

# Senate Bill 1559

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## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Allows qualifying off-premises sales licensee to obtain endorsement authorizing sale of distilled liquor at licensed premises. Authorizes commission to adopt rules for sales of distilled liquor by off-premises sales licensees. Establishes timeline for implementation of distilled liquor endorsement program.

Directs commission to establish distilled liquor endorsement fee for issuance to off-premises sales licensees. Specifies purposes for which moneys collected from endorsement fees may be used.

Instructs Oregon Liquor Control Commission to establish uniform wholesale and minimum retail prices for distilled liquor. Provides for retail sales agent operating liquor store to establish retail price for distilled liquor sold at store. Provides for off-premises sales licensee selling distilled liquor to establish retail price for distilled liquor sold at licensed premises. Provides that only liquor store may sell distilled liquor to full on-premises sales licensees.

Authorizes inclusion of certain provisions in agreements between commission and retail sales agents. Requires that agreements entered into or renewed on or after effective date of Act make agreement subject to application of provisions as of March 1, 2015. Requires commission to offer retail sales agent modification of existing agreement to become effective March 1, 2015. Instructs commission to terminate agreement if retail sales agent declines agreement modification.

Requires commission to report to interim committee of Legislative Assembly by September 1, 2015, regarding effects of issuing distilled liquor endorsements.

Declares emergency, effective on passage.

## A BILL FOR AN ACT

1  
2 Relating to alcoholic beverages; creating new provisions; amending ORS 471.175, 471.186, 471.282,  
3 471.446, 471.730, 471.745 and 471.750; and declaring an emergency.

4 Whereas for 80 years Oregon's alcohol control system has served Oregon residents well by  
5 providing for the responsible consumption of alcohol, protecting the safety of Oregon residents and  
6 their visitors and generating hundreds of millions of dollars in revenue to support valuable public  
7 services at the state, county and city levels; and

8 Whereas since the end of Prohibition, Oregon has diligently worked to protect the public safety  
9 of Oregon residents through the regulation of alcohol; and

10 Whereas the sale and service of alcohol within Oregon communities are regulated by the Oregon  
11 Liquor Control Commission through the enforcement of multiple state laws and applicable adminis-  
12 trative rules; and

13 Whereas public safety is enhanced by communication and education programs designed to sup-  
14 port temperance and resident safety in the consumption of alcohol; and

15 Whereas a significant portion of the revenue generated by the sale of distilled liquor is dedi-  
16 cated to the Mental Health Alcoholism and Drug Services Account; and

17 Whereas funding dedicated to local and state government indirectly supports public safety ser-  
18 vices and the enforcement of alcohol-related laws; and

19 Whereas the Oregon Liquor Control Commission carries out the distribution, licensing, taxation  
20 and regulation of the sale of alcohol effectively, consistently and in accord with the public mission

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 of the commission; and

2 Whereas biennial alcohol sales in Oregon exceed \$1 billion, of which approximately \$440 million  
3 will be distributed by formula for state and local expenditures on schools and education efforts,  
4 public safety, alcohol treatment and the development of Oregon's economy and infrastructure; and

5 Whereas Oregon's regulatory efforts and effective control of the sale of alcohol have strength-  
6 ened the state economy, fostered a strong and vibrant hospitality industry and resulted in the de-  
7 velopment of world-class wine, craft brew and craft distilled liquor industries led by pioneering  
8 Oregon entrepreneurs; and

9 Whereas the Oregon Liquor Control Commission has adopted the recommendations of the  
10 commission's retail innovation work group and has called upon the Legislative Assembly to enact  
11 policy changes and invest in Oregon's alcohol control system in order to meet new challenges driven  
12 by marketplace demands and expanding customer convenience needs; and

13 Whereas Oregon can meet consumer expectations for convenience in the retail sale of and ser-  
14 vice of distilled liquor by modernizing Oregon's alcohol control system and providing new paths for  
15 licensing and investment; and

16 Whereas Oregon can meet public and marketplace desires for convenience while preserving and  
17 enhancing existing system efficiencies and controls for public safety and can ensure the stability of  
18 revenue generation for vital public services; and

19 Whereas it is the policy of the State of Oregon to provide the Oregon Liquor Control Commis-  
20 sion with additional licensing and financial tools to respond to the evolving consumer marketplace  
21 need for increased convenience in the retail sale of and service of distilled liquor and other alcohol  
22 in Oregon; now, therefore,

23 **Be It Enacted by the People of the State of Oregon:**

24 **SECTION 1. Sections 2 to 4 of this 2014 Act are added to and made a part of ORS chapter**  
25 **471.**

26 **SECTION 2. The Oregon Liquor Control Commission shall establish wholesale prices for**  
27 **distilled liquor purchased from the commission. The commission shall establish minimum**  
28 **retail prices for distilled liquor sold to the public in this state by applying a uniform cost-plus**  
29 **formula to the wholesale price of the distilled liquor. The wholesale price and minimum retail**  
30 **price established by the commission for a type, brand and size of distilled liquor shall be**  
31 **uniform throughout the state.**

32 **SECTION 3. (1) The retail sales agent operating a liquor store shall establish the retail**  
33 **price for which the liquor store sells distilled liquor to the public. However, a liquor store**  
34 **may not sell distilled liquor to the public for less than the minimum retail price for the dis-**  
35 **tilled liquor established by the commission under section 2 of this 2014 Act.**

36 **(2) All distilled liquor at liquor stores operated by retail sales agents shall remain the**  
37 **property of the commission until sold. The retail sales agent operating a liquor store shall**  
38 **forward the wholesale price for distilled liquor sold at the liquor store to the commission for**  
39 **use as provided under ORS 471.810. The difference between the wholesale price and the price**  
40 **for which the liquor store sells distilled liquor to the public or to a licensee under ORS**  
41 **471.175 (4) shall be retained by the retail sales agent as compensation.**

42 **(3) Subsection (1) of this section does not affect the pricing of, or retail sales agent pro-**  
43 **fits from, sales of items other than distilled liquor.**

44 **(4) An agreement between the commission and a retail sales agent for the operation of**  
45 **a liquor store may include provisions requiring the retail sales agent to invest a specified**

1 amount or a percentage of distilled liquor sale profits into liquor store maintenance and im-  
 2 provements to increase customer convenience and enhance the quality of customer experi-  
 3 ences at the liquor store. Agreement provisions described in this subsection may not be  
 4 structured in a manner that limits the maximum compensation of a retail sales agent, but  
 5 may consider the extent to which a retail sales agent has used past compensation to increase  
 6 customer convenience and enhance the quality of customer experiences at the liquor store.

7 (5) An agreement between the commission and a retail sales agent for the operation of  
 8 a liquor store may include provisions requiring the retail sales agent to devote a specified  
 9 amount of the distilled liquor sales area to the stocking and promotion of distilled liquor that  
 10 is manufactured, blended or bottled in Oregon.

11 **SECTION 4.** (1) The Oregon Liquor Control Commission shall sell distilled liquor at the  
 12 wholesale price to an off-premises sales licensee that holds a distilled liquor endorsement  
 13 issued under ORS 471.186. The licensee shall establish the price for which the licensed  
 14 premises sells distilled liquor to the public. However, a licensed premises may not sell dis-  
 15 tilled liquor to the public for less than the minimum retail price for the distilled liquor es-  
 16 tablished by the commission under section 2 of this 2014 Act.

17 (2) An off-premises sales licensee that holds a distilled liquor endorsement may purchase  
 18 distilled liquor only from the commission. The commission shall provide for distilled liquor  
 19 sales to the licensee at the warehouses maintained by the commission and may provide for  
 20 delivery at other locations and by other means that the commission determines to be prac-  
 21 ticable and convenient. The commission shall adopt rules to regulate distilled liquor pur-  
 22 chases and sales by licensees holding distilled liquor endorsements, including but not limited  
 23 to any rules the commission deems appropriate to promote public safety.

24 (3) The commission may require an off-premises sales licensee to place a minimum order  
 25 that is larger than the order that would be required of a retail sales agent operating a liquor  
 26 store if ordering the same type, brand and size of distilled liquor. Distilled liquor sold by the  
 27 commission under this section must be paid for by the licensee at the time of purchase.  
 28 Payment must be in the form of cash, an electronic funds transfer initiated on or before the  
 29 purchase date or a valid check, money order or other instrument negotiable on the purchase  
 30 date. Distilled liquor becomes the property of the licensee immediately upon purchase, al-  
 31 though retail sale of the distilled liquor remains subject to governance by the commission.  
 32 Moneys from sales by the commission to a licensee under this section shall be deposited for  
 33 use as provided under ORS 471.810.

34 (4) The commission shall establish by rule a distilled liquor endorsement fee. The  
 35 endorsement fee shall be in addition to the fee for an off-premises sales license. Moneys  
 36 collected from endorsement fees shall be deposited to the Oregon Liquor Control Commission  
 37 Account and expended by the commission for capital investment and ongoing operating costs  
 38 associated with the storage and distribution of distilled liquor.

39 **SECTION 5.** ORS 471.175 is amended to read:

40 471.175. (1) The holder of a full on-premises sales license may sell by the drink at retail wine,  
 41 malt beverages, cider and distilled liquor. Except as provided in this section, all alcoholic beverages  
 42 sold under a full on-premises sales license must be consumed on the licensed premises.

43 (2) A full on-premises sales license may be issued only to:

- 44 (a) A nonprofit private club, as described in subsection (8) of this section.
- 45 (b) A public passenger carrier as provided in ORS 471.182.

1 (c) A commercial establishment, as defined in ORS 471.001 (2).

2 (d) A public location that does not qualify for licensing under paragraphs (a) to (c) of this sub-  
3 section if:

4 (A) Food is cooked and served at the location;

5 (B) The predominant business activity at the location is other than the preparation or serving  
6 of food or the serving of alcohol; and

7 (C) The location meets any minimum food service requirements established by Oregon Liquor  
8 Control Commission rule.

9 (e) A caterer, subject to the requirements of ORS 471.184.

10 (3) The holder of a full on-premises sales license shall allow a patron to remove a partially  
11 consumed bottle of wine from the licensed premises if the wine is served in conjunction with the  
12 patron's meal, the patron is not a minor and the patron is not visibly intoxicated.

13 *[(4) The holder of a full on-premises sales license is entitled to purchase any distilled liquor from  
14 an agent of the commission appointed pursuant to ORS 471.750 at a discount of not more than five  
15 percent off the regular listed price fixed by the commission, together with all taxes, in a manner pre-  
16 scribed by commission rule. For purposes of compensation by the commission, the appointed agent shall  
17 be credited with such sales at full retail cost.]*

18 **(4) The holder of a full on-premises sales license may purchase distilled liquor only from  
19 a liquor store operated by a retail sales agent appointed under ORS 471.750. The holder of a  
20 full on-premises sales license may purchase distilled liquor from a liquor store for five per-  
21 cent less than the minimum retail price, but not less than the wholesale price, for the dis-  
22 tilled liquor established by the commission under section 2 of this 2014 Act.**

23 **(5) The commission may not require [the] a full on-premises sales licensee to purchase more  
24 than one container of distilled liquor at a time if the distilled liquor:**

25 (a) Except as provided in subsection (9) of this section, has a **minimum** retail [sales] price of  
26 \$30 or more per container;

27 (b) Is available through a distributor in the United States that does not require the commission  
28 to acquire more than one case of the distilled liquor in a single transaction;

29 (c) Is not regularly stocked by the commission **warehouse**; and

30 (d) Is ordered in a 750 milliliter container size if available in that size.

31 *[(5) The holder of a full on-premises sales license may purchase distilled liquor only from a retail  
32 sales agent of the commission or from another person licensed under this section who has purchased  
33 the distilled liquor from a retail sales agent of the commission.]*

34 (6) The holder of a full on-premises sales license may sell factory-sealed containers of wine to  
35 a person who organizes a private gathering on the licensee's premises if the wine was acquired as  
36 part of a larger purchase of wine by the licensee for the purpose of the gathering and only part of  
37 the larger purchase was consumed at the gathering. Wine sold under this subsection may be sold  
38 only for an amount adequate to compensate the licensee for the amounts paid by the licensee for  
39 the wine.

40 (7) The holder of a full on-premises sales license may sell for consumption off the licensed  
41 premises malt beverages, wines and cider in securely covered containers provided by the consumer  
42 and having capacities of not more than two gallons each.

43 (8) A nonprofit private club, including but not limited to a fraternal or veterans organization,  
44 may qualify for a full on-premises sales license under this section only if the club meets any mini-  
45 mum membership, nonprofit status and food service requirements established by commission rule.

1 (9) The commission may annually adjust the price threshold established in subsection [(4)(a)]  
2 (5)(a) of this section by a percentage equal to the percentage change in the Portland-Salem, OR-WA  
3 Consumer Price Index for All Urban Consumers for All Items as published by the Bureau of Labor  
4 Statistics of the United States Department of Labor. However, the commission may not adjust the  
5 price threshold to be less than \$30.

6 **SECTION 6.** ORS 471.186 is amended to read:

7 471.186. (1) The holder of an off-premises sales license may:

8 (a) Sell factory-sealed containers of wine, malt beverages and cider[.]; and

9 (b) **If the licensee holds a distilled liquor endorsement issued by the Oregon Liquor Con-**  
10 **trol Commission, sell distilled liquor in factory-sealed containers of 750 milliliters or larger**  
11 **at the licensed premises.**

12 (2) **The commission shall issue an off-premises sales licensee a distilled liquor endorse-**  
13 **ment if:**

14 (a) **The licensed premises has more than 10,000 square feet of space devoted to the retail**  
15 **sale of merchandise, including any space to be used for the retail sale of alcoholic liquor;**

16 (b) **The licensed premises is not located in a county or incorporated city where a local**  
17 **charter prohibits distilled liquor sales;**

18 (c) **The licensee submits a safety plan showing how theft of distilled liquor at the licensed**  
19 **premises will be prevented;**

20 (d) **The application information demonstrates that the plan for distilled liquor sales at the**  
21 **licensed premises conforms with commission rules;**

22 (e) **The off-premises sales license is not the subject of a pending proceeding for a vio-**  
23 **lation that may result in cancellation of the license;**

24 (f) **In addition to any fee under ORS 471.186, the licensee pays the endorsement fee es-**  
25 **tablished by the commission by rule; and**

26 (g) **The licensee submits a plan that states in detail:**

27 (A) **The amount of shelf space, if any, that the licensee expects to use for the display of**  
28 **distilled liquor produced in Oregon;**

29 (B) **The amount of shelf space, if any, that the licensee expects to use for the display of**  
30 **wine, malt beverages or cider produced in Oregon and to what extent, if any, the amount**  
31 **differs from the amount of shelf space used for that purpose on the application date; and**

32 (C) **Any features of the licensed premises that the licensee expects on the application**  
33 **date to use for the promotion of Oregon distilled liquors.**

34 (3)(a) **The commission shall issue a distilled liquor endorsement to be effective for the**  
35 **same period as the off-premises sales license for the premises.**

36 (b) **The commission shall cancel or refuse to renew a distilled liquor endorsement if the**  
37 **licensed premises ceases to qualify for the endorsement or the off-premises sales license is**  
38 **canceled or is refused renewal.**

39 (c) **The commission may suspend a distilled liquor endorsement for any violation that**  
40 **would be grounds for a license suspension under ORS 471.315 or for any violation of com-**  
41 **mission rules. If the off-premises sales license is suspended, the endorsement is automat-**  
42 **ically suspended for the same period as the license. If a distilled liquor endorsement is**  
43 **suspended, the commission may also suspend the off-premises sales license of the licensee.**

44 (d) **Issuance of a distilled liquor endorsement is not subject to local government recom-**  
45 **mendation requirements under ORS 471.166. However, local government recommendations**

1 **regarding the renewal of an off-premises sales license may include comments regarding any**  
 2 **problems from distilled liquor sales.**

3 (4) Factory-sealed containers of malt beverages sold under the license may not hold more than  
 4 two and one-quarter gallons.

5 [(2)] (5) The holder of an off-premises sales license may sell for consumption off the licensed  
 6 premises malt beverages, wines and cider in securely covered containers supplied by the consumer  
 7 and having capacities of not more than two gallons each.

8 [(3)] (6) The holder of an off-premises sales license may provide sample tasting of [*alcoholic*  
 9 *beverages*] **wine, cider or malt beverages** on the licensed premises if the licensee makes written  
 10 application to the [*Oregon Liquor Control*] commission and receives approval from the commission  
 11 to conduct tastings on the premises. [*Tastings must be limited to the alcoholic beverages that may be*  
 12 *sold under the privileges of the license.*]

13 [(4) *An off-premises sales license may not be issued for use at a premises that is mobile.*]

14 [(5)] (7) Except as provided in ORS 471.402, a manufacturer or wholesaler may not provide or  
 15 pay for sample tastings of [*alcoholic beverages*] **wine, cider or malt beverages** for the public on  
 16 premises licensed under an off-premises sales license.

17 **(8) An off-premises sales license may not be issued for use at a premises that is mobile.**

18 [(6)] (9) The holder of an off-premises sales license may deliver wine or cider that is sold under  
 19 the privileges of the license to retail customers in this state without a direct shipper permit issued  
 20 under ORS 471.282. Any deliveries by the holder of an off-premises sales license are subject to any  
 21 rules adopted by the commission relating to deliveries made under this subsection. Deliveries under  
 22 this subsection:

23 (a) May be made only to a person who is at least 21 years of age;

24 (b) May be made only for personal use and not for the purpose of resale; and

25 (c) Must be made in containers that are conspicuously labeled with the words: "CONTAINS  
 26 ALCOHOL: SIGNATURE OF PERSON AGE 21 YEARS OR OLDER REQUIRED FOR  
 27 DELIVERY."

28 [(7)] (10) The holder of an off-premises sales license that makes deliveries of wine or cider under  
 29 subsection [(6)] (9) of this section must take all actions necessary to ensure that a carrier used by  
 30 the licensee does not deliver any wine or cider unless the carrier:

31 (a) Obtains the signature of the recipient of the wine or cider upon delivery;

32 (b) Verifies by inspecting government-issued photo identification that the recipient is at least  
 33 21 years of age; and

34 (c) Determines that the recipient is not visibly intoxicated at the time of delivery.

35 [(8)] (11) Any person who knowingly or negligently delivers wine or cider under the provisions  
 36 of this section to a person under 21 years of age, or who knowingly or negligently delivers wine or  
 37 cider under the provisions of this section to a visibly intoxicated person, violates ORS 471.410.

38 [(9)] (12) If a court determines that deliveries of wine or cider under subsection [(6)] (9) of this  
 39 section cannot be restricted to holders of off-premises sales licenses, and the decision is a final  
 40 judgment that is no longer subject to appeal, the holder of an off-premises sales license may not  
 41 make deliveries of wine or cider under the provisions of subsection [(6)] (9) of this section after  
 42 entry of the final judgment.

43 **SECTION 7.** ORS 471.282 is amended to read:

44 471.282. (1) Notwithstanding any other provision of this chapter and except as provided by ORS  
 45 471.186 [(6)] (9), a person may sell and ship wine or cider directly to a resident of Oregon only if

1 the person holds a direct shipper permit. The Oregon Liquor Control Commission shall issue a direct  
2 shipper permit only to:

3 (a) A person that holds a license issued by this state or another state that authorizes the man-  
4 ufacture of wine or cider;

5 (b) A person that holds a license issued by this state or another state that authorizes the sale  
6 of wine or cider produced only from grapes or other fruit grown under the control of the person;

7 (c) A person that holds a license authorizing the sale of wine or cider at retail; or

8 (d) A nonprofit trade association that holds a temporary sales license under ORS 471.190 and  
9 that has a membership primarily composed of persons holding winery licenses issued under ORS  
10 471.223 or grower sales privilege licenses issued under ORS 471.227.

11 (2)(a) A person may apply for a direct shipper permit by filing an application with the commis-  
12 sion. The application must be made in such form as may be prescribed by the commission.

13 (b) If the application is based on a license issued by this state, the person must include in the  
14 application the number of the license issued to the person.

15 (c) If the application is based on a license issued by another state, the person must include in  
16 the application a true copy of the license issued to the person by the other state or include sufficient  
17 information to allow verification of the license by electronic means or other means acceptable to the  
18 commission.

19 (d) If the application is based on a license issued by another state, or the application is by a  
20 nonprofit trade association described in subsection (1)(d) of this section, the person or association  
21 must pay a \$50 registration fee and maintain a bond or other security described in ORS 471.155 in  
22 the minimum amount of \$1,000.

23 (3) Sales and shipments under a direct shipper permit:

24 (a) May be made only to a person who is at least 21 years of age;

25 (b) May be made only for personal use and not for the purpose of resale; and

26 (c) May not exceed two cases, containing not more than nine liters per case, to any resident per  
27 month.

28 (4) Sales and shipments under a direct shipper permit must be made directly to a resident of this  
29 state in containers that are conspicuously labeled with the words: "CONTAINS ALCOHOL: SIG-  
30 NATURE OF PERSON AGE 21 YEARS OR OLDER REQUIRED FOR DELIVERY."

31 (5) A person holding a direct shipper permit must take all actions necessary to ensure that a  
32 carrier used by the permit holder does not deliver any wine or cider unless the carrier:

33 (a) Obtains the signature of the recipient of the wine or cider upon delivery;

34 (b) Verifies by inspecting government-issued photo identification that the recipient is at least  
35 21 years of age; and

36 (c) Determines that the recipient is not visibly intoxicated at the time of delivery.

37 (6)(a) A person holding a direct shipper permit must report to the commission all shipments of  
38 wine or cider made to Oregon residents under the permit as required by ORS chapter 473. The re-  
39 port must be made in a form prescribed by the commission.

40 (b) A person holding a direct shipper permit must allow the commission to audit the permit  
41 holder's records upon request and shall make those records available to the commission in this state.

42 (c) A person holding a direct shipper permit consents to the jurisdiction of the commission and  
43 the courts of this state for the purpose of enforcing the provisions of this section and any related  
44 laws or rules.

45 (7)(a) A person holding a direct shipper permit must timely pay to the commission all taxes im-

1 posed under ORS chapter 473 on wine and cider sold and shipped under the permit. For the purpose  
 2 of the privilege tax imposed under ORS chapter 473, all wine or cider sold and shipped pursuant to  
 3 a direct shipper permit is sold in this state.

4 (b) A person holding a direct shipper permit based on a license issued by another state must  
 5 timely pay to the commission all taxes imposed under ORS chapter 473 on all wine or cider sold and  
 6 shipped directly to Oregon residents under the permit. The permit holder, not the purchaser, is re-  
 7 sponsible for the tax.

8 (8) A direct shipper permit must be renewed annually. If the person holds the permit based on  
 9 an annual license issued by another state, the person may renew the permit by paying a \$50 renewal  
 10 fee and providing the commission with a true copy of a current license issued to the person by the  
 11 other state or with sufficient information to allow verification of the license by electronic means  
 12 or other means acceptable to the commission. If the person holds the permit based on an annual li-  
 13 cense issued by this state, the person may renew the permit at the same time that the person renews  
 14 the license.

15 (9) The commission may refuse to issue or may suspend or revoke a direct shipper permit if the  
 16 permit holder fails to comply with the provisions of this section. A person may sell and ship wine  
 17 or cider under a direct shipper permit only for as long as the person has the license issued by this  
 18 state or another state that authorizes the person to hold a direct shipper permit.

19 (10) Any person who knowingly or negligently delivers wine or cider under the provisions of this  
 20 section to a person under 21 years of age, or who knowingly or negligently delivers wine or cider  
 21 under the provisions of this section to a visibly intoxicated person, violates ORS 471.410.

22 (11) A person may not make sales and shipments of wine or cider directly to Oregon residents  
 23 unless the person holds a direct shipper permit issued under this section. Any person who knowingly  
 24 makes, participates in, transports, imports or receives a shipment of wine or cider that is in vio-  
 25 lation of this section commits a misdemeanor as provided in ORS 471.990 (1).

26 **SECTION 8.** ORS 471.446 is amended to read:

27 471.446. (1) *[No retail licensee shall purchase any wine or cider]* **A retail licensee may not**  
 28 **purchase distilled liquor, wine, cider or malt beverages** for resale except in sealed containers,  
 29 the seals of which shall remain unbroken when it is sold for consumption off the premises.

30 (2) The Oregon Liquor Control Commission may refuse to sell, or may prohibit any licensee from  
 31 selling, any brand of alcoholic liquor *[which in its judgment is]* **that the commission considers to**  
 32 **be** deceptively labeled or branded as to content, or **that** contains injurious or adulterated ingredi-  
 33 ents.

34 **SECTION 9.** ORS 471.730 is amended to read:

35 471.730. The function, duties and powers of the Oregon Liquor Control Commission include the  
 36 following:

37 (1) To control the manufacture, possession, sale, purchase, transportation, importation and de-  
 38 livery of alcoholic liquor in accordance with the provisions of this chapter and ORS 474.105 and  
 39 474.115.

40 (2) To grant, refuse, suspend or cancel licenses, **endorsements** and permits for the sale or  
 41 manufacture of alcoholic liquor, or other licenses and permits in regard *[thereto, and to permit, in*  
 42 *its discretion,]* **to alcoholic liquor, and to allow, in the discretion of the commission,** the transfer  
 43 of a license of any person.

44 (3) To collect the taxes and duties imposed by statutes relating to alcoholic liquors, and to issue,  
 45 and provide for cancellation, stamps and other devices as evidence of payment of such taxes or du-

1 ties.

2 (4) To investigate and aid in the prosecution of every violation of statutes relating to alcoholic  
 3 liquors, to seize alcoholic liquor manufactured, sold, kept, imported or transported in contravention  
 4 of this chapter and ORS 474.105 and 474.115, and apply for the confiscation thereof, whenever re-  
 5 quired by statute, and cooperate in the prosecution of offenders before any court of competent ju-  
 6 risdiction.

7 (5) To adopt *[such regulations as are necessary and feasible]*, **amend and repeal rules** for car-  
 8 rying out the provisions of this chapter and ORS 474.105 and 474.115 *[and to amend or repeal such*  
 9 *regulations. When such regulations are adopted they shall]*. **Rules adopted under this subsection**  
 10 have the full force and effect of law.

11 (6) To exercise all powers incidental, convenient or necessary to enable it to administer or carry  
 12 out any of the provisions of this chapter and ORS 474.105 and 474.115.

13 (7) To control, regulate and prohibit any advertising by manufacturers, wholesalers or retailers  
 14 of alcoholic liquor by the medium of newspapers, letters, billboards, radio or otherwise.

15 (8) To sell, license, regulate and control the use of alcohol for scientific, pharmaceutical, man-  
 16 ufacturing, mechanical, industrial and other purposes, and to provide by regulation for the sale  
 17 thereof for such uses.

18 **SECTION 10.** ORS 471.745 is amended to read:

19 471.745. The Oregon Liquor Control Commission *[shall fix the prices at which alcoholic liquors*  
 20 *containing over five percent alcohol by volume may be purchased from it, and has power to]* **may**  
 21 bottle, blend, rectify, manufacture or sell alcoholic liquors for itself, or for or to any person or  
 22 commission within or without this state.

23 **SECTION 11.** ORS 471.750 is amended to read:

24 471.750. (1) The Oregon Liquor Control Commission shall establish such **liquor** stores and  
 25 warehouses in such places in the state as in its judgment are required by public convenience or  
 26 necessity, for the sale of spirituous liquors, wines and other alcoholic liquors containing over five  
 27 percent alcohol by volume, in sealed containers for consumption off the premises. The commission  
 28 shall keep on hand in such stores or warehouses such quantities and kinds of alcoholic liquors as  
 29 are reasonably required to supply the public demand.

30 (2) **Except as provided in this subsection**, any person qualified to purchase such liquors from  
 31 the commission has the right to present to the commission, or at any of its stores, an application  
 32 for any kind or brand of alcoholic liquor that the person may desire and that may be manufactured  
 33 or obtainable in any place in the United States, and the commission shall obtain such liquor and sell  
 34 it to the applicant. **An off-premises sales licensee that holds a distilled liquor endorsement**  
 35 **may not present an application under this subsection by submitting the application to a li-**  
 36 **quor store.** The commission may not require that an application for a kind or brand of alcoholic  
 37 liquor include a commitment to purchase a minimum amount of the liquor or require that a purchase  
 38 be for more than one container of a kind or brand of alcoholic liquor if the liquor:

39 (a) Except as provided in subsection (5) of this section, has a **minimum** retail *[sales]* price of  
 40 \$30 or more per container;

41 (b) Is available through a distributor in the United States that does not require the commission  
 42 to acquire more than one case of the distilled liquor in a single transaction;

43 (c) Is not regularly stocked by the commission; and

44 (d) Is ordered in a 750 milliliter container size if available in that size.

45 (3) The commission may not establish a **liquor** store in any county or incorporated city of this

1 state where a local prohibitory law is in effect. The commission shall adopt rules governing adver-  
 2 tising by **liquor** stores operated by [*the commission*] **retail sales agents**. The commission may ap-  
 3 point **retail sales** agents in the sale of said liquor under such agreement as the commission may  
 4 negotiate with said agents or their representative.

5 (4) Rules relating to advertising adopted by the commission under subsection (3) of this section  
 6 shall allow signs and displays within [*its*] **liquor** stores for the purpose of supplying consumer in-  
 7 formation to customers, including but not limited to discounts, sales and other specials. Commission  
 8 discretion with respect to those signs and displays shall be limited to regulation of the content, size,  
 9 number per brand, type and duration of the sign or display. Signs and displays may be supplied by  
 10 manufacturers, wholesalers or distributors, and may bear the name of a particular distillery, supplier  
 11 or brand of liquor. The use of signs and displays shall be optional with the **retail sales** agent ap-  
 12 pointed by the commission **to operate the liquor store**. Signs or displays authorized by the com-  
 13 mission may not be placed in positions within the store where the sign or display would be readily  
 14 visible from outside of the store.

15 (5) The commission may annually adjust the price threshold established in subsection (2)(a) of  
 16 this section by a percentage equal to the percentage change in the Portland-Salem, OR-WA Con-  
 17 sumer Price Index for All Urban Consumers for All Items as published by the Bureau of Labor  
 18 Statistics of the United States Department of Labor. However, the commission may not adjust the  
 19 price threshold to be less than \$30.

20 **SECTION 12. (1) The Oregon Liquor Control Commission shall establish initial wholesale**  
 21 **and minimum retail prices for distilled liquor under section 2 of this 2014 Act no later than**  
 22 **January 1, 2015. The commission shall require each retail sales agent for a liquor store to**  
 23 **establish prior to March 1, 2015, the initial retail prices for which the liquor store will sell**  
 24 **distilled liquor to the public on or after March 1, 2015.**

25 (2) **The commission shall make distilled liquor endorsements available for issuance no**  
 26 **later than January 1, 2015. An off-premises sales licensee that is issued a distilled liquor**  
 27 **endorsement prior to March 1, 2015, may purchase distilled liquor from the commission as**  
 28 **provided under section 4 of this 2014 Act but may not sell distilled liquor to the public prior**  
 29 **to March 1, 2015.**

30 **SECTION 13. (1) Any agreement between the Oregon Liquor Control Commission and a**  
 31 **retail sales agent entered into or renewed on or after the effective date of this 2014 Act and**  
 32 **prior to March 1, 2015, must provide that beginning on March 1, 2015, the agreement is sub-**  
 33 **ject to section 3 of this 2014 Act and that:**

34 (a) **Subject to section 2 of this 2014 Act, the retail sales agent shall establish the retail**  
 35 **price for which the liquor store operated by the retail sales agent sells distilled liquor to the**  
 36 **public on or after March 1, 2015; and**

37 (b) **Compensation of the retail sales agent from distilled liquor sales made on or after**  
 38 **March 1, 2015, shall be the difference between the wholesale price of the distilled liquor sold**  
 39 **at the liquor store and the retail price for which the liquor store sells the distilled liquor to**  
 40 **the public or to a licensee under ORS 471.175 (4).**

41 (2) **No later than January 1, 2015, the commission shall offer any retail sales agent op-**  
 42 **erating a liquor store under an agreement entered into or renewed prior to the effective date**  
 43 **of this 2014 Act the opportunity to enter into a modification of the agreement to provide that**  
 44 **beginning on March 1, 2015, the agreement is subject to section 3 of this 2014 Act and that:**

45 (a) **Subject to section 2 of this 2014 Act, the retail sales agent shall establish the retail**

1 price for which the liquor store operated by the retail sales agent sells distilled liquor to the  
2 public on or after March 1, 2015; and

3 (b) Compensation of the retail sales agent from distilled liquor sales made on or after  
4 March 1, 2015, shall be the difference between the wholesale price of the distilled liquor sold  
5 at the liquor store and the retail price for which the liquor store sells the distilled liquor to  
6 the public or to a licensee under ORS 471.175 (4).

7 (3) If a retail sales agent operating a liquor store under an agreement entered into or  
8 renewed prior to the effective date of this 2014 Act elects not to enter into a modification  
9 of the agreement offered as described in subsection (2) of this section, the commission shall  
10 terminate the agreement as of March 1, 2015. If the agreement contains provisions govern-  
11 ing termination, the commission shall terminate the agreement under this subsection in a  
12 manner consistent with the provisions.

13 **SECTION 14.** The Oregon Liquor Control Commission shall report to an interim com-  
14 mittee of the Seventy-eighth Legislative Assembly in the manner provided by ORS 192.245  
15 no later than September 1, 2015, regarding the implementation of this 2014 Act. The report  
16 must include, but need not be limited to:

17 (1) The number of distilled liquor endorsements issued to off-premises sales licensees  
18 prior to the report date;

19 (2) A brief description of rules adopted by the commission governing distilled liquor sales  
20 by off-premises sales licensees;

21 (3) To the extent practicable, data regarding the ability of liquor stores operated by retail  
22 sales agents to compete with off-premises sales licensees for distilled liquor sales;

23 (4) To the extent practicable, data regarding distilled liquor sales and pricing impacts  
24 resulting from the issuance of distilled liquor endorsements;

25 (5) A description of any material changes in revenues received by the Oregon Liquor  
26 Control Commission Account as a result of changes in distilled liquor sales and pricing;

27 (6) A description of the revenue impact of issuing distilled liquor endorsements to off-  
28 premises sales licensees, including but not limited to fee revenue and costs of administration  
29 and enforcement;

30 (7) To the extent practicable, data concerning the public safety impacts of issuing dis-  
31 tilled liquor endorsements to off-premises sales licensees, including but not limited to  
32 changes in the acquisition of distilled liquor by persons under 21 years of age;

33 (8) To the extent practicable, data concerning the impact on Oregon distilleries resulting  
34 from the issuance of distilled liquor endorsements to off-premises sales licensees; and

35 (9) To the extent practicable, an estimate of short-term budget needs and impacts re-  
36 sulting from issuing distilled liquor endorsements to off-premises sales licensees, including  
37 but not limited to budget needs and impacts regarding:

38 (a) Administration, enforcement, distribution and revenue collection costs; and

39 (b) Nonrecurring capital investment needs.

40 **SECTION 15.** Notwithstanding section 4 (4) of this 2014 Act, in addition to any other au-  
41 thorized purposes, prior to January 1, 2016, the Oregon Liquor Control Commission may ex-  
42 pend moneys collected from distilled liquor endorsement fees and deposited to the Oregon  
43 Liquor Control Commission Account for the purpose of paying any costs incurred by the  
44 commission in the implementation and carrying out of this 2014 Act.

45 **SECTION 16.** This 2014 Act being necessary for the immediate preservation of the public

1 **peace, health and safety, an emergency is declared to exist, and this 2014 Act takes effect**  
2 **on its passage.**

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