

TDG

Tobacco
Business
Budget

MEMORANDUM

To: VAGA
From: Keith Kirk and Kimberly Spaulding, The Dutko Group
Date: May 27, 1998
Re: Grower provisions in the national tobacco settlement discussion

As you know, the McCain bill -- the pending business of the Senate when they return to session on Monday, June 1 -- contains two separate approaches to responding to the challenges faced by the tobacco growers: the Lugar TTA provisions, and the Ford LEAF Act.

TTA has an estimated cost of \$18 billion over the proposed three-year payout period. These funds would be paid out of a Trust Fund established under the overall tobacco legislation, which will serve as the mechanism for financing a number of items. This Trust Fund will likely be advanced sums from the General Treasury of the United States, as there will be greater costs incurred in the early stages of implementation of this bill than there will be revenue, to be paid back during the course of time during which revenue is being generated for the purposes of the legislation.

The specific mechanism for payment to the farmer is established under the precedent created with the Freedom to Farm 1996 Farm Bill. The Secretary of Agriculture is charged with the responsibility of executing the payout of quota and lease. The grower enters into a contractual agreement with the Department of Agriculture for payment of whatever amount of quota is involved. At the point in time when all contracts are calculated for the payment due in that year, the Agriculture Secretary sends notice to the Secretary of the Treasury to deposit the necessary amount of money needed to satisfy the contractual obligation of the Department of Agriculture. Not only is the payment method established in the legislative language, there exists a binding relationship, due to the existence of the contracts, between the grower and the Department of Agriculture. As you can see, there exists two legal and binding mechanisms which ensure the prompt and accurate payment of these funds in question when payment is due.

There is some concern among supporters of the Lugar provisions that the proposal is being seen as a potential threat to the funding of the vast array of public health programs. While this corollary cannot fairly be drawn -- if the full tax being discussed were to implemented, there would be at least \$700 billion in funds generated -- there are a

number of Senators who are worried that programs at the Centers for Disease Control, the National Institutes of Health, etc. would somehow be shortchanged by the Lugar plan. Authoritative sources say the vote count is presently very close in a Ford/Lugar head-to-head vote. There is also concern about the "generous nature of the proposed payment to farmers."

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STRIKING FORD

FOR		???		AGAINST	
Dems	Repubs	Dems	Repubs	Dems	Repubs
Durbin	48 *	Conrad Dorgan Kerrey	Thompson → Thurmond → Chafee {Jeffords Collins Snowe Coverdell} **	41	McCain Frist Warner

* Figure could be 46. Faircloth's staff has said he is likely to abstain. Lott may also abstain.

** Currently pro-Lugar, should be worked.

STRIKING LUGAR

FOR		???		AGAINST	
Dems	Repubs	Dems	Repubs	Dems	Repubs
44	McCain Frist Warner D'Amato	Durbin	Thompson Specter Snowe Collins Chaffee Jeffords Dewine Hatch Bennet Mack Stevens Thurmond		38

Rebo
Hudon
Conrad
Vern

Mulla
Spector
Gunn
Collins
Chaffee
Jeffers
Dennis

50

as in

(Faircloth)

(Van)

(Holt)

STRIKING FORD

FOR		???	AGAINST		
Dems	Repubs	Dems	Repubs	Dems	Repubs
Durbin	48 45 46 47	Conrad Dorgan Kerrey	Thompson Thurmond Chafee Jeffords Collins Snowe Coverdell	41	McCain Frist Warner

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* Lot of abstains - (NO)

45
55

50

STRIKING LUGAR

FOR		???	AGAINST		
Dems	Repubs	Dems	Repubs	Dems	Repubs
44	McCain Frist Warner D'Amato ✓	Durbin	Thompson Specter Snowe Collins Chaffee Jeffords Dewine Hatch Bennet Mack Stevens Thurmond	38 37	

Campbell

① Ben's support

②

① Force Faircloth

② Mr. Lamm
Sinking
Lugar

③ Public health
bills
advisors
Goes first

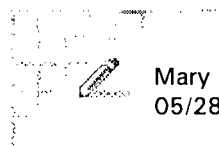
Gore

Force

48

→

④ who
Goes first



Mary L. Smith
05/28/98 02:29:39 PM

Record Type: Record

To: Thomas L. Freedman/OPD/EOP

cc:

Subject: Numbers to call

Heart - Rich Hamberg 785-7907

Cancer - Linda Crawford or Sue Poland 661-5701

Barbara suggested that you might want to see where Lung is at : Paul Billings 785-3355

Lugar Bill Cuts Health Spending by 69 Percent

	NIH and Other Research	Public Health, including Cessation, Prevention, Education, and Enforcement
Total, FY 1999-2001		
Ford-Hollings	\$8.6 billion	\$8.6 billion
Lugar	\$2.7 billion	\$2.7 billion
Percent Reduction	- 69%	- 69%

	FY99	FY00	FY01	FY02	FY03	FY99-03
Ford-Hollings	2.5	1.8	2.0	2.0	2.2	10.5
Lugar	6.0	6.0	6.0	0.0	0.0	18.0

Based on estimates of revenue from S. 1415. Calculations assume the funding for states remains \$15.6 billion over three years under either farm proposal.