Montgomery County
Office of Intergovernmental Relations

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BILL NO: MC 3-16 **DATE: November 30, 2015**

SUBMITTED BY: Delegates Frick, Reznik, Dumais and Miller, and Senators Feldman and King **CONTACT PERSON: Amy Samman**

ASSIGNED TO: Montgomery Co. Delegation **POSITION: OPPOSE**

Montgomery County – Alcoholic Beverages – Class A Beer, Wine, and Liquor Licenses and Purchases From Licensed Wholesalers MC 3-16

MC 3-16 establishes a Class A beer, wine and liquor license in Montgomery County authorizing the retail sale of these products for off-premise consumption beginning on July 1, 2018. Current law restricts retail sale of liquor products to County operated retail outlets except for one existing license in Takoma Park.

In addition, beginning on July 1, 2018, MC 3-16 authorizes the holder of any license for on-premise or off premise consumption to purchase for sale alcoholic beverages from a licensed wholesaler if it provides written notice of its intent to the Department of Liquor Control for Montgomery County.

In order to become effective, the bill also requires submission of the Act to voter referendum at the general election to be held in November 2016.

Montgomery County strongly opposes this legislation. It will do nothing to encourage competition or to solve the number one frustration expressed by County residents, which is the inability to purchase beer and wine at their local grocery stores. What it will do is deprive the County of approximately $30 million a year in revenue, which is used to support County programs and debt service on bonds issued for priority transportation projects. The negative impact on the County's general fund, its capital program, and its credibility with bond rating agencies will be felt for many years to come.

Six key reasons why the State Delegation should table MC 3-16 follow.

1. **It is fiscally irresponsible to give away this publicly-owned asset to the liquor industry -- --- and get nothing in return.**

The residents, citizens and taxpayers of Montgomery County are the shareholders of this public entity. It is an enterprise business that generates approximately $30 million in net profits annually, based on annual revenues of approximately $270 million. This revenue is derived entirely from DLC operations, since it is the State -- not the County -- that benefits from the taxes imposed on alcohol sales. The proposal to privatize liquor control in Montgomery County would simply give this business away to the liquor industry – for free.

2. **"Competition" rather than "Privatization" is a false promise.**

The promise that the DLC would not be privatized under the suggested legislation, but only allowed to "compete" with the private sector is a false claim. In Maryland (as well as most places) two wholesalers <u>cannot</u> represent or distribute the same product in the same market at the same time. There is always one – and only one -- designated, approved wholesale distributor for every brand and product. The local, publicly-owned monopoly would simply be turned over to one of a limited number of existing Maryland wholesalers operating out of the Baltimore area.

3. **The County recognizes the need for improvement – and is doing something about it.**

Montgomery County is not defending the status quo. The County Council established the Ad Hoc Committee on Liquor Control to study issues related to the distribution and sale of alcoholic beverages in the County. The Committee heard from various stakeholders, including DLC customers, restauranteurs, retail store owners, private wholesalers, public health experts, and County Executive Branch staff. Members reviewed the Office of Legislative Oversight report that provided recommendations for changes to the DLC. Not only did the Committee recommend opening the County up to private distribution of certain beer and wine products, it also recommend that the DLC move forward with its comprehensive, detailed "Liquor Improvement Plan". This plan addresses all areas of DLC operations. It is being aggressively implemented and progress is being closely monitored by the County's Chief Administrative Officer and the CountyStat team. All measures and results are shared with the public. The County deserves the right to fully implement the plan and improve the performance of its public agency. Members of the General Assembly and others will have an opportunity to assess the success of this approach in the near future.

4. **In addition to lost annual revenue, the Montgomery County Liquor Control Revenue Bonds must be repaid.**

Instead of "privatizing" the local liquor control system, several years ago the County made the decision to "monetize" its DLC system. About $130 million of "Liquor Control Revenue Bonds" were sold on the open market to raise funds to be used for important transportation projects, many of which were State funding responsibilities. DLC revenues were pledged to pay the debt service, which also allowed these bonds to be issued outside of the County's General Obligation debt caps. If the bill passes – even before the referendum takes place – the County will need to convert the outstanding $114 million in debt to General Obligation bonds, which will result in the delay or elimination of $114 million of capital projects currently in the queue for funding in the County's capital budget.

Projects that would need to be eliminated or delayed, based on the County's current capital improvement plan, include: classroom additions at East Silver Spring, Greencastle, Montgomery Knolls, Pine Crest, Piney Branch, Woodlin, Ashburton and S. Christa McAuliffe Elementary Schools;

additions at Col. E. Brooke Lee, Thomas W. Pyle, and Takoma Park Middle Schools, and Walt Whitman High School.

Other projects that may be impacted include: Purple Line related projects: Bethesda Station South - Capital Crescent Trail, Silver Spring Green Trail - Wheaton Library Recreation Center, Wheaton Redevelopment, Kensington Fire Station and White Flint Fire Station.

In sum, in addition to forgoing annual revenues of over $30 million a year, the County would lose $114 million of bonding capacity, with no way to recover the lost revenues (it is the State that benefits from all alcohol related taxes) or the lost opportunity to make critical infrastructure investments.

5. **Proposed legislation could result in a dramatic increase in the number of liquor store retail outlets in Montgomery County.**

The proposed legislation would allow for the conversion of <u>all</u> existing private Class A beer and wine retail stores to immediately become beer, wine and liquor retail stores. There are currently over 150 existing Class A retailers operating in the county. In addition to these licensees, an unlimited number of new businesses could apply to operate off-premise retail liquor stores. Potentially, there could very quickly be hundreds of additional retail stores selling distilled spirits throughout Montgomery County.

6. **Public Health and Safety could be adversely impacted by these proposals.**

The proposed legislation ignores the potential harmful impact it could have on the public health and safety of the community. A large body of credible, scientifically-based, published, peer-reviewed evidence -- consistently gathered over a long period of time-- proves that control jurisdictions like Montgomery County have lower social costs associated with the abuse and misuse of alcohol, compared to “open” jurisdictions.