



OHIO LIQUOR CONTROL COMMISSION

77 SOUTH HIGH STREET, 18TH FLOOR

COLUMBUS, OHIO 43215

PHONE: (614)466-3132 FAX: (614)466-4564

WWW.LCC.OHIO.GOV

MIKE DEWINE, GOVERNOR

RON O'BRIEN, CHAIR

Budget Testimony of Sarah Creedon, Executive Director

Senate Agriculture and Natural Resources Committee
H.B. No. 33: Main Operating Budget for Fiscal Years 2024 and 2025

April 26, 2023

Chairman Schaffer, Vice Chair Landis, Ranking Member Hicks-Hudson, and members of the Committee, my name is Sarah Creedon, and I am the Executive Director of the Liquor Control Commission. Thank you for the opportunity to testify concerning the proposed biennial budget for the Commission.

Agency Overview

The Commission is an adjudication and rule-making agency that oversees Ohio's alcoholic beverage industry. The Commission consists of three members appointed by the Governor for staggered, six-year terms and has six full-time employees. The current Chair of the Commission is Ron O'Brien. The Commission's mission is to provide fair and impartial hearings for the protection of the public and permit holders and to ensure compliance with Ohio's liquor laws and rules. As a neutral, quasi-judicial body, the Commission hears cases against permit holders for alleged violations of Ohio's liquor laws and rules, as well as cases appealed to the Commission from actions or decisions of the Ohio Department of Commerce, Division of Liquor Control, concerning permit applications, cancellations, or renewals. The Commission also adjudicates complaints for the revocation or suspension of permits, including complaints for alleged violations concerning the failure to pay taxes and fees owed to the state.

The Commission's administrative rules govern the manufacture, distribution, and sale of alcoholic beverages in Ohio, as well as the procedures of the Division of Liquor Control in the suspension, revocation, and cancellation of permits.

To achieve its mission, the Commission works closely with its partnering agencies, including the Division of Liquor Control, the Ohio Department of Public Safety, Investigative Unit, the Ohio Department of Taxation, and the Ohio Attorney General's Office.

Results

During the current biennium, the Commission has made significant progress in accomplishing its goals and objectives. In fiscal year 2021, the Commission took over the docketing function of scheduling cases for adjudicating hearings, a role that was previously handled by the Ohio Attorney General's Office. The Commission functions primarily as a court and handles a very heavy caseload. Working collaboratively with our partnering agencies, the Commission developed processes to ensure consistency and continuity for our customers during the transition.

During fiscal years 2021-2022, the Commission heard over 2,800 administrative cases, issuing orders within two to three weeks following hearings. The Commission collected over \$850,000 in financial fines and forfeitures and deposited those funds into the General Revenue Fund. With about 28,500 active liquor permits in fiscal year 2022, the Commission worked closely with partnering agencies to create efficiencies and assist permit holders and the public with a renewed emphasis on providing exceptional customer service. This past year saw the successful implementation of efforts to streamline the hearing process. In conjunction with partnering agencies, the Commission developed and implemented strategies to resolve over 800 administrative cases without the need for an administrative hearing.

The Commission also worked to ensure a fair and transparent administrative rule-making process for Ohio's alcoholic beverage industry, which had annual sales of spirituous liquor reaching \$1.7 billion in fiscal year 2022.

Funding and Budget Request

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 2022, the Division collected more than \$15.1 million in permit fees.

The Commission is requesting a total of \$1,227,200 for fiscal year 2024, which represents a 16.8% increase from the Commission's fiscal year 2023 estimated costs, and \$1,225,800 for fiscal year 2025, which is a 0.1% decrease from the fiscal year 2024 request. Of the biennial total of approximately \$2.5 million, approximately \$1.9 million (76%) is for personal services, approximately \$387,000 (16%) is for supplies and maintenance, and the remaining amount of about \$207,000 (8%) is for purchased personal services.

Priorities for FY 2024 and FY 2025

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 issue orders that are lawful and timely, 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 to make sure that its regulatory framework is straightforward and responsive to its regulated businesses. Finally, the Commission strives to provide the highest level of service to its customers.

The proposed biennium budget for the Commission will allow the Commission to continue to carry out its mission, while also focusing on implementing changes to streamline and modernize processes.

The bulk of the Commission's work revolves around conducting hearings and issuing orders. The Commission typically hears about 2,000 cases a year. The caseload is driven by the number of citation cases brought before the Commission based on violations issued against permit holders, as well as tax cases and appeals from actions and decisions concerning the issuance or renewal of liquor permits. While a great deal of progress has been made concerning the Commission's hearing processes and the docketing of Commission cases, much remains to be done. 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 acquire a case management system to assist in tracking cases and expedite the time it takes to resolve cases. The Commission's budget request provides for the costs associated with acquiring the case management system, including implementation, training, data conversion, and annual licensure. The new case management system will expedite the hearing process from the point of initiation of a case to its disposition, reduce the number of continuances, thereby saving costs, and ensure that the Commission is keeping pace with the incoming caseload for a successful clearance rate of its cases. The case management system will also assist with running reports, creating documents, and streamlining workflow, and overall provide a better organization of managing the active cases. The Commission anticipates that a new case management system will achieve cost savings and will result in a more responsive hearing process.

The proposed budget also provides for the variable nature of necessary costs associated with the hearing process. Purchased personal service costs include costs for court reporting services and transcripts, writs and subpoenas, witness fees, and mileage reimbursement. These costs tend to fluctuate year to year based on several variables, including the length of hearing days, the number of witnesses subpoenaed, witness compensation, mileage reimbursement, and various factors relating to court appeals. Though difficult to predict, the Commission works diligently to contain these costs.

Finally, the Commission's budget request takes into account anticipated increases in the Commission's supplies and maintenance costs, which after payroll expenses represent the Commission's second largest expense. These costs include rent, information technology (IT), and services provided by Central Services Agency (CSA) and DAS. The Commission also anticipates increased costs associated with printing and postage due to additional mailing requirements as a result of the Commission taking over the docketing of cases.

Conclusion

Overall, the Commission's budget request reflects a modest increase to allow the Commission to continue to fulfil its mission while collaborating with our partnering agencies to leverage resources and create efficiencies. The Commission takes the responsibility of being faithful stewards of public funds very seriously. Thank you for the opportunity to present testimony today. I would be happy to answer any questions.