

**74th OREGON LEGISLATIVE ASSEMBLY – 2007 Regular Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: SB 5524-A

JOINT COMMITTEE ON WAYS AND MEANS

**Carrier – House: Rep. Hanna
Carrier – Senate: Sen. Whitsett**

Action: Do Pass as Amended and Be Printed A-Engrossed

Vote: 18 – 0 – 3

- House – Yeas: D. Edwards, Galizio, Garrard, Hanna, Jenson, Morgan, Nathanson, Nolan, Shields
– Nays:
– Exc:
- Senate – Yeas: Carter, Devlin, Gordly, Johnson, Morse, Schrader, Verger, Westlund, Whitsett
– Nays:
– Exc: Bates, Nelson, Winters

Prepared By: Satish Upadhyay, Department of Administrative Services

Reviewed By: Michelle Deister, Legislative Fiscal Office

Meeting Date: 3/2/07

Agency

Oregon Liquor Control Commission

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Biennium

2007-09

Senators: Bates, Carter, Devlin, Gordly, Johnson, Morse, Nelson,
Schrader, Verger, Westlund, Whitsett, Winters

Senator Kurt Schrader, Co-Chair

Representatives: D. Edwards, Galizio, Garrard, Hanna, Jenson,
Morgan, Nathanson, Nolan, Shields

Representative Mary Nolan, Co-Chair

Senator Betsy Johnson, Transportation and Economic Development
Subcommittee Chair

Budget Summary*

	<u>2005-07</u>	<u>2007-09</u>			<u>Percentage Committee</u>
	<u>Legislatively Approved</u>	<u>Governor's Budget</u>	<u>Committee</u>	<u>Difference from</u>	<u>Change from</u>
	<u>Budget (1)</u>		<u>Recommendation</u>	<u>Governor's Budget</u>	<u>Governor's Budget</u>
Other Funds	112,650,564	123,988,091	123,178,667	-809,424	-0.7%

Position Summary

Authorized Positions	225	238	233	-5
Full-time Equivalent (FTE) Positions	215.46	229.68	225.68	-4.00

(1) Includes adjustments through the December 2006 meeting of the Emergency Board

* Excludes Capital Construction expenditures

Summary of Revenue Changes

The Oregon Liquor Control Commission (OLCC) is financed entirely with Other Fund revenues. After subtracting the cost of liquor, freight, current liabilities, encumbrances, and the agency’s operating expenditures, surplus proceeds from sales, taxes, fees, and fines are allocated as follows:

Privilege tax on beer and wine sales: \$0.02 per gallon of wine tax is distributed to the Wine Advisory Board. The remaining balance is allocated 50 percent to the Department of Human Services Office of Alcohol and Drug Abuse Programs, and the other 50 percent is distributed with the other revenues.

Revenues from liquor sales, license fees, civil penalties and fines, miscellaneous revenues, and the balance of the privilege taxes are allocated 56 percent to the General Fund, 20 percent to cities, 10 percent to counties, and 14 percent to city revenue sharing.

There were no revenue forecast changes, fee ratifications, revenue source changes or other significant revenue actions approved by the Subcommittee.

Summary of Subcommittee Action

OLCC works to effectively regulate the sale, distribution, and responsible use of alcoholic beverages in order to protect Oregon’s public health, safety, and community livability. Oregon is one of only 18 states that sell hard liquor through state-controlled stores. Private agents contract with the Commission to operate 243 liquor stores in the state. The Subcommittee approved a budget of \$123,178,667 Other Funds and 225.68 full-time equivalent positions for the agency. This is a 9.3 percent increase from the 2005-07 Legislatively Approved Budget and a 14 percent increase from the 2007-09 Essential Budget Level.

Distilled Spirits Program

The Distilled Spirits Program regulates the sale of bottled distilled spirits while producing revenue in support of state and local governments. The Subcommittee approved a budget of \$15,723,054 Other Funds and 61.42 full-time equivalent positions.

The Subcommittee approved Package 107 – Continue Meeting Consumer Demand, with a modification. The package, as approved:

- Establishes 8.00 full-time equivalent positions to enable the agency's distribution center to keep pace with increases in shipping and handling of distilled spirits being sold in the state and assure timely handling and shipping of liquor store orders. These positions consist of six Liquor Distribution Worker positions (which were established as limited duration positions by the Legislative Emergency Board in 2006), one Principal Executive Manager A position and one Office Specialist 2 position.
- Provides funding to enable the agency to pay for bank card fees on liquor sales with credit cards or debit cards.
- Reclassifies upwards one Distilled Spirits Program Director position, one Distribution Center Manager position and one Liquor Equipment Operator position based on increased job duties. The Subcommittee directed the agency to fund these reclassifications with existing resources and did not approve additional expenditure limitation.

Public Safety Services Program

The Public Safety Services Program regulates the manufacture, distribution, and sale of alcoholic beverages. The Subcommittee approved a budget of \$17,204,870 Other Funds and 104.91 full-time equivalent positions.

The Subcommittee approved Package 202 – Reduce Public Safety Compliance Gaps, with a modification. The package, as approved:

- Establishes 5.00 full-time equivalent Liquor Control Inspector positions to handle the growing liquor laws enforcement workload.
- Reclassifies upwards six regional field manager positions based on a review of their duties. The Subcommittee directed the agency to fund these reclassifications with existing resources and did not approve additional expenditure limitation.

The Subcommittee approved Package 203 –Public Safety Service Improvements, with a modification. The package, as approved, establishes one limited-duration, full-time Liquor License Investigator position to handle the increased licensing workload.

Administration and Support

The Administration and Support program provides support and administrative services for all agency staff. The Subcommittee approved a budget of \$14,355,660 Other Funds and 59.35 full-time equivalent positions.

The Subcommittee approved Package 304 – Improving the Information Infrastructure, with a modification. This package, as approved, provides Other Funds expenditure limitation for Information Technology infrastructure enhancement. The package also reclassifies upwards the

Information Technology Director position based on increased job duties. The Subcommittee directed the agency to fund the reclassification with existing resources and did not approve additional expenditure limitation.

Store Operating Expenses

The Store Operating Expense program contains the funds to pay agents for their retailing services for the state. This payment is not only the agents' take-home pay, but also the dollars they use to operate the liquor stores. The Subcommittee approved a budget of \$75,685,000 Other Funds for this program. This budget equates to an average compensation rate of 8.88 percent of assumed sales of \$852.3 million.

The Subcommittee approved Package 070 – Revenue Shortfalls. This package represents the assumed reduction to liquor agents' compensation if distribution center activities are not continued at the 2005-07 levels to meet expected consumer demand.

The Subcommittee approved Package 110 – Maintain Equity of Operating Expense Fund. This package provides Other Funds expenditure limitation to maintain agents' compensation at 8.88 percent with the anticipated increase in liquor sales as a result of the additional resources the agency will receive due to approval of Package 107.

Capital Improvements

The Capital Improvements program provides the preventive maintenance and repairs of the agency's building and grounds. The Subcommittee approved a budget of \$210,083 Other Funds for this program.

The Subcommittee directed the agency to reprioritize its maintenance plan to accommodate removal of a decommissioned water tower.

Summary of Performance Measure Action

See attached Legislatively Adopted 2007-09 Key Performance Measures form.