APPENDIX

Oregon Liquor Control Commission

Ways and Means Subcommittee on Transportation and Economic Development

March 20 & 21, 2013

APPENDIX - INDEX

Oregon Liquor Control Commission

Summary of OLCC-Sponsored Legislative Bills 2013

HB 2057 - Expands Alcohol Server Education Advisory Committee Membership

Current membership of the Committee does not include any representatives from the field of education, nor does it include any representatives of currently certified ASE providers. This proposal seeks to add new members from both of these areas.

SB 37 - Licensing Denial Criteria

SB 36 (2011) inadvertently deleted language about felony convictions from ORS 471.313 (4)(d). Federal convictions should be added back in the language, in addition to the current language covering violations of state laws (Oregon and other states).

SB 38 - Charitable Raffle Housekeeping

HB 4047 (2012) amended ORS 471.162(6) to allow nonprofit and charitable organizations to auction or raffle wine, malt beverages and cider as well as a limited quantity of distilled spirits. The bill failed to include a corresponding statute (ORS 471.408) in the relating clause. This concept proposes amending the corresponding statute for conformance with the intent of HB 4047.

HB 4131 Report – Staff to Supervisory Ratio
OLCC 2013-15 Governor's Balanced Budget

This biennium HB 4131 became law, requiring agencies to establish a schedule for reaching an "11 to 1" non-supervisory to supervisory ratio for certain agencies.

The OLCC, employing more than 100 budgeted positions, is subject to HB 4131. The OLCC is required to increase the staff to supervisor ratio by one from the April 11, 2012 baseline DAS report to October 31, 2012.

The OLCC is pleased to report that it met the requirement of improving its ratio by one before the October 21, 2012 deadline. As of April 11, the OLCC had a "7 to 1" ratio, with 208 non-supervisor positions to 28 supervisor ones. By eliminating a management position, OLCC achieved an "8 to 1" ratio on July 1, 2012. The agency ratio is now 208 non-supervisory positions to 27 supervisor positions.

To meet the October 31, 2012 required increase in ratio, OLCC abolished one of its Portland-metro area Public Safety Program regional supervisor positions, combining two regions into a single one supervised by one manager. OLCC abolished position 4700.620, a Principal Executive Manager D, Class MMS X7006 AA, effective July 1, 2012. The position was abolished as part of the May 2012 directive that OLCC received from the Emergency Board, per the Legislative Fiscal Office recommendation that OLCC meet its $200,000 Other Funds reduction in part by eliminating a public safety officer management position. Per a June 19, 2012 memo from Donna Bennett of HRSD and Brian DeForest of BAM, OLCC abolished the position on PICS effective with the 2013-15 biennium, but OLCC received abolishment recognition effective July 1, 2012.

OLCC will continue to follow the directive to achieve required staff to supervisor ratios according to schedule.

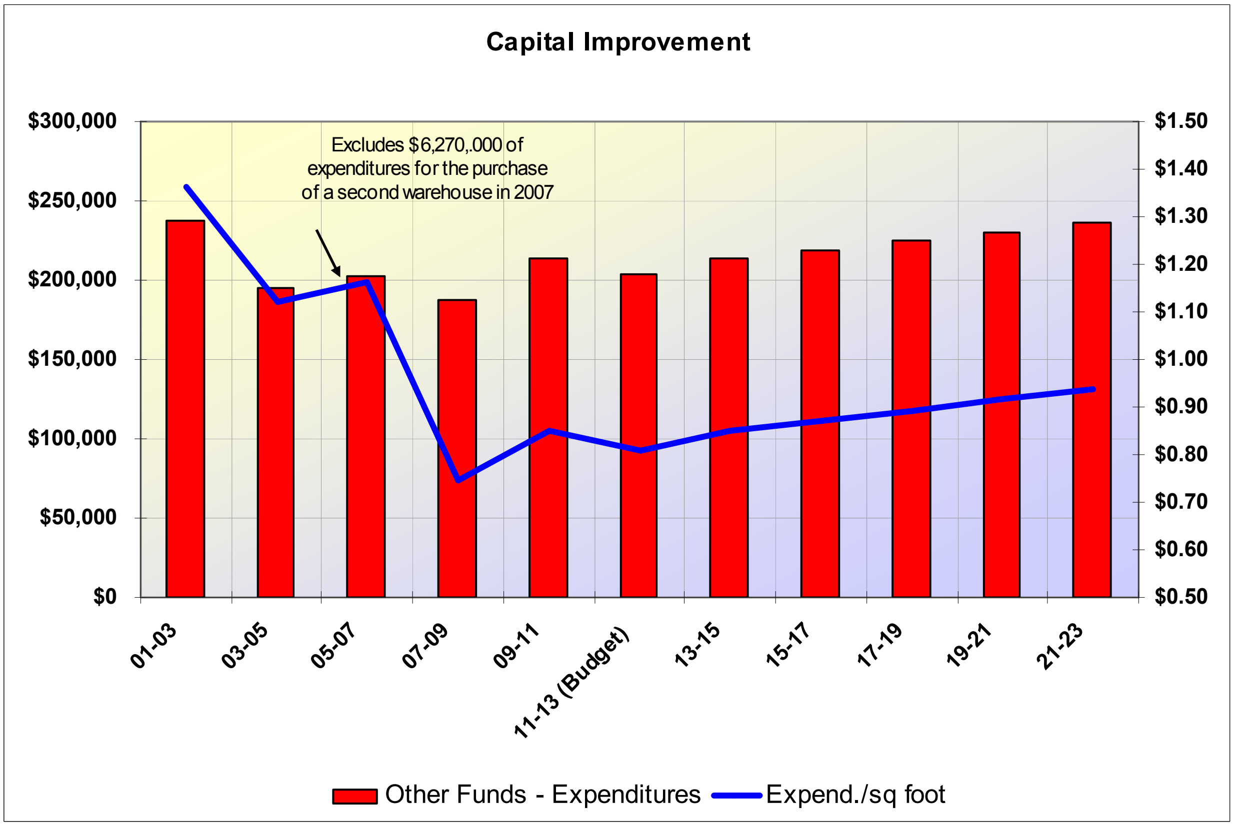
Oregon Liquor Control Commission
Schedule of Administrative Reclasses and New Hires
for the 2011-13 Biennium

	Reclasses Position Number	Reclass from Class Title	Reclass to Class Title	Monthly Salary Impact	Notes
1	2500021	Fiscal Analyst 2	Accountant 3	0.00	In process as of 01/13/13
2	2500950	Accountant 1	Accountant 2	145.00	Duties commensurate with higher class per HR review
3	4500734	PEM C	PEM D	147.50	In process as of 01/13/13
4	4700524	Liquor Regulatory Specialist	Compliance Specialist 3	1,066.00	In process as of 01/13/13
		Total Monthly Budgetary Effect		1,358.50	

	New Hires Position Number	Class Title	Description	Hired Salary Step	Notes
5	1000028	Principal Executive/Manager E	Transfer-In Promotion	3	Below market salary range
6	1000038	Human Resource Analyst 3	New Hire	4	Match candidate's current pay
7	1100516	Public Service Rep 3	New Hire	4	Exceptional qualifications
8	1100516	Public Service Rep 3	New Hire	4	Recruitment difficulty - high turnover position
9	2500007	Accounting Technician 2	Transfer-In Promotion	1	
10	2500087	Accountant 1	New Hire	2	Did not pass trial service - new candidate hired
11	2500087	Accountant 1	Reemployment Higher Sr	4	Exceptional qualifications
12	3000022	Liquor Distribution Worker 1	New Hire	2	
13	3000230	Liquor Distribution Worker 1	Seasonal New Hire	1	
14	3000231	Liquor Distribution Worker 1	Seasonal New Hire	1	
15	3000231	Liquor Distribution Worker 1	Seasonal New Hire	1	
16	3000232	Liquor Distribution Worker 1	Seasonal New Hire	1	
17	3000232	Liquor Distribution Worker 1	Seasonal New Hire	1	
18	3000232	Liquor Distribution Worker 1	Seasonal New Hire	1	
19	3000233	Liquor Distribution Worker 1	Seasonal New Hire	1	
20	3000233	Liquor Distribution Worker 1	Seasonal New Hire	1	
21	3000234	Liquor Distribution Worker 1	Seasonal New Hire	1	
22	3000235	Liquor Distribution Worker 1	Seasonal New Hire	1	
23	3000235	Liquor Distribution Worker 1	Seasonal New Hire	1	
24	3000235	Liquor Distribution Worker 1	Seasonal New Hire	1	
25	3000236	Liquor Distribution Worker 1	Seasonal New Hire	1	
26	3000236	Liquor Distribution Worker 1	Seasonal New Hire	1	
27	4000003	Program Analyst 2	New Hire	4	Exceptional qualifications
28	4500512	Office Specialist 1	Reemployment	2	
29	4700045	Liquor Regulatory Specialist	New Hire	2	
30	4700073	Administrative Specialist 1	New Hire	2	
31	4700089	Liquor Regulatory Specialist	New Hire	2	
32	4700544	Liquor Regulatory Specialist	Transfer-In Lower	4	
33	4700544	Liquor Regulatory Specialist	New Hire	4	Recruitment difficulty - Warrenton field office
34	4700545	Liquor Regulatory Specialist	New Hire	2	
35	4700553	Liquor Regulatory Specialist	Transfer-In Promotion	2	
36	4700560	Office Specialist 2	New Hire	3	Recruitment difficulty - varying night and weekend shifts
37	4700585	Liquor Regulatory Specialist	New Hire	2	
38	4700629	Liquor Regulatory Specialist	Transfer-In Equal	8	Transfer from other agency
39	4700879	Liquor Regulatory Specialist	New Hire	2	
40	4700879	Liquor Regulatory Specialist	New Hire	2	
41	4700936	Office Specialist 2	New Hire	2	
42	5500625	Compliance Specialist 3	Reemployment	2	

Oregon Liquor Control Commission: Capital Improvement Program

Primary Outcome Area:	Economy and Jobs
Program Contact:	Bruce Johnson, 503-872-5148 Management and Administrative Services Director



Executive Summary

The OLCC Capital Improvement Program provides effective stewardship of OLCC-owned buildings and grounds, including its Milwaukie Distribution Center warehouses. The program provides – mainly through contracting with private sector businesses -- preventative maintenance, repairs and upgrades to its facilities. The facilities serve the public, host monthly commission meetings, and house the operational needs of the OLCC's Distilled Spirits and Public Safety programs.

Program Description

The Capital Improvement Program supports the 10 Year Plan for Oregon's Strategy 2.1, to protect, preserve and invest in Oregon's infrastructure assets. The program maintains OLCC's Milwaukie, Oregon complex. The OLCC must provide functionality and security for the complex, to ensure the other programs can operate.

The original complex was built in 1954. Approximately 196 OLCC employees are stationed at the Milwaukie complex. . The office portion was expanded in 1989-91 to its current 50,361 square feet. The office facilities serve OLCC's clients, which include the public, OLCC's business partners, local law enforcement agencies, liquor agents, and distillery representatives who conduct business with the OLCC.

The main warehouse was expanded in 1977 to its present 124,000 square feet. In fiscal year 2007, OLCC acquired a second warehouse building, with 104,875 square feet of warehouse and 2,369 square feet of office space. The two warehouse facilities house distilled spirits inventory valued at approximately $30 million in wholesale value. OLCC provides warehouse security for both the state- and vendor-owned bottled distilled spirits inventory in its facilities. The Distribution Center's warehouse facilities serve trucking firms, liquor agents, and some Oregon Native American tribes and military bases that purchase distilled spirits directly from OLCC.

The capital improvement function is a core business one because it enables the OLCC to generate revenue for the state General Fund and local governments.

The Capital Improvement Program uses competitive bidding for OLCC's projects, following ORS 279A, 279B, 279C and corresponding DAS and DOJ rules. The capital improvement competitive bidding program serves interested bidders, plan centers, and DAS SPO's ORPIN system.

The competitive bidding aspect is dependant on DAS SPO's ORPIN system for providing easy assess to solicitation documents and other valuable contracting data; DOJ for any required legal sufficiency reviews and approvals; Office of Minority, Women & Emerging Small Business for educating WBE, MBE AND ESB vendors on how the State of Oregon's solicitation process works; bidders for their participation in the solicitation process; and, for the awarded contractors that perform the required work. .The resulting contracts are predominantly awarded to Oregon businesses, thus supporting economic developing in Oregon.

The form asks for alternative delivery methods. Please note that OLCC has leased facilities in the past, but deemed that not as cost effective as using the current OLCC-owned facilities.

Program Justification and Link to 10-Year Outcome

Selling alcohol is important to the success of Oregon's tourism and the broader hospitality industry, comprising entrepreneurs and their tens of thousands of employees. OLCC's Capital Improvement Program ensures OLCC's operational functionality in its key role providing and regulating alcohol sales.

Additionally, the Capital Improvement Program supports economic and career pathway development through the award of competitively bid capital construction contracts. Public funds spent through the award of capital improvement contracts assist in the development of a fertile economic environment and assist in the development of middle-skilled jobs that strengthen Oregon's work force from the bottom up. This supports the strategies that OLCC's other programs support:

Strategy 1.1 Focus On Sustainable Business Development And The Chain Of Innovation.

Strategy 1.2 Amplify local and state economic effects and make Oregon's economy more resilient.

Strategy 2.1 Create a financing mechanism for infrastructure and business development . . . , the Capital Improvement Program supports Strategy 2.1, to protect, preserve and invest in Oregon's infrastructure assets.

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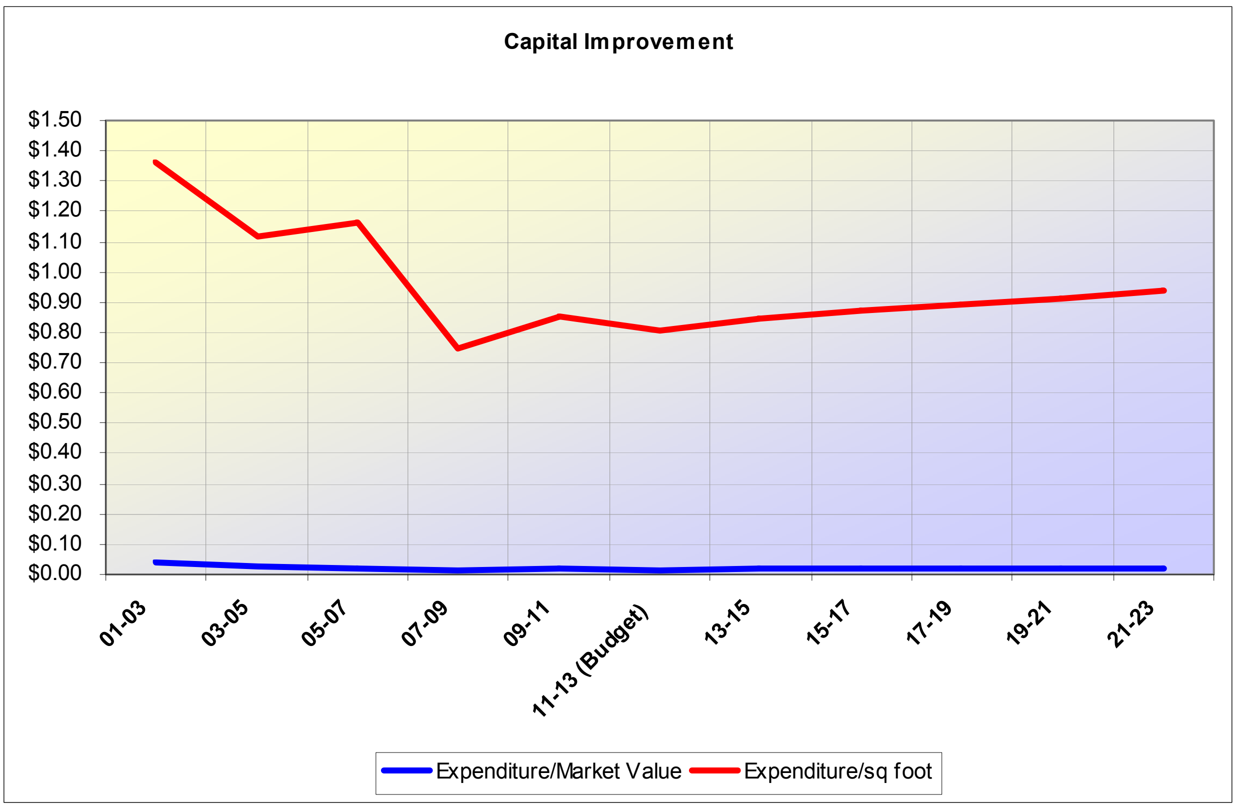
Strategy 3 ***Focus on long-term economic prosperity . . .lift up workers, support entrepreneurs*** OLCC actively advises and supports liquor agents across the state, ensuring these entrepreneurs' success and ability to create jobs for others. The liquor stores' success – as indicated by its case and dollar sales volume -- means successful agent entrepreneurs, jobs in the OLCC Distilled Spirits Program, and jobs in the tourism and hospitality industries that sell and serve spirits.

Program Performance

The graph shows the amount expended per dollar valuation of the property. Please note that OLCC acquired its second warehouse in May 2007. The graph also shows amount expended per square foot of property. Again, a change is seen upon acquiring the second warehouse in May 2007.



Enabling Legislation/Program Authorization

The OLCC administers Oregon's Liquor Control Act. Authority is derived from Oregon Revised Statutes Chapters 471, Alcoholic Liquor Generally; 473, and Administrative Rules Chapter 845.

Funding Streams

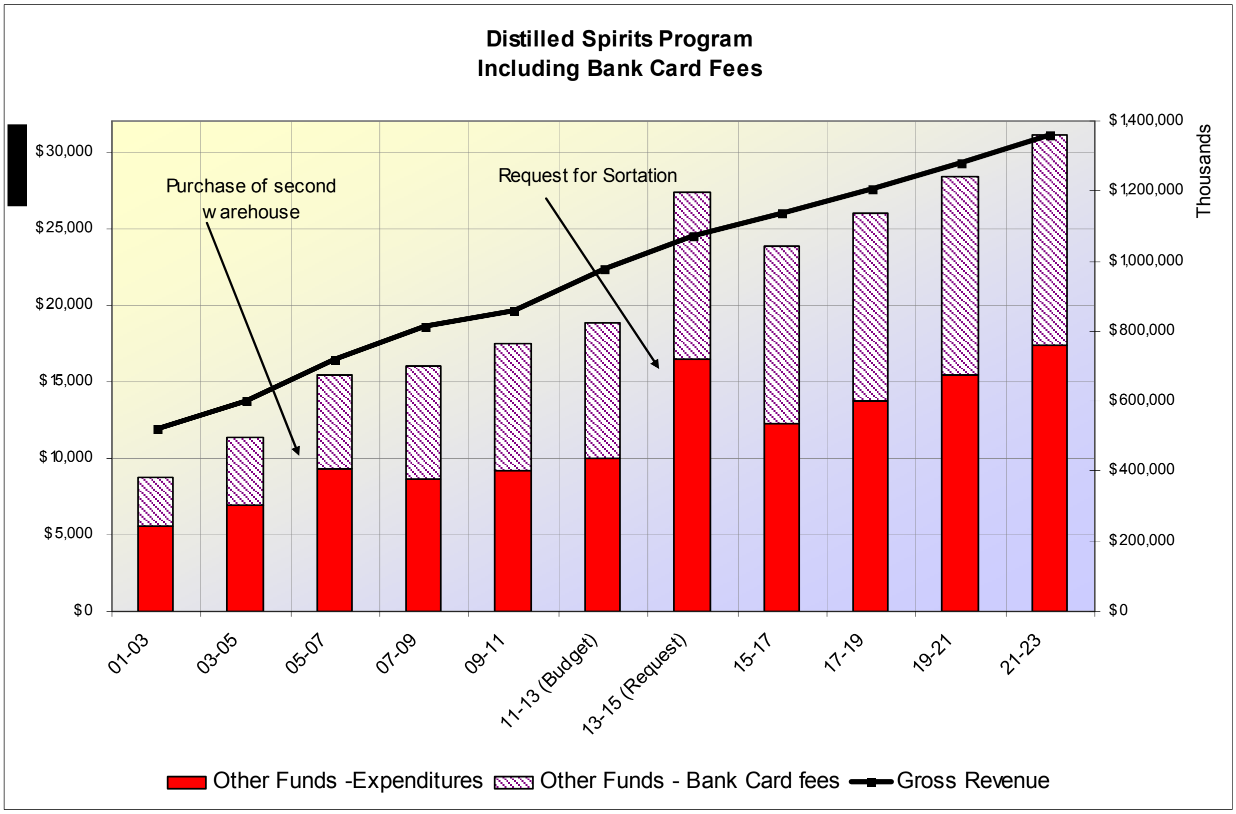
All revenue received by the OLCC are “Other Funds.” The Legislature sets limitations on how much of its revenue OLCC may use for each of its own programs, including the Store Operating Expenses Fund. OLCC’s revenues are from liquor sales, license fees and fines, server education fees, taxes on malt beverages and wines and miscellaneous income. The OLCC uses no General Fund resources, Lottery funds, nor federal funds. ORS 471.805 directs the OLCC to distribute available moneys to the state General Fund, cities, counties, and Mental Health.

Significant Proposed Program Changes from 2011-13

The OLCC does not request any changes to this program for the 2013-15 biennium. It requests continuing the same level of service as in the 2011-13 biennium.

Oregon Liquor Control Commission: Distilled Spirits Program

Primary Outcome Area:	Economy and Jobs
Program Contact:	Merle Lindsey, Director of Distilled Spirits, 503-872-5161



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

<u>Executive Summary</u>

The Governor's balanced budget forecasts generating $1.071 billion in gross liquor sales in 2013-15 from the sale of distilled spirits. This activity supports small entrepreneurs, along with the larger tourism, hospitality and alcoholic beverage industries, as they create a stable economy and employment base for the state. To achieve this revenue forecast, the Agency Request Budget assumed a need to 1) continue its current service level (CSL) resource level into 2013-15 and 2) spend an additional $4.5 million of its own liquor revenues to purchase a Distribution Center "sortation system," (not included in the Governor's balanced budget) and 3) continue the OLCC 50-cent per bottle surcharge.

This new sortation equipment would have enabled the program to keep up with the demand for a broad and deep supply of bottled distilled spirits. Without the new equipment, the OLCC warehouse operation expects to reach capacity in 2014; it may delay getting product onto outbound trucks quickly enough to fill liquor store orders completely and in a timely fashion. Without the new sortation equipment investment, OLCC may realize only $1.024 billion in liquor revenue, assuming the CSL continues. The additional revenue will also require additional funding for the additional bank card fees from increased sales,

Additionally, the Agency also requested that all bank card fee expenses, a variable cost of doing business, be converted from this Other Funds limitation to nonlimited status(not included in the Governor's balanced budget).

The sale of distilled spirits generates significant net revenue that OLCC distributes to the state General Fund and to local governments for their own use.

Proposed Agent Affirmative Apprenticeship Program

OLCC contracts with independent business people to operate more than 240 liquor stores on behalf of the state of Oregon. Applicants compete for liquor-agent appointments, based on their experience and qualifications. Unfortunately, the existing appointment process and applicants' financial requirement has not produced a population of liquor agents that accurately reflect proportions of women and minorities in the state. As in other segments of our society, many historical, socio-economic, political and cultural factors create the inequity.

In keeping with Oregon Affirmative Action policy "to eliminate the effects of past and present under-representation intended or unintended, that are evident by analysis of present employment patterns, practices or policies," OLCC seeks to remedy any inequities, to attain a population of liquor agents that more closely reflects the diversity of the state of Oregon. To increase the pool of qualified candidates who could successfully compete for liquor agent appointments, OLCC proposes establishing an apprenticeship program.

The program requests a one-time budget limitation increase of $1 million to fund apprenticeships and to provide loans for qualified applicants to capitalize acquisition of vacant agencies during the 2013-15 biennium.

The OLCC will pay subsidies to liquor agents who acquire apprentices; no FTE authority is required. The loans will be repaid to the state over five years, without interest.

This package was approved in the Governor's balanced budget.

Program Description

The program efficiently makes available a deep and broad selection of more than 2,000 distilled spirits items, using economy of scale and minimal distribution layers. As designed by the Oregon Liquor Control Act, the state-controlled system generates significant government revenue but avoids practices that allow excessive profits from promoting excessive consumption.

The OLCC centrally selects, purchases, warehouses, and distributes bottled spirits to 249 liquor stores, even to locations in the farthest reaches of the state, and ensures uniform pricing statewide. It operates a Milwaukie Distribution Center that safeguards $30 million worth of vendor-owned spirits inventory. The program coordinates the appointment of and oversees contracted liquor agents' operation of the stores, ensuring quality of services to the public and the more than 4,600 businesses licensed to sell distilled spirits. Liquor stores may place their unique liquor orders with the DS Program at least weekly, and can receive one to two shipments a week via common carrier. Liquor stores can choose to be open up all 365 days of the year.

National and Oregon producers of spirits, liquor agents, and their customers – including the hospitality and tourism industries' restaurants and bars -- drive both the success and volume of the program. OLCC's staffing levels, equipment and facilities; ability to compensate liquor agents; and the ability to accept customers bank cards: these drive how well OLCC can meet demands for distilled spirits products, and realize potential revenue for government.

OLCC assures that improving OLCC's equipment levels (such as with a new warehouse "sortation" system) will improve the performance of the alcohol system. OLCC also believes the alcoholic beverage system will improve by the Legislature recognizing that liquor agent compensation and bank card fees levels are external, sales driven costs of doing business, and make them nonlimited budget items. These changes would ensure the state's ability to meet demand, and to realize potential liquor agent income and government revenue without delay.

Program Justification and Link to 10-Year Outcome

The Distilled Spirits Program's linchpin role in the alcoholic beverage industry supports the Oregon's Ten-Year Plan for Economy & Jobs. 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 need OLCC's reliable management and movement of spirits for their livelihoods

Selling alcohol is important to the success of Oregon's tourism and the broader hospitality industry, comprising entrepreneurs and their tens of thousands of employees. Restaurants and bars -- often locally-owned businesses -- purchase approximately 25 percent of the spirits sold by the liquor stores. OLCC contracts with other independent business people to operate the liquor stores; these liquor agents are also local entrepreneurs, employing hundreds of store clerks statewide. Additionally, the craft distillery industry has been growing in Oregon, and will gain more national momentum and recognition. OLCC ensures that even these local micro-businesses get an equal footing -- alongside national and international brands -- on the product of shelves of Oregon liquor stores.

Strategy 1.1 Focus On Sustainable Business Development And The Chain Of Innovation.
OLCC's DS Program helps small businesses such as liquor stores be successful. It also helps bring business from distillers into the state's economy, and helps Oregon's own distilleries' to flourish and access external markets.

Strategy 1.2 Amplify local and state economic effects and make Oregon's economy more resilient.
The DS Program is an in-state supply chain, and helps keep Oregon dollars in the state by serving as the spirits wholesaler and retailer. It also supports Oregon distilleries, helping them access local domestic and international markets. It can appoint local business people to operate the Oregon liquor stores, as well.

Strategy 2.1 Create a financing mechanism for infrastructure and business development . . .
The DS Program proposes upgrading its distribution center infrastructure (sortation system) using only the liquor revenue generated by sales.
Liquor agents do not need to find the capital to purchase spirits inventory for the liquor stores; the state carries it for them, helping these private businesses to develop.

Strategy 3 ***Focus on long-term economic prosperity . . . lift up workers, support entrepreneurs***
The DS Program actively advises and supports liquor agents across the state, ensuring these entrepreneurs' success and ability to create jobs in their stores for others. The program's success – as indicated by its case and dollar sales volume -- also provides living wage jobs in the OLCC Distilled Spirits Program, in liquor stores, and in the tourism and hospitality industries that sell and serve spirits.

Program Performance

The chart below 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 2011. Projections assume a continued CSL for the Distilled Spirits Program plus $4.5 million for a new sortation system, plus the continued OLCC 50-cent per bottle surcharge. OLCC rate of return will depend on agency-wide funding levels.

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
2001-03	3.70	$1.51	$2.73	$ 522.3
2003-05	4.12	$1.67	$2.70	$ 598.4
2005-07	4.73	$1.96	$2.47	$ 719.9
2007-09	5.12	$1.67	$2.72	$ 815.5
2009-11	5.25	$1.75	$2.73	$ 858.4
2011-13	5.69	$1.76	$2.84	$ 980.0
2013-15	6.10	$2.68	$2.73	$1,071.5
2015-17	6.39	$1.93	$2.73	$1,137.5
2017-19	6.64	$2.07	$2.73	$1,207.5
2019-21	6.91	$2.24	$2.73	$1,281.7
2021-23	7.19	$2.41	$2.73	$1,360.5

Enabling Legislation/Program Authorization

The OLCC administers Oregon's Liquor Control Act. Authority is derived from Oregon Revised Statutes Chapters 471, Alcoholic Liquor Generally; 473, and Administrative Rules Chapter 845.

Funding Streams

All revenue received by the OLCC are classified as "Other Funds." The Legislature sets limitations on how much of its revenue OLCC may use for each of its own programs, including the DS Program. OLCC's revenues come from liquor sales, license fees and fines, server education fees, taxes on malt beverages and wines and miscellaneous income. The OLCC uses no General Fund resources, Lottery funds, nor federal funds. ORS 471.805 directs the OLCC to distribute available moneys to the state General Fund, cities, counties, and Mental Health.

Significant Proposed Program Changes from 2011-13

The Agency's Request Budget 2013-15 gross sales revenue projection of $1.071 billion assumed continuing the CSL into 2013-15, and spending an additional $4.5 million for a new Distribution Center sortation equipment system. The package was not approved in the Governor's budget.

The Governor's proposed 2013-15 balanced budget assumes OLCC realizing $1,071 billion projected liquor sales, without impediment. The Governor's balanced budget also assumes the continuation in 2013-15 of a 50-cent per bottle surcharge. The surcharge will currently sunset as of June, 2013 without Commission action. Projected distribution amounts in the Governor's budget assumes that the Legislature will again dedicated proceeds from the surcharge to the General Fund.

Ensuring liquor stores accept bank cards for payment

Another Agency proposed change for this program was recognizing bank card fees as a variable cost-of-doing business expense, and restoring the bank card expenditure limitation as a nonlimited expenditure directly driven by external customers' payment choices. This package was not approved in the Governor's budget.

Proposed Agent Affirmative Apprenticeship Program

OLCC contracts with independent business people to operate more than 240 liquor stores on behalf of the state of Oregon. Applicants compete for liquor-agent appointments, based on their experience and qualifications. Unfortunately, the existing appointment process has not produced a population of liquor agents that accurately reflect proportions of women and minorities in the state. As in other segments of our society, many historical, socio-economic, political and cultural factors create the inequity.

In keeping with Oregon Affirmative Action policy established July 1, 1975, "to eliminate the effects of past and present under-representation intended or unintended, that are evident by analysis of present employment patterns, practices or policies," OLCC seeks to remedy any inequities, to attain a population of liquor agents that more closely reflects the diversity of the state of Oregon. To increase the pool of qualified candidates who could successfully compete for liquor agent appointments, OLCC proposes establishing an apprenticeship program.

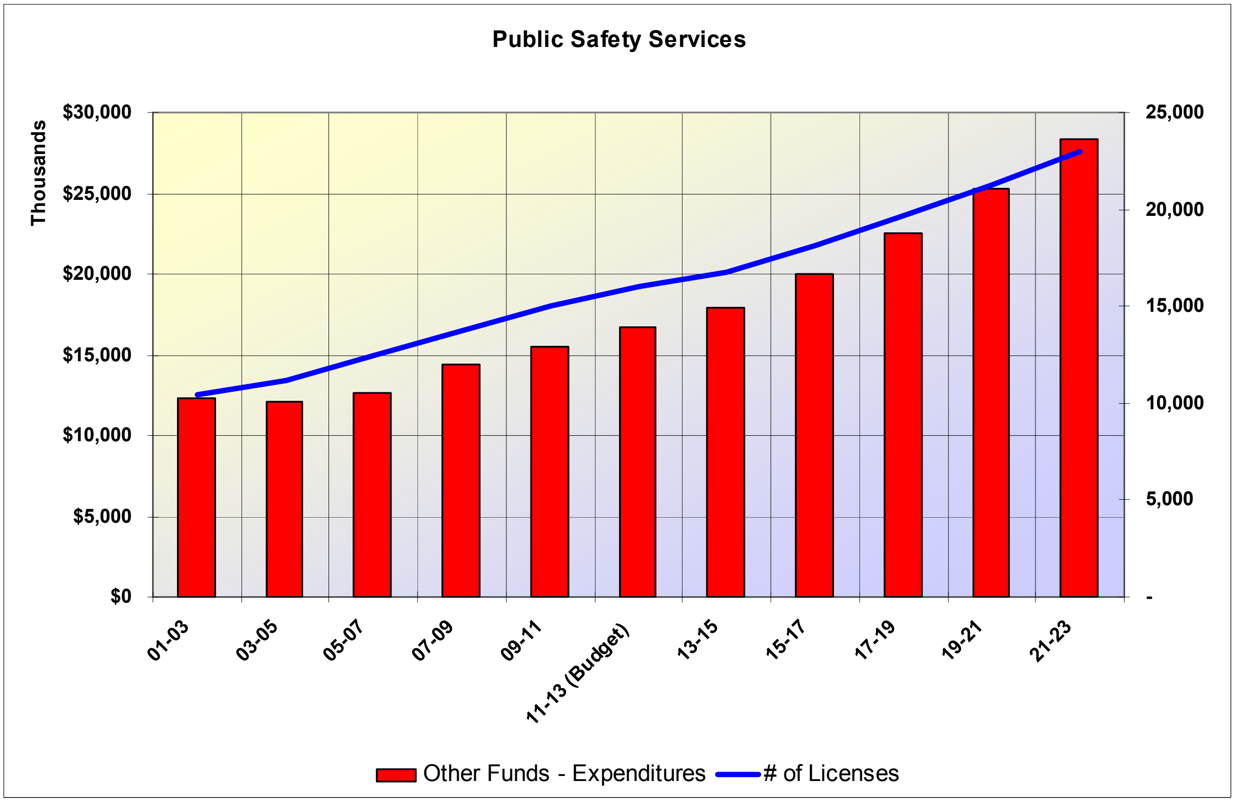
The program requests a one-time budget limitation increase of $1 million to fund apprenticeships and to provide loans for qualified applicants to capitalize acquisition of vacant agencies during the 2013-15 biennium.

The OLCC will pay subsidies to liquor agents who acquire apprentices; no FTE authority is required. The loans will be repaid to the state over five years, without interest.

This package was approved in the Governor's budget.

Oregon Liquor Control Commission: Public Safety Program

Primary Outcome Area:	Economy and Jobs
Program Contact:	Rudy Williams, Director of Public Safety, 503-872-5017



The bars show the OLCC Public Safety (PS) Program expenditures. The line shows the number of OLCC liquor licenses, which have been steadily increasing over time.

Executive Summary

The OLCC Public Safety (PS) Program regulates the manufacture, distribution and sale of alcohol beverages. Regulating the business of selling and serving alcohol is essential for minimizing alcohol-related risks to society; alcohol abuse is widely recognized as causing and contributing to social and health problems. These include crimes of violence, domestic abuse, and drunk driving. Protecting youth, in vulnerable stages of physical and psychological development, from alcohol also is important. OLCC regulates licensees and permittees and educates them to sell and serve alcohol legally and responsibly. In these ways, the PS Program supports healthy businesses that contribute positively to their communities, and create and support livelihoods for tens of thousands of people in Oregon. The alcoholic beverage industry, tourism, and the greater hospitality industries are key Oregon industries.

Program Description

OLCC's issuing liquor licenses only to qualified applicants helps promote the success of those businesses. Successful businesses employ thousands, and ensure the livability of their neighborhoods and communities. The PS Program's Licensing Services Division investigates and processes liquor license applications and renewals, and permits to serve alcohol. The Alcohol Education Division oversees private industry server education providers and other programs that train people to sell and serve alcohol legally, keeping it out of the hands of youth and those who have consumed too much alcohol. With only 49 Inspectors for the entire state, the Enforcement Division also educates licensees, along with investigating complaints of non-compliance and enforcing liquor laws through sanctions. If public safety is at risk, the agency can order an emergency license suspension and eventually cancel a license.

Program Justification and Link to 10-Year Outcome

The OLCC is a key linchpin for the alcohol beverage industry in Oregon. OLCC's Public Safety Program licenses businesses to sell alcohol and issues permits to individuals to serve alcohol. Selling and serving beer, wine and spirits are important functions for the key hospitality and tourism industries in the state. Restaurants, bars and even small groceries are often locally owned businesses that provide thousands of jobs throughout the state. In 2011-13, OLCC has more than 15,000 licensees; 11,000 of them are convenience and grocery stores (that sell wine and beer by the bottle) and restaurants, taverns or bars that serve alcohol by the drink. Additionally, 249 liquor stores sell spirits by the bottle. For 2013-15, OLCC estimates more than 17,000 licensees, including 12,000 restaurants, bars, grocery and convenience stores – plus over 250 liquor stores. OLCC performs the licensing function with only 9 specifically assigned License Investigators to insure licenses are compliant with applicable laws and are timely approval.

Strategy 1.1 Focus On Sustainable Business Development And The Chain Of Innovation.
Strategy 3 ***Focus on long-term economic prosperity . . .lift up workers, support entrepreneurs***

OLCC's enforcing liquor laws contributes to the success of the hospitality and tourism industries in the state. Public Safety Program staff help the businesses be productive neighbors and welcomed additions to the community. The Public Safety Program helps keep people from being overserved alcohol in licensed establishments, keeping patrons from causing disturbances in neighborhoods and dangers on the road. The program helps keep alcohol out of the hands of youth, protecting their and their families' wellbeing.

OLCC's PS Program helps businesses be successful. In OLCC programs such as "First Call," Public Safety Program staff work closely with new licensees, mentoring them to be successful entrepreneurs. The program licenses businesses according to state criteria, reducing the chances that some people who will not succeed as entrepreneurs will be risking their investments unwisely in a new venture. OLCC's having a speedy, efficient and effective licensing process helps gets businesses opened without unnecessary government slowdown; jobs and the economic vitality of our communities are at stake.

The program is focusing on improving performance, so it can maintain service levels despite growing numbers of demand for liquor licenses and flat or declining resource levels. Oregon expects a 3.5% annual growth in retail liquor licenses. More demand for licenses creates a heavier workload both for licensing staff processing applications, and for enforcement staff monitoring the licensed businesses for liquor law compliance.

The program concentrates on developing information technology solutions to gain efficiencies, as well as prioritizing its work according to risk-based philosophies to gain effectiveness.
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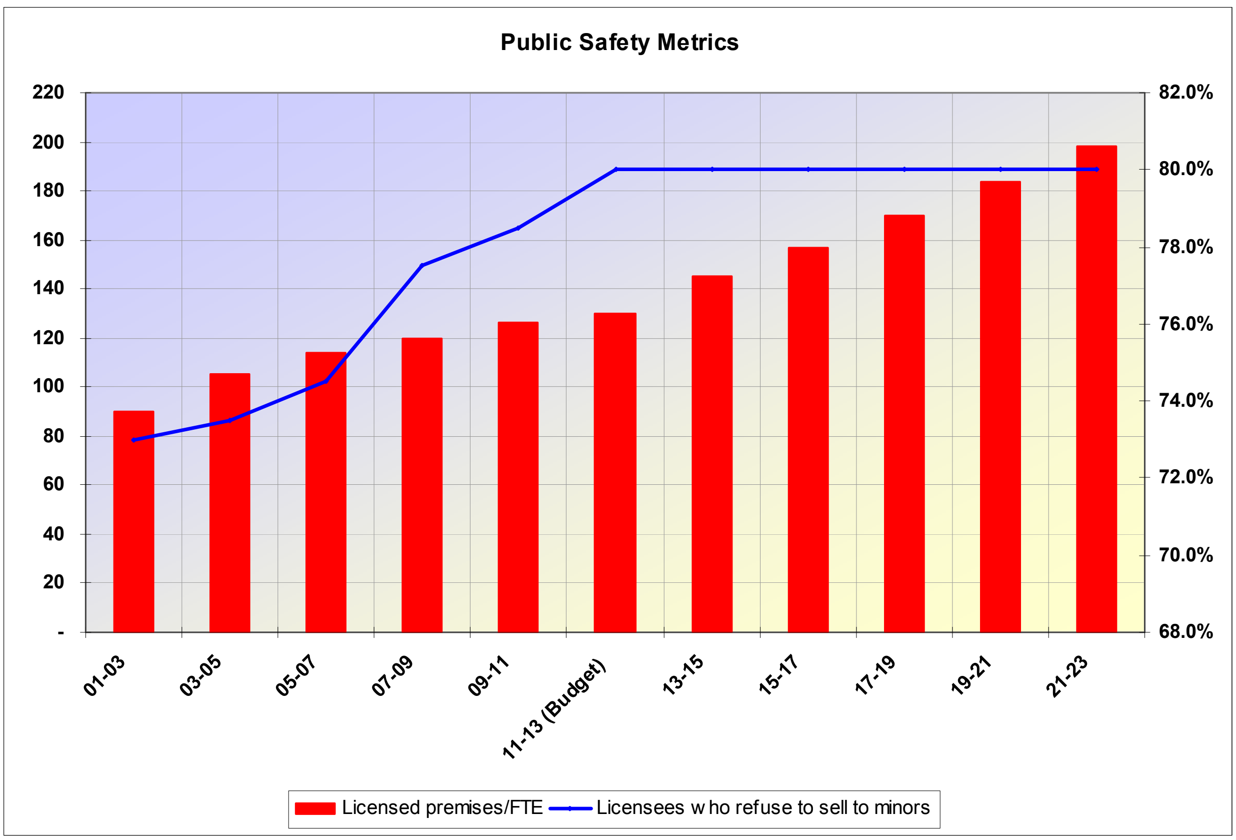
<u>Program Performance</u>



The graph shows how the number of licensees increases, while the number of OLCC Public Safety staff does not. This workload increase challenges staff to find ways to be more effective in issuing licenses in a timely manner, and ensuring licensees comply with liquor laws. OLCC's minor decoy program checks to see that licensees refuse to make illegal sales to minors. As desired, more licensees have been refusing to sell to minors during minor decoy program checks.

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.

Funding Streams

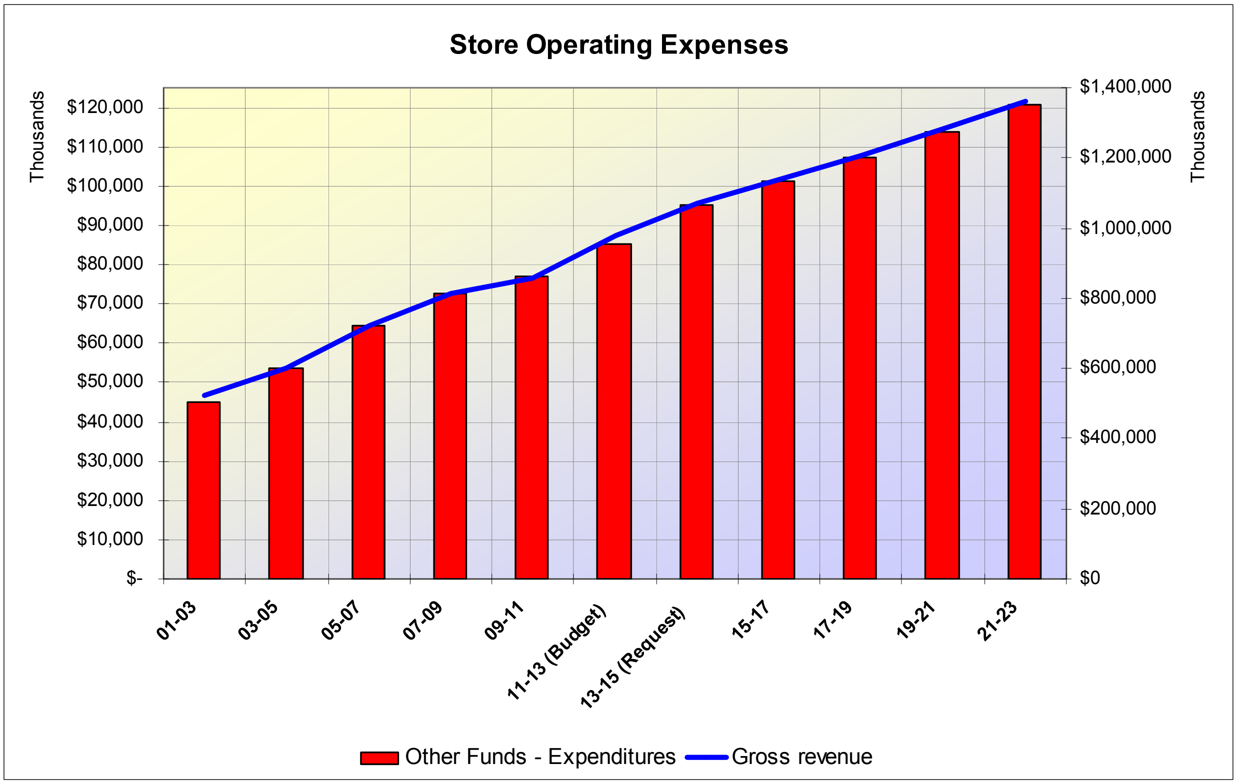
All OLCC programs are funded by OLCC-generated revenue. All revenue received by the OLCC is classified as "Other Funds." Its revenues come from liquor sales, license fees and fines, server education fees, taxes on malt beverages and wines (Privilege Tax) and miscellaneous income. ORS 471.805 directs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

Significant Proposed Program Changes from 2011-13

The program proposes to maintain its 2011-13 level of service through 2013-15, as described above, funded by the current service level budget.

Oregon Liquor Control Commission: Store Operating Expenses Program

Primary Outcome Area:	Economy and Jobs
Program Contact:	Merle Lindsey, Director of Distilled Spirits, 503-872-5161



The bars show the Store Operating Expenses (SOE) Program's expenditures. All are funded by Other Funds (liquor revenues). The line graph shows gross liquor revenue, the major output.

Executive Summary

The 249 liquor stores are the last stretch of the arm of the state's retail system, making approximately 6.0 million cases of distilled spirits available each biennium for purchase by consumers and businesses that sell spirits. The OLCC contracts with independent business people (entrepreneurs) to operate liquor stores for the state. The SOE Program contains funds to compensate these liquor agents for their services. This compensation is the agents' take-home pay, and also the dollars they use to operate the stores, including paying their employees The sale of distilled spirits supports tens of thousands of jobs in the alcoholic beverage industry, including liquor stores and hospitality and tourism industry businesses. The agents' sales also generate significant net revenue that OLCC distributes to the state General Fund and to local governments.

Program Description

This fund pays liquor agents monthly for their services and store expenses. Out of their compensation, agents must pay liquor store rent, insurance, telephone, electricity, heat, water, city and county business taxes, and their employees' salaries, sick leave and vacation coverage. Infrastructure improvements, such as in-store remodels, appearance upgrades or computer equipment, also comes from these funds. From the remainder, agents pay their own salaries, Social Security, state and federal taxes, medical insurance and retirement plan.

By funding the program sufficiently, the state is supporting entrepreneurs and the jobs they create. With reliable and predictable rates of funding, agents can best manage their businesses, maintain a healthy retail infrastructure, and fund hundreds of jobs in the liquor stores. It means customers can get the broad and deep selection of spirits -- the hallmark of the Oregon system -- and more than 4,600 licensed businesses that sale distilled spirits can get the products they need to make their own businesses successful, as well.

National and Oregon producers of spirits, liquor agents, and their customers – including the hospitality and tourism industries' restaurants and bars -- drive both the success and volume of the program. Other factors: OLCC's staffing levels, equipment and facilities, ability to compensate liquor agents and ability to pay for customers' bank cards to make purchases drive how well OLCC can meet demands for distilled spirits products, and realize potential revenue for government.

Historically, the Store Operating Expenses fund total has been calculated as 8.88 percent of projected sales. The Legislature has used this particular rate since FY 2003 to create a biennial limitation budget for OLCC to manage; OLCC expends the fund only to the extent that projected sales are realized. If sales exceed projections, OLCC must ask for an emergency budget change during the biennium, hampering liquor agents' ability to project their own store income and manage their businesses appropriately. This bid proposes supporting these entrepreneurs by eliminating this hurdle, and ensuring the statewide biennial budget will be a constant percent of sales – whether sales are below or above projections. This is achieved by making the Store Operating Budget a nonlimited fund, while legislatively mandating an overall percent of sales for OLCC to distribute to liquor agents statewide over the biennium.

The instructions for this form asks for an alternative delivery system. An alternative would be reverting these private jobs into state ones.

Program Justification and Link to 10-Year Outcome

Supporting Oregon's retail liquor agents supports the Oregon's Ten-Year Plan for Economy & Jobs. It supports entrepreneurs and the jobs they create.

Selling alcohol is important to the success of Oregon's tourism and the broader hospitality industry, comprising entrepreneurs and their tens of thousands of employees. Restaurants and bars -- often locally-owned businesses -- purchase approximately 25 percent of the spirits sold by the liquor stores. Additionally, the craft distillery industry has been growing in Oregon, and hopes to gain more national momentum and recognition. OLCC ensures that even these local micro-businesses get an equal footing -- alongside national and international brands-- on the shelves of Oregon liquor stores.

Strategy 1.1 Focus On Sustainable Business Development And The Chain Of Innovation.
OLCC's liquor agents are mostly local, small business owners. Employing local people familiar with local needs and issues helps to maintain a vibrant, growing economy. Their retailing expertise helps bring business from distillers into the state's economy, and helps Oregon's own distilleries' to flourish and access external markets. OLCC's uniform statewide spirits pricing safeguards availability no matter where businesses or citizens are located.

Strategy 1.2 Amplify local and state economic effects and make Oregon's economy more resilient.
OLCC's liquor stores are part of an in-state supply chain, and help keep Oregon dollars in the state. The program also supports Oregon distilleries, putting their products on the store shelves competitively with large distilleries' products, without placement fees. Liquor agents are usually local business people.

Strategy 2.1 Create a financing mechanism for infrastructure and business development . . .
Funding liquor agents helps the retail spirits infrastructure and business development. The state helps liquor agents by carrying the liquor inventory in the stores.

Strategy 3 *Focus on long-term economic prosperity . . . lift up workers, support entrepreneurs*
OLCC actively advises and supports liquor agents across the state, ensuring these entrepreneurs' success and ability to create jobs for others. The liquor stores' success – as indicated by its case and dollar sales volume -- means successful agent entrepreneurs, jobs in the OLCC Distilled Spirits Program, and jobs in the tourism and hospitality industries that sell and serve spirits.

<u>Program Performance</u>
The chart shows the number of liquor stores supported by the program; cases sold in millions; spirits gross sales; net distribution as a percent of sales; the key performance measure (KPM) of distribution to the state General Fund and local governments per dollar of agency expenditure and the cost of store operating expenses as a percent of gross liquor sales. Actuals are through fiscal year 2011.

Fiscal Year	Number of Stores	Cases of Spirits Sold, millions	Distilled Spirits Gross Sales, millions	Net Distribution as a Percent of Sales	OLCC KPM, Rate of Return (Distributed per Expenditure)	Cost of Store Operations Expenses as a percent of Sales
2001-03	237	3.70	$ 522.3	41.35%	$2.73	8.48%
2003-05	241	4.12	$ 598.4	40.62%	$2.70	8.88%
2005-07	241	4.73	$ 719.9	39.10%	$2.47	8.88%
2007-09	240	5.12	$ 815.5	40.19%	$2.72	8.82%
2009-11	247	5.25	$ 858.4	40.80%	$2.73	8.88%
2011-13	249	5.69	$ 958.0	41.04%	$2.84	8.88%
2013-15	252	6.10	$1,071.0	41.04%	$2.73	8.88%
2015-17	255	6.39	$1,137.5	41.04%	$2.73	8.88%

2017-19	258	6.64	$1,207.5	41.04%	$2.73	8.88%
2019-21	261	6.91	$1,281.7	41.04%	$2.73	8.88%
2021.23	264	7.19	$1,360.5	41.04%	$2.73	8.88%

Enabling Legislation/Program Authorization

The OLCC administers Oregon's Liquor Control Act. Authority is derived from Oregon Revised Statutes Chapters 471, Alcoholic Liquor Generally; 473, and Administrative Rules Chapter 845.

Funding Streams

All revenue received by the OLCC are "Other Funds." The Legislature sets limitations on how much of its revenue OLCC may use for each of its own programs, including the Store Operating Expenses Fund. OLCC's revenues are from liquor sales, license fees and fines, server education fees, taxes on malt beverages and wines and miscellaneous income. The OLCC uses no General Fund resources, Lottery funds, nor federal funds. ORS 471.805 directs the OLCC to distribute available moneys to the state General Fund, cities, counties, and Mental Health.

Significant Proposed Program Changes from 2011-13

The Governor's proposed 2013-15 balanced budget assumes OLCC realizing $1,071 billion projected liquor sales, without impediment. OLCC's agency request budget requested additional equipment to handle increased product movement and to realize potential sales. The package was not funded in the Governor's balanced budget. The Governor's balanced budget also assumes the continuation in 2013-15 of a 50-cent per bottle surcharge. The surcharge will currently sunset as of June, 2013 without Commission action. Projected distribution amounts in the Governor's budget assumes that the Legislature will again dedicated proceeds from the surcharge to the General Fund.

Liquor Agent Apprenticeship Program POP

Oregon Liquor Control Commission
Merle Lindsey, Interim Executive Director

Career development apprenticeship program to help minorities and women successfully compete for liquor store appointments

Liquor agents are well represented in categories for Women and Asians compared to general Oregon firm ownership, but under-represented in the other categories

Category	Oregon Firm Ownership	Liquor Agents
White	88.0%	86.2%
Women	29.8%	36.0%
Hispanic	03.3%	02.0%
Asian	03.6%	06.1%
Black	01.2%	00.8%
American Indian and Alaska Native	01.2%	00.8%
Native Hawaiian and Other Pacific Islander	00.2%	00.0%

Liquor agents more than represent Asians of the Oregon population. Otherwise, neither Oregon-firm owners nor liquor agents fully represent the non-white, non-male population sectors of the state

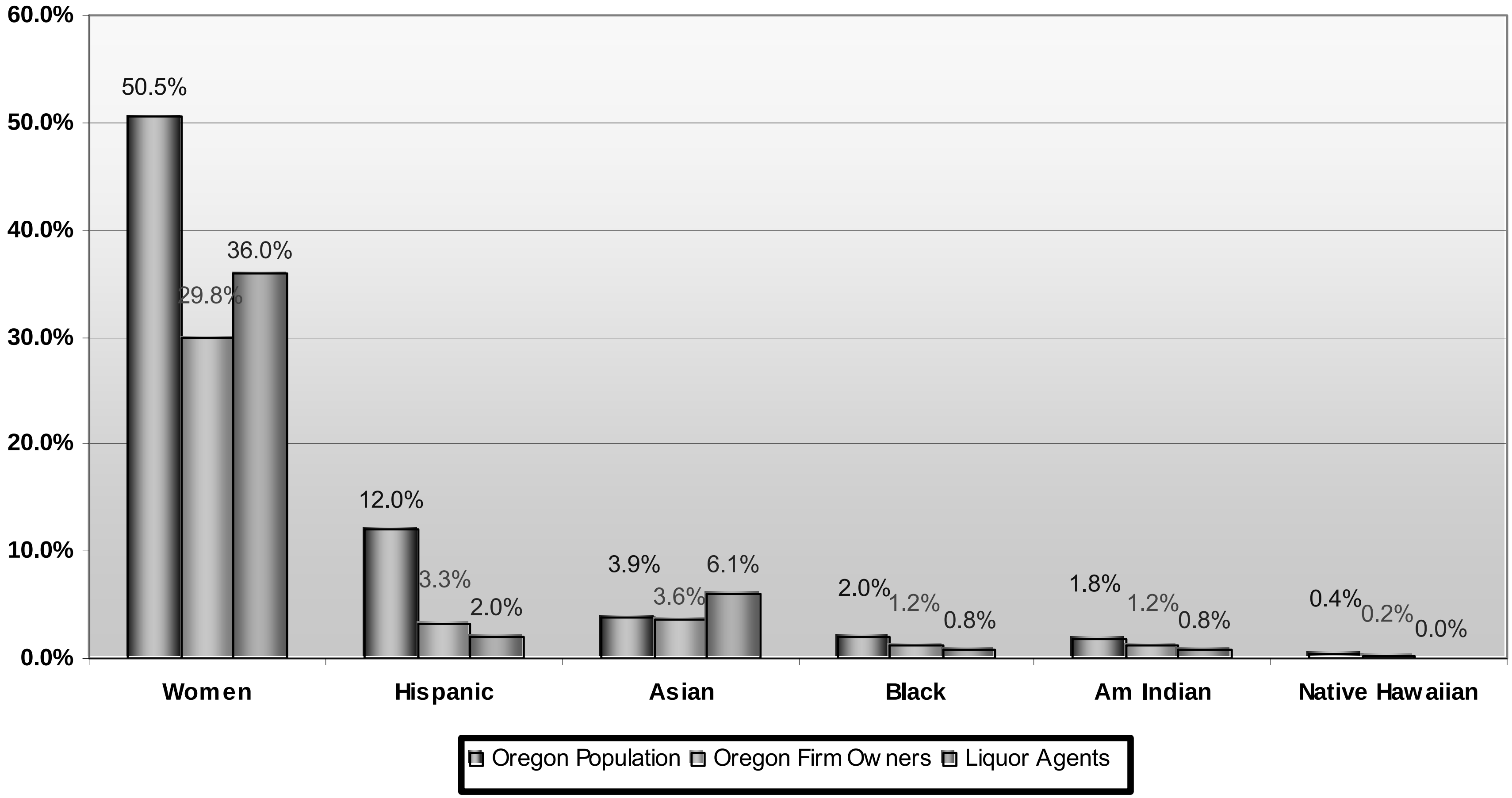
	Women	Hispanic	Asian	Black	Am Indian	Native Hawaiian
Oregon Population[1]	50.5%	12.0%	3.9%	2.0%	1.8%	0.4%
Oregon Firm Owners[2]	29.8%	3.3%	3.6%	1.2%	1.2%	0.2%
Liquor Agents[3]	36.0%	2.0%	6.1%	0.8%	0.8%	0.0%

[1] Per US Census Bureau estimates for 2011

[2] Per US Census Bureau estimates for 2011

[3] 2012 statistics

Oregon Diversity
Population, Business Owners, Liquor Agents



Recruiting Apprentices

- OLCC will work with the Oregon Economic and Business Equity office to recruit and select apprentices
- Agents will receive subsidies from OLCC to help pay living wages to apprentices
  - Recruiting and screening will identify viable candidates
  - Agents will compete for the subsidized labor that apprentices can provide them

Hands-on Experience

- Apprentices get training, guidance and work experience in liquor stores
  - Apprentices will be better qualified, and better able to successfully compete for liquor store vacancies
  - OLCC will provide agents with a training curriculum to ensure apprentices get appropriate on-the-job training and experience during their apprenticeship

Relieve Barriers for Funding

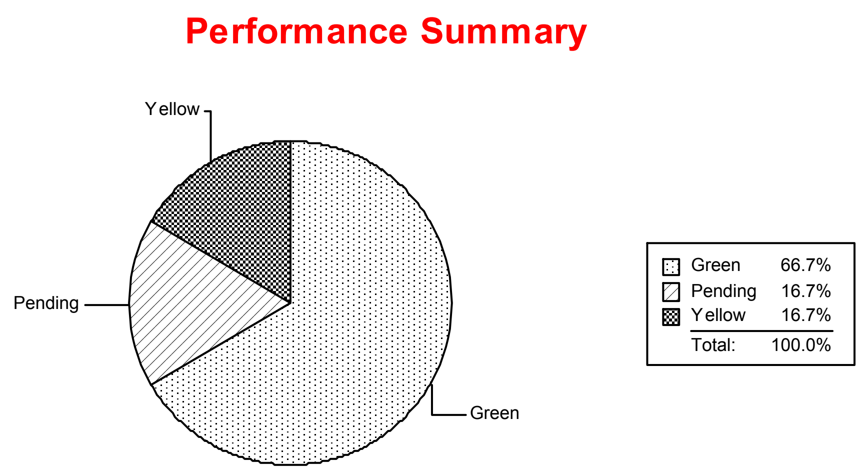
- Apprentices will be eligible for low-interest loans from OLCC to help compete for appointments to liquor stores
  - Liquor agent appointees need to have funds to pay out-going agents buy-out, purchase fixtures and equipment, lease store space

Investment in Diversity

- OLCC requests $1 million to provide agent subsidies and apprenticeship loans 2013-15
  - Subsidies will help agents to attract apprentices by paying them a living wage
  - Low-interest loans to apprentices will help them meet financial requirements for liquor store appointment
    - Five-year pay-back period to the state
  - One-time OLCC expenditure for 2013-15

LIQUOR CONTROL COMMISSION, OREGON	I. EXECUTIVE SUMMARY
Agency Mission: To promote the public interest through the responsible sale and service of alcoholic beverages.	

Contact:	Bill Schuette, Research Analyst	**Contact Phone:**	503-872-5023
Alternate:	Michael O'Connor, Director of Financial Services	**Alternate Phone:**	503-872-5163



Green	**Yellow**	**Red**	**Exception**
= Target to -5%	= Target -6% to -15%	= Target > -15%	Can not calculate status (zero entered for either Actual or

1. SCOPE OF REPORT

Agency programs/services addressed by key performance measures: This report contains key performance measures addressing the three program areas of the agency Public Safety Services Program, Distilled Spirits Program, Support Services Program.

2. THE OREGON CONTEXT

The OLCC envisions itself as a public safety agency that serves as a model for state alcohol regulation programs whose guiding principles are Public Safety, Economic Development, and Stewardship. The OLCC identifies itself as an integral part of a greater alcohol beverage system. Using a systems approach, the OLCC sees itself as meeting the publics need for a livable community and a sustainable, healthy, and responsible marketplace. The alcoholic beverage system in Oregon is managed by the OLCC with two processes. First, the OLCC's Public Safety Services Program seeks to license safe and responsible businesses quickly. Businesses that the OLCC licenses include: bars and restaurants that serve beer, wine, and spirits by the glass; grocery and convenience stores that sell packaged beer and wine; manufacturers (breweries, brew pubs, wineries, distilleries); and importers/distributors that supply beer and wine to licensees. Once in operation, the OLCC monitors liquor law compliance of these businesses, and pursues activities and policies that promote compliance. By focusing on strategies that promote liquor law compliance, the OLCC works to address livability concerns of communities, while facilitating responsible, safe, and sustainable Hospitality, Tourism, and Grocery Industries in Oregon, among others. Second, the OLCC's Distilled Spirits Program seeks to meet current and emerging customer expectations for distilled spirits product selection and availability, price, and retail outlet convenience. Through the work of the Distilled Spirits Program, the OLCC makes a wide selection of distilled spirits products regularly and reliably available at its 248 contract liquor retailer locations, at prices that are the same regardless of where they are purchased in the state. The OLCC contracts with private independent business operators to sell packaged distilled spirits directly to individuals, and to local licensees who then are allowed to sell distilled spirits by the drink at their place of business. Through the processes of both the Public Safety Services Program and the Distilled Spirits Program, the OLCC balances the sometimes competing demands of the agency's stakeholders and customers. By optimizing the alcohol beverage system in Oregon, the OLCC creates a sustainable marketplace, where the concerns and interests of a wide group of individuals and businesses can be accounted for. To insure that the OLCC continues to optimize Oregon's alcohol beverages system, these key measures have been created to monitor the agency's performance.

3. PERFORMANCE SUMMARY

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During the 2009 Legislature, the Ways and Means Committee approved a new OLCC KPM Rate of Second Violation. The goal for this measure was not established, but generally the OLCC and the Committee agreed that the agency should strive to improve over previous years until a target can be established. For 2012, the OLCC reports 5 of 6 KPMs are near or met their respective targets. KPM#1, Sales to Minors, reported a pass rate of 81% for the state during 2012 which is slightly above the target of 80%. This was an increase of 4% from the previous fiscal year. KPM#2, Rate of Second Violation reported a rate of 12% of licensees committing a second violation within two years of committing a first violation for the 2012 analysis. This is similar to 2011 which reported a rate of 13%. KPM#2 is a new measure and does not have a target, however, data collection and measure calculation have now been refined to a consistent methodology. KPM #3, Licensing Time, averaged 67 days during 2012 and met the statewide target of 90 days. KPM#4, Customer Service; Overall customer service receiving a good or excellent rating averaged 82% for 2012 and met the target. Availability of information received a score of 75% and did not meet the target. All other customer service measures (accuracy, expertise, timeliness and helpfulness) exceeded the 80% target expectations. The scores are similar to 2011 with improvement shown in timeliness of information provided. KPM#5, OLCC Rate of Return, achieved a rate of $2.94 in revenue distributed for public use for every $1 spent by the agency during 2012. This significantly exceeded the target of $2.70. The 2012 rate was influenced by a strong recovery in liquor sales and also helped by the $0.50 per bottle surcharge. KPM#6, Best Practices, achieved a rate of 98 percent of the best practices met by the Board according to a self assessment survey of the commission. This demonstrates that the OLCC continues to operate at the highest levels of governance.

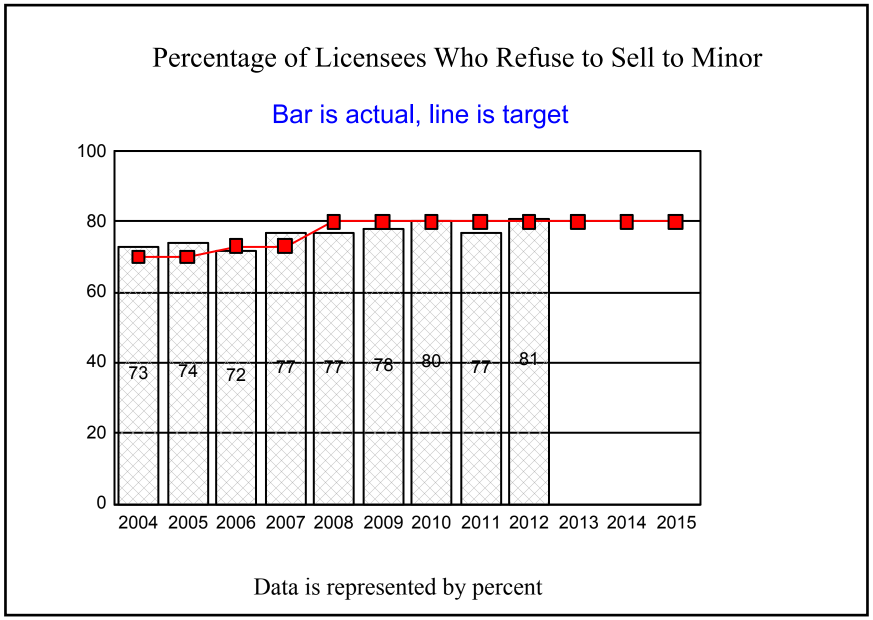
4. CHALLENGES

The major challenges to the effective operation of the OLCC, as reflected by these Key Performance Measures, result from a lack of resource flexibility needed to adjust to changing public safety, statutory, and market conditions. Being adaptive is paramount for the agency to successfully respond to growth in Oregon's population and economy, and the subsequent public safety and public demand needs. Upgrading the agency's information technology systems are critical to shortening the licensing process, tracking enforcement data for second violation measurement and making information available to OLCC customers in a timely manner. Factors affecting the results of the following measures are generally related to the needs of the agency to have flexibility to adapt to its changing environment.

5. RESOURCES AND EFFICIENCY

The OLCC's actual total operational expenditures for Fiscal Year 2012 were $66 million. The agency views KPM #3 (Licensing Time) and KPM #5 (OLCC Rate of Return) as efficiency measures.

KPM #1	Sales to Minors – Percentage of licensees who refuse to sell to minor decoys.	2002
Goal	PUBLIC SAFETY - Meet potential customer demand for alcoholic beverages and outlets in a socially responsible manner	
Oregon Context	Benchmark #50a - 8th Grade Alcohol Abuse (Formally BM#49 - Teen Substance Abuse) and Governors Guiding Principle of Public Safety	
Data Source	OLCC enforcement records, minor decoy database	
Owner	OLCC Public Safety Services Program Enforcement Division, Rudy Williams Director. 503.872.5017	



1. OUR STRATEGY

The OLCC has three principle strategies for achieving the goal of Public Safety relating to this measure. The first strategy is to assure the OLCC has adequate resources dedicated to public safety initiatives. The second is to develop and execute policies that assure outlets comply with state liquor laws. The third strategy is to strengthen partnerships with other stakeholders that share the agency's public safety objectives.

2. ABOUT THE TARGETS

The targets for this measure are based on historical averages of licensees refusing to sell alcoholic beverages to minor decoys. This target is viewed as a threshold; a level of compliance the OLCC strives to exceed. The OLCC, in the past, has regularly exceeded the target level for this measure. Given this fact, the OLCC proactively increased the target level from 70 percent to 73 percent for the 2006 reporting period. The state legislature raised the target again during the 2007 session to 80 percent

3. HOW WE ARE DOING

The FY 2012 result shows an 81 percent compliance rate of “no sales” to minors and exceeds the legislative target. The compliance rate increased by 4 percent from FY 2011 which had a 77 percent compliance rate. The result continues to demonstrate improvement in the agency’s performance and maintains a trend of improvement in historical compliance rates.

4. HOW WE COMPARE

Other liquor law enforcement agencies around the United States also conduct minor decoy operations. However, many of these states (e.g. California) will often publicize the decoy operations ahead of time, which may temporarily and artificially inflate those respective compliance rates. In these cases, comparisons to the Oregon compliance rate are misleading. Some states (e.g. Maine and Louisiana) claim to track sales to minor statistics, but either combine that information with other compliance check activities prior to publishing, or do not readily publish the information. The OLCC statistics only reflect the minor decoy operations executed by agency inspectors or minor decoy operations where OLCC participates with local law enforcement. In both cases, the results of these operations are compiled for this KPM.

The state of Washington, in their FY 2011 annual report, cited a 77 percent compliance rate for sales to on and off premises establishments.

5. FACTORS AFFECTING RESULTS

A key factor driving these results is frequency of operations. The "perception of detection" is a significant motivator to comply with liquor laws for licensees and their staff. When the number of operations decreases, a licensee may not perceive the risk of detection as likely and choose to make decisions that do not comply with the public safety laws, such as selling alcoholic beverages to minors.

Another factor affecting results is the random sampling effect of minor decoy operations. With the exception of targeted premises that have committed a prior offense, the majority of operations are performed on a different group of licensee each year. This can result in some variation from year to year as a result of the sampling effect. The compliance rate in FY 2010 was 80 percent but dropped to 77 percent in FY 2011 despite conducting a similar number of operations. The compliance rate has increased to 81 percent for FY 2012 resulting from a similar number of total operations as conducted in each of the previous two years.

6. WHAT NEEDS TO BE DONE

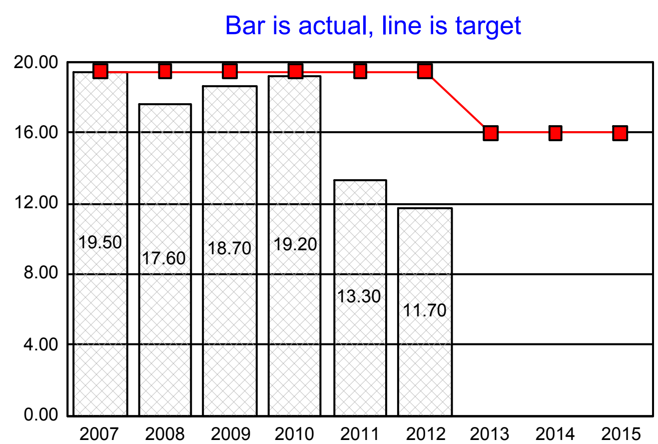
The OLCC has leveraged its experience in conducting minor decoy operations by consulting with and training local law enforcement agencies to effectively conduct their own operations. The creation of these synergistic partnerships bring together the OLCC's knowledge base with the personnel resources of other law enforcement agencies so more operations can be conducted around the state. It should also be noted that an “inspection gap" continues to form as the number of licensed businesses is growing with respect to the number of OLCC inspection/enforcement personnel. This gap results in a general decrease in the number of minor decoy operations conducted only by the OLCC and the need for local law enforcement partnerships.

7. ABOUT THE DATA

This measure is calculated from the compiled results of minor decoy operations conducted during the fiscal year in each of the four OLCC inspection regions; Bend, Eugene, Salem, Medford and Portland Metro. The measure is calculated by dividing the total number of instances when a licensee refused to sell to a minor by the total number of attempted minor decoy purchases. OLCC inspectors conducted 1,718 operations in FY 2012 which constituted about 15% of all licensed premises during the year.

KPM #2	RATE OF SECOND VIOLATION – Percentage of licensees detected to have violated a liquor law in a second, separate, incident occurring within 2 years after the year of the first violation.	2008
Goal	PUBLIC SAFETY - Meet potential customer demand for alcoholic beverages and outlets in a socially responsible manner.	
Oregon Context	Governor's Guiding Principle of Public Safety. OLCC Mission Statement.	
Data Source	OLCC Enforcement and Administrative Process and Procedure Records.	
Owner	Public Safety Services Program (PSSP), Rudy Williams – OLCC Regulatory Director, 503.872.5017	

Rate of Second Violation



Data is represented by percent

1. OUR STRATEGY

Innovations and Enhancements to Education, License Processing, Enforcement, and Adjudication Functions.

2. ABOUT THE TARGETS

Targets are not available at this time. The OLCC will seek to better the KPM result in each subsequent year until enough data can be collect to establish a reasonable target.

3. HOW WE ARE DOING

The FY 2012 second violation rate is 11.7 percent which is a slight drop from the previous year. The FY 2011 second violation rate was 13.3 percent. Although this is an improvement we also want to caution that the number of licensed premises cited with one or more violations has dropped from 565 in FY 2010 to 435 in FY 2012. We believe that the prolonged recession continues to impact all businesses with liquor licenses. Although we believe the drop in the number of cited premises is related to OLCC's enforcement efforts we also acknowledge that the drop could also be impacted by premises that are no longer operating. The historical data indicates a second violation rate of between 17 and 19 percent.During FY 2012 there were 435 licensed premises with serious violations. This represents about 4 percent of the total licensed premises for the year. The number of premises with second violations from FY 2010 is 32 or about 0.6 percent of the total number of premises licensed in the Oregon. Of the premises with repeat violations, about half of the repeat offenses occur in the first year and half in the second year.

4. HOW WE COMPARE

We have found no other agencies or states with a similar measure.

5. FACTORS AFFECTING RESULTS

During FY 2012, 63 percent of the violations issued by inspectors were for sales to minors (Failure to Verify Age). As the compliance rate for sales to minor increases the rate of second violation will likely decrease. We also believe that the recession and its aftermath have forced many repeat violators out of business.

6. WHAT NEEDS TO BE DONE

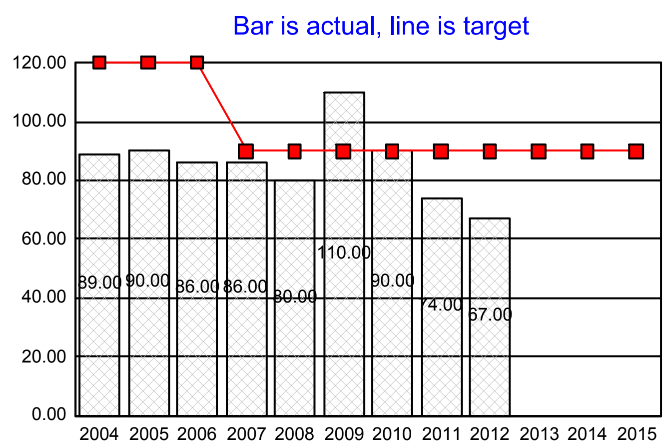
OLCC will continue to look at this measure and how the information is generated to determine if significant changes are needed for future years. OLCC continues to implement new strategies of regulating and educating licensees. This includes implementation of the first call program, public service announcements and a poster campaign warning of the dangers of furnishing alcohol to minors. These proactive education efforts combined with targeted enforcement operations such as minor decoy compliance checks will improve licensees' compliance with liquor laws.

7. ABOUT THE DATA

Key Performance Measure #2; Rate of Second Violation was crafted in 2007 as a new public safety measure for OLCC. The measure is calculated dividing the number of premises that have committed their first serious liquor law violation (category 1, 2, or 3) in a given year, by the number of those premises that go on to commit another separate serious liquor law violation within the two years following the year of their first. Historically this calculation has been done manually looking for premises matches across thousands of violation records. Recently, OLCC has been able to employ both statistical and database tools to refine the data and allow for electronic matches of licensed premises that violate liquor laws across multiple years. This has resulted in a much more consistent calculation of this measure and objective. The measure results for all years have been recalculated using this new methodology and are presented below.

KPM #3	Licensing Time – Average days from application receipt to license issuance.	2005
Goal	ECONOMIC DEVELOPMENT To enable Oregon businesses to begin and continue to operate safely and responsibly as soon as possible, supporting Oregon's Hospitality and Tourism Industries.	
Oregon Context	Oregon Benchmark #1(Employment in Rural Oregon), #2 (Trade Outside Oregon), #3 (New Employers), #4 (Net Job Growth) Oregon benchmarks relating to Growth of Oregon’s Economy and Job Growth. Governors Guiding Principles of Business and Job Growth.	
Data Source	OLCC license applications processing records. Internally developed system report: License Process Period Analysis-Number of Days to Issue a License.	
Owner	OLCC Public Safety Services Program - Farshad Allahdadi – License Services Director 503.872.5224	

Average Number of days to Issue (Below Target Is Better)



Data is represented by number

1. OUR STRATEGY

The OLCC's strategy for meeting this goal is to streamline, simplify, and automate the liquor licensing process. In pursuing this strategy, the OLCC hopes to achieve many positive outcomes, including the reduction in the number of days to issue a license.

2. ABOUT THE TARGETS

Targets are based on historical averages and expected workloads. Previous reports have indicated the target for this measure as a range; this is due to a number of external factors that influence the time to issue a license (e.g. local government review or receipt of license fees). The 2007 Legislature asked the agency to change the target to a fixed level, and to set that level to 90-days beginning in FY 2008. The agency strives to issue liquor licenses to responsible and safe businesses faster than the measures target, i.e. it is desirable to report actual levels that are below the target.

3. HOW WE ARE DOING

Both the ability for the OLCC to add temporary staff during the year and licensing process improvements have enabled the agency to reduce the average licensing time statewide to 67 days for FY 2012. This is below the legislatively set target and represents a slight improvement over FY 2011 which averaged 74 days.

4. HOW WE COMPARE

It is difficult to make direct comparisons due to the investigative and legal review aspects of the Oregon licensing process that do not translate to other licensing bodies.

5. FACTORS AFFECTING RESULTS

There are many factors affecting the number of days it takes to issue a liquor license; some internal and some external. Internal factors continue to be identified and streamlined through process improvements and technological solutions (automations). External factors are difficult to control. The primary external factor affecting how quickly a liquor license can be issued is the license application review by the local governing body (city or county). Statute gives local government up to 75 days (45 days plus and additional 30 day extension – if requested) to review a license application within their jurisdiction and provide a recommendation (positive, negative, or neutral). The OLCC cannot complete the processing of an application until the local government review is completed. Lengthy application review by local governments usually occurs in the larger metropolitan areas, such as Portland. These areas also have higher numbers of license applications, in absolute terms, which influence the overall statewide average licensing times. Additionally, the timeliness of the applicant in providing materials necessary to the application investigation can impact overall processing time. Applicants not prepared for or committed to the process may have longer processing times. A good illustration of how factors outside of agency control may impact the total time to issue a license can be found in looking at the licensing work of the Portland field office. For licenses issued by the Portland office (a subset of the KPM) between January 1, 2011 and June 30, 2011, the average time to issue a license was approximately 90.7 days. However, during the same period staff processing time totaled to an average of only 32.9 days; only 36% of the total time to issue a license. The remaining 64% of the time is driven be external factors described above, and are outside the control of the agency.

6. WHAT NEEDS TO BE DONE

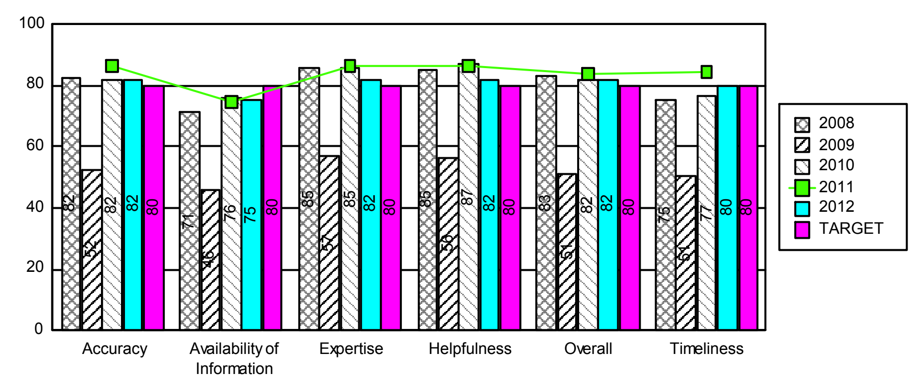
The 2012 results of this measure indicate that the OLCC is improving but should continue with its effective strategy for exceeding this target. Significant, but unsustainable, improvements to the total licensing time were accomplished by adding additional personnel to the license investigation staff around the state. Those temporary resources are not anticipated to be available during the 2013-15 biennium , and the agency expects the statewide average licensing time to grow beyond the 2012 result. The OLCC is pursuing long-term solutions to its business needs that include regulatory innovations, such as risk-based decision making methodologies, the implementation of streamlining measures, and the development of a custom enterprise licensing system that will automate many manual processes as well as growing the agency’s online service capacity. With these enhancements and innovations the OLCC can continue to meet the targets of this measure.

7. ABOUT THE DATA

The data supporting this measure is compiled by the OLCC licensing unit and reported through the agency's master file system.

KPM #4	CUSTOMER SERVICE - Percent of customers rating their satisfaction with the agency's customer service as "good" or "excellent": overall, timeliness, accuracy, helpfulness, expertise, availability of information.	2006
Goal	STEWARDSHIP The OLCC will sustain high-level customer service. It will continue to improve its customer service levels by finding more efficiencies, improving time frames for delivering services, and by making information accessible to customers and the public.	
Oregon Context	Governors Guiding Principle of facilitating the growth of business and jobs by strategically investing in human capital and infrastructure.	
Data Source	Annual OLCC Customer Service Survey conducted via Surveymonkey.com. and paper survey cards for visitors to the OLCC main office. Links to online survey were sent to 4 stakeholder groups by email including employees, stakeholders, liquor store agents, and Server Education providers. In addition, a link for licensees to take the survey was posted in the license section of the OLCC website and an invitation for public to take the survey was posted on the OLCC social media sites. Paper surveys were made available at the reception desk for licensees and the public that came into the agency in person during an 6 week period from July 27, 2012 to September 7, 2012. Results are available by stakeholder group, but are consolidated here.	
Owner	OLCC Management and Consulting Services Division, Bill Schuette Research Analyst, 503.872.5023	

Percent Rating Service



1. OUR STRATEGY

There are two principle strategies directing the OLCC's activities toward this goal. First, the OLCC has a strategy of strengthening partnerships with stakeholders (public safety, community, business, government, general public). The second strategy is to provide responsible stewardship to the states assets. Feedback from stakeholders through a customer service survey is an essential tool for the OLCC to evaluate its performance in following these strategies.

2. ABOUT THE TARGETS

The 2007 Legislature asked the agency to set the target to 80% for each category beginning in 2008.

3. HOW WE ARE DOING

The OLCC met or exceeded the 80% target in overall service, expertise, accuracy, helpfulness and timeliness. We did not meet the target for availability of information indicating that the agency needs to improve in this. The agency continues to make efforts to increase information availability through Gov Alerts and posting updates on the agency website.

The total survey response was up slightly from last year with 420 total respondents compared to 411 last year. We had more responses from the general public with our efforts to reach them through social media but fewer responses from licensees. The overall rating the agency was 82% rated a good or excellent compared to 84% in 2011.

4. HOW WE COMPARE

The Commission is unaware of any other state entities that regulate alcohol licensing and sales that conduct similar surveys.

5. FACTORS AFFECTING RESULTS

There were 420 respondents from the five survey groups that answered every question. There was not a significant difference in overall results between weighted and non-weighted averages. Significant media coverage of agency issues through the year may have affected results from stakeholders and the general public.

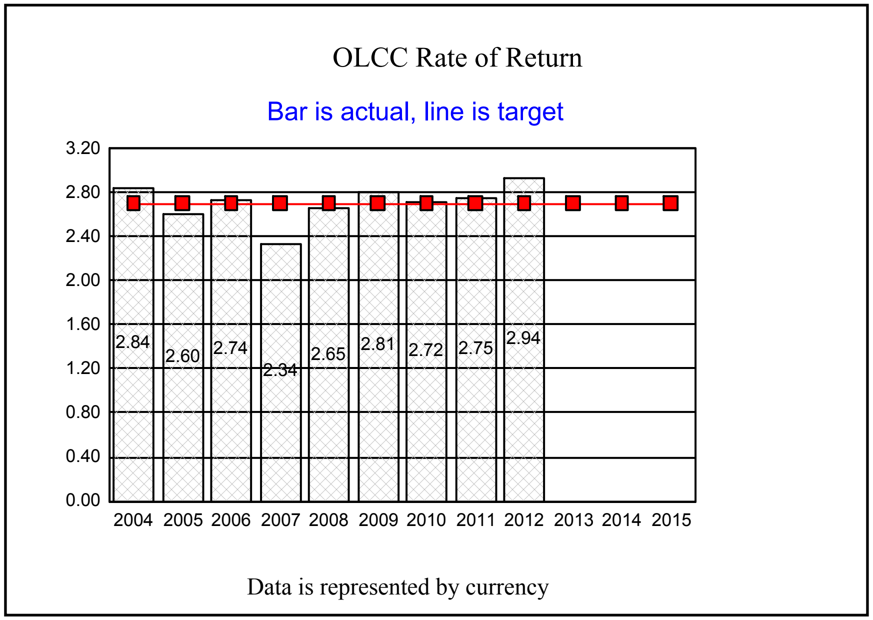
6. WHAT NEEDS TO BE DONE

The agency strives to provide the highest levels of customer service, balancing the needs of all its stakeholders. We will continue to seek policy and process enhancements that will result in the agency meeting, and exceeding, its customer service goals such as improving our average licensing time and increasing customer convenience by implementing the pilot programs for selling beer and wine in liquor stores.

7. ABOUT THE DATA

After the close of the Oregon fiscal year, surveys were collected from identified stakeholders that have had dealings with the OLCC during the previous 12 months. The agency maintains email lists for key stakeholders (e.g. distilleries, neighborhood associations, law enforcement and manufacturers), liquor store agents, and server education providers. These groups were emailed during the survey period with a link to Surveymonkey.com where they could provide a response. Licensee data was gathered by making printed surveys available at license renewal desks but also by posting a link in the license section of the OLCC website. Licensees could fill out the surveys at the OLCC office or were given a web link where they could take the survey online. This year we also added a QR Code option that would allow potential survey participants visiting the office to scan a card with their smart phones and take the survey online. Public responses were gathered by posting an invitation on OLCC's social media sites (Facebook and Twitter) with a link to take the survey. The OLCC continues to explore cost effective ways of reaching out to all stakeholder groups for feedback.

KPM #5	OLCC Rate of Return – Net OLCC distribution divided by actual expenses.	2007
Goal	STEWARDSHIP The OLCC follows a socially responsible business model, and provide responsible stewardship of its assets, managing risks and protecting revenue flows.	
Oregon Context	Governors Principle of Government Efficiency and Accountability.	
Data Source	OLCC Consolidated Annual Financial Statements (Oregon FY)	
Owner	OLCC Support Services Program Financial Services Division, Michael OConnor Director, 503.872.5163	



1. OUR STRATEGY

Provide a stable rate of return that reflects effective, responsible, and balanced operations.

2. ABOUT THE TARGETS

The 2007 Legislature asked the agency to set the target for this new measure at $2.70. The target reflects the agency's mission of balancing public safety objectives with those of making distilled spirits safely available to consumers and licensees. The OLCC seeks to hit this target as closely as possible; given posting rates of return significantly over or under the target may indicate a system out of balance.

3. HOW WE ARE DOING

The OLCC rate of return rose from $2.75 in FY 2011 to $2.94 during FY 2012. This rise is strongly related to an increase in sales and the continuation of a special $0.50 per bottle surcharge implemented during the recession.

During FY 2011 the surcharge generated $13.7 million in additional revenue. Without the surcharge the ratio would have fallen from $2.75 to $2.54 indicating that the surcharge was essential to meeting the target. $14.3 million in distributable revenue was generated during FY 2012 from the 50 cent surcharge. Without the surcharge the ratio would have been $2.72 in distributable revenue per $1 of expenses. During this period of time OLCC has seen a strengthening of sales and reduction of budget expenditures which is projected to increase the rate of return during fiscal 2013 even more.

These factors combined to result in a rate of return very close to the target of $2.70 for fiscal 2012 exclusive of the surcharge. As noted above, the OLCC does not believe regularly or greatly exceeding the target is a sustainable condition for a well balanced and effective organization.

4. HOW WE COMPARE

Direct comparisons to other Oregon state agencies are difficult to find as the nature of the OLCC's mission is unique. There are very few profit generating agencies in state government, and none that exactly share the OLCC's objective of balancing public safety with revenue generation. Comparisons with private enterprises are also difficult; being most businesses are concerned with strict profit maximization, without performing any self-regulating functions that temper profit.

5. FACTORS AFFECTING RESULTS

There are many factors that affect the agency's rate of return. Gross revenue from liquor sales increased 6.2 percent during FY 2012 as compared to FY 2011. The number of bottles sold increased 4.8 percent from last fiscal year which generated additional surcharge revenue. Agency expenditures (minus Agents Compensation) during FY 2012 decreased 2.7% from FY 2011 as a result of budget limitations.However, other factors affecting the result are: changes in consumer preferences, resource capacity of the agency's Distilled Spirits Program, moderating agency policies, budget limitations, etc.

6. WHAT NEEDS TO BE DONE

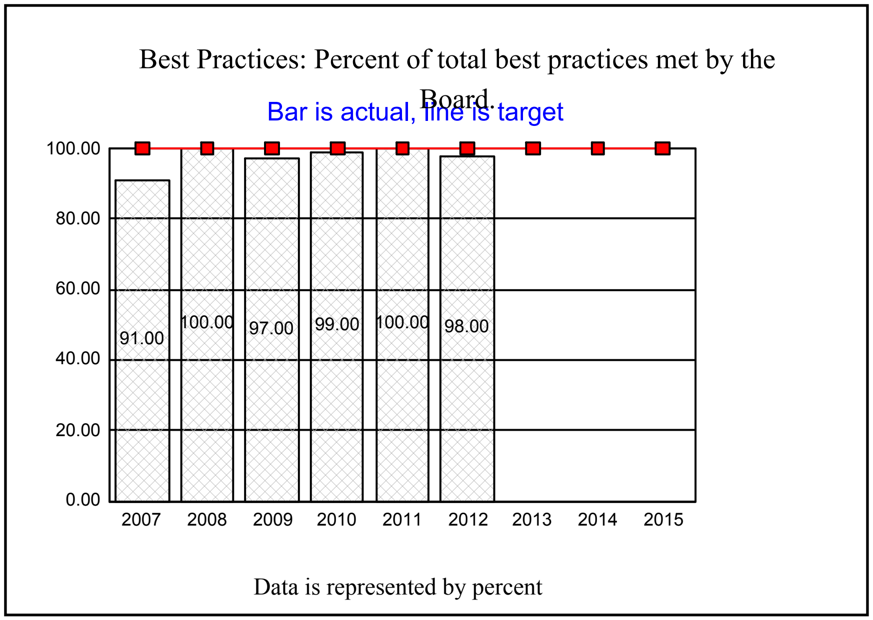
The agency continues to review the underlying factors driving the rate of return, and implement adaptive strategies to optimally manage Oregon's control systems. OLCC continues to anticipate investment s needed to maintain the system and will propose changes to the budget to meet the demands of the consumer.

7. ABOUT THE DATA

The data supporting this measure is found in the agency's consolidated annual financial report. The distributable revenue (or numerator) consists of liquor profits (89 percent) privilege tax collected from beer and wine (9 percent) and licensing fees (2 percent). The agency expenditures (or denominator) consists of agent compensation (62 percent) and actual agency expenditures (38 percent). The surcharge added an additional $14.3 million in distributable revenue or about 7 percent of the total.

LIQUOR CONTROL COMMISSION, OREGON	II. KEY MEASURE ANALYSIS

KPM #6	Best Practices: Percent of total best practices met by the Board.	2007
Goal	STEWARDSHIP The OLCC will provide responsible stewardship of its assets, managing risks and protecting revenue flows. The OLCC will sustain high-level customer service. It will continue to seek to improve its customer service levels by finding more efficiency, improving time frames for delivering services, and by making information accessible to customers and the public.	
Oregon Context	The 2007 Legislature asked the agency to set the target for this measure to 100%. It is the expectation of the Legislature that the commissioners who head this agency operate with the highest levels of governance, as described by DAS best practices standards.	
Data Source	The 15 question commission governance self-assessment survey was distributed to the 5 OLCC Commissioners via an online survey (surveymonkey.com). The commissioners were asked to respond to the yes/no questions, and had an opportunity to provide comment or explanation for each response. The 5 self-assessment results were downloaded and compiled using MS Excel.	
Owner	OLCC Management Consulting Services Division, Bill Schuette, Research Analyst, 503.872.5023	



1. OUR STRATEGY

Perform the annual self-assessment and evaluate the OLCC's performance against the defined best practices for Boards and Commissions. Seek and maintain internal policies and procedures that promote the highest standards at the OLCC.

2. ABOUT THE TARGETS

The 2007 Legislature asked the agency to set the target for this measure to 100%. It is the expectation of the Legislature that the Commissioners who head this agency operate with the highest levels of governance, as described by DAS best practices standards.

3. HOW WE ARE DOING

This is the fifth year the self-assessment has been taken by the agency's Commissioners. Three Commissioners responded to the FY 2012 request to complete this self-assessment and all three Commissioners answered every question. There was significant turnover in the Commission during the survey period including a resignation of one member, appointment of a replacement and selection of a new Chair. There was 98 percent agreement among the Commissioners that OLCC best practices were being met. The assessment indicated that the Commission's governance practices were below the target of 100 percent.

4. HOW WE COMPARE

Direct comparisons to other Oregon state agencies are difficult to find as the nature of the OLCC's mission is unique.

5. FACTORS AFFECTING RESULTS

Response rates will impact the average. In the case of FY 2012 only three of the five Commissioners responded to the survey. Some Commissioners may have felt they did not have enough experience at the time of the survey to complete it.

6. WHAT NEEDS TO BE DONE

The agency expects to bring itself into alignment with the specifically stated standards. The agency will also work to effectively demonstrate to the new and continuing Commissioners the examples of how these standards are being met or exceeded. Agency management also works to educate new Commissioners on governance and processes so that they are current on their responsibilities and agency goals.

	*** Elected Officials:** The OLCC communicates KPM results through the posting of the APPR on the agency's website and by including the annual report in the agency's budget documents, which are reviewed by LFO and the Legislative Ways and Means Committee. *** Stakeholders:** The OLCC communicates KPM results through the posting of the APPR on the agency's website. *** Citizens:** The OLCC communicates KPM results through the posting of the APPR on the agency's website.