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**BILL ANALYSIS**

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Senate Bill 257 (as introduced 3-2-05)

Sponsor: Senator Bev Hammerstrom

Committee: Economic Development, Small Business and Regulatory Reform

Date Completed: 3-23-05

**CONTENT**

**The bill would amend the Michigan Liquor Control Code to extend through the years 2005 and 2006 the authority of the Liquor Control Commission (LCC) to issue additional resort licenses, resort economic development licenses, and specially designated distributor (SDD) licenses in resort areas.** (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.)

Under the Code, the Commission 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 has been authorized to issue a limited number of resort licenses and SDD licenses for specific years (as described below in **BACKGROUND**). As permitted for 2003 and 2004, the bill would allow the LCC to issue the following additional licenses per year for 2005 and 2006:

- 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. (As previously required, one of these additional licenses would have to be issued 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.)
- 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.
- 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.

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 have 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, where it stands now. 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 (sometimes called 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. The number of additional resort economic development licenses allowed has remained 25.

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 have been periodically extended since 1984, the number allowed was reduced to 10 in 1988.

Legislative Analyst: J.P. Finet

## **FISCAL IMPACT**

The bill would permit the issuance of a limited number of resort liquor licenses in 2005 and 2006, continuing provisions that were in effect for 2003 and 2004. The revenue from these additional resort license fees is approximately \$7,500 per year. It is distributed by a statutory formula for retail liquor license revenue that allots 41.5% to the Liquor Control Commission for regulation and enforcement, 3.5% through the Department of Community Health for prevention and treatment of alcoholism, and 55% to local governments for liquor-related law enforcement. Without the extension, State and local liquor license revenue will be reduced.

Fiscal Analyst: Elizabeth Pratt

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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.