

*faxed 3/4/91*

MEMORANDUM

March 4, 1991

TO: Pat Donoho  
FROM: Alice O'Connor  
SUBJECT: Plan to defeat .24 cent tax in MN

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OVERVIEW

Pat, I had hoped to have a total plan, but I am sending this in advance of receiving North State's report reflecting our strategy. The North State Advisers will not be available until the morning of 3/5/91 and will be faxed to you once it arrives. It provides preliminary plans that were developed after the industry/allies meeting was held 2/22/91. A follow up meeting is planned for the week of 3/11/91.

Participants at this meeting included Representatives from MN Grocers, MN Retailers, MN Tobacco & Candy, Northwest Tobacco and Candy, MN Vending Machine Operators Association, MN Licensed Beverage Association, Brown & Williamson Smokeless Tobacco, RJ Reynolds, and Philip Morris.

It was unfortunate at the time of our meeting neither representative from the Grocers or Retailers let us know they had just endorsed the Governor's budget as a part of a separate business coalition with hopes of gaining property tax relief.

Since then, follow up contact with both associations has occurred. Although neither group will be able to join any Coalition we might form or be publicly supportive of our efforts to defeat the excise tax, they have agreed to help in other ways.

It will make our task more cumbersome but not impossible. It is worth noting beer and wine face a significant tax increase but hard liquor is not touched. A six pack of beer could go up .40 cents. The MN Taxpayers Association is already using a MN Department of Revenue study showing the elasticity of cigarettes.

The MN Citizens for Tax Justice and the Teamsters are organizing their own opposition. I met with Wes Lane 2/22/91. He is going to explore the possibility of petitions and other ways the union can paint this as a tax against blue collar workers. The Demographic profile prepared by Bill Orzechowski should help immensely.

Although the AFL-CIO doesn't have a strong presence in MN, North State has also contacted them to enlist their support.

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Wayne Coggs and Wes Lane have both expressed preliminary interest in the possibility of using their organization as the recipient of an 800 number we want to use for interested individuals to call and find out how they can contact their legislator.

In the context of a variety of resource material being pulled together for immediate use or an immediate action plan, some flexibility will be necessary.

As of 2/28/91, DFL leadership has indicated to us they are going to let the Governor stew in this own proposal for about 6 weeks. During this time, the state's economic forecast will be released (March 23, 1991) by the Revenue Department. April 24, 1991, is also a critical date. It is a time when the DFL & IR caucuses will both be meeting on the tax bill.

A grassroots campaign utilizing the sales forces of the tobacco companies and wholesalers, consumers and individuals from company lists and businesses who will be hurt by a tax increase, unions and tax groups will all be key players. Different materials will be developed to suit the audience.

Because a 2/27/91 conference call with North State, RJR, PM and myself was canceled at which time we were going to further discuss particular handout items, costs and mechanics for distribution, this still needs to be flushed out.

#### **.25 CENT TAX INCREASE PROPOSAL BY REP. PHYLLIS KAHN**

The media event on 2/27/91 was not a surprise. Of course, anti-smoking legislators thought it was wonderful. Our supporters thought it was predictable.

Kahn's bill proposal was faxed to TI Two weeks ago (2/19/91) asking for an analysis. I was told the bill didn't appear to be that menacing. No C & B analysis was done. We are very concerned about this bill. There are no immediate plans for a hearing.

The Minneapolis paper gave it good coverage. The St. Paul paper buried it at the back of the sports section. We are going to need labor's help on this bill. Our follow up meetings are going to have to address this.

#### **WHAT FOLLOWS IS THE MATERIAL THAT IS CURRENTLY BEING ASSEMBLED IN NO PARTICULAR ORDER OF IMPORTANCE.**

1. Economic impact statement of .24 cent pack cigarette tax increase and corresponding sales tax impact.  
TI doing (Bill O).

**CONFIDENTIAL:**

**MINNESOTA TOBACCO LITIGATION**

**TIMN 457672**

2. Bootlegging/cross border activity.  
Philip Morris to have Price Waterhouse study shortly.
3. Demographic Profile of MN smokers.  
TI doing (Bill O).  
NIH statistics extrapolated based on percentages for MN population. It won't give up exactly what we are looking for, but no other statistics are available for member companies. May need a separate study for further home MN demographics specifically.
4. Map showing taxes in other states, especially border states, and include cigarette and sales tax.  
TI doing (Bill O). This is to be used as a handout for retailers particularly along the borders.
5. Alternative Revenue Sources.  
Speaker and Senate Tax Committee Chairman already have.  
Retailers said this information would be especially helpful.  
PM is doing.
6. A one page handout to be distributed by Minter Weisman at retail trade show March 7,8,9, 1991, Convention Center in Minneapolis. This handout will be distributed by RJR and possibly PM.  
TI preparing (Bill O).

Final copy must be ready by Wednesday, March 6, 1991.

7. Department of Revenue December 90 forecast on cigarette tax elasticity to be forwarded to MN Taxpayers Association. Next week MNTA will do press release on their analysis. This will be done probably second week of March Report showing a 10% increase in prices reduced consumption 3.6%. One could then assume the 60% cigarette tax increase would decrease consumption by 24%.
8. Impact of Tax on Indian Reservations.  
This needs further discussion. MGA survey indicates 54% currently believe they are losing sales to reservations. We need to get better numbers on loss, sales and revenues both in state and border states and how to use.
9. MN Citizens for Tax Justice regressivity study to be out shortly. You indicated Pat that you would track down a copy for me.

**PHASE 1**

February 25, 1991, to March 8, 1991.

**PHONE BANKS**

1. Based on the advise of our lobbyists, members of both the Senate and House Tax Committees will be targeted from RJR Smokers Rights Group and Philip Morris Smokers Caucus Group during the next two weeks. TI, on the other hand, will target border legislators first by contacting grocery stores and convenience stores along MN's borders. At a date to yet be determined, the TI phone bank operation will then target the House and Senate Tax Committee members for a final hit.
2. All the lobbyists are providing North State with a list of their contacts and feedbacks for the House and Senate committee members by 3/4/91. Tom Kelm indicated he is much more concerned about committee members than Chairmen. He said we already have sympathetic leadership on both tax committees. Based on feedback to Tom Kelm additional assignments will be made.

North State Advisers said it is not necessary at this point in time to target Speaker Bob Vanasek, and Senate Majority Leader Roger Moe.

3. Minter Weisman Trade Show March 7-9. Approximately 1,000 retailers statewide expected to attend. TI will develop a one page hand out. PM and RJR will develop smaller cards to hand out. Minter Weisman will brief its employees on the need to fire up retailers.
4. Gateway Grocery Stores Trade Show March 11, 12, and 13, 1991, LaCrosse, Wisconsin. Follow up with John Olson to see how we can use information here. Huge show with MN and WI retailers.
5. North State met with D.J. Leary to discuss using him to develop outstate editorial support work with wholesalers who have already been contacted by the media and help individualize information pertinent to key legislators that best reflect impact on their district.
6. Flush out with PM and RJR if coupon stuffers can work to elicit calls into an 800 number. Wholesalers have said they would be willing to do it. After discussions with Hurst Marshall and RJR lobbyists, PM lobbyist, Pat Wilson and North State, it appears carton stuffers will not be used. Companies will prepare their own handouts to be disseminated through company sales force statewide. We do need further discussion on possibility of point of sale displays having postcards customers can easily grab telling them how to contact a legislator and what to say.

7. Mechanics of reusing phone bank discussed by North State needs to be further refined along with who will house an 800 number.
8. Additional follow up with unions needed.
9. Further discussions with Hurst Marshall and Pat Wilson about petitions is needed. North State is not keen on them. John Berglund from the Licensed Beverage Association says they can do easily if we stress "no new excise taxes" and do not just focus on cigarettes. Need to follow up with Berglund and also find out if TI has any model petition language we can use.
10. Letters to the editor written by PM and signed by 3rd parties obtained by PM.
11. OP-ED pieces for Trade Magazines to be developed by TI, PM and RJR.
  - MN Licensed Beverage Association - opposition to excise taxes in general but specific to MN.
  - Mn Retail Merchants Association - loss of sales.
  - MN Grocers Association - cross border sales.
12. Further discussion needed on ways to generate letters from out of state businesses saying "We want your business, shop here, our prices are cheaper". Ideal for distribution at MN Retail Trade Shows.
13. Follow up needed to obtain letters from Tribal Chairman to Governor thanking him for proposing cigarette tax increase, release copies to press. PM working on this.
14. Further discussion needed with PM, RJR and industry lobbyists as to what kind of Coalition we form. Need to then ID group spokesman and develop media event to publicize why the group has formed. Changes in lobby law now require more reporting too. It would be nice to bury some of our costs, via a Coalition.

#### **FUTURE ACTIONS**

1. Different phone bank targets.
2. Media event showing van load of empty cigarette cartons driven from Kentucky to MN State. Capitol demonstrating profits associated with bootlegging cigarettes under the Governor's proposal.
3. Follow up with eight specific targets from MN Grocers survey.

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4. Discuss poll similar to one being conducted in PA.

**SUMMARY**

After a 3/5/91 meeting in Minneapolis, I will have additional information for you. North State Report to be faxed to you 3/5/91.

I am somewhat concerned that we now begin to coordinate who is doing what so we are not separately getting off the track or presenting the wrong message. Fine tuning is critical this week.

CC: Hurst Marshall  
Pat Wilson