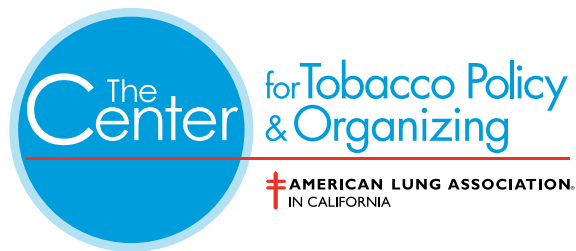


Tobacco Money in California Politics

Campaign Contributions and Lobbying Expenditures of Tobacco Interests

Report for the 2009-2010 Election Cycle





July 2011

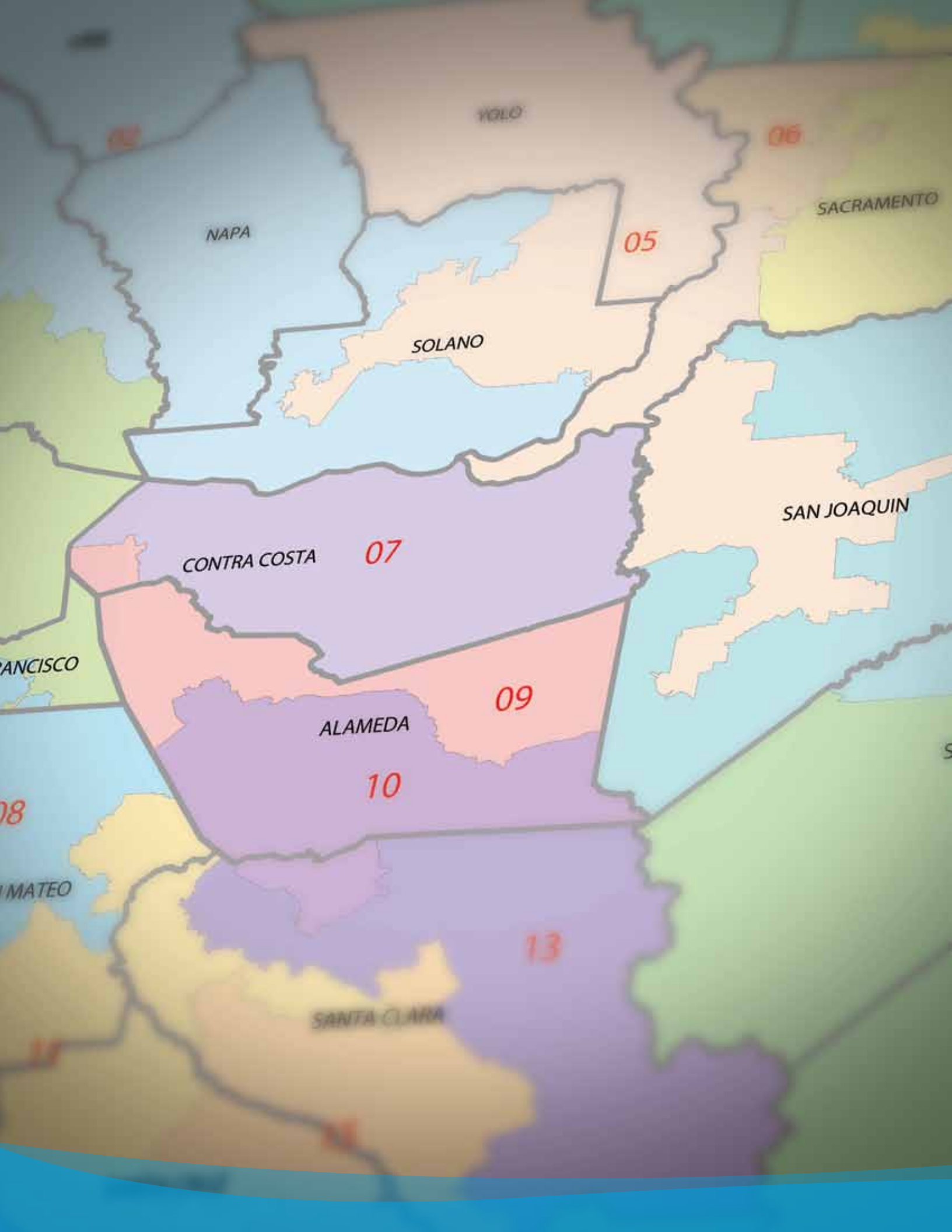
This report was produced by the Center for Tobacco Policy & Organizing (the Center), a project of the American Lung Association in California, funded by the California Department of Public Health, Tobacco Control Program. Every two years, the Center produces a comprehensive report on the total campaign contributions and lobbying expenditures by tobacco interests for the preceding two-year election cycle. In addition, the Center produces quarterly reports on lobbying and campaign contributions as this information is filed with the California Secretary of State. This report and all past reports are available on the Center's website at www.Center4TobaccoPolicy.org/tobaccomoney. A searchable database of tobacco interests' campaign contributions to legislators is available at www.Center4TobaccoPolicy.org/database.

Contents

I. Executive Summary	1
II. Background Information and Sources	3
III. Contributions to State Legislators and Candidates	5
IV. Contributions to Constitutional Officers.....	12
V. Contributions to Political Committees	13
VI. Historical Campaign Contributions	15
VII. Lobbying Expenditures and Legislation Lobbied.....	16
VIII. Historical Lobbying Expenditures	19
IX. Conclusion	20

Tables and Graphs

- **Table 1:** Contributions to Assembly Members from Tobacco Interests (January 1, 2009 – December 31, 2010) 6
- **Table 2:** Contributions to State Senators from Tobacco Interests (January 1, 2009 – December 31, 2010) 8
- **Table 3:** Contributions to New Members of the Legislature from Tobacco Interests (January 1, 2009 – December 31, 2010)..... 9
- **Graph 1:** Campaign Contributions to Legislators from Tobacco Interests (January 1, 2005 – December 31, 2010) 10
- **Table 4:** Contributions to Candidates Who Were Not Elected to the Legislature from Tobacco Interests (January 1, 2009 – December 31, 2010) 10
- **Graph 2:** Number of Legislators and Candidates Who Accepted Contributions by Tobacco Interests (January 1, 2009 – December 31, 2010) 11
- **Graph 3:** Average Contribution Amount to Each Legislator or Candidate by Tobacco Interests (January 1, 2009 – December 31, 2010)..... 11
- **Table 5:** Contributions to Constitutional Officers and Candidates from Tobacco Interests (January 1, 2009 – December 31, 2010)..... 12
- **Table 6:** Contributions to Political Committees from Tobacco Interests (January 1, 2009 – December 31, 2010) 14
- **Table 7:** Historical Contributions from Tobacco Interests (January 1, 2001 – December 31, 2010) 15
- **Graph 4:** Total Campaign Contributions of Tobacco Interests (January 1, 2001 – December 31, 2010) 15
- **Table 8:** Lobbying Expenditures and Legislation Lobbied by Tobacco Interests (January 1, 2009 – December 31, 2010)..... 16
- **Graph 5:** Percent of Total Lobbying Expenditures by Tobacco Interests (January 1, 2009 – December 31, 2010) 18
- **Table 9:** Historical Lobbying Expenditures of Tobacco Interests (January 1, 2001 – December 31, 2010) 19
- **Graph 6:** Total Lobbying Expenditures of Tobacco Interests (January 1, 2001 – December 31, 2010) 19



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SANTA CLARA

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Executive Summary

Tobacco Money in California Politics reflects that California remains at the forefront of the battle between public health and the tobacco industry. A well-organized campaign led by the California Department of Public Health, Tobacco Control Program, local health departments, the American Lung Association in California, American Cancer Society and American Heart Association has led to enormous changes in social norms about tobacco use and many important public health victories. However, the tobacco industry continues to wage aggressive marketing and promotional campaigns to attract new youth smokers and to keep people addicted to their deadly products. Additionally, this well-funded industry still makes a concerted effort to buy influence at the state capitol.

While California's Tobacco Control Program saved the state \$86 billion in health care costs from 1989 to 2004, tobacco use still costs the state \$18.1 billion in health care costs and lost productivity each year.^{1,2} And while there has been a 50 percent decrease in adult smoking prevalence since 1988, there are still 3.6 million people who smoke in the state.^{3,4} This battle to save lives and money is especially evident in the public policy arena. When there are bills or ballot initiatives that aim to reduce tobacco use, the tobacco industry fights back with its vast financial resources, through campaign contributions and lobbying. **Tobacco Money in California Politics** details campaign contributions and lobbying expenditures of tobacco interests during the two-year election cycle from January 1, 2009 through December 31, 2010. This report also provides historical data on tobacco industry spending over the last decade.

Campaign Contributions

During the 2009-2010 election cycle, the nation's two largest tobacco manufacturers (Philip Morris USA Inc. and Reynolds American Inc.) and the tobacco distributors industry (California Distributors Association) contributed more than \$6.5 million in campaign contributions to political committees, candidates and members of the California Legislature and state constitutional offices. This represents an increase of more than \$4.5 million from the previous 2007-2008 election cycle.

For the November 2010 general election, Philip Morris USA Inc. contributed more than \$3.85 million (more than 60 percent of the total campaign contributions of all tobacco interests) to political committees that were working to defeat Proposition 25 and pass Proposition 26. Both ballot measures passed; Proposition 25 changes the vote requirement for passing a state budget from a two-thirds vote to a simple majority and Proposition 26 reclassifies many types of fees as taxes, subjecting them to a two-thirds vote requirement. As a result of the passage of Proposition 26, an emerging tobacco control policy that looks to enact mitigation fees on cigarettes appears to be severely hampered. Cigarette mitigation fees are designed to increase revenues to pay for the damage caused by cigarettes, thus increasing the price of cigarettes and impacting a reduction in use. Mitigation fees, such as that adopted by San Francisco, will now be more difficult to adopt because of the increased vote requirement.

In the May 2009 special election, Philip Morris USA Inc. and Reynolds American Inc. contributed a total of \$625,000 to a political committee in support of Propositions 1A through 1F. If passed, these ballot measures would have extended tax increases that would have generated revenues for the state general fund and redirected Proposition 10 tobacco tax revenues to other purposes.

Tobacco interests made more than \$600,000 in contributions to members of the legislature, constitutional officers and candidates for these offices in the 2009-2010 election cycle. Of the 122 state legislators (more than 120 legislative seats, due to vacancies and special elections), tobacco interests made campaign contributions to 59 members of the legislature, or 48 percent of the members. This amount of giving is consistent with the previous election cycle. During the 2007-2008 election cycle, tobacco interests gave slightly less than \$600,000 to 60 members of the legislature. There were a total of 31 new members of the legislature elected in November 2010 (not counting those who switched houses) and tobacco interests made contributions to 12 of these new members. Tobacco interests also made campaign contributions to both of the major candidates for Governor in the November 2010 election.

¹ Lightwood JM, Dinno A, Glantz SA. Effect of Tobacco Control Program on Personal Health Care Expenditures. *PLoS Medicine* 2008. Volume 5, Issue 8, e178. August 2008.

² Smoking-Attributable Mortality, Morbidity, and Economic Costs (SAMMEC). Available at <http://apps.nccd.cdc.gov/statesystem/>.

³ Centers for Disease Control and Prevention. Behavioral Risk Factor Surveillance System 2010.

⁴ California Department of Public Health. California Student Tobacco Survey 2010.

Lobbying

The tobacco interests spent \$2.76 million on lobbying during the 2009-2010 election cycle, a slight increase over the \$2.66 spent by tobacco interests in the previous 2007-2008 election cycle. Tobacco interests lobbied 16 different bills, including legislation to increase the tobacco tax, make changes to the state tobacco retailer license law and regulate the sale of electronic cigarettes.

Philip Morris USA Inc. spent \$1.91 million on lobbying in this two-year period, more than the company has spent in any other two-year period this decade. The

main reason for this increase in spending was the appearance of several tobacco-related bills, including those that would have increased the state's tobacco tax. During the second quarter of 2009 (April through June), Philip Morris USA Inc. spent more than \$750,000 on lobbying, which is \$200,000 more than the company spent during any other quarter during the past 20 years of lobbying. During those three months, the legislature voted on two budget bills that contained a tobacco tax increase and another tobacco tax bill that was moving forward in the legislative process.



Background Information and Sources

Tobacco Interests

Tobacco interests in this report are represented by cigarette manufacturers, smokeless tobacco companies and tobacco distributors that lobby and make campaign contributions to members of the California Legislature. The four tobacco interests that lobbied and/or made contributions during this election cycle are Philip Morris USA Inc., RJ Reynolds Tobacco Company, and US Smokeless Tobacco Company and the California Distributors Association, which represents major tobacco wholesalers and distributors. The historical tables in this report include three other tobacco interests that either no longer lobby and make contributions to the legislature or have since merged with other tobacco companies. These past tobacco interests are Lorillard Tobacco Company, Brown & Williamson Tobacco Company and the Smokeless Tobacco Council.

Campaign Contributions

These tobacco interests, like other interest groups, are required by law to submit statements to the Secretary of State that detail campaign contributions twice annually and more often in election years. Campaign contributions include all monetary as well as non-monetary contributions, such as donated goods or services. The information in **Tobacco Money in California Politics** comes from the four semi-annual reports that cover the period from January 1, 2009 through December 31, 2010.

All candidates for legislative office have a limit to the amount of contributions they can accept from one company or interest group per election, which is adjusted for each election cycle. For the 2009-2010 election cycle, candidates were limited to accepting a maximum of \$3,900 from one company or interest group for each election. The June 2010 primary, the November 2010 general and any special election are considered separate elections, meaning that a candidate could receive more than \$3,900 from one company during this two year reporting cycle. The contributions limit to constitutional offices (other than Governor) was \$6,500 per election and for Governor the limit was \$25,900.

Philip Morris USA Inc. filed its campaign contributions reports under its own name during this election cycle. Prior to 2007, Philip Morris USA Inc. filed its report of campaign contributions under the name Altria Group Inc.'s Affiliates, which also included Kraft Foods Global, Inc. at that time. The historical campaign contributions figures in this report contain all Altria Group Inc.'s Affiliates' contributions. In 2007, Kraft Foods Global, Inc. was spun off from Altria Group Inc.'s Affiliates and stopped filing its campaign contributions under the Altria Group Inc.'s Affiliates name. In January 2009, the US Smokeless Tobacco Company was acquired by Altria and did not file any campaign contributions report during this election cycle. RJ Reynolds Tobacco Company filed under the name Reynolds American Inc.

Lobbying Expenditures

These tobacco interests hire lobbyists and are required to submit quarterly reports to the Secretary of State detailing the bills or regulations that were lobbied during that quarter and how much money was spent on payments to lobbying firms and activity expenses. These expenses include gifts, honoraria, consulting fees and salaries. Each quarter covers three months out of the calendar year (January through March, April through June, July through September, and October through December) making a total of eight quarters for the two-year reporting period. The information in **Tobacco Money in California Politics** comes from the eight quarterly reports that cover the period from January 1, 2009 through December 31, 2010. Philip Morris USA Inc. filed its lobbying reports under the name Altria Client Services Inc. and its Affiliates. RJ Reynolds Tobacco Company filed its lobbying reports under the names Reynolds American Inc. and RAI Services Company and its Affiliates. In January 2009, the US Smokeless Tobacco Company was acquired by Altria. The US Smokeless Tobacco Company filed its lobbying reports under the name UST Public Affairs Inc. and terminated lobbying in December 2009.

Contributions to State Legislators and Candidates

During the 2009-2010 election cycle, tobacco interests made more than \$575,000 in campaign contributions to current Assembly Members and Senators and to candidates running for those offices. Out of the 122 legislators (more than 120 due to vacancies and special elections) who served at some point during the 2009-2010 legislative session, 59 members (48 percent) accepted campaign contributions from tobacco interests. This is consistent with previous election cycles, as 61 legislators (50 percent) accepted tobacco interests' contributions in the 2007-2008 election cycle and 63 (52 percent) did so in the 2005-2006 election cycle (see **Graph 1**).

Table 1 shows campaign contributions from tobacco interests to Assembly Members during the entire 2009-2010 election cycle. All 80 seats in the Assembly were contested in the November 2010 election. Nearly half of the Assembly Members listed on this table (38 out of 80) accepted campaign contributions from tobacco interests. This is a slight decrease from the 2007-2008 election cycle when 43 Assembly Members accepted tobacco interests' contributions. The average amount of contributions for the 38 members accepting contributions was \$8,284 with totals per member ranging from \$1,000 to \$15,600 and with 14 Assembly Members accepting more than \$10,000 in contributions.

Table 2 shows campaign contributions from tobacco interests to Senators during the 2009-2010 election cycle. Nearly half of the Senators listed on this table (20 out of 41) accepted campaign contributions from tobacco interests. This is a slight increase from the 17 senators who accepted such contributions during the 2007-2008 election cycle. The average amount of contributions for the 20 Senators accepting tobacco interests' contributions was \$8,120 with totals per member ranging from \$1,000 to \$21,100 and with seven members accepting more than \$10,000 in contributions.

There were a total of 38 individuals elected to new Assembly and Senate seats in November 2010 for the 2011-2012 legislative session, but seven of these members were serving in the other house at the time of their election. The contributions data for these seven members are already shown in Table 1 and Table 2. The campaign contributions data for the other 31 new members is shown in **Table 3**. Of these new members, 12 out of 31, or 39 percent, accepted campaign contributions from tobacco interests. This is a decrease from the rate for new members two years ago, which was 14 out of 31 members or 45 percent.

The average amount of the campaign contributions accepted by new members of the legislature is smaller than that for current members. The average amount of contributions for new members of the legislature was \$5,238 and only one new member accepted more than \$10,000 in contributions.

Some candidates who accepted tobacco interests' campaign contributions were unsuccessful in their efforts to get elected to the legislature. **Table 4** shows the ten individuals who took contributions during this election cycle but did not win election to the legislature.

Graph 2 and **Graph 3** examine campaign contributions to legislators and candidates by tobacco interest. Of the \$575,000 in campaign contributions to legislators and candidates for the 2009-2010 election cycle, more than half of the monetary amount was made by Philip Morris USA Inc. However, Reynolds American Inc. made contributions to roughly the same number of legislators and candidates as Philip Morris. Reynolds American Inc. made contributions to 58 different legislators or candidates for an average of \$3,405 per individual. Philip Morris USA Inc. made contributions to 59 different legislators or candidates for an average of \$5,868 per individual. The California Distributors Association contributed to the fewest legislators and candidates (19) and had the lowest average per individual (\$1,750).

Note: Several legislators who served during the 2009-2010 legislative session were elected to other offices at some point in the session. All of the tables in this report list the member in the last legislative or constitutional office that they held during the legislative session. For example, a member who started in the Assembly but was elected to the Senate in a special election would appear on Table 2 for the Senate or a member who started in the Senate but finished as a constitutional officer would appear in Table 5. All of these changes are notated with footnotes throughout the tables.

**Table 1: Contributions to Assembly Members from Tobacco Interests
(January 1, 2009 – December 31, 2010)**

Party/ District	Assembly Member	Philip Morris USA Inc.	Reynolds American Inc. (R.J. Reynolds Tobacco Company)	California Distributors Association PAC	Totals
R-59	Adams, Anthony	\$3,900	\$1,500	-	\$5,400
D-13	Ammiano, Tom	-	-	-	-
R-77	Anderson, Joel	\$3,900	\$3,000	\$1,500	\$8,400
D-31	Arambula, Juan	-	-	-	-
D-47	Bass, Karen	-	-	-	-
D-24	Beall, Jim Jr.	-	-	-	-
R-26	Berryhill, Bill	\$7,800	\$3,000	-	\$10,800
R-25	Berryhill, Tom	\$11,700	\$3,000	-	\$14,700
D-78	Block, Marty	-	-	-	-
D-40	Blumenfield, Bob	-	-	-	-
D-51	Bradford, Steven ¹	\$4,900	\$1,500	-	\$6,400
D-41	Brownley, Julia	-	-	-	-
D-15	Buchanan, Joan	-	-	-	-
D-28	Caballero, Anna	-	-	\$3,000	\$3,000
D-58	Calderon, Charles	\$7,800	\$2,000	\$4,500	\$14,300
D-62	Carter, Wilmer Amina	\$3,900	\$3,000	-	\$6,900
D-01	Chesbro, Wes	-	-	-	-
R-34	Conway, Connie	\$7,800	\$3,000	-	\$10,800
R-65	Cook, Paul	\$3,900	\$3,000	-	\$6,900
D-23	Coto, Joe	-	-	-	-
D-48	Davis, Mike	-	-	\$2,000	\$2,000
D-50	De La Torre, Hector	-	-	-	-
D-45	de León, Kevin	-	-	-	-
R-70	DeVore, Chuck	-	-	-	-
R-72	Duvall, Mike ²	\$3,900	\$1,500	-	\$5,400
D-49	Eng, Mike	-	-	\$1,500	\$1,500
D-07	Evans, Noreen	-	-	-	-
D-42	Feuer, Mike	-	-	-	-
R-75	Fletcher, Nathan	\$7,800	\$3,900	-	\$11,700
D-22	Fong, Paul	-	-	-	-
D-39	Fuentes, Felipe	\$3,900	-	\$1,500	\$5,400
R-32	Fuller, Jean	\$3,900	\$3,000	-	\$6,900
D-55	Furutani, Warren	-	-	-	-
R-04	Gaines, Ted	\$11,700	\$3,000	-	\$14,700
D-17	Galgiani, Cathleen	\$7,800	\$1,500	-	\$9,300
R-74	Garrick, Martin	\$7,800	\$7,800	-	\$15,600
D-43	Gatto, Mike ³	-	-	-	-
R-30	Gilmore, Danny	\$3,900	\$1,500	-	\$5,400
R-60	Hagman, Curt	\$7,800	\$3,500	-	\$11,300
D-52	Hall, Isadore	\$3,900	\$3,900	-	\$7,800

¹ Steven Bradford won a special election for Assembly District 51 and was sworn into office on September 10, 2009. ² Mike Duvall resigned from the Assembly on September 9, 2009. ³ Mike Gatto won a special election for Assembly District 43 and was sworn into office on June 10, 2010.

**Table 1: Contributions to Assembly Members from Tobacco Interests
(January 1, 2009 – December 31, 2010)**

(Continued)

Party/ District	Assembly Member	Philip Morris USA Inc.	Reynolds American Inc. (R.J. Reynolds Tobacco Company)	California Distributors Association PAC	Totals
R-73	Harkey, Diane	\$7,800	\$3,000	-	\$10,800
D-18	Hayashi, Mary	-	-	-	-
D-57	Hernandez, Ed	-	-	-	-
D-19	Hill, Jerry	-	-	-	-
D-10	Huber, Alyson	-	-	-	-
D-06	Huffman, Jared	-	-	-	-
R-66	Jeffries, Kevin	\$3,900	\$3,900	-	\$7,800
D-09	Jones, Dave	-	-	-	-
R-36	Knight, Steve	\$7,800	\$3,000	-	\$10,800
D-43	Krekorian, Paul ⁴	-	-	-	-
D-53	Lieu, Ted	-	-	-	-
R-03	Logue, Dan	\$7,800	\$4,000	-	\$11,800
D-54	Lowenthal, Bonnie	-	-	-	-
D-12	Ma, Fiona	-	-	-	-
D-56	Mendoza, Tony	-	-	-	-
R-71	Miller, Jeff	\$3,900	\$4,000	-	\$7,900
D-27	Monning, William	-	-	-	-
D-35	Nava, Pedro	-	-	-	-
R-64	Nestande, Brian	\$3,900	\$3,900	\$1,000	\$8,800
R-05	Niello, Roger	-	-	-	-
R-02	Nielsen, Jim	\$7,800	\$3,000	-	\$10,800
R-72	Norby, Chris ⁵	\$3,900	\$1,500	\$1,500	\$6,900
D-46	Perez, John	\$7,800	-	-	\$7,800
D-80	Perez, V. Manuel	-	-	\$1,000	\$1,000
D-44	Portantino, Anthony	-	-	-	-
D-21	Ruskin, Ira	-	-	-	-
D-79	Salas, Mary	-	-	-	-
D-76	Saldaña, Lori	-	-	-	-
R-67	Silva, Jim	\$7,800	\$3,000	-	\$10,800
D-14	Skinner, Nancy	-	-	-	-
R-38	Smyth, Cameron	\$7,800	\$3,900	-	\$11,700
D-69	Solorio, Jose	\$7,800	-	-	\$7,800
R-37	Strickland, Audra	-	-	-	-
D-16	Swanson, Sandre	-	\$3,000	\$2,000	\$5,000
D-11	Torlakson, Tom	-	-	-	-
D-61	Torres, Norma	-	-	-	-
D-20	Torricon, Alberto	-	-	-	-
R-68	Tran, Van	-	\$2,000	-	\$2,000
R-29	Villines, Michael	\$6,500	\$2,000	-	\$8,500
D-08	Yamada, Mariko	-	-	-	-
TOTALS		\$202,500	\$92,800	\$19,500	\$314,800

⁴Paul Krekorian resigned from the Assembly on January 5, 2010 after being elected to the Los Angeles City Council. | ⁵Chris Norby won a special election for Assembly District 72 and was sworn into office on January 29, 2010.

**Table 2: Contributions to State Senators from Tobacco Interests
(January 1, 2009 – December 31, 2010)**

Party/ District	Senator	Philip Morris USA Inc.	Reynolds American Inc. (R.J. Reynolds Tobacco Company)	California Distributors Association PAC	Totals
R-04	Aanestad, Sam	-	-	-	-
D-13	Alquist, Elaine	-	-	-	-
R-18	Ashburn, Roy	\$5,000	\$3,500	-	\$8,500
R-37	Benoit, John ¹	\$3,900	\$2,000	-	\$5,900
R-15	Blakeslee, Sam ²	-	-	-	-
D-30	Calderon, Ronald	-	\$4,000	-	\$4,000
D-22	Cedillo, Gil	-	-	-	-
R-14	Cogdill, Dave	-	\$1,000	-	\$1,000
D-10	Corbett, Ellen	-	-	-	-
D-34	Correa, Lou	-	\$5,000	-	\$5,000
R-01	Cox, Dave ³	-	\$2,000	-	\$2,000
R-12	Denham, Jeff	\$5,000	\$3,500	-	\$8,500
D-07	DeSaulnier, Mark	-	-	-	-
D-40	Ducheny, Denise Moreno	-	-	-	-
R-31	Dutton, Bob	\$3,900	\$1,500	-	\$5,400
R-37	Emmerson, Bill ⁴	\$11,700	\$8,400	\$1,000	\$21,100
D-16	Florez, Dean	-	-	-	-
D-09	Hancock, Loni	-	-	-	-
R-35	Harman, Tom	-	\$4,500	-	\$4,500
R-36	Hollingsworth, Dennis	\$8,900	\$2,000	-	\$10,900
R-29	Huff, Bob	\$7,800	\$3,600	-	\$11,400
D-39	Kehoe, Christine	-	-	-	-
D-03	Leno, Mark	-	-	-	-
D-21	Liu, Carol	-	-	-	-
D-27	Lowenthal, Alan	-	-	-	-
D-32	Negrete McLeod, Gloria	-	-	\$2,000	\$2,000
D-28	Oropeza, Jenny ⁵	-	-	-	-
D-20	Padilla, Alex	-	-	-	-
D-23	Pavley, Fran	-	-	-	-
D-26	Price, Curren Jr. ⁶	\$7,800	\$4,000	-	\$11,800
D-24	Romero, Gloria	-	-	-	-
R-17	Runner, George	\$9,700	\$4,000	\$1,000	\$14,700
D-11	Simitian, Joe	-	-	-	-
D-06	Steinberg, Darrell	-	-	-	-
R-19	Strickland, Tony	\$3,900	\$5,500	-	\$9,400
R-33	Walters, Mimi	\$7,800	\$4,000	-	\$11,800
D-02	Wiggins, Patricia	-	-	-	-
D-05	Wolk, Lois	-	-	\$2,000	\$2,000
D-25	Wright, Rod	\$7,800	\$8,900	-	\$16,700
R-38	Wyland, Mark	\$3,900	\$1,900	-	\$5,800
D-08	Yee, Leland	-	-	-	-
	TOTALS	\$87,100	\$69,300	\$6,000	\$162,400

¹ John Benoit resigned from the Senate on November 30, 2009 after being appointed to the Riverside County Board of Supervisors. ² Sam Blakeslee was sworn into the Senate on August 23, 2010, previously serving in the Assembly during this election cycle. ³ Dave Cox passed away on July 13, 2010. ⁴ Bill Emmerson sworn into the Senate on June 9, 2010, previously serving in the Assembly during this election cycle. ⁵ Jenny Oropeza passed away on October 20, 2010. ⁶ Curren Price was sworn into the Senate on June 8, 2009, previously serving in the Assembly during this election cycle. ¹

**Table 3: Contributions to New Members of the Legislature from Tobacco Interests
(January 1, 2009 – December 31, 2010)**

Party/ District	Assembly Member	Philip Morris USA Inc.	Reynolds American Inc. (R.J. Reynolds Tobacco Company)	California Distributors Association PAC	Totals
R-33	Achadjian, K.H. "Katcho"	-	-	-	-
D-28	Alejo, Luis	-	-	-	-
D-07	Allen, Michael	-	-	-	-
D-76	Atkins, Toni	-	-	-	-
D-11	Bonilla, Susan	-	-	-	-
D-53	Butler, Betsy	-	-	-	-
D-23	Campos, Nora	-	-	-	-
D-09	Dickinson, Roger	-	-	-	-
R-59	Donnelly, Tim	\$3,900	-	-	\$3,900
D-21	Gordon, Rich	-	-	\$2,250	\$2,250
R-37	Gorell, Jeff	\$7,800	-	\$1,000	\$8,800
R-32	Grove, Shannon	\$3,900	-	-	\$3,900
R-29	Halderman, Linda	-	-	-	-
D-57	Hernandez, Roger	-	-	-	-
D-79	Hueso, Ben	-	-	-	-
R-77	Jones, Brian	\$3,900	-	-	\$3,900
D-50	Lara, Ricardo	-	-	-	-
R-68	Mansoor, Allan	\$3,900	-	-	\$3,900
D-47	Mitchell, Holly	-	-	-	-
R-63	Morell, Mike	\$3,900	-	-	\$3,900
R-25	Olsen, Kristin	\$3,900	-	-	\$3,900
D-05	Pan, Richard	-	-	-	-
D-31	Perea, Henry	-	-	-	-
R-30	Valadao, David	\$3,900	\$3,900	-	\$7,800
R-70	Wagner, Donald	\$3,900	-	-	\$3,900
D-20	Wieckowski, Bob	-	-	-	-
D-35	Williams, Das	-	-	-	-
	Senator				
R-12	Cannella, Anthony	\$3,900	\$6,400	-	\$10,300
R-04	La Malfa, Doug	\$3,900	\$2,500	-	\$6,400
D-16	Rubio, Michael	-	-	-	-
D-40	Vargas, Juan	-	-	-	-
	TOTALS	\$46,800	\$12,800	\$3,250	\$62,850

Graph 1: Campaign Contributions to Legislators from Tobacco Interests
(January 1, 2005 - December 31, 2010)

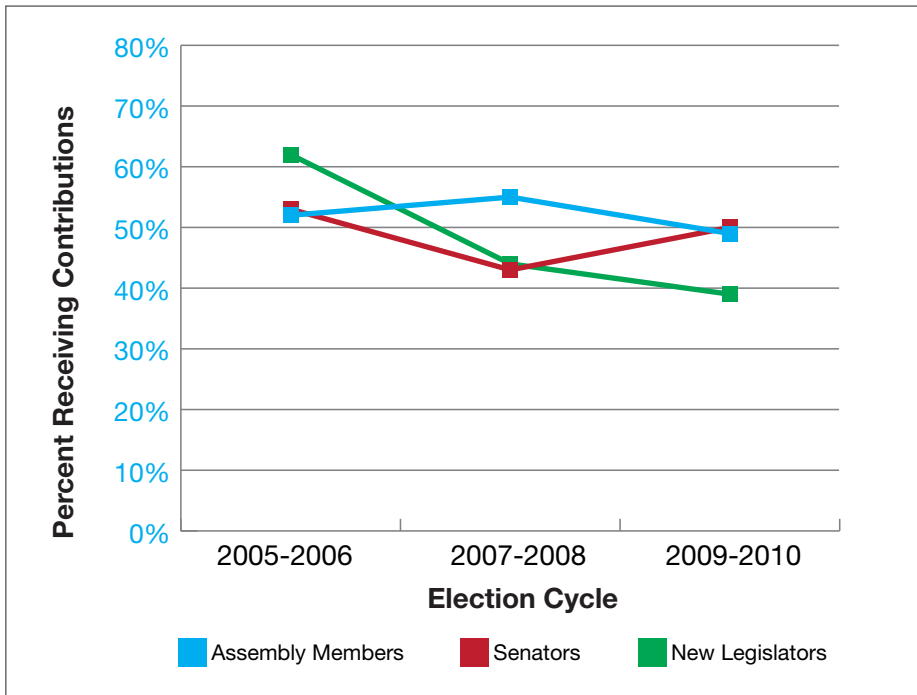
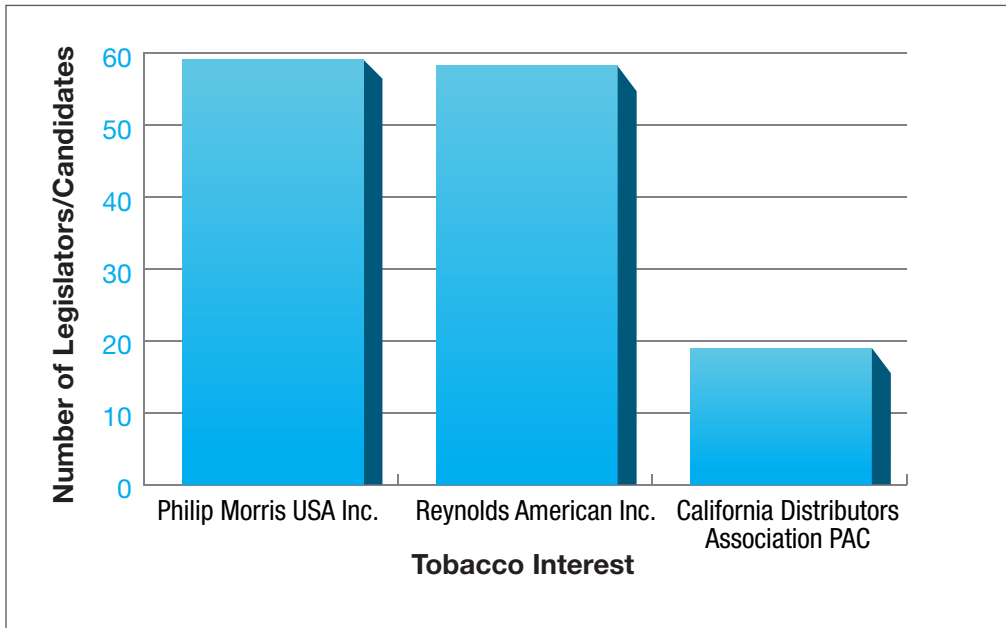


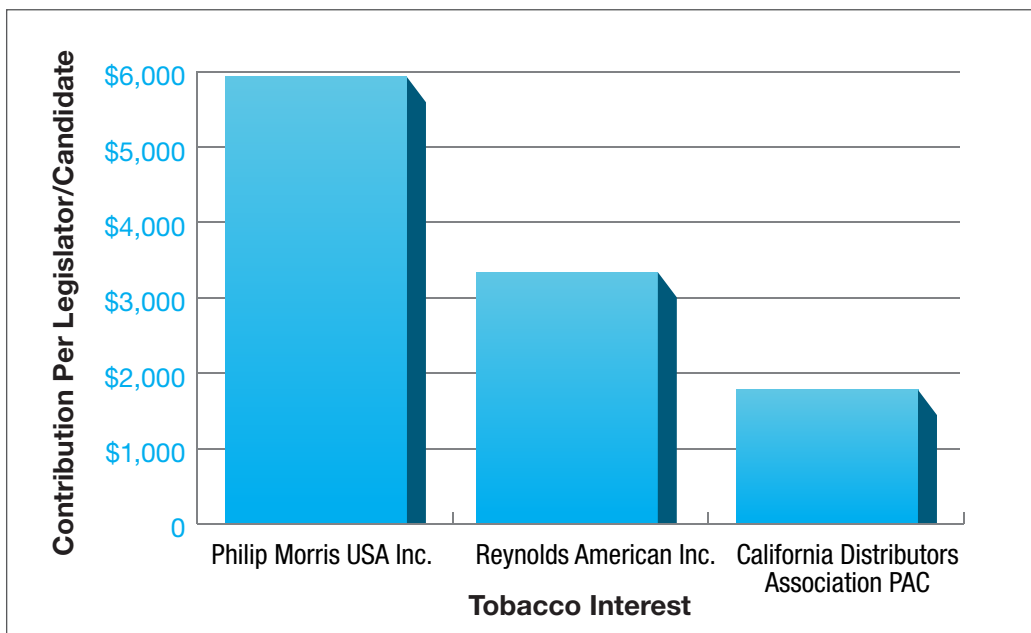
Table 4: Contributions to Candidates Who Were Not Elected to the Legislature from Tobacco Interests
(January 1, 2009 – December 31, 2010)

Name of Candidate	Elected Office	Philip Morris USA Inc.	Reynolds American Inc. (R.J. Reynolds Tobacco Company)	California Distributors Association PAC	Totals
Ackerman, Linda	Assembly District 72	\$3,900	-	-	\$3,900
Amante, Jerry	Assembly District 70	-	\$1,500	-	\$1,500
Bocanegra, Raul	Assembly District 39	-	-	\$1,500	\$1,500
Gray, Adam	Assembly District 17	-	-	\$1,500	\$1,500
Hegyi, Paul	Assembly District 10	\$2,000	\$2,000	-	\$4,000
Lancaster, Christopher	Assembly District 59	\$3,900	-	-	\$3,900
Pugno, Andy	Assembly District 5	-	\$3,900	-	\$3,900
Sieglock, Jack	Assembly District 10	-	\$5,900	-	\$5,900
Thiesen, Tim	Senate District 16	-	\$3,900	-	\$3,900
Wilson, Abram	Assembly District 15	-	\$5,400	-	\$5,400
TOTALS		\$9,800	\$22,600	\$3,000	\$35,400

Graph 2: Number of Legislators and Candidates Who Accepted Contributions by Tobacco Interests (January 1, 2009 - December 31, 2010)



Graph 3: Average Contribution Amount to Each Legislator or Candidate by Tobacco Interests (January 1, 2009 - December 31, 2010)



Contributions to Constitutional Officers

Constitutional offices include statewide offices and the Board of Equalization members. While not being able to vote on tobacco-related legislation as state legislators can, these elected officials influence laws and government actions related to the tobacco industry and tobacco control. For example, the Governor has the opportunity to sign or veto all bills passed by the legislature, the State Board of Equalization oversees the administration of cigarette and tobacco products taxes and tobacco licensing statutes and the Controller and Treasurer are members of the Public Employee Retirement System Board. All of these offices were up for election in the November 2010 general election.

Table 5 shows the campaign contributions from tobacco interests to constitutional officers. The table includes all constitutional officers who served during the 2009-2010 election cycle, new constitutional officers who were elected in November 2010 and candidates for constitutional offices who were not elected but did accept campaign contributions from tobacco interests. New constitutional officers who were elected but appear in other tables are Insurance Commissioner Dave Jones (Table 1), Superintendent of Public Instruction Tom Torlakson (Table 1) and Board of Equalization District 2 Member George Runner (Table 2). A total of four constitutional officers and one candidate for Governor in the November 2010 election, accepted tobacco interests' campaign contributions.

Table 5: Contributions to Constitutional Officers and Candidates from Tobacco Interests (January 1, 2009 – December 31, 2010)

Statewide Office	Name of Official	Philip Morris USA Inc.	Reynolds American Inc. (R.J. Reynolds Tobacco Company)	California Distributors Association PAC	Totals
Governor	Schwarzenegger, Arnold	-	-	-	-
Governor/Attorney General (elected Governor 2010)	Brown, Jerry	\$2,500	-	-	\$2,500
Governor (candidate in 2010 election)	Whitman, Meg	\$25,900	-	-	\$25,900
Lieutenant Governor	Garamendi, John ¹	-	-	-	-
Lieutenant Governor	Maldonado, Abel ²	-	-	\$1,500	\$1,500
Lieutenant Governor (elected 2010)	Newsom, Gavin	-	-	-	-
Secretary of State	Bowen, Debra	-	-	-	-
Controller	Chiang, John	-	-	-	-
Treasurer	Lockyer, Bill	-	-	-	-
Attorney General (elected 2010)	Harris, Kamala	-	-	-	-
Superintendent of Public Instruction	O'Connell, Jack	-	-	-	-
Insurance Commissioner	Poizner, Steve	-	-	-	-
Board of Equalization District 1	Yee, Betty	-	-	-	-
Board of Equalization District 2	Leonard, Bill ³	-	-	-	-
Board of Equalization District 2	Alby, Barbara ⁴	-	-	\$1,000	\$1,000
Board of Equalization District 3	Steel, Michelle	\$6,500	-	\$1,500	\$8,000
Board of Equalization District 4	Chu, Judy ⁵	-	-	-	-
Board of Equalization District 4	Horton, Jerome ⁶	-	-	-	-
TOTALS		\$34,900	\$0	\$4,000	\$38,900

¹ John Garamendi resigned as Lieutenant Governor on November 5, 2009 after being elected to the U.S. House of Representatives. ² Abel Maldonado was sworn in as Lieutenant Governor on April 27, 2010, previously serving in the Senate during this election cycle. ³ Bill Leonard resigned from the Board of Equalization on March 9, 2010 after being appointed Secretary of the State and Consumer Services Agency. ⁴ Barbara Alby was sworn in to the Board of Equalization on March 9, 2010. ⁵ Judy Chu resigned from the Board of Equalization in July 2009 after being elected to the U.S. House of Representatives. ⁶ Jerome Horton was sworn into the Board of Equalization on October 5, 2009.

Contributions to Political Committees

Table 6 shows campaign contributions made to political committees from tobacco interests during the 2009-2010 election cycle. Contributions to political committees total more than \$5.9 million and account for more than 90 percent of all the campaign contributions made by tobacco interests during this election cycle. There are no limits on campaign contributions to political committees and tobacco interests made contributions to 20 committees including committees that work to elect Republican candidates, elect Democratic candidates and elect “pro-business” candidates.

The majority of the campaign contributions to political committees during this election cycle were related to Proposition 25 and Proposition 26 on the November 2010 ballot. Both of the ballot measures were passed by the voters. Proposition 25 changed the vote requirement for a state budget from two-thirds vote to a simple majority. Proposition 26 reclassifies many types of fees as taxes. All local taxes must be approved by two-thirds of the voters as opposed to a simple majority of the local governing body. Three of the political committees which received campaign contributions (Stop Hidden Taxes, California Business PAC and Small Business Action Committee PAC) were all related to the No on Prop. 25 and Yes on Prop. 26 campaigns. Philip Morris USA Inc. contributed \$3.85 million to these three committees.

The names of political committees do not always make it clear what types of candidates and issues that committee supports or opposes. To provide a clearer picture about what type of committees are accepting contributions from tobacco companies, some background information about what each committee primarily spends its funds on is provided below.

Stop Hidden Taxes – No on 25/Yes on 26 – Uses funds to oppose passage of Proposition 25 and support passage of Proposition 26 in the November 2010 general election

California Business PAC, A Committee Opposed to Proposition 25 and in Support of Proposition 13, 26 – Uses funds to support pro-business campaigns. Note: The name for the California Business PAC was updated in 2010 to reflect the committee’s positions and efforts on Prop. 25 and Prop. 26 (Prop. 13 refers to the ballot measure passed in 1978 that requires a 2/3 vote for tax increases)

California Republican Party – Uses funds to get Republican candidates elected

Budget Reform Now - Yes on 1A Through 1F – Uses funds to support campaigns for Propositions 1A, 1B, 1C, 1D, 1E, and 1F

Small Business Action Committee PAC – Uses funds to contribute to the Stop Hidden Taxes – No on 25/Yes on 26 committee

JOBSPAC – Uses funds to support pro-business candidates

Californians for Voter Turnout, Education and Registration – Uses funds for voter registration

California Vote Project – Uses funds for voter registration

Alliance for California’s Tomorrow – Uses funds to support pro-business candidates

The Diversity PAC – Uses funds to contribute to specific campaigns, formerly called Latino PAC

Voting for a New California – Uses funds to support specific campaigns

Building America’s Future, John A. Perez Ballot Measure Committee – Uses funds for local ballot measures

Protect Jobs, the Economy and Education – Uses funds to support specific campaigns

Committee for Community Values – Uses funds to support specific candidates

Asian American Small Business PAC – Uses funds to support candidates who will be advocates for Asian American small business owners

Vote Matters – Uses funds to support specific candidates

Neighborhood Market Association PAC – Uses funds to monitor and lobby on issues relevant to independent retailers in the food and beverage industry

Los Angeles County Democratic Party State Candidate Committee – Uses funds to get Democratic candidates in Los Angeles County elected

California Democratic Party – Uses funds to get Democratic candidates elected

ChamberPAC, Small Contributor Committee – Uses funds to support pro-business candidates

**Table 6: Contributions to Political Committees from Tobacco Interests
(January 1, 2009 – December 31, 2010)**

Committee Name	Philip Morris USA Inc.	Reynolds American Inc. (R.J. Reynolds Tobacco Company)	California Distributors Association PAC	Totals
Stop Hidden Taxes - No on 25/Yes on 26	\$1,750,000	-	-	\$1,750,000
California Business PAC, A Committee Opposed to Proposition 25 and in Support of Proposition 13, 26	\$1,600,000	-	-	\$1,600,000
California Republican Party	\$644,490	\$72,500	-	\$716,990
Budget Reform Now - Yes on 1A Through 1F	\$500,000	\$125,000	-	\$625,000
Small Business Action Committee PAC	\$500,000	-	-	\$500,000
JOBSPAC	\$399,650	-	-	\$399,650
Californians for Voter Turnout, Education and Registration	\$90,000	-	-	\$90,000
California Vote Project	\$45,000	-	-	\$45,000
Alliance for California's Tomorrow	\$40,000	-	-	\$40,000
The Diversity PAC	\$25,000	-	\$2,931	\$27,931
Voting for a New California	\$25,000	-	-	\$25,000
Building America's Future, John A. Perez Ballot Measure Committee	\$20,000	-	-	\$20,000
Protect Jobs, the Economy and Education	\$15,826	-	-	\$15,826
Committee for Community Values	\$10,000	-	-	\$10,000
Asian American Small Business PAC	\$10,000	-	-	\$10,000
Vote Matters	\$10,000	-	-	\$10,000
Neighborhood Market Association PAC	\$8,000	-	-	\$8,000
Los Angeles County Democratic Party State Candidate Committee	\$5,000	-	-	\$5,000
California Democratic Party	-	-	\$2,000	\$2,000
ChamberPAC, Small Contributor Committee	-	\$400	-	\$400
TOTALS	\$5,697,966	\$197,900	\$4,931	\$5,900,797

Historical Campaign Contributions

For the past five election cycles, tobacco interests have made at least \$1.8 million in campaign contributions in each cycle to help elect candidates and influence voters on tobacco-related ballot measures. From 2001 through 2010 tobacco interests have spent more than \$79.8 million on campaign contributions. **Table 7** and **Graph 4** show this historical spending on campaign contributions for the last decade.

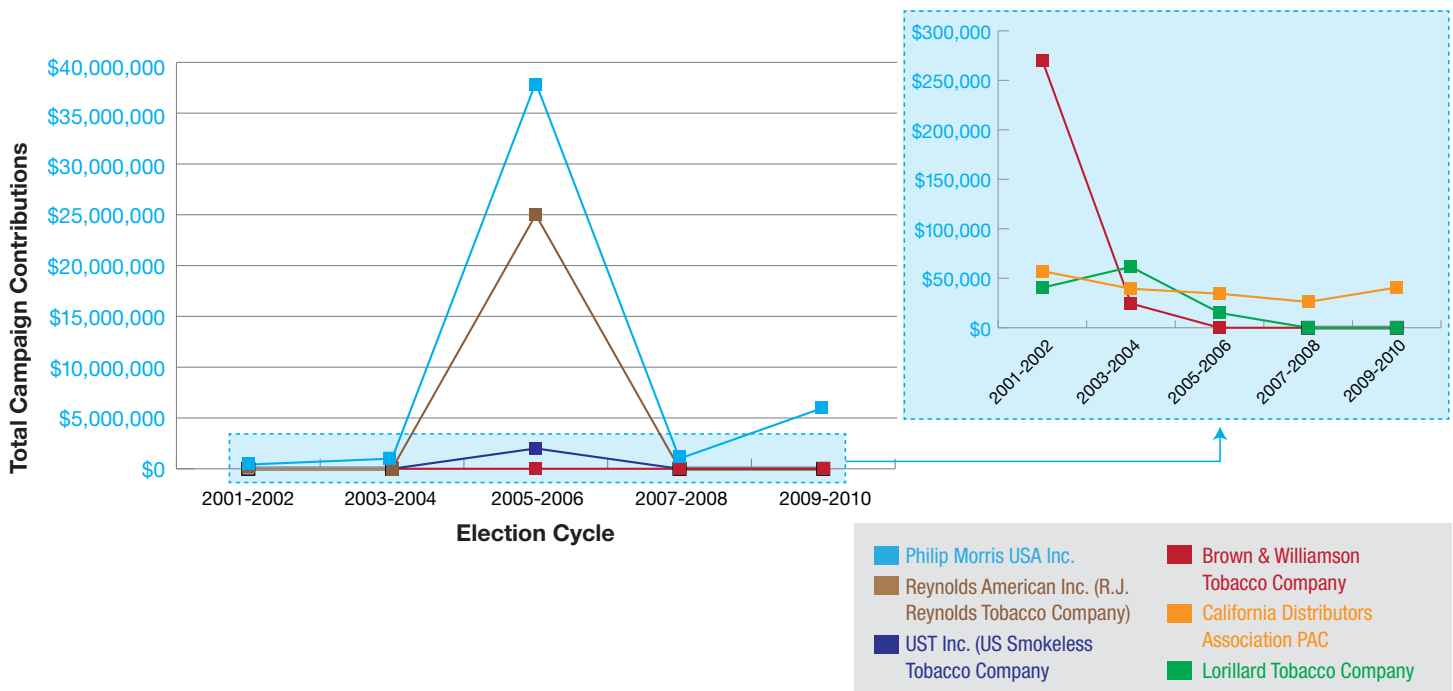
In the 2009-2010 election cycle, tobacco interests increased their contributions by more than \$4.5 million over the 2007-2008 election cycle. The largest amount spent in one election cycle was in the 2005-2006 election cycle, due to the significant amount of money tobacco interests spent on the opposition campaign to Proposition 86, which would have increased the state tobacco tax by \$2.60/pack.

Table 7: Historical Contributions from Tobacco Interests (January 1, 2001 – December 31, 2010)

COMPANY	2001-2002	2003-2004	2005-2006	2007-2008	2009-2010	Totals
Phillip Morris USA Inc. ¹	\$1,081,751	\$2,239,254	\$37,703,162	\$1,567,100	\$6,119,012	\$48,710,279
Reynolds American Inc. (R.J. Reynolds Tobacco Company)	\$316,250	\$202,600	\$25,732,898	\$173,450	\$395,400	\$26,820,598
UST Inc. (US Smokeless Tobacco Company) ²	\$76,792	\$327,768	\$3,097,642	\$198,944	-	\$3,701,146
Brown & Williamson Tobacco Corporation ³	\$270,000	\$24,500	-	-	-	\$294,500
California Distributors Association PAC	\$57,250	\$39,400	\$34,400	\$26,100	\$40,681	\$197,831
Lorillard Tobacco Company	\$40,500	\$61,500	\$15,000	-	-	\$117,000
TOTALS	\$1,842,543	\$2,895,022	\$66,583,102	\$1,965,594	\$6,555,093	\$79,841,354

¹ Kraft and Philip Morris filed a joint report under the name Altria Group, Inc.'s Affiliates (Philip Morris USA Inc. and Kraft Foods Global, Inc.) until 2007. The campaign finance figures in this report contain all Altria Group contributions during that time. | ² U.S. Smokeless Tobacco Company files under the name UST Inc., which also includes UST Public Affairs. The campaign finance figures in this report contain all UST Inc. contributions. US Smokeless Tobacco Company was acquired by Altria in January 2009. | ³ Brown & Williamson Tobacco Corporation merged with RJ Reynolds in August 2004.

Graph 4: Total Campaign Contributions by Tobacco Interests (January 1, 2001 - December 31, 2010)



Lobbying Expenditures and Legislation Lobbied

Table 8 contains information about the amount of money spent by tobacco interests to lobby the legislature and state agencies, along with a full list of bills that were lobbied, from January 1, 2009 through December 31, 2010. This table breaks down the lobbying figures by reporting quarter. There are four quarters (January through March, etc.) in each year, making eight quarters for the two-year period. **Graph 5** shows what percent of these total lobbying expenditures were spent by each tobacco interest.

In these two years, the four tobacco interests spent more than \$2.75 million to lobby a total of 16 different bills. These included bills to increase the tobacco tax, make changes to the state tobacco retailer license law and regulate the sale of electronic cigarettes. The tobacco interests also lobbied the Board of Equalization on several issues, including the wholesale cost of tobacco products and other tobacco products tax issues.

Philip Morris USA Inc. spent just over \$750,000 on lobbying in the second quarter of 2009 (April through June), more than \$200,000 more than the company has spent in any other quarter over the last 20 years on lobbying. It was during these three months that both the Senate and the Assembly held votes on budget legislation that included a tobacco tax increase. Also, during this time period, Philip Morris USA Inc. sent direct mail to voters in several legislative districts to target legislators who had voted for an increase in the tobacco tax. The \$1.91 million spent on lobbying by Philip Morris USA Inc. in this two-year period is the second highest total for the company in the last 20 years. It only trails the total from the 1997-1998 period when Philip Morris USA Inc. spent \$1.96 million and smokefree bars legislation was being considered by the legislature.

Table 8: Lobbying Expenditures and Legislation Lobbied by Tobacco Interests (January 1, 2009 – December 31, 2010)

Altria Client Services Inc. and its Affiliates (Philip Morris USA Inc.)

Quarter	Amount Spent	Bills/Issues Lobbied
1st Quarter 2009	\$139,111.71	AB 89 (Torlakson) Increasing the Tax on Cigarettes SB 53 (DeSaulnier) Authorizing Attorney General to Negotiate Amendments to the MSA SB 600 (Padilla) Increasing the State Tobacco Tax SB 601 (Padilla) Restricting Eligibility for State Tobacco Retailer License SB 602 (Padilla) Restricting State Tobacco Retailer Licenses SB 603 (Padilla) Creating Annual Fee for State Tobacco Retailer License
2nd Quarter 2009	\$751,564.69	AB 89 (Torlakson) Increasing the Tax on Cigarettes ACA 22 (Torlakson) Increasing the Tax on Cigarettes ABX3 2 (Evans) Budget, Tobacco Tax Increase ABX3 39 (Evans) Budget, Tobacco Tax Increase SB 76 (Budget Committee) Budget, Tobacco Tax Increase SB 600 (Padilla) Increasing the State Tobacco Tax SB 601 (Padilla) Restricting Eligibility for State Tobacco Retailer License SB 602 (Padilla) Restricting State Tobacco Retailer Licenses SB 603 (Padilla) Creating Annual Fee for State Tobacco Retailer License
3rd Quarter 2009	\$212,437.10	AB 89 (Torlakson) Increasing the Tax on Cigarettes ABX3 2 (Evans) Budget, Tobacco Tax Increase ABX3 39 (Evans) Budget, Tobacco Tax Increase SB 76 (Budget Committee) Budget, Tobacco Tax Increase SB 600 (Padilla) Increasing the State Tobacco Tax SB 601 (Padilla) Restricting Eligibility for State Tobacco Retailer License SB 603 (Padilla) Creating Annual Fee for State Tobacco Retailer License
4th Quarter 2009	\$128,216.74	Board of Equalization - Proposed Regulations
1st Quarter 2010	\$154,006.33	AB 2496 (Nava) Reducing Evasion of MSA Payments and Cigarette Tax Payments AB 2733 (Ruskin) Making Changes to State Tobacco Retailer Licensing Law Board of Equalization - Proposed Regulations, Excise Tax on Smokeless Tobacco
2nd Quarter 2010	\$231,328.44	AB 2496 (Nava) Reducing Evasion of MSA Payments and Cigarette Tax Payments AB 2733 (Ruskin) Making Changes to State Tobacco Retailer Licensing Law AB 2757 (Bradford) Restricting the Sale of Blunt Wraps Board of Equalization - Wholesale Tobacco Cost Regulations
3rd Quarter 2010	\$149,873.40	AB 2496 (Nava) Reducing Evasion of MSA Payments and Cigarette Tax Payments AB 2733 (Ruskin) Making Changes to State Tobacco Retailer Licensing Law Board of Equalization - Status of Wholesale Prices of Tobacco Products
4th Quarter 2010	\$145,030.54	No bills listed this quarter
TOTAL	\$1,911,568.95	

**Table 8: Lobbying Expenditures and Legislation Lobbied by Tobacco Interests
(January 1, 2009 – December 31, 2010)**

(Continued)

California Distributors Association¹

Quarter	Amount Spent	Bills/Issues Lobbied
1st Quarter 2009	\$13,040.00	AB 89 (Torlakson) Increasing the Tax on Cigarettes AB 689 (Calderon) Changing the Definition of a Tobacco Product SB 600 (Padilla) Increasing the State Tobacco Tax SB 601 (Padilla) Restricting Eligibility for State Tobacco Retailer License SB 602 (Padilla) Restricting State Tobacco Retailer Licenses SB 603 (Padilla) Creating Annual Fee for State Tobacco Retailer License Board of Equalization - Excise Tax Issues
2nd Quarter 2009	\$13,301.60	AB 689 (Calderon) Changing the Definition of a Tobacco Product SB 600 (Padilla) Increasing the State Tobacco Tax SB 601 (Padilla) Restricting Eligibility for State Tobacco Retailer License SB 602 (Padilla) Restricting State Tobacco Retailer Licenses SB 603 (Padilla) Creating Annual Fee for State Tobacco Retailer License
3rd Quarter 2009	\$13,040.00	SB 76 (Budget Committee) Budget, Tobacco Tax Increase SB 400 (Corbett) Authorizing Enforcement Action Against Sales of E-Cigarettes SB 600 (Padilla) Increasing the State Tobacco Tax SB 602 (Padilla) Restricting State Tobacco Retailer Licenses SB 603 (Padilla) Creating Annual Fee for State Tobacco Retailer License
4th Quarter 2009	\$13,040.00	SB 400 (Corbett) Authorizing Enforcement Action Against Sales of E-Cigarettes
1st Quarter 2010	\$13,040.00	AB 2733 (Ruskin) Making Changes to State Tobacco Retailer Licensing Law SB 882 (Corbett) Restricting Sales of E-Cigarettes
2nd Quarter 2010	\$13,040.00	AB 2496 (Nava) Reducing Evasion of MSA Payments and Cigarette Tax Payments AB 2733 (Ruskin) Making Changes to State Tobacco Retailer Licensing Law AB 2757 (Bradford) Restricting the Sale of Blunt Wraps SB 603 (Padilla) Creating Annual Fee for State Tobacco Retailer License
3rd Quarter 2010	\$13,680.00	AB 2496 (Nava) Reducing Evasion of MSA Payments and Cigarette Tax Payments AB 2733 (Ruskin) Making Changes to State Tobacco Retailer Licensing Law SB 603 (Padilla) Creating Annual Fee for State Tobacco Retailer License Board of Equalization - Other Tobacco Products Tax Issues
4th Quarter 2010	\$13,040.00	No bills listed this quarter
TOTAL	\$105,221.60	

¹ The California Distributors Association lobbies on other issues besides tobacco issues. The table reflects total amount of money spent on lobbying but only lists the tobacco-related bills.

Reynolds American Inc. (R.J. Reynolds Tobacco Company)

Quarter	Amount Spent	Bills/Issues Lobbied
1st Quarter 2009	\$56,697.73	AB 89 (Torlakson) Increasing the Tax on Cigarettes SB 600 (Padilla) Increasing the State Tobacco Tax
2nd Quarter 2009	\$62,323.86	AB 89 (Torlakson) Increasing the Tax on Cigarettes ACA 22 (Torlakson) Increasing the Tax on Cigarettes SB 600 (Padilla) Increasing the State Tobacco Tax SB 601 (Padilla) Restricting Eligibility for State Tobacco Retailer License SB 602 (Padilla) Restricting State Tobacco Retailer Licenses
3rd Quarter 2009	\$67,204.15	SB 600 (Padilla) Increasing the State Tobacco Tax
4th Quarter 2009	\$72,283.11	No bills listed this quarter
1st Quarter 2010	\$59,021.67	AB 89 (Torlakson) Increasing the Tax on Cigarettes AB 2496 (Nava) Reducing Evasion of MSA Payments and Cigarette Tax Payments SB 600 (Padilla) Increasing the State Tobacco Tax
2nd Quarter 2010	\$65,961.75	AB 89 (Torlakson) Increasing the Tax on Cigarettes AB 2757 (Bradford) Restricting the Sale of Blunt Wraps SB 600 (Padilla) Increasing the State Tobacco Tax
3rd Quarter 2010	\$83,336.96	AB 89 (Torlakson) Increasing the Tax on Cigarettes AB 2757 (Bradford) Restricting the Sale of Blunt Wraps SB 600 (Padilla) Increasing the State Tobacco Tax
4th Quarter 2010	\$79,605.00	No bills listed this quarter
TOTAL	\$546,434.23	

**Table 8: Lobbying Expenditures and Legislation Lobbied by Tobacco Interests
(January 1, 2009 – December 31, 2010)**

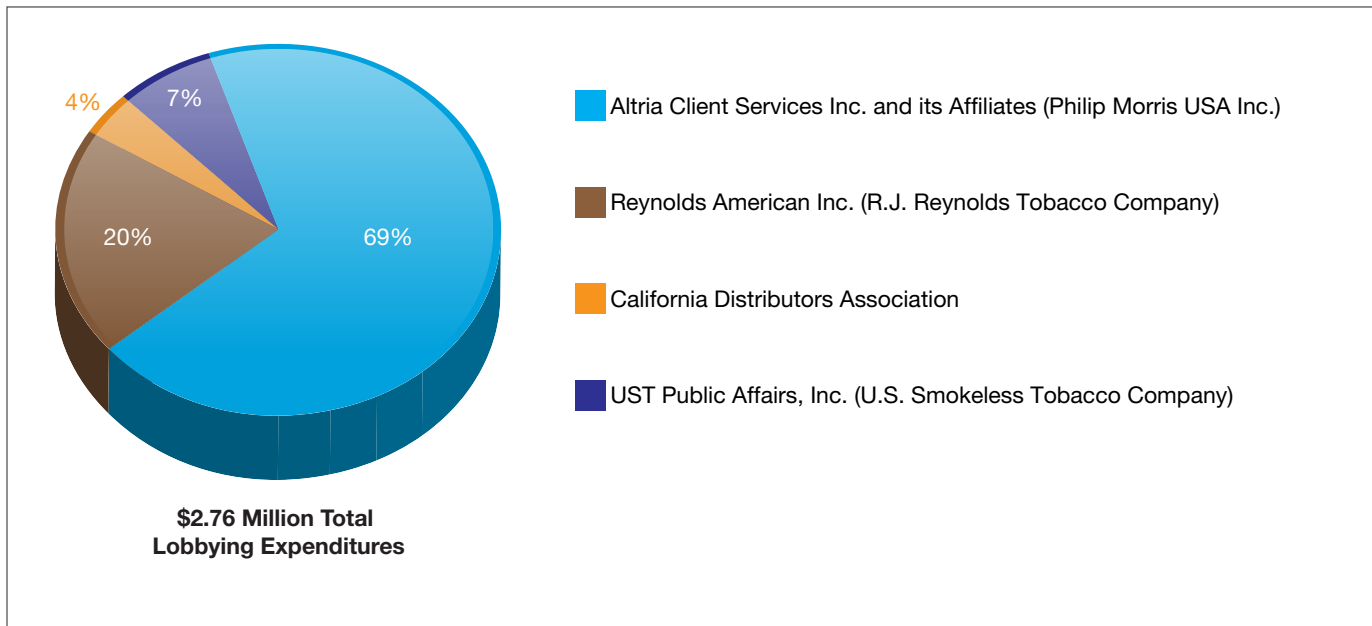
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UST Public Affairs, Inc. (U.S. Smokeless Tobacco Company)²

Quarter	Amount Spent	Bills/Issues Lobbied
1st Quarter 2009	\$70,500.00	AB 89 (Torlakson) Increasing the Tax on Cigarettes SB 600 (Padilla) Increasing the State Tobacco Tax
2nd Quarter 2009	\$25,500.00	AB 89 (Torlakson) Increasing the Tax on Cigarettes ACA 22 (Torlakson) Increasing the Tax on Cigarettes SB 600 (Padilla) Increasing the State Tobacco Tax SB 601 (Padilla) Restricting Eligibility for State Tobacco Retailer License SB 602 (Padilla) Restricting State Tobacco Retailer Licenses SB 603 (Padilla) Creating Annual Fee for State Tobacco Retailer License
3rd Quarter 2009	\$70,500.00	Board of Equalization - Tax ramifications of SB 601 (Padilla) and SB 603 (Padilla)
4th Quarter 2009	\$25,500.00	Board of Equalization - Wholesale tobacco cost
TOTAL	\$192,000.00	

² UST Public Affairs terminated lobbying on December 31, 2009.

**Graph 5: Percent of Total Lobbying Expenditures by Tobacco Interests
(January 1, 2009 - December 31, 2010)**



Historical Lobbying Expenditures

Table 9 and **Graph 6** show the amount of money spent on lobbying by tobacco interests over the past decade, from January 1, 2001 through December 31, 2010. Tobacco interests have spent more than \$2.1 million in each two-year period.

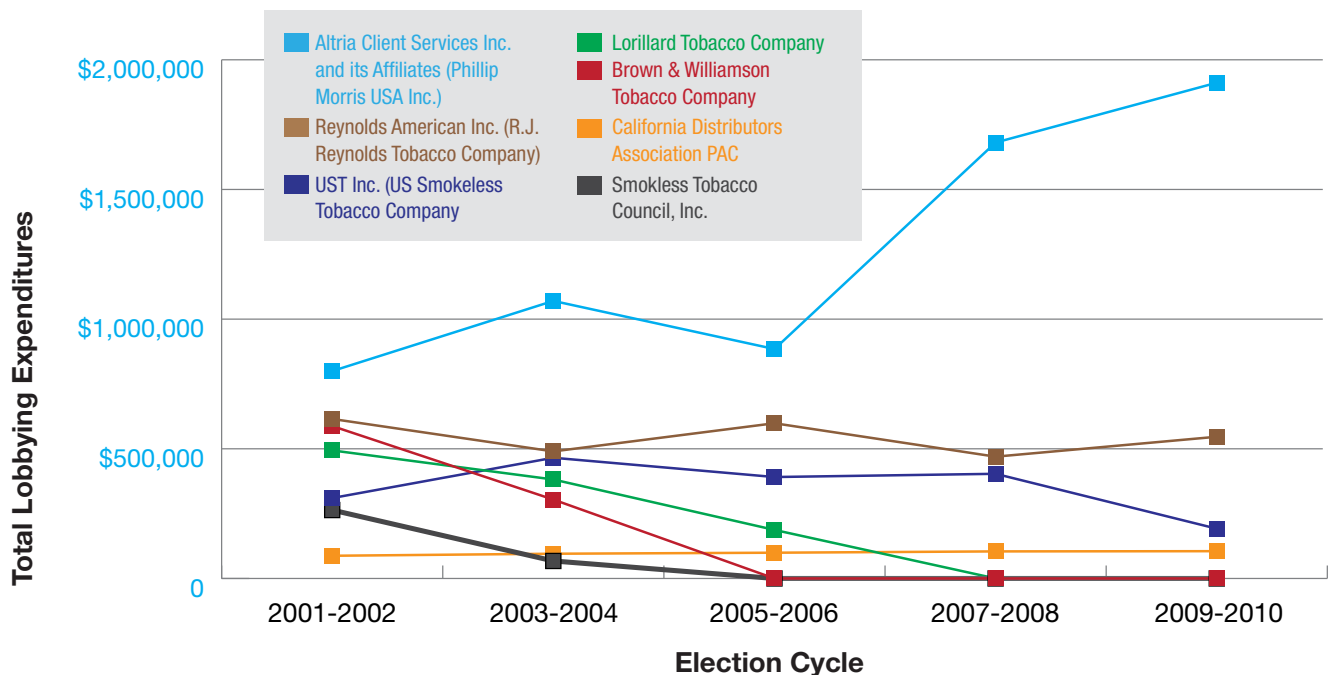
In total, tobacco interests have spent more than \$13.6 million in the past ten years. Despite there being fewer tobacco companies that lobby the legislature, the overall lobbying expenditures have remained steady because Philip Morris USA Inc. has increased its spending on lobbying.

Table 9: Historical Lobbying Expenditures of Tobacco Interests (January 1, 2001 – December 31, 2010)

Company	2001-2002	2003-2004	2005-2006	2007-2008	2009-2010	Totals
Altria Client Services Inc. and its Affiliates (Phillip Morris USA Inc.)	\$799,693	\$1,070,237	\$884,694	\$1,680,953	\$1,911,569	\$6,347,146
Reynolds American Inc. (R.J. Reynolds Tobacco Company)	\$615,058	\$489,916	\$598,507	\$469,646	\$546,434	\$2,719,560
UST Public Affairs, Inc. (US Smokeless Tobacco Company) ¹	\$310,073	\$465,446	\$391,137	\$403,564	\$192,000	\$1,762,220
Lorillard Tobacco Company ²	\$493,975	\$381,657	\$187,202	-	-	\$1,062,834
Brown & Williamson Tobacco Corporation ³	\$587,781	\$304,239	-	-	-	\$892,020
California Distributors Association	\$87,537	\$95,378	\$99,324	\$104,353	\$105,222	\$491,814
Smokeless Tobacco Council, Inc. ⁴	\$263,817	\$67,500	-	-	-	\$331,317
TOTALS	\$3,157,934	\$2,874,372	\$2,160,864	\$2,658,516	\$2,755,225	\$13,606,911

¹ US Smokeless Tobacco Company was acquired by Altria in January 2009. UST Public Affairs, Inc. terminated lobbying in December 2009. | ² Lorillard Tobacco Company terminated lobbying in December 2005. | ³ Brown & Williamson Tobacco Corporation merged with R.J. Reynolds Tobacco Company in August 2004. | ⁴ Smokeless Tobacco Council, Inc. terminated lobbying in December 2003.

Graph 6: Total Lobbying Expenditures by Tobacco Interests (January 1, 2001 - December 31, 2010)



Conclusion

Tobacco Money in California Politics demonstrates that tobacco interests will consistently and aggressively spend millions of dollars to impact public policy in California and can access vast financial resources as needed for policy efforts that will have a significant impact on their industry. Over the past decade (2001-2010), tobacco interests have spent nearly \$100 million to influence public policy in California. In the 2009-2010 election cycle, overall spending by tobacco interests increased from the previous election cycle due to ballot measures and legislation related to tobacco taxes and fees on the tobacco industry. In previous election cycles, the highest amount of spending by tobacco interests has always coincided with tobacco tax ballot measures (Proposition 99 in 1988, Proposition 10 in 1998 and Proposition 86 in 2006).

Among all special interests in California, tobacco companies rank near the top in total spending on campaign contributions and lobbying. A 2010 report by the California Fair Political Practices Commission examined spending by all special interests in California including labor unions, business associations, Indian tribes and corporations between January 1, 2000 and December 31, 2009. Out of all these special interests, Philip Morris USA Inc. ranked number nine in total spending on lobbying and contributions during that

ten-year period. Only three of those ranked ahead of Philip Morris USA Inc. were corporations (Pacific Gas & Electric Company, Chevron Corporation and AT&T Inc.). Reynolds American Inc. ranked number 20 in total spending.¹

Looking to the next election cycle, it is clear that the tobacco companies are already gearing up for the next fight against an increase in the state tobacco tax. During the 2009-2010 election cycle, Philip Morris USA Inc. had an independent expenditure on their campaign contributions filings of nearly \$39,000 for legal fees in opposition to the California Cancer Research Act while it was still in the signature gathering stage. The California Cancer Research Act is a ballot initiative that would increase the state tobacco tax by \$1 per pack and allocate revenues to cancer research and tobacco control and prevention. The last time a tobacco tax increase initiative was on a statewide election (Proposition 86 in 2006) the major tobacco companies (Philip Morris USA Inc., Reynolds American Inc. and US Smokeless Tobacco Company) spent more than \$62 million to defeat the initiative and they will likely fund a similar campaign in opposition to the California Cancer Research Act. This initiative has qualified for the next statewide election and will be voted on sometime during the 2011-2012 election cycle.

¹ California Fair Political Practices Committee. *Big Money Talks: The 15 Special Interests that Spent \$1 Billion to Shape California Government*. March 2010.





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