

# Legislative Analysis

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## LIQUOR LICENSES FOR HIGHER ED CONFERENCE CENTERS

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**House Bill 4759 (H-2) as passed by the House**  
**Sponsor: Rep. Gino Polidori**

**House Bill 5153 as passed by the House**  
**Sponsor: Rep. Robert Jones**  
**Committee: Regulatory Reform**

### **First Analysis (10-29-09)**

**BRIEF SUMMARY:** House Bills 4759 and 5153 would amend the Michigan Liquor Control Code to expand the definition of "conference center," thus increasing the number of colleges and universities eligible to receive a liquor license allowing alcohol to be sold or furnished – with some restrictions – on the premises of an institution-operated conference center. The bills apply to the downtown Grand Rapids campus of Western Michigan University and to Henry Ford, Jackson, Monroe, and Washtenaw community colleges.

**FISCAL IMPACT:** The bills would increase liquor license revenue by \$600 per license, which would be credited to the Liquor Control Commission (41.5%, or \$249) for administration, to local governments (55%, or \$330) for enforcement of liquor laws, and for alcohol abuse prevention programs (3.5%, or \$21). Revenue under the bills would total \$4,200, which would be distributed among local units of government (\$2,310), the LCC (\$1,764), and for alcohol abuse prevention programs (\$147).

### **THE APPARENT PROBLEM:**

In general, the Michigan Liquor Control Commission (LCC) cannot issue a liquor license for on-premises consumption to an establishment located on state-owned land. When some state universities opened hotels and conference centers on college property, such as the Kellogg Center at Michigan State University, an exception was created.

Under the exception, the Liquor Control Commission can issue an on-premises liquor license to the institution's governing board. The cost of a license is \$600, the same as for any new Class C liquor license, but the license is not part of the quota provisions of Section 531 of the code, which restricts the number of on-premises licenses issued in a geographic area based on population.

However, the license is somewhat limited. The license is only available to public colleges and universities and alcohol can only be sold at regularly scheduled conference center activities. Selling alcohol to unscheduled patrons or at unscheduled events is prohibited. Further, unlike Class C licenses issued under the population quota system, a conference center liquor license is not allowed to be sold or transferred to another licensee or location.

As time went on and more and more state-funded colleges and universities, including community colleges, opened conference centers or offered degree-granting programs in the culinary arts, the liquor code was amended to add those institutions to the definition of conference center contained in the act and therefore eligible for a liquor license.

Once again, several public community colleges and one university are seeking legislative approval to obtain liquor licenses that will allow the sale of alcohol at conference center events and also allow culinary arts programs to offer wine and food pairing courses to their upper-level students and alcohol at program-sponsored dinners and events.

### ***THE CONTENT OF THE BILLS:***

Both bills amend Section 513 of the Michigan Liquor Control Code (MCL 436.1513) to add additional college conference centers and culinary arts programs to the list of institutions eligible to receive a conference center liquor license. Specifically, the bills would do the following:

House Bill 4759: The bill would allow the Student Center Culinary Arts Building and the Administration Conference Center on the Dearborn Campus of the Henry Ford Community College to be eligible for an on-premises liquor license. In addition, the bill would also add the following institutions to the bill's definition of "conference center": the George E. Potter Center and Community Events Center at Jackson Community College, the Laz-E-Boy Center at Monroe County Community College, and the Washtenaw Community College Morris Lawrence Building.

House Bill 5153 would amend the Liquor Control Code to include as a conference center eligible for an on-premise liquor license the Western Michigan University downtown Grand Rapids campus.

### ***ARGUMENTS:***

#### ***For:***

Together, the bills would create seven new liquor licenses for college conference centers and culinary arts programs. Apparently, bookings have been lost due to the inability to allow groups to have a cash bar or offer wine and cheese after a lecture series. Having a conference center liquor license would increase the marketability of those conference centers in attracting conferences, receptions, guest lecture series, and other community events. At a time when state funding for institutions of higher education has been drastically reduced, the revenue generated by increased bookings of conference and event facilities could help colleges and universities in their attempts to keep tuition and room and board increases as low as possible.

In addition, it is important for students enrolled in culinary arts degree programs to learn wine and food pairings, or beer and food pairings, in order for them to compete in the marketplace after graduation. According to oral testimony presented by the executive chef of the Henry Ford Culinary Arts program, graduates who receive food and wine

pairing training command higher wages in the industry. Further, it is common for culinary arts programs to offer events open to the public, such as an Oktoberfest event, where students can showcase their skills and get valuable experience in staging events and dinners. Many patrons have expressed the desire for wine or beer to be offered at these events, thus demonstrating community support for these institutions to obtain conference center liquor licenses.

***Against:***

Some have long felt that allowing public entities to have a liquor license creates unfair competition for private businesses competing for events in the same geographic area. Besides, when an on-premises establishment goes out of business, the liquor license can be placed in escrow with the Liquor Control Commission and sold on the open market in the county for which the license had been originally issued. In part, the practice helps the business owner recoup some of the original investment. Any new business wishing to sell alcohol can bid on an available license. Yet, the bills would create seven new liquor licenses! And, the colleges pay far less than what a new business owner must pay for an escrowed license. If private businesses must continue to compete with public entities for conference and banquet events, then any available escrowed licenses should be used before creating new licenses.

***Response:***

Whether a destination for a wedding between recent graduates or sponsoring a lecture series, college and university conference centers often draw a different patron than restaurants and banquet facilities. In addition, patrons of events held in conference centers often frequent nearby eateries, theaters, hotels, and attractions after the event ends. Therefore, college conference centers have the potential to increase foot traffic at other local establishments. For instance, Western Michigan University's downtown Grand Rapids conference center has a cooperative relationship with downtown venues. In that capacity, the center is able to introduce visitors to other downtown establishments who, absent the conference center event, may not have visited that area. Further, the restrictions on conference center licensees also mitigate the competition argument.

As to requiring public institutions to purchase an available escrowed license rather than create a new one, there are several problems with such a proposal. For instance, the LCC is prohibited from issuing an on-premises liquor license to an establishment located on state-owned land. Therefore, a conference center located on the grounds of a public university or college is only eligible for a conference center license.

Community colleges, though publicly funded, are not located on state-owned land. However, escrowed licenses can range in cost from a few thousand dollars to several hundreds of thousands of dollars. Many would argue that spending so much money to serve alcohol at occasional events or as part of a culinary arts program would be an unwise use of taxpayers' monies.

Further, since possession of a Class C license can make (and lack of a license can break) some businesses, it would be unwise to tie up a Class C license issued under the

population quota system by giving it to a public college when the survivability of a private business may depend on it.

***POSITIONS:***

A representative of Henry Ford Community College testified in support of House Bill 4759. (10-14-09)

Jackson Community College indicated support for House Bill 4759. (10-14-09)

The Michigan Licensed Beverage Association (MLBA) indicated opposition to both bills. (10-14-09)

The Michigan Restaurant Association indicated opposition to both bills. (10-14-09)

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