

NLWJC - KAGAN

EMAILS RECEIVED

ARMS - BOX 026 - FOLDER -011

[04/08/1998]

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Michael Cohen (CN=Michael Cohen/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 8-APR-1998 10:52:08.00

SUBJECT: Re: Unz announcement

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TEXT:

As you can see, there is a movement afoot for Maria to run our 3-year goal by Becerra. I fear it could scuttle where we are headed just as we are about to bring this to closure.

On the other hand, Becerra was clear that he expected some advance notice on where we are headed, and we will get some points for not surprising him when we announce.

I haven't been able to convince myself that Maria could in any way soften his opposition. The best we get, I think, is that we have an accurate gauge as to whether Becerra will go ballistic on this, on merely by really ticked off.

All said and done, I think it will take a call from you rather than me to turn this one off.

----- Forwarded by Michael Cohen/OPD/EOP on 04/08/98
10:41 AM -----

Maria Echaveste

04/07/98 07:40:19 PM

Record Type: Record

To: Karen E. Skelton/WHO/EOP

cc: Mickey Ibarra/WHO/EOP, Michael Cohen/OPD/EOP

bcc:

Subject: Re: Unz announcement

I say we test this with becerra--I'll be happy to talk to him about it.

Karen E. Skelton

04/07/98 07:35:13 PM

Record Type: Record

To: Michael Cohen/OPD/EOP

cc: Maria Echaveste/WHO/EOP, Janet Murguia/WHO/EOP, Mickey Ibarra/WHO/EOP

Subject: Re: Unz announcement

Not to belabor this too much, but are you all sure that the "3 year goal" is not going to cause eruptions among Latino electeds? My instinct tells me that we are not going to be OK on this, unless we do some serier pre-announcement outreach with Becerra, et al.

Do we want to test this with Becerra first?

I am not comfortable recommending the VP help roll this out unless we can clarify this.

THANK YOU FOR ADVISING

(4/8 DRAFT)
TOBACCO Q&A
PRESIDENT'S KENTUCKY TRIP
April 9, 1998

*Automated Records Management System
Hex-Dump Conversion*

I. ADMINISTRATION POSITIONS ON TOBACCO FARMER ISSUES

Q. Why is the President going to Kentucky?

A. The President is going to Kentucky, the heart of burley tobacco country, to discuss the need for comprehensive tobacco legislation that reduces youth smoking but provides for the future of family farming and rural communities. In his statement last September, the President said that protecting farmers and their communities was one of the key five principles that must be included in any comprehensive tobacco legislation he would be willing to sign. The President is going to Kentucky to discuss the impact of tobacco legislation directly with farmers and effected communities, and urge passage of legislation that meets the needs of reducing teen smoking and protects farmers and their communities. The President will say that legislation authored by Senator Ford and introduced as part of the McCain bill meets the goal of protecting farmers and their communities.

Q. What is the President's position on programs for tobacco farmers?

A: The President made protecting farmers and their communities one of the five key principles that must be included in any comprehensive tobacco legislation. Senator Ford's bill, which provides for compensation for losses to quota owners and producers, and makes provision for losses to rural communities where tobacco is grown, meets the President's goal of protecting farmers. The President is encouraged that both the interests of flue-cured and burley farmers are included in the proposal, and hopes that all farmers will continue working together to ensure that legislation is passed this year.

Q. Aren't the goals of reducing youth smoking and protecting tobacco farmers contradictory?

A: No. The President does not want the tobacco companies to go out of business, only out of the business of selling to children. The tobacco farmers have played by the rules, and should be protected in any legislation that passes. The President believes that we can reduce youth smoking and protect rural communities if we all work together to urge Congress to pass bipartisan comprehensive tobacco legislation this year.

Q. Senator Lugar recently suggested in an op-ed that the tobacco program should be phased out. Does the Administration agree?

A. The Administration feels that any legislation has to be evaluated in terms of how well it meets the President's five principles -- including reducing youth smoking and protecting farmers and their communities. Advocates of a free market for tobacco growers will need to demonstrate that it is consistent with these principles. Many health groups have argued that simply ending the tobacco program may actually increase the amount of tobacco that is grown, decrease the cost of tobacco, and provide a windfall for cigarette companies. In addition, representatives of family farms have suggested that ending the tobacco program would have extremely negative economic effects on them and their communities. The President went to Kentucky, in part, to discuss the various legislative options with those directly affected by tobacco legislation and hear their opinions first-hand

II. BACKGROUND QUESTIONS RE: TOBACCO FARMERS

Q. How important is tobacco to Kentucky producers and the overall economy?

A. Including sales from fire-cured and dark air-cured tobacco, Kentucky tobacco producers received over \$800 million from the 1997 crop. Tobacco sales represent over 40 percent of crop sales receipts and over 20 percent of all agricultural sales in Kentucky.

In 1997, over 600 million pounds of burley tobacco was produced in the United States - 70 percent in Kentucky.

Q. Who will be affected by a settlement?

A. The tobacco settlement will have a wide-reaching impact on all segments of the tobacco industry, but a disproportionate effect on small and minority tobacco quota owners and producers. Of the 338,000 individual quotas, about 66 percent are considered small farm operations. Five percent of all quotas are owned by minorities, the majority of which are small producers.

Q. Why is tobacco so important to small farmers?

A. Tobacco is a high value crop that generates gross receipts of \$4,000 to \$5,000 per acre. Profits from 1 acre of tobacco are equivalent to between 15 and 20 acres of corn or soybeans. On small farms in Kentucky, with an average of 22 acres of harvested cropland in 1992, tobacco is vital to the economic survival of farmers. (source: 1992 Ag Census)

Q. How much tobacco is grown in the United States?

A. In 1997, tobacco production totaled 1.7 billion pounds with a value of over \$3 billion, the highest production and crop receipts since 1992. Sales of tobacco products reached a record \$50 billion in 1997.

Q. How does the tobacco program work?

A. Since the 1930s, in order to grow tobacco, a farmer must have a quota. The quota allows the farmer to grow a certain amount of tobacco for that year. Thus, the amount of tobacco grown in the United States is controlled by law. In addition, the price of tobacco is set statutorily. If a private company chooses not to purchase tobacco at or above the statutory minimum price, the regional cooperative of tobacco farmers will purchase the tobacco and store it, putting the tobacco back on the market when the price is more favorable.

Q. What are the provisions of the Ford bill which is included in the McCain legislation?

A: Senators Ford, Frist, and Hollings, the three members of the Senate Commerce Committee from tobacco-growing states, joined together to include a farmer provision in the McCain tobacco legislation. While maintaining a production control system for all tobacco farmers, this package sets up somewhat different systems for burley and flue-cured tobacco. For burley tobacco (grown mostly in Kentucky), the package includes an optional buy-out for quota holders at \$8 per pound, and retains the quota system for those who do not take the buyout, but provides payments to both remaining quota holders, lessees, and tenants to the extent that base quota declines. For flue-cured tobacco, the plan provides for a mandatory buyout of existing quota holders, and replaces the quota system with a permit system that gives the new permits at no cost to active producers, regardless of whether they previously held a quota. This transferring of quotas from inactive quota holders to actual producers is intended to make it possible for active farmers to sell tobacco without incurring the cost of buying or renting quota.

The provision authored by Senator Ford and included in McCain's legislation also provides approximately \$500 million for assistance to tobacco-producing communities. The package costs \$2.1 billion per year for the first ten years and \$500 million for years 11-25 for a total of \$28.5 billion. For the most part, tobacco farm leaders have been pleased with the proposal included in the McCain legislation.

II. GENERAL BACKGROUND ON TOBACCO LEGISLATION

Q: Has the President endorsed the McCain bill?

- A:** The President believes that this bill represents a dramatic step forward. It would raise the price of cigarettes, give the FDA full authority to regulate tobacco products, ban advertising aimed at children, and protect tobacco farmers. But he also said we still have work to do on this legislation. Above all, we need to put in place tough penalties that will cost the tobacco industry if it continues to sell cigarettes to young people. We're not trying to put the tobacco companies out of business; we want to put them out of the business of selling cigarettes to kids. This week's progress in the Senate shows we have real momentum in both parties to do just that.
- Q:** **The President says we need stronger penalties on companies that continue to sell to our children. What does he mean by that?**
- A:** The McCain bill's penalty provisions are deficient for two reasons. First, the bill has a cap of \$3.5 billion per year on industry-wide penalties, no matter how much the industry misses youth targets by. Second, the McCain bill contains no penalties on individual companies for failing to meet youth smoking targets. Reducing youth smoking is our bottom line, and we must make it each and every company's bottom line.
- Q:** **Does the Administration have concerns about provisions of the McCain bill besides the penalties?**
- A:** We have serious concerns about this bill's provision which would allow individual States to "opt out" of the national smoke-free environment policy. This provision creates a patchwork system in which states could decide to adopt weaker laws or decide against taking any action at all, leaving people with little or no protection from the hazards of environmental tobacco smoke. In addition, there is no need to exempt the tobacco industry from antitrust rules in order to reduce youth smoking. We strongly oppose any exemptions that would allow price fixing agreements. Third, we believe it is critical that tobacco legislation fund efforts to promote public health and assist children.
- Q:** **What does the President want the tobacco funds to be spent on?**
- A:** The President strongly believes that tobacco revenues should go toward protecting public health and assisting children. His budget provides for funds for anti-smoking programs that will help us meet the goals of reducing youth smoking rates and for a dramatic expansion of health-related research to help us cure smoking-related disease. Finally, in recognition of the states' role in bringing suit against tobacco companies, the President's budget provides for a substantial amount of money to revert to the states. Some of this money can be used for any purpose. Other funds must be used on state-administered programs to assist children (specifically, for child care, Medicaid child outreach, and class size reduction).
- Q:** **What is your view of the liability protections for the tobacco industry contained in Senator McCain's legislation?**

A: As we have said on many occasions, we would prefer comprehensive tobacco legislation without liability limits, but in the context of legislation that meets all of the President's principles and dramatically reduces youth smoking, reasonable limits on liability will not be a dealbreaker. Right now, we're going to focus on the aspects of the McCain legislation that we think fall short of what the President has demanded: particularly, on the penalties in the bill to reduce youth smoking. Until we get those right, we won't address liability protections.

Q: **The tobacco industry has said that it will not agree to national tobacco legislation that increases the price of a pack of cigarettes by \$1.10 over five years, as proposed by the President's budget and the McCain bill. Does that doom the President's proposal?**

A: No. We have always expected the tobacco companies to fight hard for their economic interests, but needless to say we will not always agree, nor we think will the US Congress. This price increase called for in the President's budget is necessary to meet his youth smoking targets, and he will continue to demand it. What the companies do is up to them, but we will not back off such necessary measures to reduce youth smoking.

Q: **What are the five principles that the President has said tobacco legislation must meet?**

A: President Clinton has said he will only support tobacco legislation that:

- Raises the price of cigarettes by up to \$1.10 a pack over 5 years and \$1.50 a pack over the next ten years, and imposes tough penalties on companies that continue to sell to kids;
- Affirms the FDA's full authority to regulate tobacco products;
- Gets companies out of the business of marketing and selling tobacco to minors;
- Promotes public health research and public health goals; and
- Protects our tobacco farmers and their communities.

Q: **How does the McCain bill compare to the Attorneys General proposed settlement and the President's proposal?**

A: See chart below.

Comparison of Tobacco Proposals

April 7, 1998

	Attorneys General	McCain	President
Substantial Price Increase	No	Yes	Yes
Strong Industry and Company Penalties	No	No	Yes
Full FDA Authority	No	Yes	Yes
Strong Advertising and Access Provisions	Yes	Yes	Yes
Protections of Tobacco Farmers	No	Yes	Yes
Comprehensive Plan to Use Tobacco Revenue to Protect Public Health and Assist Children	Yes	No*	Yes
Strong Environmental Tobacco Smoke Provision	Yes	No	Yes
Liability Protections for Industry:			
1. Liability Cap	Yes	Yes	Only if bill meets President's public health principles.
2. Bar on Class Actions	Yes	No	Only if bill meets President's public health principles.
3. Bar on Punitive Damages	Yes	No	Only if bill meets President's public health principles.

* Does not attempt to address most spending issues.

Q: Is teen smoking going up or down?

On April 2, the Centers for Disease Control in Atlanta released a new study ("Tobacco Use Among High School Students -- United States, 1997") which found that

cigarette smoking rates among high school students rose by nearly a third between 1991 and 1997, from 27.5 percent to 36.4 percent, with the sharpest increase among African American students. Cigarette smoking was highest among white students (40 percent), rising by 28 percent from 1991 (31 percent). While the level of cigarette smoking among African-American students was lower than for white students, the rate increased by 80 percent between 1991 and 1997 (from 12.6 percent to 22.7 percent). Overall, the study found that nearly half of male students and more than a third of female students used cigarettes, cigars, or smokeless tobacco during the previous month. This 1997 data was derived from a survey of over 16,000 students in grades 9-12.

Tobacco Q&As
April 8, 1998

Q: What's your reaction to RJR Nabisco CEO Steven Goldstone's remarks today at the National Press Club?

A: It is no surprise that the tobacco industry would protest the legislation moving through the Congress -- it is in their best interest to object to the bill now in order to prevent it from getting tougher on youth smoking. Why should we believe protests from an industry that won't admit that they marketed cigarettes to kids and still won't say cigarettes are addictive?

We still believe that the tobacco industry will have every incentive to agree to legislation in the end, so that they can end this shameful chapter in their history and start off on a new path. In any event, the industry does not have veto power over what we do, and we will not back off such necessary measures to reduce youth smoking.

Q: Will this deal drive RJR and/or other tobacco companies into bankruptcy?

A: No. We're not trying to put the tobacco companies out of business; we want to put them out of the business of selling cigarettes to kids. We've done some careful financial analysis of the McCain bill, and we do not believe that it will drive companies into bankruptcy. The tobacco industry has financial difficulties because because of its massive liability risk, and this deal certainly doesn't increase that risk. Stopping companies from selling cigarettes to kids will not put them out of business.

Q: But don't you need industry cooperation to enact tobacco legislation?

A: We would like the tobacco industry to willingly join us in this effort to reduce youth smoking. But we can make progress even if they refuse to join us. We still believe that the tobacco industry will have every incentive to agree to legislation in the end, so that they can end this shameful chapter in their history and start off on a new path. In any event, the industry does not have veto power over what we do, and we will not back off such necessary measures to reduce youth smoking.

**THE PRESIDENT MEETS WITH KENTUCKY
TOBACCO FARMERS AND CALLS FOR PASSAGE
OF COMPREHENSIVE TOBACCO LEGISLATION**

April 9, 1998

Today, the President traveled to Carrollton, Kentucky to meet with tobacco farmers and to address students at Carroll County High School. The President's trip highlights his commitment to reducing youth smoking and protecting farmers, which are key elements of the bipartisan comprehensive tobacco legislation the President has called on Congress to pass this year.

Roundtable with Tobacco Farmers and Members of the Farming Community

The President held a roundtable discussion in the Kentuckiana Tobacco Warehouse with tobacco farmers and members of the community, including a student and tobacco warehouse owner. The panel also included Rod Kuegel, the President of the Burley Tobacco Growers Cooperative -- an organization that represents 150,000 tobacco farm families in five states -- and Bill Sprague, the President of the Kentucky Farm Bureau -- the largest farming organization in the state. This roundtable provided an opportunity for the President to listen to the concerns of farmers and the community regarding comprehensive tobacco legislation.

Addressing Students at Carroll County High School

The President also addressed approximately 2200 students and adults at the Carroll County High School where he emphasized his commitment to reducing youth smoking. The President was joined by Senator Ford, Governor Patton, and Agriculture Secretary Glickman. The President noted that every day 3,000 children will become regular smokers, and 1,000 will die prematurely as a result, and he urged Congress to pass his plan for comprehensive tobacco legislation which will save one million lives over the next five years.

President's Key Principles

On September 17th, President Clinton announced the five key principles that must be included in any comprehensive tobacco legislation. They are:

1. **Tough penalties and price increases** to reduce youth smoking. Price increases of up to \$1.50 if necessary over the next ten years.
2. **Full authority for the FDA to regulate tobacco products**, including authority of the manufacture, sale, and advertising of tobacco products.
3. **The tobacco industry must change the way it does business**, including stopping advertising to children.
4. **There needs to be progress towards other public health goals** including cutting second-hand smoke and increasing funding for health research and cessation programs.

5. **There should be protection for tobacco farmers and their communities** so they do not suffer economically because of this legislation.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Angelique Pirozzi (CN=Angelique Pirozzi/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME: 8-APR-1998 11:41:10.00

SUBJECT: Rescheduled: Weekly PIR/White House Coordinating Meeting,

TO: Maureen T. Shea (CN=Maureen T. Shea/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Terri J. Tingen (CN=Terri J. Tingen/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Jessica L. Gibson (CN=Jessica L. Gibson/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Elizabeth Harrington (CN=Elizabeth Harrington/O=OVP @ OVP [UNKNOWN])
READ:UNKNOWN

TO: Michele Cavataio (CN=Michele Cavataio/OU=PIR/O=EOP @ EOP [PIR])
READ:UNKNOWN

TO: Tracey E. Thornton (CN=Tracey E. Thornton/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Ann F. Walker (CN=Ann F. Walker/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Tamara Monosoff (CN=Tamara Monosoff/OU=PIR/O=EOP @ EOP [PIR])
READ:UNKNOWN

TO: Lydia Sermons (CN=Lydia Sermons/OU=PIR/O=EOP @ EOP [PIR])
READ:UNKNOWN

TO: Dawn M. Chirwa (CN=Dawn M. Chirwa/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Stacie Spector (CN=Stacie Spector/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Beverly J. Barnes (CN=Beverly J. Barnes/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Jennifer M. Palmieri (CN=Jennifer M. Palmieri/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Lin Liu (CN=Lin Liu/OU=PIR/O=EOP @ EOP [PIR])
READ:UNKNOWN

TO: Fred DuVal (CN=Fred DuVal/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Michael J. Sorrell (CN=Michael J. Sorrell/OU=PIR/O=EOP @ EOP [PIR])
READ:UNKNOWN

TO: Michael Wenger (CN=Michael Wenger/OU=PIR/O=EOP @ EOP [PIR])
READ:UNKNOWN

TO: Richard Socarides (CN=Richard Socarides/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

TO: Maria Echaveste (CN=Maria Echaveste/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Katherine D. Sheckells (CN=Katherine D. Sheckells/OU=PIR/O=EOP @ EOP [PIR])
READ:UNKNOWN

TO: Dario J. Gomez (CN=Dario J. Gomez/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Miriam H. Vogel (CN=Miriam H. Vogel/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Janelle E. Erickson (CN=Janelle E. Erickson/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Janet Murguia (CN=Janet Murguia/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Maurice Daniel (CN=Maurice Daniel/O=OVP @ OVP [UNKNOWN])
READ:UNKNOWN

TO: Audrey M. Hutchinson (CN=Audrey M. Hutchinson/OU=PIR/O=EOP @ EOP [PIR])
READ:UNKNOWN

TO: Claire Gonzales (CN=Claire Gonzales/OU=PIR/O=EOP @ EOP [PIR])
READ:UNKNOWN

TO: Cheryl D. Mills (CN=Cheryl D. Mills/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Karen Tramontano (CN=Karen Tramontano/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Amy W. Tobe (CN=Amy W. Tobe/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Julie A. Fernandes (CN=Julie A. Fernandes/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Jon P. Jennings (CN=Jon P. Jennings/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Lynn G. Cutler (CN=Lynn G. Cutler/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Peter Rundlet (CN=Peter Rundlet/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Andrew J. Mayock (CN=Andrew J. Mayock/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Robert B. Johnson (CN=Robert B. Johnson/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Judith A. Winston (CN=Judith A. Winston/OU=PIR/O=EOP @ EOP [PIR])

READ:UNKNOWN

CC: Douglas B. Sosnik (CN=Douglas B. Sosnik/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Minyon Moore (CN=Minyon Moore/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Sylvia M. Mathews (CN=Sylvia M. Mathews/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TEXT:

Because of the ESPN Town Hall meetings that are taking place this week the PIR/WH meeting has been rescheduled to Thursday, April 16th @ 4:00 pm in 472. Your participation is very important. Please mark your calendars.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Ruby Shamir (CN=Ruby Shamir/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME: 8-APR-1998 12:03:36.00

SUBJECT: Women's Mtg - CANCELLED

TO: Virginia Apuzzo (CN=Virginia Apuzzo/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Rebecca M. Blank (CN=Rebecca M. Blank/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Stacie Spector (CN=Stacie Spector/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Audrey T. Haynes (CN=Audrey T. Haynes/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Marsha Scott (CN=Marsha Scott/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Tracey E. Thornton (CN=Tracey E. Thornton/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Maria Echaveste (CN=Maria Echaveste/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Lynn G. Cutler (CN=Lynn G. Cutler/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Lucia F. Gilliland (CN=Lucia F. Gilliland/O=OVP @ OVP [UNKNOWN])
READ:UNKNOWN

TO: Sandra Thurman (CN=Sandra Thurman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Judith A. Winston (CN=Judith A. Winston/OU=PIR/O=EOP @ EOP [PIR])
READ:UNKNOWN

TO: Robin Leeds (CN=Robin Leeds/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Roberta W. Greene (CN=Roberta W. Greene/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Janet Murguia (CN=Janet Murguia/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Karen E. Skelton (CN=Karen E. Skelton/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Sylvia M. Mathews (CN=Sylvia M. Mathews/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Minyon Moore (CN=Minyon Moore/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

TO: Susan M. Liss (CN=Susan M. Liss/O=OVP @ OVP [UNKNOWN])
READ:UNKNOWN

TO: Ellen M. Lovell (CN=Ellen M. Lovell/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Miriam H. Vogel (CN=Miriam H. Vogel/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Francine P. Obermiller (CN=Francine P. Obermiller/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

CC: Noa A. Meyer (CN=Noa A. Meyer/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Jessica L. Gibson (CN=Jessica L. Gibson/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Jennifer L. Klein (CN=Jennifer L. Klein/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: June G. Turner (CN=June G. Turner/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Marjorie Tarmey (CN=Marjorie Tarmey/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Tania I. Lopez (CN=Tania I. Lopez/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Marjorie A. Black (CN=Marjorie A. Black/OU=PIR/O=EOP @ EOP [PIR])
READ:UNKNOWN

CC: Angelique Pirozzi (CN=Angelique Pirozzi/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Mona G. Mohib (CN=Mona G. Mohib/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Nicole R. Rabner (CN=Nicole R. Rabner/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Laura Emmett (CN=Laura Emmett/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Katharine Button (CN=Katharine Button/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TEXT:

Thursday morning's Women's Mtg is cancelled because of Bella Abzug's memorial tomorrow morning at the National Press Club [which many will be attending]. Thanks.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Paul J. Weinstein Jr. (CN=Paul J. Weinstein Jr./OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 8-APR-1998 12:05:36.00

SUBJECT: Interagency Council on the Homeless

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TO: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP [OPD])
READ:UNKNOWN

TEXT:

I am certain what we want to do about this matter. Really have had anyone dedicated to work on homelessness issues since Rasco left. Mary Smith might be one possibility. But the question is do we have a strong interest in homelessness? Please advise.

----- Forwarded by Paul J. Weinstein Jr./OPD/EOP on
04/08/98 11:32 AM -----

Michael Deich
03/31/98 11:16:30 AM
Record Type: Record

To: Paul J. Weinstein Jr./OPD/EOP
cc:
Subject: Interagency Council on the Homeless

what do you think about the attached? pls advise.
----- Forwarded by Michael Deich/OMB/EOP on 03/31/98
11:16 AM -----

Francis S. Redburn
03/30/98 05:43:19 PM
Record Type: Record

To: Michael Deich/OMB/EOP
cc: Alan B. Rhinesmith/OMB/EOP, Katherine L. Meredith/OMB/EOP, Patricia E. Romani/OMB/EOP, Theodore Wartell/OMB/EOP
Subject: Interagency Council on the Homeless

Attached is a note from Katherine on the current status of the Interagency Council on the Homeless. I concur with her judgment that the ICH is a valuable coordinating body that has been underutilized, especially for the past two years, probably weakening the Administration's response to homelessness.

We have now learned that the NPR and Tipper Gore's staffs are considering a project aimed at reducing or preventing homelessness. They are preparing to write to the VP about it. One way to ensure that any NPR-sponsored project would be adequately coordinated would be through a reactivated ICH. Incidentally, Tipper Gore is a member of the ICH.

Would you want to remind Bruce Reed or Paul Weinstein that the ICH is formally a DPC working group and ask whether they have any interest in making it a more effective forum?

----- Forwarded by Francis S. Redburn/OMB/EOP on 03/30/98
05:17 PM -----

Katherine L. Meredith
03/30/98 05:05:18 PM
Record Type: Record

To: Francis S. Redburn/OMB/EOP@EOP
cc:
Subject: Interagency Council on the Homeless

As we've discussed, the Interagency Council on the Homeless is no longer the effective coordinating mechanism for homeless policy that it was in previous years, including the first years of this Administration. Although the ICH is presently coordinating the analysis of results from the National Survey of Homeless Providers and Clients, it has not undertaken any new substantive projects in almost two years. It is hampered by the lack of a full-time director. And, despite its formal status as a working group of the Domestic Policy Council, it has received no leadership or attention from DPC staff.

In FY 1994, the Congress chose not to fund the staff and operations of the ICH. In response, and with OMB's (Chris Edley's) encouragement, Carol Rasco, as Assistant to the President for Domestic Policy, reestablished the ICH as a working group of the DPC, while HUD absorbed the operating costs and administrative coordination functions of the Council. However, the Executive Director of the ICH moved to a new position in October 1995 and an acting Executive Director has been in place since that time. The DPC has not had a staff person assigned to the ICH since Carol Rasco left.

The ICH did sponsor a February 3rd advocacy roundtable meeting at HHS, where advocacy groups identified several possible projects (see below) that could be coordinated by the Council. However, without a full-time Director and support by the DPC, it remains difficult for the ICH to move forward on any of these. The roundtable brought together approximately 90 persons from advocacy groups and various Federal agencies. Five broad issue areas were discussed (Emergency Shelter, Employment/Education, Housing, Health/Treatment, and Rural), with each presenter offering up trends and recommendations. Important points were made about what is missing at the Federal level. Some noted the lack of substantive projects being accomplished by the Interagency Council on the Homeless. Specific projects proposed included: (1) developing a list of standardized questions that all providers could ask their clients to get better stats/information, and (2) developing government-wide baseline performance measures for homeless programs.

--KM

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Sean P. Maloney (CN=Sean P. Maloney/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME: 8-APR-1998 12:24:30.00

SUBJECT: FHA Anniversary Statement

TO: Sally Katzen (CN=Sally Katzen/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Jake Siewert (CN=Jake Siewert/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Gene B. Sperling (CN=Gene B. Sperling/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: Ruby Shamir (CN=Ruby Shamir/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Melissa G. Green (CN=Melissa G. Green/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: Joseph P. Lockhart (CN=Joseph P. Lockhart/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Laura Emmett (CN=Laura Emmett/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Barry J. Toiv (CN=Barry J. Toiv/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Ann F. Lewis (CN=Ann F. Lewis/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

Phillip Caplan (CN=Phillip Caplan/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TEXT:

As most of you know, in this morning's senior staff meeting Podesta asked our office to coordinate a presidential statement for the 30th anniversary of the Fair Housing Act this Saturday (tell the kids to forget Passover and Easter, it's FHA weekend). There's not a whole lot of time between now and then, so, if you've not done so already, could you please deploy the considerable brain power of a crack NEC or DPC staffer to prepare a draft that we could send around internally on, say, Thursday afternoon? Please let me know who'll be working on it. Thanks.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Julie A. Fernandes (CN=Julie A. Fernandes/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 8-APR-1998 12:30:49.00

SUBJECT: H1B -- legislative action

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

CC: Laura Emmett (CN=Laura Emmett/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

TEXT:

Elena,

I spoke with Peter and Earl Grohl from Labor this morning. As I mentioned yesterday, Lamar Smith (Chair of the House Judiciary Subcommittee on Immigration) has asked the DOL to appear at a hearing on H1B visas on April 21st. According to Peter, Smith and Mel Watt (ranking member) are working on a bi-partisan bill that they will introduce soon after the hearing. According to Smith's staffer (George Fishman), they want to include the "recruit and retain" and "no lay-off" provisions, modeled after what is in the Kennedy bill. Fishman has asked Peter for a signal of what in Kennedy's bill is important to the Administration.

Smith's bill may also include a provision that would require any person entering under the family unification program to have a high school diploma. This is a whole other can of worms that we likely do not want to grapple with at the same time.

Peter has not had a conversation with Smith's staffer re: training. He plans to get with Gerry to have that conversation. However, Peter thinks that Kennedy may not include H1B reforms in his bill (compromising with Abraham), and thus our priority should be to ensure that there are H1B reforms included in the House bill, and then work out a compromise with the Sen. version later. Peter plans to speak again with Kennedy and Abraham to push for the reforms.

Julie

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Andrea Kane (CN=Andrea Kane/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 8-APR-1998 14:03:40.00

SUBJECT: New APWA Exec Director

TO: Diana Fortuna (CN=Diana Fortuna/OU=OPD/O=EOP [OPD])

READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TO: Cynthia A. Rice (CN=Cynthia A. Rice/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TO: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TEXT:

Just heard a rumor from a reliable source that Bill Waldman, NJ Human Services Commissioner, may be announced as new Exec Director at APWA later this afternoon.

Comparison of Tobacco Proposals
April 7, 1998

	Attorneys General	McCain	President
Substantial Price Increase	No	Yes	Yes
Strong Industry and Company Penalties	No	No	Yes
Full FDA Authority	No	Yes	Yes
Strong Advertising and Access Provisions	Yes	Yes	Yes
Protections of Tobacco Farmers	No	Yes	Yes
Comprehensive Plan to Use Tobacco Revenue to Protect Public Health and Assist Children	Yes	No*	Yes
Strong Environmental Tobacco Smoke Provision	Yes	No	Yes
Liability Protections for Industry:			
1. Liability Cap	Yes	Yes	Only if bill meets President's public health principles.
2. Bar on Class Actions	Yes	No	Only if bill meets President's public health principles.
3. Bar on Punitive Damages	Yes	No	Only if bill meets President's public health principles.

* Does not attempt to address most spending issues.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Donna L. Geisbert (CN=Donna L. Geisbert/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 8-APR-1998 15:09:15.00

SUBJECT: Weekly Tobacco Strategy Meeting

TO: DAILARD_C (DAILARD_C @ A1 @ CD @ VAXGTWY [UNKNOWN]) (OPD)
READ:UNKNOWN

TO: Cynthia A. Rice (CN=Cynthia A. Rice/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Christopher C. Jennings (CN=Christopher C. Jennings/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Peter R. Orszag (CN=Peter R. Orszag/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Barry J. Toiv (CN=Barry J. Toiv/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Barbara D. Woolley (CN=Barbara D. Woolley/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Donald H. Gips (CN=Donald H. Gips/O=OVP @ OVP [UNKNOWN])
READ:UNKNOWN

TO: Jeanne Lambrew (CN=Jeanne Lambrew/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Thomas L. Freedman (CN=Thomas L. Freedman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: MARR_C (MARR_C @ A1 @ CD @ VAXGTWY [UNKNOWN]) (OPD)
READ:UNKNOWN

TO: Charles F. Stone (CN=Charles F. Stone/OU=CEA/O=EOP @ EOP [CEA])
READ:UNKNOWN

TO: Joshua Gotbaum (CN=Joshua Gotbaum/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Sherman G. Boone (CN=Sherman G. Boone/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Emily Bromberg (CN=Emily Bromberg/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Toby Donenfeld (CN=Toby Donenfeld/O=OVP @ OVP [UNKNOWN])
READ:UNKNOWN

TO: Jerold R. Mande (CN=Jerold R. Mande/OU=OSTP/O=EOP @ EOP [OSTP])
READ:UNKNOWN

TO: Mary L. Smith (CN=Mary L. Smith/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

CC: MURRAY_MM (MURRAY_MM @ A1 @ CD @ VAXGTWY [UNKNOWN]) (WHO)
READ:UNKNOWN

CC: Satish Narayanan (CN=Satish Narayanan/O=OVP @ OVP [UNKNOWN])
READ:UNKNOWN

CC: Dan J. Taylor (CN=Dan J. Taylor/O=OVP @ OVP [UNKNOWN])
READ:UNKNOWN

CC: haverkamp_jennifer (haverkamp_jennifer @ ustr.gov @ INET @ VAXGTWY [UNKNOWN])
READ:UNKNOWN

CC: Laura Emmett (CN=Laura Emmett/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Jill M. Pizzuto (CN=Jill M. Pizzuto/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TEXT:

We will be having the Weekly Tobacco Strategy Meeting tomorrow, April 9,
at 2:45 in Room 211, OEOP.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Fred DuVal (CN=Fred DuVal/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME: 8-APR-1998 15:28:05.00

SUBJECT: kentucky

TO: Craig T. Smith (CN=Craig T. Smith/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Edward Prewitt (CN=Edward Prewitt/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Amy W. Tobe (CN=Amy W. Tobe/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Audrey T. Haynes (CN=Audrey T. Haynes/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Linda L. Moore (CN=Linda L. Moore/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Christa Robinson (CN=Christa Robinson/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Rahm I. Emanuel (CN=Rahm I. Emanuel/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TEXT:

According to the Governors office, Brown and Williamson has hired buses that will be bringing a couple hundred employees to protest the \$1.10 - \$1.50 increase. They will be stationed at the General Butler Reserve Park which is at the motorcade turns on to Route 227.

MEMORANDUM TO ELENA KAGAN AND SALLY KATZEN

*Automated Records Management System
Hex-Dump Conversion*

FROM: Julie Fernandes and Cecilia Rouse

DATE: March 30, 2010

RE: Background on H-1B Visa Reform

Though the Administration has endorsed a set of principles that should guide any legislation that proposes to increase the cap on the number of H-1B visas, we need to evaluate key components of possible legislative proposals and decide our priorities. This memo outlines aspects of the existing legislative proposals on which we need to focus.

Background

The H-1B visa program was designed to allow for the temporary admission of foreign “specialty workers” for employment in the United States. In its current form, it allows the admission of up to 65,000 non-immigrant workers each year. Each visa lasts for three years, and is renewable for another three. The program was designed to meet the short-term employment needs of employers seeking highly-skilled workers. Currently, H-1B visas are issued on a first come, first served basis.

Under current law, before obtaining a temporary foreign worker under the H-1B program, employers must attest that: (1) they will pay the prevailing wage; (2) notification has been provided to their employees and the representing union; (3) there is no strike or lock-out; and (4) the employment of H-1B non-immigrants will not adversely affect the working conditions of workers similarly employed. The Labor Department only has the authority to review these attestations for completeness and obvious inaccuracies.

Since 1993, the Administration has sought reforms to the H-1B visa program, including requiring employers to attest that they have and are taking timely and significant steps to recruit and retain U.S. workers in the jobs in which they seek to employ H-1B non-immigrants; prohibiting employers from laying-off a U.S. worker to replace them with a temporary foreign worker; and reducing the authorized length of stay from six to three years to better reflect the temporary nature of the presumed employment need. INS and Labor agree that these reforms would target H-1B usage to employers experiencing genuine skill shortages, thus relieving the pressure on the cap.

Industry is strongly opposed to these reforms. In general, they assert (1) that DOL’s occupational classifications do not reflect the breadth of occupations within the industry, thus causing a recruitment or no lay-off provision to be unworkable; (2) that they do not want the government to second-guess their hiring and firing decisions; and (3) that these reforms would be

equivalent to the labor certification requirement that exists in the permanent visa program, and thus would be slow and ineffective. Organized labor, however, supports these reforms, arguing they are needed to protect U.S. workers.

Issues to Consider

1. **What does “recruit and retain” mean?**

According to the Department of Labor, the Administration has never defined what precisely would satisfy the “recruit and retain” requirement. Industry opposes this provision, in part, because it is not clear exactly what would be required.

The Kennedy-Feinstein legislation includes a provision that would require employers to attest to having taken timely, significant, and effective steps to recruit and retain U.S. workers prior to obtaining an H-1B foreign worker, with compliance measured by comparison to “industry-wide standards.” However, it is unclear how this would work. For example, how would these “industry-wide standards” for recruitment and retention be identified? Also, should we endorse a process that simply identifies standards that reflect what industry is currently doing (therefore codifying the status quo) or should we ask industry to do more to recruit U.S. workers before being able to hire a temporary foreign worker? If we want them to do more, how do we define what we want them to do?

The “recruit and retain” provision of the now-defunct foreign nurses program (H-1A) set out several steps that an employer could take to recruit and retain U.S. workers, and then defined satisfaction of the statutory requirement as compliance with some subset of those. This method, though effective in the context of a single industry (where it is easier to define the universe of possibly acceptable recruitment methods), could prove unworkable for the H-1B program, given the diversity of industries that use it.

2. **Occupational classification**

Industry objects to a proposal that would permit the Department of Labor to use “recruit and retain” or “no lay-off” provisions to limit industry’s employment choices based on occupational classifications established by the DOL. At the same time, industry has argued for broader occupational categories for the prevailing wage calculation since more general categories usually result in lower wage estimates.

Labor has agreed that it would not make sense to require employers to use existing occupational classifications to establish compliance with a “recruit and retain” or “no lay-off” provision. An alternative is to consider defining who needs to be recruited or who cannot be laid-off based on skill-level (e.g., the ability to program in java) or on the amount of additional training an incumbent or other U.S. worker would need to perform the job (e.g., someone who could program in java with six weeks training), rather than on occupational classification (e.g.,

computer programmer).

3. Practicability of a no lay-off provision

Industry also argues that a no lay-off provision would be difficult to administer, given the decentralized nature of employment decisions in large companies. They ask, for example, whether a firm that lays-off a worker in Chicago, but wants to hire one in Houston, would be considered to have "laid-off" the Chicago worker, and thus unable to hire an H-1B worker in Houston.

The Abraham bill includes a no lay-off provision that would not achieve our goals. His proposal would prohibit an employer from employing a temporary foreign worker "at the specific place of employment and in the specific employment opportunity from which a U.S. worker with substantially equivalent qualifications and experience in the specific employment opportunity has been laid-off." This language makes every employee unique, and thus is likely unenforceable.

4. The role of job contractors

In 1995, the Administration endorsed a proposal that job contractors seeking to use the H-1B program would be precluded from placing H-1B workers at sites of customers that had not also attested to complying with the H-1B criteria. Given that the top ten users of the H-1B program are job contractors, we may want to consider this as part of our overall reform package.

5. Reduced maximum stay from six to three years

Under current law, the H-1B visa lasts for six years (it is a three year visa that is almost always renewed for an additional three years). The proposed reform would eliminate the possibility of renewal, thus creating a maximum stay of three years. In both 1993 and 1995, the Administration strongly supported this limitation as better comports with the "temporary" nature of the presumed employment need.

However, the Administration proposed this reform in the context of not increasing the cap on the annual number of H-1B visas. It would be somewhat incongruous to both increase the annual cap and effectively limit by half the number of H-1B visa holders in the country at any one time. Thus, if we were to endorse raising the annual cap (even temporarily), this increase should not be coupled with a proposed reform to limit the annual number of visas.

6. Enhanced enforcement

In addition to the above reforms to the H-1B program, the Labor Department has proposed that they be given greater authority and resources to ensure that employers comply with the standards for hiring temporary foreign workers under the H-1B program (either current or proposed).

Under current law, it is not clear that the Department of Labor has independent authority (i.e., where there has been no complaint) to initiate an investigation of an employer suspected of not substantively complying with the labor market attestations. The Kennedy-Feinstein proposal would give the Secretary independent authority to investigate (upon a finding of probable cause), subpoena authority, an ability to conduct random audits, and would increase the penalties for employers found in violation (from \$5,000 to \$10,000). These changes seem appropriate to ensure compliance with the objectives of the H-1B program. However, though each element of this enhanced enforcement is important, the subpoena authority and the ability to investigate without a complaint are the most critical.

The Abraham bill increases the penalty for willful violations of the H-1B program, but eliminates penalties for less than willful violations. In addition, the bill allows DOL to conduct random inspections of willful violators (for 5 years), but does not authorize additional money to do so. Also, under Abraham's bill, an employer could only be investigated for having violated the "no lay-off" provision if the employer were already being investigated for another violation. These reforms would weaken, rather than strengthen, the Secretary's enforcement authority.

7. Prevailing wage

Under current law, an employer must pay each H-1B non-immigrant the "higher of prevailing or actual wage paid to similarly-employed U.S. workers." The Kennedy-Feinstein bill would modify this requirement to include benefits and all other compensation when calculating the wage standard. However, according to the Department of Labor, they would not be able to calculate a reliable prevailing wage that includes non-wage compensation.

While the Abraham bill uses the current definition of wages, it would allow employers to use any published survey "which shall be considered correct and valid if the survey was conducted in accordance with generally accepted industry standards and the employer has maintained a copy of the survey information" to determine the prevailing wage. The requirement would permit the use of outdated wage data and would give DOL little control over the quality of the surveys used to determine the prevailing wage.

In the past, DOL has advocated for a prevailing wage calculation based on the applicable prevailing wage plus the same benefits and additional compensation provided to similarly employed workers of the employer.

8. An application fee

Currently, employers only pay a small processing fee when filing for an H-1B visa. The Kennedy-Feinstein bill proposes a fee of \$250 per H-1B visa application. An application fee is a straightforward way to require employers who use the H-1B program to directly contribute to more training for U.S. workers and to generate additional funds for enforcement. However, an

application fee will likely be perceived as a tax, and thus could be unpopular.

If we decide to push for the establishment of an application fee, we may want to increase it to \$500. First, the higher fee will generate more money for training. Second, as a tactical matter, if we begin negotiations at \$500 we may end up at \$250 (rather than beginning at \$250 and ending up at \$0). We should be careful, however, not to endorse a fee that would create such a disincentive to participation that it would effectively prevent the United States from meeting its treaty obligations (under the GATS) to permit 65,000 persons to enter annually under the H-1B program.

9. **Training**

In order to meet the short-term and long-term needs of industry, training should be geared towards incumbent workers as well as those who have yet to enter the workforce. In addition, there is widespread support among the agencies for programs that encourage employers to work together with educators or training providers.

The Kennedy-Feinstein bill contains a proposal for the creation of "Regional Skills Alliances." Money generated through application fees would be used to set up these Alliances that would bring together employers, organized labor, U.S. workers and educational institutions to focus on building the skills of U.S. workers. Another proposal is to allocate additional funds to the National Science Foundation's (NSF) Advanced Technological Education (ATE) program.

ATE is an educational institution-based program that is designed to foster partnerships between two- and four-year colleges, secondary schools, government, and industry to improve educational programs through curriculum and teacher/faculty development. These programs, in combination, could address the training of both new and incumbent workers.

There remains the question of whether the Administration should push for a provision that provides training money directly to individuals either through scholarships or loans. The Kennedy-Feinstein bill includes the creation of a new short-term student loan program. The Abraham bill adds funds to an existing scholarship program. According to OMB, the Department of Education, and others, there currently exists a variety of both loan and grant programs that are available to most workers. In addition, the Lifelong Learning Tax Credit is available to enable incumbent workers to obtain additional training. Thus, it may not make sense to spend any money generated by an H-1B application fee to augment an already adequate pool of money for loans or scholarships.

10. **Academic community concerns**

Some members of the academic community have expressed concern that a "recruit and retain" or "no lay-off" provision would unfairly limit their ability to hire H-1B non-immigrants as part of (temporary) research grant programs.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Thomas L. Freedman (CN=Thomas L. Freedman/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 8-APR-1998 16:40:17.00

SUBJECT: Brown/Williamson protest

TO: Mary L. Smith (CN=Mary L. Smith/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Christa Robinson (CN=Christa Robinson/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Cynthia A. Rice (CN=Cynthia A. Rice/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: Laura Emmett (CN=Laura Emmett/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TEXT:

Here's my info on the protest in KY.

* 20 buses at a state park on the way into town, with employees of Brown and Williamson protesting the \$1.10 increase.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Cynthia A. Rice (CN=Cynthia A. Rice/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 8-APR-1998 17:05:48.00

SUBJECT: Kentucky Smoking Data for Speech--if you still want it

TO: Laura Emmett (CN=Laura Emmett/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Thomas L. Freedman (CN=Thomas L. Freedman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: Mary L. Smith (CN=Mary L. Smith/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: Cynthia Dailard (CN=Cynthia Dailard/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: Lowell A. Weiss (CN=Lowell A. Weiss/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TEXT:

Percent of U.S. high school students smoking cigarettes, 1997: 36.4%
Percent of KY high school students smoking cigarettes, 1997: 47%

Percent of U.S. high school students using smokeless, 1997: 9.3%
Percent of KY high school students using smokeless, 1997: 15.6%

Thomas L. Freedman
04/07/98 06:20:07 PM
Record Type: Record

To: Lowell A. Weiss/WHO/EOP
cc: Mary L. Smith/OPD/EOP, Cynthia A. Rice/OPD/EOP
Subject: Speech

Here are some other elements that may be of us in the speech.

1. If we pass the President's principles, 58,000 kids in KY. would be stopped fom smoking over the next 5 years, between now and 2003, and we would prevent 19,000 premature deaths in KY over the next 5 years. The numbers are based on raising privces \$1.10, and advertising and marketing restrictions.

2. The rate of teen smoking in KY. We will try and get you tomorrow.
3. We can laud Senator Ford for his hard work on putting this legislation together. I have some rhetoric on this. I'm at 65587.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Lowell A. Weiss (CN=Lowell A. Weiss/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME: 8-APR-1998 17:07:31.00

SUBJECT: 5pm tobacco draft

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Thomas L. Freedman (CN=Thomas L. Freedman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Laura Emmett (CN=Laura Emmett/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Cathy R. Mays (CN=Cathy R. Mays/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Cynthia A. Rice (CN=Cynthia A. Rice/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:

Draft 4/8/98 5pm

PRESIDENT WILLIAM J. CLINTON

REMARKS ON TOBACCO AT CARROLL COUNTY HIGH SCHOOL

CARROLLTON, KY

April 9, 1998

Acknowledgments: Sec. Glickman; Gov. Paul Patton; Sen. Ford [His work on the tobacco bill that is now moving through the Senate has been remarkable. He has fought day in and day out to make sure tobacco farmers and their communities will not get hurt. In the Senate, he has served this great state longer than any other leader. And like your Cats, his alma mater, he is leaving as number one.]

It's great to be in Wildcat country. I watched the Comeback Cats beat the Utes while I was flying from Botswana to Senegal. The Utes had eliminated the Razorbacks, so I was pulling for the blue and white all the way.

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#

Welfare-to-Work Formula Grant Status

5 States announced 1/29/98: \$122M
IL, LA, MI, NE, NV

2 States announced 2/19: \$32.6 M
MA, SC

Automated Records Management System
Hex-Dump Conversion

3 States announced 3/2: \$26.3 M
KA, HI, MN

2 States announced 3/30: \$40 M
MO, TN

TOTAL TO DATE: 12 states \$221 M

States with pending plans:

KY (probably week of 4/6)

DE (close)

GA

CA

OH

AR

AL

RI

MT

CO

NC

States indicating they don't plan to apply:

ID, UT, MS (DOL discussing further)

TRIBAL PLANS

26 approved 3/19 \$5.8 M

33 approved 4/1 \$4.4 M

TOTAL TO DATE: 59 \$10.2M

As of 4/8/98

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Bruce N. Reed (CN=Bruce N. Reed/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 8-APR-1998 17:33:19.00

SUBJECT: Re: 5pm tobacco draft

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Lowell A. Weiss (CN=Lowell A. Weiss/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Laura Emmett (CN=Laura Emmett/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TEXT:

Good job moving up the comments on today. I think the first point needs to be more resolute: Let me be clear -- I am going to do everything in my power to put politics aside and pass comprehensive tobacco legislation this year. There is powerful bipartisan momentum to get this done, and we will not let anything stand in the way of doing right by America's children (or America's tobacco farmers)...

I'll send you more later. Thanks.

Laura Emmett
04/08/98 05:21:31 PM
Record Type: Record

To: Bruce N. Reed/OPD/EOP
cc:
Subject: 5pm tobacco draft

FYI-

----- Forwarded by Laura Emmett/WHO/EOP on 04/08/98 05:21
PM -----

Lowell A. Weiss
04/08/98 05:07:22 PM
Record Type: Record

To: See the distribution list at the bottom of this message
cc:
Subject: 5pm tobacco draft

Draft 4/8/98 5pm
PRESIDENT WILLIAM J. CLINTON
REMARKS ON TOBACCO AT CARROLL COUNTY HIGH SCHOOL
CARROLLTON, KY
April 9, 1998

Acknowledgments: Sec. Glickman; Gov. Paul Patton; Sen. Ford [His work on

the tobacco bill that is now moving through the Senate has been remarkable. He has fought day in and day out to make sure tobacco farmers and their communities will not get hurt. In the Senate, he has served this great state longer than any other leader. And like your Cats, his alma mater, he is leaving as number one.]

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Message Sent

To: _____

Cynthia A. Rice/OPD/EOP

Thomas L. Freedman/OPD/EOP

Cathy R. Mays/OPD/EOP
Elena Kagan/OPD/EOP
Laura Emmett/WHO/EOP

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jon P. Jennings (CN=Jon P. Jennings/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME: 8-APR-1998 17:51:06.00

SUBJECT: Info on Tobacco

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

CC: Thurgood Marshall Jr (CN=Thurgood Marshall Jr/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

TEXT:

Thurgood suggested I forward you the following. I received it in my request for hot issues for the President's trip to Kentucky.

Smoking Debate: Perhaps the biggest current issue for Kentuckians is the struggle between tobacco interests and anti-smoking advocates. Progress on a national tobacco settlement has been closely followed in the media, with a lot of attention going to the predicament of tobacco farmers and tobacco-dependent communities. Tobacco is Kentucky's biggest cash crop by far. In addition, tobacco manufactures have traditionally provided some of the state's highest wages, 65% higher than the average for all Kentucky manufacturing industries. Obviously, a trend toward reduced smoking could have a major impact on economic conditions, especially in rural areas of the state. There is no agreement on the best course, even among farmers themselves. Some growers want an up-front buy out so they can leave the tobacco business altogether. Others want to keep the tobacco price support program, maintaining an option to be bought out later. Kentucky Senator Wendell Ford and Representative Scotty Baesler, both Democrats, have proposed bills to help Kentucky farmers and to provide assistance to tobacco communities.

(4/8 DRAFT)

**TOBACCO QUESTIONS AND ANSWERS FOR THE PRESIDENT'S
KENTUCKY TRIP OF APRIL 9, 1998**

Q: How does R.J. Reynolds' announcement that it is pulling out of the settlement affect the chance of getting comprehensive legislation passed this year?

A: I would have liked R.J. Reynolds to continue to negotiate with us over the legislation currently be drafted in Congress. I don't know whether their announcement means that they are going to go back to their old ways of marketing to children. I think that we must all work together to get legislation passed this year. However, I will continue my efforts of working with Congress to make sure that this legislation gets passed this year. Their announcement will not stop my efforts, and I fully believe that we will see comprehensive bipartisan legislation this year.

Q: What is your position on protecting tobacco farmers and their communities as part of comprehensive tobacco legislation?

A: Tobacco farmers and their communities were not considered as part of the settlement agreement reached by the Attorneys' General. In my statement last September, I said that protecting farmers and their communities was one of the key five principles that must be included in any comprehensive tobacco legislation that I would be willing to sign. I believe that the legislation authored by Senator Ford (D-KY) as part of the McCain bill, a \$2.1 billion a year package that continues a government production control system, meets the goal of protecting farmers and their communities.

Q: Aren't the goals of reducing youth smoking and protecting tobacco farmers contradictory?

A: No. I don't want the tobacco companies to go out of business, only out of the business of selling to children. The tobacco farmers have played by the rules, and should be protected in any legislation that passes. I believe that we can reduce youth smoking and protect rural communities if we all work together to urge Congress to pass bipartisan comprehensive tobacco legislation this year.

Q: Senator Lugar recently suggested in an op-ed that the tobacco program should be phased out

A: I believe that any legislation has to be evaluated in terms of how well it meets the the five principles I laid out last September --including reducing youth smoking and protecting farmers and their communities. Advocates of a free market for tobacco growers will

need to demonstrate that it is consistent with these principles. Many health groups have argued that simply ending the tobacco program may actually increase the amount of tobacco that is grown, decrease the cost of tobacco, and provide a windfall for cigarette companies. In addition, representatives of family farms have suggested that ending the tobacco program would have extremely negative economic effects on them and their communities. I traveled to Kentucky, in part, to discuss the various legislative options with those directly effected by tobacco legislation and hear their opinions first-hand

BACKGROUND QUESTIONS RE: TOBACCO FARMERS

Q: How does the tobacco program work?

A: Since the 1930s, in order to grow tobacco, a farmer must have a quota. The quota allows the farmer to grow a certain amount of tobacco for that year. Thus, the amount of tobacco grown in the United States is controlled by law. In addition, the price of tobacco is set statutorily. If a private company chooses not to purchase tobacco at or above the statutory minimum price, the regional cooperative of tobacco farmers will purchase the tobacco and store it, putting the tobacco back on the market when the price is more favorable.

Q: What are the provisions for farmers are included in the McCain legislation?

A: Senators Ford, Frist, and Hollings, the three members of the Senate Commerce Committee from tobacco-growing states, joined together to include a broad farmer provision in the McCain tobacco legislation. While maintaining a production control system for all tobacco farmers, the measure sets up somewhat different systems for burley and flue-cured tobacco. For burley tobacco (grown mostly in Kentucky), the package includes an optional buy-out for quota holders at \$8 per pound, and retains the quota system for those who do not take the buyout, but provides payments to both remaining quota holders, lessees, and tenants to the extent that base quota declines. For flue-cured tobacco, the plan provides for a mandatory buyout of existing quota holders, and replaces the quota system with a permit system that gives the new permits at no cost to active producers, regardless of whether they previously owned a quota. This transferring of quotas from inactive quota holders to actual producers is intended to make it possible for active farmers to sell tobacco without incurring the cost of buying or renting quota.

The provision authored by Senator Ford and included in McCain's legislation also provides approximately \$500 million for assistance to tobacco-producing communities. The package costs \$2.1 billion per year for the first ten years and \$500 million for years 11-25 for a total of \$28.5 billion. For the most part, tobacco farm leaders have been pleased with the proposal included in the McCain legislation.

Q: How important is tobacco to Kentucky producers and the overall economy?

A: Including sales from fire-cured and dark air-cured tobacco, Kentucky tobacco producers received over \$800 million from the 1997 crop. Tobacco sales represent over 40 percent of crop sales receipts and over 20 percent of all agricultural sales in Kentucky.

In 1997, over 600 million pounds of burley tobacco was produced in the United States -- 70 percent in Kentucky.

Q: Which farmers will be affected by the legislation?

A: The tobacco settlement will have a wide-reaching impact on all segments of the tobacco industry, but a disproportionate effect on small and minority tobacco quota owners and producers. Of the 338,000 individual quotas, about 66 percent are considered small farm operations. Five percent of all quotas are owned by minorities, the majority of which are small producers.

Q: Why is tobacco so important to small farmers?

A: Tobacco is a high value crop that generates gross receipts of \$4,000 to \$5,000 per acre. Profits from 1 acre of tobacco are equivalent to between 15 and 20 acres of corn or soybeans. On small farms in Kentucky, with an average of 22 acres of harvested cropland in 1992, tobacco is vital to the economic survival of farmers. (source: 1992 Ag Census)

Q: How much tobacco is grown in the United States?

A: In 1997, tobacco production totaled 1.7 billion pounds with a value of over \$3 billion, the highest production and crop receipts since 1992. Sales of tobacco products reached a record \$50 billion in 1997.

GENERAL BACKGROUND ON TOBACCO LEGISLATION

Q: Has you endorsed the McCain bill?

A: **I believe that this bill represents a dramatic step forward. It would raise the price of cigarettes, give the FDA full authority to regulate tobacco products, ban advertising aimed at children, and protect tobacco farmers.**

But I also said we still have work to do on this legislation. Above all, we need to put in place tough penalties that will cost the tobacco industry if it continues to sell cigarettes to young people. We're not trying to put the tobacco companies out of business; we want to put them out of the business of selling cigarettes to kids. This week's progress in the Senate shows we have real momentum in both parties to do

just that.

Q: You've said we need stronger penalties on companies that continue to sell to our children. What do you mean by that?

A: The McCain bill's penalty provisions are deficient for two reasons. First, the bill has a cap of \$3.5 billion per year on industry-wide penalties, no matter how much the industry misses youth targets by. Second, the McCain bill contains no penalties on individual companies for failing to meet youth smoking targets. Reducing youth smoking is our bottom line, and we must make it each and every company's bottom line.

Q: Does you have concerns about provisions of the McCain bill besides the penalties?

A: I have serious concerns about this bill's provision which would allow individual States to "opt out" of the national smoke-free environment policy. This provision creates a patchwork system in which states could decide to adopt weaker laws or decide against taking any action at all, leaving people with little or no protection from the hazards of environmental tobacco smoke. In addition, there is no need to exempt the tobacco industry from antitrust rules in order to reduce youth smoking. I strongly oppose any exemptions that would allow price fixing agreements. Third, I believe it is critical that tobacco legislation fund efforts to promote public health and assist children.

Q: What do you want the tobacco funds to be spent on?

A: I strongly believe that tobacco revenues should go toward protecting public health and assisting children. My Fiscal Year 1999 budget provides for funds for anti-smoking programs that will help us meet the goals of reducing youth smoking rates and for a dramatic expansion of health-related research to help us cure smoking-related disease. Finally, in recognition of the states' role in bringing suit against tobacco companies, my budget provides for a substantial amount of money to revert to the states. Some of this money can be used for any purpose. Other funds must be used on state-administered programs to assist children (specifically, for child care, Medicaid child outreach, and class size reduction).

Q: What is your view of the liability protections for the tobacco industry contained in Senator McCain's legislation?

A: As we have said on many occasions, I would prefer comprehensive tobacco legislation without liability limits, but in the context of legislation that meets all of my principles and dramatically reduces youth smoking, reasonable limits on liability will not be a dealbreaker. Right now, I'm going to focus on the aspects of the McCain legislation that I think fall short of what the I have demanded: particularly, on the penalties in the bill to reduce youth smoking. Until we get

those right, we won't address liability protections.

Q: The tobacco industry has said that it will not agree to national tobacco legislation that increases the price of a pack of cigarettes by \$1.10 over five years, as proposed by your budget and the McCain bill. Does that doom your proposal?

A: No. We have always expected the tobacco companies to fight hard for their economic interests, but needless to say we will not always agree, nor we think will the US Congress. This price increase called for in my Fiscal Year 1999 budget is necessary to meet my youth smoking targets, and I will continue to demand it. What the companies do is up to them, but we will not back off such necessary measures to reduce youth smoking.

Q: What are the five principles that you have said tobacco legislation must meet?

A: I have said that I will only support tobacco legislation that:

- Raises the price of cigarettes by up to \$1.10 a pack over 5 years and \$1.50 a pack over the next ten years, and imposes tough penalties on companies that continue to sell to kids;
- Affirms the FDA's full authority to regulate tobacco products;
- Gets companies out of the business of marketing and selling tobacco to minors;
- Promotes public health research and public health goals; and
- Protects our tobacco farmers and their communities.

Q: How does the McCain bill compare to the Attorneys General proposed settlement and the President's proposal?

A: See chart below.

Comparison of Tobacco Proposals
April 7, 1998

	Attorneys General	McCain	President
Substantial Price Increase	No	Yes	Yes
Strong Industry and Company Penalties	No	No	Yes
Full FDA Authority	No	Yes	Yes

Strong Advertising and Access Provisions	Yes	Yes	Yes
Protections of Tobacco Farmers	No	Yes	Yes
Comprehensive Plan to Use Tobacco Revenue to Protect Public Health and Assist Children	Yes	No*	Yes
Strong Environmental Tobacco Smoke Provision	Yes	No	Yes
Liability Protections for Industry:			
1. Liability Cap	Yes	Yes	Only if bill meets President's public health principles.
2. Bar on Class Actions	Yes	No	Only if bill meets President's public health principles.
3. Bar on Punitive Damages	Yes	No	Only if bill meets President's public health principles.

* Does not attempt to address most spending issues.

Q: Is teen smoking going up or down?

A: On April 2, the Centers for Disease Control in Atlanta released a new study ("Tobacco Use Among High School Students --United States, 1997") which found that cigarette smoking rates among high school students rose by nearly a third between 1991 and 1997, from 27.5 percent to 36.4 percent, with the sharpest increase among African American students. Cigarette smoking was highest among white students (40 percent), rising by 28 percent from 1991 (31 percent). While the level of cigarette smoking among African-American students was lower than for white students, the rate increased by 80 percent between 1991 and 1997 (from 12.6 percent to 22.7 percent). Overall, the study found that nearly half of male students and more than a third of female students used cigarettes, cigars, or smokeless tobacco during the previous month. This 1997 data was derived from a survey of over 16,000 students in grades 9-12.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Cathy R. Mays (CN=Cathy R. Mays/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 8-APR-1998 18:10:15.00

SUBJECT: Weekly Education Strategy Meeting

TO: Vicky_Stroud (Vicky_Stroud @ ed.gov @ inet [UNKNOWN])
READ:UNKNOWN

TO: Janet Murguia (CN=Janet Murguia/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Barbara Chow (CN=Barbara Chow/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Michael Cohen (CN=Michael Cohen/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Gene B. Sperling (CN=Gene B. Sperling/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

CC: Sandra Yamin (CN=Sandra Yamin/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Laura Emmett (CN=Laura Emmett/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Jessica L. Gibson (CN=Jessica L. Gibson/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Peter A. Weissman (CN=Peter A. Weissman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TEXT:

We will be having our weekly Education Strategy Meeting tomorrow,
Thursday, April 9, at 5:15 p.m. in Bruce Reed's office.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Cathy R. Mays (CN=Cathy R. Mays/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME: 8-APR-1998 18:14:25.00

SUBJECT: Weekly Health Care Strategy Meeting

TO: Michael Waldman (CN=Michael Waldman/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Donald H. Gips (CN=Donald H. Gips/O=OVP @ OVP [UNKNOWN])
READ:UNKNOWN

TO: Maria Echaveste (CN=Maria Echaveste/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Joshua Gotbaum (CN=Joshua Gotbaum/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Jennifer L. Klein (CN=Jennifer L. Klein/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Gene B. Sperling (CN=Gene B. Sperling/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Karen E. Skelton (CN=Karen E. Skelton/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Barbara D. Woolley (CN=Barbara D. Woolley/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Emily Bromberg (CN=Emily Bromberg/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Elena Kagan (CN=Elena Kagan/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Christopher C. Jennings (CN=Christopher C. Jennings/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

TO: Rahm I. Emanuel (CN=Rahm I. Emanuel/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Jill M. Pizzuto (CN=Jill M. Pizzuto/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

CC: Laura K. Capps (CN=Laura K. Capps/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Toby Donenfeld (CN=Toby Donenfeld/O=OVP @ OVP [UNKNOWN])
READ:UNKNOWN

CC: Miriam H. Vogel (CN=Miriam H. Vogel/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Michelle Crisci (CN=Michelle Crisci/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

CC: Donna L. Geisbert (CN=Donna L. Geisbert/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

CC: Satish Narayanan (CN=Satish Narayanan/O=OVP @ OVP [UNKNOWN])

READ:UNKNOWN

CC: Angelique Pirozzi (CN=Angelique Pirozzi/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

CC: Laura Emmett (CN=Laura Emmett/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

CC: Suzanne Dale (CN=Suzanne Dale/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

CC: Peter A. Weissman (CN=Peter A. Weissman/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TEXT:

We will be having our weekly Health Care Strategy Meeting tomorrow, Thursday, April 9, at 4:00 p.m. in Bruce Reed's office.

Background on Kentucky Tobacco Farmers

There are two main types of tobacco, flue-cured and burley. Burley tobacco is the primary crop in Kentucky, with revenues of more than \$800 million in 1997 for the nearly 450 million pounds grown. In 1997, approximately 70 percent of the burley tobacco produced in the United States came from Kentucky. The majority of burley tobacco producers in Kentucky favor continuation of the federal price support program.

Many Kentucky tobacco farms are very small. The average Kentucky tobacco farm plants only 4.5 acres of burley tobacco. In contrast, flue-cured tobacco farms in North Carolina and South Carolina average 16.1 and 25.5 acres of tobacco per farm, respectively. However, large farms dominate Kentucky's burley tobacco business. Last year, 70 percent of the total burley sold came from only 26 percent of the farms.

Tobacco is a major part of the Kentucky economy. Tobacco sales account for over 40 percent of the total crop revenue for Kentucky, and over 20 percent of all agricultural sales in Kentucky.

According to USDA, Kentucky experienced an abnormal year for their 1997 burley tobacco crop. Adverse weather conditions resulted in tobacco with high moisture content that was of a generally low quality and received a lower prices than expected.

Tobacco Program Background

Since the 1930s, tobacco prices have been supported and stabilized by the federal government's commodity support program. One part of USDA's program involves limiting supply through a quota program. A quota entitles the owner to grow a certain percentage of the national supply of tobacco for that year. Under the quota program, the government estimates each year how much tobacco the companies expect to buy, how much will be sold overseas plus a modest reserve, and then divides up the right to grow that full amount among the quota holders. The burley quota can be sold, rented or leased. In addition, the tobacco program guarantees an acceptable price at which farmers can sell their tobacco. The price-support system ensures that farmers can sell tobacco at a statutory minimum price to their cooperatives if companies cease to buy on the open market or their bid price is too low. In this program, the government loans funds to the cooperatives to purchase tobacco from farmers at a certain price (the "loan rate"), which are repaid from the proceeds of future sales.

Producers of the different kinds of tobacco vote in triennial referenda to determine if they wish to continue the federal tobacco program for their kind of tobacco. In a referendum in late February, 97.5 percent of burley producers voted to continue the price support-production control program.

The AG's Settlement Agreement

The settlement agreement with the Attorneys General did not outline a plan to compensate farmers for the diminished domestic tobacco sales that might result from comprehensive legislation. You, however, made protecting tobacco farmers and their communities one of the five key elements of your plan for comprehensive tobacco legislation.

Legislative Background

Three types of legislative approaches for farmers have been discussed. First, Senator Lugar proposed legislation that would quickly "buy-out" quota owners from the governmental system at approximately \$8 a pound. In Senator Lugar's plan, tobacco prices and production levels would then be subject to the free market, and farmers would not incur quota rental costs (of the 463,000 individuals who own quotas, 340,000 of them do not grow tobacco). Second, Senator Ford proposed legislation that would maintain the current quota system, while also compensating farmers (up to \$8 per pound) for the difference between the 1995-1997 average prices and the diminished prices they may experience. Senator Ford's bill also includes transition funds for communities. Finally, Senator Robb had proposed legislation that would combine elements of both of the above approaches. He sought to buy-out farmers, but replace the quota system with a similar production control system based on permits. Unlike quotas, permits would be given only to those who actually grew tobacco and could not be bought or rented.

Senator Ford's proposal, the LEAF Act, appealed mostly to burley growers like those in Kentucky who have small farms and want to continue the quota program. Senator Robb's approach gained some support from flue-cured farmers (based mainly in North Carolina, South Carolina and Virginia) who believe the buy-out and license system better fits more capital-intensive flue-cured production, and who would like to eliminate quota rental costs from their operating expenses. Senator Lugar's approach has not attracted widespread support; even tobacco-state senators like McConnell who philosophically favor this approach probably will not come out for it publicly, in part because other legislation provides the same \$8 per pound buyout with little other change in the program.

Farmers' Legislation Included in McCain Tobacco Bill

Senators Ford, Frist, and Hollings, the three members of the Senate Commerce Committee from tobacco-growing states, joined together to include a generous farmer provision in the McCain tobacco legislation. While maintaining a production control system for all tobacco farmers, this package sets up somewhat different systems for burley and flue-cured tobacco. For burley tobacco (grown mostly in Kentucky), the package includes an optional buy-out for quota holders at \$8 per pound, and retains the quota system for those who do not take the buyout, but provides payments to both remaining quota holders, lessees, and tenants to the

extent that base quota declines. For flue-cured tobacco, the plan provides for a mandatory buyout of existing quota holders, and replaces the quota system with a permit system that gives the new no-cost permits to active producers, regardless of whether they previously held a quota. This transferring of quotas from inactive quota holders to actual producers was part of the Senator Robb's proposal and is intended to make it possible for active farmers to sell tobacco without incurring the cost of buying or renting quota. The McCain package also provides approximately \$300 million **annually** for assistance to tobacco-producing communities. The package costs \$2.1 billion per year for the first ten years and \$500 million for years 11-25 for a total of \$28.5 billion. For the most part, tobacco farmers are very pleased with the proposal included in the McCain legislation.

While the bill would provide over \$20 billion to tobacco farmers and quota holders, the actual lost revenue to them due to the legislation is estimated to be no more than \$2 billion. For example, while the bill would buy out quota holders at \$8 per pound, both flue-cured and burley quotas sell today for less than \$4 per pound. USDA estimates that even without legislation or a change in the program, flue-cured tobacco production would fall 39 percent by 2005 and 58 percent by 2009. The additional compensation in the bill can be viewed as offsetting the long-term, downward trend of tobacco demand and producer income that is independent of the bill.

Below is a table with the major provisions for tobacco farmers in the McCain legislation.

Payments to Tobacco Farmers Under Proposed Legislation		
	Burley, fire-cured, and dark air-cured tobaccos	Flue-cured tobacco
Buy-out	<u>Optional</u> one-time buy-out at \$8/lb over 10 yrs or less	<u>Mandatory</u> buy-out of all quota holders at \$8/lb over 10 yrs or less
Those who remain in program --quota or permit	Those who do not take the optional buy-out retain their existing quota	Active producers will be issued a <u>permit</u> at no cost -- changing the old quota system to a new permit system for flue-cured, and allowing only active producers stay in program. Permits may not be sole or leased, but may be transferred to descendants.
Payments to remaining quota holders who remain in system	Remaining quota holders get payments to the extent quota falls equal to \$4/lb for every	No remaining quota holders

	Burley, fire-cured, and dark air-cured tobaccos	Flue-cured tobacco
	pound quota drops, with a lifetime limit of \$8/lb times the entire quota	
Lessees (Burley), Renters (Flue-cured), and tenants (essentially sublessees)	Lessees and tenants get (1) option to acquire relinquished quota (if any), and (2) payments to the extent quota falls equal to \$2/lb for every pound quota drops, with a lifetime limit of \$4/lb times the entire quota	Renters and tenants get (1) permits limiting right to produce future crops, and (2) payments to the extent national quota falls equal to \$2/lb for every pound quota drops, with a lifetime limit of \$4/lb times the entire quota

Other Provisions:

Tobacco Community Economic Development Grants: Block grants to tobacco states will be made annually for rural business enterprise grants, farm ownership loans, initiatives which create farm and off-farms employment, expanding infrastructure, **facilities and services to diversify the rural economy**, long-term business technical assistance, supplemental agricultural activities, value-added agricultural initiatives, and compensation to warehouse owners. The program is authorized for \$375 million. **However, since USDA program costs would be paid out of these funds, communities will likely receive around \$300 million annually through 2008, and \$375 million 2009 to 2023.** At least 20 percent of the funds must be spent on agricultural activities, 4 percent on long-term technical assistance, and 6 percent on warehouse owners.

Benefits for Dislocated Workers: Up to \$25 million annually for 10 years will be made available to provide benefits based on the NAFTA displaced workers program, **including training and relocation expenses.** This program will be administered by the Secretary of Labor.

Farmer Opportunity Grants: Quota holders and active tobacco producers and their families are eligible for higher education grants of up to \$1,700 per academic year, adjusted upward every five years by \$300, **for a total of \$42.5 million through 2004 and gradually increasing after that.** Academic eligibility is modeled after Pell grants, and the program is administered by the Secretary of Education.

Costs Incidental to the Program: All USDA costs associated with tobacco are paid out of a tobacco growers trust fund, including administrative costs, crop insurance, cooperative extension service costs, and any other costs (**estimated to be around \$60 million annually**).

Total Costs: \$2.1 billion per year for the first ten years, \$500 million for years 11-25, for a total of \$28.5 billion.

- Annual payments to tobacco farmers set at \$1.65 billion.
- Economic development grants set at \$375 million **for the first ten years, less USDA administrative costs.**
- Assistance for dislocated workers set at \$25 million annually for ten years.