

## SDM LIQUOR LICENSE: MODIFY POPULATION QUOTA

Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

**House Bill 5719** (reported from committee as substitute H-1)

**Sponsor: Rep. Curtis S. VanderWall**

**Committee: Regulatory Reform**

**Complete to 5-23-18**

Analysis available at  
<http://www.legislature.mi.gov>

*(Enacted as Public Act 386 of 2018)*

### SUMMARY:

Currently, the Michigan Liquor Control Code allows the Liquor Control Commission (LCC) to issue one specially designated merchant (SDM) license for each 1,000 of population. An SDM license allows for the sale at retail of beer and/or wine for off-premises consumption.

House Bill 5719 would amend the Code to specify that the LCC could issue one SDM license for each 1,000 of population or fraction of 1,000.

MCL 436.1533

### FISCAL IMPACT:

House Bill 5719 would not have a significant fiscal impact on the Department of Licensing and Regulatory Affairs or on other units of state or local government. The department indicated that, prior to 2016 PA 434 becoming effective on January 4, 2017, there was no quota on specially designated merchant (SDM) licenses. With the establishment of the quota in MCL 436.1533, there are currently no quota licenses available for SDMs located in cities, incorporated villages, or townships (CVTs) with a population under 1,000. This bill would provide a remedy by allowing the Liquor Control Commission to issue one SDM license in CVTs with a population under 1,000. Due to the limited number of situations which this act would likely affect, the fiscal impact would be minimal. The license fee for SDMs is \$100 per location. Any additional money from the license fees would be distributed in accordance with MCL 436.1543, with 55% being distributed to local and county law enforcement, 41.5% being retained for administration of licensing and enforcement provisions of the Liquor Control Code, and 3.5% being used to promote and sustain programs for the prevention, rehabilitation, care, and treatment of alcoholics.

### BRIEF DISCUSSION:

When Public Act 434 of 2016 took effect in early 2017, it created an anomaly among liquor license quota schemes, in that small municipalities with a population of less than 1,000 could not get a license for a retailer to sell beer and wine for off-premises consumption. By comparison, other license categories with a population quota requirement generally allow one license per fraction of the stated threshold. Under the bill, a small municipality with fewer than 1,000 people could be eligible to receive one SDM liquor license. A municipality with more than 1,000 but fewer than 2,000 would be eligible for two SDM

licenses. For small municipalities, the bill could have a favorable economic impact if the available SDM license attracted a business that created jobs and added to the tax base. Furthermore, many businesses in small towns add to the surrounding community by sponsoring local youth and adult sports and/or donating to local charities. Thus, the bill may be of great benefit to Michigan's smallest communities.

**POSITIONS:**

The Village of Custer submitted testimony in support of the bill. (4-25-18)

The Michigan Townships Association indicated support for the bill. (5-9-17)

The Michigan Retailers Association indicated support for the bill. (5-2-18)

The Michigan Liquor Control Commission does not have a position on the bill. (4-25-18)

The Michigan Alcohol Policy Promoting Health & Safety indicated opposition to the bill. (5-2-18)

The Associated Food and Petroleum Dealers indicated opposition to the bill. (5-2-18)

Legislative Analyst: Susan Stutzky  
Fiscal Analyst: Marcus Coffin

---

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.