FOIA Number: 2008-1524-F

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Collection/Record Group: Clinton Presidential Records

Subgroup/Office of Origin: Office of Science and Technology Policy

Series/Staff Member: Jerold Mande

Subseries:

OA/ID Number: 13036

FolderID:

Folder Title:
Tobacco: Tobacco Questions and Answers

Stack:	Row:	Section:	Shelf:	Position:
S	66	4	4	2

Bruce N. Reed
06/23/97 02:07:58 PM

Record Type: Record

To: Joseph P. Lockhart/WHO/EOP

cc: See the distribution list at the bottom of this message
Subject: Tobacco Process Talking Points

Here are the points on our tobacco process that Barry can make at today's briefing:

-- Today, we have begun our review of the proposed tobacco settlement.

-- The review will involve several agencies (HHS/FDA, DOJ, Treasury, USDA, DOL, OMB, etc.) as well as several WH offices (DPC, NEC, CEA, etc). We have established working groups on the major issues in the settlement. The main groups to highlight for press consumption are on 1) FDA regulation/marketing/access/labeling; 2) Budget issues (how the money is spent); and 3) Industry analysis (which will look at incentives in the agreement, the industry's financial picture, etc.). Other groups include workplace smoking; smoking cessation; litigation/liability/disclosure; international issues; and implementation issues. The budget and litigation groups met today.

-- The President has given us a timeline of 30 days (in his news conference yesterday).

-- Over the next few weeks, we will be reviewing the terms of the settlement, with a particular focus (as the President said yesterday) on the FDA piece and the budget piece. We will reserve judgment on individual provisions until we can assess the overall agreement.

-- Over that time, we will also meet with leaders in the public health community, including the major public health organizations, Drs. Koop and Kessler, leading tobacco foes on the Hill, etc.

-- The review will look at the question of what we can accomplish with a settlement and without one, as well as assessing what is good, what is insufficient, and what may be missing or unclear with respect to this particular settlement.

-- As the President said yesterday, we view this as a great opportunity to advance the public health. We should make the most of this historic chance to do everything we can to protect our children and our country from the dangers of tobacco. It will take us some time to make a serious, informed judgment on the terms of this settlement, but we are delighted that our actions and the steadfast efforts of the attorneys general have changed the landscape on tobacco for all time.

Message Copied To:

Elena Kagan/OPD/EOP
Elizabeth Drye/OPD/EOP
Jerold R. Mande/OSTP/EOP
Christopher C. Jennings/OPD/EOP
Sarah A. Bianchi/OMB/EOP
Jeanne Lambrew/OPD/EOP

Elizabeth Drye
06/26/97 05:52:48 PM

Record Type: Record

To: Jerold R. Mande/OSTP/EOP

cc:
Subject: Tobacco Process Talking Points

here they are again

--------------------- Forwarded by Elizabeth Drye/OPD/EOP on 06/26/97 05:53 PM ---------------------------

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06/23/97 02:07:58 PM

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Q&A on Tobacco Settlement
June 20, 1997

Q. Did the Administration help close the deal?

A. No. My staff monitored the talks closely so that we would be in a position to evaluate and respond to any possible settlement. We consistently told the parties that they would have to close an agreement on their own, and they were able to do so without any help from the Administration.

Q. How will you proceed?

A. I have asked my Domestic Policy Advisor, along with the Secretary of Health and Human Services, to undertake a thorough public health review of this agreement. They will consult with all interested agencies, members of Congress, and the public health community.

Q. How long will the review take?

A. The review will take as long as necessary to conduct a careful analysis, but we will seek to work promptly and expeditiously. We expect this to be a matter of weeks, not months.

Q. Dr. Kessler and Dr. Koop have asked in a letter to you that you give them 30 days to complete their own review before signing off on anything. Are you going to wait?

A. I intend to consider closely the views of the public health community, including Drs. Koop and Kessler, before rendering any judgment on the settlement. But it is premature to commit to any firm timetable for reaching my conclusion.

Q. What will you look at in evaluating this agreement?

A. We will evaluate whether this agreement protects the public health -- and particularly the health of our children. We will pay special attention to the part of the agreement dealing with FDA jurisdiction. The actions the FDA has taken under this Administration forced the industry to the bargaining table, and we will insist that the FDA has all necessary authority to regulate nicotine and tobacco products. We also will carefully review the financial terms of the settlement, including whether the money will go toward protecting the health of our children and the general public.

Q. The final deal limits punitive damages -- a key concession to the tobacco industry. Won't you oppose that given your previous opposition to caps on punitive awards?

A. The limitation on punitive damages for past misconduct is not a deal-breaker for us. We understand that the attorneys general extracted substantial concessions from the tobacco companies for this limitation, and we will evaluate whether the agreement <u>as a whole</u> advances the nation's public health interests.

Q. Are you taking a political risk in considering approval of this settlement?

A. This isn't about politics; it's about protecting the public health. We didn't think about politics when we took on the tobacco companies last year with our announcement of the FDA rule. And we won't look to politics now in evaluating this agreement.

Tobacco Questions
1/16/98

Question: What is the Administration's view of the settlement announced today between Texas and the tobacco industry?

We are very pleased with today's news. It is another indication that the tobacco industry will be held accountable for the harms it has caused. And it should serve as an impetus for the passage of national tobacco legislation.

Question: Why is national legislation necessary if each state can settle with the tobacco companies?

First, it's unlikely that each state will be able to settle with the industry, given the range of state laws on the subject. Second and more important, individual state settlements cannot accomplish important objectives relating to the public health, such as giving FDA authority over tobacco products, establishing a comprehensive scheme of penalties for failure to reduce youth smoking, and putting into place a nationwide licensing system for the distribution of tobacco products. Settlements can ensure that the tobacco companies pay out money for some of the harm they have caused. But we need national legislation to put in place the kind of comprehensive regulatory measures that will protect the public health and our nation's children.

Question: Some Republicans have begun to talk about enacting tobacco legislation piecemeal, with legislation on youth smoking this year. Would the Administration go along with such a plan?

We believe that Congress must enact comprehensive tobacco legislation this year. We will not be able to reduce youth smoking -- let alone meet our other public health objectives -- without a comprehensive measure. To reduce youth smoking over the long term, we must not only establish a system of penalties for failing to meet youth smoking targets, but also increase the price of cigarettes, guarantee FDA jurisdiction over tobacco, establish a licensing system, and regulate access and advertising. Those measures are also necessary to improve the health of adults. We shouldn't abandon the effort to enact comprehensive legislation before we've even started.

Question: Will the President reject tobacco legislation that includes limits on liability, given the new RJ Reynolds documents?

The new documents are horrific, but they only confirm what we've long suspected, while making the need for legislation in this area more clear than ever. Comprehensive legislation stands a far better chance of reducing youth smoking and protecting the public health than lawsuits brought by smokers against the tobacco industry. The President will focus on the legislation as a whole and ask whether it will reduce youth smoking and protect the public health. If it meets these objectives, he will sign it. As we've said before, limits on liability are not necessarily a dealbreaker; they should be weighed against, and viewed in light of, the public health elements of the legislation.

Of course, no one is talking about immunity from criminal prosecution: if tobacco industry officials committed perjury, lied to Congress, or committed other crimes, they will be prosecuted. The limits on liability contained in the AGs' proposed settlement applied only to civil suits -- capping liability for civil damages at $5 billion each year.

Question: Lawyers in both Texas and Florida have asked for obscene amounts of money for their role in bringing about settlements with the tobacco industry. Will the President support a provision in national legislation to limit fees for lawyers?

The President is primarily concerned with ensuring that tobacco legislation reduces youth smoking and protects the public health -- not with collecting and distributing money from a settlement. The lawyers who brought these suits have expended lots of time and effort, and deserve to be well recompensed for their work. But everyone agrees that fees shouldn't be wildly out of proportion to the work that was done.

Tobacco/Budget Q&A
February 2, 1998

Q: **In September, the President said the focus of tobacco legislation should not be about money. In the budget you are submitting today, more than 60 percent of the proposed increase in discretionary spending is paid for by tobacco legislation. Why has the President changed course?**

A: The President's course has not changed -- Congress should send the President legislation that will dramatically reduce youth smoking. Experts all agree the single most important step we can take to reduce youth smoking is to raise the price of a pack of cigarettes significantly. That is why last September, and again in his State of the Union speech, the President called for Congress to pass legislation that raises cigarette prices by up to $1.50 per pack over the next ten years as necessary to reduce youth smoking. Our budget simply scores that part of the President's plan, and allocates the revenues to programs that promote public health and assist children.

Q: **How can you assume revenues from tobacco legislation when it's not at all certain whether this legislation will pass?**

A: It is a normal part of the budget process to account for any revenues that will be raised from proposed legislation. And we believe strongly that Congress will pass comprehensive tobacco legislation this year. If everyone who says they are committed to protecting children from tobacco rolls up their sleeves and gets to work, we will pass a significant piece of legislation.

Q: **Why is it that some of the programs funded with tobacco revenues have no relation to tobacco?**

A: Most of the spending is directly related to tobacco, such as health-related research and smoking cessation programs. The rest goes to programs that will assist our children. We wanted to ensure that states get a substantial share of the resources, because of the state's contribution in negotiating the original proposed settlement. It is money that goes to children's programs -- to improve child care and reduce class size -- in recognition that these are shared federal and state goals.

Q: **Doesn't attaching tobacco legislation to particular spending initiatives hurt the chance of passing this legislation?**

A: No. It is a normal part of the budget process to propose how to spend any revenues raised from proposed legislation. And we will work on a bipartisan basis with Congress if it has other ideas on the best way to allocate these revenues. There is no reason why allocation issues should hold up the process of comprehensive legislation.

Q: **Doesn't using tobacco legislation as a funding source for important policy proposals -- such as improving child care and reducing class size -- hurt the chances of achieving those proposals?**

A: No. We believe Congress will pass tobacco legislation that imposes significant financial burdens on tobacco companies. Of course, no offset proposed in a budget is guaranteed; Congress can reject any proposed way of financing a program. If Congress does not pass comprehensive tobacco legislation, we will work with Congress to find other offsets. These are high Administration priorities, and we will find effective funding mechanisms.

Q: **How much money do you expect to raise from tobacco legislation next year? What about over five years? How did you come to this figure?**

A: This budget is designed to reduce youth smoking by 30% in five years and 50% in seven years, which is the President's goal. We calculate that the necessary increase in the price per pack will result in about $10 billion in revenue next year and $65 billion over five years.

Q: **How much does your plan increase the cost of cigarettes?**

A: In order to reach the President's goal of reducing youth smoking by 30% in five years, and 50% in seven years, this budget projects about a $1.10 increase in the price of cigarettes over five years.

Q: **What programs is tobacco money used for in the budget?**

A: In general, tobacco revenues go toward protecting public health and assisting children. First, the budget provides for funds for anti-smoking activities that will help us meet the goals of reducing youth smoking rates. In addition, there are funds in the budget to support the commitment the President made when he announced his plans for tobacco legislation in September to fund a dramatic expansion of health-related research in America. Finally, in recognition of the states' role in bringing suit against tobacco companies, the budget provides for a substantial amount of money to revert to the states. Some of this money can be used for any purpose. Other funds must be used on state-administered programs to assist children (specifically, for child care, Medicaid child outreach, and class size reduction).

Q: **How much money is there for states in the budget?**

A: The states will receive as much money over five years as they would have received under the original settlement agreement. A large part of this money will be unrestricted; states can use it for whatever purposes they choose. The rest of the money will go to states for state-administered programs to provide child care subsidies and reduce class size. This money represents the usual federal share of Medicaid recoveries, which the Administration believes should go back to the states in recognition of the important role the states played in bringing about this legislation.

Q: **Does your budget assume that the revenues from tobacco legislation will come from increased excise taxes, or from industry payments pursuant to a settlement?**

A: The budget assumes that the money will come from annual industry payments pursuant to a settlement.

Q: **Some of the money is listed under a category called "Other Uses." What is in this category?**

A: This category includes funds that will go to states to use as they see fit, as well as funds for tobacco farmers and for a variety of other uses. We expect final tobacco legislation to make specific allocations within this category.

Q: **Last week, several Republicans came out against tobacco legislation that would grant the industry limits on liability. Many public health leaders are also saying that tobacco legislation must not include limits on liability. Does the president still favor a settlement that would include limits on industry liability?**

A: The President will evaluate tobacco legislation as a whole to determine whether it protects the public health. Liability limits are not necessarily a deal-breaker for us. What's important is achieving comprehensive legislation that includes, for example, a large per-pack price increase, penalties for marketing to children, and broad restrictions on children's access to tobacco.

We hope that these kinds of statements (statements by Republican senators on liability) don't mean that some members are seeking to walk away from their responsibility to protect children by enacting comprehensive tobacco legislation.

Piecemeal legislation won't accomplish our goal. It's not enough just to say we did something if we don't pass comprehensive legislation that really accomplishes our goals.

Tobacco Q&A
2/26/98

Q: **Do you have any comment on the news that the Liggett tobacco company is cooperating with the Justice Department's criminal investigation of the tobacco industry?**

A: This matter is an ongoing Justice Department criminal inquiry, and we're referring all questions about it to the Department. The tobacco legislation now being discussed on the Hill would not in any way affect this kind of criminal investigation.

Q: **Would an indictment of tobacco industry executives decrease the chance of Congress passing comprehensive tobacco legislation?**

A: It certainly shouldn't. The Administration can't comment on a pending criminal investigation, but efforts to hold the industry accountable for the harms it has caused should serve as still further impetus for comprehensive legislation. We need a substantial price increase, express confirmation of FDA jurisdiction, and access and advertising restrictions to reduce youth smoking. Disclosures of past industry misconduct make it all the more clear why we need such a comprehensive national solution, and why we must get it done soon.

Q: **Does the Administration support the legislation proposed today by members of Congress to improve international control of tobacco products?**

A: The President has made clear that one of the elements of any comprehensive bipartisan tobacco legislation must be the strengthening of international efforts to control tobacco. Just this month the Clinton Administration issued guidance to its diplomatic posts that prohibits them from promoting the sale or export of tobacco or tobacco products, and encourages them to assist and promote tobacco-control efforts in host countries. The Administration supports efforts to address the health risks associated with tobacco use at an international level by funding multilateral and bilateral efforts.

We have not yet completed a review of the legislation proposed today. We are very sympathetic to its goals, but must carefully consider whether it is consistent with our trade obligations. The Administration looks forward to working with members of Congress of both parties in crafting comprehensive tobacco legislation that contains international tobacco-control provisions.

Q: I understand that in your responses to a letter from Senator McCain, you said that there are constitutional concerns with imposing certain advertising restrictions on the tobacco industry. Does that mean you need the consent of the industry to impose advertising restrictions?

A: It is absolutely clear that certain advertising restrictions can be put in place with or without the agreement of the industry. We strongly believe, as the Department of Justice has explained at length in the FDA litigation, that the FDA's regulations restricting the advertising of tobacco products are consistent with the First Amendment. As our response to Senator McCain notes, there may be constitutional issues with more far-reaching provisions. We have not concluded that these provisions clearly are unconstitutional, but we would like to work with Senator McCain and others to minimize constitutional difficulties. If there are additional advertising restrictions that we cannot legislate -- and that would be valuable in reducing youth smoking -- we again challenge the industry to adopt these limits voluntarily. But in any event, we will not seek -- and do not need -- the industry's permission to enact a strong bill that addresses youth smoking through a substantial price increase, limits on access, and certain advertising restrictions.

Questions and Answers on Tobacco
March 26, 1998

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

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

Q: But won't the whole tobacco deal crater if the companies walk away?

A: Congress can act to reduce youth smoking with or without the companies' consent, and the President expects it to do so. It is true that some aspects of the proposed June 20 settlement can be accomplished most effectively if the industry agrees, but even as to these aspects we have no reason to think that the industry has revealed its bottom line. We certainly will not retreat from the proposals necessary to dramatically reduce youth smoking because the companies threaten to continue their misconduct.

Q: What is your response to the industry's charge that the White House has changes its positions and engaged in double-dealing?

A: The President has been clear and consistent in stating what he believed necessary to dramatically reduce youth smoking. The numbers the companies are complaining about today are the exact numbers found in the Administration's budget. And they are perfectly consistent with the numbers the president laid out in his statement of principles for tobacco legislation. Of course, as the tobacco companies say, those numbers are <u>not</u> consistent with those in the proposed June 20 settlement. That's because the June 20 proposal, although creating a historic opportunity for action, did not increase the price of cigarettes sufficiently to dramatically reduce youth smoking.

Q: But is it true that the Administration promised to support certain limits on liability during the negotiations between the companies and the attorneys general?

A: No. Our position on liability limits has also been clear and consistent: that we would prefer legislation without them, but that in the context of legislation that meets the President's principles and advances the public health, reasonable limits would not be a dealbreaker. What we told the attorneys general regarding punitive damages was exactly that: that we would not oppose the proposed settlement just because there was a limit on punitives, but instead would review the entire package.

Q: **What about the industry's claim that you committed to issue a public statement on the subject of punitive damage limitations?**

A: That is the exact reverse of the truth. The industry and attorneys general asked the Administration to issue such a statement, and the Administration declined to do so.

Q&As
Surgeon General Report on Minority Tobacco Use
April 27, 1998

Q. What does the Surgeon General's Report say?

A. The Surgeon General's Report being released today is the first comprehensive report on the use and health effects of tobacco among minority groups. The report finds that from 1991 to 1997, smoking increased by 80 percent for African-American youths and by 34 percent for Hispanic youth. The report finds that cigarette smoking is a major cause of disease and death among minority populations, which will only get worse if these trends are not reversed. The report also documents that efforts to reduce and prevent smoking among minority and ethnic populations are undermined by the tobacco industry's heavily targeted advertising and promotion of tobacco products within these communities.

In short, the report demonstrates, once again, why Congress needs to pass comprehensive tobacco legislation to reduce youth smoking this year.

Additional Background

Youth Smoking: Smoking Among High School Students (9-12th graders)

	Percent Smoking, 1991	Percent Smoking, 1997	Percent Increase
African American	12.6%	22.7%	80%
Hispanic	25.3%	34.0%	34%
White	30.9%	39.7%	28%
All Students	27.5%	36.4%	32%

Youth Smoking: Smoking Among High School Seniors (12th graders)

	Percent Smoking, 1990	Percent Smoking, 1995	Percent Increase
Asian American/ Pacific Islander	17.5%	20.5%	17%
American Indians/ Alaska Natives	37.8%	47.7%	26%

Adult Smoking

	African American	Hispanic	Asian American/ Pacific Islander	American Indian/Alaska Native	White
Percent	26.5%	18.9%	15.3%	39.2%	25.9%

Q: What does the report say about the tobacco industry targeting of minority communities?

A: The Surgeon General's report shows the need for comprehensive tobacco legislation to reduce youth smoking that includes limits on advertising. The report found that the tobacco industry has targeted advertising and promotion campaigns intensively in minority and ethnic communities. For example, a 1990 study of San Francisco found that 62 percent of billboards in predominantly African American neighborhoods advertised cigarettes, compared with 36 percent of billboards citywide. A 1993 study of San Diego found the highest proportion of billboards featuring tobacco companies was in Asian American neighborhoods, followed by African-American then Hispanic neighborhoods.

The report chronicles how tobacco companies have promoted their products by sponsoring numerous ethnic activities and events, such as Chinese New Year festivities, Cinco de Mayo festivities, as well as activities related to Asian/Pacific Heritage month and African-American history month. A study of magazines found that there were 12 percent more cigarette advertisements in magazines targeted to African Americans (*Jet, Ebony* and *Essence*) then in magazines targeted to the general population (*Time, Newsweek, People,* and *Mademoiselle*).

Q. Does the President have a specific proposal to address the particular problem of tobacco use within minority communities?

A. Passing comprehensive tobacco legislation designed to reduce youth smoking will help all Americans -- regardless of their background or ethnicity. The Surgeon General's report illustrates that this is an extremely important issue in minority and ethnic communities. It also demonstrates that we need to better understand the use and effects of tobacco among minority and ethnic groups. For example, we want to look carefully at why smoking rates increased by 80 percent for African-American youth and by 34 percent among Hispanics from 1991 to 1997 so that we can develop the prevention and cessation programs that will work best in those communities. We will continue to work closely with minority health experts to determine how best to address these issues.

Q: Why are the smoking rates of African Americans lower than whites?

A: The Surgeon General report documents a number of studies that show that differences in social attitudes and lifestyle factors between white and African-American youth help account for their different smoking rates. However, further research is needed to better account for these different smoking rates as well as to understand the recent increases in smoking among African-American youth.

Additional Background

Studies cited in the Surgeon General's report show that over time African-American high school seniors have become increasingly more likely than white seniors to acknowledge the health risks of tobacco, to claim that smoking is a "dirty habit", and to claim that they prefer to date non-smokers. African-Americans are also likely to start smoking later than whites.

One study in Tennessee showed that white high school age girls are four times more likely than their African-American counterparts and white boys twice as likely as African-American boys to believe that "smoking can help you control your weight and appetite." This same study revealed that 60 percent of white girls and nearly 20 percent of white boys cited weight control as a reason for smoking, whereas none of the African-American students cited weight as a reason for smoking. Another study showed that African-American teenage girls are less likely than white girls to think that smoking enhances their image.

A previous Surgeon General's report found that when parents express concerns about smoking it appears to reduce the likelihood that their children will smoke. Various studies across the country have documented that African-Americans are more likely to have received anti-smoking messages from their parents.

Q. Aren't the minority health organizations and the Congressional Minority Caucuses drafting legislation to address the problem of tobacco use among minorities, including by earmarking funds to this issue? What is your reaction to these proposals?

A. Comprehensive legislation that meets the principles that the President has outlined would address many aspects of this problem: the best way to reduce youth smoking among minority populations is to design effective, comprehensive legislation that will reduce youth smoking in all our communities. But the Surgeon General's report underscores the need to understand the use and effects of tobacco among minority communities, and to devise the prevention and cessation programs that will work best in those communities. We look forward to reviewing closely any proposals that address our shared concerns.

Q: Aren't the fees imposed by the Administration's plan and the McCain bill regressive and therefore hit minority communities hardest?

A: The tobacco industry has spent billions of dollars marketing to low-income and minorities, and made billions of dollars at their expense. Big Tobacco doesn't care about poor people -- it just wants to keep hooking future smokers. As a result, low-income people have suffered a disproportionate level of tobacco-related harm. The Administration is committed to making sure cessation programs are available to help all smokers quit -- and just as important, that we change the way the tobacco industry does business so it no longer preys on poor kids in the first place.

Q: Are you concerned about the information reported in last week's New York Times that young African Americans are smoking more to enhance the high from marijuana?

A: This Administration has long recognized that cigarettes, alcohol, and illegal drugs all pose a serious threat to our youth. Studies have shown that kids who make it to their 21st birthday without having smoked a cigarette, taken a drink or turned to drugs are almost certain to avoid chemical dependency throughout their lives. That is why our goal must be to keep teenagers from having that first drink, trying a cigarette, or experimenting with illegal drugs before they are old enough to know better and to realize the consequences of their decisions.

We are greatly concerned by data showing that smoking among African American youth has increased by 80 percent over the last six years. New information relating this trend to marijuana use is very disturbing, and provides still further reason to take strong action against illegal drugs. Of course, as The New York Times points out, the increase in tobacco use is even more heavily associated with advertising and other media messages that have a great impact on young people. That's why minority youth tend to smoke Kool and Newport, brands advertised with minority images, while white youth smoke Marlboro and Camel, whose ads feature white characters.

These facts underscore why we need comprehensive legislation to reduce youth smoking by raising the price of cigarettes, putting into place tough restrictions on advertising and access, imposing penalties on the industry if it continues to sell cigarettes to children, and ensuring that the FDA has authority to regulate tobacco products.

Q. What do you think of the House Republican proposal to link drugs and tobacco in a single bill?

A. Nobody disagrees about the need to be tough on drug use, but that is no excuse to be less than tough on youth smoking. We need to pass strong, comprehensive tobacco legislation this year that dramatically reduces youth smoking by raising the pack of cigarettes, imposing tough penalties on companies that continue to sell to kids, granting the FDA authority over tobacco products, and restricting advertising and marketing to children. The McCain bill, which passed the Senate Commerce Committee by a 19-1 vote three weeks ago, is a strong step in that direction. If Republicans want to add good anti-drug provisions to a comprehensive tobacco bill of this kind, we have no objections. But the bill must address the problem of youth smoking comprehensively; anti-drug provisions can't serve as an excuse for watered-down tobacco legislation.

Q: What exactly is the President's strategy on drugs?

A. This past February President Clinton released the 1998 National Drug Control Strategy, a comprehensive ten-year plan to reduce drug use and availability by 50% -- to a historic new low. The strategy is backed by a $17 billion anti-drug budget in FY 1999 -- the largest ever presented to Congress, with a $1.1 billion increase over last year's budget.

While the strategy incorporates specific goals and objectives in the areas of drug treatment and prevention, domestic law enforcement, interdiction, and international programs, its number one goal is to educate and enable our youth to reject illegal drugs. That is why the largest budget increases (15% over last year's funding levels) are targeted for this purpose. In contrast, Speaker Gingrich and the House Republicans tried to cut the Safe and Drug-Free Schools program -- the program that funds anti-drug efforts in 97% of the nation's school districts -- by a full 50% just a few years ago.

Key initiatives in the drug strategy include:

Protecting Kids:

- $195 Million National Youth Anti-Drug Media Campaign to make sure that when kids turn on the television or surf the "net," they learn about the dangers of drugs.
- $50 Million for School Drug Prevention Coordinators to improve and expand the Safe and Drug-Free Schools program by hiring more than 1,000 new prevention professionals to work with thousands of schools in preventing drug use.

Strengthening Our Borders:

- $163 Million for Border Patrol to hire 1,000 new Border Patrol officers and for "force multiplying" technology.
- $54 Million for Advanced Technology for the Customs Service to deploy advanced technologies, such as X-ray systems and remote video surveillance.
- $75.4 Million to Support Interdiction Efforts in the Andean region and Caribbean, and to train Mexican counterdrug forces.

Strengthening Law Enforcement:

- $38 Million to Crack Down on Methamphetamine and Heroin by hiring 100 new DEA agents, expanding the Administration's anti-methamphetamine initiative, and targeting heroin traffickers.

Breaking the Cycle of Drugs and Crime:

- $85 Million to Promote Coerced Abstinence to help state and local governments implement drug testing, treatment, and graduated sanctions for drug offenders.

Closing the Treatment Gap:

- $200 Million Increase for Substance Abuse Block Grants to help states close the treatment gap.

Q. What is wrong with passing a "skinny" tobacco bill? Why do you need a comprehensive bill?

A. Every day, 3000 children and adolescents begin smoking, and 1,000 will die prematurely as a result. Experts agree that in order to dramatically reduce youth smoking we need to take a comprehensive approach that will attack the problem from a variety of angles.

- Price: All experts agree that the single most important step we can take to reduce youth smoking is to raise the price of a pack of cigarettes significantly. That is why the President has proposed raising the price of cigarettes by $1.10 over five years -- an increase that both the Treasury Department and the Congressional Budget Office agree should cut youth smoking by about a third.

- Advertising: Studies show that industry advertising significantly contributes to youth smoking rates. The Treasury Department has estimated that the advertising and marketing restrictions in the McCain bill should cut youth smoking by about 15 percent. This is a conservative estimate: a study recently published in the Journal of the American Medical Association found that a full 34% of teen smoking is attributable to promotional activities.

- FDA Jurisdiction: Reaffirming the FDA authority over tobacco products is necessary to help stop young people from smoking before they start. Currently, nearly 90 percent of people begin smoking before age 18, despite the laws that make it illegal to sell cigarettes to minors. FDA Authority will ensure that young people do not have access to these products.

- Penalties: Strong lookback penalties will act as an insurance policy to ensure that the tobacco industry takes meaningful steps to reduce youth smoking. If the bill's provisions on price, advertising, and FDA jurisdiction do not bring youth smoking down as much as expected, penalties will kick in to ensure that the industry has every incentive to take further action to reduce youth smoking.

All of these measures support and reinforce each other; all are necessary to ensure that legislation dramatically reduces youth smoking.

Q: Isn't the President's plan a big government, big tax proposal?

A: No. What the President's approach does is to attack the problem of youth smoking comprehensively, as all experts say we need to do, by combining strong provisions on price, penalties, advertising and access, and FDA jurisdiction. Although we have some differences with Senator McCain, he also recognizes the need to move forward on all these fronts to reduce youth smoking. That's not about big government. It's about sensible, bipartisan steps to dramatically reduce youth smoking.

Q. But won't the McCain bill create 17 new federal bureaucracies?

A. No -- this isn't about big government. That's just another Big Lie from Big Tobacco. What the bill does is to ensure that the federal government has the authority to regulate tobacco products in order to reduce youth smoking, as well as the ability to target tobacco revenues to strong public health and research efforts. The so-called "bureaucracies" that the industry is now complaining about are nothing more than what's necessary to protect the public health in this way -- to ensure that cigarettes are not sold to minors, to promote effective education, and to encourage smoking cessation. The proof that this is an industry con job is clear: almost all these provisions were in the June 1997 proposed settlement put forward by 41 state attorneys general, which the industry agreed to. The industry is criticizing these provisions now only because the political tide has turned against it, and certain other aspects of the legislation have gotten stronger.

Q: Hasn't the Administration proposed a big government scheme that would extend the reach of the federal government to every mom-and-pop grocery store?

A: No. The Administration has offered proposals designed to reduce smuggling that would require wholesalers, distributors, and retailers to identify themselves as such. That's no more than what any business has to do now to sell liquor -- and no more than what most states already require sellers of tobacco to do. The important thing is to work with Congress to devise a scheme that will facilitate the effort to prevent smuggling, while not burdening retailers. The Administration will work with Congress, and the retailers themselves, on this issue.

Q: Aren't you just trying to bankrupt the companies?

A: We don't want to put the tobacco companies out of business. We just want to put them out of the business of selling cigarettes to kids. A central feature of comprehensive tobacco legislation is to ensure that most of the payments made by the tobacco companies are passed on to price, in order to reduce youth smoking. As a result, there will be at most a modest impact on the profitability of the tobacco companies. This is also an industry with significant cash flow and net assets that will allow it to easily absorb this modest profit decline. The operating earnings of RJR, Philip Morris, and Loews last year were *$18 billion.* Even RJR, the most highly leveraged firm in this industry, had a $1.5 billion operating profit for its domestic tobacco business, and has over $4 billion in net assets from its Nabisco stock holdings. The only real risk of bankruptcy comes from losing a rash of lawsuits in court.

Tobacco Q&A
June 11, 1998

Q. How do you react to the editorial in today's Washington Post stating that the McCain legislation is turning into a "shell" given the tax and anti-drug votes?

A. The tobacco policy contained in the bill is extremely strong and in fact has gotten stronger during Senate consideration. The bill will save a million lives over the next five years by raising the price of cigarettes by $1.10, reaffirming the FDA's full authority over tobacco, protecting all Americans against environmental tobacco smoke, and imposing even stronger lookback surcharges on tobacco companies if youth smoking does not decline by 67% over the next decade. The bill also still contains substantial funds for critically important counteradvertising programs, smoking cessation, and medical research. It is true that significant differences over spending exist, and we will make every effort as we make progress on this bill to fund our health priorities and ensure that we rein back irresponsible tax cut proposals. But we should remember that this bill contains extremely strong provisions to reduce youth smoking and that this has always been the President's first priority. We will have time to work through the spending issues, and we believe it is critical that this strong tobacco bill move forward.

Q. What is your reaction to the vote on the Gramm amendment?

A. We opposed the Gramm amendment: it absorbs too much of the funding from the tobacco trust fund; it is insufficiently targeted; and most important, it may take funds from the surplus, which the President believes must be saved until we have protected Social Security. We will work hard over the coming weeks and months to ensure that any tax cut is fully paid for and does not come out of general revenues, in line with the President's priority of protecting Social Security first.

Q. Would the President veto the legislation over the Gramm amendment?

A. We do not think it will come to that. We will work hard over the coming weeks and months to ensure that any tax cut is fully paid for and does not come out of general revenues, in line with the President's priority of protecting Social Security first. There is plenty of time to work this through as we continue to move forward on this important public health legislation.

Q. Do you support the Kerry-Bond amendment to the tobacco legislation to increase funding for child care, which Senator Kerry discussed on the floor this morning?

A. We have no position on that amendment. The President is satisfied with the child care funding currently in the bill.

The McCain bill provides that 40 percent of funds received will go to the states, totaling $196.5 billion over 25 years. Half of these state funds must be used for designated programs to enhance the health and well-being of children and families most in need, including child care. If states were to spend their restricted funding in proportion to current expenditures (and use 6% for the Children's Health Insurance Program), at least 40% of the funds, or over $5 billion over 5 years, could go to child care.

Q&A

Q: How do you respond to the charge of Wall Street Analysts who say that the McCain bill will make the tobacco companies go bankrupt?

A: A central feature of the McCain legislation is a number of mechanisms designed to ensure that the payments made by the tobacco companies are passed on to the prices paid by consumers of tobacco products. As a result, there will be at most a modest impact on the profitability of the tobacco companies. This is also an industry with significant cash flow and net assets that will allow it to easily absorb this modest profit decline. The operating earnings of RJR, Philip Morris, and Loews last year were *$18 billion.* Even RJR, the most highly leveraged firm in this industry, had a $1.5 billion operating profit for its domestic tobacco business, and has over $4 billion in net assets from its Nabisco stock holdings. The only real risk of bankruptcy comes from losing a rash of lawsuits in court.

Q: How do you respond to the charge that the fees imposed by the McCain bill are regressive and will increase average costs for smokers from $300 to $1700 per year?

A: Higher cigarette prices will mean more payments by all Americans who continue to smoke, including low-income Americans. The unfortunate reality is that smoking is a regressive habit and takes a regressive toll, in part because the industry has spent billions of dollars marketing to low-income and minority communities. The Administration is well aware of this, and this is why we would use funds raised from these payments to help smokers quit.

The Administration has taken many steps to make the tax system fairer for low- and middle-income working families, such as significantly expanding the earned income tax credit, providing the $500 child tax credit and making it partially refundable for families with three or more children, and creating the President's HOPE and lifelong learning tax credits. The distributional effects of legislation should be thought of in the context of broader tax changes.

Q: Will kids buy cigarettes from drug dealers as the result of the price increase?

A: With a price increase of this size, black market activity is worth watching. But we have proposed an enforcement regime that will minimize black market activity. The proposed system would regulate tobacco products in a manner similar to the way the Federal Government has regulated alcoholic beverages for over sixty years. In essence, the proposed system would create a "closed" distribution system for tobacco products, *i.e.*, a system in which each level of distribution from manufacturer to retailer is subject to regulation. We don't see children buying alcoholic beverages from drug dealers - and there is no reason that they would buy cigarettes from these dealers either.

Q: **Are the companies correct in saying that the McCain bill will raise the per pack price of cigarettes to $5?**

A: Absolutely not. The Administration estimates the McCain bill itself will raise the per pack price of cigarettes by $1.10. By 2003, under the McCain bill, the real price of cigarettes will rise to $3.20. The price increase will not approach the level suggested by the industry.

Q: **Will the bill result in the exporting of tobacco jobs overseas?**

A: This legislation should not lead to the exporting of tobacco jobs. The legislation will raise the price of tobacco imports just as it raises the price of domestically produced tobacco products. Thus, there is no new advantage to be gained by tobacco producers from moving production off-shore, since the price of their product will rise equally in the U.S. no matter where it is produced. There is also no real profit motivation for producers to move production offshore. A central feature of the McCain legislation is a number of mechanisms designed to ensure that the payments made by the tobacco companies are passed on to the prices paid by consumers of tobacco products. To the extent that these payments are passed on to prices, there will not be at most a modest impact on the profitability of the tobacco companies. Moreover, this is an industry with significant cash flow and net assets which will allow it to easily absorb this modest profit decline.

Q. **The companies say that only 2 percent of smokers are children, yet you are penalizing the 98 percent of smokers who are adults.**

A. They're wrong. Of all Americans who smoke, about 10 percent are under the age of 18. And that's the problem. Our children are getting hooked. Nearly 90 percent of adult smokers began before they were 18. The average age of smoking initiation is 14.5 years old. The average age when kids begin to smoke daily is 17.7 years old. And the adult smokers will tell you why the industry is wrong because 70 percent of adult smokers want to quit, and 80 percent of adults regret that they ever began.

Q. **Why does the Administration oppose using the tobacco-related funds to shore up Medicare, as the Republicans propose?**

A. The President's investment priorities for the tobacco legislation are aimed at helping children and advancing the public health. His budget dedicates almost all of any tobacco revenues towards initiatives designed to reduce smoking, help find treatments and cures for diseases associated with tobacco, and invest in our children through health care coverage, needed child care, and education. We believe that these investments have a natural link to tobacco revenue and will make a major contribution toward preparing the nation for the 21st century. We are happy to debate the best use of tobacco revenue, but first let's all agree on the need to pass a comprehensive bill with a substantial price increase.

We certainly share concerns about the Medicare program. In fact, no President has done more to protect and strengthen this vital program. Just last year, working with the Congress, the President enacted a package of unprecedented savings -- $450 billion over 10 years -- and structural reforms that extended the life of the Medicare Trust Fund until 2010. He recently appointed a distinguished group of individuals as his members of the Medicare Commission. The President is committed to working with the Commission to find ways for the program to meet the longer-term financing challenges that confront it.

Q. Is it true that the McCain bill would give the FDA unbridled authority to ban cigarettes?

A. The FDA provisions of the McCain bill were worked out on a truly bipartisan basis and enjoy broad support in both parties and the public health community. Current law and the McCain bill do not give FDA unbridled authority to ban cigarettes. FDA's authority over tobacco products is governed by the Federal Food, Drug, and Cosmetic Act as well as the Administrative Procedures Act. These laws require that FDA must have an adequate scientific basis for any decisions it makes regarding tobacco products. Furthermore, the McCain bill has an explicit provision that requires the President to notify Congress if FDA bans nicotine from tobacco products, or bans a class of tobacco products. Any such action cannot take effect for 2 years in order to allow Congress adequate time to consider legislation in this area.

Q. Can Congress impose advertising restrictions and look back surcharges without industry consent?

A. We'd rather the industry join us in helping to reduce youth smoking, rather than work against us. But we're going to proceed with or without them, and we're confident that we can achieve most of our goals one way or the other. We believe that the industry will swallow hard and go along in the end.

Q. Is it true that the bill would create 17 new federal bureaucracies?

A. No. This is a smokescreen. Our goal is to ensure that comprehensive tobacco legislation achieves its purpose of reducing youth smoking in this country with a minimum of bureaucratic overhead, and we will continue to work with Congress to achieve that goal. In terms of the industry's charge, let's look at the facts. All but one of the so-called "bureaucracies" were in the June 1997 proposed settlement that the industry touts. These provisions are actually programs designed to promote education and public health, encourage smoking cessation, and ensure that cigarettes are not sold to minors. So it is disingenuous for them to criticize the bill on this point, now that the political tide has turned against them, when it previously posed no problem for them as part of the settlement they embraced.

Q: Can you bring us up to date on what the White House is currently doing to ensure that Congress sends the President the comprehensive tobacco legislation he called for in September.

A: First, the Vice President has been traveling around the country to build support for the President's plan. The Vice President has held 3 public forums (in Florida, Iowa, and Ohio) and he is conducting a 4th forum next week on December 16, in Seattle.

Second, working alongside the Vice President, Bruce Reed and Secretary Shalala continue to lead a vigorous effort to enact bipartisan, comprehensive tobacco legislation that meets the President's five goals:

- reduce teen smoking
- full authority for the FDA
- changes in the way the tobacco industry does business
- progress toward public health goals
- protection for tobacco farmers and their communities

They have been meeting internally, they have been meeting with outside groups, and they have been meeting with members of Congress.

Q: Is the Administration working with any specific members of Congress to draft legislation the President can support?

A: Since the President met with Congressional leaders on October 1, Bruce Reed and Secretary Shalala have met with most of the committee chairs and ranking members who have jurisdiction over tobacco. We have offered to provide technical assistance to them and several of them have taken us up on that offer.

Q: Can you clarify the Administration's position on the money states have received from tobacco settlements. Are the states required to share that money with the federal government? The President and HCFA has sent out separate letters on this subject and some would say the two letters contradict one another.

A: The states, particularly the state attorneys general, deserve enormous credit for their role in the fight against the tobacco companies. But the law is very clear on this subject. States must report to the Health Care Financing Administration reimbursements for Medicaid that may be part of any state tobacco settlements. The President has said he prefers to see the law changed. He would like to work with the states and Congress to find a mutually agreeable use for the funds generated by tobacco legislation. But to change the current requirement Congress must enact comprehensive tobacco legislation.

Less than a year ago, I announced an historic rule to protect children from the harm caused by tobacco products. That rule, and the pressure it placed on the tobacco industry, led to the negotiations that produced today's proposed agreement. I want to commend the work of the Attorneys General and other people working with them, including public health leaders, who negotiated this agreement.

Today I am directing Bruce Reed, my Domestic Policy Advisor, and Donna Shalala, Secretary of Health and Human Services, to consult with public health experts and subject this agreement to the strictest scrutiny. I expect them to report back to me on whether this agreement is the best means of protecting the nation's public health interests.

Protecting the public health and stopping children from smoking should be our measure of this agreement.

DRAFT

Q: How exactly is this process going to work?

A: We have decided to do our preliminary analysis by setting up four interdepartmental review panels. Each will include a member of the DPC and at least one representative of HHS. All panels will also have representatives of other departments, such as Treasury, Justice, Labor, as the subject matter suggests.

The four areas the panels will explore are regulatory issues, program and budget issues, legal issues, and industry issues.

The regulatory panel will primarily be sorting through the elements in the proposed settlement affecting FDA jurisdiction. It will also look at issues surrounding environmental tobacco smoke. In addition to HHS and the DPC, the Department of Labor and the EPA will be represented on this panel.

The program and budget panel will be looking at issues surrounding children's tobacco use, the proposed anti-smoking campaign, the proposed funding for smoking cessation, and any issues that involve research to date on smoking and tobacco, including smoking cessation. This panel will also be looking at the interaction between the funding for children's health insurance contained in the budget reconciliation legislation and the additional funding proposed in the settlement.

The legal panel will be examining issues around liability, enforcement, compliance, and the disposition of tobacco industry documents. In addition to DPC and HHS staff, it will include representatives from a number of units within the department of Justice.

The industry issues panel will be examining the settlement's proposed targets, penalties and incentives; looking at any international impacts of the settlement; and doing an economic analysis. In addition to representatives of the DPC and HHS, the Treasury Department and the Council of Economic Advisors (CEA) will be represented on this panel.

Q: Will this be the structure for the entire review period? Will each of these panels produce a report?

A: This process is our first cut at a framework for what is a very complicated legal and policy review. Over time, as we move from analysis of the individual issues to a process of synthesizing the issues and looking at the proposed settlement as a whole, the process may shift slightly.

It is unlikely that the panels will produce written reports. We will, however, try to lay out the issues for the President near the end of the process.

Q: What do you mean by an economic analysis? Do you mean trying to find out if the tobacco industry is being "punished" enough, as some have suggested?

A: It is our intention to see how the settlement would differ from the President's own proposal in this respect. We want to understand the effects on the U.S. economy of what the proposed agreement calls, "restructuring the tobacco industry."

Q: Who will lead the HHS team?

A: Secretary Shalala and Deputy Secretary Kevin Thurm.

Q: Who will lead the DPC team?

A: Bruce Reed and Elena Kagan.

Q: Will Bruce Lindsey play a role?

A: [Needed from White House]

Q: Have any of these panels met?

A: All of them have met at least once.

Q: Are the HHS representatives all from FDA?

A: No. Because of the complexity of the proposed settlement, the HHS team also includes representatives from the Office of the General Council, the National Institutes of Health, and the Centers for Disease Control and Prevention.

DRAFT - CLOSE HOLD
Questions and Answers on Review Process of Tobacco Proposed Settlement

Q How long will the Administration's review of the proposed settlement take?

A We're moving expeditiously, but you have to understand that this is a very complex undertaking. We need to have a thorough understanding not only of all the individual parts of this proposal, but also of how those parts interact with one another.

Q But didn't President Clinton ask for a report within 30 days?

A Well, we certainly expect to meet with within approximately 30 days to lay out for him the major issues our review has identified. But again, this is a very complex undertaking, and while we'll be moving forward with vigor, we're going to take as long as we need to get the job done right.

Q Why will the review take so long?

A This is an extremely complicated issue that has critical legal and public health ramifications for our children and our nation. Don't forget it took it took the parties involved in the negotiations four months to reach this proposed settlement. And it took the Department of Health and Human Services 12 months to draft and finalize the historic FDA final rule to protect children from the dangers of tobacco.

We must take apart the proposed settlement and carefully review every angle, and we must also determine whether the proposed deal as a whole advances the nation's public health interests and the progress we've already made to keep tobacco out of the hands of children. We intend to work expeditiously, but will not leave any stone unturned to ensure a good deal, not just on its own terms, but most importantly for the American people.

Q Why is it so complicated?

A There are a number of complex legal and public health issues related to the proposed settlement. For example, the Food and Drug Administration's jurisdiction over tobacco involves very complicated and important legal issues. With the President's leadership and the concrete steps the Food and Drug Administration already has taken, we are making progress in keeping tobacco out of the hands of children. But we want to continue with our lawsuit to make sure that the FDA rule stands. We do not want to do anything to jeopardize our court case. As the President has said, it is critical to protect our children by standing firm in our determination to ban the advertising and marketing of cigarettes that endanger their lives. That is why we must carefully review the part of the agreement that relates to the jurisdiction of the FDA.

This is also a critical public health issue. As the President has said, protecting the public health - and particularly our children's health - is and has always been our primary concern. We know that nearly 3,000 young people become regular smokers each day, and nearly 1,000 of these children and adolescents will die early from their use of tobacco products. We must do everything in our power to dramatically reduce smoking by young people because they deserve a life free from the disease that comes with using tobacco. We cannot support any agreement unless it meets this high standard set by the President - because no less than our children's futures are at stake.

Q But some people are already criticizing the proposed agreement, saying that it is deeply flawed and will need to be changed significantly. How do you respond?

A This massive agreement was only reached last week so we have not yet had enough time to carefully review all of the complex legal and public health issues that the proposed settlement raises. Over the next several weeks we will take the agreement apart and examine every angle, and we also must determine whether the proposed deal as a whole advances the nation's public health interests and the progress we already have made in keeping tobacco out of the hands of our children.

We will consider closely the views of the public health community, all interested agencies, members of Congress and others before rendering any judgment on the proposed settlement. We will work expeditiously, but will not leave any stone unturned to ensure a good deal, not just on its own terms, but most importantly for the American people.

Q Today the public health community attacked the proposed agreement saying that the future restrictions on the government to regulate nicotine are unacceptable. Do you agree?

A Again, this massive agreement was only reached on Friday so we have not yet had enough time to carefully review all of the complex legal and public health issues that the proposed settlement raises. We will conduct a rigorous review of each piece of the agreement, but we must determine whether the agreement as a whole represents the best means of protecting the nation's public health interests. And we will consider closely the views of the public health community, all interested agencies, members of Congress and others before rendering any judgment on the proposed settlement.

But remember that this agreement was built in large measure on the President's bold leadership and the concrete steps the FDA already has taken to keep tobacco out of the hands of children. Last year's historic FDA rule to protect children from the harm caused by tobacco products and the recent landmark ruling upholding that rule in a North Carolina court, drove the tobacco companies to the bargaining table and extracted concessions from them that would have been unimaginable just a short time ago. We are keeping an open mind as we carefully review all of the complex legal and public health issues raised in the proposed settlement - including the issues relating to the jurisdiction of the FDA -- but we will not back away from our commitment to protecting children and the public health. We will not support any agreement unless it meets the high standard set by the President.

Q But what do you think of Koop/Kessler group's discussion that the deal is "unacceptable?" Aren't their views the ones that will guide the President's decision?

A As we begin our own rigorous public health review, we appreciate the contribution of Doctors Koop and Kessler and the Advisory Committee on Tobacco Policy and Public Health. We look forward to working with the public health community and others to determine whether the proposed settlement upholds the President's highest objectives of protecting our children and the public health.

The proposed settlement raises numerous complex legal and public health issues that we will work conscientiously and expeditiously to review over the next several weeks. We will look closely at every angle to evaluate whether the proposed agreement as a whole advances the nation's public health interests, especially our children's health.

Q: **Can you say any more about the tobacco settlement now that your staff have had more time to review it?**

A. I have reached a final conclusion on only one part of the settlement: the requirement that the FDA find that there will not be a black market before mandating any product changes. That is an unreasonable requirement, which will too greatly limit the FDA's ability to make tobacco products safer or less addictive. My staff is still reviewing the settlement proposal, and I have not reached any further conclusions. As I've said before, the settlement proposal provides an historic chance to further protect our children and our country from the dangers of tobacco. We must and will respond to it in a way that best advances the public health.

Q. **Some of your staff are saying that the penalties tobacco companies must pay if they fail to meet the targets for reducing children's smoking are too soft -- that those penalties must be increased or companies will still profit from hooking kids.**

A. I know that my staff are looking into this. We have to ask tough questions. We have to make sure the settlement holds industry accountable for reducing the number of children who start smoking. I will be looking carefully at this question.

Q. **Your advisors are meeting today with industry representatives. What do they expect to get out of this meeting?**

A. Secretary Shalala and Bruce Reed will ask the industry a lot of tough questions. They will let them know we will not just rubber stamp this agreement, and they will make it clear that the bottom line for my Administration is ensuring that any agreement is good for the public health, and particularly the health of our children.

Farmers

MEMORANDUM TO ELIZABETH DRYE

FROM: HIMA VATTI
DATE: AUGUST 4, 1997
RE: FEDERAL CROP INSURANCE Q AND A-- INFO FROM USDA

Q: Briefly, how does federal crop insurance work?

A: There are two types of insurance-- government Farm Service and private catastrophic. The premium for catastrophic insurance is very high, so it is partially subsidized by the federal government.

The federal government subsidized 89,000 policies nationwide in 1996, for a total liability of $1.5 billion. The majority of those policies-- 69,500-- were for tobacco. In 1996, the government paid out $90 million to farmers. Of that amount, $77 million were paid to farmers in three states-- North Carolina, South Carolina, and Virginia. Their crops were destroyed by hurricanes. If this money had not come from federal insurance obligations, there would have been great pressure on other monetary sources, both state and federal, to help the farmers.

USDA claims that an amendment eliminating federal crop insurance subsidies for tobacco would wipe out the crop.

Q: How does federal crop insurance differ across crops?

A: It doesn't. The insurance system works in the same way, with the same percentages of coverage. The only difference is that tobacco is insured by pounds, raisins by the ton, and corn by the bushel.

Q: How does USDA decide which crops to insure?

A: Of the 1500 crops grown in the U.S., the federal government helps to insure 61. These 61 crops account for 85% of all crops grown in the nation. To qualify for a federal insurance subsidy, the crop must be economically significant, legal, and approved by the board. Tobacco is protected, because it is legal, economically significant, long-standing, and actuarially sound. Tobacco subsidies go primarily to farmers in Virginia, North and South Carolina, Georgia, Kentucky, and Tennessee.

Q: Why is the federal government involved in crop insurance at all? Why doesn't the private sector handle it?

A: The federal government insures against multiple perils. The private sector can only afford to insure against hail and fire. The federal government insures against floods, insects, and hurricanes. Multiple peril policies offered by the private sector would be too costly for farmers to purchase without a government premium subsidy.

Executive Memorandum on Tobacco Documents
Q&A

Q. What did the President announce today?

A. The President called on the Secretary of Health and Human Services to make documents recently released by the tobacco industry more readily accessible to the public health community, the scientific community, the legal profession, and the public at large. These documents confirm that for decades the tobacco industry did intensive research on the smoking habits of children as young as 14, they knew their product was addictive and deadly, they knew a price increase would drive down the number of young people smoking, and yet they continued to market their products to young people.

For decades, the American tobacco industry sought to hide from the American people critically important information about the health hazards of tobacco and the industry's efforts to induce children to smoke. Recently, court cases and Congressional subpoenas have forced the tobacco companies to make many of their documents public.

In light of the release of these documents, the President called on HHS to:

- create an easily searchable database and/or index of the documents which makes them much more user friendly;
- widely disseminate this guide to the documents -- and possibly the documents themselves -- through federal depositories, existing libraries throughout the country, and the Internet.
- have scientists and public health professionals analyze these documents for information critical to the public health.

Q. Why is this action needed?

A. Although many tobacco industry documents are now public, most are difficult to access. There is no comprehensive index available to help researchers locate documents by subject or date. It is also extremely difficult to search through the documents that are already posted on the Internet, because they are not organized in any coherent fashion. In addition, these documents are not available in most libraries accessible to the public.

In addition to exposing the truth regarding tobacco industry efforts to hook our children, these documents provide new information about which types of advertising appeal to children, and thus can help public health experts design counter-advertising campaigns and other strategies to protect children. These documents can also assist scientists in understanding more about the addictive nature of nicotine, the health consequences of tobacco use, and the effects of certain tobacco product designs and ingredients.

Q. Does the action taken by the President accomplish everything that the McCain legislation would have accomplished regarding industry documents?

A. Both the McCain legislation and the President's action today make the documents widely available to the public. The McCain legislation would have required a three Judge panel to review any document for which a tobacco manufacturer claimed attorney client privilege, to ensure that manufacturers do not use such a claim to shield information that should rightfully be available to the public.

Background facts about the documents: 39,000 of these documents were released as part of the recently settled case, The State of Minnesota and Blue Cross and Blue Shield of Minnesota v. Philip Morris Incorporated, et al.

Q&A
June 15, 1998

Q. Is it true, as Senator Lott says, that the Tobacco legislation is dead?

A. Senator Lott has said that the bill is dead several times in the last few weeks. But last week -- just after Senator Lott said the bill was "dead in the water" -- the Senate made significant progress in resolving two issues that have long been major points of contention -- namely, using funding under the bill for tax cuts and anti-drug efforts. We expect to make further progress in the next few days on other outstanding issues. Actually, it is ironic that Senator Lott is saying the bill is "dead in the water" and calling it a "bad bill," given that it is basically the same bill that he voted for in Committee, along with the very tax cuts and anti-drug efforts that he has long supported. We believe that the Senate, and then the full Congress, will pass this bill because it will save 1 million lives over the next five years, and Congress will not be able to explain a failure to act to the American people.

Tobacco Q&A
June 15, 1998

Q: What is the President going to say about tobacco in his speech today?

A: Today, President Clinton will call upon the Senate to get the job done now and pass the strong, bipartisan tobacco bill now under consideration. The bill will save a million lives over the next five years by raising the price of cigarettes by $1.10, reaffirming the FDA's full authority over tobacco, protecting all Americans against environmental tobacco smoke, and imposing even stronger lookback surcharges on tobacco companies if youth smoking does not decline by 67% over the next decade. It has been nearly a year since the state attorneys general's proposed settlement brought comprehensive tobacco legislation to the Congress, and a month since the full Senate began to consider the issue. In the past year, over one million children -- 3,000 a day -- have become regular smokers, and one third will die as a result. While the President doesn't agree with everything in this bill, he believes we will have time to work through these issues and that it is critical for this strong tobacco bill move forward.

Q. How can the President still support the bill, now that the tax and anti-drug amendments have eliminated so much of the public health spending?

A. The tobacco policy contained in the bill is extremely strong and in fact has gotten stronger during Senate consideration. The bill will save a million lives over the next five years by raising the price of cigarettes by $1.10, reaffirming the FDA's full authority over tobacco, protecting all Americans against environmental tobacco smoke, and imposing even stronger lookback surcharges on tobacco companies if youth smoking does not decline by 67% over the next decade. The bill also still contains substantial funds for critically important counteradvertising programs, smoking cessation, and medical research. It is true that significant differences over spending exist, and we will make every effort as we make progress on this bill to fund our health priorities and ensure that we rein back irresponsible tax cut proposals. But we should remember that this bill contains extremely strong provisions to reduce youth smoking and that this has always been the President's first priority. We will have time to work through the spending issues, and we believe it is critical that this strong tobacco bill move forward.

Q. Do you support the tax provisions in the bill?

A. We opposed the Gramm amendment: it absorbs too much of the funding from the tobacco trust fund; it is insufficiently targeted; and most important, it may take funds from the surplus, which the President believes must be saved until we have protected Social Security. We will work hard over the coming weeks and months to ensure that any tax cut is fully paid for and does not come out of general revenues, in line with the President's priority of protecting Social Security first.

Q. Would the President veto the legislation over the tax provisions? Don't they conflict with his "save Social Security first" pledge?

A. We do not think it will come to that. We will work hard over the coming weeks and months to ensure that any tax cut is fully paid for and does not come out of general revenues, in line with the President's priority of protecting Social Security first. There is plenty of time to work this through as we continue to move forward on this important public health legislation.

Q&A on Tobacco Documents Executive Memorandum
July 17, 1998

Q. What did the President announce today?

A. Today, President Clinton directed the Secretary of Health and Human Services to coordinate a public health review of the tobacco documents and to develop a plan to make the documents more accessible to researchers and the public at large. As a first step toward greater public access, the President announced that the Department of Justice will file in trial court a brief supporting the State of Minnesota's motion to unseal an industry-created index to the documents.

Q: Why is it important for the tobacco documents to be reviewed and more accessible?

A: Because these documents provide new information about which types of advertising appeal to children, they can help public health experts design counter-advertising campaigns and other strategies to protect children. These documents also can assist scientists in understanding more about the addictive nature of nicotine, the health consequences of tobacco use, and the effects of certain tobacco product designs and ingredients. With today's action the President is moving forward to protect America's children from tobacco even as he continues to fight to enact comprehensive tobacco legislation this year.

Q. But aren't there a lot of tobacco documents already on the web, including a significant selection of documents posted on the web by the tobacco industry?

A. It is true that some of documents are already posted on the Internet -- but only a very small portion. In fact, the tobacco industry websites contain only 1-2% of the <u>33 million pages</u> of tobacco industry documents from the Minnesota trial. Although there are also some other websites with industry documents, as many as 27-28 million pages from the Minnesota trial are not in electronic form and must be searched manually at one of two depositories. And even the documents on the web are notoriously difficult to search and download. So there is really no question that the President's actions today will significantly enhance the public's ability to gain access to these important documents.

In addition, there has been no coordinated public health review of these documents. These documents provide new information about what kinds of advertising appeal to children, and thus can help public health experts design counter-advertising campaigns and other strategies to protect children. These documents also can assist scientists in understanding more about the addictive nature of nicotine, the health consequences of tobacco use, and the effects of certain tobacco product designs and ingredients. The president's directive instructs HHS to coordinate a review of the documents for such critical public health information.

Q. What exactly did the President direct Secretary Shalala to do?

A. The President issued a memorandum directing the Secretary Shalala to report back to him within 90 days on her plan to:

(1) Coordinate review of the documents and make available an easily searchable index and/or digest of the reviewed documents.

(2) Disseminate widely the index and/or digest as well as the documents themselves, including through expanded use of the Internet.

(3) Coordinate a broad public and private review and analysis of the documents to gain critical public health information. Issues to be considered nicotine addiction and pharmacology; biomedical research, including ingredient safety; product design; and youth marketing strategies.

Q. What did the President announce regarding the Justice Department?

A. The President announced that the Justice Department plans to file an amicus brief in trial court in support of the State of Minnesota's motion to unseal a comprehensive index to industry documents created by the industry for use during litigation (known as the "4-A Index"). The tobacco industry has fought to prevent the release of this index. It is the industry's road map to its own documents and could improve significantly the ability of public health experts, scientists, state and federal officials, and the public to search through industry documents.

Q. Does the action taken by the President accomplish everything that the McCain legislation would have accomplished regarding industry documents?

A. Both the McCain legislation and the President's action today make the documents widely available to the public. The McCain legislation would have made even more documents available to the public, by requiring a three Judge panel to review any document for which a tobacco manufacturer continues to claim attorney client privilege. This provision would ensure that manufacturers do not use such a claim to shield information that should rightfully be available to the public.

Q: Does this mean the President is giving up on passing comprehensive tobacco legislation?

A: No. The President is going to continue to push for Congress to pass comprehensive legislation. But he is not going to sit idle until Congress heeds his call to action. He is going to do everything he can, and use every power he has, to reduce youth smoking in this period of Congressional inaction.