

2020-21 (REVISED) BUDGET NARRATIVE
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GENERAL DESCRIPTION & SUMMARY

Occasionally, the Oregon Wine Board adopts a revised budget in August when necessary to reallocate funding based on the prior year end result. Board approved budgets are also approved by the Director of the Business Oregon Commission.

This revised budget proposal summary includes a revenue reduction of 7% and an expenses reduction of 4% from the priorly approved budgeted income and spending, and a 12% revenue reduction and a 2% expense reduction from the prior year.

	2020-21 Approved Budget	2020-21 Revised Budget	2019-20 Final	Approved vs. Revised Variance	% Change
INCOME					
4100 · Grape Assessment (\$25/ton)	1,930,000	1,950,820	1,953,139	20,820	1%
4200 · Wine Tax (2c/gal)	318,500	310,242	294,010	(8,258)	-3%
4300 · Program Revenue	65,000	13,680	55,505	(51,320)	-79%
4310 · Symposium Revenue	320,000	150,000	332,930	(170,000)	-53%
4500 · Other Income	6,000	5,000	5,004	(1,000)	-17%
4600 · Grant Revenue	68,000	50,000	91,698	(18,000)	-26%
4690 · HB 5006 Funds (MARIS)	67,000	96,898	187,694	29,898	45%
TOTAL INCOME	2,774,500	2,576,640	2,919,980	(197,860)	-7%
EXPENSE					
Total · Research.	429,300	428,090	441,069	(1,210)	0%
Total · Industry Education.	470,200	234,820	517,879	(235,380)	-50%
Total · Marketing & Communications	919,700	1,009,297	808,338	89,597	10%
Total · Knowledge & Insights.	151,500	171,590	94,771	20,090	13%
Total · Leadership & Partnership	131,800	130,590	39,530	(1,210)	-1%
Total · General & Admin	829,540	848,860	970,717	19,320	2%
TOTAL EXPENSE	2,932,040	2,823,247	2,872,304	(108,793)	-4%
NET INCOME	(157,540)	(246,607)	47,676	(89,067)	57%
Beginning Balance	886,113	1,033,903	986,227	147,790	17%
Ending Balance	728,573	787,297	1,033,903	58,724	8%
Reserve Goal (30% of 3 Yr Ave Grape Assessment)	579,000	585,246	567,042	6,246	1%
Surplus/Deficit After Reserve Goal	149,573	202,050	466,861	52,477	35%
Total Compensation	1,055,800	1,032,870	1,064,370	(22,930)	-2%

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 3-year average assessment as a preliminary revenue number. As it is needed to reflect more accurate harvest figures, the OWB occasionally develops an adjusted revenue and budget in the fall or winter, for the remainder of the year. Budget adjustments are approved by the Board of Directors. The wine tax is also projected at a 3-year average. For the 2020-21 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 are exempt for wineries producing less than 100,000 gallons annually)

Symposium Revenue

Ticket fees and program sponsorship dollars are estimated based on the current cost estimate of adjusting the Oregon Wine Symposium education content to be delivered virtually. This budget anticipates that 100% of the cost associated with the event can be covered with sponsorship and ticket sales. Actual sponsorship and ticket rates are yet to be determined.

Program Revenue

Program revenue captures winery contributions for participation in programs such as OWB hosted trade tastings and educational workshops. Also included are any anticipated earnings from consumer event ticket sales. Budget is estimated captures actual fees paid in 2019-20 for international events that were postponed and rolled over to 2020-21.

Grants

The OWB leverages opportunities for mission-appropriate grants. In the 2020-21 year, the budget reflects \$50,000 of grant funding (and associated expenses for the brand identity work) from a Wine Country License Plate grant fund. The OWB applied for a second WCLP grant for a wine media conference hosting project, reflected in the original approved budget, that was not approved. The OWB continuously pursues grant funding for mission-appropriate program development when it is in alignment with our strategic planning goals and priorities.

HB5006 - MARIS

During the 2017 legislative session, congress allocated \$500,000 of general fund budget to the Oregon Wine Board for market access and research activities. \$22,068 was used in FY 2017-18 to provide professional sales training to winery staff. In FY 2018-19 \$294,281 was used to fund domestic and international trade tastings, technical research grants and additional professional sales training. In FY 2019-20 \$187,694 was used to continue funding domestic and international trade tastings and technical research grants. Budget has been included in FY 2020-21 to utilize the final marketing allocation balance of \$96,898 for domestic and international market expansion activities.

Other

Less than 1% of OWB revenue includes interest income.

SIGNIFICANT BUDGET ADDITIONS/ADJUSTMENTS

Research

With the HB5006-MARIS funds being depleted in FY 2019-20, the proposed research grant budget has been reverted back to the pre-MARIS level of \$350,000. A new project identified as “Online V&E Knowledge Center” has been funded at \$20,000. This is a project identified through the research strategic planning process that addresses an industry need for an accessible online collection point for technical research and resources. There is no business and economics research budget allocated. At the request of the research committee, additional budget has been added to compensation to accommodate part time staff support.

Education

\$20,000 in budget was added to provide additional sales and DTC training to the industry in an effort to support a recovery from the COVID-19 pandemic. \$5,000 is allocated to continue the maintenance and enhancement of the Profitability Calculator developed in 2018 and updated and relaunched in 2020. It is currently estimated that the costs of a virtual version of the Oregon Wine Symposium will be \$150,000 and offset entirely by sponsorship and ticket sale income. Staff compensation has been adjusted to reflect part-time management of the industry education program, while sharing the other part-time management of trade education programming.

Marketing

The marketing and communications budget category has been restructure to reflect the new strategic plan priorities in brand identity, tourism, market expansion and communications.

\$98,500 is included to launch the brand identity work. \$50,000 of this cost is expected to be offset by the wine country license plate grant funding reflected on the income line.

The tourism budget largely includes maintenance of existing tourism marketing assets and programs, such as the Oregon Wine Touring Guide, Wines Fly Free and Oregon Wine Month and current levels. \$10,000 was rolled over from unspent Oregon Wine Month budget from 2019-20 to cover final costs for the Oregon Vine Perks program.

The market expansion and communications budget reflect adjustments due to paused activities from the 2019-20 fiscal year due to the COVID-19 pandemic. Unspent media relations budget of \$19,939 from 2019-20 was rolled over to 2020-21. Funding of \$37,500 was rolled over from the 2019-20 budget to cover the cost of the fourth Oregon Wine Trail event, currently being re-designed as a virtual education program. Additional budget was included for the design and build-out of a trade contact management and communications database and an administrative contractor to support the robust international event calendar planned for 2020-21. The additional budget added for international marketing and the Oregon Wine Trail program is 100% offset with MARIS funding. Marketing compensation has been adjusted to reflect an additional part-time staff resource for trade education. Our marketing program goals are to increase availability of Oregon wine at retail shops and restaurants, educate and energize influential members of the trade, and bring more high-potential consumers to Oregon wine country.

Knowledge & Insights

This is a new budget category, however it largely reflects existing budget activities such as market research and the annual vineyard and winery report. Additional budget has been added to fund an updated economic impact study and provide the industry with additional important market sales statistics and insights. We plan to update the economic impact report every 3 years. Additional budget was added for staff compensation to provide part-time support of this initiative.

Leadership & Partnership

This is a new budget category and reflects organizational priorities identified in the new strategic plan. \$73,800 has been added to typical budget levels to fund regional stakeholder meetings, information sharing task force committee management, grant writing support and program sponsorships. \$46,300 of staff compensation is also included to provide part-time support of this initiative.

Overall Compensation and General & Administrative

Approximately 37% of the total annual budget is related to staffing (e.g. salaries, payroll taxes, employee benefits). This reflects consistent rate of total compensation budget to the prior year. An annual salary increase of is budgeted at 0%. Budget for bonuses is not included. Total staff count (FTE) is 8, down 1 from the prior year.

Overall a 13% decrease is expected in General and Administrative expenses, partly due to reallocation of staff to new strategic priority budget areas, decrease in staff FTE count and a focus on managing supply and equipment expenses. Additional budget was added to the Employee Development account to accommodate diversity, equity and inclusion training as planned for this year.

COMPARISON TO 2019-20 BUDGET

For fiscal year 2019-20, the OWB adopted an annual expense budget of \$3,249,711. The 2020-21 revised budget proposal is for \$2,823,247. This reflects a decrease of 13%.

2020-21 NET INCOME AND SURPLUS

The 2020-21 revised budget reflects a decrease in revenue of 12% and a decrease in expenses of 1%. The total dollars required to cover expenses are \$2,823,247. This is expected to create a deficit of \$246,607 at the fiscal year end, leaving a remaining funds surplus of \$202,050. This holds in tact the \$150,000 originally designated for the Agriculture Food and Research Institute grant program by the board. OWB was not able to utilize these funds through that program and are, thus, holding them in surplus for reallocation.

2020-21 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. To date, the OWB has not needed to access the line of credit. The reserve goal for this budget is \$585,246, which reflects an increase of 3% from the prior year. Total year end reserve and surplus is equal to \$787,297.