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SFA BILL ANALYSIS

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Senate Bill 586 (as enrolled) **PUBLIC ACT 91 of 1999**
Sponsor: Senator Bill Bullard, Jr.
Senate Committee: Economic Development, International Trade and Regulatory Affairs
House Committee: Regulatory Reform

Date Completed: 8-2-99

RATIONALE

Under the Michigan Liquor Control Code, licenses for the sale of alcoholic liquor for consumption on the premises generally are granted on the basis of one per 1,500 people within a governmental unit. In a resort area, however, the Liquor Control Commission may issue up to 550 resort licenses for a period not to exceed 12 months without regard to population. In addition, the Commission could issue up to 10 additional resort licenses for 1998 to establishments whose business and operation were designed to attract and accommodate tourists and visitors to the resort area, and whose primary purpose was not the sale of alcoholic liquor. Additionally, the Commission could issue up to 25 resort economic development licenses for 1998, and until July 1, 1999, could issue any of the 25 that had not been granted in 1998. As a rule, the Commission may not issue an on-premises resort license or resort economic development license within a local unit that has not exhausted its population-based licenses. The Commission also may issue additional specially designated distributor (SDD) licenses to established merchants whose business and operation are designed to attract and accommodate tourists and visitors to a resort area and that are located in governmental units with a population under 50,000 people and in which the SDD license quota has been exhausted.

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 these additional licenses was scheduled to expire this year, however.

CONTENT

The bill amended the Michigan Liquor Control Code to extend through the years 1999 and 2000, the issuance of additional resort licenses, resort economic development licenses, and SDD licenses.

Under the bill, the Liquor Control Commission may issue up to 10 additional resort licenses per year for the 1999 and 2000 to establishments whose business and operation are designed to attract and accommodate tourists and visitors to the resort area, and whose primary purpose is not for the sale of alcoholic liquor. The bill also requires that the establishments' capital investments in real property, leasehold improvement, and fixtures for the premises to be licensed be $75,000 or more.

Further, the bill requires the Commission to issue one resort license for the years 1999 and 2000 to an applicant located in a rural area that has a poverty rate, as defined by the latest decennial census, greater than the statewide average, or that is located in a rural area that has an unemployment rate higher than the statewide average for three of the five preceding years.

The bill also provides that the Commission may issue up to 20 additional resort economic development licenses per year for 1999 and 2000. Under the Code, a person is eligible to apply for a resort economic development license upon submitting an application to the Commission and demonstrating that the establishment's business and operation, as determined by the Commission, are designed to attract and accommodate tourists and visitors to the resort area; the establishment's primary business is not the sale of alcoholic liquor; and the capital investment in real property, leasehold improvement, fixtures, and inventory for the premises to be licensed is over $1.5 million. The bill adds that the applicant must demonstrate that the establishment does not allow or permit casino gambling on the premises.

Previously, the Commission could issue up to 10 additional SDD licenses for 1998 and 1999 for merchants whose business was designed to attract and accommodate tourists and visitors to a resort area. The bill extends this to the year 2000.

MCL 436.1531

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

The bill will allow the Commission to continue issuing additional resort licenses to establishments or merchants whose business and operation are designed to attract and accommodate tourists and visitors to a resort area. Since many areas in Michigan are experiencing tremendous economic development and expansion, there is an increased demand of liquor licenses for restaurants, hotels, and entertainment facilities designed to accommodate this economic activity and seasonal influx of tourists and visitors. Without these additional licenses, the quota system would inhibit business expansion in some areas where all the population-based licenses have been exhausted, but additional businesses are needed to serve a large, but fluctuating, seasonal population.

Legislative Analyst: N. Nagata

FISCAL IMPACT

The bill will have no fiscal impact on State or local government.

Fiscal Analyst: M. Tyszkiewicz