



LPRO: Legislative Policy and Research Office

ALCOHOL REGULATION

BACKGROUND BRIEF

The Oregon Liquor Control Commission (OLCC) oversees the sale of alcoholic beverages and recreational marijuana to allow access to responsible adults while protecting Oregon’s public health, safety and community livability. The OLCC was created in 1933 by a special session of the Legislative Assembly following the end of national prohibition. Oregon chose a “control” system, giving the state the exclusive right to sell packaged distilled spirits through retail liquor stores operated by contracted agents, and is one of seventeen states that sell distilled spirits through government-operated stores or designated outlets that the state supervises under a sales agent contract. The OLCC advocates responsible alcohol consumption by managing and distributing distilled spirits, licensing and regulating businesses that sell and serve alcohol, and training and issuing permits for alcohol servers.

COMMISSION AND AGENCY

The OLCC is overseen by five citizen commissioners who are appointed to four-year terms by the Governor and subject to Senate confirmation. Each commissioner represents one of the congressional districts, and one

commissioner is from the food and beverage industry. Commissioners provide policy direction for the OLCC and make decisions regarding liquor licenses, marijuana licenses, agency rules, contested case hearings and the appointment of liquor store agents. The OLCC appoints the Executive Director, who oversees the agency’s headquarters and distilled spirits distribution center in Milwaukie, and regional offices in Salem, Bend, Eugene and Medford. Approximately 226 people are employed by the agency’s alcohol program and 37 in the marijuana program.

ALCOHOL LICENSING

The OLCC issues various types of [licenses](#) for the purposes of manufacturing, storing, distributing and retailing distilled spirits, wine and cider, and malt beverages. There are also licenses for alcohol sales at special events and permits for serving alcoholic beverages.

The type of license an individual or business needs to obtain depends on the types of activities they will perform and where the business is physically located. For instance, out-of-state businesses who want to deliver beer, wine or cider directly to a resident of

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Oregon must apply for a direct shipper permit, while Oregon-based businesses would qualify for shipping to residents through the off-premises sales license. Likewise, while a caterer or private club receive the same privileges as a bar or restaurant under a full on-premises sales license to serve distilled spirits, each business type must meet specific criteria to obtain the license.

Annual license fees range from \$100 (Distillery, Warehouse, Off-premises) to \$500 (Brewery) and annual license applications are subject to a nonrefundable \$150 processing fee. Special event licenses for wineries (includes Grower Sales Privilege), brew pubs and distilleries are \$10 per day. Temporary Sales Licenses that are not connected to an annual license are \$50 per day. This includes events such as festivals, rodeos, fundraisers, concerts, etc. Businesses that hold an annual liquor license can apply for a Temporary Use of an Annual License at no charge. The OLCC issues approximately 8,800 licenses for special events each year.

Prior to issuing an annual liquor license related to the sale of alcoholic beverages, the OLCC posts public notices on the building or property for a new outlet that is to be licensed and notifies neighborhood associations. Staff also notify schools, hospitals, churches and drug and alcohol treatment centers, among other entities, located within either 500 feet or 1,500 feet of the proposed location, depending on whether the location is in an urban or rural area. In addition to receiving public comments, the local governing body can also make a recommendation to the OLCC regarding licensure. The applicant(s) and the proposed location are investigated by an OLCC investigator who makes a recommendation based on application materials, law, case history and OLCC policy.

OLCC staff have the authority to grant most liquor licenses, but the OLCC commissioners must review an application when there is a negative local government recommendation or significant public opposition. A license can be suspended or revoked for actions such as selling alcohol to minors or visibly intoxicated patrons; or for a history of serious and persistent problems involving disturbances, unlawful activities or noise either on the premises or involving patrons in the immediate vicinity of the premises.

The liquor licensing division employs 20 license investigators, including 11 who work in field offices. Several field office regulatory inspectors perform licensing duties in addition to their day-to-day compliance activities.

ALCOHOL SERVER PERMITS AND EDUCATION

Service permits are required for servers (i.e., waitstaff or bartenders) who work for a business that allows customers to drink alcohol on the premises; managers who directly supervise servers who mix, serve or sell alcohol to customers for drinking at their premises; owners who mix, serve or sell alcohol or manage services at that business and any person who fills growlers.

Applicants must be at least 18 years old and pass an alcohol server education course. Oregon was the first state in the country to require all alcohol servers to be trained. The purpose of the course is to enhance public health and safety by developing the knowledge and skills that support responsible alcohol service. More than 41,000 people take the course each year; course providers charge each student \$10 to \$35. There is also a \$23 service permit fee owed to the OLCC upon



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application. Employers are allowed to pay the fees for their employees.

There are more than 150,000 active service permit holders. Alcohol server permits are valid for five years. A person can serve alcohol while their service permit application is being processed by the OLCC, but they must take the server education class within 45 days of submitting the application.

The OLCC administers the server course by certifying private trainers and community colleges to teach the classes; it is also responsible for designing, reviewing and updating the model curriculum and test grading.

The OLCC may deny service permits to individuals who have felony drug convictions, certain types of felony crime-of-violence convictions, diversions or convictions for driving under the influence of intoxicants (DUII) or furnishing alcohol to minors.

PUBLIC SAFETY PROGRAM

The OLCC places emphasis on addressing alcohol sales to minors and visibly intoxicated people. The OLCC's Public Safety Services Program regulates the manufacture, distribution and sale of alcoholic beverages, and provides education to licensees and service-permit holders. Forty-four regulatory inspectors deal with issues including over-service of alcohol, alcohol service-permit violations, problem premises, community livability issues and the sale and/or service to minors.

Staff try to balance community and licensee concerns in partnership with diverse groups such as local governments, law enforcement and neighborhood associations to provide service to all Oregonians while promoting responsible sales and service of alcohol.

Several programs are available to help licensed businesses be successful. OLCC retail licensees may choose to join the voluntary Responsible Vendor Program (RVP), the purpose of which is to reduce underage drinking, encourage participants to adopt best practices in preventing sales to minors and provide licensees an incentive to give their employees on-going training in responsible alcohol sales and service. Licensees who join the RVP and follow all of the requirements are eligible for reduced sanctions if their employees sell alcohol to a minor or fail to properly check ID.

Participants in the RVP are required to provide responsible alcohol sales training and quarterly refresher training sessions to employees; adopt house policies on alcohol sales and ID checks; accept only certain forms of ID for alcohol sales; post signs regarding ID checks and keep records verifying compliance.

The OLCC also offers the First Call program, which is designed to help new licensees be successful in their operation and maintain an excellent record of compliance with liquor laws. An OLCC staff person visits newly licensed businesses within 90 days of issuing the license. Staff reviews common violations and offer suggestions on how to avoid them. This is an opportunity for new licensees to ask questions of their regulatory inspector and develop a relationship prior to any enforcement issues.

A free ID checking class is available at all regional offices for anyone in the alcohol service industry. The class offers in-depth education on how to identify fake ID and best practices on verifying identification.

LIQUOR AGENTS AND STORES

The OLCC sells distilled spirits through 248 retail liquor stores that are independently



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owned and operated by individuals or corporations; however, the OLCC recently approved 14 additional locations in the Portland tri-county area through an open recruitment process. In the 2017-19 biennium, the OLCC expects to expand the number of locations throughout the state to total 310. The next areas for expansion are Linn, Benton and Lane counties.

Agents are selected by the OLCC through a competitive application process, with openings occurring when an operator resigns or retires, if a contract is terminated, if the OLCC establishes a new location, or if proposals for specific areas are sought through an open recruitment process.

Applicants are evaluated by a number of criteria, such as their level of retail business experience, ability to operate the store on a full-time basis and adequate finances to manage and operate the store. They also are evaluated for their criminal history. A person is prohibited from being a liquor store operator if they or anyone in their household or immediate family has a financial interest or business connection with the distilled spirits industry; or if they are a licensee or a director, officer or substantial stock holder in a business licensed by the OLCC. However, the owner of a non-exclusive liquor store (defined below) can also hold an off-premises sales license.

Agents are independent contractors, not state employees. Total compensation to agents is set through the budget process by the legislature; the formula for distributing compensation to agents is determined by the OLCC. Agents pay most operating expenses, including rent, staffing and their own salaries and benefits.

Of the 248 stores, 126 operate as exclusive liquor stores, in which their primary function is to sell liquor but they are allowed to sell

specified items such as glassware, mixers and tobacco products. There are currently 122 non-exclusive liquor stores which operate in conjunction with other businesses like pharmacies and general stores that typically serve smaller communities. Several exclusive stores in urban areas have chosen to convert to the non-exclusive model, allowing them to sell beer and wine. There are 59 liquor stores located within a grocery or convenience store. Eight of the 14 new locations in the Portland tri-county area will be located in grocery or convenience stores.

An Oregon distiller is allowed to sell bottles of their own product at their tasting rooms if they have a Distillery Retail Outlet Agent Agreement with the OLCC. There are currently 88 such agreements. An Oregon distillery can conduct tastings at up to five locations they lease or own in addition to the tasting room at the distillery.

DISTILLED SPIRITS DISTRIBUTION

The OLCC oversees the distribution and sale of distilled spirits in the state. The program centrally warehouses and distributes distilled spirits to Oregon's 248 liquor stores.

The purchasing division works closely with retail services staff and retail liquor stores to provide a wide variety of products. In addition to the 2,000 regularly stocked items, customers in 2015 special ordered over 1,900 additional products through their local liquor store.

The distribution center receives, stores and distributes the spirits to liquor stores. Restaurants and bars do not purchase distilled spirits from the distribution center but are required to buy from a retail store, which may



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provide a five percent discount on such transactions.

These products are securely stored in the distribution center until they are ordered by liquor stores. Suppliers own most of the product inventoried in the center, valued at \$40.1 million; the state pays for the inventory when it is shipped to a retail store. The state has approximately \$1 million in state-owned inventory.

The distribution center is comprised of a 124,000-sq-ft warehouse for shipping products and an additional 107,000-sq-ft warehouse for bulk storage. With the recent addition of conveyors and sorting software, the center's capacity to ship product has grown from 1,100 to 1,800 cases per hour. With the old system, workers would prepare orders in sequence and ship them out one door at a time. With the new system, workers prepare multiple orders at the same time, and products are automatically sorted on the conveyor to be shipped out of four doors. In 2015, over 3 million cases were shipped.

REVENUE SOURCES AND DISTRIBUTION

The OLCC is an "other funds" agency that receives no General Fund support. The alcohol program is financed entirely from sales of distilled spirits; a privilege tax on beer, wine and cider; license fees; and miscellaneous revenues including fines received from administrative sanctions. The recreational marijuana program is funded solely from recreational marijuana license fees and fines.

A 50-cent surcharge per bottle on distilled spirit products was imposed in April 2009 and has since been renewed by the OLCC in each subsequent biennium. The surcharge is

projected to generate \$33.8 million in additional gross revenue in the 2015-2017 biennium.

After subtracting the cost of purchasing liquor from distilleries, freight, liquor agent compensation and other expenditures related to OLCC operations, an estimated \$467 million will be distributed during the 2015-2017 biennium as follows:

General Fund (with surcharge)	57%
Cities	18%
Counties	9%
City revenue sharing	12%
Mental Health, Alcoholism and Drug Services	4%
Oregon Wine Board	<1%

OLCC staff are responsible for tax collection and auditing for the privilege tax on wine, cider and malt beverages. The OLCC also collects the grape tonnage tax for the Oregon Wine Board.

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