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Measure Description:
Requires OLCC to establish separate compensation schedules for distillery retail outlet agents and liquor store agents, and creates changes to a wholesale alcohol pricing model.

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

Summary of Fiscal Impact:
Costs related to the measure are indeterminate at this time - See explanatory analysis.

Analysis:
SB 108 with the - 2 amendment changes central components of the Oregon Liquor Control Commission (OLCC) business model.

Current OLCC operations
Under current processes, distilled spirits owned by OLCC are sold to customers at retail liquor stores by store owners who are considered agents of the Commission. Agents are compensated based on store type, annual sales volume, and a variable rate based on sales. Licensed distilleries can also sell bottles of their own products under a distillery retail outlet agent agreement with OLCC, and are compensated in a similar way. However, distillery products are not owned by the Commission, so distilleries operate under a different business model.

Changes under SB 108 - 2
SB 108 - 2 would require OLCC to develop separate compensation schedules for retail agents and distilleries. OLCC would also be required to designate separate expenditure limitations in their agency request budget for each compensation type (retail agents and distilleries). The agency request budget is to be based on forecasted biennial sales, but limitation can be increased if actual sales exceed forecasted sales.

This measure also makes changes to how liquor is priced. Under this measure, OLCC can set wholesale prices at which liquors with over 5 percent alcohol by volume may be supplied to agents. The measure would then allow retail agents to set prices that exceed OLCC wholesale prices and retain the difference, though markups cannot exceed a fixed percentage which is not yet determined.

Fiscal impact of this measure
Because this bill seemingly changes core OLCC business processes, it is difficult to estimate the expenditure impact, particularly in the 2021-23 biennium. There are indeterminate impacts to agent compensation and operations costs. OLCC is unsure how changes in pricing structures will affect revenues, which could impact distributions to the General Fund, Cities and Counties.

Based on data from other states, OLCC does anticipate at least a $3 million impact in 2019-21 to develop an IT infrastructure that can handle new pricing and inventory processes.

The anticipated revenue and expenditure implications associated with this measure warrant a referral to the Joint Committee on Ways and Means.