ASSOCIATED LIQUOR STORES OF OREGON

Partners for Oregon's Future

Testimony Presented to the House Committee on Business and Labor
In Support of HB 2671
March 20, 2017

Good afternoon chair Holvey and members of the House Committee on Business and Labor, I am Marshall Coba representing the Associated Liquor Stores of Oregon in support of HB 2671. ALSO is a membership organization that represents Oregon's individually owned liquor stores that contract with the OLCC to sell distilled spirits statewide. Our member are small, medium and large stores and make up the vast majority of sales of distilled spirits in this state. Our focus has always been a commitment to maintaining Oregon's controls state system of liquor sales as we believe it is in the best interest of the public, consumers through the substantial choices in our stores and through a statewide pricing model, and to the new and continually expanding local distilled spirits industry that get shelf space because of the current system.

We appreciate the sponsorship of Rep. Nosse of this bill that will being some long overdue legislative attention to key issues affecting our system. Specifically we need a deeper look at the overall compensation system for liquor store owners that includes the commission on the percentage of sales; base compensation; and the overall formula that blends the commission and the base and results in the total return to store owners.

We believe that the current system needs additional investment. We are the a cash cow that returns the third most money to the general fund through our sales and deposits in the treasury on a daily basis. Along with income tax and the lottery, liquor sales are the major funders of schools, health care and other general fund issues. Sales have now exceeded $1 billion per biennium but the system labors under a system that hasn't been updated in some areas for more than 30 years. If we support the current system, and I think all do but the grocery industry that wants to change it similar to the debacle in Washington state, then we need to invest in the system.

Before a work session on this bill we will work with legislative counsel on a set of amendments to change the makeup of the Task Force. We support a smaller group of stakeholders to work on these key issues and think that seven members would be much better than the fifteen in the original bill.

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

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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, no increase in agent compensation
- 2015, slight increase in agent compensation to 8.93% because of changes to the base pay for non-exclusive stores.

As you can see, the history on agent compensation is significant. We support HB 2671 to help implement the anticipated outcomes from the Task Force on agent compensation.

Thank you for your consideration.