

RESORT LIQUOR LICENSES

House Bill 5310 (Substitute H-2)
First Analysis (4-6-92)

Sponsor: Rep. Dominic J. Jacobetti
Committee: Liquor Control

THE APPARENT PROBLEM:

The Michigan Liquor Control Act generally limits the number of on-premises liquor licenses that can be granted in a community, based on population; only one license per 1,500 people can be issued. But the act contains exceptions to the "quota" system. For example, the act has for 40 years permitted the issuance of so-called resort licenses, and since 1964 a fixed number of such license have been available each year. Currently, the act allows for the issuance of 10 special resort licenses each year for 1992 and 1993 to businesses that are designed to attract and accommodate tourists to a resort area and whose primary business is not the sale of liquor and another 25 resort licenses to similar establishments with a capital investment of over \$1 million. A proposal has been made to extend once again the availability of resort licenses, this time through 1996.

THE CONTENT OF THE BILL:

The bill would amend the Michigan Liquor Control Act to extend through 1996 the authority of the Liquor Control Commission to issue the two categories of resort licenses. The bill would permit up to 25 additional ordinary resort licenses in 1992 and 1993 (rather than 10 in each of those two years as is currently allowed) and then 15 per year for the years 1994 through 1996. Also, the LCC could award up to 15 "million-dollar" resort licenses each year for the years 1994 through 1996. (The 25-license limit for 1992 and 1993 would remain unchanged.)

The bill would also require that a local unit of government before granting approval of a resort license consider the availability of licenses held in escrow for more than one licensing year within the unit.

The LCC would be required to maintain a registry of liquor licenses that are available for sale or transfer. All licensees would have to be notified

annually by the LCC of the availability of this registry. The commission would also be required to investigate the distribution of liquor licenses by population. The study would have to include the distribution of licenses between local units of government.

MCL 436.19c

FISCAL IMPLICATIONS:

There is no specific information at present. An LCC spokesperson testified before the House Liquor Control Committee that the required study and registry likely could be carried out by existing staff. (4-1-92)

ARGUMENTS:

For:

The bill would continue the custom of permitting the issuance of special resort licenses outside of the population quota system, in recognition of the reality that the population of an area does not always accurately reflect economic activity, particularly in tourist-oriented areas. Resort licenses have traditionally been defended as a means of boosting tourism in the state and creating tourism-related jobs. Licenses would be authorized through 1996. In many areas, there are no licenses available because of population restrictions and yet there are reportedly a great many businesses seeking licenses.

For:

In its current form, the bill also raises the issue of escrowed liquor licenses, which are licenses held by licensees but inactive. According to testimony, licenses can be held in escrow for one year after a business ceases operations and then can be held in escrow only with permission of the Liquor Control Commission. The bill would highlight the existence

of such escrowed licenses in several ways. It would require a local governing body to consider the number of such licenses within its jurisdiction (since they could be available for sale to prospective licensees) when deciding whether to issue a new license (and thus add to the total supply of licenses in existence.) The LCC, moreover, would be required to maintain a registry of licenses that are available for sale or transfer. The LCC would also be required to carry out a study of how licenses are distributed by population. Reportedly, the provisions addressing these issues are important to representatives of existing on-premise license holders.

Against:

There traditionally has been opposition from some quarters about the steady increase in the availability of liquor licenses on the grounds that the increase in availability results in increased alcohol use, which in turn leads to an increase in alcohol-related problems. In the past there has been opposition to the continual erosion of the population-based limits on licenses.

POSITIONS:

The Liquor Control Commission did not express opposition to the bill in its testimony before the House Liquor Control Committee. (4-1-92)