

LSC Greenbook

Analysis of the Enacted Budget

Liquor Control Commission

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ATTACHMENT:

Budget Spreadsheet By Line Item

Liquor Control Commission

- Biennium budget of approximately \$1.6 million
- Approximately 2,500 cases heard in each of the last three fiscal years
- \$1.0 million in forfeitures deposited into the GRF in FY 2013

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, advertising, and so forth, (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 permit nonrenewals based on tax delinquencies. The Commission is comprised of three members appointed by the Governor for six-year terms and five full-time staff. The commissioners' salaries are fixed by the Governor's Office.

Appropriation Overview

The budget provides LCO with funding of \$784,376 in FY 2014, a 7.2% increase compared to FY 2013 spending of \$731,921. Funding for FY 2015 is \$796,368, a 1.5% increase over the FY 2014 appropriation. In FY 2013, the Commission was moved to a different source of operating revenue in place of liquor profits, as had been the case in prior years. This change was the result of the transfer of the state's liquor merchandising transfer to JobsOhio. Now, 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 5LP0). 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). The table below shows H.B. 59's funding for this line item.

Appropriations for the Liquor Control Commission				
Fund	ALI and Name		FY 2014	FY 2015
State Special Revenue Fund Group				
5LP0	970601	Commission Operating Expenses	\$784,376	\$796,368

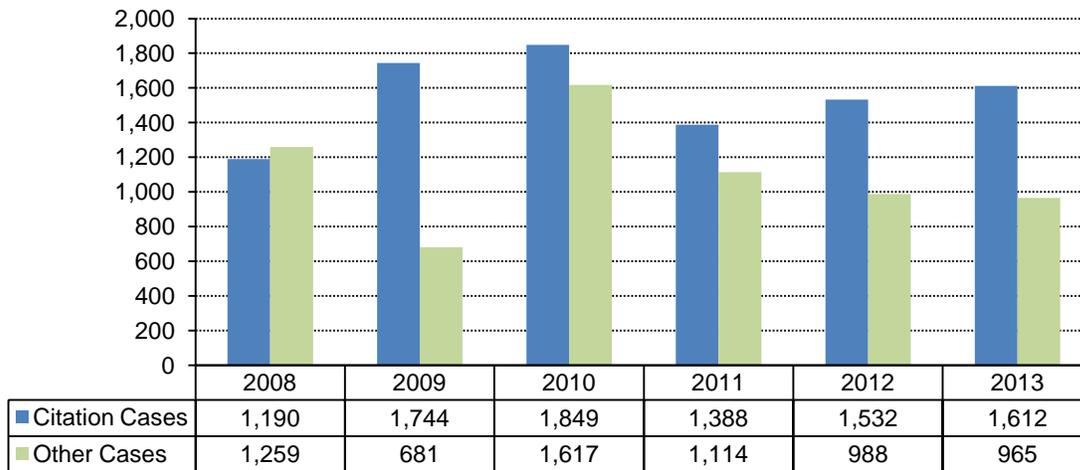
This line item pays for all operating expenses including payroll, supplies, and fixed maintenance costs, as well as purchased services related to court-reporting services and transcripts, writs served, and witness reimbursements. H.B. 59 provides LCO with \$784,376 in FY 2014, a 7.2% increase compared to FY 2013 spending on Commission operations, and \$796,368 in FY 2015, a 1.5% increase compared to the FY 2014 appropriation. Overall, payroll costs are the largest expense in the LCO budget. This includes salaries and benefits for the three Commission members and five full-time permanent staff. The remainder of the budget is for supplies, maintenance, and purchased services, including (1) rent in the Riffe Center, (2) transcripts of hearings provided by contract court reporters, and (3) 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

The Commission caseload over the previous three biennia is shown in Chart 1 below. During FY 2013, LCO heard a total of 2,577 cases. As in previous years, the majority of hearings were for "citation" cases. These cases can involve illegal gambling, selling drugs on a permit premises, underage drinking, unsanitary conditions, illegal use of electronic benefits transfer (EBT) cards, and so forth. The Commission also deals with a second category of cases, referred to as "noncitation" cases, that can involve appeals of Division of Liquor Control decisions, sales tax appeals, sales tax complaints, unemployment compensation cases, and Bureau of Workers' Compensation (BWC) payment issues involving permit holders. As can be seen, there was a marked increase in noncitation cases in FY 2010, mostly attributable to a weak economy that increased

payment delinquencies among permit holders. Noncitation cases, however, have declined each of the last three fiscal years since the sharp rise in FY 2010.

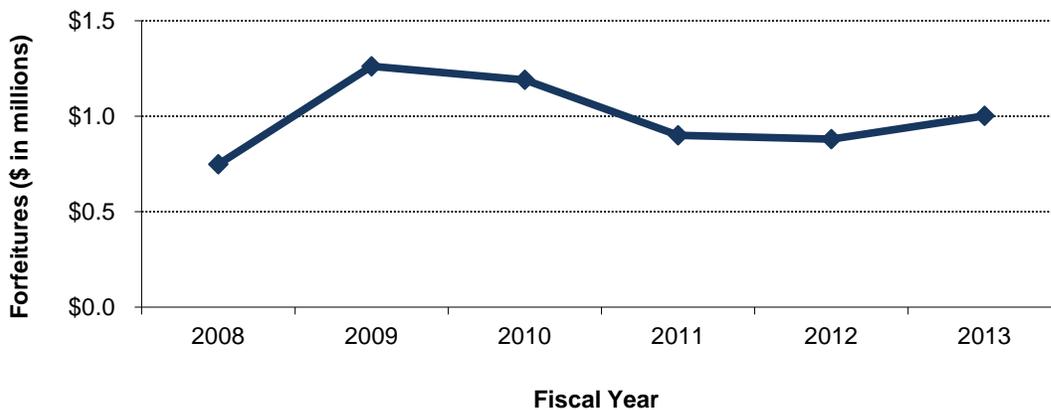
Chart 1: LCO Cases Heard by Type, FY 2008-FY 2013



Forfeitures

Depending on the circumstances, LCO has the authority to impose forfeitures, or cash fines, on permit holders. These forfeitures are not retained by the Commission, but are instead deposited into the GRF. Forfeitures collected in FY 2013 totaled just over \$1.0 million. As Chart 2 below shows, over the previous three budget cycles, forfeitures ranged from a high of approximately \$1.3 million in FY 2009 to a low of just under \$750,000 in FY 2008. 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.

Chart 2: Forfeitures Collected, FY 2008-FY 2013



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FY 2014 - FY 2015 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			FY 2012	FY 2013	Appropriation FY 2014	FY 2013 to FY 2014 % Change	Appropriation FY 2015	FY 2014 to FY 2015 % Change
Report For Main Operating Appropriations Bill			Version: Enacted					
LCO Liquor Control Commission								
5LP0	970601	Commission Operating Expenses	\$ 0	\$ 723,588	\$ 784,376	8.40%	\$ 796,368	1.53%
State Special Revenue Fund Group Total			\$ 0	\$ 723,588	\$ 784,376	8.40%	\$ 796,368	1.53%
7043	970321	Operating Expenses	\$ 648,065	\$ 8,333	\$ 0	N/A	\$ 0	N/A
Liquor Control Fund Group Total			\$ 648,065	\$ 8,333	\$ 0	N/A	\$ 0	N/A
Liquor Control Commission Total			\$ 648,065	\$ 731,921	\$ 784,376	7.17%	\$ 796,368	1.53%