



2005-2006 Club Achievement Report: Government Relations

Austin Advertising Federation

Scott Van Osdol, President, Dave Claunch, Government Relations Chair

Committee Objectives:

1. Monitor local and regional legislative activity to ensure the interests of the advertising industry are preserved;
2. Alert our membership about changes in the state sales tax codes regarding the taxability of advertising services;
3. Work with the City of Austin Cultural Diversity initiative and others in developing an educational arts mentoring program.

Project: Sales Tax Lobbying

Objective: To monitor local and regional legislative activity on behalf of the advertising industry to ensure that our interests are preserved. To encourage members to contact their state representatives in the upcoming legislative budget session.

Target Audience: Ad Fed members, the Austin ad community, the Texas State Legislature

Campaign Details:

In November 2003 the American Advertising Federation office contacted district and local chapters in Texas about a potential tax threat to the Texas advertising industry. Texas legislators were considering a tax on advertising services as they struggled to find ways to strengthen public school budgets, while at the same time reducing the property tax burden on Texas homeowners.

Texas' shift from an inventory-based economy to a service-based economy over the past several decades has aggravated this burden. Since most services are tax-exempt, homeowners were left to make up the difference in tax revenue. As a result, lawmakers were searching for alternatives to raising property taxes.

Before the 2004 legislative session began, rumors were flying about the possibility of a new tax on advertising and advertising-related services. These services could potentially include consulting, creative and production services. These new taxes would not only pose a

major financial challenge to the advertising industry, but to the state's entire economy.

In 2004, Austin lobbyist and former legislator Terral Smith contacted our national organization, along with the American Association of Advertising Agencies and the Association of National Advertisers, with a proposal to represent the interests of the advertising community to Texas legislators during the special legislative session. Smith represented us in the 2004-2005 sessions, and helped prevent major new taxes on advertising services.

As of March 2006, after several fruitless regular and special sessions, the state legislature still faces the problem of funding education and reducing property taxes. We assume the upcoming legislative session will once again address the issue. At this point, the main focus of discussion is a state business franchise tax, but we need to remain alert to the possibility of expanded sales tax on services. The issue remains on the Austin Ad Fed's agenda: we continue our lobbying and education efforts opposing a sales tax on advertising services.

Campaign Execution:

In February 2006 we wrote a letter to State Commissioner John Sharp, who is charged with conducting a series of public hearings to collect input on taxing options. **(EXHIBIT: Sharp letter)**. While his flippant reply is amusing, it provides a record of our early opposition, and a clear, quotable statement on his part opposing taxes on advertising services. We will use that language in future lobbying.

Since our 2004-2005 lobbying effort with Terral Smith was so successful, we are also keeping that option in mind for 2006. Additionally, our executive director Chuck Hempstead is a certified lobbyist who has experience working with Smith. He proved to be an asset in our communication with him. If the situation warrants, we will again extend an invitation to Smith to address our membership at a monthly luncheon. Because of our earlier relationship, we expect he would accept the invitation, even if he has not been hired to serve as our official lobbyist.

Smith's appearance at a 2004 luncheon was key to demonstrating to our membership and the advertising community at large that the Austin Advertising Federation was working hard to protect their interests. The resulting campaign began with phone calls and urgent e-mail announcements to AAF 10th District clubs to notify their members about the threat. Those clubs then encouraged members to contact their local legislators to voice their concern about this issue. Top agency professionals, including Roy Spence of GSD&M, were contacted personally by Austin Government Relations Chair Dave Claunch. Key talking points were distributed to our members and affiliates in an effort to deliver a

clear, concise, and unified message to legislators.

This year, our March newsletter contained a story on the issue, with a link to an updated “talking points” document on our website. (**Exhibit:** Sales Tax document). We are prepared to launch the same communication project if faced with new taxes.

Results:

In 2004/05, through our combined efforts the Texas legislation heard our grievances loud and clear and the advertising and services tax issue was quickly defused. No new legislation was enacted that would negatively impact the advertising industry, with the one exception of an outdoor advertising tax on billboards.

Our experience conducting this successful lobbying campaign has prepared us to move quickly should the 2006 legislative session introduce bills affecting our industry.

Project: Sales Tax Luncheon

Objective: To inform our members and friends of changes in the state sales tax codes regarding the taxability of advertising services.

Target Audience: Ad Fed members and the Austin ad community

Event Details:

Our April luncheon will be devoted to a discussion of current state sales tax rules on advertising. The speaker will be an accountant who recently defended a member’s business in an audit by the State Comptrollers Office.

Event invitations will use our new Cvent invitation/registration email software, which allows precise placement of graphic elements. Guests will register online, with online payment options. Our use of the new software is designed to increase registration at our monthly luncheons.

Results, expected:

- Provide useful business information to Ad Fed members and potential members
- Update guests on status of sales tax on ad services legislation
- Promote value of membership in the Austin Ad Fed

Project: City of Austin Cultural Diversity Campaign

Objective: Work with major stakeholders, including the City of Austin, to promote Cultural Diversity in Austin. Devise an approach for Austin’s advertising community to mentor high school students and develop a more diverse advertising work force.

Target Audience: Austin Independent School District development staff, high-school students, students’ parents, area universities’ advertising staff and student ad clubs, City of Austin Diversity Staff

Background:

With exponential growth, Austin’s cultural landscape and tastes are also changing. There are now four major radio outlets that feature urban-oriented music formats in a city where five years ago there was only one. Rumbo, a Spanish newspaper owned by the *Austin-American Statesman*, has become a community fixture for Hispanics—our fastest growing community segment. However, as revealed in a recent City of Austin study, African-Americans’ level of educational and economic attainment is severely lacking when compared to the rest of the population. Moreover, the study explained that highly educated African-American professionals have limited opportunities for cultural and social enrichment in the city. As part of the civic campaign, the City Council asked for input and participation from area businesses, schools, arts organizations and professional associations in contributing to a solution.

The Government Relations Committee, with its narrow legislative focus, is not capable of addressing these broad civic issues. Instead, this initiative is a project of the Cultural Diversity Committee, working in the civic arena.

Ad Fed Diversity Committee Background:

The diversity committee is working on several fronts to address these issues. The principal project, described below, will place high-school students with mentors to create a youth-targeted marketing campaign for a major city arts festival.

The committee began this season by issuing a call for committee members which produced excellent results (**Exhibit: Brown Bag Brainstorming Session email**). The committee now includes more than 15 members ranging from agencies to college

students and community organizations. They meet often, and created a web log to improve communication between meetings (**Exhibit: blog reprint**).

The committee introduced itself to city staff at the Office of Cultural Diversity, telling them about our projects, and completed their online diversity survey (**Exhibit: City of Austin Diversity Survey**). It will share with the city the results of an upcoming web survey on ad agency diversity hiring practices (**Exhibit: Agency Diversity Survey**). The committee wrote the survey and is in the process of publishing it on a website. Data will be collected soon, and will help inform our planning process.

Cultural Diversity has been promoted to a major agenda item at all Ad Fed Board meetings. We begin meetings with a wide-ranging discussion of diversity issues, and all committees are asked to comment on diversity practice and planning in their reports. We use this process to enlist the support of the entire board behind diversity projects by sharing contacts, resources, volunteers and ideas. The diversity committee's plans, outlined below, are one of the most exciting opportunities before us. We see this as a major growth area for new members and increased volunteer activity in the years to come.

Campaign Details:

Each April, the Texas Relays bring an influx of 60,000 African-Americans from throughout the state to Austin. The Urban Music Festival is a new annual event that will take place during this time. Like the SXSW Music Festival, we envision the Urban Music Festival will eventually encompass film and interactive mediums as well, but with an urban focus.

The Austin Ad Fed is partnering with area businesses, community organizations, schools and universities to implement a program in which paid college mentors work with a group of high-school students and professional Ad Fed consultants to develop a marketing campaign. To help us in this endeavor we are partnering with the Urban Music Festival www.urbanmusicfest.com, sub-Urban Media www.sub-urbanmedia.com, the River City Youth Foundation www.rivercityyouth.org, area universities and other entities.

Our plan begins this summer, when students will develop and implement a campaign for the 2007 Urban Music Festival. Ad Fed professionals will serve as consultants at appropriate times in the process. During the fall semester, the students will

intern at area ad agencies and then become production staff for the spring 2007 festival. By having our students participate in the planning and promotion of the festival, we see a great opportunity to encourage both economic and cultural vitality.

The Diversity Committee is currently researching mentoring projects, as can be seen on the committee blog. **(Exhibit: Summer Pilot Mentoring Project Description)**

Results:

Over the past 2 years, the Austin Ad Fed has sponsored Job Shadow Days during which area students spend a day at an ad agency or creative marketing department. These efforts have succeeded in exposing close to 100 students to career paths in advertising. However, in light of the recent City of Austin study lamenting quality-of-life issues for African-Americans, it was decided that the one-day program was not enough. The Diversity Committee began a series of discussions with area advertising professionals and community organizations. The emerging issue has been the lack of a *sustainable* approach to attracting and training minority students in advertising related careers. The committee is developing the pilot mentoring program in the belief that it offers a framework for a sustainable approach.

Conclusion:

The current sales tax code remains unchanged, yet the Austin Advertising Federation is prepared to mobilize its membership to contact their representatives, testify at committee meetings, and appear at hearings as needed in order to defeat any attempts to expand the sales tax on advertising. The Texas advertising industry did suffer a blow with the added tax on outdoor advertising, which does show that our industry is still vulnerable.

In spite of the outdoor advertising tax, the Austin Advertising Federation helped play a role in the protection of our industry. However, it was equally important for our membership to see first-hand the impact our organization has in preventing legislative changes that could be harmful to our member business and the speed in which we can distribute information to our membership.

The Cultural Diversity/Education project is creating new lines of communication to City staff and public committees, area educators, and arts organizations. It is opening new vistas for the Ad Fed, new ways to expand our award-winning Public Service practice into the civic arena. As the projects develop, we hope to place the Ad Fed alongside organizations like SXSW, the Austin Film Society, and the City of Austin

Office of Multimedia Development in promoting cultural and educational opportunities here in “Idea City”.