



MARYLAND ASSOCIATIONS OF ALCOHOL MANUFACTURERS 2021 PRIORITY LEGISLATION - HB 1232

POSITION: SUPPORT

BILL SUMMARY: In recognition of the devastating impact that the existing COVID pandemic has had on small businesses, HB 1232 proposes to codify the provisions set forth under Executive Orders issued by the Governor of Maryland which grant delivery and shipment privileges (without caps) to the 275 alcohol manufacturers in the state. Moreover, HB 1232 also makes necessary technical changes stemming from the 2019 Brewery Modernization Act, and clarifies statutory provisions with respect to special event and off-premise permits by consolidating permitting language (as set forth in SB839 from 2020 which passed the Senate and was not heard in the House due to the truncated session).

RATIONALE: The members of the alcohol manufacturing industry help support thousands of jobs across the state and generate billions of dollars in economic impact. *Yet, due to the precipitous decline of on-premise visitation at Maryland's breweries, wineries and distilleries, our members were forced to overhaul our collective business operations overnight in order to survive. In so doing, we had no choice but to shift our focus to off-premise sales in order to stay in business and keep Marylanders employed.*

This legislation seeks statutory certainty for the industry. That statutory certainty will let us plan our business operations – reset our budgets, reallocate resources, rethink inventory and reinvest in new infrastructure – and do so prospectively without worrying when or if the Executive Orders will be lifted. Certainly, we all hope the day will come when our taprooms and tasting rooms are once again jam-packed with loyal customers, neighborhood newcomers and traveling tourists. However, we know—at least for the foreseeable future—a new “normal” will exist. A normal where our regular customers may not step back inside our facilities for years. A normal where prospective newcomers in our neighborhoods and tourists from across the country will not plan a trip to visit us in-person to experience what makes our industry so unique and welcoming. *A normal where delivery and direct shipment have become our main channel of product branding and our most reliable source of direct-to-consumer revenue (all while keeping the public safe). This is our new reality. Please support HB1232.*

WHAT DOES HB 1232 DO?

- **MAKES PERMANENT CURRENT EXECUTIVE ORDERS:** Grants Maryland's 275 alcohol manufacturers the right to deliver their products using an employee (§2-219) or to directly ship their products using a third-party common carrier (§2-219) to Maryland consumers without caps (§2-202 & §2-207). Note that wineries already have the statutory right under Maryland law to ship product using a common carrier (this bill extends that privilege to breweries and distilleries while streamlining the process for all three). The proposed legislation also provides flexibility for the Alcohol and Tobacco Commission to set fees for statewide licenses and permits.
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- **CREATES A SINGLE MANUFACTURER OFF-SITE PERMIT (§2-130):** Strikes individual permits for wineries, breweries and distilleries in an effort to consolidate and make consistent the language and authorities granted. With some manufacturers now holding multiple licenses (winery, brewery, etc.), they are currently obtaining up to three different—and conflicting—off-site permits annually. This bill also eliminates the current 3,000-barrel conditional production threshold for a Class 5 or Class 7 brewery to obtain an off-site permit. *This promotes equitable treatment for all three manufacturers. It is based on existing law and previous precedent within consensus legislation over the last few years.*
- **CREATES A NEW BREWERY SPECIAL EVENT PERMIT (§2-140):** Strikes the “promotional event permit” from the Class 5 and Class 8 statutes. The new “Brewery Special Event Permit” is based off existing authorities and previous agreements. The existing language and lack of continuity within each license creates gray areas requiring constant interpretation by the Comptroller’s office. This legislation makes clear the permit holder’s authority during an event. *This will help ensure a clear interpretation for permit applicants, the permit issuer and localities seeking clarification from the permit holder. It is based on existing law and previous precedent within consensus legislation over the last few years.*
- **CLARIFIES CONFLICTING STATUTE (§2-210):** Adds the authority to sell for off-premise consumption back into the Class 8 Farm Brewery. Makes consistent the consensus self-distribution caps. *This is to address unintentional conflicting language caused by the 2019 Brewery Modernization Act.*

NOTABLE INDUSTRY STATISTICS

According to the *Value-Added Agriculture in Maryland Economic Analysis* (2020), the members that make up the Maryland Alcohol Manufacturers:

- **Account for over 275 wineries, breweries, distilleries, cideries and meaderies.**
- **Bring an annual estimated total economic impact of \$3.4 billion.**
- **Generate an annual \$52 million in tax revenue.**
- **Support over 8,500 jobs in the tourism, agriculture, hospitality, and manufacturing industries.**

INDUSTRY SURVEYS

Below are the results from a survey of brewing, wine-making and distilling businesses about the economic impact of COVID-19. This survey highlights the importance of retaining the current delivery and shipping privileges. These off-premise capabilities can represent the difference between our businesses withstanding or succumbing to the economic effects of COVID-19 (which we will be dealing with long after the virus is under control):

- **Layoffs:** 60% were forced to reduce staff during the pandemic, with 80% laying off up to 5 employees, and the remaining 20% laying off 10+ employees. Notably, many of the layoffs from the industry occurred during the first 6 months of the pandemic.
- **Ability to Stay in Business:** **33% were unsure how much longer they could stay in business; many responded that their future hinges on whether they can make it to the summer of 2021.**
- **Sales Over Year:** 52% of the industry said their sales were down by at least 40% year-over-year as of February 2021.
- **Going Forward:** **80% of respondents noted the off-premise capabilities granted under the executive orders have been essential to their business operations and are critically important to retain moving forward.**

PLEASE SUPPORT YOUR LOCAL ALCOHOL MANUFACTURERS AND PASS HB 1232!

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