THE WHITE HOUSE

Bruce,

Copies of this letter went to Bruce Lindsey and the President. Jim Newbury asked that I pass it along to you as well.

Peter O'Keefe

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tobacco – ~~farmers~~ ~~[illegible]~~ – 5440 – SW
Tom

March 5, 1998

Hon. Bruce R. Lindsey
Assistant and Deputy Counsel to the President
White House
Washington, DC 20050

Dear Bruce:

It has been quite some time since we visited in Frankfort in the summer of 1991. I realize that your days are rather full, but I wanted to forward to you some information concerning the proposed settlement of the litigation between the state attorneys general and the cigarette manufacturers.

Enclosed is a copy of a proposal which I have put forward in the course of my Congressional campaign. Although it is a campaign document, I also believe that it has significant merit from a public policy perspective. My proposal would facilitate the termination of the mountain of litigation pending in the federal court system, and it would enable all of the affected parties to gain the benefit of the various provisions which are contained in the present proposal. At the same time, my proposal makes provision for payments to tobacco farmers and the communities in which they live.

I hope that you will give serious consideration to the concepts expressed in the enclosed materials. Should you or any member of your staff wish to discuss the proposal further, please feel free to contact me.

Sincerely yours,

Jim Newberry

Jim Newberry

Enclosure

cc: Peter O'Keefe

Peter -

Give me a call after you have a chance to read the enclosures.

Jim

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TOBACCO SEED PLAN FOR FARM FAMILIES AND COMMUNITIES
SPURRING ENTERPRISE AND ECONOMIC DEVELOPMENT

FEBRUARY 26, 1998

INTRODUCTION

No one can deny the economic and cultural importance of tobacco in Kentucky and throughout the tobacco belt. The numbers alone are staggering: Kentucky has 60,000 tobacco farms employing more than 100,000 people directly and indirectly. Tobacco means an average of $800 million annually to the state's economy.

It is a way of life in Kentucky.

But the actions of cigarette manufacturers have threatened that way of life. Consider only a partial list of misdeeds perpetrated by cigarette manufacturers: Lies about the addictive power of nicotine; Concerted efforts to directly target our children; A paper trail littered with misleading statements; and distortions on everything from the level of nicotine in cigarettes to the way the product is marketed.

Moreover, when the state attorneys general and the cigarette manufacturers announced a tentative settlement of the mountain of lawsuits confronting the industry last year, not one dime of the $368.5 billion package was for farmers. There was money for NASCAR, money for women's professional tennis and money for rodeos. No provision, however, was made for tobacco farm families. No provision was made for the rural communities in which tobacco has been a staple of the economy for generations.

Congress now is considering several pieces of legislation dealing with the settlement and the issues raised by it. In varying degrees, the proposals would provide some redress to farmers and their communities. As a result of the deceptive business practices employed by cigarette manufacturers, drastic changes in the sale of tobacco products will be implemented by the proposed settlement agreement. These changes will significantly alter the ability of tobacco farm families and the communities in which they live to continue their traditional way of life.

Jim Newberry's Tobacco SEED Plan seeks to address the tremendous challenges posed by that changing landscape. It seeks to use tobacco to plant the seeds necessary to spur enterprise and economic growth for Kentucky communities. It is based on the reality that tobacco belt communities will be disproportionately impacted by the diminished commercial viability of cigarettes.

In short, the proposal stipulates that cigarette manufacturers contribute 10 percent -- $36.85 billion -- over and above the $368.5 billion settlement for the benefit of tobacco farm families and their communities.

Those resources will go directly back to the farm communities and families that produce tobacco. In addition, resources in the proposal are devoted to cancer research as well as agricultural and rural economic development research, all of which would be located in the tobacco belt. It is critical that Kentucky's rural communities are protected as they go through the changes brought about by the actions of the cigarette manufacturers. The values of family and community are interwoven into the fabric of Kentucky's rural economy. Our rural communities -- and the values inherent in those communities -- should not be destroyed because out-of-state interests have profited through deceptive business practices.

This proposal represents nothing less than a once in a century chance for Kentucky's economy, Kentucky's rural communities and for Kentucky's farm families. Our economy has often been compared to that of a colony. The vast majority of many of our rich resources -- coal, lumber, tobacco -- have been used to line the wallets and build the profit margins of out-of-state corporate interests.

This proposal offers the opportunity for Kentucky farm families and Kentucky's rural communities to receive something for the work they've done. As important, it will give them the resources to build a sound, long-term economic foundation for the future -- from education for their children to concrete resources to invest in locally owned and operated businesses that will sustain our communities.

The Tobacco SEED Plan, then, represents a chance -- our one chance -- to spur long-term enterprise and economic growth, while maintaining a set of values and way of life that so many of us cherish. It allows Kentucky's farm communities to plant the seeds now for a prosperous future.

The following comprises the primary components of the proposal:

1. Direct payments -- in the form of tax-exempt punitive damages -- to tobacco farm families. The price support program would continue for at least a 10-year period.

2. The creation of an Economic Development Fund ("EDF") designed to sustain economic development efforts in the tobacco belt.

3. Payments to tobacco farm states for rural economic development and agricultural research -- through the land-grant institutions -- to develop long-

term economic strategies for farms and communities most impacted by the settlement.

4. Payments to a cancer research trust targeting medical and pharmaceutical research on mouth, throat and lung cancers at research centers based in the tobacco belt.

THE FIRST SEED
Farm Families $17.724 billion[1]

Farm families would receive a total of $12 for each pound of their basic tobacco quota, based on an average of the 1995-1998 crop years. Based upon production for 1995-97, the total payments to farmers would equal approximately $17.724 billion ($12 x 1,477 billion pounds)

Allocation: The allocation would be determined on the basis of tobacco type grown throughout the tobacco-belt states. Determinations of allocation would be made by the Farm Bureaus, appropriate farmer operated associations such as the Burley Tobacco Growers Cooperative, and the USDA.

Tax Implications: Payments would be recognized as special, tax-exempt punitive damages paid by the cigarette manufacturers. The Internal Revenue code would be amended accordingly, and payments to farmers would be tax free.

Price Support Program: Following enactment of the SEED plan, the USDA price support program would continue for 10 years. After 5 years, the program would be subjected to Congressional and USDA review. If, at that time, it is determined that the program is meeting its objectives, then it will be continued indefinitely. If the program is terminated, it would continue for 5 years after that so farm families and communities would have ample opportunity to adjust.

Immunity: In exchange, cigarette manufacturers would be granted immunity from civil liability claims as set forth in the proposed settlement agreement.

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[1] All numbers will be adjusted to reflect the actual average of the basic quota for the 1995-1998 crop years, once that information is available. The numbers set forth throughout The SEED Plan are approximations based on 1995-1997 USDA production figures.

The Second SEED
Farm Communities
Total Payment: $11.756 billion

An Economic Development Fund (EDF) -- approximately $11.756 billion -- would be established to fund economic development and recruitment initiatives in farm communities.

Fund Objectives: The fund will be invested in private enterprises located throughout tobacco belt states. The fund's goal will be an annual net return on investment of at least 8.5 percent. In effect, the EDF will be an endowment fund investing in the tobacco belt states. Companies considered for funding must be located in tobacco belt states and have at least 75 percent of their operations headquartered in counties in which tobacco quotas existed in 1998. Moreover, a preference would be granted to former tobacco farmers seeking EDF investments for new or expanded enterprises used to replace a tobacco crop. However, priority would be given to maintaining the principal and attaining the income objectives.

Income Allocation: Income from the EDF -- approximately $1 billion annually -- would be allocated to economic development agencies in each tobacco county with tobacco receipts of $100,000 or more. The allocations would be based upon applications to the EDF fund for specific projects that are proposed by local communities. The projects must be designed to enhance local economic development. Proposed projects would be subjected to a review process similar to that of the Fund For Rural America. Each tobacco county that averaged $100,000 or more in tobacco receipts each of the last three years would be eligible to receive a percentage of EDF income equal to the percentage of U.S. tobacco quota located in that county. Any income not disbursed during a calendar year would be reinvested in the EDF principal.

Fund Management: The fund will be managed by three fund managers, appointed by the president and confirmed by the Senate. The fund managers' salaries and the EDF's operating expenses would be paid out of the EDF income. The managers' salaries would be comparable to those of managers of privately operated funds of a similar size.

The Third SEED
Agricultural and Rural Economic Development Research
Total Payments: $3.685 billion

Ten percent of the funds outlined in the proposal -- $3.685 billion -- would be paid as grants to 1865 and 1890 land-grant institutions located in the tobacco belt. Income from the grants would be used to fund agricultural and rural economic development research in areas impacted by the settlement. The research would be targeted to increase profitability of former tobacco farms and to assist tobacco farms and communities in transition.

Payments would be allocated on a state-by-state basis with each state receiving a prorata portion equal to the percentage of the total amount of U.S. tobacco quota in that state.

The Fourth SEED
Cancer Research
Total Payments: $3.685 billion

Ten percent of the total payment -- $3.685 billion -- would be paid to a cancer research trust to fund medical and pharmaceutical research. Projects would be conducted by nationally recognized cancer research centers in the tobacco belt.

Primary emphasis would be focused on preventing and curing mouth, throat and lung cancers caused by smoking and smokeless tobacco products. Trustees of the trust would be seven nationally recognized cancer researchers, none of whom would reside in the tobacco belt.

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February 26, 1998

Speaker Newt Gingrich
2428 Rayburn House Office Building
Washington, D.C. 20515-4326

Speaker Gingrich:

As a Kentuckian, a farm owner, and a candidate for Congress, no issue concerns me more than the future of our Central Kentucky way of life. No issue will more directly impact that way of life than the fate of the tobacco settlement the Congress is currently considering.

The $368.5 billion settlement negotiated between the state attorneys general and cigarette manufacturers last year does not contain one dime for tobacco farmers and rural communities. Money is included for NASCAR. It's included for women's professional tennis. But there's nothing for the farmers and communities that have depended upon tobacco for generations. That makes the proposed settlement unacceptable in its current form.

I share the concerns you and other members of Congress have articulated, particularly the need to protect our children from deceptive marketing campaigns employed by cigarette manufacturers. At the same time, though, tobacco farm families and the future of the rural economy also must be protected. To that end, I have attached a proposal that calls for the cigarette manufacturers to pay an additional 10 percent over and above the current settlement proposal. The money would go toward farm families, rural economic development efforts, agricultural and rural economic development research, and cancer research in tobacco-belt states.

I request the opportunity to testify about this proposal before the appropriate Congressional committees. The fundamental tenet of my proposal is that cigarette manufacturers--not taxpayers and not cigarette users--should pay punitive damages for the loss of income that our rural communities are now facing as a result of the pattern of deception perpetrated by the companies. As such, they should pay to help our farm families and farming communities develop a long-term, viable economy. I welcome the opportunity to discuss with you and other members this most important of issues.

Sincerely,

Jim Newberry

Jim Newberry