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# Social Policy Report

## Federal Expenditures on Children
### What Budget Policy Means for Children's Policy

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## Abstract

How do children fare in the federal budget? Investments in children's health, education, and overall well-being pay high dividends for taxpayers and the economy as a whole. Without adequately funded education, nutrition, housing, early education and care, and other basic supports, the foundation of children's well-being is at risk. This report 1) explains how spending on children fits in the broad budgetary context, 2) closely examines how historical and current federal spending on children is distributed among different programs, types of programs, and types of spending, and 3) projects future federal spending on children, if current laws and policies remain unchanged. The report finds that spending on Social Security, Medicare, and Medicaid (excluding children) will continue rising as a share of the federal budget, to nearly half (47 percent) of federal spending in 2024, while the share of federal outlays on children is projected to decline to just under 8 percent that same year. All categories of federal spending on children except health are projected to experience relative declines over the next decade.

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## From the Editors

The focus on supporting the early years of children's development continues to rise. This is even more evident by budget priorities of the U.S. president and policymakers. President Obama's 2016 budget seeks over 75 billion over 10 years to provide universal high-quality preschool programs for all 4-year-olds from low- and moderate-income families and help states lay the foundation for universal public preschool. Based on the February 2015 Education Commission of the States report, governors in 37 states noted early learning as a top priority. In particular they noted the importance of having "safe, well-funded early childcare and education."

With over 7.1 million children living in deep poverty (household cash income under half the federal poverty threshold, or $7,965 for a single-parent with one child in 2015), we can only anticipate that these numbers will likely increase, especially in light of Hahn's report that federal expenditures on children are likely to decrease over the next 10 years. Hahn provides a clear and systematic review of kids' share of the budget in relation to other expenditures and the projected growth or decrease in various areas. The report presents a clear account of where spending and cuts are likely to happen, and potential implications for providing services and support for children and families in need as well as those that support them.

The commentary from Haskins invites us to think more concretely and realistically about how to address the shrinking budget for children especially with the overwhelming need to attend to the growing debt. Takanishi inspires us to truly focus on not just the quality of care and education children receive but have us begin to question whether we are getting enough of the expenditure "pie" rather than waiting for the remnants. Barnett extols us to look at some positives of how children's share of the federal budget doubled from 1990 to 2010, but also pay particular attention to future spending on children at the state and local levels. Finally, Kotchian implores us to become better stewards of information by not merely knowing about the moral imperative to support children, but the need to act on it.

This report and the following commentaries provide indisputable data about how our changing demographic shift to being older and poorer children and families is likely to impact our ability to comprehensively and effectively serve children most in need. Thus, we need to attend to how best to increase kids share of the federal budget as well as at the state and local levels.

— Iheoma U. Iruka (Issue Editor)
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# Federal Expenditures on Children
## What Budget Policy Means for Children's Policy

### Introduction

When you think about children's policy or federal funding of children's programs, you probably do not think first about Social Security and Medicare, or about differences between mandatory and discretionary spending. This report explains why you should. Children's benefits and services are affected by broader economic and budgetary policy choices. The nation's financial choices—ongoing annual appropriations, scheduled growth in mandatory programs, grand budgetary reforms, economic stimulus packages—affect expenditures on children. The effects on children depend on critical details, such as which types and broad categories of spending are cut or increased most (e.g., defense or non-defense, mandatory or discretionary), which programs are targeted for reform (e.g., retirement programs and/or low-income programs), and whether there are changes in revenues. Policymakers and the public need to know how public resources are being spent to understand who will be affected by potential changes—and what the long-term consequences of changes in spending and investment could be.

Why do we care about spending on children? Investments in children's health, education, and overall well-being pay high dividends for taxpayers and the economy as a whole. High-quality early childhood programs and K-12 education, stable housing, and adequate nutrition help children grow into healthy adults who are able to support themselves and contribute to economic growth. In addition, we live in a country that cares a lot about equality of opportunity—all children starting on a level playing field. Yet with the existing income inequality, not all children live in families that are able to meet even basic needs. This report does not investigate the adequacy of current levels of government support for children or the support children receive from private sources. Nor does it investigate whether those funds are spent well. However, it provides essential information on the level of government support for children.

This report 1) explains how spending on children fits in the broad budgetary context, 2) closely examines how historical and current federal spending on children is distributed among different programs, types of programs, and types of spending, and 3) projects future federal spending on children, if current laws and policies remain unchanged.

### Methods

This report draws heavily from the Urban Institute's *Kids' Share* series of reports, assessing budgetary policy toward children by regularly tracking spending on children, and related work.[1]

In defining expenditures on children, the *Kids' Share* analyses generally define childhood as extending from birth until a child's 19th birthday. Further, for a program to be included, it must meet at least one of the following criteria: benefits or services are entirely for children or include a portion that provides benefits directly for children; family benefit levels increase when children are included in the application for the benefit; or children are necessary for a family to qualify for any benefits. The "kids' share" does not include benefits that adults receive regardless of the presence of children, such as tax benefits for home ownership or programs that benefit the population at large, such as roads, communications, and national parks.

The *Kids' Share* report series relies on a comprehensive database of expenditures for children developed

1 This report draws upon the *Kids' Share* reports funded by the Annie E. Casey Foundation and First Focus, as well as related research funded by the Foundation for Child Development for spending by income and age group. The author acknowledges the other researchers who worked on various *Kids' Share* reports, including, most recently, Sara Edelstein, Julia Isaacs, Ellen Steele, C. Eugene Steuerle, Katherine Toran, and Tracy Vericker. The conclusions expressed are those of the author and do not necessarily reflect those of officers or trustees of the Urban Institute or any organizations that provide financial support to the Institute.

by researchers at the Urban Institute. The database includes outlays (spending) from federal programs that benefit children and tax expenditures (tax reductions) from child-related tax provisions. Each year, we collect expenditure data for each program from the latest federal sources, particularly the Office of Management and Budget's *Appendix to the Budget of the US Government* for information on spending, and the *Analytical Perspectives* volume of the budget for tax expenditures. Estimating the portion of government spending on children within programs requires making assumptions and drawing on diverse programmatic and survey data.

The *Kids' Share* database includes projections a decade into the future, following the assumptions of the Congressional Budget Office's baseline projections, 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. These projections are made assuming continuation of current law.

Further methodological details are provided in *Kids' Share 2014* and its companion publication, *Data Appendix to Kids' Share 2014*.

### Glossary of Terms

- **Outlays**: Direct spending from federal programs as well as the portions of tax credits that are paid out to families as a tax refund.
- **Tax expenditures**: Reductions in families' tax liabilities resulting from tax provisions, including the portions of tax credits that are not paid out to families as tax refunds.
- **Expenditures on children**: Expenditures from programs and tax provisions that 1) benefit only children or deliver a portion of benefits directly to children, 2) increase benefit levels when the family contains a child, or 3) require that the family contain a child in order to qualify.
- **Mandatory spending**: Spending governed by programmatic rules, not constrained by annual appropriations acts; includes spending on entitlement programs, refundable tax credits, and interest on the debt.
- **Discretionary spending**: Spending set by annual appropriations acts. Congress decides each year how much funding to provide for these government activities.

## Broad Budget Trends: How Does Spending on Children Fit in the Larger Context of Federal, State, and Local Spending?

To put spending on children in context, let us look broadly at how federal spending on children compares with spending on other budget items, how budgetary measures to bolster the economy and curb the deficit affect federal spending on children, and how state spending on children complements federal spending.

### Kids' Share of Federal Spending 1960-2024

Total federal outlays for all purposes, not just for children, have increased nearly sevenfold over the past half-century. The creation of new government programs as well as robust economic growth increased spending, in real terms, from $562 billion in 1960 to $3.5 trillion in 2013. Federal outlays peaked in 2009 at $3.7 trillion because of increased spending on account of the recession.

As shown in Figure 1, the most dramatic growth in outlays—both in real dollars and as a share of the federal budget—over the past 50 years has occurred in Medicare, Medicaid, and Social Security spending on adults, particularly the elderly. Excluding amounts spent on children, spending on these programs grew from 11 percent of the federal budget ($64 billion) in 1960 to 43 percent ($1.5 trillion) in 2013.

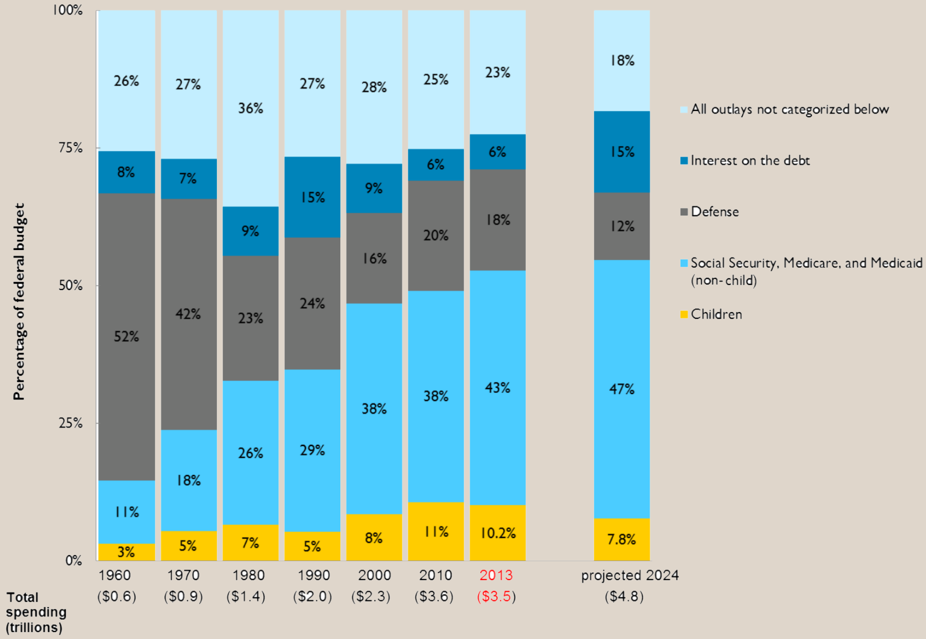
Overall spending on children has also grown, though to a lesser degree, climbing from 3 percent ($18 billion) in 1960 to 10 percent ($351 billion) in 2013. Federal spending on children peaked at $499 billion in 2010.

The trend in total outlays is expected to continue in the future, according to our analyses of Congressional Budget Office (CBO) projections. Spending on Social Security, Medicare, and Medicaid (excluding children) will continue rising as a share of the federal budget, to nearly half (47 percent) of federal spending in 2024, while the share of federal outlays on children is projected to decline to just under 8 percent that same year.

Federal spending overall is projected to continue increasing over the next decade by nearly $1.4 trillion. Considering only this additional spending, how will the expanded pie be divided?

The non-child portions of Medicare, Medicaid, and Social Security will consume more than half (58 percent) of the anticipated increase in federal spending, as shown in Table 1. These programs are entitlements funded

## Figure 1. Share of Federal Budget Outlays Spent on Children and Other Items, Selected Years, 1960-2024




Source: Urban Institute, 2014. Authors' current and historical estimates based on the Budget of the U.S. Government Fiscal Year 2015 and past years; authors' projected estimates based on CBO's Updated Budget Projections: 2014-24.

Notes: Social Security, Medicare, and Medicaid category excludes spending already captured as children's spending. Totals shown along the horizontal axis are federal outlays in 2013 dollars.

through mandatory spending governed by programmatic rules, not subject to annual congressional discretion. Current law provides for continued growth in health and Social Security benefits per person, even while an increasing share of the population becomes eligible for retirement and related health benefits; baby boomers began retiring in 2008, and the share of the population age 65 and older is projected to increase from 14 percent to 18 percent by 2024. Medicaid and Social Security are exempt from the Budget Control Act (BCA–discussed below) and Medicare is largely protected from it, so the growth of these programs is mostly unconstrained.

While these programs continue to grow, political resistance to raising revenues to cover spending remains. As a result, national debt grows, even with the spending constraints introduced by the BCA. With an increasingly higher national debt and higher expected interest rates, interest payments are projected to more than triple over the next decade, from $221 billion in 2013 to more than $714 billion in 2024. Thus, more than one-third (36 percent) of the increase in federal outlays between 2013 and 2024 will go to interest payments on the national debt. With rising debt and interest rates, interest payments on the debt will exceed spending on children from 2017 onward, and by larger amounts each year.

### Table 1. Share of Projected Growth in Federal Outlays from 2013 to 2024 Going to Children and Other Major Budget Items (billions of dollars, except where noted)

| Major Budget Items | 2013 | 2024 | Growth (2013–24) | Share of Growth |
|---|---|---|---|---|
| Social Security, Medicare, & Medicaid | 1,472 | 2,259 | 787 | 58% |
| Interest on the debt | 221 | 714 | 493 | 36% |
| Children | 351 | 377 | 26 | 2% |
| Defense | 633 | 590 | -43 | -3% |
| All other outlays | 777 | 881 | 104 | 8% |
| Total federal outlays | 3,455 | 4,821 | 1,366 | 100% |

**Source:** Urban Institute, 2014. Authors' 2013 estimates based on the Budget of the U.S. Government Fiscal Year 2015 and authors' 2024 estimates based on CBO's Updated Budget Projections: 2014-24.

**Notes:** Numbers may not sum to totals because of rounding. Social Security, Medicare, and Medicaid category excludes spending already captured as children's spending.

Together, mandatory spending on Medicare, Medicaid, Social Security, and interest on the debt garner nearly all the growth in spending, while everything else almost stagnates in dollar terms and declines as a share of the economy and the budget.

Children's programs receive a very small share of the dollar growth, just $26 billion or 2 cents of every dollar of the projected increase. All of this growth in spending on children comes from increases in the cost of health care; non-health spending on children actually *decreases*.

It is important to note that these are projections of where current law and trends in current law lead. However, laws and policies do not stay constant. Changes to laws and policies could alter the course portrayed in these projections. Nonetheless, more than ever before, the federal budget is determined by mandatory spending, leaving minimal discretion for current lawmakers to shape the budget. In other words, never before has so much been baked into the pie in terms of laws that attempt to preordain what future policy will be before that future arrives.

## Effects of ARRA and Budget Control Act on Spending for Children

Among the key legislative actions affecting federal spending in recent years, Congress enacted the American Recovery and Reinvestment Act of 2009 (ARRA) to address the economic challenges of the recession and the Budget Control Act of 2011 (BCA) to curb federal spending. While neither of these measures was focused on children, each had implications for spending on children. They illustrate how broad budgetary measures can affect children, for better or worse.

### American Recovery and Reinvestment Act

ARRA had a powerful impact on spending on children. Enacted in 2009 during the recession, the law provided federal stimulus funds for the economy and supports for needy families (e.g., by expanding nutrition assistance benefits and the child tax credit) as well as relief to states and localities (e.g., by creating the State Fiscal Stabilization Fund, which was targeted toward education, and by enhancing federal spending on Medicaid and child welfare). Almost one-quarter of ARRA funds benefited children.

ARRA expansions temporarily boosted federal expenditures on children, mostly in 2009 through 2011. With ARRA expenditures on children peaking at $65 billion in 2010, total federal expenditures on children also peaked that year at $499 billion. ARRA expenditures have fallen since and were almost completely exhausted by 2012; they accounted for just $7 billion in spending in 2013. Because children's programs and tax credits received a substantial portion of ARRA funds, children's programs and tax credits faced a disproportionate loss when the funding ended. Much of the decline in dollars spent on children after 2011 results from this depletion of ARRA funds.

The expanded federal benefits during the recession mitigated, but did not eliminate, the rise in economic hardship among families with children. Child poverty according to the official measure rose during the recession, but the increase in child poverty was smaller when using the supplemental poverty measure, which takes into account the value of tax credits and nutrition assistance benefits. While the loss of temporary funds designed to fight the recession was expected, the slow economic recovery means that funds were disappearing at a time when many families were still facing economic hardships and states were still recovering from the recession. In the years immediately following the recession, 2010-2012, both measures showed little change in child poverty. In 2013, when ARRA funding was nearly depleted, child poverty rates had fallen but remained higher than before the Great Recession and state revenues remained below pre-recession levels.

### Federal Outlays and the Budget Control Act

Designed to curb overall federal spending, the Budget Control Act of 2011 (as amended), affects different parts of the budget differently. It has a considerable impact in certain areas of spending for children (e.g., education, early care, training, and housing), but only a small impact on children's spending overall.

The BCA places caps on defense and non-defense discretionary spending; in addition, it requires automatic spending reductions ("sequestration") in both mandatory and discretionary programs to achieve an additional $1.2 trillion in spending cuts over 2013-2021 (CBO, 2011). Defense bears half of these sequestration cuts.

The majority of children's outlays—nearly 80 percent in 2013—were exempt from the BCA. Among the mandatory programs exempted from sequestration were Social Security, veterans' programs, refundable tax credits, and many low-income programs. The low-income programs include Supplemental Security Income (SSI), Temporary Assistance for Needy Families (TANF), family support programs (which include child support enforcement), Medicaid, the Children's Health Insurance Program (CHIP), the Supplemental Nutrition Assistance Program (SNAP), child nutrition, payments for foster care and adoption, and the child care entitlement to states (2 USC Section 905).

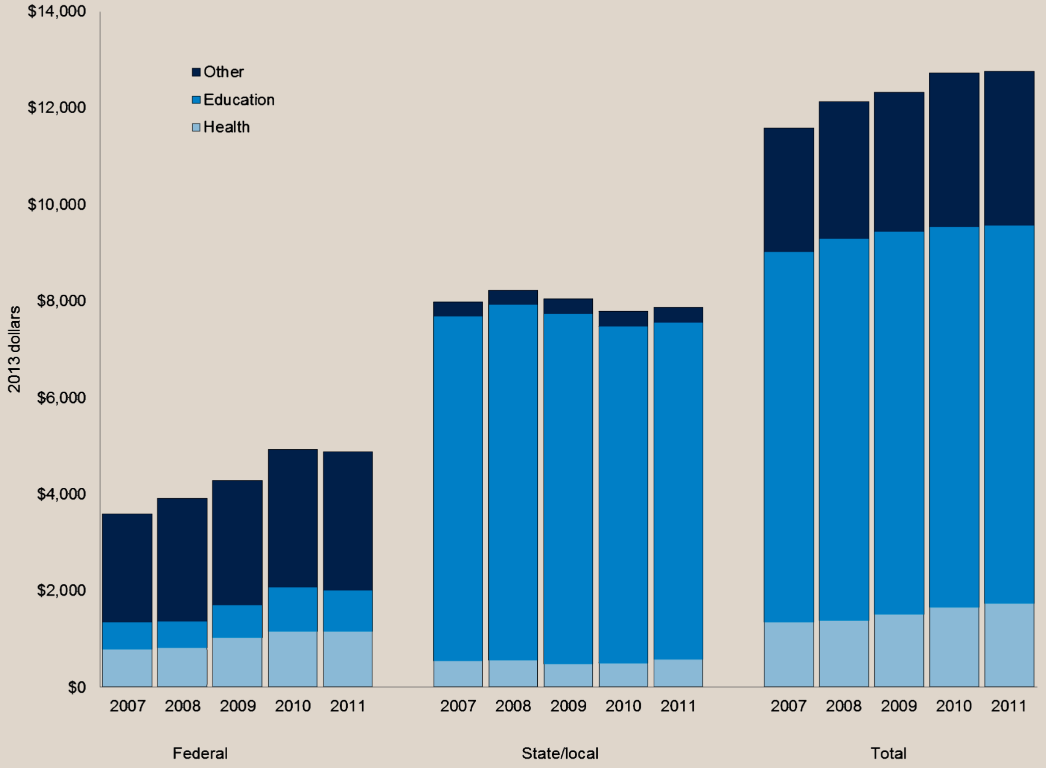
The other 20 percent of children's programs, however, did not fare so well. Discretionary spending on education, children's housing benefits, youth training, nutrition, early education and care, and social service programs has declined because of the BCA. A few mandatory social services programs (e.g., Social Services Block Grant and Safe and Stable Families) have also been cut.

## State and Local Spending on Children

While federal spending is the primary focus of this report, the largest component of government investments in children is state and local spending. Spending on public education, the largest form of public investment in children, drives state and local spending. In 2011, state and local governments spent $546 billion (in 2013 dollars) on public schools—more than all categories of federal spending on children combined. Together, federal, state, and local spending on education represents 61 percent of total public spending on children (see Figure 2). State and local governments also contribute significantly to health spending on children, though not as much as the federal government. Two-thirds (66 percent) of health spending on children was funded by the federal government in 2011, with the remaining 34 percent from state governments. State and local governments fund only ten percent of spending on children outside health and education. Their contributions to income security, tax credits, child care, foster care, and social services, while important, are small relative to federal spending. They spend very little on nutrition, housing, or training.[2]

2 These spending estimates exclude tax expenditures other than the EITC. No reliable nationwide estimates of state and local spending exist for child-related tax provisions other than the EITC.

**Figure 2. Federal, State, and Local Spending per Child, 2007-11**




Source: Urban Institute, 2014. Authors' estimates based on the Budget of the U.S. Government Fiscal Year 2013 and past years, the Rockefeller Institute of Government State Funding for Children Database, and various sources.
Note: Tax expenditures are not included in these estimates.

Because of the heavy state and local spending on public education, there is striking contrast in how different levels of government invest in children of various ages. State and local governments provide nearly three-quarters of the total public investment in children age 6 and older, primarily through public education. In contrast, the federal government provides three-quarters (76 percent) of the total public investment in infants and toddlers, mainly through health care (Edelstein et al., 2012). Each governmental level provides about half of investments in children age 3 to 5 (53 percent state and local, 47 percent federal). Combined across all government levels, public spending is highest for school-age children and lowest for children under age 3.

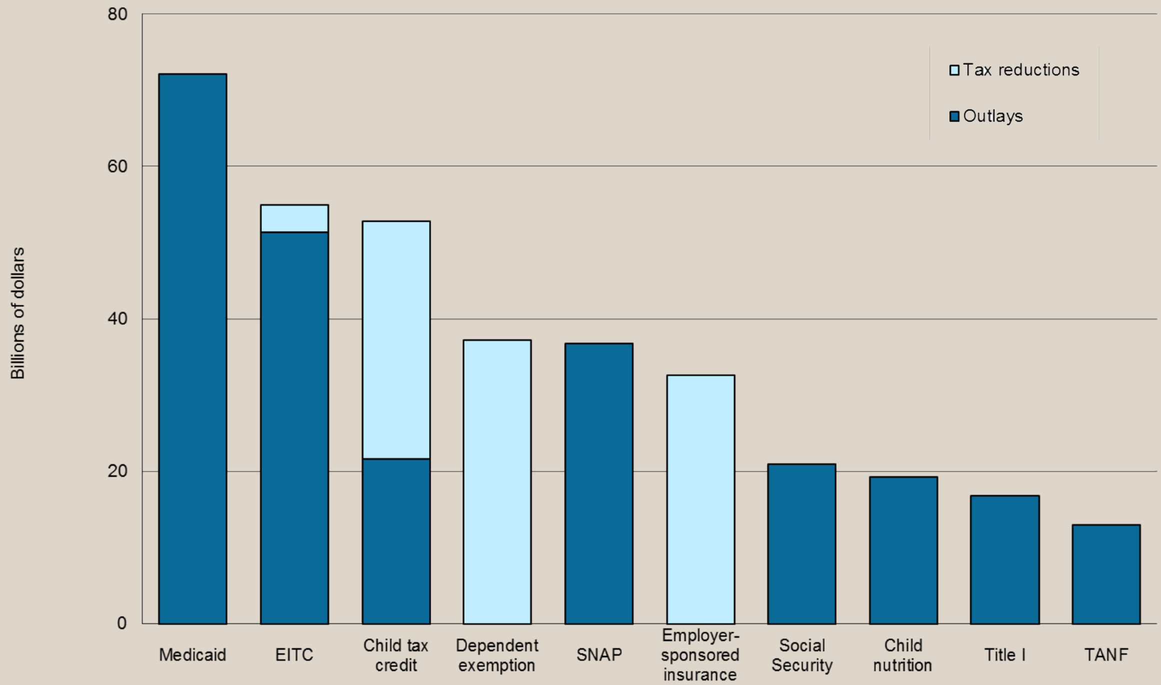
## Current and Historical Federal Expenditures on Children

We shift now from reviewing broad budget issues to examining more closely how federal spending on children is distributed among different programs and types of spending.

### Federal Spending on Children by Program

Federal expenditures support dozens of programs and tax provisions for children, but the ten largest programs and tax provisions account for roughly three-quarters of all expenditures on children. For the last several years, the same programs have consistently been among the largest, although their specific ranking changes somewhat from year to year.

**Figure 3. The Ten Largest Spending and Tax Programs by Expenditures on Children, Fiscal Year 2013**




| | Medicaid | EITC | Child tax credit | Dependent exemption | SNAP | Employer-sponsored insurance | Social Security | Child nutrition | Title I | TANF |
|---|---|---|---|---|---|---|---|---|---|---|
| Tax reductions | | 4 | 31 | 37 | | 33 | | | | |
| Outlays | 72 | 51 | 22 | | 37 | | 21 | 19 | 17 | 13 |

Source: Urban Institute, 2014. Authors' estimates based on the Budget of the U.S. Government Fiscal Year 2015.

- Medicaid is consistently the largest program at roughly $70 billion in each of the last several years. This amount spent on Medicaid for children, including spending on disabled individuals under age 19, is estimated to be about one-quarter of all Medicaid spending. CHIP, which spent $9 billion in 2013, is counted separately in the budget.
- Three tax provisions—the earned income tax credit (EITC), the child tax credit, and the dependent exemption—are the second, third, and fourth largest programs, respectively. The EITC and the child tax credit provide both tax refunds (cash outlays) to families as well as reductions in tax liabilities (tax expenditures) to those otherwise owing individual income tax.
- SNAP, formerly known as food stamps, had the fifth-largest expenditures on children in most recent years. In 2011, however, SNAP had the

fourth-largest expenditures on children, surpassing expenditures on the dependent exemption, which was the fifth-largest expenditure that year. While ARRA funding in 2011 increased the amount of SNAP benefits received by families, most of the increase in SNAP spending was driven by the increased number of economically needy families applying for nutrition assistance through SNAP during the recession. In the spring of 2011, approximately one in four American children received SNAP. Of all SNAP expenditures, nearly half are spent on children directly, not counting their parents.

- The sixth-largest program supporting children in 2013 was another tax provision: the employee exclusion from tax of income received in the form of employer-sponsored health insurance (ESI). Roughly one-fifth of its total cost benefits children. Trading places with the ESI as the sixth-largest program in some recent years was Social Security, which provides survivor and dependent benefits for individuals under age 18.
- The remaining programs among the ten largest in recent years are child nutrition programs (including the school lunch and breakfast programs), Title I/ Education for the Disadvantaged, and TANF. Special education was among the ten largest—larger than TANF—in 2010 through 2012, when ARRA funds boosted spending on special education.

Several programs for children that often receive more public and press attention and may be very important to their young beneficiaries do not appear in this list. Early education and care programs like Head Start (including Early Head Start) and the Child Care and Development Block Grant amounted to $8 billion and $5 billion in spending in 2013, respectively. CHIP spent $9 billion on children in 2013, and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) spent $6 billion. Child support enforcement and foster care were each under $5 billion, as shown in Table 2.

While these programs and tax provisions dominate children's spending, more than 80 programs and tax provisions are included in our analyses. Table 2 provides estimates for each program or tax provision with spending of at least $1 billion in 2013, grouped into 11 budget categories (health, income security, education, etc.), highlighting the types of spending that dominate the children's budget. The budget categories are ordered from largest to smallest according to 2013 expenditures. When all tax code provisions supporting children are counted together, however, whether showing up in the budget as tax expenditures or outlays, they far exceed any other major budget category of spending. The table includes expenditures for selected years from 1960 to 2013 for each program and category.

**Table 2. Federal Expenditures on Children by Program, Selected Years, 1960-2013 (billions of 2013 dollars)**

| | | 1960 | 1980 | 2000 | 2010 | 2013 |
|---|---|---|---|---|---|---|
| **1.** | **Health** | **0.2** | **7.1** | **34.6** | **90.6** | **87.0** |
| | Medicaid | -- | 6.4 | 30.8 | 76.8 | 72.1 |
| | CHIP | -- | -- | 1.6 | 8.0 | 9.1 |
| | Vaccines for children | -- | -- | 0.7 | 3.7 | 3.6 |
| | Other health | 0.2 | 0.7 | 1.5 | 2.2 | 2.1 |
| **2.** | **Nutrition** | **1.4** | **21.1** | **29.1** | **57.2** | **61.8** |
| | SNAP (food stamps) | -- | 11.0 | 12.6 | 34.0 | 36.8 |
| | Child nutrition | 1.4 | 8.6 | 11.9 | 17.2 | 19.2 |
| | Special Supplemental Food (WIC) | -- | 1.5 | 4.5 | 6.0 | 5.8 |
| | Other nutrition (CSFP) | -- | * | * | * | * |
| **3.** | **Income Security** | **13.7** | **31.8** | **43.7** | **54.2** | **52.8** |
| | Social Security | 6.6 | 16.6 | 17.4 | 21.0 | 20.9 |
| | Temporary Assistance for Needy Families | 4.5 | 9.9 | 14.0 | 15.5 | 12.9 |
| | Supplemental Security Income | -- | 0.9 | 6.3 | 10.3 | 11.1 |
| | Veterans compensation (disability compensation) | 0.9 | 1.3 | 1.6 | 2.7 | 3.6 |

| | | 1960 | 1980 | 2000 | 2010 | 2013 |
|---|---|---|---|---|---|---|
| | Child support enforcement | -- | 0.9 | 3.9 | 4.1 | 3.5 |
| | Other income security | 1.7 | 2.2 | 0.5 | 0.6 | 0.8 |
| **4.** | **Education** | **2.8** | **17.5** | **28.5** | **71.7** | **42.9** |
| | Education for the disadvantaged (Title I, Part A) | -- | 7.8 | 11.1 | 20.5 | 16.8 |
| | Special education/IDEA | -- | 2.0 | 6.4 | 18.2 | 12.4 |
| | School improvement | -- | 1.9 | 3.3 | 5.6 | 4.8 |
| | Impact Aid | 1.6 | 1.7 | 1.1 | 1.3 | 1.3 |
| | Dependents' schools abroad | 0.2 | 0.8 | 1.2 | 1.2 | 1.2 |
| | Innovation and improvement | -- | -- | -- | 1.0 | 1.1 |
| | State Fiscal Stabilization Fund | -- | -- | -- | 17.6 | 1.0 |
| | Other education | 0.1 | 2.4 | 3.6 | 6.2 | 4.4 |
| **5.** | **Early Education and Care** | **--** | **2.0** | **10.1** | **14.6** | **12.9** |
| | Head Start (including Early Head Start) | -- | 2.0 | 5.8 | 8.4 | 7.8 |
| | Child Care and Development Fund | -- | -- | 4.3 | 6.2 | 5.0 |
| **6.** | **Social Services** | **--** | **4.3** | **10.1** | **10.7** | **9.3** |
| | Foster care | -- | 0.7 | 5.7 | 4.6 | 4.2 |
| | Adoption assistance | -- | -- | 0.2 | 2.5 | 2.3 |
| | Other social services | -- | 3.6 | 4.2 | 3.5 | 2.8 |
| **7.** | **Housing** | **--** | **2.6** | **7.8** | **10.1** | **9.2** |
| | Section 8 Low-Income Housing Assistance | -- | 1.3 | 6.1 | 7.5 | 7.2 |
| | Low-rent public housing | -- | 0.5 | 1.0 | 1.3 | 1.0 |
| | Other housing | -- | 0.8 | 0.7 | 1.3 | 1.0 |
| **8.** | **Training** | **--** | **6.0** | **1.4** | **2.1** | **1.2** |
| **9.** | **Refundable Portions of Tax Credits** | **--** | **3.0** | **32.4** | **76.9** | **73.9** |
| | Earned Income Tax Credit | -- | 3.0 | 31.3 | 51.5 | 51.3 |
| | Child Tax Credit | -- | -- | 1.1 | 23.8 | 21.6 |
| | Other refundable tax credits | -- | -- | -- | 1.5 | 1.0 |
| **10.** | **Tax Expenditures** | **0.6** | **8.9** | **55.8** | **73.6** | **76.2** |
| | Exclusion for employer-sponsored health insurance | NA | 5.5 | 18.5 | 28.9 | 32.6 |
| | Child Tax Credit (nonrefundable portion) | -- | -- | 25.2 | 31.4 | 31.3 |
| | Dependent care credit | -- | -- | 3.0 | 3.5 | 4.0 |
| | Earned Income Tax Credit (nonrefundable portion) | -- | 1.7 | 5.6 | 4.6 | 3.6 |
| | Other tax expenditures | 0.6 | 1.8 | 3.6 | 5.2 | 4.7 |
| **11.** | **Dependent Exemption** | **39.8** | **42.9** | **40.7** | **37.7** | **37.2** |
| **TOTAL EXPENDITURES ON CHILDREN** | | **58.6** | **147.2** | **294.0** | **498.9** | **464.4** |
| **OUTLAYS SUBTOTAL (1-9)** | | **18.1** | **95.5** | **197.6** | **388.0** | **350.9** |
| **TAX EXPENDITURES SUBTOTAL (10-11)** | | **40.5** | **51.8** | **96.5** | **111.3** | **113.5** |

Source: Urban Institute, 2014. Authors' estimates based on the Budget of the U.S. Government Fiscal Year 2015 and past years.

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. Other health covers immunizations, 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, school-based health care, and health insurance exchanges. Child nutrition includes the National School Lunch Program (NSLP), the School Breakfast Program (SBP), the Child and Adult Care Food Program (CACFP), the Summer Food Service Program (SFSP), and Special Milk. Other nutrition is the Commodity Supplemental Food program. Other income security includes Emergency Assistance, Railroad Retirement, survivors' compensation, veterans' compensation, survivors' pensions, and veterans' pensions. Other education includes

Indian education, English language acquisition, domestic schools, Promise Neighborhoods, the Institute of Education Sciences, safe schools and citizenship education, hurricane education recovery, Junior ROTC, the Education Jobs Fund, Safe Routes to Schools, and vocational (and adult) education. Other social services includes the Social Services Block Grant, the Community Services Block Grant, child welfare services and training, Safe and Stable Families, juvenile justice, guardianship, independent living, missing children, children's research and technical assistance, PREP and abstinence education, and certain children and family services programs. Other housing includes rental housing assistance, rent supplement, 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, Qualified School Construction Bonds, and the adoption credit and exclusion. Other tax expenditures include exclusion of employer-provided child care, 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' and survivors' benefits, exclusion for Social Security disability benefits, exclusion for public assistance benefits, exclusion for veterans' death benefits and disability compensation, Qualified Zone Academy Bonds, and Qualified School Construction Bonds.

* Less than $50 million.

NA Not available.

## Types of Expenditures on Children

There are a number of different ways the federal government funds programs for children, as well as different ways children receive assistance from those programs. Government funding for programs can be in the form of **discretionary spending**, where the funding levels are set annually by congressional actions, **mandatory spending**, which does not go through the annual appropriations process but rather is governed by program rules and the number of qualifying families applying for services, or **tax expenditures**, which also depend on the number of qualifying families. Tax expenditures may be in the form of tax reductions or refundable tax credits (cash payments provided to working families without a net tax liability). While almost all tax code benefits come to children in the form of cash (either direct payments or tax reductions), other programs may support children through cash payments, services (such as medical care and education), or in-kind benefits (such as food and housing). Further, some programs and tax provisions are available to children regardless of family income, while others are means-tested—that is, available only to families below a certain income level. Finally, some programs and tax provisions support children of all ages while others are targeted to particular age groups. Keeping in mind the various ways the federal government funds programs for children and the ways children receive assistance from these programs, let us now look three different ways at how the mix of spending on children has shifted over the past 50 years: first, in terms of the types of expenditures (mandatory, discretionary, or tax expenditures), second, how children receive benefits (cash payments or in-kind benefits and services), and third, the ages and income groups of the children who benefit.

### Mandatory, Discretionary, and Tax Expenditures

As shown in Figure 4, the mix of tax credits, tax reductions, discretionary spending programs, and mandatory spending programs has shifted over the last 50 years as new programs and initiatives were introduced.

- **Tax credits** have played a growing role in providing federal support for children, particularly through the EITC, introduced in the 1970s, and the child tax credit, introduced in 1997. Both the refundable portion of these tax credits (cash payments provided to working families without a net tax liability) and the tax expenditure portion (the reduction in taxes to families with higher taxable incomes) have grown substantially over the past three decades. This growth in the child tax credit and other tax expenditures has occurred, however, against the backdrop of a large decline in estimated expenditures associated with the dependent exemption. The decline was particularly dramatic between 1960 and 1985, but it has continued since then. The long-term decline in the dependent exemption reflects both the eroding value of the exemption, which was not indexed to inflation until after 1984, and the overall reduction in tax rates, since the value of the exemption is determined by the tax rate facing the taxpayers claiming the exemption. The combined value of all tax provisions benefitting children in 2013 was a slightly lower share of the economy (gross domestic product—GDP) than it was in 1960, when the dependent exemption provided a large tax benefit to families with children and represented the majority of federal expenditures supporting children.

- **Discretionary spending** on children increased throughout the 1960s and early 1970s with the introduction of Title I/Education for the Disadvantaged (1965), Head Start (1966), and Section 8/Low-Income Housing Assistance (1974). From the mid-1970s through 2008, however, discretionary spending on children as a percentage of GDP remained relatively flat, until discretionary spending increased temporarily in 2009-11 under the ARRA stimulus package.
- **Mandatory spending** on children also rose throughout the 1960s and early 1970s with the adoption of food stamps (1964), Medicaid (1965), and SSI (1972). While mandatory spending has experienced periods of growth and decline relative to the size of the economy, mandatory spending has trended upward in the past 15 years or so, largely driven by increases in children's health spending as the Medicaid program expanded to serve more children and families, CHIP was introduced (1997)[3], and medical costs rose rapidly.

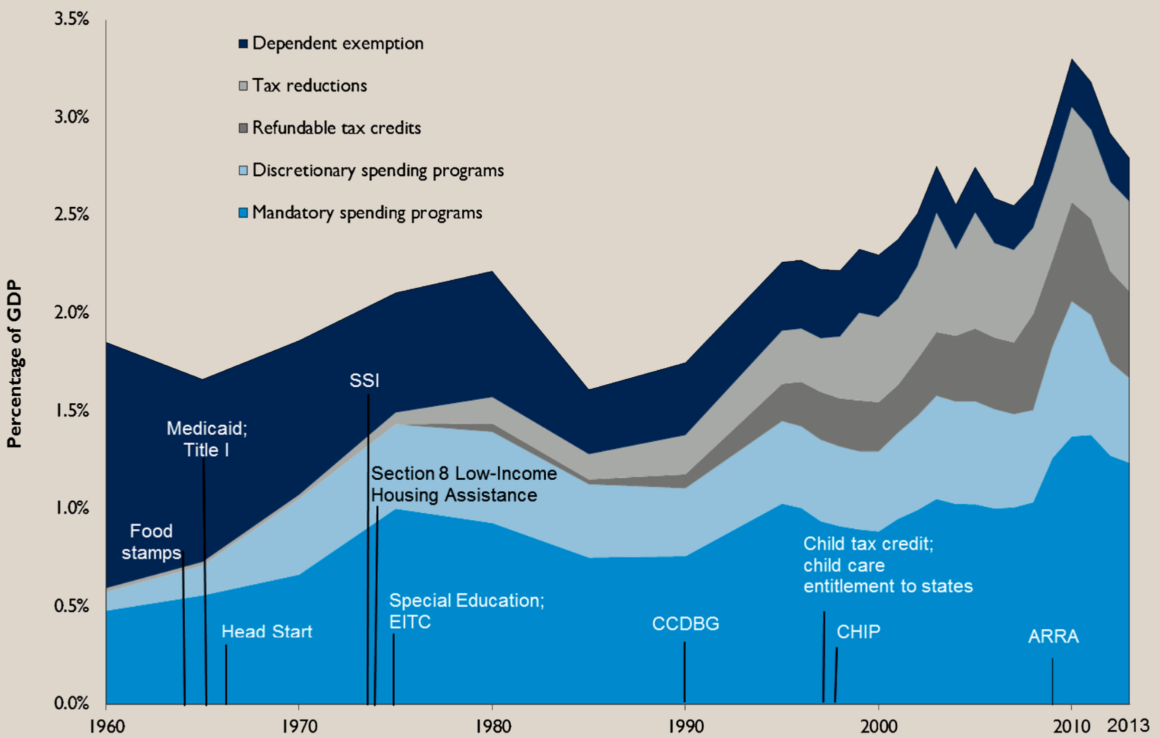
3 Although enrollment in CHIP (originally SCHIP - the State Children's Health Insurance Program) was authorized as of October 1, 1997, only eight states began covering children under SCHIP during 1997. The majority of states began enrollment in 1998 (33 states in all), while eight states began enrollment in 1999. Two states began enrolling children in 2000. (Rosenbach et al., 2001).

## Cash Payments and In-Kind Benefits and Services

Federal spending also has shifted in how children receive benefits. The most common ways to receive benefits in the 1960s were cash payments to parents on behalf of their children and reductions in taxes; less than ten percent of all benefits were in-kind benefits (e.g., health, housing, and nutrition benefits). Over time, as new programs providing in-kind benefits and services were introduced, noncash benefits became an increasingly important share of the benefits provided to children, as shown in Figure 5. By the mid-1990s, in-kind benefits and services accounted for roughly half of all expenditures on children. This trend accelerated during the recent recession, as recession-related participation in programs like Medicaid (providing health services) and SNAP (providing food) sharply increased spending for children through in-kind benefits.

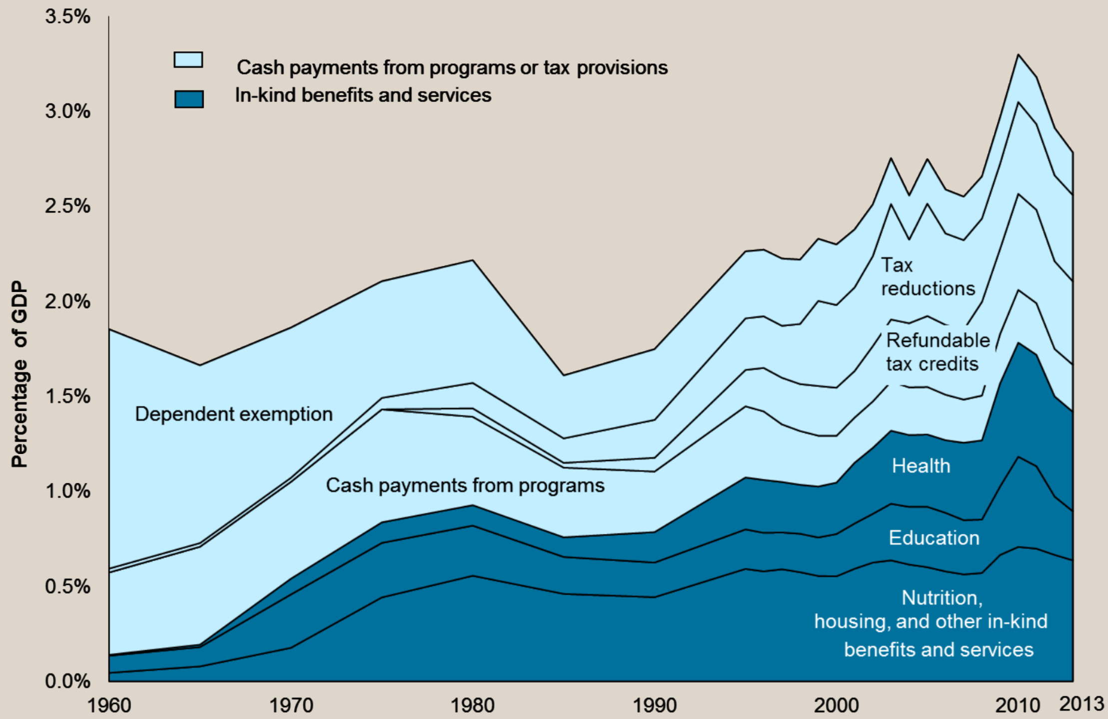
Almost all tax code benefits for children come in the form of cash, either direct payments or tax reductions. The two main tax credits, the EITC and child tax credit, provided over $100 billion in support to families with children in 2013, including $73 billion in refundable tax credits and $35 billion in tax reductions.

**Figure 4. Federal Outlays and Revenues as a Share of GDP, 1960-2013**




Source: Urban Institute, 2014. Authors' estimates based on the Budget of the U.S. Government Fiscal Year 2015 and past years.

**Figure 5. Federal Expenditures on Children: In-Kind versus Cash, 1960-2013**




Source: Urban Institute, 2014. Authors' estimates based on the Budget of the U.S. Government Fiscal Year 2015 and past years.

### Means Testing of Children's Programs and Tax Provisions

In addition to changes in how children receive benefits, which children receive benefits has changed over time (see Figure 6). In 1960, the majority of children's expenditures were on survivors' and dependents' benefits under Social Security, the dependent exemption, and other benefits that were available to all children regardless of family income. The focus of children's spending changed as new federal programs such as food stamps, Medicaid, and SSI payments to disabled children were introduced to serve low-income populations. By 1980, half (48 percent) of total federal expenditures were on programs that were means-tested—that is, available only to families below a certain level of income. Since then, expenditures on means-tested programs and tax provisions have continued to rise as a share of total expenditures on children. In 2013, means-tested programs and tax provisions accounted for 63 percent of federal spending on children.

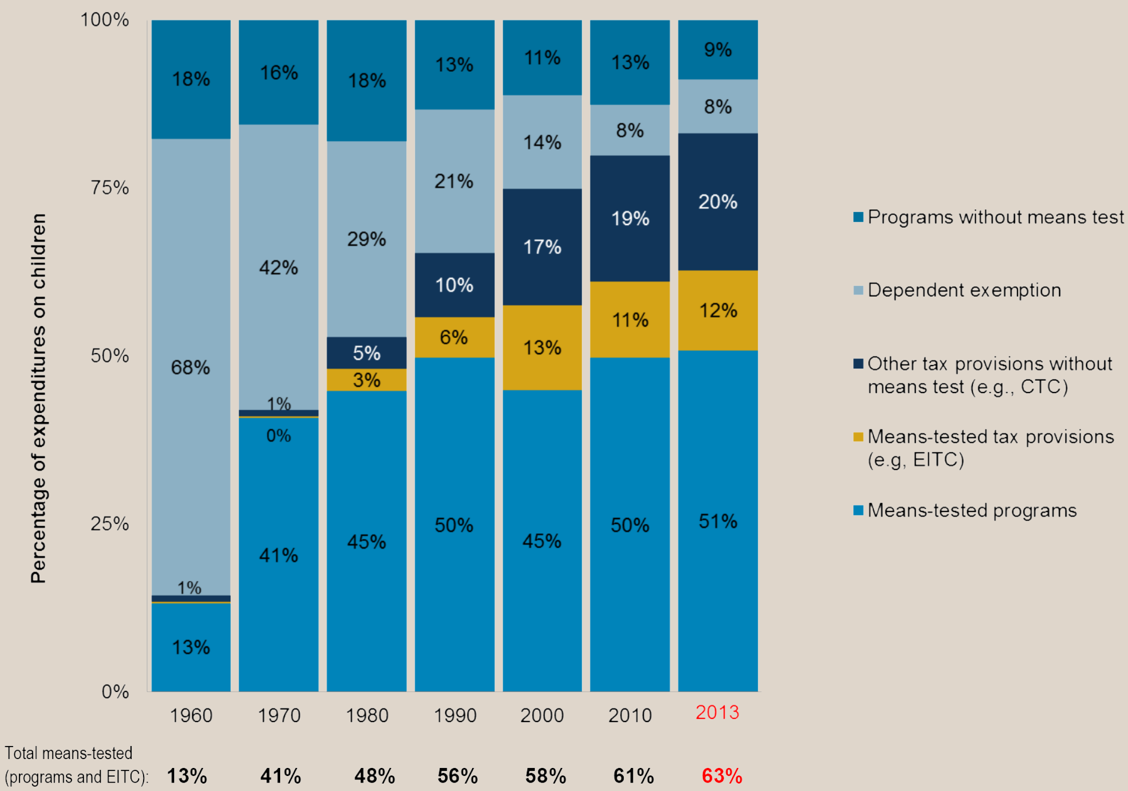
A deeper analysis of spending by income level takes into account that some universal programs support children in low-income families and some means-tested programs, particularly Medicaid and CHIP health programs, serve children whose parents have moderate incomes, higher than 200 percent of poverty in some states. Considering spending on universal and means-tested programs together, the federal government devotes a considerable share of spending on children to those in low-income families, defined here as living below 200 percent of the federal poverty level. In 2009, 70 percent of federal expenditures on children (including their share from universal programs) served the 42 percent of children who were low-income (Vericker et al., 2012). State and local spending is much less targeted on low-income children than federal spending, as most state and local spending on children supports universal public education.

## Future Expenditures on Children

Over the next decade, federal expenditures on children are projected to slowly decline as a share of the federal budget and as a share of the economy. While the share of the population under age 19 is contracting slightly over this period, from 25 to 24 percent of the population, its relatively modest share of the economy will fall by about one-fifth.

All three types of expenditures on children—mandatory spending, discretionary spending, and tax provisions (outlays and tax reductions)—declined over the past few

**Figure 6. Means Testing of Federal Children's Programs and Tax Provisions, 1960-2013**



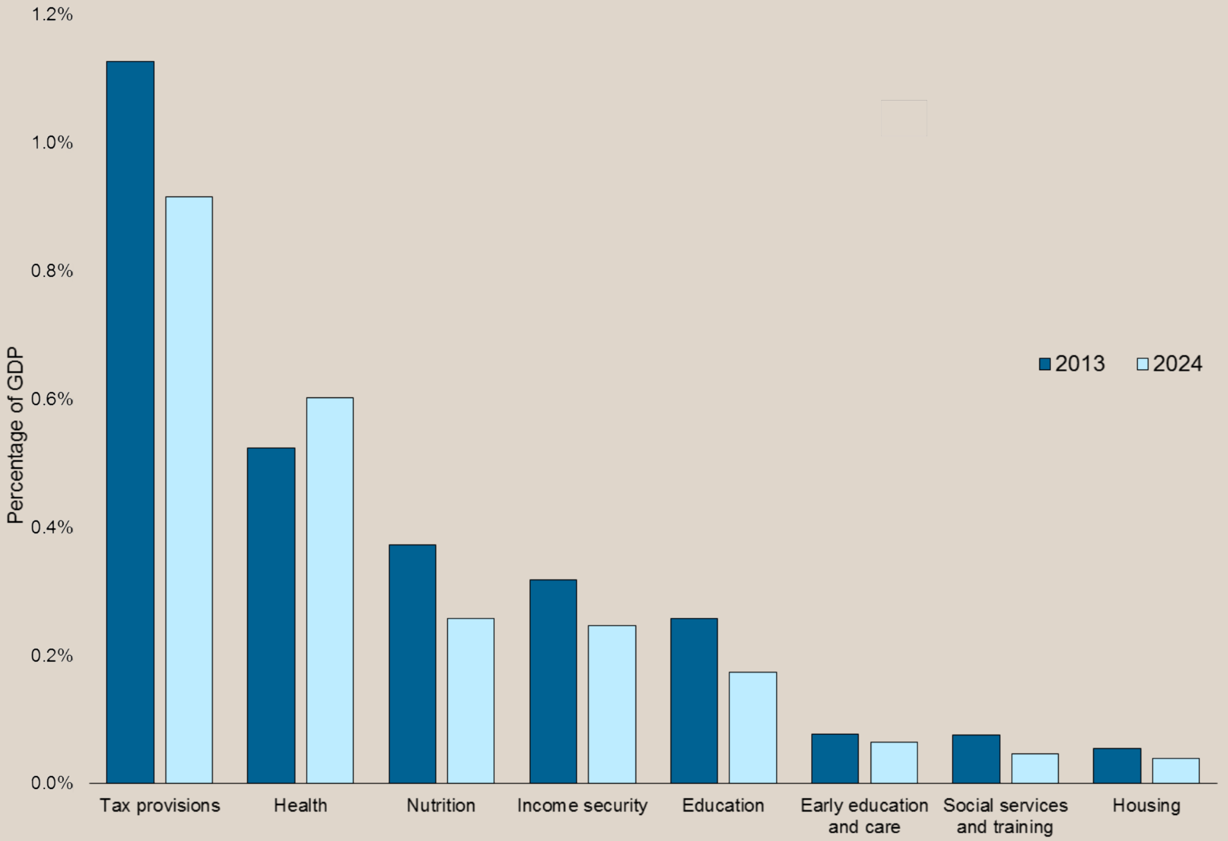

Source: Urban Institute, 2014. Authors' estimates based on the Budget of the U.S. Government Fiscal Year 2015 and past years.

years and are projected to continue declining as a share of the economy through at least 2024. As a share of GDP, discretionary spending on children is projected to decline by 31 percent, tax provisions by 19 percent, and mandatory spending by 9 percent by 2024.

Among all but one program category, expenditures on children are expected to decline as a share of the economy between 2013 and 2024 (see Figure 7). Social services and training has the largest relative decline (38 percent), but child-related spending on education, nutrition programs, and housing also are projected to decline by 25 percent or more over the next decade, when measured as a percentage of GDP. Over the next decade, federal spending on children is projected to grow as a share of the economy in only one category: health. The growth in health spending is projected to occur almost entirely in Medicaid spending on children.

- **In real dollars, the largest projected decline is in federal funding for K-12 education,** which is projected to fall by 12 percent, from $43 billion in 2013 to $38 billion in 2024 (data not shown). Education spending will fall because of the 2013 sequester and the additional constraints of the discretionary spending caps imposed by the BCA. Early education and care, social services, training, and housing face similar constraints because they also largely comprise discretionary programs that must compete annually for appropriations. Early education and care spending has fallen in the past few years after the temporary boost from ARRA, but early education and care spending is projected to increase modestly in real dollars by 2024 (from $13 billion to $14 billion). Despite the dollar increase, early education and care will fall 17 percent as a share of GDP.
- **Nutrition programs face relatively large declines in spending over the next decade,** both as a share of GDP and in real dollars, as caseloads gradually decline in the wake of the recession, and because the temporary boost in SNAP ben-

Figure 7. Federal Expenditures on Children as a Share of GDP, by Category, 2013 and 2024




Source: Urban Institute, 2014. Authors' 2013 estimates based on the Budget of the U.S. Government Fiscal Year 2015 and past years; authors' 2024 estimates based on CBO's Updated Budget Projections: 2014-24 and the Urban-Brookings Tax Policy Center Microsimulation Model.

efits under ARRA ended in November 2013. As a share of GDP, spending on nutrition programs is projected to decline by 31 percent and, in real dollars, by 9 percent, from $62 billion in 2013 to $56 billion in 2024.

- **Child-related spending on tax provisions and income security programs also is projected to decrease relative to GDP, though more moderately than in other areas.** Child-related tax provisions are projected to decline with the scheduled expiration of certain EITC and child tax credit expansions and because the child tax credit is not indexed to inflation. As for income security spending, such as spending on Social Security, TANF, SSI, and child support enforcement, the decline is moderate because reductions in the value of the TANF block grant are partially offset by rising spending on survivors' and dependents' benefits under Social Security (unlike almost all other social welfare programs, Social Security benefits are indexed to real wage growth) and on disabled children's benefits under SSI. For both income security and tax provisions, spending on children is projected to increase in real dollars but fall relative to GDP. Between 2013 and 2024, spending on tax provisions for children is projected to increase seven percent, from $187 billion to $200 billion, and spending for children's income security is projected to increase two percent, from $53 billion to $54 billion. Despite the increasing dollar amounts, expenditures on tax provisions for children will fall by 19 percent as a share of the economy, and spending on children's income security will fall by 23 percent.

## Conclusion

Federal spending as a whole grew dramatically over the past 50 years and is projected to continue growing for at least the next decade. While the share of federal spending focused on children grew from three percent to ten percent over the past 50 years, it is projected to decline to eight percent over the next decade. Three factors drive the overall growth in spending and the decline in spending on children (and almost everything else): 1) the unconstrained growth in spending on Medicare, Medicaid, and Social Security for adults, primarily the elderly; 2) the resistance to increasing revenues to pay for the growth in health, disability, and retirement programs; and 3) the related growth in interest payments on the debt.

The adults who benefit directly from Medicare, Medicaid, and Social Security spending are predominantly elderly. While these programs have contributed to a dramatic reduction in poverty and vulnerability among the elderly, Medicare and Social Security also provide benefits to elderly citizens who are not otherwise financially vulnerable. For the sake of the future health of the nation, we must find a way to balance our important commitment to supporting elderly citizens with the imperative to invest wisely in children.

Most vulnerable among areas of children's spending are education, early education and care, social services, training, and housing. All categories of federal spending on children except health, though, are projected to experience relative declines over the next decade. Without adequately funded education, nutrition, housing, early education and care, and other basic supports, the foundation of children's well-being is at risk. When children grow up without adequate supports, they are less able to support themselves and to contribute to economic growth as adults. This report does not investigate the adequacy of current levels of government support for children or the support children receive from private sources. Nonetheless, a continuous decline in federal investments in children over the next decade raises serious questions about the long-term implications for the well-being of our children and our nation.

The troubling investment projections reflect current laws and policies, and the mandatory spending that leaves current lawmakers with limited choices about how to shape each year's budget, as described in *Kids' Share* co-author Gene Steuerle's 2014 book, *Dead Men Ruling*. However, changes to laws and policies, including those affecting mandatory spending, could alter the course portrayed in these projections. It is important to keep in mind, though, that changes to current laws and policies could have complex implications for spending on children, given the variety of ways the federal government funds programs for children and that children receive assistance from those programs, and the subgroups of children the spending targets.

The dominant role of state and local spending on children also warrants careful attention and additional research. While two-thirds of total public spending on children comes from states and localities, this share may vary from state-to-state depending on how many children in the state utilize federal programs, whether the state has chosen to expand access to Medicaid, and other state contexts and choices about investments in children.

The bottom line message is that those who wish to improve public supports for children should attend not only to programs that focus specifically on children, but also to the broad budget trends that create the context in which programs that support children are struggling to make do with an ever shrinking piece of the pie. ■

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## Commentary

# Federal Spending Priorities Are Wrong

**Ron Haskins**
**The Brookings Institution**

Budget is policy. That being the case, the analysis of spending on children in the federal budget by Heather Hahn is a terrific overview of changes in federal policy toward children as well as a warning to readers that federal policy increasingly sacrifices children's needs to provide money and health services to the elderly. My purpose in this comment is to explore why the field of child development should be alarmed about the direction of federal spending and policy.

As shown in Hahn's Figure 1, between 1960 and 2010, the share of annual federal spending devoted to children's programs increased from 3 percent to 11 percent. Then over the three years after 2010, the share going to children fell to 10.2 percent in 2013, a decline of 7.3 percent. Some of this decline was in programs that had received temporary increases during the recession. Nonetheless, the underlying direction of reduced spending on children relative to spending on the rest of the budget should be of great concern for those interested in child wellbeing. This concern is greatly increased by the projected decline in the share of spending on children over the decade following 2013. By 2024, the percentage of federal spending that goes to children falls to 7.8 percent, a decline of about 23 percent compared with 2013 and nearly 30 percent compared with 2010.

Meanwhile, spending on Medicaid, Medicare, and Social Security (with child-related spending in these programs removed) increases sharply over the entire period. Between 1960 and 2013, spending on these three programs as a share of federal spending quadrupled, rising from 11 percent to 43 percent. In dollars, it reached $1.5 trillion in 2013 as compared with less than $.36 trillion on kids in that year. Over the decade following 2013, as relative spending on children is projected to decline, spending on Medicaid, Medicare, and Social Security will increase to nearly $2.26 trillion, an increase of more than 9 percent as a share of all federal spending and over 50 percent in constant dollars.

Over the years, I have attended many discussions about federal budget priorities intended to find ways to increase spending on children. A theme in many of these discussions is that supporters of children's spending should work cooperatively with other interest groups because the immense size of federal revenues can accommodate many interests. But the claim of abundant federal revenues that can accommodate many interests is flawed. There is now widespread recognition, including by the American public,[1] that the federal debt is on an unsustainable path. Although policymakers have invested prodigious amount of energy in recent years trying to reduce the debt, Congress and the President have not enacted policies that will contain the growth of our national debt. The inadequate actions taken by policymakers to reduce the debt have put pressure on the part of the federal budget that contains many children's programs while avoiding serious reductions in spending growth in Medicaid, Medicare, and Social Security.

Given the ongoing concern among policymakers and the public about the unsustainable growth of the federal debt, combined with the relentless growth of Medicaid, Medicare, and Social Security, spending on children as a share of federal spending—and even in absolute terms in some years—will continue to decline. The political prospects for controlling the growth of spending on Medicaid, Medicare, and Social Security—which primarily benefit the elderly, the nation's most formidable political power—are not good.

Thus, a fight to reduce the growth of spending on these programs is unavoidable for anyone who rejects the status quo: spending more on the elderly while reducing our commitment to the nation's children.

### (Endnotes)

1 Peter G. Peterson Foundation, "Fiscal Confidence Index: June 2015 Results," available at http://pgpf.org/_fiscalconfidenceindex/results-2015June.

## Commentary

# Follow the Money

## Inconvenient Truths About Public Investments in Children

**Ruby Takanishi**
**New America**

Disclosure: Ruby Takanishi served as president of the Foundation for Child Development (FCD), which partially funded the analyses reported in this brief and the writing of *Dead Men Ruling* (Steuerle, 2014). Takanishi is on the Board of Directors of the First Focus Campaign for Children. Her comments do not reflect the positions of these organizations.

Everyone who cares about the life prospects of America's children should read Hahn's brief. She and her colleagues at The Urban Institute document the declining and extremely low federal investments in children and youth from 1960-2013. If there are no changes in current budget and tax policies, she notes, these investments are likely to decline even further. This report is the equivalent of the canary in the mine.

In an era of widening social and economic inequality (Stiglitz, 2014), the traditional role of the federal government in rectifying inequality and discrimination is more important than before. But Hahn shows that this role is increasingly compromised by shrinking resources for children. And the declines are projected to be in areas of basic support for individual well-being: early education, K-12 education, housing, and nutrition.

Federal investments in children are especially critical because, in contrast to state investments, they are focused on vulnerable children—those who live in poverty, have disabilities, and encounter discrimination because of their race, ethnicity, gender, immigration status, and/or heritage language. The federal role to level the playing field for children has steadily eroded. As the funds decline and the needs for programs and services grow, the nation faces an untenable situation: the current and future levels of funding, without any changes in the programs themselves, will reach a smaller number of the eligible children, and likely at a level of quality inconsistent with research.

Take Head Start as one striking example. Fifty years after its creation, Head Start serves less than half of the eligible children, narrowly defined by the extreme poverty of their families. If proposed regulations to increase program dosage to full-day, full-school year programs, fewer children will be served unless Congress decides to increase funding for Head Start. The estimated increase in Head Start funding, based on all proposed changes is $1 billion in its 2015 budget of $8.6 billion. As Hahn points out, one billion represents projected increases in all early education and care programs from 2013-2024, under current laws.

If federal investments are focused on specific groups of children, inequalities in state investments, particularly in education including pre-Kindergartens and in health are glaring. Where a child lives makes a difference in public investments and in child well-being. Even when varying costs of living are factored into these disparities, children do not now receive the levels of public investments required in a society committed to all children (Putnam, 2015). The role of private, family-based investments by the more affluent is influential in contributing to inequalities in opportunities in education, particularly early education.

Hahn notes in several places that the projections are based on current budget and tax laws. In his must-read book, *Dead Men Ruling*, Eugene Steuerle (2014), part of The Urban Institute team conducting these analyses, presents alternative scenarios in budget and tax policies which merit discussion among advocates. His analyses should be better known and debated, especially as financing of early education programs, too long avoided, rises to the surface.

If we accept the status quo, how do we allocate increasingly scarce funds effectively? What would adequate funding of all eligibles amount to? What are the financing mechanisms to do so? What is a fair allocation of public funds to children and youth? These are very different questions **than** those we are now asking as advocates continue to request that children's programs receive "more" funds without addressing these basic issues.

Researchers, including economists, have skirted around the issues of what quality programs for children can cost; whether programs are now adequately funded; and what levels of investment would be necessary to sustain them. An inconvenient truth is that current levels of funding are wholly inadequate to support the programs we have in place now, including improvements in quality, unless we are willing to serve a smaller number of children. Tinkering at the edges and not recognizing that so many children eligible under current laws are not being adequately served reminds me of a Hans Christian Andersen's fable about the Emperor wearing no clothes. It was the children who noticed. The adults pretended it was not so.

Hahn's findings require us to follow the money in the federal budget and to confront some inconvenient truths about the economic consequences of underinvesting in America's children (Holzer, Schanzenbach, Duncan, & Ludwig, 2008). We can start by rejecting spending and expenditures to characterize what are essentially public investments in our future. And we should aim to invest those funds wisely.

Failing to use what we now know to launch children on a pathway to a good life is very costly, not only for the nation, but for individuals. We can do better. The moral and ethical challenges of not doing so should move us to act now (Putnam, 2015; Stiglitz, 2014).

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## Commentary

# The Big Shift and Future Public Investments in Children

**W. Steven Barnett**
**Rutgers University**

Heather Hahn has done the field a huge favor by setting out the implications for children of trends in federal expenditures and budget policy. Although the consequences of the Great Recession remain very apparent, it is essential that developmental scientists understand what the future likely holds for public funding to support child development. My comments reinforce key points about the past, present, and likely future, and extend the discussion to state and local government.

Let me start with some good news. From 1990 to 2010 the children's share of the federal budget roughly doubled, and real federal spending per child more than doubled. This spending increase occurred at a time when the share of the population under age 18 decreased from 25.7 to 24.0 percent, though the elderly share of the population changed little. These decades saw both the expansion of existing children's programs and the introduction of such new programs as Early Head Start and home visiting.

Unfortunately, the federal budgetary future for children is expected to be quite different because the United States has entered a new demographic era (Colby & Ortman, 2014). From 2010 to 2030 the population share for those over 65 is projected to grow from 13 to 21 percent while children decline from 24 to 21 percent of the population. This is a huge shift. By 2033, the number of people over 65 is projected to exceed the number of children.

Despite this demographic shift, federal spending per child is projected to increase through 2030. However, the increase is quite modest, and some spending areas fare much more poorly than others. Spending on early education is projected to increase slightly. Federal spending on K-12 education per child is projected to decline to about 87 percent of its 2013 level. As the major federal role in education is to equalize educational spending for children in low-income families this is especially troubling.

As Hahn notes, state and local governments provide most public spending on children, and they too will be affected by the big demographic shift. Expenditures for Medicaid, pensions and retiree health benefits are projected increase (Kiewiet & McCubbins, 2014). By one estimate payments into pension funds alone will need to rise from 5.7 to 14.1 percent of revenue. The big shift is projected to reduce tax revenues, though perhaps only a modest 1 percent, at current tax rates (Felix & Watkins, 2013). However, demographic change also may lower support for taxation to fund children's programs (Figlio & Fletcher, 2012). In sum, future spending for children could be squeezed even more tightly at state and local levels than in the federal budget.

These projections are concerning because public spending on children improves health, learning and development. Financial supports for families increase children's achievement and lifetime earnings and may improve social and emotional development (Chetty, Friedman, & Saez, 2013; Duncan, Morris, & Rodrigues, 2011; Jones, Milligan, & Stabile, 2015). SNAP and school food programs improve health and educational achievement (Gundersen, Kreider, & Pepper, 2012; Hoyland, Dye, & Lawton, 2009; Kreider, Pepper, Gundersen, & Jolliffe, 2012). Many programs from early childhood through adolescence can produce benefits considerably in excess of their costs (Lee, Aos, & Pennucci, 2015). Cutbacks in public spending on children and failure to expand programs to all who could benefit will harm child development. Negative consequences may be so large that taxpayers and not just the beneficiaries end up net losers.

Yet, such projections are "shadows of things that may be, only." Developmental science can help lead to a more evidenced based policy future, partnering with the dismal science to clarify the costs and benefits of alternative policies (e.g., Kuklinski, Briney, Hawkins, & Catalano, 2012). For example, the nation ought to be able to get much more for its dollars spent on early care and education (Barnett, 2011). Increased testing of new approaches to investing federal and state dollars in children with rigorous evaluation could inform better use of existing budgets and build support for a larger children's share.

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**Commentary**

# Federal, State and Local Expenditures
## Not Suitable for Young Children

**Sarah Ann Kotchian**
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One of the most important lessons we have yet to learn from the peak of federal spending on children through the American Recovery and Reinvestment Act (ARRA) is the need to not only redirect, but to sustain our funding priorities to children, with a significant emphasis on young children. ARRA was one of the biggest investments in children since the War on Poverty in the 1960's and had dramatic impacts on the ability of states to serve children. However, since 2010 we have watched this valuable past investment decline. And grimly, as Hahn details, if laws and policies do not change, non-health spending on children will continue to decrease over the next 10 years. This is unacceptable.

Consideration of the broad budgetary context to understand spending on children is essential, but the fact remains that the bottom line for children is not enough now and it is predicted to be even less in the future. This is particularly true for young children under age 3. When mandatory spending is growing exponentially for adults, when interest payments on the rising national debt are expected to exceed spending on children within two years, and when there is a current and ongoing lack of available discretionary spending for children, this amounts to an inevitable need for the political courage and moral responsibility to reevaluate budgets, raise revenues and prioritize children.

Given the volumes of research and overwhelmingly popular support for investing in a child's earliest years for myriad reasons, one would figure investments would play more prominently in federal, state and local budget decisions. However, our elected officials on the whole have consistently proven otherwise. We should find hope and expect this to change as the notable evidence and collective voices continue to mount in support of investing in young children.

A 2014 poll by the First Five Years Fund of key swing states showed voters want federal and state leaders to invest in early childhood now. The issue of investing early and investing well in children is clearly a nonpartisan issue. More than three-in-five in each state support a federal plan to help states expand access to quality early childhood programs from birth to age five, even if it increased the deficit in the short-term but paid for itself later through improved education, health and economic outcomes.

These popular poll results are consistent with the powerful messages of the collective voices rising up beyond the field of early childhood professionals and long-time advocates. These unusual suspects championing early childhood are gaining momentum both nationally and locally on the political front.

- Fight Crime Invest in Kids, a national anti-crime organization of police chiefs, sheriffs, prosecutors, and violence survivors recognizes through research that early childhood education programs are among the most powerful weapons to prevent crime.
- Mission Readiness, a nonpartisan national security organization of retired admirals, generals, and other retired senior military leaders, calls for early investments critical to securing our nation's future.
- Ready Nation, an organization of national business

leaders works to strengthen business through effective investments in young children that will help businesses compete in today's global marketplace and build a foundation for lasting economic security.

- Generations United's Seniors4Kids raises the voices of adults age 50 and older in support of policies affecting children and youth, focusing significantly on building the national voice of older adults as advocates for early investments in children.

As growing popularity and advocacy efforts for investing in early childhood take hold across the nation to inform and influence the decisions of policymakers, we must remain acutely aware of the critical need to shore up resources at the local, state and federal levels for an effective educational continuum that includes infants and toddlers. As Hahn notes, the federal government provides three-quarters of the total public investment in infants and toddlers, but mainly in health care and not in education and family supports. The federal stimulus dollars from ARRA provided $1.1 billion for expanding Early Head Start nationwide, increasing by more than 50 percent the number of children and families receiving the benefits of the program. The positive outcomes from this type of investment in young children are precisely what policymakers at all levels need to hear as part of the drumbeat from advocates to effect change in laws and policies to support spending on children.

In more than 6 out of every 10 homes in the United States, all available parents in the home are working (The Council of Economic Advisors, 2014). As access to public pre-K continues to gradually expand, working families will continue to seek affordable and high-quality early learning environments for their infants and toddlers while facing the rising costs of child care, often exceeding the cost of college tuition, and basic needs like housing, food and transportation (Child Care Aware of America, 2014). Unless public funding at the federal, state and local level is identified to support working families and the early childhood workforce, the youngest children who need the most will continue to get the least (Whitebook, Phillips, & Howes, 2014).

As federal spending is projected to grow, we have a moral responsibility to continue to push for a voice for young children at the table. It will take adults who not only speak to the issues, but who act on the issues to improve what should and could be mandatory public expenditures for young children.

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