RESEARCH REPORT

Unequal Playing Field?

State Differences in Spending on Children in 2013

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Contents

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Executive Summary

By funding public schools, health systems, and social services, state and local governments provide the resources and services that support children's healthy development. But children in some states tend to do better than others on measures of key educational and health outcomes. We examine how much states spend on children, including education, health, income security, and social services spending. We find substantial differences in how much states spend on children and discuss the implications of these differences. We also highlight the possibility that population trends will lead to an even wider spending gap in the future.

How Do States Differ in Spending on Children?

State spending on children varies widely, with Vermont spending nearly three times more ($13,430) per child than Utah ($4,594) in 2013 (after adjusting for cost of living). Education spending drives most state-to-state differences. Moreover, there is a strong geographic pattern to these variations. Most states spending $10,000 or more per child are in the Northeast, and many states spending $7,000 or less are found in the South and West.

Though children's outcomes are affected by many dimensions, health and education outcomes tend to be better in states that spend more on children. The wide disparities in public investment raise concerns about whether children nationwide are on equal footing when it comes to pursuing the American dream.

Are Children of Color More Likely to Live in Low-Spending States?

We find that Latino and American Indian or Alaska Native children are much more likely than non-Latino white and black children to live in low-spending states. Half of all American Indian or Alaska Native children live in states that spend less than $7,000 per child, especially Arizona, Oklahoma, and South Dakota. Similarly, 47 percent of Latino children live in low-spending states, including California and Florida. In contrast, only 28 percent of non-Latino white children and 30 percent of black children live in states that spend less than $7,000 per child.

How Will Growing Child Populations Affect Future Spending?

Population growth in low-spending states could result in even lower per-child spending in the future. Child populations are projected to grow in southern and western states such as Florida and Texas that spend less per child and to decline in states such as New York and Ohio that spend more. If the 35 states expected to see population growth plan to maintain their current per-child spending, these states will need to spend an additional $24.4 billion per year by 2030.

It is uncertain whether states that have traditionally spent relatively less per child will boost spending to keep up with population growth. If they do not, per-child spending will fall in many states, widening the spending gap and heightening concerns about child outcomes.

Policy Implications

At a minimum, it may be wise to avoid block grants, which in their most basic form would lock in current spending patterns to the detriment of children in states expected to see population growth.

The trends highlighted here also raise broader policy questions about state and federal spending choices and whether more federal resources should be targeted to states with high population growth and/or low spending on children. These resources might help children in states that have low capacity for raising revenues or are strained by population growth. However, voters in states that spend more on children may balk at sending money to states that spend less solely because of their own tax and spending priorities.

Before considering the normative question of whether state and federal policymakers should do more to equalize spending on children across states, we must first reassess the status quo. We take for granted that senior citizens in Arizona receive the same minimum retirement benefit as those in New York and that seniors in Utah have the same access to Medicare as those in Vermont. If we expect equity for seniors living in different states, why are we so accepting of large differences in spending on children? It may be hard to find good policy solutions to spending disparities, but the first step is acknowledging the problem.

Unequal Playing Field?

To thrive and grow to their full potential, children need adequate food and shelter, high-quality health care and education, safe environments, and supportive parents and families. Families are largely responsible for meeting their children's needs, but broader society also provides resources and services to support their healthy development. In return, society as a whole benefits from public investments that help children grow into healthy and productive adults.

Most public spending on children occurs at the state and local level. In 2013, state and local governments combined to spend about $7,900 per child, compared to about $4,500 from federal sources.[1] Earlier studies have shown large differences in spending across states. In 2004, for example, New Jersey spent over twice as much per child as Utah (Billen et al. 2007). Child outcomes also differ considerably, as documented in the Annie E. Casey Foundation's annual *KIDS COUNT* data book and other sources. For example, the share of babies born with low birth weight in 2013 ranged from 5.8 percent in Alaska to 11.5 percent in Mississippi, and the share of eighth graders lacking math proficiency ranged from 45 percent in Massachusetts to 80 percent in Alabama (AECF 2015).

These differences may be driven by many factors, including a state's economy, distribution of income, average level of parental education, and community values and culture. The extent of racial and economic segregation within a state and the strength of its social supports and nonprofit service sector factor in as well. States can also support child well-being and achievement through their investments in public education, health, and social service systems. And though not all investments directly translate into better child outcomes, a wide disparity in public investments raises concerns about whether children nationwide are on equal footing when it comes to pursuing the American dream.

A recent study by Raj Chetty and colleagues (2014) at Harvard University and the University of California, Berkeley demonstrates that children's chances of moving up economically relative to their parents is affected by where they are born and raised. Areas with more public spending, especially on schools, tended to have greater economic mobility, though this association may not be causal (Chetty et al. 2014). That study looked at differences across commuting zones, not states, but it highlights the influence of place and the potential relationship between public investments and child outcomes.

As former president Obama said in a July 2015 weekly radio address, "In this country, of all countries, a person's ZIP code shouldn't decide their destiny. We don't guarantee equal outcomes, but we do strive to guarantee an equal shot at opportunity—in every neighborhood, for every American."[2] In this report, we look at states to explore whether children across the country have an equal shot at success.

Study Goals

This study first examines whether state differences in spending on children, identified in previous research, persist. We then explore the ramifications of those spending differences through three primary research questions:

1. **How do states differ in spending on children?** This analysis lays out descriptive statistics comparing states by their per-child spending. It identifies high- and low-spending states, shows regional patterns in spending levels, and highlights differences in child outcomes. We also review the literature and discuss reasons for state spending differences and associations between spending and outcomes.
2. **Are children of color more likely to live in low-spending states?** Black, Latino, and American Indian or Alaska Native children generally fare worse than white children on several outcome measures. To what extent are children of color more likely to live in states that invest less in them?
3. **How will growing child populations affect future spending?** Child populations are projected to grow in some regions of the country and shrink in others. Are child populations growing disproportionately in low-spending states? And what does that portend for the future? We also examine two ways states might react to population growth and their effects on state budgets and per-child spending.

We conclude by discussing implications for state and federal policy and possible directions for future research.

Methods

To address our research questions, we collected and analyzed state spending data for 2013, the most recent state and local data available. We also drew population data from the US Census Bureau and population projections from the Urban Institute's Mapping America's Futures project.[3] Population projections to 2030 used average birth, death, and migration rates based on historical trends to project state populations of people under age 19. We then adjusted to children under age 18 to match our spending data.

State Expenditures

Our method for estimating state expenditures builds off methods used in the Urban Institute's *Kids' Share* series of reports of federal expenditures on children and earlier analyses of state spending by the Rockefeller Institute of Government (Billen et al. 2007; Edelstein et al. 2016; Steele et al. 2016). Consistent with these other analyses, we define children as anyone under age 19 (thus excluding prenatal spending and postsecondary spending).

We identified major state programs that serve children, including state and local spending on K–12 education, state earned income tax credits, state spending on Medicaid, and 10 other major programs jointly funded by federal and state governments:

- Children's Health Insurance Program (CHIP)
- Maternal and Child Health Block Grant
- Temporary Assistance for Needy Families (TANF)
- Promoting Safe and Stable Families
- child support enforcement
- child care assistance
- adoption assistance
- foster care
- guardianship
- child welfare services under Title IV-B of the Social Security Act

We collected state expenditure data for each program, generally drawing from federal data sources, including unpublished Medicaid tabulations and agency websites (see appendix table A.1 for specific data sources). Most programs were assumed to direct 100 percent of their spending to children; the exceptions were CHIP, Medicaid and TANF. For these three programs, we estimated spending allocations for children on a state-by-state basis.

Our spending estimates are expressed as total spending in 2013 divided by the number of children in the state.[4] We adjusted these estimates for differences in cost of living using the state regional price

parity adjustments generated by the Department of Commerce's Bureau of Economic Analysis (Aten, Figueroa, and Vengelen 2015). Numbers throughout the report are expressed in 2013 dollars.

DATA LIMITATIONS

Spending estimates do not include federal spending in states through programs such as the Supplemental Nutrition Assistance Program, the federal earned income tax credit, the national school lunch program, and so on, or the federal share of joint programs such as Medicaid, TANF, and foster care.[5] Nor do we include spending from state-only programs unaffiliated with federal programs that are not claimed as relevant expenses in any federal financial reporting. This may result in us underestimating spending on early childhood education and care. But we do capture prekindergarten spending reported by state education agencies to the US Department of Education and child care spending claimed as state only (e.g., maintenance of effort spending) or matching funds for federal child care or TANF programs. We hope to learn more about state-only spending and the allocation of federal spending by state in future research, but such an analysis was beyond the scope of this project. Another caveat is that estimates of Medicaid spending on children in 2013 are somewhat uncertain because of data limitations and do not incorporate changes resulting from the Affordable Care Act.[6]

How Do States Differ in Spending on Children?

State spending on children varies widely, with Vermont spending nearly three times more ($13,430) per child than Utah ($4,594) in 2013 (after adjusting for cost of living) (table 1). Many states find themselves at one extreme of spending or the other, and only a handful spend close to the national average of $7,900 per child. Fourteen states spend less than $7,000 per child: Alabama, Arizona, California, Colorado, Florida, Hawaii, Idaho, Mississippi, Nevada, North Carolina, Oklahoma, South Dakota, Tennessee, and Utah. At the other extreme, nine states (and the District of Columbia) spend more than $10,000 per child: Alaska, Connecticut, Massachusetts, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, and Wyoming. Adjusting for regional differences in cost of living does not substantially change any state rankings with the exception of California, Hawaii, and Virgina, which fall by more than 10 places, and Arkansas, which rises by more than 10.

TABLE 1

State Per-Child Spending and Ranks on Spending and Child Outcomes

	Per-child spending (adjusted)	Per-child spending (unadjusted)	Regional price parity adjustment	Rank, spending (adjusted)	Rank, spending (unadjusted)	Rank, education outcomes	Rank, health outcomes
Vermont	**13,430**	13,935	-4%	1	2	4	22
New York	**12,232**	14,499	-16%	2	1	19	9
Alaska	**12,146**	13,201	-8%	3	5	41	31
Wyoming	**12,080**	12,105	0%	4	7	21	45
Connecticut	**11,768**	13,431	-12%	5	4	5	4
New Jersey	**11,590**	13,576	-15%	6	3	2	6
Rhode Island	**11,150**	11,310	-1%	7	9	24	12
Massachusetts	**10,734**	11,978	-10%	8	8	1	3
District of Columbia	**10,163**	12,346	-18%	9	6	NR	NR
Pennsylvania	**10,040**	10,207	-2%	10	12	7	21
Maine	**9,910**	9,790	1%	11	14	16	10
New Hampshire	**9,565**	10,485	-9%	12	11	3	16
West Virginia	**9,514**	8,830	8%	13	17	46	41
Illinois	**9,420**	9,872	-5%	14	13	17	5
Delaware	**9,242**	9,746	-5%	15	15	26	25
Maryland	**9,195**	10,538	-13%	16	10	8	11
Iowa	**8,864**	8,004	11%	17	23	13	1
Minnesota	**8,817**	8,909	-1%	18	16	6	2
Ohio	**8,737**	8,089	8%	19	22	14	18
Nebraska	**8,509**	8,154	4%	20	19	11	26
Wisconsin	**8,491**	8,127	4%	21	20	15	15
North Dakota	**8,388**	7,915	6%	22	24	18	29
Kansas	**8,314**	7,777	7%	23	25	12	13
Missouri	**7,878**	7,252	9%	24	31	23	33
Arkansas	**7,854**	7,010	12%	25	36	39	34
Michigan	**7,846**	7,580	4%	26	27	37	23
Indiana	**7,826**	7,333	7%	27	29	25	35
South Carolina	**7,821**	7,198	9%	28	33	43	36
Virginia	**7,663**	8,178	-6%	29	18	10	17
Washington	**7,480**	8,125	-8%	30	21	20	8
Kentucky	**7,431**	6,765	10%	31	39	30	24
Louisiana	**7,418**	6,948	7%	32	37	47	49
New Mexico	**7,322**	7,052	4%	33	35	49	48
Montana	**7,179**	7,244	-1%	34	32	22	47
Texas	**7,120**	6,702	6%	35	40	33	43
Oregon	**7,102**	6,927	3%	36	38	35	19
Georgia	**7,097**	7,058	1%	37	34	40	37
Alabama	**6,904**	6,194	11%	38	42	45	40
Colorado	**6,864**	7,285	-6%	39	30	9	44
Oklahoma	**6,710**	6,239	8%	40	41	42	39
California	**6,617**	7,724	-14%	41	26	38	14
South Dakota	**6,593**	5,960	11%	42	45	32	20

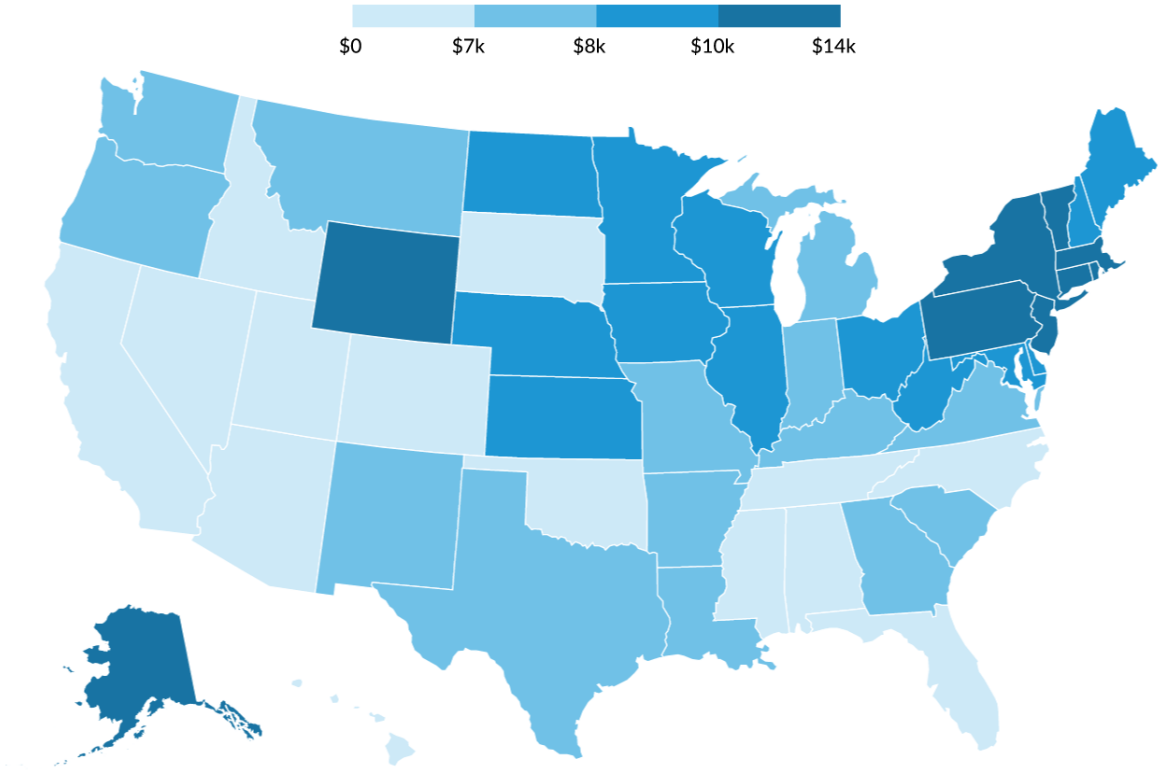
	Per-child spending (adjusted)	Per-child spending (unadjusted)	Regional price parity adjustment	Rank, spending (adjusted)	Rank, spending (unadjusted)	Rank, education outcomes	Rank, health outcomes
Mississippi	**6,281**	5,514	14%	43	48	48	50
Hawaii	**6,197**	7,521	-18%	44	28	31	28
Tennessee	**6,165**	5,787	7%	45	46	36	30
Nevada	**6,113**	6,130	0%	46	43	50	46
North Carolina	**5,922**	5,676	4%	47	47	28	32
Florida	**5,857**	6,024	-3%	48	44	27	38
Arizona	**4,888**	4,941	-1%	49	49	44	42
Idaho	**4,770**	4,450	7%	50	51	34	27
Utah	**4,594**	4,547	1%	51	50	29	7
United States	**7,923**	**7,966**	**-1%**				

Source: Urban Institute estimates; Annie E. Casey Foundation, *KIDS COUNT 2015 Data Book: State Trends in Child Well-Being* (Baltimore: Annie E. Casey Foundation, 2015).
Note: NR = not rated.

There is a strong geographic pattern to variations in state spending (figure 1). Generally, states that spend $10,000 or more are in the Northeast, though Alaska and Wyoming are also in this group. Many of the states that spend between $8,000 and $10,000 are in the Midwest and mid-Atlantic (including Maryland and Delaware). Finally, states that spend $8,000 or less are mostly located in the South and West, though a few are in the Midwest. An earlier analysis by Billen and colleagues (2007) of state spending in 2004 found fairly similar geographic patterns.

FIGURE 1

State Spending per Child, 2013



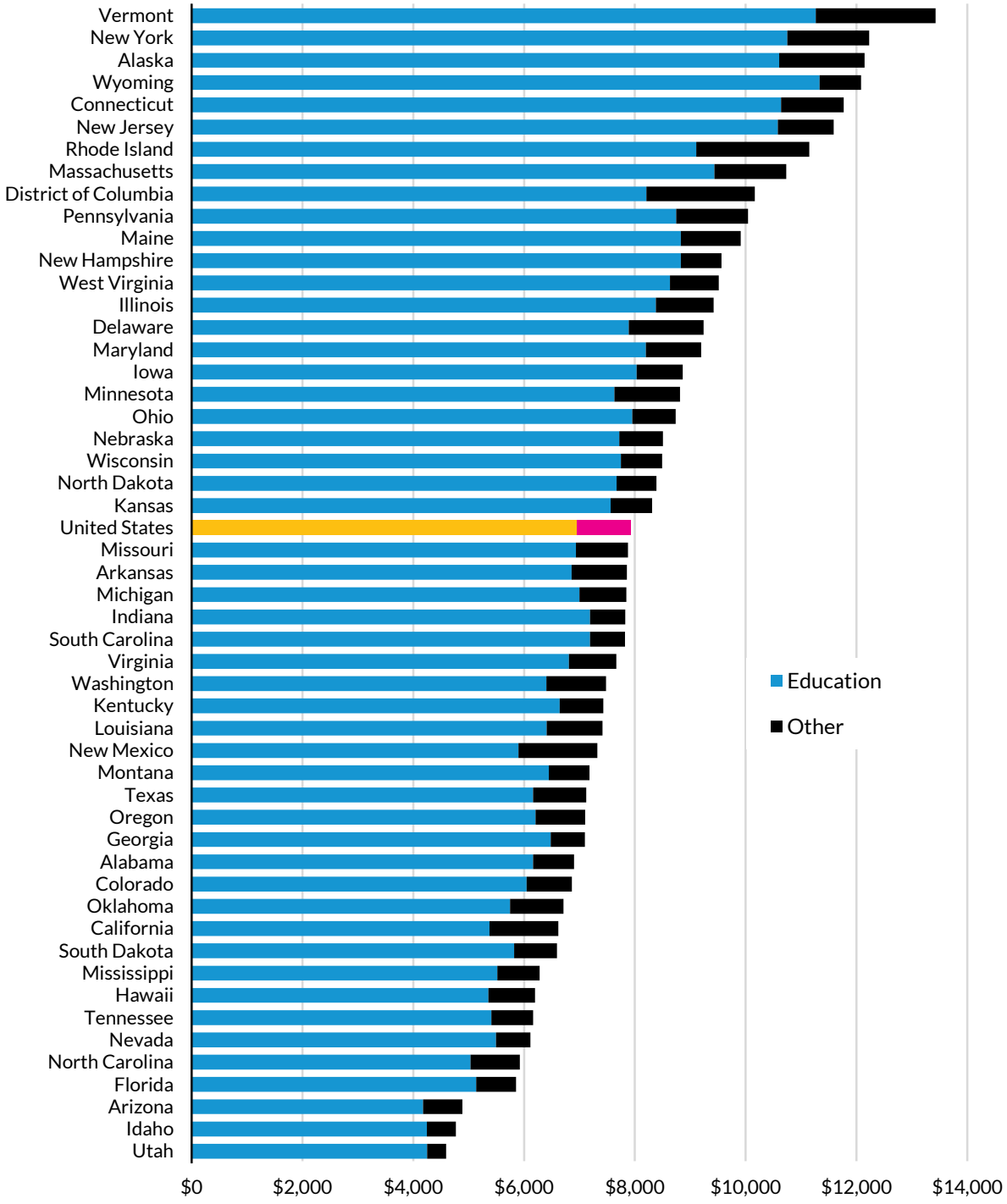
Source: Urban Institute estimates.
Note: Spending estimates include local spending on education and have been adjusted for regional cost of living.

The vast majority of state and local spending on children is on public schools. As shown in figure 2, differences in education spending drive most of the overall spending gap. The six states that spend more than $10,500 on education (Alaska, Connecticut, New Jersey, New York, Vermont, and Wyoming) are also the top six in terms of overall spending. Likewise, Arizona, Idaho, and Utah, the three states that spend the least per child overall, also spend the least on education (less than $4,300 per child).

State spending also varies dramatically in other areas: health spending ranges from $282 per child in Utah to $1,587 in Vermont, and spending on income supports and social services ranges from $61 per child in Utah to $1,034 in the District of Columbia (see appendix table A.2). But these amounts are so dwarfed by education spending that they contribute to but do not influence overall spending patterns. On average, 88 percent of state spending on children is on education, 9 percent is on health, and 3 percent is on income supports and social services.

FIGURE 2

State Per-Child Spending on Education and Other Services, 2013



Source: Urban Institute estimates.

Note: Spending estimates include local spending on education and have been adjusted for regional differences in cost of living. "Other services" includes spending on health, income security, and social services.

What Explains the Observed Variation in State Spending on Children?

Several explanations have been proposed for the variation in state spending. **Sometimes, increased spending reflects greater need among children in the state or the high costs of providing services** (Gordon, Auxier, and Iselin 2016). For example, a state with a larger share of children enrolled in public schools may need to spend more on education. To take into account differences in child populations, we divided state spending by the number of children under age 19, but we did not adjust for school-aged children or the share of children enrolled in public versus private schools.[7] Economists also emphasize differences in the costs of goods and services in each state. For example, salaries for teachers, physicians, nurses, and other service providers vary considerably. Though we have adjusted spending for regional price differences, these adjustments are imperfect and may not fully reflect differences in the costs to states of providing education, health care, and other services.[8]

We did not adjust for the higher costs of educating children with higher needs, such as children with special needs, English-language learners, children living in poverty, or children in rural areas with small school districts (Gronberg et al., n.d.). For example, several studies suggest that it can cost as much as 31 to 167 percent more to educate a child living in poverty (Gordon, Auxier, and Iselin 2016). However, this adjustment would probably make spending differences even more pronounced because some low-spending states such as Mississippi also have fairly high levels of child poverty or, like Arizona, fairly high numbers of English-language learners. Likewise, many high-spending states, such as those in New England, have low levels of child poverty and fewer English-language learners.

Other spending differences represent policy choices made by states. Some states have an earned income tax credit; others do not and spend nothing in this area. Health care spending per child is likely to be higher in states that opted to expand Medicaid eligibility to enroll more children or cover more services. Education policy decisions can also affect spending. For example, reducing class sizes in lower grade levels to improve quality of instruction will increase labor costs and per-child spending.

State and local governments make policy choices within their budgetary constraints. Gordon, Auxier, and Iselin (2016) noted variations in tax collections per capita in 2012, ranging from less than an estimated $4,750 in Idaho to nearly $19,200 in Alaska. In terms of spending on children, Idaho and Alaska are among the lowest- and highest-ranking states, respectively, according to our analysis. Gordon, Auxier, and Iselin (2016) explain that differences in revenue per capita stem from state tax policies as well as state revenue capacity (i.e., what states hypothetically could collect based on factors such as state demographics, natural resources, and economic activity before taking policies into

account). They estimate that revenue capacity in 2012 ranged from roughly $4,800 in Mississippi to $10,200 in North Dakota.

Many political, cultural, and institutional factors also affect state spending on children, including prevailing political values, demographics, local versus state control over school budgets, parameters of federal and state grant programs, the political strength of the health and education sectors, and competing demands on state and local budgets. From a child well-being perspective, however, the question is not *why* states differ so much but whether differences in spending translate into different outcomes for children.

How Do Spending Differences Affect Outcomes?

Does greater state spending give children in Vermont an advantage over children in Utah? Economic theories about investment in human capital—or common sense regarding the value of high-quality education, health services, and social supports—suggest that it does. Moreover, **many states that spend more on children rate higher on education and health outcomes**, according to KIDS COUNT data (table 1). States that spend the most generally rank in the top half of educational outcomes, whereas states that spend the least rank in the bottom half. This correlation is similar, if slightly weaker, for health outcomes. This association is not necessarily causal, and other factors, such as family incomes, may contribute to both state spending and child outcomes, but it suggests a possible connection between the two.

In an earlier study using 1996 spending data, Harknett and colleagues (2003) found positive relationships between state spending and child outcomes, even after controlling for potentially confounding influences. They also found that certain types of spending were correlated with certain outcomes. For example, Medicaid spending was inversely associated with child death rates and education spending was positively associated with better test scores, lower high school dropout rates, and lower teen birth rates.[9]

Some studies have specifically questioned whether spending more on education is actually associated with better outcomes. Their skepticism stems from the 1966 Coleman report, which found only a weak relationship between school resources and student outcomes. Additional research by Eric Hanushek also found only weak evidence that increasing spending on schools results in better school quality and educational outcomes (Hanushek 1986; Hanushek and Somers 2001). Other studies, however, maintain that there is a positive relationship between public spending and student outcomes

observable when reviewing high-quality studies, using cost functions to adjust for student needs, or allowing for time between financial reforms and outcomes (Dewey, Husted, and Kenny 2000; Greenwald, Hedges, and Laine 1996; Lafortune, Rothstein, and Schanzenbach 2016; Taylor 1997). A recent study found that spending more on schools is associated with better outcomes for adults, including higher educational attainment, higher incomes, and lower poverty rates (Jackson, Johnson, and Persico 2016). Several studies in the literature suggest that increasing school spending has a greater effect on low-income and minority students (Baker 2016).

Our review of the literature leads us to believe that spending more on schools, health systems, income supports, and social services does give children in states such as Alaska, New York, and Vermont a leg up over children in states that spend less, such as Idaho, Nevada, and Utah, but the extent of the advantage is unclear. Money matters, but public investment is just one of many factors affecting child outcomes. We now turn to our second research question: are children of color more likely to live in low-spending states?

Are Children of Color More Likely to Live in Low-Spending States?

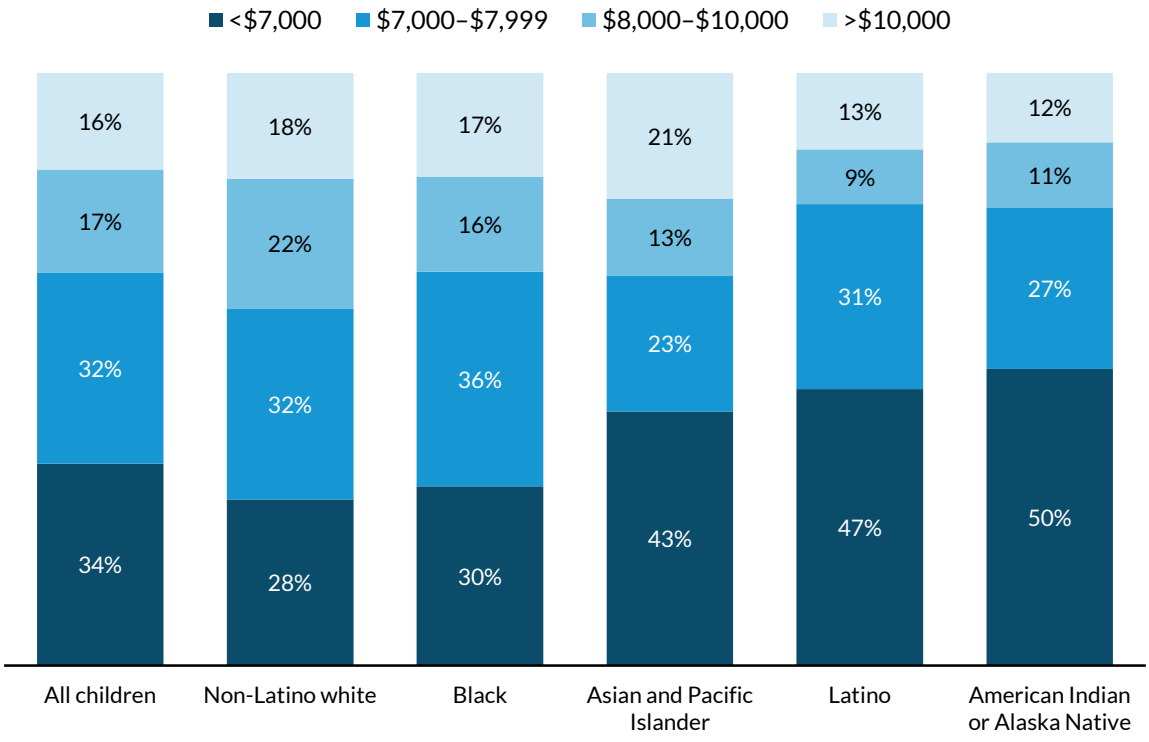
Black, Latino, and American Indian or Alaska Native children generally do not fare as well as white children on various measures of well-being and achievement. As documented in a 2014 report from the Annie E. Casey Foundation, *Race for Results: Building a Path to Opportunity for All Children*, black, Latino, and American Indian or Alaska Native children are more likely grow up in environments that pose more obstacles to opportunity. This is partially the result of a long history of discriminatory policies, including slavery and Jim Crow laws, the removal of American Indians from their land, and "redlining" lending practices used by banks and the Federal Housing Administration. Children of color, with the exception of some groups of Asian children, are more likely to be born into poor families, to be raised in disadvantaged neighborhoods, and to attend schools with less funding and less-qualified teachers. They also fare worse than white children on measures of educational attainment. For example, only about 20 percent of black, American Indian or Alaska Native, and Latino fourth graders are proficient in reading, compared to 45 percent of white fourth graders. Similarly, about 20 percent of black, American Indian or Alaska Native, and Latino eight graders are proficient in math, compared to roughly 40 percent of white fourth graders and 60 percent of Asian and Pacific Islander fourth graders (AECF 2014).[10] Though there are many differences in the quality of public schools at the community level, there are also important differences across states. And to the extent that variations in state spending correspond with

differences in the racial/ethnic makeup of state populations, spending gaps may contribute to disparities in child outcomes among racial/ethnic groups.

Latino and American Indian or Alaska Native children are much more likely than non-Latino white children to live in states that spend the least on children. Fifty percent of American Indian or Alaska Native children live in states that spend less than $7,000 per child, especially Arizona, Oklahoma and South Dakota (figure 3). Similarly, 47 percent of Latino children live in low-spending states, including California, Florida, and Nevada. In contrast, only 28 percent of non-Latino white children live in these low-spending states.

FIGURE 3

Distribution of Children in the United States, by Race/Ethnicity and State Per-Child Spending, 2013



Source: Urban Institute estimates.
Note: Some children are represented in more than one category (e.g., black Latinos are counted in both groups) and some, such as multiracial children, are not represented at all.

Less than one-fourth of Latino and American Indian or Alaska Native children live in states that spend at least $8,000 per child. For comparison, 40 percent of non-Latino white children live in such states, particularly Maine, New Hampshire, New York, Ohio, Pennsylvania, Vermont, and West Virginia.

Patterns among black children are most similar to those of white children. We expected to see a high proportion of black children living in low-spending states, but only 30 percent of black children live in states that spend less than $7,000 per child (compared to 28 percent of white children).[11] Nearly equal shares of black and white children live in states that spend more than $10,000, a group that also includes the District of Columbia. The highest concentration of black children (36 percent) is in states with moderately low spending (between $7,000 and $8,000), including southern states such as Georgia, Louisiana, and South Carolina.

Asian and Pacific Islander children are disproportionately concentrated in low-spending states such as California and Hawaii, but they are also the group most concentrated in states that spend more than $10,000 per child, including New Jersey and New York.

State spending may be partially influenced by the demographic composition of voters and other state residents. Some scholars and commentators have suggested that voter support for spending on public education may be lower among majority white voting populations if the school-age population is mostly composed of children of color because of what demographer William Frey terms "the cultural generational gap" between a youth population of color and an older white population (Frey 2014; Gais 2012; Lesley 2016).[12] Researchers have also noted states spend less on districts with higher proportions of children of color (Figlio and Fletcher 2010; Poterba 1997; White 2016).

But we are less interested in *why* states spend differently and more concerned with the implications for children's development. Specifically, the large numbers of Latino and American Indian or Alaska Native children living in states that spend less on children raises the possibility that state spending differences may contribute to racial/ethnic disparities in child outcomes.

How Will Growing Child Populations Affect Future Spending?

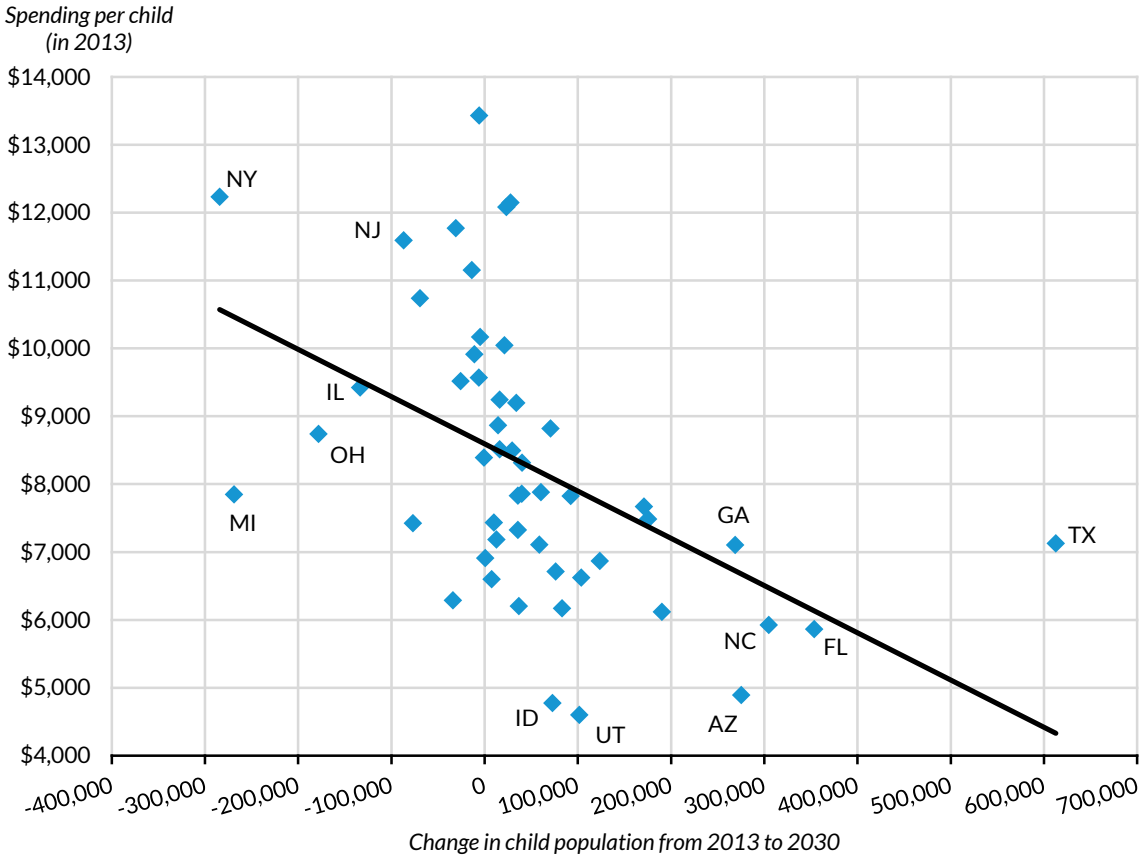
The child population, defined here as people under age 19, is projected to grow by 3 percent, from 77.9 million to 80.3 million, between 2013 and 2030, according to the Urban Institute's Mapping America's Futures project.[13] Texas is projected to see the most growth, approximately 600,000 additional children, followed by Florida, North Carolina, Arizona, and Georgia. These states spend relatively little on children, ranging from about $4,900 per child in Arizona to $7,100 in Georgia and Texas. We also see sizable population growth projected in Utah and Idaho, the two states that spend the least.

Conversely, 16 states, many of which have moderate to high per-child spending, are projected to see declines in their child populations. Per-child spending in states with the largest projected population declines (New York, Michigan, Ohio, and Illinois, in that order) ranges from about $7,800 in Michigan to $12,200 in New York.

Looking at geographic patterns, **child populations are projected to grow in many low-spending southern and western states and to decline in some higher-spending northeastern states (figure 4).** These projections reflect growth already observed between 2000 and 2010 (Frey 2011; O'Hare 2011). What are the implications for state budgets and child well-being?

FIGURE 4

Projected Change in Child Population versus State Spending on Children



Source: Urban Institute estimates, including projections from the Mapping America's Futures project. Rolf Pendall, Nan Marie Astone, Steven Martin, H. Elizabeth Peters, Austin Nichols, Kaitlin Franks Hildner, Allison Stolte, Pam Blumenthal, "Mapping America's Futures," Urban Institute, accessed April 6, 2017, http://apps.urban.org/features/mapping-americas-futures.
Note: The diagonal line indicates the negative correlation between projected population growth and spending on children.

How States Could Respond to Population Growth

Though we do not know how low-spending states will respond to population changes, we can sketch out two scenarios to illustrate their range of options. **In one scenario, states could boost their spending on children in line with population growth. Or they could continue to budget the same total amount in real, inflation-adjusted terms, resulting in a decline in per-child spending.** The first scenario could strain state and local budgets, and the second could negatively affect child well-being and outcomes.

Consider Arizona, which spent just under $4,900 per child in 2013, third lowest in the nation. If its child population grows by 16 percent through 2030 as projected, the state will need to spend more each year (an additional $1.3 billion annually by 2030) just to keep pace. If the state continues its current spending in inflation-adjusted terms, per-child spending would drop to about $4,200, lower than current spending in any state.

Now consider New York, a prime example of a high-spending northeastern state facing a population decline. New York spent about $12,200 per child in 2013, second highest in the nation. With a projected 6 percent drop in its child population, the state could save $3.5 billion annually by 2030 by keeping per-child spending constant. Alternatively, it could keep its total spending constant and increase per-child spending to more than $13,000.

These are just two possibilities, but both scenarios are worth analyzing. Table 2 shows that several northeastern and midwestern states have spending patterns and projections similar to New York and that many southern and western states are similar to Arizona. **If states choose to increase total spending to maintain per-child spending, the 35 states projected to see population growth will be spending an additional $24.4 billion per year by 2030**, led by Texas ($4.4 billion), Florida ($2.1 billion), Georgia ($1.9 billion), and North Carolina ($1.8 billion). The 16 states with projected population declines could *save* $12 billion annually, with the greatest savings in New York ($3.5 billion), Michigan ($2.1 billion), Ohio ($1.6 billion), and Illinois ($1.3 billion).

If states maintain their current total spending, adjusting for inflation, the state that spends the most, Vermont, will spend 3.4 times more than Utah, the state spending the least. Vermont currently spends 2.9 times more than Utah**.** Many low-spending states like Utah would spend even less per child than they do now, heightening concerns about child outcomes in those states.

Both scenarios see the national average for state per-child spending, currently about $7,900, decrease as the child population becomes more concentrated in low-spending states. Why would average per-child spending decrease even if all states increase total spending to maintain their current

levels? Because more children would be living in low-spending states, and so the weighted average of state and local spending *per child* would fall by an estimated 1 to 3 percent.[14] Though this demographically driven decrease is small, it comes at a time when federal budget concerns may constrain future federal spending on children (Edelstein et al. 2016). If federal and state policymakers wish to increase—or even simply maintain—public investments in children, they will have to support policies that counteract underlying demographic and budgetary pressures.

TABLE 2

Potential State Spending on Children in 2030

2013 dollars

		Total Spending Grows with the Child Population		Total Spending Remains Constant
	Projected change in child population from 2013	Per-child spending in 2030 (unchanged)	Cost to state (in millions)[a]	Per-child spending in 2030
Alabama	0%[b]	6,904	5	6,899
Alaska	14%	12,146	340	10,641
Arizona	16%	4,888	1,346	4,208
Arkansas	5%	7,854	314	7,456
California	1%	6,617	686	6,547
Colorado	9%	6,864	850	6,271
Connecticut	-4%	11,768	-363	12,217
Delaware	7%	9,242	149	8,598
District of Columbia	-4%	10,163	-47	10,567
Florida	8%	5,857	2,071	5,408
Georgia	10%	7,097	1,908	6,438
Hawaii	11%	6,197	228	5,567
Idaho	16%	4,770	348	4,105
Illinois	-4%	9,420	-1,257	9,830
Indiana	2%	7,826	280	7,662
Iowa	2%	8,864	130	8,698
Kansas	5%	8,314	336	7,895
Kentucky	1%	7,431	76	7,361
Louisiana	-7%	7,418	-568	7,937
Maine	-4%	9,910	-107	10,308
Maryland	2%	9,195	312	8,981
Massachusetts	-5%	10,734	-744	11,256
Michigan	-11%	7,846	-2,109	8,841
Minnesota	5%	8,817	625	8,378
Mississippi	-4%	6,281	-213	6,568
Missouri	4%	7,878	478	7,567
Montana	5%	7,179	92	6,811
Nebraska	3%	8,509	140	8,233
Nevada	27%	6,113	1,164	4,796
New Hampshire	-2%	9,565	-58	9,768
New Jersey	-4%	11,590	-1,006	12,081
New Mexico	7%	7,322	263	6,862
New York	-6%	12,232	-3,475	13,051
North Carolina	13%	5,922	1,806	5,258

	Projected change in child population from 2013	Total Spending Grows with the Child Population: Per-child spending in 2030 (unchanged)	Total Spending Grows with the Child Population: Cost to state (in millions)[a]	Total Spending Remains Constant: Per-child spending in 2030
North Dakota	0%[b]	8,388	-4	8,412
Ohio	-6%	8,737	-1,555	9,328
Oklahoma	8%	6,710	513	6,233
Oregon	6%	7,102	417	6,670
Pennsylvania	1%	10,040	216	9,966
Rhode Island	-6%	11,150	-153	11,854
South Carolina	8%	7,821	723	7,235
South Dakota	4%	6,593	52	6,366
Tennessee	5%	6,165	514	5,855
Texas	8%	7,120	4,363	6,577
Utah	11%	4,594	468	4,146
Vermont	-4%	13,430	-79	14,047
Virginia	9%	7,663	1,312	7,053
Washington	10%	7,480	1,313	6,773
West Virginia	-6%	9,514	-244	10,156
Wisconsin	2%	8,491	253	8,312
Wyoming	16%	12,080	284	10,401
United States	**3%**	**7,843**	**12,395**	**7,689**

Source: Urban Institute estimates.

[a] Negative values reflect savings rather than cost.

[b] Change of less than 0.5 percent.

Implications for Policy and Research

Public investments support children's healthy development and help them grow into productive adults. This report has highlighted (1) the differences in state spending on children; (2) the potential negative effects of these differences on children in low-spending states, including many Latino and American Indian or Alaska Native children; and (3) the prospect of even lower spending and greater disparities as child populations grow in low-spending states and shrink in others. But what are the implications for state and federal policy? And how should the field approach future research on spending on children?

Low-spending states with growing child populations may face fiscal and political challenges if they choose to increase spending to keep up with growth and even greater challenges if they seek to approach the levels of spending seen in other states. Though growing child populations will be accompanied by growth in adult parent populations (the voters and income-earning workers who help shape state spending policies), states may still struggle to increase spending at an equal pace. If they fail

to do so, outcomes for children in these states, including many Latino and American Indian or Alaska Native children, may continue to lag behind other states or even worsen.

States projected to see declining child populations face easier budget choices. They may be able to reduce total spending on children without decreasing per-child spending. They could also reallocate some savings from K–12 education and boost their investments in other critical areas, such as early home visiting and public preschools.

The federal government could also respond to shifting child populations and disparities in state spending. We know from the Urban Institute's *Kids' Share* database that the federal government spent about $4,500 per child in 2013, a substantial addition to the average of $7,900 from state and local sources (Edelstein et al. 2016). Most of this goes toward health care (including the federal share of Medicaid in CHIP), tax credits (e.g., the earned income and child tax credits), nutrition (e.g., the Supplemental Nutrition Assistance Program and the national school lunch program), and income security (e.g., dependent benefits under Social Security, Supplemental Security Income for disabled children, and the federal share of TANF and child support enforcement). The federal share of all public spending on children has increased over the period observed in the *Kids' Share* database (1998–2013) from less than 29 percent to 36 percent.

But we do not know how the average federal spending of $4,500 per child varies across states or whether federal resources offset some of the disparities in state spending. This would require further analysis of how federal spending on children is allocated. Such an analysis would reveal whether children in low-spending states are relatively underserved not just by state and local spending but even after counting federal spending as well. We expect disparities would remain large, but further research would shed light on this important question. Research on the effects of spending differences on child outcomes and how some states achieve high outcomes despite low spending would also be valuable.

This research would help inform discussion around—but would not answer—the normative question of whether the federal government should help equalize spending on children across states. The federal government already plays a role in redistributing resources in other areas, though less so than in many other more centralized countries (Gordon, Auxier, and Iselin 2016). Some targeting of federal resources to support children in low-spending states may be desirable given the general mobility of families across state boundaries and the positive benefits of having a well-educated and healthy citizenry. There may also be popular support for sharing resources with states that have low capacity for raising revenues or are strained by particularly high population growth, especially if that growth is driven by immigration policies set at the national level. However, voters in states that spend

more on children may balk at targeting federal resources to states that spend less solely because of their own tax and spending priorities.

At a minimum, it may be wise to avoid block grants, which in their most basic form lock in current spending patterns to the detriment of children in states experiencing population growth. Under current law, the Supplemental Nutrition Assistance Program, Medicaid, Supplemental Security Income, and other federal entitlement programs respond automatically to population growth or economic change by directing resources to states with more needy children. If converted to federal block grants with fixed funding amounts, federal per-child spending for these key programs would decline in the 35 states with growing child populations just as those states may face declines in state per-child spending. Designers of block grants could attempt to build population changes into allocations, but such efforts have had mixed results in the past. For example, after cash assistance was converted to a block grant under the TANF program, 17 states with high population growth or low per capita welfare spending received supplemental grants. But this program was abandoned in 2012, and states with rapidly growing populations or increasing poverty have seen a particularly large drop in TANF spending on poor children (Lower-Basch 2016).

Should we increase federal spending on children to offset declining state and local spending and target states with particular need? Doing so would run counter to a long history of primarily state and local investment in public education—and in children more generally—and growing calls for a smaller federal government. We might consider approaches that maintain state and local control of public education while providing needy states with more shared federal and state tax revenue (Rivlin 2012) or develop new financing mechanisms for joint federal-state programs (Gais 2012). But to even consider such approaches would require a reassessment of the status quo. We take for granted that senior citizens in Arizona receive the same minimum retirement benefit as those in New York and that seniors in Utah have the same access to Medicare as those in Vermont. If we expect equity for seniors living in different states, why are we so accepting of large differences in spending on children? It may be hard to find good policy solutions to spending disparities, but the first step is acknowledging the problem.

Appendix A. Data Sources and Methods for State Expenditures

In Table A.1, we detail our sources and methods for calculating program expenditures and the portion of benefits allocated to children for programs such as Medicaid, TANF, and CHIP that do not solely support children. The share allocated to children for these programs was estimated on a state-by-state basis.

TABLE A.1

Sources and Methods for State Expenditures on Children

Program	Expenditures	Children's allocation
K–12 education	State and local K–12 education expenditure data are from the US Census Bureau's public elementary–secondary education finance data.[a]	We assume 100 percent of expenditures go to children age 18 and under.
Medicaid	Expenditure data on benefits are from Urban Institute tabulations of Form CMS-64 data for 2013. Data on administrative costs are from Medicaid financial management reports for administrative costs. We used Federal Medical Assistance Percentages to estimate federal and state spending.	The Urban Institute's Health Policy Center analyzed the most recent Medicaid and Statistical Information System data available (2010 and 2011) to estimate total benefits and benefits to people under age 19, thus determining the allocation to children in each state. We apply these allocations (using an average of 2010 and 2011 data) to 2013 expenditure data from Form CMS-64. We assume allocations remained the same between 2010–11 and 2013. We apply the same allocations to state-by-state administrative expenditures to include both benefits and administrative costs in our estimates.
Children's Health Insurance Program	Expenditure data are from the March 2014 MACStats report from the Medicaid and CHIP Payment and Access Commission.[b]	We use enrollment data from the March 2014 MACStats report to determine the ratio of adult to child enrollment.[c] We then weigh this by the ratio of per-child to per-adult spending in Medicaid using Medicaid enrollment data from the Medicaid and CHIP Payment and Access Commission.[d]
Maternal and Child Health Block Grant	We use state allocations for fiscal year 2013 from the US Department of Health and Human Services.[e] We estimate each state's spending to be 75 percent of its federal allocation, as the program stipulates that a state must spend $3 of its own funds for every $4 in federal funding.	To maintain consistency with estimates by the Rockefeller Institute of Government, we use a multiplier of one even though some pregnant women and other adults are served by the block grants. Because it is a small program, the difference is minor. Further, funds going to adults still serve the overall purpose of improving children's health.
Child Care and Development Fund	Data are from expenditure reports from the Office of Child Care.[f]	We assume 100 percent of expenditures go to children age 18 and under.

Program	Expenditures	Children's allocation
Child support enforcement (administrative costs net of child support collections)	Data are from the appendix tables of the Office of Child Support Enforcement's *Annual Report to Congress FY 2013*.[g] Administrative expenditures are calculated by subtracting the amounts in table 46 from the amounts in table 45. Administrative expenditures are shown net of child support collections retained by the state, taken from table 15.	We assume 100 percent of expenditures go to children age 18 and under.
Child welfare	Title IV-B spending on child welfare programs is from a 2014 report by Emilie Stoltzfus.[h] Title IV-E spending data were provided by Stoltzfus.	We assume 100 percent of expenditures go to children age 18 and under.
State earned income tax credits	We multiply state-by-state federal earned income tax credit spending for tax year 2012 from the IRS by each state's spending as a share of federal spending in that state.[i] We then adjust each state's estimate down 10 percent because not all eligible tax units claim the state earned income tax credits.	We assume 100 percent of expenditures go to children age 18 and under. State earned income tax credits primarily benefit households with children.
Temporary Assistance for Needy Families	We use expenditure data from TANF financial data reports from the Office of Family Assistance.[j] We include state spending on assistance and nonassistance but exclude TANF funds used for child care and the refundable earned income tax credit.	The multiplier is calculated for each state using TANF caseload data reports from the Office of Family Assistance.[k]

[a] "Public Elementary–Secondary Education Finance Data," US Census Bureau, accessed April 18, 2017, http://www.census.gov/govs/school/.

[b] Medicaid and CHIP Payment and Access Commission, *MACStats: Medicaid and CHIP Program Statistics* (Washington, DC: Medicaid and CHIP Payment and Access Commission, 2014), 78.

[c] Medicaid and CHIP Payment and Access Commission, *MACStats: Medicaid and CHIP Program Statistics* (Washington, DC: Medicaid and CHIP Payment and Access Commission, 2014), 68.

[d] Medicaid and CHIP Payment and Access Commission, *MACStats: Medicaid and CHIP Data Book* (Washington, DC: Medicaid and CHIP Payment and Access Commission, 2015), 39–41, 54–55.

[e] US Department of Health and Human Services, Health Resources and Services Administration, *Justification of Estimates for Appropriations Committees* (Washington, DC: Department of Health and Human Services, 2014), 218.

[f] "FY 2013 CCDF Table 4a - All Expenditures by State – Categorical Summary," US Department of Health and Human Services, Administration for Children and Families, Office of Child Care, September 30, 2013, https://www.acf.hhs.gov/occ/resource/fy-2013-ccdf-table-4a.

[g] Office of Child Support Enforcement, *Annual Report to Congress FY 2013* (Washington, DC: US Department of Health and Human Services, Administration for Children and Families, Office of Child Support Enforcement, n.d.), 252, 282–83.

[h] Emilie Stoltzfus, *Child Welfare: Funding for Child and Family Services Authorized Under Title IV-B of the Social Security Act* (Washington, DC: Congressional Research Service, 2014), 50–51.

[i] "Statistics for 2012 Tax Returns with EITC," Internal Revenue Service, last modified October 14, 2016, https://www.eitc.irs.gov/EITC-Central/eitcstats/2012stats; "State EITC Based on the Federal EITC," Tax Policy Center, February 9, 2017, http://www.taxpolicycenter.org/statistics/state-eitc-based-federal-eitc.

[j] "Data & Reports," US Department of Health and Human Services, Administration for Children and Families, Office of Family Assistance, accessed April 18, 2017, https://www.acf.hhs.gov/ofa/programs/tanf/data-reports.

[k] Ibid.

TABLE A.2

State Per-Child Spending, by Type, 2013

	Education	Health	Income supports and social services	Total
Vermont	11,265	1,587	578	**13,430**
New York	10,751	856	625	**12,232**
Alaska	10,605	1,241	300	**12,146**
Wyoming	11,332	607	141	**12,080**
Connecticut	10,640	669	459	**11,768**
New Jersey	10,582	611	397	**11,590**
Rhode Island	9,107	1,526	517	**11,150**
Massachusetts	9,436	924	375	**10,734**
District of Columbia	8,209	920	1,034	**10,163**
Pennsylvania	8,747	1,066	227	**10,040**
Maine	8,831	855	224	**9,910**
New Hampshire	8,829	537	199	**9,565**
West Virginia	8,633	661	219	**9,514**
Illinois	8,380	751	288	**9,420**
Delaware	7,891	930	421	**9,242**
Maryland	8,201	672	322	**9,195**
Iowa	8,033	643	189	**8,864**
Minnesota	7,629	877	311	**8,817**
Ohio	7,953	501	282	**8,737**
Nebraska	7,722	567	220	**8,509**
Wisconsin	7,748	406	337	**8,491**
North Dakota	7,672	512	204	**8,388**
Kansas	7,564	528	221	**8,314**
Missouri	6,938	762	178	**7,878**
Arkansas	6,856	806	192	**7,854**
Michigan	7,001	506	340	**7,846**
Indiana	7,193	447	186	**7,826**
South Carolina	7,189	477	155	**7,821**
Virginia	6,811	605	248	**7,663**
Washington	6,403	719	359	**7,480**
Kentucky	6,641	651	140	**7,431**
Louisiana	6,406	862	150	**7,418**
New Mexico	5,899	1,160	264	**7,322**
Montana	6,450	596	133	**7,179**
Texas	6,164	845	111	**7,120**
Oregon	6,206	595	301	**7,102**
Georgia	6,482	494	121	**7,097**
Alabama	6,162	622	121	**6,904**
Colorado	6,048	626	190	**6,864**
Oklahoma	5,746	767	197	**6,710**
California	5,374	845	399	**6,617**
South Dakota	5,822	665	106	**6,593**
Mississippi	5,520	687	74	**6,281**
Hawaii	5,357	459	381	**6,197**
Tennessee	5,413	611	142	**6,165**
Nevada	5,495	454	164	**6,113**
North Carolina	5,034	673	214	**5,922**
Florida	5,139	585	133	**5,857**
Arizona	4,180	554	154	**4,888**
Idaho	4,248	449	72	**4,770**
Utah	4,251	282	61	**4,594**

	Education	Health	Income supports and social services	Total
United States	**6,949**	**709**	**265**	**7,923**

Source: Urban Institute estimates.
Notes: Spending estimates are adjusted for regional differences in cost of living using regional price parities. Health spending includes Medicaid, the Children's Health Insurance Program, and the Maternal and Child Health Block Grant. Spending on income supports and social services includes state earned income tax credits, Temporary Assistance for Needy Families, child support enforcement, child care assistance, and various child welfare services.

Notes

1. Authors' analyses drawing on the Urban Institute's *Kids' Share* database. These estimates differ from those published in *Kids' Share 2016* (Edelstein et al. 2016); the major difference is that these estimates are stated in nominal (2013) dollars.
2. "Weekly Address: Making Our Communities Stronger through Fair Housing," The White House, Office of the Press Secretary, accessed April 12, 2017, https://obamawhitehouse.archives.gov/the-press-office/2015/07/11/weekly-address-making-our-communities-stronger-through-fair-housing.
3. Rolf Pendall, Nan Marie Astone, Steven Martin, H. Elizabeth Peters, Austin Nichols, Kaitlin Franks Hildner, Allison Stolte, Pam Blumenthal, "Mapping America's Futures," Urban Institute, accessed April 6, 2017, http://apps.urban.org/features/mapping-americas-futures.
4. The annual reporting period for these estimates varies from a school year (July 2012–June 2013) for education programs to a federal fiscal year (October 2012–September 2013) for major federal programs and a calendar year for earned income tax credits. We divided by Census Bureau estimates of state populations as of July 1, 2013.
5. In 2013, federal per-child spending totaled about $4,500, compared to $7,900 in average state spending. The largest sources of federal outlays on children included Medicaid, the refundable portions of the earned income and child tax credits, the Supplemental Nutrition Assistance Program, Social Security, child nutrition programs such as the national school lunch program, Title I education spending on disadvantaged students, TANF, special education, Supplemental Security Income, the Children's Health Insurance Program, Head Start, and dozens of smaller programs (Edelstein et al. 2016).
6. Medicaid claims data allowing analysis of spending by age were not available for 2012 or 2013. We therefore estimated the share of spending on children for earlier years (using an average of 2010 and 2011) and applied this share to expenditures for 2013. That is, we assumed the percentage of Medicaid spent on children remained the same between 2010–11 and 2013.
7. Adjustments for school-aged children and public versus private enrollment are made in the Urban Institute's web-based tool on state budgets. Tracy Gordon and John Iselin, "What Everyone Should Know about Their State Budget," Urban Institute, accessed April 7, 2017, http://apps.urban.org/features/what-drives-state-spending/.
8. As an example of an alternative and more complex method of adjusting for the cost of inputs to services, Gordon, Auxier, and Iselin (2016) adjust K–12 education expenditures by the average salaries of college-educated workers in each state. They point out that labor costs are the largest component of educational expenditures and that salaries of college-educated workers represent the labor force from which teaching staff are drawn.
9. The analysis by Harknett and colleagues (2003) included federal as well as state and local spending.
10. More specifically, 17 percent of black children, 22 percent of American Indian or Alaska Native children, and 19 percent of Latino children in fourth grade were proficient in reading, compared to 45 percent of non-Latino white fourth graders and 51 percent of Asian and Pacific Islander fourth graders. And 14 percent of black children, 21 percent of American Indian or Alaska Native children, and 21 percent of Latino children in eighth grade were proficient in mathematics in 2013, compared to 44 percent of non-Latino white eighth graders and 60 percent of Asian and Pacific Islander eighth graders. See table 1 in *Race for Results: Building a Path to Opportunity for All Children* (AECF 2014) for these data (drawn from the National Assessment of Educational Progress) and data on 10 other indicators of opportunity.
11. Note that black Latinos are counted in both categories.

12. Ronald Brownstein, "The Gray and the Brown: The Generational Mismatch," *National Journal*, July 2010.
13. Mapping America's Futures projects growth for people under age 20. For this analysis, we used "average" rates for births, deaths, and migrations and assumed the population under age 19 remained a constant proportion of the population under age 20.
14. We estimate that in a scenario where per-child spending remains constant and there is a 3 percent growth in the child population, total state spending would increase by 2 percent and per-child spending would decrease by 1 percent.

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