

OLCC December Update

**Presented by Craig Prins, Executive Director
Oregon Liquor & Cannabis Commission**

December 11, 2024



Our Mission & Vision

Mission

OLCC oversees access to alcohol and cannabis products in Oregon through education, regulation, and distribution of distilled spirits, aiming to protect public health and safety while supporting responsible businesses and generating revenue for local and state agencies.

Vision

To be recognized as a model in managing and regulating alcohol and cannabis, achieving measurable success in reducing harm, fostering responsible business practices, and supporting economic development.



Strategic Priorities and Goals

➤ **Efficient, Modernized Operations & Outcomes:**

1. Complete physical infrastructure/relocation projects on time, on budget, and with documented success measures
2. Implement new technologies for better service delivery and reducing paper-based activities

➤ **Balanced Regulation, Compliance, Enforcement, and Education:**

1. Resolve ambiguity and reduce complexity in regulatory framework
2. Reduce alcohol & cannabis sales to minors
3. Address Diversion/inversion of cannabis into or out of the recreational cannabis market.

➤ **Positive Business Environment:**

1. Improve licensing processes to eliminate unnecessary burden on applicants
2. Develop and communicate clearer compliance & enforcement guidelines
3. Improve customer service agency-wide

➤ **Equity and Inclusion:**

1. Nurture an inclusive workplace culture that promotes equitable management
2. Promote equitable access to services, programs, and resources for alcohol and cannabis

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Modernizing Oregon's Liquor Control Model

Modernization: OLCC's New Liquor Distribution Warehouse



Canby, Oregon

Opening in 2026

By investing in a modernized warehouse, we are not only improving our operational capabilities but also positioning ourselves to better serve our customers. The enhanced capacity, advanced technology, and strategic location are all designed to ensure timely and reliable distribution, meeting the needs of the state and consumers effectively.

Two Options After Prohibition



Two forms of alcohol regulation in the U.S.

CONTROL SYSTEM

State owns part of the alcohol business;
usually the wholesale
or retail operation

LICENSE SYSTEM

Private owners sell
alcohol at both retail and
wholesale levels

Oregon's Three Tier System for Alcohol

General Rule Across the US

No one entity can be involved in more than one tier



1. Manufacturer, Brewery, Winery



2. Distributor



3. Retailer, Bar, Restaurant

Additional Measure in Oregon as a Control State

OLCC centrally purchases, warehouses
and distributes all distilled spirits



OLCC Warehouse

Why Did Oregon Choose the Control Model? What is the Purpose?

- An “about face” from Prohibition (differentiate and regulate)
- “The sales of stronger drinks should be regulated under a program which so far as practicable discourages consumption with increasing strictness as the alcoholic content increases.” *Toward Liquor Control (1933)*
- Separate access for beer, wine, and cider (Lower ABV) - From Distilled Liquor
- 285 liquor locations for purchase of distilled spirits rather than 1000s

Distilled Liquor Defined

- Under ORS 471.001(4) distilled liquor is “any alcoholic beverage other than a wine, cider, or malt beverage.
- Distilled liquor includes distilled spirits.
- Note: Distilled liquor has no defined ABV, but most products implicitly are categorized as distilled liquor if they have an ABV over 21% (and therefore no longer are considered wine)



Oregon's Liquor Control Model

| State Control on Spirits Distribution and Sales: | Regulation and Licensing: | Revenue Generation: | Public Health and Safety Emphasis: |
|---|--|--|--|
| <ul style="list-style-type: none">The OLCC is responsible for purchasing and distributing distilled spirits.Spirits are sold exclusively through state-licensed stores, ensuring controlled access and consistent pricing. | <ul style="list-style-type: none">OLCC licenses businesses involved in the production, distribution, and retail of alcoholic beverages, including beer, wine, and spirits.Strict oversight helps maintain compliance with state laws and reduces public health risks. | <ul style="list-style-type: none">Revenue from alcohol sales is distributed to state and local governments, funding essential services such as public safety, education, and mental health programs. | <ul style="list-style-type: none">Regulations aim to limit excessive alcohol consumption and underage drinking.The model includes enforcement of responsible sales practices and education initiatives for licensees and consumers. |

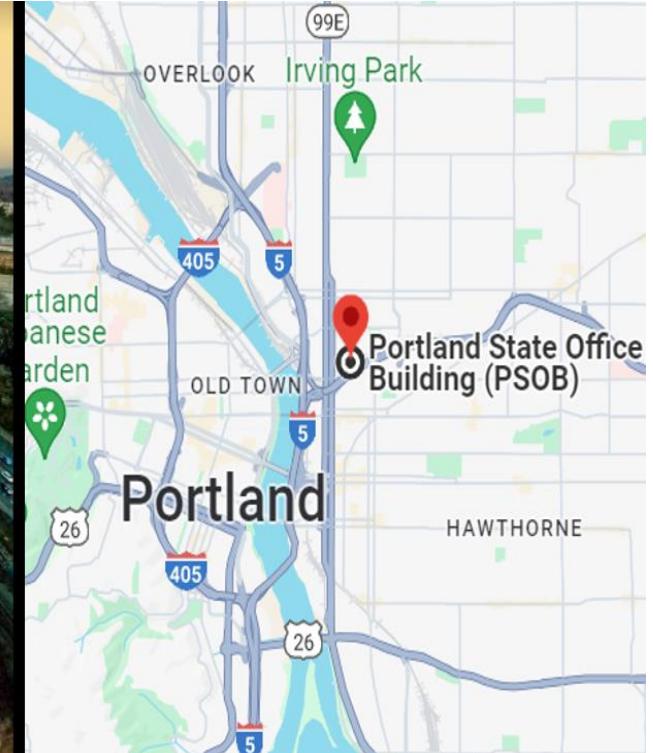
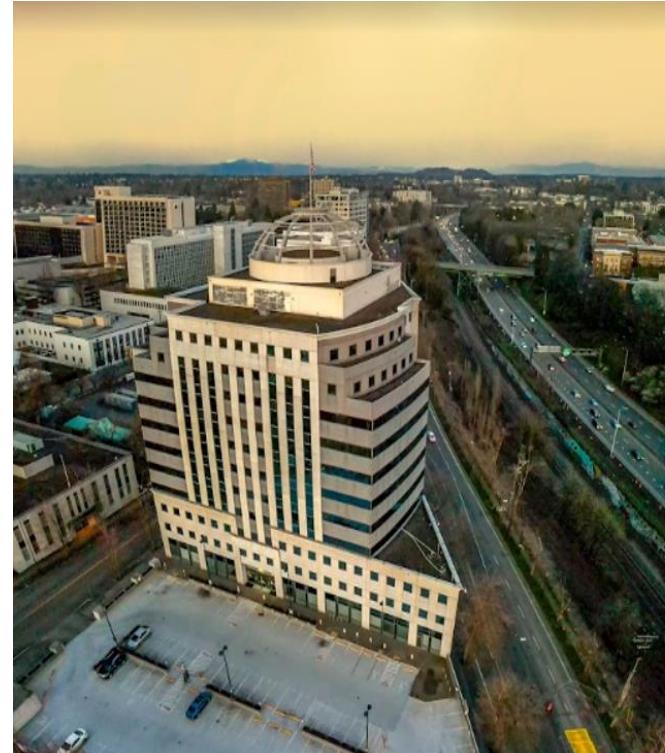
OLCC Headquarters Relocation

Headquarters will relocate to the state owned, Portland State Office Building (5.5 miles from current HQ)

Supports the Governor's initiative around Portland's revitalization

Allows OLCC to be co-located with other state agencies in existing state-owned building

Aligns with Executive Order 94-07, which instructs agencies to locate in areas that support urban cores, or other areas locally targeted for economic development



Measure 119 Implementation

Oregon voters recently approved **Ballot Measure 119**, which requires OLCC-licensed processors, retailers, medical-only processors, medical-only retailers, research certificate holders, and labs to provide the OLCC with a signed labor peace agreement (LPA) or an attestation before receiving or renewing a license.

The new law went into effect on December 5, 2024. Any license application or renewal submitted on or after this date must include:

- A signed labor peace agreement between the applicant and a legitimate labor organization that is actively involved in representing or attempting to represent the applicant's employees; or
- An attestation signed by the applicant and the legitimate labor organization stating that both parties have entered into and will comply with the terms of a labor peace agreement.



These new requirements have been integrated into the new Cannabis and Alcohol Management Program (CAMP) for online license applications.

Comparing Liquor and Marijuana Regulations: Differences and Similarities

This overview examines the statutory and administrative rule requirements for Liquor and Marijuana programs, highlighting key differences and similarities.



Key Differences in Regulatory Landscape

Marijuana Industry Challenges

Stricter regulations create barriers for new businesses in the marijuana industry.

Federal classification as a Schedule I substance adds legal complexity.

Equity Concerns

Current regulations may unintentionally exclude disadvantaged communities from the industry.

Startup costs pose challenges for small business owners.

Licensing and Application Requirements



- 1** **Location**
 - Marijuana businesses must have location upon application in order to meet the land use compatibility requirement
 - Liquor businesses are not required
- 2** **Vertical Integration**
 - Marijuana licensees can be vertically integrated
 - Liquor licensees cannot
- 3** **Temporary Licensing**
 - Liquor allows temporary licenses during ownership changes
 - Marijuana does not



Operational Regulations and Restrictions

Location Restrictions

- Marijuana businesses can't operate within 1000 feet of schools
- Alcohol businesses are allowed to operate near schools.

Payment Terms

- Liquor requires payment before delivery
- Marijuana doesn't have this requirement.

Bonding and Insurance

- Liquor licensees have bonding and insurance requirements that marijuana licensees do not have

Compliance and Enforcement



Inspections

Both industries require state and local safety inspections.



Advertising

Both face advertising restrictions to protect public health.



Conduct

Similar rules govern prohibited conduct and dishonest practices.

While both industries face strict regulations, marijuana businesses often encounter more complex compliance requirements.

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**Equity and Inclusion:
Cannabis License Reassignment Program**

Equity and Inclusion: Cannabis License Reassignment Program

Program Overview

Authorized by HB 4016 in 2022, the Cannabis Reassignment Program allows OLCC to reassign expired, relinquished, or suspended licenses to qualified applicants. This initiative aims to increase diversity and opportunity within the industry.

New Rules: Licensing Caps

With per capita licensing caps established by HB 4121 (2024), the reassignment program becomes the primary pathway for new licensees. It offers a cost-effective entry point, with retail licenses priced at \$3,750 per year.

Equity Risk Factors

- Experience of discrimination due to race or ethnicity
- English language proficiency
- Socioeconomic status
- Residence or operation in a rural location

OLCC has established a License Reassignment Workgroup to discuss possible criteria and requirements for the program prior to the official rulemaking process.

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Legislative Concepts



Legislative Concepts for Oregon's Alcohol and Cannabis Industries

OLCC's legislative concepts address inequities and challenges in the state's alcohol and cannabis industries. These proposals aim to streamline regulations, protect workers, and enhance public safety.

LC543: Oregon's Bottle Bill Amendment

Proposes to modify ORS 459A.700-750, limiting beverage container return hours to between 8:00 AM and 8:00 PM. This change aims to balance consumer convenience with operational efficiency for retailers.

LC544: Protecting Marijuana Workers' Privacy

Seeks to exempt the release of marijuana worker/permittees' residential addresses and personal phone numbers issued under ORS 475C.273, enhancing privacy and security for industry workers.

LC545: Direct to Retailer Permits

Aligns Oregon statutes with Federal regulations, requiring retailers to keep records of all alcohol beverage deliveries for three years, improving transparency and accountability in the industry.

QUESTIONS