Background Brief on …

Oregon Liquor Control

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The Oregon Liquor Control Commission **(OLCC)** oversees the sale of alcoholic beverages to allow access to responsible adults while protecting 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, and is one of seventeen states that sell distilled spirits through government-operated stores or designated outlets that the state supervises under a sales agent contract. The agency advocates responsible alcohol consumption by managing and distributing distilled spirits, licensing and regulating businesses that sell and serve alcohol, and training and issuing permits for alcohol servers.

Commission and Agency

The agency is overseen by five citizen commissioners who are appointed to four-year terms by the Governor and subject to Senate confirmation. Each commissioner represents one of the congressional districts, and one commissioner is from the food and beverage industry. Commissioners provide policy direction for the OLCC and make decisions regarding liquor licenses, agency rules, contested case hearings, and the appointment of liquor store agents. The commission appoints the Executive Director, who oversees the agency's headquarters and distilled spirits distribution center in Milwaukie, and regional offices in Salem, Bend, Eugene, and Medford. Approximately 220 people are employed by the agency.

Licensing

The OLCC issues various types of licenses for the purposes of manufacturing, storing, and distributing distilled spirits, wine and cider, and malt beverages, as well as wholesale and retail sales of beer, wine, cider, and malt beverages, as well as wholesale and retail sales of beer, wine, and cider, sales at special events, and serving alcoholic beverages.

The type of license an individual or business needs to obtain depends on the types of activities they will perform and where the business is physically located. For instance, out-of-state businesses who want to deliver beer, wine, or cider directly to a resident of Oregon must apply for a direct shipper permit, while Oregon-based businesses would qualify for shipping to residents through the off-premises sales license. Likewise, while a caterer or private club all receive the same privileges under a full on-premises sales license (the ability to serve distilled spirits as well as beer and wine) as a bar or restaurant, each business type must meet specific criteria to obtain the license.

Annual license fees range from $100 per year (Distillery, Warehouse, off-premises) to $500 per year (Brewery). Special event licenses for wineries (includes Grower Sales Privilege), brew pubs, and distilleries are $10 per day. Temporary Sales Licenses that are not connected to an annual license are $50 per day. This includes events such as festivals, rodeos, fundraisers, concerts, etc. Businesses that hold an annual liquor license can apply for a Temporary Use of an Annual License for no charge. OLCC issues approximately 5,000 licenses for special events each year.

Prior to issuing a liquor license related to the sale of alcoholic beverages, the OLCC posts public notices on the building or property for a new outlet that is to be licensed and delivers notice to neighborhood associations. Staff also notify schools, hospitals, churches, and drug and alcohol treatment centers among other entities located within either 500 feet or 1,500 feet of the proposed location, depending on whether the location is in an urban or rural area. In addition to receiving public comments, the local governing body can also make a recommendation to the OLCC regarding licensure. The applicant(s) and the proposed location are also investigated by an OLCC investigator who makes a recommendation based on application materials, law, case history, and OLCC policy.

OLCC staff have the authority to grant most liquor licenses, but the OLCC commissioners must review an application under circumstances such as a negative local government recommendation or significant public opposition. A license can be suspended or revoked for actions such as selling alcohol to minors or visibly intoxicated patrons; or for a history of serious and persistent problems involving disturbances, unlawful activities, or noise either on the premises or involving patrons in the immediate vicinity of the premises.

The licensing division employs 13 license investigators, including five who work in field offices. Several field office regulatory inspectors perform licensing duties in addition to their day-to-day compliance activities.

Alcohol Server Permits and Education

Service permits are required for servers (i.e., waitstaff or bartenders) who work for a business that allows customers to drink alcoholic beverages on the premises; managers who directly supervise servers who mix, serve, or sell alcohol to customers for drinking at their premises; owners who mix, serve, or sell alcohol or manage services at that business; and any person who fills growlers.

Applicants must be at least 18 years old and pass an alcohol server education course. Oregon was the first state in the country to require all alcohol servers to be trained. The purpose of the course is to enhance public health and safety by developing the knowledge and skills that support responsible alcohol service. More than 32,000 people take the course each year; course providers charge each student $12 to $40.

The OLCC administers the server course by certifying private trainers and community colleges to teach the classes; and it is also responsible for designing, reviewing, and updating the model curriculum and test grading. The course must cover a number of topics including: the effects of alcohol on the body and mind, including its interaction with other drugs; alcohol sale and service laws and drunk-driving laws; intervention techniques for dealing with intoxicated and underage customers; and responsible advertising, marketing, and management procedures.

A person can serve alcohol while their service permit application is being processed by OLCC, but they must take the server education class within 45 days. Permits must be renewed every five years; to renew, the server can take a renewal class if they passed the initial class within the past seven years.

The OLCC can deny service permits to individuals who have felony drug convictions, certain types of felony crime of violence convictions, diversions, or convictions for driving under the influence of intoxicants (DUII) or furnishing alcohol to minors.

Public Safety Program

OLCC places emphasis on addressing alcohol sales to minors and visibly intoxicated people. OLCC's Public Safety Services Program regulates the manufacture, distribution, and sale of alcohol beverages, and provides education to licensees and service permit holders. Forty-four regulatory inspectors across the state deal with issues including over-service of alcohol, alcohol service permit violations, problem premises, community livability issues, and the sale and/or service to minors.

Staff try to balance community and licensee concerns in partnership with diverse groups such as local governments, law enforcement, and neighborhood associations to provide service to all Oregonians while promoting responsible sales and service of alcohol.

Several programs are available to help licensed businesses be successful. OLCC retail licensees may choose to join the voluntary Responsible Vendor Program (**RVP**), the purpose of which is to reduce underage drinking, encourage participants to adopt best practices in preventing sales to minors, and provide licensees an incentive to give their employees on-going training in responsible alcohol sales and service. Licensees who join the RVP and follow all of the requirements are eligible for reduced sanctions if their employees sell alcohol to a minor or fail to properly check ID.

Participants in the RVP are required to provide responsible alcohol sales training and quarterly refresher training sessions to employees; adopt house policies on alcohol sales and ID checks; accept only certain forms of ID for alcohol sales; post signs regarding ID checks; and keep records verifying compliance.

OLCC also offers the First Call program, which is designed to help new licensees. An OLCC staff person visits newly licensed businesses within 90 days of issuing the license. Staff review common violations and offer suggestions on how to avoid them. This is an opportunity for new licensees to ask questions of their regulatory inspector and develop a relationship prior to any enforcement issues.

A free ID checking class is available at all regional offices for anyone in the alcohol service industry. The class offers in-depth education on how to identify fake ID and best practices on verifying identification.

Liquor Agents and Stores

The OLCC sells distilled spirits through 248 retail liquor stores that are independently owned and operated by individuals or corporations. Agents are selected by the OLCC through a competitive application process, with openings occurring when an operator resigns or retires, if a contract is terminated, or if the OLCC establishes a new location. Applicants are evaluated by a number of criteria, such as their level of retail business experience, ability to operate the store on a full-time basis, and adequate finances to manage and operate the store. They also are evaluated for their criminal history, particularly if they have been convicted of a felony or a crime related to money management fraud or crimes related to abuse of alcohol and/or a controlled substance. A person is prohibited from being a liquor store operator if they or anyone in their household or immediate family has a financial interest or business connection with the distilled spirits industry; or if they are a licensee or a director, officer, or substantial stockholder in a business licensed by the OLCC. However, the owner of a non-exclusive liquor store (defined below) can also hold an off-premises sales license.

Agents are independent contractors and are not state employees. Total compensation to agents is set through the budget process by the Legislative Assembly; the formula for distributing compensation to agents is determined by the OLCC. Agents pay most operating expenses, including rent, staffing, and their own salaries and benefits. Stores must be open a minimum of eight hours per day, except for Sundays and legal holidays. They cannot open before 7:00 a.m. or close later than 10:00 p.m. and must be open between noon to 6 p.m. Agents can choose to open on holidays and Sundays.

Of the 248 stores, 137 operate as exclusive liquor stores, in which their primary function is to sell liquor, but they are allowed to sell specified items such as glassware, mixers, and tobacco products. There are currently 111 non-exclusive liquor stores which operate in conjunction with other businesses like pharmacies and general stores that typically serve smaller communities. Several exclusive stores in urban areas recently received approval to convert to the non-exclusive model, allowing them to sell beer and wine. There are 59 liquor stores located within a grocery or convenience store.

An Oregon distiller is allowed to sell bottles of their own product at their tasting rooms if they have a Distillery Retail Outlet Agent Agreement with the OLCC. There are currently 58 such agreements. An Oregon distillery can conduct tastings at up to five locations they lease or own in addition to the tasting room at the distillery.

Distilled Spirits Distribution

The OLCC oversees the distribution and sale of distilled spirits in the state. The program centrally warehouses and distributes distilled spirits to Oregon's 248 liquor stores.

The Purchasing division works closely with Retail Services staff and retail liquor stores to provide a wide variety of products. In addition to the 1900 regularly stocked items, customers may special order products at any liquor store.

The distribution center receives, stores, and distributes the spirits to liquor stores. These products are securely stored until they are ordered by liquor stores. Suppliers own most of the product in the OLCC distribution center, and the state owns the inventory in the retail stores.

The distribution center is comprised of a 124,000-sq-ft warehouse for shipping products and an additional 107,000-sq-ft warehouse for bulk storage. The center has the capacity to ship 1,100 cases per hour and shipped nearly 3 million cases in FY 2014.

The Oregon Bottle Bill

The OLCC is also responsible for the majority of the administration and enforcement of the Oregon Bottle Bill (ORS 459A.700 to 459A.740) which was the very first legislated beverage container deposit system enacted in the United States. Today, ten other states operate similar programs.

Under this law, Oregon retail stores pay a five-cent deposit on bottled water, and malt and carbonated beverage containers (up to 3 fluid liters, with the container labeled so the five-cent refund value is clearly visible) to the beverage distributor. In turn, consumers pay the five-cent container deposit to the retailer when purchasing these items, and redeem the deposit when returning the containers to retail stores in Oregon. Retailers whose facility is less than 5,000 sq-ft may limit the number of redeemed containers to a maximum of 50 per person per day and only containers that are brands/sizes that they sell; larger retailers may set the limit at 144 containers per person per day and are not limited to the brands and sizes. Upon returning containers to the distributor for recycling, the retailer is reimbursed for redeemed containers. Deposits on containers not returned for refund are kept by the distributors.

The five-cent deposit value has not changed since the bill was enacted in 1972. Legislation in 2011 increased the deposit/refund value to ten cents after January 2016 only if the redemption rate for malt and carbonated beverage containers falls below 80 percent for two consecutive years; or if the rate for all types of redeemable containers falls below that same rate after 2021. No later than January 1, 2018, all beverages will be added to the Bottle Bill container parameters except wine, distilled spirits, dairy, or milk substitutes. While beer, soft drinks, and water containers of up to three liters will still be redeemable, the newly added beverage containers will be redeemable only if they are between four ounces and 1.5 liters in size.

Revisions to the Bottle Bill allow distributors to form cooperatives to simplify the process of collecting containers and issuing refunds. Legislation in 2011 created a pilot program to establish a redemption center operated by a distributor cooperative in a city with a population less than 300,000. The pilot program designation was dropped in 2013 and OLCC was given authority to approve additional redemption centers. Each redemption center has two convenience zones surrounding it. Participating stores within the first zone, a 2-mile radius around the center, are no longer required to accept containers for redemption; and participating stores within a 2-to 3.5- mile radius around the center are required to accept up to 24 containers per person per day. Nonparticipating stores are required to accept containers for redemption at levels depending upon their square footage (up to 24 containers daily for stores less than 5,000 sq-ft and up to 350 containers for stores over 5,000 sq-ft).

The Department of Agriculture is responsible for enforcing the cleanliness of retailer recycling areas, while the Department of Environmental Quality is responsible for collecting data associated with solid waste and container return rates. Although there are three state agencies that administer components of the Bottle Bill, the government does not receive any income, tax, or fee for services associated with the law.

Revenue Sources and Distribution

The OLCC is an "other funds" agency and is financed entirely from sales of distilled spirits, a privilege tax on beer, wine, and cider, license fees, and miscellaneous revenues including fines received from administrative sanctions. A 50-cent surcharge per bottle on distilled spirit products was imposed in April 2009 and has since been renewed by the OLCC every biennium. The surcharge is projected to generate $33.8 million in additional gross revenue in the 2015-2017 biennium.

After subtracting the cost of purchasing liquor from distilleries, freight, liquor agent compensation, and other expenditures related to OLCC operations, an estimated $441 million will be distributed during the 2013-2015 biennium as follows:

General Fund (with surcharge)	57%
Cities	18%
Counties	9%
City revenue sharing	12%
Mental Health, Alcoholism and Drug Services	4%
Oregon Wine Board	<1%

OLCC staff are responsible for tax collection and auditing for the privilege tax on wine, cider, and malt beverages. The agency also collects the grape tonnage tax for the Oregon Wine Board.

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