FISCAL IMPACT OF PROPOSED LEGISLATION **Measure: HB 2740 - A**

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 Oregon Liquor Control Commission retail sales agents. Resolves conflicts with House Bill 2264 (chapter 180, Oregon Laws 2021).

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

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

Analysis:
House Bill 2740, A-engrossed, creates a compensation schedule for Oregon Liquor Control Commission (OLCC) retail sales agents. The measure 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 resolves conflicts HB 2264 (chapter 180, Oregon Laws 2021). It references the new compensation formula in HB 2264, which allows OLCC to negotiate the sale price of distilled liquor with Indian tribes and commercial airlines. 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 made by Policy Option Package 108 in OLCC’s 2021-23 biennial budget, which updates the compensation rates for liquor store agents. In 2019-21, OLCC worked with liquor store agents to examine the current liquor store agent compensation formula, which had remained largely unchanged since 1986. Package 108 updates the compensation formula to increase the number of compensation classes from six to 10 classes and includes retail lease and wage escalators to reflect costs in various regions of the state. As part of OLCC’s 2021-23 budget, LFO recommended an increase of $13.5 million Other Funds in Store Operating Expenses above the 2021-23 current service level to implement this package.

OLCC already collects the information necessary for the compensation formula; thus, OLCC is prepared to implement the measure without any additional staffing or any additional capital outlay. However, OLCC estimates that changing the compensation formula and incorporating the factors included in the measure 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, all of which are the agency's main predictors of consumption.