



Oregon Liquor Control Commission

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Presentation to the

House Committee On Revenue

February 24, 2015

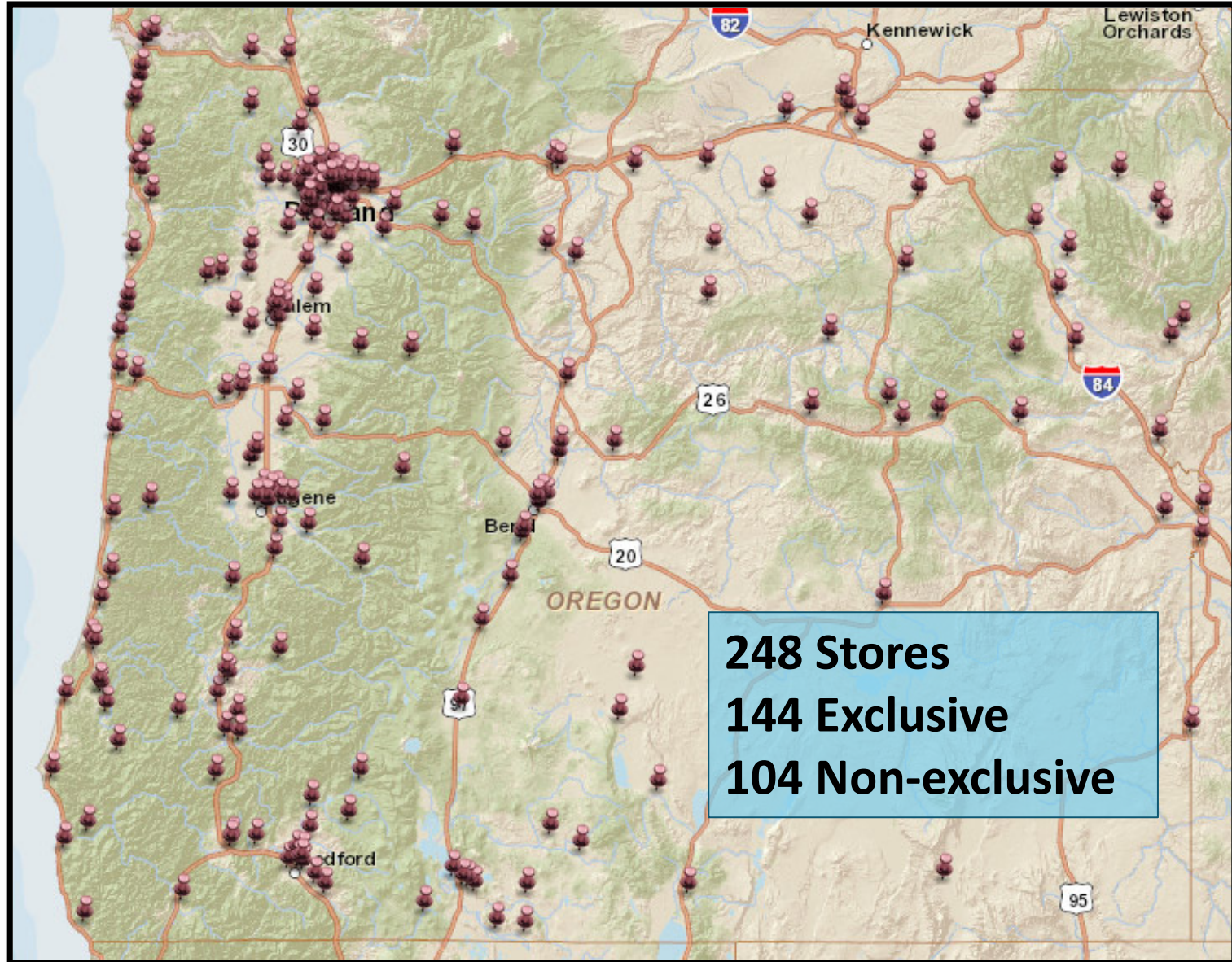
History

- 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
- Addition of recreational marijuana regulation with passage of Measure 91

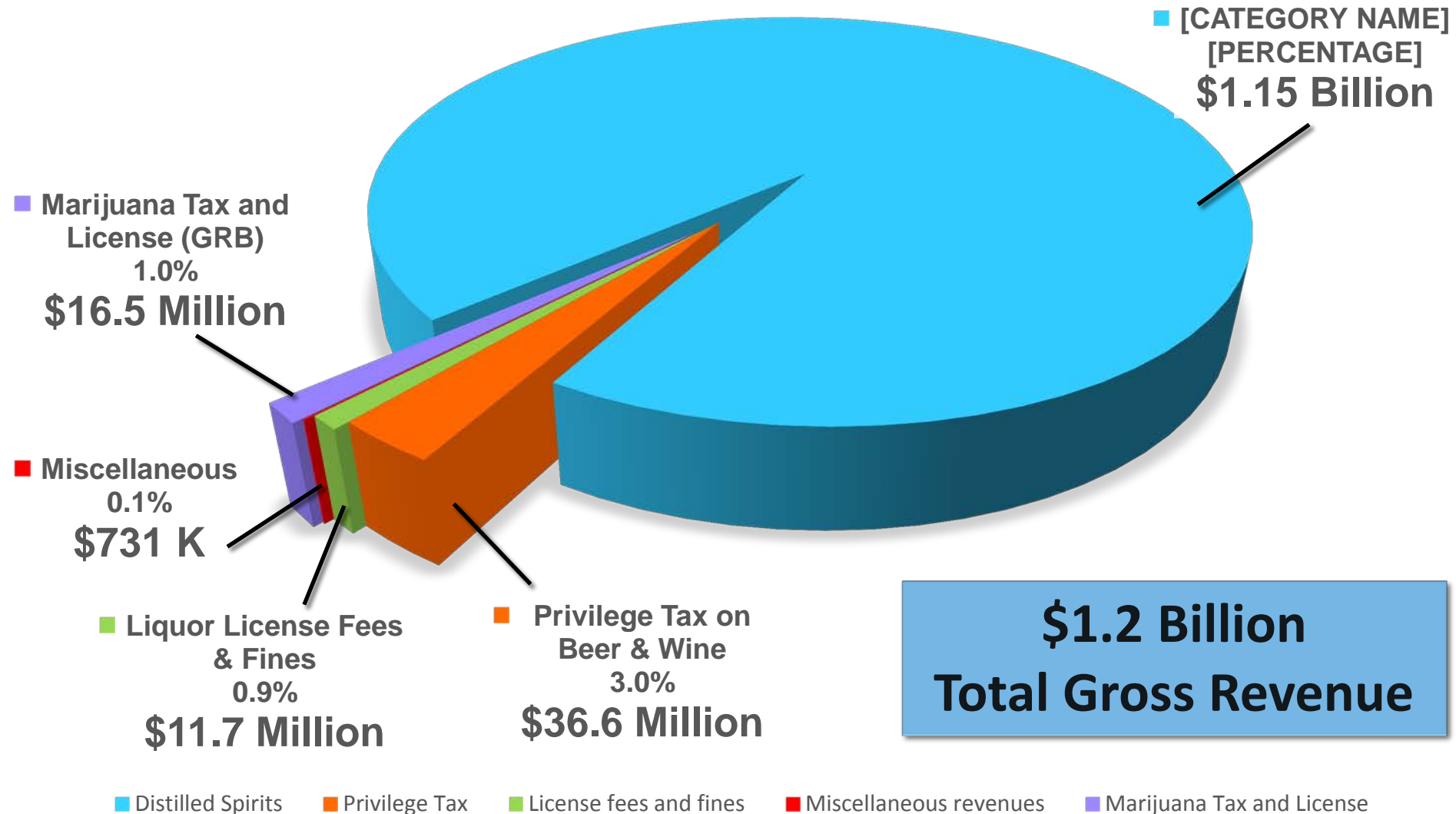
What we do

- License businesses that sell alcohol
- Issue service permits to trained alcohol servers
- Manage/distribute distilled spirits
- Regulate businesses that sell/serve alcohol
- Public information about responsible use of alcohol
- Generate revenue for essential services like police, education and health care
- Administrative hearings unit
- Regulation of Oregon's Bottle Bill, siting of Redemption Centers
- Implementation of Measure 91

Oregon Liquor Stores

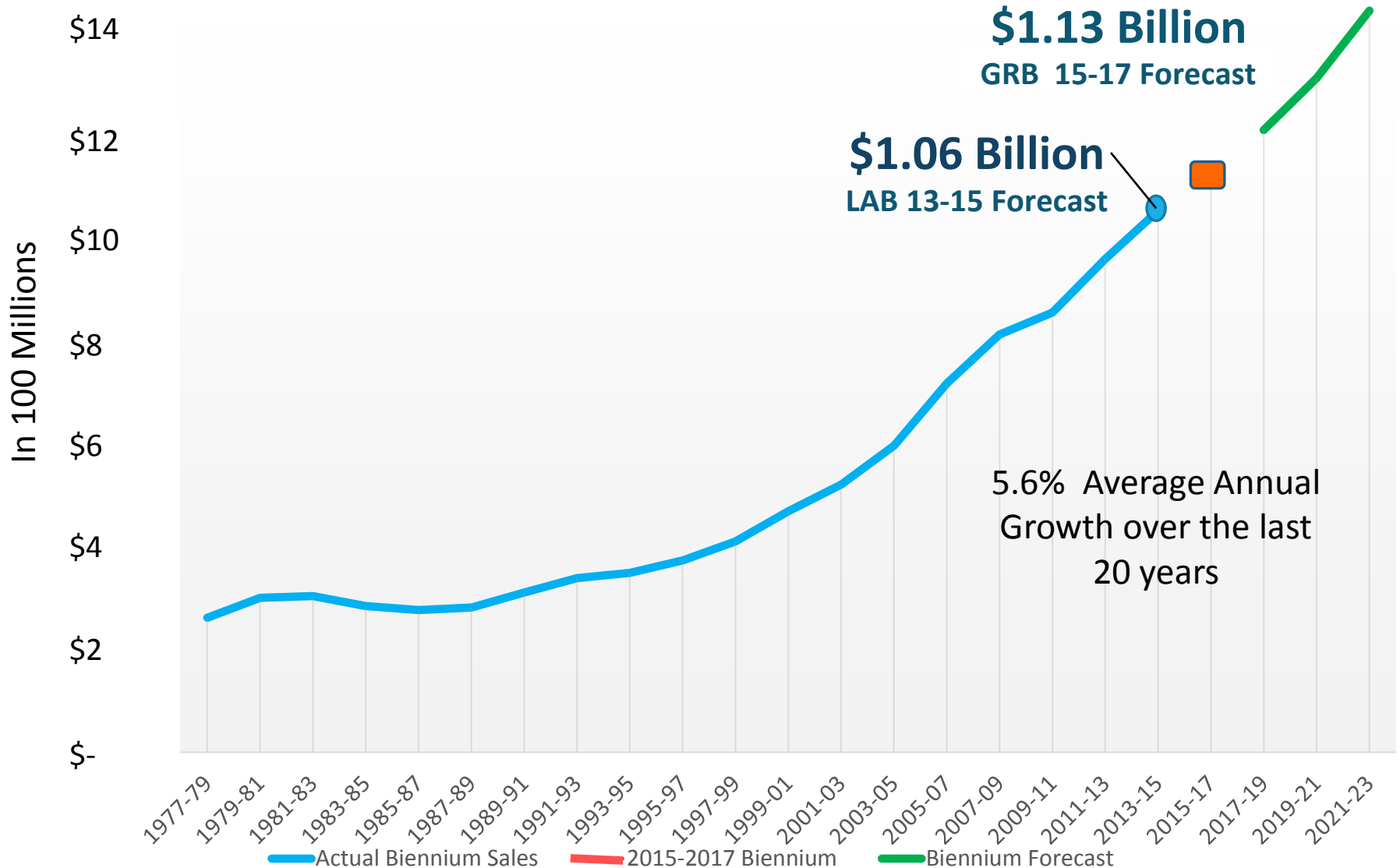


Projected Gross Revenue Sources 2015-2017 Biennium



Ten-Year Forecast of Gross Liquor Sales

By Biennium



Current Distilled Spirits Model

Based on Average \$16.50 Bottle Price

4% OLCC Operating Expenses

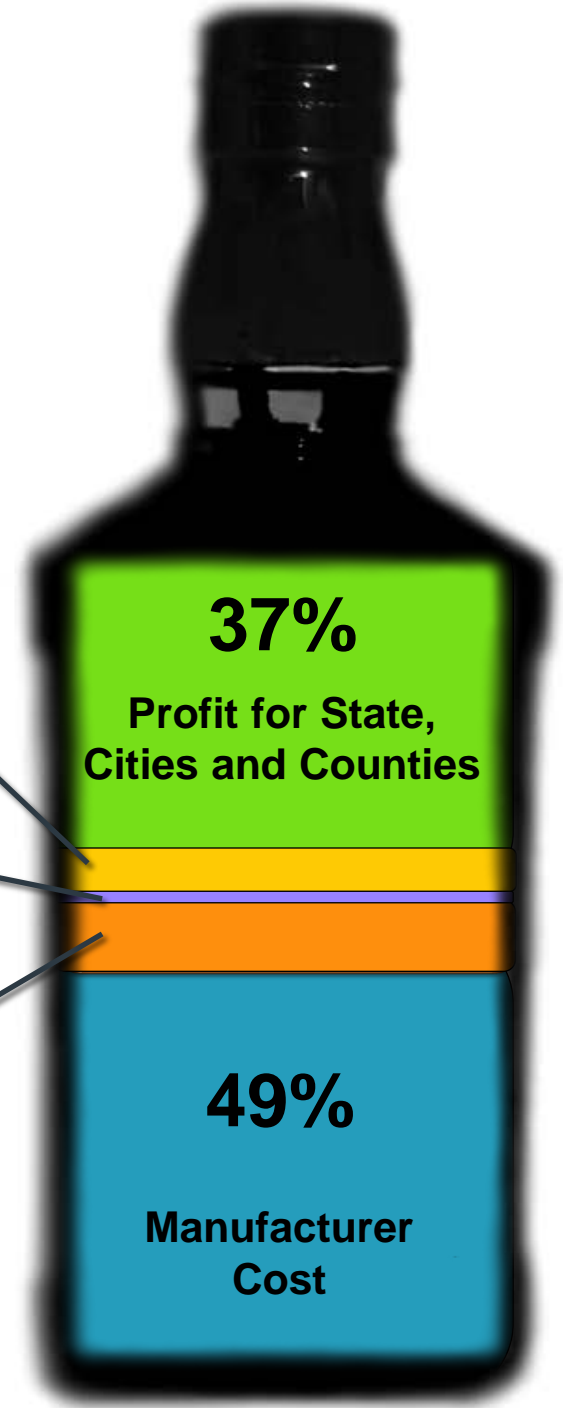
Includes Enforcement, Licensing, Administration, Distribution functions

1% Bank Card Costs

69% of all purchases made with bank cards

8.88% Liquor Store Operator Commission

Average Liquor Store Operator Compensation



Markup Formula for Liquor

Up to \$78.06/case landed cost:

- $(\text{Landed cost} \times 2.131) + \1.40 freight)/bottles per case
- Round to the next \$.05 and add \$.50 surcharge/bottle

Over \$78.06/case landed cost:

- $(\text{Landed cost} + \$14.45) \times 1.798 + \1.40 freight
- Rounded to the next \$.05 + \$.50 surcharge/bottle

Average markup of 104% over the average manufacturer's costs in 2014

Formula's purpose is to assign a higher markup to lower value products than higher value products

- Moderate consumption of lower value products

Formula Example for 750 ml Bottle

Example: Vodka Landed Costs: \$10 per bottle or \$120 per case		
Cost Per Case	\$120.00	
Add \$14.45/case	\$134.45	
Multiply by 1.798	\$241.74	
Add Freight \$1.40	\$243.14	
Divide By 12 Bottles Per Case	\$20.26	
Round Up to Nearest \$0.05	\$20.30	
Add \$0.50 Surcharge	\$20.80	Retail Per Bottle

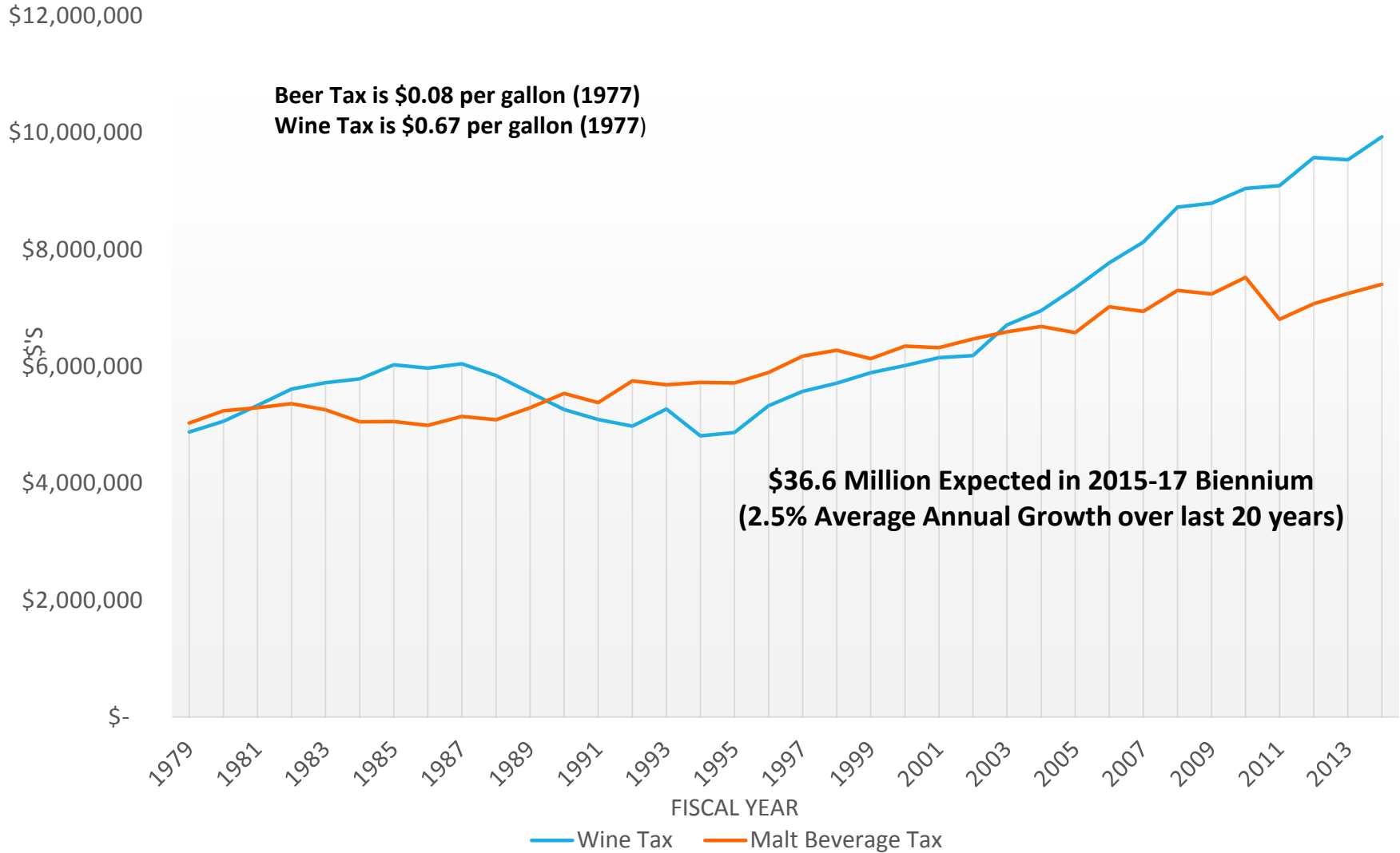
Formula in Action - 750 ml bottle (fifth)

Landed Cost Per Bottle	Retail Price Per Bottle	Markup Rate
\$ 1.00	\$ 2.75	175%
\$ 2.00	\$ 4.90	145%
\$ 3.00	\$ 7.00	133%
\$ 4.00	\$ 9.15	129%
\$ 5.00	\$ 11.25	125%
\$ 6.00	\$ 13.40	123%
\$ 6.49	\$ 14.45	123%
\$ 6.51	\$ 14.50	123%
\$ 7.00	\$ 15.35	119%
\$ 8.00	\$ 17.15	114%
\$ 9.00	\$ 18.95	111%
\$ 10.00	\$ 20.75	108%
\$ 11.00	\$ 22.55	105%
\$ 12.00	\$ 24.35	103%
\$ 13.00	\$ 26.15	101%
\$ 14.00	\$ 27.95	100%
\$ 15.00	\$ 29.75	98%

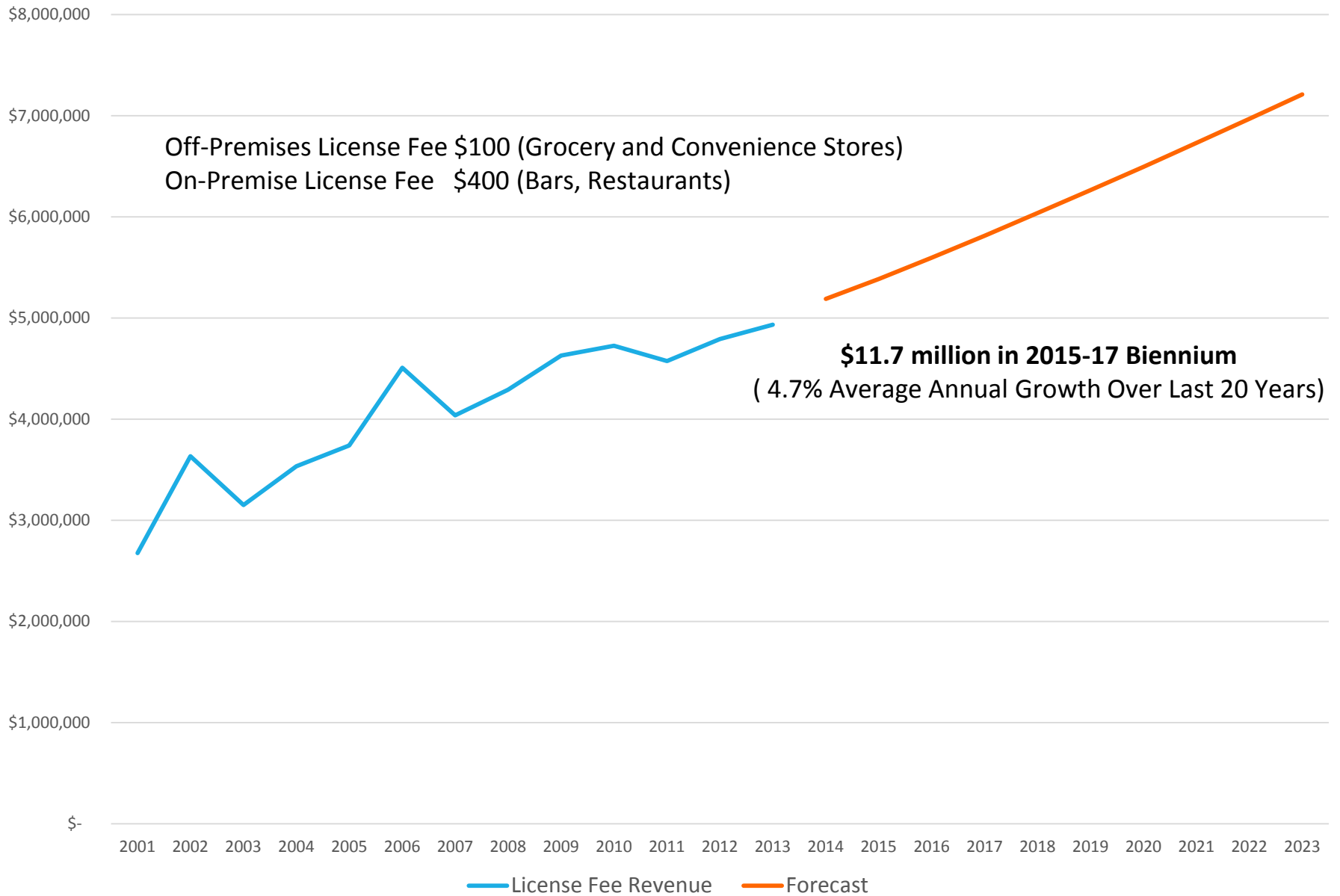
50-cent Surcharge Extension

- The current 50-cent per bottle surcharge has been extend through June 30, 2017
- Expected to generate \$33.8 million for the 2015-2017 biennium
 - Distribution of the revenue is determined by the legislature

Oregon Beer and Wine Tax Revenue



Annual Liquor License Fee Revenue



Biennial Liquor Revenue Distributions to General Fund, Cities and Counties

\$700,000,000

\$600,000,000

\$500,000,000

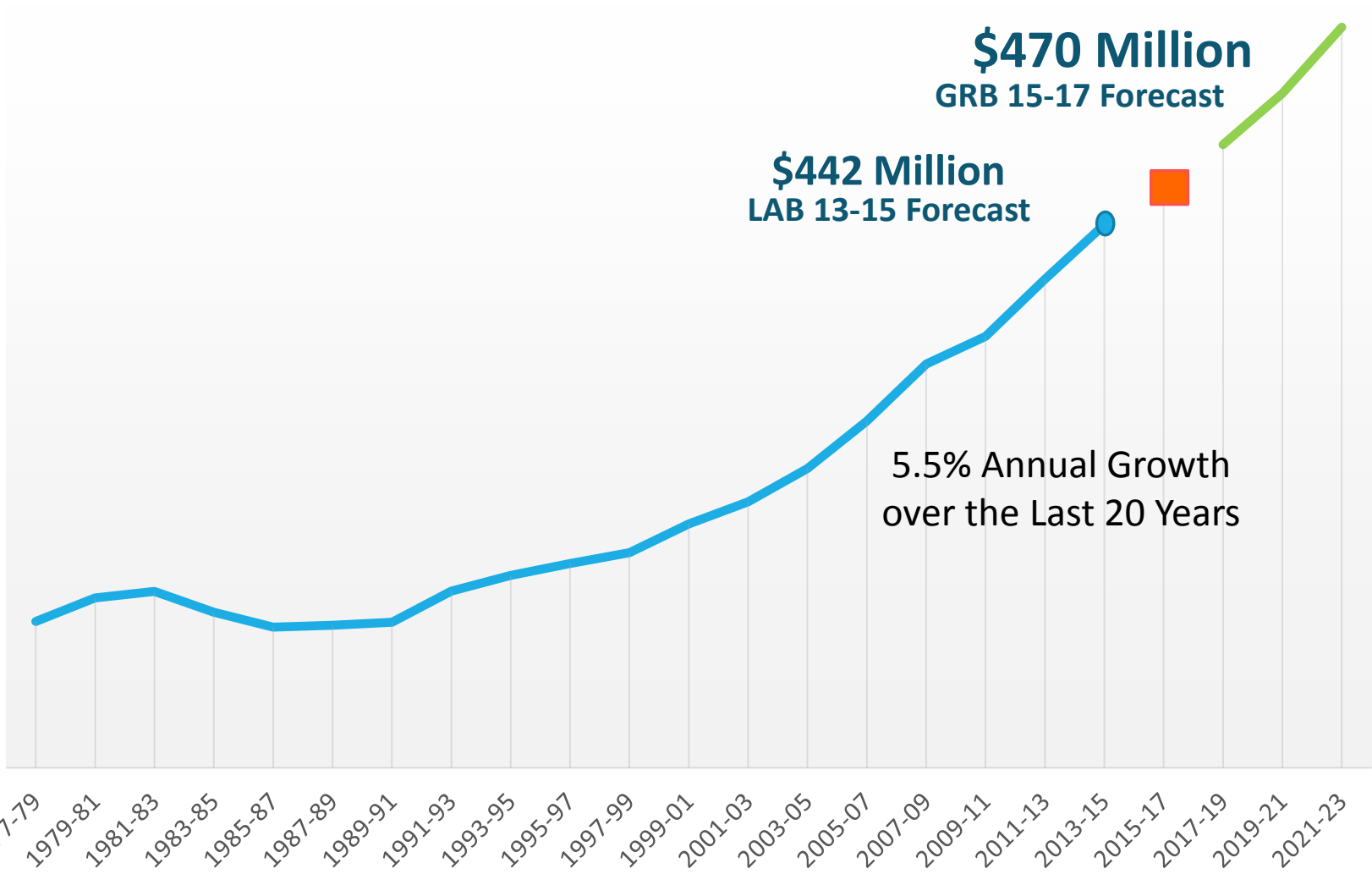
\$400,000,000

\$300,000,000

\$200,000,000

\$100,000,000

\$-

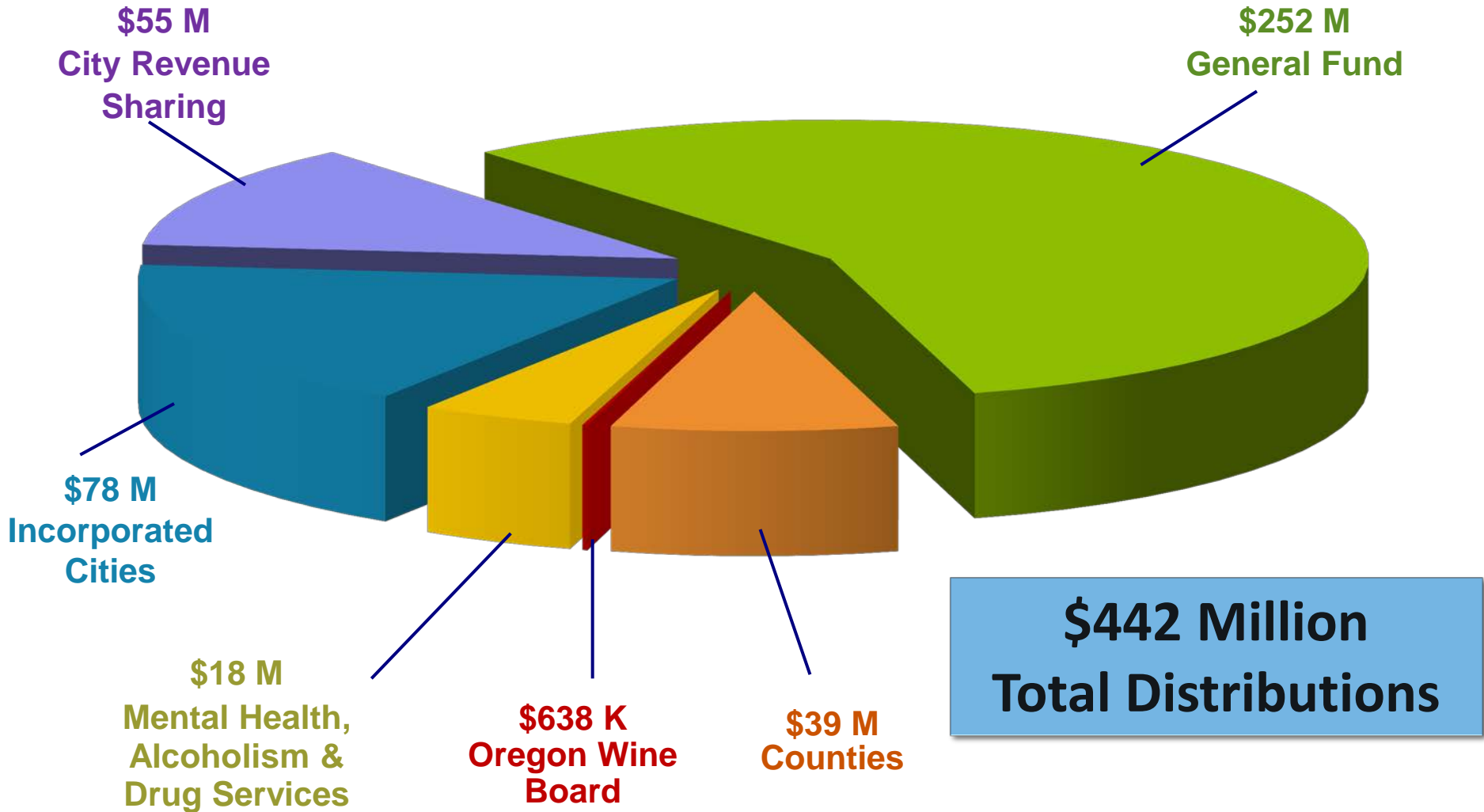


— Biennium Total Distribution From Alcohol — 2015-17 Biennium Forecast Distribution — Long Term Forecast

Projected Revenue Distribution From Liquor

2013-2015 Biennium

All Revenue Sources



Governor's Recommended Budget For Measure 91 (This will change!)

Estimated Costs and Revenues Through 2015-17

OLCC Fiscal Year 2015 Costs	\$ (333,098)	
OLCC Fiscal Year 2016 Costs	\$ (2,571,718)	
OLCC Fiscal Year 2017 Costs	\$ (4,234,228)	
Total Costs	\$ (7,139,044)	
Projected Revenues	\$ 16,035,830	
License and Application Fee Revenue	\$ 424,800	
Net	\$ 9,321,586	
Transfer to ODA	\$ 212,641	
Available for Distribution	\$ 9,108,945	
Distribution of Revenues		
Common School Fund	\$ 3,643,577	40%
Mental Health Alcoholism and Drug Services Account	\$ 1,821,789	20%
State Police Account	\$ 1,366,342	15%
Cities for Local Law Enforcement	\$ 910,895	10%
Counties for Local Law Enforcement	\$ 910,895	10%
Oregon Health Authority for Alcohol and Drug Abuse Prevention	\$ 455,447	5%
Total	\$ 9,108,945	100%

