

OREGON LIQUOR CONTROL COMMISSION

The Oregon Liquor Control Commission works to promote the public interest through the responsible sale and service of alcoholic beverages. OLCC operations consist of the following programs:

- Distilled Spirits – central purchasing, warehousing, and distribution of bottled distilled spirits to Oregon’s 249 contracted liquor agents;
- Public Safety – licensing and enforcement of distilleries, wineries, and retail alcohol establishments (including restaurants and bars) and alcohol server education;
- Support Services – agency administration, including policy and commission support;
- Store Operating Expenses – compensating liquor agents through an average percentage of sales (the current budgeted rate is an average of 8.88% sales, across all classes of stores);
- Capital Budgeting – maintenance of assets, including the OLCC administrative building and two warehouses.

OREGON LIQUOR CONTROL COMMISSION	2009-11 Actuals	2011-13 Leg. Approved	2013-15 Current Service Level	2013-15 Governor's Budget	2013-15 Co-Chairs' Budget (1.0)	% Change 2011-13 LAB to 2013-15 CSL
Other Funds	128,101,562	140,096,446	148,355,879	151,855,824	0	5.9%
TOTAL FUNDS	\$128,101,562	\$140,096,446	\$148,355,879	\$151,855,824	\$0	5.9%
Positions	237	239	234	233	0	-2.1%
FTE	230.18	231.72	228.63	227.63	0.00	-1.3%

Major Revenues	Budget Environment	Comparison by Fund Type										
<ul style="list-style-type: none"> • OLCC operations are entirely supported by Other Fund revenue from liquor sales (96%), privilege taxes on malt beverages and wines (3%), license fees, fines and miscellaneous income (1%). • After expenses (including cost of goods, agency operations, and compensation to agents), 56% of remaining liquor revenue is distributed to the state General Fund, 20% to cities, 10% to counties, and 14% to city revenue sharing. • Fifty percent of privilege taxes are distributed for mental health, alcohol and drug treatment services, and a small distribution is made to the Oregon Wine Board. 	<ul style="list-style-type: none"> • OLCC predicts gross sales of \$1.02 billion in 2013-15, up 4.5% from \$980 million in 2011-13. • The agency has appointed an interim director and is conducting a search for permanent replacement. • OLCC privilege tax reporting and payment functions rely on paper processes, which add to the difficulty and expense of accurately auditing and collecting tax receipts. 	<p>OREGON LIQUOR CONTROL COMMISSION</p> <table border="1"> <caption>Revenue Comparison (Millions of Dollars)</caption> <thead> <tr> <th>Year</th> <th>Revenue</th> </tr> </thead> <tbody> <tr> <td>2009-11</td> <td>\$128</td> </tr> <tr> <td>2011-13</td> <td>\$140</td> </tr> <tr> <td>2013-15 CSL</td> <td>\$148</td> </tr> <tr> <td>2013-15 GB</td> <td>\$152</td> </tr> </tbody> </table>	Year	Revenue	2009-11	\$128	2011-13	\$140	2013-15 CSL	\$148	2013-15 GB	\$152
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MAJOR CHALLENGES AND DECISION POINTS

1. Since 2009, the OLCC has enacted a \$0.50 per bottle surcharge on spirit sales; legislation has been adopted specifying that this revenue be distributed to the state General Fund. The 2013-15 Governor's budget assumes continuation of the surcharge, which is expected to generate \$32.4 million.
2. Interim policy committee discussions indicate some stakeholders may promote an initiative or legislative effort to modify or potentially privatize liquor distribution and sales in Oregon, which may have an impact on liquor sales revenue distributed to the General Fund, cities, counties, and mental health programs.
3. Agency requests for non-limited budget authority for agents' compensation and bank card fees, and for the development of a warehouse liquor sortation system were not included in the Governor's budget.
4. The Governor's budget assumes that OLCC's projection of additional sales and revenue will materialize without investment in a sortation system. While sales are likely to increase due to an improved economic outlook and population growth, assumptions about the amount of additional revenue likely to materialize without capital investment may need to be adjusted. Package 090 increases Other Funds expenditure limitation by \$4,222,000 for liquor agent compensation based on the assumed increase in sales.
5. The Governor's budget includes unidentified reductions related to state agency assessments for DAS and the Office of Administrative Hearings, a reduction related to the PERS employer rate, and additional PERS related reductions which assume legislative action.
6. The Governor's budget includes \$1,000,000 in expenditure limitation for a liquor agent apprenticeship program. The program as envisioned includes competitive application to an apprenticeship program for minority and women, subsidy payments to existing liquor agents who hire and train from the applicant pool, and loans to successful apprentice-turned-applicants, with the hope that these individuals will be better able to compete for future store opportunities.