



MEMORANDUM
OFFICE OF THE MAYOR

To: House Economic Matters Committee
From: Justin Williams, Deputy Mayor for Community & Economic Development
Date: 2/15/24
Re: HB 733 - Baltimore City - Alcoholic Beverages - Licensing Fees

I write on behalf of the Administration to advocate for the adoption of the above-referenced legislation that directly impacts the City's ability to regulate the sale, storage, and distribution of retail alcoholic beverages effectively. This legislation, inspired by the attached memorandum from the Baltimore City Department of Finance, proposes an overdue adjustment to Liquor License fees that have remained unchanged since 2008 and, in some instances, since 2001.

The City of Baltimore imposes over 2,000 fees to fund the provision of essential city services, guided by the User Fee Policy that aim for cost recovery that reflects the service delivery's total cost. Specifically, the Board of Liquor License Commissioners for Baltimore City, with an operating budget of \$2.9 million in Fiscal 2024, anticipates revenue of \$1.9 million from the issuance, transference, and renewal of licenses. This revenue, however, falls short of covering the actual costs, projecting a \$1.0 million operating deficit.

The proposed legislation seeks to address this shortfall by updating the fee schedule to reflect inflation since 2008 and adjusting fees to align with policy goals and the City's fiscal health. We note that the recommendation includes a slightly higher increase for Class A (package goods) Licenses than Class B (restaurant) Licenses. This adjustment aims to prevent disincentivizing restaurant openings over liquor stores, considering the latter's lower overhead and resilience during the pandemic.

The additional revenue generated will support the creation of new Liquor Board Inspector positions, enhancing our ability to oversee compliance city-wide, every day and evening. This expansion is crucial for a comprehensive regulatory approach, moving beyond the current triage system focused on specific areas and reactive 311 responses.

This legislation is not merely a fiscal adjustment, but a strategic investment in Baltimore's health, safety, and economic vitality. It ensures our regulatory framework keeps pace with inflation and reflects the current economic landscape, thereby strengthening our city's oversight and enforcement capabilities as inspectors are assigned to work with Baltimore City's Social Club Task Force.

Your support for this legislation will empower Baltimore to enhance its regulatory functions, promote responsible business operations, and contribute to the City's overall well-being. I urge you to consider the long-term benefits of this proposal and stand with us in making Baltimore a safer, more vibrant city for all.

Thank you for your attention and support.

Liquor Board License Fee – Analysis Prepared by the Bureau of the Budget and Management Research (BBMR)

Background

The City of Baltimore utilizes over 2000 fees to fund the provision of essential City services. In Fiscal 2011, the Board of Estimates established a User Fee Policy in order to provide guidelines for setting and reviewing user fees and charges by the City. The City's User Fee Policy (AM-422-1) advises that City agencies can set cost recovery goals that are based on the total cost of delivering the service. In accordance with this policy, the Department of Finance is leading City agencies through an initial review of fees and then providing agencies analysis and recommendations for adjustments.

Agency of Study: Liquor License Board

The Board of Liquor License Commissioners is an agency of the State responsible for regulating the sale, storage, and distribution of retail alcoholic beverages in Baltimore City. The Board is also responsible for licensing and regulating the City's adult entertainment businesses. In Fiscal 2024, the agency's operating budget is \$2.9 million and consists of two services: Service 850 - Liquor Licensing and Service 851 - Liquor License Compliance. It is anticipated that in Fiscal 2024, the Board will collect \$1.9 million in revenue related to issuance, transference, and renewal of alcoholic beverage and adult entertainment licenses.

The City's liquor license fee schedule was last updated in 2008. Changes to liquor license fees and license qualifications require approval by the Maryland General Assembly.

Analysis

In Fiscal 2024, the anticipated Liquor License Board operating deficit is \$1.0 million. This analysis considers two types of increases to the current liquor license fee schedule to improve cost recovery for the agency: an inflationary increase and a hybrid increase.

The table below details the City's current liquor license fee schedule; five peer jurisdiction's fee schedules in the state; and provides Baltimore's ranking relative to the other jurisdictions (rank 1 as the highest fee and rank 6 as the lowest fee). On average, the City ranks third in fee prices relative to peer jurisdictions.

Baltimore City and Peer Jurisdiction Liquor License Fee Schedules							
License Type	Baltimore City	Anne Arundel County	Baltimore County	Howard County	Montgomery County	Prince George's County	Baltimore City Ranking
Class A Wine	\$250	\$60	\$100	\$50	\$100	\$50	1
Class A Beer & Wine	\$110	\$240	\$250	\$175	\$250	\$500	6
Class A & A-2 Beer, Wine & Liquor	\$858	\$720	\$900	\$700	\$900	\$910	4
Class A-7 Beer & Wine	\$1,500	-	-	\$900	-	-	1
Class B Beer & Wine	\$165	\$480	\$300	\$175	\$400	\$365	6
Class B Beer, Wine & Liquor (<200)	\$1,320	\$1,080	\$1,500	\$2,000	\$2,500	\$2,305	4
Class B Beer, Wine & Liquor (>200)	\$1,800	\$1,080	\$1,500	\$2,000	\$2,500	\$2,305	4
Class B LBHM Hotel/ Motel	\$6,500	\$3,600	-	\$1,000	\$2,500	\$5,000	1
Class B Market Place License	\$6,000	-	-	\$6,000	\$4,000	\$8,275	2
Class B Racetracks (Per day)	\$55	\$25,000	\$50	\$1,000	-	\$60	4
Class B-D-7 Beer, Wine & Liquor	\$1,320	-	-	\$1,000	-	-	1
Class C Beer & Wine	\$83	\$120	\$150	\$150	\$120	\$245	6
Class C Beer, Wine & Liquor	\$550	\$480	\$1,000	Board Set	\$1,000	\$910	4
Class D Beer (Brewery)	\$200	-	-	\$150	\$250	\$500	3
Class D Beer & Wine	\$165	\$480	\$250	\$175	\$400	\$500	6
Class D Beer, Wine & Liquor	\$825	\$1,200	\$1,500	\$800	\$3,000	-	4
Class B Arena License	\$12,000	-	-	-	\$2,000	\$21,780	2
Class VLC Video Lottery Concessionaire License (Casino)	\$5,000	\$5,000	-	-	-	\$5,000	1
Class VLF Video Lottery Facilities (Casino)	\$15,000	\$15,000	-	-	-	\$22,000	2

The table below details the City's current fee schedule, the peer jurisdiction fee average, and proposed schedules that reflect an inflationary increase and hybrid increase. The inflationary model adjusts the fee schedule using a 1.55 multiplier (CPI change in prices since 2008 to projected June 2024). The hybrid model utilizes a combination of inflationary increases and right-sizing of fees that seeks to better align the fee with policy goals and the cost impact on the City. For example, under the City's current schedule, arena licenses have a fee of \$12,000. In Prince George's County, in which the Washington Commanders' stadium is located, arena licenses have a fee of \$21,780.

Current Fee Schedule and Proposed Updates					
License Type	Current Fee Schedule	Peer Jurisdiction Average	Inflation Increase	Hybrid Increase	Code Reference
Class A Wine	\$ 250	\$ 72	\$ 389	\$ 250	§ 12-702
Class A Beer & Wine	\$ 110	\$ 283	\$ 171	\$ 171	§ 12-801
Class A & A-2 Beer, Wine & Liquor	\$ 858	\$ 826	\$ 1,334	\$ 2,060	§ 12-901
Class A-7 Beer & Wine	\$ 1,500	\$ 900	\$ 2,333	\$ 2,336	§ 12-902.1
Class B Arena License	\$ 12,000	\$ 11,890	\$ 18,660	\$ 21,780	§ 12-1001
Class B Beer & Wine	\$ 165	\$ 344	\$ 257	\$ 310	§ 12-802
Class B Beer, Wine & Liquor (<200)	\$ 1,320	\$ 1,877	\$ 2,053	\$ 2,060	§ 12-903
Class B Beer, Wine & Liquor (>200)	\$ 1,800	\$ 1,877	\$ 2,799	\$ 2,060	§ 12-903
Class B LBHM Hotel/ Motel	\$ 6,500	\$ 3,025	\$ 10,108	\$ 10,108	§ 12-904
Class B Market Place License	\$ 6,000	\$ 6,138	\$ 9,330	\$ 8,580	§ 12-1001.3
Class B Racetracks (Per day)	\$ 55	\$ 6,528	\$ 86	\$ 100	§ 12-1003
Class B-D-7 Beer, Wine & Liquor	\$ 1,320	\$ 1,000	\$ 2,053	\$ 2,336	§ 12-905
Class C Beer & Wine	\$ 83	\$ 157	\$ 128	\$ 128	§ 12-803
Class C Beer, Wine & Liquor	\$ 550	\$ 848	\$ 855	\$ 860	§ 12-906
Class D Beer & Wine	\$ 165	\$ 361	\$ 257	\$ 260	§ 12-804
Class D Beer (Brewery)	\$ 200	\$ 300	\$ 311	\$ 300	§ 12-604
Class D Beer, Wine & Liquor	\$ 825	\$ 1,625	\$ 1,283	\$ 1,284	§ 12-907
Class D Supplemental License	\$ 75	N/A	\$ 117	\$ 120	§ 12-2004
Class LM-G Golf Course	\$ 600	N/A	\$ 933	\$ 936	§ 12-1002
Class VLC Video Lottery Concessionaire License (Casino)	\$ 5,000	\$ 5,000	\$ 7,775	\$ 7,500	§ 12-1004
Class VLF Video Lottery Facilities (Casino)	\$ 15,000	\$ 18,500	\$ 23,325	\$ 17,500	§ 12-1005
Maryland Zoo	\$ 500	n/a	\$ 778	\$ 778	§ 12-1006
Annual Renewal **(Fee Not Typically Codified)	\$ 50	**	\$ 1,555	N/A	§ 12-2102

The table below details the anticipated liquor license revenues in Fiscal 2024 at current fee structure and under the two proposed adjustments. It also compares the corresponding General Fund budget gaps. The Hybrid revenue estimate assumes the same rates as the current fee schedule for the One Day license types.

Fiscal 2023 Actual and Projected Revenue			
Scenario	Anticipated Revenues	Additional Revenue	General Fund Offset
Current Fee Schedule	\$ 1,897,004	\$ -	\$ (1,009,090.50)
Inflation	\$ 2,949,840	\$ 1,052,837	\$ 43,746.00
Hybrid	\$ 2,720,188	\$ 823,185	\$ (185,906.00)

Other Considerations

There are several other factors that should be considered related to this proposal. First, the Liquor License Board is seeking to add two new positions in Fiscal 2025 that would increase compliance and revenues, which would likely improve projected revenues.

Additionally, the City should consider using dynamic pricing for some one-day licenses. Events such as the Greek Fest, which utilize one-day licenses and sell a disproportionate amount of alcohol relative to a one-day event fee (\$15-\$50). They also compete with established brick-and-mortar establishments with greater overhead costs. Accordingly, recommendation is to delegate the authority to establish the price for one-day licenses to the Liquor License Board so they can develop a policy that sets the proper balance between the policy goals of enabling organizations to host festivals and events that contribute to a thriving city, while allowing the Liquor License Board to fulfill its mandate to regulate the provision of alcoholic beverages.

Current Fee Schedule and Proposed Updates			
License Type	Current Fee Schedule	Proposed Increase	Code Reference
Temporary - One Day Licenses (fee per day)			
Beer & Wine	\$ 25	Request to fully delegate authority: "The Board Shall Set the License Fee"	§ 12-1311
Beer, Wine & Liquor	\$ 50		§ 12-1311
WS (Wine Sampling)	\$ 15		§ 12-1306
Beer Festival	\$ 50		§ 12-1304
WF (Wine Festival)	\$ 50		§ 12-1305
BWT - Tasting for Class A License	The Board shall set the license fee.		§ 12-1307
BWLT - Tasting for Class A/ A-7 License	Varies based on duration/frequency from \$20 to \$750		§ 12-1308