

**77th OREGON LEGISLATIVE ASSEMBLY – 2013 Session
BUDGET REPORT AND MEASURE SUMMARY**

MEASURE: HB 5023-A

JOINT COMMITTEE ON WAYS AND MEANS

**Carrier – House: Rep. Jenson
Carrier – Senate: Sen. Shields**

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

Vote: 26 – 0 – 0

House

Yeas: Barker, Buckley, Frederick, Freeman, Hanna, Huffman, Jenson, Komp, McLane, Nathanson, Read, Richardson, Smith, Tomei, Williamson

Nays:

Exc:

Senate

Yeas: Bates, Devlin, Edwards, Girod, Hansell, Johnson, Monroe, Steiner Hayward, Thomsen, Whitsett, Winters

Nays:

Exc:

Prepared By: Dustin Ball, Department of Administrative Services

Reviewed By: Michelle Deister, Legislative Fiscal Office

Meeting Date: July 2, 2013

Agency

Oregon Liquor Control Commission

Biennium

2013-15

Budget Summary*

	2011-13 Legislatively Approved Budget⁽¹⁾	2013-15 Current Service Level	2013-15 Committee Recommendation	Committee Change from 2011- 13 Leg. Approved	
				\$\$ Change	% Change
Other Funds	\$139,888,040	\$148,142,471	\$ 150,642,416	\$ 10,754,376	7.7%
Other Funds Capital Improvement	\$ 208,406	\$ 213,408	\$ 213,408	\$ 5,002	2.4%
Total	\$ 140,096,446	\$ 148,355,879	\$ 150,855,824	\$ 10,759,378	7.7%

Position Summary

Authorized Positions	239	234	233	-6
Full-time Equivalent (FTE) positions	231.72	228.63	227.63	-4.09

⁽¹⁾ Includes adjustments through December 2012

* Excludes Capital Construction expenditures

Summary of Revenue Changes

The Oregon Liquor Control Commission (OLCC) is financed entirely with Other Funds 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 for Alcohol and Drug Abuse Programs, the other 50 percent is distributed with the other revenues as described in the second bullet.
- 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 Subcommittee included \$47.6 million of additional gross sales during the 2013-15 biennium associated with an improved economic outlook and population growth. After accounting for cost of goods sold and agents' compensation, this increase to sales results in roughly \$20.0 million available for distribution.

The budget approved by the Subcommittee is projected to result in \$442,066,455 in net revenue for distribution, with an estimated \$251.5 million available for distribution to the General Fund. The budget also includes expenditure limitation associated with the continuation of a \$0.50 per

bottle surcharge imposed by the Commission through the 2013-15 biennium, which is projected to generate \$32.4 million in additional gross revenues, with roughly \$2.9 million being distributed to liquor agents for sales commission. The estimated distribution to other entities is as follows: \$638,000 to the Oregon Wine Board, \$17.8 million for mental health /drug and alcohol treatment, \$78.2 million for cities, \$54.8 million for city revenue sharing, and \$39.1 million for counties.

Summary of Transportation and Economic Development Subcommittee Action

OLCC works to effectively regulate the sale, distribution, and reasonable use of alcoholic beverages in order to protect Oregon's public health, safety, and community livability. Oregon is one of several states that sell hard liquor through state-controlled stores. Private agents contract with the Commission to operate more than 240 stores in the state. The Commission consists of five citizen commissioners, from the five Oregon congressional districts. Commissioners are appointed by the Governor to four-year terms, subject to Senate confirmation. The Subcommittee approved a budget of \$150,855,824 and 233 positions (227.63 FTE) for the agency. This is a 7.7 percent increase from the 2011-13 Legislatively Approved Budget.

The Subcommittee approved the following packages related to statewide administrative savings and PERS that impact the entire agency:

- Package 091, Statewide Administrative Savings. This package is a placeholder for administrative efficiencies in finance, information technology, human resources, accounting, payroll, and procurement expenditures. The Department of Administrative Services will continue to work on details of these reductions with agencies and report back during the 2014 session.
- Package 092, PERS Tax Policy. This package reflects the policy change in Senate Bill 822 that eliminates the increased retirement benefits resulting from Oregon income taxation of payments if the person receiving payments does not pay Oregon income tax on those benefits and is not an Oregon resident. This change reduces state employer contribution rates by approximately 0.30 percent.
- Package 093, Other PERS Adjustments. This package reflects the policy change in Senate Bill 822 that modifies the cost-of-living adjustment under the Public Employees Retirement System. This change reduces state employer contribution rates by approximately 2.2 percent.

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 program makes bottled distilled spirits available for purchase by Oregon's citizens, visitors, and the hospitality industry. Sales of distilled spirits generate revenue that OLCC distributes to the state General Fund and to local governments. The Subcommittee approved a budget of \$20,869,469 Other Funds and 71 positions (68.00 FTE).

The Subcommittee approved the following policy option packages:

Package 090 – Analyst Adjustments: This package anticipates \$47.6 million of additional gross sales during the 2013-15 biennium associated with an improved economic outlook and population growth. OLCC should report to the Legislative Fiscal Office quarterly on sales and expenditures compared to projections of gross sales and expenditure limitation by program; whether additional expenditure limitation is anticipated to be required to maintain an average compensation rate of 8.88 percent of sales; and whether additional expenditure limitation is anticipated to be required to enable the continued utilization of bank cards at liquor stores.

Package 091- Statewide Administrative Savings: The package results in the elimination of \$236,246 Other Funds expenditure limitation.

Package 092 – PERS Taxation Policy: The package eliminates \$22,803 Other Funds expenditure limitation.

Package 093 – Other PERS Adjustments: The package eliminates \$182,659 Other Funds expenditure limitation.

Public Safety Services Program

The Public Safety Services Program regulates the manufacture, distribution, and sale of alcoholic beverages. The program has a direct relationship with the growth of alcohol availability, sales and revenue through licensing businesses and ensuring that licensed businesses are serving and selling alcohol responsibly. The Subcommittee approved a budget of \$17,027,683 Other Funds and 94 positions (92.00 FTE).

The Subcommittee approved the following policy option packages:

Package 081 – May 2012 E-Board: The package removes one position (1.00 FTE) as part of the statewide effort to restructure state government business operations and management of agency programs and services, and eliminates \$228,722 Other Funds expenditure limitation.

Package 091- Statewide Administrative Savings: The package eliminates \$197,757 Other Funds expenditure limitation.

Package 092 – PERS Taxation Policy: The package eliminates \$38,713 Other Funds expenditure limitation.

Package 093 – Other PERS Adjustments: The package eliminates \$310,104 Other Funds expenditure limitation.

Administration and Support

The Administration and Support program provides support and administrative services for all agency staff. The program provides the infrastructure to fulfill the liquor commissioners' policy direction, and for OLCC programs to provide services to customers and stakeholders. The Subcommittee approved a budget of \$17,587,264 Other Funds and 68 positions (67.63 FTE)

The Subcommittee approved the following policy option packages:

Package 091- Statewide Administrative Savings: The package results in the elimination of \$200,826 Other Funds expenditure limitation.

Package 092 – PERS Taxation Policy: The package eliminates \$33,764 Other Funds expenditure limitation.

Package 093 – Other PERS Adjustments: The package eliminates \$270,461 Other Funds expenditure limitation.

Store Operating Expenses

The Store Operating Expense program contains the funds to pay agents for their retailing services. This payment serves as the agents' take-home pay and the dollars they use to operate the liquor store. The Subcommittee approved a budget of \$95,158,000 Other Funds.

The Subcommittee recommends maintaining the 8.88 percent average rate of compensation to agents during the 2013-15 biennium and included an adjustment to add the additional expenditure limitation necessary to compensate agents due to the additional sales it expects OLCC to realize during the upcoming biennium.

The Subcommittee approved Package 090 – Analyst Adjustments, to provide expenditure limitation for payments to liquor agents at an average rate of 8.88 percent of sales, based on the assumed increase in sales for the 2013-15 biennium. The package totals \$4,222,000 Other Funds.

Capital Improvements

The Capital Improvements program provides the preventative maintenance and repairs of the agency's building and grounds. The Subcommittee approved a budget of \$213,408 Other Funds.

Summary of Performance Measure Action

See attached Legislatively Adopted 2013-15 Key Performance Measures form.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

HB 5023-A

Oregon Liquor Control Commission
Dustin Ball -- 503-378-3119

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
2011-13 Legislatively Approved Budget at Dec 2012 *	\$ 0	\$ 0	\$ 140,096,446	\$ 0	\$ 0	\$ 0	\$ 140,096,446	239	231.72
2013-15 ORBITS printed Current Service Level (CSL)*	\$ 0	\$ 0	\$ 148,355,879	\$ 0	\$ 0	\$ 0	\$ 148,355,879	234	228.63
SUBCOMMITTEE ADJUSTMENTS (from CSL)									
SCR 001 - Distilled Spirits Program									
Package 091: Stawew ide Administrative Savings									
Personal Services	\$ 0	\$ 0	\$ (109,081)	\$ 0	\$ 0	\$ 0	\$ (109,081)	0	0.00
Services and Supplies	\$ 0	\$ 0	\$ (126,756)	\$ 0	\$ 0	\$ 0	\$ (126,756)		
Capital Outlay	\$ 0	\$ 0	\$ (409)	\$ 0	\$ 0	\$ 0	\$ (409)		
Package 092: PERS Taxation Policy									
Personal Services	\$ 0	\$ 0	\$ (22,803)	\$ 0	\$ 0	\$ 0	\$ (22,803)	0	0.00
Package 093: Other PERS Adjustments									
Personal Services	\$ 0	\$ 0	\$ (182,659)	\$ 0	\$ 0	\$ 0	\$ (182,659)	0	0.00
SCR 002 - Public Safety Services Program									
Package 081: May 2012 E-Board									
Personal Services	\$ 0	\$ 0	\$ (228,722)	\$ 0	\$ 0	\$ 0	\$ (228,722)	-1	-1.00
Package 091: Stawew ide Administrative Savings									
Personal Services	\$ 0	\$ 0	\$ (180,538)	\$ 0	\$ 0	\$ 0	\$ (180,538)	0	0.00
Services and Supplies	\$ 0	\$ 0	\$ (17,219)	\$ 0	\$ 0	\$ 0	\$ (17,219)		
Package 092: PERS Taxation Policy									
Personal Services	\$ 0	\$ 0	\$ (38,713)	\$ 0	\$ 0	\$ 0	\$ (38,713)	0	0.00
Package 093: Other PERS Adjustments									
Personal Services	\$ 0	\$ 0	\$ (310,104)	\$ 0	\$ 0	\$ 0	\$ (310,104)	0	0.00
SCR 003 - Administration and Support									
Package 091: Stawew ide Administrative Savings									
Personal Services	\$ 0	\$ 0	\$ (146,439)	\$ 0	\$ 0	\$ 0	\$ (146,439)	0	0.00
Services and Supplies	\$ 0	\$ 0	\$ (52,979)	\$ 0	\$ 0	\$ 0	\$ (52,979)		
Capital Outlay	\$ 0	\$ 0	\$ (1,408)	\$ 0	\$ 0	\$ 0	\$ (1,408)		
Package 092: PERS Taxation Policy									
Personal Services	\$ 0	\$ 0	\$ (33,764)	\$ 0	\$ 0	\$ 0	\$ (33,764)	0	0.00

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
Package 093: Other PERS Adjustments									
Personal Services	\$ 0	\$ 0	\$ (270,461)	\$ 0	\$ 0	\$ 0	\$ (270,461)	0	0.00
SCR 005 - Store Operating Expenses									
Package 090: Analyst Adjustment									
Services and Supplies	\$ 0	\$ 0	\$ 4,222,000	\$ 0	\$ 0	\$ 0	\$ 4,222,000	0	0.00
TOTAL ADJUSTMENTS	\$ 0	\$ 0	\$ 2,499,945	\$ 0	\$ 0	\$ 0	\$ 2,499,945	-1	-1.00
SUBCOMMITTEE RECOMMENDATION *	\$ 0	\$ 0	\$ 150,855,824	\$ 0	\$ 0	\$ 0	\$ 150,855,824	233	227.63
% Change from 2011-13 Leg Approved Budget	0.0%	0.0%	7.7%	0.0%	0.0%	0.0%	7.7%		
% Change from 2013-15 Current Service Level	0.0%	0.0%	1.7%	0.0%	0.0%	0.0%	1.7%		

Legislatively Approved 2013-2015 Key Performance Measures

Agency: LIQUOR CONTROL COMMISSION, OREGON

Mission: To promote the public interest through the responsible sale and service of alcoholic beverages.

Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2014	Target 2015
1 - Sales to Minors – Percentage of licensees who refuse to sell to minor decoys.		Approved KPM	81.00	82.00	82.00
2 - RATE OF SECOND VIOLATION – Percentage of licensees detected to have violated a liquor law in a second, separate, incident occurring within 2 years after the year of the first violation.		Approved KPM	11.70	12.00	12.00
3 - Licensing Time – Average days from application receipt to license issuance.		Approved KPM	67.00	75.00	75.00
4 - CUSTOMER SERVICE - Percent of customers rating their satisfaction with the agency’s customer service as “good” or “excellent”: overall, timeliness, accuracy, helpfulness, expertise, availability of information.	Accuracy	Approved KPM	82.00	85.00	85.00
4 - CUSTOMER SERVICE - Percent of customers rating their satisfaction with the agency’s customer service as “good” or “excellent”: overall, timeliness, accuracy, helpfulness, expertise, availability of information.	Availability of Information	Approved KPM	75.00	85.00	85.00
4 - CUSTOMER SERVICE - Percent of customers rating their satisfaction with the agency’s customer service as “good” or “excellent”: overall, timeliness, accuracy, helpfulness, expertise, availability of information.	Expertise	Approved KPM	82.00	85.00	85.00
4 - CUSTOMER SERVICE - Percent of customers rating their satisfaction with the agency’s customer service as “good” or “excellent”: overall, timeliness, accuracy, helpfulness, expertise, availability of information.	Helpfulness	Approved KPM	82.00	85.00	85.00
4 - CUSTOMER SERVICE - Percent of customers rating their satisfaction with the agency’s customer service as “good” or “excellent”: overall, timeliness, accuracy, helpfulness, expertise, availability of information.	Overall	Approved KPM	82.00	85.00	85.00

Agency: LIQUOR CONTROL COMMISSION, OREGON

Mission: To promote the public interest through the responsible sale and service of alcoholic beverages.

Legislatively Proposed KPMs	Customer Service Category	Agency Request	Most Current Result	Target 2014	Target 2015
4 - CUSTOMER SERVICE - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.	Timeliness	Approved KPM	80.00	85.00	85.00
5 - OLCC Rate of Return – Net OLCC distribution divided by actual expenses.		Approved KPM	2.94	2.70	2.70
6 - Best Practices: Percent of total best practices met by the Board.		Approved KPM	98.00	100.00	100.00

LFO Recommendation:

The Legislative Fiscal Office recommends targets for key performance measures as proposed above. The Legislative Fiscal Office modified the targets proposed by the agency based on the most current performance reporting as follows: KPM 1 - Refusal to sell to minors: from 80% to 82%; KPM 2 - Rate of Second Violation: from 16% to 12%; KPM 3 - Licensing time: from 90 days to 75 days; and KPM 4 - Customer Service: from 80% to 85% (except in the case of "timeliness" which LFO tried to change to 82%, in acknowledgement that some issues affecting timeliness are beyond the agency's control; system constraints made this change impossible). The Legislative Fiscal Office notes that the current result for KPM 5 - "Rate of Return" is due to inclusion of the surcharge in the reporting; if the surcharge were to be removed, OLCC reports that its actual rate of return would be \$2.70.

Sub-Committee Action:

The Joint Ways and Means Subcommittee on Transportation and Economic Development recommended approval of the performance measures as presented by the Legislative Fiscal Office.