

ANALYSIS

Item 54: Oregon Liquor and Cannabis Commission Warehouse Management IT System

Analyst: Michelle Deister

Request: Increase Other Funds expenditure limitation for the Oregon Liquor and Cannabis Commission by \$4,783,827 for expenditures associated with the warehouse management information technology project.

Analysis: The Legislature authorized a total of \$27 million in Article XI-Q bonds during the 2021-23 and 2023-25 biennia to finance information technology systems for the Oregon Liquor and Cannabis Commission (OLCC), with an additional \$8 million approved in the 2025 legislative session. Of the \$35 million total, \$25.5 million is associated with a project to modernize the agency's distilled spirits sales, ordering, shipping, accounting, and reporting system, also known as the Distilled Spirits Supply Chain (DSSC) project. Procurement and contract negotiation issues have delayed the DSSC project by several months and as a result, OLCC is requesting an additional expenditure limitation for bond proceeds issued in 2023-25 but not utilized due to the contract delays. The DSSC project is targeted for completion in the spring of 2027.

As part of the 2025-27 legislatively adopted budget, \$6.8 million Other Funds expenditure limitation was included as the projected carry forward of bond funds authorized in 2023-25. However, that amount has been updated based on actual expenditures, and OLCC requires \$4.8 million in additional limitation to allow the agency to fully utilize those bond proceeds in the current biennium.

Recommendation: The Legislative Fiscal Office recommends that the Joint Interim Committee on Ways and Means recommend including an increase of \$4,783,827 in Other Funds expenditure limitation for the Oregon Liquor and Cannabis Commission in a budget reconciliation bill during the 2026 legislative session for expenditures related to the warehouse management information technology project.

Request: Increase the Other Funds expenditure limitation by \$4,783,827 million to carry forward unspent General Obligation Bond proceeds for the Warehouse Management IT system modernization project.

Recommendation: Approve the request during the 2026 Legislative Session.

Discussion: In May 2025, the state issued the XI-Q 2025A General Obligation Bond in the amount of \$16.5 million to support the Warehouse Management IT System. Due to delays in contract negotiations and project start-up activities, OLCC was unable to fully expend the authorized bond limitation during the 2023–25 biennium. When developing the 2025–27 Legislatively Adopted Budget, OLCC estimated that \$6,758,712 would remain unspent at the end of the biennium and included that amount in Policy Package 101 to support continued project implementation. However, final accounting for the 2023–25 biennium showed that the actual unexpended bond balance was higher than anticipated, resulting in an additional \$4,783,827 beyond what was already included in the approved budget.

Approval of the requested expenditure limitation increase would allow OLCC to fully utilize previously issued bond proceeds for their intended purpose without requiring additional bonding, General Fund resources, or changes to project authorization.

Legal Reference: Increase the Other Funds expenditure limitation established by chapter 400, section 1(1), Oregon Laws 2025, for Oregon Liquor and Cannabis Commission, Distilled spirits, Public Safety, Administration and Agency Support, by \$4,783,827 million for the 2025-27 biennium.



Oregon

Tina Kotek, Governor

Liquor & Cannabis Commission

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

Dear Co-Chairpersons:

The Oregon Liquor and Cannabis Commission (OLCC) respectfully submits this Notice of Intent requesting that unused Other Funds General Obligation Bond limitation under the XI-Q 2025A issuance be carried forward into the 2025–27 biennium. The total amount of unused limitation requested for carryover is \$4,783,826.28.

In May 2025, the XI-Q 2025A General Obligation Bond for the Warehouse Management IT System was established in the amount of \$16,500,000.00. Due to delays in contract negotiations and project start-up, the agency was unable to expend the full 2023–25 biennial bond limitation. During development of the 2025–27 Agency Request Budget, OLCC estimated that \$6,758,712.00 would remain unspent at the close of the 2023–25 biennium and incorporated this anticipated balance into Policy Option Package 101 (Warehouse Management System Modernization). However, upon final reconciliation of the 2023–25 biennium, OLCC determined that the actual remaining unspent bond balance was \$11,542,538.28, exceeding original estimates by \$4,783,826.28. This variance was the result of contract negotiation delays extending further into the biennium than previously projected.

To fully support the continuation of the Warehouse Management IT System modernization project, OLCC respectfully requests approval by the Joint Committee on Ways and Means to increase Other Funds General Obligation Bond limitation in the 2025–27 biennium by \$4,783,826.28, representing the difference between the final unspent balance and the amount included in POP 101.

Legislation Affected: HB 5019, Section 1.1

Sincerely,

Tara Wasiak
OLCC Executive Director