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kids' share

an analysis of federal expenditures on children through 2008

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table of contents

executive summary

Less than one-tenth of the federal budget was spent on children in 2008, $295 billion out of a total of $2,983 billion in outlays. Well over a third of the federal budget (38 percent) was allocated to the elderly and disabled for the non-child portions of Social Security, Medicare, and Medicaid. The children's share of the tax expenditure budget was also less than 10 percent.

This third annual Kids' Share report examines expenditures on children during a time federal budgets are undergoing much change. Our estimate of how much of the federal budget was directed toward children in 2008 is based on detailed budget data released in May 2009 and captures the effects of early responses to the recession. The effects of the American Recovery and Reinvestment Act of 2009 do not appear in the 2008 expenditures but do figure prominently in the expenditure projections included in the final section of the report.

After an initial section explaining the methodology involved in estimating children's expenditures across more than 100 federal programs and tax provisions, the report presents findings in four areas: expenditures in 2008, historic trends across the budget, historic trends within children's expenditures, and projections through 2019.

Expenditures on Children in 2008

Federal budget outlays totaled $2.98 trillion in 2008, of which less than 10 percent ($295 billion) was devoted to children. In addition to outlays from a range of federal programs and refundable tax credits, there was an additional $73 billion in reductions in tax liabilities for families with children. With these tax expenditures, which represent less than 10 percent of the total tax expenditure budget, federal expenditures on children totaled $368 billion in 2008 (see figure 2 in the report).

Six large programs accounted for more than three-fifths (62 percent) of all expenditures on children in 2008. Three of these programs—the child tax credit, Medicaid, and the Supplemental Nutrition Assistance Program (SNAP), formerly the Food Stamp program—had higher expenditures in 2008 than in previous years as a result of early responses to the recession. Expenditures under the child tax credit, for example, included a one-time tax payment of $300 per child as part of the tax rebates in the Economic Stimulus Act of 2008.

While our focus is federal expenditures, this year's report adds an important glimpse into the broader picture, which includes state and local expenditures. In 2004, federal spending represented about one-third of total public investments on children. State and local spending data are not yet available for 2008, but they may represent a smaller share of the total, given fiscal pressures on state and local budgets in times of recession (see figure 3).

Broad Spending Trends, 1960–2008

Spending on defense relative to the size of the economy has declined dramatically over the past 50 years or so, The children's share of domestic spending—spending that excludes defense and international affairs and adds children's tax expenditures—has actually shrunk over time, from 20 percent in 1960 to 15 percent in 2008.

while domestic spending has increased. Social Security, Medicare, and Medicaid have increased fourfold from 1960, from 2.0 to 8.0 percent of gross domestic product (GDP) (these spending estimates exclude Social Security and Medicaid spending on children to avoid double-counting). Outlays on children also have grown, more than doubling between 1960 and 1980 (from 0.6 to 1.4 percent of GDP) and increasing more gradually since then, rising to 2.1 percent of GDP in 2008 (see figure 5).

While outlays on children have increased in dollars and as a percentage of GDP, children are receiving a smaller share of the domestic federal budget, as shown in a comprehensive analysis that includes children's tax expenditures as well as outlays. Under this measure, the children's share of domestic federal spending—spending that excludes defense and international affairs and adds children's tax expenditures—has actually shrunk over time, from 20 percent in 1960 to 15 percent in 2008. That is, the children's share of the budget has shrunk by almost a quarter. In contrast, spending on the non-child portions of Social Security, Medicare, and Medicaid has more than doubled, rising from 22 to 47 percent of domestic spending (see figure 6).

Trends in Expenditures on Children, 1960–2008

During the 1960s and early 1970s, federal programs serving children and families expanded considerably. Since 1975, however, spending on programs benefitting children has risen only moderately as a percentage of GDP, and that growth is solely due to growth in Medicaid spending and tax credits. Most of the significant increases in spending on children in the past 30 years have occurred in taxes, including the expansion of the earned income tax credit in 1993 and the enactment of the child tax credit in 1997 (see figure 7).

Over the past half-century, spending on children has gradually shifted from providing cash payment to parents to providing in-kind benefits and services to children and families. Some of the decline in cash payments to parents has been offset by an increase in refundable tax credits (see figure 8). Another long-term trend is a shift toward spending on programs that are means tested—that is, targeted to low-income families (see figure 10). Finally, there has been a long-term decline in the value of the dependent exemption, particularly between 1960 and 1985, followed by increases in the earned income tax credit and child tax credit (see figure 11).

Future Trends in Expenditures on Children, 2009–19

The American Recovery and Reinvestment Act (ARRA) included substantial increases in spending on children, including increases in Medicaid, education, SNAP (food stamps), the child tax credit, and TANF, as well as smaller programs such as Head Start and child care assistance. As a result, spending on children will rise to a record high of 2.2 percent of GDP in 2009 (see figure 12). However, there were even larger infusions of government funds for transportation, infrastructure, energy, and the bailout of banks and other institutions, so total government outlays are projected

to increase to 27.4 percent of GDP, the highest level since World War II. As a percentage of total federal outlays, spending on children is actually projected to decline, from 9.9 to 8.2 percent of total outlays (see figure 13).

As the ARRA provisions expire, we project that spending on children will shrink over the next decade, falling to 1.9 percent of GDP by 2019, if current policies continue unchanged. In contrast to the projected decline in spending on children, spending on the elderly and disabled is projected to rise steadily. Over the next 10 years, the non-child portions of Medicare, Medicaid, and Social Security are expected to increase 2.3 percentage points (from 8.0 to 10.3 percent of GDP). In other words, the increase in spending on these three programs in the absence of reform will exceed total spending on children. There is a growing danger that the escalating costs of these major entitlements, as well as growing interest payments on the national debt, will crowd out spending on children's programs (see figures 14 and 15).

These budget projections assume no change in current policies other than the extension of expiring tax provisions. In fact, the new administration and Congress are considering several significant policy and budget changes, including major reform of the nation's health care system, investment of federal resources toward broad-scale education reform, and attention to the nation's long-term fiscal and environmental challenges, all of which could have direct impacts on spending on children over the next decade.

introduction

To advance the economic and social health of the country, the federal government directs resources to children—the country's future workers, parents, and voters. This helps ensure the well-being of children and helps them develop their potential and future contributions to our common welfare. Federal resources are used to promote the health and development of the young, protect their safety and well-being, ensure their basic needs are met, help protect their families from financial hardship, and provide education. These resources constitute total federal expenditures on children, which is allotted through both direct spending on programs that serve children and through tax benefits that offer their families financial assistance.

Building on a series of earlier reports, this report seeks to inform a national conversation about how best to invest the country's resources by examining federal expenditures on children. To this end, we tracked actual federal spending on children from 1960 through 2008 and projected spending through 2019 under current policies. This is in line with earlier reports that tracked historical federal spending on children; however, this report builds on earlier reports by presenting new figures, including a comparison of federal and state and local expenditures on children, as well as a special discussion on tax programs that benefit families with children. Below, we highlight what is included in each section of this report.

First, we provide an overview of the methodology used to estimate federal expenditures on children. We build on the methodology developed and employed in earlier reports, and we highlight changes in the methodology from prior reports.

Next, we estimate federal spending on children in 2008, based on detailed information released in May 2009 in the *Budget Appendix to the President's Budget for Fiscal Year 2010*. This estimate of expenditures includes the direct outlays in the budgets of a broad array of federal programs as well as the effect of provisions in the federal tax code that provide resources to families with children.

Broad historical trends in the budget are presented in the subsequent section, which compares spending on children with spending on other major items in the federal budget. The methodological improvements we have made in this year's report are applied to historical data as well, providing consistent estimates of spending from 1960 to 2008. After that, we focus on different components of children's expenditures. Because much of the data underlying these sections are historical, and therefore unchanged from last year's report, many of the highlighted trends are similar to those presented in last year's report. In some cases, however, an additional year of data or a new graphical presentation draws attention to some emerging trends.

Finally, we estimate children's spending through 2019, building on Congressional Budget Office (CBO) baseline projections. Expenditures in fiscal year 2008 do not include the increased spending resulting from the recently enacted stimulus spending, as this spending began in fiscal year 2009 (ARRA); however, our estimates illustrate the estimated impact of this legislation, suggesting how spending on children will rise and fall over the next decade if no further changes are made to current law.

methodology

Estimating federal expenditures on children is challenging. There is no government report compiling all spending on children in one place; rather, spending is scattered across a diverse array of government programs, and many programs that serve broader populations require estimations of the share directed to children. Estimating the children's share raises broad conceptual questions, such as what portion of a benefit to families with children should be allocated to children versus their parents? And should expenditures include tax advantages as well as direct spending programs? Many of these questions have no simple answer. Instead, researchers must make judgments based on expert advice and available data.

Fortunately, the task of estimating the children's share of spending was greatly simplified in this report because we were able to build on the methodology and estimates developed for prior work on children's budgets conducted at the Urban Institute. These earlier reports estimated federal expenditures for five-year intervals from 1960 to 1995 and annually from 1996 to 2007.[1] This report adds estimates of federal expenditures on children in 2008, based on detailed spending information released in May 2009 in the Budget Appendix to the President's Budget for Fiscal Year 2010. In addition, each year, we seek to improve our estimates by seeking better data sources and improved estimating methods. Any methodological improvements made in this year's report were applied to historical data as well to provide a consistent series of spending estimates from 1960 to 2008.

The key decisions and methodological approaches used in estimating federal expenditures for this report are summarized below, followed by a discussion of changes from last year's report and a final note on methodological caveats. Further information on methodology is provided in the Data Appendix to Federal Expenditures on Children in 2008, a separate publication.[2]

- **Definition of Children:** In general, children are defined as residents of the United States under age 19. However, when a program defined children as those under age 18, we use this narrower definition; such was the case for Social Security, Supplemental Security Income, SNAP/Food Stamps, and several other programs. When a program defined children as those under age 20, 21, or 22, we limit the definition to those under 19, unless there are insufficient data to do so or the amount of expenditures on older youth is small. For education and training programs, we draw a line at the end of high school in adding up children's benefits, acknowledging that a small portion of children remain in high school past age 19. We exclude federal spending in the form of college or postsecondary vocational training, such as Pell grants, Stafford or Perkins loans, Hope Scholarship tax credits, Job Corps for youth over age 18, and the like.
- **Programs Included:** More than 100 programs through which the federal government spends money on children are classified into nine major categories, generally following the budget functions laid out by the Office of Management and Budget (OMB):

1. health (e.g., Medicaid and the State Children's Health Insurance Program [SCHIP]);
2. nutrition (e.g., Supplemental Nutrition Assistance Program [SNAP], formerly known as Food Stamps, and child nutrition);
3. housing (e.g., Section 8 Low-Income Housing Assistance and Low Income Home Energy Assistance);
4. income security (e.g., Temporary Assistance for Needy Families [TANF] and Supplemental Security Income [SSI]);
5. social services (e.g., Head Start, child care, and foster care);
6. education and training (e.g., special education and Job Corps);
7. the refundable portion of tax credits—that is, cash payments to families whose tax liability falls below zero (e.g., most of the earned income tax credit [EITC] and some of the child tax credit [CTC]);
8. tax expenditures, or reductions in a family's tax liability from special tax provisions (e.g., the child and dependent care credit, and the nonrefundable portions of the EITC and CTC); and
9. the dependent exemption, which is not considered a

tax expenditure by the Department of the Treasury but does reduce the tax liability of families with children compared with families without children.

For a full list of spending and tax programs, see table 1, which lists more than two dozen major programs directly in the table and dozens of smaller programs in the notes.

- **Criteria for Inclusion:** For a program to be included in this analysis (as a whole or in part), it must meet one of the following criteria:
  1. benefits or services go entirely to children (e.g., elementary and secondary education programs, foster care payments); this also includes programs where a portion provides benefits directly to children (e.g., Medicaid, Supplemental Security Income);
  2. family benefit levels increase with the inclusion of children in the application for the benefit (e.g., SNAP/Food Stamps, low-rent public housing); or
  3. children are necessary for a family to qualify for any benefits (e.g., TANF, the child tax credit, the dependent exemption).

  Conceptually, we define federal spending on children as equal to the amount families with children receive less the amount, if any, they would receive if they did not have children. We exclude unemployment compensation, tax benefits for home ownership, and other benefits where the amount of the benefit received by the adult is not tied to presence or number of children, based on criterion number two above.[3] Our analysis does not include programs that provide benefits to the population at large (a significant share of whom are children), such as roads, communications, national parks, and environmental protection.
- **Calculation of Share Expended on Children:** For programs that meet the first criteria above and serve children only, we assign 100 percent of program expenditures (benefits and associated administrative costs) to children, whether it be a direct service to children (e.g., education) or a child benefit paid through parents or guardians (e.g., SSI disabled children benefits). We make no attempt to subtract the amount of a child's benefit that parents may spend on themselves. Where a program provides direct services to both children and adults, we calculate the percentage of program expenditures that go to children (e.g., Medicaid). In the more difficult case where benefits are provided to families without any delineation of a parents and children's share, we generally estimate a children's share based on the number of children and adults in the family and assuming equal benefits per capita. For example, in a one-adult, two-child family, two-thirds of housing, energy assistance, welfare, or food stamp benefits would go to the children and one-third to the adult.[4] We outline our general process for allocating benefits to children in figure 1.
- **Data Sources:** Analyses draw primarily on data from the *Budget of the United States Government, Fiscal Year 2010* (and past years), its appendices, and special analyses for historical data and projections. For most programs, we start with outlay estimates from the *Appendix to the Federal Budget* or, in the case of tax expenditures, from the *Analytical Perspectives* volume of the budget. All budget numbers presented in this report represent fiscal years and are expressed in 2008 dollars, unless otherwise indicated.

  Much of the quantitative effort goes into estimating the portions of programs, such as SNAP/Food Stamps, Medicaid, or Supplemental Security Income, that go just to children. For these calculations, the most frequently used data 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. We also rely on unpublished tabulations of administrative or survey data generated by the authors or other researchers. For program-by-program detail on data sources and allocation assumptions, see the data appendix.

FIGURE 1 General Rules for Allocating Program Expenditures to Children

Services delivered by third-party agency (not delivered to families or households)		Benefits delivered to families and households				
			Family or household benefits			
			Eligibility limited to families with children		Eligibility not limited to those with children	
All services to children	Services to both children and adults	Individual benefits to both children and adults	Benefit size dependent on number of children only	Benefit size dependent on number of children and number of adults	Benefit size dependent on presence or number of children	Benefit size unaffected by number of children
100% of expenditures	Share of expenditures	Share of expenditures	100% of expenditures	Share of expenditures	Share of expenditures	No expenditures
Most education programs, child support enforcement, immunization, Head Start, foster care, adoption assistance, child welfare, children and family services programs, child care programs, juvenile justice, missing children, etc.	Medicaid, SCHIP, MCHB, Social Services Block Grant, Community Services Block Grant; Job Corps, vocational and adult education, etc.	Social Security, SSI, Railroad Retirement, etc.	EITC*, child tax credit, dependent exemption, employer-provided child care, etc.	TANF, etc.	SNAP/Food Stamps, veterans benefits, public housing, LIHEAP, etc.	Unemployment benefits; workers compensation, tax credits not tied to number of children, etc.

Note: The specific allocation procedures vary, depending on available data and type of benefit provided by specific programs. See the data appendix for further details, particularly on calculating the children's share of expenditures when benefits are shared between adults and children.
*Spending on childless EITC units (3 percent of total) is excluded.

Changes in Methodology in This Year's Report

As noted above, each year as the report is updated, we review all estimates to determine whether they can be improved based on new data, emerging research, or other information that provides a better understanding of the children's share of a particular program. A full list of refinements made in the analysis of 2008 expenditures (and applied retroactively as appropriate to maintain a consistent historical stream) appears in the program-specific detail provided in the data appendix; major changes are summarized here.

Better data on the age of housing assistance recipients led to revised housing estimates, which previously relied on proxies built from data on the age of welfare recipients. In addition, while writing another report, *Expenditures on Infants and Toddlers in 2007* (Macomber et al. 2009), we collected more detailed information on the age of children receiving benefits from all programs, drawing attention to the fact that the "children" in some programs are older than 18. We used this detailed age break information to restrict spending to children under 19 in a number of programs, most notably EITC and Social Security. Our report on infants and toddlers also led to a closer examination of prenatal costs; after determining that such costs are excluded from available estimates of children's spending on Medicaid, we excluded costs associated with prenatal (and postpartum) care from WIC and other smaller programs for consistency with Medicaid.

In addition, spending for the National Institute for Child Health and Human Development (NICHHD) was dropped from the analysis, under the rationale that it is more appropriately classified with other NIH agencies as a research program improving knowledge of development across the life span, rather than providing direct or specific benefits for children. Spending on children's mental health services, which was omitted from earlier reports, was added.

We also made two changes regarding the classification of programs as providing in-kind benefits versus those that provide direct cash assistance. In this report, we split TANF program funds into both cash and in-kind assistance, whereas in previous reports, we only reported it as a cash assistance program. Additionally, we reclassified the child support enforcement program from a cash program to an in-kind program, as the federal government provides administrative support toward increasing payments from noncustodial parents for children's needs, and not cash assistance directly to families.

In fall 2008, we convened a small group of budget experts to discuss various technical issues, including the treatment of tax credits and exemptions in previous reports. Following this consultation, we changed the display of expenditures related to tax provisions. What was one broad category of tax credits and exemptions has been split into three distinct categories: the refundable portions of tax credits, which provide cash payments to families without a positive tax liability and are classified as outlays in budgetary documents; tax expenditures, which reduce tax liabilities to families through special provisions in the tax code (including the nonrefundable portion of tax credits as well as special deductions and exclusions); and the dependent exemption. Splitting tax credits into a refundable (outlay) and nonrefundable (tax expenditure) portion allows us to calculate total outlays on children, a figure needed for making consistent comparisons with other spending estimates that are based on outlays (state spending on children, total budget spending, spending on elderly). In addition, the dependent exemption is sufficiently different from traditional tax expenditures benefitting children that showing it as a distinct category improves our analysis of long-term trends.[5]

Finally, the title of the report has been changed so the date refers to the year of expenditures analyzed, rather than the year in which the report is issued.[6] (Last year's report, *Kids' Share 2008*, analyzed actual expenditures through 2007; this year's report, *Kids' Share: Analysis of Federal Expenditures on Children through 2008*, analyzes expenditures through 2008).

Caveats and Limitations

This report comprehensively examines trends in federal spending and tax expenditures on children, with actual data from 1960 through 2008, and projections through 2019. However, several caveats and limitations in the scope of the report should be kept in mind:

- The report tracks total federal expenditures without assessing the efficiency or value of particular benefit or service programs.
- Resources for children are inextricably linked with resource for their parents, because children's lives are inextricably linked with their parents' and families' lives. This presents a conceptual and practical challenge for a children's budget, and while we have sought extensive consultation on drawing the lines, there is no perfect way to make these distinctions. As a result, some of what we classify as "children's spending" may also assist parents, and some of what we ignore as "other spending" may indeed help children.
- This year, for the first time, the report includes a section discussing the relative size of state and local spending compared with federal spending. Even so, the primary focus is on federal expenditures, only a portion of total public investments in children.
- The report tracks both federal spending and reductions in tax liabilities (tax expenditures and the dependent exemption), which are summed together for our estimate of total expenditures on children. Estimates of tax expenditures, or the amount of revenue forgone, are challenging to measure, and are not included in many other spending estimates to which we want to compare our estimates of children's spending. In addition, expenditure estimates for some tax provisions (e.g., the dependent exemption) depend not only on the specific parameters of the provision, but also on broad parameters in the tax code, complicating the analysis of trends over periods where tax rates have changed significantly. We are careful to note in our report where our analysis focuses on total expenditures and where we focus on outlays only.
- Our estimate of children's tax expenditures, while more comprehensive than most, does not include an estimate of the children's share of the tax exclusion for employer contributions for health insurance. Since premiums often are larger for workers with children than workers without children, we might want to consider adding such an exclusion in future reports, although we have had difficulty identifying the appropriate data to do so.[7]
- Much has changed in American society between 1960 and 2008. Some trends in expenditures on children may reflect underlying changes in family's needs or circumstances. For example, major trends over this period include increases in maternal work, changes in family structure and reductions in family size, changes in the poverty of children and their demographic makeup, and changes in private-sector job benefits, including employer-provided health insurance. Other changes over this period may reflect underlying changes in values, including the areas and forms of assistance that are appropriate for government involvement or changes in federal-state-local roles. Measuring needs for services, changes in need, or how often needs are unmet despite spending on children's programs is beyond the scope of this report.

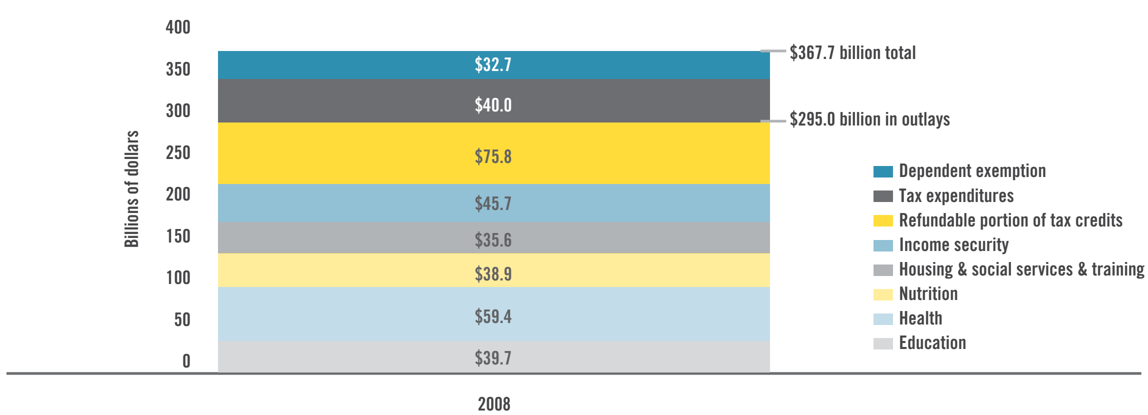
expenditures on children in 2008

Federal expenditures on children totaled an estimated $367.7 billion in 2008, including $295.0 billion (80 percent) in outlays from federal programs and refundable tax credits and $72.7 billion (20 percent) in tax savings for families with children, as shown in figure 2. Major categories of spending from federal programs include health, income security, education, nutrition, social services, housing, and training; the refundable portions of the EITC and the CTC also are included in the outlay total.

Refundable tax credits (specifically, the refundable portions of the earned income tax credit and the child tax credit) and health programs (e.g., Medicaid) were the two largest areas of spending on children, accounting for $76 billion and $59 billion in expenditures, respectively. Together, health and refundable tax credits encompassed more than a third (37 percent) of all spending on children. Other major categories of spending on children included income security ($46 billion), education ($40 billion), tax expenditures ($40 billion), nutrition ($39 billion), and the dependent exemption ($33 billion). The remaining three categories (housing, social services, and training) account for another $36 billion.

Together, six large programs account for more than three-fifths (62 percent) of all expenditures on children in 2008.

FIGURE 2 **Federal Expenditures on Children in Fiscal Year 2008, by Category (billions of dollars)**



Source: The Urban Institute and The Brookings Institution, 2009. Authors' estimates based on the *Budget of the United States Government Fiscal Year 2010.*

TABLE 1

Federal Expenditures on Children in Fiscal Year 2008, by Category and Program

	Spending (billions)	As percent of total expenditures on children
HEALTH	**$59.4**	**16%**
Medicaid	$48.3	
SCHIP	$6.4	
Medicaid—vaccines for children	$2.6	
Other health[a]	$2.1	
INCOME SECURITY	**$45.7**	**12%**
Social Security	$18.4	
Temporary Assistance to Needy Families	$12.9	
Supplemental Security Income	$8.4	
Child support enforcement	$3.7	
Veterans benefits	$2.3	
Other income security[b]	*	
EDUCATION	**$39.7**	**11%**
Education for the disadvantaged (Title I, Part A)	$14.9	
Special education	$12.3	
School improvement	$5.4	
Impact Aid	$1.2	
Dependents' schools abroad	$1.0	
Other education[c]	$4.9	
NUTRITION	**$38.9**	**11%**
Supplemental Nutrition Assistance Program/Food Stamp Program	$19.6	
Child nutrition	$13.9	
Special Supplemental Food for Women, Infants and Children	$5.4	
Other nutrition[d]	*	
SOCIAL SERVICES	**$21.6**	**6%**
Head Start	$6.9	
Foster care	$4.6	
Child Care and Development Block Grant	$5.0	
Adoption assistance	$2.1	
Social Services Block Grant	$1.0	
Other social services[e]	$2.1	
HOUSING	**$12.6**	**3%**
Section 8 Low-Income Housing Assistance	$10.2	
Low-rent public housing	$1.6	
Other housing[f]	$0.7	
TRAINING[g]	**$1.4**	**0%**
REFUNDABLE PORTIONS OF TAX CREDITS	**$75.8**	**21%**
Child tax credit (refundable portion)	$34.0	
Earned income tax credit (refundable portion)	$41.7	
TAX EXPENDITURES	**$40.0**	**11%**
Child tax credit (nonrefundable portion)	$28.4	
Earned income tax credit (nonrefundable portion)	$5.0	
Dependent care credit	$2.9	
Other tax credits/exemptions	$3.7	
DEPENDENT EXEMPTION	**$32.7**	**9%**
TOTAL EXPENDITURES ON CHILDREN (outlays and tax expenditures)	**$367.7**	**100%**
OUTLAYS SUBTOTAL (all spending programs and refundable portions of tax credits)	**$295.0**	**80%**
TAX EXPENDITURES SUBTOTAL (tax expenditures and dependent exemption)	**$72.7**	**20%**

Source: The Urban Institute and The Brookings Institution, 2009. Authors' estimates based on the *Budget of the United States Government Fiscal Year 2010*.

Notes: * Less than $500 million.

a). Other health includes immunization, Maternal and Child Health (Block Grant), children's graduate medical education, lead hazard reduction, abstinence education, children's mental health, birth defects/developmental disabilities, Healthy Start, Adolescent Family Life, emergency medical services for children, and universal newborn hearing. **b).** Other income security includes Black Lung Disability and Railroad Retirement. **c).** Other education includes vocational and adult education, innovation & improvement; safe schools & citizenship education; bilingual and immigrant education; Indian education; domestic schools; Junior ROTC; hurricane education recovery; Gallaudet University (pre-college programs); American Printing House for the Blind; and education expenses for children of employees, Yellowstone National Park. **d).** Other nutrition includes Special Milk and the Commodity Supplemental Food Program. **e).** Other social services includes children and family services, family preservation and support, juvenile justice, child welfare services, community services block grant, independent living, missing children, children's research and technical assistance, and child welfare training. **f).** Other housing includes Low Income Home Energy Assistance, rental housing assistance, and rent supplement. **g).** Training includes WIA Youth Formula Grants, Job Corps, Youth Offender Grants, and YouthBuild Grants. **h).** Other tax credits/exemptions includes exclusion of employer-provided child care, exclusion for Social Security retirement and dependents & survivors' benefits, exclusion of certain foster care payments, adoption credit and exclusion, assistance for adopted foster children, exclusion for Social Security disability benefits, exclusion for public assistance benefits, exclusion for veterans death benefits and disability compensation, employer-provided child care credit, exclusion of veterans pensions, exclusion for special benefits for disabled coal miners, and exclusion for Railroad Retirement benefits.

Of note, and described later in the trends section, is an increase of nearly $20 billion over previous years in the refundable tax credits. Much of this stems from the increase in reported outlays associated with the $300 per child tax rebates, which were paid out in spring and summer 2008 and resulted in a net cash payment to families without positive tax liabilities. These one-time payments under the Economic Stimulus Act of 2008 were not repeated in 2009, so refundable tax credits will be significantly lower in 2009.

Each major category shown in figure 2 encompasses spending across many different programs, as shown in table 1. The $59.4 billion in health spending, for example, is driven by spending in Medicaid and SCHIP, but it also incorporates a dozen smaller health programs, such as the Maternal and Child Health Block Grant. All programs with spending of over $1 billion are listed separately in table 1, while smaller programs are listed in the notes, providing a full listing of the more than 100 spending and tax programs included in the analysis.

A close examination of table 1 reveals that, together, six large programs account for more than three-fifths (62 percent) of all expenditures on children in 2008. These six programs are:

- the child tax credit ($62.4 billion, including an atypically high $34.0 billion in refundable tax credits [as noted above] and $28.4 billion in reduced tax liabilities),
- Medicaid ($48.3 billion for medical services to children),
- the earned income tax credit ($46.7 billion, including $41.7 billion in refundable tax credits and $5.0 billion in reduced tax liabilities),
- the dependent exemption ($32.7 billion),
- The Supplemental Nutrition Assistance Program (SNAP, formerly food stamps) ($19.6 billion, for the estimated share of household benefits going to children), and
- Social Security ($18.4 billion in payments to the children of retired, disabled, and deceased workers).

This list includes three child-related tax programs and three programs—Medicaid, SNAP, and Social Security—that are not typically thought of as children's programs. While SNAP provides food assistance to individuals and families of all ages, and the vast majority of Social Security benefits go to adults, these two programs provide significantly more resources to children than children's programs such as Head Start and child care.

Federal and State/Local Per Capita Spending on Children

Though this report focuses on federal expenditures on children, it is helpful to examine these expenditures in light of state and local spending as well. A detailed 50-state analysis of state and local spending on children in 2004 is provided by researchers at the Rockefeller Institute. While there are some differences in estimating methodology between our federal estimates and the state and local spending estimates produced by researchers at the

Rockefeller Institute, combining them provides a good ballpark estimate of total public investments in children.[8]

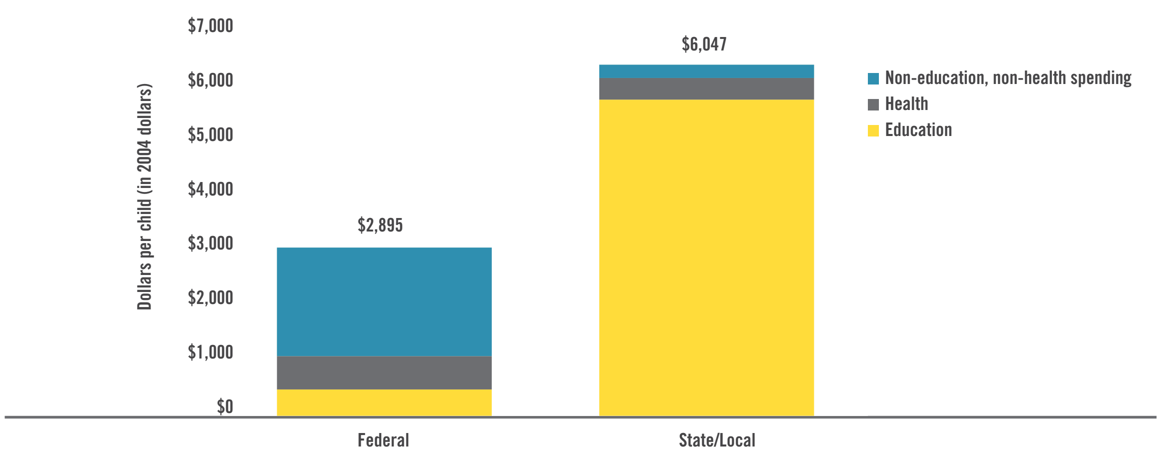
Federal spending provided approximately one-third of total investments in children, based on per capita spending measures from this report and the Rockefeller Institute report for 2004 (figure 3). Spending on children totaled about $8,940 per child, including $2,895 in federal spending and $6,047 in state and local investments.

Spending on the public education system represents 16 percent of federal outlays on children but a substantial 90 percent of state and local spending. Combining these two, it turns out that almost two-thirds (66 percent) of all public investments in children are in education, amounting to $5,899 in per child spending. Expenditures on health totaled $948 per child, or 11 percent of total public investments, with 60 percent of total spending provided by the federal government and state and local governments making up the remaining 40 percent. Finally, non-education and non-health spending dominated federal spending ($1,868 or 65 percent) but was only 4 percent of state and local spending; it works out to be 23 percent of total public investments on children.

Federal spending per capita has increased between 2004 and 2008. State spending estimates are not available for 2005–08, so we do not know whether state spending has increased, stayed the same in real terms, or possibly fallen given the fiscal pressures on state budgets. Also, as discussed in some detail in the Rockefeller report, state spending on children varies considerably from state to state. For instance, per child spending in Utah was $3,699 in 2004 compared with $9,297 in New Jersey; federal expenditures also vary to some extent across the states, given variations in eligible populations and federal/state match rates.

almost two-thirds (66 percent) of all public investments in children are in education.

FIGURE 3 Per Child Federal and State Expenditures on Children in 2004, by Category



Source: The Urban Institute and The Brookings Institution, 2009. Federal estimates are the authors' estimates; state estimates are from Billen et al. (2007).
Note: Tax expenditures are not included at either the federal or state/local level.

broad spending trends, 1960–2008

Federal budget outlays totaled $2.98 trillion in 2008, of which less than 10 percent ($295 billion), was devoted to children. Well over a third of the federal budget (38 percent, or $1.13 trillion) was allocated to the elderly and disabled for the non-child portions of Social Security, Medicare, and Medicaid. Other major items of spending in the federal budget include defense (21 percent, or $612 billion in 2008) and interest on the debt (8.5 percent, or $253 billion). All other federal spending priorities account for the remaining 23 percent, or $690.2 billion, in 2008.

Tax expenditures are not included in the figures above or most of this section, which focuses on federal outlays. For reference, the children's share of the tax expenditure budget is also less than 10 percent: the $73 billion spent on the dependent exemption and other children's tax expenditures is 8.3 percent of the $878 billion total tax expenditure budget estimated for 2008.[9] Outlays and tax expenditures are combined in a special analysis provided at the end of this section; further detail on tax expenditures on children is provided in "Trends in Children's Expenditures, 1960–2008."

Looking over the past nearly half-century, budgetary outlays across each major item of spending in the federal budget have increased substantially (figure 4). Children's spending has seen periods of both growth and stability. There was a particularly large jump in spending on children between 1960 and 1980, as inflation-adjusted outlays related to children increased from $17 billion to $91 billion. Outlays on children dipped in the mid-1980s before rising to $105 billion by 1990. A 15-year period of fairly steady expansion followed, with outlays reaching $263 billion by 2005. Spending on children then held fairly constant, with little change between 2005 and 2007; in 2008, however, spending increased $30 billion to reach $295 billion, or one-tenth of total outlays. As noted above, at least half the increase in outlays between 2007 and 2008 reflects the effect of the $300 per child refundable tax rebates paid out in spring and summer 2008.

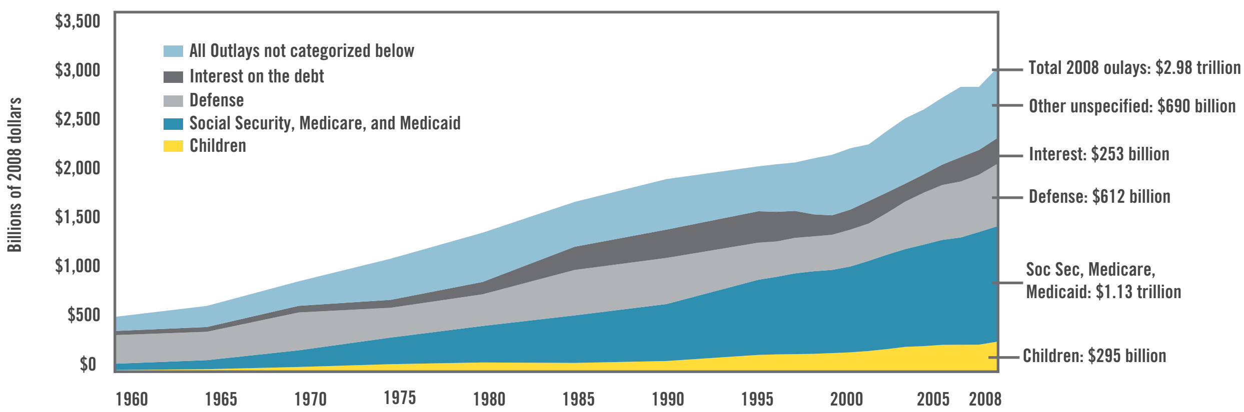
Federal budget outlays totaled $2.98 trillion in 2008, of which less than 10 percent ($295 billion), was devoted to children.

The general increase in spending across all areas of the budget makes it difficult to see how some programs have gained or fallen relative to the economy or each other. To shed more lights on these shifts in priorities, much of our trend analysis focuses on spending as a share of the economy. (See figure 5, which shows the same data as figure 4, but expressed as a percentage of GDP rather than in real dollars.)

Defense spending has fallen dramatically as a percentage of GDP, from over 9 percent in 1960 to only 3 percent in 2000. Despite a sizable increase over the past eight years, defense spending was at 4.3 percent of GDP in 2008, less than half the levels experienced during the 1960s.

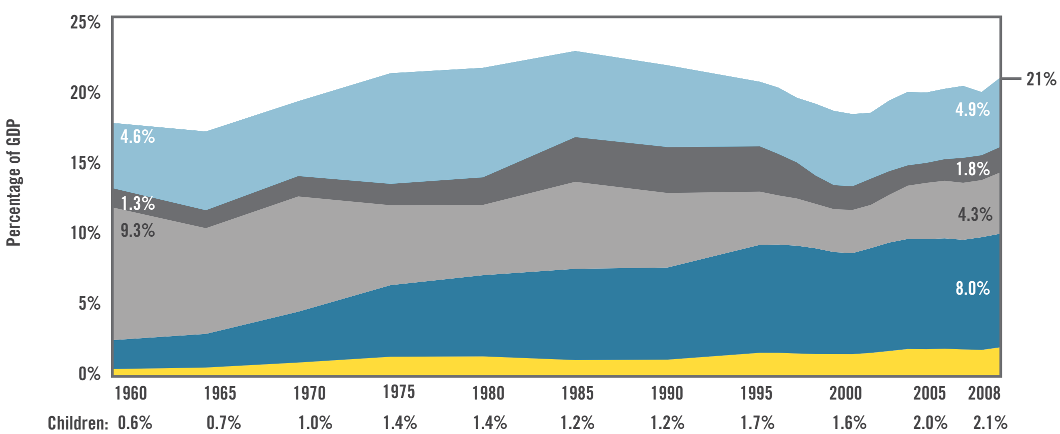
Over the past half-century, the share of the economy spent on domestic priorities, including both children and the elderly, has increased. Outlays on children more than doubled between 1960 and 1980, growing from 0.6 percent to 1.4 percent of GDP. Since then, children's spending has increased more gradually, reaching 2.0 percent of GDP in 2005

FIGURE 4 Trends in Outlays on Children and Other Major Items in the Federal Budget, 1960–2008



Source: The Urban Institute and The Brookings Institution, 2009. Authors' estimates based on data from the *Budget of the United States Government Fiscal Year 2010* and previous years.
Note: Social Security, Medicare, and Medicaid excludes spending already captured as children's spending.

FIGURE 5 Trends in Spending on Children and Other Major Items in the Federal Budget, Measured as Percentage of the Economy (GDP), 1960–2008



Source: The Urban Institute and The Brookings Institution, 2009. Authors' estimates based on data from the *Budget of the United States Government Fiscal Year 2010* and previous years.
Note: Social Security, Medicare, and Medicaid excludes spending already captured as children's spending.

and rising to 2.1 percent of GDP for the first time in 2008. Over this same period, Social Security, Medicare, and Medicaid spending has increased fourfold, from 2.0 percent of GDP in 1960 to 8.0 percent in 2008 (these spending estimates exclude Medicaid spending on children and Social Security payments to children of retired and disabled workers to avoid double-counting).

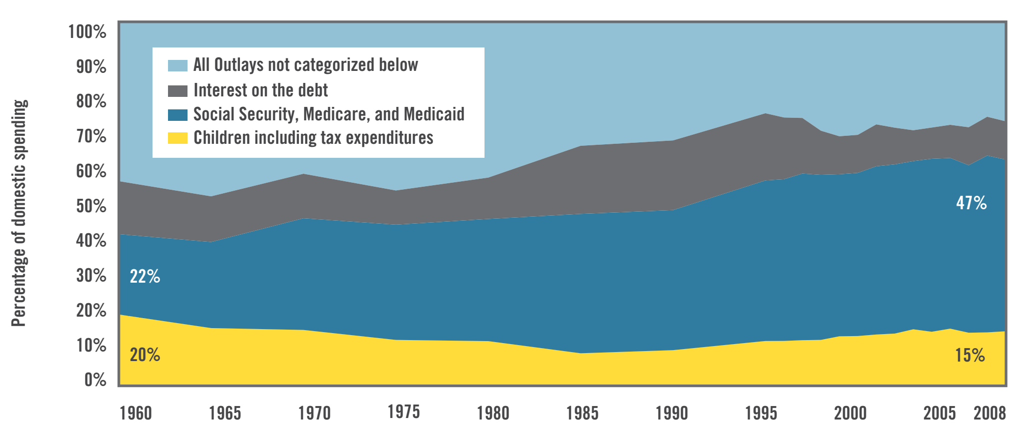
Federal spending has not consistently increased or decreased as a percentage of GDP over the 48-year period depicted in figure 5; instead, it has fluctuated between about 17 percent of GDP (1965) and 23 percent of GDP (1985). In broad terms, the long-term decline in defense spending has allowed an increase in spending on both elderly and children's programs without substantial expansion in total federal outlays relative to the size of the economy. Such a trend cannot continue much longer; even if defense spending were slashed in half somehow, the resulting outlay savings would be only 2 percent of GDP, which is not enough to finance the projected increase in spending on the elderly and disabled under Medicare, Medicaid, and Social Security over the next decade, let alone increases in any other areas. As discussed further under "Future Trends in Expenditures on Children, 2009–19," total spending is expected to increase as a percentage of GDP in the future because of increased spending under the bailout of the banking and financial system and stimulus spending legislation in the short run, and the burgeoning costs of the three major entitlement programs in the long run. Efforts to limit the size of this growth in government spending may have a substantial impact on expenditures on children in the future.

Kids' Share of Domestic Spending

To get a better sense of how children's programs have competed for resources against other domestic priorities in the past, we analyze total children's expenditures (including tax expenditures as well as outlays) as a share of domestic spending. For this special kids share analysis, we exclude spending on defense, as well as international affairs, and we include spending on children's tax expenditures, as in past reports.[10] Under this comprehensive measure that includes tax expenditures as well as outlays, the children's share of domestic federal spending has actually shrunk over time, from 20 percent in 1960 to 15 percent in 2008 (figure 6). That is, the children's share of the budget has shrunk by almost one fourth. As discussed further in the next section, a steep decline in the value of the dependent exemption drives this result.

In contrast, spending on the non-child portions of Social Security, Medicare, and Medicaid has more than doubled, rising from 22 to 47 percent of domestic spending. Note that tax expenditures on the elderly are not included in this analysis, nor have we estimated SSI benefits, nutrition assistance (through SNAP or other programs), or any other program other than Social Security, Medicare, and Medicaid. Even without these additional expenditures on the elderly and disabled, we find that federal expenditures on the elderly and disabled are three times as large as federal expenditures on children.[11]

FIGURE 6 Trends in Expenditures on Children as a Share of Domestic Federal Spending



Source: The Urban Institute and The Brookings Institution, 2009. Authors' estimates based on data from the *Budget of the United States Government Fiscal Year 2010* and previous years.
Notes: Social Security, Medicare, and Medicaid excludes spending already captured as children's spending. For this exercise, domestic spending includes tax expenditures on children as well as outlays on all budget items other than defense and international affairs.

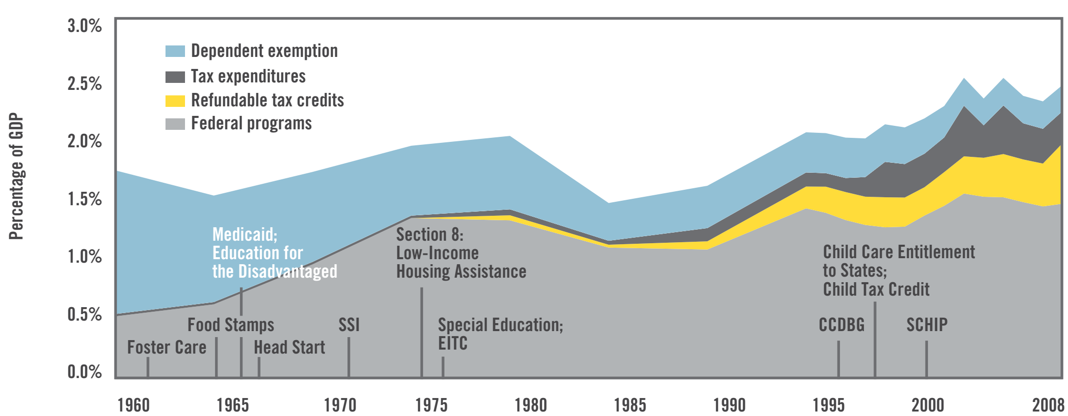
trends in children's expenditures, 1960–2008

A closer look at children's spending since 1960 shows that after an initial period of expansion in federal programs, most growth has been fueled by changes in tax provisions and health programs. During the 1960s and early 1970s, federal programs serving children and families expanded considerably, with the introduction of the Food Stamp Program (1964), Medicaid (1965), Education for the Disadvantaged/Title I (1965), Head Start (1966), Supplemental Security Income (1972), and public housing (1974), as well as the expansion in the Aid to Families with Dependent Children program (in existence since 1935). Since 1975, however, spending on these and dozens of other programs benefitting children has risen only moderately as a percentage of GDP (figure 7). In fact, if Medicaid as well as tax provisions are removed from the picture, federal spending on children would show a long-term decline as a percentage of GDP since 1975.

Most of the significant changes in spending on children in the past 30 years have occurred due to tax provisions, including expansion of the earned income tax credit in 1993 and enactment of the child tax credit in 1997. Both these tax credits include a refundable portion, shown in gold in figure 7 and classified as outlays (and thus included in the earlier discussion of outlay trends). In addition, part of these tax credits (a small portion of the ETIC and a large portion of the child tax credits) serves to reduce the tax liabilities paid by eligible families with children, and so is classified as tax expenditures benefitting children, along with the child and dependent care credit and a dozen smaller tax provisions. As a group, tax expenditures (shown in light yellow in figure 7) have grown considerably over the past decade. However, much of this expansion in tax expenditures serves to partially offset the long-term decline in the value of the dependent exemption.

Below we examine further the composition of children's expenditures from 1960 to 2008 by looking at trends by benefit type (cash payments, in-kind, or tax programs), spending type (mandatory versus discretionary spending), and eligibility limitation (means-tested versus more universal programs).[12] In addition, a special section examines trends in tax credit and exemptions for children, and our discussion of historical trends closes with an examination of changes between 2007 and 2008.

FIGURE 7 Historical Spending Trends on Children and the Introduction of Major Children's Programs, 1960–2008



Source: The Urban Institute and The Brookings Institution, 2009. Authors' estimates based on the *Budget of the United States Government Fiscal Year 2010* and past years.

In-Kind Benefits, Cash Payments, and Refundable Tax Credits

Over the past half-century, spending on children has gradually shifted from providing cash payments, which are paid to parents or other relatives on behalf of children, to providing in-kind benefits (such as housing and food stamp benefits) as well as services provided directly to children (e.g., education and health services). Cash payments predominated in 1960, including benefits under Social Security, Aid to Families with Dependent Children (AFDC), veterans benefits, and railroad retirement programs. In-kind benefits were primarily limited to education (e.g., Impact Aid) and nutrition (child nutrition). Between 1960 and 1980, in-kind benefits and services expanded significantly, particularly in the areas of health (Medicaid), nutrition (food stamps) and housing (figure 8 and table 2). Various in-kind benefits and services have further expanded since 2000, including increases in education, health, and nutrition benefits (figure 8).

Over time, cash payments have shrunk as a percentage of GDP, reflecting declines in AFDC welfare payments (which reached a peak in the mid-1980s) and in Social Security payments to children (which have declined as a share of GDP since the mid-1970s). One can see in figure 8, however, that the decline in cash payments has been accompanied by an increase in refundable tax credits, principally the EITC, which also provide cash payments, though annually rather than monthly.

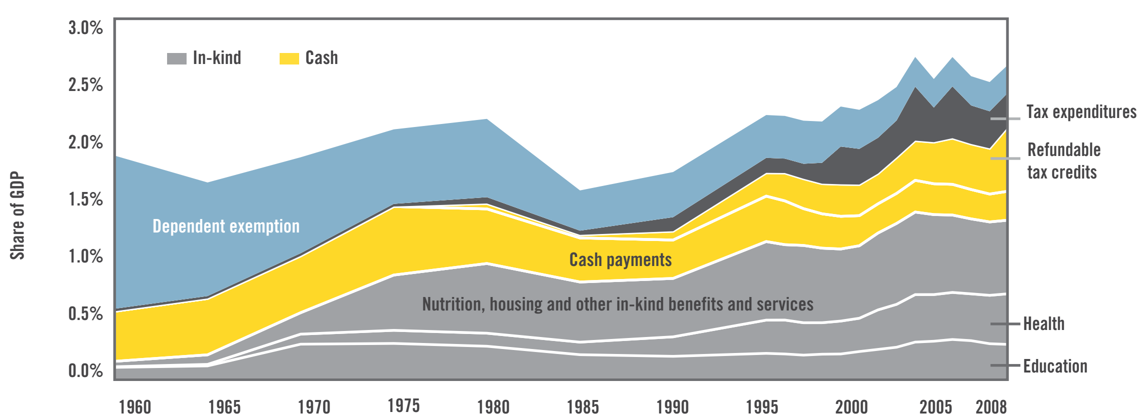
Mandatory and Discretionary Spending

Another way to examine spending trends is to distinguish between mandatory and discretionary spending. Mandatory spending refers to spending on entitlement programs and other programs where the funding level is set directly in the authorizing statute, and is not subject to action by appropriations committees. Mandatory spending programs often have automatic growth built into them, such as indexing of benefits to inflation. In contrast, discretionary programs are subject to annual appropriations, and typically do not have any automatic spending increases.

Mandatory programs have grown considerably since 1960 (see figure 9). Much of this growth is in Medicaid, SCHIP, and nutrition programs, as well as the refundable portions of the EITC and child tax credit.

Discretionary programs grew between 1960 and 1980, with the enactment of major education and housing programs. Since 1980, growth in discretionary programs has lessened, although spending did increase slightly from 0.5 percent in 1980 to 0.6 percent of GDP in 2003. Over the past five years, discretionary spending has declined relative to the economy, falling back to 0.5 percent of GDP in 2008. Not just as a percentage of the economy, but in absolute amounts, there was a decrease in total discretionary spending on children between 2005 and 2008, from $74.7 billion to $71.6 billion in 2008 dollars (data not shown).

FIGURE 8 In-Kind, Cash Payments, Refundable Taxes, and Tax Expenditures, 1960–2008



Source: The Urban Institute and The Brookings Institution, 2009. Authors' estimates based on the *Budget of the United States Government Fiscal Year 2010* and past years.
Note: Other includes nutrition, housing, social services, and training programs. The dependent exemption and tax expenditures are not classified as cash or in-kind benefits.

TABLE 2

Federal Expenditures on Children in Selected Years (billions of 2008 dollars and as percentage of total)

	1960		1970		1980		1990		2000		2008	
	$	%	$	%	$	%	$	%	$	%	$	%
HEALTH	**0.0**	**0%**	**0.8**	**5%**	**2.9**	**5%**	**9.2**	**9%**	**26.6**	**12%**	**59.4**	**16%**
Medicaid	—		0.6		2.6		8.7		23.7		48.3	
SCHIP	—		—		—		—		1.2		6.4	
Medicaid—vaccines for children	—		—		—		—		0.5		2.6	
Other health	0.0		0.2		0.3		0.5		1.2		2.1	
INCOME SECURITY	**2.1**	**22%**	**4.7**	**26%**	**12.6**	**22%**	**19.2**	**20%**	**33.5**	**16%**	**45.7**	**12%**
Social Security	1.1		2.5		6.8		8.6		13.4		18.4	
Aid to Families with Dependent Children/Temporary Assistance to Needy Families	0.7		1.6		4.1		7.4		10.8		12.9	
Supplemental Security Income	—		—		0.4		1.1		4.8		8.4	
Child support enforcement	—		—		0.3		1.1		3.0		3.7	
Veterans benefits	0.3		0.6		0.9		0.8		1.4		2.3	
Other income security	0.0		0.0		0.1		0.1		0.1		0.0	
EDUCATION	**0.5**	**5%**	**2.8**	**15%**	**7.2**	**12%**	**10.4**	**11%**	**21.4**	**10%**	**39.7**	**11%**
Education for the disadvantaged (Title I, Part A)	—		1.3		3.2		4.5		8.5		14.9	
Special education	—		0.1		0.8		1.6		4.9		12.3	
School improvement	—		0.3		0.8		1.2		2.5		5.4	
Impact Aid	0.3		0.7		0.7		0.8		0.9		1.2	
Dependents' schools abroad	0.0		0.1		0.3		0.9		0.9		1.0	
Other education	0.0		0.2		1.0		1.4		2.4		4.9	
NUTRITION	**0.2**	**2%**	**0.7**	**4%**	**8.7**	**15%**	**14.3**	**15%**	**22.4**	**10%**	**38.9**	**11%**
Supplemental Nutrition Assistance Program/Food Stamp Program	—		0.3		4.5		7.4		9.7		19.6	
Child nutrition	0.2		0.3		3.4		5.0		9.2		13.9	
Special Supplemental Food for Women, Infants and Children	—		—		0.6		1.8		3.4		5.4	
Other nutrition	—		0.1		0.2		0.1		0.0		0.0	
SOCIAL SERVICES	**0.0**	**0%**	**0.6**	**3%**	**2.6**	**4%**	**4.8**	**5%**	**15.6**	**7%**	**21.6**	**6%**
Head Start	—		0.3		0.8		1.3		4.5		6.9	
Foster care	—		—		0.3		1.4		4.4		4.6	
Child Care and Development Block Grant	—		—		—		—		3.3		5.0	
Adoption assistance	—		—		—		0.1		0.1		2.1	
Social Services Block Grant	—		0.3		1.3		1.4		0.9		1.0	
Other social services	—		0.0		0.2		0.6		2.4		2.1	
HOUSING	**0.0**	**0%**	**0.0**	**0%**	**1.6**	**3%**	**6.0**	**6%**	**8.8**	**4%**	**12.6**	**3%**
Section 8 Low-Income Housing Assistance	—		—		0.9		4.7		7.0		10.2	
Low-rent public housing	—		—		0.3		0.7		1.2		1.6	
Other housing	—		0.0		0.3		0.6		0.5		0.7	
TRAINING	**0.0**	**0%**	**0.5**	**3%**	**2.5**	**4%**	**1.4**	**1%**	**1.9**	**1%**	**1.4**	**0%**
REFUNDABLE PORTIONS OF TAX CREDITS	**0.0**	**0%**	**0.0**	**0%**	**1.2**	**2%**	**4.1**	**4%**	**24.9**	**12%**	**75.8**	**21%**
Child tax credit (refundable portion)	—		—		—		—		0.8		34.0	
Earned income tax credit (refundable portion)	—		—		1.2		4.1		24.1		41.7	
TAX EXPENDITURES	**0.1**	**1%**	**0.2**	**1%**	**1.4**	**2%**	**6.7**	**7%**	**28.6**	**13%**	**40.0**	**11%**
Child tax credit (non refundable portion)	—		—		—		—		19.3		28.4	
Earned income tax credit (non refundable portion)	—		—		0.7		1.7		4.3		5.0	
Dependent care credit	—		—		—		3.8		2.3		2.9	
Other tax credits/exemptions	0.1		0.2		0.7		1.2		2.6		3.7	
DEPENDENT EXEMPTION	**6.5**	**69%**	**8.0**	**43%**	**17.6**	**30%**	**21.3**	**22%**	**31.2**	**15%**	**32.7**	**9%**
TOTAL EXPENDITURES ON CHILDREN (outlays and tax expenditures)	**9.5**	**100%**	**18.4**	**100%**	**58.3**	**100%**	**97.5**	**100%**	**214.8**	**100%**	**367.7**	**100%**
OUTLAYS SUBTOTAL (includes refundable credits)	2.9	30%	10.2	55%	39.3	67%	69.5	71%	155.0	72%	295.0	80%
TAX EXPENDITURES (includes dependent exemption)	6.6	70%	8.2	45%	19.0	33%	28.0	29%	59.8	28%	72.7	20%

Source: The Urban Institute and The Brookings Institution, 2009. Authors' estimates based on the *Budget of the United States Government Fiscal Year 2010* and past years.
Note: See table 1 for list of programs included in other health, other income security, other education, and so on.

The dependent exemption... provides less of a benefit when taxes are reduced across the board.

Means-Tested Programs

Back in 1960, the majority of children's expenditures were on benefits available to families across the income spectrum; for example, Social Security, Impact Aid and other education programs, and the dependent exemption. Only a few programs, representing 11 percent of total expenditures, were focused exclusively or primarily on low-income families; AFDC and child nutrition were the largest of these programs.[13] The focus of children's spending changed during the 1960s and early 1970s, when new federal programs such as Medicaid were introduced to serve low-income children. By 1985, 61 percent of total federal expenditures were on means-tested programs—that is, programs available to families below a certain level of financial means (figure 10).

Expansion of the EITC and SSI payments to disabled children increased the share of expenditures on means-tested programs to a peak of 71 percent in 1995. More recently, the trend has reversed, and the share of expenditures on means-tested programs and tax provisions has moved back toward the levels of the 1980s, falling to 63 percent in 2008.[14]

As a final note on means-testing of public programs, recall from the "Expenditures on Children in 2008" section that the vast majority (90 percent) of state and local spending is on public schools, which provide universal public education. So while the majority of federal expenditures are provided through means-tested programs, a substantial share of state and local expenditures is provided through universal programs.

Tax Provisions

Much of the growth in children's expenditures since the mid-1980s has occurred in taxes; in 2008, tax provisions accounted for 40 percent of all expenditures on children. Legislative proposals before Congress suggest that tax programs will continue to play an important role in influencing the size of children's expenditures in the future.

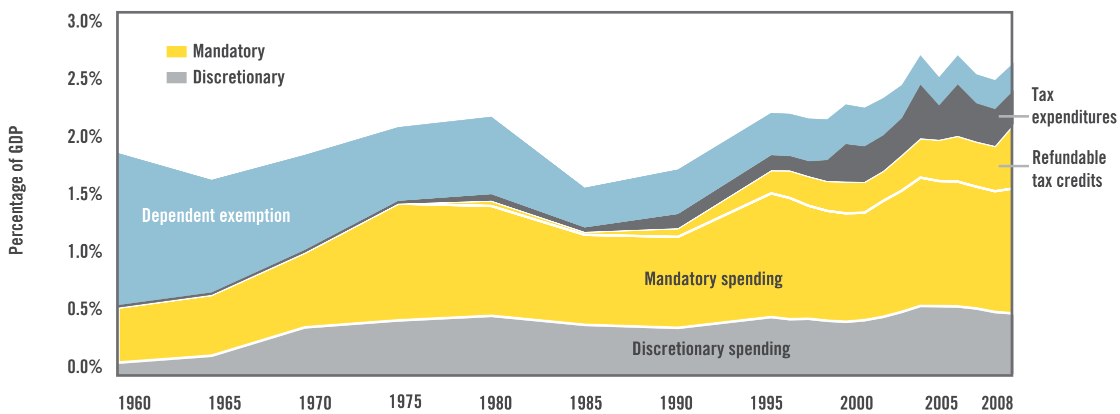
Expenditures associated with tax provisions have increased dramatically since 1985, with the expansion of the earned income tax credit in 1986, 1990, and, most notably, in 1993, along with the creation of the child tax credit in 1997. These expansions have occurred, however, against the backdrop of a large decline in estimated expenditures associated with the dependent exemption. The decline was particularly dramatic between 1960 and 1985, but it has continued since then (figure 11). In fact, the combined value of all tax provisions affecting children is lower in 2008 than it was in 1960 (1.0 percent of GDP compared with 1.3 percent).

The long-term decline in the dependent exemption should be interpreted with some care. Some of the decline reflects the eroding value of the exemption amount, which remained a flat $600 from 1948 to 1969 and was not indexed to inflation until after 1984. However, some of the reduction in expenditures on the dependent exemption results from overall reductions in tax rates. Since the dependent exemption reduces taxable income, its value is dependent on the tax rate facing the taxpayers claiming the exemption. Thus, the dependent exemption provides less of a benefit to low-income families than to higher-income families, and it provides less of a benefit when tax rates are reduced across the board, as occurred under the 2001 tax cuts.[15]

Even with its decline, the dependent exemption remains one of the six largest programs in terms of expenditures, providing $31 billion in economic resources to families with children in 2008. It is surpassed in size, however, by both the child tax credit and the earned income tax credit. In 2008, the child tax credit contributed $62 billion in resources to children (including $15 to $20 billion in one-time stimulus payments) and the EITC contributed $47 billion. Both programs are likely to be affected by legislative activity in 2009 or 2010 (table 3).

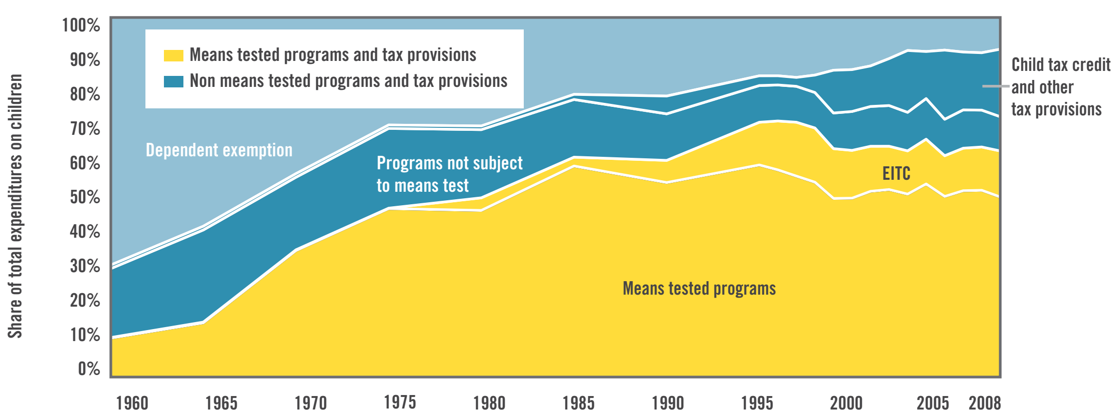
Together, the dependent exemption, the EITC, and the CTC account for the vast majority (more than 95 percent)

FIGURE 9 Mandatory and Discretionary Spending, 1960–2008



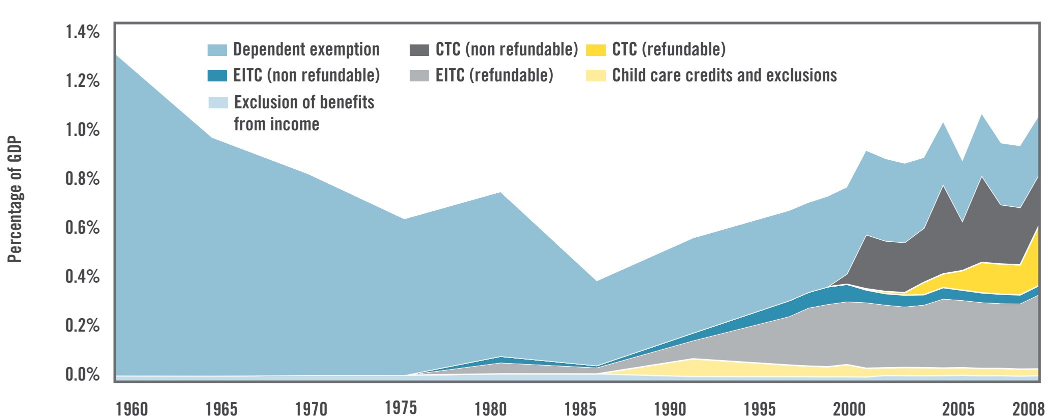
Source: The Urban Institute and The Brookings Institution, 2009. Authors' estimates based on the *Budget of the United States Government Fiscal Year 2010* and past years.
Note: The dependent exemption and tax expenditures are not formally classified as mandatory, but they both are not subject to annual review.

FIGURE 10 Means-Tested Spending, 1960–2008



Source: The Urban Institute and The Brookings Institution, 2009. Authors' estimates based on the *Budget of the United States Government Fiscal Year 2010* and past years.
Note: EITC includes full EITC (refundable and nonrefundable portion, as well as exclusion of public assistance benefits from taxable income).

FIGURE 11 Trends in Tax Provisions, 1960-2008



Source: The Urban Institute and The Brookings Institution, 2009. Authors' estimates based on the *Budget of the United States Government Fiscal Year 2010* and past years.

TABLE 3

Recent and Upcoming Legislative Activity Affecting Child-Related Tax Provisions

Recent expenditures on children have been strongly influenced by congressional action on taxes, and tax legislation will continue to affect the children's budget in coming years. The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), which included a number of expansions in child-related tax expenditures, is scheduled to expire after 2010. Temporary expansions under the American Recovery and Reinvestment Act of 2009 (ARRA) are due to expire in the same time frame. The impact of recent and upcoming legislative activity on three child-related tax programs is summarized below.

Child Tax Credit (CTC)

The child tax credit provides families with requisite earnings a tax credit for children under age 17. Two key policy parameters—the amount of the credit and how much of it is refundable—are likely to be subjects of policy debate in 2009 and 2010. EGTRRA doubled the credit from $500 to $1,000 and made the credit partially refundable for families with earnings over an inflation-adjusted threshold (set at $10,000 in 2001). More low-income working families were able to take advantage of the partially refundable credit when the earnings threshold was lowered to $8,500 in 2008; under ARRA, the threshold is temporarily reduced yet further, to $3,000 in 2009 and 2010. Under current law, the credit is scheduled to revert in 2011 to a $500 credit that is generally nonrefundable (except for certain families with three or more children). One possible scenario, assumed for the projections shown in the "Future Trends" section of this report, is that EGTRRA is extended but ARRA expires. Under such a scenario, a $1,000 credit would be partially refundable to families with earnings over an inflation-adjusted threshold ($12,550 in 2009). Another scenario, proposed in the president's fiscal year 2010 budget, is to extend the $3,000 earnings threshold as well as the $1,000 credit permanently, making more low-income families eligible for a refundable credit. Other options for reform include indexing the $1,000 credit to inflation, indexing the upper-income limit at which the credit is phased out for inflation, and eliminating the $3,000 earnings threshold.[a]

Earned Income Tax Credit (EITC)

The earned income tax credit, second in size only to the child tax credit, provides a refundable tax credit to working families. The size of the credit is based on a percentage of earnings up to a certain maximum; both the percentage and the maximum credit depend on the number of children in the family. The credit is refundable and phases out as income rises above a certain threshold, targeting assistance to low-income families. The phaseout threshold for married couples was increased in 2001 under EGTRRA and further increased in 2009 under ARRA; these increases are due to expire after 2010. ARRA also expanded the size of the credit for families with three or more children; this increase is effective for 2009 and 2010 only. In his 2010 budget, President Obama has proposed making both changes permanent, as well as indexing the higher phaseout threshold for married couples to inflation. Other EITC reforms under discussion include expanding the credit for childless workers (which is currently very small), consolidating the earned income tax credit with other family credits, and/or having a work credit separate from a family credit.[b]

Child and Dependent Care Tax Credit (CDCTC)

The CDCTC is a tax credit that reimburses a percentage of families' child care expenses. The maximum credit is $600 to $1,050 per child, and twice that per family, calculated as 20 to 35 percent of eligible expenses, up to maximum of $3,000 in expenses per child and $6,000 per family. Families with lower incomes are eligible for the higher credit (35 percent rather than 20 percent of eligible expenses), except that low-income families rarely qualify for the maximum benefit because the CDCTC is not refundable and only benefits families who owe taxes. Higher-income families subject to the alternative minimum tax (AMT) also fail to receive full benefit from the CDCTC. Future expenditures on the CDCTC will be dependent on legislative activity, including whether Congress extends the $3,000 and $6,000 expense limits enacted as part of EGTRRA rather than let them fall back to their pre-2001 levels of $2,400 and $4,800; whether the ceiling is increased for inflation and/or to more closely approach actual expenses; whether the CDCTC is made refundable to benefit low-income families; and policies regarding the AMT (including whether higher-income families are allowed to take the CDCTC even if they are otherwise subject to the AMT).[c]

a. See Tax Policy Center, *Briefing Book: A Citizens' Guide for the 2008 Election and Beyond*, p.II-1-5.
b. See Tax Policy Center, *Briefing Book*, pp. II-1-9 and II-1-10.
c. See Tax Policy Center, *Briefing Book*, pp. II-1-13 and II-1-14.

of tax expenditures on children. The next largest program, the child and dependent care tax credit (CDCTC), is much smaller, and is grouped in figure 7 with two smaller tax provisions related to child care: the exclusion of employer-provided child care from individual income taxes and the business tax credit for employer-provided child care. This group of child care credits and exclusions has declined recently as a percent of GDP, partly because of erosion in value of the CDCTC over time stemming from lack of indexing to inflation. Finally, the remaining tax provisions affecting children consist of a dozen provisions excluding retirement benefits, veterans benefits, welfare payments, foster care payments, and other benefits from income; these provisions have existed in law for much of the period study, but they have relatively little impact on financial resources available to families with children.[16]

Spending Changes between 2007 and 2008

Federal expenditures on children grew 8 percent, or $26 billion, from 2007 to 2008, after adjusting for inflation (table 4). Most of this growth, over $23 billion, resulted from a 44 percent increase in outlays from the refundable portions of tax programs, of which the tax refunds families received in 2008 as part of the initial economic stimulus plan enacted by President Bush played a considerable role. Spending on health and nutrition programs also grew substantially from 2007 to 2008, accounting for nearly $7 billion of the total increase in federal expenditures on children. Medicaid and SNAP/the Food Stamp Program dominated spending increases in these areas. Expenditures on income security programs also increased, accounting for $1.5 billion in additional expenditures in 2008. Much of this increase was in SSI.

Some major program areas saw declines in spending from 2007 to 2008 when measured in inflation-adjusted dollars. Training programs experienced a drop of $0.3 billion, a 16 percent decline and the largest decrease in percentage terms, from 2007 to 2008. Tax expenditures, the nonrefundable portions of the tax programs, experienced the largest decline in total dollars ($2.8 billion); however, much of this occurred in the nonrefundable portion of the child tax credit, where the loss was more than offset by the large increase in the refundable portion. Small declines (from less than 1 to 3 percent) were also experienced in education, housing, the dependent exemption, and social services.

TABLE 4

Changes in Children's Spending by Major Category and Major Program, 2007–08 (in billions of real dollars)

	FY 2007	FY 2008	$ change	% change
HEALTH	**$55.8**	**$59.4**	**$3.6**	**6.4%**
Medicaid	$45.8	$48.3	$2.5	5.5%
SCHIP	$5.3	$6.4	$1.1	20.3%
Medicaid—vaccines for children	$2.6	$2.6	*	-1.7%
Other health	$2.0	$2.1	*	0.7%
INCOME SECURITY	**$44.3**	**$45.7**	**$1.5**	**3.3%**
Social Security	$18.4	$18.4	*	0.1%
Temporary Assistance to Needy Families	$12.5	$12.9	$0.3	2.7%
Supplemental Security Income	$7.5	$8.4	$0.9	11.9%
Child support enforcement	$3.8	$3.7	-$0.1	-3.3%
Veterans benefits	$2.0	$2.3	$0.3	16.3%
Other income security	$0.1	$0.0	*	-6.4%
EDUCATION	**$39.9**	**$39.7**	**-$0.2**	**-0.4%**
Education for the disadvantaged (Title I, Part A)	$14.8	$14.9	$0.0	0.3%
Special education	$1.1	$1.0	-$0.1	-5.2%
School improvement	$5.6	$5.4	-$0.2	-4.4%
Impact Aid	$1.2	$1.2	$0.1	4.8%
Dependents' schools abroad	$4.2	$4.1	-$0.1	-3.3%
Other education	$14.8	$14.9	$0.0	0.3%
NUTRITION	**$35.8**	**$38.9**	**$3.1**	**8.7%**
Supplemental Nutrition Assistance Program/Food Stamp Program	$17.7	$19.6	$1.9	10.7%
Child nutrition	$13.3	$13.9	$0.6	4.3%
Special Supplemental Food for Women, Infants, and Children	$4.7	$5.4	$0.6	13.3%
Other nutrition	$0.0	$0.0	*	8.4%
SOCIAL SERVICES	**$22.1**	**$21.6**	**-$0.5**	**-2.2%**
Head Start	$7.0	$6.9	-$0.1	-1.3%
Foster care	$3.1	$2.9	-$0.2	-5.1%
Child Care and Development Block Grant	$5.3	$5.0	-$0.3	-5.1%
Adoption assistance	$1.9	$2.1	$0.1	6.5%
Social Services Block Grant	$1.6	$1.5	-$0.1	-4.7%
Other social services	$2.2	$2.1	-$0.1	-3.0%
HOUSING	**$13.0**	**$12.6**	**-$0.4**	**-3.2%**
Section 8 Low-Income Housing Assistance	$10.7	$10.2	-$0.4	-4.2%
Low-rent public housing	$1.5	$1.6	$0.1	9.2%
Other housing	$0.8	$0.7	-$0.1	-13.6%
TRAINING	**$1.7**	**$1.4**	**-$0.3**	**-15.7%**
REFUNDABLE PORTIONS OF TAX CREDITS	**$52.7**	**$75.8**	**$23.1**	**43.9%**
Child tax credit (refundable portion)	$16.5	$34.0	$17.5	105.6%
Earned income tax credit (refundable portion)	$36.1	$41.7	$5.6	15.6%
TAX EXPENDITURES	**$42.8**	**$40.0**	**-$2.8**	**-6.5%**
Child tax credit (non refundable portion)	$31.6	$28.4	-$3.2	-10.2%
Earned income tax credit (non refundable portion)	$4.7	$5.0	$0.3	5.3%
Dependent care credit	$2.8	$2.9	$0.2	6.1%
Other tax credits /exemptions	$3.7	$3.7	*	1.1%
DEPENDENT EXEMPTION	**$33.7**	**$32.7**	**-$1.0**	**-3.1%**
TOTAL EXPENDITURES ON CHILDREN (outlays and tax expenditures)	**$341.6**	**$367.7**	**$26.1**	**7.6%**
OUTLAYS SUBTOTAL (includes refundable portion of tax credits)	**$265.2**	**$295.0**	**$29.9**	**10.1%**
TAX EXPENDITURES SUBTOTAL (includes dependent exemption)	**$76.5**	**$72.7**	**-$3.8**	**-5.0%**

INCREASING DECREASING

Source: The Urban Institute and The Brookings Institution, 2009. Authors' estimates based on the *Budget of the United States Government Fiscal Year 2010* and past years.
Note: See notes to table 1 for list of programs included in other health, other income security, other education, and so on. *Less than $500 million

future trends in children's expenditures, 2009–19

As in past reports, this final section considers ten-year spending projections to get a sense of how spending trends may change in the future. In addition, this year's report looks at the short-term future, to preview what is likely to happen to children's spending and other areas of the budget in 2009 and 2010 as a result of increased spending under the American Recovery and Reinvestment Act of 2009 and other legislation enacted to bolster banks and other institutions.

Projection Methodology

These projections, short term and long term, are subject to even more uncertainty than the estimates provided for 2008 and the past. First, we have to choose budgetary projections for what is likely to happen to federal programs under a "current policy" or "baseline" scenario that assumes continuation of current law in some areas and continuation of current policy in others. In general, we rely on outlays projections from the Congressional Budget Office and tax expenditure projections from the Urban-Brookings tax model and the Office of Management and Budget. Our tax expenditure estimates follow the administration's baseline assumptions regarding the extension of the 2001 and 2003 tax bills, rather than letting those tax provisions expire as under current law and the CBO baseline.[17]

Second, we have to estimate the children's share of each program, and, specifically, we have to determine whether the children's share of spending *within each* program will remain constant from 2008 to 2019. In the case of Medicaid, Social Security, and SSI, we are able to use detailed CBO baseline projections, which project program outlays separately for children and other categories of beneficiaries. For many other programs, however, including SNAP/Food Stamps, housing, WIC, and energy assistance, we assume that the children's share of spending relative to the adult's share of spending remains constant within each program from 2008 to 2019.

Finally, we have included the impact of legislation enacted in 2008, including the Troubled Asset Relief Program (TARP), the American Recovery and Reinvestment Act of 2008, and appropriations legislation for 2009 (though supplemental appropriations enacted after March 2009, such as military funding for Iraq and Afghanistan, are not included). Although the funding levels for many programs are already set for 2009, there is considerable uncertainty regarding how much of appropriated funds will be drawn down in 2009 as opposed to later years. We follow the spending assumptions incorporated in the CBO baseline.

Our projections for 2009 to 2019 do not include any future legislative action and, in particular, do not include the budgetary impact of proposals in President Obama's FY 2010 budget.[18]

Projected Spending on Children and Other Major Items in the Federal Budget

The American Recovery and Reinvestment Act (ARRA) included substantial increases in spending on children,

The projected increase in spending on these three programs [Medicare, Medicaid, and Social Security] would exceed *total* spending on children in 2019.

including increases in Medicaid, education, SNAP, the child tax credit, and TANF, as well as smaller programs such as Head Start and child care assistance (First Focus 2009). As a result, spending on children's programs and refundable tax credits will rise to record high of 2.2 percent of GDP in 2009, with the delayed effects of some increased funding in education and others driving spending up to 2.4 percent of GDP in 2010.

Spending also is projected to increase in the areas of defense, Social Security, Medicare, and Medicaid. However, the highest projected spending increases next year are not on children, the elderly, or defense, but on a broad category of other spending, which is projected to more than double from 4.9 to 10.4 percent of GDP between 2008 and 2009 (figure 12). Much of this increased spending is related to TARP and ARRA; this category includes spending on commerce and housing credit, economic development, energy, the environment, foreign affairs, justice, science and technology, transportation, and other government functions.

The net effect of all these spending increases is a dramatic increase in federal outlays, which will rise from 21.0 to 27.4 percent of GDP between 2008 and 2009 under CBO baseline assumptions. While a projected decline in real GDP contributes slightly to the measured increase, the driving force is increased spending across broad areas of the federal budget in response to the economic recession. Total government spending will be higher in 2009, in both absolute dollars and as a percentage of GDP, than at any point since World War II.

If one just looks at the child-related provisions in the American Recovery and Reinvestment Act, one might conclude that children received a good share of the stimulus spending. Indeed, in absolute dollars or as a percentage of GDP, spending on children will rise to record spending levels in 2009. However, as a percentage of total federal outlays, spending on children is projected to decline, from 9.9 to 8.2 percent of total outlays (figure 13). Spending on the elderly and disabled and on defense also decline as a share of total spending, as much of the infusion in government funding goes to support for energy and transportation and infrastructure, and to address the financial challenges of banks and other institutions.

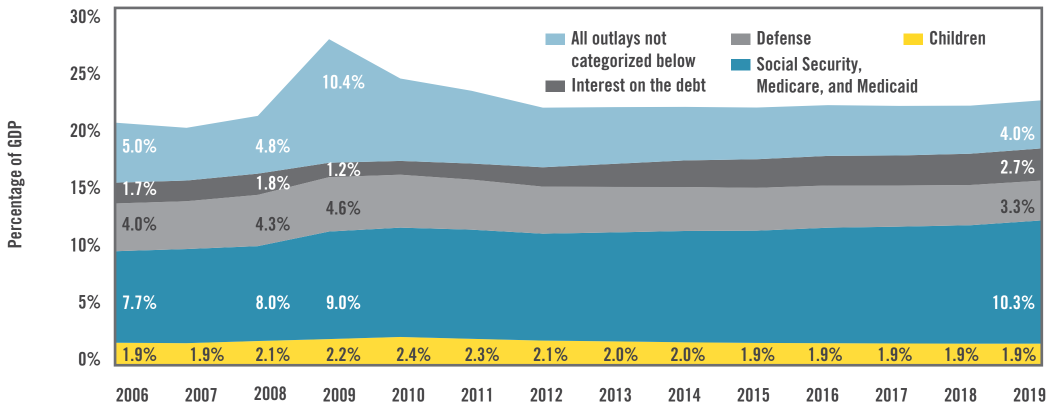
Over the next ten years, spending on children, defense, and unspecified areas is projected to decline, as the temporary boost in spending under ARRA and other recovery legislation is fully spent down. Specifically, if spending under ARRA is not extended, spending on children is projected to fall to 1.9 percent of GDP in 2019, the same level as in 2006 and 2007, before the increase in refundable tax credits in 2008 and the stimulus-related spending increases in 2009 and 2010 (see figure 12).

In contrast to the projected decline in spending on children, spending on the elderly and disabled is projected to rise steadily. The non-child portions of Medicare, Medicaid, and Social Security are projected to increase from 8.0 in 2008 to 10.3 percent of GDP in 2019. In fact, the projected *increase* in spending on these three programs (2.3 percentage points) would exceed *total* spending on children in 2019.

As a result of this growth, spending on the elderly and disabled under these three major entitlement programs is projected to swell to nearly half (46 percent) of the entire federal budget in 2019. Over the same period, spending on children is projected to fall to well under one-tenth of the total federal budget (8 percent), assuming no change in law or policy. The budgetary share spent on defense and other priorities also would fall under baseline assumptions. Interest on the debt would soar, reaching 12 percent of total outlays—higher than spending on children—under the large deficits arising from a continuation of current policies (figure 14).

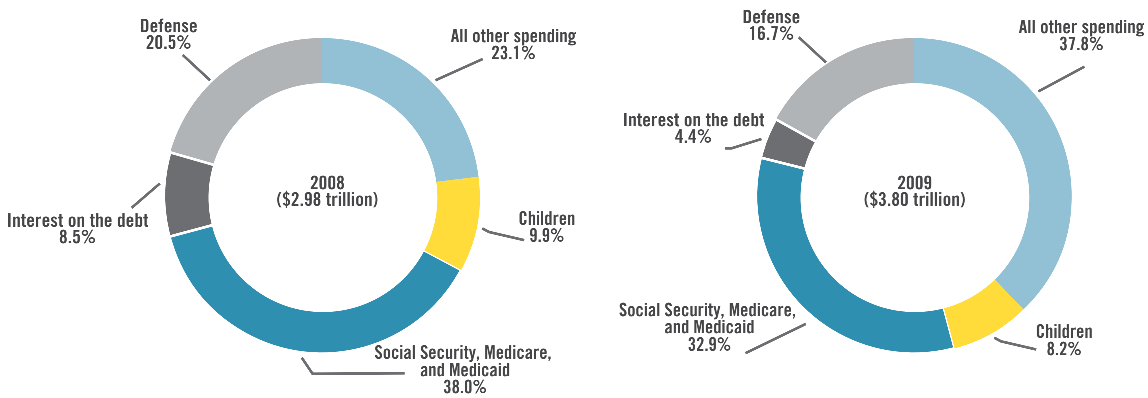
The fiscal situation is projected to deteriorate further beyond 2019, as spending on health and retirement programs continues to increase. The magnitude of rising costs for

FIGURE 12 Actual and Projected Outlays on Children and Other Major Items in the Federal Budget, 2006–19



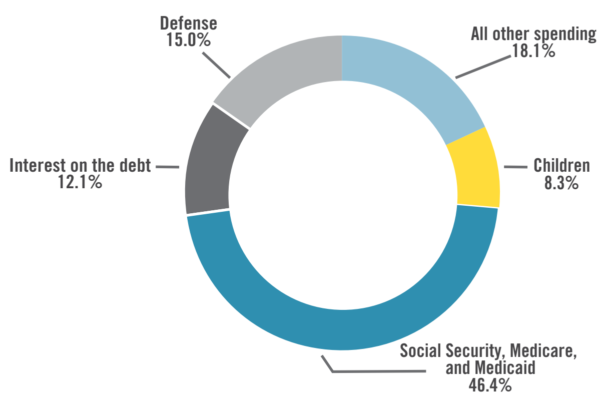
Source: The Urban Institute and The Brookings Institution, 2009. Authors' estimates based on data from the *Budget of the United States Government Fiscal Year 2010* and previous years, and CBO projections.
Note: Social Security, Medicare, and Medicaid excludes spending already captured as children's spending.

FIGURE 13 Share of Federal Budget Spent on Children and Other Major Items in 2008 (Actual) and 2009 (Projected)



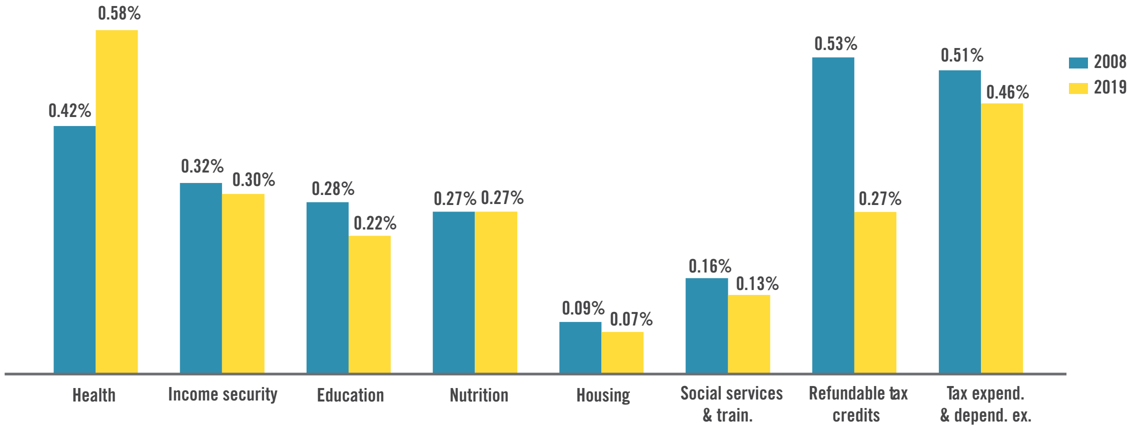
Source: The Urban Institute and The Brookings Institution, 2009. Authors' estimates based on the *Budget of the United States Government Fiscal Year 2010* and CBO baseline projections.
Note: Social Security, Medicare, and Medicaid excludes spending already captured as children's spending.

FIGURE 14 Projected Share of Federal Budget Spent on Children and Other Major Items in 2019



Source: The Urban Institute and The Brookings Institution, 2009. Authors' estimates based on the *Budget of the United States Government Fiscal Year 2010* and CBO baseline projections.
Note: Social Security, Medicare, and Medicaid excludes spending already captured as children's spending

FIGURE 15 Composition of Spending on Children in 2008 (Actual) and 2019 (Projected) as Percentage of GDP



Source: The Urban Institute and The Brookings Institution, 2009. Authors' projections based on the *Budget of the United States Government Fiscal Year 2010*; *CBO's Budget and Economic Outlook*, 2009–19; and Urban-Brookings Tax Policy Center Microsimulation Model (version 0308-1).
Note: Refundable tax credits are unusually large in 2008; they were 0.33 percent of GDP in 2007.

these three major programs means that the president and Congress will face challenging policy choices. Policy-makers will have to make major reforms in entitlement spending for the elderly, increase taxes to pay for much higher than traditional levels of spending, run up ever-higher deficits, and/or cut spending significantly in the rest of the budget, including spending on children.

Composition of Children's Expenditures in 2008 and 2019

In the absence of action to cut spending on children (as might occur as policymakers struggle to rein in long-term budget deficits) or policies enacted to increase spending on children (as might occur if temporary increases under ARRA are extended), CBO baseline projections suggest that spending on children will decline modestly as a percentage of GDP and rise modestly in absolute dollar terms. Outlays are projected to increase from \$295 billion in 2008 to \$346 billion in 2019, in 2008 dollars, an average annual increase of 1.46 percent over the next 11 years. Total expenditures on children, including tax expenditures and the dependent exemption as well as outlays, are projected to rise at the same annual growth rate, from \$368 billion to \$431 billion.

Much of the increased spending on children will occur in Medicaid, as increasing health care costs drive up spending for both the children and elderly portions of Medicaid. As shown in figure 15, health is the only category of children's expenditures projected to increase between 2008 and 2019 when measured as a percentage of GDP, rising from 0.42 to 0.58 percent. Spending on nutrition stays roughly the same, 0.27 percent of GDP; SNAP and child nutrition are both mandatory programs with benefits automatically adjusted for inflation, and thus hold their own better than many other children's programs.

Spending is projected to decline as a percentage of GDP in all other areas. The decline is particularly dramatic in refundable tax credits, which drop from 0.53 to 0.27 percent of GDP when measured from a base year of 2008 that includes the child portion of the 2008 recovery payments. If measured from 2007, the decline would be more in line with that in other areas.

Education spending is also projected to decline more than other areas. There are no mandatory or entitlement spending programs in education; all education spending is discretionary and subject to annual struggles to maintain appropriation levels. Children's programs that face annual appropriations may be particularly vulnerable to future cuts as policymakers face a grim budget outlook.

conclusion

During the 1960s and early 1970s, federal programs serving children and families grew considerably, more than offsetting the declining value of the dependent exemption. Since 1975, there has been less growth in federal programs, but changes in tax provisions have contributed to a continued increase in expenditures on children. Despite the overall increase in expenditures, however, the share of domestic spending allocated to children has dropped, from 20 percent in 1960 to 15 percent in 2008.

Federal expenditures on children increased between 2007 and 2008, reaching $368 billion, including $295 billion in outlays from federal programs and refundable tax credits and $73 billion in reductions in tax liabilities for families with children. Expenditures on children hit an all-time high of 2.1 percent of total GDP. Much of the increase in 2008 reflects the tax refunds families received as a part of the initial economic stimulus plan enacted by former President Bush. With funding from ARRA provisions, we expect that spending on children will continue to increase, reaching 2.4 percent of GDP in 2010.

As the provisions of ARRA expire, we project that spending on children will shrink over the next decade.

While these increases may sound positive to advocates for children, much of the increase is driven by the extraordinary circumstances of the times, particularly the economic recession; the recession led to increased spending on countercyclical programs such as food stamps, the tax rebates received in 2008, and the federal legislation that increased spending on federal programs and tax credits serving families with children in 2009 and 2010. Another caution is that these estimates focus on federal expenditures; children also depend heavily on state and local spending, which is more likely to contract in times of recession.

The longer-term outlook for the children's share of the federal budget does not look as promising. As the provisions of ARRA expire, we project that spending on children will shrink over the next decade, falling to 1.9 percent of GDP by 2019. In contrast to the projected decline in spending on children, spending on the elderly and disabled is projected to rise steadily. Over the next 10 years, the non-child portions of Medicare, Medicaid, and Social Security are expected to increase 2.3 percentage points (from 8.0 to 10.3 percent of GDP). In other words, the *increase* in spending on these three programs will exceed *total* spending on children. There is a growing danger that the escalating costs of these major entitlements, as well as growing interest payments on the national debt, will crowd out spending on children's programs.

These budget projections assume no change in current policies other than the extension of expiring tax provisions. In fact, the new administration and Congress are considering several significant policy and budget changes, including major reform of the nation's health care system, investment of federal resources toward broad-scale education reform, and attention to the nation's long-term fiscal and environmental challenges, all of which could have direct impacts on spending on children over the next decade.

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For a complete listing of references and data sources used, see the separate Kids' Share 2008 Data Appendix and its reference section, available online at www.urban.org/publications/411969.html.

endnotes

1 The earlier reports include Kids' Share 2008: How Children Fare in the Federal Budget (Carasso et al. 2008), Kids' Share 2007: How Children Fare in the Federal Budget (Carasso, Steuerle, and Reynolds 2007) and Federal Expenditures on Children: 1960–1997 (Clark et al. 2000).

2 The data appendix is available at www.urban.org/publications/411969.html.

3 Some states do increase unemployment benefits for families with children, through a dependent benefit. The American Recovery and Reinvestment Act of 2009 (ARRA) encourages more states to do the same. If more states provide dependent benefits, we might consider classifying a portion of unemployment benefits as spending on children. The ongoing evolution in how programs operate over time is one challenge we face in our attempt to classify spending on children consistently over time.

4 On the one hand, such a methodology overstates spending on children, since children in fact consume less than adults, on average, according to detailed analyses of household expenditures. On the other hand, the methodology may understate spending related to children, because if there had been no child in the family, the adult may have been less likely to receive any benefit at all because of various restrictions on childless adults (e.g., time limits in the SNAP program for able-bodied adults without children).

5 One difference is that the dependent exemption is not classified by the Office of Management and Budget (OMB) or the Joint Committee on Taxation as a special tax provision resulting in a tax expenditure; instead it is viewed as part of the overall tax structure. In addition, the estimated loss in revenue from the dependent exemption (and other exclusions and disregards from taxable income) is driven not only by the stated exemption amount, but also by broad parameters in the tax code. While this latter point is also true of a few tax deductions affecting children (e.g., exclusion of foster care payments from taxable income), they are sufficiently small that we have grouped them with tax credits for simplicity in presentation.

6 The title no longer refers to the year in which the report is released because we are releasing more than one report in 2009: *Federal Expenditures on Infants and Toddlers in 2007* (released in April), *Federal Expenditures on Children in 2008* (this report), and two forthcoming reports, to be released in 2009 or early 2010, on federal expenditures on preschool children and elementary school children in 2008.

7 As noted earlier, we do not include a children's share of the deduction of mortgage interest; while this benefits children, the size of the benefit does not directly vary with the presence or number of children in the family. Thus, this tax expenditure does not fit our definition of spending on children.

8 Because of the challenge of collecting data across 50 states, the Rockefeller report focuses on fewer programs than our report, providing expenditure information for a dozen major programs, including elementary and secondary education, state programs associated with major federal programs (Medicaid, SCHIP, MCHB, TANF, child support enforcement, child care, child welfare, etc.), and state earned income tax credits. While it does not fully capture expenditures on state-only programs, it is the best available source of recent data on state and local spending. Patricia Billen, coauthor of the report on state and local expenditures, consulted with the authors of this report and earlier children's budget reports in an effort to improve consistency in methodological approaches in measuring federal and state and local expenditures. See also Isaacs (2009) for further estimates of total investments in children, including federal, state and local, and private investments.

9 The $878 billion total is the aggregated total of OMB's estimates of individual tax provisions, even though such provisions are not strictly additive because of interaction effects. Also, the dependent exemption is in our estimate of children's tax expenditures but not in OMB's estimate of total tax expenditures (for reasons discussed in footnote 5). The share of tax expenditures on children drops to 4.6 percent if we do not include the dependent exemption.

10 Past Kids' Share reports used a similar definition of domestic spending, except past reports also excluded spending on non-defense homeland security. We did not exclude such spending because we were unable to get the necessary spending data for 2008; the Congressional Budget Office no longer routinely tracks non-defense homeland security spending as a separate category.

11 The ratio is 3.1 to 1 if one compares non-child spending on Social Security, Medicare, and Medicaid to total expenditures on children ($1.133 trillion to $367.7 billion); the ratio is 3.8 to 1 if one compares the non-child portions of the three major entitlement programs to *outlays* on children ($1.133 billion to $295.0 billion). Note that this comparison includes spending on the disabled and does not include programs other than Social Security, Medicare, and Medicaid. See Isaacs (forthcoming) for further comparisons of spending on children and the elderly.

12 Information on how we classified each program by benefit type, spending type, and eligibility limitation is provided in the data appendix.

13 Child nutrition programs provide tiered subsidies, with the highest subsidy reserved for low-income families. So the whole program is classified here as a "means-tested' program, even though all children eating meals under the National School Lunch Program receive some level of federal subsidy.

14 The child tax credit phases out for higher-income families and so does contain elements of income-targeting. It is not limited to low-income families, however, and so is not classified as a means-tested program in this analysis.

15 For example, a cut in tax rates from 28 to 25 percent would reduce the value of a $3,500 exemption from $980 to $785, thereby reducing the tax advantage of being a taxpayer with a child (relative to taxes for childless taxpayers) and, thus, child-related tax expenditures. This does not mean, however, that families with children were paying higher overall taxes than before the tax cut, just higher taxes relative to childless taxpayers.

16 The relatively small adoption credit and exclusion is grouped with exclusions of benefits from taxable income in figure 7.

17 In the mandatory spending area, the CBO baseline projections assume a continuation of current law and a reauthorization of expiring programs. For discretionary spending, the CBO baseline assumption is that spending is kept constant in real terms—that is, spending is adjusted upward for increases for inflation but does not include increases for growth in population or GDP. This estimate is conservative relative to what has happened to discretionary spending in the past, and it results in a projection that shows discretionary spending declining relative to both mandatory programs and GDP. Finally, in the area of taxes, we use the Urban-Brookings tax model to estimate the larger tax provisions (dependent exemption, earned income tax credit, child tax credit, and child and dependent tax credit) and we rely on the administration's estimates in the *Analytical Perspectives* volume of the budget for the smaller tax provisions. We adjust the administration's tax expenditures for the difference between OMB and CBO projections of GDP, so all our projections are consistent with CBO projections for economic and budgetary growth. We differ from the strict CBO baseline, however, in that we follow the administration's baseline assumptions, which assume an extension of the individual income tax provisions included in the 2001 and 2003 tax bills (including the $1,000 level for the child tax credit), maintain the estate tax at its 2009 parameters, extend the patch to the alternative minimum tax at its 2009 parameters and index the AMT exemption, rate bracket threshold, and phaseout exemptions to inflation.

18 We considered doing a supplemental analysis to estimate the impact of such changes on children, but the fiscal year 2010 budget includes a major but unspecified reform in health care. Not knowing the impact of such reform on children, we would be left with an analysis that left out a major change affecting spending on children.

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