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MEMORANDUM

TO: Lani Shaw & Kimery Wiltshire
FR: John Lamson
RE: Referendum A in the rear view REVISED
DT: 5 April 2004

Colorado's Referendum A was soundly defeated in November 2003. It did not pass in a single county, and in many it was crushed by two to one margins. This was a rather striking turnaround given the measure's history earlier in the year.

Colorado, like much of the West, has been enduring record droughts. As matters of public policy, water issues are contentious and emotional. In the winter and spring of 2003, the Colorado legislature found itself unable to address Colorado's water needs in a collaborative and cooperative fashion. Thus, Referendum A was born out of a push by the Governor, Front Range legislators and a host of special interests who stood to benefit from the construction, maintenance and products of increased water storage in the state.

At the time, the fight against the referendum seemed unwinnable. A Ridder/Braden poll done in the spring of 2003 seemed to validate that assumption. Emotions were running high on all sides. There was talk of possible fixes to mollify West Slope legislators, and the conservation community was divided on whether or how to fight the referendum once it got put on the ballot.

But things did turn around. The conservation community coalesced in late summer and began to organize. A new poll was fielded that revealed real opportunity for defeating the measure. And West Slope legislators gave up hopes of a legislative fix and began to campaign against the referendum themselves.

It is important to note the key role Attorney General Ken Salazar played in creating an environment for success for the No on A campaign. His decision to become actively involved was critical. It drew in the media, who were looking at Salazar's involvement as a warm-up to an eventual run for governor. He helped raise a great deal of money, and his close and open involvement with the No on A campaign lent them a great deal of credibility as they went about the tough work of putting together a statewide campaign starting around Labor Day.

The No on A campaign did an outstanding job bringing a broad and diverse coalition together, developing and sticking to a clear, targeted message, and judiciously spending a

small budget for a statewide campaign. Had they not waged the campaign they waged, Referendum A would have passed.

However, it is also important to take a look at the broader political context within which Referendum A was fought. In doing so, it is clear that there are numerous factors that lead to the defeat of the Referendum. They include:

1. Increasing economic insecurity in Colorado and the country.
2. The economic focus of the other two statewide ballot measures: video gambling and property tax adjustment.
3. Unanimous opposition from West Slope elected officials.
4. Early bluster turned into an underwhelming and inefficient vote Yes effort.
5. The easing of drought restrictions on homeowners and the state's major water utilities claiming they don't need Referendum A.
6. The fact that once they were given a clear, compelling reason to vote against the measure, voters moved readily towards No. As pollster Bob Drake put it "*There is no question that you find yourselves in the position of being able to spoil their party. The numbers and messages support you.*"

This memo discusses each one of these factors, and concludes with how some of the lessons learned might be applied in future battles.

Increasing economic insecurity in Colorado and the country.

In the August poll conducted by Talmey/Drake Research, economy and jobs issues (in general) ranked third in a list of "*important issues facing Colorado today.*" The first was water/drought issues and the second was education. But as the campaign moved into the fall, the Democratic presidential primary began heating up and garnering a great deal of media attention. Besides Iraq and terrorism, the lead message from most campaigns was the troubled state of America's economy.

Looking at just a few indicators, it is reasonable to assume that there was already a great deal of economic insecurity just beneath the surface in Colorado.

From the Bureau of Labor Statistics:

- CO total jobs lost from Jan 01-Oct 03 (nonfarm employees): 84,000
- CO manufacturing jobs lost from Jan 01-Oct 03: 38,600
- CO unemployment rate Jan 01: 2.6%
- CO unemployment rate Oct 03: 5.5%

From CBS/New York Times National Surveys:

What do you think is the most important problem facing this country?
Respondents answering jobs and the economy:

- July 2002 19%
- January 2003 28%
- July 2003 38%

On top of these factors, Colorado, like most other states, was and still is trying to dig out from under a mountain of debt.

The economic focus of the other two statewide ballot measures: video gambling and property tax adjustment.

“In an election all about money, Coloradans refused to give it up for water, video gambling and property taxes . . .”

Denver Post article November 5, 2003

Referendum A benefited a great deal from Amendments 32 & 33 on the ballot.

Amendment 33: According to news reports, the two sides in this fight over the installation of gambling machines at racetracks raised and spent \$9.5 million in a nasty ad war centered primarily on special interests trying to benefit their own bottom line.

Amendment 32: This property tax formula adjustment was confusing to most people and read like an increase in personal property taxes. While there was not a high profile campaign on either side of this fight, confusing tax issues are a tough sell to the voting public.

Vote No on A was able to take advantage of the message climate established by these two measures very effectively, since the lead message on Referendum A was about the costs to taxpayers and the benefits to special interests. Indeed, as the reporter above noted, the Referendum A campaign successfully turned from a discussion about water to a discussion about money. Given the economic insecurities and budget realities in the state at the time, asking for a no vote was a much easier sell to the voters.

Unanimous opposition from West Slope elected officials.

With the exception of a County Commissioner from Eagle County, the elected officials on the West Slope were unanimous in their opposition to Referendum A. This had a powerful effect on the outcome in several ways. First and foremost, it sent a strong message through the media that the state was divided. While this alone was not one of the more powerful reasons to vote no on the measure, it was a prevalent component of most media coverage. This made the burden of proof for the Yes side all the more difficult in convincing Colorado voters that Referendum A was necessary and effective in addressing Colorado’s water needs.

Additionally, it is likely that such unified opposition kept some of the special interests at bay in their support of the referendum. While many still cut big checks to the Yes side, there was not a great deal of public activity from the businesses and associations who supported Referendum A. Knowing that they would have to deal with such a large block of legislators, from both sides of the aisle, on many other issues, it was probably a prudent decision for them to keep their profile low.

Early bluster turned into an underwhelming and inefficient vote Yes effort.

In the spring of 2003, water was about as hot a topic as there could be in Colorado politics. With Referendum A heading towards the ballot, proponents were talking about mobilizing \$1.5 to \$2 million to pass the measure. And, it was well known in both Colorado and national political circles that the Colorado conservation community was split on whether and how to fight the measure.

It is quite possible that Save Colorado's Water never expected any organized opposition, and that their early bluster was meant, primarily, to take advantage of the split in the conservation community and drive home a perception that the referendum could not be defeated. But when all was said and done, Save Colorado's Water never waged the campaign they had laid out in the press. It may be that they bluffed, and got called on it.

Overall, the Vote No effort raised \$473,827.55 (including in-kind contributions) and spent \$417,646.64.

At the same time, Save Colorado's Water, the vote Yes side, raised \$788,104.39 (including in-kind contributions) and spent \$845,215.00, leaving them still \$57,000 in debt as of March 2004.

The most telling thing about these figures, however, is how the money was spent.

For Save Colorado's Water, the breakdown of major expenditures is (approximations):

- Advertising, time buy & production \$400,000
- Printing & postage \$120,000
- Consultants \$105,000
- Staff/contractors \$75,000
- Phonebanks \$50,000
- Polling \$40,000

For Vote No on A, the breakdown of major expenditures is:

- Advertising, time buy & production \$385,000
- Consultants & staff \$25,000

Even while being outspent nearly two to one, the Vote No campaign was able to compete almost dollar for dollar over the airwaves. Save Colorado's Water was either: a very poorly run campaign, a campaign based on very poorly made strategic assumptions, or a campaign that was unable to shift gears in midcourse.

The high dollar costs for phone banks and mail indicate that they may have hoped the fight would take place primarily beneath the radar. Given the No side's late entry, and the well-known fact that the environmental community was initially divided, that may have been a reasonable assumption in the early summer. But as the No campaign heated up, and as the gambling measure started to dominate the airwaves, they should have recognized the need for a more focused effort.

Furthermore, the Yes side never came close to raising the \$1.5 to \$2 million they tossed around all spring and summer. And a review of press clips over the course of the last few months of the campaign indicate a public face that was dominated by political consultants, legislators, and bureaucrats. Precious few independent Coloradans were ever out in front. While the No side had its share of politicians in the public eye, they were also very successful at putting front and center farmers, conservationists, ranchers, the League of Women voters, hunters and anglers and others with no vested interest in the defeat of Referendum A.

The press clip review turned up the following list of spokespeople quoted in support of Referendum A:

Name	Affiliation/Title
Ament, Don	State Agriculture Commissioner
Andrews, John	State Senator, R-Centennial
Armstrong, Bill	State Senator
Beauprez, Bob	US Rep., R-7th
Berry, Chuck	Colorado Association of Commerce and Industry, President
Brown, Hank	State Senator
Campbell, Ben Nighthorse	US Senator
Currier, Carlyle	Farmer & rancher
Dickenson, T. Dwight	Moffat County
Dryer, Jim	State Senator, R-Littleton
Entz, Lewis	State Senator, R-Hooper
Hillman, Mark	State Senator, R-Burlington
Hoppe, Diane	State Rep., R-Sterling
King, Keith	State Rep., Colorado Springs
Levy, Martin	Colorado Association of Commerce and Industry, Chairman
Marchun, Mary	Ref A, Spokeswoman
Miller, Dave	Independent water planner, Palmer Lake
Mitchell, Shawn	State Rep., R-Broomfield
Musgrave, Marilyn	US Rep., R-4th
Norton, Gale	US Secretary of Interior
Norton, Jane	Lt. Governor

Simpson, Hal	State Engineer
Spradley, Lola	State Rep., R-Beulah
Stone, Tom	Eagle County Commissioner
Stonnenberg, Jerry	Sterling area farmer & rancher
Tancredo, Tom	US Rep., R-6th
Tonner, Sean	Phase Line Strategies
Vogt, Brian	South Metro Denver Chamber of Commerce, President
Walcher, Greg	DNR, Director
Watson, Cinamon	Phase Line Strategies
Wiley, Bob	Colorado Farm Bureau
Young, Brad	State Rep., Colorado Springs

There are numerous indications that towards the end, Save Colorado's Water knew they were going down. From news reports of pulling ads in the last week, to a television poll showing the measure going down 52-33, to Governor Owens' overseas trade mission announced just days before the election, it was clear that the ship was sinking. And if it had become that clear to the public, the perception must have been growing internally for some time. Indeed, even Governor Owens, the measure's top supporter, seemed to have his doubts about Referendum A early on:

"It (Referendum A) may not do any good, but I don't see any downside."

Governor Bill Owens, quoted in the Durango Herald, 8/22/03

Note: A compendium of donors who gave \$250 and higher is found in the attached excel worksheet.

Considering the fact that Referendum A was considered Bill Owens "baby," his level of involvement was limited. He made a few high-profile speeches before large associations, and Save Colorado's Water television ads were a personal plea from the Governor. But aside from that, he was not seen aggressively stumping for the measure, instead leaving that task to Greg Walcher, Don Ament and the campaign itself. Owens' low profile may be attributed in part to having to deal with his very public marital problems, or the above-mentioned observation that the proponents of Referendum A may have never really had a big fight in them.

The easing of drought restrictions on homeowners and the state's major water utilities claiming they don't need Referendum A.

"As it turns out, some of Colorado's biggest and smallest water providers say Referendum A won't help them."

From a Colorado Springs Gazette article 9/2/03, with a headline reading

Water Utilities Question Value of Referendum A

As the campaign heated up, the press started turning to utilities, asking them how they felt about the referendum. The most supportive comments were along the lines of “*it’s good to have another financing mechanism in place.*” However, the normal response from large utilities was that they have credit ratings that allow them to finance water storage projects at a better rate than Referendum A would provide. And for many of the smaller utilities, the terms under Referendum A would have been far too expensive for any family farming or ranching operation to undertake.

As this story was unfolding, many of these same utilities were lifting water restrictions on homeowners, particularly in Colorado Springs and the Denver metro area. The lack of support for the referendum from the state’s water providers, along with a signal that the drought was easing, stole a great deal of thunder out of the Yes side’s emotional appeal to drought worries.

Once they were given a clear, compelling reason to vote against the measure, voters moved readily towards No.

As pollster Bob Drake put it “*There is no question that you find yourselves in the position of being able to spoil their party. The numbers and messages support you.*”

The initial vote in the August poll was 46% in favor, 36% opposed. After a series of arguments for and against the measure, the vote moved to 43% opposed, 42% in favor, a total swing of 11 percentage points.

Spurring that movement was the fact that the No arguments tested much stronger than the yes arguments, as well as the fact that the number one thing voters thought would happen if the measure passed was,

Colorado homeowners, farmers, ranchers and small businesses will end up paying for the new bonds through increases in taxes or water rates.

The Vote No campaign did an excellent job of tapping into that concern and driving home a consistent message that Referendum A was a \$4 billion blank check. The press coverage around the launch of the no campaign all included the “blank check” language in the story leads, and many papers carried the visual as well.

Once that message tone was set, the Yes side never recovered sufficient footing to turn the discussion back to water. Referendum A had been successfully framed as a fiscal issue.

CONCLUSION AND LOOKING FORWARD

While the defeat of Referendum A was a tremendous victory for the conservation community and all those who are concerned with water conservation in the West, it is important to emphasize that this battle was not won on the merits of a water policy discussion. It was successfully taken out of that context and placed into a political box where the emotions associated with drought issues were minimized, and everyday concerns over taxpayer costs and special interest boondoggles were highlighted.

Still, there are political lessons worth noting that may be useful in similar battles in the future. They are:

Define yourselves.

These are complicated policy issues. It is unlikely, if not impossible, to ever get the public to pay close attention to the substantive details of water policy. The other side recognizes this and moves immediately to an emotional positioning that takes advantage of concerns about drought and its impacts, or about the conflict between farmers and fish, for example.

When countering these emotional messages, you need to try and be equally compelling, or at least equally unburdened by policy details. Your best foot forward is the breadth and diversity of coalitions: scientists, hunters, anglers, Republicans and Democrats, conservationists, farmers and ranchers, Leagues of Women Voters, etc.

But it is not enough to just say they are a part of the coalition, these partners need to be out front delivering the message. In cases where the details are too much for the public, the messenger is the message.

Define the opposition.

Developers, realtors and other corporate special interests have very little credibility in the arena of public policy, particularly on environmental issues. Show that they are the driving force behind the proposals, and that they stand to benefit once passed.

Follow the money.

Highlight the money trail in as many ways as you can. Some questions to ask:

- Who is going to benefit from these policies?
- How much will they benefit?
- Who do they support with campaign contributions?
- Are there going to be cost implications for individuals? How much?
- What other programs will be affected by spending money on this?

If there are answers to these questions that make your case, with validation from credible independent sources, then they should become central to your message.

Offer solutions.

One of the Achilles heels of the conservation community is that industry and their allies have done a very good job of defining you as obstructionists – always saying no and never compromising or offering real solutions. While that is usually not the case, it is a perception that they have successfully pushed.

It is important to include an alternative in your messaging when fighting against irresponsible proposals. This should be done not to compete in a direct policy versus policy battle, but to lend credibility to your argument as to why the industry proposal is a bad idea.

Be confident that the public starts on your side.

Public opinion research shows that the public is generally supportive of the water conservation position on many water issues, even in the desert and mountain West. But industry almost always has more finely tuned delivery of their message and positioning. Thus, conservationists feel like they are up against a huge tide of public opposition. Be confident that there is a deep well of support among the public, then develop and execute a focused communications strategy to connect with them.