



TAKING ON TOBACCO

GIVING TO TOBACCO TAX BALLOT MEASURES

By

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During the November 2004 elections, voters in three states went to the polls to vote for or against raising state tobacco taxes. In all three states — Colorado, Montana and Oklahoma — they voted decisively in favor of raising the taxes, despite significant opposition and financial backing by the tobacco giants.

The American Cancer Society financially supported the initiatives in all three states, while the American Heart Association and American Lung Association were both active in Colorado and Montana. Meanwhile, Philip Morris, Altria, the U.S. Smokeless Tobacco Co. and R.J. Reynolds Tobacco put their money into the committees opposing the measures, targeting the Oklahoma measure in particular.

Committees supporting the tax increases in all three states raised \$3.5 million, while opponents raised \$2.4 million. Oklahoma’s proposed tax increase garnered the most money, at nearly \$3.3 million, while Montana’s was the least expensive measure of the three, with \$348,800.

The three 2004 ballot measures all raised taxes, but in different ways and for different purposes:

- Oklahoma voters approved a complex measure featuring a 55-cent increase in the tax on cigarettes, with new money going to specific health-care facilities and efforts. The measure also reduced several other types of taxes.
- In Colorado, voters decisively approved a 64-cent hike in the state’s cigarette tax, with the increase in revenues earmarked to fund health-care services and tobacco education and cessation efforts.
- Montana voters approved a measure to increase taxes on a pack of cigarettes by a full dollar, from 70 cents to \$1.70. The state now has one of the highest tobacco taxes in the country.

CONTRIBUTIONS TO TOBACCO TAX INITIATIVES BY STATE, 2004

STATE	CONTRIBUTIONS			VOTES	
	FOR	AGAINST	TOTAL	FOR	AGAINST
Oklahoma	\$1,199,068	\$2,074,664	\$3,273,732	53%	47%
Colorado	\$2,079,179	\$237,394	\$2,316,573	61%	39%
Montana	\$249,800	\$98,997	\$348,797	63%	37%
TOTAL	\$3,528,047	\$2,411,055	\$5,939,102		

Although it was up to the voters to decide the fate of these ballot measures, very few voted with their pocketbooks. Individuals gave about \$381,600 to both pro and con committees in all three states, representing just 6.5 percent of the total raised. Only two individuals gave to committees fighting the tax increases, contributing \$2,327. By comparison, 451 individuals supporting the measures gave about \$379,300.

Seven major donors gave almost half of the money raised in all three states. Four tobacco manufacturers gave \$2.1 million, while three health organizations gave \$828,520. Together, these major donors provided \$2.9 million.

The four tobacco companies concentrated most of their financial effort in Oklahoma, giving nearly \$1.8 million, or 85 percent of their combined total. In sharp contrast, the three health organizations gave mostly in Colorado, with \$639,700, or 77 percent of their contributions.

MAJOR CONTRIBUTORS ACROSS STATE LINES, 2004

CONTRIBUTOR	OKLAHOMA	COLORADO	MONTANA	TOTAL
Philip Morris	\$1,023,146	\$79,597	\$62,047	\$1,164,790
American Cancer Society	\$55,000	\$403,992	\$73,058	\$532,050
Altria	\$350,000	\$14,060	\$0	\$364,060
R.J. Reynolds Tobacco	\$208,300	\$77,267	\$11,307	\$296,874
U.S. Smokeless Tobacco Co.	\$208,621	\$61,144	\$21,823	\$291,588
American Heart Association	\$0	\$117,688	\$60,010	\$177,697
American Lung Association	\$0	\$118,020	\$754	\$118,774
TOTAL	\$1,845,067	\$871,768	\$228,999	\$2,945,833

OKLAHOMANS BEAT THE TOBACCO INTERESTS

In November 2004, Oklahoma voters narrowly approved State Question 713 despite the fact that opponents outspent supporters by an almost 2-to-1 margin. The ballot measure, put before the voters by the 2004 Legislature's passage of House Bill 2660, was a complex combination of a tobacco tax increase, health-care funding initiative, and revenue-reduction proposal. It passed with 53 percent of the voters in favor.

The primary component of the measure was a repeal of the 25-cent sales tax on cigarettes and other tobacco products, replaced with a new 80-cent excise tax, for a net increase of 55 cents per pack of cigarettes. Taxes on other tobacco products increased, as well. Revenue from the increased tobacco tax goes primarily to various health-related purposes, including construction of a cancer center, enhancement of the state's trauma care, and medical coverage for uninsured citizens.¹ In addition, 14 percent of the increased revenue was earmarked for state, county and local governments to offset their losses from the tobacco sales tax cut.

The measure also included several tax cuts that were added in the legislative process to garner more support for the tobacco tax increase.² These included reducing the state's maximum individual income tax rate to 6.65 percent, down from 7 percent; increasing the amount of certain retirement benefits not subject to income tax; and exempting certain capital gains from individual income taxes.³

State Question 713 attracted nearly \$3.3 million in contributions, raised by two committees. Almost two-thirds of the money, or \$2.1 million, was raised by Vote No on State Question 713, a coalition of tobacco manufacturers and others. Citizens for a Healthy Oklahoma, a coalition of health-care and anti-tobacco organizations, raised almost \$1.2 million, yet emerged as the winner nonetheless.

¹ "Gov. Henry applauds unanimous approval of tobacco measure," *Office of Governor Brad Henry*, March 24, 2004 [on-line]; available from http://www.gov.ok.gov/display_article.php?article_id=260&article_type=1; Internet; accessed Jan. 23, 2006.

² Carmel Perez Snyder, "State Question 713 on Way to Approval," *The Oklahoman*, Nov. 11, 2003.

³ "Oklahoma State Questions for General Election," *Oklahoma State Election Board*, Nov. 2, 2004 [on-line]; available from <http://www.state.ok.us/~elections/sqgen04.pdf>; Internet; accessed Jan. 23, 2006

CONTRIBUTIONS TO THE OKLAHOMA TOBACCO TAX MEASURE, 2004

COMMITTEE	POSITION	TOTAL
Vote No on State Question 713	Against	\$2,074,664
Citizens for a Healthy Oklahoma	For	\$1,199,068
TOTAL		\$3,273,732

Ninety percent of the contributions to the Vote No coalition — \$1.87 million — came from out-of-state contributors, due largely to money from four tobacco giants. Philip Morris stands out in particular, providing slightly more than \$1 million. Altria, the Washington, D.C.-based parent company of Kraft Foods and Philip Morris,⁴ gave \$350,000, while U.S. Smokeless Tobacco Co. and R.J. Reynolds each ponied up just over \$208,000. The Cigar Association of America, based in Washington, D.C., gave an additional \$50,000.

In fact, were it not for a one-time contribution of \$200,000 from Tulsa-based Quiktrip Inc., a nine-state chain of convenience stores and gasoline stations,⁵ the Vote No committee would have raised just \$1,750 from Oklahoma contributors. In stark contrast, all but \$9,000 of the money raised by Citizens for a Healthy Oklahoma came from in-state sources, including \$55,000 from the Oklahoma City office of the American Cancer Society.

TOP CONTRIBUTORS TO THE OKLAHOMA TOBACCO TAX MEASURE, 2004

CONTRIBUTOR	STATE	INDUSTRY	PRO/CON	TOTAL
Philip Morris	VA	Tobacco Products	Con	\$1,023,146
Altria	DC	Tobacco Products	Con	\$350,000
U.S. Smokeless Tobacco Co.	CT	Tobacco Products	Con	\$208,621
R.J. Reynolds Tobacco	NC	Tobacco Products	Con	\$208,300
Quiktrip Inc.	OK	Oil & Gas	Con	\$200,000
Lifecare Health Services	OK	Health Services	Pro	\$200,000
Oklahoma Hospital Association	OK	Hospitals	Pro	\$175,000
Tobacco Free Oklahoma Coalition	OK	Ideology/Single Issue	Pro	\$106,611
Integrus Health	OK	Hospitals	Pro	\$90,000
American Cancer Society	OK	Health/Welfare Policy	Pro	\$55,000
TOTAL				\$2,616,678

While the fate of the ballot measure was in the hands of Oklahoma voters, only 31 individuals actually made contributions. The sole individual contributing to the committee against the tobacco tax increase was Kenneth R. Nance, who had lobbied for tobacco companies,⁶ among others. Nance gave \$250 to the Vote No coalition. Thirty people gave a combined total of \$59,400 to Citizens for a Healthy Oklahoma. Most of that money, however — \$50,000 — came from

⁴ "About Altria Overview," *Altria* [on-line]; available from http://www.altria.com/about_altria/1_0_aboutaltriaover.asp; Internet; accessed March 1, 2006.

⁵ *QuikTrip* [on-line]; available from <http://www.quiktrip.com/>; Internet; accessed Feb. 1, 2006.

⁶ "State of Oklahoma Lobbyists by Principal:1999-2000," State of Oklahoma [on-line]; available from <http://election.sdrdc.com/ok97/lp9900.html>; Internet; accessed Jan. 26, 2006.

philanthropist Henry B. Zarrow of the Zarrow Foundation. The foundation helps fund “education, social services, Jewish causes, health programs, medical research and mental health programs.”⁷

COLORADO SAYS “YES” LOUD AND CLEAR

In November 2004, 61 percent of Colorado voters approved a measure to quadruple what had been the lowest tobacco tax in the country.⁸ Amendment 35 raised the 20-cent tax on a pack of cigarettes to 84 cents a pack, closer to the national average of 98 cents per pack,⁹ and raised the tax on other tobacco products by 20 percent. The new revenue from the increased tax, estimated at \$175 million per year, funds health-care services and tobacco education and cessation programs.

This was not the first time health advocates attempted to increase the state’s tobacco taxes. In 1994, a small group tried to pass an initiative to raise the tax as a way to fund health-care programs. However, pro-tobacco organizations spent 10 times as much as initiative backers, and the measure failed.¹⁰

In 2004, health advocates expanded their efforts, outreach and cash to win a decisive victory against pro-tobacco interests. Pushing for passage of Amendment 35, Citizens for a Healthier Colorado raised more than \$2 million, almost 9 times more than the \$237,394 raised by the opposing committee, Protect Our Constitution/Vote No On 35.

CONTRIBUTIONS TO THE COLORADO TOBACCO TAX MEASURE, 2004

COMMITTEE	POSITION	TOTAL
Citizens for a Healthier Colorado	For	\$2,079,179
Protect Our Constitution/Vote No on 35	Against	\$237,394
	TOTAL	\$2,316,573

Four out-of-state tobacco manufacturers gave slightly more than \$232,000, or 98 percent of the total raised to fight Amendment 35. No individual donor gave to the committee opposing the tax, and just over \$5,000 came from two Colorado contributors — \$4,826 from the Colorado Petroleum Marketers and \$500 from the Colorado Association of Distributors, a trade group for tobacco wholesalers.

Six health-care providers or interest groups gave two-thirds of the money raised by Citizens for a Healthier Colorado, thanks largely to contributions from the Colorado Health and Hospital Association and the American Cancer Society.

⁷ *The Zarrow Group of Foundations* [on-line]; available from <http://www.zarrow.com>; Internet; accessed Feb. 1, 2006.

⁸ Barbara O'Brien and Albert C. Yates, “Amendment 35 — new dollars for health care,” *Denver Business Journal*, Oct. 28, 2004 [newspaper on-line]; available from <http://www.bizjournals.com/denver/stories/2004/10/11/editorial1.html>; Internet; accessed Jan. 20, 2006.

⁹ “Analysis of the 2004 Ballot Proposals,” *State of Colorado Blue Book*, Sept. 8, 2004 [on-line]; available from http://www.state.co.us/gov_dir/leg_dir/lcsstaff/2004/ballot/2004BluebookforInternet.PDF; Internet; accessed Jan. 20, 2006.

¹⁰ “Form a 501(c)(4) Organization to Open Advocacy Doors,” *Voices for America’s Children* [on-line]; available from http://www.voices.org/Template.cfm?Section=Great_Ideas&CONTENTID=5585&TEMPLATE=/ContentManagement/ContentDisplay.cfm; Internet; accessed Jan. 24, 2006.

Supporters outside of Colorado also showed an interest in the fate of the state’s amendment, giving about \$568,700, or 27 percent of the total raised by proponents. Most of that money came from the Oklahoma office of the American Cancer Society, which gave just under \$400,000 and the Tobacco-Free Kids Action Fund, which gave \$100,000. The action fund is affiliated with the Campaign for Tobacco-Free Kids¹¹ in Washington, D.C. Other out-of-state contributors included the American Heart Association’s Texas office, with \$35,000, and Anthem Blue Cross Blue Shield of Ohio, \$25,000.

TOP CONTRIBUTORS TO THE COLORADO TOBACCO TAX MEASURE, 2004

CONTRIBUTOR	STATE	INDUSTRY	PRO/CON	TOTAL
American Cancer Society	CO/OK	Health/Welfare Policy	Pro	\$403,992
Colorado Health and Hospital Association	CO	Hospitals/Nursing Homes	Pro	\$372,720
Colorado Community Health Network	CO	Health Services	Pro	\$263,373
American Lung Association	CO	Health/Welfare Policy	Pro	\$118,020
American Heart Association	CO/TX	Health/Welfare Policy	Pro	\$117,688
Bridges, Rutt	CO	Liberal Policy	Pro	\$105,000
Tobacco-Free Kids Action Fund	DC	Health/Welfare Policy	Pro	\$100,000
Stryker, Pat	CO	Liberal Policy	Pro	\$100,000
Philip Morris	VA	Tobacco Products	Con	\$79,597
R.J. Reynolds Tobacco	NC	Tobacco Products	Con	\$77,267
			TOTAL	\$1,737,657

While no individuals gave to oppose the tax increase, 374 individuals gave money to the committee supporting it, for a combined total of more than \$315,000. Two individuals in particular dug deep, each giving \$100,000 or more to Citizens for a Healthier Colorado—accounting for nearly 10 percent of that committee’s funds:

- Rutt Bridges, chief executive officer of the Bighorn Center for Public Policy in Denver, gave \$105,000. The Bighorn Center is a progressive think tank founded in 1999 to “give Colorado’s political middle a credible and legitimate voice in the state’s increasingly polarized landscape and more importantly, to get things done.”¹²
- Pat Stryker, heir to a medical supply company founded by her grandfather and president of the Bohemian Foundation, gave \$100,000. The Bohemian Foundation, based in Fort Collins, provides grants to nonprofit organizations for youth, the environment and the arts.¹³

Both Stryker and Bridges have been active in Colorado politics in recent years. In 2002, Stryker gave more than \$3 million of her own money to help defeat a ballot measure to limit bilingual

¹¹ “About the Tobacco-Free Kids Action Fund,” *Tobacco-Free Kids Action Fund* [on-line]; available from <http://tobaccofreeaction.org/about/>; accessed Jan. 24, 2006.

¹² “About the Bighorn Center,” *Bighorn Center*, [on-line]; available from <http://www.bighorncenter.org/>; accessed Feb. 10, 2006.

¹³ Rebecca Jones, “31 has worthy foe: mom in a minivan,” *Rocky Mountain News*, Oct. 12, 2002 [newspaper on-line]; available from http://azbilingualed.org/AABE%20Site/Bilingual%20Education%20in%20the%20News_files/31_has_worthy_foe.htm; accessed Feb. 10, 2006.

education. And her independent expenditures and direct contributions to legislative candidates in 2004 were widely believed to have helped the Democrats regain control of the state legislature.¹⁴

Bridges, meanwhile, also was instrumental in helping the Democrats take control of the state legislature in 2004 by giving almost \$18,000 to 71 legislative candidates and an additional \$2,500 to the Colorado Democratic Party, according to reports filed with the state. In addition to funding media ads,¹⁵ Bridges also gave slightly more than \$14,000 to Democratic state candidates and party committees in five other states: Delaware, Kansas, Missouri, New Mexico and Washington.

MONTANA RAISES THE TAX ON TOBACCO

The Healthy Kids, Healthy Montana Tobacco Tax Increase Act, on the 2004 ballot as Initiative 149, was approved by a decisive 63 percent of Montana voters. The measure increased taxes on a pack of cigarettes from 70 cents to \$1.70; increased the tax on chewing tobacco from 35 cents to 85 cents per ounce; and raised the tax on other tobacco products from 25 percent to 50 percent of the wholesale price. Montana now has one of the highest tobacco taxes in the country.¹⁶ Businesses and special interests, not Montana residents, provided the lion’s share of the money raised on I-149, giving \$341,740, or 98 percent of the total. Twenty-four businesses and organizations gave in favor of the tax increase, compared to six giving to the committee opposing the ballot measure.

The Healthy Kids/Healthy Montana committee not only raised almost \$250,000 to support the measure, but also was instrumental in proposing the initiative and gathering signatures for it. The committee was a broad coalition of state and national health, insurance, physician and hospital groups, including the American Cancer Society, the American Lung Association of the Northern Rockies and the American Heart Association.¹⁷ The group raised more than double the \$99,000 raised by the opposing committee, Veterans, Taxpayers, Montanans, and Tobacco Retailers, Wholesalers, and Manufacturers.

CONTRIBUTIONS TO THE MONTANA TOBACCO TAX MEASURE, 2004

COMMITTEE	POSITION	TOTAL
Healthy Kids/Healthy Montana	For	\$249,800
Veterans, Taxpayers, Montanans and Tobacco Retailers, Wholesalers and Manufacturers	Against	\$98,997
	TOTAL	\$348,797

¹⁴ Burt Hubbard and Tilly Fong, “\$17 million for ads,” *Rocky Mountain News*, Nov. 6, 2004 [newspaper on-line]; available from http://72.14.207.104/search?q=cache:4aFg7zE3_poJ:www.rockymountainnews.com/drmn/election/article/0,1299,DRMN_36_3309406,00.html+%22PAT+STRYKER%22+%26+2004+ELECTIONS%22&hl=en&gl=us&ct=clnk&cd=6&ie=UTF-8; accessed Feb. 21, 2006.

¹⁵ *Ibid.*

¹⁶ “Montana Behind The Scenes,” *American Lung Association of Northern Rockies* [on-line]; available from http://lungaction.org/reports/state-narrative04.tcl?geo_area_id=30; Internet; accessed Jan. 16, 2005.

¹⁷ “Initiative Proposed To Raise Tobacco Tax,” *Healthy Kids, Healthy Montana*, March 11, 2004 [on-line]; available from <http://72.14.207.104/search?q=cache:kHcY3m73DFcJ:www.co.lewis-clark.mt.us/health/prevention/assets/Tobacco%2520Tax%2520News%2520Release.pdf+%22Healthy+Kids+Healthy+Montana%22&hl=en&gl=us&ct=clnk&cd=2&ie=UTF-8>; Internet; accessed Feb. 21, 2006.

Although listed last in the committee's name, tobacco manufacturers actually provided all but 3 percent of the money raised to oppose the initiative, giving about \$96,300 in in-kind financial support.

Two groups involved in health-care issues gave just over half of the money raised by the proponents. The American Cancer Society gave about \$73,000, or 29 percent of the total, and the American Heart Association gave \$60,000, or 24 percent of the total.

Forty-five percent of the money raised to support or oppose I-149 came from out-of-state interests. Proponents raised about \$60,000 from outside the state, all from the American Heart Association. Opponents raised about \$96,000, all from four major tobacco manufacturers — Philip Morris, U.S. Smokeless Tobacco Co., R.J. Reynolds Tobacco and Lorillard Tobacco.

TOP CONTRIBUTORS TO THE MONTANA TOBACCO TAX MEASURE, 2004

CONTRIBUTOR	STATE	INDUSTRY	PRO/CON	TOTAL
American Cancer Society	MT	Health/Welfare Policy	Pro	\$73,058
Philip Morris	CA	Tobacco Products	Con	\$62,047
American Heart Association	WA	Health/Welfare Policy	Pro	\$60,010
AARP	MT	Elderly/Social Security	Pro	\$56,297
Montana Hospital Association	MT	Hospitals/Nursing Homes	Pro	\$29,094
U.S. Smokeless Tobacco Co.	CT	Tobacco Products	Con	\$21,823
R.J. Reynolds Tobacco	NC	Tobacco Products	Con	\$11,307
Montana Medical Association	MT	Health Professionals	Pro	\$7,155
Blue Cross Blue Shield of Montana	MT	Insurance	Pro	\$5,635
New West Health Services	MT	Insurance	Pro	\$2,714
			TOTAL	\$329,140

Although almost half a million Montanans voted on I-149, only 50 Montanans ponied up any money for the ballot fight itself. Forty-nine individuals gave a combined total of \$4,350 to support the tax increase, while just one individual — attorney/lobbyist Mark Baker of Helena — gave \$2,077, all through in-kind contributions, to oppose the measure. Baker lobbied for the U.S. Smokeless Tobacco Co. in 2002 and 2004, among other clients, according to reports filed with the Montana Commissioner of Political Practices.¹⁸

¹⁸ Phone conversation with Sarah Ayres, Montana Commissioner of Political Practices office, Feb.1, 2006.