

PRESIDENT CLINTON ANNOUNCES CHILD CARE INITIATIVE

January 7, 1998

President Clinton today announced an historic initiative to improve child care for America's working families. The President's FY 1999 budget will include **approximately \$20 billion over five years for child care, the largest single investment in child care in the nation's history.** President Clinton's initiative responds to the struggles our nation's working parents face in finding child care that they can afford, trust, and rely on. The President's proposal will 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.

- **Doubles the number of children receiving child care subsidies** to more than two million by the year 2003 by increasing funding for the Child Care and Development Block Grant by \$7.5 billion over 5 years.
- **Increases tax credits for three million working families to help them pay for child care** by investing \$5.2 billion over 5 years in the Child and Dependent Tax Credit. The President's proposal also provides a new tax credit for businesses that offer child care services for their employees.
- **Provides after-school care for up to half a million children per year** by expanding the 21st Century Community Learning Center program by \$800 million over 5 years to provide funds to school-community partnerships to establish or expand programs for school-age children.
- **Improves child care safety and quality and enhances early childhood development** by establishing a new Early Learning Fund as well as supporting enforcement of state child care health and safety standards, providing scholarships to up to 50,000 child care providers per year, and investing in research and consumer education.

Child Care Block Grant Increase	\$7.5 billion over five years
Child and Dependent Tax Credit Reform	\$5.2 billion over five years
Tax Credit for Businesses	\$500 million over five years
After-School Program	\$800 million over five years
Early Learning Fund	\$3 billion over five years
Head Start Increase	\$3.8 billion over five years
Standards Enforcement Fund	\$500 million over five years
Child Care Provider Scholarship Fund	\$250 million over five years
Research and Evaluation Fund	\$150 million over five years
TOTAL:	\$21.7 billion over five years

MAKES CHILD CARE MORE AFFORDABLE FOR WORKING FAMILIES

Doubles the Number of Children Receiving Child Care Subsidies to More than Two Million. The President proposes to expand the Child Care and Development Block Grant to help working families struggling to meet the costs of child care. This block grant is the primary federal subsidy program to pay for child care, enabling low-income parents to work. Funds are distributed by formula to the states to operate direct child care subsidy programs, as well as to improve the quality and availability of care. The President's initiative will more than double the number of children served from the one million served in FY 95 (the latest year for which data are available). The President's budget will increase funding for the block grant by \$7.5 billion (with a match) over five years, which will enable states to provide subsidies for more than two million children by 2003.

Increases Tax Credits for Child Care for Three Million Working Families. The Child and Dependent Tax Credit provides tax relief to taxpayers who pay for the care of a child under 13 or a disabled dependent or spouse in order to work. The credit is equal to a percentage of the taxpayer's employment-related expenditures for child or dependent care, with the amount of the credit depending on the taxpayer's income. The President's proposal increases the credit for families earning under \$60,000, providing an additional average tax cut of \$358 for these families and eliminating income tax liability for almost all families with incomes below 200% of poverty (\$35,000 for a family of four) that take the maximum allowable child care expenses under the law. The President's budget will include \$5.2 billion over five years to expand the Child and Dependent Care Tax Credit for three million working families.

Provides New Business Tax Credits. The child care initiative includes a tax credit to businesses that provide child care services for their employees, by building or expanding child care facilities, operating existing facilities, training child care workers, reserving slots for employees at child care facilities, or providing child care resource and referral services to employees. The credit covers 25% of qualified costs, but may not exceed \$150,000 per year. The President's budget will include approximately \$500 million over five years for these tax credits.

PROMOTES EARLY LEARNING AND HEALTHY CHILD DEVELOPMENT

Promotes Early Learning. Research shows that children's experiences in the earliest years are critical to their development and future success. The President's proposed Early Learning Fund provides challenge grants to communities (distributed by states) to support programs to improve early learning and the quality and safety of child care for children ages zero to five. Funds may be used for the following activities: providing basic training to child care providers (including first aid and CPR); connecting individual child care providers to centers for education and support; assisting child care providers to meet accreditation and licensing requirements; linking child care providers with health professionals; reducing group sizes and child-to-staff ratios; and providing home visits, parent education, and consumer education

about child care. The President's Early Learning Fund builds on state initiatives such as North Carolina's Smart Start, which helps North Carolina's children enter school healthy and ready to succeed. Smart Start funds a broad variety of local efforts, including improving staff-to-child ratios, health linkages that have raised immunization rates, and parent education and mentoring programs to give new parents support. The President's budget will include \$3 billion over five years for this fund.

Increases Investment in Head Start and Doubles the Number of Children Served by Early Head Start. Head Start provides early, continuous and comprehensive child development and family support services, preparing children for a lifetime of learning and development. The President is committed to reauthorize Head Start and reach one million children by 2002. The President's budget will invest \$3.8 billion over five years to keep on track his commitment to serving one million children by 2002, and to double the number of infants and toddlers in Early Head Start to 80,000.

IMPROVES THE QUALITY OF CHILD CARE

Steps Up Enforcement of State Health and Safety Standards. Building on the military's model child care program, this proposed initiative will fund state efforts to improve licensing systems and enforce child care health and safety standards, including by increasing unannounced inspections of child care settings. The President's budget will include \$500 million over five years for this program.

Facilitates Background Checks on Child Care Providers. On the day of the White House Conference on Child Care, the President transmitted to Congress the National Crime Prevention and Privacy Compact, which will facilitate effective background checks on child care providers by eliminating state law barriers to sharing criminal history information for non-criminal purposes. Although the vast majority of child care providers are dedicated to the teaching and nurturing of children, one tragedy in child care is too many. Background checks are an important way to ensure that the people watching our children are fit for this responsibility.

Increases Scholarships and Training for Child Care Providers. At the White House Conference on Child Care, the President proposed establishing a Child Care Provider Scholarship Fund to enable states to provide scholarship funds to students working toward a child care credential. Eligible child care workers must commit to remaining in the field for at least one year for each year of assistance received and will earn increased compensation or bonuses when they complete their course work. The President proposed a federal investment of \$250 million over five years, which will support 50,000 scholarships per year. The President is also proposing to expand the Department of Labor's Child Care Apprenticeship Program to fund the training of child care providers.

Invests in Research. Because too little is known about our child care system, the President's budget will increase support for data, research, and evaluation. This research fund will also support a National Center on Child Care Statistics and a child care hotline that parents can call to get information about how to find child care in their communities and how to identify

appropriate, quality care for their children. In addition, the research fund will support demonstration projects to test approaches to help new parents who choose to stay home to care for their newborns or newly adopted children. The President's budget will include \$150 million over five years for this fund.

EXPANDS AND STREAMLINES AFTER-SCHOOL CARE

An estimated five million school-age children spend time as "latchkey kids" without adult supervision during a typical week. Research indicates that during these unsupervised hours children are more likely to engage in at-risk behavior, such as crime, drugs, and alcohol use. To meet this pressing demand, the President is proposing a dramatic expansion of after-school care.

Provides After-School Care for up to Half a Million Children a Year. The President proposes a dramatic expansion of the 21st Century Community Learning Center Program to provide start-up funds (with a local match) to school-community partnerships to establish or expand before- and after-school programs for school-age children. The program increases the supply of after-school care in a cost-effective manner primarily by funding programs that use public schools and their existing resources, such as computers, gymnasiums, and sports equipment. The program also includes a set aside to fund programs run by community organizations. The President's budget will request \$800 million of entirely new money for this program, for a total of \$1 billion over five years.

Improves Coordination of Federal After-School Initiatives to Help Communities Make Best Use of Existing Resources. The President will put in place a collaborative effort involving numerous federal agencies to eliminate duplication and better coordinate federal funding for after-school programs in three to five pilot cities, including the District of Columbia.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

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REMARKS BY THE PRESIDENT
IN CHILD CARE ANNOUNCEMENT

The East Room

3:27 P.M. EST

THE PRESIDENT: Thank you very much. Welcome to the White House. You know, I was listening to the Vice President and Tipper and Hillary speak, and I was looking at all these people out here, and I was thinking about all the great joys of being President. And one of the greatest joys of being President is that you get to stand up and make an announcement on which other people have done all the work. (Laughter.)

I want to begin by thanking the Cabinet, especially Secretary Shalala who has done so much work on this. But I thank them all. I thank the Congress, not only the Women's Caucus of Republican and Democratic women in the Congress, but the few errant men who are here -- (laughter) -- and those who are not here who care so passionately about this issue in the Senate and in the House.

I thank the children and families who are here and the child advocates who are here. I was looking around this room -- there are some people in this room that I have been listening to on this issue for way over 20 years now. They have waited a long time for this day. (Laughter.)

I thank the Gores. You know, they started their family conference every year in Nashville even before we began our partnership together, and it was a brilliant and unique idea -- the idea of every year focusing on the American family in some aspect of challenge or opportunity and bringing people in from all over America to talk about it. There's really no precedent for it as far as I know in our public policy and it's a remarkable contribution that they have made.

And, of course, I thank my wife who has been talking to me about all these things for more than 25 years now, and is sitting there thinking that I finally got around to doing what she has been telling me to do. (Laughter.) I was thinking it would be nice to have something new to talk about for the next 25 years -- (laughter.) That's one of the major reasons for this event today. (Applause.) And even if the rest of you can't appreciate it as much as I can, you'll just have to live with the truth. (Laughter.)

But mostly I thank these children, for they remind us of our fundamental obligations -- as Americans and as human beings.

You know, throughout our history, our founders told us that they organized our country in order to form a more perfect union. And one of the most important ways we have done that now, for more than 220 years, is to always apply our most fundamental values to the circumstances and challenges of each new age. And the reason we have made it is that we have never forgotten that there is no more fundamental value than the American family, than its strength and its integrity. There is no more important job than raising a child. There is no more important responsibility than to create the conditions and give people the tools to succeed at raising their

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children. But I think we would all have to admit that as a nation we have not done what we should have done to enable all of our families to meet the challenge of the era in which we live.

For some time now, we have been, at least with one foot, in the 21st century. We know that the 21st century will be dominated by globalization and by information and technological revolutions. And we know that it has brought us many great benefits.

We as Americans should be very grateful today for the prosperity we enjoy. Even though all of you and your fellow Americans have worked hard to earn it, and we've made some tough decisions in Washington to help bring it about, we should still be grateful for it. But we know that this new economy, with all the unprecedented prosperity it has brought us, has also imposed some significant new challenges.

We know, for example, that the average working family is spending more hours a week in the workplace than 25 or 30 years ago, with all the benefits of technology. And we know that more and more parents of young children are in the workplace, either because they're single parent households, or because both parents have to work to make ends meet, or because both parents choose to work and they ought to have that choice.

But there is no more important responsibility on us to apply the values of America, the timeless values of America, to modern conditions, none is more important than making sure every American can balance the dual responsibilities succeeding as parents and succeeding at work. There is no more significant challenge.

Indeed, one of the biggest debates we had when we were working through the welfare reform issue was how we could require people to be responsible and go to work without creating conditions which would require them to abandon their first responsibility to be good parents. That is the universal obligation of every parent, and it should be the dominant concern of our government.

That's what this is about. I don't believe I have ever talked to a parent who was also in the workplace who has not been able to cite at least one example -- and oftentimes many, many more -- of a conflict between -- that he or she felt between the obligations of parenthood and the obligations to the job. And that includes, of course, people who work in the White House -- when the President makes them work too late at night. (Laughter.) But you just -- you know that. Everyone -- I saw a lot of you nodding your heads. You just know that. It's part of the fabric of American life.

We know that the government cannot raise or love a child, but that is not what we're supposed to do. What the government is supposed to do is to help to create the conditions and give people the tools that will enable them to raise and love their children while successfully participating in the American workplace.

Today I am proud to propose the single largest national commitment to child care in the history of the United States. (Applause.) It is a comprehensive and fiscally responsible plan to make child care more affordable and accessible, to raise the quality of child care, to assure the safety of care for millions of American children.

This is an issue that touches nearly every family, and I believe it must rise above politics and partisan interests. I welcome the bipartisan effort to improve child care that is already going on in the Congress. I thank the members who are here and many who could not come today, for their leadership and for demonstrating

that this is an American issue that both Democrats and Republicans are embracing.

This proposal will be an important part of the budget I send to Congress next month. It will be the first balanced budget in 30 years. It will build on the achievements of the year just passed, one that was very good for working families. As has already been mentioned, last summer's historic balanced budget agreement provided working families with a \$500 per child tax credit; it made the first two years of college -- community college -- virtually free for almost every American family, made college more affordable for American families; expanded health coverage to 5 million uninsured people; advanced the cause of placing more children into solid, adoptive homes; and continued our efforts to collect more child support.

Over the past five years we have worked hard to abandon the false choices of the past, including the false choice of having to choose between responsibilities at work and responsibilities at home. Our new economic strategy is designed in no small measure to get over that divide. From the Family and Medical Leave Act, to the Earned Income Tax Credit, to the minimum wage increase, we have tried to demonstrate that it is not only possible but imperative to the survival of the American Dream to help people meet their responsibilities at home and at work.

Strengthening child care has always been a part of this strategy. Since we came here, we've helped a million children and their families to afford that child that they need, but we have to do a lot more. Now, this new proposal has three fundamental goals: first, to make child care more affordable and available to all Americans. With increased block grants to states, we will double the number of children receiving child care subsidies to more than 2 million.

One of the reasons welfare reform has worked as well as it has is because of the increased investment in child care. Now, we have to help the lower income families who have never been on welfare in the first place, but still struggle to pay for child care. We also will help more than 3 million working families to meet their child care expenses by dramatically expanding the child care tax credit. These tax credits will mean that a family of four making \$35,000 and saddled with high child care bills will no longer pay one penny in federal income taxes. (Applause.)

I'm also supporting new tax credits to encourage more businesses to provide child care for their employees. When I met the members of Congress before coming in here, that's the first thing Congresswoman DeLauro said. She had just come from the opening of a corporate child care center. We need more businesses to do more, and we need to help the smaller businesses who can use this tax credit and cannot afford to do it on their own without a little help from the public.

Second, we must make sure that every child has a safe and enriching place to go after school. As the Vice President said, there are simply too many children who through no fault of their parents are left to fend for themselves in the hours between 2:00 p.m. and 6:00 p.m. -- too many children roaming the streets, idling in front of a television, or getting into trouble.

I cannot emphasize the importance of this too much. The crime rate in this country has dropped dramatically in the last five years. All Americans should be proud of that. The juvenile crime rate has not dropped so much. And where it has dropped, almost without exception, it has dropped because people have found something positive for children to do in the hours between the time school ends and the time their parents come home at night.

We do not need to keep building jail after jail after jail to house children who wouldn't be there in the first place if we took care of them while they're out free and able to build constructive, law-abiding, positive lives. (Applause.)

I am proposing the expansion of before and after school programs to help some 500,000 children say no to drugs and alcohol and crime, and yes to reading, soccer, computers and a brighter future for themselves. I thank the Vice President especially for his hard work on this issue.

Third, we have to improve the safety and quality of child care and make sure that child care advances early childhood development. I am proposing an early learning fund to help to reduce child-to-staff ratios in child care centers, train child care workers and educate parents. We have to also strengthen the enforcement of state codes and licensing requirements, weed out bad providers, and through tougher criminal background checks, make sure that the wrong people aren't doing the right mission that we all need done properly. Finally, we ought to offer scholarships to talented care-givers.

Now, let me take a minute to thank our state leaders, from North Carolina to Washington State, from Rhode Island to Minnesota, for their efforts at improving child care and promoting early learning across America. I know Governor Almond of Rhode Island is here, and I want to especially thank him for Rhode Island's Child Opportunity Zone program. It is a national model.

We are living in what may well be the most exciting era of human history. But the globalization, the information and technology revolution, they continue to alter the way we live and work, the way we do business, and the way we relate to each other and the rest of the world. They make some jobs easier, they render others obsolete. But nothing must be permitted to undermine the first responsibilities of parenthood.

No raise or promotion will ever top the joy of hugging a child after work. Nothing can be more bittersweet than sending a child you once cradled off in your arms, off to college for the first time. (Laughter.) Nothing weighs more heavily on a parent's mind than the well-being of a child in the care of others. No issue is more important to any family.

You know, a lot of us have had our own experiences with child care. I've often wondered how my mother, when she was widowed, would have been able to go back to school if I hadn't been able to move in with my grandparents. I was lucky and it turned out reasonably well for me. (Laughter.)

But how many children are out there with exactly the same potential, who never got the same break by pure accident of family circumstance? You don't know the answer to that and neither do I. But we know what the answer should be. The answer should be, not a single one.

Thank you very much, and God bless you. (Applause.)

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3:44 P.M. EST

THE WHITE HOUSE

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PRESS BRIEFING BY
SECRETARY OF HHS DONNA SHALALA
AND DIRECTOR OF THE DOMESTIC POLICY COUNCIL BRUCE REED

The Briefing Room

4:10 P.M. EST

MR. TOIV: Hello again. Once again, making an encore appearance in the White House Briefing Room is Secretary of Health and Human Services Donna Shalala, as well as Bruce Reed, the President's Domestic Policy Advisor.

MR. REED: In a moment Donna will try to put this whole child care issue in context. I thought I would go over the gritty details of the announcement and we can take questions at the end.

First let me say that we feel that this is a real opportunity for bipartisan accomplishment. Donna and I have both had conversations with a number of members of Congress in both parties and we've gotten a very good reception. There was a strong bipartisan turnout at the event this afternoon. And much of this package builds on a long history of bipartisan accomplishment. The child care development block grant which we're dramatically expanding was enacted in 1990 under the Bush administration with strong bipartisan leadership on the Hill from Chris Dodd and Orrin Hatch and then Governor Bill Clinton. And the expansion of the child care tax credit is also a program that has a long history of bipartisan support, supported by President Reagan, President Bush and President Clinton.

The centerpiece, as I said, of this announcement is a dramatic expansion of the child care development block grant, which states use to provide subsidies to low-income working parents, many of them who are moving from welfare to work. In last year's welfare reform bill, we got a \$4 billion increase in child care to move people from welfare to work. That is a big factor in welfare reform's success to this point. But in states across the country there are still waiting lists for many working parents -- low-income working parents -- who never went on welfare in the first place. And this initiative is designed to help states deal with both low-income as well as parents who are moving off of welfare.

The overall increase is \$7.5 billion over five years. That program is currently \$3 billion a year. It will get to \$5 billion by the fifth year. And this will enable us to increase the number of kids who are getting help from 1 million in the latest figures to 2 million by the out-years.

The second thing we're doing is expanding the child independent tax credit, which provides tax relief on a sliding scale to parents who have child care expenses. Our expansion of this tax credit will enable 3 million additional -- 3 million families to get additional tax relief, an average tax cut of \$358. As the President said a few moments ago, it will enable a family of four with an income of \$35,000 and high child care costs to wipe out their entire federal tax liability. And that's true for most families under 200 percent of poverty who have high child care costs.

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Q What do you call high child care costs.

MR. REED: Four thousand dollars a year for two kids.

Let me try to explain how this tax cut works. Under current law, you can get -- you can take 30 percent of allowable expenses as a credit against your taxes if you make \$10,000 or less, and 20 percent of those expenses if you make \$28,000 or more. If you're between \$10,000 and \$28,000 if there's a sliding scale, it reduces from 30 percent down to 20 percent.

What we are doing is to both increase the size of the percentage credit and to make it more available to more middle income parents. We will raise the maximum credit to 50 percent and allow anyone who makes \$30,000 or less to claim that 50 percent credit. And we will have a sliding scale that allows anyone who makes under \$60,000 to get an increased credit. Basically, it will go from 50 percent at \$30,000 sliding down to 20 percent at \$60,000.

Q Is that a couple or --

MR. REED: These are two-income families, working parents with --

Q And can you just repeat what it is now?

MR. REED: It's 30 percent if you make \$10,000 or less; 20 percent if you make \$28,000 or more. And that will go up to 50 percent for \$30,000 or less and it will reduce by one percentage point for every additional thousand you make, with a floor of 20 percent at \$60,000.

Q Is there a cap on that, and will you be changing the cap?

MR. REED: There's a cap on the allowable expenses. It's \$1,400 per child -- excuse me -- \$2,400 per child of allowable expenses -- \$2,400 for the first child, \$4,800 for two children and it's capped at \$4,800 -- if you have more than two children it's still capped. We're not changing that cap.

Q If you get more than \$60,000 you get zero credit or you only get minimum credit?

MR. REED: You continue to get 20 percent. There will be no change in the law. Right now, as I said, 20 percent credit if you're over \$28,000. That goes on under current law no matter what income. And that won't change.

Q And so if your total cost, no matter how many kids you have, it's 20 percent of your child care costs?

MR. REED: Yes, 20 percent of child care expenses --

Q Up to the \$4,800?

MR. REED: That \$4,800 is the maximum allowable expenses that you can claim the credit against. So if you're at \$30,000 and you had child care expenses of \$6,000, you could claim up to 50 percent of \$4,800.

Q And that cap is staying the same, you're saying, or it's not --

MR. REED: The cap is staying the same. We're dramatically increasing the percentage credit you can take.

Q One thing on the \$60,000 -- that's not a limit, so you can make a million dollars and still claim 20 percent?

MR. REED: Yes. Yes, that's current law.

Q Under the new proposal.

MR. REED: All we're doing is increasing the amount for families that -- increasing the percentage for families that are making under \$60,000. If you make more than \$60,000 you won't see any change as a result of this proposal.

Q Can you tell us what it is for singles? There are a lot of single people -- it's just half?

MR. TOIV: Head of household is taxed similarly to married couples --

SECRETARY SHALALA: It's income.

Q So when I asked you before if it was for double filers, a lot of the times --

MR. REED: While Donna is talking I'll pull out my briefing paper on --

MR. TOIV: I'll call Secretary Rubin.

SECRETARY SHALALA: Right.

MR. REED: Let me correct myself. I believe that the -- it's only for working parents, but it doesn't discriminate between single and two parents. So a single parent would still benefit from this proposal. Sorry about that.

Just to finish. We also have a new tax credit for businesses to claim up to 25 percent of the expenses for operating a child care facility, starting a new child care facility, providing child care subsidies to their employees. Then we're increasing the amount of subsidies for after-school programs to allow 500,000 kids a year to get after-school care. And we have a number of initiatives to address safety, quality and early learning, including a new \$3 billion early learning fund that goes to states that can use the money to reward innovative programs in particular communities that are reducing child-staff ratios and providing more training; and then a couple of initiatives that the President announced at the child care conference last fall background checks and scholarships for child care providers.

Q I just want to go back to the tax credits for a minute. You're increasing the current budget by \$5.2 billion, correct?

MR. REED: That's correct.

Q What is the current budget?

MR. REED: I think it currently costs about -- I think it's about \$3 billion a year -- \$2.5 billion a year in FY '98. So it's going from roughly \$2.5 billion to about \$3.5 billion.

Q And is there currently a business tax credit?

MR. REED: No.

Q This is totally new.

MR. REED: It's new. And it's based on a proposal that passed the Senate last year, sponsored by Senator Herbert Kohl of Wisconsin.

Q -- you said \$2.5 billion is the current, and then you said --

MR. REED: Sorry, \$2.5 billion per year --

Q To --

MR. REED: Is the annual current cost of the existing children's tax credit. And that would be increased to an annual cost of \$3.5 billion.

Q There's a tax deduction through payroll that a lot of people can take of up to like \$8,000 for their dependent care. Is that something totally separate from this, or -- can you explain how -- is that being changed by this proposal at all?

SECRETARY SHALALA: This is it.

Q It's the same credit, just in another form?

SECRETARY SHALALA: It's the same credit. It's called the Dependent Care Tax Credit. There's a difference between the children's -- there's a difference between what we did in a bipartisan way last year for just children and dependent care. Dependent care means not only children; the tax credit that we're talking about changing, but also about elderly parents you can take a deduction for that. Though 90 percent of the people that use this tax credit use it for child care. And it was designed originally for both children as well as if you're taking care of elderly parents, for example. So you get some credit for that care.

And what Bruce just described is the way in which we're changing this to help more middle-income and lower-middle-income families as part of this overall initiative.

Q So is the net effect that that limit -- or that that credit that people currently get or can get as tax-free income in their paychecks to pay for dependent care is going up under this program as well?

SECRETARY SHALALA: It is going up for families who have incomes under \$60,000, which is the point that we've made. And let me just say a couple of more things and then we'll go to questions. And let me just say again what the President, the First Lady and the Gores said -- when we're talking to parents who are working, the one thing that always comes up is child care. And they're asking three questions: Can I get it? Can I afford it? And can I trust it? This proposal speaks to all three of those. This is a proposal that focuses on the affordability issue, on the choice issue, to give people more choices out there. For many people, all they can afford is to find some relative to take care of their child. And so this by investing money in this program, we hope to give every parent more choices, whether it's institutional or family day care.

And the third point, which is terribly important, is the quality issue. This is the first major investment in child care quality, outside of the Head Start program, that we have ever made. It's an investment in the people that work in child care centers. It's an investment in their facilities, in the curriculum, in the standards that states have.

One of the things that Mrs. Clinton has made very clear -- and she said it again in her conference -- is if you're in the military in this country and you put your child in a military child

care center, that center is visited at least three times unannounced by an experienced child care person who looks at the center and looks at the standards that they have for that center. If you're not in the military, you're a civilian, and you put your child in a child care center any place in this country, you'll be lucky if that child care center is visited by state officials once. And so this investment is also an investment significantly in the states to help them enforce their own rules about child care centers and to help them and local communities and parents to invest in improving the quality of the child care that we have out there. So it's not only about paying for child care, it's also about the quality for child care.

Why don't we -- I think that that's it. And again, to distinguish, as Bruce did, between what we did for welfare families and now what the President is doing for families that go directly to work and don't go through the welfare system.

Q On Head Start, this is increasing by \$3.8 billion? Another budget question.

SECRETARY SHALALA: The Head Start increase is \$3.4 billion over five --

MR. REED: It's \$3.8 billion -- you're right.

Q And what is it now?

SECRETARY SHALALA: Oh, my chart is wrong -- \$3.8 billion over five years.

MR. REED: Current Head Start spending is -- it was \$4.4 billion in FY'98.

Q How many children are deprived of Head Start, despite all the increases? Do you have any idea? And why isn't everyone covered?

SECRETARY SHALALA: Well, it's a question of everybody that's eligible. What the President has pledged to do by 2002 is to get a million people in Head Start. We believe that will take care of almost everyone who is eligible for Head Start. We are on that track with this budget investment and we have laid out a track that will get us to a million children.

In addition to that, the President is doubling the number of children in the new program called Early Head Start which is a zero to three initiative. One of the things that this child care initiative does is for the first time we're going out to try to develop some models for infants. Parents are having a terrible time finding quality care for infants. And there are almost no centers in this country that will take infants. And this will help the states and community groups to develop some models. And in the Head Start program we're making an investment for infant care just as well.

Q How much of the total package is depending on income from a tobacco settlement? And if there is no tobacco settlement, are you committed to either tax increases or budget cuts in order to fund --

SECRETARY SHALALA: The answer to the first question is one-third. The answer to the second question is that we believe that there will be tobacco legislation next year -- this year, this year -- we're in the new year. We believe there will be tobacco legislation next year -- that's what the President is working for. There's bipartisan support for tobacco legislation and, therefore, we are enthusiastic and will work very hard to get that.

Q Just to follow on that, should somebody who is enthusiastic about these programs -- some parent out there -- should they be just crossing their fingers that tobacco passes, or can they be confident that regardless of what happens with tobacco, the administration is committed to having in the FY'99 budget?

SECRETARY SHALALA: Well, what we do when we put together a balanced budget and send it to the Hill is we pay for it in a variety of different ways. And while some of this package is paid for with tobacco legislation, some of the other parts of our budget are paid for with user charges, with savings from fraud, for example. Many of the things that pay for a budget require congressional approval, so what has happened always -- and we believe we're going to be very successful in getting tobacco legislation -- is we're committed to the policies and then we work with Congress to make sure that those policies get enacted and get funded.

Q Right, but this is an unprecedented tobacco settlement, however likely it may be at this point, would be an unprecedented act of Congress. And so are you just not clear yet what happens if it doesn't pass or do you have a strategy that you're not prepared to say yet?

SECRETARY SHALALA: No, I mean, it is unprecedented in the sense that we have never done tobacco legislation before. But we have vast experience in all administrations in putting budgets together that are financed by a variety of different sources, including user charges that require legislation. And that's what you do when you put the budget process together.

Q But there's no guarantee, is there?

SECRETARY SHALALA: There's no guarantee on other parts of the budget that require congressional legislation. What we do is we put a credible, fiscally responsible budget together. We believe we have bipartisan support for tobacco legislation and that we will get that legislation. This is not pie-in-the-sky. We are very far along, we believe, in consensus on getting tobacco legislation, though not on the specifics.

Q The question is what Raines has said is a tobacco settlement is self-contained, and that if you don't get the tobacco settlement, then the spending you were going to make with the tobacco settlement also goes away. So our question is, if there's no tobacco settlement, does this spending still take place?

SECRETARY SHALALA: Then we do what we always do as part of the budget process -- we get other offsets working with Congress to pay for the policies that we want to put in place. That is the normal process. And my only point about however this is paid for is there is a normal budget process no matter what the label is -- we find other offsets if we need to find other offsets.

Q So the President is committed --

SECRETARY SHALALA: The President is committed to both -- to this being passed by the Congress, to this child care -- historic child care legislation being passed by Congress and to getting good tobacco legislation this year.

Q You'll cut someplace else then if you don't get it -- and this will have the priority if you don't get the tobacco --

SECRETARY SHALALA: It's inappropriate to use the word cut. We will find other offsets if we need to, but at the moment --

Q Why is it such a bad word in this country?

SECRETARY SHALALA: Cut?

Q Why is it --

SECRETARY SHALALA: We do it all the time.

Q Right, so why can't --

SECRETARY SHALALA: Well, because I don't want to identify what the offsets are. The offsets and the savings in a budget and where we can find a variety of different resources, I don't want to limit myself to defining what the offset is. The point is that we will find other offsets if we need to. At this moment we believe we will get tobacco legislation.

Q For many years we've heard of fully funding Head Start, from the first time that the President has run for office. Are we there yet? Or where is it?

SECRETARY SHALALA: The President laid out a strategy for fully funding Head Start that ends in 2002. We are on that path. And what we have identified in this initiative fulfills the responsibility for next year. And we have laid out what the numbers are going to be until 2002 to get there.

Q -- is the number where we have fully funded Head Start. We are done. That is it. That's the road you've been on all this --

SECRETARY SHALALA: Well, assuming that incomes don't change and other kinds of things, but we're projected to have the Head Start program cover every child that's eligible.

Q Do you think linking the tobacco and the child care is going to increase pressure to have a tobacco legislation? Was this a political move also to use tobacco funding for something as popular such as child care?

MR. REED: I think that it is clear that there is considerable bipartisan support for child care. We think there is considerable bipartisan support for tobacco legislation. It makes perfect sense to link the two in some way. As the Secretary said, a third of this package is connected to tobacco legislation in our budget. But we think that there will be real bipartisan interest in both of these initiatives.

Q Can I follow up? Do you risk painting opponents of a tobacco deal as anti-child care by linking these two, is that your intent?

SECRETARY SHALALA: What a good idea. (Laughter.) Hadn't thought about that. No, I think that -- I think that when we put this package together we put a responsible fiscal package with the appropriate offsets together. This happened to be one of them. And we've been very honest about answering what part of this total package we've assigned to that.

Q Can I clarify one thing on the spending? Is the \$20 billion, \$21 billion, is this all in addition to what was already budgeted for these programs?

SECRETARY SHALALA: Yes. The answer is yes. And that's why it's historic. That's why it's so significant.

Q The spending on child care is not envisioned by the tobacco settlement that I've seen. Is this going to add to the amount of money that is ultimately extracted from the tobacco companies? And if so, are you sort of setting a precedent that other

individual programs are going to be able to sort of take from this settlement?

SECRETARY SHALALA: No, we have not -- we have not submitted a list. And we're at the beginnings of conversations with those who are drafting legislation for what we believe ought to be paid for by tobacco money. So we are now doing that as part of the budget process. You will see some of it there, but this will be part of a significant negotiation.

MR. REED: Could I add -- all I was going to say in addition to that is in the initial proposal on tobacco from the attorneys general in the states envisioned a significant portion of that money going into children's health. Shortly after that proposal came out we enacted the largest increase in health care in 30 years and addressed the children's health need that they had suggested. Child care is one of the top priorities of the National Governors Association and the governors in both parties, so we think this is a natural link.

SECRETARY SHALALA: If you listen very closely to what the President said about the relationship between child care and children's health, the public health issues that I'm concerned about are directly connected to what happens to children after school, for example. So these are not unconnected activities, and remember, most of this money goes to the states.

Q Can I follow on that for a second, because the Vice President talked at length about after-school initiatives and this is not a huge amount of money in here -- \$800 million for after school. And there were some advocates for after-school programs here who said it's not nearly enough. Can you address that?

SECRETARY SHALALA: I agree with that, it's not nearly enough. Nor is any of the other pieces nearly enough if you want to cover everything. But let me remind you that we're going from a \$40 million program to an \$800 million program in the Department of Education. There are monies -- pardon?

MR. REED: It's \$40 million to \$200 million.

SECRETARY SHALALA: It's \$40 million to \$200 million the first year. But the total amount over five years is \$800 million. So it is a significant increase. This is a new area for the federal government. The expansion of programs has been an activity particularly of large cities around the country. We believe it is a significant and a fair increase and we'll be talking to the Congress about it.

Q To clarify, on the example, the \$358 example in savings the President gave, what were you assuming were the child care costs to come up with that?

MR. REED: I think that is Treasury's estimate of what the existing base of taxpayers will receive as a tax cut as a result -- the \$358 is not based on a specific case, it's based on current average of current expenses from current taxpayers. And we can try to get for you what --

Q It might make it easier just when someone reads a story to say for someone who makes \$30,000, there's four kids, who spent \$3,000 on --

MR. REED: Oh, I have several examples if you'd like to see -- I can hand out a whole chart.

Q Where does the other two-thirds of the money come from? You said a third comes from the tobacco deal. Where does the other two-thirds come from?

SECRETARY SHALALA: Oh, there are offsets in the budget. As you know, when we put the budget together we have a variety of different offsets. I have made a major contribution because of the decline in Medicare expenditures to the overall budget. In fact two-thirds of all of the savings is a decline in the growth of Medicare. So you will see it when we lay out the budget that there are a variety of different offsets.

Q And if I could follow that up, what does it mean that a third of the money comes from the tobacco settlement if there's just a big pool of offsets and all the money is going in altogether? Who came up with a third and what's the reason for a third?

MR. REED: As Frank Raines explained the other day, in the budget we will present, revenue is expected from tobacco legislation and spending associated with that, and that's where the third comes from.

Q Well, to follow on that, is that money from the tobacco settlement earmarked for any specific part of this proposal, any of these individual items?

SECRETARY SHALALA: I think we're probably not prepared to answer that now, because the budget is being finalized. So why don't we give you that answer when we roll out the budget.

MR. REED: And in any event, as we've said before, once it gets to the Hill it's all fungible. They can move one piece --

Q On another subject -- this is for Secretary Shalala -- could give us your views, if you have any, on the scientist who wants to go forward with cloning experiments?

SECRETARY SHALALA: Well, we have said very clearly that we believe that human experimentation is morally wrong and unacceptable and should not go forward. And as you know, the President has emphasized and submitted legislation to the Congress that would prohibit either public or private -- or the private sector using these techniques to create a child. So we have taken a very firm position. We have sent legislation to the Hill.

In addition, the FDA believes it has authority to regulate what would be called an emerging technology. It would regulate this technology, as it does others, with a view towards protecting the safety of patients and the public health, which means that the FDA has a rigorous process between now and when Congress debates the legislation that could be used in this particular case. No one could go forward without submitting a request to the FDA, is the point I'm making.

Q Knowing that you cannot tell the FDA what to do and all that, and I understand that; however, given that Congress has yet to outlaw cloning, is there then the possibility that if the doctor from Chicago submits all his paperwork and things seem to be in line, could then the cloning go forward until such time as Congress acts? Is it possible?

SECRETARY SHALALA: I would not predict what the FDA's response would be. All I could say is that they have a very rigorous process for protecting the public health and safety, and this would have to go through that process. And as you well know, there has been extensive complaints about the time that the FDA takes to approve various submissions. (Laughter.)

Q Bruce, two years ago at the State of the Union, the President said the era of big government is over, and yet \$20 billion is not an inconsequential sum. Does the improved budget picture mean that a new era is underway?

MR. REED: This is not a big government program. There are no new federal rules in this. This is not a Washington, one size fits all program. This is money that is going directly to individuals or through states to individuals to meet immediate needs. It's tax credits which go to individuals and block grants and other programs that go to states for subsidies to individuals. So we think that the President has demonstrated this week, by balancing the budget -- or by presenting a balanced budget for the first time in 30 years, that he meant what he said. But that doesn't mean that there aren't still important initiatives to get done in this country.

SECRETARY SHALALA: There are also no new bureaucracies that are created, no new major staff requirements that are required. We're taking existing programs and sending larger sums of money to the states and to individuals.

Q Secretary, what happens if someone doesn't file that paperwork or the people involved don't file the paperwork that you believe is necessary to go forward with the cloning program? What actions can the FDA or HHS take at that point?

SECRETARY SHALALA: I think that you should refer that question directly to the FDA rather than me. The FDA is an independent regulatory agency. While they send recommendations for regulation through me, those individual decisions about submissions are theirs, and I prefer that you call the press office of FDA, which is now headed by Lorrie McHugh, someone you know.

Q I have an after-school question. Is that money targeted toward cities or poor neighborhoods for the after-school programs?

SECRETARY SHALALA: It's targeted to schools though some of it will be used for community organizations, boys and girls clubs and those kinds of organizations.

Q But will a rich suburb and a poor inner-city have the same shot at that money?

MR. REED: It's somewhat targeted, but not exclusively to poor neighborhoods.

SECRETARY SHALALA: We need to keep every child in America busy between when school is out and their parents get home.

Q Can you do the child care exclusively through the budget, or do you need separate legislation to do this?

SECRETARY SHALALA: We need legislation in the tax area, clearly, because there are some reforms that are introduced. In the child care block grant, we do not need legislation; we simply need the appropriate appropriation. In the area of quality, we will need some changes in existing legislation. So there are some changes. They're not overwhelming, though.

Q Have you begun to work with members of Congress on these --

SECRETARY SHALALA: We've begun our conversations with members of Congress today. Both Bruce Reed and I have talked to members of Congress, and we'll be meeting -- we've already talked to

members of their staffs in terms of briefings, and we'll be meeting with them as soon as the President announces the whole budget.

MR. REED: And a number of members in both parties have already introduced legislation which is consistent with the President's plan.

Q Bruce, are you asking a sunset on the business tax proposal, or is this a certain number of years, or is it going to be permanent? And what is the most a company can receive in any year?

MR. REED: I believe the most -- businesses are allowed to claim 25 percent of qualified cost, which is a fairly expansive definition. They can't claim more than \$150,000 per year. And it's a five-year tax credit. You know, our budget only goes five years.

THE PRESS: Thank you.

SECRETARY SHALALA: Thank you.

END

4:42 P.M. EST.