



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 247 (Substitute S-1 as passed by the Senate)
Sponsor: Senator Virgil Smith
Committee: Regulatory Reform

Date Completed: 12-10-14

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. on Saturdays and Sundays, if the licensee paid a yearly fee of \$10,000, met certain security requirements, and received local legislative approval. 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 add Section 1116 to the Code to make an exception to this prohibition for an extended hours permit.

Specifically, if the legislative body of a city, village, or township approved a resolution to allow on-premises licensees to sell or furnish alcoholic liquor between 2:00 a.m. and 4:00 a.m. on Saturday and Sunday, an on-premises licensee located in a central business district in that city, village, or township could apply for an extended hours permit from the Liquor Control Commission to sell or furnish alcoholic liquor between those hours on Saturday and Sunday. The Commission could not issue an extended hours permit unless the applicant had already been approved by the local legislative body.

To obtain an extended hours permit, the licensee would have to do all of the following:

- Submit a completed application and a yearly permit fee of \$10,000 to the Commission.
- Obtain local legislative approved for the permit.
- Demonstrate to the Commission that the licensee would have a security person on the premises, as described below.
- Demonstrate to the Commission that the licensee would have 360-degree video surveillance on the inside and outside of the licensed premises.
- Maintain compliance with the Code and the rules promulgated under it.

Unless it held a casino license, the licensee would have to have one security person for every 50 customers on the licensed premises from the hours of 11:00 p.m. on Friday to 4:00 a.m. on Saturday and from 11:00 p.m. on Saturday to 4:00 a.m. on Sunday.

Upon receiving an application that had not yet been reviewed and approved by the local legislative body where the applicant's place of business was located, the Commission immediately would have to notify that legislative body and give it a copy of the application

to accomplish the required local legislative review. The local legislative body would have to approve or deny the application within 90 days after receiving it from the applicant or the Commission. Upon denying an application, the legislative body would have to give the applicant written notice of the reasons for the denial.

If the local legislative body did not approve or deny an application within the 90-day period, the Commission could approve the extended hours permit if it determined that the licensee met the conditions listed above. The Commission would have to approve or deny an application within 90 days after the applicant filed a completed application or 90 days after the Commission had notified the local legislative body and given it a copy of the application, whichever was later.

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. Upon appropriation, the Department of Treasury would have to distribute money in the Fund as follows:

- 5% to the cities, villages, and townships where the extended hours permits were located, based on the number of permits issued within each city, village, or township, for related administration costs.
- 85% to the police departments of those cities, villages, and townships, based on the number of permits issued within each city, village, or township, 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 proposed Extended Hours Permit Fund would receive all revenue from the \$10,000 annual extended hours permit fees. The Fund would be distributed such that local units of government would receive \$500 from each permit, local police departments would receive \$8,500, and the LCC would retain the remaining \$1,000, which would likely be sufficient to cover its responsibilities under the bill. 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.

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.

Fiscal Analyst: Josh Sefton

S1314\sb247sb

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.