



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 973 (Substitute S-1 as reported)
Sponsor: Senator Dave Hildenbrand
Committee: Regulatory Reform

Date Completed: 11-21-16

RATIONALE

Public Act 101 of 2013 amended the Michigan Liquor Control Code to allow eligible merchants, such as restaurants and bars, to fill and sell growlers with beer under certain circumstances. A growler is a jug meant to carry beer, often made of glass or ceramic, and typically ranges in volume from one-half gallon to two liters. It is designed to be filled directly from a standard, or specialized growler, beer tap. Growlers are resealable by way of screw- or flip-top caps.

In order to fill and sell growlers, a person must have both a specially designated merchant license (which allows the retail sale of beer and wine for off-premises consumption) and another license that allows the sale of beer and wine, or beer, wine, and spirits, for on-premises consumption. This means that an establishment that has a specially designated merchant license and a specially designated distributor license (which allows the sale of packaged liquor for off-premises consumption) may not fill and sell growlers. As a continuation of the 2013 amendments, it has been suggested that those licensees also should be permitted to fill and sell growlers of beer.

CONTENT

The bill would amend the Michigan Liquor Control Code to allow a person holding a specially designated merchant license and a specially designated distributor license to fill and sell growlers with beer for off-premises consumption.

The Code allows eligible merchants to fill and sell growlers with beer for off-premises consumption under the following conditions:

- The premises where the filling of growlers takes place comply with the requirements for food service establishments under the Food Law.
- The growler is sealed and has a label affixed to it that includes at least the brand name and class of the beer, the net contents of the container, and the name of the retailer filling the growler.
- The eligible merchant or the merchant's agent or employee does not fill a growler in advance of the sale.
- The eligible merchant or the merchant's agent or employee uses only containers that have a capacity of five gallons or more to fill a growler.
- The beer to be dispensed has received a registration number from the Michigan Liquor Control Commission and has been approved for sale by the Commission.
- The eligible merchant complies with all applicable rules promulgated by the Commission.

For this purpose, the Code defines "eligible merchant" as a person that holds a specially designated merchant license and a Class C, tavern, Class A hotel, Class B hotel, club, Class G-1, or Class G-2 license. Under the bill, the term would mean a person that holds a specially designated merchant license and either a specially designated distributor license or one of the other licenses listed.

(A Class C licensee may sell beer, wine, mixed spirit drinks, and spirits at retail for on-premises consumption. A tavern licensee may sell beer and wine for on-premises consumption. A Class A

hotel licensee may sell beer and wine, and a Class B hotel licensee may sell beer, wine, mixed spirit drink, and spirits, for consumption on the premises and in the rooms of registered guests. A club licensee and a Class G-1 licensee may sell beer, wine, mixed spirit drink, and spirits, and a Class G-2 licensee may sell beer and wine, for on-premises consumption only to members. A club is a nonprofit association. A Class G-1 or G-2 licensee is a golf course facility.

The Code defines "growler" as any clean, refillable, resealable container that is exclusively intended, and used only, for the sale of beer for consumption off the premises and that has a liquid capacity that does not exceed one gallon.)

The bill would take effect 90 days after it was enacted.

MCL 436.1537

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

Before Public Act 101 of 2013 amended the Code, a restaurant or bar could not legally fill and sell growlers of beer for off-premises consumption unless it held a brewpub, brewer, or microbrewer license. As described above, the 2013 amendments expanded this to other types of licensees. Now, the bill would benefit those that possess both a specially designated distributor and a specially designated merchant license, and their customers, by allowing the licensees to fill and sell growlers of beer. Those establishments, such as grocers and specialty liquor stores, have licenses to sell for off-premises, but not on-premises, consumption. Under the bill, they would be able to give consumers who wish to take craft beers home for consumption the opportunity to try brews that might be available only on draught.

Additionally, the further success of Michigan's beer industry could create more jobs, higher wages, and a stronger economy. The bill would give the public greater access to brewers' products, especially those not normally sold prepackaged for retail sale, increasing the visibility and success of these businesses. According to the Brewers Association, a not-for-profit trade association, Michigan had 205 craft breweries in 2015, sixth in the United States. Reportedly, those breweries produced nearly 780,000 barrels of craft beer during that year, and had a \$1.8 billion economic impact on the State economy in 2014. A report by MIbeer.com, created using 2014 data from the Brewers Association, stated that Michigan's craft beer industry provided 757 jobs and \$37.0 million in wages. Furthermore, according to the report, the Michigan craft brewing industry provided 7,137 jobs and \$232.0 million in wages when direct industry statistics are combined with the impact of ingredient suppliers and the effects industry workers had on the Michigan economy using wages to purchase additional goods and services.

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Josh Sefton

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.