

**75<sup>th</sup> OREGON LEGISLATIVE ASSEMBLY – 2009 Regular Session  
BUDGET REPORT AND MEASURE SUMMARY**

**MEASURE: HB 5027-A**

**JOINT COMMITTEE ON WAYS AND MEANS**

**Carrier – House: Rep. D. Edwards  
Carrier – Senate: Sen. Starr**

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

**Vote:** 18 – 0 – 4

House – Yeas: Buckley, D. Edwards, Garrard, Gilman, Komp, Kotek, Nathanson, Richardson, Shields

– Nays:

– Exc: Galizio, Jenson, G. Smith

Senate – Yeas: Bates, Carter, Girod, Johnson, Monroe, Nelson, Walker, Whitsett, Winters

– Nays:

– Exc: Verger

**Prepared By:** Satish Upadhyay, Department of Administrative Services

**Reviewed By:** Michelle Deister, Legislative Fiscal Office

**Meeting Date:** June 9, 2009

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**Agency**

Oregon Liquor Control Commission

**Budget Page**

I-12

**LFO Analysis Page**

455

**Biennium**

2009-11

**Budget Summary\***

	<b>2007-09 Legislatively Approved Budget (1)</b>	<b>2009-11 Essential Budget Level</b>	<b>2009-11 Committee Recommendation</b>	<b>Committee Change from 2007-09 Leg. Approved</b>	
				<b>\$\$ Change</b>	<b>% Change</b>
Other Funds	\$ 125,752,357	\$ 131,416,805	\$ 135,822,568	\$ 10,070,211	8.0%

**Position Summary**

Authorized Positions	233	231	238	5
Full-time Equivalent (FTE) positions	225.68	223.72	230.72	5.04

(1) Includes adjustments through the December 2008 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.

The budget approved by the Subcommittee is projected to result in gross liquor sales of \$927 million, with a total of \$214.9 million available for distribution to the General Fund. This also includes the continuation of a temporary per bottle surcharge imposed by the agency through the 2009-11 biennium, which is projected to generate \$27 million in additional gross revenue, with \$23.9 million being distributed into the General Fund. The budget assumes distribution to other entities as follows: \$570,000 for the Oregon Wine Board, \$17.5 million for Department of Human Services Office of Alcohol and Drug Abuse Programs, \$68.2 million for cities, \$47.8 million for city revenue sharing, and \$34.1 million for counties.

## **Summary of Transportation and Economic Development 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 18 states (besides two counties in Maryland that are control districts) 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 \$135,822,568 Other Funds and 238 positions (230.72 FTE) for the agency. This is an eight percent increase from the 2007-09 Legislatively Approved Budget and a 3.4 percent increase from the 2009-11 Essential Budget Level. The increase is tied to increases in projected liquor sales, which also drive expenditures in the area of store operating expenses.

### **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 \$18,772,517 Other Funds and 71 positions (67.42 FTE).

The Subcommittee approved Package 107 – Meet Current Demand for Spirits, with a modification. The package provides \$928,958 Other Funds for the following:

- Establishment of six permanent, full-time positions (6.00 FTE) 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 one Principal Executive Manager B, two Liquor Distribution Worker 2 positions, and three Liquor Distribution Equipment Operators.
- Funding to enable the agency to pay for bank card fees on liquor sales with credit cards or debit cards.

This package is estimated to generate an additional \$21.9 million in gross sales revenue, resulting in an estimated \$5.6 million to the General Fund, \$1.95 million to cities, \$1.4 million to city revenue sharing, and \$1 million to counties. The package includes adjustments to reflect a downturn in projected liquor sales, based on sales experience since the release of the Governor's budget.

The Subcommittee approved Package 811 – Other Adjustments. This package provides \$283,000 Other Funds for bank card fees. The package reflects the continuation of a temporary per bottle surcharge imposed by the agency through the 2009-11 biennium. The surcharge is projected to generate \$27 million in additional gross revenue. This revenue is subject to licensee's discount (\$378,000), agents' compensation (\$2.4 million), and fees related to the use of bank cards (\$283,000). The remaining amount of the revenue resulting from the surcharge (estimated at \$23.9 million) will be distributed into the General Fund.

### **Public Safety Services Program**

The Public Safety Services Program regulates the manufacture, distribution, and sale of alcoholic beverages. The Subcommittee approved a budget of \$18,972,724 Other Funds and 107 positions (104.00 FTE).

The Subcommittee approved Package 204 – Maintain Licensing Service Levels, with a modification. This package provides \$130,585 Other Funds to continue one limited-duration, full-time Liquor License Investigator position (1.00 FTE) that was approved as limited-duration in the 2007-09 biennium into the 2009-11 biennium. Continuing this position for the biennium will slow the accumulation of a liquor licensing backlog.

#### Administration and Support

The Administration and Support program provides support and administrative services for all agency staff. The Subcommittee approved a budget of \$15,542,962 Other Funds and 60 positions (59.30 FTE).

The Subcommittee approved Package 801 – LFO Analyst Technical Changes. This package removes \$1,278,000 Other Funds expenditure limitation, which was a one-time expenditure for 2007-09.

#### Store Operating Expenses

The Store Operating Expense program contains the funds to pay agents for their retailing services for the state. This payment serves as the agents' take-home pay and the dollars they use to operate the liquor stores. The Subcommittee approved a budget of \$82,318,400 Other Funds for this program. This budget equates to an average compensation rate of 8.88 percent of assumed sales of \$927 million.

The Subcommittee approved Package 110 – Maintain Compensation Equity. This package provides \$1,943,620 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.

The Subcommittee approved Package 811 – Other Adjustments. This package provides \$2,397,600 Other Funds expenditure limitation to maintain agent's compensation at 8.88 percent based on additional revenue generated from continuation of the per bottle surcharge through the 2009-11 biennium, based on sales projected by the May 2009 revenue forecast.

#### 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 \$215,965 Other Funds for this program.

### **Summary of Performance Measure Action**

See attached Legislatively Adopted 2009-11 Key Performance Measures form.