

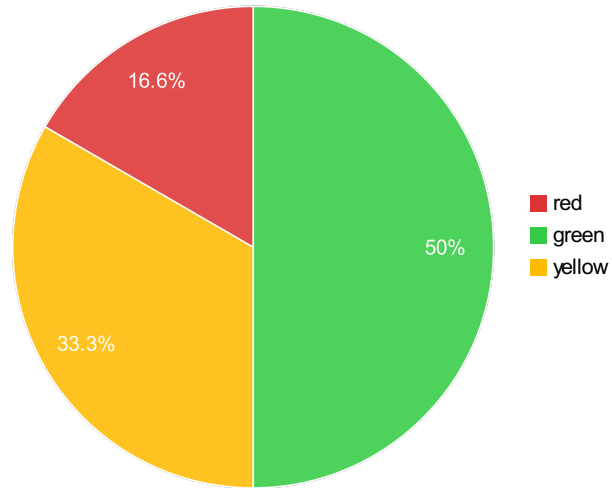
Liquor Control Commission, Oregon

Annual Performance Progress Report

Reporting Year 2017

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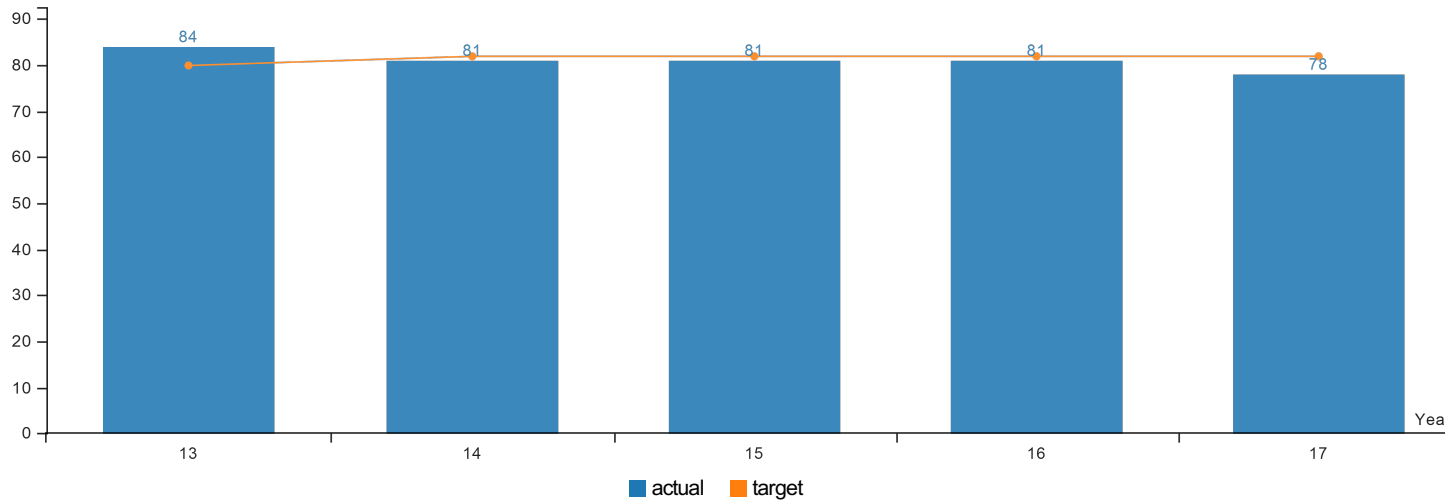
KPM #	Approved Key Performance Measures (KPMs)
1	Sales to Mnors - Percentage of licensees who refuse to sell to minor decoys.
2	RATE OF SECOND VIOLATION - Percentage of licensees detected to have violated a liquor law in a second, separate, incident occurring within 2 years after the year of the first violation.
3	Licensing Time - Average days from application receipt to license issuance.
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.
5	OLCC Rate of Return - Net OLCC distribution divided by actual expenses.
6	Best Practices - Percent of total best practices met by the Board.
7	Sales to Mnors- Recreational Marijuana - This measure is the rate at which licensees refuse to sell marijuana products to minor decoys.
8	Time to license- marijuana - Average days to license completed marijuana applications.



Performance Summary	Green	Yellow	Red
	= Target to -5%	= Target -5% to -15%	= Target > -15%
Summary Stats:	50%	33.33%	16.67%

KPM #1	Sales to Minors - Percentage of licensees who refuse to sell to minor decoys.
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2013	2014	2015	2016	2017
Percentage of Licensees Who Refuse to Sell to Minor					
Actual	84%	81%	81%	81%	78%
Target	80%	82%	82%	82%	82%

How Are We Doing

Fiscal year 2017 results reveal a 78 percent compliance rate of refusing sales to minors; this rate misses the legislative target of 82 percent compliance. The compliance rate was 3 points worse than FY 2016 and FY 2015 each.

The Portland and Salem metropolitan regions experienced 75 and 82 percent compliance rates respectively, while the Eugene compliance was 76% and Bend licenses passed 77 percent of the time. Medford region conducted no minor decoy operations in FY 2017. Metro Portland and Salem provided 70 percent of the cases.

The Oregon Liquor Control Commission conducted 549 operations in FY 2016, 63 percent of the 872 operation conducted in FY 2015.

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. Studies of law enforcement practices indicate that a consistent perceived risk of detection and sanctions is a more effective deterrent than inconsistent enforcement with large sanctions.

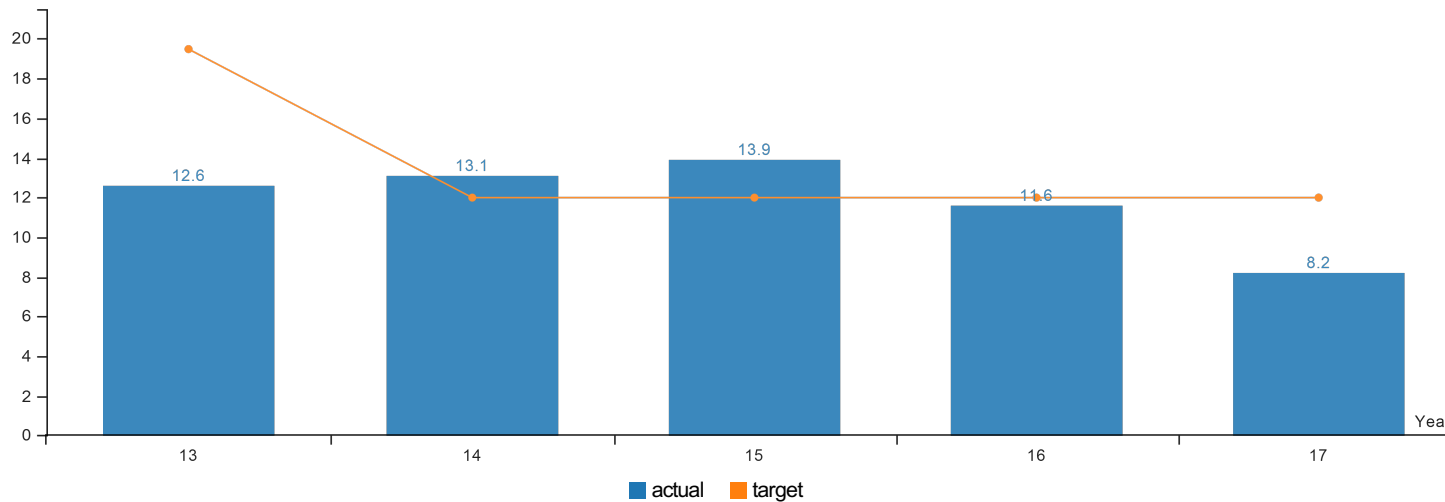
There have been fewer MDO as the Oregon Liquor Control Commission has been implementing recreational marijuana using personnel shared between Liquor and Marijuana functions. The Oregon Liquor Control Commission has also been implementing a strategy of compliance over enforcement. That is more frequent "first call" or compliance visits to licensees that are not decoy, or enforcement operations.

A related factor affecting results is the random sampling of minor decoy operations. With the exception of some 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 past years because now fewer establishments with a recent citation are revisited within a short time period.

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.

Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2013	2014	2015	2016	2017
Rate of Second Violation					
Actual	12.60%	13.10%	13.90%	11.60%	8.20%
Target	19.50%	12%	12%	12%	12%

How Are We Doing

The FY 2017 second violation rate is 8.2 percent which is a drop from the previous year’s second violation rate of 11.6 percent. The second violation rate for the last three fiscal years has been between 11 and 14 percent. The historical data to FY 2004 produces an average second violation rate of about 16 percent.

During FY 2017, there were 300 licensed premises with at least one serious violation with 343 violations altogether. This represents less than 2.5 percent of total licensed premises for the year. In FY 2016, there were 357 premises with a serious violation, which constituted about 2.5 percent of the total premises licensed in the state for that year. 16 premises had with repeat violations in separate incidents during FY 2017.

Factors Affecting Results

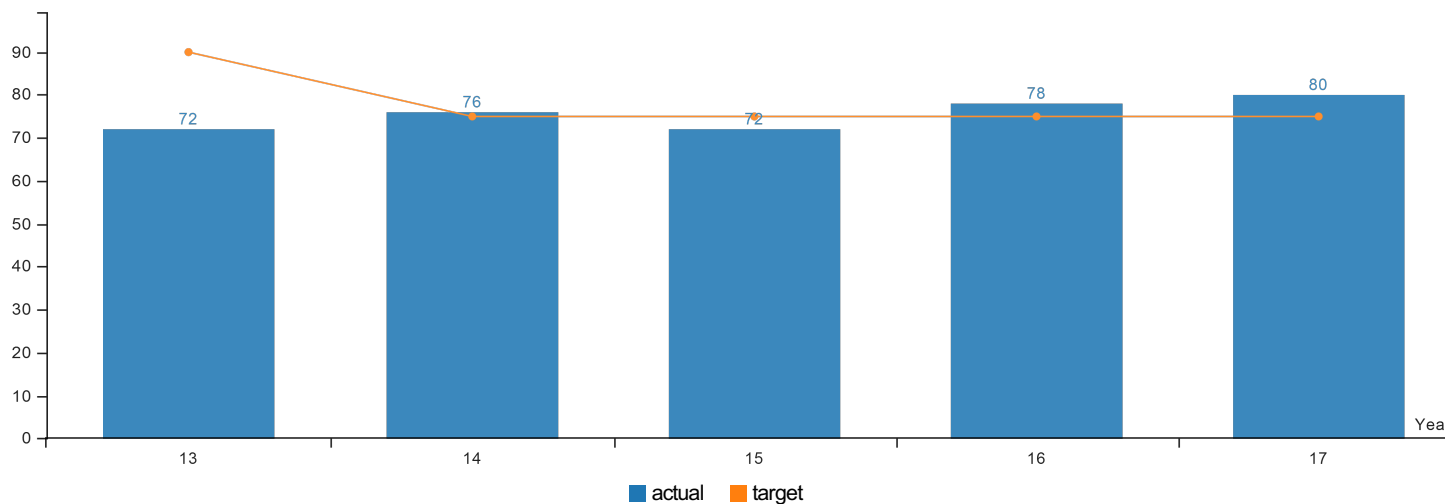
Total violations dropped for the third year in a row. From 617 in FY 2014 to 343 in FY 2017. The drop in overall compliance actions reduces the likelihood of any licensee to receive multiple violations during the period.

During FY 2017, the Oregon Liquor Control Commission experienced significant changes in staffing and business processes as the Commission began to implement the requirements of the recreational marijuana program. Staff spent less time in the field than in past years. Field time was reduced because the Commission provided additional training and mentoring to new and existing Liquor Regulatory Specialists and LRS focused on licensing marijuana producers and processors. Additionally a number of experienced inspectors moved into leadership roles within the Commission which left open LRS positions. The Oregon Liquor Control Commission ended the fiscal year with 25% of its Liquor Regulatory Specialist Positions unfilled.

Compliance staff have also continued implementing a strategy of using resources to engage with businesses proactively and reserve compliance actions for the more serious violations such as sales to minors. The overall number of violations has decreased, but the number of violations for sales to minors has stayed high relative to other violations.

KPM #3	Licensing Time - Average days from application receipt to license issuance.
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = negative result



Report Year	2013	2014	2015	2016	2017
Average Number of Days to Issue (Below Target Is Better)					
Actual	72	76	72	78	80
Target	90	75	75	75	75

How Are We Doing

The FY 2017 average licensing time statewide was 80 days. This is above both the legislatively set target of 75 and FY 2016 licensing time of 78 days. The average time to license for FY 2017 is below the old target of 90 days. The Commission continues to adapt in order to implement the recreational marijuana program and provide prompt service to alcohol licensees.

Factors Affecting Results

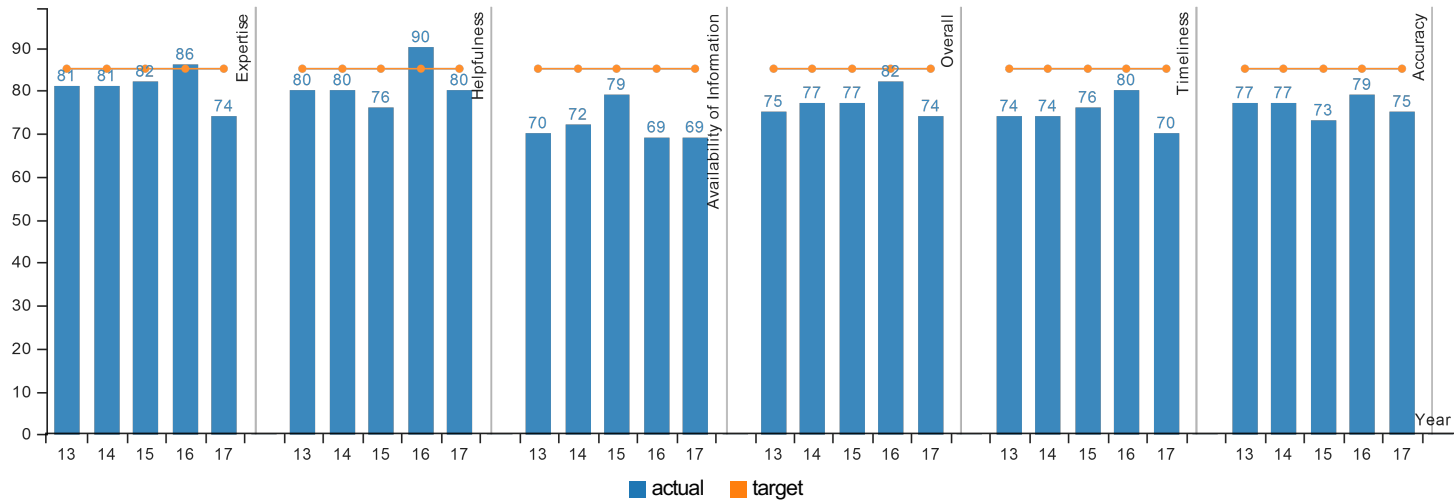
There are many factors affecting the number of days it takes to issue a liquor license; some internal and some external. Internal factors continue to be identified and streamlined through process improvements and technological solutions (automation). The recent implementation of the marijuana program has caused a number of vacancies in alcohol license investigator positions during fiscal year 2017.

External factors are difficult to control. A 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 governments up to 90 days (45 days plus an additional 45 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 2011 analysis found that staff processing time totaled to an average of only 32.9 days per license; only 36% of the total time to issue a license. The

remaining 64% of the time was driven by external factors described above and are outside the control of the agency.

The 2017 results of this measure indicate that the OLCC is above the current target set by the legislature, but is implementing the strategy for resuming improvement. Staffing gaps caused by implementing the marijuana program are a one-time impact on the time to license measure. The OLCC is pursuing other solutions to its business needs that include regulatory innovations, the implementation of streamlining measures, and the development of an enterprise-level licensing system that will unite many disconnected processes and increase the agency's online service capacity. With these enhancements and innovations the OLCC will resume exceeding the target of this measure.

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.
 Data Collection Period: Jul 01 - Jun 30



Report Year	2013	2014	2015	2016	2017
Expertise					
Actual	81%	81%	82%	86%	74%
Target	85%	85%	85%	85%	85%
Helpfulness					
Actual	80%	80%	76%	90%	80%
Target	85%	85%	85%	85%	85%
Availability of Information					
Actual	70%	72%	79%	69%	69%
Target	85%	85%	85%	85%	85%
Overall					
Actual	75%	77%	77%	82%	74%
Target	85%	85%	85%	85%	85%
Timeliness					
Actual	74%	74%	76%	80%	70%
Target	85%	85%	85%	85%	85%
Accuracy					
Actual	77%	77%	73%	79%	75%
Target	85%	85%	85%	85%	85%

How Are We Doing

The overall agency rating was 74 percent (rated as good or excellent) compared to 80 percent in 2016. The OLCC missed the 85 percent target in all five areas when averages were taken from all stakeholder groups. However, the OLCC met or exceeded the 85 percent average target for surveys from alcohol licensees with 89% reporting excellent or good service. Liquor agents and marijuana licensees respectively provided an evaluation of 84 and 62 percent excellent or very good service. 1333 respondents provided feedback through the online survey instrument.

Factors Affecting Results

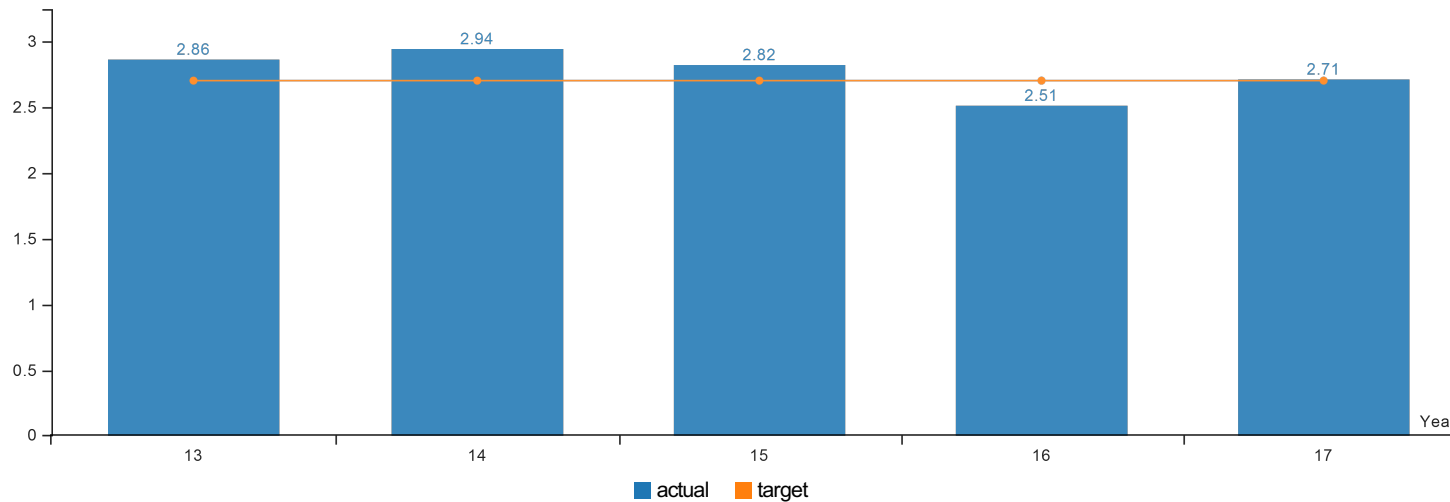
The lower average scores were driven by the much larger and less favorable responses from the general public compared to prior years. Marijuana licensees provided lower scores than did perspective licensees from last year, comments indicate a disappointment in the difficulty of implementing OLCC rules and the time to actually acquire a recreational marijuana license.

Also, no respondents from two stakeholder groups present in last year's survey were included in this years. Employee surveys were solicited and no responses were provided by server education providers.

The agency continues to make efforts to increase information availability through Gov Alerts and posting updates on the agency website.

KPM #5	OLCC Rate of Return - Net OLCC distribution divided by actual expenses.
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = negative result



Report Year	2013	2014	2015	2016	2017
OLCC Rate of Return					
Actual	\$2.86	\$2.94	\$2.82	\$2.51	\$2.71
Target	\$2.70	\$2.70	\$2.70	\$2.70	\$2.70

How Are We Doing

The OLCC rate of return in FY 2017 was \$2.71 for every dollar spent. It rebounded from FY 2016 with the repayment to the liquor fund. But has declined from \$2.83 in FY 2015 despite a 7% increase in net merchandising profit from liquor sales and distribution. The rate of return has regained the target of \$2.70 per dollar spent that was missed last year. The decline from 2015 was caused by a number of one-time expenses for capital improvements.

During FY 2017 the surcharge generated \$16.7 million in additional revenue. Without the surcharge the ratio would have fallen from \$2.71 to \$2.52 indicating that the surcharge was instrumental to generating revenue.

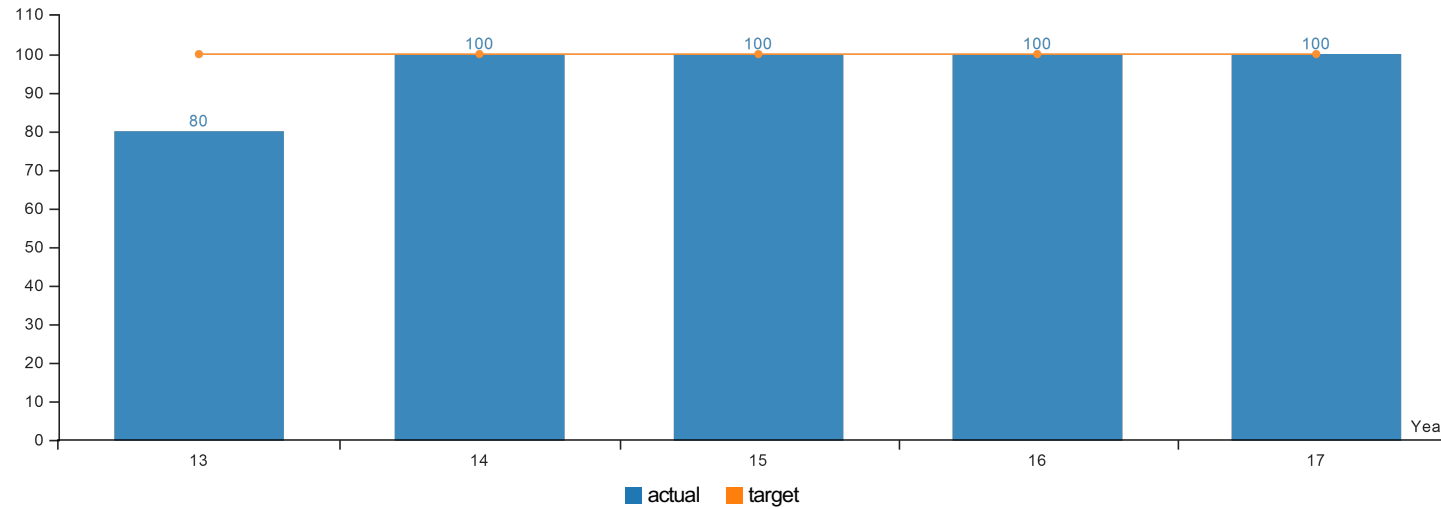
Factors Affecting Results

There are many factors that affect the agency's rate of return. Gross revenue from liquor sales increased 11 percent during FY 2017 over FY 2015, despite this ROI decreased from \$2.83 to \$2.71. The decrease was caused by several factors. Capital outlay increased \$2.7 million over the long-term average, primarily for roof replacement to the two warehouses and OLCC offices. Agent compensation also rose \$2.3 million in FY 2017.

Ongoing factors affecting the result are changes in consumer preferences, resource capacity of the agency's Distilled Spirits Program, moderating agency policies, budget limitations, etc.

KPM #6	Best Practices - Percent of total best practices met by the Board.
	Data Collection Period: Jan 01 - Jan 01

* Upward Trend = positive result



Report Year	2013	2014	2015	2016	2017
Best Practices: Percent of total best practices met by the Board.					
Actual	80%	100%	100%	100%	100%
Target	100%	100%	100%	100%	100%

How Are We Doing

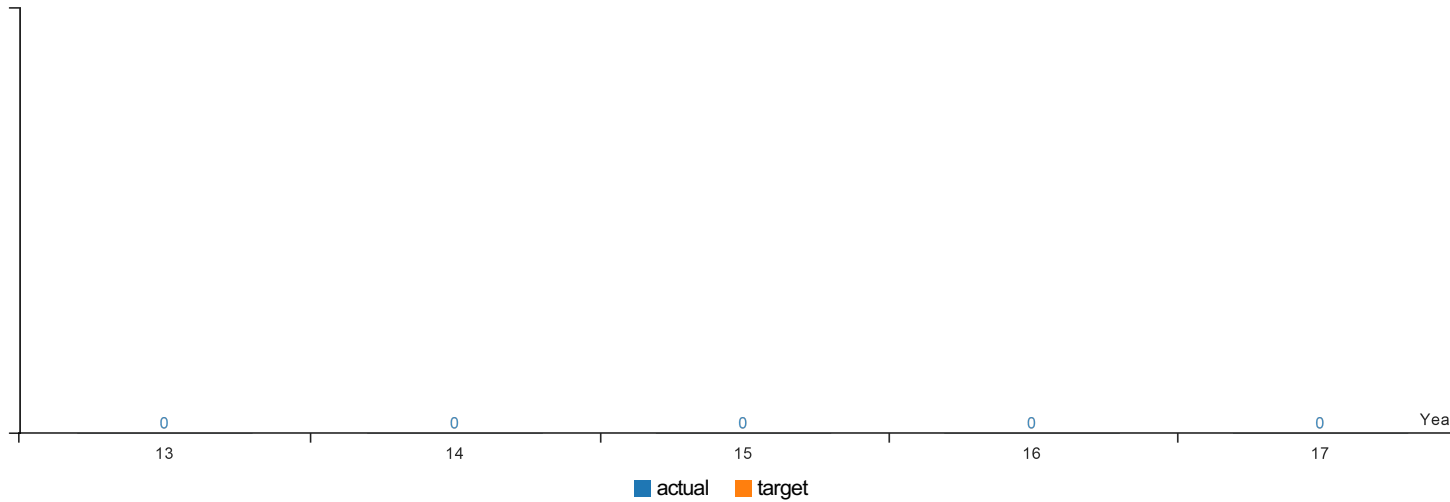
This is the tenth year the self-assessment has been taken by the agency's commissioners. Four commissioners responded to the FY 2017 request to complete this self-assessment and all four commissioners answered every question. There was 100 percent agreement among the responding commissioners that OLCC best practices were being met. The assessment indicated that the Commission's governance practices are hitting the target of 100 percent.

Factors Affecting Results

Response rates will impact the average. In the case of FY 2017 four out of five Commissioners were available to respond to the survey as FY 2017 ended with a vacancy on the Commission. Communication continues to be good between the executive director and commission, it appears that the Commissioners felt prepared to respond.

KPM #7	Sales to Minors- Recreational Marijuana - This measure is the rate at which licensees refuse to sell marijuana products to minor decoys.
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2013	2014	2015	2016	2017
Sales to Minors- Recreational Marijuana					
Actual	No Data	No Data	No Data	No Data	0%
Target	TBD	TBD	TBD	TBD	TBD

How Are We Doing

The Oregon Liquor Control Commission did not conduct any sales to minors compliance mission on marijuana licensees during fiscal year 2017.

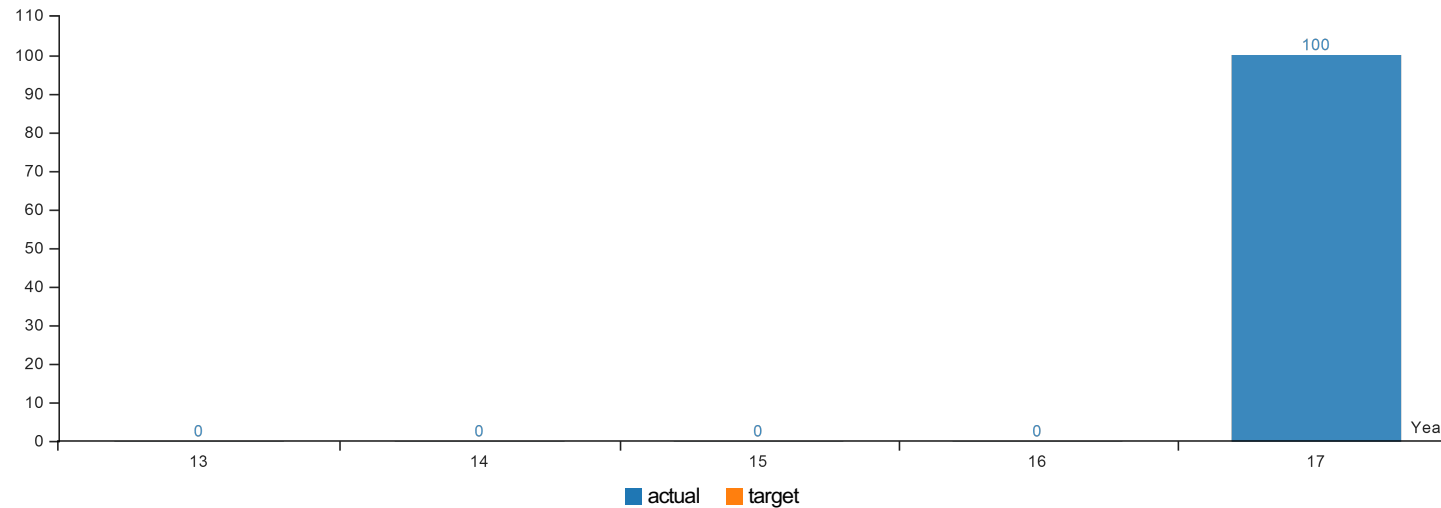
Factors Affecting Results

Compliance and enforcement operations during the start-up period of the recreational marijuana program has been focused on 1) assisting licensees with compliance with rules and state law. 2) conducting investigation and compliance action against licensees based on complaints.

As the recreational marijuana program is new, and all of our retail licensees are operating in their first year, the Oregon Liquor Control Commission has not prioritized minor decoy operations during FY 2017.

KPM #8	Time to license- marijuana - Average days to license completed marijuana applications.
	Data Collection Period: Jul 01 - Jun 30

* Upward Trend = positive result



Report Year	2013	2014	2015	2016	2017
Time to license - marijuana					
Actual	No Data	No Data	No Data	No Data	100
Target	TBD	TBD	TBD	TBD	TBD

How Are We Doing

The FY 2017 average marijuana licensing time statewide was 100 days for the 1216 cases for which there is complete data. There is currently no target. The average time to license for FY 2017 is above the target of 85 days. The Commission continues to adapt in order to implement the recreational marijuana program and provide prompt service to applicants.

Factors Affecting Results

There are many factors affecting the number of days it takes to issue a recreational marijuana license; some internal and some external. Internal factors continue to be identified as business processes are developed to implement newer marijuana law and rules. The Commission continues to hire licensing staff, implement process improvements and technological solutions (automation). The recent implementation of the marijuana program has experienced a large number of vacancies in license investigator positions during fiscal year 2017.

External factors are difficult to control. A primary external factor affecting how quickly a recreational marijuana license can be issued is the license application review by the local governing body (city or county). The issuance of Land Use Compatibility Statement by the local governing unit is the triggering event that allows the Oregon Liquor Control Commission to assign an investigator to begin actively processing a marijuana application. Local governments also have lengthy application review.

Applicants have also struggled to complete applications correctly and in a timely manner. The newness of the program and changes in law and rules guiding the application process have posed a

challenge for applicants who are navigating the process. In order to help applicants, the Oregon Liquor Control Commission has produced a business guide for applicants and licensees, and continues to provide education and information through the website, emails, and frequent communication with license investigators.