



Senate Fiscal Agency
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BILL



ANALYSIS

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Senate Bill 439 (Substitute S-1 as reported)
Senate Bill 440 (as reported without amendment)
Sponsor: Senator Goeff Hansen
Committee: Regulatory Reform

CONTENT

Senate Bill 439 (S-1) would amend Section 303 of the Michigan Liquor Control Code to codify and expand provisions of Executive Reorganization Order 2014-2 regarding the Grape and Wine Industry Council. Specifically, the bill would do the following:

- Rename the Grape and Wine Industry Council as the Michigan Craft Beverage Council.
- Decrease the membership of the Council and revise the term limits of its members.
- Require the Council to provide for research on hops, barley, beer, and spirits.
- Require the Council to provide the brewing and distilling industries with information relative to proper methods of handling and selling hops, barley, beer, and spirits.
- Require the Council to provide for the promotion of the sale of hops, barley, beer, and spirits for the purpose of maintaining or expanding present markets and creating new and larger domestic and foreign markets.
- Require the Council to develop and administer financial aid programs to hops and barley growers, to encourage increased planting in Michigan of desirable hops and barley varieties.
- Require the Council to annually review and record recommendations that would enhance the marketing and promotion of Michigan fruits used in winemaking, wine, hops, barley, beer, hard cider, and spirits.
- Require the Council to spend at least 50% of its annual budget on certain research and developing and administering certain financial aid programs.
- Prohibit the Council from engaging in lobbying.

The bill would retain the Council's current responsibilities related to the wine industry, but would refer to "fruits used in winemaking" rather than "wine grapes".

The bill states that Section 303 would not prevent the Council from establishing a commodity committee under the Agriculture Commodities Marketing Act.

Senate Bill 440 would amend the Michigan Liquor Control Code to require money deposited by the Michigan Liquor Control Commission with the State Treasurer to be credited to the Michigan Craft Beverage Council, in addition to the Liquor Purchase Revolving Fund and the General Fund.

MCL 436.1303 (S.B. 439)
436.1221 & 436.1543 (S.B. 440)

Legislative Analyst: Stephen Jackson

FISCAL IMPACT

Senate Bill 439 (S-1) would have a minimal fiscal impact on the Department of Agriculture and Rural Development, the Department in which appropriations for the Council are provided.

Currently, the administration and activities of the Council are funded only by annual restricted revenue from nonretail liquor fees, obtained through the Michigan Liquor Control Commission. According to the most recent report of the Council, for FY 2015-16, \$772,457 in total restricted revenue was spent on the Council. That amount includes \$468,095 designated for administrative expenses to assist in achieving the objectives of the Council; \$116,510 for research and grower education; \$147,626 for promotion and consumer education; \$35,019 for industry support; and \$5,207 for Council expenses.

Without the identification of a new source of revenue or a greater amount of existing revenue, the bill would provide a revised Council with broader responsibilities, with a projected continuance of the current approximately \$750,000 in annual support. To potentially add to the Council's available budget, the bill would require the Council to apply for and accept grants and contributions from public or private entities. Regarding Council expenditures, the bill also would earmark at least 50% of its annual budget to research for fruits used for winemaking, research on hops, barley, beer and spirits, financial aid programs to growers of fruits used in winemaking, financial aid programs for hops growers, or financial aid programs for barley growers. The bill also would require the Council to prepare and approve an annual budget.

Senate Bill 440 would have a neutral fiscal impact on the Michigan Liquor Control Commission within the Department of Licensing and Regulatory Affairs, and no fiscal impact on local units of government. Under the bill, the Liquor Purchase Revolving Fund (LPRF) would be allowed to be used to support the activities of the Michigan Craft Beverage Council. The Council is currently supported by a statutory earmark of nonretail liquor license fees, which averages about \$700,000 to \$800,000 each year. Going forward, however, annual revenue available to the Council will be reduced by about \$170,000 as Public Act 434 of 2016 excluded wholesale license fees from supporting the Council. The bill would not change that earmark, but would allow the LPRF to be used to support the Council as well. The fiscal impact of the bill would be neutral as any additional financial support for the Council from the LPRF would require an appropriation from the Legislature.

The LPRF is the enterprise fund used by the Commission to buy and sell alcoholic spirits at wholesale. The profits from those sales are credited to the State General Fund each year. In fiscal year 2015-16, the transfer to the State General Fund from the LPRF was about \$209.8 million.

Date Completed: 12-7-17

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