

Legislative Fiscal Office

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Joint Committee on Ways and Means

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To: Transportation and Economic Development Subcommittee

From: Michelle Deister, Legislative Fiscal Office

Date: June 10, 2021

Subject: HB 5018 – Oregon Liquor Control Commission
Work Session Recommendations

Oregon Liquor Control Commission – Agency Totals

	2017-19 Actual	2019-21 Legislatively Approved	2021-23 Current Service Level	2021-23 LFO Recommended
Other Funds	204,862,429	258,926,442	268,170,757	293,205,710
Total Funds	204,862,429	258,946,442	268,170,757	293,205,710
Positions	326	365	363	383
FTE	312.77	362.58	361.00	380.50

The Legislative Fiscal Office recommends a 2021-23 budget of \$293,205,710 Other Funds and 383 positions (380.50 FTE) for the Oregon Liquor Control Commission. Based on an updated gross sales forecast by the Oregon Liquor Control Commission for 2021-23 of \$1,639,500,798 (including \$41.3 million in per-bottle surcharge revenue) this recommendation results in an estimated balance for distribution pursuant to ORS 471.810 of \$616.1 million, resulting in the following estimated amounts (after adjusting for additional bottle surcharge revenue and agency ending balance of \$1.5 million):

General Fund: \$351.3million
Cities: \$110.8million
City Revenue Sharing: \$77.5 million
Counties: \$55.4 million
Mental Health: \$20.3 million
Oregon Wine Board: \$745,172

The OLCC allocates marijuana licensing fee revenue to support a portion of agency administration, support services, and overhead expenditures in the administration and support services division. This budget recommendation assumes that 26% of such expenses will be supported by recreational marijuana licensing fees, while 7% are supported by medical marijuana licensing fees. This recommendation includes adoption of a new compensation formula to retail agents, for which additional expenditure limitation is incorporated in Policy Option Package 108; for distillery agents, the compensation formula

remains unchanged from the 2019-21 biennium, resulting in an illustrative average sales rate is 14.25% of the first \$10,000 of monthly sales, plus a commission of 8.15% of all monthly consumer sales, and 6.36% of all monthly licensee sales).

Adjustments to Current Service Level

Legislative Adjustments totaling \$21.3 million are included in the Legislative Fiscal Office recommendation, associated with the following policy option packages:

- 088 - An adjustment reflecting a roll up of expenses related to Emergency Board approval of a geographic Information Systems position: \$208,241 and 1 position (1.00 FTE);
- 090 - Four positions vacant for an extended period totaling \$394,185 were eliminated;
- 099 - Microsoft 365 Consolidation: - \$256,766;
- 107 - Distribution Center Equipment: \$270,000;
- 108 - Retail Liquor Agent Compensation: \$13,500,000
- 110 - Distillery Agent Compensation; \$3,500,000
- 204 - Alcohol Compliance and Licensing: \$683,758 and 2 positions (2.00 FTE);
- 205 - Administrative Hearings (cannabis case presenters): \$1,052,348 and 4 positions (4.00 FTE);
- 302 - Human Resources Staffing: \$1,009,200 and 4 positions (4.00 FTE);
- 303 - Information Systems Management and Support: \$522,397 and 2 positions (2.00 FTE);
- 306 - Liquor Auditing and Payroll Accounting: \$394,185 and 1 position (1.00 FTE);
- 311 - Privilege Tax System Subscription and Licensing Services: \$1,100,000
- 409 - Marijuana Licensing Specialists and investigators: \$1,840,000 and 8 positions (8.00 FTE);
- 413 - CBD Inhalant Regulation: \$346,147 and 2 positions (1.50 FTE) - this package supports expenditures associated with SB 96.
- 801 - LFO Adjustments include additional expenditure limitation for store operating expenses based on a forecasted increase in sales; reclassifications based on position reviews approved by the Department of Administrative Services; and a marijuana licensing revenue transfer to the Department of Agriculture for the 2021-23 biennium, totaling \$487,897 for cannabis-related pesticide investigation and enforcement actions. A related budget note is included in this recommendation.

See attached "Work Session Presentation Report."

Note: Statewide adjustments and six-year capital construction expenditures are not included in these recommendations; decisions regarding policy option package 101, the Warehouse and Information Technology packages will be made by the Joint Ways and Means Subcommittee on Capital Construction. Any needed adjustments will be made in end of session bills.

Performance Measures

See attached "Legislatively Proposed 2021-23 Key Performance Measures."

Budget Notes

#1 Budget Note: Support for Interagency Cannabis Regulation and Services

The Oregon Liquor Control Commission is directed to inventory existing and anticipated regulatory efforts and services involving recreational and medical marijuana licensees that are delivered cooperatively through other state agencies, but receive or request marijuana licensing revenue to fund costs. These efforts may include (but may not necessarily be limited to) agricultural and crop-related policy development, pesticide labeling and investigation, lab testing of licensee products performed by state regulatory entities, enforcement activities, and public health-related issues. As part of its evaluation, the OLCC is expected to develop narrow criteria for what activities in other agencies have a direct correlation to cannabis licensees, and for which financial support may be sought. OLCC will report to the Joint Committee on Ways and Means prior to the conclusion of the 2021-23 biennium describing the following:

- All existing cross agency partnerships that are currently supported by OLCC marijuana licensee revenue, including the amount supported by licensees and recipient agency contributions to those efforts;
- Requested but as yet unfunded cross-agency initiatives to date (including contributions to those efforts by affected agency parties);
- The extent to which OLCC believes it would be helpful to designate some amount of licensee fees for such efforts;
- Options for identifying -- with the assistance of licensee stakeholders -- transparent funding mechanisms for existing and potentially future efforts, including suggested amounts; and
- Suggested criteria for inclusion of such activities in future agency budget requests.

The Joint Committee on Ways and Means recommends that the OLCC biennially review intergovernmental agreements with agencies and entities with which it transfers revenue or contracts for services supported by marijuana revenue, evaluate the extent to which those arrangements require ongoing support, and include this information in OLCC's budget request document.

Recommended Changes

LFO recommends a budget of \$293,205,710 Other Funds, and 383 positions (380.50 FTE), which is reflected in the -2 amendment.

Final Subcommittee Action

LFO recommends that HB 5018 as amended by the -1 amendment, be moved to the Ways and Means Full Committee.

Carriers

Full Committee: _____

House Floor: _____

Senate Floor: _____

LFO102 - Work Session Presentation Report
2021-23 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)
2019-21 Agy. Leg. Adopted	-	-	247,046,671	-	-	-	247,046,671	364	362.00
2019-21 Ebds, SS & Admin Act	-	-	11,879,771	-	-	-	11,879,771	1	0.29
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2019-21 Leg Approved Budget	-	-	258,926,442	-	-	-	258,926,442	365	362.29
2019-21 Leg Approved Budget (Base)	-	-	247,046,671	-	-	-	247,046,671	364	362.00
Summary of Base Adjustments	-	-	8,547,295	-	-	-	8,547,295	(1)	(1.00)
2021-23 Base Budget	-	-	255,593,966	-	-	-	255,593,966	363	361.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	609,735	-	-	-	609,735	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(6,708,699)	-	-	-	(6,708,699)	-	-
030: Inflation & Price List Adjustments	-	-	18,675,755	-	-	-	18,675,755	-	-
2021-23 Current Service Level	-	-	268,170,757	-	-	-	268,170,757	363	361.00
080: E-Boards	-	-	208,241	-	-	-	208,241	1	1.00
Adjusted 2021-23 Current Service Level	-	-	268,378,998	-	-	-	268,378,998	364	362.00
Total LFO Recommended Packages	-	-	24,826,712	-	-	-	24,826,712	19	18.50
2021-23 Legislative Actions	-	-	293,205,710	-	-	-	293,205,710	383	380.50
Net change from 2019-21 Leg Approved Budget	-	-	34,279,268	-	-	-	34,279,268	18	18.21
Percent change from 2019-21 Leg Approved Budget	0.0%	0.0%	13.2%	0.0%	0.0%	0.0%	13.2%	4.9%	5.0%
Net change from 2021-23 Adj Current Service Level	-	-	24,826,712	-	-	-	24,826,712	19	18.50
Percent change from 2021-23 Adj Current Service Level	0.0%	0.0%	9.3%	0.0%	0.0%	0.0%	9.3%	5.2%	5.1%

LFO102 - Work Session Presentation Report
2021-23 Biennium

Version: 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)
2019-21 Agy. Leg. Adopted	-	-	29,997,381	-	-	-	29,997,381	79	79.00
2019-21 Ebds, SS & Admin Act	-	-	4,042,076	-	-	-	4,042,076	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2019-21 Leg Approved Budget	-	-	34,039,457	-	-	-	34,039,457	79	79.00
2019-21 Leg Approved Budget (Base)	-	-	29,997,381	-	-	-	29,997,381	79	79.00
Summary of Base Adjustments	-	-	1,409,652	-	-	-	1,409,652	-	-
2021-23 Base Budget	-	-	31,407,033	-	-	-	31,407,033	79	79.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	116,450	-	-	-	116,450	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(390,462)	-	-	-	(390,462)	-	-
030: Inflation & Price List Adjustments	-	-	3,159,652	-	-	-	3,159,652	-	-
060: Technical Adjustments	-	-	(705,511)	-	-	-	(705,511)	(2)	(2.00)
2021-23 Current Service Level	-	-	33,587,162	-	-	-	33,587,162	77	77.00
Adjusted 2021-23 Current Service Level	-	-	33,587,162	-	-	-	33,587,162	77	77.00
Total LFO Recommended Packages	-	-	270,000	-	-	-	270,000	-	-
2021-23 Legislative Actions	-	-	33,857,162	-	-	-	33,857,162	77	77.00
Net change from 2019-21 Leg Approved Budget	-	-	(182,295)	-	-	-	(182,295)	(2)	(2.00)
Percent change from 2019-21 Leg Approved Budget	0.0%	0.0%	(0.5%)	0.0%	0.0%	0.0%	(0.5%)	(2.5%)	(2.5%)
Net change from 2021-23 Adj Current Service Level	-	-	270,000	-	-	-	270,000	-	-
Percent change from 2021-23 Adj Current Service Level	0.0%	0.0%	0.8%	0.0%	0.0%	0.0%	0.8%	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 107 Distribution Center Equipment Replacement

Package Description This package provides funding for the OLCC to replace aging equipment necessary for conducting warehouse/distribution center work. Equipment to be replaced includes fork lifts, order pickers, and batteries. Replacement of this equipment ensures health and safety of distribution center workers, and ensures that demand is met for shipping, receiving and replenishment.

LFO Recommendation The Legislative Fiscal Office recommends approval.

LFO Recommended

Revenues	-	-	-	-	-	-	-	-	-
Expenditures	-	-	270,000	-	-	-	270,000	-	-

LFO102 - Work Session Presentation Report
2021-23 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)
2019-21 Agy. Leg. Adopted	-	-	27,878,683	-	-	-	27,878,683	118	116.00
2019-21 Ebds, SS & Admin Act	-	-	398,080	-	-	-	398,080	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2019-21 Leg Approved Budget	-	-	28,276,763	-	-	-	28,276,763	118	116.00
2019-21 Leg Approved Budget (Base)	-	-	27,878,683	-	-	-	27,878,683	118	116.00
Summary of Base Adjustments	-	-	2,449,308	-	-	-	2,449,308	(1)	(1.00)
2021-23 Base Budget	-	-	30,327,991	-	-	-	30,327,991	117	115.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	79,806	-	-	-	79,806	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(490,746)	-	-	-	(490,746)	-	-
030: Inflation & Price List Adjustments	-	-	62,264	-	-	-	62,264	-	-
060: Technical Adjustments	-	-	(1,964,260)	-	-	-	(1,964,260)	(7)	(7.00)
2021-23 Current Service Level	-	-	28,015,055	-	-	-	28,015,055	110	108.00
Adjusted 2021-23 Current Service Level	-	-	28,015,055	-	-	-	28,015,055	110	108.00
Total LFO Recommended Packages	-	-	1,736,106	-	-	-	1,736,106	6	6.00
2021-23 Legislative Actions	-	-	29,751,161	-	-	-	29,751,161	116	114.00
Net change from 2019-21 Leg Approved Budget	-	-	1,474,398	-	-	-	1,474,398	(2)	(2.00)
Percent change from 2019-21 Leg Approved Budget	0.0%	0.0%	5.2%	0.0%	0.0%	0.0%	5.2%	(1.7%)	(1.7%)
Net change from 2021-23 Adj Current Service Level	-	-	1,736,106	-	-	-	1,736,106	6	6.00
Percent change from 2021-23 Adj Current Service Level	0.0%	0.0%	6.2%	0.0%	0.0%	0.0%	6.2%	5.5%	5.6%

	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 204 Alcohol Compliance & Licensing Staff

Package Description This package includes two permanent management positions for the OLCC's public safety division: A Medford Regional Office manager, to supervise both marijuana and alcohol regulatory positions; and an assistant licensing manager for alcohol licensing. Funding is also included to provide for ten temporary positions related to minor decoy operations.

OLCC has had a persistently high position turnover among its licensing and enforcement staff due to growth in the recreational marijuana program. Once existing vacancies are filled, the agency will be more accurately able to assess the number of additional positions - if any - that are needed to meet its public safety and licensing performance measure targets and workload needs. The agency can return to the February 2022 or a subsequent Emergency Board with a request for positions based on demonstrable remaining workload needs.

LFO Recommendation The Legislative Fiscal Office recommends approval.

LFO Recommended

Revenues	-	-	-	-	-	-	-	-	-
Expenditures	-	-	683,758	-	-	-	683,758	2	2.00

	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 205 Administartive Hearings Case Presenters

Package Description The analyst recommends this package to assist OLCC in addressing a backlog of cases which escalated with growing field compliance and citation of marijuana licenses. OLCC requires additional case presenters to adjudicate these cases and handle the processing of violations resulting from the growing number of licensing and enforcement staff. The backlog compromises the agency's ability to process cases in a timely manner.

LFO Recommendation The Legislative Fiscal Office recommends approval.

LFO Recommended

Revenues	-	-	-	-	-	-	-	-	-
Expenditures	-	-	1,052,348	-	-	-	1,052,348	4	4.00

LFO102 - Work Session Presentation Report
2021-23 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)
2019-21 Agy. Leg. Adopted	-	-	28,110,463	-	-	-	28,110,463	76	76.00
2019-21 Ebds, SS & Admin Act	-	-	677,046	-	-	-	677,046	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2019-21 Leg Approved Budget	-	-	28,787,509	-	-	-	28,787,509	76	76.00
2019-21 Leg Approved Budget (Base)	-	-	28,110,463	-	-	-	28,110,463	76	76.00
Summary of Base Adjustments	-	-	2,194,604	-	-	-	2,194,604	-	-
2021-23 Base Budget	-	-	30,305,067	-	-	-	30,305,067	76	76.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	254,268	-	-	-	254,268	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(4,491,099)	-	-	-	(4,491,099)	-	-
030: Inflation & Price List Adjustments	-	-	1,703,458	-	-	-	1,703,458	-	-
060: Technical Adjustments	-	-	2,669,771	-	-	-	2,669,771	9	9.00
2021-23 Current Service Level	-	-	30,441,465	-	-	-	30,441,465	85	85.00
Adjusted 2021-23 Current Service Level	-	-	30,441,465	-	-	-	30,441,465	85	85.00
Total LFO Recommended Packages	-	-	2,469,087	-	-	-	2,469,087	5	5.00
2021-23 Legislative Actions	-	-	32,910,552	-	-	-	32,910,552	90	90.00
Net change from 2019-21 Leg Approved Budget	-	-	4,123,043	-	-	-	4,123,043	14	14.00
Percent change from 2019-21 Leg Approved Budget	0.0%	0.0%	14.3%	0.0%	0.0%	0.0%	14.3%	18.4%	18.4%
Net change from 2021-23 Adj Current Service Level	-	-	2,469,087	-	-	-	2,469,087	5	5.00
Percent change from 2021-23 Adj Current Service Level	0.0%	0.0%	8.1%	0.0%	0.0%	0.0%	8.1%	5.9%	5.9%

	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 090 Analyst Adjustments

Package Description This package eliminates two positions (2.00 FTE) that have been vacant an extended period and are: an Administrative Specialist 2 position (1500018) and an Info Systems Specialist 4 position (2600687).

LFO Recommendation The Legislative Fiscal Office recommends approval.

LFO Recommended

Revenues	-	-	-	-	-	-	-	-	-
Expenditures	-	-	(360,905)	-	-	-	(360,905)	(2)	(2.00)

	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 099 Microsoft 365 Consolidation

Package Description Microsoft 365 Consolidation: Microsoft 365 is being consolidated within the Office of the State Information Officer at the E5 level of service. This cost will be built into the State Government Service Charge for every agency as a cost increase for the 21-23 biennium. This package makes a corresponding reduction to the agency base budget in an amount equivalent to what agencies should be paying in the current 2019-21 biennium for Microsoft 365 at the E3 level of service.

LFO Recommendation The Legislative Fiscal Office recommends approval.

LFO Analyst Notes OLCC may require additional expenditure limitation to support its transition to to a consolidated Microsoft 365 environment. Once these costs are calculated and assessed within the context of available expenditure limitation, the OLCC can, if necessary, request this limitation during the February 2022 legislative session or at a subsequent Emergency Board.

LFO Recommended

Revenues	-	-	-	-	-	-	-	-	-
Expenditures	-	-	(256,766)	-	-	-	(256,766)	-	-

	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 302 Human Resources Staffing

Package Description As of May, 2021, the Oregon Liquor Control Commission had 56 vacant positions, or 15% of its current service level total. Investment in employee recruitment and retention efforts will ensure that the agency is able to fully leverage its existing position authority and meet its performance measure targets in the areas of licensing, enforcement, and distribution. OLCC has made significant improvements to its marijuana licensing renewals process, but a moratorium on processing new producer license applications is still in place. A full complement of agency personnel, properly on-boarded, is expected to help ease backlogs in this division, as well as maintain sufficient staffing in the warehouse; distribution center (warehouse) staffing has been erratic since the outbreak of COVID-19 with a higher percentage of employees in this division utilizing leave, or temporary workers not reporting at all in some cases.

The package includes four Human Resource Analyst 2 positions, three of which will manage standard HR functions (including leave, benefits, safety, labor relations, classification and compensation analyses) but with a particular emphasis on recruitments. The remaining position will function as a full-time dedicated trainer, whose efforts will be focused on establishing training programs for managers (many of whom have been internally promoted but have no formal supervisory training), cross training curricula to maximize efficiencies within divisions, and supporting diversity and inclusion efforts within OLCC.

LFO Recommendation The Legislative Fiscal office recommends approval.

LFO Recommended

Revenues	-	-	-	-	-	-	-	-	-
Expenditures	-	-	1,009,200	-	-	-	1,009,200	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 303 Information Services Management & Support

Package Description This OLCC requested this package to provide additional assistance for its Enterprise Modernization program, currently underway and with the goal of replacing insufficient, outdated and unsupported technology. This has been a multi-year, multi-project effort. The Office of Information Services within OLCC is a division of the Administration and Support program that operates with no administrative support. Given the number of IT planning and modernization projects underway, the division requires a dedicated position to coordinate the needs and activities related to project completion, as well as manage relationships and with and responses to multiple quality assurance and IT vendors.

The package includes an Administrative Specialist 2 position to support the division, and a Principal Executive Manager/D position serving a Project Management function Office and Vendor Relationship Manager.

LFO Recommendation The Legislative Fiscal Office recommends approval.

LFO Recommended

Revenues	-	-	-	-	-	-	-	-	-
Expenditures	-	-	522,397	-	-	-	522,397	2	2.00

	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 306 Liquor Auditor & Payroll Contracting

Package Description This package is recommended to provide the Financial Services Division with a liquor auditor position to address issues related to significant growth (20 percent) in the number of liquor stores that have opened since expansion began in 2017. This package also proposes to contract payroll services with the Department of Administrative Services.

LFO Recommendation The Legislative Fiscal office recommends approval.

LFO Recommended

Revenues	-	-	-	-	-	-	-	-	-
Expenditures	-	-	394,185	-	-	-	394,185	1	1.00

	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 311 Privilege Tax Subscription Services

Package Description This package is recommended to provided funding for subscription and maintenance costs for the online privilege tax system, which allows wine and beer licensees subject to privilege taxes to file reports online and make payments. The system was funded in 2019 and will be operationally completed in the current biennium.

LFO Recommendation The Legislative Fiscal Office recommends approval.

LFO Recommended

Revenues	-	-	-	-	-	-	-	-	-
Expenditures	-	-	1,110,000	-	-	-	1,110,000	-	-

	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 reclassifies two positions based on position reviews approved by the Department of Administrative Services Chief Human Resource Office, to resolve work of out class expenditures and allow OLCC to utilize existing position authority to greater effect. The reclassifications upgrade a public affairs specialist 3 to a PEM E for the manager of the agency's communications group, and an accountant to a PEM E to reflect supervisory duties related to managing financial services operations.

LFO Recommendation The Legislative Fiscal Office recommends approval.

LFO Recommended

Revenues	-	-	-	-	-	-	-	-	-
Expenditures	-	-	50,976	-	-	-	50,976	-	-

LFO102 - Work Session Presentation Report
2021-23 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)
2019-21 Agy. Leg. Adopted	-	-	19,686,383	-	-	-	19,686,383	68	68.00
2019-21 Ebds, SS & Admin Act	-	-	816,694	-	-	-	816,694	1	0.29
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2019-21 Leg Approved Budget	-	-	20,503,077	-	-	-	20,503,077	69	68.29
2019-21 Leg Approved Budget (Base)	-	-	19,686,383	-	-	-	19,686,383	68	68.00
Summary of Base Adjustments	-	-	1,718,591	-	-	-	1,718,591	-	-
2021-23 Base Budget	-	-	21,404,974	-	-	-	21,404,974	68	68.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	122,850	-	-	-	122,850	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(1,186,392)	-	-	-	(1,186,392)	-	-
030: Inflation & Price List Adjustments	-	-	701,115	-	-	-	701,115	-	-
2021-23 Current Service Level	-	-	21,042,547	-	-	-	21,042,547	68	68.00
080: E-Boards	-	-	208,241	-	-	-	208,241	1	1.00
Adjusted 2021-23 Current Service Level	-	-	21,250,788	-	-	-	21,250,788	69	69.00
Total LFO Recommended Packages	-	-	2,226,419	-	-	-	2,226,419	10	9.50
2021-23 Legislative Actions	-	-	23,477,207	-	-	-	23,477,207	79	78.50
Net change from 2019-21 Leg Approved Budget	-	-	2,974,130	-	-	-	2,974,130	10	10.21
Percent change from 2019-21 Leg Approved Budget	0.0%	0.0%	14.5%	0.0%	0.0%	0.0%	14.5%	14.5%	15.0%
Net change from 2021-23 Adj Current Service Level	-	-	2,226,419	-	-	-	2,226,419	10	9.50
Percent change from 2021-23 Adj Current Service Level	0.0%	0.0%	10.5%	0.0%	0.0%	0.0%	10.5%	14.5%	13.8%

	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 088 September 2020 Emergency Board

Package Description This package biennializes the costs of the position the OLCC recieved during the September 2020 Emergency Board meeting.

LFO Recommendation The Legislative Fiscal Office recommends approval.

LFO Recommended

Revenues	-	-	-	-	-	-	-	-	-
Expenditures	-	-	208,241	-	-	-	208,241	1	1.00

	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 409 Marijuana Licensing Specialists

Package Description This package includes an additional six permanent regulatory specialist and two licensing investigagor positions to keep up with demand for complex change requests in business and ownership structures, and in added endorsements requested more than 2,000 active marijuana licensees with annual renewals. As of April, the backlog in license applications awaiting processing stood at 577 (down from 1,100 in August of 2020), and 4,527 worker permits in process. The growth in hemp related operations is driving the need for the two additional investigatory positions.

LFO Recommendation The Legislative Fiscal Office recommends approval.

LFO Analyst Notes The package has been adusted to reflect vacancies to CSL licensing positions, which, once filled, will also provide OLCC with additional capacity to address workload demands. It should be noted that OLCC is not currently accepting applications for new producer (grower) licenses, due to the need to prioritize the backlog of other licensing types and renewals.

LFO Recommended

Revenues	-	-	-	-	-	-	-	-	-
Expenditures	-	-	1,840,000	-	-	-	1,840,000	8	8.00

	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 413 CBD Inhalent Regulation

Package Description This package is associated with SB 96, which gives OLCC authority to regulate CBD vaping products. Currently, the OLCC, Oregon Health Authority and Oregon Department of Agriculture cooperate on the regulation of various cannabis product value-chains in Oregon. Marijuana and hemp products intended for human consumption are tested for THC and CBD levels and the presence of certain solvents or pesticides. However, once hemp has been tested and converted into industrial hemp products, there is no longer any tracking or regulation of product on its path to final consumers. This package along with the legislative concept would allow OLCC to coordinate, manage and facilitate product testing.

The package includes two permanent positions: A compliance Specialist 3 position, and an Administrative Specialist 2 position. These positions are assumed to start in January of 2022 so are budgeted at 0.75 FTE, although they would be permanent full time positions.

LFO Recommendation The Legislative Fiscal Office recommends approval.

LFO Analyst Notes This package assumes passage of SB 96, which has been referred to the Joint Committee on Ways and Means. The package is funded with Marijuana licensing fees. The package was modified to match the fiscal impact statement that was issued for the bill.

LFO Recommended

Revenues	-	-	-	-	-	-	-	-	-
Expenditures	-	-	346,147	-	-	-	346,147	2	1.50

	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 transfers \$487,897 in Marijuana licensing revenue to the Department of Agriculture to support that agency's pesticide regulation program. The Department of Agriculture regulates the sale and use of pesticides and fertilizers in Oregon, and cannabis grown in Oregon is considered an agricultural crop by ODA. It is illegal to use pesticides on cannabis that are not on approved guide lists for this crop, and required product testing in labs that indicates the presence of a prohibited pesticide are referred to ODA for further investigation and follow up.

The ODA pesticide program is supported by fees paid by licensed applicators and dealers, and a small amount of Federal Funds. ODA reports that its pesticide testing program gets about 90 cases per year referred from the Oregon Liquor Control Commission. All such referrals require a site visit, and, if a full investigation is warranted may require about 40 hours of work that could include interviews, detainment of crops, development of a product sampling plan, and maintenance of case files.

An educational case involves less work, a standard settlement agreement, and documented follow-up to ensure that the grower is meeting terms. ODA has unresolved cases dating as far back as 2017 and cites cannabis case referrals as among the reasons they have difficulty getting caught up.

This package is sufficient to support two positions (absent capital outlay costs), and is included for the 2021-23 biennium only. LFO notes that the marijuana program currently also supports -- through a revenue transfer -- a permanent position in the Department of Agriculture, a natural resource specialist 4, with the title of Cannabis Policy Coordinator, at a cost of \$305,175 for the 2021-23 biennium. While cross-agency collaborations regarding cannabis are important for the health and safety of consumers and Oregonians generally, a transparent way of identifying and prioritizing partnerships of this type, and determining whether and how to fund existing collaborations and future proposals, seems merited.

The package also reclassifies two positions based on position reviews approved by the Department of Administrative Services Chief Human Resource Office, to resolve work of out class expenditures and allow OLCC to utilize existing position authority to greater effect. The reclassifications upgrade an Operations and Policy Analyst 3 position to an Operations and Policy Analyst 4, reflecting additional duties as the senior policy advisor for the recreational marijuana program; and reclassifies a PEM D position to a PEM E, reflecting a supervisory role as the supervisor of additional positions, tasked with performance analysis and management, packaging and laboratories, and analysis of data associated with the METRC system.

LFO Recommendation The Legislative Fiscal Office recommends approval with the inclusion of the following budget note.

	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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Budget Notes The Oregon Liquor Control Commission is directed to inventory existing and anticipated regulatory efforts and services involving recreational and medical marijuana licensees that are delivered cooperatively through other state agencies, but receive or request marijuana licensing revenue to fund costs. These efforts may include (but may not necessarily be limited to) agricultural and crop-related policy development, pesticide labeling and investigation, lab testing of licensee products performed by state regulatory entities, enforcement activities, and public health-related issues. As part of its evaluation, the OLCC is expected to develop narrow criteria for what activities in other agencies have a direct correlation to cannabis licensees, and for which financial support may be sought. OLCC will report to the Joint Committee on Ways and Means prior to the conclusion of the 2021-23 biennium describing the following:

- All existing cross agency partnerships that are currently supported by OLCC marijuana licensee revenue, including the amount supported by licensees and recipient agency contributions to those efforts;
- Requested but as yet unfunded cross-agency initiatives to date (including contributions to those efforts by affected agency parties);
- The extent to which OLCC believes it would be helpful to designate some amount of licensee fees for such efforts;
- Options for identifying -- with the assistance of licensee stakeholders -- transparent funding mechanisms for existing and potentially future efforts, including suggested amounts; and
- Suggested criteria for inclusion of such activities in future agency budget requests.

The Joint Committee on Ways and Means recommends that the OLCC biennially review intergovernmental agreements with agencies and entities with which it transfers revenue or contracts for services supported by marijuana revenue, evaluate the extent to which those arrangements require ongoing support, and include this information in OLCC's budget request document.

LFO Recommended

Revenues	-	-	487,897	-	-	-	487,897		
Expenditures	-	-	40,272	-	-	-	40,272	-	-

LFO102 - Work Session Presentation Report
2021-23 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)
2019-21 Agy. Leg. Adopted	-	-	135,385,704	-	-	-	135,385,704	-	-
2019-21 Ebds, SS & Admin Act	-	-	5,800,000	-	-	-	5,800,000	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2019-21 Leg Approved Budget	-	-	141,185,704	-	-	-	141,185,704	-	-
2019-21 Leg Approved Budget (Base)	-	-	135,385,704	-	-	-	135,385,704	-	-
Summary of Base Adjustments	-	-	-	-	-	-	-	-	-
2021-23 Base Budget	-	-	135,385,704	-	-	-	135,385,704	-	-
030: Inflation & Price List Adjustments	-	-	12,998,068	-	-	-	12,998,068	-	-
2021-23 Current Service Level	-	-	148,383,772	-	-	-	148,383,772	-	-
Adjusted 2021-23 Current Service Level	-	-	148,383,772	-	-	-	148,383,772	-	-
Total LFO Recommended Packages	-	-	18,502,180	-	-	-	18,502,180	-	-
2021-23 Legislative Actions	-	-	166,885,952	-	-	-	166,885,952	-	-
Net change from 2019-21 Leg Approved Budget	-	-	25,700,248	-	-	-	25,700,248	-	-
Percent change from 2019-21 Leg Approved Budget	0.0%	0.0%	18.2%	0.0%	0.0%	0.0%	18.2%	0.0%	0.0%
Net change from 2021-23 Adj Current Service Level	-	-	18,502,180	-	-	-	18,502,180	-	-
Percent change from 2021-23 Adj Current Service Level	0.0%	0.0%	12.5%	0.0%	0.0%	0.0%	12.5%	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 108 Agent Compensation Formula

Package Description This package is the result of work asked of the agency to update the compensation rates for liquor store agents. In 2019-21 the agency worked with liquor store agents to examine the current liquor store agent compensation formula, which has remained relatively unchanged since 1986. This package updates the compensation formula to increase the number of compensation classes from six to ten and includes retail lease and wage escalators to reflect costs in various regions of the state.

LFO Recommendation The Legislative Fiscal Office recommends approval.

LFO Recommended

Revenues	-	-	-	-	-	-	-	-	-
Expenditures	-	-	13,500,000	-	-	-	13,500,000	-	-

	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 110 Distillery Agent Compensation

Package Description This package reflects changes to the compensation rates for distillery agents. In 2019 the funding for distiller agents who sell only products they manufacture out of tasting rooms was separated from liquor agents to acknowledge the differences between the business models. At that time, no changes were made to the formula. This package reflects a proposal crafted in 2020 in cooperation with distillery agents. It changes the distiller compensation formula to 45% commission on the first \$250,000 in sales from all tasting rooms connected to a distiller and 17% for all sales over \$250,000. The package mirrors statutory language in SB 316.

LFO Recommendation The Legislative Fiscal Office recommends approval.

LFO Recommended

Revenues	-	-	-	-	-	-	-	-	-
Expenditures	-	-	3,500,000	-	-	-	3,500,000	-	-

	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 An adjustment to reflect an updated sales forecast since the release of the Governor's budget is included for store operating expenses.

LFO Recommendation The Legislative Fiscal Office recommends approval.

LFO Recommended

Revenues	-	-	-	-	-	-	-	-	-
Expenditures	-	-	1,502,180	-	-	-	1,502,180	-	-

LFO102 - Work Session Presentation Report
2021-23 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)
2019-21 Agy. Leg. Adopted	-	-	5,610,114	-	-	-	5,610,114	23	23.00
2019-21 Ebds, SS & Admin Act	-	-	145,875	-	-	-	145,875	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2019-21 Leg Approved Budget	-	-	5,755,989	-	-	-	5,755,989	23	23.00
2019-21 Leg Approved Budget (Base)	-	-	5,610,114	-	-	-	5,610,114	23	23.00
Summary of Base Adjustments	-	-	775,140	-	-	-	775,140	-	-
2021-23 Base Budget	-	-	6,385,254	-	-	-	6,385,254	23	23.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	36,361	-	-	-	36,361	-	-
030: Inflation & Price List Adjustments	-	-	41,396	-	-	-	41,396	-	-
2021-23 Current Service Level	-	-	6,463,011	-	-	-	6,463,011	23	23.00
Adjusted 2021-23 Current Service Level	-	-	6,463,011	-	-	-	6,463,011	23	23.00
Total LFO Recommended Packages	-	-	(377,080)	-	-	-	(377,080)	(2)	(2.00)
2021-23 Legislative Actions	-	-	6,085,931	-	-	-	6,085,931	21	21.00
Net change from 2019-21 Leg Approved Budget	-	-	329,942	-	-	-	329,942	(2)	(2.00)
Percent change from 2019-21 Leg Approved Budget	0.0%	0.0%	5.7%	0.0%	0.0%	0.0%	5.7%	(8.7%)	(8.7%)
Net change from 2021-23 Adj Current Service Level	-	-	(377,080)	-	-	-	(377,080)	(2)	(2.00)
Percent change from 2021-23 Adj Current Service Level	0.0%	0.0%	(5.8%)	0.0%	0.0%	0.0%	(5.8%)	(8.7%)	(8.7%)

	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 two positions (2.00 FTE). The positions being eliminated have been vacant for more than 6 months and are: two Regulatory Specialists (6000163, 6000176).

LFO Recommendation The Legislative Fiscal Office recommends approval.

LFO Recommended

Revenues	-	-	-	-	-	-	-	-	-
Expenditures	-	-	(377,080)	-	-	-	(377,080)	(2)	(2.00)

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2019-21 Agy. Leg. Adopted	-	-	377,943	-	-	-	377,943	-	-
2019-21 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2019-21 Leg Approved Budget	-	-	377,943	-	-	-	377,943	-	-
2019-21 Leg Approved Budget (Base)	-	-	377,943	-	-	-	377,943	-	-
Summary of Base Adjustments	-	-	-	-	-	-	-	-	-
2021-23 Base Budget	-	-	377,943	-	-	-	377,943	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(150,000)	-	-	-	(150,000)	-	-
030: Inflation & Price List Adjustments	-	-	9,802	-	-	-	9,802	-	-
2021-23 Current Service Level	-	-	237,745	-	-	-	237,745	-	-
Adjusted 2021-23 Current Service Level	-	-	237,745	-	-	-	237,745	-	-
2021-23 Legislative Actions	-	-	237,745	-	-	-	237,745	-	-
Net change from 2019-21 Leg Approved Budget	-	-	(140,198)	-	-	-	(140,198)	-	-
Percent change from 2019-21 Leg Approved Budget	0.0%	0.0%	(37.1%)	0.0%	0.0%	0.0%	(37.1%)	0.0%	0.0%
Net change from 2021-23 Adj Current Service Level	-	-	-	-	-	-	-	-	-
Percent change from 2021-23 Adj Current Service Level	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	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)
2019-21 Agy. Leg. Adopted	-	-	-	-	-	-	-	-	-
2019-21 Ebds, SS & Admin Act	-	-	-	-	-	-	-	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2019-21 Leg Approved Budget	-	-	-	-	-	-	-	-	-
2019-21 Leg Approved Budget (Base)	-	-	-	-	-	-	-	-	-
Summary of Base Adjustments	-	-	-	-	-	-	-	-	-
2021-23 Base Budget	-	-	-	-	-	-	-	-	-
2021-23 Current Service Level	-	-	-	-	-	-	-	-	-
Adjusted 2021-23 Current Service Level	-	-	-	-	-	-	-	-	-
Total LFO Recommended Packages	-	-	-	-	-	-	-	-	-
2021-23 Legislative Actions	-	-	-	-	-	-	-	-	-
Net change from 2019-21 Leg Approved Budget	-	-	-	-	-	-	-	-	-
Percent change from 2019-21 Leg Approved Budget	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net change from 2021-23 Adj Current Service Level	-	-	-	-	-	-	-	-	-
Percent change from 2021-23 Adj Current Service Level	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Legislatively Proposed 2021 - 2023 Key Performance Measures

Published: 5/11/2021 3:44:27 PM

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 2022	Target 2023
1. Sales to Minors - Percentage of licensees who refuse to sell to minor decoys.		Approved	84%	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	4.40%	12%	12%
3. Licensing Time - Average days from application receipt to license issuance.		Approved	85	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	82%	85%	85%
	Helpfulness		83%	85%	85%
	Availability of Information		64%	85%	85%
	Overall		74%	85%	85%
	Timeliness		67%	85%	85%
	Accuracy		77%	85%	85%
5. OLCC Rate of Return - Net OLCC distribution divided by actual expenses.		Approved	\$2.61	\$2.50	\$2.50
6. Best Practices - Percent of total best practices met by the Board.		Approved	95%	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	90%	90%	90%
8. Time to license- marijuana - Average days to license completed marijuana applications.		Approved	195	85	85

LFO Recommendation:

The Legislative Fiscal Office recommends key performance measures as presented.

The Legislative Fiscal Office notes that should the Joint Ways and Means Subcommittee on Capital Construction approve additional warehouse capacity and IT infrastructure, any resulting increases to agency efficiency and sales (and thus, the rate of return) over time, it will take several years before these improvements are online and being utilized by the agency; in the short term (2021-23 biennia) the OLCC may fall slightly short of its rate of return measure target (KPM #5).

SubCommittee Action: