

 ANNE
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COUNTY
M A R Y L A N D
Office of the County Executive
STEUART PITTMAN

December 12, 2024

Steuart Pittman, County Executive
44 Calvert Street
Annapolis, MD 21401

Dear County Executive Pittman,

We are pleased to submit to you the enclosed report of the Liquor Board Licensing Fees and Structure Task Force, which includes recommendations on the licensing fees for the County Liquor Board.

This report and the recommendations herein are the result of hours of volunteer time by the Task Force members, as well as contributions from ex-officio members of your administration. We would like to thank the members of the Task Force for their service and diligent work to provide this report.

Thank you for the opportunity to serve in this effort.

Sincerely,



Amy Gowan, Chair

cc: Members of the Task Force
Christine Anderson, Chief Administrative Officer

Report of the Liquor Board Licensing Fees and Structure Task Force
December, 2024

I. Executive Summary

Purpose

County Executive Steuart Pittman created the Liquor Board Licensing Fees and Structure Task Force (Task Force) in July of 2024. The Committee's charge is to:

Establish a workgroup to discuss needed updates related to the following: County liquor board licensing fees; modernizing alcohol related statutes, enforcement, supporting technology and training updates for staff; and improving efficiencies in operations.

Membership

The Task Force is composed of the following members, appointed by the County Executive:

- Amy Gowan, Chair, Economic Development Corporation
- Councilwoman Julie Hummer, District 4
- State Senator Dawn Gile, District 33
- Delegate Nic Kipke, District 31
- Jayleen Fonseca, Bar/Restaurant representative
- Anthony Clark, Bar/Restaurant representative
- Kim Lawson, Maryland State Licensed Beverage Association
- Julianne Sullivan, Anne Arundel Licensed Beverage Association
- Amy Crone, Agritourism
- Alexis Jenkins, One Day Licensee
- Edward Aronson, Liquor Board Staff (ex-officio)
- Judy Hagner, Liquor Board Staff (ex-officio)
- Kyle Madden, County Budget Office (ex-officio)

2024 Activities to Date

Meetings

All meetings were held virtually. A brief summary of each meeting in 2024 is below, and additional information and meeting documents can be found on the Task Force webpage, <https://www.aacounty.org/liquor-board-licensing-fees-structure-task-force>.

- *August 2, 2024*

The Task Force reviewed the scope of responsibilities. Judy Hagner delivered an overview presentation on the Liquor Board's roles and responsibilities. The meeting schedule and future topics were identified. Delegate Kipke presented a list of topics from the House's Alcohol Subcommittee meetings for the group to discuss. These topics were distributed via email after the meeting and a response memo from the Liquor Board is attached to this report (Attachment A).

- *September 6, 2024*

Jeff Kelly from the Alcohol, Tobacco and Cannabis Commission (ATCC) presented to the task force. Mr. Kelly explained the role of the ATCC in the annual budgeting process. It is noteworthy that Anne Arundel County is the only jurisdiction whose budget is approved by the state; all others are approved by the local jurisdiction. Kyle Madden and Darlene Flynn from the County's budget office explained the County's role in annual budgeting.

Edward Aronson shared the proposed budget for the Liquor Board and organizational chart. The task force generally discussed various concerns related to enforcement, staffing levels, licensing requirements.

- *October 11, 2024*

This meeting was dedicated to a thorough examination of enforcement activities. The Task Force reviewed a handout on enforcement issues in response to Delegate Kipke's items. Jim Ford, Chief Inspector, reviewed the enforcement process and explained how complaints are handled. Specific topics of interest included use of surveys to measure distance, transparency measures, one-day events, complaint-based enforcement, entertainment licenses, and dancing.

- *November 8, 2024*

The Task Force reviewed the memo entitled *Justification for Maintaining Current Liquor Board Annual Fees* and Edward Aronson presented the proposed expenses to be funded with annual surplus. The task force also discussed the history of the budget approval process, the switch in 2010 to give the state Comptroller budget authority and whether authorization should revert to the local level.

- *December 6, 2024*

Kyle Madden presented updated budget figures, including both base budget operating and projections for FY25, FY26 and FY27. The County Budget Office projects that the Liquor Board could break even in FY27 if expenses remain consistent, and revenue doesn't increase. The Task Force continued budgetary discussions and finalized the report and recommendations.

II. Key Topics of Discussion

A. County Liquor Board Budget and Licensing Fees

Maryland's alcohol laws are governed by the Alcohol, Tobacco and Cannabis Commission (ATCC) and vary by county. Of the 25 jurisdictions that issue retail alcohol licenses, (23 counties, Baltimore City, and Annapolis City) Anne Arundel County is the only jurisdiction required to submit their budget to the Comptroller for approval through the ATCC. Baltimore City had a similar requirement at one time but has since removed the requirement through state legislation.

Every January, Liquor Board staff submit a budget to the ATCC based on operational needs for the upcoming fiscal year. ATCC evaluates the budget to verify expenses are reasonable, appropriate, and align with previous years. Once approved, ATCC issues a letter of approval for that budget. The budget is then sent to the County's Budget Office and County Executive for review and ultimately County Council for final approval. However, the County's review is courtesy since the approval authority resides with the state.

Revenues from new licenses, transferred licenses and renewals are collected by ATCC and Anne Arundel County Office of Finance invoices ATCC quarterly. Any remaining funds at the end of the fiscal year that haven't been reimbursed are returned to the County. Most fees are collected in the third quarter through the annual renewal process; therefore, the county forward funds the Liquor Board the first two quarters.

The annual budget for the Liquor Board is \$1,221,700, of which approximately \$991,000 is personnel costs, as broken down below:

- 3 Board Members
- 1 Executive Director NR-17
- 1 Administrator NR-16
- 2 Secretaries NR-13
- Chief Inspector - NR-05
- Deputy Chief Inspector annual salary of \$9,000.00
- 18 part-time Inspectors annual salaries of \$7,000.00
- 1 Attorney annual salary of \$60,000.00

During the 2024 General Assembly Legislative Session, Senate Bill 1046 was introduced which proposed a 35% increase to Anne Arundel licensing fees. While the bill was withdrawn, it had attempted to raise fees to cover expenses associated with ongoing costs, inflation, training for

personnel and licensees, work with the Prevention Coalition, and technology advancements to streamline the application process, create user-friendly interfaces and enhance the existing online portal. Subsequently, the Task Force was established to examine these expenses and recommend any requisite fee increases that may be needed.

Concurrent to the Task Force deliberations, the Liquor Board conducted a detailed analysis of revenue and expenditures with the assistance of the County Office of Finance and the Budget Office. The exercise revealed that the Liquor Board generated a surplus of approximately \$150,000 last fiscal year, which is transferred to the general fund. While this surplus fluctuates year-to-year, the Liquor Board reported that they will be requesting additional funding this year for salary increases for existing staff (\$31,000), merit pay and COLA increases (\$29,000), increased operational costs and police compliance checks (\$20,000). The Liquor Board staff expressed confidence that the current revenues are sufficient to cover these costs, and the Board will not be requesting any fee increases for this year.

While current expenses are not anticipated to exceed revenues, future projections indicate that absent fee increases, the Liquor Board's base recurring budget will break even around FY27 and possibly exceed revenues in FY28 (see attached Liquor Board Budget Statement). These projections do not consider any technology or operational enhancements or educational opportunities for the public. It would be advantageous for the Liquor Board to hire a consultant with the current surplus to conduct strategic planning. A consultant could diver deeper and conduct a more thorough analysis, as well as review peer jurisdictions to recommend best practices. A strategic planning process should focus on understanding the current budget; evaluate the current approval process; review the operational structure; identify and plan for enhancements, efficiency measures, and desired trainings.

The consultant should also explore other services that could be added as possible revenue streams such as one-day permits, carry-out licenses, etc. It was noted that casino fees are low, as compared to other states. While the Liquor Board plans to revamp entertainment tiers and add a festival permit, it would be important for a consultant to explore opportunities for revenue generation to ensure the Liquor Board has sufficient funding to operate.

The task force also noted a desire to better understand the composition of the revenue between types of permits and penalties. This would be helpful in making future revenue projections and ensuring long-term solvency.

B. Enforcement

There are three tiers of alcohol distribution. First-tier distributors are manufacturers, second tier are wholesalers, and third tier are retailers. In Maryland the local liquor boards license and regulate retailers and the ATCC licenses manufacturers and wholesalers. While the local liquor board enforces code requirements that apply to retailers, the ATCC also has authority to enforce retail regulations, which overlaps and complements the Liquor Board.

The Task Force focused on the Tier 3 licenses since they are both administered and enforced at the local level. Delegate Kipke presented a list of enforcement related concerns that had been communicated to the House Alcohol Subcommittee such as: enforcement of zoning issues beyond alcohol laws and angst over requirements for building drawings (i.e. registered surveys). Task force members also raised concerns regarding violations associated with limited dancing at restaurants (see entertainment licenses below).

To some extent, enforcement concerns may have stemmed from lack of understanding about the outdoor service reset process. This was a one-time “reset” that occurred after the pandemic with the goal to understand the post-Covid state of outdoor alcohol service in the county. The reset process required licensees to provide a non-professional drawing with dimensions and obtain permission from the property owner. The effort was intended to ensure the outdoor service areas were secure and safe for alcohol service. Most licensees have completed this process and Liquor Board staff anticipate future renewals will become more efficient with the new database system and online renewal system.

1. Survey or professional drawing requirements: The task force discussed the state and local requirements to verify distance when reviewing new alcohol licenses. The county verifies distance approvals for off-sale licenses, outdoor dining, and live entertainment. The Liquor Board is responsible for verifying distances for Class D Taverns and for restaurant licenses applying for a dancing permit and requires applicants to submit registered surveys to verify the distance parameters. The costs associated with a registered survey are prohibitive for many small, women, and minority owned businesses and are not required in other jurisdictions.

According to County Zoning staff, “if the use is to be conducted out of doors or will include live entertainment or dancing, the site plan needs to demonstrate that the activity shall be located at least 100 feet from all residentially zoned property. If the license includes off-sale alcoholic beverage use the site plan needs to demonstrate that use shall be located a minimum of 1,000 feet away from schools and religious facilities from entry to entry. We use Geocortex to check the accuracy of the site plan. Zoning does not need an engineered site plan for our review but we do need a site plan showing that the property complies with zoning requirements¹.”

While the County uses Geocortex, a form of GIS technology, the Liquor Board requires registered surveys to verify the distance of a Class D tavern to the nearest place of worship or school. Given the expenses associated with hiring a surveyor, the task force expressed an interest in changes to state code, if necessary, to allow for Geographic Information System (GIS) data to confirm distance requirements. Further the task force suggested that surveys could be required in the event the distance is close to the minimum and may need to be more accurately delineated. The task force recommended that this is a legislative change that should be pursued, debated and discussed this legislative session.

¹ § 18-10-104 Alcoholic beverage uses as accessory to other uses

C. Modernizing alcohol related statues

Two legislative changes were discussed for further research and possible legislation.

1. Entertainment licenses: Task force members, particularly restaurant owners expressed concerns around entertainment permits, specifically pertaining to dancing, music and one-day events. Under the current legal interpretation, restaurants that hold limited events with cultural dancing or music are required to obtain entertainment permits, which have a 1,000-foot distance restriction from schools and places of worship.

The Liquor Board staff and task force members agreed that a more forward-thinking, modern and culturally sensitive approach is appropriate. The Liquor Board intends to pursue a legislative change to the state code that would revamp the three entertainment permit tiers. This will require research, planning and vetting to modernize the permit category and develop a process to convert or upgrade existing permits. They are targeting the 2026 legislative session for a proposed bill.

2. One day events: The Task Force discussed the 10-day policy for issuing licenses for one-day events and the need for flexibility. Liquor Board staff reported that there is some flexibility for unexpected occurrences like rain, booking errors, and celebrations of life. However, the policy is in place due to the time-consuming process of verifying the information provided by applicants which includes checking the status of nonprofits, verifying the accuracy of submitted information, and liaising with the county special events team and county police.

Currently, these one-day event permits can only be issued to nonprofit organizations. However, granting the ability for producers, irrespective of non-profit status, to hold large scale events could generate economic development benefits for the county. The Liquor Board staff intend to explore possibilities for a festival permit for events with over 1000 persons that require additional health and safety resources.

D. Supporting technology and training

A new licensing portal was purchased and installed in 2022 to automate applications, renewals, payments and inspections. Additionally, inspectors now use tablets with inspection forms, making the process easier for both the inspectors and licensees. While some processes have been streamlined, such as permit renewals, the software is relatively new and continued work is needed to further build out the system across multiple processes. Further cost and time savings will result from streamlining the online applications system and integrating data-sharing with state and county agencies. Additionally, enhancing staff training and utilizing modern technology for record-keeping will minimize delays and ensure quicker service.

Task Force members commented that the new technology has been working very well and processing timelines have improved since upgrades. The Liquor Board has an annual service contract, which includes 180 hours of continued technical support for system build out. Liquor

Board staff expect to cover these costs with current revenue levels and plan to continue automation efforts. However, a timeline for such upgrades and execution strategy would be helpful to identify future resources needed.

The Liquor Board staff also stated that they are pursuing trainings for licenses and are considering a state-approved alcohol awareness training program that would be delivered by a third-party and tailored to Anne Arundel County. Historically, these “Tips Courses” on responsible beverage service have been provided by the Anne Arundel Prevention Coalition through a Health Department Grant which is no longer sufficient to recover costs. Task Force members underscored the need for such training, reporting that current offerings are not readily available locally and Anne Arundel establishments need to access trainings in other jurisdictions. They also noted a lack of response from the Anne Arundel Prevention Coalition when seeking results or in response to inquiries.

Liquor Board staff propose providing an additional \$3,000 toward materials for these training courses in FY26. However, it is not clear that this will resolve issues with responsiveness.

E. Improving efficiencies in operation

In addition to the efficiencies identified above related to technological enhancements, the Task Force briefly reviewed the organization structure. The Liquor Board has 18 part-time inspectors, that work five hours per week and manage between 25-35 cases. The task force discussed whether efficiency in operations would result from either a few full-time inspectors or a reduced number of part-timers with additional hours. The Liquor Board staff expressed support for the current model, which has been meeting their workload and physical space needs. However, they recognized additional staff training was needed to ensure consistency of inspection protocol and better communication between inspectors and business managers and are proposing an additional \$3,000 in the FY26 budget to cover these costs. The additional funding would allow the Board to hold more Liquor Inspector Training meetings. These meetings, involving Board members, staff, and inspectors, have been held at the DoubleTree Hotel due to limited office space. This is in addition to the monthly Zoom meetings led by the Chief and Deputy Chief Inspectors.

Finally, The Task Force acknowledged the budget process appears cumbersome, and a local approval process may be more efficient. However, they concluded that further study is needed to make any recommendations

III. Recommendations

1. Hire a consultant to conduct strategic planning to review the operational structure and processes, identify resources needed to support current operations, and well as desired training and efficiency measures and to help implement the recommendations below. The consultant should convene workgroups as appropriate to engage stakeholders on legislative initiatives.
2. Last fiscal year resulted in an approximate \$150,000 surplus, therefore, no fee increases are recommended for FY26. However, the Liquor Board staff should continue to work with Anne Arundel Finance and Budget staff to maintain and track annual revenue and expenditures so that the need for future revenue increases is proactively identified and thoroughly examined prior to legislation requests.
3. Work with the state to better understand revenue composition to inform annual projections.
4. Further study the Liquor Board budget approval process.
5. Pursue code change for the 2025 General Assembly session to remove the requirement for a registered survey in favor of GIS or other publicly available tools.
6. Pursue state code changes to revamp the three entertainment permit tiers, using a culturally sensitive approach. Modernize the permit category and develop a process to convert or upgrade existing permits. Form a review committee or small work group to assist with the drafting.
7. Pursue state legislation for a festival permit, that would allow for either a non-profit or for-profit organization to operate a large event. Such events could generate revenue for the Liquor Board and county.
8. Continue to build out the new automated licensing portal system. Identify and prioritize future upgrades and develop an implementation plan.
9. Continue to invest in staff training, especially training for inspectors on communication and standardized protocols.
10. Select and procure a third-party vendor to develop alcohol awareness training tailored to Anne Arundel County. Seek and receive state approval for this certification.