



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: [H.B. 243 of the 129th G.A.](#)

Date: June 21, 2011

Status: As Introduced

Sponsor: Reps. Kozlowski and Young

Local Impact Statement Procedure Required: No

Contents: Eliminates the restriction on the number of A-3a liquor permits that may be issued per county and makes other related changes

State Fiscal Highlights

- Eliminating the restrictions on the number of A-3a liquor permits for small manufacturers of spirituous liquor will likely result in the issuance of more A-3a permits. If so, there would be a gain in liquor permit fee revenue to the Undivided Liquor Permit Fund (Fund 7066). Fund 7066 revenues are subsequently distributed to the GRF (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%). There would also be a minimal gain in revenue to the Liquor Control Fund (Fund 7043) from the \$100 processing fee that accompanies all permanent liquor permit applications.
- The formation of new, small distilleries of spirituous liquor may lead to an increase in spirituous liquor sales. If so, there would be a gain in revenue to the GRF from the liquor gallonage and sales taxes.

Local Fiscal Highlights

- If more A-3a liquor permits are issued, the municipality or township where the permitted premises is located would gain a minimal amount of revenue from a portion of the liquor permit fee paid.
- The bill may lead to more local option liquor elections. If so, county boards of elections may experience a minimal increase in expenses to verify signatures, hold protest hearings, and notify permit holders concerning any additional petitions that are submitted.
- County boards of elections may also incur some small additional expense for printing the language of the question(s) on ballots.
- If there are more local option liquor questions placed on the ballot during "off-year" elections, the municipalities and townships in which the applicable precinct is

located would likely bear some minimal additional costs associated with holding the election.

Detailed Fiscal Analysis

Overview

The bill eliminates the restrictions on the number of A-3a liquor permits that may be issued across the state. The A-3a permit applies to so-called craft distillers (those that manufacture less than 10,000 gallons of spirituous liquor per year). The permit also enables the permit holder to sell to personal consumers at the permitted location for consumption off the premises, including liquor that the permit holder manufacturers and liquor purchased from the Division of Liquor Control (DOLC) and made available for sale in a separate area of the permitted location. Though the permit holder can make sales of DOLC liquor as an independent contractor, it is not eligible to receive the sales commissions paid to contract liquor agency stores.

Current law restricts the issuance of A-3a permits to one per county and only in a county with a population exceeding 800,000. Effectively, this limits the issuance of these permits to Franklin, Cuyahoga, and Hamilton counties. Currently, there are only two such active permits, one in Franklin County and the other in Hamilton County. The bill eliminates the quota and county population restrictions so that an unlimited number of A-3a permits could be issued across the state, though the precinct where the permitted premises is located must permit the sale of beer and intoxicating liquor. The annual fee for an A-3a permit is \$3,906 for each plant. However, if the production capacity of a plant is less than 500 wine barrels of 50 gallons each per year, the fee is \$200 per barrel.

Fiscal effects

Liquor permit fee revenue

As a result of the bill, additional A-3a permits are likely to be issued. Liquor permit fee revenue is initially deposited into the Undivided Liquor Permit Fund (Fund 7066) and subsequently distributed to the GRF (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%). Thus, these state funds and the municipalities and townships in the areas where the permitted premises are located may experience a minimal gain in liquor permit fee revenue. There would also be a minimal gain in revenue to the Liquor Control Fund (Fund 7043) from the \$100 processing fee that accompanies all permanent liquor permit applications.

Spirituos liquor sales

Should new craft spirituous liquor distilleries be formed through an expansion in the availability of the A-3a liquor permit, there could also be an increase in the amount of spirituous liquor sold in the state. If so, there would be a gain in revenue to the GRF from the liquor gallonage and sales taxes. The liquor gallonage tax is collected at a rate of \$3.38 per gallon of spirituous liquor sold by DOLC.

Local option liquor elections

If a prospective A-3a permit holder seeks to locate the distillery in an area where the sale of spirituous liquor is currently prohibited (referred to as a "dry" precinct or location), there may be more local option liquor elections held to attempt to change the precinct or location's status in order to allow the permit to be issued. These elections would only be held during elections in which a candidate is on the ballot, limiting the questions to appearing during primary or general elections. As a result, county boards of elections and various municipalities and townships are likely to incur some additional elections-related costs, which are described in more detail below.

County boards of elections are required to provide petitioners with voter or street lists, notify through certified mail each permit holder affected by the local option election, hear protests filed against a local option election, and verify signatures. Though the boards of elections may charge a reasonable fee to cover the cost of the voter or street lists, they do not pass on the costs for petition signature verification, holding hearings, and notifying permit holders. If there were more local option liquor elections, counties may experience a minimal increase in expenses to perform the above functions on any additional petitions that may be submitted. County boards of elections could also incur some small additional expense for printing the language of the question(s) on ballots. This would be the case for absent voter and provisional ballots for the precincts in which the questions are posed to voters. In addition, counties using optical scan ballots would also incur some additional cost for printing this language on the appropriate precinct ballot forms.

Even though county boards of elections might incur new costs for holding local option liquor elections, there is a process in place for recouping these expenses in certain cases. Under current law, the municipality or township of which the applicable precinct is a part may be charged for the expenses of holding a local option liquor election. If there are more local option liquor questions placed on the ballot during odd-numbered calendar year ("off-year") elections, the municipalities and townships in which the applicable precinct is located would likely bear some minimal additional costs. Typically, county boards of elections do not charge election costs back to these entities for elections held in even-numbered calendar years.