This revised analysis replaces the analysis dated 4-22-93

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LCC: REVOLVING DOOR

House Bill 4332 with committee amendments
Revised First Analysis (4-27-93)

Sponsor: Rep. Terry London
Committee: Liquor Control

THE APPARENT PROBLEM:

When a state or federal regulator leaves public employment for a position in the industry that he or she has been regulating, many questions of impropriety arise. Fairly or unfairly, people wonder whether the new employer had enjoyed a cozy arrangement with government regulators, or whether special consideration might now be available by virtue of the special relationship that the newly-employed former regulator presumably has with his or her former colleagues. To prevent such questions from arising, the law sometimes forbids a regulator from being employed in the regulated industry for a period of time after leaving office. For example, the state banking commissioner may not accept employment with certain banks under his or her authority for at least six months after leaving office. Members of the Michigan Public Service Commission are similarly barred from working for a utility until at least six months after leaving office. Such provisions strike many as good policy in other regulatory areas, as well, and have been proposed for the Liquor Control Commission, which is entrusted with regulatory authority over the distribution and consumption of beer, wine, and distilled spirits in Michigan.

THE CONTENT OF THE BILL:

The bill would amend the Liquor Control Act to prohibit a member of the Liquor Control Commission for six months after leaving office from being employed by any person regulated under the act. In addition, a former commissioner could not for six months own stock in a corporation or its parent or subsidiary corporation licensed under the act unless that stock was publicly traded through a national stock exchange.

MCL 436.5

FISCAL IMPLICATIONS:

The House Fiscal Agency says that the bill would have no fiscal impact. (4-21-93)

ARGUMENTS:

For:
The bill would enact good public policy by forbidding a member of the Liquor Control Commission from being employed by or having a financial interest in a company regulated under the act for a period of six months after he or she leaves office. Although no problems are reported with former members of the Liquor Control Commission, the policy embodied by the bill would forestall questions of impropriety or conflict of interest, and would be consistent with other statutes: similar policy is already in place for former banking commissioners and public service commissioners, for example.

Against:
Reports are that no member of the Liquor Control Commission has ever left office for a position in the liquor industry. The bill stigmatizes commission members by creating a suspicion where none is warranted.

Against:
Six months is a relatively brief period of time. Concerns about preventing improprieties would be better addressed by prohibiting the forbidden employment for a longer period after leaving office.

POSITIONS:

The Liquor Control Commission does not oppose the bill. (4-21-93)

A representative of the Michigan Interfaith Council on Alcohol Problems testified in support of the bill. (4-21-93)