



Oregon

Tina Kotek, Governor

Liquor & Cannabis Commission

9079 SE McLoughlin Blvd.
Portland, Oregon 97222-7355

503-872-5000

800-452-6522

www.oregon.gov/olcc

November 3, 2025

Senator Kate Leiber, Co-Chair
Representative Tawna Sanchez, Co-Chair
Interim Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

Dear Co-Chairpersons:

The Oregon Liquor and Cannabis Commission (OLCC) is statutorily charged under ORS Chapter 471 and 475C with regulating the manufacture, distribution, sale, and service of alcoholic beverages and cannabis within the State of Oregon. OLCC oversees access to alcohol and cannabis products in Oregon through education, regulation, and distilled spirits distribution. Our aim is to protect public health and safety while supporting responsible businesses and providing funding for state and local agencies. We do this by ensuring the responsible sale and consumption of alcohol and cannabis, while generating revenue that benefits the state's General Fund, local governments, and critical public programs.

In response to the directive to develop 5% budget reduction options, OLCC's Executive Team worked collaboratively to identify potential areas for reduction across all divisions. The process prioritized maintaining the Commission's core programs and services while evaluating risks to our ability to fulfill our statutory mission and support our employees.

The Executive Director carefully considered the Commission's statutory mission, the Governor's priorities, and the operational and workforce risks associated with each reduction scenario. The following outlines the approach and summarizes the major areas identified for potential reductions, along with the corresponding impacts and risks.

OLCC's approach focused on:

- Protecting the agency's ability to enforce Oregon's liquor, cannabis, and hemp laws.
- Minimizing negative impacts to revenue generation and customer service.
- Preserving critical modernization efforts essential to agency efficiency and long-term sustainability.
- Identifying reductions that, while impactful, would not immediately jeopardize public safety or compliance obligations.

OLCC identified the following reduction areas and associated impacts:

1. Vehicle Reductions

- Liquor Public Safety Division: Fewer vehicles will constrain our ability to perform essential licensing, inspections, and investigations. This will hinder enforcement of Oregon's liquor laws and place added strain on an aging fleet.
- Medical Marijuana Program: The reduction will negatively affect our capacity to license, inspect, and investigate cannabis operations, limiting regulatory oversight and enforcement effectiveness.
- Hemp Program: Vehicle reductions in this new and expanding regulatory area will impact compliance monitoring, further stressing the agency's limited transportation resources.

2. Human Resources Support Agreement

Cancellation of the Department of Consumer and Business Services (DCBS) human resource services support agreement prior to the full hiring of internal HR staff may create performance delays and operational risk in critical HR functions, including recruitment, labor relations, and compliance activities.

3. Headquarters Relocation Delay

Deferring OLCC's planned move to the Portland State Office Building (PSOB) until the next biennium will save short-term lease costs but will require the agency to remain in its aging Milwaukie facility. This facility faces significant infrastructure risks—including plumbing, boiler, electrical, and roofing failures—that could lead to costly emergency repairs or operational disruptions.

3. Transferring the Marijuana Testing Lab and Marijuana Policy Coordinator Position to Oregon Department of Agriculture

Transferring the laboratory and policy coordinator position to ODA introduces a new administrative structure that may delay sample analysis, reporting, and issue resolution. Coordination between OLCC and ODA – two separate agencies with different missions, systems, and data platforms – will likely extend turnaround time, reduce agility in responding to compliance or enforcement needs, and potentially decrease responsiveness to emerging public health concerns such as adulterated products.

4. Reduced Revenue-Linked Expenditures

As overall revenue from distilled spirits sales declines, credit card processing fees and agent compensation will proportionally decrease. While these represent cost savings, they also indicate reduced revenues flowing into the state and local funds that depend on liquor sales.

5. Information Technology (IT) Equipment and Lifecycle Management

A reduction in hardware, software, and lifecycle replacement funding poses operational risk. Deferring replacement of laptops and equipment increases the likelihood of failures, cybersecurity vulnerabilities, and reduced staff productivity, particularly during the ongoing enterprise modernization initiative.

6. Personnel Reductions

Delaying hiring or eliminating currently filled positions will significantly impact OLCC's capacity to sustain critical operations and puts major state investments such as the new warehouse, enterprise-wide modernization, and major IT systems essential to improving transparency, accountability, and service delivery at serious risk.

These reductions will:

- Leaving key positions unfilled will slow project timelines, diminish oversight and quality control, and heighten the risk of cost overruns or schedule delays for these high-value investments.
- Redistribute essential duties among remaining staff during a critical modernization period, causing workload strain and fatigue, potentially leading to turnover in critical divisions.
- Reduce responsiveness to licensees, local partners, and the public leading to decreased customer service and increased operational risk.
- Cause backlogs and delays in licensing, permitting, and enforcement activities.

The Oregon Liquor and Cannabis Commission remains committed to maintaining the integrity of its core programs and services, fulfilling its statutory mission, and continuing to generate vital revenue for the State of Oregon. The proposed 5% reduction plan reflects deliberate and balanced decision-making that seeks to align with the Governor's fiscal direction while mitigating risks to public safety, regulatory compliance, and workforce stability.

We appreciate the Committee's consideration and stand ready to provide any additional information or analysis needed to support your deliberations.

Sincerely,

A handwritten signature in dark ink, appearing to read "Trish Hagen", with a long horizontal flourish extending to the right.

Trish Hagen

Chief Financial Officer

cc:

Michelle Deister, Legislative Fiscal Office Analyst

Courtney Rogers, Chief Financial Office Analyst

Oregon Liquor and Cannabis Commission (OLCC)																
2025-27 Biennium																
2025-27 LAB					-	-	-	-	-	-	-					
Detail of Reductions to 2025-27 Legislatively Adopted Budget																
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Priority (ranked most to least preferred)		Agency	SCR or Activity Initials	Program Unit/Activity Description	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	Gov. Reduction Target Yes / No	One-Time Yes / No	Describe the reduction and associated impact on services and outcomes. Please identify the source of Other Funds reductions.
Dept	Prgm/ Div															
Public Safety	Liquor	84500	002	Liquor Public Safety Vehicles			149,000				\$ 149,000			No	Yes	A reduction in vehicles in the liquor public safety department will negatively impact our ability to perform the licensing, inspections, and investigations required to regulate and enforce Oregon's liquor laws and will place additional strain on our aging fleet of vehicles.
Medical Marijuana	Medical Marijuana Administration	84500	004	Medical Marijuana Vehicles			46,000				\$ 46,000			No	Yes	A reduction in vehicles in the medical marijuana program will negatively impact our ability to perform the licensing, inspections, and investigations required to regulate and enforce Oregon's cannabis laws and will place additional strain on our aging fleet of vehicles.
Public Safety	Hemp	84500	004	Hemp Vehicles			289,000				\$ 289,000			No	Yes	A reduction in vehicles for the new hemp program will negatively impact our ability to perform the licensing, inspections, and investigations required to regulate and enforce Oregon's hemp laws and places additional strain on an aging fleet.
Administration & Support	Human Resources	84500	003	Cancellation of DCBS Human Resource Services			40,000				\$ 40,000			No	Yes	Cancellation of the DCBS human resource services agreement before OLCC has hired necessary employees will create delays and risk in the performance of human resource functions.
Administration & Support	Administrative Services	84500	003	Delay Portland State Office Building Move/Lease			620,000				\$ 620,000			No	Yes	Delay the move of HQ to the PSOB until next biennium and save the cost of the lease. This means staying in our aging facility in Milwaukie where there is risk of major system failures such as plumbing, boiler, electrical, and roof.
Administration & Support	Administrative Services	84500	003	Recoup Moving Costs for PSOB			300,000				\$ 300,000			No	Yes	Delay the move of HQ to the PSOB until next biennium. This means staying in our aging facility in Milwaukie where there is risk of major system failures such as plumbing, boiler, electrical, and roof.
Public Safety	Recreational Marijuana	84500	004	Transfer Marijuana Lab to ODA			1,377,268				\$ 1,377,268			No	Yes	Transferring the marijuana lab to Oregon Department of Agriculture will impact OLCC's ability to run detailed levels of analysis in an expedient manner.
Public Safety	Recreational Marijuana	84500	004	Transfer Marijuana Policy Coordinator to ODA			413,638				\$ 413,638	1		No	Yes	Transferring the marijuana lab to ODA would result in the loss of this position.
Distilled Spirits	Retail Services	84500	001	Reduction in Compensation for Bankcard Fees			550,000				\$ 550,000			No	Yes	As we collect less revenue from the sales going through the register, the amount of credit card fees will reduce as well.
Agents Compensation	Store Agents Compensation	84500	005	Reduction in Compensation to Store Agents			6,300,000				\$ 6,300,000			No	Yes	As we collect less revenue from the sales of distilled spirits in the liquor stores, the agents will be paid back less overall in compensation.

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2025-27 Biennium																
2025-27 LAB																
Detail of Reductions to 2025-27 Legislatively Adopted Budget																
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Priority (ranked most to least preferred)		Agency	SCR or Activity Initials	Program Unit/Activity Description	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	Gov. Reduction Target Yes / No	One-Time Yes / No	Describe the reduction and associated impact on services and outcomes. Please identify the source of Other Funds reductions.
Dept	Prgm/ Div															
Agents Compensation	Distillery Agents Compensation	84500	005	Reduction in Compensation to Distillery Agents			900,000				\$ 900,000			No	Yes	As we collect less revenue from the sales of distilled spirits, the agents will be paid back less overall in compensation.
Administration & Support	Information Technology	84500	003	Hardware, Software, & Lifecycle Replacement			700,000				\$ 700,000			No	Yes	Reduction in IT hardware, software, and lifecycle replacement of laptops. The reduction in hardware, software, and lifecycle replacements poses a risk that any hardware that breaks or becomes defective post warranty may not be replaceable.
Administration & Support	Human Resources	84500	003	Vacancy Savings Reduction							\$ 6,822,123			No	Yes	A reduction in vacancy savings at this order of magnitude puts major investments and capital projects like the Warehouse and DSSC at risk. It will result in a decrease in service, fatigue to existing employees, and can impact OLCC's performance of our statutory mission.
							6,822,123				\$ -	TBD				
				TOTAL	-	-	18,507,029	-	-	-	\$ 18,507,029	1	0.00			
Target (5%)					-	-	18,507,029									
Difference					-	-	0									

2025-27 Biennium

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
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Agency	SCR	Program Establishment / Expansion			Program Description	GF	LF	OF	NL-OF	FF	NL-FF	TOTAL FUNDS	Pos.	FTE	Implementation Status
		Biennium	Effective Date	Authorization											
84500	004	21-23	7/1/2021	POP 413	Marijuana - Add (2) additional staff to monitor & develop rules for Hemp derived CBD Inhalant delivery systems			346,147				\$ 346,147	2	1.50	Fully Implemented
84500	004	23-25	10/1/2023	POP 413	Marijuana - additional staff to support the integration of labs to conduct random sampling & testing on marujiana products			965,674				\$ 965,674	3	2.64	Fully Implemented
84500	004	23-25	7/1/2023	POP 418	Establish a testing Lab with the ODA new Lab Facility to provided independent confirmationof private lab results for potency, pesticides & purity of cannabis			1,377,268				\$ 1,377,268			Fully Implemented
84500	003	25-27	10/1/2025	POP 103	Establishes a Help Desk to support OLCC Information Technology Modernization for licensees to better support customers in areas of prcess & policy questions rather than contracting with a service provider.			3,204,953				\$ 3,204,953	17	12.26	Requisition for Hiring of staff & Implementation will begin soon
84500	004	25-27	1/1/2026	POP 105	HB 4121 (2024) establishes a Hemp program to regulate hemp			1,679,593				\$ 1,679,593	7	5.25	Implementation in progress; statute mandates effective date of Jan 1,2026
84500	004	25-27	7/1/2025	POP 104	Additional staff to Improve supervisory ratios in the Recreational Marijuana Program - help improve licensing performance in the Marijuana Division			1,325,381				\$ 1,325,381	2	2.00	Implementation in Progress
												\$ -			
												\$ -			
												\$ -			
												\$ -			
												\$ -			
												\$ -			
												\$ -			
												\$ -			
				TOTAL		-	-	8,899,016	-	-	-	\$ 8,899,016	31	23.65	

Instructions

Column (5) - Authorization should identify the source of the new program or program expansion, which could include enabling legislation, approved policy option package, or administrative establishment.

Column (6) - Program description should include a summary of the program and the expansion (if applicable), including any partner state agencies.

Column (16) - Current status of program implementation should be summarized, including any future budget requests anticipated upon full program implementation.