



OHIO LIQUOR CONTROL COMMISSION

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Testimony before the Local Government and Elections Committee

Presented by:

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Chairman Gavarone, Vice Chair O'Brien, Ranking Member Maharath, and members of the committee, I am Sarah Creedon, Executive Director of the Liquor Control Commission. Thank you for the opportunity to testify concerning the Liquor Control Commission's budget request.

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. Decisions and actions of the Division of Liquor Control concerning permit applications and renewals can be appealed to the Commission. The Commission also adjudicates complaints for alleged violations concerning the failure to pay taxes and fees owed to the state. Through the hearing process, the Commission assists the Department of Taxation and the Attorney General's Office, Collections Enforcement Section, in facilitating the payment of delinquent taxes and penalties owed to the state.

Commission Staff

The Commission is made up of three commissioners, who are appointed by the Governor for staggered, 6-year terms, and five full-time staff members. The current Chair of the Commission is Ron O'Brien. Agency staff includes an Executive Director, legal counsel, and three administrative staff members.

Funding

The Commission does not receive General Revenue Funds. Rather, the Commission receives 100% of its funding 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. In fiscal year 2020, the Division collected more than \$28 million in permit fees. Of that amount, \$12.7 million was deposited into the State Liquor Regulatory Fund, \$9.8 million was returned to the local taxing districts, and \$5.6 million was allocated to the Ohio Department of Mental Health and Addiction Services to fund treatment and education efforts. As of February 2021, the Division has collected nearly \$24.9 million in liquor permit fees in fiscal year 2021.

Budget Request and Priorities for FY 2022 and FY 2023

The Commission is requesting \$944,885 for fiscal year 2022, which is a 4.3% increase from fiscal year 2021, and \$947,645 for fiscal year 2023, which is an additional 0.3% increase from fiscal year 2022. Of the biennial total of \$1.9 million, approximately \$1.4 million (73.6%) is for personal services, approximately \$317,000 (16.8%) is for supplies and maintenance, and the remaining amount of about \$181,600 (9.6%) is for purchased personal services.

The Commission's top priority is to carry out its mission with fairness and integrity while continuing to improve processes and contain costs. The Commission works diligently to ensure that its orders are lawful and timely and that its decisions serve the public, ensuring compliance with Ohio's liquor laws and rules and protecting the public, permit holders, and the liquor industry. The Commission also invests significant time ensuring that its administrative rule-making process is straightforward and responsive to its regulated businesses. The Commission actively engages stakeholders in its processes and regularly seeks public input from interested parties, conducting several public hearings throughout the year to hear any public comment on its rules and processes. Finally, the Commission makes it a top priority to provide professional and excellent service to its customers, striving to consistently provide the highest level of service at all times. The Commission's 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 Commission functions primarily as a court and handles a very heavy caseload. The Commission typically hears about 2,000 cases a year. The bulk of its work revolves around conducting hearings and issuing orders. The volume of work for the Commission is driven by the number of citation cases brought before it based on violations issued against permit holders, as well as tax cases and appeals filed from actions and decisions concerning the issuance or renewal of liquor permits. Due to the reactive nature of Commission hearings, it is difficult to predict how costs associated with hearings may fluctuate. The Commission must pay for the

cost of serving subpoenas, mileage reimbursement and fees for witnesses, court reporting services, and transcript expenses. Costs are variable based on 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 submission reflects the Commission's diligent efforts to reduce these costs, balanced against the variable nature of these necessary expenses.

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 the last biennium, the Commission collected over \$1.4 million in financial forfeitures and deposited those funds into the GRF.

Looking ahead, the most significant operational challenge faced by the Commission relates to recent changes in Commission hearing processes concerning the docketing of Commission cases. A role previously handled by the Ohio Attorney General's Office, the docketing function of scheduling cases is now managed by the Commission. These additional administrative responsibilities have been absorbed by Commission staff. But due to these significant changes, the Commission must work closely with our partnering agencies and facilitate a coordinated effort to develop and implement a successful case management structure. To further this initiative, the Commission intends to create efficiencies and modernize its processes with a renewed emphasis on using technology.

Going forward, the Commission must also reasonably anticipate increases in its operating costs. For example, while payroll costs have gone down, the Commission must account for increased costs 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.

Conclusion

The Commission takes the responsibility of being faithful stewards of public funds very seriously. The Commission respectfully submits this budget request to ensure that it continues to fulfill its mission.

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