

HB 2976 A -A3 STAFF MEASURE SUMMARY

House Committee On Revenue

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Sub-Referral To: Joint Committee On Ways and Means

Meeting Dates: 4/25, 5/25

WHAT THE MEASURE DOES:

Establishes Oregon Spirits Board as semi-independent state agency to develop and promote Oregon's distilled spirits industry consisting of nine members appointed by the Governor. The measure requires the Board to prepare and submit annual plans and budget recommendations to the Oregon Liquor and Cannabis Commission (OLCC). Imposes 50 cents per bottle surcharge on distilled liquor manufactured in Oregon. Takes effect on 91st day following adjournment sine die, however, Sections 1 to 7 of this Act become operative on January 1, 2025.

ISSUES DISCUSSED:

- Distillers' guild background on the industry.
- Need for the new board to have a stable source of revenue (50 Cents).
- Similarities with and difference from the Wine Board.
- Brand Oregon to establish world class industry.
- Use some money from per the bottle charge. \$5 million from Oregon distillers out of \$45 total.
- Tasting rooms and in-state distillers.
- Social Impacts of alcohol, and addiction.
- Diversion from the General Fund.

EFFECT OF AMENDMENT:

-A3 Changes the distribution of revenue to an annual transfer of the first \$2 million from the OLCC collection of the per bottle surcharge that is generated from Oregon distilleries, while the rest of the revenue is transferred to the General Fund. Continuously appropriates that \$4 million in a biennium to the Oregon Spirits Board which created by the measure. Allows for the \$2 million revenue transfer to be annually adjusted to inflation using the western Region CPI. Lists the Oregon Spirits Board with the semi-independent state agencies. keeps the operative date as January 1, 2025.

BACKGROUND:

Modeled after the Oregon Wine Board, established as the Oregon Wine Advisory Board in 1983 and changed to the Oregon Wine Board in 2003. The wine Board gets two cents of the wine tax (\$700,000 in a biennium) and about \$4 million from the Gape Tax (\$25/Ton by ORS 473.045). This measure establishes a similar model for spirits, the Oregon Spirits Board (OSB).

The purpose of OSB is to promote Oregon's distilled spirits industry nationally and internationally, grow the distilled spirits industry through product distribution and tourism, develop educational opportunities and materials for industry members, and create and maintain a long-term strategic plan and use the long-term strategic plan to guide granting and funding decisions of the board. The measure requires the Oregon Spirits Board to use allocated funds to promote and grow the Oregon distilled spirits industry. The measure requires the Board to submit a report, no later than April 1 of each even-numbered year to the Legislative Assembly regarding the economic impact of the distilled spirits industry in Oregon. In addition, the measure funds the OSB through a 50-cent bottle surcharge on distilled liquor that is manufactured by a distillery licensee and sold to the commission in containers larger than 50 milliliters; this surcharge is in place of and not in addition to any other per bottle surcharge on distilled liquor manufactured by a distillery licensed under ORS 471.230. There is currently

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a 50-cent surcharge on all bottles sold in Oregon, generating an estimated \$45 million during the biennium for deposit into the General Fund. If the OLCC continues this surcharge for the coming biennium, this measure would divert the surcharge on bottles produced by Oregon distillers (around \$5 million in a full biennium) to support the newly created Distilled Spirits Board, resulting in a decrease of that amount to the General Fund.

The measure becomes operative January 1, 2025, and allows the Office of the Governor and OLCC to take action before the operative date.