



Oregon Liquor Control Commission

Agency Overview

**Oregon Liquor Control Commission
contributes to Oregon's economy
by fostering business growth,
enhancing community livability,
and reinvesting in Oregon**

OLCC oversees the sale of alcoholic beverages to allow access for responsible adults while protecting public safety

The agency places emphasis on addressing alcohol sales to minors and visibly intoxicated people

John A. Kitzhaber, MD
Governor

Rob Patridge
Chair
2nd Congressional District

Robert Rice
Commissioner
1st Congressional District

Pamela Weatherspoon
Commissioner
3rd Congressional District

Vacant
Commissioner
4th Congressional District

Michael E. Harper, Sr.
Commissioner
5th Congressional District

Interim Executive Director
Merle Lindsey

**Interim Deputy Director/
Distilled Spirits Director**
Brian Flemming

Public Safety Program

Distilled Spirits Program

Support Services Program

OLCC Commissioners

The commissioners are chosen from the five Oregon congressional districts.

The citizen commissioners help set policy for the OLCC.

They make decisions on issues such as: liquor licenses, administrative rules, contested case hearings, and appointments of liquor store operators.



Rob Patridge



Pamela Weatherspoon



Michael Harper, Sr.



Robert Rice

History

- The Oregon Liquor Control Commission (OLCC) was created in 1933 by a special legislative session after national prohibition ended
- The Legislature determined the control system was the best model for serving the community interest and making alcohol legally available to Oregonians
- A control system uses a moderate approach by eliminating tactics such as incentives for maximum sales from the marketplace
- The state has the exclusive right to sell distilled spirits. Profits from sales are captured at wholesale and retail levels and returned to benefit state and local governments

OLCC's Role

- Advocate responsible alcohol consumption
- License all alcohol outlets in Oregon
- Issue permits to all trained alcohol servers
- Manage/distribute distilled spirits
- Regulate businesses that sell/serve alcohol
- Generate revenue for essential services like police, education and health care
- OLCC is also responsible for the regulation of Oregon's Bottle Bill

OLCC Statewide Offices

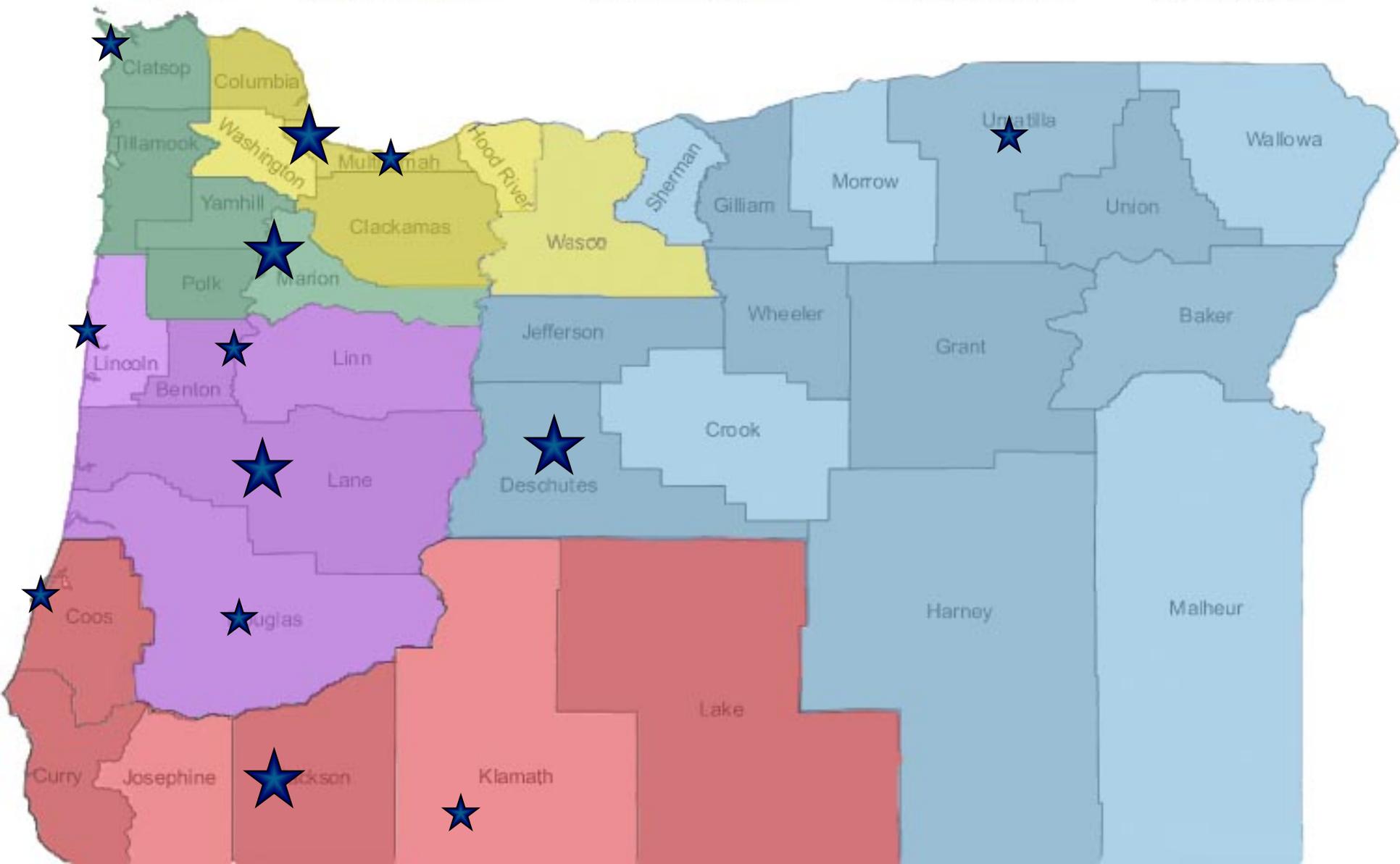
Bend Region 

Eugene Region 

Medford Region 

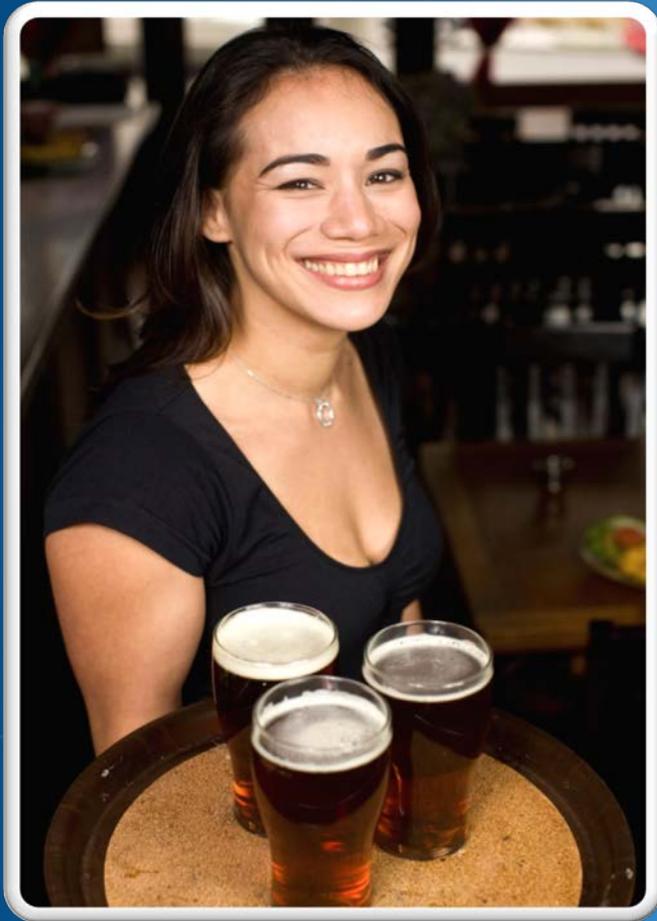
Metro Region 

Salem Region 



*Fostering
Business Growth*

Responsible Sales and Service



- More than 135,600 Service Permit holders
- Mandatory Alcohol Server Education
- Oregon was first state to require server education in 1987

Oregon is home to...

12,526	Annual liquor licenses in Oregon, including:
6,861	Restaurants & Bars <i>On-premises licenses</i>
4,515	Grocery/Convenience Stores <i>Off-premises licenses</i>
898	Wineries
238	Brewers/Brew Pubs
196	Distributors/Wholesalers
46	Distilleries

Totals as of Sept. 23, 2013

Liquor Licensing

- Four areas of investigative focus
 - Applicant experience
 - Proposed business operation
 - Compliance and criminal history
 - Local government/community input

Liquor Licensing

- Average 67 days total processing time
 - External factors contribute to 50% of total licensing time
 - Local government endorsements
 - Applicant responsibilities

Special Events Enhance Oregon Tourism

OLCC issues more than 5,000 temporary sales licenses for special events each year

Oregon tourism generated
\$8.8 Billion in 2011

(Oregon Travel Impacts Report, Dean Runyan Associates)



Oregon's Beer Industry

- 238 Brewery/Brewpub Licenses
- In 2010, beer-related jobs in Oregon totaled more than 15,000
 - Related wages exceeded \$435 million
- Total economic impact of \$2.4 billion on Oregon's economy



Oregon's Wine Industry

- 898 Oregon Winery Licenses
 - 463 producing wineries
- In 2010, wine-related jobs in Oregon totaled over 13,500;
 - Related wages topped \$382 million.
- In 2010 wine-related tourism contributed \$158.5 million in revenues to the Oregon economy



Oregon's Distilled Spirits Industry

46 licensed Oregon distilleries

480 Oregon items available

12% of all liquor sales revenue

Easy entry into marketplace

Level playing field

Custom shipments allow liquor stores to offer local products

Contribute to local economy



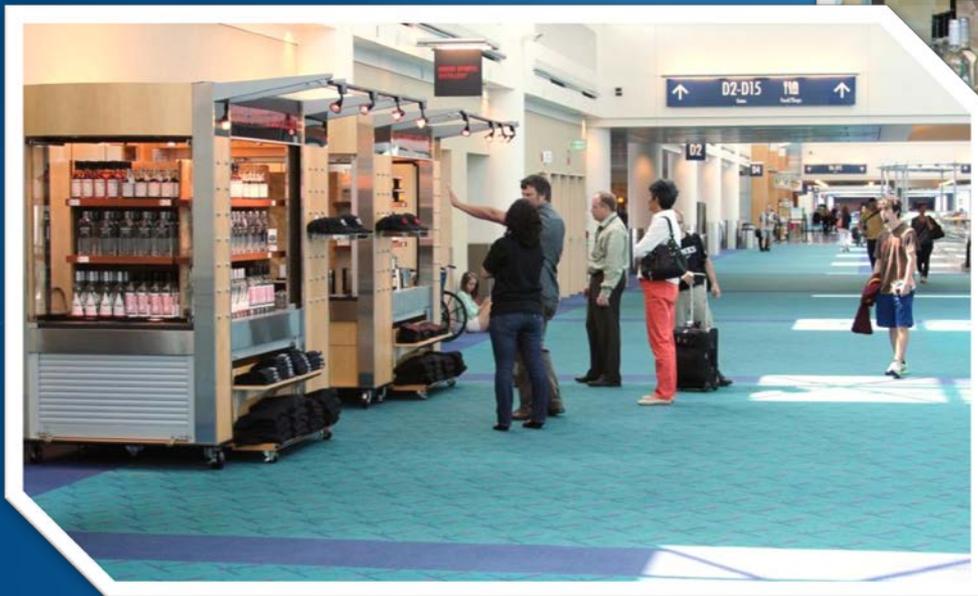
Distillery Retail Liquor Agents



- 26 distillery agents
- 32 contract locations
- Distillers able to sell their own products by the bottle from their tasting room & special events
- New market opportunity for small businesses

Distillery outlet at PDX Airport

- House Spirits currently operating a kiosk at the Portland Airport as a second location
- Law allows up to 6 total outlets per Oregon Distillery (eff. 1/1/2014)
- Allows sale of their own products



Modernizing laws and requirements allow more options for doing business

- Direct sales to consumers from distiller's tasting room
- Expanded special event license criteria to allow distilleries to sell bottles at special events
- Modified auction criteria to allow distilled spirits raffles by non-profit groups
- Sampling rules updated to allow mixers with liquor for enhanced customer experience



Product Selection

- OR carries 1,900 products every day
 - 480 Oregon products
 - OLCC will special order any product that a U.S. manufacturer or importer will ship to Oregon
 - Approx. 1,200 different items have been special ordered in the last few years



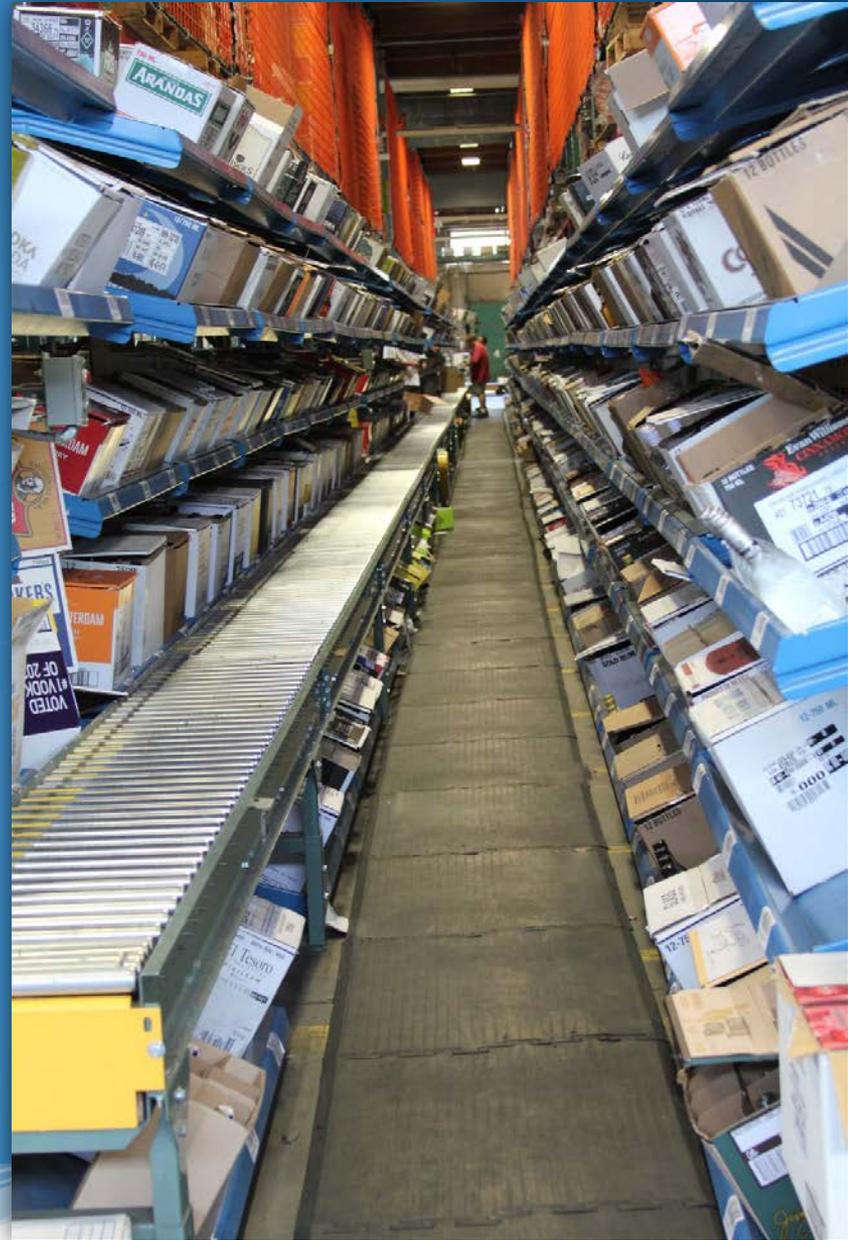
Liquor Distribution

Actual:

- 2,676,000 cases sold in FY 2011
- 2,792,000 cases sold in FY 2012
- 2,911,000 cases sold in FY 2013

Projection:

- 3,010,000 cases in 2014
- 3,132,000 cases in 2015
- Breakage in distribution center and in liquor stores is .08%



Distribution Center

- 2 warehouses
- 65 FTE
- 230,000 square feet
- 3.0 million cases received
- 2.9 million cases shipped out
- \$497.6 million gross revenue (spirits only)
- \$202.6 million distributions (all sources)



Liquor theft

- Reported liquor theft in Oregon
.003% \$7,680
(FY 2012)



From Warehouse to Store

- 9 private common carriers ship distilled spirits across the state
 - 5 are local Oregon-owned companies
- More than 13,000 shipments sent from the OLCC warehouse in FY 2013



Retail Liquor Stores

- Oregon's 248 retail liquor stores are run by privately contracted small business owners since the mid 1980's
- Over 1,000 people privately employed by liquor store owners
- 148 Exclusive Stores
- 100 Non-Exclusive Stores



Retail Liquor Store Improvements

July 2010 – July 2013

- 8 store openings
- 25 relocations
- 15 remodels
- 45 new liquor agent appointments
- 18 new distillery liquor agents

Retail Liquor Store Improvements

- Improved shopping experience for customers
- More convenient locations
- Retailers who have made store improvements have seen as much as 53% growth in sales
- Oregonliquorsearch.com – for product availability, store hours, directions, and more

Exclusive Stores

- Primary business is to sell distilled spirits
- Sell related items from an approved list such as tobacco, mixers, lottery, stemware
(OAR 845-015-0143)
- Typically larger metropolitan communities



Non-Exclusive Stores

- Most operate in conjunction with another business
- No limit to what types of items they can sell in addition to alcohol
- Rural communities might have challenges supporting an exclusive store due to a smaller consumer base



Store-within-a-Store

- In 2004, the Commissioners approved a pilot project for a liquor store-within-a-store (OAR 845-015-0199)
- Three stores were approved for the pilot:
 - Lamb's Thriftway (Portland Garden Home)
 - Ray's Food Place (West Bend)
 - Bethany QFC (Portland Bethany)
- The pilot project ended 2006; Lamb's Thriftway and Bethany QFC are still open as permanent exclusive stores

Challenges for Store-within-a-Store

- Earnings from related items sales are limited
- More staff needed to receive & replenish inventory
- Individual vs. a corporation as liquor agent
 - (Now allowed under 2012 rule change)



Satellite Stores

- Non-exclusive liquor stores in smaller communities where there is a fluctuating, seasonal demand due to tourism or other similar factors (OAR 845-015-0200)
- The satellite store is operated by the established liquor agent in that community
- Two stores currently in program:
 - Cannon Beach
 - Sunriver

Expanded Opportunities

- At the March 2012 meeting, Commissioners approved a rule change to allow corporations to apply to be retail sales agents and liquor stores to sell beer and wine
- For the project, Commissioners approved:
 - Four existing liquor stores to sell beer and wine (as non-exclusive stores)
 - Up to four corporations as retail sales agents
- Commissioners deemed test successful
 - Program continues
- No corporations have yet applied for any store openings
 - (Some interest)

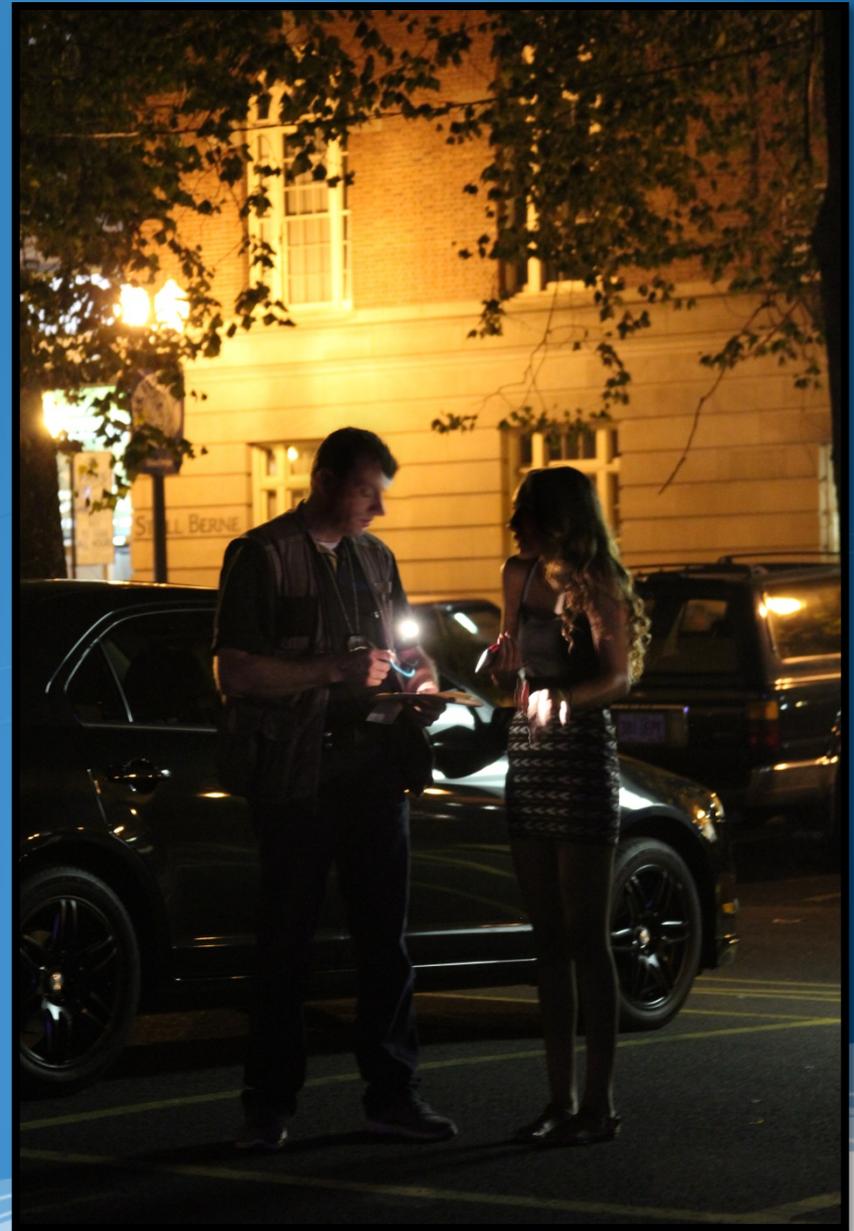
From Liquor Store to Licensee

- Delivery service to licensees
- Licensees receive 5% discount (per statute)
- Sales to licensees result in less compensation per bottle
- Can have higher volume of sales than individual consumer sales



*Keeping
Communities Safe*

- OLCC relies on partnerships with law enforcement, local government, licensees, liquor agents and moderation groups to ensure and improve public safety
- Reducing alcohol sales to minors & visibly intoxicated people are two of OLCC's top public safety priorities
- Controlled approach to expanding access to liquor stores that sell distilled spirits



Helping Businesses Be Successful

- Responsible Vendor Program
- First Call Program
- Free ID Checking Classes
- False Identification Program
- Options to purchase Age Verification Equipment

The High Price of Underage Drinking

In 2010, underage drinking
cost Oregonians **\$659.5 Million**

Youth Violence	\$317.5
Youth Traffic Crashes	\$71.9
High-Risk Sex	\$38.1
Youth Property Crime	\$61.3
Youth Injury	\$31.9
Poisonings & Psychoses	\$6.4
Fetal Alcohol Syndrome	\$11.1
Youth Alcohol Treatment	\$121.3



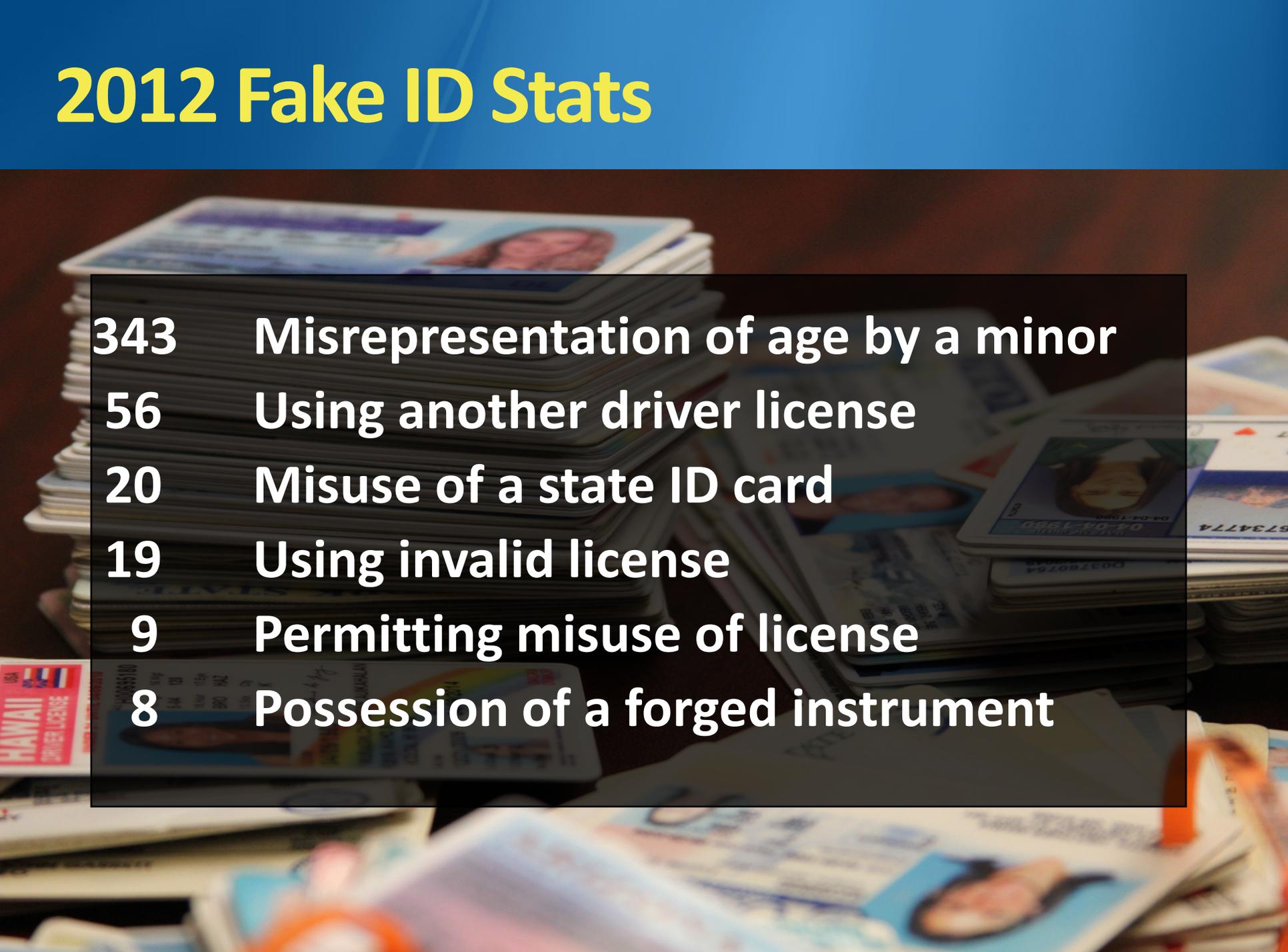
*Pacific Institute for Research and Evaluation (PIRE) with funding from the
Office of Juvenile Justice and Delinquency Prevention (OJJDP), 2011

Fake Identification

- OLCC inspectors confiscate more than 1,000 fake IDs each year
- OLCC inspectors check nearly 6,500 IDs each year
- OLCC partners with licensees, liquor store owners, universities, and police
- OLCC offers free ID checking classes on how to identify fake ID



2012 Fake ID Stats

- 
- 343** Misrepresentation of age by a minor
 - 56** Using another driver license
 - 20** Misuse of a state ID card
 - 19** Using invalid license
 - 9** Permitting misuse of license
 - 8** Possession of a forged instrument

Minor Decoy Operations

- Minor decoy operations are an effort to reduce underage drinking and access to alcohol by minors
 - During sales checks, a minor volunteer attempts to purchase alcohol from a licensed business to see if staff are checking ID's correctly
 - Volunteers carry their own legal ID that identifies them as under 21 and do not disguise their age or lie to encourage the sale of alcohol
- ORS 471.346 & OAR 845-009-0200 establish uniform standards



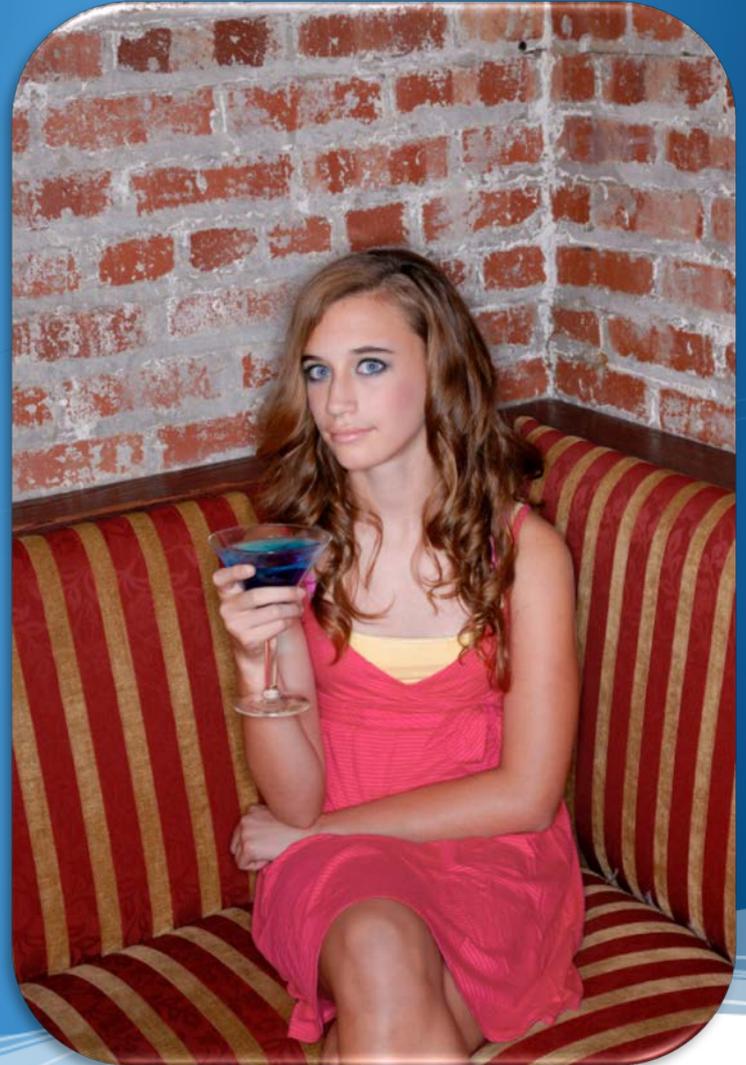
Minor photos are bordered in red with "Under 21 until..."



Adult ID

Minor Decoy Operations

- 81% of Oregon businesses tested passed OLCC minor sales checks in FY 2012
- 84% of businesses tested passed in FY 2013
- OLCC checks approx. 1,700 licensed businesses each year



Investing in Oregon

Gross Revenue Sources

2011-2013 Biennium

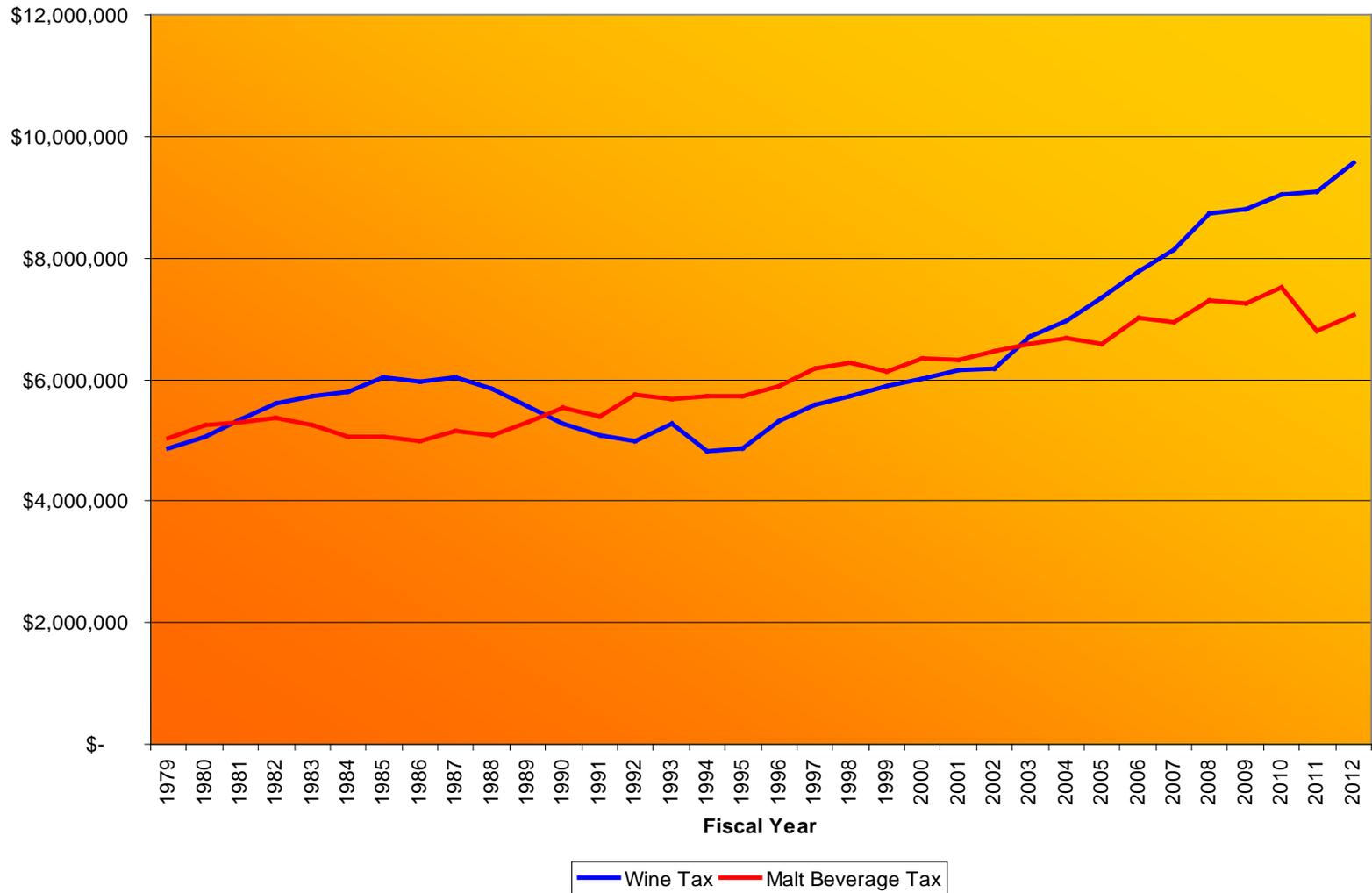


Budget Expenditures

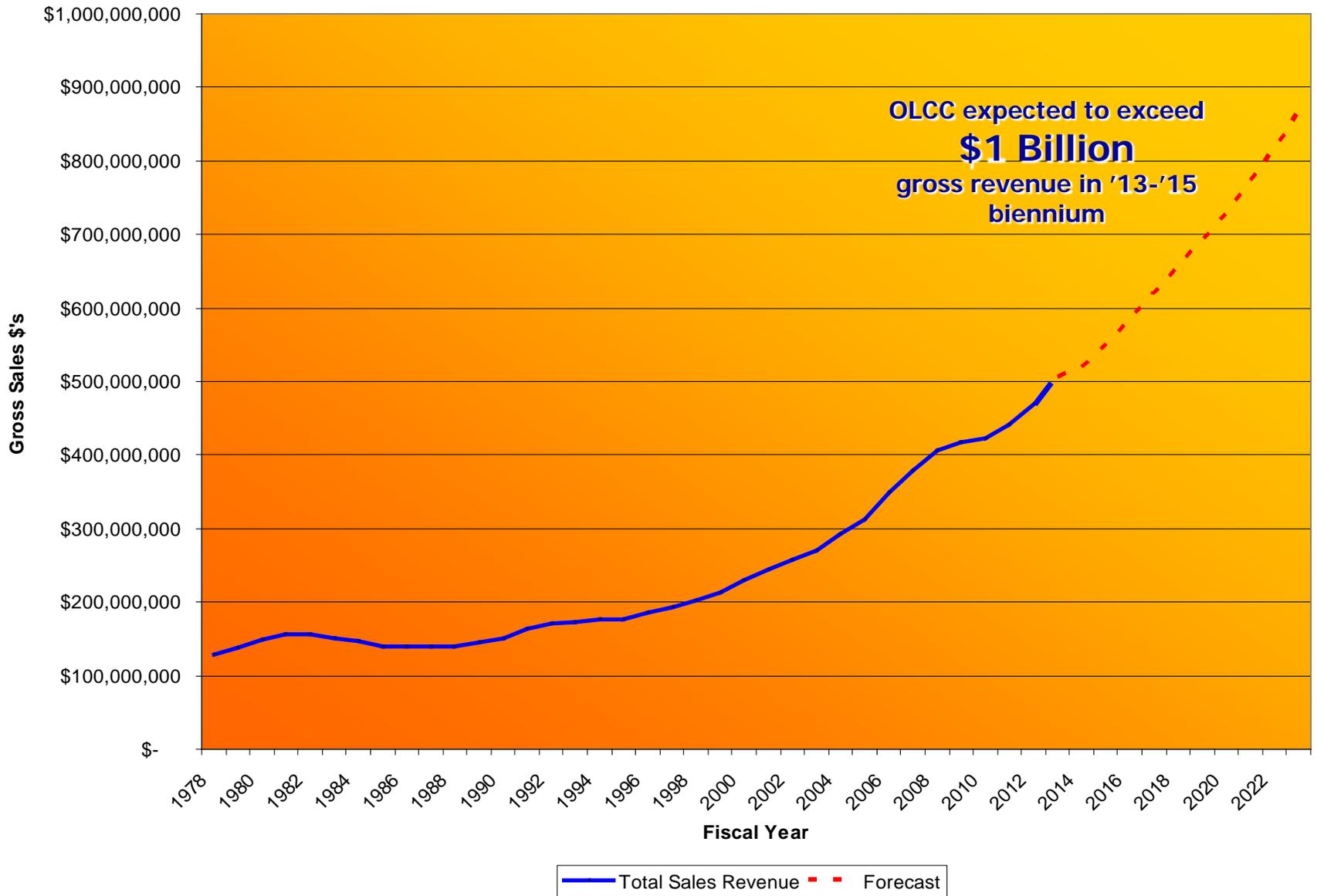
2011-2013 Biennium

OLCC Operations	\$41.8 Million
Credit Card Fees	\$ 8.3 Million
Liquor Agents Compensation	<u>\$83.2 Million</u>
	\$133.3 Million

Beer and Wine Tax Revenue



Ten-Year Forecast of Liquor Sales



Historical Perspective

Distilled Spirits Mark-up

Privilege Tax

Beer Tax

Wine Tax

1991 Mark-up 99% of cost + \$1.10 freight

1993 Up to \$78.06/case (cost) x2.131 +\$1.40 freight
Over \$78.06/case (cost) x1.798 +1.40 freight

2009 OLCC approves temp. \$0.50 surcharge/bottle

2011 OLCC extended \$0.50 surcharge per bottle thru '11-'13 biennium

2013 OLCC extended \$0.50 surcharge per bottle thru '13-'15 biennium

1977 \$2.60/barrel

1977 \$0.65/gallon up to 14% ABV
\$.077/gallon over 14% ABV (but less than 21% ABV)

1983 \$0.67/gallon up to 14% ABV
\$.077/gallon over 14% ABV (but less than 21% ABV)

1983 - Bill passed to increase taxes on wine & dedicate an additional \$0.02 tax to the Wine Advisory Board (later renamed Oregon Wine Board)

Distilled Spirits Sales Increase

- 1/3 sales growth from customers buying up
 - Improving economy
- 2/3 sales growth from increased volume
 - Population increase
 - Licensee sales improving
 - Washington border sales

\$15.70 Register Price

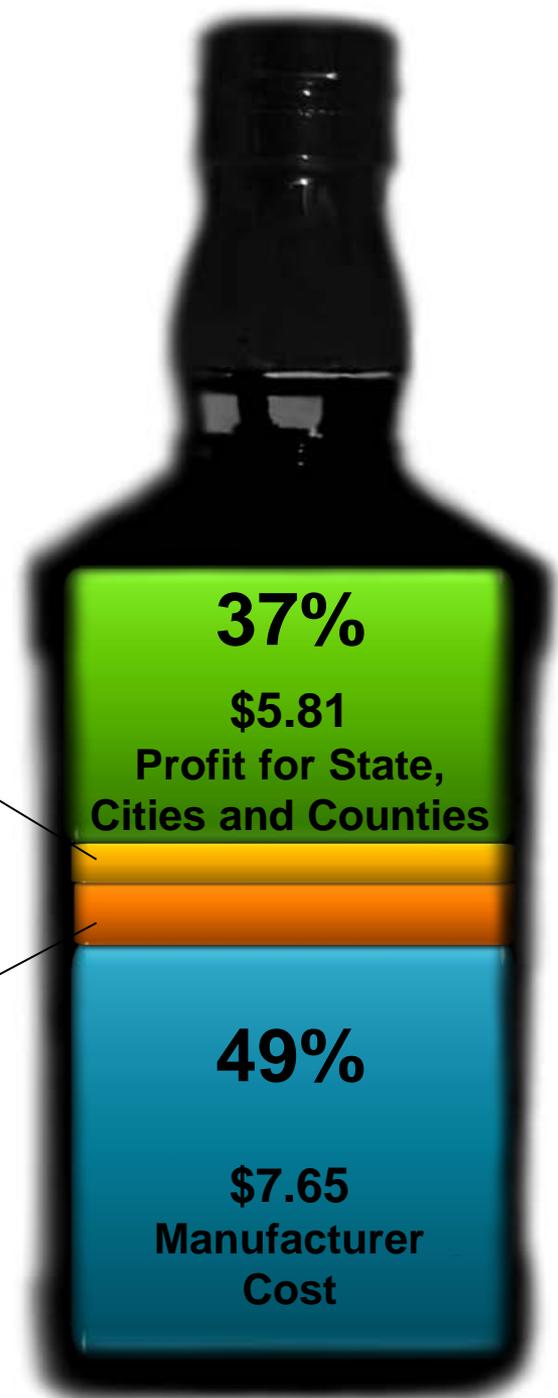
Average bottle price

5% **\$0.84**
OLCC Operating Expenses

Includes Enforcement & Licensing functions

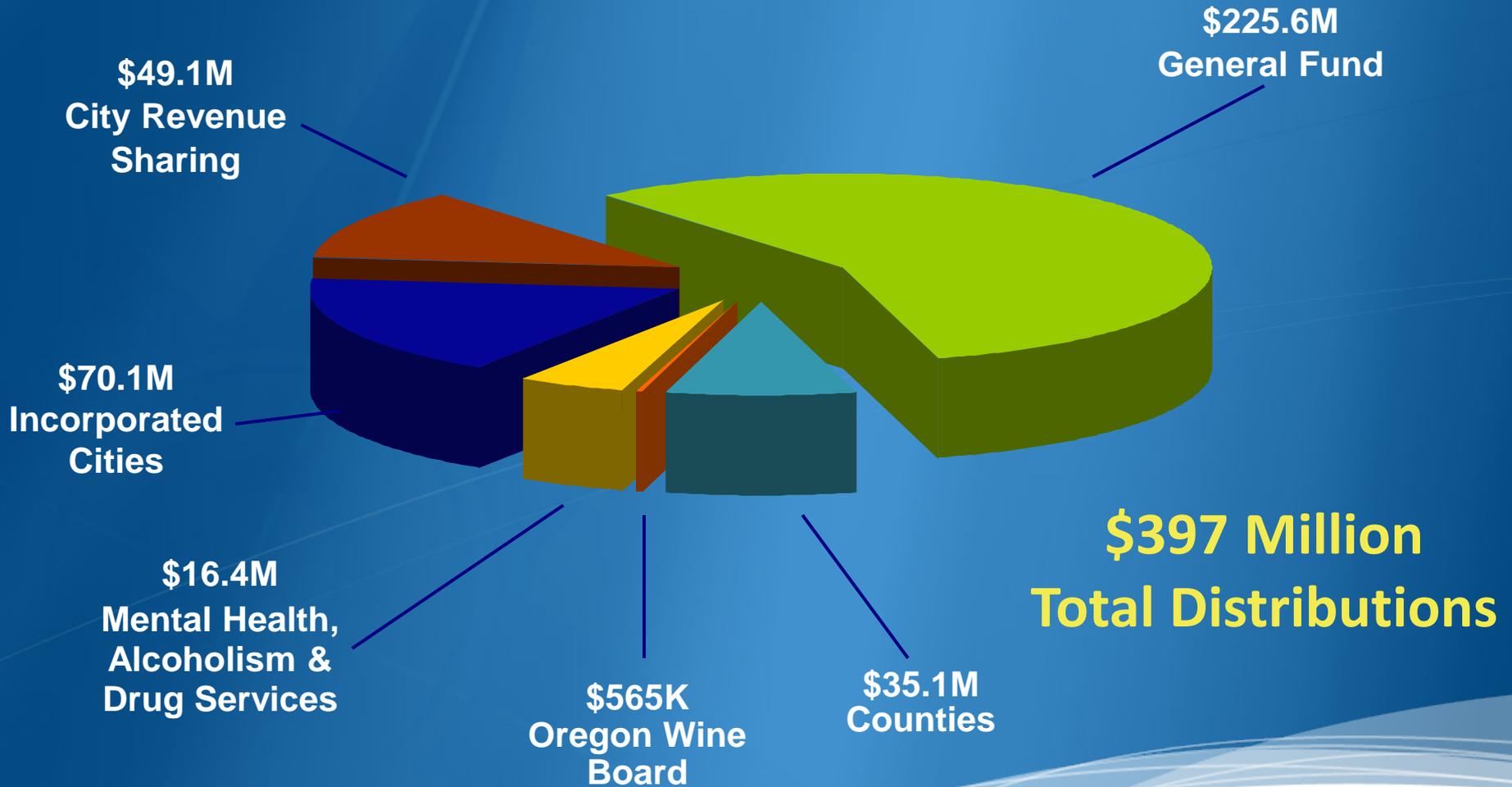
8.88% **\$1.40**
Liquor Store Operator Commission

Average Liquor Store Operator Compensation



Net Income Distribution (ORS 471.810)

2011-2013 Biennium



\$397 Million for Oregon services such as:

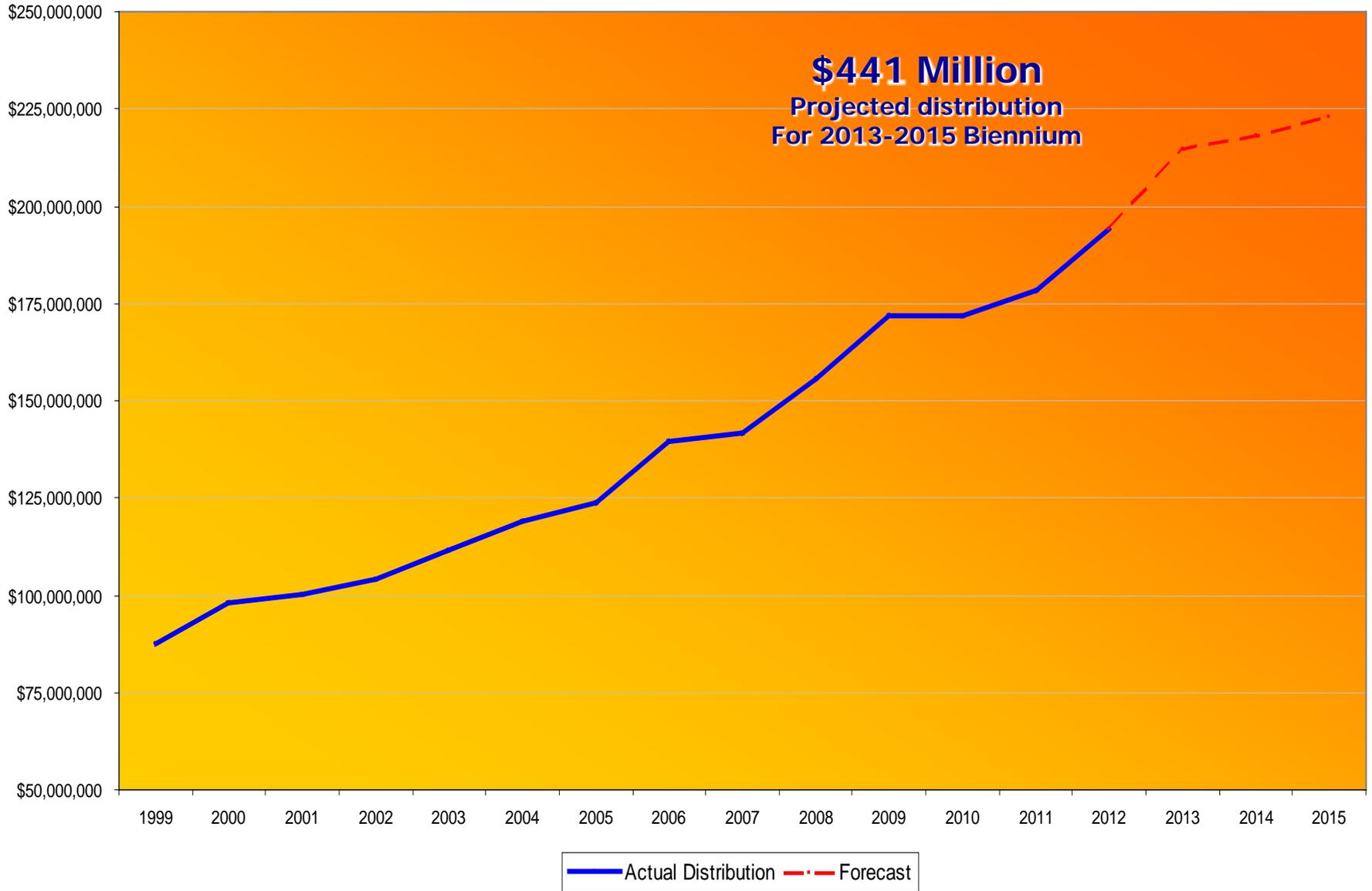


Education

**Police, Fire
& Rescue**

Healthcare

OLCC Distributed Revenue



Liquor Dollars

Aged 10 years



Looking Forward

10 years

projected



