

Redbook

LBO Analysis of Executive Budget Proposal

Liquor Control Commission

Terry Steele, Senior Budget Analyst
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LBO Redbook

Liquor Control Commission

Quick look...

- The Commission consists of three members appointed by the Governor. As of February 2021, it employed five full-time staff.
- The Commission is a quasi-judicial body that hears administrative cases against permit holders for alleged violations of Ohio’s liquor laws and certain other matters related to these businesses.
 - Just under 1,300 cases heard in FY 2020 compared to the FY 2019 caseload of nearly 2,000.
 - Approximately \$470,000 in forfeiture revenue was transferred to the GRF in FY 2019. That amount increased to \$541,000 in FY 2020.
- The Commission is funded through a portion of liquor permit fee revenue collected by the state.

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
Fund 5LP0 ALI 970601, Commission Operating Expenses					
\$778,556	\$739,603	\$769,868	\$905,914	\$944,885	\$947,645
% change	-5.0%	4.1%	17.7%	4.3%	0.3%

Agency overview

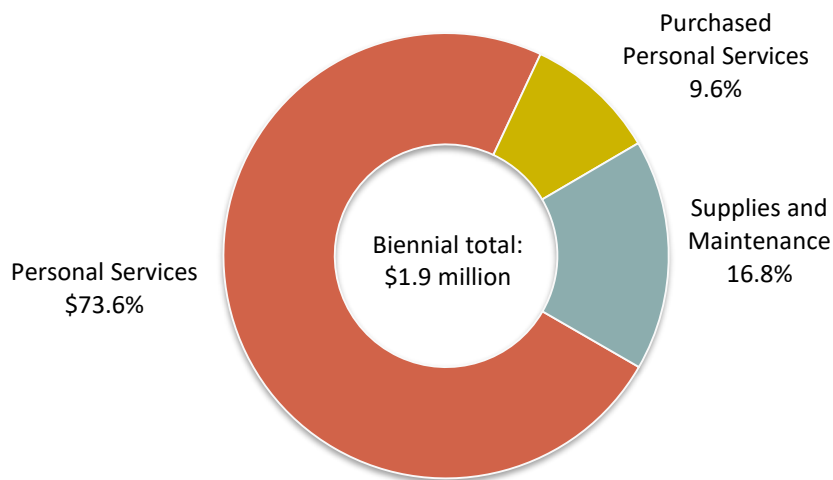
The Liquor Control Commission (LCO) is the rulemaking and adjudication agency that oversees the alcohol beverage industry in Ohio and ensures compliance with Ohio’s liquor laws and regulations. LCO works with the Department of Commerce’s Division of Liquor Control, which issues liquor permits, the Attorney 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. In addition to the three salaried appointed members, there are five full-time employees, including the Executive Director.

Analysis of FY 2022-FY 2023 budget proposal

The executive recommended budget for LCO is \$944,885 in FY 2022 and \$947,645 in FY 2023. The proposed budget provides for anticipated increases in information technology (IT) and Central Service Agency (CSA) costs charged by the Department of Administrative Services. Purchased personal services costs dealing with hearings can be harder to predict. Variables include the length of hearing days, the number of witnesses subpoenaed, witness compensation

and mileage reimbursement, court-reporting services, and transcript expenses. These costs may also fluctuate further due to economic conditions related to COVID-19. Chart 1 below shows that, over the FY 2022-FY 2023 biennium, approximately \$1.4 million (73.6%) of the executive budget is for personal services, including commissioner salaries which are fixed by the Governor's Office. After payroll, just over \$317,000 (16.8%) of the budget goes toward supplies and maintenance. The remaining amount of approximately \$181,600 (9.6%) is for purchased personal services, including costs for court-reporting services and transcripts, writs served, and witness reimbursements that tend to fluctuate from year to year depending on Commission caseload.

**Chart 1: LCO Budget by Expense Category
FY 2022-FY 2023 Biennium**



Liquor permit revenue distributions

LCO's operating expenses are paid from the State Liquor Regulatory Fund (Fund 5LP0), which receives a portion of liquor permit fee revenue deposited into the Undivided Liquor Permit Fund (Fund 7066). Overall, \$42.7 million in permit fees were collected in FY 2019. That figure dropped to \$28.6 million in FY 2020, of this amount \$28.1 million was distributed to other funds. From Fund 7066, 45% of the revenue is distributed to Fund 5LP0 for use by the Department of Commerce's Division of Liquor Control and the Liquor Control Commission. Of the portion deposited into Fund 5LP0, approximately \$4.0 million in surplus was subsequently transferred to the GRF in FY 2019. There were no such transfers of surplus in FY 2020. Of the remaining permit revenue deposited into Fund 7066, 35% goes to municipalities and townships and 20% goes to the Department of Mental Health and Addiction Services. As of February 2021, just over halfway through FY 2021, Fund 7066 has collected nearly \$24.9 million in liquor permit fees.

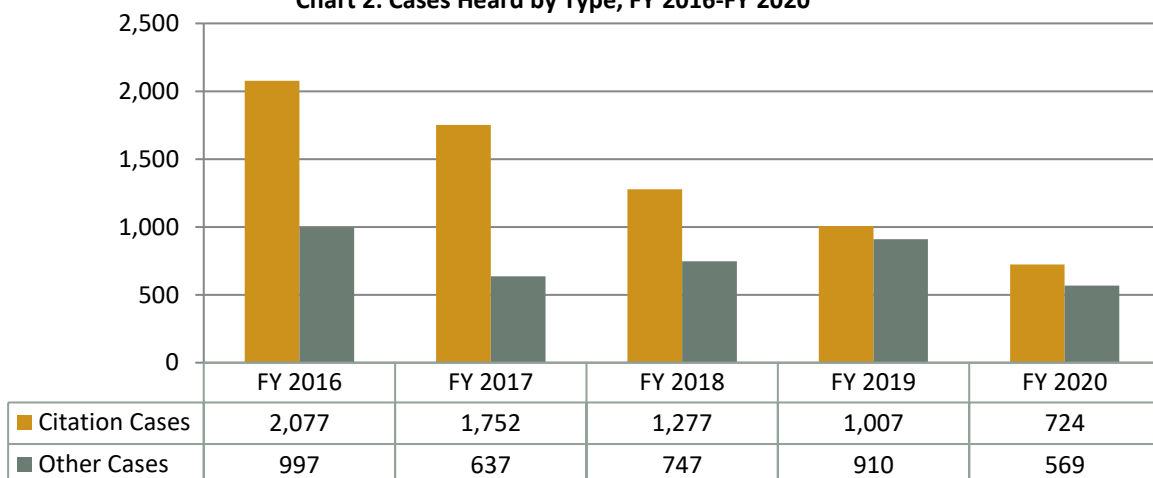
Liquor Permit Distributions from the Undivided Liquor Permit Fund to Receiving Entities			
Entity	Distribution Percentage	FY 2019	FY 2020
State Liquor Regulatory Fund (Fund 5LP0)	45%	\$19,219,600	\$12,659,905
Municipalities and Townships	35%	\$14,948,579	\$9,846,592
Statewide Treatment and Prevention Fund (Fund 4750)	20%	\$8,542,045	\$5,626,624
Total	100%	\$42,710,224	\$28,133,121

Enforcement statistics and adjudications

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 2,000 cases were heard in FY 2019, and just under 1,300 were heard in FY 2020. 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 allegations of dissolute behavior at permit establishments, including 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. It should be noted that while the total number of cases heard decreased overall in FY 2020 because of economic conditions caused by the coronavirus and resulting health orders, LCO did hear many citation cases related to violations of those orders. In addition to citation cases, the Commission hears cases involving tax payment deficiencies, overdue or unpaid workers’ compensation premiums, and unemployment compensation delinquencies among permit holders. These are referred to as “noncitation” cases.

Chart 2: Cases Heard by Type, FY 2016-FY 2020



Forfeitures

The Commission has the authority to revoke licenses or impose cash fines depending on the circumstances of a case. These fines, referred to as forfeitures, are not retained by the Commission and are instead deposited into the GRF. As Chart 3 below shows, forfeitures collected amounted to approximately \$472,000 in FY 2019 and \$541,000 in FY 2020. This compares to the prior three fiscal years, when forfeitures were all approximately \$1.0 million or above annually. 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. Comparing forfeiture receipts shown in Chart 3 to the number of citation cases shown in Chart 2 over the FY 2016-FY 2020 span, note that the amount of forfeiture collected has declined in tandem with a drop in the number of citation cases heard.

Chart 3: Forfeitures Collected, FY 2016-FY 2020

