

Oregon Liquor Control Commission (OLCC)
Administrative Overview
August 2000

Introduction

The sale of alcoholic beverages has been a concern of Oregonians for over 150 years. The 1844 vote for prohibition in the Oregon Territory is often referred to as the first prohibition law in the United States. This first act was repealed in 1845. However, many Oregon voters remained concerned about the minimal control of alcohol. Other local option laws were adopted at various times in different localities in the state in the ensuing years. The continuing concern with regulation of alcoholic beverages was reflected in the 1915 vote by Oregonians to ban all liquor sales, which preceded the adoption of national prohibition by four years.

In 1933, national prohibition ended with the repeal of the 18th amendment to the U.S. Constitution. Oregon's governor, Julius Meier appointed Dr. William S. Knox and a special committee to study Oregon's options with regard to regulation of alcoholic beverages. The committee reviewed the issue and recommended the adoption of the Canadian system of sales by the state. The committee held that the proposed system of control would not only provide needed revenue for state and local services, but would keep alcohol abuse at a lower level.

Based on the Knox report, the Oregon Legislative Assembly held a Special Session that created the Oregon Liquor Control Commission just four days after national prohibition was repealed. Oregon was one of 18 states that chose state control. The Commission's enabling statutes are ORS Chapters 471, 472, 473 and 474. Its administrative rules are OAR Chapter 845. The Commission's mission is "to effectively regulate the sale, distribution, and responsible use of alcoholic beverages in order to protect Oregon's public health, safety and community livability." Currently, the agency has 180 employees at their main office and 36 in six field offices. In addition, the Commission currently operates 236 retail liquor stores throughout the state selling packaged distilled spirits.

History

Oregon's Liquor Control Act, passed in 1934, gave the state exclusive rights to sell distilled spirits and fortified wine. It also authorized the Commission to license private businesses to sell beer and table wine (less than 14% alcohol) by the bottle and the glass. Authority was also given to the state to collect taxes for operating a business that sells beer and wine.

In 1934, the Commission appointed an administrator who proceeded to establish the organization necessary to carry out provisions of the act. Within the year, 22 stores operated and staffed by state employees and 117 sales agencies (private liquor stores) operating on a contractual basis were established. The issuance of various classes of licenses began, along with audits of all breweries, wineries, and wholesalers subject to the privilege tax. Activities of the Commission were split into two divisions: stores and license fees and privilege taxes. Net revenues were earmarked for a special unemployment relief fund on a temporary basis.

In 1936, an enforcement division was added to the Commission's duties. This new division was split into two sections: license inspectors, who acted as a liaison between the Commission and its licensees; and the "hard liquor" squad, which dealt directly with violators of the Oregon Liquor Control Act (bootleggers). Prior to the formation of this new unit, enforcement was the function of the State Police and local law enforcement officials.

In 1939, a Wine Standards Act was adopted by the Legislative Assembly. This law gave the Commission the right to inspect and make chemical analyses of all wine sold in the state. A Wine Department was formed within the License and Revenue Division, and wine analysis began at the Oregon Agricultural Experiment Station in Corvallis. During this same year, a "club bill" was passed by the Legislative Assembly but a lobbying group succeeded in getting the bill referred to the voters in the general election of 1940. The proposed bill gave the Enforcement Division added regulatory duties with regard to the licensing of hotels, restaurants and private clubs where liquor was served. The law was passed by the voters in 1940. Also in 1939, advertising of hard liquor in newspapers and on billboards was voluntarily discontinued.

New laws, divisions, and agency priorities were reflected in changes during the 1940's. A new license was established for "service bars," which restricted licensing to establishments where food was served. During World War II, rationing of liquor was instituted and the state acquired the Waterfill and Frazier Distillery in Kentucky with the intent of lessening the impact of shortages due to the increased population of soldiers and defense contract workers in the state.

In 1943, the Educational Advisory Committee was formed to disseminate information regarding the dangers of alcoholism. A year later, the "Burke Bill" became law, which stated that wines containing over 14% alcohol were to be sold only by Commission stores and agencies.

By 1947, the Commission was comprised of eight divisions: Stores, Purchasing, Accounting, Warehouse, Personnel and Property, License and Tax, Law Enforcement, and Wine. In 1949, the Traffic Division and the Temperance and Rehabilitation Division were added. The latter was advised by the Educational Advisory Committee and its activities included teacher education and a manual on alcoholism. To assist in curtailing the sale of alcohol to minors, the 1949 Legislative Assembly approved a procedure whereby licensees could request a statement of age certificate from patrons they suspected of being under 21 years of age.

Five new classes of licenses were issued during the 1950's. They dealt with dispensers (liquor-by-the-drink operations), industry agents, salesmen, certificates of approval (out-of-state manufacturers of malt beverages), and special dispenser (i.e., conventions, group meetings, etc.). In 1957, a new position of comptroller was established to oversee the divisions that dealt with merchandising, fiscal, and personnel activities. A new central warehouse and office was occupied in Milwaukie during the 1950's, as well as a car pool and records management program.

In 1960, dispenser licensees were required to maintain food sales equal to 25% of their total gross sales. In the same year the first self-service store was opened, and mechanization of various manual operations were initiated in the new warehouse to increase efficiency. A new budget control system was instituted to furnish the eight division heads with necessary management information. In 1961, the work of the Temperance and Rehabilitation Division and the Alcohol Education Committee were transferred to the new Mental Health Division of the Board of Control. That same year the formula for distribution of liquor sales profits was revised to reflect an increase toward local government and a decrease toward the General Fund. In 1964, malt and wine testing at Oregon State University was discontinued and contracted to a private laboratory. Accounting and merchandising records were also computerized through a new inventory management system. Licenses were also adopted during the 1960's that specifically dealt with restaurants, seasonal dispensers, and retail sales of malt beverages.

During the 1970's, the share of liquor revenues allocated to cities was raised from 14% to 20%. Implementation of the "Bottle Bill" was enforced by the Commission. Certain licensees were permitted

to sell wine containing up to 20% alcohol. In 1973, the Legislative Assembly moved to consolidate the myriad of licenses within the existing six classes of permits.

During the 1980's the number of Commissioners was increased from three to five, reflecting the number of congressional districts in existence at that time. One of the Commissioners was also required to represent the alcohol industry. In addition, the last state operated liquor store was converted to a contract store in 1983.

The late 1980's and early 1990's saw legislation that made various technical alterations to the statutes administered by the Commission. Frequent changes were made to the amount and formula for computing compensation for independent contract retail store operators. In 1987, the Server Education program was created in an effort to reduce drunk driving, promote responsible consumption of alcohol, and educate the industry and others about the liquor laws. In 1993, the Legislative Assembly approved a series of decision packages which established a formula for paying store operators according to sales, and at a level close to that of state employees with comparable responsibilities. Also in 1993, the Oregon Liquor Control Task Force was created to review, study, and make recommendations on Oregon laws relating to the relationship between licensed wholesalers and licensed retailers and between licensed manufacturers and licensed retailers. The task force was instructed to report its results and recommendations to the 1997 session of the Legislative Assembly. Because of the growing popularity of locally-owned wineries, microbreweries and the growing distribution of their products, the 1990's led to the passage of numerous laws that sought to update the Commission's role in regulating the operation of such businesses.

The 1999 Legislative Assembly enacted several bills affecting OLCC operations. Senate Bill 397 allowed lay representatives (OLCC employees who are not attorneys) to make legal arguments and cite case law in administrative hearings. House Bill 2140 required OLCC to establish a "Responsible Vendor Program" and a "Clerk Training Program" for retail liquor licensees. The program is intended to establish positive measures to help licensees avoid sales to minors. The 1999 Legislative Assembly also established a Hearing Officer Panel in the Employment Department. This trial program (scheduled to sunset in 2004) must be used by many agencies, including OLCC, in all contested case hearings although the OLCC has final authority in issuing Final Orders. A final action by the 1999 Legislative Assembly consolidated all current OLCC licenses for retail businesses in to four broad categories: Full On-Premises Sales Licenses, Limited On-Premises Sales Licenses, Off-Premises Sales Licenses, and Temporary Sales Licenses.

Current Organization

Commission

The Commission consists of five citizen Commissioners who are appointed by the governor to four-year terms, subject to Senate confirmation. Each commissioner represents a state congressional district and one is from the food and beverage industry. The Commission sets general policy and appoints the agency director who supervises OLCC's day-to-day operations.

Administrator's Office

The Director's Office consists of the Director, Deputy Director, and support staff. It also includes the Communications Services Division and the Administrative Process Division. The Communications Services Division provides public information services including internal and external communications, media relations, and legislative relations. The Administrative Process Division provides quasi-judicial functions to resolve legal and factual disputes arising out of Commission actions.

Administrative Services

Administrative Services includes General Services, Human Resources, and Information Systems. General Services provides purchasing, mail, and printing services and equipment, facilities, telecommunications, and vehicle management. Human Resources provides human resource management services including recruitment and selection, Affirmative Action/Equal Employment Opportunity (AA/EEO), training and development, employee consultation, rule/policy and procedure administration and interpretation, labor relations activities, and personnel record-keeping. Information Systems provides information management resources and ensures that all data automation technology is being used efficiently.

Fiscal Services Division

Fiscal Services provides fiscal accountability and related financial and budget services. It coordinates development of the agency budget, performs agency payroll operations, prepares financial reports, and performs research and analysis. Fiscal Services also collects privilege taxes imposed on the manufacture or importation of beer and wine. The Fiscal Services Division also audits liquor stores and other retail store tax returns and records.

Merchandising

The Merchandising program consists of the Liquor Purchasing Division, Distribution Division, and Store Operations Division. The purpose of the Merchandising program is to ensure that merchandise is readily available to customers. The Liquor Purchasing Division procures wholesale liquor products to be shipped to the OLCC Warehouse where the Distribution Division receives, stores, and ships the products to retail liquor stores operated by contract liquor agents. The Store Operations Division oversees the operation of the contract liquor stores to ensure the effective, efficient and legal merchandising of bottled spirits throughout the state. The Commission currently has 236 retail liquor stores throughout the state selling package distilled spirits.

Regulatory

The Regulatory program consists of the Regulatory Policy and Process Division and Regulatory Field Operations. Regulatory operates twelve field offices in six regions. This program works to license qualified people and businesses to sell or serve alcoholic beverages and to ensure compliance with liquor laws. It works extensively with licensees to enforce compliance and with public and private groups to educate people about liquor laws, as well as to gain their perspectives through feedback. This program also ensures that people who serve or sell alcohol by the drink take the mandatory Alcohol Server Education course every five years.

Chronology

- 1844 Prohibition vote in the Oregon Territory. First prohibition law in the United States.
Repealed in 1845.
- 1915 Oregonians vote to ban all liquor sales preceding adoption of national prohibition by four years.
- 1934 Oregon Liquor Control Act passed. Oregon Liquor Control Commission created four days after national prohibition repealed.
- 1939 Wine Standards Act adopted giving Commission right to regulate wine sold in the state.
- 1940's Liquor rationed during WWII. State acquired distillery in Kentucky to lessen impact of shortages due to the increased population of soldiers and defense contract workers.

1950's New central warehouse and office occupied in Milwaukie.

1970's Oregon's "Bottle Bill" adopted to be enforced by the Commission.

1980's Number of Commissioners increased from three to five, reflecting number of congressional districts.

1983 Last liquor store converted to contract agent operation.

1999 Legislative Assembly established a Hearing Officer Panel in Employment Department to be used by some agencies (including OLCC) for contested case hearings. OLCC has final authority in issuing Final Orders.

Legislative Assembly consolidated all retail business licenses to four categories.

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Oregon Liquor Control Commission website: <http://www.olcc.state.or.us/>

Oregon Revised Statutes 1999, chapters 471, 472, 473, 474.

Primary Agency Statutes and Administrative Rule Chapters

ORS 471, 472, 473, 474.

OAR 845.