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BILL ANALYSIS



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Senate Bill 344 (Substitute S-1)
Sponsor: Senator Dave Hildenbrand
Committee: Regulatory Reform

Date Completed: 3-23-16

CONTENT

The bill would amend the Michigan Liquor Control Code to do the following:

- **Allow a person to apply for a specially designated merchant (SDM) license without holding or applying for any other license under the Code.**
- **Allow an applicant for certain types of on-premises licenses, or a specially designated distributor license, to apply for a license as an SDM.**
- **Allow an applicant for an SDM license not in conjunction with an on-premises license, or a person licensed as an SDM only or a class B hotel, to apply for a license as a specially designated distributor.**

(A specially designated merchant is authorized to sell beer or wine, or both, at retail for consumption off the licensed premises. A specially designated distributor is a person engaged in an established business licensed by the Commission to distribute spirits and mixed spirit drink in the original package for off-premises consumption.)

Currently, a retail vendor licensed under the Code to sell for consumption on the premises may apply to the Liquor Control Commission for a license as a specially designated merchant. A specially designated distributor also may apply for an SDM license. Under the bill, instead, an applicant for a class C, class A hotel, class B hotel, class G-1, class G-2, tavern, or specially designated distributor license or a retailer licensed to sell alcoholic liquor could apply for a license as an SDM.

(A class C licensee may sell at retail beer, wine, mixed spirit drink, and spirits for on-premises consumption. A class A hotel may sell beer and wine for on-premises consumption. A class B hotel may sell beer, wine, mixed spirit drink, and spirits for on-premises consumption. A class G-1 license authorizes the retail sale of beer, wine, mixed spirit drink, and spirits for on-premises consumption at a golf course. A class G-2 license authorizes the retail sale of beer and wine for on-premises consumption at a golf course. A tavern is a place licensed to sell at retail beer and wine for on-premises consumption.)

The bill also would allow a person to apply for a specially designated merchant license without holding or applying for any other license under the Code.

In addition, under the bill, an applicant for an SDM license not in conjunction with an on-premises license, except as provided in Section 229(1), or a person licensed as an SDM only or a class B hotel could apply for a license as a specially designated distributor.

(Section 229(1) authorizes the Liquor Control Commission to license a hotel or merchant to sell spirits for consumption off the premises. As a rule, if alcoholic liquor is sold by a specially

designated distributor under a license issued under this section, it may not be sold at less than the minimum retail selling price set by Commission.)

The bill would take effect 90 days after enactment.

MCL 436.1533

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on the Michigan Liquor Control Commission (MLCC) within the Department of Licensing and Regulatory Affairs and a positive, but likely minor, fiscal impact on local units of government. Under the bill, on-premises license applicants would be allowed to apply for a specially designated merchant license, and specially designated merchant license applicants would be allowed to apply for a specially designated distributor (SDD) license. To the extent that this would cause license applicants to apply for more licenses than they otherwise would have, the bill would result in both greater revenue for the MLCC and greater costs. Under current law, any additional license fee revenue generated under the bill would be credited as follows: 55% to local law enforcement, 3.5% to alcoholism program, and 41.5% to the MLCC for licensing and enforcement.

Liquor license fees in general do not generate sufficient revenue to cover the MLCC's licensing and enforcement costs; license fee revenue shortfalls have historically been covered by appropriations from the Liquor Purchase Revolving Fund, which derives revenue from the 65% MLCC markup on the sales of spirits. In the case of the license applications that would be allowed under the bill (\$100 per year for SDM; \$150 plus \$3 per \$1,000 in liquor purchases per year for SDD), it is unknown whether the marginal cost to process those additional licenses would be greater or less than the revenue that would be generated, so the effect of the bill on the MLCC is indeterminate.

Fiscal Analyst: Josh Sefton

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