

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
 Enrolled - Revised

House Bill 972

(Delegate Lisanti, *et al.*)

Economic Matters

Education, Health, and Environmental Affairs

Alcoholic Beverages - Class 4 Limited Winery Licenses

This bill requires the holder of a Class 4 limited winery license to (1) own or have under contract at least 20 acres of grapes or other fruit in cultivation in the State for use in the production of wine or (2) if less than 20 acres are owned or under contract, ensure that at least 51% of the ingredients used in the annual production of wine are grapes or other fruit grown in the State. The Secretary of Agriculture may grant a one-year exemption to the bill’s requirements and must adopt related regulations after consulting with specified entities. For any person who holds a Class 4 license on June 30, 2018, the bill’s requirements do not apply until May 1, 2022. **The bill takes effect July 1, 2018.**

Fiscal Summary

State Effect: General fund expenditures increase by \$47,600 in FY 2019 for the Maryland Department of Agriculture (MDA) to hire one half-time staff; future year expenditures reflect ongoing costs. General fund revenues may decrease minimally to the extent that the bill results in fewer businesses being licensed as Class 4 limited wineries, as discussed below.

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Revenue	(-)	(-)	(-)	(-)	(-)
GF Expenditure	\$47,600	\$43,300	\$44,500	\$46,100	\$47,900
Net Effect	(-)	(-)	(-)	(-)	(-)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: The bill does not affect local government operations or finances.

Small Business Effect: Potential meaningful.

Analysis

Current Law: A Class 4 limited winery license may be issued by the Comptroller, and authorizes the sale and sampling of wine and pomace brandy produced by the license holder for consumption.

A license holder may (1) sell or serve specified types of food; (2) distill and bottle up to 1,900 gallons of pomace brandy made from available Maryland agricultural products; (3) purchase bulk wine and pomace brandy in a specified manner; (4) import, export, and transport its product; (5) store the product of other Class 4 limited wineries in a specified manner; and (6) produce wine and pomace brandy at a warehouse for which the license holder has been issued an individual storage permit if specified conditions are met. A Class 4 limited winery may only be located at the place stated on the license. Throughout the winemaking process, the licensee must maintain ownership of the wine or pomace brandy and ensure it returns to the location of the limited winery. The annual license fee is \$200.

Background: As of February 2018, there were 93 Class 4 limited winery licenses issued in the State.

State Expenditures: MDA requires additional staff to ensure that current and future Class 4 limited winery licenses are meeting the bill's eligibility requirements. Although the bill requires a phase-in for existing licensees, many are likely to begin working to meet the bill's requirements immediately. Additionally, the bill applies to any new licensee as of July 1, 2018. Therefore, this estimate assumes that the additional staff are needed on the bill's effective date. As such, general fund expenditures increase by \$47,561 in fiscal 2019 to hire one permanent half-time agricultural marketing specialist to assist Class 4 limited wineries in meeting the bill's requirements. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	0.5
Salary and Fringe Benefits	\$42,358
Other Operating Expenses	<u>5,203</u>
Total FY 2019 State Expenditures	\$47,561

Future year expenditures reflect a full salary with annual increases and employee turnover and ongoing operating expenses.

State Revenues: The bill establishes stricter requirements for a business to obtain a Class 4 limited winery license. Specifically, the bill changes the broad requirement that a licensee use Maryland agricultural products to produce wine and pomace brandy to instead require the licensee to own at least 20 acres of agricultural land or ensure at least 51% of

the ingredients used in alcoholic beverages production are grown in the State. These stricter requirements may prohibit some licensees or potential licensees from renewing or obtaining a license.

Small Business Effect: As previously discussed, the bill's stricter requirements for Class 4 limited wineries may prohibit some licensees or potential licensees from renewing or obtaining a license.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office; Maryland Department of Agriculture; Department of Legislative Services

Fiscal Note History: First Reader - February 18, 2018
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