

SB 5519 A BUDGET REPORT and MEASURE SUMMARY

Carrier: Sen. Meek

Joint Committee On Ways and Means

Action Date: 05/12/23

Action: Do pass with amendments. (Printed A-Eng.)

Senate Vote

Yeas: 6 - Anderson, Dembrow, Frederick, Gelser Blouin, Hansell, Steiner

Nays: 2 - Girod, Sollman

Exc: 3 - Campos, Findley, Knopp

House Vote

Yeas: 8 - Evans, Gomberg, Holvey, McLain, Pham K, Sanchez, Smith G, Valderrama

Nays: 4 - Breese-Iverson, Cate, Lewis, Reschke

Prepared By: Tamara Brickman, Department of Administrative Services

Reviewed By: Michelle Deister, Legislative Fiscal Office

**Oregon Liquor and Cannabis Commission
2023-25**

Budget Summary*

| | 2021-23 Legislatively Approved Budget ⁽¹⁾ | 2023-25 Current Service Level | 2023-25 Committee Recommendation | Committee Change from 2021-23 Leg. Approved | |
|----------------------------------|---|----------------------------------|-------------------------------------|--|----------|
| | | | | \$ Change | % Change |
| Other Funds Capital Improvement | \$ 447,745 | \$ 247,753 | \$ 247,753 | \$ (199,992) | (44.7%) |
| Other Funds Limited | \$ 344,128,659 | \$ 318,004,886 | \$ 343,950,147 | \$ (178,512) | (0.1%) |
| Other Funds Debt Service Limited | \$ 4,429,567 | \$ 23,413,754 | \$ 23,413,754 | \$ 18,984,187 | 428.6% |
| Total | \$ 349,005,971 | \$ 341,666,393 | \$ 367,611,654 | \$ 18,605,683 | 5.3% |

Position Summary

| | | | | |
|--------------------------------------|--------|--------|--------|--------|
| Authorized Positions | 386 | 384 | 376 | (10) |
| Full-time Equivalent (FTE) positions | 382.16 | 382.00 | 373.02 | (9.14) |

⁽¹⁾ Includes adjustments through January 2023

* Excludes Capital Construction expenditures

Summary of Revenue Changes

All revenue received by the Oregon Liquor & Cannabis Commission (OLCC) is classified as Other Funds. OLCC receives revenues from distilled spirits sales, licenses, fees and fines, server education fees, and taxes on malt beverages and wines (Privilege Tax). OLCC utilizes the revenues to administer the Distilled Spirits program and a portion for the Public Safety and Administrative programs. After administrative costs, costs for the procurement of distilled spirits for OLCC licensed store agents and rate payments to licensed store and distillery agents, the remaining net amount is distributed 56 percent to the General Fund, 20 percent to cities, 10 percent to counties, and 14 percent to cities based on a revenue sharing formula. Fifty percent of the tax on beer and wine (Privilege Tax) is distributed to the Oregon Health Authority for mental health programs. All revenue derived from the \$0.50 per bottle surcharge on distilled spirits is designated exclusively to the General Fund.

OLCC also derives revenue for its marijuana programs through marijuana license fees, marijuana tax revenues, worker permit fees, and miscellaneous income. Funding for the Marijuana Program comes exclusively from marijuana related license and permit fees. Funding for Oregon Medical Marijuana Program (OMMP) Medical Marijuana tracking comes exclusively from recreational marijuana taxes.

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 \$64.0 million to counties. The recommended budget will reduce distributable revenue by a net total of \$4.5 million; the revenue impact to the General Fund is estimated to be a reduction of \$2.5 million.

Summary of Transportation and Economic Development Subcommittee Action

The OLCC mission is to support businesses, public safety, and community livability through education and the enforcement of liquor and marijuana laws. OLCC is responsible for regulating the sale and service of alcoholic beverages in Oregon. OLCC administers the state's Liquor Control Act and regulates the production, processing, and sale of recreational marijuana in Oregon through the Control, Regulation, and Taxation of Marijuana and Industrial Hemp Act. The agency also regulates the production, processing, and sale of medical products sold to Oregon Medical Marijuana Program (OMMP) cardholders in OLCC licensed marijuana retail shops. Oregon is one of 17 control states where the state maintains the exclusive right to sell packaged distilled spirits. The business of OLCC takes place in communities throughout the state.

The agency has five major operational programs; the Distilled Spirits Program, the Public Safety Program, the Administrative and Support Division, the Recreational Marijuana Program, and the Medical Marijuana Program. OLCC also enforces the Bottle Bill. Under this law, most beverages sold in Oregon have a 10-cent refund value and stores and redemption centers must redeem empty containers.

The subcommittee approved a budget of \$367,611,654 Other Funds and 376 positions (373.02 FTE). This represents an increase of 5.3 percent from the 2021-23 Legislatively Approved Budget (LAB). The agency position count is decreased by 10 positions (9.14 FTE) from the 2021-23 LAB.

Distilled Spirits Program

The Distilled Spirits Program (DSP) makes distilled spirits available for sale by the bottle through liquor stores run by independent, contracted businesspeople (liquor agents), appointed by the commission members in a competitive process balancing customer service, access, and revenue generation. The program centrally purchases, warehouses, and distributes distilled spirits to Oregon's liquor stores and oversees the liquor agents. Through oversight of retail operations, the program ensures responsible sales in the liquor stores. In addition, distilled liquor is available for sale in distillery tasting room outlets. Distillery licensees distribute their products through the warehouse or make direct sales from their Distillery Retail Outlets. The commission does not own the inventory located in Distillery Retail Outlets.

In 2023-25, this program will also oversee the development and implementation of plans for constructing a new warehouse and replacing legacy Information Technology systems.

The subcommittee recommended a budget of \$68,884,432 Other Funds expenditure limitation and 76 positions (76.00 FTE) which includes the following recommended packages:

Package 082: September Eboard. This package provides additional expenditure limitation for bank card fees to account for sales in excess of agency forecasts, as authorized by the Emergency Board in September 2022.

Package 102: Warehouse and Nonbonded IT Costs. This package provides \$7.5 million Other Funds expenditure limitation to accommodate anticipated costs related to OLCC's plans for moving to a new warehouse facility. Construction is not anticipated to be complete until late in the 2023-25 biennium, at best. Completion is more likely to occur in early 2025-27. However, OLCC must acquire certain equipment and begin the process of getting its current facilities ready 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 the warehouse and office space is 282,000 square feet. The value of OLCC facilities is appraised at \$28 million.

Public Safety Services Program

The Public Safety Services (PSS) Program regulates the manufacture, distribution, and sale of alcoholic beverages, and licenses the personnel who oversee the production, processing, and sale of recreational marijuana. This program focuses on ensuring the legal sale of alcohol and marijuana, emphasizing responsible service of alcohol to adults and minimizing alcohol and marijuana-related public safety risks. This program implements responsibilities and strategies related to licensing, education, and enforcement. A primary mission for this work is to prevent the sale of alcohol and marijuana to minors. As of June 1, 2022, OLCC is responsible for the oversight of more than 13,600 in-state alcohol licensees, including nearly 11,200 restaurants, bars, grocery and convenience stores, plus 282 liquor stores, 149 distiller licenses, 98 tasting rooms, and nearly 150,000 alcohol service permittees throughout the state. In addition, the program provides oversight for 2,784 marijuana licenses including producers, processors, wholesalers, retailers, laboratories, and 63,878 marijuana worker permittees. To ensure statewide reach, the program has five regional offices (including its headquarters in Milwaukie) and eight satellite offices.

The subcommittee recommended a budget of \$29,837,153 Other Funds expenditure limitation and 108 positions (106.00 FTE). The subcommittee recommended the following package:

Package 802: Vacant Position Reductions. The elimination of vacant positions to achieve spending reductions to mitigate agency liquor-related expenditures having an impact on the General Fund. In total, seven positions (7.00 FTE) are recommended for elimination from the PSS program, as follows:

- Two Office Specialist 2 positions;
- Two Regulatory Specialists;
- An Operations and Policy Analyst 3 position; and
- Two Compliance Specialist 3 positions.

Administration and Support

The Administration and Support program provides the infrastructure to achieve the Commission's policy direction, and for OLCC programs to provide services to its customers and stakeholders. The division includes the administration division (agency leadership); human resources

division; policy, analysis, communication, and education (PACE) division; administrative services division (fleet management, property management, etc.); financial services division; and the information technology (IT) division.

The subcommittee recommended a budget of \$36,371,720 Other Funds expenditure limitation and 89 positions (88.38 FTE). The subcommittee recommended the following packages:

Package 305: Vehicle Replacement. This package provides resources to replace 12 vehicles in the agency's fleet used by OLCC inspectors working with marijuana licensees. The vehicles are at least eight years old and past their useful life.

Package 312: Records Request & Communications. OLCC is experiencing an increase in public records requests, 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 three orders threatening sanctions against OLCC for not being timely in complying with requests. To meet the demand for records in a timelier manner, one permanent, full-time Administrative Specialist 1 position (0.88 FTE) is recommended, supported with marijuana licensing and fee revenue.

Package 801: LFO Analyst Adjustments. OLCC's executive team management structure is relatively flat, with no Deputy Director position. This package provides resources to create a Deputy Director to provide operational supervision to the various divisions and report directly to the Director. Specifically, the package reclassifies a Business Operations Administrator 1 to a new Deputy/Chief 6 position. Additionally, the package makes the following reclassifications:

- A Fiscal Analyst 2 to a Fiscal Analyst 3 position;
- An Administrative Specialist 2 to a Procurement and Contract Specialist 3 position;
- The lateral reclassification of three positions, which does not change the salary range, but changes the position description and duties:
 - A Budget and Fiscal Manager 2 to an Accounting Manager 2;
 - A Budget and Fiscal Manager 1 to an Accounting Manager 1; and
 - An Accounting Manger 1 to a Procurement Manager 1.

The package also adds one permanent part-time Office Specialist 2 position (0.50 FTE) to the Administrative and Support program.

The Subcommittee approved the following Budget Note:

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.

Package 802: Vacant Position Reductions. The subcommittee recommended the elimination of vacant positions to achieve spending reductions to mitigate agency liquor-related expenditures having an impact on the General Fund. In total, five positions (5.00 FTE) are recommended for elimination from the Administration and Support program, as follows:

- One Supply Specialist 2 position;
- One Operations and Policy Analyst 3 position;
- One Research Analyst 4 position;
- One Accounting Technician position; and
- One Payroll Analyst position.

Recreational Marijuana Program

The Recreational Marijuana Program enforces regulations relating to producers, wholesalers, processors, retailers, laboratories, marijuana worker permits, and research certificates. The program also manages compliance and enforcement of a product tracking system, which must be used by licensees to track all marijuana and marijuana products from plant viability to final sale to the consumer. Additionally, the program is responsible for implementation of a marijuana worker's permitting program for all recreational marijuana businesses and conducts investigations, inspections, and seizures. The program emphasizes education and voluntary compliance before sanctions in an effort to deter violations related to OLCC-licensed marijuana facilities. The program maintains a focus on preventing the sale of cannabis products to minors and the intentional diversion from the OLCC licensed marijuana facilities to the black market through regulation of all marijuana products sold in OLCC retail stores, labeling, and packaging compliance for both recreational and medical marijuana.

The program assists in the development of testing requirements and standards for product testing and works with the Oregon Department of Revenue (DOR) to reconcile product movement with taxes paid. As of June 1, 2022, the agency regulates 2,784 marijuana licenses and 63,878 marijuana worker permittees. In 2023-25, the program's focus will be on enhanced compliance activities and continued agency integration, interagency coordination, rulemaking, licensee education, licensing, renewals, and use of data from the Cannabis Tracking System to aid in licensee compliance and the auditing of tax collections in conjunction with DOR.

The subcommittee recommended a budget of \$27,379,522 Other Funds expenditure limitation and 82 positions (81.64 FTE). The subcommittee recommended the following packages:

Package 410: Cannabis Communication Outreach. This package provides resources to contract with an external affairs focused communications entity to develop strategy and tactics, messaging, and collateral creation of 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.

Package 413: Marijuana Lab Integrity. The subcommittee recommended the addition of three permanent full-time positions (2.64 FTE) to support the integration of labs as licensees of OLCC if they conduct testing on behalf of marijuana producers and processors. House Bill 2931 ensures consistency in definitions and status of testing labs of OLCC licensees. The positions and \$965,674 of associated Other Funds expenditure limitation recommended in this package will allow OLCC to conduct random sampling of licensee products and investigate complaints and compliance concerns regarding cannabis testing to better ensure consistent results improving information and safety for consumers.

Package 418: ODA Lab Funding LC. House Bill 2931 establishes a testing lab within the Department of Agriculture's (ODA) new lab facility in Wilsonville that will provide independent confirmation of private lab results for potency, pesticides, and purity of cannabis and related products. This package consists of a revenue transfer in the amount of \$2,281,689 to the ODA for the one-time purchase of equipment for the lab (\$1,750,000) and provides funding for 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 ODA has a corresponding policy package in its budget, which provides that agency with expenditure limitation and position authority.

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.

Package 801: LFO Analyst Adjustments. The subcommittee recommended the elimination of an Accounting Technician position (1.00 FTE) to offset the costs associated with the reclassifications and the addition of one permanent full-time position (0.50 FTE) recommended in the Administration and Support program. These actions enable 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.

Agents Compensation Program

The Agents Compensation Program contains the funds OLCC distributes to liquor agents to operate the stores and a commission for sales in distillery tasting room outlets. OLCC contracts with private businesspeople to operate exclusive and nonexclusive liquor stores and distillery tasting rooms around the state to make distilled spirits available in a managed and socially responsible manner. These independent contractors (liquor agents) receive funds from which they pay all store expenses, including rent, utilities, store fixtures, remodeling, moving, and staffing

costs. From the net, they fund their own salary and any benefits or retirement savings. Store compensation formulas for liquor stores and distillery agents were put into statute under ORS 471.473 and ORS 471.230 in 2021 and are a variable cost of liquor sales. For the 2023-25 biennium, compensation for liquor stores is estimated at 10.11 percent of total sales and compensation for Distillery Agents is estimated at 36.00 percent of total sales. The Agent Compensation Program is funded solely from liquor revenues received by OLCC.

The subcommittee recommended a budget of \$198,560,000 Other Funds expenditure limitation. This program does not have any positions. The subcommittee recommended the following package:

Package 082: September Eboard. This package provides the 2023-25 expenditure limitation for liquor agent compensation to account for sales in excess of agency forecasts, as authorized by the Emergency Board in September 2022.

Medical Marijuana Program

The Medical Marijuana Program resulted from the passage of Senate Bill 1057 (2017), which requires Oregon Medical Marijuana Program (OMMP) medical marijuana grow sites with more than two patients, and OMMP processors and retailers to be tracked by OLCC's cannabis tracking system. OLCC was given the responsibility to administer the tracking and to perform inspections to assure OMMP marijuana is properly accounted for. Currently, there are 349 OMMP grow sites with three or more OMMP patients being tracked and inspected by the program. The Medical Marijuana Program is funded solely from marijuana tax dollars and fees paying for OMMP tracking program expenses.

The subcommittee recommended a budget of \$6,331,074 Other Funds expenditure limitation and 21 positions (21.00 FTE).

Capital Improvements

The Capital Improvements program provides for stewardship of OLCC's building and grounds. OLCC owns its main office and distribution center complex on McLaughlin Blvd. in Milwaukie. OLCC's distribution center encompasses the warehouse connected to the main office building and a second warehouse on Millport Road, which was acquired in 2007. The entire campus houses approximately 219 employees; 109 other employees are in 13 different leased field offices. Funding for Capital Improvements is derived through revenues from the sale of distilled spirits, license fees from alcohol and marijuana, and penalties, privilege tax paid on the sales of beer and wine, and other miscellaneous sources.

The subcommittee recommended a budget of \$247,753 Other Funds expenditure limitation. There are no positions in this program.

Summary of Performance Measure Action

See attached Legislatively Adopted 2023-25 Key Performance Measures form.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

Oregon Liquor and Cannabis Commission
 Tamara Brickman -- (971) 719-3492

| DESCRIPTION | GENERAL FUND | LOTTERY FUNDS | OTHER FUNDS | | FEDERAL FUNDS | | TOTAL ALL FUNDS | POS | FTE |
|---|--------------|---------------|----------------|------------|---------------|------------|-----------------|-----|--------|
| | | | LIMITED | NONLIMITED | LIMITED | NONLIMITED | | | |
| 2021-23 Legislatively Approved Budget at Jan 2023 * | \$ - | \$ - | \$ 349,005,971 | \$ - | \$ - | \$ - | \$ 349,005,971 | 386 | 382.16 |
| 2023-25 Current Service Level (CSL)* | \$ - | \$ - | \$ 341,666,393 | \$ - | \$ - | \$ - | \$ 341,666,393 | 384 | 382.00 |
| SUBCOMMITTEE ADJUSTMENTS (from CSL) | | | | | | | | | |
| SCR 84500-001 - Distilled Spirits | | | | | | | | | |
| Package 082: September Eboard | | | | | | | | | |
| Services and Supplies | \$ - | \$ - | \$ 2,670,369 | \$ - | \$ - | \$ - | \$ 2,670,369 | | |
| Package 102: Warehouse and Nonbonded IT Costs | | | | | | | | | |
| Services and Supplies | \$ - | \$ - | \$ 4,314,386 | \$ - | \$ - | \$ - | \$ 4,314,386 | | |
| Capital Outlay | \$ - | \$ - | \$ 3,185,614 | \$ - | \$ - | \$ - | \$ 3,185,614 | | |
| SCR 84500-002 - Public Safety Services | | | | | | | | | |
| Package 802: Vacant Position Reductions | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ (1,504,126) | \$ - | \$ - | \$ - | \$ (1,504,126) | (7) | (7.00) |
| Services and Supplies | \$ - | \$ - | \$ (162,680) | \$ - | \$ - | \$ - | \$ (162,680) | | |
| SCR 84500-003 - Administration and Support | | | | | | | | | |
| Package 305: Vehicle Replacement | | | | | | | | | |
| Capital Outlay | \$ - | \$ - | \$ 385,000 | \$ - | \$ - | \$ - | \$ 385,000 | | |
| Package 312: Records Requests & Communications | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ 148,111 | \$ - | \$ - | \$ - | \$ 148,111 | 1 | 0.88 |
| Package 801: LFO Analyst Adjustments | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ 136,984 | \$ - | \$ - | \$ - | \$ 136,984 | 1 | 0.50 |
| Services and Supplies | \$ - | \$ - | \$ (125,364) | \$ - | \$ - | \$ - | \$ (125,364) | | |
| Package 802: Vacant Position Reductions | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ (1,182,109) | \$ - | \$ - | \$ - | \$ (1,182,109) | (5) | (5.00) |
| Services and Supplies | \$ - | \$ - | \$ (116,200) | \$ - | \$ - | \$ - | \$ (116,200) | | |
| SCR 84500-004 - Recreational Marijuana Program | | | | | | | | | |
| Package 410: Cannabis Communication Outreach | | | | | | | | | |
| Services and Supplies | \$ - | \$ - | \$ 450,000 | \$ - | \$ - | \$ - | \$ 450,000 | | |
| Package 413: Marijuana Lab Integrity | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ 570,344 | \$ - | \$ - | \$ - | \$ 570,344 | 3 | 2.64 |
| Services and Supplies | \$ - | \$ - | \$ 344,030 | \$ - | \$ - | \$ - | \$ 344,030 | | |
| Capital Outlay | \$ - | \$ - | \$ 51,300 | \$ - | \$ - | \$ - | \$ 51,300 | | |
| Package 801: LFO Analyst Adjustments | | | | | | | | | |
| Personal Services | \$ - | \$ - | \$ (185,242) | \$ - | \$ - | \$ - | \$ (185,242) | (1) | (1.00) |
| Services and Supplies | \$ - | \$ - | \$ (23,240) | \$ - | \$ - | \$ - | \$ (23,240) | | |
| Capital Outlay | | | | | | | | | |

| DESCRIPTION | GENERAL FUND | LOTTERY FUNDS | OTHER FUNDS | | FEDERAL FUNDS | | TOTAL ALL FUNDS | POS | FTE |
|--|--------------|---------------|----------------|------------|---------------|------------|-----------------|--------|--------|
| | | | LIMITED | NONLIMITED | LIMITED | NONLIMITED | | | |
| SCR 84500-005 - Agents Compensation Program | | | | | | | | | |
| Package 082: September Eboard | | | | | | | | | |
| Services and Supplies | \$ - | \$ - | \$ 16,988,084 | \$ - | \$ - | \$ - | \$ 16,988,084 | | |
| TOTAL ADJUSTMENTS | \$ - | \$ - | \$ 25,945,261 | \$ - | \$ - | \$ - | \$ 25,945,261 | (8) | (8.98) |
| SUBCOMMITTEE RECOMMENDATION * | \$ - | \$ - | \$ 367,611,654 | \$ - | \$ - | \$ - | \$ 367,611,654 | 376 | 373.02 |
| % Change from 2021-23 Leg Approved Budget | 0.0% | 0.0% | 5.3% | 0.0% | 0.0% | 0.0% | 5.3% | (2.6%) | (2.4%) |
| % Change from 2023-25 Current Service Level | 0.0% | 0.0% | 7.6% | 0.0% | 0.0% | 0.0% | 7.6% | (2.1%) | (2.4%) |

*Excludes Capital Construction Expenditures

Legislatively Approved 2023 - 2025 Key Performance Measures

Published: 5/10/2023 1:53:10 PM

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 Approved 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:

The Subcommittee approved the LFO recommendation on Key Performance Measures.