Tobacco Policies

THE WHITE HOUSE

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VICE PRESIDENT GORE UNVEILS NEW STUDY SHOWING THAT THREE CIGARETTE BRANDS DOMINATE YOUTH SMOKING

Akron, OH -- Vice President Gore unveiled today a new study showing that some of the most heavily advertised cigarette brands -- Marlboro, Newport, and Camel -- are also the most popular among current teen smokers.

"Our children are targets of a massive media campaign to hook them on cigarettes," Vice President Gore said today at a Kick Butts Day issues forum. "This study shows why Congress should stand with our kids and stand up to the tobacco companies -- let's act now to make sure tobacco settlement funds are used to reduce youth smoking."

The study, commissioned by the Department of Health and Human Services, examined overall brand use and preference among teens. It found that approximately 88 percent of 12th graders, 86 percent of 10th graders, and 82 percent of 8th graders who currently smoke cigarettes use these three brands, among the most heavily advertised.

In addition, the study found that:

- **Marlboro, the dominant brand of the three, is preferred by an average of 60 percent of current smokers across the three grade levels.** Some 70 percent of white 12th graders who were current smokers in 1998 preferred Marlboro, and more than 60 percent of white students in both the 8th and 10th grades preferred this brand. This week, Advertising Age designated the Marlboro advertisement campaign the most successful ad campaign of the century.

- **More than 80 percent of African-American 12th graders who were current smokers in 1998 preferred Newport** -- a mentholated cigarette heavily marketed to the African-American community. More than 70 percent of African-Americans in both the 8th and 10th grades preferred Newport.

- **In all three grades, Newport and Marlboro were just as popular among girls as among boys.**

The Vice President also highlighted new study released today by the Campaign for Tobacco Free Kids that shows the children are still being targeted by cigarette ads. Highlights from this study include that:

- **Our children are being targeted by tobacco companies.** Kids are two and a half times as likely as adults to have seen tobacco advertising in the past two weeks -- (75 percent of kids compared 31 percent of adults). Seventy-eight percent of kids say companies target them and want them to smoke.

- **Young people are more likely to smoke the brands they have seen advertised.** Sixty-nine percent of those who recall tobacco advertising say they have seen ads for Marlboro, the leading brand used by kids.

- **Kids' perceptions of smoking influenced by what they see in the media.** On average, the youth surveyed believe that two-thirds of adults smoke when, in reality, less than 25 percent do.

The Vice President also highlighted other steps that the Administration is taking to reduce teen smoking and urged the Congress to take action to pass critical measures to protect our children. Taken together, these efforts will help cut youth smoking in half within five years. These include:

Requiring that money from the state tobacco settlement be spent on keeping kids from smoking. The Administration believes that any legislation that waives the federal government's claim to tobacco settlement funds must make a commitment from the states to fund such efforts. Without such a commitment, states won't have to spend a single penny of the $246 billion settlement to reduce youth smoking.

Raising the price of cigarettes so fewer young people start to smoke. Public health experts agree that the single most effective way to cut youth smoking is to raise the price of cigarettes. The Administration is asking Congress to pass a $0.55 cigarette tax to build on increases already agreed to between the tobacco companies and the States and those passed by the Congress.

Reaffirming the Food and Drug Administration (FDA) full authority to keep cigarettes out of the hands of children. The Vice President also reiterated the call on Congress to pass legislation to reaffirm the FDA's authority to regulate tobacco products in order to halt advertising targeted at children, and to curb minors' access to tobacco products. Only by affirming FDA's authority can Congress ensure that America's children are protected from the next generation of tobacco industry marketing.

Supporting critical public health efforts to prevent youth smoking. The Vice President also urged the Congress to help support tobacco prevention programs in States and local communities by passing the Administration's proposal to double the funding for FDA's tobacco budget to $68 million and increase funding for the Centers for Disease Control's tobacco control efforts by one-third, from $74 to $101 million.

Protecting farmers and farming communities. The Administration remains committed to protecting farmers and their communities, and we are encouraged that the states and industry were able to agree recently upon a $5 billion package to compensate farmers. The Administration will work with all parties, as needed, to ensure the financial well-being of tobacco farmers, their families, and communities.

Kick Butts Day is a nationwide initiative designed to curb tobacco use among children and adolescents. Organized annually by the Campaign for Tobacco-Free Kids, it involves young people nationwide staging a variety of anti-tobacco activities, such as testifying before State legislatures, exposing tobacco sales to minors, and dumping merchandise containing tobacco brand-name logos into garbage dumpsters. This year, for the fourth annual Kick Butts day, there are more than 1,200 events being held around the country.

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Tobacco Policies in the FY 2000 Budget

Every day, 3,000 children become smokers -- 1,000 have their lives shortened because of it. Almost 90 percent of adult smokers began smoking by age 18 and today, 4.5 million children aged 12 to 17 -- 37 percent of all high school students -- smoke cigarettes. Tobacco is linked to over 400,000 deaths a year from cancer, respiratory illness, heart disease and other problems.

The 1998 State tobacco settlement was an important step in the right direction, but more must be done to protect our children and hold the tobacco industry accountable. The Budget therefore mentions the following tobacco policies: 1) price increase; 2) FDA authority; 3) public health investments; 4) tobacco-related Federal health cost litigation; 5) farmers; and 6) recoupment negotiations, as discussed below:

(1) Raising the Price of Cigarettes to Discourage Youth Tobacco Use

Last year, the President called for an increase of $1.10 per pack to help cut youth smoking in half. This year, we can build on price increases already agreed to between the tobacco companies and the States and those already legislated by the Congress.

The FY 2000 Budget contains three revenue components:

- A 55 cents per-pack increase to be collected through tobacco excise taxes.
- Acceleration of the BBA's 15 cents excise tax. The 1997 Balanced Budget Agreement (BBA) raised the excise tax 10 cents per-pack effective January 1, 2000 and another 5 cents effective January 1, 2002, for a cumulative 15 cent increase. The FY 2000 Budget accelerates the effective date of this entire tax by one year, effective October 1, 1999.
- The BATF excise shift. Treasury assumes that revenues will be lower than we estimated in 2000 because smokers will stock up in FY 1999, before the 70 cent total price increase takes effect. The stocking up effect reduces 2000 revenues, but increases 1999 revenues by $304 million. To capture the 1999 revenues for use in 2000, Treasury came up with an excise tax shift. The shift loses money in 1999 and gains in 2000, more or less canceling out the stocking up effect. Note that the shift applies to all excise taxes collected by BATF, not just tobacco.

Federal Receipts Raised from Tobacco Excise Taxes (in billions)

Year	1999	2000	2001	2002	2003	2004	00-04
55 cents	.165	6.525	6.426	6.426	6.418	6.400	32.195
BBA 15 cent	.139	1.081	0.679	0.163	-----	-----	1.923
Shift BATF	-.381	.381	----	----	-----	-----	.381
Net Receipts	**-.077**	**7.987**	**7.105**	**6.589**	**6.418**	**6.400**	**34.499**

In FY 2000, these revenues are attributable to tobacco-related health care costs in the following Federal programs (as displayed in Table S-___).

Federal Program	**Tobacco-Related Costs** (in billions)
Veterans' Affairs	4.0
OPM FEHB[1]	2.2
Department of Defense	1.6
Indian Health Service	0.3
TOTAL	**$8.0**

The programs above are funded in the Budget and funding is not contingent upon tobacco receipts.

(2) Re-Affirm Full FDA Authority to Regulate Tobacco Products

The Administration will again support legislation that confirms the FDA's authority to regulate tobacco products in order to halt advertising targeted at children and to curb minors' access to tobacco products.

(3) Support Public Health Initiatives To Curb Tobacco Use

The Budget includes $122.2 million **additional** funds for tobacco-related activities in CDC, FDA, VA, and ATF:

- $27 million for expanding CDC's existing State-based tobacco prevention activities. The FY 2000 increases brings CDC's tobacco budget to $101 million, $73 million (+37%) above FY 1999.
- $34 million for FDA's outreach and enforcement activities. FDA's increase doubles its tobacco budget to $68 million.
- $56 million for a smoking cessation program in VA for any honorably discharged veteran who began smoking in the military.
- $5.2 million for enhanced enforcement at ATF to prevent evasion of tobacco taxes.

1/ OPM Federal Employee Health Benefits Program figure includes the total premium costs, and is not broken down by enrollee share (28%) and Federal share (72%).

(4) Lawsuits to Recover Tobacco-Related Federal Health Care Costs

The FY 2000 Budget proposes $20 million for the Department of Justice to finance costs incurred in preparing and bringing litigation against tobacco companies for tobacco-related Federal health costs. The Justice Department has concluded that there are viable legal grounds to recover tobacco-related health care costs and is forming a task force to make decisions on the litigation. The Justice Department has noted two possible theories on which to proceed -- the Medical Care Recovery Act and the Medicare Secondary Payer Act -- but the eventual litigation could rely on additional theories as well.

(5) Protecting Farmers and Farming Communities [Note: the FY 2000 budget does not include additional funds for tobacco farmers].

States, farmer, and industry representatives recently produced a $5 billion agreement to provide financial assistance to tobacco farmers and their communities. This Administration supports this agreement and remains committeed to protecting tobacco farmers and their communities. The Administration will work with all parties, as needed, to ensure the financial well-being of tobacco farmers, their families, and their communities.

(6) Claiming the Federal Share of State Tobacco Settlements

Since U.S. taxpayers paid a substantial portion of the Medicaid costs that were the basis for the State settlement with the tobacco companies, Federal law requires that the Federal Government recoup its share. However, the Administration will work with the States and the Congress to enact tobacco legislation that, among other things, resolves these Federal claims in exchange for a commitment by the States to use tobacco money to support shared national and State priorities which reduce youth smoking, promote public health and children's programs, and assist affected rural communities.

The amounts below represent the estimated Federal share (roughly 57 percent) of tobacco industry payments under the State Attorneys General Settlement Agreement.

Year-by-Year Forgone Recoupment (in billions)

Year	2000	2001	2002	2003	2004	2001-04
Non-Recoupment	0.0	4.6	4.7	4.8	4.8	18.9