



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: [S.B. 116 of the 130th G.A.](#)

Date: November 20, 2014

Status: As Introduced

Sponsor: Sen. Kearney

Local Impact Statement Procedure Required: No

Contents: Permits the creation of municipal entertainment districts and exempts persons within the districts from the open container law

State Fiscal Highlights

- This bill permits the creation of municipal entertainment districts, allowing for the consumption of beer and spirituous liquor at outdoor locations within the districts. There are 15 cities in Ohio with a population of at least 50,000 that could approve these districts. The Division of Liquor Control within the Department of Commerce could then designate certain liquor permit holders within the districts as authorized to conduct outdoor liquor sales and open container consumption.
- This may result in additional liquor permit applications and issuances by the Division of Liquor Control. Liquor permit fees are collected by the Division of Liquor Control and deposited into the Undivided Liquor Permit Fund (Fund 7066), and then distributed to the State Liquor Regulatory Fund (Fund 5LP0) used by the Division of Liquor Control (45%), the local taxing district where the permit is issued (35%), and the Statewide Treatment and Prevention Fund (Fund 4750) used by the Department of Alcohol and Drug Addiction Services (20%).
- In addition, the Division of Liquor Control charges \$100 for new permanent permit applications, deposited into the Liquor Control Fund (Fund 7043).

Local Fiscal Highlights

- If any of the 15 eligible Ohio cities approve the creation of municipal entertainment districts, it would likely result in increased costs for local law enforcement to ensure that consumption is confined to the district, and increase patrolling and monitoring activity within and around the area. However, the legislative authority of the city must approve the application for a district after recommendation by the mayor, so the fiscal effects on these cities are permissive.
- The bill allows the cities to charge a fee for municipal entertainment district applications. Presumably, these fees would offset the costs for reviewing and acting upon municipal entertainment district applications.

- Cities receive a portion of liquor permit fee revenue collected by the Division of Liquor Control. The issuance of additional liquor permits for establishments in municipal entertainment districts would result in a gain in liquor permit revenue for the city where the liquor permit is issued.
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Detailed Fiscal Analysis

Background on open container law

Generally, under current law a person is prohibited from carrying an open container of beer or liquor in any public place. However, certain exceptions of the law exist, most often for festivals and other temporary events held in streets and parks.

Under the bill, a person who purchases beer or intoxicating liquor from the holder of a permit with a municipal entertainment district designation is permitted to have that beverage in an open container at any outdoor location within the municipal entertainment district. However, no person may enter the premises of another establishment with an open container of beer or intoxicating liquor purchased elsewhere.

Municipal entertainment districts

The bill allows for the creation of "municipal entertainment districts" (MEDs) within cities with a population of greater than 50,000. The districts may be up to a half-mile by half-mile in area, and the area must include at least four A-2 or D liquor permit holders. There are many types of D permits, but the vast majority of these permits are issued for restaurants and bars for on-premises consumption of alcohol. A-2 permit holders are wineries. Currently, there are approximately 38,000 D and 215 A-2 liquor permits issued by the Division of Liquor Control (DOLC) within the Department of Commerce. The bill exempts people from the open container law when inside the districts. There are two primary steps that must be taken to fully allow for this exemption within the MEDs: (1) the city must approve the district, and (2) DOLC must then designate the businesses that are MED-eligible for open container consumption.

Overall, if any of the 15 cities that are eligible to create MEDs in fact choose to approve an MED, the cities may incur costs for law enforcement of the open container and MED law; however, the costs would at least be partially offset by additional liquor permit revenue. On the state level, the bill would presumably result in a minimal increase in administrative costs to DOLC, with a small increase in liquor permit fee revenue likely to be received as a result of the bill.

Effects on 15 Ohio cities

The legislative authority of the city must approve the application for a district after recommendation by the mayor, so the fiscal effects on cities is permissive. Furthermore, to limit the number of MEDs within each city with a population of greater than 50,000, the bill specifies three population tiers, which restrict the number of MEDs that may be created per city under each tier. The table below provides a breakdown of which Ohio cities would be able to create MEDs, organized by tier. In total, under the bill, 15 Ohio cities could create a maximum of 22 MEDs across the state.¹

Ohio cities by population greater than 50,000		
Population Tier	City	Population*
Tier 1: Population 50,001 - 150,000 allowed one MED per city	Lakewood	52,131
	Elyria	54,533
	Kettering	56,163
	Springfield	60,608
	Hamilton	62,477
	Lorain	64,097
	Youngstown	66,982
	Canton	73,007
	Parma	81,601
	Dayton	141,527
Tier 2: Population 150,001 - 299,999 –allowed two MEDs per city	Akron	199,110
	Toledo	287,208
	Cincinnati	296,943
Tier 3: Population 300,000 or more –allowed three MEDs per city	Cleveland	396,815
	Columbus	787,033
TOTAL	15 cities	

*Population figures are based on the 2010 U.S. Census.

If cities approve MEDs, overall, this would likely lead to increased expenditures, principally on account of a need to administer compliance with the MED law and provide additional law enforcement near the district. Additionally, it is possible that it could result in more individuals prosecuted for open container violations if individuals leave the MED boundaries with an open container. If this occurs, adjudication costs for counties and municipalities could increase. These costs would be at least partially offset by revenue from any new liquor permits that could be issued as a result of the new MEDs being created and revenues from more citations being issued for open containers. The city where a new permit is issued receives 35% of the permit revenue that was paid to DOLC. Lastly, the bill allows the cities to charge a fee for MED applications.

¹ The bill states that the population thresholds are determined by the most recent federal census, so other cities may be newly eligible for MED creations after the 2020 U.S. Census and beyond.

Presumably, these fees would offset the costs for reviewing and acting upon MED applications.

Effects on the Division of Liquor Control

DOLC may incur a minimal increase in costs to administer the bill's provisions. It is unclear whether the bill allows for DOLC to charge a supplementary fee when determining whether A-2 and D permit holders may be designated as businesses that are eligible for the open container consumption exemption.

Even if DOLC does not charge an additional fee for the MED designation for permit holders, any costs incurred would likely be mostly offset by new liquor permit fee revenue deposited into Fund 7066 as a result of an increase in A-2 and D permit issuances. The annual fees for these permits range from \$76 to \$2,344. New permit fee revenue received would be subsequently distributed to the State Liquor Regulatory Fund (Fund 5LP0) used by DOLC, which receives 45% of the permit fee revenue, the Statewide Treatment and Prevention Fund (Fund 4750) used by the Department of Alcohol and Drug Addiction Services (20%), as well as the local taxing district where the permits are issued (35%). All permanent liquor permits, in addition to the stated fee, carry a \$100 processing fee that covers DOLC's expenses in fingerprinting and making background checks for permanent license applications. This fee is deposited into the Liquor Control Fund (Fund 7043).