

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

SFA



BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986
TDD: (517) 373-0543

Senate Bill 331 (as enrolled)
Sponsor: Senator Glenn D. Steil
Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 5-8-01

RATIONALE

The Michigan Liquor Control Code includes various classes of licenses for the retail sale of beer, wine, and liquor for on-premises consumption, but there is no license classification currently in Michigan law that is specifically for private-membership clubs that operate as a for-profit venture. Private-membership clubs, such as Knights of Columbus, fraternal clubs like the Elks, or veterans' organizations like the American Legion, can receive an on-premises liquor license as long as they operate as not-for-profit entities. Other on-premises licenses, such as a Class C license for the on-premises sale and consumption of beer, wine, and liquor or a tavern license for the on-premises sale and consumption of beer and wine, are available to profit-making enterprises, but they must be open to the public. Reportedly, for-profit, private-membership golf courses are becoming more common in Michigan and some people believe that the Code should include a classification of liquor license that applies specifically to those operations.

CONTENT

The bill would amend the Michigan Liquor Control Code to do all of the following:

- **Add two license classes, "Class G-1" and "Class G-2", for private-membership golf courses.**
- **Allow an on-premises licensee of any class to reclassify to another class of on-premises license.**
- **Revise provisions pertaining to a liquor license issued to a "club".**
- **Delete a provision under which the Liquor Control Commission may not approve more than one wine-tasting location, per wine maker, in a licensing year.**

Private-Membership Golf Courses

Under the bill, "Class G-1 license" would mean a place licensed to sell beer, wine, mixed spirit drinks, and spirits, at retail, for on-premises consumption at a golf course having at least 18 holes that measured at least 5,000 yards. "Class G-2 license" would mean a place licensed to sell beer and wine, at retail, for on-premises consumption at such a golf course. Either license could be issued only to a facility that allowed member access by means of payments that included annual paid membership fees.

A Class G-1 license would permit beer, wine, mixed spirit drinks, and spirits to be sold for on-premises consumption only to members required to pay an annual membership fee. A Class G-2 license would permit beer and wine to be sold for on-premises consumption only to members required to pay an annual membership fee. In both cases, consumption would be limited to members and their bona fide guests.

The fee for a Class G-1 license would be \$1,000, and the fee for a Class G-2 license would be \$500.

License Transfer or Reclassification

Under the Code, a local governmental unit's liquor license quota does not bar the right of an existing licensee to renew or transfer the license and does not bar the right of a tavern or Class A hotel from requesting reclassification of a license to Class C, subject to the Commission's consent, unless local option laws prevent the sale of spirits and mixed spirit drinks. The bill provides instead that a local quota would not bar the right of a licensee to renew or transfer a license and

would not bar the right of an on-premises licensee of any class to reclassify to another class of on-premises license in a manner not in violation of law, subject to the Commission's consent.

The bill also specifies that, subject to the Code's limitations and quotas and to local legislative approval, the Commission could approve the transfer of ownership and location of an on-premises escrowed license within the same county to a Class G-1 or G-2 license, or could approve the reclassification to a Class G-1 or G-2 license of an existing on-premises licensee at the location to be licensed. A resort or economic development on-premises license created under the Code, however, could not be issued as or reclassified to a Class G-1 or G-2 license.

Clubs

Under the Code, "club" means an association, the majority of whose members are citizens, for the promotion of some common object not including associations organized for a commercial or business purpose, the object of which is money profit, owning, hiring, or leasing a building, or space in a building, of an extent and character that in the Commission's judgment may be suitable and adequate for the reasonable and comfortable use and accommodation of its members and their guests. Under the bill, "club" would mean a nonprofit association organized for the promotion of some common purpose, the object of which was owning, hiring, or leasing a building, or space in a building, of an extent and character that in the Commission's judgment could be suitable and adequate for the reasonable and comfortable use and accommodation of its members and their guests, but would not include an association organized for a commercial or business purpose.

A club licensed under the Code may sell beer, wine, mixed spirit drinks, and spirits for on-premises consumption only to bona fide members who have attained the age of 21 years. The bill also would limit consumption to members and their bona fide guests.

MCL 436.1107 et al.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Liquor licenses that are currently available under the Michigan Liquor Control Code for on-premises consumption of beer, wine, and liquor are geared toward either businesses that serve the public at-large or private-membership clubs that operate on a not-for-profit basis. Reportedly, private-membership, for-profit enterprises, such as some golf courses, have had to use creative arrangements to secure a liquor license. Some apparently have established a nonprofit subsidiary to own and operate the club's restaurant and lounge, thereby qualifying for a club license under the Code. Others have a liquor sales operation that is technically open to the public, even though it is located on the grounds of the private club, so that they may qualify for a Class C or tavern license.

Private-membership golf clubs that operate on a profit-making basis apparently are becoming more popular in Michigan, and the Liquor Control Code should have a license classification designated specifically for these types of clubs. By creating Class G-1 and Class G-2 liquor licenses for private-membership, for-profit golf courses, the bill would accommodate a type of enterprise that currently has difficulty qualifying for a liquor license. The bill would not create additional liquor licenses, since the total number of on-premises licenses allowed under a local unit's quota would be unchanged. The bill simply would create new classifications of an on-premises license.

Supporting Argument

The bill would remove unnecessary language from the Code by deleting an outdated provision under which the Commission is not supposed to approve more than one wine-tasting location, per wine maker, in a licensing year. According to the Commission, this language serves no legitimate regulatory purpose.

Legislative Analyst: P. Affholter

FISCAL IMPACT

The bill would create two new classes of licenses for privately owned golf clubs. The additional revenue generated by the license fees would be used to offset the cost of regulating these new license classifications. Of this revenue, 55% would go to the local unit of government.

Fiscal Analyst: M. Tyszkiewicz

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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.