



# Oregon Liquor Control Commission

presentation to the  
**Ways and Means Subcommittee on  
Transportation and Economic Development**

March 20 & 21, 2013

**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

# 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

**John A. Kitzhaber, MD**  
**Governor**

**Cassandra Skinner**  
Chair  
4<sup>th</sup> Congressional District

**Robert Rice**  
Commissioner  
1<sup>st</sup> Congressional District

**Rob Patridge**  
Commissioner  
2<sup>nd</sup> Congressional District

**Alex Duarte**  
Commissioner  
3<sup>rd</sup> Congressional District

**Michael E. Harper, Sr.**  
Commissioner  
5<sup>th</sup> Congressional District

**Executive Director**  
Vacant

**Deputy Director/  
Interim Exec. Director**  
Merle Lindsey

**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.



Alex Duarte



Cass Skinner



Rob Patridge

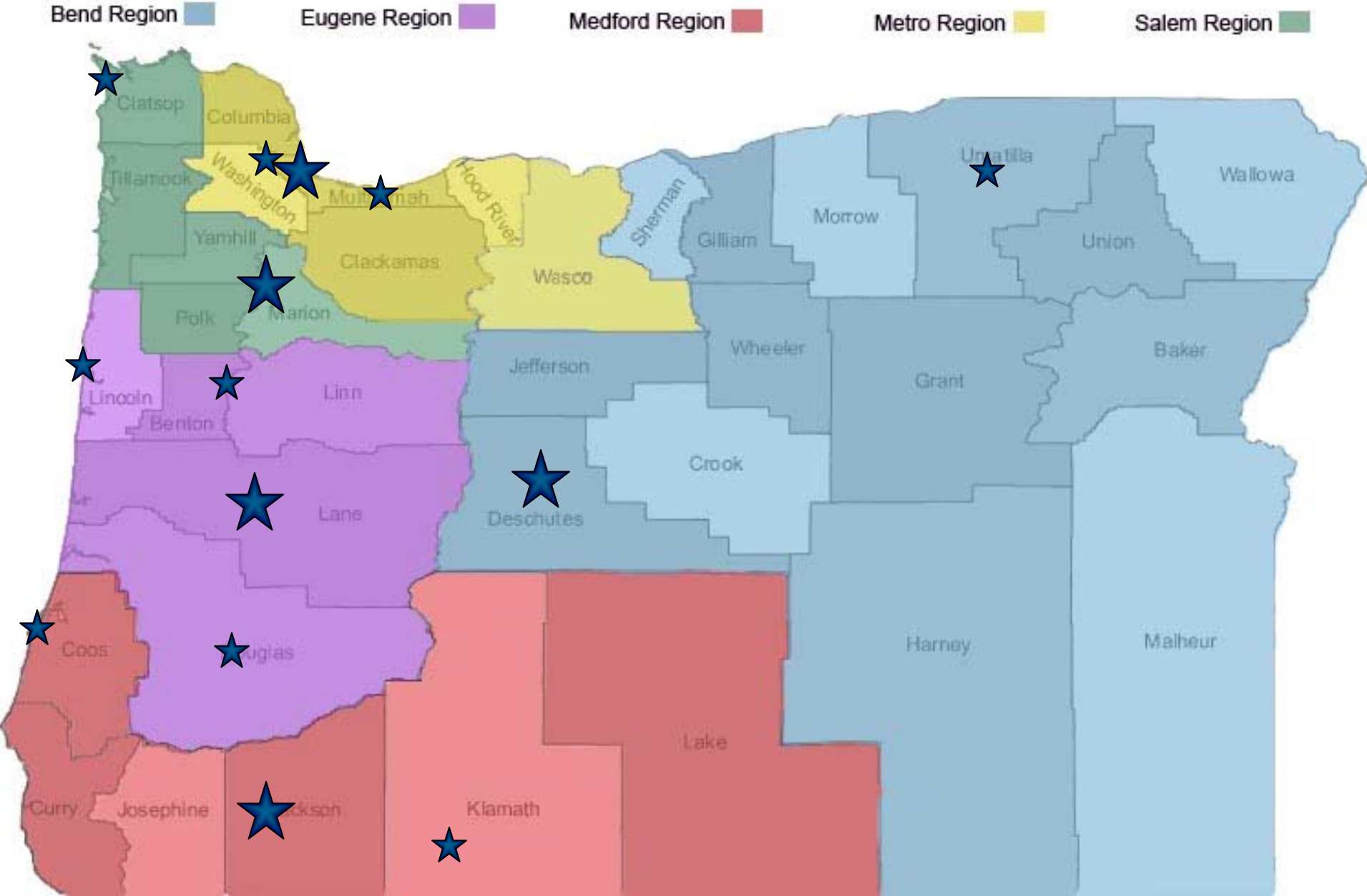


Michael Harper, Sr.



Robert Rice

# OLCC Statewide Offices







***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

# Oregon is home to...

**12,526** Annual liquor licenses in Oregon, including:

**6,762** Restaurants & Bars  
*On-premises licenses*

**4,441** Grocery/Convenience Stores  
*Off-premises licenses*

**856** Wineries

**217** Brewers/Brew Pubs

**191** Distributors/Wholesalers

**48** Distilleries

Totals as of Jan 18, 2013

# Liquor Licensing

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

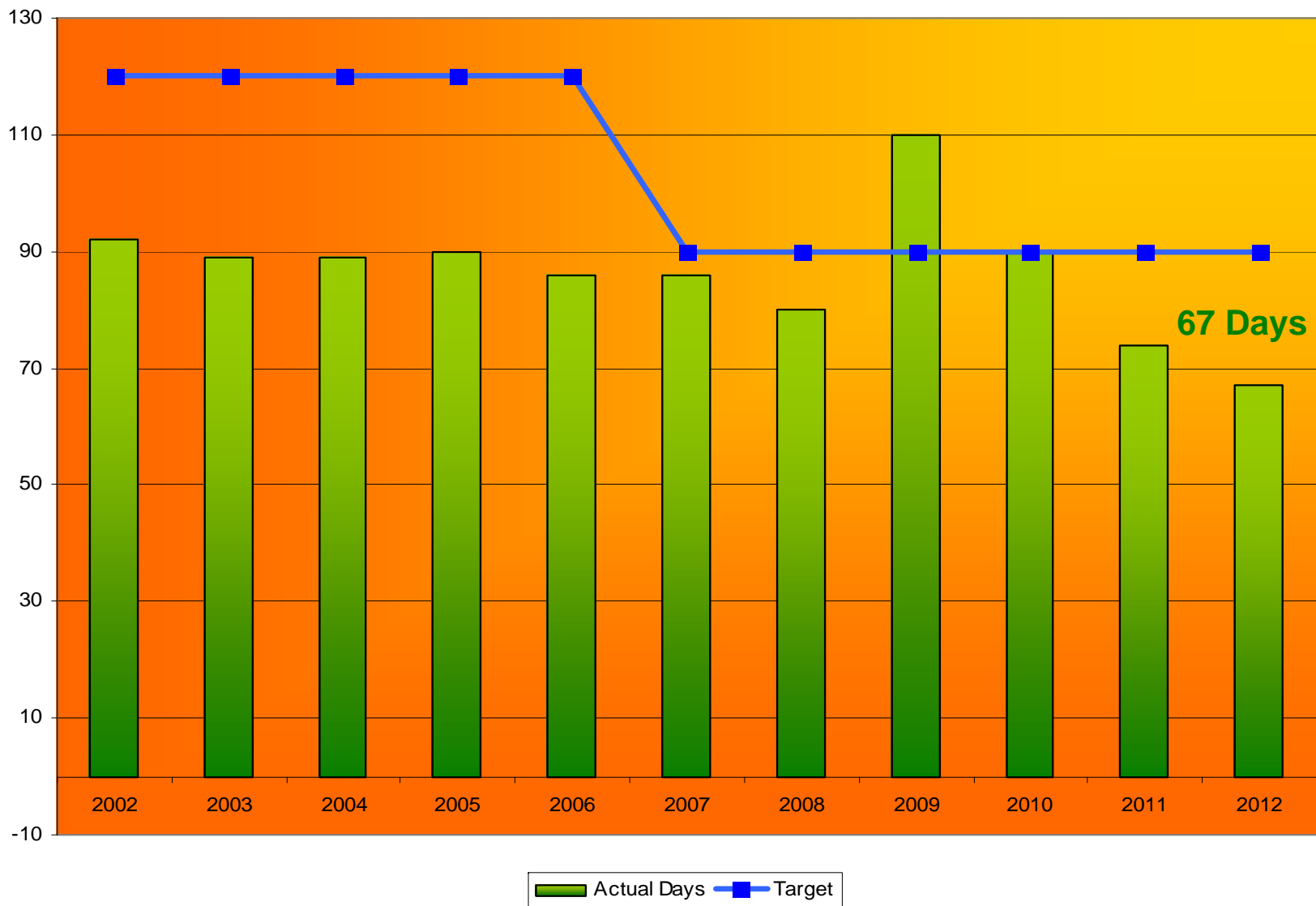
# Liquor Licensing

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

# Licensing Time

*Average days from application receipt to license issuance*

*KPM #3*





# 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

- 217 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



(OLCC Licensing Data 2012; Beer Institute Data 2010)

# Oregon's Wine Industry

- 856 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



(The Economic Impact of the Wine and Wine Grape Industries on the Oregon Economy , May 2011, Full Glass Research, OLCC licensing data and 2011 Oregon Winery Census Report)

# Oregon's Distilled Spirits Industry

48 licensed Oregon distilleries

480 Oregon items available

12% of all liquor sales revenue

Easy entry into marketplace

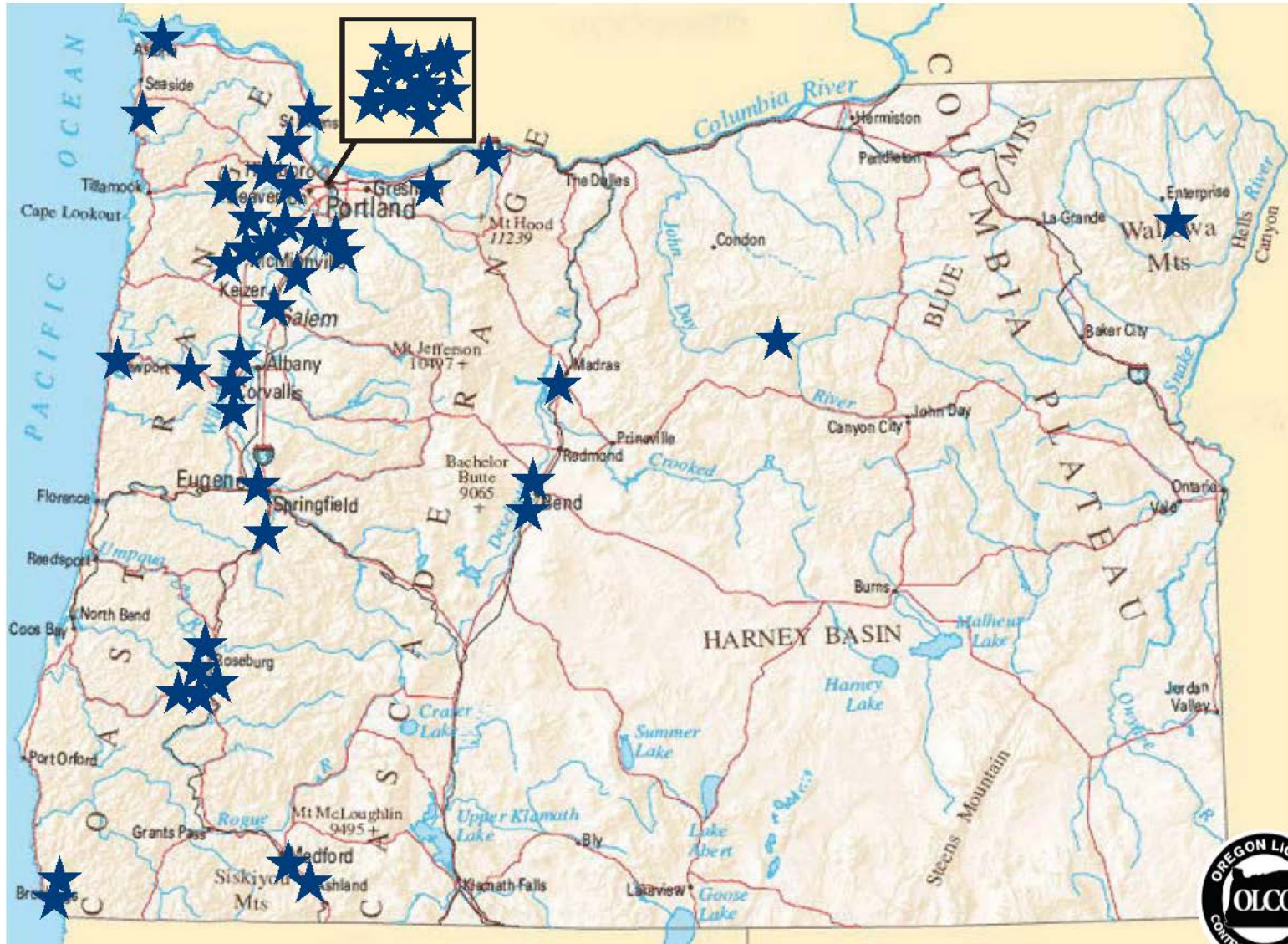
Level playing field

Custom shipments allow liquor stores to offer local products





# OREGON DISTILLERIES



(MARCH 2013)



“OLCC is a good friend. It’s why I started my first distillery in Oregon and it’s why I’m about to start my second here too,” –**Ryan Csanky, Martin Ryan Distilling, Portland**



MARTIN RYAN  
HANDMADE VODKA  
DISTILLED IN OREGON FROM GRAPES

“What is nice about state control is that it creates a level playing field. There’s all these hurdles you confront when you go out of state,” –**Lee Medoff, Bull Run Distilling Company, Portland**



“We think the OLCC is the best thing that ever happened to us. We could not have even started,”  
- **Diane Paulson, Cascade Peaks Spirits, Ashland**



# Distillery Retail Liquor Agents



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

# 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



# Liquor Distribution

## Actual:

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

## Projection:

- 2,900,000 cases in 2013
- 3,010,000 cases in 2014
- 3,132,000 cases in 2015



# 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 2012





# Retail Liquor Stores

- Oregon's 249 retail liquor stores are run by privately contracted small business owners since the mid 1980's
- Private liquor stores employ over 1,000 people



# Retail Liquor Store Improvements

July 2010 – January 2013

- 7 store openings
- 10 relocations
- 15 remodels
- 41 new liquor agent appointments
- 15 new distillery liquor agents



# Retail Liquor Store Modernization

- 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](http://Oregonliquorsearch.com)

# 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
  - Up to four corporations as retail sales agents



*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..."

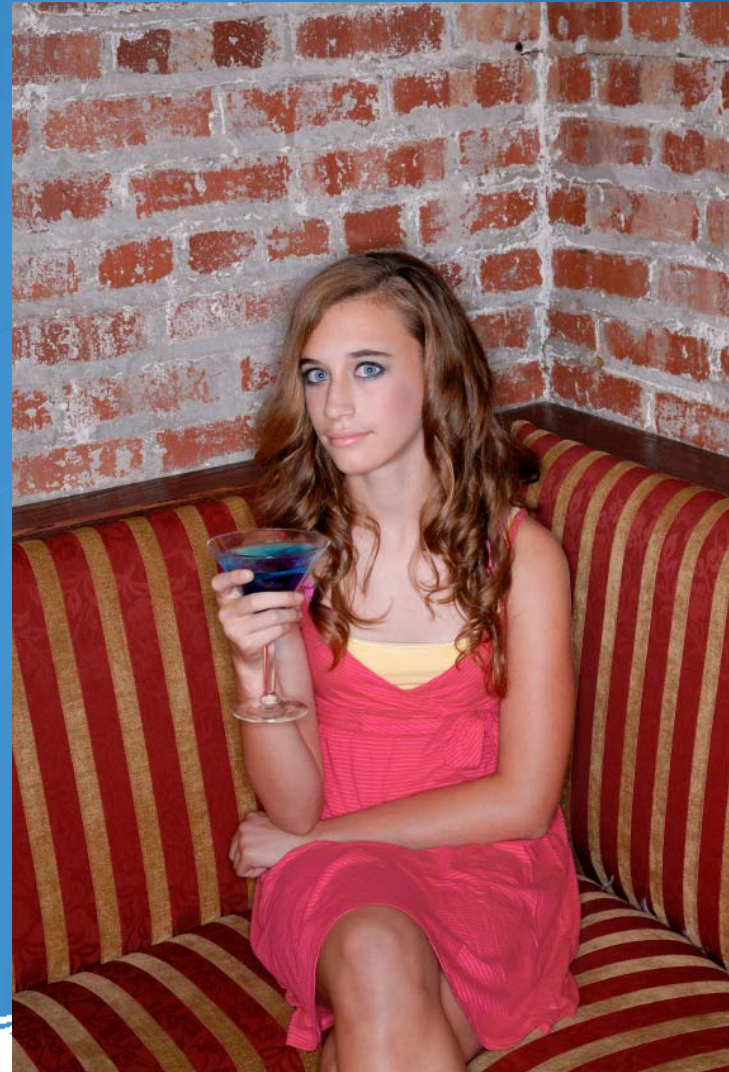


Adult ID



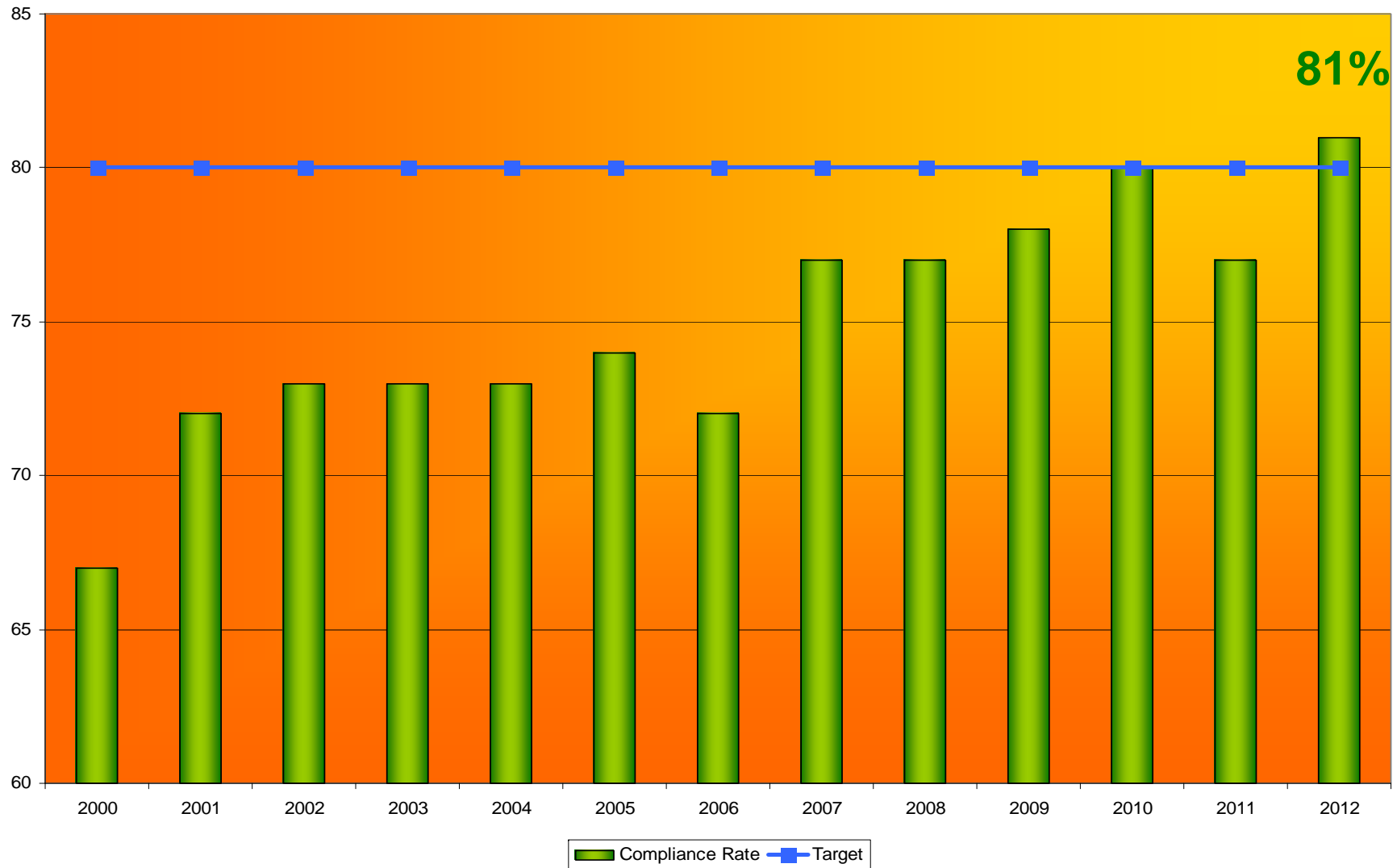
# Minor Decoy Operations

- 77% of Oregon businesses tested passed OLCC minor sales checks in FY 2011
- 81% of businesses tested passed in FY 2012
- OLCC checks approx. 1,700 licensed businesses each year



# Percentage of Licensees Who Refuse to Sell to Minor Decoys

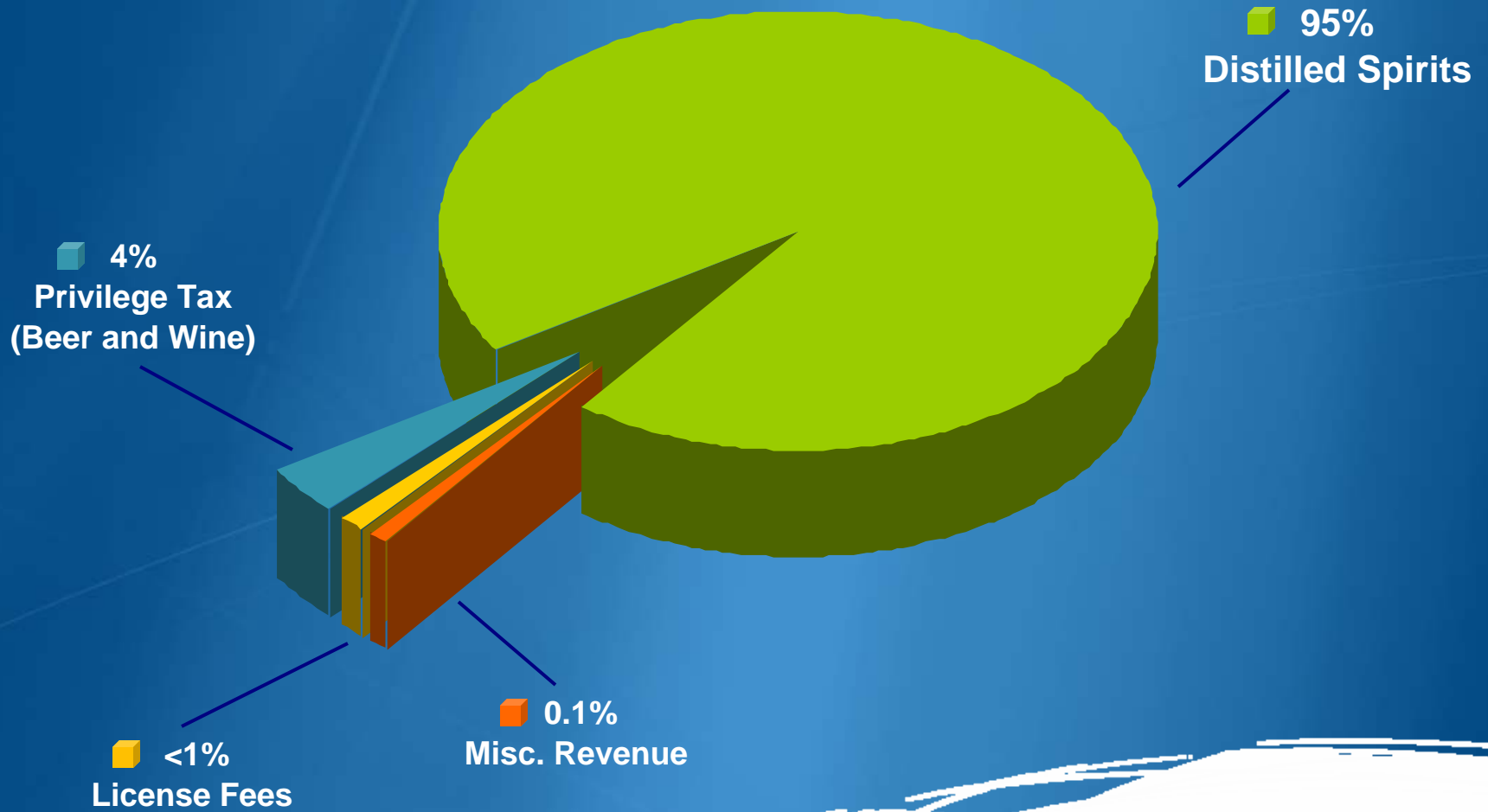
*KPM #1*





# *Investing in Oregon*

# Revenue Sources

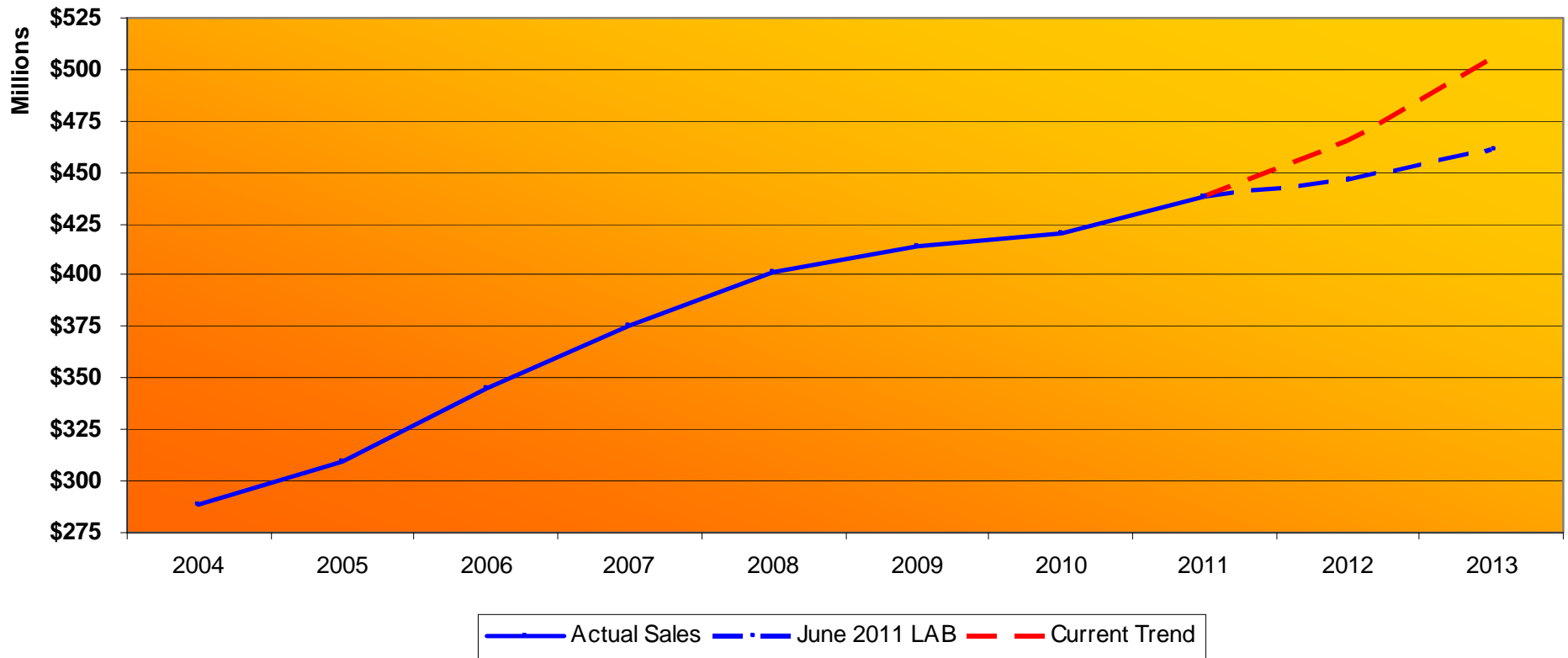


# OLCC Generated FY 2012

- \$465.4 million in gross distilled spirits sales
- \$16.9 million in taxes collected on beer and wine
- \$4.8 million in liquor license fees

# Current Liquor Sales Revenue

FY 2000 to FY 2011 Actual  
FY 2012 to FY 2013 LAB and Forecast

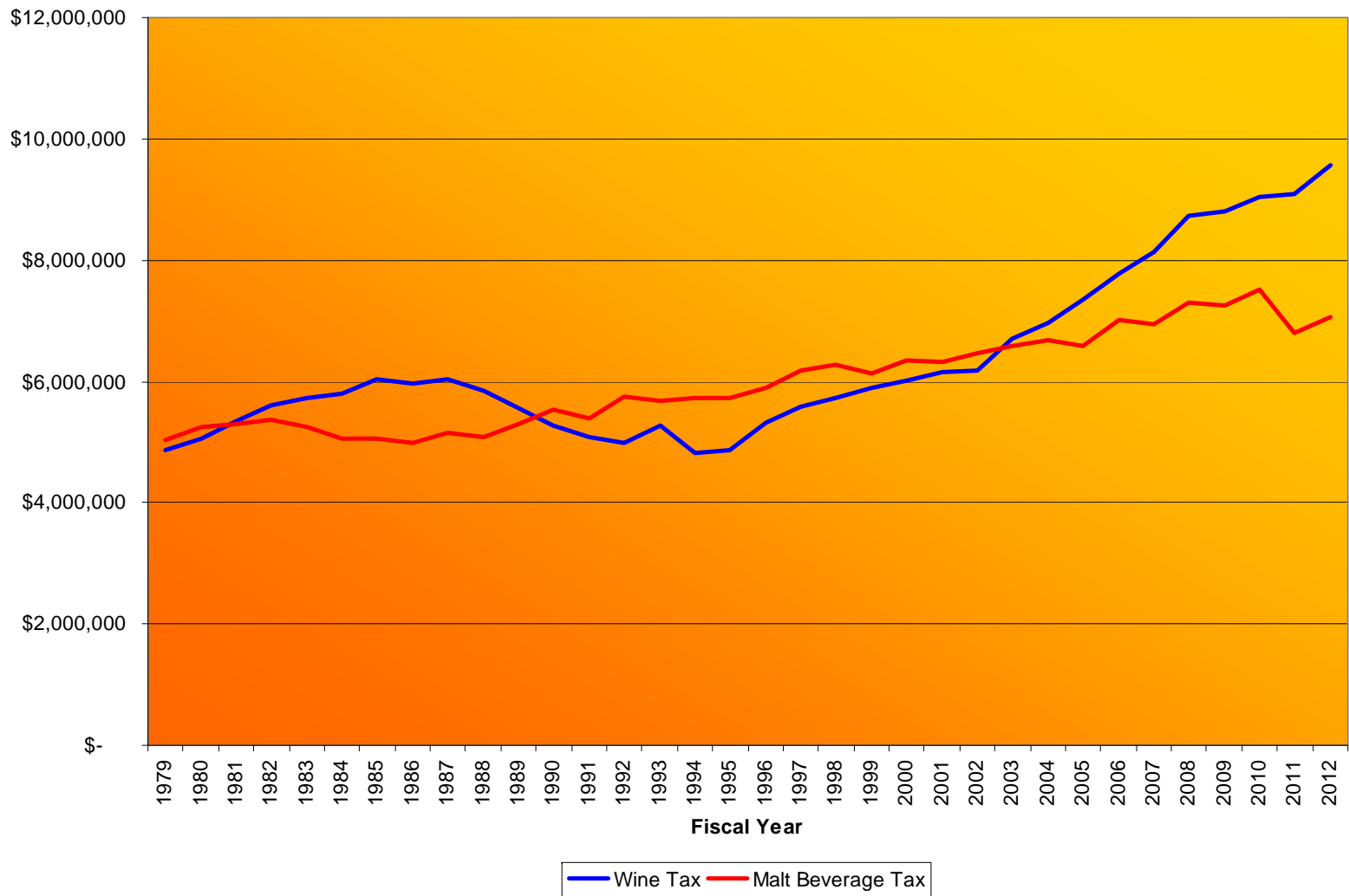


# Distilled Spirits Sales Increase

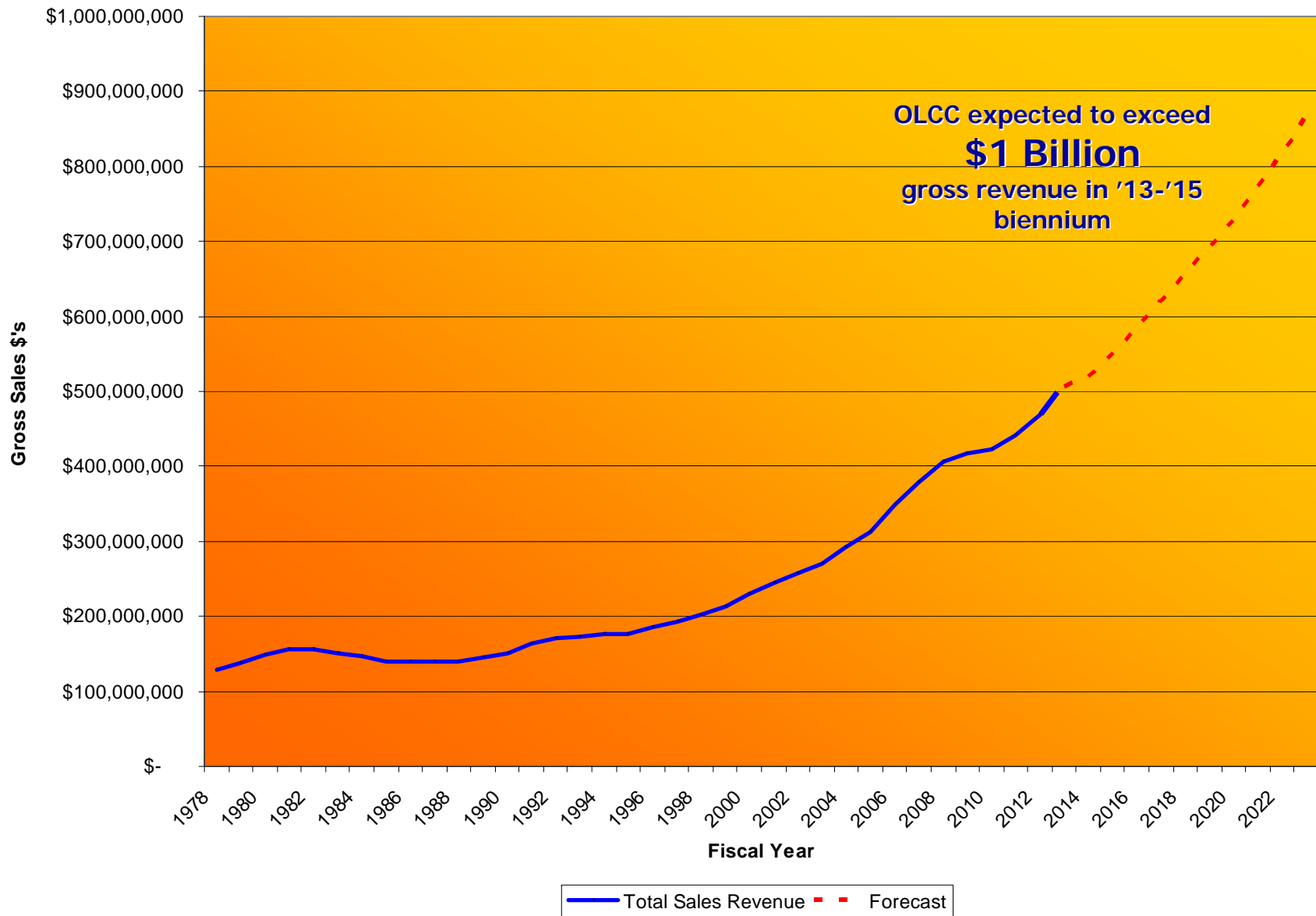
- 1/3 sales growth from customers buying up
  - Improving economy
- 2/3 sales growth from increased volume
  - Population increase
  - Licensee sales improving
  - Washington border sales



# Beer and Wine Tax Revenue



# Ten-Year Forecast of Liquor Sales



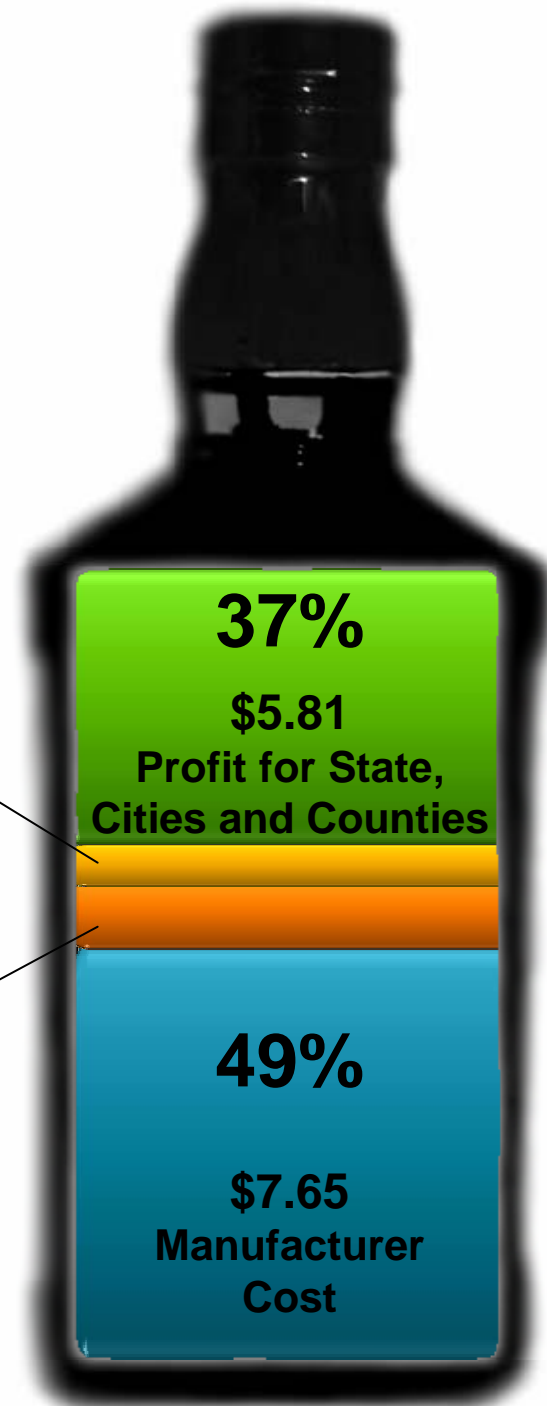
# \$15.70 Register Price

Average bottle price

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

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

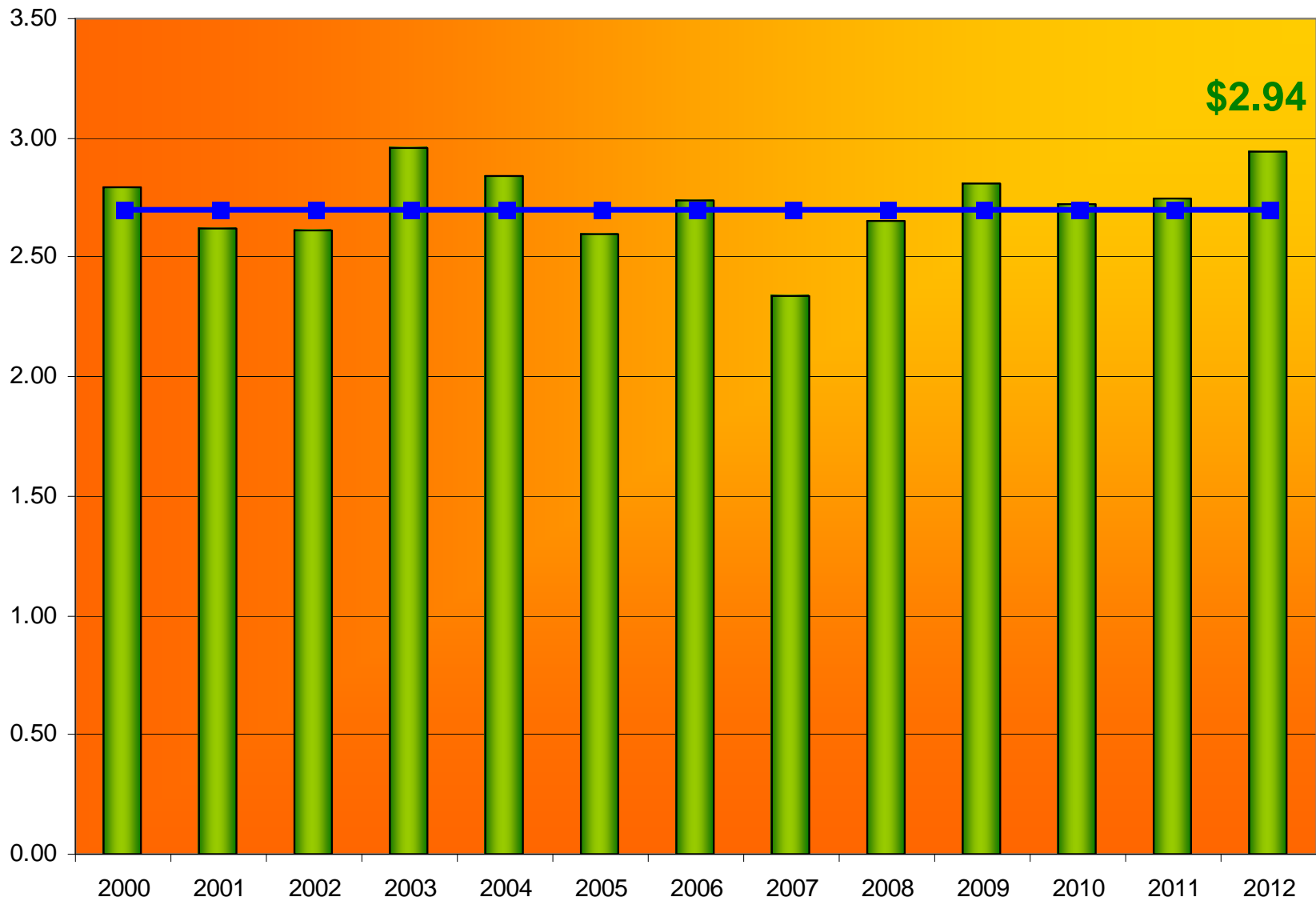
Average Liquor Store Operator Compensation



# OLCC Rate of Return

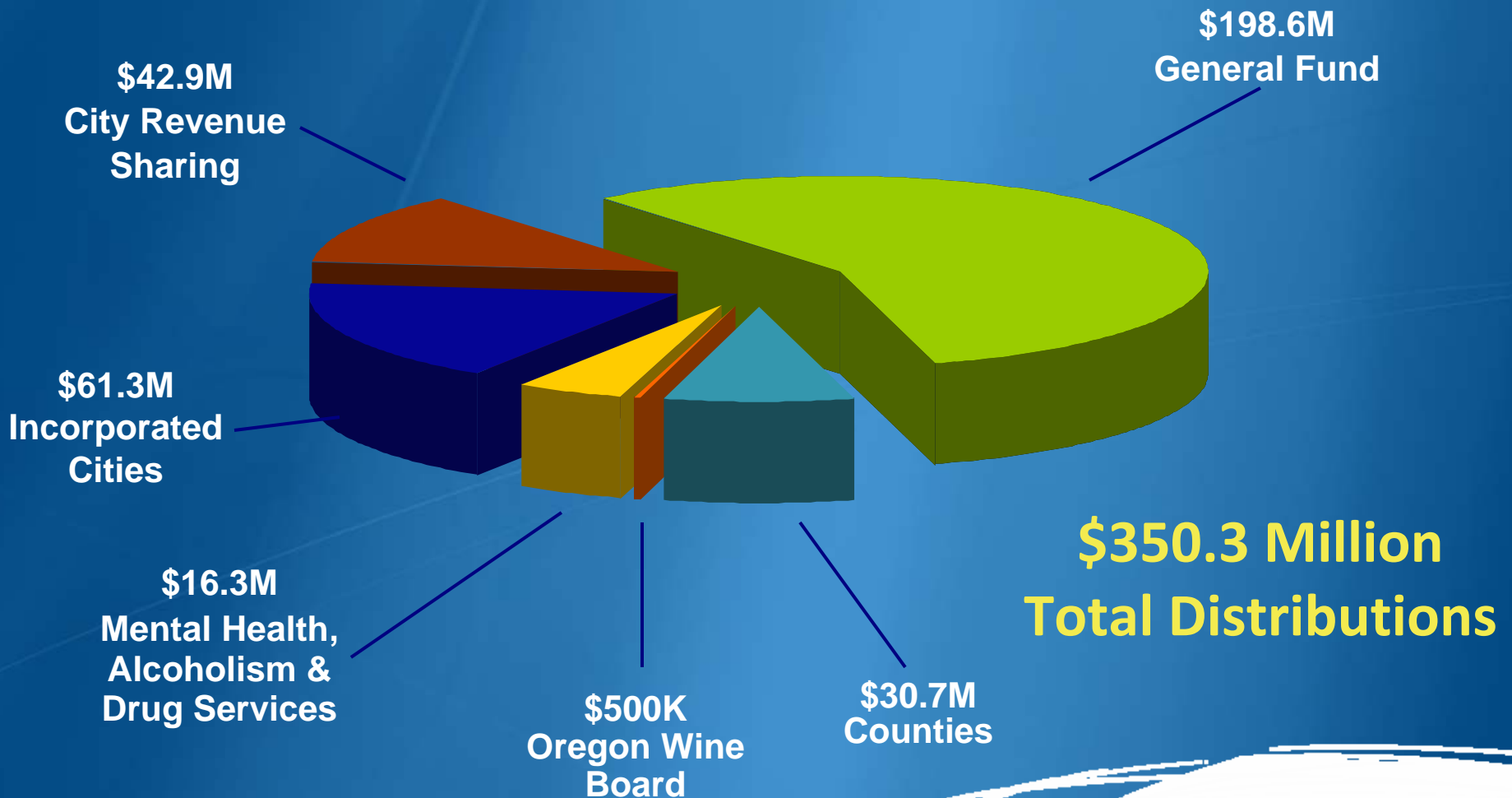
*Net OLCC distribution divided by actual expenses*

*KPM #5*



# Net Income Distribution

2009-2011 Biennium





# \$350 Million for Oregon services such as:



**Healthcare**

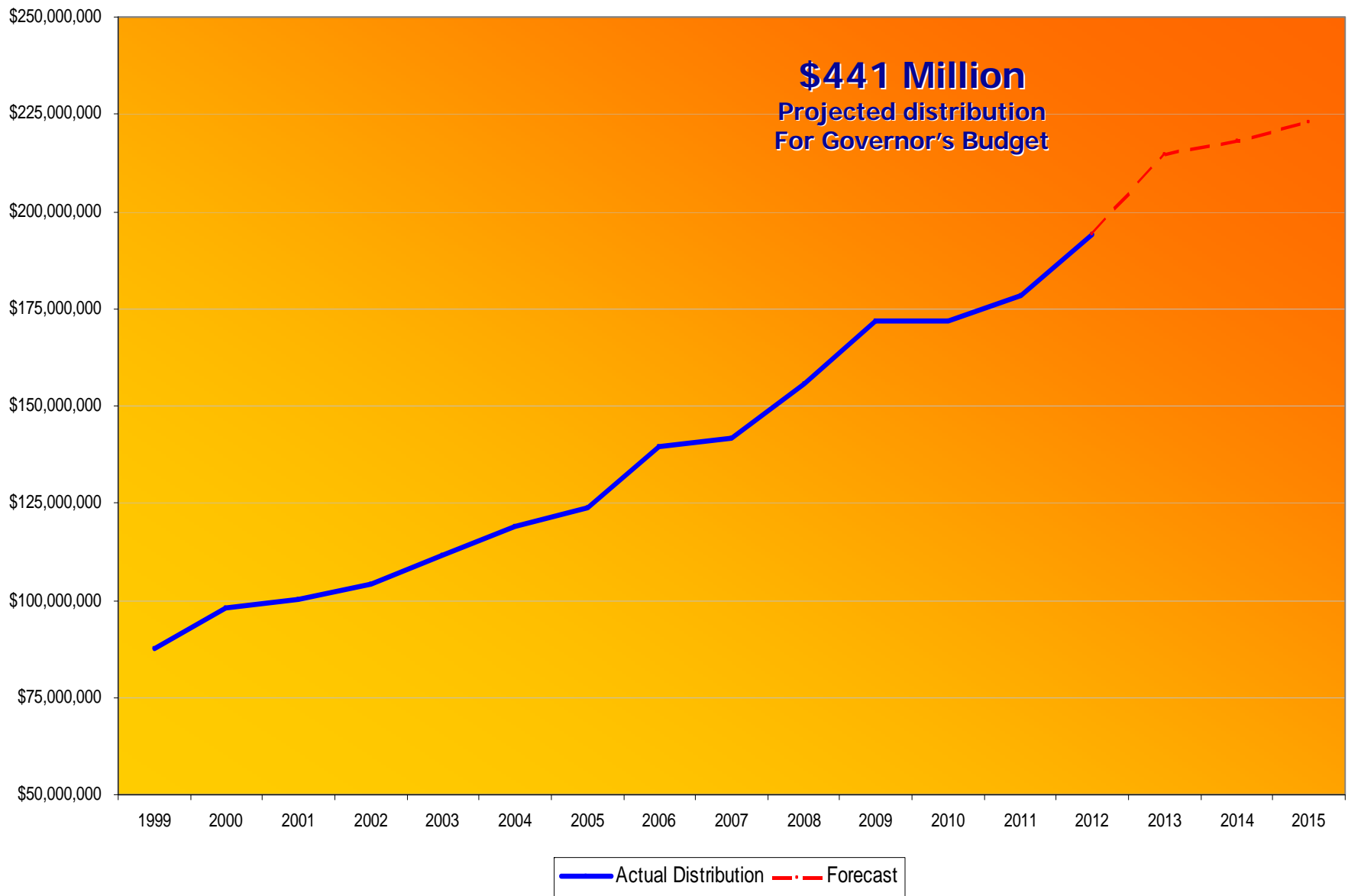


**Education**



**Police, Fire  
& Rescue**

# OLCC Distributed Revenue



# Liquor Dollars

## Aged 10 years



# Looking Forward

**10 years**

*projected*



# *Long-Term Policy Issues*

# Long-Term Policy Issues

- Emerging business models
  - Food carts
  - Growlers
  - Craft Distillers
- Risk-based licensing/enforcement
- Community livability
- Alcohol impact areas



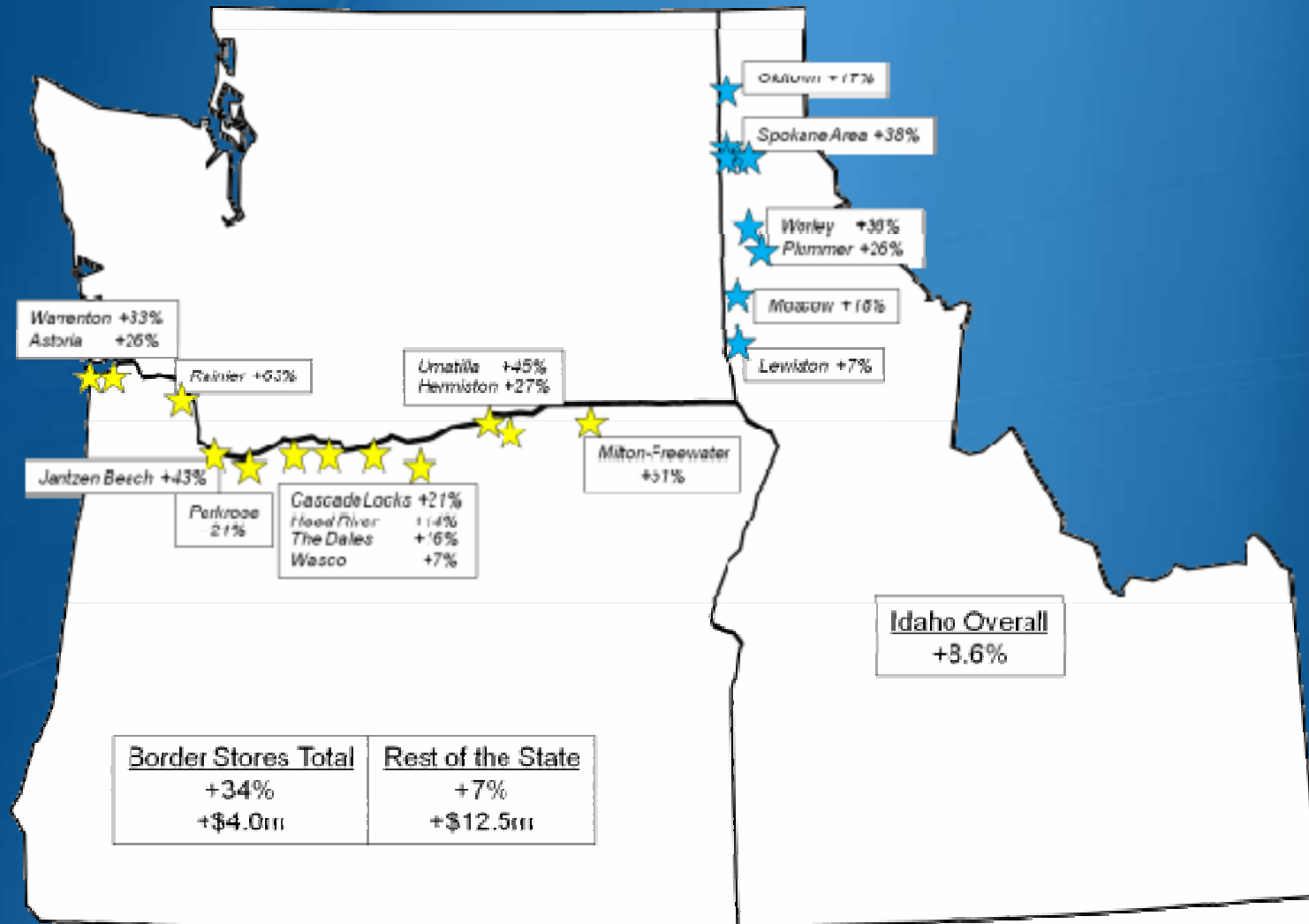
# Long-Term Policy Issues *continued*

- Non-limited funding for variable business expenditures
- Maintaining/modernizing distribution infrastructure
- Privatization
  - Wholesale/retail distilled spirits

# Washington I-1183

- Closed WA state distribution center
- Eliminated state owned or operated liquor stores
- Instituted a fee structure to generate revenues
- Lawsuits regarding implementation
- Increase in theft of distilled spirits
- Product selection - Oregon carries 1,900 products compared to approx 400-500 at grocery stores in Washington

# Impacts of I-1183



Graphic courtesy Oregon Economic Analysis Blog

# Agent Affirmative Apprentice

## *Policy Option Package*

- Create a career development apprenticeship program to help minorities and women successfully compete for liquor store appointments
- Apprentices get training, guidance and work experience in liquor stores
- Liquor agents get subsidies from OLCC to help pay living wages to apprentices
- Apprentices may be eligible for low interest loans from OLCC to help compete for appointments
- OLCC requests \$1 million to provide agent subsidies and apprenticeship loans 2013-15



Questions?

