

MICHIGAN CRAFT BEVERAGE COUNCIL: FUNDING

Phone: (517) 373-8080
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Senate Bill 440 (reported from committee as substitute H-1)

Sponsor: Sen. Goeff Hansen

House Committee: Regulatory Reform

Senate Committee: Regulatory Reform

Complete to 5-2-18

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

Senate Bill 440 would amend the Michigan Liquor Control Code to create the Michigan Craft Beverage Council Fund, restrict how money in the Fund can be expended, provide for the money in the former Grape and Wine Industry Council account to be transferred into the Fund, and remove the option for money deposited to the Liquor Control Commission to be credited to the state General Fund.

The bill is tie-barred to House Bill 4667, meaning that SB 440 could not take effect unless HB 4667 were also enacted. House Bill 4667, among other things, would rename the Grape and Wine Industry Council as the “Michigan Craft Beverage Council,” revise the Council’s membership, and modify its duties.

Currently, all money deposited to the Liquor Control Commission with the state treasurer must either be credited to the revolving fund for expenditures authorized by the Code (e.g., administering the Code) or be credited to the General Fund to be available for the purposes for which the General Fund is available. Senate Bill 440 would amend the Code to delete the latter option (for the money to be credited to the General Fund), meaning that the money deposited to the Commission would have to be credited to the revolving fund.

The bill would also create the Michigan Craft Beverage Council Fund within the state treasury. The state treasurer could receive money or other assets from any source for deposit into the Fund, would direct the Fund’s investment, and would have to credit to the Fund interest and earnings from Fund investments. Money in the Fund at the end of the fiscal year would remain in the Fund and not lapse to the General Fund.

Money from the Fund would have to be expended annually, upon appropriation, for the following:

- Not more than \$80,000 could be used by the Department of Agriculture and Rural Development to administer the grants program under Section 303 of the Code (as revised by House Bill 4667).
- After the above expenditure is made, not less than 50% of the money expended would have to be used for grants concerning fruits used in wine making or hops, barley, beer, and spirits, including such things as methods of planting.
- For grants awarded for certain projects under Section 303(7)(b), per proposed amendments by House Bill 4667.

- For the Council to carry out its responsibilities under the Code.

However, the bill would authorize the Council to expend money from grants received from federal, state, or public or private agencies for the purposes and subject to the conditions for which it was received.

Further, any money in the former Grape and Wine Industry Council account on the bill's effective date would have to be transferred to the Michigan Craft Beverage Council Fund.

Senate Bill 440 would take effect October 1, 2018.

MCL 426.1221 et al.

FISCAL IMPACT:

Background

The Michigan Grape and Wine Industry Council was established in 1998 under Section 303 of the Michigan Liquor Control Code of 1998 as an agency within the Michigan Department of Agriculture. Executive Reorganization Order 2014-2 abolished the statutory Michigan Grape and Wine Council and transferred all of the statutory authority, powers, duties, functions, and responsibilities under Section 303 of the Code to a new Michigan Grape and Wine Industry Council under the Michigan Department of Agriculture and Rural Development (MDARD). As currently provided under Section 303, the Council is directed to: provide for research on wine grapes and wines; provide the wine industry with information on the proper methods of handling and selling wine grapes and wine; provide for market surveys and analysis; promote the sale of Michigan wine grapes and wines; and develop and administer financial aid programs to wine grape growers to encourage the planting of desirable wine grapes in Michigan.

A number of licensing and regulatory fees are established under the Michigan Liquor Code. Section 543 of the Code provides for the distribution of fee revenue. Retail license and renewal fees have been earmarked for enforcement of the licensing and regulatory enforcement provisions of the Liquor Code. All other license and license renewal fees, i.e. fees other than retail license and renewal fees, were earmarked to the Michigan Grape and Wine Industry Council. The fees earmarked to the Grape and Wine Industry Council in Section 543 were designated in MDARD budget as "non-retail liquor fees." Between FY 2013-14 and FY 2015-16 these non-retail liquor fees generated approximately \$800,000 annually.

Senate Bill 929 of 2016, enacted as Public Act 434 of 2016, changed this statutory earmark. This amending act excluded "wholesale vendor license and license renewal fees" from the non-retail licensing and regulatory fees earmarked to the Michigan Grape and Wine Industry Council. This change, effective January 1, 2017, reduces revenue to the Michigan Grape and Wine Industry Council by an estimated \$170,000 per year.

The FY 2016-17 MDARD budget included \$921,000 (\$875,600 from non-retail liquor fees) in ongoing support for the Grape and Wine Industry Council, plus \$170,000 in one-time General Fund support. The FY 2017-18 MDARD budget included \$927,000 in ongoing support (\$877,900 from non-retail liquor fees).

Fiscal

Senate Bill 440 would amend Section 543 of the Michigan Liquor Control Code regarding non-retail liquor fees, other than wholesale vendor license and license renewal fees; the bill would earmark fee revenue to the Michigan Craft Beverage Council Fund, created in Section 303a of the bill, rather than the Michigan Grape and Wine Industry Council.

In addition, the bill, in new Section 303a, directs the annual appropriation and expenditure of Michigan Craft Beverage Council Fund revenue as follows:

Not more than \$80,000 from the fund, for MDARD grant administration.

Not less than 50% of fund revenue, after expenditure for grant administration, for grants under Section 303(7)(a). Section 303(7)(a) authorizes the Michigan Craft Beverage Council to direct MDARD to award research grants related to both the grape and wine industry and to the brewing and distilling industries.

For grants under Section 303(7)(b). Section 303(7)(b) authorizes the Michigan Craft Beverage Council to direct MDARD to issue grants for projects that provide information, market surveys, promotion, and financial aid related to both the grape and wine industry and the brewing and distilling industries.

For Michigan Craft Beverage Council responsibilities under the act.

The descriptions of Section 303(7)(a) and 303(7)(b), above, are as those provisions would be amended in a companion bill, House Bill 4667, to which Senate Bill 440 is tie-barred.

House Bill 4667

Currently Section 303 of the Michigan Liquor Code establishes a number of program responsibilities for the Michigan Grape and Wine Council. House Bill 4667 amends this section to create the Michigan Craft Beverage Council and to establish responsibilities for the Michigan Craft Beverage Council.

As described above, the bill would authorize the Michigan Craft Beverage Council to direct MDARD to award grants for research as well as for projects that provide information, market survey, promotion, and financial aid related to brewing and distilling industries as well as to the grape and wine industry.

Conclusion

Neither Senate Bill 440 nor House Bill 4667 provides for new or increased fee revenue. Without additional funding, the additional program activities established in Senate Bill 440

and House Bill 4667, including the minimum research requirements, would have to be funded out of existing Council resources.

The required level of funding for research under Senate Bill 440 is higher than that currently expended by the Grape and Wine Industry Council. Currently the Council awards grants, primarily to Michigan State University researchers, to fund various wine grape research proposals.¹ According to Council's internal budget documents in FY 2016-17, only \$138,785 was provided for "viticulture and enology" research proposals— roughly 15% of the Council's annual budget. The Council's FY 2017-18 budget for research proposals is \$136,000. Requiring that the Michigan Craft Beverage Council spend at least 50% of its annual budget on research grants would have a significant impact on Council operations.

Neither Senate Bill 440 nor House Bill 4667 appears to have a fiscal impact on the Department of Licensing and Regulatory Affairs.

POSITIONS:

The Michigan Wine Producers Association indicated support for the bill. (4-25-18)

The Michigan Brewers Guild indicated support for the bill. (4-25-18)

The Michigan Department of Agriculture and Rural Development indicated a neutral position on the bill. (4-25-18)

The Michigan Liquor Control Commission has no position on the bill. (4-25-18)

Legislative Analyst: Susan Stutzky
Fiscal Analyst: William E. Hamilton

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

¹ See <https://www.michiganwines.com/research>