

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 671
Economic Matters

(Delegate Otto)
Education, Health, and Environmental Affairs

**Somerset County - Alcoholic Beverages - Abolishment of Liquor Control Board
and Dispensary System**

This bill (1) repeals the Somerset County Liquor Control Board and generally transfers all assets from the liquor control board to Somerset County; (2) establishes the Class A beer, wine, and liquor (BWL) license in the county and authorizes the Somerset County Board of License Commissioners to issue the license; and (3) requires any reserve funds of the liquor control board to be distributed and deposited into the general fund of the county. **The bill takes effect July 1, 2022; however, the provisions regarding the repeal of the liquor control board and the transfer of its assets to Somerset County take effect January 1, 2023.**

Fiscal Summary

State Effect: None.

Local Effect: Somerset County expenditures decrease by \$260,000 annually beginning in FY 2023, as discussed below. Somerset County revenues increase by \$30,000 beginning in FY 2023, from the issuance of Class A beer, wine, and liquor licenses, as discussed below. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: Potential meaningful.

Analysis

Bill Summary/Current Law:

Wholesaler's Licenses – Somerset County

Under current law, Class 1 beer, wine, and liquor and Class 2 wine and liquor wholesaler's license holders in Somerset County may not sell or deliver liquor in the county for resale except to a county dispensary. The bill repeals this provision and requires the statewide statute for Class 1 and Class 2 licenses to apply in the county without exception or variation.

Class A Beer, Wine, and Liquor License – Established

Under current law, a Class A BWL license may not be issued in the county.

Under the bill, the board is authorized to issue a Class A BWL license. The license authorizes the license holder to sell beer, wine, and liquor at retail to consumers at the place described in the license. The license may not be issued for a premises having a direct or indirect connection with a drug or pharmaceutical dispensing business or other business establishment of a type commonly known as a drugstore. The license holder must sell the beer, wine, and liquor in a sealed package or container, and the package or container may not be opened and its contents may not be consumed on the premises where the alcohol was sold. The annual fee is \$5,000. The holder of a Class A BWL license may sell beer, wine, and liquor (1) on Monday through Saturday, from 6 a.m. to 2 a.m. the following day, and (2) on Sunday, from 8 a.m. to 2 a.m. the following day.

Liquor Control Board – Repealed

Under current law, the liquor control board operates a dispensary system of three locations which act as the wholesalers for retail alcoholic beverage licensees in the county. The board maintains a reserve fund of \$300,000 to provide working capital for its county-run alcohol dispensaries and cover any losses sustained by the board while operating the dispensaries. The board may distribute up to \$100,000 from the reserve fund to each of its dispensaries. Any revenue generated by the dispensaries that exceeds the reserve fund cap is distributed back to the county or specified municipalities within the county.

Under the bill, the liquor control board is repealed, and any reserve funds of the board must be distributed and deposited into the general fund of the county. In addition, all real and personal property, specified money and accounts receivable, equipment, stock-in-trade, leases, franchises, contracts, records, files, furniture, fixtures, and other properties and all

other specified appropriations and obligations of the board are continued and transferred to the county.

Local Fiscal Effect: Somerset County expenditures decrease by approximately \$260,000 due to the county no longer running its dispensary stores, thus negating the need for staff. Somerset County advises its dispensary system currently employs two full-time managers and 15 part-time employees.

Somerset County revenues increase by approximately \$30,000 due to the issuance of six Class A BWL licenses in addition to any initial application fees or renewal fees. Somerset County advises there are six potential applicants interested in applying for the license.

Small Business Effect: Any small business in Somerset County able to obtain an alcoholic beverages license previously made unavailable due to the prohibition set by the board of license commissioners may experience an increase in sales.

Additional Information

Prior Introductions: None.

Designated Cross File: SB 495 (Senator Carozza) - Education, Health, and Environmental Affairs.

Information Source(s): Somerset County; Alcohol and Tobacco Commission; Department of Legislative Services

Fiscal Note History: First Reader - February 17, 2022
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