URBAN INSTITUTE

KIDS' SHARE

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REPORT ON FEDERAL EXPENDITURES ON CHILDREN THROUGH 2018 AND FUTURE PROJECTIONS

JULIA B. ISAACS
CARY LOU
HEATHER HAHN
ELEANOR LAUDERBACK
CALEB QUAKENBUSH
C. EUGENE STEUERLE

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EXECUTIVE SUMMARY

Public spending on children aims to support their healthy development and help them fulfill their human potential. As such, federal spending on children is an investment in the nation's future. To inform policymakers, children's advocates, and the general public about how public funds are spent on children, this 13th edition of the annual Kids' Share report provides an updated analysis of federal expenditures on children from 1960 to 2018. It also projects federal expenditures on children through 2029 to give a sense of how budget priorities may unfold absent changes to current law.

A few highlights of the chartbook:

- In 2018, the federal government spent about $6,200 per child younger than 19, less than in 2017 after adjusting for inflation. This decline is driven by a reduction in federal spending on education and nutrition programs and a temporary reduction in child-related tax credits (page 10).
- As a share of the economy, federal investments in children fell to 1.9 percent of GDP in 2018, the lowest level in a decade (page 10).
- Medicaid is the largest source of federal support for children, followed by the child tax credit and the earned income tax credit. More than three-fifths of federal expenditures on children are from health or tax provisions (page 12).
- The share of federal expenditures for children targeted to low-income families has grown over time, reaching 61 percent in 2018 (page 46).
- Looking forward, children's programs are projected to receive only 3 cents of every dollar of the projected $1.5 trillion increase in federal spending over the next decade (page 32).
- Assuming no changes to current law, the children's share of the budget is projected to drop from 9.2 percent to 7.5 percent over the next decade, as spending on Social Security, Medicare, Medicaid, and interest payments on the debt consume a growing share of the budget (page 26).
- By 2020, the federal government is projected to spend more on interest payments on the debt than on children (page 30).
- Over the next decade, all categories of spending on children except health are projected to decline relative to GDP. Most categories also see declines or remain at similar levels in real dollars (page 50).

INTRODUCTION

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

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

The challenges facing American children provide context for this report. The child poverty rate (18.0 percent in 2017) is much higher than the poverty rates for adults ages 18 to 64 (11.6 percent) and seniors ages 65 and older (9.3 percent). Family incomes are unequally distributed, and many children live in families with low incomes. A recent nationally representative survey revealed patterns of material hardship and food insecurity among families with young children: 44.3 percent of parents of young children reported having difficulties or being unable to pay for food, medical care, housing expenses, or utilities in the past year (Sandstrom, Adams, and Pyati 2019). Further, one-quarter of all parents and one-half of low-income parents reported experiencing food insecurity (limited access to nutritious food due to lack of resources) in the past 12 months (Waxman, Joo, and Pyati 2019). Lack of access to key resources such as food, health care, and housing threatens healthy development, in part through psychological distress that can affect children during crucial formative years.

Among 29 developed countries, the United States has the second-highest child poverty rate. Setting aside the legitimate debate over how well poverty is measured, the United States also ranks poorly on measures of birth weight (23rd); preschool enrollment rates (26th); the share of 15- to 19-year-olds participating in education, employment, or training (23rd); and a composite measure of child well-being (26th, in the company of Lithuania, Latvia, and Romania).[2]

ABOUT KIDS' SHARE

The *Kids' Share* annual reports provide a comprehensive picture of federal, state, and local expenditures. They also show long-term trends in federal spending, including historical spending from 1960 and projected spending 10 years into the future, assuming no changes to current law. These reports have been the foundation for additional Urban Institute analyses on how the president's budget will affect future spending on children (Lou, Isaacs, and Hong 2018), spending on children by age group (Isaacs et al. 2019), spending differences across states (Isaacs 2017), and spending on low-income children (Vericker et al. 2012).[3] Outside organizations and researchers, including First Focus, the Committee for a Responsible Federal Budget, the Center for the Study of Social Policy, and researchers writing for *Brookings Papers on Economic Activity*, also rely on *Kids' Share* data and reports to produce additional studies; journalists and political commentators also cite statistics from *Kids' Share*.[4]

The *Kids' Share* series does not judge whether current expenditures meet children's needs, nor does it measure or incorporate private spending on children. The report does not prescribe an optimal division of public dollars or resources. Instead, *Kids' Share* provides program-by-program estimates of government support for children and analyses of how these investments have changed over time. Budget accounting exercises are designed to reveal priorities.

This annual accounting of spending on children can inform Congress as it considers legislation introducing or amending individual children's programs or tax provisions, sets funding levels in annual appropriation bills, and debates broad tax and budgetary reform packages that may shift the level and composition of public resources invested in children.

This report, the 13th in the annual series, quantifies federal spending in fiscal year 2018. The report is divided into three major sections:

1. Recent Expenditures on Children, focusing on expenditures in 2018 and recent years, including state and local as well as federal expenditures.

2. Broad Trends in Federal Spending, comparing past, present, and future spending on children with spending on defense, health and retirement programs, interest payments on the debt, and other federal budget priorities. This section also compares spending per capita on children and older adults.

3. A Closer Look at Trends in Federal Expenditures on Children, examining such issues as growth in means testing of benefits from 1960 to 2018 and projected growth or decline in specific categories of spending on children (e.g., health, education, tax provisions) from 2008 to 2029.

Calculating spending on children today requires making multiple estimates based on detailed data collection combined with reasonable assumptions. Projecting spending into the future requires even more assumptions—in this case, often based on Congressional Budget Office May 2019 projections of what current law (as of spring 2019) requires. Our methodology for developing our estimates is provided in a short methods appendix, with additional detail in the *Data Appendix to Kids' Share 2019* (Lauderback et al. 2019). To facilitate comparisons over time, past and future expenditures are reported in real dollars (inflation adjusted to 2018 levels), as a percentage of the economy (percentage of GDP), or as a percentage of the federal budget.

GLOSSARY

Children: People from birth through age 18.

Older adults or seniors: People ages 65 and older.

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

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

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

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

Discretionary spending: Spending set by annual appropriations acts; policymakers decide each year how much money to provide. In recent years, discretionary spending has been constrained by spending caps set separately for defense and nondefense discretionary spending.

Real or 2018 dollars: Expenditures that have been adjusted for inflation.

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

[2] See UNICEF Office of Research (2013). In that study, child poverty is measured as the percentage of children living in households with incomes below 50 percent of the national median income, which is higher in the United States than in many other countries.

[3] Additional reports that build on the *Kids' Share* database include further analyses of spending on children by age of child (Isaacs et al. 2019; Hahn et al. 2017; Edelstein et al. 2012; Kent et al. 2010; Macomber et al. 2009, 2010; Vericker et al. 2010).

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

RECENT LEGISLATION

Three pieces of major legislation enacted in late 2017 and early 2018 have important effects on children's spending in 2018 and future years. The Tax Cuts and Jobs Act (TCJA) of 2017 significantly expanded the child tax credit while eliminating the dependent exemption, effective calendar years 2018–25. Moreover, the Bipartisan Budget Act of 2018 and the Consolidated Appropriations Act of 2018 increased funding for defense and nondefense discretionary spending in 2018 and 2019 (including substantial increases in discretionary child care funding). Because of timing issues, we see only partial effects of these changes on the child tax credit, the dependent exemption, child care, and other expenditures in 2018. We will continue to track effects in future *Kids' Share* reports. Finally, this report assumes strict caps in spending are reimposed for 2020 and 2021 and does not reflect any changes to the caps or other legislative changes enacted after April 2019.

RECENT EXPENDITURES ON CHILDREN

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

- How much does the federal government spend on children?
- How much does the federal government spend on different programs and tax provisions benefiting children?
- How did federal expenditures on children change between 2017 and 2018?

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

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

Federal expenditures are reported through fiscal year 2018, the most recent year for which complete federal spending data are available. State and local spending is tracked through fiscal year 2016, the most recent year for which complete state and local data are available. These numbers exclude state and local tax programs other than the earned income tax credit because consistent tax data is not available across the 50 states.

How much does the federal government spend on children?

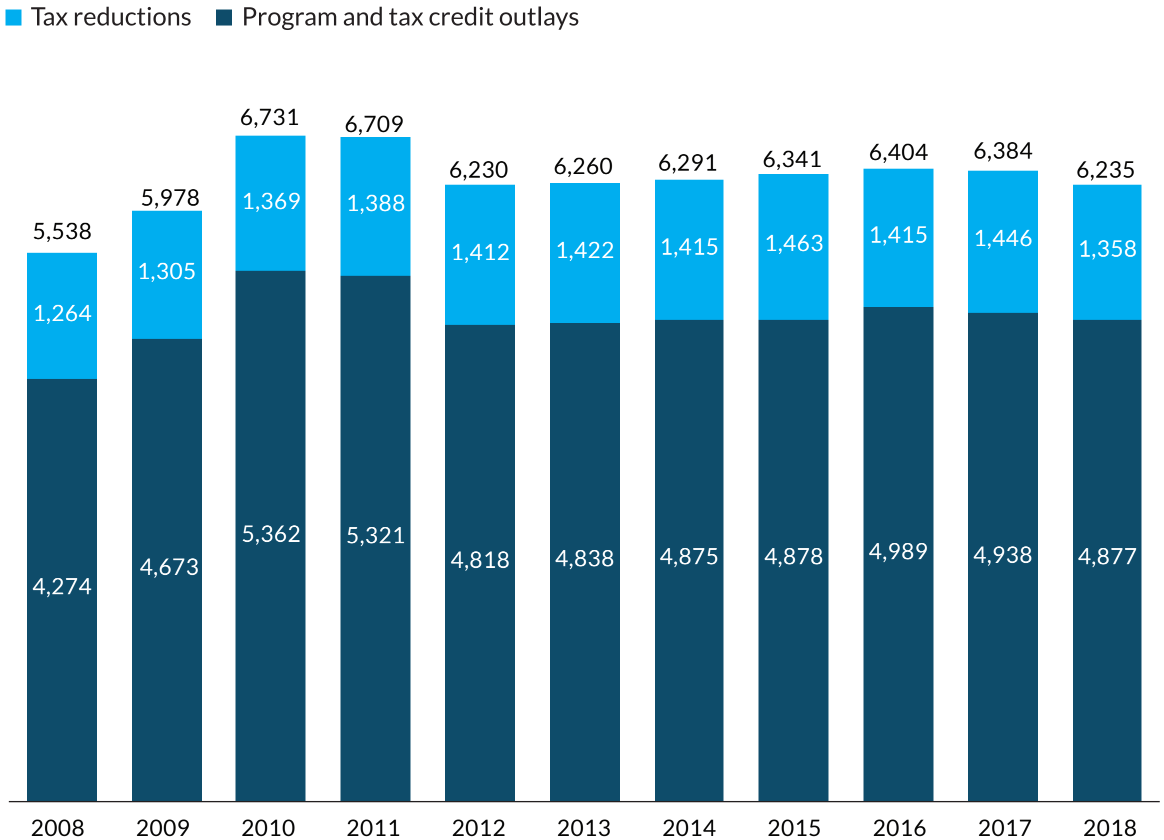
In 2018, federal expenditures totaled about $6,200 per child, including about $4,900 in outlays and nearly $1,400 in tax reductions. In total, the federal government spent $379 billion in outlays and $106 billion in tax reductions on 77.7 million children 18 and younger in 2018. The $379 billion in budget outlays is 9 percent of the over $4.1 trillion in outlays in the complete federal budget. The $485 billion spent on tax and spending programs is 1.9 percent of Gross Domestic Product (GDP).

- Federal expenditures per child were lower in 2018 than in recent years, after adjusting for inflation. As detailed in table 1 (page 15), the decline between 2017 and 2018 primarily reflects a reduction in federal spending on education and nutrition programs and a temporary reduction in child-related tax credits.
- The reduction in child-related tax expenditures is expected to be reversed in 2019, at least for a few years, when families experience the full effects of the child tax credit expansion, enacted as part of the Tax Cut and Jobs Act (TCJA) of 2017.
- Federal expenditures are considerably lower than in 2010 and 2011, during the Great Recession. The American Recovery and Reinvestment Act of 2009 (ARRA), enacted in response to the recession, temporarily boosted federal spending. In addition, spending on some federal programs automatically increased during the recession because more children were living in poverty.
- The observed decline over most of the past decade does not only reflect depletion of the ARRA funds and recovery from the recession. It also reflects the Budget Control Act (BCA) and larger budgetary pressures that have constrained certain types of spending on children (most notably education and other discretionary spending programs) from growing along with the economy and federal revenues.
- As a share of the economy, federal investments in children fell to 1.9 percent of GDP in 2018, the lowest level in a decade.

FIGURE 1

Federal Expenditures on Children by Expenditure Type, 2008–18

Spending per capita in 2018 dollars



Source: Authors' estimates based primarily on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2020* (Washington, DC: US Government Printing Office, 2019) and past years. For more source information, see the appendix.

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

The federal government spent about $6,200 per child in 2018, including spending and tax programs.

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

Tax provisions and health programs accounted for 61 percent of federal expenditures on children in 2018; less than 10 percent are spent on early education and care, social services, housing, and training combined.

- **Tax provisions** benefiting children, counted together, far exceed any other major budget category of spending. Expenditures on tax provisions totaled $178 billion, or 37 percent of total 2018 expenditures on children. The largest child-related tax provisions are the child tax credit ($74 billion), the earned income tax credit (EITC) ($59 billion), and the exclusion from income taxation of employer-sponsored health insurance (ESI) for dependent children ($25 billion). Most of the EITC's expenditures and one-fourth of the child tax credit's expenditures are in the form of tax refunds (cash outlays) to families; the rest are provided as reductions in tax liabilities to those otherwise owing individual income tax. In 2019, child tax credit expenditures will be higher and the dependent exemption will decline to zero, as the full effects of the TCJA are felt.

- **Health** was the second-largest spending category ($116 billion), representing 24 percent of total expenditures on children. Medicaid is both the largest source of health spending on children and the largest single program in any category of spending on children. We estimate that $93 billion, or nearly one-fourth of all Medicaid funds, was spent on children in 2018. This estimate includes spending on people under age 19 with disabilities. We estimate that an additional $16 billion was spent on the Children's Health Insurance Program (CHIP).

- Other large categories of spending included the following:

  » **Nutrition** ($57 billion), including $30 billion on the children's share of **SNAP** benefits and $23 billion on child nutrition programs such as the school lunch and breakfast programs.

  » **Income security** ($55 billion), including $21 billion on **Social Security** survivors' and dependents' benefits directed toward people younger than 18, $13 billion on the children's share of Temporary Assistance for Needy Families (**TANF**), and $10 billion on Supplemental Security Income (**SSI**) spending on children with disabilities.

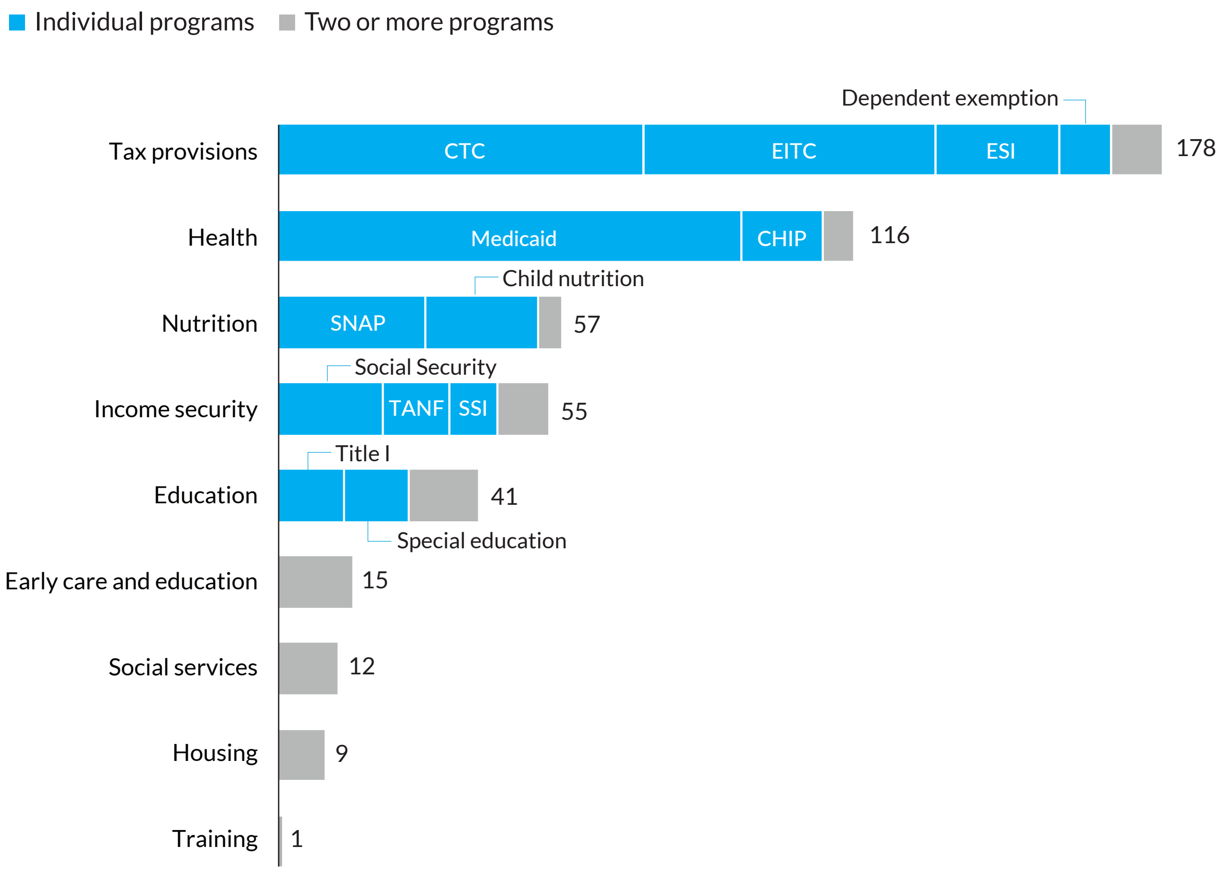
  » **Education** ($41 billion), including $15 billion on **Title I** funding to schools with high percentages of children from low-income families and $13 billion on **special education** and related services as covered by the Individuals with Disabilities Education Act.

- Other categories are much smaller: **early education and care**, which includes Head Start and child care assistance, preschool development, special education, and other broad education programs ($15 billion); child welfare and other **social services** ($12 billion); **housing** assistance benefiting children ($9 billion); and the youth components of job **training** programs ($1 billion).

FIGURE 2

Federal Expenditures on Children by Category and Major Programs, 2018

Billions of 2018 dollars



Source: Authors' estimates based primarily on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2020* (Washington, DC: US Government Printing Office, 2019) and past years. For more source information, see the appendix.

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

Child-related tax provisions totaled $178 billion.

How did federal expenditures on children change between 2017 and 2018?

Spending on children declined between 2017 and 2018.

Federal expenditures on children fell by $12 billion (2.5 percent) between 2017 and 2018. This decline was primarily driven by reductions in federal spending on education and nutrition programs and a temporary reduction in child-related tax credits.

- The largest decrease in spending on children was in tax programs, including a $2.9 billion decrease in the **refundable portions of tax credits** and a $6.9 billion decrease in **tax reductions**. This temporary reduction will be reversed in 2019, when the expanded child tax credit and other TCJA provisions are fully implemented (see figure 14 and page 48 for further explanation).
- Of more permanent concern is the $1.9 billion reduction in **federal spending on education,** part of a longer-term trend. Federal spending on elementary and secondary education in 2018 is 48 percent below peak spending during the recession (in 2010) and 14 percent below prerecession spending (in 2008). Education has been particularly affected by the nondefense discretionary (NDD) caps enacted under the BCA in 2011. Much of the decline is in Title 1 funding. Title 1 spending in 2018 was lower than it has been in 15 years, since 2003.
- **Nutrition** spending fell by $1.8 billion, with most of the decline occurring in SNAP. This primarily reflects improvements in the economy and reduced need for nutrition assistance. SNAP caseloads and expenditures have dropped considerably from their peak levels during the recession, reflecting the program's responsiveness to economic conditions.
- **Income security** spending fell by $1.1 billion. However, this was driven by a temporary reduction in Supplemental Security Income (SSI) spending on disabled children, as there were only 11 scheduled monthly payments in 2018 because of how the payments fell in the calendar. A smaller spending decrease occurred in the youth-related portions of **training**.
- **Early education and care** remained fairly stable between 2017 and 2018. Relatively little of the new child care spending (enacted in March 2018) had been obligated and drawn down by the end of 2018 (September 2018). Such lags in drawing down newly appropriated funds are not uncommon; we expect to see higher spending on early care and education in 2019.
- There were increases in some of the more than 80 spending and tax programs included in our analysis. Child-related federal expenditures on **health, social services,** and **housing** increased between 2017 and 2018. Health spending grew by $2 billion (including increases in both Medicaid and CHIP), social services spending grew by $0.5 billion (with increases concentrated in foster care and adoption assistance), and there was a small ($0.2 billion) increase in child-related expenditures on housing.

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

TABLE 1

Federal Expenditures by Program in 2018 and Change in Expenditures from 2017

Billions of 2018 dollars

	2018	Change from 2017
1. Health	116.2	2.0
Medicaid	93.3	1.6
CHIP	16.4	0.6
Vaccines for children	4.4	-0.1
Other health	2.1	-0.1
2. Nutrition	57.2	-1.8
SNAP (formerly Food Stamps)	29.7	-1.4
Child nutrition	22.7	-0.1
Special Supplemental food (WIC)	4.8	-0.3
3. Income Security	54.7	-1.1
Social Security	21.0	-0.2
Temporary Assistance for Needy Families	13.4	0.3
Supplemental Security Income	9.7	-1.1
Veterans benefits	7.1	-0.2
Child support enforcement (net)	3.5	*
Other income security	*	*
4. Education	40.5	-1.9
Education for the Disadvantaged (Title I, Part A)	15.3	-1.3
Special education/IDEA	12.9	*
School improvement	4.2	-0.3
Impact Aid	1.5	-0.1
Indian education	1.3	0.1
Dependents' schools abroad	1.2	*
Innovation and improvement	1.1	-0.1
Other education	2.9	-0.3
5. Early Education and Care	15.1	-0.1
Head Start (including Early Head Start)	8.9	-0.2
Child Care and Development Fund	5.9	0.1
Other early education and care	0.3	*
6. Social Services	12.1	0.5
Foster care	5.3	0.3
Adoption assistance	2.9	0.4
Unaccompanied Alien Children	1.2	-0.2
Other social services	2.8	*
7. Housing	9.4	0.2
Section 8 low-income housing assistance	7.7	0.1
Low-rent public housing	1.0	*
Other housing	0.7	*
8. Training	1.1	-0.2
9. Refundable Portions of Tax Credits	72.7	-2.9
Earned income tax credit	52.1	-2.2
Child tax credit	18.6	-1.2
Premium tax credit	1.1	0.5
Other refundable tax credits	0.9	*
10. Tax Reductions	105.5	-6.9
Child tax credit (nonrefundable portion)	54.9	24.9
Exclusion for employer-sponsored health insurance	25.1	-0.3
Dependent exemption	10.1	-31.1
Earned income tax credit (nonrefundable portion)	6.8	-0.1
Dependent care credit	3.6	-0.1
Other tax reductions	5.1	-0.3
TOTAL EXPENDITURES ON CHILDREN	**484.6**	**-12.2**
OUTLAYS SUBTOTAL (1–9)	**379.0**	**-5.3**

Source: Authors' estimates based primarily on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2020* (Washington, DC: US Government Printing Office, 2019) and past years. For more source information, see the appendix.

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

* Less than $50 million.

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

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

Other income security includes Railroad Retirement and the savings associated with the federal share of child support collections.

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

Other early education and care includes Preschool Development Grants.

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

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

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

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

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

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

In 2016, public spending per child totaled about $14,400, including nearly $5,000 in federal outlays and $9,400 in state and local spending. (These estimates exclude federal tax reductions—valued at approximately $1,400 per child. These were excluded to improve the comparability of our federal estimates with our state and local estimates).[5]

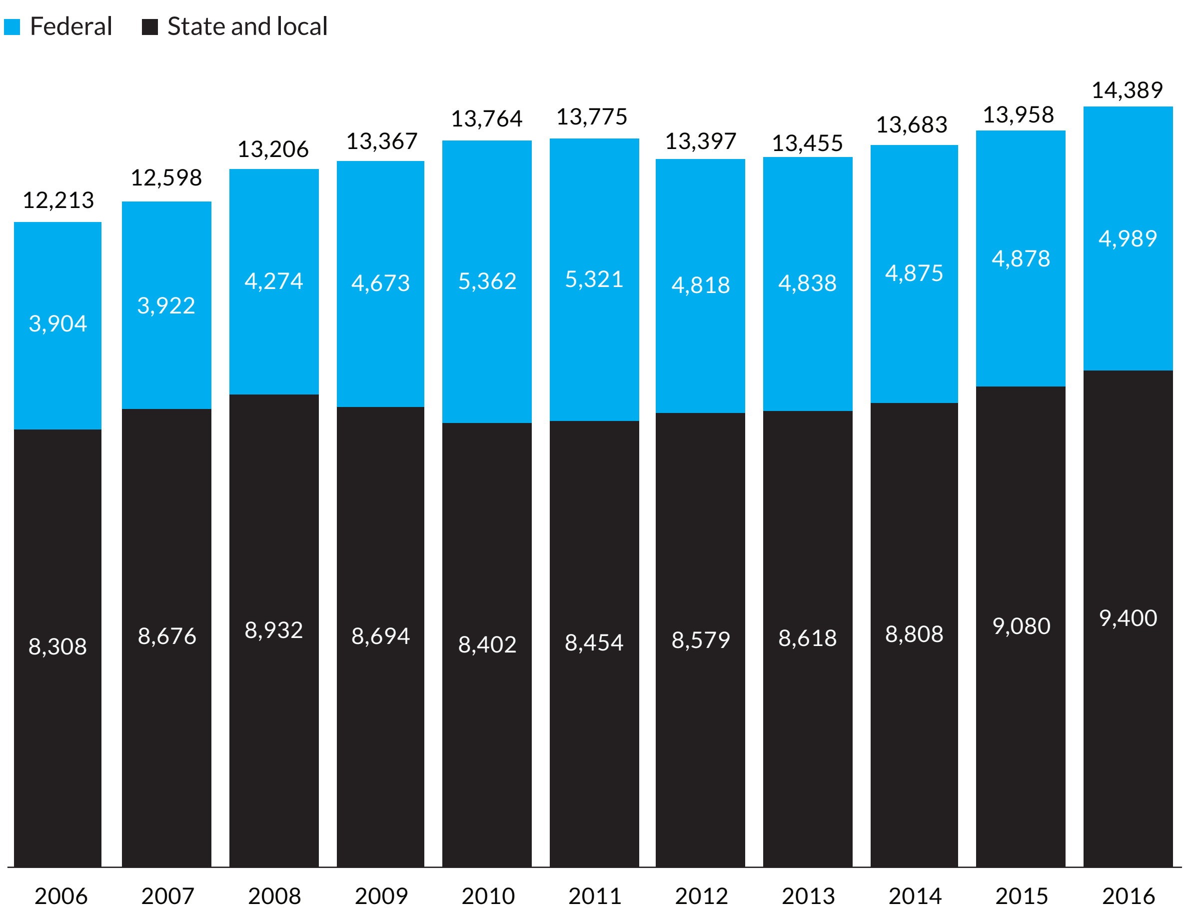
- State and local spending on children provided 65 percent of total public spending in 2016.
- State and local spending on children fell in 2009–2011, as states struggled to balance budgets during a time of recession and falling revenues. Over the same period, the federal spending increased, as ARRA provided federal funds to support state and local governments, help families facing unemployment, and stimulate the economy. Some federal programs (e.g., SNAP) also adjusted automatically to serve the higher numbers of families in need. The federal increases were large enough to boost **total spending per child** during the recession, when needs and poverty rates rose.
- In 2012, as the recession ended, total public spending per child fell, as sharp reductions in ARRA and other federal funding were only partly offset by a small increase in state and local spending. Since then, public spending per child has steadily increased, reflecting increases in both federal and state and local spending. State and local data are not yet available for 2017 and 2018.

[5] The federal estimates include program spending and the refundable portions of the earned income tax credit and child tax credit. The state estimates include program spending and spending related to any state earned income tax credits.

FIGURE 3

Public Spending per Child by Level of Government, 2006–16

Billions of 2018 dollars



Source: Authors' estimates based on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2018* (Washington, DC: US Government Printing Office, 2017) and past years as well as various other sources. For more source information, see the appendix.

Note: These estimates do not include tax reductions.

State and local governments contribute 65 percent of total public spending on children.

How does spending on children differ across levels of government?

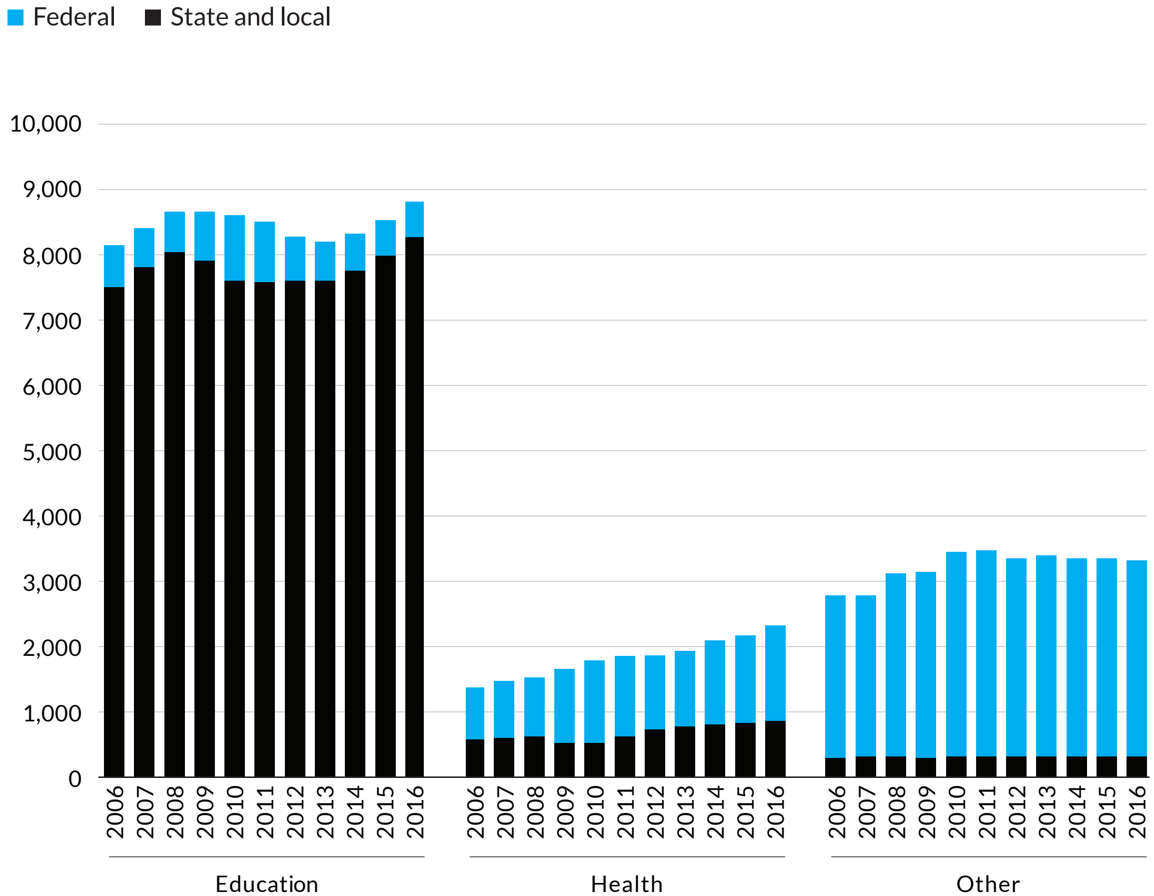
State and local governments spend heavily on public education, while the federal government spends more on tax credits, income security, nutrition, and other noneducation, nonhealth areas. Both levels of government spend a fair amount on health programs.

- State and local spending is dominated by spending on public **education**, the largest form of public investment in children when looking across all levels of government. The federal government contributes only 7 cents of each education dollar.
- State and local governments also contribute significantly to **health** spending on children, though not as much as the federal government, which accounts for 63 percent of public expenditures on children's health.
- States and localities make important contributions to income security, tax credits, child care, foster care, and social services, but these investments are small relative to federal spending. They spend little on nutrition, housing, or training. The federal government contributes 91 percent of all noneducation, nonhealth spending on children.
- Analyses of spending by age show that state and local governments spend much less on infants, toddlers, and preschool children than on school-aged children. This results in lower total public investments per capita in younger children than in school-aged children (Isaacs et al. 2019).

FIGURE 4

Public Spending per Child, by Category and Level of Government, 2006–16

2018 dollars



Source: Authors' estimates based on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2018* (Washington, DC: US Government Printing Office, 2017) and past years as well as various other sources. For more source information, see the appendix.

Note: These estimates do not include tax reductions.

Public education drives state and local spending on children.

BROAD TRENDS IN FEDERAL SPENDING

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

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

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

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

For future trends, our estimates rely heavily on the Congressional Budget Office's baseline projections of current law, supplemented by other sources, and our own estimates of the shares of individual programs allocated to children (see appendix).

What share of the federal budget is spent on children?

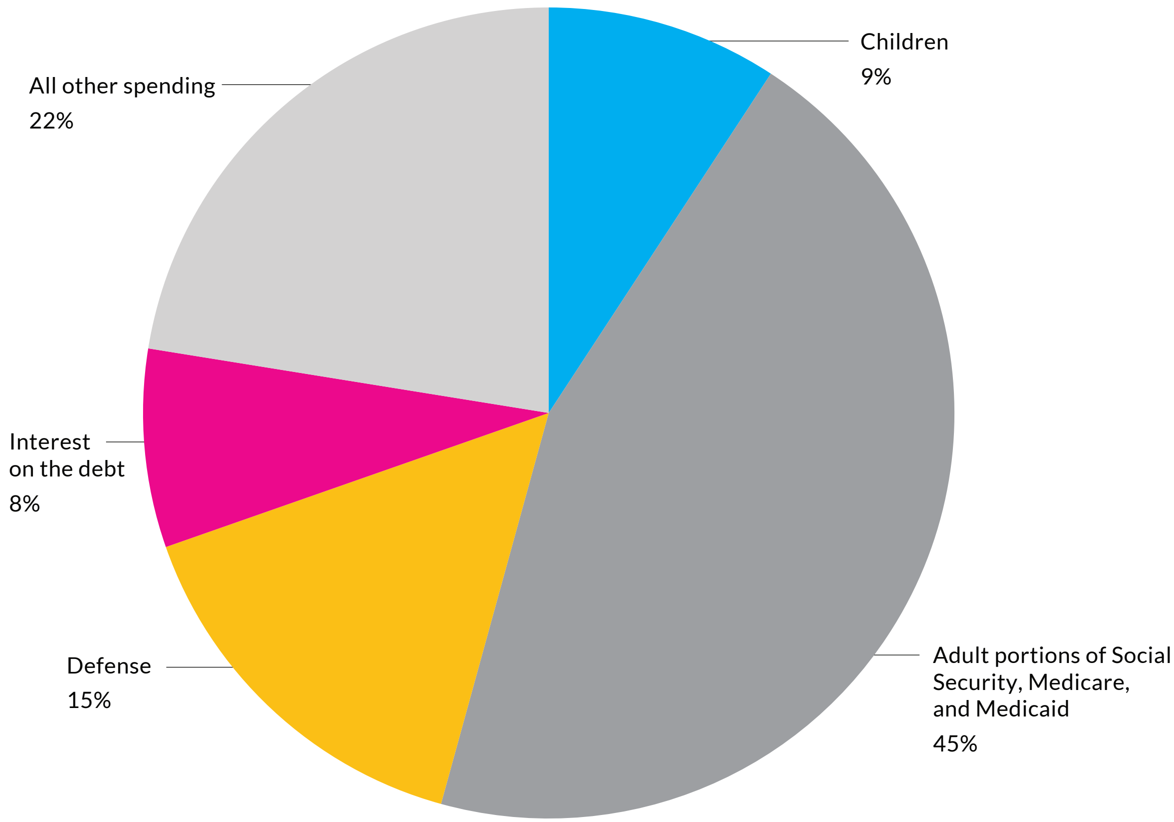
In 2018, 9 percent of the federal budget (or $379 billion of $4.1 trillion in outlays) was spent on children.

- A much larger share of the budget (45 percent) was spent on retirement and health benefits for adults through **Social Security, Medicare, and Medicaid.** Most of these adults are seniors or disabled, but Medicaid also provides health insurance to several other groups of adults, including low-income pregnant women, parents, and in some states, childless adults. (The Social Security and Medicaid estimates here exclude spending on children to avoid double counting.)
- The remaining shares of the budget include 15 percent on **defense,** 8 percent on **interest payments on the debt,** and 22 percent on a residual category that includes **all other federal spending priorities,** ranging from agriculture subsidies and highway construction to unemployment compensation, veterans benefits, higher education, and environmental protection.
- Child-related **tax reductions** (totaling $106 billion in 2018) represent approximately 8 percent of the $1.4 trillion in individual and corporate tax reductions identified by the Office of Management and Budget.[6] The children's share of tax reductions has fluctuated between 7 and 9 percent over the past decade.

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

FIGURE 5

Share of Federal Budget Outlays Spent on Children and Other Items, 2018



Source: Authors' estimates based primarily on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2020* (Washington, DC: US Government Printing Office, 2019) and past years. For more source information, see the appendix.

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

Nine percent of the federal budget was spent on children.

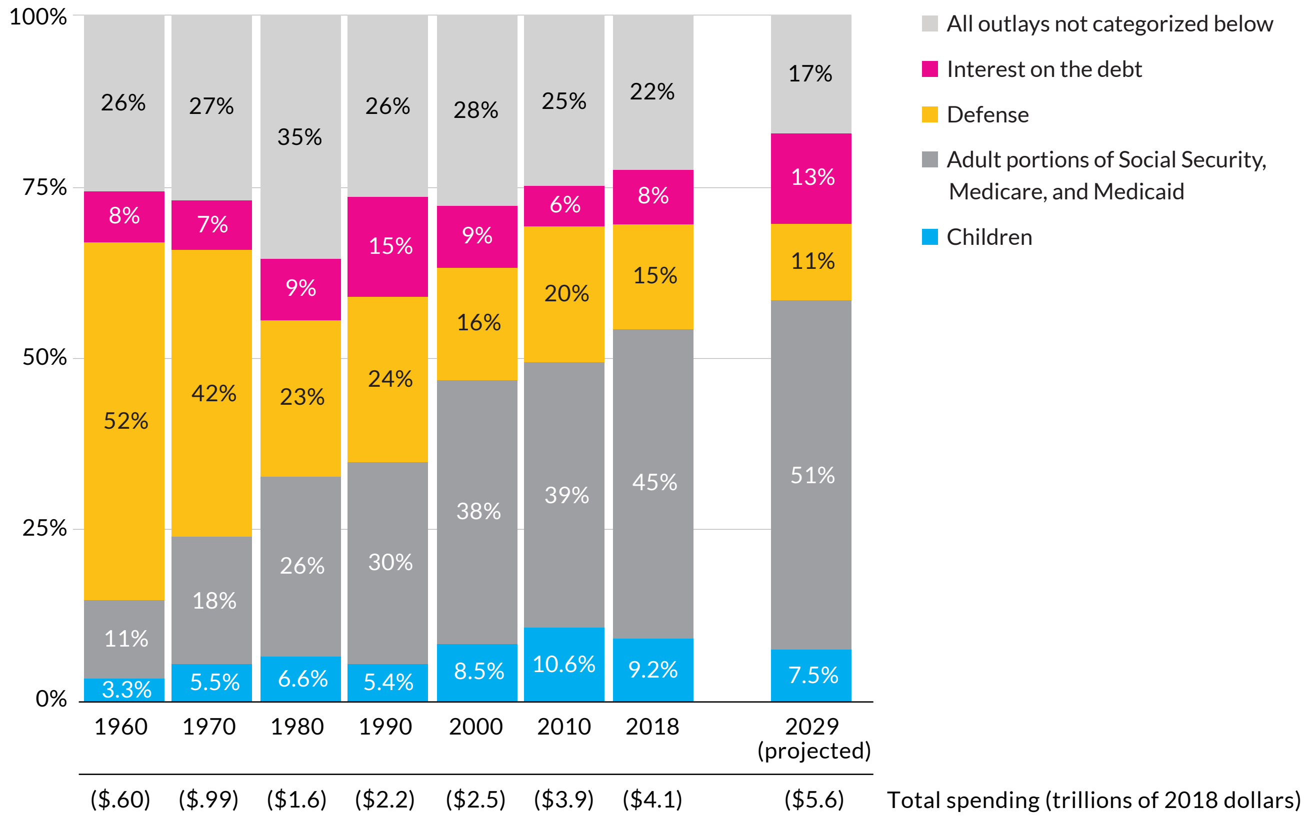
How is the children's share of the federal budget changing over time?

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

- In 1960, only 3.3 percent of federal outlays were spent on **children**. The children's share of the budget grew in fits and starts, reaching a peak of 10.6 percent in 2010. It fell to 9.2 percent in 2018, the lowest it has been since 2007.
- Under current law, the children's share is projected to decline by nearly a fifth, to 7.5 percent, by 2029. At the same time, the share of the population under age 19 is estimated to contract slightly, from 24 to 23 percent.
- **Social Security, Medicare, and Medicaid** spending on adults has steadily increased as a share of total federal spending and is expected to continue to do so. By 2029, 51 percent of the federal budget will be spent on the adult portions of Social Security, Medicare, and Medicaid, an increase from 30 percent in 1990. This growth stems from multiple factors, including projected growth in real health and Social Security benefits per person under current law, additional years of benefits as people live longer, and the movement of baby boomers into the retiree population. From 2018 to 2029, the share of the population ages 65 and older is expected to increase from 16 to 20 percent.
- The share of the budget spent on **defense** fell dramatically between 1960 and 2000, essentially financing a substantial expansion of domestic programs without any significant increase in average tax rates. Under the BCA's caps, defense spending is projected to shrink further, from 15 percent of federal outlays in 2018 to a post–World War II low of 11 percent in 2029.
- **Interest payments** on the debt have fluctuated over the past half-century. They are projected to grow as a share of the budget, from 8 percent in 2018 to 13 percent by 2029, reflecting a higher national debt and rising interest rates.
- Spending on **all other governmental functions** is projected to shrink to 17 percent of the budget by 2029.

FIGURE 6

Share of Federal Budget Outlays Spent on Children and Other Items, Selected Years, 1960–2029



Source: Authors' estimates based primarily on Congressional Budget Office, *Updated Budget Projections: 2019 to 2029* (Washington, DC: Congressional Budget Office, 2019) and Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2020* (Washington, DC: US Government Printing Office, 2019) and past years. For more source information, see the appendix.

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

The children's share of the budget is projected to drop from 9.2 percent to 7.5 percent over the next decade.

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

Federal spending represents about one-fifth of the total economy; federal spending on children represents less than 2 percent of GDP. Measuring spending as a share of the economy is useful when examining long-term trends because this measure adjusts for growth in population and overall income as well as inflation.

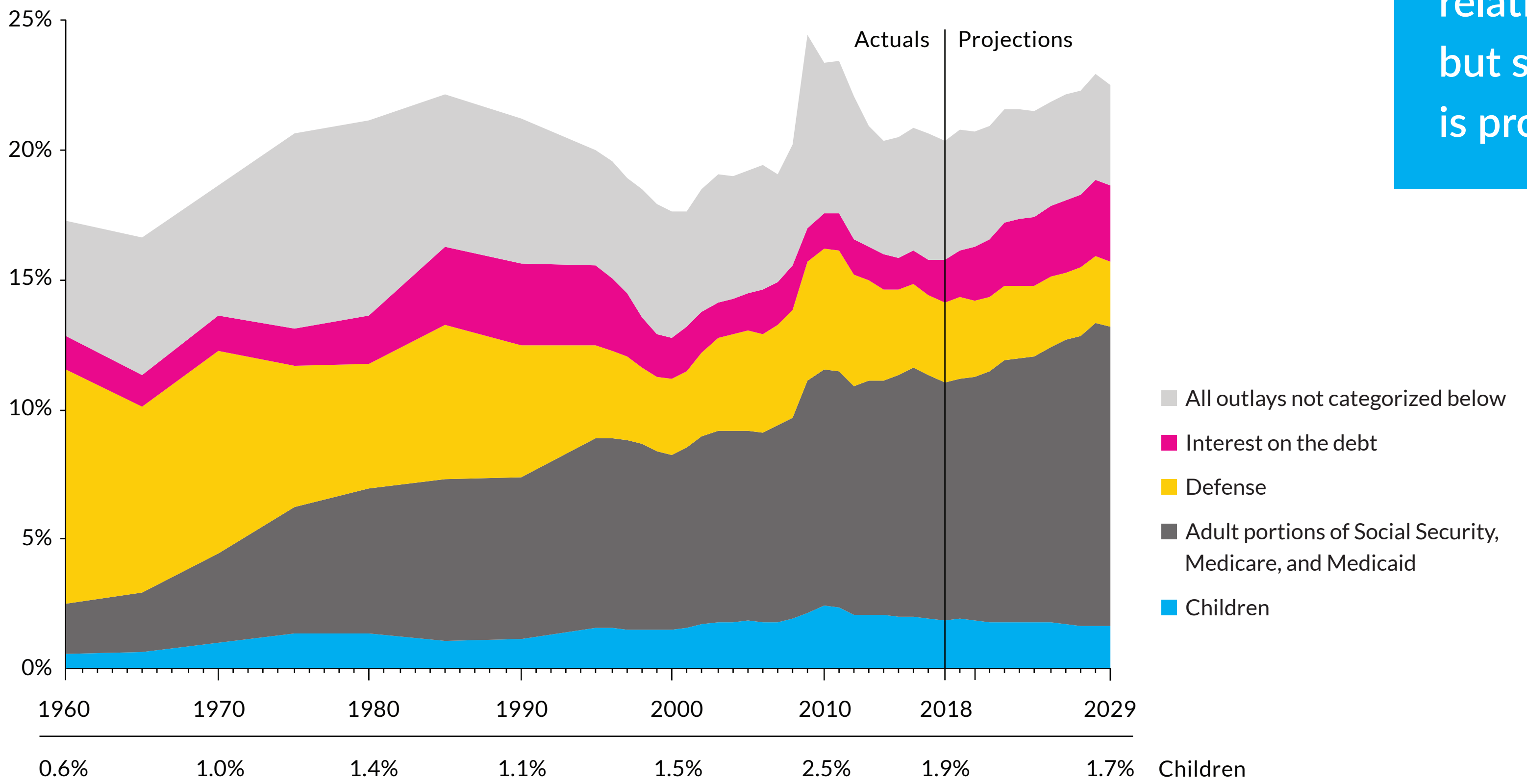
- Between 1960 and 2018, **federal outlays** grew sharply in real terms (from $599 billion to $4.1 trillion) but only modestly as a share of the economy (from 17 to 20 percent of GDP). **Under current law, total outlays are expected to grow steadily over the next decade** (rising to $5.6 trillion and reaching 22.5 percent of GDP in 2029).
- Spending on **children** grew from a very small base of about 0.6 percent of GDP in 1960 to 1.9 percent in 2018, down from a peak of 2.5 percent in 2010.[7] Spending on children is projected to decline further, falling to 1.7 percent of GDP in 2029 under current-law estimates. The decline observed to date is generally consistent with estimates in earlier *Kids' Share* reports, which highlighted the budgetary squeeze affecting future spending on children.[8]
- Spending on **Social Security, Medicare, and Medicaid** has steadily increased over the past half-century. Excluding spending on children (to avoid double counting), spending grew from 2.0 percent of GDP in 1960 to 9.1 percent in 2018, down from a peak of 9.6 percent in 2016. Spending on these health and retirement programs is projected to rebound next year and continue growing to 11.5 percent of GDP over the next 10 years.
- Spending on **defense** fell substantially, from 9.0 percent of GDP in 1960 to 2.9 percent in 2000. It has risen somewhat in the past 18 years, reaching 3.1 percent of GDP in 2018, but is projected to decline further to 2.5 percent in 2029 under the statutory spending caps.

[7] Tax reductions on children are not shown in these budget estimates. Including them would put total expenditures on children at 2.4 percent of GDP in 2018.

[8] *Kids' Share 2010*, for example, projected that budget outlays on children would decline to 1.9 percent of GDP in 2018, absent changes in current law (Isaacs et al. 2010). Despite numerous legislative changes, some of which increased spending on children, the decline projected in earlier reports is now being observed.

FIGURE 7

Federal Outlays on Children and Other Major Budget Items as a Share of GDP, 1960–2029



Source: Authors' estimates based primarily on Congressional Budget Office, *Updated Budget Projections: 2019 to 2029* (Washington, DC: Congressional Budget Office, 2019) and Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2020* (Washington, DC: US Government Printing Office, 2019) and past years. For more source information, see the appendix.

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

Federal spending is projected to grow relative to the economy, but spending on children is projected to fall.

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

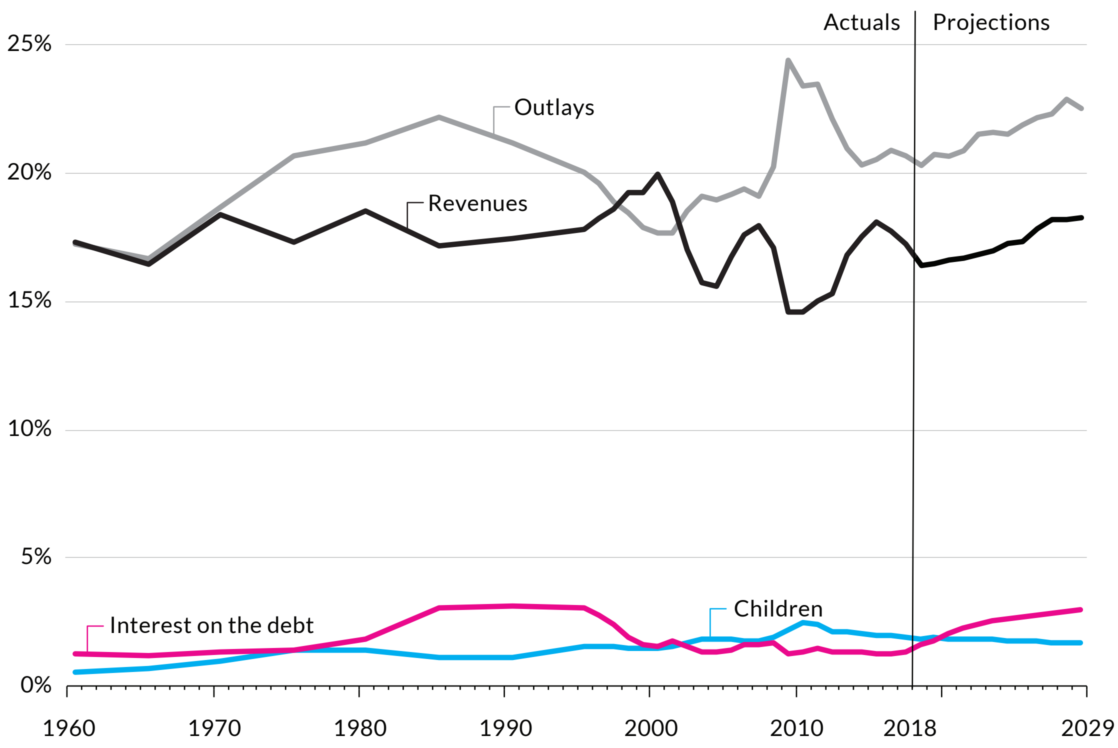
Interest payments on the national debt are projected to exceed federal spending on children by 2020 and to nearly double by 2029.

- **Federal outlays** are projected to grow more rapidly than the economy over the next 10 years, according to current-law projections by the Congressional Budget Office (CBO). **Revenues** are also projected to increase while remaining well below outlays every year between 2018 and 2029, as they have since 2001.
- As spending exceeds revenues year after year, the federal debt is expected to rise to its highest level relative to the economy since just after World War II. With an increasingly higher national debt and a projected increase in interest rates, **interest payments on the debt** are projected to nearly double as a percentage of GDP (and more than double in real dollars).
- In sharp contrast to the growth in total federal spending, **spending on children** is projected to fall relative to the economy. Under current policies, spending on interest payments on the debt is projected to exceed spending on children from 2020 onward.

As the CBO notes, current-law spending in its May 2019 budget projections assumes that strict spending caps for defense and nondefense discretionary programs, which were raised in 2018 and 2019 under the Bipartisan Budget Act of 2018, will revert to scheduled levels in 2020. Moreover, current-law revenue projections assume that certain TCJA provisions expire in 2026, resulting in significant individual income tax increases in 2026 (CBO 2019). Amendments made to current law after May 2019 to remove caps on discretionary spending and/or extend many expiring revenue provisions would increase the estimated size of the annual deficit, national debt, and interest payments. Under this alternate scenario, without spending caps, projected spending on children would not fall as rapidly but still would fall relative to GDP and the budget as a whole.

FIGURE 8

Federal Outlays, Revenues, Spending on Children, and Interest Payments as a Share of GDP, 1960–2029



Source: Authors' estimates based primarily on Congressional Budget Office, *Updated Budget Projections: 2019 to 2029* (Washington, DC: Congressional Budget Office, 2019) and Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2020* (Washington, DC: US Government Printing Office, 2019) and past years. For more source information, see the appendix.

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

The federal government will soon be spending more on interest payments on the debt than on children.

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

Children's programs are expected to receive very little of the projected increase in federal spending over the next decade: 3 cents of every dollar compared with 67 cents for Social Security, Medicare, and Medicaid and 28 cents for interest on the debt.

- Federal spending is projected to increase by $1.5 trillion over the next 10 years, reaching $5.6 trillion in 2029.
- Together, **Social Security, Medicare, Medicaid**, and **interest on the debt** garner almost all (95 percent) of the expected growth in spending over the next decade. This illustrates how much past policy decisions are driving our future spending. As noted earlier, growth in Social Security, Medicare, and Medicaid is driven by rising real benefits per capita and an increasing number of beneficiaries because of the aging population. In the absence of legislative action to restrain this growth in benefits or to increase revenues, as these programs continue to grow, so will the national debt and interest payments on it.
- With so much built-in growth in these spending programs under current law and with limited revenues, spending on other priorities—including defense, children, and all other governmental spending—is under severe budgetary pressure. See also Steuerle and Quakenbush (2019).
- Spending on **children's programs** is projected to increase by an estimated $41 billion, or 3 cents of every dollar of the projected increase in federal outlays. This is driven by an increase in health spending; nonhealth spending on children is projected to decline in real dollars.
- Spending on **defense** is projected to decline slightly, and spending on **all other** functions is projected to increase very little.

These budget projections assume that all nondefense discretionary spending programs are affected equally by the BCA spending caps. Also, these projections show where current law trends lead, absent changes in policy. Laws and policies do not stay constant. Still, the health and retirement programs that drive most long-term spending are slow to change because their growth is built into the law and the public's expectations.

TABLE 2

Share of Projected Growth in Federal Outlays from 2018 to 2029 Going to Children and Other Major Budget Items

Billions of 2018 dollars except where noted

Major budget items	2018	2029 (projected)	Growth, 2018–29	Share of growth
Adult portions of Social Security, Medicare, and Medicaid	1,851	2,856	1,005	67%
Interest on the debt	325	740	415	28%
Children	379	420	41	3%
Defense	631	628	-4	0%
All other outlays	923	959	36	2%
Total federal outlays	**4,109**	**5,603**	**1,494**	**100%**

Source: Authors' estimates based primarily on Congressional Budget Office, *Updated Budget Projections: 2019 to 2029* (Washington, DC: Congressional Budget Office, 2019) and Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2020* (Washington, DC: US Government Printing Office, 2019). For more source information, see the appendix.

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

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

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

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

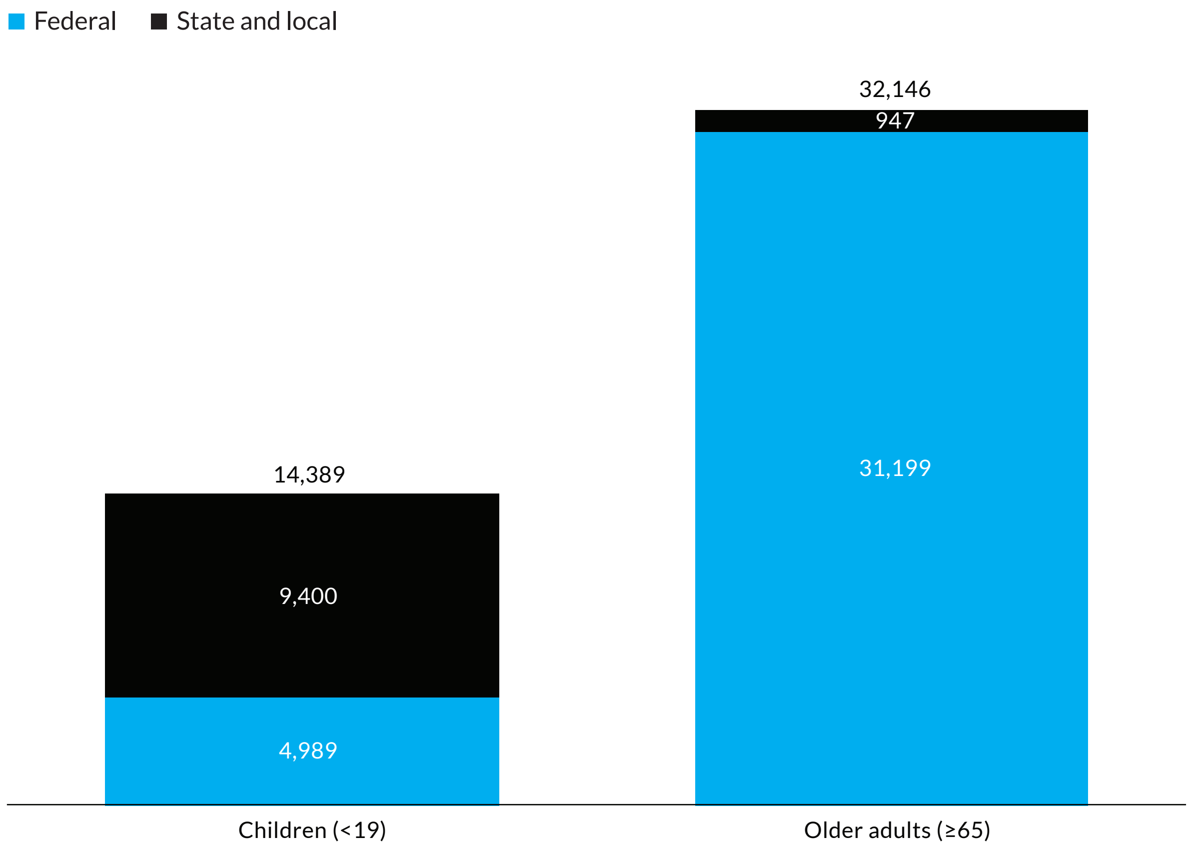
- The **federal government** spent $6 per older adult for every $1 spent per child in 2016. The ratio in per capita spending drops to 2.2:1 when adding state and local spending, which is heavily slanted toward public schools.[9]
- Health care expenses are a significant portion of public expenditures on older adults. Yet even when excluding health spending, per capita spending on older adults remains considerably higher than per capita spending on children because of large retirement and disability program expenditures (data not shown).
- Federal spending on **older adults** between 1960 and 2018 increased by about $25,000 per older adult, from about $4,000 to about $30,000, after adjusting for inflation. These increases have been driven by the establishment of Medicare and Medicaid and the enactment of the Older Americans Act in 1965; legislated increases in Social Security, Medicare, and Medicaid benefits; real growth in wages (on which initial Social Security benefits are based); and real increases in health care costs.
- Over this same period, federal spending on **children** rose by about $4,600 per capita, from about $300 to $4,900.
- Looking forward, we project that spending per child will increase by 8 percent between 2018 and 2029, or about 0.75 percent annually. In comparison, per capita spending on all Americans is projected to increase 26 percent over the same period, or about 2.2 percent annually (data not shown). (Projections of per capita spending on older adults are not available.)

[9] Data in figure 9 are for 2016, the most recent year for state and local data. The federal spending ratio remained 6:1 in 2018.

FIGURE 9

Per Capita Federal, State, and Local Spending on Children and Older Adults, 2016

2018 dollars



Source: Authors' estimates based on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2018* (Washington, DC: US Government Printing Office, 2017) and past years as well as various other sources. For more source information, see the appendix.

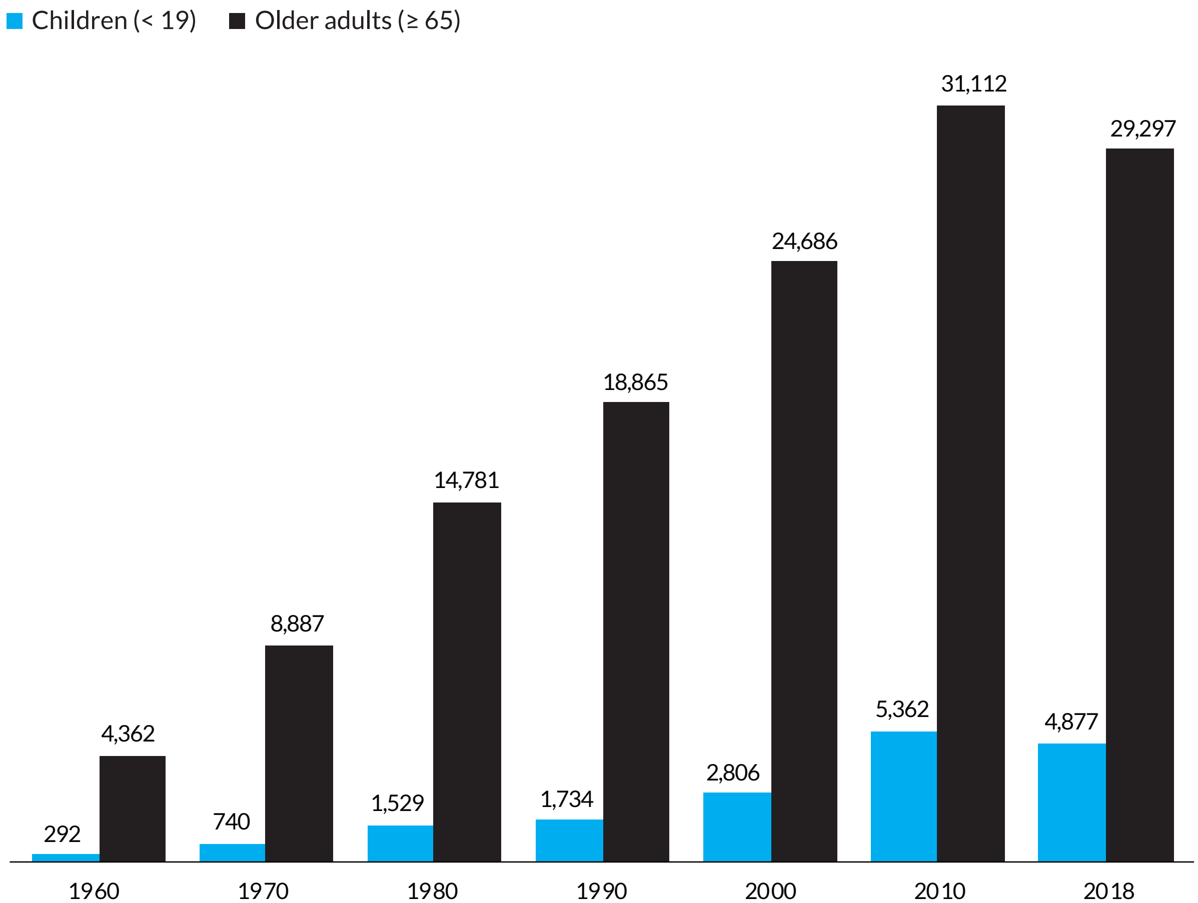
The federal government spent $6 per older adult for every $1 spent per child.

Federal spending on older adults increased from $4,000 to $30,000 per capita between 1960 and 2018.

FIGURE 10

Per Capita Federal Spending on Children and Older Adults, Selected Years, 1960–2018

2018 dollars



Source: Authors' estimates based primarily on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2020* (Washington, DC: US Government Printing Office, 2019) and past years. For more source information, see the appendix.

A CLOSER LOOK AT TRENDS IN FEDERAL EXPENDITURES ON CHILDREN

This final section looks closely at trends in federal expenditures on children, including budget outlays and tax reductions. Three figures and one table look at historical trends (1960–2018), addressing four questions:

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

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

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

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

How have federal expenditures on children changed since 1960?

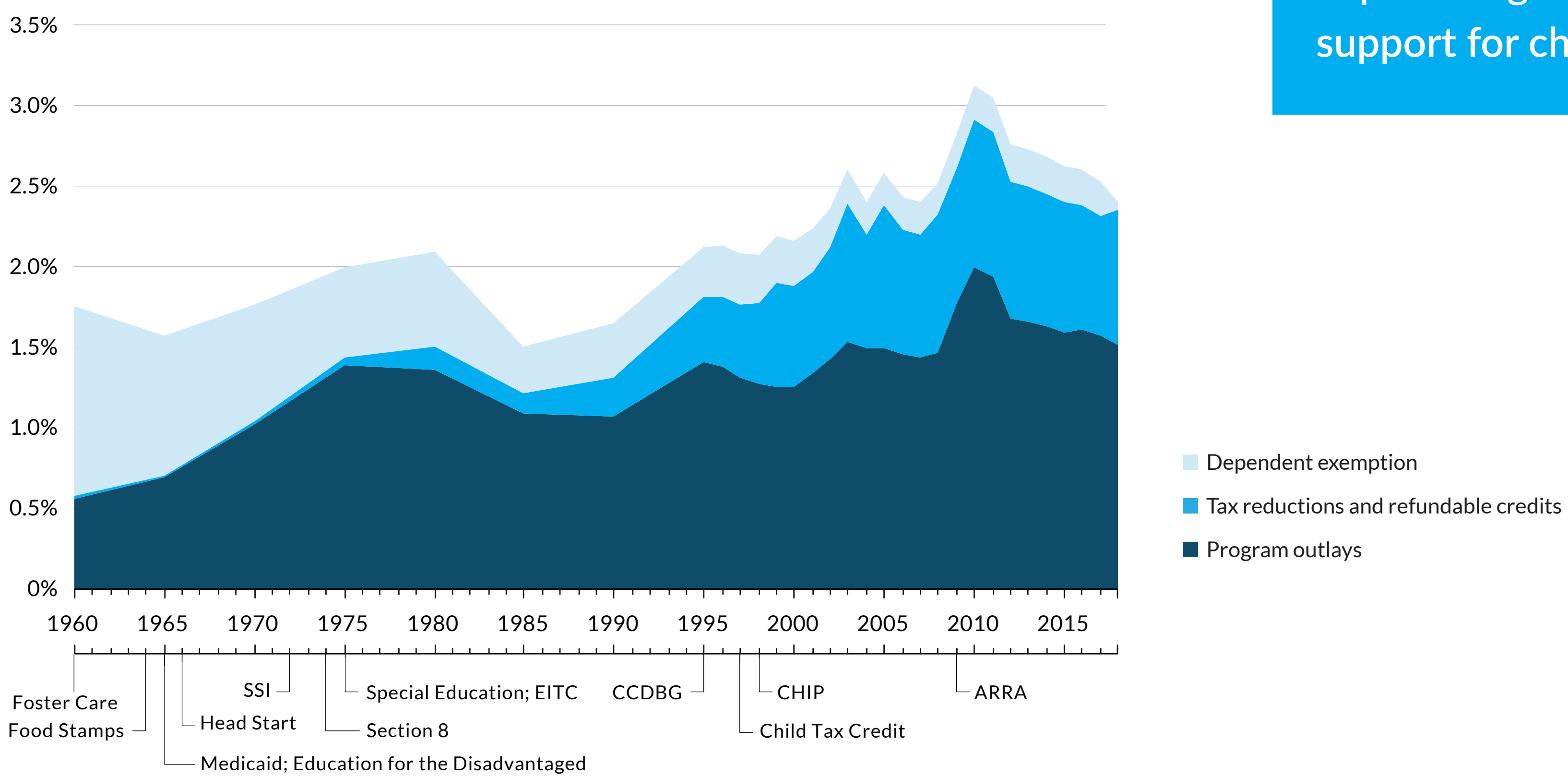
With the notable exception of the dependent exemption, spending on children has generally increased since 1960. Most of the growth has resulted from the introduction of new programs and tax provisions.

- **Program outlays** increased in the 1960s and 1970s with the introduction of new programs such as food stamps, Medicaid, Title I Education for the Disadvantaged, Head Start, SSI, Title 1, Section-8 housing assistance, and special education. After peaking around 2.0 percent of GDP during the Great Recession, program outlays on children have stabilized at their long-term average level of about 1.5 percent of GDP.
- Since the late 1980s, **tax reductions and refundable credits** have played a growing role in providing federal support for children. Over the past decades, both the EITC and the child tax credit have gone through several legislative expansions. Most recently, the child tax credit was expanded under the TCJA.
- The exception is the **dependent exemption,** which has declined in value considerably since 1960. Its initial dramatic decline between 1960 and 1985 partially reflected the eroding value of the exemption amount, which was not indexed to inflation until after 1984. It continued to decline gradually through 2017 and then fell sharply. Under the TCJA, the dependent exemption is eliminated in exchange for the higher child tax credit, effective calendar year 2018 (though there are some residual expenditures associated with the dependent exemption in fiscal year 2018). If the individual income tax provisions of the 2017 tax law expire as scheduled, the dependent exemption will return after 2025.

FIGURE 11

Components of Federal Expenditures on Children, 1960–2018

Percentage of GDP



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

Source: Authors' estimates based primarily on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2020* (Washington, DC: US Government Printing Office, 2019) and past years. For more source information, see the appendix.

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

How have expenditures by program and category changed over time?

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

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

- In 1960, spending on children was concentrated in **tax reductions** (the dependent exemption), **income security** (Social Security, Aid to Families with Dependent Children,[10] and veterans benefits), **education** (Impact Aid), and **nutrition** (child nutrition programs, specifically school lunch). There also were small expenditures on health.
- **Health** spending on children has risen dramatically, from $0.2 billion in 1960 to $116 billion in 2018, driven by the introduction and expansion of Medicaid.
- Federal spending on **education** programs grew to a peak of $78 billion in 2010 but has since fallen to $41 billion.
- **Early education and care** and **social services** programs spent no money specifically targeted to children (or did not exist) in 1960 but spent $15 billion and $12 billion, respectively, in 2018.
- Spending on youth **training programs** grew from $0 in 1960 to $6 billion in 1980 and has since fallen dramatically to only $1 billion in 2018.
- The **refundable portion of tax credits** has grown from $0 in 1960 to $73 billion in 2018 with the introduction and expansion of the earned income tax credit and child tax credit.
- **Tax reductions** also have grown, fueled by growth in the children's share of the exclusion of employer-sponsored insurance and the child tax credit. However, the dependent exemption, which provided roughly the same benefit (close to $40 billion) from 1960 to 2017, dropped to $10 billion in 2018 and will fall to $0 in 2019, reflecting its suspension under the TCJA.

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

Table 3 Sources and Notes

Source: Authors' estimates based primarily on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2020* (Washington, DC: US Government Printing Office, 2019) and past years. For more source information, see the appendix.

Notes: See table 1 notes on page 16 for lists of programs included in other health, child nutrition, and other categories. The lists of programs cover programs with funding in 2018; a few additional programs that no longer exist are included in the totals for earlier years.

NA = Estimates not available

-- Program did not exist.

TABLE 3

Federal Expenditures on Children by Program, Selected Years, 1960–2018

Billions of 2018 dollars

	1960	1980	2000	2010	2018
1. Health	0.2	7.8	37.5	97.4	116.2
Medicaid	--	7.0	33.5	82.7	93.3
CHIP	--	--	1.7	8.7	16.4
Vaccines for children	--	--	0.8	4.0	4.4
Other health	0.2	0.8	1.6	1.9	2.1
2. Nutrition	1.5	23.0	31.6	62.3	57.2
SNAP (food stamps)	--	12.0	13.7	37.0	29.7
Child nutrition	1.5	9.4	13.0	18.7	22.7
Special Supplemental food (WIC)	--	1.6	4.9	6.6	4.8
3. Income Security	14.6	34.4	47.4	59.4	54.7
Social Security	7.0	18.1	18.9	22.9	21.0
Temporary Assistance for Needy Families	4.8	11.2	16.3	17.6	13.4
Supplemental Security Income	--	1.0	6.8	11.3	9.7
Veterans benefits	2.5	3.6	2.2	3.5	7.1
Child support enforcement	--	0.3	3.1	4.0	3.5
Other income security	0.3	0.3	0.0	0.0	0.0
4. Education	3.0	19.1	30.9	77.9	40.5
Education for the Disadvantaged (Title I, Part A)	--	8.5	12.1	22.4	15.3
Special education/IDEA	--	2.2	7.0	19.8	12.9
School improvement	--	2.1	3.6	6.1	4.2
Innovation and improvement	--	--	--	1.1	1.1
Impact Aid	1.7	1.8	1.2	1.4	1.5
Dependents' schools abroad	0.2	0.9	1.3	1.4	1.2
Other education	1.1	3.6	5.8	25.7	4.2
5. Early Education and Care	--	2.2	11.0	15.9	15.1
Head Start (including Early Head Start)	--	2.2	6.3	9.2	8.9
Child Care and Development Fund	--	--	4.7	6.7	5.9
Other early education and care	--	--	--	--	0.3

	1960	1980	2000	2010	2018
6. Social Services	--	4.7	10.9	11.6	12.1
Foster care	--	0.8	6.2	5.1	5.3
Adoption assistance	--	--	0.2	2.7	2.9
Unaccompanied alien children	--	--	--	0.2	1.2
Other social services	--	3.9	4.6	3.7	2.8
7. Housing	0.3	2.8	8.5	11.0	9.4
Section 8 low-income housing assistance	--	1.4	6.6	8.2	7.7
Low-rent public housing	0.3	0.6	1.1	1.4	1.0
Other housing	--	0.8	0.8	1.5	0.7
8. Training	--	6.6	1.5	2.3	1.1
9. Refundable Portions of Tax Credits	--	3.2	35.2	83.8	72.7
Earned income tax credit	--	3.2	34.0	56.2	52.1
Child tax credit	--	--	1.1	26.0	18.6
Premium tax credit	--	--	--	--	1.1
Other refundable tax credits	--	--	--	1.6	0.9
10. Tax Reductions	41.3	51.3	95.0	107.6	105.5
Dependent exemption	40.7	43.4	40.6	36.9	10.1
Exclusion for employer-sponsored health insurance	NA	4.2	14.0	22.0	25.1
Child tax credit (nonrefundable portion)	--	--	27.3	34.2	54.9
Earned income tax credit (nonrefundable portion)	--	1.8	6.1	5.4	6.8
Dependent care credit	--	--	3.3	3.9	3.6
Other tax reductions	0.7	1.9	3.7	5.2	5.1
TOTAL EXPENDITURES ON CHILDREN	**61.0**	**155.1**	**309.4**	**529.2**	**484.6**
OUTLAYS SUBTOTAL (1–9)	**19.6**	**103.8**	**214.4**	**421.5**	**379.0**

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

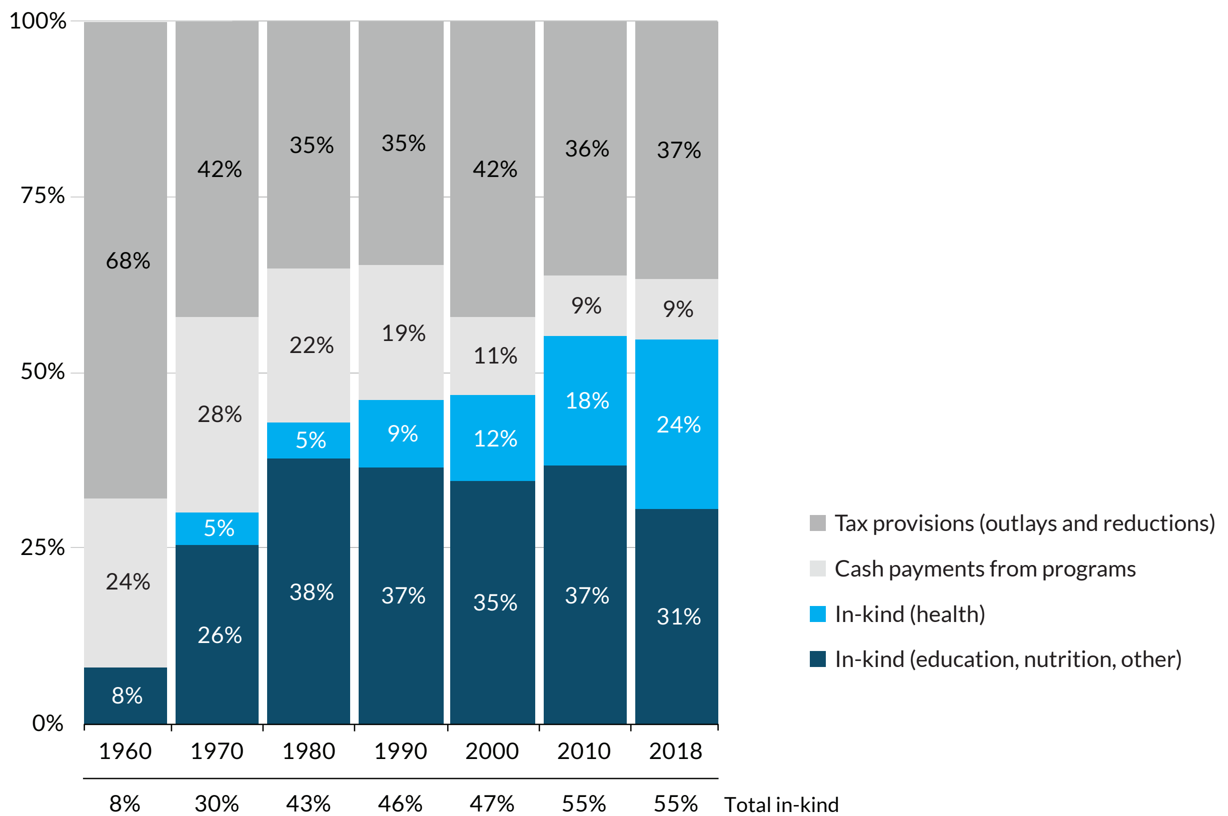
In 1960, cash payments and tax reductions were the main form of support for families with children. Since then, spending on in-kind benefits and services has grown and now accounts for more than half of all expenditures on children.

- In 1960, the federal government primarily supported children through **tax provisions** (specifically, the dependent exemption) and **cash payments** to parents on behalf of their children. Very few benefits were provided through noncash benefits, also known as in-kind supports.
- As new programs providing health, education, nutrition and other in-kind benefits and services were introduced, noncash benefits became an increasingly important share of the supports provided to children.
  - » In-kind spending on **education, nutrition, and other nonhealth** services grew to 38 percent of all expenditures on children in 1980, before falling somewhat to 31 percent in 2018.
  - » More recently, the growth in in-kind benefits has been driven by **health programs**, which have grown to represent 24 percent of all expenditures on children in 2018.
- In total, in-kind benefits and services (health, education, nutrition, and other) accounted for 55 percent of expenditures on children in 2018.
- The other 45 percent of support to children in 2018 was through **cash payments from programs** (9 percent) or **tax provisions** (37 percent). Cash payments from programs have declined sharply, from 24 percent in 1960 (and 28 percent in 1970) to only 9 percent in 2018.

FIGURE 12

Federal Cash and In-Kind Expenditures on Children, 1960–2018

Percentage of expenditures on children



In-kind benefits accounted for more than half of total expenditures on children in 2018.

Source: Authors' estimates based primarily on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2020* (Washington, DC: US Government Printing Office, 2019) and past years. For more source information, see the appendix.

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

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

The share of federal expenditures for children targeted to low-income families has grown over time, reaching 61 percent in 2018.

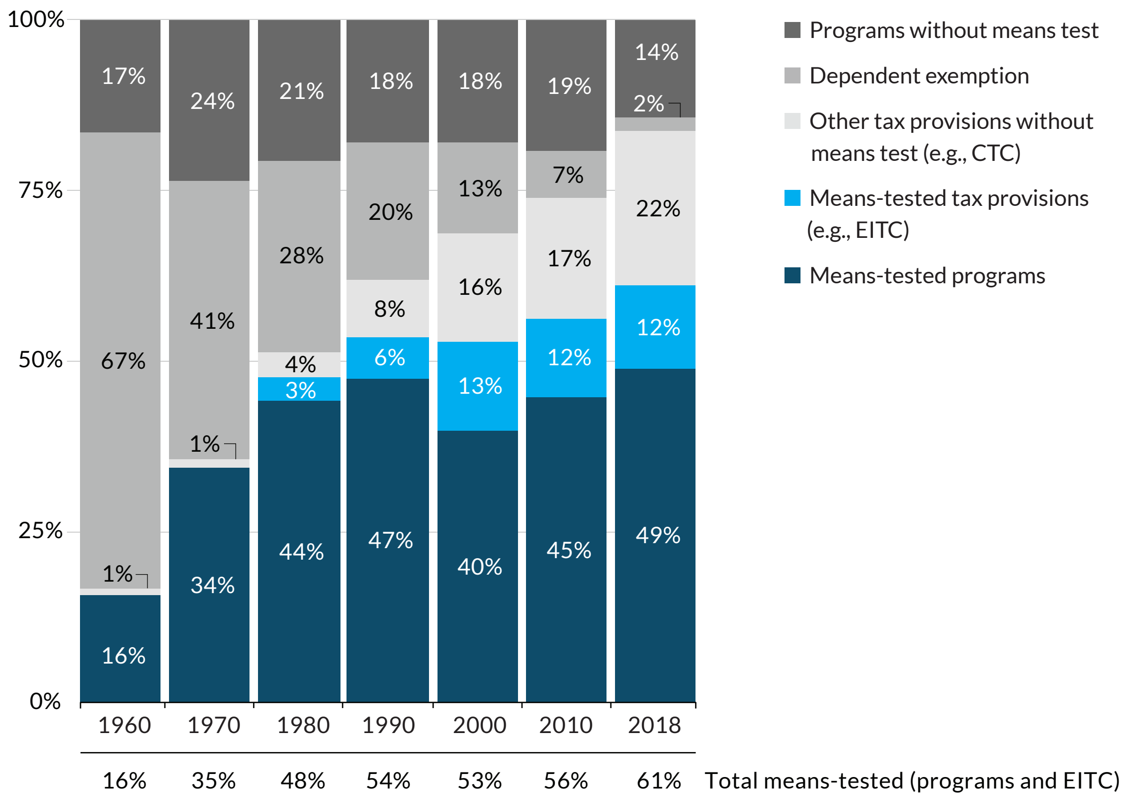
- In 1960, most children's expenditures were distributed through the **dependent exemption**, Social Security, and other benefits generally available to all children regardless of income—that is, through **programs and tax provisions without means tests.**
- The focus of children's spending changed as new programs such as food stamps (now called SNAP benefits), Medicaid, and SSI were introduced to serve low-income populations. By 1990, more than half (54 percent) of total federal expenditures on children were on programs and tax provisions that were means tested—that is, available only to families below certain financial means.
- The share of means-tested expenditures has continued to rise slowly. In 2018, 61 percent of total expenditures on children were made through **means-tested spending programs** (49 percent) and **means-tested tax provisions** (12 percent).[11]
- Children from low-income families may receive more than 61 percent of all federal expenditures on children, because these children receive benefits from both universal and means-tested programs. It also is true that children from higher-income families sometimes receive services from means-tested programs. A special analysis found that children in families with incomes below 200 percent of the federal poverty level received 70 percent of federal expenditures on children in 2009, a year when they represented 42 percent of the child population (Vericker et al. 2012).

[11] The growth in spending on means-tested programs is partly explained by the expansion of Medicaid and CHIP eligibility to higher-income populations. For example, the median upper eligibility limit for children increased from 200 percent of the federal poverty level in 2006 to 255 percent in 2016. Programs with higher-income limitations are hard to classify in a dichotomous choice between means tested and universal. Our analysis treats the premium tax credit as means tested and the child tax credit as not means tested; further information on how we classified each program is provided in the *Data Appendix to Kids' Share 2019* (Lauderback et al. 2019).

FIGURE 13

Means Testing of Federal Children's Programs and Tax Provisions, 1960–2018

Percentage of expenditures on children



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

Source: Authors' estimates based primarily on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2020* (Washington, DC: US Government Printing Office, 2019) and past years. For more source information, see the appendix.

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

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

Education and other discretionary spending programs are projected to decline over the next decade, continuing a general downward trend. Mandatory health spending on children is the only category with strong growth projected over the next decade, consistent with long-run trends in all federal health spending.

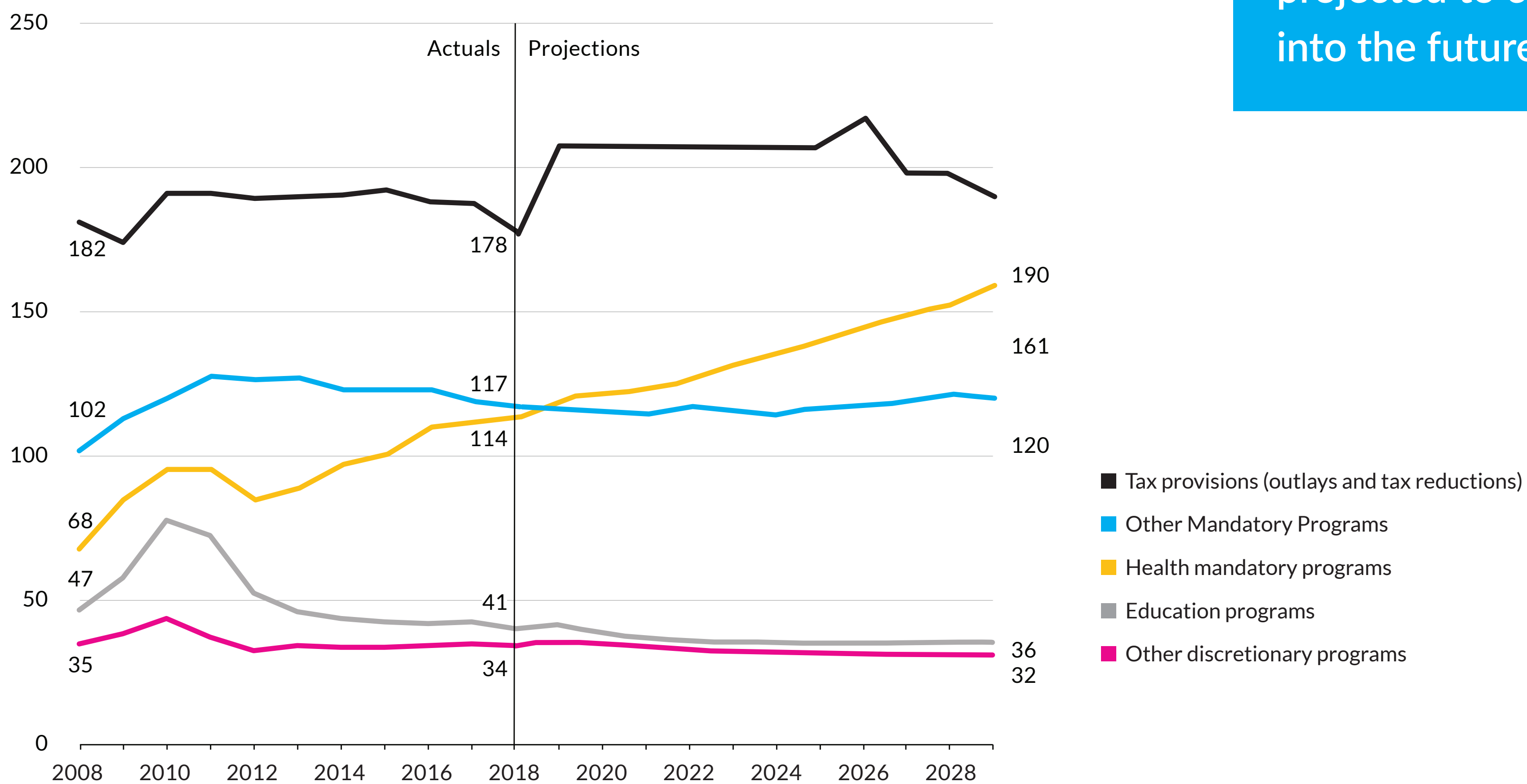
- Children's expenditures associated with **tax provisions** are expected to increase for several years, after the replacement of the dependent exemption by an expanded child tax credit is fully reflected. Tax-related expenditures on children then drop at the end of the projection period, because the TCJA lets these changes expire after seven years. As noted earlier, there was a temporary reduction in 2019 (and a corresponding temporary increase in 2026) because of timing issues.[12]
- **Mandatory health spending on children** (i.e., Medicaid and CHIP) is the only type of expenditure projected to increase consistently over the coming decade. The number of children enrolled in Medicaid is projected to remain stable (at 31 million children without disabilities and more than 1 million children with disabilities), but costs per enrollee will increase faster than inflation, following broader trends in health spending.
- **Mandatory nonhealth programs** are expected to grow only modestly. The school lunch and breakfast programs and social security survivors' and dependents' benefits directed toward children are projected to increase more than inflation. However, these increases are largely offset by declines in SNAP expenditures (as SNAP caseloads are projected to continue declining) and the TANF block grant (which is flat-funded and so declines when adjusting for inflation).
- Federal K–12 **education programs**, which experienced temporary spending increases under ARRA, are expected to continue their long-run decline. Education programs are a form of discretionary spending, meaning programs compete annually for funding and also are constrained by nondefense discretionary (NDD) caps set in the BCA. Even without the caps, education and other discretionary programs are under pressure because of structural imbalances in the federal budget, as health and retirement spending rises much faster than revenues.
- **Other discretionary spending** programs are also on a downward path, though decreases over the past decade are not as pronounced as in education. These include Head Start and other early education and care, Job Corps and other training programs, the children's share of housing benefits, the Special Supplemental Nutrition Program for Women, Infants, and Children, and child abuse prevention and other social service programs.

[12] Changes in the child tax credit are not fully felt until families file taxes, often in April following the calendar year the changes are implemented.

FIGURE 14

Federal Spending on Children by Expenditure Type and Category, 2008–29

Billions of 2018 dollars



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

Source: Authors' estimates based primarily on Congressional Budget Office, *Updated Budget Projections: 2019 to 2029* (Washington, DC: Congressional Budget Office, 2019) and Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2020* (Washington, DC: US Government Printing Office, 2019) and past years. For more source information, see the appendix.

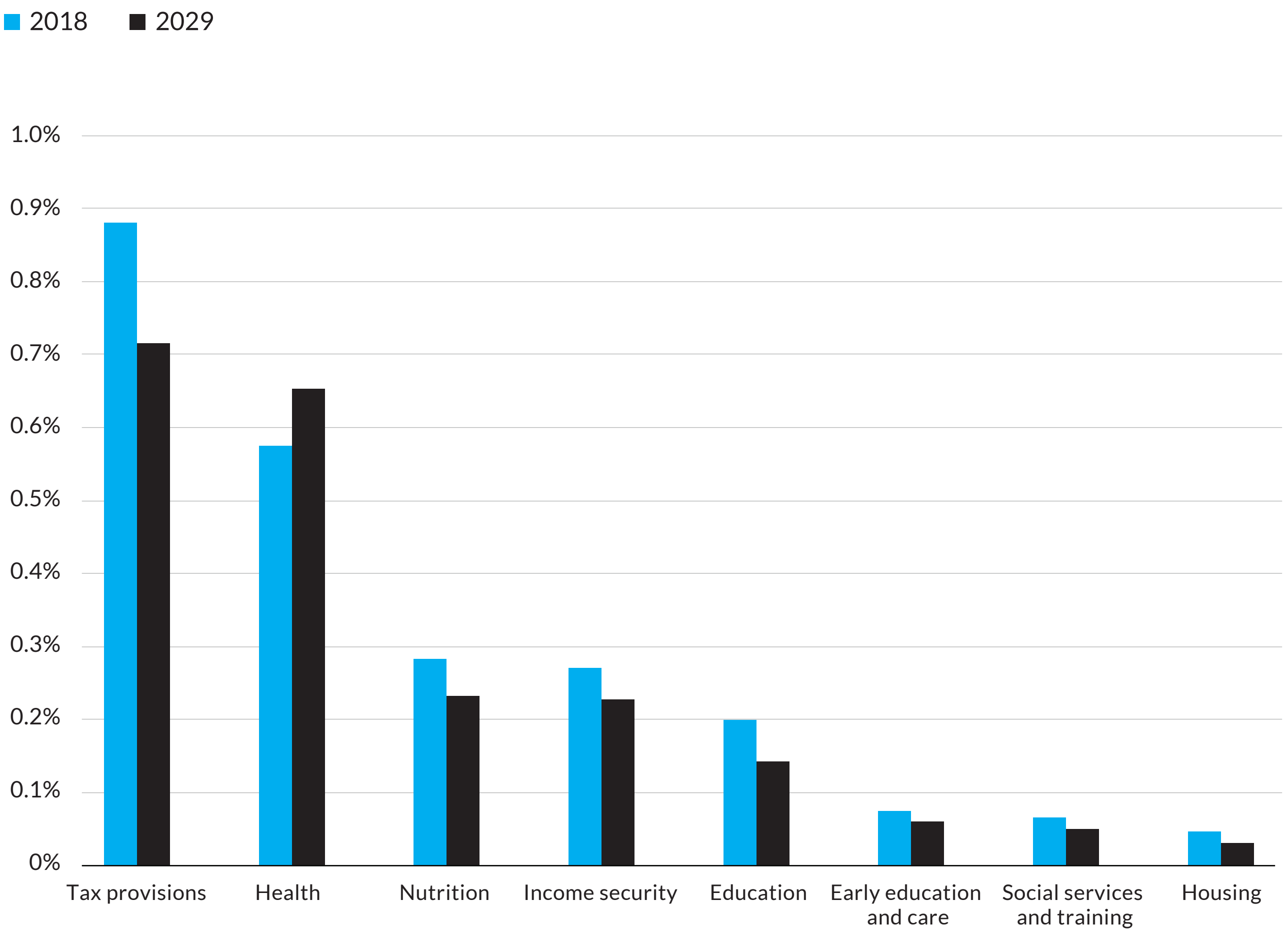
Which categories of spending on children (e.g., nutrition, education) are projected to decline over the next decade?

All categories of spending on children except health are projected to decline relative to GDP. Most categories also see declines or remain at similar levels in real dollars.

- Children's **health** spending is projected to rise by $47 billion (40 percent) in real dollars over the next decade. It also is the only category to grow as a share of GDP. As noted earlier, this is driven by economy-wide increases in health care costs.
- Spending on **income security** and **nutrition** are expected to rise slightly in real dollars but fall as a share of GDP. These categories decline less than others because some benefits are automatically adjusted for inflation (e.g., survivors' and dependents' benefits under Social Security, disabled children's benefits under SSI, SNAP, and school lunch and breakfast programs).
- All other categories are projected to decline or remain at the same level in real dollars and to decline relative to GDP. This includes spending on K–12 **education** (e.g., Title I and special education), **early care and education** (e.g., Head Start and child care assistance), **housing** (e.g., Section 8 and public housing), and the youth portions of **training** (e.g., Job Corps and Work Investment Act youth formula grants) and **social services** (e.g., child welfare services). Many of these are discretionary programs subject to annual appropriations and any nondefense discretionary (NDD) spending caps that may be imposed. Expenditures through **tax provisions** remain stable in real dollars but decline relative to GDP.

FIGURE 15

Federal Expenditures on Children as a Share of GDP, by Category, 2018 and 2029



Source: Authors' estimates based primarily on Congressional Budget Office, *Updated Budget Projections: 2019 to 2029* (Washington, DC: Congressional Budget Office, 2019) and Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2020* (Washington, DC: US Government Printing Office, 2019) and past years. For more source information, see the appendix.

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

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

TABLE 4

Federal Expenditures on Children in Selected Years, by Category

	As a Share of GDP			Billions of 2018 Dollars		
Category of spending	**2018**	**2029**	**Percentage-point change**	**2018**	**2029**	**Dollar change**
Health	0.57%	0.65%	0.08%	116	163	47
Nutrition	0.28%	0.23%	-0.05%	57	58	0.7
Income security	0.27%	0.23%	-0.04%	55	57	2
Education	0.20%	0.14%	-0.06%	41	36	-4.9
Early education and care	0.07%	0.06%	-0.01%	15	15	0
Social services and training	0.07%	0.05%	-0.02%	13	12	-0.8
Housing	0.05%	0.03%	-0.01%	9	8	-1.3
Refundable portions of tax credits	0.36%	0.29%	-0.07%	73	72	-1
Tax reductions	0.52%	0.43%	-0.09%	106	107	1
Total expenditures	**2.39%**	**2.12%**	**-0.28%**	**485**	**527**	**42**
Total outlays (all but tax reductions)	**1.87%**	**1.69%**	**-0.19%**	**379**	**420**	**41**

Source: Authors' estimates based primarily on Congressional Budget Office, *Updated Budget Projections: 2019 to 2029* (Washington, DC: Congressional Budget Office, 2019) and Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2020* (Washington, DC: US Government Printing Office, 2019) and past years. For more source information, see the appendix.

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

APPENDIX. METHODS

Estimating the portion of government spending on children requires making assumptions and decisions about how to classify and allocate federal, state, and local spending and tax data. First, we identify programs that directly benefit children or households with children. Second, we collect expenditure data from federal sources, particularly the Office of Management and Budget's *Budget of the United States Government* for fiscal year 2020 (OMB 2019) and prior years, drawing on its *Appendix* volume for information on spending and the *Analytical Perspectives* volume for tax reductions. We estimate the share of each program's spending that directly benefits children. These methodological steps are described below, followed by a discussion of methods for estimating spending on older adults, state and local estimates, future projections (where we rely heavily on Congressional Budget Office projections), and methodological changes made in this year's report. Further details regarding methods are available in the *Data Appendix to Kids' Share 2019* (Lauderback et al. 2019).

DEFINING AND IDENTIFYING PROGRAMS BENEFITING CHILDREN

Like all budget exercises that allocate spending to categories, defining spending that goes to children is a complex task that could be calculated using different methodologies. Each dollar spent on a particular program must be determined to go to a particular recipient. This task is relatively straightforward for programs that spend directly on children—elementary education is a simple example. But for programs that serve both children and adults, discerning who benefits from spending is more difficult. For example, how should one determine the amount of refundable tax credits, such as the EITC, distributed to adults rather than to children? Calculating spending on children and comparing data over time requires a concrete and consistent set of rules and assumptions.

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

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

Therefore, some services that may benefit children are excluded from our calculations because they do not directly rely on the presence of a child. For example, unemployment insurance and some tax benefits for homeownership may benefit children, but because being a child or having a child are not prerequisites for these services, and because having a child does not result in any additional direct monetary benefit, they do not meet the criteria for inclusion in our analysis. Additionally, we do not include programs generally classified as public goods that provide benefits to the general population, such as roads, communications, national parks, defense, and environmental protection.

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

COLLECTING EXPENDITURE DATA

Expenditure data on program outlays largely come from the *Appendix*, *Budget of the United States Government, Fiscal Year 2020* (and prior years). The *Analytical Perspectives* volume of the budget provides tax expenditure data. For programs not included in the *Appendix*, we obtain expenditure data from the relevant agencies' budgetary documents or their representatives. In this report, all budget numbers represent fiscal years, and we have expressed them in 2018 dollars unless otherwise noted.

CALCULATING THE SHARE OF PROGRAM SPENDING ON CHILDREN

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

- For programs that serve children only, we assume 100 percent of program expenditures (including benefits and associated administrative costs) go to children.
- For programs that directly serve people of different ages (e.g., Medicaid, SSI), we determine the percentage of program expenditures that goes to children. For programs that provide benefits only to households with children, with the amount of benefits determined by the number of children (e.g., child tax credit, dependent exemption), we consider 100 percent of program expenditures as going to children.
- For other programs that provide families benefits without any delineation of parents' and children's shares, we generally estimate a children's share based on the number of children and adults in the family, assuming equal benefits per capita within the family (e.g., TANF and SNAP).

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

METHODS FOR SPENDING ON OLDER ADULTS

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

METHODS FOR STATE AND LOCAL ESTIMATES

Although this report focuses on federal expenditures on children, it also estimates state and local spending on children from 1998 to 2016. Estimates for 1998 to 2008 are drawn from the Rockefeller Institute of Government's State Funding for Children Database, as described by Billen and colleagues (2007); estimates for 2009 to 2016 are by the *Kids' Share* authors. Both sets of estimates focus on state and local expenditures for K–12 education, state earned income tax credits, and several joint federal-state programs (Medicaid, CHIP, Maternal and Child Health Block Grants, TANF, child support enforcement, child care, and several child welfare programs). Data sources for the 2009–16 estimates include the US Census Bureau's Annual Survey of School System Finances, unpublished tabulations of Medicaid claims (MSIS data), the websites and reports of various federal agencies, and information from the IRS compiled by the Urban-Brookings Tax Policy Center. We estimated shares of spending on children for Medicaid, TANF, and CHIP; the other state programs were programs that could be assumed to spend 100 percent on children (i.e., child care, child welfare, CHIP).

METHODS FOR PROJECTIONS

To estimate future trends in spending on children, we primarily use the Congressional Budget Office's *Updated Budget Projections: 2019 to 2029*. For projecting expenditures under tax provisions, we turn to the Urban-Brookings Tax Policy Center Microsimulation Model for major tax provisions and the Office of Management and Budget's projections in *Analytical Perspectives* for smaller tax provisions. The projection methodology differs depending on whether a program is mandatory, discretionary, or a tax reduction.

In the mandatory spending area, the CBO baseline projections assume a continuation of current law, except that certain expiring programs that have been continually reauthorized in the past are also assumed to continue. In general, for programs serving both children and adults, we assume that the share of spending directed to children for each program will remain constant from 2019 to 2029. However, we use the CBO's detailed projections by age group for Medicaid, Social Security, and SSI.

For discretionary spending, with spending set by appropriations action annually and potentially subject to the BCA spending caps in some years, the CBO traditionally uses a baseline assumption that spending is kept constant in real terms—that is, spending is based on the most recent year's appropriation, adjusted for inflation. However, in recent years, the CBO baseline has been adjusted downward to reflect caps on defense and nondefense spending as established by the BCA and subsequent amendments. The CBO's May 2019 projections, which were used for this report, follow current law as of April 2019. Specifically, the defense and nondefense spending caps increased in 2018 and 2019 under the Bipartisan Budget Act of 2018, were assumed to revert to lower levels in 2020–21. Spending in 2022–29 is assumed to continue at the level of the 2021 caps, adjusted for inflation. We assume that the overall patterns of nondefense discretionary spending under the current-law spending caps, specifically the declines in 2020–21, apply to all children's programs uniformly. Note that we do not publish program-specific projections, given their tentative nature. Our statements about future spending focus on spending as a whole and in broad categories, such as health and education, or types of spending, such as mandatory and discretionary.

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

MAJOR CHANGES SINCE LAST YEAR

We added one new program, Unaccompanied Alien Children, to our estimates of spending on children. This increases our estimates of social services spending on children from 2003 (the first year of program outlays) onward.

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ABOUT THE AUTHORS

JULIA B. ISAACS

Julia B. Isaacs, a senior fellow in the Center on Labor, Human Services, and Population at the Urban Institute, is an expert in child and family policy with wide-ranging knowledge of government programs and budgets. She is coprincipal investigator for Urban's *Kids' Share* analyses of public spending on children and directs research on early childhood education.

CARY LOU

Cary Lou is a research associate in the Center on Labor, Human Services, and Population, focusing on policies related to poverty and opportunity. Before joining Urban, Lou worked on state higher education and workforce issues at the Georgetown University Center on Education and the Workforce.

HEATHER HAHN

Heather Hahn is a senior fellow in the Center on Labor, Human Services, and Population. Throughout her career, Hahn has conducted nonpartisan research on the wide range of issues related to the well-being of children and families, including cash assistance, nutrition assistance, and other supports for low-income families. She is coprincipal investigator for Urban's *Kids' Share* analyses of public spending on children.

ELEANOR LAUDERBACK

Eleanor Lauderback is a research assistant in the Center on Labor, Human Services, and Population. Her work is focused on child and family policy, and her research interests include community resilience and social determinants of health.

CALEB QUAKENBUSH

Caleb Quakenbush is a research associate at the Urban Institute, where he works with the Opportunity and Ownership initiative, the Program on Retirement Policy, and the Urban-Brookings Tax Policy Center. His areas of research include the interaction of federal tax and transfer programs, Social Security, state and local pensions, low-income finance, mobility, and federal budget issues.

C. EUGENE STEUERLE

C. Eugene Steuerle, institute fellow, Richard B. Fisher chair at the Urban Institute, and cofounder of the Tax Policy Center, is the originator of Urban's *Kids' Share* analyses of public spending on children. He has held numerous leadership positions within and outside government related to budget and tax analysis and other economic policies. Steuerle is the author, coauthor, or coeditor of 18 books, including *Dead Men Ruling*, *Nonprofits and Government* (3rd edition), *Contemporary US Tax Policy* (2nd edition), and *Advancing the Power of Economic Evidence to Inform Investments in Children, Youth, and Families*.

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