



**SB763 Alcoholic Beverages – Class A Licenses – Retail Grocery Establishments
(Healthy Food Accountability Act of 2021)
Education, Health, and Environmental Affairs Committee
March 5, 2021**

Position: Favorable

Background: SB763 would allow local jurisdictions to provide a Class A license to sell alcohol on the premises of certain chain stores and would incentivize grocery stores to locate in priority funding areas.

Comments: The State of Maryland is one of only four states in the United States that fully bans the sale of beer in grocery and other chain stores, exempting the few locations that were grandfathered in across the state when the prohibition was put in place in 1978. At the same time, many Marylanders, including one in four Baltimoreans, lives in a healthy food priority area, or “food desert”. SB763 aims to address both of these concerns by granting county governments the authority to allow Class A beer and wine licenses to be granted to chain grocery, pharmacy, and convenience stores that meet specific criteria to ensure access to healthy food options. It would also require that such a license be provided to a qualifying store planning to locate in a priority funding area in an effort to attract new food retailers to these areas.

The bill seeks to incentivize grocery stores to locate in priority funding areas, which often include food deserts. The U.S. Department of Agriculture Economic Research Service defines “food deserts” simply as “neighborhoods that lack healthy food sources”. This often means that there may be an overabundance of fast-food restaurants in an area and no grocery stores within an accessible walking distance, coupled with a low-income population that has little access to cars and fewer resources for public transportation. Measures in Maryland to combat low access to healthy food have included a pilot program in which rideshare company Lyft offered limited one-way trips to grocery stores for \$2.50 per ride. Such measures are a creative attempt to connect people with the healthy food that they need, but the Maryland Retailers Association feels that it would be more effective to help grocery stores locate in these priority neighborhoods.

Profit margins in the grocery industry are a contributing factor to the existence of food deserts; grocery stores often operate with a profit margin of about 1-3%, the lowest in the retail industry. Allowing the sale of beer and wine at stores in these locations would be a stabilizing measure for a retailer, and local alcohol regulations are often a deciding factor as chains determine potential locations for new stores nationwide. An economic study conducted by Dunham & Dunham Associates in February 2020 (included as additional testimony) found that allowing beer and wine to be sold in

additional food retailers would increase overall sales in Maryland by \$192.8 million, create 760 new jobs, and bring in \$24.1 million in additional tax revenues.

The qualifying criteria required by SB763 is strict. A store seeking a Class A license must offer a full line of items for sale in at least six of the following categories: fresh fruits and vegetables; fresh and uncooked meat, poultry, and seafood; dairy products; canned foods; frozen foods; dry groceries and baked goods; and nonalcoholic beverages. Additionally, a store must dedicate a minimum of 50% of its public square footage to the sale of those qualifying food or beverage items. A smaller store of at least 6,000 square feet must dedicate a minimum of 5% of its public area to the sale of those qualifying food or beverage items. By including a steep threshold for stores to qualify for a license, SB763 ensures that licenses will not be automatically granted to every corner convenience store in a given district.

In addition to the economic and health benefits of assisting grocery stores to locate in priority areas, we would also urge the Committee to consider the health and safety benefits of allowing Marylanders to complete more of their errands in a one-stop-shop by allowing grocery stores to sell beer and wine. For the past year, Marylanders have been advised to stay home, to be careful about their time spent shopping and to cut out extraneous trips. For some who are immunocompromised or have other at-risk health factors, limiting their exposure in public is a necessity. With Maryland's current alcohol laws in place, this means that consenting adults with health risks have had to make choices about their consumption and often forego the local liquor store as it would mean an extra stop and more potential exposure. Allowing shoppers to pick up certain alcohol items at the same store as the rest of their groceries will minimize the risk for our vulnerable populations while allowing them to make safer choices about completing their errands.

Finally, the narrative that package stores will go out of business has been debunked over and over again. There is no data from other states that have made similar changes that supports the argument that the industry will be decimated. Colorado and Oklahoma, which both passed similar changes to their alcohol laws in the past several years, saw minimal initial decline in sales in package stores while net jobs and tax revenue increased dramatically. Look no further than the 30 or so chain stores that were grandfathered into the Maryland state law as well, all of which are surrounded by thriving package stores.

For these reasons, the Maryland Retailers Association urges a favorable report on SB763. Thank you for your consideration.