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KIDS' SHARE 2008

HOW **CHILDREN** FARE IN THE FEDERAL BUDGET



Adam Carasso, C. Eugene Steuerle, Gillian Reynolds,
Tracy Vericker, and Jennifer Macomber



We are grateful

to First Focus and the Annie E. Casey Foundation for sponsoring this research. This report expands upon the groundbreaking work of Rebecca L. Clark, Rosalind Berkowitz King, Christopher Spiro, and C. Eugene Steuerle in “Federal Expenditures on Children: 1960–1997”, (Washington, DC: The Urban Institute, 2000, *Assessing the New Federalism* Occasional Paper 45). We would also like to thank Serena Lei and Fiona Blackshaw for their editorial assistance and Dawn Miller and Greg Leiserson for their research assistance.



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Executive Summary

Children are a declining priority in the federal budget—a trend that shows no signs of stopping. In 2007, the federal government paid out \$2.7 trillion through spending programs and disbursed roughly another \$1 trillion through the tax code. Rapidly expanding entitlement programs—Medicare, Medicaid, and Social Security—and the country’s defense system consumed the largest shares of the budget, while spending on children remained essentially stagnant and did not keep up with growth in the economy.

Our second annual *Kids’ Share* report on the state of the children’s budget looks comprehensively at trends in federal spending and tax expenditures on children. Again, we determined how much the federal government spent on children and how programs for children fared against other national priorities in the federal budget. We also explored how future budget planning will affect children.

This report echoes what we found in our *Kids’ Share 2007* report—the amount spent on children’s programs is waning. And neither relatively slower growth in the economy in fiscal 2007 nor changes in party control of Congress affected this trend.

FEDERAL PROGRAMS FOR CHILDREN

Children benefit from more than 100 federal programs designed to improve their well-being and secure their families through cash assistance, health care, food and nutritional aid, housing, education, and training. Children in working families also benefit from credits and exemptions through the tax code that put their families on more solid financial ground.

The report classifies federal programs that spend money on children within eight major budget categories: *income security* (e.g., Temporary Assistance for Needy Families and Supplemental Security Income), *nutrition* (e.g., Food Stamps and Child Nutrition), *housing* (e.g., Section 8 Low-Income Housing Assistance and Low Income Home Energy Assistance), *tax credits and exemptions* (e.g., the dependent exemption and child tax credit), *health* (e.g., Medicaid and the Children’s Health Insurance Program), *social services* (e.g., Children and Family Services Programs and Head Start), *education* (e.g., Impact Aid and Education for the Disadvantaged), and *training* (e.g., Job Corps and Workforce Investment Act).¹ Children are defined as U.S.

residents under 19 years old who are not yet engaged in postsecondary education.

HISTORICAL TRENDS, FISCAL YEARS 1960–2007

- ▶ Federal spending on children, adjusted for inflation, grew from \$55 billion in 1960 to \$354 billion in 2007. During this same period, nearly all sources of federal spending grew as real incomes and government revenues multiplied.
- ▶ A more meaningful measure of spending on children may be federal spending as a share of the economy. Between 1960 and 2007, federal spending on children rose from just 1.9 to 2.6 percent of GDP. By comparison, spending on the big three entitlement programs—the non-child portions of Social Security, Medicare, and Medicaid—nearly quadrupled from 2.0 to 7.9 percent of GDP over the same

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prorates within the family when spending varies with family size (e.g., food stamps) under various formulas. Nonetheless, while different decision rules for allocating dollars within a family produce somewhat different spending estimates for a given year, the overall trends are usually unaffected. The report does not include any spending or tax programs that finance postsecondary education. The sums spent on programs like Job Corps and Summer Youth Employment include only enrollees under age 19.

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¹ This report covers only spending directly benefiting children or where benefits clearly increase because of the presence of children. It counts all money directly spent on children where applicable (e.g., National School Lunch program and the dependent exemption) and

period (or from \$60 billion to \$1,076 billion).

- ▶ Children's share of domestic federal spending—spending that excludes defense, non-defense homeland security, and international affairs—actually declined during this period from 20.2 to 16.2 percent.
- ▶ Spending over time on individual children's programs has tended to fall behind growth in the economy and often inflation. The children's budget has maintained its share of GDP mainly through the introduction of major new programs every few years.
 - ▶ The majority of spending on children in 2007 (63 percent) was on 13 major programs enacted since 1960.
 - ▶ By contrast, the sums spent on elderly entitlement programs tended to outpace both growth in the economy and prices. Growth in entitlement programs is automatic, driven by rising wages, medical costs, and the aging of the American population. Although a number of children's programs are either entitlements or permanent features of the tax code, they do not tend to have automatic growth built into them.
- ▶ Three of the largest children's programs—the child tax credit, the earned income tax credit, and Medicaid—together composed 37 percent of federal spending on children in 2007, or \$130 billion. These three programs also accounted for 44 percent of the *increase* in children's spending between 1960 and 2007.
- ▶ The dependent tax exemption, formerly the largest single source of federal spending on children, dropped substantially from 68 percent of child spending to just 9 percent.
- ▶ Federal spending has increasingly been directed toward low-income children through means-tested programs. Of all federal spending on children, the share spent on low-income children rose from 11 percent in 1960 to 59 percent by 2007.
- ▶ Programs that put money into parents' pockets, such as tax credits, tax exemptions, and welfare cash payments, lost ground to targeted in-kind spending, such as Food Stamps, housing, and Medicaid. This trend has reversed somewhat over the past 10 years because of the introduction of programs like the child tax credit.
- ▶ Shifts in children's spending from relief for the middle class through broad-based programs to assistance for the poor through targeted programs create program benefits that phase out steeply with additional household income and thereby discourage additional work effort or marriage—the traditional routes to increasing family income.



Children in working families also benefit from credits and exemptions through the tax code that put their families on more solid financial ground.

- ▶ Tax programs (specifically, the dependent exemption) and income security programs, which composed 92 percent of federal spending on children in 1960, declined to just 51 percent by 2007. During this same period, health, education, and nutrition programs grew from 7.6 percent of federal spending on children to 36 percent.

CHANGES FROM FISCAL YEAR 2006 TO FISCAL YEAR 2007

- ▶ Between 2006 and 2007, the economy grew 2.3 percent while federal outlays grew just 0.1 percent after five years of averaging 4.6 percent growth. Domestic federal spending as we measure it actually shrank slightly by 0.4 percent.
- ▶ The children's budget inched up just 0.7 percent (1.6 percentage points slower than GDP) while the non-child portions of the three major elderly entitlements programs rose 5.2 percent (2.9 percentage points faster than GDP). The remainder of domestic programs, including non-health and non-retirement programs largely benefiting working families other than through their children, declined by 8.6 percent.
- ▶ Categories of children's spending that grew in real terms from last year's levels were *health* (4.5 percent), *housing* (1.5 percent), *tax credits and exemptions* (1.2 percent), and *nutrition* (0.1 percent). But except for health, these children's program categories *lost* ground relative to the economy.
- ▶ Categories of children's spending that declined in real terms from last year were *training* (-0.5 percent), *income security* (-0.6 percent), *social services* (-1.5 percent), and *education* (-2.1 percent). All these programs lost even more ground as shares of the economy.

WHAT THE FUTURE HOLDS, FISCAL YEARS 2008–18

- ▶ If recent practices in spending growth and tax cut extensions continue, spending on children over the next decade will shrink relative to spending in other programs that have more rapid, built-in growth and command ever-increasing shares of projected government revenues.
- ▶ By 2018, if current spending and revenue policies continue, children's spending will decline from 2.6 to 2.2 percent of GDP, while Social Security, Medicare, and Medicaid will rise from 7.9 to 9.6 percent.
- ▶ Looking just at domestic federal spending, in 1960, the children's share was 20.2 percent (or \$55 billion of \$272 billion).² By 2007, despite some recent increases, their share declined to 16.2 percent. By 2018, projections of current policy suggest the children's share will be just 13.8 percent.

² Note that since we add in children's tax expenditures to direct spending on children, we also add in children's tax expenditures to direct domestic spending.

- ▶ Even though government spending will continue to increase due to economic growth, children are scheduled to receive declining portions of these increases.
- ▶ Children's share of the *increase* in spending between 1960 and 2007 was 15.6 percent.
- ▶ Under current policies, the children's share of the increase from 2007 to 2018 would drop to 7.1 percent. In dollar terms, the children's portion would grow by only \$55 billion while the portion going to other domestic programs would expand by \$716 billion.
- ▶ Absent growth in children's Medicaid spending, the children's portion of the budget is slated to decline in *real terms* and not just as a share of the budget or the economy.
- ▶ If meager discretionary spending growth becomes the norm going forward, as seen in fiscal year 2007, and the 2001–06 tax cuts are allowed to sunset, children's programs and their share of budgetary resources *may not fare any better and may even fare worse than we project*. Again, the true divide is between domestic priorities that enjoy automatic and rapid spending growth and those that enjoy neither.

Overall, trends in past and future federal spending on children reveal that kids are a diminishing national priority.

Between 2006 and 2007, the children's budget inched up just 0.7 percent while the non-child portions of Social Security, Medicare and Medicaid rose 5.2 percent, or faster than GDP.







Introduction

As children are the country's future workers, parents, and citizens, the federal government has directed resources to ensure their well-being and to help them develop their potential. So, as a nation, we devote federal resources to publicly educate kids, ensure their basic needs, develop their potential, and help protect their families from financial hardship. These resources are the “kids’ share” of our federal budget, allotted through direct spending on programs or through tax breaks. By tracking the changes in the children’s budget, we can take stock of our national priorities.

We tracked federal spending on children from 1960 through 2018 based on actual budget outlays and projections of spending under current policies. We charted the relative changes—and therefore, the shifting national emphases—between children’s spending and spending on other priorities. We also examined changes in spending among different types of children’s programs. This report is the most comprehensive examination to date of trends in federal spending on kids.

In 2007, total federal spending was \$2.7 trillion (20.0 percent of gross domestic product, or GDP)—and significantly more, if all tax programs are considered. The federal government disbursed some \$354 billion, or 2.6 percent of GDP, through a combination of direct outlays and tax credits and exemptions on programs benefiting children. In comparison, \$614 billion (4.5 percent of GDP) was spent on defense, non-defense homeland security, and international affairs; \$1,076 billion (7.9 percent) paid for non-child Social Security, Medicare, and Medicaid; and \$237 billion (1.7 percent) went to pay interest on the national debt.

This report updates last year’s report, *Kids’ Share 2007*, adding in actual (rather than projected) budget numbers for 2007 and projections of spending within the children’s budget against other federal spending through 2018.³ We added several new children’s programs for which we have tracked budget data and we also improved our estimates of children’s spending in some programs included last year. These updates change the absolute amounts relative to what we reported last year but not the storyline. Future installments in this series may make similar improvements. We therefore emphasize that readers focus on the relative shares—the children’s share placed in context with the shares given to other national priorities and how these shares vary over time—rather than absolute spending or GDP numbers provided for a given year.

It is important to note that we do not assess the success, efficiency, or merit of any particular type of spending.⁴ Nor does the level of financing of children’s programs relative to GDP or other programs demonstrate how much help is needed. Yet, the modest share of domestic spending dedicated to children—a share scheduled for decline under current law—is an important gauge of the federal government’s national priorities.

³ The Kids’ Share series of reports builds on seminal research from the Urban Institute, “Federal Expenditures on Children, 1960–1997”, by Rebecca L. Clark, Rosalind Berkowitz King, Christopher Spiro, and C. Eugene Steuerle, published in 2000.

⁴ To learn more about the issues involved in such an analysis, see Steuerle et al. (2007).

Background and Methodology

Tallying federal spending on children in a meaningful way is not a simple exercise. Identifying which programs or parts of programs help children, determining how that help is calculated, and defining who receives that aid requires a detailed methodology, particularly when programs wax and wane or change in character over time.

We define children as residents of the United States under age 19. The period covered is 1960 to 2018, with estimates provided at five-year intervals between 1960 and 1995, and every year thereafter between 1995 and 2018. We analyzed more than 100 programs through which the federal government spends money on children,⁵ classifying them into eight major categories: *income security* (e.g., Temporary Assistance for Needy Families and Supplemental Security Income), *nutrition* (e.g., Food Stamps and Child Nutrition), *housing* (e.g., Section 8 Low-Income Housing Assistance and Low Income Home Energy Assistance), *tax credits and exemptions* (e.g., the dependent exemption and child tax credit), *health* (e.g., Medicaid and Children’s Health Insurance Program), *social services* (e.g., Children and Family Services Programs and Head Start), *education* (e.g., Impact Aid and Education for the Disadvantaged), and *training* (e.g., Job Corps and Workforce Investment Act).

We draw a line at the end of high school in adding up children’s benefits. Thus, we exclude federal spending in the form of college or postsecondary vocational training, such as Pell grants, Stafford or Perkins loans, Hope Scholarship tax credits, Job Corps for youth over age 18, and the like.

We also divide children’s spending over time into mandatory versus discretionary, means-tested versus non-means-tested, and direct spending versus tax expenditures. These breakdowns provide additional clues into the changing role of spending on children at the federal level and how

this spending is delivered. (The individual programs we include are listed by category in table 1.)

Specifically, for a program to be included in this analysis, it must meet the following criteria:

1. benefits go entirely to children (e.g., the child tax credit),
2. the benefit level increases with the inclusion of children in the application for the benefit (e.g., Medicaid, Food Stamps, or Low-Rent Public Housing), or
3. children are necessary to qualify for any benefits (e.g., TANF or Head Start).

Federal spending on children equals the amount families with children receive less the amount, if any, they would receive if they did not have children. Our analysis does not include many programs that benefit families with and without kids alike, such as roads, communications, national parks, tax benefits for homeownership, or the salaries of federal employee parents. Likewise, we do not subtract from children’s spending the amount of a child’s benefit, such as the child tax credit, that parents may spend on themselves.

All budget numbers presented in this report represent fiscal years and are always expressed in 2007 dollars or as shares of GDP or of the federal budget, unless otherwise indicated. We use “spending” to indicate both direct outlays from the budget as well as tax expenditures paid through tax exemptions and nonrefundable tax credits. The latter are programs that reduce the taxes people pay—like the dependent exemption that reduces taxes otherwise owed—and operate similarly to government spending programs. It is important to note that tax refunds (payments over and above any taxes owed), such as those provided by the earned income tax credit or the child tax credit, are considered outlays by the federal government even though the portions of these programs that offset taxes owed (the nonrefundable portions) are considered tax expenditures.

Our analysis primarily used data from the federal *Budget of the United States Government* (fiscal year 2009 and past years), its appendices, and special analyses for historical data and projections. For projections, we also rely on the

⁵ The programs we list often subsume a number of smaller programs. For example, we count the Social Services Block Grant (SSBG) as one program among our 100+, but SSBG comprises nearly 30 programs in its own right.

TABLE 1

Programs for Children Examined in This Study by Category

TAX CREDITS AND EXEMPTIONS

Earned Income Tax Credit (EITC), Child and Dependent Care Tax Credit, Child Tax Credit, Dependent Exemption, Employer-Provided Child Care Exclusion, Employer-Provided Child Care Credit, Exclusion of Certain Foster Care Payments, Assistance for Adopted Foster Children, Adoption Credit and Exclusion, Exclusion of Railroad Retirement Benefits, Exclusion of Public Assistance Benefits, Exclusion of Special Benefits for Disabled Coal Miners, Exclusion of Social Security Benefits, Exclusion for Veterans Benefits, and Exclusion for Veterans Pensions.

INCOME SECURITY

Social Security, Temporary Assistance for Needy Families (TANF)—formerly Aid to Families with Dependent Children (AFDC), Child Support Enforcement, Emergency Assistance, Supplemental Security Income (SSI), Railroad Retirement, Veterans Benefits, and Black Lung Disability.

NUTRITION

Food Stamp Program, Child Nutrition, Special Milk, Special Supplemental Food for Women, Infants and Children (WIC), and Commodity Supplemental Food.

HEALTH

Medicaid (for children and disabled children), Maternal and Child Health (block grant), Immu-

nization, National Institute of Child Health and Human Development (NICHD), Sudden Infant Death Syndrome, Healthy Start, Emergency Medical Services for Children, State Children's Health Insurance Program (SCHIP), Adolescent Family Life, Universal Newborn Hearing, Abstinence Education, Birth Defects/Developmental Disabilities, Children's Hospitals Graduate Medical Education, and Lead Hazard Reduction.

EDUCATION

Educationally Deprived/Economic Opportunity, Supporting Services, Dependents' Schools Abroad, Public Lands Revenue for Schools, Assistance in Special Areas, Other, Impact Aid, Vocational (and Adult) Education, Grants for the Disadvantaged, School Improvement, Indian Education, English Language Acquisition—formerly Bilingual and Immigrant Education, Special Education—formerly Education for the Handicapped, Emergency School Assistance (Civil Rights), Education Reform: Goals 2000, Domestic Schools, Reading Excellence, American Printing House for the Blind, Gallaudet University (elementary and secondary schooling), Institute for Education Sciences, Innovation & Improvement, Safe Schools & Citizenship Education, Hurricane Education Recovery, Local Public Works Program—School Facilities, Junior ROTC, Pre-Engineering Program, and Education Expenses for Children of Employees of Yellowstone National Park.

SOCIAL SERVICES

Social Services (block grant), Community Services Block Grant, Children and Family Services Programs, Head Start, Child Welfare Services, Child Welfare Training, Child Welfare Research, Violent Crime Reduction Programs, Foster Care, Adoption Assistance, Independent Living, Child Care and Development Block Grant, Child Care Entitlement to States, AFDC Child Care, Transitional Child Care, At-Risk Child Care, Juvenile Justice, Missing Children, Family Preservation and Support, and Children's Research and Technical Assistance.

HOUSING

Low Income Home Energy Assistance, Low-Rent Public Housing, Section 8 Low-Income Housing Assistance, Rent Supplement, and Rental Housing Assistance.

TRAINING

Manpower Development and Training Act (MDTA) Institutional Training, MDTA On-the-Job Training (OJT), Neighborhood Youth Corps, JOBS/WIN, Mainstream, Comprehensive Employment and Training Act (CETA), Youth Employment and Training Programs, Summer Youth Employment, Young Adult Conservation Corps (YACC), Job Training Partnership Act (JTPA), School-to-Work, Youth Offender Grants, Youth Opportunity Grants, Workforce Investment Act (WIA) Youth Formula Grants, and Youthbuild Grants.

Congressional Budget Office's *Budget and Economic Outlook, FY 2008–18*, data from its *An Analysis of the President's Budgetary Proposals for Fiscal Year 2009*, the Department of Treasury's *General Explanation of the Administration's FY 2009 Revenue Proposals*, the Urban-Brookings Tax Policy Center Microsimulation Model (version 0308-1) for some key tax programs, and some assumptions of our own. Much

of the quantitative effort in this report went to estimating the portions of programs, such as Food Stamps, Medicaid, or Supplemental Security Income, that go just to children. For these calculations, the most frequently used sources were the House Ways and Means Committee's *Green Book* (various years), the *Annual Statistical Supplement to the Social Security Bulletin* (various years), reports from the

Federal spending on children equals the amount families with children receive less the amount, if any, they would receive if they didn't have children.

agencies that administer the programs, and discussions with agency staff. See the appendix to this report for more detail on our allocation methodology. For program-by-program detail on data sources and allocation assumptions, see our data appendix, a separate publication.

This annual report allows us not only to update the historical trends, but also to project further into the future, add any newly enacted programs, delineate which particular programs have recently declined or increased, review and improve methodology, and, most important, focus on whether recent legislative action has reversed broader trends in the children's budget.



Trends in Child Expenditures

The actual dollar amount spent on federal programs benefitting children has steadily increased over the past 50 years, along with spending on all major parts of the budget. This growth in spending is largely the result of growth in the economy, which has swelled more than four-and-a-half times its size in real terms since 1960.

The kids' share of domestic spending, however, has diminished over time as other federal priorities crowd out children's programs. Placing the children's budget in context allows us to better measure budget priorities and consider if they reflect the country's needs. Because federal revenues and the economy are expected to continue growing, it is possible to change priorities by spending more in chosen areas without necessarily cutting back real amounts spent in other areas.

In this section we look at four measures of change: real dollar change, share of GDP, share of domestic spending, and per capita spending relative to the poverty rate. Measuring spending as shares of GDP provides a sense of changes in spending relative to overall economic growth. Measuring by shares of domestic spending offers a picture of how spending on children stacks up against other federal priorities.

MEASURES OF CHANGE IN THE CHILDREN'S BUDGET, FY 1960–2007

While both the state of the country and the state of its federal budget have changed considerably—and in multifaceted ways—over the past half-century, some broad themes stand out. Federal government spending grows roughly in line with economic growth, and all major areas of the budget have grown in real terms. Meanwhile, the long-term decline of defense spending as a fraction of GDP and the overall federal budget opened the door to substantial expansion in domestic spending.

While children's slice of the spending pie grew in real terms and as a share of GDP, it shrank as a share of domestic spending, albeit with some ups and downs. So if children's spending declined in a relative sense, then simple mathematics tells us that other domestic spending must have increased in a relative sense. In real dollars, both pots of money increased. But clearly, the pot of money going to children grew more slowly than the pot going to everything else; this resulted largely from the expansion of non-child spending for retirement and non-child health care.

Real Dollar Change: From 1960 to 2007, total federal spending on children grew from \$55 billion to \$354 billion, or more than six times in real terms. While this growth may seem remarkable, keep in mind that *all* major areas of federal spending grew in real terms, simply because the federal budget grows roughly with the economy, and economic growth generally exceeds the growth in prices (figure 1). Over the same time frame, total federal spending more than quintupled, from \$525 billion to \$2,730 billion. Yet spending on defense, which grew from \$274 billion to \$549 billion, did not keep pace with the economy, so it freed up resources for other programs.

Domestic spending—defined here as total federal outlays excluding defense, non-defense homeland security, and international affairs and not including tax expenditures—swelled by a factor of 9 from \$234 billion to \$2,116 billion. The non-child components of Social Security, Medicare, and Medicaid mushroomed some 18 times from \$60 billion to \$1,076 billion over the same period, or nearly *three times* as much as federal spending on children.

Share of GDP: As a share of GDP, children's programs grew 39 percent from 1.86 to 2.59 percent over the period. Much of this growth in the children's budget—and most other domestic spending—was fueled by a 50-year decline in the sizable defense budgets of the 1940s and 50s. The other major trends captured in figure 2 are

- ▶ total outlays rose just 12 percent over the 47-year period as a share of the economy (from 17.8 to 20.0 percent);
- ▶ defense declined 57 percent (from 9.3 to 4.0 percent of GDP);
- ▶ domestic spending about doubled from 7.9 to 15.5 percent (not shown in figure); and
- ▶ non-child Social Security, Medicare, and Medicaid nearly quadrupled as a share of the economy (from 2.0 to 7.9 percent of GDP).

Share of Domestic Spending. By excluding spending on defense, non-defense homeland security, and international affairs, we can get a better sense of how children’s programs competed for resources against other domestic priorities. From 1960 to 1985, children’s spending steeply declined from 20.2 to 10.1 percent of all domestic spending, owing in large part to lawmakers’ failure to keep the dominant program of the day, the dependent tax exemption, current with inflation (see figure 3).

Two trends since 1985 helped the children’s budget reverse course. First, there were major expansions in existing programs that spent money on children, such as Medicaid, nutrition programs, K–12 education programs, and the EITC. Second, the periodic introduction of major new programs—such as the child tax credit and the State Children’s Health Insurance Program (SCHIP)—increased spending on children to 16.2 percent by 2007. The combination of new children’s programs and the occasional, legislated (rather than automatic) expansion of existing programs has prevented the children’s budget from plummeting as a share of domestic spending. Still, that share has fallen by about a fifth over the last 47 years.

By contrast, spending on non-child Social Security, Medicare, and Medicaid has more than doubled, rising from 21.9 to 49.1 percent of domestic spending.

Real per Capita Spending and the Poverty Rate. Real per capita federal spending on children grew from \$819 to \$4,680 from 1960 to 2005. Per capita spending on the elderly in just the Social Security, Medicare, and Medicaid programs rose from \$3,057 in 1960 to \$20,530 in 2005.⁶ Figure 4 places this real per capita spending alongside poverty rates for both groups—13.0 percent for children in 2005 compared to 6.7 percent for the elderly—although this paper does not examine the effectiveness of either set of programs (figure 4).⁷

6 Over this time, the number of children grew just 15.6 percent (from 67.1 to 77.6 million) while the number of elderly grew 120 percent, from 16.7 to 36.8 million.

7 We use an adjusted poverty measure from the Census that indicates

While children’s slice of the spending pie grew in real terms and as a share of GDP, it shrank as a share of domestic spending, albeit with some ups and downs.

Placing the children’s share of federal spending in the broader context of the children’s share of *total government spending*, state and local spending on K–12 education alone was about \$484 billion in 2007. Including state-financed portions of such federal social welfare programs as TANF, Food Stamps, Medicaid, and SCHIP, the total rises to \$522 billion (3.8 percent of GDP), or about 50 percent larger than total federal spending (including tax expenditures) on children. This sum does not include state and local tax expenditures that go to children. We do not attempt a strict comparison of state and local to federal spending on children, however.⁸

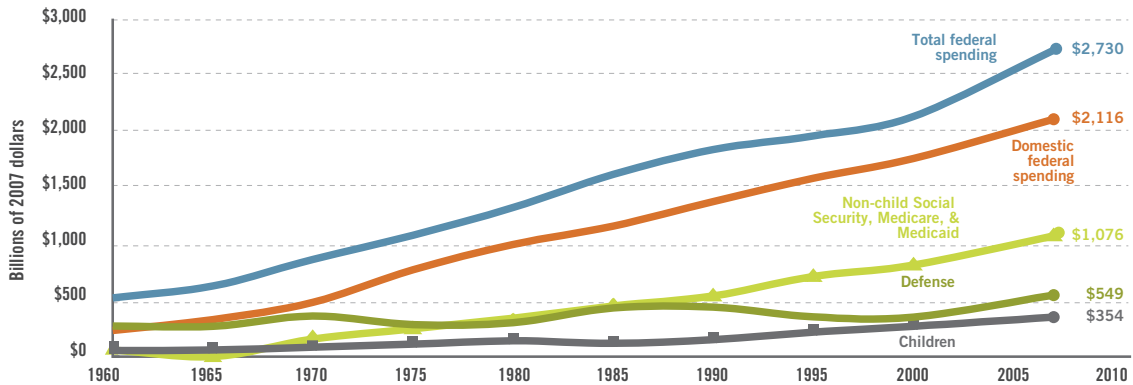
CHANGES IN CHILD EXPENDITURES BETWEEN FISCAL YEARS 2006 AND 2007

While the magnitude of change is typically minimal, following year-to-year changes in the kids’ share of the federal budget can provide hints into the role of legislative or budgetary changes in resources available to chil-

poverty rates after most transfers (e.g., EITC and the value of government non-cash transfers like food stamps, public or subsidized housing, and free or reduced-price school lunches). This alternative measure does not include the value of health transfers like Medicaid or SCHIP. The official U.S. poverty measure is based on pre-tax income and includes government cash transfers but excludes non-cash benefits.

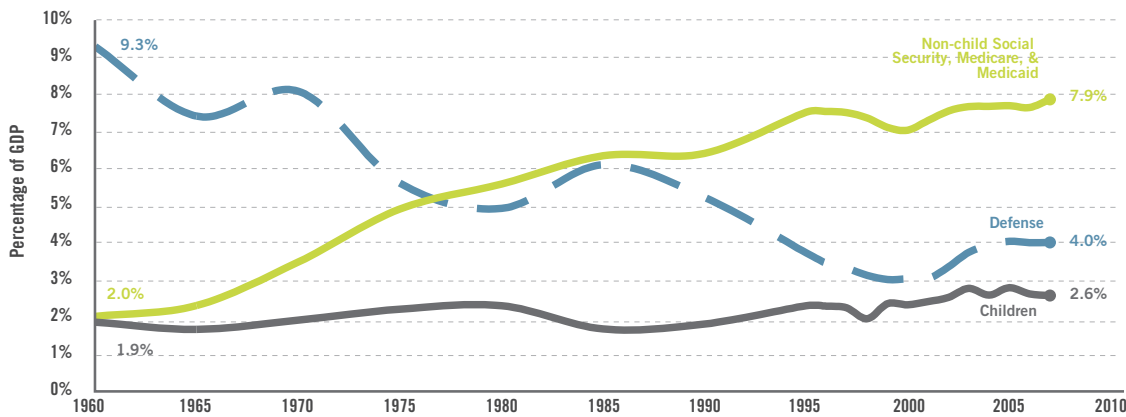
8 For such a detailed study, please see Billen and Boyd (2003).

FIGURE 1 1960–2007: Real Federal Spending on Children and Other Major Items



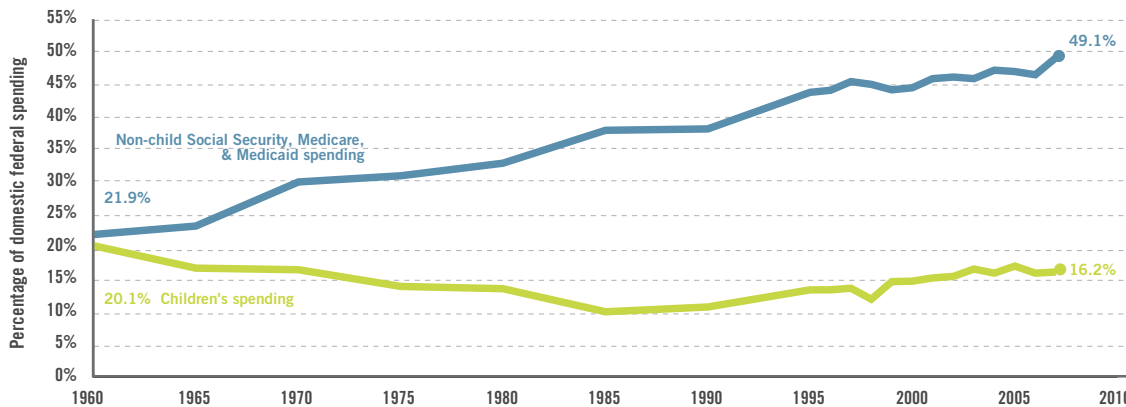
Source: The Urban Institute and The New America Foundation, 2008. Authors' estimates based on data from the *Budget of the United States Government, Fiscal Year 2009* and previous years.
 Note: Children's spending includes tax expenditures.

FIGURE 2 1960–2007: Federal Spending on Children and Other Major Items (% of GDP)



Source: The Urban Institute and The New America Foundation, 2008. Authors' estimates based on the *Budget of the United States Government, Fiscal Year 2009* and past years.
 Note: Children's spending includes tax expenditures.

FIGURE 3 1960–2007: Federal Spending on Children and Major Entitlements as a Share of Domestic Federal Spending



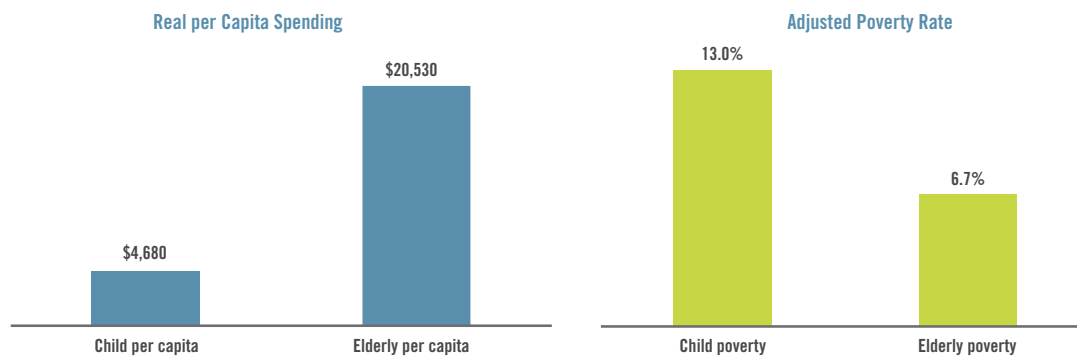
Source: The Urban Institute and The New America Foundation, 2008. Estimates and projections developed using the *Budget of the United States Government, Fiscal Year 2009* and CBO's *Budget and Economic Outlook: Fiscal Years 2008-2018*.
 Note: Children's tax expenditures are included in children's spending and domestic federal spending for this exercise.

Major expansions in existing children’s programs like Medicaid, K-12, and the EITC combined with the periodic introduction of new children’s programs helped the children’s budget retains its share of GDP.

dren. Measuring this change in terms of shares of GDP or shares of domestic spending can produce deceptive results. Underlying benchmarks like GDP and domestic spending can themselves expand or contract from year to year. In particular, when these items contract, illusory results can be produced; for example, the children’s budget may appear to gain ground when really domestic spending or the economy has lost ground. So we try to confine our year-over-year analysis to meaningful changes rather than purely numeric differences.

Between fiscal years 2006 and 2007, the economy grew a mild 2.3 percent while federal outlays grew just 0.1 percent after five years of averaging 4.6 percent growth. Domestic federal spending as we measure it actually shrunk slightly by 0.4 percent. Therefore, some of the relative increase in the children’s budget and non-child major entitlements as shares of domestic federal spending over the past year is illusory. The children’s budget inched up just 0.7 percent (1.6 percentage points slower than GDP) while the three major elderly entitlements programs rose 5.2 percent (2.9 percentage points faster than GDP).

FIGURE 4 Per Capita Federal Spending and Poverty Rates in 2005: Children versus the Elderly



Sources The Urban Institute and The New America Foundation, 2008. Authors' estimates based on the *Budget of the United States Government, Fiscal Year 2009* and past years; and U.S. Census Bureau, *The Effects of Government Taxes and Transfers on Income and Poverty: 2005*, table A-2, March 2007.
 Note: This figure uses an alternative measure of poverty that is post-transfer (does not include the cash value of health care transfers, however). Elderly spending only includes Social Security, Medicare, and Medicaid.

Trends in Child Expenditures within the Children's Budget

Looking within the children's budget reveals significant shifts in types of spending since 1960, and within the last year. Trends within the children's budget can be broken down by individual program, category of spending, type of expenditure, and how broadly or narrowly these programs are targeted.

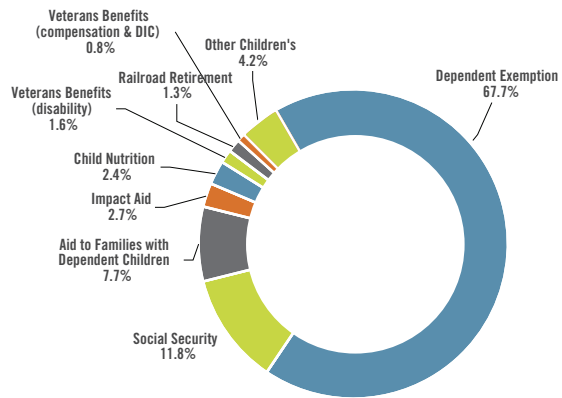
One notable change since 1960 is the number of new major and minor children's programs that have been added. Figures 5a and 5b provide a bird's-eye view of the major programs serving children in 1960 and 2007. In 1960, the dependent exemption was the single largest children's program, accounting for 68 percent of all spending. By 2007, tax programs had waned in importance, ceding to a host of social safety net programs, none of which dominates as a share of spending.

To describe how the composition of children's spending has changed over time, we group the 100-plus programs that comprise the children's budget into eight categories (see table 1 on page 8). In each, federal spending in real dollar terms increased; however, when measuring program spending as shares of GDP and of the children's budget, different stories emerge. Figure 6 provides a snapshot of the composition of children's programs in 1960 and 2007. Relative to 1960, the preeminence of tax and income security programs has diminished significantly, while health, education, and nutrition programs have expanded robustly. Spending on children through housing, social services, and training, which were nonexistent in 1960, composed 13.1 percent of total spending in 2007.

HOW FEDERAL CHILDREN'S SPENDING HAS CHANGED ACROSS CATEGORIES

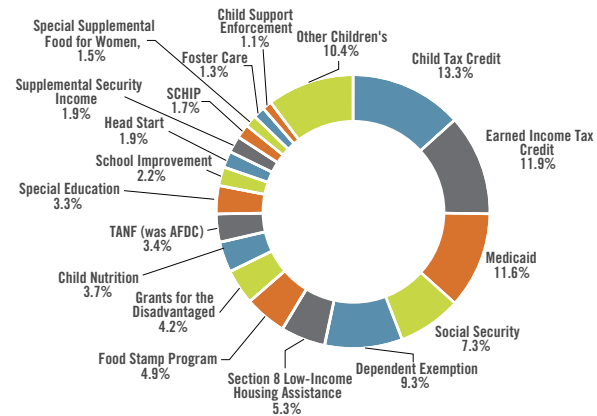
How has the mix of federal children's programs and services changed over the years? Figure 7 summarizes the major shifts in importance across the eight categories, between 1960 and 2007, expressing the change in percentages of GDP. The paragraphs below use the results in

FIGURE 5A 1960: Children's Spending by Federal Program
(\$55.0 billion in 2007 dollars)



Source: The Urban Institute and The New America Foundation, 2008. Authors' estimates based on the *Budget of the United States Government, Fiscal Year 2009* and past years.

FIGURE 5B 2007: Children's Spending by Federal Program
(\$344.8 Billion)



Source: The Urban Institute and The New America Foundation, 2008. Authors' estimates based on the *Budget of the United States Government, Fiscal Year 2009*.

figure 7 to describe changes in the mix of spending over time for each category.

Tax credits and exemptions declined 0.35 percent of GDP (a 27 percent decline), from 1.28 in 1960 to 0.94 percent in 2007. Still, tax programs remain the single largest category

of federal spending on children, amounting to \$128.1 billion in 2007. And, unlike most of the program areas below, federal tax programs as a whole are more likely to benefit all children, not just the poor and near-poor.

More than a dozen tax programs benefit children.⁹ For

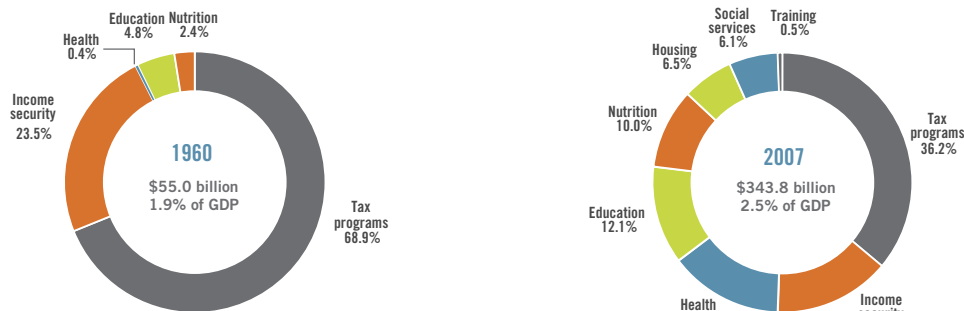
9 Why do we include tax programs in “total spending” for children? First, the EITC and child credit have refundable portions, included in the direct spending budget, and nonrefundable portions, included in the tax expenditure budget. It would seem inconsistent to count one portion and not the other. Second, the calculation of total federal support for children is substantially affected by whether tax programs are included. Third, failing to count a program like the dependent exemption—which is purely a tax expenditure program and which contributed over two-thirds of spending on children in 1960 by itself—would make it look like the introduction of tax credit programs like the EITC and child credit had a much greater effect on the children’s budget than it did, and that

decades, the workhorse program in this area was the dependent exemption—the personal exemptions that parents would claim each year on their tax forms for supporting children.¹⁰ In 1960, this program supplied 67.7 percent of all federal spending on children. (Relatively small tax exclusions for Social Security and public welfare benefits supplied the remaining 1.2 percent provided for children

total spending on children had increased much more robustly over the 1960–2006 period than is actually the case. (See description of figure 9 in the text).

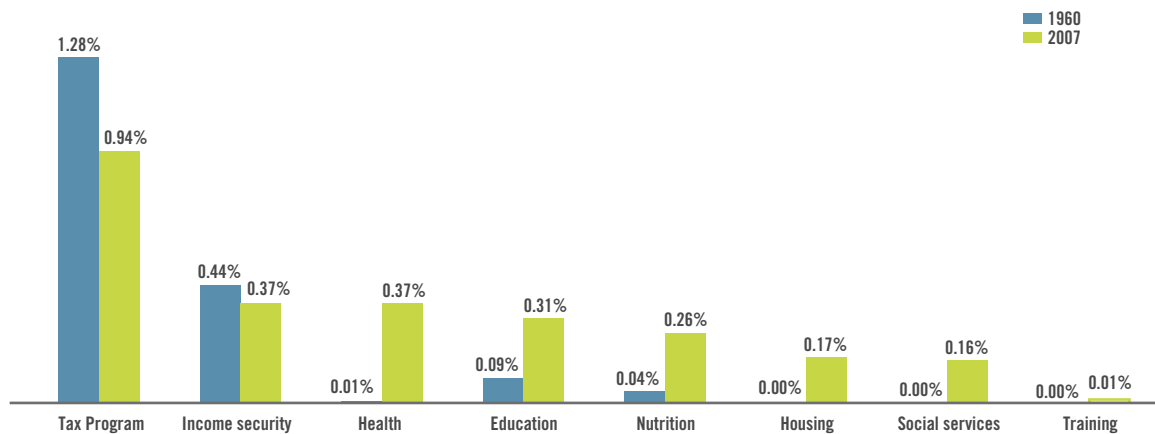
10 Exemptions help shelter family income from taxation. The dependent exemption for tax year 2007 is \$3,400 for each child. The actual value of this exemption for tax filers depends on what tax bracket they fall into. For example, the exemption lowers tax liability by up to \$510 per child for a family in the 15 percent tax bracket ($15\% \times \$3,400$) and by up to \$1,190 per child for a family in the 35 percent bracket ($35\% \times \$3,400$).

FIGURE 6 1960 and 2007: Federal Spending on Children by Category



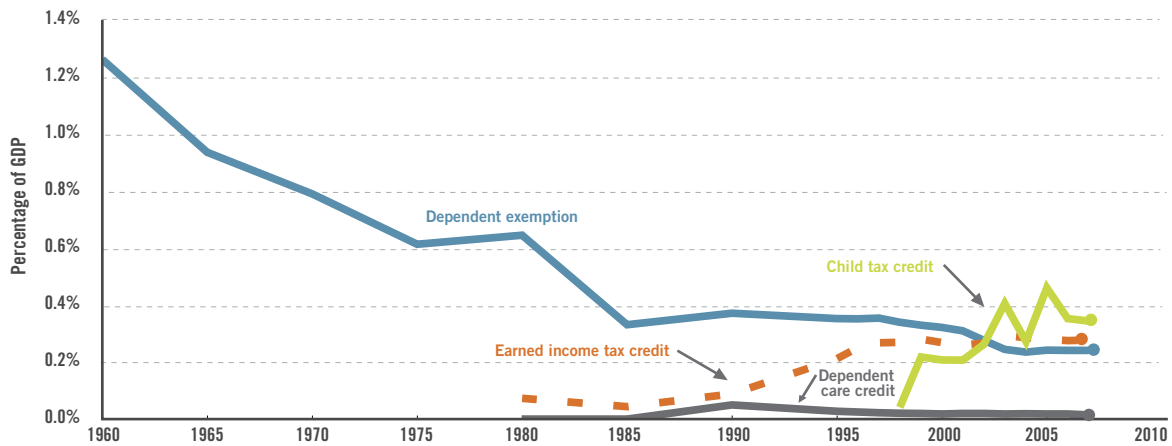
Source: The Urban Institute and The New America Foundation, 2008. Authors' estimates based on the *Budget of the United States Government, Fiscal Year 2009* and various years. Note: Federal sums spent on children in housing, social services, and training in 1960 were too small to represent in chart.

FIGURE 7 1960 and 2007: Federal Spending on Children by Category (% of GDP)



Source: The Urban Institute and The New America Foundation, 2008. Authors' estimates based on the *Budget of the United States Government, Fiscal Year 2009* and past years.

FIGURE 8 1960–2007: Select Tax Programs for Children (% of GDP)



Source: The Urban Institute and The New America Foundation, 2008. Authors' estimates based on the *Budget of the United States Government, Fiscal Year 2009* and past years.

by tax programs as a whole.) However, lawmakers seldom adjusted the exemption amount for inflation, and the exemption's value steadily eroded over the next 25 years. It was not until after 1984 that its value was automatically indexed for inflation.

The 1986 tax reform signaled a desire to enact a family agenda through the tax code.¹¹ Lawmakers expanded the dependent exemption in 1986, expanded the EITC in 1990, 1993, and 2001, and enacted the child tax credit in 1997 with subsequent expansions in 2001 and 2003. The EITC and the child credit are now two of the three largest federal programs that go to children, with the EITC contributing \$42.0 billion and the child tax credit \$47.1 billion in 2007 (see figure 5b).

Nutrition, health, and education programs expanded as a share of GDP, the dependent exemption program declined (despite post-1984 indexation and expansion) (figure 8) and tax programs came to provide only 36.2 percent of total spending on children in 2007, just half their share in 1960. (Not shown here but included in our totals and listed in table 1 are tax exclusions for child care, payroll taxes, and welfare-related programs.)

The increase in children's spending as a share of GDP between 1960 and 2007 appears to be 185 percent (0.58 percent to 1.65 percent of GDP), illustrated by the first set of bars in figure 9a. But if tax programs are included, then the rise in children's spending as a share of the economy is *markedly less*, just 39 percent.

11 See Steuerle (2004).

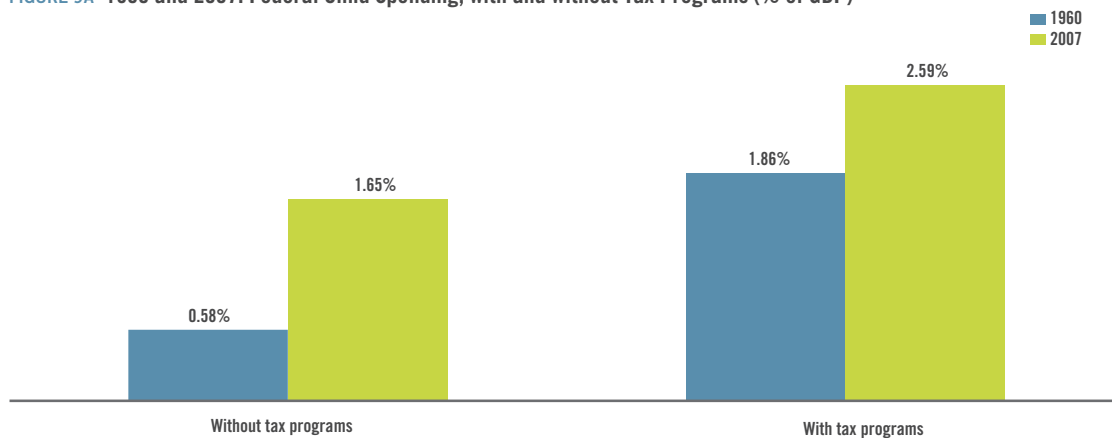
The large impact of these tax programs underlines the fact that they play a key role in the children's budget. Although not strictly additive, in 2007 major tax programs for children cost just 0.9 percent of GDP, while all remaining tax programs cost 5.6 percent of GDP (figure 9b).¹² However, tax programs for children accounted for a much larger slice of all federal tax programs—14.3 percent—than direct outlays on children, which only comprised 8.3 percent of all federal spending.¹³

Income security programs declined from 0.44 to 0.37 percent of GDP from 1960 to 2007. In 1960, income security programs accounted for 23.5 percent of spending on children or \$12.9 billion (figure 6); by 2007, they accounted for just 14.3 percent or \$50.8 billion. Major programs included in this category are Social Security Survivors' and Disability benefits, AFDC/TANF, Supplemental Security Income (SSI), and child support enforcement. Income security programs, by design, are conditioned on income as well as other criteria such as family circumstances or disability status. These programs target spending to low-income or disabled children and are not broadly available. The decline in this category as a fraction of GDP can be attributed to

12 Tax expenditures are estimated as the change in tax revenue from repealing each individual tax expenditure. Repealing on tax expenditure may shift taxpayers into different tax rate brackets, changing the value of remaining deductions and exclusions. These figures should thus be viewed as estimates only.

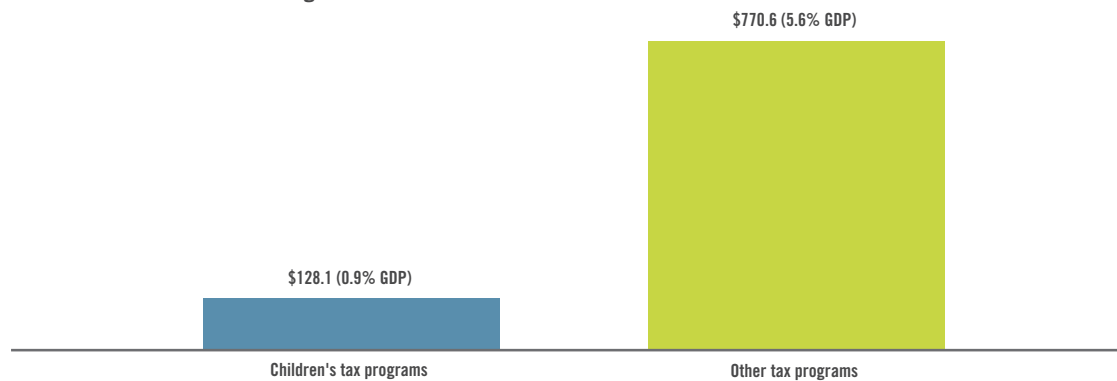
13 The refundable portions of the CTC and EITC are considered tax programs for this exercise.

FIGURE 9A 1960 and 2007: Federal Child Spending, with and without Tax Programs (% of GDP)



Source: The Urban Institute and The New America Foundation, 2008. Authors' estimates based on the *Budget of the United States Government, Fiscal Year 2009—Analytical Perspectives*, table 19.1 and Urban-Brookings Tax Policy Center Microsimulation Model (version 0308-1).
 Note: Includes all major tax programs for children. See table 1 for a list of programs.

FIGURE 9B 2007: Federal Tax Programs



Source: The Urban Institute and The New America Foundation, 2008. Authors' estimates based on the *Budget of the United States Government, Fiscal Year 2009—Analytical Perspectives*, table 19.1 and Urban-Brookings Tax Policy Center Microsimulation Model (version 0308-1).
 Notes: Includes all major tax programs for children, including the dependent exemption. See table 1 for a list of programs. For this exercise, the refundable portions of the CTC and EITC are considered tax programs.

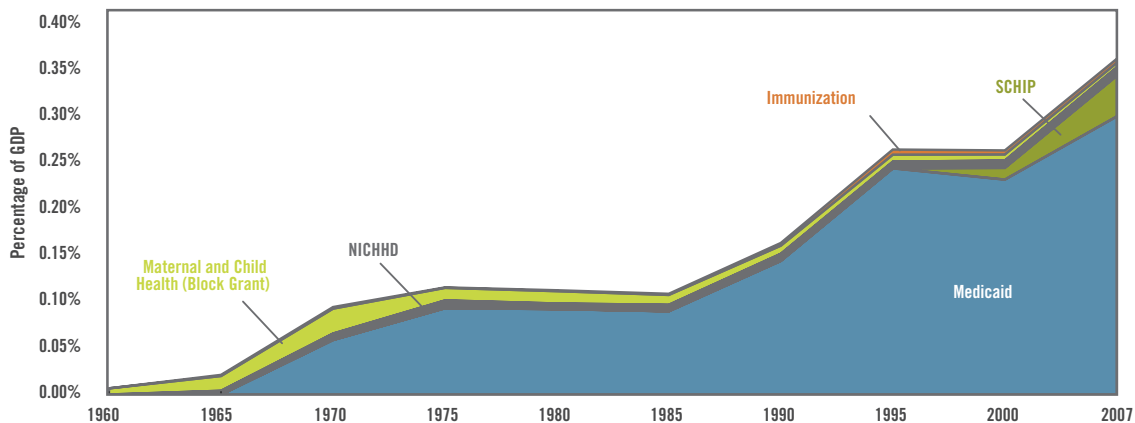
three main reasons. First, growth in the share of Social Security Survivors' and Disability benefits going to children fell significantly. Second, lawmakers only fitfully increased benefits in the one-time dominant AFDC program, causing it to lag behind inflation. They finally converted AFDC to a block grant in a 1996 reform that produced Temporary Assistance for Needy Families (TANF). Third, no new major programs have been introduced in this area since the 1970s. Even so, income security programs remain the second largest category of federal spending on children.

Health programs benefiting children grew from 0.01 percent of GDP in 1960 to 0.37 percent by 2007. Medicaid is the dominant program in this category. Other health programs

include the State Children's Health Insurance Program (SCHIP), the National Institute of Child Health and Human Development, and the Maternal Child Health Block Grant (see figure 10). Just as with income security, these programs are intended for children at or below 200 percent of the federal poverty line. However, health programs are the fastest-growing category of federal spending on children. Medicaid's rapid ascent has fueled children's health care spending, helping propel overall children's spending or, at least, helping it hold onto its share of GDP. Over the past year, SCHIP spending increased 7.2 percent and Medicaid spending on children grew 4.5 percent. (A year-long congressional debate in 2007 over increasing SCHIP funding



FIGURE 10 1960–2007: Federal Spending on Children's Health (% of GDP)



Source: The Urban Institute and The New America Foundation, 2008. Authors' estimates based on the *Budget of the United States Government, Fiscal Year 2009* and past years.

indicated continued interest in children's health spending.) Health programs now rank as the third highest category of children's spending, barely less than spending on income security programs. The introduction of Medicaid in the 1960s—which contributed 11.6 percent of federal children's spending in 2007 by itself (figure 5b)—drove most of this result, although SCHIP was also introduced in the late 1990s. The high annual growth in medical services in particular has caused Medicaid for children (as well as for adults) to grow far faster than any other children's program.

Education more than tripled, expanding from 0.09 percent of GDP to 0.31 percent. The period of 1960 to 2007 saw education spending mushroom—albeit relative to a low base—through the periodic introduction of new programs. However, virtually all this growth relative to GDP took place between 1960 and 1975. During the 1960–2007 time frame, spending shifted away from broadly available funding, as the Impact Aid program waned from supplying 55 percent of education spending to just 3 percent. Instead, education spending was increasingly directed toward low-income or mentally and physically challenged children through the School Improvement, Special Education, and Education for the Disadvantaged programs. Despite its robust growth, education receded from third to fourth in the rankings. In 1960, education composed 4.8 percent of federal spending on children (figure 6); by 2007, it accounted for 12.1 percent. These amounts for education do not include state and local outlays on children, which are the primary means through which education is financed.

Nutrition programs increased nearly sevenfold as a share

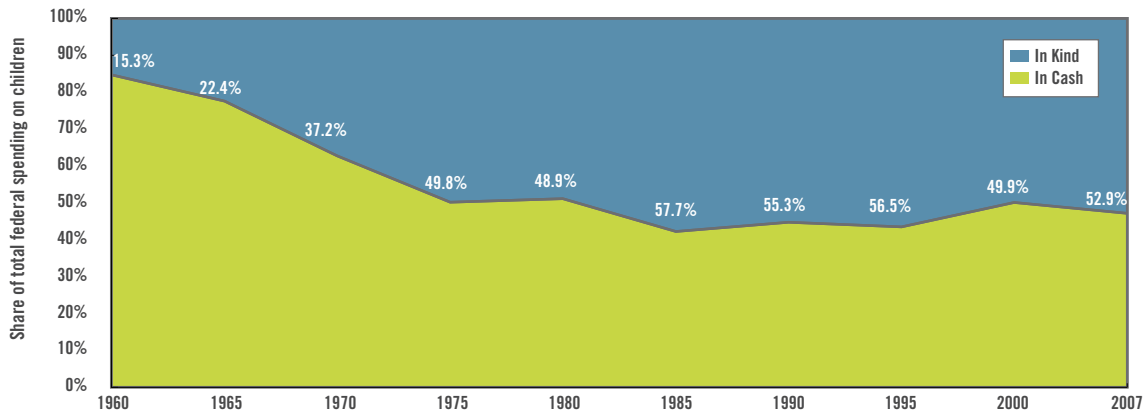
of the economy, from 0.04 to 0.26 percent of GDP. At the same time, nutrition programs fell from fourth to fifth out of the eight categories. Nutrition programs contributed 2.4 percent of federal spending on children in 1960, and went up to 10.0 percent in 2007. The growth in this category is due in large part to the introduction of the Food Stamps Program in 1964 and the Special Supplemental Food program for Women, Infants, and Children (WIC) in the early 1970s, as well as the explosive growth in the Child Nutrition programs (which include School Lunch, School Breakfast, Special Milk, and the like).

Housing expenditures on children rose to 0.17 percent of GDP by 2007. Housing programs that provided identifiable benefits for children did not exist meaningfully in 1960. The major housing programs like Low Rent Public Housing, Section 8 Low-Income Housing Assistance, Rental Supplement, and Rental Housing Assistance all appeared between 1970 and 1975. Housing programs spent \$23.0 billion on children in 2007 or 6.5 percent of federal spending on children. The Section 8 program by itself supplied 5.3 percent of this spending in 2007 (figure 5b).

Social service program spending on children climbed to 0.16 percent of GDP by 2007. Virtually nonexistent as a spending category in 1960, social service programs—including Head Start, foster care, child care entitlements to states, Child Care Development Block Grant, and the Social Services Block Grant—together accounted for \$21.6 billion in spending on children in 2007.

Training program spending on children reached 0.01 percent of GDP by 2007. Training dollars for programs like Job

FIGURE 11 1960–2007: In-Cash versus In-Kind Spending as Shares of Federal Spending on Children



Source: The Urban Institute and The New America Foundation, 2008. Authors' estimates based on the *Budget of the United States Government, Fiscal Year 2009* and past years.

Corps amounted to \$1.65 billion, or 0.5 percent of federal children's spending, in 2007. While there are a number of training programs for youth, as shown back in table 1, the bulk of their expenditures go to those over age 18. Many training programs for children 18 and under were enacted between 1965 and 1970.

In sum, the three dominant programs in 1960—the dependent exemption, Social Security, and AFDC—have all waned in importance, but major new programs have been added over time. Also, over the past 20 years or so, tax programs have resurged as a way of distributing federal spending to children and families.

IN-KIND VERSUS IN-CASH SPENDING

From 1960 until fairly recently, federal spending shifted away from programs that leave spending on children to the discretion of their parents. In other words, less money was put directly in parents' pockets and more was targeted to goods and in-kind services. Tax credits, exemptions, and welfare cash payments shrank while food stamps, subsidized housing, and Medicaid grew.

In 1960, only 15.3 percent of children's spending was in-kind, but by 2007 this share reached 52.9 percent of spending on children (figure 11). Some economists have favored cash-based assistance since the 1960s and early 1970s, often on the basis that cash offered recipients more flexibility and therefore better choices than an equal amount of in-kind resources. However, policymakers may prefer in-kind transfers to make sure recipients receive some

government-determined minimal amount of benefits like food, housing, and health care and to guarantee at least some of the benefits going to a household, such as food and housing, will benefit children because they are likely to be shared. Some policymakers also believe that cash provides a greater disincentive to leave assistance programs.

MEANS-TESTED VERSUS NON-MEANS-TESTED

Means-tested programs directed towards low-income children grew from 1960 to 1995, meaning fewer dollars went to non-means-tested programs.¹⁴ Since 1995, however, the trend has reversed due to larger relative growth in non-means-tested programs. Figure 12 shows the change in composition over time based on program type. The pattern resembles the in-kind versus in-cash composition seen in figure 11, as lawmakers often chose to provide means-tested benefits through in-kind means. As a share of GDP, means-tested programs jumped almost eightfold, from 0.2 to 1.5 percent of GDP.

Much like the shift from cash to in-kind benefits, the shift from non-means-tested to means-tested benefits was driven in part by the expansion of low-income benefits in the areas of nutrition (food stamps, WIC, Child Nutrition), health (Medicaid), and education (Education for the Disadvantaged). (Table 2 lists means-tested and non-means-

¹⁴ Technically, tax benefits like the child tax credit and the dependent exemption gradually phase down to zero at higher income levels—above \$110,000 for joint filers (\$75,000 for single filers) for the child tax credit and above \$225,750 for joint filers (\$150,500 for singles and \$188,750 for head of households) for the dependent exemption. They are not included here.

TABLE 2A

Means-Tested Programs

TAX CREDITS AND EXEMPTIONS

Earned income tax credit (EITC), and Exclusion of Public Assistance Benefits.

INCOME SECURITY

Temporary Assistance for Needy Families (TANF)—formerly Aid to Families with Dependent Children (AFDC), Child Support Enforcement, Emergency Assistance, and Supplemental Security Income (SSI).

NUTRITION

Food Stamp Program, Child Nutrition, Special Milk, Special Supplemental Food for Women, Infants and Children (WIC), and Commodity Supplemental Food.

HEALTH

Medicaid (for children and disabled children), Maternal and Child Health (block grant), Healthy Start, and State Children's Health Insurance Program (SCHIP).

EDUCATION

Educationally Deprived/Economic Opportunity and Education for the Disadvantaged—formerly Grants for the Disadvantaged.

SOCIAL SERVICES

Social Services (block grant), Community Services Block Grant, Head Start, Foster Care, Adoption Assistance, Independent Living, Child Care and Development block grant, Child Care Entitlement to States, AFDC Child Care, Transitional Child Care, and At-Risk Child Care.

HOUSING

Low Income Home Energy Assistance, Low-Rent Public Housing, Section 8 Low-Income Housing Assistance, Rent Supplement, and Rental Housing Assistance.

TRAINING

Jobs Corps, Manpower Development and Training Act (MDTA) Institutional Training, MDTA On-the-Job Training (OJT), Neighborhood Youth Corps, JOBS/WIN, Mainstream, Comprehensive Employment and Training Act (CETA), Youth Employment and Training Programs, Summer Youth Employment, Young Adult Conservation Corps (YACC), Job Training Partnership Act (JTPA), Youth Offender Grants, Youth Opportunity Grants, Workforce Investment Act (WIA) Youth Formula Grants, and Youthbuild Grants.



tested programs by category.) Over time, means-tested programs have increased and grown relatively more important because of the cash made available in income security programs (Supplemental Security Income) and the EITC, combined with the decline of the broad-based dependent exemption. Finally, the recent, albeit muted, resurgence in more non-means-tested programs largely resulted from the creation and expansion of the child tax credit.

The increased targeting of benefits also means that per capita measures of federal spending on children understate the gains in average benefits for low-income children and overstate those for middle- and upper-income children. Most children may only qualify for the dependent exemption and the child tax credit.

MANDATORY VERSUS DISCRETIONARY PROGRAMS

From 1960 to 2007, mandatory programs—programs that generally renew automatically each year and often have automatic growth built into them—declined somewhat as a share of federal direct spending on children from 83 to 70 percent (figure 13). Discretionary programs, meanwhile, must be renewed each year through a new appropriation. The practice, if not always the intent, is that mandatory programs have first claim on available budgetary resources, including federal borrowing, ahead of discretionary programs. Additionally, some mandatory programs (for children and adults) are “safety net”-oriented in nature and will expand further to provide more aid if the economy suffers and tax revenues fall. Mandatory programs tend to be the larger programs found in income security (SSI and AFDC), health (Medicaid and SCHIP), nutrition (Food Stamps and Child Nutrition), and tax credit refund programs (EITC and child tax credit), but not the child-related programs in housing or education. Mandatory and discretionary refer to direct spending programs only and therefore do not include the dependent exemption and the rest of the tax expenditure programs we identify (but do include the refund or “outlay” portions of the EITC and the child tax credit).

Even where children’s programs are mandatory, however, they are seldom scheduled to grow very fast relative to the economy. The major exception for children is health, although federal subsidies for health make up only a small portion of the total federal health care budget. Some mandatory children’s programs, such as the EITC, do grow with inflation.

Figure 13 shows a marked decline in the share of chil-

TABLE 2B

Non-Means Tested Programs

TAX CREDITS AND EXEMPTIONS

Child and Dependent Care Tax Credit, Child Tax Credit, Dependent Exemption, Employer-Provided Child Care Exclusion, Employer-Provided Child Care Credit, Exclusion of Certain Foster Care Payments, Assistance for Adopted Foster Children, Adoption Credit and Exclusion, Exclusion of Railroad Retirement Benefits, Exclusion of Special Benefits for Disabled Coal Miners, Exclusion of Social Security Benefits, Exclusion for Veterans Benefits, and Exclusion of Veterans Pensions.

INCOME SECURITY

Social Security, Railroad Retirement, Veterans Benefits, and Black Lung Disability.

HEALTH

Immunization, National Institute of Child Health and Human Development (NICHD), Sudden Infant Death Syndrome, Emergency Medical Services for Children, Adolescent Family Life, Universal Newborn Hearing, Abstinence Education, Birth Defects/Developmental Disabilities, Children’s Hospitals Graduate Medical Education, and Lead Hazard Reduction.

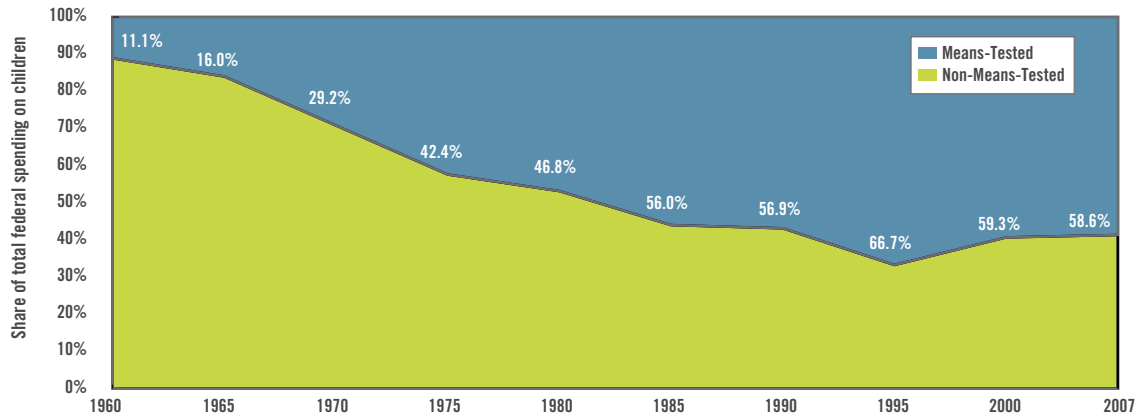
EDUCATION

Supporting Services, Dependents’ Schools Abroad, Public Lands Revenue for Schools, Assistance in Special Areas, Other, Impact Aid, Vocational (and Adult) Education, School Improvement, Indian Education, English Language Acquisition—formerly Bilingual and Immigrant Education, Special Education—formerly Education for the Handicapped, Emergency School Assistance (Civil Rights), Education Reform: Goals 2000, Domestic Schools, Reading Excellence, American Printing House for the Blind, Gallaudet University (elementary and secondary schooling), Institute for Education Sciences, Innovation & Improvement, Safe Schools & Citizenship Education, Hurricane Education Recovery, Local Public Works Program—School Facilities, Junior ROTC, Pre-Engineering Program, and Education Expenses for Children of Employees of Yellowstone National Park.

SOCIAL SERVICES

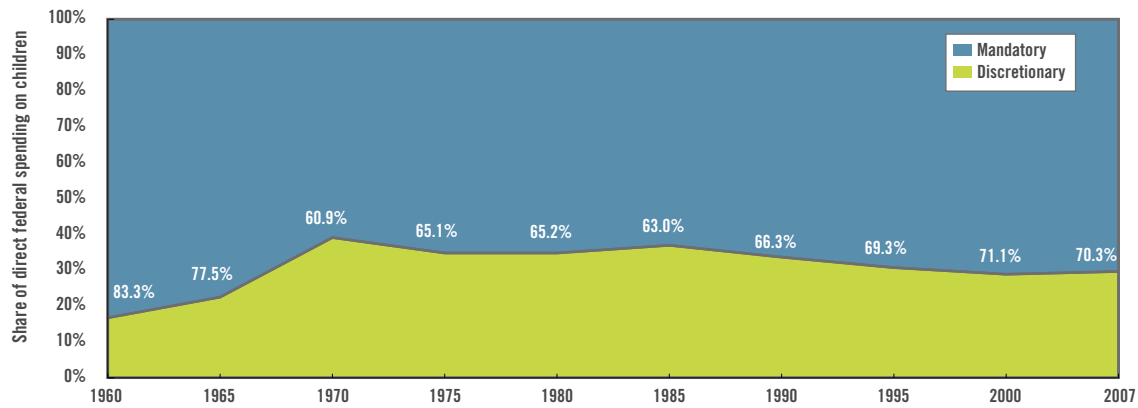
Children and Family Services Programs, Child Welfare Services, Child Welfare Training, Child Welfare Research, Violent Crime Reduction Programs, Juvenile Justice, Missing Children, Family Preservation and Support, and Children’s Research and Technical Assistance.

FIGURE 12 1960–2007: Means-Tested versus Non-Means-Tested Programs as a Share of Total Federal Spending on Children



Source: The Urban Institute and The New America Foundation, 2008. Authors' estimates based on the *Budget of the United States Government, Fiscal Year 2009* and past years. Note: Includes children's tax expenditures. See table 2 for a list of programs.

FIGURE 13 1960–2007: Federal Mandatory versus Discretionary Children's Spending



Source: The Urban Institute and The New America Foundation, 2008. Authors' estimates based on the *Budget of the United States Government, Fiscal Year 2009* and past years. Note: Includes only direct spending programs and the refundable portions of the EITC and Child Tax Credit.

dren's spending accounted for by mandatory programs, from 83.3 percent in 1960 to 65.2 percent in 1980 due to the enactment of major housing and education programs. Mandatory programs gradually regained some ground after this period, driven by growth in Medicaid and the expansion of the refundable portions of the EITC and child tax credit. Individual children's discretionary spending programs can and do decrease in nominal terms from year to year as some programs do not receive the same level of appropriation as in the prior year. But the total children's discretionary spending increases nominally in every year and almost always in real terms as well—although not necessarily as a share of domestic spending or GDP.

CHANGES WITHIN THE CHILDREN'S BUDGET BETWEEN FISCAL YEARS 2006 AND 2007

Mavens of children's policy and programs will no doubt wish to follow the annual upticks and downticks of particular programs and categories of spending. How did one year of change play out across the different categories of children's spending? Some categories grew while others shrunk (table 4). Categories of children's spending that grew in real terms from last year's levels were *health* (4.5 percent), *housing* (1.5 percent), *tax credits and exemptions* (1.2 percent), and *nutrition* (0.1 percent). Meanwhile, categories of children's spending that declined in real terms from last year were *training* (-0.5 percent), *income security*

TABLE 4

Change in Major Categories of Children's Spending, 2006 to 2007

Category	FY 2006 (2007\$)	FY 2007 (2007\$)	Percent change
Total federal expenditures on children in billions of dollars	\$351.3	\$353.9	0.7%
Health	\$48.3	\$50.4	4.5%
Housing	\$22.7	\$23.0	1.5%
Tax credits and exemptions	\$126.6	\$128.1	1.2%
Nutrition	\$35.5	\$35.5	0.1%
Training	\$1.7	\$1.7	-0.5%
Income security	\$51.1	\$50.8	-0.6%
Social services	\$21.9	\$21.6	-1.5%
Education	\$43.6	\$42.7	-2.1%

Source: The Urban Institute and The New America Foundation, 2008. Authors' estimates based on the *Budget of the United States Government, Fiscal Year 2009* and past years.



Except for health, all children's program areas lost ground relative to the economy between 2006 and 2007.

(-0.6 percent), *social services* (-1.5 percent), and *education* (-2.1 percent). But except for health, all these children's program areas *lost* ground relative to the economy between 2006 and 2007.

We see a wider range of outcomes over the last year if we look at particular programs (table 5). We classified major children's programs by their real rate of spending growth—"fast growing," "slow growing," "slow declining," and "fast declining." Children's health programs tend to be among the faster growing. The housing programs fell into both categories of positive growth, while the major tax programs

were among the slower growing programs (the exception being the dependent care credit that is being denied to families who fall on the alternative minimum tax). Child care and some key income security programs were among those programs in decline. Education and nutrition programs are sprinkled everywhere—in other words, it really depended on the dynamics of the particular program.

We note, however, that the spending totals in the 2006 and 2007 columns are nearly identical, telling us that the major declining programs canceled out the major growing programs over the 2006–07 period.

TABLE 5

Spending Change in Select Major Children's Programs, 2006 to 2007

(In billions of real dollars. Select programs over \$1 billion.)

Program	FY 2006	FY 2007	Percent Change
FAST GROWING			
Exclusion of Employer-Provided Child Care	\$0.7	\$1.2	72.7%
Impact Aid	\$1.2	\$1.4	23.4%
Low Income Home Energy Assistance	\$1.1	\$1.2	8.9%
SCHIP	\$5.6	\$6.0	7.2%
Veteran's Benefits	\$2.0	\$2.1	4.9%
Medicaid	\$39.3	\$41.1	4.5%
Low-Rent Public Housing	\$2.7	\$2.8	3.2%
Social Services (block grant)	\$1.1	\$1.1	3.1%
SLOW GROWING			
Earned Income Tax Credit	\$41.1	\$42.0	2.2%
Dependent Exemption	\$32.2	\$32.9	2.2%
Special Supplemental Food for Women, Infants, and Children	\$5.2	\$5.3	2.2%
Child Nutrition	\$12.8	\$13.0	2.2%
Social Security	\$25.7	\$26.0	1.3%
Section 8 Low-Income Housing Assistance	\$18.4	\$18.6	0.9%
Foster Care	\$4.5	\$4.5	0.8%
Adoption Assistance	\$1.9	\$1.9	0.8%
School Improvement	\$7.7	\$7.7	0.4%
SLOW DECLINING			
Child Tax Credit	\$47.1	\$47.1	0.0%
Child Support Enforcement	\$3.8	\$3.7	-1.4%
Grants for the Disadvantaged	\$15.1	\$14.8	-1.6%
Food Stamp Program	\$17.5	\$17.2	-2.0%
NICHD	\$1.3	\$1.2	-2.5%
Head Start	\$7.0	\$6.8	-2.5%
Temporary Assistance for Needy Families	\$12.4	\$12.1	-2.8%
FAST DECLINING			
Supplemental Security Income	\$7.1	\$6.7	-4.7%
Child Care Entitlement to States	\$3.1	\$3.0	-4.7%
Education for the Handicapped	\$12.2	\$11.5	-5.0%
Child Care and Development Block Grant	\$2.3	\$2.1	-5.1%
Dependents' Schools Abroad	\$1.1	\$1.0	-8.3%
Dependent Care Credit	\$2.4	\$2.0	-15.7%
TOTAL SPENDING	\$351.3	\$353.9	0.7%

Source: The Urban Institute and The New America Foundation, 2008. Authors' estimates based on the *Budget of the United States Government, Fiscal Year 2009* and past years.

The Future of Federal Spending on Children

If current policy and budget trends continue, spending on children should increase in real dollar amounts, but the children’s portion of the federal pie will continue to diminish as a share of the economy. The federal spending picture for children and the nation as a whole looking forward relies on assumptions about the growth in different spending programs—both on the direct spending side and the tax expenditure side—as well as revenues available to support this spending. With some modest adjustments, projections by the Congressional Budget Office, the Department of Treasury, the White House, and the Urban-Brookings Tax Model show what “current policy” may bring for children in the near future.

Current policy illustrates what would happen if existing spending and revenue policies continue indefinitely, regardless of fiscal sustainability. (This is different from a purely “current law” scenario, which would mean, for example, that spending programs in need of reauthorization would simply end and the tax cuts would expire on schedule, despite strong political desires to the contrary. See table 6.) One consequence is that mandatory entitlement programs that grow fast and automatically would capture more and more budgetary resources from the discretionary, slower-growing programs that benefit children.¹⁵ Here we assume that the 2001–06 tax cuts—at least those affecting children—will be permanently extended, partly because neither political party has suggested rescinding those cuts for anyone other than the wealthy.¹⁶ Along these same lines, we also assume that Congress will continue to extend alternative minimum tax (AMT) relief, ensuring that families can continue claiming

the full amount of individual credits and dependent exemptions that the AMT would otherwise reduce or disqualify.

We project that children’s spending in real dollar terms would increase under current law by 15.5 percent, from \$354 billion in 2007 to \$409 billion by 2018 (figure 14). By contrast, CBO projects total federal spending to rise 29.9 percent and domestic spending to rise 36.4 percent, driven in large part by the three major entitlement programs. The adult portions of Social Security, Medicare, and Medicaid are scheduled to grow 63.0 percent, or more than four times faster than children’s spending. Meanwhile, CBO projects defense to grow 7.5 percent in real dollar terms between 2007 and 2018, from \$549 to \$590 billion—which reflects an actual decline in personnel paid for by the U.S. Department of Defense directly or through contracts, since compensation tends to grow by 1 to 2 percent annually. If defense costs are not reduced as budget agencies forecast, they will only add pressure on the children’s budget.

According to this scenario, *as a share of the economy*, federal children’s spending would drop 13.4 percent (0.35 percentage points), from 2.59 to 2.24 percent of GDP. By comparison, CBO projects defense as a percent of GDP to decline by about a fifth between 2007 and 2018,¹⁷ while non-child Social Security, Medicare, and Medicaid collectively would expand by about a fifth from 7.87 to 9.62 percent of GDP. These trends are captured in figure 15.

GROWTH IN CHILDREN’S PROGRAMS RELATIVE TO OTHER FEDERAL PRIORITIES

All major budget items have grown robustly in real dollar terms (figure 1), so these increases do not tell us much about how we value and fund federal programs. Over any appreciably long time frame, growth relative to the econ-

15 For a more in-depth discussion, see Steuerle (2003).

16 This assumption holds consequences for child spending. If we assume instead that all elements of the tax cuts will expire after 2010, federal tax expenditures on children (as well as refunds under the child tax credit) would be less overall. If we assume that the low-income family related components of the tax cut are extended only, and not the tax rate cuts, then total expenditures on children may not be affected—or may even increase slightly depending on what individual tax provisions are assumed to be extended or allowed to sunset.

17 We are skeptical about CBO’s projection given the long-run nature of the war on terror. In figure 19, therefore, we hold constant defense plus international affairs plus homeland security as a share of GDP after 2010 (4.2 percent).

Selected Children's Programs Facing Reauthorization in the Next Administration

Legislative activity is likely to affect the children's budget in 2009. Below we list sizable children's programs that may come before the next Congress and administration for reauthorization. All these programs are significant to the children's budget and expansion or contraction of any one of these programs could implicate federal spending on children. While unlikely, if all these programs failed to be reauthorized or extended, the children's share of the federal budget would fall further in absolute and relative terms than the real spending levels we project below, which assume current tax and spending policies will continue indefinitely.

STATE CHILDREN'S HEALTH INSURANCE PROGRAM (SCHIP)

SCHIP, which provides health insurance to low-income children, expired in September 2007. After lengthy debates in Congress about potential expansions, the program has been temporarily reauthorized. Depending on the political composition of the next Congress and administration, SCHIP reauthorization is expected to come up again in the early portion of 2009. Based on CBO projections, we project \$5.9 billion in real outlays for SCHIP in 2009.

NO CHILD LEFT BEHIND (NCLB)

The NCLB law, which expired in September 2007, sought to ensure all children meet learning standards through a mix of requirements, incentives, and resources. It is also the authorizing legislation behind Education for the Disadvantaged and School Improvement. The current Congress is considering NCLB reauthorization, but given the current political dynamics, a full reauthorization is not likely until the next congressional session in 2009. We project real Education for the Disadvantaged and School Improvement spending to be \$15.6 billion and \$8.1 billion, respectively, or \$23.7 billion total.

CHILD CARE AND DEVELOPMENT BLOCK GRANT (CCDBG)

The CCDBG is the primary funding stream for child care and after-school assistance for low-income working families. CCDBG expired in September 2002 and has been functioning without reauthorization since then. Depending on the composition of Congress and the next administration, it may come up for reauthorization next year. We project \$2.1 billion in real outlays for this program in 2009.

CHILD TAX CREDIT (CTC)

The CTC is the largest cash assistance program for children, providing families with requisite earnings a tax credit for children under age 17. Changes made to the child tax credit in 2001 and 2003 doubled the maximum credit from \$500 to \$1,000 per child. These changes are scheduled to sunset after 2010, and the credit would revert back to \$500 per child. We project \$41.3 billion in real

refundable and nonrefundable tax expenditures for CTC in fiscal year 2012. If the tax cuts expire at the end of calendar year 2010, the CTC would be \$28.9 billion less in fiscal year 2012.

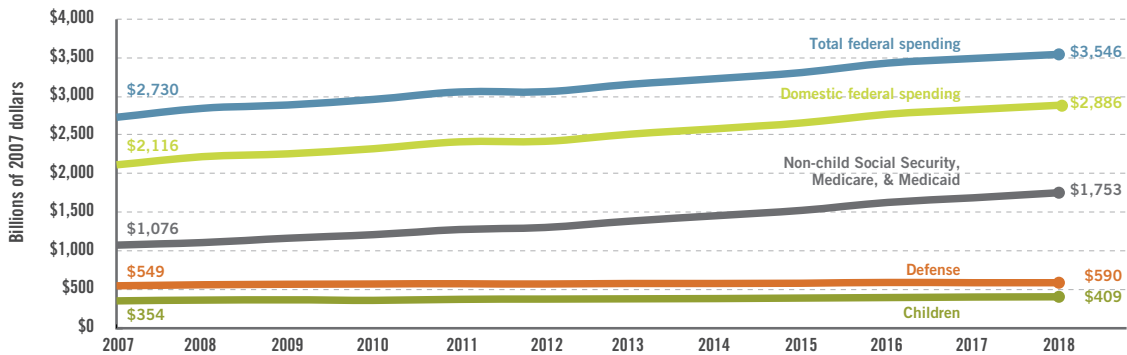
CHILD AND DEPENDENT CARE TAX CREDIT (CDCTC)

The CDCTC is a tax credit that reimburses a percentage of families' qualified child care costs. The maximum child care costs against which this percentage (which varies between 35 percent at lower incomes and 20 percent at higher incomes) can be applied is \$3,000 for one child and \$6,000 for two or more children. After 2010, allowable child care costs will fall to \$2,400 and \$4,800 respectively, and the percentage reimbursement will range from 30 to 20 percent. Even before 2010, the sweep of the alternative minimum tax will begin reducing or denying this credit to upper income households, unless AMT relief is also extended. We project \$2.5 billion in real CDCTC expenditures in 2012. If the tax cuts expire and there is no AMT relief, then the CDCTC may be \$1.2 billion or so lower in 2012 (OMB estimate).

EARNED INCOME TAX CREDIT (EITC)

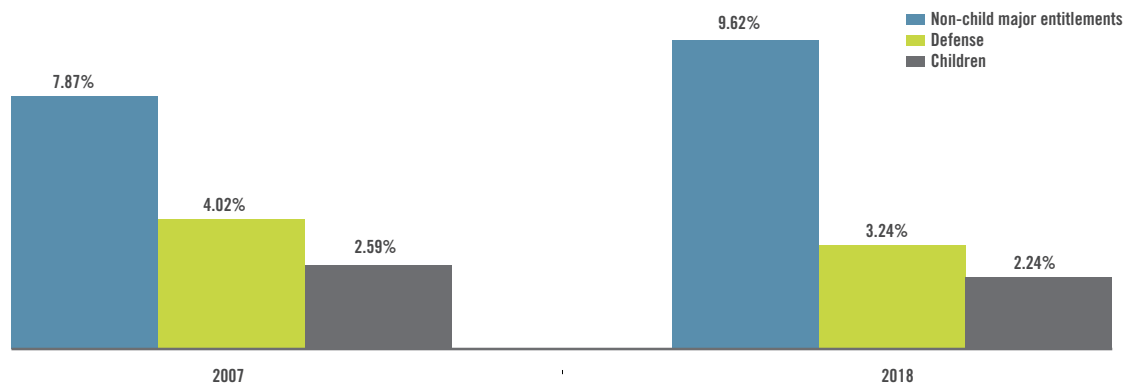
The EITC is the second-largest cash assistance program for children, providing qualifying low-income working families with tax refunds. The credit value phases out at relatively low-incomes. The 2001 tax cut slightly extended the income phase-out credit point for married couples, thus preserving more of the credit for children in these families and penalizing marriage and children less—a provision that will also expire at the end of calendar year 2010. We project \$42.3 billion in real refundable and nonrefundable tax expenditures for EITC in 2012. The effect of the tax cuts expiring is nearly a wash as slightly reduced benefits from the expiration of the EITC marriage penalty relief is offset by higher EITC refunds resulting from higher taxes (e.g., the expiration of the 10 percent tax bracket). If the tax cuts expire, the EITC would fall by \$2.1 billion in fiscal year 2012.

FIGURE 14 2007–18: Real Federal Spending on Children and Other Major Items



Source: The Urban Institute and The New America Foundation, 2008. Authors' projections, based on the *Budget of the United States Government, Fiscal Year 2009*; CBO's *Budget and Economic Outlook: Fiscal Years 2008–2018*; Treasury's *General Explanations of the Administration's Fiscal Year 2009 Revenue Proposals*; and Urban-Brookings Tax Policy Center Microsimulation Model (version 0308-1).
Notes: Assumes the 2001–03 tax cuts are made permanent and that full AMT relief is provided in each year.

FIGURE 15 2007–18: Federal Spending on Children and Other Major Items (% of GDP)



Source: The Urban Institute and The New America Foundation, 2008. Authors' projections based on the *Budget of the United States Government, Fiscal Year 2009*; CBO's *Budget and Economic Outlook: Fiscal Years 2008–2018*; Treasury's *General Explanations of the Administration's Fiscal Year 2009 Revenue Proposals*; and Urban-Brookings Tax Policy Center Microsimulation Model (version 0308-1).
Notes: Assumes the 2001–03 tax cuts are made permanent and that full AMT relief is provided in each year.

omy and not to prices is the most meaningful measure of trends in overall priorities.

The majority of children's programs—although not the majority of its spending—is discretionary and requires annual appropriations to continue, let alone grow. These programs are therefore vulnerable to a loss in funding, especially in competition with the major mandatory programs. Depending on the budget climate and other spending priorities, these discretionary programs may or may not even see increases that keep their total spending current with rising prices. Most mandatory and tax expenditure programs, which compose the bulk of spending on children, are at least partially indexed to inflation. The child tax credit is the exception—the credit value is fixed nominally at \$1,000

per child and does not increase, even while the threshold income for eligibility is indexed.

This combination of discretionary and mandatory programs that keep pace only with inflation but not with real growth, and mandatory programs that do not even keep up with inflation cause children's spending on net to fall behind price growth. This is exactly what happened to existing programs between 1960 and 2007. Creating new programs every few years brought new money into the children's budget. Without those additions, the children's budget would have all but disappeared. Thirteen programs that did not even exist in 1960 supplied \$221.5 billion or 63 percent of all federal spending on children in 2007. Three programs alone—the child tax credit, the EITC, and Medicaid—con-

TABLE 7

Select Major Children's Programs Enacted Since 1960

Program	Year Enacted	In 2007	
		Child Spending	% GDP
Foster Care	1961	\$4.5 billion	0.03%
Food Stamps	1964	\$17.2 billion	0.13%
Medicaid	1965	\$41.1 billion	0.32%
Education for the Disadvantaged	1965	\$14.8 billion	0.11%
Head Start	1966	\$6.8 billion	0.05%
Supplemental Security Income	1972	\$6.7 billion	0.05%
Section 8 Low-Income Housing	1974	\$18.6 billion	0.14%
Special Education	1975	\$11.5 billion	0.09%
EITC	1975	\$42.0 billion	0.32%
Child Care and Development Block Grants	1995	\$2.1 billion	0.02%
Child Care Entitlements to States	1997	\$3.0 billion	0.02%
Child Tax Credit	1997	\$47.1 billion	0.36%
SCHIP	1998	\$6.0 billion	0.05%
Total		\$221.5 billion	1.70%
Total 2007 Expenditures on Children		\$353.9 billion	2.59%
Percent of Total		62.59% billion	

Source: The Urban Institute and The New America Foundation, 2008. Authors' estimates based on the *Budget of the United States Government, Fiscal Year 2009* and past years.

tributed 37 percent of all children's spending in 2007. (See table 7 and figure 5b).

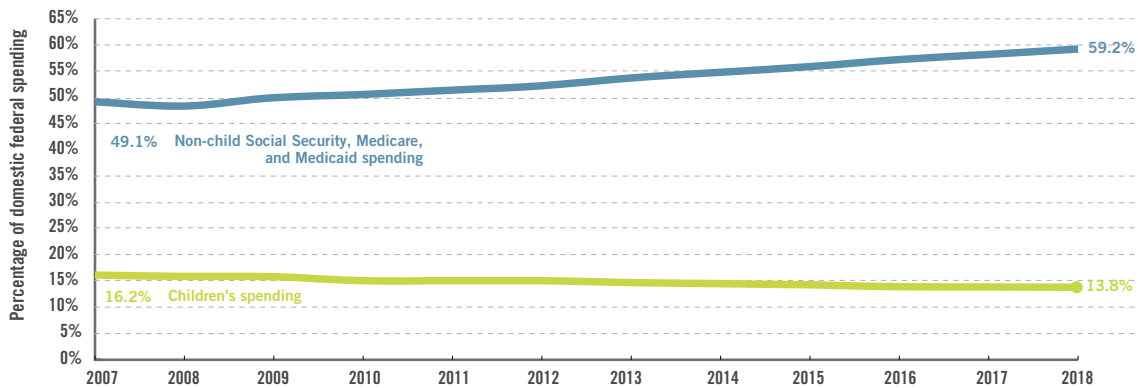
By contrast, the three major entitlement programs—the non-child portions of Social Security, Medicare, and Medicaid—grow automatically with average wages, longer lives, or medical prices. The first wave of baby boomers becomes eligible to draw Social Security checks in 2008. As our aging population starts to retire, eligibility for these programs will rise much faster than the overall population. These three programs are growing markedly faster than GDP and are projected to consume larger shares of total domestic spending, as shown in figure 16. We project that children's programs under current law will represent just 13.8 percent of all federal domestic spending by 2018, down from 16.2 percent in 2007. Meanwhile, CBO projects that the portion

of the major entitlement programs that goes to adults will consume 59.2 percent of domestic spending by 2018, compared with 49.1 percent in 2007—a gain of 20.5 percent.

How does a decline in children's spending as a share of GDP play out across our eight categories of interest? With the exception of health programs, which climbed 32 percent (from 0.37 percent of GDP to 0.49 percent of GDP), all other categories fell (figure 17). The largest drop both in percentage and dollar terms is in tax programs, which fell from 0.94 to 0.67 percent of GDP (a 28 percent drop). They grow, at best, with inflation. The health category increases solely because Medicaid for children is projected by CBO to grow faster than the economy. All other children's categories decline since they do not grow as fast as the economy.

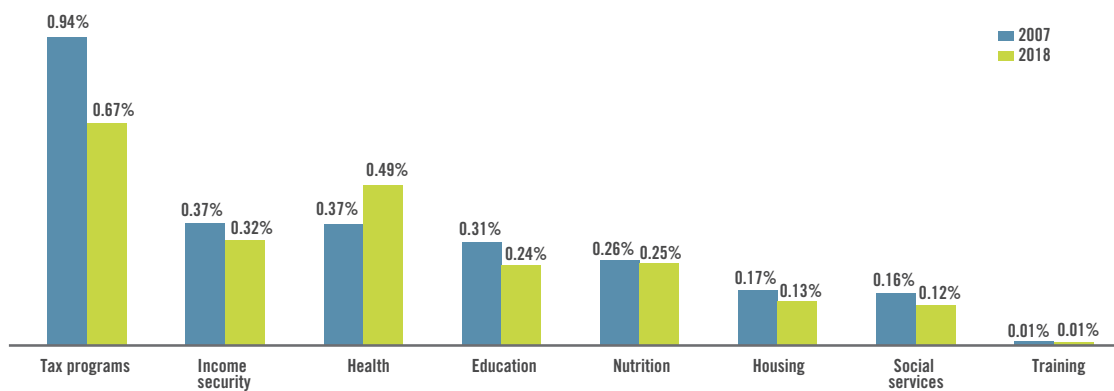
Under current law, the kids' share of domestic fed-

FIGURE 16 2007–18: Federal Spending on Children and Major Entitlements as a Share of Domestic Federal Spending



Source: The Urban Institute and The New America Foundation, 2008. Authors' projections, based on the *Budget of the United States Government, Fiscal Year 2009*; CBO's *Budget and Economic Outlook: Fiscal Years 2008-2018*; *Treasury's General Explanations of the Administration's Fiscal Year 2009 Revenue Proposals*; and Urban-Brookings Tax Policy Center Microsimulation Model (version 0308-1).
Notes: Assumes the 2001-03 tax cuts are made permanent and that full AMT relief is provided in each year.

FIGURE 17 2007 and 2018: Federal Spending on Children by Category (% of GDP)



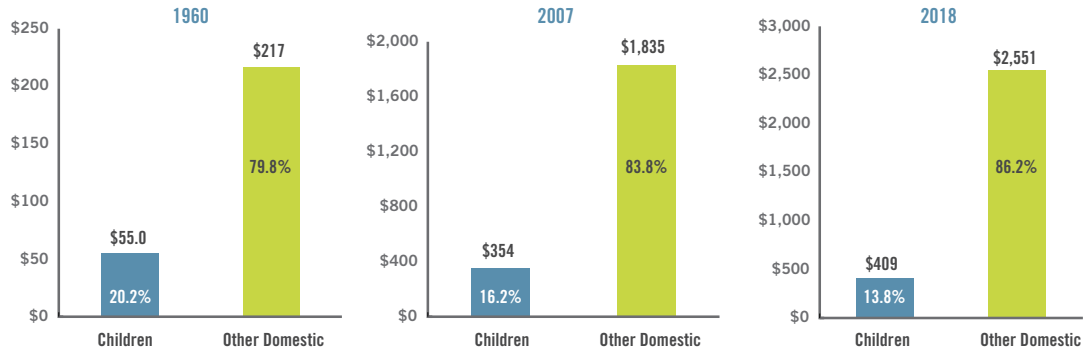
Source: The Urban Institute and The New America Foundation, 2008. Authors' estimates and projections based on the *Budget of the United States Government, Fiscal Year 2009*; CBO's *Budget and Economic Outlook: Fiscal Years 2008-2018*; *Treasury's General Explanations of the Administration's Fiscal Year 2009 Revenue Proposals*; and Urban-Brookings Tax Policy Center Microsimulation Model (version 0308-1).
Notes: Assumes the 2001-03 tax cuts are made permanent and that full AMT relief is provided in each year.

eral spending will likely continue shrinking. Looking at the share of spending on children's programs over time reveals a downward trend that will continue over the next decade (figures 18a and 18b). Starting with figure 18a, in 1960, the children's budget commanded about 20 percent of domestic federal spending. By 2007, despite some increases in recent years, children's spending had lost ground since 1960 and received only 16.2 percent. By 2018, current law projections imply that children will receive 13.8 percent of domestic spending.

What should concern us just as much is the amount of additional helpings children will get in the future as the economy and the budget grow. If our projections play out,

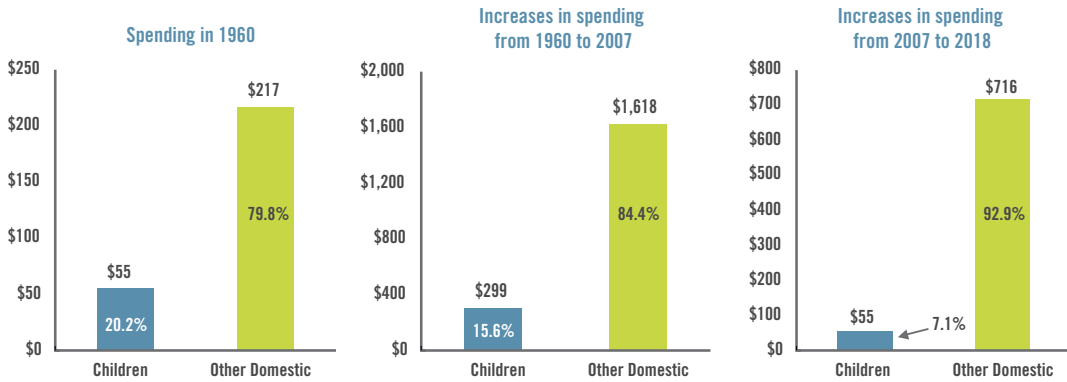
children will be increasingly denied additional portions of new budgetary resources, as seen in figure 18b. The first graph, a snapshot of spending in 1960, is the same in both figures. The second graph, which illustrates the *change* in spending, shows that children's programs grew by \$299 billion, while other domestic federal spending jumped by over \$1.6 trillion from 1960 to 2007. Thus, children received less than 16 percent of the total *increase* in domestic spending. And under current law, our projections for 2007–18 show spending on children is scheduled to grow by only \$55 billion, while other domestic federal spending would rise by \$716 billion. Thus, children would receive only about 7 percent of the total increase. Take out the scheduled growth in

FIGURE 18A 1960–2018: Levels of Federal Children's Spending versus Other Domestic Spending
(In Billions of 2007 Dollars)



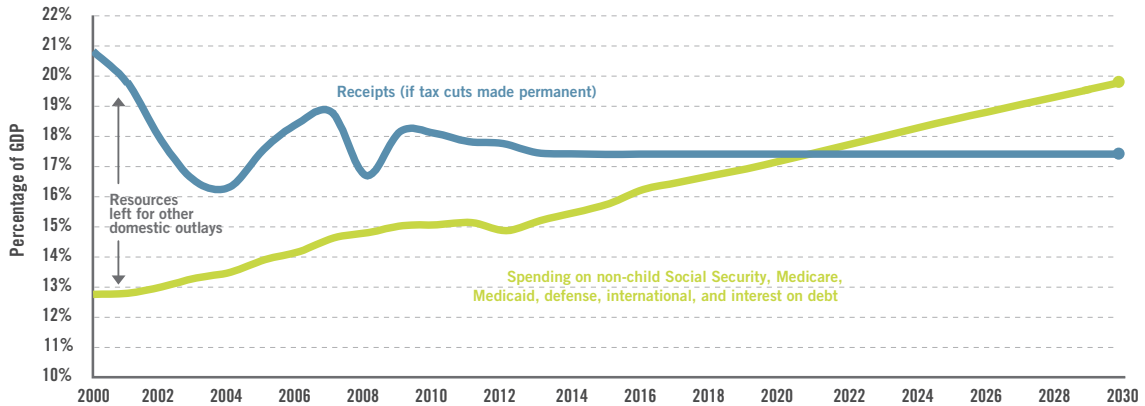
Source: The Urban Institute and The New America Foundation, 2008. Authors' estimates and projections based on the *Budget of the United States Government, Fiscal Year 2009*; CBO's *Budget and Economic Outlook: Fiscal Years 2008-2018*; Treasury's *General Explanations of the Administration's Fiscal Year 2009 Revenue Proposals*; and Urban-Brookings Tax Policy Center Microsimulation Model (version 0308-1).
Notes: Assumes the 2001-03 tax cuts are made permanent and that full AMT relief is provided in each year.

FIGURE 18B. 1960–2018: Increments of Federal Children's Spending versus Other Domestic Spending
(In Billions of 2007 Dollars)



Source: The Urban Institute and The New America Foundation, 2008. Authors' estimates and projections, based on the *Budget of the United States Government, Fiscal Year 2009*; CBO's *Budget and Economic Outlook: Fiscal Years 2008-2018*; Treasury's *General Explanations of the Administration's Fiscal Year 2009 Revenue Proposals*; and Urban-Brookings Tax Policy Center Microsimulation Model (version 0308-1).
Notes: Assumes the 2001-03 tax cuts are made permanent and that full AMT relief is provided in each year.

FIGURE 19 The Budget Squeeze: The Cost of So Many Promises



Source: Authors' estimates, The Urban Institute, 2008. Authors' calculations based on data from the *Budget of the United States Government, Fiscal Year 2009*; CBO's *Analysis of the President's Budgetary Proposals for Fiscal Year 2009: Supplemental Data* and the *2008 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*.
Notes: On the revenue side, tax cuts are made permanent and full AMT relief is assumed in each year; on the spending side, defense plus international is fixed at 4.2 percent of GDP after 2012. The dip in revenues in 2008 is the projected cost of the fiscal stimulus bill.



Medicaid spending for children, and the value of children's programs would actually suffer a *real loss* in dollar terms even while other domestic programs continued to grow by more than \$1/2 trillion.

What happens to children's programs if these trends continue? Figure 19 paints a bleak, longer-term budget scenario where current policies on spending and revenues are projected to 2030. It is clear that, absent *major* adjustments to our current way of doing business, we are rapidly approaching the day when there will be *no federal dollars left* for any program outside the three major entitlements, plus defense, international affairs, and interest on the debt. This figure reflects an impossible scenario of trying to pay out promised benefits and retain tax cuts. If more people

pay higher taxes (due to allowing various provisions of the 2001–06 tax cuts to sunset), or some of the president's recent proposals to cut Medicare growth are enacted, or the defense budget falls by more than projected, then the squeeze is lessened. The budget pressures will not go away, however, without major reforms to both revenues and spending. Already, the squeeze is being felt. The legislative battle fought in 2007 over SCHIP coverage and benefit expansions is a symptom of those pressures and the first of likely many salvos over increasingly scarce budgetary resources. Again, what drives the squeeze on children's programs in no small part is that, with the exception of Medicaid, they do not compete on a level playing field with rapidly growing mandatory entitlement programs.

Conclusions

Federal spending on children is shrinking, and the trend likely will only continue. Although spending has gone up in actual dollar amounts and as a percentage of GDP, children’s programs have declined in importance relative to other domestic programs since 1960. Where they have done well, it has mainly been due to the creation of new federally funded programs. Last year the children’s budget saw almost no growth at all. Medicare, Medicaid, and Social Security costs, in particular, are escalating and crowding out the kids’ share of spending.

Within the children’s budget, spending has shifted increasingly away from broad-based middle-class supports and toward means-tested programs targeted to poor or disabled children. Over time, those programs that were means-tested also were much more likely to be paid in kind rather than in cash. What’s more, most programs that serve children tend to grow much more slowly (and even backslide relative to GDP and prices) than the dominant mandatory programs.¹⁸

Without a significant realignment of national priorities or changes in fiscal circumstances, spending on children’s programs will continue to lose ground relative to other national priorities. If current trends continue, children’s programs will receive an extremely modest share of future increases in federal spending made possible by economic growth. Following this trend, they would also continue their slide as a share of GDP, as they did between 2006 and 2007, despite a change in control in Congress.

While some recent, failed legislative efforts did emphasize health programs for children, the federal budget as it portends now makes fairly clear that children are less of a priority and more of an afterthought in the budget process. With many large children’s programs likely to come up for reauthorization over the next four years, the actions—or lack thereof—of the next Congress and administration can substantially impact the future of the children’s budget.

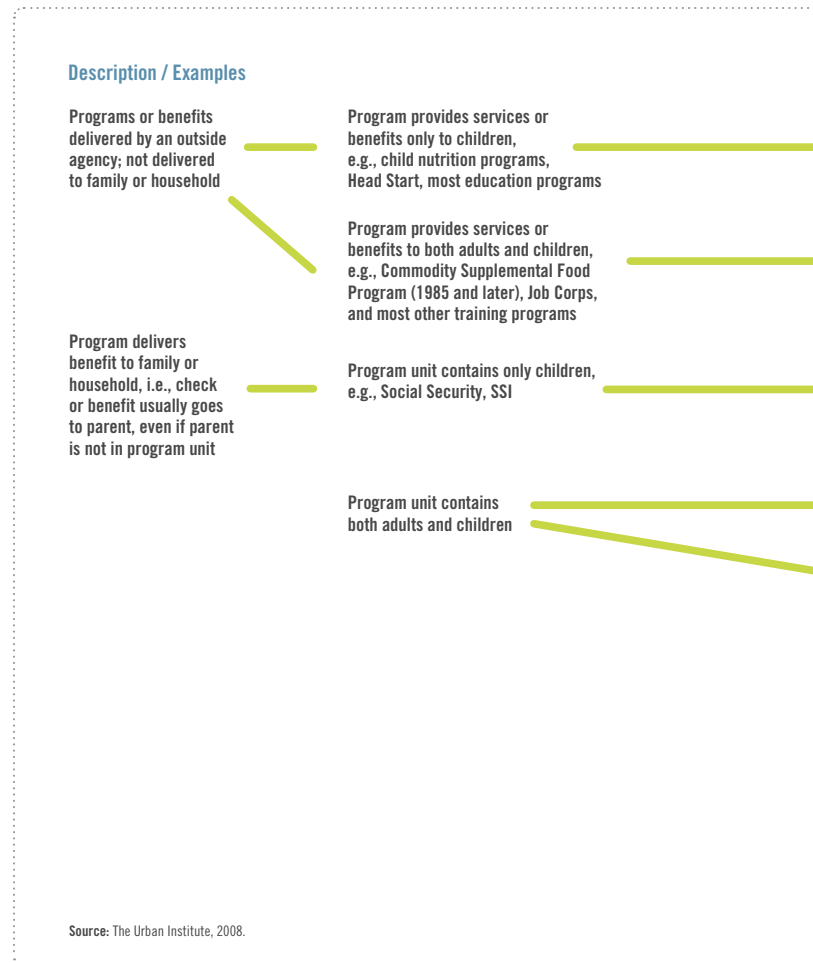
¹⁸ Again, the exception is Medicaid for children.

Appendix ALLOCATION METHODS

This appendix describes in a more detail the way that federal expenditures in different programs were allocated to children. Appendix figure 1 provides a flow chart of the decision rules we used. For a program-by-program description of the assumptions and data sources we used, we refer the reader to a substantial appendix also available on our website.

For programs where money is spent only on children, such as child nutrition, Head Start, and most education programs, all program expenditures were attributed to children.

For programs such as the Commodity Supplemental Food Program (in 1985 and later), Job Corps, and most other training programs for which both children and adults



qualify, we prorated program expenditures for only children participants.

For programs such as Social Security and Supplemental Security Income for which individuals (rather than family or household units) are the beneficiary unit, we attributed to children the exact amount of expenditures that the federal government reports went to child beneficiaries.

For other programs in which beneficiary units include both adults and children, but the children’s amount is not totally identifiable as a separate item, we used several techniques to estimate the spending benefiting children.

1. For programs in which eligibility does not depend on the presence of children—an example is Food Stamps—we allocated expenditures to children according to the proportion of recipients who were children.
2. For programs in which family units are eligible only if there are children present, we use three strategies.
 - a. For programs in which benefit levels depend entirely

on the number of children in the unit, we attributed all expenditures to children. The exception is EITC, for which we attributed to children the proportion spent on tax filing units containing children.

- b. For programs for which the benefit level depends on both the number of children and the number of adults in the unit—for example, Aid to Families with Dependent Children—we allocated expenditures to children according to the proportion of all recipients who were children.
- c. For public assistance programs for which the composition of the program units is unknown—for example, public housing and emergency assistance—we assumed the proportion of recipients who were children was the same as for AFDC units.

APPENDIX FIGURE 1 How We Determined Federal Spending on Children



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For a complete listing of references and data sources used, see the separate Kids' Share 2008 Data Appendix and its reference section, available online at www.urban.org.



Urban Institute

2100 M Street, N.W.
Washington, DC 20037
T: 202 833-7200
www.urban.org



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The New America Foundation
1630 Connecticut Avenue, NW
Washington, DC 20009