FISCAL IMPACT OF PROPOSED LEGISLATION **Measure: HB 2740 <REVISED>**

81st Oregon Legislative Assembly – 2021 Regular Session
Legislative Fiscal Office

Only Impacts on Original or Engrossed Versions are Considered Official

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Measure Description:
Establishes compensation schedule for the Oregon Liquor Control Commission retail sales agents.

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

Summary of Fiscal Impact:
Costs related to the measure are anticipated to be minimal - See analysis.

Analysis:

<REVISED FISCAL IMPACT STATEMENT>

The measure creates a compensation schedule for Oregon Liquor Control Commission retail sales agents. It directs OLCC to compensate retail sales agents according to a classification system of retail stores based on their annual sales, their location, and other defined wage increases. The compensation schedule will apply to compensation paid to a retail sales agent on or after July 1, 2021. The measure takes effect on passage.

Currently, retail sales agent compensation is based on a commission approved compensation formula. Depending on the type of store (exclusive or non-exclusive), the agent will receive a fixed base allowance, plus a variable sales commission. The current compensation formula is based upon a store's total annual sales and the mix of sales between consumers and licensees (e.g., bars, restaurants). The current variable sales commission rates are 8.20% for consumer sales and 6.40% for licensee sales, but OLCC may adjust the variable sales commission in order to maintain the legislatively approved overall disbursement rate of 9.02% of liquor sales by the end of the biennium. The measure changes the compensation formula by employing a different set of factors, including annual sales, location, and other defined wage increases, and codifies the new compensation formula in statute, so OLCC will be unable to adjust the formula on its own.

The measure parallels changes proposed by OLCC in Policy Option Package 108, which expands the number of store classes for base compensation from six to 10; increases the base compensation for stores, depending on their annual sales; and considers where a liquor store is located and additional escalators in the base compensation for minimum wage and the cost of retail space. OLCC requests an increase of $13.5 million in Store Operating Expense over the 2021-23 current service level to implement POP 108.

OLCC already collects the information necessary for the compensation formula; thus, the agency is prepared to implement the measure without any additional staffing or any additional fiscal outlay. However, OLCC estimates that increasing average agent compensation from 9.02% to 9.86% will impact General Fund revenues and distributions to cities and counties by approximately $13.5 million Other Funds in the 2021-23 biennium. This revenue impact is based on several factors, including total projected liquor sales (and whether the formula moves stores up or down in the 10 class sizes), forecasted population growth from 2020 to 2029, and state income growth forecasts, which are the agency’s main predictors of consumption.

The measure requires a subsequent referral to the Joint Committee of Ways and Means for consideration of its impact on General Fund revenues and its impact to the distribution formula to cities and counties from liquor sales.