

NLWJC - KAGAN

EMAILS RECEIVED

ARMS - BOX 026 - FOLDER -012

[04/08/1998 - 04/09/1998]

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jason S. Goldberg (CN=Jason S. Goldberg/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME: 8-APR-1998 18:40:34.00

SUBJECT: FOLLOW-UP: Small Tobacco Mtg. Thursday

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

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

TO: Janet L. Graves (CN=Janet L. Graves/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

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

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

TO: Eleanor S. Parker (CN=Eleanor S. Parker/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Dawn L. Smalls (CN=Dawn L. Smalls/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: Michelle Crisci (CN=Michelle Crisci/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Scott R. Hynes (CN=Scott R. Hynes/O=OVP @ OVP [UNKNOWN])
READ:UNKNOWN

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

Records Management (Records Management @ EOP [UNKNOWN])
READ:UNKNOWN

TEXT:

At 6:00 p.m. in Erskine's office.

Only the small group that met today.

Jason

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Kay Casstevens (CN=Kay Casstevens/O=OVP [UNKNOWN])

CREATION DATE/TIME: 8-APR-1998 18:48:41.00

SUBJECT: pre-brief for VP/Kennedy-Conrad meeting

TO: Lawrence J. Stein (CN=Lawrence J. Stein/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

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

CC: Anthony R. Bernal (CN=Anthony R. Bernal/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

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

Kay Casstevens (CN=Kay Casstevens/O=OVP [UNKNOWN])
READ:UNKNOWN

TEXT:

At Sen. Kennedy's request, the Vice President will be meeting with Senators Kennedy and Conrad on this Friday, April 10 at 4:45 pm, on the tobacco legislation. Can you all attend a pre-brief with the VP at 4:30? Please let me know. thanks, Kay

**Agenda for DPC/NEC Meeting on H-1B Visas
April 9, 1998**

The purpose of this meeting is to identify the key components of legislative proposals and decide our priorities.

I. **H-1B reforms**

II. **Enhanced enforcement**

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III. **Application fee**

IV. **Training**

V. **Other concerns**

VI. **Overall priorities**

**Annotated Agenda for DPC/NEC Meeting on H-1B Visas
April 9, 1998**

The purpose of this meeting is to identify the key components of legislative proposals and decide our priorities.

I. H-1B reforms previously endorsed by the Administration

- a. “Recruit and retain”
What, precisely, would we be requiring an employer to do?
- b. No lay-off provision
How do we respond to the argument from industry that hiring/firing is too decentralized to allow for fair use of a no lay-off provision?
- c. Reduced maximum stay from six to three years
Given that we are proposing a temporary increase in the cap, do we want to continue to advocate for limiting the maximum stay to three years?
- d. Other issues related to these reforms
 - (i) Occupational classification
How would we recommend defining who is laid-off or who must be recruited? Based on “occupation” or skill attainment?
 - (ii) Job contractors
Do we want to include a provision that ensures that both end-employers and contractors make the requisite attestations?
 - (iii) Prevailing wage
Abraham uses the current definition of “wage” but allows employers to use outdated wage data. Kennedy defines “wage” to include benefits and other compensation, which Labor says they do not have reliable data on. What do we recommend?

II. Enhanced enforcement

The DOL has proposed that they be given greater authority to ensure that employers comply with the standards of hiring H-1B workers.

Which are the most important?

- A. Independent authority to investigate
- B. subpoena authority
- C. ability to conduct audits
- D. increase penalties (from \$5000 to \$10,000)

III. Application fee

Should there be an application fee? How much?

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IV. Training

- a. Regional skills alliances
- b. NSF's Advanced Technological Education program.
- c. Scholarships or Loans?

V. Other concerns

- a. Concerns of the Academic community
Many in the academic community are concerned about the "recruit and retain" and "no lay-off" provisions because of the temporary nature of many research grants.
- b. Increased enforcement authority by the Office of Special Counsel
OSC wants the legislation to provide for a cause of action to a U.S. worker who is replaced by an H-1B worker OR who is denied employment in favor of an H-1B worker.

VI. Overall priorities

How do we rank reforms vs. training vs. enforcement?

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jennifer M. Palmieri (CN=Jennifer M. Palmieri/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME: 8-APR-1998 19:55:44.00

SUBJECT: Buses

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

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

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

TEXT:

----- Forwarded by Jennifer M. Palmieri/WHO/EOP on
04/08/98 07:49 PM -----

Audrey T. Haynes
04/08/98 05:02:24 PM
Record Type: Record

To: Jennifer M. Palmieri/WHO/EOP
cc:
Subject: Buses

I have confirmed that 20 buses will be chartered by Brown-Williamson tomorrow and will be on the motorcade route.

(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: 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 interest to object to the bill now to prevent it from getting even tougher. In the end, the companies will have a strong incentive to participate, and we're convinced that they'll recognize this.

So we don't think the companies will walk away --and we hope they do not do so. We would prefer that the companies join, rather than fight, our efforts to reduce smoking.

But make no mistake: The President will continue to work to reduce youth smoking no matter what the companies do. He has worked on this effort for two years; members of Congress from both parties are now joining him; and we will get strong legislation on youth smoking whether or not the companies join us.

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. There's just no reason to think that this legislation would increase the companies' exposure to a financial loss of the kind that would send them into bankruptcy. 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. And we still believe that the tobacco industry will have every incentive to agree to legislation in the end, so that they can end this chapter in their history. But if they refuse to join us, we will still make progress. We will continue our efforts to pass comprehensive legislation to dramatically reduce youth smoking.

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.

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	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 2. Bar on Class Actions 3. Bar on Punitive Damages	Yes Yes Yes	Yes No No	Only if bill meets President's public health principles. Only if bill meets President's public health principles. 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.

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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.

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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. There's just no reason to think that this legislation would increase the companies' exposure to a financial loss of the kind that would send them into bankruptcy. Stopping companies from selling cigarettes to kids will not put them out of business.

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A: We would like the tobacco industry to willingly join us in this effort to reduce youth smoking. And we still believe that the tobacco industry will have every incentive to agree to legislation in the end, so that they can end this chapter in their history. But if they refuse to join us, we will still make progress. We will continue our efforts to pass comprehensive legislation to dramatically reduce youth smoking.

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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.

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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:

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- 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

Automated Records Management System
Hex-Dump Conversion

	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 2. Bar on Class Actions 3. Bar on Punitive Damages	Yes Yes Yes	Yes No No	Only if bill meets President's public health principles. Only if bill meets President's public health principles. 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.

(4/8 DRAFT)
**TOBACCO QUESTIONS AND ANSWERS FOR THE PRESIDENT'S
KENTUCKY TRIP OF APRIL 9, 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 interest to object to the bill now to prevent it from getting even tougher. In the end, the companies will have a strong incentive to participate, and we're convinced that they'll recognize this.

So we don't think the companies will walk away --and we hope they do not do so. We would prefer that the companies join, rather than fight, our efforts to reduce smoking.

But make no mistake: I will continue to work to reduce youth smoking no matter what the companies do. I have worked on this effort for two years; members of Congress from both parties are now joining me; and we will get strong legislation on youth smoking whether or not the companies join us.

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. There's just no reason to think that this legislation would increase the companies' exposure to a financial loss of the kind that would send them into bankruptcy. 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. And we still believe that the tobacco industry will have every incentive to agree to legislation in the end, so that they can end this chapter in their history. But if they refuse to join us, we will still make progress. We will continue our efforts to pass comprehensive legislation to dramatically reduce youth smoking.

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. Do you agree?

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 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	Yes	No*	Yes

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

CREATION DATE/TIME: 8-APR-1998 22:50:18.00

SUBJECT: needles

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

READ:UNKNOWN

TEXT:

Here is the gist of what we should say in this options memo:

We have consulted quietly with outside experts and advocates on both sides of this issue. Elite and editorial opinion generally runs strongly in favor of needle exchange. A number of respected scientists and public health experts, including Harold Varmus and the AMA, believe the scientific evidence is solid, as far as it goes. (It is impossible to prove whether needle exchange programs actually reduce drug use, because it would be unethical to run a controlled experiment that compares addicts who have access to clean needles with addicts who don't.) Dr. Koop has a more nuanced view. As Surgeon General, he visited a number of programs in Europe, and concluded that 1) needle programs were a failure in communities where they ran against the grain of the local society, but there was no evidence that they attracted non-addicts to start a drug habit; and 2) he doubts needle programs will be very effective here, because most addicts are so far outside the mainstream that they will not show up reliably, especially if they're not in drug treatment.

The AIDS community and the anti-drug community are miles apart. At a minimum, AIDS groups want us to provide some legitimacy to needle programs. We might be able to muster half-hearted support from HRC for the compromise options below, but most groups will be disappointed if we don't go along with Shalala's recommendations. (Of course, even if we do go along, we will be back to square one with the groups a few months from now unless we veto any attempt by Congress to overturn this action.) Conversely, anti-drug advocates like Califano and Burke will oppose needle exchange with the same fervor they express for drug legalization.

The options are:

1) Let Shalala certify. In taking this action, she could either put forward an interim final regulation, which would allow federal funds to flow to a community as soon as that community met the conditions in the HHS regulation [EK -- you can describe these if you want, but there's no need to], or she could issue a Notice of Proposed Rulemaking, which would require a public comment period and would not take effect for 6 months or so -- long enough for Congress to overturn it and/or the elections to take place. [You had asked whether HHS could actually require individuals in needle programs to participate in drug treatment. They say that would be counterproductive, because it would discourage the most at-risk addicts from taking part.]

2) Let federal scientists declare that needle exchange programs reduce HIV without increasing drug use, but limit federal funds to a few demonstration cities, and ask Shalala and McCaffrey to study whether those programs work. This approach will be harder to attack, because it does not constitute an endorsement of needle programs -- but it may end up pleasing no one.

3) Let federal scientists declare that needle exchange programs reduce HIV without increasing drug use, but withhold federal funds on the grounds that no national consensus exists, and ask Shalala and McCaffrey either to build that consensus, or to study whether the competing goals of reducing HIV and discouraging illegal drug use can be reconciled. This approach will also be somewhat more difficult to attack, because with no federal funds going to needle programs, Congress can't do much to stop it. However, many in the AIDS community will regard this position as morally bankrupt, arguing that we know these programs can slow the AIDS epidemic but we don't have the courage to do anything about it.

EK -- You can elaborate on these if you want to. I don't actually know Califano and Burke's position -- maybe Rahm could confirm for you. Also, it would be worth knowing Kevin's view, Richard's view, Ron's view, Chris or HRC's view, and dare-I-say-it, even McCaffrey's view (although that's obviously the least important) on the various options. I feel a little guilty that we're not consulting Sandy, but I don't know what to do about it.

FYI -- Kevin told me he thinks the amount of money at stake is \$30-90 million. I tried to get him to answer another question, whether there were waiting lines for needle programs. He didn't know.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Demond T. Martin (CN=Demond T. Martin/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME: 9-APR-1998 09:22:36.00

SUBJECT: Higher Education Mtg.

TO: Scott R. Palmer (CN=Scott R. Palmer/OU=PIR/O=EOP @ EOP [PIR])
READ:UNKNOWN

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

TO: Tanya E. Martin (CN=Tanya E. Martin/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

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

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

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

TO: Robert M. Shireman (CN=Robert M. Shireman/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

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

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

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

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

TEXT:

Sylvia Mathews will hold a Higher Education meeting in the Ward Rm. at 10:30am on Friday April 10.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jason S. Goldberg (CN=Jason S. Goldberg/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME: 9-APR-1998 10:23:08.00

SUBJECT: IMPORTANT: Legislative Strategy Group

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

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

TO: Janet L. Graves (CN=Janet L. Graves/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Todd P. Romero (CN=Todd P. Romero/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: Melissa G. Green (CN=Melissa G. Green/OU=OPD/O=EOP @ EOP [OPD])
READ:UNKNOWN

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

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

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

TO: RUDMAN_M (RUDMAN_M @ A1 @ CD @ VAXGTWY [UNKNOWN]) (NSC)
READ:UNKNOWN

TO: Sandra L. Via (CN=Sandra L. Via/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

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

TO: Scott R. Hynes (CN=Scott R. Hynes/O=OVP @ OVP [UNKNOWN])
READ:UNKNOWN

TO: Eleanor S. Parker (CN=Eleanor S. Parker/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

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

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

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

Records Management (Records Management @ EOP [UNKNOWN])

READ: UNKNOWN

TEXT:

The small Legislative Strategy group will meet today in Erskine's office promptly at 11:30 a.m. in Erskine's office.

Once again, only the following individuals:

Legislative Strategy

Erskine Bowles
John Podesta
Sylvia Mathews

Rahm Emanuel
Doug Sosnik
Paul Begala

Larry Stein

Ron Klain

Gene Sperlin
Bruce Reed
Sandy Berger (Mara Rudman)

Bob Rubin
Frank Raines
Jack Lew

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME: 9-APR-1998 10:29:27.00

SUBJECT: Here is the draft memo--I'll bring Elena a hard copy

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

READ:UNKNOWN

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

READ:UNKNOWN

TEXT:

===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

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April 9, 1998

MEMORANDUM FOR

FROM:

SUBJECT:

As you know, we have praised the McCain bill as a significant step forward, noting that it raises the price of cigarettes by \$1.10, assures FDA full authority to regulate tobacco, and protects farmers and farming communities. We also believe we need several key changes to the McCain bill to ensure it will meet our goals of reducing youth smoking and protecting the public health.

Youth Lookback Penalties

We believe that providing individual companies with a financial incentive to reduce youth smoking will help ensure we meet our goal of reducing youth smoking by 60 percent within 10 years. Currently, the McCain bill levies an industry-wide surcharge when the targets are missed, a cost which companies will pass onto consumers. We would recommend a company specific surcharge developed by our experts at Treasury and HHS, which would impose a \$1000 fee for every child by which a company misses the targets (i.e., if a company missed the target by 10,000 children, they would pay a fee of \$10,000,000). A \$1000 per child surcharge is twice average company yearly profits per smoker.

Currently, the McCain bill caps industry-wide penalties at \$3.5 billion. This means that the surcharge would increase the price by \$.30 per pack at most, no matter how much the industry misses the youth smoking targets by. Because the price increase resulting from industry wide penalties will provide additional deterrence to youth tobacco use, we believe we should lift the cap from \$3.5 to \$4 to \$5 billion.

We also recommend revising the McCain penalty language to ensure that both company and industry surcharges are levied based on objective outcomes. The current language requiring the federal government to show that companies engaged in bad behavior in addition to missing the

targets may subject these provisions to endless litigation.

Automated Records Management System
Hex-Dump Conversion

Price per Pack and Spending

Price per Pack

As you know, many in the public health community argue that \$1.50 per pack price increase is needed to significantly reduce youth smoking. We do not believe, however, that we should push for an additional increase in the annual industry payments in the McCain bill, because we believe that Congressional scorekeepers will estimate that the yearly payments in the bill will increase the price of cigarettes by nearly \$1.50 per pack rather than the \$1.10 we estimated. The price per pack estimate would increase if the scorekeepers assume that 1) states will use the opportunity to increase state excise taxes, further reducing the number of packs smoked and 2) the bill will significantly increase the black market for cigarettes, resulting in fewer than expected packs sold through the legitimate retail market. By reducing the number of expected packs sold, both of these changes would increase the per pack price estimate because the annual industry payment set in legislation would be spread among fewer packs, raising the price of each more.

Spending

We expect bipartisan consensus on 75-80 percent of the spending (\$10 billion over 5 years for farmers; \$10 billion for cessation, counteradvertising, and other public health programs; \$10-15 billion for NIH; and \$20-25 billion for states). The battle will be over how to divide up the remaining \$15 billion or so. Senate Republicans will seek money for Medicare; House Republicans may push Rep. Archer's proposal for health care tax deductions for small business and the self-employed; and Democrats will push for everything from child care to school construction.

As you know, in our budget, we earmark 57 percent of the state funding for child care, class size, and Medicaid outreach initiatives. As we go forward, we should argue at a minimum that a significant portion of the state funds should be used for state programs such as child care and education that are defined in a menu-like list in the legislation. For example, in the Harkin-Chafee bill, half of the state funds must be spent on one of 20 listed programs, which include child care, K-12 education, Medicaid, the Child Health Insurance Program, and Head Start.

Antitrust Exemption

The McCain bill contains antitrust exemptions for the tobacco industry which are not necessary to achieve the goals of the legislation and may have serious anticompetitive effects. The antitrust exemption is not necessary to ensure that distributors and retailers don't sell tobacco products to minors nor to allow companies to enter into agreements with the federal or state governments.

We believe we should oppose all antitrust exemptions, except for narrowly-drawn ones if necessary to restrict advertising and marketing to children.

Automated Records Management System
Hex-Dump Conversion

International Tobacco Control Efforts

As part of the public health spending noted above, we believe it is important to include significant funding (\$200 million a year) for international tobacco control efforts. We believe these funds should be spent on both governmental and non-governmental efforts to promote public health and smoking prevention efforts abroad. Such funds could be used to provide technical assistance to public health departments in other countries and finance diplomatic, media-related and grass-roots efforts to discourage youth smoking abroad.

The McCain bill has several international provisions which we believe should be amended to ensure that they do not interfere with our diplomatic and trade priorities. For example, we support the bill's effort to prohibit U.S. government support for promotion of tobacco overseas, but need to ensure that the language does not interfere with USTR's ability to negotiate tariff reductions or interfere with treatment of other products. In addition, the McCain bill contains a provision which the State Department and HHS consider problematic and unenforceable, which would require U.S. companies to abide by the new advertising and marketing restrictions when doing business in other countries. Instead, we recommend that we work on a multilateral basis through the World Health Organization to encourage other countries to adopt laws like ours.

Environmental Tobacco Smoke

We have serious concerns about the McCain bill's provisions which would allow individual states to "opt out" of the environmental tobacco smoke provisions that ensure public facilities are smoke free. This provision creates a patchwork system in which states could decide to adopt weaker laws or decide against taking any action at all, leaving many children with little or no protection from the hazards of second hand smoke.

Preemption

We believe the bill's preemption provisions may go too far in preventing state and local governments from enacting tougher anti-smoking laws if they so choose and may unfairly end local lawsuits with the tobacco industry without including local governments as beneficiaries of industry payments. [checking].

Constitutional Issues

We are prepared to recommend changes to the advertising, marketing, and other free speech-related provisions to ensure they are narrowly tailored to meet the government's compelling interest in protecting children. Provisions regulating non-commercial speech, such as forbidding companies from lobbying Congress, are particularly problematic and should be removed.

Automated Records Management System
Hex-Dump Conversion

Conclusion

In summary, we would recommend seeking these improvements:

Youth Lookback Penalties

- \$1000 for every child by which companies miss the youth smoking reduction targets
- Increase the industry-wide surcharge cap from \$3.5 to \$4-5 billion

Price and Spending

- No change in annual payment amounts
- Consensus spending on public health efforts
- Menu including child care and education for significant portion of state spending

Antitrust Exemption

- Eliminate the antitrust exemption

International Tobacco Control

- Support funding for governmental and non-governmental organizations
- Prohibit U.S. support for promotion of tobacco overseas without limiting USTR authority to negotiate treaties
- Work multilaterally through the World Health Organization to prevent companies from marketing to children overseas, but do not impose difficult-to-enforce unilateral rules

Environmental Tobacco Smoke

- Eliminate "opt-out" provision that allow states to adopt weaker laws

Preemption

- Allow state and local governments to impose stricter anti-tobacco laws
- Permit local lawsuits to proceed

Constitutional Issues

- Recommend changes to minimize Constitutional difficulties

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME: 9-APR-1998 11:05:35.00

SUBJECT: FICA/workfare

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

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

TEXT:

Charlie Salem of Gov. Chiles' office says Chiles is itching to start banging the drum again on the FICA/workfare notice issue with his fellow Governors. He has been holding back after we quietly consulted just him and Carper on the specifics of the notice right before the Feb. NGA meeting. But there is an NGA executive committee meeting in DC on April 24 (where they will focus mostly on tobacco), and Charlie says it may find its way onto the agenda by then. So perhaps that gives us a deadline in pushing Podesta.

(By the way, Treasury says their desire to do the notice is not affected by Rubin's chat with Sweeney. Rubin wants to be briefed on the issue, but Scholz is certain that that briefing will just be informational and won't alter their position.)

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME: 9-APR-1998 11:27:00.00

SUBJECT: Update on prisoners and benefits

TO: Elena Kagan (CN=Elena Kagan/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

CC: Jose Cerda III (CN=Jose Cerda III/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

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

READ:UNKNOWN

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

READ:UNKNOWN

TEXT:

We met yesterday with Rahm, Gene, Barbara Chow, and SSA on a possible radio address on stopping fraud in benefit payments to prisoners. We agreed that there is some potential in announcing that other agencies (USDA, maybe VA and others) will take advantage of SSA's big new database of prisoners to spot prisoners who are getting benefits. We will work with OMB to survey agencies for programs where this might work. SSA notes Shaw is doing an oversight hearing on SSI fraud this month and that there will be a lot of heat from Congress in coming weeks on fraud, so this would let us take the offensive a bit.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME: 9-APR-1998 11:32:55.00

SUBJECT: Conrad Priorities on McCain

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

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

TO: Cynthia Dailard (CN=Cynthia Dailard/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:

----- Forwarded by Cynthia A. Rice/OPD/EOP on 04/09/98
11:32 AM -----

Richard J. Turman
04/09/98 10:36:31 AM
Record Type: Record

To: See the distribution list at the bottom of this message
cc:
Subject: Senate Dem e-mail on Tobacco

We received a copy of the attached e-mail, that was sent to Senate Dem staff by Sen. Conrad's staff. It includes a current sense of their plans, and a summary they prepared of concerns about Sen. McCain's bill. It would be best if Sen. Conrad's staff did not know we received it -- thanks.

Subject: Preparation for Tobacco Floor Action
Author: Tom Mahr
Date: 4/8/98 5:59 PM

As most of you probably know, Senator Lott has indicated that he intends to take up tobacco legislation on the floor in late May. We are starting to gear up for Senate floor action and wanted to make sure we touched base with other offices that might want to be involved.

Our analysis is that, while it is good that a tobacco bill will be taken up on the floor, the McCain bill falls very short of meeting the public health goals that I think all of our bosses share. Attached is a preliminary critique that explains why the McCain bill is not a good, strong tobacco bill that will succeed in protection kids from tobacco.

We have talked with public health groups to identify priority areas where the bill needs to be significantly strengthened, and we are

starting to reach out to Republican offices to try to set up bipartisan working groups to help us develop amendments that would win a majority on the floor and make the bill acceptable in these areas. Here are the areas that we intend to concentrate on:

- 1) \$1.50 price increase within no more than three years
- 2) strong, company-specific look-back penalties
- 3) full, dedicated funding for tobacco control programs
- 4) no special liability protections for the tobacco industry
- 5) Strong second-hand smoke provisions
- 6) No pre-emption of stronger State or local tobacco control measures
- 7) No anti-trust protection for the tobacco industry
- 8) Full disclosure of all relevant tobacco industry documents.

We think it makes sense to make sure that people who have an interest in these issues work together rather than working at cross-purposes or developing competing approaches, none of which then can generate a majority on the floor. If your Senator is interested in working on any of the above issues, could you please let me know. Then we'll make sure that everyone with an interest is included in any working group that develops on the issue.

Also, if you have contacts with Republican offices and know of Republican Senators who may be interested in taking an active role on any of these issues, that would be very helpful information as we move forward. Please let me know.

Message Sent

To:

Joshua Gotbaum/OMB/EOP
 Melany Nakagiri/OMB/EOP
 Wm G. White/OMB/EOP
 Marc Garufi/OMB/EOP
 Jim R. Esquea/OMB/EOP
 Barry T. Clendenin/OMB/EOP
 Frank J. Seidl III/OMB/EOP
 Mark E. Miller/OMB/EOP
 Jill M. Blickstein/OMB/EOP
 Jill M. Pizzuto/OMB/EOP
 Cynthia A. Rice/OPD/EOP

===== ATTACHMENT 1 =====
 ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

WPC|

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□<DL!T\$&) \+-□0d24XT□2DXX#2D2DM#2D2DPreliminaryAnalysisoftheCommerceCommitteeBill
 1 □□#XX2D#XXXX'XXXXTheCommerceCommitteebill, although it improves upon the deficit
 June 20th proposal, falls p short on key public health requirements while giving the tobacco
 industry unprecedented legal liability protection. It does not include a sufficient price
 increase or look-back penalties. The FDA title, while passable, leaves FDA regulation un-
 necessarily open to legal challenge. The retailer compliance provisions are weak. The docu-
 ment provisions are cumbersome. An unnecessary anti-trust exemption creates an opportunity
 for the industry to dramatically increase its profits. And states and localities remain limi-
 ted in their ability to enact tough tobacco control laws. □ Price Increase is Inadequate @
 □ Public health experts and economists agree that a healthy price increase is the single most ef-
 fective way to significantly reduce youth smoking rates. They have concluded that a
 price increase of at least \$1.50 per pack together with a range of youth smoking reduction
 targets set out in the legislation. The McCain bill provides a price increase of only \$1.10
 per pack in the fifth year and thereafter. This means that, each year, more than 150,000 youth
 will start smoking who would not have started if the price had been increased the full \$1.50
 per pack. More than 50,000 of these children start smoking each year because of the inade-
 quate price increase. They will eventually die prematurely of tobacco-related disease--or
 about the same number of Americans as died during the entire Vietnam War. Although the tobacco
 industry and others have asserted that a \$1.10 real price increase at the manufacturer level
 will somehow turn into a \$1.50 real price increase at retail, the Treasury Department, Fed-
 eral Trade Commission and the vast majority of economists and industry analysts agree that
 the retailer will be a significant mark-up. In fact, some analysts predict that manufac-
 turers would respond to a price increase of \$1.10 by squeezing retailer and distributor mar-
 gins. Similarly, although the tobacco industry tries to raise the specter of a black market,
 Treasury and BATF say there is no more significant likelihood of a black market with a
 \$1.50 price increase than with a \$1.10 price increase. □ Look-back Provisions are Weak
 and Ineffective \$! □ Effective look-back penalties can change the current incentives
 that drive tobacco manufacturers to "market to children. Currently, manufacturers know
 that children are the only available source of replacement smokers to take the place of
 the 2 million Americans who quit or die each year. If someone does not start smoking as a
 child, he or she is extremely unlikely to start smoking as an adult. Moreover, tobacco
 manufacturers know that smokers are very loyal to the first regular brand smoked. Taken
 together, these facts mean that tobacco manufacturers would not be serving their share-
 holders' interests if they did not market to children because they would be giving up
 their future market. Strong look-back penalties turn this incentive structure upside-down.
 They create

an affirmative market incentive for tobacco manufacturers to put to good use the knowl-
 edge they have accumulated about how to get children to start smoking and instead get
 children to use tobacco products.

Unfortunately, the McCain look-back will not do this. First, they do not impose the pen-
 alty on a company-specific basis. Imposing them industry-wide creates a perverse disin-
 centive for companies to reduce youth smoking of their brands because they will still be
 penalized if the rest of the industry builds future market share by continuing to sell to
 children. Second, the penalties are too small. They amount to only 1/3 of 1 cent per pack
 for the first five percentage points by which the target is missed, 2/3 cent for the
 next five percentage points, and 1 cent for the next 10 percentage points. They are cap-
 ped at \$3.6 billion, or 15 cents per pack. This small penalty can easily be absorbed
 by the companies or passed along to consumers, and is not sufficient to change com-
 panies' behavior. Finally, the methodology used in calculating the look-backs is
 skewed to under-report youth smoking rates. □ FDA Authority Opens FDA to Unneces-
 sary Legal Challenges

□ The Chairman's market attempt to transfer authority over tobacco products from the
 drug/device Chapter of FDA law into a new Chapter. This could prove to be a full-
 employment act for tobacco industry lawyers. It will create new openings for the
 tobacco industry to challenge the FDA rule because it was promulgated under the
 drug/device authority. And it will create additional opportunities to challenge any
 regulations necessary to implement the new Chapter, because it will not have the
 benefit of decades of agency practice, case law, interpretations, or any other
 history to which the courts generally give great deference. The

ere is no reason to run this risk; tobacco products should be regulated as drugs and devices. □ Tobacco Control Programs 0 □ The mark includes authorization for a variety of tobacco control programs. Although Senator p McCain repeatedly said that he intended to fund these programs from tobacco revenues and not leave them subject to annual appropriations, that is not reflected in the current draft. Fully funding these programs is critical to the success of tobacco legislation. □ Youth Access Restrictions Not Tough Enough □ Research shows that unless the retailer compliance rate reaches at least 90%, children will continue to have easy access to tobacco products. It's just too easy for children to go to the retailer that are known to sell to minors. A compliance rate of 95% is necessary to produce significant reductions in youth access to tobacco products. The McCain mark only provides for 75% compliance in year 5, 85% compliance in year 7, and 90% compliance in year 10. These compliance targets are not tough enough to serve as an effective complement to the other provisions in the bill. In fact, they increase the likelihood that the youth smoking reduction targets will not be reached and put an increased burden on manufacturers. These targets, and the penalties for missing the targets, should be strengthened to ensure that retailers and the States do their part in reducing youth tobacco use. □ Environmental Tobacco Smoke Protections are Weak +p&) □ Recent studies confirm that ETS causes significant and lasting health damage. Yet the McCain bill , `* fails to set a minimum Federal floor to protect against ETS exposure. It allows States to opt-out of the minimum standards. In addition, it exempts all non-fast food restaurants from the provisions -@), and provides no special protections for facilities -- such as schools or day care centers -- where children are most likely to be exposed to ETS. Finally, the non-pre-emption language fails to override inconsistent provisions of OSHA law, and would therefore prohibit many States from enacting tougher ETS laws. □ Anti-Trust Exemption Could Vastly Increase Industry Profits □ Although the provision is described as a limited anti-trust exemption, its provisions would appear P to allow companies to collude and fix prices to comply with the Act. In fact, when coupled with the pass-through requirement and penalties for failing to pass through the price increases, the McCain mark appears to create an incentive for companies to conspire to increase prices above the amount necessary to achieve the price increases set out in the mark. As the Federal Trade Commission analysis of the proposed settlement concluded last year, this would allow the companies to earn monopoly profits far in excess of those they currently earn. The FTC has testified that the anti-trust exemption is unnecessary and dangerous. It should be dropped. □ State and Local Pre-emption Fail to Allow States to Act □ Although the McCain mark purports not to pre-empt stronger regulation at the State or local level, this non-pre-emption is in fact quite limited. It fails to override existing preemptive language in Federal statutes, such as the Federal Cigarette Labeling Act. □ Document Disclosure is Cumbersome p □ The tobacco industry has hidden behind misuse of the attorney-client privilege for years. The Court ` in Minnesota has ruled that the industry has abused this privilege to shield thousands of documents, and has ordered them released to the State of Minnesota in its trial. Particularly given that the McCain bill gives the industry partial legal immunity, the public has a right to know what the industry has known and done about the health effects of tobacco products, the addictiveness of nicotine, and marketing aimed at children. The McCain bill, though, sets up a cumbersome process whereby documents for which the industry claims attorney-client privilege -- including those that have been ordered produced in Minnesota -- could continue to be shielded for years. The bill also gives extraordinary deference to industry claims of trade secret protection, giving the industry yet another defense against the production of documents that could reveal critical public health information. □ International and Anti-Smuggling □ #! The McCain mark provided strong international provisions to protect children overseas from the danger of tobacco products. It also includes anti-smuggling provisions that will help prevent the development of a black market for tobacco products in this country. These provisions are opposed by Senators Ford and Hollings. At the end of the Committee mark-up, an agreement was reached that Senators Hollings, Ford and Wyden would try to reach an agreement on this language. It is not clear what will happen if no agreement is reached, but they may be dropped from the bill. □ Liability Limits Give Industry Unprecedented Protection +p&) □ The full Senate voted overwhelmingly (79-19) on the budget resolution for an amendment , `*`

expressing the sense of the Senate that tobacco legislation should not provide immunity to the e -P(+ tobacco industry, yet the McCain bill provides unprecedented legal protection to tobacco industry.

The tobacco industry, of all industries, does not deserve this special, privileged protection. It has misled the American public and the Congress about the health effects of tobacco use, the addictiveness of nicotine and its manipulation of nicotine to make it more addictive, and its effort to market its products to children. It is supremely ironic that the proposal limit victims' rights for recovery -- and ask them to pay for the privilege through higher prices on tobacco products. □ Caps

□ Liability caps will inevitably delay or deny justice to victims of the tobacco industry. By limiting

the recovery for those who die from tobacco-related diseases to an average of just \$16,250 per death, a \$6.5 billion cap severely discounts the value of human life. Moreover, it plays into the industry's strategy of protracted legal battles that become too expensive for plaintiffs to pursue. In addition, the \$6.5 billion cap amounts to pennies on the dollar compared to the potential liability of the tobacco industry. The Treasury Department recently estimated that tobacco costs our society \$130 billion each year. The potential liability exposure of the tobacco industry for damages based on past actions of the companies could easily exceed \$2 trillion dollars, excluding punitive damage claims. At \$6.5 billion per year, it would take 300 years for the tobacco industry to pay these damages in full. These caps will provide a huge financial windfall to the tobacco companies. Wall Street analysts report that tobacco stock prices include a litigation discount that reduces their value. Providing certainty by imposing caps will reduce this discount, providing a windfall to company executives and shareholders. That is, rather than putting the industry's extensive assets to work for its victims, it increases the industry's assets by protecting them from the victims. Finally, administering the caps fairly and rationally would be extremely difficult. Who would decide which judgment or settlement awards get priority and which ones are delayed? □ Other Issues ! □ In addition to the problems created by the caps, the McCain proposal contains several other troubling "features." First, it bars all addiction and dependence claims. Although the intent of this provision is not clear (particularly when viewed in conjunction with the general causation assumption that stipulates that nicotine is addictive), it would appear to block any argument to evidence based on addiction. This has very important implications. It rules out the only possible argument that can be used to counter the industry's assumption of risk argument. (The industry argues that because smokers should have known of the danger but continued to use the product, they assumed the responsibility for anything that happened and the industry cannot be held liable; the only counter to this argument is that the smoker was not able to exercise any choice because he or she was addicted. It is not clear how the general causation assumption would affect the assumption of risk argument. Certainly, the industry would appear to be able to use the assumption of risk argument so long as it can rebut specific claims of addiction. If an individual cannot make a claim of addiction, it would be hard to counter the industry's claim that addiction was not present in a specific, individual case.) -@), This would appear to give the industry a virtually invincible defense against all individual cases or class actions. Second, the McCain proposal bars the use of any evidence relating to the development of reduced risk products after the date of enactment. If the industry could have produced a reduced risk product but chose not to, this is a very material fact in proving that the industry was reckless or negligent in designing a defective product. Even though this applies only to future development efforts, the very fact that the industry could easily develop a reduced risk product would be relevant to a jury's decision on a company's past behavior -- particularly if the discovery were to uncover references to previous research on similar efforts that were abandoned as infeasible or unpromising. Barring this evidence adds yet another layer to the industry's armor. Third, the McCain proposal appears to limit punitive damages for future conduct by the industry, giving it a safe harbor if it complies with the terms of the McCain bill. This safe harbor would appear to apply even in cases of misconduct that was not anticipated by the McCain bill. Fourth, the Commerce Committee bill appears to allow domestic tobacco companies to sever their affiliation with domestic non-tobacco corporate parents and siblings and international tobacco operations. This would allow the tobacco industry to shield tens of billions of dollars in assets from victims. Finally, although some assert that caps are necessary, none of the arguments put forward in support of this assertion withstand careful scrutiny. First, some argue that the companies will go bankrupt if we do not cap their liability, and then victims will be left with nothing. This is just not true. The industry has such substantial assets, that bankruptcy is an extremely unlikely prospect. Even if an individual company were to go bankrupt, however, this does not mean that victims get nothing. Under bankruptcy, the company's assets would be organized for the benefit of victims; under a cap, as noted above, the company's assets are enriched at the ex-

pense of victims. Second, some argue that there will be a rush to the courthouse if we do not impose caps. In fact, caps may discourage lawsuits, because the limit on recovery would make the expense of litigating against the tobacco industry a poor investment. Third, some argue that we need to give the industry this liability protection in order to obtain its cooperation on advertising restrictions. However, the industry has made clear that it will oppose the Commerce Committee bill and will not cooperate, so we may be buying nothing with these caps. Most likely, the industry is bluffing; we believe that the industry would sign consent decrees for the far more limited purpose and protection of resolving just governmental claims. In any case, even if the industry signs consent decrees, there is no guarantee that these consent decrees will be Constitutional or enforceable. If not, the Congress will have given the industry an extraordinary benefit and gained nothing in return. This is not a gamble the Congress should take. Mitigating Factors 0*(The McCain proposal includes a general causation presumption that nicotine is addictive and that +p) certain diseases are caused by tobacco. This is an important move in the direction of providing balance to the proposal. However, it does not offset the effect of the cap on liability or other special legal protections provided to the industry. #XXXX#===== END ATTACHMENT 1 =====

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME: 9-APR-1998 12:28:38.00

SUBJECT: here's the update on preemption for the memo Elena is editing

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

READ:UNKNOWN

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

READ:UNKNOWN

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

READ:UNKNOWN

TEXT:

The McCain bill ends local lawsuits with the tobacco industry without including local governments as beneficiaries of industry payments. In addition, the bill does not repeal current law which prohibits state and local governments from enacting tougher advertising restrictions. However the bill allows state and locals to enact tougher access restrictions.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jason S. Goldberg (CN=Jason S. Goldberg/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME: 9-APR-1998 12:33:48.00

SUBJECT: MONDAY: Legislative Strategy Group

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

READ:UNKNOWN

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

READ:UNKNOWN

TO: Janet L. Graves (CN=Janet L. Graves/OU=OMB/O=EOP @ EOP [OMB])

READ:UNKNOWN

TO: Todd P. Romero (CN=Todd P. Romero/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: Melissa G. Green (CN=Melissa G. Green/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TO: Michelle Crisci (CN=Michelle Crisci/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

TO: Demond T. Martin (CN=Demond T. Martin/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

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

READ:UNKNOWN

TO: RUDMAN_M (RUDMAN_M @ A1 @ CD @ VAXGTWY [UNKNOWN]) (NSC)

READ:UNKNOWN

TO: Sandra L. Via (CN=Sandra L. Via/OU=OMB/O=EOP @ EOP [OMB])

READ:UNKNOWN

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

READ:UNKNOWN

TO: Scott R. Hynes (CN=Scott R. Hynes/O=OVP @ OVP [UNKNOWN])

READ:UNKNOWN

TO: Eleanor S. Parker (CN=Eleanor S. Parker/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

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

READ:UNKNOWN

TO: Carole A. Parmelee (CN=Carole A. Parmelee/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

TO: Dawn L. Smalls (CN=Dawn L. Smalls/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

Records Management (Records Management @ EOP [UNKNOWN])

READ: UNKNOWN

TEXT:

The small Legislative Strategy group will meet Monday in Erskine's office at 4:00 a.m. in Erskine's office.

Once again, only the following individuals:

Legislative Strategy

Erskine Bowles
John Podesta
Sylvia Mathews

Rahm Emanuel
Doug Sosnik
Paul Begala

Larry Stein

Ron Klain

Gene Sperlin
Bruce Reed
Sandy Berger (Mara Rudman)

Bob Rubin
Frank Raines
Jack Lew

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Jason S. Goldberg (CN=Jason S. Goldberg/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME: 9-APR-1998 12:34:41.00

SUBJECT: MONDAY: Legislative Strategy Group

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

READ:UNKNOWN

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

READ:UNKNOWN

TO: Janet L. Graves (CN=Janet L. Graves/OU=OMB/O=EOP @ EOP [OMB])

READ:UNKNOWN

TO: Todd P. Romero (CN=Todd P. Romero/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: Melissa G. Green (CN=Melissa G. Green/OU=OPD/O=EOP @ EOP [OPD])

READ:UNKNOWN

TO: Michelle Crisci (CN=Michelle Crisci/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

TO: Demond T. Martin (CN=Demond T. Martin/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

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

READ:UNKNOWN

TO: RUDMAN_M (RUDMAN_M @ A1 @ CD @ VAXGTWY [UNKNOWN]) (NSC)

READ:UNKNOWN

TO: Sandra L. Via (CN=Sandra L. Via/OU=OMB/O=EOP @ EOP [OMB])

READ:UNKNOWN

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

READ:UNKNOWN

TO: Scott R. Hynes (CN=Scott R. Hynes/O=OVP @ OVP [UNKNOWN])

READ:UNKNOWN

TO: Eleanor S. Parker (CN=Eleanor S. Parker/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

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

READ:UNKNOWN

TO: Carole A. Parmelee (CN=Carole A. Parmelee/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

TO: Dawn L. Smalls (CN=Dawn L. Smalls/OU=WHO/O=EOP @ EOP [WHO])

READ:UNKNOWN

Records Management (Records Management @ EOP [UNKNOWN])

READ:UNKNOWN

TEXT:

The small Legislative Strategy group will meet Monday in Erskine's office at 4:00 p.m. in Erskine's office.

Once again, only the following individuals:

Legislative Strategy

Erskine Bowles
John Podesta
Sylvia Mathews

Rahm Emanuel
Doug Sosnik
Paul Begala

Larry Stein

Ron Klain

Gene Sperlin
Bruce Reed
Sandy Berger (Mara Rudman)

Bob Rubin
Frank Raines
Jack Lew

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME: 9-APR-1998 12:50:13.00

SUBJECT: FYI--VP remarks for this afternoon's w2w event

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

TEXT:

The event is 2-2:45. Panel includes Lachance, Herman, Mort Downey, Jim Sines (VP for Purchasing at United Airlines), and Lillie Bedney (former recipient now working at OPM). NPR staff expect up to 250 people--mainly businesses/contractors. We should also have good press coverage (Pear, Wolf and others). Partnership is actively involved and pleased. Theres' a reception followingin Indian Treaty Room--feel free to drop by.
----- Forwarded by Andrea Kane/OPD/EOP on 04/09/98 12:45 PM -----

Thomas M. Rosshirt @ OVP
04/09/98 12:40:08 PM
Record Type: Record

To: Andrea Kane/OPD/EOP
cc:
Subject: Re: remarks for this afternoon's w2w

===== ATTACHMENT 1 =====
ATT CREATION TIME/DATE: 0 00:00:00.00

TEXT:

Unable to convert ARMS_EXT:[ATTACH.D21]MAIL43254589S.026 to ASCII,
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**Talking Points for Vice President Al Gore
Federal Welfare-to-Work Hiring Program
Thursday, April 9, 1998**

I'm pleased to be here today to make an important announcement about our progress in hiring people off welfare and into available jobs in the government -- to do our share to replace welfare checks with paychecks.

Before President Clinton and I took office, only two years out of the previous sixty saw the welfare caseload drop more than a quarter million. Now we are about to have our third straight annual decline of more than one million, for a total drop of 4.3 million since January of 1993. This performance is so far out ahead of any previous administration's that if it were a footrace, no one would have the time to wait and see who finished second.

Our philosophy on welfare reform is simple: most people on welfare want to be productive members of society, but they have been locked in a system with all the wrong incentives. We've changed all that. By working with the states, and by passing a national welfare reform law, we have made welfare a second chance, not a way of life. But that means we must do everything we can to make sure welfare recipients can find work.

That's why President Clinton and I have launched a comprehensive initiative to help welfare recipients find and keep good jobs. Our plan includes welfare to work grants, housing vouchers, transportation grants, and mentoring programs. We're offering states a big bonus for moving more people into work. But most importantly, we have helped mobilize the business community to hire welfare recipients through our Welfare-to-Work Partnership, which now boasts 3,000 employers.

As part of that initiative, the President asked me -- one year ago -- to spearhead an effort to hire at least 10,000 welfare recipients into available jobs in the government by the year 2000.

I am delighted to announce today that federal agencies -- in the past year -- have hired more than 3,600 former welfare recipients.

In other words, we are **less than one-third of the way toward our deadline, and more than one-third of the way toward our goal.**

We owe thanks to our agency heads, and to the federal employees involved in recruiting, mentoring and training. But we especially owe our thanks to the former welfare recipients themselves.

Everyone knows the zeal of a new convert -- whether it's someone who just found the joy of personal renewal through physical exercise, or a healthy new diet, or giving up tobacco. The employers who have hired welfare recipients have found that this same spirit of self-renewal animates people who re-discover the virtue and satisfaction of a hard day's work. Their enthusiasm is infectious, and they can often boost the morale of the entire office just by their willingness to work and their eagerness to learn.

That's a big reason why business members of our Welfare-to-Work Partnership have been making commitments to hire welfare recipients: they are productive, they have low turnover, and they come with tax incentives. The fact is, hiring welfare recipients is not an act of charity; it is an act of economic self-interest.

And now our business partners are sharing that message. In a meeting with the Welfare-to-Work Partnership late last year, I learned from Gerry Greenwald that United Air Lines and a lot of the other partners have had great success encouraging their contractors and suppliers to hire former welfare recipients.

Our efforts in Reinventing Government have taught me never to overlook a good idea from the private sector, and so I passed this idea on to our agencies. They have pursued innovative approaches to encourage federal contractors and suppliers to hire welfare recipients, and based on the early results of their efforts, I am convinced it is something we should do all across the government.

Therefore, I am asking every federal agency to encourage their contractors and suppliers to join us in a voluntary effort to recruit, mentor, and train welfare recipients, and help us accelerate our efforts to move people from welfare to work.

Together, we can make responsibility a way of life, all across America.

Now, I'd like to begin a brief discussion with our panel to hear about the successes of private businesses and federal agencies in putting welfare recipients to work ...

Question for Janice Lachance, Director of OPM

Janice, what are the basics of making the welfare to work program succeed in OPM?

Question for Alexis Herman, Secretary of Labor

Alexis, I know job retention is key in the success of moving people from welfare to work. Based on what you heard on your tour, and what you're doing in your own agency, what retention strategies do you recommend?

Question for Mort Downey, Deputy Secretary of Transportation

Mort, what are the transportation challenges faced by those moving from welfare to work - and what can we do to address them?

Question for Jim Sines, Vice President, United Airlines

Jim, United Airlines has already done what I'm asking federal agencies to do - you've urged your contractors to get involved in welfare-to-work. Tell us how you did it, and how it's working?

Question for Lillie Bedney, currently OPM employee

Lillie, now that you're such a success at OPM, what are your plans for the future?

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73

