



Oregon

Kate Brown, Governor

Liquor Control Commission

9079 SE McLoughlin Blvd

Portland, OR 97222-7355

(503) 872-5000

(800) 452-6522

January 12, 2018

LETTER OF INTENT FOR FEBRUARY 2018 REGULAR SESSION

From Oregon Liquor Control Commission

Dear Co-chairs Courtney and Nathanson:

1. Chief Information Officer (CIO) position Request: \$197,175, 1 position

OLCC intends to request a Chief Information Officer position to manage the information needs of a complex \$1.3 billion enterprise. Immediate responsibilities will include renegotiation of the Cannabis Tracking, Licensing and Liquor Warehouse System contracts, connection with the Oregon Medical Marijuana database for data sharing, developing an agency wide records management system, and migrating nine financial and business systems to modern platforms. Key issues addressed with this position will be contract management, connection of disparate agency IT programs, change management, addressing data storage capacity issues and management of agency IT systems.

The request has been approved by DAS HR. Expected cost of the position for remaining 2017-19 biennium is \$197,175. The expected cost of the position for the full 2019-21 biennium is \$273,925. In general, the OLCC expects the February release of the Secretary of State's IT Security audit to recognize in findings and recommendations the agency's weakness related to high-level expertise and leadership to oversee IT modernization. This condition is addressed through the agency-wide IT leadership a CIO would provide.

2. Providing Near-Term Redundancy for Disaster Recovery: \$400,000

OLCC is in the process of updating its disaster recovery plan by replicating its servers and disk storage systems in an offsite facility (Milport) as a redundant hot site. In the event of a failure (such as happened last winter), critical OLCC systems for ordering and shipping liquor can be switched over to the redundant hot site immediately. The expected additional costs of the equipment and software is \$400,000 made up of the following:

- **\$150,000** - HP 8200 model redundant servers – The current, older HP 7200 model servers will be moved to the redundant site and the new HP 8200 model servers will be replace them in the primary hot site,
- **\$110,000** - HP hard drives (also called blades) to be utilized for data storage at the redundant hot site, and



- **\$140,000** – NSX software upgrade which is a resource management tool that allows us to manage and view all virtual systems that reside on all of our servers, resulting in a more efficient ability to allocate capacity, speed and resources amongst the virtual systems across all servers depending on where our most urgent needs are. We are currently locked in the version that we have and need the upgrade to be able to effectively implement the redundant hot site.

The OLCC intends to take immediate steps to establish a redundant hot site for critical computer systems and has secured fiber optic line approval from Oregon’s Chief Information Officer’s Office to connect two OLCC warehouses that are within a half mile of each other. This will efficiently facilitate the achievement for near-term redundancy by completing this work within this calendar year. This can be achieved provided limitation is approved for new switches and servers. This works in tandem with server and switch replacement as it is dependent on an efficient redeployment and reuse of old servers. Over the long-term, the fiber optic line connection will not only serve the redundant hot site, it will add value by extending enhanced interoperability between warehouses.

The multiple benefits of this immediate action will enable OLCC to evaluate future options for geographically remote warm offsite capabilities in the future while economizing in the near-term to expeditiously provide redundancy. This is an immediate and urgent issue as weather and electrical events threatened operations of the liquor warehouse on multiple occasions last year. The OLCC ships out a retail value of \$2.2 million of liquor daily, making recovery and redundancy of computer systems critically important for continuity of operations. The SOS audit specifically identifies taking the step of establishing a warm site in its recommendations. The expected cost is \$400,000. The expected completion for this project is the 3rd quarter of 2018.

3. **DAS required SAP software upgrade: \$180,000**

The DAS CIO’s office has upgraded their SAP contract. OLCC has been notified by DAS that the agency must upgrade to the new version of SAP no later than the agency’s next renewal date in June 2018. The total cost is \$180,000 made up of the following:

- **\$132,000** for a one-time license upgrade to the new version of SAP,
- **\$40,000** for the annual support and maintenance service of SAP. This amount is the increase over the annual support and maintenance fee that we pay currently.
- **\$8,000** one-time fee for an Enterprise PowerDesigner license that allows our internal IT developers to access the design of older SAP-based applications as well as the design of any future SAP-based applications.

4. **Medical Marijuana (SB 1057) Request: \$2.2 million, 13 regulatory specialists**

SB 1057 requires propagation, production, processing and transfer of marijuana and marijuana derived products by OHA marijuana grow sites, marijuana processing sites and medical marijuana dispensaries to be tracked by the OLCC tracking system. OLCC will administer the tracking and perform inspections of OMMP growers related to information identified through the tracking system. Violations will be reported to OHA for enforcement.

Registrants in the medical marijuana program had to declare their intent by December 1, 2017 to either remain in the medical program and be tracked by OLCC, or to apply for an OLCC license and be tracked as a medical registrant, or to grow 12 or less plants for medical use and not be tracked.

The OLCC intends to request additional expenditure limitation and position authority for the medical marijuana program based upon the information gathered in December 2017. OLCC received 7 positions in the 2017 legislatively approved budget (HB 5019 Package 816) for startup of the program but this did not include regulatory specialists required for inspections and investigations.

As of the December 1, 2017 deadline, the Oregon Health Authority has reported a total of almost 2,000 medical growers, dispensaries and processors that have elected to be tracked by OLCC in this program. Almost 400 OHA growers, processors and dispensaries have indicated that they plan to apply for an OLCC recreational license. Approximately 9,000 growers have yet to declare their intentions.

OHA will collect the cost of tracking from OHA growers, processors, and dispensaries and will remit those funds to OLCC. OLCC will need to have additional limitation in order to pay the vendor.

5. Administrative support positions for Marijuana Licensing Request: \$341,287, 3 positions

Due to the sheer volume of marijuana license applications and subsequent license renewals, the OLCC is in need of three administrative support positions to support licensing unit activities and with the manual components of the licensing renewal process.

We are requesting:

One Compliance Specialist 3 (CS3) to provide technical guidance to staff and outside stakeholders on rules, statutes and internal processes, to do analysis and research on various complex licensing and compliance issues that arise, to work closely with local jurisdictions to provide direction on OLCC policies and rules, to provide training to internal staff and external groups (including local government officials, interest groups, licensees, and applicants), to review staff licensing and enforcement reports for accuracy and consistency with agency policy and past practices, and to assist in rulemaking functions that impact licensing and compliance functions. These positions are also responsible for creating, updating and maintaining the policy and process manuals used by staff in their licensing and compliance work.

One Compliance Specialist 1 (CS1) to provide tracking and analysis of licensing data, providing data summaries and identifying trends, areas for efficiency improvements, assisting with process development, preparing guidance for staff/licensees on using the NIC/USA licensing system, assisting in developing processes for inputting and tracking data that must be kept outside the licensing system, and assisting in the preparation of training for staff on licensing processes, rules and policies.

One Administrative Specialist 1 (AS1) to accept applications and screen them for completeness, updating forms as needed due to rule or process changes, arrange for staff training and track attendance by staff, scan/copy/email minor communications with applicants before investigation commences, schedule inspections, inactivate incomplete or stalled applications, purge criminal history records that build up over time and need to be cleared out routinely as part of our security processes, and file application documents into the licensing and internal records management systems.

Expected cost of the positions for the remaining 2017-19 biennium is \$341,287. The expected cost of the positions for the full 2019-21 biennium is \$474,672.

6. Geographic Information System (GIS) tracking position extension: \$51,122, 1 position at OHA/DHS shared services through the end of the biennium

Currently, the OLCC has one half of a GIS position that it shares with OHA. It is a limited duration position that ends in June 2018. OHA is requesting that due to the reduced work load in medical marijuana that OLCC fund the full time position instead of the current half position through the remainder of the biennium.

The GIS function is a critical component for the marijuana program. The mapping of schools, churches and marijuana licensees is data used for approving, declining and issuing marijuana licenses. It requires a certain skill set and the position is currently located within a larger GIS group at OHA/DHS. Being a part of that larger group creates efficiencies and access to knowledge that is not readily available for a stand-alone position if it were located in the OLCC offices.

7. Online privilege tax (HB 2150) Request: \$300,000

HB 2150 provided for \$300,000 expenditure limitation in the OLCC's 2017-19 legislatively approved budget (HB 5019) for the purposes of determining the requirements, needs and cost to develop and implement an online wine and beer tax filing and payment system which is required by HB 2150, Electronic Privilege Tax. A technical fix is needed to add the \$300,000 expenditure limitation in planning funds to the current budget per the Fiscal Impact Statement associated with HB 2150 (as this bill was not ultimately routed to the Joint Committee on Ways and Means during the 2017 session).

Further, HB 2150 directed the OLCC to return to the Joint Committee on Ways and Means in February 2018 to present the findings and request additional expenditure limitation up, up

to \$1.2 million, for the development and implementation of the system prior to June 30, 2019. The agency did significant work identifying needs requirements for the system and posting a Request for Information (RFI) from potential vendors. Not enough data was received from potential vendors to determine the amount necessary to properly develop and implement this system.

The agency plans to request additional limitation from the Emergency Board at a later date, after vendors respond to a Request for Proposal. This will provide a better cost estimate range and basis for a request for further funding.

The OLCC's Strategic Technology Officer (STO) from the office of the CIO has been regularly involved throughout this process and will continue to provide guidance.

Sincerely,

A handwritten signature in blue ink that reads "Steve Marks". The signature is written in a cursive style with a large initial "S".

Steve Marks

Executive Director