SB 1565 -3 STAFF MEASURE SUMMARY

Joint Committee On Ways and Means

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Meeting Dates: 2/27, 2/28

WHAT THE MEASURE DOES:
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 and 17 percent for annual retail sales over $250,000. 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.

ISSUES DISCUSSED:
- Fiscal impact of the measure
- Effect of the amendment

EFFECT OF AMENDMENT:
-3 The amendment sunsets the compensation rates established by the measure. The compensation rates take effect January 1, 2021 and expire January 1, 2025. The amendment also increases the Oregon Liquor Control Commission's expenditure limitation in the 2019-21 biennium by $950,000 Other Funds.

BACKGROUND:
Distilleries sell their own liquor out of their tasting rooms. In addition to the main distillery, each distiller is allowed a maximum of five tasting rooms, for a total of six tasting rooms. Currently, there are approximately 65 distilleries in Oregon, which sell liquor out of 105 tasting rooms. Under current law, liquor sales through tasting rooms are treated the same as liquor sales in liquor stores, applying the same compensation formula, markup formula, surcharge and listing process. Unlike liquor stores, however, OLCC never handles the liquor sold in tasting rooms. Distillers must file weekly sales reports with OLCC and remit their net profit to OLCC, which the agency then distributes every month (minus its costs of operation) to the General Fund, cities and counties, according to a statutory distribution formula.

The measure changes the current formula of calculating distillery retail outlet agent compensation and requires OLCC to calculate the compensation rate to distillery retail outlets. It requires OLCC to compensate distillery retail outlet agents at the rate of 45 percent of the first $250,000 in annual retail sales and then 17 percent for all sales above the $250,000 threshold.

Throughout the last biennium, the compensation rate for retail agents has averaged approximately 16-17 percent, which OLCC set by policy under the expenditure limitation allowed in its 2019-21 budget. In Fiscal Year 2019, for example, the compensation rate for distillery retail outlet agents was approximately 16% of retail sales, totaling $1.54 million. According to OLCC, only nine Oregon distilleries had more than $250,000 in sales in FY 2019; if this trend were to continue, the remaining distilleries would 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 total liquor revenues by $950,000 in the 2019-21 biennium and $4.04 million in the 2021-23 biennium.