KIDS’ SHARE 2017

REPORT ON FEDERAL EXPENDITURES ON CHILDREN THROUGH 2016 AND FUTURE PROJECTIONS

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A CLOSER LOOK AT FEDERAL EXPENDITURES ON CHILDREN

How have federal expenditures on children changed since 1960?

Over time, has cash assistance to families increased or decreased?

How have individual categories and programs grown over time?

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

Which types of expenditures (i.e., mandatory, discretionary) on children are projected to decline over the next decade?

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

APPENDIX: METHODS

REFERENCES

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ABOUT THE AUTHORS

STATEMENT OF INDEPENDENCE
ACKNOWLEDGMENTS

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Public spending on children by federal, state, and local governments is an investment in the nation’s future. Public spending supports the healthy development of children, helping them fulfill their human potential. To help interested stakeholders assess the government’s investment in children, this 11th edition of the annual Kids’ Share report provides an updated analysis of federal expenditures on children from 1960 through 2016. It also projects federal expenditures on children through 2027 to give a sense of how budget priorities may unfold absent changes to current law.

A few highlights of the chartbook:

- In 2016, 10 percent of the federal budget (or $377 billion of $3.9 trillion in outlays) was spent on children (page 8).
- An additional $108 billion in tax reductions was targeted to families with children. Combining outlays and tax reductions, federal expenditures on children totaled $486 billion (page 8).
- Half of all federal expenditures on children comes from four spending and tax programs: Medicaid, the earned income tax credit, the child tax credit, and the dependent exemption (page 10).
- The share of federal expenditures for children that is targeted to low-income families has grown over time, reaching 65 percent in 2016 (page 42).
- Children’s programs are projected to receive just one cent of every dollar of the projected $1.5 trillion increase in federal spending over the next decade (page 30).
- Under current law the children’s share of the budget is projected to drop from 9.8 percent to 7.5 percent over the next decade, as spending on Social Security, Medicare, Medicaid, and interest payments on the debt consume a growing share of the budget (page 28).
- By 2020, the federal government will be spending more on interest payments on the debt than on children (page 26).
- Over the next decade, every major category of spending on children (health, education, income security, and so on) is projected to decline relative to GDP (page 46).
Public expenditures targeted to children can help ensure that children receive what they need to reach their full potential. Though parents and families provide most of children’s basic needs, broader society also plays a role in supporting children’s healthy development. Nutrition benefits, housing assistance, and health insurance programs help ensure children are well fed, housed, and healthy, while investments in early education and public schools promote learning and equality of opportunity. These supports provide children with the resources to develop into tomorrow’s productive workforce.

Increased understanding of how childhood circumstances affect lifelong outcomes has led to more public support for investment in children. Even so, spending on children is not always prioritized relative to other categories of the federal budget. The Urban Institute’s Kids’ Share report tracks government spending on children each year.¹ We track how investments in children change over time, both in quantity and by priority. Our annual reports provide a comprehensive picture of federal, state, and local expenditures. They also provide long-term trends in federal spending, including historical spending to 1960 and projected spending 10 years into the future, assuming no changes to current law. These reports have been the foundation for additional analyses, including spending on children by age group (Hahn et al., forthcoming), spending differences across states (Isaacs 2017), spending on low-income children (Vericker et al. 2012), and the Children’s Budget series of reports produced by First Focus.²

This report, the 11th in the annual series, quantifies federal spending in fiscal year 2016. Child poverty rates, which rose during the Great Recession, have finally returned to the levels of 2007, the year before the recession. Even so, the child poverty rate (18.0 percent in 2016) is much higher than the poverty rates for adults ages 18 to 64 (11.6 percent) and seniors ages 65 and older (9.3 percent). Family incomes are unequally distributed, and many children live in families with low incomes. Among 29 developed countries, the United States has the second-highest child poverty rate. Setting aside the legitimate debates over how well poverty is measured, the United States also ranks poorly on measures of birth weight (23rd); preschool enrollment rates (26th); the share of 15- to 19-year-olds participating in education, employment, or training (23rd); and a composite measure of child well-being (26th of 29, in the company of Lithuania, Latvia, and Romania).³

The challenges facing American children provide context for this Kids’ Share report. The report first considers expenditures on children in 2016 and in recent years, answering such questions as, “How much does the federal government spend on children?” and “How much do state and local governments contribute to spending on children?” A second section examines broad trends in...
the federal budget from 1960 to 2027, comparing spending on children with spending on other priorities. It addresses such questions as, “What share of the federal budget is spent on children?” and “How much of the projected growth in the federal budget is expected to go to children?”

A third section delves more deeply into the composition of federal expenditures on children, looking back to 1960 and projecting forward to 2027. It addresses such questions as, “How targeted are expenditures to children in low-income families, and how has this changed over time?” and “Which categories of spending on children (i.e., health, education) are projected to decline over time?” Finally, a short methods appendix describes our methodology for developing our estimates; we provide additional detail in the Data Appendix to Kids’ Share 2017: Report on Federal Expenditures on Children through 2016 and Future Projections and Spending on Children Ages 8 and Younger (Ovalle et al. 2017). To facilitate comparisons over time, all past and future expenditures are reported in real dollars (inflation adjusted to 2016 levels), as a percentage of the economy (percentage of GDP), or as a percentage of the federal budget.

The Kids’ Share series does not judge whether current expenditures meet 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 a detailed budgetary analysis of government support for children and its change over time. This annual accounting of spending on children is important as Congress 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.

GLOSSARY

Children: People from birth through age 18.

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 revenues 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.

Real or 2016 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, and 2015); Hahn et al. (2014); and Edelstein et al. (2016).

2 Additional reports that build on the Kids’ Share database include analyses of spending on children by age of child (Kent et al. 2010; Macomber et al. 2009, 2010; Vericker et al. 2010; Edelstein et al. 2012). The First Focus Children’s Budget series, including Children’s Budget 2016 (First Focus 2016), provides detailed, program-by-program information on appropriations for children’s programs from 2011 through 2016, as well as the president’s proposed funding for 2017.

3 See UNICEF Office of Research (2013). In that study, child poverty is measured as the percentage of children living in households below 50 percent of the national median income, which is higher in the United States than in many other countries.
In this section, we describe federal expenditures on children for fiscal year 2016, the most recent year for which complete federal spending data are available, and changes in expenditures in recent years. We first present federal expenditures on children, addressing the following questions:

- How much does the federal government spend on children, and how does current spending compare with recent years?
- Which federal spending and tax programs provide the most support to children?
- Where are expenditures directed (i.e., health, education, tax provisions)?
- What do the child-related tax provisions pay for?
- How have federal expenditures on children changed between 2015 and 2016?
- How has the Budget Control Act (BCA) of 2011 affected spending on children?

This discussion is followed by a more comprehensive examination that brings in state and local spending in recent years, to answer the question:

- How much do state and local governments contribute to spending on children?
How much does the federal government spend on children, and how does current spending compare with recent years?

In 2016, 10 percent of the federal budget (or $377 billion of $3.9 trillion in outlays) was spent on children, through federal programs and refundable tax credits. An additional $108 billion in tax reductions was targeted to families with children. Summing outlays and tax reductions, federal expenditures on children totaled $486 billion.

Federal investments in children increased modestly over the past year, after adjusting for inflation, continuing the trend of the past five years. Spending remains lower than in 2010 and 2011, in part because of recovery from the recession but also because budgetary pressures have squeezed the share of resources devoted to children.

Looking back over the past decade, federal expenditures have been shaped primarily by the Great Recession:

■ In 2009 through 2011, spending on entitlement programs such as Medicaid and the Supplemental Nutrition Assistance Program (SNAP, formerly food stamps) automatically increased because more children were living in poverty.

■ The American Recovery and Reinvestment Act of 2009 (ARRA) also temporarily boosted spending on children. Almost one-quarter of ARRA funds benefited children.\(^4\) ARRA provided federal stimulus funds (e.g., expansions in nutrition assistance benefits and the child tax credit); relief to states and localities (through the State Fiscal Stabilization Fund, which was targeted toward education, and a temporary increase in the federal share of spending on Medicaid and child welfare); and increased funding for several federal education and care programs.

■ Much of the decline in dollars spent on children after 2011 has resulted from the recovery from the recession and depletion of ARRA funds. In addition, the Budget Control Act and larger budgetary pressures have constrained certain types of spending on children.

\(^4\) See Kids’ Share 2012 (Isaacs et al. 2012). An estimated 24 percent of ARRA outlays were targeted toward children from 2009 to 2019.

Summing outlays and tax reductions, federal expenditures on children totaled $486 billion.
Federal Expenditures on Children by Expenditure Type, 2007–16

Billions of 2016 dollars


Note: Numbers may not sum to totals because of rounding.
Which federal spending and tax programs provide the most support to children?

Half of all federal expenditures on children comes from four spending and tax programs: Medicaid, the earned income tax credit (EITC), the child tax credit, and the dependent exemption.

- **Medicaid** is the largest source of spending on children. We estimate that $89 billion, or about one-fourth of all Medicaid funds, was spent on children in 2016. This estimate includes spending on people under the age of 19 with disabilities.

- **Three child-related tax provisions** make up the next-largest programs. Most of the EITC’s expenditures and two-fifths of the child tax credit’s expenditures are in the form of tax refunds (cash outlays) to families; the rest are provided in the form of reductions in tax liabilities to those otherwise owing individual income tax. The dependent exemption provided families with children a tax break of $41 billion in 2016.

- **SNAP** is the fifth-largest source of expenditures on children, providing $31 billion in benefits to children in 2016.

- Three other programs provide more than $20 billion in benefits or tax reductions: **Child nutrition programs**, including the school lunch and breakfast programs; **Social Security** survivors’ and dependents’ benefits directed toward people younger than 18; and **employer-sponsored health insurance**, calculated as the reduction in tax revenue from excluding its value from taxable income (the estimated cost of premiums for dependent children).

- Five other programs spent $10 billion or more on children in 2016: **Title I** funding for education, the Children’s Health Insurance Program (CHIP), spending on **special education** and related services as covered by the Individuals with Disabilities Education Act, the children’s share of Temporary Assistance for Needy Families (TANF), and Supplemental Security Income (SSI) spending on children with disabilities.

- Dozens of smaller programs also provide support to children, as will be detailed later.
Spending and Tax Programs with the Highest Federal Expenditures on Children, 2016

<table>
<thead>
<tr>
<th>Program</th>
<th>Outlays</th>
<th>Tax reductions</th>
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</thead>
<tbody>
<tr>
<td>Medicaid</td>
<td>89</td>
<td></td>
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<tr>
<td>EITC</td>
<td>54</td>
<td>7</td>
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<tr>
<td>Child tax credit</td>
<td>20</td>
<td>30</td>
</tr>
<tr>
<td>Dependent exemption</td>
<td>41</td>
<td></td>
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<tr>
<td>SNAP</td>
<td>31</td>
<td></td>
</tr>
<tr>
<td>Child nutrition</td>
<td>22</td>
<td></td>
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<tr>
<td>Employer-sponsored insurance</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Social Security</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Title I</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>CHIP</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>Special education</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>TANF</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>SSI</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Other programs and tax provisions</td>
<td>74</td>
<td>10</td>
</tr>
</tbody>
</table>


**Notes:** CHIP = Children's Health Insurance Program, EITC = earned income tax credit, SNAP = Supplemental Nutrition Assistance Program; SSI = Supplemental Security Income; TANF = Temporary Assistance for Needy Families. Child nutrition spending includes the National School Lunch Program, the School Breakfast Program, the Child and Adult Care Food Program, the Summer Food Service Program, and the Special Milk Program.
Tax provisions are the largest source of support for children.

Sixty percent of expenditures is directed toward tax provisions and health; less than 10 percent is spent on early education and care, social services, housing, and training.

- When the 19 major tax provisions benefiting children are counted together, they far exceed any other major budget category of spending. Expenditures on tax provisions totaled $184 billion, or 38 percent of total 2016 expenditures on children. Here we include both the refundable portions counted in the budget as outlays as well as the tax reductions.

- Health was the next-largest category ($110 billion), representing 23 percent of total expenditures on children.

- The next-largest categories of spending were income security (e.g., Social Security benefits to survivors and dependents and TANF), at $59 billion; nutrition (e.g., the children’s share of SNAP benefits and child nutrition programs), also at $59 billion; and education, at $41 billion.

- The other categories are much smaller: early education and care (which includes Head Start and child care assistance but excludes preschool spending within Title I, special education, and other broad education programs; $14 billion), child welfare and other social services ($10 billion), housing assistance benefiting children ($9 billion), and the youth components of job training programs ($1 billion).
Federal Expenditures on Children by Category, 2016

Billions of 2016 dollars

What do the child-related tax provisions pay for?

After income security, health is the largest category of child-related tax provisions.

Tax provisions primarily support income security, followed by health and child care.

- The EITC, child tax credit, and dependent exemption account for most expenditures from tax provisions. Through cash refunds and reductions in tax liabilities, these credits increase the income of families with children relative to families without children, providing a form of income support. In addition, provisions excluding various forms of cash assistance from taxable income (e.g., Social Security survivors' benefits, veterans benefits, and public assistance) provide some additional income support to families with children.

- After income security, the largest category of child-related tax provisions is health. Two health-related tax provisions benefit children: the tax exclusion for employer-sponsored health insurance and the much smaller outlays and tax reductions associated with the premium tax credit under the Affordable Care Act. Relatively small shares of these provisions benefit children, including less than $1 billion for the premium tax credit.

- Other relatively small tax provisions support child care (i.e., the dependent care tax credit and two employer tax credits related to child care), education (quality zone academy bonds), and social services (adoption tax credits and the exclusion of foster care and adoption assistance from taxable income).

Billions of 2016 dollars


Note: CTC = child tax credit; EITC = earned income tax credit.
How have federal expenditures on children changed between 2015 and 2016?

Some of the more than 80 programs and tax provisions included in our analysis have increased while others have decreased. The net effect is an increase of $3.7 billion (less than 1 percent), less than the rate of growth of the economy. Excluding health care, real spending on children declined.

Estimates by program are presented 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 shown in the table on page 13.

- Spending on children’s health grew $7.5 billion between 2015 and 2016, driven primarily by increases in CHIP and Medicaid. The federal match rate for CHIP was increased under the Affordable Care Act, effective 2016, leading to a substantial increase in CHIP outlays between 2015 and 2016.

- Income security spending also increased (driven by increases in dependent benefits related to veterans disability compensation), and smaller increases occurred in early education and care, housing, and social services.

- Spending on children’s nutrition fell $1.3 billion, with declines in SNAP partially offset by increases in child nutrition. SNAP caseloads and expenditures have dropped from peak levels during the recession; even so, one in four children in the United States were in families receiving SNAP benefits in an average month of 2016.

- Support for children through tax reductions declined $2.8 billion, driven by a decline in the children’s share of the exclusion of employer-sponsored health insurance. Spending on refundable tax credits also declined, but trivially.

- Finally, education spending decreased. The decrease shown in “other education” reflects the depletion of the State Fiscal Stabilization Fund, which was authorized under ARRA and had $0.9 billion in outlays in 2015 and no outlays in 2016.

See page 54 for table sources and notes.
## Federal Expenditures by Category and Program, 2016

*Billions of 2016 dollars*

<table>
<thead>
<tr>
<th>Category</th>
<th>2016</th>
<th>Change from 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Health</td>
<td>109.5</td>
<td>7.5</td>
</tr>
<tr>
<td>Medicaid</td>
<td>89.2</td>
<td>2.0</td>
</tr>
<tr>
<td>CHIP</td>
<td>13.6</td>
<td>4.8</td>
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<tr>
<td>Vaccines for children</td>
<td>4.4</td>
<td>0.5</td>
</tr>
<tr>
<td>Other health</td>
<td>2.3</td>
<td>0.1</td>
</tr>
<tr>
<td>2: Nutrition</td>
<td>58.6</td>
<td>-1.3</td>
</tr>
<tr>
<td>SNAP (food stamps)</td>
<td>31.5</td>
<td>-1.7</td>
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<tr>
<td>Child nutrition</td>
<td>21.8</td>
<td>0.7</td>
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<tr>
<td>Special Supplemental food (WIC)</td>
<td>5.3</td>
<td>-0.4</td>
</tr>
<tr>
<td>3. Income Security</td>
<td>58.6</td>
<td>0.7</td>
</tr>
<tr>
<td>Social Security</td>
<td>20.8</td>
<td>-0.4</td>
</tr>
<tr>
<td>Temporary Assistance for Needy Families</td>
<td>12.4</td>
<td>-0.4</td>
</tr>
<tr>
<td>Supplemental Security Income</td>
<td>11.8</td>
<td>0.4</td>
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<tr>
<td>Veterans compensation (disability compensation)</td>
<td>8.7</td>
<td>1.0</td>
</tr>
<tr>
<td>Child support enforcement</td>
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<tr>
<td>Other income security</td>
<td>0.9</td>
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<td>4. Education</td>
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<td>Education for the Disadvantaged (Title I, Part A)</td>
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<td>Special education/IDEA</td>
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<tr>
<td>School improvement</td>
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</tr>
<tr>
<td>Indian education</td>
<td>1.8</td>
<td>0.1</td>
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<tr>
<td>Innovation and improvement</td>
<td>1.5</td>
<td>*</td>
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<tr>
<td>Impact Aid</td>
<td>1.3</td>
<td>-0.2</td>
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<tr>
<td>Dependents' schools abroad</td>
<td>1.1</td>
<td>*</td>
</tr>
<tr>
<td>Other education</td>
<td>3.2</td>
<td>-1.0</td>
</tr>
<tr>
<td>5. Early Education and Care</td>
<td>14.0</td>
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<tr>
<td>Head Start (including Early Head Start)</td>
<td>8.7</td>
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<tr>
<td>Child Care and Development Fund</td>
<td>5.3</td>
<td>0.1</td>
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<tr>
<td>6. Social Services</td>
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<tr>
<td>Foster care</td>
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<td>Adoption assistance</td>
<td>2.6</td>
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<tr>
<td>Other social services</td>
<td>2.8</td>
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<tr>
<td>7. Housing</td>
<td>9.4</td>
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<td>Section 8 low-income housing assistance</td>
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<td>Low-rent public housing</td>
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<tr>
<td>Other housing</td>
<td>0.8</td>
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</tr>
<tr>
<td>8. Training</td>
<td>1.2</td>
<td>*</td>
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<tr>
<td>9. Refundable Portions of Tax Credits</td>
<td>75.4</td>
<td>-0.6</td>
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<td>Earned income tax credit</td>
<td>53.6</td>
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<tr>
<td>Child tax credit</td>
<td>20.2</td>
<td>-0.6</td>
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<tr>
<td>Premium tax credit</td>
<td>0.8</td>
<td>0.4</td>
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<td>Other refundable tax credits</td>
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<td>-0.1</td>
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<td>10. Tax Reductions</td>
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<td>Dependent exemption</td>
<td>41.0</td>
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<tr>
<td>Exclusion for employer-sponsored health insurance</td>
<td>21.4</td>
<td>-3.1</td>
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<tr>
<td>Child tax credit (nonrefundable portion)</td>
<td>29.6</td>
<td>-0.4</td>
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<tr>
<td>Earned income tax credit (nonrefundable portion)</td>
<td>6.9</td>
<td>0.2</td>
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<td>Dependent care credit</td>
<td>4.4</td>
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<tr>
<td>Other tax reductions</td>
<td>5.1</td>
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</tr>
</tbody>
</table>

**Total Expenditures on Children**: 485.9

**Total Outlays Subtotal (1–9)**: 377.5
How has the Budget Control Act of 2011 affected spending on children?

While the BCA has contributed to declines in certain areas of children’s spending (e.g., education), it has had minimal impact on total expenditures on children because of its exemptions.

Designed to curb total federal spending, the Budget Control Act primarily constrains discretionary spending, with both defense and nondefense spending caps in place through 2021. Tax credits and most mandatory programs are largely exempt from the BCA’s spending restrictions.

A majority of children’s outlays—81 percent in 2016—is exempt from the BCA.

- **Mandatory health spending exempt from the BCA** (including Medicaid and CHIP) grew considerably over most of the past decade (see glossary for definitions of “mandatory” and “discretionary” spending).

- **Other spending exempt from the BCA**, including refundable tax credits, Social Security, and many mandatory programs serving low-income people (e.g., SNAP, TANF) grew between 2007 and 2011. Slight declines in such spending since then stems from recovery from the recession, not the BCA.

The roughly 20 percent of children’s spending that is subject to BCA caps or sequestration has declined in total over the past decade. This decline—which was temporarily offset by spending increases under ARRA—precedes the Budget Control Act and is partly driven by pressures on domestic spending subject to appropriations.

- **Federal spending on education** was 11 percent lower in 2016 than in 2007.

- **Other spending subject to the BCA** has not declined as sharply; it is 1 percent lower in 2016 than in 2007. This category is largely discretionary spending, but it includes three mandatory programs that were subject to automatic spending reductions in 2013–16: the Social Services Block Grant, the Promoting Safe and Stable Families program, and the Maternal, Infant and Early Childhood Home Visiting program. Popular support for programs such as WIC, Head Start, and child care assistance may have helped maintain spending even when these programs were competing with all other discretionary programs.
Federal Outlays on Children by Impact of the Budget Control Act, 2007–16

*Billions of 2016 dollars*

- Other outlays exempt from BCA
- Health outlays exempt from BCA
- Education outlays subject to BCA
- Other outlays subject to BCA

How much do state and local governments contribute to spending on children?

State and local spending on children exceeds federal spending, providing 64 percent of total public spending in 2014 (the last year for which we have complete data).\(^5\)

- During the recession, state and local governments cut funding on education and other children’s programs. Over the same period, the federal government increased spending as SNAP, Medicaid, and other federal entitlement programs adjusted automatically to meet increased need, and as ARRA provided funds to support state and local governments, help families facing unemployment, and stimulate the economy. The federal increases were large enough to boost total spending per child during the recession, when needs and poverty rates rose.

- In 2012, as the recession ended, federal funding dropped sharply and was only partly offset by a small increase in state and local spending. Since then, state and local spending has risen gradually; as of 2014, spending levels are still lower than in 2008.

- State and local spending is dominated by spending on public education, the largest form of public investment in children. The federal government contributes only 7 cents of each education dollar.

- State and local governments also contribute significantly to health spending on children, though not as much as the federal government.

- States and localities spend little on nutrition, housing, or training. Their contributions to income security, tax credits, child care, foster care, and social services, while important, are small relative to federal spending.

\(^5\) To improve the comparability of our federal estimates to our estimates of state and local spending, we exclude the value of the dependent exemption and other tax reductions. That is, the federal estimates are restricted to outlays, including the refundable portions of the EITC and child tax credit. The state and local estimates include one tax provision: the value of the state earned income tax credit in states that have such a credit.
Federal, State, and Local Spending per Child on Education, Health, and Other Categories, 2007–14

2016 dollars

Federal | State and local

Source: Authors’ estimates based on Office of Management and Budget, Budget of the United States Government, Fiscal Year 2016 (Washington, DC: US Government Printing Office, 2015) and past years, the Rockefeller Institute of Government’s State Funding for Children Database, and various sources.

Note: These estimates do not include tax reductions.
Following on the examination of current expenditures, this section analyzes broad trends in spending on children—both past and future—in the context of the entire federal budget. Our future projections follow the assumptions of the Congressional Budget Office’s baseline projections, supplemented by other sources, and our own assumptions about the shares of individual programs allocated to children (see appendix). In this section, we primarily focus on federal outlays, setting aside tax reductions. The first four figures address the following questions:

- What share of the federal budget is spent on children?
- How has spending on children and other federal budget priorities changed over time?
- How has the children’s share of the federal budget changed over time?
- How much of the projected growth in the federal budget is expected to go to children?

Two later figures compare children under 19 to people 65 and older, to answer this question:

- How does spending on children compare with spending on the elderly?

Most children and elderly adults are outside the working-age population and thus more likely to rely on public or private support.
In 2016, 10 percent of the federal budget (or $377 billion of $3.9 trillion in outlays) was spent on children.

- The remaining 90 percent of the budget was spent as follows: 46 percent on adults through Social Security, Medicare, and Medicaid; 15 percent on defense; 6 percent on interest payments on the debt; and 23 percent on a residual category, which includes all other federal spending priorities, ranging from agriculture subsidies and highway construction to unemployment compensation, veterans benefits, higher education, and environmental protection.

- The share of the federal budget spent on children has been flat—at about 10 percent—for the past several years.

- Child-related tax expenditures (totaling $108 billion in 2016) represent less than 8 percent of the $1.5 trillion in individual and corporate tax expenditures identified by the Office of Management and Budget. This share has been declining in recent years, from 11 percent in 2008 to 9 percent in 2012 and 8 percent in 2013 and 2014.

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To calculate the total tax-expenditure budget, we sum Office of Management and Budget (OMB) 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 OMB views as part of the overall tax structure rather than a special tax provision resulting in a tax expenditure. We include the dependent exemption in our analyses of expenditures on children.
Share of Federal Budget Outlays Spent on Children and Other Items, 2016

How has spending on children and other federal budget priorities changed over time?

Since 1960, federal spending on both children and the elderly has grown faster than the economy. Over the next decade, spending on health and retirement programs is projected to grow further. In contrast, spending on children is projected to decline.

- Between 1960 and 2016, federal outlays have grown sharply in real terms (from $588 billion to $3.9 trillion) but only modestly as a share of the economy (from 17 to 21 percent of GDP).
- Spending on Social Security, Medicare, and Medicaid has steadily increased over the past half-century. Excluding spending on children (to avoid double-counting), spending has grown from 2.0 percent of GDP in 1960 to 9.5 percent of GDP in 2016.
- Spending on children grew from a very small base of about 0.6 percent of GDP in 1960 to 2.1 percent of GDP in 2016, down from a peak of 2.5 percent in 2010.
- Spending on defense fell substantially, from 9.0 percent of GDP in 1960 to 2.9 percent of GDP in 2000, before rising to 3.2 percent of GDP in 2016.
- Total outlays are expected to continue to grow under current-law estimates, reaching 23.6 percent of GDP in 2027. Spending on health and retirement programs for the disabled and elderly is projected to reach 11.8 percent of GDP. Federal outlays on children, however, are projected to decline as a share of the economy, from 2.1 percent in 2016 to less than 1.8 percent in 2027.
- While total federal outlays continue to grow, political resistance to raising revenues to cover spending remains. Revenues are projected to fall below outlays every year between 2017 and 2027, as they have since 2001.
- With an increasingly higher national debt and a projected increase in interest rates, interest payments on the debt are projected to more than double. Under current policies, spending on interest payments on the debt is projected to exceed spending on children from 2020 onward.
Federal Outlays and Revenues as a Share of GDP, 1960–2027

- Revenues
- All outlays not categorized below
- Interest on the debt
- Defense
- Adult portion of Social Security, Medicare, and Medicaid
- Children


**Note:** Totals shown along the horizontal axis are percentage of GDP spent on children.
How has the children’s share of the federal budget changed over time?

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

- Back in 1960, only 3.2 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 9.8 percent in 2016 and is projected to decline by nearly a quarter, to 7.5 percent, by 2027. At the same time, the share of the population under age 19 will contract slightly, from 24 percent to 23 percent.

- As the baby boomers reach retirement age, Social Security, Medicare, and Medicaid spending on adults has increased as a share of total federal spending and is expected to continue to do so. By 2027, half the federal budget (50 percent) will be spent on the adult portions of Social Security, Medicare, and Medicaid. This growth stems from an increase in the share of the population ages 65 and older (from 15 percent in 2016 to 20 percent in 2027) and projected growth in real health and Social Security benefits per person under current law.

- The share of the budget spent on defense fell dramatically between 1960 and 2000, essentially financing the expansion of domestic programs without any significant increase in average tax rates. Under the BCA’s caps, defense spending is projected to shrink further from 15 percent of federal outlays in 2016 to a post–World War II low of 12 percent in 2027.

- Interest payments on the debt fluctuated over the past half-century. They are projected to grow as a share of the budget from 6 percent in 2016 to 12 percent by 2027, reflecting higher national debt and projected rising interest rates.

- Spending on all other governmental functions is projected to shrink to 19 percent of the budget by 2027.

The children’s share of the budget is projected to drop from 9.8 percent to 7.5 percent over the next decade.
Share of Federal Budget Outlays Spent on Children and Other Items, Selected Years, 1960–2027


Total spending (trillions of 2016 dollars) | $.59 | $.97 | $1.5 | $2.1 | $2.4 | $3.8 | $3.9 | $5.3
How much of the projected growth in the federal budget is expected to go to children?

Children’s programs are projected to receive just one cent of every dollar of the projected increase in federal spending over the next decade.

- Federal spending is projected to increase by nearly $1.5 trillion over the next 10 years, reaching $5.3 trillion in 2027.

- Together, Social Security, Medicare, Medicaid, and interest on the debt garner almost all (90 percent) of the expected growth in spending over the next decade. As noted earlier, growth in Social Security, Medicare and Medicaid is driven by a growth in the elderly population and real benefits per person. In the absence of legislative action to increase revenues, as these programs continue to grow, so will the national debt and interest payments on the debt.

- With so much built-in growth in these spending programs under current law, spending on other priorities—including defense, children, and all other governmental spending—are under severe budgetary pressures.

- Children’s programs are projected to increase by an estimated $20 billion, or one cent of every dollar of the projected increase in federal outlays. However, growth in health care spending alone pushes children into positive territory; nonhealth spending on children actually decreases.

- Spending on defense and all other functions is similarly projected to increase very little.

- These budget projections assume that all nondefense discretionary spending programs are affected equally by the BCA spending caps. Also, these projections show where current law trends lead, absent changes in policy. Laws and policies do not stay constant. Still, existing policies have never preordained so much future spending.
### Major budget items, 2016–27 (projected) Growth, 2016–27

<table>
<thead>
<tr>
<th>Major budget items</th>
<th>2016</th>
<th>2027 (projected)</th>
<th>Growth, 2016–27</th>
<th>Share of growth</th>
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<tbody>
<tr>
<td>Adult portion of Social Security, Medicare, and Medicaid</td>
<td>1,757</td>
<td>2,666</td>
<td>909</td>
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<td>Interest on the debt</td>
<td>240</td>
<td>659</td>
<td>419</td>
<td>28%</td>
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<td>Children</td>
<td>377</td>
<td>397</td>
<td>20</td>
<td>1%</td>
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<tr>
<td>Defense</td>
<td>593</td>
<td>620</td>
<td>27</td>
<td>2%</td>
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<tr>
<td>All other outlays</td>
<td>885</td>
<td>988</td>
<td>103</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Total federal outlays</strong></td>
<td>3,853</td>
<td>5,331</td>
<td>1,478</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Share of Projected Growth in Federal Outlays from 2016 to 2027 Going to Children and Other Major Budget Items**

*Billions of 2016 dollars except where noted*

Federal per capita spending on the elderly is much higher than per capita spending on children—by a 6:1 ratio in recent years.

- The federal government spent $6 on the elderly for every $1 spent on children, in both 2016 (the latest year for federal data) and 2014 (the latest year for state and local data).

- States and localities spend considerably more on children than the elderly, especially through spending on public schools. The combined spending of federal, state, and local governments on the elderly was 2.3 times their combined spending on children in 2014.

- Health care expenses are a significant portion of public expenditures on the elderly. Yet even when excluding health spending, per capita spending on the elderly remains considerably higher than per capita spending on children.

The federal government spent $6 on the elderly for every $1 spent on children.
Federal spending on the elderly between 1960 and 2016 has increased by about $26,000 per capita, from about $4,000 to more than $30,000, in inflation-adjusted (2016) dollars. The establishment of Medicare and Medicaid and enactment of the Older Americans Act in 1965, legislative increases in Social Security benefits, real growth in wages (on which initial Social Security benefits are based), and real increases in health care costs contribute to these increases.

Over this same period, federal spending on children has risen by about $4,600 per capita, from about $300 to $4,900.

Looking forward, we project that spending per child will increase modestly, by 3 percent between 2016 and 2027, or about 0.25 percent annually. In comparison, per capita spending on all Americans is projected to increase 27 percent over the same period. (Projections of per capita spending on elderly are not available.)


2016 dollars

- Elderly
- Children


Note: These estimates do not include tax reductions.
This final section looks closely at trends in federal expenditures on children, including federal outlays and tax reductions. Three figures and one table look at historical trends (1960–2016), addressing these questions:

- How have federal expenditures on children changed since 1960?
- Over time, has cash assistance to families increased or decreased?
- How have individual categories and programs grown over time?
- How targeted are expenditures to children in low-income families, and how has this changed over time?

Three final figures and one table look in more detail at future spending on children. Our projections follow the Congressional Budget Office’s assumptions in constructing a baseline budget, supplemented by tax projections from the Urban-Brookings Tax Policy Center and other sources, and our own assumptions about the shares of individual programs allocated to children (see appendix). The projections address these questions:

- Which types of expenditures on children (i.e., mandatory, discretionary) are projected to decline over time?
- Which categories of spending on children (i.e., health, education) are projected to decline over time?
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 resulted from the introduction of new programs and tax provisions, not from automatic indexing of children’s programs.

- Spending on discretionary programs increased in the 1960s and 1970s with the introduction of new programs (e.g., Head Start, Title I, Section 8 housing assistance). Discretionary spending has remained relatively flat as a share of GDP since 1975, except for a temporary increase in 2009–11 under ARRA.

- With the adoption of food stamps, Medicaid, and SSI, spending on entitlements and other mandatory programs rose during the 1960s and 1970s. After periods of contractions and expansions, mandatory spending on children has trended upward during the past decade, largely driven by increases in children’s health spending, particularly in Medicaid and CHIP.

- Since the late 1980s, tax credits have played a growing role in providing federal support for children. Both the EITC and the child tax credit have gone through several legislative expansions over the past decades, resulting in increases in both the refundable portion of tax credits and tax reductions (other than the dependent exemption).

- The dependent exemption has declined in value—dramatically between 1960 and 1985, and steadily since then. In part, this reflects the eroding value of the exemption amount, which was not indexed to inflation until after 1984. The value of the dependent exemption also depends on tax rates; therefore, its value dropped when tax rates were reduced across the board.

Since the late 1980s, tax credits have played a growing role in providing federal support for children.

**Percentage of GDP**
- Dependent exemption
- Tax reductions
- Refundable portion of tax credits
- Mandatory spending programs
- Discretionary spending programs


**Note:** ARRA = American Recovery and Reinvestment Act; CCDBG = Child Care and Development Block Grant; EITC = earned income tax credit; SCHIP = State Children’s Health Insurance Program; SSI = Supplemental Security Income.
Over time, has cash assistance to families increased or decreased?

Cash assistance to families has declined over time, as a share of federal support for children or as a share of GDP, while in-kind benefits and services have grown.

- The most common ways government supported children in the 1960s were through cash payments to parents on behalf of their children and the dependent exemption. Very few benefits were provided through in-kind supports.

- As new programs providing education, health, nutrition and other in-kind benefits and services were introduced, noncash benefits became an increasingly important share of the supports provided to children. By the mid-1990s, in-kind benefits and services accounted for roughly half of all expenditures on children.

- This trend accelerated during the Great Recession, as recession-related participation in programs like Medicaid (providing health services) and SNAP (providing food) sharply increased spending for children through in-kind supports. In-kind supports have fallen from their 2010 peak but still accounted for over half of total expenditures on children in 2016.

- Almost all tax code benefits for children come in the form of cash—either direct payments or tax reductions. The combined value of all tax provisions—refundable tax credits, tax reductions, and the dependent exemption—as a share of GDP was lower in 2016 than it was in 1960 (1.0 percent compared with 1.2 percent). Cash assistance to families through programs such as TANF, SSI, and Social Security also was lower in 2016 than in 1960 as a share of GDP (0.26 percent compared with 0.42 percent).

Percentage of GDP

- Cash payments from programs or tax provisions
- In-kind benefits and services

How have individual categories and programs grown over time?

Spending on children has increased in 1960, in inflation-adjusted dollars, in all categories of spending (health, nutrition, and so on). 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, TANF and veterans benefits), education (Impact Aid), and nutrition (child nutrition programs, specifically school lunch). There also were small expenditures on health.

- Health spending has risen dramatically, from $0.2 billion 1960 to $110 billion in 2016, driven by the introduction and expansion of the Medicaid program.

- Spending on education programs grew to a peak of $75 billion in 2010 and has since fallen to $41 billion.

- Early education and care, social services, and housing programs rose from $0 in 1960 to $14 billion, $10 billion, and $9 billion, respectively, in 2016.

- Spending on youth training programs is lower today than in 1980, after adjusting for inflation.

- The dependent exemption is the only major program with no growth; it provides roughly the same benefit (slightly over $40 billion) today as it did more than 50 years ago. Expenditures have grown on other tax provisions, especially the refundable portion of tax credits. These have grown from $0 in 1960 to $75 billion in 2016, with the introduction and expansion of the earned income tax credit and child tax credit.

See page 54 for table sources and notes.
### Federal Expenditures on Children by Program, Selected Years, 1960–2016

**Billions of 2016 dollars**

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<thead>
<tr>
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</thead>
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<td>CHIP</td>
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<td>Other health</td>
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<td><strong>2. Nutrition</strong></td>
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<td>SNAP (food stamps)</td>
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<td><strong>3. Income Security</strong></td>
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</tr>
<tr>
<td>Child tax credit (nonrefundable portion)</td>
<td>--</td>
<td>--</td>
<td>26.3</td>
<td>32.9</td>
<td>29.6</td>
</tr>
<tr>
<td>Earned income tax credit (nonrefundable portion)</td>
<td>--</td>
<td>1.7</td>
<td>5.8</td>
<td>5.2</td>
<td>6.9</td>
</tr>
<tr>
<td>Dependent care credit</td>
<td>--</td>
<td>--</td>
<td>3.2</td>
<td>3.7</td>
<td>4.4</td>
</tr>
<tr>
<td>Other tax reductions</td>
<td>0.7</td>
<td>1.9</td>
<td>3.6</td>
<td>5.0</td>
<td>5.1</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES ON CHILDREN</strong></td>
<td>61.3</td>
<td>152.2</td>
<td>301.8</td>
<td>512.6</td>
<td>485.9</td>
</tr>
<tr>
<td><strong>OUTLAYS SUBTOTAL (1–9)</strong></td>
<td>19.0</td>
<td>99.7</td>
<td>206.6</td>
<td>405.1</td>
<td>377.5</td>
</tr>
</tbody>
</table>
How targeted are expenditures to children in low-income families, and how has this changed over time?

The share of federal expenditures for children targeted to low-income families has grown over time, reaching 65 percent in 2016.

- In 1960, most children’s expenditures were distributed through Social Security, the dependent exemption, and other benefits generally available to all children regardless of income—that is, programs and tax provisions without means tests.

- The focus of children’s spending changed as new programs such as food stamps, Medicaid, and SSI were introduced to serve low-income populations. By 1980, half (49 percent) of total federal expenditures on children were on programs and tax provisions that were means tested—that is, available only to families below certain financial means.

- The share of expenditures that is means tested has continued to rise. In 2016, 65 percent of total expenditures on children were made through means-tested spending programs (53 percent) and means-tested tax provisions (13 percent).

- Children in low-income families generally receive resources from universal programs, and children from higher-income families sometimes receive services from means-tested programs. An earlier report found that 70 percent of 2009 federal expenditures on children served the 42 percent of children in families with incomes below 200 percent of the federal poverty level (Vericker et al. 2012).

7 The growth in spending on means-tested programs may be partly explained by the expansion of Medicaid and CHIP eligibility to higher-income populations. For example, the median upper eligibility limit for children increased from 200 percent of the federal poverty level in 2006 to 255 percent of the federal poverty level in 2016. Programs with higher income limitations are hard to classify. Our analysis treats the premium tax credit as means tested and the child tax credit as not means tested; further information on how we classified each program is provided in Data Appendix to Kids’ Share 2017 (Ovalle et al. 2017).
Other tax provisions without means test (e.g., CTC)

Means-tested tax provisions (e.g., EI TC)

Means-tested programs

Dependent exemption

Other tax provisions without means test (e.g., CTC)

Programs without means test


Percentage of expenditures on children


Total means-tested (programs and EITC): 13% 41% 49% 56% 59% 62% 65%
Which types of expenditures (i.e., mandatory, discretionary) on children are projected to decline over the next decade?

All three types of federal expenditures on children—discretionary spending, mandatory spending, and tax provisions—are projected to decline as a share of the economy through at least 2027.

- Total expenditures on children, including tax reductions, are projected under current law to fall relative to the size of the economy, from 2.6 percent of GDP in 2016 to 2.3 percent of GDP in 2027. This is below the pre-recession level of 2.4 percent in 2007.
- The sharpest projected decline, particularly relative to GDP, in expenditures on children is in discretionary spending programs, which compete annually for funding and are constrained by caps set in the BCA. These programs include federal K–12 education programs, Head Start and other early education and care, Job Corps and other training programs, the...
children’s share of housing benefits, WIC, and child abuse prevention and other social service programs. The downward trend, apparent since at least 2007, was temporarily hidden by increased funding under ARRA.

- Child-related tax credits are exempt from the BCA. Even so, spending on tax provisions related to children (including outlays and tax reductions) is projected to decline as a share of the economy from 2015 to 2027. Much of this projected decline stems from the child tax credit, which is not automatically adjusted for inflation and thus loses value over time.

- Mandatory spending on children increased substantially during the recession and has declined only somewhat since then. Most of the projected decline is in mandatory nonhealth programs. Mandatory health spending is projected to remain essentially flat relative to GDP and is the only type of spending on children that is projected to be a higher percentage of GDP in 2027 than it was in 2007, before the recession.
Which categories of spending on children (i.e., health, education) are projected to decline over the next decade?

All categories of spending on children are projected to decline relative to GDP. Most categories also see declines in real dollars.

- Children's health spending is projected to rise modestly in real dollars but fall slightly as a percentage of GDP. Anticipated growth in Medicaid spending slightly offsets the decline in CHIP funding when its authorization expires. Medicaid growth is driven by economywide increases in health care costs and modest growth in child enrollment.

- Spending on income security and nutrition is expected to rise slightly in real dollars but fall as percentage of GDP. These programs decline less than others because some income security and nutrition benefits are automatically adjusted for inflation (i.e.,

Some health, income security, and nutrition benefits are automatically adjusted for inflation, and so these categories decline less than others.
survivors’ and dependents’ benefits under Social Security, disabled children’s benefits under SSI, school lunch and breakfast subsidies, and SNAP benefits).

- Child-related spending through tax provisions is projected to decline relative to GDP. The refundable portions of tax credits fall in dollar terms as well, while tax reductions experience a slight increase in absolute dollars, driven by growth in the exclusion for employer-sponsored health insurance.
- All other categories are projected to decline in real dollars, and to decline even more steeply relative to GDP. This includes spending on K–12 education (i.e., Title I and special education), early education and care (i.e., Head Start and child care assistance), housing (e.g., Section 8 and public housing), the youth portions of training (e.g., Job Corps and Work Investment Act youth formula grants), and social services (i.e., child welfare services). Many of these programs are discretionary programs constrained by the BCA discretionary caps through 2021.

8 Following CBO baseline assumptions, our projections assume some CHIP funding continues after the authorization expires.

<table>
<thead>
<tr>
<th>Category of spending</th>
<th>2016</th>
<th>2027</th>
<th>Percentage point change</th>
<th>2016</th>
<th>2027</th>
<th>Dollar change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>0.59%</td>
<td>0.58%</td>
<td>-0.02%</td>
<td>110</td>
<td>130</td>
<td>21</td>
</tr>
<tr>
<td>Nutrition</td>
<td>0.32%</td>
<td>0.26%</td>
<td>-0.06%</td>
<td>59</td>
<td>59</td>
<td>0.4</td>
</tr>
<tr>
<td>Income security</td>
<td>0.32%</td>
<td>0.27%</td>
<td>-0.05%</td>
<td>59</td>
<td>61</td>
<td>2</td>
</tr>
<tr>
<td>Education</td>
<td>0.22%</td>
<td>0.18%</td>
<td>-0.04%</td>
<td>41</td>
<td>40</td>
<td>-0.4</td>
</tr>
<tr>
<td>Early education and care</td>
<td>0.08%</td>
<td>0.06%</td>
<td>-0.02%</td>
<td>14</td>
<td>13</td>
<td>-1</td>
</tr>
<tr>
<td>Social services and training</td>
<td>0.06%</td>
<td>0.05%</td>
<td>-0.01%</td>
<td>11</td>
<td>11</td>
<td>-1</td>
</tr>
<tr>
<td>Housing</td>
<td>0.05%</td>
<td>0.04%</td>
<td>-0.01%</td>
<td>9</td>
<td>9</td>
<td>-0.1</td>
</tr>
<tr>
<td>Refundable portions of tax credits</td>
<td>0.35%</td>
<td>0.34%</td>
<td>-0.01%</td>
<td>75</td>
<td>74</td>
<td>-2</td>
</tr>
<tr>
<td>Tax reductions</td>
<td>0.65%</td>
<td>0.50%</td>
<td>-0.15%</td>
<td>108</td>
<td>116</td>
<td>7</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>2.64%</td>
<td>2.28%</td>
<td>-0.36%</td>
<td>486</td>
<td>513</td>
<td>27</td>
</tr>
<tr>
<td>Total outlays (all but tax reductions)</td>
<td>1.99%</td>
<td>1.77%</td>
<td>-0.22%</td>
<td>377</td>
<td>397</td>
<td>20</td>
</tr>
</tbody>
</table>

Federal Expenditures on Children in Selected Years, by Type


Note: Numbers may not sum to totals because of rounding.
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 2018 (OMB 2017) and prior years, drawing on its *Appendix* volume for information on spending and the *Analytical Perspectives* volume for tax expenditures. Finally, 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 the elderly, state and local estimates, future projections, and methodological changes made in this year’s report. Further details regarding methods are available in *Data Appendix to Kids’ Share 2017: Report on Federal Expenditures on Children through 2016 and Future Projections and Spending on Children Ages 8 and Younger* (Ovalle et al. 2017).

**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 to children? Calculating spending on children and comparing data over time requires 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 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 federal 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 2018 (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 express them in 2016 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. In some cases, we scour government websites or contact federal agency staff directly to obtain program participation information.

METHODS FOR SPENDING ON THE ELDERLY

While Kids’ Share focuses on federal expenditures on children, we also have developed rough estimates of spending on the elderly, 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 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 the methodology for children, we estimate the share of the program that goes to the elderly population; for example, we subtract spending on children and 18- to 64-year-old disabled adults to estimate the elderly’s share of spending for Social Security, Medicare, and Medicaid.

METHODS FOR STATE AND LOCAL ESTIMATES

Although this report focuses on federal expenditures on children, it also estimates state and local spending on children for 1998 to 2014. 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 2014 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). State programs that are not jointly funded by federal and state governments are included to the extent that they are reported in federal reporting requirements. Specifically, TANF separate state programs are included; state spending on prekindergarten is included when it is reported by state education agencies as part of state and local education; and state health, child care, and child welfare spending is included when it is claimed as maintenance of effort or matching under federal health, TANF, or child care programs. Spending in territories was not counted in the state and local estimates. Note that the annual reporting period for these estimates varies, from a school year (July 2013–June 2014) for education programs to the federal fiscal year (October 2013–September 2014) for major federal programs to the calendar year for the earned income tax credits.

Most of these programs were assumed to spend 100 percent on children; the exceptions are Medicaid, TANF, and CHIP. The “kids’ share” of these programs was generally estimated state by state but was estimated in aggregate (i.e., one estimate for the entire nation) in 2009 for Medicaid, 2009–12 for TANF, and in 2009–12 and 2014 for CHIP.

Data sources for the 2009–14 estimates are as follows. State and local spending on K–12 education is based on the US Census Bureau’s Annual Survey
of School System Finances. Medicaid spending on children is estimated from unpublished tabulations of Medicaid claims (MSIS data), by state and age, generated by the Urban Institute’s Health Policy Center for this project. State spending on other major federal programs is drawn from the websites and reports of various federal agencies. State spending on state earned income tax credits is based on information from the IRS compiled by the Urban-Brookings Tax Policy Center.

**METHODS FOR PROJECTIONS**

To estimate future spending trends for children, we primarily use the Congressional Budget Office’s *Updated Budget Projections: 2017 to 2027*. 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 (with spending governed by programmatic rules, such as Medicaid or Social Security), discretionary (with spending set by appropriations action annually and subject to the BCA spending caps), or a tax expenditure.

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.

For discretionary spending, the CBO traditionally uses a baseline assumption that spending is kept constant in real terms—that is, spending is adjusted for inflation. However, for 2016 through 2021, the CBO baseline is adjusted downward to reflect caps on defense and nondefense spending as established by the BCA and subsequent amendments.

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. 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.

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 2017 to 2027. The exception is that we use the CBO’s detailed projections by age group for Medicaid, Social Security, and SSI, and we adjust the projected share of children’s spending for the premium tax credit to take into account lower spending for CHIP under CBO baseline projections. We do not publish program-specific projections because they are somewhat tentative, but we are able to provide broad statements about future spending on children’s as a whole and in broad budget categories, such as health and education.
REFERENCES


Notes for Federal Expenditures by Category and Program, 2016 (page 17) and Federal Expenditures on Children by Program, Selected Years, 1960–2016 (page 41)


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 2016 or 2017.

Other health covers 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, emergency medical services for children, universal newborn hearing, home visiting, and school-based health care.

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 income security includes Railroad Retirement, survivors’ compensation, veterans compensation, survivors’ pensions, veterans pensions, and the savings associated with the federal share of child support collections.

Other education includes Indian education, English language acquisition, domestic schools, the Institute of Education Sciences, safe schools and citizenship education, Junior ROTC, Safe Routes to Schools, vocational (and adult) education, and the State Fiscal Stabilization Fund.

Other social services include 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 include outlays from Qualified Zone Academy Bonds and Qualified School Construction Bonds.

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

* Less than $50 million.

NA = estimate not available.

-- program did not exist.
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