

# Liquor Control Commission

- Docketed and heard over 2,500 hearings in FY 2006
- \$729,900 in forfeitures collected in FY 2006, with proceeds deposited in the GRF

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## OVERVIEW

### Duties and Responsibilities

The Liquor Control Commission (LCO) is the rule-making and adjudication agency that oversees the alcohol beverage industry in Ohio. The Commission is comprised of three members appointed by the Governor for six-year terms and five full-time staff, including an executive director. The LCO was originally established as a part of the Department of Liquor Control, becoming an independent agency in 1985. Drawing its authority from Chapter 4301. of the Revised Code, its mission is to ensure compliance with Ohio's liquor laws and regulations. LCO works jointly with the Division of Liquor Control in the Department of Commerce, the Attorney General's office and the Department of Public Safety. The Division of Liquor Control issues and renews all types of liquor permits and maintains the spirituous liquor warehouse. The Department of Public Safety is the enforcement agency that issues citations for any liquor permit violations.

The Commission's activities include: (1) making and interpreting rules regarding liquor production, sales, advertising, etc., (2) hearing and ruling on cases regarding violations of liquor laws that could result in the suspension or revocation of a liquor permit, (3) hearing and ruling on appeals of decisions of the Division of Liquor Control concerning liquor permit renewals and distribution, and (4) hearing and ruling on appeals of liquor permit revocations and of permit nonrenewals due to tax delinquency. The Liquor Control Commission receives its funding from the Liquor Control Fund (Fund 043), which is administered by the Division of Liquor Control within the Ohio Department of Commerce and supported through the sale of spirituous liquor. Less than 1% of the revenues received from the sale of spirituous liquor went to fund Liquor Control Commission operations in FY 2006.

### Agency in Brief

| Agency In Brief      |                                |           |                    |      |                       |
|----------------------|--------------------------------|-----------|--------------------|------|-----------------------|
| Number of Employees* | Total Appropriations-All Funds |           | GRF Appropriations |      | Appropriation Bill(s) |
|                      | 2008                           | 2009      | 2008               | 2009 |                       |
| 5                    | \$743,093                      | \$772,524 | \$0                | \$0  | Am. Sub. H.B. 119     |

\* Employee count obtained from Department of Administrative Services (DAS) payroll reports as of June 2007.

## Summary of Budget Issues

### Adjudication Hearings

The bulk of Commission activities are adjudication hearings. Commission staff prepares paperwork prior to hearings and then produces decisions, collateral correspondence, and reports. During FY 2006, over 2,500 cases were docketed and heard. Beginning in calendar year (CY) 2006, the Commission added three hearing days to its docket for the year, increasing the number of hearing days from 45 to 48 in order to better clear caseload backlog. The number of violations issued by law enforcement authorities primarily drives the Commission's caseload. The Commission has consistently been able to exceed its goal to issue decisions within 45 days, issuing the vast majority of decisions within two weeks.

### Forfeiture Collections

Forfeitures, which are collected as a result of Commission orders and deposited in the General Revenue Fund (GRF), amounted to \$729,900 in FY 2006. Forfeitures collected have declined since FY 2002, when \$2.06 million was collected and deposited into the GRF. This can partly be explained by a change in philosophy toward smaller penalty amounts, even though the overall number of forfeitures has remained stable. Additionally, a larger portion of offenders are opting to have their licenses suspended rather than pay the forfeiture, thus also contributing to the overall decline.

### Lower Number of Certified Records

In addition to lower amounts of forfeitures resulting from better adherence to the law, the Commission has provided fewer numbers of certified records to courts of common pleas. In FY 2006, the Commission provided certified records for 42 appeals. This compares to 57 in FY 2005, 66 in FY 2004, and 138 in FY 2003. This decrease reflects a reduction in the number of revocations ordered by the Commissioners and increased compliance with Ohio's liquor laws by permit holders and their employees.

### Additional Issues

The Commission states that its foremost challenge is to continue improving efficiency with limited resources as large increases in employee fringe benefit costs as well as higher Department of Administrative Services (DAS) charges for central support services will require the Commission to do more with less in other spending areas. Two other items are noteworthy.

First, as stated previously, adjudication hearings account for most of the Commission's activities. The Commission staff prepares extensive amounts of paperwork prior to hearings to assist the Commissioners in conducting the hearings and issues decisions upon completion of the hearing. One of the Commission's two newest dockets, workers' compensation, has seen a marked increase in the number of cases between FY 2005 and FY 2006. This docket involves cases where permit holders owe BWC premium payments. The Commission heard 131 cases in its BWC docket in FY 2006 compared with just 46 in FY 2005. These cases, along with an increase in sales tax appeal cases, accounted for much of the growth in the Commission's caseload in FY 2006.

Second, a continuing goal in enhancing the efficiency of the Commission is to share information via computer technology with its partner agencies: the Division of Liquor Control within the Department of Commerce, the Attorney General's Liquor Unit, and the Department of Public Safety's Investigative Unit. The Commission is already using the Liquor Law Enforcement (OLLE) database, which is hosted and supported by the Department of Public Safety, for citation cases as well as for printing citation case

dockets and witness lists. The Commission's annual share of the fees for OLLE is estimated to be approximately \$8,333 per fiscal year in the FY 2008 - 2009 biennium. Offsetting this cost, however, is the fact that the database will reduce paperwork and staff down time and dramatically enhance the efficiency of the respective agencies since it allows Commission staff to search for information without the need to contact staff from one of the other agencies. In addition, other agencies will be able to access information from the Commission's databases without Commission assistance, reducing Commission staff time devoted to researching such matters.

## ANALYSIS OF THE BUDGET

### Single Program Series

### State Liquor Law Hearings

**Purpose:** The mission of the Liquor Control Commission is to provide fair and impartial hearings for the protection of the public and permit holders, and to ensure compliance with the liquor laws and regulations of the Revised Code.

The following table shows the line items that are used to fund the Liquor Control Commission, as well as the funding levels for the FY 2008 - 2009 biennium by fiscal year.

| Fund  | ALI     | Title              | FY 2008          | FY 2009          |
|---|---------|--------------------|------------------|------------------|
| <b>Liquor Control Fund</b>                      |         |                    |                  |                  |
| 043   | 970-321 | Operating Expenses | \$743,093        | \$772,524        |
| <b>Liquor Control Fund Subtotal</b>             |         |                    | <b>\$743,093</b> | <b>\$772,524</b> |
| <b>Total Funding: Liquor Control Commission</b> |         |                    | <b>\$743,093</b> | <b>\$772,524</b> |

**Program Description:** The Commission hears cases related to violations of state liquor laws that could result in fines or the suspension or revocation of liquor permits. The Commission also hears appeals from either permit holders or communities that object to decisions made by the Department of Commerce's Division of Liquor Control concerning the renewal and/or distribution of liquor permits. In addition, the Commission hears appeals on the revocation of liquor permits and nonrenewals based on failure to pay taxes or workers' compensation premiums.

**Funding Source:** Fund 043, Liquor Control — primary sources of revenue include retail and wholesale spirituous liquor sales

**Implication of the Budget:** The budget appropriates \$743,093 in FY 2008 and \$772,524 in FY 2009. The Commission reports that it will be able to maintain current service levels at the appropriated amounts.

**FY 2008 - 2009 Final Appropriation Amounts**

**All Fund Groups**

| <i>Line Item Detail by Agency</i>                     | <i>FY 2005:</i>   | <i>FY 2006:</i>         | <i>FY 2007 Adj. Appropriations:</i> | <i>FY 2008 Appropriations:</i> | <i>% Change 2007 to 2008:</i> | <i>FY 2009 Appropriations:</i> | <i>% Change 2008 to 2009:</i> |
|---|-------------------|-------------------------|-------------------------------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| <b>Report For: Main Operating Appropriations Bill</b> |                   | <b>Version: Enacted</b> |                                     |                                |                               |                                |                               |
| <b>LCO Liquor Control Commission</b>                  |                   |                         |                                     |                                |                               |                                |                               |
| 043 970-321 Operating Expenses                        | \$ 683,353        | \$ 668,006              | \$ 700,533                          | \$ 743,093                     | 6.08%                         | \$ 772,524                     | 3.96%                         |
| <b>Liquor Control Fund Group Total</b>                | <b>\$ 683,353</b> | <b>\$ 668,006</b>       | <b>\$ 700,533</b>                   | <b>\$ 743,093</b>              | <b>6.08%</b>                  | <b>\$ 772,524</b>              | <b>3.96%</b>                  |
| <b>Liquor Control Commission Total</b>                | <b>\$ 683,353</b> | <b>\$ 668,006</b>       | <b>\$ 700,533</b>                   | <b>\$ 743,093</b>              | <b>6.08%</b>                  | <b>\$ 772,524</b>              | <b>3.96%</b>                  |