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Members of the Joint Committee On Addiction and Community Safety Response,

My name is Aaron Sarnoff. I am the co-founder of 2 Towns Ciderhouse, the largest craft cider producer in the nation as well as a former member of the HB3610 task force on addiction and alcohol taxation.

I am writing to urge you to oppose HB3197 which is Representative Sanchez's 3rd attempt at a new alcohol tax. But, to fully understand the context of HB3197, we must first discuss the earlier two extreme alcohol tax proposals, HB3296 and HB3312 and the events over the last year that lead us here.

Representative Sanchez indicated in the public hearing that she did not want to damage the alcohol industry. While this may be true, those who she chose to work with to construct HB3296 and HB3312 did. Mike Marshall, the ex-executive director of the prohibitionist group, Oregon Recovers said that he "wishes to tax the alcohol industry out of existence." Both earlier tax proposals were at the request of Oregon Recovers and were designed to cause irreparable harm to the alcohol industry by increasing the taxes on the production or importation of alcohol in Oregon by over 1,400% and 2,600% respectively. Representative Sanchez defended both of these bills by indicating they were never intended to pass, rather, claiming her intent was to "scare the alcohol industry to the bargaining table." However, no invitation for discussion was extended to the alcohol industry prior to these two tax initiatives that would necessitate these aggressive tactics in order to start a conversation. No research was ever conducted on the potential harmful impacts of these tax proposals or even an understanding of the economic scale of the beer and wine industries to Oregon's economy. Both tax bills ultimately failed, prompting Representative Sanchez to call for the formation of the HB3610 task force to study the impacts of taxation and addiction in Oregon and to ultimately provide a recommendation on future alcohol taxes. I joined this task force representing the cider industry of Oregon. In total, the alcohol industry represented the minority voice of this task force, making up just 6 of 16 voting members and we were allowed to present at only 2 of 16 sessions.

Over the last year in the task force, we came to learn that nearly every claim in support of HB3296 & HB3312 were either false or misleading. Many of these claims persist in support of HB3197 today. This was one of the reasons that the majority of the task force **was not in favor of recommending a new tax**. No final vote was taken so as to avoid an official recommendation against new taxes. The task force was extended by 90 days beyond its original duration to accommodate public commentary after it became clear no recommendation in favor

of taxes would be produced in an effort to win in the court of public opinion if not the task force itself. The results of these comments were **87.5% against a tax increase** proposal. Because these comments contradicted the desired outcome, they were excluded from the task force's final report but are available for your review on the OLCC website. Of the minority comments in favor, all but 4 were an identical form letter written by Oregon Recovers while the letters in opposition included hundreds of unique voices from small producers to retailers to distributors to concerned individuals who were all against further attempts to damage Oregon's alcohol industry.

Below are claims that were made in support of increasing taxes found by our task force to be false or misleading:

- Oregon is not, nor was it ever 3rd worst in the nation in rates of addiction nor 47th in access to recovery services as was claimed. A letter in support of HB3197 was circulated to lawmakers last week repeating this claim as did presenters in-person at the public hearing. An OHA whistleblower wrote a letter to the entire membership of the HB3610 task force to set the record straight by informing us in reality the data from the National Survey of Drug Use and Health from which this claim was derived showed no statistically significant difference between Oregon and 37 other states in estimated rates of substance use disorders and we were instructed to cease making this claim. Oregon's "addiction epidemic" was based on a misrepresentation as the data actually showed Oregon is not statistically different from the majority of other states in this nation.
- During the process of the task force, we were told per capita alcohol consumption in Oregon was on the rise only to find OLCC tax records illustrated the opposite was true. The Oregon Health Authority's claim that consumption was growing was based on a conceptual model, not on any physical records. Per capita beer and wine consumption has been in decline for a decade according to the excise taxes paid on those commodities. Today marks the lowest per capita rate of consumption of beer and wine that has been recorded in Oregon for over 20 years. A reality that has been painfully felt by the 70 breweries, 60 wineries and 5 cideries who have had to shutter their doors in the past two years due to declining business and rising costs.
- OHA claimed that there were "multiple indicators that excessive consumption and binge drinking behaviors were on the rise" as Dr. Tom Jeane of the Oregon Health Authority was quoted in the Portland Business Journal. We found OHA came to this conclusion by comparing rates measured before and after a change in how these behaviors were being measured by the Behavioral Risk Factor Surveillance System. This change in methodology was exploited to falsely show upward trends when this comparison is not scientifically viable nor allowed by the CDC guidance. This issue was brought to the attention of the Oregon Health Authority during the task force and Dr. Sidelinger of OHA committed to stop using this comparison. However, a chart comparing these figures is included anyway in the HB3610 task force final report. Its inclusion in the report is designed to cause readers to infer worsening trends that the data does not support.

- We were told deaths resulting from excessive alcohol consumption were also on the rise. This claim was repeated in a letter to lawmakers last week and in presentations at the public hearing. Rates of death were compared in 2011 and 2022 to make this claim. However, these rates of death were not measured, rather they are based on a conceptual model OHA constructed to estimate *possible* death rates. The model attributes a percent of deaths from other causes such as cancers to alcohol based on the estimated rate of per-capita consumption. There is no medical examination to corroborate that these estimated deaths were actually related to alcohol in any way. 2022 was chosen as the end date because that data was captured during the height of the pandemic and that year was the highest rate of per capita alcohol consumption recorded. Current consumption post-pandemic has declined significantly and now is lower than it was in 2011. Using the same methodology employed to make the claim in the letter, current estimates would now show a rate of mortality lower than that of 2011 indicating declining rates of mortality, not increasing.
- Past tax proposals claimed that massive increases to alcohol taxes were necessary to curb excessive and youth consumption. Oregon Health Authority hired a highly respected and credible consulting firm, ECONorthwest, to study the impacts of taxation on these behaviors. ECONW concluded even the extreme tax increases proposed in HB3296 and HB3312 that would have made Oregon's alcohol taxes the highest in the nation, **would not be effective at reducing excessive or youth consumption**. This conclusion contradicted OHA, Oregon Recovers and Representative Sanchez's desire to increase taxes and so OHA collaborated with Mike Marshall, then Executive Director of Oregon Recovers, to suppress this publicly funded research according to OHA internal emails. Public records show OHA then cherry picked the data points from ECONW that did align with their political goals and falsely presented these as ECONW's complete conclusions. An author of the ECONW final report responded "OHA suppressed my research and misrepresented my findings." OHA lied in writing to lawmakers and our task force membership about these actions and their continuing collaboration with the neo-prohibitionist group, Oregon Recovers.
- It was claimed that funds from taxes levied on alcohol producers were needed to address a dire shortage of recovery beds in Oregon. However, we discovered that OHA came to this conclusion without ever once measuring the rates of usage of our current recovery assets. No measurement was ever taken on the number of recovery patients we were trying to treat, how often recovery beds were in use or how many patients had been turned away from treatment due to lacking capacity - including for youth services. Instead, OHA chose to rely yet again upon a conceptual model to estimate the possible recovery needs of the state. This type of model had never actually been used as the sole method of estimation before on a statewide scale as was done in Oregon, and its authors indicate that this model is most effective on the small community scale. They also indicate that the model was only as accurate as the data inputs used. One input used was the 2020 National Survey of Drug Use and Health estimate of the percent of

the population with a substance use disorder. The 2020 survey however, was retracted by its authors as it was deemed inaccurate by the Federal Government. I believe the 2020 data was, despite its known inaccuracy, chosen because it overestimated the rate of substance use disorders which inflated the resulting estimated recovery demand. While Oregon Health Authority's model never physically measured recovery capacity, it determined we lacked resources by nearly half. Meanwhile, a federal study called the National Survey of Substance Abuse Treatment Services conducted the same year **physically surveyed our recovery clinics** and found nearly 25% of our capacity was underutilized. This finding is in direct contradiction to Oregon Health Authority's modeled conclusions and yet is based on measured usage, not modeled assumptions.

- Finally, we heard testimony from recovery service providers contradicting the capacity claims of OHA in that they indicated that they regularly turn away patients while available capacity exists if those patients are on Oregon Health Plan/Medicaid. They indicated that OHP reimburses at a rate below the cost of providing treatment and so they ration the percent of capacity they make available to OHP patients. One provider indicated that they only made a maximum of 50% of their capacity available to OHP patients and that this was more generous than industry standards. Lacking private insurance is extremely common among those seeking recovery treatment and is likely the core issue impacting their inability to access recovery treatment .

It is with this backdrop that I write about this latest attempt to increase alcohol taxes through HB3197. We learned **this bill was drafted and shared with other lawmakers months prior to the final recommendations of the HB3610 task force** indicating our recommendations could not have informed this bill. Our findings showed taxes to be ineffective at controlling excessive or youth consumption according to ECONW and Mazen Malik, the legislature's top economist who referred to claims to the contrary as "wishful thinking." Regardless, Representative Sanchez wrote in a letter to lawmakers last week that the task force had informed her decision making in proceeding with HB3197.

Support for this bill is heavy on emotional heartstrings, but light on facts as again the facts are not in support of the proposed bill. As previously stated, per capita consumption is at a 20+ year low according to OLCC records. OHA's Oregon Healthy Teens Survey shows that binge drinking among youth has declined 44% since 2006. Additionally, there has been a 28% decline in the number of teens who reported to have consumed any alcohol in the past 30 days since 2013 according to the National Survey of Drug Use and Health. This bill purports to be designed to protect our youth from alcohol at a time when youth alcohol consumption trends have never been healthier. Meanwhile, Oregon restaurants, grocers, bars and alcohol producers are still suffering the impacts of the pandemic, being hit with inflation, suffering a slowing economy and now crippling tariffs threaten to drive up costs on packaging materials and raw ingredients.

OHA has never measured the number of youth who might need recovery services. No information currently exists as to the effectiveness of existing youth prevention programs, or even a catalog of what programs are currently in use as these programs are already mandated

by state law in every school district. This topic came up during the HB3610 task force and the poor information collected by OHA prompted fellow task force member, Annaliese Dolph, the director of Drug and Alcohol Policy Commission, to state that “the lack of data made her job nearly impossible.” There is no information as to whether additional funding is needed or to what scale and no plan exists in HB3197 quantifying specifically what needs this bill is intending to address. As with previous efforts we are putting the cart before the horse with tax revenues being the focus and their necessity or application secondary with no consideration as to the financial impacts to the economy. Alcohol is already the third largest source of revenue for the state contributing over \$500 million yet less than 3% of this existing tax revenue is allocated to mental health and drug addiction and recovery services. Additionally, at the 8% sales tax rate on beer and wine, HB3197 would tax Oregon consumers at a rate larger than the total current taxes collected from all alcohol categories including beer, wine AND spirits. HB3197 is more extreme in its costs to Oregonians than the earlier proposed 2,600% increase to excise taxes.

I ask for support in defending one of Oregon’s defining industries and that you join me in saying no to more illfounded proposals to increase taxes on Oregon consumers causing further damage to the already struggling beverage industry and the economy at large.

I would like to conclude by taking this moment to cordially invite all lawmakers and staff to visit my facility and others like it all across Oregon to understand personally what we do and the challenges our businesses are facing. We hope you will come to understand the benefit our businesses lend to every district in terms of jobs, commerce, tourism, agriculture and of course community building.

Thank you again for your time and consideration.

Aaron Sarnoff-Wood
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Member of HB3610 Task Force