ASSOCIATED LIQUOR STORES OF OREGON

Partners for Oregon's Future

Testimony in Support of

Increasing Agents' Compensation In HB 5023 Oregon Liquor Control Commission Budget

Presented to the

Ways and Means Subcommittee on Transportation and Economic Development

March 21, 2013

Good afternoon Co-Chairs Johnson, Representative Jenson and members of the committee, I am Marshall Coba representing the Associated Liquor Stores of Oregon (ALSO). Thank you for this opportunity to strongly urge your support for increasing agents' compensation from the current statewide average of 8.88%. It has been 11 years since this legislatively approved commission rate was increased. Now is the time to increase this line item in the OLCC budget.

First let me state the obvious: the current system is working. Sales of distilled spirits in Oregon continue to rise and as Director Lindsey stated on Wednesday, the expectations are for a strong market going forward. We again have surpassed projections for 2011-13 and are close to $1,000,000,000 in biennial sales.

These are remarkable figures and are a testament to the professionalism and commitment of our 249 agents across the state. We believe the OLCC is a sales organization and we, the contract agents working on a sales commission, are the vital conduit between our consumers and a very highly taxed and revenue producing product but also a product that when misused can be very dangerous to the user and the public at large. We take our role as this conduit very seriously and make public safety our number one priority on a daily basis.

I am pleased that our relationship with the Commission is going very well. Chair Skinner has been very open and sincere in her work with us and she is committed to finding solutions to issues that have bogged us down for years. This is very encouraging.

As of you know, every successful sales organization constantly invests, educates, supports, gives incentives and works closely with their sales staff. We are concerned about the lack of investment in this very dynamic and successful system over the past decade and feel that if Oregon truly wants to continue the control state system that we currently enjoy, we must invest in the system or face the potential for others to decide

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our fate. The promise of this system relies upon its front line sales agents. We must invest to keep it viable and to help it reach its promise.

We believe we can generate more sales resulting in more revenue for the state and local governments, and more general funds for this committee to have available to spend on important programs serving Oregonians.

A brief history of store operating expenses (agent compensation) shows:

- 1992, a slight increase;
- 1997, a slight increase;
- 1999, The OLCC booklet "A Retail Business Plan for Year 2000 and Beyond". This document describes retailing goals including improving shopping opportunities, provide friendly and attractive shopping environments, improve customer service, lengthen store hours, and increase revenue to benefit state and local governments. We support these goals. As business people, we realize that investing in better locations with longer more convenient hours and a knowledgeable and helpful staff will benefit all partners in liquor retailing.
- 2003, on February 13 the Oregon Alcohol Beverage Task Force appointed by Governor Kitzhaber and chaired by Mayor Rob Drake of Beaverton recommends an increase in agent compensation as its second of thirteen recommendations;
- 2003, for the first time in recent history a unified industry including OLCC Chairman Lang, distillery representatives, agents, key legislators and other interest groups all spoke in favor of increasing agent's compensation;
- 2003, a slight increase from 8.54% to 8.88% (following a temporary decrease in agent compensation from an average of 8.54% to 8.45 % that resulted in a $450,000 decrease in agent compensation for 4 months);
- 2005, a budget note for the OLCC to do a study on the fairness of the compensation level, $434,000 is budgeted for the study;
- 2007, the $434,000 study outlined in the 2005 budget note is not completed in time for consideration this session (final report presented on June 7);
- 2007, following the legislative session, a 2007 Liquor Agent Compensation Task Force was formed to implement a "solution" based upon findings from the study;
- 2007, October 31, Ways and Means co-Chairs Schrader and Nolan co-sign a letter to the 2007 Liquor Agent Compensation Task Force stating "We look for a resolution that can be acted upon during the 2008 (February)

session. We do not want to revisit the issue. We await your suggested solution and will act upon it at the first available opportunity."

- 2007, Agent Compensation Task Force consensus item #1, move store operating expense to a non-limited budget item; #2 implement a sales
- incentive plan; #3 increase store operating expense from 8.88% to 9.5%, supported by 4-0 vote by Commission.
- 2008, the February special session tees up a proposal to increase agent compensation but it is not implemented;
- 2009, $1.9 million in agents compensation is withheld, retroactively, from agents to help balance the 2007-09 budget. Most of this $1.9 million is paid back over the next year with proceeds from a newly implemented .50 cent per bottle surcharge. However, $500,000 has never been paid back to agents for sales they had already made. Unlike in 2003, there is no increase in compensation to return the money owed to agents. As of today, March 21, 2013, agents have not been paid back the $500,000;
- 2010, Washington voters defeat two ballot measures to significantly change the retailing of liquor;
- 2011, Governor Kitzhaber proposes moving store operating expenses to a non-limited budget item
- 2011, Washington voters privatize liquor retailing in the state. Chaos ensues.
- 2011, no increase in agent compensation
- 2013, to be determined

The history of this issue is clear. Agents, and other interested groups, have consistently advocated for adequate compensation.

Since 1992, liquor agents in Oregon have had a very small increase in our compensation percentage. When compared with increased costs in rent, insurances, personnel, utilities, computer requirements and other business inputs, Oregon has fallen behind in offering a fair return to agents. Many of our staff are low wage or minimum wage workers without benefits or health insurance. Additional funds would be used to invest in our people and our infrastructure.

In conclusion, we request your support for an increase in agent compensation. This is an investment that any prudent sales organization would make. We look forward to working with this sub-committee to develop an investment plan in our liquor stores to ensure we can continue to generate significant revenues for state and local programs, operate our stores safely and to ward off potential threats to the control state system.

Thank you for your consideration.