

Michigan's Proposal A

Chapter 14 reviews media efforts by the tobacco industry to defeat state tobacco control ballot initiatives and referenda. That chapter presents the outcomes of 42 state tobacco initiatives and referenda held from 1988 to 2006, and provides an analysis of industry media campaigns used in seven initiatives and referenda that proposed increases in tobacco taxes.

Michigan's Proposal A (1994) was materially different from the other 41 initiatives and referenda, which focused exclusively on tobacco. Proposal A affected many types of taxes, including tobacco excise taxes, sales taxes, income taxes, and business-related taxes. This appendix presents a summary of Proposal A because of several compelling features of this campaign: (1) when approved by the voters, Proposal A resulted in the largest cigarette tax increase in the history of the nation (50¢ per pack), giving Michigan the highest state cigarette tax rate in the country at that time (75¢ per pack); (2) the tobacco industry was the major funder of the anti-Proposal A coalition, allowing it to conduct an intense media campaign; and (3) Proposal A proponents, in their own media communications, focused on the industry's involvement in the opposition campaign. It should be noted that many states approved larger cigarette tax increases in later years, including several that have adopted increases of \$1.00 or more per pack since 2005.

In July 1993, the Michigan state legislature eliminated local school property taxes, thereby reducing annual funding for the state's public schools by almost \$7 billion. That action grew out of several concerns: (1) property taxes were too high (Michigan had the eighth highest property tax burden in the country); (2) property assessments were increasing too quickly; and (3) geographic differences in the revenue from property taxes—which were the chief source of funds for the public school system—were creating significant disparities in per-pupil funding across school districts.¹

To fill the new funding gap for the public school system, the legislature voted on December 24, 1993, to offer the voters two alternative revenue proposals through a ballot referendum identified as Proposal A. This measure was placed on the ballot in a special election to be held on March 15, 1994. If voters approved Proposal A (called the “ballot plan”), the state constitution would be amended to increase the state sales tax from 4.0% to 6.0%, increase the state cigarette tax from 25¢ to 75¢ per pack, limit future property assessment increases, and reduce the state income tax rate from 4.6% to 4.4%. Defeat of the ballot measure would automatically put into effect the alternative plan (called the “statutory plan”), which included an increase in the income tax from 4.6% to 6.0%, an increase in the state cigarette tax from 25¢ to 40¢ per pack, and an increase in the single business tax rate. The two proposals had other differential effects on tax policy. However, both options imposed an identical ad valorem tax on tobacco products other than cigarettes (cigars, non-cigarette smoking tobacco, and smokeless tobacco) at 16.0% of the wholesale price.² The ballot plan included a provision earmarking 6% of total tobacco tax revenues (about \$35 million) to “improving the quality of health care of the residents of this state.” The statutory plan did not include a health earmark.

From the standpoint of tobacco, the variance between the ballot plan and the statutory plan was the cigarette tax differential of 35¢ per pack and the 6% health earmark in the ballot plan (assuming that some of the earmarked revenue might be allocated to tobacco control). Those differences were enough to drive the tobacco industry into the camp opposing Proposal A, whose most prominent members were the Michigan Education Association (MEA), a teachers' union; other labor unions; the Michigan Municipal League; and the League of Women Voters. Supporters of the ballot plan included Governor John Engler, business interests, utilities, and many health organizations motivated to support the measure because of its larger cigarette tax increase.

Tobacco companies provided the main financial backing for the opposition coalition, named “Michigan Citizens for Fair Taxes.” Before disclosures of campaign contributions were required, Proposal A supporters reported that they had learned from industry sources that

... the Tobacco Institute has been authorized by the tobacco companies to spend upwards of \$4 million over the next four weeks in a campaign of deceit and distortion unprecedented in Michigan. That is as much money in four weeks as both Michigan gubernatorial candidates are allowed to spend during an entire general election campaign.... In opposing Proposal A, the tobacco lobbyists from outside our state are threatening the health of Michigan's residents and our state's economy.³



Direct mail brochure from the Michigan Citizens for Fair Taxes campaign (here and next page)

Walker Merriman, vice president of the Tobacco Institute, stated that the tobacco lobby's contributions to the anti-Proposal A campaign will be

... whatever we have that we think is appropriate. Pick a number. \$100 or \$100 million. I don't think anyone should reasonably expect us to tip our hand.⁴

The first required disclosure of campaign contributions indicated that \$3,965,731 had been donated through February 27, 1994, to defeat Proposal A. Of this amount, 86% came from tobacco interests, including \$1,783,018 from the Tobacco Institute, \$1,244,396 from R.J. Reynolds, \$150,089 from Lorillard, and \$140,149 from American Tobacco Company. Donations in support of the measure, on the other hand, amounted to \$1.063 million.^{5,6}

A later disclosure indicated that "contributions from tobacco companies and lobbying groups made up most of the \$5 million raised by the Michigan Citizens for Fair Taxes,"

B E W A R E :

Before you let Governor Engler take you for a ride with Proposal A, take a long look at what he's selling you.

Because no matter what Engler and his politicians promise you, Proposal A is a *lemon*—a public schools disaster waiting to happen. And we'll pay dearly for it.

HIDDEN DEFECTS
Remember the "Lottery money for schools" scam? Politicians promised Lottery money would only go to schools, but the money ended up in some general fund that the politicians control. They lied, and we ended up with **less**.

Well, it's happening all over again with Proposal A—only **worse**.

LESS \$\$ FOR SCHOOLS
Even *before* we get a chance to vote on Proposal A, Engler's already begun to cut a *billion dollars* from school funding by giving away *huge* tax breaks to the special interests to buy their political support.

more state funds for their schools if Proposal A *fails*. The difference between a "yes" and a "no" vote could mean millions of dollars for many school districts.

MORE \$\$ FOR SPECIAL INTERESTS
The only guarantee we have with Proposal A is that it will raise the sales tax a record 50%—a tax that forces working families to pay **more** taxes for education, while Engler, his wealthy friends, and his special interests pay **less**.

NO GUARANTEES
Proposal A has so many hidden defects that we'll be lucky if we go three years before crashing into **another** school funding crisis.

Don't let it happen. Next Tuesday, go into the voting booth and demand better. Tell Engler you want **better** schools for your money, **not worse**.



ENGLER TAKES \$1 BILLION FROM SCHOOLS AND GIVES IT TO THE SPECIAL INTERESTS

John Engler has already begun to cut \$1.2 billion from Proposal A's school funding by cutting deals with his special interests: \$265 million in tax breaks to the realtors, \$20 million to farmers, \$300 million to auto dealers. Proposal A also slashes \$592 million from the state budget—money that won't go to schools. And even Engler admits that his new Keno game won't raise the \$100 million for schools that he claims.

In fact, Proposal A will never guarantee enough money to improve our schools. Every school district in the state will have



VOTE "NO" on A

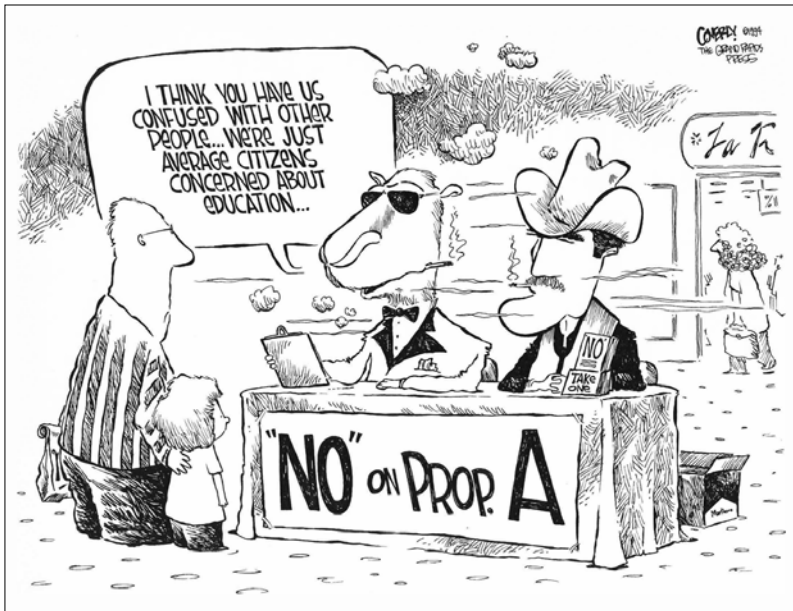
IT'S UNFAIR TO YOU.
IT'S BAD FOR OUR KIDS.

including \$2.2 million from the Tobacco Institute, \$1.3 million from R.J. Reynolds, and \$302,609 from American Tobacco Company. About \$4.4 million was spent by this group on television advertising.⁷

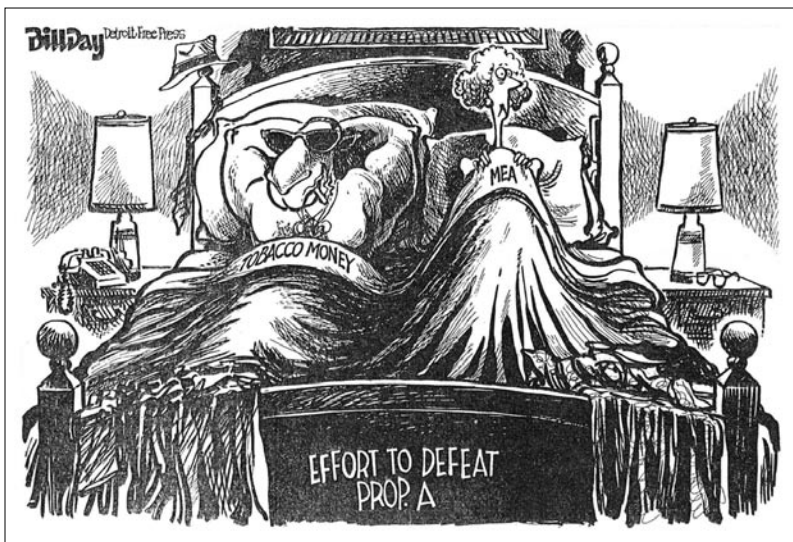
Proposal A opponents used aggressive media advocacy, particularly toward the end of the campaign, including television and radio advertisements and direct mail. Even though tobacco industry donations covered most of the opposition's campaign expenditures, their media messages ignored the cigarette tax differential. Instead, they focused on the unfairness of a sales tax increase and other nontobacco issues. However, one argument from the tobacco industry's media archive—that tobacco taxes are "regressive" (disproportionately affecting the poor)—was applied to the proposed sales tax increase.

Opposition forces sent at least five different direct mail pieces to households throughout the state in the two weeks leading up to the vote. The cover of one large, four-page color brochure showed a photograph of a school bus, with an image of Governor Engler superimposed on the front grille above the headline, "Better look under the hood." Inside the brochure was a photograph of a demolished school bus—an image that disturbed and offended many parents whose children ride school buses—under another headline, "Proposal A is a disaster for our kids." The accompanying text argued that passing Proposal A would benefit "special interests"—an ironic claim in light of the fact that most of the opposition's expenditures were underwritten by the tobacco industry.

Another direct mail brochure featured photographs of senior citizens "held hostage." It claimed that "Proposal A hurts working people and seniors most, who pay a higher percentage of income in sales taxes—an especially cruel burden for seniors with fixed incomes."



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Proposal A supporters had much less funding in their political coffers. However, they were able to garner a substantial amount of earned media through press releases, press conferences, “town hall” meetings, newspaper op-ed columns and letters to the editor, and media interviews. They also purchased time on radio stations.⁸ A key message in their paid and unpaid media communications was the role of the tobacco companies in funding the opposition campaign. On a television program in Traverse City, for example, Governor Engler held up an empty Marlboro package and said,



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Joe Camel is the only thing that stands in the way of our being successful on March 15. We are not going to let cigarette companies come in here and bankroll the whole campaign, blow a lot smoke about what proposal A is or isn't, all in an effort to protect the manufacture of cigarettes in North Carolina and Kentucky.⁹

The role of the tobacco lobby in funding the anti-Proposal A campaign was covered extensively by the media in its news and editorial pages. For example, at least eight editorial cartoons on the subject were published in major newspapers during the three-month campaign—two in the *Detroit Free Press* (March 9 and 10, 1994), three in the *Detroit News* (February 23, March 10, and March 17, 1994), and three in the *Grand Rapids Press* (March 4, 13, and 15, 1994). The theme of teachers and tobacco interests as “strange bedfellows” was featured in one of these cartoons and in editorial commentary:

Allied against the March 15 school finance ballot plan are quintessential strange bedfellows—those who teach kids good habits and those who sell bad ones. The Michigan Education Association (MEA) wants to help kids. The tobacco industry wants to hook them.¹⁰

In the end, voters approved Proposal A by a huge margin—69% to 31%—giving Michigan the highest cigarette tax rate among all 50 states. After the vote, Chris Christoff, a political writer for the *Detroit Free Press*, noted that the campaign against the referendum “was criticized for its misleading advertisements and its highly negative tone.”¹¹ William Ballenger, editor of the newsletter *Inside Michigan Politics*, said that “In terms of truthfulness, the anti-Proposal A campaign is right down there in the quagmire, the worst I’ve seen going back 25 years.”¹² Craig Ruff, president of an independent, Lansing-based consulting firm,

attributed the passage of Proposal A—at least in part—to the tobacco industry's role in the opposition campaign:

The opponent's misuse of their war chest to fight the ballot question can be described only as highway robbery, and the tobacco industry got stung. The campaign against Proposal A set new and anything but laudable standards for purposeful misinformation. Political strategies have underestimated voters before, but never on this scale. The stockholders of the tobacco companies ought to sue for recovery; rarely have millions of bucks been so misspent. How many computers in Michigan classrooms could those North Carolina millions have bought?¹³

After passage of Proposal A, the state legislature adopted legislation creating the Healthy Michigan Fund, into which were placed the earmarked revenues from tobacco taxes. About \$4 million from this fund were appropriated annually for tobacco control programs, although that amount has been reduced in recent years. Because of large disparities in cigarette tax rates between Michigan and other states (especially Indiana, a neighbor state, whose cigarette tax was 15.5¢ per pack at the time), another \$1 million from the fund was allocated for law enforcement efforts to interdict interstate cigarette smuggling.

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