Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 929 (Substitute S-1 as reported)
Sponsor: Senator Arlan Meekhof
Committee: Michigan Competitiveness

CONTENT

The bill would amend the Michigan Liquor Control Code to do the following regarding the issuance of a specially designated merchant (SDM) license (which authorizes the retail sale of beer and/or wine for off-premises consumption):

-- Prohibit the Michigan Liquor Control Commission (MLCC) from issuing or transferring an SDM license unless the applicant held a retail food establishment license, an on-premises liquor license, or a specially designated distributor (SDD) license.
-- Establish a quota of one SDM license per 1,000 of population in a city, incorporated village, or township.
-- Make exceptions to that quota for an applicant that held an on-premises liquor license; an applicant that met square footage and food sales criteria; an applicant whose licensed establishment was a pharmacy; and a secondary location permit.
-- Require the MLCC to waive the quota if an applicant were a licensed retail fuel dealer and applied for the SDM license within 60 days after the bill's effective date.
-- Permit the MLCC to waive the quota if no SDM existed within two miles of an applicant.
-- Provide that the MLCC could not prohibit an applicant for or holder of an SDM license from owning or operating fuel pumps on or adjacent to the licensed premises if the site of payment and selection of alcoholic liquor were at least five feet from where fuel was dispensed.

Currently, the MLCC may not allow an SDM or SDD licensee to own or operate fuel pumps on or adjacent to the licensed premises unless the applicant or licensee is located in a neighborhood shopping center and/or maintains a minimum inventory, excluding alcoholic liquor and fuel, of $250,000; and if the site of payment and selection of alcoholic liquor is at least five feet from where fuel is dispensed. Under the bill, this provision would apply only to an SDD license (which authorizes the sale of packaged liquor).

The bill also would delete provisions under which the MLCC may not prohibit an SDM applicant or licensee from owning or operating fuel pumps on or adjacent to the licensed premises if the premises are located in a city, village, or township that meets certain population criteria, and the applicant maintains a minimum inventory of $10,000, excluding liquor and fuel.

In addition, the bill would create the "Liquor Control Enforcement and License Investigation Revolving Fund", and direct wholesale vendor license fees to that Fund.

The bill also provides that a retailer would violate the Code if the retailer or its clerk, agent, or employee made a payment to a wholesaler, the MLCC, or the State that was dishonored for lack of sufficient funds.

MCL 436.1533 et al.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on the Michigan Liquor Control Commission within the Department of Licensing and Regulatory Affairs, and on local units of government. Generally speaking, the bill would make changes to the criteria under which licenses are issued, but would not fundamentally change the process through which MLCC reviews and approves licenses. To the extent that the proposed changes increased or decreased the number of license applications, MLCC's revenue and expenditures would follow. From the standpoint of local government, MLCC remits to local units of government 55% of license revenue received from licensees in each jurisdiction to be used for law enforcement purposes. An increase or decrease in the number of licenses would affect the amount of this revenue as well.

The bill also would create the Liquor Control Enforcement and License Investigation Revolving Fund, which would receive revenue from wholesale vendor licenses. The Fund could be used for enforcement of the Liquor Control Code and license investigations; however, only 35% of the money in the Fund could be used for the latter purpose. In fiscal year (FY) 2014-15, about $170,000 in these fees was collected. Under current law, these fees are credited to the Grape and Wine Industry Council, which received a total of about $670,000 from all nonretail license fees in FY 2014-15.

Date Completed: 5-12-16 Fiscal Analyst: Josh Sefton