These minutes contain materials which paraphrase and/or summarize statements made during this session. Only text enclosed in quotation marks

report a speaker's exact words. For complete contents of the proceedings, please refer to the tapes.

HOUSE COMMITTEE ON BUSINESS AND CONSUMER AFFAIRS SUBCOMMITTEE NO. 2

April 30, 1991 Hearing Room F 3:00 P.M. Tapes 14 - 17

MEMBERS PRESENT:Rep. Beverly Stein, Chair Rep. Carolyn Oakley Rep. Hedy Rijken Rep. John Schoon

STAFF PRESENT: Terry Connolly, Committee Administrator Annetta Mullins, Committee Assistant

MEASURES CONSIDERED: HB 2557 PH HB 2587 PH

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TAPE 14, SIDE A

010 CHAIR STEIN calls the meeting to order at 3:10 and opens the public hearing on HB 2557.

HB 2557 - DIRECTS INSURANCE POOL GOVERNING BOARD TO MAKE HEALTH INSURANCE OPTIONS AVAILABLE TO PERSONS AND FAMILIES WHO HAVE NO HEALTH INSURANCE. Witnesses:Rep. John Schoon Mrs. Joan Bennett Rocky King, Insurance Pool Governing Board and Oregon Medical Insurance Pool Board

The Preliminary Staff Measure Summary (EXHIBIT A) and the Legislative Fiscal Analysis (EXHIBIT B) are hereby made a part of these minutes.

010 REP. JOHN SCHOON introduces Mrs. Joan Bennett. We have a serious problem in not having adequate health insurance for large numbers of Oregonians. Joan and her huSB and, Lee, made a suggestion that is embodied in this bill.

024 MRS. JOAN BENNETT: At the time I talked to Rep. Schoon we did not have health insurance and still don't. I suggested that the state find some way to put together a group health insurance policy that would be made available to citizens in Oregon who do not have access to group insurance through their employers. The rates are so high for those who don't have access through their employers that they can't afford insurance. It seems if health insurance were available at a rate that individual families could buy it, a lot of them would have it. I think the state should make sure that every man, woman and child has access to health insurance. It is very depressing to know that you should have it and don't.

037 REP. SCHOON: After the bill was written, Rep. Hayden, a medical provider, said this is a good bill. Rep. Katz concurred it is an idea that should be explored. This bill seems to have potential. In Section 4 it talks about entering into "contracts" and in (b) it talks about different levels of "services." It seems we could have a very basic service to take care of ordinary health needs which I think could be at a comparatively low price. We could also have "major medical" on the other end of the spectrum. It seems building in different levels of service, at least cost, has some real potential.

056 ROCKY KING, Administrator, Insurance Pool Governing Board and the Oregon Medical Insurance Pool Board, representing Mr. Neibert, Chair, submits statistics on Oregon Health Plan Enrollment History by quarter April 189 - March 1991 (EXHIBIT C). >States have been left to themselves to come up with their own health care policies, funding sources and service designs. Oregon has been at the forefront in developing these programs. We have heard the figure of 400,000 uninsured within the state. The figure is growing and it is estimated there could be 450,000 to 500,000 and those are conservative estimates. It is growing because the cost is going higher and the array of options become much more difficult to understand and to work through some of the systems required to obtain health insurance.

The Legislature passed three bill in the last two sessions. You will have a prioritized list and the Legislature will be charged with making a decision where to fund the list. That is important because it becomes the standard benefit plan for not just the Medicaid population but for those enrolled in the Insurance Pool Governing Board programs, the high risk pool and if SB 1076 is successful, for all plans throughout Oregon. It becomes a replacement for the mandates that we currently have on the books.

The second program that was passed was SB 534, the high risk insurance pool. There are about 20,000 individuals in Oregon who, because of some health reason, are not enrolled through an employer and cannot get insurance. With a combination of the premium dollars, a state General Fund contribution of $1 million and the ability to assess the insurance industry, we were able to fund basically an indemnity type program for basic coverage for those individuals. We only had enough money for 1,000 policies for the first year of operation. We have reached that level. We currently have a waiting list of 172. The Governor's recommended budget does include a recommendation on a decision package to expand that pool to serve 2,150 policies.

SB 935 makes up the final leg of our health care policy. It operates under the policy that the public and private sectors have a joint responsibility to ensure access to a basic level of health care services. It charged the Insurance Pool Governing Board only with defining the basic level of health care services that can be purchased at a minimum cost and made available with a group product through employers who had not provided group health insurance the previous two years. It is a major medical or catastrophic-care oriented product. It is not a comprehensive medical insurance piece that I think will be defined under SB 27. It does not include a lot of the things Mrs. Bennett talked about in terms of preventative care. The eligibility is for those employers with 25 or less employees not having provided group health insurance for the previous two years and where the employer is willing to make a $40 minimum commitment toward the monthly cost of the premium. In doing that, they receive during the first two years a $20/month/employee tax credit. In 1991, that tax credit is $18.75. It is scheduled to go down $6.25 a year until it is phased out at the end of 1993.

There are five approved carriers that provide this plan. Some are statewide, most are in the metropolitan and Mid-Willamette areas.

161 He reviews the enrollment figures (EXHIBIT C).

172 The program has been successful from the standpoint that 9,000 people have enrolled in the program. It is bringing in additional dollars and reducing the cost share. The product that is provided for $53.33 is a major medical product. When you have an employee making $6-$9 an hour, having a $750 or $1,000 deductible is not really meaningful to them in terms of access to health care. It covers the loss of a car or a house in a major medical situation but it doesn't pay for preventive care services. The average premium for those is not $53.33. People have the option of choosing expanded coverage. I think our average premium now is closer to $75 to $80.

The average plan size is only 2.2 employees. Although we were hoping to get some of the employer groups with 10 or 15 employees, it has not happened. We are successful in the small self-employed or those who have only one or two employees. The average total members per plan, counting the spouses and children, is around four.

199 REP. STEIN: Is it possible that Mr. and Ms. Bennett could get coverage through the Insurance Pool Governing Board now?

199 MR. KING: If they are in business, they would be eligible, except that the plans do require health underwriting or health screening, except one which for groups of three or more does not. Each of the carriers does health underwrite and can exclude or reject people for health reasons. But if you are in business or a self-proprietor, Subchapter S corporation or incorporated, you are eligible to apply for this program and get a tax credit. An employee may not apply, except through the employer.

231 CHAIR STEIN: A bill is pending in the Senate which would include guarantee issue, which says you can't underwrite and have to provide insurance to any person who applies. If those reforms were to pass, would that mean that the individual and group market would be similar or the same?

237 MR. KING: SB 1076 would provide for groups of three. The group market self-employed ones and two would have access to the individual market and the high risk pool if they were uninsurable. It does provide guaranteed issue for groups of three to 25. If SB 1076 is passed and a standard benefit plan is adopted by the Legislature through prioritization of services and funding of SB 27, then the public as well as the private sector are going to have the same benefit plan. We are not going to be able to provide our current program. It will have to be whatever standard benefit plan is defined by the Legislature. The cost of that may be $80 or $100. In my opinion, it certainly would not be at $53.33. Our plan will probably increase to whatever the cost is of the standard benefit plan.

The board has not officially taken any position on HB 2557. We are trying to provide access to individuals for a reasonable price so they can obtain health insurance. I am not sure SB 1076 doesn't more fairly do that because it provides not only guaranteed issue, but it also provides a definition of a standard benefit plan for across-the-board access. It also provides for community ratings. I think there are some components to SB 1076 that will help us get to that objective.

275 REP. OAKLEY: What type of premium is the high risk group paying?

277 MR. KING: The premiums for the first year were established at 150 percent of the standard premium charged by the five largest indemnity carriers in the state. That ran from a low of about $71 to $150 depending on the age. We only bracketed it based on age. It included a

$500 deductible, 20 percent co-pay and a preferred provided reduced the rates a little on the premium side. The lifetime maximum was $500,000. We cut down in the mental health and drug and alcohol abuse area to keep some of the costs down. Those prices will increase by about 25 percent, which is medical inflation, in the next year.

In the Governor's recommended budget, the premiums reflect only about 50 or 55 percent of the total cost of providing those health care services. For every dollar that is paid in premium, we have another dollar loss for which we will have to assess the insurance industry.

319 MR. KING: In reviewing this bill, it would provide a public subsidy without regard to a means test. Anyone who is not covered with health insurance could enroll in our plan and obtain a tax credit through their individual tax return. With the limited resources we have, we think by exploring the sliding fee scale concepts as developed by Rep. Stein through the Joint Interim Health Committee and carrying out some more work on that we can try to target those precious state General Fund dollars to those who need it, not just those who choose to take advantage of it.

This does not expand access. HB 2557 does not guarantee issue. Those people who have a health condition or health history which precludes them from getting health insurance are not going to be eligible for this program. They will be medically underwritten and rejected as for individual policies. It also allows individuals to move from existing plans, whether it is group or individual coverage, to a basic package through the Insurance Pool Governing Board. We are not necessarily going to write a lot of new policies. We will get a lot of people who say I can get a $18.75 tax credit if I cancel this plan with carrier x and go to carrier y and sign up with one of the certified plans. I am not sure the net result will be the dramatic numbers of increases in enrollments we would like to see.

The alternatives are making sure we have adequate funding for the high risk pool, tracking SB 107 6 which I think will provide some open access and looking at SB 27 which is the expansion of the Medicaid to pick up those people who could use a tax credit who are earning the 58 to 100 percent of the poverty level who can't afford even a basic plan at this point.

373 REP. SCHOON: Are you sure HB 2557 entitles the person to a tax credit?

375 MR. KING: We thought because they became an eligible participant enrolled in the program, they would be eligible for the tax credit. It is something that could be under interpretation.

390 REP. SCHOON: That was not intended.

385 MR. KING: I suggest we get together with counsel to make sure clarifying language is included as an amendment.

390 REP. SCHOON: What is "basic care?"

391 MR. KING: We call it basic care as opposed to a standard plan. There is not a great deal of emphasis on preventive care. We need to move toward preventative care, which SB 27 is going to show.

414 REP. SCHOON: Where do you draw the line? If a person had a heart attach which required surgery and extensive therapy, would that be covered under a basic program or would the basic program cut it off at some limit?

419 MR. KING: That is covered under the high risk pool and the Insurance Pool Governing Board. I would consider that to be a major medical orientation.

426 CHAIR STEIN: I think the standard benefit package has not yet been determined. It will be determined as we work through the SB 27 rankings. Whatever is used for the Medicaid population will be lifted over into this proposal. They are working with the current simulation of medical which is not basic care, it is major medical.

441 CHAIR STEIN temporarily closes the public hearing on HB 2557 and opens the public hearing on HB 2587 to accommodate witnesses from out of town.

TAPE 15, SIDE A

HB 2587 - CREATES UNIFORM RATE OF TAX ON BEER AND WIND AT 4.36 CENTS PER OUNCE OF ALCOHOL CONTENT ON OCTOBER 1, 1991. Witnesses:Judge Ann Aiken, Governor's Task Force on Pregnant Substance Abusers John Bradley, Multnomah County District Attorney's Office Linda Meng, Pregnancy and Substance Abuse Task Force Roseanne Creighton, Citizens for a Drug Free Oregon Rep. Kevin Mannix Sen. Paul Phillips Rep. Kelly Clark Rep. Liz VanLeeuwen Rep. Judy Bauman Rodney Page, Ecumenical Ministries of Oregon Jack Miner, Timber By-Products, Albany Frank Long, Oregon Retired Educators Association and Drug Action Council Eric Knudsen, Portland Police Officer Bob King, Clackamas County Community Mental Health Program Don Ballinger, United Way Sandra Millius, Human Services Coalition of Oregon Bruce Piper, ADAPT and Alcohol and Drug Abuse Program Directors Association of Oregon Kate Brown, Women's Rights Coalition Paul Romain,Oregon Beer and Wine Distributors Association Mark Nelson, Public Affairs Council, Aneheuser-Busch John Powell, Miller Brewing Company Bonnie Hayes, Washington Co., Association of Oregon Counties Betty Griffith, Linn County Alcohol and Drug Treatment Program, Linn County

Board of Commissioners Jeff Kershner, Department of Human Resources, Alcohol and Drug Abuse Programs

007 MR. CONNOLLY reviews the Preliminary Staff Measure Summary (EXHIBIT D).

018 JUDGE ANN AIKEN, member, Governor's Task Force on Pregnant Substance Abusers, introduces Linda Meng and John Bradley.

JUDGE AIKEN: The three of us served on an eleven-member task force that looked at the issue of what to do with the devastation of children born with drug and alcohol effects from substance abuse during pregnancy. We put our recommendations in bill form and have worked at length with the Judiciary Committee and the Family Justice Subcommittee in order to come up with a package that is in Ways and Means. Our support for this legislation, HB 258 7, is for an alternative funding source for the package. In place of the resources needed for existing programs in human services, this offers an alternative funding source. This seems a natural link and an appropriate use for those dollars.

The data that was presented to us told us that in Oregon there were only 88 residential treatment beds at public expense for women. That is not the kind of infrastructure treatment that is necessary to deal with women much less the high risk category of pregnant substance abusers. There have been steps in the meantime to federally fund some beds and to put in place about 88 beds but that does not meet the demands in the communities now.

051 JOHN BRADLEY, District Attorney's office: I have been a prosecutor for about 20 years. In that time we have seen programs that were made

available primarily to men. Our task force heard there are very few programs available for women who are pregnant and especially for women who have children. The focus of our task force was to say if you want to get to the drug addicted child, you have to have resources for those mothers who have children. Currently, in Multnomah County for a pregnant woman using drugs the primary resource is jail. Jails are a costly way of doing it and some treatment programs are much better and cheaper.

066 REP. SCHOON: Is there anything to help the babies that are born?

074 JUDGE AKINS: We are finding if we are able to identify the woman, there is no place to send her. It will not change the status if a baby is born drug or alcohol affected and it will not change the ability to go in and get jurisdiction in the Juvenile Court to take the child. What will change is we will have an infrastructure of treatment and a judge can order a woman, in order to get her children back, to go through a treatment program because this will help fund the infrastructure treatment that does not exist.

123 LINDA MENG, member, Pregnancy and Substance Abuse Task Force: One of the things we heard over and over again was that treatment models have been aimed at men. They haven't dealt with the fact that women often have other children and other needs.

133 REP. SCHOON: Did your task force come across any information that would indicate there is a way to treat the babies that are born drug addicted?

136 JUDGE AIKEN: One of the reason I need to leave is I am with someone who is a professor at the University of Oregon who is working with the models for developmentally delayed children and helping build those kinds of resources. There are criteria that meet the needs of kids who meet the developmentally delayed criteria and sources for funding. Sometimes the kids don't meet all the criteria to meet the high standards. We will have desperate needs for services because they will be developmentally delayed but in a different way.

151 CHAIR STEIN: I will continue with the hearing on HB 2587 and ask that those signed up to testify on HB 2557 come back at a later time.

169 ROSEANNE CREIGHTON, Executive Director, Citizens for a Drug Free Oregon reads a prepared statement in support of HB 2587 (EXHIBIT E).

246 REP. KEVIN MANNIX: As a member of the Judiciary Committee I find myself dealing with the get-tough-on-crime measures that we all talk about. We find it necessary to go out in society and deal with people who are engaging in criminal conduct involving a range of crimes involving persons and property. We are also finding that as we deal with those criminals that they come from backgrounds where there was drug and alcohol involvement and that many of their crimes involve drug and alcohol. In trying to get at some of the root causes of crime, we don't have enough resources to try to get at their drug and alcohol problems.

Another part of the Judiciary pie has to do with children and parents, particularly pregnant mothers. In the Family Justice Subcommittee we are looking at a great social need for people who are on the edge of society such as the drug-affected mother who would like to get off her habit or the alcoholic mother-to-be who would like to get off her alcoholism. We don't have the resources to help these people. In Judiciary we try to deal with these people or their children 15 or 20 years later. We have to deal with those kinds of symptoms of alcohol and drug abuse in our society from the Judiciary perspective.

This bill is trying to deal with the problem from a more pro-active perspective. We recognize that beer and wine are socially acceptable and with appropriate limitations can be properly used in our society. We also recognize they are only part of "the problem" in terms of social problems in our society. We don't tax illegal drugs so we haven't figured out a mechaniSMfor going after them for purposes of treatment or rehabilitation programs. We have figured out a way to go after proceeds of drug crimes with the forfeiture law passed last session. We try to figure out some way of using the proceeds from illegal drug activity to come up with prevention programs and crime control programs.

In terms of a taxation scheme as proposed here, we can be more pro-active in preventing people from sliding off not just into lives of crime, but to prevent people from slipping off in terms of our human resources programs. We are attempting to provide a mechaniSMby providing financing for prevention and treatment programs involving drug and alcohol use and abuse.

We are simply looking at a beer and wine tax that has not been increased in years. We would be proposing to try to apply a consumer price index type of approach to the beer and wine tax. The figures may have to be adjusted because they go too far in beer and not far enough on wine. As far as the CPI goes, from statistics I have seen, we are actually increasing the tax on wine less than the consumer price index since the tax was instituted. On beer, we are increasing it beyond the consumer price index and perhaps we should adjust that back. We are also recognizing that the bill ought to be focused on the kinds of treatment programs that are most effective and have the best long-term social affect. That is why the HB 2587-1 amendments (EXHIBIT F) have been prepared. The amendments would require that there be priorities that recognize the imperative needs to assist children, pregnant women and minorities. I would add "parents of young children."

370 MS. CREIGHTON: We have one amendment that specifies the priorities and we are offering an amendment to delete Section 8 which is the reference to the surcharge on hard liquor. The HB 2587-2 amendments (EXHIBIT G) would deal with micro-breweries exactly the same as this state handles and deals with small wineries.

392 SEN. PAUL PHILLIPS: This bill is a policy issue. I have always personally felt if you are willing to stand up and say get tough on crime, you had better talk about prevention and treatment in the same breath. This is not a new tax. It has not been addressed in the last 14 years. That is why I think it needs very serious consideration for dealing with the prevention and treatment side of the war on drugs.

413 REP. KELLY CLARK: In the Family Justice Subcommittee of Judiciary we spent the better part of three weeks working on the whole wrenching issue of drug affected babies and how to get at the problem. The education community tells us that in the next several years there will be 5,000 children entering the school system severely affected by drugs. In an attempt to get at that issue, the Judiciary went from last session calling drug use while pregnant, child abuse with criminal sanctions to a bill this session which I think will result in more people getting treatment. The treatment currently is not there. We heard that until recently there were 82 beds in this state for treatment for pregnant women with drug addictions. If we are trying to get at the issue of drug affected babies, let alone the other issues of drug addiction in society, there simply has to be more treatment.

I don't know any other responsible position but to do whatever it takes to find additional treatment facilities. An additional tax on beer and wine makes a lot of sense. The tax has not been looked at in some time and I would urge this committee to vote yes.

TAPE 14, SIDE B

025 REP. SCHOON: This still would not be enough money to take care of the pregnant women and affected babies, nor the minorities or non-minorities. What is the rationale for adding minorities to the children and pregnant women?

034 REP. MANNIX: There is a current statute that says that and that is why the language is used. I think we should look at the amendment because the first emphasis should be pregnant mothers. I think we ought to list the priorities: 1) pregnant mothers, 2) young kids under the age of 12, 3) teenagers, and 4) parents of young kids. After that I don't think we need priorities because if there is anything left over it should be spread around. In those priorities we are talking about reducing the problems of the future.

050 REP. LIZ VANLEEUWEN: I have not seen the proposed amendments. There are two other bills. Rep. Burton has sponsored HB 2705 and I have sponsored HB 2737. We decided we like HB 2737 better than HB 2705. However, I would put my support behind HB 258 7. When I was first in the Legislature I was not willing to impose the sin taxes on someone else until I began counting the costs of what was happening. I began to realize that I wasn't imposing an extra expense or burden on people who were using the products, but that I was subsidizing them with my tax dollars. I would like to have the cause begin to pay for what it costs.

I have been behind starting the Linn Court-Appointed Special Advocates in my county because of so many things that were happening to children--abused, neglected. A majority of those cases where the children have had to be removed from their homes was because of neglect or abuse. I would echo what other legislators have said that if we are ever going to get a handle on this, let's start letting the cause pay the bill.

116 REP. JUDY BAUMAN: I am very strongly in favor of HB 2587. I don't believe the use of alcoholic beverages will be diminished by the addition of the tax. I don't think we will deal with the problem by making the cost prohibitive. My issues come from the Judiciary Committee. I think the Judiciary Committee, which has a reputation for being very punitive and conservative, rightfully so, heard some very touching testimony about drug affected babies. Last summer in Florida a woman was convicted of making a drug delivery because she used drugs while she was pregnant. She was sentenced to 14 years on probation with no treatment. In Kentucky a woman was sentenced to five years in prison for giving birth while she was addicted. In North Carolina a mother was charged with criminal assault with a deadly weapon when her newborn tested positive on a toxicology test. All of these states have legislature which have been touched by the problem of drug affected babies. But they are dealing with the solution backwards.

Punitive means don't slow the problem. The conclusion of the Judiciary Committee after eight hearings on the bill was that the punishment frightens women from seeking pre-natal care and increases the danger to children. >The United States ranks 20th among industrialized nations in infant mortality. Low birth weights and prematurity account for the greatest portion of infant deaths. Pre-natal substance abuse and inadequate pre-natal care account for most low birth weights. >More than 700 babies were born drug or alcohol affected according to reports filed in the Health Division. It is likely hundreds more were born affected but not reported. >Treatment facilities for women are inadequate. There are fewer facilities for pregnant women. >In the same year that the 700 babies were born, there were 3,100 substance abusing pregnant women who asked for treatment. 404 treatment slots were available on an out patient basis. Only 39 were available for residential treatment. >Providers testified that the problem is worse for pregnant women who

have children already because beds are not available for the children. The price they pay is separation from their families and they refuse treatment. Because of the serious consequences of drug use and their partners are also drug abusing, they are afraid to continue with pre-natal care. >Pregnant women do not become addicts; addicts become pregnant. >They do seek treatment and the State of Oregon cannot provide treatment sufficient to meet the need. >I don't believe funding from this bill alone is going to take care of the entire need. The average first year post-partum cost for a drug affected baby is $8,000. >Newborns who need neo-natal intensive care at Sacred Heart Hospital in Eugene costs $1,200 per day with an average stay of 12 days. >The Judiciary Committee wrote a bill and sent it to Ways and Means focusing resources on providing education, drug treatment and alternatives for substance abusing women. >The question is whether Oregon has the discipline and commitment to make an investment in treatment now or do we continue to pay the costs.

235 MS. CREIGHTON: When the committee gets into work session, I will have charts to show how in 14 years this money has been frozen and shot down in value as the need has grown.

242 REP. SCHOON: I would be interested in knowing what the success rate is.

242 RODNEY PAGE, Executive Director, Ecumenical Ministries of Oregon: We are an organization of 17 denomination ranging from United Methodists to Eastern Orthodox with about 2,000 congregations throughout Oregon. I appreciate the opportunity to speak in support of HB 258 7. We have heard there is no room in the inn for those who would like to have help in their recovery process, especially for women and children.

We operate the Old Town Medical Clinic. We saw 5,000 people last year. Three thousand, two hundred were homeless. The majority were women and children addicted to alcohol and drugs. Twenty four months ago we opened the Levy-Owens House, one of the first homes dedicated to women with children. We had places for 10 women and nine children. We have served 81 women, 96 children, and 21 babies have been born, none of them drug addicted or drug affected.

Of the 81 women, 15 left the program, 20 percent relapsed and 80 percent are successfully continuing their recovery. The house will continue to serve pregnant addicted women. We have just bought a convent and will open up a home next week for pregnant addicted women. We will have places for 19 women.

Many of the women we serve have many needs--transitional housing, basic education, employment training, parenting skills and child care. The state did not give us money for the children. It was barely enough to treat the women. The church community had to come up with over $30,000 this last year to run this program.

This bill will not only enable those recovery programs to be funded at a level that will be adequate to pay the staff and expenses of the women, but will also be able to treat additional women. It has been suggested that we look to a redistribution of existing beer and wine revenues. We reject such a notion. Providing for the cost to our state and local governments from the abuse of alcoholic beverages should not be taken away.

359 KEN CHAPMAN, Southern Oregon Drug Awareness submits and reads a prepared statement in support of HB 2587 (EXHIBIT H).

TAPE 15, SIDE B

012 JACK MINER, Timber By-Products, Albany: I am aware there have been

some panicky proposals for taxing everything in sight after Ballot Measure 5. I am not in favor of the shot gun approach on these things, however, with my experience in this subject I respectfully request you support HB 2587. He reads a letter written to Speaker Campbell about his daughter (EXHIBIT I).

063 FRANK LONG, Oregon Retired Educators Association and Drug Action Council, Cottage Grove: I retired last year as a teacher in high school. I am concerned because I hear you eliminating some of the people I am close to and concerned about. The high school aged children were number three on the priorities as outlined. I don't think that is a particular problem except this bill doesn't go far. My only problem with this bill is the tax is minuscule. At 1.6 cents per 12 ounce beer, a person would have to drink three six packs a night in order to may slightly more than a quarter.

We do not recognize drug and alcohol abuse as a real problem, particularly we don't recognize alcohol abuse because it is the drug of choice in our society. There is also a myth that there are beer drinkers and drug users. People who come out of treatment say that is not true. People who drink are using pills and drugs; people who use drugs use beer, wine and the hard stuff. It is important to know that young people are drinking differently than we did.

We enable people systematically to remain on drugs. We do nothing to resolve the problems their children face or that they themselves face because we don't face up to intervening. That is something we have to take care of.

The drug and alcohol counselor at Cottage Grove High School says he deals with at least two people a week who want treatment and can't get it. We have 800 students. I would encourage you to increase the proposed tax so we can begin to deal at least with the first priority.

176 ERIC KNUDSEN, Portland Police Officer: I have served since 1973 and work a district on the lower east side of Portland. I have a district 16 blocks wide and 29 blocks long. My opinion is that 100 percent of the problems I am called to deal with in that district relate to some form of addiction. That does not mean that every call involves drugs or alcohol because there are other kinds of addictions, but over 80 percent of the problems are directly related to drugs and alcohol addiction or usage.

If there are people who are willing and ready to enter into treatment programs that do not have facilities available to them, we are missing a very cost-efficient way of dealing with these people. The system I work in consists of a lot of components: the police, corrections, juvenile services, mental health facilities, the business community and the detox and treatment facilities. The one component that is best able to deal with the person who is ready is the detox and treatment facilities. If we short ourselves in that area, which we always have, the other components have to pick up the slack. I strongly support this bill.

267 BOB KING, Ph.D., Director of the Clackamas County Community Mental Health Program: submits and paraphrases a prepared statement in support of HB 2587 (EXHIBIT J).

323 DON BALLINGER, United Way, submits and paraphrases a prepared statement in support of HB 2587 (EXHIBIT K).

375 SANDRA MILLIUS, Human Services Coalition of Oregon: We are a statewide umbrella organization representing consumers, advocates and providers of human services throughout Oregon. One of the main functions we have served is to provide public education. To that end we have produced for the last three bienniums a white paper that documents

needs in specific human services areas. For the last two bienniums we have highlighted the need for alcohol and drug treatment and have focused specifically on the need of that treatment for women. Secondly, in our advocacy efforts we have supported efforts directed at raising this tax both in 1989 and do so again today.

The state set a policy in the mid-1970's as a large part of its effort to dedicate some revenues from an assessment on this industry. It has been a very long time since the state addressed a need to forward those efforts and has relied primarily on the efforts of the federal government, and on the mandates of the federal government, dealing with drug and alcohol issues in this state.

There have been a number of assertions around this that I would like to comment on. One comment was that treatment does not work. We think treatment works very well. The role of treatment is a step in a lifelong process of recovery from an addiction. It is very much like any chronic illness. There are specific treatments followed by other rehabilitation processes that must go on. It also ignores the nature of addiction. It is a pervasive influence. It also ignores the level of dysfunction that the clients have to deal with. Many people are referred because they are failures of other systems and of family systems. They generally come with very little community support and without the possibility of a full umbrella of the kinds of services such as housing, continuing support, opportunities for remedial education, and vocational training that are needed to allow people to continue in a system of recovery.

I think there has been an assertion that the money gathered now ought to be dedicated to this resource. Part of the tax is now given in general revenue sharing back to cities and counties and some is held by the state. I think that assertion also ignores the general limitations of the state with respect to the resources it has now and can be projected to have in the future and it ignores the fact that the money was given for general revenue sharing for other jurisdictions primarily to deal with the kinds of services provided by the Portland policeman who was here and other folks.

TAPE 16, SIDE A

017 I think it does not look to the need that local governments will continue to have. We don't find those assertions are particularly compelling. Oregon has a low rate of tax on beer and a not-high tax rate on wine. The inflation rate since the last adjustment in 1977 has been phenomenal. The industry is not remiss in raising its prices for its own purposes at any time. It is our position that we should provide additional resources to address the multiplicity of problems that drug and alcohol misuse create. We urge you move swiftly on this legislation.

035 CHAIR STEIN announces that the public hearing on HB 2557 will not be reopened today.

042 BRUCE PIPER, Chief Executive Officer, ADAPT in Roseburg and President, Alcohol and Drug Abuse Program Directors Association of Oregon: My testimony is in the form of questions: >Do you believe that preventing or providing early treatment of alcohol and drug problems is more cost effective? >Do you think as a matter of public policy the people who abuse alcohol should help pay for the resulting cost to society? >If you take 10 percent of the population that is chemically dependent, what percentage of the alcoholic beverages are consumed in this country by that 10 percent? Answer: about 65 percent. >Do you have any idea of the cost of chemical dependency per capita across our country? Data from 1986 from an independent research group indicates chemical dependency costs about $850 per person nationwide. >Do you have

any idea of how much the federal government put into prevention during that same year? Answer: 77 cents per capita. >If you were a federal legislator, I would assume you would like to see the state in a partnership with you so the feds did not have to carry the whole burden on prevention. Do you have any idea how much General Fund Oregon dollars go toward prevention currently? Answer: Nothing. >Considering all the costs in the correction system, education in CSD and health care, what percentage of General Fund dollars go to address this problem? Answer: It is less than one-half of one percent.

The beer and wine tax has remained static since 1977. The current tax is currently eight tenths of one cent. A six-pack of Coke cost $3.76. A half case of beer was $2.11. It is cheaper to buy beer than Coke. It is not true of all brands but it gives an idea of what is available especially for adolescents.

On behalf of the alcohol directors in Oregon, I urge you to support this bill.

119 KATE BROWN, Women's Rights Coalition, submits and paraphrases a prepared statement in support of HB 2587 (EXHIBIT L).

135 PAUL ROMAIN, Oregon Beer and Wine Distributors Association: >The wholesale and retail margins in beer are very small compared to margins for soda pop.

>The wholesalers were just hit with a tremendous tax increase on beer and wine. Beer went from $9 a barrel to $18 effective the first of the year. Wine went up eight fold on federal tax.

>We anticipate and support a sales tax down the line. We cannot be an advocate of a sales tax proposal and an increase in the beer and wine tax. >The beer tax was doubled in 1975 and 1977. The theory was for the money to be put into treatment. I think you have to ask whether this money was put into treatment or is there quite a bit of money out there which if the Legislature took control of, you would have plenty of money to spend. Mr. Nelson can talk more about that.

182 MARK NELSON, Public Affairs Council, representing Anheuser- Busch: The industry, in anticipation of legislation, has commissioned a study which is not yet finished but should be within the next week, to take a look at the current distribution of beer and wine taxes as well as alcohol revenues. It is a very torturous path to follow the various statutes and distribution methods that are set up for the alcohol revenues and the beer and wine taxes. The industry has concerns that: >As taxes have been proposed in the past, the revenues have not always, certainly in the case of alcohol, found their way to treatment programs. They have found their way to county general funds, city general funds and the state General Fund, some of which has been moved back into the treatment program. Once you take off the overhead for OLCC, in 1989-90 there was approximately $58 million generated in liquor revenues and beer and wine taxes, Out of that $58 million, approximately only $10 million found its way back into treatment programs.

This bill outlines, but it is difficult to follow, some of the distribution methods. The taxes and revenues generated from alcohol are not finding their way back into treatment. We are very reluctant to agree to and support additional taxes which in turn will not all find their way back into treatment when there are approximately $48 million going into surpluses. We hope our concerns will be demonstrated by the report that we will provide.

255 JOHN POWELL, Miller Brewing Company: We oppose the tax increases found in HB 2587. We do so for several reasons: >This could only be captioned as a hugh increase. >We would be remiss if we did not mention

the tax policy questions. Of the various tests that most people apply to taxation and revenue measures, an excise tax, be it on this product or tires or any other, meets, usually, only one of those important test, i.e. ease of collection. This fails miserably in all the other areas. The regressivity of these kinds of taxes are well known and we need not spend time discussing the fact that excise taxes hit people of lower income much harder than those with higher incomes. >As important is the fact that those who would promote large taxes in the excise form as a form to reduce consumption are probably going to reduce consumption, but they will reduce it on the part of people who are making smart decisions with their economic dollar. People who abuse a product are probably not going to heed the warning in price and will do without other things and will purchase the product they are abusing. >We find that when trying to legislate a social purpose through tax policy, one has to be extremely careful because we find the consequence are not always what one would hope for.

302 BONNIE HAYES, Chairman, Board of Commissioners, Washington Co. and President, Association of Oregon Counties: The association chooses to go on record in support of HB 258 7 and wishes me to use Washington County as an example as to why we need this: >We have a statewide percentage statistics that are not acceptable to us: 45 percent of motor vehicle fatalities have detectable levels of alcohol; 11 percent of all newborns are affected by maternal substance abuse; and one-half of adolescent children of alcoholics have serious drinking problems now. >We need to look at types of programs we are currently funding or hoping to fund. In Washington County we are talking about detox facilities, residential treatment, intensive residential treatment, sobering facility, out-patient treatment for addicted mentally ill, out-patient counseling, counselors in schools, male and female offenders. >In Washington Co. 11,000 adults and 2,400 adolescents have serious drinking problems. >13,000 adults and 1,800 adolescents are daily users of illicit drugs. >28,200 people need assistance and could benefit from treatment programs. We are serving, with available revenues from the state, 1,600 people.

383 BETTY GRIFFITH, Program Manager, Linn County Alcohol and Drug Treatment Program, representing the Board of Commissioner for Lane County, submits and reads a letter from the Board of Commissioners in support of HB 2587 (EXHIBIT M).

In response to Mr. Nelson's testimony and the situation he talks about with state tax dollars coming in one door and the county taking their money out the back door is not true in Lane County. Lane County has increased their support, not only in in-kind support to the treatment program, but direct dollar support.

TAPE 17, SIDE A

001 JEFF KERSHNER, Assistant Director, Department of Human Resources for Alcohol and Drug Abuse Programs: We can show how the dollars flow and how much goes where. We can do that on a chart we have prepared.

010 CHAIR STEIN: Perhaps we can wait until Mr. Nelson comes back with his information. They committee can then hear both sides at once.

028 CHAIR STEIN declares the meeting adjourned at approximately 5:25 p.m.

The following testimony submitted is hereby made a part of these minutes: Mothers Against Drunk Driving (EXHIBIT N). Association of Oregon Housing Authorities (EXHIBIT O). American College of Nurse-Midwives, Chapter VI, Region VI: Oregon (EXHIBIT P).

Respectfully submitted,Reviewed by,

Annetta MullinsTerry Connolly AssistantAdministrator

EXHIBIT SUMMARY

A -HB 2557, Preliminary Staff Measure Summary, staff B -HB 2557, Legislative Fiscal Analysis, staff C -HB 2557, enrollment statistics, Rocky King D -HB 2587, Preliminary Staff Measure Summary, staff E -HB 2587, prepared statement and tax information, Rosanna Creighton F -HB 2587, HB 2587-1 amendments, Rep. Kevin Mannix G -HB 2587, HB 2587-1 amendments, Rosanna Creighton H -HB 2587, prepared statement, Ken Chapman I -HB 2587, letter, Jack Miner J -HB 2587, prepared statement, Bob King K -HB 2587, prepared statement, Don Ballinger L -HB 2587, prepared statement, Kate Brown M -HB 2587, letter, Betty Griffith N -HB 2587, prepared statement, Mothers Against Drunk Driving O -HB 2587, prepared statement, Association of Oregon Housing Authorities P -HB 2587, prepared statement, American College of Nurse-Midwives, Chapter VI, Region VI: Oregon