

# **LSC Greenbook**

**Analysis of the Enacted Budget**

## **Liquor Control Commission**

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# TABLE OF CONTENTS

<b>OVERVIEW</b> .....	<b>1</b>
Agency Overview.....	1
Appropriation Overview .....	1
<b>ANALYSIS OF ENACTED BUDGET</b> .....	<b>2</b>
Operating Statistics .....	2
Forfeiture Collections.....	3
Statutory Change – Affirmative Defense for Certain Underage Sales .....	3

**ATTACHMENT:**

Budget Spreadsheet By Line Item

# Liquor Control Commission

- Budget of approximately \$1.6 million for the FY 2016-FY 2017 biennium
- Over 2,500 cases heard in FY 2015
- \$1.1 million in forfeitures deposited into the GRF in FY 2015

## 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 of 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 \$796,368 in both FY 2016 and FY 2017. 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. 64's funding for this line item.

Appropriations for the Liquor Control Commission				
Fund	ALI and Name		FY 2016	FY 2017
<b>Dedicated Purpose Fund Group</b>				
5LP0	970601	Commission Operating Expenses	\$796,368	\$796,368
<b>Total Funding: Liquor Control Commission</b>			<b>\$796,368</b>	<b>\$796,368</b>

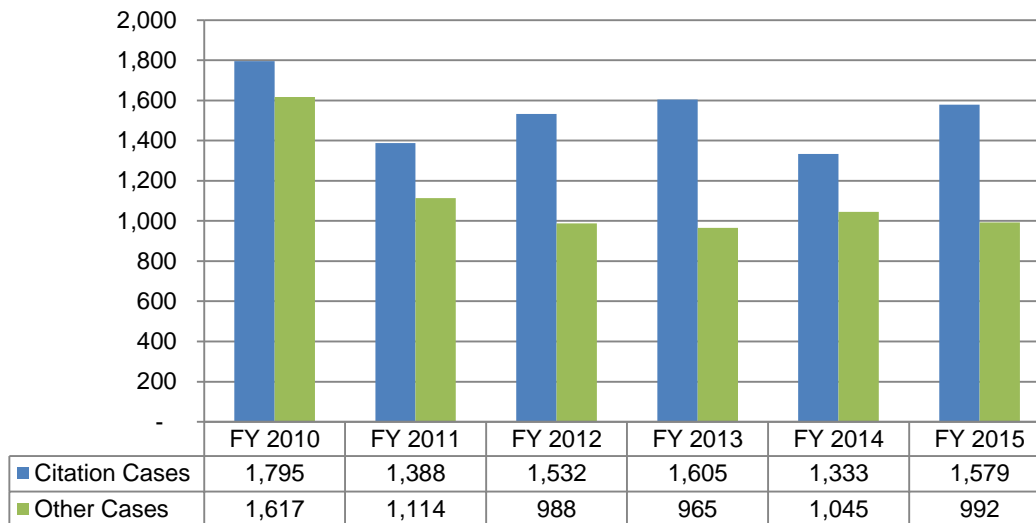
This line item pays for all operating expenses including payroll, supplies, and fixed maintenance costs, as well as purchased personal services related to court-reporting services and transcripts, writs served, and witness reimbursements. Overall, the budget provides LCO with \$796,368 in both FY 2016 and FY 2017, an 11.8% increase from FY 2015 spending on Commission operations. 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

The Commission's caseload over the previous three biennia is shown in the chart below. During FY 2015, LCO heard a total of 2,571 and handled over 2,700 cases. The number of violations issued by law enforcement authorities – referred to as citation cases – constitutes the majority of the Commission's caseload. 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, or those dealing with appeals of Division of Liquor Control decisions, sales tax appeals, sales tax complaints, unemployment compensation cases, and Bureau of Workers' Compensation (BWC) payment issues. As can be seen, there was a high number of noncitation cases (1,617) in FY 2010, mostly attributable to a weak economy that increased

payment delinquencies among permit holders. Since that period, however, the number of noncitation cases heard has ebbed, falling to just below 1,000 in FY 2015.

**Cases Heard by Type, FY 2010-FY 2015**



## 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 amounted to \$1.1 million in FY 2015. Forfeitures were just under \$1.0 million annually in the prior two fiscal years. Over the last ten fiscal years, these amounts have ranged from a low of about \$730,000 in FY 2006 to a high of almost \$1.3 million in FY 2009. 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 Change – Affirmative Defense for Certain Underage Sales

H.B. 64 expands the affirmative defense for a violation of the law prohibiting the sale of alcohol to an underage person by allowing a liquor permit holder to claim the defense after the permit holder accepted an out-of-state identification card or a United States foreign passport. Ultimately, this could result in a minimal loss in cash fines that are deposited into the GRF from these types of violations.

**FY 2016 - FY 2017 Final Appropriation Amounts**

**All Fund Groups**

**Line Item Detail by Agency**

			<b>Appropriation</b>	<b>FY 2015 to FY 2016</b>	<b>Appropriation</b>	<b>FY 2016 to FY 2017</b>		
			<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>% Change</b>	<b>FY 2017</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	\$ 707,630	\$ 712,353	\$ 796,368	11.79%	\$ 796,368	0.00%
<b>Dedicated Purpose Fund Group Total</b>			<b>\$ 707,630</b>	<b>\$ 712,353</b>	<b>\$ 796,368</b>	<b>11.79%</b>	<b>\$ 796,368</b>	<b>0.00%</b>
<b>Liquor Control Commission Total</b>			<b>\$ 707,630</b>	<b>\$ 712,353</b>	<b>\$ 796,368</b>	<b>11.79%</b>	<b>\$ 796,368</b>	<b>0.00%</b>