2007 Regular Legislative Session
FISCAL ANALYSIS OF PROPOSED LEGISLATION
Prepared by the Oregon Legislative Fiscal Office

MEASURE NUMBER: HB 2677 **STATUS:** A-Engrossed
SUBJECT: Direct sale and shipment to licensed Oregon retailers by out-of-state wine or cider manufacturers
GOVERNMENT UNIT AFFECTED: Oregon Liquor Control Commission
PREPARED BY: Adrienne Sexton
REVIEWED BY: Michelle Deister
DATE: May 11, 2008

	2007-2009	**2009-2011**
EXPENDITURES:		
See Comments.		
REVENUES:		
See Comments.		
POSITIONS / FTE:		
See Comments.		

EFFECTIVE DATE: 91st day after adjournment sine die

GOVERNOR'S BUDGET: This bill is not anticipated by the Governor's recommended budget.

LOCAL GOVERNMENT MANDATE: This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

COMMENTS: The measure would allow the Oregon Liquor Control Commission (OLCC) to issue a wine self-distribution permit to an out-of-state manufacturer of wine or cider meeting certain qualifications and which possesses a license issued by another state or this state. A permit would allow a manufacturer to ship directly to licensed Oregon retailers. The retailer would need to obtain a license endorsement from OLCC that authorizes the receipt of these shipments. The manufacturer's shipments would be subject to monthly reporting under OLCC's privilege tax requirements, and with a limited exception, the retailer would report monthly on shipments received from a permit holder.

Based on its estimates for a similar measure (HB 2171-A, 2007), OLCC estimates that 200 out-of-state manufacturers would seek permits in the 2007-09 biennium, in addition to the 431 out-of-state wineries currently holding direct shipment permits from states under reciprocal agreements with Oregon. The authorization of an annual registration fee of $100 would generate approximately $63,200 per fiscal year ($126,400 per biennium) from 631 registrations. The agency has not estimated how many retailers would seek an endorsement to receive shipments, and the measure expressly prohibits OLCC from charging or collecting a fee for an endorsement.

A total of 2.6 Full Time Equivalent employees at OLCC currently process the direct shipper permits and all privilege tax reports. It should be noted that the privilege tax reports must be submitted, even when no tax is due. HB 2677-A also requires new monthly reporting by the recipient of the shipment.

Although it cannot be determined what volume of additional manufacturers would apply for and receive permits in a short time-frame in the 2007-09 biennium, or over what extended period of time that activity would occur, OLCC reports that five additional positions in the categories of Administrative Specialist 2, Accountant 1, and Fiscal Auditor 2, would be necessary to process this workload growth, assuming one hundred percent of the eligible manufacturers seek permits.

Although the actual program impact cannot be determined with precision at this time, LFO recognizes there is a potential for a workload increase in the licensing and privilege tax functions of OLCC. The agency would have several opportunities during the 2007-09 biennium to seek additional position authority through the Department of Administrative Services, and expenditure limitation from the Emergency Board or Legislative Assembly, to address the actual workload experience resulting from HB 2677-A.