

OREGON WINE BOARD

2022-23 DRAFT BUDGET NARRATIVE

GENERAL DESCRIPTION & SUMMARY

The Oregon Wine Board adopts a budget each year in March to allocate funding for programs and general and administrative expenses for the next fiscal year. The Oregon Wine Board reviews the proposal in an open, public meeting and, with their endorsement, it is also sent for approved by the Director of the Business Oregon Commission.

This 2022-23 draft budget proposal summary includes a 11% revenue reduction and a 10% expense reduction from the prior year's approved budget.

Account Codes	2021-22 Approved Budget	2022-23 Draft Budget	% Δ
INCOME			
4100 · Grape Assessment (\$25/ton)	1,883,975	1,656,126	-12%
4200 · Wine Tax (2c/gal)	310,145	316,602	2%
4300 · Program Revenue	-	-	
4310 · Symposium Revenue	150,000	100,000	-33%
4500 · Other Income	2,000	50	-98%
4600 · Grant Revenue	133,500	84,500	-37%
4690 - HB 5006 Funds (MARIS)	-	55,956	
TOTAL INCOME	2,479,620	2,213,234	-11%
EXPENSE			
1R000 · Research.	383,381	445,448	16%
2E000 · Education.	362,283	355,701	-2%
3M000 · Marketing & Communications	848,151	830,863	-2%
4K000 · Knowledge & Insights	158,508	127,161	-20%
5L000 · Leadership & Partnership	123,881	157,307	27%
6G000 · General & Admin	776,771	462,463	-40%
TOTAL EXPENSE	2,652,975	2,378,944	-10%
NET INCOME	(173,355)	(165,709)	-4%
Beginning Balance	948,702	355,816	-62%
Ending Balance	775,347	190,107	-75%
Reserve Goal (30% of 3 Yr Ave Grape Assessment)	565,483	496,838	-12%
Surplus/Deficit After Reserve Goal	209,864	(306,731)	-246%
Total Compensation	1,085,097	1,084,429	0%

REVENUE ASSUMPTIONS

Grape Assessment and Wine Tax

Since it is difficult to predict the results of the grape harvest for all regions of the state a year in advance, the OWB relies on the past 3-year average assessment as a preliminary revenue number. As it is needed to reflect more accurate harvest figures, the OWB occasionally develops

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an adjusted revenue and expense forecast in the fall or winter, for the remainder of the year. When submitted by the Finance Committee, budget adjustments are approved by the Board of Directors in regular, public meetings. The wine tax is also projected at a 3-year average. For the 2022-23 annum, the tax rates are as follows and paid directly to the OLCC:

- Grape Assessment:
 - \$25/ton tax on grapes harvested in Oregon and used to produce wine
 - \$25/ton tax on grapes imported into the state and used to produce wine
 - \$25/ton tax on wine produced from juice or concentrate
 - \$12.50/ton tax on wine grapes sold to businesses outside of the state
 - \$0.021/gallon tax on wine made from all other agricultural products (i.e. cider)
- Wine Tax:
 - \$0.02/gallon tax on wine sold within the state of Oregon (the first 40,000 gallons sold annually in Oregon are exempt for wineries producing less than 100,000 gallons annually in state). The \$0.02/gallon transferred to the OR Wine Board is a portion of the \$0.67 per gallon in total tax paid by wineries on which the tax is levied

BUDGET DEVELOPMENT

This budget was developed over the following timeline and with monthly opportunities for seeking and gathering feedback from industry and board members on budget priorities and programs.

Budget Development Timeline

October	<ul style="list-style-type: none">• Industry survey release and responses gathered
November	<ul style="list-style-type: none">• Nov 2 – Gather initial input on programming and budget from regional associations• Review association feedback at finance committee meeting and assess further follow up
December	<ul style="list-style-type: none">• Dec 1-2 - Review association feedback and gather any additional board guidance
January	<ul style="list-style-type: none">• Staff finalize plan development and make budget recommendations• Verify OLCC transfer of first half 2021 harvest tonnage tax and make any necessary adjustments to 2022-23 income projection• Jan 25 -Develop complete draft budget and review with finance/executive committee
February	<ul style="list-style-type: none">• Feb 1 – Post draft budget for public comment• Feb 8 - Host budget review meeting for regional associations to collect any additional feedback• Make any necessary adjustments from public forums and review final draft with finance committee
March	<ul style="list-style-type: none">• Mar 3 - Submit final draft budget to board for approval• Apr 1 - Submit approved budget to Business Oregon for approval

OR.

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BUDGET PRIORITIES

- **Oregon Wine Symposium reflected as a break-even on direct event costs**
- **Budget reflects strategic investments in:**
 - Viticulture and Enology Research
 - Community Benchmark/WISE Academy (offset by grant funds)
 - Industry Education/Oregon Wine Symposium (offset by ticket sales and sponsorship)
 - Oregon Wine Month (including new merchandising support effort)
 - Tourism promotion through an Oregon Wine Touring publication
 - Communications programming to drive more PR
 - Launching a redesigned consumer website to support wine tourism (partially offset by grant funds)
- **Overall compensation (including benefits) budget increase of 5%**
 - Current inflation rate showing at 7%
 - Overall budget level consistent with last year's budget

2022-23 YEAR END RESERVES

It is the policy of the Oregon Wine Board, as adopted by its directors, to reserve an amount equal to 30% of the prior three year average grape assessment income for the purpose of covering expense commitments should the annual harvest be limited. The OWB also maintains access to a line of credit in the amount of \$100,000 for the same purpose. The effect of the 2020 harvest continues to impact the OWB's tax income level, requiring access to the reserve funds. The reserve goal for this budget is \$496,838, which reflects a decrease of 12% from the prior year. This budget expects to utilize \$306,731 of the reserve goal balance, leaving the total year end reserve and surplus is equal to \$190,107. OWB predicts income levels will approach historic levels in the future allowing it to restore the reserve.