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Testimony to the House Committee on Business and Labor
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Oregon Liquor Control Commission
HB 2671
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This testimony is designed to provide a short historical reference for HB 2671 which creates a task force to study agent compensation.

The 2005 Legislative assembly requested that OLCC study the issue of compensation to determine its adequacy for meeting the current and future business needs of liquor agents. The goal of the study was to provide the legislature with a foundation that could support any adjustment to the current compensation schedule.

OLCC worked with representative liquor agents to craft a RFP document to solicit a qualified vendor to conduct the independent and impartial study. DHK Associates from Ridgefield, WA was hired to conduct the study and in June 2007 they presented their final report to the Commission. While the study concluded that in summary agents were adequately compensated DHK did make nine recommendations, two required legislative action and seven were recommendations that OLCC had the authority to implement. The study cost $425,000.

The next month, July 2007, OLCC Chairman Phil Lange directed that a Task Force of one commissioner, three liquor agents and three OLCC staff be formed to study the DHK results and report back with a list of recommendations to the Commission.

The task force held six meetings and reported an update to the Interim Ways and Means Committee in October and to the House Committee on Business and Labor in November. Final recommendations were presented to the Commission in December of 2007. Recommendations included adopting policies that support the sales growth of agencies in high density areas, expanding the list of related items that can be sold, consider adding wine sales, leave the current base compensation schedule unchanged for non-exclusive agents and phase out exclusive stores with sales over $1 million, extend the 2007 liquor agent compensation study into future years, implement an incentive bonus program to encourage sound business practices and upgrade facilities, remove the spending limitation from the Agent compensation budget and tie it solely to sales volume, and consider charging agents at actual cost for inventory losses up to 0.2% of the prior fiscal year.

The OLCC has implemented many of the recommendations – in the recent retail expansion, existing liquor agents can open more than two stores, the list of related items that can be sold has expanded including wine and beer, the base compensation schedule for non-exclusive agents has been maintained which shifts the bulk of the compensation to a rate based on each bottle sold and very small exclusive stores have been phased out. It takes legislative action to remove the spending limitation for variable sales, to add additional funding to create an incentive bonus program to offset costs of upgrading facilities, and to fund the cost of an updated compensation study.

In HB 2671, the OLCC is tasked with staffing the task force and we are prepared to do so should this bill pass.