

CONTESTS AND TOURNAMENTS IN BARS

House Bill 5946 as passed by the House Second Analysis (1-20-99)

Sponsor: Rep. Pat Gagliardi
Committee: Regulatory Affairs

THE APPARENT PROBLEM:

Liquor Control Commission rules (Michigan Administrative Code, R 436.1435) prohibit an on-premise liquor licensee from allowing contests (for instance, darts, pinball, pool, and fooseball) in which the licensee or any other person gives away anything of value in excess of \$50 (except by written order of the commission), and prohibit a licensee from accepting or retaining anything of value in exchange for sponsoring or promoting a contest or tournament. It is also prohibited to allow a contest or tournament in which the sale, use, or consumption of alcohol is a necessary part, or in which alcohol is given as a prize. Further, except as permitted by this rule or a commission order, a licensee cannot allow promotions on the premises without "adequate and appropriate consideration", and cannot accept or retain anything of value from a person in exchange for sponsoring a promotion.

Legislation has been offered to place this language in statute. In addition, it has been pointed out that recent legislation now permits bowling leagues to sponsor various bowling games as long as certain criteria are met, which includes a \$1,000 prize cap per game. Since bowling alleys are licensed for on-premise liquor consumption, a situation now exists in which contests with up to \$1,000 in prizes can be offered in one type of licensed establishment but only up to \$50 in another. It has been suggested that the prize limit for contests held in bars and restaurants also be raised to \$1,000.

In a separate matter, the city of Detroit, by virtue of having over one million in population, is excluded from the regulations that an on-premise liquor license or a dance, entertainment, or topless activity permit be approved by the local legislative body. In light of the possible drop in Detroit's population when the 2000 census figures are reported, it has been suggested that the threshold for the exemption should be lowered from million to 750,000 to accommodate any population decline.

THE CONTENT OF THE BILL:

House Bill 5946 would place language from administrative rules, regarding the holding of contests on licensed premises, in the Michigan Liquor Control Code of 1998 and would raise the prize limit for contests from \$50 to \$1000. Further, the code exempts any city with a population of one million or more from having an application for an on-premise license or a dance, entertainment, or topless activity permit be approved by the local legislative body. The bill would lower the population threshold from one million to 750,000.

MCL 436.1501, 436.1916, and 436.1016

FISCAL IMPLICATIONS:

Fiscal information is not available.

ARGUMENTS:

For:

Many bars and restaurants licensed to serve alcoholic beverages offer various contests and tournaments for their patrons such as darts, pool, pinball, and fooseball. However, where bowling alleys are permitted to offer league-sponsored games with prizes up to \$1,000 without incurring license sanctions from the Liquor Control Commission, on-premise licensees other than bowling alleys are limited to giving away prizes of \$50 or less. Similarly, a pool hall that does not serve alcohol can sponsor tournaments with a high prize limit, but a bar would be restricted to a prize of \$50 for a similar tournament. Many believe that this results in unfair competition between on-premise licensees and bowling alleys and unlicensed establishments. Currently, the commission has been considering changing the administrative rules to raise the prize limit to \$500, but the bill would create a more equal playing field by setting the prize limit at

the same level as that allowed for league-sponsored games held at bowling alleys.

POSITIONS:

The Michigan Coin Operators Association supports the bill. (12-2-98)

The Michigan Licensed Beverage Association supports the bill. (12-2-98)

Analyst: S. Stutzky

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