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KIDS' SHARE 2007

HOW CHILDREN FARE IN THE FEDERAL BUDGET

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We thank

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Executive Summary

How much does the federal government spend on children? How have children's priorities fared against other national priorities in the federal budget? Are children becoming more of an afterthought in future budget planning? This report answers those questions with the most comprehensive examination available of trends in federal spending—plus tax credits and exemptions—on children. Over 100 federal programs aim to improve the lives of children through cash assistance, health care, food and nutritional aid, housing, education, and training. Credits and exemptions through the tax code put working families with children on more solid financial ground.

The report classifies about 100 federal programs within eight major budget categories: *income security* (e.g., Temporary Assistance for Needy Families and Supplemental Security Income), *nutrition* (e.g., Food Stamps and Child Nutrition), *housing* (e.g., Section 8 Low-Income Housing Assistance and Low Income Home Energy Assistance), *tax credits and exemptions* (e.g., Dependent Exemption and Child Tax Credit), health (e.g., Medicaid and Children's Health Insurance Program), *social services* (e.g., Children and Family Services Programs and Head Start), *education* (e.g., Impact Aid and Education for the Disadvantaged), and training (e.g., Job Corps and Workforce Investment Act).[1] Children are defined as individuals under 19 years of age who are not yet engaged in post-secondary education.

HISTORICAL TRENDS, 1960–2006

- Federal spending on children, adjusted for inflation, grew from $53 billion in 1960 to $333 billion in 2006. However, as a share of the economy, spending on children rose from just 1.9 to 2.6 percent of GDP.
- By comparison, spending on the big three entitlement programs—the non-child portions of Social Security, Medicare and Medicaid—nearly quadrupled from 2.0 to 7.6 percent of GDP over the same period (or from $58 billion to $993 billion).
- Looking at just domestic federal spending—spending that excludes defense and international affairs—the children's share declined from 20.1 to 15.4 percent.
- Over time, the sums spent on children's programs tend to fall behind growth in the economy and often inflation. The children's budget has maintained its share of GDP primarily due to the introduction of major new programs every few years. Since 1960, 13 major new programs were enacted that account for 65 percent of total spending on children in 2006. By contrast, the sums spent on elderly entitlement programs automatically tend to outpace growth in the economy and prices—driven by rising wages, medical costs and the aging of the American population.
- In 2006, the three largest children's programs—the Child Tax Credit, the Earned Income Tax Credit, and Medicaid—together comprised 38 percent of federal spending on children or $127 billion dollars. Moreover, these three programs accounted for 45 percent of the *increase* in children's spending between 1960 and 2006.
- The dependent tax exemption, once the largest single

1. This report covers only spending directly benefiting children or benefits that increase because of the presence of children. It counts all money directly spent on children where applicable (e.g., National School Lunch program and the dependent exemption) and prorates within the family when spending varies with family size (e.g., Food Stamps) under various formulas. Nonetheless, while different decision rules for allocating dollars within a family produce somewhat different spending estimates for a given year, the overall trends are usually unaffected. The report *does not* include any spending or tax programs that finance post-secondary education. The sums spent on programs like Job Corps and Summer Youth Employment are prorated for the under 19 portion of their enrollees.

Analysis of historical and future trends in the federal budget reveals that children are a diminishing national priority.

source of federal spending on children, declined from 68 percent of child spending to just 7 percent.

- Federal spending on children has become increasingly targeted to the poor, or means-tested. Of all federal spending on children, the share spent on low-income children rose from 11 percent in 1960 to 61 percent by 2006.
- Programs that put money into parents' pockets, such as tax credits and exemptions and welfare cash payments, lost ground to targeted, in-kind spending, such as Food Stamps, housing, and Medicaid. This trend has reversed somewhat over the last ten years, due to the introduction of programs like the Child Tax Credit.
- The ongoing shift in children's spending from broad-based middle class relief to programs targeted at the poor has created program benefits that phase out steeply with additional household income, discouraging additional work effort or marriage, both of which may bring new income to a family.
- In 1960, tax programs (specifically, the dependent exemption) and income security programs comprised 92 percent of federal spending on children. By 2006, while tax and income security were still critical program areas (49 percent combined), health, education, and nutrition programs supplied another 37 percent of federal child spending (compared to just 7.7 percent in 1960).

WHAT THE FUTURE HOLDS, 2007–2017

- Over the next ten years, spending on children under current law is scheduled to shrink relative to other programs that have more rapid, built-in growth and thereby command ever-increasing shares of projected government revenues.
- By 2017, if current spending and revenue policies continue, children's spending will decline from 2.6 to 2.1 percent of GDP, while Social Security, Medicare, and Medicaid will rise from 7.6 to 9.5 percent.
- In 1960, the children's share of domestic federal spending was roughly 20 percent (or $53 billion out of $263 billion). By 2006, despite some recent increases, its share was little more than 15 percent. By 2017, current law projections indicate it will drop to about 13 percent.
- Children are also scheduled to receive much less of the *increase* in spending largely made possible by economic growth. While children enjoyed 20 percent of federal domestic spending in 1960, their share of the *increase* in spending between 1960 and 2006 was less than 15 percent. Under current law, children's share of the increase from 2006 to 2017 would be less than 6 percent. That is, children's programs would gain only $36 billion while other domestic programs would expand by $609 billion. Absent growth in the children's portion of Medicaid, children's programs are scheduled to see a *real decline* in spending.

In sum, the analysis of historical and future trends in the federal budget reveals that children are a diminishing national priority.

Introduction

The federal government directs resources to children to ensure their well-being and to help develop their potential. These resources, which can be allotted through direct spending or tax breaks, comprise the "children's budget." This report tracks federal spending from 1960 through 2017 based on actual budget outlays and projections of spending under current law. It provides the most comprehensive examination to date of trends in federal spending on children. It charts the relative changes—and therefore, shifting national emphases—between children's spending and spending on other programs, as well as among different types of children's spending.

In 2006, the federal government spent some $333 billion in direct outlays and in tax credits and exemptions on programs benefiting children, or 2.6 percent of gross domestic product (GDP). Placed in context, total federal spending was $2.7 trillion (20.3 percent of GDP)—and significantly more, if one includes all tax programs. By way of comparison, $551 billion (4.2 percent) went to Defense and International Affairs; $993 billion (7.6 percent) went to non-child Social Security, Medicare, and Medicaid; and $227 billion (1.7 percent) went to pay interest on the national debt.

This report builds on previous research from the Urban Institute, "Federal Expenditures on Children, 1960–1997," by Rebecca L. Clark, Rosalind Berkowitz King, Christopher Spiro, and C. Eugene Steuerle, published in 2000. This report updates and expands the previous research, adding additional years and programs and projecting spending within the children's budget against other federal spending through 2017.

This analysis of historical and projected trends in federal spending on children does not assess the success, efficiency or merit of any particular type of spending. Nor does it claim that the level of financing of children's programs relative to GDP or other programs indicate levels of need throughout society. Yet the modest share of domestic spending dedicated to the children's budget—a share scheduled for decline under current law—is an important indicator of the federal government's national priorities.

Background and Methodology

We define children as residents of the United States under age 19. The period covered is 1960 to 2017, with estimates provided at five-year intervals between 1960 and 1995, and then every year thereafter between 1995 and 2017. We analyzed over 100 programs[2] through which the federal government spends on children, classifying these into eight major categories: *income security* (e.g., Temporary Assistance for Needy Families (TANF) and Supplemental Security Income), *nutrition* (e.g., Food Stamps and Child Nutrition), *housing* (e.g., Section 8 Low-Income Housing Assistance and Low Income Home Energy Assistance), *tax credits and exemptions* (e.g., the Dependent Exemption and Child Tax Credit), *health* (e.g., Medicaid and Children's Health Insurance Program), *social services* (e.g., Children and Family Services Programs and Head Start), *education* (e.g., Impact Aid and Education for the Disadvantaged), and *training* (e.g., Job Corps and Workforce Investment Act).

Excluded from the analysis are federal benefits for college or post-secondary vocational training, such as Pell grants, Stafford or Perkins loans, Hope Scholarship tax credits, and the like.

We also tally children's spending over time with breakdowns by mandatory versus discretionary, universal versus targeted, and direct spending versus tax expenditures. These breakdowns provide additional information about the changing form and function of federal spending on children. (The individual programs we include are listed by category in table 1).

For a program to be included in this analysis, it must provide spending such that

1. the benefits go entirely to children (e.g., the Child Tax Credit);
2. the benefit level increases with the inclusion of children in the application for the benefit (e.g., Medicaid, Food Stamps or Low-Rent Public Housing); or
3. children are necessary to qualify for any benefits (e.g., TANF or Head Start).

The amount of federal spending estimated to be spent on children equals the amount going to the family with children less the amount they would receive, if any, in the absence of children. Our analysis does not include many programs that may still benefit children like tax benefits for homeownership and employer-provided health insurance, the salaries of federal employee parents, roads, communications, or national parks, since these benefits could be equally enjoyed by households without children. Likewise, we do not subtract from children's spending the amount of a child's benefit, like the Child Tax Credit, that parents may spend on themselves.

Budget figures represent fiscal years, unless otherwise indicated, and are always expressed in 2006 dollars or as shares of GDP or of the domestic federal budget. We use "spending" to indicate both direct outlays from the budget as well as tax expenditures paid through tax exemptions and nonrefundable tax credits. The latter are programs that reduce the taxes people pay, like the dependent exemption that reduces taxes otherwise owed, and operate similarly to government spending programs. It is important to note that tax refunds (payments over and above any taxes owed), such as those provided by the Earned Income Tax Credit or the Child Tax Credit, are considered by the federal government to be outlays while the portions of these programs that offset taxes owed (the non-refundable portions) are considered tax expenditures.

Our analysis primarily uses data from the *Budget of the United States Government* (fiscal year 2008 and past years), its appendices, and special analyses for historical data and projections. For projections, we also use the Congressional Budget Office's *Budget and Economic Outlook, FY 2008–17*, the Department of Treasury's *General Explanation of the Administration's FY 2008 Revenue*

2. The programs we list often subsume a number of smaller programs. For example, we count the Social Services Block Grant (SSBG) as one program among our 100+, but SSBG is comprised of nearly 30 programs in its own right.

TABLE 1 Programs for Children Examined in This Study by Category

TAX CREDITS AND EXEMPTIONS

Earned Income Tax Credit (EITC), Child and Dependent Care Tax Credit, Child Tax Credit, Dependent Exemption, Employer Provided Child Care Exclusion, Employer-Provided Child Care Credit, Exclusion of Certain Foster Care Payments, Assistance for Adopted Foster Children, Adoption Credit and Exclusion, Exclusion of Railroad Retirement Benefits, Exclusion of Public Assistance Benefits, Exclusion of Special Benefits for Disabled Coal Miners, Exclusion of Social Security Benefits, Exclusion for Veterans Benefits;

INCOME SECURITY

Social Security, Temporary Assistance for Needy Families (TANF) — formerly Aid to Families with Dependent Children (AFDC), Child Support Enforcement, Emergency Assistance, Supplemental Security Income (SSI), Railroad Retirement, Veterans Benefits, Black Lung Disability;

NUTRITION

Food Stamp Program, Child Nutrition, Special Milk, Special Supplemental Food for Women, Infants and Children (WIC), Commodity Supplemental Food;

HEALTH

Medicaid (for children and disabled children), Maternal and Child Health (Block Grant), Immunization, National Institute of Child Health and Human Development (NICHHD), Sudden Infant Death Syndrome, Healthy Start, Emergency Medical Services for Children, State Children's Health Insurance Program (SCHIP), Adolescent Family Life, Universal Newborn Hearing, Abstinence Education, Birth Defects/Developmental Disabilities;

EDUCATION

Educationally Deprived/Economic Opportunity, Supporting Services, Dependents' Schools Abroad, Public Lands Revenue for Schools, Assistance in Special Areas, Other, Impact Aid, Vocational (and Adult) Education for the Disadvantaged—formerly Grants for the Disadvantaged, School Improvement, Indian Education, English Language Acquisition—formerly Bilingual and Immigrant Education, Special Education—formerly Education for the Handicapped, Emergency School Assistance (Civil Rights), Education Reform: Goals 2000, Domestic Schools, Reading Excellence, American Printing House for the Blind, Gallaudet University (elementary and secondary schooling), Institute for Education Sciences—formerly Education Research, Innovation and Improvement, Safe Schools and Citizenship Education;

SOCIAL SERVICES

Social Services (Block Grant), Community Services Bock Grant, Children and Family Services Programs, Head Start, Child Welfare Services, Child Welfare Training, Child Welfare Research, Violent Crime Reduction Programs, Foster Care, Adoption Assistance, Independent Living, Child Care and Development Block Grant, Child Care Entitlement to States, AFDC Child Care, Transitional Child Care, At-Risk Child Care, Juvenile Justice, Missing Children, Promoting Safe and Stable Families—formerly Family Preservation and Support, Children's Research and Technical Assistance;

HOUSING

Low Income Home Energy Assistance, Low-Rent Public Housing, Section 8 Low-Income Housing Assistance, Rent Supplement, Rental Housing Assistance;

TRAINING

Manpower Development and Training Act (MDTA) Institutional Training, MDTA On-the-Job Training (OJT), Neighborhood Youth Corps, Job Opportunites & Basic Skills Training/Work Incentive Program (JOBS/WIN), Mainstream, Comprehensive Employment and Training Act (CETA), Youth Employment and Training Programs, Summer Youth Employment, Young Adult Conservation Corps (YACC), Job Training Partnership Act (JTPA), School-to-Work, Youth Offender Grants, Youth Opportunity Grants, and Workforce Investment Act (WIA) Youth Formula Grants.

Proposals, and some assumptions of our own. Much of the quantitative effort in this report has been to estimate the portions of programs, like Food Stamps, Medicaid or Supplemental Security Income, that go just to children. For these calculations, the most frequently used sources are the House Ways and Means Committee's Green Book (various years), the Annual Statistical Supplement to the Social Security Bulletin (various years), reports from the agencies that administer the programs, and discussions with agency staff. See the appendix to this report for some more detail on our allocation methodology. For program-by-program detail on data sources and allocation assumptions, see our Data Appendix, a separate publication.

Trends in Child Expenditures

Describing how national budget priorities change with spending over time requires context. Many parts of the federal government have expanded since 1960, since the economy itself has grown more than four-and-a-half times in real terms. While spending on all major parts of the budget has also increased in real terms, *priorities* are often better assessed by comparing spending on particular budgetary items relative to each other and relative to GDP. At the same time, growth in the economy and revenues demonstrates that it is possible to change priorities by spending more in chosen areas without necessarily cutting back real amounts spent in other areas.

MEASURES OF CHANGE IN THE CHILDREN'S BUDGET, FY 1960–2006

The overall budget story is somewhat complex and intertwined, but some broad themes stand out. Federal government spending has grown roughly in line with economic growth, and all major areas of the budget have grown in real terms. Meanwhile, the long-term decline of defense spending as a fraction of GDP and overall federal budget has opened the door to substantial expansion in domestic spending. While spending on children grew in real terms and as a share of GDP, it declined as a share of domestic spending, albeit with some ups and downs. So if children's spending has declined in a relative sense, then other domestic spending must have increased in a relative sense. We know that, in terms of real dollars, both pots of money have increased. But clearly, the pot of money going to children has grown more slowly than the pot going to everything else; this has been due largely to the expansion of non-child spending for retirement and health care.

Real Dollar Change. From 1960 to 2006, total federal spending on children grew from $53 billion to $333 billion, or over six times in real terms. However, *all* major areas of federal spending grew in real terms, simply because the federal budget grows roughly with the economy, and economic growth generally exceeds the growth in prices (figure 1). Over the same time frame,

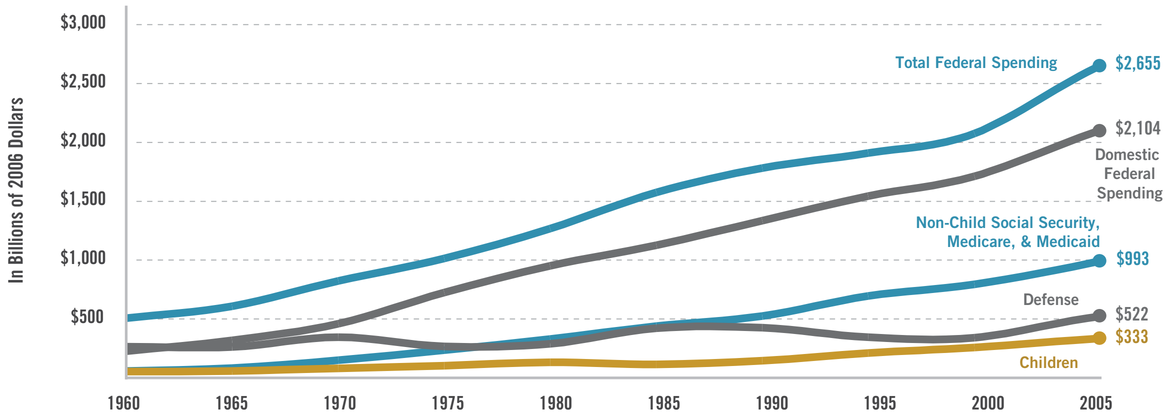
- Total federal spending more than quintupled, from $508 billion to $2,655 billion;
- Spending on defense rose from $265 billion to $522 billion, yet did not keep pace with growth in the economy overall, as described in the next section;
- Domestic spending (total federal outlays excluding defense and international) swelled even more—831 percent, from $226 billion to $2,104 billion;
- The non-child components of Social Security, Medicare and Medicaid expanded by a factor of 17, from $58 billion to $993 billion over the same period, or almost *three times* as much as federal spending on children.

Share of GDP. As a share of GDP, children's programs grew 38 percent from 1.85 to 2.55 percent over the period. Much of this growth in the children's budget—and most other domestic spending—was fueled by a 50-year decline in the enormous defense budgets of the 1940s and 50s. The other major trends captured in figure 2 are:

- Total outlays rose 14 percent over the 46-year period as a share of the economy (from 17.8 to 20.3 percent);
- Defense declined 57 percent (from 9.3 to 4.0 percent of GDP);
- Domestic spending more than doubled from 7.9 to 16.1 percent (not shown in figure);
- Non-child Social Security, Medicare, and Medicaid nearly quadrupled as a share of the economy (from 2.0 to 7.6 percent of GDP).

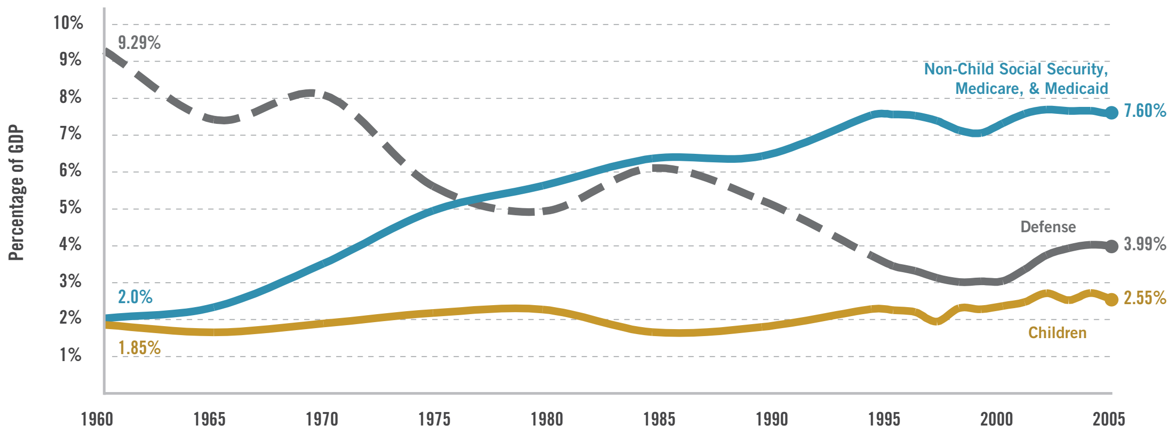
Share of Domestic Spending. By excluding spending on defense and international affairs, we can get a better sense of how children's programs competed for resources against other domestic priorities. From 1960 to 1985,

FIGURE 1 1960–2006: Real Federal Spending on Children and Other Major Items



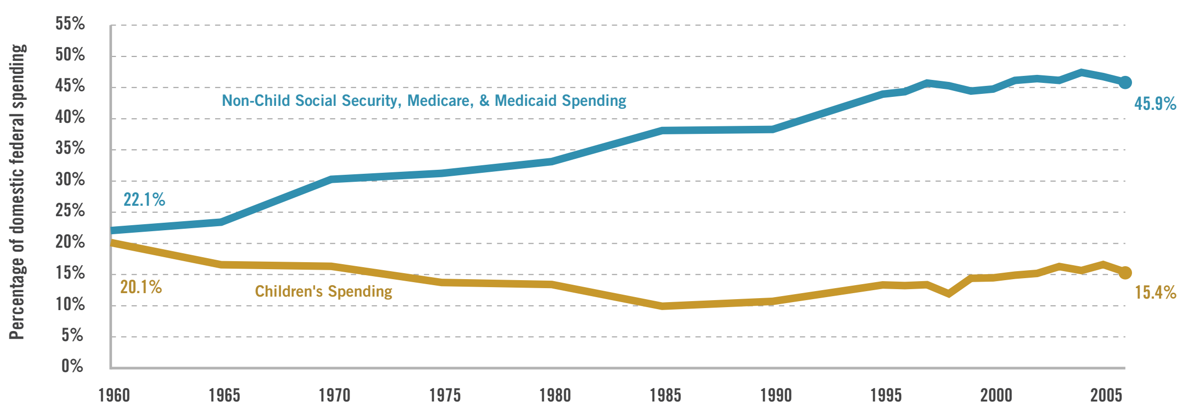
Source: Authors' estimates, The Urban Institute, 2007. Based on data from the *Budget of the United States Government, FY 2008* and previous years. Children's spending includes tax expenditures.

FIGURE 2 1960–2006: Federal Spending on Children and Other Major Items (% GDP)



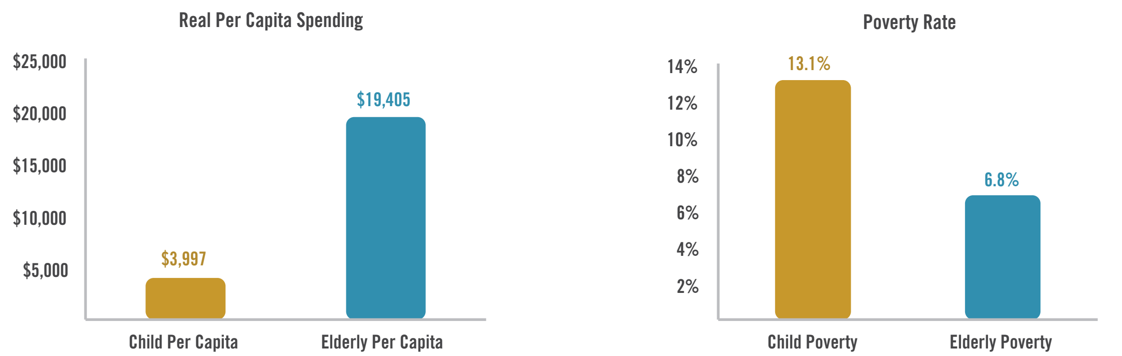
Source: The Urban Institute, 2007. Authors' estimates, based on the *Budget of the U.S. Government* FY 2008 and past years. Children's spending includes tax expenditures.

FIGURE 3 1960–2006: Federal Spending on Children and Major Entitlements as a Share of Domestic Federal Spending



Source: The Urban Institute, January 2007. Estimates and projections developed using the *Budget of the United States Government, FY 2008* and CBO's *The Budget and Economic Outlook: Fiscal Years 2008-17*
Note: Children's tax expenditures are included in children's spending and domestic federal spending for this exercise.

FIGURE 4 **2004: Per Capita Federal Spending and Poverty Rates: Children Versus the Eldrely**



Source: The Urban Institute, 2007. Authors' estimates, based on the *Budget of the U.S. Government FY 2008* and past years; and U.S. Census Bureau, "The Effects of Government Taxes and Transfers on Income and Poverty: 2004", Table 3, February 2006. Uses alternative measure of poverty that is post-transfer (does not include th cash value of health care transfers, however).

children's spending steeply declined from 20.1 to 9.9 percent of all domestic spending, owing in large part to lawmakers' failure to keep the dominant program of the day, the dependent tax exemption, current with inflation (see figure 3).

Since 1985, there have been major expansions in Medicaid, children's nutrition programs, children's K-12 education programs, and the EITC. Additionally, major new programs were created—the Child Tax Credit and the State Children's Health Insurance Program (SCHIP)—helping the overall children's budget to rebound somewhat to 15.4 percent by 2006. The occasional creation of new children's programs, or the legislated (rather than automatic) expansion of existing programs, has prevented the children's budget from plummeting as a share of domestic federal spending. Still, the children's share of domestic spending has fallen by a fifth over the last 46 years.

By comparison, spending on the non-child components of the three major entitlement programs have more than doubled, rising from 22.1 to 45.9 percent of domestic spending.

Real Per Capita Spending and the Poverty Rate. Real per capita federal spending on children grew from $788 to $3,997 over 1960–2004. Per capita spending on the elderly in just the Social Security, Medicare, and Medicaid programs rose from $2,978 in 1960 to $19,405 in 2004.[3]

Figure 4 compares these children and elderly per capita values in 2004 with the poverty rates for both groups. We use an adjusted poverty measure from the U.S. Census that indicates poverty rates *after* most transfers (e.g., welfare, food stamps, EITC, but not health) have been counted in household income.[4] Although this paper does not examine the effectiveness of either set of programs, it is worth noting that the poverty rate for children is 13.1 percent in 2004, the latest year available, compared to 6.8 percent for the elderly.

Finally, placing federal spending on children in a broader context of *total government spending* on children, we note that state and local spending on K–12 education alone was about $474 billion in 2006. If one includes such state-financed portions of federal social welfare programs as TANF, Food Stamps, Medicaid, and SCHIP, the total rises to $510 billion (3.9 percent of GDP), over 50 percent larger than total federal spending (including tax expenditures) on children. This sum does not include state and local tax expenditures that go to children.

A strict comparison of state and federal spending on children is not undertaken here. Two notes should be made, however. First, the value of income tax credits

3. Note that over this time, the number of children grew just 16.4 percentage points (from 67.1 to 78.1 million), while the number of elderly grew 117 percent, from 16.7 to 36.3 million.

4. The official U.S. poverty measure is based on pre-tax income and includes government cash transfers but excludes non-cash benefits. We use an alternative poverty rate based on post-tax income that includes government cash transfers and the value of government non-cash transfers like food stamps, public or subsidized housing, and free or reduced-price school lunches. This alternative measure does not include the value of health transfers like Medicaid or SCHIP, however.

and exemptions are significantly larger at the federal level since federal taxes are much higher than state and local tax rates. Second, the increasing use of block grants in lieu of formula-driven entitlements in such program areas as cash welfare *reduces* the incentive for states to try to leverage additional federal dollars on children by spending more on these programs and so may limit overall federal child spending.

While spending on children grew in real terms and as a share GDP, it declined as a share of domestic spending, albeit with some ups and downs.

Trends in Child Expenditures within the Children's Budget

Trends within the children's budget can be observed through many lenses, including by individual program, category of spending, type of expenditure, and how broadly or narrowly these programs are targeted.

If we look by individual program, we note that many major (and minor) children's programs have been added since 1960. Figures 5a and 5b provide a bird's eye view of the programmatic landscape in 1960 and 2006, respectively. In 1960, the dependent exemption was the single largest children's program, accounting for 68 percent of all spending. By 2006, tax programs had waned in importance, their share ceded to a host of often means-tested programs that fleshed out a federal social safety net and often paid in-kind benefits.

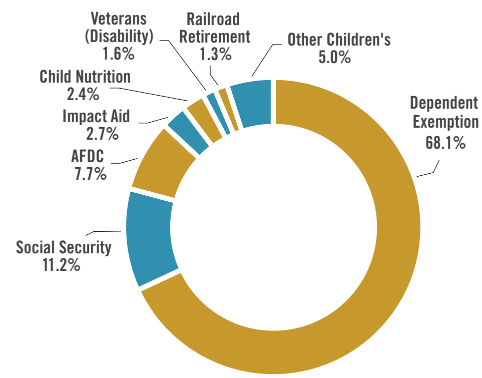
Next, we group the 100-plus programs that comprise the children's budget into eight categories to describe how the composition of children's spending has changed over time: tax credits and exemptions, income security, health, education, nutrition, housing, social services, and training. In each, federal spending in real dollar terms increased. As shares of GDP and the children's budget however, different stories emerge. Figure 6 provides a snapshot of the composition of children's programs in 1960 and 2006. Relative to 1960, the preeminence of tax and income security programs has diminished significantly, while health, education and nutrition have expanded robustly. Plus, spending on children through the areas of housing, social services and training, which were nonexistent in 1960, comprised 13.6 percent of total spending in 2006.

HOW FEDERAL CHILDREN'S SPENDING HAS CHANGED ACROSS CATEGORIES

Figure 7 summarizes the major shifts in importance across the eight categories between 1960 and 2006, expressing the change in percentages of GDP. The paragraphs below use the results in figure 7 to describe changes in the mix of spending over time for each category.

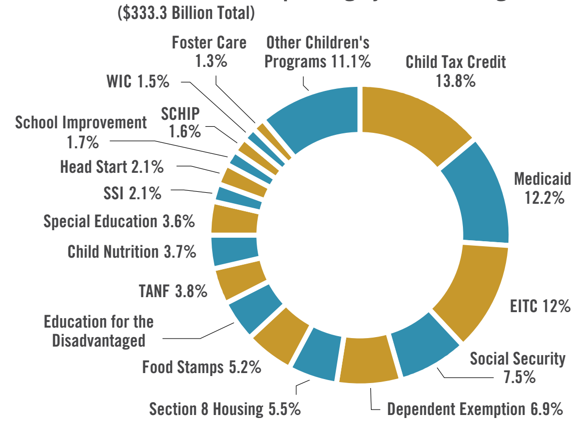
Tax credits and exemptions as a percentage of GDP declined 0.40 percentage points, from 1.28 in 1960 to 0.88 percent in 2006. Still, tax programs remain the single largest category of federal spending on children, amounting

FIGURE 5A **1960: Children's Spending by Federal Program**
($52.9 Billion Total, 2006 Dollars)



Source: The Urban Institute, 2007. Authors' estimates based on the *Budget of the U.S., FY 2008* and past years.

FIGURE 5B **2006: Children's Spending by Federal Program**
($333.3 Billion Total)



Source: The Urban Institute, 2007. Authors' estimates based on the *Budget of the U.S., FY 2008*.

to $114.8 billion in 2006. And unlike most of the program areas below, federal tax programs as a whole are more likely to benefit all children, not just the poor and near-poor.

There are over a dozen tax programs that benefit children.[5] For decades, the workhorse program in this area was the dependent exemption—the personal exemptions that parents would claim each year on their tax forms for having children.[6] In 1960, this program supplied 68.1 percent of all federal spending on children. (Relatively small tax exclusions for Social Security and public welfare benefits supplied the remaining 1.1 percent provided for children by tax programs as a whole.) However, lawmakers seldom adjusted the exemption amount for inflation and the exemption's value steadily eroded over the next 25 years. It was not until after 1984 that its value was automatically indexed for inflation.

The 1986 tax reform signaled a desire to enact a family agenda through the tax code.[7] Lawmakers expanded the dependent exemption in 1986, expanded the EITC in 1990, 1993 and 2001, and enacted a child tax credit in 1997 with subsequent expansions in 2001 and 2003. The EITC and the Child Tax Credit are now two of the top three largest federal programs that go to children, with the EITC contributing $40.0 billion and the Child Tax Credit $45.9 billion in 2006 (see figure 5b).

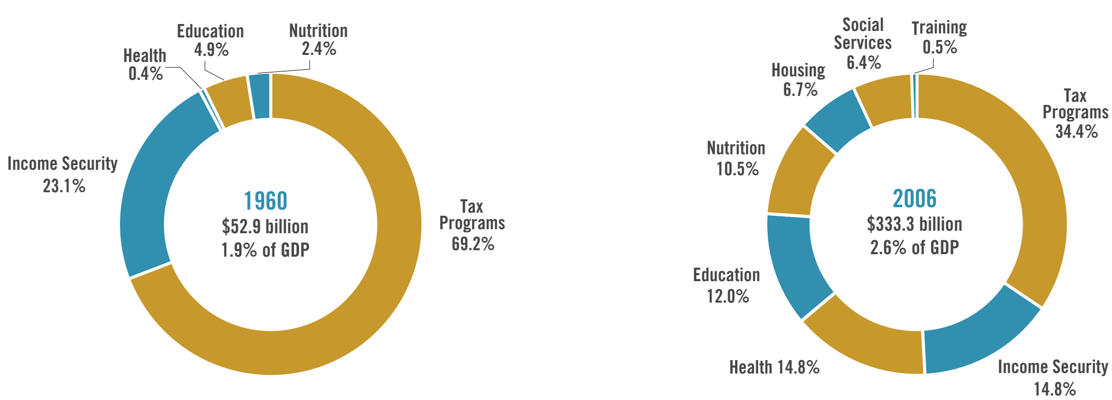
Figure 8 displays trends in these select tax programs as a percentage of GDP over time. (Not shown here but included in our totals and listed in table 1 are a number of tax exclusions for childcare, payroll taxes and welfare-related programs.) While such other children's categories as nutrition, health and education expanded as a share of GDP, the dependent exemption program declined (despite post-1984 indexation and expansion) and tax programs came to provide only 34.4 percent of total spending on children in 2006—just half of their share in 1960. Figure 9 shows the

5. Why do we include tax programs in "total spending" for children? First, two of the major tax programs are already in the direct spending budget and the tax subsidy or "tax expenditure" budget. As noted before, the EITC and child credit have both refundable (direct spending) and non-refundable (tax reduction) portions. It would seem inconsistent to count one portion and not the other. Second, the calculation of total federal support for children is substantially affected by whether one includes tax programs or not. Third, failing to count a program like the dependent exemption—which contributed over two-thirds of spending on children in 1960 by itself—would make it appear that the replacement of tax deductions with refundable tax credits had a much greater effect on the children's budget than it did, and that total spending on children had increased much more robustly over the 1960–2006 period than is actually the case. Looking at the first set of bars in figure 9, the increase in children's spending as a share of GDP between 1960 and 2006 appears to be 193 percent (0.57 percent to 1.67 percent of GDP). But if one includes tax programs, then the rise in children's spending as a share of the economy is markedly less—just 38 percent.

6. Exemptions shelter family income from taxation. The dependent exemption for tax year 2006 is $3,300 for each child. The actual value of this exemption for tax filers depends on what tax bracket they fall into. For example, the exemption lowers tax liability by up to $495 per child for a family in the 15 percent tax bracket (15% x $3,300) and by up to $1,155 per child for a family in the 35 percent bracket (35% x $3,300).

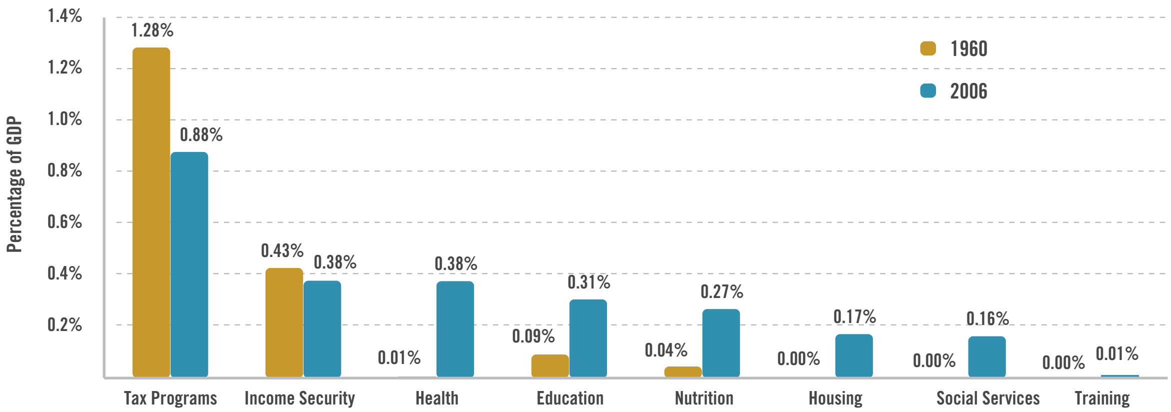
7. See C. Eugene Steuerle, *Contemporary U.S. Tax Policy*, Washington, DC: The Urban Institute, 2004.

FIGURE 6 1960 and 2006: Federal Spending on Children by Category



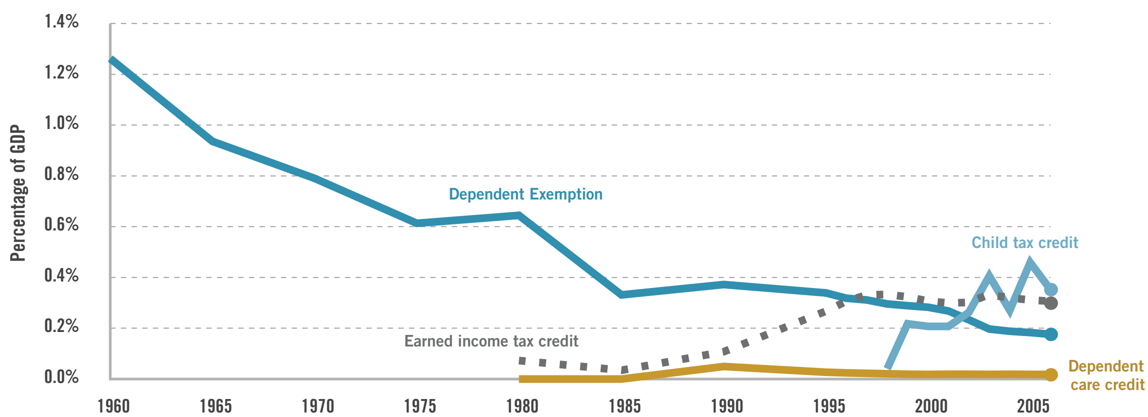
Source: Authors' estimates based on the *Budget of the United States Government, FY 2008* and various years.
Note: Federal sums spent on children in the areas of housing, social services, and training in 1960 too small to represent in chart.

FIGURE 7 1960 and 2006: Federal Spending on Children By Category (% GDP)



Source: The Urban Institute, 2007. Authors' estimates, based on the *Budget of the U.S. Government FY 2008* and past years.

FIGURE 8 1960–2006: Select Tax Programs for Children (% GDP)



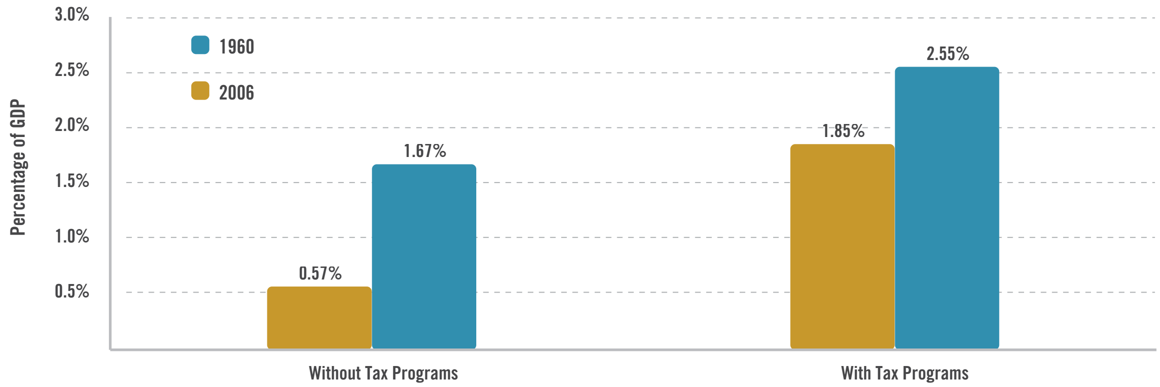
Source: The Urban Institute, 2007. Authors' estimates, based on the *Budget of the U.S. Government FY 2008* and past years.

contribution of tax programs to total spending on children in 1960 and 2006.

Income security programs declined from 0.43 to 0.38 percent of GDP over 1960–2006. In 1960, income security programs accounted for 23.1 percent of spending on children (figure 6); by 2006, they accounted for just 14.8 percent, or $49.4 billion. Major programs included in this category are Social Security Survivors' and Disability benefits, AFDC/TANF, Supplemental Security Income (SSI), and Child Support Enforcement. Income security programs by design are conditioned on income as well as other criteria like family circumstances or disability status. These programs represent targeted spending on children and are not broadly available. There are three main reasons for the decline in this category as a fraction of GDP. First, growth in the share of Social Security Survivors' and Disability benefits going to children fell significantly. Second, lawmakers only fitfully increased benefits in the one-time dominant AFDC program, causing it to lag behind inflation; they finally converted AFDC to a block grant in a 1996 reform that produced Temporary Assistance for Needy Families (TANF). Third, no new major programs have been introduced in this area since the 1970s. Even so, income security programs remain the second largest category of federal spending on children.

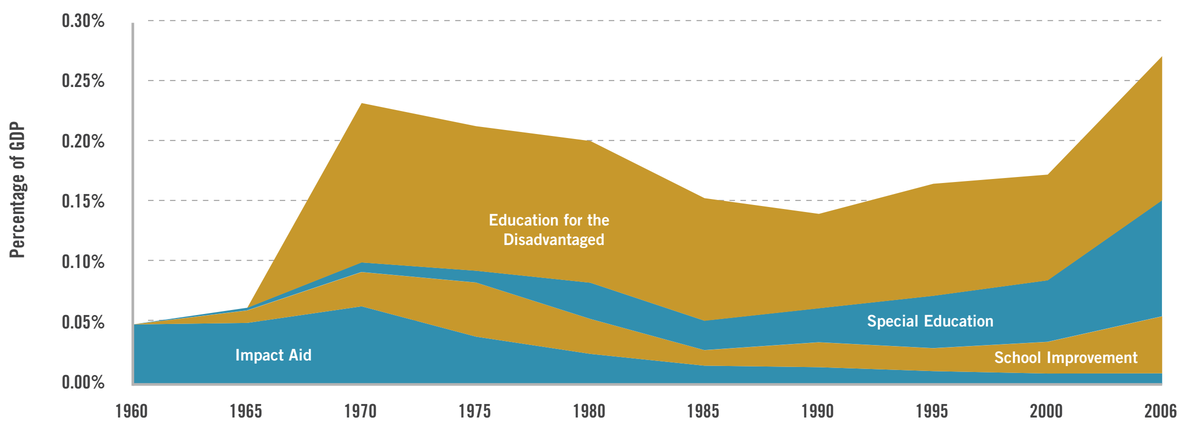
Health programs benefiting children grew from 0.01 percent of GDP in 1960 to 0.38 percent by 2006. The major spending programs under this category are Medicaid and the State

FIGURE 9 1960 and 2006: Federal Child Spending, With and Without Tax Programs (% GDP)



Note: Includes all major tax programs for children. See table 1 for a list of programs.
Source: The Urban Institute, 2007. Authors' estimates, based on the *Budget of the U.S. Government FY 2008* and past years.

FIGURE 10 1960–2006: Federal Spending on Children's Education (% GDP)



Source: The Urban Institute, 2007. Authors' estimates, based on the *Budget of the U.S. Government FY 2008* and past years.

Children's Health Insurance Program (SCHIP) and, to a lesser extent, the National Institute of Child Health and Human Development and the Maternal Child Health Block Grant. Just as with income security, most of the program dollars are targeted toward lower-income children. However, health programs are the fastest-growing category of federal spending on children. Health programs now rank as the third highest category of children's spending and contribute about the same share to total children's spending as income security programs. The introduction of Medicaid in the 1960s—which contributed 12.2 percent of federal children's spending in 2006 by itself (figure 5b)—and SCHIP in the late 1990s drove this result. The high annual growth in medical services in particular has caused Medicaid for children (as well as for adults) to grow far faster than any other children's program.

Education more than tripled, expanding from 0.09 percent of GDP to 0.31 percent. The period of 1960 to 2006 saw education spending mushroom—albeit relative to a low base—through the periodic introduction of new programs (figure 10). However, virtually all of this growth relative to GDP took place between 1960 and 1975. During the 1960–2006 time frame, spending shifted away from broadly available funding, as the Impact Aid program waned from supplying 54 percent of education spending to just 3 percent. Instead, education spending was increasingly targeted on low-income or mentally and physically challenged children through the School Improvement, Special Education

TABLE 2 Targeted or Means-Tested Programs

TAX CREDITS AND EXEMPTIONS

Earned Income Tax Credit (EITC), Exclusion of Public Assistance Benefits;

INCOME SECURITY

Temporary Assistance for Needy Families (TANF) – formerly Aid to Families with Dependent Children (AFDC), Child Support Enforcement, Emergency Assistance, Supplemental Security Income (SSI);

NUTRITION

Food Stamp Program, Child Nutrition, Special Milk, Special Supplemental Food for Women, Infants and Children (WIC), Commodity Supplemental Food;

HEALTH

Medicaid (for children and disabled children), Maternal and Child Health (Block Grant), Healthy Start, State Children's Health Insurance Program (SCHIP);

EDUCATION

Educationally Deprived/Economic Opportunity, Education for the Disadvantaged – formerly Grants for the Disadvantaged;

SOCIAL SERVICES

Social Services (Block Grant), Community Services Bock Grant, Head Start, Foster Care, Adoption Assistance, Independent Living, Child Care and Development Block Grant, Child Care Entitlement to States, AFDC Child Care, Transitional Child Care, At-Risk Child Care;

HOUSING

Low Income Home Energy Assistance, Low-Rent Public Housing, Section 8 Low-Income Housing Assistance, Rent Supplement, Rental Housing Assistance;

TRAINING

Jobs Corps, Manpower Development and Training Act (MDTA) Institutional Training, MDTA On-the-Job Training (OJT), Neighborhood Youth Corps, JOBS/WIN, Mainstream, Comprehensive Employment and Training Act (CETA), Youth Employment and Training Programs, Summer Youth Employment, Young Adult Conservation Corps (YACC), Job Training Partnership Act (JTPA), Youth Offender Grants, Youth Opportunity Grants, and Workforce Investment Act (WIA) Youth Formula Grants.

and Education for the Disadvantaged programs. Despite its robust growth, education receded from third to fourth in the rankings over that time period. In 1960, education comprised 4.9 percent of federal spending on children (figure 6); by 2006, it accounted for 12.0 percent. It is important to recognize that these amounts for education do not include state and local outlays on children, which are the primary means through which education is financed.

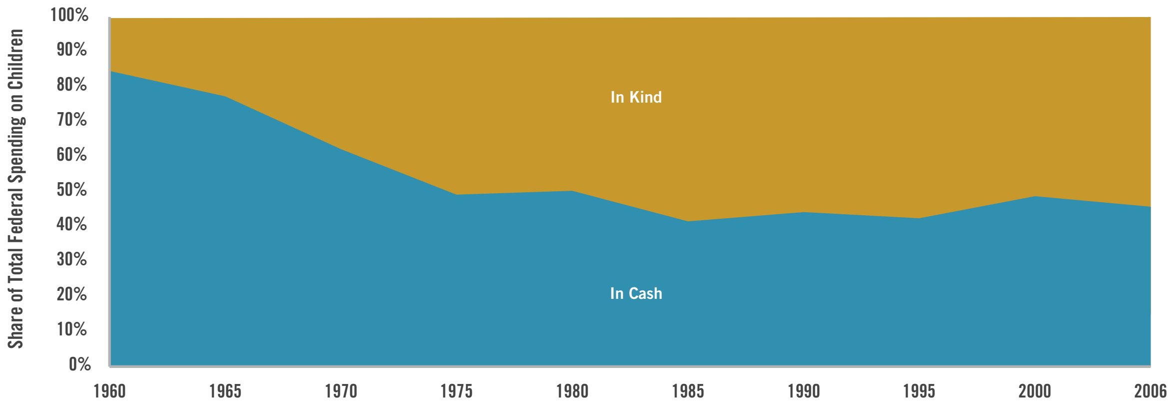
Nutrition programs increased nearly sevenfold as a share of the economy, from 0.04 to 0.27 percent of GDP. At the same time, nutrition programs fell from fourth to fifth out of the eight categories. While nutrition programs contributed 2.4 percent of federal spending on children in 1960, they accounted for 10.5 percent in 2006. The growth in this category is due in large part to the introduction of the Food Stamps Program in 1964 and the Special Supplemental Food program for Women, Infants, and Children (WIC) in the early 1970s, as well as the explosive growth in the Child Nutrition programs (which include the National School Lunch Program, the School Breakfast Program, Special Milk and the like).

Housing expenditures on children rose to 0.17 percent of GDP by 2006. Housing programs that provided identifiable benefits for children did not exist in a meaningful way in 1960. The major housing programs like Low Rent Public Housing, Section 8 Low-Income Housing Assistance, Rental Supplement, and Rental Housing Assistance all made their appearance between 1970 and 1975. Housing programs spent $22.3 billion, or 6.7 percent of federal spending, on children in 2006. The Section 8 program by itself supplied 5.5 percent of this spending in 2006 (figure 5b).

Social service program spending on children climbed to 0.16 percent of GDP by 2006. Again, virtually non-existent as a spending category in 1960, social service programs, including Head Start, Foster Care, Child Care Entitlements to States, Child Care Development Block Grant, and the Social Services Block Grant, together accounted for $21.3 billion in spending on children in 2006.

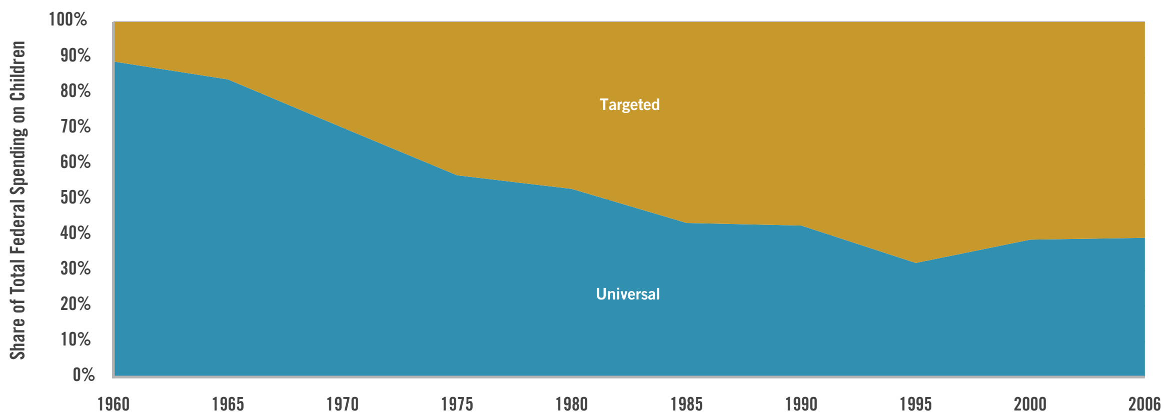
Training program spending on children reached 0.01 percent of GDP by 2006. The portion of training dollars in programs like Job Corps that went to older children amounted to $1.6 billion in 2006 or 0.5 percent of federal children's spending in that year. While there are a number of training programs for youth, as shown back in Table 1, the bulk of their expenditures go to those over age 18. Many of the training programs that target children 18 and under were enacted between 1965 and 1970.

FIGURE 11 1960–2006: In-Cash Vs. In-Kind Spending as Shares of Federal Spending on Children



Source: The Urban Institute, 2007. Authors' estimates, based on the *Budget of the U.S. Government FY 2008* and past years.

FIGURE 12 1960–2006: Universal vs. Targeted Programs as a Share of Total Federal Spending on Children



Source: Authors' estimates, The Urban Institute, 2007. Based on data from the *Budget of the United States Government, FY 2008* and previous years. Children's spending includes tax expenditures. See table 2 for a list of programs.

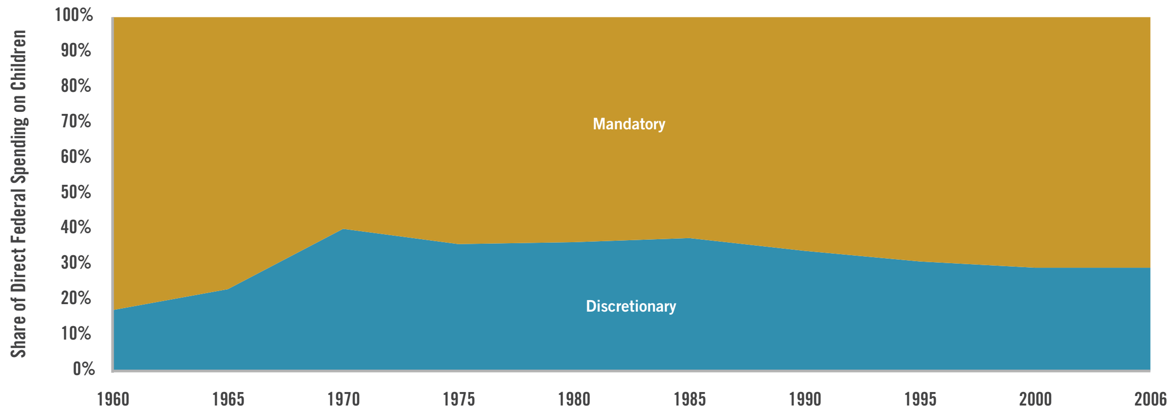
In sum, the three dominant programs in 1960—the dependent exemption, Social Security, and AFDC—have all waned in importance, but major new programs have been added over time. Also, over the last 20 years or so, tax programs have resurged as a means for distributing federal spending to children and families.

IN-KIND VERSUS IN-CASH SPENDING

From 1960 until fairly recently, there was a significant shift away from programs that leave spending on children to the discretion of their parents. In other words, less money was put directly in parents' pockets and more was targeted to goods and in-kind services. Tax credits, exemptions and welfare cash payments shrank, while food stamps, subsidized housing and Medicaid grew.

In 1960, only 15.4 percent of children's spending was in-kind, but by 2006, this share reached a whopping 54.3 percent of spending on children (figure 11). Economists have favored cash-based assistance since the 1960s and early 1970s, often on the basis that cash offered recipients more flexibility and therefore better choices than an equal amount of in-kind resources. However, the appeal of in-kind transfers to policy makers may rest in several concerns: that recipients receive some government-determined mini-

FIGURE 13 1960–2006: Federal Mandatory vs. Discretionary Children's Spending



Source: The Urban Institute, 2007. Authors' estimates based on the *Budget of the U.S. Government FY 2008* and past years. Includes only direct spending programs and the refund portions of children's tax credits.

mal amount of benefits like food, housing and health care; that at least some of the benefits going to a household, like food and housing, are ensured to benefit children simply because they are likely to be shared; and that cash may provide a greater disincentive to leave assistance programs.

UNIVERSAL VERSUS TARGETED PROGRAMS

From 1960 to 1995, large relative growth in programs that targeted low-income children meant that fewer dollars went to more universal programs. We categorize as "universal" those benefits (generally) available to all families with children.[8] Since 1995, however, the trend has reversed due to larger relative growth in universal programs. Figure 12 shows the change in composition over time based on program type. The pattern resembles the in-kind versus in-cash composition seen in figure 11, as lawmakers often chose to provide targeted benefits through in-kind means. As a share of GDP, targeted programs jumped eight-fold, from 0.2 to 1.6 percent of GDP.

Much like the shift from in-cash to in-kind benefits, the shift from universal to targeted was driven in part by the expansion of targeted benefits in the areas of nutrition (food stamps, WIC, Child Nutrition), health (Medicaid), and education (Education for the Disadvantaged). (Table 2 lists targeted programs by category.) Targeted programs also grew relatively more important because of the cash made available in income security programs (Supplemental Security Income) and the EITC, combined with the decline of the broad-based dependent exemption. Finally, the recent, albeit muted, resurgence in more universal programs was largely due to the creation and expansion of the Child Tax Credit.

The increased targeting of benefits also means that per capita measures of federal spending on children understate the gains in average benefits for low-income children and overstate those for middle- and upper-income children. The majority of children may only qualify for the dependent exemption and the Child Tax Credit.

MANDATORY VERSUS DISCRETIONARY PROGRAMS

From 1960 to 2006, mandatory programs—programs that (generally) renew automatically each year and often have automatic growth built into them—declined somewhat as a share of federal direct spending on children from 83 to 71 percent. (See figure 13). Discretionary programs, meanwhile, must be renewed each year through a new appropriation. The intent, if not always the practice, is that mandatory programs have first claim on available

8. Technically, tax benefits like the child tax credit and the dependent exemption gradually phase down to zero at higher income levels—above $110,000 for joint filers ($75,000 for single filers) for the child tax credit and above $225,750 for joint filers ($150,500 for singles and $188,750 for head of households) for the dependent exemption, but are not included here.

budgetary resources, including federal borrowing, ahead of discretionary programs. Additionally, some mandatory programs (for children and adults) are "safety net"–oriented in nature and expand further to provide more aid if the economy suffers and tax revenues fall. Mandatory programs tend to be the larger programs found in income security (SSI and AFDC), health (Medicaid and SCHIP), nutrition (Food Stamps and Child Nutrition), and tax credit refund programs (EITC and Child Tax Credit), but not the child-related programs in housing or education. Mandatory and discretionary refer to direct spending programs only and therefore do not include the dependent exemption and the rest of the tax expenditure programs we identify (but do include the refund or "outlay" portions of the EITC and the Child Tax Credit).

Figure 13 shows a marked decline in the share of children's spending accounted for by mandatory programs, from 83 percent in 1960 to 63 percent in 1980 due to the enactment of the major housing and education programs. Mandatory programs gradually regained some ground after this period, driven by growth in Medicaid and the expansion of the refundable portions of the EITC and Child Tax Credit. It is important to note that children's discretionary spending often *decreases in nominal terms* from year to year as programs do not receive the same level of appropriation as the prior year (the major education programs have been an exception), while children's mandatory spending is at least partially indexed to inflation.

The federal budget makes fairly clear that children are less of a priority and more of an afterthought in the budget process.

The Future of Federal Spending on Children

If the future is anything like the past, one would expect spending on children to continue increasing in real terms as the economy expands, yet continue to decline as an overall share of the economy. Looking forward, the federal spending picture for children and the nation as a whole relies on assumptions made about the growth in different federal spending programs—both on the direct spending side and the tax expenditure side—as well as revenues available to support this spending. With some modest adjustments, projections by the Congressional Budget Office, the Department of Treasury, and the White House show what "current law" may bring for children in the near future.

"Current law" illustrates what would happen if current spending and revenue policies continue indefinitely. As a consequence, large mandatory programs that grow fast and automatically (e.g., major entitlements) would capture more and more budgetary resources from the discretionary, slower-growing programs that benefit children.[9] Here we also assume that the 2001–06 tax cuts will be permanently extended, partly because neither political party has shown an appetite for raising taxes.[10]

In real dollar terms, as shown in figure 14, we project that children's spending would increase under current law by a modest 10.8 percent, from \$333 billion in 2006 to \$369 billion by 2017. CBO projects total federal spending to rise 24.9 percent and domestic spending to rise 30.8 percent, driven in large part by the three major entitlement programs. The adult portions of Social Security, Medicare, and Medicaid are scheduled in law to grow 67.5 percent, or more than six times faster than children's spending. Meanwhile, CBO projects defense to grow less than 3 percent in real dollar terms between 2006 and 2017, from \$522 to \$536 billion—a dubious proposition, given that the nation is fighting a prolonged War on Terror and that the cost of personnel salaries and fringe benefits, not to mention weapons procurement, will likely grow by far more than this amount.[11] The point is that understating defense growth understates the future pressures the children's budget will face from competing national priorities.

If this scenario plays out, *as a share of the economy*, federal children's spending would drop 17.3 percent (0.44 percentage point), from 2.55 to 2.11 percent of GDP. By comparison, CBO projects defense to decline by almost a quarter (23.5 percent) between 2006 and 2017, while non-child Social Security, Medicare and Medicaid collectively would expand by a quarter from 7.60 to 9.50 percent of GDP. These trends over those eleven years are captured in figure 15.

GROWTH IN CHILDREN'S PROGRAMS RELATIVE TO OTHER FEDERAL PRIORITIES

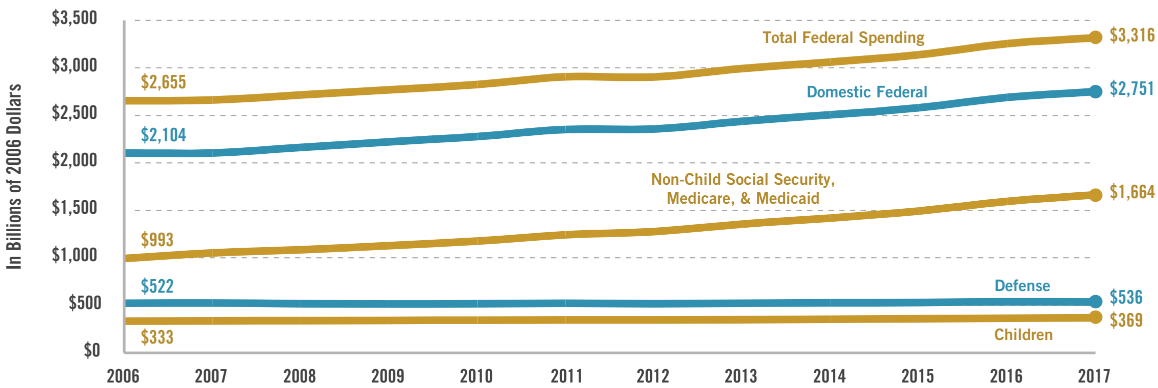
Early on, we showed that all the major budget items have grown robustly in real dollar terms—and that, over any appreciably long time frame, it is growth relative to the economy and not to prices that is important. The majority of children's programs—although not the majority of their spending—is discretionary and requires annual appropriations to continue, let alone grow. Depending on the budget climate and other spending priorities, these discretionary programs may or may not even see increases that keep their total spending current with rising prices. Most mandatory and tax expenditure programs, which comprise the bulk of

9. For a more in-depth discussion, see C. Eugene Steuerle, "The Incredibly Shrinking Budget for Working Families and Children," *National Budget Issues Brief No.1*, Washington, DC: The Urban Institute, December 2003.

10. This assumption does hold consequences for child spending. If we assume instead that all elements of the tax cuts will expire after 2010, federal tax expenditures on children (as well as refunds under the child tax credit) would be less overall. If we assume that the low-income family-related components of the tax cuts are extended only, and not the tax rate cuts, then total expenditures on children may not be affected.

11. In figure 16, therefore, we hold defense plus international affairs plus homeland security constant as a share of GDP after 2010.

FIGURE 14 2006–17: Real Federal Spending on Children and Other Major Items



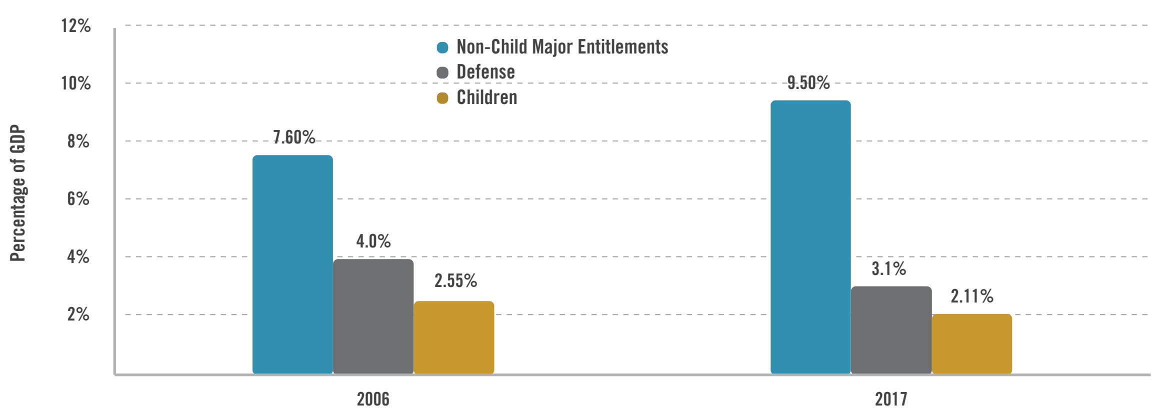
Source: The Urban Institute, 2007. Authors' projections, based on the *Budget of the U.S. Government FY 2008*; CBO's *Budget and Economic Outlook, 2008-17*; and Treasury's *General Explanations of the Administration's FY 2008 Revenue Proposals*.

spending on children, are at least partially indexed to inflation. The Child Tax Credit is the exception—the credit value is fixed nominally at $1,000 per child and does not increase, even while the threshold income for eligibility *is* indexed.

This combination of programs that keep pace only with inflation but not with real growth, and those that do not even keep up with inflation, cause children's spending in the net to fall behind price growth. This is exactly what happened to existing programs between 1960 and 2006, again demonstrating the importance of adding major new programs to the children's budget every few years; without those additions, the children's budget would have all but disappeared. Thirteen programs that did not even exist in 1960 supplied $217.6 billion or 65 percent of all federal spending on children in 2006. Three programs alone—the Child Tax Credit, the EITC, and Medicaid—contributed 38 percent of all children's spending in 2006. (See table 3 and figure 5b.)

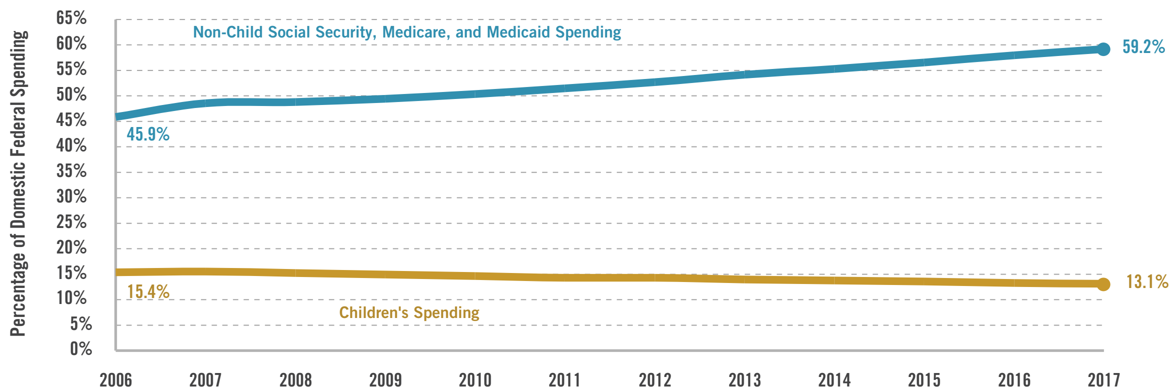
By contrast, the three major entitlement programs—the non-child portions of Social Security, Medicare and Medicaid—grow automatically with average wages or medical prices. And with baby boomers starting to retire, eligibility for these programs is rising much faster than the overall population. Hence, these three programs are growing mark-

FIGURE 15 2006–2017: Federal Spending on Children and Other Major Items (% GDP)



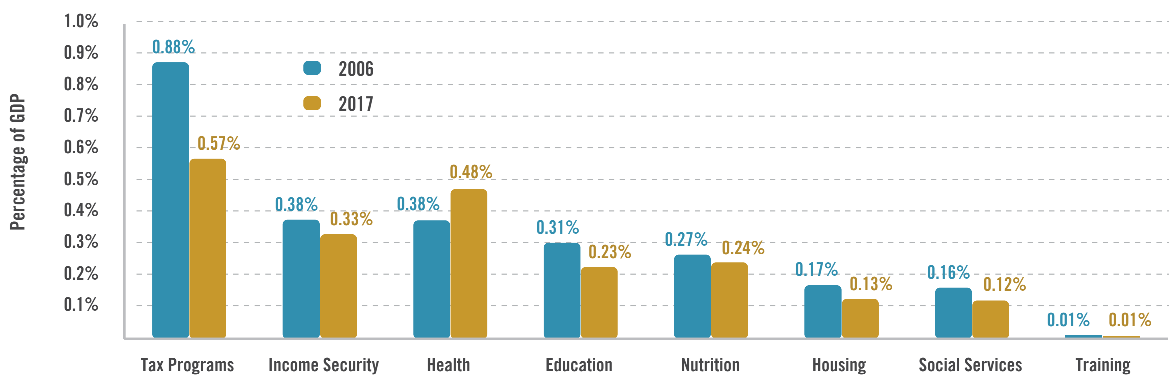
Source: The Urban Institute, 2007. Authors' projections, based on the *Budget of the U.S. Government FY 2008*; CBO's *Budget and Economic Outlook, 2008-17*; and Treasury's *General Explanations of the Administration's FY 2008 Revenue Proposals*.

FIGURE 16 **2006–2017: Federal Spending on Children and Major Entitlements as a Share of Domestic Federal Spending**



Source: The Urban Institute, 2007. Authors' projections, based on the *Budget of the U.S. Government FY 2008*; CBO's *Budget and Economic Outlook, 2008-17*; and Treasury's *General Explanations of the Administration's FY 2008 Revenue Proposals.*

FIGURE 17 **2006 and 2017: Federal Spending on Children by Category (% GDP)**



Source: The Urban Institute, 2007. Authors' projections, based on the *Budget of the U.S. Government FY 2008*; CBO's *Budget and Economic Outlook, 2008-17*; and Treasury's *General Explanations of the Administration's FY 2008 Revenue Proposals.*

edly faster than GDP and are projected to consume larger shares of total domestic spending, as shown in figure 16. We project that children's programs under current law will represent just 13.1 percent of all federal domestic spending by 2017, down from 15.4 percent in 2006. Meanwhile, CBO projects that the portion of the major entitlement programs that go to adults will consume 59.2 percent of domestic spending by 2017, compared with 45.9 percent in 2006—a gain of 29.0 percent.

Figure 17 shows how a decline in children's spending as a share of GDP plays out across our eight categories of interest. With the exception of health programs, all other categories fall. The largest drop both in percentage and dollar terms is in the tax programs, which fall from 0.88 to 0.57 percent of GDP (a 35 percent drop). They grow, at best, with inflation. The health category increases solely because Medicaid for children is projected by CBO to grow faster than the economy. All other children's categories decline since they do not grow as fast as the economy.

One revealing way of seeing what current law means for children's programs is to examine its share of spending over time. Figures 18a and 18b foretell an ever-decreasing share of domestic federal spending for children. Starting with figure 18a, in 1960, the children's budget commanded about 20 percent of domestic federal spending. By 2006, despite some increases in recent years, children's spending had lost ground

TABLE 3 Select Major Children's Programs Enacted Since 1960

Program	Year Enacted	In 2006 Child Spending	In 2006 % GDP
Foster Care	1961	$4.3 billion	0.03%
Food Stamps	1964	$17.4 billion	0.13%
Medicaid	1965	$40.8 billion	0.31%
Education for the Disadvantaged	1965	$14.6 billion	0.11%
Head Start	1966	$6.8 billion	0.05%
Supplemental Security Income	1972	$6.8 billion	0.05%
Section 8 Low-Income Housing	1974	$18.2 billion	0.13%
Special Education	1975	$11.8 billion	0.09%
EITC	1975	$39.9 billion	0.30%
Child Care Development Block Grants	1995	$2.1 billion	0.01%
Child Care Entitlements to States	1997	$3.1 billion	0.02%
Child Tax Credit	1997	$45.8 billion	0.35%
SCHIP	1998	$5.4 billion	0.04%
Total		**$217.5 billion**	**1.66%**
Total 2006 Expenditures on Children		**$333.3 billion**	**2.55%**
Percent of Total		**65.28%**	

Source: The Urban Institute, 2007. Authors' estimates based on the Budget of the U.S. Government, FY 2008 and past years.

since 1960 and received only a little more than 15 percent. By 2017, current law projections imply that children will receive only about 13 percent of domestic spending.

Figure 18b presents these projections in even starker terms. The first panel is the same as in 18a. The second panel shows that when 2006 is compared to 1960, children's programs grew by $280 billion, while other domestic federal spending rose by over $1.6 trillion. Thus, children received even less than 15 percent of the total *increase* in domestic spending. And under current law, over the 2006–17 period, spending on children is scheduled to grow by only $36 billion, even while other domestic federal spending would rise by $609 billion. Thus, children would receive less than 6 *percent* of the total increase. If one takes out the scheduled growth in Medicaid spending for children, then children's programs would actually suffer a real loss in spending even while other domestic programs continued to grow by more than $1/2 trillion.

How long can these trends continue? Figure 19 paints a bleak, longer-term budget scenario where current policies on spending and revenues are projected to 2030. It is readily clear that absent *major* adjustments to our current way of doing business, we are rapidly approaching the day when there will be *no federal dollars left* for any program outside of the three major entitlements, plus defense and international affairs. This figure reflects an impossible scenario of trying to keep most current promises on the spending side with the automatic program growth while retaining all tax cuts on the revenue side. If more people are allowed to pay more taxes, say, under the alternative minimum tax, or some of the President's recent proposals to cut Medicare growth are enacted, or the defense budget falls by more than assumed under this projection, then the squeeze is lessened. However, the squeeze scenario will not go away without major reforms to both revenues and spending. Moreover, the squeeze is being felt today, not just in future budgets. What drives the squeeze on children's programs is that, with the exception of Medicaid, they do not compete on a level playing field with rapidly growing mandatory entitlement programs.

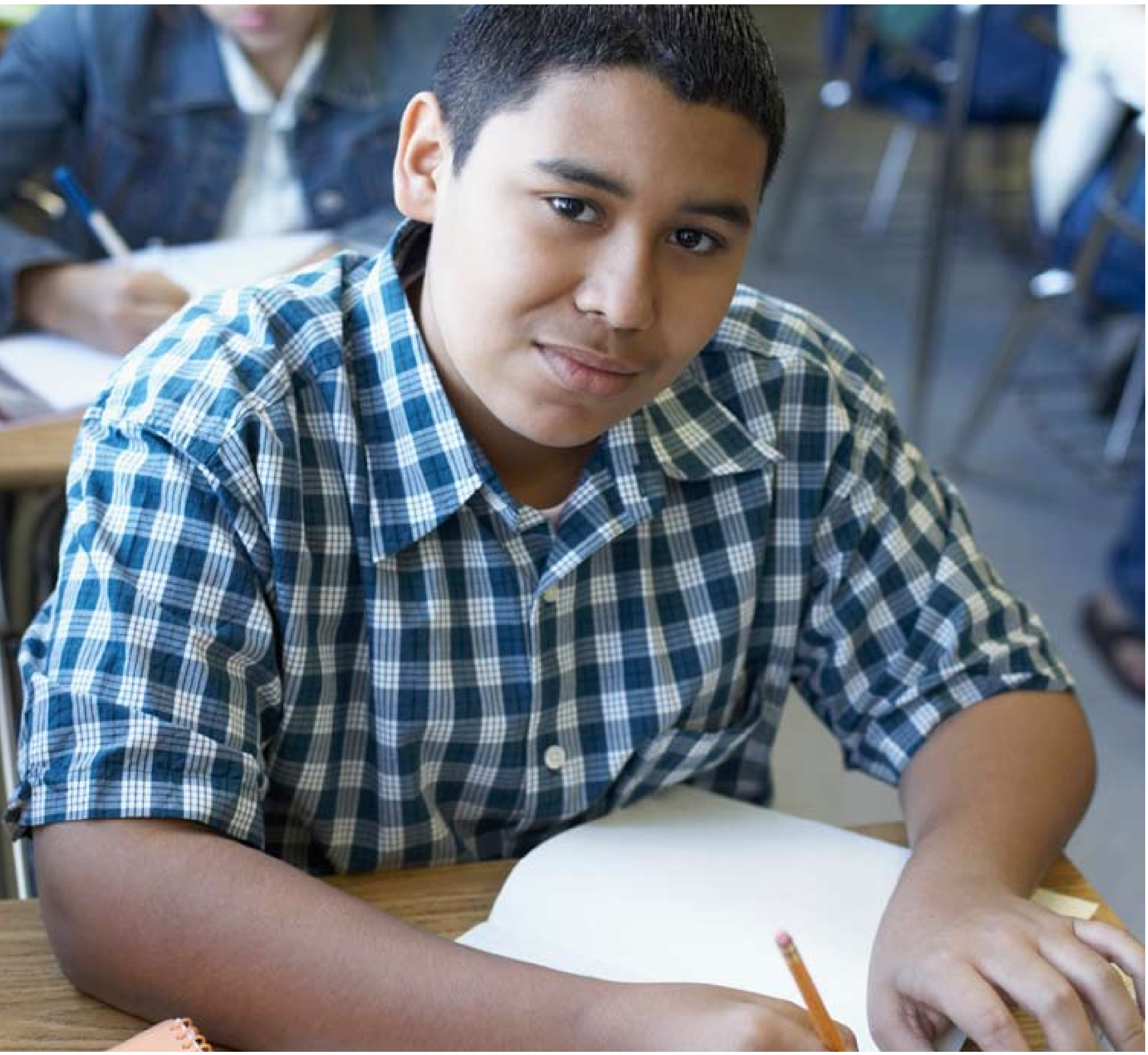
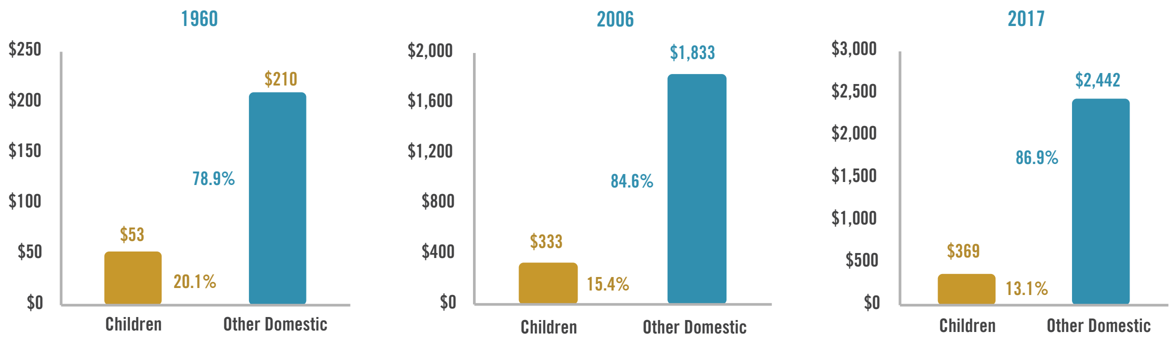
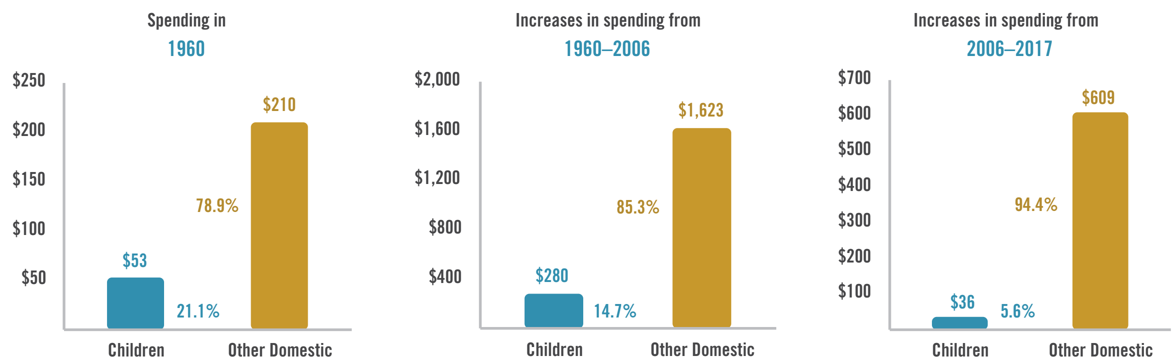


FIGURE 18A **1960–2017: Levels of Federal Children's Spending vs. Other Domestic Spending (In Billions of 2006 Dollars)**



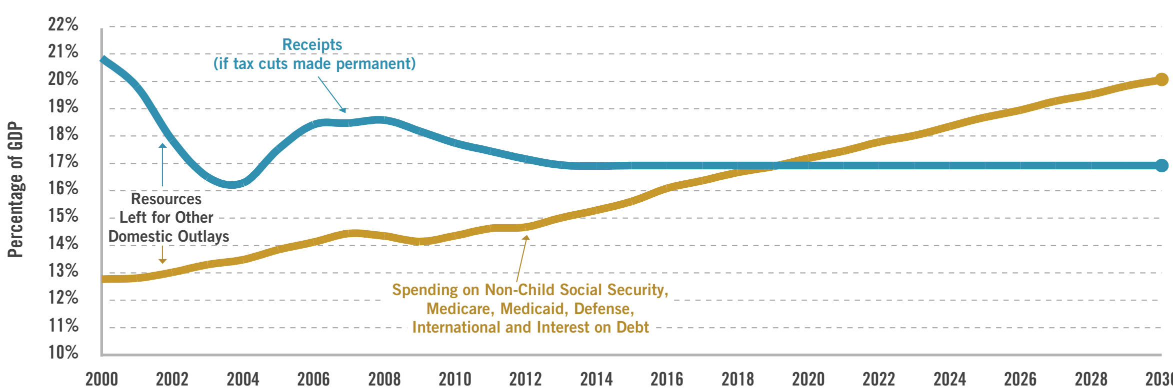
Source: The Urban Institute, 2007. Authors' estimates and projections, based on the *Budget of the U.S. Government FY 2008*; CBO's *Budget and Economic Outlook, 2008-17*; and Treasury's *General Explanations of the Administration's FY 2008 Revenue Proposals.*

FIGURE 18B **1960–2017: Increments of Federal Children's Spending vs. Other Domestic Spending (In Billions of 2006 Dollars)**



Source: The Urban Institute, 2007. Authors' estimates and projections, based on the *Budget of the U.S. Government FY 2008*; CBO's *Budget and Economic Outlook, 2008-17*; and Treasury's *General Explanations of the Administration's FY 2008 Revenue Proposals.*

FIGURE 19 **The Cost of So Many Promises**



Note on assumptions: On the revenue side, tax cuts are made permanent and full AMT relief is provided; on the spending side Defense plus International is fixed at 4.1 percent of GDP after 2008. Authors estimates, The Urban Institute, 2007. Authors' calculations based on data from the *Budget of the U.S. Government FY 2008*; CBO's *Budget and Economic Outlook, 2008-17,* and the Social Security and Medicare *Trustees Reports (2006).*

Conclusions

Comprising only a modest portion of total federal spending in any year, children's programs have waxed and waned since 1960. In real terms, they have grown, and as a percent of GDP they have also grown modestly. However, these programs have declined significantly in importance relative to other domestic programs. Where they have done well, it has mainly been due to new legislation.

The aggregate story hides many important details. With the exception of the Child Tax Credit, children's federal spending has been targeted to an increasingly select group of children over time. And, over time, these means-tested benefits also have become much more likely to be paid in-kind rather than in-cash. What's more, most programs that serve children tend to grow much more slowly (and even backslide relative to GDP and prices) than the dominant mandatory programs.

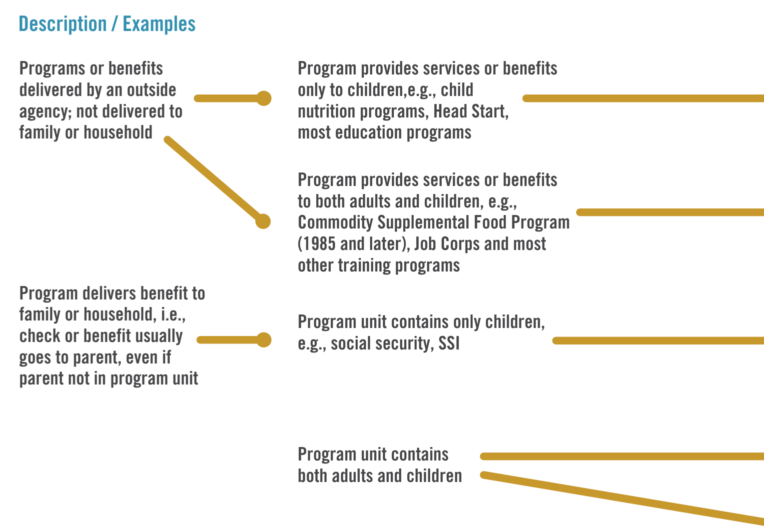
Unless fiscal circumstances and national priorities are significantly realigned, children's programs are scheduled to further diminish in relative importance in the near future. Children's programs are on track to receive an extremely modest share of rising federal spending made possible by the revenues that accompany economic growth—and thus to continue their slide as a share of GDP. Despite frequent rhetoric from policymakers on the priority given to children, the federal budget makes fairly clear that children are less of a priority and more of an afterthought in the budget process.

Appendix

Allocation Methods

This appendix describes in a little more detail the way that federal expenditures in different programs were allocated to children. Appendix figure 1 provides a flow chart of the decision rules we used. For a program-by-program description of the assumptions and data sources we used, we refer the reader to a substantial appendix also available on our website, www.urban.org.

For programs where money is spent only on children—examples are child nutrition, Head Start, and most education programs—all program expenditures were attributed to children.



Source: The Urban Institute, 2007.

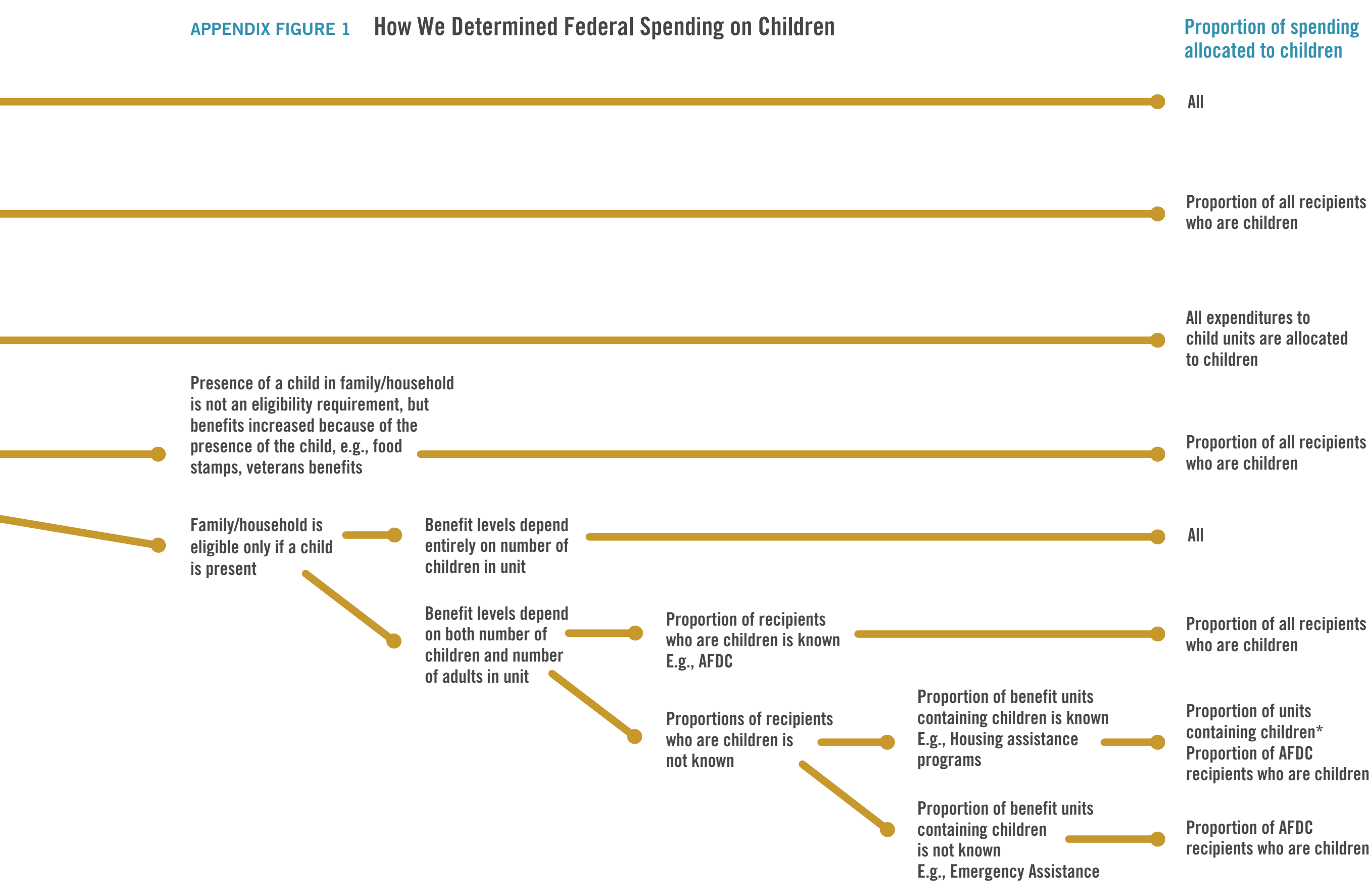
For programs such as the Commodity Supplemental Food Program (in 1985 and later), Job Corps, and most other training programs for which both children and adults qualify, we prorated program expenditures using the proportion of program participants who are children.

For programs such as Social Security and Supplemental Security Income (SSI) for which individuals (rather than family or household units) are the beneficiary unit, we attributed to children the exact amount of expenditures that the federal government reports went to child beneficiaries.

For other programs in which beneficiary units include both adults and children, but the children's amount is not totally identifiable as a separate item, we used several techniques to estimate the spending benefiting children.

1. For programs in which eligibility does not depend on the presence of children—an example is Food Stamps—we allocated expenditures to children according to the proportion of recipients who were children.
2. For programs in which family units are eligible only if there are children present, we use three strategies.
   a. For programs in which benefit levels depend entirely on the number of children in the unit, we attributed all expenditures to children. The exception is EITC, for which we attributed to children the proportion spent on tax filing units containing children.
   b. For programs for which the benefit level depends on both the number of children and the number of adults in the unit—for example, Aid to Families with Dependent Children—we allocated expenditures to children according to the proportion of all recipients who were children.
   c. For public assistance programs for which the composition of the program units is unknown—for example, public housing and emergency assistance—we assumed the proportion of recipients who were children was the same as for AFDC units.

APPENDIX FIGURE 1 **How We Determined Federal Spending on Children**



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For a complete listing of references and data sources used, see the separate Kids' Share 2007 Data Appendix and its reference section, available online at http://www.urban.org.

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