried by, or do business with, each distributor or retailer: (1) brands by name; (2) brand owners; (3) distillers; (4) importers; (5) manufacturers; (6) producers; (7) winemakers; and (8) creators of any product that contains alcohol, but is not specifically mentioned above;
- how the structure of the distribution and retail sector of the Maryland alcoholic beverages industry compares to similar structures in other licensing states;
- how the participation of businesses owned by different demographics in Maryland compares to the business participation in other states, where available; and
- areas that have potential discrimination within the industry that could warrant remedial action.

The recommendations must include:

- identifying barriers to participation within the distribution and retail sector tier of the alcoholic beverages industry;
- how the State can enhance business participation in the alcoholic beverages industry; and
- other data that may need to be collected or authorized to fully understand the opportunity of business enterprises to participate in the alcoholic beverages industry.

GOSBA must consult with the Office of the Attorney General, the Maryland Department of Transportation, and the Alcohol, Tobacco, and Cannabis Commission in developing the solicitation for an independent consultant required under the bill.

Each holder of a State or local alcoholic beverages license or permit must cooperate with GOSBA and the independent consultant in providing specified information. Each holder of a State or local alcoholic beverages license or permit, or application for a license or permit, must cooperate with requests from GOSBA or the independent consultant and provide the requested information within 75 days after receiving the request.

Information provided in accordance with the study by each holder of a State or local alcoholic beverages license or permit, or applicant for a license or permit, must (1) constitute confidential commercial and financial information and (2) be treated as confidential by the independent consultant and the State. The information provided may only be used for purposes authorized under the bill, and disclosed to the public only in an anonymized or aggregated format.

**Current Law:** The distinctive component of Maryland’s approach to regulating alcohol sales is the three-tier distribution system. Designed to thwart an arrangement called “vertical integration” in which all steps in the supply chain are controlled by the same company, the system separates ownership and operations among (1) manufacturers; (2) wholesalers; and (3) retailers. In its purest form, the system authorizes manufacturers (tier one) to sell only to wholesalers (tier two); wholesalers only to retailers (tier three); and retailers only to consumers. Generally in Maryland, the Alcohol and Tobacco Commission issues statewide licenses to manufacturers and wholesalers (an authority that transferred from the Comptroller’s Office by statute, beginning in 2021), while each licensing jurisdiction issues licenses to retailers to operate within its boundaries.

Chapters 749 and 750 of 2022 required GOSBA in consultation with specified entities to conduct a study of the participation of minority-owned businesses in the alcoholic beverages industry in the State and report its findings and recommendations to the Governor and the General Assembly by January 1, 2023. GOSBA indicated in its [report](#), that it did not possess the high level of expertise needed to conduct in-depth research and analysis of the alcoholic beverages industry and that staff and funding would be needed to do so.

**State Fiscal Effect:** GOSBA advises that, given the study’s scope, complexity, research methodology, and analysis across different regions and consumer segments, the cost to hire a consultant for a study as required under the bill ranges from \$500,000 to \$1.5 million. Although the Department of Legislative Services (DLS) acknowledges that the bill’s requirements for the study are comprehensive and require extensive research and analysis, DLS believes that the study can be completed at the lower end of the cost range identified by GOSBA. Accordingly, general fund expenditures for GOSBA increase by approximately \$335,000 in fiscal 2026 and \$165,000 in fiscal 2027 (the report is due December 1, 2026), for a total of \$500,000 to hire a consultant to conduct the study.

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### **Additional Information**

**Recent Prior Introductions:** Similar legislation has been introduced within the last three years. See HB 324 and SB 72 of 2022 (enacted as Chapters 749 and 750 of 2022).

**Designated Cross File:** None.

**Information Source(s):** Governor’s Office of Small, Minority, and Women Business Affairs; Charles and Garrett counties; Maryland Association of Counties; Alcohol, Tobacco, and Cannabis Commission; Comptroller’s Office; Maryland Department of Transportation; Department of Legislative Services

**Fiscal Note History:** First Reader - February 19, 2025  
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