

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 1064 (Senator Feldman)
Education, Health, and Environmental Affairs

Alcoholic Beverages - Issuance of Class A Licenses

This bill increases to two the number of Class A alcoholic beverages licenses that may be issued to an individual for specified purposes; however, only one Class A license may be issued for the use of an establishment that derives less than 85% of revenue from the sale of alcoholic beverages. The bill also (1) clarifies that, with a specified exception, no more than one license may be issued in any *one jurisdiction* to an individual or for the use of a partnership, corporation, unincorporated association, or limited liability company; (2) requires local licensing boards to consider specified information before issuing a Class A license; and (3) prohibits the holder of two Class A licenses from being designated in a specified business entity. The bill does not allow an individual to obtain a license by right, and all applicants must adhere to all local licensing regulations.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: The bill does not materially affect State tax revenues relating to the sale and consumption of alcoholic beverages.

Local Effect: Local licensing revenues may increase beginning in FY 2017 to the extent additional Class A alcoholic beverages licenses are issued. The amount of the increase depends on the number of licenses issued. In jurisdictions where the maximum number of authorized licenses have already been issued, local licensing revenues are not affected. Local expenditures are not materially affected.

Small Business Effect: Potential meaningful. To the extent small businesses are able to obtain additional alcoholic beverages licenses, additional sales and profits may be realized. However, other businesses may be negatively affected if they lose sales to new licensees.

Analysis

Bill Summary: Before issuing a Class A alcoholic beverages license to an individual, each local licensing board must consider the number and location of existing license holders and the potential effect on existing license holders. A holder of two Class A licenses may not be designated a chain store, supermarket, or discount house by way of cooperative buying, the transference of inventory and stock, or possession or use of common commercial equipment and vehicles.

Current Law: Except by way of renewal, or as otherwise provided, no more than one license may be issued in any county or Baltimore City to any person or for the use of any partnership, corporation, unincorporated association, or limited liability company in Baltimore City or any county.

Except by way of renewal, or as otherwise provided, no more than one Class A, Class C, or Class D alcoholic beverages license may be issued to any individual in Maryland for the use of (1) that individual in this State or (2) any partnership, corporation, unincorporated association, or limited liability company in this State.

Background: Retail alcoholic beverages licenses are issued by Baltimore City, the 23 counties, and the City of Annapolis. **Exhibit 1** shows the number of retail licenses, by class, issued for fiscal 2015.

Local Revenues: Local licensing revenue may increase beginning in fiscal 2017 to the extent additional Class A alcoholic beverages licenses are issued. The amount of the increase depends on the number of licenses issued. In jurisdictions where the maximum number of authorized licenses have already been issued, local licensing revenues are not affected.

Exhibit 1
Alcoholic Beverages Retail Licenses Issued
Fiscal 2015

| <u>License Type</u> | <u>Licenses Issued</u> |
|-----------------------------------------------------------|------------------------|
| Class A – Off-sale | |
| Beer | 47 |
| Wine | 0 |
| Beer and Wine | 448 |
| Beer, Wine, and Liquor | 1,062 |
| <i>Total A Licenses</i> | <i>1,557</i> |
| Class B – On- or Off-sale (Hotels and Restaurants) | |
| Beer | 26 |
| Wine | 0 |
| Beer and Wine | 546 |
| Beer, Wine, and Liquor | 3,049 |
| <i>Total B Licenses</i> | <i>3,621</i> |
| Class C – On-sale (Clubs) | |
| Beer | 3 |
| Wine | 37 |
| Beer and Wine | 32 |
| Beer, Wine, and Liquor | 507 |
| <i>Total C Licenses</i> | <i>579</i> |
| Class D – On- or Off-sale (Taverns and On-sale Generally) | |
| Beer | 56 |
| Wine | 0 |
| Beer and Wine | 271 |
| Beer, Wine, and Liquor | 636 |
| <i>Total D Licenses</i> | <i>963</i> |
| Caterers – On- or Off-sale | |
| Beer, Wine, and Liquor | 48 |
| Class BD-7 – On- or Off-sale | |
| Beer, Wine, and Liquor (Baltimore City) | 444 |
| Total | 7,212 |
| <u>Summary by Alcoholic Beverages</u> | |
| Beer | 132 |
| Wine | 37 |
| Beer and Wine | 1,297 |
| Beer, Wine, and Liquor | 5,746 |
| Total | 7,212 |

Source: *Alcohol and Tobacco Tax Annual Report, Fiscal 2015, Comptroller of Maryland*

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office, Department of Legislative Services

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md/hlb

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