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HOUSE FISCAL AGENCY

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SB527 AS REPORTED WITH AMENDMENT(S)

Sponsor: Sen. Shirley Johnson

Committee:

Analyst(s): Schneider, Bob

Completed: 12/11/01

State Fiscal Impact

Cost: Indeterminate/Increase
Revenues: Indeterminate/Increase

Local Fiscal Impact

Cost: None
Revenues: None

The bill would require the Liquor Control Commission (LCC) to provide for an integrated on-line ordering system for retail licensees to place orders for spirits from authorized distribution agents (ADAs). It allows the PSC to enter into any agreements or contracts with private or public entities as allowed by law to establish the system. The LCC would retain ownership of the system. This provision would increase state costs by an indeterminate amount. The costs that the new system would impose on the State are unclear, but could be significant. The amount of costs would depend upon how the LCC implements the system, the amount of costs borne by ADAs, retailers, or other entities as opposed to the State, and the extent to which the system could be maintained by existing state employees versus contractors.

The bill allows the LCC to utilize banner advertising in conjunction with the on-line ordering system as a means for defraying the costs of operating and maintaining the system. The potential revenue impact of banner advertising is indeterminate at this time.

Any costs borne by the state and not met using banner advertising revenue would likely be paid from the Liquor Purchase Revolving Fund which is made up of revenue generated from liquor sales and is used to finance a large portion of the LCC's budget. Since additional revolving fund revenue above and beyond what is needed to finance the administration of the LCC is deposited in the general fund, any new state costs related to the system would take away from state general fund revenue.

There are other potential revenue sources available to the LCC that could be used on a one-time basis to meet some of these costs and minimize the general fund impact. These include:

- 1) Roughly \$2.7 million in retained earnings in the Liquor Purchase Revolving Fund.
- 2) \$2.5 million in carry-forward licensing fee revenue. The Liquor Control Code provides that these revenues be used for "licensing and enforcement" purposes. It is likely that the code would need to be amended if the ordering system is not deemed to be a "licensing" or "enforcement" activity.

A third option would be for the LCC to reduce the per-case payment made to vendors of spirits to help offset the costs of contracting with ADAs.