Redbook

LBO Analysis of Executive Budget Proposal

Liquor Control Commission

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LBO Redbook

Liquor Control Commission

Quick look…

- The Liquor Control Commission consists of three members appointed by the Governor and six 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.
  - Typically hears over 2,000 cases annually.
  - Approximately $1.8 million in fine revenue transferred to the GRF over the FY 2023-FY 2024 period.
- The Commission is funded through a portion of liquor permit fee revenue collected by the state.

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Estimate	FY 2026 Introduced	FY 2027 Introduced
Fund 5LP0 ALI 970601, Commission Operating Expenses					
$1,000,890	$999,955	$1,042,399	$1,225,800	$1,177,114	$1,241,735
% change	-0.1%	4.2%	17.6%	-4.0%	5.5%

Agency overview

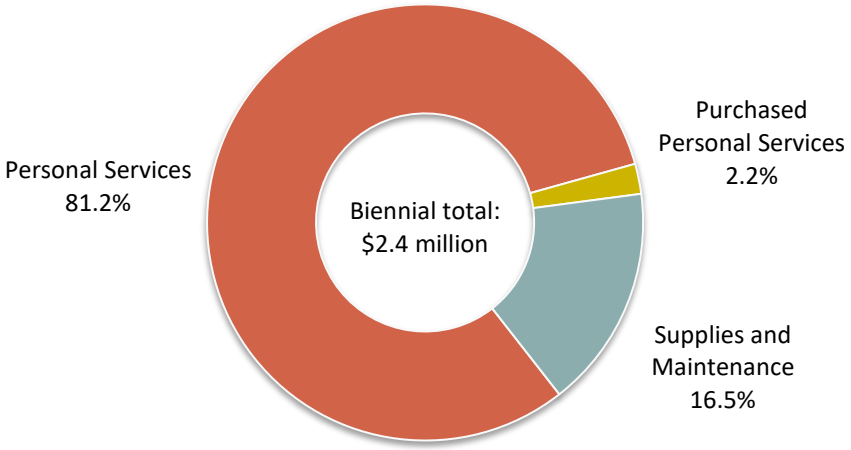
The Liquor Control Commission (LCO) is the rulemaking and adjudication agency that oversees the alcohol beverage industry in Ohio and ensures compliance with Ohio's liquor laws and regulations. LCO works with the Department of Commerce's Division of Liquor Control, which issues liquor permits, as well as the Attorney General and Department of Public Safety, which are involved with investigating and enforcing liquor violations. LCO's responsibilities include (1) making and interpreting rules regarding liquor production, sales, and advertising, (2) hearing cases regarding alleged liquor permit violations, (3) hearing appeals of the Division of Liquor Control decisions on liquor permit renewals and distribution, and (4) hearing appeals of liquor permit revocations and nonrenewals based on tax delinquencies. The Commission consists of three members appointed by the Governor for six-year terms and who, unlike many appointed boards and commissions, are paid a salary. They are supported by six full-time employees, including the Executive Director.

Analysis of FY 2026-FY 2027 budget proposal

The executive recommended budget for LCO is $1,177,114 in FY 2026 and $1,241,735 in FY 2027. Chart 1 below shows that, over the FY 2026-FY 2027 biennium, slightly less than $2.0 million (81.2%) of the executive budget is for personal services, including commissioner salaries which are fixed by the Governor's Office. After payroll, just over $400,000 (16.5%) of the budget goes toward supplies and maintenance. The remaining amount of approximately $54,000 (2.2%) 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 2026-FY 2027 Biennium



In FY 2021, the Commission took over the docketing of cases from the Attorney General's Office. LCO began the process of implementing this new system during the FY 2024-FY 2025 biennium. The proposed budget provides continuing funding for the development and implementation of the case management system to accommodate changes in case hearing processes, with the goal of streamlining case dispositions. The recommended funding also includes funding for training, data conversion, and the $7,200 annual system license fee. LCO just recently began using the new system internally for appeals and tax cases, and is working with partner agencies for the development and implementation of the system for use in citation cases.

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, $42.9 million in permit fees were collected in FY 2023. That figure increased to $44.7 million in FY 2024. The table below shows the distribution of permit revenues collected by Fund 7066. Note that permit fee revenues may not be distributed in the same fiscal year in which they are collected.

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, transfers totaled nearly $5,700 during FY 2023 and FY 2024. Of the remaining permit revenue deposited into Fund 7066, 35% goes to municipalities and townships and 20% goes to the Department of Behavioral Health (MHA).

Liquor Permit Distributions from the Undivided Liquor Permit Fund to Receiving Entities		
Entity	FY 2023	FY 2024
State Liquor Regulatory Fund (Fund 5LP0)	$14,811,880	$30,369,557
Municipalities and Townships	$18,166,775	$13,366,315
Statewide Treatment and Prevention Fund (Fund 4750)	$6,582,469	$14,608,596
Total	**$39,521,164**	**$58,344,468**

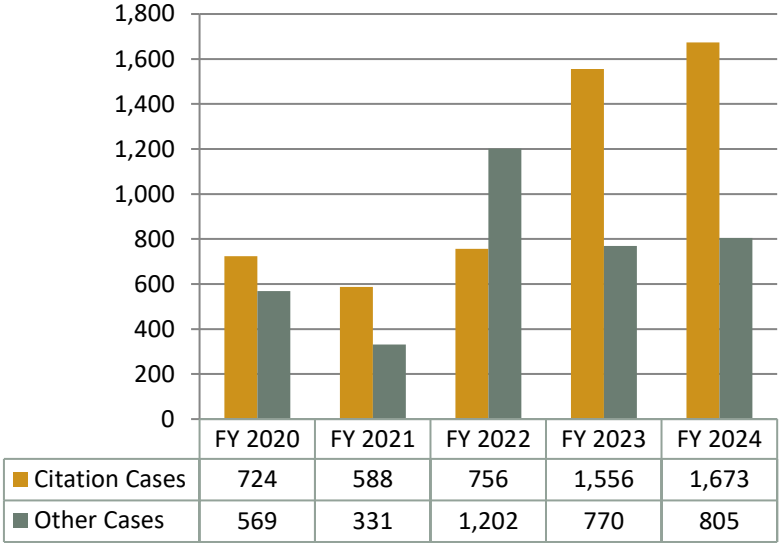
Enforcement statistics and adjudications

Adjudication hearings

Although the Commission's goal is to issue decisions within 45 days after the hearing date, the Commission issues the vast majority of its decisions within two weeks. LCO hears both "citation" and "noncitation" cases. Citation cases concern dissolute behavior such as illegal gambling, selling drugs, underage drinking, and other sorts of prohibited activity at permit establishments. Noncitation cases deal with tax payment deficiencies, overdue or unpaid workers' compensation premiums, and unemployment compensation delinquencies among permit holders.

As Chart 2 below shows, the number of cases returned to, and has exceeded, the pre-pandemic norm of about 2,000. The liquor license renewal deadline that was extended during COVID-19 caused a corresponding increase in liquor permit cancelation notices during FY 2022, as many permit holders failed to renew once the extension ended. The result was an increase in appeals of those cancelations, as can be seen by the number of "Other" cases in FY 2022. As establishments reopened and renewed liquor licenses after the pandemic-related lag, the corresponding number of citation cases rose to pre-pandemic levels. This normalization, coupled with LCO's attempts to set cases more quickly, resulted in the increase in caseload seen in FY 2023-FY 2024. Case activity for the past five fiscal years is shown in Chart 2 below.

Chart 2: Cases Heard by Type, FY 2020-FY 2024



	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Citation Cases	724	588	756	1,556	1,673
Other Cases	569	331	1,202	770	805

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. Forfeitures collected amounted to approximately $882,500 in FY 2023 and $921,300 in FY 2024. The total amount of forfeitures ordered or collected in any year depends on the types of cases heard, and also the Commission's judgment on the frequency and severity of offenses which are being adjudicated.

LCO/lb