



Senate Fiscal Agency
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BILL ANALYSIS



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House Bill 4826 (Substitute H-1 as reported without amendment)

Sponsor: Representative Jim E. McBryde

House Committee: Regulatory Affairs

Senate Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 4-2-96

RATIONALE

The Michigan Liquor Control Act provides for the licensure of Class A hotels, which may sell beer and wine, and Class B hotels, which may sell beer, wine, spirits, and mixed spirit drink. (Both Class A and Class B hotels may serve liquor anywhere in the hotel, which must be under the same ownership as the bar. In the case of a "Class C hotel", the hotel and bar may have separate owners and liquor may be served only in areas open to the public.) To receive a Class A or B hotel license, the hotel must derive the major portion of its receipts from renting rooms and selling food, and generally must be able to serve meals to at least 100 people at a time in a dining room or cafeteria. According to the Liquor Control Commission, this requirement is outdated since the current trend is to build hotels without extensive dining rooms. Apparently, many guests are business people who would not use a hotel's dining room, and nearby restaurants often are available to hotel guests. It has been suggested that hotels should be able to receive a liquor license without providing food service.

for the feeding and lodging of guests, where all who conduct themselves properly and who are able and ready to pay for such services are received if there are accommodations for them". A hotel must be prepared to show that the major portion of its receipts is derived from the renting of rooms and the sale of food. A hotel must contain at least 25 permanent bedrooms if it is in a city with a population of 50,000 but less than 175,000, or at least 50 permanent bedrooms if in a city with a population of 175,000 or more, within one structure, and be adequately equipped to serve meals to at least 100 people at one time in a cafeteria or dining room provided for that purpose. The Commission may make an exception and grant a license to a hotel in a city, village, or township with a population under 100,000, that does not have at least 25 permanent bedrooms but is equipped to serve meals to at least 25 people at one time in a public cafeteria or dining room. Class A hotels are licensed to sell beer and wine. Class B hotels are licensed to sell beer, wine, spirits, and mixed spirit drink.

CONTENT

The bill would amend definition of "hotel" in the Michigan Liquor Control Act to delete a requirement that a hotel provide for the feeding of guests and be equipped to serve meals to at least 100 people in a cafeteria or dining room. The bill also specifies that the Liquor Control Commission could not require a Class A or Class B hotel to provide food service to registered guests or to the public.

Currently, "hotel" means a building that "in the judgment of the commission has been regularly used and kept open as such in a bona fide manner

The bill would delete all of these provisions. The bill would define "hotel" as "a building or group of buildings located on the same or adjoining pieces of real property, which provide lodging to travelers and temporary residents and which may also provide food service and other goods and services to registered guests and to the public". "Class A hotel" would mean a hotel licensed by the Commission to sell beer and wine for consumption on the premises only. "Class B hotel" would mean a hotel licensed by the Commission to sell beer, wine, mixed spirit drink, and spirits for consumption on the premises only. Both Class A and Class B hotels would have to provide for the rental of, and maintain the availability for rental of, at least 25 bedrooms if located in a local

governmental unit with a population of less than 175,000, or at least 50 bedrooms if in a local unit with a population of 175,000 or more.

MCL 436.2h et al.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

According to the Liquor Control Commission, it has been six to eight years since the Commission began to encounter problems with the statutory requirement that hotels receiving a liquor license have a dining room or cafeteria. Apparently, some applicants for a hotel liquor license have had to alter their original building plans and add a restaurant in order to comply with the law. A hotel restaurant may be unwanted or unnecessary because of competition from nearby restaurants, or because most of the hotel guests are business travelers attending conferences where meals are provided. In some cases, a hotel that does not have an actual restaurant might still provide limited food service in its lounge, or might provide extensive food service through its convention facilities. Deleting the Act's restaurant requirement would accommodate the needs of hotel operators without compromising service to guests. Hotels would remain subject to approval by State and local officials.

Legislative Analyst: S. Margules

FISCAL IMPACT

The bill would have no fiscal impact on the State or local governmental units. The bill could indirectly allow an increase in the number of Class A or Class B hotel liquor licenses. Increased State revenue would be realized in proportion to the level of increased sales generated through the new licenses.

Fiscal Analyst: K. Lindquist

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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.