

Good morning, Chair Nguyen and members of the Committee,

My name is Oliver Coker, and I am the owner of the Keizer and Woodburn Liquor Stores. I am also the current President of the Associated Liquor Stores of Oregon. I am joined today with Saleem Noorani current liquor store owner of the Cork and Bottle Shoppe in Corvallis and Albany. Saleem is the past president of ALSO. We are here today in support of House Bills 2120, 2121, and 2123.

Oregon Liquor Stores are proud to deliver the third highest revenue stream to state and local governments. We generate over \$1.7 billion in sales biannually. Each store is operated by independent small business owners many of whom are women and minorities. We focus on providing a secure retail environment, customer safety, convenience, and a high-quality shopping experience. Our sales commissions of 9.02% must cover payroll, taxes, maintenance, theft charges, and various other business costs. Only after those business expenses are paid, can we pay ourselves. The control state system works well and we support the continuation of the system along with a little modernization. Occasionally we have issues that need change or updates to align with modern business practices. The three bills before you today will go a long way in protecting the system and the small mom and pop business owners.

Beginning with HB2120. In previous years, liquor stores were paid a commission set by the Legislature. During that time, stores were paid a commission based on their sales, a fixed based rate and a variable rate which would fluctuate based on the OLCC budget. In 2021, with assistance from the OLCC and the Legislature, we passed a compensation package for liquor stores based on the CPI. The bill established monthly bases, a retail escalator, and a wage escalator to offset expenses faced by liquor store owners. The compensation package also created new store classes based on current and future sales.

Prior to the compensation package in 2021, store classes and monthly bases were fixed based on the Retail Operations Manual (ROM), which provides rules for the daily operation of liquor stores. The original intention of the 2021 compensation package was to **fix** store classes at a specific sales level as in the ROM. However, between 2022 and 2023 fiscal year, liquor stores lost nearly \$400,000 in compensation due to the store classifications not being fixed numbers. According to our figures, this has negatively affected 35 stores, including my Keizer location, where hiring decisions had to be made accordingly. As a small business it is nearly impossible to project a budget on something that is not in our control like the CPI. By fixing the store's classifications this will help stores better project our monthly compensation to operate our stores. House Bill 2120 will make the necessary adjustment to help stores plan accordingly.

In HB 2121, liquor agents are advocating to be classified as licensees for the purposes of alcohol beverage laws. Currently, liquor agents are contracted with the OLCC to operate liquor stores and are mandated under this contract to comply with the Retail Operation Manual (ROM). Generally, the rules and regulations are the same as any other licensed business that can sell packaged alcoholic beverages, except that liquor stores are selling distilled spirits.

As more stores have modernized by adding beer and wine to their offerings, there has been confusion regarding what OLCC enforcement can and cannot do. Over the past year, OLCC enforcement officers have arrived at stores around closing time, presenting their business cards and asserting their right to inspect the stores. In another instance, OLCC inspectors visited a store claiming they had received a complaint about an employee and the inspectors presented employment records for all that store's employees. In nearly 20 years of being a liquor agent, these practices were unprecedented.

Liquor stores are subject to the minor decoy operation like all licensees. However, liquor stores are currently treated differently because the fines are currently different. If a "licensee" fails a minor decoy typically a monetary fine

is assessed to the licensee. Currently if a liquor store fails a minor decoy within two years the penalty is much harsher and is placed in the agents file at the OLCC. If a liquor store fails two minor decoy operations per our contract with the OLCC the agent could possibly lose their store. House Bill 2121 aims to level the playing field by classifying liquor agents as licensees, ensuring consistent treatment across all entities that sell alcoholic beverages.

House Bill 2123 addresses a technical issue with Senate Bill 141, which was passed in 2015. The original bill aimed to compensate liquor agents for business losses if the state's control system were privatized in **any** way. In 2016, grocers had three initiatives on the ballot that were aimed to privatize liquor sales, and the one that progressed the furthest proposed creating a dual wholesale system where the state would continue warehousing and distributing to current liquor stores, while entities like Costco could act as wholesalers and retailers. HB 2123 aims to close this loophole. Additionally, to account for the stores investments in their businesses in delivering a more modern shopping experience the business loss compensation should be determined by a market based value. This adjustment would help ensure that liquor store owners remain confident in the success of their businesses in the event of privatization.

The OLCC contracts with 290 liquor stores across the state. Although we are contracted agents, we operate as small businesses that maintain a symbiotic relationship with the state. When our stores succeed, the state also benefits. Occasionally, we request minor adjustments from our partners, the OLCC, and the Legislature to enhance this shared success. HB2120, HB2121, and HB2123 are proposed amendments designed to strengthen our control system. Please help preserve the control system by supporting these bills before you today.

Thank you for the opportunity to present.

We are more than happy to answer any questions you may have at this time.