



**House
Legislative
Analysis
Section**

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RESORT LIQUOR LICENSES

**House Bill 5379 with committee
amendments
First Analysis (11-28-95)**

**Sponsor: Rep. Beverly Bodem
Committee: Regulatory Affairs**

THE APPARENT PROBLEM:

Under the Liquor Control Act, licenses for the on-premises consumption of alcoholic beverages are generally limited by population; only one such license per 1,500 people can be issued within any governmental unit. There are, however, a number of exceptions. One significant exception is the issuance of "resort licenses" above and beyond the quota. Liquor Control Commission (LCC) rules do prohibit the issuing of a resort license where an on-premise license remains available under the quota system, although this requirement can be waived. In 1952, 550 resort licenses were made available statewide and a fixed number have been made available each year since 1964. Currently, the LCC may issue 10 additional resort licenses each year to establishments whose business and operation, as determined by the commission, are designed to attract and accommodate tourists and visitors to the resort area, and whose primary purpose is not the sale of alcoholic beverages. Additionally, the commission may issue another 25 resort licenses to businesses with a capital investment of over \$1 million and whose primary purpose is not the sale of alcoholic beverages. The LCC may also issue 10 package liquor licenses in local governmental units with a population under 50,000 people. These additional licenses have been made available partly in recognition of the fact that the fixed population of an area does not always accurately reflect the volume of economic activity, particularly in areas where there are sizable seasonal populations. The commission's authority to issue additional resort licenses expires this year. Legislation has been introduced to extend this authority. Another way to deal with the mismatch between available licenses and the demand for licenses would be to allow escrowed licenses to be transferred to new locations in a wider geographic area than is currently permitted. It has been proposed that legislation address that issue as well.

THE CONTENT OF THE BILL:

The bill would amend the Michigan Liquor Control Act 1) to extend through 1997 the authority of the Liquor Control Commission (LCC) to issue a limited number

of resort licenses each year and 2) to specify to whom escrowed on-premises licenses could be issued. (The term "escrowed license" means a license that is not in active operation but to which the rights of the licensee in the license or to the renewal of the license are still in existence and are subject to renewal and activation.)

Resort Licenses. The bill contains the following provisions regarding resort licenses for the years 1996 and 1997.

** Up to 10 licenses would be available for establishments whose business and operation are designed to attract and accommodate tourists to a resort area, and whose primary business is not the sale of liquor.

** Up to 25 licenses could be issued for businesses with a capital investment of over \$1 million, whose primary business is not the sale of alcohol, and whose operation is designed to attract and accommodate visitors to a resort area.

** Up to 10 specially-designated distributor (package liquor, including spirits) licenses would be available in local units of governments with populations under 50,000 in which the package liquor license quota has been exhausted. The licenses could only be issued to established merchants whose business and operation are designed to attract and accommodate tourists and visitors to a resort area.

** The bill would specify that the LCC could not issue an on-premises resort license if the local governmental unit had not issued all licenses available under the population quota or if an on-premises escrowed license existed and was readily available within the unit or county in which the applicant proposed to operate. This could be waived upon a showing of good cause.

** The bill would require the LCC to respond to an applicant as to whether the application was complete for any of the resort licenses within 21 days after receiving the application. The commission would be required to

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make a final written determination before December 31 of each year regarding the issuance of the license. A denial of the license would state in detail the reasons for the denial.

Escrowed Licenses. The bill specifies that the LCC could not consider the number of escrowed licenses when determining the number of quota licenses to be issued.

Escrowed on-premise licenses would be available to an applicant whose proposed operation was located within any local governmental unit in the county within which the former licensee's premises were located. If the local unit spanned more than one county, an escrowed license would be available to an applicant located within any local governmental unit in either county. If an escrowed license was activated within a local unit other than the one in which it was originally issued, the LCC would count the activated license against the local unit that originally issued it.

MCL 436.19c

FISCAL IMPLICATIONS:

There is no information at present.

ARGUMENTS:

For:

Continuing the practice of issuing resort liquor licenses would help boost the tourism and recreation industries throughout the state, particularly in northern Michigan, and thus create jobs for Michigan people. Without these licenses being available, the quota system would inhibit business expansion in some areas where all the quota licenses have been allocated. Both large and small businesses could benefit by the bill. At the same time, the bill requires that a resort license not be issued if an escrowed license is available. This will encourage the transfer and active use of licenses currently in escrow, eventually reducing the demand for resort licenses in some areas of the state. (It will also enhance the value of the escrowed licenses.) The bill also would provide additional flexibility for the use of escrowed licenses, by permitting an escrowed license to be used anywhere within the county (and not just the local unit) in which it was originally issued. This would allow licenses not currently in operation to be shifted within a county to those areas where there is greater demand.

Response:

The requirement that a person seeking a resort liquor license must first look for an escrowed license

anywhere in the county may be impractical. It could require a good deal of investigation and negotiation to find all the holders of such licenses and reach an agreement over the transfer (purchase) of a license.

Against:

Some persons believe that increasing the availability of alcohol leads to an increase in alcohol-related problems. The bill represents a further erosion of the liquor law's restrictions on the availability of on-premises licenses and runs contrary to the public policy that lies behind a population quota system for liquor licenses. In the past, moreover, some people have expressed concern that continuing to allow additional resort licenses will harm existing businesses.

Response:

It may be that the population-based restriction no longer serves any useful purpose, except perhaps to protect existing licensees. There are quite a few exceptions to the quota in statute that render it less than fully effective or consistent. It might be best to revisit the issue of retail liquor licensing in its entirety.

POSITIONS:

The Liquor Control Commission supports the bill. (11-8-95)

The Michigan Restaurant Association supports the bill. (11-21-95)

The Michigan Licensed Beverage Association supports the bill with anticipated technical amendments. (11-17-95)

■ 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.