

**Legislative
Fiscal Office**

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**Joint Committee on
Ways and Means**

Sen. Betsy Johnson, Senate Co-Chair
Sen. Elizabeth Steiner Hayward, Senate Co-Chair
Rep. Dan Rayfield, House Co-Chair

Sen. Jackie Winters, Senate Co-Vice Chair
Rep. David Gomberg, House Co-Vice Chair
Rep. Greg Smith, House Co-Vice Chair

To: Transportation and Economic Development Subcommittee
From: Michelle Deister, Legislative Fiscal Office
Date: May 23, 2019
Subject: SB 5519 – Oregon Liquor Control Commission
Work Session Recommendations

Oregon Liquor Control Commission

	2015-17 Actual	2017-19 Legislatively Approved	2019-21 Current Service Level	2019-21 LFO Recommended
Other Funds	182,910,731	215,134,618	226,691,665	246,072,476
Total Funds	\$182,910,731	\$215,134,618	\$226,691,665	\$246,072,476
Positions	265	326	326	363
FTE	254.91	312.62	324.00	361.00

The Legislative Fiscal Office recommends a 2019-21 Budget for the Oregon Liquor Control Commission (OLCC) of \$246,072,476 and 363 positions (361.00 FTE).

Alcohol Revenue and Regulatory Expenses - This recommendation assumes gross liquor sales of \$1.5 billion, which includes an assumed \$39.3 million generated from the \$0.50 per bottle surcharge extended through June 2021. Privilege Taxes on beer and wine are estimated to generate \$39.3 million. After expenditures, including the cost of goods and agents' compensation (retail agents at an average of 8.93% of sales, and distillery agents at an average of 17% of sales) the amount of revenue generate for the General Fund is estimated at \$341.9 million, a figure that includes surcharge revenue. Distributions of liquor revenue to other purposes pursuant to statute are as follows: Estimated liquor revenue distribution is estimated as follows:

- \$108 million to incorporated cities
- \$75.6 million for City Revenue Sharing
- \$54 million to Counties
- \$19.7 million for Mental Health
- \$0.697 million to the Oregon Wine Board

This recommendation assumes an increase in Alcohol fees pursuant to SB 248 providing \$9 million in additional revenue (which means approximately \$61 million in alcohol-related regulatory expenses is subsidized by the sale of distilled spirits).

Recommended policy option packages related to distilled spirits (including alcohol-related public safety) include additional expenditure limitation (and, where applicable, position authority to support the following:

- 11 positions to meet demand for shipping of distilled spirits;
- Additional position authority to support timely completion of investigations and issuance of licenses;
- Two additional regulatory specialists and two management positions to distribute workload over regional offices and keep up with the growth in the number of alcohol licensees experienced over the last two biennia;
- Reclassifications to more efficiently utilize existing positions;
- Replacement of vehicle radios and radio dispatch service through the Oregon State Police; and
- Administrative support for the lone position overseeing Oregon Bottle Bill recycling and redemption.

Additional expenditure limitation and position authority is also included for centralized agency staffing and management, including:

- Repair of warehouse roofing;
- A portion of expected information technology-related expenditures to begin replacement of licensing, enforcement and distilled spirits-related systems, along with four Information Services positions to serve business analysis, data architecture, and project management functions;
- Additional capacity in accounting, internal communications, and human resources.

Of the additional Support Services personnel and services and supplies costs included in this recommendation, approximately \$943,000 will be supported by marijuana licensing fee revenue.

Marijuana Regulation - Recommended policy option packages for recreational marijuana and medical marijuana programs include changes in expenditure limitation pursuant to the following:

- Analyst adjustments to more accurately reflect the number of marijuana licensees and related revenue;
- A contract for dispatch services through the Oregon State Police;
- Reclassification of positions to better utilize existing position authority;
- Funding for approximately half of the estimated cost of a functional marijuana license and compliance information technology system; and
- Nine additional positions to add regulatory oversight, testing lab, and administrative capacity to the program, based on the number of licensees, current duties, and risks identified via an audit by the Secretary of State.
- Revenue adjustments to recognize the increased licensing fee on Hemp producers, owing to regulations under SB 1015.

The recommendation assumes \$25 million in marijuana licensing revenue. The passage of Senate Bill 218 would allow for a temporary moratorium on new marijuana licenses, and OLCC anticipates total active licensees for the 2019-21 biennium -- including renewals -- of 2211, and 76,000 worker permits.

No increase in Marijuana Licensing fees will be required to maintain a recommended ending balance equivalent to at least three months of operating expenditures for the program. Approximately 24% of costs in the Support Services division and 37% of management costs in the Public Safety Services division are supported by recreational marijuana revenue. Statute provides for fees on recreational marijuana licensees to be collected in an amount sufficient to support marijuana program regulation. Per ORS 475B.895 (7), up to \$10 million per biennium in Marijuana tax revenue is transferred to OLCC to support regulatory expenses attributable to medical marijuana activities.

The agency reported a maximum supervisory ratio of 11.1 to 1 for the 2019-21 biennium.

Adjustments to Current Service Level

See attached "Work Session Presentation Report."

Note: Statewide adjustments and six-year capital construction expenditures are not included in these recommendations. Any needed adjustments will be made in end of session bills.

Accept LFO Recommendation:

MOTION: I move the LFO recommendation to SB 5519. (VOTE)

OR

Change LFO Recommendation:

MOTION: I move the LFO recommendation to SB 5519, with modifications. (VOTE)

Performance Measures

See attached "Legislatively Proposed 2019-21 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)

Budget Notes

The Legislative Fiscal Office recommends the following budget notes:

#1 Budget Note: Bank Card Fees

As of April 2019, the Oregon Liquor Control Commission was withholding bank card fees based on sales data for related items that had last been provided and analyzed at least a decade ago, resulting in payments that do not accurately reflect the recent sales experience of contract liquor store agents. The Oregon Liquor Control Commission is directed to update the rates or amounts withheld from agents, by requesting and analyzing data on liquor and related items purchases. OLCC is directed to utilize the same methodology as in previous biennia, but based on sales data from the previous calendar year (2018). Failure of an agent to present data requested by OLCC could result in the Commission assigning a withholding rate or amount that may not accurately reflect the actual rate of bank card sales for related items of that store. The Oregon Liquor Control Commission is directed to report back to the Legislative Fiscal Office on the change in payments to each agent, based on this updated information. It is intended that going forward, OLCC will request and receive sales data on related items purchases a minimum of once per biennium, so that compensation related to bank card fees can be based on more accurate and up-to-date information.

#2 Budget Note: Facility Exploration

The OLCC shall work with the Department of Administrative Services and the Capital Projects Advisory Board to evaluate costs and risks associated with remaining at its existing Milwaukie headquarters, and to identify available facility alternatives that could better meet the agency's long-term needs for storage, shipping, future growth, office space, maintenance, and ease of access to markets. The OLCC is directed to report back to the Emergency Board prior to submission of its 2021 Agency Request Budget, present findings and seek input on identified alternatives, or request additional funding for further analysis if warranted.

Accept LFO Recommendation:

MOTION: I move the LFO recommendation on Budget Notes. (VOTE)

OR

Change LFO Recommendation (any changes must be approved by the co-chairs):

MOTION: I move the LFO recommendation on Budget Notes, with modifications.
(VOTE)

Recommended Changes

LFO recommends a budget of \$246,072,476 Other Funds, and 363 positions (361.00 FTE), for the 2019-21 biennium. Further, additional limitation for the 2017-19 biennium is

required to accommodate bank card expenses that came in higher than anticipated (\$350,000) due to increases in the volume of transactions, and to replace a broken sewer pipe in the agency warehouse (\$125,000). These changes are reflected in the -1 amendment.

MOTION: I move adoption of the -1 amendment to SB 5519. (VOTE)

Final Subcommittee Action

LFO recommends that SB 5519 as amended by the -1 amendment, be moved to the Ways and Means Full Committee.

MOTION: I move SB 5519 as amended, to the Full Committee with a do pass recommendation. (VOTE)

Carriers

Full Committee: _____

House Floor: _____

Senate Floor: _____

LFO102 - Work Session Presentation Report
2019-21 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)
2017-19 Agy. Leg. Adopted	-	-	206,250,022	-	-	-	206,250,022	304	298.82
2017-19 Ebds, SS & Admin Act	-	-	8,884,596	-	-	-	8,884,596	22	13.80
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2017-19 Leg Approved Budget	-	-	215,134,618	-	-	-	215,134,618	326	312.62
2017-19 Leg Approved Budget (Base)	-	-	213,152,560	-	-	-	213,152,560	326	312.62
Summary of Base Adjustments	-	-	5,919,920	-	-	-	5,919,920	-	11.38
2019-21 Base Budget	-	-	219,072,480	-	-	-	219,072,480	326	324.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	1,359,867	-	-	-	1,359,867	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(2,672,999)	-	-	-	(2,672,999)	-	-
030: Inflation & Price List Adjustments	-	-	9,200,810	-	-	-	9,200,810	-	-
060: Technical Adjustments	-	-	(268,493)	-	-	-	(268,493)	-	-
2019-21 Current Service Level	-	-	226,691,665	-	-	-	226,691,665	326	324.00
Adjusted 2019-21 Current Service Level	-	-	226,691,665	-	-	-	226,691,665	326	324.00
Total LFO Recommended Packages	-	-	19,380,811	-	-	-	19,380,811	37	37.00
2019-21 Legislative Actions	-	-	246,072,476	-	-	-	246,072,476	363	361.00
Net change from 2017-19 Leg Approved Budget	-	-	30,937,858	-	-	-	30,937,858	37	48.38
Percent change from 2017-19 Leg Approved Budget	0.0%	0.0%	14.4%	0.0%	0.0%	0.0%	14.4%	11.4%	15.5%
Net change from 2019-21 Adj Current Service Level	-	-	19,380,811	-	-	-	19,380,811	37	37.00
Percent change from 2019-21 Adj Current Service Level	0.0%	0.0%	8.6%	0.0%	0.0%	0.0%	8.6%	11.4%	11.4%

LFO102 - Work Session Presentation Report
2019-21 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)
2017-19 Agy. Leg. Adopted	-	-	25,681,292	-	-	-	25,681,292	68	68.00
2017-19 Ebds, SS & Admin Act	-	-	347,467	-	-	-	347,467	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2017-19 Leg Approved Budget	-	-	26,028,759	-	-	-	26,028,759	68	68.00
2017-19 Leg Approved Budget (Base)	-	-	26,028,759	-	-	-	26,028,759	68	68.00
Summary of Base Adjustments	-	-	646,343	-	-	-	646,343	-	-
2019-21 Base Budget	-	-	26,675,102	-	-	-	26,675,102	68	68.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	259,962	-	-	-	259,962	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(37,000)	-	-	-	(37,000)	-	-
030: Inflation & Price List Adjustments	-	-	609,858	-	-	-	609,858	-	-
2019-21 Current Service Level	-	-	27,507,922	-	-	-	27,507,922	68	68.00
Adjusted 2019-21 Current Service Level	-	-	27,507,922	-	-	-	27,507,922	68	68.00
Total LFO Recommended Packages	-	-	2,584,809	-	-	-	2,584,809	11	11.00
2019-21 Legislative Actions	-	-	30,092,731	-	-	-	30,092,731	79	79.00
Net change from 2017-19 Leg Approved Budget	-	-	4,063,972	-	-	-	4,063,972	11	11.00
Percent change from 2017-19 Leg Approved Budget	0.0%	0.0%	15.6%	0.0%	0.0%	0.0%	15.6%	16.2%	16.2%
Net change from 2019-21 Adj Current Service Level	-	-	2,584,809	-	-	-	2,584,809	11	11.00
Percent change from 2019-21 Adj Current Service Level	0.0%	0.0%	9.4%	0.0%	0.0%	0.0%	9.4%	16.2%	16.2%

	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 package increases Other Funds expenditure limitation by \$932,406 for additional credit card fees the department will pay as a result of updates to the liquor forecast and the \$0.50 per bottle liquor surcharge.

LFO Recommendation Approve.

LFO Recommended	-	-	932,406	-	-	-	932,406	-	-
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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 102 Distilled Spirits Shipping Capacity & Svcs

Package Description This package consists of \$2,203,955 Other Funds expenditure limitation and 11 positions to meet shipping demands in the distilled spirits warehouse. Since the installation of the conveyor system in 2016 and the resulting ability to ship out of multiple doors of the warehouse, OLCC has found that shipment volumes have been increasing. As a result, they have been utilizing temporary positions year-round to meet permanent, on-going demand, not just during the holidays. Six Liquor Distribution Worker 1 positions are recommended to address this situation. Four Liquor Distribution Equipment Operators and expenditure limitation to increase safety and security (including a new trailer, conveyor belt, dock shelters, locks, replacement of aging forklifts, shelving, a remote order selector and camera systems) are also part of this package. Finally, a Principle Executive Manager F position is recommended to provide dedicated management resources to the distilled spirits program, a duty which has heretofore been absorbed by the agency's Deputy Director. The distilled spirits program includes current service level staffing of 68.50 FTE, and includes product selection and purchasing, warehousing and distribution, and retail services (retail agent liaising). The capital outlay expenditures related to safety and security (\$376,000), and services and supplies set up costs for the new employees (\$22,462) are recommended as one-time expenditures. This recommendation is funded with revenue from sales of distilled spirits and alcohol licensing fees.

LFO Recommendation Approve.

LFO Recommended	-	-	2,203,955	-	-	-	2,203,955	11	11.00
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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 This package reduces inflationary adjustments related to Services and Supplies.

LFO Recommendation Approve.

LFO Analyst Notes These adjustments are being taken now, rather than at the end of session during budget reconciliation.

LFO Recommended	-	-	(551,552)	-	-	-	(551,552)	-	-
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LFO102 - Work Session Presentation Report
2019-21 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)
2017-19 Agy. Leg. Adopted	-	-	19,753,421	-	-	-	19,753,421	96	93.76
2017-19 Ebds, SS & Admin Act	-	-	562,247	-	-	-	562,247	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2017-19 Leg Approved Budget	-	-	20,315,668	-	-	-	20,315,668	96	93.76
2017-19 Leg Approved Budget (Base)	-	-	23,188,044	-	-	-	23,188,044	108	105.68
Summary of Base Adjustments	-	-	1,020,737	-	-	-	1,020,737	-	0.32
2019-21 Base Budget	-	-	24,208,781	-	-	-	24,208,781	108	106.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	610,095	-	-	-	610,095	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(42,000)	-	-	-	(42,000)	-	-
030: Inflation & Price List Adjustments	-	-	159,809	-	-	-	159,809	-	-
2019-21 Current Service Level	-	-	24,936,685	-	-	-	24,936,685	108	106.00
Adjusted 2019-21 Current Service Level	-	-	24,936,685	-	-	-	24,936,685	108	106.00
Total LFO Recommended Packages	-	-	3,111,722	-	-	-	3,111,722	10	10.00
2019-21 Legislative Actions	-	-	28,048,407	-	-	-	28,048,407	118	116.00
Net change from 2017-19 Leg Approved Budget	-	-	7,732,739	-	-	-	7,732,739	22	22.24
Percent change from 2017-19 Leg Approved Budget	0.0%	0.0%	38.1%	0.0%	0.0%	0.0%	38.1%	22.9%	23.7%
Net change from 2019-21 Adj Current Service Level	-	-	3,111,722	-	-	-	3,111,722	10	10.00
Percent change from 2019-21 Adj Current Service Level	0.0%	0.0%	12.5%	0.0%	0.0%	0.0%	12.5%	9.3%	9.4%

	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 203 License Fees Increase

Package Description This package increases revenue by \$9,172,403 to account for the doubling of all liquor licensing fees and for adding in a new fee for the temporary use of a license of \$10 per day. Liquor licensing fees are used to pay agency operating costs, with any excess distributed by formula to the General Fund, cities, and counties. This package was recommended on appeal.

LFO Recommendation This bill reflects revenue generated by SB 248. Approve.

LFO Recommended	-	-	-	-	-	-	-	-	-
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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 205 Statewide Dispatch Services

Package Description Other Funds expenditure limitation in the amount of \$560,832 is added to allow access to the Oregon State Police (OSP) dispatch service. This service allows OLCC agents in the field to contact other law enforcement agencies for assistance. Contracting with OSP provides for greater coverage in rural areas of the state. OLCC began contracting with the Oregon State Police in November 2017 for this service, at a rate of \$508 per employee per month. This recommendation allows 46 employees 24 months of coverage and is funded with revenue from sales of distilled spirits and alcohol licensing fees.

LFO Recommendation Approve

LFO Recommended	-	-	560,832	-	-	-	560,832	-	-
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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 206 Licensing Staff Fulfillment

Package Description Other Funds expenditure limitation of \$1,024,780 is included to increase capacity in licensing, and to address the thousands of records requests the OLCC receives annually. The recommendation includes the addition of the following positions. An Operations and Policy Analyst 2 position to handle public records requests; a limited duration Administrative Specialist 1 position dedicated to assisting in the processing of more than 5,000 special event licenses per year; a permanent Principle Executive Manager D position to better distribute workload related management of license investigations, and supervise liquor licensing program personnel in multiple locations; a Principal Executive Manager B position to facilitate renewals, permits and licenses (at present, there is one management position to oversee the administrative licensing aspects for alcohol and marijuana license applications); and a permanent Office Specialist 2 position to maintain staffing current biennium staffing levels dedicated to approving alcohol service permits.

The recommendation also reclassifies the existing Licensing Division Director (who currently manages both the Alcohol and Marijuana licensing specialists) from a PEM E to a PEM F, the classification deemed appropriate by the Department of Administrative Services Chief Human Resource Office.

LFO Recommendation Approve.

LFO Analyst Notes Capital Outlay expenditures associated with adding the new positions are not assumed to be ongoing. This recommendation is funded with revenue from sales of distilled spirits and alcohol licensing fees.

LFO Recommended	-	-	1,024,780	-	-	-	1,024,780	5	5.00
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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 207 Public Safety Staff Fulfillment

Package Description This package adds Other Funds expenditure limitation of \$1,340,842 and four positions, as follows:
Two Liquor regulatory specialist positions are recommended to keep up with inspection and enforcement activities resulting from continuing growth in the number of alcohol-related licensees. In addition, Other Funds expenditure limitation is recommended for the purchase and mounting of radios in OLCC inspector vehicles, for monthly fees associated with the radios, and for dispatch services associated with the two positions. Of the recommended expenditure limitation, \$407,320 associated with purchase and installation of the radios, and work station purchases for the new employees are not assumed to continue in future biennia. Of the \$409,000 in radio related costs (including purchase and monthly trunking fees), approximately 30% is expected to be supported by revenue from Marijuana licensees.

A permanent Compliance Specialist 3 Case Presenter position is recommended to help evaluate and make recommendations related to proposed disciplinary proceedings for marijuana licensees. An Administrative Specialist 2 is also recommended to compile and manage administrative tasks related to these cases, helping to alleviate backlogs and move cases to the Commission for decisions. As the recreational marijuana market has matured, OLCC has gradually moved from a stance of primarily educating licensees to more enforcement action. This recommendation should result in a reduction of average case load from 85 cases per Compliance Specialist, to 71.5.

LFO Recommendation Approve.

LFO Analyst Notes The case presenter and administrative specialist 2 positions are added due to the increase in Marijuana-related compliance cases, and will be supported by fees paid by marijuana licensees.

LFO Recommended	-	-	1,340,842	-	-	-	1,340,842	4	4.00
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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 209 Regulatory Specialist Reclass

Package Description This package adds Other Funds expenditure limitation in the amount of \$53,588 to reclassify 38 Liquor Regulatory Specialist positions pursuant to labor agreements, at a salary range deemed appropriate by the Department of Administrative Services Chief Human Resource Office.

LFO Recommendation Approve.

LFO Recommended	-	-	53,588	-	-	-	53,588	-	-
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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 215 Bottle Bill Regulation & Funding

Package Description Other Funds expenditure limitation in the amount of \$172,317 and one permanent position are added to provide support to one existing staff person that has responsibility for all aspects of administering and ensuring compliance with beverage container recycling and redemption. The number of redemption centers has increased to 47, as well as the types of containers eligible for redemption. Some retailers, depending on location, are still required to redeem deposits and collect beverage containers. All of this has led to the need for additional education, monitoring, response to complaints from retailers and the public, and signage.

LFO Recommendation Approve.

LFO Analyst Notes These responsibilities are currently funded by alcohol sales and licensing fees. SB 247 would impose an annual fee on redemption centers to help fund part of the cost of their regulation. As of this writing, the bill had passed the Senate and had been reported out of House energy and Environment committee with a "do pass" recommendation, with -A6 amendments.

LFO Recommended	-	-	172,317	-	-	-	172,317	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 801 LFO Analyst Adjustments

Package Description This package adjusts inflationary factors applied to services and supplies expenditures.

LFO Recommendation Approve.

LFO Analyst Notes These adjustments are being taken now, rather than at the end of session during budget reconciliation.

LFO Recommended	-	-	(40,637)	-	-	-	(40,637)	-	-
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LFO102 - Work Session Presentation Report
2019-21 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)
2017-19 Agy. Leg. Adopted	-	-	22,319,338	-	-	-	22,319,338	79	78.84
2017-19 Ebds, SS & Admin Act	-	-	2,310,116	-	-	-	2,310,116	1	0.67
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2017-19 Leg Approved Budget	-	-	24,629,454	-	-	-	24,629,454	80	79.51
2017-19 Leg Approved Budget (Base)	-	-	20,575,020	-	-	-	20,575,020	68	67.59
Summary of Base Adjustments	-	-	714,107	-	-	-	714,107	-	0.41
2019-21 Base Budget	-	-	21,289,127	-	-	-	21,289,127	68	68.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	230,094	-	-	-	230,094	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(570,896)	-	-	-	(570,896)	-	-
030: Inflation & Price List Adjustments	-	-	215,712	-	-	-	215,712	-	-
2019-21 Current Service Level	-	-	21,164,037	-	-	-	21,164,037	68	68.00
Adjusted 2019-21 Current Service Level	-	-	21,164,037	-	-	-	21,164,037	68	68.00
Total LFO Recommended Packages	-	-	6,908,132	-	-	-	6,908,132	7	7.00
2019-21 Legislative Actions	-	-	28,072,169	-	-	-	28,072,169	75	75.00
Net change from 2017-19 Leg Approved Budget	-	-	3,442,715	-	-	-	3,442,715	(5)	(4.51)
Percent change from 2017-19 Leg Approved Budget	0.0%	0.0%	14.0%	0.0%	0.0%	0.0%	14.0%	(6.3%)	(5.7%)
Net change from 2019-21 Adj Current Service Level	-	-	6,908,132	-	-	-	6,908,132	7	7.00
Percent change from 2019-21 Adj Current Service Level	0.0%	0.0%	32.6%	0.0%	0.0%	0.0%	32.6%	10.3%	10.3%

	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 081 September 2018 Emergency Board

Package Description This package requests \$503,174 in Other Funds expenditure limitation to pay for data center charges approved by the September Emergency Board. The department requested \$1.1 million in Other Funds to migrate their internal data center to either the state data center or to a private managed service provider. The request was approved for \$1,182,058 in Other Funds expenditure limitation to pay for new hardware, software and the services needed to effectuate the relocation. The Emergency Board funded the higher of the two options with the condition that \$728,596 of the limitation be unscheduled pending a final decision by the department on a vendor. This package establishes limitation for the ongoing costs estimated by Enterprise Technology Services for two years of ongoing service.

LFO Recommendation

LFO Recommended	-	-	503,174	-	-	-	503,174	-	-
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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 301 Information Services Enhancement

Package Description This package provides Other Funds expenditure limitation as follows:

- \$2.5 million for procurement and implementation of an electronic privilege tax system, as required by the passage of HB 2150 (2017). Currently, all monthly tax reports and payments are made via paper forms and checks.
- Approximately half the estimated funding for a distilled spirits supply chain modernization effort (\$1,512,500) that supports warehouse management and distribution, inventory management, liquor store order and fulfillment, and liquor sales tracking;
- Approximately half the estimated funding for a modernized licensing and enforcement system pertaining to alcohol licensees (\$756,250).
- Permanent position authority and Other Funds expenditure limitation in the amount of \$1,010,681 for four positions, as follows: a data base administrator/architect, a project manager, a business analyst and a business analyst/project manager.

OLCC is not currently able to provide electronic data and services to retailers and customers, and its existing distilled spirits “system” experiences failures approximately once every two weeks. This lack of modern integrated processes and technology solutions creates inefficiencies, compromises data integrity, and makes auditing and inventory management more difficult. The agency’s existing licensing and compliance infrastructure is comprised of a few automated systems and many spreadsheets and manual processes to facilitate licensing and renewals; payments, refunds and fee collection; inspections, compliance, and case management. Alcohol and distilled spirits licensees cannot presently make online payments for fees or fines, and most of the document management functions for compliance and licensing of these licensees is out of date or unsupported.

Stage Gate II planning and documentation for the Distilled Spirits Supply Chain, and the Alcohol and Marijuana Licensing and Compliance projects are occurring now through October 2019, with RFPs for these projects anticipated to be issued in August 2019. OLCC anticipates that the RFP process and vendor selection can be completed by December 2019 in time for OLCC to request legislative approval to proceed with the initiative during the February 2020 annual legislative session. Any remaining expenditure limitation for these projects, including any additional staffing needs, would be requested at that time, when additional cost information based on vendor responses is available.

This recommendation assumes that the OLCC will continue to work closely with and regularly report project status to the Office of the Chief Information Officer (CIO) and the Legislative Fiscal Office throughout the projects’ lifecycles. In addition, OLCC will be expected to continue to follow the Joint State CIO/LFO Stage Gate Review process, utilize the Enterprise Project and Portfolio Management System, and update all documents as necessary. Independent, third-party quality management services must be obtained, and the contractor must perform risk assessments and quality control reviews on business case and project management documents prior to submission for subsequent Stage Gate endorsement. The agency is directed to provide a status report to the Joint Legislative Committee on Information Management and Technology during the February 2020 annual legislative session.

LFO Recommendation Approve.

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
LFO Analyst Notes	Approximately 23% of the position costs will be supported by fees paid by Marijuana licensees.								
LFO Recommended	-	-	5,779,431	-	-	-	5,779,431	4	4.00

	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 310 Financial Services Staff Fulfillment

Package Description Other Funds expenditure limitation in the amount of \$608,244 is included to provide the OLCC with additional capacity in accounting and Human Resources Management. Staffing levels have not kept up with the growth in the number of licensees or employees over time. Additional staffing assets in the areas of accounting and human resource management will serve to mitigate financial risk by ensuring accurate collection of amounts due and payable, and meet administrative responsibilities generated by the growth in the number of employees. The recommendation includes the addition of the following permanent staff: an Accounting Technician 2 position to support financial reconciliation efforts related to the expansion of additional retail stores; an Accountant 2 for financial auditing responsibilities related to distillery agents and grape harvest reconciliation; and a Human Resource Analyst 3 position to address increased needs in workforce management, recruitment, training and policy resulting from the addition of 121 staff since 2015.

LFO Recommendation Approve.

LFO Analyst Notes Approximately 23% of these position costs are supported by marijuana related licensing fees.

LFO Recommended	-	-	608,244	-	-	-	608,244	3	3.00
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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 311 Administration and Communication Outreach

Package Description Other Funds expenditure limitation in the amount of \$89,192 is added to facilitate the development of an OLCC intranet (internal communications platform) under contract, and to reclassify an existing position from a Grounds Maintenance Worker 2 to a Facilities Energy Technician 2, to match the position's current duties. The position reclassification has been reviewed and approved as appropriate by the DAS Chief Human Resource Office.

LFO Recommendation Approve.

LFO Recommended	-	-	89,192	-	-	-	89,192	-	-
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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 This package reduces inflationary factors applied to services and supplies expenditures in this division, adjusting expenditure limitation by -\$71,909.

LFO Recommendation Approve.

LFO Recommended	-	-	(71,909)	-	-	-	(71,909)	-	-
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LFO102 - Work Session Presentation Report
2019-21 BienniumVersion: L - 01 - LFO Analyst Recommended
Cross Reference: 84500-004-00-00-00000
Recreational Marijuana Program

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2017-19 Agy. Leg. Adopted	-	-	12,849,549	-	-	-	12,849,549	54	51.80
2017-19 Ebds, SS & Admin Act	-	-	1,911,084	-	-	-	1,911,084	5	2.83
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2017-19 Leg Approved Budget	-	-	14,760,633	-	-	-	14,760,633	59	54.63
2017-19 Leg Approved Budget (Base)	-	-	13,960,633	-	-	-	13,960,633	59	54.63
Summary of Base Adjustments	-	-	2,066,153	-	-	-	2,066,153	-	4.37
2019-21 Base Budget	-	-	16,026,786	-	-	-	16,026,786	59	59.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	168,285	-	-	-	168,285	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(773,005)	-	-	-	(773,005)	-	-
030: Inflation & Price List Adjustments	-	-	1,782,711	-	-	-	1,782,711	-	-
060: Technical Adjustments	-	-	(268,493)	-	-	-	(268,493)	-	-
2019-21 Current Service Level	-	-	16,936,284	-	-	-	16,936,284	59	59.00
Adjusted 2019-21 Current Service Level	-	-	16,936,284	-	-	-	16,936,284	59	59.00
Total LFO Recommended Packages	-	-	2,856,048	-	-	-	2,856,048	9	9.00
2019-21 Legislative Actions	-	-	19,792,332	-	-	-	19,792,332	68	68.00
Net change from 2017-19 Leg Approved Budget	-	-	5,031,699	-	-	-	5,031,699	9	13.37
Percent change from 2017-19 Leg Approved Budget	0.0%	0.0%	34.1%	0.0%	0.0%	0.0%	34.1%	15.3%	24.5%
Net change from 2019-21 Adj Current Service Level	-	-	2,856,048	-	-	-	2,856,048	9	9.00
Percent change from 2019-21 Adj Current Service Level	0.0%	0.0%	16.9%	0.0%	0.0%	0.0%	16.9%	15.3%	15.3%

	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 package adjusts revenue for the marijuana program to reflect more accurate beginning balances and licensing levels for the 2019-21 biennium. In addition, the package trues up expenditure limitation associated with vendor fees for the agency's Seed-to-Sale cannabis tracking system, reflecting a revised forecast of the number of licensees expected to use the system in 2019-21.

LFO Recommendation Approve.

LFO Recommended	-	-	(425,884)	-	-	-	(425,884)	-	-
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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 205 Statewide Dispatch Services

Package Description Other Funds expenditure limitation in the amount of \$280,416 is recommended to enable OLCC contract with the Oregon State Police for dispatch services for 24 months to 23 regulatory specialists, managers and compliance specialist personnel at the Oregon Liquor Control Commission. This service allows OLCC personnel to request assistance from other local law enforcement if needed. This service is particularly important in more rural areas of the state where fewer law enforcement resources may be available.

LFO Recommendation Approve.

LFO Recommended	-	-	280,416	-	-	-	280,416	-	-
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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 209 Regulatory Specialist Reclass

Package Description This package increases Other Funds expenditure limitation by \$53,588 to facilitate the reclassification of 23 Regulatory Specialists in the Marijuana Program pursuant to labor agreements, at a salary range deemed appropriate by the Department of Administrative Services Chief Human Resource Office.

LFO Recommendation Approve.

LFO Recommended	-	-	53,588	-	-	-	53,588	-	-
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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 301 Information Services Enhancement

Package Description This package provides Other Funds expenditure limitation for approximately half of the estimated cost of a Marijuana license and compliance system (\$756,250).

Upon legalization of recreational marijuana, the OLCC implemented a limited online licensing system and “seed-to-sale” Cannabis Tracking System (CTS). The evolution of the marijuana market its regulatory environment has resulted in demands that the existing marijuana licensing system -- built in time to comply with statutory timelines for marijuana legalization -- can no longer meet: renewals, compliance information, and document management are not capabilities the current system possesses.

Stage Gate II planning and documentation for the marijuana licensing and compliance project is occurring now through October 2019, with RFPs for the project anticipated to be issued in August 2019. OLCC anticipates that the RFP process and vendor selection can be completed by December 2019 in time for OLCC to request legislative approval to proceed with the initiative during the February 2020 annual legislative session. Any remaining expenditure limitation for these projects, including any additional staffing needs, would be requested at that time, when additional cost information based on vendor responses is available.

This recommendation assumes that the OLCC will continue to work closely with and regularly report project status to the Office of the Chief Information Officer (CIO) and the Legislative Fiscal Office throughout the projects’ lifecycles. In addition, OLCC will be expected to continue to follow the Joint State CIO/LFO Stage Gate Review process, utilize the Enterprise Project and Portfolio Management System, and update all documents as necessary. Independent, third-party quality management services must be obtained, and the contractor must perform risk assessments and quality control reviews on business case and project management documents prior to submission for subsequent Stage Gate endorsement. The agency is directed to provide a status report to the Joint Legislative Committee on Information Management and Technology during the February 2020 annual legislative session.

LFO Recommendation Approve.

LFO Recommended	-	-	756,250	-	-	-	756,250	-	-
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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 Enhancement

Package Description Other Fund Expenditure limitation in the amount of \$2,298,755 is recommended to add capacity in the Recreational Marijuana program through the addition eight regulatory specialists to match staffing resources to inspection and monitoring protocols, with attendant services and supplies costs associated with the establishment of these positions (including dispatch services for the new positions). A compliance Specialist 3 position is recommended to meet demands associated with the regulation of testing labs.

A reclassification of an existing Administrative Specialist 2 position is recommended, to an Operations Policy Analyst 1. This classification reflects current duties, which include research, evaluation of systems and processes, and recommending changes where necessary. The Department of Administrative Services Chief Human Resource Office has evaluated this reclassification request and deemed it to be appropriate.

The package also reclassifies an Operations and Policy Analyst 3 position to a Principle Executive Manager D. This position oversees employees that analyze Cannabis Tracking System Data and security camera footage to determine compliance with regulatory rules and statutes. The Department of Administrative Services Chief Human Resource Office has evaluated this reclassification request and deemed it to be appropriate.

LFO Recommendation Approve.

LFO Recommended	-	-	2,298,755	-	-	-	2,298,755	9	9.00
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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 This package makes adjustments to the inflation factor applied to services and supplies costs in this division.

LFO Recommendation Approve.

LFO Analyst Notes These adjustments are being taken now, rather than at the end of session during budget reconciliation.

LFO Recommended	-	-	(107,077)	-	-	-	(107,077)	-	-
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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 802 Fee Revenue

Package Description This package reflects a fee increase on hemp certificates issued by the OLCC. The \$1,000 fee is paid by hemp growers who want their products in recreational marijuana stores. The fee was approved by the OLCC during the interim and increased March 1, 2019 to cover the cost of additional regulatory responsibilities resulting from the passage of SB 1015 in 2018. The OLCC anticipates as much as 650 transactions in 2019-21, resulting in \$325,000 in additional revenue.

LFO Recommendation Approve.

LFO Recommended	-	-	-	-	-	-	-	-	-
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LFO102 - Work Session Presentation Report
2019-21 BienniumVersion: L - 01 - LFO Analyst Recommended
Cross Reference: 84500-005-00-00-00000
Agents Compensation Program

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2017-19 Agy. Leg. Adopted	-	-	123,927,415	-	-	-	123,927,415	-	-
2017-19 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2017-19 Leg Approved Budget	-	-	123,927,415	-	-	-	123,927,415	-	-
2017-19 Leg Approved Budget (Base)	-	-	123,927,415	-	-	-	123,927,415	-	-
Summary of Base Adjustments	-	-	-	-	-	-	-	-	-
2019-21 Base Budget	-	-	123,927,415	-	-	-	123,927,415	-	-
030: Inflation & Price List Adjustments	-	-	5,204,951	-	-	-	5,204,951	-	-
2019-21 Current Service Level	-	-	129,132,366	-	-	-	129,132,366	-	-
Adjusted 2019-21 Current Service Level	-	-	129,132,366	-	-	-	129,132,366	-	-
Total LFO Recommended Packages	-	-	4,913,338	-	-	-	4,913,338	-	-
2019-21 Legislative Actions	-	-	134,045,704	-	-	-	134,045,704	-	-
Net change from 2017-19 Leg Approved Budget	-	-	10,118,289	-	-	-	10,118,289	-	-
Percent change from 2017-19 Leg Approved Budget	0.0%	0.0%	8.2%	0.0%	0.0%	0.0%	8.2%	0.0%	0.0%
Net change from 2019-21 Adj Current Service Level	-	-	4,913,338	-	-	-	4,913,338	-	-
Percent change from 2019-21 Adj Current Service Level	0.0%	0.0%	3.8%	0.0%	0.0%	0.0%	3.8%	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 package increases Other Funds expenditure limitation by \$4,913,338 for agent's compensation to reflect updates to the department's liquor revenue forecast and the renewal of the agency's \$0.50 per bottle liquor surcharge for the 2019-21 biennium.

LFO Recommendation Approve.

LFO Analyst Notes The Legislative Fiscal Office recommends the following budget note:

As of April 2019, the Oregon Liquor Control Commission was withholding bank card fees based on sales data for related items that had last been provided and analyzed at least a decade ago, resulting in payments that do not accurately reflect the recent sales experience of contract liquor store agents. The Oregon Liquor Control Commission is directed to update the rates or amounts withheld from agents, by requesting and analyzing data on liquor and related items purchases. OLCC is directed to utilize the same methodology as in previous biennia, but based on sales data from the previous calendar year (2018). Failure of an agent to present data requested by OLCC could result in the Commission assigning a withholding rate or amount that may not accurately reflect the actual rate of bank card sales for related items of that store. The Oregon Liquor Control Commission is directed to report back to the Legislative Fiscal Office on the change in payments to each agent, based on this updated information. It is intended that going forward, OLCC will request and receive sales data on related items purchases a minimum of once per biennium, so that compensation related to bank card fees can be based on more accurate and up-to-date information.

LFO Recommended	-	-	4,913,338	-	-	-	4,913,338	-	-
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LFO102 - Work Session Presentation Report
2019-21 BienniumVersion: L - 01 - LFO Analyst Recommended
Cross Reference: 84500-006-00-00-00000
Medical Marijuana Program

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2017-19 Agy. Leg. Adopted	-	-	1,491,064	-	-	-	1,491,064	7	6.42
2017-19 Ebds, SS & Admin Act	-	-	3,753,682	-	-	-	3,753,682	16	10.30
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2017-19 Leg Approved Budget	-	-	5,244,746	-	-	-	5,244,746	23	16.72
2017-19 Leg Approved Budget (Base)	-	-	5,244,746	-	-	-	5,244,746	23	16.72
Summary of Base Adjustments	-	-	1,472,580	-	-	-	1,472,580	-	6.28
2019-21 Base Budget	-	-	6,717,326	-	-	-	6,717,326	23	23.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	91,431	-	-	-	91,431	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(1,250,098)	-	-	-	(1,250,098)	-	-
030: Inflation & Price List Adjustments	-	-	1,227,769	-	-	-	1,227,769	-	-
2019-21 Current Service Level	-	-	6,786,428	-	-	-	6,786,428	23	23.00
Adjusted 2019-21 Current Service Level	-	-	6,786,428	-	-	-	6,786,428	23	23.00
Total LFO Recommended Packages	-	-	(1,143,238)	-	-	-	(1,143,238)	-	-
2019-21 Legislative Actions	-	-	5,643,190	-	-	-	5,643,190	23	23.00
Net change from 2017-19 Leg Approved Budget	-	-	398,444	-	-	-	398,444	-	6.28
Percent change from 2017-19 Leg Approved Budget	0.0%	0.0%	7.6%	0.0%	0.0%	0.0%	7.6%	0.0%	37.6%
Net change from 2019-21 Adj Current Service Level	-	-	(1,143,238)	-	-	-	(1,143,238)	-	-
Percent change from 2019-21 Adj Current Service Level	0.0%	0.0%	(16.9%)	0.0%	0.0%	0.0%	(16.9%)	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 package eliminates \$1,344,000 in Other Funds expenditure limitation to pay the user fees for medical marijuana licensees to use the department's seed to sale cannabis tracking system. This change reflects a revised estimate of the number of medical marijuana licensees who will use the system; previous estimates did not account for medical licensees who have either abandoned their licenses, converted to become retail licensees or have changed their business in ways that they are no longer required to be tracked. Revenues for this purpose are passed through from the Oregon Health Authority (which licenses medical marijuana businesses) and are reduced by \$888,082 to match expenditures. The package also eliminates a Transfer In of \$125,836 that was included erroneously in the agency's request.

LFO Recommendation Approve.

LFO Recommended	-	-	(1,344,000)	-	-	-	(1,344,000)	-	-
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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 205 Statewide Dispatch Services

Package Description This package requests \$195,072 in Other Funds expenditure limitation for access to the Oregon State Police dispatch service. This service allows OLCC agents in the field to contact other law enforcement agencies for assistance. The agency began contracting with the Oregon State Police in November 2017 for these services. OLCC agreed to pay OSP \$508 per employee per month for employees with a minimum of 50 using the dispatch service. For the Medical Marijuana Division the agency projects having a total of 16 regulatory specialists, managers and compliance specialists use the service. As the agency increases enforcement of marijuana laws rural areas with fewer law enforcement resources these services become more important.

LFO Recommendation Approve.

LFO Recommended	-	-	195,072	-	-	-	195,072	-	-
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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 Other Funds expenditure limitation of \$9,467 Other Funds is added to reclassify an Operations and Policy Analyst 3 position from Represented to Management Service, pursuant to a review by the Department of Administrative Services Chief Human Resource Office.

Expenditure limitaton was reduced by -\$3,777 to adjust the inflation applied to services and supplies expenditures in this division.

LFO Recommendation Approve.

LFO Analyst Notes Inflation adjustments are being taken now, rather than at the end of session during budget reconciliation.

LFO Recommended	-	-	5,690	-	-	-	5,690	-	-
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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)
2017-19 Agy. Leg. Adopted	-	-	227,943	-	-	-	227,943	-	-
2017-19 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2017-19 Leg Approved Budget	-	-	227,943	-	-	-	227,943	-	-
2017-19 Leg Approved Budget (Base)	-	-	227,943	-	-	-	227,943	-	-
Summary of Base Adjustments	-	-	-	-	-	-	-	-	-
2019-21 Base Budget	-	-	227,943	-	-	-	227,943	-	-
2019-21 Current Service Level	-	-	227,943	-	-	-	227,943	-	-
Adjusted 2019-21 Current Service Level	-	-	227,943	-	-	-	227,943	-	-
Total LFO Recommended Packages	-	-	150,000	-	-	-	150,000	-	-
2019-21 Legislative Actions	-	-	377,943	-	-	-	377,943	-	-
Net change from 2017-19 Leg Approved Budget	-	-	150,000	-	-	-	150,000	-	-
Percent change from 2017-19 Leg Approved Budget	0.0%	0.0%	65.8%	0.0%	0.0%	0.0%	65.8%	0.0%	0.0%
Net change from 2019-21 Adj Current Service Level	-	-	150,000	-	-	-	150,000	-	-
Percent change from 2019-21 Adj Current Service Level	0.0%	0.0%	65.8%	0.0%	0.0%	0.0%	65.8%	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 304 Distilled Spirits Shipping Capacity & Svcs

Package Description This package increases Other Funds expenditure limitation in the amount of \$150,000 for patching and skylight repairs to stop water damage, protect employees and warehouse inventory.

LFO Recommendation Approve. The repairs are recommended as an immediate measure (expected to last 2-6 years) , while OLCC determines whether its current facility merits further investment and can accommodate future growth while efficiently meeting the agency's needs over the longer term.

Budget Notes The Legislative Fiscal Office recommends the following budget note:

The OLCC shall work with the Department of Administrative Services and the Capital Projects Advisory Board to evaluate costs and risks associated with remaining at its existing Milwaukie headquarters, and to identify available facility alternatives that could better meet the agency's long-term needs for storage, shipping, future growth, office space, maintenance, and ease of access to markets. The OLCC is directed to report back to the Emergency Board prior to submission of its 2021 Agency Request Budget, present findings and seek input on identified alternatives, or request additional funding for further analysis if warranted.

LFO Recommended	-	-	150,000	-	-	-	150,000	-	-
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Legislatively Proposed 2019 - 2021 Key Performance Measures

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Agency: Liquor Control Commission, Oregon

Mission Statement:

Support businesses, public safety and community livability through education and the enforcement of liquor and marijuana laws.

Legislatively Proposed KPMs	Metrics	Agency Request	Last Reported Result	Target 2020	Target 2021
1. Sales to Minors - Percentage of licensees who refuse to sell to minor decoys.		Approved	81%	90%	90%
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	9.20%	12%	12%
3. Licensing Time - Average days from application receipt to license issuance.		Approved	81	75	75
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	75%	85%	85%
	Helpfulness		82%	85%	85%
	Availability of Information		67%	85%	85%
	Overall		73%	85%	85%
	Timeliness		65%	85%	85%
	Accuracy		78%	85%	85%
5. OLCC Rate of Return - Net OLCC distribution divided by actual expenses.		Approved	\$2.84	\$2.70	\$2.70
6. Best Practices - Percent of total best practices met by the Board.		Approved	92%	100%	100%
7. Sales to Minors- Recreational Marijuana - This measure is the rate at which licensees refuse to sell marijuana products to minor decoys.		Approved	91%	90%	90%
8. Time to license- marijuana - Average days to license completed marijuana applications.		Approved	161	85	85

LFO Recommendation:

The Legislative Fiscal Office recommends key performance measures as presented. No changes to targets are recommended at this time. See comments below.

The Legislative Fiscal Office recommends that the target for KPM 1 be adjusted upwards, from 82% to 90%. OLCC has achieved high compliance rates from its marijuana licensees, and is expected to apply lessons learned, additional education and outreach efforts, or other tools to encourage and realize a similar rate of compliance regarding sales of alcohol.

The Legislative Fiscal Office recommends that the target for KPM 2 NOT be adjusted, as improvements in the rate of second violation likely have more to do with fewer second inspections than in previous years; as the agency began setting up the regulatory and educational frame work for marijuana regulation, fewer alcohol inspections were conducted, and the agency concentrated on educating licensees, rather than issuing violations. It is expected that as a regular pattern of inspection and citation is normalized, the rate of second violation may increase again.

The Target for KPM 7 - Recreational Marijuana Sales to minors (refusals) is recommended to be increased from 82% to 90%. The first time OLCC did minor decoy operations on recreational marijuana stores, the results were abysmal. Strong sanctions resulted in stellar compliance in subsequent forays; it is not yet known if high levels of compliance on the part of retail marijuana establishments will be maintained overtime, but OLCC now has experience that demonstrates that high compliance rates are achievable.

For the purposes of new KPM #8, the proposed target of 85 days was based on OLCC's reported average time to issue a marijuana license to a new applicant in 2016. It should be noted that this target is unlikely to be met for 2017 and possibly 2018 given the number of licensing applications in excess of 2015-17 forecasted estimates, coupled with renewals that are estimated to be complex due to changes in licensee business

plans and facilities. Due to a temporary moratorium on issuing new licenses should SB 218 become law, the Legislative Fiscal Office recommends that the 85 day target be applied to marijuana license renewals, which are often as complicated as brand new licenses because of changes in business structures, locations, and other key elements.

SubCommittee Action: