

February 13, 1998

A PROPOSAL TO THE TOBACCO INSTITUTE

THE ORANGE COUNTY REPUBLICAN
**SCHOOLS PROTECT REVENUES BY
DEFEATING CIGARETTE TAX**

The San Diego Bulletin
**CITIZENS CHOOSE
FAMILY VALUES OVER
CIGARETTE TAX**

THE REDDING TIMES
**FAMILY
VALUES
PREVAIL**

the Bakersfield Journal
**CA Voters Defeat Tobacco Tax: We Already
Know How to Raise Our Kids!**

The Sacramento Ledger
**Voters Send Message:
Big Brother Government
needs "A TIME OUT"**

THE LOS ANGELES GAZETTE
**TAXPAYERS WIN OVER
BIG GOVERNMENT**

THE SAN FRANCISCO DEMOCRAT
**Cigarette Tax Defeated,
School Funding Saved**

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Russo Marsh + Raper, Inc.

ASSESSMENT AND ASSUMPTIONS

Current Assessment

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Following is an assessment of the current environment in California relative to the prospective tobacco tax initiatives which may appear on the November 1998 ballot.

1. The tobacco industry is currently losing the public relations war with the general public. Tobacco has become the politically incorrect product of the 1990's and the efforts waged against this industry have taken its toll. Everybody from the left to the right of the political spectrum is finding tobacco to be the boy with the "kick me" sign on its back and are going after it either with product liability suits or taxing it as a "sin." Even the industry's "friends" in Congress are proposing increasing the tax on tobacco while cutting taxes in other areas. There is nobody left to defend tobacco, and at this point it is basically undefendable. Therefore, the tobacco industry cannot be the messenger, otherwise anything that is said is dead on arrival.
2. Understanding the above, the only way to defeat any of the hostile tax increase measures currently in circulation for the November ballot in California, is to build a coalition of groups more favorable to the public, without the fingerprints of tobacco on it. Furthermore, since a NO vote is what we seek, it is important to remember that 63% of all initiatives fail. Therefore, the objective throughout this proposal is to suggest methods by which you can define these issues as threatening or confusing.
3. The Tobacco Institute may eventually decide they do not want to fund the massive campaigns required to defeat these initiatives. However, if certain basic tasks are not accomplished in the next few months, you effectively foreclose your options later. It would seem wise to us to keep the option of a serious campaign open till you have the chance to make a certain decision to the contrary later.

Background

Current law imposes a state excise tax which amounts to 37 cents for each pack of cigarettes. Of this amount, 25 cents is allocated to the Cigarette and Tobacco Products Surtax Fund (Prop 99), 10 cents is for General Fund purposes, and 2 cents is deposited in the Breast Cancer Research Fund. The two special funds are earmarked primarily for programs that reduce smoking, provide health care services to indigents, and support research and services related to breast cancer.

There are three initiatives in circulation, which do the following:

- Rob Reiner's first initiative raises the tax on a pack of cigarettes by 50 cents to fund a program called "California Children and Families First Program." The California Children and Families First Act (CCFFA) would promote and develop anti-smoking and early childhood development programs. All costs of the program would be covered by this tax increase. A new state commission is created, the California Children and Families First Commission, which would be responsible for administration of the program, including developing guidelines and educational materials, providing technical assistance to counties, and conducting research and evaluations of early childhood development programs. The commission would be composed of seven voting members – three appointed by the Governor and two each by the Assembly Speaker and the Senate Rules Committee.
- Rob Reiner's second initiative raises the tax on a pack of cigarettes by 25 cents to fund breast and prostate cancer research.
- Dianne Feinstein's initiative does several things, mainly raises the per pack tax by \$1.00, with the funds going toward education (class size reduction for 4th grade), and lowers the threshold to pass bonds from 2/3 to simple majority.

Assumptions

The initiative that has the biggest head start and consequently the best chance of qualifying is Reiner's 50 cent per pack tax increase that funds the California Children and Families First Act (CCFFA). Fortunately, this measure is terribly flawed and can be easily attacked from a variety of angles.

Likewise, Diane Feinstein's initiative seeks to repeal the 2/3 rule on local bond and tax measures. This will likely be a very unpopular move so long as people understand it is a tax measure and not a tobacco proposal.

It seems unlikely at this point Rob Reiner's second initiative will qualify for the ballot simply by virtue of the fact it lacks adequate time.

We expect, however, his CCFFA initiative will qualify for the ballot. With Rob Reiner being a prominent Hollywood director, he should have no problems raising the money necessary to secure the signatures needed to qualify this initiative. According to the Secretary of State, the initiative has until May 11 to collect 693,230 valid signatures.

We expect this measure, once qualified, will be well-funded by both the Hollywood community and the anti-tobacco lobby.

The effort to defeat this initiative will not succeed if the tobacco industry is perceived as the sole opponent. Rather, we suggest the industry begin immediately to build a coalition that enjoys a higher level of public support.

This initiative can only be defeated with a combination of grassroots mobilization / coalitions, earned media that is sympathetic to our perspective, and, eventually, paid advertising should the tobacco industry decide to move aggressively against these proposals. These aspects will be outlined later in this proposal.

INITIAL STRATEGY CONSIDERATIONS

Most campaigns lose. Typically, they do so for one of two reasons. Either they don't put enough resources behind their message, or they never define a simple, compelling message that contrasts them with their opponent.

The Tobacco Institute can win this campaign if they accomplish four fundamental tasks better than the anti-tobacco forces:

- First, establish and commit to achievable strategic objectives.
- Second, determine which voters, given reason, are likely to support our side.
- Third, use a strong, compelling - and simple - message to create an image that gives targeted voters reason.
- And finally, deliver those messages in a way that maximizes their emotional impact among target audience members.

It is our belief that this debate cannot be waged as a referendum on the merits of an unfair tax on tobacco.

This campaign needs to be focused on the aspects that are inherent weaknesses in the initiative -- it is anti-education, anti-family, and it raises our taxes.

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Strategic objectives

We are convinced that for this campaign effort to be successful, the opponents of the tobacco tax must accomplish several strategic objectives:

1. Devise a message and strategy dealing with the various initiatives which may appear on the ballot.
2. Conduct coalition and press efforts ahead of time, so the campaign is ready to go at a moment's notice, instead of scrambling when the initiatives qualify. An effort should be undertaken to educate the press on the relevant issues. Talking points should be developed, speeches for surrogate speakers written, coalitions identified and recruited, and a blast-fax list of key opinion leaders constructed.
3. Pull all the "wagons" to the starting gate relative to the campaign team. The media plan should be organized; polling and focus groups should already be conducted; campaign staff should be lined up and ready to go; and a campaign spokesperson should be recruited and properly briefed.

Messages

Before proceeding fully on development of message, we would recommend conducting focus groups and quantitative polling so messages and target audiences can be defined and refined. This research should take place at the end of February or the beginning of March.

We would also suggest the industry consider a grant to a blue-ribbon committee of family and child-rearing professionals and academicians for the purpose of conducting an impact study of these initiatives' effect on families. This is particularly important with respect to Reiner's CCFFA initiative. The panel could then be used as spokespersons on a press and editorial board tour.

The CCFFA Initiative – Specific Messages

We believe the Reiner initiative is particularly vulnerable on three issue fronts: Schools, Families, Taxes.

Schools

The Attorney General's Ballot Title and Summary clearly states, *"Funds exempt from Proposition 98 requirement that dedicates portion of general tax revenues to schools."*

Currently, K-14 education is guaranteed a minimum of 34.56% of General Fund revenues OR the amount provided in the prior year, adjusted for growth in number of students, state population and inflation, whichever is greater.

Therefore, it is safe to say that by exempting this CCFFA fund from having to hand over 35% of the receipts directly to education, is denying our schools hundreds of millions of dollars. The Legislative Analyst and Department of Finance are projecting that this tax will bring in \$700 million in its first full fiscal year, which means that the schools should theoretically receive \$245 million annually.

According to the Legislative Analyst and Department of Finance, this initiative will have an effect on the General Fund. In their analysis, they stated, *"We estimate that the net effect of the changes in sales and excise tax revenues would be an increase in General Fund revenues in 1998-99 and 1999-2000 of about \$2 million and \$4 million respectively, and a decrease of about \$4 million annually thereafter."*

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A reduction of General Fund revenue does affect the schools and other programs negatively.

The **message** for the NO campaign on education is simple: *This tobacco tax wants to fund its own pet program and not share the wealth with the schools, as nearly every other general fund tax dollar must. The schools are being denied needed revenue to the tune of hundreds of millions of dollars every year!*

Families

One of the stated purposes of this measure is to “establish community-based programs to provide parental education and family support services relevant to effective childhood development.” This goal is re-stated in various forms throughout the text of the initiative with regard to the statewide and county commissions that would be established.

Six percent of the total available resources shall be used for mass media communications to the general public related to: nurturing, parenting, childhood development, selection of childcare.

Five percent of the funds go toward the development of educational materials, parental and professional education and training. This amounts to *\$35 million annually* going toward educating parents on how to be parents.

This aspect is perhaps the most objectionable in this initiative, and the one which can be exploited the most. Most parents will find it very objectionable that the government wants to tell them how to be parents. Americans tend to be very suspicious of their government and have said time and again that they enjoy their privacy in the home. They do not want Big Brother telling them how to raise their kids. This program proposes to spend hundreds of millions of dollars telling parents how to do just that.

The initiative directs 80% of the funds toward the counties, who (to qualify for funds) are required to set up county commissions

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adopting an adequate and complete county strategic plan for the support and improvement of early childhood development within the county. There is no reason to believe that this could not involve social workers and bureaucrats going door to door, quizzing parents on their parental techniques and rendering judgments about whether their lifestyle is appropriate for the "government's" children.

If the voters believe that Big Brother wants to tell them how to raise their kids, and this issue has less to do with taxing cigarettes, they will instinctively vote NO.

Message - *Big Brother wants to pay a visit to every home to be certain that parents are raising their children in accordance with government approved methods. What a chilling prospect.*

The Feinstein Initiative – Specific Messages

Taxes

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This is a message that can be used with all of the initiatives. It does, however, provide special appeal relative to the Feinstein Initiative. Her measure proposes to reduce the requirement for bond approval from the current 2/3 threshold down to simple majority.

Although we know that a “sin” tax such as the tax levied on tobacco seems to have public approval, there are elements in California who have a philosophical problem with taxes. These fiscal conservatives believe that the size and scope of government is best held in check by “starving the government monster.” If we do not feed the monster, it will not grow. Its food is tax dollars, and the less we tax the people, the less it will grow.

Further, Californians have always cherished the protection of the minority when it comes to bond spending, because we are essentially spending our children’s money. However, there is wide support for lowering the threshold in Sacramento – the Republican Governor has made this goal a centerpiece of his 98-99 budget, and the Democrats and moderate Republicans definitely support him on this. The conservative Republicans who control the Assembly Republican caucus have been the ones blocking this “reform” thus far.

When discussing the 2/3 requirement being lowered, the stakes have been raised from just a tax on cigarettes, up to a tax that affects all Californians.

Another aspect of the Feinstein measure is its reliance on tobacco revenues to fund class size reduction. One of the reasons for the “success” of Prop 98 for education is the stability of the funding source, guaranteeing education the lion’s share of the state budget. The Feinstein proposal relies on a dwindling source of revenue – cigarette tax dollars.

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The LAO and DOF both acknowledge through their revenue projections that the more tobacco is taxed, the less it will be purchased. Therefore, the Feinstein measure can be criticized for being a short-term solution, and pressure will be created later to either raise taxes from another source, OR cut other programs to maintain the class size standards established by this initiative.

Message - *The proponents are relying too much on a dwindling source of revenue. This is no way to guarantee our children's educational future. To the anti-tax groups – this is just another tax, diverting money from individual citizens to the government's stomach.*

Coalitions

Consistent with each of the issues outlined above, a coalition must be developed to articulate each of these. The key to defeating the Reiner initiative regarding CCFFA, is exploiting the parental aspect. The best spokespeople for this message and the audience that will be most receptive is the religious community.

Pro-family groups

One of the best political networks in America is that within the pro-family or Christian movement. Groups such as the Christian Coalition, Traditional Values Coalition, and Focus on the Family are all excellent vehicles to communicate this message. And each of these groups has its strengths.

Traditional Values Coalition is a high-profile conservative, religious group that is respected in those circles. This campaign would need to utilize this organization to help explain why this measure is dangerous to the family. Anyone who is familiar with this group realizes that they know how to push the hot buttons and mobilize the masses accordingly. In fact, we would envision utilizing this organization for any advertising that may be done on TV, radio or newspapers.

Christian Coalition is best known for its voter guides. These guides are presented in an "educational" format, whereby issues or candidates are juxtaposed to make a certain issue or candidate look good. This initiative could easily be characterized as being anti-family, by inviting the government into our homes to tell us how to raise our children. The Christians prefer to follow the Bible when it comes to seeking guidance on parenting skills.

Focus on the Family is best known for its radio network, and has a large presence in California, due to our large volume of radio stations. If the Christian radio folks are convinced this is an issue worthy of their attention, they do indeed have a wide listening audience and can be mobilized to vote NO. Each individual listening does not just deliver one vote – they tell their family and

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friends.

Bear in mind that none of these Christian leaders are going to jump at the opportunity to be allied with the tobacco industry. Rather, they need to be convinced that they have a stake in this from a parental rights perspective, since this is just another foot in the door before Big Brother finds additional ways to screen the suitability of parents.

These tactics need not apply to just the Protestant Christian faith – it also applies to Mormons, Jews, Catholics, and other people of faith.

Tax groups

The tax angle, which was mentioned before, is best utilized with coalitions. The *Howard Jarvis Taxpayers Association* is a valuable ally in the tax battles. They would probably be more interested in the Feinstein initiative, since they are basically the protectors of the 2/3 requirement for bonds. This alliance sponsored Prop 13 in 1978 and Prop 218, the Right to Vote on Taxes Act, in 1996. The Jarvis group is a respected name with a decent mailing list.

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Smokers

Naturally, people who smoke do not want to pay any additional taxes on cigarettes. The tobacco companies should plan on utilizing any lists they have of smokers and mail to them. If many of these people are not registered to vote, an effort to register them should be undertaken.

Opinion molders

There are several legislators who can, and probably would, lend their names and talents to the effort to defeat these taxes. Social conservatives are very guarded against efforts by the government to tell us how to raise our children. There are voices in the State Legislature who opposed the reversal of the "napkin deal" with regard to tobacco, thus opening the floodgates for the State of California to pile on and join the lawsuits.

There are other elected officials at all levels of government throughout California who share these sentiments, whose use could be targeted regionally.

Staff

Since this campaign is going to be coalition oriented, it is going to take staff to be successful. We would recommend dividing the state into seven or eight regions, with two field representatives in each; one who will handle the education coalition and the other handling the anti-tax / church coalition.

Possible regions would be as follows:

- Superior California (Sacramento region)
- East Bay Area
- West Bay Area
- Central Valley and Central Coast
- Los Angeles
- Inland Empire
- Orange County
- San Diego

This amounts to 14 - 16 field personnel. To coordinate and supervise this effort, we suggest an overall campaign manager (who should be responsible for hiring the staff), a press secretary, who will be responsible for implementing the press strategy, and a spokesperson (outlined later in this document).

COMMUNICATIONS

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The best way to ensure positive public perception of this campaign effort is an effective communications effort. Therefore, the entire communications campaign must be coordinated at both the paid and earned media levels.

Initial advertising considerations

If the coalition partners do a good job in building a grassroots campaign effort, we would probably recommend doing some paid advertising during the final weeks to put us "over the top." In making these decisions, we would rely on tracking polls to be certain where both sides of this initiative stand with the voters. Again, we need to keep our options open so there are no surprises as this campaign unfolds.

Advertising options include:

- Repetitive targeted mail
- Christian radio
- Targeted cable television
- Broadcast radio and television

Of course, any advertising depends on consensus among the industry that an aggressive campaign effort is required and desired. That is a decision which can be made later as the situation becomes clear.

Campaign Spokesperson

It is important that your campaign effort portray the right image. We must provide the effort with a face, an attitude and appropriate body language. This will all depend on who and what the public associate with your effort. If it is a large, faceless, and largely unpopular tobacco industry, you can reasonably expect you won't fare very well.

If, however, it is a credible, articulate spokesperson who can engender credibility and warmth, you have a much better chance.

Survey research should be conducted to determine the right image or face with which your effort should be associated, but we would suggest you consider a woman with a background in academics, health care or popular entertainment.

Earned Media

The anti-Reiner initiative campaign should design and implement a plan that seeks to maximize favorable media attention in all the key daily newspapers in California. In order for this plan to be successfully executed, a first-rate press person will have to be hired by the campaign.

Elements of the plan should include:

1. A strategy for dealing with editorial boards.
2. A plan for having the campaign spokesperson meet with top political reporters throughout California.
3. Suggestions for a series of guest columns in editorial sections of all varieties of newspapers.
4. A plan to use letters to the editor.

CONCLUSION

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It is inherently easier to convince the voters to vote NO on an initiative, than it is to convince them to vote YES. 63% of all initiatives fail, which means that the burden of the opposition campaign is to focus on making sure the 37% who would support it does not become 50% plus one.

If the war to pass this initiative becomes one of the anti-tobacco side vs. the tobacco companies, it is doubtful that even a \$15 - \$20 million campaign with the words "Paid for by the Tobacco Institute" on the bottom of the TV screen would be successful. Therefore, we have to resort to a more "stealth" approach, where a loose group of coalitions is hitting the initiative from different angles. This should be the planned strategy for the weeks before the election.

There is a possibility that through effective use of coalitions, an aggressive media campaign during the final weeks of the campaign season may not be necessary. However, we should build the probability of needing to utilize paid media so it does not become a last minute idea to put us "over the top."