Legislative Analysis

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ALLOW LIQUOR LICENSES FOR PUBLIC UNIVERSITIES

Senate Bill 247 (S-2) as reported from House committee
Sponsor: Sen. Sean McCann
House Committee: Regulatory Reform
Senate Committee: Regulatory Affairs
Complete to 6-21-23

SUMMARY:

Senate Bill 247 would amend the Liquor Control Code to allow the Liquor Control Commission (MLCC) to grant licenses to the governing board of a public university if certain conditions are met.

With the approval of the university's governing board, MLCC could issue up to five tavern licenses, up to five class C licenses, or a combination of up to 10 tavern and class C licenses (as long as there are not more than five licenses of either type). The licenses would not be subject to the code's limit of one license per 1,500 population for on-premises consumption. The licenses would be nontransferrable and could be used only for scheduled events within the public area of a facility on university property that is customarily used for intercollegiate athletic events if all of the following conditions are met:

- The sales and service of alcoholic liquor conducted under the licenses are conducted by individuals who have successfully completed a server training program as provided under the code and who are not volunteers for an organization working during an event as part of a fundraising activity for the organization.
- Subject to other provisions of the code governing hours when alcohol can be sold, the sales and service of alcoholic liquor are limited to one hour before the event and while the event is occurring. Consumption of alcoholic liquor would be limited to one hour before the event, during the event, and 30 minutes after the event has ended.
- The MLCC issues a separate license for each facility on university property that is customarily used for intercollegiate athletic events.
- The licensee provides a list in writing to the MLCC containing the dates and times of events for which each license will be used at least two weeks before the start of the events, subject to the following:
    - The licenses must not be used for more than 100 days per calendar year in aggregate for all licenses combined for intercollegiate athletic scheduled events.
    - The licenses must not be used for more than five days per calendar year in aggregate for all other scheduled events.
- The sales and service of alcoholic liquor are conducted only at fixed locations within the licensed premises.
- Dispensing machines are prohibited on the premises.

The holder of a special license issued by the MLCC could sell and serve alcoholic liquor on the premises of a license under the bill on dates and times other than those provided to the MLCC as described above.[1] In addition, a licensee that has been issued a catering permit under section 547 of the code could deliver and serve alcoholic liquor at a private event on the premises a university holding a license under the bill on dates and times other than those provided to the commission as described above.[2] [**Note**: The dates on which alcohol is sold, delivered, or served as described in this paragraph would appear to *not* count against the 100-day/five-day limits described above.]

For a class C license issued under the bill, the MLCC would be allowed to approve additional bars as allowed by section 525(1)(o)[3] of the code.

The MLCC also could issue only the following permits, permissions, or approvals to be held in conjunction with either a tavern or class C license issued under the bill:

- Dance permit.
- Direct connection.
- Entertainment permit.
- Extended hours permit.
- Off-premises storage.
- Participation permit.
- Specific purpose permit.
- Sunday sales permit.

Finally, the MLCC could not approve an outdoor service area under R 436.1419 the Michigan Administrative Code[4] for a license issued under the bill. The outdoor portion of an outdoor facility on university property that is customarily used for intercollegiate athletic events would not be considered an outdoor service area.

MCL 436.1531

BRIEF DISCUSSION:

According to committee testimony, the bill would bring Michigan in line with many other states after the National Collegiate Athletics Association (NCAA) began allowing alcohol sales at college athletic events in 2019. Supporters of the bill testified that Michigan State University and the University of Michigan are two of only three Big Ten schools that do not sell alcohol inside of athletic stadiums (along with Nebraska).

[1] A special license is a contract between the MLCC and a nonprofit organization that allows the sale of beer, wine, mixed spirit drink, or spirits for consumption on the premises, with profits going to the organization. A special license is good for one day. An approved organization can obtain up to 12 licenses per year.
[2] http://legislature.mi.gov/doc.aspx?mcl-436-1547 (*Private event* means an event where no consideration is paid by the guests.)
[3] http://legislature.mi.gov/doc.aspx?mcl-436-1525
[4] https://ars.apps.lara.state.mi.us/AdminCode/DownloadAdminCodeFile?FileName=999_2012-006LR_AdminCode.pdf&ReturnHTML=True

Supporters of the bill also argued that it could lead to a reduction in binge drinking before games, since attendees would be able to count on getting a drink at the event. They also stated that other states that have enacted similar legislation have seen a decrease in alcohol-related incidents at college sporting events.

FISCAL IMPACT:

Senate Bill 247 would have a potentially significant fiscal impact on the state, specifically on the Michigan Liquor Control Commission and the various state funds that receive revenues associated with alcoholic beverage sales.

The bill would allow the MLCC to issue up to five class C, five tavern, or a combination of five class C and five tavern licenses (for a total of up to 10 liquor licenses) to the governing board of a public university for use at scheduled events within facilities customarily used for intercollegiate athletic events. There are 15 public universities in the state, so the total number of licenses that would be issued under this bill would depend on demand from university governing boards and the number of athletic facilities that are located on the campuses. While revenue from these licenses would be minimal in proportion to the total population of licenses, the initial and annual renewal fee for a tavern license is $250 and the initial and renewal fee for a class C licensee is $600. Revenue from these fees is distributed in accordance with state statute, with 55% dedicated to local (and in some instances county) law enforcement for enforcing the Liquor Control Code and associated rules, 41.5% dedicated to the MLCC for licensing and enforcement under the Liquor Control Code, and 3.5% credited for alcoholism treatment and prevention programming.

The impact of the bill on tax revenue and liquor sales is indeterminate, and would largely depend on whether on-site liquor sales at athletic events increases total liquor sales (both before and during events) or whether consumers shift their behavior to consume during events rather than before or after events. Generally, it is anticipated that any impact on alcohol and sales tax revenue would be relatively small when compared to the magnitude of overall alcohol sales in the state.

The bill may also increase revenue for public universities that obtain liquor licenses under this bill, as the universities would retain profits generated from liquor sales. The magnitude of this impact would be indeterminate and would largely depend on the volume of sales at the licensed locations.

POSITIONS:

A representative of the Michigan State University Department of Public Safety testified in support of the bill. (6-20-23)

The following entities indicated support for the bill (6-20-23):

- Michigan Liquor Control Commission
- Western Michigan University

- Eastern Michigan University
- Oakland University
- Michigan Licensed Beverage Association
- Michigan Restaurant & Lodging Association

Michigan Alcohol Policy Promoting Health & Safety indicated opposition to the bill.
(6-20-23)

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■ 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.