

**SFA**

BILL ANALYSIS

Senate Fiscal Agency

Lansing, Michigan 48909

(517) 373-5383

RECEIVED

OCT 03 1988

Mich. State Law Library

**Senate Bill 821 (as enrolled) (Public Act 207 of 1988)**

Sponsor: Senator Gilbert J. DiNello

Senate Committee: Regulatory Affairs

House Committee: Liquor Control

Date Completed: 8-19-88

**RATIONALE**

Under the Liquor Control Act, licenses for the on-premises consumption of alcoholic beverages are generally limited by population; only one such license per 1,500 people can be issued within any governmental unit. The Act contains numerous exceptions to this restriction, however. For instance, the Liquor Control Commission (LCC) has the authority to issue a certain number of resort licenses each year, based upon conditions specified in the Act. The LCC also can grant special licenses for a limited time for special events; for instance, the LCC can issue up to 40 special licenses for the Detroit Grand Prix. The authority of the LCC to issue both resort licenses and licenses for the Grand Prix expires this year, and it has been argued that this authority should be extended.

Further, the Act allows liquor licenses to be issued in certain cases to conference centers operated by colleges and universities, if the facility has overnight accommodations. Three special exemptions have been granted to permit conference centers without overnight accommodations to have a liquor license: the Hoyt Conference Center at Eastern Michigan University, the McGregor Memorial Conference Center at Wayne State University, and the Michigan State University Management Educational Center in Troy. Some people believe that more colleges and universities should have the opportunity to obtain a liquor license in order to give conference planners, as well as hotel-restaurant classes, the option of providing alcoholic beverages at their functions.

**CONTENT**

The bill would amend the Michigan Liquor Control Act to extend through July 31, 1993, the section under which special liquor licenses have been granted for the Detroit Grand Prix.

The bill also would extend through 1993 the authority of the LCC to issue a limited number of resort licenses each year, as follows:

- Up to 10 licenses for establishments whose business and operation are designed to attract and accommodate tourists to a resort area, and whose primary business is not the sale of liquor.
- Up to 25 licenses for businesses with a capital investment of more than \$1 million, whose primary business is not the sale of alcohol, and whose operation is designed to attract and accommodate visitors to a resort area.
- Up to 10 specially-designated distributor (package liquor) licenses in local units of under 50,000 population in which the package liquor license quota has been exhausted. The licenses could be issued only to

merchants whose business and operation are designed to attract and accommodate tourists and visitors to a resort area.

Further, the bill would include the Kirkof and Eberhard Centers at Grand Valley State University, the Bernhard Center at Western Michigan University, the Wadsworth Center at Michigan Technological University, the Doan Center at Saginaw Valley State University, the Ferris State University Conference Center in Big Rapids, the Ferris State University Applied Technology Center in Grand Rapids, and Grand Rapids Junior College under the definition of "conference center", meaning that they would qualify for a conference center liquor license under the Act.

Currently, the Act prohibits the LCC from granting a license to sell alcoholic beverages either on-premises or off-premises if a facility is located on State-owned land. The Act contains a list of certain places where this prohibition does not apply. The bill provides that the prohibition would not apply to property owned by the State Waterways Commission and leased to persons under the Harbor Development Act; each license would have to be issued with the approval of the State Waterways Commission or its designee. A license issued under this provision would not be transferable to another owner or location, and if the licensee went out of business, the license would have to be surrendered to the LCC.

MCL 436.17 et al

**BACKGROUND**

One significant exception to the Act's provision that limits on-premises license to one per 1,500 persons is the issuance of "resort licenses" above the beyond the quota. (The rules prohibit the issuing of a resort license where an on-premises license remains available under the quota system, although this can be waived.) In 1952, 550 such licenses were made available statewide, and a fixed number each year beyond that have been made available since 1964. At present, until the end of this year, the LCC may issue each year 25 additional resort licensees to establishments whose business and operation, as determined by the Commission, are designed to attract and accommodate tourists and visitors to the resort area, and whose primary purpose is not the sale of alcoholic beverages; 25 resort licenses for businesses with a capital investment of over \$1 million and whose primary business is not the sale of alcohol; and, 25 package liquor licenses in local units of under 50,000 population. (Although resort licenses are permanent licenses, they are nontransferable.) These additional licenses have been made available partly in recognition

S.B. 821 (8-19-88)

of the fact that the fixed population of an area does not always accurately reflect the volume of economic activity, particularly in areas where there is a sizable seasonal transient population.

## **FISCAL IMPACT**

The bill would have an indeterminate fiscal impact on State and local government. The additional revenues would vary depending on how many of each type of license was issued (e.g., specially-designated distributor: \$250, Class C: \$600). The additional revenues generated by the additional licenses would theoretically be completely offset by the additional costs to State and local governments to regulate and license the additional establishments. Whether that would be true in practice cannot be determined.

## **ARGUMENTS**

### **Supporting Argument**

Continuing the practice of issuing resort liquor licenses would help to boost the tourism and recreation industries throughout the State, particularly in northern Michigan, and it would create jobs for Michigan people. Without these licenses being available, the quota system would inhibit business expansion in some areas where all the quota licenses have been allocated. Both smaller and larger businesses would be benefitted by the bill: it would free up licenses for smaller businesses by allowing a set of licenses specifically for large-scale facilities, which would promote economic development. This provision would make it more likely that licenses were available to other businesses that currently do not qualify or that have a low priority in the judgment of the Commission.

### **Supporting Argument**

The Grand Prix draws thousands of visitors to Detroit. Since the race and the preliminary time trials and practices for it are held in a relatively small portion of the downtown area surrounding the 2-1/2-mile course, eating and drinking establishments in the area could be overwhelmed by hungry and thirsty crowds. The bill would help ensure that there continue to be sufficient refreshments available during this event.

### **Supporting Argument**

Exceptions already have been made to the liquor law to permit conference centers without overnight accommodations to have liquor licenses. Thus, it is only fair that equal consideration be given to the educational institutions included in the bill. Furthermore, some facilities at higher educational facilities in the State reportedly are seen by the public as conference centers, especially in areas where there are no commercial conference centers. These facilities should be able to offer the option of serving alcoholic beverages to those groups who use the facilities as conference sites.

**Response:** Permitting public higher educational facilities to obtain a liquor license for their conference centers could place them in direct competition with private facilities that are in the business of conducting conferences.

### **Opposing Argument**

Some persons believe that increasing the availability of alcohol would lead to an increase in alcohol-related problems for our society. The bill represents a further erosion of the liquor law's restrictions on the availability of on-premises licenses and runs contrary to the public policy that lies behind a population quota system for liquor licenses.

Further, there are those who believe that there simply isn't a need for any more resort licenses, and that continuing to allow additional licenses for five more years would only take business away from existing licensees.

### **Opposing Argument**

The provision in the bill to allow 10 additional package liquor licenses per year should be dropped. The LCC testified that it feels that there are enough package liquor outlets already. Package liquor stores cannot be compared favorably to bars and taverns in their ability to attract tourists and enhance tourist-related economic development. It is certainly conceivable that some tourists would choose to visit Michigan hotels, motels, golf courses, resorts, etc. that have on-premises bars over similar facilities that do not have such licenses. It is less convincing to argue that tourists would be especially attracted to resort areas that have an abundance of package liquor stores, or reject those that do not.

**Response:** The package liquor provision should remain in the bill. While the LCC may feel that there is no need for additional licenses in most areas of the State, there may be some areas that are not saturated with licenses and could benefit by available licenses.

### **Opposing Argument**

While the university and college sites specified in the bill may be considered conference centers, they still are located at institutions of higher education, which should not be associated with the appearance of sanctioning the use of alcohol on campuses.

**Response:** The license would not be for the purpose of serving alcohol to students, but to permit consumption of alcohol on the premises of the conference center during regularly scheduled conference center activities. In addition, the bill would benefit students in culinary arts programs who may need to serve alcohol as part of a function demonstrating their skills in food preparation and service.

Legislative Analyst: G. Towne  
Fiscal Analyst: J. Schultz

---

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.