



**House
Legislative
Analysis
Section**

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HOTEL LIQUOR LICENSES

House Bill 5431 with committee amendments
First Analysis (3-21-90)

Sponsor: Rep. Lloyd F. Weeks
Committee: Liquor Control

THE APPARENT PROBLEM:

The Michigan Liquor Control Act requires that to be eligible for a liquor license, a hotel must derive the major portion of its receipts from renting rooms and selling food, and it requires that a hotel be able to serve meals to 100 people at a time in a cafeteria or dining room provided for that purpose. The Liquor Control Commission has requested that the full food service requirement be repealed because it is outdated and serves no useful purpose. Changes in the hotel industry have led some hotels and hotel chains to choose not to provide full food service, the LCC says. It is not profitable for some hotels in some, particularly urban, locations to compete with the restaurants in the area. The LCC has said that the food service requirement complicates the process of reviewing liquor license applications for new hotel and motel projects and, although the requirement has been in the law for nearly 40 years, can see no public interest purposes in retaining it.

Another provision in the liquor law that the Liquor Control Commission has recommended be eliminated is one that allows hotels to obtain package liquor licenses (for the sale of spirits for off-premises consumption). This provision is nearly 50 years old, but the LCC says it has not issued a package liquor license to a hotel in 20 years and won't. Only four or five such licenses exist today. The LCC says the provision should be repealed because package liquor stores are a better and more convenient means of distributing spirits and because few hotels want the licenses.

THE CONTENT OF THE BILL:

The bill would amend the Michigan Liquor Control Act to remove the requirement that a hotel with a liquor license sell food and to prohibit hotels from holding a license to sell spirits for off-premises consumption. Hotels that currently hold such package liquor licenses, known as specially designated distributor or SDD licenses, could renew or transfer them, however.

(It should be noted that a Class B hotel license permits a hotel to sell spirits by the bottle to hotel guests for use in their rooms. A Class A license permits the sale of beer and wine; a Class B license permits the sale of beer, wine, and spirits.)

The bill would also change the act's definition of "hotel" so it would refer to "a building or group of buildings located on the same or adjoining pieces of real property, which provides lodging to travelers and temporary residents and which may also provide food service and other goods and services to registered guests and the public." The current definition refers to "a building" and contains the food service requirements. As is the case now, to obtain a liquor license, a hotel would need at least 25 bedrooms if located in a local governmental unit with a population of under 175,000, and at least 50 bedrooms if located in a larger local unit. (An existing exception that allows a license for certain hotels in units of under 100,000 population even

when they do not have 25 permanent bedrooms would be deleted by the bill. It should be noted that currently the 25-bedroom requirement applies to hotels in communities with populations between 50,000 and 175,000. The bill makes no reference to the lower figure.)

MCL 436.2h et al.

FISCAL IMPLICATIONS:

There is no information at present.

ARGUMENTS:**For:**

The requirement that a hotel maintain a full food service to receive a liquor license complicates the licensure process, say liquor regulators, and serves no useful purpose. Some hotels today choose to limit or eliminate food service because it is unprofitable, particularly in areas where there are many restaurants to compete against. The bill would allow hotels and motels with reduced (or no) food service to obtain on-premises liquor licenses. (It would also reduce incentives for finding ways to serve liquor without a license.)

The provision that allows hotels to get package liquor licenses is also outdated and no hotel has been issued such a license in 20 years, say liquor officials. Package stores are the preferred way to distribute spirits. Hotels do not want the license in any case, since they can with a Class B hotel license sell liquor by the bottle to guests for use in their room and determine their own prices. A package liquor licensee must sell at the fixed liquor commission price. The four or five hotels with package liquor licenses would be allowed to keep them.

Against:

Some people have expressed concern that eliminating the requirement that hotels serve food to get a liquor license will lead to more people becoming intoxicated, since the consumption of food is thought to reduce alcohol consumption (or the effects of alcohol consumption). The patrons of a hotel bar would not necessarily be residents of the hotel.

Response: Other licensees, such as bars, are not required to serve food, so it seems unfair to require it of hotels. Most licensed establishments serve food of some kind in any case and are encouraged to do so. It should be noted that hotels are not, generally speaking, an enforcement problem for liquor regulators. Furthermore, local units of government must approve a hotel license before it is issued by the liquor commission, and they can impose their own standards if they see fit.

POSITIONS:

The Department of Commerce supports the bill. (3-20-90)

The Michigan Licensed Beverage Association supports the bill. (3-20-90)

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