Oregon Liquor and Cannabis Commission (OLCC)
2025 Ways & Means Presentation, Questions and Answers
Joint Committee on Ways and Means Subcommittee on Transportation and Economic Development

Questions and Answers from OLCC February 3, 2025 Presentation, pp. 1-3.
Questions and Answers from OLCC February 4, 2025 Presentation, pp. 3-6.

1. **Can distillers ship out of state? Does OLCC have any inconsistencies between how the agency applies Oregon Administrative Rules (OARs) to craft distilleries compared to larger distilleries?**
   OLCC does not control sales/shipments outside of Oregon. Executive Director Craig Prins spoke with Rep. Cate after the February 3rd presentation to learn more about the representative's question. The specific distillery that Rep. Cate was asking about has not expressed any sales difficulties to OLCC. There might be some additional training and/or communication that would be helpful for our distillery partners. The agency will look into this further and make sure we take the appropriate action.

2. **What percentage of OLCC's workforce is required to come into the office?**
   OLCC employees are required to work in person if the work they perform must be done at the office, warehouse, or in the field. However, not all programs are the same and can have varying needs for in person/field work vs. remote/hybrid work. For example, the agency's Warehouse operations is almost 100% in person, while 75% of our field staff's time is typically spent in the field or office, whereas our administrative and support staff's time is closer to 50% in office. In total, out of the agency's 384 authorized positions, approximately 68% perform their work in the office or the field. The other 32% perform their work in a remote/hybrid capacity.

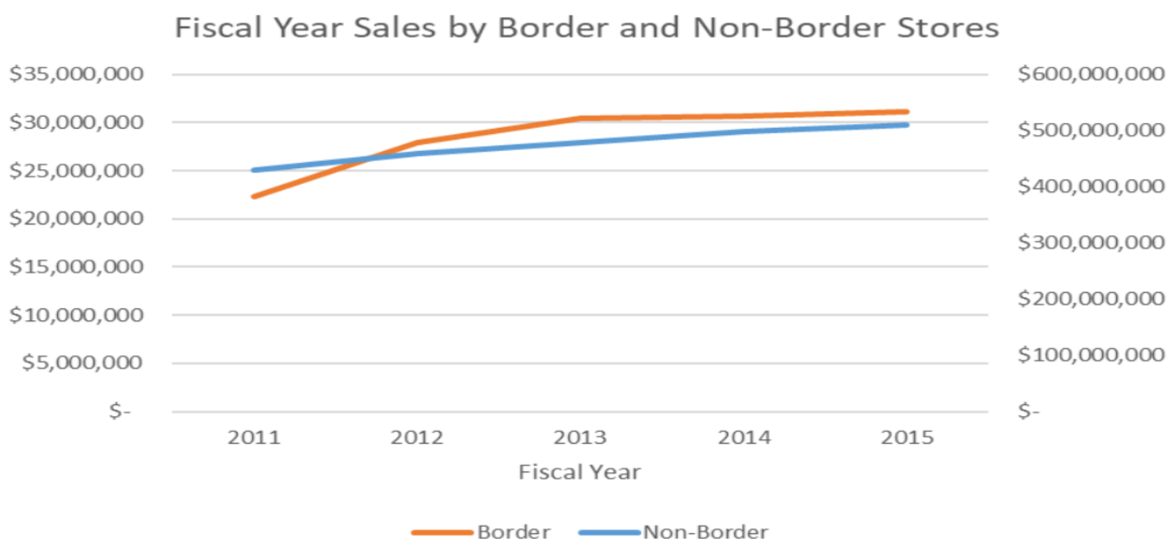
   In accordance with the state's remote work policy, 50.050.01, the agency was able to remove building a new 36,000 square foot administrative headquarters alongside our new warehouse in Canby. This created a project savings of $19 million, which the agency was able to repurpose towards our Warehouse to stay within the capital project budget approved by the legislature in SB 5702 (2022). In addition, with the passage of SB 853 (2023), agencies like OLCC are prohibited from paying travel costs to and from Oregon for state employees who telecommute from a principal work site located more than sixty miles from the border of Oregon (unless authorized under terms of a collective bargaining agreement). The agency has also leveraged the state's remote work policy to reduce our future administrative headquarters office needs from 36,000 square feet to approximately 16,000 square feet. Due to the way alcohol revenues are distributed under ORS 471.810, OLCC's ability to utilize remote/hybrid work reduced our headquarters office space needs by more than 50% and created a pass-through savings for the state General Fund, cities, and counties.

3. **What is the shrinkage we experience in our liquor inventory?**
   The OLCC's shrinkage rate related to shoplifting type losses has averaged about 1,900 bottles per fiscal year, with an average retail value loss of $116,000 (rounded) per year. As a percentage of annual sales averaging over $820 million per year, this equates to a retail shrinkage rate of .01%.

Fiscal Year	Bottles	Retail Value
FY 2021	1,853	$ 172,026
FY 2022	2,061	$ 77,071
FY 2023	2,216	$ 121,823
FY 2024	1,544	$ 75,248
FY 2025 (first 6 mos.)	886	$ 74,615
Grand Total	**8,560**	**$ 520,783**
Fiscal Year Average	**1,902**	**$ 115,730**

   The amounts noted above do not include shrinkage due to bottle breakage during shipping and handling, etc. The agency did experience an unusual event during the current 2023-25 biennium when an individual broke into the store in Dallas and started a fire. The liquor inventory retail value loss in that event was approximately $404,000, which the OLCC has been working with DAS-Risk to handle as an insured loss.

4. **What impact, if any, did Oregon see in Liquor Sales after Washington privatized liquor sales?**
   In November 2011, Washington voters approved a ballot measure to privatize liquor sales. After liquor was privatized in Washington prices increased for Washington consumers. During the same time period, OLCC experienced an increase in sales at the liquor stores that were near the border. In the information below, OLCC defined a border liquor store as one that was both within a mile of the border AND a bridge or crossing highway.



In addition, according to a 2020 article in Preventative Medicine Reports, after privatization Washington voters would have voted differently based on their experience with privatization.

> "Thus, in the years immediately following liquor privatization in Washington State, public opinion has changed enough to shift the result of the election from supporting privatization to rejecting it," (p. 5 of the attached Preventative Medicine Reports article).

5. **In regard to the Portland State Office Building (PSOB) office space lease that OLCC is entering into with the Department of Administrative Services (DAS), how long will that lease be for?**
OLCC is still working through the details of the lease with DAS, but both parties agree the plan for OLCC is to be a long-term tenant at this building. The initial term of the lease will likely be for 10 years.

6. **What are the Age Verification Equipment (AVE) requirements, are they required in OAR, and is OLCC able to catch someone (or be aware) if someone is making "serial stops"?**
Age verification equipment (AVE) can be used by any licensee and allows for them to scan an identification (ID) and flag if an individual is a minor or not. OLCC does not scan the licenses for our identification checking purposes. Instead, the agency looks at the physical license. That is because our Regulatory Specialists are trained to look for fake identifications. If someone scans a license for verification it may not even be the same person who handed over their license for identification. This also includes inspecting the actual identification to make sure it is not a fraudulent ID. The agency also wants to make sure our Regulatory Specialists are matching the physical appearance of the individual handing over their identification to the information that comes up using age verification equipment. If a teenager handed over their identification and the age verification equipment indicated it was a 50-year-old adult, we would not want to merely accept the result of the AVE when there was an issue that warranted further review with the individual.

   Some licensees voluntarily use the equipment as part of their daily business. AVE is used as a settlement option for licensees who have sold to minors. The licensee can install AVE to reduce penalties after agreeing to use AVE on all related purchases to lessen the penalty of a licensee who sold to a minor. The AVE equipment does not track any information and it is not allowed by law to collect information. Therefore, it would not be able to be used to address "serial stops."

7. **Can the agency provide more information on the Key Performance Measure (KPM) related to Board/Commission best practices?**
The Oregon Liquor and Cannabis Commission received responses from six out of nine commissioners on this KPM. The commissioners agreed that best practices were being met in 84% of their responses. Most likely the lack of all commission members responding to the KPM was due to the newness of some of our commission members.

Four were newly appointed in the past year. The agency also noticed in one commission member's response there were eight "no" responses, but that respondent only spent a short time answering the questions. It is possible the commission member found the mobile interface was not working well on their mobile phone. Since then, the agency has taken steps to change the survey format to only show a single question at a time. OLCC is also checking if the new enterprise licenses allows for us to detect and optimize these KPM responses for phones.

In addition, the agency has been focused on our minor decoy KPM while also working on our Cannabis Alcohol Management Program (CAMP) IT Modernization effort to help with our time to license issues. The agency will use the results from the Board/Commission best practices KPM to work with our commission members and take the necessary steps to improve in this area in the future. This will include the following areas covered by this KPM.

- Executive Director performance expectations and annual performance feedback,
- Strategic management,
- Policy-making activities and development,
- Financial information and audit findings,
- Management practices.

The "yes/no" questions asked of the Commission were the following:

- Executive Director's performance expectations are current?
- Executive Director receives annual performance feedback?
- The Agency's mission and high-level goals are current and applicable?
- The Commission reviews the Annual Performance Progress Report?
- The Commission is appropriately involved in review of the Agency's key communications?
- The Commission is appropriately involved in policy-making activities?
- The Agency's policy option packages are aligned with their mission and goals?
- The Commission reviews all proposed budgets?
- The Commission periodically reviews key financial information and audit findings?
- The Commission is appropriately accounting for resources?
- The Commission members identify and attend appropriate training sessions?
- The Commission reviews its management practices to ensure best practices are utilized?
- The Commission coordinates with others where responsibilities and interests overlap?
- The Agency adheres to accounting rules and other relevant financial controls?
- The Commission members act in accordance with their roles as public representatives?

8. **Can the agency provide more information regarding what is occurring with cannabis pricing?**
The following is an excerpt from the agency's 2025 Recreational Marijuana Supply & Demand Report. This report was recently submitted to the Legislature. A copy of which is attached for ease of reference.

Excerpt from 2025 Recreational Marijuana Supply & Demand Report Executive Summary:

> "Currently, the OLCC estimates the wet weight equivalent of demand was 71% of actual annual supply in 2023 and 57% in 2024.
>
> The Oregon recreational marijuana market has shown to be resilient and able to adapt to change but is continually disadvantaged by the marketplace being limited to Oregon. Year after year, supply has outpaced demand.
>
> Until the federal government creates pathways to interstate commerce, the Oregon recreational marijuana market will be characterized by variations on the same theme: a competitive marketplace that features low prices for consumers but low margins for businesses. As we enter 2025, it remains to be seen how narrow the margins will be and how well the Oregon cannabis industry can operate within them."

9. **What impact might federal tariffs of 25% on Mexico and Canada, or other tariffs, have on alcohol prices and sales?**
Approximately 1/3rd of the liquor sold by the OLCC was imported. While it is very difficult to project what impact these tariffs might have and how consumers might respond, a simplified analysis assuming no substation effects or other pricing changes would roughly estimate a $70 million annual increase in our imported liquor product prices. We have also begun to see rhetoric from Canada. "The Oregon wine industry, which counts Canada as its number one export market, took notice when Doug Ford, Ontario's premier, directed the Liquor Control Board of Ontario (LCBO), the agency that controls all alcohol sales to restaurants, bars and stores in Canada's most populous province, to stop selling American alcohol products to its outlets, " (article link: https://statelibraryeclips.wordpress.com/2025/02/05/oregon-wines-are-collateral-damage-in-on-again-off-again-u-s-canada-trade-war/https://statelibraryeclips.wordpress.com/2025/02/05/oregon-wines-are-collateral-damage-in-on-again-off-again-u-s-canada-trade-war/).
The OLCC will continue to monitor these tariff implications, including the 30-day implementation delay that went into effect earlier this month with Canada and Mexico. That delay was to provide more time for the U.S. government, Canada, and Mexico to negotiate on these potential tariffs.

10. **Can OLCC clarify the roles between OHA and OLCC in the regulation of Medical Marijuana?**

In 2017 (SB 1057) OLCC was given the responsibility to track inventory and transfers in the Cannabis Tracking System (CTS) for OMMP grow sites that grow for three or more medical card holders, and OMMP processors and dispensaries. OLCC writes inspection reports for OMMP Growers, Processors and Dispensaries tracked in CTS and forwards alleged violation to OMMP for adjudication. The Oregon Health Authority (OHA) remains the agency responsible for enforcement and regulatory actions related to discovered violations. OMMP retains oversight of medical cardholders, caregivers, and growers are not tracked in CTS.

As noted by Executive Director Prins during the Ways & Means presentation testimony, OLCC does not take a position on whether there should be changes to how Medical Marijuana is currently regulated. The agency believes those questions are better addressed by the Cannabis Commission, the Governor's Office, etc. The OLCC has 21 authorized positions for Medical Marijuana regulation, but nine of those positions are currently being held vacant since the agency does not currently have a need to fill those positions in the current regulatory environment. If there were changes at the federal level the agency might need to fill those positions.