FISCAL IMPACT OF PROPOSED LEGISLATION **Measure: SB 1565 - 3**

80th Oregon Legislative Assembly – 2020 Regular Session
Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:
Establishes rates 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.

Summary of Expenditure Impact:

	2019-21 Biennium	2021-23 Biennium
Other Funds	950,000	0
Total Funds	**$950,000**	**$0**

Analysis:
The measure 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 by the agent. 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 licensee. For annual retail sales over $250,000, the compensation rate shall be 17 percent. The measure increases OLCC's 2019-21 expenditure limitation by $950,000 Other Funds. It takes effect on January 1, 2021 and sunsets on January 1, 2025.

<u>Oregon Liquor Control Commission</u>
OLCC currently 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 six months of Fiscal Year 2021 requires an increase in limitation of at least $950,000 for the 2019-21 biennium.

Distillers remit their net profits to OLCC; the agency 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 nine Oregon distilleries had more than $250,000 in sales in FY 2019. 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 increased rate of agent compensation will reduce the liquor revenue distribution to the General Fund, cities, and counties. According to the Legislative Revenue Office, the measure will reduce liquor revenues by $950,000 in the 2019-21 biennium and $4.04 million in the 2021-23 biennium.

Counties

The measure will reduce the counties' share of the liquor revenue distribution formula. According to the Legislative Revenue Office, the measure will reduce liquor revenues that counties receive by $100,000 in the 2019-21 biennium and $400,000 in the 2021-23 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 will reduce liquor revenues that cities receive by $320,000 in the 2019-21 biennium and $1.37 million in the 2021-23 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.