

Legislative Fiscal Office

Oregon State Capitol
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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: May 4, 2023

Subject: SB 5519 – Oregon Liquor and Cannabis Commission
Work Session Recommendations

Oregon Liquor and Cannabis Commission – Agency Totals

	2019-21 Actual	2021-23 Legislatively Approved	2023-25 Current Service Level	2023-25 LFO Recommended
Other Funds	250,165,490	494,461,019	341,666,393	367,611,654
Total Funds	\$250,165,490	\$494,461,019	\$341,666,393	\$367,611,654
Positions	364	386	384	376
FTE	361.29	382.16	382.00	373.02

The Legislative Fiscal Office (LFO) recommends a Total Funds budget for the Oregon Liquor and Cannabis Commission (OLCC) of \$367,611,654 Other Funds and 376 positions (373.02 FTE). This recommendation is a 1.7% increase over the 2023-25 Current Service Level.

The March 2023 revenue forecast assumed the following distributions based on 2023-25 projected liquor sales: General Fund in the amount of \$400.7 million; \$217.6 million to cities; and \$64,005,975 to counties. The Legislative Fiscal Office recommendation will reduce distributable revenue by a net total of -\$4.5 million; the revenue impact to the General Fund is estimated to be -\$2.5 million.

The Legislative Fiscal Office recommends policy option packages to address the following issues:

- Additional expenditure limitation for agents' compensation and bank card fees due to sales above forecasted levels;
- Ordering of some of the fixtures and equipment needed for the new warehouse and headquarters in anticipation of relocation;
- Replacement of vehicles in the agency's motor pool;
- Address public records requests in a timelier way;

- Update communications and outreach for recreational marijuana licensees and consumers;
- Provide for more robust inspections of licensed cannabis testing laboratories and audits of results;
- Support the creation of a cannabis reference laboratory at the Oregon Department of Agriculture;
- Reclassifications of positions to allow for more efficient use of existing position authority; and
- Elimination of some vacant positions.

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 2023-25 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

LFO recommends the following budget notes:

#1 Budget Note: OLCC Workload, Staffing and Management Analysis

By December 2024, the Oregon Liquor and Cannabis Commission shall provide to the Legislative Fiscal Office an analysis of workload and staffing in the areas of licensing, public safety, financial administration, contested cases/disciplinary proceedings, policy development, and communications. The analysis shall be for purposes of determining the extent to which positions devote time to matters related to liquor vs. cannabis, allocating staff to appropriate funding streams, and developing a cost allocation model for shared administrative and program functions to inform future investment decisions.

The OLCC shall also perform a review of its organizational management structure, specifically evaluating the classifications, functions, division of responsibilities, and oversight authority of Division directors and Executive Team members. The agency will report on the results of this review to the Legislative Fiscal Office.

#2 Budget Note: Cannabis Reference Lab Agreement

The Oregon Liquor and Cannabis Commission (OLCC) and the Oregon Department of Agriculture (ODA) shall enter into an inter-agency agreement that specifies OLCC contributions and ODA services provided by a reference laboratory. The reference laboratory shall provide a means of reviewing private lab test results for compliance with health and safety regulations related to accuracy, purity, potency and compliance of cannabis, hemp, and derived products. The agreement shall incorporate a statement of work that specifies expectations and commitments that include but are not limited to the following issues:

- Financial information, including funds available and authorized, basis for method of contribution, frequency of payment, and periodic evaluation of costs and payments;
- Responsibilities regarding receiving, tracking, quality assurance, protocols, archiving and reporting results of samples and associated testing;
- Development of standardized testing content and timeliness and availability of results;
- Use of facilities and supplies, and how time and costs will be shared between users;
- Assistance with contested case and legal proceedings, including documentation, testimony, and other expertise; and
- Respective relationships with private laboratories, including interactions, oversight, and communications.

ODA shall track and report lab utilization, staff time, and costs attributable to the OLCC compared with other users for purposes of developing a fee schedule and biennial budget estimate for future biennia.

By March 2025, the OLCC and ODA shall report to the Joint Committee on Ways and Means on the status of reference laboratory information, including actual expenditures, staffing, utilization of lab services by entity, tests performed and anticipated, and other information as may be requested for inclusion by the Legislative Fiscal Office.

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 \$367,611,654 Other Funds, and 376 positions (373.02 FTE), which is 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: _____

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2021-23 Agy. Leg. Adopted	-	-	391,328,393	-	-	-	391,328,393	384	381.25
2021-23 Ebds, SS & Admin Act	-	-	103,132,626	-	-	-	103,132,626	2	0.91
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2021-23 Leg Approved Budget	-	-	494,461,019	-	-	-	494,461,019	386	382.16
2021-23 Leg Approved Budget (Base)	-	-	476,284,237	-	-	-	476,284,237	386	382.16
Summary of Base Adjustments	-	-	(121,555,718)	-	-	-	(121,555,718)	(2)	(0.16)
2023-25 Base Budget	-	-	354,728,519	-	-	-	354,728,519	384	382.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	(447,341)	-	-	-	(447,341)	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(30,319,232)	-	-	-	(30,319,232)	-	-
030: Inflation & Price List Adjustments	-	-	17,704,447	-	-	-	17,704,447	-	-
2023-25 Current Service Level	-	-	341,666,393	-	-	-	341,666,393	384	382.00
080: E-Boards	-	-	19,658,453	-	-	-	19,658,453	-	-
Adjusted 2023-25 Current Service Level	-	-	361,324,846	-	-	-	361,324,846	384	382.00
Total LFO Recommended Packages	-	-	6,286,808	-	-	-	6,286,808	(8)	(8.98)
2023-25 Legislative Actions	-	-	367,611,654	-	-	-	367,611,654	376	373.02
Net change from 2021-23 Leg Approved Budget	-	-	(126,849,365)	-	-	-	(126,849,365)	(10)	(9.14)
Percent change from 2021-23 Leg Approved Budget	0.0%	0.0%	(25.7%)	0.0%	0.0%	0.0%	(25.7%)	(2.6%)	(2.4%)
Net change from 2023-25 Adj Current Service Level	-	-	6,286,808	-	-	-	6,286,808	(8)	(8.98)
Percent change from 2023-25 Adj Current Service Level	0.0%	0.0%	1.7%	0.0%	0.0%	0.0%	1.7%	(2.1%)	(2.4%)

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
2021-23 Agy. Leg. Adopted	-	-	69,497,386	-	-	-	69,497,386	77	77.00
2021-23 Ebds, SS & Admin Act	-	-	707,284	-	-	-	707,284	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2021-23 Leg Approved Budget	-	-	70,204,670	-	-	-	70,204,670	77	77.00
2021-23 Leg Approved Budget (Base)	-	-	67,641,936	-	-	-	67,641,936	77	77.00
Summary of Base Adjustments	-	-	19,643,939	-	-	-	19,643,939	(1)	(1.00)
2023-25 Base Budget	-	-	87,285,875	-	-	-	87,285,875	76	76.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	(79,172)	-	-	-	(79,172)	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(29,289,952)	-	-	-	(29,289,952)	-	-
030: Inflation & Price List Adjustments	-	-	797,312	-	-	-	797,312	-	-
2023-25 Current Service Level	-	-	58,714,063	-	-	-	58,714,063	76	76.00
080: E-Boards	-	-	2,670,369	-	-	-	2,670,369	-	-
Adjusted 2023-25 Current Service Level	-	-	61,384,432	-	-	-	61,384,432	76	76.00
Total LFO Recommended Packages	-	-	7,500,000	-	-	-	7,500,000	-	-
2023-25 Legislative Actions	-	-	68,884,432	-	-	-	68,884,432	76	76.00
Net change from 2021-23 Leg Approved Budget	-	-	(1,320,238)	-	-	-	(1,320,238)	(1)	(1.00)
Percent change from 2021-23 Leg Approved Budget	0.0%	0.0%	(1.9%)	0.0%	0.0%	0.0%	(1.9%)	(1.3%)	(1.3%)
Net change from 2023-25 Adj Current Service Level	-	-	7,500,000	-	-	-	7,500,000	-	-
Percent change from 2023-25 Adj Current Service Level	0.0%	0.0%	12.2%	0.0%	0.0%	0.0%	12.2%	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 082 September Eboard

Package Description This package rolls up the 2023-25 expenditure limitation for bank card fees, based on the increase in expenditure limitation authorized by the Emergency Board in June 2022 for the 2021-23 biennium.

LFO Recommendation Approve.

LFO Recommended	-	-	2,670,369	-	-	-	2,670,369	-	-
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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 Warehouse and Nonbonded IT Costs

Package Description \$7.5 million Other Funds expenditure limitation is recommended to accommodate costs in anticipation of the OLCC's planned move to a new warehouse facility. Completion of construction is not anticipated until very late in the 2023 biennium at best, but more likely in early 2025-27. However, OLCC must acquire certain equipment and begin the process of readying its existing facilities for sale, which will help to finance the move in 2025-27. The current facilities consist of the Milport Warehouse, the McLoughlin warehouse, and office spaces currently housing administration, licensing, financial services, distilled spirits, and hearings. The total footprint of warehouse and office space is 282,000 square feet. The value of OLCC facilities has been appraised at \$28 million.

LFO Recommendation Approve.

LFO Recommended	-	-	7,500,000	-	-	-	7,500,000	-	-
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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)
2021-23 Agy. Leg. Adopted	-	-	29,671,976	-	-	-	29,671,976	116	114.00
2021-23 Ebds, SS & Admin Act	-	-	1,232,777	-	-	-	1,232,777	1	0.58
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2021-23 Leg Approved Budget	-	-	30,904,753	-	-	-	30,904,753	117	114.58
2021-23 Leg Approved Budget (Base)	-	-	30,904,753	-	-	-	30,904,753	117	114.58
Summary of Base Adjustments	-	-	647,270	-	-	-	647,270	(2)	(1.58)
2023-25 Base Budget	-	-	31,552,023	-	-	-	31,552,023	115	113.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	(147,340)	-	-	-	(147,340)	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(64,800)	-	-	-	(64,800)	-	-
030: Inflation & Price List Adjustments	-	-	164,076	-	-	-	164,076	-	-
2023-25 Current Service Level	-	-	31,503,959	-	-	-	31,503,959	115	113.00
Adjusted 2023-25 Current Service Level	-	-	31,503,959	-	-	-	31,503,959	115	113.00
Total LFO Recommended Packages	-	-	(1,666,806)	-	-	-	(1,666,806)	(7)	(7.00)
2023-25 Legislative Actions	-	-	29,837,153	-	-	-	29,837,153	108	106.00
Net change from 2021-23 Leg Approved Budget	-	-	(1,067,600)	-	-	-	(1,067,600)	(9)	(8.58)
Percent change from 2021-23 Leg Approved Budget	0.0%	0.0%	(3.5%)	0.0%	0.0%	0.0%	(3.5%)	(7.7%)	(7.5%)
Net change from 2023-25 Adj Current Service Level	-	-	(1,666,806)	-	-	-	(1,666,806)	(7)	(7.00)
Percent change from 2023-25 Adj Current Service Level	0.0%	0.0%	(5.3%)	0.0%	0.0%	0.0%	(5.3%)	(6.1%)	(6.2%)

	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 802 Vacant Position Reductions

Package Description The Legislative Fiscal Office recommends the elimination of vacant positions to achieve spending reductions that mitigate agency liquor-related expenditures, which have an impact on the General Fund.

In total, seven positions are recommended for elimination from the Public Safety Services division, as follows: two Office Specialist 2 positions; two Regulatory Specialists; an Operations and Policy Analyst 3; and two Compliance Specialist 3 positions.

LFO Recommendation Approve.

LFO Recommended	-	-	(1,666,806)	-	-	-	(1,666,806)	(7)	(7.00)
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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)
2021-23 Agy. Leg. Adopted	-	-	32,579,366	-	-	-	32,579,366	90	90.00
2021-23 Ebds, SS & Admin Act	-	-	1,507,806	-	-	-	1,507,806	1	0.33
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2021-23 Leg Approved Budget	-	-	34,087,172	-	-	-	34,087,172	91	90.33
2021-23 Leg Approved Budget (Base)	-	-	34,087,172	-	-	-	34,087,172	91	90.33
Summary of Base Adjustments	-	-	2,206,439	-	-	-	2,206,439	1	1.67
2023-25 Base Budget	-	-	36,293,611	-	-	-	36,293,611	92	92.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	(89,931)	-	-	-	(89,931)	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(579,600)	-	-	-	(579,600)	-	-
030: Inflation & Price List Adjustments	-	-	1,501,218	-	-	-	1,501,218	-	-
2023-25 Current Service Level	-	-	37,125,298	-	-	-	37,125,298	92	92.00
Adjusted 2023-25 Current Service Level	-	-	37,125,298	-	-	-	37,125,298	92	92.00
Total LFO Recommended Packages	-	-	(753,578)	-	-	-	(753,578)	(3)	(3.62)
2023-25 Legislative Actions	-	-	36,371,720	-	-	-	36,371,720	89	88.38
Net change from 2021-23 Leg Approved Budget	-	-	2,284,548	-	-	-	2,284,548	(2)	(1.95)
Percent change from 2021-23 Leg Approved Budget	0.0%	0.0%	6.7%	0.0%	0.0%	0.0%	6.7%	(2.2%)	(2.2%)
Net change from 2023-25 Adj Current Service Level	-	-	(753,578)	-	-	-	(753,578)	(3)	(3.62)
Percent change from 2023-25 Adj Current Service Level	0.0%	0.0%	(2.0%)	0.0%	0.0%	0.0%	(2.0%)	(3.3%)	(3.9%)

	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 305 Vehicle Replacement

Package Description This package replaces 12 vehicles in the agency's fleet used by OLCC inspectors who work with marijuana licensees. The vehicles are at least 8 years or older and past their useful life.

LFO Recommendation Approve.

LFO Recommended	-	-	385,000	-	-	-	385,000	-	-
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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 312 Records Requests & Communications

Package Description OLCC has seen an increase in the demand for public records, often related to new and issued licenses, business mergers and acquisition, and litigation. Requests can come in the form of subpoenas related to tax issues or financial reporting. Information must be reviewed and redacted as appropriate. In 2021, the Oregon Department of Justice issued 3 orders threatening sanctions against OLCC for not complying with requests in a timely manner.

To meet the demand for records in a more timely manner, one Administrative Specialist 1 position, to be paid from marijuana revenue, is recommended.

LFO Recommendation Approve.

LFO Recommended	-	-	148,111	-	-	-	148,111	1	0.88
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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 OLCC has an executive team management structure that is relatively flat, with no Deputy Director position. This package creates a Deputy Director, providing operational supervision to the various divisions of the agency and reporting directly to the Director. A Business Operations Administrator is reclassified to a Deputy Director position.

A Fiscal Analyst 2 position is reclassified to a Fiscal analyst 3 position.

An Administrative Specialist 2 is reclassified to a Procurement and Contract Specialist 3.

The following lateral reclassifications result in no change in salary range, but rather a change in position description and duties:

- A Principal Executive Manager E position to an Accounting Manager 2;
- A Budget and Fiscal Manager 1 position to an Accounting Manager 1 position;
- An Accounting Manager 1 position to a Procurement Manager 1 position;

Finally, this package adds a 0.50 FTE Office Specialist 2 position to the Administration and Support division.

LFO Recommendation Approve, and include the following budget note:

Budget Notes By December 2024, the Oregon Liquor and Cannabis Commission shall provide to the Legislative Fiscal Office an analysis of workload and staffing in the areas of licensing, public safety, financial administration, contested cases/disciplinary proceedings, policy development, and communications. The analysis shall be for purposes of determining the extent to which positions devote time to matters related to liquor vs. cannabis. allocating staff to appropriate funding streams, and developing a cost allocation model for shared administrative and program functions to inform future investment decisions.

The OLCC shall also perform a review of its organizational management structure, specifically evaluating the classifications, functions, division of responsibilities, and oversight authority of Division directors and Executive Team members. The agency will report on the results of this review to the Legislative Fiscal Office.

LFO Recommended	-	-	11,620	-	-	-	11,620	1	0.50
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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 Vacant Position Reductions

Package Description The Legislative Fiscal Office recommends the elimination of vacant positions to achieve spending reductions that mitigate agency liquor-related expenditures, which have an impact on the General Fund.

LFO Recommendation In total, five positions are recommended for elimination from the Administration and Support division, as follows: one Supply Specialist 2; one Operations and Policy Analyst 3; one Research Analyst 4; one Accounting Technician; and one Payroll Analyst.

LFO Recommended	-	-	(1,298,309)	-	-	-	(1,298,309)	(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)
2021-23 Agy. Leg. Adopted	-	-	23,836,494	-	-	-	23,836,494	80	79.25
2021-23 Ebds, SS & Admin Act	-	-	754,562	-	-	-	754,562	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2021-23 Leg Approved Budget	-	-	24,591,056	-	-	-	24,591,056	80	79.25
2021-23 Leg Approved Budget (Base)	-	-	24,591,056	-	-	-	24,591,056	80	79.25
Summary of Base Adjustments	-	-	1,368,779	-	-	-	1,368,779	-	0.75
2023-25 Base Budget	-	-	25,959,835	-	-	-	25,959,835	80	80.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	(96,801)	-	-	-	(96,801)	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(174,880)	-	-	-	(174,880)	-	-
030: Inflation & Price List Adjustments	-	-	484,176	-	-	-	484,176	-	-
2023-25 Current Service Level	-	-	26,172,330	-	-	-	26,172,330	80	80.00
Adjusted 2023-25 Current Service Level	-	-	26,172,330	-	-	-	26,172,330	80	80.00
Total LFO Recommended Packages	-	-	1,207,192	-	-	-	1,207,192	2	1.64
2023-25 Legislative Actions	-	-	27,379,522	-	-	-	27,379,522	82	81.64
Net change from 2021-23 Leg Approved Budget	-	-	2,788,466	-	-	-	2,788,466	2	2.39
Percent change from 2021-23 Leg Approved Budget	0.0%	0.0%	11.3%	0.0%	0.0%	0.0%	11.3%	2.5%	3.0%
Net change from 2023-25 Adj Current Service Level	-	-	1,207,192	-	-	-	1,207,192	2	1.64
Percent change from 2023-25 Adj Current Service Level	0.0%	0.0%	4.6%	0.0%	0.0%	0.0%	4.6%	2.5%	2.1%

	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	Total Funds	Positions	Full-Time Equivalent (FTE)
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Package 410 Cannabis Communication Outreach

Package Description The package provides resources to contract an external affairs focused communications entity to develop strategy and tactics, messaging, and collateral creation four initiatives within OLCC (some of which are responsibilities added by the Legislature in 2021 and 2022). The initiatives are:

- "What's Legal?" and licensee compliance materials and communications;
- Regulated hemp derived (THC) products in the general marketplace;
- Human trafficking; and
- Outreach and information to assist qualified applicants in overcoming potential barriers to licensing.

LFO Recommendation Approve.

LFO Recommended	-	-	450,000	-	-	-	450,000	-	-
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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 413 Marijuana Lab Integrity

Package Description Three positions and 2.64 FTE are recommended to support the integration of labs as licensees of the OLCC if they conduct testing on behalf of marijuana producers and processors. HB 2931 ensures consistency in definitions and status of testing labs as OLCC licensees. The positions and associated expenditure limitation in this package will allow OLCC to conduct random sampling of licensee products, investigate complaints and compliance concerns regarding cannabis testing, to better ensure consistent results that improve information and safety for consumers.

LFO Recommendation Approve.

LFO Recommended	-	-	965,674	-	-	-	965,674	3	2.64
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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 418 ODA Lab Funding LC

Package Description HB 2931 establishes a testing lab within the Department of Agriculture’s new lab facility in Wilsonville that would provide independent confirmation of private lab results for potency, pesticides, and purity of cannabis and related products. The policy option package consists of a revenue transfer in the amount of \$2,281,689 to the Department of Agriculture for purchase one-time equipment costs (\$1,750,000) and staffing costs (\$531,689) to support three chemists to devise protocols, conduct tests and report results. Estimated expenditures in 2025-27 are \$607,648 to support ongoing staffing needs. The Department of Agriculture has a corresponding policy option package in its budget which provides that agency with expenditure limitation and position authority.

LFO Recommendation Approve, and include the following budget note:

Budget Notes The Oregon Liquor and Cannabis Commission (OLCC) and the Oregon Department of Agriculture (ODA) shall enter into an inter-agency agreement that specifies OLCC contributions and ODA services provided by a reference laboratory. The reference laboratory shall provide a means of reviewing private lab test results for compliance with health and safety regulations related to accuracy, purity, potency and compliance of cannabis, hemp, and derived products. The agreement shall incorporate a statement of work that specifies expectations and commitments that include but are not limited to the following issues:

- Financial information, including funds available and authorized, basis for method of contribution, frequency of payment, and periodic evaluation of costs and payments;
- Responsibilities regarding receiving, tracking, quality assurance, protocols, archiving and reporting results of samples and associated testing;
- Development of standardized testing content and timeliness and availability of results;
- Use of facilities and supplies, and how time and costs will be shared between users;
- Assistance with contested case and legal proceedings, including documentation, testimony, and other expertise; and
- Respective relationships with private laboratories, including interactions, oversight and communications.

ODA shall track and report lab utilization, staff time, and costs attributable to the OLCC compared with other users for purposes of developing a fee schedule and biennial budget estimate for future biennia.

By March 2025, the OLCC and ODA shall report to the Joint Committee on Ways and Means on the status of reference laboratory information, including actual expenditures, staffing, utilization of lab services by entity, tests performed and anticipated, and other information as may be requested for inclusion by the Legislative Fiscal Office.

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 801 LFO Analyst Adjustments

Package Description An Accounting Technician position (1.00 FTE) is eliminated in the Recreational Marijuana division to offset costs associated with reclassifications and the addition of a 0.50 FTE position recommended in the Administration and Support division of the agency. These actions enable the OLCC to make the highest and best use of its existing position authority to enable the agency to accomplish its mission more efficiently and effectively.

LFO Recommendation Approve.

LFO Recommended	-	-	(208,482)	-	-	-	(208,482)	(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)
2021-23 Agy. Leg. Adopted	-	-	166,885,952	-	-	-	166,885,952	-	-
2021-23 Ebds, SS & Admin Act	-	-	15,614,048	-	-	-	15,614,048	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2021-23 Leg Approved Budget	-	-	182,500,000	-	-	-	182,500,000	-	-
2021-23 Leg Approved Budget (Base)	-	-	166,885,952	-	-	-	166,885,952	-	-
Summary of Base Adjustments	-	-	-	-	-	-	-	-	-
2023-25 Base Budget	-	-	166,885,952	-	-	-	166,885,952	-	-
030: Inflation & Price List Adjustments	-	-	14,685,964	-	-	-	14,685,964	-	-
2023-25 Current Service Level	-	-	181,571,916	-	-	-	181,571,916	-	-
080: E-Boards	-	-	16,988,084	-	-	-	16,988,084	-	-
Adjusted 2023-25 Current Service Level	-	-	198,560,000	-	-	-	198,560,000	-	-
2023-25 Legislative Actions	-	-	198,560,000	-	-	-	198,560,000	-	-
Net change from 2021-23 Leg Approved Budget	-	-	16,060,000	-	-	-	16,060,000	-	-
Percent change from 2021-23 Leg Approved Budget	0.0%	0.0%	8.8%	0.0%	0.0%	0.0%	8.8%	0.0%	0.0%
Net change from 2023-25 Adj Current Service Level	-	-	-	-	-	-	-	-	-
Percent change from 2023-25 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)
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Package 082 September Eboard

Package Description This package rolls up the net 2023-25 expenditure limitation, for liquor store agent and distillery agent compensation, based on the increase in expenditure limitation authorized by the Emergency Board in June 2022 for the 2021-23 biennium.

LFO Recommendation

LFO Recommended	-	-	16,988,084	-	-	-	16,988,084	-	-
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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)
2021-23 Agy. Leg. Adopted	-	-	6,082,209	-	-	-	6,082,209	21	21.00
2021-23 Ebds, SS & Admin Act	-	-	188,366	-	-	-	188,366	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2021-23 Leg Approved Budget	-	-	6,270,575	-	-	-	6,270,575	21	21.00
2021-23 Leg Approved Budget (Base)	-	-	6,270,575	-	-	-	6,270,575	21	21.00
Summary of Base Adjustments	-	-	32,903	-	-	-	32,903	-	-
2023-25 Base Budget	-	-	6,303,478	-	-	-	6,303,478	21	21.00
010: Non-PICS Pers Svc/Vacancy Factor	-	-	(34,097)	-	-	-	(34,097)	-	-
030: Inflation & Price List Adjustments	-	-	61,693	-	-	-	61,693	-	-
2023-25 Current Service Level	-	-	6,331,074	-	-	-	6,331,074	21	21.00
Adjusted 2023-25 Current Service Level	-	-	6,331,074	-	-	-	6,331,074	21	21.00
Total LFO Recommended Packages	-	-	-	-	-	-	-	-	-
2023-25 Legislative Actions	-	-	6,331,074	-	-	-	6,331,074	21	21.00
Net change from 2021-23 Leg Approved Budget	-	-	60,499	-	-	-	60,499	-	-
Percent change from 2021-23 Leg Approved Budget	0.0%	0.0%	1.0%	0.0%	0.0%	0.0%	1.0%	0.0%	0.0%
Net change from 2023-25 Adj Current Service Level	-	-	-	-	-	-	-	-	-
Percent change from 2023-25 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)
2021-23 Agy. Leg. Adopted	-	-	237,745	-	-	-	237,745	-	-
2021-23 Ebds, SS & Admin Act	-	-	210,000	-	-	-	210,000	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2021-23 Leg Approved Budget	-	-	447,745	-	-	-	447,745	-	-
2021-23 Leg Approved Budget (Base)	-	-	447,745	-	-	-	447,745	-	-
Summary of Base Adjustments	-	-	-	-	-	-	-	-	-
2023-25 Base Budget	-	-	447,745	-	-	-	447,745	-	-
020: Phase In / Out Pgm & One-time Cost	-	-	(210,000)	-	-	-	(210,000)	-	-
030: Inflation & Price List Adjustments	-	-	10,008	-	-	-	10,008	-	-
2023-25 Current Service Level	-	-	247,753	-	-	-	247,753	-	-
Adjusted 2023-25 Current Service Level	-	-	247,753	-	-	-	247,753	-	-
2023-25 Legislative Actions	-	-	247,753	-	-	-	247,753	-	-
Net change from 2021-23 Leg Approved Budget	-	-	(199,992)	-	-	-	(199,992)	-	-
Percent change from 2021-23 Leg Approved Budget	0.0%	0.0%	(44.7%)	0.0%	0.0%	0.0%	(44.7%)	0.0%	0.0%
Net change from 2023-25 Adj Current Service Level	-	-	-	-	-	-	-	-	-
Percent change from 2023-25 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)
2021-23 Agy. Leg. Adopted	-	-	62,537,265	-	-	-	62,537,265	-	-
2021-23 Ebds, SS & Admin Act	-	-	82,917,783	-	-	-	82,917,783	-	-
Ways & Means Actions	-	-	-	-	-	-	-	-	-
2021-23 Leg Approved Budget	-	-	145,455,048	-	-	-	145,455,048	-	-
2021-23 Leg Approved Budget (Base)	-	-	145,455,048	-	-	-	145,455,048	-	-
Summary of Base Adjustments	-	-	(145,455,048)	-	-	-	(145,455,048)	-	-
2023-25 Base Budget	-	-	-	-	-	-	-	-	-
2023-25 Current Service Level	-	-	-	-	-	-	-	-	-
Adjusted 2023-25 Current Service Level	-	-	-	-	-	-	-	-	-
2023-25 Legislative Actions	-	-	-	-	-	-	-	-	-
Net change from 2021-23 Leg Approved Budget	-	-	(145,455,048)	-	-	-	(145,455,048)	-	-
Percent change from 2021-23 Leg Approved Budget	0.0%	0.0%	(100.0%)	0.0%	0.0%	0.0%	(100.0%)	0.0%	0.0%
Net change from 2023-25 Adj Current Service Level	-	-	-	-	-	-	-	-	-
Percent change from 2023-25 Adj Current Service Level	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Legislatively Proposed 2023 - 2025 Key Performance Measures

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Agency: Oregon Liquor and Cannabis Commission

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 2024	Target 2025
1. Sales to Minors - Percentage of licensees who refuse to sell to minor decoys.		Approved	70%	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%	12%	12%
3. Licensing Time - Average days from application receipt to license issuance.		Approved	98	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	78%	85%	85%
	Helpfulness		78%	85%	85%
	Availability of Information		62%	85%	85%
	Overall		71%	85%	85%
	Timeliness		64%	85%	85%
	Accuracy		72%	85%	85%
5. OLCC Rate of Return - Net OLCC distribution divided by actual expenses.		Approved	\$2.30	\$2.25	\$2.25
6. Best Practices - Percent of total best practices met by the Board.		Approved	99%	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	0%	90%	90%
8. Time to license- marijuana - Average days to license completed marijuana applications.		Approved	83	85	85

LFO Recommendation:

The Legislative Fiscal Office recommends key performance measures as presented. The LFO recommendation includes adjusting the target for KPM 5 - OLCC Rate of Return - to \$2.25 for every dollar spent on liquor-related expenses, from the previous target of \$2.50. The OLCC has capital expenditures and debt service that will be incurred related to its move to a new warehouse and headquarters facility, associated debt service payments, and automatic escalation that was included in changes to the compensation formula for liquor and distiller agents. Given these factors, the previous target of \$2.50 is unlikely to be attainable for the foreseeable future.

The OLCC conducted no minor decoy operations for recreational marijuana sales to minors in the 2021 and 2022 fiscal years. The last reported result of a 90% compliance rate for KPM #7 was for fiscal year 2020.

SubCommittee Action: