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Senate Bill 247 (as introduced 3-6-13)  
Sponsor: Senator Virgil Smith  
Committee: Regulatory Reform

Date Completed: 10-3-13

### **CONTENT**

**The bill would amend the Michigan Liquor Control Code to provide for an extended hours permit that would allow an on-premises licensee in a central business district to sell alcohol between 2:00 a.m. and 4:00 a.m., if the licensee paid a yearly fee of \$10,000 and met certain security requirements. The bill would allocate 85% of the fee revenue to local police departments, 10% to the Liquor Control Commission, and 5% to the cities where the permits were located.**

The Code generally prohibits an on-premises or off-premises licensee from selling, giving away, or furnishing alcoholic liquor between the hours of 2:00 a.m. and 7:00 a.m. on any day. The bill would make an exception to this prohibition for an extended hours permit.

The bill would add Section 1116 to the Code to allow an on-premises licensee to sell or furnish alcoholic liquor between 2:00 a.m. and 4:00 a.m. on any day if the licensee were located in a central business district in a city and obtained an extended hours permit from the Commission.

To obtain an extended hours permit, the licensee would have to submit a completed application and a yearly permit fee of \$10,000 to the Commission. The licensee also would have to demonstrate all of the following to the Commission:

- That the licensee would have one security person for every 50 customers on the licensed premises.
- That the licensee would have security personnel at the licensed premises from 11:00 p.m. to 4:00 a.m.
- That the licensee would have 360-degree surveillance on the licensed premises.

If the Commission determined that the licensee met all of these conditions, it would have to approve the application and issue an extended hours permit within 90 days of receiving the application.

The Commission would have to deposit all extended hours permit fees into the "Extended Hours Permit Fund", which the bill would create in the State Treasury. The Department of Treasury would have to distribute money in the Fund as follows:

- 5% to the cities where the extended hours permits were located, for related administration costs.
- 85% to the police departments of those cities, for the specific purpose of enforcing Section 1116 and the rules promulgated under it.

-- 10% to the Commission for carrying out the licensing and enforcement provisions of Section 1116.

The State Treasurer could receive money or other assets from any source for deposit into the Fund. The State Treasurer would have to direct the investment of the Fund, and credit to it interest and earnings from investments. Money in the Fund at the close of the fiscal year would remain in the Fund and not lapse to the General Fund.

The Department of Licensing and Regulatory Affairs would be the administrator of the proposed Fund for auditing purposes.

The bill would define "central business district" as a downtown district established under Public Act 197 of 1975. (That Act allows a municipality to create an authority that may undertake certain improvements or developments in a downtown district and pay for them with tax increment revenue and other methods of financing. A downtown district is the part of a business district specifically designated by the municipality.)

MCL 436.1114 et al.

Legislative Analyst: Suzanne Lowe

### **FISCAL IMPACT**

The bill would have a positive fiscal impact on State government, and an indeterminate fiscal impact on local units of government.

The Liquor Control Commission would receive \$1,000 annually from each extended hours permit, which would likely be sufficient to cover its responsibilities under the bill. To the extent that extended hours would result in increased sales of beer, wine, and spirits, the State would receive increased tax revenue from those sales. While it is not possible to predict exactly how much additional tax revenue would be received, it is reasonable to assume that receipts would increase some amount as a business owner presumably would not pay a \$10,000 annual permit fee if he or she did not believe it would result in increased sales.

Local units of government would receive \$500 from each permit and local police departments would receive \$8,500. This revenue would be offset to an extent by the probable need for increased police presence between 2:00 a.m. and 4:00 a.m. in the areas where extended hours permit holders would be located. It is unknown whether the additional revenue from permits would exceed the cost of additional police presence, so the fiscal impact on local governments is indeterminate.

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.