

SB 108 A STAFF MEASURE SUMMARY

Senate Committee On Business and General Government

Action Date: 04/04/19

Action: Do pass with amendments and requesting referral to Ways and Means. (Printed A-Engrossed.)

Vote: 5-0-0-0

Yeas: 5 - Dembrow, Girod, Hass, Olsen, Riley

Fiscal: Fiscal impact issued

Revenue: Revenue impact issued

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Meeting Dates: 4/2, 4/4

WHAT THE MEASURE DOES:

Requires OLCC to establish separate compensation schedules for distillery retail outlet agents and liquor store agents. Compensation schedule for distillery retail outlet agents shall be graduated percentage of the sales of distilled liquors that is inversely related to amount of gross liquor sales. Requires OLCC to designate in biennial agency request budget separate expenditure limitations for each compensation schedule. Requires proposed expenditure limitation for compensation of distillery retail outlet agents be based on forecasted biennial sales, and report need for increase in expenditure limitation if sales exceed forecast. Requires OLCC to set wholesale prices at which alcohol liquors containing over five percent alcohol by volume may be supplied to agents. Authorizes agent to fix retail prices no more than an undetermined percent above the OLCC wholesale price and to retain difference between retail price and wholesale price. Makes wholesale and retail price provisions operative July 1, 2021.

ISSUES DISCUSSED:

- Benefits of creating compensation schedule and expenditure limit that supports operation and growth of Oregon distilleries
- Opportunities to modernize Oregon's liquor regulation model
- Impact of current regulations on distiller and retail agent revenues
- Local government reliance on liquor revenues and concerns about any changes that could reduce local government revenue

EFFECT OF AMENDMENT:

Replaces measure.

BACKGROUND:

The Oregon Liquor Control Commission (OLCC) oversees the sale of alcoholic beverages and recreational marijuana to allow access to responsible adults while protecting Oregon's public health, safety, and community livability. The OLCC was created in 1933 during a special session of the Legislative Assembly following the end of national prohibition. The OLCC sells distilled spirits through 279 approved retail liquor store agents. Agents are compensated using a formula which includes both a fixed rate determined by the type of store and annual sales volume and a variable rate based on sales. Licensed distilleries can sell bottles of their own products at their tasting rooms if they have a distillery retail outlet agent agreement with the OLCC. Distillers are compensated like a retail liquor agent.

Senate Bill 108-A requires the OLCC to develop separate compensation schedules and expenditure limits for distillery retail outlet agents and retail liquor agents. The measure also allows retail liquor agents to set retail prices that exceed the OLCC wholesale prices and retain the difference. Retail markups may not exceed a fixed

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percentage yet to be established in the measure.