

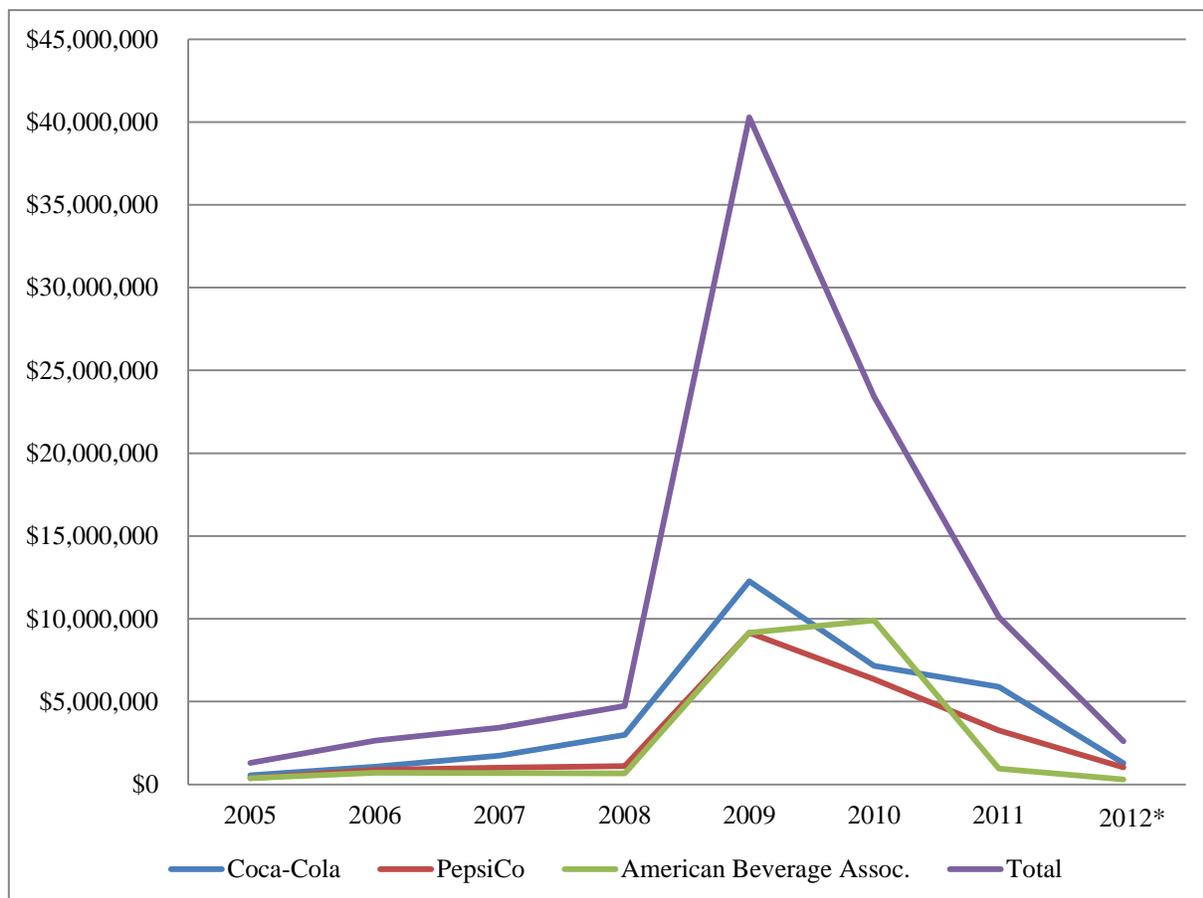
## Soda Industry Political Spending

Efforts to levy taxes on sugar-sweetened beverages accelerated between 2005 and 2011. First made at the federal level in proposals to help fund health-care reform measures, they later moved to states and cities around the country. Those efforts provoked an avalanche of industry spending for lobbying, advertising, and political contributions to fend off taxes.

Corporate funding from industry leaders such as the Coca-Cola Company, PepsiCo, and the American Beverage Association (a trade organization that represents the non-alcoholic beverage industry) saturated federal, state, and local environments and led to the defeat of most proposals. This fact sheet provides a brief overview of beverage-industry spending to oppose taxes on sugary drinks.

### I. Spending at the Federal Level

#### Explosive Growth in Soda Industry Political Expenses, 2005-2012<sup>1</sup>



\*Totals for 2012 do not reflect the entire year

- Spending accelerated greatly between 2008 and 2009 to fight proposals calling for excise taxes on sugar-sweetened beverages. The proposed excise taxes, meant to help fund health-care reform (which eventually became the Patient Protection and Affordable Care Act), were considered by the Senate Finance Committee but soon rejected.
- In 2005, the Coca Cola Company, PepsiCo, and the American Beverage Association (these groups combined are hereafter referred to as the soda lobby) spent a total of **\$1,294,760 lobbying the federal government**.
- By **2009**, the soda lobby had increased its spending to **\$40,279,500**, more than 30 times what it spent in 2005. Although some of this amount may have been spent lobbying a variety of other corporate issues, the dramatic increase after 2008 suggests that most of the spending was directed to killing the soda tax proposal.
- The amounts spent by Coca-Cola, PepsiCo and the American Beverage Association showed a consistent upward trend between 2005 and 2009, with a large increase between 2008 and 2009, and then a remarkable drop in the following years.
- Although spending dropped off in 2011, it remained at an extremely elevated level compared with industry political expenditures from 2005-2008.
- Soda lobby spending totaled **\$10,100,000 in 2011**, more than 7 times what it spent in 2005.

## II. Spending at State and Local Levels

From 2009 to 2011, legislatures in several states and cities across the U.S. considered soda tax legislation. Efforts included proposals to impose excise taxes and sales taxes, as well as measures to eliminate soda's exemption from state sales tax collections. Below are examples of those proposals and the massive response they provoked from the soda lobby.

### 2010-2011

#### Philadelphia, PA

In Philadelphia, PA, Mayor Michael Nutter's 2011 budget proposal included a two-cents-per-ounce tax on retailers based on their annual sales volume of sugar-sweetened beverages. The tax would have generated \$77 million in new funds to finance anti-obesity programs and general costs of city government.<sup>2</sup> The city council rejected the soda-tax provision in the mayor's proposal following substantial pressure from the beverage industry.

The following year, the Nutter Administration made a second attempt to approve a soda tax in Philadelphia. Mayor Michael A. Nutter's 2012 budget proposal included a two-cents-per-ounce tax on sugary drinks. The soda-tax revenue was intended to help fill the Philadelphia School District's \$629 million budget gap, rather than fund the anti-

obesity effort proposed in 2010. The city council voted to increase the property tax instead of approving the soda-tax provision in the mayor's proposal following continued lobbying from the beverage industry. Below are some examples of that pressure:

- As part of its effort to derail Mayor Nutter's March 2010 proposal, the Canada Dry Delaware Bottling Co. offered the city a **\$10 million "good-will-gesture donation"** for health and wellness programs as well as budget-deficit reduction. Mayor Nutter rejected that offer. <sup>3</sup>
- The absence of lobbying disclosure laws in Philadelphia during the 2010 legislative cycle makes it difficult, if not impossible to quantify industry's financial and political influence at that time. A new law recently signed by Mayor Nutter, however, will make it easier in the future, as lobbyists will be required to register and disclose their expenditures starting in 2011. <sup>4</sup>
- In March 2011, the Foundation for a Healthy America (a new organization created by the American Beverage Association) donated **\$10 million to the Children's Hospital of Philadelphia (CHOP)** to "fund research into and prevention of childhood obesity." Facing criticism for accepting money from a source responsible for the obesity epidemic, the hospital said that it would "retain absolute clinical and research independence."<sup>5</sup>
- Later, in September 2011, Mayor Nutter rejected a **grant from CHOP for "an undisclosed amount"** to fund anti-obesity programs."<sup>6</sup>
- The American Beverage Association launched Smart Taxpayers Exposing Waste (STEW), a digital ad campaign to combat the anti-sugary drink ads sponsored by the city's childhood obesity prevention campaign. STEW claims the money used to fund the anti-sugary drink campaign should be used to create more jobs.<sup>7</sup>

## Texas

In 2011, Senator Eduard Lucio proposed a penny-per-ounce soft drink tax (SB 1004) to help combat the state's budget problems. The proposal would have raised approximately \$2 billion a year in general state revenue. However, the Finance Committee rejected the tax and instead approved cutting \$4 billion from public education in the state budget, with encouragement from beverage industry lobbying.

- The Texas Beverage Association hired 10 lobbyists, in addition to those hired by PepsiCo and Coca-Cola, to monitor the soda-tax proposal.<sup>8</sup> Reported spending

on lobbying the Texas state government by the Texas Beverage Association, Coca-Cola, and PepsiCo totaled **over \$340,000** in 2011.<sup>9\*</sup>

## **2009-2010**

### **District of Columbia**

During the 2009-2010 legislative session of the District of Columbia, Councilwoman Mary Cheh introduced the DC Healthy Schools Act (#B18-0564), which raised the nutritional standards for school meals and provided free and reduced-cost meals to low-income students. The original proposal would have imposed a penny-per-ounce excise tax on sugar-sweetened beverages in order to fund the feeding program. The full council rejected the excise tax approach and instead opted to fund the bill by eliminating the existing sales tax exemption for sugar-sweetened beverages.

- Together, the American Beverage Association and the MD-DE-DC Beverage Association reported spending more than **\$380,000** on lobbying activities during 2010. That amount included the following political contributions: <sup>10</sup>
  - The two groups contributed **more than \$10,000** to Mayor Vincent Gray's mayoral campaign and inauguration event, Chairman Kwame Brown's election campaign, and Councilmember Harry Thomas' election campaign. The Gray for Mayor Campaign received an additional \$1,000 from the Grocery Manufacturers Association, which represents food and beverage producers. <sup>11†</sup>
- Throughout the 2010 legislative session, anti-soda-tax advertisements ran regularly on local radio and television stations and in newspapers in the District, arguing that a soda tax would put an unnecessary financial burden on hard-working families in already tough times. Due to a loophole in the disclosure laws, those expenditures are not publicly available. Lobbyists are not required to report spending on political advertising campaigns. An industry spokesperson refused to confirm any estimates. <sup>12</sup>

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\* Total lobbying dollars for the year were listed as ranges for each lobbyist. The total was compiled using the lowest compensation amounts for each range.

† There are strict limits on campaign contributions in the District of Columbia. The maximum allowable contributions are as follows: \$2,000 for mayoral campaigns; \$1,500 for council chair campaigns; \$1,000 for at-large councilmember campaigns; and \$500 for ward councilmember campaigns. The MD-DE-DC Beverage Association contributed the maximum allowable amount to each of the election campaigns listed above, while the American Beverage Association's contributions were consistently only \$500 less than the maximum allowed contribution.

## New York State

In 2010, as part of his budget, Governor Paterson proposed a penny-per-ounce tax on sugar-sweetened beverages to raise money for health-care programs and to reduce the deficit. Industry pressure forced the governor to withdraw the proposed tax.<sup>13</sup> Additionally, the State Assembly Rules Committee sponsored a bill to levy an excise tax on beverage syrups and soft drinks (A41004). That provision failed to pass.<sup>14</sup>

- According to the New York State Commission on Public Integrity, the American Beverage Association spent **\$12,888,331 on lobbying activities at the state level** in 2010.
- The ABA also advertised heavily against the tax – on radio, television and in print. Official estimates about the extent of beverage-industry spending on advertising are not available.<sup>15</sup>
- In response to a proposed bottle bill in 2009, PepsiCo threatened to pull its headquarters out of the state. PepsiCo repeated that threat in 2010 after Governor Paterson and state legislators proposed soda taxes, noting that its lease at the Westchester County location, where more than 1,000 people are employed, was set to expire at the end of the year.<sup>16</sup> In March 2011, after receiving a **\$4 million grant from New York State’s economic development agency**, PepsiCo announced that it would keep its headquarters in New York State.<sup>17</sup>

## Washington State

In June 2010, the Washington State legislature approved a budget-balancing measure that included a modest 3-year tax of \$0.02 per 12 ounces on sugar-sweetened beverages. In September, the Stop the Food & Beverage Tax Hikes coalition, a group funded almost entirely by the American Beverage Association, successfully obtained enough signatures to include a proposition to repeal the tax measure on the upcoming ballot. The proposed repeal eliminating the tax, known as Initiative 1107, passed in November 2010.<sup>18</sup>

- In Washington State, the Washington Beverage Association reported spending **\$159,915.08 lobbying the state government**.<sup>19</sup>
- The American Beverage Association spent **\$16.7 million** to pass the Initiative 1107 campaign.<sup>20</sup>

## Ongoing Efforts

In 2012, policy makers in several other states, including Illinois, Rhode Island, and Vermont proposed taxes on sugary drinks. The beverage industry has responded aggressively, fighting off the initiatives; five of the proposed bills have already died.

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- <sup>1</sup> US House of Representatives, Office of the Clerk. <http://lobbyingdisclosure.house.gov/>
- <sup>2</sup> Healthy Philadelphia Initiative. [http://www.yaleruddcenter.org/resources/upload/docs/what/policy/legislation/Healthy\\_Philadelphia\\_Initiative.pdf](http://www.yaleruddcenter.org/resources/upload/docs/what/policy/legislation/Healthy_Philadelphia_Initiative.pdf)
- <sup>3</sup> Wall Street Journal. <http://online.wsj.com/article/SB10001424052748704904604575262530291194198.html>
- <sup>4</sup> City of Philadelphia Ethics Board. <http://www.phila.gov/ethicsboard/>
- <sup>5</sup> Philadelphia Inquirer. <http://www.philly.com/philly/blogs/heardinthehall/118077483.html>
- <sup>6</sup> Philadelphia City Paper. <http://www.citypaper.net/blogs/nakedcity/Mayor-Nutter-says-the-city-wont-take-money-from-Big-Beverage-his-own-campaign-is-another-story.html>
- <sup>7</sup> Philadelphia Weekly. <http://www.philadelphiaweekly.com/news-and-opinion/news/137515518.html>
- <sup>8</sup> San Antonio Express-News. [http://www.mysanantonio.com/news/news\\_columnists/patricia\\_kilday\\_hart/article/Sodas-eroding-more-than-our-health-1350173.php](http://www.mysanantonio.com/news/news_columnists/patricia_kilday_hart/article/Sodas-eroding-more-than-our-health-1350173.php)
- <sup>9</sup> Texas Ethics Commission. [http://www.ethics.state.tx.us/tecd/2011\\_Lobby\\_List\\_by\\_Concern.pdf](http://www.ethics.state.tx.us/tecd/2011_Lobby_List_by_Concern.pdf)
- <sup>10</sup> District of Columbia Office of Campaign Finance. <http://ocf.dc.gov/index.shtm>
- <sup>11</sup> District of Columbia Office of Campaign Finance. <http://ocf.dc.gov/index.shtm>
- <sup>12</sup> Washington Post. [http://voices.washingtonpost.com/dc/2010/08/how\\_much\\_was\\_spent\\_to\\_defeat\\_s.html](http://voices.washingtonpost.com/dc/2010/08/how_much_was_spent_to_defeat_s.html)
- <sup>13</sup> Yale Rudd Center. <http://www.yaleruddcenter.org/legislation/archive/search.aspx>
- <sup>14</sup> Yale Rudd Center. <http://www.yaleruddcenter.org/legislation/archive/search.aspx>
- <sup>15</sup> New York Times. <http://www.nytimes.com/2010/07/03/nyregion/03sodatax.html>
- <sup>16</sup> New York Times. [http://www.nytimes.com/2009/03/02/nyregion/02border.html?\\_r=1](http://www.nytimes.com/2009/03/02/nyregion/02border.html?_r=1)
- <sup>17</sup> LoHud.com. <http://www.lohud.com/article/20110324/NEWS02/103240418/O/NEWS02/Pepsi-Beverages-keep-headquarters-1000-jobs-Somers-4-million-state-grant?odyssey=nav|head>
- <sup>18</sup> Yale Rudd Center. <http://www.yaleruddcenter.org/legislation/archive/search.aspx>
- <sup>19</sup> Washington State Public Disclosure Commission. <http://www.pdc.wa.gov/>
- <sup>20</sup> Washington State Public Disclosure Commission. <http://www.pdc.wa.gov/MvcQuerySystem/CommitteeData/contributions?param=U1RPUEZCIDUwNw====&year=2010&type=initiative>