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Public Spending on Infants and Toddlers in Six Charts

A Kids' Share Brief

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May 2019

Early childhood is a critical period of development, laying the foundation for lifelong skills, behaviors, and health outcomes. In this brief, we share six charts summarizing federal and state spending on infants and toddlers through programs and tax reductions. When comparing per capita spending on infants and toddlers with that of older children, we find somewhat higher levels of federal spending, but much lower levels of state and local spending, on infants and toddlers. In other words, infant and toddler investments are strongly driven by federal policy, especially through health programs, like Medicaid, and tax provisions.

Introduction

Early childhood experiences shape young children's developing brains and biochemistry, laying a foundation for academic achievements and influencing longer-term socioemotional and health outcomes (Shonkoff 2011; Shonkoff and Phillips 2000). Family income during early childhood affects school readiness and achievement as well as adult outcomes, including health outcomes, earnings, and other measures of labor market success (Duncan, Ziol-Guest, and Kalil 2010). Yet many infants and toddlers live in poverty and experience economic hardship and family stress. In 2017, nearly 20 percent of children ages 2 and under were living in poverty, a higher poverty rate than for any other age group. A recent survey found 44 percent of parents of infants and toddlers experienced at least one material hardship (e.g., difficulty paying for food, medical care, housing or utilities) in the past year.[1]

Rigorous research has demonstrated that income supplements, such as a child tax credit, and direct investments in health care, nutrition assistance, and early education and child care can mitigate the effects of childhood poverty and have positive effects on children's educational outcomes and their later adult health and earnings outcomes (Hahn et al. 2017). The following six charts examine public investments in infants and toddlers (including children from birth up to their third birthday), beginning with federal spending and tax programs and then adding in state and local spending.

BOX 1

Methods and Glossary

To estimate public spending on infants and toddlers, we built on the methods and estimates developed for the Urban Institute's *Kids' Share 2018* report (Isaacs et al. 2018). First, we identified programs that directly benefit children or households with children. Second, we collected expenditure data from federal sources, particularly the Office of Management and Budget's *Budget of the United States Government, Fiscal Year 2019* (OMB 2018) and prior years. Finally, we estimated the share of each program's expenditures that directly benefit children.

This brief required the additional step of calculating the share of spending on children ages 2 and under, 3–5, 6–11, and 12–18. To do this, we searched program websites, contacted agency staff, and crafted estimates using the Urban Institute's unpublished tabulations of survey and administrative data (often drawing on Urban's microsimulation models). For certain smaller programs, we relied on calculations used in earlier reports (Edelstein et al. 2012; Hahn et al. 2017).

The charts focus primarily on infants and toddlers, because they have needs distinct from those of other children. Note that we do not include prenatal or birth and delivery costs under Medicaid, which, while critical to child well-being, are not easily available in Medicaid data sources.

Glossary

- **Children:** People ages 18 and younger.[a]
- **Infants and toddlers:** Children from birth up to their third birthday, or ages 2 and under.
- **Outlays:** Direct spending from federal programs as well as the portions of tax credits paid out to families as tax refunds.
- **Tax reductions:** Reductions in families' tax liabilities (and revenue losses for 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.
- **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 for families with children, or (3) require that families have a child to qualify.
- **Per capita expenditures:** Expenditures in each age group divided by the total number of children in that age group, including children who do not receive any expenditures. Per capita averages ignore differences by state, family income, disability status, or other circumstances that may lead to higher- or lower-than-average spending for many children within an age range.

[a] As detailed in the *Data Appendix to Kids' Share 2018* (Hong et al. 2018), program spending is through age 18 for some federal programs but through age 17 for others.

How Much Does the Federal Government Spend on Infants and Toddlers Compared with Older Children?

The federal government spent more per capita on infants and toddlers than on older children in 2017.

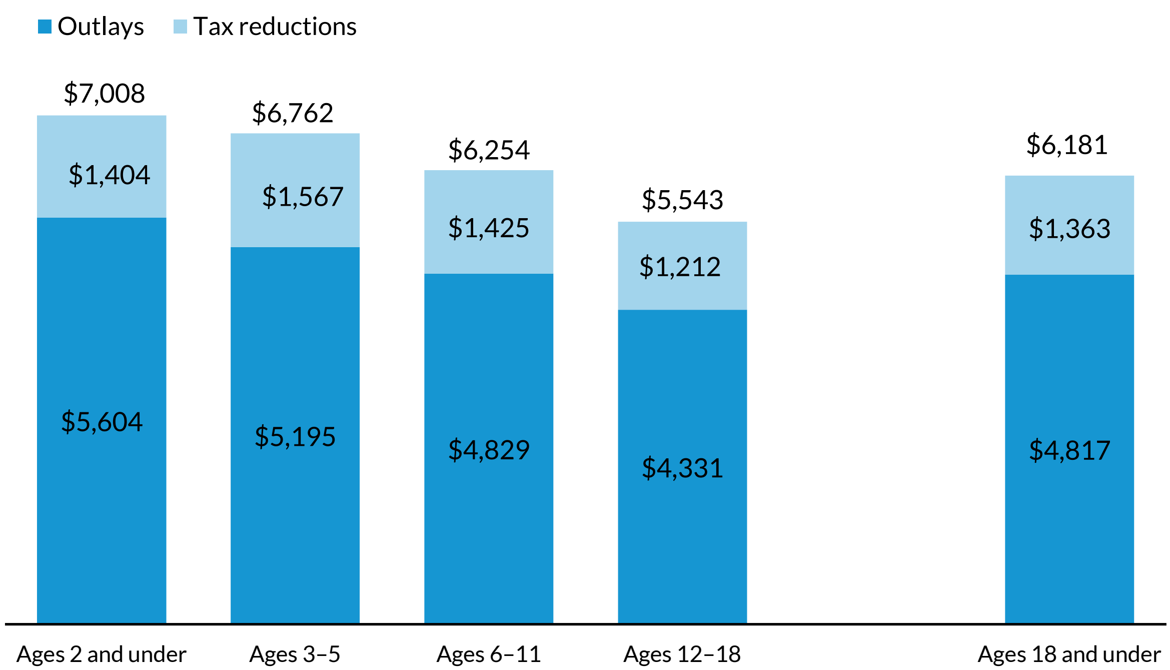
In 2017, federal expenditures totaled about $7,000 per infant and toddler, including about $5,600 in outlays and $1,400 in tax reductions per child.[2] Federal expenditures on children of all ages in 2017 totaled close to $6,200 per child (figure 1). Differences in outlays, rather than tax reductions, drive the differences in total expenditures across age groups.

In total, the federal government spent $83.9 billion in spending and tax programs on 11.9 million infants and toddlers in 2017. Spending on infants and toddlers represents 17 percent of the total $481 billion spent on all children 18 and under, and 1.5 percent of total combined federal outlays and tax reductions in 2017.

FIGURE 1

Per Capita Federal Expenditures Are Higher on Infants and Toddlers than Older Children

Federal expenditures per capita in 2017



Source: Authors' estimates based on the Urban Institute's *Kids' Share 2018* report (Isaacs et al. 2018) and various other sources.

Where Do We Spend Federal Funds on Infants and Toddlers?

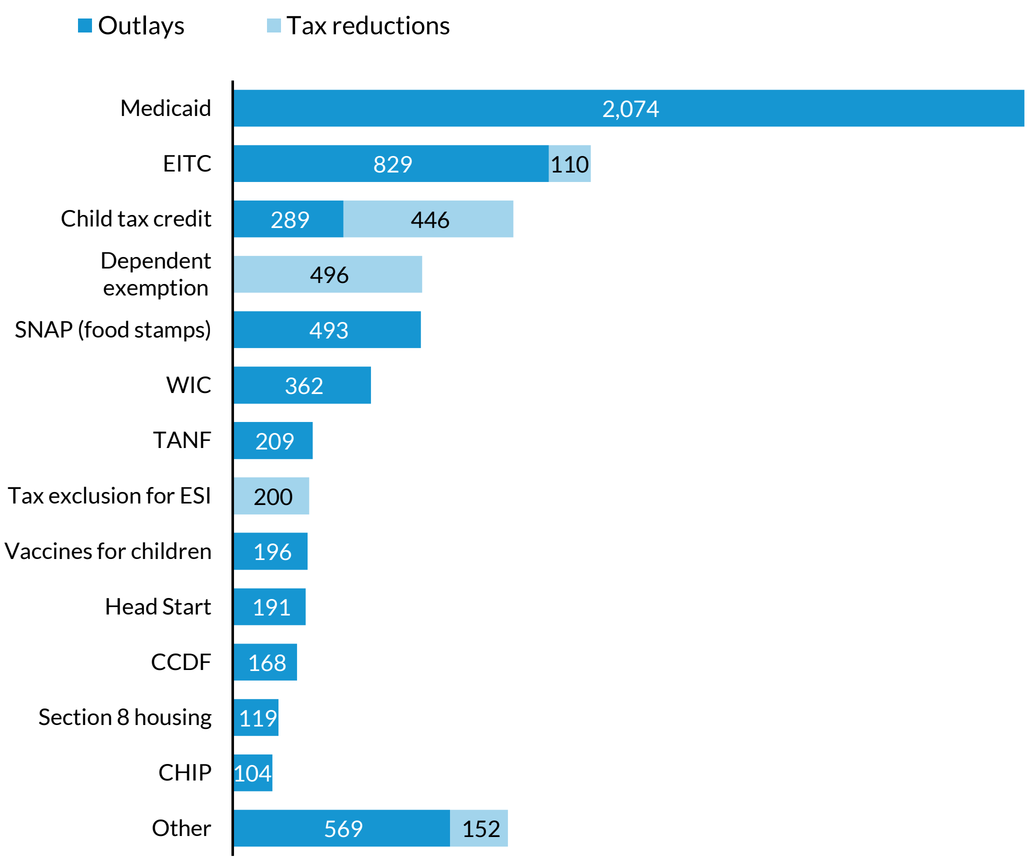
In 2017, nearly two-thirds of federal spending on infants and toddlers was through health and tax programs.

Medicaid is by far the largest program for this age group, spending over $2,000 per young child (figure 2). The next three largest programs are tax programs: the earned income tax credit, child tax credit, and dependent exemption. Additional health-related programs include child vaccination programs and the Children's Health Insurance Program (CHIP). The tax exclusion for employer-sponsored insurance is classified as a tax program in this analysis but helps support children's health.

FIGURE 2

Medicaid Tops the List of Programs and Tax Provisions with High Spending on Infants and Toddlers

Federal expenditures per capita on infants and toddlers in 2017



Source: Authors' estimates based on the Urban Institute's *Kids' Share 2018* report (Isaacs et al. 2018) and various other sources.
Notes: EITC: Earned Income Tax Credit; SNAP: Supplemental Nutrition Assistance Programs; WIC: Special Supplemental Nutrition Program for Women, Infants, and Toddlers; TANF: Temporary Assistance for Needy Families; ESI: Employer-sponsored insurance; CCDF: Child Care and Development Fund. "Other" includes dependent care credit, veterans benefits, child support enforcment, Supplemental Security Income (SSI), child nutrition, foster care, and many other programs with smaller expenditures.

How Does Federal Spending on Health, Education, Tax, and Other Categories Vary by Age Group?

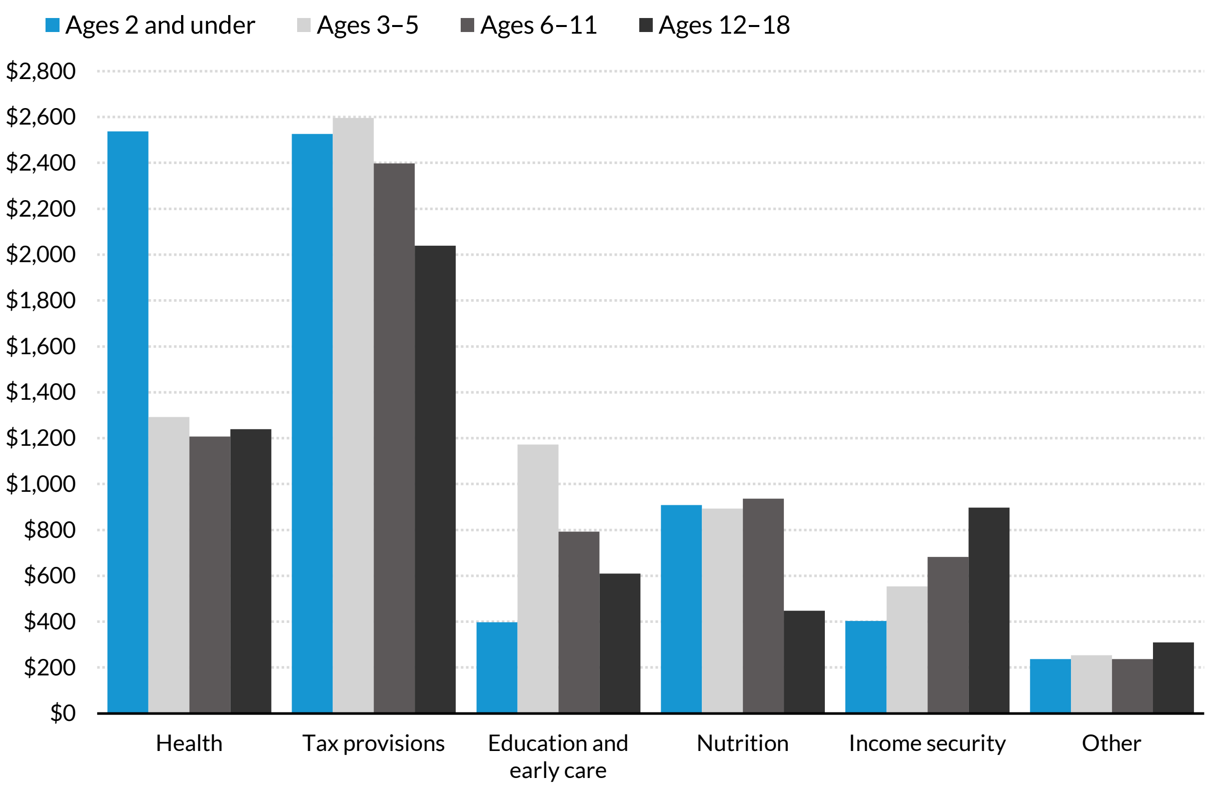
Federal health spending on infants and toddlers in 2017 was greater than on any other children's age group, when measured per capita. This was driven by Medicaid spending but also includes vaccines for children, CHIP, immunizations, home visiting, and other programs. **Tax provisions** are a substantial source of federal expenditures on children across all age groups, though per capita expenditures on tax provisions are lower for older children.

Conversely, federal expenditures per capita on **income security** and **education and early care** were higher for older children (figure 3). This reflects higher spending on older children through Social Security survivors' benefits, special education, and Supplemental Security Income disability benefits. Note that education and early care spending on infants and toddlers includes Early Head Start, child care assistance, and special education.

FIGURE 3

Federal Spending on Infants and Toddlers Is Primarily through Tax and Health Programs

Federal expenditures per capita in 2017



Source: Authors' estimates based on the Urban Institute's *Kids' Share 2018* report (Isaacs et al. 2018) and various other sources.
Notes: Tax provisions includes refundable portions of tax credits and reductions in taxes. "Other" includes housing, social services, and training.

How Have Federal Expenditures on Infants and Toddlers Changed Over the Past Decade?

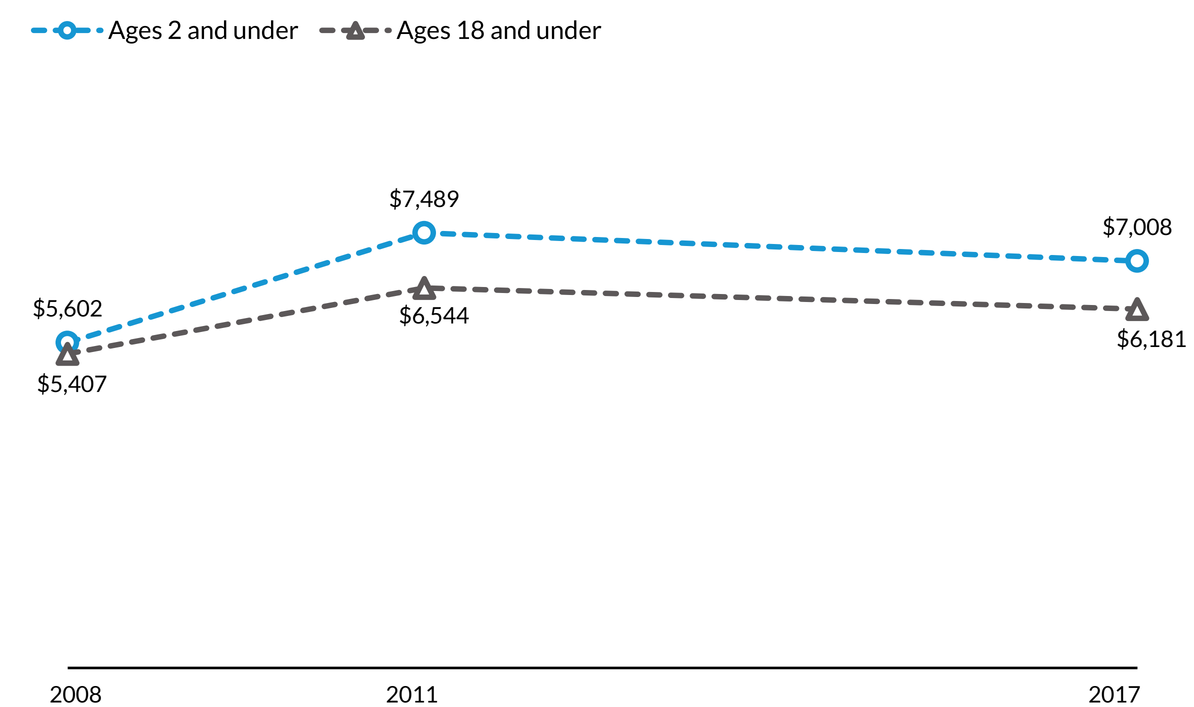
Per capita federal expenditures on infants and toddlers grew faster than spending on all children between 2008 and 2017. Spending on infants and toddlers increased by 25 percent, from about $5,600 to $7,000, after adjusting for inflation. Much of this increase represents growth in the Medicaid program. Spending on children from birth through age 18 grew by 14 percent, from about $5,400 to $6,200, over the same time frame.

Federal expenditures on children were highest in 2011 in the aftermath of the Great Recession (Isaacs et al. 2018; figure 4). As family incomes fell, more children qualified for Medicaid, SNAP, and other programs.[3] At the same time, federal spending temporarily increased as a result of the American Recovery and Reinvestment Act of 2009. This pattern is true for infants and toddlers as well as all children. Since 2011, per capita federal expenditures on infants and toddlers as well as all children have stagnated, experiencing slight declines.

FIGURE 4

Per Capita Federal Expenditures on Infants and Toddlers Have Increased Since 2008

Federal expenditures per capita (2017 dollars)



Source: Authors' estimates based on the Urban Institute's *Kids' Share 2018* report (Isaacs et al. 2018) and various other sources.
Note: Spending includes both outlays and tax reductions.

How Do Total Public Investments (Including State and Local) Differ by Age?

After adding in state and local spending, total public investments per capita are much lower for infants and toddlers than for other age groups. Total public spending ranged from about $7,500 per capita on infants and toddlers to $16,400 per capita on children ages 6 to 11 in 2015 (figure 5). (These federal estimates exclude federal tax reductions to increase comparability with state estimates.)

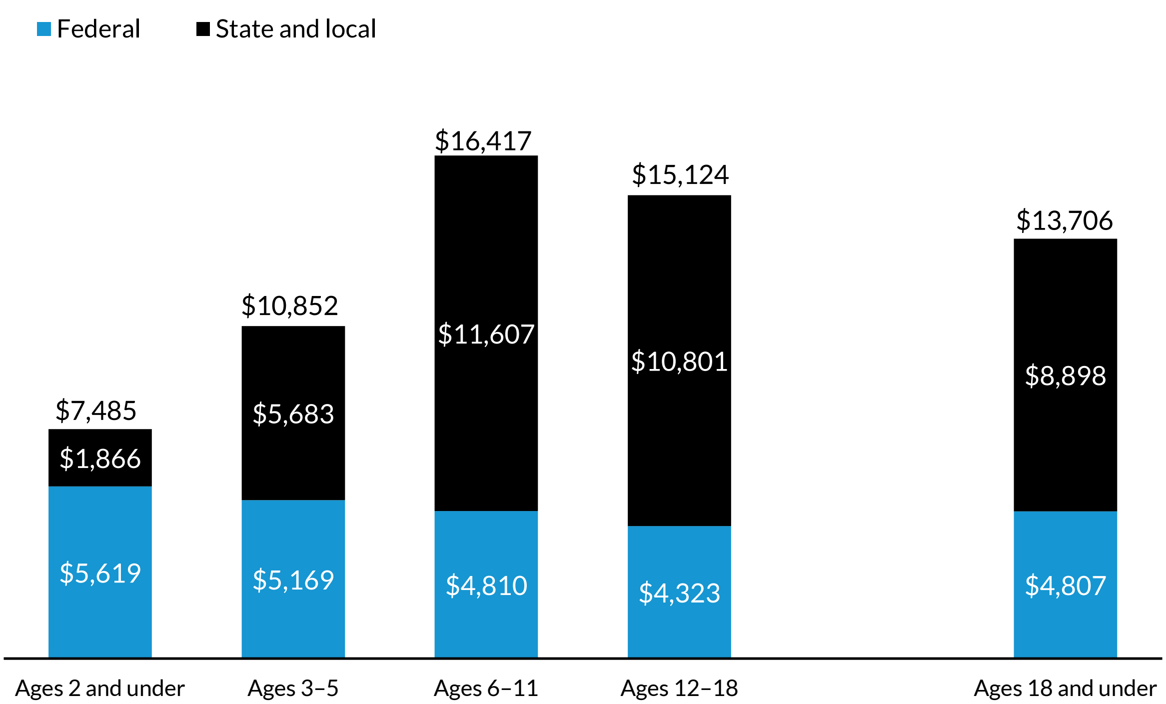
State and local governments spend relatively little on infants and toddlers, less than $2,000 per child in 2015. In contrast, state and local governments spend more than $10,000 per capita on school-aged children.

In other words, federal policy strongly drives investments in infants and toddlers. Three-fourths of all public investments in infants and toddlers were from the federal government in 2015, compared with only 35 percent of investments in children overall. This difference reflects the strong role that state and local governments play in funding public schools, as shown in figure 6.

FIGURE 5

Total Per Capita Public Investments Are Lower for Infants and Toddlers than Other Age Groups

Public spending per capita in 2015 (2017 dollars)



Source: Authors' estimates based on the Urban Institute's *Kids' Share 2018* report (Isaacs et al. 2018) and various other sources.
Notes: Federal spending is lower than in earlier figures because data are from 2015 and federal tax reductions are excluded (to increase comparability with state estimates). Federal estimates do include refundable portions of tax credits. Figures may not add up to totals because of rounding.

How Does Public Spending on Infants and Toddlers Differ from Spending on Children Overall?

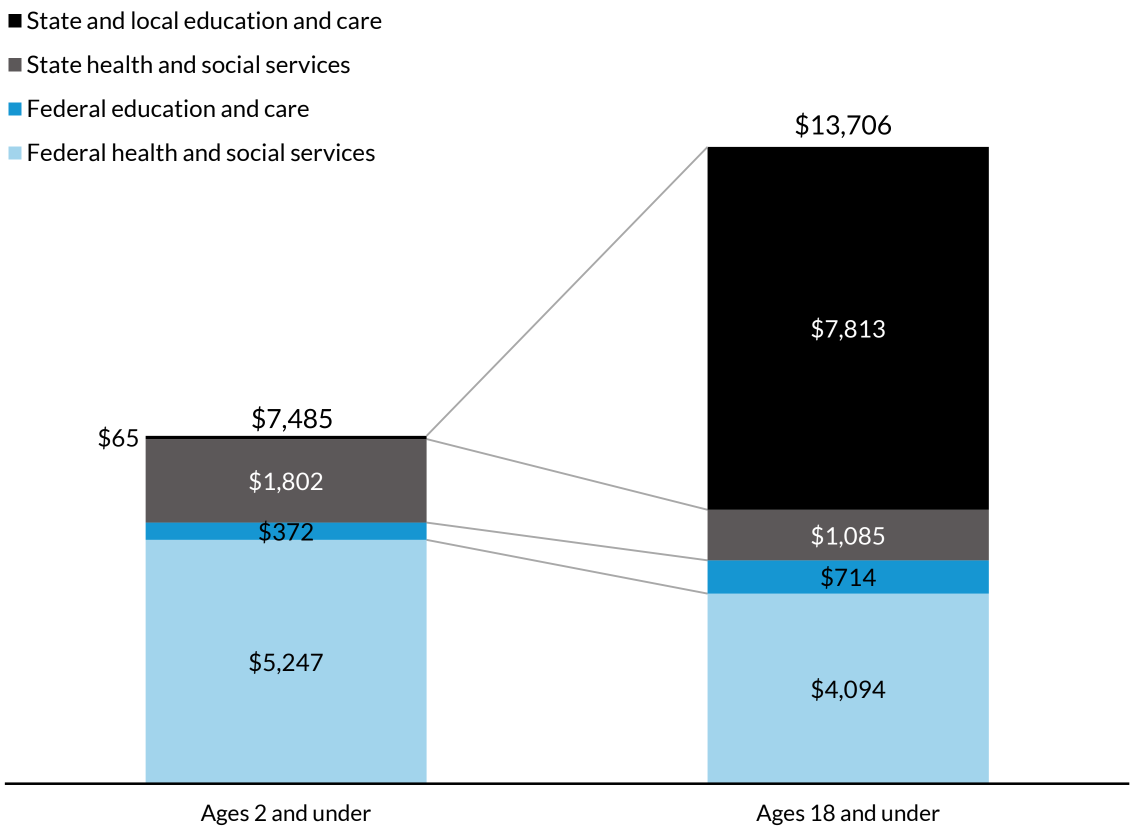
To recap, federal spending per capita is higher on infants and toddlers than other children, driven by spending on Medicaid and other health programs.

Even so, total public spending per capita is much lower on infants and toddlers because of higher state and local spending on education for other children's age groups. State and local governments spend large amounts on public education for prekindergarten through 12th grade (about $7,800 per capita when spread across all children 18 and under), but little ($65 per capita) on early care and education for infants and toddlers (figure 6). Although state spending on health and social services is tilted toward infants and toddlers, this difference is dwarfed by the disparity in state and local spending on education and care.

FIGURE 6

Per Capita Federal and State/Local Spending on Children in 2015 by Age and Major Category

Public spending per capita in 2015 (2017 dollars)



Source: Authors' estimates based on the Urban Institute's *Kids' Share 2018* report (Isaacs et al. 2018) and various other sources.
Notes: "Health and social services" includes health, refundable tax credits, income security, nutrition, and other. The federal estimates exclude federal tax reductions to increase comparability with state estimates.

Conclusion

Federal expenditures make up a greater share of public investments in infants and toddlers than in other children, who receive much higher levels of state and local spending on education and care and, consequently, higher public investment overall. Federal spending on infants and toddlers is concentrated in tax provisions and mandatory health programs (primarily Medicaid), which spend much more per capita on this age group than on others, contributing to greater federal support for infants and toddlers than for other children. However, despite greater growth in federal support for infants and toddlers in the recession, these investments have since stagnated and started to decline for both groups.

Notes

1 Heather Sandstrom, Gina Adams, and Archana Pyati, "Material Hardship and Psychological Distress Among Families with Infants and Toddlers: Findings from the Well-Being and Basic Needs Survey," Urban Institute, forthcoming.

2 Outlays can be categorized as mandatory (amount spent is governed by programmatic rules) or discretionary (amount spent is set through annual appropriations). Supplemental analyses show that discretionary spending per capita on infants and toddlers is similar to that on other children, but mandatory spending per capita is higher, reflecting higher per capita Medicaid expenditures for infants and toddlers.

3 Recall that per capita expenditures are based on the total number of children in each age group, including children who do not receive any expenditures. Thus, an increase in children receiving assistance increases per capita spending.

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Acknowledgments

This brief was funded by the Pritzker Children's Initiative. We are grateful to them and to all our funders, who make it possible for Urban to advance its mission. We also thank Gina Adams and Elaine Waxman for their helpful comments.

The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders. Funders do not determine research findings or the insights and recommendations of Urban experts. Further information on the Urban Institute's funding principles is available at urban.org/fundingprinciples.

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