Office of Legislative Oversight Report Summary

Review of Alcohol Control in Montgomery County

OVERVIEW

This report responds to the Council’s request for an examination of the alcoholic beverage distribution system in Montgomery County and the County’s Department of Liquor Control (DLC). Montgomery County is the only “control jurisdiction” in Maryland – controlling the wholesale sales of alcohol to retail businesses and controlling the retail sales of packaged liquor at 25 County-run stores. Based on our review, OLO developed a continuum of five options for changes to Montgomery County’s alcohol structure for Council consideration. Each option estimates the budgetary/fiscal impact and the impact on County positions of the specific change.

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FINDINGS

- Maryland law regulates all facets of the manufacture and sale of alcoholic beverages. Changes to the County system require changes to State law.
- DLC’s gross profit ($75.8 million in FY14) pays DLC operating expenditures, debt service for Liquor revenue bonds, and a transfer to the General Fund ($20.9 million in FY14).
- Feedback from a sample of over 100 licensees indicates many are dissatisfied with DLC’s operations, processes, and performance as the sole wholesaler of alcoholic beverages in the County and particularly dissatisfied with the availability of wine and special order products.

OPTIONS FOR COUNCIL CONSIDERATION

- **Option 1** Fully deregulate the alcohol system in Montgomery County and allow private wholesale distribution and private retail sale of beer, wine, and liquor.
- **Option 2** Allow private wholesale distribution of beer, wine, and liquor, maintain County control of the off-premise retail sale of liquor.
- **Option 3** Allow private wholesale distribution of beer and wine, maintain County control of the wholesale and off-premise retail sale of liquor.
- **Option 4** Allow private wholesale distribution of special order beer and wine, maintain the current wholesale and retail structure for all other alcohol products.
- **Option 5** Increase DLC’s efficiency and effectiveness within the current structure.