

**Legislative  
Fiscal Office**

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**Joint Committee on  
Ways and Means**

Sen. Richard Devlin, Senate Co-Chair  
Rep. Nancy Nathanson, House Co-Chair

Sen. Betsy Johnson, Senate Co-Vice Chair  
Sen. Jackie Winters, Senate Co-Vice Chair  
Rep. Dan Rayfield, House Co-Vice Chair  
Rep. Greg Smith, House Co-Vice Chair

**To:** Transportation and Economic Development Subcommittee  
**From:** Michelle Deister, Legislative Fiscal Office  
**Date:** June 1, 2017  
**Subject:** HB 5019 – Oregon Liquor Control Commission  
Work Session Recommendations

**Oregon Liquor Control Commission (OLCC) – Agency Totals**

	<b>2013-15 Actual</b>	<b>2015-17 Legislatively Approved</b>	<b>2017-19 Current Service Level</b>	<b>2017-19 LFO Recommended</b>
Other Funds	151,299,015	182,681,809	191,327,026	207,708,449
<b>Total Funds</b>	<b>151,299,015</b>	<b>182,681,809</b>	<b>191,327,026</b>	<b>207,708,449</b>
Positions	234	268	263	304
FTE	226.47	255.33	261.00	298.82

The Legislative Fiscal Office recommends a budget of \$207,708,449 Other Funds and 304 positions (298.82 FTE) for the Oregon Liquor Control Commission for the 2017-19 biennium. The recommendation assumes gross liquor sales of \$1.35 billion, which includes an assumed \$35.4 million generated from the \$0.50 per bottle surcharge imposed by the OLCC in August, 2016. Privilege taxes on beer, wine and malt beverages are estimated to generate \$38.1 million. After expenditures, including the cost of goods and agent's compensation at an average rate of 8.93% of sales, the amount of revenue generated for the General Fund is estimated at \$326.1 million, a figure that includes surcharge revenue. Distributions to cities and counties from liquor revenue are estimated at \$176.4 million and \$51.9 million, respectively, with \$19 million assumed to be distributed for mental health.

Recommended policy option packages related to distilled spirits include the following:

- Increase in limitation to accommodate bank card fees associated with additional revenue from sales driven by the imposition of the \$0.50 per bottle surcharge, and from sales growth generated by additional liquor stores.
- Increase in limitation to accommodate agents' compensation associated with the \$0.50 per bottle surcharge, and from sales growth generated by additional liquor stores;

- The addition of a permanent, full-time district manager and a permanent, full time business analyst position to support new stores associated with liquor retail expansion efforts at the OLCC; and
- Reclassification of existing positions within the OLCC to allow for more efficient utilization of existing staff resources, totaling \$159,575;

Increases in licensing applications are driving recommended increases in expenditures for the Marijuana regulatory program. The Legislatively Approved budget was based on 830 active licensees and 6,200 worker permits. As of March 23, 2017, the number of licensees was 1,052, with 12,439 worker permits. The LFO recommendation provides for an estimated ending balance of nearly three months, and anticipates \$19.3 million in marijuana and licensing fee revenue to sustain marijuana regulatory activities. An estimated 1,974 active licensees and 29,000 worker permits are assumed by the end of the 2017-19 biennium. Growth in the number of applications is not anticipated to level off until the end of the 2017-19, and is the primary driver for additional regulatory enforcement personnel (per packages 801, 307, and 406, totaling an additional 34 positions).

Finally, the recommendation includes package 816 (SB 1057) to incorporate the passage of SB 1057. This bill requires the Oregon Liquor Control Commission to track and inspect medical marijuana producers, processors and retailers in the cannabis tracking system, and to regulate the labeling and packaging of medical marijuana products. The LFO recommendation provides for 7 “start up” positions and \$1.5 million in Other Funds expenditure limitation, to draft rules and stand up the new responsibilities. Enforcement personnel are anticipated to be added in February, 2018, with the number determined by those medical growers who elect to remain under Oregon Health Authority licensure vs. migrating to the OLCC. The source of revenue to support medical-marijuana related tracking and inspections is a portion of marijuana taxes, and LFO recommends that these costs be budgeted and tracked in a separate budget structure.

### **Adjustments to Current Service Level**

See attached “Work Session Presentation Report.”

Note: Statewide adjustments are not included in these recommendations. Any needed adjustments will be made in an omnibus bill at the end of session.

***Accept*** LFO Recommendation:

MOTION: I move the LFO recommendation to HB 5019. (VOTE)

**OR**

***Change*** LFO Recommendation:

MOTION: I move the LFO recommendation to HB 5019, with modifications. (VOTE)

### **Performance Measures**

See attached "Legislatively Proposed 2017-19 Key Performance Measures."

**Accept** LFO Recommendation:

MOTION: I move the LFO recommendation on Key Performance Measures. (VOTE)

**OR**

**Change** LFO Recommendation:

MOTION: I move the LFO recommendation on Key Performance Measures, with modifications. (VOTE)

**Recommended Changes**

LFO recommends a budget of \$207,235,770 Other Funds, and 304 positions (298.82 FTE), which is reflected in the -1 amendment.

MOTION: I move adoption of the -1 amendment to HB 5019. (VOTE)

**Final Subcommittee Action**

LFO recommends that HB 5019 as amended by the -1 amendment, to be moved to the Ways and Means Full Committee.

MOTION: I move BILL 5019, as amended, to the Full Committee with a do pass recommendation. (VOTE)

**Carriers**

Full Committee: \_\_\_\_\_

House Floor: \_\_\_\_\_

Senate Floor: \_\_\_\_\_

LFO102 - Work Session Presentation Report  
2017-19 BienniumVersion: L - 01 - LFO Analyst Recommended  
Cross Reference: 84500-000-00-00-00000  
Oregon Liquor Control Comm

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
<b>2015-17 Agy. Leg. Adopted</b>	-	-	<b>178,713,603</b>	-	-	-	<b>178,713,603</b>	<b>261</b>	<b>251.16</b>
2015-17 Ebds, SS & Admin Act	-	-	3,968,206	-	-	-	3,968,206	7	4.17
Ways & Means Actions	-	-	-	-	-	-	-	-	-
<b>2015-17 Leg Approved Budget</b>	-	-	<b>182,681,809</b>	-	-	-	<b>182,681,809</b>	<b>268</b>	<b>255.33</b>
<b>2015-17 Leg Approved Budget (Base)</b>	-	-	<b>181,706,250</b>	-	-	-	<b>181,706,250</b>	<b>268</b>	<b>255.33</b>
Summary of Base Adjustments	-	-	2,984,915	-	-	-	2,984,915	(5)	5.67
<b>2017-19 Base Budget</b>	-	-	<b>184,691,165</b>	-	-	-	<b>184,691,165</b>	<b>263</b>	<b>261.00</b>
010: Non-PICS Pers Svc/Vacancy Factor	-	-	122,109	-	-	-	122,109	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(11,424,467)	-	-	-	(11,424,467)	-	-
030: Inflation & Price List Adjustments	-	-	17,679,555	-	-	-	17,679,555	-	-
060: Technical Adjustments	-	-	258,664	-	-	-	258,664	-	-
<b>2017-19 Current Service Level</b>	-	-	<b>191,327,026</b>	-	-	-	<b>191,327,026</b>	<b>263</b>	<b>261.00</b>
<b>Adjusted 2017-19 Current Service Level</b>	-	-	<b>191,327,026</b>	-	-	-	<b>191,327,026</b>	<b>263</b>	<b>261.00</b>
<b>Total LFO Recommended Packages</b>	-	-	<b>16,381,423</b>	-	-	-	<b>16,381,423</b>	<b>41</b>	<b>37.82</b>
<b>2017-19 Legislative Actions</b>	-	-	<b>207,708,449</b>	-	-	-	<b>207,708,449</b>	<b>304</b>	<b>298.82</b>
Net change from 2015-17 Leg Approved Budget	-	-	25,026,640	-	-	-	25,026,640	36	43.49
Percent change from 2015-17 Leg Approved Budget	0.0%	0.0%	13.7%	0.0%	0.0%	0.0%	13.7%	13.4%	17.0%
Net change from 2017-19 Adj Current Service Level	-	-	16,381,423	-	-	-	16,381,423	41	37.82
Percent change from 2017-19 Adj Current Service Level	0.0%	0.0%	8.6%	0.0%	0.0%	0.0%	8.6%	15.6%	14.5%

LFO102 - Work Session Presentation Report  
2017-19 BienniumVersion: L - 01 - LFO Analyst Recommended  
Cross Reference: 84500-001-00-00-00000  
Distilled Spirits Program

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
<b>2015-17 Agy. Leg. Adopted</b>	-	-	26,722,778	-	-	-	26,722,778	69	66.50
2015-17 Ebds, SS & Admin Act	-	-	298,203	-	-	-	298,203	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
<b>2015-17 Leg Approved Budget</b>	-	-	27,020,981	-	-	-	27,020,981	69	66.50
<b>2015-17 Leg Approved Budget (Base)</b>	-	-	27,020,981	-	-	-	27,020,981	69	66.50
Summary of Base Adjustments	-	-	490,981	-	-	-	490,981	(3)	(0.50)
<b>2017-19 Base Budget</b>	-	-	27,511,962	-	-	-	27,511,962	66	66.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	38,307	-	-	-	38,307	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(4,910,000)	-	-	-	(4,910,000)	-	-
030: Inflation & Price List Adjustments	-	-	1,621,642	-	-	-	1,621,642	-	-
<b>2017-19 Current Service Level</b>	-	-	24,261,911	-	-	-	24,261,911	66	66.00
<b>Adjusted 2017-19 Current Service Level</b>	-	-	24,261,911	-	-	-	24,261,911	66	66.00
<b>Total LFO Recommended Packages</b>	-	-	1,640,562	-	-	-	1,640,562	2	2.00
<b>2017-19 Legislative Actions</b>	-	-	25,902,473	-	-	-	25,902,473	68	68.00
Net change from 2015-17 Leg Approved Budget	-	-	(1,118,508)	-	-	-	(1,118,508)	(1)	1.50
Percent change from 2015-17 Leg Approved Budget	0.0%	0.0%	(4.1%)	0.0%	0.0%	0.0%	(4.1%)	(1.5%)	2.3%
Net change from 2017-19 Adj Current Service Level	-	-	1,640,562	-	-	-	1,640,562	2	2.00
Percent change from 2017-19 Adj Current Service Level	0.0%	0.0%	6.8%	0.0%	0.0%	0.0%	6.8%	3.0%	3.0%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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**Package 090 Analyst Adjustments**

Package Description Additional expenditure limitation is included for bank card fees associated with additional revenue from sales driven by the Oregon Liquor Control Commission's extension of the \$0.50 per bottle surcharge.

LFO Recommendation Approve.

LFO Recommended	-	-	855,254	-	-	-	855,254	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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**Package 101 Distilled Spirits Program Retail Expansion**

Package Description This package includes \$815,148 Other Funds expenditure limitation and two positions (2.00 FTE) associated with Commission approval of new liquor stores to accommodate population growth and maintain customer access in high density areas. The Oregon Liquor Control Commission has embarked on a retail expansion effort aimed at increasing the number of stores from 248 in 2016 to 310 by 2018, and has approved 17 new stores to date in 2015-17. A permanent, full-time district manager and a permanent full-time business analyst position are recommended to provide support to these new stores.

LFO Recommendation Approve.

<b>LFO Recommended</b>	-	-	407,574	-	-	-	407,574	2	2.00
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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**Package 801 LFO Analyst Adjustments**

Package Description Additional expenditure limitation is added to accomodate bank card fees associated with retail expansion efforts that are assumed to yield additional sales of approximately 3%. The Oregon Liquor Control Commission has embarked on a retail expansion effort aimed at increasing the number of stores from 248 in 2016 to 310 by 2018, and has approved 17 new stores to date in 2015-17.

LFO Recommendation Approve.

LFO Recommended	-	-	377,734	-	-	-	377,734	-	-
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LFO102 - Work Session Presentation Report  
2017-19 BienniumVersion: L - 01 - LFO Analyst Recommended  
Cross Reference: 84500-002-00-00-00000  
Public Safety Services Program

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
<b>2015-17 Agy. Leg. Adopted</b>	-	-	17,923,472	-	-	-	17,923,472	93	91.00
2015-17 Ebds, SS & Admin Act	-	-	706,692	-	-	-	706,692	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
<b>2015-17 Leg Approved Budget</b>	-	-	18,630,164	-	-	-	18,630,164	93	91.00
<b>2015-17 Leg Approved Budget (Base)</b>	-	-	18,630,164	-	-	-	18,630,164	93	91.00
Summary of Base Adjustments	-	-	508,308	-	-	-	508,308	-	-
<b>2017-19 Base Budget</b>	-	-	19,138,472	-	-	-	19,138,472	93	91.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	36,657	-	-	-	36,657	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(23,500)	-	-	-	(23,500)	-	-
030: Inflation & Price List Adjustments	-	-	121,839	-	-	-	121,839	-	-
060: Technical Adjustments	-	-	366,488	-	-	-	366,488	1	1.00
<b>2017-19 Current Service Level</b>	-	-	19,639,956	-	-	-	19,639,956	94	92.00
<b>Adjusted 2017-19 Current Service Level</b>	-	-	19,639,956	-	-	-	19,639,956	94	92.00
<b>Total LFO Recommended Packages</b>	-	-	503,140	-	-	-	503,140	2	1.76
<b>2017-19 Legislative Actions</b>	-	-	20,143,096	-	-	-	20,143,096	96	93.76
Net change from 2015-17 Leg Approved Budget	-	-	1,512,932	-	-	-	1,512,932	3	2.76
Percent change from 2015-17 Leg Approved Budget	0.0%	0.0%	8.1%	0.0%	0.0%	0.0%	8.1%	3.2%	3.0%
Net change from 2017-19 Adj Current Service Level	-	-	503,140	-	-	-	503,140	2	1.76
Percent change from 2017-19 Adj Current Service Level	0.0%	0.0%	2.6%	0.0%	0.0%	0.0%	2.6%	2.1%	1.9%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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**Package 309 Distilled Spirits Program Reclassifications**

Package Description This package provides Other Funds expenditure limitation to reclassify an existing Administrative Services 1 position to a Compliance Specialist I, to enable more efficient utilization of existing staff resources in preparing temporary sales license applications for final review and action. .

LFO Recommendation The Legislative Fiscal Office recommends approval, with the understanding that the Department of Administrative Services will unschedule \$24,215 Other Funds expenditure limitation associated with this package until outstanding classification reviews are approved by the Department of Administrative Services Chief Human Resources Office.

LFO Recommended	-	-	24,215	-	-	-	24,215	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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**Package 801 LFO Analyst Adjustments**

Package Description Additional expenditure limitation in the amount of \$478,925 is included to for two public safety management positions (1.76 FTE) attributable to the growth in of the marijuana regulatory program. The OLCC anticipates that, based on application rates to date and assuming 90% of existing licensees renew, there will be 1,974 active recreational marijuana licensees for 2017-19. As the number of licensees drives the need for additional regulatory enforcement personnel (see package 406 in the Marijuana program), the need for administrative support and management of these additional employees also increases. Attendant services and supplies costs associated with these positions are also included in this recommendation, and assume that these positions will require equipment equivalent to the enforcement employees they oversee.

LFO Recommendation Approve.

<b>LFO Recommended</b>	-	-	478,925	-	-	-	478,925	2	1.76
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LFO102 - Work Session Presentation Report  
2017-19 BienniumVersion: L - 01 - LFO Analyst Recommended  
Cross Reference: 84500-003-00-00-00000  
Administration and Support

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
<b>2015-17 Agy. Leg. Adopted</b>	-	-	<b>18,772,275</b>	-	-	-	<b>18,772,275</b>	<b>69</b>	<b>68.75</b>
2015-17 Ebds, SS & Admin Act	-	-	675,293	-	-	-	675,293	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
<b>2015-17 Leg Approved Budget</b>	-	-	<b>19,447,568</b>	-	-	-	<b>19,447,568</b>	<b>69</b>	<b>68.75</b>
<b>2015-17 Leg Approved Budget (Base)</b>	-	-	<b>19,392,009</b>	-	-	-	<b>19,392,009</b>	<b>69</b>	<b>68.75</b>
Summary of Base Adjustments	-	-	796,502	-	-	-	796,502	-	0.25
<b>2017-19 Base Budget</b>	-	-	<b>20,188,511</b>	-	-	-	<b>20,188,511</b>	<b>69</b>	<b>69.00</b>
010: Non-PICS Pers Svc/Vacancy Factor	-	-	41,031	-	-	-	41,031	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(360,000)	-	-	-	(360,000)	-	-
030: Inflation & Price List Adjustments	-	-	1,417,127	-	-	-	1,417,127	-	-
060: Technical Adjustments	-	-	966,772	-	-	-	966,772	6	6.00
<b>2017-19 Current Service Level</b>	-	-	<b>22,253,441</b>	-	-	-	<b>22,253,441</b>	<b>75</b>	<b>75.00</b>
<b>Adjusted 2017-19 Current Service Level</b>	-	-	<b>22,253,441</b>	-	-	-	<b>22,253,441</b>	<b>75</b>	<b>75.00</b>
<b>Total LFO Recommended Packages</b>	-	-	<b>770,447</b>	-	-	-	<b>770,447</b>	<b>4</b>	<b>3.84</b>
<b>2017-19 Legislative Actions</b>	-	-	<b>23,023,888</b>	-	-	-	<b>23,023,888</b>	<b>79</b>	<b>78.84</b>
Net change from 2015-17 Leg Approved Budget	-	-	3,576,320	-	-	-	3,576,320	10	10.09
Percent change from 2015-17 Leg Approved Budget	0.0%	0.0%	18.4%	0.0%	0.0%	0.0%	18.4%	14.5%	14.7%
Net change from 2017-19 Adj Current Service Level	-	-	770,447	-	-	-	770,447	4	3.84
Percent change from 2017-19 Adj Current Service Level	0.0%	0.0%	3.5%	0.0%	0.0%	0.0%	3.5%	5.3%	5.1%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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**Package 307 Limited Duration Conversions**

Package Description Additional expenditure limitation of \$328,094 is recommended to provide for the permanent continuation of two positions, a Human Resource Analyst 1 and a Compliance Specialist 3 position that were approved in the 2015-17 biennium. Additional recruitments associated with replacement of retired workers and the expansion of the recreational marijuana program are factors that contribute to an ongoing workload for the Human Resource Analyst 1 position. As the number of applicants in the Marijuana program continues to grow beyond forecasts, so too are the likely number of contested cases related to alleged violations or denial of license applications, supporting the continuation of the Compliance Specialist 3 position in the Administrative Policy and Process division.

LFO Recommendation Approve.

<b>LFO Recommended</b>	-	-	328,094	-	-	-	328,094	2	2.00
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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**Package 309 Distilled Spirits Program Reclassifications**

Package Description Additional Other Funds expenditure limitation of \$104,796 is included to reclassify the following positions:

- An Information Systems Specialist 5 to Information System Specialist 6, based on the Department of Administrative Services Chief Human Resources Office class allocation guidelines;
- An Information Systems Specialist 3 to Information Systems Specialist 4, as duties have evolved from technical support for users to include support of the agency's information technology network;
- A Compliance Specialist 3 position which is more appropriately classified as an Operations and Policy Analyst 3 position, due to consultative advice and recommendations given on agency policy, processes, and programmatic issues;
- An Administrative Specialist 1 position to Procurement and Contract Assistant, due to elevated responsibilities as the vehicle fleet coordinator for the agency; and
- A Supply Specialist 1 to Supply Specialist 2 position. As mail room volume has decreased, reclassifying the position will enable the incumbent to also work within the agency's supply center to help meet the needs of the agency's additional personnel.
- An Accountant 2 position to an Accountant 3 position, responsible for creation and management of the business and accounting processes associated with Marijuana Regulation.

LFO Recommendation The Legislative Fiscal Office recommends approval, with the understanding that the Department of Administrative Services will unschedule \$50,261 Other Funds expenditure limitation associated with this package until outstanding classification reviews are approved by the Department of Administrative Services Chief Human Resources Office.

LFO Recommended	-	-	104,796	-	-	-	104,796	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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**Package 801 LFO Analyst Adjustments**

Package Description A new permanent procurement and contract specialist position is recommended to support the additional personnel added to the Oregon Liquor Control Commission. Full-time equivalent positions in the agency grew by 15% between the 2013-15 and 2017-19 current service level; an additional 38 positions are recommended for approval in the LFO 2017-19 budget recommendation, due to continued growth in the number of marijuana licensees regulated by OLCC. The package also provides for an additional permanent compliance specialist position in the administrative policy and process division, to handle the anticipated increases in contested case hearings related to license approvals and disciplinary action. Attendant services and supplies costs are included in the package for these positions. Finally, a technical adjustment is made to transfer an accounting position from the Marijuana division.

LFO Recommendation Approve.

<b>LFO Recommended</b>	-	-	492,106	-	-	-	492,106	3	2.84
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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**Package 814 IT Security Positions Consolidation**

Package Description Position number 2600.702 within this division is designated to be transferred to the Department of Administrative Services, Office of the State CIO pursuant to the Governor's Executive Order Number 16-13 to unify information technology security positions. This package removes position authority and attendant expenditure limitation from the Oregon Liquor Control Commission.

LFO Recommendation Approve.

LFO Recommended	-	-	(249,577)	-	-	-	(249,577)	(1)	(1.00)
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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**Package 816 SB 1057 - Medical Marijuana**

Package Description Services and supplies costs that are associated with the addition of two new commissioners under SB 1057 (a bill that primarily has to do with the tracking of medical marijuana producers in the Cannabis tracking system and associated OLCC investigations, inspections and other new responsibilities) are included in this package. Mileage, per diem, and costs associated with remodeling the Commission meeting space to accommodate the new commissioners are estimated at \$95,028.

LFO Recommendation Approve.

LFO Recommended	-	-	95,028	-	-	-	95,028	-	-
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LFO102 - Work Session Presentation Report  
2017-19 BienniumVersion: L - 01 - LFO Analyst Recommended  
Cross Reference: 84500-004-00-00-00000  
Marijuana Regulation

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
<b>2015-17 Agy. Leg. Adopted</b>	-	-	8,332,933	-	-	-	8,332,933	30	24.91
2015-17 Ebds, SS & Admin Act	-	-	1,368,018	-	-	-	1,368,018	7	4.17
Ways & Means Actions	-	-	-	-	-	-	-	-	-
<b>2015-17 Leg Approved Budget</b>	-	-	9,700,951	-	-	-	9,700,951	37	29.08
<b>2015-17 Leg Approved Budget (Base)</b>	-	-	9,700,951	-	-	-	9,700,951	37	29.08
Summary of Base Adjustments	-	-	1,189,124	-	-	-	1,189,124	(2)	5.92
<b>2017-19 Base Budget</b>	-	-	10,890,075	-	-	-	10,890,075	35	35.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	6,114	-	-	-	6,114	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(1,958,967)	-	-	-	(1,958,967)	-	-
030: Inflation & Price List Adjustments	-	-	(11,505)	-	-	-	(11,505)	-	-
060: Technical Adjustments	-	-	(1,074,596)	-	-	-	(1,074,596)	(7)	(7.00)
<b>2017-19 Current Service Level</b>	-	-	7,851,121	-	-	-	7,851,121	28	28.00
<b>Adjusted 2017-19 Current Service Level</b>	-	-	7,851,121	-	-	-	7,851,121	28	28.00
<b>Total LFO Recommended Packages</b>	-	-	6,632,513	-	-	-	6,632,513	33	30.22
<b>2017-19 Legislative Actions</b>	-	-	14,483,634	-	-	-	14,483,634	61	58.22
Net change from 2015-17 Leg Approved Budget	-	-	4,782,683	-	-	-	4,782,683	24	29.14
Percent change from 2015-17 Leg Approved Budget	0.0%	0.0%	49.3%	0.0%	0.0%	0.0%	49.3%	64.9%	100.2%
Net change from 2017-19 Adj Current Service Level	-	-	6,632,513	-	-	-	6,632,513	33	30.22
Percent change from 2017-19 Adj Current Service Level	0.0%	0.0%	84.5%	0.0%	0.0%	0.0%	84.5%	117.9%	107.9%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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**Package 406 Marijuana Program Staff Fulfillment**

Package Description The 2015-17 legislatively approved budget assumed approximately 830 active recreational marijuana licensees and 6,200 worker permits. As of March 23, 2017, the number of licensees was 1,052 and worker permits numbered 12,439. These totals are expected to grow to 1,974 and 29,000, respectively, in 2017-19. Based on these trends, \$5.2 million Other Funds expenditure limitation and 27 positions (24.80) are recommended in the 2017-19 biennium. This number of regulatory and compliance specialists will increase further due to legislation that tasks OLCC with tracking medical marijuana (medical producers, processors and retailers are licensees of the Oregon Health Authority), and may prompt more of this sector of the marijuana industry to migrate to the recreational market and become OLCC licensees.

The recommendation provides for personal services costs of \$3.8 million for the 2017-19 biennium attributable to an additional 22 regulatory specialists, three administrative support personnel and two compliance specialist positions. These positions are recommended to be permanent. Attendant services and supplies costs include the following: equipment and vehicles for enforcement officers, who will be inspecting applicant and licensee grow sites, processing facilities and retail establishments; training at the Department of Public Safety Standards and Training; and a calculated additional lease cost per new employee, as OLCC will have to find additional space to accommodate the number of new employees related to its marijuana programs. Note that new positions recommended in Policy Option Package 801, as well as positions recommended or continuation in Policy Option Package 307 are also related to the increase in recreational marijuana licensees.

LFO Recommendation Approve.

LFO Recommended	-	-	5,244,870	-	-	-	5,244,870	27	24.80
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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**Package 408 Marijuana Program Reclassification**

Package Description This package reclassifies an existing Administration Specialist 1 who is currently being paid for work out of class to an Operations and Policy Analyst 1 position. In addition to administrative duties, the incumbent is responsible for analyzing data quantity and quality, initiating improvements, drawing conclusions, and proposing solutions to data access and reporting issues, as well as evaluating rules and policies, and drafting revisions.

LFO Recommendation Additional Other Funds expenditure limitation in the amount of \$30,564 is recommended, with the understanding that the Department of Administrative Services will unschedule the limitation until this classification is approved by the Department of Administrative Services Chief Human Resources Office.

LFO Recommended	-	-	30,564	-	-	-	30,564	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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**Package 801 LFO Analyst Adjustments**

Package Description The package makes a technical adjustment to transfer an existing Accountant 2 position from the recreational marijuana program to the Administration and Support division.

LFO Recommendation Approve.

LFO Recommended	-	-	(145,026)	-	-	-	(145,026)	(1)	(1.00)
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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**Package 816 SB 1057 - Medical Marijuana**

Package Description This package provides Other Funds expenditure limitation to enable the OLCC to track medical marijuana producers, processors and retailers in the cannabis tracking system, and to conduct inspections and investigations to ensure that medical marijuana is properly accounted for, pursuant to SB 1057. OLCC would also become responsible for regulating labeling and packaging of medical marijuana, taking over this responsibility from the Oregon Health Authority. The package provides limitation and position authority associated with setting up a Medical Marijuana tracking structure, and assumes that the Oregon Liquor Control Commission will return to the February 2016 Legislature or a subsequent meeting of the Emergency Board to request enforcement personnel. The number of additional regulatory specialists needed will be influenced by the number of medical marijuana producers, processors, and retailers that opt in to the OLCC regulatory system pursuant to the notification deadline of January 1, 2018 imposed by SB 1057, as well as any other medical marijuana legislation that may influence industry dynamics. The expenditure limitation included in this package is summarized as follows:

- Personal services costs for two Administrative Specialist 1 positions; three Compliance Specialist 1 positions, an Operations and Policy Analyst 3 position, and a program management position.
- Services and Supplies for the positions, including adding these approved positions to the cost of additional leased space that will be needed to accommodate growth at the agency due to the regulation of marijuana; expenditure limitation for future enforcement officer training at the Department of Public Safety Standards and Training; and one-time costs of \$400,000 for changes to the existing Cannabis Tracking System.

The bill provides for start-up costs to OLCC consisting of \$1.8 million from the Oregon Marijuana Account (marijuana tax revenue), and up to \$1.25 million of marijuana tax revenue per quarter for on-going OLCC regulatory costs related to monitoring medical marijuana licensees of the Oregon Health Authority; actual revenue to be transferred will be determined based on the number of OHA licensees that OLCC is tracking, which will drive OLCC costs for the tracking system, inspection and reporting costs.

LFO Recommendation Approve.

Budget Instructions The Legislative Fiscal Office recommends that the OLCC set up a separate budgeting structure to track revenues and expenses related to costs associated with monitoring medical marijuana producers, processors and retailers. Further, the agency is instructed to develop a cost allocation model to attribute a relatively proportional share of overhead expenses related to agency management, administrative and facilities requirements due to medical marijuana - related responsibilities of the agency, for purposes of determining operating expenses that will be funded through a transfer of marijuana tax revenue to the Oregon Liquor Control Commission.

<b>LFO Recommended</b>	-	-	1,502,105	-	-	-	1,502,105	7	6.42
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LFO102 - Work Session Presentation Report  
2017-19 BienniumVersion: L - 01 - LFO Analyst Recommended  
Cross Reference: 84500-005-00-00-00000  
Store Operating Expenses

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
<b>2015-17 Agy. Leg. Adopted</b>	-	-	102,570,335	-	-	-	102,570,335	-	-
2015-17 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
<b>2015-17 Leg Approved Budget</b>	-	-	102,570,335	-	-	-	102,570,335	-	-
<b>2015-17 Leg Approved Budget (Base)</b>	-	-	102,570,335	-	-	-	102,570,335	-	-
Summary of Base Adjustments	-	-	-	-	-	-	-	-	-
<b>2017-19 Base Budget</b>	-	-	102,570,335	-	-	-	102,570,335	-	-
030: Inflation & Price List Adjustments	-	-	14,522,319	-	-	-	14,522,319	-	-
<b>2017-19 Current Service Level</b>	-	-	117,092,654	-	-	-	117,092,654	-	-
<b>Adjusted 2017-19 Current Service Level</b>	-	-	117,092,654	-	-	-	117,092,654	-	-
<b>Total LFO Recommended Packages</b>	-	-	6,834,761	-	-	-	6,834,761	-	-
<b>2017-19 Legislative Actions</b>	-	-	123,927,415	-	-	-	123,927,415	-	-
Net change from 2015-17 Leg Approved Budget	-	-	21,357,080	-	-	-	21,357,080	-	-
Percent change from 2015-17 Leg Approved Budget	0.0%	0.0%	20.8%	0.0%	0.0%	0.0%	20.8%	0.0%	0.0%
Net change from 2017-19 Adj Current Service Level	-	-	6,834,761	-	-	-	6,834,761	-	-
Percent change from 2017-19 Adj Current Service Level	0.0%	0.0%	5.8%	0.0%	0.0%	0.0%	5.8%	0.0%	0.0%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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**Package 090 Analyst Adjustments**

Package Description This is an adjustment to increase agent's compensation by \$3.3 million Other Funds associated with the Commission action on August 19, 2016 to extend the 50-cent per bottle surcharge. This adjustment is will allow the OLCC to maintain the average payout percentage of 8.93 percent.

This package also makes an adjustment to correct an error in the categorization of agent's compensation expenses. The adjustment moves \$3,611,335 in Other Funds expenses from Special Payments to Services and Supplies. This adjustment will correctly align the expense with how the agency expends and accounts for agent's compensation.

LFO Recommendation Approve.

<b>LFO Recommended</b>	-	-	3,360,310	-	-	-	3,360,310	-	-
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	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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**Package 801 LFO Analyst Adjustments**

Package Description Expenditure limitation is included to accomodate agents' compensation at an average of 8.93% of sales for revenue anticipated to be generated from retail expansion efforts endorsed and underway by the OLCC.

The Oregon Liquor Control Commission has embarked on a retail expansion effort aimed at increasing the number of stores from 248 in 2016 to 310 by 2018, and has approved 17 new stores to date in 2015-17. Additional stores are anticipated to generate additional gross sales of approximately \$39 million -- an increase of about 3% over current service level -- in 2017-19.

LFO Recommendation Approve.

<b>LFO Recommended</b>	-	-	3,474,451	-	-	-	3,474,451	-	-
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LFO102 - Work Session Presentation Report  
2017-19 BienniumVersion: L - 01 - LFO Analyst Recommended  
Cross Reference: 84500-088-00-00-00000  
Capital Improvements

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
<b>2015-17 Agy. Leg. Adopted</b>	-	-	<b>4,391,810</b>	-	-	-	<b>4,391,810</b>	-	-
2015-17 Ebds, SS & Admin Act	-	-	920,000	-	-	-	920,000	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
<b>2015-17 Leg Approved Budget</b>	-	-	<b>5,311,810</b>	-	-	-	<b>5,311,810</b>	-	-
<b>2015-17 Leg Approved Budget (Base)</b>	-	-	<b>4,391,810</b>	-	-	-	<b>4,391,810</b>	-	-
Summary of Base Adjustments	-	-	-	-	-	-	-	-	-
<b>2017-19 Base Budget</b>	-	-	<b>4,391,810</b>	-	-	-	<b>4,391,810</b>	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(4,172,000)	-	-	-	(4,172,000)	-	-
030: Inflation & Price List Adjustments	-	-	8,133	-	-	-	8,133	-	-
<b>2017-19 Current Service Level</b>	-	-	<b>227,943</b>	-	-	-	<b>227,943</b>	-	-
<b>Adjusted 2017-19 Current Service Level</b>	-	-	<b>227,943</b>	-	-	-	<b>227,943</b>	-	-
<b>2017-19 Legislative Actions</b>	-	-	<b>227,943</b>	-	-	-	<b>227,943</b>	-	-
Net change from 2015-17 Leg Approved Budget	-	-	(5,083,867)	-	-	-	(5,083,867)	-	-
Percent change from 2015-17 Leg Approved Budget	0.0%	0.0%	(95.7%)	0.0%	0.0%	0.0%	(95.7%)	0.0%	0.0%
Net change from 2017-19 Adj Current Service Level	-	-	-	-	-	-	-	-	-
Percent change from 2017-19 Adj Current Service Level	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%