

**Greenbook**  
**LSC Analysis of Enacted Budget**

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**Liquor Control  
Commission**

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Legislative Service Commission

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### **ATTACHMENT:**

Budget Spreadsheet By Line Item

# Liquor Control Commission

- Budget of nearly \$1.7 million for the FY 2018-FY 2019 biennium
- Nearly 2,400 cases heard in FY 2017
- Approximately \$1.4 million in forfeitures deposited into the GRF in FY 2017

## OVERVIEW

### Agency Overview

The Liquor Control Commission (LCO) is the rule-making and adjudication agency that oversees the alcohol beverage industry in Ohio. The Commission's mission is to ensure compliance with Ohio's liquor laws and regulations. This requires LCO to work with the Department of Commerce's Division of Liquor Control, which issues liquor permits, and the Attorney General and Department of Public Safety, which are involved with investigating and enforcing liquor violations alongside LCO.

The Commission's responsibilities include (1) making and interpreting rules regarding liquor production, sales, and advertising, (2) hearing and ruling on cases regarding alleged liquor permit violations, (3) hearing and ruling on appeals of the Division of Liquor Control decisions concerning liquor permit renewals and distribution, and (4) hearing and ruling on appeals of liquor permit revocations and of permit nonrenewals based on tax delinquencies. The Commission consists of three members appointed by the Governor for six-year terms. As of July 2017, there was five full-time staff, including the Executive Director.

### Appropriation Overview

H.B. 49 provides LCO with funding of \$844,553 in FY 2018, an increase of 11.3% over FY 2017 spending of \$758,636. The appropriation for the Commission's operations in FY 2019 is \$851,269, an increase of less than 1.0% over the FY 2018 amount. Funding for the Commission is provided by liquor permit revenue that is transferred from the Undivided Liquor Permit Fund (Fund 7066) to the State Liquor Regulatory Fund (Fund 5PL0). Most of the Commission's funding is for personal services, while the remainder goes toward supplies and maintenance and purchased personal services, including costs for court-reporting services and transcripts, writs served, and witness reimbursements, which depend on Commission caseload.

## ANALYSIS OF ENACTED BUDGET

The Commission's operations are funded by a single line item appropriation from the State Liquor Regulatory Fund (Fund 5LP0). The source of funding is a portion of liquor permit revenues that are transferred from the Undivided Liquor Permit Fund (Fund 7066).

Appropriations for the Liquor Control Commission				
Fund	ALI and Name		FY 2018	FY 2019
<b>Dedicated Purpose Fund Group</b>				
5LP0	970601	Commission Operating Expenses	\$844,553	\$851,269

This line item pays for all operating expenses of the Commission, including payroll, supplies, and fixed maintenance costs, as well as purchased personal services related to court-reporting services and transcripts, writs served, and witness reimbursements. The budget appropriates \$844,553 in FY 2018 and \$851,269 in FY 2019 to cover the Commission's operating costs. Overall, payroll costs are the largest expense in the LCO budget. This includes salaries and benefits for three Commission members and five full-time permanent staff. The remainder of the budget is for supplies, maintenance, and purchased personal services combined, including transcripts of hearings provided by the contract court reporters and services provided by the Central Service Agency within the Department of Administrative Services. There are a number of variables that can affect the Commission's operating costs, particularly costs dealing with hearings. These variables include the length of hearing days, the number of witnesses subpoenaed, witness compensation and mileage reimbursement, court-reporting services, and transcript expenses.

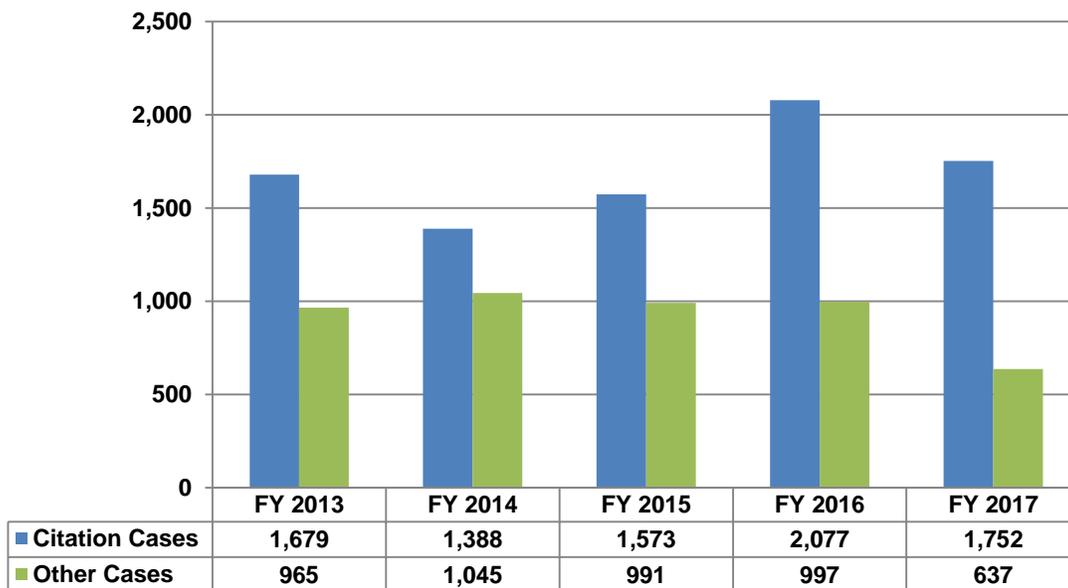
### Operating Statistics

#### Adjudication Hearings

The Commission's work mostly revolves around preparing for and holding adjudication hearings. This entails preparing documentation for hearings, producing decisions, and handling correspondence and various reports related to cases. Although the goal is to issue decisions within 45 days after the hearing date, the Commission issues the vast majority of its decisions within two weeks. Nearly 2,400 cases were heard in FY 2017. The number of violations issued by law enforcement authorities – referred to as citation cases – constitutes the majority of the Commission's caseload. These cases involve dissolute behavior such as illegal gambling, selling drugs on a permit premises, and underage drinking. Cases can also involve unsanitary conditions, illegal use of electronic benefits transfer (EBT) cards, and so forth. The Commission also hears cases involving tax payment, workers' compensation premiums, and

unemployment compensation delinquencies among permit holders. These are referred to as "non-citation" cases. FY 2017 saw a 15.6% decrease in citation cases and 36.1% decrease in non-citation cases compared to FY 2016. The chart below shows the number of cases heard by the Commission, by type, over the FY 2013-FY 2017 period.

**Cases Heard by Type, FY 2013-FY 2017**



### Forfeiture Collections

The Commission has the authority to impose forfeitures, or cash fines, depending on the circumstances of a case. These forfeitures are not retained by the Commission, but are instead deposited into the GRF. Forfeitures collected were approximately \$1.4 million in FY 2017, a slight uptick compared to FY 2016 when forfeitures were just under \$1.3 million. While the amount of forfeitures ordered or collected in any year depends on the types of cases heard, the Commission's judgment on the frequency and severity of offenses also plays a role in the amount of forfeitures imposed.

### Statutory Changes

#### Reports by H liquor permit holders

H.B. 49 requires a person that transports beer or intoxicating liquor into Ohio for delivery (H liquor permit holders) to submit a monthly report to the Division of Liquor Control within the Department of Commerce. The bill prohibits a person from violating the reporting requirements, and allows the Commission to suspend or revoke any liquor permit issued to the violator. As a result, this could increase administrative costs

for the Commission to enforce the reporting requirements. Any costs would be paid out of Fund 5LP0.

### **Case of wine discount**

H.B. 49 requires the Commission to allow retail liquor permit holders to offer to a personal consumer a 10% discount off the per-bottle retail sale price on each bottle included in a case of that wine that is offered for sale. Additionally, the bill defines case as between six and twelve bottles of wine that do not need to be of the same brand, variety, or volume. As a result, expanding the definition of a case from twelve bottles of wine to between six and twelve bottles of wine could decrease the amount of wine tax collected. The decrease in wine tax revenue would hinge on consumer choice – the brand and volume of wine people opt to buy. The current tax on wine is \$0.32 per gallon for wine with alcohol content between 4% and 14% and \$1.00 per gallon for wine with alcohol content between 14% and 21%. Most of the proceeds are credited to the GRF, but two cents per gallon of the wine tax revenue is deposited into the Ohio Grape Industries Fund (Fund 4960) used by the Department of Agriculture.

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**FY 2018 - FY 2019 Final Appropriation Amounts**

**All Fund Groups**

**Line Item Detail by Agency**

			<b>Appropriation</b>	<b>FY 2017 to FY 2018</b>	<b>Appropriation</b>	<b>FY 2018 to FY 2019</b>		
			<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>% Change</b>	<b>FY 2019</b>	<b>% Change</b>
<b>Report For Main Operating Appropriations Bill</b>			<b>Version: As Enacted</b>					
<b>LCO Liquor Control Commission</b>								
5LP0	970601	Commission Operating Expenses	\$ 761,571	\$ 758,636	\$ 844,553	11.33%	\$ 851,269	0.80%
<b>Dedicated Purpose Fund Group Total</b>			<b>\$ 761,571</b>	<b>\$ 758,636</b>	<b>\$ 844,553</b>	<b>11.33%</b>	<b>\$ 851,269</b>	<b>0.80%</b>
<b>Liquor Control Commission Total</b>			<b>\$ 761,571</b>	<b>\$ 758,636</b>	<b>\$ 844,553</b>	<b>11.33%</b>	<b>\$ 851,269</b>	<b>0.80%</b>