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Background Brief on ...

# Oregon Liquor Control

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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 211 employees.

The OLCC has headquarters in Milwaukie and regional offices in Salem, Bend, Eugene and Medford. The agency maintains a 125,000-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 11,400 licensees and about 98,000 licensed premises 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 currently about 109,000 alcohol service permit holders statewide.

## Liquor Agents and Stores

The OLCC sells distilled spirits through 243 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 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.

### **Revenue Sources and Distributions**

OLCC revenues derive from several principal sources (fiscal year 2004-05 amounts are shown): distilled spirits gross sales (\$309.4 million), taxes on beer and wine (\$14 million), and license fees (\$3.7 million). Expenses for the agency include liquor purchases from distilleries (\$155.6 million), compensation to liquor agents (\$28.3 million), and agency operating expenses (\$19.6 million). After subtracting these costs, \$123.9 million was available for distribution in 2004-05. The previous year's distribution totaled \$111.7 million.

The \$123.9 million generated by OLCC in 2004-05 was distributed roughly as follows:

- \$65.6 million to the state General Fund
- \$23.3 million to cities
- \$11.6 million to counties
- \$16.3 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 (\$6.9 million). The Oregon Wine Board receives a special two-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, 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 commission 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 commission to judge the program's success include whether the supermarkets, OLCC, and prospective liquor agents all find it economically viable to continue. 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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