

Detail of 30% Reduction to 2009-11 Essential Budget Level

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Priority (ranked with highest priority first)	Dept. Initials	Prgm. or Activity Initials	Program Unit/Activity Description	GF	LF	OF	NL- OF	FF	NL- FF	TOTAL FUNDS	Pos.	FTE	Impact of Reduction on Services and Outcomes	
Dept	Prgm/ Div													
				ADMINISTRATIVE FUND - This program funds the operating expenses for the Liquor Control Commission. It includes the Distilled Spirits Program, the Public Safety Services Program and the Support Services Program.										
1	1	Various	Government Service Charges			254,000				\$ 254,000	0	0.00	Reduce use of central government charges.	
2	2	001-24	Bank Card Fees			900,000				\$ 900,000	0	0.00	Reduce use of bank cards at rural liquor agencies, create two tier system for all other agencies. Could influence consumer behavior discouraging the buy-up to more expensive premium brands of liquor due to the need to use cash or check.	
3	3	003-60/75	Supply Center and Motor Pool			210,000				\$ 210,000	0	0.00	Defer auto maintenance and replacement into future biennium. Increases the opportunity for mechanical breakdown and loss of equipment due to neglect.	
4	4	003-15	Administrative Services			123,000				\$ 123,000	1	1.00	Eliminate grounds/building maintenance causing future increase in maintenance costs.	
5	5	003-11	Communication Services			173,000				\$ 173,000	1	1.00	Reduce public outreach of OLCC activities, delay issuance of law book to stakeholders, reduce ability to to support materials used in licensing and enforcement.	
6	6	001-40	Retail Services			185,000				\$ 185,000	1	1.00	Reduce oversight of Liquor agents affecting compliance with OLCC policies and Procedures. Reduce the number of visits to agencies. Reduce support/assistance to improve retail operations.	
7	7	002-55	Administrative Policy and Process			253,000				\$ 253,000	1	1.00	Increase delays in administrative hearings, issuance of licenses and resolution of enforcement actions	
8	8	002-46	Alcohol Education			119,000				\$ 119,000	1	1.00	Reduce ability to monitor and enforce compliance with alcohol education requirements	
9	9	003-26	Information Services			503,000				\$ 503,000	3	3.00	Reduce ability to maintain, monitor and operate OLCC inventory, shipping, receiving, enforcement and licensing systems. Reduce ability to match inventory purchases, shipping and receiving to the demands of the consuming public.	
First 5%						2,720,000				\$ 2,720,000	8	8.00		

10	10		003-25	Financial Services			333,000			\$ 333,000	3	2.55	Reduce the ability to audit liquor agencies and licensees for compliance, increasing potential for theft and loss. Reduce the average number of audits of liquor agencies from an average of 2 per year to once a year.
11	11		001-30	Distribution Center			708,000			\$ 708,000	7	7.00	Eliminate all repack, special orders and will calls reducing the volume of product available for sale. Reduce the number of SKU's available for sale. Will raise overall inventory investment required by state and diminishes available distribution dollars by potentially \$2 million.
12	12		002-47	Public Safety Services			1,356,000			\$ 1,356,000	8	8.00	Close the Salem field office and extend coverage areas for the Portland and Eugene offices reducing Enforcement activity in those areas. Licensing activity performed by Salem staff will be moved to Portland. Will increase the backlog of licenses waiting to be issued.
				Second 5%			2,397,000			\$ 2,397,000	18	17.55	
13	13		Various	Government Service Charges			254,000			\$ 254,000			Reduce use of central government charges.
14	14		002-55	Administrative Policy and Process			100,000			\$ 100,000	0	0.00	Will delay license applications who have been refused at the investigative level and will negatively affect business community.
15	15		001-40	Retail Services			191,000			\$ 191,000	1	1.00	Reduce oversight of Liquor agents affecting compliance with OLCC policies and Procedures. Reduce the number of visits to agencies. Reduce support/assistance to improve retail operations.
16	16		001-30	Distribution Center			633,000			\$ 633,000	7	4.50	Reduced hours for receiving products into the warehouse would delay the timing for Distillers to get a delivery appointment. This delay would increase the potential for out of stock situations and lost sales. A 30% or more reduction of items from the product line would reduce selection for customers and create lost sales. Elimination of overtime budget would reduce the amount of product shipped to a maximum 16,000 cases per day, creating the need for stores to carry larger inventories to smooth shipping volumes. This would create greater inventory carrying cost for the State of potentially \$2 million. (Coupled with number 11, this could have a potential total impact of \$4 million)
17	17		002-46	Alcohol Education			179,000			\$ 179,000	1	1.00	Eliminate oversight of the clerk training program and the Responsible Vendor program
18	18		002-45	License Services			270,000			\$ 270,000	2	2.00	Increase length of time it takes to obtain a license for businesses to enter the hospitality industry. Licensing is already understaffed and further reductions would increase the delay to process licenses to get businesses open.

19	19	002-47	Public Safety Services		1,052,000		\$ 1,052,000	8	6.00	Close offices in Warrenton, Klamath Falls, Roseburg and Newport. Transfer all licensing functions to Portland. Public Safety would be adversely effected in these smaller metro areas of the state. OLCC would be unable to respond timely to complaints of over-service, sales to minors and assistance to local law enforcement.
			Third 5%		2,679,000		\$ 2,679,000	19	14.50	
20	20	001-24	Bank Card Fees		2,400,000		\$ 2,400,000	0	0.00	Reduce use of bank cards at small liquor agencies, extend two tier system for agencies in metro areas. Establish cash only transaction level. Only larger purchase transactions would be allowed to use credit/debit cards.
			Fourth 5%		2,400,000		\$ 2,400,000	0	0.00	
21	21	Various	Government Service Charges		254,000		\$ 254,000			Reduce use of central government charges.
22	22	001-24	Bank Card Fees		900,000		\$ 900,000			Reduce use of bank cards at all liquor agencies, extend two tier system for agencies in metro areas. Raise threshold for cash only transaction level.
23	23	003-10	Administration		260,000		\$ 260,000	1	1.00	Eliminates all employee training including workplace harassment, violence awareness/prevention and Executive Orders. Eliminates the opportunity for career development, succession planning and new employee orientation..
24	24	003-15	Administrative Services		208,000		\$ 208,000	1	1.00	Delays mail distribution to Financial Services slowing payments to vendors. Impacts incoming and outgoing mail processing. Increase risk of business interruptions due to mail disruption. Delay receiving of goods used in agency operations affecting over-all productivity and timeliness of vendor payments.
25	25	003-16	Management Consulting		80,000		\$ 80,000	0	0.50	Reduce ability to support statutory mandates related to Internal Auditing, the Oregon Consumer Identity Theft Act, and Business Interruption. Reduces ability to protect the public by ensuring proper use of public funds, protection of personal information of agency and store customers, and the continued flow of revenue in the event of an emergency. Increases the state's legal and financial liability.
26	26	002-47	Enforcement Services		1,068,000		\$ 1,068,000	6	6.00	Close the remaining field offices for the OLCC (Pendleton, Coos Bay, and Nyssa). Eliminate 2 Liquor Regulatory Specialists in Portland. The average time to process license applications will likely rise to six to ten months; this puts OLCC (and the state) in a poor position to respond any increase in applications for new businesses associated with an economic recovery. Service Permit investigations would be practically non-existent.
			Fifth 5%		2,770,000		\$ 2,770,000	8	8.50	

27	27	002-55	Administrative Policy and Process		577,000	\$	577,000	4	3.75	Would reduce/eliminate the ability of the commission to respond to investigations/technical assistance for the wholesale/manufacturers for financial assistance and tied house violations. Would weaken compliance with Oregon's 3-tier system. Would delay the rule making process for interested parties. Would negatively effect the prosecution and/or settlement of contested case hearings for violations of liquor laws.
28	28	003-25	Financial Services		483,000	\$	483,000	2	2.00	Delay preparation, analysis and implementation of the budget of the Commission. Requests for budgetary information or analysis would be delayed. Reduction would eliminate higher level review of liquor audits, financial information and analysis. Opportunity for fraud or theft at liquor agencies would increase the potential for loss of state assets. Preparation of monthly compensation to liquor agents would be delayed.
29	29	002-45	License Services		354,000	\$	354,000	2	2.00	OLCC is under-staffed for the volume of license applications received. The average time to process applications will rise to six to ten months. OLCC will be unable to respond to any increase in applications for new businesses associated with an economic recovery. Service Permit investigations would be non-existent. There would be no random criminal history checks on permit applicants. Won't be able to screen applicants who do not disclose felony convictions related to drugs, alcohol, or violence.
30	30	001-40	Retail Services		172,000	\$	172,000	1	1.00	Reduce oversight of Liquor agents affecting compliance with OLCC policies and Procedures. Reduce the number of visits to agencies. Reduce support/assistance to improve retail operations.
31	31	001-30/20	Distribution Center		623,000	\$	623,000	7	5.92	Eliminate swing shift and restrict shipping to a maximum eight hours per day. Volume capacity would be capped at approximately 8,000 cases per day (160,000 cases/month). Current demand is greater than 210,000 cases/month. This restriction would have the significant impact on capacity during the critical holiday season (Sept thru Dec) causing lost sales. Restrict Distilleries submission of price quotes to 4 times a year only. Could reduce the available sales by as much as \$30 million. (This would be in addition to the \$4 million accounted for in items 11 and 16)

32	32	003-26	Information Services			408,000				\$ 408,000	1	1.00	FTE and expendable property reduction will result in a reduction of database, application and server administration support services. Remaining network support and application development staff will have to further absorb server, database and application support. This will lead to significantly decreased responsiveness, reliability and technical support for internal and external customers and stakeholders using OLCC's mission critical enterprise systems associated with both OLCC's Distilled Spirits and Public Safety programs and the agency's \$900 million in revenue.
			Sixth 5%			2,617,000				\$ 2,617,000	17	15.67	
			Total	-	-	15,583,000	-	-	-	\$ 15,583,000	70	64.22	

Agency Name Oregon Liquor Control Commission

2009 - 2011 Biennium **Agency Number:** 84500

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Dept	Prgm/ Div													
			STORE OPERATING EXPENSES - This program funds the operating expenses and the income of contracted liquor agents who sell the products at retail on behalf of the OLCC.							\$ -				
1	1	005-072	Store Operating Expenses - first 5%			3,900,000				\$ 3,900,000	0	0.00	Will reduce customer service in the Liquor Agencies and negatively impact meeting the demand of Oregon citizens for distilled spirits. Will increase inventory carrying costs and reduce selection. OLCC estimates that the effect on revenue could be a reduction of as much as \$50 million for the first 5% (up to \$375 million for 30%). OLCC is unable to extrapolate the effect of each increment of compensation reduction on sales. Agents are independent in their operations and will make decisions based on their particular facts and circumstances. Each agent will make a decision on operations, investment and assumption of risk based on their business model, each of which will effect the sales activities at the agency.	
2	2	005-072	Store Operating Expenses - second 5%			3,900,000				\$ 3,900,000	0	0.00	OLCC estimates that the effect on revenue could be a reduction of as much as \$100 million.	
3	3	005-072	Store Operating Expenses - third 5%			3,900,000				\$ 3,900,000	0	0.00	OLCC estimates that the effect on revenue could be a reduction of as much as \$150 million.	
4	4	005-072	Store Operating Expenses - fourth 5%			3,900,000				\$ 3,900,000	0	0.00	OLCC estimates that the effect on revenue could be a reduction of as much as \$225 million.	
5	5	005-072	Store Operating Expenses - fifth 5%			3,900,000				\$ 3,900,000	0	0.00	OLCC estimates that the effect on revenue could be a reduction of as much as \$300 million.	
6	6	005-072	Store Operating Expenses - sixth 5%			3,900,000				\$ 3,900,000	0	0.00	OLCC estimates that the effect on revenue could be a reduction of as much as \$375 million.	
				-	-	23,400,000	-	-	-	\$ 23,400,000	0	0.00		

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			CAPITAL IMPROVEMENTS PROGRAM Provides the preventive maintenance and repairs to the OLCC's buildings and grounds.							\$ -				
1	1	088-088	Capital Improvements			11,000				\$ 11,000	0	0.00	Defer maintenance items into future biennia.	
2	2	088-088	Capital Improvements			11,000				\$ 11,000	0	0.00	Defer maintenance items into future biennia.	
3	3	088-088	Capital Improvements			11,000				\$ 11,000	0	0.00	Defer maintenance items into future biennia.	
4	4	088-088	Capital Improvements			11,000				\$ 11,000	0	0.00	Defer maintenance items into future biennia.	
5	5	088-088	Capital Improvements			11,000				\$ 11,000	0	0.00	Defer maintenance items into future biennia.	
6	6	088-088	Capital Improvements			11,000				\$ 11,000	0	0.00	Defer maintenance items into future biennia.	
										\$ -				
										\$ -				
						66,000				\$ 66,000	0	0.00		