

# DIVISION OF LIQUOR CONTROL

The Division of Liquor Control is responsible for controlling the manufacture, distribution, and sale of alcoholic beverages in Ohio. The Division is the state's sole purchaser and distributor of spirituous liquor (more than 21 percent alcohol by volume). Spirituous liquor is sold through 458 private liquor agencies, which contract with the Division serving as its sales agents. The Division issues permits to the state's approximately 23,000 privately owned and operated manufacturers, distributors and retailers of alcoholic beverages.

The Division regulates compliance pertaining to the manufacture, importation, and distribution of beer, wine, and mixed beverages containing 21 percent or less alcohol by volume.

In FY 2011, Governor Kasich proposed and the legislature made it law, that Ohio's liquor wholesale business would be transferred to the private, non-profit company JobsOhio, for a period of 25 years. Liquor profits become a dedicated resource to operate JobsOhio, providing powerful incentives for job-creation projects.

JobsOhio will contract with the Department of Commerce to manage the liquor merchandising function, which includes the day-to-day operations such as inventory management, distribution, and contracts for warehousing and shipping.

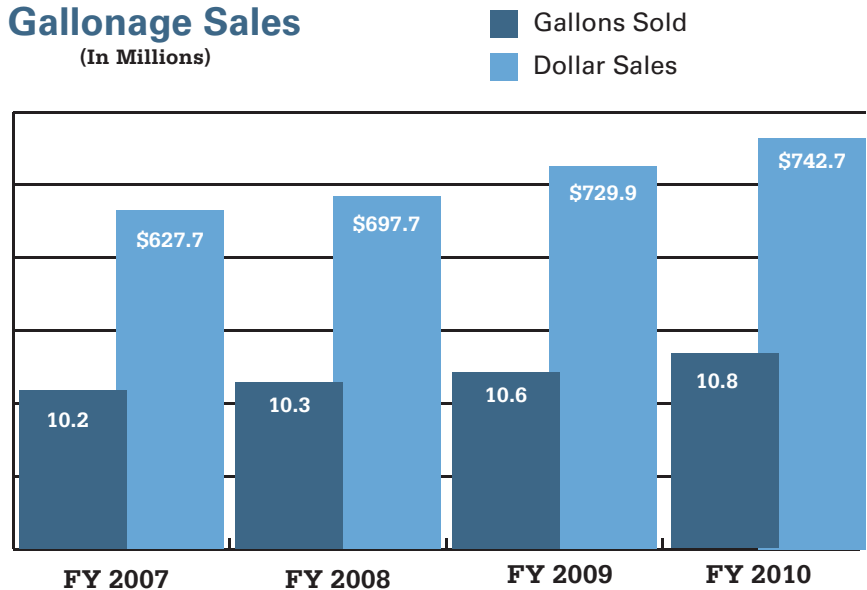
The Department of Commerce and the Department of Public Safety will continue to regulate the use and sale of all alcohol in Ohio, including liquor, beer, and wine. Enforcement of hours of operation, underage drinking, and all permitting and licensing will always remain with the state. The transfer of the liquor operation will be a seamless transition for the public, distributors, wholesalers and retail operators. All parties should notice no changes in how liquor is sold and purchased in Ohio.

## Spirituos Liquor Sales

Spirituos liquor sales reached a record \$770.7 million in FY 2011. This was an increase of \$28.1 million or 3.8 % compared to sales in FY 2010. The increase in liquor dollar sales can be attributed primarily to the trend of consumers purchasing premium priced products and an increase in the level of consumption.

Gallonage sales of spirituous liquor in FY 2011 totaled 11.2 million gallons, an increase of 341,986 gallons or 3.2 % over FY 2010.

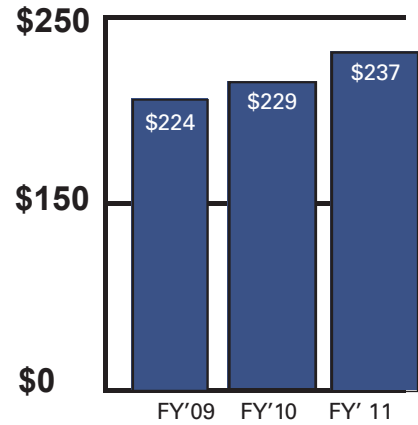
## Gallonage Sales (In Millions)



## Increased Profit

In addition to increases in sales, the Division's total net profit continued to increase, reaching a record high in FY 2011 of \$237 million. This was an increase of \$8.4 million over FY 2010.

## DIVISION'S NET PROFIT (IN MILLIONS)



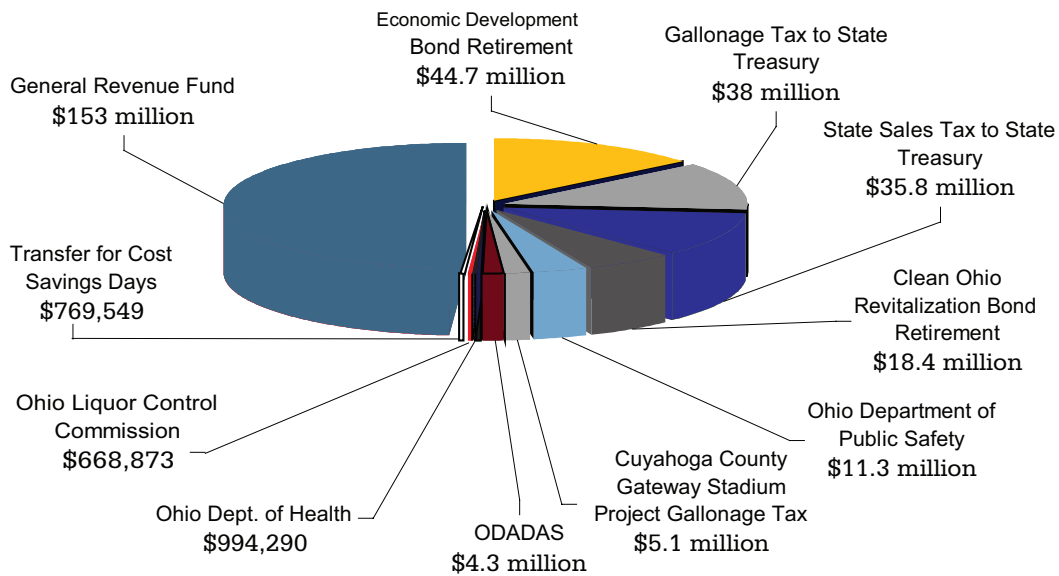
## Common Sense Initiative

In conjunction with Lt. Governor Mary Taylor's Common Sense Initiative, legislation (SB 73) was passed in FY 2011 to allow non-licensed beverage food manufacturers in the state to purchase spirits from a wholesale distributor. Prior to this change of the law, businesses had to buy at retail, adding expense and steps to their manufacturing process. At implementation, in July 2011, three Ohio businesses had already worked with the Division to make the change.

## Revenue Distribution

In addition to the Division's General Revenue Fund (GRF) transfer of \$153 million, another \$160 million in sales and tax revenue was contributed by the Division to help fund a variety of state programs and services. The Division's total contribution for FY 2011 was \$313 million. Here's how that breaks down:

## Liquor Revenue Distribution FY 2011



Beginning in FY 2012, with the transfer to JobsOhio, revenue will be dedicated to encouraging job growth in the state. JobsOhio will provide an up-front payment of \$1.2 billion, which includes \$500 million to the General Revenue Fund and \$700 million to prepay the state's current outstanding bonds backed by liquor profits. The transfer also provides for the possibility of annuity payments to the state in future fiscal years.

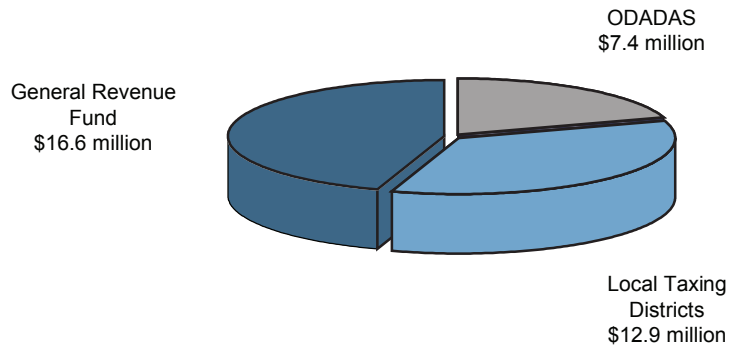
## Modernizing Operations

At the close of FY 2011, the Division is focused on modernizing the inventory control system for wholesale liquor operations. The computer program that tracks inventory, reports retail activity, point of sale (cash registers) and financials is antiquated in its functions, software and communications methods with unreliable failure rate. The system handles about \$2.2 million a day in liquor sales activity and the Department of Commerce wants to improve the effectiveness of its business operations.

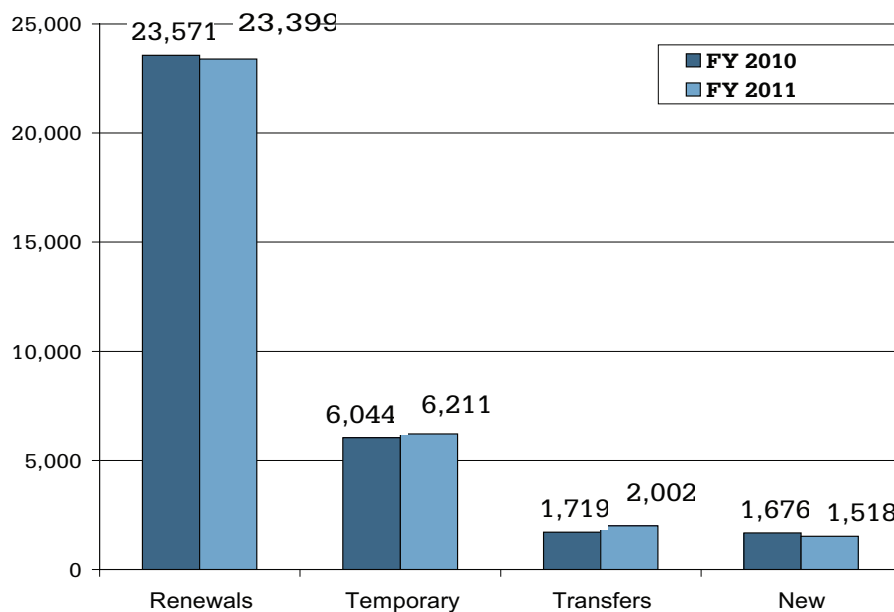
## Permit Fee Distribution

The Division distributed \$37 million in liquor permit fees in FY 2011. This was an increase of \$75,024 from FY 2010. Of this total, \$12.9 million was returned to the local taxing districts for liquor law enforcement, \$16.6 million was deposited in the state's General Revenue Fund (GRF), and \$7.4 million was allocated to the Ohio Department of Alcohol and Drug Addiction Services to fund treatment and education efforts.

### Permit Fee Distribution FY 2011



### Liquor Permit Activity



A profit & loss statement for the Division of Liquor Control can be found in the Appendix