



Maryland Alcohol and Tobacco Commission

Larry Hogan
Governor

Anthony Hatcher
Acting Executive Director

MARYLAND ALCOHOL AND TOBACCO COMMISSION JUNE MINUTES

DATE: June 17, 2021

TIME: 3:00 P.M.

PLACE: Maryland Alcohol and Tobacco Commission – Virtual
(Meeting conducted via Microsoft Teams)

PRESENT: Chair Alan Silverstein
Vice Chair Barbara Wahl
Secretary Robert Poole
Commissioner Elizabeth (Betty) Buck
Commissioner Eric Morrissette

OTHERS: Anthony Hatcher, Acting Director Executive Director, Alcohol and Tobacco
Commission (ATC)
Jeffrey Kelly, Director, Comptroller of Maryland, Field Enforcement Bureau (FEB)
Murray Singerman, Office of the Attorney General
Kevin Atticks (Maryland Alcohol Industry)
Karyle Fogan, Executive Associate (FEB)

CALL TO ORDER

Chair Alan Silverstein called the meeting of the Maryland Alcohol and Tobacco Commission to order at 3:00 p.m.

APPROVAL OF THE MINUTES

Chair Alan Silverstein called for a motion to approve the meeting minutes for May 20, 2021 and Betty Buck moved to approve and Eric Morrissette 2nd- the motion and all in favor said aye and unanimously approved the previous month's meeting.

Chair Alan Silverstein turned the meeting over to Executive Director Anthony Hatcher.



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EXECUTIVE DIRECTOR REPORT

Anthony Hatcher Executive Director of the Alcohol and Tobacco Commission reports the activities of the (ATC) and Field Enforcement Division (FED) since the last meeting. Director Hatcher started off with some statistics given by the head of his Enforcement team. There has been a significant increase in violations being found in the field and in the stores since the March 14th increase in taxes for tobacco products. They seized 61,466 sticks of other tobacco products (OTP) this past month. They also had a seizure of 14,925 sticks and another one of 21,125 sticks. It's been a big increase of confiscations that they are seeing.

During the investigations and inspections in the past month there were a total of the following:

- 15 individuals cited for these violations in the past month
- 879 Packs of unstamped cigarettes seized in the past month
- 27 Containers of distilled spirits that were purchased from other than a wholesaler (OTW)
- 76 Containers of beer
- 27 Containers wine

There were no vehicle and no transportation violations filed in the last month.

Anthony Hatcher Executive Director also shared information about the new email addresses which will go into effect Friday June 18, 2021.

They received the approval to establish a new Alcohol and Tobacco Commission (ATC) website. It would be the **mdatc.gov** website address. The website is not up yet and is presently being developed at this time. The Comptroller's IT department is developing it and has set up their servers to house the ATC website and once it is up the information would be forwarded to the Commission. There will be no change as far as individuals emailing the commissioners or the commissioners emailing out. The commissioners will start using the mdatc.gov extensions for their email addresses but their old email addresses for the ATC will continue to work, so there should be no impact outside of the agency or internally doing your email exchanges. ATC Executive Director Hatcher gave a big thanks to Bill O'Leary and his group in the IT department for all the help they have given for the past six months in developing and getting this website to the point that it is today.



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**Chair Alan Silverstein introduced Kevin Atticks to give an industry presentation.*

INDUSTRY PRESENTATION (KEVIN ATTICKS)

Kevin Atticks is with Grow and Fortify and they work with the Maryland wineries, breweries and distilleries and also the cideries and meaderies in the State of Maryland and are helping to promote and manage the organizations for the alcohol trade associations in the state. These organizations contract with them to do a number of things, and they have a team to do marketing events, managing special projects and someone who manages all the finances for the organizations. Each of these industries, wine, beer and spirits producers have their own trade associations. Grow and Fortify manages those trade associations. They do the fun stuff of the regular business activity of boards, committees, meeting minutes and membership. They spend a lot of time working with the ATC Commissions staff and the Comptroller's Office and other Legislators to help folks get up and running in the industry. There has been an incredible growth over the last decade in these industries. There has been an incredible movement with respect to the laws evolving. He talked a little about their guiding principles when trying to evolve the laws which are very old and rooted in some deep history so there's always a discussion when there is an attempt to change the law. A quick definition of a alcohol manufacturer in the State, so the laws have evolved from being strictly and solely just a manufacturer to also now allowing in most of the manufacturer's licenses cases, limited wholesale and limited retail of their own products that they produce, so most of their manufacturers have a brand house, they've got a tap room or a winery or a distillery front of the house where they're able to sell and serve their products. With certain licenses they're able to sell and serve other products as well because they have gone through the retail and local liquor licensing system and obtained either a Class B or a Class D, a restaurant or a on and off tavern license. Our industry does not all look the same, some are located on farms, and some are located in industrial warehouse areas, and some are in downtown Main street areas. In all cases they are incredible drivers of economic development and tourism, agriculture and jobs which will be seen from some of the presented stats. Since his 20 years in the industry Kevin Atticks has seen that the laws have changed in immeasurable ways advancing with consumer interest and advancing with intense entrepreneurship that's come into Maryland. The producers produce, distribute, sell and market their products and all of them with certain limits and conditions. The supporting industries are catching up now that the industries are growing, and they now have grain producers growing grain solely and specifically and exclusively for beer and or spirits industries and they've got vineyards at independent vineyards unaffiliated with wineries, and they have the maltsters people who are malting grain for breweries, they have bottling and canning lines that rove around the state to help package product and lots of consulting businesses which are helping to support the industry. The educators, such as community colleges and universities are beginning to get on board to support the industry and developing new programs. The University of Maryland just developed an undergrad fermentation program which covers not just alcohol manufacturing but fermenting of all kinds, such



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as, cheese, coffee, breads etc. Two community colleges are developing programs specifically to support the craft beverage business. They now have alcohol producers in every single jurisdiction in the state. The expansion is incredible to see.

Comparison of our industry to others is every member of our industry by national standards and certainly international standards is considered a small producer, so even the largest on our scale Linganore Wine Cellars and Boordy Vineyards on the winery side and Sagamore spirits and Secrets on the spirits side and Flying Dog and Heavy Seas on the brewery side.

Kevin Atticks said that he was told by a colleague from California that they evaporate more product in a year than we make. This is due to the size and the scale and our industries have developed a little later and others scale is easier when you are the first one in, so most of our producers are tiny. They've all in some capacity become tourism destinations and we've seen certain regions like Frederick and the Eastern Shore with Shore Craft Beer and Baltimore begin to market these industries specifically to bring customers in, not just when they're visiting with family and attending a conference. The State of Maryland is promoting our craft beverage producers in their regional and national ads because they've seen statistics which show it's an incredible draw. In the county of Frederick their economic development office when they're pitching corporations to move to Frederick, they pitch the culture and the fact that there are 20 breweries in downtown Frederick, your employees would love to have these things to do on the weekends, and it is actually helping with their economic development. The producers love to develop new processes and products and they are incredibly collaborative. The industry will thrive and continue to grow with the more producers there are to bring in that tourism and focus on customers wallets and the interests on local products.

During Covid-19 the industry completely flipped upside down and making use of developments to ship and deliver products and in some cases were able to sustain their business and in other cases make use of those abilities survive when their tap rooms were closed down. When a consumer got used to having a product delivered, we've not necessarily seen that interest in delivering product to their doors decrease. We have worked with the industry and with the enforcement staff to make sure that delivery continues to remain safe and effective and with the executive order ending July 1st they were concerned with consumers still very interested in having product delivered so we still will be able to continue doing that.

Pointing out some stats that are from an economic impact study that came out of the Beacon Institute at Salisbury University. The impact and the job numbers are indirect as well as direct so it's employee workers at breweries, wineries, distilleries, but also beyond it's the employees at other businesses that are supported through local products, there are retail stores, restaurants and delivery firms that are dedicated to providing solely their products to the customers. Breweries in the last 10 years, there are 50 breweries in planning that are members of our organization, not 110



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that are listed in the stats. The nature of those breweries is that they are going to be small, they are looking to sell and market to their immediate community. The jobs here are incredible and the tax impact through retail and sales and use tax are really adding a lot into the State of Maryland. It's a very sizable industry when you add farmland acreage to it about 2,500 to 3,000 acres statewide producing product for the industry and there are farmers and other folks that manage that. So, you begin to see the indirect and secondary tertiary impacts.

Eric Morrisett had a question: He was curious about the Covid-19 Impact, questioning are the numbers for fiscal year 2020 low for Covid-19 or adjusted and he was wondering if that might impact the kind of overall kind of economics.

Kevin Atticks said that they are following the states fiscals ending on June 30th of, fy2020 so you are just seeing the first few months of impact of Covid-19, and when you see fy2021 numbers, you will begin to have a real clear picture. Certain segments of the industry lost a lot of ground, for instance breweries that were in retail areas versus on farms. The retail areas tended to be in city centers that had higher Covid-19 rates and were much slower to reopen and so some of those businesses were the first ones to bow out and farm-based wineries and breweries were able to take great advantage of the fact that the public wanted to get out but do it distanced in a way that you couldn't do in a downtown setting.

Eric Morrisett questions continued with the point of more than 25 in the planning stage does that account for the new entrants backfilling those that were forced out as a result of Covid-19. **Kevin Atticks** replied that it is and that they were surprised that they have had an uptick in the last two months of individuals interested in joining the industry and when they have talked with them, their plans and their scale are much smaller so he would imagine that their plans evolved during Covid-19 from whatever they thought that they could afford, and thought they could be a smaller business just in terms of how big they plan to be in terms of how many barrels they plan to produce and how many acres they plan to grow if they are a winery but at the moment it is a little smaller than it had been.

Betty Buck had an inquiry about Maryland breweries that when it comes to the impact of money, jobs, taxes, and does that include distributors, restaurants and liquor stores?

Kevin Atticks said that the 637 million impacted does include all sales of Maryland beer and the supporting numbers. He said he has been involved in many economic impact studies and they are what they are and so there is a model and you know the questions that the researchers ask are how do you buy your product and lets follow that chain down the line and so yes, wholesalers are included in that and retailers are included in that as are farmers and when you add tourism in, this is one of the things we got to see, the economic impact study before they added the tourism factor in and after and when you add tourism and people are coming to Frederick to tour craft beer and there



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are 10 that are walkable in downtown Frederick, then now you are adding room nights and your adding the heads and beds and your adding taxes on that and your adding lunch, dinner and shopping it involves that larger impact. When the wholesalers do an economic impact study it's going to be a very large impact because of all the many stores, restaurants, suppliers, truckers, refrigeration, the contractors who are keeping everything cool. So that number is a comprehensive number that includes secondary tertiary indirect.

Chair Silverstein questions that conversely the wine numbers would be the same thing Correct?

Kevin Atticks replies that wine numbers would be the same and interestingly enough the wineries are farther advanced in terms of their laws over the last 10 years so wineries have been able to ship their products far and wide and so looking at the gallons numbers compared to spirits and beer, the wineries economic impact punches above their weight/class, and it's because they have a potentially broader reach for their products and also the products are premium products so when you start adding it up a four pack of Maryland beer can be \$18.00 and an average bottle of Maryland wine can be \$20.00 to \$40.00 and spirits as well on the higher end, so the numbers add up pretty quickly.

In response to a bunch of people getting into the business they have always encouraged people to have their staff certified under Tips or Tam or Maryland's Best from the Restaurant Association, but because of the influx of people we developed our own course and had that approved almost 2 years ago by the state called: Stars Safe Tasting and Responsible Sales and we built this course to address a lot of the unique factors of the industry and the fact that our manufactures are able to attend and farmers markets, so now you have product that's potentially on the road, it includes delivery and all other pieces of it as well. We decided to split the course in two. The course is available free to everyone in the industry whether or not the law in your local jurisdiction requires that everyone in the tap room or at the brewery be certified or only one person per shift whatever it may be, we think everybody should go through the training to understand what to look for with serving responsibly, how to maintain and manage product, how to maintain and manage control in the industry, and so we've created the organization if you want to spring for the exam and get certified. We've subsidized that rate so it's \$25.00 for members of the industry to get trained, and we've just in the one year trained 300 and we're trying to encourage everyone to be trained, our organizations are working through codes of conduct and imagine one of those points in the code will be that everybody should have gone through an alcohol certification and training program. Some of their top goals is to create an environment where the industry is competitive addressing consumer interest for new products and services, and we see that as core to what we at Grow and Fortify, and our organizations are basically tasked and chartered to do and to figure out where the consumer is going and try to move the laws in that direction and that can take the form of all manner of things. There were discussions in the last number of years in the legislature about adjusting the licensing a bit to allow more beer to be sold for on-premise consumption or to go, or



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through distribution because we're seeing different interests come about among the industry, and then of course always making sure that no matter what we're doing whether it's creating events or helping new breweries get open that we're doing it in the most safe and sustainable way. Some of the trends I see are the producers are becoming smaller in size both square footage and production, you know 10 years ago if you opened up one of these alcohol manufacturers you had to make something for everybody, you had to create an experience so that no matter who walked through your door they had something to make them very happy, now we're seeing that there are enough manufacturers that some are focusing just on rum and some are focusing just on IPA's or Sour Beer, it becomes their specialty, and some are focusing just on Bordeaux Blends.

We spend a lot of time discussing with Jeff Kelly and Lou Berman in the office on how to do this and stay within the boundaries of the law. We are not having to teach the public as much about our products now, they know our products, and we just have to attract them to our locations. Many of their new entrants are on a second career and more diverse, we have LGBTQ and a few others that are building experiences specifically for that audience, also in the African American owned businesses which we are behind and excited to see that segment of the industry increase. Stronger tying into local products because again that's what differentiates our products from beer that you can buy from anywhere else because there is a local craft to it and there's a local component and greater emphasis on quality.

Consumer demand is changing incredibly fast over the last 18 months and trying to generate more job opportunities. There is an interest among our producers in creating parity among the different licenses because some of them are getting additional licenses, breweries are becoming distilleries because after you make beer you can very easily make spirits and beer is the first step in making whiskey, so we see folks in getting those licenses and wondering why they can sell under one license but not the other license so they are trying to bring parity. People are standing in line and excited to get newly created product. We support industry and encourage the support of industry. We create seminars that they can host and work with towns and cities that want to work with us to figure out how to get two or three breweries, wineries or distilleries.

Kevin Atticks is available at 410-963-4316, Kevin@growandfortify.com for any questions.

Robert Poole asked are there innovations that are indigenous only to Maryland.

Kevin Atticks answers that there are products that are becoming known here such as rye whiskey which has a history in the state and we are seeing an interest from new entrants in rekindling Maryland's dominance of the rye whiskey standpoint and a lot of this has to do with what is in it and using Maryland rye and local grain with wine that you buy and Bordeaux wine because it was grown in Bordeaux and Barolo because it was grown in northern Italy and the same thing with Maryland wine we have gotten in the industry with a reputation among wine writers and other folks



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of having 90 point wines which regularly attracts people to that. They have a Maryland wine explorer club within the wineries association where we are collecting some of the best wines and offering through our wineries in a club format and people love it. With beer there is much collaboration cross-country and worldwide collaborations all of the time. There is a local Hop, a native Hop that they are working to register with the plant registration division of USDA and start using that Hop exclusively in Maryland. The Hop name is Catoctin Heritage so you will start to see that on cans and bottles soon.

DISCUSSION CONCERNING REGULATIONS (COMMISSIONER BETTY BUCK)

Betty Buck talked about her ride along in Baltimore City with an ATC Agent, and through that experience she witnessed that the agents don't have the same rights to inspect tobacco as they do with alcohol. She, being well versed on alcohol all of her life, believes that they should work on getting parity with the alcohol regulations and the tobacco regulations, because with alcohol they have the rights to go in anywhere and look at alcohol, but when it comes to tobacco, they have to depend on their ability to talk their way into the back room. She said that they don't have the same rights and protection with tobacco as they do with alcohol. She said that more needs to be done with the regulations that would be best to help the agents to do their jobs. She said that a lot of the Senators and representatives have said to her through this approval process was to please come to them ahead of time and talk to them about what bills we need for our agents and for these regulations so that we can work together to get these things passed and not plop them on them when we get to the legislature, so she suggest that the commission looks into what they need and she suggest that it should start with Jeff Kelly to see what we have for alcohol, and what do our agents need for tobacco so that they are at parity and everybody has the same rules and regulations going in so that our agents aren't having to watch their backs while doing their jobs.

ATC Executive Director Hatcher said they will be having meetings the following week to work on creating new regulations and these points that commissioner Buck made will be addressed and they will bring forth suggestions and they will have one Attorney General that will be participating and possibly another out of the Baltimore office to help create regulations that our agents feel that they need, and as we develop those regulations they will of course be shared with the commission before they are put in the register to be formulated and put into place.

Betty Buck said that would be great and that the agents need all the support that they can get, and that they are doing a great job.



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DISCUSSION ON DUTIES OF COMMISSION AND CREATION OF COMMITTEES (COMMISSIONER BARBARA WAHL)

Barbara Wahl said we have been reviewing for some time now what we have been given as our identified duties and if we parse it out, what we see is that we need to educate the public and assure appropriate labeling, conduct studies and develop best practices in a number of areas, so each one of the areas can be drilled down a little bit but it's basically four bucket areas that we need to make sure that we are addressing as we move forward. One or two meetings ago we talked to Dawn Berkowitz, Maryland Department of Health who is working with us to support our efforts here, so I think a starting point would be to see in what areas do we have the support what's already in place and we can just get information about how that is going before we make changes and see if there's any areas that aren't being adequately addressed yet to meet these requirements to these duties that we have.

Dawn Berkowitz said that she is happy to help or provide them with anything that they need.

Chair Silverstein suggested that they talk with Senator Addie Eckardt who is a nurse and has worked with a lot of the issues, mental health issues, alcohol and addictions issues and she is willing to help lead us in the direction where studies have been done, there are studies at NIH, University of Maryland have done studies, John Hopkins have done studies, and with the Dawn Berkowitz with Maryland the Department of Health, so as we identify the issues we can go out and look and see who's already done studies that are germane to the issues we're concerned about and share those studies among ourselves and then come back and do what the legislature has asked us to do. Chair Silverstein also reached out to Senator Ben Cramer and had a conversation with him and being that he was one of the sponsors of the legislation that created this commission and he also said to please feel free to pick his brain and we want to make sure that we meet legislative intent so I think what has been suggested is right on track and we just need to spend a little more time fine tuning it and then moving forward.

Barbara Wahl said that she would be happy to talk to Dawn Berkowitz one on one about which areas here are already kind of taking off and then perhaps starting some committees moving forward to look at some of the areas that aren't being addressed yet. The first thing to do is to look into what we are doing well and what we're missing out on, and if anyone wants to participate with that process that would be great too.



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MEMORANDUM OF UNDERSTANDING (ACTING EXECUTIVE DIRECTOR ANTHONY HATCHER)

Anthony Hatcher Alcohol and Tobacco Commission Executive Director he said that June 30, 2021 is the end of the current MOU. He has been in discussions with Director Kelly that represents the Comptroller's Office side and going back and forth in negotiations on how we are going to proceed with the MOU and then turned it over to **Jeff Kelly** Director of the Field Enforcement Bureau to report about the Memorandum of Understanding (MOU) and going forward on July 1, 2021. Director Kelly said the negotiations have been very easy and said that both sides have seen that this is beneficial to us right now while this transitory period is still occurring, and one of the things is a lot of services that are provided to the ATC.

The work between the agents that shared some of the responsible authorities is continuing but they are starting to see a little division that would occur naturally with the ATC Agents gravitating to doing ATC work and the Comptroller Agents are starting to gravitate to what they would typically do as well so they met earlier on to define their managing for results output, expectations changing them to represent each agency and Executive Director Anthony Hatcher ATC and the Comptroller has met with the Department of Budget and Management and have put in a supplemental budget request for the fy2022 which is currently under funded and in the Fall talk about modifying the request for fy2023. He would like to extend the MOU for the next 12 months to June 30, 2022 and Manny Welsh the Chief of Staff for Comptroller Franchot said it sounds great to him, and that it seems to be working for both sides and to lets proceed in that direction.

Jeff Kelly requested a vote from the ATC Commission to get the Commission's approval for the new MOU.

Alan Silverstein took a motion to approve the extension of the MOU, Betty Buck so moved and Barbara Wahl 2nd the motion and All said Aye.

Alan Silverstein agreed with Director Kelly that the budget was under funded and wanted to know what kind of numbers he was looking at.

Director Kelly said that he didn't have numbers for him at this time but he asked Executive Director Hatcher to talk to Jennifer Brezler who puts together the budget projections for them and perhaps she could give them an idea of what they are looking for.

Director Kelly said that there is a bigger budget needed to increase staffing for Agent's and office Administration such as HR, IT, finance and procurement. They need cars to drive and computers and telephones to use, desk to sit at etc., and without that we have nothing. So, their projected 2023 is to start getting these items and maintain and replace as well.



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ADJOURNMENT

Chair Silverman moved to adjourn the meeting **Betty Buck** moved and **Barbara Wahl** 2nd and All said Aye to adjourn at 3:50 p.m.

I certify that the foregoing minutes represent the minutes of the Alcohol and Tobacco Commission meeting on June 17, 2021.

DocuSigned by:


Robert H. Poole, Secretary

6/28/2021

Date

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Link to video of meeting: <https://www.youtube.com/watch?v=7DjmxyPc2gM>