



Renewing Ohio's Job-Creation Efforts

PART II: LIQUOR ENTERPRISE MANAGEMENT CONTRACT

Once Ohio's Liquor Enterprise is transferred to JobsOhio, JobsOhio will contract with the Department of Commerce to continue to run its operations. The contract between JobsOhio and the Department of Commerce requires Controlling Board approval.

BACKGROUND ON LIQUOR REGULATION

The Division of Liquor Control (DLC) of the Ohio Department of Commerce operates Ohio's wholesale Liquor Enterprise, which purchases spirituous liquor from liquor producers and then sells that liquor to consumers through independent licensed retail agents. These retail agents own and operate their own stores, but not the liquor on the shelves, which remains the property of the state until it is sold to the consumer. DLC sets pricing in line with requirements of state law and regulations.

The Liquor Enterprise sells about 1,500 spirituous liquor products through more than 450 licensed retail agents. In calendar year 2011, liquor sales totaled \$793.7 million. In Fiscal Year 2011, the amount transferred to the General Revenue Fund from those sales was \$153 million.

- **Historic Timeline:** The sale of spirituous liquor has been regulated in Ohio since 1792, before statehood.
 - **1933:** Prohibition is repealed and the Ohio General Assembly passes the Ohio Liquor Control Act, creating the Department of Liquor Control to issue liquor permits to manufacturers, distributors, and retailers of alcoholic beverages in Ohio.
 - **1934:** The first liquor outlets open, which includes both state-run and private contract liquor stores.
 - **1969:** The first permits are issued for Sunday sales of spirituous liquor.
 - **1991:** The conversion of all state-owned and run liquor stores to private contract begins. Private contractors own and operate their own stores, at which they sell liquor owned by the state.
 - **1996:** The final "state store" closes, saving the state approximately \$21.4 million per year.
 - **1997:** The Department of Liquor Control becomes a division within the Department of Commerce.
 - **2004:** Licensed stores are allowed Sunday carry-out of spirituous liquor.

CONTRACT OVERVIEW

Under a contract between JobsOhio and the Department of Commerce, which must be approved by the Controlling Board, the DLC will continue to run the distribution and merchandising of liquor in Ohio after JobsOhio receives its franchise from the state for the Liquor Enterprise. Each year, the DLC and JobsOhio will negotiate the amount of the annual payment by JobsOhio to Commerce for DLC's services. This contract will have a term of 25 years and remain in effect until the reversion of the liquor business back to the state.

- Regulatory Functions Remain with the State: Regulatory functions of DLC are not a part of the liquor business transfer and will continue to be done by the DLC, as currently outlined in Ohio law. DLC will continue the review and issuance of licenses and permits for liquor manufacturers and distributors. Existing liquor laws will continue to be enforced by the Investigative Section of the Department of Public Safety and local law enforcement.
- Merchandising Functions Remain with the State: DLC will continue to be responsible for the management and performance of its statutory merchandising functions, including selecting liquor products for sale, controlling the purchase of liquor for agency distribution, determining wholesale and retail pricing, and other issues impacting the business and sale of spirituous liquor.
- Budget, Planning and Review: The contract establishes a process for DLC and JobsOhio to agree upon an annual fee budget for DLC's services to operate and manage the liquor business. JobsOhio will provide sufficient working capital and pay for capital expenditures for the operation of the liquor enterprise. JobsOhio will also provide the DLC with sales and revenue reporting information, and will ensure the DLC has any needed access to or use of the Franchise and transferred assets. The contract establishes a process for DLC and JobsOhio to develop a business plan for the liquor business, and the DLC will provide services in line with the business plan and the budget. The DLC and JobsOhio will meet regularly to discuss the merchandising functions as they relate to the operation of the liquor business; the Director of the Ohio Department of Commerce has the final decision in all matters related to merchandising functions.

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