

## **Remove fingerprinting & financial verification requirements for alcohol license applicants**

Currently, applicants for liquor licenses must be fingerprinted. Their fingerprints are run through the Automated Fingerprint Identification System (AFIS), which will indicate if applicants have a record for any crimes in Michigan or other states. Based on faulty information, many members of the LCARC voted to eliminate this vital step for all applicants. The ORR is now recommending moving away from this reliable system and to replace it with the Law Enforcement Information Network (LEIN), National Crime Information Center (NCIC) and Internet Criminal History Access Tool (ICHAT) checks based only on the name supplied by the applicant.

Eliminating this process for existing licensees (those that have already been fingerprinted) that are seeking to expand or open additional licensed establishments makes sense. However, for new applicants this vital step must take place to ensure that the MLCC actually knows the identity of the person asking for a license. While running LEIN, NCIC and ICHAT will reveal the criminal history of the name supplied, it will not reveal the criminal history of an applicant that has provided a false name.

By no longer requiring fingerprints, law enforcement and the MLCC will be limited in their ability to keep convicted criminals from receiving liquor licenses. This increases the risk that convicted criminals will own and operate licensed establishments within our communities. This does nothing to help economic development. On the other hand, it does a lot to put the public at risk.

Perhaps better than any other example, this recommendation demonstrates the flawed makeup of the LCARC committee. The panel had no representative from local and municipal-level law enforcement, who perform the majority of fingerprinting and background checks. Because law enforcement entities at the most local levels were not represented at all on the LCARC to point out this fact, many panel members – through no fault of their own – may not have been made aware of this frontline reality and voted on the issue without full knowledge of its impact.

Fingerprinting is a necessary part of the process of performing reliable criminal history checks and the bulk of this task is done by local, municipal law enforcement. It is a time tested fact that fingerprints are the most cost-effective way for law enforcement to reliably determine who they are dealing with and is way more effective than simply relying on the name a person supplies.

Currently, all applicants must verify their financing arrangements before they are eligible for a license. These checks are designed to ensure that applicants have sound financial resources and that they are not using illegal funds. These checks also determine who the true owner of the proposed licensed establishment will be. The LCARC and the ORR have made the irresponsible recommendation that verification of finances be eliminated for all applicants. In other words, they are recommending the state look the other way when it comes to who owns licensed establishment, who funds licensed

establishments, where financing came from and whether a proposed licensee is financially capable of running an establishment.

In place of these safeguards, the LCARC and ORR recommend that applicants simply provide a sworn affidavit attesting to the source and legitimacy of funds used to buy or start the business. However, they go on to recommend that even that ineffective measure shall not be required for applicants who are publicly traded corporations, LLCs or partnerships, or subsidiaries of such a publicly traded entity.

While removing the verification of financing for existing licensees that are expanding or acquiring new licensees may make sense, removing the verification of financial information for new applicants, or previously rescinded applicants will promote illegal enterprises, financially unstable licensees, illegal acts and unfair competition to legitimate businesses, thereby placing public health and safety at risk.

Applicants must have enough funds to purchase and operate the business for which they apply. If they are underfunded and face financial pressures as a consequence, they may be inclined to resort to tactics such as selling to underage people and allowing over-consumption to make the money they need to stay in business. Moreover, people who do not use their own funds, or are not responsible for the funds that have been invested into a licensed establishment, will have significantly less motivation to operate their businesses within the law.

Not verifying the funds of a new applicant or a previously rescinded applicant at any stage of the investigation or allowing a “sworn affidavit” will allow people to claim they are getting the funds – and they may never get them. A worst scenario would be funds acquired through illegal enterprises such as gambling, the sale of drugs and other illegal activities.

If the financing for first time applicants and previously rescinded applicants is not investigated and verified, the MLCC will not know who owns the business, who is operating the business or who is receiving the profits of the business. A licensee who has their license revoked could finance the new “owner” of the business and still be controlling the operation.

A proper investigation of all finances used to purchase a liquor licensed business that scrutinizes and verifies all funding as legitimate before the license is issued is essential to protect the health, welfare and overall interests of the citizens of Michigan. It also protects legitimate licensees who have invested their lives into their businesses from unfair competition financed by illegal enterprises.