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VIA ELECTRONIC MAIL

10-May-85

MEMORANDUM

TO: Bill Buckley
FROM: Michael F. Brozek
RE: Legislative Update - Minnesota

Bill, as per your instruction, here is a report on our progress regarding legislative matters in the state of Minnesota. As I am dictating this from a phone booth outside the House Appropriations Committee hearing room, the technical quality of this report may not be optimal. However, for purposes of order, we will again approach this report from the aspects of legislative program and our legislative support system.

LEGISLATIVE PROGRAM:

As decided at a meeting on Friday, April 26 in Minneapolis, attended by member company representatives and TI staff, our legislative program during the final weeks of the Minnesota legislative session would be coordinated through Mr. Tom Kelm. For the most part, this focussing of information through Mr. Kelm has worked exceedingly well. However, there have been causes for concern with regard to certain lobbying activities within this effort. Since our only mission is to defeat this onerous anti-industry legislation, I feel it inappropriate to dwell on this particular matter at this time. A detailed report after the session adjourns, will outline very salient observations in this regard for future legislative planning. It is Mr. Kelm's practice to meet daily with all appropriate TI staff members and member company lobbyists. This function will continue until the legislature adjourns sine die.

On Monday, May 6, SF 776 was heard before a subcommittee of the Senate Finance Committee. Industry lobbyists, as well as University of Minnesota Professor Dr. Raymond Raab and Covington and Burling attorney, John Rupp, were on hand to present testimony in opposition to this legislation. SF 776 would place a tax on cigarettes to fund sewer projects, as well as anti-smoking educational programs. Additionally, this measure contained specific language to ban all promotional cigarette sampling in the state of Minnesota. After much discussion and testimony, the Committee agreed to delete all references to a prohibition on cigarette sampling, but placed specific language mandating that all promotional cigarettes have a Revenue Department stamp affixed to each pack. The tax portion of the package was passed and sent to the full committee. On May 7, the

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full Senate Finance Committee met to affirm the subcommittee's recommendations, while adding several remedial changes in statutory references. It was this committee, in their zeal for purity, that passed an amendment to SF 776 banning the sale of candy cigarettes. In a discussion that stretched absurdity into the realm of legitimacy, several senators suggested that bubble gum cigars also be banned. Therefore presently, SF 776 minus the sampling ban, will be sent to the Senate for debate. Even though the cigarette tax still remains to fund sewer projects and a 1 cent tax still remains to fund anti-smoking educational programs, the battle is far from over in that there is growing opposition and confusion about the entire concept embodied in the sewer program. Additionally, House leadership has indicated that it will not accept the Senate version of SF 776 and that its passage is in serious doubt.

Earlier this morning, a subcommittee of the House Appropriations Committee met to debate the merits of HF 810. In most ways, HF 810 is a companion bill to SF 776. As planned, the issue of sewer tax and funding for anti-smoking programs were separated. As of this writing, the Committee is still meeting with regard to the sewer tax. However, I am prepared to report on the anti-smoking portions of the bill which were heard earlier.

During discussions regarding the funding of anti-smoking programs, the Committee debated the issue of a state-wide sampling ban on cigarettes. Covington and Burling attorney John Rupp was on hand in anticipation of legal questions that might arise regarding this debate. During the course of the debate, a motion was made to delete all references to a sampling ban. TI legislative counsel David Krogseng, in preparation for this motion, had earlier drafted language in order to facilitate our effort to kill a state-wide sampling ban. Mr. Krogseng had this amendment drafted and typed, and it was distributed to Committee members in proper form. The Committee, by a vote of 6 - 3, defeated a measure to ban sampling state-wide. The Committee, however, recommended passage of a 1 cent cigarette tax for health programs, but then removed all staffing for those programs. The full committee on Appropriations will receive the subcommittee's report and on Monday, May 13, hearing of the full Appropriations Committee is expected. In this particular case, in the context of the last full week of this legislative session, the delaying tactic becomes a strategic tool in our efforts to kill this legislation.

It is also interesting to note that agreement on the sewer program as well as the funding mechanism, is far from complete. The next seven days will be the true test of our industry's legislative program with regard to this effort in Minnesota.

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LEGISLATIVE SUPPORT:

Our grassroots activity, according to state legislators and industry representatives alike, has been wide spread, vigorous and penetrating. The following itemization is an updated accounting of that grassroots activity now in effect and fully mobilized in our efforts to defeat this legislation. It is interesting to note, that a legislator in a minority party, approached TI legislative counsel David Krogseng and R. J. Reynolds legislative counsel Mike Flanagan to tell them that he had already received 34 letters in the past 2 days against this bill. The following grassroots activity is in place and operating:

- o A mailing to 5,200 regular customers of major tobacco retailers was received on Monday, May 6, with requests to phone or write their respective legislators. A phone bank is presently contacting each of these customers to ascertain the effectiveness of that mailing as well as use the opportunity to urge continued contact with their respective legislators.
- o Two separate phone bank contacts to every licensed tobacco vendor in the state of Minnesota urging that the vendor contact their legislator. This activity will be repeated to all tobacco vendors by Monday, May 13.
- o An 80,000 piece mailing utilizing R. J. Reynolds private lists, was received on Tuesday, May 7. A spot check from our legislative staff contacts indicates a growing response to this mailing.
- o Two mailings and follow-up mailgrams to all manufacturers' representatives, as listed on TAN activist roles, were completed Tuesday, May 7. Follow up phone bank calls were initiated Wednesday, May 1 and repeated on Wednesday, May 8.
- o A printing and distribution of 2,500 petitions by the Minnesota Tobacco and Candy Distributors Association is now in circulation. Several hundred names have been received and each name will receive a phone call from our organized phone banks.
- o Several hundred petitions, distributed to member company sales supervisors, are in circulation. These petitions will be used for direct contact to respective legislators and will also be used in our follow up phone banks.

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- o A mailing, phone bank follow up and petitions to the 100 member Minnesota Automatic Merchandising Association has been activated.
- o Direct contact between member companies and their direct accounts have been completed by May 3. Follow up phone banking will be completed by Wednesday, May 15.
- o Several hundred petitions have been distributed by major Twin Cities retailers urging defeat of the anti-industry legislative package. Additionally, names from these petitions will be phone banked for follow up.
- o A search of all mid to large city yellow pages, for tobacco-related businesses, has been completed and phone banked. Repeat calls to this group will be made during the next four days.
- o Contacts and phone banking to outdoor advertisers is being conducted. In particular, the Naegele Company has been instrumental in this effort.
- o Phone banking and direct contact between the juke box and amusement membership has been completed and will be repeated on Wednesday, May 15.

We are receiving increasingly positive responses from legislators here at the Capitol. As I stated previously in past correspondence, that even a 10% response would be significant in defeating this legislation. It is our estimate that nearly 9,000 calls will be made before the legislature adjourns sine die.

Bill, I hope that this information is helpful to you and I look forward to seeing you again here in Minnesota next week.

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