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BILL ANALYSIS

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Senate Bill 257 (as enrolled) **PUBLIC ACT 97 of 2005**
Sponsor: Senator Bev Hammerstrom
Senate Committee: Economic Development, Small Business and Regulatory Reform
House Committee: Regulatory Reform

Date Completed: 7-26-06

CONTENT

The bill amended the Michigan Liquor Control Code to do the following:

- **Authorize the Liquor Control Commission each year to issue a specific number of additional resort licenses, resort economic development licenses, and specially designated distributor (SDD) licenses in resort areas.**
- **Impose a $20,000 initial license fee on applicants for additional resort and resort economic development licenses, unless an applicant's eligibility had been approved before the bill's effective date.**
- **Require that the license fee enhancement be deposited in a special fund to be appropriated to the Commission for enforcement and related projects.**

The bill took effect on July 20, 2005.

Additional Resort & SDD Licenses

Under the Code, the Liquor Control Commission (LCC) may issue up to 550 resort licenses without regard to the Code's population-based limitation on the number of licenses allowed. In addition to these, the LCC is authorized to issue a limited number of resort licenses, resort economic development licenses, and SDD licenses. (Resort licenses allow the sale of alcoholic liquor for on-premises consumption. An SDD is a person engaged in an established business licensed by the LCC to distribute packaged liquor for off-premises consumption.)

Previously, the LCC's authority to issue additional licenses was restricted to specific years (as described below). The bill retains the authorization for future years, and reduces the number of additional resort and resort economic development licenses that may be issued per year.

For 2003 and 2004, the LCC had been authorized to issue up to 10 resort licenses to establishments whose business and operation are designed to attract and accommodate tourists and visitors to the resort area, whose primary purpose is not the sale of alcoholic liquor, and whose capital investment in real property, leasehold improvement, and fixtures for the premises is $75,000 or more. Under the bill, the LCC may issue five of these additional licenses per year.

As previously required, one of the additional resort licenses must be issued each year to an establishment located in a rural area with a poverty rate above the statewide average, or an unemployment rate above the statewide average for three of the five preceding years.

Previously, for 2003 and 2004, the LCC could issue up to 20 resort economic development licenses to establishments whose business and operation are designed to attract and accommodate tourists and visitors to the resort area, whose primary business is not the sale of liquor, whose capital investment, leasehold improvement, fixtures, and inventory for the premises exceed $1.5 million, and that does not allow casino gambling on the premises. Under the bill, the Commission may issue up to 15 resort economic development licenses per year.

Also, for 2003 and 2004, the LCC was authorized to issue up to 10 additional SDD licenses to established merchants whose business and operation are designed to attract and accommodate tourists and visitors to the resort area, in governmental units having a population of 50,000 or less, in which the quota of SDD licenses has been exhausted. The bill allows the LCC to issue up to 10 of these additional SDD licenses per year.

License Fees

The Code sets the amount of license fees for the various categories of licensees, manufacturers, and distributors. Under the bill, notwithstanding these fees, for any additional resort or resort economic development license, the initial licensee fee is $20,000. The renewal license fee must be the amount otherwise described in the Code. The Commission may not impose the $20,000 initial license fee for applicants whose license eligibility already was approved on the bill's effective date.

The Code requires the State to distribute 55% of retail liquor license fee revenue to local units of government for the enforcement of the Code and rules promulgated under it; 41.5% to the LCC for licensing and enforcement activity; and 3.5% to a special fund for the prevention and treatment of alcoholism.

Under the bill, the "license fee enhancement" (the difference between the $20,000 initial fee for a resort or resort economic development license and the amount otherwise imposed) must be deposited into a special fund to be appropriated annually to the LCC for enforcement and other related projects determined appropriate by the Commission. The money representing that amount of the license fees for identical licenses not issued under provisions for additional resort and resort economic development licenses, must be allocated and appropriated according to the formula described above.

MCL 436.1531

BACKGROUND

Since 1964, the Michigan Liquor Control Code (formerly the Michigan Liquor Control Act) has contained provisions for the issuance of a limited number of additional on-premises liquor licenses for establishments whose business and operation are designed to attract and accommodate tourists and visitors to a resort area, and whose primary business is not the sale of alcohol. (These resort licenses are in addition to the 550 resort licenses that the Liquor Control Commission may issue in resort areas statewide, notwithstanding the Code's population-based quota.)

The 1964 amendments allowed 10 additional resort licenses for the years 1964 through 1968. Since that time, periodic amendments extended the years in which the LCC could issue additional resort licenses. Also, the number that could be issued was increased to 15 in 1973, 20 in 1978, and 25 in 1983, and then returned to 10 in 1988. Amendments enacted in 1999 imposed the requirements that the licensees have a minimum capital investment of $75,000, and that the LCC issue one of these licenses to an applicant in a rural area with an above-average poverty or unemployment rate.

Amendments adopted in 1983 also allowed the LCC to issue an additional 25 on-premises licenses for resort-area establishments with a capital investment over $1 million (resort economic development licenses). These provisions originally applied to 1983 and 1984 and were extended periodically through 2004. In 1998, the minimum capital investment requirement was increased to $1.5 million.

Amendments enacted in 1984 allowed the LCC to issue an additional 25 SDD licenses in resort areas with a population of 50,000 or less. While these provisions were periodically extended since 1984, the number allowed was reduced to 10 in 1988.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The increased initial license fee of $20,000 will raise the amount of license revenue that is generated by the Commission. The additional revenue that will be generated from the increased fee, i.e., the amount of the fee less the previous or renewal fee amount, will be deposited into a new license fee enforcement fund. The amount collected from the previous or renewal license fee will continue to be distributed under the existing formula, which allots 41.5% to the Liquor Control Commission for regulation and enforcement, 3.5% to the Department of Community Health for prevention and treatment of alcoholism, and 55% to local governments for liquor-related law enforcement.

The maximum number of new licenses that will be subject to this new fee has been reduced from 30 to 20 per year. If each of these new licenses is issued as a Class C license, for which the current fee is $600, then the maximum amount of revenue that will be generated for this fund is $19,400 per licensee or $388,000 annually. Any allocation from this fund is subject to appropriation and is specified for use by the Commission for enforcement and other related projects determined appropriate by the Commission.

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