THE WHITE HOUSE

WASHINGTON

OFFICE OF THE FIRST LADY

TO Karl Scholz

FROM Jennifer Klein

FAX # 622-0605

PHONE #

OF PAGES (including cover)

COMMENTS For your review. Thanks.
Hope all is well.

Cynthia A. Rice 06/09/98 01:49:04 PM

Record Type: Record

To: Cynthia Dailard/OPD/EOP
cc: Jennifer L. Klein/OPD/EOP, Neera Tanden/WHO/EOP
bcc:
Subject: Re: DCTC amendment to the tobacco bill

somebody should have Karl Scholtz look at it
Cynthia Dailard

Cynthia Dailard
06/09/98 01:48:04 PM

Record Type: Record

To: Jennifer L. Klein/OPD/EOP, Neera Tanden/WHO/EOP, Cynthia A. Rice/OPD/EOP
cc:
Subject: DCTC amendment to the tobacco bill

Senator Domenici introduced the following amendment to the tobacco bill on the dependent care tax credit:

Amendment No. 2487

At the appropriate place insert the following:

SEC. XX. INCREASE AND SIMPLIFICATION OF DEPENDENT CARE TAX CREDIT.
(a) Increase in Maximum Credit Rate: Section 21(a)(2) of the Internal Revenue Code of 1986 (defining applicable percentage) is amended to read as follows:

`(2) Applicable percentage defined: For purposes of paragraph (1), the term `applicable percentage' means 50 percent reduced (but not below 20 percent) by 1 percentage point for each $1,000, or fraction thereof, by which the taxpayers's adjusted gross income for the taxable year exceeds $30,000.'.
(b) Elimination of Household Maintenance Test: Paragraph (1) of section 21(e) of the Internal Revenue Code of 1986 (relating to special rules) is repealed.
(c) Inflation Adjustment for Certain Amounts: Section 21(e) of the Internal Revenue Code of 1986 (relating to special rules), as amended by subsection (c), is amended by adding at the end the following:

`(12) Inflation adjustments:

`(A) In general: In the case of any taxable year beginning after 1999, the $30,000 amount referred to in subsection (a)(2) and the dollar amounts referred to in subsection (c) and paragraph (11) of this subsection shall be increased by an amount equal to such dollar amount multiplied by the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting `calendar year 1998' for `calendar year 1992' in subparagraph (B) thereof.

`(B) Rounding: If any dollar amount after being increased under subparagraph (A) is not a multiple of $10, such dollar amount shall be rounded to the nearest multiple of $10.'.
(d) Effective Date: The amendments made by this section apply to taxable years beginning after December 31, 1998.
(e) Appropriation: Notwithstanding any other provision of this Act, from amounts credited to the National Tobacco Trust Fund but not appropriated by this Act, there is appropriated to the general fund in the Treasury an amount equal to the reduction in revenues to the Treasury resulting from the amendments made by this section.

--

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

June 15, 1998

The Honorable John F. Kerry
United States Senate
Washington, D.C. 20510

Dear Senator Kerry:

You requested our views on amendments to the tobacco legislation proposed by Senator Gramm and others that would eliminate any restrictions on uses of funds in the State Litigation Settlement Account. The Administration strongly opposes such amendments because they would eliminate the requirement that states use part of tobacco funds for programs that improve public health and support children. The current structure of the State Litigation Account reflects a careful balance between the interests of the states in flexible use of tobacco receipts and the Federal interest that their use be accountable and contribute to public health.

We believe that additional changes to this carefully constructed agreement would harm the goal of passing historic comprehensive, bipartisan tobacco legislation.

We thank you for your support, and look forward to continuing working with you and your colleagues to enact comprehensive, bipartisan tobacco legislation.

Sincerely,

Jacob J. Lew
Acting Director

cc: The Honorable John McCain

[redacted]

Record Type: Record

To: Jennifer L. Klein/OPD/EOP, Nicole R. Rabner/WHO/EOP

cc:

Subject: from today's cabinet announcement

Q Sir, how will you finance this child care initiative and other things that were contained in that bill without ruining the budget?

THE PRESIDENT: We can only finance -- we can finance that part of it which is within our own budget, and that part of it which was dedicated to -- which would had to have been financed by the states and which was within a menu of things that we supported that the states could spend it on won't be financed unless the states get the money some other way. And I think that's unfortunate, because I think that would be a good expenditure of some of the money.

Keep in mind, most of the federal money was designed to be spent on -- directly on health care --on medical research, on smoking cessation programs, on programs designed to deal with the consequences of the health problems that are directly related to smoking in this country. And that was, of course, a part of the Senate's decision in killing it.

I think it's important to point out also that there were -- that this bill is temporarily dead because of the unusual rule of the Senate that requires 60 percent, not 51 percent, of the Senate to pass on any bill other than the budget if somebody objects to it. So for all the $40 million in spending -- and as reported in the paper today, all the commitment to run the same ads all over again in November to protect the Republican members who voted with them -- they still could only muster 43 votes. And two of those votes were people who wanted a better provision for the tobacco farmers and essentially supported the bill.

So, essentially, what you've got is 41 people denying the American people and denying the huge majority of the United States Senate, including a number of Republicans, the right to pass a tobacco bill, and ask the House to do the same to protect our children. That's not a long way from success. And that means that each and every one of the members of the Republican Caucus who voted for that was in a way personally responsible for the death of the bill.

It's not all -- it's dead today. It may not be dead tomorrow. And it's not dead over the long run because the public health need is great. I've never quit on anything this important in my life, and I don't intend to stop now. There are too many futures riding on it, and I think in the end we will prevail.

Cynthia A. Rice 06/18/98 09:01:24 AM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: 1998-6-17 remarks of the President on the tobacco bill vote

--------------------- Forwarded by Cynthia A. Rice/OPD/EOP on 06/18/98 09:04 AM --------------------------

Elizabeth R. Newman
06/17/98 07:11:57 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP

cc:

Subject: 1998-6-17 remarks of the President on the tobacco bill vote

--------------------- Forwarded by Elizabeth R. Newman/WHO/EOP on 06/17/98 07:14 PM --------------------------

SUNTUM_M @ A1
06/17/98 07:02:00 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: 1998-6-17 remarks of the President on the tobacco bill vote

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release June 17, 1998

REMARKS BY THE PRESIDENT

AND CHIEF OF STAFF ERSKINE BOWLES

The Briefing Room

6:15 P.M. EDT

THE PRESIDENT: Good afternoon. The vote that was just completed in the Senate clearly shows that a bipartisan majority of 57 clearly supports tough legislation to protect the children of this country from tobacco. Needless to say, I am very disappointed that a Republican minority blocked the legislation from being voted on.

Today, like every other day, 3,000 young 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.

I have been working for three years now to protect our children from the dangers of tobacco. I want the tobacco lobby and its allies on Capitol Hill to know that from my point of view this battle is far from over.

Q Sir, what's your strategy, what do you do now?

THE PRESIDENT: Well, the Senate has to come back to it, but they have to do it in a hurry if we're going to act. After all, we only have six weeks until the August recess -- not quite that -- and then we have only a month or so when they come back, the month of September, because they will, doubtless, want to go home in October to campaign.

So the parameters of this bill are well-known; what has to be done to get a bill that can not only pass, but can actually be effective not only in raising the price of cigarettes, but in limiting advertising and having smoking cessation programs and giving the public health money out there, the research money we need. Everybody knows what has to be done.

I would also say:
1. $40 M Ad Campaign
2. Pol Conseq. will be felt -- Am people want this.

We showed a lot of flexibility here in trying to work with the members of the Senate. We had a tax cut in there to deal with the marriage penalty for people with incomes under $50,000. We had some more anti-drug money in there. The lawyer fee issue was addressed in the amendment most recently adopted. We can do this, and we need to do it and do it promptly.

There is not a lot of time, but I think it would be a great mistake for those who believe that because of the $40 million ad campaign by the tobacco industry which has gone unanswered and which has a lot of things in it which are just false, that they now have a free ride on this to walk away from 1,000 lives a day. We don't have a free ride to walk away from 1,000 lives a day. And I believe we can do it.

Q Is it really dead? Isn't it really dead, Mr. President?

THE PRESIDENT: No, I don't think it is dead.

Q You were depending on it for a lot of tax revenue, Mr. President. If you don't get it, where do you find that revenue?

THE PRESIDENT: That's not entirely true. It is true that a lot of the things that I think should be funded in terms of giving this money back to the states, who are out a lot of money because they spent a fortune treating people on tobacco-related illnesses, could be used to help children and families with things like child care. The Senate voted for that, and I thought it was a good amendment.

But the most important thing here is not that. The most important thing is to protect children from the dangers of tobacco. And that is at the nub of this and that is what needs to be put front and center. And if they will do it, we can still do this. But they have to hurry. There's not a lot of time.

Q Mr. President --

THE PRESIDENT: Mr. Bowles is handling all the details of this, and I think I should let him come up and talk about it.

Q Mr. President, do you think there will be political consequences for the people if this bill fails?

THE PRESIDENT: I certainly hope there will be, and there should be. I think that there are those who believe there won't be because the public has been treated to $40 million of unanswered advertising by their allies. And they believe that the opinion that may be held in certain selected districts or whatever today is the one that will hold at election day. I don't believe that's true. I think when the American people understand fully what has been going on, they won't like what they see and they will be worried about these children. They nearly always -- the public almost always gets it right when they have enough time, and they've got plenty of time.

So I think we need to do this.

Q Mr. President, was it necessary to increase --

Q -- stay in session, and will you forego your own vacation in order to get this done? Would you forego your vacation?

MR. BOWLES: Sam, I'd be delighted to forego my vacation. As a matter of fact, seriously, I talked to Senator Lott today, and I told Senator Lott that we would be here in the month of August, that we would be here in the month of October, and we were prepared to move forward with this bill and continue to fight at every step of the process.

Q Is he the villain of the piece?

MR. BOWLES: I think there are 42 villains.

Q You're right, it was a serious question, and you answered it seriously. But the President could call on the Senate to stay in session until it took this bill up again and passed some version of the bill that could be sent to the House.

MR. BOWLES: We're going to continue both in the House and in the Senate to fight for passage of this bill. You're going to see this bill attached to almost every piece of legislation that comes down the pike. You're going to see us try to get the Hansen-Meehan bill discharged in the House of Representatives. We're going to continue to move forward with this bill because it's what the American people want, and 57 senators voted for it today.

Q What do you think really then stopped it cold in its tracks now?

MR. BOWLES: I think this is what I believe is the worst of Washington. I think politics stopped this thing cold.

Q Well, what do you say, Mr. Bowles, to those who say there was a $350 billion deal that the state attorneys general made, and that in the process of getting legislation you added on another $150 billion which made it simply intolerable to the tobacco industry?

MR. BOWLES: I think that's incorrect. I think what we did was make this bill have a higher probability of doing something about stopping teenage smoking. Every study I've seen has shown that you need at least $1.10 increase in the price of tobacco in order to do something serious about stopping kids from smoking. So this bill that we had had full FDA authority in there; it had $1.10 increase in the price of tobacco; it had the right kinds of things in there to stop marketing to kids; and it had the right things in there to lessen the chance that kids would have access to tobacco. So it had the kinds of things that we felt were important.

In addition, it had what the Republicans said they needed. It had the anti-drug provisions; it had a tax cut. There's only one reason that this thing didn't pass, and that's that $40 million that the tobacco industry spent on it and the $12 million worth of campaign contributions that they had made.

Q Instead of getting a bill that the tobacco industry would have supported, that would have generated $350 billion in revenue, that would have done all the things on advertising, you wind up with nothing.

MR. BOWLES: Oh, I don't think it's any chance that we're going to wind up with nothing. I think they have made a clear mistake. I think the American people will demand this happen. I have not met a single parent that wants their kids to begin to smoke.

Q So you think November is going to show the results of this?

MR. BOWLES: I certainly hope so.

Q How does this affect the balanced budget?

Q The President said the ad campaign has gone unanswered. Why has it gone unanswered? Why haven't you responded?

MR. BOWLES: The industry has spent $40 million advertising. We have tried to do the best we could with the limited resources we had to come forward and get the message across to the American people. We have used the bully pulpit. The public health community has come forward with some ads, as you know, in order to educate people about this. We simply could not compete with that $40 million that the industry chose to spend.

Q So your basic strategy now is to attach it to every bill that goes forward?

MR. BOWLES: We're going to try to attach it to every major piece of legislation that comes forward. We're going to make this a fight to the finish.

Q Mr. Bowles, does the tobacco industry have reason to celebrate tonight? Has its investment paid off?

MR. BOWLES: I think the American people have a reason to really be sad tonight. I really do. I think every parent in this room should really be upset.

Q Did you and the President work the phones today, lobbying members of the Senate to try to --

MR. BOWLES: Yes, we did. And I think that's how we got 14 -- it's one of the reasons we got 14 Republicans to vote yes.

Q Approximately, how many senators did you talk to and the President talked to?

MR. BOWLES: I talked to a lot; I think the President said he talked to 10. I can't remember the exact number I talked to.

Q -- Republican Caucus today that led to this strategy of the defeat of the bill?

MR. BOWLES: I certainly think so.

Q Mr. Bowles, how will this affect the balanced budget?

MR. BOWLES: I don't think it's going to have a material effect on the balanced budget, Wolf. I think if you look at the budget we put together, the revenues that are going to come in here were going to be spent for research, they were going to be spent for counter-advertising and smoking cessation programs and public health. They were going to be spent for tobacco farmers and also going to be spent -- money going back to the states. And that's money now that we will not have, and therefore, we will not spend it.

Q Weren't you also going to spend money on child care?

MR. BOWLES: The child care money was in the money going to the states. There was about $25 billion going to the states; some of that was child care money. There was about -- Bruce, correct me if my numbers are wrong -- about $13 billion going for research, about $13 billion going for smoking cessation counter-advertising and public health, and about $10 billion going to the tobacco farmers. And I think that's roughly the whole amount of money.

Q Are you willing to come down on the overall number a little bit to try to meet the tobacco industry halfway?

MR. BOWLES: We have spent so long on this bill. We got it through the Senate committee on a vote by 19-1; we got 57 senators, well over a majority of the senators to vote for this thing. This is the right bill. This is the right construction. And we're going to go forward with this bill and try to get it passed.

Q Is this an indication, sir, that the President may have lost some clout with Congress because of his legal and personal problems?

MR. BOWLES: I don't see how. He got 57 senators to vote for him.

Thank you.

THE PRESS: Thank you.

END 6:28 P.M. EDT

Nicole R. Rabner

06/18/98 11:34:20 AM

Record Type: Record

To: Neera Tanden/WHO/EOP, Jennifer L. Klein/OPD/EOP

cc:
Subject: Q&A

Does this seem okay to you both?

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

A. Absolutely not. 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, only one-third of which 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 for our action in this area.

June 15, 1998

The Honorable John F. Kerry
United States Senate
Washington, D.C. 20510

Dear Senator Kerry:

You requested our views on amendments to the tobacco legislation proposed by Senator Gramm and others that would eliminate any restrictions on uses of funds in the State Litigation Settlement Account. The Administration strongly opposes such amendments because they would eliminate the requirement that states use part of tobacco funds for programs that improve public health and support children. The current structure of the State Litigation Account reflects a careful balance between the interests of the states in flexible use of tobacco receipts and the Federal interest that their use be accountable and contribute to public health.

We believe that additional changes to this carefully constructed agreement would harm the goal of passing historic comprehensive, bipartisan tobacco legislation.

We thank you for your support, and look forward to continuing working with you and your colleagues to enact comprehensive, bipartisan tobacco legislation.

Sincerely,

Jacob J. Lew
Acting Director

cc: The Honorable John McCain

June 16, 1998

Dear Governor Voinovich and Governor Carper:

In response to your request for clarification about my position on S. 1415, the National Tobacco Policy and Youth Smoking Reduction Act, I am writing to reiterate my strong opposition to actions by the Senate to further reduce the State Litigation Settlement Account or impose any additional restrictions on it. Since the beginning of the Senate floor debate, I have opposed amendments that reduce the $196.5 billion state allocation that was envisioned in the original Attorneys General agreement.

It is my firm belief that we would not be having a debate on bipartisan comprehensive legislation without the efforts of the states and their Attorneys General. As such, I will insist that any legislation adequately reflect the important state contributions to reducing the use of tobacco by our nation's children. I believe this commitment was evident in the joint agreement we reached on the level and uses of state funds included in the McCain manager's amendment.

The continued leadership and engagement of the Governors is essential to passing tobacco legislation this year. As experienced lawmakers, you know that this bill will go through a number of changes before final passage. I want to reiterate my strong commitment to working with you in the weeks ahead to ensure that a strong, equitable and comprehensive tobacco bill is enacted into law that reflects the pivotal role of the states in this process.

Sincerely,

The Honorable George Voinovich, Chair
The Honorable Thomas Carper, Vice Chair
National Governors' Association
444 North Capitol Street, NW
Washington, D.C. 20001

cc: Senator John McCain

Jennifer Friedman
06/16/98 05:13:36 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:
Subject: Kerry child care amendment to tobacco bill

FYI - the Senate agreed by voice vote to Senator Kerry's amendment on child care and further modified the amendment. The details of the amendment are as follows:

- Requires that 50% or the state restricted money be spent on activities under CCDBG, i.e., $6.25 m over 5 years (assuming the size of the pot of restricted state money is still at $12.5 m).

- Makes the additional child care funds subject to the current law requirement that 70% of mandatory child care funds be used for TANF recipients, transitional child care, and at-risk child care. Kerry's original language (and the Administration's language) waived this requirement in order to provide more state flexibility.

- Requires that new funds be matched under current law. While the cite provided does not link directly back to the current law matching requirement, it appears that the intent is for the funds to be subject to FMAP (roughly 56/44). The President's child care initiative and previous language in the McCain bill contained an 80/20 match for these new funds.

Message Sent To:

Barbara Chow/OMB/EOP
Jennifer L. Klein/OPD/EOP
Nicole R. Rabner/WHO/EOP
Neera Tanden/WHO/EOP
Barry White/OMB/EOP
Jack A. Smalligan/OMB/EOP
Matthew McKearn/OMB/EOP
Jeffrey A. Farkas/OMB/EOP
Edwin Lau/OMB/EOP

Cynthia A. Rice 06/11/98 02:31:29 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: Tobacco Update: Kerry-Bond Child Care Amendment Passed 66-33

with help from conservatives such as Abraham, Warner, Grassley, Coverdell, Hutchison

Message Sent To:

Bruce N. Reed/OPD/EOP
Elena Kagan/OPD/EOP
Laura Emmett/WHO/EOP
Thomas L. Freedman/OPD/EOP
Mary L. Smith/OPD/EOP
Peter G. Jacoby/WHO/EOP
Toby Donenfeld/OVP @ OVP
Joshua Gotbaum/OMB/EOP
Richard J. Turman/OMB/EOP
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Fred DuVal/WHO/EOP
Barbara D. Woolley/WHO/EOP
Anne E. McGuire/WHO/EOP
Glen M. Weiner/WHO/EOP
johara @ osophs.dhhs.gov @ inet
kburke1 @ os.dhhs.gov @ inet
JONATHAN.GRUBER @ MS01.DO.treas.sprint.com @ inet
Barry J. Toiv/WHO/EOP
Cynthia Dailard/OPD/EOP
William H. White Jr./WHO/EOP
sheketoff-emily @ dol.gov @ inet
guzy.gary @ epamail.epa.gov @ inet
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Neera Tanden/WHO/EOP
Michael Cohen/OPD/EOP
Jonathan H. Schnur/OPD/EOP
Tanya E. Martin/OPD/EOP
Kevin S. Moran/WHO/EOP
David W. Beier/OVP @ OVP
marti.thomas @ ms01.do.treas.sprint.com @ inet

Cynthia A. Rice 06/11/98 02:09:52 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP
cc: See the distribution list at the bottom of this message
bcc:
Subject: Vote NOW on Kerry-Bond Child Care amendment

Cynthia A. Rice

Cynthia A. Rice 06/11/98 01:04:06 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP
cc: See the distribution list at the bottom of this message
bcc: Records Management
Subject: Re: The Kerry-Bond Child Care amendment is now on the floor

Elena shortened the Q&A a bit:

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.

Cynthia A. Rice

Cynthia A. Rice 06/11/98 12:29:21 PM

Cynthia A. Rice 06/08/98 12:46:49 PM

Record Type: Record

To: Jennifer L. Klein/OPD/EOP, Neera Tanden/WHO/EOP, Nicole R. Rabner/WHO/EOP

cc: Cynthia Dailard/OPD/EOP
Subject: Tobacco update and child care Q&A

Below is an update on the tobacco bill (from the DPC weekly) and even further below is the child care Q&A. When we get the latest tobacco Q&As with Elena's edits (for the Presidential press conference) we'll send you those as well.

The Senate passed two amendments to the McCain bill last week. The first, sponsored by Senator McCain and approved by voice vote, provides $3 billion over five years to the Veterans' Administration to assist veterans with smoking-related illnesses. The second, approved by a 66-29 vote, greatly increases the surcharges imposed on individual companies that fail to meet youth smoking targets. This amendment, supported by most Democrats as well as by those Republicans who want to kill tobacco legislation (on the theory that a lack of balance will bring the bill down), would impose penalties equaling or exceeding anticipated industry profits on a company that has a significant youth market and misses its youth reduction targets by 20 percent.

This week, the Senate is scheduled to consider a proposal by Senator Gramm to use tobacco revenues for a tax cut to all married couples earning less than $50,000 per year (whether or not they now pay a marriage penalty). A prior version of this proposal would have decimated just about all other spending immediately, but Gramm reportedly is phasing in his amendment to avoid this result. The latest version would cost $13 billion over the first four years (28 percent of total receipts), an additional $30 billion in the next five years (42 percent of total receipts), and $225 billion in the remaining years of the bill (78 percent of total receipts). Even this "scaled back" version of the amendment, of course, is incompatible with our and the Democratic Caucus's spending priorities. For this reason, Senator Daschle has prepared an alternative tax amendment, which would provide relief for those married couples earning less than $60,000 per year who now pay a marriage penalty, as well as accelerating the deductibility of health insurance costs for the self-employed. This alternative proposal would cost $11 billion over the first four years and would continue to consume between 20 and 25 percent of total revenues throughout the lifetime of the bill. It is conceivable that McCain and Senator Kerry will strike a deal with Gramm next week that splits the difference between these two proposals. Such a compromise certainly would grease Senate passage of the tobacco bill, but at some cost to our public health and research priorities.

The Senate also is expected to vote this week on an amendment offered by Senators Craig and Coverdell, which would allocate about $2 billion each year to anti-drug efforts, again cutting into the funding available in the bill for public health and research. The Craig-Coverdell amendment also includes a permanent prohibition on the use of federal monies for needle exchange and a program to allow education vouchers to students who have been the victims of school violence. We are working to draft a modified version of the Craig-Coverdell amendment that spends less money on anti-drug efforts and eliminates the amendment's poison pills. We hope that we will be able to convince a bipartisan group of Senators, including McCain and Kerry to support this modified anti-drug amendment.

Cloture votes are scheduled for Tuesday and Wednesday, but because Senator Lott strenuously opposes cutting off debate at this time, no one expects these motions to pass. We are hopeful that by the end of the week, the Senate will have dealt with the tax and drug issues, as well as the two Republican substitute bills and the farmers provisions, and that it then will be ready to vote for final passage.

---------------------- Forwarded by Cynthia A. Rice/OPD/EOP on 06/08/98 12:47 PM ---------------------------

Cynthia Dailard
06/08/98 11:13:03 AM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP

cc:
Subject: kerry-bond Q&A

CC_Q&A.W The first and third paragraphs are derived from the Durbin q&a. The middle paragraph is from the Q&A we did on child care from May 20

Q&A
June 8, 1998

Q. Do you support the Kerry-Bond amendment to the tobacco legislation to increase funding for child care?

A. The President is satisfied with the child care funding currently in the bill. As you know, the President has always believed that funding for child care is a critical component of any comprehensive tobacco legislation, and in negotiations with Senator McCain before he brought the bill to the floor, we managed to add important language to the spending provisions on child care.

Specifically, 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.

In light of this agreement with Senator McCain, we are not supporting the Kerry amendment. However, because we realize that reasonable people may differ as to how to best allocate funding for funding for child care, we also are not opposing it.

Tobacco Q&A
June 8, 1998

Q. Do you think the tobacco bill is dying?

A. Absolutely not. Certainly I would have preferred for Congress to pass the bill last week. But these are complicated issues, and members have a wide range of positions and priorities that they have needed to work through. We are making steady progress, however slow it may sometimes seem. In the end, the Senate, and then the full Congress, will pass this bill, because they will otherwise have to explain their inaction to the American people.

Q. What is your position on the amendments to the tobacco bill that would provide tax cuts to married people?

A. I am skeptical of attempts to divert funding away from public health and medical research for a tax cut. I am concerned that these amendments will endanger our priorities -- namely, providing for smoking cessation and prevention, counteradvertising, research into smoking related diseases such as cancer and heart disease, assistance to farmers and farming communities, and reimbursement to the states for their expenditures for smoking-related illnesses. Of course, tax cuts come in different shapes and sizes, and some would jeopardize my health care priorities more than others. For this reason, I very much prefer Senator Daschle's amendment to Senator Gramm's amendment, because it is reasonably sized, because it includes a tax cut for some health care costs, and because it is better targeted to families who actually have a marriage penalty.

Q. What is your position on the Craig/Coverdell anti-drug amendment to the tobacco bill?

A. Drug abuse among youth is a deadly serious issue, and I welcome discussions with Congress about how to make further progress in this area. But we should not allow people to manipulate the drug issue -- and other issues even further afield from the main concern of this bill -- to kill tobacco legislation. The Craig-Coverdell amendment includes numerous provisions that have nothing to do with youth smoking, including school voucher proposals and anti-union provisions. We must focus in this bill on reducing youth smoking and not allow Members of Congress to inject poison pills that have nothing to do with this issue..

Q. What is your view of activity on tobacco legislation in the House?

A. As you know, the House leadership has been waiting to see what the Senate will do, so not as much progress has been made there as I would have liked. But even in the House, the momentum is building. Representatives Hansen, Meehan and Waxman have proposed a good bipartisan bill that has over 90 co-sponsors. I look forward to working with them and all of their House colleagues once Senate action is completed to pass comprehensive tobacco legislation. I believe House members will produce a bill soon because they know that if they do not, the American people will hold them accountable.

Tobacco Q&A
June 5, 1998

Q. What is your position on the Craig/Coverdell amendment to the tobacco bill?

A. Of course, the President believes that drug abuse among youth is a deadly serious issue, and he has taken numerous action to prevent it. But we should not allow people to manipulate this issue -- and others even further afield to kill tobacco legislation. The Craig-Coverdell amendment includes numerous provisions that have nothing to do with youth smoking including school voucher proposals and anti-union actions. We should focus in a tobacco bill on reducing youth smoking and not allow Members of Congress to inject these kind of poison pills.

Q. What is your position on the Daschle amendment to the tobacco bill?

A. We are skeptical of attempts to divert funding away from public health and medical research for a tax cut. We are concerned that these amendments will endanger our priorities -- namely, providing for smoking cessation and prevention, counteradvertising, research into smoking related diseases such as cancer and heart disease, assistance to farmers and farming communities, and reimbursement to the states for their expenditures for smoking-related illnesses. Of course, we very much prefer Senator Daschle's amendment to the Gramm amendment, because it is reasonably sized and because it is far more targeted at families who actually experience a marriage penalty.

[Background: Senator Daschle's amendment would provide married couples with a 20 percent deduction against the lower-earning spouse's income, phased out between $50,000 and $60,000 of income. The amendment would also provide full-deductibility of health insurance costs for the self-employed. The Daschle amendment would cost significantly less than the Gramm amendment, and targets tax relief at those couples who are actually penalized by the tax code.]

Q. Do you think the bill is dying?

A. Absolutely not. Certainly we would have preferred for Congress to act this week. But these are complicated issues and members have a range of different priorities that need to be worked through. We always knew that passing a comprehensive tobacco bill would not be easy, and we are making steady progress. We continue to believe that the Senate, and then the full Congress, will pass this bill. They will otherwise have to explain themselves to the American people.

Q. Did the President issue a statement on tobacco today?

A. Yes. The President said that he is pleased to see that momentum for tobacco legislation is now building in the House of Representatives. He believes that the bipartisan, comprehensive legislation proposed by Representatives Hansen, Meehan and Waxman, which has over 90 co-sponsors, is a good, tough bill. He said that he looks forward to working with Representatives Hansen, Meehan, Waxman and all of their House colleagues to improve this bill in order to protect farmers and farming communities. With this change, he would be pleased to sign this bill. He called upon the House of Representatives to take up the bill and get down to the serious business of reducing youth smoking in this country.

President Clinton's successful economic plan has restored fiscal discipline to Washington while investing more in our people. In 1993, President Clinton inherited a budget deficit of $290 billion; thanks to two landmark budget packages, this year President Clinton will deliver a budget in surplus for the first time since 1969. The President's 1999 budget advances the successful strategy of fiscal discipline, coupled with strategic investments in education, health, and the environment.

The House Republican budget repeats the failed strategies of 1995 and the 1980's -- promising cuts that are unfair and unrealistic. Once again, the House Republicans in their May 12th detailed document proposed to eliminate major parts of the Medicaid guarantee, for example. Faced with fierce bipartisan opposition to the detailed cuts, House Republicans decided to hide all specifics and rely on vague and unrealistic cuts of the same magnitude. Noting this return to "Stockman-like tactics" when budgets assumed unrealistic unspecified savings that never materialized, the New York Times said the House GOP budget "fails the basic integrity test, and the House should vote it down, demanding instead a budget that is real, not rigged." [NYT, 6/1/98.]

Now that the budget is finally balanced, this is not the time to abandon fiscal discipline. The House Republican budget resolution suggests that pay-as-you-go rules and requirements of the Budget Enforcement Act are no longer necessary. It opens the door to using part of the surplus for tax cuts before comprehensive bipartisan Social Security legislation is adopted. President Clinton is determined to reserve all surpluses to save Social Security first.

THE HOUSE REPUBLICAN BUDGET:

- **Includes $125 billion in cuts** over five years radically departing from the bipartisan balanced budget agreement of last year and posing a threat to Medicare, Medicaid, education, Unemployment Insurance benefits, veterans benefits, law enforcement, and environmental protection.

- **Deep cuts in Medicaid or Children's Health** -- Last year's balanced budget agreement reduced Medicaid per capita growth to below that of the private sector. This additional $12 billion proposed cut would unnecessarily and deeply reduce health benefits for poor families, seniors and people with disabilities and threaten the critical children's health expansion.

- **New change threatens welfare reform through deep cuts of at least $10 billion in TANF** -- This misguided cut would undermine a cornerstone of welfare reform, slash welfare-to-work efforts, cut child care, and curtail State innovation. Moreover, the cut ultimately could be much deeper than $10 billion because a larger budget authority cut is needed to achieve the outlay savings --

potentially a $20 billion reduction in budget authority against CBO's baseline.

- **Medicare remains at risk to cuts** -- The Committee budget included a $10 billion cut in Medicare that has been heavily criticized on a bipartisan basis. To deflect criticism, the Republicans adjusted non-binding budget function totals and argued that Medicare would be spared and they would target TANF instead. The House Republican budget, however, still includes a reconciliation instruction for the Ways and Means Committee to save $13 billion over five years. A possible target is Medicare that, after Social Security, is the Committee's largest program.

- **Would mean a 14% cut in 2003 in the portion of the budget that funds critical programs in education, health, environmental protection, and law enforcement** -- The House Republican budget advertises $46 billion in nondefense discretionary cuts below the bipartisan balanced budget agreement. Incorporating the new transportation bill pushes this cut up to $70 billion. Compared to the President's budget, this implies a 14% cut in 2003 in outlays. If this were done across the board, this would:

  - **Deny Head Start to 85,000 children** in 2003, including **40,000 children in Early Head Start.**

  - **Deny Pell grants to 162,000 low-income students** in 2003. Existing grants would be slashed by $415 each.

  - **Deny support to 400 school districts for Safe and Drug-free Schools in 2003.**

  - **Undermine food safety** by slashing more than 1,000 meat and poultry inspectors in 2003. This budget would also create major delays in the drive to modernize the federal inspection system, including upgraded lab testing for harmful pathogens in the food supply.

  - **Threaten public health** by reducing funding for the Centers for Disease Control by more than $340 million in 2003, cutting childhood immunization funding and reducing funds for breast and cervical cancer screening.

  - **Deny assistance to low-income students.** In 2003, more than **one million students** in our poorest communities would be denied services from Title 1 educational programs.

  - **Eliminate training** and **summer job opportunities** for at least **178,000** dislocated workers, and low-income adults and youth in 2003.

- **Hamper efforts to protect the environment**, by slashing funds by 14 percent in 2003 for initiatives to combat climate change, designed to reduce greenhouse gas emissions, cut energy usage, and save consumers' money. It also jeopardizes the safety of drinking water and food supply by cutting funds meant to clean up factory farm pollution.

- **Delay environmental cleanup**, jeopardizing public health by halting funding for the clean up of some Superfund sites.

- **Additional cuts in veterans programs** -- Within the transportation bill, the Congress has already passed the veterans savings that were assumed in the House Republican budget. Their budget, however, still instructs the Veterans Affairs Committee to come up with $10 billion in savings. This **$10 billion in cuts in Veterans benefit programs would be cut beyond what is already in the highway bill.**

- **Completely ignores the need for comprehensive tobacco legislation.** By failing to facilitate tobacco legislation, as the Senate budget resolution does, the House Republican budget puts procedural roadblocks in the way of this critical bipartisan legislation.

- **A $24 billion black hole** -- The Republicans are advertising $101 billion in cuts. However, since they refuse to incorporate the transportation bill into their budget, as well as the agricultural research bill, an additional $24 billion in cuts would be required.

House Democrats are offering a superior alternative, that:

✔ **Protects the surplus** consistent with the President's strategy of saving Social Security first.

✔ **Rejects Republican cuts** in Medicare, Medicaid, education and the environment.

✔ Includes **critical Presidential initiatives** including a major effort to reduce class size by hiring new elementary school **teachers**, allowing **Medicare buy-in for 62 year olds**, an investment in making **child care** more affordable for working families, **food stamps** benefits for **legal immigrants**, and **children's health.**

✔ Like the President's budget, includes a **fully paid for tax cut** to spur school construction and make child care more affordable for working families.

✔ Invests in **key priorities**. Over five years, compared to the misguided

Republican budget, the Democratic alternative invests (all outlays, discretionary spending):

- **$6.9 billion more in education.**
- **$7.5 billion more in the environmental protection function.**
- **$5.8 billion more in law enforcement.**

✔ **Facilitates comprehensive tobacco legislation** through the creation of a reserve fund.

25 Years
LEAVE NO CHILD BEHIND.

MEMORANDUM

TO: Hillary Rodham Clinton

FROM: Marian Wright Edelman

DATE: May 18, 1998

RE: Dedicated part of money in any tobacco bill and support for Kerry-Bond Amendment

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I really hope the White House will weigh in strongly in support of the Kerry-Bond Amendment to dedicate at least half (preferably all) of the state share from tobacco legislation for child care. We oppose "the list" approach as the enclosed memo indicates. Many programs on the list have no or far less relationship to smoking cessation than after-school and child care. Here is an opportunity to achieve two Administration goals: a significant down payment on your child care proposals and tobacco legislation we all support.

Thanks for taking the time to write and share Dean Ornish's information with Peter and me. I hope you got an iota of rest on your trip.

MWE:tjm
hc.doc

25 E Street NW • Washington DC 20001 • Telephone 202 628 8787 • Fax 202 662 3510 • cdfinfo@childrensdefense.org • http://www.childrensdefense.org

25 Years
LEAVE NO CHILD BEHIND.

CHILD CARE AND AFTER-SCHOOL PROGRAMS
Curb Teen Smoking & Promote a Child's Healthy Future

For decades, the tobacco industry has preyed on America's children, stunting their growth and stealing their futures. Internal industry memos document decades of targeting: trading the future health of today's children for industry profit! Now is the time to ensure that the industry invests in the future healthy development of children.

Over the weekend, there are reports that the White House has negotiated a number of provisions affecting the industry as well as provisions for spending the funds that will be raised in the tobacco legislation. While child care and after-school programs can help reduce teen smoking and promote a healthy future foundation for our children, no funds are specifically earmarked for that purpose.

No Money for Child Care & After-School Care Guaranteed:

Under the White House package, the federal share of the money earmarked for states would be restricted to a list of six programs. While child care is on the list, there is no guarantee that any of the funds would be used for child care. In fact, the list contains a broad range of programs from child health to education. There is no guarantee child care would get a single dime from this proposal despite the link between actually reducing teen smoking and good child care. States could even use these funds to pay for the state share of the new Children's Health Insurance Program (CHIP) -- not for expanding CHIP to the 5 million children who won't be covered by the new program and who will remain uninsured, but instead to supplant state money. CHIP already provides a generous federal match and there is no reason to enhance the federal match even more.

Kerry/Bond Amendment to Invest Specifically in Child Care:

We urge your support for the Kerry/Bond amendment, which will earmark 50% of the federal share of the money going to the states specifically for child care. Quality after-school activities are extremely important to preventing teen smoking. Studies are clear that the nearly 5 million children left home alone in the afternoon are much more likely to engage in "at-risk" behavior (from smoking to drugs to sex). Recent research demonstrates that the first three years of life are critical to brain development and to laying the foundation for self-confidence -- a sound foundation for a healthy future.

The Senate has the opportunity to ensure that the industry invests in the future good health of children. To those who say it's not about "the spending" -- they're right. It's about reducing teen smoking and investing in children. Why complete half the job? This makes no sense. Support the Kerry/Bond amendment to ensure that the Senate adopts a complete package, which provides a solid foundation for the future good health of children.

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May 20, 1998

MEMORANDUM FOR HILLARY RODHAM CLINTON

FROM: **NICOLE RABNER**

SUBJECT: **Call to Dr. C. Everett Koop**

Attached please find a letter from Dr. Koop outlining his concerns with the tobacco negotiations. I consulted with Bruce Reed about your call -- he agrees with your instinct to return the call, and advises that Dr. Koop's letter is not wholly accurate. Below please find background on the substantive and personal/political concerns of Dr. Koop:

Liability

On this issue, Dr. Koop disagrees strongly with the Admnistration. The McCain bill includes an $8 billion annual liability cap that is available only to companies that agree to make sweeping restrictions in youth advertising, achieve dramatic reductions in youth smoking, and comply with the legislation instead of tying it up in court. Yesterday, Dr. Koop joined Dr. Kessler, Senator Kennedy, and Senator Gregg at a press conference to call for eliminating the liability cap. We are opposed to such an amendment. The Administration believes that in order to obtain the advertising restrictions, annual payments, lookback payments, and to ensure that the tobacco companies do not file a lawsuit against this legislation if it becomes law, we must include an annual liability cap. Further, the companies would lose the liability cap if they miss the youth smoking targets by more than 20 percent. Please note that the President plans to send a letter to the Senate today (draft attached) expressing his support for the $8 billion liability cap -- Dr. Koop is likely to be extremely upset at this. Bruce also advises that months ago, Dr. Koop told him in confidence that at the end of the day, he would support tough legislation that included a liability cap -- what is clear, however, is that Dr. Koop thinks we're still in the afternoon of this fight, while the President and Bruce seem to think night has come.

Price increase to $1.50

The President called for a $1.10 per-pack increase in his budget request, because the Administration estimates that this is the increase that is necessary to meet our youth smoking reduction targets. We have not changed our position. The President would still sign a bill that increases the price by $1.50, but we have been clear that this is not our fight. Our deal with McCain precludes us from actively supporting $1.50, although we do not oppose it. Bruce also advises that Dr. Koop's estimates of number of children helped by the price increase are wrong.

Strengthen Lookback Penalties

The President has made strong lookback penalties -- penalties on companies who do not meet targets for youth smoking reductions -- a strong priority. Bruce advises that these penalties have been significantly strengthened, with our urging, in McCain's bill. In his letter, Dr. Koop urges the Administration to support an amendment that Senators Durbin and Dewine may offer to strengthen these penalties further. Bruce in fact worked closely with Senators Durbin and Dewine on their amendment and says that they couldn't have designed it without us; further, Bruce advises that the reason we're not endorsing this amendment is that we don't believe it is stronger than our own proposal, but we would be perfectly happy if it passes.

No Call From the Vice President

The VP has been in close contact with Dr. Koop, and frankly is upset that Dr. Koop has suggested that he has ignored his call yesterday. Yesterday was the Gores' wedding anniversary, and the VP left work early in the afternoon to celebrate (Koop now knows this). Gore spoke with Dr. Koop this morning, and Dr. Koop raised the issues outlined above, as well as his feelings of being shut out of a process that his work started.

Poll Commissioned on Koop

Koop writes in his letter that he has heard of a poll commissioned to test his popularity and credibility. The only thing I could find out about this is that months ago, as many were trying to determine who were the most compelling and credible figures to combat the tobacco industry's aggressive advertising campaign, some polling was done -- it determined, to no surprise, that Dr. Koop is the best spokesperson for the need for strong tobacco legislation. Koop seems outraged that any polling was done, so it may be best not engage him on this issue.

Koop Staff Ejected from Key Meetings

Bruce advises that Dr. Koop's assertions about being kept out of key meetings -- by us -- are simply untrue. This past weekend, Senate Republican and Democratic Committee Staff excluded Dr. Koop's key staffperson, Tim Westmoreland, from a meeting to which we were invited, and Bruce gave the staff a very hard time for this. In fact, after the meeting, Bruce secured a copy of the current legislation for Tim (which no other staff person or public health advocate had) and stayed with him until midnight on Sunday going over the changes made to it (many of which Dr. Koop was pushing).

General Talking Points

- The President and I recognize that your leadership over many years has gotten us to where we are today -- on the verge of passing historic, comprehensive anti-tobacco legislation.

- I have not been involved in the day-to-day negotiations, but I have been pushing -- as has the President -- for the toughest bill that we can realistically get from this Congress. The bill has been considerably strengthened since it reached the floor.

- I know there have been tough political judgements made over the past many days about where we have the votes and what is possible. I understand that Bruce and others believe that it is critically important to get a bill out of the Senate this week and that this bill may be the best we can hope for.

- I am happy to listen to your concerns.

C. EVERETT KOOP, M.D.

May 20, 1998

Hillary Clinton
The First Lady
The White House
1600 Pennsylvania Avenue
Washington, DC

Dear Hillary,

I had been looking for an excuse to have a meeting with you and I hoped this occasion might provide that. Understanding your constraints on time, I'm sending a letter as requested, but I hope we can just top it off with a brief conversation on the phone. Your staff and mine will try to arrange that.

I am writing because I am so disturbed about the turn of affairs vis-à-vis the White House and the tobacco wars. I am not an alarmist, Hillary, and this is certainly not an ego trip. What I am doing by writing you is for the public's health. In short, I have been supportive of the President and the Vice President and their smoking plans since the day in the Rose Garden several years ago. I have had very good relationships with Donna Shalala, Bruce Reed, and I thought, too, with Erskine Bowles when he came on board. I now find that, although I won't say that they lied to me, they certainly have been elliptical enough in their answers that I don't where we stand and certainly know we don't stand together as we had before.

For example, last weekend my staff was ejected from a meeting with several Democratic senators and their staff, in spite of the fact that there were other less qualified people at that meeting than my staff, which on tobacco is superb. I hear that one of the things they did was to commission a poll to be taken on my approval rating. I also understand that they were somewhat upset by the fact that I came out just behind Billy Graham and Mother Theresa.

I also hear that the White House will oppose Olympia Snowe's amendment for a limited advertising ban on cigarettes to children along Supreme Court approved guidelines. Indeed, Hillary, it is safe to say that for the past five days I have been fighting the White House more than I have been fighting the tobacco industry.

I find this hard to understand because I had been representing absolutely nothing but what the President stands for. When he said that liability limitation for the tobacco

6707 DEMOCRACY BOULEVARD, SUITE 107, BETHESDA, MD 20817-1129 (301) 493-6603 FAX (301) 493-8160

companies and immunity was not a deal breaker, I took him at his word. More faithfully than anybody else in public health, I have fought for the elimination of all protections of the tobacco industry because they are a renegade industry that stands outside the norms of ethical and moral behavior of corporate America. What they have done to our children and minorities is no mistake – it was planned. They do not deserve to be bailed out of any situation and the United States Senate should not offer to pay their bills and to give them immunity from sins past, present and future.

I have been waiting for a phone call from Al Gore for a full day now. What I had planned to request from Al, with whom I have been dealing chiefly on major issues until the last five days, are the following:

1.) Press hard for stronger look-back protections: These should be company specific. Senators Durbin and Dewine are offering an amendment. I would really love the White House to support this publicly. It is the best weapon we have against the tobacco industry and the thing most likely to cut juvenile smoking.
2.) Liability was not supposed to be a deal breaker as I mentioned above, but in the President's absence, the White House seems to be pressing hard to keep liability in the bill. This is a tragic mistake and leaves me somewhat outraged.
3.) By the time you get this letter, this issue might already be settled, which was why I tried to get in touch with Al Gore all day yesterday, but the tax on cigarettes is extraordinarily important. As I think you know, it is conceded by every tobacco economist and all the public health people who have studied it that the higher the tax, the greater the reduction in juvenile smoking. Let me give you two comparisons, which I have taken from a preliminary unreleased report of the GAO. If the $1.10 tax increase goes in, in ten years juvenile smoking will be reduced 39 percent. If the $1.50 tax goes in, in ten years juvenile smoking will be reduced 59 percent. Every one percent represents 45,000 children. In the end, that means over ten years 900,000 kids would be kept from smoking, one-third of whom would die prematurely and poorly a smoker's death.
4.) There is a great deal of controversy about how research money should be spent. You will recall that I recommended very strongly to the President that he appoint Harold Varmus as director of NIH. Just between you and me, Hillary, I have regretted this many times because of what it has done to the Public Health Service, clinical research, and morale among post-doctoral clinical fellows at the NIH. He takes the arrogant position that he and his colleagues at NIH know better how money should be spent on tobacco research than anybody else. It is my contention that he would not be in the position of receiving $2.7 billion a year had it not been for three decades of tremendously hard work by the public health community and by the hundreds of thousands of volunteer anti-smoking activists, who have usually worked under the aegis of major voluntary agencies. Yet, Varmus wants all of the money at NIH unrestricted.

I believe that in as much as one out of every five deaths in this country is due to smoking, it seems reasonable to allot 20 percent of that money to the kinds of research that might change things. I am not suggesting that we support any further research of heart disease, cancer, emphysema, et cetera – that's being taken care of. But I do think we need some specific allocations for preventive research into behavior about why youngsters start to smoke and we need some specific research into the addictive process. Addiction research has made more strides in the last five years than in the previous 50. Harold Varmus should understand that it is only in this climate that this huge amount of money can be made available for him. I don't think he should mind 20 percent being taken for these other causes, at least as the beginning of a bargaining position.

You and I usually see pretty much eye to eye in these things, Hillary, and I hope we do on smoking. I feel so absolutely frustrated about the way lobbying has been going on by the White House. They have practically paralyzed Senator Conrad, who is one of the stalwarts in the anti-tobacco positions.

Anything you can do to guide this in the right direction would be much appreciated. I pray for you regularly and don't forget I love you.

Sincerely yours,

C. Everett Koop, MD

DRAFT LETTER FROM THE PRESIDENT TO THE SENATE
REVISED 11:15AM 5/20
TO BE SENT TODAY

May 20, 1998

I applaud the Senate for taking up comprehensive, bipartisan legislation to dramatically reduce teen smoking. Every day, 3000 teenagers start smoking regularly, and 1000 will die prematurely of smoking-related diseases as a result. I urge the Senate to move swiftly to pass comprehensive legislation that could save those children's lives.

Last September, and in my budget plan, I set forth five principles for comprehensive tobacco legislation:

- Raising the price of cigarettes by $1.10 a pack over 5 years with additional surcharges on companies that continue to sell to kids;
- Affirming the FDA's full authority to regulate tobacco products;
- Getting companies out of the business of marketing and selling tobacco to minors;
- Promoting public health research and public health goals; and
- Protecting our tobacco farmers and their communities.

I have made protecting tobacco farmers and farming communities a top priority for this legislation, and I believe Senator Ford's LEAF Act fully meets this standard. I am deeply troubled by the Senate Leadership's recent attempt to undermine protection for tobacco farmers and their communities. I urge the Senate to work through this impasse and ensure that small, family farmers are protected.

If that issue can be resolved to my satisfaction, the bill before the Senate, as amended by Senator McCain's Manager's Amendment, is a good, strong bill that will make a real dent in teen smoking. Congress should pass it without delay.

I applaud Senator McCain and others in both parties who have worked hard to strengthen this legislation. I am particularly pleased that the bill contains significant improvements which will help reduce youth smoking and protect the public health:

- Tough industry-wide and company-specific lookback surcharges that will finally make reducing youth smoking the tobacco companies' bottom line;
- Protection for all Americans from the health hazards of secondhand smoke;

- No antitrust exemption for the tobacco industry;

- Strong licensing and anti-smuggling provisions to prevent the emergence of contraband markets and to prosecute violators;

- A dedicated fund to provide for a substantial increase in health research funding, a demonstration to test promising new cancer treatments, a nationwide counteradvertising campaign to reduce youth smoking, effective state and local programs in tobacco education, prevention, and cessation, law enforcement efforts to prevent smuggling and crack down on retailers who sell tobacco products to children, assistance for tobacco farmers and their communities, and funds for the states to make additional efforts to promote public health and protect children; and

- The elimination of immunity for parent companies of tobacco manufacturers, an increase in the cap on legal damages to $8 billion per year, and changes to ensure that the cap will be available only to tobacco companies that change the way they do business, by agreeing 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. Because the First Amendment limits what we can do to stop the tobacco companies' harmful advertising practices --which lure so many young people to start smoking --we can do far more to achieve our goal of reducing youth smoking if the companies cooperate instead of fighting us in court every step of the way. If a cap that doesn't prevent anybody from suing the companies and getting whatever damages a jury awards will get tobacco companies to stop marketing cigarettes to kids, it is well worth it for the American people.

I strongly support these improvements, and I urge the Senate to pass this legislation without delay.

Tobacco Q&A
May 20, 1998

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

A: The President today urged Congress to pass the McCain bill this week. He noted significant improvements in the bill 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 assistance to states, including for child care. The McCain bill, as modified by the new manger's amendment, is a strong bill and the President urged Congress to sign it.

Q. Specifically, what changes were made in the manager's amendment?

A. Our discussions with Senators McCain and Hollings significantly strengthened the bill in all the key areas in which the President had called for improvements. These improvements include:

- Tough industry-wide and company-specific surcharges that will finally make reducing youth smoking the tobacco companies' bottom line;

- Protection for all Americans from the health hazards of secondhand smoke;

- A trust fund to provide for a substantial increase in health research funding; a nationwide counteradvertising campaign to reduce youth smoking; effective state and local programs in tobacco education, prevention, and cessation; law enforcement efforts to prevent smuggling and crack down on retailers who sell tobacco products to children; assistance for tobacco farmers and their communities; and funds for the states to make additional efforts to promote public health and protect children; and

- No antitrust exemption for the tobacco industry;

- Strong licensing and anti-smuggling provisions to prevent the emergence of a contraband market and prosecute violators;

- Elimination of special protection for parent companies of tobacco manufacturers, an increase in the annual cap on damages to $8 billion per year, and changes to ensure that legal protections are available only to tobacco companies that change the way they do business, by agreeing 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.

Q. **How is the spending apportioned in the manager's amendment?**

A. The manager's package contains key provisions to fund important public health programs, health research, and assistance for farmers. It also provides funding to states to be used for a variety of programs, including child care.

Approximately 22 percent of expected revenues from the legislation will go to fund research at NIH, CDC, and Agency for Health Care Policy and Research (AHCPR). Another 22 percent will fund smoking cessation programs, prevention and education programs, international tobacco control efforts, and a variety of enforcement efforts at both the federal and state levels to minimize smuggling and crack down on retailers who sell tobacco products to children. All proceeds from lookback surcharges will go to prevention and education programs.

Forty percent of expected revenues will go to states, with half unrestricted and half to be used for designated purposes -- the Child Care and Development Block Grant, the Safe and Drug-Free Schools Program, Eisenhower Grants, child welfare programs (Title IV-B), the Maternal and Child Health Block Grant, Substance Abuse grant programs, and a limited match for the Children's Health Insurance Program. This entire list is directed at the health and well-being of children and families most in need of assistance.

The remainder of expected revenues from the legislation will go to protect tobacco farmers and to provide assistance to their communities, through the mechanisms of the LEAF Act.

Finally, excess revenues will go to the Medicare program.

Q. **But how can the President sign a bill that does not contain real funding for child care or his class size initiative?**

A. 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), about 45% of the funds, or approximately $5.5 billion over 5 years, could go to child care.

Q. **Would you support an amendment to raise the price per pack from $1.10 to $1.50? The public health groups believe $1.50 is necessary to reduce youth smoking.**

A. The President called for a $1.10 per-pack price increase in his budget, because this is the increase that the Administration estimates is necessary to meet our youth smoking reduction targets. We have not changed this position. The President, however, will sign a comprehensive tobacco bill meeting his principles that contains a $1.50 per-pack price increase.

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 negotiations with Senators McCain and Hollings significantly strengthened 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, eliminating the antitrust exemption, improving the liability provisions, and funding the President's public health priorities. We have always said, starting with our budget, that a $1.10 per-pack price increase will ensure that we meet the President's youth smoking target, and we have no reason to deviate from that position. The President, however, 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, the Administration will hardly object

Q: Yesterday, Senator Gregg, Dr. Koop, and Dr. Kessler held 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. How exactly were the liability provisions improved in Senator McCain's Manager's Amendment?

A. Senator McCain's Manager's Amendment contains key improvements in the bill's civil liability provisions. These changes include:

- Ensuring that the bill's liability provisions -- i.e., the settlement of state lawsuits and the annual damages cap -- apply only to companies that agree to accept sweeping advertising restrictions and to comply with the key terms of the law, even if those provisions are struck down;

- Raising the annual liability cap from $6.5 billion to $8 billion (the same amount as in the Chafee-Harkin bill), with all damage judgements to be paid by the industry;

- Strengthening the provisions in the bill that link liability protections to the achievement of youth smoking targets, by removing liability protections from a company that misses its targets by 20 percent or more unless it proves that it used best efforts to reduce youth smoking;

- Permitting suits against parent companies and affiliates of tobacco manufacturers, as well as their attorneys;

- Ensuring that individuals with tobacco-related disease can use evidence of their addiction in suits against tobacco companies; and

- Ensuring that tobacco companies cannot escape their obligations by making fraudulent transfers or declaring bankruptcy.

In addition, the manager's amendment retains important provisions from the underlying bill:

- The bill contains no limits on class action lawsuits and does not limit the amount that anyone can recover from a tobacco company; and

- The bill assists plaintiffs who have minimal resources in suing big tobacco companies by creating judicial presumptions that the use of tobacco causes a wide array of diseases.

Q. How have the lookback provisions changed in the Manager's Amendment?

A. Unlike the underlying bill, which contained only industry-wide surcharges, the manager's amendment contains important company specific surcharges that will provide each company with a powerful incentive to change their behavior and stop marketing to kids. In addition, the manager's amendment strengthens the industry-wide surcharge.

- The manager's amendment contains an uncapped company-specific surcharge of $1,000 per youth smoker for every youth smoker by which the company misses its youth smoking targets. This surcharge represents <u>twice</u> the lifetime profits that a company earns from any youth smoker. The companies will not be able to pass these company-specific surcharges onto price, because any price differential between companies will dramatically affect their share of the adult market.

  At the levels specified in the manager's amendment, company specific surcharges will reduce <u>profits</u> by $640 million for every 10 points. The Treasury Department and OMB estimate that a 20-point miss in 2003 would represent one-third of total industry profits. By affecting their bottom line in this dramatic fashion, the company-specific surcharges in the manager's amendment will provide a significant incentive for tobacco companies to change their behavior and reduce sales to children.

- The manager's package also raises the cap on industry-wide lookback surcharges from $3.5 billion per year to $4 billion per year. The Treasury Department and OMB estimate that if targets are not met and the full $4 billion industry-wide surcharge is levied, the price of a pack of cigarettes will rise by about 35 cents.

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" international provisions 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 on advertising and marketing overseas 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: What is the President's position on capping attorneys fees?

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.

Q. Why do you focus on tobacco but ignore drugs?

A. We are not by any means ignoring drugs. In fact, under the spending provisions that we negotiated in the McCain bill, states may use their designated funds for substance abuse treatment and prevention programs and the Safe and Drug Free Schools program. In addition, the President has a comprehensive proposal to target drugs. Nobody disagrees about the need to be tough on drug use, but that is no excuse to be less than tough on youth smoking.

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, sudh 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.

Talking points on the State Tobacco Settlement Funds and Child Care

The Administration has been negotiating with Senator McCain and the National Governors Association on the state allocation of the tobacco settlement funds. Our negotiations have resulted in Senator McCain adopting as a manager's amendment a measure that would allocate $12.5 billion over five years for states to draw from for seven program options, the largest of which is the Child Care and Development Block Grant. We believe this will result in a significant expansion of child care and that it is an important first step in our efforts to ensure child care is more affordable, accessible and safe.

- **Tobacco legislation is at risk**. If our efforts to reduce teen smoking are going to be successful, tobacco legislation <u>must</u> pass the floor of the Senate this week -- before Memorial Day. A significant number of Republicans, including the leadership, are looking for any and all excuses to walk away from tobacco legislation. Their best cover would be NGA opposition to the Senate bill, particularly because the Governors began the tobacco suits in the first place. Given the current Congress and the difficulty we have encountered in the appropriations process, including child care as part of tobacco legislation is an important step to advance child care.

- **Where we began: Harkin-Chafee**. We had to begin discussions with the NGA with Harkin-Chafee language --which is extremely flawed. That legislation gave states 50 percent outright to spend as they please from the $25 billion overall allocated to the states, and only nominally restricted the other 50 percent. In fact, Harkin-Chafee included 20 program options for the restricted share, including Medicaid and the Social Services Block Grant (which does not require a state match).

- **What we got: Children's programs**. We succeeded in narrowing the list of options for the 50 percent restricted funds -- which is $12.5 billion over five years -- to seven programs, six of which are exclusively for children. The seventh program, Substance Abuse and Mental Health Administration programs, also has a significant focus on youth. This entire list is directed at the health and well-being of children and families most in need of assistance.

- **Child care is the largest program in the spending options**. Of the seven spending options, the Child Care and Development Block Grant is the single largest program. <u>Thus, if states increased all program spending proportionately, child care would receive about $5 billion in additional Federal funds over 5 years</u>. And compared to other options on the list, the child care block grant has a lower match, thereby making it even more attractive to states. Therefore, spending on child care could be considerably higher.

- **States have flexibility to spend more**. If the demand for child care continues to grow in the coming years as more people move from welfare to work under welfare reform, states have the flexibility to invest a greater and greater share of overall expenditures on child care.

- **Strong commitment to child care**. Under the President's proposal, only one third of his child care initiative was to be paid for through tobacco legislation. The Administration strongly supports further Congressional action to direct substantial new federal funding to all the components of the President's child care initiative, including: subsidies for low income working families; child care tax credits for other working families; tax credits for business investments in child care; challenge grants to states and communities to improve the quality of child care and early childhood services; grants to schools and communities for after-school care; scholarships for child care works; funding for standards enforcement; and research and evaluation activities.

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DRAFT MEMORANDUM

May 18, 1998

TO: Erskine Bowles

FR: Bruce Reed and Chris Jennings

RE: NGA Agreement

cc: Larry Stein, Elena Kagan, Janet Murguia, Josh Gotbaum

Attached is a one page summary of the agreement we reached with NGA on Friday night regarding the allocation of the Federal portion of the state spending options. Keeping in mind the interests of all the parties, we believe we achieved a strong agreement. It has the support of OMB, HHS, and, of course, DPC. In short, we agreed to:

- **Commit that states would be allocated $196 billion from the overall Federal settlement.** (The $196 figure is viewed as a sacred, inviolable number.) Since we are now assuming a $500 billion (or so) total from the legislation, the 40 percent state investment figure we have been carrying matches well with this number.

- **Use the restricted funds for seven existing programs related to children or health.** Among these, child care is the largest programmatic option. We succeeded in eliminating over 10 categories that the states desired; in so doing, we also were successful in assuring that grant options that could syphon large dollars away from our priorities did not make this list.

- **A 50/50 split between restricted versus unrestricted funds.** We reached an agreement on the 50/50 split because we allowed the states to spend a portion of their restricted dollars (about 5 percent) on buying down the state portion of the state match of the new Childrens Health Insurance Program (CHIP).

- **Include strong language prohibiting substitution of Federal for State funds.** This language assures maintenance of effort requirements for the grant options that now have a state match.

The Governors did succeed in taking our class size program off the list. We agreed to remove it only after it became clear than any compromise on this issue would only serve to water down our education priorities to the extent that it would be viewed as a loss. The DPC, NEC, and OMB Education advisors all concurred with this decision.

The result of our compromise makes it a virtually certainty that significant, new dollars will be invested in child care by the states. Realizing this, the child care advocates within the White House are generally quite pleased. We have asked them to try to get some validation in this regard. Unfortunately, and not too surprisingly, the child advocates want more money and more strings than our compromise guarantees. Therefore, they probably cannot be counted on to say anything overly positive in public until the last vote is counted.

Finally, over the weekend, we had a number of conversations with both NGA and the advocates of various Administration priorities. It became clear that we were likely headed towards a difficult predicament on expected Senator floor amendments. On the one hand, if we supported expected Democratic amendments (e.g., a more restrictive child care amendment), we risked the understandable wrath of the NGA and be accused of bargaining in bad faith. If on the other hand we opposed these amendments, many on our side of the aisle would criticize us for not even supporting our own budget priorities.

Legislative Amendment Strategy Compromise. Our recommendation to deal with this situation is to oppose all amendments that modify the aggregate state allotments. In addition, we would oppose state directed spending beyond our agreement unless it largely mirrors our budget priorities. If any amendment reflects our budget priorities, we would shift to a more positive "do not oppose" position. NGA reluctantly accepted this position (but did not like it because it felt it violated the letter and spirit of our compromise.) They were swayed by our argument that it was unlikely that many of our priorities had a chance of passing. They did insist, however, that we start opposing amendments if the Democratic amendments start winning. We tentatively agreed to this strategy on Sunday. (Pending conversation with Gene, Bruce, Larry S., etc.)

Nicole R. Rabner

05/14/98 07:07:12 PM

Record Type: Record

To: Laura Emmett/WHO/EOP

cc: Jennifer L. Klein/OPD/EOP, Neera Tanden/WHO/EOP
Subject: Re: POTUS Press Conference Monday

Here's an additional Q&A for consideration:

Q. Are you retreating from your commitment to child care?

A. I am committed to making child care better, safer, and more affordable for America's families. It's the right thing to do, and I will continue to urge the Congress to direct significant new funding to child care.

I believe that the best way to spend revenue from a tobacco bill is on children -- specifically, on child care and education. However, I have always said that I would never stand in the way of a tobacco bill that actually reduced childhood smoking because of a disagreement about how to invest the money.

TALKING POINTS ON TOBACCO/CHILD CARE
JUNE 14, 1998

- As you know, negotiations with Senate Republicans on tobacco legislation has been extremely difficult -- it has been particularly difficult to make any headway on the President's tobacco-related spending priorities. Anything viewed as a Presidential priority has been met with significant resistance.

- What is likely to happen in terms of spending the federal share of the tobacco bill is a small menu of spending options for states on which child care is prominently featured.

- The President and the Administration remain committed to substantial new investments to help working parents pay for child care, to improve the safety and quality of care, and to increase the supply of quality child care services. The Administration will continue our efforts to gain Congressional support for the President's historic $21.3 billion child care initiative.

- As part of our efforts to expand investments in child care, the Administration will support provisions in the McCain tobacco bill to ensure that funding returned to the states be devoted, in part, to services and activities authorized under the Child Care and Development Block Grant. We are pleased that increased funding for child care subsidies through the block grant -- a centerpiece of the President's child care initiative -- will be prominently featured on this menu for states.

- The Administration strongly supports further Congressional action to direct substantial new federal funding to the components of the President's child care initiative, including: increased subsidies for low income working families; enhanced child care tax credits for other working families; tax credits for business investments in child care; challenge grants to states and communities to improve the quality of child care and early childhood services; grants to schools and communities for after-school care; scholarships for child care works; and increased funding for standards enforcement; and research and evaluation activities.

Administration Calls Re: Tobacco/Child Care

Erskine:

Sen. Kennedy
Sen. Dodd
Sen. Kerry
Sen. Chafee
Rep. Gephardt

Bruce or Larry:
Rep. Fazio
Rep. DeLauro
Rep. Norton
Rep. Tauscher
Rep. Woolsey
Rep. Levin
Rep. Kennelly
Rep. Lowey

We've not there yet

Big Questions

Will the Administration support Senate floor amendments to the tobacco bill to direct the federal share of tobacco funds to child care?

What will the Administration propose to prevent states from using these funds to supplant current state funding for the CCDBG?

What other offsets has the Administration identified to fund the child care initiative?

Does this represent a retreat in the Administration's commitment to child care?

United States Senate

WASHINGTON, DC 20510

May 13, 1998

Dear Colleague:

On May 18, the Senate is scheduled to begin debate on landmark tobacco legislation. We have an unprecedented opportunity to save the lives of millions of American children. It is time for Democrats and Republicans to come together to enact a comprehensive strategy for achieving an urgent national goal -- a dramatic reduction in teenage smoking.

The facts are clear. Each day we wait, 3,000 children start smoking -- one million each year. And without effective action, 5 million Americans will die young as a result of tobacco, and their smoking-related illnesses will impose $200 billion in purely preventable health care costs.

Today, we urge you to consider one important component of an overall action plan for reducing teen smoking which we believe has not received the attention it deserves -- an investment in prevention programs designed to help children develop the ability to say no to tobacco. Scientific studies have demonstrated that early childhood development and constructive after-school activities can be powerful tools for promoting healthy development and establishing a strong sense of self-worth, thereby helping significantly to reduce the incidence of teen smoking.

Recently, there has been considerable focus and attention on the importance of the first three years of life to healthy brain growth and development. It is during these formative years that the foundation is laid for the self-esteem needed later to make smart choices and to avoid risky behaviors such as smoking. If we want our children to grow up healthy and able to resist the allure of smoking, early nurturing and stimulation is essential.

Constructive after-school and summer activities are also closely linked to our public health goal of reducing teen smoking. Studies show that the 5 million children left home alone during after-school hours are far more likely to engage in risky behaviors such as smoking, drinking, and using drugs. After all, these children too often lack structure and support, and as a result are vulnerable to peer pressure and Big Tobacco's manipulation. In contrast, children who participate in constructive after-school activities are less likely to smoke and more likely to succeed. This is a dramatically under-utilized, common sense solution crying out for expansion.

The McCain bill, which passed the Commerce Committee by a vote of 19 to 1, highlighted the critical importance of these essential prevention programs by designating child care and early childhood development as a priority area for the investment of tobacco revenues. We now urge you to support an effort to earmark $20 billion over five years to carry out these anti-smoking programs through the flexible and well established Child Care and Development Block Grant.

While no single strategy alone will curb teen smoking, these programs are a vital part of a comprehensive action plan that undoubtedly will save lives. In endorsing this proposal, Dr. T. Berry Brazelton, our nation's foremost pediatrician, said: "As a prescription for preventing teen smoking, I'd say these programs are just what the doctor ordered."

If you would like to support this effort and to work with us to develop the amendment language to accomplish this objective, please let us know or ask your staff to contact David Kass in Senator Kerry's office (4-2960), Stephanie Robinson in Senator Kennedy's office (4-7675), Jeanne Ireland in Senator Dodd's office (4-2831), Roger Wolfson in Senator Wellstone's office (4-5641), Greg Williamson in Senator Murray's office (4-2621), and Tom Faletti in Senator Durbin's office (4-2152).

Sincerely,

Chris Dodd

Paul Wellstone

Patty Murray

To: Jen
Fr: Neera

Tobacco Q&A's
May 15, 1998

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

A. The President called for a $1.10 per-pack price increase in his budget, because this is the increase that the Administration estimates is necessary to meet our youth smoking reduction targets. We have not changed this position. We are, of course, extremely pleased that the Senate Finance Committee recognized that a substantial price increase is necessary to reduce youth smoking. The President certainly will sign a comprehensive tobacco bill meeting his 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. We 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 President's public health priorities.

Q. Haven't you caved on the President's demands 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. We expect states to spend a significant a portion of their funding in these two areas. We also expect an amendment to come to the floor designating additional funding for child care. While we have not seen the text of the amendment yet, we 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 President's public health priorities. We have always said, starting with our budget, that a $1.10 per-pack price increase will ensure that we meet the President's youth smoking target, and we have no reason to deviate from that position. The President 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, the Administration will hardly object

STATE TOBACCO SETTLEMENT FUNDS

May 15, 1998

- **$196 billion over 25 years** from the legislation will be allocated to states from a trust fund. These grants will be a mandatory, permanent appropriation. Federal spending for new options on children's health outreach will be netted from this amount.

- **50 percent** of the grants may be used by states for any purpose. The remaining 50 percent will be used for specified restricted purposes, described below.

- **Options for restricted funds.** States can use the restricted funds in any amount that they choose (except for CHIP) to add to any one or all of the following options:

  - Substance Abuse and Mental Health Services Administration grant programs
  - Maternal and Child Health Bureau's Title V program
  - Child Care and Development Block Grant
  - Child welfare programs (Title IV-B)
  - Safe and Drug-Free Schools program
  - Professional Development (Eisenhower) grants
  - Match for the Children's Health Insurance Program (limited to 5 percent of restricted funds)

- **Each program's current matching rules** will be used except for an increased Federal match of 80 percent for child care block grant funds above the appropriated amount.

- **Supplement, not supplanting spending:** Funds from the restricted portion of the grants may not be used as state match for Federal programs (except for CHIP). There will be a maintenance of effort on a program-specific basis, that consists of:

  - 95 percent of the FFY 1997 state spending on the programs listed below, trended by the lower of inflation (CPI) or the Federal appropriation growth.

- **Options for the use of restricted funds will be re-assessed every 5 years.** An independent organization (e.g., General Accounting Office or National Academy of Sciences) will conduct evaluations and assessments of spending options every 5 years, and make recommendations on improvements.

DRAFT DRAFT DRAFT

Talking points on the State Tobacco Settlement Funds and Child Care

- **Tobacco legislation is at risk.** If tobacco legislation is going to have any chance of passing Congress this year, it must pass the floor of the Senate this week -- before Memorial Day. A significant number of Republicans, including the leadership, are looking for any and all excuses to walk away from tobacco legislation. Their best cover would be NGA opposition to the Senate bill, particularly because the Governors began these suits in the first place. And if we lose tobacco legislation, it is very possible that the current Congress would allocate no additional money for child care this year. Thus far, the Congress is fighting all the President's priorities in the appropriations process.

- **Where we began: Harkin-Chafee.** We had to begin discussions with the NGA with Harkin-Chafee language --which is extremely flawed. That legislation not only gave states 50 percent outright to spend as they please, the other 50 percent was only nominally restricted. In fact, the restricted share had 20 program options, including Medicaid and the Social Services Block Grant, which is 100 percent Federal (no match). This means that states could have simply put all their money into that program and basically have 100 percent unrestricted funds.

- **What we got: Children's programs.** We succeeded in narrowing the list of options for the 50 percent restricted funds -- which is $12.5 billion over five years -- to seven programs, six of which are exclusively for children. And the seventh program option, Substance Abuse and Mental Health Administration programs, also has a significant focus on youth. This entire list is directed at the health and well-being of children and families most in need of assistance.

- **Child care is the largest program in the spending options.** Of the seven spending options, the Child Care and Development Block Grant is the single largest program option. Thus, if states increased all program spending proportionately, child care would receive about $5 billion in additional Federal funds over 5 years. And compared to other options on the list, the child care block grant has a lower match, thereby making it even more attractive to states. Therefore, spending on child care could be considerably higher.

- **States have flexibility to spend more.** If states experience a huge demand for child care in the coming years as welfare reform requires more and more people to work, this set of restricted funds gives states the flexibility to invest a greater and greater share of the overall expenditures on child care as their demand increases.

- **Strong commitment to child care.** We will continue to work for our child care initiative, which calls for over $20 billion over five years to help working families pay for child care, build a good supply of after-school programs, improve the safety and quality of care, and promote early learning. Under the President's proposal, only one third of it was to be paid for through tobacco legislation; we will still fight for the President's child care priorities in the appropriations process. The Administration strongly supports further Congressional action to direct substantial new federal funding to the components of the President's child care initiative, including: increased subsidies for low income working families; enhanced child care tax credits for other working families; tax credits for business investments in child care; challenge grants to states and communities to improve the quality of child care and early childhood services; grants to schools and communities for after-school care; scholarships for child care works; and increased funding for standards enforcement; and research and evaluation activities.

AGREEMENT ON FEDERAL SHARE OF STATE FUNDS (5/15/98)

Note: Assumes that this agreement is good only through the Senate Debate

PROVISION	Original Admin.	NGA Offer	Possible Agreement
Dollars	--	\$196 b / 25 (no compromise)	\$196 b / 25 years
Fund Flow	Through Federal Trust Fund	Directly to States (McCain)	Through Federal Trust Fund
Restricted v. Unrestricted	57/43	40/60	50/50
Maintenance of Effort	Program-specific 100% of 1997, trended at CPI	None	Program-specific 95% of 1997, trended at lower of CPI or Fed. approp. growth
Reassessment of Spending Options	None	Statutory spending options (and maintenance of effort) expire after 10 years or so	Reassess priorities every 5 years (separate legislation required for change)
Children's Outreach	Budget proposal / approach (\$400 m / 5)	None	Budget proposal / approach (\$400 m / 5)
SPENDING OPTIONS: Agreed To	Substance Abuse Prevention, & Treatment Block Grant Maternal & Child Health Child Care& Dev' Bl Grant (mandatory) (80/20 match) Child welfare programs (non-entitlement) Safe & Drug-Free Schools	Substance Abuse Prevention, Treatment, & Mental Health Maternal & Child Health Child Care & Dev' Bl Grant (mandatory) (80/20 match) Child welfare programs (non-entitlement) Professional development (Eisenhower) grants State share of CHIP	Substance Abuse & Mental Health Services Administration (\$1.6 billion, MOE) Maternal & Child Health Title V: (\$700 million, 57% match) Child Care & Dev' Bl Grant (\$2.? b, FMAP then 80/20) Child welfare programs (IV-B: \$500 m, 75/25 match) Safe & Drug-Free Schools (\$500 m) Professional development (Eisenhower) grants (\$350 m) State share of CHIP up to 5%
Rejected	Reduce class size/teacher quality grant (new program)	**Individuals w/Disabilities Education Act** **Social Services (Title XX)** **Head Start** **Title VI Education Grants** **Educ. Technology Grants** Preventive Services Grant Uninsured adults Family Preservation Child Nutrition (WIC) Even Start	

Talking points on the State Tobacco Settlement Funds and Child Care

- **Tobacco legislation is at risk.** If tobacco legislation is going to have any chance of passing Congress this year, it must pass the floor of the Senate this week -- before Memorial Day. A significant number of Republicans, including the leadership, are looking for any and all excuses to walk away from tobacco legislation. Their best cover would be NGA opposition to the Senate bill, particularly because the Governors began these suits in the first place. And if we lose tobacco legislation, it is very possible that the current Congress would allocate no additional money for child care this year. Thus far, the Congress is fighting all the President's priorities in the appropriations process.

- **Where we began: Harkin-Chafee.** We had to begin discussions with the NGA with Harkin-Chafee language --which is extremely flawed. That legislation not only gave states 50 percent outright to spend as they please, the other 50 percent was only nominally restricted. In fact, the restricted share had 20 program options, including Medicaid and the Social Services Block Grant, which is 100 percent Federal (no match). This means that states could have simply put all their money into that program and basically have 100 percent unrestricted funds.

- **What we got: Children's programs.** We succeeded in narrowing the list of options for the 50 percent restricted funds -- which is $12.5 billion over five years -- to seven programs, six of which are exclusively for children. And the seventh program option, Substance Abuse and Mental Health Administration programs, also has a significant focus on youth. This entire list is directed at the health and well-being of children and families most in need of assistance.

- **Child care is the largest program in the spending options.** Of the seven spending options, the Child Care and Development Block Grant is the single largest program option. Thus, if states increased all program spending proportionately, child care would receive about $5 billion in additional Federal funds over 5 years. And compared to other options on the list, the child care block grant has a lower match, thereby making it even more attractive to states. Therefore, spending on child care could be considerably higher.

- **States have flexibility to spend more.** If states experience a huge demand for child care in the coming years as welfare reform requires more and more people to work, this set of restricted funds gives states the flexibility to invest a greater and greater share of the overall expenditures on child care as their demand increases.

- **Generally, no guarantee of state draw down under the block grant.** If Congress passed additional funding for the Child Care and Development Block Grant separate and apart from tobacco legislation, we should keep in mind that there would be no guarantee that states would draw down the money under those circumstances either.

?

Remains committed to child care package

Good for children
Good for child care | not all we wanted, but important step

Draft Amendment Strategy

- We oppose any amendment that changes either the overall allocation of the tobacco funds (40 percent for states) or the split between the restricted and unrestricted (50 / 50) within the state funds.

- We oppose any amendment that changes the uses of the restricted share of the state funds, with three conditions:

  - We will not oppose (but not actively support) amendments that reflect Administration budget priorities.

  - We will oppose amendments that totally prescribe (e.g., fixed percentages for each spending option) the restricted share of the state funds, even if one of the options is an Administration budget priority.

  - If an amendment that we have not opposed related to one of our priorities passes, then we agree to oppose all subsequent amendments, even if they relate to one of our priorities.

To: Jen – Does this look ok?
Fr. Jeanne

STATE TOBACCO SETTLEMENT FUNDS

May 15, 1998

- **$196 billion over 25 years** from the legislation will be allocated to states from a trust fund. These grants will be a mandatory, permanent appropriation. Federal spending for new options on children's health outreach will be netted from this amount.

- **50 percent** of the grants may be used by states for any purpose. The remaining 50 percent will be used for specified restricted purposes, described below.

- **Options for restricted funds**. States can use the restricted funds in any amount that they choose (except for CHIP) to add to any one or all of the following options:

  - Substance Abuse and Mental Health Services Administration grant programs
  - Maternal and Child Health Bureau's Title V program
  - Child Care and Development Block Grant
  - Child welfare programs (Title IV-B)
  - Safe and Drug-Free Schools program
  - Professional Development (Eisenhower) grants
  - Match for the Children's Health Insurance Program (limited to 5 percent of restricted funds)

- **Each program's current matching rules** will be used except for an increased Federal match of 80 percent for child care block grant funds above the appropriated amount.

- **Supplement, not supplanting spending**: Funds from the restricted portion of the grants may not be used as state match for Federal programs (except for CHIP). There will be a maintenance of effort on a program-specific basis, that consists of:

  - 95 percent of the FFY 1997 state spending on the programs listed below, trended by the lower of inflation (CPI) or the Federal appropriation growth.

- **Options for the use of restricted funds will be re-assessed every 5 years**. An independent organization (e.g., General Accounting Office or National Academy of Sciences) will conduct evaluations and assessments of spending options every 5 years, and make recommendations on improvements.

DATE:

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
200 INDEPENDENCE AVE., SW
WASHINGTON, D.C. 20201

PHONE: (202) 690-6311 FAX: (202) 690-8425

OFFICE OF THE ASSISTANT SECRETARY FOR LEGISLATION
HUMAN SERVICES LEGISLATION
ROOM 413 H HUMPHREY BUILDING

TO : Jen

OFFICE :

ROOM NO :

PHONE NO :

FAX NO : 456-2878

TOTAL PAGES
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FROM:

[ ] MARY M. BOURDETTE

[ ] BARBARA P. CLARK

[ ] GREG JONES

[ ] PATRICIA BRAVO

[ ] AMY LOCKHART

[ ] LAUREN GRIFFIN

[ ] LULA BARNES

REMARKS:

Urgent

National Journal
CongressDailyAM

MONDAY TUESDAY **WEDNESDAY** THURSDAY FRIDAY
MAY 13, 1998

Roth Offers Proposal For Spending Tobacco Revenues

HEALTH

SENATE FINANCE CHAIRMAN **Roth** in a closed-door meeting Tuesday handed committee members a new proposal for spending revenues from **Senate Commerce Chairman McCain**'s tobacco legislation, including the designation of $18 billion over five years and $47 billion over 10 years for healthcare-related tax cuts. The money would allow the self-employed and workers whose companies do not provide insurance to deduct 100 percent of their premiums.

Also, at a total cost of $4 billion over five years, Roth would grant tax credits for work opportunity and welfare-to-work programs, contributions of appreciated stock to private foundations, and unspecified "research and development," according to a copy of the proposal obtained by *CongressDaily*. Roth's plan also includes unspecified funding for National Institutes of Health research, **Agriculture Chairman Lugar**'s tobacco-program buyout, and a teen smoking cessation program.

One knowledgeable source said there is also "general agreement" among committee members that the McCain bill's annual fees should be converted to excise taxes. **Majority Whip Nickles**, a Finance Committee member, expressed concern that the McCain bill contains a large tax increase, and that the legislation is off-budget.

The meeting was attended by 15 of the 20 panel members, who appeared to be unanimous in *continued on page 6*

D'Amato Threatens Floor 'Mayhem'

HEALTH

ANGRY RHETORIC between supporters of "patient protection" requirements for health plans heated up in the Senate Tuesday afternoon — in the wake of a failed effort earlier in the day to bring up legislation to bar plans from requiring outpatient mastectomies and to require them to pay for reconstructive surgery for breast cancer patients.

Senate Banking Chairman D'Amato, sponsor of the breast cancer bill, told reporters the Democratic Senate leadership "is holding hostage American women and their basic rights" by demanding to be permitted to amend the bill with their broader "Patient Bill of Rights" measure.

"You don't hold up good legislation on the altar of perfection," said D'Amato.

D'Amato also said he has no intention of backing down, and, in fact, plans to ratchet up his efforts.

"If we don't get a vote on this there will be mayhem in the Senate," he declared, adding, "I am prepared to do what's necessary, and if that means to shut the process down I will do it until we get a vote."

Among the bills D'Amato threatened to hold up are the Defense authorization, scheduled for floor action beginning Wednesday, the tobacco bill, scheduled for consideration next week, and — failing to block those — any of the appropriations bills.

Even **Senate Majority Leader Lott** conceded that D'Amato — who faces a tough battle for re-election in New York this year — is "very determined." And Lott said he is willing to work with D'Amato to see if some accommodation can be reached. "I expect at some point he will get" his bill passed, Lott said.

But wherever D'Amato goes, Democrats will be right behind, **Senate Minority Leader Daschle** told reporters. Daschle said D'Amato was wrong to blame Democrats for bogging down his bill with their more controversial measure.

"I think he has far greater problems on his side than on our side," Daschle said.

But opponents *continued on page 13*

▼ TODAY'S HIGHLIGHTS

Floor Schedule

Senate

Convenes at 9:30 a.m. to consider a motion to invoke cloture on the missile defense bill, and consider charitable contributions legislation. Roll call votes will begin at 11:30 a.m. and continue throughout the day.

House

Convenes at 9 a.m. to consider the Mandates Information Act and financial services reform legislation.

(Committee schedules begin on page 16.)

Inside Stories

Tobacco

Continued from page 1

agreeing to sign a letter that will be sent today to **Senate Majority Leader Lott** and **Minority Leader Daschle** demanding that the committee be permitted to mark up the revenue and trade-related portions of the McCain bill, according to a source present at the gathering.

Most members seemed extremely concerned that the committee's right to consider a revenue measure would be forever undermined if Lott continues not to grant the panel jurisdiction.

Finance ranking member Daniel Patrick Moynihan, D-N.Y., said if the committee loses jurisdiction over this bill, it may never get it back.

Committee members appeared confident the letter would force Lott's hand, and the consensus in the room was that Finance consideration of the bill would delay its presence on the floor beyond the Memorial Day recess.

Lott said he wants to consider the measure on May 18.

There may be a split in the GOP leadership about whether to allow the Finance markup, since at the meeting, Nickles appeared to be flexible on the issue.

Meanwhile, a bipartisan proposal that could dramatically alter McCain's tobacco bill is being hashed out by **Sens. Judd Gregg**, R-N.H., and **Kent Conrad**, D-N.D.

The two senators are planning to offer an amendment to the legislation that would gut the measure's civil liability provisions.

Though Gregg and Conrad are still working on the details, the amendment would eliminate the bill's central guarantee for the industry — a $6.5 billion cap on its annual payments to cover civil lawsuits.

Gregg and Conrad are also considering whether to try to strike other protections in addition to the cap, such as the bill's immunity for tobacco company corporate parents, affiliates and law firms, its ban on claims based on addiction, and its barring of evidence that the industry could have offered safer cigarettes.

Senate Finance members seemed extremely concerned that the panel's right to consider a revenue measure would be forever undermined if Majority Leader Lott continues to decline granting the panel jurisdiction over the tobacco bill.

A sense of the Senate resolution that would bar a grant of any immunity to the industry, offered by Gregg on March 31, was approved on a 79-19 vote. But many senators believe the motion did not address the caps contained in the McCain bill.

Several senators who have supported such caps, including McCain, favored the measure.

Cigarette makers have vowed to challenge the constitutionality of the McCain bill's penalties on companies for failure to reduce youth smoking by setting targets and restricting advertising.

Sources say the administration and McCain's staff are discussing ways to separate the provisions viewed as challengeable from the legislation, ensuring the rest of the measure would stand — even if the industry succeeded in tying up a portion of it in court.

According to one Senate Democratic aide, the administration believes the look-back provisions would be held ~~constitutional, so that the~~ small ~~portion of the bill that would be~~ severable from the rest may include some of the advertising restrictions, as well as a few other less-crucial provisions.

— *By Keith Koffler*

Groups Urge EPA To Order Sulfur Removed From Gasoline

ENVIRONMENT CLEAN AIR advocates turned out in force Tuesday to urge the EPA to take a hard line on the removal of sulfur from gasoline, saying the goals of the agency's other clean air initiatives — as well as the Kyoto climate change treaty — would be easier to meet as a result.

The call by the environmentalists came as the EPA is considering the need for cleaner motor vehicles and fuels. What the environmentalists want is for the federal government to limit gasoline sulfur nationally to roughly the same levels as gasoline in California — the only state that regulates its gasoline sulfur content.

But, said Paul Billings of the American Lung Association, the oil companies "are trying to broker a deal" that would allow for varying sulfur contents in gasoline sold across the country, as opposed to meeting a uniform standard.

Sulfur in the state of California is limited to 30 to 40 parts per million, while the rest of the country averages 330 parts per million, according to William Becker of the State and Territorial Air Pollution Program Administrators.

The environmental advocates also claimed that the sulfur in gasoline can actually undo a state's ability to attain or maintain compliance with the EPA's national ambient air quality standards governing ozone and particulate matter "for decades to come."

Becker said that could happen because sulfur poisons the catalytic converters used to clean tailpipe fuels of ozone, carbon monoxide and particulates from emissions.

A spokesman for the American Petroleum Institute said oil companies have volunteered to reduce sulfur levels in gasoline, but remain opposed to the idea of a uniform standard.

The spokesman said that by API's estimates even modest reductions could cost the industry in excess of $3.5 billion. "We don't need to have that kind of expensive gasoline sold everywhere in the country," the spokesman said.

—*By Pamela Newman-Barnett*

Comparison of State Spending Menus

Bills	McCain	Strawman Proposal	Conrad	Harkin/Chafee
Structure	"A State may use funds received under [the State Litigation Settlement Account] as the state determines appropriate."	Some unrestricted funding for states and a menu of 8 funding options, four of which have specified amounts.	Specified percentage of Trust Fund for various state programs and some unrestricted funding for states.	Specified percentage of Trust Funds amounts for state payments. Includes: 1) base payment (states can use at their discretion); 2) block grant (various specified options); 3) bonus pool for states who exceed youth smoking targets. For each state's total funds: - No **more** than 50% of each state's funds can be used at the state's discretion for any activities it chooses (#1); - No **less** than 50% must be used to augment a specified range of state and federal programs (#2).
List of Items/Ear marks	None.	Some unrestricted funding of a certain percentage (X%). State spending options (Y %): 1) Tobacco Cessation* 2) Smoking Prevention* 3) Education & Counteradvertising* ~~4) Child Care~~ 5) Medicaid Outreach 6) Education/School Construction 7) Education/Class Size 8) Child welfare 9) WIC 10) Maternal & Child Health BG *Specific amounts (from the Budget) required to be spent on these items.	A) Some unrestricted funding for states. Specific Earmarks for: 1) Child Care/Early Development ($13.9 billion) 2) Class Size ($4.9 billion) 3) Medicaid Outreach/Enrollment ($3.3 billion)	Block grants (#2) can be used for the following 20 programs: - **State** programs under MCH Block Grant, SAMHSA, Preventive Health Block Grant, TANF, WIC, IDEA Part B, SSBG and CSBG, Food Stamps, LIHEAP, Medical Assistance Programs, and for: - **Federal** programs: Head Start, Even Start, CHCs, child welfare, federally funded child care programs, child abuse, education programs, CHIP, federally-funded child care programs, other anti-tobacco/health progra

AGENDA
May 8, 1998

1. Legislative Update

- Where are we on child care?
- Where are we on tobacco?
- How does child care fit into the tobacco strategy? What is the endgame?
- Aside from tobaccco, what are the other vehicles for accomplishing something on child care?

2. Message

- How can we work around the message coming from advocates and Senate Democrats about the link between tobacco and child care?

UNITED STATES SENATE

COMMITTEE ON LABOR AND HUMAN RESOURCES
WASHINGTON, DC 20510-6300

DATE:

TO: Jennifer Klein

FAX #: 456-2878

FROM: Stephanie Robinson

Fax: 202-224-3533
Phone: 202-224-7675

TOTAL PAGES: 3 (including cover)

IF THERE IS ANY TROUBLE RECEIVING THIS FAX, PLEASE CALL (202) 224-7675.

MESSAGE:

National Tobacco - Control Legislation Should Invest Money to Prevent Youth Smoking

Early childhood development and after school programs are major parts of the effort to curb teen smoking and promote a healthy future for children. Tobacco control programs should include: youth cessation, prevention, and education programs, as well as behavioral and cultural research in highly affected communities.

THE PROBLEM:

For decades, the tobacco industry has specifically capitalized on the vulnerability of both children and disadvantaged and minority communities. Reported recent increases in rates of smoking among African-American and Hispanic high school students are cause for social concern.

The cynical strategy of the tobacco industry has been to hook their "future customers" -- today's youth-- to ensure long- term profits. One company even paid to insert smoking scenes into popular movies, such as the Muppets, in order to observe attitudes towards smoking by children as young as 5.

As a result of these shocking tactics, more than 3 million American teenagers smoke. Each day 3,000 more children start smoking -- one every 30 seconds; 5 million children will die prematurely from tobacco, imposing $200 billion in future health costs. The greatest potential for future savings in both public and private health cost can be achieved by stopping children from smoking.

THE SOLUTION:

Smoking is the leading cause of preventable death in the United States. Children -- particularly minority children -- certain racial and ethnic minority populations, and low- income communities are at high risk for using tobacco and often bear a disproportionate share of the human and economic costs of tobacco use. We must use every tool at our disposal to reduce tobacco use among children.

1. **Prevention:** We must develop effective prevention programs. We will only succeed if we enlist early childhood development, social, behavioral, public health, clinical and biomedical researchers and practitioners to join together to pursue effective strategies to prevent tobacco use among children.

2. **Early Childhood Development & Care:** Smoking has an adverse effect on infant mortality and early childhood development. Research demonstrates that brain development in the first three years of life is critical to every child's healthy development. Smoking stunts children's growth and impairs their abilities.

We can do more to see that healthy relationships are formed in these critical early years, and that young children learn social as opposed to anti-social behavior. Such positive lessons can help children resist advertising and other forms of pressure to engage in cigarette smoking. Numerous studies show that young children who develop healthy behavior and enter school ready to learn are less likely to begin smoking.

After School Programs: After-school and summer programs are positive anti-smoking steps that keep children involved in constructive activities, and also provide opportunities to present anti-smoking strategies.

The nearly 5 million children left home alone in the afternoon are twice as likely to give in to negative peer pressure and to engage in risky behavior that jeopardizes their future. These are precisely the teens targeted by the tobacco industry.

Anti-smoking curricula from various organizations including Girls Inc., Boston's Ten Point Coalition, and the Minnesota Prevention Resource Center's "Send the Camel Packing" have been effectively incorporated into community after-school programs.

McCAIN BILL/DEMOCRATIC STRATEGY:

The Commerce Committee voted 19-1 to designate child care as one of the priority areas for investment of tobacco revenues generated by the bipartisan McCain bill. The bill also has authorizing language for child care.

President Clinton and Democrats have identified child care as a top priority for this year. We can significantly strengthen child development by protecting children from tobacco and investing in their healthy development. Minority and low-income children are disproportionately affected by smoking and are targeted in tobacco industry advertising. The American people strongly support using tobacco revenues for children's programs. In fact, in a January 1998 Celinda Lake poll, 83% of the public agree that tobacco revenues should be invested in child care and child development programs. Using tobacco revenues for children's programs is a win-win strategy for America.

Child Care and After-School Programs Curb Teen Smoking and Promote a Healthy Future for Children

For decades, the tobacco industry has preyed on America's children, stunting their growth and stealing their futures.

- The tobacco industry specifically sought to capitalize on the vulnerability of children; hooking their "future customers" young to ensure long-term profits. One company even paid to insert smoking scenes into popular movies, such as the Muppets, to observe the attitudes towards smoking of children as young as 5. As a result of these calculated efforts:
  - ✓ more than 3 million American teenagers smoke;
  - ✓ each day, 3,000 children start smoking -- one every 30 seconds;
  - ✓ last year over 16 million American children were projected to start smoking; the average teen smoker starts at the age of 13 and is hooked by the age of 14 and a half (90% of adult smokers start by age 18).
  - ✓ 1 out of 3 teen smokers will die from tobacco, imposing $200 billion in health costs.

Increasing the price of cigarettes and investing $20 billion in the Child Care and Development Block Grant over five years for child care and after-school activities will curb teen smoking and promote the healthy development of our children.

- Quality after-school activities are extremely important to preventing teen smoking. Studies are clear that the nearly *5 million children left home alone* in the afternoon are much more likely to give in to negative peer pressure or alluring market schemes, and to engage in destructive and addictive behaviors that jeopardize their futures. These are precisely the teens targeted by the tobacco industry. Research has shown that 13 year olds left home alone are significantly more likely to smoke cigarettes, drink alcohol, and experiment with drugs -- and those children who participated in constructive after-school activities are less likely to smoke or engage in other risky behaviors.
- After-school and summer programs are positive smoking prevention tools that not only keep children involved in valuable, constructive activities -- but provide a unique opportunity to teach them about the dangers of tobacco and equip them with the skills needed to make important life and death decisions. Anti-smoking curriculum from various organizations including Girls, Inc.'s "Stamp Out Smoking" and the Boys and Girls Clubs' "Smart Moves" have been effectively incorporated into community after-school programs.

- Recent research demonstrates that the first three years of life are critical to brain development and to laying the foundation for positive self esteem. Quality early childhood programs can made a difference in children's lives by stimulating growth and age appropriate development and by getting children prepared to enter school ready to learn -- in short, quality child care helps to lay a sound foundation for a healthy future.

The McCain bill, which passed the Commerce Committee by a vote of 19-1, designates child care and after-school activities as one of the priority areas for investment of tobacco revenue.

More than 100 national organizations now call on the Senate to ensure the inclusion of child care and after-school activities in tobacco legislation to be considered the week of May 18th.

MAKE PROMOTING A HEALTHY FUTURE FOR CHILDREN A TOP PRIORITY.

Child Care and After School Programs Curb Teen Smoking and Promote the Healthy Development of our Children

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  - √ more than 3 million American teenagers smoke;
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  - √ 1 out of 3 teen smokers will die from tobacco, imposing $200 billion in health costs;

Increasing the price of cigarettes and investing $20 billion over five years in child care and after-school activities will help to curb teen smoking and promote the healthy development of our children.

- Recent research demonstrates that brain development in the first three years of life is critical to laying the foundation for positive self esteem, smart decision making, and the ability to later avoid health-threatening habits. Babies and toddlers need to spend time in safe, smoke-free, and stimulating environments while their parents work if they are to develop this solid foundation. Yet 9 out of 10 low-income children eligible for federal child care assistance currently do not receive it and are therefore vulnerable to later saying yes to smoking and other substance use.

- Quality after-school activities are also extremely important to preventing teen smoking. Studies are clear that the nearly *5 million children left home alone* in the afternoon are much more likely to give in to negative peer pressure or alluring marketing schemes, and to engage in destructive and addictive behaviors that jeopardize their futures. These are precisely the teens targeted by the tobacco industry. Research has shown that 13 year olds left home alone are significantly more likely to smoke cigarettes, drink alcohol, and experiment with drugs -- and those children participated in constructive after-school activities are less likely to smoke or engage in other risky behaviors.

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MAKE SAVING CHILDREN'S LIVES THE TOP PRIORITY.

<u>Enabling Children to Say No to Tobacco</u>
by: Dr. T. Berry Brazelton

On May 18th, the Senate will begin debate on bipartisan tobacco legislation. Both Republicans and Democrats agree that the number one goal of this bill ought to be reducing teen smoking. Rightfully, so. After all, millions of young lives hang in the balance.

During this debate, there will be a great deal of discussion about restricting tobacco advertising and increasing the price of cigarettes. Both are intended to curb teen smoking, and both should help to do just that. But before the debate is over, I hope Congress will pause to consider the underlying realities that make children vulnerable to the lure of tobacco -- and invest some of the resources in the essential early childhood development and care that can really help us save children from the dangers of smoking.

This investment in child development is a smart "public health" strategy based on sound science.

Recent research reminds us of the crucial importance of the first three years of life to all that follows. It is during these early years that the vast majority of brain growth and development occurs. And by shaping the structure of a baby's brain, these early experiences begin to shape the baby's self image, capacity for altruism, and motivation for learning.

Television and newsmagazines have carried pictures of the brains of two young children growing up with very different experiences. These pictures are roadmaps to our nation's future. One picture is of a healthy brain, showing how appropriate early nurturing "wires the circuits" for success. The other picture is of a far less healthy brain, showing the missed connections and lost opportunities resulting from lack of needed early stimulation.

In many ways, this "wiring" of the brain creates the solid foundation on which a child's ability to learn, to problem solve, and eventually to succeed is carefully constructed. If we wait until adolescence to help our children develop the sense of self needed to resist the draw of smoking -- science says we will be sorry.

If we want the best for our children, if we want their earliest years to lay the groundwork for a bright and smoke free future, we must ensure that they receive the nurturing and stimulation they need right from the start.

Young children's experiences with early learning help shape the way they feel, think, learn, and behave for the rest of their lives. High quality child care can help our youngest children to enter school ready to learn and to develop the life skills they need to steer clear of unhealthy habits such as smoking, drinking, and drug use.

Every day in America, millions of low-income families face the daunting task of paying for quality child care on limited budgets. This is today's reality for families who have no choice but to work; a reality that leaves far too many children at risk. Low-income parents need support to ensure that their children are safe and well cared for during these formative years. Unfortunately, far too few of them receive the help they need and deserve.

The research is conclusive -- early investments have a lifelong impact. And the payoff is healthier children. But research alone will not reduce teen smoking or build healthy futures. This requires concrete action. Today, I call on Congress to remember the research, and help us to move this knowledge from paper to practice. Here's how.

Congress should pass strong and bipartisan tobacco legislation that recognizes the important connection between early learning and reducing teen smoking. And it should invest tobacco tax money in expanding access and improving the quality of child care. A small portion of the more than $500 billion generated by this legislation would make an enormous difference for millions of children.

The Commerce Committee, under the leadership of Senator McCain, wisely included child care and after-school activities among the priority areas for investment of tobacco revenue. The full Senate should now make that promise a reality.

If we want our children to be smart enough to say no to tobacco, then Congress needs to be smart enough to say yes to making child care and after school programs part of our national strategy for keeping kids healthy and tobacco free.

As a prescription for a preventing teen smoking, I'd say these programs are just what the doctor ordered.

STAND UP FOR QUALITY CHILD CARE

CALL CONGRESS FOR FREE!

Child care shapes the way our children think, learn, and behave for the rest of their lives. The need for quality child care and after-school activities is a daily concern for millions of America's working families. Every day, 13 million preschoolers and millions more school-age children and youth are in after-school activities while their parents work.

Moms and dads are working harder than ever to support their families and need reliable, affordable child care. Unfortunately, parents face great difficulty finding quality child care they can afford.

Right now Congress is making key decisions about funding for an important program that *works* and helps children and families — the Child Care and Development Block Grant (CCDBG). The CCDBG helps states make quality child care more affordable for working parents and supports improvements in the quality of child care and after-school programs.

We hope you will call your U.S. senators and let them know how important quality, affordable child care is to families in your community. Your call makes a real difference.

CALL 1-888-38 STAND UP

Call 1-888-387-8263 (1-888-38 STAND UP) today. This toll-free line is active 9 a.m. – 5 p.m. Eastern Time May 11 – June 12. You will hear a short message about child care and then be transferred to the U.S. congressional switchboard. The switchboard operator can help you identify your senators and connect you to deliver your message.

Tell your senators to STAND UP for quality, affordable child care by supporting an increase in guaranteed funding for the Child Care and Development Block Grant (CCDBG).

CALL TODAY – IT'S FREE!

CHILD CARE NOW!

Free calls courtesy of WORKING ASSETS® Long Distance

STAND FOR CHILDREN

This message comes to you from Child Care NOW!, a national campaign to improve the quality and affordability of child care and after-school activities. Join us! For more information, call us at 202-662-3671 or visit our Web site at www.childrensdefense.org.

Please share this flier with your colleagues, friends, and family.