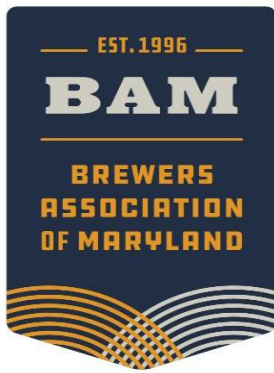


**BAM - 2021 Omnibus 1 Pager - FINAL.pdf**

Uploaded by: Crow, Judy

Position: FAV



## MARYLAND ASSOCIATIONS OF ALCOHOL MANUFACTURERS 2021 PRIORITY LEGISLATION – SB 821

### **POSITION: SUPPORT**

**BILL SUMMARY:** In recognition of the devastating impact that the existing COVID pandemic has had on small businesses, SB 821 proposes to codify the provisions set forth under Executive Orders issued by the Governor of Maryland which grant delivery and shipment privileges (without caps) to the 275 alcohol manufacturers in the state. Moreover, SB 821 also makes necessary technical changes stemming from the 2019 Brewery Modernization Act, and clarifies statutory provisions with respect to special event and off-premise permits by consolidating permitting language (as set forth in SB839 from 2020 which passed the Senate and was not heard in the House due to the truncated session).

**RATIONALE:** The members of the alcohol manufacturing industry help support thousands of jobs across the state and generate billions of dollars in economic impact. *Yet, due to the precipitous decline of on-premise visitation at Maryland's breweries, wineries and distilleries, our members were forced to overhaul our collective business operations overnight in order to survive. In so doing, we had no choice but to shift our focus to off-premise sales in order to stay in business and keep Marylanders employed.*

*This legislation seeks statutory certainty for the industry. That statutory certainty will let us plan our business operations – reset our budgets, reallocate resources, rethink inventory and reinvest in new infrastructure – and do so prospectively without worrying when or if the Executive Orders will be lifted.* Certainly, we all hope the day will come when our taprooms and tasting rooms are once again jam-packed with loyal customers, neighborhood newcomers and traveling tourists. However, we know—at least for the foreseeable future—a new “normal” will exist. A normal where our regular customers may not step back inside our facilities for years. A normal where prospective newcomers in our neighborhoods and tourists from across the country will not plan a trip to visit us in-person to experience what makes our industry so unique and welcoming. *A normal where delivery and direct shipment have become our main channel of product branding and our most reliable source of direct-to-consumer revenue (all while keeping the public safe). This is our new reality. Please support SB 821.*

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- **CREATES A SINGLE MANUFACTURER OFF-SITE PERMIT (§2-130):** Strikes individual permits for wineries, breweries and distilleries in an effort to consolidate and make consistent the language and authorities granted. With some manufacturers now holding multiple licenses (winery, brewery, etc.), they are currently obtaining up to three different—and conflicting—off-site permits annually. This bill also eliminates the current 3,000-barrel conditional production threshold for a Class 5 or Class 7 brewery to obtain an off-site permit. *This promotes equitable treatment for all three manufacturers. It is based on existing law and previous precedent within consensus legislation over the last few years.*
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**PLEASE SUPPORT YOUR LOCAL ALCOHOL MANUFACTURERS AND PASS SB 821!**

**For more information please contact: Brad Rifkin (RWL), Pat Roddy (RWL) or Camille Fesche (RWL) at 410-269-5066**

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**MDGA\_SenHester\_FAV\_SB821.pdf**

Uploaded by: Fry Hester, Katie

Position: FAV

**KATIE FRY HESTER**  
*Legislative District 9*  
Carroll and Howard Counties

Education, Health, and  
Environmental Affairs Committee

Chair, Joint Committee on  
Cybersecurity, Information Technology  
and Biotechnology



*Annapolis Office*  
James Senate Office Building  
11 Bladen Street, Room 304  
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800-492-7122 Ext. 3671  
KatieFry.Hester@senate.state.md.us

**THE SENATE OF MARYLAND**  
**ANNAPOLIS, MARYLAND 21401**

**Testimony in Support of SB821 - Alcoholic Beverages - Manufacturer's Licenses and Off-Site Permits**

March 5, 2021

Chairman Pinsky, Vice-Chair Kagan, and members of the Senate Education, Health, and Environmental Affairs Committee:

Thank you for your consideration of Senate Bill 821. Mr. Chairman and members of the Committee, one of the fundamental tasks facing us this session is assisting Marylanders and Maryland businesses as they struggle through the current pandemic-caused recession. Senate Bill 821 is one piece of this effort, specifically addressing the 275 breweries, wineries, and distilleries we have in the state. These local businesses support over 8,500 direct and indirect jobs in tourism, hospitality, and manufacturing. They are almost exclusively small and Maryland-owned, and they predominantly sell their products to Marylanders.

While they are experiencing some growth, these businesses are still a very small part of a larger global market. They compete against international companies, who source products from all over the world. Without large advertising budgets or national marketing partners, **they have succeeded by having customers come to their Maryland facilities to buy products directly from them. In so doing, these manufacturers have utilized the retail privileges the general assembly has granted them over the years.**

As this committee knows, these businesses are heavily regulated. Often, that results in the need for legislative approval when changes are made to their business models due to evolving consumer demands – or in this case, the result of a pandemic. This makes them different from many other private sector organizations that were able to adopt new business practices over the last year without fear that those practices may no longer be afforded to them in the future.

Certainly, COVID-19 changed everything for the businesses before you today, as well as many other Maryland employers. Fortunately, at the onset of the pandemic, the Governor used his emergency powers to relax certain delivery retail restrictions, thereby recognizing the seismic

shift and catastrophic harm the industry was about to endure. These Executive Orders, which are the foundation for Senate Bill 821, have allowed Maryland's breweries, distilleries, and wineries to reach Maryland consumers – even without having anyone visit their facilities. In response, these businesses pivoted and invested in innovative approaches to attract customers, some of which you will hear about today. They have quite literally done everything they can to save their businesses. But in the process, they have transformed themselves from being hosts at their facilities to being direct to consumer providers of highly specialized products.

Now, they face even more uncertainty. Will the investments they made in personal delivery and shipping be wiped out when the state of emergency ends? Will their customers, who have received the enhanced service of “to the door” delivery, ever return to the indoor taprooms and tasting rooms of wineries, distilleries, and breweries at the pre-covid rates which formed the bedrock of their businesses? These 275 Maryland businesses cannot predict that future. Senate Bill 821 is an attempt to give them some certainty and provide a roadmap for how Maryland will regulate its businesses moving forward.

This Committee has been at the forefront of creating a regulatory framework that has allowed Maryland's alcohol manufacturers to grow by adapting to consumer demands and the needs of the industry. I believe that growth is at risk. Marylander consumers are demanding these locally manufactured products be shipped directly to their front door; and in turn, these small businesses are offering that service to consumers in order to stay in business. If we miss this moment to provide statutory certainty we will look back and wonder – why did this growing industry stall, or worse, collapse?

Mr. Chairman, in addition to codifying the privileges granted to the industry during the pandemic, this bill also includes language from Senate Bill 839 of 2020 which Senator Simonaire sponsored. That bill passed the Senate but the clock ran out over in the House due to the truncated session. With that, **I respectfully request a favorable report for Senate Bill 821.**

Sincerely,

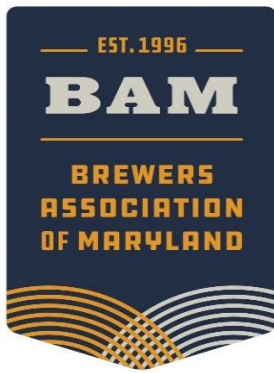
A handwritten signature in black ink that reads "Katie Fry Hester". The signature is written in a cursive, flowing style.

Senator Katie Fry Hester  
Carroll and Howard Counties

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Uploaded by: Healey, Sarah

Position: FAV



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# **SB821 – Alcoholic Beverages - Manufacturer's Licen**

Uploaded by: Matthews, Dakota

Position: FAV



*John Hartline, Chairman*

50 Harry S. Truman Parkway • Annapolis, MD 21401  
Office: 410-841-5772 • Fax: 410-841-5987 • TTY: 800-735-2258  
Email: [rmc.mda@maryland.gov](mailto:rmc.mda@maryland.gov)  
Website: [www.rural.maryland.gov](http://www.rural.maryland.gov)  
*Charlotte Davis, Executive Director*

Testimony in Support of  
Senate Bill 821 – Alcoholic Beverages – Manufacturer’s Licenses and Off-Site Permits  
Education, Health, and Environmental Affairs Committee  
March 5, 2021

The Rural Maryland Council supports Senate Bill 821 – Alcoholic Beverages – Manufacturer’s Licenses and Off-Site Permits. A main component of this bill is to codify certain provisions that have been put in place through the Executive Order privileges during the pandemic for the State’s wineries, breweries, and distillers to distribute their product. This bill will allow a holder of a manufacturer’s license to deliver their product to an individual located in the State and directly ship their product to a consumer upon request.

Maryland’s distilleries, wineries, and breweries promote economic development, value-added agriculture, and manufacturing as they not only produce beverages but create destinations that attract tourists. According to the Value-Added Agriculture by Grow & Fortify and BEACON, the 2018 total value-added impact of these three industries was \$858 million and supported 2,558 jobs. The pandemic greatly impacted this industry with close to 500 layoffs reported to date and the authorization for direct-to-consumer delivery and shipment services has created a new lifeline for sales and kept many doors open during these unprecedented times.

The Rural Maryland Council supports the value-added agriculture industry as it enables farms to transition into diversified production. Senate Bill 821 further enhances this type of agriculture by providing delivery and shipping options for the State’s value-added craft beverages. The Council requests your favorable support of Senate Bill 821 – Alcoholic Beverages – Manufacturer’s Licenses and Off-Site Permits.

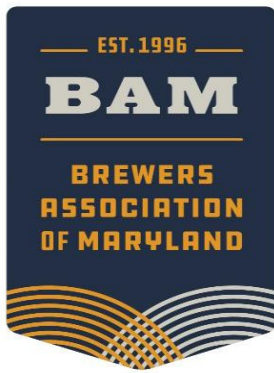
*The Rural Maryland Council (RMC) is an independent state agency governed by a nonpartisan, 40-member board that consists of inclusive representation from the federal, state, regional, county, and municipal governments, as well as the for-profit and nonprofit sectors. We bring together federal, state, county and municipal government officials as well as representatives of the for-profit and nonprofit sectors to identify challenges unique to rural communities and to craft public policy, programmatic or regulatory solutions.*

“A Collective Voice for Rural Maryland”

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Uploaded by: Windon, Jaime

Position: FAV



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# **SB 821 testimony of Licensed Beverage Distributors**

Uploaded by: Douglas, Bob

Position: FWA

**LICENSED BEVERAGE DISTRIBUTORS OF MARYLAND, INC.**

Leadership in Industry Cooperation  
446 Park Creek Road  
Pasadena, Maryland 21122

**Members**

**BREAKTHRU BEVERAGE DISTRIBUTORS  
REPUBLIC NATIONAL DISTRIBUTING  
COMPANY, LLC**

**March 3, 2021**

**SB 821 Favorable with Amendment**

**Senate Education, Health and Environmental Affairs Committee:**

**Mr. Chairman, Vice Chair and Members:**

**The Licensed Beverage Distributors of Maryland support SB 821 if amended. We ask that you set a sunset in 2022 for the parts of the bill allowing manufacturers to deliver their products to residents, Manufacturer delivery guts the 3-tier system which has made Maryland a national regulatory model for the controlled dangerous product known as alcoholic beverage.**

**We supported relaxation of regulations to help small business weather the pandemic. Some of these changes should cease when the effects of the emergency end. Allowing manufacturers of a controlled dangerous product to deliver their product is no longer necessary once business returns to normal.**

**The regulatory system is known as the 3-tier system because three different stages of alcohol sales act as check and balance which has assured (1) safe production, (2) tax collection and (3) legal sales. The 3-tier system has been applauded by the Supreme Court, lower federal courts and Maryland courts as "unquestionably legitimate" ... "[b]ecause it serves valid health, safety and regulatory interests." This bill eliminates the checks and balances for a controlled dangerous product and allows the supplier to police itself.**

**In short, this bill eliminates safeguarding of alcoholic products by two tiers - wholesalers and retailers - and instead authorizes direct sales to consumers. The bill removes the checks and balances of tiers 2 and 3 which (1) catch tampered products, (2) bootleg whisky and (3) tax cheats. What does the State receive in return? A higher likelihood of tampered goods, just like the tainted bottles of alcohol you regularly read about elsewhere. Also, there is an increased opportunity for bootleg operations due to**



**elimination of the chain of custody protocols in the 3-tier system and introduction of questionable tax collection procedures. In the current system, there are (1) many people employed in the wholesale and retail operations to inspect the bottles and boxes, (2) account for the required taxes, (3) track on paper the flow of every drop of alcohol in the state to our citizens and (4) certified people who graduate from mandatory alcohol awareness programs to prevent sales to drunk people.**

**It is not worth abandoning Maryland's model regulatory system so that some businesses can increase profits after the pandemic. In fact, what they seek could harm their business. The Supreme Court has said that states must treat out-of-state alcohol suppliers the same as in-state suppliers. Under this bill, Guinness in Baltimore County could deliver to homes. We can expect Anheiser Busch, Gallo, Coors and others to sue for the same access. I doubt Maryland producers would want such competition.**

**We ask that the committee amend the bill by imposing a 2022 sunset provision on delivery by manufacturers so that Maryland's praised 3-tier system is maintained to protect the health, safety and welfare of all Marylanders.**

**Very truly yours,**

**Joel Polichene, Republic National Distributing Company**

**Jeff Scarry, Breakthru Beverage Distributors (formerly Reliable Churchill LLP)**

**Jimmy Smith , Breakthru Beverage Distributors**

**CC: Bob Douglas, Bruce Bereano**

**MDDCSAM - SB 821 UNF - Alcohol Off-Site Sales.pdf**

Uploaded by: Adams, MD, Joseph

Position: UNF



*MDDCSAM is the Maryland state chapter of the American Society of Addiction Medicine whose members are physicians and other health providers who treat people with substance use disorders.*

## **SB 821 Alcoholic Beverages - Manufacturer's Licenses and Off-Site Permits**

**Senate Education, Health, and Environmental Affairs Committee**

**March 5, 2021**

### **OPPOSE**

Although most people who use alcohol do not have discernable resulting problems, the spectrum of unhealthy patterns of alcohol use are extremely common. **Alcohol is the fourth leading cause of preventable death in the U.S, and results in twice the number of deaths as do opioids.**

Making alcohol more available to the public in off-site venues is likely to increase the rate of hazardous or harmful alcohol use.

There has been a **significant pandemic-related rise in serious mental health and substance use problems and in alcohol-related traffic fatalities**, making resulting harms especially severe at this time.

The regulation of the sale of ordinary household goods, for example, is very different from regulation of products with the risk of addiction and serious health consequences in a significant proportion of users.

We respectfully request an unfavorable report.

\*\*\*\*\*