

RESORT LIQUOR LICENSES

House Bill 5379 as enrolled
Public Act 2 of 1996
Second Analysis (1-25-96)

Sponsor: Rep. Beverly Bodem
House Committee: Regulatory Affairs
Senate Committee: Economic
Development, International Trade, and
Regulatory Affairs

THE APPARENT PROBLEM:

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. There are, however, a number of exceptions. One significant exception is the issuance of "resort licenses" above and beyond the quota. Liquor Control Commission (LCC) rules do prohibit the issuing of a resort license where an on-premise license remains available under the quota system, although this requirement can be waived. In 1952, 550 resort licenses were made available statewide and a fixed number have been made available each year since 1964. Currently, the LCC may issue 10 additional resort licenses each year 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. Additionally, the commission may issue another 25 resort licenses to businesses with a capital investment of over \$1 million and whose primary purpose is not the sale of alcoholic beverages. The LCC may also issue 10 package liquor licenses in local governmental units with a population under 50,000 people. These additional licenses have been made available partly in recognition 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 are sizable seasonal populations. The commission's authority to issue additional resort licenses expires this year. Legislation has been introduced to extend this authority.

THE CONTENT OF THE BILL:

The bill would amend the Michigan Liquor Control Act to extend through 1997 the authority of the Liquor Control Commission (LCC) to issue a limited number of resort licenses each year. The bill contains the following provisions regarding resort licenses for the years 1996 and 1997.

** Up to 10 licenses would be available 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 could be issued for businesses with a capital investment of over \$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, including spirits) licenses would be available in local units of governments with populations under 50,000 in which the package liquor license quota has been exhausted. The licenses could only be issued to established merchants whose business and operation are designed to attract and accommodate tourists and visitors to a resort area.

** The bill would specify that the LCC could not issue an on-premises resort license if the local governmental unit had not issued all licenses available under the population quota or if an on-premises escrowed license existed and was readily available within the unit or county in which the applicant proposed to operate. This could be waived upon a showing of good cause. The person signing the application for the resort license would have to state and verify that he or she had attempted to obtain an escrowed or quota license and that, to the best of his or her knowledge, one was not available.

The term "readily available" would mean available under a standard of economic feasibility, as applied to the specific circumstances of the applicant, that includes but is not limited to the fair market value of the license, if determinable; the size and scope of the proposed operation; and the existence of mandatory contractual

restrictions or inclusions attached to the sale of the license.

MCL 436.19c

FISCAL IMPLICATIONS:

The bill would result in no significant change in revenues, according to the House Fiscal Agency. (Fiscal Note dated 1-10-96)

ARGUMENTS:

For:

Continuing the practice of issuing resort liquor licenses would help boost the tourism and recreation industries throughout the state, particularly in northern Michigan, and thus 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 large and small businesses could benefit by the bill. At the same time, the bill requires that a resort license not be issued if an escrowed license is available. This will encourage the transfer and active use of licenses currently in escrow, eventually reducing the demand for resort licenses in some areas of the state. (It will also enhance the value of the escrowed licenses.)

Against:

Some persons believe that increasing the availability of alcohol leads to an increase in alcohol-related problems. 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. In the past, moreover, some people have expressed concern that continuing to allow additional resort licenses will harm existing businesses.

Response:

It may be that the population-based restriction no longer serves any useful purpose, except perhaps to protect existing licensees. There are quite a few exceptions to the quota in statute that render it less than fully effective or consistent. It might be best to revisit the issue of retail liquor licensing in its entirety.

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.