

Redbook

LBO Analysis of Executive Budget Proposal

Liquor Control Commission

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LBO Redbook

Liquor Control Commission

Quick look...

- The Liquor Control Commission consists of three members appointed by the Governor and six full-time staff.
- 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.
 - Typically hears around 2,000 cases annually.
 - Approximately \$850,000 in fine revenue transferred to the GRF over the last two fiscal years.
- The Commission is funded through a portion of liquor permit fee revenue collected by the state.

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Introduced	FY 2025 Introduced
Fund 5LP0 ALI 970601, Commission Operating Expenses					
\$769,868	\$817,356	\$1,000,890	\$1,051,069	\$1,227,200	\$1,225,800
% change	6.2%	22.5%	5.0%	16.8%	-0.1%

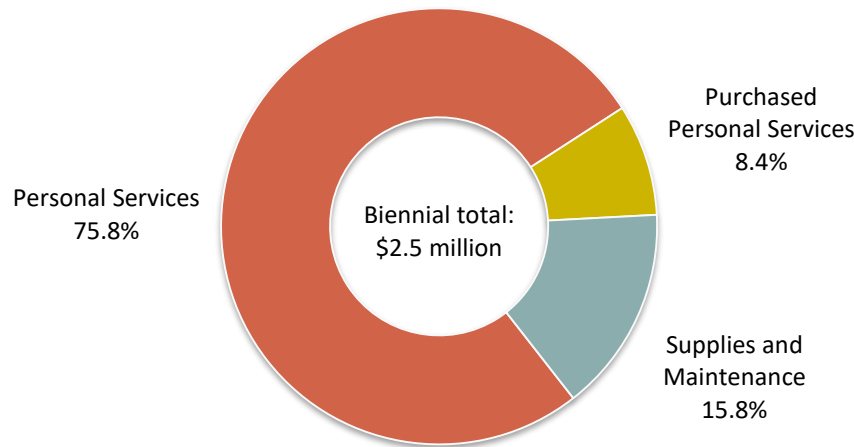
Agency overview

The Liquor Control Commission (LCO) is the rulemaking and adjudication agency that oversees the alcohol beverage industry in Ohio and ensures compliance with Ohio’s liquor laws and regulations. LCO works with the Department of Commerce’s Division of Liquor Control, which issues liquor permits, as well as the Attorney General and Department of Public Safety, which are involved with investigating and enforcing liquor violations. LCO’s responsibilities include (1) making and interpreting rules regarding liquor production, sales, and advertising, (2) hearing cases regarding alleged liquor permit violations, (3) hearing appeals of the Division of Liquor Control decisions on liquor permit renewals and distribution, and (4) hearing appeals of liquor permit revocations and nonrenewals based on tax delinquencies. The Commission consists of three members appointed by the Governor for six-year terms and who, unlike many appointed boards and commissions, are paid a salary. They are supported by six full-time employees, including the Executive Director.

Analysis of FY 2024-FY 2025 budget proposal

The executive recommended budget for LCO is \$1,227,200 in FY 2024 and \$1,225,800 in FY 2025. Chart 1 below shows that, over the FY 2024-FY 2025 biennium, slightly less than \$1.9 million (75.8%) of the executive budget is for personal services, including commissioner salaries which are fixed by the Governor’s Office. After payroll, just over \$387,000 (15.8%) of the budget goes toward supplies and maintenance. The remaining amount of approximately \$206,000 (8.4%) 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.

**Chart 1: LCO Budget by Expense Category
FY 2024-FY 2025 Biennium**



In FY 2021, the Commission took over the docketing of cases from the Attorney General’s Office. The proposed budget provides for the development and implementation of a case management system to accommodate changes in case hearing processes in an attempt to streamline case dispositions. In addition to the development of the new system, the recommended funding includes any costs for necessary training, data conversion, and annual licensure. The software and other ancillary costs are budgeted at \$40,000 in FY 2024, and \$10,000 in FY 2025.

Liquor permit revenue distributions

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). Overall, \$40.1 million in permit fees were collected in FY 2021. That figure dropped to \$15.1 million in FY 2022. The table below shows the distribution of permit revenues collected by Fund 7066. Note that permit fee revenues may not be distributed in the same fiscal year in which they are collected.

From Fund 7066, 45% of the revenue is distributed to Fund 5LP0 for use by the Department of Commerce’s Division of Liquor Control and the Liquor Control Commission. Of the portion deposited into Fund 5LP0, approximately \$630 in surplus was subsequently transferred to the GRF in FY 2021. FY 2022 transfers totaled nearly \$24,500. Of the remaining permit revenue deposited into Fund 7066, 35% goes to municipalities and townships and 20% goes to the Department of Mental Health and Addiction Services. As of February 2023, just over halfway through FY 2023, Fund 7066 has collected nearly \$19.7 million in liquor permit fees.

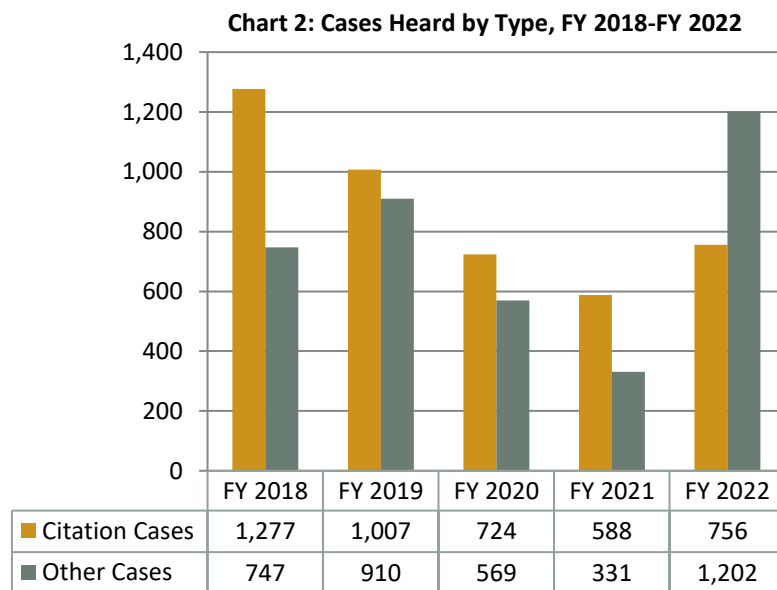
Liquor Permit Distributions from the Undivided Liquor Permit Fund to Receiving Entities			
Entity	Distribution Percentage	FY 2021	FY 2022
State Liquor Regulatory Fund (Fund 5LP0)	45%	\$8,071,880	\$21,856,331
Municipalities and Townships	35%	\$6,409,904	\$16,948,886
Statewide Treatment and Prevention Fund (Fund 4750)	20%	\$3,587,222	\$9,713,336
Total	100%	\$18,069,006	\$48,518,553

Enforcement statistics and adjudications

Adjudication hearings

Although the Commission’s goal is to issue decisions within 45 days after the hearing date, the Commission issues the vast majority of its decisions within two weeks. LCO hears both “citation” and “noncitation” cases. Citation cases concern dissolute behavior such as illegal gambling, selling drugs, underage drinking, and other sorts of insalubrious activity at permit establishments. Noncitation cases deal with tax payment deficiencies, overdue or unpaid workers’ compensation premiums, and unemployment compensation delinquencies among permit holders.

As Chart 2 below shows, the number of cases returned to the pre-pandemic norm of about 2,000 in FY 2022, but with a higher number of noncitation cases. This was primarily because the liquor license renewal deadline was extended during COVID-19. This caused a corresponding increase in liquor permit cancelation notices during FY 2022, as a number of permit holders failed to renew once the extension ended. The result was an increase in appeals of those cancelations. Case activity for the past five fiscal years is shown in Chart 2 below.



Forfeitures

The Commission has the authority to revoke licenses or impose cash fines depending on the circumstances of a case. These fines, referred to as forfeitures, are not retained by the Commission and are instead deposited into the GRF. Forfeitures collected amounted to approximately \$348,000 in FY 2021 and \$502,000 in FY 2022. The amount of forfeitures ordered or collected in any year depends on the types of cases heard, and also the Commission's judgment on the frequency and severity of offenses which are being adjudicated.