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Senate Bill 247 (Substitute S-2 as passed by the Senate)
Sponsor: Senator Sean McCann
Committee: Regulatory Affairs

Date Completed: 6-26-23

CONTENT

The bill would amend the Liquor Control Code to allow the Michigan Liquor Control Commission (MLCC) to issue the governing board of a public university a maximum of five tavern licenses, five class C licenses, or a combination of five tavern or five class C licenses, to be used for scheduled events within the public area of an intercollegiate athletic event facility on university property if certain conditions were met.

The Code governs the issuance of licenses for the sale of alcoholic liquor in the State. Generally, the Code authorizes the MLCC to issue new licenses with approval from a local legislative body unless the city has a population of 600,000 or more. Among other prohibitions, the MLCC may not issue a license to a property situated on certain State-owned lands or issue a public license for the sale of alcoholic liquor for on-premises consumption if the license would result in a quota of more than one license for each 1,500 of population.

Under the bill, the MLCC could issue to a governing board of a public university, without regard to any of the provisions described above and with the approval of the governing board of the university, a maximum of five tavern licenses, five Class C licenses, or any combination of five tavern or class C licenses. The licenses would not be transferable and could only be used for scheduled events within the public area of a facility on university property that was customarily used for intercollegiate athletics events if the following conditions were met:

- The sales and service of alcoholic liquor were conducted by individuals who had successfully completed a server training program and who were not volunteers for an organization working during an event as part of a fund-raising activity for the organization.
- Subject to Sections 1114 and 1115, the sales and services of the alcoholic liquor were limited to one hour before the event and while the event was occurring, and the alcoholic liquor was consumed only up to one hour before the event, while the event was occurring, or up to 30 minutes after the event had ended.
- The MLCC issued a separate license for each facility on university property that was used customarily for intercollegiate athletic events.
- The sales and service of alcoholic liquor were conducted only at fixed locations within the licensed premises.
- Dispensing machines were prohibited on the premise of a license.

(Under the Code, a class C licensee may sell at retail beer, wine, mixed spirit drink, and spirits for on-premises consumption. A tavern licensee can sell at retail beer and wine for on-premises consumption. Generally, Section 1114 and 1115 prohibit licensees from selling or giving away alcohol between the hours of 2 AM and 7 AM on any day and require a licensee to obtain a special permit to sell spirits or mixed drinks between 12 PM on Sunday and 2 AM on Monday.)

Additionally, the licensee would have to provide, in writing to the MLCC, a list of the dates and times of the events for which each license would be used at least two weeks before the start of the event, subject to the following:

- The licenses could not be used for more than 100 days per calendar year in aggregate for all licenses combined for *intercollegiate athletic scheduled events*.
- The licenses could not be used for more than five days per calendar year in aggregate for all licenses combined for *other scheduled events*.

The bill would allow the holder of a special license issued by the MLCC to sell and serve alcoholic liquor on the premises of a licensed public area of a facility used for intercollegiate athletic events on dates and times other than the dates and times provided to the MLCC. A licensee that had been issued a catering permit could deliver and serve alcoholic liquor at a private event on the premises on dates and times other than the dates and times provided to the MLCC.

(Under the Code, a special license is a limited term license that can be issued to a nonprofit organization for fundraising purposes and can be used for the sale of beer, wine, and spirits. A licensee with a catering permit can sell and deliver for sale beer, wine, and spirits to customers at a private event. Under a catering permit, alcohol must be sold to the host and served to guests at no charge.)

If applicable, the MLCC could issue only the following permits, permissions, or approvals to be held in conjunction with a liquor license described above:

- If the license was a class C license, additional bars under Section 525(1)(o).
- Dance permit
- Direct connection.
- Entertainment permit.
- Extended hours permit.
- Off-premises storage.
- Participation permit.
- Specific purpose permit.
- Sunday sales permit.

(Section 525(1)(o) allows the MLCC to issue licenses on the payment of certain license fees. A class C license is subject to a \$600 fee for one bar and a \$350 fee for each additional bar.)

Under the bill, the MLCC could not approve an outdoor service area under R 436.1419 of the Michigan Administrative Code. The outdoor portion of an outdoor facility on university property that was customarily used for intercollegiate athletic events issued a license under the bill would not be considered an outdoor service area.

(R 436.1419 of the Michigan Liquor Control Code Administrative Rules prohibits an on-premises licensee from having outdoor service without prior written approval of the MLCC.)

MCL 436.1531

BRIEF RATIONALE

Currently, more than half of the Big Ten Conference allows for the sale of alcohol at certain college sporting events. According to testimony, the schools that have elected to allow the sale of alcohol have noted a decrease in pre-game binge drinking and alcohol related issues at games. It has been suggested that Michigan law allow universities the opportunity to sell alcohol at intercollegiate athletic events.

PREVIOUS LEGISLATION

(Please note: This section does not provide a comprehensive account of all previous legislative efforts on the relevant subject matter.)

The bill is a reintroduction of Senate Bill 1125 of the 2021-2022 Legislative Session.

Legislative Analyst: Eleni Lionas

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on State government and no significant fiscal impact on local units of government.

Under the bill, universities would be able to obtain a class C license, a tavern license, or some combination of both, with a maximum of five licenses. The revenue generated from license fees would have no significant fiscal impact on the MLCC. The fee revenue would be used to conduct the MLCC's regulatory activities.

It is possible that the bill would result in increased tax revenue of an unknown magnitude. This would occur if the availability of alcohol for purchase at intercollegiate events as described in the bill were to result in an overall increase in alcohol sales when compared to the present consumption volume. It is not possible to predict whether any significant increase in purchases, and therefore tax revenue, would occur to a degree sufficient to have a meaningful impact on State revenue. The potential for increased revenue to the State also would be affected by the number of eligible universities granted a license, the number of persons attending intercollegiate events, and other factors.

It is also possible that the availability of alcoholic beverages at these events could affect the types of alcohol consumed. As beer, wine, distilled spirits, and mixed spirits drinks are subject to different specific taxes, this could result in minor changes to the magnitude and type of revenue generated; however, it is unlikely that such changes would have a significant fiscal impact due to the large overall volume of alcohol sales in the State compared to the volume likely to be sold under the specific circumstances described in the bill.

If purchases of alcoholic beverages were to increase as a result of the bill, the affected funds potentially would include the General Fund, Convention Facilities Fund, and the School Aid Fund. The 6.0% sales tax also would apply to these purchases. Sales tax revenue is directed to several specific purchases under statute, including the School Aid Fund, the General Fund, local revenue sharing, and the Comprehensive Transportation Fund.

Finally, the bill could have a positive fiscal impact on universities that choose to pursue a license under the bill through revenue generated by alcohol sales at sporting events. The amount of revenue would depend on myriad factors that would vary significantly by institution, with game attendance likely being the largest factor. Financial statements required by the National Collegiate Athletic Association do not require alcohol sales to be separately itemized from other concessions revenue, but various media sources have reported that net revenue from the sale of alcoholic beverages at athletic events at the University of Minnesota and Ohio State University average between \$1.0 and \$1.5 million annually.

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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.