BUDGET NARRATIVE

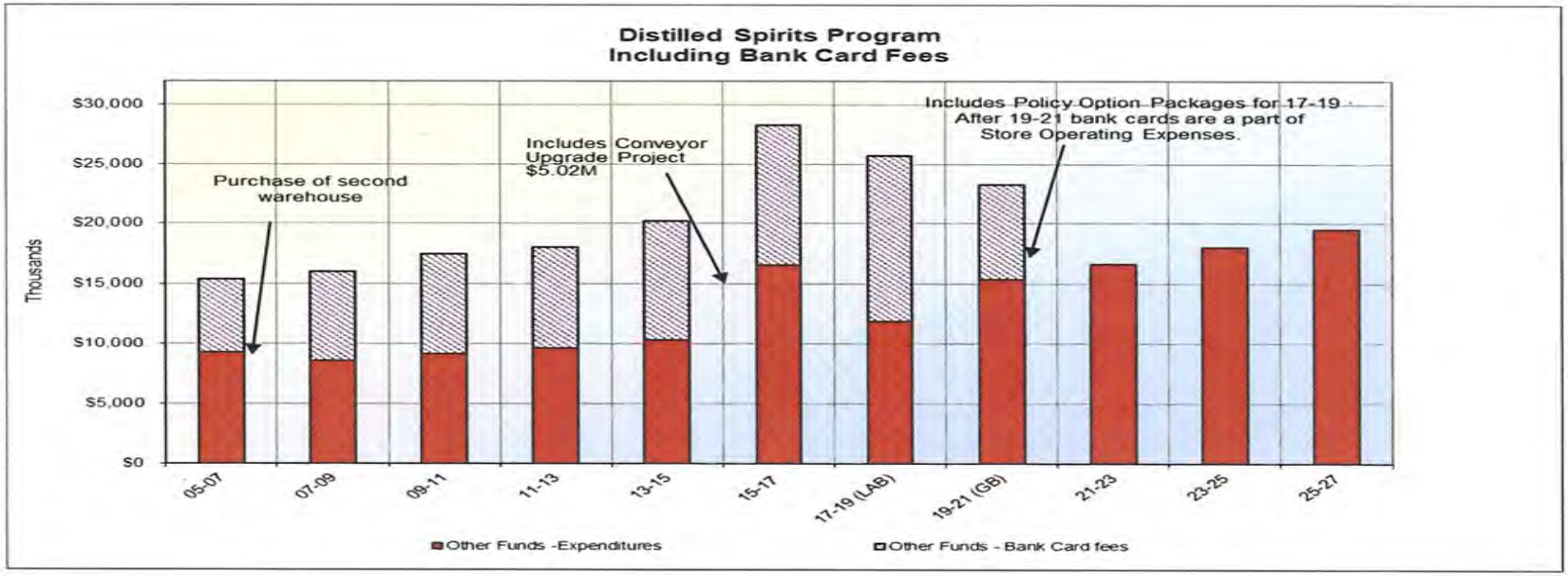
OLCC - DISTILLED SPIRITS PROGRAM - 001
2019-21 BUDGET

PROGRAM UNIT EXECUTIVE SUMMARY

A. PRIMARY OUTCOME AREA Economy and Jobs

B. PROGRAM CONTACT Will Higlin, OLCC Deputy Director, 503-872-5224

C. FUNDS BUDGET AND PERFORMANCE



The bars show OLCC Distilled Spirits (DS) Program's expenditures, separated into bank cards and non-bank card portions. All are funded by Other Funds (OLCC-generated liquor revenues). The line graph shows gross hard liquor (distilled spirits) revenue.

D. PROGRAM OVERVIEW

The Distilled Spirits Program centrally purchases, warehouses and distributes bottled distilled spirits to 267 liquor outlets, making spirits available through OLCC-appointed liquor store agents. In April 2016, as a first step to increase store density to meet population growth and customer convenience needs, the Commission approved, as part of an open recruitment effort, 14 new retail liquor locations to sell distilled spirits in the Portland tri-county area. Eight locations were approved in grocery stores or neighborhood markets and six locations were approved in stand-alone stores. Of the 14 new stores, four were awarded to existing agents. In 2017-19, the Commission continued to appoint new liquor agents throughout the state. To date the Commission has approved a total of 37 new stores; 18 have opened, 13 are in process of opening and 6 have withdrawn. Phase 5 of the expansion was approved at the June 2018 Commission meeting and will focus on the Willamette Valley and northern coast. Targeted expansion will continue during the 2019-21 biennium to support customers and enhance revenue stability and growth. By the end of the 2019-21 biennium, the Commission expects to have close to 300 locations statewide. The state's system supports jobs throughout the distilled spirits production and supply chain, encouraging the development of Oregon's economy, per ORS 471.030, Purpose of Liquor Control Act.

The Distilled Spirits Program also oversees Oregon Distillery Licensees who import, manufacture, distill, rectify, blend or denature distilled spirits that they distribute through OLCC's distribution system or sell directly to customers who visit their tasting rooms. Sales through tasting rooms were first allowed in 2009. There are now 108 Oregon Distiller licensees that collectively operate 89 distillery tasting rooms that report sales.

In large part due to the work of the employees in this program, for 2018, the OLCC was recognized for its outstanding retail innovation and expansion work by StateWays Magazine that awarded Oregon the Best of the Best Retail Innovation Award. This award recognition is given out to U.S. control states or jurisdictions within states.

Historically, the Distilled Spirits Program including Purchasing, Wholesale Services (Distribution Center) and Retail Services has been managed by the Deputy Director but with the expansion of the agency's responsibility for regulating marijuana, OMMP and Hemp, the Director's role has been significantly expanded as it relates to overseeing the agency's overall operations. Improving the agency's bandwidth to elevate the Distilled Spirits Program is an important goal for the commission and agency leadership. The Distilled Spirits Program needs dedicated leadership to focus on the continuation of retail expansion, managing the current and future needs for warehouse space, and replacing current legacy ordering systems to

protect the generation of revenue. Given the high importance of this program to state revenue generation, dedicated strategic business management and planning on a comprehensive basis is a current opportunity for the program. The development and strengthening of OLCC's ability to plan and execute business operations at a high level has been a developmental goal for the Commission since it began in earnest its 2013 retail innovation industry engagement. With the agency growth, the OLCC is now in position to build upon its expertise to enhance operations, provide outstanding customer service, increase the generation of revenue and lay down a continuing path of stable revenue to support public services at the state, county and city levels of government well into the future.

E. PROGRAM FUNDING

The Governor's Budget is $23,293,627 Other Funds limitation for the 2019-21 biennium for this program, with 79.00 FTE and 79 positions.

F. PROGRAM DESCRIPTON

Oregon has created an exceptional system for liquor distribution and sales in terms of choice and selection for the Oregon customer and in its efficient generation of revenue to support public services. The program efficiently makes available more than 2,000 different distilled spirits items every day, plus special orders, using economy of scale and minimal distribution layers. It operates a Milwaukie Distribution Center that safeguards $80 million worth of vendor-owned distilled spirits inventory plus up to $1.0 million in state-owned inventory in the warehouse. It coordinates the appointment of and then oversees contracted liquor agents' operation of the stores located throughout the state, ensuring the quality of services to the public and the more than 4,700 businesses licensed to sell distilled spirits. The program projected to generate $642.1 million in distributions to state and local governments in the 2019-21 biennium making alcohol revenue the State's third largest source of revenue. All of this work and associated benefits is accomplished on a program budget that is 2% of sales, representing an impressive return on investment for this state owned business.

G. PROGRAM JUSTIFICATION AND LINK TO 10-YEAR OUTCOME

The Distilled Spirits Program's linchpin role in the alcoholic beverage industry supports Oregon's economy and job growth. The industry supplies jobs through an entire supply chain – from international distillers to local micro-distillers to local brokers to delivery truck drivers to the owners and servers in the small restaurant in your neighborhood; they depend on OLCC's

reliable management and movement of spirits for their livelihoods. The sale of distilled spirits generates significant revenue that OLCC distributes to the state general fund and to local governments. The total revenue distribution to the general fund, counties and cities in 2019-21 is expected to be $614.2 million. This program contributes to the following strategies:

- Meeting the immediate growing demand for spirits in Oregon and preparing for anticipated 10-year growth,
- Efficiently supplying and supporting local Oregon based businesses including liquor agents, licensees, manufacturers, and distributors, and
- Developing and maintaining regulatory rules that protect public safety and support Oregon's economic development.

H. PROGRAM PERFORMANCE

Biennium	Cases of Spirits Handled, millions	Program Cost per Case (excludes bank card fees)	OLCC KPM, Rate of Return (Distribution per Expenditure)	Distilled Spirits Gross Sales (Millions)
2003-05	4.12	$1.67	$2.70	$598
2005-07	4.73	$1.96	$2.47	$720
2007-09	5.12	$1.67	$2.72	$816
2009-11	5.25	$1.75	$2.73	$858
2011-13	5.70	$1.70	$2.90	$974
2013-15	6.14	$1.73	$2.88	$1,072
2015-17	6.33	$2.62	$2.88	$1,148
2017-19	6.59	$1.74	$2.88	$1,277
2019-21 GB	6.87	$2.17	$2.88	$1,376
2021-23 est	7.22	$2.30	$2.88	$1,463
2023-25 est	7.41	$2.43	$2.88	$1,565
2025-27 est	7.59	$2.57	$2.88	$1,604

The chart above shows the number of cases handled by the program's Distribution Center, in millions; the cost per case handled; the key performance measure of distribution to the state General Fund and local governments per expenditure dollar, and the distilled spirits gross sales dollars (the ultimate output). Actuals are through fiscal year 2017. Projections include the surcharge approved by the Commission on July 26, 2018. The OLCC's rate of return will depend on agency-wide funding levels.

I. ENABLING LEGISLATION/PROGRAM AUTHORIZATION

The OLCC administers Oregon's Liquor Control Act. The OLCC's authority is derived from Oregon Revised Statutes Chapters 471, Alcoholic Liquor Generally; 473, Wine Cider and Malt Beverage Privilege Tax; 474, Trade Practices Related to Malt Beverages; 459A.700 to 74, Beverages Containers; the Bottle Bill, and Administrative Rules Chapter 845.

J. FUNDING STREAMS

The Distilled Spirits Program is funded by OLCC-generated revenue. All revenue received by the OLCC is classified as "Other Funds." Revenues come from liquor sales, license fees and fines, server education fees, taxes on malt beverages and wines (Privilege Tax) and miscellaneous income. ORS 471.805 directs the OLCC to distribute available moneys to the state General Fund, cities, counties, and Mental Health.

K. SIGNIFICANT PROPOSED PROGRAM CHANGES FROM 2017-19

In 2019-21 biennium the program will focus on the following strategic initiatives.

- Optimize staffing levels to meet current distilled spirits distribution demand
- Acquire key equipment to support daily distribution operations
- Increase data analysis and dissemination to improve warehouse efficiency
- Replace current legacy ordering systems to protect revenue

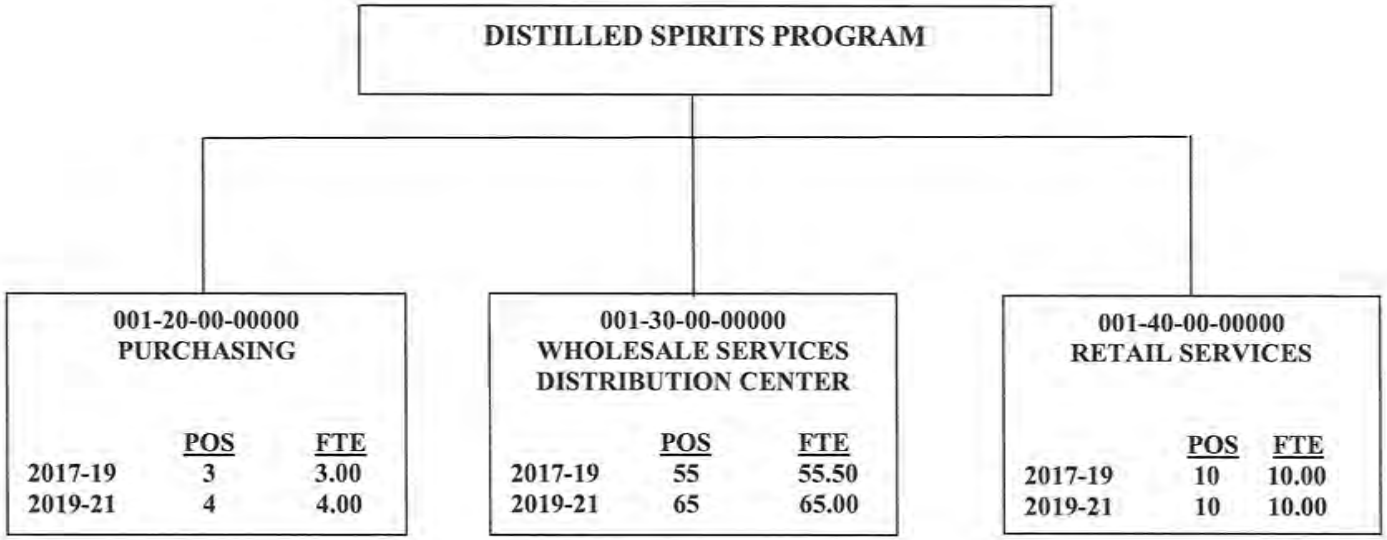
- Target retail market expansion to support customers, revenue growth and stability
- Increase data analysis and dissemination to improve liquor profitability and increase revenue
- Simplify agent compensation formula
- Establish distinct compensation formula for Oregon Distillery agents
- Complete roof repairs and replacement for the main warehouse

The Governor's Budget forecasts $1.5 billion in total gross liquor sales for 2019-21 (excluding surcharge revenue) and a total of 6.9 million cases handled. Approval of Package No. 102, "Distilled Spirits Shipping Capacity and Service Package" and Package 112 "Move Agency Bank Cards to Liquor Store Agents" will make this possible.

Policy Option Packages which support the operations of this program but are included in other program areas involve:

- Policy Option Package 301 "Information Services Enhancement" found in the Administration and Support Services Program-003
- Policy Option Package 310 "Financial Services Staff Fulfillment" found in the Administration and Support Services Program-003
- Policy Option Package 311 "Administration and Communication Outreach, Digital Infrastructure" found in the Administration and Support Services Program-003
- Policy Option Package 203 "Liquor License Fee Increase for Revenue Generation" found in Public Safety Program - 002

OLCC - DISTILLED SPIRITS PROGRAM (001)
2019-21 BUDGET
Organization Chart



OLCC - DISTILLED SPIRITS PROGRAM SUMMARY - PROGRAM 001
2019-21 Budget

A. PURPOSE, ACTIVITIES & ISSUES

Purpose

The Distilled Spirits Program functions are an essential part of the state's strategy to protect the public safety while encouraging economic development, per ORS 471.030. The program makes bottled distilled spirits available for purchase by Oregon's citizens, visitors, and the hospitality industry in a managed, efficient and business-like fashion. The state's distilled spirits retailing system supports the viability of small entrepreneurs, along with the larger hospitality and alcoholic beverage industries, as they create a stable economic and employment base for the state. The sale of distilled spirits generates significant revenue that OLCC distributes to the state General Fund and to local governments.

The Distilled Spirits Program's linchpin role in the alcoholic beverage industry supports the state of Oregon's role in fostering economic growth and jobs. The industry provides jobs throughout Oregon and the entire supply chain – from international distillers to local micro-distillers to local brokers, to delivery truck drivers and liquor store staff, to the owners and servers in the restaurants throughout rural and urban Oregon– they depend upon OLCC's reliable management and movement of spirits for their livelihoods. The Distilled Spirits Program collaborates with producers, wholesalers and independent retailers to provide economic growth and a self-supporting system.

Restaurants and bars – often locally-owned businesses – purchase approximately 24 percent of the spirits sold by the liquor stores. The OLCC contracts with entrepreneurs to serve as agents and operate those liquor stores, stand-alone locations or within another store, which employ hundreds of store clerks statewide. Additionally, the craft distillery industry has been growing in Oregon, and hopes to gain more national momentum and recognition. The OLCC, through its distribution system and its liquor stores, can make sure that these local micro-businesses get an equal footing, alongside national and international brands, on the shelves of Oregon liquor stores.

Activities

To accomplish its mission, the program centrally purchases, warehouses and distributes bottled distilled spirits to the more than 279 approved locations including 86 exclusive stand-alone liquor outlets, and 193 nonexclusive liquor outlets combined with grocery stores, convenience stores, and other retail outlets. In addition, distilled spirits manufactured by Oregon Distillery Licensees are available in 89 tasting room outlets. In April 2016, as a first step to increase store density to meet population growth and customer convenience, the Commission approved, as part of an open recruitment effort, 14 new retail liquor locations to sell distilled spirits in the Portland tri-county area. Eight locations were approved in grocery stores or neighborhood markets and six locations were approved in stand-alone stores. Of the 14 new stores, four were awarded to existing agents. In 2017-19, the Commission continued to appoint new liquor agents throughout the state. To date the Commission has approved a total of 37 new stores; 18 have opened, 13 are in process of opening, and 6 have withdrawn. Phase 5 of the expansion has begun and focuses on the Willamette Valley and northern coast. Targeted expansion will continue during the 2019-21 biennium to support customers and enhance revenue stability and growth. By the end of the 2019-21 biennium, the Commission expects to have close to 300 locations statewide.

The Distilled Spirits Program assists with the Commissioners' appointment of new liquor agents and oversees the opening and operation of retail outlets and distillery tasting rooms. The Commission owns the distilled liquor inventory in agent stores. Liquor agents order inventory from the warehouse; wholesale services distributes the liquor to the agent and then pays the manufacturer for the inventory once it leaves the warehouse. Distillery Licensees distribute their products through the warehouse or make direct sales out of their Distillery Retail Outlets. The Commission does not own the inventory located in Distillery Retail Outlets but pays for the inventory as it is sold to consumers. Through this system, the OLCC provides the public with a varied and balanced inventory of distilled spirits brands and encourages the development and availability of Oregon products. Through oversight of retail operations, the program ensures responsible sales in the retail stores and customer service. Program management collaborates with its varied stakeholders to understand their needs and problem solve constructively together. OLCC partners with liquor stores, distilleries, trade conferences and industry members frequently as part of OLCC's continued outreach focus.

The Distilled Spirits Program provides economies of scale and avoids additional "middle-man" markups by providing both wholesaling and retailing functions statewide. More detailed descriptive narratives on the divisions and functions follow this summary. In addition, please see the Store Operating Expenses Fund, Program 005 section in this budget book.

This division is responsible for the outcomes of: selecting, purchasing, storing and distributing distilled liquor, maintaining shipping lines within the warehouse, managing the selection, contracts and operations of exclusive and nonexclusive liquor agents, distillery retail outlet agents, and the monitoring, tracking, and safekeeping of manufacturer-owned and state-owned inventory.

Issues

OLCC expects a growth rate of 2.5% per year in case sales during the 2019-21 biennium. Customers' special orders for products outside the regular product line continue to be a small but significant portion of sales. For 2017, OLCC processed more than 22,000 special orders of 2,100 items. The trend of gaining dollars per case is a good one for both the generation of revenue and for social concerns. The availability of over 4,100 product skews with over 22,000 special orders a year marks this system as a world class one for consumers and Oregon represents one of a few very large, one stop, national markets for World-wide manufactures and brokers of distilled spirits.

The program continues to respond to today's marketplace. About 30 years ago, Oregon had one liquor store for every 12,000 Oregonians. Until its recent open recruitment process, the Commission operated 248 liquor outlets, with a 1 to 16,000 ratio of stores to state population; however, in some areas of the state that ratio was as high as 1 to 25,000. In addition, Oregonians have grown more sophisticated and have greater demand for modern, consumer-friendly shopping and higher levels of convenience than ever before. This combination continues to present a unique opportunity for the Commission to increase store density while exploring new and innovative business models to meet the state's highly convenience-driven market. To date the commission has 267 operating liquor stores and 13 stores that are in various stages of opening, bringing the ratio to one liquor store for every 14,800 Oregonians. The Commission will continue to strategically expand stores to support customers and enhance revenue stability and growth during the 2019-21 biennium as in five years the ratio would be one liquor store for every 16,400 Oregonians if no further stores are approved. Of the 18 stores that have opened $27.0 million in sales have been generated; however existing agents saw a reduction in sales of $5.4 million. The net gain in sales is $21.6 million.

The staff evaluates each applicant based upon their knowledge related to liquor and/or alcohol sales, retail business experience, retail operations, merchandising, business management, customer service skills, supervisory ability, financial condition, proposed location's impact on current liquor agent(s), business plan, and expected consumer sales. The final number of new stores approved depend upon the staff review and prospective agent presentations to OLCC Commissioners. The OLCC Commissioners consider and balance presentations and the competition for stores and locations with the quality of the applications, community need, and potential impact on existing liquor stores. The results of expansion are impressive in terms

of growth in markets and reflect the care the Commission has for minimizing the impact on existing liquor agent stores while capturing growing market opportunities. The existing liquor agents are the foundation of Oregon system of sales and the commission is highly aware of their responsibility to provide existing agents every chance for business success in the marketplace.

To respond to a growing population and its interest in spirits and with OLCC removal of old compensation formula disincentives related to store classifications changes, system wide OLCC agents are now investing in upgrading their stores and the quality of the consumer shopping experience. Agents are moving to larger stores and to better locations and making the choice to drive more customers to their stores by expanding into non-exclusive stores that sell beer and wine. They are designing spaces to accommodate growler and distilled spirit in-store tastings. These are all exciting system improvements that are reaching out to and being noticed by the Oregon consumer.

The OLCC continues to make policy changes to support new business models to give liquor agents more flexibility in the types of alcoholic beverage they carry in their stores and the services they provide. These investments and changes are focused on customers' desires for more convenience and the agents desire to increase sales by improving the overall shopping experience. Popular legislative and administrative rule changes have created a foundation for the exciting amount of new investment in agent stores, like the decisions to allow agents that sold spirits to become non-exclusive and be licensed to also sell beer and wine (and thus fill growlers). And the legislature and agency have catered to our home grown manufactures of distilled spirits by advancing the new distillery special events license, allowing distillery agents to sell spirits in multiple locations, and expanding free tastings of distilled spirits. All of these actions have helped to foster agent and distillery agent growth in sales and compensation — and for the state, increased revenue.

Success in increasing case sales volume puts more pressure on the Distribution Center infrastructure. A major issue facing the OLCC's Distilled Spirits Program is how to manage resources and gain efficiencies to keep pace with the changing, growing, and flexible marketplace while working within the comparatively static state budget framework. The more responsive and timely the OLCC can meet marketplace demands and changes, the more efficiently the system can meet liquor agent, customer and industry needs. If OLCC does not have an adequate infrastructure and the resources to meet consistent case growth, then the state risks losing potential distilled spirits sales revenue

The OLCC has continued to improve processes and add equipment to gain efficiencies to keep up with demand. In 2015-17, legislators allocated $5.01 million in capital expenditure to modernize the conveyor system to allow for simultaneous order fulfillment and shipping through multiple doors, in less than a week of operations, the system generated the income to pay for this vital capital investment. This investment increased shipping capacity through the addition of conveyors and software used

to merge, identify and separate products at the point of shipping. The conveyor project, which became operational in July 2016, reconfigured the distribution center warehouse to remove constraints that only allowed shipping through one door at a time. With the new system the bottleneck which limited shipping capacity was eliminated; orders are processed through up to four doors at a time. The recent installation of the upgraded conveyor system is anticipated to accommodate the previous outbound shipping constraints, however, as new stores are added, and workers load three trucks at a time, both demand increases and the speed of operations during a shift increase. To gain the productivity improvements the system is capable of and to provide for efficient operations, more staff and equipment is need to load and replenish the warehouse during the same shift. The agency has relied on temporary workers in the past, but it is now looking to add regular staff to match the new pace of business in the warehouse.

In addition to liquor stores, Oregon has seen tremendous growth in the number of distilleries. Legislation in 2013 and 2015 increased the privileges and the number of permitted distillery agency locations which allows Oregon distillers to sell from multiple locations. Since the inception of distiller agency sales in 2009, the annual rate of sales has grown at an annual rate of 29% per year, grossing $18 million by the end of the 2017-19 biennium. The number of distiller agent tasting room locations has grown to 89 which now sell distilled spirits. Distillery agents are currently self-reporting sales and are not audited. Annual sales from distillery agents are projected to be $8 million, or $16 million in the 2019-21 biennium which represents significant revenue for the state. The state system needs to be tailored to issues that make distillery agents different than retail agents and the OLCC is working on providing recognition of these differences in business in the way it allocates compensation, in contracting with distillery agents. OLCC is gearing up to focus on accounting and financial transactions and requirements OLCC places on distillery agents reporting to ensure it is simple, aligns with industry practices and meets the state's obligation to collect funds from the transactions of sales. This budget takes steps in that direction and the OLCC is taking steps to work with industry leaders to educate and harmonize necessary changes that match the growth of these important Oregon businesses.

The expansion of liquor stores, increased sales volume, has created stresses on OLCC resources to effectively optimize revenue as it manages, supplies, and accounts for state liquor inventory. The agency has identified key program focuses that will all address state requirements or that seek to improve the productivity of the agency to match its responsibility for management, innovation, and stable revenue growth into the future. At the center of this is the need to align management to the this important mission ahead and OLCC is looking to add a high-level manager whose daily focus is responsibility for managing the overall spirits program, developing regularly business plans with goals for productivity, and to help the agency leadership and commission adopt strategies to achieve the financial and modernization efforts identified in plans. The agency has been moving toward forming a base for stronger and dynamic leadership of the spirits program. Though its last budget approval, the OLCC increased its capacity to analyze business systems, information used to make efficiency gains in operations and grow revenue. Now OLCC is looking to focus this anticipatory work by creating a position for overall

management of the spirits program. This position is vital to making as much progress as possible on the identified key program focuses for the 2019-2021 budget period.

In 2019-21 biennium the program will focus on the following strategic initiatives.

- Optimize staffing levels to meet current distilled spirits distribution demand
- Acquire key equipment to support daily distribution operations
- Increase data analysis and dissemination to improve warehouse efficiency
- Replace current legacy ordering systems to protect revenue
- Target retail market expansion to support customers, revenue growth and stability
- Increase data analysis and dissemination to improve liquor profitability and increase revenue
- Simplify the agent compensation formula
- Establish a distinct and separate compensation formula for Oregon Distillery agents
- Complete roof repairs and replacement for the main warehouse

The Governor's Budget forecasts $1.5 billion in total gross liquor sales for 2019-21 and a total of 7.4 million cases handled. Approval of Package No. 102, "Distilled Spirits Shipping Capacity and Service Package" and Package 112 "Move Agency Bank Cards to Liquor Store Agents" will make this possible.

Policy Option Packages which support the operations of this program but are included in other program areas involve:

- Policy Option Package 301 "Information Services Enhancement" found in the Administration and Support Services Program-003
- Policy Option Package 310 "Financial Services Staff Fulfillment" found in the Administration and Support Services Program-003
- Policy Option Package 311 "Administration and Communication Outreach" found in the Administration and Support Services Program-003
- Policy Option Package 203 "Liquor License Fee Increase for Revenue Generation" found in Public Safety Program - 002

The structural components of the program are:

Purchasing *(subprogram 20)* staff works closely with Retail Services Division staff to provide distilled liquor to customers. Purchasing staff order bottled spirits produced throughout the world, and make sure the emerging Oregon craft distillery industry is represented in the state inventory lineup. Staff continuously monitors trends in sales, review new liquor items to add to the line, and identify slow-selling products to eliminate from inventory. They work closely with industry representatives to stay informed about new products and trends.

This division is responsible for the outcomes of: purchasing distilled liquor, maintaining product in-stock levels, filling exclusive and nonexclusive liquor store requests, managing product lines, and assuring that a variety of products including Oregon craft products are available to consumers state-wide.

The Wholesale Services Division *(subprogram 30)* staff manages the OLCC distribution center for distilled spirits and provide customer service to the exclusive and nonexclusive retail liquor stores. The distribution center is comprised of two warehouses in Milwaukie, creating efficiencies by providing centralized distribution and warehousing services for the state liquor operation. The center manages the liquor shipments ordered by Purchasing; its crews receive and store the products, fill merchandise orders, and ship products coordinating with common carriers to receive and ship millions of cases of liquor a year. They keep the inventory secure in the bailment warehouses. The bailment warehouse is a staging area for inventory of manufacturer-owned high demand products. OLCC pays for the manufacturer owned inventory when it is ordered by and shipped to liquor agents. The distribution center staff settles claims for any damaged and defective goods returned by stores.

This division is responsible for the outcomes of: receiving, storing, and shipping distilled spirits, maintaining shipping lines, verifying and maintaining inventory records and control, and providing for the security of manufacturer-owned and state-owned inventory.

The Retail Services Division *(subprogram 40)* oversees the operation of the liquor stores and distillery outlets. Retail Services staff work closely with exclusive and nonexclusive liquor store agents and distillery outlets so they know how to apply liquor regulations and retail operating procedures to their store operations. Staff assists them in managing the state-owned liquor inventory in the stores, to make a variety of products, including Oregon products, readily available to customers. The liquor agents receive monthly compensation payments that they use to fund the stores' operating expenses. Distillery outlet agents track sales and remits to the state mark-up on each bottle sold. The OLCC does provide some specific supplies to the stores; these OLCC expenses, associated with supporting liquor stores, appear in Liquor Sales Support, subprogram 42.

This division is responsible for the outcomes of: overseeing the selection, contracts, and operations of the 279 approved exclusive and nonexclusive liquor stores located throughout Oregon and the onboarding of new liquor and distillery agents. The number of liquor agent locations is expected to increase up to 300 by the end of the 2019-21 biennium. The number of distillery agents is expected to continue growing. When the OLCC completes the fifth and final phase of expansion in the 2017-2019 budget period, a slower pace of adding retail to the system in the 2019-2021 budget period will depend upon the quality of the applicants, community need, and potential impact on existing liquor stores. The system will only expand on a specifically targeted basis in the near future, after Phase five of the current expansion process is completed.

B. BACKGROUND

In 1933, the Knox Act created the alcohol "control system" in Oregon. This state chose a control system to make alcohol available in a regulated, managed environment, and to avoid the abuses that led to the national Prohibition movement. Since the Knox Act, Oregon's system has evolved in response to changing environments. The original retail system, with its larger stores operated by state employees, was converted to a completely exclusive and nonexclusive agent-run system by the early 1980's. With Measure 5 reductions to this program in the 1990's, the program began in earnest to reduce administrative costs by reassigning OLCC staff duties, streamlining, and incorporating more efficient, modern technology. The program continues to contain administrative costs increases through implementing greater efficiencies.

The Distilled Spirits Program continues to focus on modernizing operations, meeting higher customer expectations, and responding to industry's long-term growth trends. OLCC has been revitalizing its product selection processes, managing the product line to be more responsive to the market and carrying more variety and enhancing its distribution center's systems and equipment, relying more on electronics, computerization and automation to gain efficiencies while minimizing needs to increase staffing levels. Examples include: acquiring a second warehouse to store most of its bulk case storage and make room for efficiencies from adding conveyors in the first warehouse, raising OLCC's expectations of agents in their choice of store locations and appearance to meet customers' expectations, creating incentives for excellent liquor store operation (e.g., allowing appointment of outstanding agents to more than one store location), adding liquor stores in underserved areas, giving liquor agents more professional education and data on how to meet customers' growing expectations, allowing non-licensee customers to use bank cards in liquor stores, applying the Oregon liquor store model to new situations (satellite locations and corporate agents), and changing organizational structures to enable divisions to work more effectively with each other. In 2015-17, legislators allocated $5.01 million in capital expenditure to modernize the conveyor system to allow for simultaneous order fulfillment and shipping through multiple doors. This investment increased shipping capacity through the addition of conveyors and software used to merge, identify and separate products at the point of shipping. The conveyor project, which

became operational in July 2016, reconfigured the distribution center warehouse to remove constraints that allowed shipping through only one door at a time. The legislators also allocated $4.2 million total capital expenditure for Phase I of the roofing project, HVAC, and related items for the McLoughlin and Milport facilities. Continued investment in facilities, technology and staff are critical to preserving and growing the State's distilled spirits revenue stream.

C. EXPECTED RESULTS

This program is focused on the effective and efficient sale and distribution of distilled liquor throughout Oregon. Management oversight of exclusive and nonexclusive liquor agents, distribution processes, and meeting consumers' demands are key activities. The Distilled Spirits Program plans to achieve the primary goals as outlined in the subsequent subprogram narratives, in doing so, the division is focused on specific results including:

- **Preserving a growing revenue stream.** The program will enhance revenue to the state general fund, counties and cities, by utilizing technology and modern warehouse processes to meet current and expected consumer demand over the next 10 years in a cost effective manner.
- **Managing distilled liquor inventory.** The program will continue to effectively supply exclusive and nonexclusive liquor stores in a timely fashion without paying for excess inventory.
- **Providing for statewide selection of distilled spirits**. The program will assure that a wide variety of distilled products, including Oregon products and special orders, are available timely statewide at a consistent price.
- **Supporting Oregon economic growth.** The program supports the development and success of multiple small businesses including manufacturers of Oregon craft beverage products.
- **Applying distribution industry best business practices.** The program will utilize enhanced distribution technology to deliver products in a way that effectively manages costs.
- **Providing superior, high quality customer service**. The program will continuously respond to the evolving needs of stakeholders – consumers, agents, licensees, suppliers, and government.
- **Protecting the public and consumers from harm.** The program will continue to train and provide oversight on Liquor Law compliance in the existing 267 exclusive and nonexclusive agent-operated stores and focus on education and training for the new agent-operated stores that are forecasted to become operational by the end of the 2019-21 biennium.

The program will provide the buying public and licensees from the hospitality industry up to 300 exclusive and nonexclusive agent-operated liquor stores across the state. In 2017, the OLCC distribution center carried more than 2,000 listed items throughout Oregon and filled more than 22,000 special orders of 2,100 additional products. OLCC anticipates the product line will continue to grow, adding up to another 400-500 items in 2019-21 to meet consumer demand. The dual pressures of adding inventory for new stores and the growth in product offerings and Oregon distilleries will require constant review of sales data in order to maximize limited warehouse space and maintain profits while supporting Oregon distilleries and meeting consumer demand for variety.

The OLCC has used the following measures to evaluate how well the Distilled Spirits Program provides retail and wholesale functions:

- *Cases handled* – the number of liquor cases handled daily per distribution center staff
- *Stock availability*– rate of product in-stock availability in the distribution center when an order is placed by a liquor agent
- *Inventory turnover* – number of turns of product inventory
- *Agents' evaluation* – percent of liquor agent annual performance evaluations that receive an "outstanding" score.
- *Net profit margin* – the net profit margin of OLCC Distilled Spirits Program

The Commission extended the surcharge of 50 center per bottle for 2019-21 at the July 26, 2018 Commission meeting. The Agency Request Budget forecasts $1.45 billion in total gross liquor sales for 2019-21 and a total of 7.4 million cases handled. Approval of Package No. 102, "Distilled Spirits Shipping Capacity and Service Package" which addresses the need for management, logistics and warehouse staff will make this possible.

D. REVENUE SOURCE

The Oregon Liquor Control Commission is 100 percent Other Funded and generates revenues from the sale of distilled spirits, license fees and penalties, privilege tax paid on the sales of beer and wine and other miscellaneous sources. The OLCC collects this revenue in accordance with ORS Chapters 471 and 473.

E. PROPOSED LEGISLATIVE CHANGES

There are no proposed legislative changes.

BUDGET NARRATIVE

OLCC - PURCHASING - SUBPROGRAM 20
2019-21 Budget

A. PURPOSE, ACTIVITIES & ISSUES

The Purchasing Division is responsible for ensuring that adequate, appropriate inventories and a varied selection of liquor products, including Oregon-produced distilled spirits, are available to meet customer demand. This function is a vital component of the system that makes distilled spirits available to Oregon consumers. OLCC division staff monitors changes in the suppliers' product lines and manages the OLCC product line. Staff determines OLCC order quantities by regularly reviewing sales history, sales forecasts, inventory on hand and order quantities, and service level expectations. They maintain liquor price quotes from suppliers and supplier discount offers and post the state's retail liquor prices.

The division continues to look for ways to enhance customer service and meet consumer needs in this growing and increasingly sophisticated and varied distilled spirits market place. It looks to make up-to-date product information more readily available and accessible to liquor agents (retail liquor store contractors) and the general public. As part of this effort, the program designed a technology system to capture liquor store distilled spirits retail sales information more frequently by item, on a daily basis. With this up-to-date information, the OLCC has significantly improved service to customers by letting the public search through the OLCC website www.oregonliquorsearch.com to see which products are in stock and at which stores, statewide. The site now shows photos of products, as well. The division will continue to develop ways to make information more readily available and useful.

This division is responsible for the outcomes of: monitoring changes in the suppliers' product lines, managing the OLCC product line, reviewing sales histories, forecasts, managing inventory, obtaining liquor price quotes and posting liquor prices.

B. BACKGROUND

The powers and duties of the OLCC are defined in ORS 471.705 through 471.810. Under these statutes, the OLCC is authorized to control the manufacture, possession, sale, purchase, transportation, importation and delivery of distilled spirits (ORS 471.730). The OLCC is also authorized to set retail prices for distilled spirits (ORS 471.745) and to have, in stores and warehouses, the quantities and kinds of product reasonably required to supply the public demand (ORS 471.750). ORS

471.030 (2) clarifies that the policy of this state is to encourage the development of all Oregon industry; the division looks to see that Oregon-produced spirits are represented in its line, no matter how small an Oregon craft distiller might be.

The distilled spirits industry continues its trend to introduce many new products, such as higher-priced specialty items. Customers have responded enthusiastically to the greater diversity of products. Because the suppliers continue to own most of the product in the OLCC bailment distribution center and the state owns the inventory in the retail stores, the contracted liquor agents can afford to carry an excellent and varied selection of products, often more than most stores carry in open, or privatized, states; they are not limited to the largest sellers with the greatest turnover. They can also afford to carry products of small Oregon craft distillers. The OLCC continues to expand its product line in response to the industry's creation of new products and the growing Oregon craft distillery industry. In 2017, the OLCC distribution center distributed more than 2,000 listed items and more than 22,000 special orders of 2,100 additional products. OLCC anticipates the product line will continue to grow, adding up to another 400-500 items in 2019-21 to meet consumer demand.

By continually evaluating the product line, the division provides the public with new liquor products as they are introduced, and eliminates non-performing items. This helps ensure the state's investment in liquor inventory will optimize profits for the state, customers have the products they desire, and the OLCC encourages Oregon economic development. The dual pressures of adding inventory for new stores and the growth in product offerings and Oregon distilleries will require constant review of sales data in order to maximize limited warehouse space and maintain profits while supporting Oregon distilleries and meeting consumer demand for variety.

In the 1993-95 biennium, the OLCC converted to a bailment warehouse system. The OLCC does not pay for the liquor until the product is shipped from the warehouse to agents or a case is opened. The manufacturers own the distilled spirits under bailment; they are stored in the bailment warehouse prior to their sale to the state. Under this system, suppliers stock merchandise in the physical OLCC distribution center warehouses. Holding large stocks of state-owned inventory in the warehouses is minimized this way. In most instances, the OLCC purchasing staff sends suppliers suggested bailment replenishment notices rather than purchase orders. Then staff withdraws stock from bailment as needed for the OLCC to fill retail store liquor orders. Twice a month, after orders are shipped, the OLCC sends combination purchase order/invoices to the suppliers notifying them of items withdrawn from bailment that are due to be paid.

The Purchasing Division continually seeks more efficient ways of doing business and using technology to avoid needing more purchasing staff despite increased number of items, a growing complexity in the marketplace, and increased product demand.

BUDGET NARRATIVE

C. EXPECTED RESULTS

The efforts of the Purchasing Program result in liquor store orders filled in a timely manner as requested and customers who consistently find a wide variety of distilled spirits including Oregon products when shopping at the stores throughout Oregon. The goals of the division include:

- **Provide for statewide selection of distilled spirits**. The program will assure that a wide variety of distilled products, including Oregon products and special orders, are available statewide and in a timely manner at a consistent price.
- **Support Oregon economic growth.** The program supports the development and success of multiple small businesses including manufacturers of Oregon craft beverage products
- **Provide superior, high quality customer service**. The program will continuously respond to the evolving needs of stakeholders – consumers, agents, licensees, suppliers, and government.

D. REVENUE SOURCE

The Oregon Liquor Control Commission is 100 percent Other Funded and generates revenues from the sale of distilled spirits, license fees from alcohol and penalties, privilege tax paid on the sales of beer and wine and other miscellaneous sources. The OLCC collects this revenue in accordance with ORS Chapters 471 and 473.

E. PROPOSED LEGISLATIVE CHANGES

There are no proposed legislative changes.

BUDGET NARRATIVE

OLCC - BANK CARDS - SUBPROGRAM 24
2019-21 Budget

A. PURPOSE, ACTIVITIES & ISSUES

Since the 1995-97 biennium, the Legislature approves funds in the OLCC budget for liquor stores to accept bank cards; liquor store customers may choose to use their bank cards (credit and debit cards) when they shop in liquor stores. OLCC pays the bank transaction fees and the rental charges for bank card processing equipment in the liquor stores. This funding supports a popular convenience for over-the-counter liquor store customers. These funds are limited; however, a conversion to nonlimited would recognize that bank card fees and expenses are variable costs correlated with sales and independent purchase decisions by customers; those costs are an expense of doing business and outside of OLCC's control. If bank fees were nonlimited, then the OLCC would have had funding immediately available for bank card expenses at all times, even as they vary during the biennium.

The OLCC's bank card-related expenditures will grow even more as new liquor outlets are added statewide and the sales of distilled products grow. Bank-fee expenditures vary depending on how many customers use bank cards and the nature and volume of their purchases. Customers' bank card use continues to increase as a percentage of overall liquor sales. In fiscal year 2000, bank card sales were 28 percent of total consumer sales. By fiscal year 2007, they had grown to 57 percent. For fiscal year 2017, bank card sales are 73% percent of total consumer sales. Consumers continue to shift towards bank cards and away from cash/checks due to the convenience of cards and an increasingly electronic society. Customers using cards also tend to buy higher-priced liquor products than customers using cash or checks, bolstering liquor revenues. OLCC expects these trends to continue into the future. The OLCC's bank card expenses are a function of customers' choices when buying distilled spirits, and varies accordingly.

Credit card fees are a cost of business for retailers and the state of Oregon pays those fees; however, accurate accounting for which credit card fees to pay is an emerging issues as retail stores increasing sell products other than distilled spirits. Historically, credit card rates and allocated credit card expenditures for an expected product mix are determined at the start of an agent's contract; however, over time the agent's actual product mix and rates have changed. Using predicted credit card usage rather than actual usage was designed to simplify accounting however over time it has resulted in unequal treatment between agents and potentially under paying or over paying of specific agents. Agents are distinct private businesses and the

agency is proposing the agents, like other private businesses pay for the cost and continue to save the state from the significant accounting reconciliation created by the reimbursement of credit card fees. To preserve equity and cover these real business costs, the OLCC is proposing to shift funds paid for credit card fees to compensation. This will fix the inequities and work associated with historical credit card payments.

Policy Option Package 112 "Move Agency Bank Card Costs" keeps the responsibility for contracting for merchant services with the state but transitions the responsibility for credit card fees to the agents. Agents are made whole by shifting the state's allocation for credit card fees to agent compensation.

B. BACKGROUND

Before the mid-1990s, liquor stores did not accept any bank cards. A 1993 legislative budget note directed the OLCC to study bank cards during 1993-95. The OLCC did a pilot study, developed a plan, and projected revenue and expenditure effects. Based on that information, the Legislature approved $425,000 to phase in implementation during 1995-97. The OLCC projected that additional revenue would offset both one-time implementation and ongoing operating costs, because customers tend to buy higher-priced products when using bank cards. The Legislature approved the funding if the liquor commissioners would approve an administrative rule change to allow stores to accept the cards. The liquor commissioners approved the rule change on April 25, 1995. By the end of fiscal year 1996, all stores choosing to be in the program received equipment and training and started accepting bank cards.

From the beginning, bank cards were popular with customers and today, most customers pay with debit or credit cards. In 1999, bank card expenses were non-limited and in 2005, they were limited. Consumer trends in use of debit and credit cards has continued to grow, consequently since 1998 the OLCC has needed to request additional limitation authority from the Emergency Board to pay the transactions fees. The Emergency Board has used increases in liquor sales revenue to pay for the bank card transactions that helped to fuel that revenue increase.

C. EXPECTED RESULTS

For 2019-21, the OLCC will continue to allow customers to use alternative methods of payment, by enabling liquor stores to accept Visa, MasterCard, Discover and debit cards as demanded by the retail customer; however, if Policy Option Package 112 is accepted, the funds typically spent on credit card fees will be shifted to agent compensation, and agents will pay their actual

costs. The OLCC will no longer need to request Emergency Board authority to cover these costs if actual sales are higher than forecasted.

D. REVENUE SOURCE

The Oregon Liquor Control Commission is 100 percent Other Funded and generates revenues from the sale of distilled spirits, license fees from alcohol and marijuana, penalties, privilege tax paid on the sales of beer and wine and other miscellaneous sources. The OLCC collects this revenue in accordance with ORS Chapters 471 and 473.

E. PROPOSED LEGISLATIVE CHANGES

There are no proposed legislative changes.

BUDGET NARRATIVE

OLCC - WHOLESALE SERVICES - SUBPROGRAM 30
(DISTRIBUTION CENTER)
2019-21 Budget

A. PURPOSE, ACTIVITIES & ISSUES

The OLCC operates a distribution center for centralized distilled spirits distribution and warehousing services for the state liquor operation. This centralized distribution function enables economies of scale for the OLCC's wholesale services, which support the retail store functions. Responsibilities of the division are to manage and execute effectively and efficiently these functions: receiving and storing all incoming shipments of distilled spirits to the state of Oregon, verifying and maintaining accurate records of product shipments, participating in inventory control, ensuring security for inventory, scheduling order-picking sequence and pick orders, and shipping distilled spirits via common carrier to all Oregon exclusive and nonexclusive retail liquor stores.

The distribution center has been handling more cases, more diverse product lines that suppliers are offering, and an increasingly larger number of stocked liquor items. Customers desire more specialty holiday items and Oregon produced products. The program encourages the development of the Oregon economy by carrying products from Oregon distillers. Even though the total number of bottles may be small, the center carries a wide variety of products from the growing number of Oregon craft distilleries. The Wholesale Division supports this growing industry by splitting and repacking cases to send even single bottles to liquor stores throughout Oregon. This service is more expensive than shipping cases, but it is an important service for the delivery of specialty and craft products, assisting smaller agents in managing their inventory, and reducing state-owned inventory. Maintaining adequate product selection and quantities is important to fill liquor store orders, meet consumer's needs, and encourage the development of small, growing Oregon distilleries.

In 2014 the OLCC calculated the limitations in the physical plant would ultimately hold OLCC back from meeting future demand. In the 2015-17 biennium the legislature allocated $5.01 million to add additional sorting conveyors and equipment to expand the shipping capacity of the Milwaukie site to increase the efficiency of the product fulfillment cycle, and meet the shipping needs of the distribution center for the next ten years. The conveyor expansion project was completed in July 2016. Warehouse space will become a premium to keep up with the growth in Oregon distillers, new product offerings, and as more stores are added requiring additional stocks.

The legislature also allocated $4.17 million to cover Phase I costs for roofing and related items of the Milport and McLoughlin Warehouses. Phase I of the roofing project uncovered unexpected dry rot throughout the beams and ledgers of both the Milport and McLoughlin facilities, requiring replacement and unexpected costs to meet building official safety requirements.

This division is responsible for the outcomes of: receiving and storing distilled spirits, inventory control, scheduling warehouse order fulfillment, and shipping distilled spirits via common carrier.

B. BACKGROUND

The OLCC maintains and operates a centralized distribution center in Milwaukie. The distribution center has two warehouses– the first, a 124,000 square-foot main warehouse/shipping center and the second, a 106,000 square-foot "Milport" storage warehouse. The first warehouse was filling beyond capacity because of the growing business. OLCC bought the second Milport warehouse in 2007. OLCC then moved most of its manufacturer-owned bulk case storage to the second warehouse. Moving manufacturer-owned product to the second warehouse created room in the main warehouse for another full-case conveyor line and a longer split-case (repack) conveyor, which improved shipping efficiencies. OLCC staff move product as needed between the buildings.

Both warehouses have floors arranged in a grid system similar to blocks and streets in a town. This grid system is used to assign each space a unique storage address, a location identification number. With the addition of the new sorting conveyors, in July of 2016, three of the main warehouse's four conveyors, as well as the storage system, are laid out according to product demand and efficiency. Warehouse management system (WMS) software keeps track of all products and their locations, using secure radio frequency (RF) technology across both warehouses. The Warehouse Control Software (WCS) is designed to optimize productivity of the conveyor system and streamline product flow. The liquor industry nationally, and the OLCC distribution center, relies more and more on electronic systems for product movement. SCC/UPC (shipping container code/universal product code) bar coding is the language of the industry for ordering, shipping, and receiving, eventually replacing the proprietary packaging labels the OLCC still relies on to identify cases of liquor.

In 2002-03 staff modified the existing computerized merchandising business system (MBS), improving operating parameters. The MBS system allows the OLCC to electronically receive goods into either warehouse and identifies storage locations while staff are moving product off the floor. They can identify storage locations and process orders without using a paper-based process. In 2015-17 the Office of Information Services eliminated an antiquated COBOL-based system that was part of OLCC's Merchandising Business System (MBS) -- the primary operations system for the OLCC distilled spirits business

resulting in $1.45 billion in gross revenue from total liquor sales. The profits from these sales are distributed to the state and local government to support critical programs like schools, public health, and police. The old MBS was severely out of date, but the current system is still in desperate need of modernization to support a growing distilled spirits industry. MBS is one of many outdated programs that are intertwined with financial, manufacturing and liquor store systems to keep OLCC's distribution center functioning. The entire breadth of legacy programs supporting the Distilled Spirits Program needs to be modernized and integrated into a supportable and reliable system to safeguard the state's third largest revenue source.

OLCC is in need of an integrated and flexible end-to-end web software solution to replace inefficient and disjointed legacy Distilled Spirits Distribution, Marijuana, and Alcohol program technology solutions which include:

- Beer and wine privilege tax
- Marijuana and liquor licensing
- Online fee collection
- Inventory tracking
- Case management
- Enforcement
- Distilled spirits supply chain
- Retail liquor store management

To meet these needs OLCC requested Policy Option Package 301 "Information Services" found in the Support Services Program – 003. This package request staff and funding to support the critical IT needs of the agency. The package requests funding to add one data base architect, two technical project managers, one quality assurance and automation developer, one businesses systems analysts, and three systems developers, replacement of outdated network equipment, and funding for future software development projects for alcohol warehouse management, licensing and financial management and marijuana licensing, enforcement and supply chain tracking.

Picking, assembling, verifying, and delivering complex orders to waiting trucks happens at an average rate up to 1,800 cases per hour (up from 1,000 cases) at peak capacity. With the old system, workers would pick orders in sequence, one at a time. With the new system, workers pick multiple orders at the same time on each of the fours conveyors, lessening travel distances between orders, gaining efficiency and improving labor utilization. The installation of the upgraded conveyor system has mitigated the out bound shipping constraints allowing more cases of liquor to be shipped in each shift, however, keeping the new system supplied with product continues to be a challenge as new liquor outlets come on line and consumer demand

increases, resulting in a 14% increase in demand for distribution. Speed is important to the efficiency of each worker shift. The addition of equipment operators, distribution workers, and temporary workforce funded requested as part of Package No. 102 "Distilled Spirits Shipping Capacity and Service Package" will maximize the capacity of the conveyer system and meet the additional shipping needs created by new retail outlets, Oregon distillery outlets, and increases in consumer demand.

The OLCC provides stewardship of the physical site, too. In 1999-2001, OLCC replaced part of the warehouse roof, repaired and repainted the warehouse exterior, and fixed the warehouse floor. During 1999-2001, the OLCC filled in an unused train well in the warehouse. In 2003-05 the OLCC made emergency repairs to the 1977 warehouse addition. In 2005-07 the OLCC added storage racking and upgraded the sprinkler system to protect vendor-owned inventory from potential fire loss. The December 2006 Emergency Board approved funding for OLCC to purchase the Milport warehouse, to store manufacturer-owned inventory in bailment. Bailment has virtually eliminated out of stocks and improved customer service. It eliminates large amounts of excess state-owned inventory that otherwise would have been necessary to meet demand in a timely manner. The McLoughlin and Milport Facility enable OLCC to continue responsible stewardship of the $80 million bailment inventory and $1.0 million state-owned inventory stored in the distribution centers. To provide for public safety and to protect both state-owned and manufacturer owned inventory, legislators approved $4.17 million in 2015-17 for Phase I of the roofing project for both facilities. The first phase of the roofing project was completed in 2016.

In the 2019-21 the agency is requesting Policy Option Package 304 "Roof Repairs and Replacement to Main Warehouse" for the final phase of the roofing project. The estimates include $3.3 million for roof repair, $1.0 million for required earthquake remediation, and $1.9 million for the required 45% contingency. The description of this Package is in the Capital Improvements Program - 088.

There are multiple facility challenges the OLCC will be facing over the next 10 years including needs for additional roof repairs, seismic upgrades required by local building codes in order to complete Phase II of the roofing project, and an expected need for additional warehouse storage as the retail system expands. The recent upgrade to the warehouse conveyor system allows OLCC to meet the current increase in distribution of distilled spirits; however, within the next 10 years, the demand for storage of distilled liquor slated for distribution is expected to exceed the capacity of the current location. Expansion opportunities for the current location are limited due to lack of access to roads and trucking staging areas necessary for the anticipated future distribution traffic and OLCC has initiated planning to examine cost and alternatives for the most cost effective future path for shipping.

C. EXPECTED RESULTS

The efforts of the Wholesale Services Program (Distribution Program), including the policy option packages, will enable the division to meet the liquor (spirits revenue) forecast of $1.45 billion in total gross sales and handle 7.4 million cases of spirits in 2019-21. The goals of the division include:

- **Preserving a growing revenue stream.** The program will preserve revenue to the state general fund, counties and cities, by utilizing technology and efficient warehouse processes to meet current and expected consumer demand over the next ten years in a cost effective manner.
- **Effectively manage distilled liquor inventory.** The program will continue to supply exclusive and nonexclusive liquor stores in a timely fashion without paying for excess inventory.
- **Apply distribution industry best business practices.** The program will utilize enhanced distribution technology to deliver products in a way that effectively manages costs and records the movement of product with precision.
- **Safety store and manage manufacturer-owned and state-owned inventory.** The program will participate in inventory control and make sure that inventory is protected from damage.
- **Enterprise resource planning.** Enterprise systems allow for full distribution center control. Since all data is stored within the enterprise system, it can generate detailed reports utilized to monitor and improve distribution activities including financial information and specific inventory reporting.

D. REVENUE SOURCE

The Oregon Liquor Control Commission is 100 percent other funded and generates revenues from the sale of distilled spirits, license fees and penalties, privilege tax paid on the sales of beer and wine and other miscellaneous sources. The OLCC collects this revenue in accordance with ORS Chapters 471 and 473.

E. PROPOSED LEGISLATIVE CHANGES

There are no proposed legislative changes.

OLCC - RETAIL SERVICES DIVISION - SUBPROGRAM 40
2019-21 Budget

A. PURPOSE, ACTIVITIES & ISSUES

The Retail Services Division oversees the operation of the statewide retail distilled spirits business. Currently, Retail Services oversees 267 stores (up from 248 prior to expansion); however, 13 more are in process of opening and the next phase of expansion has been approved. The total number of new store locations is difficult to target but OLCC believes there is demand for up to 300 throughout the state. The final number will depend upon the quality of applications, community need and potential impact on existing liquor stores. Independent businesspeople or businesses contract with OLCC to operate the stores as liquor agents (retail contractors). The Retail Services Division manages the retail function for the state and oversees these contracted liquor agents.

State statutes, administrative rules, liquor agents' contracts and the OLCC retail operations manual provide the guidelines and requirements for store operations. Retail Services staff works closely with agents to help them understand and follow liquor regulations and store operating procedures. Staff assists agents in managing the state's investment in inventory. They make sure enough merchandise is available to meet customer demands while optimizing investment dollars and encouraging the development of the Oregon economy. Agency staff oversees agents in sales, cash control, customer service, upgrading store appearance, layout, signing, and displays. Staff works to understand liquor agents' changing needs and respond to their concerns. Staff explores updating procedures, technology and policies. They advise agency administration and commissioners on their policy decisions affecting agent contracts and compensation administration.

The division continues to focus on developing and implementing a retail business plan to modernize the system. The plan calls for continuously enhancing and modernizing the system. Recent changes have included enabling some liquor stores that exclusively sold spirits to become non-exclusive stores with the additional privileges such as selling beer and wine - including filling growlers for customers. Also, the OLCC is appointing more Oregon distilleries as liquor agents who can sell their own products directly to the customer in their Distillery Retail Outlets.

This division is responsible for the outcomes of: oversight of selection, contracts, and operations of statewide exclusive and nonexclusive liquor agents, the development and education of agent store operating requirements and procedures, assisting in managing the state's investment in inventory, and oversight of agent cash control, customer service and relationship with the agency. Growth in retail services fuels the need for additional personnel to manage the logistics of adding new liquor outlets and distilleries.

B. BACKGROUND

In 1933, the Knox Act created the control system in Oregon. Oregon law gives the Oregon Liquor Control Commission the sole authority to sell distilled spirits by the bottle. The system promotes responsible sales and consumption of alcoholic beverages, benefiting the citizens of Oregon while providing revenues for the state's General Fund, cities and counties.

The division and program continues to look for ways to modernize its operations. In 2001-03, OLCC completed a new retail interface, called *OLAS (Oregon Liquor Agent Services)*, to allow two-way electronic data communication between OLCC and liquor stores. In 2005-07, OLCC staff designed and developed a software system to receive and report out daily sales and inventory data from liquor agencies as well as send liquor product orders and inventory reports back to OLCC. In 2007-09, Retail Services Division and OLCC information technology staff implemented this new system and OLCC staff continues to expand the report capabilities of this new technology. To date, 100 percent of the liquor agents use the web-based OLAS system to directly communicate with OLCC for varying data needs. The program has significantly improved service to customers by letting the public search – through the OLCC website www.oregonliquorsearch.com to see which products are in stock and at which stores, statewide.

An integrated and flexible end-to-end web software solution to replace inefficient and disjointed legacy Distilled Spirits Distribution, Marijuana, and Alcohol program technology solutions will aid the Retail Services Division in its efforts for retail expansion, data analysis and inventory management for up to 300 retail liquor store and 89 distillery retail outlets in 2019-21.

To meet these needs OLCC is requesting Policy Option Package 301 "Information Services" found in the Support Services Program – 003. This package request staff and funding to support the critical IT needs of the agency. The package requests funding to add one data base architect, two technical project managers, one quality assurance and automation developer, one businesses systems analysts, and three systems developers, replacement of outdated network equipment, and funding for future

software development projects for alcohol warehouse management, licensing and financial management and marijuana licensing, enforcement and supply chain tracking.

In 2009, OLCC and stakeholders saw the need for system and process improvements. Several forums have been implemented to address those needs. Forums such as The Retail Partners Council (agents and OLCC staff) and the Retail Enterprise Review Committee (liquor agents, grocery industry representatives, distilled spirits industry members, public safety officials, legislators and OLCC staff) were formed to continually evaluate new policy ideas and ways of enhancing the current business model. These stakeholder groups have addressed creative solutions to the changing business dynamics with ideas such as allowing liquor stores the flexibility to sell more types of products, including beer and wine; allowing corporations (including grocery stores) to compete with individuals for appointment as liquor agents, and overall general program flexibility in relation to seasonal/satellite stores. In subsequent biennia, liquor commissioners instituted many of the ideas through administrative rule changes. The 2013-14 Retail Innovations Group continued the review of the system and exploration of adopting different policies and models. In the 2015-17 biennium the Commission embarked upon an open recruitment process designed to increase store density while exploring new and innovative business models to meet the state's highly convenience driven market. The open recruitment plan allows all types of retail store models, widening the range of choices Oregon shoppers have for obtaining distilled spirits.

C. EXPECTED RESULTS

The efforts of the Retail Services Division, including the policy option packages, will enable the division to meet the liquor (spirits revenue) forecast of $1.45 billion in total gross sales and handle 7.4 million cases of spirits in 2019. The 2019-21 goals of the division include:

- **Preserving a growing revenue stream.** The program will enhance revenue to the state general fund, counties and cities, through its selection, management and oversight of exclusive and nonexclusive liquor agents.
- **Providing for statewide selection of distilled spirits.** Through their work with agents the program will assure that a wide variety of distilled products, including Oregon products and special orders, are timely available statewide at a consistent price.
- **Supporting Oregon economic growth.** The program focuses on enhancing revenue growth by supporting the development and entrepreneurial success of exclusive and nonexclusive liquor store agents located in both urban and rural areas of Oregon.

- **Providing superior, high quality customer service**. The program will continuously respond to the evolving needs of stakeholders – consumers, agents, licensees, suppliers, and government, focusing on modernizing the retail business model to enhance the customer's shopping experience and provide one stop, attractive, and friendly shopping environments.
- **Protecting the public and consumers from harm.** The program will continue to train and provide oversight on Liquor Law compliance in the 279 approved exclusive and nonexclusive agent-operated stores, as well as new stores as they are appointed and become operational.

D. REVENUE SOURCE

The Oregon Liquor Control Commission is 100 percent other funded and generates revenues from the sale of distilled spirits, license fees for alcohol and penalties, privilege tax paid on the sales of beer and wine and other miscellaneous sources. The OLCC collects this revenue in accordance with ORS Chapters 471 and 473.

E. PROPOSED LEGISLATIVE CHANGES

There are no proposed legislative changes.

BUDGET NARRATIVE

OLCC - LIQUOR SALES SUPPORT - SUBPROGRAM 42
2019-21 Budget

A. PURPOSE, ACTIVITIES & ISSUES

The Distilled Spirits Program has an ORBITS organization structure that captures OLCC expenses specifically associated with operating the liquor retail business. This structure, called "Liquor Sales Support," reflects many expenses incurred to support the retail stores operated by contracted agents.

In 2019-21, the OLCC is providing agents with the following, which the OLCC pays from the liquor sales support subprogram/cost center. The costs will increase in this area as new stores are appointed and become operational.

- Bank deposit slips
- Order guides, inventory sheets, etc.
- Movement of store fixtures and safes during store relocations

B. BACKGROUND

Beginning with the 1987-89 Legislatively Adopted budget, the OLCC, with the support of legislative staff, began to break out certain program operating expenditures, such as postage and supplies that directly support liquor agencies, into a separate cost center. The types of expenditures included in subprogram 42, Liquor Sales Support, fit into the category of expenses normally incurred by private retail businesses.

In 2011-13 the OLCC migrated to electronic versions of the following publications, instead of using this cost center to pay for their printing:

- Product Price Lists
- OLCC Retail Services Newsletter
- Top 100 Items List
- New Items List
- Retail Operation Manual

OLCC staff will continue to refine this list as a resource to contracted agents.

C. EXPECTED RESULTS

The Distilled Spirits Program expects to continue to provide agents with the supplies they need. Please see Distilled Spirits Program summary and the Store Operating Expenses Program narratives for the expected results of agent-operated liquor stores.

D. REVENUE SOURCE

The Oregon Liquor Control Commission is 100 percent Other Funded and generates revenues from the sale of distilled spirits, license fees for alcohol and penalties, privilege tax paid on the sales of beer and wine and other miscellaneous sources. The OLCC collects this revenue in accord with ORS Chapters 471 and 473.

E. PROPOSED LEGISLATIVE CHANGES

There are no proposed legislative changes.

Distilled Spirits Shipping Capacity Maintenance and Management
OLCC 2019-21 Budget Policy Option Package No. 102, Agency Priority No 2

A. PACKAGE PURPOSE

Retail expansion of Oregon's liquor stores has had a substantial impact on the increased quantity of cases shipped. OLCC anticipate this trend will continue as the number of stores continues to increase along with the volume sold in each store. Currently, the OLCC Milwaukie warehouse ships distilled spirits to 267 stores (up from 248 prior to expansion); however, 13 more are in process of opening and the next phase of expansion has been approved. By the end of the 2019-21 biennium, staff are expecting an increase to 300 retail outlets. The impact of the conveyor system requires distilled spirits products to ship out at a much higher rate of 1,800 cases per hour as compared to 1,000 cases per hour on the old conveyor system – an 80% increase. This higher shipping rate on the new conveyor system demands a faster and timelier replenishment of product to the four conveyor pick lines. Additional replenishment resources are needed to meet current and future demand.

In the past there was a large spike in shipments during the month of December and OLCC would supplement with seasonal employees to ship those orders. Today, the warehouse no longer employs seasonal employees since the monthly shipping volume has increased to the level typical for December. Instead, the warehouse uses temporary employees to operate conveyor lines which gives OLCC the ability to staff based on increased or decreased volume and FTE; this also allows for time off and illness of permanent employees. During the current biennium OLCC has had to employ an average of 12 temporary workers per day. This has led to excessive labor costs in the warehouse that are currently exceeding the agency's historical budgetary thresholds. In addition temporary workers can only be hired for periods up to six months. This requires a constant hiring and training cycle for temporary workers that takes time and resources away from distribution center operations.

In addition to staffing, there are critical parts of the distribution center that need to be replaced or repaired. OLCC is requesting funds for equipment replacement needed to continue sustainable operation of the distribution center.

Finally, the OLCC requested a new position to manage the Distilled Spirits Program to oversee all operations and to focus on development strategic plans and data analysis to increase revenue generation and to optimize earnings through implementation of financial efficiencies in purchasing, distribution and sales of spirits. This position would be responsible for distilled spirits revenue generation including management of the three divisions in the distilled spirits program including Purchasing, Distribution Center and Retail Services. Historically the agency's Deputy Director has managed these divisions individually but with the increase in the size of the agency due to adding responsibilities for marijuana, OMMP Tracking and Hemp, the Deputy's role has been significantly expanded as it relates to overseeing the agency's overall operations which has resulted in not having the bandwidth to effectively lead the Distilled Spirits Program. The Distilled Spirits Program needs dedicated leadership to focus on the continuation of retail expansion, managing the current warehouse space, potentially leading an effort to add additional operations to another facility, and replacing current legacy ordering systems to protect and enhance the generation of revenue. This position will oversee an entire program rather than the divisional programs described above. This new position will be the statewide program expert for distilled spirits, align the divisions, establish short and long term goals for the distilled spirits program, identify and analyze operational and policy issues, and direct, plan, organize, control, record, and budget for all activities of the program.

B. HOW ACHIEVED

OLCC is requesting the addition of four Liquor Distribution Equipment Operators and six Liquor Distribution Worker 1s' to keep with increasing demand for replenishment and shipping. The distribution center is also requesting equipment and funding for replacement of infrastructure that has become obsolete or worn out. OLCC is also requesting additional funding for temporary workers that will right size the budget with the actual labor needs of the distribution center.

OLCC also requested the addition of a Distilled Spirits Program Manager position (PEM F) to manage the Distilled Spirits program including the Distribution Center, Retail Services and Purchasing (of liquor).

BUDGET NARRATIVE

Division	Package Description	FTE	One-time	Ongoing	Total
Retail Services	**Distilled Spirits Program Manager**				
	Add 1 Principle Executive Manager F	1.00		$253,861	$253,861
	Services & Supplies, including office space @ $17,368 per employee		$2,767	$23,368	$26,135
	Work station furniture & chair		$7,695		$7,695
		1.00	$10,462	$277,229	$287,691
Distribution Center	Add 4 Liquor Distribution Equipment Operators				
	Salaries & OPE for 4 Liquor Distribution Equipment Operators	4.00		$490,640	$490,640
	Two Forklifts		$90,000		$90,000
	One Remote Order Selector		$30,000		$30,000
	One Trailer		$35,000		$35,000
	Repack Extendable		$30,000		$30,000
	Replacement Racking		$60,000		$60,000
	Dock Shelters		$16,000		$16,000
	Re-Installation of Dock Locks		$25,000		$25,000
	Camera System for Millport Warehouse		$90,000		$90,000
		4.00	$376,000	$490,640	$866,640
Distribution Center	Add 6 Liquor Distribution Worker 1s for increased shipping capacity	6.00		$718,674	$718,674
	Services & Supplies set-up costs for 6 Liquor Distribution Workers		$12,000	$36,000	$48,000
		6.00	$12,000	$754,674	$766,674
Distribution Center	Temporary Workforce funding for seasonal labor needs (Salaries & Social Security)			$322,950	$322,950
Subtotal - Distilled Spirits Shipping Service Capacity - Package 102		***11.00***	***$398,462***	***$1,845,493***	***$2,243,955***

a. Benefits to stakeholders

Additions of these positions will support timely delivery of products to a growing number of liquor outlets and the subsequent growth in sales. Proper maintenance and replacement of equipment will result in fewer interruptions of service for spirits manufacturers and liquor stores. The Distilled Spirits Manager will act as a direct liaison to industry and retail agents for distilled spirits issues in the development of new policies and procedures and the resolution of complex issues.

b. Benefits to OLCC

OLCC will have the resources to continue expansion of liquor stores and meet consumer demand for spirits in Oregon. Adequate staffing will mitigate resource constraints that cause stress for agency personnel and increased requests for leave. Dedicated leadership for the Distilled Spirits Program brings coordination to all divisions of the program, analysis, and an increased emphasis on revenue generation. The Deputy Director can focus on increasing agency-wide duties.

C. STAFFING IMPACT

The package adds 11 FTE.

D. QUANTIFYING RESULTS

The OLCC Warehouse Operation is currently responsible for shipping over 6.5 million cases of distilled spirits each biennium, over $3.2 million each year. The four Liquor Distribution Equipment Operators and six Liquor Distribution Workers will provide the warehouse the support to manage the increased volume related to receiving, replenishment, and shipping of 6.5 million plus cases of distilled spirits.

D. REVENUE SOURCE

The Oregon Liquor Control Commission is 100 percent other funded and generates revenues from the sale of distilled spirits, license fees from alcohol and marijuana, taxes paid on sales of beer and wine and other miscellaneous revenue sources. The OLCC collects this in accordance with ORS Chapter 471, 473, and 475B.

Move Agency Bank Card Costs to Liquor Store Agents
OLCC 2019-21 Budget Policy Option Package No. 112, Agency Priority No 12

A. PACKAGE PURPOSE

OLCC liquor stores have been accepting bank cards (credit cards and debit cards) since 1999. The state pays for all costs related to purchases made with bank cards in OLCC liquor stores. The total forecasted amount of costs to the state is expected to be $14.3 million in the 2019-21 biennium. Bank card costs for items other than liquor (cigarettes, beer, wine and other related items) are reimbursed to the agency. This requires accounting resources from the agency's end to reconcile the cards costs on a monthly basis. OLCC must also purchase the credit card machines for all liquor stores and ensure that they are PCI compliant with Treasury standards.

Bank card costs are normally borne by the businesses that incur them. OLCC proposes to pass the bank card costs borne by the state to the liquor store agents. This will enable the store agents to manage them more appropriately between liquor purchases and related items and will relieve the agency of the need to reconcile bank card purchases. In exchange, OLCC proposes to raise the amount of overall compensation paid to agents to offset the additional costs and work needed by them to purchase machines, manage accounts, achieve PCI compliance with Treasury and pay the amount of costs incurred for liquor purchases.

B. HOW ACHIEVED

OLCC will begin working with liquor agents and Treasury to develop the options necessary to make the transition happen. Liquor store agents will have to purchase credit card machines that are compliant with Treasury standards and rules. ACH transfers to Treasury from liquor stores are now allowed which should allow the agents to assume responsibility for bank card costs. OLCC estimates that the full transition will be completed by July 1, 2020. At that time agents compensation will be increased from 8.93% to 9.94% to offset the estimated credit cards costs of $7.4 million for the Fiscal Year 2021.

Bank card costs are expected to continue to increase as more consumers elect to use them. OLCC will need to look at overall bank card costs on a biennial basis to ensure that liquor agents are being compensated fairly. For the purposes of determining ongoing agent compensation funding, the OLCC will account for credit card rate adjustments and increased usage as a factor in establishing OLCC sales compensation rates.

BUDGET NARRATIVE

Division	Package Description	FTE	One-time	Ongoing	Total
	Move Agency Bank Card Costs to Liquor Store Agents				
Distilled Spirits	Transfer Bank Card Costs from Distilled Spirits Program to Store Operating Expense Program		$0	($7,350,000)	($7,350,000)
Store Operating Expenses	Increase Agents Compensation Rate from 8.93% to 9.94% in FY2021		$0	$7,350,000	$7,350,000
Subtotal - Move Agency Bank Card Costs - Package 112		***0.00***	***$0***	***$7,350,000***	***$7,350,000***

a. Benefits to stakeholders

Liquor agents will manage their own bank card costs and will be compensated for the additional expense.

b. Benefits to OLCC

OLCC will not have to account for bank card costs and management of bank card machines. Liquor agents will account for all costs incurred by the stores.

C. STAFFING IMPACT

The package adds no new staff to OLCC.

D. QUANTIFYING RESULTS

OLCC will transfer the total costs to agents by the middle of the next biennium. Bank card costs have been increasing at an average rate of 7% per year due to increased usage and a greater number of retail liquor outlets. OLCC will continue to monitor credit card costs and adjust the forecasts for agent compensation budgets accordingly.

E. REVENUE SOURCE

The Oregon Liquor Control Commission is 100 percent other funded and generates revenues from the sale of distilled spirits, license fees from alcohol and marijuana, taxes paid on sales of beer and wine and other miscellaneous revenue sources. The OLCC collects this in accordance with ORS Chapter 471, 473, and 475B.

ESSENTIAL AND POLICY PACKAGE FISCAL IMPACT SUMMARY

Oregon Liquor Control Comm
Pkg: 010 - Non-PICS Psnl Svc / Vacancy Factor

Cross Reference Name: Distilled Spirits Program
Cross Reference Number: 84500-001-00-00-00000

Description	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	All Funds
Revenues							
Transfer In - Intrafund	-	-	-	-	-	-	-
Total Revenues	-	-	-	-	-	-	-
Personal Services							
Pension Obligation Bond	-	-	42,874	-	-	-	42,874
Mass Transit Tax	-	-	6,959	-	-	-	6,959
Vacancy Savings	-	-	210,129	-	-	-	210,129
Total Personal Services	-	-	**$259,962**	-	-	-	**$259,962**
Services & Supplies							
Office Expenses	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-
IT Professional Services	-	-	-	-	-	-	-
Total Services & Supplies	-	-	-	-	-	-	-
Total Expenditures							
Total Expenditures	-	-	259,962	-	-	-	259,962
Total Expenditures	-	-	**$259,962**	-	-	-	**$259,962**
Ending Balance							
Ending Balance	-	-	(259,962)	-	-	-	(259,962)
Total Ending Balance	-	-	**($259,962)**	-	-	-	**($259,962)**

ESSENTIAL AND POLICY PACKAGE FISCAL IMPACT SUMMARY

Oregon Liquor Control Comm
Pkg: 022 - Phase-out Pgm & One-time Costs

Cross Reference Name: Distilled Spirits Program
Cross Reference Number: 84500-001-00-00-00000

Description	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	All Funds
Revenues							
Transfer In - Intrafund	-	-	-	-	-	-	-
Total Revenues	-	-	-	-	-	-	-
Services & Supplies							
Office Expenses	-	-	(6,000)	-	-	-	(6,000)
Agency Program Related S and S	-	-	(6,000)	-	-	-	(6,000)
Total Services & Supplies	-	-	**($12,000)**	-	-	-	**($12,000)**
Capital Outlay							
Automotive and Aircraft	-	-	(25,000)	-	-	-	(25,000)
Total Capital Outlay	-	-	**($25,000)**	-	-	-	**($25,000)**
Total Expenditures							
Total Expenditures	-	-	(37,000)	-	-	-	(37,000)
Total Expenditures	-	-	**($37,000)**	-	-	-	**($37,000)**
Ending Balance							
Ending Balance	-	-	37,000	-	-	-	37,000
Total Ending Balance	-	-	**$37,000**	-	-	-	**$37,000**

ESSENTIAL AND POLICY PACKAGE FISCAL IMPACT SUMMARY

Oregon Liquor Control Comm
Pkg: 031 - Standard Inflation

Cross Reference Name: Distilled Spirits Program
Cross Reference Number: 84500-001-00-00-00000

Description	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	All Funds
Revenues							
Transfer In - Intrafund	-	-	-	-	-	-	-
Total Revenues	-	-	-	-	-	-	-
Services & Supplies							
Instate Travel	-	-	2,149	-	-	-	2,149
Out of State Travel	-	-	198	-	-	-	198
Employee Training	-	-	152	-	-	-	152
Office Expenses	-	-	531,834	-	-	-	531,834
Telecommunications	-	-	2,316	-	-	-	2,316
State Gov. Service Charges	-	-	46,246	-	-	-	46,246
Data Processing	-	-	6,699	-	-	-	6,699
Publicity and Publications	-	-	666	-	-	-	666
Professional Services	-	-	636	-	-	-	636
IT Professional Services	-	-	607	-	-	-	607
Attorney General	-	-	-	-	-	-	-
Employee Recruitment and Develop	-	-	348	-	-	-	348
Dues and Subscriptions	-	-	87	-	-	-	87
Facilities Rental and Taxes	-	-	2,409	-	-	-	2,409
Fuels and Utilities	-	-	8,608	-	-	-	8,608
Facilities Maintenance	-	-	1,125	-	-	-	1,125
Agency Program Related S and S	-	-	4,958	-	-	-	4,958
Other Services and Supplies	-	-	345	-	-	-	345

ESSENTIAL AND POLICY PACKAGE FISCAL IMPACT SUMMARY

Oregon Liquor Control Comm
Pkg: 031 - Standard Inflation

Cross Reference Name: Distilled Spirits Program
Cross Reference Number: 84500-001-00-00-00000

Description	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	All Funds
Services & Supplies							
IT Expendable Property	-	-	475	-	-	-	475
Total Services & Supplies	**-**	**-**	**$609,858**	**-**	**-**	**-**	**$609,858**
Total Expenditures							
Total Expenditures	-	-	609,858	-	-	-	609,858
Total Expenditures	**-**	**-**	**$609,858**	**-**	**-**	**-**	**$609,858**
Ending Balance							
Ending Balance	-	-	(609,858)	-	-	-	(609,858)
Total Ending Balance	**-**	**-**	**($609,858)**	**-**	**-**	**-**	**($609,858)**

ESSENTIAL AND POLICY PACKAGE FISCAL IMPACT SUMMARY

Oregon Liquor Control Comm
Pkg: 032 - Above Standard Inflation

Cross Reference Name: Distilled Spirits Program
Cross Reference Number: 84500-001-00-00-00000

Description	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	All Funds
Revenues							
Transfer In - Intrafund	-	-	-	-	-	-	-
Total Revenues	-	-	-	-	-	-	-
Services & Supplies							
Professional Services	-	-	-	-	-	-	-
IT Professional Services	-	-	-	-	-	-	-
Total Services & Supplies	-	-	-	-	-	-	-
Total Expenditures							
Total Expenditures	-	-	-	-	-	-	-
Total Expenditures	-	-	-	-	-	-	-
Ending Balance							
Ending Balance	-	-	-	-	-	-	-
Total Ending Balance	-	-	-	-	-	-	-

ESSENTIAL AND POLICY PACKAGE FISCAL IMPACT SUMMARY

Oregon Liquor Control Comm
Pkg: 090 - Analyst Adjustments

Cross Reference Name: Distilled Spirits Program
Cross Reference Number: 84500-001-00-00-00000

Description	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	All Funds
Services & Supplies							
Office Expenses	-	-	932,406	-	-	-	932,406
Total Services & Supplies	-	-	**$932,406**	-	-	-	**$932,406**
Total Expenditures							
Total Expenditures	-	-	932,406	-	-	-	932,406
Total Expenditures	-	-	**$932,406**	-	-	-	**$932,406**
Ending Balance							
Ending Balance	-	-	(932,406)	-	-	-	(932,406)
Total Ending Balance	-	-	**($932,406)**	-	-	-	**($932,406)**

ESSENTIAL AND POLICY PACKAGE FISCAL IMPACT SUMMARY

Oregon Liquor Control Comm
Pkg: 091 - Statewide Adjustment DAS Chgs

Cross Reference Name: Distilled Spirits Program
Cross Reference Number: 84500-001-00-00-00000

Description	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	All Funds
Services & Supplies							
State Gov. Service Charges	-	-	(37,938)	-	-	-	(37,938)
Professional Services	-	-	-	-	-	-	-
Other Services and Supplies	-	-	(2,718)	-	-	-	(2,718)
Total Services & Supplies	**-**	**-**	**($40,656)**	**-**	**-**	**-**	**($40,656)**
Total Expenditures							
Total Expenditures	-	-	(40,656)	-	-	-	(40,656)
Total Expenditures	**-**	**-**	**($40,656)**	**-**	**-**	**-**	**($40,656)**
Ending Balance							
Ending Balance	-	-	40,656	-	-	-	40,656
Total Ending Balance	**-**	**-**	**$40,656**	**-**	**-**	**-**	**$40,656**

ESSENTIAL AND POLICY PACKAGE FISCAL IMPACT SUMMARY

Oregon Liquor Control Comm
Pkg: 102 - Distilled Spirits Shipping Capacity & Svcs

Cross Reference Name: Distilled Spirits Program
Cross Reference Number: 84500-001-00-00-00000

Description	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	All Funds
Personal Services							
Class/Unclass Sal. and Per Diem	-	-	850,752	-	-	-	850,752
Temporary Appointments	-	-	300,000	-	-	-	300,000
Empl. Rel. Bd. Assessments	-	-	671	-	-	-	671
Public Employees' Retire Cont	-	-	153,902	-	-	-	153,902
Social Security Taxes	-	-	88,034	-	-	-	88,034
Worker's Comp. Assess. (WCD)	-	-	638	-	-	-	638
Mass Transit Tax	-	-	5,104	-	-	-	5,104
Flexible Benefits	-	-	387,024	-	-	-	387,024
Total Personal Services	**-**	**-**	**$1,786,125**	**-**	**-**	**-**	**$1,786,125**
Services & Supplies							
Employee Training	-	-	1,000	-	-	-	1,000
Office Expenses	-	-	1,000	-	-	-	1,000
Telecommunications	-	-	2,000	-	-	-	2,000
Data Processing	-	-	1,500	-	-	-	1,500
IT Professional Services	-	-	-	-	-	-	-
Facilities Rental and Taxes	-	-	17,368	-	-	-	17,368
Other Services and Supplies	-	-	49,000	-	-	-	49,000
IT Expendable Property	-	-	2,267	-	-	-	2,267
Total Services & Supplies	**-**	**-**	**$74,135**	**-**	**-**	**-**	**$74,135**
Capital Outlay							
Office Furniture and Fixtures	-	-	7,695	-	-	-	7,695
Technical Equipment	-	-	90,000	-	-	-	90,000

ESSENTIAL AND POLICY PACKAGE FISCAL IMPACT SUMMARY

Oregon Liquor Control Comm
Pkg: 102 - Distilled Spirits Shipping Capacity & Svcs

Cross Reference Name: Distilled Spirits Program
Cross Reference Number: 84500-001-00-00-00000

Description	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	All Funds
Capital Outlay							
Industrial and Heavy Equipment	-	-	120,000	-	-	-	120,000
Automotive and Aircraft	-	-	35,000	-	-	-	35,000
Building Structures	-	-	131,000	-	-	-	131,000
Total Capital Outlay	**-**	**-**	**$383,695**	**-**	**-**	**-**	**$383,695**
Total Expenditures							
Total Expenditures	-	-	2,243,955	-	-	-	2,243,955
Total Expenditures	**-**	**-**	**$2,243,955**	**-**	**-**	**-**	**$2,243,955**
Ending Balance							
Ending Balance	-	-	(2,243,955)	-	-	-	(2,243,955)
Total Ending Balance	**-**	**-**	**($2,243,955)**	**-**	**-**	**-**	**($2,243,955)**
Total Positions							
Total Positions							11
Total Positions	**-**	**-**	**-**	**-**	**-**	**-**	**11**
Total FTE							
Total FTE							11.00
Total FTE	**-**	**-**	**-**	**-**	**-**	**-**	**11.00**

ESSENTIAL AND POLICY PACKAGE FISCAL IMPACT SUMMARY

Oregon Liquor Control Comm
Pkg: 112 - Move Agency Bank Card Costs

Cross Reference Name: Distilled Spirits Program
Cross Reference Number: 84500-001-00-00-00000

Description	General Fund	Lottery Funds	Other Funds	Federal Funds	Nonlimited Other Funds	Nonlimited Federal Funds	All Funds
Revenues							
Transfer In - Intrafund	-	-	-	-	-	-	-
Total Revenues	-	-	-	-	-	-	-
Services & Supplies							
Office Expenses	-	-	(7,350,000)	-	-	-	(7,350,000)
Total Services & Supplies	-	-	**($7,350,000)**	-	-	-	**($7,350,000)**
Total Expenditures							
Total Expenditures	-	-	(7,350,000)	-	-	-	(7,350,000)
Total Expenditures	-	-	**($7,350,000)**	-	-	-	**($7,350,000)**
Ending Balance							
Ending Balance	-	-	7,350,000	-	-	-	7,350,000
Total Ending Balance	-	-	**$7,350,000**	-	-	-	**$7,350,000**

POSITION NUMBER	CLASS	COMP	CLASS NAME	POS CNT	FTE	MOS	STEP	RATE	GF SAL/OPE	OF SAL/OPE	FF SAL/OPE	LF SAL/OPE	AF SAL/OPE
2000074	MESNZ	7010 AP	PRINCIPAL EXECUTIVE/MANAGER F	1	1.00	24.00	02	7,208.00		172,992			172,992
										79,831			79,831
3000075	AL	C4139 AP	LIQUOR DISTRIBUTION EQUIP OPER	1	1.00	24.00	02	2,881.00		69,144			69,144
										53,101			53,101
3000077	AL	C4139 AP	LIQUOR DISTRIBUTION EQUIP OPER	1	1.00	24.00	02	2,881.00		69,144			69,144
										53,101			53,101
3000079	AL	C4139 AP	LIQUOR DISTRIBUTION EQUIP OPER	1	1.00	24.00	02	2,881.00		69,144			69,144
										53,101			53,101
3000080	AL	C4139 AP	LIQUOR DISTRIBUTION EQUIP OPER	1	1.00	24.00	02	2,881.00		69,144			69,144
										53,101			53,101
3000081	AL	C4137 AP	LIQUOR DISTRIBUTION WORKER 1	1	1.00	24.00	02	2,786.00		66,864			66,864
										52,514			52,514
3000082	AL	C4137 AP	LIQUOR DISTRIBUTION WORKER 1	1	1.00	24.00	02	2,786.00		66,864			66,864
										52,514			52,514
3000083	AL	C4137 AP	LIQUOR DISTRIBUTION WORKER 1	1	1.00	24.00	02	2,786.00		66,864			66,864
										52,514			52,514
3000088	AL	C4137 AP	LIQUOR DISTRIBUTION WORKER 1	1	1.00	24.00	02	2,786.00		66,864			66,864
										52,514			52,514
3000123	AL	C4137 AP	LIQUOR DISTRIBUTION WORKER 1	1	1.00	24.00	02	2,786.00		66,864			66,864
										52,514			52,514
3000124	AL	C4137 AP	LIQUOR DISTRIBUTION WORKER 1	1	1.00	24.00	02	2,786.00		66,864			66,864
										52,514			52,514
			TOTAL PICS SALARY							850,752			850,752
			TOTAL PICS OPE							607,319			607,319
			TOTAL PICS PERSONAL SERVICES =	11	11.00	264.00				1,458,071			1,458,071

POSITION NUMBER	CLASS COMP	CLASS NAME	POS CNT	FTE	MOS	STEP	RATE	GF SAL/OPE	OF SAL/OPE	FF SAL/OPE	LF SAL/OPE	AF SAL/OPE
2000074	MESNZ7010 AP	PRINCIPAL EXECUTIVE/MANAGER F	1	1.00	24.00	02	7,208.00		172,992			172,992
									79,831			79,831
3000075 AL	C4139 AP	LIQUOR DISTRIBUTION EQUIP OPER	1	1.00	24.00	02	2,881.00		69,144			69,144
									53,101			53,101
3000077 AL	C4139 AP	LIQUOR DISTRIBUTION EQUIP OPER	1	1.00	24.00	02	2,881.00		69,144			69,144
									53,101			53,101
3000079 AL	C4139 AP	LIQUOR DISTRIBUTION EQUIP OPER	1	1.00	24.00	02	2,881.00		69,144			69,144
									53,101			53,101
3000080 AL	C4139 AP	LIQUOR DISTRIBUTION EQUIP OPER	1	1.00	24.00	02	2,881.00		69,144			69,144
									53,101			53,101
3000081 AL	C4137 AP	LIQUOR DISTRIBUTION WORKER 1	1	1.00	24.00	02	2,786.00		66,864			66,864
									52,514			52,514
3000082 AL	C4137 AP	LIQUOR DISTRIBUTION WORKER 1	1	1.00	24.00	02	2,786.00		66,864			66,864
									52,514			52,514
3000083 AL	C4137 AP	LIQUOR DISTRIBUTION WORKER 1	1	1.00	24.00	02	2,786.00		66,864			66,864
									52,514			52,514
3000088 AL	C4137 AP	LIQUOR DISTRIBUTION WORKER 1	1	1.00	24.00	02	2,786.00		66,864			66,864
									52,514			52,514
3000123 AL	C4137 AP	LIQUOR DISTRIBUTION WORKER 1	1	1.00	24.00	02	2,786.00		66,864			66,864
									52,514			52,514
3000124 AL	C4137 AP	LIQUOR DISTRIBUTION WORKER 1	1	1.00	24.00	02	2,786.00		66,864			66,864
									52,514			52,514
		TOTAL PICS SALARY							850,752			850,752
		TOTAL PICS OPE							607,319			607,319
		TOTAL PICS PERSONAL SERVICES =	11	11.00	264.00				1,458,071			1,458,071

DETAIL OF LOTTERY FUNDS, OTHER FUNDS, AND FEDERAL FUNDS REVENUE

Oregon Liquor Control Comm
2019-21 Biennium

Agency Number: 84500
Cross Reference Number: 84500-001-00-00-00000

Source	2015-17 Actuals	2017-19 Leg Adopted Budget	2017-19 Leg Approved Budget	2019-21 Agency Request Budget	2019-21 Governor's Budget	2019-21 Leg. Adopted Audit
Other Funds						
Transfer In - Intrafund	28,292,146	25,681,292	26,028,759	29,226,560	23,293,627	-
Total Other Funds	**$28,292,146**	**$25,681,292**	**$26,028,759**	**$29,226,560**	**$23,293,627**	-