

Oregon Liquor Control Commission

2015-17 Budget Request to Implement Recreational Marijuana

APRIL 23, 2015



Overview

- Comprehensive program plan based on experience gained from Colorado and Washington
- Budget reflects OLCC's identified needs to implement recreational marijuana on time and on schedule
- Integration of new marijuana related programs with current alcohol programs to leverage organizational efficiencies
- One-time startup costs such as IT development for online licensing
- Marijuana revenue generated is expected to exceed OLCC implementation expenses
- Startup costs are borrowed from the liquor fund and will be repaid within the 2015-17 biennium with 2 % interest

Marijuana Program Budget

- \$10.5 million total budget request
 - 41% Personnel
 - 33 Positions total
 - 59% Supplies and services

33 Total Positions

- 7 marijuana-specific policy, compliance and rulemaking
 - Executive manager
 - Senior policy analyst
 - Policy analyst/rules coordinator
 - Public information officer
 - Testing/labeling specialist
 - Data analyst
 - Compliance specialist
- 4 financial services
 - Tax collection administrator
 - Accounting technician
 - Lead auditor
 - Auditor
- 13 enforcement and licensing investigation specialists
- 4 agency shared services
 - Human resources (recruitment)
 - Information technology (computer helpdesk support)
 - Administrative policy and process (hearings specialist)
 - General services (procurement, contracts and supplies)
- 5 administrative assistant/support positions
 - Marijuana enforcement (administrative assistant)
 - Marijuana licensing (2 administrative assistants and office specialist to process license applications and assist with processing taxes)
 - Marijuana program administration (administrative assistant)

Marijuana Program Supplies and Services

- \$1.9 million in IT contracts
 - Traceability system
 - License system
 - Tax collection and electronic payment system
- \$480,000 in anticipated DOJ costs
- \$300,000 for consulting and contract services
 - DUII information, testing standards and support for advisory groups
- \$636,000 in capital construction for tax payments and collection at front desk reception
 - Security issues with \$400,000 per month coming in as cash
- \$1.4 million payback from FY 2015 implementation

Differences Between GRB and Current Proposal

(\$7.1 million versus \$10.5 million)

- GRB personnel costs - \$3.5 Million
 - 28 position and 20.5 FTE
- Current budget proposal personnel costs - \$4.3 million
 - 33 positions 28.8 FTE
- Difference
 - 2 More positions for agency support – human resources and hearings divisions
 - 2 more positions specific to marijuana implementation
 - Data analyst and testing labeling specialist
 - 1 more position in license services for processing
 - Position start times adjusted to start earlier in FY 2016 to process licenses

Differences Between GRB and Current Proposal

(\$7.1 million versus \$10.5 million) *continued*

- GRB information technology budget \$1.4 million
- Current budget proposal information technology costs \$1.9 million
- Difference
 - Online licensing, tax collection, and payment systems will be built by contractors vs. original plan for in-house development
 - More timely delivery and less stress on agency IT resources
 - Also added Quality Assurance contractor to monitor progress of projects (required)

Differences Between GRB and Current Proposal

(\$7.1 million versus \$10.5 million) *continued*

- Addition of overhead estimate \$465,000 (not in GRB)
 - OLCC management and agency costs \$465,000
 - 11% allocation based on marijuana related FTE
 - Applied to program manager personnel costs and shared services such as facilities maintenance and shared motor pool costs
 - [Added to marijuana fund and subtracted from liquor fund](#)
- Addition of capital expenditure \$636,000 for tax payments, licensing assistance and security at front desk reception (not in GRB)
 - Increase size and security of agency's reception area
 - Costs includes professional architectural design services

Differences Between GRB and Current Proposal (\$7.1 million versus \$10.5 million) *continued*

- GRB repayment of FY 2015 loan \$333,000
- Current approved borrowed amount \$1,333,000
- Repaid by the end of the 2015-17 biennium
 - Loan from the liquor fund
 - Plus 2% interest

Marijuana Program Revenue

- \$16 million expected from tax receipts during 2015-17 biennium
 - Other estimates ranged from \$12 million to \$38 million
- GRB license revenue estimate \$425,000
 - Based on 340 licenses
- OLCC revised license revenue estimate \$2.4 million
 - Expect 2,000 license applications in Oregon
- Total expected revenue for 2015-17 biennium \$18.4 million
 - \$7.7 Million available for distribution
 - \$3.1 Million Common School Fund
 - \$1.5 Million Mental Health Alcoholism and Drug Services
 - \$1.2 Million State Police
 - \$0.8 Million Cities for Local Law Enforcement
 - \$0.8 Million Counties for Local Law Enforcement
 - \$0.4 Million Oregon Health Authority for Alcohol and Drug Abuse Prevention

OLCC Timeline for Implementation

July 2015

- Recreational marijuana use legal in Oregon

October 2015

- License Investigation staff hired and begin training

December 2015

- Online License System developed and turned over to OLCC

January 2015

- Deploy Online Traceability System live

January 4, 2016

- Begin receiving license applications
- Online Licensing System goes live

April 2016

- Issue first grower licenses
- Certify or license testing facilities

June 2016

- Issue first processor licenses

October 2016

- Issue first retail licenses

OLCC Program Integration

- Financial Services
 - Integrate with beer and wine tax collection
- Enforcement
 - Start positions as license investigators and move some to enforcement and field offices
 - Phase-in combined inspection duties for marijuana and liquor
 - Example: Washington combines responsibilities for liquor and marijuana for retail licensees but has specialized positions for producer and process licensees
- License Process
 - Use online marijuana program as template for liquor license applications

OLCC Program Structure

Current FTE	0	8	22	92	15	9	4
Proposed FTE	7	9	26	110	16	10	5



