Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 320 (as reported without amendment)
Sponsor: Senator Peter MacGregor
Committee: Regulatory Reform

Date Completed: 7-1-19

**RATIONALE**

The Michigan Liquor Control Code authorizes the Michigan Liquor Control Commission to issue different licenses to retailers to sell beer, wine, and spirits for consumption for on-and off-premises consumption. Each license requires certain criteria to be met before it may be issued. The Code also prescribes certain conditions that specified applicants or licensees must meet. One such condition requires certain manufacturers and outstate sellers of beer, wine, and mixed spirit drink and applicants for a special license to make, execute, and deliver to the Commission a bond (valuing up to $1,000) before being granted a license. Apparently, the bonding process can take a considerable amount of time to complete because of the amount of paperwork and processing that must occur. Moreover, some believe that the effort needed to fulfill the bonding requirement outweighs the benefit provided to the State in the event that the State chooses to claim against the retailer's bond. Thus, it has been suggested that the State eliminate this condition for those entities currently required to submit the bond to the Commission.

**CONTENT**

**The bill would amend the Michigan Liquor Control Code to delete the bonding requirement that must be fulfilled before the approval and granting, or renewal, of a license under the Code.**

As stated above, the Code authorizes the Michigan Liquor Control Commission to issue licenses as provided in the Act on the payment of listed fees and the filing of the bonds required in the Code under Section 801 (described below) or liability insurance as provided in the Code. The bill would delete the reference to the bond requirement in Section 801.

Section 801 specifies that, except as otherwise provided, before the approval and granting, or renewal, of a license, the following licensees or applicants for that license must make, execute, and deliver to the Commission a bond executed by a surety company authorized to do business in Michigan or, in the discretion of the Commission, by approved personal surety running to the people of the State, in the following amounts:

-- For a manufacturer of beer, wine, or mixed spirit drink, and an outstate seller of beer, wine, or mixed spirit drink, a bond in an amount equal to 1/12 of the total beer, mixed spirit drink, or wine excise tax paid to the State in the last calendar year or a bond in the sum of $1,000, whichever is greater, for the faithful performance of the conditions of the license issued and for compliance with the Code.
-- For a special license authorizing the sale of beer, mixed spirit drink, wine, or spirits for consumption on the premises, a bond in the sum of $1,000, which must remain in effect for 60 days after the special license expires (although a bond is not required for a church or school).

The bill would delete these provisions from Section 801.

The Code also specifies that it does not apply to the purchase of alcoholic liquor for use in the manufacture of toilet, medicinal, or antiseptic preparations or solutions, or any flavoring extract or patent or proprietary medicines or preparations, by a manufacturer using alcoholic liquor exclusively for the manufacturing purposes and licensed by the Commission (which license expires on May 1 following the date of its issuance.) A license issued for this use is predicated on the payment of an annual fee of $10, and the furnishing of a bond or bonds as the Commission requires running to the people of the State, for the faithful performance of the conditions of the license and compliance with the Code. The bill would delete the bond requirement.

MCL 436.1207 et al.

## ARGUMENTS

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

### Supporting Argument

The current bonding process is onerous and time-consuming for retailers and the State. In addition, the bond is rarely consequential, as the Michigan Liquor Control Commission has not claimed on a bond in quite some time. Still, even if the Commission did claim on bonds more frequently, the amount bonded for is insignificant for the amount of work that must be done to fulfill the bonding requirement. Eliminating the bonding requirement would streamline the application process for retailers and remove additional processing time for the State.

Legislative Analyst: Drew Krogulecki

## FISCAL IMPACT

The bill likely would have a minor positive fiscal impact on the Department of Licensing and Regulatory Affairs and no fiscal impact on local government. The Michigan Liquor Control Commission could experience cost savings of indeterminate, but minimal, magnitude as it no longer would have to collect and administer the bonds.

Fiscal Analyst: Elizabeth Raczkowski

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