EXECUTIVE SUMMARY: THE ECONOMIC IMPACT OF BEER AND WINE SALES IN GROCERY STORES

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UNIVERSITY OF BALTIMORE
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Executive Summary

The Jacob France Institute of the University of Baltimore (JFI) was retained by Maryland Retailers Alliance to update and expand the 2024 *The Potential Benefits of Allowing Beer and Wine Sales In Supermarkets, Grocery, and Convenience Stores in Maryland* report. The JFI provided a revised economic and fiscal impact analysis; a more detailed analysis on the experience of the four states that have allowed beer and wine sales in grocery stores, and a case study analysis of the potential impact of allowing beer and wine sales in supermarkets and grocery stores on expanding food retailing in underserved markets. Selected key findings of this analysis are as follows:

<u>Maryland Alcohol Market</u>

- Maryland has restrictive laws on the sale and distribution of beer and wine. Maryland is one of only 5 states that does not allow the sale of any alcohol in grocery stores: with 7 states allowing beer sales, 18 states allowing beer and wine sales, and 21 states allowing beer, wine and spirits sales.
- Despite being a high-income state, alcohol consumption in Maryland is below the national average and declining.
- Maryland has competitive beer and wine prices, but relatively high taxes.
- The sale of beer and wine in Maryland is nearly entirely concentrated in Beer, Wine, and Liquor Retailers. Maryland has 1,531 Class "A" Liquor License holders[1] and 1,214 Beer, Wine, and Liquor Retailers. Maryland's 1,214 Beer, Wine, and Liquor retailers employ a total of 5,695 employees, generate an estimated $2.5 billion in sales, and Maryland has a concentration of employment 70% higher than the national average in this sector. While the number of Beer, Wine, and Liquor Retailers establishments has been stable, employment in the Beer, Wine, and Liquor Retailers sector has declined over the past five years.
- Alcohol sales are an important source of State government revenues, generating $39.9 million in excise tax revenues and the 3% additional sales tax on alcohol (above the State sales tax of 6%) generating and additional $34.3 million.

<u>Economic and Business Impact of Allowing Beer and Wine Sales in Grocery Stores</u>

- ***The impact of permitting beer and wine sales in grocery stores on existing beer, wine, and liquor retailers may be overstated***. A key concern over allowing beer and wine sales at Maryland grocery stores is its potential impact on existing beer, wine, and liquor retailers. In the last decade, four states have allowed beer and wine sales at grocery stores: Pennsylvania and Tennessee in 2016, Oklahoma in 2018 and Colorado in 2023. The experience of the three states where long-term data are available demonstrates that while there are immediate impacts on existing retailers, employment in beer, wine, and liquor retailers fully recovered and began to grow in all three states and the number of establishments is now above pre-liberalization levels in two of the three states (Pennsylvania and Tennessee), with the number of establishments in Oklahoma recovering in 2022 and 2023, but falling to below pre-change levels in 2024. Alcohol sales tax revenues increased in all of the four states analyzed, indicating that permitting sales in grocery store contributed to an increase in beer, wine and alcohol sales.
- The JFI estimates that permitting beer and wine sales in grocery stores will support an increase in beer and wine sales in Maryland, with the JFI estimating an increase in sales volume of between 5%

[1] Does not include Class "D" Licenses that are permitted to sell alcohol for on- and off-premises consumption.

and 7%. Beer and wine sales are estimated to increase on the basis of the combined effects of the expanded access and a reduction in out-of-state purchases by Maryland residents resulting from permitting sales in grocery stores.

- ***The JFI estimates that allowing beer and wine sales in grocery stores will increase economic activity in Maryland***. The economic impact estimates (net of the impact on existing retailers) are as follows:
  - If beer and wine sales increase by 5%, economic activity in Maryland will increase by $29.1 million, supporting a gain of 234 jobs earning $11.1 million in Labor Income.
  - If beer and wine sales increase by 6%, economic activity in Maryland will increase by $34.9 million, supporting a gain of 281 jobs earning $13.3 million in Labor Income.
  - If beer and wine sales increase by 7%, economic activity in Maryland will increase by $40.7 million, supporting a gain of 328 jobs earning $15.5 million in Labor Income.
- ***The JFI estimates that allowing beer and wine sales in grocery stores will increase State government revenues in Maryland***, with a 5% increase in beer and wine sales generating $4.4 million in estimated State government revenues; a 6% increase in beer and wine sales generating $5.3 million in estimated State government revenues; and 7% increase in beer and wine sales generating $6.2 million in estimated State government revenues.
- ***The impact of allowing beer and wine sales in grocery stores on existing beer, wine, and liquor retailers is likely to be real but manageable and, based on the experience of other states, can be expected to recover over time***. The JFI estimates a net loss of 83 jobs in existing beer, wine, and liquor retailers with a 5% increase in sales; 99 jobs with a 6% increase; and 116 jobs with a 7% increase. It is not possible to accurately estimate the number of existing beer, wine, and liquor retailers that will be adversely impacted by allowing beer and wine sales in grocery stores but based on various estimation methodologies the loss in establishments would range from 11 to 25 establishments ranging from 1% to 2% of existing establishments.
  - It is important to note that the employment in Beer, Wine, and Liquor Retailers in Maryland is already in decline, with the number of jobs in Maryland falling from a high of 6,060 in 2016, to 5,916 in 2019 to 5,695 in 2024, with the number of Beer, Wine, and Liquor Retailers establishments remaining stable at about 1,200 – with the number of establishments increasing by just 19 over the past five years (from 1,195 in 2019 to 1,214 in 2024).
  - These estimates are in line with the experience of other States that have allowed beer and wine sales in grocery stores, with: Colorado experiencing a 2% decline in Beer, Wine, and Liquor Retailers establishments and an 8% decline in employment in the first two years after the change; Oklahoma experiencing a 3% decline in establishments but a 1% increase in employment; Pennsylvania experiencing a 3% increase in establishments and 2% growth in employment; Tennessee experiencing a 6% increase in establishments and 1% decline in employment. ***In all of the three states where long term data was available, Beer, Wine, and Liquor Retailers employment in 2024 was above pre-liberalization levels indicating that while impacts can be expected, the Beer, Wine, and Liquor Retailers sector can be expected to recover***.
  - In addition to creating jobs and generating tax revenues, allowing beer and wine sales in grocery stores has the potential to support growth in Maryland's emerging microbrewing and wine production industries.