

Legislative Analysis



SPECIAL LICENSE FOR BEER FESTIVAL WHERE BEERS AND BREWING ARE SHOWCASED

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House Bill 6187

Sponsor: Rep. Mark Meadows

House Bill 6188

Sponsor: Rep. Dave Hildenbrand

Committee: Regulatory Reform

Complete to 6-9-08

A SUMMARY OF HOUSE BILLS 6187 AND 6188 AS INTRODUCED 6-3-08

The bills would allow an organization holding a beer festival where beers are being showcased to apply for a special license, and allow a licensed brewpub, microbrewer, or brewer to sell directly to that organization. The bills are tie-barred to each other, meaning that neither can effect unless both are enacted.

In general, alcoholic beverages can only be sold for consumption on the premises of licensed restaurants, bars, and hotels. The sale and delivery of alcoholic beverages to these licensees is strictly regulated under the liquor code and may only be done by a person licensed as a wholesaler (beer, wine, and mixed spirit drink) or authorized distribution agent (spirits). Under rules of the Liquor Control Commission, however, qualifying nonprofit organizations may apply for a special license that allows for the sale of beer, wine, and/or spirits for consumption on the licensed premises for a limited period of time; for example, a fund-raising event. A special licensee is allowed under the rules to purchase alcoholic beverages from any retail establishment licensed to sell for off-premises consumption; in addition, beer can also be purchased from a licensed wholesaler and wine can be purchased from a wholesaler or licensed wine maker or small wine maker.

Specifically, each bill would do the following:

House Bill 6188 would add a new section to the Michigan Liquor Code (436.1526) to allow the Michigan Liquor Control Commission to issue a special license to a nonprofit entity composed primarily of brewers, microbrewers, and brewpubs conducting a beer festival that had as its primary purpose the showcasing of beer and its production. "Beer festival" would be defined in the bill as an event at which the various types and kinds of beer and the production of that beer were showcased to the general public; the public could purchase and sample the beer being showcased for consumption on the licensed premises.

There would be a \$25 application fee per event. The beer festival special license would restrict the holder to no more than six events per calendar year. The bill would allow the holder of a special license for a beer festival to buy a quantity of beer determined

appropriate by the commission directly from any licensed brewpub, microbrewer, or brewer for consumption only at the licensed event.

[Note: House Bill 6188 as written appears to conflict with existing provisions of the liquor code pertaining to special licenses. For instance, the liquor code currently allows qualifying organizations, including an auxiliary of an organization, up to 12 special licenses per calendar year. Further, the special license fee is \$50 per day, or \$25 per day for nonprofit associations meeting certain criteria, MCL 436.1525(1)(r). A special license is needed for each day of an event. As an example, a church holding a three-day event with a beer tent would need three special licenses at either \$50 or \$25 per day depending on the status of the nonprofit organization. It is unclear how the bill's use of the terms "special license" and "event," or the fees assessed under the bill, would be reconciled with existing law regarding special licenses.]

House Bill 6187 would also add a new section to the Michigan Liquor Code (MCL 436.1413) to allow direct sales of beer by a licensed brewpub, microbrewer, or brewer to an organization conducting a beer festival under a special license created by House Bill 6188. The Liquor Control Commission would determine the appropriate amount of beer that could be sold directly to a special licensee by a brewpub, microbrewery, or brewer.

FISCAL IMPACT:

Ultimately the bill would have an indeterminate fiscal impact on the state and on local units of government, depending on the number of licenses granted under the bill, as compared to the number of special licenses issued by the Michigan Liquor Control Commission (MLCC) for similar events under current law. As noted above, the Liquor Control Code permits the MLCC to issue a "special license" to qualifying nonprofit organizations. The fee for a special license is \$25 or \$50 per day (plus an additional \$3.75 or \$7.50 fee if the event is held on Sunday), with each organization limited to no more than 12 special licenses per calendar year. (Each special license is valid for one day.) Apparently there is no data to indicate the number of such festivals licensed under the current system. To the extent that the bill creates an alternate mechanism for obtaining a license, but does not impact the number of events held, the bill would reduce fee revenue because of the smaller fee required. Under current law, a three-day (Friday-Sunday) festival would require a fee of \$78.75 (\$25/day plus an additional \$3.75 for Sunday). Under the bill, the same festival would only require a fee of \$25. (The bill doesn't define what an "event" is, but in the general sense, "event" would mean the duration of the festival.) However, to the extent the bill results in the proliferation of these events, the bill would increase liquor license revenue. Under the Liquor Control Code, MCL 436.1525, fee revenue would be credited to the MLCC (41.5%), local law enforcement (55%), and alcoholism prevention programs (3.5%).

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