

NLWJC - Kagan

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Tobacco-Settlement: Talking Points

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Tobacco Q&A
January 14, 1999

Q. What steps is the Administration considering to protect farmers from the negative impact of an increase in tobacco taxes?

A. The Administration remains committed to protecting tobacco farmers and their communities, and strongly supports on-going efforts by state, farmer, and industry representatives to provide resources and purchase commitments to tobacco farmers. Farmers who never marketed cigarettes to children and worked hard to sell a legal crop should be protected. The Administration looks forward to working with all parties as this process continues, including Members of Congress, to ensure the financial well-being of tobacco farmers, their families, and their communities.

Tobacco Q&A
January 15, 1999

Q: Is the Administration proposing to raise the price of a pack of cigarettes by 55 cents, as reported in several newspapers?

A: Yes -- the Administration will propose to increase the federal excise tax on cigarettes by 55 cents. In addition, we will propose to accelerate already enacted excise tax increases to FY 2000. All proceeds from these proposals would go to reimbursing the government for the direct health care costs it incurs as a result of tobacco smoking.

Q: The New York Times reported today that the Administration will use a tobacco tax to fund a wide variety of social programs in this year's budget. Is that accurate?

A: Absolutely not. Every cent of the tobacco tax will pay for health care costs that the federal government incurs each year as a result of tobacco smoking. Specifically, all this money will fund the costs that the Department of Defense, the Veterans Administration, the Federal Employee Health Benefits Plan, and the Indian Health Service incur each year to treat tobacco-related disease. We learned from the experience of last year, and we made sure that every penny of this money is tied to tobacco-related health costs.

Q: But won't that free up other money in your budget to pay for the Administration's social programs? After all, money is fungible?

A: The simple point is this: if Congress passes the Administration's proposal, the tobacco companies will pay for the costs that the federal government incurs as a result of smoking. By contrast, if Congress fails to pass this proposal, the taxpayers will pay for those costs. What our budget proposal does is to shift the costs of tobacco from every taxpayer in the country to the tobacco companies. That's exactly what the state tobacco suits did, and that's what our budget does as well.

Q: How did you arrive at the figure of 55 cents a pack?

A: This is the figure that will allow us to meet the President's goals for reducing youth smoking. It is essentially last year's proposal (\$.62-\$1.10) adjusted for the fact that the state settlements have already produced an increase in the price of tobacco products (around \$.40).

Q: What will the budget do with respect to federal recoupment of money from the state tobacco settlements?

A: As several newspapers have reported, the Administration does not budget any monies from recoupment in FY 2000 (the first year of the budget), but does assume recoupment of some state settlement monies in the outyears. This is designed to give us a year to do what the President has long said he wants: work with Congress and the states to reach an agreement, in the context of tobacco legislation, on the appropriate uses of this money. As we have said many times, we have an obligation under federal Medicaid law to recoup part of the state settlements and we will take appropriate administrative action to do so. But because we hope to reach an agreement this year ~~with the states and Congress~~ on resolving these federal claims, we did not want to book and spend these monies in the first year of the budget.

[Note: If you are not completely sure you understand the recoupment issue, you should refer all questions to Jack, Bruce, or Elena.]

Q: How do you intend to spend the recoupment monies that the Administration is budgeting in FY 2001 and later years?

A: The budget will not say how these monies will be spent. Remember that the budget begins to book this money only in 2001, so there's no immediate need to designate this money to particular purposes. Instead, we will wait to see if we can reach agreement on this question with the states and Congress. As we have said many times, we hope to reach an agreement this year waiving our claims to state money in exchange for a commitment by the states to use tobacco money for specified activities including public health and children's programs. We expect future budgets to reflect this agreement.

in the context of broader tobacco legislation.

**Tobacco Q&A
January 14, 1999**

Q: Is the Wall Street Journal correct in reporting today that the Administration will propose to raise the price of a pack of cigarettes by 55 cents?

A: The Journal report is generally accurate with respect to the Administration's proposals to raise the price of cigarettes and thereby reduce youth smoking. As the Administration's budget will show, all proceeds from this price increase would go to reimbursing the government for the direct health care costs it incurs as a result of tobacco smoking.

Q: Is the Wall Street Journal accurate in reporting that the Administration's budget assumes recoupment of some state settlement monies in FY 2001 and afterward, but not in FY 2000 (the first year of the budget)?

A: The Administration has long said that it has an obligation under federal law to recoup a portion of the state settlements. We also have said, however, that we are open to working with Congress and the states to resolve these valid federal claims in the context of tobacco legislation. The budget is consistent with this longstanding position: it makes clear that the federal government has a rightful claim to a portion of the state settlements, but also gives everyone some time to see if these claims can be resolved in a mutually acceptable fashion as part of a bill to reduce youth smoking.

Q: What does the Administration think of the information reported in this weekend's New York Times that some states are considering spending tobacco settlement funds on non-health items, such as roads and tax cuts? And is the Administration going to claim a share of the recent tobacco state settlement?

A: The President has always said that tobacco settlement funds should be spent to promote public health and assist children. Under current law, the federal government is obligated to recoup a portion of these tobacco recoveries, and the Administration will proceed in accord with that statutory obligation. The President, however, has made clear that he is open to working with the states to enact tobacco legislation that, among other things, resolves these federal claims in exchange for a commitment by the states to use tobacco money for specified activities including public health and children's programs.

Tobacco Q&A
January 20, 1999

Tobacco - talking points
and
Tobacco - Medicare
suit

Q: What did the President announce last night?

A: The President announced that the Justice Department is preparing a litigation plan to take the tobacco companies to court for smoking-related federal health care costs. The Justice Department, after studying this matter for several months, has determined that the tobacco companies' potential liability is massive and that there are appropriate bases for recovery, and the Justice Department is putting together a task force to make decisions on the best way to bring litigation.

Q: What claims will the suit assert? What damages will it seek? Will there be more than one suit?

A: These are matters for the Justice Department's task force to determine. The Justice Department has noted two possible theories on which to proceed: the Medical Care Recovery Act and the Medicare Secondary Payer Act. And possible costs to be recovered include those under Medicare, the Federal Employee Health Benefits program, military and veterans benefits, and the Indian Health Service. But these are all matters that will be evaluated and decided on by the Task Force, and in general we will not be discussing our litigation strategy in public.

Q: When will the suit be brought?

A: This is a matter for the Justice Department's task force to determine. Litigation will be brought when the Justice Department is fully prepared to do so.

Q: Hasn't the Justice Department been looking at this for a long time? Why did it suddenly reach this decision?

A: The Justice Department has been reviewing this matter since the collapse of tobacco legislation last summer. After careful consideration, the Justice Department concluded that there were viable grounds to recover tobacco-related health care costs from the companies.

Q: Did the President direct the Attorney General to bring this suit?

A: No. The Justice Department made this decision, based on its analysis of the relevant legal questions. The President of course supports the Attorney General's determination.

Q: Did the White House talk to the Justice Department about bringing the suit?

A: The Justice Department did keep the White House apprised of its analysis, and White House lawyers asked questions and offered views as appropriate. It was always clear that any decision to proceed with tobacco litigation would be made by the Attorney General.

Q: But did the White House lawyers try to persuade the Justice Department to bring the suit?

A: All the lawyers -- both from the Justice Department and from the White House -- were trying to understand and analyze the issues involved as completely as possible. The White House lawyers always understood that this would be the Attorney General's decision.

Q: Who will be handling this litigation in the Justice Department?

A: The litigation will be run out of the civil division, although other units of the Justice Department may also play a role in particular aspects of the litigation.

Q: How does this litigation relate to the federal government's claim for recoupment of a portion of the states' settlement money?

A: There is no connection at all between the two things. The task force will be evaluating claims against the tobacco companies, not the states. Issues concerning recoupment of the state settlements are entirely separate and distinct.

Q: Why is the President suing the tobacco companies and asking for a tax increase to reimburse the federal government for the costs of tobacco-related disease. Isn't this double-dipping?

A: First, the tax increase will reimburse the government only for the non-Medicare costs of tobacco-related disease in the future. It would not reimburse the government for Medicare costs or for any past costs. Second and more important, these are different and independent actions. The Justice Department made a legal decision to proceed against the tobacco companies on the basis of its analysis of the companies' potential liability. By contrast, the decision to seek a tax increase was a public health decision made by the White House.

**Tobacco Q&A
November 16, 1998**

Q: What will the President say in his tobacco statement today?

A: Today, President Clinton will declare that the proposed state tobacco settlement is a step in the right direction and call on Congress to finish the job. The President will praise the state Attorneys General for their perseverance in this fight to hold the tobacco industry accountable for targeting children and announce that enacting national tobacco legislation to finish the job will be one of his top priorities in the next Congress. The President also will underscore the Administration's strong commitment to the FDA tobacco rule, noting that the Solicitor General has decided to seek the Supreme Court's review of the Fourth Circuit's latest decision.

Q: But how can the President praise this proposed settlement? Doesn't it fall far short of the McCain bill the President endorsed? Isn't it even a step backwards from the proposed settlement from June 20th of last year?

A: The President will say the proposed state settlement is a step in the right direction and call on Congress to finish the job. This settlement will in effect put in place the state part of the McCain bill, which provided states with \$196 billion over 25 years to settle their lawsuits. (Of course, the final amount contained in this settlement will depend on how many states sign onto the deal -- states have until Friday to decide.) The proposed state settlement also contains some but not all of the advertising and marketing restrictions contained in the McCain bill and the FDA rule.

Q: So will the President include in his budget the parts of the McCain bill left out of this settlement?

A: It is completely premature to speculate on what the President will include in his budget. We have not yet reviewed the details of the proposed state settlement and until we know how many states will opt into it, we will not know whether it will apply nationwide.

Q: Is it safe to assume the President will include a significant cigarette tax in his budget, as reported in last week's Wall Street Journal?

A: Absolutely no decisions have been made about what, if anything, the President's budget will include on tobacco. Staff members are in the process of considering many options, and have made no recommendations of any kind to the President. Of course, the President will continue to press for strong legislation to reduce youth smoking, but it's too early to say what his budget will include or what specific tobacco control policies he will call for.

Q: The President noted that the Department of Justice will be appealing the FDA case to the Supreme Court. Isn't the Administration unlikely to prevail and doesn't that mean that the only hope you have for FDA jurisdiction over tobacco is legislation?

A: We believe the Food and Drug Administration has the authority to promulgate the tobacco rule without additional authority from Congress. However, if the leadership in Congress would act responsibly, it would enact bipartisan comprehensive tobacco legislation to confirm the FDA's authority and take this matter out of the courtroom.

Q: When will the Department of Justice file its appeal?

A: These matters will be determined by the Office of the Solicitor General, and any further questions on this matter should be directed to the Justice Department

Q: Would you support an FDA-only bill?

A: We would not rule it out. However, a significant reduction in youth smoking will take actions on many fronts, including a price increase and public health efforts such as research and cessation, as well as the advertising and access restrictions in the FDA rule.

Q: If the advertising restrictions from the proposed state settlement are put in place, why do you need FDA jurisdiction?

A: Nicotine is a powerful and addictive drug, and for the sake of public health the Food and Drug Administration should be able to treat it as it does other drugs. In addition, the proposed state settlement allows the tobacco industry to continue many forms of advertising that appeal to children that would be restricted in the FDA rule.

Q: We've seen little evidence over the last few months that tobacco remained at the top of the President's agenda. Why the change of heart today?

A: The President's commitment to reducing teen smoking has been steadfast. Remember, he took on this battle in 1995, long before it became fashionable, when he announced the proposed FDA tobacco rule. This year, after a minority of the Senate led by the Republican leadership and \$40 million in industry attack ads thwarted his efforts to enact comprehensive tobacco legislation, the President took executive action to track and make more public the tobacco industry's efforts to target our children and he supported a California ballot initiative to reduce youth smoking in that state. He also repeatedly criticized the Congress for not passing comprehensive legislation to reduce youth smoking. The new proposed settlement is merely bringing renewed attention to his views.

Q. What California tobacco initiative did the President support?

A. The California initiative does what Congress failed to do, which is take significant steps to reduce youth smoking. By raising the price of cigarettes by 50 cents per pack, the ballot initiative will reduce youth smoking in California and fund critical public health and prevention programs such as counteradvertising and smoking cessation, as well as child care and early childhood development programs. The Administration strongly supported this initiative; the First Lady and the Vice President campaigned for it in California. However, if we hope to reduce youth smoking substantially in all 50 states, Congress must pass national legislation.

Q: What executive actions on tobacco has the President taken since May?

A: As the President continued to push for legislation, he moved forward to reduce teen smoking through executive action:

- On June 22nd, the President called on HHS to collect more accurate information on teen tobacco use, including information on tobacco use by brand, so that parents will know which companies are marketing products to their children and that public health officials can use this information to reduce tobacco use among youth.
- On July 17th the President directed HHS to coordinate a public health review of the recently-released tobacco industry documents and to develop a plan to make the documents more accessible to the public and to analyze them to gain critical public health information. He also announced that the Department of Justice will file a brief in trial court supporting the State of Minnesota's motion to unseal an industry-created index to the documents.

Additional Tobacco Q&A
November 11, 1998

Q: Will the President propose to increase cigarette taxes, as reported in today's Wall Street Journal?

A: Absolutely no decisions have been made about what, if anything, the President's budget will include on tobacco. Staff members are in the process of considering many options, and have made no recommendations of any kind to the President. Of course, the President will continue to take action to reduce youth smoking, but it's too early to say what his budget will include or what specific tobacco control policies he will call for.

Q: If the states settle their tobacco cases for \$200 billion, will the Administration propose something smaller than the per-pack price increase called for in last year's budget?

A: It is completely premature to speculate on what the President will include in his budget, or on how the settlement will affect the President's proposals. We have not even seen the state settlement yet, and we certainly do not know how many states will opt into it or how large it will be.

Tobacco Q&A
September 8, 1998

Q. What are your views on the article in this week's Journal of the American Medical Association which indicates that declining rates of adult smoking slowed, and teen smoking rates rose, in California between 1993 and 1996?

A. The rising rates of teen smoking in California between 1993 and 1996 once again demonstrate the need for comprehensive bipartisan tobacco legislation to reduce youth smoking. Clearly, a national effort is needed to counter the increased industry spending that the researchers believe is responsible for this rise in teen smoking.

[Background: The JAMA article found that in California between 1989 and 1993, adult smoking rates declined over 50% faster than in previous years. However, between 1993 and 1996, the decline slowed to only 34% of that rate. While teen smoking remained stable between 1989 and 1993, it increased 26.3% between 1993 and 1996, to 12% of teens. The authors expect teen smoking rates to continue to rise through 1999. They attribute these trends to decreased state spending on tobacco control efforts, and increased industry spending on advertising.]

Tob - re - medicare costs

(and)

Tob - re - talking pts

Tobacco Q&A

July 14, 1998

- Q:** Is it true, as reported in USA Today, that you are planning to file suit against the tobacco companies to recover billions of dollars in federal health care costs related to smoking?
- A:** First and foremost, we will continue to push Congress to enact comprehensive bipartisan legislation that will significantly reduce youth smoking. Of course, if Congress fails to act, we are going to consider all of our options. This includes exploring what we can do to reduce teen smoking by executive action, as well as a variety of other activities, which may or may not include bringing suit.
- Q:** But if the state attorneys general settle with the companies, won't that take the wind out of the sails of a Congressional bill?
- A:** Further action by the states can only increase pressure on Congress to do its part and help us finish the job -- by reaffirming FDA's full authority over tobacco products, imposing surcharges on tobacco companies that keep marketing cigarettes to young people, and launching a nationwide counteradvertising to warn young people not to smoke. We're going to keep working to build upon bipartisan support for these measures, and keep the pressure on Congress to pass a strong bipartisan bill this year. So long as 3000 young people start smoking every day, we're not letting Congress off the hook.

Talking Points

- I strongly urge you to vote for cloture today on the tobacco legislation. The McCain bill is a good, strong, bipartisan bill that will cut youth smoking in half and save a million lives over the next five years.
- Republicans have achieved real victories on three issues that they care about -- namely, using funding under the bill for tax cuts and anti-drug efforts, and limiting attorneys' fees. You've won the trifecta, and should declare victory. There's just no good reason at this point to vote against the bill.
- In fact, this bill now contains one of the largest middle class tax cuts ever considered by the Congress -- tax relief to married couples earning less than \$50,000, and a health insurance tax cut for the self-employed. You don't want to be on the wrong side of that issue. Let's pass this legislation, so we can have an accomplishment, not an issue.
- This bill may not be perfect, but we will all have the chance to work on it further in conference. If you don't let this bill go to conference, Democrats will try to attach it to every piece of legislation and vote again and again on this issue for the rest of the year. We will make a strong case that Republicans had a choice between children and the tobacco industry, and made the wrong decision.
- I would much rather that we work together to pass legislation and do something to actually reduce youth smoking.

Responses to Likely Arguments

The bill is far too large and needs to be scaled back.

- A. That is not true. The McCain bill is basically the settlement agreed to last year by the State Attorneys General, plus a tax cut. Keep in mind that we got rid of the alleged 17 bureaucracies, and we didn't even fund the social programs that I proposed in my budget. In fact, because of changes that Senator McCain agreed to, the total 25 year cost to companies is only \$420 billion in real terms, about mid-way between the \$368 billion in the proposed settlement and McCain's original \$516 billion bill. So the bill is really not that large at all.

The bill will not work without the industry's participation.

- A. Of course, I want the industry to willingly participate in this effort and I always have. That is why I opposed the Gregg amendment to eliminate the liability cap. But the only place we can work this out and bring industry back to the table is in conference. The cloture vote today is about moving the bill forward so that we can get to conference, and I hope you will support that effort.

Talking Points on Tobacco Tax Cut and the Surplus

- 1) As you know, the President has a firm principle that none of the surplus should be committed until we have completed a long-term Social Security fix.
- 2) Any provision in the tobacco bill, including a tax cut provision, that would eat into the surplus or undermine that principle is unacceptable and needs to be fixed.

Q: If the tobacco bill passed with a tax cut draining the surplus would the President veto it over the Social Security First Pledge?

A: We don't expect to have to confront this situation because we are quite sure that members of Congress will not want to have a tobacco bill that is seen as eating into the surplus or in any way committing the funds that are reserved for solving Social Security.

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.

**PRESIDENT CLINTON URGES CONGRESS TO "GET THE JOB DONE NOW"
TO REDUCE YOUTH SMOKING AND PASS LEGISLATION THIS WEEK**

June 15, 1998

Today, President Clinton will call upon the Senate to "get the job done now" and pass tough bipartisan tobacco legislation this week. The McCain bill is a good strong bill that will cut youth smoking in half and save a million lives over the next five years. 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 prematurely as a result. The McCain bill will cut youth smoking in half by:

- **Raising the price of cigarettes by \$1.10 over the next five years** -- the single most important step we can take to reduce youth smoking.
- **Imposing tough lookback surcharges** on tobacco companies if youth smoking does not decline by 67% over the next decade.
- **Reaffirming FDA's full authority** over tobacco products.
- **Launching major nationwide efforts to reduce youth smoking**, including a nationwide counteradvertising campaign to warn young people not to smoke, state and local tobacco education and prevention programs, and tough enforcement measures to stop retailers from selling cigarettes to minors.
- **Taking other important steps to protect against the dangers of smoking**, including expanded warning labels on cigarettes, mandatory disclosure of additives and cigarette ingredients, a nationwide ban on smoking in public buildings, and substantial funding for smoking cessation programs.
- **Funding a major increase in health research** at the National Institutes of Health and the Centers for Disease Control, including clinical trials for cancer patients.
- **The McCain bill started strong . . .** The Administration worked to secure several important improvements to the bill that passed the Commerce Committee by a margin of 19-1 in April -- including stronger lookback surcharges, stronger environmental tobacco smoke protections, elimination of the antitrust exemption and of liability protection for parent companies, and substantial funding for public health and research as well as for states and tobacco farmers.
- **. . . and has gotten stronger.** The full Senate passed an amendment by Senator Durbin to increase company-specific lookback surcharges still further, and rejected an amendment by Senator Ashcroft to remove the price increase from the bill. The Senate has authorized additional uses for tobacco revenues -- with amendments on veterans health, drug prevention, and targeted tax relief -- while keeping intact the core efforts to reduce youth smoking and protect the public health.

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.

Tobacco Q&A
June 29, 1998

- Q. Do you support the complaint being filed with the Federal Election Commission by the Campaign for Tobacco-Free Kids, alleging that tobacco companies are making illegal corporate campaign contributions by promising to run political advertisements on behalf of Republican Senators who opposed the McCain bill?**
- A. We cannot comment on a specific complaint filed with the FEC. But it's clear that the tobacco companies have spent massive amounts of money in their effort to kill the McCain bill, and that these company advertisements provided cover to the minority of Senators who voted against the legislation.

Tob - set - talking points

**PRESIDENT CLINTON:
FIGHTING FOR LEGISLATION TO REDUCE TEEN SMOKING**

June 19, 1998

"Some have suggested that Congress should now just get in line and do what the tobacco lobby wants them to do... and appear to be passing a bill that will reduce teen smoking, that everybody knows will not have very much influence... We're going to stick with the children and their future...and keep working, to get a bill that will increase the price of cigarettes enough to deter smoking, that will have strong advertising restrictions, that will have strong access restrictions, that will invest in public health and do something honorable for tobacco farmers."

President Bill Clinton
June 19, 1998

President Clinton is committed to passing landmark tobacco legislation that will reduce teen smoking and benefit the health and well-being of our children. The Senate's refusal to vote on this important legislation is a vote against our nation's families and children. The President will not accept scaled down legislation which does not seriously address the problem of teen smoking, but merely serves to give cover to members of Congress.

ON WEDNESDAY JUNE 17TH, THE SENATE REFUSED TO VOTE ON A BILL TO REDUCE TEEN SMOKING . The President supported legislation introduced by Senator John McCain (R-AZ) that contained the strongest anti-youth smoking provisions in our history -- legislation that would cut youth smoking in half over the next five years. When Senators could have sided with families and children, a minority of Senators chose instead to side with the tobacco industry, and blocked a vote on this important legislation.

WEDNESDAY'S DECISION WAS A VOTE AGAINST FAMILIES AND CHILDREN. The President worked in good faith with Senators who expressed concern about tobacco legislation and accepted Republican changes. Every major amendment to the tobacco bill was proposed by a member of the Republican majority. Tobacco legislation was voted out of Committee by a 19-1 margin; however, when the measure came to the Senate floor, many Republicans who had voted for the bill in committee switched their vote. In doing so, these Senators voted against:

- A law that would help save an estimated 1 million lives over the next five years by cutting youth smoking in half over the next five years;
- A tax cut to eliminate the marriage penalty for couples making less than \$50,000 a year, and increased funding for anti-drug measures;
- Caps on attorneys for lawyers involved in tobacco litigation.

THE PRESIDENT IS IN GOOD COMPANY. The President stands with leading public health organizations -- the American Heart Association, American Lung Association, and the American Cancer Society -- in calling for tobacco legislation that actually helps reduce teen smoking. That is why the President will not accept scaled down tobacco legislation that has no real chance of saving the lives of young people, but instead is simply intended to save the political lives of members of Congress.

THE TOBACCO LOBBY VS. CHILDREN AND FAMILIES. The Senate's vote and the lobbying effort by the tobacco industry, which spent \$40 million to defeat this measure, will not reduce the President's resolve or effort to pass tobacco legislation. The facts are clear: Smoking kills -- 3,000 children every day start smoking and 1,000 of those children will die early as a result. Instead of supporting a plan to reduce teen smoking, the Senate sided with the tobacco lobby. The Senators who blocked this vote are on the wrong side of this issue, and they are out of step with the communities and families of this country.

A STRATEGIC PLAN FOR REDUCING YOUTH SMOKING. For the last three years, the President has worked tirelessly to reduce teen smoking. The President has stated that tobacco legislation must meet 5 objectives: 1) a reduction in youth smoking by raising the price of cigarettes by up to \$1.10 over 5 years, with additional surcharges on companies that continue to sell to kids; 2) full authority for the Food and Drug Administration to regulate tobacco products; 3) changes in the way the tobacco industry does business, including an end to marketing and promotion to kids; 4) progress toward other public health goals, including biomedical and cancer research, a reduction of second-hand smoke, promotion of smoking cessation programs and other urgent priorities; and 5) protection for tobacco farmers and their communities.

Tobacco Q&A
June 17, 1998

Q. If this bill does not pass the Senate, what will you do? Will you support other tobacco legislation?

A. We are confident that the McCain bill will pass the Senate. It is a good strong bill with bipartisan support that will cut youth smoking in half and save a million lives over the next five years. The Senate has also resolved three issues that Republicans cared very much about -- namely, using funding under the bill for tax cuts and anti-drug efforts, and limiting attorneys' fees. There is now no reason for the Republicans to vote against this legislation. If they come out of today's closed-door meeting determined to kill the bill, it can only be because of the strong influence -- and the large contributions -- of the tobacco industry.

Q. What is your position on Senator Gorton's amendment to the tobacco bill on attorneys fees which passed the Senate yesterday? Doesn't this just function as a form of liability protection for the tobacco companies, as today's Los Angeles Times reports?

A. The President's overriding priority is ensuring that tobacco legislation promotes the public health. He does not view the issue of legal fees as central to this effort, and he has not made a specific proposal on how the legislation should handle legal fees. In general, he believes that the lawyers who brought the tobacco suits should be fairly compensated, but that they should not be paid out of proportion to the work they actually did and the risks they actually undertook. Senator Gorton's amendment only surfaced very recently and we have not had a chance to review it carefully, but we will do so.

Q. What is the Administration's position on the tobacco farmers' provisions under debate today in the Senate?

A. The Administration strongly supports the LEAF Act sponsored by Senators Ford and Hollings. That measure would maintain a tobacco control program and provide appropriate levels of funding for farm programs. The LEAF Act would guarantee stable prices for small farmers, control the amount of tobacco grown in the United States, offer farmers the option of having their tobacco quotas bought out, and provide adequate funding for economic transition for rural communities. The Administration does not support the legislation sponsored by Senator Lugar. That legislation would end the tobacco program at a cost of \$18 billion over the next three years. The Lugar measure would lead to increased production of tobacco in the United States, destabilize prices for small farmers, and require large cuts in health spending pending in the McCain legislation. Indeed, the Lugar measure would require health research and public health programs in the pending tobacco legislation to be cut by 69% over the next three years.

Q. Is there a possibility of a compromise on tobacco farmer issues? Does the Administration support a compromise?

A. The Administration strongly supports a compromise on the tobacco farmers issues and believes one is possible. Legislation can protect tobacco farmers and their communities and at the same time work to reduce youth smoking. We understand that Senator Ford has reached out to Senator Lugar and others and we are hopeful that they will eventually be able to reach agreement.

**PRESIDENT CLINTON:
STANDING UP FOR CHILDREN AND FAMILIES**

June 18, 1998

"Today, like every other day, 3,000 children start to smoke, and 1,000 of them will have their lives shortened because of it. If more members of the Senate would vote like parents rather than politicians, we could solve this problem and go on to other business of the country."

President Bill Clinton
June 17, 1998

Yesterday, a bipartisan majority of the Senate signaled its readiness to vote on meaningful tobacco legislation to reduce teen smoking, but were blocked by a minority of Senators. President Clinton is committed to passing this important legislation, and will continue to fight for the health and well-being of our children.

A STRATEGIC PLAN FOR REDUCING YOUTH SMOKING. For the last three years, the President has worked tirelessly to reduce teen smoking. The President has stated that tobacco legislation must meet 5 objectives: 1) a reduction in youth smoking by raising the price of cigarettes by up to \$1.10 over 5 years, with additional surcharges on companies that continue to sell to kids; 2) full authority for the Food and Drug Administration to regulate tobacco products; 3) changes in the way the tobacco industry does business, including an end to marketing and promotion to kids; 4) progress toward other public health goals, including biomedical and cancer research, a reduction of second-hand smoke, promotion of smoking cessation programs and other urgent priorities; and 5) protection for tobacco farmers and their communities.

THE SENATE REFUSED TO VOTE ON A BILL TO REDUCE TEEN SMOKING . The President supported legislation introduced by Senator John McCain (R-AZ) that contained the strongest anti-youth smoking provisions in our history and would cut youth smoking in half over the next five years. Yesterday, when Senators could have sided with families and children, a minority of Senators chose instead to side with the tobacco industry, and blocked a vote on this important legislation.

THE PRESIDENT WORKED COOPERATIVELY WITH CONGRESS TO PRODUCE STRONG LEGISLATION. In order to get a tough anti-smoking bill, the President was willing to accept a tax cut to eliminate the marriage penalty for couples making less than \$50,000 a year, and increased funding for anti-drug measures. The President earlier worked to secure several improvements to the tobacco legislation, including stronger lookback surcharges, stronger environmental tobacco smoke protections, and substantial funding for public health and research as well as for states and tobacco farmers.

THE TOBACCO LOBBY VS. CHILDREN AND FAMILIES. The Senate's vote, and the lobbying effort by the tobacco industry, which spent \$40 million to defeat this measure, will not reduce the President's resolve or effort to pass tobacco legislation. The facts are clear: Smoking kills -- 3,000 children every day start smoking and 1,000 of those children will die early as a result. Instead of supporting a plan to reduce teen smoking, the Senate sided with the tobacco lobby. The Senators who blocked this vote are on the wrong side of this issue, and they are out of step with the communities and families of this country.

Tobacco Q&A's
June 18, 1998

Q. What will you do now that the tobacco legislation was defeated in the Senate?

A. We will continue to fight for comprehensive tobacco legislation in both the Senate and the House. First, we will work to ensure that the Senate returns to and eventually passes the McCain legislation. It is a good strong bill with bipartisan support that would cut youth smoking in half and save a million lives over the next five years -- at the same time it would give a tax cut to millions of American families. The Republicans may have voted against this legislation because of the influence of the tobacco industry, but we will force them to choose again and again between the interests of this industry and the interests of American families. Second, we will work with Members of the House to press the Hansen-Meehan bill or other comprehensive tobacco legislation. We are going to continue to move forward with this effort because it is what the American people want and because it is necessary to protect the health of American children.

Note: See attached chart for description of Hansen-Meehan bill.

Q. But isn't the issue really dead?

A. No. A majority of the Senate supported this bill because the American people want to reduce youth smoking. So we will continue to fight to do just that.

Q. How do you react to critics who say that the bill just got too big and needed to be scaled back?

A. The McCain bill is basically the same size as the settlement agreed to last year by the State Attorneys General, plus a tax cut. To the extent that the bill got larger or less focused in the Senate, it was because of amendments -- on taxes, drugs, lawyers fees, and other matters unrelated to youth smoking -- that were offered and passed by Republican Senators.

Tobacco Q&A
June 18, 1998

Q: How are you going to fund your domestic agenda without tobacco funds?

A: Actually, very little of our domestic agenda depends on tobacco revenues. For example:

- Child Care.
The President's budget funded only one-third of his \$20 billion child care initiative through tobacco (the contribution to the existing state-administered child care block grant). The rest of the President's child care proposal, including tax credits for child care for three million families, doubling the number of children served by Early Head Start, providing after school care for up to half a million children a year, and provides new support to states' early learning programs, was funded through other offsets.
- Education.
The President's class size reduction proposal was funded through tobacco funds, but his other education initiatives are funded entirely independent of tobacco legislation, including federal tax credits to build and renovate public schools; education opportunity zones in 50 high poverty urban and rural communities to help them raise standards, toughen accountability, and end social promotions; our High Hopes for College initiative, which would create partnerships between colleges and middle and junior high schools to spark an interest in and help low income students prepare for college; and investments in education technology, with a special emphasis on training teachers to use technology in the classroom.
- Health.
In health care, the tobacco bill did fund increases in areas such as research and public health, but we expect the Congress to fund increases through the normal appropriations process for many of these initiatives. Moreover the core of the President's health agenda -- including the patients' bill of rights, the expansion of access to health care coverage for Americans 55 to 65, increases in Ryan White AIDS funding, and the President's initiative to reduce racial health disparities are funded completely outside of tobacco.
- Community Empowerment and Crime.
All of the President's community empowerment agenda was financed outside of tobacco, including funding for a second round of Empowerment Zones, increasing the low-income housing tax credit, expanding the Community Development Financial Institutions Fund, and funding 50,000 housing vouchers for families

moving from welfare-to-work. Similarly, all of the President's crime agenda -- including comprehensive juvenile crime legislation, funding for his National Drug Control Strategy, and continuing to put more police on the street and in our schools -- is independent of tobacco.

For those initiatives funded through tobacco -- essentially, one-third of our child care proposal and our class-size initiative -- we are exploring and working with Members of Congress to find alternative offsets.

Q. Does the defeat of the tobacco bill mean at least that the President's child care initiative is dead?

A. No. The President is committed to making child care better, safer, and more affordable for America's working families. His balanced budget request included an historic investment to achieve those goals, of which only one-third was funded by tobacco revenue. The Administration will continue to fight for the Administration's proposals -- to help working families pay for child care, build the supply of good after-school programs, improve the safety and quality of care, and promote early learning. We believe that there is broad bipartisan support for these measures, and that the American people will continue to demand action in this area.

Tob - arr -
talking points

Draft 6/14/98 6:40pm
Lowell Weiss

**PRESIDENT WILLIAM J. CLINTON
REMARKS ON TOBACCO TO PRESIDENTIAL SCHOLARS
THE WHITE HOUSE
June 15, 1998**

Acknowledge: Sec. Shalala, Acting Dpty. Ed. Sec. Mike Smith, Chairman of the Commission on Presidential Scholars Stuart Moldaw, Bruce Reed [was a Presidential Scholar exactly 20 years ago], families, teachers, corporate sponsors, and most of all, America's best and brightest -- the 136 Presidential Scholars here today.

The Presidential Scholars award dates back to 1964, when President Johnson signed an Executive Order "to recognize the most precious resource of the United States -- the brainpower of its young people." Today, I look out across a group of young people whose brainpower could light up this entire city -- and someday many of you will. But you are here today because you have contributed much more than just brainpower to your communities. You have taken responsibility by providing inspiration in the classrooms and churches where you have mentored children. You have added virtuosity to the recital halls and studios where you have created art and music. You have brought pride and passion to the fields of play. Your contributions are a roll call of excellence. You have done your communities, and this nation, very proud.

Today, in addition to congratulating you on your achievements and celebrating the bright future you have ahead, I want to talk to you about a subject that could not be more important to the future of all young people and to the health of our nation. I want to talk to you about our efforts, and our obligation, to curtail the deadly epidemic of youth smoking.

In 1964, the year when President Johnson started the Presidential Scholars program and when I was exactly your age, the U.S. Surgeon General presented the landmark report linking smoking and cancer. Today, we are on the verge of making dramatic progress in our fight against teen smoking. We have a once-in-a-lifetime opportunity to pass comprehensive anti-smoking legislation that will save a million Americans from a premature, painful, and very preventable death.

Senator McCain and others have brought to the floor a principled, bipartisan proposal to protect our children from tobacco. It raises the price of cigarettes by \$1.10 over the next five years -- the single most important step we can take to reduce youth smoking. It imposes tough penalties on tobacco companies if youth smoking does not decline by two-thirds over the next decade. It gives the Food and Drug Administration full authority over tobacco products. It provides for a nationwide counter-advertising campaign, prevention and cessation programs, and tough enforcement measures to stop retailers from selling cigarettes to minors. It provides assistance to the tobacco farmers, who, after all, have done nothing wrong. It funds a major increase in health research at the National Institutes of Health and the Centers for Disease Control.

The McCain bill started as the strongest anti-youth smoking legislation in our history.

We have made it stronger still. And in the past week, it has gained even greater momentum as members in both parties offered amendments to fight teen drug use and cut taxes for low- and middle-income families. I don't see how any Senator can now stand in the way of a bill that fights drugs, cuts taxes, and protects young people from a habit that kills.

It has been almost exactly a year since the attorneys general's proposed settlement brought comprehensive tobacco legislation to the Congress, and a month since the full Senate began to consider the issue. I urge the Senate to act now. Every day you delay plays into the hands of the tobacco industry, which wants desperately to kill this bill. Every day you delay leaves tobacco farmers worrying about whether their communities will be protected. Most important, every day you delay allows the tobacco companies to lure another 3,000 children to start smoking. The days of delay must come to an end. Pass the McCain bill this week. The American people expect you to get the job done now.

I know that many of the scholars here today feel just as strongly about tobacco as I do. Patrick LaRochelle, from Signal Mountain, Tennessee, who's been running four-and-a-half-minute miles, would sooner put on lead shoes than touch a cigarette. Alexis Blane, from TK, North Carolina, has aunts and uncles and friends who've worked on tobacco farms and yet, every single one of them is adamant that smoking should be a habit young people never start.

So I want to ask all of you a favor. Each of you is now a Presidential Scholar. Young people in your communities look up to you. Help them stand up to peer pressure. Help them take responsibility for their health. At the national level, we can -- and must -- make it harder for cigarette companies to market to teens. But we need the help of parents, siblings, teachers, coaches, and role models like you. It is, quite literally, a matter of life and death.

Congratulations on your awards, and God bless you all.

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Tobacco Q&A
June 2, 1998

Q: Does the President support the Gramm amendment to the tobacco bill?

A: No, because the Gramm amendment would prevent the legislation from achieving important health goals. The McCain Manager's amendment contains \$59 billion over 5 years for health research and public health programs, assistance to farmers and their communities, and the states. Under the Gramm amendment, \$46 billion would go to tax cuts, reducing the funding available for these other important purposes by 78 percent.

The Gramm amendment would eviscerate funding for critical public health programs such as smoking cessation, education and counteradvertising. This would significantly undermine efforts to reduce youth smoking in this country and help adults who want to quit. Critical funding for medical research would also be cut drastically, including research into smoking-related diseases such as cancer and heart disease. The amendment would also leave very little funding available for the states. Thus, states would be expected to forgo their claims in court and receive, in exchange, only minimal compensation for their enormous expenditures related to smoking-related illnesses. Finally, the amendment would leave almost nothing left over for tobacco farmers, who have done nothing wrong and who deserve to be compensated for the losses they will suffer as a result of tobacco legislation.

Background information: The Gramm amendment would cost approximately \$46 billion over 5 years. It would provide a tax deduction of \$3,450 to married couples filing a joint return with incomes below \$50,000. Because couples in this income range are in the 15 percent tax bracket, the deduction would be worth about \$518 per year. It is billed as an amendment to eliminate the marriage penalty, but it actually provides an across-the-board tax cut to all married couples with incomes under \$50,000, regardless of whether they actually experience a marriage penalty under the tax code.

Q: Would the President consider a less costly effort to lessen the marriage penalty?

A: Our priority is to ensure adequate funding for public health programs to reduce youth smoking and health research to cure tobacco-related diseases, while also providing states and tobacco farmers with the compensation they deserve. While the President has a strong record of providing low- and middle- income Americans with tax relief, he will not jeopardize his youth smoking goals by supporting irresponsible tax cuts in the context of this legislation. If someone proposes a targeted and reasonable sized tax proposal that does not interfere with these goals, of course the Administration will review it. But so far, we have not seen any such proposals; the tax cuts being talked about now are cuts that will severely undermine the core purposes of this legislation.

Q: Does the President support the Durbin amendment?

A: The President is satisfied with the lookback surcharges currently in the bill. As you know, the President believes that tobacco legislation should include company-specific surcharges to

provide incentives to reduce youth smoking, and in negotiations with Senator McCain before he brought the bill to the floor, we managed to add a strong company specific youth lookback surcharge. The provision imposes a company-specific surcharge of \$1000 per percentage point by which the company misses its youth smoking reduction target -- which amounts to two times the profit of hooking a teenager. In light of this agreement with Senator McCain, we are not supporting the Durbin amendment. However, because we recognize that reasonable people may differ as to how best to structure these incentives, we also are not opposing it.

Background Information: The Durbin amendment cuts the industry-wide surcharge, while increasing (but also capping) the company-specific surcharge. In addition, the Durbin amendment would raise the McCain bill's youth smoking reduction targets from 60% over 10 years to 67% over 10 years. See the chart below for more background.

Tobacco Legislation Youth Lookback Provisions

	McCain	Durbin Amendment
Youth Smoking Reduction Targets	15% in years 3-4 30% in years 5-6 50% in years 7-9 60% in years 10 and beyond	20% in years 3-4 40% in years 5-6 55% in years 7-9 67% in years 10 and beyond
Surcharges		
1. Industry-wide	\$80 million for the first 5 percentage points by which the industry misses the target, \$160 million for the next five, and \$240 million for each point thereafter.	\$40 million for the first 5 percentage points by which the industry misses the target, and \$120 million for each point thereafter.
2. Company-specific	\$1000 for each teen by which the company misses its youth smoking reduction target. This figure (which is equivalent to about \$64 million per percentage point) represents twice the forgone profits of hooking a teen.	\$80 million per percentage point for the first 5 percentage points, and \$240 million per percentage point thereafter. This figure represents approximately 2.5 times forgone profits for the first 5 percentage points, and about 7.5 times foregone profits for the next 19 percentage points. After that, the cap (see below) kicks in to prevent additional surcharges.
Caps on Payments		
1. Industry-wide	\$4 billion	\$2 billion
2. Company Specific	None	\$5 billion

Tobacco Q&A
May 19, 1998

Q: What does the President think of the new McCain bill?

A: The President is pleased that the bill contains significant improvements that will help reduce youth smoking and protect the public health, including tougher lookback surcharges, enhanced environmental tobacco smoke protections, improved liability provisions, elimination of the antitrust exemption, and spending for public health, health research, assistance for farmers, and the states, including child care and professional teacher development. The McCain bill, as modified by the new manager's amendment, is a strong bill that meets the President's principles.

Q: Today Senator Gregg, Dr. Koop, and Dr. Kessler are holding a press conference calling for the liability cap to be stripped from the tobacco bill. What's the President's position on this?

A: We vigorously oppose Senator Gregg's amendment to strip the liability provisions from the bill. As revised in the McCain manager's amendment, the liability cap is nothing more than a way to help change the way tobacco companies do business. The new \$8 billion annual cap on legal damages will be available only to tobacco companies that agree to accept sweeping restrictions on advertising, continue making annual payments and lookback surcharges even if those provisions are struck down, make substantial progress toward meeting the youth smoking reduction targets, prevent their top management from taking part in any scheme to promote smuggling, and abide by the terms of the legislation rather than tying it up in court. Stripping the cap may well endanger this bill, and we will fight this effort.

Q. What do you think of the debate over the competing Hollings and Lugar farmers initiatives?

A. The President has made protecting tobacco farmers and their communities one of his key principles for national tobacco legislation, and he believes that Senator Ford's LEAF Act, which was part of the Commerce Committee bill, fully meets this standard. He supports giving farmers the chance to have their quotas bought out if they so choose, while maintaining a price stabilization program.

The President has significant concerns about Senator Lugar's proposal. He is concerned that it does not provide adequate protections for farmers. He also shares the concerns of some public health groups, including the Campaign for Tobacco-Free Kids, about ending a tobacco control program, because doing so could increase dramatically the amount of tobacco grown in this country -- essentially providing a subsidy to the companies.

Most important, the President urges the Congress to work through this impasse, which

was largely caused by procedural gamesmanship, and get on with the business of passing comprehensive legislation to reduce youth smoking.

Q. Are you comfortable with the “watered down” regulations on the export of cigarettes in the tobacco bill?

A. Smoking is a global health problem, and international tobacco control efforts are an important component of S.1415. However, the 2-cent per pack fee for funding international tobacco control efforts that originally appeared in S.1415 was an unconstitutional tax on exports and the provisions as drafted were unenforceable and therefore ineffective. Senator McCain’s manager’s amendment improves these provisions by authorizing multilateral efforts to control international tobacco use and encourage other nations to adopt youth smoking reduction laws similar to our own.

Q: Some Senators plan on offering an amendment to cap attorneys’ fees. What is the President’s position?

A: The President’s overriding priority is ensuring that tobacco legislation promotes the public health. He does not view the issue of legal fees as central to this effort, and he has not made a specific proposal on how legislation should handle legal fees. In general, he believes that the lawyers who brought the tobacco suits should be fairly compensated, but that they should not be paid out of proportion to the work they actually did and the risks they actually undertook.

Tobacco Q&A
May 22, 1998

Q: What does the Senate vote in favor of the Gregg amendment to strip the liability provisions mean for the McCain bill?

A: It's a bump in the road, not something that will have long-term consequences: we have every expectation that the Senate will pass the McCain legislation when it reconvenes after the Memorial Day recess. There is no question that the bill is a good, strong bill that will dramatically reduce youth smoking in this country, and we do not believe that this one vote changes the outlook for its passage. Many of those who voted for the Gregg amendment in the Senate hoped to kill the bill, but many others are very committed to passing comprehensive tobacco legislation to reduce youth smoking. We believe that a majority of the Senate will stand with the public health community and say "no more" to tobacco companies that have preyed upon children for far too long.

**PRESIDENT CLINTON:
LEADING THE FIGHT TO REDUCE TEEN SMOKING**

May 20, 1998

"For years, the tobacco companies have looked upon these children and seen the replacement smokers of the 21st Century. But I see more than 1,400 unique children who cannot be replaced. I see the scientists and artists; the teachers and Olympic champions; the engineers and leaders of the 21st Century. Everyone of us has the responsibility to make sure these and all children across America have the opportunity to live out their dreams and fulfill their greatest, God-given potential. That is why we must pass this bill."

President Bill Clinton
May 20, 1998

Today, President Clinton is joined by 1,400 children from the Campaign for Tobacco Free Kids to announce his support for comprehensive legislation sponsored by Sen. John McCain (R-AZ) to reduce teen smoking.

TEEN SMOKING IS A RAPIDLY GROWING HEALTH CRISIS. Data from the Centers for Disease Control shows that 36 percent of all high school students smoke, and that teen smoking rates have risen dramatically, by 32 percent from 1991 to 1997. Every day, 3,000 children start smoking, and 1,000 of those children will die earlier in life because of it.

A STRATEGIC PLAN FOR REDUCING YOUTH SMOKING. The President has stated that any tobacco legislation must meet 5 objectives: 1) a reduction in youth smoking by raising the price of cigarettes by up to \$1.10 over 5 years, with additional surcharges on companies that continue to sell to kids; 2) full authority for the Food and Drug Administration to regulate tobacco products; 3) changes in the way the tobacco industry does business, including an end to marketing and promotion to kids; 4) progress toward other public health goals, including biomedical and cancer research, a reduction of second-hand smoke, promotion of smoking cessation programs and other urgent priorities; and 5) protection for tobacco farmers and their communities.

THE MCCAIN MANAGER'S AMENDMENT MEETS THE PRESIDENT'S PRINCIPLES. The McCain bill has been amended to include provisions the President supports, including:

- Tough industry-wide and company-specific surcharges targeted at reducing youth smoking;
- Protection for all Americans from the secondhand smoke in public buildings;
- No antitrust exemption for the tobacco industry;
- Strong licensing and anti-smuggling provisions to prevent black markets and ensure prosecution of violators;
- A trust fund committed to provide increases in health research funding into the 21st Century; and
- An \$8 billion-a-year cap on legal damages which will only be made available to companies who agree to change the way they do business.

CONGRESS SHOULD PASS THE MCCAIN MANAGER'S AMENDMENT. President Clinton has worked with Congressional leaders of both parties to craft tough legislation that will help reduce teen smoking, protect non-smokers from the dangers of second hand smoke, continue to educate people on the dangers of smoking, and help current smokers quit. Congress needs to pass this legislation for the health and safety of future generations.

Tob - nr - talking points

**PRESIDENT CLINTON:
WORKING TO REDUCE TEEN SMOKING**

June 15, 1998

"I urge the Senate to act now. Every day you delay plays into the hands of the tobacco industry, which desperately wants to kill this bill. Every day you delay allows the tobacco companies to lure another 3,000 children to start smoking. The days of delay must come to an end. Pass the McCain bill this week. The American people expect you to get the job done right now."

President Bill Clinton
June 15, 1998

Today, President Clinton welcomes the Presidential Scholars to the White House and calls on the Congress to pass comprehensive tobacco legislation sponsored by Sen. John McCain (R-AZ) to reduce teen smoking.

TEEN SMOKING IS A RAPIDLY GROWING HEALTH CRISIS. It has been nearly one year since the Congress took up the issue of comprehensive tobacco legislation. In that time, over one million children -- 3,000 a day -- have become regular smokers, and one third of those children will die prematurely as a result. Data from the Centers for Disease Control shows that 36 percent of all high school students smoke, and that teen smoking rates have risen dramatically -- by 32 percent from 1991 to 1997.

A STRATEGIC PLAN FOR REDUCING YOUTH SMOKING. The President has stated that any tobacco legislation must meet 5 objectives: 1) a reduction in youth smoking by raising the price of cigarettes by up to \$1.10 over 5 years, with additional surcharges on companies that continue to sell to kids; 2) full authority for the Food and Drug Administration to regulate tobacco products; 3) changes in the way the tobacco industry does business, including an end to marketing and promotion to kids; 4) progress toward other public health goals, including biomedical and cancer research, a reduction of second-hand smoke, promotion of smoking cessation programs and other urgent priorities; and 5) protection for tobacco farmers and their communities.

THE MCCAIN BILL MEETS THE PRESIDENT'S PRINCIPLES. The McCain bill contains the strongest anti-youth smoking provisions in our history:

- **Raising the price of cigarettes by \$1.10 over the next five years** --the single most important step we can take to reduce youth smoking.
- **Imposing tough lookback surcharges** on tobacco companies if youth smoking does not decline by 67% over the next decade.
- **Reaffirming FDA's full authority** over tobacco products.
- **Launching major nationwide efforts to reduce youth smoking**, including a nationwide counteradvertising campaign to warn young people not to smoke, state and local tobacco education and prevention programs, and tough enforcement measures to stop retailers from selling cigarettes to minors.
- **Taking other important steps to protect against the dangers of smoking**, including expanded warning labels on cigarettes, mandatory disclosure of additives and cigarette ingredients, a nationwide ban on smoking in public buildings, and substantial funding for smoking cessation programs.
- **Funding a major increase in health research** at the National Institutes of Health and the Centers for Disease Control, including clinical trials for cancer patients.

CONGRESS SHOULD PASS THE MCCAIN BILL. The President worked to secure several improvements to the tobacco legislation, including stronger lookback surcharges, stronger environmental tobacco smoke protections, elimination of the antitrust exemption and of liability protection for parent companies, and substantial funding for public health and research as well as for states and tobacco farmers. Congress must act on this important legislation which helps save the lives of children and protects them from the devastating effects of tobacco use.

**Tobacco Q&A's
USA Today Interview
May 21, 1998**

Q. The tobacco bill has encountered problems along the way. Why is that? Who is to blame?

A. This is bold, landmark legislation that takes on a number of very important issues and evokes strong opinions. No one said passing comprehensive legislation designed to reduce youth smoking would be easy, and we have overcome numerous challenges to get where we are today with a bill on the Senate floor. Of course, the latest challenge we face is ensuring that tobacco farmers are adequately protected. I have made protecting tobacco farmers and farming communities a top priority for this legislation, and I believe that Senator Ford's LEAF Act, which was included in the bill, fully meets that standard. I am deeply troubled by the Senate Leadership's recent attempt to undermine protection for tobacco farmers and their communities. I sincerely hope that the Senate will work through this impasse and ensure that small, family farmers are protected.

Q. Do you think the tobacco industry's campaign is working?

A. The American people understand that the tobacco companies are just playing politics. It is no surprise that the tobacco industry would oppose the legislation in the Senate, because it is in their interest to object to it now to prevent it from getting even tougher. But I believe that the American people want to change the way the tobacco companies do business and to stop them from targeting our kids. And we are now closer than ever to getting comprehensive tobacco legislation which will dramatically reduce youth smoking.

Q. The GOP is trying to kill this bill, but what about the voices on the left saying it doesn't go far enough?

A. Our negotiations with Senators McCain and Hollings significantly strengthened the bill in the key areas where I called for improvements: namely, strengthening the lookback surcharges, including strong company-specific surcharges; strengthening the environmental tobacco smoke protections; eliminating the antitrust exemption; improving the liability provisions; and funding my public health priorities. And if the bill is genuinely improved in other areas, I certainly will not object.

Q. Some Republicans say Democrats are just playing politics, and would rather have a good issue than pass a bill. Is this true?

A. This isn't about politics. It's about reducing teen smoking. Tobacco has never been a political issue for me. When we first proposed the FDA rule in 1995, some of my

advisers thought I was committing political suicide. When you do the right thing, there's plenty of credit to go around.

Q. Are you happy about how the money in this bill is spent?

A. Yes. I've always said this isn't about the money, it's about getting kids not to smoke. That's what this bill tries to do. It makes an unprecedented commitment to health research cessation, and counteradvertising to tell kids not to start. It helps states invest in health and children, and hopefully we will resolve this impasse over farmers to make sure small family farmers are protected.

Q. Do you need the tobacco companies to come back to the table to make this work?

A. Obviously, we can do more to reduce teen smoking if the companies cooperate than if they keep on advertising to kids and keep fighting us in court. The First Amendment limits what we can do to restrict advertising without their consent -- and advertising has an enormous impact on getting kids to start smoking (34% of young people start because of advertising, according to a recent JAMA study.) So I hope the companies do go along in the end.

Tobacco Q&A's
May 15, 1998

Q. Are you pleased with Senator McCain's bill?

A. Yes. Given our fruitful negotiations over the past week with Senators McCain and Hollings, I believe the bill presents us with a historic opportunity to pass bipartisan legislation this year which contains all the necessary elements necessary to reduce youth smoking. I am pleased that, as the result of these negotiations, this legislation now meets the five principles I established for any tobacco legislation -- raising the price of cigarettes to \$1.10 over five years and imposing tough penalties on companies that continue to sell to kids, providing the FDA will full authority to regulate tobacco, getting companies out of the business of selling to kids, promoting public health, and protecting tobacco farmers and their communities.

Q. Do you support the \$1.50 per pack price increase that passed the Senate Finance Committee?

A. I called for a \$1.10 per-pack price increase in my budget, because this is the increase that I believe is necessary to meet my youth smoking reduction targets. I have not changed this position. I am, of course, extremely pleased that the Senate Finance Committee recognized that a substantial price increase is necessary to reduce youth smoking. I would certainly sign a comprehensive tobacco bill meeting my principles that contains a \$1.50 per-pack price increase.

Q. What have you been up to in your discussions with Senator McCain? What have you agreed to?

A. Over the past week we have been engaged in fruitful discussions with Senators McCain and Hollings on a manager's amendment that will make key improvements to the bill. I have pressed for changes to the bill that will (1) substantially strengthen the lookback penalties by raising the cap on industry-wide payment and establishing significant, uncapped company-specific penalties; (2) significantly strengthen the environmental tobacco smoke protections; (3) raise the liability cap and eliminate many of the related liability protections; (4) narrow the antitrust exemption; and (5) create a scheme to apportion funds in order to meet the my public health priorities.

Q. Haven't you caved on your demand that a significant portion of the state funds go to child care?

A. At the very least, some portion of the funds going to the states will have to be spent on a designated list of items, which will include both child care and class size reduction. I

expect states to spend a significant a portion of their funding in these two areas. I also expect an amendment to come to the floor designating additional funding for child care. While I have not seen the text of the amendment yet, I expect to support it.

Q. How do you respond to the charges of some of the public health groups that you have sold out by supporting a \$1.10 per pack increase instead of \$1.50, and by not pressing for even stronger provisions in other areas?

A. Our discussions with Senators McCain and Hollings will significantly strengthen the bill in the key areas where we called for improvements -- namely, strengthening the lookback penalties, including by imposing strong company-specific penalties, strengthening the environmental tobacco smoke protections, narrowing the antitrust exemption, improving the liability provisions, and funding the my public health priorities. I have always said, starting with my budget, that a \$1.10 per-pack price increase will ensure that we meet the my youth smoking reduction targets, and I have no reason to deviate from that position. I certainly will sign a comprehensive tobacco bill meeting his principles that contains a \$1.50 per-pack increase. And if the bill is further strengthened on the floor in other areas, I will hardly object

**Q&A's on Tobacco and Health Care
May 14, 1998**

Q: What is the Administration's position on Senator Roth's proposals for health care related tax cuts, including phasing in the self-employed tax deduction faster and allowing deductibility for individual health insurance?

A: The President has long advocated increasing the health care tax deduction for the self-employed. From the moment he came into office, President Clinton has supported, and in fact proposed, raising the tax deductibility for the self-employed. He signed into law proposals in the 1996 Kennedy-Kassebaum legislation and the 1997 balanced budget agreement that phased in tax deductions for the self-employed from 25 percent to 100 percent.

Although we support the Roth self-employed tax deduction proposal in concept, we have serious concerns that it would undermine our potential to invest in public health and research that can help reduce youth smoking and spur on new breakthroughs in research. In addition, the Administration has consistently taken the position that any dollars from tobacco legislation be used to help our nation's children.

With regard to the proposal to allow deductibility for individual health insurance market, again we believe that dollars from tobacco legislation should be used to invest in public health and research. We also believe that this proposal is regressive, will not significantly increase the number of insured, could create an incentive for some employers to drop coverage, and is not advisable, particularly in the absence of broader reforms in the individual insurance market.

Tobacco Q&A's
May 13, 1998

Q. What did David Ogden say in his testimony before the Senate Judiciary Committee today?

A. David Ogden, Counsel to the Attorney General, said that Congress should not allow the lack of industry consent to prevent it from enacting legislation to achieve the President's five principles for comprehensive tobacco legislation. He said that even without consent, Congress can increase the price of cigarettes, impose significant advertising restrictions on the industry, and achieve the important public health goals that the President has identified.

Q. What will Treasury Deputy General Counsel Neal Wolin say in his testimony before the Senate Tobacco Task Force?

A. Similar to Deputy Treasury Secretary Larry Summer's testimony before the Senate Judiciary Committee two weeks ago, Neal Wolin is going to say that we can minimize black market activity through a system similar to the one that's been in place for alcoholic beverages for over sixty years by: 1) creating a "closed" distribution system for tobacco products so that only licensed entities can sell or buy products; 2) clearly branding packages for export, to prevent them from being diverted; and 3) establishing and enforcing penalties and other actions for violators. Senator McCain's bill largely addresses these issues, and we are working with him on technical changes to ensure that diversion and smuggling will not defeat the purposes of comprehensive tobacco legislation.

Q. What will Treasury Assistant Secretary Gary Gensler say in his testimony before the Senate Tobacco Task Force?

A. The Assistant Secretary will say that the tobacco industry is financially strong and faces minimal risk of bankruptcy from comprehensive tobacco legislation. 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 the five major companies last year were *\$23 billion*. These companies are well diversified, with international tobacco sales accounting for 27 percent of operating earnings, and non-tobacco earnings account for 39 percent of earnings last year. The Assistant Secretary will testify that the industry will remain very profitable even under the proposed legislation. The only real risk of bankruptcy comes from losing a rash of lawsuits in court, a risk that exists even without legislation, and is in fact somewhat mitigated by the legislation's liability caps.

Tobacco Q& A's
May 20, 1998

- Q. How do you respond to those quoted in today's New York Times who say that your estimates for youth smoking reduction based on a \$1.10 per pack price increase are not based on fact?**
- A. The Treasury Department's analysis found that raising the per pack price of cigarettes by \$1.10 will reduce youth smoking by one-third. There is substantial consensus in the economics literature that price increases have a dramatic impact on youth smoking. The model used by the Treasury Department reflects that consensus. In fact, an independent analysis from the Congressional Budget Office recently reviewed the literature and concluded that youth smoking is very responsive to price. In Canada, a doubling in the price of cigarettes between 1981 and 1991 led to a 50% fall in youth smoking. Moreover, independent economists have found the Cornell study, cited in the New York Times article, to be methodologically flawed.
- Q. How can you support capping liability given what the industry has done?**
- A. The \$8 billion annual liability cap is available only to companies that agree to make sweeping restrictions in youth advertising, achieve dramatic reductions in youth smoking, and comply with this legislation instead of tying it up in court. While the provision may be controversial to some, it is there to help achieve our goal, which is to stop kids from smoking in the first place. Everybody knows that tobacco advertising lures young people to start smoking, but the First Amendment limits what we can do to stop these harmful practices. While we can pass the toughest law in the world, we won't achieve our goal of reducing teen smoking and saving millions of lives unless the tobacco companies cooperate in this effort instead of fighting us in court every step of the way. If an \$8 billion annual cap that doesn't prevent anybody from suing the companies and getting whatever damages a jury awards will get tobacco companies to change the way they do business and join this historic effort to stop teen smoking, it is well worth it for the American people.

Tobacco Q&A
May 11, 1998

- Q. How do you respond to Senator Nickles' analysis which says that the McCain bill will actually cost the tobacco companies \$753 to \$869 billion over 25 years, instead of the \$516 billion that you assert?**
- A. Senator Nickles is playing games with numbers to try to prevent Congress from passing comprehensive tobacco legislation. The main reason why Senator Nickles' price is so high is that he is using inflated -- not constant -- dollars. But this debate has always been framed in terms of uninflated dollars, which is the only fair way to analyze this question. Senator Nickles is just trying to make the McCain bill look larger than it is. Under Senator Nickles' logic, the cost of the AG's settlement would rise from \$368.5 billion to \$539.9 billion over 25 years. In addition, Senator Nickles' analysis assumes that the industry will face maximum penalties for failing to reduce youth smoking, even though that is entirely under the industry's control and we expect these payments to be far lower. It is time that the Republican leadership stop playing games and get serious about passing bipartisan comprehensive tobacco legislation designed to reduce youth smoking.**

Tobacco Q&A
May 11, 1998

- Q. How do you react to criticism from veterans groups regarding the \$10.5 billion cut in VA benefits for smoking related illness?**
- A.** The FY 1999 budget reverses a 1997 Department of Veterans Affairs General Counsel opinion that veterans are entitled to disability benefits for smoking-related disabilities acquired *after* service and due *solely* to nicotine dependence begun in the military. These benefits would cost \$17 billion over five years. The Administration strongly supports veterans compensation, but these are not traditional VA benefits, and veterans never had them before the GC opinion. There is no question that we should compensate veterans for smoking-related illnesses that became manifest during military service. However, awarding compensation for tobacco-related illnesses acquired after military service -- frequently decades later -- goes well beyond the purpose of the veterans disability program. Nowhere else does the US government assume liability and provide compensation for tobacco use. In fact, Congress already took similar action in 1990 regarding benefits for illnesses related to drug and alcohol use during military service. In line with this approach, the budget instead contains \$87 million annually to fund a new smoking cessation program for all veterans who began smoking in the military.

Q. What is the relationship between cigarette smoking and illicit drug use? Is tobacco a gateway drug?

A. A 1996 survey released by the Department of Health and Human Services found that teen smokers were significantly more likely to use drugs and drink heavily. The 1996 National Household Survey on Drug Abuse, released by HHS' Substance Abuse and Mental Health Services Administration, found that 12-17 year-olds who were current smokers were nine times as likely to use illicit drugs and 16 times as likely to drink heavily, as nonsmoking youths. An earlier National Household Survey (from 1994-1995) found that among 12-17 year-olds who had smoked marijuana in their lifetime, 74% had tried cigarettes before marijuana.

While we cannot definitively state that there is a direct cause and effect relationship between youth tobacco and drug use, this data suggests a correlation between the two.

Tobacco Q&A
May 8, 1998

Q: I understand Minnesota will announce this afternoon that it has settled its tobacco lawsuit. What does this mean for tobacco legislation?

A: Assuming Minnesota has settled its suit as reported in the press, we think it will add to the momentum behind strong, comprehensive, and bipartisan tobacco legislation. In four states, the tobacco industry will have been held accountable -- and will have agreed to tough measures to reduce youth smoking. The remaining challenge is to pass legislation that puts these and other measures into place on a national level. All our nation's children are at risk from tobacco, and we must have comprehensive national legislation to stop young Americans from smoking before they start.

Background: According to the AP, under the settlement, which has not yet been formally announced, the tobacco companies would pay Minnesota and Blue Cross and Blue Shield more than \$6 billion over the next 25 years. Other portions of the proposal, according to "St. Paul's Pioneer Press," are permanent injunctions to combat marketing cigarettes to minors and engaging in anti-competitive activities; the shutdown of the Council for Tobacco Research, an organization used to raise doubts about the health hazards of smoking; and the release of more internal tobacco company documents.

Tob - re - talking points
and
Tob - re - smuggling

Tobacco Q&A's
May 8, 1998

Q. Today's New York Times indicates that smuggling of US cigarettes abroad is a major problem. Don't you expect this to become exacerbated if there is a significant price increase on cigarettes?

A. The article highlighted that tobacco companies are complicit in smuggling overseas, which reiterates what Treasury Deputy Secretary Larry Summers said last week during a Senate Judiciary Committee hearing. Broadscale smuggling simply does not take place without the companies' knowledge and complicity. It is ironic that on the very day of this report of industry complicity in smuggling, the industry should put out an advertisement saying that comprehensive tobacco legislation would cause smuggling problems.

The Administration has proposed a system that would minimize smuggling, similar to the one that's been in place for alcoholic beverages for over sixty years and largely incorporated in Senator McCain's bill. This system would (1) create a "closed distribution system" for tobacco products so that only licensed entities can sell or buy products; (2) clearly brand packages for export, to prevent them from being diverted, and (3) establish and enforce penalties and other actions for violators. Under this system, US cigarette manufacturers who were complicit in any smuggling operation would face enormous legal risks such as the possibility of losing their license. We believe that with these safeguards in place, tobacco smuggling will be minimized.

Q. How do you respond to the full page ad in today's Washington Post quoting major law enforcement organizations which believe that the McCain bill will create a huge black market for cigarettes?

A. First, as today's New York Times story indicates, broadscale smuggling cannot take place without the knowledge and complicity of the tobacco industry. It's ironic that the industry is running this ad, when the industry that is responsible for this law enforcement problem.

Of course, we take this issue very seriously, but we believe that safeguards can be put in place to minimize the danger of smuggling. Last week, at a Senate Judiciary Committee hearing, Treasury Deputy Secretary Larry Summers proposed a system that would minimize smuggling, similar to the one that's been in place for alcoholic beverages for over sixty years and largely incorporated in the McCain bill. Other major law enforcement organizations, such as the Major Cities Chiefs and the International Association of Chiefs of Police, have written letters agreeing with the Treasury Department that black market activity can be minimized through sufficient law enforcement safeguards. This system would (1) create a "closed distribution system" for tobacco products so that only licensed entities can sell or buy products; (2) clearly brand

packages for export, to prevent them from being diverted, and (3) establish and enforce penalties and other actions for violators.

At the hearing, law enforcement officials from ATF and Customs concurred that with the right system in place we can keep smuggling to a minimum.

THE WHITE HOUSE

**Office of the Press Secretary
(Dover, Delaware)**

For Immediate Release

May 8, 1998

STATEMENT BY THE PRESIDENT

Every day, 3,000 young people start a habit that will kill 1,000 of them before their time. Three years ago, appalled by these trends, I committed this Administration to stopping the sale and marketing of cigarettes to children. Now, thanks to our efforts and the persistence of state attorneys general, we have the best opportunity ever to pass comprehensive tobacco legislation that will save millions of our children from premature death.

Today, we have learned that Minnesota has won important new concessions from the tobacco industry. The Minnesota settlement, like those reached earlier in Mississippi, Florida, and Texas, will help us combat tobacco industry marketing to kids. This action provides still further momentum to our effort to pass bipartisan, comprehensive tobacco legislation this year. All our nation's children are at risk from tobacco, and we must have comprehensive national legislation to stop young Americans from smoking before they start, 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, ensuring that the FDA has authority to regulate tobacco products, and protecting farmers and farming communities.

Tobacco Q&A
May 6, 1998

Q: I understand Minnesota may be close to settling its tobacco lawsuit. If there is a settlement, what will it mean for tobacco legislation?

A: We think it will add to the momentum behind strong, comprehensive, and bipartisan tobacco legislation. In four states now, the tobacco industry has been held accountable -- and has agreed to tough measures to reduce youth smoking. The remaining challenge is to pass legislation that puts these and other measures into place on a national level. All our nation's children are at risk from tobacco, and we must have comprehensive national legislation to stop young Americans from smoking before they start.

Background: According to CNN, under the settlement being drafted, the tobacco companies would pay Minnesota and Blue Cross and Blue Shield, more than \$5 billion over the next 25 years. Other portions of the proposal, according to "St. Paul's Pioneer Press," are permanent injunctions to combat marketing cigarettes to minors and engaging in anti-competitive activities; the shutdown of the Council for Tobacco Research, an organization used to raise doubts about the health hazards of smoking; and the release of more internal tobacco company documents.

Q: I understand that Reps. Hansen and Meehan may introduce a new tobacco bill today. What's your view of it?

A: I commend Representatives Hansen and Meehan for their hard work to put together a strong, bipartisan comprehensive tobacco bill designed to reduce youth smoking in this country. The Hansen-Meehan bill contains a substantial price increase, strong industry and company penalties for failure to reduce youth smoking, full FDA authority to regulate tobacco, strong restrictions on advertising and youth marketing of tobacco products, and strong protections against exposure to environmental tobacco smoke. I look forward to working with them to ensure that their legislation adequately protects tobacco farmers and to pass a comprehensive tobacco bill this year.

Q: I understand General McCaffrey released a statement today on tobacco. What did he say?

A: In his statement, General McCaffrey said "tobacco use by young people plays a dangerous role in leading to more dangerous, illicit drugs" and "a responsible drug policy must include preventing youth cigarette use."

General McCaffrey made the remarks after meeting in Biloxi with Mississippi Attorney General Mike Moore.

Q&As on Tobacco
May 5, 1998

Q: Do you think you'll get a tobacco bill this year?

A: I believe we have an historic opportunity to pass bipartisan legislation this year which contains all the elements necessary to reduce teen smoking. And I'm going to do everything I can to put politics aside and pass legislation that will achieve that objective. Senator McCain's legislation, which passed the Commerce Committee by a 19-1 vote, is a strong step in the right direction on the road to passing comprehensive tobacco legislation. It shows real momentum in both parties to pass effective, comprehensive tobacco legislation this year.

Q: Isn't the McCain bill a big government, big tax proposal?

A: No. What this bill 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. 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: Are you worried about the bill creating a black market?

A: This is a serious issue, but we believe we can ensure that no significant black market emerges. We think we can minimize any smuggling through a system similar to the one

that's been in place for alcoholic beverages for over sixty years by: 1) creating a "closed" distribution system for tobacco products so that only licensed entities can sell or buy products; 2) clearly branding packages for export, to prevent them from being diverted; and 3) establishing and enforcing penalties and other actions for violators. Senator McCain's bill largely addresses these issues; it provides a strong foundation for anti-smuggling legislation that will prevent the emergence of a black market.

Q: Wouldn't this scheme extend the reach of the federal government to every mom-and-pop grocery store or 7-11?

A: No. We support with a system that places primary responsibility for licensing retailers on state governments, as the McCain bill does. Thirty six states already license retail sellers of tobacco products, so this is not a major change. 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: Won't the McCain bill bankrupt the companies? Lots of Wall Street analysts say it will.

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.

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, I 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 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 I 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; an American Medical Association study recently 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.

Tobacco Q&A
May 6, 1998

Q: I understand Minnesota may be close to settling its tobacco lawsuit. If there is a settlement, what will it mean for tobacco legislation?

A: We think it will add to the momentum behind strong, comprehensive, and bipartisan tobacco legislation. In four states now, the tobacco industry has been held accountable -- and has agreed to tough measures to reduce youth smoking. The remaining challenge is to pass legislation that puts these and other measures into place on a national level. All our nation's children are at risk from tobacco, and we must have comprehensive national legislation to stop young Americans from smoking before they start.

Background: According to CNN, under the settlement being drafted, the tobacco companies would pay Minnesota and Blue Cross and Blue Shield, more than \$5 billion over the next 25 years. Other portions of the proposal, according to "St. Paul's Pioneer Press," are permanent injunctions to combat marketing cigarettes to minors and engaging in anti-competitive activities; the shutdown of the Council for Tobacco Research, an organization used to raise doubts about the health hazards of smoking; and the release of more internal tobacco company documents.

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Q&As on Tobacco
May 5, 1998

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anti-drug provisions to a comprehensive tobacco bill of this kind, I 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 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 I 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: an American Medical Association study recently 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&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*) than 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.

**Q&As on Tobacco
April 30, 1998**

Q: I understand Deputy Treasury Secretary Larry Summers is testifying before the Senate Judiciary Committee today on the black market for tobacco. What's he going to say?

A: The Deputy Secretary is going to say that we can minimize black market activity through a system similar to the one that's been in place for alcoholic beverages for over sixty years by: 1) creating a "closed" distribution system for tobacco products so that only licensed entities can sell or buy products; 2) clearly branding packages for export, to prevent them from being diverted; and 3) establishing and enforcing penalties and other actions for violators. Senator McCain's bill largely addresses these issues, and we are working with him on technical changes to ensure that diversion and smuggling will not defeat the purposes of comprehensive tobacco legislation.

Q: But didn't Canada have a lot of smuggling when it raised cigarette prices?

A: In the early 1990s, Canada did have a problem with cigarettes being legally exported to the U.S. and illegally smuggled back into Canada. There are several reasons why we believe that example does not apply to the U.S.:

- First and foremost, Canada did not have in place the type of effective licensing, registration, and enforcement system advocated by the Administration to crack down on smuggling.
- Second, smuggling became a problem in Canada because of the ease of access to alternative markets -- 80 percent of the Canadian population lives within a two hour drive of the U.S. border. The U.S. population is more dispersed.
- Third, sizable cigarette taxes existed in Canada both before and after Canada's smuggling difficulties in the early 1990's, and thus smuggling in Canada does not seem directly related to price.

Q: Wouldn't this big government scheme extend the reach of the federal government to every mom-and-pop grocery store or 7-11?

A: No. We are comfortable with a system that places primary responsibility for licensing retailers on state governments, as the McCain bill does. Thirty six states already have licensing systems in place, so this will not represent a major change. In most of these states, retailers have to participate in only a modest and simple identification process, and this will continue to be the case. We will work with Congress to ensure that the scheme adopted in legislation 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: How do you answer the Wall Street charges that this will bankrupt 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.

Q: Do you really think you'll get a tobacco bill this year?

The President believe we have an historic opportunity to pass bipartisan legislation this year which both contains the elements necessary to reduce teen smoking. And he's going to do everything he can to put politics aside and pass legislation that will achieve that objective. Senator McCain's legislation, which passed the Commerce Committee by a 19-1 vote, is a strong step in the right direction on the road to passing comprehensive tobacco legislation. It shows real momentum in both parties to pass effective, comprehensive tobacco legislation this year.

Q: Isn't the McCain bill a big government, big tax proposal?

A: No. What this bill 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. 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.

Talking Points and Q & A on Tobacco Legislation
April 20, 1998

Today, President Clinton issued a strong statement calling for Congress to pass comprehensive, bipartisan tobacco legislation to reduce teen smoking.

CLEAR FACTS, HIGH STAKES. 3,000 children begin to smoke every day; 1,000 of them will die early as a result. President Clinton is committed to passing comprehensive bipartisan legislation to stop young Americans from smoking before they start, 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. That effort can save one million lives over the next five years.

A STRONG FOUNDATION FOR FUTURE TOBACCO REFORM. Senator McCain and Senator Hollings' tobacco legislation bill, which passed the Commerce Committee by a 19-1 vote three weeks ago, is a strong step in the right direction on the road to passing comprehensive tobacco legislation. It shows real momentum in both parties to pass effective, comprehensive tobacco legislation this year.

STANDING STRONG FOR COMPREHENSIVE REFORM, NOT HALF MEASURES. In the days to come, the tobacco industry will try to persuade Congress to pass weaker legislation, which will not reduce teen smoking. We must continue to work with Senator McCain and others to ensure the kind of legislation that will succeed in dramatically reducing teen smoking. This is no time to accept half-measures that will only play into the industry's hands.

Questions and Answers

Q: What did the President think of Speaker Gingrich's statement this weekend criticizing the McCain bill? Do you think the Speaker has adopted the industry's line?

A: The President was very disappointed in the Speaker's statement. The Speaker indicated that he wants to pursue half-measures, rather than a comprehensive approach that will do everything it takes to reduce youth smoking. We need a bill that's strong on price, that's strong on penalties, that's strong on advertising and access restrictions, and that's strong on FDA jurisdiction. Senator McCain's bill is a very strong step in that direction, and we hope Speaker Gingrich will rethink his position and decide to support such a comprehensive approach.

Q: Isn't the President's plan -- and the McCain bill -- 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.

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Q: **Aren't the fees imposed by the Administration's plan and the McCain bill regressive?**

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. The Administration is committed to making sure cessation programs are available to help 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.

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Q: **Aren't you just trying to bankrupt the companies? Lots of Wall Street analysts say you will.**

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.

**PRESIDENT CLINTON:
STOPPING THE MARKETING OF TOBACCO TO ALL CHILDREN**

April 27, 1998

"The facts are as plain as the stakes are high: Three thousand children begin to smoke every day, even though it's illegal in every state, and 1,000 will die earlier because of it. All these children have been targeted by a massive, multimillion-dollar media campaign that preys on their insecurities and their dreams... We are fighting for the lives of our children. We are fighting for the public health, and we are fighting against predatory practices by tobacco companies that have targeted our children."

President Bill Clinton
April 20, 1998

Today, President Clinton holds a White House event to release a new report from Surgeon General David Satcher on tobacco use among minority populations. The report highlights the rising rate of teen smoking in many ethnic and minority groups and underscores the urgent need for comprehensive legislation to reduce youth smoking.

DOCUMENTING DISTURBING TRENDS IN TOBACCO USE. The Surgeon General's report is the most comprehensive compilation of research to date on the use and health effects of tobacco on minority populations, including African Americans, Hispanics, Asian Americans, and American Indians/Alaska Natives. The report shows that:

- Teen smoking rates are rising in many of these groups. Between 1991 and 1997, smoking rates among African-American high school students rose a startling 80%, and by 34% among Hispanic high school students. The most data on Asian American and American Indian/Alaska Native youth shows that, from 1990 to 1995, cigarette smoking increased by 17% and 26% respectively.
- Cigarette smoking is a major cause of death and disease for minority and ethnic groups. Lung cancer is the leading cancer death for all four minority groups examined in the study. The increase in youth smoking threatens to reverse recent progress made against lung cancer among these groups.
- Tobacco advertising targeted at ethnic and minority communities pose serious challenges to efforts to reduce smoking in these populations. Tobacco products are advertised intensively to minority communities; in one city, for example, 62% of billboards in predominantly African American neighborhoods advertised cigarettes, compared with 36% of billboards citywide.

A STRATEGIC PLAN FOR REDUCING YOUTH TOBACCO USE. President Clinton is committed to passing comprehensive legislation to stop young Americans from smoking before they start -- an effort that can save one million lives over the next five years. The President's plan for comprehensive tobacco legislation includes five key principles:

- A comprehensive plan to reduce youth smoking by raising the price of packs of cigarettes by up to \$1.50 over ten years through a combination of annual payments and tough penalties on the tobacco industry;
- Full authority for the Food and Drug Administration to regulate tobacco products;
- Changes in the way the tobacco industry does business, including ending marketing and promotion to kids;
- Progress toward other public health goals, including biomedical and cancer research, a reduction of second-hand smoke, promotion of smoking cessation programs, and other urgent priorities; and
- Protection for tobacco farmers and their communities.

**Talking Points and Q & A on Tobacco Legislation
April 20, 1998**

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

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Q: Isn't the Administration's plans for tobacco legislation based on its need for a certain amount of revenue to fund its favorite spending programs?

A: No. The President's plan was designed to dramatically reduce youth smoking. Of course the plan raises money, because experts all 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. The President has proposed allocating these revenues to programs that promote public health and assist children. But his priority is to ensure that Congress commits to enacting comprehensive legislation, including a substantial price increase -- not that it agrees to spend resulting revenues in any particular way.

Q: Aren't the fees imposed by the Administration's plan and the McCain bill regressive?

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 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.

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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.

Draft Statement by the President

The House Commerce Committee today will release thousands of tobacco industry documents. I commend Chairman Bliley, Congressman Waxman, and the members of the Committee for helping to bring these documents to light.

The release of these documents underscores the urgency of enacting comprehensive, bipartisan tobacco legislation this year, which can stop three million children from smoking over the next five years and save one million lives. I am committed to working with legislative leaders on both sides of the aisle, in both the House and the Senate, to enact a comprehensive bill to stop young Americans from smoking before they start -- a bill that raises the price of cigarettes, puts into place tough restrictions on advertising and access, imposes penalties on the industry if it continues to sell cigarettes to children, and ensures that the FDA has authority to regulate tobacco products. Our nation's children are counting on us to put politics aside and work together in a bipartisan manner to get this job done.

Q&A on Tobacco and Drugs
April 22, 1998

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: Are you concerned about the information reported in today'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 new data released earlier this month 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.