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Background Brief on ...

Oregon Liquor Control

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The Oregon Liquor Control Commission (**OLCC**) regulates the sale, distribution, and use of alcoholic beverages in order to protect Oregon's public health, safety, and community livability. The OLCC was created in 1933 by a special session of the Oregon Legislature following the end of national Prohibition. Oregon chose a "control" system, giving the state the exclusive right to sell packaged distilled spirits through retail liquor stores operated by contracted agents.

Commission and Agency

The agency is overseen by five citizen commissioners of the OLCC. Commissioners are appointed to four-year terms by the Governor, subject to Senate confirmation. Commissioners provide policy direction for the OLCC. Each commissioner represents one of the state's congressional districts, and one is from the food and beverage industry. The commission appoints the OLCC Executive Director, who oversees the agency's headquarters in Milwaukie and regional offices in Salem, Bend, Eugene and Medford. The OLCC also maintains the distilled liquor distribution center and two storage facilities in Milwaukie.

Licensing

The OLCC licenses private businesses that sell beer and wine by the drink or by the package. The Liquor Control Act, passed by the voters in 1953, permits the sale of distilled spirits by the drink in restaurants and private clubs. These dispenser licenses are issued by the OLCC. In addition, the OLCC administers the Alcohol Server Education Program that focuses on responsible alcohol service. All alcohol servers must complete the course every five years. There are currently about 120,000 alcohol service permit holders statewide.

The OLCC also issues licenses and permits for other activities related to alcohol such as its manufacture, storage, and distribution as well as wholesale and retail sales and temporary sales (i.e. special events). There are about 11,260 licensees statewide and 1,850 licenses issued to out of state businesses.

Liquor Agents and Stores

The OLCC sells distilled spirits through 242 retail liquor stores operated by contracted agents. Agents are selected by the OLCC through a competitive application process. Agent compensation is set through the budget process by the Legislature and is distributed from revenues by the OLCC. From the liquor agents' compensation

limitation, agents pay most store operating expenses, including rent, staffing, and their own salaries and benefits.

Regulatory Functions

In addition to monitoring compliance of alcohol servers and establishments that produce, distribute, and sell alcohol, the OLCC also enforces the Bottle Bill (ORS 459A.700 to 459A.740). Under this law, any malt or carbonated beverage container sold in Oregon must have a refund value of not less than five cents. If the container is reusable by more than one manufacturer, the refund value is two cents.

Starting on January 1, 2009, the types of containers covered under the Bottle Bill also include water and flavored water containers and the definition of “beverage container” excludes cartons, foil pouches, drink boxes, and containers that contain beverage greater than three fluid liters.

Revenue Sources and Distributions

The OLCC revenues derive from several principal sources (fiscal year 2006-2007 amounts are shown): distilled spirits gross sales (\$375.2 million), taxes on beer and wine (\$15.2 million), and license fees (\$4 million). Expenses for the agency include liquor purchases from distilleries (\$189.3 million), compensation to liquor agents (\$33.9 million), and agency operating expenses (\$30 million). After subtracting these costs, \$141.8 million was available for distribution in 2006-2007. The previous year’s distribution totaled \$123.9 million.

The \$141.8 million generated by the OLCC in 2006-2007 was distributed roughly as follows:

- \$75.1 million to the state General Fund
- \$26.8 million to cities
- \$11.6 million to counties
- \$18.8 million to city revenue sharing

In addition, half of the privilege taxes collected on beer and wine go to the Mental Health, Alcoholism, and Drug Services account for treatment services provided through the counties

(\$7.5 million). The Oregon Wine Board receives a special 2-cent tax on all wines to promote the development and marketing of Oregon wines (\$200,000).

In-Store Pilot Program

Under a pilot program to establish a few state liquor stores within existing grocery stores, the OLCC opened its first “store in a store” in August 2004 in a Thriftway supermarket in Garden Home in Southwest Portland. First year sales at the pilot store exceeded projections by 8.25 percent and the addition of the liquor store is credited with increasing foot traffic to the grocery store as well as beer and wine sales there. The two other stores in the pilot opened in October 2004, in Bend (Ray’s Food Place) and in the Bethany area of Portland (Quality Food Center). In April 2006, the OLCC declared the first pilot successful and voted to make the store permanent; the other two stores were converted to permanent status in June.

Criteria used by the OLCC to judge the program’s success include whether the supermarkets, the OLCC, and prospective liquor agents all find it economically viable to continue. The OLCC was also interested in the effects on beer and wine sales, public sentiment to having distilled spirits in supermarkets, and safety and other effects on the surrounding community. According to the agency, the pilot stores have been popular with customers, agents, and the grocery owners and operators.

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