



# KIDS' SHARE

## 2021

REPORT ON FEDERAL EXPENDITURES  
ON CHILDREN THROUGH 2020  
AND FUTURE PROJECTIONS

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All photos via Shutterstock.

## EXECUTIVE SUMMARY

Public spending on children represents an effort to invest in the nation's future by supporting children's healthy development and human potential. To inform policymakers, children's advocates, and the general public about how public funds are spent on children, this 15th edition of the annual *Kids' Share* report provides an updated analysis of federal expenditures on children from 1960 to 2020. This year's *Kids' Share* report also provides a view of public expenditures from the nation's initial responses to the COVID-19 pandemic. Our projections of federal expenditures on children through 2031 give a sense of how budget priorities were scheduled to unfold based on economic and legislative responses as of May 2021 but do not include legislation that might be enacted by the end of 2021.

A few highlights of the report:

- Federal expenditures per child were significantly higher in 2020 than in 2019 and prior years, reflecting federal relief efforts in response to the pandemic. In 2020, the federal government spent about \$7,800 per child younger than age 19. Federal expenditures are projected to surge even higher in 2021, to \$10,700 per child, as the federal pandemic response continues, though under the law in place as of May 2021 they are scheduled to fall back to prepandemic levels by 2024 (page 10).
- COVID-19 relief bills enacted during the pandemic expanded assistance to children through three rounds of stimulus checks, an increase in the child tax credit (CTC), an education stabilization fund, expanded child care funding, increased nutritional assistance through the Supplemental Nutrition Assistance Program (SNAP), and increased federal funding for Medicaid (page 14). Dozens of other children's programs and tax credits received smaller increases.
- Tax provisions and health programs remain the two largest categories of federal support for children in 2020, accounting for more than three-fifths of all federal expenditures on children (page 18). Spending on children through tax provisions is projected to spike dramatically in 2021 as a result of the stimulus checks administered through the tax code and a temporary increase in the CTC (page 12).
- Despite increased dollar amounts spent on children in 2020, as a share of federal outlays, the \$482 billion invested in children in 2020 fell to 7.4 percent of all federal outlays, down from roughly 9 percent in recent years as overall federal spending swelled in response to the pandemic (page 32). The children's share of the federal budget is projected to further decline slightly to 7.2 percent over the next decade, under laws in place as of May 2021 (page 32).
- Interest payments on the national debt are projected, under laws in place as of May 2021, to grow as a share of the budget, from 5 percent in 2020 to 12 percent by 2031, reflecting a higher national debt and projected rising interest rates (page 36).
- As a share of the economy (GDP), federal outlays for children grew during the pandemic but by significantly less than other budget priorities. Federal spending during the pandemic grew from about 20 percent of GDP to a post-World War II high of 30 percent of GDP, with spending on children growing from around 2 percent to 2.3 percent of GDP (page 34).
- Over the next decade, all categories of spending on children as a share of GDP are projected to decline below pandemic levels. Most categories also see declines or remain at similar levels in real dollars (page 53).

## INTRODUCTION

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

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

The COVID-19 pandemic and response have rapidly and dramatically altered the economy and shifted government expenditures, with far-reaching consequences for many years. This *Kids' Share* 2021

report provides a view of public expenditures as the nation began responding to the pandemic. The pandemic has killed more than 754,000 Americans, while millions have lost jobs or had their hours cut, making it difficult to afford rent and food (Karpman and Zuckerman 2021). Systemic racism and discrimination have meant that long-standing racial and ethnic disparities have exacerbated the burdens of the pandemic for Black, Latinx, and American Indian people (Kijakazi 2020).<sup>2</sup> In 2020, the pandemic and related economic downturn threatened budget crises for many states to the extent that tax revenues plummeted while they also faced heightened costs associated with increased demand for health care, unemployment benefits, and other public benefits and services (Hahn et al. 2021). In response, the federal government provided unprecedented new funding through multiple fiscal relief bills. This federal response, combined with responses from some states, is projected to significantly reduce hardship for children and their families. The official child poverty rate increased from 14.4 percent in 2019 to 16.1 percent in 2020 (Shrider et al. 2021); however, as measured by the Supplemental Poverty Measure,<sup>3</sup> which takes into account the government programs designed to assist individuals and families with low incomes, child poverty decreased from 12.6 percent in 2019 to 9.7 percent in 2020 (Fox and Burns 2021). Child poverty measured by Supplemental Poverty Measure is projected to decline further to 5.6 percent in 2021, a rate 81 percent lower than it would have been absent any public benefits (Wheaton, Giannarelli, and Dehry 2021).

## ABOUT KIDS' SHARE

The *Kids' Share* annual reports provide a comprehensive picture of federal, state, and local expenditures. They also show long-term trends in federal spending, including historical spending since 1960 and projected spending 10 years following the year of each report (to 2031 in this case), assuming no changes to current law. These reports have been the foundation for additional Urban Institute analyses on how the president's budget and congressional appropriations bills would affect future spending on children (Isaacs, Lou, and Hong 2017; Isaacs, Lou, and Lauderback 2020a–b; Lou, Isaacs, and Hong 2018),<sup>4</sup> spending on children by age group (Isaacs et al. 2019; Hahn et al. 2017), spending differences across states (Isaacs 2017), and spending on children in families with low incomes (Vericker et al. 2012).<sup>5</sup> Outside organizations and researchers, including First Focus, the Committee for a Responsible Federal Budget, the Center for the Study of Social Policy, and researchers writing for Brookings Papers on Economic Activity, rely on *Kids' Share* data and reports to produce additional studies, and journalists and political commentators cite statistics from *Kids' Share*.<sup>6</sup>

The *Kids' Share* series does not judge the success of each current expenditure on meeting children's needs, nor does it measure or incorporate private spending on children. The report does not prescribe an optimal division of public dollars or resources. Instead, *Kids' Share* uniquely provides program-by-program estimates of government support for children and analyses of how these investments have changed over time. Budget

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

This report, 15th in the annual series, quantifies federal spending in fiscal year 2020. The report is divided into four major sections:

- 1. Expenditures on Children during the Pandemic**, a section added this year to highlight increases in federal expenditures in 2020 and projected increases in 2021 and subsequent years.
- 2. Current and Recent Expenditures on Children**, focusing on expenditures in 2020 and recent years, including state, local, and federal expenditures.
- 3. Broad Trends in Federal Spending**, comparing past, present, and scheduled future spending on children with spending on defense, health and retirement programs, interest payments on the debt, and other federal budget priorities. This section also compares spending per capita on children and older adults.
- 4. A Closer Look at Trends in Federal Expenditures on Children**, examining such issues as growth in means testing of benefits from 1960 to 2020 and projected growth or decline in specific categories of spending on children (e.g., health, education, tax provisions) from

2020 to 2031.

Calculating spending on children today requires making multiple estimates not available in traditional budget accounts. These estimates rely generally on other detailed data collections, combined with reasonable assumptions. Projecting spending into the future requires even more assumptions—in this case, based largely on Congressional Budget Office July 2021 projections assuming the tax and spending laws in place as of May 2021 continue. Our methodology for developing our estimates is provided in a short appendix to this report on methods; additional detail is provided in the *Data Appendix to Kids' Share 2021* (Daly et al. 2021). To facilitate comparisons over time, past and future expenditures are reported in real dollars (inflation adjusted to 2020 levels), as a percentage of the economy (percentage of GDP) or as a percentage of the federal budget.

## GLOSSARY

**Children:** People from birth through age 18.

**Older adults or seniors:** People ages 65 and older.

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

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

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

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

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

**Real or 2019 dollars:** Expenditures that have been adjusted for inflation.

All budget numbers represent fiscal years, and we have expressed them in 2020 dollars unless otherwise noted.

<sup>1</sup> The earlier *Kids' Share* reports are Carasso et al. (2008); Carasso, Steuerle, and Reynolds (2007); Clark et al. (2000); Edelstein et al. (2016); Hahn et al. (2014 and 2020); and Isaacs et al. (2009, 2010, 2011, 2012, 2013, 2015, 2017, 2018, and 2019).

<sup>2</sup> Steven Brown, "How COVID-19 Is Affecting Black and Latino Families' Employment and Financial Well-Being," *Urban Wire* (blog), May 6, 2020, <https://www.urban.org/urban-wire/how-covid-19-affecting-black-and-latinofamilies-employment-and-financial-well-being>.

<sup>3</sup> The Supplemental Poverty Measure takes into account many of the government programs designed to assist individuals and families with low incomes, allowing a more comprehensive assessment of families' economic well-being than the official poverty measure.

<sup>4</sup> Cary Lou, Julia B. Isaacs, and Eleanor Lauderback, "Draft Senate Labor-HHS-Education Appropriations Bill Proposes a 2 Percent Reduction in Spending on Children," *Urban Wire* (blog), Urban Institute, October 11, 2019, <https://www.urban.org/urban-wire/draft-senate-labor-hhs-education-appropriations-bill-proposes-2-percent-reduction-spending-children>.

<sup>5</sup> Additional reports that build on the *Kids' Share* database include further analyses of spending on children by age of child (Edelstein et al. 2012; Hahn et al. 2017; Kent et al. 2010; Macomber et al. 2009, 2010; Vericker et al. 2010).

<sup>6</sup> The First Focus *Children's Budget* series, including *Children's Budget 2021* (First Focus 2021), provides detailed, program-by-program information on appropriations for children's programs from 2016 to 2021 and the president's proposed funding for 2022. Other analyses drawing on *Kids' Share* data include Bruner and Johnson (2018), Committee for a Responsible Federal Budget (2017), and Hoynes and Schanzenbach (2018).

## PROJECTING CURRENT LAW

The *Kids' Share* expenditure projections draw from the Congressional Budget Office's (CBO's) July 2021 baseline budget projections, which reflect the effects of the American Rescue Plan Act of 2021 and other legislation enacted through May 18, 2021. The projections generally assume no change in tax and spending laws after that date—laws set to expire are assumed to expire. In fact, laws, regulations, and administrative actions are not frozen in time but are continually changing, and it is not uncommon for temporary provisions to be extended or made permanent. For example, the US Department of Agriculture's August 2021 reevaluation of the costs of a nutritious, low-cost diet will lead to increases in SNAP spending beyond those shown in these projections, and the infrastructure and Build Back Better bills under debate in fall 2021 may lead to further changes in spending and taxes. For projections of discretionary spending, the CBO assumes spending will be maintained (inflated) going forward, except for pandemic relief spending.





# EXPENDITURES ON CHILDREN DURING THE PANDEMIC

In this section, we describe public expenditures on children in the current period, focusing on how spending on children—and the overall federal budget—has risen as the federal government has responded to the COVID-19 pandemic and related global economic recession. The three figures in this section address the following questions:

- How much is the federal government spending on children during the pandemic?
- Which categories of spending on children (e.g., tax provisions, nutrition) are changing the most during these pandemic years?
- Which children's programs and tax credits received the largest increases from COVID-19 relief legislation?

The pandemic's impacts are also evident in tables and figures included in later sections of this chartbook, such as table 1, showing federal expenditures by program in 2019, 2020, and 2021, and figure 9 showing longer-term trends on spending as a share of the economy.

Actual federal expenditures are reported through fiscal year 2020, the most recent year for which complete federal spending data are available. Because federal funds provided in 2020 and early 2021 will continue to be spent for a few years, we show some subsequent years as well. As noted earlier, these projections for 2021 and future years draw from the Congressional Budget Office's July 2021 baseline budget projections, which do not incorporate any legislative changes made after May 2021 and generally assume no change in tax and spending laws after that date—laws set to expire are assumed to expire.

Our estimates do not include the new paid sick and family leave provision under the Families First Coronavirus Response Act, because we cannot estimate its impact. The provision provided small and midsize employers refundable tax credits that reimbursed them for providing paid leave related to COVID-19; data are not available to allow us to determine how much of this was related to family leave to care for children as opposed to sick leave.



## How much is the federal government spending on children during the pandemic?

**In 2020, federal expenditures totaled \$7,810 per child, including \$6,264 in outlays and \$1,546 in tax reductions.**

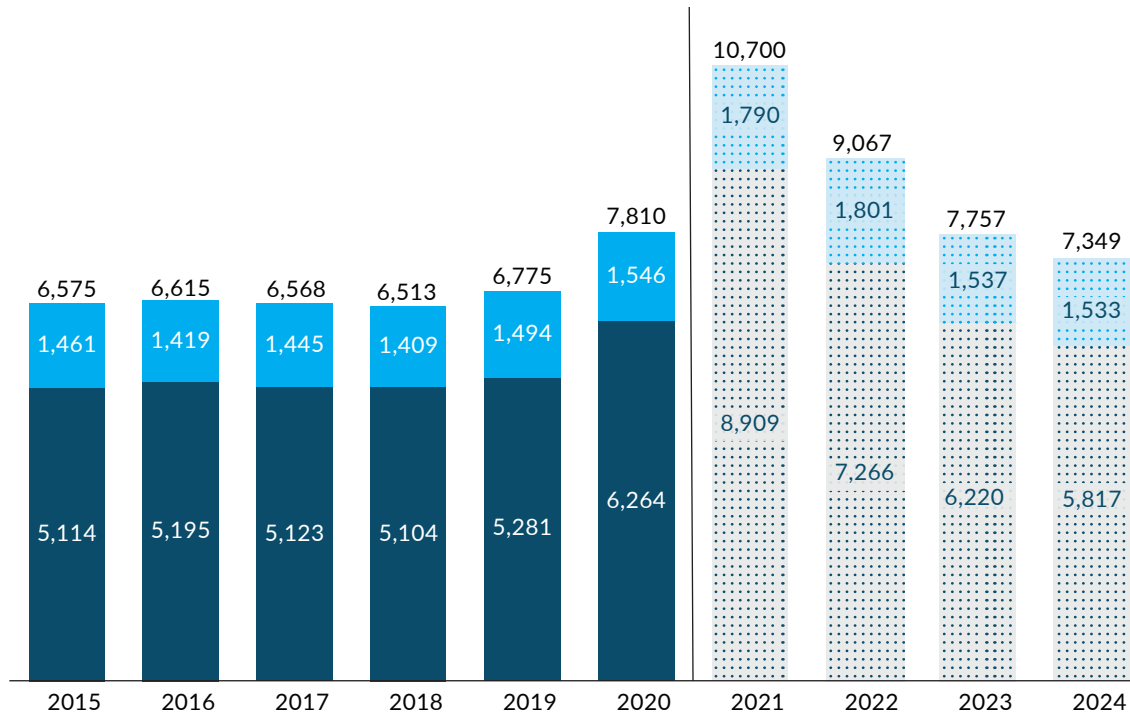
- Federal expenditures per child were 15 percent higher in 2020 than in 2019, after adjusting for inflation, increasing by more than \$1,000 per child. Federal expenditures rose sharply after being relatively stable for several years and exceeded their prior peak in 2010 and 2011, following the Great Recession (data not shown). As detailed in table 1 (page 21), the increase between 2019 and 2020 primarily reflects increased spending for the pandemic-response stimulus checks, though spending on nutrition, health, child care, and education also increased considerably.
- In total, the federal government spent more than \$601 billion in program and tax outlays and \$119 billion in tax reductions on 77 million children 18 and younger in 2020 (table 1; page 21).
- In 2021, federal expenditures are projected to increase by almost \$3,000 more per child, peaking at \$10,700 per child as a result of the continued pandemic response and ongoing spending of federal relief funds authorized during the pandemic.
- By 2024, under laws as of May 2021, federal expenditures are projected to fall back to below the 2020 level, as the temporary spending increases end.

**FIGURE 1**

**Federal Expenditures per Child by Expenditure Type, 2015–24**

*Spending in 2020 dollars*

■ Tax reductions ■ Program and tax credit outlays



Federal government spending increased to about \$7,800 per child in 2020, including spending and tax programs.

**Sources:** Authors' estimates based primarily on Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2021 to 2031* (Washington, DC: Congressional Budget Office, 2021); Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2022* (Washington, DC: US Government Printing Office, 2021); and past years. For more source information, see the appendix.

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

## Which categories of spending on children (e.g, tax provisions, nutrition) are changing the most during these pandemic years?

Federal expenditures on children are projected, under laws in place as of May 2021, to reach highs across multiple categories in the coming years because of the pandemic response. Tax expenditures spike dramatically in 2021 before quickly returning to near prepandemic levels. Other categories also are projected to experience mainly temporary increases as the federal relief funds are spent. However, by 2031, children's spending in all categories besides health is expected to fall to near or below prepandemic levels. Health spending on children is the only category with strong projected growth, consistent with long-run trends in all federal health spending.

- Children's expenditures associated with tax provisions—including both tax reductions and outlays for refundable tax credits—are expected to increase dramatically in 2021 primarily because of measures enacted in response to the pandemic, including stimulus checks administered through the tax code and a temporary (one-year) increase in the child tax credit (CTC). Under current law as of May 2021, tax-related expenditures on children are expected to fall sharply in 2022 and 2023 as spending for these temporary provisions winds down. Expenditures on children through tax provisions are projected to drop further later in the decade because tax legislation enacted in 2017 created many temporary provisions; of significant importance here, after seven years it effectively reinstates a dependent exemption and removes a child credit expansion of greater value.<sup>7</sup>
- Health spending on children (i.e., primarily Medicaid and CHIP) is the only type of expenditure projected to increase

consistently over the coming decade. The number of children enrolled in Medicaid is projected to remain stable, but costs per enrollee are expected to increase faster than inflation, following broader trends in health spending.

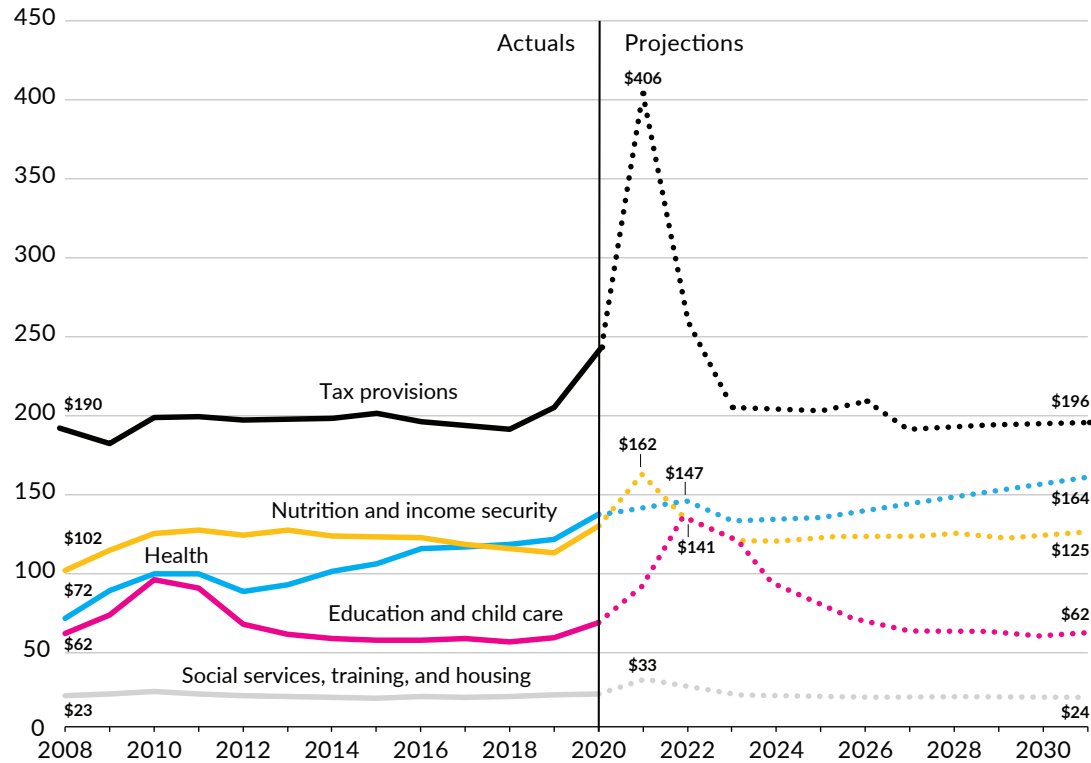
- Spending on nutrition and income security programs is projected to increase during the pandemic, primarily because of growth in nutrition programs stemming from both greater need and expanded benefits. Projections for the rest of the decade are based on current law as of May 2021 and do not yet reflect the increases in nutrition spending that will result from the US Department of Agriculture's August 2021 reevaluation of the costs of a nutritious, low-cost diet.
- Federal spending on K–12 education, early education, and child care programs is projected to temporarily increase, driven by investments during the pandemic in the Child Care and Development Fund and the establishment of the education stabilization fund supporting K–12 education. The outlays of these funds are expected to occur over several years, with spending projected to peak in 2022 before declining moderately to prepandemic levels by 2031. As primarily discretionary spending programs, education and child care compete annually with other discretionary programs for funding.
- Social services, training, and housing programs are also expected to increase during the pandemic and then stagnate in the face of long-term budgetary pressures. These programs include child abuse prevention and other social service programs, the children's share of housing benefits, and Job Corps and other training programs.

<sup>7</sup> A temporary increase occurs in 2026 because of timing issues. Changes in the CTC are not fully felt until families file taxes, often in April following the calendar year the changes are implemented.

FIGURE 2

Federal Spending on Children by Category, 2008–31

Billions of 2020 dollars



Children’s expenditures through tax provisions are projected to spike in response to the pandemic but fall in the future.

Sources: Authors’ estimates based primarily on Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2021 to 2031* (Washington, DC: Congressional Budget Office, 2021); Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2022* (Washington, DC: US Government Printing Office, 2021); and past years. For more source information, see the appendix.

## Which children's programs and tax credits received the largest increases from COVID-19 relief legislation?

COVID-19 relief bills enacted during the pandemic temporarily expanded assistance to children through three rounds of stimulus checks, an increase in the CTC, an education stabilization fund and expanded child care funding, increased nutritional assistance through the Supplemental Nutrition Assistance Program (SNAP), and increased federal funding for Medicaid. Dozens of other children's programs and tax credits received smaller increases.

- **The three rounds of stimulus checks** enacted between March 2020 and March 2021 in response to the COVID-19 pandemic **included payments for children**. The Coronavirus Aid, Relief and Economic Security (CARES) Act provided \$500 per dependent younger than age 17; the Coronavirus Response and Relief Supplemental Appropriations Act provided \$600 per dependent younger than age 17; and the American Rescue Plan provided \$1,400 per dependent, including those ages 17 and 18, 19 to 24 and in school full-time part of the year, and older dependents. Payments to families with children are estimated to total \$31 billion in fiscal year 2020 and \$147 billion in fiscal year 2021.
- **The American Rescue Plan increased the CTC by \$1,000 per child (and \$1,600 per child younger than age 6) for one year** (calendar year 2021). The bill also extended the full credit to families with little or no income and provided up to half of the credit in monthly advance payments from July to December 2021. Effects are seen not only in 2021, but also in 2022, when people file taxes for the previous year.
- Relief spending to school districts through the Education Stabilization Fund and to child care providers and families through the Child Care and Development Fund is expected

to peak in 2022, as it takes time for funds provided in 2020 and 2021 to be distributed. **The unprecedented increase in child care spending** includes stabilization grants to help child care providers survive under challenging pandemic conditions, as well as funds for child care assistance to families with low incomes and essential workers and investments in quality.

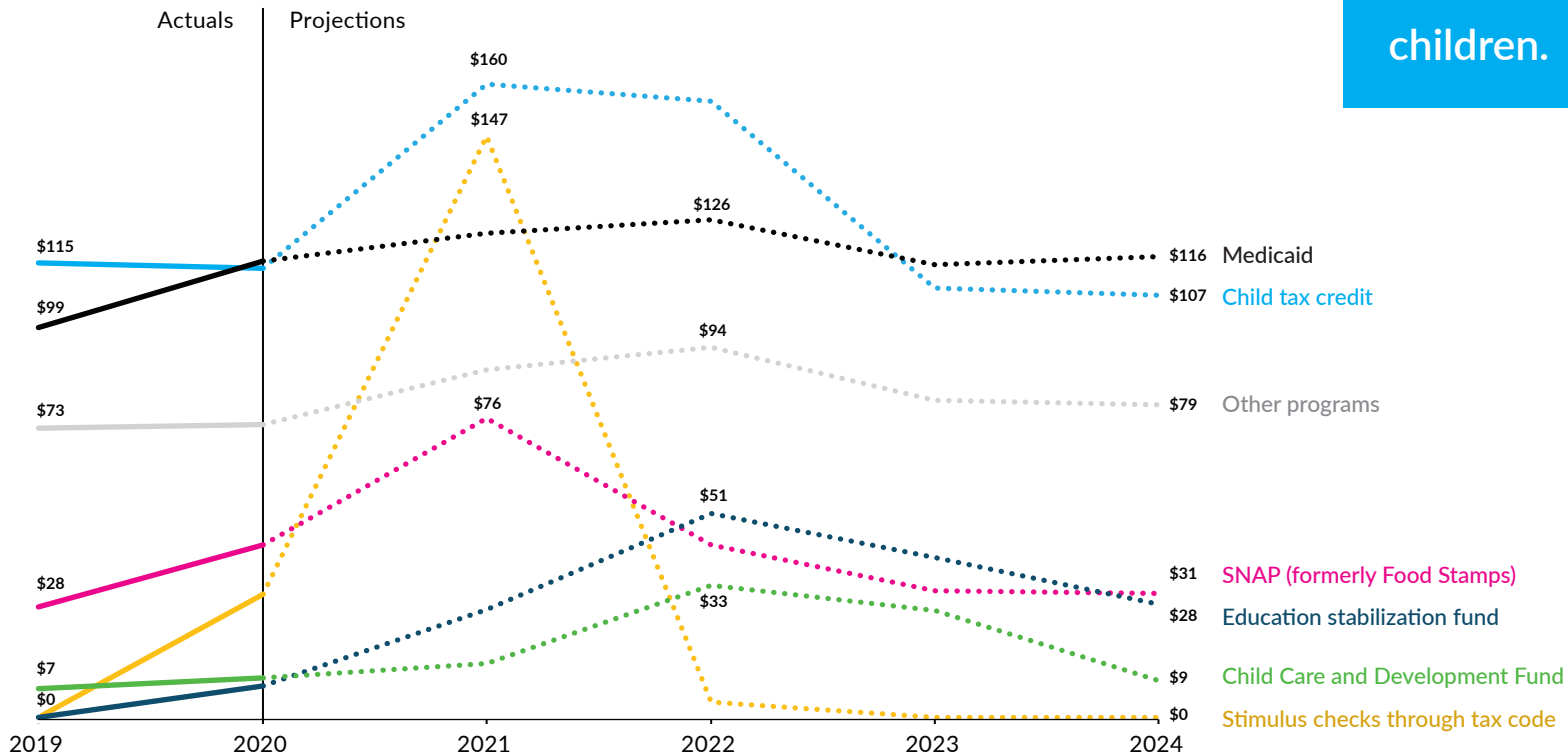
- **The substantial increase in the children's share of SNAP benefits, from \$28 billion in 2019 to \$76 billion in 2021**, generally reflects the increases in SNAP benefit amounts in COVID-19 relief legislation, rising caseloads because of increased economic need, and funding for the new Pandemic-EBT program, which provided Electronic Benefit Transfer (EBT) cards to families to replace meals usually provided at schools.
- As in prior recessions, **Congress increased the federal match rate on the federal-state Medicaid program**. As a condition of accepting the increased federal funds, states could not disenroll any children or adults who were in the program when the pandemic hit in March 2020.
- Federal expenditures on other programs supporting children also increased, including an expansion of the dependent care credit (which provides families with more tax support, including a refundable credit, for child care expenses during calendar year 2021), increased funding for school meals under the Child Nutrition program, enactment of an emergency rental assistance fund, increased funding for Head Start, and increases to more than a dozen other programs (listed in figure 3's notes).



FIGURE 3

Federal Expenditures on Children through Programs Receiving Pandemic Response Funding, 2019–24

Billions of 2020 dollars



Stimulus checks provided the largest increase in assistance to children.

Sources: Authors' estimates based primarily on Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2021 to 2031* (Washington, DC: Congressional Budget Office, 2021); Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2022* (Washington, DC: US Government Printing Office, 2021); and past years. For more source information, see the appendix.

Notes: Programs affected by pandemic stimulus legislation that spend less than \$30 billion in all years are combined under "other." Other programs include home visiting, immunization, child nutrition, Special Supplemental food (WIC), school improvement, Institute of Education Sciences, education for the handicapped/special education, Indian education, Head Start, Preschool Development Grants, emergency rental assistance, Section 8 low-income housing assistance, dependent care credit, premium tax credit, Community Services Block Grant, Unaccompanied Alien Children, independent living, and children and families services programs.

# CURRENT AND RECENT EXPENDITURES ON CHILDREN

In this section, we describe public expenditures on children in recent years, beginning with federal spending and tax programs and then adding in state and local spending programs.

Federal expenditures are reported through fiscal year 2020, the most recent year for which complete federal spending data are available. We also highlight projections for 2021, to capture the spending effects of the pandemic relief bills enacted in late 2020 and early 2021. The figure and table on federal expenditures address the following questions:

- How much did the federal government spend in 2020 on different programs and tax provisions benefiting children?
- How are federal expenditures on children changing over the 2019–21 period?

This discussion is followed by a more comprehensive examination of state and local spending. These numbers exclude state and local tax programs other than the earned income tax credit (EITC) because consistent tax data are not available across the 50 states. Examining spending from 2007 (before the Great Recession) to 2018 (the most recent year for which complete state and local spending data are available), we answer the following questions:

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



## How much did the federal government spend in 2020 on different programs and tax provisions benefiting children?

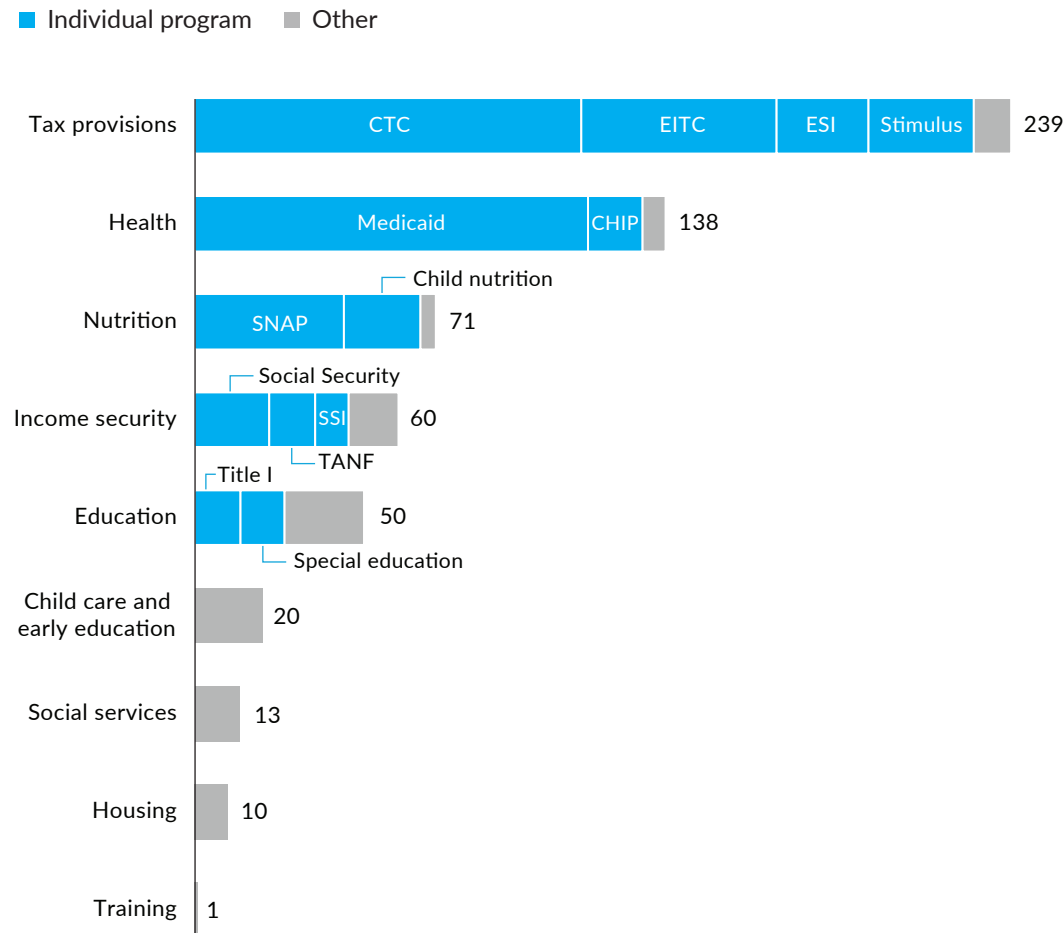
**Tax provisions and health programs were the two largest categories of federal expenditures on children in 2020. Relatively little was spent on the four smallest categories: child care and early education, social services, housing, and training.**

- **Tax provisions** benefiting children, counted together, far exceed any other major budget category. Expenditures on tax provisions totaled \$239 billion in 2020, or 40 percent of total expenditures on children. The CTC, with \$36 billion in refundable tax credits and \$77 billion in tax reductions, was the largest child-related tax provision, followed by the earned income tax credit (EITC), which provided \$51 billion to families with children in the form of tax refunds (cash outlays) and \$6 billion as reductions in tax liabilities to those otherwise owing individual income tax. Expenditures for the exclusion from income tax on employer-sponsored health insurance (ESI) for dependent children accounted for \$27 billion. New in 2020, pandemic-related stimulus checks administered through the tax code provided \$31 billion to families with children.
- **Health** was the second-largest expenditure category (\$138 billion) in 2020, representing 23 percent of total expenditures on children. Medicaid is the largest single program benefiting children and by far the largest source of health spending on children. We estimate that \$115 billion, or nearly one-quarter of all Medicaid funds, was spent on children in 2020. This estimate includes spending on people younger than age 19 with disabilities. We estimate that an additional \$16 billion was spent on the Children's Health Insurance Program (CHIP).
- Other large categories of spending included the following:
  - » **Nutrition** (\$71 billion), including \$44 billion on the children's share of **SNAP** benefits and \$23 billion on child nutrition programs such as the school lunch and breakfast programs.
  - » **Income security** (\$60 billion), including \$22 billion on **Social Security** survivors' and dependents' benefits directed toward people younger than age 18, \$13 billion on the children's share of Temporary Assistance for Needy Families (**TANF**), and \$10 billion on Supplemental Security Income (**SSI**) spending on children with disabilities.
  - » **Education** (\$50 billion), including \$16 billion on **Title I** funding to schools with high percentages of children from families with low incomes and \$13 billion on **special education** and related services as covered by the Individuals with Disabilities Education Act.
- Other categories are much smaller: **early education and care**, which includes Head Start and child care assistance, preschool development, special education, and other broad education programs (\$20 billion); child welfare and other **social services** (\$13 billion); **housing** assistance benefiting children (\$10 billion); and the youth components of job **training** programs (\$1 billion).

**FIGURE 4**

**Federal Expenditures on Children by Category and Major Programs, 2020**

Billions of 2020 dollars



Child-related tax provisions totaled \$239 billion in 2020.

**Sources:** Authors' estimates based primarily on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2022* (Washington, DC: US Government Printing Office, 2021), and past years. For more source information, see the appendix.

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

## How are federal expenditures on children changing over the 2019–21 period?

Spending on children increased between 2019 and 2020 and is expected to grow further in 2021.

Federal expenditures on children increased by nearly \$77 billion (15 percent) between fiscal years 2019 and 2020 as the pandemic began. Federal relief legislation and increased need are projected to contribute to an even larger increase of \$237 billion (39 percent) between fiscal years 2020 and 2021.

The 2019–20 increase was primarily driven by federal tax provisions, with \$31 billion of the increased spending coming from the pandemic-response stimulus checks, though spending on nutrition, health, child care, and education also increased considerably. The enormous increase in federal expenditures on children projected for 2021 is again driven by federal tax provisions, but also reflects large spending increases in housing, nutrition, and education.

- The largest increases in spending on children between 2019 and 2020, and projected for 2021, are in **tax programs**. Expenditures on the new pandemic-response stimulus checks were \$31 billion in 2020 and are projected to be \$147 billion in 2021. Changes to the CTC are also projected to increase the refundable portion of the CTC from \$38 billion in 2019 to \$69 billion in 2021 and tax reductions from \$77 billion to \$91 billion.
- **Health** spending had the second largest dollar increase between 2019 and 2020, growing from \$122 billion to \$138 billion. Medicaid spending increased by 17 percent, from \$99 billion in 2019 to \$115 billion in 2020, but this growth was slightly offset by a \$0.9 billion decrease on spending for CHIP. Looking ahead, health spending is projected to grow by a relatively modest 4 percent between 2020 and 2021, from \$138 billion to \$144

billion, with Medicaid spending increases again offset by decreases in spending on CHIP.

- **Nutrition** spending is projected to nearly double between 2019 and 2021, from \$55 billion to \$104 billion, with nearly the total increase occurring in SNAP. As a result of the program's response to increased need during the pandemic and legislation expanding benefits households could receive, SNAP spending is projected to increase from \$28 billion in 2019 to more than \$75 billion in 2021.
- **Federal spending on education** is projected to grow from \$43 billion in 2019 to \$69 billion in 2021. This increase is nearly entirely the result of new spending through the Education Stabilization Fund supporting K–12 education.
- **Child care and early education** spending is projected to grow from \$17 billion in 2019 to \$24 billion in 2021 as a result of substantial investments in the Child Care and Development Fund (CCDF). The CCDF is projected to increase from about \$7 billion in 2019 to nearly \$14 billion in 2021.
- **Housing** spending increased from \$9.2 billion in 2019 to \$9.8 billion in 2020 but is projected to increase to \$17 billion in 2021 as states spend federal relief funds for emergency rental assistance.
- **Income security, social services, and training** program spending changed only slightly between 2019 and 2020, with similar projections for 2021.

TABLE 1

Federal Expenditures on Children by Program  
in 2019, 2020, and 2021

Billions of 2020 dollars

	2019	2020	2021 (projected)
<b>1. Health</b>	<b>121.7</b>	<b>138.0</b>	<b>143.9</b>
Medicaid	98.6	115.4	122.5
CHIP	16.8	15.9	14.6
Vaccines for children	4.2	4.6	4.3
Other health	2.1	2.1	2.5
<b>2. Nutrition</b>	<b>54.8</b>	<b>70.8</b>	<b>104.3</b>
SNAP (formerly Food Stamps)	27.8	43.6	75.5
Child nutrition	22.3	22.6	24.0
Special Supplemental food (WIC)	4.8	4.5	4.7
<b>3. Income Security</b>	<b>58.8</b>	<b>59.7</b>	<b>58.1</b>
Social Security	21.8	22.0	21.4
Temporary Assistance for Needy Families	12.8	13.4	11.8
Veterans benefits	10.1	11.0	11.7
Supplemental Security Income	10.5	10.0	9.7
Child support enforcement (net)	3.6	3.4	3.5
Other income security	*	*	*
<b>4. Education</b>	<b>42.7</b>	<b>49.5</b>	<b>69.0</b>
Education for the Disadvantaged (Title I, Part A)	16.4	15.9	15.5
Special education/IDEA	13.3	12.9	13.3
Education Stabilization Fund	--	7.9	27.2
School improvement	4.8	4.7	4.6
Impact Aid	1.4	1.5	1.5
Indian education	1.3	1.5	1.5
Dependents' schools abroad	1.3	1.2	1.2
Innovation and improvement	1.0	0.9	0.9
Other education	3.2	3.0	3.3
<b>5. Child Care and Early Education</b>	<b>17.1</b>	<b>19.8</b>	<b>24.2</b>
Child Care and Development Fund	7.2	10.0	13.6
Head Start (including Early Head Start)	9.7	9.5	10.3
Other child care and early education	0.3	0.3	0.3
<b>6. Social Services</b>	<b>13.6</b>	<b>13.3</b>	<b>15.3</b>
Foster care	5.2	5.1	5.6
Adoption assistance	3.0	3.3	3.3
Unaccompanied Alien Children	2.1	1.5	2.8
Social Services Block Grant	1.0	1.0	1.0
Other social services	2.2	2.3	2.7
<b>7. Housing</b>	<b>9.2</b>	<b>9.8</b>	<b>16.9</b>
Section 8 low-income housing assistance	7.5	8.0	8.3
Low-rent public housing	1.0	1.0	0.8
Emergency rental assistance	--	--	7.0
Other housing	0.8	0.8	0.8
<b>8. Training</b>	<b>0.9</b>	<b>1.0</b>	<b>1.0</b>
<b>9. Refundable Portions of Tax Credits</b>	<b>89.7</b>	<b>120.4</b>	<b>265.4</b>
Earned income tax credit	50.5	51.0	49.4
Child tax credit	37.6	36.1	68.7
Premium tax credit	0.7	1.6	1.6
Pandemic response stimulus checks	--	30.9	144.9
Other refundable tax credits	0.9	0.9	0.8
<b>10. Tax Reductions</b>	<b>115.6</b>	<b>119.0</b>	<b>140.3</b>
Child tax credit (nonrefundable portion)	77.4	77.4	91.4
Pandemic response stimulus checks (nonrefundable portion)	--	--	2.0
Exclusion for employer-sponsored health insurance	23.6	26.7	29.8
Earned income tax credit (nonrefundable portion)	6.1	6.3	6.4
Dependent care credit	3.4	3.5	5.5
Other tax reductions	5.0	5.1	5.2
<b>TOTAL EXPENDITURES ON CHILDREN</b>	<b>524.0</b>	<b>601.2</b>	<b>838.3</b>
<b>OUTLAYS SUBTOTAL (1-9)</b>	<b>408.5</b>	<b>482.2</b>	<b>698.0</b>

**Table 1 Sources and Notes**

**Sources:** Authors' estimates based primarily on Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2021 to 2031* (Washington, DC: Congressional Budget Office, 2021); Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2022* (Washington, DC: US Government Printing Office, 2021); and past years. For more source information, see the appendix.

**Notes:** Because this analysis shows outlays, rather than appropriated or authorized levels, and because the dollars are adjusted for inflation, these estimates may differ from other published estimates. Individual programs are shown only when expenditures on children are \$1 billion or greater in 2019, 2020, or 2021. Expenditures on smaller programs are not shown separately but are included under the "other" entry for each category and in the 10 budget category subtotals. Numbers may not sum to totals because of rounding.

\* Less than \$50 million. -- = program did not exist.

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

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

**Other income security** includes Railroad Retirement.

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

**Other child care and early education** includes Preschool Development Grants.

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

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

**Training** includes Workplace Innovation and Opportunity Act (WIOA) Youth Formula grants, Job Corps, Youth Offender grants, and YouthBuild grants.

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

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





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

In 2018, public spending per child totaled about \$15,093, including more than \$5,100 in federal outlays and nearly \$9,990 in state and local spending. (These estimates exclude federal tax reductions—valued at approximately \$1,400 per child. These were excluded to improve the comparability of our federal estimates with our state and local estimates.)<sup>8</sup> The relationship between federal and state and local spending during and following the last recession informs us about the shifts that may occur in response to the COVID-19 pandemic.

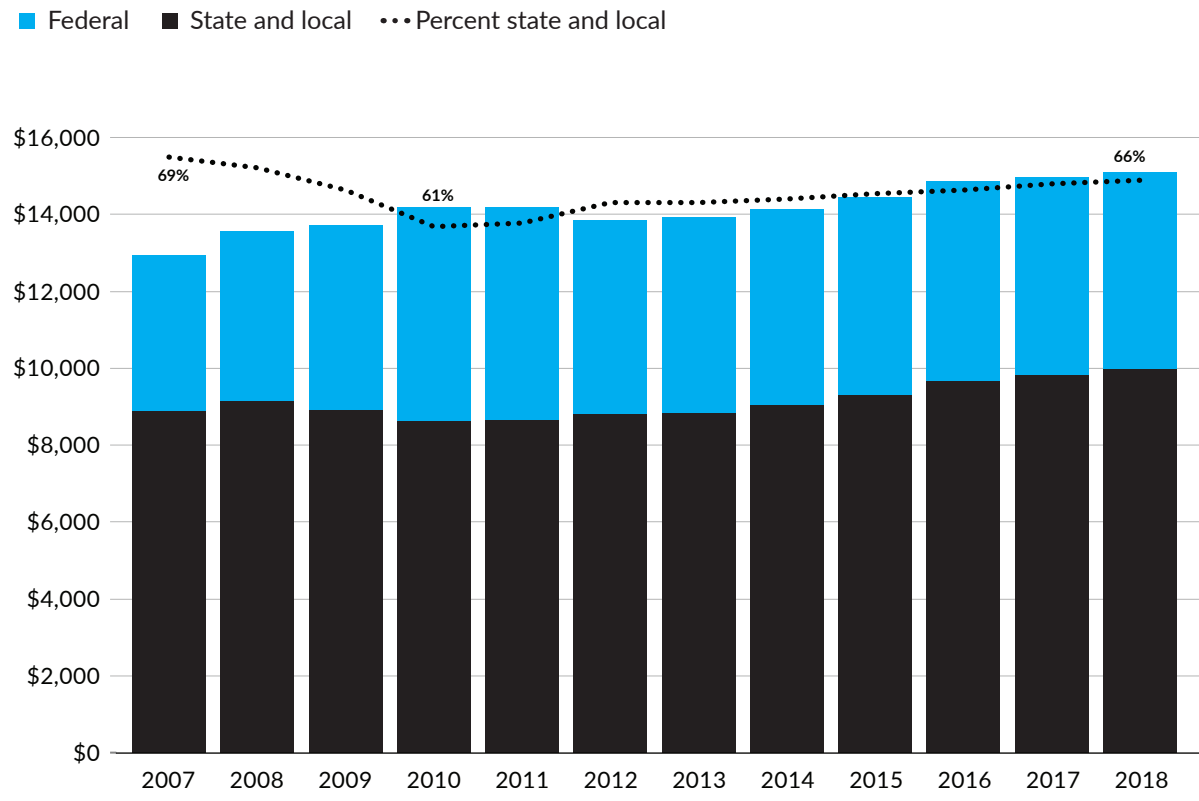
- State and local spending on children was 66 percent of total public spending in 2018.
- State and local spending on children fell in 2009–11, as states struggled to balance budgets during a time of recession and falling revenues, but these declines were offset by increased federal spending to support state and local governments, help families facing poverty and unemployment, and stimulate the economy. The federal increases were large enough to boost **total spending per child** during that time. In 2012, total public spending per child fell as sharp reductions in federal funding were only partly offset by a small increase in state and local spending.

- Evidence exists that state and local spending fell again in 2020 as most states experienced at least temporary budget shortfalls during the pandemic-related recession.<sup>9</sup> However, total spending patterns may differ from the previous recession based on how federal, state, and local governments respond both to the economic impacts of the pandemic and the unprecedented level of total federal spending that boosted household incomes (Hahn et al. 2021). We will analyze state and local spending on children in 2019 and beyond as data become available.

<sup>8</sup>The federal estimates include program spending and the refundable portions of the EITC and CTC. The state estimates include program spending and spending related to any state EITCs.

<sup>9</sup>"How the COVID-19 Pandemic Is Transforming State Budgets," State and Local Finance Initiative, Urban Institute, last updated October 1, 2021, <https://www.urban.org/policy-centers/cross-center-initiatives/state-and-local-finance-initiative/projects/state-fiscal-pages-covid-edition>.

**FIGURE 5**  
 Public Spending per Child by Level of Government, 2007–18  
 2020 dollars



State and local governments contribute twice as much as the federal government to total public spending on children.

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

**Note:** These estimates do not include tax reductions.

## How does spending on children differ across levels of government?

**State and local government spending on children is predominantly for public education, while the federal government spends more on tax credits, income security, nutrition, and other areas. Both levels of government spend substantial amounts on health programs.**

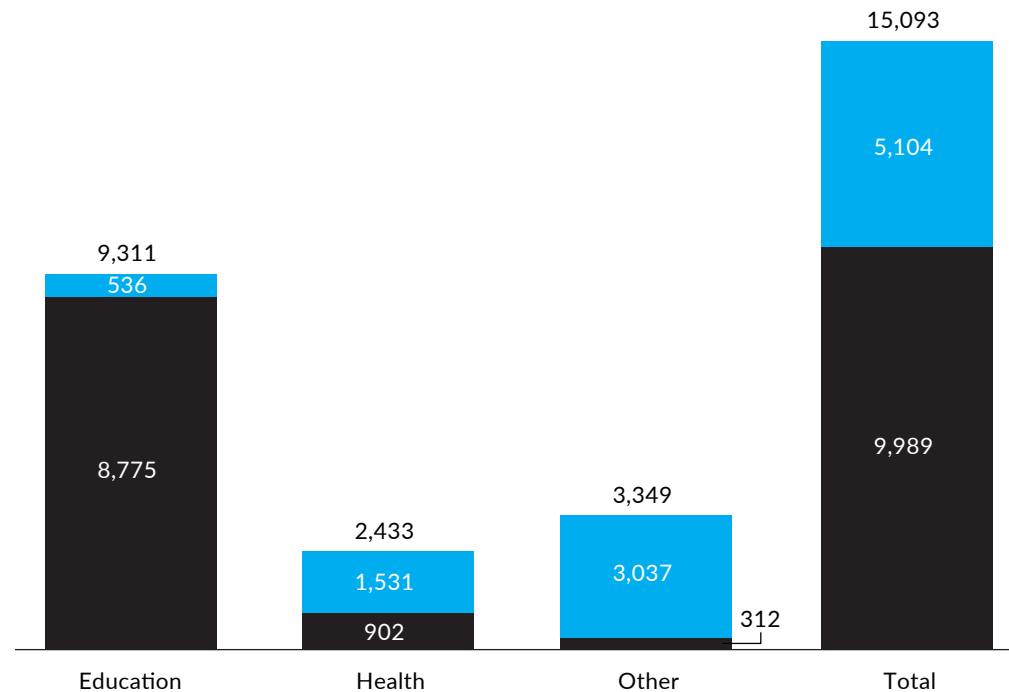
- State and local spending is dominated by spending on public **education**, the largest form of public investment in children when looking across all levels of government. The federal government contributes only 6 cents of each education dollar. Analyses of spending by age show state and local governments spend much less on infants, toddlers, and preschool children than on school-age children. This results in lower total (federal plus state) public investments per capita in younger children than in school-age children (Isaacs et al. 2019).
- State and local governments also contribute significantly to **health** spending on children, though not as much as the federal government, which accounts for 63 percent of public expenditures on children's health.
- Though states and localities make important contributions to other budget items for children, such as income security, tax credits, child care, foster care, and social services, these investments are small relative to federal spending. States and localities spend little on nutrition, housing, or training. The federal government contributes 91 percent of all noneducation, nonhealth spending on children.

FIGURE 6

## Public Spending per Child by Category and Level of Government, 2018

2020 dollars

■ Federal ■ State and local



Public education  
drives state and local  
spending on children.

**Sources:** Authors' estimates based on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2020* (Washington, DC: US Government Printing Office, 2019) as well as various other sources. For more source information, see the appendix.

**Note:** These estimates do not include tax reductions.

# BROAD TRENDS IN FEDERAL SPENDING

This section analyzes broad trends in spending on children—both past and future—in the context of the entire federal budget. Unless otherwise noted, here we primarily focus on budget outlays, setting aside tax reductions.

The first four figures address the following questions:

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

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

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

For future trends, our estimates rely heavily on the Congressional Budget Office's (CBO's) baseline projections assuming continuation of the tax and spending laws in place as of May 2021, supplemented by other sources, and our own estimates of the shares of individual programs allocated to children (see appendix). The CBO's baseline generally assumes no change in tax and spending laws since May 2021.



PEAR

STRAW

## What share of the federal budget is spent on children?

In 2020, 7 percent of federal outlays (or \$482 billion of \$6.6 trillion in outlays) were spent on children. Though absolute spending on children increased from 2019, the share of the federal budget spent on children, as well as most other major budget priorities, fell as spending in direct response to the COVID-19 pandemic swelled.

- The largest share of federal spending in 2020 (43 percent) fell outside the specific budget categories *Kids' Share* typically tracks (children; defense; interest on the debt; Medicare, and Medicaid; Social Security), as pandemic-response spending was focused on providing financial support for individuals, families, businesses, and states and localities.
- One-third of the budget (33 percent) was spent on retirement and health benefits for adults through **Social Security, Medicare, and Medicaid, much smaller than the 45 percent share in 2019**. Most of these adults are seniors or disabled, but Medicaid also provides health insurance to several other groups of adults, including pregnant women, parents, and childless adults (in some states) with low incomes. (The Social Security and Medicaid estimates here exclude spending on children to avoid double counting.)

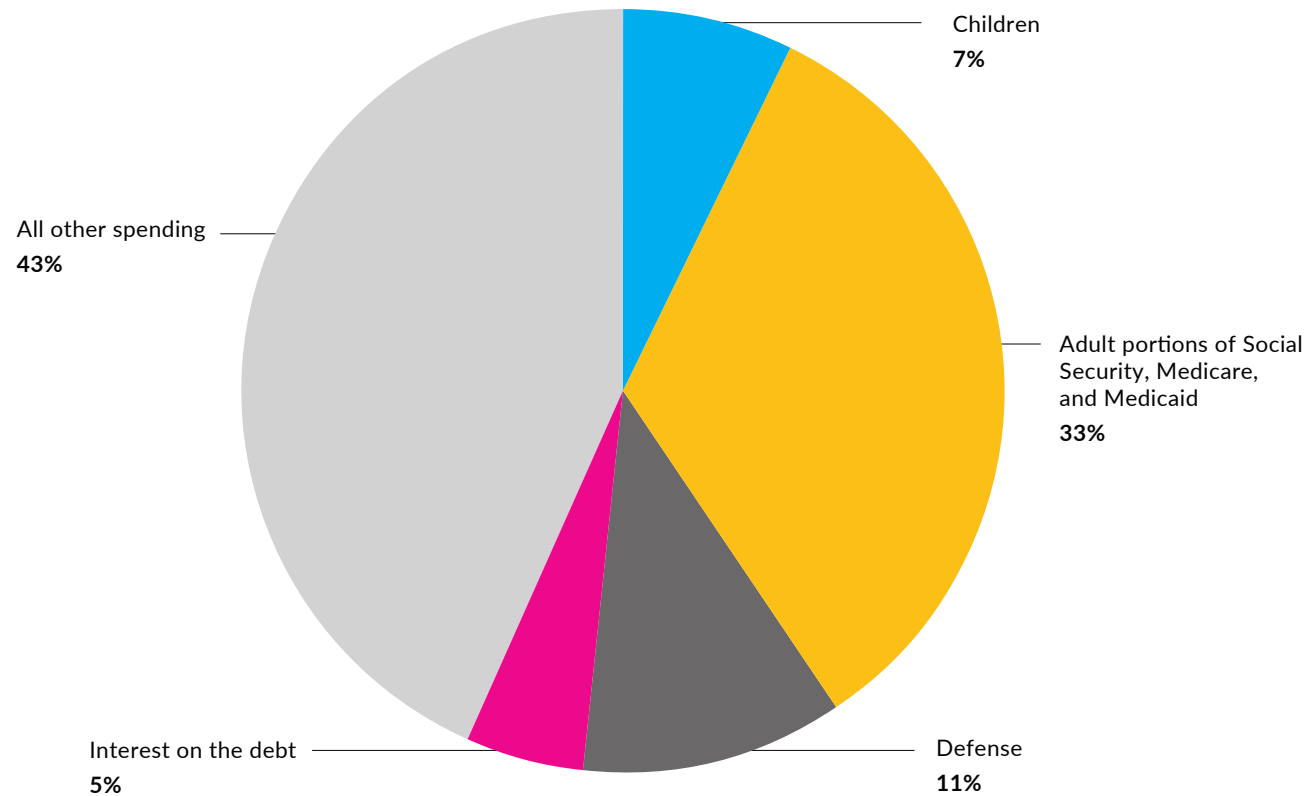
- The remaining shares of the budget include 11 percent on **defense** and 5 percent on **interest payments on the debt**.
- Child-related **tax reductions** (totaling \$119 billion in 2020) represent approximately 9 percent of the \$1.3 trillion in individual and corporate tax reductions identified by the Office of Management and Budget (data not shown).<sup>10</sup> The children's share of tax reductions has fluctuated between 7 and 9 percent over the past decade.

<sup>10</sup> To calculate the total tax-expenditure budget, we sum Office of Management and Budget estimates of tax provisions for individuals and corporations, although such provisions are not strictly additive because of interaction effects. We include the dependent exemption, available before 2018, in our analyses of expenditures on children, though the Office of Management and Budget views it as part of the overall tax structure rather than a special tax provision.



FIGURE 7

## Share of Federal Budget Outlays Spent on Children and Other Items, 2020



Seven percent of federal budget outlays were spent on children in 2020.

**Source:** Authors' estimates based primarily on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2022* (Washington, DC: US Government Printing Office, 2021). For more source information, see the appendix.

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

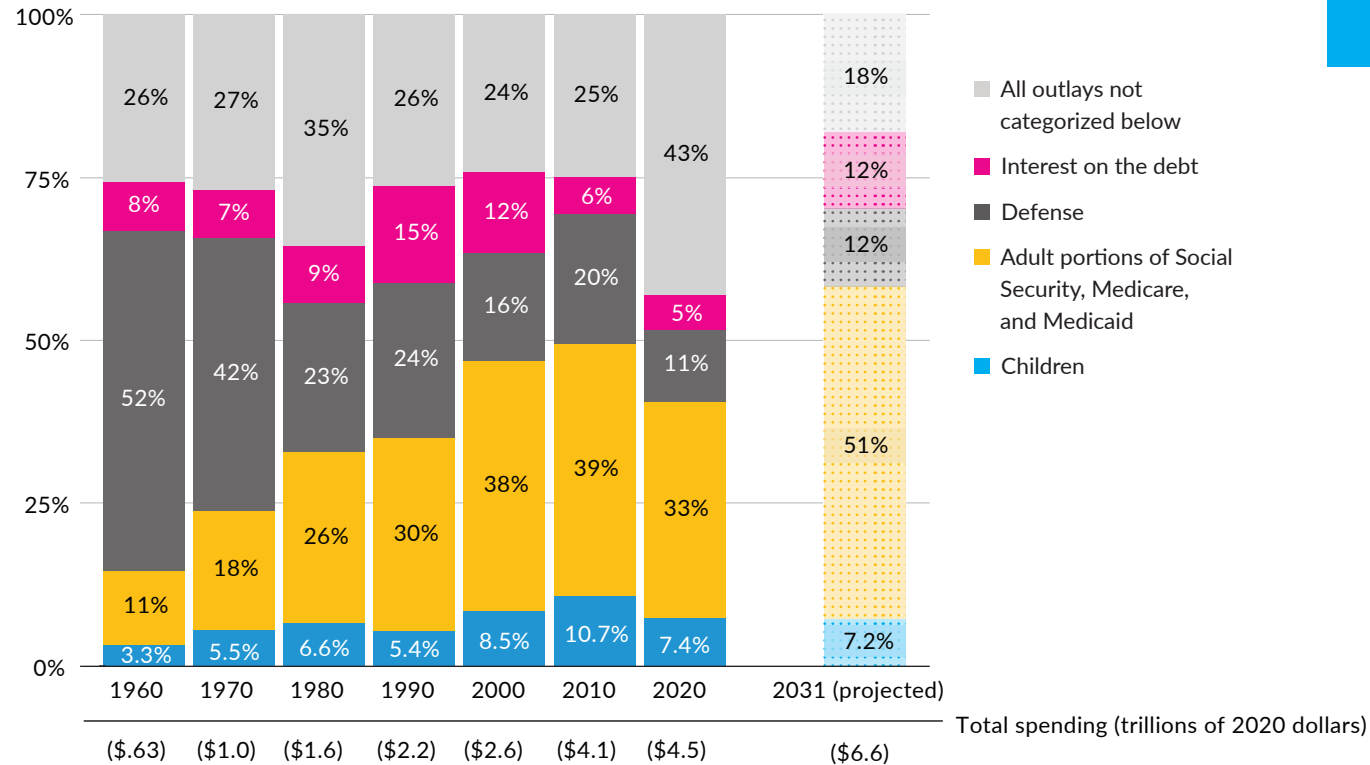
## How is the children's share of the federal budget changing over time?

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

- In 1960, only 3.3 percent of federal outlays were spent on children. The children's share of the budget grew in fits and starts, reaching a peak of 10.7 percent in 2010 during the Great Recession. Despite increases in the absolute dollars spent on children in 2020, as a share of total federal spending it fell to 7.4 percent, the lowest it has been since its recession-era peak, because of large increases in federal spending on other priorities. The children's share of the budget is projected to further decline slightly to 7.2 percent in 2031, under laws in place as of May 2021. Although this represents a 3 percent decline in spending, the share of the population younger than age 19 is estimated to contract by 4 percent, from 23 percent of the total US population to 22 percent.
- In response to the pandemic, the share of the federal budget going to unspecified categories increased sharply in 2020, along with the amount of federal spending overall. The share of the budget spent on **other governmental functions** increased to 43 percent, the highest it has been since 1960. These pandemic-related increases drive decreases in the shares of funding for all other categories in 2020. However, by 2031, temporary pandemic-response spending is expected to have wound down, and spending on the unspecified categories is projected to decline to only 18 percent of the federal budget.
- In 2020, **Social Security, Medicare, and Medicaid** spending on adults decreased as a share of the federal budget for the first time since 1990, as a result of pandemic-driven spending in other areas. By 2031, 51 percent of the federal budget is predicted to be spent on the adult portions of Social Security, Medicare, and Medicaid, continuing the long-term trend from prepandemic years of an increasing share of federal spending on these priorities. This growth stems from multiple factors, including projected growth in real health and Social Security benefits per person under current law, additional years of benefits as people live longer, and the movement of baby boomers into the retiree population at a faster rate than new, younger workers enter the labor force because of lower birth rates. From 2020 to 2031, the share of the population ages 65 and older is expected to increase from 17 to 21 percent.
- The share of the budget spent on **defense** fell dramatically between 1960 and 2000, essentially financing a substantial expansion of domestic programs without any significant increase in average tax rates. After two decades of growth, the share of federal spending on defense shrunk significantly to only 11 percent of the federal budget in 2020 and is projected to stay roughly the same over the next decade, increasing slightly to 12 percent in 2031 but remaining lower than prepandemic years.
- **Interest payments** on the debt have fluctuated over the past half-century. Under laws in place as of May 2021, they are projected to grow as a share of the budget, from 5 percent in 2020 to 12 percent by 2031, reflecting a higher national debt and rising interest rates.

**FIGURE 8**

Share of Federal Budget Outlays Spent on Children and Other Items, Selected Years, 1960–2031



In 2020, the children’s share of the budget fell to 7.4 percent.

**Sources:** Authors’ estimates based primarily on Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2021 to 2031* (Washington, DC: Congressional Budget Office, 2021); Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2022* (Washington, DC: US Government Printing Office, 2021); and past years. For more source information, see the appendix.

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

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

In recent years, federal outlays (spending excluding tax subsidies, other than the refundable portions) represented about one-fifth of the total economy, or GDP; federal spending on children represented around 2 percent. In 2020, measures to combat the pandemic and economic downturn led federal spending to reach a post-World War II high of more than 30 percent of GDP, while spending on children increased more modestly to 2.3 percent of GDP. Measuring spending as a share of the economy is useful when examining long-term trends because this measure adjusts for growth in population and overall income as well as inflation.

- Between 1960 and 2019, federal outlays grew substantially in real terms (from \$629 billion to \$4.5 trillion) but only modestly as a share of the economy (from 17 to 21 percent of GDP). Total outlays increased dramatically during the pandemic to \$6.5 trillion in 2020 and are projected to reach \$6.7 trillion in 2021, while remaining flat as a share of the economy (31 percent). Under laws in place as of May 2021, federal spending is expected to fall back toward prepandemic levels in 2022 and 2023, followed by a period of steady growth over the rest of the decade (reaching \$6.2 trillion or 23 percent of GDP in 2031).
- Spending on children grew from a very small base of about 0.6 percent of GDP in 1960 to 1.9 percent in 2019, down from a peak of 2.5 percent in 2010 during the Great Recession.<sup>11</sup> The decline observed over the past decade is generally consistent with estimates in earlier *Kids' Share* reports, which highlighted the budgetary squeeze

affecting spending on children.<sup>12</sup> In 2020, spending on children increased to 2.3 percent of GDP as part of a broader federal response to the pandemic. Under current law, children's spending is expected to reach a new high in 2021 (3.2 percent) as pandemic-response funding rolls out before a moderate decline to 1.7 percent in 2031 reflecting these budgetary pressures.

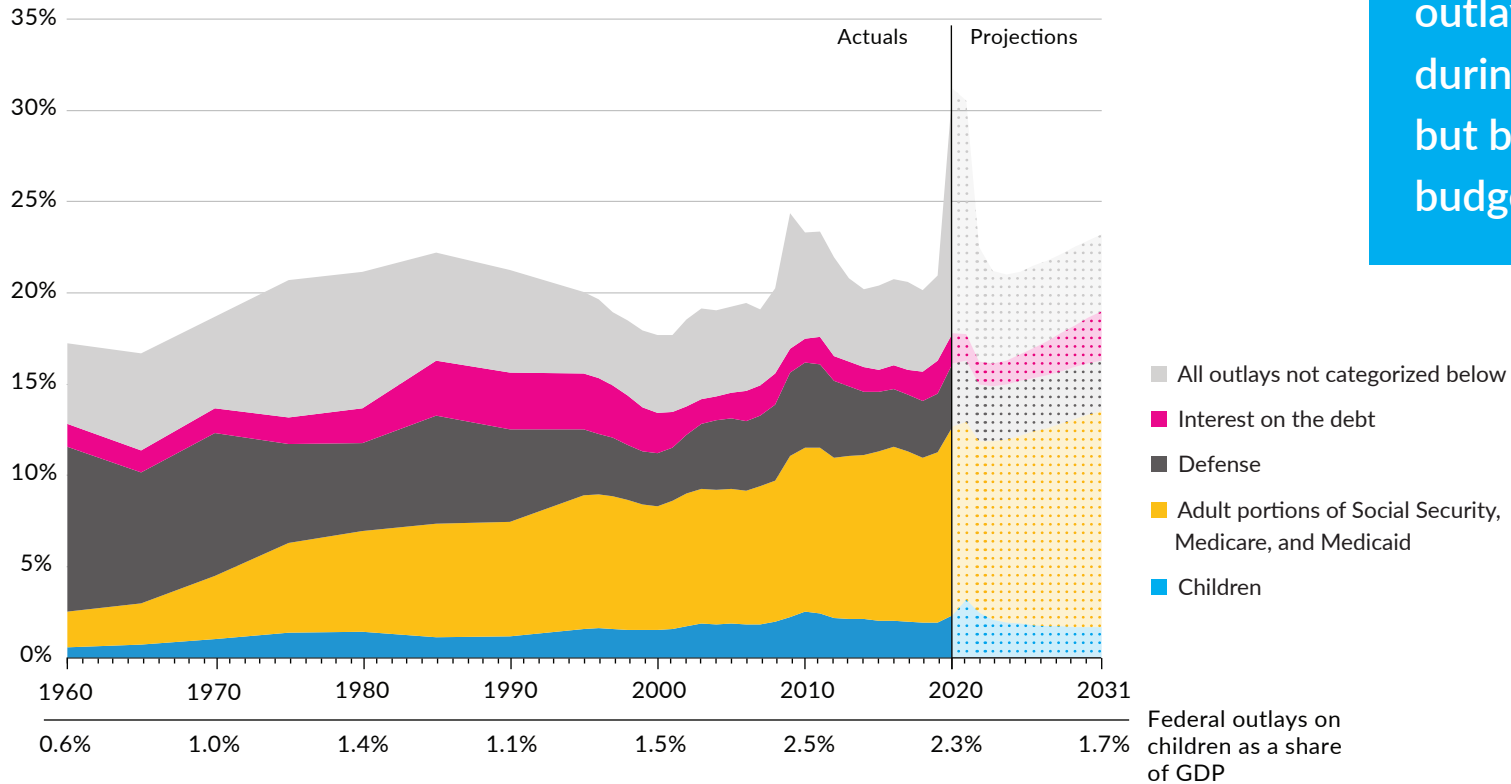
- Spending on Social Security, Medicare, and Medicaid has steadily increased over the past 60 years. Excluding spending on children (to avoid double counting), this spending grew from 2.0 percent of GDP in 1960 to 10.4 percent in 2020. Spending on these health and retirement programs is projected to increase further to 11.9 percent of GDP by 2031. Spending on these entitlement programs is built into existing law and will continue absent changes that significantly reform the programs.
- Spending on defense fell substantially, from 9 percent of GDP in 1960 to 2.9 percent in 2000. It has risen somewhat since then, reaching 3.5 percent of GDP in 2020 but under current law is projected to eventually decline to 2.8 percent in 2031.
- Spending for interest payments on the national debt has ranged between 1 and 3 percent of GDP historically and is projected to increase from 1.6 percent in 2020 to 2.7 percent in 2031.

<sup>11</sup> Tax reductions on children are not shown in these budget estimates. Including them would put total expenditures on children at 2.54 percent of GDP in 2018-19.

<sup>12</sup> *Kids' Share* 2010, for example, projected that declining budget outlays on children would be 1.9 percent of GDP in 2019, absent changes to current law (Isaacs et al. 2010). Despite numerous legislative changes, some of which increased spending on children, the decline projected in earlier reports was later observed.

**FIGURE 9**

Federal Outlays on Children and Other Major Budget Items as a Share of GDP, 1960–2031



As a share of the economy, federal outlays on children grew during the pandemic but by less than other budget priorities.

**Sources:** Authors' estimates based primarily on Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2021 to 2031* (Washington, DC: Congressional Budget Office, 2021); Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2022* (Washington, DC: US Government Printing Office, 2021); and past years. For more source information, see the appendix.

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

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

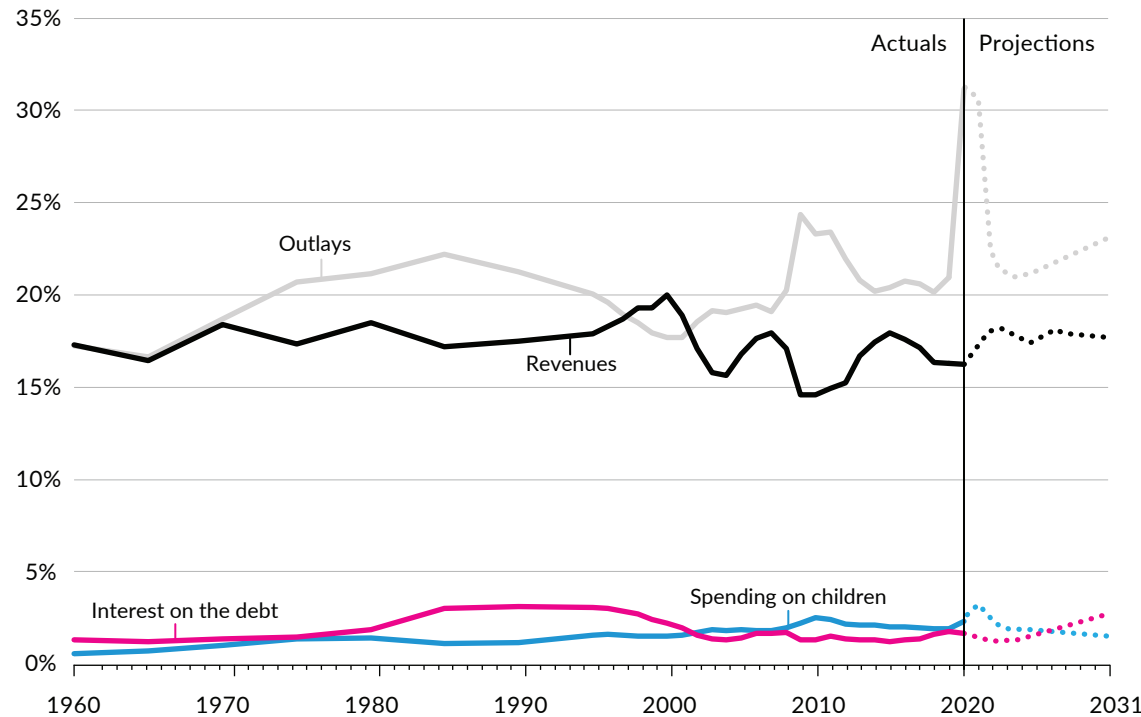
Since 1970, federal outlays have exceeded revenues, except for a brief period around 2000, resulting in budget deficits and a growing national debt.

Despite the growing national debt, declining interest rates over the past 40 years have kept interest costs for that debt relatively modest. However, expectations of increases in both interest rates and the national debt contribute to projections that interest payments on the debt will exceed federal spending on children in coming years.

- **Federal outlays** were already projected to grow more rapidly than the economy before the pandemic. Provisions to aid the economy and people during the pandemic have driven spending even higher in 2020 and 2021, while the long-term growth in federal outlays that had been expected is still projected under current law to occur later in the decade.
- **Revenues** are also projected to increase over the next 10 years while remaining well below outlays, as they have since 2001, falling even further relative to outlays in the coming years.
- As spending has exceeded revenues nearly every year, the federal debt has risen to its highest level relative to the economy since just after World War II and is projected to reach an all-time high by 2031. With an increasing national debt and an end to a long period of decline in interest rates, **interest payments** are projected to increase from 1.6 percent to 2.7 percent of GDP (and more than double in real dollars) over the next decade.
- In sharp contrast to the growth in total federal outlays, **spending on children** relative to the economy had been falling before the pandemic. While pandemic-response measures boosted spending in 2020 and 2021, children's spending is expected to decline again and fall below spending on interest payments on the debt by 2026.

**FIGURE 10**

Federal Outlays, Revenues, Spending on Children, and Interest Payments as a Share of GDP, 1960–2031



The federal government spends nearly as much on interest payments on the debt as on children.

**Sources:** Authors' estimates based primarily on Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2021 to 2031* (Washington, DC: Congressional Budget Office, 2021); Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2022* (Washington, DC: US Government Printing Office, 2021); and past years. For more source information, see the appendix.

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

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

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

- The **federal government** spent slightly less than \$6 per older adult for every \$1 spent per child in 2018. The ratio in per capita spending drops to 2:1 when adding state and local spending, which is heavily slanted toward public schools.
- Health care expenses are a significant portion of public expenditures on older adults. Yet even when excluding health spending, per capita spending on older adults remains considerably higher than per capita spending on children because of large retirement and disability program expenditures (data not shown).
- Federal spending on **older adults** between 1960 and 2020 increased by about \$29,500 per older adult, from about \$4,500 to almost \$34,000, after adjusting for inflation. These increases have been driven by the establishment of Medicare and Medicaid and enactment of the Older Americans Act in 1965; legislated increases in Social Security, Medicare, and Medicaid benefits; real growth in annual Social Security benefits; and real increases in health care costs. Federal spending in 2020 also reflects the more than \$60 billion in stimulus check payments that went to older adults.

- Over this same period, federal spending on **children** rose by about \$6,000 per capita, from about \$300 to nearly \$6,300.
- Spending on both children and older adults, bolstered by pandemic-related spending, reached a new peak in 2020, exceeding the previous peak in 2010 related to the Great Recession.

<sup>13</sup> Data in figure 9 are for 2018, the most recent year for state and local data. The federal spending ratio was more than 5:1 in 2020.

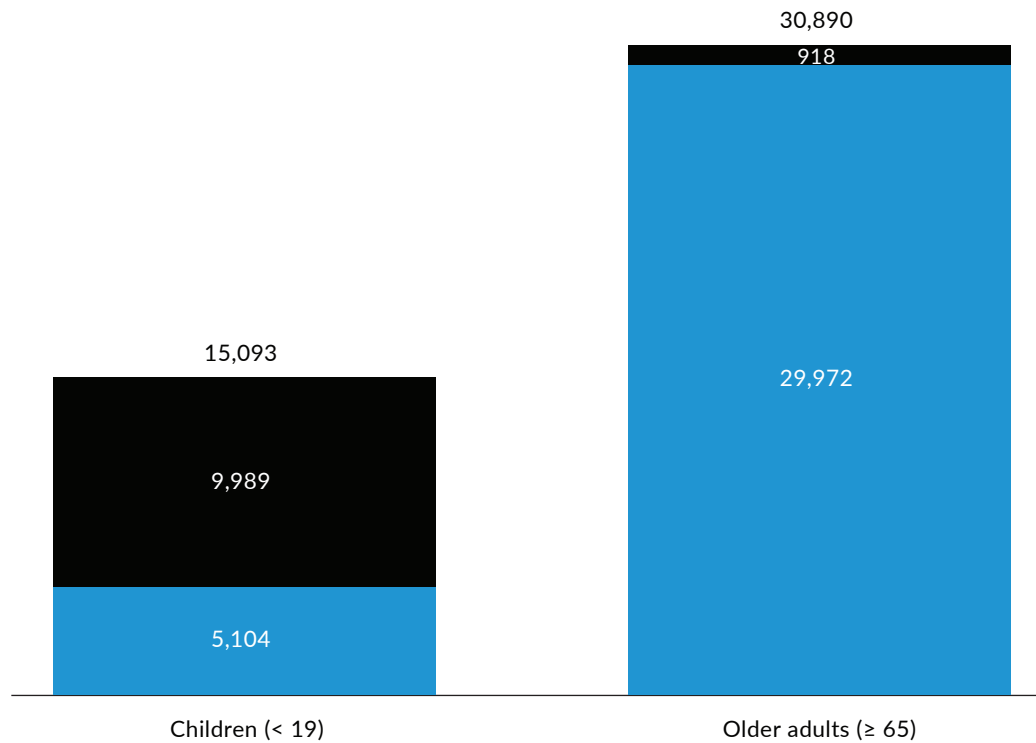
<sup>14</sup> Each generation (or cohort) of social security beneficiaries is scheduled to receive benefits that rise relative to the previous generations' benefits in line with wage growth in the overall economy.



FIGURE 11

Per Capita Federal, State, and Local Spending on Children and Older Adults, 2018  
2020 dollars

■ State and local ■ Federal



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

Sources: Authors' estimates based on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2020* (Washington, DC: US Government Printing Office, 2019) as well as various other sources. For more source information, see the appendix.

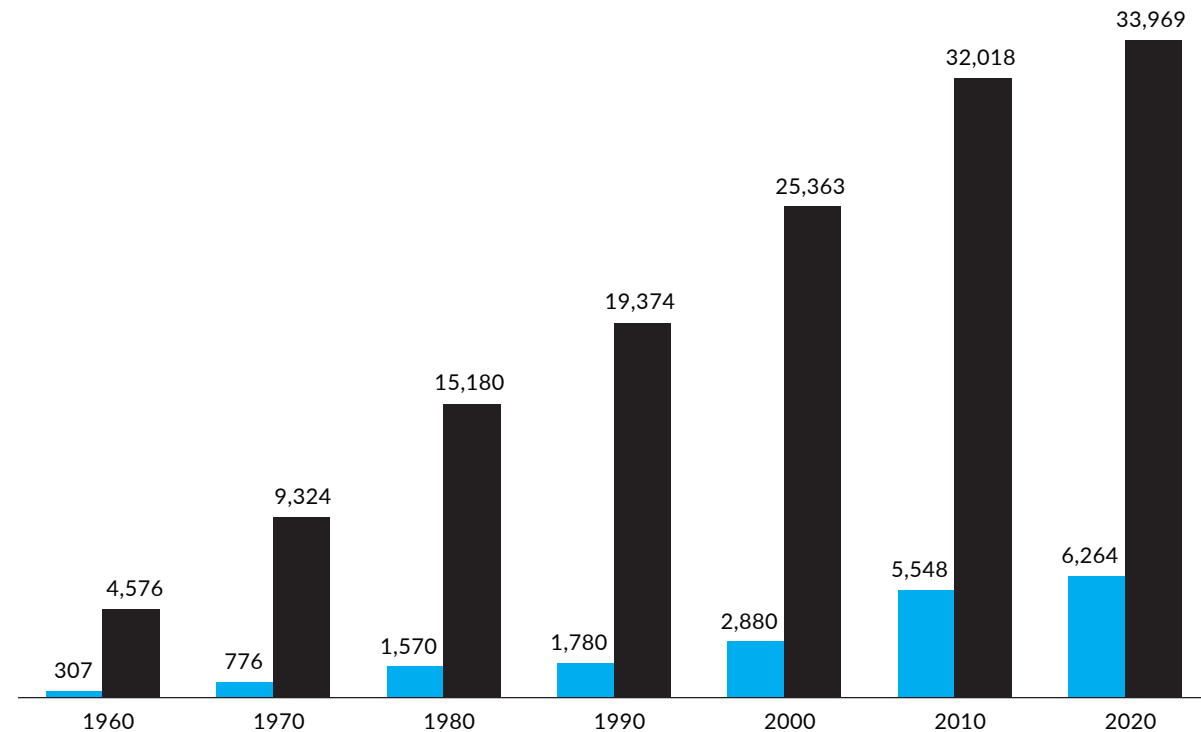
Federal spending on older adults increased from \$4,500 to almost \$34,000 per capita between 1960 and 2020.

FIGURE 12

Per Capita Federal Spending on Children and Older Adults, Selected Years, 1960–2020

2020 dollars

■ Children (&lt; 19) ■ Older adults (≥ 65)



**Sources:** Authors' estimates based primarily on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2022* (Washington, DC: US Government Printing Office, 2021), and past years. For more source information, see the appendix.



# A CLOSER LOOK AT TRENDS IN FEDERAL EXPENDITURES ON CHILDREN

This final section looks closely at trends in federal expenditures on children, including budget outlays and tax reductions. Three figures and one table look at historical trends (1960–2020), addressing four questions:

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

One final figure and one table offer a more detailed look at projected as well as historical spending on children, addressing the following question:

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



## How have federal expenditures on children changed since 1960?

Spending on children has generally increased as a share of GDP since 1960. Most of the growth has resulted from the introduction of new programs and tax provisions, rather than from programs that grow automatically with inflation or by other means.

- **Program outlays** increased as a share of GDP in the 1960s and 1970s with the introduction of new programs such as food stamps, Medicaid, Title I Education for the Disadvantaged, Head Start, SSI, Section-8 housing assistance, and special education. Spending on programs rose to around 2 percent of GDP with increased federal stimulus spending during the Great Recession. In recent years, program outlays on children have come down from their recession-era high and stabilized at an average level of about 1.5 percent of GDP. However, 2020 saw a significant increase resulting from pandemic-related legislation, though not yet as high as during the recession when measured as a percentage of GDP.
- Since the late 1980s, **tax reductions and refundable credits** have played a growing role in providing federal support for children. Over the past decades, both the EITC and CTC have gone through several legislative expansions. Most recently, the CTC was expanded

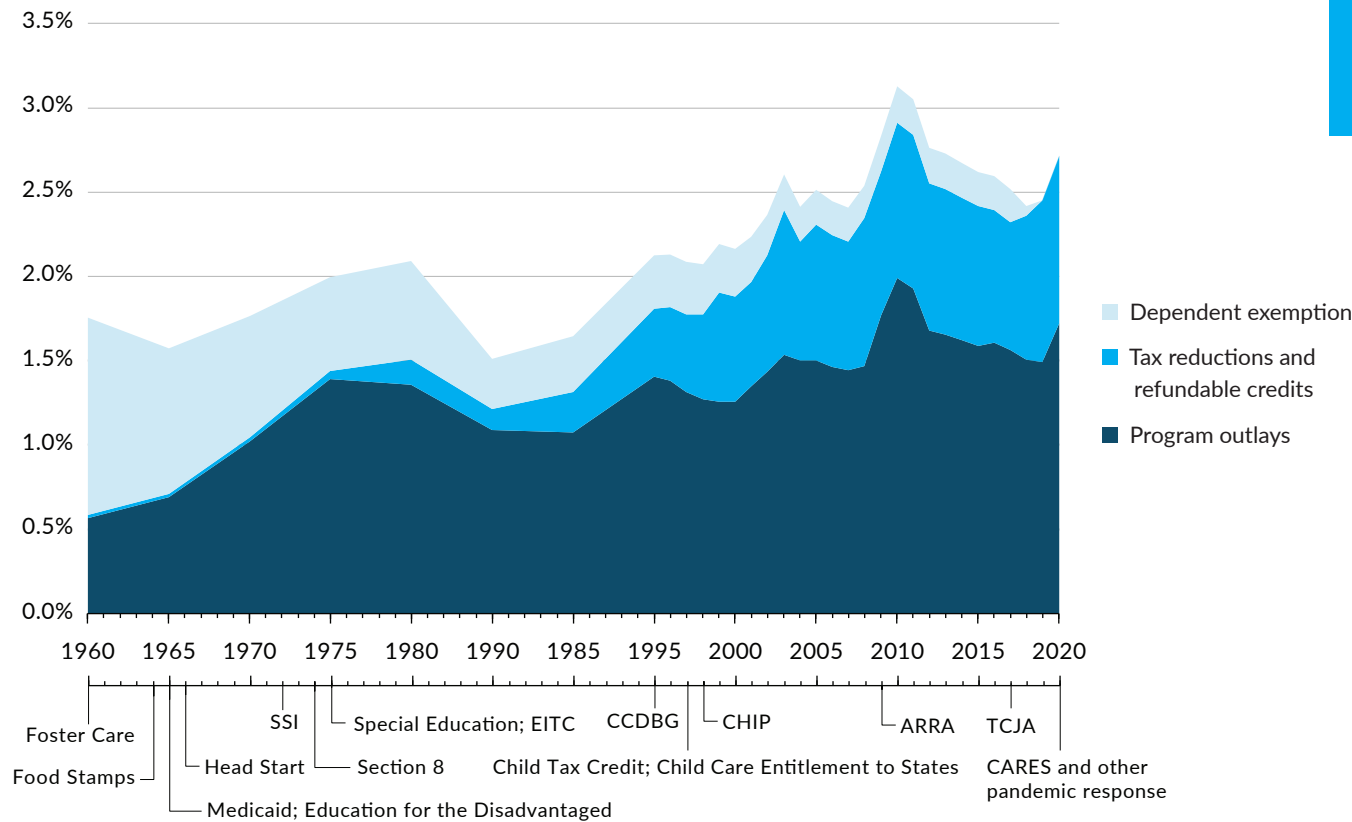
under a 2017 law and in 2020 through the temporary (one-year) increase in the CTC, paid as a monthly benefit. Tax reductions and refundable credits were particularly high in 2020 because of the CTC and stimulus checks administered through the tax code.

- The exception is the **dependent exemption**, which provided more than half of all support for children in 1960 and declined to zero in 2019. If the individual income tax provisions of the 2017 tax law expire as scheduled, the dependent exemption will return after 2025, albeit at a level much lower than in earlier decades.

**FIGURE 13**

**Components of Federal Expenditures on Children, 1960–2020**

Percentage of GDP



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

**Sources:** Authors' estimates based primarily on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2022* (Washington, DC: US Government Printing Office, 2021), and past years. For more source information, see the appendix.

**Note:** ARRA = American Recovery and Reinvestment Act; CARES = Coronavirus Aid, Relief, and Economic Security Act; CCDBG = Child Care and Development Block Grant; CHIP = Children's Health Insurance Program; EITC = earned income tax credit; SSI = Supplemental Security Income; TCJA = Tax Cuts and Jobs Act.

## How have expenditures by program and category changed over time?

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

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

- In 1960, spending on children was concentrated almost entirely in **tax reductions** (the dependent exemption), **income security** (Social Security, Aid to Families with Dependent Children,<sup>15</sup> and veterans benefits), **education** (Impact Aid), and **nutrition** (child nutrition programs, specifically school lunch).
- **Health** spending on children has risen dramatically, from \$0.2 billion in 1960 to \$138 billion in 2020, driven by the introduction and expansion of Medicaid and CHIP.
- **Nutrition** spending has grown from \$1.6 billion in 1960 to \$71 billion in 2020.
- Federal spending on **education** programs grew to a peak of \$80 billion in 2010 largely because of increased federal aid to state and local governments and additional support for existing programs during the Great Recession. It has fallen since then to \$49.5 billion in 2020. Though the pandemic response includes temporary increases in federal funding for education, few of these funds were spent in 2020; most will be spent over the next few years.
- In 1960, no federal funds were spent on **child care and early education or social services** programs targeted to children, but spending on these categories reached \$20 billion and \$13 billion, respectively, in 2020.
- Federal spending on **housing** programs grew from low initial levels in 1960 before reaching high levels during the

Great Recession and declining in recent years. Housing spending is projected to temporarily grow again in the next few years as states spend federal pandemic relief funds.

- Spending on youth **training programs** grew from \$0 in 1960 to nearly \$7 billion in 1980 and has since fallen dramatically to only \$1 billion in 2020.
- The **refundable portion of tax credits** has grown from \$0 in 1960 to \$120 billion in 2020 with the introduction and expansion of the EITC and CTC and recent tax rate reductions. This category also includes \$31 billion in spending in 2020 on pandemic-response stimulus checks to families with children.
- **Tax reductions** also have grown, fueled by growth in the children's share of the exclusion of employer-sponsored insurance and the CTC. However, the dependent exemption, which provided roughly the same benefit (close to \$40 billion) from 1960 to 2010, dropped to \$0 as of 2019, reflecting its suspension to help finance an expansion of the child credit.

<sup>15</sup> In 1997, Temporary Assistance for Needy Families (TANF) replaced Aid to Families with Dependent Children (AFDC).

### Table 2 Sources and Notes

**Sources:** Authors' estimates based primarily on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2022* (Washington, DC: US Government Printing Office, 2021), and past years. For more source information, see the appendix.

**Notes:** See table 1 notes on page 22 for lists of programs included in other health, child nutrition, and other categories. The lists of programs cover those with funding in 2020; a few additional programs that no longer exist are included in the totals for earlier years. Other nutrition includes Commodity Supplemental Food.

NA = estimates not available.

\* Less than \$50 million. -- = program did not exist.



TABLE 2

## Federal Expenditures on Children by Program, Selected Years, 1960–2020

Billions of 2020 dollars

	1960	1980	2000	2010	2020		1960	1980	2000	2010	2020
<b>1. Health</b>	<b>0.2</b>	<b>8.0</b>	<b>38.6</b>	<b>100.0</b>	<b>138.0</b>	<b>6. Social Services</b>	<b>--</b>	<b>4.8</b>	<b>11.2</b>	<b>11.9</b>	<b>13.3</b>
Medicaid	--	7.2	34.4	84.9	115.4	Foster care	--	0.8	6.3	5.2	5.1
CHIP	--	--	1.8	8.9	15.9	Adoption assistance	--	--	0.2	2.8	3.3
Vaccines for children	--	--	0.8	4.2	4.6	Unaccompanied alien children	--	--	--	0.2	1.5
Other health	0.2	0.8	1.6	2.0	2.1	Social Services Block Grant	--	3.4	1.4	1.2	1.0
<b>2. Nutrition</b>	<b>1.6</b>	<b>23.6</b>	<b>32.4</b>	<b>64.0</b>	<b>70.8</b>	Other social services	--	0.6	3.4	2.5	2.3
SNAP (formerly Food Stamps)	--	12.3	14.1	38.0	43.6	<b>7. Housing</b>	<b>0.3</b>	<b>2.9</b>	<b>8.7</b>	<b>11.3</b>	<b>9.8</b>
Child nutrition	1.6	9.6	13.3	19.2	22.6	Section 8 low-income housing assistance	--	1.5	6.8	8.4	8.0
Special Supplemental food (WIC)	--	1.7	5.0	6.7	4.5	Low-rent public housing	0.3	0.6	1.1	1.4	1.0
Other nutrition	--	*	*	*	--	Other housing	--	0.8	0.8	1.5	0.8
<b>3. Income Security</b>	<b>15.3</b>	<b>35.4</b>	<b>48.9</b>	<b>61.5</b>	<b>59.7</b>	<b>8. Training</b>	<b>--</b>	<b>6.7</b>	<b>1.5</b>	<b>2.3</b>	<b>1.0</b>
Social Security	7.4	18.6	19.7	24.1	22.0	<b>9. Refundable Portions of Tax Credits</b>	<b>--</b>	<b>3.3</b>	<b>35.8</b>	<b>88.7</b>	<b>120.4</b>
Temporary Assistance for Needy Families	5.1	11.5	16.7	18.1	13.4	Earned income tax credit	--	3.3	34.6	57.3	51.0
Supplemental Security Income	--	1.0	7.0	11.6	10.0	Child tax credit	--	--	1.2	29.7	36.1
Veterans benefits	2.6	3.7	2.3	3.6	11.0	Pandemic response stimulus checks	--	--	--	--	30.9
Child support enforcement	--	0.3	3.2	4.1	3.4	Premium tax credit	--	--	--	--	1.6
Other income security	0.3	0.3	*	*	*	Other refundable tax credits	--	--	--	1.7	0.9
<b>4. Education</b>	<b>3.2</b>	<b>19.6</b>	<b>31.7</b>	<b>80.0</b>	<b>49.5</b>	<b>10. Tax Reductions</b>	<b>43.4</b>	<b>52.6</b>	<b>97.5</b>	<b>110.5</b>	<b>119.0</b>
Education for the Disadvantaged (Title I, Part A)	--	8.7	12.4	23.0	15.9	Child tax credit (nonrefundable portion)	--	--	28.1	35.1	77.4
Special education/IDEA	--	2.2	7.2	20.4	12.9	Dependent exemption	42.7	44.5	41.6	37.9	--
Education stabilization fund	--	--	--	--	7.9	Exclusion for employer-sponsored health insurance	NA	4.3	14.4	22.6	26.7
School improvement	--	2.2	3.7	6.3	4.7	Earned income tax credit (nonrefundable portion)	--	1.9	6.2	5.5	6.3
Impact Aid	1.8	1.9	1.3	1.4	1.5	Dependent care credit	--	--	3.4	4.0	3.5
Indian Education	--	0.8	1.0	1.0	1.5	Other tax reductions	0.7	2.0	3.8	5.4	5.1
Dependents' schools abroad	0.2	0.9	1.3	1.4	1.2	<b>TOTAL EXPENDITURES ON CHILDREN</b>	<b>64.0</b>	<b>159.3</b>	<b>317.6</b>	<b>546.7</b>	<b>601.2</b>
Innovation and improvement	--	--	--	1.2	0.9	<b>OUTLAYS SUBTOTAL (1–9)</b>	<b>20.6</b>	<b>106.6</b>	<b>220.1</b>	<b>436.1</b>	<b>482.2</b>
Other education	1.2	2.8	4.9	25.4	3.0						
<b>5. Child Care and Early Education</b>	<b>--</b>	<b>2.2</b>	<b>11.3</b>	<b>16.3</b>	<b>19.8</b>						
Head Start (including Early Head Start)	--	2.2	6.5	9.4	9.5						
Child Care and Development Fund	--	--	4.8	6.9	10.0						
Other child care and early education	--	--	--	--	0.3						

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

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

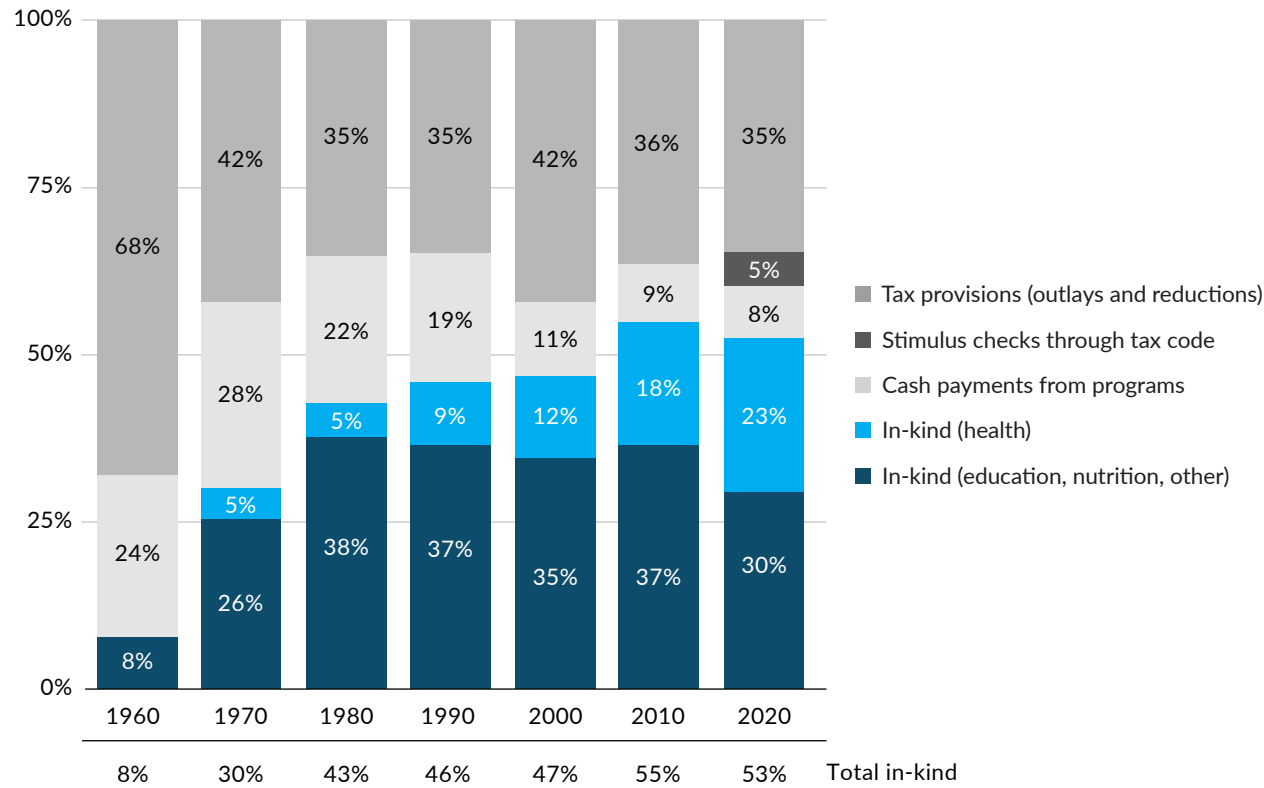
- In 1960, the federal government primarily supported children through **tax provisions** (specifically, the dependent exemption) and **cash payments** to parents on behalf of their children. Very few benefits were provided through noncash benefits, also known as in-kind supports.
- As new programs providing health, education, nutrition, and other in-kind benefits and services were introduced, noncash benefits became an increasingly important share of the supports provided to children.
  - » In-kind spending on **education, nutrition, and other nonhealth** services grew to 38 percent of all expenditures on children in 1980, before falling to 30 percent in 2020.
  - » More recently, the growth in in-kind benefits has been driven by **health programs**, which have grown to represent 23 percent of all expenditures on children in 2020.

- In total, in-kind benefits and services (health, education, nutrition, and other) accounted for 53 percent of expenditures on children in 2020. It had been higher in recent years but has fallen with the expansion of the CTC and the stimulus checks.
- The other 48 percent of support to children in 2020 was through **cash payments from programs** (8 percent), **pandemic-response stimulus checks** administered through the tax code (5 percent), and **tax provisions** (35 percent). Cash payments from programs have declined sharply, from 24 percent in 1960 (and 28 percent in 1970) to only 8 percent in 2020 (or 13 percent, if one counts the stimulus checks).

FIGURE 14

Federal Cash and In-Kind Expenditures on Children, 1960–2020

Percentage of expenditures on children



In-kind benefits accounted for more than half of total expenditures on children in 2020.

Sources: Authors' estimates based primarily on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2022* (Washington, DC: US Government Printing Office, 2021), and past years. For more source information, see the appendix.

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

## How targeted are expenditures to children in families with low incomes, and how has this changed over time?

The share of federal expenditures for children targeted to families with low incomes has grown over time, reaching 57 percent in 2019 and 59 percent in 2020.

- In 1960, most expenditures for children were distributed through the **dependent exemption**, Social Security, and other benefits generally available to all children regardless of family income—that is, through **universal programs and tax provisions**.
- The focus of children's spending changed as new programs such as food stamps (now called SNAP), Medicaid, and SSI were introduced to serve populations with low incomes. By 1990, more than half (55 percent) of total federal expenditures on children were on programs and tax provisions targeted to families with lower incomes.
- The share of child-related expenditures targeted to families with lower incomes has continued to rise slowly. In 2020, 59 percent of total expenditures on children were made through **income-targeted spending programs** (50 percent) and **income-targeted tax provisions** (10 percent).<sup>16</sup>

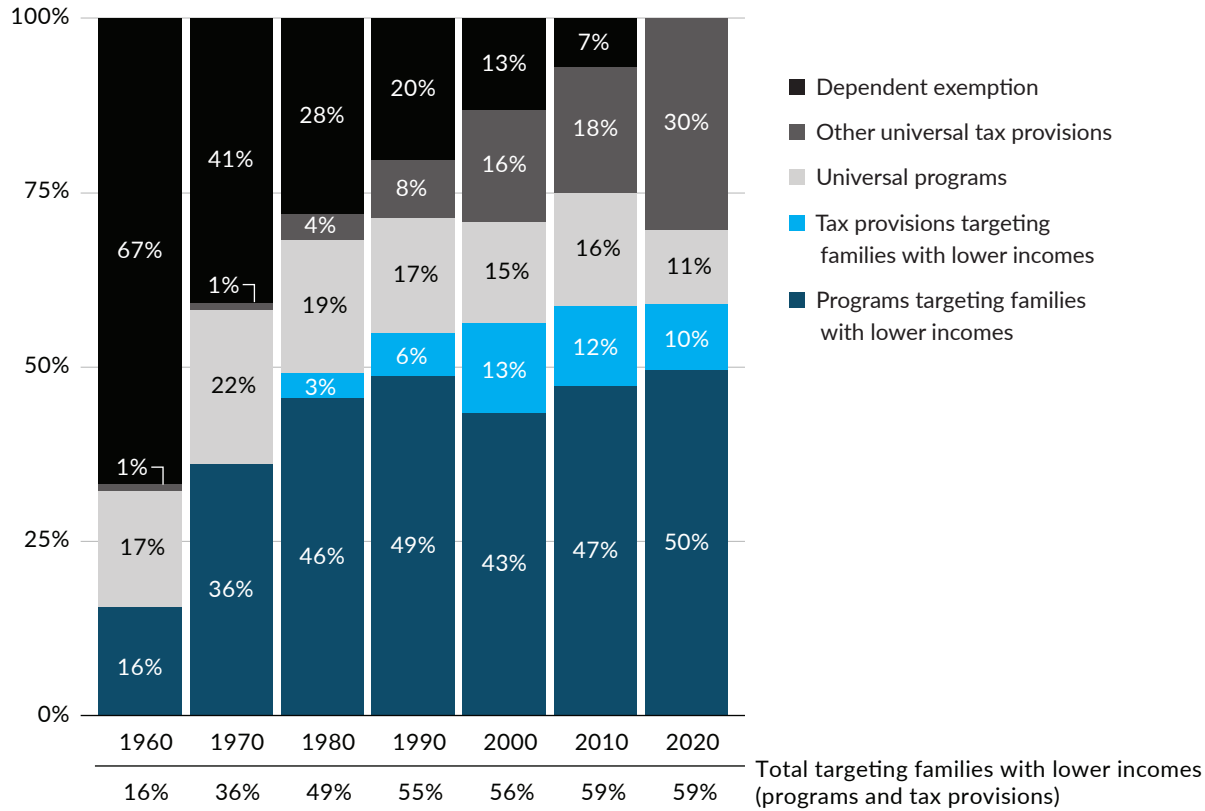
- Children in families with lower incomes may receive benefits from both universal and income-targeted programs. Some children in higher-income families also receive services from programs that are income-targeted but phase out at fairly high incomes. A special *Kids' Share* analysis found that children in families with incomes below 200 percent of the federal poverty level received 70 percent of federal expenditures on children in 2009, a year when they represented 42 percent of the child population (Vericker et al. 2012).

<sup>16</sup> The growth in spending on income-targeted programs is partly explained by the expansion of Medicaid and CHIP from narrower eligibility for people with low incomes to broader eligibility that includes people with closer to median incomes. For example, the median upper eligibility limit for children increased from 200 percent of the federal poverty level in 2006 to 255 percent in 2016. Programs with higher-income limitations are hard to classify in a dichotomous choice between income-targeted and universal. Our analysis treats the premium tax credit for purchases of health insurance on an exchange as targeted to families with lower incomes and the CTC as universal; further information on how we classified each program is provided in the *Data Appendix to Kids' Share 2021* (Daly et al. 2021).

**FIGURE 15**

**Income Targeting of Federal Children’s Programs and Tax Provisions, 1960–2020**

Percentage of expenditures on children



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

**Sources:** Authors’ estimates based primarily on Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2022* (Washington, DC: US Government Printing Office, 2021), and past years. For more source information, see the appendix.

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

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

After temporary increases in response to the pandemic, all categories of spending on children are expected to decline relative to GDP over the next decade in projections assuming current law (figure 16). The temporary increases and subsequent decreases are especially striking in expenditures on tax provisions, nutrition, education, and housing.

Spending can decline as a share of GDP while staying flat or even rising in real dollars because of the strong growth in GDP projected between 2020 and 2031 (from \$21 to \$26.6 trillion, in inflation-adjusted dollars), as shown in table 3.

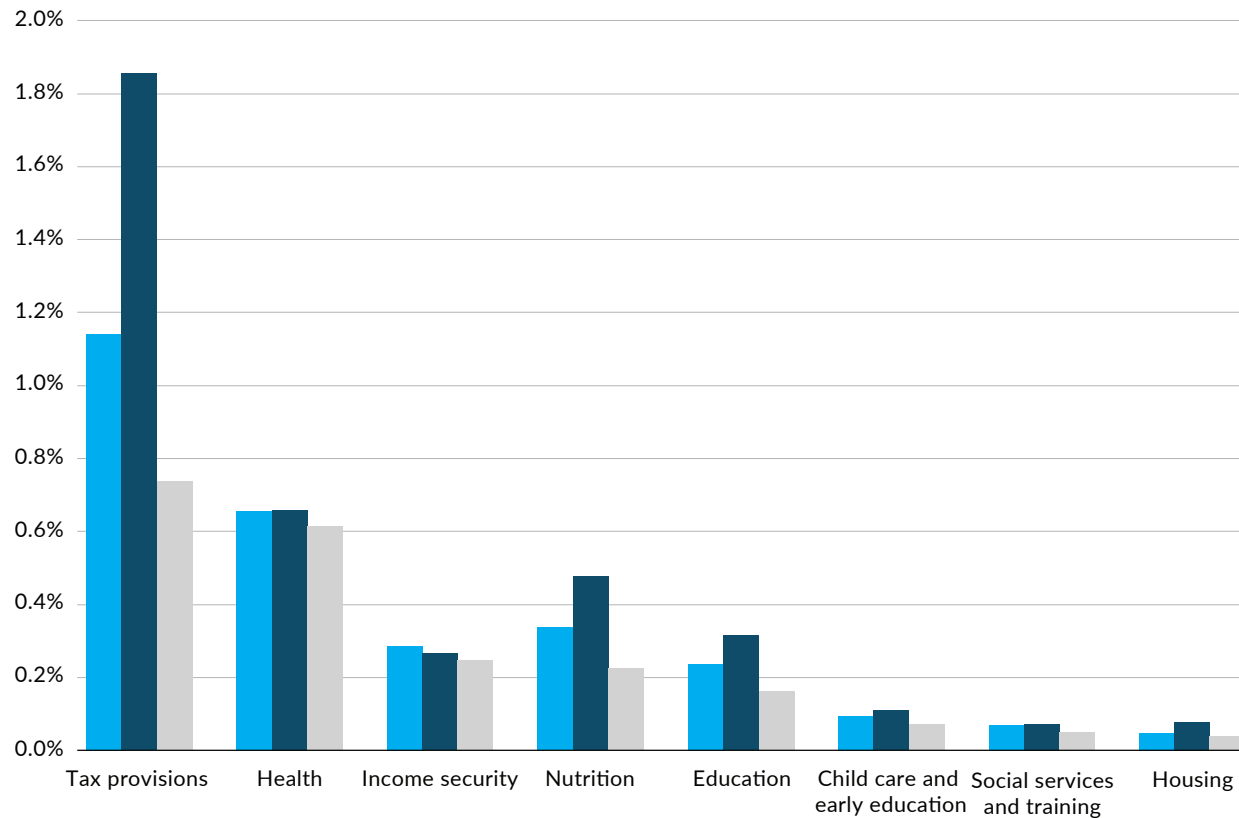
- Children's **health** spending is projected to rise by \$26 billion (19 percent) in real dollars over the next decade while falling slightly as a share of GDP. As noted earlier, this is driven by economy-wide increases in health care costs.
- Spending on **income security** and **housing** are expected to rise slightly in real dollars but fall as a share of GDP, as shown in table 3. Income security spending as a share of GDP declines less than other categories because some benefits are automatically adjusted for inflation (e.g., survivors' and dependents' benefits under Social Security and disabled children's benefits under SSI).

- All other categories are projected to decline or remain at the same level in real dollars and to decline relative to GDP as pandemic-related spending measures wind down and other priorities take up an increasing share of the budget. This includes spending on **nutrition** (e.g., SNAP and school lunch and breakfast programs), **K-12 education** (e.g., Title 1 and special education), **child care and early education** programs (e.g., Head Start and child care assistance), **social services** (e.g., child welfare services), and the youth portions of **training** (e.g., Job Corps and Work Investment Act youth formula grants). Many of these are discretionary programs subject to the annual appropriations process and face long-term budgetary pressures from growing entitlement spending. Expenditures through **tax provisions** decline in the future both in real dollars and relative to GDP because the American Rescue Plan's temporary increase of the CTC and the stimulus check program both are scheduled to end by 2022 and other changes to the CTC and dependent exemption expire after 2025.

FIGURE 16

## Federal Expenditures on Children as a Share of GDP, by Category, 2020, 2021, and 2031

■ 2020 ■ 2021 (projected) ■ 2031 (projected)



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

**Sources:** Authors' estimates based primarily on Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2021 to 2031* (Washington, DC: Congressional Budget Office, 2021); Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2022* (Washington, DC: US Government Printing Office, 2021); and past years. For more source information, see the appendix.

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

TABLE 3

## Federal Expenditures on Children in Selected Years, by Category

Category of spending	As a Share of GDP			Billions of 2020 Dollars		
	2020	2031 (projected)	Percentage-point change	2020	2031 (projected)	Dollar change
Health	0.66%	0.62%	-0.04%	138	164	26
Income security	0.28%	0.25%	-0.04%	60	65	6
Nutrition	0.34%	0.23%	-0.11%	71	60	-11
Education	0.24%	0.16%	-0.07%	50	43	-6
Child care and early education	0.09%	0.07%	-0.02%	20	19	-1
Social services and training	0.07%	0.05%	-0.02%	14	13	-0.9
Housing	0.05%	0.04%	-0.01%	10	10	0.5
Refundable portions of tax credits	0.42%	0.26%	-0.16%	88	68	-20
Tax reductions	0.72%	0.48%	-0.24%	151	128	-23
<b>Total expenditures</b>	<b>2.86%</b>	<b>2.15%</b>	<b>-0.71%</b>	<b>601</b>	<b>571</b>	<b>-30</b>
<b>Total outlays (all but tax reductions)</b>	<b>2.14%</b>	<b>1.67%</b>	<b>-0.48%</b>	<b>450</b>	<b>443</b>	<b>-7</b>

**Sources:** Authors' estimates based primarily on Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2021 to 2031* (Washington, DC: Congressional Budget Office, 2021); Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2022* (Washington, DC: US Government Printing Office, 2021); and past years. For more source information, see the appendix.

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





## APPENDIX. METHODS

Estimating the portion of government spending on children requires making assumptions and decisions about how to classify and allocate federal, state, and local spending and tax data. First, we identify programs that directly benefit children or households with children. Second, we collect expenditure data from federal sources, particularly the Office of Management and Budget's *Budget of the United States Government* for fiscal year 2022 (OMB 2021a–d) and prior years, drawing on its *Appendix* volume for information on spending and the *Analytical Perspectives* volume for tax reductions. We estimate the share of each program's spending that directly benefits children. These methodological steps are described below, followed by a discussion of methods for estimating spending on older adults, state and local estimates, future projections (where we rely heavily on Congressional Budget Office projections), and methodological changes made in this year's report. Further details regarding methods are available in the *Data Appendix to Kids' Share 2021* (Daly et al. 2021).

### DEFINING AND IDENTIFYING PROGRAMS BENEFITING CHILDREN

Like all budget exercises that allocate spending to categories, defining spending that goes to children is a complex task that could be calculated using different methodologies. Each dollar spent on a particular program must be determined to go to a particular recipient. This task is relatively straightforward for programs that spend directly on children—elementary education is a simple example. But for programs that serve both children and adults, discerning who benefits from spending is more difficult. For example, how should one determine the

amount of refundable tax credits, such as the EITC, distributed to adults rather than children? Calculating spending on children and comparing data over time require a concrete and consistent set of rules and assumptions.

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

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

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

In reporting federal expenditures on children, our most comprehensive measure includes tax reductions (e.g.,

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

## COLLECTING EXPENDITURE DATA

Expenditure data on program outlays largely come from the *Appendix, Budget of the United States Government, Fiscal Year 2022* (and prior years). The *Analytical Perspectives* volume of the budget provides tax expenditure data. For programs not included in the *Appendix*, we obtain expenditure data from the relevant agencies' budgetary documents or their representatives. In this report, all budget numbers represent fiscal years, and we have expressed them in 2020 dollars unless otherwise noted.

## CALCULATING THE SHARE OF PROGRAM SPENDING ON CHILDREN

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

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

For large programs, such as SNAP, Medicaid, and SSI, we put significant effort into correctly estimating the share of spending that goes to children. In some cases, programs publicly release administrative data

on spending on children, but we must occasionally contact federal agency staff directly to obtain participation data. Using the best data available, we then calculate spending on children. When program data are unavailable, other Urban Institute researchers provide carefully crafted estimates using, for example, the Urban Institute's Transfer Income Model, Health Insurance Policy Simulation Model, and the Urban-Brookings Tax Policy Center Microsimulation Model. In some cases, we scour government websites or contact federal agency staff directly to obtain program participation information.

## METHODS FOR SPENDING ON OLDER ADULTS

Although *Kids' Share* focuses on federal expenditures on children, we also have developed rough estimates of spending on older adults, namely, spending in 16 programs: Social Security, Medicare, Medicaid, SSI, SNAP, veterans benefits, Railroad Retirement, unemployment compensation, federal civilian retirement, Military Retirement, Special Benefits for Disabled Coal Miners, veterans' medical care, annuitants' health benefits, housing, the Administration for Community Living (previously the Administration of Aging), and the Low Income Home Energy Assistance Program. For 2020, we also include spending on the pandemic-related stimulus checks paid through the tax code. As with our methodology for children, we estimate the share of the program that goes to older adults; for example, we subtract spending on children and disabled adults ages 18 to 64 to estimate older adults' share of spending for Social Security, Medicare,

and Medicaid. However, except in estimates denoted as spending on “older adults” or “seniors,” our estimates for adult portions of Social Security, Medicare, and Medicaid include all spending on people ages 19 and older.

## METHODS FOR STATE AND LOCAL ESTIMATES

Although this report focuses on federal expenditures on children, it also estimates state and local spending on children from 1998 to 2018. Estimates for 1998 to 2008 are drawn from the Rockefeller Institute of Government’s State Funding for Children Database, as described by Billen and colleagues (2007); estimates for 2009 forward are by the *Kids’ Share* authors. Both sets of estimates focus on state and local expenditures for K–12 education, state EITCs, and several joint federal-state programs (Medicaid, CHIP, Maternal and Child Health Block Grants, TANF, child support enforcement, child care, and several child welfare programs). Data sources for the 2009–18 estimates include the US Census Bureau’s Annual Survey of School System Finances, unpublished tabulations of Medicaid claims (MSIS data), the websites and reports of various federal agencies, and information from the IRS compiled by the Urban-Brookings Tax Policy Center. We estimated shares of spending on children for Medicaid, TANF, and CHIP; the other state programs were programs that could be assumed to spend 100 percent on children (i.e., child care, child welfare, CHIP).

## METHODS FOR PROJECTIONS

To estimate future trends in spending on children, we primarily use the Congressional Budget Office’s *An Update to the Budget and Economic Outlook: 2021 to 2031* (CBO 2021). These July 2021 budget projections are based on current law as of May 18, 2021, and generally assume no change in tax and spending laws after that date. For projecting expenditures under tax provisions, we turn to the Urban-Brookings Tax Policy Center Microsimulation Model for major tax provisions and the Office of Management and Budget’s projections in *Analytical Perspectives* for smaller tax provisions. The projection methodology differs depending on whether a program is mandatory, discretionary, or a tax reduction.

In the mandatory spending area, the CBO baseline projections assume a continuation of current law, except that certain expiring programs that have been continually reauthorized in the past are also assumed to continue. In general, for programs serving both children and adults, we assume that the share of spending directed to children for each program will remain constant from 2021 to 2031. However, we use the CBO’s detailed projections by age group for Medicaid, Social Security, and SSI. We also assumed the share of spending going to children in two programs (SNAP and child nutrition) was higher in 2020–22 because of temporary pandemic-response funding and then would revert to the share before the pandemic.

For discretionary spending, with spending set by appropriations actions annually, the CBO traditionally uses a baseline assumption that spending is kept constant in real terms—that is, spending is based on the most recent year’s appropriation, adjusted for inflation. However, in its July 2021 projections, CBO made an exception for the pandemic-response emergency funding, assuming it would not continue in future years. Our statements about future spending generally focus on spending as a whole and in broad categories, such as health and education, or types of spending, such as mandatory and discretionary given the tentative nature of budget projections.

The Urban-Brookings Tax Policy Center Microsimulation Model provides 10-year projections for major children’s tax provisions including the CTC, the EITC, the dependent exemption, the pandemic-response stimulus checks (economic impact payments), and the child and dependent care credit. These projections are made assuming continuation of current law, including that the expansion of the CTC expires at the end of 2021. For all other, smaller tax provisions, we use the five-year projections from *Analytical Perspectives* and then apply the projections’ average growth rate to the following five years.



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