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OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research
and Drafting

Legislative Budget
Office

H.B. 46
134th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Introduced

Primary Sponsors: Reps. A. Miller and Carruthers

Local Impact Statement Procedure Required: Yes

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Highlights

- The bill waives required permit fees for eligible clubs and restaurants (A-1-A and D permit holders) for the CY 2021 permitting cycle. This could result in a maximum loss of up to approximately \$35.0 million in permit revenue collected by the Department of Commerce's Division of Liquor Control over this period, based on permit data at the beginning of CY 2021.
- Liquor permit revenue losses would result in concurrent revenue distribution losses of up to \$16.0 million to the State Liquor Regulator Fund (Fund 5LP0), nearly \$12.5 million to local governments, and slightly more than \$7.1 million to the Statewide Treatment and Prevention Fund (Fund 4750) used by the Department of Mental Health and Addiction Services.
- The bill declares an emergency and therefore goes into immediate effect.

Detailed Analysis

The bill waives liquor permit renewal fees for certain permit holders (A-1-A and D permits) for calendar year 2021. At the maximum, this would result in a possible loss of up to approximately \$35.0 million in permit revenue collected by the Division of Liquor Control and deposited into the Undivided Liquor Permit Fund (Fund 7066) during the CY 2021 permit timeframe. Other entities would also bear losses in permit revenue, including (1) the State Liquor Regulatory Fund (Fund 5LP0), (2) the Statewide Treatment and Prevention Fund (Fund 4750), and (3) municipalities and townships.

The extent of the loss in permit revenue depends on the timing of the bill's passage and the permit renewal dates, which are staggered in three phases throughout the calendar year. The renewal dates are February 1, June 1, or October 1, depending on the region where the permitted

premises is located. LBO does not know when these renewals would fall on this schedule or whether all of the permit holders would renew with their previous permit types. Because of this, LBO made two assumptions: (1) All potential permit holders renew with their current permit types, and (2) those permit holders whose renewals fell on February 1 would be refunded. Based on these assumptions, the totals shown in Table 1 below show the maximum potential revenue loss for waiving *all* permit renewals under the bill based on the latest available active permit data available to LBO as of January 1, 2021.

Table 1. A-1-A and D Active Permits and Potential Revenue Loss, CY 2021			
Permit Type	Active Permits*	Renewal Fee	Total
A-1-A	342	\$3,906	\$1,335,852
D1, D2X	6,038	\$376	\$2,270,288
D2	5,413	\$564	\$3,052,932
D3	4,464	\$750	\$3,348,000
D3A	2,070	\$938	\$1,941,660
D3X	50	\$300	\$15,000
D4, D7	1,282	\$469	\$601,258
D5, D5A, B, D, F, I, J, L, M, O	6,837	\$2,344	\$16,025,928
D5C	10	\$1,563	\$15,630
D5G, H, K	63	\$1,875	\$118,125
D5N	20	\$20,000	\$400,000
D6*	12,846	\$400-\$500	\$6,037,620
D8	830	\$500	\$415,000
Total	40,265		\$35,577,293

*D6 permit fees are determined by underlying permit type. A and D permits pay \$500 for a D6 permit, whereas a C permit must pay \$400 for a D6 permit. The Division of Liquor Control did not provide LBO this data, therefore, LBO estimated this number based on the percentage of D6 permits by underlying permit type from previously received data.

As Table 1 shows, waiving these permit renewal fees would result in a maximum potential loss of revenue of approximately \$35.6 million during the CY 2021 renewal cycle. The largest portion of the revenue loss (\$16.0 million) would come in the form of certain D5 permits related to clubs and restaurants. The second largest is an estimated loss of \$6.0 million from D6 Sunday sales permits. D6 permit fees are \$500 if the underlying permit is either an A permit or D permit,

and \$400 if it is a C permit. Previous data show approximately 70% of these permits were for establishments that had an underlying A or D class permit, which means those D6 permit fees would be \$500. Therefore, 8,992 of D6 permits ($12,846 \times 0.7$) would cost \$500 for renewal and 3,854 would cost \$400. The estimated loss would be $(8,992 \times \$500) + (3,854 \times \$400) =$ just over \$6.0 million.

As mentioned above, liquor permit revenue is deposited into the Undivided Liquor Permit Fund (Fund 7066). From there, it is distributed to the State Liquor Regulatory Fund (Fund 5LP0, 45%) used by the Department of Commerce and the Liquor Control Commission, local government entities where premises are located (35%), and the Statewide Treatment and Prevention Fund (Fund 4750, 20%) under the budget of the Department of Mental Health and Addiction Services. Table 2 below shows the approximate maximum possible revenue loss for the three entities that receive liquor permit revenue distributions from Fund 7066 based on expected CY 2021 liquor permit receipts.

Table 2. Maximum Possible Revenue Losses to Entities Receiving Liquor Permit Revenue, Based on CY 2021 Permit Data		
Entity	Distribution Percentage	Maximum Revenue Loss (approximately)
State Liquor Regulatory Fund (Fund 5LP0)	45%	\$16,000,000
Municipal Corporations and Townships	35%	\$12,500,000
Statewide Treatment and Prevention Fund (Fund 4750)	20%	\$7,100,000
Total		\$35,600,000

The bill includes two changes to the way gift cards may be used to buy alcohol. The first change allows someone to use the total amount of a restaurant gift card to purchase beer or intoxicating liquor drinks for on-premises consumption, removing the 30% limit of the gift card's value that currently applies to such purchases. The second change affects retail permit holders, allowing them to sell gift cards for the purchase of beer, wine, or mixed beverages for on-premises consumption. Currently, such gift cards can only be used to buy alcoholic beverages for off-premises consumption. The fiscal effects of these changes are uncertain.