

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 480 (Delegate Luedtke, *et al.*)
 Economic Matters

Alcoholic Beverages - Maryland Brewery Promotion Program - Establishment

This bill establishes the Maryland Brewery Promotion Program and Fund in the Department of Commerce (Commerce). The program provides grants to eligible applicants designed to assist Maryland breweries, educate the public about brewing in Maryland, and promote Maryland beer. The fund is established as a special fund in the department, and receives the revenue collected from the existing 9 cents per gallon alcoholic beverages tax on beer produced at Maryland breweries. **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: General fund revenues decrease by \$0.7 million to \$0.8 million annually beginning in FY 2020. Special fund revenues and expenditures increase correspondingly. Special fund revenues and expenditures increase further to the extent that State agencies receive grants under the program (not shown below).

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
GF Revenue	(\$771,700)	(\$764,000)	(\$756,300)	(\$748,800)	(\$741,300)
SF Revenue	\$771,700	\$764,000	\$756,300	\$748,800	\$741,300
SF Expenditure	\$771,700	\$764,000	\$756,300	\$748,800	\$741,300
Net Effect	(\$771,700)	(\$764,000)	(\$756,300)	(\$748,800)	(\$741,300)

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

Local Effect: Local governments are eligible to receive grants under the program.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The purposes of the program are to:

- provide grants to nonprofit organizations and government agencies consistent with the specified broad purposes of assisting Maryland breweries, educating the public about brewing in Maryland, and promoting Maryland beer; and
- conduct other promotional activities, including the production and consumption of Maryland beer.

In order to qualify for participation in the program, an applicant must be either a nonprofit organization or a government agency. The fund may only be used to provide (1) grants to eligible applicants for specified activities that are consistent with the purposes of the program and (2) for the program's administrative expenses. Expenditures from the fund may only be made in accordance with the State budget. An eligible applicant may not use a grant provided under the program to satisfy a matching fund requirement of another State grant.

Current Law/Background: The alcoholic beverages tax on beer is 9 cents per gallon. This is separate and distinct from the 9% sales tax imposed on alcoholic beverages. Generally, revenues from this tax and the related taxes on distilled spirits and wine are deposited into the general fund after making a distribution to an administrative cost account for costs associated with administering the alcoholic beverages tax laws. Fiscal 2018 revenues from the tax on distilled spirits, wine, and beer were \$17.0 million, \$6.5 million, and \$8.2 million, respectively.

Chapter 282 of 2015 redirected revenue from the alcoholic beverages tax on wine produced at Maryland wineries to the Maryland Wine and Grape Promotion Fund in the Maryland Department of Agriculture, which is used to provide grants to nongovernmental organizations and to conduct other activities for promotional purposes. The fiscal and policy note for that legislation estimated approximately \$170,000 would be redirected annually from the general fund.

Breweries in Maryland holding a Class 5 brewery, Class 7 micro-brewery, or Class 8 farm brewery license represent essentially all of the breweries producing beer in the State.

State Fiscal Effect: Based on the Comptroller's projections for revenues from the alcoholic beverages tax on beer produced at Maryland breweries (which reflect a downward trajectory), general fund revenues decrease by \$0.7 million to \$0.8 million annually beginning in fiscal 2020. This estimate does not factor in any potential increase in beer production and consumption (a stated purpose of the program under the bill). Special fund revenues and expenditures for Commerce increase correspondingly to provide

grants to eligible recipients and for administrative expenses. This analysis assumes that Commerce can administer the grants through its existing staff at the Maryland Office of Tourism. To the extent this is not the case in a given fiscal year, less grant funding may be provided. Special fund revenues and expenditures for State agencies that receive grants from the program increase beginning as early as fiscal 2020.

Local Fiscal Effect: Local revenues and expenditures increase beginning as early as fiscal 2020 to the extent any local governments apply for and are awarded grants from the program.

Small Business Effect: Most breweries are small businesses and may benefit from additional revenue due to promotional activities. In addition, small nonprofits that receive grant funding from the program directly benefit from the funding and are able to promote Maryland beer and conduct other activities for promotional purposes.

Additional Information

Prior Introductions: SB 956 of 2018, a similar bill, passed the Senate with amendments and was referred to the House Economic Matters Committee; however, no further action was taken. Its cross file, HB 1370, received an unfavorable report from the House Economic Matters Committee.

Cross File: SB 508 (Senator Eckardt, *et al.*) - Finance and Budget and Taxation.

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

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