



MEASURE: HB 2007
EXHIBIT: 4
H BUSINESS & LABOR
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SUBMITTED BY: Bill Perry

Date: March 20, 2013

To: Members of the House Business and Labor Committee

From: Bill Perry, Vice President of Government Affairs
Oregon Restaurant & Lodging Association

Subject: Testimony in Opposition to HB 2007

To the Committee,

A few lottery-related bills have started to show up this legislative session, and I would like to begin the discussion on HB 2007 by telling you that from a market perspective, the Oregon Lottery is not growing. Instead, it has stagnated or decreased over the past few years, depending on your perspective. Lottery sales have been pretty flat since the indoor smoking ban took effect a few years ago. The number of video retailers over the past few years has also declined. The only place lottery play seems not to have suffered has been close to the Oregon border.

If passed, this law will affect other businesses close to the Washington Border, but let me talk specifically about Hayden Island, since it is an extreme example of the market forces at work between the two states.

We know there were two family-style restaurants previously on the Island, Chang's Mongolian Grill and Newport Bay. Both restaurants attempted to maintain business in this area, but neither was able to succeed financially.

There was also talk of a dry cleaner that closed long before there were multiple lottery retailers. The economics simply do not work out for most businesses in the area, and closing lottery retailers will not attract other types of businesses, especially with the uncertainty of the Columbia River Crossing looming. So, with current economic times, a pending closure from the bridge reconstruction, and local residents seeking to close businesses rather than to support them, this area isn't attractive to potential capital investments.

There have been comments about the amount of Washington License plates at these restaurants, because Janzen Beach and Hayden Island cater to Washington consumers who come to Oregon to avoid paying additional taxes. These locations provide a unique market force and nothing else. There are three major factors, and they are:

1. A lack of sales tax – making the Janzen Beach shopping center a major attraction to Washington Consumers.
2. Lower cigarette taxes – with Oregon’s price being \$1.87 per pack less than in Washington, the savings amounts to almost \$20 a carton for Washington consumers who will drive over the border.
3. Washington’s ballot measure on liquor – which increased sales volume in Oregon Liquor stores.

Given these facts, there are many stores in northern Oregon that could be harmed by this legislation, and video play is not the only risk.

The second largest revenue producer in the Oregon Lottery games menu is Keno. Video retailers do a majority of the Keno sales in Oregon. The game is not a favorite among retailers, but the Lottery tries to persuade retail partners to become “full service” retailers and provide all of the Oregon Lottery products. The other “traditional lottery” games that video retailers do very little of are the ones generally found in grocery stores.

If HB 2007 passes, you will most like see a sharp decrease in Keno sales, because most large volume retailers would eliminate the traditional games to reduce their risk.

We are not advocating for the specific retailers on the Island, or along the border; what we as an organization are concerned with is the fallout if HB 2007 is passed in such an unfair manner. Punishing a business that has made an investment merely due to market forces along a state border is unfair. Plus, this bill does not allow for time to come into compliance when those market forces shift. If 2007 passes and takes 10% of the retail contracts along the border out of business, what will be the impact on the next 10% of the retailers that were in compliance?

The Oregon Lottery system is complex and has been changing over the years; attempts to apply “simple” percentages in changing market conditions can have bigger costs than just one targeted area. The lottery passed a rule to prevent the “Hayden Island” problem from happening again, and it will close stores when the contract runs out. Consumers, however, will still be on the Island purchasing cigarettes from convenience stores and liquor from the OLCC store; Hayden Island laws do not change market shifts, they just reduce jobs and state revenue.

Submitted by Bill Perry, ORLA

August 7, 2012

TO: Bill Perry
FROM: Merle Lindsey, OLCC Deputy Director
RE: Border store sales, June

Bill,

Per your voicemail request, here are the sales for the border stores for the month of June. The sales for July have yet to be posted, once they are available and you are interested, I can forward that information to you. The statewide average for both dollars and volume are trending up.

Merle

June Over June Change in Total Sales of Oregon Liquor Stores On the Washington Border

Location	Change in June Revenue For Previous Year (June/2010 to June/2011)	Change in June Revenue For Current Year (June/2011 to June/2012)
Hermiston	16.28%	34.44%
Umatilla	12.40%	51.84%
Hood River	-0.22%	18.99%
Rainier	16.29%	60.41%
Milton-Freewater	4.15%	53.11%
The Dalles	0.47%	21.16%
Warrenton	-3.07%	37.29%
Portland - Kenton	2.31%	9.66%
Cascade Locks	9.94%	36.32%
Portland - Parkrose	0.84%	22.13%
Wasco	0.84%	17.59%
Astoria	4.73%	22.41%
Portland Rose City	18.73%	19.57%
Portland Jantzen Beach	11.77%	45.58%
Total State Sales	5.61%	11.59%

June 30, 2012

[1]
SALES STATISTICS

TWELVE MONTHS ENDED JUNE 30, 2012
COMPARED WITH TWELVE MONTHS ENDED JUNE 30, 2011

	Liquor Sales In Dollars			
	Current Year	Previous Year	Amount	%
July	\$ 40,023,416.19	\$ 38,864,982.74	\$ 1,158,433.45	2.98%
August	38,783,651.44	36,117,904.64	2,665,746.80	7.38%
September	37,167,973.11	35,120,213.43	2,047,759.68	5.83%
October	36,842,130.11	36,656,799.91	185,330.20	0.51%
November	37,682,085.30	36,075,240.54	1,606,844.76	4.45%
December	53,391,242.74	50,501,589.79	2,889,652.95	5.72%
January	32,279,814.04	30,575,955.65	1,703,858.39	5.57%
February	34,921,083.47	32,063,460.23	2,857,623.24	8.91%
March	39,003,881.68	34,978,762.59	4,025,119.09	11.51%
April	35,342,224.25	35,470,813.85	-128,589.60	-0.36%
May	39,047,873.97	35,268,742.69	3,779,131.28	10.72%
June	40,932,961.28	36,571,486.75	4,361,474.53	11.93%
Totals	\$ 465,418,337.58	\$ 438,265,952.81	\$ 27,152,384.77	6.20%

	Cases of Liquor Sold			
	Current Year	Previous Year	Increase - Decrease Amount	%
July	240,787	239,067	1,720	0.72%
August	237,179	213,471	23,708	11.11%
September	223,954	222,135	1,819	0.82%
October	223,238	223,161	77	0.03%
November	229,190	223,432	5,758	2.58%
December	307,857	297,793	10,064	3.38%
January	199,032	191,163	7,869	4.12%
February	206,972	195,046	11,926	6.11%
March	229,580	213,274	16,306	7.65%
April	211,398	213,798	-2,400	-1.12%
May	234,894	218,277	16,617	7.61%
June	247,510	225,489	22,021	9.77%
Totals	2,791,591	2,676,106	115,485	4.32%