



OHIO LIQUOR CONTROL COMMISSION

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Testimony before the Finance Subcommittee on Agriculture, Development, and Natural Resources

Presented by:

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Chairman Hoops and members of the Subcommittee, thank you for your time. I am Sarah Creedon, Executive Director of the Liquor Control Commission.

Role and Overview

The Commission is an adjudication and rule-making agency that oversees Ohio's alcohol beverage industry. The Commission's mission is to provide fair and impartial hearings to protect the public and liquor permit holders and to ensure compliance with Ohio's liquor laws and rules. The Commission also adopts and promulgates rules, standards, and requirements regarding the sale of alcohol in Ohio.

The Commission works with the Department of Commerce, Division of Liquor Control, the Department of Public Safety, and the Attorney General's Office to achieve its mission.

The Department of Public Safety investigates and enforces liquor violations, and the Attorney General's Office presents the cases to the Commission. The Department of Commerce, Division of Liquor Control is responsible for processing applications and issuing liquor permits. Decision and actions of the Division of Liquor Control concerning permit applications and renewals can be appealed to the Commission.

Funding

The Commission does not receive General Revenue Funds. Rather, operations are funded from the State Liquor Regulatory Fund (5LPO), which receives a portion of the liquor permit fee revenue deposited into the Undivided Liquor Permit Fund (Fund 7066). The State Liquor Regulatory Fund is administered by the Department of Commerce, Division of Liquor Control, which in fiscal year 2018 collected more than \$42 million in permit fees.

While the Commission receives no GRF funding, the Commission does contribute to the GRF by depositing all revenue it collects from financial forfeitures issued against permit holders for violations of Ohio's liquor laws and rules. During fiscal years 2017 and 2018, the Commission collected over \$2.3 million in financial forfeitures and deposited those funds into the GRF.

In addition to collecting financial forfeitures, the Commission works with the Department of Taxation to recover delinquent taxes. Through the hearing process, additional money is recovered annually for the state. For example, direct collections by the Department of Taxation on tax non-renewal cases alone docketed during fiscal years 2017 and 2018 exceeded \$462,000.00.

Commission Staff

The agency is made up of three commissioners and five full time staff members. The current Chair of the Commission is Deborah Pryce. Agency staff includes an Executive Director, legal counsel, and three administrative staff.

Commission Activities

The bulk of the Commission's work revolves around preparing for and holding adjudication hearings. Agency staff makes extensive preparation prior to the monthly hearings. Following the hearings, the Commission issues dispositional orders, generally within two to three weeks of the hearings. The Commission handles approximately 2,500 cases a year.

As part of the adjudication process, the Commission has the authority to impose financial forfeitures depending on the type and circumstances of the case. The Commission is then responsible for collecting the financial forfeitures and ensures the timely deposit of such revenue into the GRF.

In addition to adjudicating cases, the Commission also invests significant time with its rule-making responsibilities to ensure that its regulatory framework is straightforward, transparent, and responsive. The Commission regularly seeks public input from interested parties and conducts several public hearings throughout the year to hear any public comment on its rules and processes.

Funding and Priorities for FY 2020 and FY 2021

The Commission is requesting \$873,600 for fiscal year 2020, which is a 2.6% increase from fiscal year 2019, and \$905,900 for fiscal year 2021, which is a 3.7% increase from fiscal year 2020.

The Commission's top priority is to carry out its mission with fairness and integrity while continuing to improve processes and contain costs. The biennium budget request represents a small increase to allow the Commission to continue to fulfill its statutory obligations while also focusing on implementing changes to streamline and modernize processes.

The volume of work for the Commission is largely driven by the number of cases brought before it by partner agencies, as well as appeals filed with the Commission. Given the reactive nature of hearings, it is challenging to predict how hearing costs may fluctuate.

The Commission must pay for the cost of serving subpoenas, mileage reimbursement and fees for witnesses, court reporting services, and transcript production. Costs are variable based the number of cases, the length of the hearings, the number of witnesses subpoenaed, and the number of cases appealed to court. The Commission's budget request reflects the Commission's diligent efforts to reduce these costs, balanced against the variable nature of these necessary expenses.

The Commission works to improve operational effectiveness and reduce agency costs where possible. For example, the Commission has continued to focus on increasing its reliance on technology. The Commission has made much-needed upgrades to its database, and some of the costs associated with its outdated database have been reduced.

The Commission has also continued its modified hearing process involving tax suspension cases, with the bulk of these cases now resolved administratively without the need for a hearing. The Commission has continued to update its website, providing information and sample forms to assist legal practitioners and pro se litigants in filing documents with the Commission. The information and forms help reduce the number and length of routine telephone inquiries. They also work to alleviate confusion and ensure that documents filed with the Commission are complete and accurate.

Looking ahead, however, the Commission must also reasonably anticipate increases in its operating costs. For example, the Commission must account for increased costs for payroll and health insurance benefits. The Commission must also reasonably anticipate higher expenses for rent and services provided by DAS, including costs associated with the Central Services Agency (CSA). And while some of the Commission's OIT fees have decreased due to our database upgrades, the Commission must still account for anticipated increases in OIT costs, including network services, Microsoft licensing services, and desktop services.

Commission expenditures are entirely composed of personnel costs, purchased services, and supplies and maintenance charges. The Commission runs with a modest budget and returns to the state far more revenue than its operating costs. The biennium budget request represents a small increase to allow the Commission to continue to carry out its mission.

Thank you for your consideration. I would be happy to answer any questions.