

Department of Legislative Services
 Maryland General Assembly
 2015 Session

FISCAL AND POLICY NOTE

Senate Bill 213 (Senator Young, *et al.*)
 Education, Health, and Environmental Affairs

Legal Drinking Age - Active Duty Members of the Armed Forces

This bill authorizes the holder of an alcoholic beverages license in the State to sell or provide beer or wine for consumption on the licensed premises of a bar or restaurant to a person who (1) is at least 18 years old; (2) is an active duty member of the U.S Armed Forces; and (3) displays a valid armed forces identification card issued to the person by the U.S. Department of Defense.

The bill takes effect July 1, 2015.

Fiscal Summary

State Effect: Federal fund revenues for the Maryland Department of Transportation (MDOT) decrease by approximately \$30.7 million annually due to noncompliance with the Federal Uniform Drinking Age Act of 1984. General fund revenues increase by as much as \$531,000 annually due to alcohol tax revenues from active duty members of the U.S. Armed Forces who are older than age 18 and younger than age 21 being legally allowed to purchase and consume alcoholic beverages. Expenditures are not directly affected.

(in dollars)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
GF Revenue	\$531,000	\$531,000	\$531,000	\$531,000	\$531,000
FF Revenue	(\$30,700,000)	(\$30,700,000)	(\$30,700,000)	(\$30,700,000)	(\$30,700,000)
Expenditure	0	0	0	0	0
Net Effect	(\$30,169,000)	(\$30,169,000)	(\$30,169,000)	(\$30,169,000)	(\$30,169,000)

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

Local Effect: The bill does not directly affect local governmental finances or operations.

Small Business Effect: Minimal.

Analysis

Current Law/Background: State law prohibits the sale or providing of any alcoholic beverage to (1) a person who is younger than age 21 or (2) any person who, at the time of the sale or delivery, is visibly under the influence of any alcoholic beverage. The holder of an alcoholic beverages license, or his or her employee, who violates this provision is guilty of a misdemeanor and subject to various penalties, which include a fine of up to \$1,000, up to two years of imprisonment, and suspension or revocation of an alcoholic beverages license.

The Federal Uniform Drinking Age Act of 1984 specifies that a qualification for receipt of various federal highway funds is that states must have laws that prohibit the purchase or possession of any alcoholic beverage by a person who is younger than age 21. The penalty for noncompliance with these provisions is the withholding of 10% of federal apportionment for Interstate Maintenance, National Highway System, and Surface Transportation Program Funds. The State Highway Administration estimates that, based on fiscal 2014 data, the bill's provisions would subject the state to a loss of \$30.7 million in federal highway funding.

The sales and use tax rate for alcoholic beverages sold in the State is 9%, all of which is distributed to the general fund.

Background: The Comptroller's Office estimates that, based on the Active Duty Military Strength Report released on December 31, 2014, there could be as many as 21,107 active duty members of the U.S. Armed Forces in the State who are older than age 18 and younger than age 21.

State Revenues: Authorizing individuals who are younger than age 21 to purchase and consume alcoholic beverages may result in a loss of 10% of federal highway funding. In fiscal 2014, 10% of federal highway funding accruing to Maryland totaled about \$30.7 million. Assuming that the State receives about the same amount of federal highway funding in future years, federal fund revenues for MDOT decrease by \$30.7 million annually as a result of the bill.

General fund revenues increase to the extent that active duty members of the U.S. Armed Forces in the State who are older than age 18 and younger than age 21 purchase and consume additional alcoholic beverages as a result of the bill. *Under one set of assumptions*, assuming that 90% of the 21,107 active duty members drink alcohol as a result of the bill, and based on the per capita amount of alcohol sales and use and excise taxes collected from the drinking population in the State, general fund revenues increase by as much as \$531,000 annually as a result of the bill.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Kent, Montgomery, and Worcester counties; Baltimore City; Maryland State Commission on Criminal Sentencing Policy; Comptroller's Office; Judiciary (Administrative Office of the Courts); Military Department; Maryland Department of Transportation; U.S. Department of Defense; Department of Legislative Services

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md/kdm

Analysis by: Richard L. Duncan

Direct Inquiries to:
(410) 946-5510
(301) 970-5510