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CLINTON ADMINISTRATION ECONOMIC ADVISERS HOLD NEWS BRIEFING

ON FISCAL YEAR 2000 BUDGET

FEBRUARY 1, 1999

SPEAKERS: ROBERT RUBIN, SECRETARY OF TREASURY

GENE SPERLING, ASSISTANT TO THE PRESIDENT FOR

ECONOMIC POLICY

JACK LEW, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

JANET YELLEN, CHAIR, COUNCIL OF ECONOMIC ADVISERS

SYLVIA MATHEWS, COUNSELOR TO THE DIRECTOR, OFFICE OF

MANAGEMENT AND BUDGET

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SPERLING: Welcome. This is our seventh budget briefing in the president and vice president's tenure.

For six years, President Clinton and Vice President Gore have had a clear fiscal strategy. On one hand, we needed to reduce the public budget deficit so that we could increase savings, lower interest rates and spur private sector investment.

At the same time, we needed to increase our target investment in education, health care and research to increase the productivity of our people. This two-tier, this two-fold investment strategy has clearly worked for the American people.

The Congressional Budget Office projected that the deficit that we would face this year when we came in was $404 billion. Instead, we now project a $79 billion surplus. That is a $483 billion difference in the amount of money available to our private markets, to homeowners, to people starting businesses. That is the amount of amount of money that is now available for savings, for investment, because of the turnaround in our fiscal policy.

Indeed, all of the doubling in national savings from 3.1 to 6.7 percent since President Clinton has taken office has been a result of the federal deficit reduction.

With this lower interest rates, productive investment is at historic levels and has grown double digit for more than six years in a row. At the same time, the president's efforts in doubling key education training initiatives -- Headstart, we now spend $2.5 billion more per year than when we came in. Education technology has gone from 23 million to nearly 800 million in this budget. WIC, the Women, Infant Children program, now serves 1.8 million more people. These are some of the results of the strategy of reducing the deficit, having fiscal discipline and yet having a focus on investing in the productivity and potential of the American people at the same time.

In the president's State of the Union address, he clearly launched a new national debate on how our country should best allocate surpluses in a period of prosperity. And the president's fundamental message was a clear one, with the budget deficit cured, but a long- term retirement deficit looming, the fiscally and financially responsible way for this nation to deal with this period of surpluses is not to consume them a day -- today and turn a blind eye to the retirement challenges of tomorrow, but rather to save and invest them.

SPERLING: At the core of the president's proposal is a debt reduction lock box for Social Security and Medicare, a debt reduction lock box of nearly $3 trillion that will strengthen our economy, increase savings rates, and at the same time improve the solvency of Social Security and Medicare.

The impact of this plan is dramatic, as Jack Lew, will go over. More -- in just six years from now we will have taken the debt to below where it was when Ronald Reagan took office in 1981, essentially wiping out the increase in our publicly held debt as a percentage of GDP, and it will fall to 7.1 percent of GDP by 2014, its lowest level since 1917.

We are ready and willing and in fact we think it is essential that we work in a bipartisan effort with the Congress to extend the solvency of Social Security for 75 years and to modernize Medicare and to make sure that it is not only solvent to 2020, but that it has the market incentives and modernization it needs to wok in the next century and to free the resources that can help it be a better program that can include prescription drugs.

I do not to make the following point, though, to those who have offered more criticisms than constructive suggestions, which is that the president as an opening start in the dialogue on our surpluses put forward a plan that was scored by the independent actuaries of Social Security and Medicare, the same actuaries who have independently scored these through Democratic and Republican administration for 30 years. What these show is that Social Security would be solvent to 2055 and Medicare would be solvent to 2020.

This is not good enough. We need to work in a bipartisan way to do more, to get Social Security solvent for at least 75 years and to modernize Medicare and include prescription drugs.

But I do think it would be a worthy challenge of many of the president's critics to at least come forward with an opening proposal that shows how they would get Social Security to at least 2055 and Medicare solvent to at least 2020, under their principles, under their suggestions, before any of us come forward with proposals for popular spending or tax cut programs for today.

I think it would be reasonable for everyone to show how they are going to meet the test of extending the solvency and strength of Medicare and Social Security first. That's an important test, I think, for anyone who wants to have a fiscally responsible plan for the future in this new national debate of how best 0to allocate surpluses.

SPERLING: Before I turn over to Janet Yellen, I do want to comment that there are many, many people who have been part of this budget team. The president created a National Economic Council six years ago to make sure that we functioned as a team, that we all worked together. And this is the seventh budget that has been put forward with Jack Lew's leadership, the OMB director's leadership, but operating and functioning as a team.

Some of the people I would just like to mention quickly on the OMB staff who have been critical are Josh Gofum (ph), Ed DeSeve, Bob Kyle, Elgie Holstein, Barbara Chow, Dan Mendelson, Michael Deich and Dick Emery.

I'd also like to mention my counterpart, the Domestic Policy Council, Bruce Reed and his deputy, Elena Kagan, their critical role in the development of the tobacco and education and crime proposals, as well as Sally Katzen and Chuck Marr on my own staff.

And finally, two people who've been here right from the very start, Joe Minnerick (ph) and Alan Cohen (ph). There are many, many others at OMB and Treasury and the White House, but I'd like to mention, I'd like to just have mentioned them and thank them for their excellent work.

I'm going to be followed by Janet Yellen, our chair of the Council of Economic Advisers, who will talk about the economic assumptions. Secretary Rubin will follow to talk about our tax initiatives, and then Jack Lew will follow with the overall framework of our budget.

Also with me is Sylvia Mathews, many of you know as the chief of staff, former chief of staff at Treasury, and the former deputy chief of staff in the White House. She is now the number two person deputy director of OMB. And also all of you know Larry Summers, who will be available for questions as well, who is the deputy secretary of treasury.

With that, I will turn things over to Janet Yellen.

YELLEN: Thank you, Gene. As Gene indicated, my job is to describe the administration's economic forecast that's contained in the budget that was released today.

Before I do that, let me first say that for the past six years, this administration has established a strong reputation for using credible, conservative economic forecasts in its budget projections.

The administration's economic forecasting team was committed to ensuring that our budget balancing efforts would be based on realistic assumptions about the economy's performance, and not on rosy scenarios. And I believe that the assumptions in this year's budget are similarly credible and are consistent with the views of a consensus of economic forecasters.

YELLEN: The economy's performance over the past six years has been extraordinary. Our nation is currently enjoying the longest peacetime expansion in American history.

Since 1993, almost 18 million new jobs have been created, 2.9 million of them just this past year. Unemployment has been below five percent since July of

1997 and inflation stands at its lowest level in three decades.

Real wages have grown more over the course of this expansion than in the 1980s. Although, growth over the last several years has exceeded our expectations, we believed that it would not be wise for budgetary purposes to count on a continuation of growth at its recent extraordinary pace.

Looking ahead, we expect this economic expansion to continue with new jobs created and real wages continuing to grow. But we're projecting real GDP growth at a slower, two percent annual rate over the next three years.

At the same time, the unemployment rate is projected to edge up slightly. Inflation, as measured by the Consumer Price Index, is projected to increase at 2.3 percent annual rate next year which is about the same as the increase in the core CPI, that's the CPI excluding food and energy, over the past year.

After 2001 real GDP growth is projected to resume its assumed trend growth rate of 2.4 percent and the unemployment rate is projected to stabilize at 5.3 percent. Our economic projects are very similar to those in our mid-session review last May. And the differences stem largely from integrating the better than expected economic performance during the past year.

Our projections are also close to those private forecasters and those of the Congressional Budget Office. The shift to more moderate growth in 1999 reflects the view that tight labor markets are apt to constrain growth in the near term while several components of domestic demand may be poised to grow at slower rates.

YELLEN:.Consumption in particular has been growing faster than income and may be likely to slow to a solid but sustainable pace.

But it's important to note that our assumed real growth rates are not the best that this administration believes the economy can achieve. The outcome certainly could be better.

Let me conclude by saying that the U.S. economy remained strong in 1998 despite a serious weakening in the international economy, and the economy's ability to weather these storms is testimony to the soundness of the policies of the past six years and to the underlying strength of the current expansion.

At present, there is no evidence of domestic imbalances that would threaten the outlook for continued growth.

I'd like to stop there and turn the podium over to Secretary Rubin, who will focus more on the tax side of the budget.

RUBIN: Thank you, Janet.

Let me start with one personal comment if I may and then I'll comment for a moment on taxes. I started as a number of the people on the podium did -- not the podium, I'm the only one at the podium -- a number of the people on -- up here did. At the beginning of this administration, during the transition actually, I don't think any of us could have imagined, I know I could not have imagined, that we would go from a period of the very high deficits of the '80s and early '90s to the remarkable period we're in right now, with large surpluses, and have already begun the reduction of our debt with the projections that we have in this budget of continued surpluses and a continued reduction of our debt.

Larry Summers (OFF-MIKE) this outside, if Larry looked at a foreign economy that had accomplished this in this period of time and was looking forward to the enormous debt reduction that is projected in this budget, I think he would look at it and say that is a truly remarkable economy -- a remarkable economic achievement, number one. And number two, that is an economy that really is well positioned to do well economically in the future.

Having said that, let me say a word about the president's tax proposals. The president has proposed 34 billion in targeted tax cuts, all of which are fully paid for. I believe that you have a document there that describes the specific proposals. Let me just focus on two things if I may.

First, within that 34 billion there's 11.7 billion of new targeted tax initiatives. These include a $1000 tax credit to help compensate families for the cost of long-term care, either for the taxpayer or for an ailing relative.

RUBIN: There was also a $700 tax credit to assist workers with disability. And there's a tax relief for a parent who stays at home taking care of a very young child, which is in addition to our child care tax credit that we proposed last year.

Secondly, our budget deals with a very important problem that has developed: The proliferation of corporate tax shelters. Corporate tax shelters are defined as transactions that have for practical purposes virtually no pre-tax economic effect, or very little pre-tax economic effect, and that are done overwhelmingly for tax purposes, and that don't have particular sanction in the tax code.

These kinds of tax shelters violate the intent of Congress, they violate the code. They clearly erode the corporate tax base, and they breed disrespect for the tax law.

We have two sets of proposals. One is generic, that is to say, proposals that are designed to deter this activity in general. And then secondly, we take a number of known, specific corporate tax shelters, and we act against those.

We're going to continue to focus on this at the Treasury Department, and we look forward to working with Congress and their staffs to attack and deal with this very important problem.

The tax proposals as I just described them are a very important part of the president's budget, and I believe it is a budget that's been extremely well put together with respect to meeting the economic and social challenges that lie ahead for this country.

With that, let me introduce OMB Director Jack Lew.

LEW: Thank you. I thought I would walk through the structure of the budget, which we will have some pictures here to perhaps help explain it.

The president sent a budget to Congress today which is the third consecutive budget that will be in a surplus. This is an accomplishment which I think is underscored by the fact that it's the first time in a half a century that anyone could stand up here and say that.

What this budget does is it charts a way into the next century for long-term fiscal discipline and investment in our priorities.

We've an enormous opportunity with the new surplus. We're going to show you a picture that I think you're all familiar with, which we've been using for the last several years. There used to be a lot more red on it. What we've done is worth taking a moment to remark on.

We've eliminated $3.1 trillion of deficits since 1980, and the green that you see there were projected deficits where when we started, we were looking at $5.2 trillion of deficits from 1993 through 2004. We're now looking at $1 trillion of surpluses.

This is an accomplishment that also puts a responsibility on us, to make the decisions that will keep this kind of economic record going forward in the future.

Fiscal discipline has helped bring about the longest peacetime expansion in many decades. The economy has created 17.7 million new jobs. I think Gene and Secretary Rubin have gone through the many economic statistics that underscore how important the budget is to long-term economic prosperity.

In terms of the tax burden on American families, I think we have to begin by noting that the typical family of four has seen its tax burden go down, not up. If you look at the median family, a family of about $45,000 a year, they're paying lower income and payroll taxes than at any time in 23 years.

Family at half the median level is actually receiving money back because of the changes in the earned income tax credit and the child care credit.

LEW: Even a family at twice that level is paying the lowest taxes to the share of income than any point since 1977.

We have balanced the budget and we are running a surplus because we have controlled federal spending. The budget in the year 2000 will continue the trend that we have followed for the last six years. It will reduce the size of government as a percentage of the economy year after year after year.

This year it will be lower than it was last year, as each budget has been lower than the year before it and lower than in either of the two previous administrations.

A key element in the administration's ability to expand investments while reducing the size of government has been the reinvention of government. We have reduced the size of the federal civilian workforce by more than 345,000.

We have the smallest federal workforce since 1931. We are doing more with less, and we are getting more for the tax dollars the American people spend.

Gene's gone through the numbers about what the deficits will project it to be. And at the risk of repetition, I am just going to underscore them because they really need to be understood. The numbers are too large to say just once.

In 1993, we were projecting deficits of $390 billion a year for 1998, five percent of the economy. Instead, we ran a surplus. By 2003, the projections were for over $600 billion a year, in one year alone with that sea of green ink at the bottom.

By taking tough action in 1993 and finishing the job in 1997, we have now created the opportunity to chart a path of how we budget with surpluses for the next generation. This morning, the president used this chart, which I think summarizes the story of this budget better than all the others.

When the president took office six years ago and we were looking at the seas of deficits, the debt -- the total amount that the government has borrowed from the public -- was doubling from 25 to 50 percent as a share of GDP, 1980 to 1992.

The framework that the president set forward will reduce the total size of the government debt to seven percent, the lowest level since the beginning of -- since the United States entered World War I.

The framework for Social Security reform and long term -- the other chart. The framework for Social Security reform and long term fiscal discipline that the president laid out accomplishes this by devoting the lion's share to savings and to setting aside resources for the future.

LEW: The 62 percent dedicated to Social Security, the 15 percent dedicated to Medicare -- what that's saying is we're going to set this money aside, we're going to put it in the Social Security trust fund, we're not going to spend it today, so that we can have it tomorrow to pay the benefits that are already due.

The two pieces of the president's plan that actually do commit resources are the universal savings accounts, which are a tax incentive for savings to increase the retirement savings that Americans have in the future, and in investment in military readiness and other critical investments. We think it is a prudent, balanced package.

But it's that green area, which is the savings that contributes to the reduction in debt held by the public. The piece that's in equities doesn't technically reduce the debt held by the public, but it does set aside an asset, corporate equities, that will be held by the trust fund, so it does increase savings.

Why don't we go to the next chart.

There have been a lot of questions about the accounting behind the president's budget, and I think we need to underscore a very, very basic point. Every dollar that's in the unified budget surplus can only be spent once. It's either going to go to a tax cut or a spending increase, to debt reduction, or to what the president's proposed, which is both debt reduction and setting aside assets for Social Security and Medicare.

Tax cut or spending have the same effect: they create future obligations, they add to the public debt, and they don't put another penny into the Social Security trust fund.

I think we've agreed with the economic view that debt reduction has many virtues, with or without the Social Security investment. It reduces the public debt without adding any new obligations, but it too doesn't set a penny aside for the Social Security or Medicare trust funds.

What the president has proposed is to put the money into the trust fund, to reduce the public debt, to not take on any new obligations, and to increase the assets that are there for Social Security and Medicare in the future.

We've been struggling to try and boil down to a fairly simple statement why this all works, and I think this picture tells the story and the president referred to it earlier this morning. When we in 1993 were projecting interest as a share of the budget for the year 2014, the last year of the 15-year period that we're now looking at, we were projecting that interest would be 27 percent of the federal budget, 27 cents out of every dollar was going to go to interest.

Under the president's proposal, only 2 cents out of every dollar will be going to interest. And that means that the rest of that money is available and it's available to be paid to the Social Security trust fund to pay benefits that are already due.

To put this in dollar terms, the projection in 1993 would have had interest costs in 2014 at $1.3 trillion in one year alone, just interest on the national debt.

LEW: What we're projecting now is $60 billion. That is a tremendous reduction. It's a reduction that means the federal budgets in the future were not be constrained. And we won't see productive, useful, dedication of resources squeezed out by interest costs that out of control.

The department has proposed a legacy of building for the future by saving Social Security and Medicare, encouraging Americans to save for their own futures, future retirement, and by setting aside resources for critical investments in national defense and other priorities, including education in the other things we'll talk to you about for the last several weeks.

Everything that the president is proposing in his year-2000 budget is paid for. That 11 percent is only triggered in 2001 after we finished Social Security reform. This year's budget picks up were last year's budget left off.

Last year the president said save the surplus until we fix Social Security first. This year the president has laid out a framework for fixing Social Security and then proceeding to meet the other challenges that face us as a nation.

That is an overview of the budget. Rather than going into all of the facts and figures, I think we at this point would like to turn it to you to ask questions, and all of us are available to answer questions.

QUESTION: Is the 62 percent that you're allocating (OFF-MIKE) Social Security, would Social Security (OFF-MIKE) is it less or more?

LEW: Social Security trust fund will continue to keep every pay me this put into it over the course of the next 15 years. We're putting these resources in addition, which will take the trust funds, the increase in the trust fund up to a total of $5.5 trillion. It would have been $2.7, and it will be $5.5, plus about $1 to $2 trillion that would have been there anyway. So we're very substantially increasing the assets of the Social Security trust fund.

QUESTION: You're adding quite a bit to the federal fund surplus (OFF-MIKE).

LEW: All of the obligations to the trust fund are in the form of Treasury specials, except for the portion in equities.

LEW: When those are redeemed -- those would be redeemed with general revenue as are all obligations to the trust fund.

QUESTION: (OFF-MIKE) billion dollar surplus. How much of that comes from (OFF-MIKE).

LEW: Well, in the current fiscal year that we're about to begin work one, fiscal 2000, the on budget is a very small deficit. The off budget, which is the area where FICA taxes are, are in substantial surplus. So in the first year, they answer is all. As we proceed through the next 15 years, that ratio shifts.

The important thing that we all have to remember is that only get to the year 2012, the payments will start to reverse. The bonds that are in the Social Security trust fund will start to be redeemed.

And the important question will be is there enough of a unified budget surplus, enough of a non-Social Security surplus, to pay those bills. In 1993, when we came in, there were forecasts of $600 billion deficits, and people that scared. How would those bills be paid? By reversing that, by running a surplus for all of this period, we know that the bills can be paid.

QUESTION: (OFF-MIKE)

LEW: (OFF-MIKE) to tell. (OFF-MIKE) 15 years.

QUESTION: (OFF-MIKE) put money into a Social Security bond, and in fact spend the Social Security bond. (OFF-MIKE) the central part of a true bond (OFF-MIKE)

LEW: The simple -- and there's no (OFF-MIKE) -- the simple explanation, the simple explanation is (OFF-MIKE) Social Security cuts (OFF-MIKE) translating that there is a (OFF-MIKE) plan in 1983 to save Social Security. Those answers are in the form of treasury bonds. A treasury bond is sitting there, and the debts the United States government (OFF-MIKE) full paper credit in the history the United States, all bonds issued by the United States have been paid. I will defer to the (OFF-MIKE). They will have to be redeemed.

The question then is what do you do with the unified surplus? We've been running a substantial deficit until the last two years. Now we're running a surplus.

The unified surplus, once it is the unified surplus, what you do with the dollar, it doesn't really matter where it came from. If you put that dollar in tax cuts, then you're going to be decreasing our fiscal position ability in the future to pay our bills. If you save it, the way the president has proposed, were increasing our ability to pay our bills in the future.

QUESTION: (OFF-MIKE) not putting it into Social Security, (OFF- MIKE)

LEW: Well, if you trace the dollar, the Social Security trust fund keeps the dollar it has. Then there's a Treasury bond that is in the Treasury fund -- in the Social Security trust fund. The question is what you do when the federal government has that dollar in a unified surplus?

QUESTION: You have to give them the bond.

LEW: Have to give them the bond.

You have three choices. You can give a tax cut or a spending cut, which would mean the money goes out. You could save it. And we're saying we should save it. By putting another bond in the Social Security trust fund, which is a first call in the future on general revenues to pay that bond.

LEW: And we'll be able to meet that obligation, provided we keep to a responsible fiscal policy.

QUESTION: (OFF-MIKE) policy.

LEW: Correct. We already had the obligation for the benefits. The benefits are all under -- you know, presently due.

QUESTION: How is that a better approach to debt reduction then accelerating the retirement of the debt so you actually reduce (OFF- MIKE)?

LEW: Well, I think the economists, when they look at burden of the federal government on the economy, look at the debt held by the public. And that's the measure -- and I would defer to the economists on the panel to do a little bit more on that.

But that's the measure that economists look at. Chairman Greenspan made a point last week when he testified. That's the question of whether or not we're crowding out private investment.

The obligation to pay social -- these bonds in the future, the Social Security trust fund, are really question of what we do in the long-term, what the first call on federal dollars is. And we're saying we should pay the bills we already have before we make commitments to new obligations.

QUESTION: I would like to ask Secretary Rubin please, several top Republicans on the hill are pushing for, as you know, a 10 percent across-the-board tax cut is their priority, what they would like to do with the extra surplus. And Senator Domenici is talking about possibly getting that up to a 15 percent (OFF-MIKE) tax credit. Is there any chance at all that the administration in the fiscal year 2000 budget will end up agreeing to any across-the-board tax in upcoming negotiations as the year progresses with the Republicans?

RUBIN: Three quick comments, if I might. Number one, as you know, we wouldn't do anything until we address Social Security. Comment number two, we have -- once Social Security is addressed, as you know -- a tax cut, our USA accounts, our savings accounts, which I think are very well constructed because their tax cuts on one hand, but on the other hand, they do induce savings and our nation has a very low personal savings rate. And number three, for the reason that Jack and Gene and all of us have described, I think that taking the surplus, which is savings, and retaining those savings by paying down long-term -- the public-held federal debt contributes enormously to positioning our country for economic growth in the years ahead.

RUBIN: It's really the fiscal discipline strategy we have had the last six years. And I think is, from the point of view of the American people -- increasing jobs, increasing the standard of living -- a far better use of the surplus than consuming it now with a tax cut.

That's a complete analytic response to your question.

(LAUGHTER)

QUESTION: That's a lovely analysis, but you'll have negotiations later in the year in which they're going to push to (OFF-MIKE).

RUBIN: We undoubtedly will have negotiations, and I described to you how we think the negotiations should come out.

(LAUGHTER)

QUESTION: Secretary Rubin, you mentioned corporate tax cuts -- I mean corporate loopholes?

RUBIN: I think I actually did use the word corporate tax shelters.

QUESTION: Tax shelters?

RUBIN: Yes, are you...

QUESTION: Are you referring to the multinational hybrids? I mean, what is it that you want to say, not specifically?

RUBIN: Well, if you were to take a look at the document we handed out to you -- I actually have one on my desk, too -- there's a whole host in there of specific corporate tax shelters that we would like to deal with and in fact, propose dealing with.

But there really is a more general problem, which is that the use of corporate tax shelters is proliferating. We can't -- Treasury Department can't anticipate all of the practices that might take place.

So what we have done in addition is propose a set of what I call generic sanctions for engaging in corporate tax shelter activity as a way of trying to deter that activity more generally. I think that's a very, very important initiative and I know that there is support on both sides of the aisle in Congress for pursuing this.

QUESTION: Jack, what is your plan for Social Security if there's a recession? And I assume those things still could happen, and these surpluses do not materialize?

LEW: As Janet Yellen described, our economic forecasts are conservative. They continue to be conservative as they've always been in the past six years. In addition to looking at the middle range, not taking the most optimistic possible forecast for budget purposes, we have to remember that all of the savings is likely to have a beneficial effect on the economy.

We have not taken account of any of that either. It's always the case that on a year to year basis estimates are estimates. And we don't have absolute knowledge going forward of what will happen in a given year.

What we do know is that if we reduce the debt, if we do follow the course of long-term fiscal discipline that we've outlined, that over the next 15 years, this obligation -- this is a responsible way to use the surplus.

In a given year there may be ups and downs in terms of what the bottom line is for the unified budget. But over time, it ought not to be a problem.

QUESTION: But aren't you just (OFF-MIKE), devoting -- by solving so much of the problem with the surplus, aren't you potentially delaying tough choices down the road?

QUESTION: I mean, after all, we haven't had a recession in eight years. It seems unlikely just on the face of it that there'll be another eight years without a recession.

LEW: I want to (OFF-MIKE) with something Gene said at the beginning. First of all, the president has not said that this should be the end of the discussion. This is the beginning of the discussion.

Extending the trust fund to 2055 is not our entire goal. We would like to engage in a bipartisan discussion to get the rest of the way to 75 years.

If there's an alternative to get to 2055 that is capable of reaching bipartisan support, we would like to see that alternative.

The one thing we know for sure is that the benefits are due under current law and our ability to pay the benefits will only be enhanced by setting these assets aside and it would be made worse if we spend or have tax cuts that deplete these resources for other purposes.

So regardless of what happens on a year-to-year basis, we know that this is the best possible way to prepare for the future.

QUESTION: (OFF-MIKE) doesn't do anything, though, to extend the cash flow surplus, right, on either the Medicare proposal or the Social Security (OFF-MIKE).

LEW: No, actually it does. Right now it extends from -- it's from 2032 to 2055.

QUESTION: Cash flow. Not the trust fund balance, but the payroll tax (OFF-MIKE) in 2012...

LEW: No, the current -- no, the current investor, the current year to year receives versus outlays would not change by this proposal.

QUESTION: And the same thing with Medicare, correct?

LEW: That's correct.

QUESTION: Can I ask a question about the spending caps? Obviously the future programs, as you say, are contingent on a Social Security fix. But looking at the budget you propose, you're basically looking at about $200 billion of spending over the caps between now and 2004, 75 billion through fee increases and 137 billion through allocating the surplus.

Is that basically a statement that says you cannot really live with the spending caps in the 1997 balanced budget agreement?

LEW: I think what the president made very clear in the State of the Union and he reiterated again today, that as we have this debate over what to do with the surplus, one of the things that we need to do is make more resources available for defense and other urgent discretionary priorities.

The 2000 plan that we've put forward is consistent with the caps and consistent with all the current budget laws. It would be difficult no doubt, as it has been over the past several years. The reason we balanced the budget is we made some very tough choices.

Before we make commitments to other -- to other spending or tax cuts, we and the president in the form of the framework that he laid out made clear that there's a need for more discretionary resources.

You're asking the question: Could we live with the caps? Well, I think the 2000 budget proves that we are living with the caps. We propose that we fix Social Security and then also create more room for important spending in these areas.

I think there's a bipartisan consensus of a need for more resources for defense. I think there's a bipartisan consensus that there's a need for more resources for education.

The challenge is to fix Social Security before the rest of the pie starts getting cut up.

QUESTION: For the secretary, of the 21.3 billion for (OFF-MIKE) affairs, how much would you expect to be using for the -- to stabilize the international economy? And of that, how much (OFF-MIKE), how much would you expect to be used to (OFF-MIKE)? And what levels to you expect the real to stabilize?

(LAUGHTER)

RUBIN: Larry, exactly what level is the real going to stabilize?

What's your broker, Sam? I was thinking of the same thing. Well, no.

(LAUGHTER)

UNIDENTIFIED SPEAKER: I wouldn't mind trading (OFF-MIKE) in.

RUBIN: I agree with that.

(LAUGHTER)

No, look, any -- Brazil is obviously -- let me -- Brazil is obviously very important. Activities in Brazil are being centered around the IMF. The IMF received its funding last year, as you know. And whatever happens in Brazil, with obviously Brazilian policy being the most important thing, will not involve the federal budget.

QUESTION: Secretary Rubin, earlier you stated as the administration's position on across-the-board tax cuts. Is the administration open to revisiting other forms of targeted tax cuts, such as eliminating the marriage penalty, estate taxes?

RUBIN: Well, we have always felt...

QUESTION: (OFF-MIKE).

RUBIN: Yes. We have always felt that eliminating the marriage penalty is a very seriously important objective. The problem is it's very expensive, and as I recollect we said last year, within our limited constraints, we have made the choices we've made. But that's something we'd very much like to work with Congress on.

The AMT (ph) very similarly. There is a problem developing, at least in a little bit of time ahead, with respect to AMT (ph), and it starts to affect families with -- middle income families. That's another issue that we feel very strongly we want to work with Congress on those.

You will notice we do have an initial AMT (ph) proposal in this budget.

QUESTION: Secretary Rubin, what would be the income ceilings for the USA Accounts?

RUBIN: On the USA Accounts, what the president did was to set out a framework, and we are working right now in our administration with respect to the specifics, through the NEC and Treasury staffing, Treasury tax people, OMB and all the rest working together to develop the specifics, and then we'll be working with Congress. But we're not prepared yet to announce specifics.

QUESTION: Can you give us any clue as to whether there would be any consideration taken with states like your home state, which always get hurt when there's an across-the-board income ceiling?

RUBIN: Well -- the savings account will be uniform across the country. They will be designed so as to particularly benefit people in lower and middle income brackets because these other people to find it most difficult to save. And the place where for, if you provide matching grant -- matching tax incentives, you can most effectively increase your tax rate.

QUESTION: How will they be treated this as a tax cut?

RUBIN: In order to provide this as a tax cut, it would be a tax credit that is rebatable. Is that your question?

QUESTION: Yes.

RUBIN: Yes.

QUESTION: (OFF-MIKE) that there are two gentlemen being told by economist because of the Asian and Brazilian crisis, American consumers would have to be the consumers of last resort (OFF-MIKE). Is that true? And if so, is there enough money in your budget for Americans to continue to consume?

RUBIN: No, I think what we said was that we've done our share. Very much done our share, in terms of absorbing exports from these countries as they work their way back. But we cannot be in the consumers of last resort. And it's very important that Europe and Japan both stimulate domestic demand-led growth and open their markets. They have both, in case of Europe if I recollect correctly, a large and a rather stable trade surplus and Japan in increase -- are also large and I think still increasing trade surplus, or at the very least, stable and is increasing. What we said was we cannot be the consumers of last resort, and these others areas have to both promote and effectively stimulate effective domestic-demand laid -- effectively domestic-demand lead growth and open their markets so they too can do their share.

QUESTION: Mr. Secretary, what is the total number of revenue raisers in the budget? And what part of those is the cigarette tax and what part is the corporate (OFF-MIKE)?

RUBIN: Well, there's two different things. The revenue raisers are approximately $34 billion, and that fully pays for the targeted tax cuts. That's one (OFF-MIKE). The tobacco access tax is a different matter, and we start there, not with the tax as you just adjusted, but rather with the cost of the federal government that derive from smoking. And then what we did was conclude that that seemed to us should be paid for by an excise tax on tobacco, and that's where the tobacco tax comes from.

QUESTION: (OFF-MIKE).

RUBIN: My recollection, and correct if I'm wrong, it was 34 billion over?

QUESTION: (OFF-MIKE)

RUBIN: (OFF-MIKE) I don't remember the exact number. I don't remember the exact number. I think Jack (OFF-MIKE). Well, let's see if I'm right or wrong.

LEW (?): (OFF-MIKE).

QUESTION: (OFF-MIKE)

RUBIN (?): 34.5 over five.

QUESTION: So that's in addition to the (OFF-MIKE).

RUBIN (?): Yes, they all go to offset the costs to the federal government that derive from smoking.

QUESTION: So where is that in the budget? Where is it (OFF- MIKE)

RUBIN (?): What page?

QUESTION: No, (OFF-MIKE) is that -- is that somewhere in the HHS budget? Or is that somewhere in the -- where would we see the 34.5 billion?

RUBIN (?): There's a table there someplace which shows that as an offset to the -- precisely (OFF-MIKE) whole table on that, which shows that as an offset to the expenditures that the smoking has created.

QUESTION: So that's not counted as new receipts? You have to count it as an offset (OFF-MIKE)

RUBIN (?): It is an offset to the costs that have been created to the federal government (OFF-MIKE) that (OFF-MIKE).

(LAUGHTER)

RUBIN (?): We created the table. You explain the table.

QUESTION: (OFF-MIKE) Medicaid and Medicare?

LEW (?): If you look at page 378 in the budget, you will see it laid out. The -- there are many different ways of looking at what the costs to the federal government of tobacco-related illness is. What we've done is we've looked at the discretionary costs to the government that are related to tobacco illness. It's mostly in veterans programs, federal employee health, DOD health, and Indian health.

In 2000 alone, that's $8 billion. Over the next five years, it exceeds the $34.5 billion that the 55 cent excise tax would bring in. And we think that this is comparable to the case made I think quite effectively and correctly by the states, that the states should be reimbursed for the costs associated with tobacco illness that are borne by state government.

This is a statement that rather than have the American taxpayers foot the bill, it should be paid ultimately by the tobacco companies, which is where the burden of an excise tax ultimately falls.

QUESTION: Jack, can you comment on ...

QUESTION: (OFF-MIKE) Social Security, there are no changes made in Social Security or Medicare. At what point under current assumptions would the budget, if indeed it would go back into a deficit? In other words, if no changes are made in Medicare, we have one program -- we keep it for more than 15 years. Social Security does change. Does the budget go back into the red and when?

LEW: Well, if we -- if you were to leave (ph) the baseline forecasts that assume no spending, no tax cuts, you have surpluses that go on for a very, very long period of time. I don't remember the year it crosses, but it's many decades out. The risk is that the temptation is to spend the money or to give it as a tax cut. What we proposed is that the money be set aside so that it goes into the Social Security trust fund, it goes into the Medicare trust fund, to pay the obligations we already owe out of those trust funds.

The risk of the debt reduction option is, it's awfully tempting not to stick with it.

LEW: We think that by putting the money into the Social Security and Medicare trust fund, it makes it much more difficult to then take the money out and use it for anything else.

QUESTION: Can I follow up on that? Do you net out the savings to the government of earlier deaths from smoking and if not, why not?

LEW: You know, that's actually something that afterwards I might ask you to follow up with some of our technical people. It's a question I've never been asked before, about earlier deaths.

The question, you know, that we looked at in putting this year's budget together was really very much like the question we asked last year. Last year we had a phase in of an excise tax of $1.10 and it was designed to deal with the very terrible we have, that 3,000 kids a day start smoking.

And the analysis last year led us to believe that a tax that phased -- an excise tax phasing in at $1.10 would cut that in half and very, very substantially reduce the tobacco-related illness in the future.

We had to take into account this year that the states' settlement was in place and it was roughly comparable to half of what we did last year. So what we did was we left in place half of last year's excise tax which corresponds, as Secretary Rubin said and as I was saying a moment before, to reimbursing the federal government for a large share of the health care costs associated with tobacco illness.

QUESTION: But if the point is to make it a deterrent to teen smoking, why go through the exercise of adding of some numbers that say at $34 billion? Because you don't do the offset. You're not saying that folks are dying at 60 or 62 and they have no Social Security or Medicare payments.

LEW: The way to -- the way to reduce teen smoking is to raise the cost of smoking. And by raising the cost of smoking, we are very -- are very hopeful that the number of kids who start smoking will be cut in half. That's the goal.

QUESTION: Are you taking the (OFF-MIKE) you recoup from states in the tobacco settlements? How are you counting that? Is that considered revenue or?

LEW: What we have said is that we want to work with the Congress to try and work out legislation that would address this question. In the year 2000, we have not put anything in our budget in terms of allocating the resources that are related to the recoupment issue.

What we've said for 2001 and beyond is that our goal is to work on having a list of federal, state agreed upon priorities where states will pick up the burden and relieve some of the federal burden. We have not allocated it in the budget. It's a general allowance in the budget.

It could be any number of different programs. The question is to agree upon a set of programs that would reduce the burden of the -- on the federal budget.

LEW: And it could be tobacco-related programs. It could be other programs. And we've just put it in as a way to begin that dialogue.

QUESTION: You've given us 15 years for (OFF-MIKE) -- for the president's budget and priorities and allocation of the surpluses. If you were to give us a second 15 year period, from 2015 to 2030 when you really have the full impact of the baby boomers' retirements, aren't you then going to be in effect in a position where you might very easily slip into deficit budgets to meet the obligations you're making. And I imagine your argument would be that the public debt bill would be at such a low level that you could more easily manage these deficits.

Is that the second 15-year (OFF-MIKE)?

LEW (?): First of all, our projection ...

(LAUGHTER)

LEW (?): I'll defer to Deputy Secretary Summers.

SUMMERS: You got it -- you got it exactly right. The appeal of this strategy of using Social Security as a lock box is that it scales dramatically down the burden of the debt on the public in terms of investment and on the federal budget in terms of interest.

Already, by 2015, interest as a share of the federal budget would be down to two percent, and it would be declining. That makes room and provides the capacity to meet in a much more satisfactory way, the other obligations.

The other virtue of using Social Security as a lock box, other than that it is a politically robust way of ensuring that we actually do reduce the surpluses, is that it assures that the benefits of those surpluses redound to what I think it most Americans' first priority, which is meeting our obligation to the next generation of seniors under Social Security.

So it provides both the means and -- the means to meet the long- term obligations, and the political commitment to meet the long-term obligations.

QUESTION: Barring tax increases in that second 15-year period, it is reasonable to assume that we will have the (OFF-MIKE) of fairly manageable deficits, rather than surpluses, because you'll have to redeem the obligations to this bulge of baby boomers.

SUMMERS: Well, Gene concluded -- Gene can I'm sure answer this -- by talking about our unified surplus, going out the long-term.

SPERLING: The -- I think what Jack was saying was what the exact year is may be dependent on different assumptions. But what I wanted to make clear is, up until at least the first few decades of the next century, we are able to redeem all of what is owed to Social Security and still run a surplus on top of it.

SPERLING: So, what's dramatically changed around from five or six years ago is then people would put bonds in Social Security and in trust fund and they would say, how are you possibly going to pay those back. They'd say you're -- you have a six, seven, $800 billion deficits in the future. You have to borrow that much just to make the government run. Then you have to borrow more on top to pay back Social Security.

We are now in a situation where well into 2030, 2040 we can pay back all that is owed Social Security and still run a surplus on top of that. The important point that I do want to make, and it goes to the question that was asked earlier, is we are not in any way increasing our obligation or our promise to Social Security.

There is right now in existing promise to pay Social Security recipients a certain benefit when they retire. In 2035, we simply right now do not have the financing to pay that existing promise. So, we're not increasing our obligation. We are not saying you get the Social Security benefits plus a toaster and a new calendar.

We're saying, you have -- there is that promise by the government. What can we do that's real? That's real economically to help finance that by paying down this trillions of dollars of debt. What we are doing is we are lowering the net interest cost to the government.

We are hopefully increasing the revenues making it a richer country and a richer government and putting ourselves in a better situation to pay back. So, when someone says what's the difference between if we took two trillion in debt reduction and you took two trillion the way we're doing it, economically they would have the exact same impact to 2032.

They would both create a big deficit reduction -- a debt reduction dividend so the country would have a debt reduction dividend in 2032 whether you did our plan or pure debt reduction. So, what's the difference?

We're saying since we have an unmet promise to Social Security, let's put Social Security first in line, just -- let's just say meeting that promise between 2032 and 2055 should get the first call on the debt reduction dividend and that is really what the president is doing.

And what Larry was saying and Senator Landrieu, who was a former secretary of Treasury in Louisiana has also said too, is that this may also be a more politically viable way to get the debt reduction, because instead of leaving it there every year and trusting every Congress not to spend it, by putting nearly $3 trillion essentially in a debt reduction lock box where you're committing now the benefits to Medicare and Social Security, you get in a win, win.

You're doing something strong for the economy. You're locking in that -- some of those benefits from debt reduction for Medicare, Social Security and you're making it more likely the debt reduction will actually take place.

QUESTION: Is 2035 now the insolvency date for Social Security?

SPERLING: It's 2032.

QUESTION: Gene, which parts of the budget, whether it's some tax credits or other initiatives, are you most optimistic will be acceptable to Republicans, are you most optimistic that you can get passed this year?

SPERLING: I think the most -- the most encouraging thing that we've heard has been the degree that many Republicans have rallied around reserving 62 percent of the surplus for Social Security.

What's been disappointing is that many then go off and have a variety of different criticisms, have a variety of different ways for paying for other tax cuts or popular programs. What they're not telling the country is what would they do to make sure that Social Security is solvent.

If the don't like the way we're getting to 2055, what would they do in its place or how would they work with us to get to 2075? And the really deafening silence has been on Medicare. Medicare solvency -- becomes insolvent in 2008.

Certainly, before any of us -- any of us talk about putting money to whether it's a spending program or a tax cut people care about, certainly in addition to securing Social Security for the future, people have a responsibility to insure we have enough resources for Medicare.

We'd like to hear any member -- Democrat or Republican -- talk about what their plan for Medicare and Social Security is before they talk about other priorities that may be popular for the moment, but don't help us deal with our long-term retirement challenge.

(UNKNOWN): Thanks very much.

QUESTION: Whoopdedo.

(LAUGHTER)

END

NOTES:
???? - Indicates Speaker Unkown
- Could not make out what was being said.
off mike - Indicates Could not make out what was being said.

LANGUAGE: ENGLISH

PERSON: ROBERT M RUBIN (73%); ALBERT GORE JR (56%);

FDCH Political Transcripts, February 1, 1999

LOAD-DATE: February 1, 1999

LEVEL 1 - 7 OF 166 STORIES

SEATTLE POST-INTELLIGENCER

January 22, 1999, Friday , FINAL

SECTION: NEWS, Pg. A1

LENGTH: 882 words

HEADLINE: STATE JOINS FIGHT TO KEEP TOBACCO MONEY FROM FEDS

BYLINE: MICHAEL PAULSON P-I WASHINGTON CORRESPONDENT

DATELINE: WASHINGTON

BODY:

Fearful that the federal government will seize more than half of the $206 billion tobacco settlement won by the states last fall, a group of Washington state officials yesterday joined an all-out effort to keep control of the money.

Sen. Slade Gorton, R-Wash., joined Sens. Kay Bailey Hutchison, R-Texas, and Bob Graham, D-Fla., in endorsing legislation that would guarantee the states can keep the money they won in the settlement.

Washington state Attorney General Christine Gregoire, a Democrat, warned that if that effort fails, she and the other 49 state attorneys general will file suit against the Clinton aministration. "Federal government: Back off," said Gorton, a former state attorney general.

"These people won the money. Let them keep the money and determine how to use it for the people they represent."

The dispute stems from the landmark agreement the states reached with the tobacco companies last fall to settle lawsuits against the industry. The federal Health Care Financing Administration is claiming that because the federal government reimburses a majority of the cost of Medicaid insurance for people with tobacco-related illnesses, the federal government should get a majority of the settlement.

"We have an obligation under the law to recover these monies, and we will act in accordance with that obligation," said Elena Kagan, a deputy domestic policy assistant to President Clinton.

"At the same time, we would like to work with the states and with Congress, in the context of a broader tobacco bill, on an agreement under which the federal government would waive its claims in exchange for a commitment by the states to use a portion of their funds for specified health-related purposes."

Kagan's offer is a tough sell in Congress. The Clinton administration is willing to waive its claim on the tobacco settlement only if Congress agrees to a tax increase on cigarettes and increased regulatory authority over tobacco for the Food and Drug Administration - both controversial proposals.

Sen. Patty Murray, D-Wash., took a middle position yesterday. A spokesman said Murray believes the states should keep all the money but should be required to spend it on health matters.

Murray is sympathetic to the administration's desire to ensure that states not spend the money in a willy-nilly fashion, but she is worried that tying spending guidelines to a broader tobacco bill will lead to a standoff in Congress.

Gregoire said if Congress doesn't pass a measure guaranteeing that the states can keep their money, the nation's attorneys general will sue.

"Should we fail . . . we are prepared to file suit against the federal government," she said. It will be "costly and labor intense . . . but nonetheless we stand firm."

At stake for Washington state is $4 billion over the next 25 years, which Gov. Gary Locke hopes to spend on health care for the working poor and children, as well as tobacco control programs.

The federal government wants 50 percent of that money from Washington state.

Nationwide, the federal government is demanding 57 percent of the $206 billion pot, and is threatening to withhold that amount from future Medicare reimbursements to the states.

Many state officials were critical of the federal government for not helping the states litigate their claims.

"Sadly, the federal government was of relatively little assistance, and in some cases possibly even could be described as having been obstinate vis-a-vis the state's efforts to collect, and it is unseemly now, at the end of the process, for the federal government to try to recoup," said Graham, former governor of Florida.

Gregoire said she had invested $10 million at huge risk to battle the tobacco companies.

"Now, after no help, no support, no financial wherewithal whatsoever from the federal government, for it to suggest that it is entitled to over $100 billion of the settlement strikes into the hearts of the taxpayers of every state," Gregoire said.

On Tuesday, President Clinton in his State of the Union address announced that the federal government plans to sue the tobacco companies.

Attorney General Janet Reno said yesterday that she expects to file the suit "with all deliberate speed," saying "there have been vast amounts of monies paid out as a result of this issue, and I think we've got to do everything we can, within the law, to try to recover that money."

State officials said the federal government should use its own lawsuit to recoup its costs.

But Kagan, the White House official, said the federal lawsuit will not go after Medicaid costs, which were addressed by the state suits, but will only attempt to recover other health care costs.

"Our suit would not cover any Medicaid costs, because the Medicaid statue is very clear: the way Medicaid costs are recovered is by the states, and then the federal government recoups a portion of that recovery from the states," Kagan said.

The state attorneys general say their lawsuits were settled not only on the basis of health care costs, but also on consumer protection and anti-trust claims. But Kagan said the Justice Department does not believe that.

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GRAPHIC: Color Photo
AP: Gorton

LANGUAGE: ENGLISH

LOAD-DATE: January 25, 1999

LEVEL 1 - 8 OF 166 STORIES

Newsday (New York, NY)

January 19, 1999, Tuesday, ALL EDITIONS

SECTION: NEWS; Page A05

LENGTH: 1234 words

HEADLINE: SHOW GOES ON / CLINTON TO PRESERVE ANNUAL RITUAL AS HIS TRIAL CONTINUES

BYLINE: By Ken Fireman. WASHINGTON BUREAU; James Toedtman contributed to this story.

DATELINE: Washington

BODY:

Washington - In another of the bizarre juxtapositions that have infused President Bill Clinton's impeachment with an aura of surrealism, the president goes to Capitol Hill tonight to deliver his State of the Union address just hours after his attorneys open their defense of him before the Senate.

Republican lawmakers are expected to observe the traditional proprieties of the annual ritual, offering at least polite applause when Clinton enters the House chamber around 9 p.m. and lays out his programmatic agenda for the year.

But the absurdist overtones of the moment have escaped no one's attention. "It's like adjourning a trial to have the accused give a pep rally before the jury," said Sen. Phil Gramm (R-Texas) in a television interview on Sunday. "Quite frankly, I'd rather go to the dentist."

But Gramm said he would be present - along with most of the other 99 senators and 435 House members, the Supreme Court, the diplomatic corps and all but one of Clinton's Cabinet - to hear Clinton celebrate what he will call the nation's steady economic and social progress under his stewardship.

The head of the House team prosecuting Clinton, Rep. Henry Hyde (R-Ill.) won't be there; he told The Associated Press he often misses the event because of the large crowds it generates.

Although White House spokesman Joe Lockhart waggishly promised that the nationally televised speech would contain "some things that you haven't heard yet and will knock your socks off," much of Clinton's agenda has already been telegraphed through a series of pre-speech leaks, announcements and briefings.

In the latest of those events, the administration said yesterday Clinton would propose making the $ 20 billion in federal education aid distributed each year to states and local school districts conditional upon meeting five new requirements aimed at improving school performance.

To qualify for the aid, Clinton will propose that the states and school districts must agree to end "social" promotion of failing students, test new teachers for competence, identify and improve poorly performing schools, issue annual school "report cards" to parents and adopt firm disciplinary policies.

Anticipating criticism from Republicans, administration officials who unveiled the plan called it "pro-parent" and denied it would increase federal control over schools. "The president believes that states and communities should continue to have the primary responsibility for education," said White House domestic policy adviser Bruce Reed. "But the president believes that schools ought to be held accountable to parents and taxpayers for results."

Lockhart said Clinton has devoted much of the past few days to rehearsing the speech, setting aside only 30 minutes over the weekend to meet with the legal team who will defend him this week. That team faces a formidable task after a three-day presentation from House prosecutors last week that even Democrats conceded was effective in laying out the case against Clinton.

In particular, the prosecutors apparently convinced most of the Senate's 55 Republicans, and perhaps some Democrats as well, of the necessity to call witnesses over the strong objections of the White House and top Senate Democrats.

The Democratic leader in the Senate, Tom Daschle of South Dakota, now believes that a largely party-line vote approving prosecution witnesses "may be inevitable," according to his press secretary, Ranit Schmelzer. But Daschle says his party would strongly resist any Republican attempts to limit the number of defense witnesses.

Clinton's attorneys will lay out their case over three days, beginning today with an opening presentation from White House Counsel Charles Ruff. The veteran Washington attorney is expected to give a broad overview of the case, arguing along two parallel tracks.

The first track will be that Clinton is innocent of the charges contained in the two articles of impeachment approved by the House last month: that he perjured himself and obstructed justice in concealing his relationship with Monica Lewinsky. The second track will be that, regardless of Clinton's guilt or innocence, the offenses of which he is accused do not warrant removal from office because they do not meet the constitutional standard of acts against the state.

The second argument was Clinton's main line of defense in the House. Given its lack of success in staving off impeachment, there was considerable second-guessing in the White House over the lawyers failure to contest more vigorously the basic allegations against the president.

As a result, Ruff and the other defense lawyers are expected to spend far more time this week in grappling with those charges than they did in the House. They are likely to rebut the allegation that Clinton perjured himself in testimony to a grand jury in August by noting that he confessed during that testimony to having had an "inappropriate intimate relationship" with Lewinsky. The perjury charges, they argue, rest on contradictions between Clinton's and Lewinsky's testimony over inconsequential details of that relationship.

Clinton's lawyers are expected to rebut the obstruction of justice charge by noting the numerous factual gaps, ambiguities and outright contradictions in the record submitted by the prosecutors to support the allegation.

The only problem with this strategy is that, to the extent that it exposes holes in the factual case against the president, it can be viewed as an argument to call witnesses to clear up those questions.

"That's the risk," said one Clinton ally. "But you have no alternative. Our problem is that all along we've said that even if the facts were true, the wrongdoing did not rise to an impeachable offense. But if you keep saying that long enough, people start to believe you really did commit the perjury and obstruction in the first place."

Ruff, a former Watergate prosecutor and senior Justice Department official, went into private practice with the prominent Washington firm of Covington & Burling in the 1980s. There, he defended a number of high-profile clients, including two senators: Charles Robb (D-Va.), who was accused of illegally taping a political rival, and John Glenn (D-Ohio), who became ensnared in the Charles Keating savings and loan scandal.

Ruff's colleagues at the defense table include Gregory Craig, David Kendall, Nicole Seligman and Cheryl Mills.

Craig and Kendall, who met the president and first lady when they were all students at Yale Law School, went on to senior positions at Williams & Connolly, one of Washington's top law firms.

Kendall has remained there, defending clients ranging from the National Enquirer supermarket tabloid to the National Review, the venerable conservative opinion journal. He became Clinton's lawyer at the start of the Whitewater probe in 1994.

Craig also had some high-profile clients, such as Sen. Edward Kennedy (D-Mass.) during the 1991 rape trial of Kennedy's nephew. He left private practice to take a senior position at the State Department as director of policy planning.

Seligman, also a Williams & Connolly lawyer, helped defend Col. Oliver North during the Iran-Contra affair. Mills, who has worked for Clinton since the start of his administration, previously practiced at one of Washington's largest private law firms, Hogan & Hartson.

GRAPHIC: 1) Agence France-Presse Photo-RENOVATING. President Bill Clinton took a break from work on the State of the Union address to mark the Martin Luther King holiday by helping with renovations to a senior- citizens apartment complex in Washington. 2) AP Photo- President Clinton rehearses his State of the Union speech Saturday at the White House. At left are deputy assistant Elena Kagan, left, and Michael Waldman, director of speech writing.

LANGUAGE: English

LOAD-DATE: January 19, 1999

LEVEL 1 - 9 OF 166 STORIES

The Des Moines Register

January 17, 1999, Sunday

SECTION: Main News Pg.8

LENGTH: 754 words

HEADLINE: A lot is riding on Clinton speech
* If he's to be effective, he must set an agenda, then build support for it.

BYLINE: Jon Frandsen

SOURCE: GNS

BODY:
By JON FRANDSEN
Gannett News Service

Washington, D.C. -Viewers who boosted the ratings to near-record territory for President Clinton's State of the Union address last year will be forgiven for thinking the one set for Tuesday is a rerun.

Familiar words from a year ago will be a repeat of his challenge to not spend any of the budget surplus before "fixing Social Security" and to make education a top spending priority. Saddam Hussein and his weapons of mass destruction remain one of the top foreign policy threats.

But similarities aside, it would be a mistake to brush off the speech, which Clinton appears determined to give as scheduled -despite the fact that on the same day, White House attorneys will formally launch a defense of the president in his impeachment trial.

If Clinton hopes to avoid becoming the lamest of lame ducks, he will have to lay out a clear agenda Tuesday, then spend the next months mustering public support.

The concluding years of any second term always are difficult, even for popular presidents. Now, Clinton will spend the remainder of his term fighting for both his job and his place in history.

Yet, in the face of the first presidential impeachment trial in 131 years, Clinton is flying high in the polls. In a Gannett News Service survey taken Jan. 6-11, 65 percent of respondents said they approved of the job he is doing.

The poll also reflected the fact that Clinton long has championed the issues Americans care about most.

Five issues emerged as top concerns: fixing Social Security, picked by 20 percent of respondents; education, 18 percent; taxes, 14 percent; health-care reform, 13 percent; and the economy, 10 percent.

All these issues have, in one form or another, figured into Clinton's agenda for years. So has his portrayal of Republicans as being willing to cut Social Security, education and other social programs to give tax cuts to wealthy Americans.

His ability to capture popular issues and to make the GOP seem the enemy of middle-class America help explain why, even with Clinton undergoing an embarrassing trial, Republicans seem certain to be cautious about taking him on.

Another reason: GOP losses in November left the party with a perilously narrow 222-212 edge in the House -meaning defection of just a handful of Republicans could tilt legislation toward the Democrats.

With Clinton poised to propose large increases in military spending for the first time in years -a strong military is an issue long identified with the GOP -Republicans are banking on their call for tax cuts as the one big issue on which they can differentiate themselves.

Republicans also are trying to soften the harsh portrait of them drawn successfully by Clinton -and to make it more difficult for Democrats to blame the GOP for being obstructionist.

"It is time for us to give Americans tired of the bickering, fighting, innuendo, the hope they need and the results they deserve," said Rep. J.C. Watts of Oklahoma, the only black Republican in Congress and chosen by his colleagues to help recast and soften the party's image.

Watts said education, shoring up the military, saving and strengthening Social Security and decreasing Americans' tax burden are the "four corners of our policy foundation."

High approval ratings must be comforting to the president, but Clinton has to contend with other numbers and political realities.

Americans do not think much of him personally -the GNS poll showed 58 percent viewed him unfavorably. And even in defending the president, Democrats often use strong language -words like disgusting, immoral, wrong - to characterize his conduct.

The House does not have votes scheduled before Feb. 2, so there is some question about how many lawmakers will show up for the State of the Union speech.

Rep. Chris Shays, a moderate Republican from Connecticut, said that "from a selfish standpoint, I'd just rather not do it. I'll be there, but far to the right (out of camera range.)"

Giving the speech in the midst of the Senate trial is "certainly not something that the president or anybody here looks forward to, but I don't think the president has the ability to be distracted," said White House spokesman Joe Lockhart.

Staff members gather Saturday in the White House to help President Clinton prepare for his State of the Union address. From left, they are Elena Kagan, deputy assistant to the president; Maria Echaveste, assistant to the president; and speech writer Michael Waldman.

GRAPHIC: SHARON FARMER/Associated Press

LANGUAGE: English

LOAD-DATE: January 21, 1999

LEVEL 1 - 10 OF 166 STORIES

Milwaukee Journal Sentinel

January 17, 1999 Sunday Final

SECTION: News Pg. 8

LENGTH: 1100 words

HEADLINE: Lawmakers say they'll give president respect
State's representatives, senators say trial, State of Union speech are separate

BYLINE: FRANK A. AUKOFER

SOURCE: Journa
l Sentinel staff

DATELINE: Washington

BODY:

President Clinton, in peril and yet prepared to chart the immediate future of the nation, has amazed even some of his harshest critics with his renowned ability to compartmentalize the disparate areas of his life and duties.

Now, as he prepares to deliver his seventh State of the Union address at 8 p.m. Tuesday, even as the Senate continues the trial that could remove him from office, members of the Wisconsin congressional delegation will co mpartmentalize, too.

Regardless of whether they believe the impeached president should be kicked out of the White House, most will attend the address in the House chamber and accord Clinton the dignity and respect the nation reserves for the presidency.

"I am planning to attend," said Republican Rep. F. James Sensenbrenner Jr. of Menomonee Falls, who was the leadoff member of the team of House managers who are trying to persuade the Senate to oust Clinton.

"This is a constitutional duty of the president," he said. "I think he's putting the 100 senators on the spot. They'll be sitting in the trial for six hours, taking two hours off for dinner, then coming over to the House."

Sensenbrenner said he int ended to politely applaud Clinton out of respect for the office he holds.

"But I don't anticipate standing on my chair, jumping up and down and shouting like I expect to see on the other side of the aisle."

Republican Rep. Tom Petri of Fond du Lac, who also voted to impeach Clinton, said he also would attend out of respect for the office. "I hope that we behave with due respect and decorum," he said.

Wisconsin's two Democratic senators, Herb Kohl and Russ Feingold, w ho are sitting as jurors in Clinton's impeachment trial, also said they would attend.

"Some people have suggested that the president should postpone his State of the Union message," Kohl said. "But it is imperative that Congress and the p resident continue to work on the issues important to the people who sent us here: education, child care, crime, Social Security.

"We shouldn't lose sight of the important business facing our families, our economy and our government."

Feingold said it was difficult to ignore the timing of this year's speech. "The continuing Senate impeachment trial will make next Tuesday night's speech a more somber occasion and may make it more difficult for members of Congress to react t o the content of the president's agenda.

"I do, however, hope we all can put aside whatever discomfort this unusual situation brings and focus on issues of concern to the American people."

Democratic Rep. Tom Barrett of Milwau kee recalled that Clinton delivered last year's State of the Union address right after the Monica Lewinsky scandal broke into the headlines.

"I think most members walked away amazed that he could focus on the interests of the country rath er than his own problems," said Barrett, who was part of the impeachment inquiry as a member of the House Judiciary Committee but voted against impeachment in the committee and on the floor of the House.

He said he expected that Clinton T uesday would again focus on the interests of the country, rather than on his personal problems.

"I am assuming he is going to work harder than he ever has in his life to promote the policies he thinks are important for our country because his strength is pushing policies that help America. His weakness is his personal problem."

Barrett said he believed Clinton should be treated politely out of respect for his office.

"I'm not bringing any bells or whistles, but I wil l be there," he said.

Democratic Rep. Ron Kind of La Crosse, who also voted against impeachment, said decorum should be maintained for the president's appearance.

"If we don't intend to give it to him, we shouldn't invite him, " he said. "We should not allow the president to come into our House and then treat him poorly."

Kind also said he did not believe the speech would be a good forum to make any statements regarding the trial in the Senate. He said he was looking forward instead to Clinton's outlines of his upcoming initiatives and budget proposals.

The state's three newest members Democrat Tammy Baldwin of Madison and Republicans Mark Green of Green Bay and Paul Ryan of Janesville all said they were excited to attend their first State of the Union address, and all said they were eager to hear the president's substantive proposals.

"I view it as a springboard for the upcoming session," Green said. "The president will la y out his priorities. I hope it will be the first step in a productive legislative session."

Green said Clinton's troubles were inescapable, and said he expected that some observers would look for hidden meanings in what the president say s.

"But I'm going to try to be compartmentalized," he said. "I want to focus on the president's priorities. That's my job. My role in this process is to listen to what the president wants to set forth as our priorities. I want to start th e process and measure them against my own priorities."

Green said he would treat Clinton very respectfully. When his 8-year-old daughter, Rachel, asked him about why the president was on trial, he said, he drew a distinction between the p resident's office and what he had done personally.

Baldwin said the most important aspect of the State of the Union address was the substance of what the president proposes.

"As a member of the Budget Committee, I will be active early in response to some of the administration's budget priorities," she said. "Also, as a freshman member I'm eager to roll up my sleeves and be involved in policy-making. I want to hear the ideas of this administration for the next year."

Ryan said simply, "I'll act natural."

He said he thought it would have been better to postpone the speech, but the reality was that it would be delivered as scheduled.

"I'm going to view the speech by examining the substanc e," Ryan said. He added that he would not hesitate to applaud if Clinton said something with which he agreed. But he said he feared that Clinton would propose a laundry list of tax cuts and credits determined by the government instead of by taxpaye rs themselves.

He said he would like to see Clinton renew his commitment to preserve Social Security a commitment he said was breached by Clinton and the congressional leadership last year in the final budget agreement that included $20 billion in new spending.

Democrat Dave Obey of Wausau declined to comment, and Democrat Jerry Kleczka could not be reached.

GRAPHIC: Photo
ASSOCIATED PRESS

President Clinton practices his State of the Union speech in the fa
mily theater at the White House Saturday with Elena Kagan (left), deputy assistant to the president, and Michael Waldman, director of speech writing.

LOAD-DATE: January 18, 1999

LEVEL 1 - 11 OF 166 STORIES

Newsday (New York, NY)

January 17, 1999, Sunday, ALL EDITIONS

SECTION: NEWS; Page A04

LENGTH: 1357 words

HEADLINE: THE IMPEACHMENT TRIAL / HARD AT WORK TO SHOW CLINTON'S HARD AT WORK / PRESIDENT PRESSES ON WITH STATE OF THE UNION

BYLINE: By William Douglas. WASHINGTON BUREAU

DATELINE: Washington

BODY:

That won't sit well with Republicans. Yesterday, in her response to Clinton's 'eekly radio address, Rep. Tillie Fowler (R-Fla.) said she hopes Clinton will :utline a Social Security rescue plan in Tuesday's speech.

Clinton is expected to reiterate his stance that no federal budget surplus be ·pent until a bipartisan solution is found to ensure that the Social Security :ystem is sound. That position likely will put Clinton at odds with Republicans .n Congress and even some members of his own party, who have their eyes on the ;rowing surplus.

With a $ 700-billion surplus over the next 10 years projected by the Senate :udget Committee, many Republicans, such as House Ways and Means Committee :hairman Bill Archer (R-Texas), are clamoring for tax cuts, and several)emocrats have called for increased spending on domestic programs.

"I hope the president remembers that the surplus is not the government's ıoney," Fowler said. "It's your money. And you're entitled to getting some of it)ack."

Education poses another battleground between the White House and Congress. In ıis speech, Clinton is expected to continue his campaign for national standards ınd renew last year's failed request for tax credits for school construction and 'enovation.

In addition, he will propose tripling spending - from $ 200 million to $ 600 ıillion - for the 21st Century Learning Program, which would give local schools :oney for after-school and summer programs.

Clinton also will seek to continue funding for a $ 1.2-billion program to 'educe class size by bringing in 30,000 new teachers, something he unveiled last 'ear.

In addition, Clinton will propose that schools that discourage social)romotion - advancing students who are unprepared for the next grade level - 'eceive priority in competing for Department of Education grants.

Echaveste said Clinton plans to mount the "bully pulpit" to campaign for :chool accountability and to stress the need for schools to become "more)utput-oriented as opposed to just input."

Republicans are bracing for a philosophical battle on schools with the White Iouse. In her radio response yesterday, Fowler said Republicans want to ensure hat federal money winds up in local schools, where local officials retain :ontrol over spending priorities, "rather than in an expanded education)ureaucracy in Washington, D.C."

On health care, Clinton will not make a sweeping proposal, as he did in his :ffort to overhaul the nation's health care system in the fall of 1994.

As he has done in the aftermath of that failed effort, the president instead 'ill recommend incremental changes. One will be a $ 6-billion tax and budget)ackage to help provide long-term care for people with chronic illness or ıisability.

LANGUAGE: English

LOAD-DATE: January 17, 1999

LEVEL 1 - 12 OF 166 STORIES

The National Journal

November 21, 1998

SECTION: ADMINISTRATION; Pg. 2786; Vol. 30, No. 47-48

LENGTH: 1909 words

HEADLINE: Clinton and Tobacco: What Now?

BYLINE: Alexis Simendinger

BODY:

''We must help parents protect their children from the gravest health threat that they face: an epidemic of teen smoking, spread by multimillion-dollar marketing campaigns,'' President Clinton said in his State of the Union address 10 months ago.

With that bit of hyperbole, the president challenged Congress to pass comprehensive tobacco legislation that would hike the price of cigarettes by $ 1.50 a pack over 10 years and penalize tobacco companies if they failed to improve their record with underage smokers.

Clinton was turning to Congress for a tougher crackdown on the tobacco industry than had been proposed in 1997 in a $368.5 billion legal settlement crafted by the tobacco companies and some state attorneys general.

The White House and public health groups demanded something better, and they hoped it would be this year's Senate bill--sponsored by John McCain, R-Ariz.--to make the industry pay $516 billion over 25 years and raise cigarette prices by $ 1.10 a pack over five years.

But lawmakers eventually saw too many problems with the mammoth legislation--the public wasn't demanding it and Big Tobacco had lobbied hard to kill it. So the president, in defeat, settled for a midterm-election issue instead.

This week, just as Clinton and the Democrats began to regroup around a policy agenda for 1999, news arrived that the tobacco industry and the state attorneys general were poised to ratify a tobacco settlement. And this one, which would put $ 206 billion over 25 years into the coffers of 46 states, does not include the federal government, and therefore needs no blessing from Congress.

The settlement is widely perceived as a sweet deal for the tobacco companies and perhaps a better deal for some states than would be possible if they went to court individually to recover the health-related costs they claim are tied to tobacco. But the pending settlement could be bad news for the president's already-embattled intention to resurrect tobacco legislation next year.

Clinton reacted positively to the settlement during a brief White House event with attorneys general on Monday, saying the agreement was headed in the right direction. ''It is up to Congress to finish the job . . . (of) protecting our children from tobacco,'' he added.

There is no doubt that the president--in his State of the Union address, his next budget and elsewhere--will again call on Congress to decide that the Food and Drug Administration can regulate nicotine as a drug. He will argue for tighter restrictions on tobacco marketing and protections for tobacco farmers. He will seek a federal share of the state settlement because Medicaid is a federal-state program and the law requires Washington to assert its claim. And Clinton is almost assuredly going to seek a federal tobacco tax or fee increase for two reasons: It would reprise his argument that the government should try to price teens out of smoking; and his next budget for fiscal year 2000 would be unlikely to show balance without the extra revenue.

But the state settlement will make it harder--not easier--to get these policy goals through the 106th Congress. The deal could become a most convenient excuse for divisive lawmakers to steer clear of uncomfortable old controversies in a period that begins with the tensions and passions of impeachment, is scripted to move through Social Security reform and tax relief, and will culminate in the 2000 presidential election.

The state settlement ''has added a new element of uncertainty'' to the question of federal tobacco policy, said G. William Hoagland, majority staff director for the Senate Budget Committee. On the cigarette-tax issue alone, he added, ''clearly, this settlement has changed the dynamics a little bit.''

At the White House, the argument goes the other way. ''It is clear that much remains to be done,'' said Elena Kagan, deputy assistant to the president for domestic policy. ''So the settlement doesn't deprive us of any leverage. To the contrary, it should remind people of the importance of holding tobacco companies accountable, and make people aware of what's left to be accomplished. I don't think it hurts us.''

To rejuvenate a federal role, Clinton needs to win congressional approval for regulation, taxation, and a cut of the state's tobacco winnings. And to keep the focus on teens and smoking, the president would like to have his say about where the tobacco money should be spent.

The administration--having asserted FDA regulatory authority over tobacco and having lost an appeals court challenge--has turned to the U.S. Supreme Court, which could settle the case in 1999. The president wants Congress to affirm the FDA's jurisdictional authority ''right away,'' Kagan said. But lawmakers are far more likely to follow a cautious course and await a court verdict.

And if Clinton wants a tobacco bill, Republicans next year are likely to insist he send up his own legislation--something he's refused to do in the past because of White House fears that a proposal with Clinton's name on it would doom its prospects.

The president is expected to make his pitch early to raise federal tobacco taxes or to charge some fees tied to tobacco. That's because his fiscal year 2000 budget has to be delivered to Congress by February, and it must be well within the black. That's a tall order for Clinton's blueprint or for any budget the Republicans put together, because the legally mandated limits, or caps, on spending will be painful next year. As in the president's fiscal 1999 budget, tobacco will ''almost certainly,'' according to one White House official, become an ideologically attractive--and desperately needed--revenue source on paper, even if Congress later takes no action.

The mathematical problem for the president and Congress is real: To operate under next year's caps, they will have to cut spending or find revenue to manage a drop of roughly $ 25 billion from fiscal 1999's level of spending for appropriated programs. Hoagland likens that kind of decrease to falling off a cliff. Former Congressional Budget Office Director Robert D. Reischauer, a senior fellow at the Brookings Institution, simply calls it ''impossible.''

So tight are the purse strings for fiscal 2000 that some budget experts fully expect lawmakers of both parties to flirt with the politically explosive notion of raising the caps to gain more spending room.

While the allure of once again calculating tobacco receipts in advance may be overwhelming for Clinton, such calculations may be even less credible than they were this year. If a state tobacco settlement appears to have abandoned Washington by the side of the road, the president's inclusion of federal tobacco money in his budget as a significant revenue source might not pass the straight-face test.

But Clinton, Hoagland said, will have few agreeable choices to remedy the caps problem, and the president might argue that a federal tax or fee would pick up where the state tobacco settlement left off.

The state agreement with tobacco companies assumes that smokers would experience a price hike of 30 cents to 45 cents per pack as the companies pass along their costs to consumers. The president might decide to treat the state settlement as an opening to seek a federal increase sufficient to raise the price per pack to $ 1.10, as the McCain bill proposed, or $ 1.50, which Clinton favored in January. In this scenario, the president would seek a federal tobacco tax or fee equivalent to 80 cents to $ 1.20 per pack, Hoagland suggested. ''The difference is still in play for the administration,'' he said.

The White House insists that the president's tobacco decisions will not be driven by budget constraints. ''To achieve the greatest reduction in consumption, you would want a price increase,'' Kagan said, noting that many options are on the table.

But a hike in excise taxes would still be difficult for lawmakers who don't like raising taxes--either in principle, or because the tobacco tax is regressive. ''This isn't a slam dunk at all,'' Reischauer said. And keep in mind that the Nov. 3 elections confirmed that there was almost no political fallout for failing to adopt this year's tobacco package.

What might help the administration next year would be a more compelling campaign focused on intended uses for the proposed tobacco resources, Reischauer added. Republicans might support tobacco-tax increases if some of the revenues were used to offset marriage-penalty tax relief for low-income couples (a tax hike offsets a popular tax cut), he suggested. And if Clinton made a case for helping tobacco farmers, anti-smoking education programs, and research for medical conditions tied to smoking, some lawmakers could be swayed.

''The issue is what you do with the revenues you achieve,'' Hoagland said.

The White House is well aware that Clinton was criticized this year for earmarking assumed tobacco revenues so he could spend more on unrelated programs. Administration officials are unlikely to repeat that blunder.

Even without a tobacco tax, however, the White House will stake a claim for tobacco money. Officials reasserted this week that the law establishing Medicaid requires the federal government to try to recoup a proportion of costs recovered in litigation. On average, the federal share works out to about 57 percent--the same as the federal government's portion of national Medicaid expenditures.

These claims are not poured back into the Medicaid program, according to the White House. Instead, the money recouped is paid into an all-purpose legal claims fund, from which Congress makes appropriations.

The issue of taking a cut of state tobacco settlements is troublesome for congressional Republicans, who are attempting to be more deferential to the needs of the 31 GOP governors. And it's a political knot for Clinton and Vice President Al Gore, who want to avoid alienating their political friends in the states, particularly before the 2000 elections take place.

Washington state Attorney General Christine Gregoire, a Democrat and the lead negotiator in the tobacco accord unveiled this week, told reporters at the White House on Nov. 16 that the states would be willing to give the federal government a share of the settlement, but only if the government promised to spend the money on state-based programs. That type of compromise was attempted in the failed McCain bill.

''The president remains very open to the idea of working this issue out with Congress and with the states in legislation as part of a broader resolution of the tobacco issue,'' Kagan responded.

But the announcement of the state settlement could signal that Clinton's $ 206 billion question may be whether tobacco companies have again left him room for little more than wishful thinking.

LANGUAGE: ENGLISH

LOAD-DATE: November 23, 1998

LEVEL 1 - 13 OF 166 STORIES

The Atlanta Journal and Constitution

November 12, 1998, Thursday, JOURNAL EDITION

SECTION: NEWS; Pg. 13a

LENGTH: 550 words

SERIES: Final

HEADLINE: Tobacco settlement expected soon

DATELINE: Washington

BODY:

A tobacco settlement package expected to be announced as early as Friday would require the country's four largest cigarette manufacturers to pay about $ 200 billion over a quarter century and follow stiff advertising restrictions, Scripps Howard News Service reported today, citing sources close to the talks. The deal, aimed at settling dozens of states' lawsuits against the tobacco industry, could prompt price increases of 35 cents per pack of cigarettes. It would bypass the need for congressional action after the failure of the Senate last spring to pass a more sweeping legislative package. ''They're not done,'' said Scott Williams, an industry spokesman in Washington. ''It is a very complex agreement they're working on. There is a desire to pick up the pieces from the collapse of the national settlement.'' On Tuesday, the 4th U.S. Circuit Court of Appeals, based in Richmond, let stand an earlier ruling in which a three-judge panel said the Food and Drug Administration lacks the authority to regulate nicotine as a drug. The White House said it would appeal that decision to the Supreme Court. The tobacco agreement is aimed at compensating states for their Medicaid costs of treating sick smokers. The accord gives 37 states with pending lawsuits against the industry, plus nine that didn't file suit, until Nov. 20 to join the settlement, and the total payments would decrease in proportion to the number of states that declined to participate. Four states --- Texas, Florida, Minnesota and Mississippi --- have settled their suits for a total of $ 40 billion. The trial on Washington state's lawsuit is under way. The amount each participating state would get under the comprehensive settlement being negotiated in New York is tied to its number of Medicaid recipients. In addition to the $ 200 billion in direct payments to the states, the industry would pay $ 1.45 billion for a five-year national advertising campaign against smoking and $ 250 million for creation of a public health foundation to reduce youth smoking. The proposed settlement doesn't contain money for tobacco farmers, but it requires representatives of cigarette companies to meet with the governors of tobacco states within 30 days to discuss compensation for leaf growers, said participants in the talks. The accord would likely reduce tobacco consumption because the industry payments to the states would result in price increases of 35 cents per pack of cigarettes, Scripps Howard cited participants as saying. Elena Kagan, a domestic policy adviser to President Clinton, said the White House hadn't seen details of the settlement package but was cheered by what it knew. ''From what we hear, this is a real step in the right direction,'' she said. ''We give the attorneys general all the credit in the world for having accomplished this. At the same time, it leaves a great deal to be done.'' Kagan said the Clinton administration is considering a tobacco tax increase as part of the federal budget proposal it will submit to Congress early next year. She said the White House will take into account price hikes that may result from the states' settlement deal with the industry. Congress last year raised the federal excise tax on tobacco from 24 cents to 44 cents per pack of cigarettes.

LOAD-DATE: November 13, 1998

LEVEL 1 - 14 OF 166 STORIES

The Daily News of Los Angeles

November 12, 1998, Thursday, VALLEY EDITION

SECTION: NEWS, Pg. N4

LENGTH: 701 words

HEADLINE: STATE MAY LEAD TOBACCO PAYOUTS; $ 25 BILLION IN 25 YEARS DISCUSSED

BYLINE: James Rosen Scripps-McClatchy Western Service

The Daily News of Los Angeles, November 12, 1998

DATELINE: WASHINGTON

BODY:

A tobacco settlement package expected to be announced as early as Friday would bring California more money than any other state, as much as $ 25 billion over 25 years, sources close to the talks indicated Wednesday.

Washington state could get as much as $ 4.9 billion and Alaska could receive roughly $ 3.3 billion

The deal, aimed at settling dozens of states' lawsuits against the tobacco industry, could prompt price increases of 35 cents per pack of cigarettes. It would bypass the need for congressional action after the failure of the Senate last spring to pass a more sweeping legislative package.

''They're not done,'' said Scott Williams, an industry spokesman in Washington. ''It is a very complex agreement they're working on. There is a desire to pick up the pieces from the collapse of the national settlement.''

Among the attorneys general who helped hammer out the new deal during four months of secret talks in New York were Attorneys General Christine Gregoire of Washington and Dan Lungren of California, who served as lead negotiator.

The agreement, aimed at compensating states for their Medicaid costs of treating sick smokers, would require the country's four largest cigarette manufacturers to pay about $ 200 billion over a quarter century and follow stiff advertising restrictions. The accord gives 37 states with pending lawsuits against the industry, plus nine that didn't file suit, until Nov. 20 to join the settlement, and the total payments would decrease in proportion to the number of states that declined to participate. Four states - Texas, Florida, Minnesota and Mississippi - have settled their suits for a total of $ 40 billion. The trial on Washington state's lawsuit is under way.

The amount each participating state would get under the settlement is tied to its number of Medicaid recipients.

In addition to the $ 200 billion in direct payments to the states, the industry would pay $ 1.45 billion for a five-year national advertising campaign against smoking and $ 250 million for creation of a public health foundation to reduce youth smoking.

The proposed settlement doesn't contain money for tobacco farmers, but it requires representatives of cigarette companies to meet with the governors of tobacco states within 30 days in order to discuss compensation for leaf growers, according to participants in the talks.

The accord likely would reduce tobacco consumption because the industry payments to the states would result in price increases of 35 cents per pack of cigarettes, participants said.

Elena Kagan, a domestic policy adviser to President Clinton, said the White House hadn't seen details of the settlement package but was cheered by what it knew.

''From what we hear, this is a real step in the right direction,'' she said. ''We give the attorneys general all the credit in the world for having accomplished this. At the same time, it leaves a great deal to be done.''

Kagan said the Clinton administration is considering a tobacco tax increase as part of the federal budget proposal it will submit to Congress early next year. She said the White House will take into account price hikes that may result from the states' settlement deal with the industry.

Congress last year raised the federal excise tax on tobacco from 24 cents to 44 cents per pack of cigarettes. Attempts to raise the tax by as much as $ 1.50 a pack failed this year.

Kagan said the White House is also weighing legislation to strengthen Food and Drug Administration control of cigarette makers in the wake of the industry's legal challenges to tougher FDA regulations imposed in 1996.

''We're looking at a wide variety of options,'' Kagan said. ''We're trying to figure out what best advances the president's goal of reducing youth smoking. We certainly are very interested in passing legislation to make clear that the FDA has jurisdiction over tobacco products.''

The 4th U.S. Circuit Court of Appeals, based in Richmond, Va., on Tuesday let stand an earlier ruling in which a three-judge panel said the FDA lacks the authority to regulate nicotine as a drug. The White House said it would appeal that decision to the Supreme Court.

LANGUAGE: ENGLISH

LOAD-DATE: November 13, 1998

LEVEL 1 - 15 OF 166 STORIES

The Fresno Bee

November 12, 1998, HOME EDITION

SECTION: TELEGRAPH, Pg. A1

LENGTH: 594 words

HEADLINE: Tobacco deal may give state windfall;
California could receive $ 25b over 25 years.

BYLINE: James Rosen, Bee Washington Bureau

DATELINE: WASHINGTON

BODY:
A tobacco settlement package expected to be announced as early as Friday would bring California more money than any other state, as much as $ 25 billion over 25 years, sources close to the talks indicated Wednesday.

The Fresno Bee, November 12, 1998

The deal, aimed at settling dozens of states' lawsuits against the tobacco industry, could prompt price increases of 35 cents per pack of cigarettes.

It would bypass the need for congressional action following the failure of the Senate last spring to pass a more sweeping legislative package.

"They're not done," said Scott Williams, an industry spokesman in Washington. "It is a very complex agreement they're working on. There is a desire to pick up the pieces from the collapse of the national settlement."

Though California stands to gain from the settlement, the additional tax burden on smokers will be substantial. In addition to the 35-cent-per-pack tax from the proposed settlement deal, state smokers will soon be paying an extra 50 cents per pack because of the passage of Proposition 10.

The California ballot measure by actor-director Rob Reiner was officially certified Wednesday following a count of late ballots from the Nov. 3 election.

The tax increase from 37 to 87 cents per pack of cigarettes takes effect Jan. 1. The measure imposes proportional increases on other tobacco products.

Elena Kagan, a domestic policy adviser to President Clinton, said the Clinton administration is considering a tobacco tax increase as part of the federal budget proposal it will submit to Congress early next year.

Congress last year approved phased-in increases of 24 cents a pack in federal excise tax on tobacco. The tax will increase by 10 cents in 2000 and another nickel in 2002. The higher cigarette tax will raise more than $ 16 billion over 10 years and help pay for wider health coverage for children in poor families.

The agreement, aimed at compensating states for their Medicaid costs of treating sick smokers, would require the country's four largest cigarette manufacturers to pay about $ 200 billion over a quarter century and follow stiff advertising restrictions.

The accord gives 37 states with pending lawsuits against the industry, plus nine that didn't file suit, until Nov. 20 to join the settlement, and the total payments would decrease in proportion to the number of states that declined to participate. Four states -- Texas, Florida, Minnesota and Mississippi -- have settled their suits for a total of $ 40 billion. The trial on Washington state's lawsuit is under way.

The amount each participating state would get under the comprehensive settlement being negotiated in New York is tied to its number of Medicaid recipients.

In addition to the $ 200 billion in direct payments to the states, the industry would pay $ 1.45 billion for a five-year national advertising campaign against smoking and $ 250 million for creation of a public health foundation to reduce youth smoking.

The proposed settlement doesn't contain money for tobacco farmers, but it requires representatives of cigarette companies to meet with the governors of tobacco states within 30 days in order to discuss compensation for leaf growers, according to participants in the talks.

Kagan said the White House hadn't seen details of the settlement package but was cheered by what it knew. "From what we hear, this is a real step in the right direction," she said. "We give the attorneys general all the credit in the world for having accomplished this."

* The Associated Press contributed to this report.

GRAPHIC: THE FRESNO BEE
Up in smoke (see microfilm)

LOAD-DATE: November 13, 1998

LEVEL 1 - 16 OF 166 STORIES

The News and Observer (Raleigh, NC)

November 12, 1998 Thursday, FINAL EDITION

SECTION: NEWS; Pg. A1

LENGTH: 1003 words

HEADLINE: Tobacco deal could bring N.C. $ 6 billion

BYLINE: James Rosen, WASHINGTON CORRESPONDENT

BODY:

WASHINGTON -- A tobacco settlement package that could be announced this week would bring North Carolina as much as $ 6 billion over 25 years and would require cigarette companies to negotiate with tobacco-state governors on additional money for leaf growers.

The deal, aimed at settling dozens of states' lawsuits against the tobacco industry, could raise the price of cigarettes by 35 cents a pack. It would bypass the need for congressional action following the failure of the U.S. Senate last spring to pass a more sweeping legislative package.

"They are not done," Scott Williams, an industry spokesman in Washington, said of the negotiators. "It is a very complex agreement they're working on. There is a desire to pick up the pieces from the collapse of the national settlement."

Two Tar Heels helped hammer out the basic deal during four months of secret talks in New York: state Attorney General Mike Easley and Phil Carlton of Pinetops, a lawyer representing the tobacco industry.

The agreement, aimed at compensating states for their Medicaid costs of treating sick smokers, would require the country's four largest cigarette manufacturers to pay about $ 200 billion over a quarter-century and to follow stiff advertising restrictions.

The accord gives 37 states with pending lawsuits against the industry, plus nine that didn't file suit, until Nov. 20 to join the settlement. The $ 200 billion cost to the industry would decrease in proportion to the number of states that decline to participate. Four states - Texas, Florida, Minnesota and Mississippi - have settled their suits for a total of $ 40 billion. A trial is under way in Washington state's case.

Participants in the talks say they expect 35 to 40 states to sign on to the proposed agreement.

The amount each participating state would get under the settlement is tied to its number of Medicaid recipients. North Carolina would receive an estimated $ 6 billion if all remaining 46 states join the accord; California would get about $ 25 billion, and Washington state would receive $ 4.3 billion.

Easley and seven other attorneys general negotiated the package with Carlton and other lawyers for the cigarette companies. Negotiators said it could be ready by Friday but that it might have to wait until early next week to be announced.

In addition to the $ 200 billion in direct payments to states, the industry would pay $ 1.45 billion for a five-year national advertising campaign against smoking and $ 250 million for formation of a public health foundation to reduce youth smoking.

The proposed settlement does not contain money for tobacco farmers, but it does require representatives of cigarette companies to meet with the governors of North Carolina and other tobacco states within 30 days in order to discuss compensation for the growers, according to participants in the talks.

The accord could result in a reduction in tobacco consumption because the industry payments to the states would increase cigarette prices, participants said.

Unlike a broader settlement package reached last year - which would have cost the industry $ 368.5 billion - the current package does not give cigarette makers liability limits in dozens of other suits that have been filed by local governments, pension funds and groups of individuals.

Elena Kagan, a domestic policy adviser to President Clinton, said the White House had not seen details of the settlement package but was cheered by what it knew.

"From what we hear, this is a real step in the right direction," she said. "We give the attorneys general all the credit in the world for having accomplished this. At the same time, it leaves a great deal to be done."

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Kagan said the White House is weighing legislation to strengthen Food and Drug Administration control of cigarette makers, in the wake of the industry's legal challenges to tougher FDA regulations imposed in 1996.

"We're looking at a wide variety of options," Kagan said. "We're trying to figure out what best advances the president's goal of reducing youth smoking. We certainly are very interested in passing legislation to make clear that the FDA has jurisdiction over tobacco products."

The 4th Circuit Court of Appeals on Tuesday let stand an earlier ruling in which a three-judge panel said the FDA lacks the authority to regulate nicotine as a drug. The White House said it will appeal that decision to the Supreme Court.

The industry agreed to accept FDA jurisdiction last year as part of the $ 368.5 billion settlement package it negotiated with the attorneys general. But that proposal required congressional approval, and it grew into a massive $ 516 billion tax-and-spend measure in the hands of lawmakers. The Senate defeated the bill in June.

Anticipation of a settlement increased the price of tobacco stocks. Shares of Philip Morris Cos. reach a six-month high Tuesday at 54 before closing at 53.94 on Wednesday. Shares of RJR Nabisco Holdings Corp., parent company of R.J. Reynolds Tobacco Co. in Winston-Salem, rose to 30 on Wednesday, just down from their six-month high of 30.25 reached last week.

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The proposal:

- The states would receive $ 200 billion over a quarter-century.

- The industry would pay $ 1.45 billion more for an ad campaign against smoking.

- The industry would give $ 250 million for foundation to reduce youth smoking.

- Cigarette companies must negotiate with states on additional compensation for tobacco growers.

- Consumer impact: Cigar-ette prices could rise by 35 cents a pack.

LANGUAGE: ENGLISH

LOAD-DATE: November 13, 1998

LEVEL 1 - 17 OF 166 STORIES

Newsday (New York, NY)

November 12, 1998, Thursday, NASSAU AND SUFFOLK EDITION

SECTION: NEWS; Page A06

Newsday (New York, NY), November 12, 1998

LENGTH: 695 words

HEADLINE: A WEAKER SETTLEMENT? / NEW TOBACCO DEAL NOT AS STRONG ON TEEN SMOKING, CRITICS SAY

BYLINE: By Harry Berkowitz. STAFF WRITER

BODY:

A new multibillion-dollar settlement of state lawsuits against tobacco companies would not have nearly the impact on teen smoking that the original June, 1997, deal would have had, critics and analysts of the industry said yesterday.

The deal negotiated by a group of eight state attorneys general would, however, dramatically lower the legal threats the industry faces, analysts predicted.

"This agreement is not a comprehensive plan and does not substitute for the need for Congress to enact a comprehensive plan," said Matt Myers, general counsel for the anti-smoking Campaign for Tobacco-Free Kids in Washington, D.C. He helped negotiate the original deal, a version of which died in the Senate this year.

"It will have a modest impact on teen smoking," said Gary Black, an analyst at Sanford C. Bernstein & Co.

The Clinton administration is considering proposing anti-smoking measures, including a cigarette tax increase, next year, but it is uncertain whether Republicans would support that, White House officials said yesterday.

The group of eight attorneys general, which includes New York's, expects to unveil its deal to 38 other states early next week in hopes of getting them to settle on the same terms. If enough states don't sign on, the tobacco companies could pull out of the settlement. Under the new deal, which would not need congressional approval, tobacco companies would give the 46 states nearly $ 200 billion over 25 years. Four other states - Minnesota, Texas, Florida and Mississippi - have signed separate deals for a total of $ 40 billion over 25 years.

Partly because of the settlements with four states and expectations of more, tobacco companies have boosted cigarette prices by nearly a quarter per pack in the past year and could add another nickel to 15 cents this year, analysts said.

Over the next five years, prices could rise by 40 cents, said Bonnie Zoller, an analyst at Credit Suisse First Boston. The Senate bill that failed was meant to raise prices $ 1.10 over five years.

The price increases could push down overall cigarette use - which has been dropping 1 percent to 2 percent a year - by 15 percent over five years, Zoller said. But that does not mean it would stop many teens from smoking, critics said.

Although the new deal would not give companies protection from class-action lawsuits or punitive damage payments, as the original would have, it would eliminate the threat of major verdicts for states in lawsuits to recover smoking-related Medicaid costs. "This will eliminate approximately 70 percent of the litigation risk facing the industry," Zoller said.

Because of such expectations, Philip Morris stock has soared nearly 50 percent in the past five months. The company's stock closed yesterday at $ 53.93 3/4 , down 6.25 cents. The deal also would free RJR Nabisco to split off its tobacco operations from its food business, as shareholders have pushed it to do, although that may not happen until late next year, said Martin Feldman, an analyst at Salomon Smith Barney.

The Justice Department said yesterday it will ask the Supreme Court to rule that the U.S. Food and Drug Administration has the authority to regulate the tobacco industry, which the original deal stipulated. Late Tuesday, the Richmond-based Fourth U.S. Circuit Court of Appeals voted 6-3 not to review a three-judge panel's August ruling that the FDA does not have that authority.

The new deal would ban billboards, cartoon figures in ads and giveaways of caps and other merchandise with cigarette brand logos, sources close to the talks said. It would limit but not eliminate tobacco company sports sponsorships. It would also provide a total of more than $ 1.4 billion for anti-smoking ads and programs, compared with $ 500 million a year in the original deal. Unlike the original, it would not penalize companies if teen smoking reductions fall short of goals, nor would it restrict magazine ads.

"It seems to be a step in the right direction," said Elena Kagan, a White House adviser on tobacco. "There is still an enormous amount to be done. It is not going to solve the problem of youth smoking."

LANGUAGE: English

LOAD-DATE: November 12, 1998

LEVEL 1 - 18 OF 166 STORIES

The Plain Dealer

November 12, 1998 Thursday, FINAL / ALL

SECTION: NATIONAL; Pg. 17A

LENGTH: 448 words

HEADLINE: NEW TOBACCO SETTLEMENT ANNOUNCEMENT EXPECTED

BYLINE: By JAMES ROSEN; McCLATCHY NEWSPAPERS

DATELINE: WASHINGTON

The Plain Dealer, November 12, 1998

BODY:

A tobacco settlement package expected to be announced as early as tomorrow would require the country's four largest cigarette manufacturers to pay about $200 billion over a quarter-century and follow stiff advertising restrictions, sources close to the talks indicated yesterday.

The deal, aimed at settling dozens of states' lawsuits against the tobacco industry, could prompt price increases of 35 cents per pack of cigarettes. Ohio is one of the states.

It would bypass the need for congressional action following the failure of the Senate last spring to pass a more sweeping legislative package.

On Tuesday, the 4th Circuit U.S. Court of Appeals, based in Richmond, Va., let stand an earlier ruling in which a three-judge panel said the Food and Drug Administration lacks the authority to regulate nicotine as a drug. The White House said it would appeal that decision to the Supreme Court.

The tobacco agreement is aimed at compensating states for their Medicaid costs of treating sick smokers. The accord gives 37 states with pending lawsuits against the industry, plus nine that didn't file suit, until Nov. 20 to join the settlement, and the total payments would decrease in proportion to the number of states that declined to participate.

The amount each participating state would get under the comprehensive settlement being negotiated in New York is tied to its number of Medicaid recipients.

In addition to the $200 billion in direct payments to the states, the industry would pay $1.45 billion for a five-year national advertising campaign against smoking and $250 million for creation of a public health foundation to reduce youth smoking.

The proposed settlement doesn't contain money for tobacco farmers, but it requires representatives of cigarette companies to meet with the governors of tobacco states within 30 days in order to discuss compensation for leaf growers, according to participants in the talks.

The accord probably would reduce tobacco consumption because of the probable price increase, participants said.

Elena Kagan, a domestic policy adviser to President Clinton, said the White House hadn't seen details of the settlement package but was cheered by what it knew.

Kagan said the Clinton administration is considering a tobacco tax increase as part of the federal budget proposal it will submit to Congress early next year. She said the White House will take into account price hikes that may result from the states' settlement deal with the industry.

Congress last year raised the federal excise tax on tobacco from 24 cents to 44 cents per pack of cigarettes. Attempts to raise the tax by as much as $1.50 a pack failed this year.

The Plain Dealer, November 12, 1998

LANGUAGE: ENGLISH

LOAD-DATE: November 13, 1998

LEVEL 1 - 19 OF 166 STORIES

Sacramento Bee

November 12, 1998, METRO FINAL

SECTION: MAIN NEWS; Pg. A4

LENGTH: 682 words

HEADLINE: CALIFORNIA EYES BILLIONS FROM TOBACCO DEAL

BYLINE: James Rosen, Bee Washington Bureau

DATELINE: WASHINGTON

BODY:

A tobacco settlement package expected to be announced as early as Friday would bring California more money than any other state -- as much as $ 25 billion over 25 years -- sources close to the talks indicated Wednesday.

The deal, aimed at settling dozens of states' lawsuits against the tobacco industry, could prompt price increases of 35 cents per pack of cigarettes. It would bypass the need for congressional action following the failure of the Senate last spring to pass a more sweeping legislative package.

"They're not done," said Scott Williams, an industry spokesman in Washington. "It is a very complex agreement they're working on. There is a desire to pick up the pieces from the collapse of the national settlement."

Among the attorneys general who helped hammer out the new deal during four months of secret talks in New York were Christine Gregoire of Washington state, the lead negotiator, Dan Lungren of California and Mike Easley of North Carolina.

The agreement, aimed at compensating states for their Medicaid costs of treating sick smokers, would require the country's four largest cigarette manufacturers to pay about $ 200 billion over a quarter century and follow stiff advertising restrictions.

The accord gives 37 states with pending lawsuits against the industry, plus nine that didn't file suit, until Nov. 20 to join the settlement. Total payments would decrease in proportion to the number of states that declined to participate. Four states -- Texas, Florida, Minnesota and Mississippi -- have settled their suits for a total of $ 40 billion. The trial on Washington state's lawsuit is under way.

The amount each participating state would get under the comprehensive settlement being negotiated in New York is tied to its number of Medicaid recipients.

In addition to the $ 200 billion in payments to the states, the industry would pay $ 1.45 billion for a five-year national advertising campaign against smoking and $ 250 million for creation of a foundation to reduce youth smoking.

The proposed settlement doesn't contain money for tobacco farmers, but it requires representatives of cigarette companies to meet with the governors of tobacco states within 30 days to discuss compensation for growers, according to participants in the talks.

The accord would likely reduce tobacco consumption because the industry payments to the states would result in cigarette price increases of 35 cents per pack, participants said.

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The Advocate (Baton Rouge, LA.)

March 9, 1999, Tuesday METRO EDITION

SECTION: News; Pg. 7-B;S

LENGTH: 711 words

HEADLINE: Nominees face wait for federal judgeship

BYLINE: WILLIAM PACK

BODY:

Moored in the world of post-impeachment politics in the nation's capital is the all-but-routine task of naming a new federal judge in Baton Rouge.

The nomination process took off early this year when Louisiana's two U.S. senators submitted five names to the White House for consideration in filling the seat vacated by U.S. District Judge John Parker. Parker assumed senior judge status in November as an interim step toward retirement.

The review process is ongoing at the White House, which is responsible for sending one nominee to the U.S. Senate for confirmation.

Bette Phelan, spokeswoman for U.S. Sen. John Breaux, said the process is pretty much on schedule, but cautioned that presidential review and Senate confirmation is "always a lengthy process."The finalists include two state district judges - Bonnie Jackson and Mary Hotard Becnel - and three attorneys, Christine Lipsey, James Brady and H. Alston Johnson III.

None of the five is a household name, but one is familiar to an important player in the process - President Clinton. Johnson and Clinton have been friends since attending Boy's Nation together as 17-year-olds.

The only candidate who doesn't live in the nine parishes of the Middle District of Louisiana is Becnel. She lives in LaPlace in St. John the Baptist Parish.

That doesn't make Becnel ineligible for a seat on the Baton Rouge-based court - no residency requirement exists for federal judicial nominees.

David Sellers, a spokesman for the Administrative Office of the U.S. Courts, said there are no official job requirements for federal judges - no age limit, no experience threshold, nothing.

They don't even need to be a lawyer, though all federal judges in modern history have first been lawyers, law professors or judges on other courts, Sellers said.

He said an informal set of requirements has evolved for federal judges, including a review by the American Bar Association's standing committee on the federal judiciary. The bar association says the Senate has requested the committee's opinion on every federal judge nomination since 1948.

The committee's review includes a questionnaire, an examination of the prospective nominee's legal writings and interviews with people familiar with the integrity, competence and "judicial temperament" of those nominated.

The committee produces a rating of "well-qualified," "qualified" or "not qualified" for each candidate. The ratings are given to the U.S. Attorney General and only become public if requested for use in the Senate Judiciary Committee review.

Getting a nomination to the Judiciary Committee may, in fact, be the easiest part of the process. The Senate didn't move quickly on Clinton's nominations even before impeachment fever struck the capital.

U.S. Supreme Court Chief Justice William Rehnquist expressed alarm at the pace of judicial confirmations in 1996 and 1997, when about one in 10 federal judgeships was vacant.

The Republican-controlled Senate confirmed only 53 of Clinton's nominees during those years, Rehnquist observed. He said it confirmed almost twice that many in 1994 alone.

The pace of confirmations improved last year, when 65 nominees were confirmed, Rehnquist reported.

Still, as of Jan. 27, 53 of 843 federal judgeships remained vacant, federal statistics show. Twenty-five of the 53 vacancies were considered emergencies because they had been vacant for 18 months or longer.

Phelan said Breaux will "push very hard" on Judiciary Committee members to get the Middle District nomination to a vote once it gets to that point.

The unanswered question is how Republicans who control the committee and the Senate will respond to a request for help from Breaux or any other Democrat.

Chad Clanton, a spokesman for U.S. Sen. Mary Landrieu, said he senses a desire "to bring not only the Senate but the entire country back together" in the aftermath of the impeachment battle.

But with the impeachment trial just over and a presidential election year upcoming, it's too early to say whether cooperation will prevail over politics.

"I would hope some bipartisan spirit will be applied to judicial nominees, but then you never know," Clanton said.

William Pack covers federal court for The Advocate

LOAD-DATE: March 9, 1999

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Kagan said the White House is also weighing legislation to strengthen Food and Drug Administration control of cigarette makers, in the wake of the industry's legal challenges to tougher FDA regulations imposed in 1996.

"We're looking at a wide variety of options," Kagan said. "We're trying to figure out what best advances the president's goal of reducing youth smoking. We certainly are very interested in passing legislation to make clear that the FDA has jurisdiction over tobacco products."

The 4th U.S. Circuit Court of Appeals, based in Richmond, Va., on Tuesday let stand an earlier ruling in which a three-judge panel said the FDA lacks authority to regulate nicotine as a drug. The White House said it would appeal to the Supreme Court.

GRAPHIC: Dan Lungren
California's attorney general helped negotiate the nearly concluded agreement.

LANGUAGE: ENGLISH

LOAD-DATE: November 13, 1998

LEVEL 1 - 20 OF 166 STORIES

Star Tribune (Minneapolis, MN)

November 12, 1998, Metro Edition

SECTION: Pg. 17A

LENGTH: 571 words

HEADLINE: Tobacco settlement package expected to be announced Friday

SOURCE: McClatchy Newspapers

DATELINE: Washington, D.C.

BODY:

A tobacco settlement package expected to be announced as early as Friday would require the four largest U.S. cigarette manufacturers to pay about $ 200 billion over 25 years and follow stiff advertising restrictions, sources close to the talks indicated Wednesday.

The deal, aimed at settling dozens of states' lawsuits against the tobacco industry, could prompt price increases of 35 cents per pack of cigarettes. It would bypass the need for congressional action after the Senate failed to pass a more sweeping legislative package last spring.

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The amount each participating state would receive from the proposed settlement, which is being negotiated in New York, is linked to its number of Medicaid recipients.

In addition to the $ 200 billion in direct payments to the states, the industry would pay $ 1.45 billion for a five-year national ad campaign against smoking and use $ 250 million to create a public health foundation to reduce youth smoking.

The accord probably would reduce tobacco consumption, because the industry payments to the states would increase the price of cigarettes, participants said.

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LANGUAGE: ENGLISH

LOAD-DATE: November 13, 1998

LEVEL 1 - 21 OF 166 STORIES

The Evening Standard (London)

October 14, 1998

SECTION: Pg. 57

LENGTH: 667 words

HEADLINE: THE NEW MAN WHO SPEAKS FOR CLINTON;
Joe Lockhart is tough, quick-witted and a big hit at the White House. But will these qualities be enough to protect the President from a hungry press? BARBARA McMAHON reports

BYLINE: Barbara Mcmahon

BODY:
A sense of humour is the winning characteristic of Joe Lockhart which is just as well. Last week he took up one of the most challenging, if not unenviable jobs in contemporary spin-doctoring - Press Secretary to Bill Clinton in his last period of office. His career trajectory could follow the same path as that of his boss, if the President is brought down by the Monica Lewinsky

scandal.

But Lockhart has made good start. The other day when the President was making a flying visit to press some flesh, Lockhart overslept and missed Air Force One. After leaping on a scheduled flight and catching up with the party, he fielded some good-natured ribbing from journalists:"Itak responsibility for my own actions," he said, aping speech from Clinton. "I deeply regret it. I'm dealing with the people I have hurt the most. And I'll have nothing further to say." He later said he thought a lighthearted response lightened the mood. He scored a hit with the press corps.

"You'd be a fool not to be daunted and intimidated by this task," he said in recent interview. "It's complex mix of emotions. am daunted and intimidated. But I'm also incredibly excited. It's the biggest professional challenge I will face in my lifetime." So far he has had to field questions on Kosovo and the global financial crisis, but those are as nothing compared to the obsession the nation's press has with l'affaire Lewinsky, the impending impeachment proceedings and the ongoing investigations of special prosecutor Kenneth Starr.

To make the new job even more tricky, Lockhart follows the widely admired Mike McCurry, who was

highly popular with the White House correspondents, particularly the female ones, but who has now gone on to a lucrative job in the private sector.

Colleagues say the 39-year-old Lockhart, who only a few years ago was working for Sky television news in London, reporting on economics, will handle the pressure. "He's smart, and he has an understanding of the issues," said Elena Kagan, deputy chief secretary of domestic policy. "People feel he has earned it and the President absolutely made the right decision in appointing him."

As McCurry's deputy for the last year and a half, Lock-hart has had plenty of practice in the daily rigours of the White House briefing room - "Speaking the truth slowly ..." as the urbane McCurry

described the job, or "not saying too much or too little" as Lockhart puts it.

The son of two journalists, Lockhart was born in the Bronx and grew up in a New York City suburb. He studied European history at Georgetown University and, after graduating, landed a job as a regional press coordinator for President Jimmy Carter's doomed 1980 campaign. He tasted political failure twice after that by

working as assistant press secretary in Walter Mon-dale's 1984 presidential campaign and Michael Dukakis's attempt in 1988.

That experience apparently soured politics for him, at least for a while.

He worked in public relations as a senior vice president for an agency company in New York and then tried his hand at journalism. He took the Murdoch shilling at Sky and then returned to the States to work for ABC and CNN. His mentor McCurry persuaded him to return to politics and take the job as chief spokesman for the 1996 Clinton-Gore campaign. His quick-witted responses during daily briefings earned him many admirers and he was persuaded to stay on as deputy head of the White House press staff.

He relishes the rough-and-tumble of the job, but displays flashes of temper when he feels journalists step out of line or wilfully misunderstand.

Fiercely loyal to Clinton, Lockhart said he has spoken with his boss about the Sexgate scandal. "I got the sense that the President recog-nised the mistake he made.

I, for one, don't need more than that," he said. His main problem will be that the Republican-controlled Congress, the hungry press, and, ultimately, the American people may require a great deal more.

LOAD-DATE: October 15, 1998

LEVEL 1 - 22 OF 166 STORIES

The Associated Press

October 1, 1998, Thursday, PM cycle

SECTION: Washington Dateline

LENGTH: 808 words

HEADLINE: With fear, fascination, Lockhart takes press secretary role

BYLINE: By ROBERT BURNS, Associated Press Writer

DATELINE: WASHINGTON

BODY:

Midway through a European tour, President Clinton and his entourage were winging their way to Belfast, Northern Ireland. Word got out that the president's press secretary-in-waiting, Joe Lockhart, had overslept in Moscow and missed Air Force One.

Not content to take the needling and let it drop, Lockhart - once he had caught up with the presidential party - raised a few eyebrows by jokingly borrowing words from Clinton, whose admission of having lied about Monica Lewinsky was hanging like a cloud over the trip.

"I take responsibility for my own actions," Lockhart deadpanned to reporters. "I deeply regret it. I'm dealing with the people I have hurt the most. And I'll have nothing further to say."

Classic Lockhart. Humility with humor, not afraid to deliver a poke in the presidential ribs.

"It just struck me that everybody needed to lighten up a little bit," Lockhart recalled of that difficult day in the Clinton camp. "If I could make a joke at my expense - even a little bit at the president's expense - and it would lighten the mood and loosen people up," then it was worth trying.

Lockhart figures to have plenty more chances to put his wit to use in a White House under siege. After a year and a half as a deputy to the widely admired Mike McCurry, Lockhart takes over as top spokesman Monday with just over two years left in Clinton's term.

He approaches the new assignment with a mixture of fear and fascination.

"You'd be a fool not to be daunted and intimated by this task," he said in a recent interview in the high-ceilinged West Wing office that is the Grand Central Station of presidential public relations. "It is a complex mix of emotions. I'm serious when I say daunted and intimidated. But I'm also incredibly excited."

Colleagues inside the White House seem pleased, too.

"He's smart and he has an understanding of the issues," said Elena Kagan, deputy chief for domestic policy. "People feel he has earned it and the president absolutely made the right decision."

Lockhart, 39, is a stocky man with salt-and-pepper hair and a ready smile. A gifted gabber, quick with a quip, he also is known for flashes of temper. He can be easy going, but also boldly political.

The press secretary's most visible role is conducting the daily briefing for White House reporters, an exercise in verbal gymnastics in which one slip of the tongue can carry a heavy penalty.

When Clinton stole into the White House briefing room July 23 to spring the announcement that McCurry was leaving and Lockhart was taking over, he said Lockhart knows what it will take to succeed.

"Joe knows that he can only serve my interests well if he takes care of yours also," Clinton told reporters.

Behind the scenes, the press secretary also must juggle internal White House pressures - don't say too much, don't say too little, keep this secret, leak that secret, humor the press, challenge the press. And because the press secretary speaks not just for the president but for his entire administration, Lockhart must be prepared to handle issues ranging from AIDS policy to foreign policy.

"It's the biggest professional challenge I will face in my lifetime," Lockhart says.

He knows his chances of succeeding will depend in part on keeping the trust of first lady Hillary Rodham Clinton, who called him at home the evening Clinton announced he would succeed McCurry.