Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 344 (as introduced 5-20-15)
Sponsor: Senator Dave Hildenbrand
Committee: Regulatory Reform

Date Completed: 3-23-16

CONTENT

The bill would amend the Michigan Liquor Control Code to do the following:

- **Allow an applicant for a license to sell on the premises to apply for a license as a specially designated merchant (SDM).**
- **Allow an applicant for an SDM license or a retail vendor licensed as an SDM to apply for a license as a specially designated distributor.**
- **Reduce the minimum distance between the point where motor vehicle fuel is dispensed and the site where liquor is sold, at licensed premises where an SDM may own or operate fuel pumps.**

(A specially designated merchant is authorized to sell beer or wine, or both, at retail for consumption off the licensed premises. A specially designated distributor is a person engaged in an established business licensed by the Commission to distribute spirits and mixed spirit drink in the original package for off-premises consumption.)

Currently, a retail vendor licensed under the Code to sell for consumption on the premises may apply for a license as an SDM. The bill also would allow an applicant for a license to sell on the premises to apply for an SDM license.

The Code allows a specially designated distributor to apply for a license as an SDM. The bill, instead, would allow an applicant for an SDM license or a retail vendor licensed as an SDM to apply for a license as a specially designated distributor.

Currently, the Commission must allow an applicant for or the holder of an SDM license or an SDD license to own or operate motor vehicle fuel pumps on or adjacent to the licensed premises if the applicant or licensee meets either of the following:

- Is located in a neighborhood shopping center composed of one or more commercial establishments organized or operated as a unit that is related in location, size, and type of shop to the trade area the unit serves, which provides at least 50,000 square feet of gross leasable retail space and five private off-street parking spaces for each 1,000 square feet of gross leasable retail space.
- Maintains a minimum inventory on the premises, excluding alcoholic liquor and fuel, of at least $250,000, at cost, of those goods and services customarily marketed by approved types of businesses.

In addition, the site of payment and selection of alcoholic liquor must be at least 50 feet from the point where fuel is dispensed.

Under the bill, the site of payment and selection of liquor would have to be at least five feet from the point where fuel was dispensed. The bill also would delete the requirement for parking spaces in a neighborhood shopping center.

The bill would take effect 90 days after enactment.

The bill is tie-barred to Senate Bill 345, which would amend the Code to allow the Liquor Control Commission to issue to an SDM a "secondary location permit" for the sale or beer and/wine as an extension of the SDM license, if the SDM's licensed premises were a "primary location" (premises where the SDM may own or operate fuel pumps if the licensee is located in a neighborhood shopping center or has a minimum required inventory, and meets the requirement for a minimum distance between where fuel is dispensed and where liquor is sold).

MCL 436.1533 Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on the Michigan Liquor Control Commission (MLCC) within the Department of Licensing and Regulatory Affairs and a positive, but likely minor, fiscal impact on local units of government. Under the bill, on-premises license applicants would be allowed to apply for a specially designated merchant license, and specially designated merchant license applicants would be allowed to apply for a specially designated distributor (SDD) license. To the extent that this would cause license applicants to apply for more licenses than they otherwise would have, the bill would result in both greater revenue for the MLCC and greater costs. Under current law, any additional license fee revenue generated under the bill would be credited as follows: 55% to local law enforcement, 3.5% to alcoholism program, and 41.5% to the MLCC for licensing and enforcement.

Liquor license fees in general do not generate sufficient revenue to cover the MLCC's licensing and enforcement costs; license fee revenue shortfalls have historically been covered by appropriations from the Liquor Purchase Revolving Fund, which derives revenue from the 65% MLCC markup on the sales of spirits. In the case of the license applications that would be allowed under the bill ($100 per year for SDM; $150 plus $3 per $1,000 in liquor purchases per year for SDD), it is unknown whether the marginal cost to process those additional licenses would be greater or less than the revenue that would be generated, so the effect of the bill on the MLCC is indeterminate.

Fiscal Analyst: Josh Sefton