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BILL ANALYSIS

Senate Fiscal Agency

Lansing, Michigan 48909

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Senate Bill 19 (as enrolled)
 Sponsor: Senator Harry Gast
 Senate Committee: Regulatory Affairs
 House Committee: Liquor Control

Date Completed: 8-22-90

PUBLIC ACT 63 OF 1990**RECEIVED**

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RATIONALE

Mich. State Law Library

For many years Michigan wine makers marketed their product in the face of almost overwhelming competition from out-of-state or foreign wine producers. A number of the State's grape growers and wineries several years ago proposed that a State council be created specifically for the purpose of promoting their industry, much as State commissions and committees previously have been created to promote other commodities produced in Michigan. As a result, Public Act 123 of 1985 amended the Michigan Liquor Control Act to establish the Grape and Wine Industry Council to promote research and provide marketing support for the State's wine industry. Members of the Council include wine makers, a grape grower, the Directors or their designee from the Departments of Agriculture and Commerce, and a staff member from Michigan State University's college of agriculture and natural resources. Since a major objective of the Council is to increase awareness of Michigan wines among consumers in order to increase sales, some people believe that the Council should include representatives of the wine industry who market wines to consumers, and nonvoting members to assist the Council in its duties.

Michigan wines, or a person who operates a restaurant that holds a Class C license and serves Michigan wines. This member would have to be appointed by the Governor.

- A beer and wine wholesaler who markets Michigan wines, who would have to be appointed by the Governor.
- Up to two nonvoting members to assist the Council in performing its duties, who could be appointed by the Governor and would serve at the pleasure of the Governor. These members could not be members of the Classified State Civil Service, and would receive salaries and benefits determined and paid by the Department of Agriculture.

The Act provides for appointed members to serve for two-year terms. Under the bill, the member representing the retail food establishment or restaurant industry and the wine and beer wholesaler would be appointed for two-year terms beginning October 1, 1991. Of the members appointed for terms beginning October 1, 1991, one would be appointed for a one-year term and three would be appointed for two-year terms each. All appointments for terms beginning on or after October 1, 1992, would be for two years each.

MCL 436.16b

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on State government and no impact on local government. The bill would add one retailer or restaurant owner that sells or serves

CONTENT

The bill would amend the Michigan Liquor Control Act to increase the membership on the Grape and Wine Industry Council by adding the following members to the eight current members:

- A person who operates a retail food establishment that holds a specially designated merchant license and sells

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Michigan wines, and one wholesaler of beer and wine to the wine industry council at a cost of \$50/day plus travel expenses. If the council meets once per month, this per diem expense would be \$1,200/year (12 days X 2 members X \$50/day), plus travel expenses. In addition, the Governor could appoint up to two more nonvoting members whose salaries and benefits would be paid by the Department of Agriculture; whether the Governor would choose to appoint up to two additional members and the amount of their compensation cannot be determined at this time.

ARGUMENTS

Supporting Argument

Five years ago, Michigan's wine industry--which was made up of approximately 15 small, family-owned wineries--could have been characterized as operating close to the edge of financial trouble. If nothing had been done to support the industry, according to the Council, the industry could have collapsed. Since the Council was established, however, sales of Michigan wines reportedly have increased. Wine producers currently are represented on the Council, but there is a void as to representation of persons vital to the distribution of the product: wholesalers and those persons who work in the food service industry. The Council was formed to help wineries, which had limited resources to band together in supporting research on grapes and wines as well as obtaining information on the industry and promoting the product. The addition of representatives of the wholesale and food service industries to the Council would strengthen the Council's ability to address concerns of persons involved in the entire spectrum of the State's wine industry.

Supporting Argument

Some of the toughest competition facing the Michigan wine industry comes from wines produced in other states, such as California and New York, as well as foreign countries. Although Michigan wines traditionally were classified as sweet dessert wines, which some people claim made for a poor image, the industry in this State has moved into the area of producing world class wines. Persons who have come to enjoy Michigan wines reportedly have had difficulty finding them in retail outlets throughout the State. The addition to the Council of a wine wholesaler and restaurateur

who stock Michigan wines would aid in the promotion and distribution of these wines to stores and restaurants in the State, which would help Michigan wines compete with wines from other states and countries.

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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.