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Background Brief on…

Oregon Liquor Control Commission (OLCC)

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Background

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 Oregon Liquor Control Commission. Commissioners are appointed to four-year terms by the Governor, subject to Senate confirmation. Commissioners provide policy direction for the Oregon Liquor Control Commission. 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 202 employees.

The OLCC has headquarters in Milwaukie and regional offices in Salem, Bend, Eugene and Medford. The agency maintains a 124,000-square-foot storage facility and distribution center 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. There are about 10,000 licensees statewide. In addition, OLCC administers the Alcohol Server Education Program, which focuses on responsible alcohol service. All alcohol servers must complete the course every five years. There are about 92,000 alcohol service permit holders statewide.

Liquor Agents and Stores

The OLCC sells distilled spirits through 239 retail liquor stores operated by contracted agents. Agents are selected by the commission 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 sell alcohol, the commission also enforces the Bottle Bill (ORS 459A.700 to 459A.740). Under this law, any malt or carbonated beverage 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.

Revenue Sources and Distributions

OLCC revenues derive from three sources (fiscal year 2002-03 amounts are shown): distilled spirits gross sales ($267.9 million), taxes on beer and wine ($13.3 million), and license fees ($3.2 million). Expenses for the agency include liquor purchases from distilleries ($132.4 million), compensation to liquor agents ($22.9 million), and agency operating expenses ($17.4 million). After subtracting these costs, $111.7 million was available for distribution in 2002-03. The previous year's distribution totaled $104.2 million.

The $111.7 million generated by OLCC in 2002-03 was distributed roughly as follows:

- $60.1 million to the state General Fund
- $20.4 million to cities
- $10.2 million to counties
- $14.3 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. The Oregon Wine Board receives a special two-cent tax on all wines to promote the development and marketing of Oregon wines.

Recent Legislation (2003 session)

SB 85 increased the amount of malt beverage that brewery and public houses can produce and sell wholesale from 500 to 1,000 barrels.

SB 724 increased the number of days, from 30 to 45, a local government has to consider a liquor license application before making a recommendation to the OLCC. SB 724 also allows OLCC's director to extend temporary authority to operate a liquor business for up to 30 days beyond the standard 90-day period.

SB 926 changed the Oregon Bottle Bill to allow retailers to refuse beverage containers that are damaged to the extent that the brand cannot be identified.

HB 2295 allowed licensed wineries to ship up to two cases of alcoholic cider per month to an Oregon resident for personal use. The bill also allowed Oregon residents to receive up to two cases of cider per month from out-of-state wineries for personal use.

HB 3058 authorized liquor licensees to accept a valid U.S. military identification card as proof of a person's age when buying alcohol. This bill was needed for Oregon law to accommodate recent changes made to military ID cards.

HB 3130 allowed grocery and convenience stores to continue selling certain alcoholic beverages often referred to as "malternatives," regardless of alcohol content from distilled liquor, until December 31, 2004.

HB 3442 created the Oregon Wine Board as a semi-independent state agency to replace the Wine Advisory Board.

OLCC Pilot Program

The stores-within-stores pilot program will locate up to six liquor stores, operated by OLCC-appointed liquor agents, inside large grocery stores (supermarkets). Until now, OLCC has had only limited experience with liquor agencies associated with grocery stores or supermarkets. The pilot program will give OLCC and supermarkets more information on the viability of placing agencies within supermarkets.

OLCC liquor commissioners adopted temporary rule OAR 845-015-0199, effective May 1, 2004 through October 28, 2004 to establish the guidelines for the pilot program. The commission initiated a permanent rulemaking process at the same time to continue the pilot program for a full two years from the effective date of agent appointments. The pilot program will give data on the efficacy of this retail model for the benefit of the Legislative Assembly as it considers alternative liquor retailing models.

Criteria by which to judge the program's success will include whether the supermarkets, OLCC, and prospective liquor agents all find it economically viable to continue. OLCC is also interested in the effects on beer and wine sales; public sentiment to having distilled spirits in supermarkets; and effects on the surrounding community. OLCC will decide the success of the pilot program at least 90 days before the end of the pilot program to allow time to recruit and appoint permanent agents.

OLCC's business plan calls for adding several liquor stores to the system each year to keep pace with the state's growing population over the last twenty years. The new stores are to be located in underserved areas, and in attractive, well-maintained, convenient locations for customers. This pilot will look at how well existing supermarkets might provide the accessibility, parking, convenience, and shopping atmosphere customers might desire in a neighborhood liquor store. These new, pilot liquor stores will be located in stores that customers already rely on for their regular, primary grocery shopping.

For the purpose of this pilot, large grocery stores are those which meet general guidelines for being considered supermarkets, for example: at least 30,000 sq. ft., carrying about 15,000 or more sku's of groceries (foodstuff and household supplies), and providing full-service shopping by housing assorted departments, such as fresh meat, seafood, and produce departments, a service deli and bakery.

As of this date, OLCC staff are considering three or four sites, one each in West Bend, South Salem, Hillsboro and Gresham, based on population growth and service levels. Actual placement will depend on available locations and proposals.

OLCC wants the nearest existing liquor store to have a minimum of about $2 million gross liquor sales, to assure that there is enough business to support a new store. OLCC is currently analyzing possible new store locations, need for increased convenience and availability for customers, impact on neighboring agencies, and the like.

Because OLCC will analyze effects on beer and wine sales in the supermarket as part of its evaluation, OLCC will require the supermarket to supply those alcoholic beverage sales data needed for the evaluation.

This document is intended to provide additional information about the project, but it is not a contract. Because the project is a pilot, elements are being considered, evaluated and updated in a fluid manner and elements may change.

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