



Ohio Legislative Service Commission

Jason Phillips

Fiscal Note & Local Impact Statement

Bill: Sub. H.B. 445 of the 128th G.A. **Date:** May 19, 2010
Status: As Reported by House State Government **Sponsor:** Rep. Letson

Local Impact Statement Procedure Required: No — Offsetting revenues

Contents: Permits the establishment of local entertainment districts under specified conditions and creates the T-1 liquor permit

State Fiscal Highlights

- This bill permits the issuance of additional liquor permits through the creation of local entertainment districts and through the creation of the T-1 temporary liquor permit, which allows consumption of beer and liquor at certain college, university, or professional sports events. Liquor permit fees are collected by the Division of Liquor Control within the Department of Commerce, deposited into the Undivided Liquor Permit Fund (Fund 7066), and then distributed to the GRF, the Statewide Treatment and Prevention Fund (Fund 4750), and local governments.
- In addition to liquor permit fees, the Division of Liquor Control charges \$100 for new permanent permit applications to cover the cost of fingerprinting and background checks. The receipts are deposited into the Liquor Control Fund (Fund 7043).

Local Fiscal Highlights

- The bill permits local governments to establish a fee for local entertainment district applications. Presumably, these fees would be set so as to offset the costs for reviewing and acting upon local entertainment district applications.
- Municipalities and townships receive a portion of liquor permit fee revenue collected by the Division of Liquor Control. The issuance of additional liquor permits for establishments in local entertainment districts and for certain sporting events would result in a gain in liquor permit revenue for the local government where the liquor permits are issued.

Detailed Fiscal Analysis

Local entertainment districts

The bill allows for the creation of "local entertainment districts" for municipalities with a population of less than 100,000 or unincorporated areas of counties with a population of more than 125,000. Local entertainment districts are bounded areas that include or will include a mix of entertainment, retail, educational, sporting, social, cultural, or arts establishments that enable additional liquor permits to be issued regardless of any permit quota restrictions. The population requirements allow for the creation of these districts in all municipalities except Akron, Cincinnati, Cleveland, Columbus, Dayton, and Toledo and in the unincorporated areas of 22 counties. These are areas that may not be eligible to create a community entertainment district or a revitalization district, similar entities authorized under current law.¹ The bill specifies the steps in creating a local entertainment district, which include the payment of an application fee to be determined and collected by the municipality or county. There is a limit of one district per municipality and one district per unincorporated area of a county.

As noted above, the creation of a local entertainment district would enable additional liquor permits to be issued. Retail food establishments or food service operations with sales of food and meals that make up at least 75% of total sales would be eligible for D-1, D-2, and D-5 restaurant/night club liquor permits to sell beer, wine, and spirituous liquor in the district, subject to the requirements of those permits. However, no more than one D-1, D-2, or D-5 permit can be issued for each five acres of land within the district and no more than ten D-1, D-2, or D-5 permits (or any combination thereof) can be issued within a single district.

If local entertainment districts are created, there would be a gain in liquor permit fee revenue to the Undivided Liquor Permit Fund (Fund 7066), depending on the types of permits issued. The fees for the permits allowed in local entertainment districts range from \$376 to \$2,344. Liquor permit fee revenue deposited into Fund 7066 is subsequently distributed to the GRF (45%), the Statewide Treatment and Prevention Fund (Fund 4750) used by the Department of Alcohol and Drug Addiction Services (20%), and the local taxing district where the permits are issued (35%). All permanent liquor permits, in addition to the stated fee, carry a \$100 processing fee that covers the Division of Liquor Control's expenses in fingerprinting and making background checks for permanent license applications. This fee is deposited into the Liquor Control Fund (Fund 7043).

¹ According to the Department of Commerce, 25 community entertainment districts and two revitalization districts have been created.

T-1 temporary liquor permits

This bill creates the T-1 liquor permit to authorize certain colleges, universities, and professional athletic teams to allow the consumption of beer and intoxicating liquor brought into restricted areas on the property they own or lease. According to the Board of Regents' Policymaker's Guide publication, there are more than 130 institutions of higher education in Ohio. All state and private institutions of higher education with a full-time equivalent (FTE) student enrollment of less than 15,000 may apply for this permit. According to the Board of Regents' Higher Education Information System, as of FY 2009, there were six public main campus institutions with an FTE student enrollment of less than 15,000: Cleveland State University, Central State University, Northeastern Ohio Universities College of Medicine, Shawnee State University, Wright State University, and Youngstown State University. Colleges and universities with FTE student enrollments at or above 15,000 are exempt from the provisions in this bill.

All independent colleges and universities in Ohio have an FTE student enrollment of less than 15,000. Therefore, in effect, all private or independent colleges and universities are eligible for the permit. However, many of Ohio's independent colleges and universities may not permit the consumption of alcohol on premises and thus would not apply for the T-1 permit. Note that this bill applies not only to collegiate sports events, but also to professional athletic events at stadiums with a seating capacity of at least 4,000. All of Ohio's seven major professional sports teams have stadiums or arenas that meet this requirement, as do many of Ohio's minor league professional sports teams. Ultimately, it is uncertain how many schools or professional athletic teams would opt for the T-1 permit.

Expenses for the Department of Commerce's Division of Liquor Control to develop application forms and process applications are likely to be negligible at most. It appears that this bill will not create any substantial new local enforcement costs since law enforcement personnel already patrol sporting events, one of their tasks being to remove inebriated and disorderly sports fans.

The fee for this temporary permit is \$50 and may only be effective for a maximum of three days. As noted above, liquor permit fees are deposited into Fund 7066 and subsequently distributed to the GRF, Fund 4750, and the local governments where the liquor permits are issued.