

# Redbook

## LBO Analysis of Executive Budget Proposal

### Liquor Control Commission

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March 2019

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# LBO Redbook

## Liquor Control Commission

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### Quick look...

- The Liquor Control Commission (LCO) is an adjudication and rulemaking body that oversees Ohio's alcoholic beverage industry. The Commission consists of three members appointed by the Governor and has four full-time staff as of March 2019.
- The Commission is a quasi-judicial body that hears administrative cases against permit holders for alleged violations of Ohio's liquor laws and certain other matters related to these businesses.
  - There were over 2,000 cases heard in FY 2018.
  - Approximately \$940,000 in forfeiture revenue was transferred to the GRF in FY 2018.
- Over 35,000 permits were renewed or transferred and nearly \$42 million in permit fees were collected in FY 2018.
  - Of this amount, \$18.3 million was deposited into the State Liquor Regulatory Fund to support statewide regulation of liquor, a portion of which went to LCO. Next, \$14.3 million was returned to local taxing districts, and \$8.0 million was allocated to the Department of Mental Health and Addiction Services.

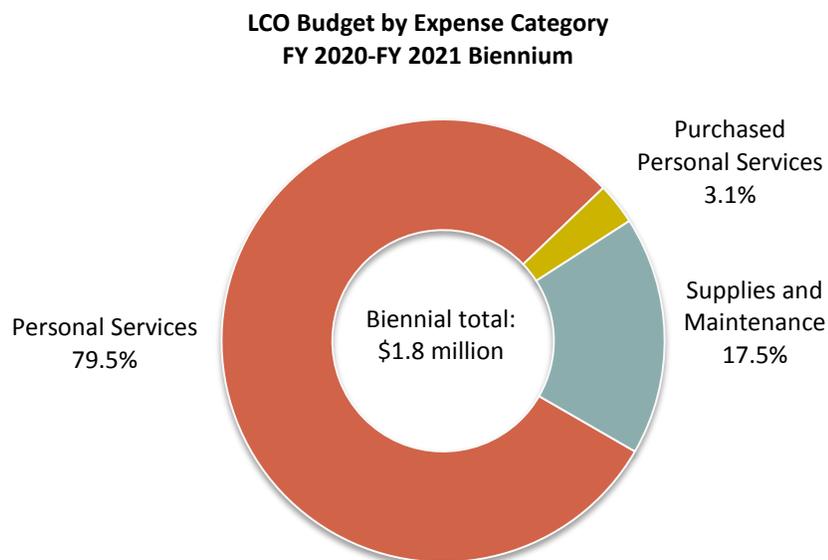
FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
<b>Fund 5LP0 ALI 970601, Commission Operating Expenses</b>					
\$761,571	\$758,636	\$778,556	\$851,269	\$873,607	\$905,916
% change	-0.4%	2.6%	9.3%	2.6%	3.7%

### Agency overview

The Liquor Control Commission (LCO) is the rulemaking and adjudication agency that oversees the alcohol beverage industry in Ohio. The Commission's mission is to ensure compliance with Ohio's liquor laws and regulations. This requires LCO to work with the Department of Commerce's Division of Liquor Control, which issues liquor permits, and the Attorney General and Department of Public Safety, which are involved with investigating and enforcing liquor violations alongside LCO. The Commission's responsibilities include (1) making and interpreting rules regarding liquor production, sales, and advertising, (2) hearing and ruling on cases regarding alleged liquor permit violations, (3) hearing and ruling on appeals of the Division of Liquor Control decisions concerning liquor permit renewals and distribution, and (4) hearing and ruling on appeals of liquor permit revocations and of permit nonrenewals based on tax delinquencies. The Commission consists of three members appointed by the Governor for six-year terms. In addition to the three salaried appointed members, LCO employed four full-time staff, including the Executive Director, as of March 2019.

## Analysis of FY 2020-FY 2021 budget proposal

The executive recommended budget of \$873,607 in FY 2020 and \$905,916 in FY 2021 factors in increases for employee payroll related to collective bargaining increases for union employees and parity pay increases for LCO's exempt staff. The proposed budget also provides for anticipated increases in IT and Central Service Agency (CSA) costs charged by the Department of Administrative Services. Purchased personal services costs dealing with hearings can be harder to predict. Variables include the length of hearing days, the number of witnesses subpoenaed, witness compensation and mileage reimbursement, court-reporting services, and transcript expenses. Chart 1 below shows that, over the FY 2020-FY 2021 biennium, approximately \$1.4 million (79.5%) of the executive budget is for personal services, including commissioner salaries which are fixed by the Governor's Office. After payroll, just over \$310,000 (17.4%) of the budget goes toward supplies and maintenance. The remaining amount of approximately \$54,000 (3.1%) is for purchased personal services, including costs for court-reporting services and transcripts, writs served, and witness reimbursements that tend to fluctuate from year to year depending on Commission caseload.



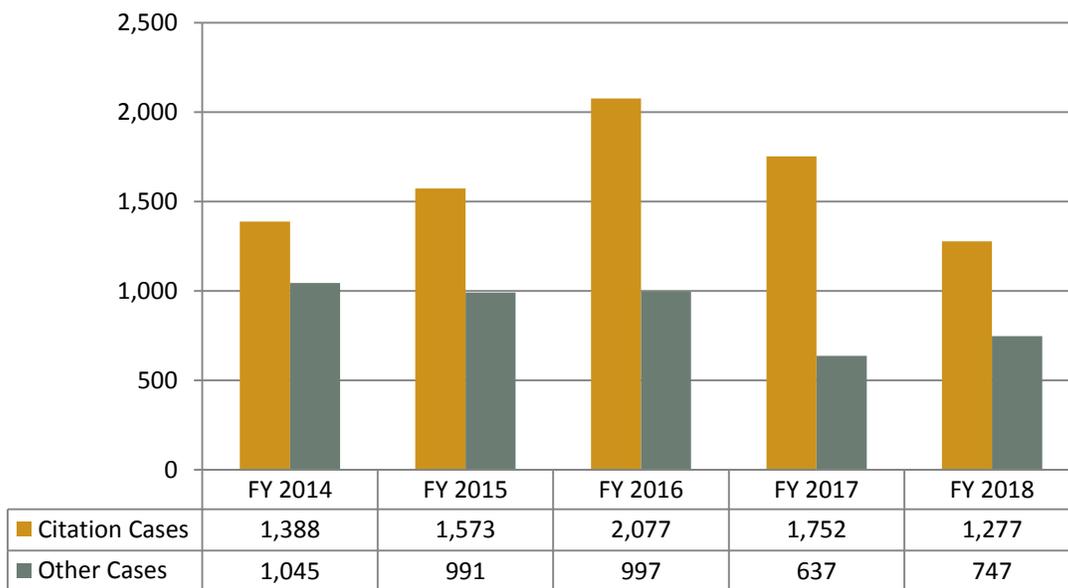
LCO's operating expenses are paid from the State Liquor Regulatory Fund (Fund 5LP0), which receives a portion of liquor permit fee revenue deposited into the Undivided Liquor Permit Fund (Fund 7066). Fund 5LP0 is administered by the Department of Commerce, Division of Liquor Control and collected more than \$42 million in permit fees in FY 2018. Of this overall amount, \$40.8 million was distributed to various entities, including \$18.3 million deposited into Fund 5LP0, \$14.3 million to local taxing districts for liquor law enforcement, and slightly more than \$8 million directed to the Ohio Department of Mental Health and Addiction Services to fund treatment and education efforts. Of the portion deposited into Fund 5LP0, approximately \$4.0 million in surplus was subsequently transferred to the GRF.

## Enforcement statistics and adjudications

### Adjudication hearings

The Commission’s work mostly revolves around preparing for and holding adjudication hearings. This entails preparing documentation for hearings, producing decisions, and handling correspondence and various reports related to cases. Although the goal is to issue decisions within 45 days after the hearing date, the Commission issues the vast majority of its decisions within two weeks. Over 2,000 cases were heard in FY 2018. The number of violations issued by law enforcement authorities – referred to as citation cases – constitutes the majority of the Commission’s caseload. These cases involve allegations of dissolute behavior at permit establishments, including illegal gambling, selling drugs on a permit premises, and underage drinking. Cases can also involve unsanitary conditions, illegal use of electronic benefits transfer (EBT) cards, and so forth. In addition, the Commission hears cases involving tax payment deficiencies, overdue or unpaid workers’ compensation premiums, and unemployment compensation delinquencies among permit holders. These are referred to as “non-citation” cases. As Chart 2 below shows, FY 2018 saw a decrease in the number of citation cases and a slight increase in non-citation cases compared to the prior two fiscal years.

**Chart 2: Cases Heard by Type, FY 2014-FY 2018**



### Forfeitures

The Commission has the authority to impose forfeitures, or cash fines, depending on the circumstances of a case. These forfeitures are not retained by the Commission, but are instead deposited into the GRF. As Chart 3 below shows, forfeitures collected amounted to approximately \$940,000 in FY 2018, a downtick compared to the prior three fiscal years when forfeitures were all over \$1.0 million. While the amount of forfeitures ordered or collected in any year depends on the types of cases heard, the Commission’s judgment on the frequency and severity of offenses also plays a role in the amount of forfeitures imposed. The decrease in

forfeitures collected in FY 2018 was partially due to the Department of Taxation upgrading its computer system, which caused a delay in hearings and a subsequent drop in the forfeitures collected.

Chart 3: Forfeitures Collected, FY 2014-FY 2018

