

September 7, 1993

MEMORANDUM

TO: Cal George

FROM: Susan Stuntz *SRN*

Attached is a copy of the 1993/94 excise tax budget request -- and summary pages -- that were forwarded last week to Mr. Chilcote along with the remainder of the Public Affairs budget.

I pretty much started from scratch on the budget -- first consolidating the myriad of duplicate line items (three separate line items for economist op-eds, for example) and combining other line items to more accurately reflect their uses. A lot of this could and should have been done earlier in the year when the tax and "social cost" cost centers were consolidated. Hopefully this will make budgeting simpler in the future.

I also had to recreate many of the charges to this cost center, when a review of your variance projections for July, my own log from accounting and your log (which I asked Ursula to get for me) made it impossible for me to understand which charges were assigned to which line items and why. For example, the budget ledger from accounting shows an \$80,000 charge to 1305-6201, fees for Capital Communications Strategies. Yet this charge is not entered into your own log for that account, nor could I find it anywhere else.

There apparently still is a great deal of confusion and misunderstanding about how to manage a cost center. Let me repeat the guidelines one more time:

1. Each cost center manager has the authority to approve payment so long as the activity is in a previously approved line item, and there are funds in that line item to cover the cost.
2. If there is no approved line item for this project; or if the funds in that line item are not sufficient to cover the cost of the project, then the expenditure requires Mr. Chilcote's approval. The cost center manager should identify a funding source -- presumably a line item in the budget that will be under at year's end. But that doesn't mean that the activity is charged to that "inactive" or "less active" account. It's charged to the proper account/line item. Only then can the cost center manager truly have an understanding of what he/she has spent, and on what projects and programs.

Attachments

TI17741013

**EXCISE TAXES/"SOCIAL COSTS" 1305
1994 Budget Summary**

The 1994 budget request for the Excise Tax/"Social Cost" (1305) cost center totals \$3.150 million, and is a 5 percent increase from 1993 projected expenditures. This increase reflects anticipation of yet another full year of effort to discourage imposition of a federal tobacco tax to finance health care reform, and even more attention at the state level as delays in enactment of federal reforms prompt more state action.

Specific increases/decreases that should be noted include:

Reproduction, Printing & Drafting -- Account 5200

A \$22,000 increase (14.67 percent) is proposed in this account:

. An additional \$2,000 is budgeted for printing of "Tax Burden on Tobacco," in anticipation of an increase in the number of pages.

. Updates and reprints of issue brochures on excise taxes, "social costs" and earmarking are overdue. One of these brochures, used as information pieces for the general public and for legislators, is scheduled for update in 1993. The other two will be updated and reprinted in 1994; \$20,000 is budgeted for that project.

. We anticipate reprints of tax regressivity studies for veterans, blacks, Hispanics, seniors and rural Americans in 1994. We also anticipate an initial print run for an Economic Policy Institute analysis of the Administration's health care reform plan. Each of these studies costs \$10,000 -- for a total of \$60,000.

Advertising -- Account 6200

Throughout 1993 we have developed television and radio scripts and print advertising copy in an effort to respond to a variety of political scenarios. For 1994, we anticipate a similar, year-long effort and have budgeted \$160,000, about 6 percent below 1993 estimates. This does not include funds for production and placement of any advertising campaign.

Professional Fees -- Account 7300

At \$1.34 million, the 1994 budget request for this cost center is 2.2 percent below 1993 projections, although significantly higher (55 percent) over the 1993 authorized budget. This can be attributed to three key unanticipated needs:

. Addition of Capital Communications Strategies to the core group of consultants to advise us on an ongoing basis on legislative and public relations strategies. CCS participates in all tax and health care issue meetings, accesses and analyzes public opinion polls for relevance to industry issues, and assists in the development of messages. With 1994 an election year, we expect to call on CCS personnel even more and have budgeted this firm at \$75,000 to allow for their regular involvement in our efforts.

. Continuous coordination of the efforts and activities of state labor consultants and progressive tax groups with activities at the federal level. This is an effort that is beyond the capacity of the single Institute staffer assigned to handle all state and federal tax/"social costs" programs -- and, given that the effort is coordinated through the Labor Management Committee, requires that organization's involvement. To ensure effective implementation of the outreach activity in the states, PR counsel has at our request assigned staff to handle this activity. We estimate the cost of this project in 1993 at \$320,000, and have budgeted the same amount in 1994.

. We did not budget for polling and focus groups in 1993, but have identified \$215,000 in funds that allowed us to conduct two series of focus groups and two public opinion polls. We have budgeted \$200,000 for 1994 for a similar level of effort.

Reductions in line items for 1994 include:

. A \$10,000 reduction in the line item for federal and state "social cost" calculations. There have been no requests for state-specific analyses in the last two years. The \$10,000 requested for 1994 anticipates revisions/updates to allow us to respond to federal "social cost" claims.

. A \$46,000 reduction (70 percent) in the line item for the insurance consultant. While we recommend retaining \$20,000 to allow us to consult with him on an as-needed basis on the impact of certain federal/state health care reform and financing proposals on the insurance industry, we believe that a regular monthly consulting arrangement can be terminated.

Support to Tobacco & Other Organizations -- Account 7500

The 1994 budget request for this cost center -- at \$1.473 million -- is an 11.8 percent increase from 1993 projections and anticipates full-year efforts for several programs and projects initiated midway through 1993. For example:

. Support to the Economic Policy Institute for its study of the distributional impact of the Administration's health care reform proposal is budgeted at \$75,000. This is the same level of funding as the initial analysis of the health care system; of the \$75,000 contributed toward the first study, \$15,000 was paid in 1992 and the remainder in 1993.

. Funds requested for state tax reform studies in 1994 total \$30,000, an \$8,000 increase over 1993 levels. Two research reports will be produced in 1993; the 1994 budget calls for three reports -- for Michigan, Ohio and Pennsylvania.

. For 1994, we are requesting \$130,000 to support federal and state tax reform conferences; \$100,000 was spent in 1993. For 1994 we propose a health care financing conference in Washington, D.C.

, We propose an increase in support to the Consumer Tax Alliance to \$20,000 -- from the \$10,000 projected in 1993 -- to support ongoing contact with the individuals who have signed petitions joining the organization.

. The increase in support -- \$70,000 in 1994, compared to \$45,000 in 1993 -- to the Federation of Southern Cooperatives (black farmers) reflects a full-year program in 1994.

. Although only \$5,000 will be contributed to the Coalition Against Regressive Taxation in 1993, the \$20,000 budgeted for 1994 anticipates CART involvement in federal tax issues in 1994.

. The \$15,000 budgeted for the Committee for a Responsible Federal Budget anticipates that this organization will conduct its own analysis of the Administration's health care reform proposal, and compare that proposal to its own recommendations.

THE TOBACCO INSTITUTE

1994 BUDGET

Public Affairs Division

COST CENTER Excise Issue No. 1305

ACCOUNT	1993 BUDGET (\$000)	1993 ESTIMATED (\$000)	1994 BUDGET (\$000)
5100 Postage & Delivery	2	2	2
5200 Reproduction, Printing & Drafting	160	150	172
6200 Adv. Space & Promo Total	110	171	160
7300 Professional Fees	933	1,370	1,340
7500 Suprt Tob & Oth Organizations	1,642	1,318	1,473
Totals	\$2,847	\$3,011	\$3,147

The Tobacco Institute

1994 BUDGET

COST CENTER	Excise Issue	No.	1305
	1993 BUDGET (\$000)	1993 ESTIMATED (\$000)	1994 BUDGET (\$000)
<u>Account #5101 - Postage & Delivery</u>			
Mailing for Tax Burden on Tobacco	\$ 2	\$ 2	\$ 2
TOTAL	\$ 2	\$ 2	\$ 2

The Tobacco Institute

1994 BUDGET

COST CENTER	Excise Issue	No.	1305
	1993 BUDGET (\$000)	1993 ESTIMATED (\$000)	1994 BUDGET (\$000)
<u>Account #5201 - Reproduction, Printing & Drafting</u>			
TI Tax Publications			
. Tax Burden on Tobacco	\$ 24	\$ 20	\$ 22
. State data card reprints (26 states)	13	13	15
. Issue brochures	10	12	20
Materials for other organiza- tions			
. Tax studies	60	50	60
. Health care/"social costs"	43	52	50
Excise tax video: labor perspective (reprints)	2	-	-
"Social costs" article reprints	8	3	5
TOTAL	\$ 160	\$ 150	\$ 172

The Tobacco Institute

1994 BUDGET

COST CENTER	Excise Issue	No.	1305
	1993 BUDGET (\$000)	1993 ESTIMATED (\$000)	1994 BUDGET (\$000)
<u>Account #6201 - Advertising</u>			
Development of TV, radio and print ad scripts and copy	\$ 100	\$ 155	\$ 150
Residuals (for actors appear- ing in ads)	10	6	10
Development and placement of tax ads for allies	-	10	-
TOTAL	<u>\$ 110</u>	<u>\$ 171</u>	<u>\$ 160</u>

The Tobacco Institute

1994 BUDGET

COST CENTER	Excise Issue	No.	1305
	1993 BUDGET (\$000)	1993 ESTIMATED (\$000)	1994 BUDGET (\$000)
<u>Account #7301 - Professional Fees</u>			
Counsel to assist in coalition, message development and delivery			
. Ogilvy, Adams & Rinehart	\$ 260	\$ 260	\$ 260
. James Savarese & Assoc.	150	150	150
. Wunder, Diefenderfer, Cannon & Thelen	110	170	170
. Capital Communications Strategies	24	50	75
Economic consultants			
. Op-ed programs	71	73	75
. Federal/state testimony	80	40	50
. Media tours on health care/"social costs"	42	-	-
. Critique of federal/state "social costs" calculations	15	20	10
Cross-border buying studies (at \$6,000 each)	15	6	10
Insurance expert	66	66	20
Coordination of post election/home district outreach program and contact with allies; open seats project	100	320	320
Polling and focus groups	-	215	200

The Tobacco Institute

1994 BUDGET

<u>COST CENTER</u>	<u>Excise Issue</u>	<u>No.</u>	<u>1305</u>
	<u>1993 BUDGET (\$000)</u>	<u>1993 ESTIMATED (\$000)</u>	<u>1994 BUDGET (\$000)</u>
<u>Account #7301 - Professional Fees</u> <u>(Continued)</u>			
TOTAL	\$ 933	\$ 1,370	\$ 1,340

The Tobacco Institute

1994 BUDGET

COST CENTER	Excise Issue		No.	1305
	1993 BUDGET (\$000)	1993 ESTIMATED (\$000)		1994 BUDGET (\$000)
<u>Account #7501 - Support of Tob./Other Organizations</u>				
Tobacco Industry Labor Management Committee support of national fair tax groups				
. Citizens for Tax Justice	\$ 130	\$ 130		\$ 130
- Support to federal lobbyist	40	10		30
- Federal tax/health care analyses	20	30		30
. Economic Policy Institute	60	60		60
- distributional impact of federal health care system	60	60		75
. Citizen Action	120	120		150
. Coalition on Human Needs	48	48		48
. Progressive Political Education Fund	25	30		30
. National Council of Senior Citizens	95	95		95
- Regional health care conferences on reform proposals	24	20		20
Tobacco Industry Labor Management Committee (LMC) support of state fair tax organizations:				
. California	50	48		48

The Tobacco Institute

1994 BUDGET

COST CENTER	Excise Issue	No.	1305
	1993 BUDGET (\$000)	1993 ESTIMATED (\$000)	1994 BUDGET (\$000)
<u>Account #7501 - Support of Tob./Other Organizations</u>			
<u>(Continued)</u>			
. Connecticut	\$ 15	\$ 10	\$ 10
. Florida	10	-	-
. Illinois	40	20	30
. Indiana	15	15	15
. Iowa	36	36	36
. Massachusetts	5	-	-
. Michigan	15	-	15
. Minnesota	35	35	35
. Montana	18	18	18
. New Jersey	24	24	24
. Ohio	15	-	-
. Pennsylvania	30	18	30
. Washington	20	20	20
. Wisconsin	20	20	20
Economic policy/fair tax briefings for labor (@ \$4,000 each)	72	72	72
State tax reform studies	40	22	30
Tax reform/health care conferences			
. Federal	150	80	100
. State	40	20	30
Support to Consumer Tax Alliance	140	10	20
Support to American Agriculture Movement			
. General support	72	72	72

The Tobacco Institute

1994 BUDGET

COST CENTER	Excise Issue	No.	1305			
			1993 BUDGET (\$000)	1993 ESTIMATED (\$000)	1994 BUDGET (\$000)	
<u>Account #7501 - Support of Tob./Other Organizations</u>						
<u>(Continued)</u>						
. Anti-excise tax media/ testimony/mailings	\$	55	\$	55	\$	55
Support to Federation of Southern Cooperatives						
. General support		-		25		40
. Growers' visit to Washing- ton, DC		-		20		30
Coalition Against Regressive Taxation (CART)		20		5		20
Excise tax elasticity and health cost study		20		-		-
National Chamber Foundation "social cost" program		48		20		-
Support to Veteran's Rights Coalition for Tax Study		-		50		20
Support to Committee for a Responsible Federal Budget		15		-		15
TOTAL	\$	1,642	\$	1,318	\$	1,473