

Modernizing Oregon's Way of Selling Distilled Spirits: A Financial Overview of the OLCC.

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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

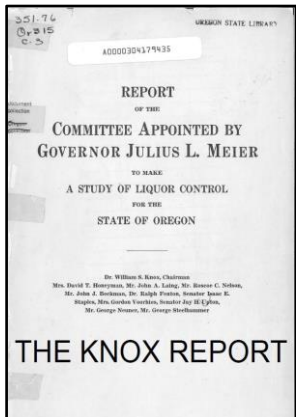
OLCC's and Oregon's Model

OLCC was founded in **1933**, four days after the repeal of national prohibition.

Oregon implemented **a new regulatory system for alcohol**, based on the experiences of other countries and lessons learned during and before Prohibition.

Main objectives

- Abolish lawlessness
- Develop moderation via regulation & education
- Limit the profit-motive, especially for high-ABV alcohol beverages (distilled spirits)



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

A well-regulated system to benefit all Oregonians: our mission and vision

Mission

OLCC oversees access to alcohol and cannabis products in Oregon through education, regulation, and distilled spirits distribution. Our aim is to protect public health and safety while supporting responsible businesses and providing funding for local and state agencies.

Vision

To be recognized as a model in management and regulation of alcohol and cannabis, with measurable success in reducing harm, fostering responsible business practices, and supporting economic development.



Funding What Oregonians Care About

Unrestricted (ORS 471.810)

General Fund (excluding surcharge), 56%

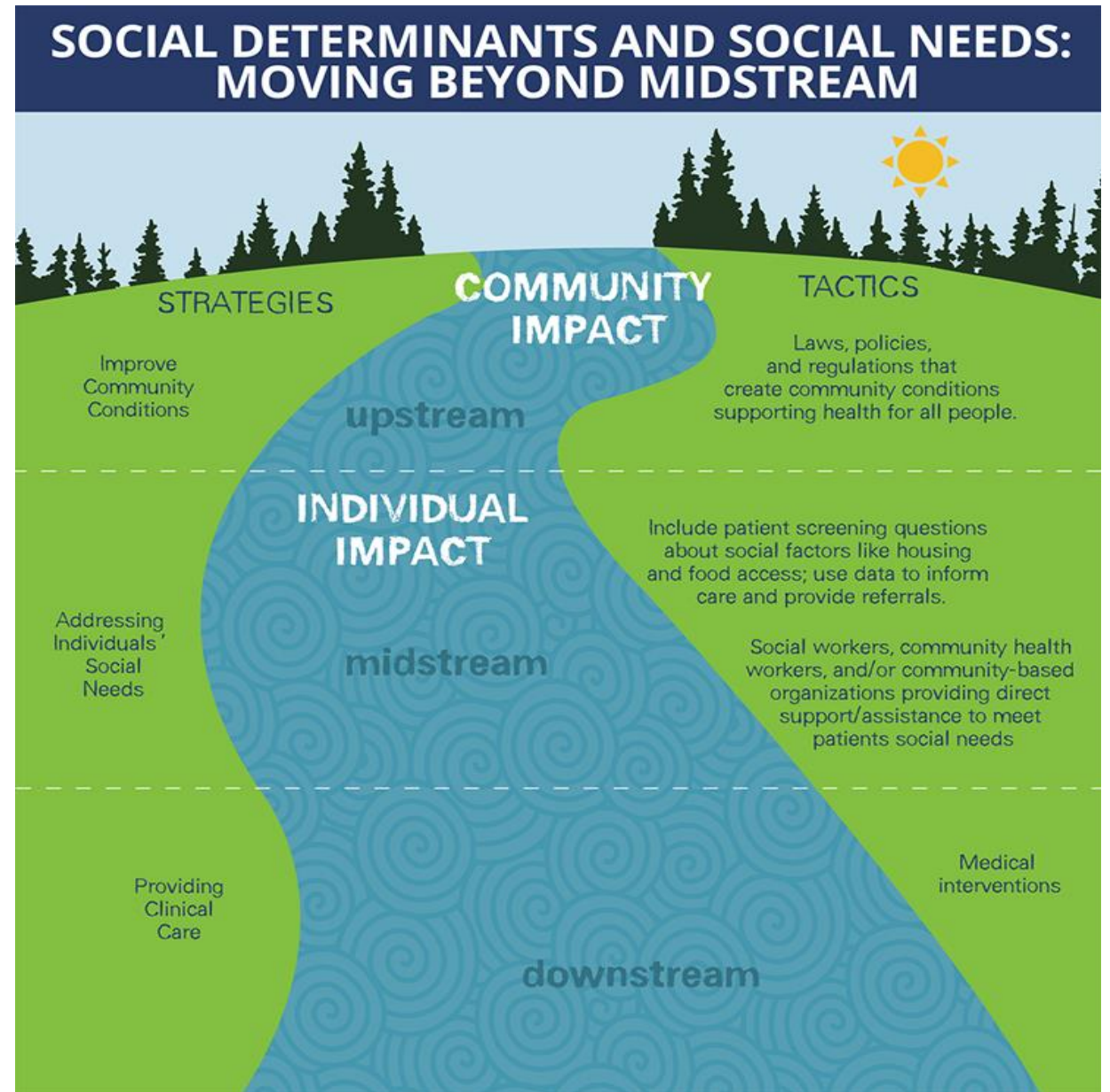
Cites (by population), 20%

Cities (city revenue sharing), 14%

Counties (by population), 10%

All Unrestricted

Supporting Positive Community Impacts



Excessive alcohol use and alcohol use disorder (AUD)

Risk Factor

Excessive alcohol use is a **primary risk factor** for alcohol use disorder (AUD). Most who drink excessively do not have an AUD.

Public Health Harms

The health harms, safety risks, and economic costs associated with excessive alcohol use are substantial, even for those without AUD.



Evidence Based Policies to Prevent Excessive Alcohol Use



Pricing

OLCC, for distilled spirits, and the legislature for wine, beer, and cider, use pricing strategies such as minimum unit pricing and inflation-adjusted taxes to reduce consumption.

Sales to Minors

OLCC educates and enforces regulations to prevent sales to minors, including the Minor Decoy Program.

Limits on Sales

OLCC sets limits on days and hours of alcohol sales.

Outlet Density

OLCC controls the location of liquor stores to regulate outlet density.

Dram Shop Liability

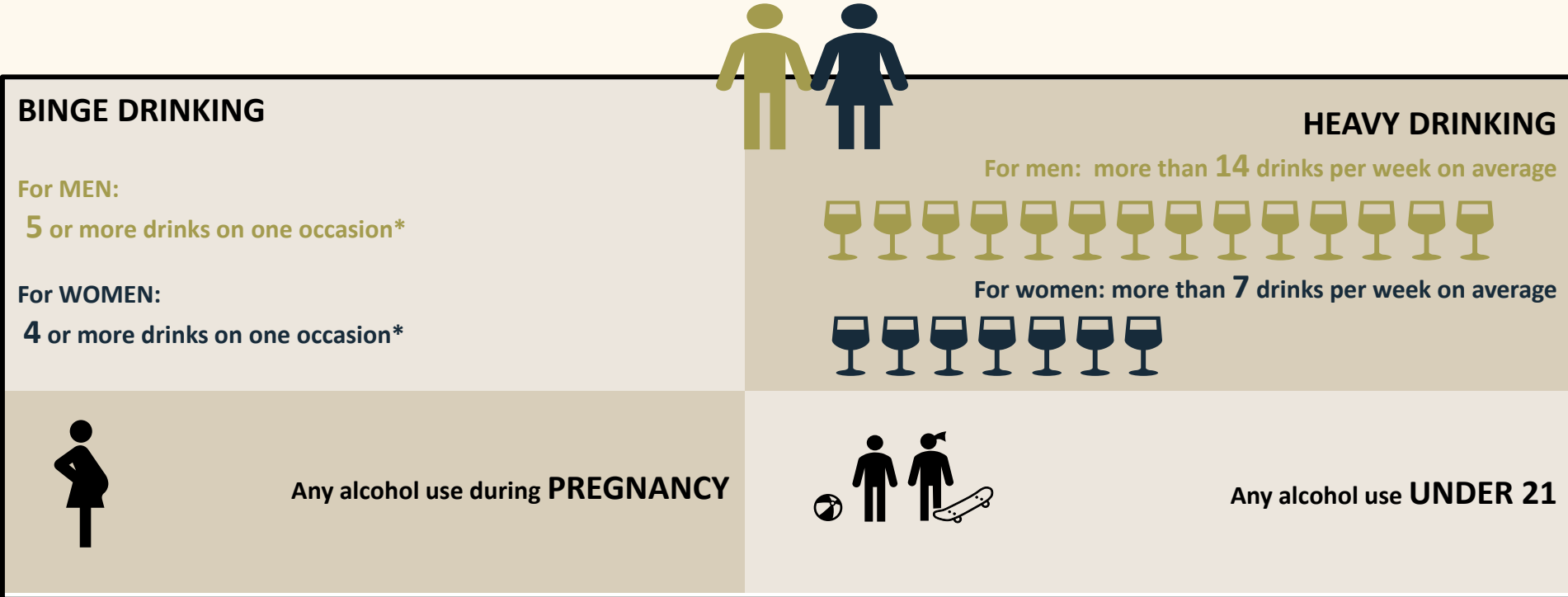
OLCC provides education, training, and compliance monitoring in relation to dram shop (commercial host) liability and DUII investigations.

No Further Privatization of Alcohol Sales

References: CPSTF - CDC - SAMHSA 2022

Excessive drinking includes:

(per the current 2020-2025 guidelines)



► *Even drinking within the recommended limits may increase the risk of death from various causes (including cancers & heart diseases)*

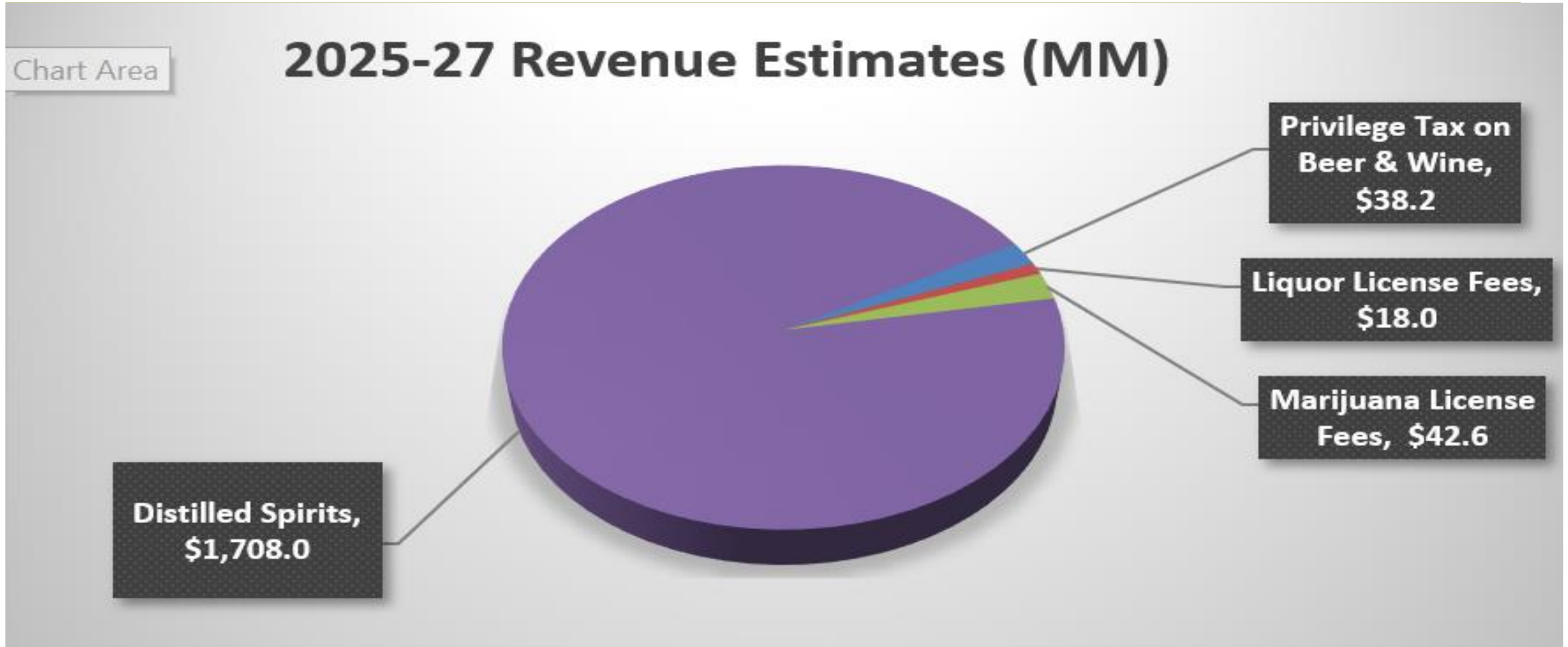
► **Drinking less is better for health than drinking more.**

Guidance from the Dietary Guidelines for Americans
(to be revised in 2025)

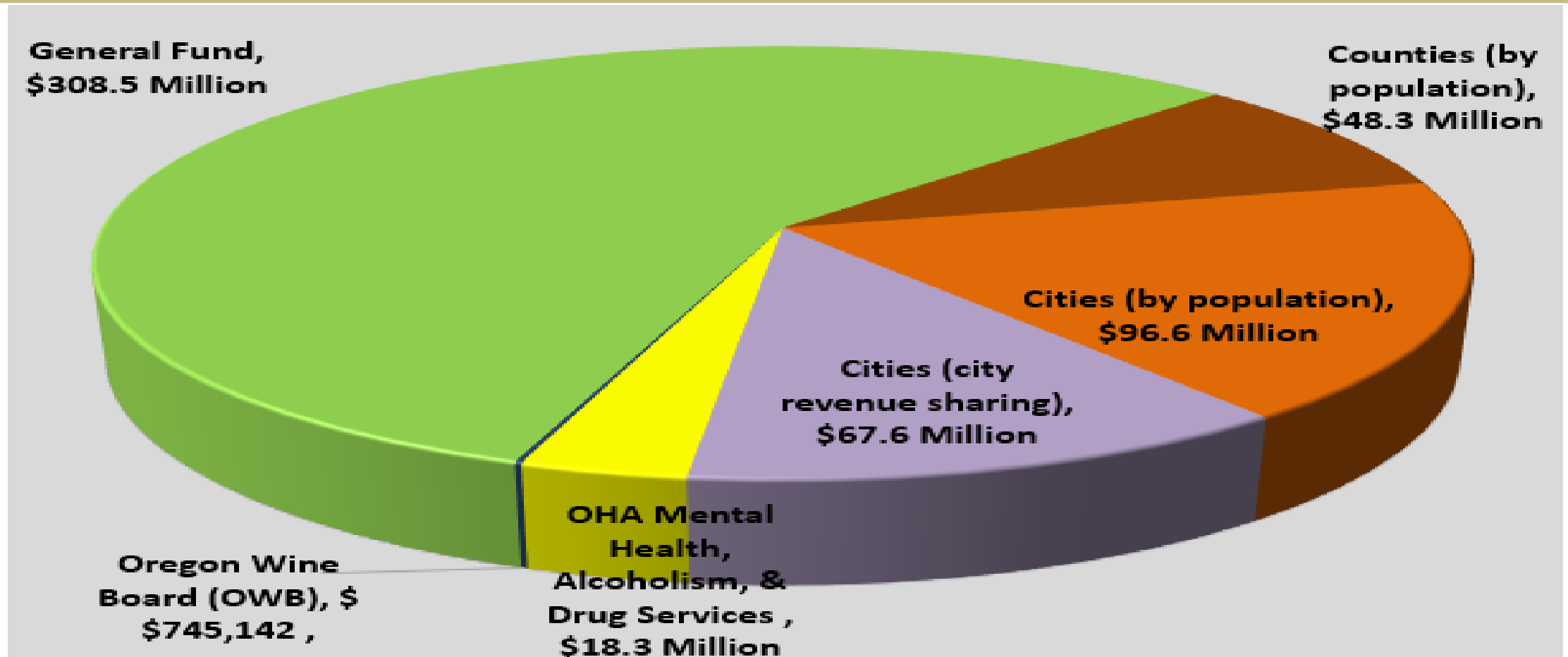
See also [CDC guidance on moderate drinking](#) - *One occasion = within 2 to 3 hours.

Revenue Forecast and Sales Trends

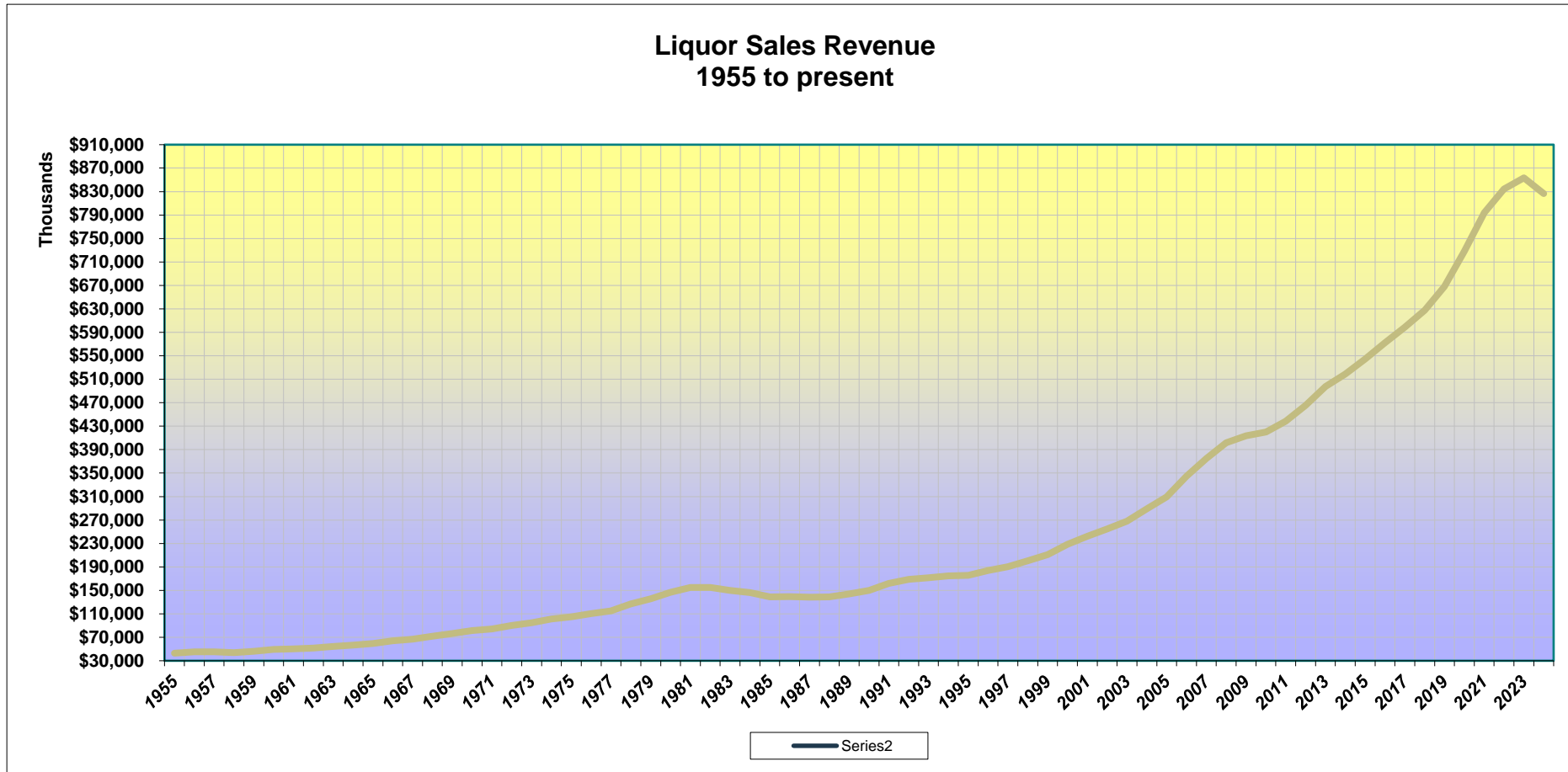
Projected Gross Revenue Sources: 2025-27



Projected 2025-27 Distribution: \$540 Million (w/surcharge)

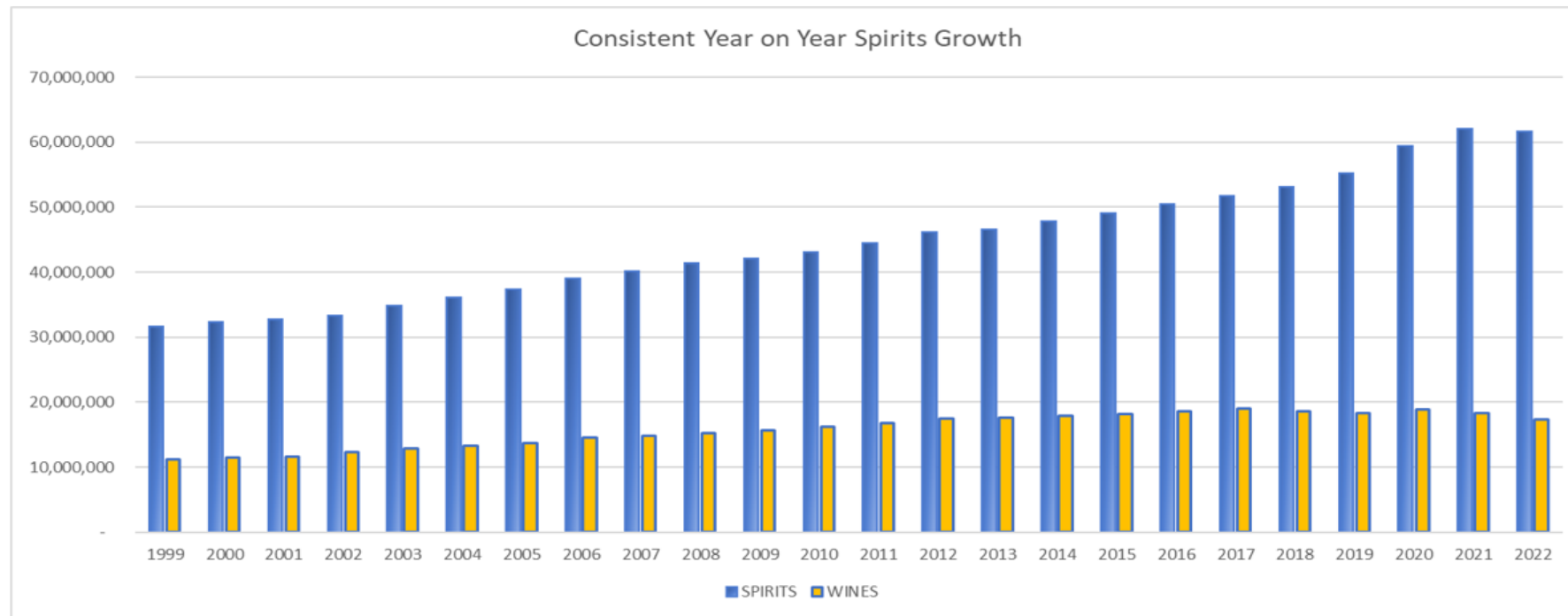


Historical Liquor Sales



National Revenue Trend

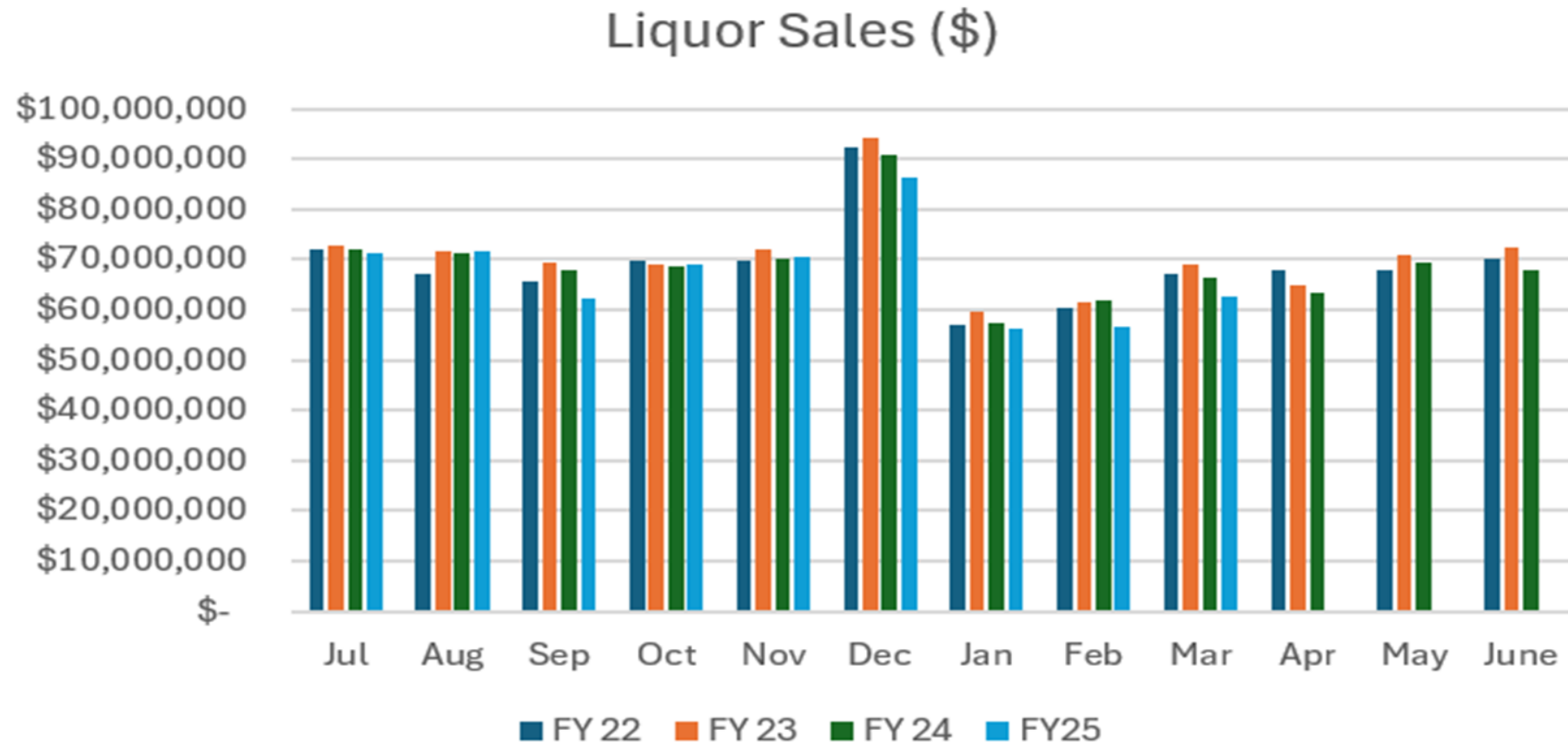
A History of Strong Growth



~78 Million Total 9-Liter Cases

~\$15.1 Billion Annual

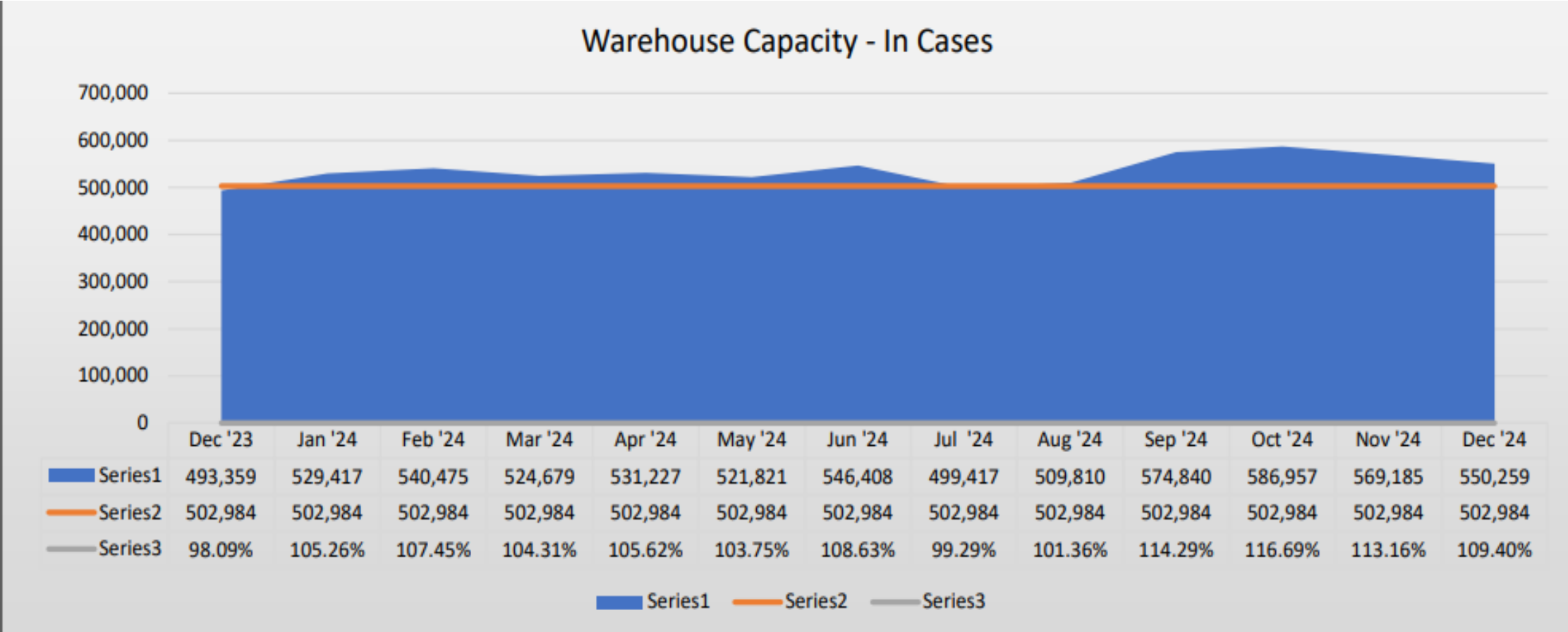
Oregon Liquor Sales: July 2021 – March 2025



Modernizing the OLCC: New Distilled Spirits Distribution Center



Current Warehouse: Over Capacity



Modernization: OLCC's New Liquor Distribution Warehouse

**2019: Effort began with
Deloitte study**

**2021 and 2022: Legislature and
Governor approve project.**

2022: Canby site chosen

**2024: Contract with JE Dunn
finalized**

2025: Construction started

**2026: Opening in late
summer/early fall**



Overview of Warehouse and Material Handling System Budget

- Warehouse: \$64.7 million
- Land: \$40.5 million
- Material Handling System: \$24 million
- Permitting, Design, Project Management, etc.: \$16.3 million
- **Total: \$145.5 million**

New Headquarters



Projected Debt Service

Estimated Useful Life of Assets:

Warehouse – 30 years

Conveyor System – 20 years

IT System Modernization – 10 years

	2021-23	2023-25*	2025-27	2027-29	2029-31	2031-33	2033-35	After '33-35	Total D/S
Warehouse	3.3	9.6	16.4	15.8	15.9	15.9	15.8	106.1	198.8
Conveyor	-	1.5	4.5	4.4	4.4	4.4	4.4	9.6	33.2
IT Modernization	1.0	2.5	6.9	6.6	6.6	5.6	4.1	-	33.3
Total (\$ in millions)	4.3	13.6	27.8	26.8	26.9	25.9	24.3	115.7	265.3

*Note: '23-25 projected debt service less than budgeted, due to bond sales occurring later in 2023-25 than originally assumed.

Existing HQ/Warehouse & Milport Warehouse

– Property Sale Estimates (as of Dec. 2022)

HQ/Warehouse estimated value:	\$19 M
Milport Warehouse estimated value:	\$10 M
Estimated sale commission costs (2-4%):	<u>\$(1)M</u>
Net Estimated Sale Proceeds:	<u>\$28 M*</u>

*Other sale concessions could impact the estimated sale proceeds (e.g. necessary repairs, etc.).

*This estimate could also change over time, due to changing market conditions or other unforeseen factors.

New Warehouse Construction Update



Thank you.