



KIDS' SHARE

2020

REPORT ON FEDERAL EXPENDITURES
ON CHILDREN THROUGH 2019
AND FUTURE PROJECTIONS

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EXECUTIVE SUMMARY

Public spending on children is an investment in the nation's future, as it aims to support children's healthy development and human potential. To inform policymakers, children's advocates, and the general public about how public funds are spent on children, this 14th edition of the annual *Kids' Share* report provides an updated analysis of federal expenditures on children from 1960 to 2019. This year's *Kids' Share* report also provides a baseline view of public expenditures before the COVID-19 pandemic. Our projections of federal expenditures on children through 2030 give a sense of how budget priorities were scheduled to unfold under the law before the pandemic and related economic and legislative responses. Growing deficits arising from the economic downturn and federal response to the COVID-19 crisis, along with the rising entitlement spending already scheduled in current law, will continue to put pressure on the budget for children outlined in this report.

A few highlights of the report:

- Federal expenditures per child were slightly higher in 2019 than in recent years, after adjusting for inflation. In 2019, the federal government spent about \$6,700 per child younger than 19. The increase primarily reflects some delayed effects

of the temporary expansion of the child tax credit enacted in the Tax Cut and Jobs Act (TCJA) of 2017 (page 10).

- As a share of federal spending, the \$408 billion invested in children in 2019 remained at roughly 9 percent of all federal outlays for the second year in a row (page 24).
- As a share of the economy, federal investments in children represented 1.9 percent of GDP, similar to last year but lower than other years in the past decade (page 28).
- The child tax credit was the largest source of federal support for children in 2019, surpassing Medicaid, which had been the largest program for many years. More than three-fifths of federal expenditures on children are from tax provisions or health spending (page 12).
- The share of federal expenditures on children targeted to families with low incomes has grown over time, reaching 57 percent in 2019 (page 46).
- Under prepandemic law, children's programs are projected to receive only two cents of every dollar of the projected \$1.6 trillion increase in federal spending over the next decade (page 32).

- Under prepandemic law, children's share of the federal budget is projected to drop from 9.2 percent to 7.3 percent over the next decade, as built-in spending on Social Security, Medicare, Medicaid, and interest payments on the debt consume a growing share of the budget (page 26).
- The federal government spends nearly as much on interest payments on the debt as on children (page 30).
- Over the next decade, all categories of spending on children except health are projected to decline relative to GDP. Most categories also see declines or remain at similar levels in real dollars (page 50).

INTRODUCTION

Public expenditures targeted to children can help ensure children receive the resources they need to reach their full potential. Though parents and families provide most of children's basic needs, broader society plays a vital role in supporting their healthy development. For example, nutrition benefits, housing assistance, and health insurance programs support children's needs for food, shelter, and good health, while investments in early education and public schools promote learning and equal opportunity. Public and private investments in children today have far-reaching consequences for society in the future, affecting the quality and strength of tomorrow's workforce; economy; and educational, criminal justice, and health systems.

Increased understanding of how childhood circumstances affect lifelong outcomes has led to more public support for children's programs and tax credits. Even so, spending on children often receives less attention than other categories of the federal budget. The Urban Institute's *Kids' Share* series tracks government spending on children each year.¹ How our government spends money, and who benefits from that spending, reflects our national priorities. Knowing which programs spend the most on children and how investments in children are changing over time can inform debates on budget, tax, and appropriations legislation, where policymakers must make difficult trade-offs.

The COVID-19 pandemic and response have rapidly and dramatically altered the economy and shifted government expenditures, with far-reaching consequences for many years. This *Kids' Share* 2020 report provides a baseline view of public expenditures before the pandemic.

Even before the pandemic, families with children faced special economic and health challenges. The official child poverty rate in 2018 was 16.2 percent, down 1.2 percentage points from the year before but still much higher than poverty rates for adults ages 18 to 64 (10.7 percent) and seniors ages 65 and older (9.7 percent) (Semega et al. 2019). Though poverty rates fell across nearly all demographic groups between 2017 and 2018, the rate rose among people ages 25 and older with no high school diploma, highlighting the importance of education for economic well-being. Further, despite an improving economy and falling poverty rates, many children lived in families with low incomes and experienced material hardship, food insecurity, or both. The Urban Institute's nationally representative Well-Being and Basic Needs Survey² revealed that in recent years 44 percent of parents of young children reported having difficulty or inability to pay for food, medical care, housing expenses, or utilities (Sandstrom, Adams, and Pyati 2019).³ Further, the same survey found one-quarter of all parents and one-half of parents with low incomes reported experiencing food insecurity (limited access to nutritious food due to lack of resources) in the

12 months before they were surveyed (Waxman, Joo, and Pyati 2019). Lack of access to key resources such as food, health care, and housing threatens healthy development, both through the direct impact on children's basic physical needs and through psychological distress that can affect children during crucial formative years. All of these challenges are expected to increase as a result of the COVID-19 pandemic.

ABOUT KIDS' SHARE

The *Kids' Share* annual reports provide a comprehensive picture of federal, state, and local expenditures. They also show long-term trends in federal spending, including historical spending from 1960 and projected spending 10 years into the future, assuming no changes to current law. These reports have been the foundation for additional Urban Institute analyses on how the president's budget and congressional appropriations bills would affect future spending on children (Isaacs, Lou, and Lauderback 2020a–b; Lou, Isaacs, and Hong 2018; Isaacs, Lou, and Hong 2017),⁴ spending on children by age group (Isaacs et al. 2019; Hahn et al. 2017), spending differences across states (Isaacs 2017), and spending on children in families with low incomes (Vericker et al. 2012).⁵ Outside organizations and researchers, including First Focus, the Committee for a Responsible Federal Budget, the Center for the Study of Social Policy, and researchers writing for Brookings Papers on Economic Activity, rely on *Kids' Share* data and reports to produce additional studies; journalists and political commentators cite statistics from *Kids' Share*.⁶

The *Kids' Share* series does not judge the success of each current expenditure on meeting children's needs, nor does it measure or incorporate private spending on children. The report does not prescribe an optimal division of public dollars or resources. Instead, *Kids' Share* provides program-by-program estimates of government support for children and analyses of how these investments have changed over time. Budget accounting exercises are designed to reveal priorities. This annual accounting of spending on children can inform Congress as it considers legislation introducing or amending individual children's programs or tax provisions, sets funding levels in annual appropriation bills, and debates broad tax and budgetary reform packages that may shift the level and composition of public resources invested in children.

This report, 14th in the annual series, quantifies federal spending in fiscal year 2019. The report is divided into three major sections:

- 1. Recent Expenditures on Children**, focusing on expenditures in 2019 and recent years, including state, local, and federal expenditures.
- 2. Broad Trends in Federal Spending**, comparing past, present, and future spending on children with spending on defense, health and retirement programs, interest payments on the debt, and other federal budget priorities. This section also compares spending per capita on children and older adults.

3. A Closer Look at Federal Expenditures on Children, examining such issues as growth in means testing of benefits from 1960 to 2019 and projected growth or decline in specific categories of spending on children (e.g., health, education, tax provisions) from 2008 to 2030.

Calculating spending on children today requires making multiple estimates based on detailed data collection, combined with reasonable assumptions. Projecting spending into the future requires even more assumptions—in this case, based largely on Congressional Budget Office March 2020 projections of what the law at that time required. Our methodology for developing our estimates is provided in a short methods appendix, with additional detail in the *Data Appendix to Kids' Share 2020* (Daly et al. 2020). To facilitate comparisons over time, past and future expenditures are reported in real dollars (inflation adjusted to 2019 levels), as a percentage of the economy (percentage of GDP), or as a percentage of the federal budget.

GLOSSARY

Children: People from birth through age 18.

Older adults or seniors: People ages 65 and older.

Expenditures on children: Expenditures from programs and tax provisions that (1) benefit only children or deliver a portion of benefits directly to children, (2) increase benefit levels with increases in family size, or (3) require that families have a child to qualify.

Outlays: Direct spending from federal programs as well as the portions of refundable tax credits that exceed tax liability and are paid out to families.

Tax reductions: Reductions in families' tax liabilities (and revenue losses to the federal government) resulting from tax exclusions, deductions, and credits that benefit specific activities or groups of taxpayers. These provisions include the portions of tax credits not paid out to families as tax refunds.

Mandatory spending: Spending governed by programmatic rules, not constrained by annual appropriations acts; includes spending on entitlement programs and other programs designated as mandatory spending as well as the refundable portion of tax credits.

Discretionary spending: Spending set by annual appropriations acts; policymakers decide each year how much money to provide. In recent years, discretionary

spending has been constrained by spending caps set separately for defense and nondefense discretionary spending.

Real or 2019 dollars: Expenditures that have been adjusted for inflation.

¹ The earlier *Kids' Share* reports are Clark et al. (2000); Carasso, Steuerle, and Reynolds (2007); Carasso et al. (2008); Isaacs et al. (2009, 2010, 2011, 2012, 2013, 2015, 2017, 2018, and 2019); Hahn et al. (2014); and Edelstein et al. (2016).

² See "The Well-Being and Basic Needs Survey," Urban Institute, accessed June 4, 2020, <https://www.urban.org/policy-centers/health-policy-center/projects/well-being-and-basic-needs-survey>.

³ The survey was conducted in December 2017 and January 2018 and again in December 2018 and January 2019. Respondents were surveyed in either or both survey rounds.

⁴ Cary Lou, Julia B. Isaacs, and Eleanor Lauderback, "Draft Senate Labor-HHS-Education Appropriations Bill Proposes a 2 Percent Reduction in Spending on Children," *Urban Wire* (blog), Urban Institute, October 11, 2019, <https://www.urban.org/urban-wire/draft-senate-labor-hhs-education-appropriations-bill-proposes-2-percent-reduction-spending-children>.

⁵ Additional reports that build on the *Kids' Share* database include further analyses of spending on children by age of child (Hahn et al. 2017; Edelstein et al. 2012; Kent et al. 2010; Macomber et al. 2009, 2010; Vericker et al. 2010).

⁶ The First Focus *Children's Budget* series, including *Children's Budget 2019* (First Focus 2019), provides detailed, program-by-program information on appropriations for children's programs from 2015 to 2019 and the president's proposed funding for 2020. Other analyses drawing on *Kids' Share* data include Bruner and Johnson (2018), Committee for a Responsible Federal Budget (2017), and Hoynes and Schanzenbach (2018).

IMPLICATIONS OF THE COVID-19 PANDEMIC FOR SPENDING PROJECTIONS

The *Kids' Share* expenditure projections draw from the Congressional Budget Office's March 2020 baseline budget projections, which reflect the agency's January 2020 economic forecast. As the CBO notes, its March 2020 baseline budget projections do not reflect the economic effects of the novel coronavirus pandemic or legislation enacted after March 6. The recession and enactment of major relief bills will cause actual federal expenditures to differ from CBO's March and our projections. Projections are always uncertain—the 10-year projections we made in prior years' reports also did not anticipate the effects of the pandemic—but this year we are in the unusual situation of knowing already how the world has begun to change. Nonetheless, these projections largely reflect factors that remain in the law and illustrate a useful pre-COVID-19 baseline of where federal expenditures were headed before the pandemic and the response.



RECENT EXPENDITURES ON CHILDREN

In this section, we describe public expenditures on children in recent years, beginning with federal spending and tax programs and then adding in state and local spending programs. The two figures and one table on federal expenditures address the following questions:

- How much does the federal government spend on children?
- How much does the federal government spend on different programs and tax provisions benefiting children?
- How did federal expenditures on children change between 2018 and 2019?

This discussion is followed by a more comprehensive examination of state and local spending in recent years to answer the following questions:

- How much is total public spending on children, including federal, state, and local spending?
- How does spending on children differ across levels of government?

Federal expenditures are reported through fiscal year 2019, the most recent year for which complete federal spending data are available. State and local spending is tracked through fiscal year 2017, the most recent year for which complete state and local data are available. These numbers exclude state and local tax programs other than the earned income tax credit because consistent tax data are not available across the 50 states.



How much does the federal government spend on children?

In 2019, federal expenditures totaled \$6,738 per child, including \$5,230 in outlays and \$1,508 in tax reductions. In total, the federal government spent \$408 billion in outlays and nearly \$118 billion in tax reductions on 78 million children 18 and younger in 2019.

- Federal expenditures per child were higher in 2019 than in recent years, after adjusting for inflation. They had hovered between \$6,400 and \$6,600 between 2012 and 2018. As detailed in table 1 (page 15), the increase between 2018 and 2019 primarily reflects the increase in both the tax reductions and tax refunds associated with the full effects of the child tax credit expansion enacted as part of the Tax Cut and Jobs Act (TCJA) of 2017.
- Federal expenditures approached but remained lower than their peak in 2010 and 2011, following the Great Recession. The American Recovery and Reinvestment Act of 2009 (ARRA), enacted in response to the recession, temporarily boosted federal spending. In addition, spending on some federal programs automatically increased during the recession because more children were living in poverty.

Though figure 1 shows only spending per child, federal spending on children can also be measured as a share of the federal budget or a share of the economy.

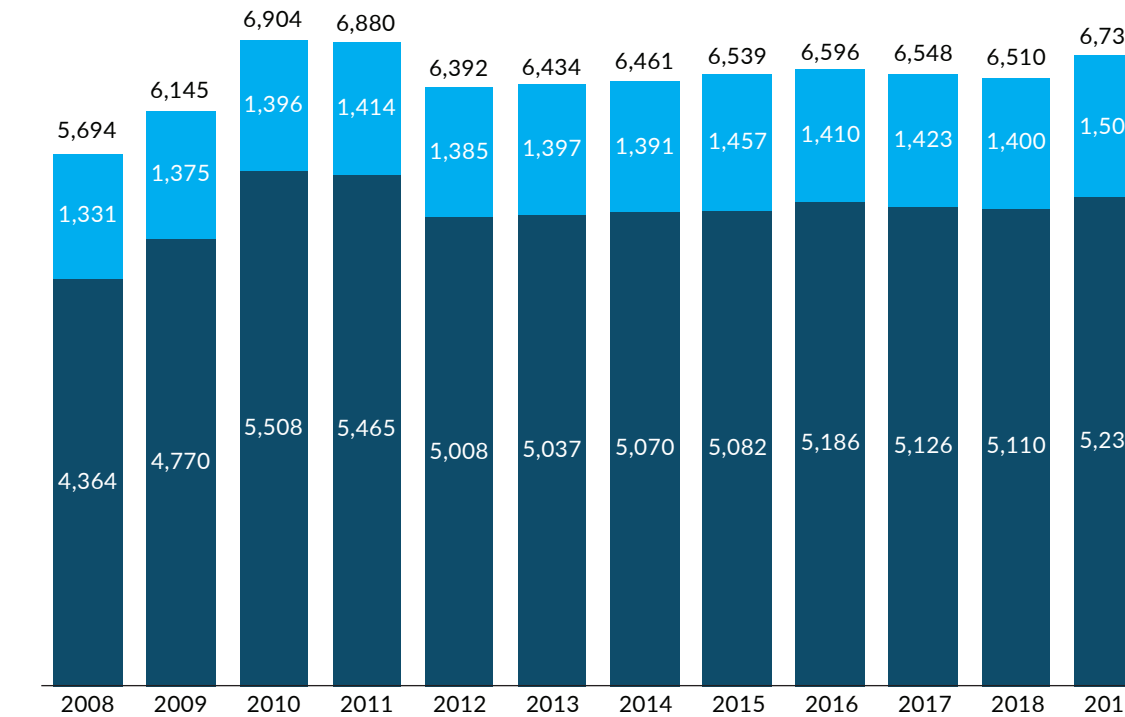
- As a share of the over \$4.5 trillion in outlays in the complete federal budget, the \$408 billion in outlays for children in 2019 is 9 percent.
- As a share of the economy, or Gross Domestic Product (GDP), the \$526 billion spent on tax reductions and outlays for children in 2019 is 1.9 percent.

FIGURE 1

Federal Expenditures on Children by Expenditure Type, 2008–19

Spending per child in 2019 dollars

■ Tax reductions ■ Program and tax credit outlays



Source: Authors' estimates based primarily on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2021* (Washington, DC: US Government Printing Office, 2020), and past years. For more source information, see the appendix.

Note: Numbers may not sum to totals because of rounding.

The federal government spent about \$6,700 per child in 2019, including spending and tax programs.

How much does the federal government spend on different programs and tax provisions benefiting children?

Tax provisions and health programs were the two largest categories of federal expenditures on children in 2019. Relatively little is spent on the four smallest categories: early education and care, social services, housing, and training.

- Tax provisions** benefiting children, counted together, far exceed any other major budget category of spending. Expenditures on tax provisions totaled \$210 billion, or 40 percent of total 2019 expenditures on children. The child tax credit, with \$39 billion in refundable tax credits and \$79 billion in tax reductions, surpassed Medicaid for the first time as the largest single program in any category of expenditures for children in 2019. The next largest child-related tax provision, the earned income tax credit (EITC), provided \$53 billion to families in the form of tax refunds (cash outlays) and \$6 billion as reductions in tax liabilities to those otherwise owing individual income tax. Expenditures for the exclusion from income tax on employer-sponsored health insurance (ESI) for dependent children accounted for \$24 billion.
- Health** was the second-largest spending category (\$121 billion), representing 23 percent of total expenditures on children. Medicaid is by far the largest source of health spending on children. We estimate that \$98 billion, or nearly one-fourth of all Medicaid funds, was spent on children in 2019. This estimate includes spending on people under age 19 with disabilities. We estimate that an additional \$17 billion was spent on the Children's Health Insurance Program (CHIP).

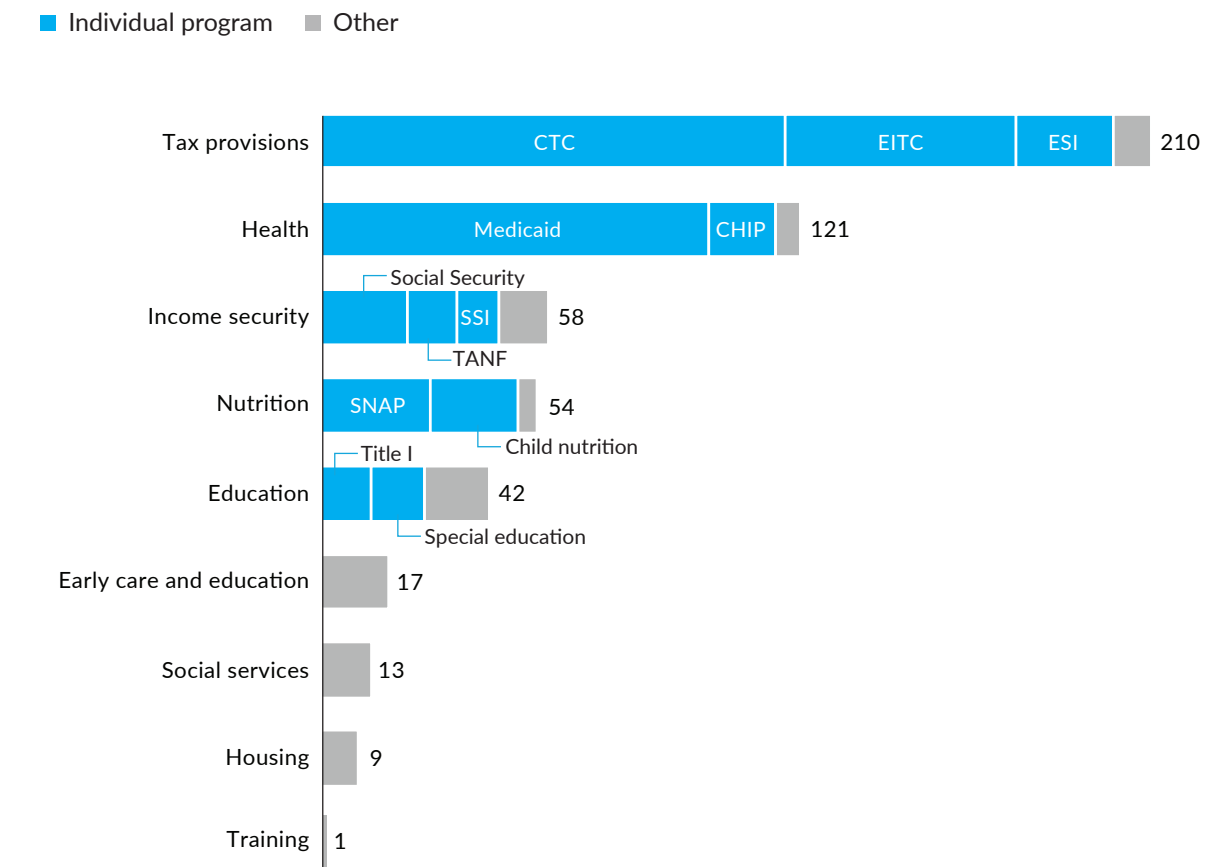
- Other large categories of spending included the following:
 - Income security** (\$58 billion), including \$22 billion on **Social Security** survivors' and dependents' benefits directed toward people younger than 18, \$13 billion on the children's share of Temporary Assistance for Needy Families (**TANF**), and \$10 billion on Supplemental Security Income (**SSI**) spending on children with disabilities.
 - Nutrition** (\$54 billion), including \$28 billion on the children's share of **SNAP** benefits and \$22 billion on **child nutrition** programs such as the school lunch and breakfast programs.
 - Education** (\$42 billion), including \$16 billion on **Title I** funding to schools with high percentages of children from families with low incomes and \$13 billion on **special education** and related services as covered by the Individuals with Disabilities Education Act.
- Other categories are much smaller: **early education and care**, which includes Head Start, child care assistance, and preschool development grants (\$17 billion); child welfare and other **social services** (\$13 billion); **housing** assistance benefiting children (\$9 billion); and the youth components of job **training** programs (\$1 billion).

Child-related tax provisions totaled \$210 billion.

FIGURE 2

Federal Expenditures on Children by Category and Major Programs, 2019

Billions of 2019 dollars



Source: Authors' estimates based primarily on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2021* (Washington, DC: US Government Printing Office, 2020), and past years. For more source information, see the appendix.

Notes: Programs spending less than \$10 billion are not shown separately but are included as part of "Other" and in the totals by category. CHIP = Children's Health Insurance Program; CTC = child tax credit; EITC = earned income tax credit; ESI = employer-sponsored health insurance; SNAP = Supplemental Nutrition Assistance Program; SSI = Supplemental Security Income; TANF = Temporary Assistance for Needy Families.

How did federal expenditures on children change between 2018 and 2019?

Spending on children increased between 2018 and 2019.

Federal expenditures on children increased by nearly \$20 billion (4 percent) between 2018 and 2019. The increase was primarily driven by federal expenditures on tax provisions, following a temporary reduction in child-related tax provisions in 2018. In real dollars, federal expenditures on children increased at least very slightly between 2018 and 2019 in every category except nutrition, though spending decreased for many individual programs.

- The largest increase in spending on children was in tax programs, including a \$8.8 billion increase in the refundable portions of tax credits and a \$8.9 billion increase in tax reductions against income tax otherwise owed. Nearly all the increase in 2019 results from the expanded child tax credit as the TCJA was fully implemented. Also resulting from the TCJA, there were no federal expenditures on the dependent exemption in 2019.
- **Nutrition** spending fell by \$4 billion, with most of the decline occurring in SNAP. This primarily reflects improvements in the economy and reduced need for nutrition assistance. SNAP caseloads and expenditures have dropped considerably from their peak levels during the recession, reflecting the program's responsiveness to economic conditions. We expect to see dramatic increases in spending on SNAP in 2020 as the program responds to the pandemic-related recession.

- **Health** spending increased by \$2.4 billion, the second largest increase between 2018 and 2019. Medicaid spending increased by \$2.6 billion and CHIP by another \$0.1 billion, but this growth was slightly offset by a \$0.3 billion decrease on spending for children's vaccines.
- **Early education and care** spending increased by \$1.5 billion between 2018 and 2019. Though not as large as the increases in tax or health expenditures, it is a substantial percentage increase for early education and care, bringing funding to a level of about \$17 billion. The increase reflects the policy decision to increase funding for child care and Head Start in the Consolidated Appropriations Act of 2018.
- **Federal spending on education** increased by \$1 billion, at least temporarily halting a longer-term trend of declines in education spending. Federal spending on elementary and secondary education in 2019 remains 47 percent below peak spending during the recession (in 2010) and 12 percent below prerecession spending (in 2008). Education has been particularly affected by the nondefense discretionary (NDD) caps enacted under the BCA in 2011.

» Text continues on page 16.

TABLE 1

Federal Expenditures by Program in 2019 and Change in Expenditures from 2018

Billions of 2019 dollars

	2019	Change from 2018	2019	Change from 2018
1. Health	121.3	2.4		
Medicaid	98.2	2.6		
CHIP	16.8	0.1		
Vaccines for children	4.2	-0.3		
Other health	2.2	*		
2. Income Security	57.6	0.8		
Social Security	21.6	-0.1		
Temporary Assistance for Needy Families	12.7	-0.9		
Supplemental Security Income	10.4	0.5		
Veterans benefits	9.3	1.3		
Child support enforcement (net)	3.5	*		
Other income security	*	*		
3. Nutrition	54.4	-4.0		
SNAP (formerly food stamps)	27.5	-2.8		
Child nutrition	22.1	-1.0		
Special Supplemental food (WIC)	4.7	-0.2		
4. Education	42.3	1.0		
Education for the Disadvantaged (Title I, Part A)	16.3	0.6		
Special education/IDEA	13.2	*		
School improvement	4.7	0.5		
Impact Aid	1.4	-0.1		
Indian education	1.3	*		
Dependents' schools abroad	1.3	*		
Innovation and improvement	1.0	-0.2		
Other education	3.1	-0.1		
5. Early Education and Care	16.8	1.5		
Head Start (including Early Head Start)	9.4	0.3		
Child Care and Development Fund	7.2	1.1		
Other early education and care	0.3	*		
6. Social Services	12.7	0.3		
Foster care	5.2	-0.2		
Adoption assistance	3.0	*		
Unaccompanied Alien Children	1.6	0.5		
Other social services	2.9	0.1		
7. Housing	9.2	0.1		
Section 8 low-income housing assistance	7.5	*		
Low-rent public housing	1.0	*		
Other housing	0.8	*		
8. Training	1.1	0.1		
9. Refundable Portions of Tax Credits	92.7	8.8		
Earned income tax credit	52.5	-0.5		
Child tax credit	38.6	9.8		
Premium tax credit	0.7	-0.4		
Other refundable tax credits	0.9	*		
10. Tax Reductions	117.7	8.9		
Child tax credit (nonrefundable portion)	78.7	21.4		
Exclusion for employer-sponsored health insurance	24.3	0.3		
Dependent exemption	--	-11.6		
Earned income tax credit (nonrefundable portion)	6.3	-0.6		
Dependent care credit	3.4	-0.3		
Other tax reductions	4.9	-0.3		
TOTAL EXPENDITURES ON CHILDREN	525.9	19.9		
OUTLAYS SUBTOTAL (1-9)	408.2	11.0		

- Income security** spending increased by \$0.8 billion between 2018 and 2019. However, this partly reflects disproportionately low spending on Supplemental Security Income (SSI) spending on disabled children in 2018, as there were only 11 scheduled monthly payments in 2018 because of how the payments fell in the calendar. Increased spending for dependent children through veterans benefits also offsets decreased spending on TANF and Social Security survivors' and dependents' benefits.
- There were smaller increases in the other categories of child-related federal expenditures included in our analysis. **Social services spending** grew by \$0.3 billion (with increases concentrated in spending for the Unaccompanied Alien Children program), and there were small (\$0.1 billion) increases in child-related expenditures on **housing** and the youth-related portions of **training**.

Table 1 presents estimates by program for all spending and tax programs with expenditures of \$1 billion or more; expenditures on smaller programs are not shown separately but are included in the 10 budget category subtotals.

Table 1 Sources and Notes

Source: Authors' estimates based primarily on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2021* (Washington, DC: US Government Printing Office, 2020), and past years. For more source information, see the appendix.

Notes: Because this analysis shows outlays, rather than appropriated or authorized levels, and because the dollars are adjusted for inflation, these estimates may differ from other published estimates. Individual programs are shown only when expenditures on children are \$1 billion or greater in 2018 or 2019. Numbers may not sum to totals because of rounding.

* Less than \$50 million.

-- = program did not exist.

Other health includes immunizations, the Maternal and Child Health block grant, children's graduate medical education, lead hazard reduction, children's mental health services, birth defects/developmental disabilities, Healthy Start, home visiting, and school-based health care.

Other income security includes Railroad Retirement.

Child nutrition includes the National School Lunch Program, the School Breakfast Program, the Child and Adult Care Food Program, the Summer Food Service Program, and Special Milk.

Other education includes English language acquisition; DOD domestic schools; the Institute of Education Sciences; safe schools and citizenship education; Junior ROTC; and career, technical, and adult education (formerly vocational and adult education).

Other early education and care includes Preschool Development Grants.

Other social services includes the Social Services Block Grant, the Community Services Block Grant, child welfare services and training, Safe and Stable Families, juvenile justice, guardianship, independent living, missing children, children's research and technical assistance, PREP and abstinence education, and certain child and family services programs.

Other housing includes rental housing assistance and low-income home energy assistance.

Training includes WIA Youth Formula grants, Job Corps, Youth Offender grants, and YouthBuild grants.

Other refundable tax credits includes outlays from Qualified Zone Academy Bonds and Qualified School Construction Bonds.

Other tax reductions includes the employer-provided child care credit; the adoption credit; assistance for adopted foster children; the nonrefundable portions of Qualified Zone Academy Bonds, Qualified School Construction Bonds, and the premium tax credit; and tax exclusions for employer-provided child care, certain foster care payments, adoption, Social Security retirement and dependents' and survivors' benefits, public assistance benefits, and veterans' death benefits and disability compensation.



How much is total public spending on children, including federal, state, and local spending?

In 2017, public spending per child totaled about \$14,900, including more than \$5,100 in federal outlays and \$9,700 in state and local spending. (These estimates exclude federal tax reductions—valued at approximately \$1,400 per child. These were excluded to improve the comparability of our federal estimates with our state and local estimates).⁷ The relationship between federal and state and local spending during and following the last recession informs us about the shifts that have already occurred in response to the country's even deeper recession related to the COVID-19 pandemic.

- State and local spending on children was 66 percent of total public spending in 2017.
- State and local spending on children fell in 2009–11, as states struggled to balance budgets during a time of recession and falling revenues. In 2009–11, federal spending increased as ARRA provided federal funds to support state and local governments, help families facing unemployment, and stimulate the economy. Some federal programs (e.g., SNAP) also adjusted automatically to serve the higher numbers of families in need. The federal increases were large enough to

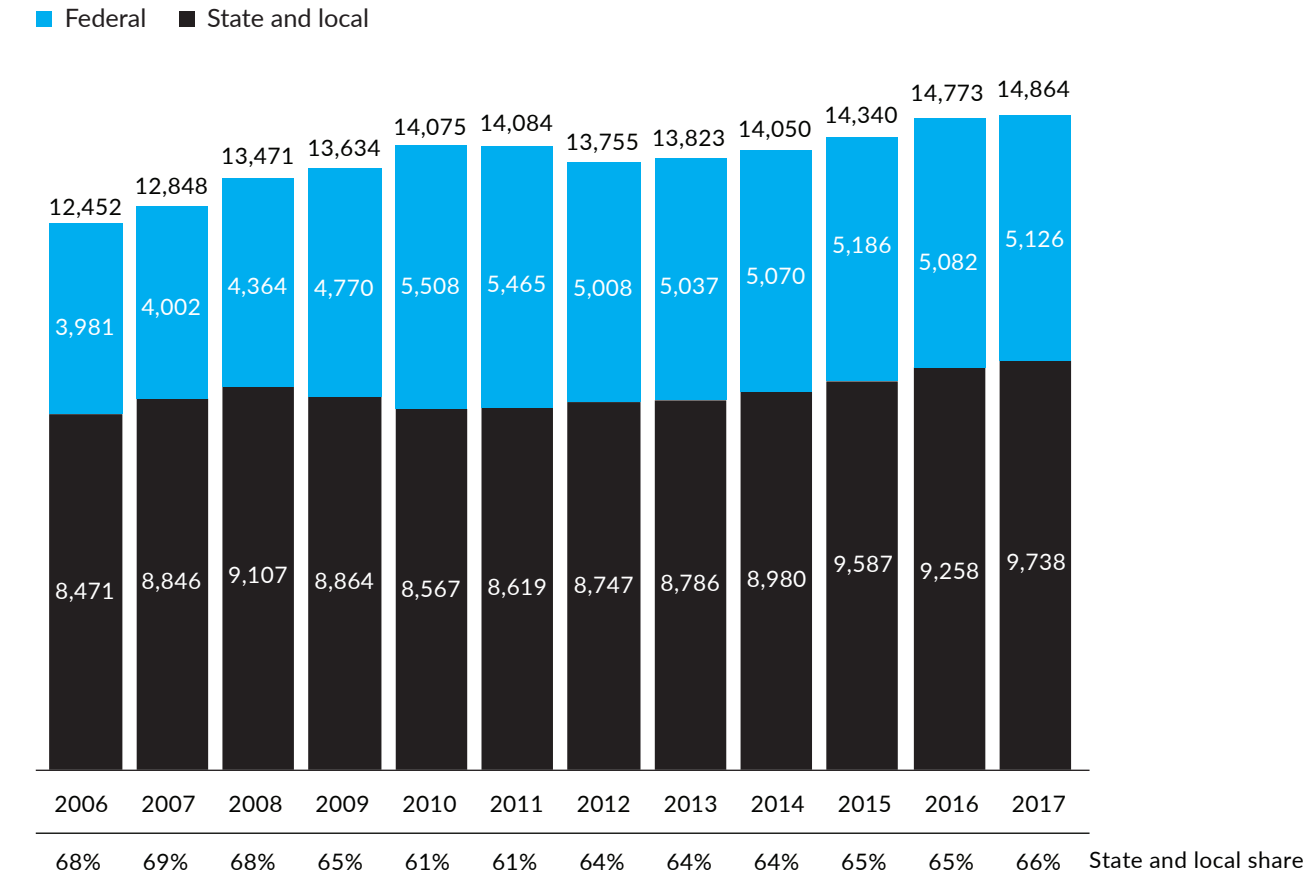
boost total spending per child during the recession, when needs and poverty rates rose. The COVID-19 pandemic has again been producing state budget shortfalls (CBPP 2020).

- In 2012, as the recession ended, total public spending per child fell, as sharp reductions in ARRA and other federal funding were only partly offset by a small increase in state and local spending. Since then, per-child public spending has steadily increased, reflecting increases in both federal and state and local spending. State and local data are not yet available for 2018 and 2019.

⁷ The federal estimates include program spending and the refundable portions of tax credits. The state estimates include program spending and spending related to any state earned income tax credits.

State and local governments contribute twice as much as the federal government to total public spending on children.

FIGURE 3
Public Spending per Child by Level of Government, 2006–17
2019 dollars



Sources: Authors' estimates based on Office of Management and Budget, Budget of the United States Government, Fiscal Year 2019 (Washington, DC: US Government Printing Office, 2018), and past years as well as various other sources. For more source information, see the appendix.

Note: These estimates do not include tax reductions.

How does spending on children differ across levels of government?

State and local governments spend predominantly on public education, while the federal government spends more on tax credits, income security, nutrition, and other areas. Both levels of government spend substantial amounts on health programs.

- State and local spending is dominated by spending on public education, the largest form of public investment in children when looking across all levels of government. The federal government contributes only 6 cents of each education dollar. In response to the last recession, the federal government contributed more to education in 2010–11, offsetting state and local government spending cuts. However, state and local spending was slow to recover after federal stimulus wound down; state and local and total education spending did not reach prerecession levels until 2016.
- State and local governments also contribute significantly to health spending on children, though not as much as the federal government, which accounts for 63 percent of public expenditures on children's health. Health spending for both levels of government generally grew from 2006 to 2017, reflecting economy-wide increases in the cost of health care and expansions under the Affordable Care Act.

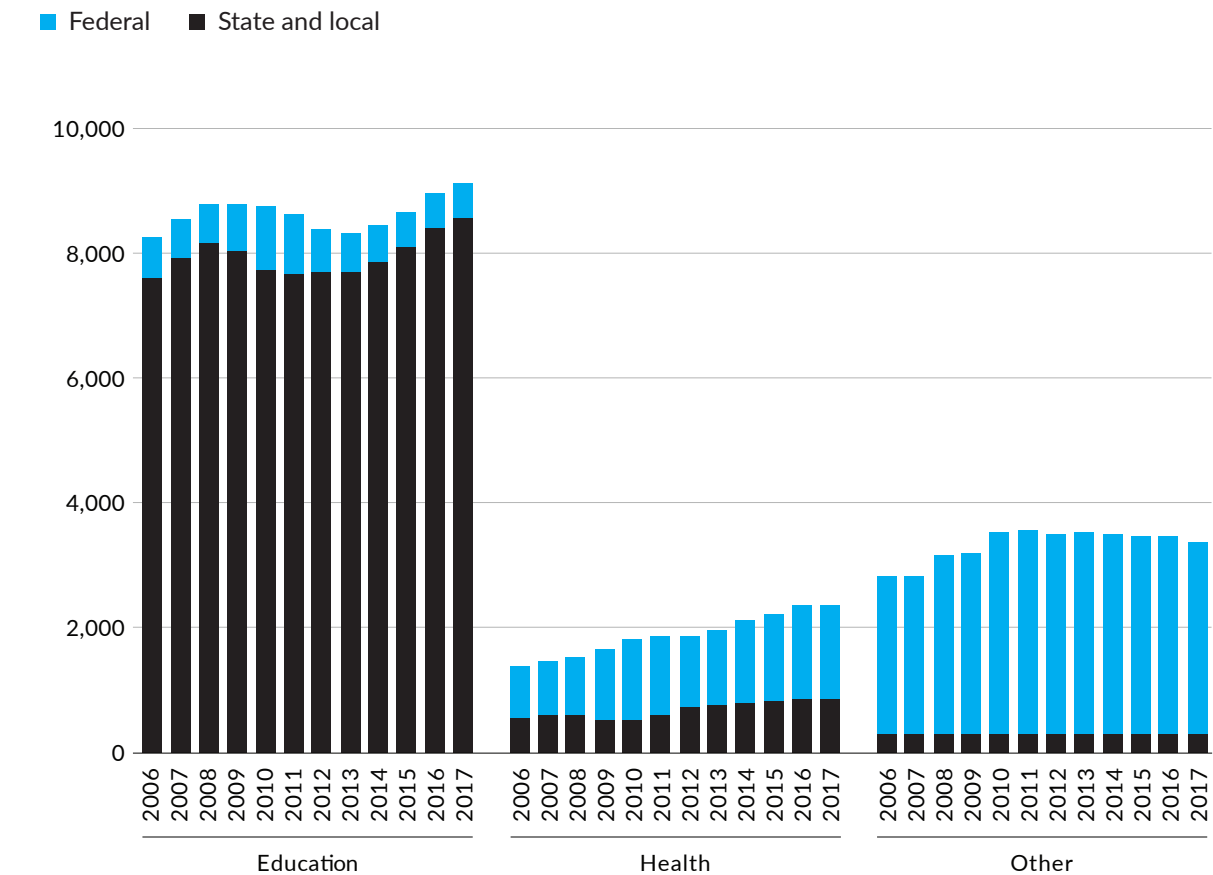
- Though states and localities make important contributions to income security, tax credits, child care, foster care, and social services, these investments are small relative to federal spending. States and localities spend little on nutrition, housing, or training. The federal government contributes 91 percent of all noneducation, nonhealth spending on children. Federal spending on these programs increased to meet heightened need during the Great Recession before slowly declining as need diminished during the recovery.
- Analyses of spending by age show state and local governments spend much less on infants, toddlers, and preschool children than on school-age children. This results in lower total public investments per capita in younger children than in school-age children (Isaacs et al. 2019).

Public education drives state and local spending on children.

FIGURE 4

Public Spending per Child by Category and Level of Government, 2006–17

2019 dollars



Sources: Authors' estimates based on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2019* (Washington, DC: US Government Printing Office, 2018), and past years as well as various other sources. For more source information, see the appendix.

Note: These estimates do not include tax reductions.

BROAD TRENDS IN FEDERAL SPENDING

This section analyzes broad trends in spending on children—both past and future—in the context of the entire federal budget. We primarily focus on budget outlays, setting aside tax reductions. The first five figures address the following questions:

- What share of the federal budget is spent on children?
- How is the children's share of the federal budget changing over time?
- How large is the federal budget and spending on children relative to the economy?
- How does federal spending on children compare with interest payments on the debt?
- How much of the federal budget's projected growth is expected to go to children?

The final two figures compare children under 19 with people ages 65 and older, the ages when most people are outside the working-age population and thus more likely to rely on public or private support. Both figures address the following question:

- How does spending on children compare with spending on older adults?

For future trends, our estimates rely heavily on the Congressional Budget Office's baseline projections of pre-pandemic law, supplemented by other sources, and our own estimates of the shares of individual programs allocated to children (see appendix). As mentioned in box 1, CBO's baseline does not reflect the economic effects or legislative changes associated with the COVID-19 pandemic.



What share of the federal budget is spent on children?

In 2019, 9 percent of federal outlays (or \$408 billion of \$4.4 trillion in outlays) was spent on children.

- A much larger share of the budget (45 percent) was spent on retirement and health benefits for adults through **Social Security, Medicare, and Medicaid**. Most of these adults are seniors or disabled, but Medicaid also provides health insurance to several other groups of adults, including low-income pregnant women, parents, and in some states childless adults. (The Social Security and Medicaid estimates here exclude spending on children to avoid double counting.)
- The remaining shares of the budget include 15 percent on **defense**, 8 percent on **interest payments on the debt**, and 22 percent on a residual category that includes **all other federal spending priorities**, ranging from agriculture subsidies and highway construction to public health, unemployment compensation, veterans benefits, higher education, and environmental protection.

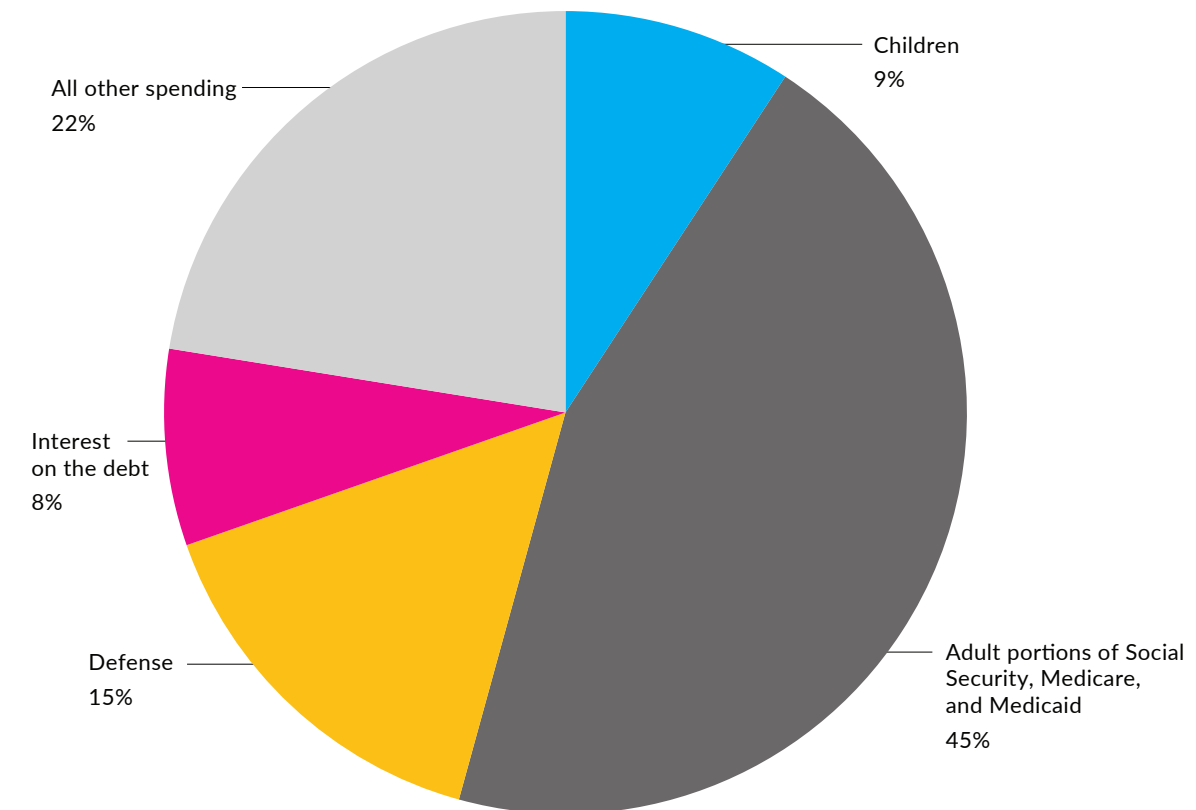
Child-related **tax reductions** (totaling \$118 billion in 2019) represent approximately 9 percent of the \$1.3 trillion in individual and corporate tax reductions identified by the Office of Management and Budget (data not shown).⁸ The children's share of tax reductions has fluctuated between 7 and 9 percent over the past decade.

⁸ To calculate the total tax-expenditure budget, we sum Office of Management and Budget estimates of tax provisions for individuals and corporations, although such provisions are not strictly additive because of interaction effects. To this we add the dependent exemption, which the Office of Management and Budget views as part of the overall tax structure rather than a special tax provision resulting in a tax expenditure. We include the dependent exemption, available before 2018, in our analyses of expenditures on children.

Nine percent of the federal budget was spent on children.

FIGURE 5

Share of Federal Budget Outlays Spent on Children and Other Items, 2019



Source: Authors' estimates based primarily on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2021* (Washington, DC: US Government Printing Office, 2020), and past years. For more source information, see the appendix.

Note: Numbers may not sum to totals because of rounding.

How is the children's share of the federal budget changing over time?

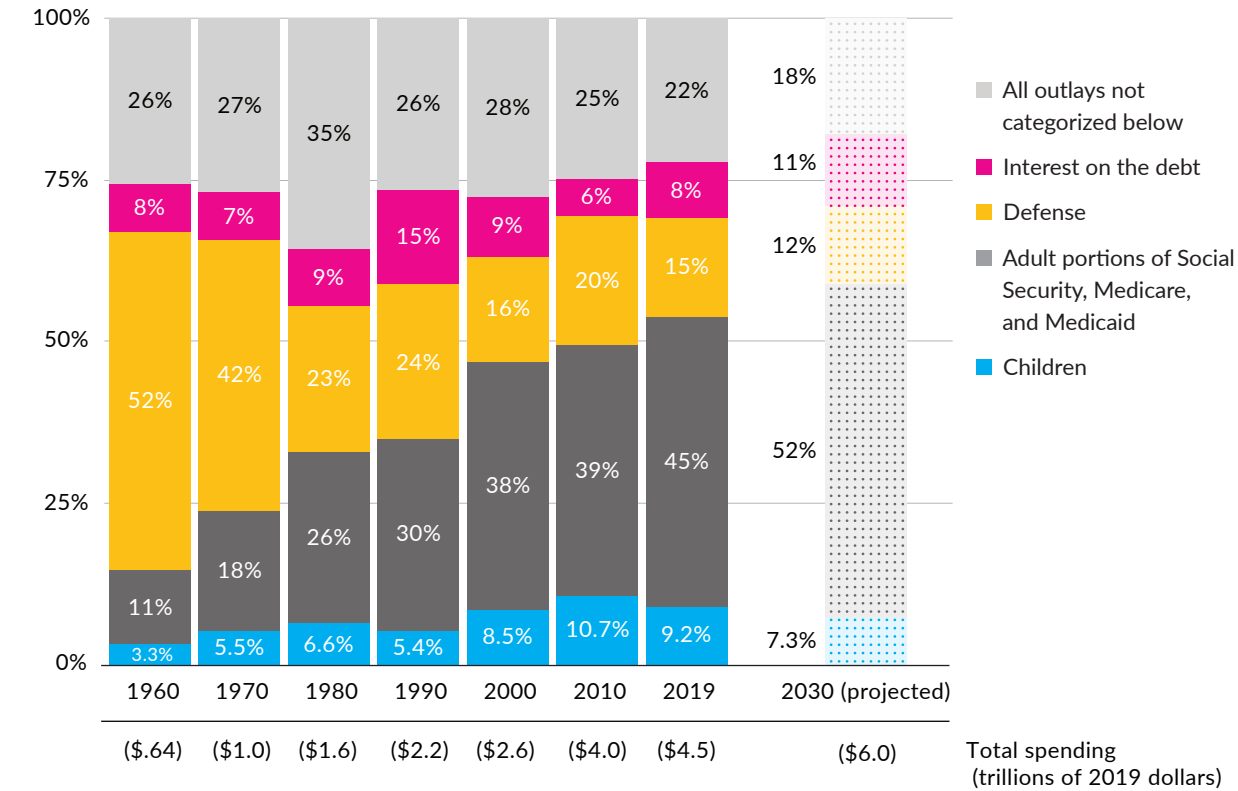
The share of the federal budget allocated to children grew, albeit unevenly, between 1960 and 2010. It has fallen since then, and budget projections suggest it will decline further.

- In 1960, only 3.3 percent of federal outlays were spent on children. The children's share of the budget grew in fits and starts, reaching a peak of 10.7 percent in 2010. It fell to 9.2 percent in 2019, the lowest it has been since its recession-era peak.
- The children's share is projected to decline by nearly a fifth, to 7.3 percent, by 2030, under pre-pandemic law. At the same time, the share of the population under age 19 is estimated to contract slightly, from 24 to 23 percent.
- Social Security, Medicare, and Medicaid** spending on adults has steadily increased for decades as a share of total federal spending and is expected to continue. By 2030, 52 percent of the federal budget is predicted to be spent on the adult portions of Social Security, Medicare, and Medicaid, an increase from 30 percent in 1990. This growth stems from multiple factors, including projected growth in real health and Social Security benefits per person under current law, additional years of benefits as people live longer, and the movement of baby boomers into the retiree population at a faster rate than new,

younger workers enter the labor force because of lower birth rates. From 2019 to 2030, the share of the population ages 65 and older is expected to increase from 16 to 21 percent.

- The share of the budget spent on **defense** fell dramatically between 1960 and 2000, essentially financing a substantial expansion of domestic programs without any significant increase in average tax rates. Under the BCA's constraints, defense spending is projected to shrink further, from 15 percent of federal outlays in 2019 to a post-World War II low of 12 percent in 2030.
- Interest payments** on the debt have fluctuated over the past half-century. Under pre-pandemic law, they are projected to grow as a share of the budget, from 8 percent in 2019 to 11 percent by 2030, reflecting a higher national debt and rising interest rates.
- Spending on **all other governmental functions** is projected to shrink to 18 percent of the budget by 2030 from 22 percent in 2019 and as high as 35 percent in 1980.

FIGURE 6
Share of Federal Budget Outlays Spent on Children and Other Items, Selected Years, 1960–2030



In 2019, the children's share of the budget fell to 9.2 percent.

Sources: Authors' estimates based primarily on Congressional Budget Office, *Baseline Budget Projections as of March 6, 2020* (Washington, DC: Congressional Budget Office, 2020), Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2021* (Washington, DC: US Government Printing Office, 2020), and past years. For more source information, see the appendix.

Note: Numbers may not sum to totals because of rounding.

How large is the federal budget and spending on children relative to the economy?

Federal outlays (spending excluding tax subsidies, other than the refundable portions) represent about one-fifth of the total economy, or GDP; federal spending on children represents less than 2 percent. Measuring spending as a share of the economy is useful when examining long-term trends because this measure adjusts for growth in population and overall income as well as inflation.

- Between 1960 and 2019, **federal outlays** grew sharply in real terms (from \$624 billion to \$4.4 trillion) but only modestly as a share of the economy (from 17 to 21 percent of GDP). **Total outlays are expected to grow steadily over the next decade** (rising to \$6.0 trillion and reaching 23.4 percent of GDP in 2030) under pre-pandemic law.
- Spending on **children** grew from a very small base of about 0.6 percent of GDP in 1960 to 1.9 percent in 2019, down from a peak of 2.5 percent in 2010.⁹ The decline observed over the past decade is generally consistent with estimates in earlier *Kids' Share* reports, which highlighted the budgetary squeeze affecting spending on children.¹⁰ Spending on children is projected to decline further, falling to 1.7 percent of GDP in 2030.

- Spending on **Social Security, Medicare, and Medicaid** has steadily increased over the past half-century. Excluding spending on children (to avoid double counting), spending grew from 2.0 percent of GDP in 1960 to 9.4 percent in 2019, down from a peak of 9.6 percent in 2016. Spending on these health and retirement programs is projected to continue growing to 12.1 percent of GDP over the next 10 years. Spending on these entitlement programs is built into existing law and will continue absent changes that significantly reform the programs.
- Spending on **defense** fell substantially, from 9.0 percent of GDP in 1960 to 2.9 percent in 2000. It has risen somewhat since then, reaching 3.2 percent of GDP in 2019, but under pre-pandemic law is projected to eventually decline to 2.9 percent in 2030.

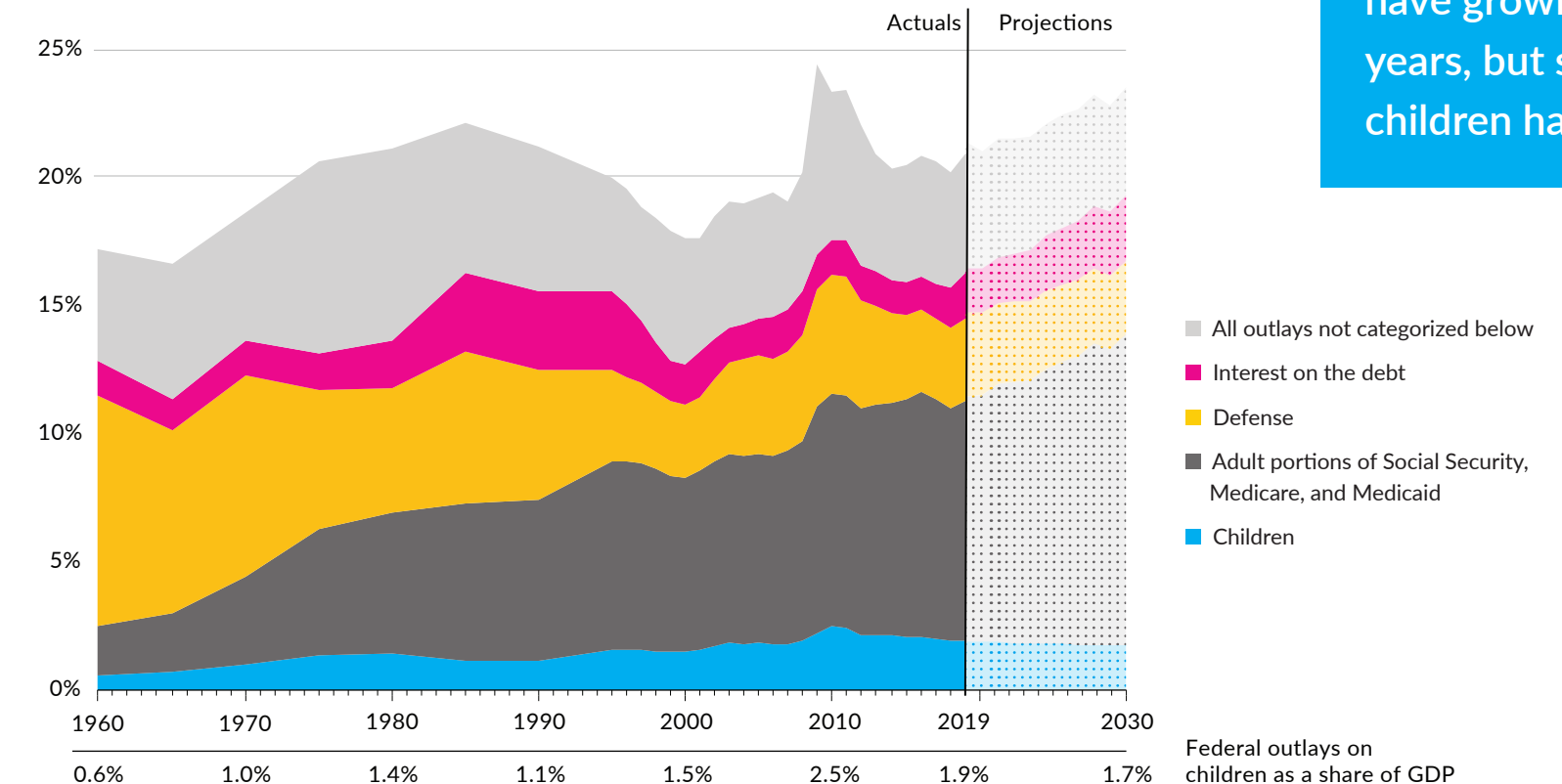
⁹ Tax reductions on children are not shown in these budget estimates. Including them would put total expenditures on children at 2.5 percent of GDP in 2019.

¹⁰ *Kids' Share 2010*, for example, projected that declining budget outlays on children would be 1.9 percent of GDP in 2019, absent changes to current law (Isaacs et al. 2010). Despite numerous legislative changes, some of which increased spending on children, the decline projected in earlier reports is now being observed.

Federal outlays as a share of the economy have grown in recent years, but spending on children has fallen.

FIGURE 7

Federal Outlays on Children and Other Major Budget Items as a Share of GDP, 1960–2030



Sources: Authors' estimates based primarily on Congressional Budget Office, *Baseline Budget Projections as of March 6, 2020* (Washington, DC: Congressional Budget Office, 2020), Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2021* (Washington, DC: US Government Printing Office, 2020), and past years. For more source information, see the appendix.

Note: Totals shown along the horizontal axis are the share of GDP spent on children in the corresponding year.

How does federal spending on children compare with interest payments on the debt?

Federal outlays have consistently exceeded revenues resulting in budget deficits and a growing national debt. Interest payments on the debt have grown as a share of the economy in recent years and are expected to exceed federal spending on children in coming years.

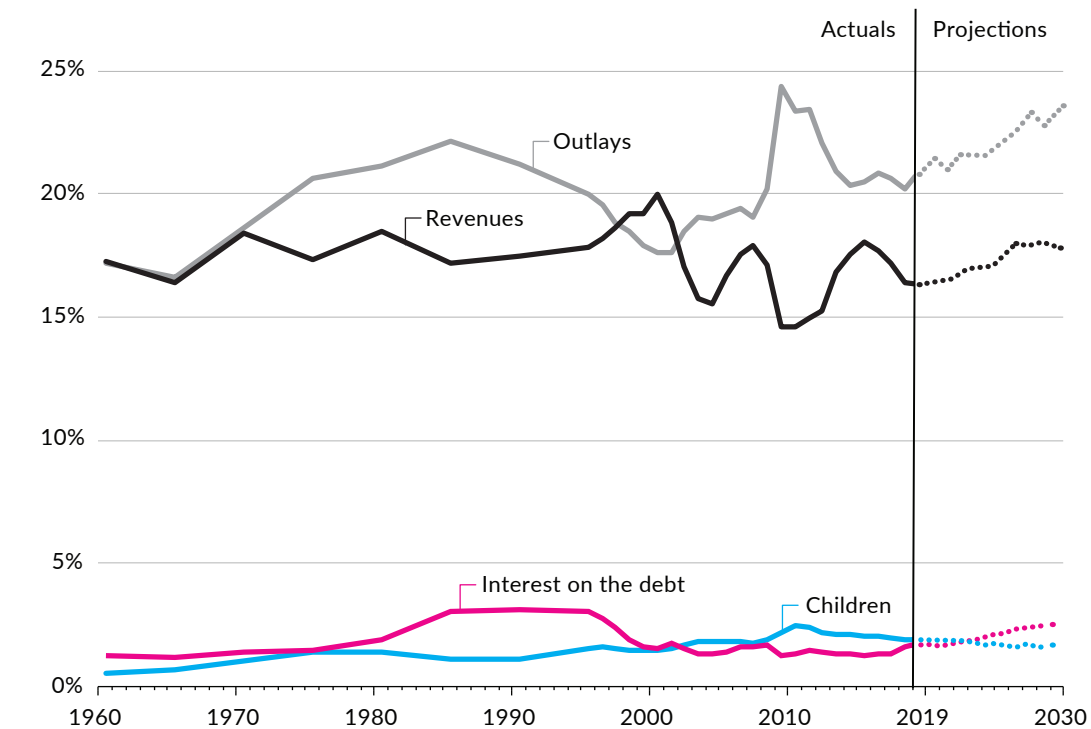
- Federal outlays were already expected under prepandemic projections to grow more rapidly than the economy over the next 10 years. Revenues are also projected to increase while remaining well below outlays every year between 2019 and 2030, as they have since 2001.
- As spending exceeds revenues year after year, the federal debt is expected to rise to its highest level relative to the economy since just after World War II, before considering the legislative and economic effects of the current pandemic. With an increasing national debt, interest payments are projected to increase from 1.8 percent to 2.6 percent of GDP (and nearly double in real dollars) over the next decade.

- In sharp contrast to the growth in total federal spending, spending on children has fallen in recent years relative to the economy. Spending on interest payments on the debt is expected to exceed spending on children in the next few years.

The federal government spends nearly as much on interest payments on the debt as on children.

FIGURE 8

Federal Outlays, Revenues, Spending on Children, and Interest Payments as a Share of GDP, 1960–2030



Sources: Authors' estimates based primarily on Congressional Budget Office, *Baseline Budget Projections as of March 6, 2020* (Washington, DC: Congressional Budget Office, 2020), Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2021* (Washington, DC: US Government Printing Office, 2020), and past years. For more source information, see the appendix.

Note: Spending on children and payments on the debt are included as components of total outlays and also displayed separately.

How much of the federal budget's projected growth is expected to go to children?

Annual federal spending is projected to increase by \$1.6 trillion over the next 10 years, for a total of more than \$6 trillion in federal spending in 2030.

The additional spending enacted as part of the response to the COVID-19 crisis, such as the more than \$2 trillion in temporary new spending contained in the Coronavirus Aid, Relief, and Economic Security (CARES) Act that was signed into law on March 27th, 2020, and the corresponding future interest payments those spending increases may entail, is not included in these projections.¹¹ These prepandemic projections show trends built into the law even before accounting for the economic effects of the COVID-19 outbreak, recent legislation, and changes in policy.

The projections also assume that all nondefense discretionary spending programs are affected equally by the BCA spending caps. Economic assumptions, laws, and policies never remain constant over 10 years. Still, the health and retirement programs that drive most long-term spending are slow to change because their growth is built into the law and the public's expectations.

- Together, **Social Security, Medicare, Medicaid, and interest on the debt** are expected to garner most (71 percent) of the growth in spending over the next decade. As noted earlier, growth in Social Security, Medicare, and Medicaid is driven by long-term growth in real benefits per capita and an increasing number of beneficiaries because of the

aging population. In the absence of legislative action to restrain this growth in benefits or to increase revenues, as these programs continue to grow, so will the national debt and interest payments on it. This illustrates how much Congress has allowed past policy decisions to drive future spending.

- With so much built-in growth in spending programs under current law, along with revenues increasingly inadequate to pay for that growth, spending on other priorities—including defense, children, and all other governmental spending—has been under severe budgetary pressure even before the pandemic. See also Steuerle and Quakenbush (2019).
- **Children** are expected to receive very little of the projected increase in federal spending over the next decade: 2 cents of every additional dollar in prepandemic projections. The estimated \$31 billion growth in spending on children is driven by an increase in health spending; nonhealth spending on children is projected to decline in real dollars.
- Spending on **defense** is projected to decline slightly, and spending on **all other** functions is projected to increase very little.

¹¹ "The CARES Act Works for All Americans," US Department of the Treasury, accessed June 9, 2020, <https://home.treasury.gov/policy-issues/cares>.

Children's programs receive little of the projected growth in federal spending.

TABLE 2

Share of Projected Growth in Federal Outlays from 2019 to 2030 Going to Children and Other Major Budget Items

Billions of 2019 dollars except where noted

Major budget items	2019	2030 (projected)	Growth, 2019–30	Share of growth
Adult portions of Social Security, Medicare, and Medicaid	1,985	3,119	1,134	71%
Interest on the debt	375	667	292	18%
Children	408	439	31	2%
Defense	686	737	51	3%
All other outlays	993	1,084	91	6%
Total federal outlays	4,447	6,046	1,599	100%

Sources: Authors' estimates based primarily on Congressional Budget Office, *Baseline Budget Projections as of March 6, 2020* (Washington, DC: Congressional Budget Office, 2020), and Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2021* (Washington, DC: US Government Printing Office, 2020). For more source information, see the appendix.

Note: Numbers may not sum to totals because of rounding.

How does spending on children compare with spending on older adults?

Per capita spending is much higher on adults ages 65 and older than on children, especially at the federal level.

- The federal government spent roughly \$6 per older adult for every \$1 spent per child in 2017. The ratio in per capita spending drops to 2.1:1 when adding state and local spending, which is heavily slanted toward public schools.¹²
- Health care expenses are a significant portion of public expenditures on older adults. Yet even when excluding health spending, per capita spending on older adults remains considerably higher than per capita spending on children because of large retirement and disability program expenditures (data not shown).
- Federal spending on older adults between 1960 and 2019 increased by about \$25,500 per older adult, from about \$4,500 to about \$30,000, after adjusting for inflation. These increases have been driven by the establishment of Medicare and Medicaid and the enactment of the Older Americans Act in 1965; legislated increases in Social Security, Medicare, and Medicaid benefits; real growth in wages (on which initial Social Security benefits are based); and real increases in health care costs.

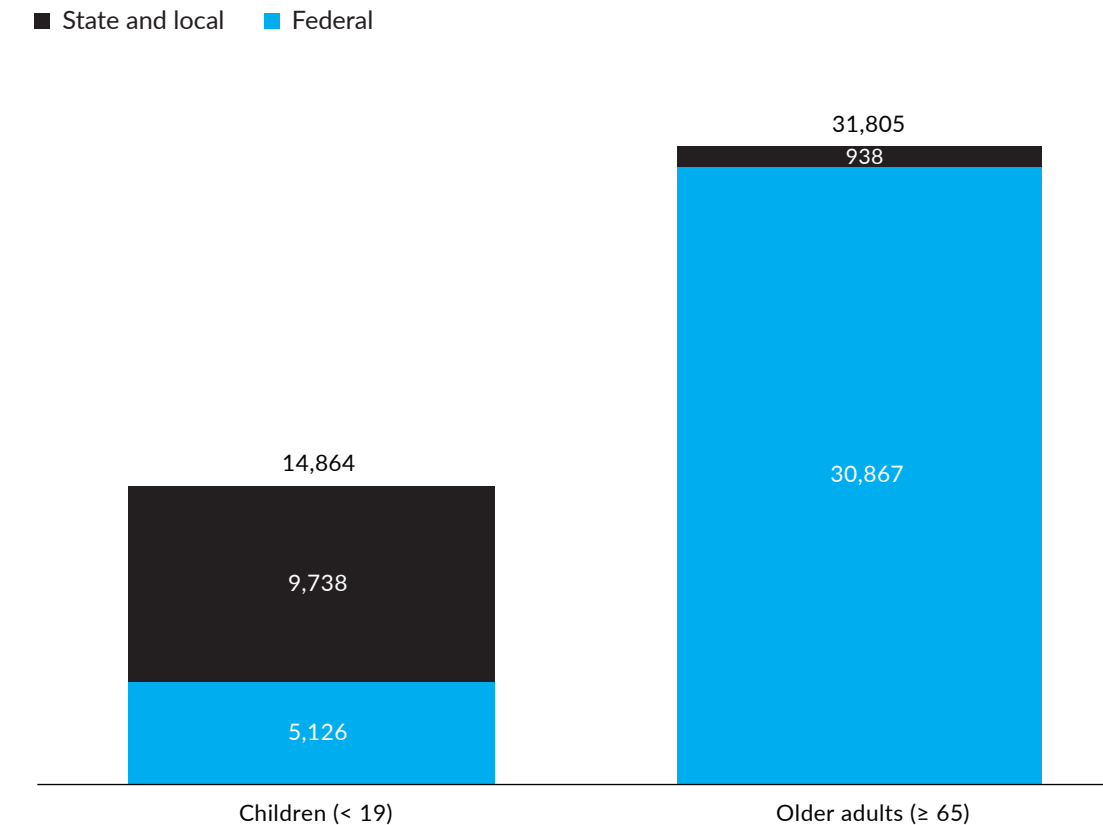
- Over this same period, federal spending on children rose by about \$4,900 per capita, from about \$300 to \$5,200.
- Spending on children and older adults was lower in 2019 than in 2010, which was the peak of the last recession.
- Looking forward, our prepandemic projections show that spending per child will increase by 5 percent between 2019 and 2030, or about 0.45 percent annually. In comparison, per capita spending on all Americans is projected to increase 26 percent over the same period, or about 2.2 percent annually (data not shown). (Projections of per capita spending on older adults are not available.)

¹² Data in figure 9 are for 2017, the most recent year for state and local data. The federal spending ratio remained 6:1 in 2019.

The federal government spent \$6 per older adult for every \$1 spent per child.

FIGURE 9

Per Capita Federal, State, and Local Spending on Children and Older Adults, 2017
2019 dollars



Sources: Authors' estimates based on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2019* (Washington, DC: US Government Printing Office, 2018), and past years as well as various other sources. For more source information, see the appendix.

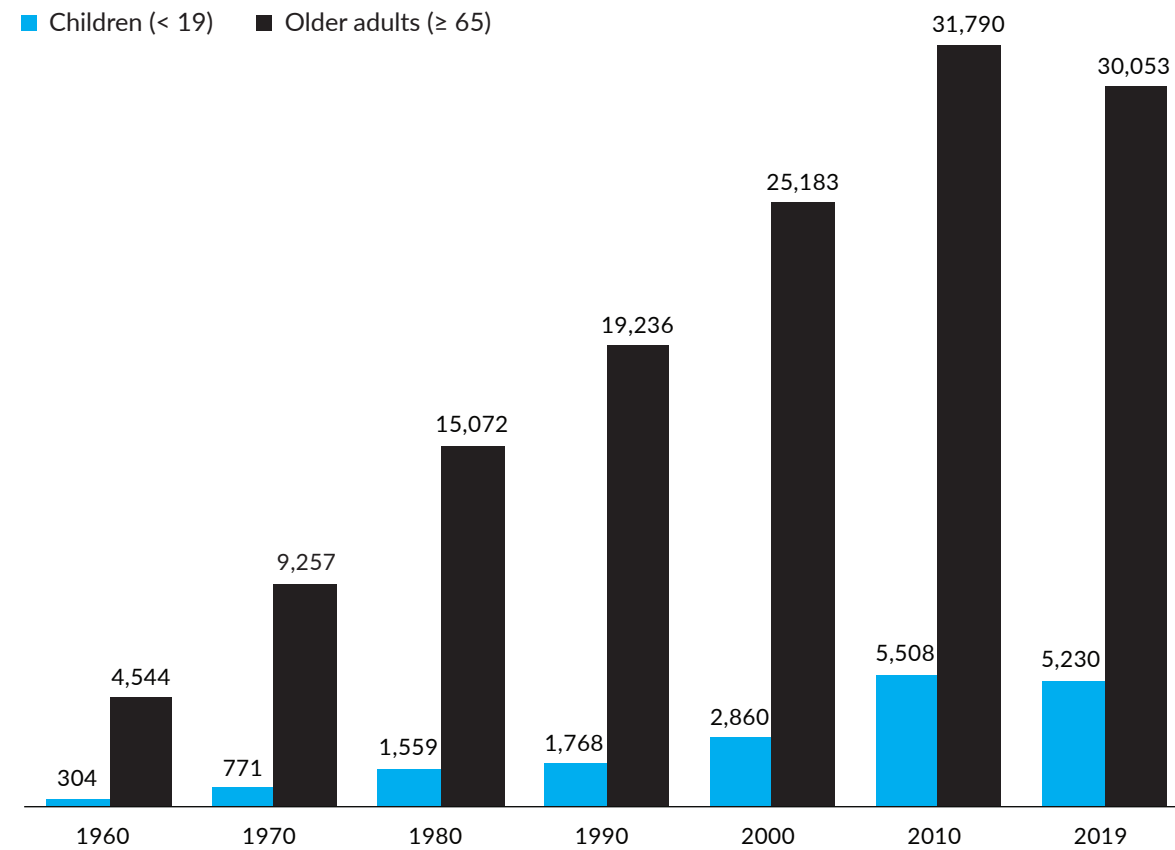
Federal spending on older adults increased from \$4,500 to \$30,000 per capita between 1960 and 2019.

FIGURE 10

Per Capita Federal Spending on Children and Older Adults, Selected Years, 1960–2019

2019 dollars

■ Children (< 19) ■ Older adults (≥ 65)



Sources: Authors' estimates based primarily on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2021* (Washington, DC: US Government Printing Office, 2020), and past years. For more source information, see the appendix.



A CLOSER LOOK AT TRENDS IN FEDERAL EXPENDITURES ON CHILDREN

This final section looks closely at trends in federal expenditures on children, including budget outlays and tax reductions. Three figures and one table look at historical trends (1960–2019), addressing four questions:

- How have federal expenditures on children changed since 1960?
- How have expenditures by program and category changed over time?
- How has the mix of cash support and in-kind benefits and services for children changed over time?
- How targeted are expenditures to children in families with low incomes, and how has this changed over time?

Two final figures and one table offer a more detailed look at projected as well as historic spending on children, addressing two questions:

- Which spending trends from the past decade are projected to continue into the next decade?
- Which categories of expenditures on children (e.g., nutrition, education) are projected to decline over time?

Much of this section examines federal expenditures on children as a share of GDP, showing time trends in the context of an overall growing economy. This measure (share of GDP) takes into account growth in population and overall incomes as well as changes in inflation over the lengthy time periods examined. Spending in inflation-adjusted dollars is provided in tables 3 and 4. As noted earlier, our estimates of future spending on children draw on CBO's March 6 baseline projections, supplemented by tax projections from the Urban-Brookings Tax Policy Center and other sources, and our own estimates of the shares of individual programs allocated to children (see appendix). Projections from these sources are based on prepandemic economic assumptions and law.



How have federal expenditures on children changed since 1960?

With the notable exception of the dependent exemption, spending on children has generally increased since 1960. Most of the growth has resulted from the introduction of new programs and tax provisions. Few children's programs have built-in automatic real growth.

- **Program outlays** increased in the 1960s and 1970s with the introduction of new programs such as food stamps, Medicaid, Education for the Disadvantaged (Title I), Head Start, SSI, Section-8 housing assistance, and special education. Spending on programs rose to around 2.0 percent of GDP with increased federal stimulus spending during the Great Recession. In recent years, program outlays on children have come down from their recession-era high and stabilized at an average level of about 1.5 percent of GDP.
- Since the late 1980s, **tax reductions and refundable credits** have played a growing role in providing federal support for children. Over the past decades, both the EITC and the child tax credit have gone through several legislative expansions. Most recently, the child tax credit was expanded under the TCJA.

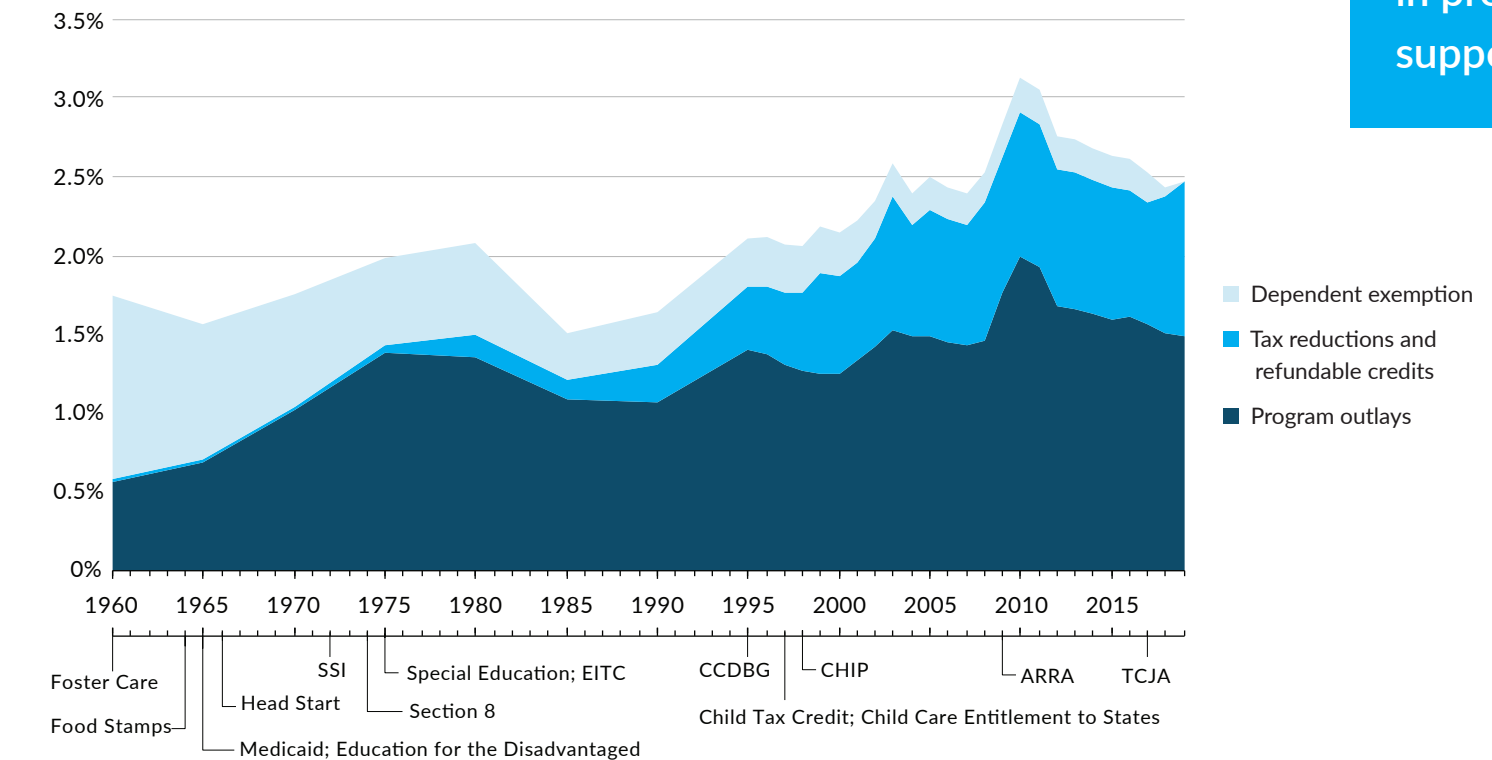
- The exception is the **dependent exemption**, which provided more than half of all support for children in 1960 and has declined radically, reaching zero in 2019. Its initial dramatic decline between 1960 and 1985 partially reflected the eroding value of the exemption amount, which was not indexed to inflation until after 1984. With the major exception of the Tax Reform Act of 1986, it continued to decline gradually through 2017 and then was eliminated in exchange for the higher child tax credit under the TCJA of 2017. The change was effective in calendar year 2018, though there were some residual expenditures associated with the dependent exemption in fiscal year 2018. If the individual income tax provisions of the 2017 tax law expire as scheduled, the dependent exemption will return after 2025.

Tax credits have played a growing role in providing federal support for children.

FIGURE 11

Components of Federal Expenditures on Children, 1960–2019

Percentage of GDP



Source: Authors' estimates based primarily on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2021* (Washington, DC: US Government Printing Office, 2020), and past years. For more source information, see the appendix.

Note: ARRA = American Recovery and Reinvestment Act; CCDBG = Child Care and Development Block Grant; CHIP = Children's Health Insurance Program; EITC = earned income tax credit; SSI = Supplemental Security Income; TCJA = Tax Cuts and Jobs Act.

How have expenditures by program and category changed over time?

Many of today's major programs did not exist in 1960.

Spending on children has increased since 1960 (in inflation-adjusted dollars) in all categories of spending (health, nutrition, and so on), and many of today's major programs did not exist in 1960.

- In 1960, spending on children was concentrated in **tax reductions** (the dependent exemption), **income security** (Social Security, Aid to Families with Dependent Children,¹³ and veterans benefits), **education** (Impact Aid), and **nutrition** (child nutrition programs, specifically school lunch).
- Health** spending on children has risen dramatically, from \$0.2 billion in 1960 to \$121 billion in 2019, driven by the introduction and expansion of Medicaid and CHIP.
- Federal spending on **education** programs grew to a peak of \$79 billion in 2010 largely because of increased federal aid to state and local governments and additional support for existing programs during the Great Recession. It has fallen in recent years to \$42 billion in 2019.
- Similarly, federal spending on **nutrition** and **housing** programs grew from low initial levels in 1960 before reaching high levels during the Great Recession and declining in recent years.
- Early education and care** and **social services** programs spent no money specifically targeted to children (or did not exist) in 1960 but spent \$17 billion and \$13 billion, respectively, in 2019.

- Spending on youth **training programs** grew from \$0 in 1960 to \$6 billion in 1980 and has since fallen dramatically to only \$1 billion in 2019.
- The **refundable portion of tax credits** has grown from \$0 in 1960 to \$93 billion in 2019 with the introduction and expansion of the earned income tax credit and child tax credit.
- Tax reductions** also have grown, fueled by growth in the children's share of the exclusion of employer-sponsored insurance and the child tax credit. However, the dependent exemption, which provided roughly the same benefit (close to \$40 billion) from 1960 to 2010, dropped to \$0 in 2019, reflecting its suspension under the TCJA.

¹³ In 1997, Temporary Assistance for Needy Families (TANF) replaced Aid to Families with Dependent Children (AFDC).

Table 3 Sources and Notes

Source: Authors' estimates based primarily on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2021* (Washington, DC: US Government Printing Office, 2020), and past years. For more source information, see the appendix.

Notes: See table 1 notes for lists of programs included in other health, child nutrition, and other categories. The lists of programs cover those with funding in 2019; a few additional programs that no longer exist are included in the totals for earlier years. Other nutrition includes Commodity Supplemental Food.

NA = estimates not available. -- = program did not exist.

*Less than \$50 million.

TABLE 3

Federal Expenditures on Children by Program, Selected Years, 1960–2019

Billions of 2019 dollars

	1960	1980	2000	2010	2019		1960	1980	2000	2010	2019
1. Health	0.2	7.9	38.3	99.3	121.3	5. Early Education and Care	--	2.2	11.2	16.2	16.8
Medicaid	--	7.2	34.1	84.3	98.2	Head Start (including Early Head Start)	--	2.2	6.4	9.4	9.4
CHIP	--	--	1.8	8.9	16.8	Child Care and Development Fund	--	--	4.8	6.8	7.2
Vaccines for children	--	--	0.8	4.1	4.2	Other early education and care	--	--	--	--	0.3
Other health	0.2	0.8	1.6	2.0	2.2	6. Social Services	--	4.8	11.1	11.9	12.7
2. Income Security	15.2	35.1	48.6	61.1	57.6	Foster care	--	0.8	6.3	5.2	5.2
Social Security	7.3	18.4	19.6	23.9	21.6	Adoption assistance	--	--	0.2	2.8	3.0
Temporary Assistance for Needy Families	5.0	11.4	16.6	18.0	12.7	Unaccompanied alien children	--	--	--	0.2	1.6
Supplemental Security Income	--	1.0	7.0	11.5	10.4	Other social services	--	4.0	4.7	3.7	2.9
Veterans benefits	2.6	3.7	2.2	3.6	9.3	7. Housing	0.3	2.9	8.7	11.2	9.2
Child support enforcement	--	0.3	3.2	4.1	3.5	Section 8 low-income housing assistance	--	1.5	6.7	8.3	7.5
Other income security	0.3	0.3	*	*	*	Low-rent public housing	0.3	0.6	1.1	1.4	1.0
3. Nutrition	1.6	23.5	32.2	63.5	54.4	Other housing	--	0.8	0.8	1.5	0.8
SNAP (formerly food stamps)	--	12.2	14.0	37.7	27.5	8. Training	--	6.7	1.5	2.3	1.1
Child nutrition	1.6	9.5	13.2	19.1	22.1	9. Refundable Portions of Tax Credits	--	3.3	35.6	88.1	92.7
Special Supplemental food (WIC)	--	1.6	5.0	6.7	4.7	Earned income tax credit	--	3.3	34.4	56.9	52.5
Other nutrition	--	*	*	*	--	Child tax credit	--	--	1.2	29.5	38.6
4. Education	3.2	19.5	31.5	79.5	42.3	Premium tax credit	--	--	--	--	0.7
Education for the Disadvantaged (Title I, Part A)	--	8.7	12.3	22.8	16.3	Other refundable tax credits	--	--	--	1.6	0.9
Special education/IDEA	--	2.2	7.1	20.2	13.2	10. Tax Reductions	43.1	52.3	96.8	109.7	117.7
School improvement	--	2.1	3.6	6.2	4.7	Child tax credit (nonrefundable portion)	--	--	27.9	34.9	78.7
Impact Aid	1.7	1.9	1.3	1.4	1.4	Dependent exemption	42.4	44.2	41.3	37.6	--
Indian Education	--	0.8	1.0	1.0	1.3	Exclusion for employer-sponsored health insurance	NA	4.2	14.3	22.4	24.3
Dependents' schools abroad	0.2	0.9	1.3	1.4	1.3	Earned income tax credit (nonrefundable portion)	--	1.9	6.1	5.5	6.3
Innovation and improvement	--	--	--	1.2	1.0	Dependent care credit	--	--	3.3	3.9	3.4
Other education	1.2	2.8	4.8	25.3	3.1	Other tax reductions	0.7	2.0	3.8	5.4	4.9
						TOTAL EXPENDITURES ON CHILDREN	63.5	158.1	315.4	542.8	525.9
						OUTLAYS SUBTOTAL (1–9)	20.4	105.9	218.6	433.0	408.2

How has the mix of cash support and in-kind benefits and services for children changed over time?

In 1960, cash payments and tax reductions were the main form of support for families with children. Since then, spending on in-kind benefits and services has grown and now accounts for more than half of all expenditures on children.

- In 1960, the federal government primarily supported children through **tax provisions** (specifically, the dependent exemption) and **cash payments** to parents on behalf of their children. Very few benefits were provided through noncash benefits, also known as in-kind supports.

- As new programs providing health, education, nutrition and other in-kind benefits and services were introduced, noncash benefits became an increasingly important share of the supports provided to children.

- » In-kind spending on **education, nutrition, and other nonhealth** services grew to 38 percent of all expenditures on children in 1980, before falling to 28 percent in 2019.

- » More recently, the growth in in-kind benefits has been driven by **health programs**, which have grown to represent 23 percent of all expenditures on children in 2019.

- In total, in-kind benefits and services (health, education, nutrition, and other) accounted for 51 percent of expenditures on children in 2019. It had been higher in recent years but fell in 2019 with the expansion of the child tax credit under the TCJA.

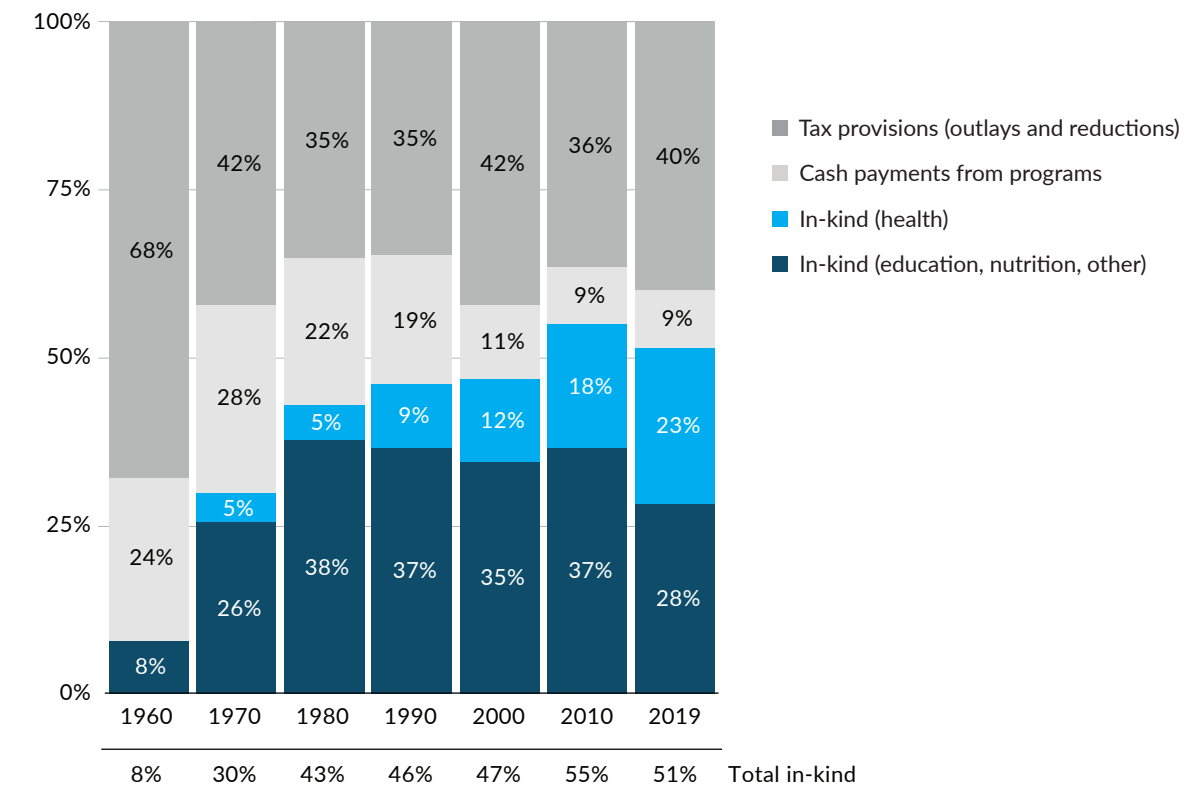
- The other 49 percent of support to children in 2019 was through **cash payments from programs** (9 percent) or **tax provisions** (40 percent). Cash payments from programs have declined sharply, from 24 percent in 1960 (and 28 percent in 1970) to only 9 percent in 2019.

In-kind benefits accounted for more than half of total expenditures on children in 2019.

FIGURE 12

Federal Cash and In-Kind Expenditures on Children, 1960–2019

Percentage of expenditures on children



Source: Authors' estimates based primarily on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2021* (Washington, DC: US Government Printing Office, 2020), and past years. For more source information, see the appendix.

Note: Numbers may not sum to totals because of rounding.

How targeted are expenditures to children in families with low incomes, and how has this changed over time?

The share of federal expenditures for children targeted to families with low incomes has grown over time, reaching 57 percent in 2019.

- In 1960, most children's expenditures were distributed through the **dependent exemption**, Social Security, and other benefits generally available to all children regardless of family income—that is, through **universal programs and tax provisions**.
- The focus of children's spending changed as new programs such as food stamps (now called SNAP), Medicaid, and SSI were introduced to serve populations with low incomes. By 1990, more than half (54 percent) of total federal expenditures on children were on programs and tax provisions targeted to families with lower incomes.
- The share of expenditures targeted to families with lower incomes has continued to rise slowly. In 2019, 57 percent of total expenditures on children were made through **income-targeted spending programs** (46 percent) and **income-targeted tax provisions** (11 percent).

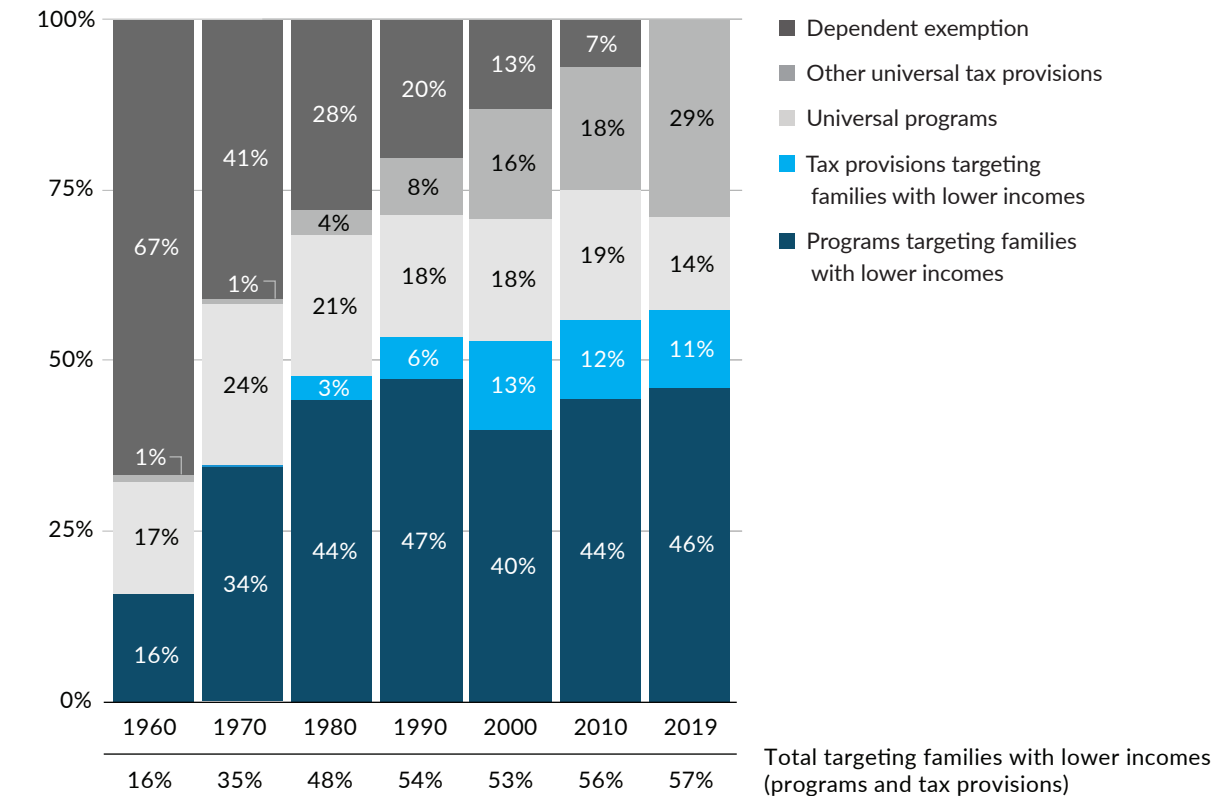
- Children from families with lower incomes may receive benefits from both universal and income-targeted programs. Some children from higher-income families also receive services from income-targeted programs. A special *Kids' Share* analysis found that children in families with incomes below 200 percent of the federal poverty level received 70 percent of federal expenditures on children in 2009, a year when they represented 42 percent of the child population (Vericker et al. 2012).

¹⁴ The growth in spending on income-targeted programs is partly explained by the expansion of Medicaid and CHIP eligibility to populations with higher incomes. For example, the median upper eligibility limit for children increased from 200 percent of the federal poverty level in 2006 to 255 percent in 2016. Programs with higher-income limitations are hard to classify in a dichotomous choice between income-targeted and universal. Our analysis treats the premium tax credit for purchases of health insurance on an exchange as targeted to families with lower incomes and the child tax credit as universal; further information on how we classified each program is provided in the *Data Appendix to Kids' Share 2020* (Daly et al. 2020).

In 1960, most children's programs were generally available to all children regardless of family income.

FIGURE 13

Income Targeting of Federal Children's Programs and Tax Provisions, 1960–2019
Percentage of expenditures on children



Source: Authors' estimates based primarily on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2021* (Washington, DC: US Government Printing Office, 2020), and past years. For more source information, see the appendix.

Note: Numbers may not sum to totals because of rounding.

Which spending trends from the past decade are projected to continue into the next decade?

Mandatory health spending on children is the only category with strong growth projected over the next decade, under pre-pandemic law, consistent with long-run trends in all federal health spending. Continuing a general trend, education and other discretionary spending programs are projected to plateau over the next decade, under pre-pandemic law. Education and other discretionary spending programs are under long-term pressure as health and retirement spending rises much faster than revenues, creating structural imbalances in the federal budget.

- Children's expenditures associated with **tax provisions** are expected to remain elevated for several years, because the increase from expanding the child tax credit is larger than the decrease from eliminating the dependent exemption. Tax-related expenditures on children then drop at the end of the projection period because the TCJA lets these changes expire after seven years.¹⁵
- Mandatory health spending on children** (i.e., Medicaid and CHIP) is the only type of expenditure projected to increase consistently over the coming decade. The number of children enrolled in Medicaid is projected

to remain stable, but costs per enrollee are expected to increase faster than inflation, following broader trends in health spending.

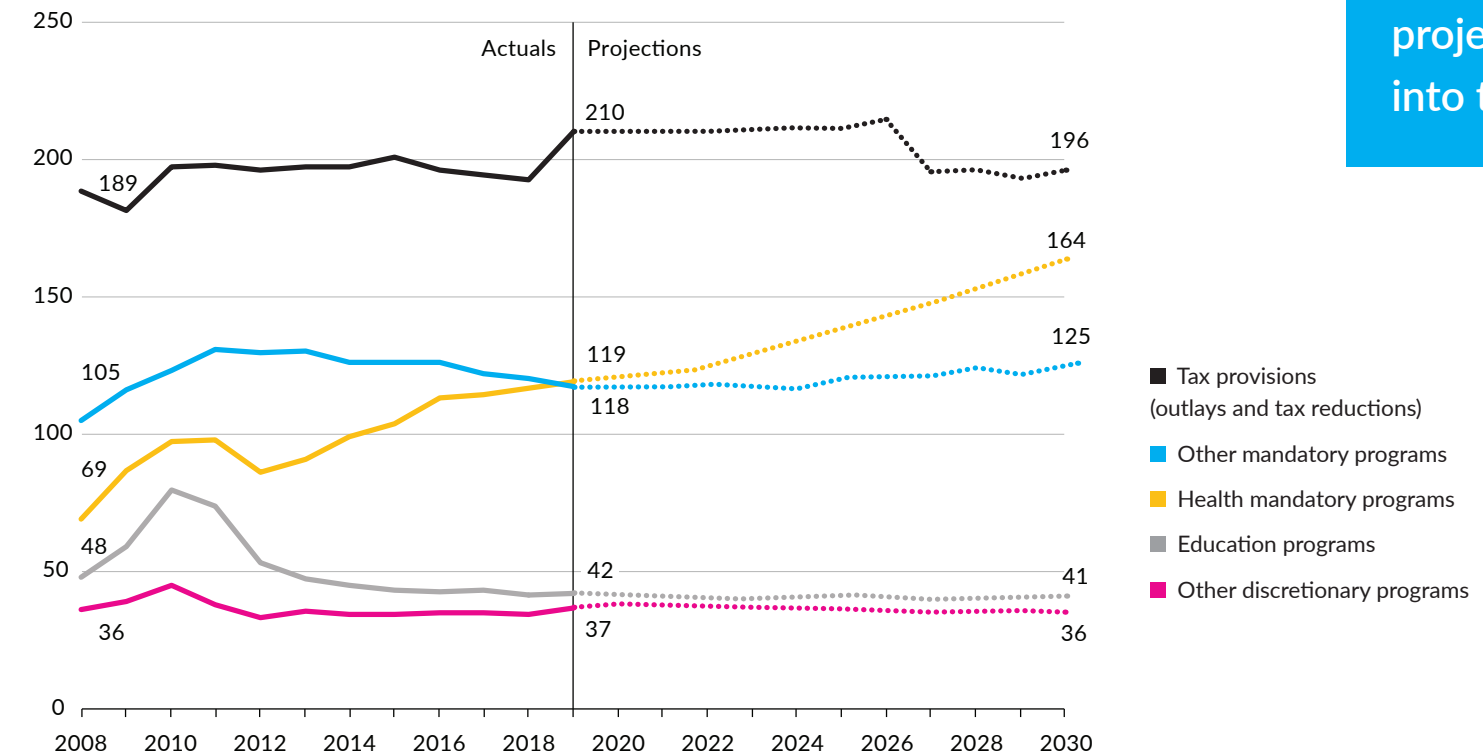
- Mandatory nonhealth programs** are projected to grow only modestly over the next decade. During the Great Recession, spending on children for these programs increased modestly, in part as a response to greater need, before declining gradually during the recovery.
- Discretionary spending on federal K-12 education programs**, which experienced temporary spending increases under ARRA, are projected to plateau. As discretionary spending programs, they compete annually for funding.
- Other discretionary spending** programs are also expected to stagnate and face long-term budgetary pressure. These programs include Head Start and other early education and care, Job Corps and other training programs, the children's share of housing benefits, the Special Supplemental Nutrition Program for Women, Infants, and Children, and child abuse prevention and other social service programs.

¹⁵ There is a temporary increase in 2026 because of timing issues. Changes in the child tax credit are not fully felt until families file taxes, often in April following the calendar year the changes are implemented.

Growth in mandatory health programs is projected to continue into the future.

FIGURE 14

Federal Spending on Children by Expenditure Type and Category, 2008–30



Sources: Authors' estimates based primarily on Congressional Budget Office, *Baseline Budget Projections as of March 6, 2020* (Washington, DC: Congressional Budget Office, 2020), Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2021* (Washington, DC: US Government Printing Office, 2020), and past years. For more source information, see the appendix.

Which categories of spending on children (e.g., nutrition, education) are projected to decline over the next decade?

All categories of spending on children except health are projected to decline relative to GDP under pre-pandemic projections (figure 15). Most categories also see declines or remain at similar levels in real dollars (table 4).

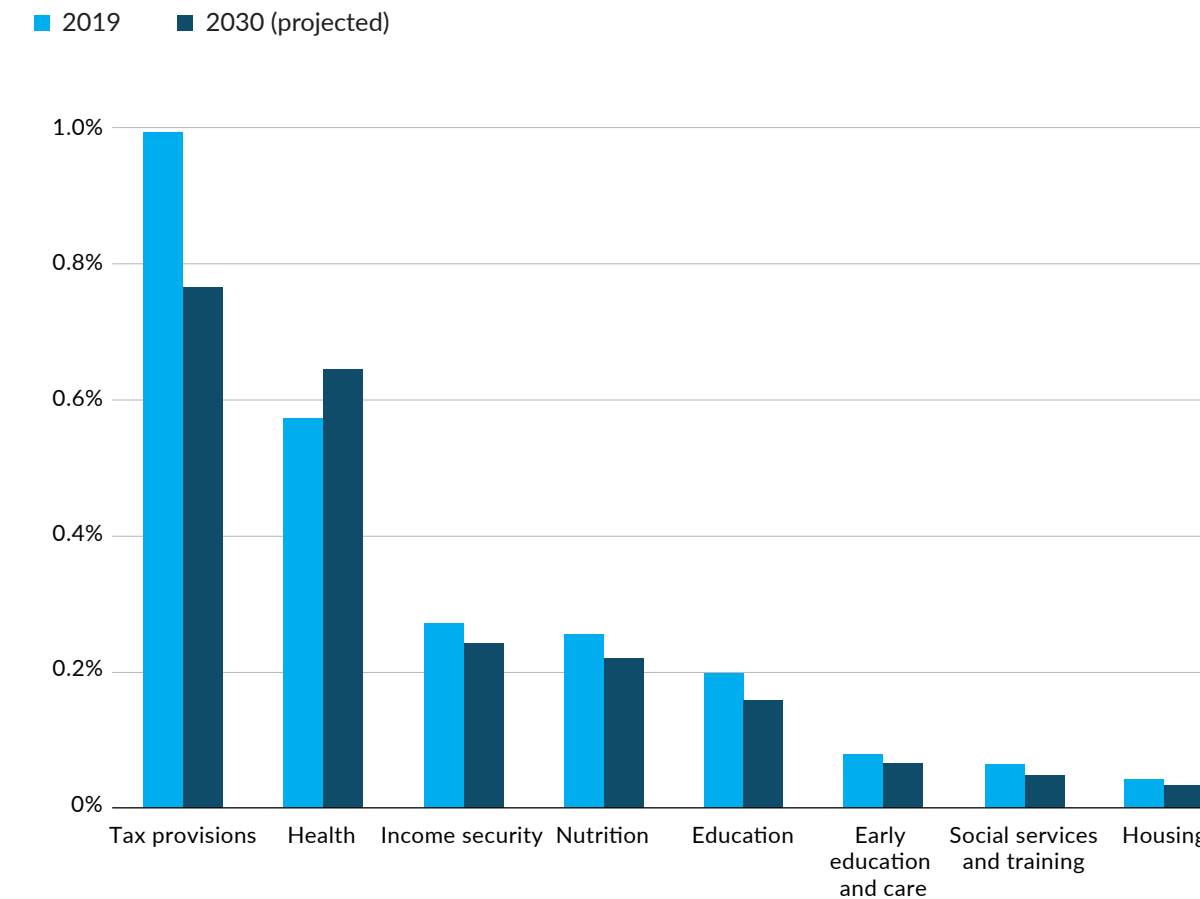
- Children's **health** spending is projected to rise by \$45 billion (38 percent) in real dollars over the next decade. It also is the only category to grow as a share of GDP. As noted earlier, this is driven by economy-wide increases in health care costs.
- Spending on **income security, nutrition, and early care and education** are expected to rise slightly in real dollars but fall as a share of GDP, as shown in table 4. Income security and nutrition spending as a share of GDP **decline** less than other categories because some benefits are automatically adjusted for inflation (e.g., survivors' and dependents' benefits under Social Security; disabled children's benefits under SSI, SNAP, and school lunch and breakfast programs). Spending on **early care and education** programs (e.g., Head Start and child care assistance) is expected to increase slightly in real dollars with investments made in child care in 2018's Bipartisan Budget Act and Consolidated Appropriations Act.

- All other categories are projected to decline or remain at the same level in real dollars and to decline relative to GDP. This includes spending on K-12 **education** (e.g., Title I and special education), **housing** (e.g., Section 8 and public housing), and the youth portions of training (e.g., Job Corps and Work Investment Act youth formula grants) and **social services** (e.g., child welfare services). Many of these are discretionary programs subject to the annual appropriations process and face long-term budgetary pressures from growing entitlement spending. Expenditures through **tax provisions** decline in both real dollars and relative to GDP with the expiration of the TCJA's changes to the child tax credit and dependent exemption after 2025.

All categories of spending on children except health are projected to decline relative to GDP.

FIGURE 15

Federal Expenditures on Children as a Share of GDP, by Category, 2019 and 2030



Source: Authors' estimates based primarily on Congressional Budget Office, *Baseline Budget Projections as of March 6, 2020* (Washington, DC: Congressional Budget Office, 2020), Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2021* (Washington, DC: US Government Printing Office, 2020), and past years. For more source information, see the appendix.

Most categories of spending on children are also projected to decline or remain similar in real dollars.

TABLE 4

Federal Expenditures on Children in Selected Years, by Category

Category of spending	As a Share of GDP			Billions of 2019 Dollars		
	2019	2030 (projected)	Percentage-point change	2019	2030 (projected)	Dollar change
Health	0.57%	0.65%	0.07%	121	167	45
Income security	0.27%	0.24%	-0.03%	58	63	5
Nutrition	0.26%	0.22%	-0.04%	54	57	3
Education	0.20%	0.16%	-0.04%	42	41	-1
Early education and care	0.08%	0.07%	-0.01%	17	18	0.7
Social services and training	0.07%	0.05%	-0.02%	14	13	-0.9
Housing	0.04%	0.03%	-0.01%	9	9	-0.3
Refundable portions of tax credits	0.44%	0.28%	-0.16%	93	72	-20
Tax reductions	0.55%	0.49%	-0.07%	118	125	8
Total expenditures	2.48%	2.19%	-0.29%	526	564	39
Total outlays (all but tax reductions)	1.92%	1.70%	-0.22%	408	439	31

Sources: Authors' estimates based primarily on Congressional Budget Office, *Baseline Budget Projections as of March 6, 2020* (Washington, DC: Congressional Budget Office, 2020), Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2021* (Washington, DC: US Government Printing Office, 2020), and past years. For more source information, see the appendix.

Note: Numbers may not sum to totals because of rounding.



APPENDIX. METHODS

Estimating the portion of government spending on children requires making assumptions and decisions about how to classify and allocate federal, state, and local spending and tax data. First, we identify programs that directly benefit children or households with children. Second, we collect expenditure data from federal sources, particularly the Office of Management and Budget's *Budget of the United States Government* for fiscal year 2021 (OMB 2020a–d) and prior years, drawing on its *Appendix* volume for information on spending and the *Analytical Perspectives* volume for tax reductions. We estimate the share of each program's spending that directly benefits children. These methodological steps are described below, followed by a discussion of methods for estimating spending on older adults, state and local estimates, and future projections (where we rely heavily on Congressional Budget Office projections). Further details regarding methods are available in the *Data Appendix to Kids' Share 2020* (Daly et al. 2020).

DEFINING AND IDENTIFYING PROGRAMS BENEFITING CHILDREN

Like all budget exercises that allocate spending to categories, defining spending that goes to children is a complex task that could be calculated using different methodologies. Each dollar spent on a particular program must be determined to go to a particular recipient. This task is relatively straightforward for programs that spend directly on children—elementary education is a simple

example. But for programs that serve both children and adults, discerning who benefits from spending is more difficult. For example, how should one determine the amount of refundable tax credits, such as the EITC, distributed to adults rather than children? Calculating spending on children and comparing data over time require a concrete and consistent set of rules and assumptions.

To be included in this analysis, a program (as a whole or in part) must meet at least one of the following criteria:

- benefits or services are provided entirely to children (e.g., K–12 education programs, Head Start) or serve all age groups but deliver a portion of benefits directly to children (e.g., SSI payments for children with disabilities, Medicaid services for children);
- family benefit levels increase with family size (e.g., SNAP, low-rent public housing); or
- children are necessary for a family to qualify for any benefits (e.g., TANF and the child tax credit).

Therefore, some services that may benefit children are excluded from our calculations because they do not directly rely on the presence of a child. For example, unemployment insurance and some tax benefits for homeownership may benefit children, but because being a child or having a child are not prerequisites for these services, and because having a child does not result in any additional direct monetary benefit, they do not meet the criteria for inclusion in our analysis. Additionally, we do not

include programs generally classified as public goods that provide benefits to the general population, such as roads, communications, national parks, defense, and environmental protection.

In reporting federal expenditures on children, our most comprehensive measure includes *tax reductions* (e.g., reduced tax liabilities as a result of the child tax credit, the dependent exemption, or other provisions in the tax code) as well as direct *program outlays* from programs such as Medicaid, child nutrition programs, and education programs. In other places, we focus solely on budget outlays for children, such as when we report the share of total federal outlays spent on children. Some tax provisions are included in our estimates as outlays: the portions of the EITC and the child tax credit paid out to families as a tax refund (and treated by the Treasury Department as outlays rather than as reductions in tax liabilities), as well as the outlay portions of smaller tax provisions (e.g., outlays associated with Qualified Zone Academy Bonds). The division of tax subsidies between outlays (for the refundable portion of credits) and tax reductions (for the nonrefundable portion) adheres to standard budget accounting practices used by the Office of Management and Budget, Department of the Treasury, and Joint Committee on Taxation.

COLLECTING EXPENDITURE DATA

Expenditure data on program outlays largely come from the *Appendix, Budget of the United States Government, Fiscal Year 2021* (and prior years). The *Analytical Perspectives* volume of the budget provides tax expenditure data. For programs not included in the *Appendix*, we obtain expenditure data from the relevant agencies' budgetary documents or their representatives. In this report, all budget numbers represent fiscal years, and we have expressed them in 2019 dollars unless otherwise noted.

CALCULATING THE SHARE OF PROGRAM SPENDING ON CHILDREN

Some programs exclusively spend on children, while others benefit the general population regardless of age. We calculate each program's share of spending going to children in one of the following ways:

- For programs that serve children only, we assume 100 percent of program expenditures (including benefits and associated administrative costs) go to children.
- For programs that directly serve people of different ages (e.g., Medicaid, SSI), we determine the percentage of program expenditures that goes to children.

- For programs that provide benefits only to households with children, with the amount of benefits determined by the number of children (e.g., child tax credit, dependent exemption), we consider 100 percent of program expenditures as going to children.
- For other programs that provide families benefits without any delineation of parents' and children's shares, we generally estimate a children's share based on the number of children and adults in the family, assuming equal benefits per capita within the family (e.g., TANF and SNAP).

For large programs, such as SNAP, Medicaid, and SSI, we put significant effort into correctly estimating the share of spending that goes to children. In some cases, programs publicly release administrative data on spending on children, but we must occasionally contact federal agency staff directly to obtain participation data. Using the best data available, we then calculate spending on children. When program data are unavailable, other Urban Institute researchers provide carefully crafted estimates using, for example, the Urban Institute's Transfer Income Model, Health Insurance Policy Simulation Model, and the Urban-Brookings Tax Policy Center Microsimulation Model. In some cases, we scour government websites or contact federal agency staff directly to obtain program participation information.

METHODS FOR SPENDING ON OLDER ADULTS

Although *Kids' Share* focuses on federal expenditures on children, we also have developed rough estimates of spending on older adults, namely, spending in 16 programs: Social Security, Medicare, Medicaid, SSI, SNAP, veterans benefits, Railroad Retirement, unemployment compensation, federal civilian retirement, Military Retirement, Special Benefits for Disabled Coal Miners, veterans' medical care, annuitants' health benefits, housing, the Administration for Community Living (previously the Administration of Aging), and the Low Income Home Energy Assistance Program. As with our methodology for children, we estimate the share of the program that goes to older adults; for example, we subtract spending on children and disabled adults ages 18 to 64 to estimate older adults' share of spending for Social Security, Medicare, and Medicaid. However, except in estimates denoted as spending on "older adults" or "seniors," our estimates for adult portions of Social Security, Medicare, and Medicaid include all spending on people ages 19 and older.

METHODS FOR STATE AND LOCAL ESTIMATES

Although this report focuses on federal expenditures on children, it also estimates state and local spending on children from 1998 to 2017. Estimates for 1998 to 2008 are drawn from the Rockefeller Institute of Government's State Funding for Children Database, as described by Billen and colleagues (2007); estimates for 2009 to 2017 are by the *Kids' Share* authors. Both sets of estimates focus on state and local expenditures for K–12 education, state earned income tax credits, and several joint federal-state programs (Medicaid, CHIP, Maternal and Child Health Block Grants, TANF, child support enforcement, child care, and several child welfare programs). Data sources for the 2009–17 estimates include the US Census Bureau's Annual Survey of School System Finances, unpublished tabulations of Medicaid claims (MSIS data), the websites and reports of various federal agencies, and information from the IRS compiled by the Urban-Brookings Tax Policy Center. We estimated shares of spending on children for Medicaid, TANF, and CHIP; the other state programs were programs that could be assumed to spend 100 percent on children (i.e., child care, child welfare, CHIP).

METHODS FOR PROJECTIONS

To estimate future trends in spending on children, we primarily use the Congressional Budget Office's *Baseline Budget Projections as of March 6, 2020*. CBO's March 2020 projections follow current law as of March 6, 2020, and CBO's January 2020 economic forecast. Specifically, they do not account for the economic impact of the COVID-19 pandemic or response legislation enacted after March 6. For projecting expenditures under tax provisions, we turn to the Urban-Brookings Tax Policy Center Microsimulation Model for major tax provisions and the Office of Management and Budget's projections in *Analytical Perspectives* for smaller tax provisions. The projection methodology differs depending on whether a program is mandatory, discretionary, or a tax reduction.

In the mandatory spending area, the CBO baseline projections assume a continuation of current law, except that certain expiring programs that have been continually reauthorized in the past are also assumed to continue. In general, for programs serving both children and adults, we assume that the share of spending directed to children for each program will remain constant from 2020 to 2030. However, we use the CBO's detailed projections by age group for Medicaid, Social Security, and SSI.

For discretionary spending, with spending set by appropriations actions annually and potentially subject to the BCA spending caps in some years, the CBO traditionally uses a baseline assumption that spending is kept constant in real terms—that is, spending is based on the most recent year's appropriation, adjusted for inflation. However, in recent years, the CBO baseline has been adjusted downward to reflect caps on defense and nondefense spending as established by the BCA and subsequent amendments. We assume that the overall patterns of nondefense discretionary spending under the current-law spending caps apply to all children's programs uniformly. Note that we do not publish program-specific projections, given their tentative nature. Our statements about future spending focus on spending as a whole and in broad categories, such as health and education, or types of spending, such as mandatory and discretionary.

The Urban-Brookings Tax Policy Center Microsimulation Model provides 10-year projections for the four largest tax provisions: the dependent exemption, the child tax credit, the EITC, and the child and dependent care credit. These projections are made assuming continuation of current law, including the expiration in 2026 of many provisions of the TCJA. For all other, smaller tax provisions, we use the five-year projections from *Analytical Perspectives* and then apply the projections' average growth rate to the following five years.

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