FISCAL IMPACT OF PROPOSED LEGISLATION **Measure: SB 316 - 1**

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:
Establishes rate of compensation to be paid by Oregon Liquor Control Commission to distillery retail outlet agent for distilled liquor retail sales by agent.

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

Summary of Fiscal Impact:
Costs related to the measure will require budgetary action - See analysis.

Analysis:
Senate Bill 316, as amended by the -1 amendments, establishes rates of compensation to be paid by the Oregon Liquor Control Commission (OLCC) to a distillery retail outlet agent for retail sales of distilled liquor. OLCC shall pay a distillery retail outlet agent for sales of OLCC-approved distilled liquor at tasting locations and sales of OLCC-approved distilled liquor in factory-sealed containers for consumption off the premises at special events. The compensation rate shall be 45 percent of the retail price for the first $250,000 of annual retail sales of distilled liquor at tasting locations operated by the distillery. For annual retail sales over $250,000, the compensation rate shall be 17 percent. The measure takes effect on January 1, 2022 and sunsets on January 2, 2028.

__**Oregon Liquor Control Commission**__
At the outset, it should be noted that the measure is similar to Policy Option Package #110 in OLCC's 2021-23 budget request. However, unlike Policy Option Package #101, the measure is only effective for 18 months of the 2021-23 biennium.

OLCC currently pays distillery agents a commission that averages 17% of sales. OLCC receives weekly sales reports from approximately 65 distilleries, which sell liquor out of 105 tasting rooms. The measure does not impact these reporting or processing requirements. The measure does not impact OLCC's business processes, and OLCC does not require additional staffing to implement the measure. However, the measure has a fiscal impact on OLCC because the agency requires additional Other Funds expenditure limitation to pay distillery retail outlet agents according to the increased rate of compensation. The increase in compensation for the remaining 18 months of 2021-23 biennium may require an increase in expenditure limitation of approximately $2.9 million in 2021-23, according to OLCC.

Distillers remit their net profits to OLCC; the commission then distributes the liquor revenue, minus costs of operation, to the General Fund, cities, and counties according to a statutory distribution formula. According to OLCC, only 10 Oregon distilleries had more than $250,000 in sales in FY 2020. If this trend continues, the remaining 50-plus distilleries will never break the $250,000 threshold needed to trigger the 17% compensation rate. As a result, the measure will result in a net increase in the commission rate, from an average of 17% to 45% of sales, and will reduce the liquor revenue distribution to the General Fund, cities, and counties. According to the Legislative Revenue Office, the measure would reduce total liquor revenues by $2.67 million in the 2021-23 biennium and $4.04 million in the 2023-25 biennium, which includes a reduction in General Fund revenues of $1.5 million in 2021-23 and $2.26 million in 2023-25.

The measure warrants a subsequent referral to the Joint Committee on Ways and Means for consideration of its impact on OLCC's biennial budget in 2021-23.

Counties

The measure will reduce the counties' share of the liquor revenue distribution formula. According to the Legislative Revenue Office, the measure would reduce liquor revenues that counties receive by $270,000 in the 2021-23 biennium and $400,000 in the 2023-25 biennium. Counties use liquor revenues primarily for public safety programs, including law enforcement, district attorneys, juvenile justice, probation and drug interdiction. A reduction in liquor revenues could in turn reduce these public safety services, especially in rural counties.

Cities

The measure will reduce the cities' share of the liquor revenue distribution formula. According to the Legislative Revenue Office, the measure would reduce liquor revenues that cities receive by $910,000 in the 2021-23 biennium and $1.37 million in the 2023-25 biennium.

To the extent that the measure increases distillery sales, cities anticipate an increase in public safety expenses due to increased liquor consumption. However, any such increase would have only a minimal fiscal impact on cities.