FISCAL IMPACT OF PROPOSED LEGISLATION **Measure: HB 2264 - A**

81st Oregon Legislative Assembly – 2021 Regular Session
Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:
Directs the Oregon Liquor Control Commission to negotiate distilled spirits pricing directly with Indian tribes for sales of drinks at on-premises locations within tribal lands and with airlines for sales to ticketed passengers aboard aircraft. Changes the definition of “malt beverage” to mean beer, ale, porter, stout and other similar fermented beverages that contain between one-half and 16 percent of alcohol by volume and that are brewed or produced from malt, wholly or in part, or from a substitute for malt.

Government Unit(s) Affected:
Oregon Liquor Control Commission (OLCC), Counties, Cities

Summary of Fiscal Impact:
Costs of the measure are anticipated to be minimal, but it may have an adverse impact on alcohol privilege tax revenues - See explanatory analysis.

Analysis:
House Bill 2264, A-engrossed, replaces the entirety of the introduced version. The measure directs the Oregon Liquor Control Commission (OLCC) to negotiate distilled spirits pricing directly with Indian tribes for sales of drinks at on-premises locations with-in tribal lands and with airlines for sales to ticketed passengers aboard aircraft. It changes the definition of “malt beverage” to mean beer, ale, porter, stout and other similar fermented beverages that contain between one-half and 16 percent of alcohol by volume and that are brewed or produced from malt, wholly or in part, or from a substitute for malt. It allows OLCC to determine by administrative rule a valid form of identification for determining a person’s age, as opposed to by statute. The measure allows nonprofit or charitable organizations to sell certain alcoholic beverages up to 45 days per year; requires a nonprofit that is selling alcoholic beverages too obtain advance approval from OLCC; and specifies the beverages and the conditions under which they may be sold and delivered by nonprofit organizations. It extends the privilege of sales of cider, wine or malt beverages for off-premises consumption to holders of full on-premises consumption and limited on-premises consumption licenses. It allows holders of temporary sales licenses to apply for a direct shipper permit and to ship wine, malt beverages, or cider to customers, but only during the period that the temporary license is valid. The measure eliminates alcohol license application fees or renewal fees in cases where alcohol applicants apply for renewal less than 20 days in advance of license expiration. It extends the period for which equipment may be leased or furnished to licensees. It requires makers of ciders, wines, and malt beverages to retain records and produce them to OLCC upon request for three years, instead of two. The measure applies to the manufacture or distribution of malt beverages, wine, or cider occurring on or after January 1, 2022, and it takes effect on passage.

The measure would not require any additional budgetary resources, staffing increases, or changes to OLCC privilege tax collections. However, OLCC would need to implement a notification and approval process for nonprofit temporary sales license applications. OLCC also anticipates a modest increase in workload from processing temporary sales license reports, since the changes to the direct shipper permit would subject temporary sales license holders to privilege tax reporting requirements. Overall, these changes are anticipated to have a minimal fiscal impact on OLCC’s biennial budget.

The measure's impact on alcohol privilege tax revenues, however, is indeterminate because OLCC does not presently have an estimate on how many products this new definition of "malt beverage" would apply to. Should OLCC classify all hard seltzers as "malt beverages," the measure could reduce privilege tax revenues, which provide funding for mental health, alcoholism and drug treatment services and prevention efforts, as well as a portion of the distributions to cities, counties, and the State's General Fund.