

# A CONVERSATION WITH THE COMPTROLLER:

PETER FRANCHOT'S TAKE ON HB1283; A.K.A THE MARYLAND CRAFT BREWING BILL, AND WHAT LIES AHEAD

By Doug Mace

In April, Maryland Comptroller Peter Franchot announced the creation of the "Reform on Tap Task Force". After House Bill 1283 (HB1283) passed, the Comptroller's office began its fight to improve further legislation and remains an active oppositional voice. Mr. Franchot is a firm believer that more barrels and improved regulations will have brewers at the bank.

## What's Actually In HB1283?

The Maryland Craft Brewing Bill, as HB1283 is often referred to, includes an increase in the amount of barrels Class 5 license holders can sell, to the tune of 2,000 total. This also allows brewers to petition to sell another 1,000 after they've sold 80% of their original stock. The bill permits startup brewers to contract brew and extends on-premise operating hours for existing brewers.

Major components of this bill encourage Guinness (Diageo) to go forward with plans to build a multi-million dollar facility in Baltimore County. The first U.S. brewery in more than 60 years, its development would mean major tourism dollars.

Challengers to the bill point out that this improves the standing for current breweries, but the specific verbiage limits opportunities for prospective companies. One major downfall is that brewers must buy those extra barrels back from wholesalers creating costs



they may not be able to spare and unnecessary hoops to jump through. Many also think the bill doesn't increase the amount of barrels enough as the initial target was 5,000 per year.

The Comptroller explained the goal of the task force saying, "[The task force] is to allow Maryland craft brewers to have a welcoming, appreciative, supportive atmosphere in Maryland." While he has major issues with HB1283, he understands and respects the importance of the three-tier system and the wholesalers, and doesn't want to dismantle it.

"I still have some conceptual respect for the three-tier system." Mr. Franchot continued, "For the beer industry this is being

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set-up to level the playing field and allow our craft brewers to flourish and grow; otherwise they're all going to move to Virginia.

## Where Do We Go From Here?

Virginia's ability to garner great growth in the last decade makes the state a prime candidate to learn from. The task force will use a "best practices" policy and learn from other states in order to create a better market for growth. "We're appropriating, we're going to borrow the best practices from North Carolina, Virginia, on everything."

Our southern neighbors were two that saw over 35 new breweries in 2016. Virginia has experienced particularly impressive growth. Stone Brewing company made a major investment in the state in 2015 and as of 2016 they recognized 164 craft breweries according to the National Brewer's Association. Just five years earlier there were fewer than 50.

To put that in perspective, Maryland only recognized 65 last year.

The Comptroller emphatically stated, "We're going to liberate the independent brewers in the state of Maryland and reward them for taking a risk and sweating it out.

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We're going to allow them to live in a state that has the best supportive laws of any state in the country. And that's why I have Jeff Kelly working for me."

Jeff Kelly, Director of Field Enforcement for the Comptroller, admitted that because franchise laws were created in the 50's and 60's they made sense then, but now they're due for an update. "Those franchise laws are to prevent major producers from having too much control, harmful control, over the beer. What's happened now is those laws are being used so that the distributors have too much control over the small brewers." This view is one of the driving forces behind the creation of the task force.

The Brewers Association of Maryland (BAM) encouraged the passing of HB1283 commenting in a statement saying, "We accept this bill as passed by the Senate—and are asking members of the General Assembly to vote in favor—as a step toward making Mary-

land friendlier to our industry with the understanding that BAM will continue to support existing, new and prospective Maryland brewers." In that same statement they also acknowledge, "there is much more to be done."

## The Comptroller Is Not Convinced, But Remains Optimistic

Comptroller Franchot stated referring to HB1283, "It's a big neon sign, 'Maryland: you're not welcome, we don't want you, go to Virginia!'" He went on, "Well, that neon sign is going to be taken down, next session. Take it to the bank."

It was made very clear by Mr. Franchot that he fears the worst may have already happened, "The damage has already been done. The State's reputation for supporting brewers has been shattered by the legislature." He continues, "We're going to try to correct it and make sure that we are one of the best states in this wonderful sector."

The Comptroller's committed to finding the optimum solution for everyone involved and makes it clear that the 40 members of the Reform on Tap Task Force will be the driving forces. "Anything that qualifies as 'best practices', were going to take a serious look at." This is all about the success of the state, he continued, "We're going to make Maryland a beer-friendly state.

The members of the task force include Adam Benesch of Union Craft Brewing, Justin Bonner of Jailbreak Brewing, Hugh Sisson from Heavy Seas Brewing, and Mayor of Salisbury Jake Day to name a few. The list is a who's-who of the industry and includes legislators, members of distribution companies, the Maryland State Licensed Beverage Association, and many other members of the craft brewing industry.

This comprehensive group brings together some of the best minds in the state, on both sides of the discussion to address the issues pertaining to the growth of craft beer in the state. Comptroller Franchot and the Reform on Tap Task Force will hold town halls all over the state in the coming months to hear concerns and opinions of consumers and small business owners alike. Given the thorough assessment planned; the future of the beverage industry in Maryland looks bright for everyone involved. ■

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