

DAILY NEWS CLIPS

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MALLOY APPLAUDS FEDS; WILL MOVE FORWARD WITH ROLL-YOUR-OWN BILL

By Christine Stuart

CT News Junkie

June 4, 2012

Following Monday's Bond Commission meeting, Gov. Dannel P. Malloy — the former prosecutor familiar with criminal investigations — said there's two possible explanations for the speed with which the feds' campaign corruption investigation has developed.

"One is that there was an investigation into other matters and somehow this came across someone's bow," Malloy told reporters. "The other way is, it just came across someone's bow and they recognized an opportunity to investigate."

However, Malloy pointed out "we actually don't know who started this," and added, "Until that time anything else is speculation."

Lots of theories are floating around the capitol. Sources have speculated that the investigation is related to the roll-your-own cigarette fee legislation, while others say the probe is strictly related to Chris Donovan's campaign and its staff.

Malloy told reporters Monday that the roll-your-own legislation was something his administration wanted passed.

The legislation was written April 3 after the courts dealt the state a revenue setback in March.

The state had sought an injunction against a Norwalk tobacco shop claiming that the owner was circumventing regulations by helping people operate the roll-your-own tobacco dispenser. State officials say the machine can produce a 10-pack carton of cigarettes in just 10 minutes at a price \$30 below retail.

The court found that the shops couldn't be labeled manufacturers because customers make the cigarettes, but the state doesn't have the manpower to monitor how much help customers receive from shop owners.

As a result of the ruling, the Malloy administration helped draft legislation requiring tobacco shops with roll-your-own cigarette machines to obtain a \$5,000 manufacturer's license. There are currently 15 such smoke shops in Connecticut. The issue didn't make it out of the Senate before May 9, never reaching the House, and is expected to be raised again during the June 12 special session.

"We believe it should be passed," Malloy said, adding that the shop owners are trying to circumvent the clear intent of federal and state statutes with respect to the taxation of tobacco products.

"So we're proponents of this happening," Malloy said.

Meanwhile, the governor said he'd like to talk to federal investigators, but he's happy to give them some leeway until they are ready to provide more information about their findings.

Malloy was the first Democrat to call upon Donovan to offer an explanation for the allegations. Donovan did that on Sunday at a press conference outside his headquarters in Meriden. However, there wasn't anything Donovan was able to say about the ongoing investigation, and Malloy appears to be fine with that even if Sen. Minority Leader John McKinney doesn't think so.

"Governor Malloy may be satisfied with Speaker Donovan's limited responses to the news media, but I am not," McKinney said, adding that the allegations cast a "dark cloud over the entire legislature and the legislative process."

Malloy said he'd take Donovan at his word.

"I'm going to take the speaker's statements that he's been asked by the feds not to comment beyond those items that are currently public. That's not unusual of an investigation at this stage," Malloy said. "It may make his life a little more difficult to honor that request."

Malloy said Donovan met the test of dismissing the individuals involved, admits no knowledge of the allegations, and has come forward to speak with the public.

"I was pretty straightforward about what needed to happen. The speaker needed to come forward and answer questions," Malloy said. "He's done that. I think the rest is between the speaker and the public."

Asked about Ray Soucy, who has widely been identified as "Co-Conspirator 1" in the federal corruption affidavit, Malloy said he wouldn't describe Soucy as a political operative. According to the affidavit, Soucy was the person who helped set up meetings with the Donovan campaign and accepted the money for the straw donations from the FBI undercover agent.

Soucy's Facebook page features a photo of him and Malloy from the 2011 inaugural ball.

"I know him through his labor contacts, and specifically with respect to Corrections officers more than anything else," Malloy said. "If you'd ask me, 'who is this guy Soucy?' I would say he represents the Corrections officers."

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DONOVAN: 'IT WAS A SENATE BILL'

By Jesse Buchanan
The Recorder-Journal (CT)
June 4, 2012

Democratic House Speaker Chris Donovan said he was unaware of an influence-peddling scheme that federal authorities allege members of his congressional campaign staff were involved in.

Donovan said Sunday his influence was not for sale, but federal transcripts of recorded phone conversations reveal campaign staff taking credit for the failure of a roll-your-own cigarette bill to pass the Senate.

One question emerging from the federal probe is whether the state House leader was in a position to influence legislation that was raised in the Senate and never left that chamber.

Donovan and his staff stress that the bill did not reach the House and that Donovan had no involvement with it. That point was echoed Monday by a spokesman for the Democratic caucus in the Senate, as well as two Republican senators.

The investigation into Donovan's campaign in the 5th Congressional District began with an FBI agent posing as an investor in roll-your-own cigarette shops who gave \$20,000 in exchange for help defeating Senate Bill 357, according to the criminal affidavit for Donovan's former campaign finance director, Robert Braddock Jr. Authorities say Braddock helped arrange the contributions and conspired to mask their source.

The bill, intended to tax and license roll-your-own cigarette shops as manufacturers, died on the Senate floor on the last day of the legislative session, May 9.

Neither Donovan nor any of his staff had any communication with Senate Democratic leadership on the roll-your-own legislation, according to Senate Democratic Caucus spokesman Adam Joseph. He represents Senate Majority Leader Martin M. Looney and Senate President Donald E. Williams.

The bill was delayed by an amendment added by Sen. Len Suzio, Joseph said, and wasn't considered urgent enough for a vote in the final days of the legislative session. Republicans had told Democrats they expected the bill would be a "talker," generating a lot of debate on the Senate floor, according to Joseph.

"It's our responsibility to figure out how to move the greatest amount of important legislation in a short amount of time," Joseph said. The bill "became less of a priority. We knew we could come back to it."

Senate Bill 357 passed the Finance, Revenue and Bonding Committee in early April in a party-line vote with Democrats supporting it. Joseph said he anticipates the bill passing with Democratic support during a special session scheduled to begin June 12.

Suzio, a Meriden Republican, said House and Senate leadership have to work together to get legislation through the General Assembly, but the relationship between Donovan and Williams has been strained.

State Sen. Joe Markley, R-Southington, also said he has seen tension between leadership in the two chambers, but said that's not uncommon even when the General Assembly is controlled by the same party.

"I saw considerable tension between the House and Senate Republicans back in the '80s," he said.

While leaders of the House and Senate have to communicate often, particularly if they're of the same party, Markley said it was unlikely that Donovan approached Senate Democrats asking for them to kill a piece of legislation.

Donovan's spokesman, Gabe Rosenberg, declined to comment for this story in light of the federal investigation.

During a press conference Sunday, Donovan said he knew nothing of the alleged "conduit contributions" and that "his influence was not for sale."

"No one bought my involvement, my position or my influence on the 'roll-your-own' legislation or any other. Period." Donovan said.

He also pointed out that the roll-your-own legislation never reached the House.

"I was not involved with that bill," Donovan said. "It's been mentioned but bears repeating — it was a Senate Bill, which never passed the Senate — so it never reached the House."

The federal affidavit for Braddock's arrest includes phone conversations recorded by the FBI between Donovan's staff and others about how to conceal the source of campaign contributions.

The affidavit doesn't name co-conspirators and only identifies those arranging conduit contributions as CC-1, 2 and 3.

News reports have linked CC-1 with Ray Soucy, the treasurer of a correction officers union. Lisamarie Fontano, president of AFSCME Council 4 Local 387, said she learned of Soucy's possible involvement from a news report Saturday morning and fired Soucy. She said Soucy confirmed that he had been in contact with the FBI.

Soucy also reportedly resigned from two positions with the Connecticut AFL-CIO, including his post as president of the Western Connecticut Central Labor Council, according to The Connecticut Mirror.

According to transcripts of phone conversations, Soucy told an undercover FBI agent after receiving \$10,000 in campaign contributions that: "It's a game that, lucky enough, I've got the contacts to play good in."

In April, Soucy was contacted by the FBI and agreed to work with them. Soucy was then recorded in a conversation with Braddock about conduit contributors.

"Like I said, you know, it was a very good investment for us to kill that bill. And they want to stay friends for a long time. So. You know. Alright. Let me see about getting that address for (name of contributor), (unintelligible), whatever. And then I'll give you a call back on that. And then hopefully you have that

other ... be inside and give me the name of that other check,” the affidavit quotes CC-1 as saying. Braddock answers, “OK.”

Braddock, 33, was arrested by the FBI Thursday and faces charges that he conspired to conceal the source of contributions to Donovan’s campaign for Congress. Braddock’s attorney, Frank Riccio II, said his client will plead not guilty.

Concerning Soucy’s statements, Joseph said there are people on campaigns who claim influence in the political world but have little actual sway.

Two sources who worked and trained with Soucy said he portrayed himself as a “wheeler-dealer” who liked to drop names of important people, but nobody took him very seriously.

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DON PESCI: DONOVAN AND THE POLITICS OF PERSONAL DESTRUCTION

Opinion by Don Pesci

West Hartford News (CT)

June 4, 2012

It always helps if the person slated for destruction assists in the operation. In this regard, Speaker of the State House of Representatives Chris Donovan has been an obliging subject.

Mr. Donovan missed his all-important curtain call – a non-negotiable demand from Connecticut’s left of center media that he present himself instantly to answer some nagging questions -- instead sending the director of the Connecticut Citizens Action Group (CCAG), Tom Swan, to catch the flack coming his way after the finance director for Mr. Donovan’s now faltering campaign for the U.S. House in the 5th District was arrested in what appears to be a successful FBI sting operation.

Mr. Donovan has hired two lawyers to help him weather the coming storm, the resourceful Stan Twardy, a political operative in the administration of then Governor Lowell Weicker, and a stand-by criminal lawyer.

Mr. Donovan fired his corrupted finance director and replaced his campaign manager, Josh Nassi, with Mr. Swan, who for many years has been at the helm of CCAG, trying his best to turn what had been a consumer oriented organization into an annex of the left wing of the state’s Democratic Party. Mr. Swan has been largely successful. When he floated from CCAG to chief flack catcher in the Donovan caravan, the transition was effortless.

Mr. Twardy, a past contributor to the campaigns of former U.S. Senator Chris Dodd and former U.S. Rep. Chris Shays, has been around the corrupt campaign staff block before. The former U.S. Attorney was hired by Mr. Shays, now running for the same U.S. House seat coveted by Mr. Donovan, when Mr. Shays’ campaign manager, Michael Sohn, was imprisoned for a little more than three years after having

pled guilty on a 12-count indictment charging him with having embezzled about \$250,000 in campaign funds.

Due to be released from prison in 2013 and poorer than a church mouse, Mr. Sohn finds himself unable to pay off the creditors who had invested in Mr. Shays' failed congressional campaign. For his part, Mr. Shays has said the creditors should apply to the indigent Mr. Sohn – not him – for payment of bills due.

Doubtless, one of Mr. Donovan's two lawyers have told the beleaguered Speaker of the State House that he should put a brick on his tongue until they are able to peek at the cards prosecutor are holding close to their chests. Better to incur the disfavor of a dyspeptic media than to say something publically that may lead to unwanted legal misfortune, eh?

The horns of the dilemma upon which Mr. Donovan finds himself tossed are usual in such cases: Either Mr. Donovan knew what his finance chairman was up to and therefore is legally complicit, or he was not watching the campaign store and therefore is incompetent; in either case he is not fit to represent the people of the 5th District in Congress.

One of Mr. Donovan's Republican opponents, Mark Greenberg, made the point tellingly in a press release following a media sidewalk interview during which Mr. Donovan planted himself firmly on one of the two horns.

"Let me be very clear about this," Mr. Donovan said. "At no time did I know that anyone might have been trying to funnel illegal contributions to my campaign. No one ever made a deal with me as a quid pro quo."

Mr. Donovan, who as Speaker of the state House steers bills through the legislative process, said he was unaware of the bill, which would have raised \$3.4 million a year from about 15 roll-your-own cigarette machines in the state. The campaign contribution accepted by Mr. Donovan's fired campaign finance chairman was supposed to have resulted in the bill's dismissal; ultimately, the bill was a casualty of an end of session legislative pile-up.

Reading from a statement that likely passed under the nose of his criminal defense attorney, Mr. Donovan said of the bill during his sidewalk interview, "I did not know about it at any point during the legislative session." At the same time, Mr. Donovan adamantly refused – on advice of council? – to discuss the corruption investigation that led to the arrest of his campaign finance director, giving Mr. Greenberg an opportunity to launch the standard rejoinder:

"Donovan either knew or should have known that this illegal activity was occurring in his campaign. Whether this is a gross violation of the public trust or gross mismanagement, the people of Connecticut deserve better."

Mr. Greenberg was not alone in calling upon Mr. Donovan to resign as Speaker. In a Sunday editorial, a statewide paper reminded everyone that it had called upon Mr. Donovan to resign his position as Speaker when he had opened his 5th District campaign: "Mr. Donovan should have stepped down as speaker the minute his campaign for Congress began in order to avoid the inevitable conflicts of interest or appearances of conflict that this fund-raising scandal has brought to the fore."

The score so far? Mr. Donovan is not stepping down as Speaker; he has temporarily shifted the

responsibilities of his office to his handpicked successor, Brendan Sharkey. Mr. Donovan will not in future talk about the corruption issue under litigation; and he is soldiering on in his bid for the U.S. Congress.

That's three strikes.

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<http://www.westhartfordnews.com/articles/2012/06/04/opinion/doc4fccde047fbb5110583192.txt?viewmode=2>

DEMOCRATS RETURN \$2,500 DONATION, TAINTED BY DONOVAN CAMPAIGN FINANCE INVESTIGATION

By John Lender

The Hartford Courant (CT)

June 4, 2012

The state Democratic Party said that it mailed a scandal-tainted \$2,500 contribution back to its donor Monday, after consulting federal law enforcement officials investigating alleged criminal improprieties in the congressional campaign fundraising of Democratic House Speaker Christopher Donovan.

The Democratic State Central Committee had intended to mail a check for \$2,500 back to the donor — a Wolcott Democrat — on Friday but then its legal counsel was asked by a federal law enforcement official to wait until Monday to see if the party should instead turn it over to investigators.

On Monday, the party's executive director, Jonathan Harris, said that the Democrats' legal counsel, Kevin Reynolds, was advised by a member of the office of the U.S. Attorney for Connecticut to go ahead with its original plan.

"The U.S. Attorney's office called back and told us to just return it to the contributor," Harris said in a telephone interview.

The donor's original check had been deposited in the party's account, so the party wrote a new check to return the funds to the donor, Harris and Reynolds said. It went out in the mail Monday afternoon, Harris said.

The return of the contribution is the latest development in an increasingly complicated political scandal that exploded into public view last week with federal officials' arrest of Robert Braddock Jr., the now-fired finance director for the campaign of Donovan.

Donovan faces a three-way primary for the party's 5th District congressional nomination on Aug. 14. He won the Democratic endorsement to run for the congressional seat at a district convention on May 14 in Waterbury.

It was at that convention that Donovan's then-campaign manager, Josh Nassi, handed the \$2,500 check in question — made out to the state party from Joseph M. Daddona Jr. of Wolcott, a registered Democrat

– to Amber Page, the finance and compliance director for the state party, Harris said Friday. Nassi, who has not been charged, also was fired from the Donovan campaign after the arrest of Braddock.

A woman who answered a phone call to Daddona Friday morning – saying she is his wife, but not giving her name – advised a Courant reporter to contact a Middlebury attorney and had no comment. The attorney did not return calls from the Courant on Friday and Monday.

Braddock was charged Wednesday with engaging in a conspiracy to conceal the source of thousands of dollars in campaign contributions to Donovan.

Federal authorities alleged last week that in April and May, a series of eight \$2,500 checks – adding up to \$20,000 – were submitted to Donovan's campaign in the names of donors who were not the actual sources of the money. In an affidavit filed last week in federal court, an FBI agent said that each of the donors listed on the checks were acting as a "conduit" for someone else's funds. Such "conduit contributions" are illegal, federal authorities said.

Four of the contributions to Donovan's campaign were submitted in early April. Another four checks for \$2,500 each were handed over to Donovan's campaign on May 14 by a Braddock co-conspirator – three of them payable to the Donovan campaign, and one payable to "a political party," the affidavit said.

Daddona's check was dated May 14 and made out to the state Democratic party, Harris said. It was handed over to Page, the state party finance official, by Donovan's campaign manager at that night's 5th District convention, Harris said.

"Apparently it was one of these bad checks, so it will be returned," Harris said of the \$2,500 check made out to the party.

The funds for the questionable checks came from an undercover FBI agent posing as a person interested in investing in a "roll-your-own" tobacco business, the federal affidavit said. The purported purpose of the contributions was to help to kill legislation introduced in the state legislature this year that would have imposed new fees and taxes on smoke shops that have roll-your-own tobacco machines, the affidavit said.

The roll-your-own tax bill was approved in April by a key committee but never came up for a vote before the 2012 legislative session ended May 9.

Donovan had been considered by many as the favorite in an Aug. 14 primary for the nomination against Democratic challengers Elizabeth Esty and Dan Roberti, but Thursday's announcement of his top campaign aide's arrest puts a cloud over his candidacy. He says he knew nothing about the alleged criminal activity in his campaign.

Originally published here: http://articles.courant.com/2012-06-04/news/hc-donovan-investigation-0605-20120604_1_donor-federal-congressional-seat

CONNECTICUT HOUSE SPEAKER CHRIS DONOVAN DENIES HIS INFLUENCE WAS BOUGHT

By the Associated Press
CBS New York
June 4, 2012

A defiant and emotional Connecticut House Speaker Chris Donovan strongly denied Sunday that he had any knowledge of money trading hands in exchange for legislation as alleged by federal authorities who arrested the one-time finance director of his congressional campaign.

In his first public comments about the scandal since the arrest of his former aide, Robert Braddock Jr., was announced on Thursday, Donovan met with reporters on the sidewalk outside his campaign headquarters in downtown Meriden.

“At no time did I know that anyone might have been trying to funnel illegal contributions to my campaign,” Donovan said. “No one ever made a deal with me as a quid pro quo.”

He said he learned of the investigation on Wednesday as Braddock was to be arrested, when the FBI called him “out of the blue” for an interview.

Braddock’s arrest, Donovan said, was like “getting punched in the stomach.”

Braddock’s lawyer has said his client is innocent and will plead not guilty.

Gabe Rosenberg, Donovan’s spokesman, interrupted the news conference several times to say the speaker will not discuss details of what he may know about the investigation, including his interview with the FBI.

Rosenberg also said Donovan would refuse to answer questions about Ray Soucy, whom The Hartford Courant reported is one of the unnamed men federal investigators say is a co-conspirator in the scheme to hide the source of contributions to Donovan’s campaign.

The allegations involve “conduit” campaign contributions, which are donations made by one person in the name of another person, and were connected to an effort in April to kill legislation that would have raised taxes and fees on “roll-your-own” smoke shop owners, authorities said.

“No one bought my involvement, my position or my influence on the roll-your-own legislation or any other. Period,” Donovan said.

The bill, which originated in the Senate, and failed in the Senate, never advanced to the House before the legislative session ended May 9, he said.

Donovan drew criticism when his campaign manager answered reporters’ questions on Friday despite calls for the speaker to address the public.

Gov. Dan Malloy, a fellow Democrat, said last week that Donovan should “give it a lot of thought, quickly, and come forward and speak to the people of Connecticut.”

And Justin Bernier, a Republican rival in the 5th District race, said last week that Donovan should speak for himself.

Donovan said he did not speak immediately about the scandal because he first needed to take action, including firing Braddock, replacing his campaign manager and hiring an investigator.

"I had to put that in place in order that I could then present to the public what I just did today," he said.

Donovan, who said he prides himself on working for campaign finance reform legislation, said he is now defending himself against "what is just unthinkable."

He took responsibility for hiring Braddock and others, and said he regrets doing so.

Donovan said he will recuse himself from negotiations about legislation, but vowed to will not resign as speaker as demanded by Senate Republican Leader John McKinney.

His voice breaking, Donovan said he understands he may lose some support in his race for Congress, but that he has been overwhelmed by supporters who have told him "to fight on, and I will."

"All I can do is emphatically reassure the voters that I've done nothing wrong," Donovan said.

Originally published here: <http://newyork.cbslocal.com/2012/06/04/connecticut-house-speaker-chris-donovan-denies-his-influence-was-bought/>

ILLINOIS CIGARETTE TAX INCREASE AWAITS GOV. QUINN'S SIGNATURE

Convenience Store News

June 4, 2012

While most of the attention in the cigarette industry has been on California's bid to raise the state's cigarette excise tax by \$1, Illinois lawmakers passed an identical hike last week with little fanfare.

State legislators gave their final approval on a measure to increase taxes on cigarettes and other tobacco products in an effort to hold off deeper cuts to Illinois' health care program for the poor. The \$1-per-pack hike more than doubles the current tax, which has held steady at 98 cents for several years, according to the Chicago Tribune.

The measure was sent to Gov. Pat Quinn for his signature. The governor has come out in favor of the increase.

"Increasing the price of cigarettes will decrease smoking-related costs to Medicaid, which came to \$1.5 billion last year. This legislation will help 60,000 people quit smoking, prevent 60,000 deaths from smoking-related conditions and keep 80,000 kids from taking up smoking in the first place," the governor said in statement. "By working together to pass these bills, strong progress has been made in our mission to restructure Medicaid, so that it serves as a health and wellness system instead of a

provider-payment system. As a result, our Medicaid system will continue to serve the millions of Illinois residents who rely on it.

"I look forward to signing the bills to preserve and restructure our Medicaid system, as we continue to take important steps to restore fiscal stability to Illinois," he added.

The \$1 increase will bring the cost of a pack of cigarettes in Chicago near-New York City levels. Current local and state taxes on a pack of cigarettes in Chicago are \$3.66, according to the anti-smoking Campaign for Tobacco-Free Kids. The \$1 increase would bring the combined tax rate to \$4.66 in Chicago, behind only the \$5.85 per pack rate in New York City, the newspaper reported.

Illinois' cigarette tax now ranks 32nd among the states and the District of Columbia. The state would move up to the 16th highest tax rate, behind states that levy \$2 or more for a pack of cigarettes.

A spokesman for tobacco retailers predicted sales of cigarettes would drop by about 20 percent because of the tax increase. An official for the so-called roll-your-own cigarette machine industry said new taxes and regulations would essentially ban the machines in Illinois, the newspaper added.

However, in an analysis late last week, Bonnie Herzog, managing director, beverage, tobacco and consumer research at Wells Fargo Securities, said that the Illinois increase (and a possible one in California) will only cause a temporary volume disruption, as CSNews Online previously reported.

"We feel that, after an initial shock, these increases would be absorbed as consumers become conditioned to accept higher price points," she said. "In other words, we don't see an incremental negative volume impact that would alter the long-term industry decline rate of approximately 3.5 percent."

Originally published here: <http://www.csnews.com/top-story-illinois-cigarette-tax-increase-awaits-gov.-quinn-s-signature-61242.html>

SEVERAL LOCAL SALES TAX RATE CHANGES COMING JULY 1

Business Examiner—South Sound, Washington

June 4, 2012

Many businesses will need to reprogram their cash registers to reflect changes in sales tax rates beginning July 1. Certain local sales tax rates in Chelan, Pierce, Walla Walla, and Whatcom counties will increase beginning with the third quarter of 2012.

The changes include:

- Chelan County: The sales and use tax rate within the City of Wenatchee will increase two-tenths of 1 percent to 1.8 percent. The tax will be used for the Public Facilities District.
- Pierce County: Tacoma will see a slight rate increase of one-tenth of 1 percent to 3 percent. The tax will be used for chemical dependency or mental health treatment services.

- Walla Walla County: The City of Walla Walla will establish a Transportation Benefit District to be used for transportation services. The sales and use tax rate will increase two-tenths of 1 percent to 2.4 percent.
- Whatcom County: The City of Ferndale will establish a Transportation Benefit District. Sales and use tax rate within the city will increase two-tenths of one percent to 2.2 percent, with the tax earmarked for transportation services.

More information is available at [Dor.wa.gov/LocalTaxRateChanges](http://dor.wa.gov/LocalTaxRateChanges). The department also encourages businesses to sign up for the sales tax rate change listserv at <http://dor.wa.gov/listserv/>.

Originally published here: <http://www.businessexaminer.com/blog/May-2012/Several-local-sales-tax-rate-changes-coming-July-1/>

ROLL YOUR OWN

KMAS News Radio (WA)

June 5, 2012

Beginning July 1st, operators of roll-your-own commercial cigarette-making machines must abide by the provisions of a bill passed by the state Legislature this spring. The Legislature enacted several changes to these laws. Store owners will have to comply with licensing, purchase cigarette tax stamps and apply the appropriate number of cigarette tax stamps to the containers provided to customers to carry RYO cigarettes out of the store.

Originally published here: <http://www.masoncountydailynews.com/news/news-page/31499-roll-your-own>

SMOKE AND MIRRORS: TOBACCO TAX FIGHT COMES DOWN TO MONEY

By Isaac Gonzalez

Capitol Weekly (CA)

June 4, 2012

In California, tobacco is big business: Nearly 12 percent of the adult population, or some 3.8 million individuals, are regular cigarette smokers. On average, they'll each consume about 210 packs -- more than 4,000 cigarettes -- each year.

It's no wonder, then, that the tobacco industry and other groups have spent nearly \$47 million on a sophisticated campaign against Proposition 29, the proposal that would add a \$1-per-pack tax if passed by the voters in Tuesday's election. The industry and its allies have outspent the backers of the tax by about 4-to-1.

The issue for foes of Proposition 29 isn't health, it's money. And a recent Field Poll reported that those efforts are paying off.

Only 50 percent of likely voters currently support the measure, down from 67 percent only two months ago. The proposition still leads, but support is steadily dwindling and the final outcome is likely to be close. A bombardment of radio and television advertisements, along with direct-to-home mailers, are making a case that the proposal is poorly crafted and inappropriately diverts money out of the state of California.

That is the message from Philip Morris, R.J. Reynolds Tobacco, the Californian Republican Party and the other groups opposing Proposition 29. Is it true?

It all depends on who you're asking and how much they have contributed toward Prop. 29's passage or failure.

The American Cancer Society, American Lung Association and American Heart Association have collaboratively pooled their resources towards the passage of Prop. 29 as part of their effort to get their unified message to the public.

According to their website, californiansforacure.org, the answer to whether or not Prop 29 is an effective idea is clear -- yes, it is.

They contend Prop. 29 will save the state \$5.1 billion in long-term health costs from declines in smoking rates. It's their position that it will prevent 100,000 people from dying prematurely from smoking-related causes. And, they say, it will prevent 228,000 children from become regular tobacco users as adults.

But the tobacco industry, led by Phillip Morris and R.J. Reynolds, said Prop 29 is a disastrous idea that will cripple the state via its unintended side effects.

Detractors of Prop 29 say that it will divert \$300 million of state education funding each year while creating a new nine-member Commission lacking oversight and accountability. They claim that this Commission will be able to spend the new funds as they see fit, and have no obligation to help alleviate California's multi-billion dollar budget woes along the way.

The Legislative Analyst's Office, which offers nonpartisan fiscal advice to the Legislature, doesn't agree with the industry's fiscal assessment.

The LAO concluded that the passage of Prop. 29 would result in increased state spending on smoking cessation programs, and a long-term decrease in the states spending on health care cost related to tobacco-related diseases. Those savings would come particularly from low-income and uninsured persons and public employees. Furthermore, California would also see an eventual decrease in the amount of overall smokers as the higher price-per-pack figure reduces overall consumption rates.

As for the fears that new tax money could be spent on out-of-state cancer research, the language in Section 2 of Proposition 29 appears to repudiate that assumption.

Specifically, the measure instructs that the funds be spent on "grants and loans for biomedical, epidemiological, behavioral, health services, and other research in California" and the "creation, staffing,

and equipping of California research facilities.” But whether that interpretation of the propositions mandate is concrete or flexible is a question for debate among the partisans.

Recently, a leader of the Prop. 29 campaign, former Senate Leader Don Perata of Oakland, said at a public forum some of the monies could be spent on out-of-state research if the need arises.

“We didn’t put a limit on the cancer research going out of state because we do live in an era of globalism,” Perata said.

His comments were viewed by Prop. 29’s opponents as evidence that the measure is deeply flawed. Critics such as Joel Fox, president of the Small Business Action Committee, thinks voters should take Perata’s statement to heart and be careful not to trust lawmakers in Sacramento.

“We all support cancer research, but at a time when we have a \$16 billion budget deficit and can’t even fund schools, the last thing this state needs is another unaccountable spending program,” says Fox, who also edits the Fox & Hounds blog.

Vanessa Marvin of the American Lung Association in California says voters should remember who is paying for the lion’s share of the anti-Prop. 29 ad blitz -- tobacco companies. Marvin said support for Prop. 29 has slipped because of the massive spending on the negative campaign.

“Voters should know that Big Tobacco is funding the opposition,” says Marvin. “Big Tobacco doesn't want Proposition 29 to pass because they know it will hurt their profits. Voters should take a closer look at the opposition’s advertisement. You will see that the disclaimer shows that Big Tobacco is behind all of the opposition. So who would you trust?”

Originally published here:

<http://www.capitolweekly.net/article.php?c=10m9ew3ksmzp9s1&xid=10m95rpx3y5hgkt&done=.10m9ew3ksn009s1>

CIGARETTE TAX HIKE HOT ISSUE ON CALIF. BALLOT

By John Blackstone

CBS News

June 5, 2012

California voters face a major decision Tuesday: whether the state should raise its cigarette tax by a dollar a pack.

That raises serious questions about cigarettes and the way the state government spends its money. Supporters say it would save lives and stop children from getting addicted by discouraging smoking.

But the tax hike plan has tobacco companies fuming.

California has been a national leader in laws limiting smoking in public places and even inside apartments.

But the "No on Prop 29" (Proposition 29) campaign has turned the vote into a squeaker by spending more than \$40 million, most of it from tobacco companies Philip Morris and R.J. Reynolds.

"They've run a pretty good campaign," says Mark DiCamillo, director of the California Field Poll. "The question is: Will they push that number below 50 percent? I don't know."

Cigarette companies point out the \$735 million raised would go to cancer research, not to help fix California's budget problems.

Keith Park, who runs Californians Against Wasteful Taxes, notes that, "Not even single dollar goes to reducing our gigantic budget deficit and helping our public education."

Even with donations from across the country, including from Tour de France winner Lance Armstrong and New York Mayor Michael Bloomberg, "Yes on 29" has raised just \$12 million.

Longtime anti-smoking activist Dr. Stanton Glantz, of the University of California - San Francisco, says only 12 percent of Californians now smoke, and the new tax would drive that even lower.

"Smoking may simply vanish as a public behavior, and that's why Phillip Morris and (R.J.) Reynolds are so hysterical. ... It could really be a game-changer," he says.

With an expected low voter turnout, California's few smokers could make all the difference in the fate of the tax.

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BILLIONAIRES (INCLUDING MIKE BLOOMBERG) VS. BIG TOBACCO IN CALIFORNIA BALLOT MEASURE TO BOOST CIGARETTE TAX

By Kerry A. Dolan

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Voters heading to the polls Tuesday here in California face billionaires and Big Tobacco battling over a statewide ballot measure to boost the cigarette tax by \$1 a pack.

Billionaire New York City Mayor Mike Bloomberg has put \$500,000 toward Proposition 29, which would impose the tax increase and put the estimated \$735 million in revenue generated toward research on cancer and tobacco-related diseases, education and smoking prevention programs. The Lance Armstrong Foundation, which funds solutions to problems for what it calls "the cancer community," put \$1.5 million toward the passage of Prop. 29. World champion cyclist Armstrong is a survivor of testicular cancer. Irwin M. Jacobs, the billionaire cofounder and former chairman of mobile-phone technology firm

Qualcomm, rounded out the top 10 donors to the measure with a \$30,000, according to MapLight Voter Guide, a nonpartisan, nonprofit organization.

However, the total \$12.3 million raised to support the measure is dwarfed by a whopping \$46.8 million put to work by Big Tobacco to oppose the tax, according to MapLight. Six of the seven largest donors to oppose the measure are either units of Altria, formerly known as Phillip Morris – or Reynolds American, parent of R.J. Reynolds and several other tobacco brands. Altria's Phillip Morris unit heaved \$27.5 million into the fight –more than half the funds raised.

Two recent polls reported by that the tax measure was leading with a slight margin.

Bloomberg, who is worth \$22 billion, has developed the reputation of a nanny mayor, after banning smoking in public places in New York City in February 2011 and banning trans-fats in 2006. Last week the mayor took some heat for a proposal to ban the sale of large-sized sugary drinks.

Both Bloomberg and Jacobs, worth \$1.4 billion as of March this year, have signed on to Bill Gates' and Warren Buffett's Giving Pledge, in which the very wealthy agree to give away at least half their fortunes. In his letter explaining why he signed the pledge, Bloomberg singles out anti-tobacco issues as an area of interest: "For instance, with private funding, we can prevent tens of millions of premature deaths caused by tobacco-related diseases and traffic accidents -just two areas where my foundation has been active."

What's fascinating is the national involvement in this state ballot measure. As Kelly Phillips Erb points out, California is a such a huge state that with its 40 million people, it ranks as one of the largest markets for cigarettes. MapLight has put together some interesting graphics showing the breakdown by state of where funds both for and against the proposition have come from. Georgia is the source of 60% of the pro-Prop. 29 funds, likely because of the \$8.4 million in funds from the American Cancer Society (the largest donor in support of the measure). California is listed as the source of nearly 70% of the funds opposing the proposition.

If the measure passes, taxes on cigarettes will go up to \$1.87 a pack.

I plan to update this post with the results of the election when they come in.

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