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BILL ANALYSIS

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House Bill 4081 (Substitute H-1 as reported with amendment)

Sponsor: Representative Gerald H. Law

House Committee: Liquor Control

Senate Committee: Regulatory Affairs

Date Completed: 3-14-88

RATIONALE

The Liquor Control Act imposes a quota on the number of on-premises liquor licenses, or "Class C" licenses, available in the State. (A "Class C" license allows the sale of beer, wine, and spirits for on-premises consumption only.) Though the limit is one per 1,500 people in a community, there are a number of exceptions, that is, instances in which licenses can be awarded outside the quota system. Although some municipalities in the State have found it advantageous to own and operate a golf course or courses, some communities have argued that a public golf course can be successful only if it has a liquor license, in order to compete with other courses. Liquor licenses are scarce, however; many communities have used up their quota. For those communities with available licenses, awarding a license to a municipal golf course would mean reducing the number available to private concerns. Also, in instances in which all available licenses have been awarded, and there is a waiting list of interested businesses, a municipality can by-pass all other applicants and award a license to itself when one becomes available, and thus thwart private competition. It has been suggested that an exception be made for municipal golf courses so that they could obtain a license without affecting the quota of licenses available to private interests.

CONTENT

The bill would amend the Liquor Control Act to allow the Liquor Control Commission to issue, in a county with a population of 1 million or more, a Class C license to any golf course owned by a county, city, village, or township and open to the public, without regard to the population-based on-premises license quota. Such a license could not be transferred to another location, and would have to be surrendered if the licensee "goes out of business".

Proposed MCL 436.17i

SENATE COMMITTEE ACTION

As passed by the House, the bill would have allowed the Liquor Control Commission to issue a Class C license to any golf course owned by a county, city, village, or township and open to the public. The Senate Regulatory Affairs Committee adopted an amendment to the bill to provide that such licenses would be allowed only for golf courses in a county with 1 million or more population, and owned by the county or by a municipality within the county.

BACKGROUND

Among the exceptions to the on-premises license quota already in the liquor law are those for municipal civic centers, university conference centers, publicly owned airports, and the State fairgrounds. Nonquota licenses are

also available in the Mackinac Island State Park, at the Presque Isle harbor marina, and at the site of the former Kincheloe Air Force base. Also available each year are a number of resort licenses; at present 50 such licenses are available each year, with half of those for major commercial ventures (so-called "million dollar" licenses).

FISCAL IMPACT

The bill would have an indeterminate impact on State and local government. Both the State and local governments should theoretically be able to cover the additional costs of regulating the increase in licensees with the increase in revenues from the licensees. Whether this would be true in practice cannot be determined at this time.

ARGUMENTS**Supporting Argument**

Many municipalities see owning a golf course as an asset. The course often improves the area in which it is located, offers recreation to the public, and brings in revenue. Operating a golf course can be an attractive proposition for a municipality; however, sometimes a liquor license is needed to make operating a golf course worthwhile. The bill would allow public golf courses, operated by municipalities or counties, in the largest counties only, to obtain liquor licenses without diminishing the supply of licenses available to the private sector. Similar exceptions already exist in the liquor law. The proposal would not produce a dramatic increase in on-premises licenses but would, instead, reduce the likelihood of the private and public sectors competing for liquor licenses.

Opposing Argument

The bill represents a further weakening of the population-based quota system that aims to limit the number of liquor outlets. Some people say that the State is already unable to police adequately the licensees it has and so should not encourage an increase in their number. Increasing the availability of alcohol means increasing the number of alcohol-related problems plaguing our society. It also means more State dollars spent on alcohol problems and more personal tragedy. The continual addition of exceptions threatens to make the on-premises quota meaningless, and, in turn, to make its appearance in the liquor law a kind of deception.

Opposing Argument

The bill is another step in a continuing trend that allows the public sector to compete with the private sector. By increasing the number of liquor licenses available the bill would automatically increase the current competitiveness among those who sell drinks. Further, the bill would

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discriminate against nonmunicipally owned golf courses that don't have liquor licenses because it would give the municipal courses an advantage: truly an ironic twist when one considers that the privately owned courses pay dearly in property taxes while the municipal courses don't.

Response: If anything, the bill would make it easier for a privately-owned golf course to get a license, because a municipality would not have to use one of its allotted licenses to provide its golf course with a license. The bill addresses a narrow concern; it applies only to those counties with over 1 million population and only to municipalities that own golf courses. Few municipalities own golf courses, and most of those are in the Detroit metropolitan area.

Legislative Analyst: G. Towne
Fiscal Analyst: J. Schultz

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.