

Federal Expenditures on Elementary-Age Children in 2008

(Ages 6 through 11)

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The Urban Institute

BROOKINGS

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The Urban Institute and The Brookings Institution

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EXECUTIVE SUMMARY

The federal government spent \$113 billion in outlays and on reductions in taxes on elementary-age children in 2008. What does this figure mean? Are we spending too much, too little? We provide first-ever estimates of federal expenditures on elementary-age children, ages 6 through 11, in 2008. We also present key policy issues that affect this age group. With these two pieces of information, policymakers, advocates, and the public can begin a dialogue about how to best invest federal resources for this age group.

This report, focusing on elementary-age children, is one of a series of reports issued in the past few years on expenditures on children, looking at children overall (birth to age 18), infants and toddlers (birth to age 2), and pre-kindergartners and kindergartners (ages 3 to 5). The following estimates of how much of the federal budget was targeted toward elementary-age children in 2008 is based on budget data released in May 2009 and includes the effects of early responses to the 2008 recession. The effects of the American Recovery and Reinvestment Act (ARRA) of 2009 do not appear in the 2008 expenditures, but are captured in the expenditure projections included in the final section of the report.

Why focus on six- to eleven-year-old children? What are the challenges and relevant policies for elementary-age children? Researchers across different disciplines highlight four compelling policy issues affecting this age group:

- A considerable number of elementary-age children have characteristics that may make them particularly vulnerable to poor outcomes later in life.
- Major developments in learning and reading acquisition take place during the elementary years.

- High quality elementary education can reinforce gains in learning made in the pre-kindergarten years.
- Obesity, affecting many children today, is associated with numerous negative outcomes that persist into adulthood.

Our results answer four questions: (1) How much is spent on elementary-age children? (2) Where are funds spent? (3) How are funds spent? and (4) What are the future trends in expenditures on elementary-age children based on current policy? We highlight the following key findings:

- \$113 billion was spent on children ages six through 11 in 2008, which includes \$90 billion (80 percent) in outlays and \$23 billion (20 percent) in reductions in taxes.
- Six programs account for 63 percent of the expenditures on elementary-age children. Of these six programs, three are tax programs (CTC, EITC, and the dependent exemption), while the other three are child nutrition (nutrition program), Medicaid (health program), and education for the disadvantaged (education program).
- Education programs figure prominently in federal spending on six- to eleven-year-old children, representing 16 percent of total



spending on elementary-age children compared with 11 percent of spending on all children. Other major program areas of spending include income security, health, and nutrition, each contributing 12 percent of total expenditures on elementary-age children. The refundable portions of the Child Tax Credit and the Earned Income Tax Credit, represent one-fifth (21 percent) of total spending on children ages 6 through 11. Reductions in taxes also represent a fifth of spending (21 percent).

- In 2008, over half (57 percent) of federal expenditures on elementary-age children were targeted by income. Half (50 percent) of expenditures were provided to elementary-age children in the form of in-kind benefits; few were provided in the form of cash benefits (9 percent). The remaining 41 percent of expenditures on six- to eleven-year-old children were evenly distributed between reductions in taxes (20 percent) and refundable portions of tax credits (21 percent).
- State and local governments also make considerable investments in this age group, though investments vary widely across states. First-ever estimates of expenditures by level of government show that nearly three-quarters (73 percent) of the total public investment in elementary-age children was made by state and local governments in 2004, largely driven by state and local financing of public education. Combined, federal, state and local spending per child in 2004 was \$10,783; \$8,086 was spent on education programs. With the 2008 reces-

sion depleting available revenues and increasing demands for additional resources, many state policymakers will face difficult fiscal choices that could affect spending levels for elementary-age children.

- Based on current policy and early responses to the recession, we estimate that federal expenditures on children ages 6 through 11 were 0.8 percent of gross domestic product (GDP) in 2008. As the ARRA provisions take effect in 2009 and 2010, we estimate that federal spending on children as a percent of GDP will rise; however, as those provisions expire, and without intervention by the Obama administration and Congress, spending on children will revert back to 2008 levels by 2012.

Overall, this report presents detailed information covering over 100 federal programs that affect elementary-age children. It does not, however, allow us to draw conclusions on the efficiency, success, or worth of a particular type of program or level of spending. Nor are we able to assess how expenditures necessarily address need or serve the eligible populations. Yet, this report does provide a starting place for a national conversation about our priorities surrounding 6- to 11-year-old children. Research has shown the importance of high-quality education and the deleterious effects of obesity in the lives of elementary-age children. Our findings allow us to reflect on whether current spending is adequate to fulfill the educational and health needs of elementary-age children in this country and where investments need to be made.



INTRODUCTION

Investment in elementary-age children is critical to their individual development and future labor market and economic successes. But how much does the federal government invest in children ages 6 through 11, and where and how are these investments made to help promote positive trajectories? A baseline understanding of current investments in this age group is a useful way to start a dialogue about the extent to which the federal budget places sufficient emphasis on elementary school children.

This report provides a first-time analysis of the nation's current investments in elementary-age children, defined as children ages 6 through 11. We consider over 100 federal programs through which the federal government allocates money to children, and subsequently estimate the amount spent on six- to eleven-year-old children. This report provides helpful information about what federal programs from which federal agencies make up total investments in elementary-age children. This can stimulate conversations about how the agencies relate to each other and how programs that may not primarily relate to this age group could best complement others and support public objectives.

The report, however, does not assess trends historically or provide detailed estimates of state and local spending. Furthermore, we cannot draw conclusions from the analysis about the efficiency, success, or worth of a particular type of spending or program. Nor does the level of spending indicate how much investment is needed for elementary-age children. Nevertheless, our estimates establish a baseline for which one may gauge the priority the nation places on investing in children ages 6 through 11 and provides useful data when comparing expenditure patterns to researchers' findings about high-

return public investments. We also look a few years forward to project future investments in this age group, an important exercise given recent investments to stimulate the economy as well as future budget constraints.

This report, focusing on elementary-age children, is one of a series issued in the past few years on expenditures on children, looking at children overall (birth to age 18), infants and toddlers (birth to age 2), and pre-kindergartners and kindergartners (ages 3 to 5).¹ This and other reports on specific age groups focus primarily on 2008, and do not contain the historical data found in the overall *Kids' Share* reports (which track federal expenditures on children back to 1960). We do include, however, some examination of federal and state/local patterns for various age groups in 2004 (the last year for which we have state and local data), allowing comparisons of total public investment across children in different age groups (See our companion brief, *Public Investment in Children's Early and Elementary Years*, Macomber et al., 2010, for these comparisons, a few of which are summarized below).

As context for examining expenditures on children in this age group, we provide a brief review of what experts across different disciplines



say about significant developments and policy issues for elementary-age children:

- *A considerable number of elementary-age children have characteristics that may make them particularly vulnerable to poor outcomes later in life.* In 2007, 9 million, or 39 percent, of the nation's children age 6 through 11 lived in low-income families, defined as families with income below 200 percent of poverty (Douglas-Hall and Chau 2008). These rates have likely risen, as recently released 2008 data indicate that the poverty rate for this age group rose to 19 percent in 2008, up from 17 percent in 2007 (U.S. Census Bureau, 2009). Based on the 2000 Census data, 24 percent of children ages 6 through 13 live in single-parent households. Of these children, roughly 18 percent have a parent who does not work, while 2 percent of children in two-parent families do not have an employed parent (Hernandez et al. 2004). Social capital in many households is low. Approximately 17 percent of children ages 6 through 13 have a mother and 18 percent have a father who did not graduate high school (Hernandez et al. 2004).
- *Major developments in learning and reading acquisition take place during the elementary years.* The early elementary years are a critical period for acquiring literacy skills. It is thought that this period ends around the time a child finishes third grade, at which point children who lag behind their peers are at increased risk for poor academic outcomes (Elias and Haynes 2008). In addition to the development of math and reading skills in this period, children also continue to acquire the capacity to be self-reflective and self-regulate, which provide the social and emotional infrastructures for learning (Shonkoff and Phillips 2000).
- *High quality elementary education can reinforce gains in learning made in the pre-kindergarten years.* The learning environment in the elementary grades can reinforce or hinder gains in learning made as a result of pre-

kindergarten interventions (Reynolds, Magnuson, and Ou 2006). It is important that gains in learning are sustained during this important transition into elementary school (Reynolds et al. 2006). Early childhood interventions that continue into the elementary grades, such as the Chicago Child Parent Center and Expansion Program, a school-based enrichment and family services program for children in pre-kindergarten through the third grade, help prevent earlier gains in learning from fading over time (Reynolds et al. 2006). In a 19-year follow-up study of children in low-income families participating in the Child Parent Center program, those who continued in the program beyond their pre-kindergarten years into the primary grades had higher educational attainment, higher rates of full-time employment, and employer-based health insurance, as well as lower levels of out-of-home placement, need for public aid, and violent crime (Reynolds et al. 2007).

- *Obesity, affecting many children today, is associated with numerous negative outcomes that persist into adulthood.* In 2003–2006, nearly one out of every five children (17 percent) ages 6 to 11 was obese (Ogden et al. 2008). Obesity in childhood, as in adulthood, is associated with a number of negative health outcomes from Type 2 diabetes to certain forms of cancer (Freedman et al. 2007). School attendance and performance have also been linked to obesity. A recent study in Philadelphia found that obese elementary school students missed 20 percent more days during the school year as a result of health issues, stigma, and bullying associated with being overweight (Geier et al. 2007). Similarly, Schwimmer, Burwinkle, and Varni (2003) found that obese children missed on average 3 more days per month than healthy weight children. Research has also found associations between obesity and academic performance, with heavier children more likely placed in special education or



remedial classes (Tershakovec, Weller, & Gallagher, 1994). While the relationship between obesity and school performance has not been found to be causal, many believe that obesity negatively affects self-esteem, acting as a mediator of school performance (Wang & Veugelers 2008; Taras & Potts-Datema 2005). Research has also found that obese children are more likely to become obese adults than healthy weight children (Whitaker et al. 1997), which is particularly concerning given the estimated costs of obesity in adulthood. A study by Finkelstein, Fiebelkorn, and Wang (2003) estimated that obesity-related expenditures for adults

account for \$51.5 to \$78.5 billion annually, half of which are paid for by Medicare and Medicaid.

We begin with a brief overview of the data and methods used for this analysis. We then highlight the level of investment the federal government makes in elementary-age children and examine the role of state and local spending. We also identify different categories of spending critical to supporting children's positive outcomes and look at how the federal government spends on this age group. Finally, we present our estimates of future spending on children ages 6 through 11 in light of current policy decisions.



METHODS

Estimating federal expenditures on elementary-age children is a delicate and difficult proposal. How should one define an elementary-age child? Which federal programs benefit this population and what are the best data sources to use? Compared to their parents, how much of a benefit to families with elementary-age children should be spent on children? And should analyses consider tax reductions, along with direct spending programs and refundable portions of tax credits? For many of these questions, no clear answer exists. Instead, researchers must make judgments based on expert advice and available data.

Fortunately, such a task was greatly simplified in this and a companion report on spending on children ages 3 through 5, as we built on the methods and estimates developed for prior work on children's budgets conducted at the Urban Institute and the Brookings Institution. Specifically, two reports provided guidance in the estimation of federal spending on elementary-age children: *Kids' Share: An Analysis of Federal Expenditures on Children through 2008* (Isaacs et al. 2009) and *Federal Expenditures on Infants and Toddlers in 2007* (Macomber et al. 2009).² A complete description of the methods is provided in the Data Appendix to *Federal Expenditures on Pre-Kindergartners and Kindergartners in 2008* and *Federal Expenditures on Elementary-Age Children in 2008*, a separate publication.³

The basic methodology for estimating federal expenditures on children involves a review of more than 100 federal programs, including programs that serve children exclusively, programs with explicit child components or payments to child clients, and programs that pay benefits to families with children (see table 1 for a comprehensive list of programs reviewed). For each program, we apply to program outlay estimates a children's share of spending and then a share of

spending for elementary-age children. These shares are derived from detailed programmatic data collected from a variety of sources.

We discuss federal expenditures in two broad categories—*outlays*, which include spending programs (e.g., Medicaid) and refundable portions of tax credits (e.g., the Earned Income Tax Credit [EITC]), and *reductions in taxes* (e.g., the non-refundable portions of the EITC and the dependent exemption). Sometimes we refer more broadly to tax programs, including both refundable portions of tax credits and reductions and taxes.

We also calculate total public investment, incorporating state and local spending. To obtain estimates of state and local spending, we relied heavily on estimates for 2004 from a report by researchers at the Rockefeller Institute (Billen et al. 2007). Patricia Billen, coauthor of the report on state and local expenditures, consulted with the authors of our earlier children's budget reports in an effort to improve consistency in methodological approaches in measuring federal and state and local expenditures.

In estimating planned federal expenditures on elementary-age children for future years, we rely on the projections of federal spending on all children, supplied in *Kids' Share: An Analysis of*



TABLE 1. Federal Expenditures on Elementary-Age Children in 2008, Children Age 6 through 11, by Category and by Program

	Spending (\$ millions)	As a percent of total expenditures on children age 6 through 11	As percent of total program spending
EDUCATION	17,657	16	
Education for the disadvantaged (Title I)	8,244		55
Education for the handicapped	4,490		37
School improvement	2,271		42
Impact Aid	528		42
Dependents' schools abroad	508		49
Other education ^a	1,617		
Training programs ^b			
INCOME SECURITY	13,691	12	
Social Security	4,888		1
Temporary Assistance for Needy Families	4,002		24
Supplemental Security Income	2,999		7
Child support enforcement	1,155		32
Veterans benefits	632		2
Other income security ^c	16		
HEALTH	13,647	12	
Medicaid	11,022		6
SCHIP	2,063		30
Other health ^d	563		
NUTRITION	13,456	12	
Child nutrition	7,079		51
Supplemental Nutrition Assistance Program/Food Stamp Program	6,369		16
Other nutrition ^e	8		
HOUSING	4,300	4	
Section 8 Low-Income Housing Assistance	3,532		14
Low-rent public housing	545		13
Other housing ^f	222		
SOCIAL SERVICES	3,607	3	
Child Care and Development Block Grant	1,176		24
Adoption assistance	812		40
Foster care	777		17
Other social services ^g	842		
REFUNDABLE PORTIONS OF TAX CREDITS	23,700	21	
Earned income tax credit (outlays)	12,061		27
Child tax credit (outlays)	11,639		34
REDUCTIONS IN TAXES	23,216	20	
Dependent Exemption	10,046		31
Child tax credit (nonrefundable)	9,723		34
Earned income tax credit (nonrefundable)	1,433		27
Dependent care credit	960		32
Other tax provisions ^h	1,053		
TOTAL EXPENDITURES ON ELEMENTARY-AGE CHILDREN (outlays and reductions in taxes)	113,274	100	
OUTLAYS SUBTOTAL (all spending programs and refundable portions of tax credits)	90,058	80	
TAX EXPENDITURES SUBTOTAL (reductions in taxes)	23,216	20	

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

Notes:

(a) Other education includes innovation & improvement, safe schools & citizenship education, Indian education, English language acquisition, domestic schools, Junior ROTC, hurricane education recovery, Gallaudet University (pre-college programs), American Printing House for the Blind, and education expenses for children of employees, Yellowstone National Park. (b) No training programs are targeted toward elementary-age children. (c) Other income security includes Black Lung Disability and Railroad Retirement. (d) Other health includes immunization, Maternal and Child Health (Block Grant), children's graduate medical education, lead hazard reduction, abstinence education, children's mental health, birth defects/developmental disabilities, Healthy Start, Adolescent Family Life, emergency medical services for children, universal newborn hearing, and Medicaid—vaccines for children. (e) Other nutrition includes the Special Supplemental Nutrition Program for Women, Infants and Children, Special Milk, and the Commodity Supplemental Food Program. (f) Other housing includes Low Income Home Energy Assistance, rental housing assistance, and rent supplement. (g) Other social services includes Social Services Block Grant, children and families services, family preservation and support, juvenile justice, child welfare services, community services block grant, independent living, missing children, children's research and technical assistance, and child welfare training. (h) Other tax provisions includes exclusion of employer-provided child care, exclusion for Social Security retirement and dependents & survivors' benefits, exclusion of certain foster care payments, adoption credit and exclusion, assistance for adopted foster children, exclusion for Social Security disability benefits, exclusion for public assistance benefits, exclusion for veterans death benefits and disability compensation, employer-provided child care credit, exclusion of veterans pensions, exclusion for special benefits for disabled coal miners, and exclusion for Railroad Retirement benefits.



Federal Expenditures on Children through 2008. The authors choose budgetary projections for what is likely to happen to federal programs under a “current policy” or “baseline” scenario that assumes continuation of current law and policy. However, these budget projections do assume the extension of expiring tax provisions. In general, the authors rely on outlays projections from the Congressional Budget Office and tax expenditure projections from the Urban-Brookings tax model and the Office of Management and Budget.⁴

Limitations

While this report presents a comprehensive examination of the federal government’s role in the lives of elementary-age children, several caveats and limitations should be kept in mind:

- We do not reach conclusions on the efficiency, success, or worth of a particular type of program or level of spending. We also are not able to assess how expenditures necessarily address needs or how well they serve the eligible populations.
- Resources for children are inextricably linked with resources for their parents, because children’s lives are inextricably linked with their parents’ and families’ lives. This presents a conceptual and practical challenge for a children’s budget, and while we have sought

extensive consultation and refined the way we calculate estimates, there is no perfect way to make these distinctions. As a result, some of what we classify as “children’s or elementary-age children’s spending,” specifically targeted toward their parents, may also assist parents, and some of what we ignore as “other spending” may indeed help these children.

- While the estimates provide a baseline for thinking about different governmental roles, the shares of expenditures attributable to federal and state and local resources may have shifted since 2004, especially when considering the impact of the 2008 recession on state and local budgets. A second caveat is that in calculating the federal share for 2004, we assume the proportion of expenditures going to each age group was the same in 2004 as it is in 2008, which may not be the case. Third, the Rockefeller report focuses on fewer programs than included in our analysis, providing expenditure information for a dozen major programs, including elementary and secondary education, state programs associated with major federal programs (Medicaid, SCHIP, MCHB, TANF, child support enforcement, child care, child welfare, etc.), and state earned income tax credits. While it does not fully capture expenditures on state-only programs, it is the best available source of recent data on state and local spending.⁵



HOW MUCH IS SPENT ON ELEMENTARY-AGE CHILDREN?

Federal expenditures on elementary-age children were an estimated \$113 billion in 2008 (figure 1). The federal government spent \$90 billion (80 percent) through outlays and \$23 billion (20 percent) through reductions in taxes. Of the \$90 billion in outlays, \$24 billion came via the refundable portions of Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC). Tax programs, therefore, account for over 41 percent of total expenditures on elementary-age children (\$24 billion in outlays and \$23 billion in tax reductions).

\$113 billion in expenditures on elementary-age children represents 31 percent of expenditures on all children, birth to age 18. According to Census Bureau population estimates, this proportion is roughly equal to the share of children in the age group 6 to 11 (30 percent).⁶

It is important to note that this report is a snapshot of federal expenditures in one year. It is not possible to know whether the \$113 billion in total expenditures represents an increase or decrease from prior years, although we do provide projections of spending on elementary-age children through 2012 later in the report.

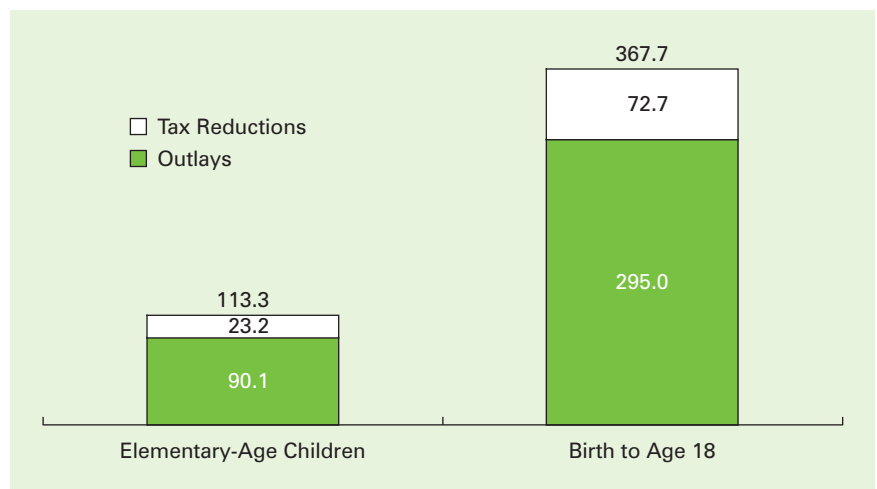
Share of Federal and Domestic Budget

What does the \$113 billion spent on elementary-age children represent? One way to analyze this amount is to calculate spending on elementary-age children as a share of the total federal budget and as a share of domestic outlays.

Of the \$2.98 trillion in federal outlays in 2008, approximately 4 percent went to children ages 6 through 11. To provide an apples-to-apples comparison, tax expenditures on elementary-age

children are not included when comparing with other spending programs in the federal budget. When domestic outlays (which exclude defense and international affairs spending) are isolated, the share devoted to elementary-age children is 4 percent. In comparison, elementary-age children represented 8 percent of population in the United States in 2008.⁷

FIGURE 1. Federal Expenditures on Elementary-Age Children in 2008, Children Age 6 through 11 (billions of dollars)



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

Note: All children generally includes children birth through age 18.



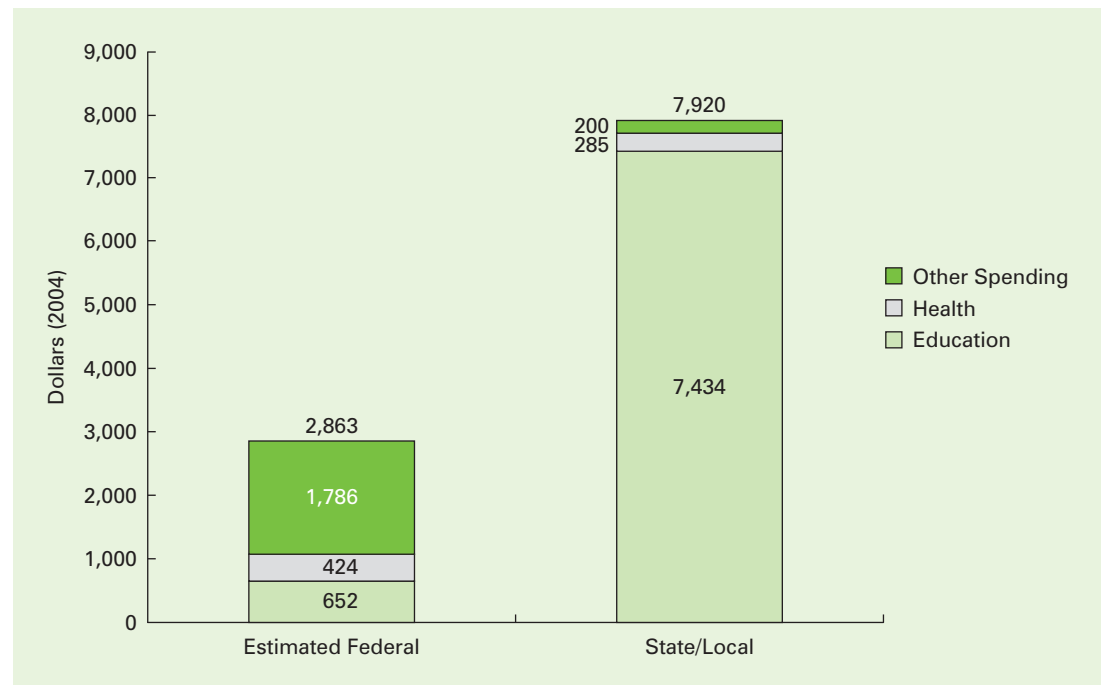
State and Local Comparison

Federal spending can also be considered in light of state and local spending. This is a particularly important consideration for this age group given the substantial investments states and localities make in children's education. In 2007, researchers at the Rockefeller Institute produced a comprehensive 50-state analysis of state and local spending for all children birth through age 18 in 2004. We were able to derive estimates of state and local spending by applying our estimates of the elementary-age share of children's spending on education, Medicaid, and other major programs to the Rockefeller estimates. Some differences exist across the two methodologies; however, combining the estimates is useful to gain a better understanding of total public investment on elementary-age children.⁸ Of note, we exclude reductions in taxes from the federal estimate to provide comparability to the state/local estimate.⁹

States and local governments play a substantial role in the lives of elementary-age children, relative to the federal government (figure 2). In 2004, we estimate that states and local governments provided nearly three-quarters (73 percent) of all public spending on children ages 6 through 11, while the federal government supplied approximately one-quarter (27 percent) of public spending on children ages 6 through 11. Of note, these are averages; expenditures by state vary widely.

In 2004, we estimate that total public investment in elementary-age children was, on average, \$10,783 per child (figure 2). Of the total public investment, the federal government spent, on average, \$2,863 per child. The majority of the federal investment (62 percent) came from other non-education and non-health forms of spending. In contrast, state and local governments primarily expended their resources on education programs. State and local governments spent on average \$7,920 per child in 2004, of which 94 percent was

FIGURE 2. 2004 Per Capita Public Spending on Elementary-Age Children, Children Age 6 through 11, by Category



Source: The Urban Institute and The Brookings Institution, 2010. Federal estimates are the authors' estimates; state estimates are from Billen et al. (2007). Note: Tax expenditures are not included at either the federal or the state/local level. Other spending includes spending on income security, social services, nutrition, housing, and tax credits. Reductions in federal taxes are not included to improve comparability with state estimates. Excluding reductions in federal taxes from the federal estimate improves comparability to the state estimate, because the state researchers did not collect information on child or dependent exemptions or other types of tax reductions. Even so, the estimates are not completely consistent. For example, the tax credits in the state estimate include the full value of the state earned income tax credits while the tax credits in the federal estimate include the refundable portions of both the earned income tax credit and the child tax credit. All children generally includes children age 0 through 18.



spent on education. Overall, education spending contributed three-quarters of the total public investment on elementary-age children in 2004.

Relative to Other Age Groups

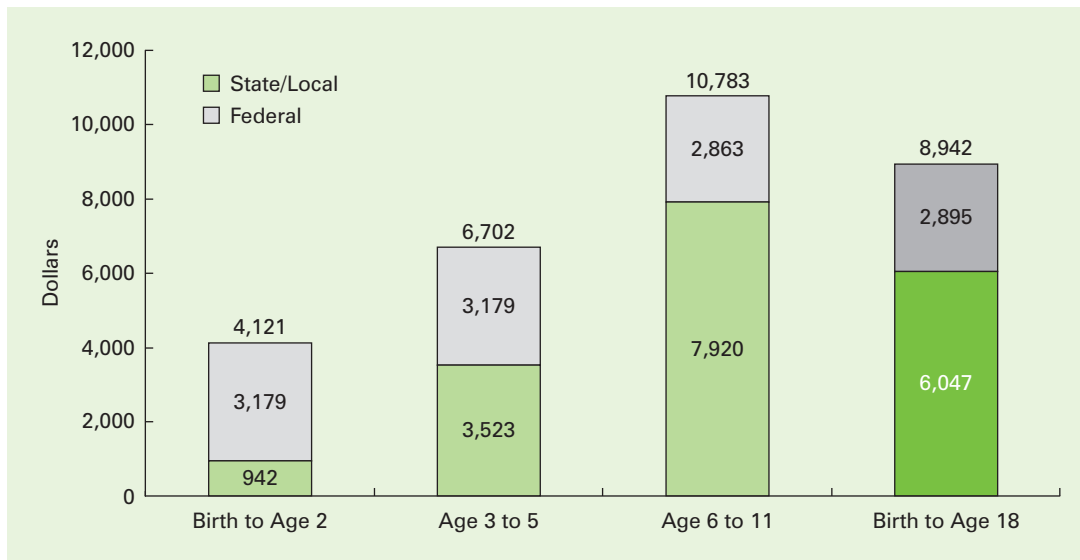
Comparing outlays on elementary-age children to spending on other age groups provides additional context when thinking about federal priorities (figure 3). For instance, the \$2,863 spent federally on the average elementary-age child is less than the amount spent on children birth through age 2 and children ages 3 through 5 in 2004. Also, the programs through which federal dollars flow differ (Macomber et al. 2010). Federal spending on the elderly surpasses spending on elementary-age children by a ratio of nearly 7 to 1 when measured on a per capita basis. In 2004, the federal government spent \$21,144 per person 65 and older, according to Isaacs (2009), or 7.4 times higher than the share for children ages 6 through 11.

When state and local spending is included with federal dollars, more striking differences between spending on children of different ages appear. In particular, total spending on elementary-age children is more than twice the amount spent on infants and toddlers and over one and a half times the amount spent on pre-kindergartners and

kindergartners. State and local spending on the elderly is quite low, which makes the total public investment more balanced, though still favoring the elderly by a factor of more than 2 to 1. Specifically, in 2004, total public investments in the elderly were estimated to be \$21,904 per elderly person, compared to \$10,783 per child ages 6 through 11 (Isaacs 2009).

While the estimates above provide a baseline for thinking about different governmental roles, the shares of expenditures attributable to federal and state and local resources may have shifted since 2004, especially when considering the impact of the 2008 recession on state and local budgets. As of November 2009, 48 states had addressed or encountered budget shortfalls for fiscal year 2010, amounting to \$190 billion or 28 percent of state budgets (McNichol and Johnson 2009). As a consequence, the relative role of the federal government in education investment may fluctuate dramatically as states and localities continue to feel the effects of the recession. Moreover, given the relatively substantial role of state expenditures on this age group, the overall level of public investment in elementary-age children could be reduced if state shortfalls result in less spending on them and the federal government does not compensate.

FIGURE 3. 2004 Per Capita Public Spending on Children, by Age Group and by Source



Source: The Urban Institute and The Brookings Institution, 2010. Federal estimates are the authors' estimates; state estimates are from Billen et al. (2007). Note: Tax expenditures are not included at either the federal or state/local level.



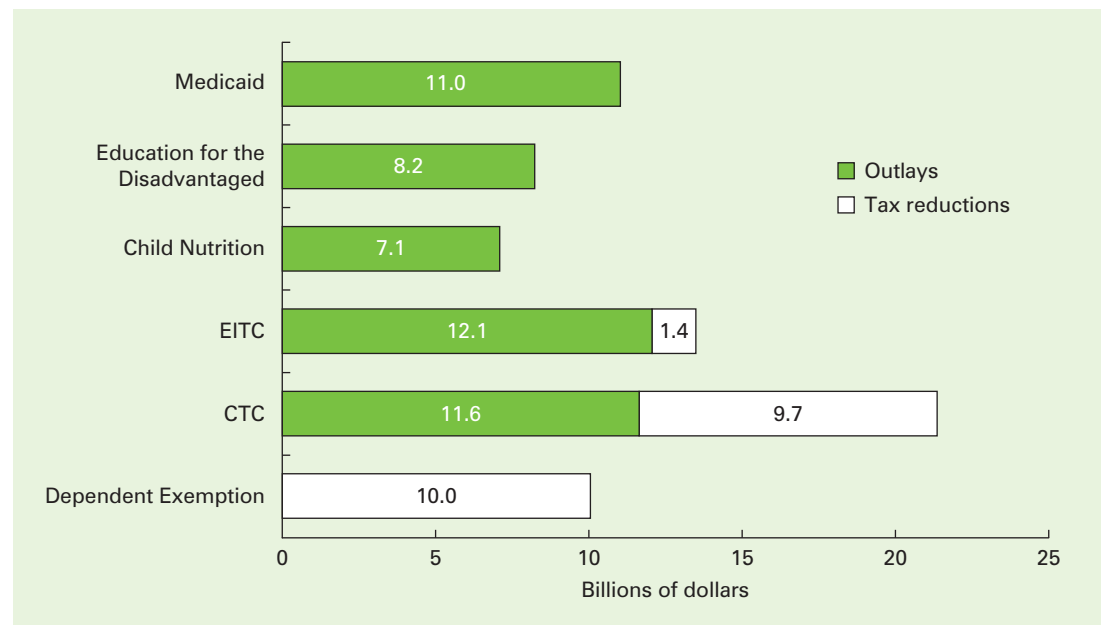
WHERE ARE FUNDS SPENT?

Six programs account for 63 percent of the \$113 billion in expenditures on elementary-age children (figure 4). Of these six programs, three are tax programs (CTC; EITC; and the dependent exemption), while the other three are child nutrition, (nutrition program), Medicaid (health program), and education for the disadvantaged (education program). Over half (51 percent) of total child nutrition funding, which includes the national school lunch and breakfast programs, as well as child and adult care feeding and the summer food programs, goes to children of this age, while in contrast, only 6 percent of Medicaid spending goes to elementary-age children.

Eighteen percent of federal expenditures on elementary-age children come from programs focused specifically on the care and education of this age group (figure 5). The major programs in this category (and highlighted in box 1) include the Child Care and Development Block Grant

(CCDBG), education for the handicapped, education for the disadvantaged, child and dependent care tax credit (CDCTC) and employer exclusion tax credit, and other education programs. Education for the disadvantaged represents the largest portion of care and education

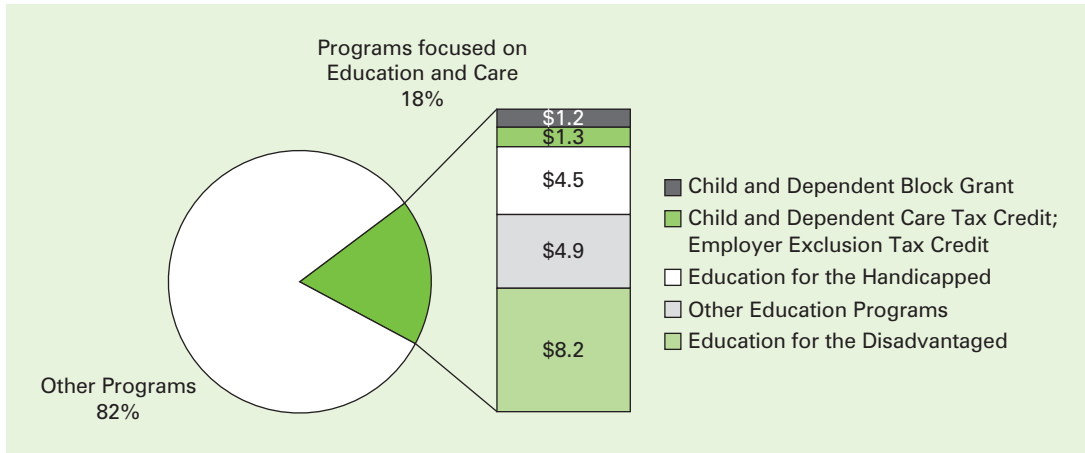
FIGURE 4. Six Largest Programs by Expenditure on Elementary-Age Children in 2008, Children Age 6 through 11



Source: The Urban Institute and The Brookings Institution, 2010. Authors' estimates based on the *Budget of the United States Government Fiscal Year 2010*. Note: See table 1 for further detail.



FIGURE 5. Expenditures on Programs Focused on Education and Care for Elementary-Age Children, Children Age 6 through 11



Source: The Urban Institute and The Brookings Institution, 2010. Authors' estimates based on the *Budget of the United States Government Fiscal Year 2010*. Note: See table 1 for further detail.

spending, as it devotes \$8 billion, to children ages 6 through 11.

It is important to note that if total public expenditures were considered (i.e., including state and local spending), the portion devoted to care and education would be much higher. As discussed, state and local spending on this age group is heavily concentrated in education programs.

Next, we examine federal expenditures for elementary-age children, relative to all children, across a range of categories (figure 6). Overall, the federal government spent a higher percentage of spending through education programs for children ages 6 through 11 (figure 6), compared with all children. Education programs comprise 16 percent of federal spending on elementary-age children, compared with 11 percent for all children. The higher proportion of spending on education is primarily due to elementary school attendance by this age group; the public education system serves comparatively fewer children under age 6.

Proportionally, the federal government also spent less on health (12 percent) and social services (3 percent) as compared with all children (16 percent and 6 percent, respectively) in 2008. The lower proportion of spending on health was likely due to infants receiving a proportionally higher amount of spending for Medicaid than elementary-aged children. The lower proportion

of spending on social services was likely due to more substantial spending on Head Start and CCDBG for younger children.

Education (\$18 billion on elementary-age children)

Largely driven by education for the handicapped and education for the disadvantaged programs, education spending was \$18 billion in 2008 (table 1). Of the larger education programs, education for the disadvantaged focused the most on elementary-age children, as 55 percent of its funding (\$8 billion) went to this age group. Education for the handicapped spent 37 percent (\$4 billion) of total funds on children ages 6 through 11. Another large education program for this age group, school improvement, spent 42 percent of total program funds (\$2 billion) on elementary-age children. Of course, there are many other ways besides spending that the federal government influences education (e.g., the federal government requires states to set standards) and we do not address those in detail. For instance, reviewing the effects of federally directed state standard-setting in Rhode Island, Illinois, and Washington, the Center on Education Policy (2009) found that educators increased their efforts to align curricula to the standards; teachers were more focused on



BOX 1. Selected Programs Focused on Elementary-Age Children

Education for the Disadvantaged

While states and localities are the primary funder of public elementary and secondary school education, the federal government provides support for public elementary school programs, primarily with funding through the Elementary and Secondary Education Act (ESEA), which was first passed in 1965 and later became the No Child Left Behind (NCLB) Act when it was reauthorized in 2002 (U.S. Department of Education 2005a). This act authorizes the use of federal grants to support educational programs and resources such as programs for children in low-income families, books and instructional materials for schools, supplemental educational services, and teacher training (U.S. Department of Education 2005a). Title I of NCLB, also known as education for the disadvantaged, is the largest federal K–12 program (U.S. Department of Education 2005a). Title I provides resources for disadvantaged students, providing funding to local districts with high-poverty schools (CLASP 2009; U.S. Department of Education 2005a). In 2003, 60 percent of students who received services funded through Title I were in first through sixth-grade (Ewen and Matthews 2007).

Education for the Handicapped

Education for the handicapped, administered by the Department of Education and authorized under the Individuals with Disabilities Education Act (IDEA), ensures a free appropriate public education to children with disabilities age 3 through 21 (U.S. Department of Education 2008b). Grants provided to states through this program are used in combination with state and local funds to provide appropriate services to eligible children (U.S. Department of Education 2008b). For example, funding may be used for the salaries of special education teachers or costs of personnel such as speech therapists and psychologists (U.S. Department of Education 2008b). Over 6 million students age 6 to 21 received services through this program in 2003 (U.S. Department of Education 2005b).

Other Major Education Programs

Impact Aid. The Impact Aid Program, authorized by the Elementary and Secondary Education Act of 1965, provides financial support to school districts that do not receive funding from local property taxes for concentrations of individuals living on federal property, such as Indian land, military bases, and low-rent housing properties (U.S. Department of Education 2008a; U.S. Department of Education 2008b). Impact Aid funds are used for a wide range of purposes, such as teachers' salaries, equipment, and after-school programs (U.S. Department of Education 2008a).

School Improvement. School Improvement programs are authorized by the Elementary and Secondary Education Act of 1965 (OMB 2007). School improvement funds provide grants to states for various programs, including those related to the implementation of school improvement plans and the provision of supplemental educational services (OMB 2007). For example, school improvement funds support 21st Century Community Learning Centers that provide after-school program activities, such as tutoring, arts, music, and educational activities, especially for children in high-poverty areas and those attending low-performing schools (OMB 2007; U.S. Department of Education 2008b). The Department of Education awards 21st Century Community Learning Centers grants to state education agencies, which then provide funds to selected organizations (U.S. Department of Education 2008b). School improvement also includes grants to states, authorized by the McKinney-Vento Homeless Assistance Act, to provide educational and related services for homeless children and youth (OMB 2007).

Dependents' Schools Abroad Program. The Department of Defense (DoD) is required to provide a quality education for military dependents, including children in military families living abroad (U.S. Department of Defense 2006). The Department of Defense Education Activity (DoDEA) operates DoD schools for children of military service members and DoD civilian employees (U.S. Department of Defense 2006). DoDEA operates 192 schools, serving 84,000 students in 12 foreign countries, seven states, Guam, and Puerto Rico (U.S. Department of Defense 2008).

Child and Dependent Care Tax Credit (CDCTC)

The CDCTC is a tax credit that reimburses a percentage of families' child care expenses. The maximum credit is \$600 to \$1,050 per child, and twice that per family, calculated as 20 to 35 percent of eligible expenses, up to maximum of \$3,000 in expenses per child and \$6,000 per family. Families with lower incomes are eligible for the higher credit (35 percent rather than 20 percent of eligible expenses), except that low-income families rarely qualify for the maximum benefit because the CDCTC is not refundable and only benefits families who owe taxes. Higher-income families subject to the alternative minimum tax (AMT) also do not receive full benefit from the CDCTC (Tax Policy Center 2008).



BOX 1. (Continued) Selected Programs Focused on Elementary-Age Children

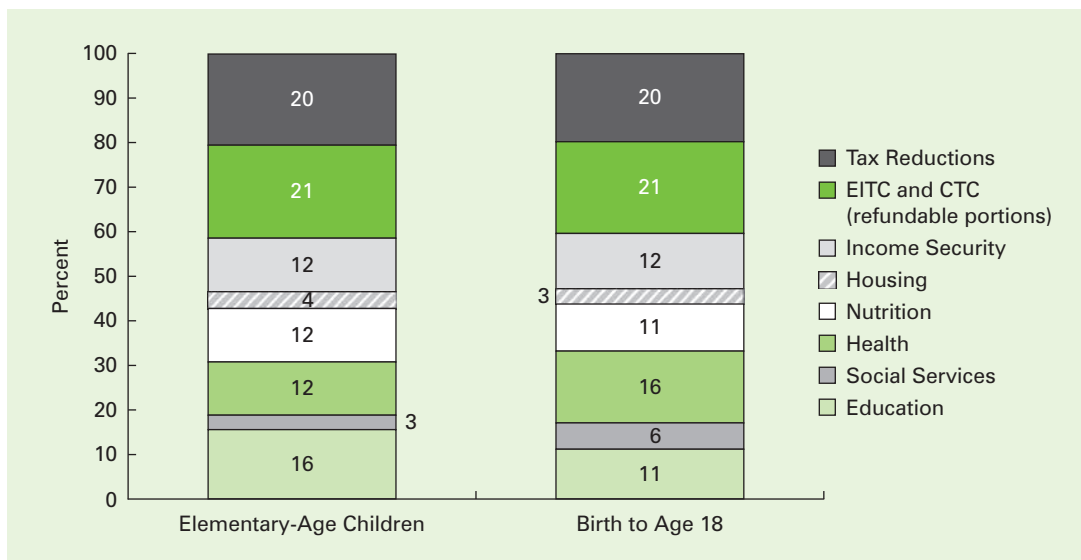
Child Care and Development Block Grant (CCDBG)

CCDBG, administered by the Department of Health and Human Services (HHS) Child Care Bureau, provides federal support to increase the affordability, availability, and quality of child care for low-income working families (Child Care Bureau 2008). CCDBG consists of three funding streams to states established by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), including discretionary, mandatory, and matching funds (Child Care Bureau 2008). States use these funds to improve the quality and availability of child care, as well as to subsidize child care primarily by providing vouchers to eligible families (Child Care Bureau 2008). Children age 6 to 12 composed 36 percent of children served through CCDBG in Fiscal Year 2004 and Fiscal Year 2005 (Child Care Bureau 2008). In Fiscal Year 2005, 26 percent of children age 6 to 9, and 13 percent of children age 10 to 12, who were eligible for child care subsidies through CCDBG were enrolled in federally funded child care assistance programs (HHS 2008).

Child Nutrition

The National School Lunch Program and the School Breakfast Program, two of the largest child nutrition programs, are federally assisted meal programs, administered by the Food and Nutrition Service of the U.S. Department of Agriculture (USDA 2008a; USDA 2008b). The National School Lunch Program was created in 1946 with the passing of the National School Lunch Program Act, while the School Breakfast Program was established twenty years later by the Child Nutrition Act of 1966 (Food Research and Action Center n.d.). The programs operate in public and non-profit private schools as well as residential child care institutions, providing cash subsidies for lunches and breakfasts as well as donated commodities for lunches (USDA 2008a; USDA 2008b). To participate, schools must provide breakfasts and lunches that meet federal nutrition requirements and offer free or low-cost meals to eligible children, based on their families' incomes (USDA 2008a; USDA 2008b). The National School Lunch Program also provides reimbursement for snacks served to eligible children in participating after-school programs (USDA 2008a). Over 30.5 million children participated in the National School Lunch Program and over 9.7 million children participated in the School Breakfast Program each school day in Fiscal Year 2007 and Fiscal Year 2006 respectively (USDA 2008a; USDA 2008b).

FIGURE 6. Federal Expenditures on Elementary-Age Children and All Children in 2008, by Category of Expenditure



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

Notes: Education spending on all children includes spending on training programs for older youth. All children generally includes children birth through age 18. Percentages shown may not total 100 due to rounding.



test preparation in classroom instruction; curriculum in the classroom was narrowed to primarily cover tested material; and there was an increased awareness by educators of the importance of making curriculum decisions based on evidence.

Social Services *(\$4 billion on elementary-age children)*

Less than one-fifth (17 percent) of all social services spending on children goes to those ages 6 through 11, even though this age group represents 30 percent of all children. One reason that social services spending is not as heavily concentrated on elementary school children is that they are less likely to receive child care assistance.

The Child Care and Development Block Grant (CCDBG), the primary source of social services spending, focuses 24 percent of its program funds on children ages 6 through 11 (table 1). In Fiscal Year 2005, 26 percent of children ages 6 to 9, and 13 percent of children age 10 to 12, who were eligible for child care subsidies through CCDBG were enrolled in federally funded child care assistance programs (HHS 2008). In contrast, another large program within the social services, adoption assistance, devoted 40 percent of its budget to elementary school children in 2008.

Health *(\$14 billion on elementary-age children)*

Elementary-age children received \$14 billion in health spending in 2008, which is proportionally less than expenditures on health received by all children (table 1). Specifically, health spending accounts for 12 percent of expenditures on elementary-age children, while totaling 16 percent for all children. The lower proportion of spending on health was likely due to infants receiving a proportionally higher amount of spending for Medicaid than elementary-aged children.¹⁰

The majority of health spending for elementary-age children is attributable to the Medicaid program, which spent \$11 billion on

elementary-age children. Even though Medicaid spends only 6 percent of its budget on children ages 6 through 11, its expenditures are 10 percent of all spending on elementary-age children. In comparison, the other major national health program, SCHIP, spent \$2 billion, or 30 percent of its budget, on children ages 6 through 11. With this federal investment, 7.3 million children (9.9 percent) are still uninsured; however, this represents an all-time low number of uninsured children over the last two decades (U.S. Census Bureau 2009).

Nutrition *(\$13 billion on elementary-age children)*

Nutrition programs account for 12 percent of total expenditures on elementary-age children, compared with 11 percent for all children. Specifically, nutrition programs spent \$13 billion on children ages 6 through 11 in 2008 (table 1). Nutrition spending for this age group is primarily driven by the child nutrition programs, which devote 51 percent of their budgets to children ages 6 through 11, totaling \$7 billion. Another large nutrition program, SNAP, spent \$6 billion, or 16 percent of its budget, on elementary-age children in 2008. Even with these investments, 16 percent of households with children under age 18 experienced food insecurity at some point during the year in 2007, which is nearly double the rate of households without children (9 percent) (Economic Research Service 2009).

Housing *(\$4 billion on elementary-age children)*

Spending on housing programs totaled \$4 billion in 2008 (table 1). Roughly comparable to housing spending on all children (3 percent), housing programs make up 4 percent of total expenditures on elementary-age children. The Section 8 Low-Income Housing Assistance Program, allocating the most housing resources to children ages 6 through 11, spent just under \$4 billion, or 14 percent of its budget, on this age group.



Income Security ***(\$14 billion on elementary-age children)***

Income security programs totaled \$14 billion of all federal spending on elementary-age children, which is largely driven by Social Security, TANF, and Supplemental Security Income (SSI) spending (table 1). Of this, Social Security spent \$5 billion, dedicating 1 percent of its program's spending to this age group. The TANF and SSI programs spent \$4 and \$3 billion, respectively, to this age group. Income security programs represent 12 percent of the total expenditures for both elementary-age children and for all children.

Refundable Portions of Tax Credits ***(\$24 billion on elementary-age children)***

The refundable portions of the EITC and CTC spent \$24 billion on elementary-age children in 2008 (table 1). This amount accounts for over one-fifth (21 percent) of total federal expendi-

tures on children ages 6 through 11—the same share devoted to all children. Both programs spent about \$12 billion each on elementary-age children in 2008; however, as a result of the 2008 tax credit of \$300 per child passed to stimulate the economy, the refundable portion of the CTC is particularly large in 2008, totaling 10 percent of all spending on elementary-age children.

Reductions in Taxes ***(\$23 billion on elementary-age children)***

Reductions in taxes through exemptions, deductions and the non-refundable portions of tax credits, supply \$23 billion in expenditures to elementary-age children, which amounts to 20 percent of overall expenditures in this age group (table 1). The two largest programs, the dependent exemption and CTC (nonrefundable portion), spend \$10 billion each on children ages 6 through 11.



HOW ARE FUNDS SPENT?

While there are a number of ways of defining and targeting need, the most common way in which the federal government targets resources is by “means-testing,” or specifically targeting benefits based on income thresholds. Over half (57 percent) of expenditures on elementary-age children were directed towards low-income families in 2008, a share similar to that for all children (59 percent).

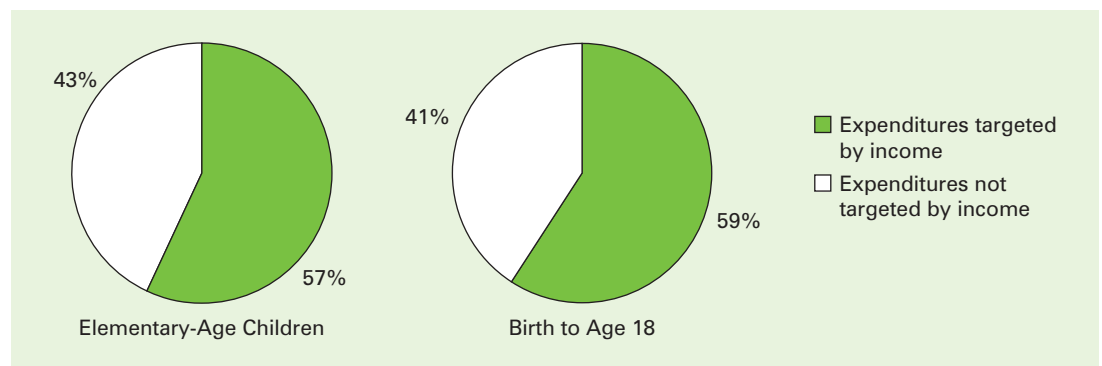
Targeting on Low-Income Children

Most targeting by income comes in the form of spending programs such as TANF, the National School Lunch Program, and Medicaid, with about three-quarters (76 percent) of program spending on elementary-age children targeted by income (table 2). About half (51 percent) of the refundable portions of the EITC and CTC are targeted by income. We suspect this is relatively low due to the 2008 Child Tax Credit, which included an additional \$300 per child to many families above the poverty threshold. The percent of the reductions in taxes targeted by income in 2008 was 7 percent. In contrast to the other two

categories of federal expenditures, spending programs and refundable portions of tax credits, reductions in taxes are not often restricted to those with low incomes; in fact, their value increases as taxpayers move into higher income and tax brackets. These findings for elementary-age children are consistent with those for all children, though all children have a slightly higher percentage of total spending programs targeted by income (78 percent) than that for elementary-age children (76 percent).

Another way to examine federal expenditures on elementary-age children is to assess the ways in which the federal government provides benefits. We examine how benefits are provided by

FIGURE 7. Percent of Federal Expenditures Targeted by Income on Elementary-Age Children and All Children in 2008



Source: The Urban Institute and The Brookings Institution, 2009. Authors' estimates based on the *Budget of the United States Government Fiscal Year 2010*. Notes: Figure includes tax expenditures (including the dependent exemption) on elementary-age children. See notes in table 2. All children generally includes children birth through age 18.



TABLE 2. Federal Expenditures on Elementary-Age Children in 2008, Children Age 6 through 11, by Program Targeting Based on Family Income

	Expenditures targeted by income (billions of dollars)	Expenditures NOT targeted by income (billions of dollars)	Total expenditures (billions of dollars)	Percent targeted by income
<i>Expenditures on Elementary-Age Children</i>				
Spending programs	50.7	15.6	66.4	76
Refundable portion of tax credits	12.1	11.6	23.7	51
Total spending	62.8	27.3	90.1	70
Reductions in taxes	1.5	21.7	23.2	7
Total spending and reductions in taxes	64.3	49.0	113.3	57
<i>Expenditures on Children Birth to Age 18</i>				
Spending Programs	170.2	49.1	219.3	78
Refundable portion of tax credits	41.7	34.0	75.8	55
Total spending	211.9	83.2	295.0	72
Reductions in taxes	5.2	67.4	72.7	7
Total spending and reductions in taxes	217.1	150.6	367.7	59

Source: The Urban Institute and The Brookings Institution, 2010. Authors' estimates based on the *Budget of the United States Government Fiscal Year 2010*. Notes: Among other tax programs, the "reductions in taxes" categories include the nonrefundable portions of both the EITC and the child tax credit. Apart from the EITC and the exclusion from public assistance benefits, tax programs that are broadly available are characterized as "expenditures not targeted by income," even though several of them, such as the child tax credit and the child and dependent care tax credit, phase out at high-income thresholds.

considering four expenditures categories: in-kind benefits, cash payments, the refundable portions of tax credits, and reductions in taxes. We also compare the distribution of spending on these categories between elementary-age and all children and find that the distribution of benefits by expenditure category is the same for elementary-age children as for all children (figure 8).

In-Kind Benefits

In 2008, the federal government spent half of total funding on elementary-age children in the form of in-kind, or noncash, benefits (figure 8). In-kind benefits include programs providing services (such as social services, health services, and education), as well as programs providing households with vouchers for specific benefits (such as SNAP or Section 8 Low-Income Housing Assistance). For this analysis, the TANF program, which has recently shifted away from providing families with cash payments, is separated into both in-kind ben-

efits and cash payments categories. Specifically, we estimate that TANF spent \$2.5 billion in in-kind benefits and \$1.5 billion in cash payments toward elementary-age children.

Cash Payments

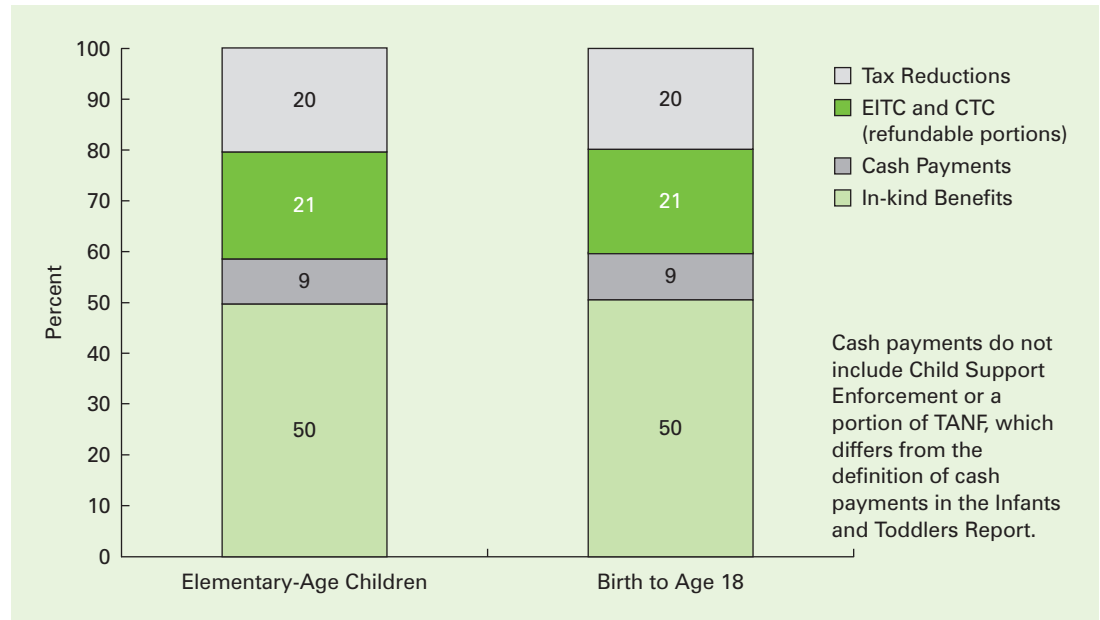
Cash payments were the smallest form of federal expenditures in 2008, representing 9 percent of total federal expenditures on elementary-age children (figure 8). Some of the largest cash programs for elementary-age children include Social Security (\$5 billion), SSI (\$3 billion), and TANF (\$1.5 billion).

Refundable Portions of Tax Credits

Refundable portions of tax credits, which consist of the refundable portions of the EITC and CTC, were 21 percent of total expenditures on elementary-age children in 2008 (figure 8). Eleven percent of total expenditures on elementary-



FIGURE 8. Federal Expenditures on Elementary-Age Children and All Children in 2008, by Type of Expenditure



Source: The Urban Institute and The Brookings Institution, 2010. Authors' estimates based on the *Budget of the United States Government Fiscal Year 2010*. Note: All children generally includes children birth through age 18.

age children were from the EITC (\$12 billion) and 10 percent were from the CTC (\$12 billion).

Reductions in Taxes

Reductions in taxes related to exemptions and tax credits represented one-fifth (20 percent) of total expenditures on elementary-age children in 2008 (figure 8). Reductions in taxes associated with tax

credits include the dependent exemption, the nonrefundable portions of the EITC and CTC, the Child and Dependent Care Tax Credit, the exclusion and credit for employer-provided child care, and a number of other exclusions. The dependent exemption and the CTC (\$10 billion each) were the largest sources of nonrefundable taxes for elementary-age children, accounting for 9 percent of total expenditures each (table 1).



WHAT ARE THE FUTURE TRENDS IN EXPENDITURES ON ELEMENTARY-AGE CHILDREN BASED ON CURRENT POLICY?

Estimating future trends in expenditures on elementary-age children could help policymakers and others assess how current policy and budgetary priorities align with future goals. These estimates could also show how elementary-age children will fare over time as the federal government takes steps to address a severe economic recession and federal stimulus and state aid dollars flow from Washington. This final section offers projected estimates of how elementary-age children will fare in the federal budget over the next five years. These projections of future spending reflect legislation enacted through March 2009, including the public investments made by the federal government through the American Recovery and Reinvestment Act of 2009 (ARRA). The estimates show how spending on children ages 6 through 11 is projected to increase as a result of ARRA in 2009 and 2010, followed by a drop in spending when ARRA expires.

In addition, monitoring spending trends over time will be particularly important as a number of children's programs come before Congress and the Obama administration for reauthorization (box 2). For instance, education for the disadvantaged, which is up for reauthorization under the No Child Left Behind Act of 2002 (NCLB), and child nutrition programs are the largest sources of federal program spending on six- to eleven-year-old children, after Medicaid. Any changes in policy or spending levels for these programs could dramatically impact overall spending on children ages 6 through 11.

Finally, with the Obama administration in place, we may see changes in policy affecting elementary-age children. Spending trends on children will help stakeholders to gauge and

monitor the priorities and progress of the Obama administration.

Our method of projecting, described in greater detail in the Data Appendix, is based on continuation of current law and policy, with the exception that we assume expiring tax provisions will be extended. Caution should be taken in reviewing these projections, as they will hold true only if there are no future changes in law and policy.

Projected Spending on Elementary-Age Children

Federal expenditures on children ages 6 through 11 were 0.80 percent of GDP in 2008 (figure 9). Spending programs made up the largest share



BOX 2. Selected Programs Facing Reauthorization

Child Care and Development Block Grant (CCDBG)

CCDBG is the primary federal funding stream for child care assistance, providing federal support to increase the affordability, availability, and quality of child care for low-income working families (Child Care Bureau 2008; NACCRA 2009). CCDBG expired in 2002 and has been functioning through a series of extensions since then (NACCRA 2009).

Child Nutrition

The Child Nutrition and WIC Reauthorization Act authorizes programs that provide healthy meals and snacks eligible to children, including the WIC, National School Lunch, School Breakfast, Special Milk, Child and Adult Care Food, and Summer Food Service programs. The Child Nutrition and WIC Reauthorization Act of 2004 was up for reauthorization in the fall of 2009 (Food Research and Action Center n.d.).

Education for the Disadvantaged

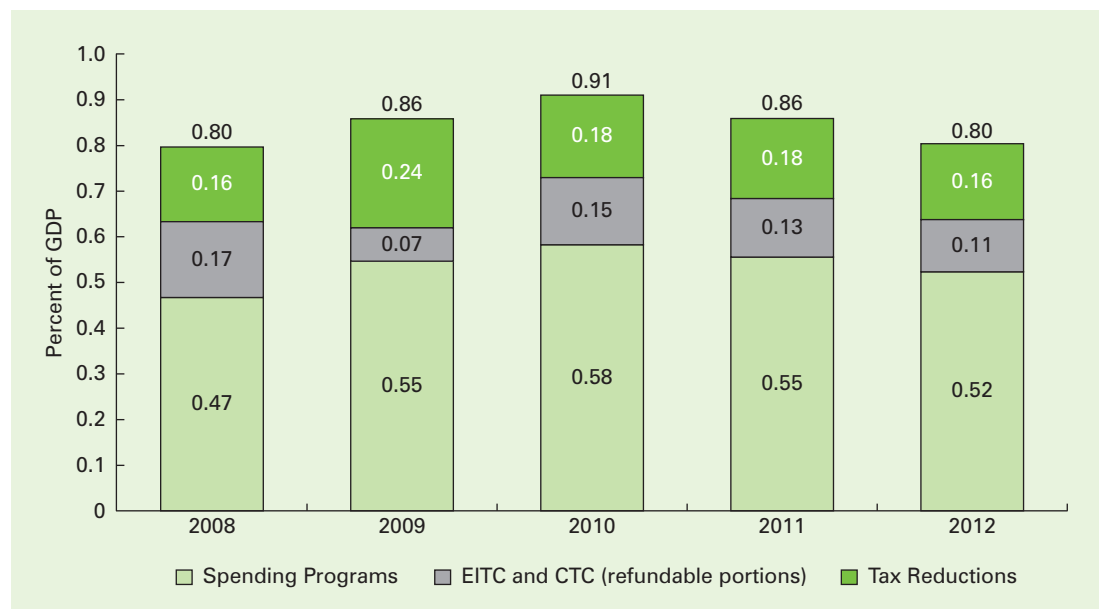
ESEA, reauthorized as the NCLB Act in 2002, includes mandates and procedures ensuring federal accountability for public education (Mills 2008). This act authorizes the use of federal grants to support educational programs and resources such as programs for children in low-income families, books and instructional materials for schools, supplemental educational services, and teacher training (U.S. Department of Education 2005a). Although Congress began discussing reauthorizing the bill in 2007, action has thus far been blocked and Congress had not reauthorized the bill as of December 2009 (Gensheimer 2009).

Education for the Handicapped

Education for the Handicapped, authorized under the Individuals with Disabilities Education Act (IDEA), ensures a free appropriate public education to children with disabilities age 3 through 21 (U.S. Department of Education 2008b). Grants provided to states through this program are used in combination with state and local funds to provide appropriate services to eligible children (U.S. Department of Education 2008b). IDEA was last authorized in 2004, and is set to expire in 2011 (National School Boards Association 2009).

*While we highlight a number of programs facing reauthorization that affect elementary-age children, there exist other programs (e.g., TANF, EITC, and CTC) that are scheduled to expire or be reauthorized in the coming years.

FIGURE 9. Projected Expenditures on Elementary-Age Children, Children Age 6 through 11, as a Percent of GDP Based on Congressional Budget Office Projections of Enacted Legislation



Source: The Urban Institute and The Brookings Institution, 2010. Authors' estimates based on data from the *Budget of the United States Government, Fiscal Year 2010* and previous years and Congressional Budget Office projections.



TABLE 3. Selected Programs Affected by ARRA

	2008 Expenditures on Children Age 6 through 11		American Recovery and Reinvestment Act of 2009
	Spending (\$ millions)	Percent of program	
Child tax credit	11,639 (refundable); 9,723 (nonrefundable)	34	Increases eligibility for the refundable portion in 2009 and 2010
Earned income tax credit	12,061 (refundable); 1,433 (nonrefundable)	27	Temporarily increases benefits for working families with three or more children and for married couples filing a joint return
Medicaid	11,022	6	Increases states' FMAP by 6.2 percentage points, among other changes
Education for the disadvantaged (Title I)	8,244	55	\$13 billion for Title I of No Child Left Behind for disadvantaged students (including \$5 billion through targeted grants, \$5 billion through incentive grants, and \$3 billion through school improvement grants). \$70 million for the education of homeless children and youth, as authorized by the McKinney-Vento Homeless Act
Child nutrition	7,079	51	\$100 million for the School Lunch Program
Supplemental Nutrition Assistance Program/ Food Stamp Program	6,369	16	Increases the maximum benefit of the (SNAP) program, formerly food stamps; the new maximum benefit will be calculated as 113.6% of the Thrifty Food Plan
Education for the handicapped	4,490	37	\$11.3 billion for IDEA Part B (Section 611) Grants to states
Temporary Assistance to Needy Families	4,002	24	Creates a new Emergency Contingency Fund for the TANF program in the amount of \$5 billion for grants for states in three areas: cash assistance caseload increases, non-recurring short term benefits and expenditures for subsidized jobs
Impact Aid	528	42	\$100 million for Impact Aid

Source: The Urban Institute and The Brookings Institution, 2010. Authors' estimates based on the *Budget of the United States Government Fiscal Year 2010*. Information on provisions in the American Recovery and Reinvestment Act of 2009 is available from these and other organizations: National Conference of State Legislators (2009a, 2009b, n.d.); National Association for the Education of Young Children (2009); U.S. Department of Education (2009b, 2009c, 2009d).

of spending as a percent of GDP (0.47 percent) followed by the refundable portions of tax credits (0.17 percent) and reductions in taxes (0.16 percent).

We estimate that based on current policy, federal expenditures on children as a percent of GDP will go up in 2009 and 2010. This is primarily a result of efforts by ARRA to stabilize the economy through increases in government spending, including the budgets of programs affecting low-income elementary-age children

such as Medicaid, education for the disadvantaged, child nutrition, SNAP, education for the handicapped, TANF, and impact aid (Table 3). By 2010, we project spending on elementary-age children will be 0.91 percent of GDP.

We do not project these increases to continue past 2010. In fact, should the country remain on its current course, we project that by 2012 expenditures on elementary-age children as a percent of GDP will revert to 2008 levels.



CONCLUSION

This report provides first-ever baseline federal expenditures on children ages 6 through 11 in 2008. Results enable policymakers to assess for the first time the amount of spending dedicated to elementary-age children across the entire federal budget, including reductions in taxes, in light of what is known about the key issues facing this age group. This information comes at a critical time as the country struggles with difficult budget tradeoffs against the backdrop of a deep recession and growing deficits. Findings answer four questions:

1. How Much Does the Federal Government Spend on Elementary-Age Children?

In 2008, the federal government spent \$113 billion on six- to eleven-year-old children. Eighty percent of these funds were spent in the form of outlays (\$90 billion) and 20 percent were spent in the form of reductions in taxes (\$23 billion). Because these are baseline figures, we do not know whether these represent increases or decreases from past years.

State and local governments also make considerable investments in this age group, though state spending varies widely. Nearly three-quarters (73 percent) of the total public investment in elementary-age children was made by state and local governments, largely driven by state and local financing of public education. Combined, average federal, state and local spending per child in 2004 was \$10,783; \$8,086 was spent on education programs. As the recession causes many state budgets to shrink, fewer state and local dollars may be available for children ages 6 through 11.

2. Where Are Funds Being Spent?

The six largest programs for elementary-age children represent 63 percent of all expenditures on children. Programs focused on

education and care of six- to eleven-year-old children comprise 18 percent of total expenditures.

A considerable amount of funding is geared towards education programs (\$18 billion), with education for the disadvantaged and education for the handicapped playing sizable roles. In total, federal spending on education programs represents 16 percent of all expenditures on elementary-age children compared with 11 percent for all children. Spending in the areas of income security, health, and nutrition are also high relative to other spending categories, representing 12 percent of total spending on children ages 6 through 11 each. In comparison, the federal government spends more (16 percent) on health, less (11 percent) on nutrition, and the same (12 percent) on income security for all children. The refundable portions of the CTC and the EITC, represent one-fifth (21 percent) of total expenditures on elementary-age children as well as the reductions in taxes (20 percent). The same proportion of tax expenditures were spent on all children.

3. How Are Funds Being Spent?

In 2008, the federal government targeted over half (57 percent) of total expenditures



on elementary-age children by income. Those dollars not targeted by income were primarily spent on education programs and reductions in taxes.

4. What Are the Future Trends in Expenditures on Elementary-Age Children Based on Current Policy?

Federal policy has directed funds to combat the 2008 recession, some of which affects spending on six- to eleven-year-old children. We estimate that in 2008, federal spending on elementary-age children represented 0.80 percent of GDP. As the provisions of ARRA take effect in 2009 and 2010, we estimate that federal spending on elementary-age children will go up relative to GDP and reach 0.91 percent of GDP in 2010. Nevertheless, as the recessionary policies expire, we expect that if the country stays on its current path, by 2012 spending on elementary-age children will return to 2008 levels.

These budget projections, however, assume no change in current policies other than the extension of expiring tax provisions. In fact, the Obama administration and Congress are considering several significant

policy and budget changes, including major reform of the nation's health care system, investment of federal resources toward broad-scale education reform, and attention to the nation's long-term fiscal and environmental challenges, all of which could have direct impacts on spending on children over the next decade.

Overall this report presents detailed information on programs that affect elementary-age children. It does not, however, allow us to draw conclusions on the efficiency, success, or worth of a particular type of program or level of spending for this age group. Nor are we able to assess how expenditures necessarily address needs or serve the eligible populations. Yet, it does provide a starting place for a national conversation about our priorities surrounding elementary-age children. Research has shown the importance of high quality education and the deleterious effects of obesity in the lives of elementary-age children. Our findings provide information to facilitate reflection on whether current spending is adequate to fulfill the educational and health needs of elementary-age children in the United States.



NOTES

1. See *Kids' Share: An Analysis of Federal Expenditures on Children through 2008* for all children; *Federal Expenditures on Infants and Toddlers in 2007* for children birth through age 2; and *Federal Expenditures on Pre-kindergarten and Kindergartens in 2008* for children ages 3 through 5.
2. Earlier reports include *Kids' Share 2008: How Children Fare in the Federal Budget* (Carasso et al., 2008), *Kids' Share 2007: How Children Fare in the Federal Budget* (Carasso, Steuerle, and Reynolds 2007) and *Federal Expenditures on Children: 1960–1997* (Clark et al. 2000).
3. The data appendix is available at: www.urban.org.
4. See *Kids' Share: An Analysis of Federal Expenditures on Children through 2008* for a detailed description of the projection methodology used for children birth to age 18.
5. Patricia Billen, coauthor of the report on state and local expenditures, consulted with the authors of this report and earlier children's budget reports in an effort to improve consistency in methodological approaches in measuring federal and state and local expenditures. However, many differences remain between the reports. For example, while both sets of reports start with a definition of children as those 18 and under, slightly different population estimates were used in calculating per capita amounts. See also Isaacs (2009) for further estimates of total investments in children, including federal, state and local, and private investments.
6. For 6 through 11 year-olds as a percentage of all children birth to 18 years old, as of July 2008, see <http://www.census.gov/popest/national/asrh/2008-nat-res.html>.
7. Population estimates are from July 1, 2008 Census numbers and can be found here: <http://www.census.gov/popest/national/asrh/2008-nat-res.html>.
8. Because of the challenge of collecting data across 50 states, the Rockefeller report focuses on fewer programs than our report, providing expenditure information for a dozen major programs, including elementary and secondary education, state programs associated with major federal programs (Medicaid, SCHIP, MCHB, TANF, child support enforcement, child care, child welfare, etc.), and state earned income tax credits. While it does not fully capture expenditures on state-only programs, it is the best available source of recent data on state and local spending. Patricia Billen, coauthor of the report on state and local expenditures, consulted with the authors of this report and earlier children's budget reports in an effort to improve consistency in methodological approaches in measuring federal and state and local expenditures. However, many differences remain between the reports. For example, while both sets of reports start with a definition of children as those 18 and under, slightly different population estimates were used in calculating per capita amounts. See also Isaacs (forthcoming) for further estimates of total investments in children, including federal, state and local, and private investments.
9. Excluding reductions in federal taxes from the federal estimate in Figure 2 improves comparability when comparing to the state estimate, because the state researchers did not collect information on child or dependent exemptions or other types of tax reductions. Even so, the estimates are not completely consistent. For example, the tax credits in the state estimate include the full value of the state earned income tax credits while the tax credits in the federal estimate include the refundable portions of both the earned income tax credit and the child tax credit.
10. Infants have much higher rates of Medicaid enrollment than other children because of lower eligibility thresholds for children birth and age 1, high poverty rates among young children, and lingering effects of concerted efforts to enroll families in Medicaid at the time of birth, among other factors (Macomber et al., 2009).

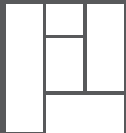


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