LARA
LICENSING AND REGULATORY AFFAIRS
CUSTOMER DRIVEN. BUSINESS MINDED.

House Regulatory Reform Committee

Presentation by

Michigan Liquor Control Commission

Andy Deloney

Chairman

March 11, 2015

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Funding:

The Michigan Liquor Control Commission (MLCC) is funded from three sources, two of which are the primary sources. The two primary sources are:

- *Liquor Purchase Revolving Fund (LPRF)*
- *Liquor License Fees*

Another source is the Direct Shipper Enforcement Revolving Fund.

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FY 15 Sources of Funding and the Budget

MLCC Funding and Budget – FY 15

TOTAL SOURCES OF FUNDING	P.A. 252	TOTAL	PERCENT
DIRECT SHIPPER ENFORCEMENT REVOLVING FUND	$124,800	$124,800	0.640%
LIQUOR LICENSE REVENUE	$7,820,000	$7,820,000	40.100%
LIQUOR PURCHASE REVOLVING FUND	$11,556,600	$11,556,600	59.260%
TOTAL RESTRICTED	**$19,501,400**	**$19,501,400**	**100.000%**
GENERAL FUND/GENERAL PURPOSE	**$0**	**$0**	**0.000%**
TOTAL	**$19,501,400**	**$19,501,400**	**100.000%**

MLCC Expenditures Budget

The MLCC's expenditures are broken into two categories:

- Management Support
- Licensing and Enforcement

MLCC Management Support – FY 15

Management Support includes MLCC Management and various support staff.

SOURCES OF FUNDING	P.A. 252	TOTAL	PERCENT
LIQUOR PURCHASE REVOLVING FUND	$4,378,800	$4,378,800	100.000%
TOTAL RESTRICTED	**$4,378,800**	**$4,378,800**	**100.000%**
GENERAL FUND/GENERAL PURPOSE	**$0**	**$0**	**0.000%**
TOTAL	**$4,378,800**	**$4,378,800**	**100.000%**

MLCC Licensing and Enforcement – FY 15

Licensing and Enforcement includes the Licensing Division, the Enforcement Division, and the Executive Services Division.

SOURCES OF FUNDING	P.A. 252	TOTAL	PERCENT
DIRECT SHIPPER ENFORCEMENT REVOLVING FUND	$124,800	$124,800	0.825%
LIQUOR LICENSE REVENUE	$7,820,000	$7,820,000	51.711%
LIQUOR PURCHASE REVOLVING FUND	$7,177,800	$7,177,800	47.464%
TOTAL RESTRICTED	**$15,122,600**	**$15,122,600**	**100.000%**
GENERAL FUND/GENERAL PURPOSE	**$0**	**$0**	**0.000%**
TOTAL	**$15,122,600**	**$15,122,600**	**100.000%**

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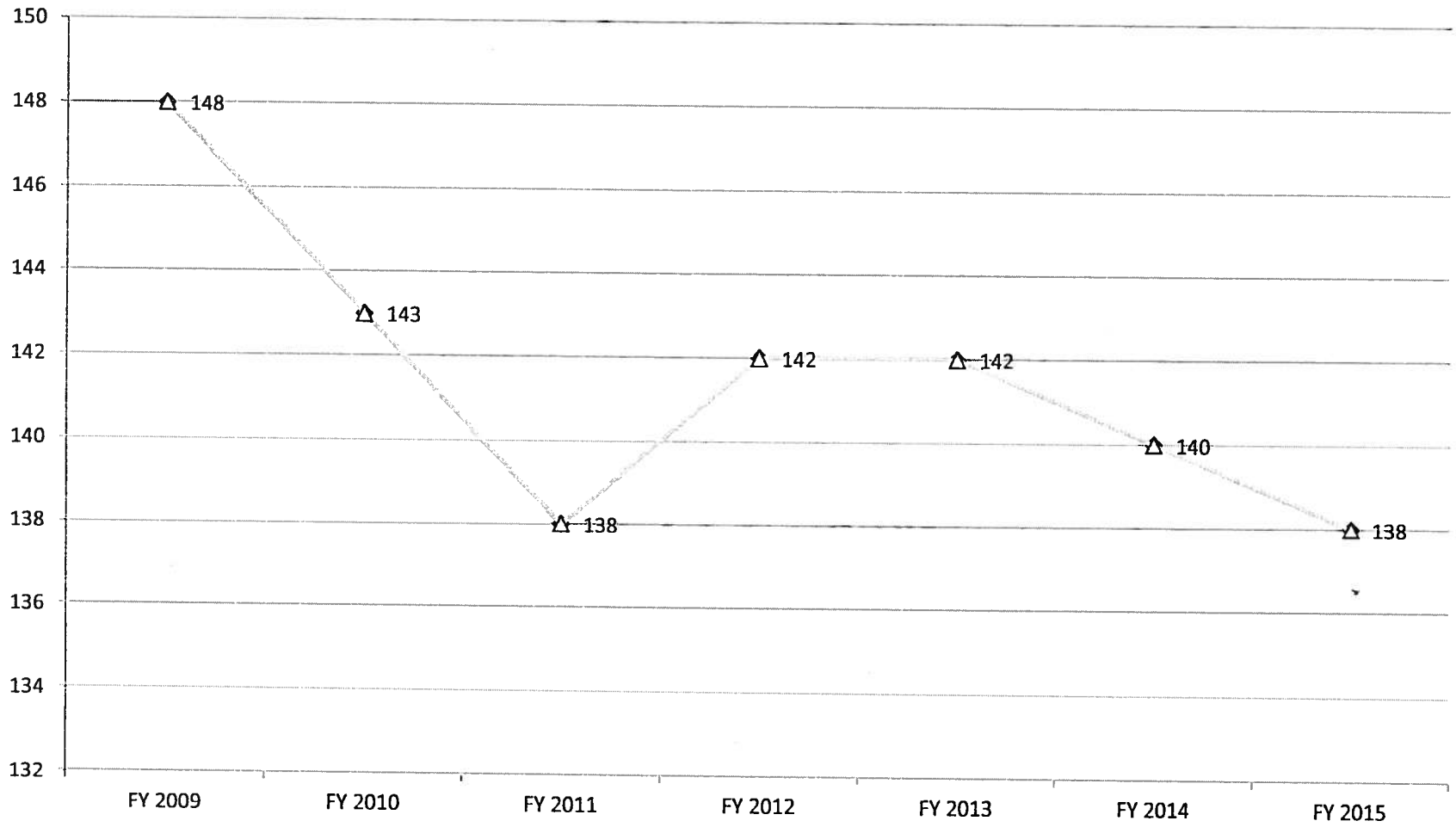
Commission Staffing

Total Number of Staff by Year



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Liquor Purchase Revolving Fund (LPRF)

The Michigan Liquor Control Commission

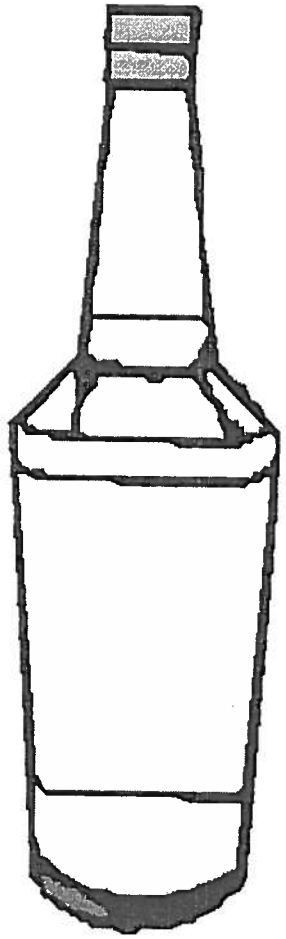
PRICE ANALYSIS OF SAMPLE BOTTLE

750 ml 80 PROOF SPIRITS

Retail Price to Consumer with 65% Markup by MLCC = $10.00

(Effective October 1, 2012)

Liquor Tax	**$1.08**
Distribution	
4% Specific Tax (Convention Facilities) .36	
4% Specific Tax (School Aid) .36	
4% Specific Tax (General Fund) .36	
Licensee Profit (through discount)	**$1.52**
LCC Profit (Net after Licensee discount)	**$2.00**
Federal Excise Tax ($13.50 per proof gallon, paid by distillery or importer)	**$2.14**
Distillery or Importer	**$3.26**
TOTAL MINIMUM SELLING PRICE:	**$10.00**



Liquor Purchase Revolving Fund – FY 14

Total Sales of Distilled Spirits		$ 1,153,000,427
Less: Licensee Discount of 17%		$ 195,936,076
Proceeds from Sales of Distilled Spirits		$ 957,064,351
Less: Cost of Distilled Spirits - Sold		$ 698,828,208
Total Revenue from Sales of Distilled Spirits		$ 258,236,143
Add: Miscellaneous Revenue		$ 59,259
Total Net Revenue before Expenditures		$ 258,295,402
Less: Distilled Spirit Distribution Expenditures	$ 57,840,800	
Less: MLCC Direct Expenditures	$ 12,259,042	
Less: Payments Made to Other Agencies	$ 11,354,773	
Total Expenditures and Payments		$ 81,454,615
Total Net Income from Sales of Distilled Spirits		$ 176,840,787

Liquor Purchase Revolving Fund – FY 14

- The total sales of distilled spirits represents a 4.9% increase in dollars from FY 13.
- The total number of cases of distilled spirits sold during FY 14 was 7.7 million. This is an increase of 2.3% from FY 13.
- Net Income from the sales of distilled spirits increased $8.2 million, or 4.9% from FY 13.

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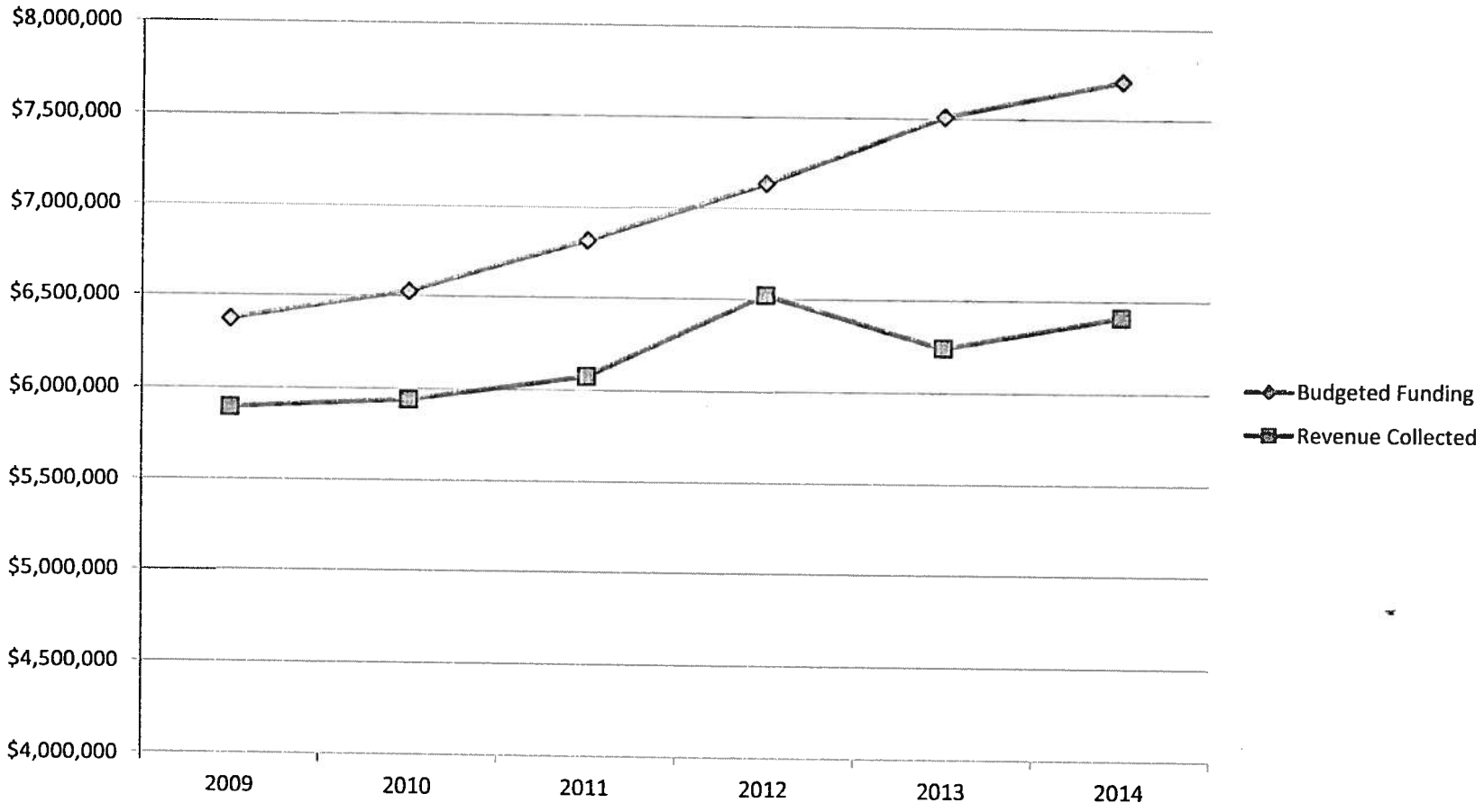
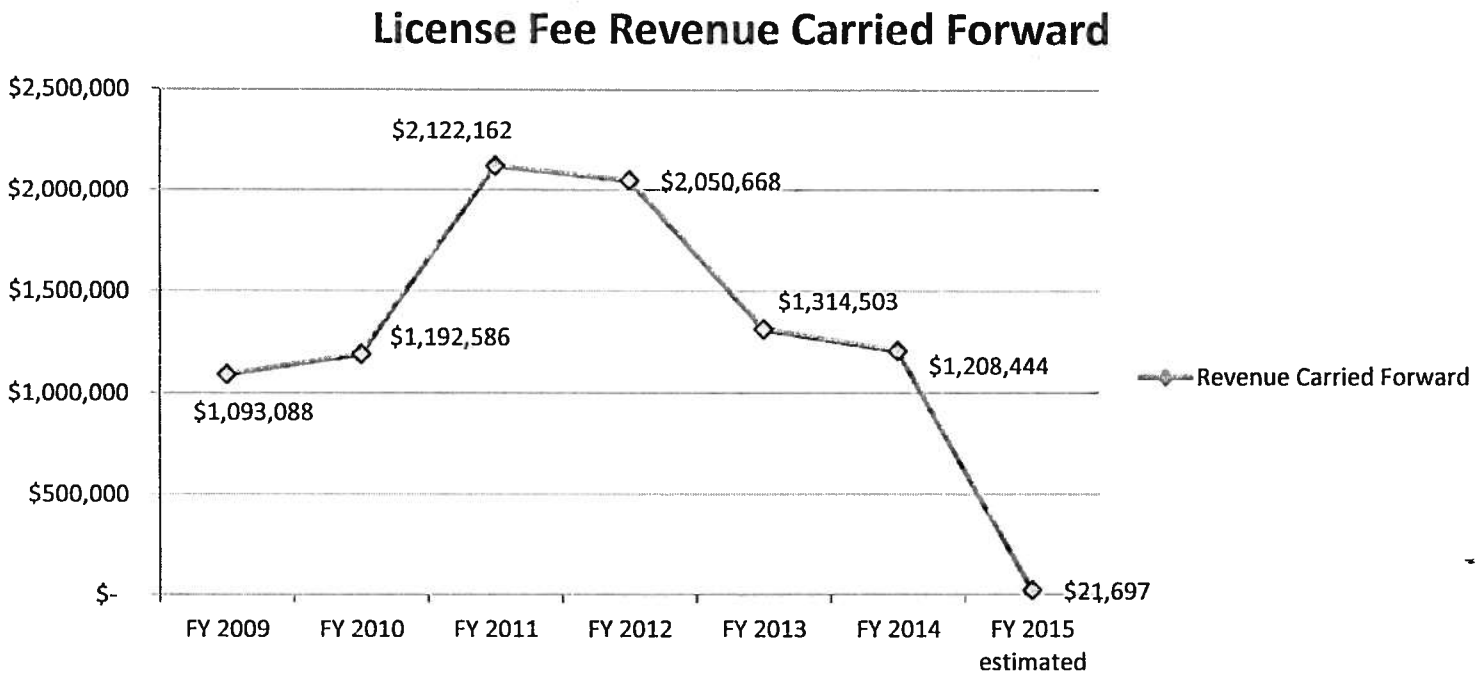
License Fee Revenue
Budgeted vs Actual Collected

MLCC License Revenue – Budgeted vs Actual Collected



MLCC License Fee Revenue Fund Balance



One of the causes of the decreasing MLCC License Fee Revenue Fund Balance is the previous administration's decision in the FY 2006 budget to change the historic LPRF/License Fee funding ratio for Licensing and Enforcement from 54% LPRF/46% License Fees to 47% LPRF/53% License Fees.

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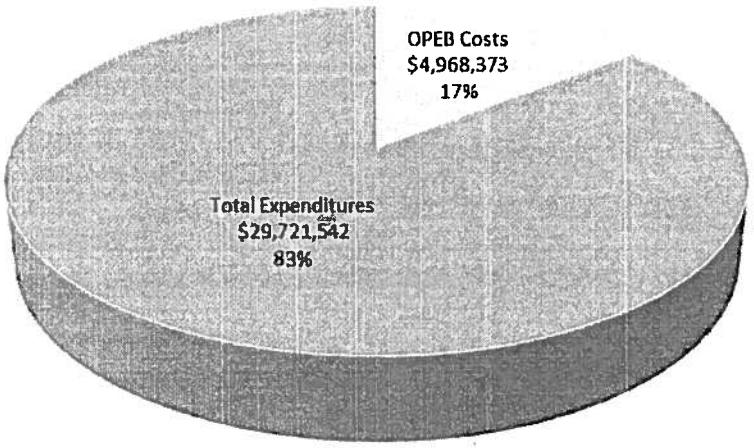
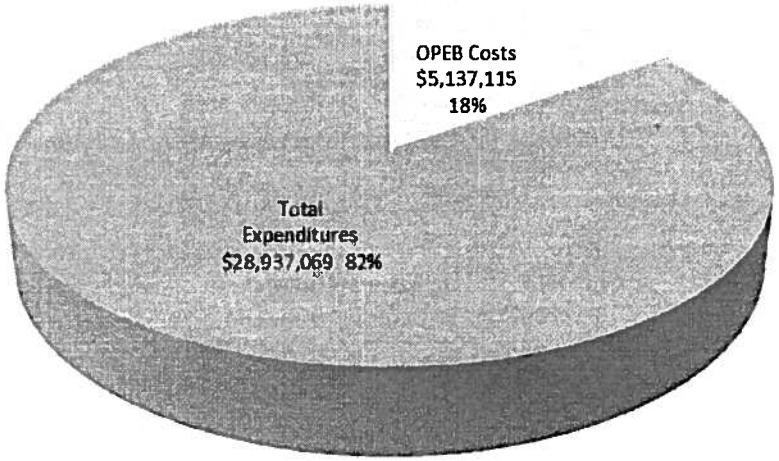
Recent Increase in MLCC Expenditures

Total OPEB Costs From All Revenue Sources



FY2014



FY2013

OPEB Costs were first charged to the MLCC in FY 2012.

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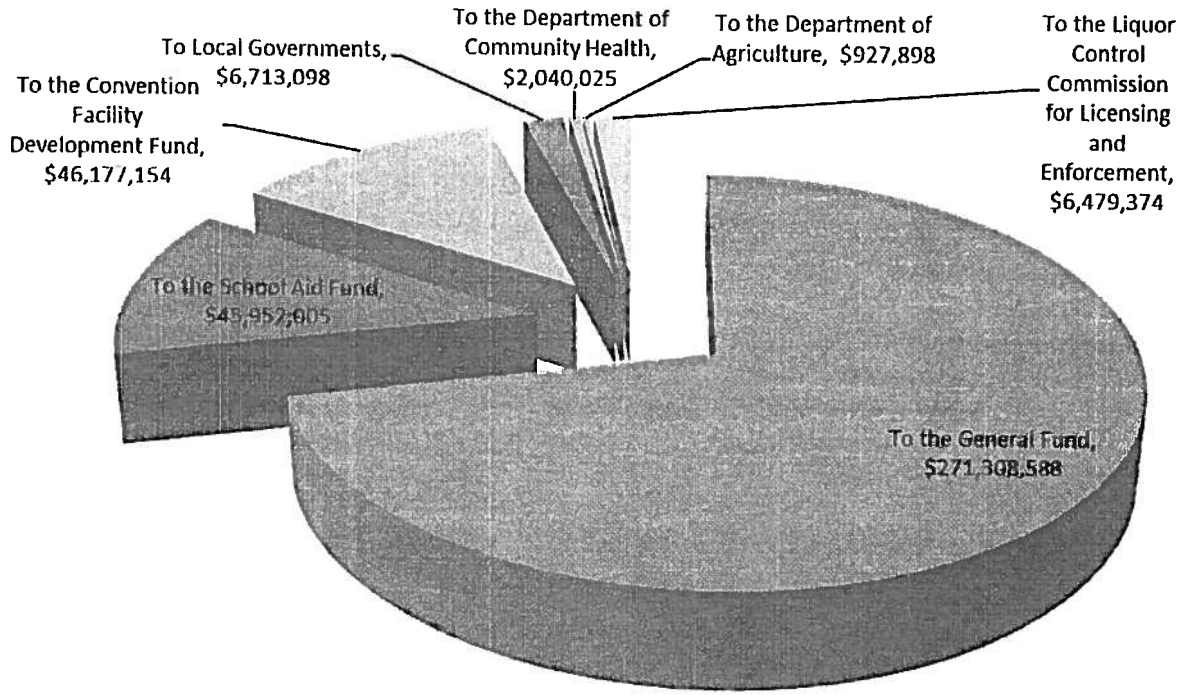
Revenue Collected

Distribution of Total Revenue Collected in FY14



The MLCC collected total revenue of $379,598,142 during FY 14.

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Governor's Recommendation for License Fee Increases

Proposed Increase in License Fees

License Type	Notes	Date of Last Change	Current Fee	Suggested Fee	50% Reduction of Fee after 3rd Year
Class C		1976	600	900	750
B-Hotel	**	1976	600	900	750
Tavern		1976	250	375	313
A-Hotel	&	1976	250	375	313
Class C Resort		1976	600	900	750
B-Hotel Resort		1976	600	900	750
A-Hotel Resort	&	1976	250	375	313
Tavern Resort		1976	250	375	313
Club	#	1976	523	785	654
SDD	*	1976	704	1056	880
SDM		1976	100	150	125
Aircraft		1986	600	900	750
SDD Resort	*	1976	704	1056	880
Watercraft	^	1976	100	150	125
Train		1976	100	150	125
G1		1998	1000	1500	1250
G2		1998	500	750	625
24 hr permits		1976	25	38	32

** Current formula is $600 + $3 for every bedroom over 20.

& Current formula is $250 + $1 for every bedroom over 20.

Current formula is $300 + $1 for every member over 150, max fee $750. Projected fee is $450 + 1.50 for every member over 150, max. fee $1125. Average fee is used in table.

* Current formula is $150 + $3 for every $1,000 of sales over $25,000. Projected fee is $225 + $4.50 for every $1,000 of sales over $25,000. Average fee is used in table.

^ Current formula for watercraft is variable at $100 + $1 per person capacity, max $500.