

# **Kids' Share 2011:**

## **Report on Federal Expenditures Through 2010**

***Julia B. Isaacs***, Child and Policy Fellow - Brookings Institution

***Eugene Steuerle***, Richard B. Fisher Institute Fellow - The Urban Institute

**Thanks to co-authors: Heather Hahn, Stephanie Rennane and Tracy Vericker  
and to funders, First Focus and the Annie E. Casey Foundation**

**Children's Budget Summit**

**July 21, 2011**



# Fifth Annual *Kids' Share* Report

- Four earlier *Kids' Share* reports (2010, 2009, 2008 and 2007) as well as initial report (2000)
  - This year marks milestone of 50 years of expenditure data (1960-2010)
- Reports crucial for tracking changes in children's budget from year to year
- Special Reports
  - Spending on children's health (forthcoming 2011)
  - Spending by family income (forthcoming 2011)
  - Spending on specific age groups (2008, 2009)

# Overview

- **Part I: The Current Picture**
  - **Federal Expenditures in 2010**
  - **Total (Federal/State/Local) Spending during the Recession**
- **Part II: Trends Over Time**
  - **50 Years of Spending on Children**
  - **Broad Budgetary Patterns**
  - **Expiration of ARRA**
  - **Long-Term Projections**



# Federal Expenditures in 2010

- Total federal outlays totaled \$3.5 trillion
  - \$374 billion, or 11 percent, on children
  - Kids' share is higher than last year due to ARRA and other responses to the recession (growth of Medicaid, SNAP)...
  - But is projected to fall after ARRA impacts end
- Individual and corporate tax expenditures amounted to over \$1 trillion\*
  - \$71 billion or <7 percent, on children
- Summing across dozens of spending programs and tax provisions results in \$445 billion in total expenditures on children

\* Summing up individual tax provisions ignores interaction effects among them.

# Ten Largest Spending & Tax Programs By Expenditures on Children, 2010

1. Medicaid (estimated \$74 billion)
2. Earned income tax credit
3. Child tax credit
4. Dependent exemption

.....**together account for nearly HALF (47%) of expenditures on children**

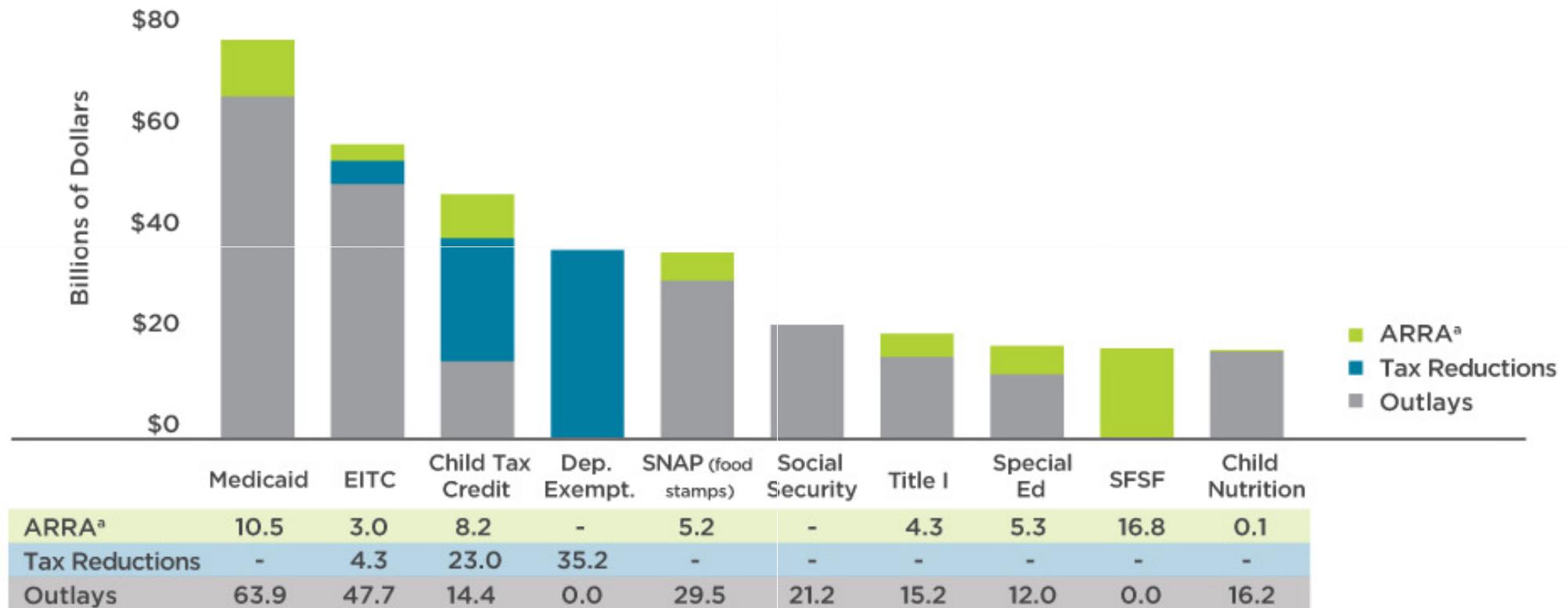
5. Supplemental Nutrition Assistance Program (SNAP, formerly food stamps)
6. Social Security

..... **Not usually considered children's programs, but spend a lot on children**

7. Title I/Education for Disadvantaged
8. Special Education (#10 last year)
9. State Fiscal Stabilization Fund (Not in top 10 last year)
10. Child Nutrition (#8 last year)

..... **Similar list to last year, except education programs rose up the list (due to ARRA), and TANF fell off the list**

# Ten Largest Spending and Tax Programs by Expenditures on Children, 2010

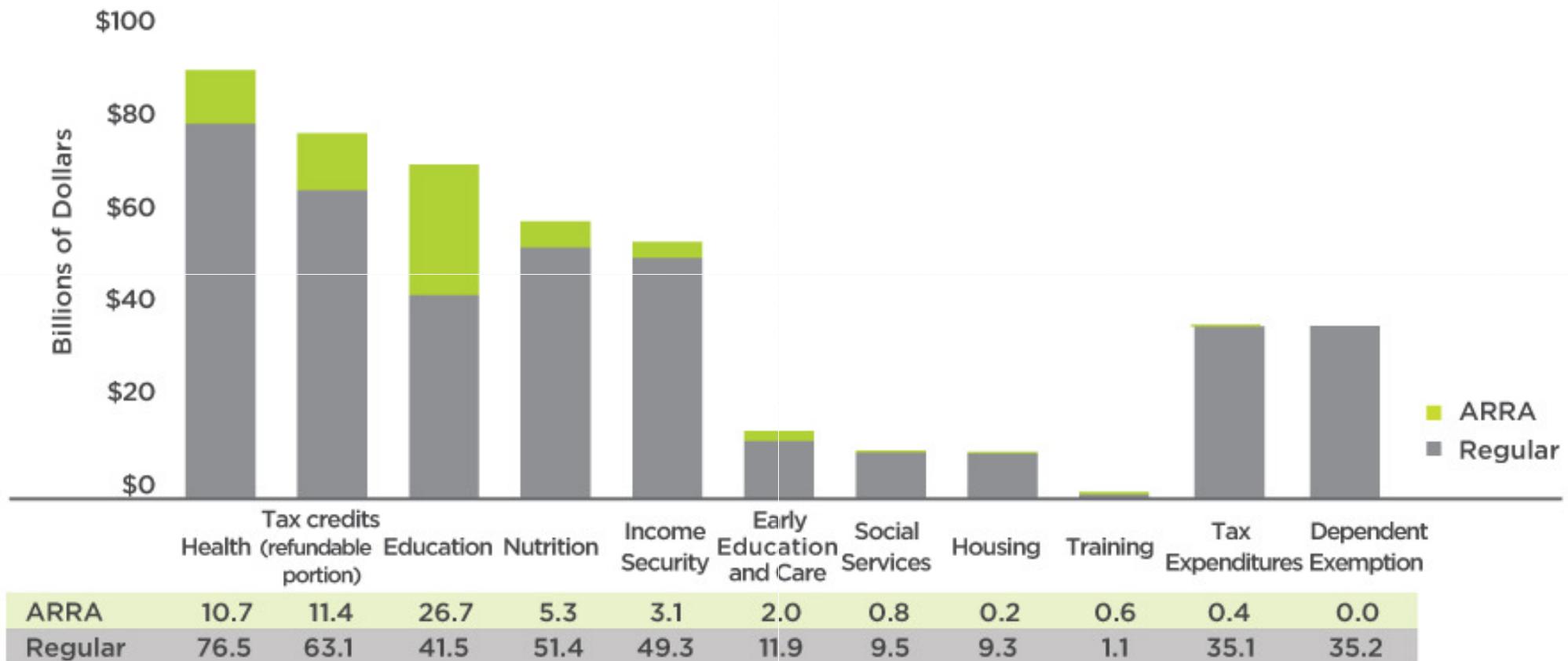


Source: The Urban Institute and The Brookings Institution, 2011. Authors' estimates based on the *Budget of the U.S. Government Fiscal Year 2012* and unpublished tabulations from the Congressional Budget Office.

<sup>a</sup> The ARRA impact is primarily on outlays, but there is a small impact on tax reductions, as detailed in table 1.

These 10 spending & tax programs account for 72% of total expenditures on children.

# Federal Expenditures on Children, 2010, By Category



Source: The Urban Institute and The Brookings Institution, 2011. Authors' estimates based on the *Budget of the U.S. Government Fiscal Year 2012* and unpublished tabulations from the Congressional Budget Office.

ARRA had powerful effect on education spending on children

# Funding for Many Education & Other Programs will Drop when ARRA Impacts End

Selected Programs	Total in 2010 (in billions)	% of Total from ARRA
State Fiscal Stabilization Fund	17	100
Special Education	17	31
Title I/Education	20	22
Child Care and Development Fund	6	20
Child Tax Credit	46	18
.....		
Total Expenditures	445	14

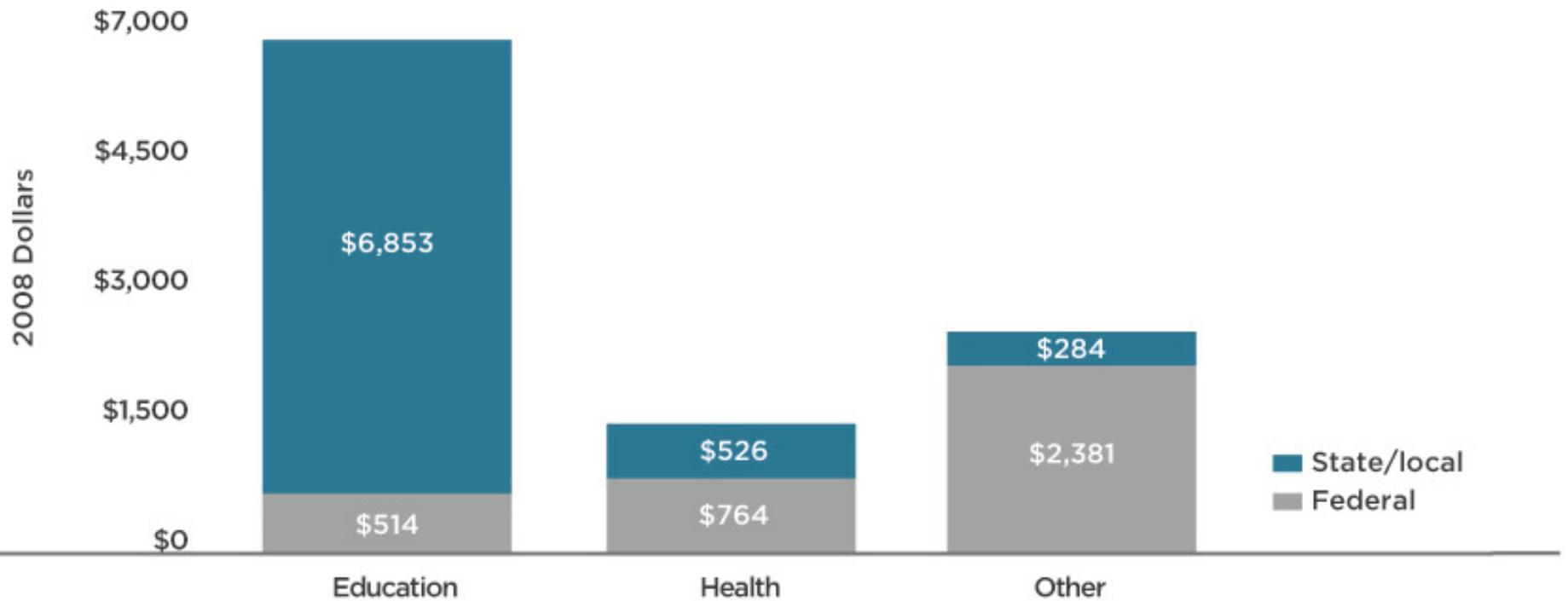
\*Source: Isaacs et al., 2011, Table 1

# Did total public spending on children go up or down in 2010?

- Much of ARRA spending cushioned spending cuts in states and localities, hard-hit by recession.
- Federal spending is only 1/3 of spending on children
- Hard to know what happened in other 2/3 because complete state/local data for 2009 & 2010 are lacking.
- Data on education – largest category of spending – suggest **total** spending may have declined in 2010, despite federal increase

# Total Government Spending per Child, 2008

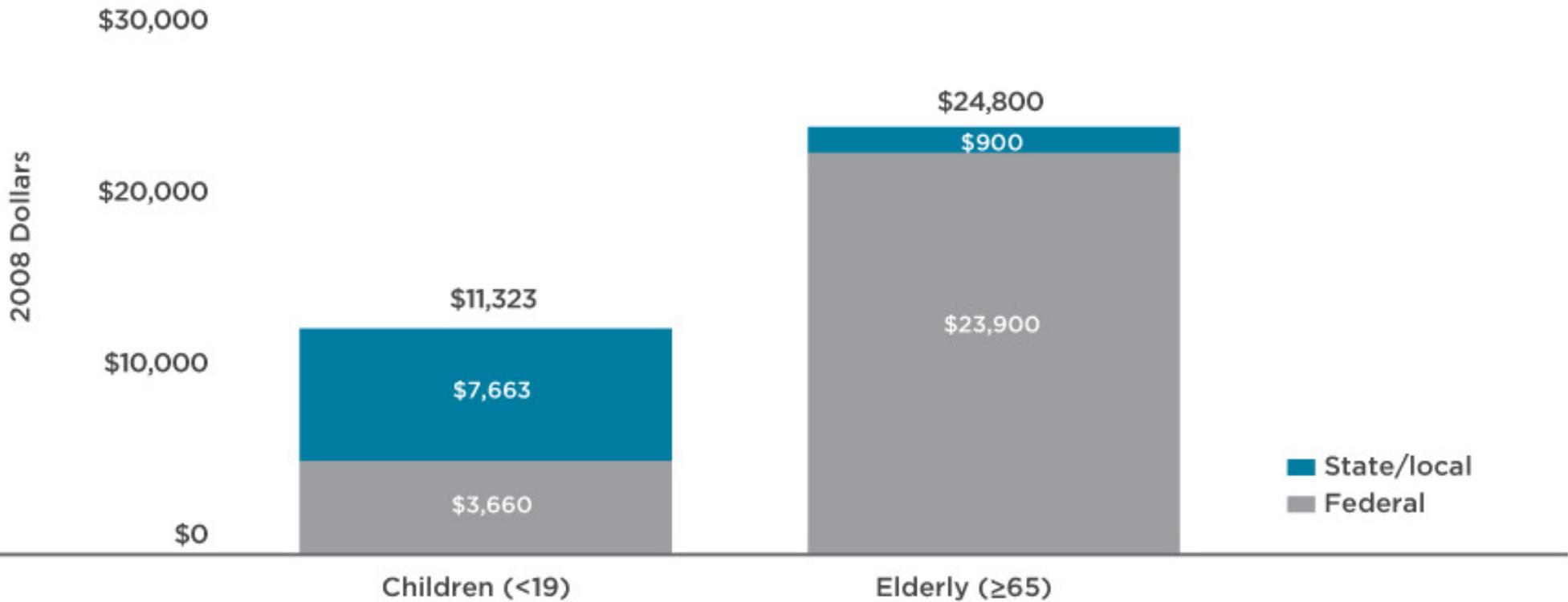
*(2010 State/Local Data Not Available)*



Source: The Urban Institute and The Brookings Institution, 2011.

Note: Tax expenditures are not included in either the federal or state/local numbers.

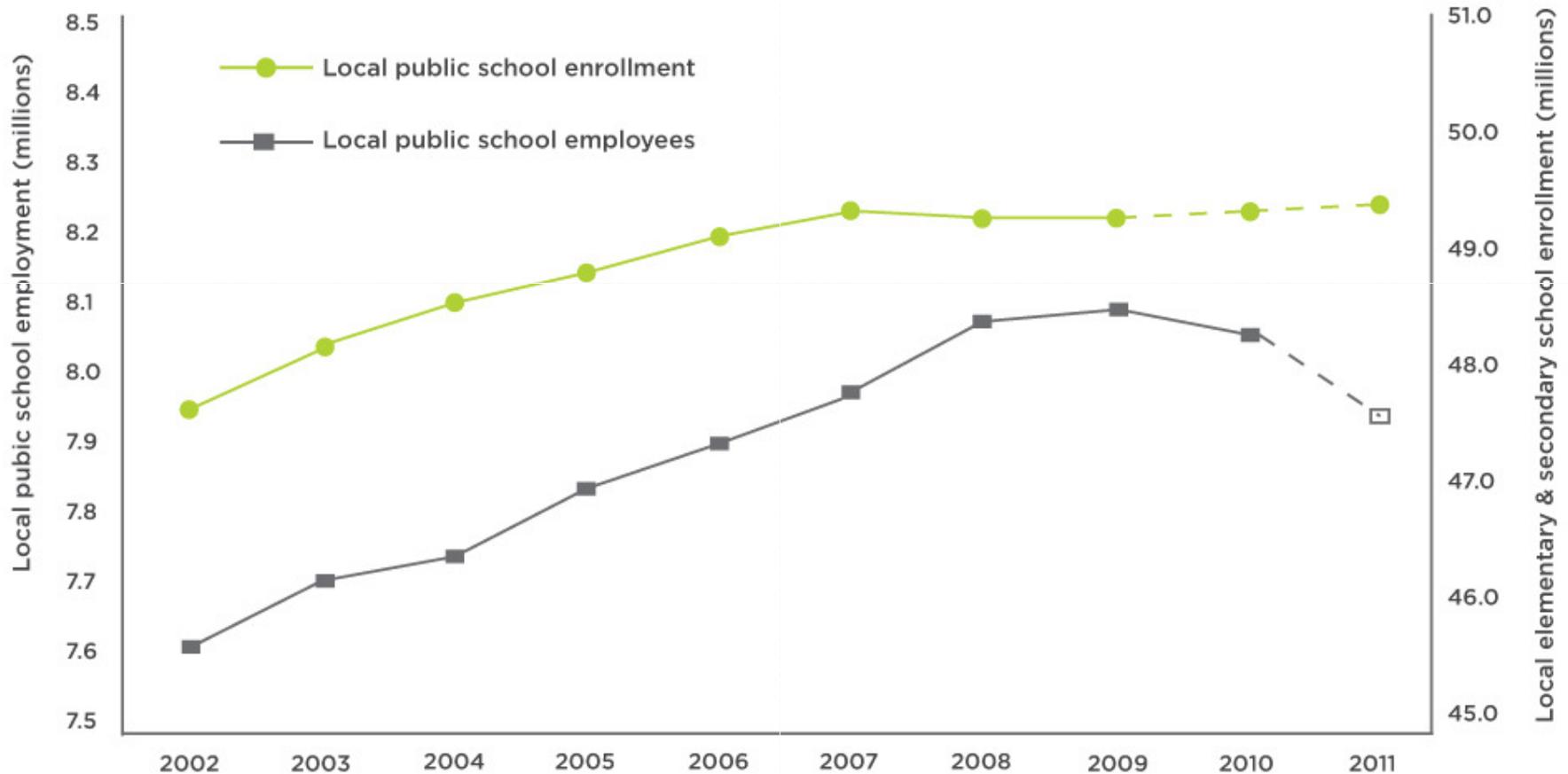
# Per Capita Spending on Children and Elderly in 2008



Source: The Urban Institute and The Brookings Institution, 2011.

# Local Public School Employees and Public Elementary and Secondary Enrollment

2002-2011 (in millions)



Source: The Urban Institute and The Brookings Institution, 2011.

Number of public school employees drops in 2010 (with bigger drop anticipated in 2011) – suggesting decline in total funding on K-12 education

# The Present: Recap

- 1. Kids' share of federal budget in 2010 rose as a result of ARRA and other responses to the recession (increased enrollment in Medicaid and SNAP)**
- 2. Not clear if total public spending (including state/local) was up or down in 2010, but education data suggests it may have gone down.**

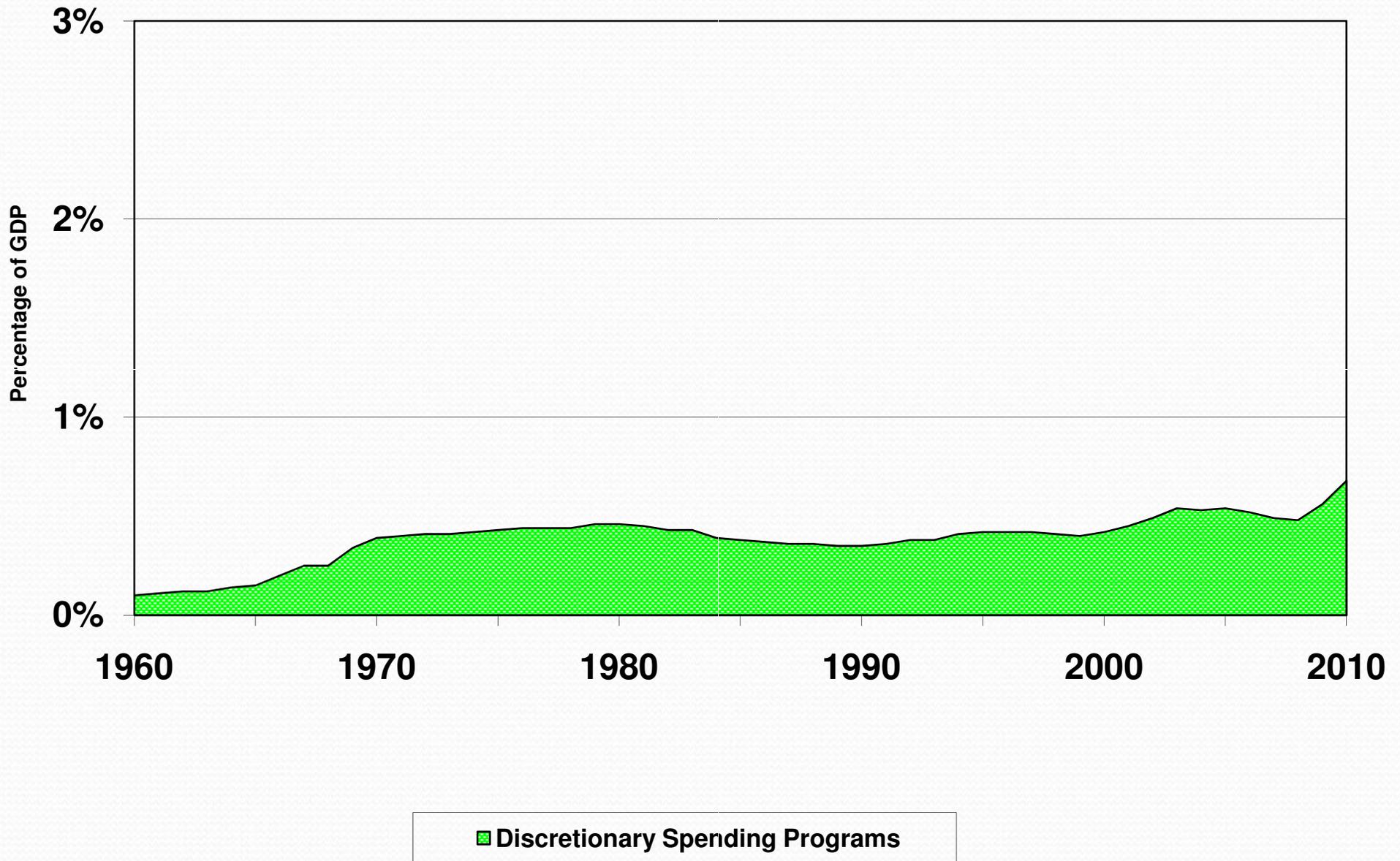


## Part II: Trends Over Time

- 50 years of spending on children
- Broad budgetary patterns
- Expiration of ARRA
- Long-term projections

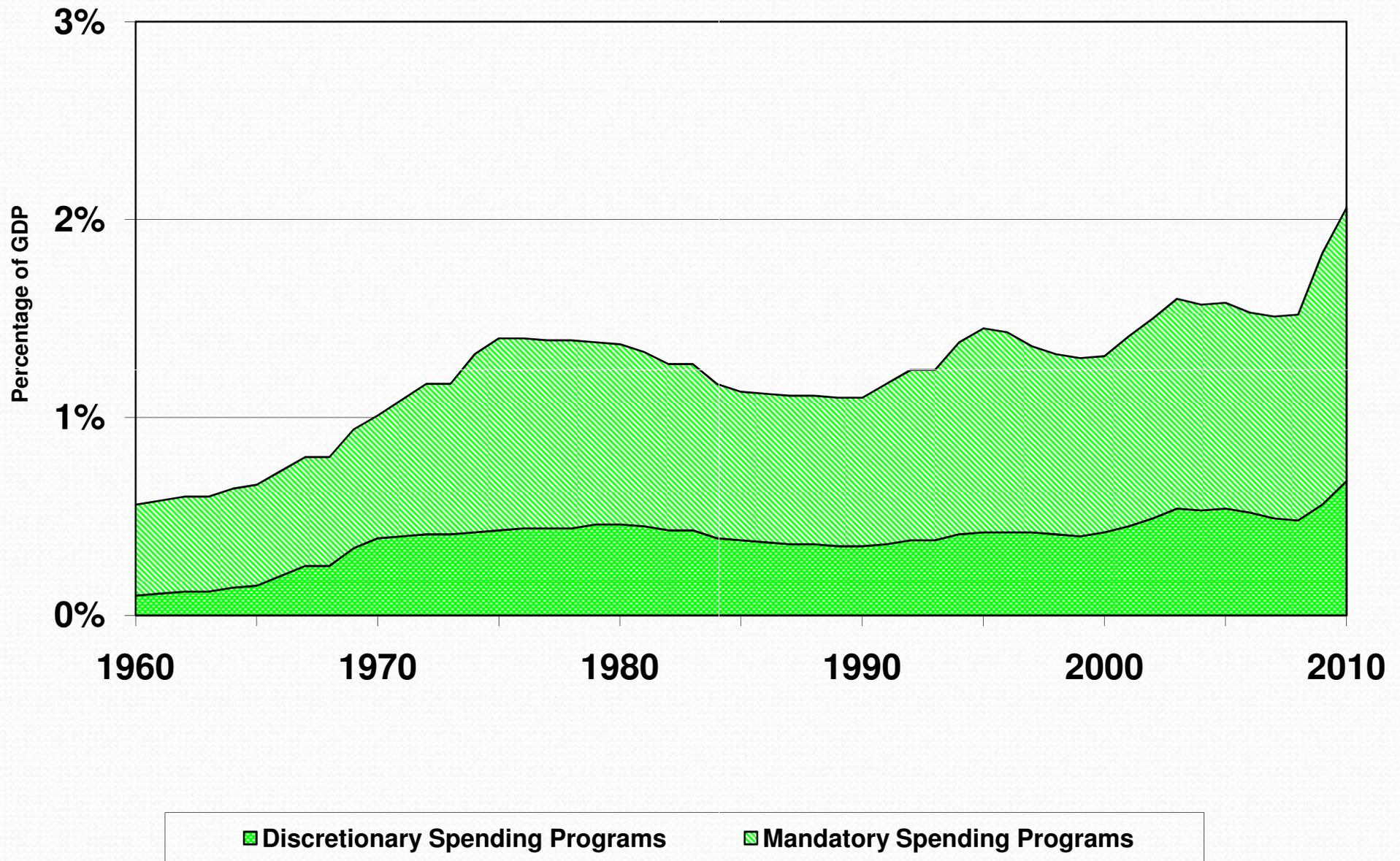


# Discretionary Spending on Children, 1960-2010



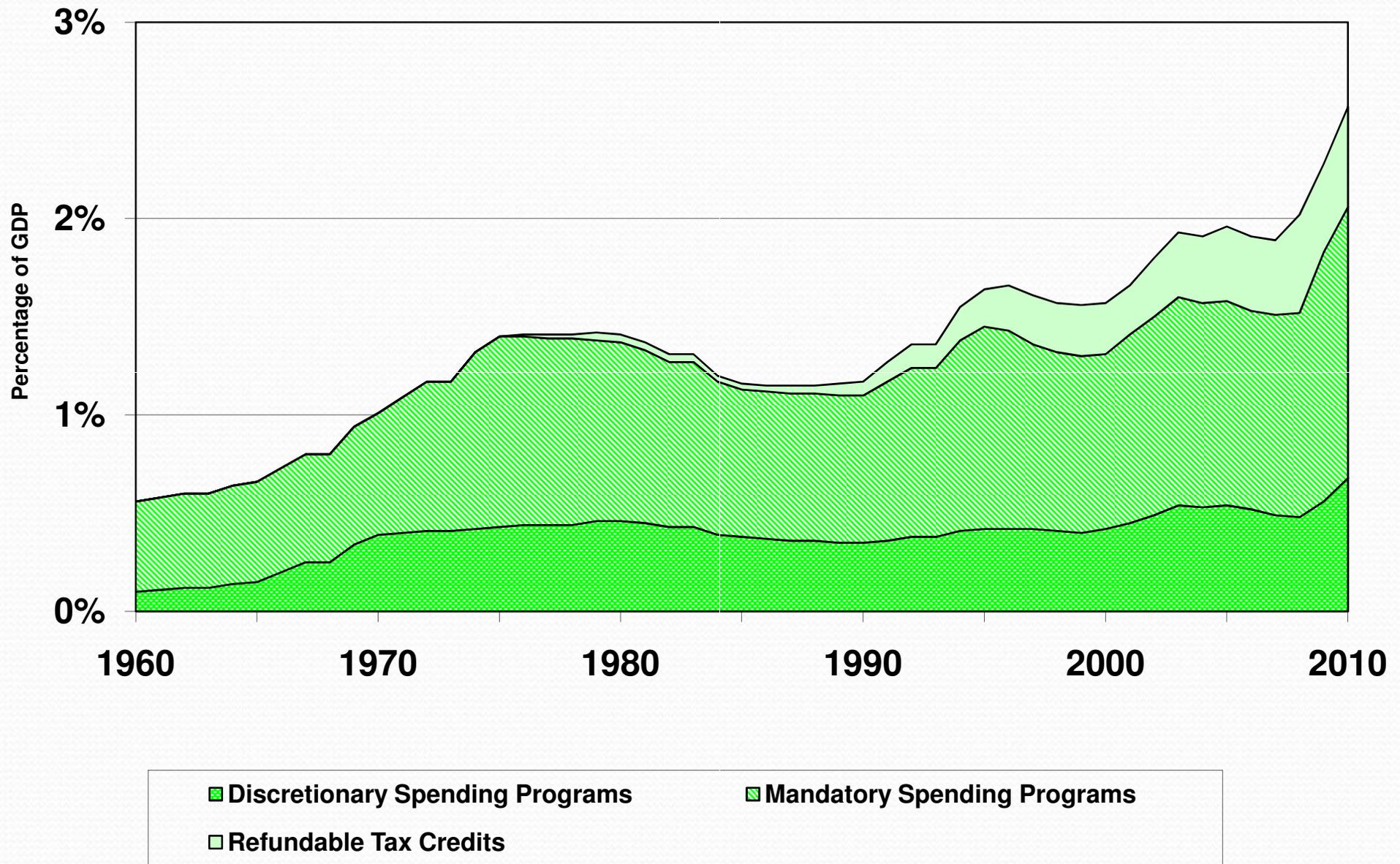
Source: Isaacs et al., 2011, Figure 10.

# Mandatory & Discretionary Spending on Children, 1960-2010



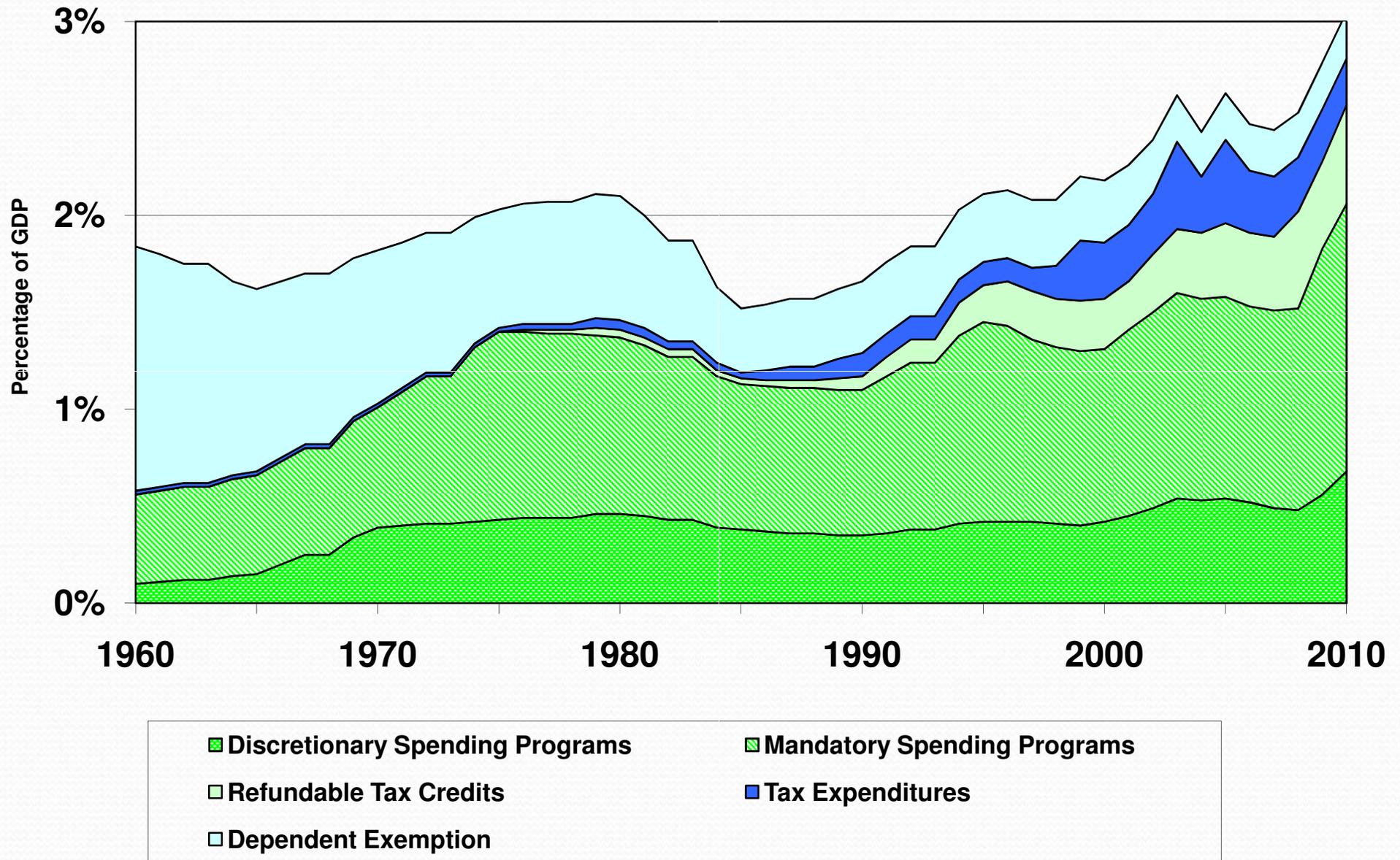
Source: Isaacs et al., 2011, Figure 10.

# Total Outlays on Children, 1960-2010



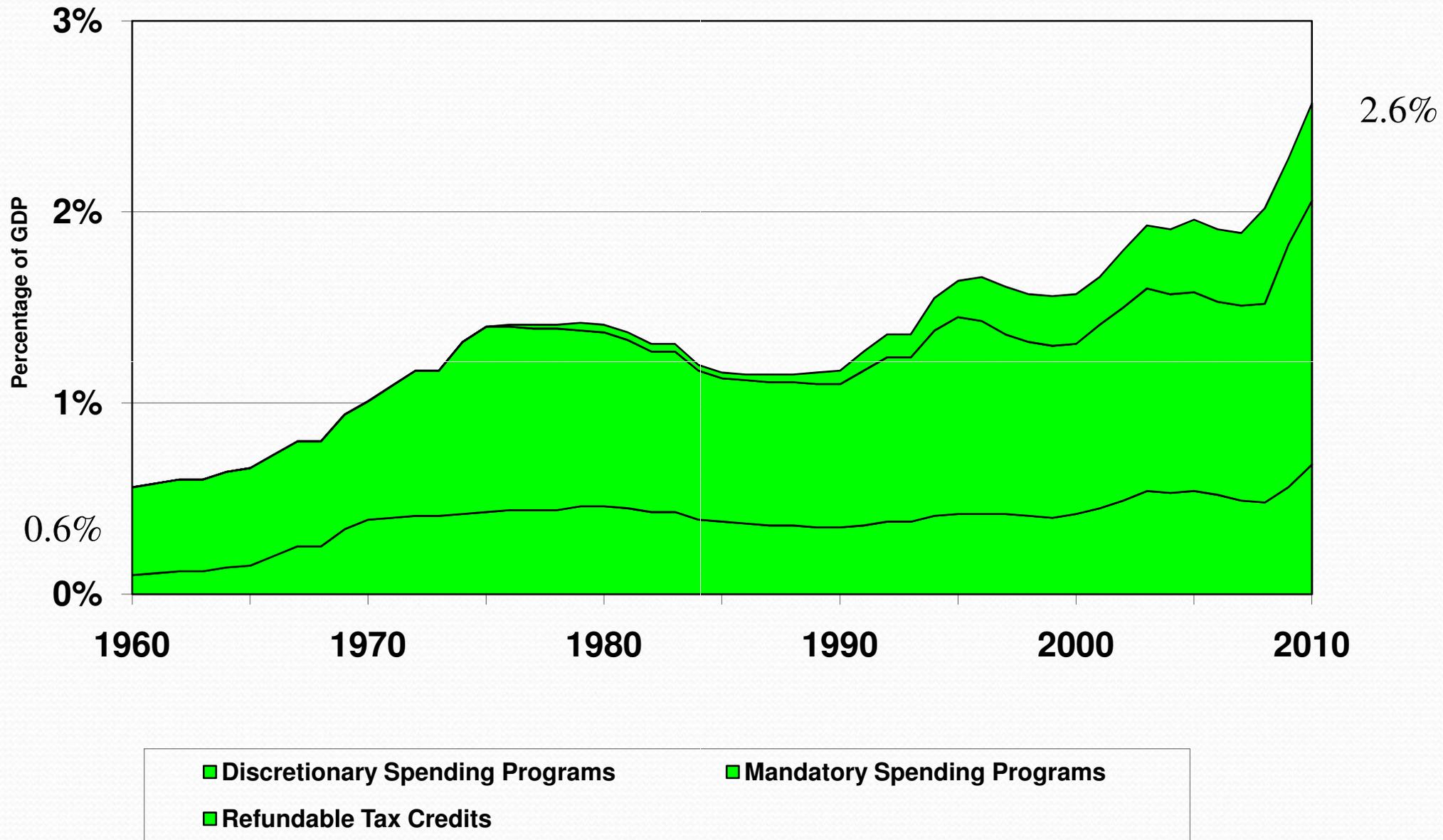
Source: Isaacs et al., 2011, Figure 10.

# Expenditures on Children, 1960-2010



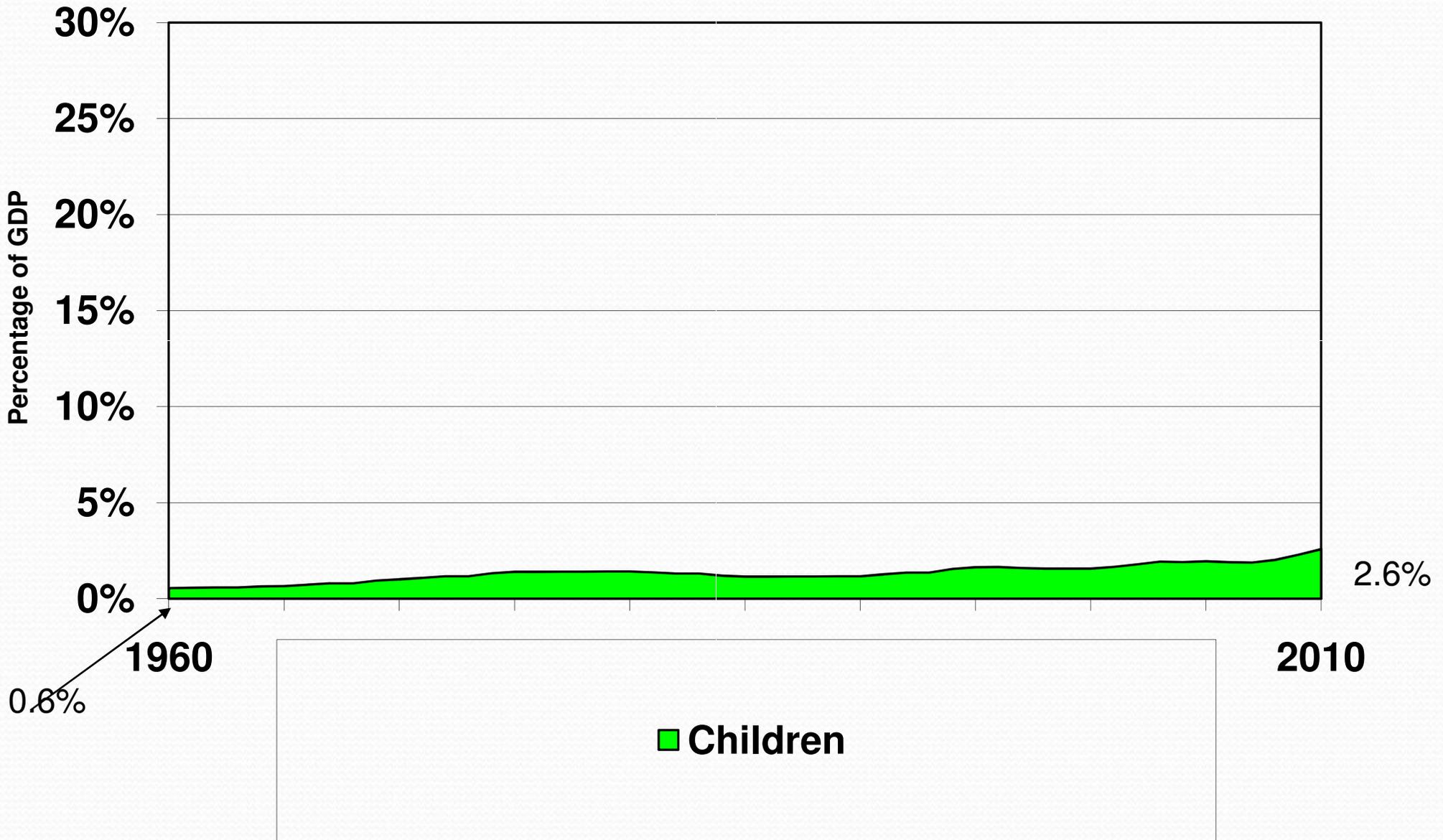
Source: Isaacs et al., 2011, Figure 10.

# Outlays on Children, 1960-2010



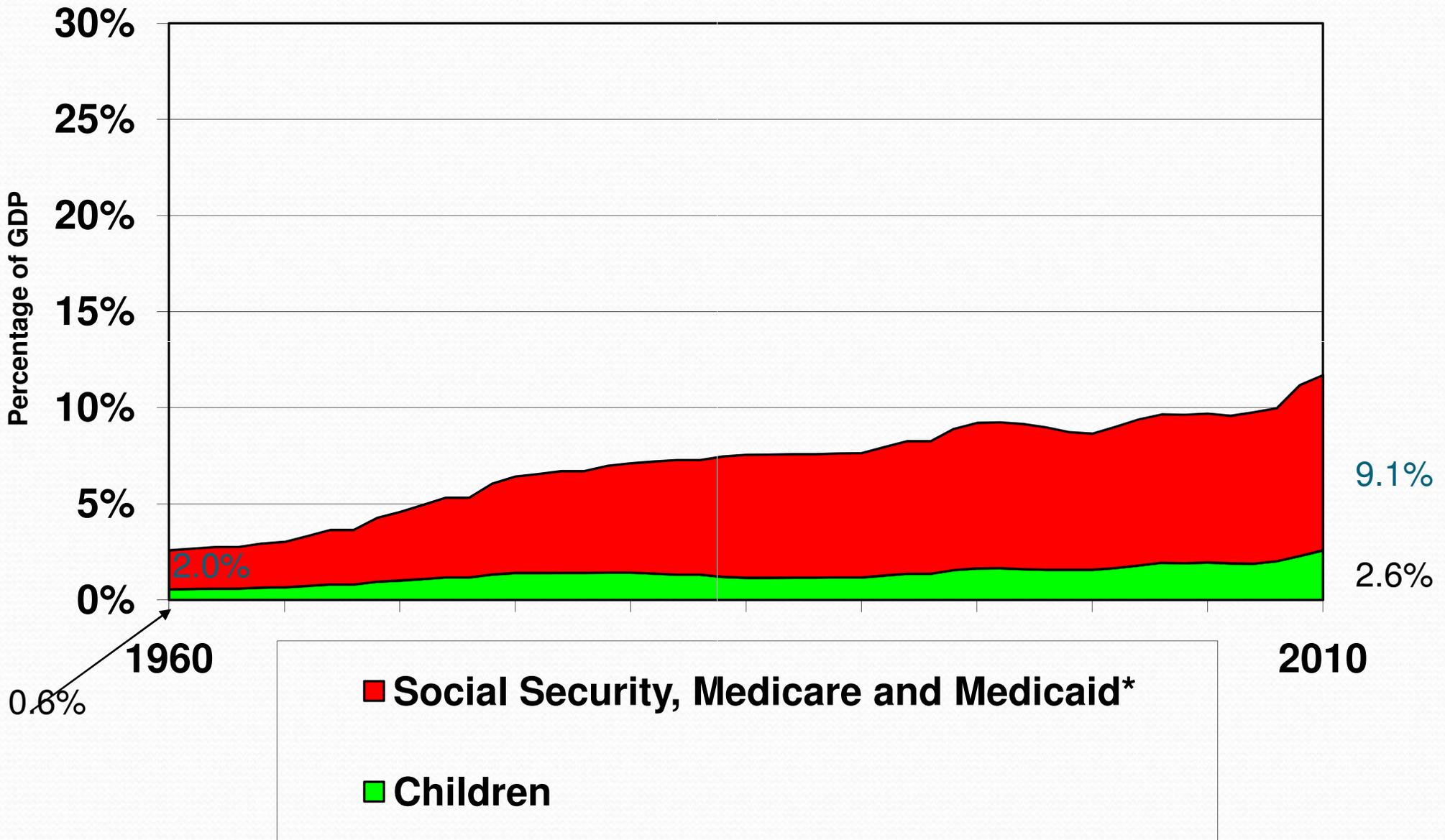
Source: Isaacs et al., 2011, Figure 10.

# Trends in Federal Budget Outlays, 1960-2010



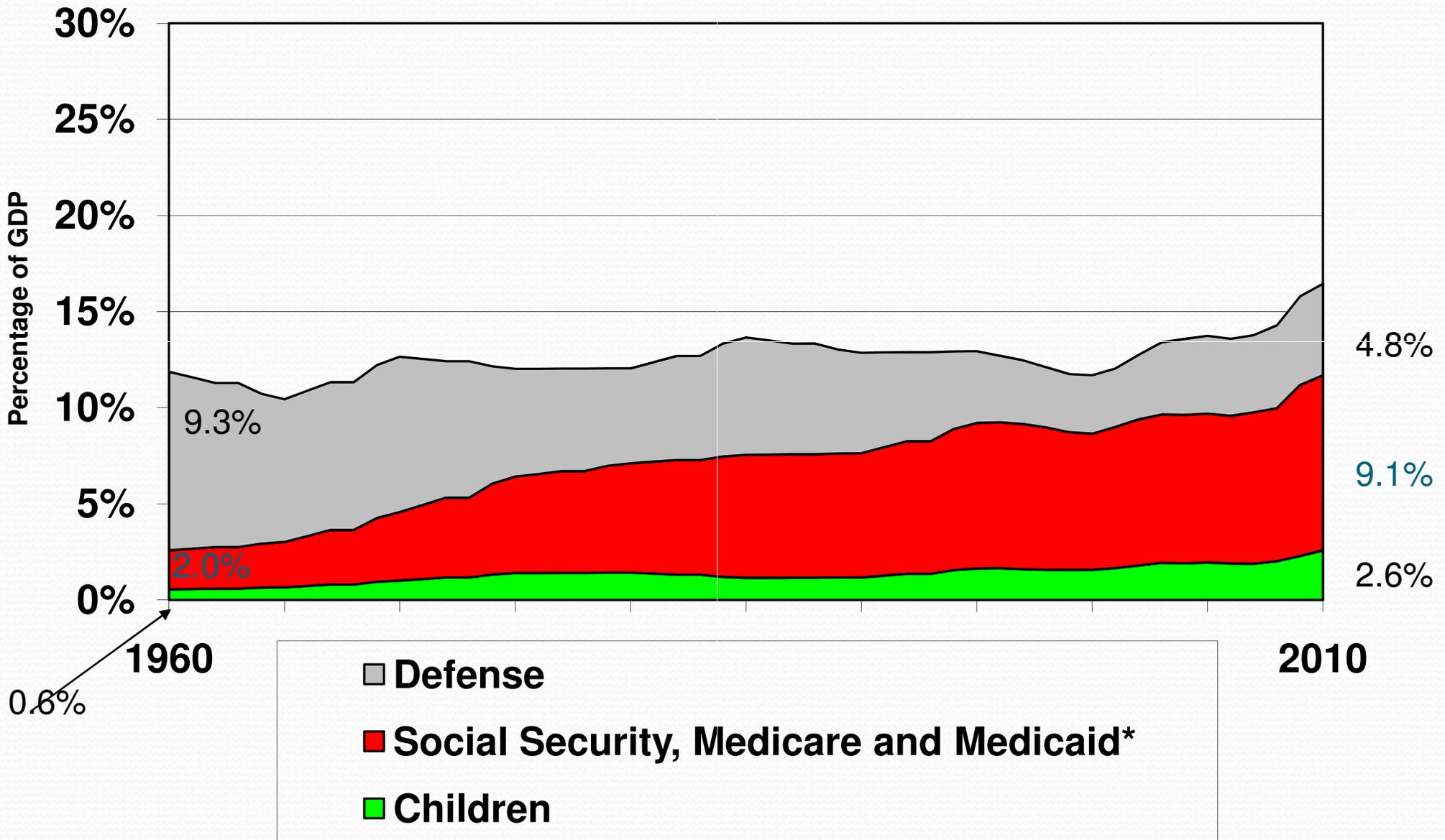
Source: Isaacs, Vericker, Macomber, Kent, 2009, Figure 5.

# Trends in Federal Budget Outlays, 1960-2009



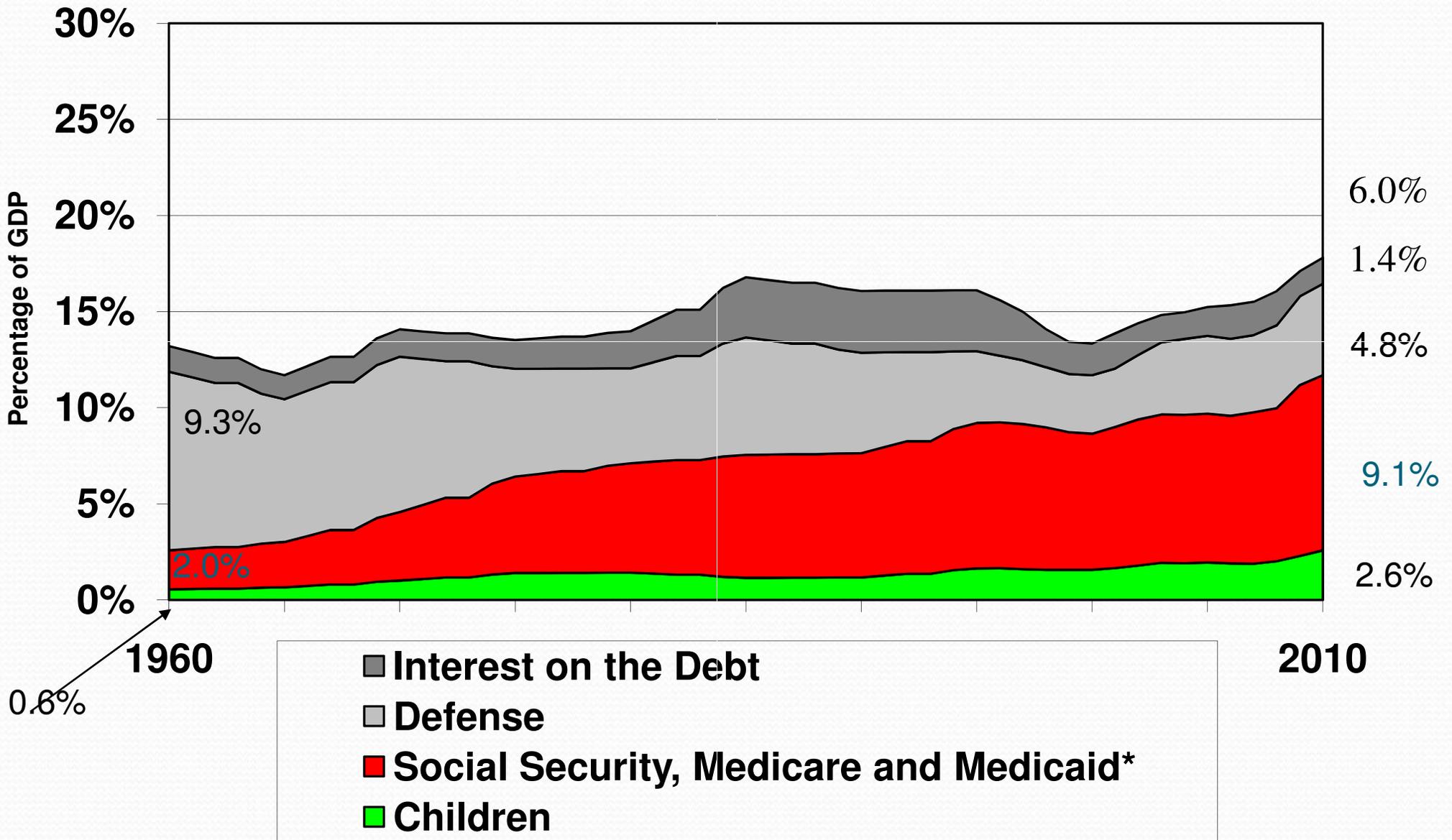
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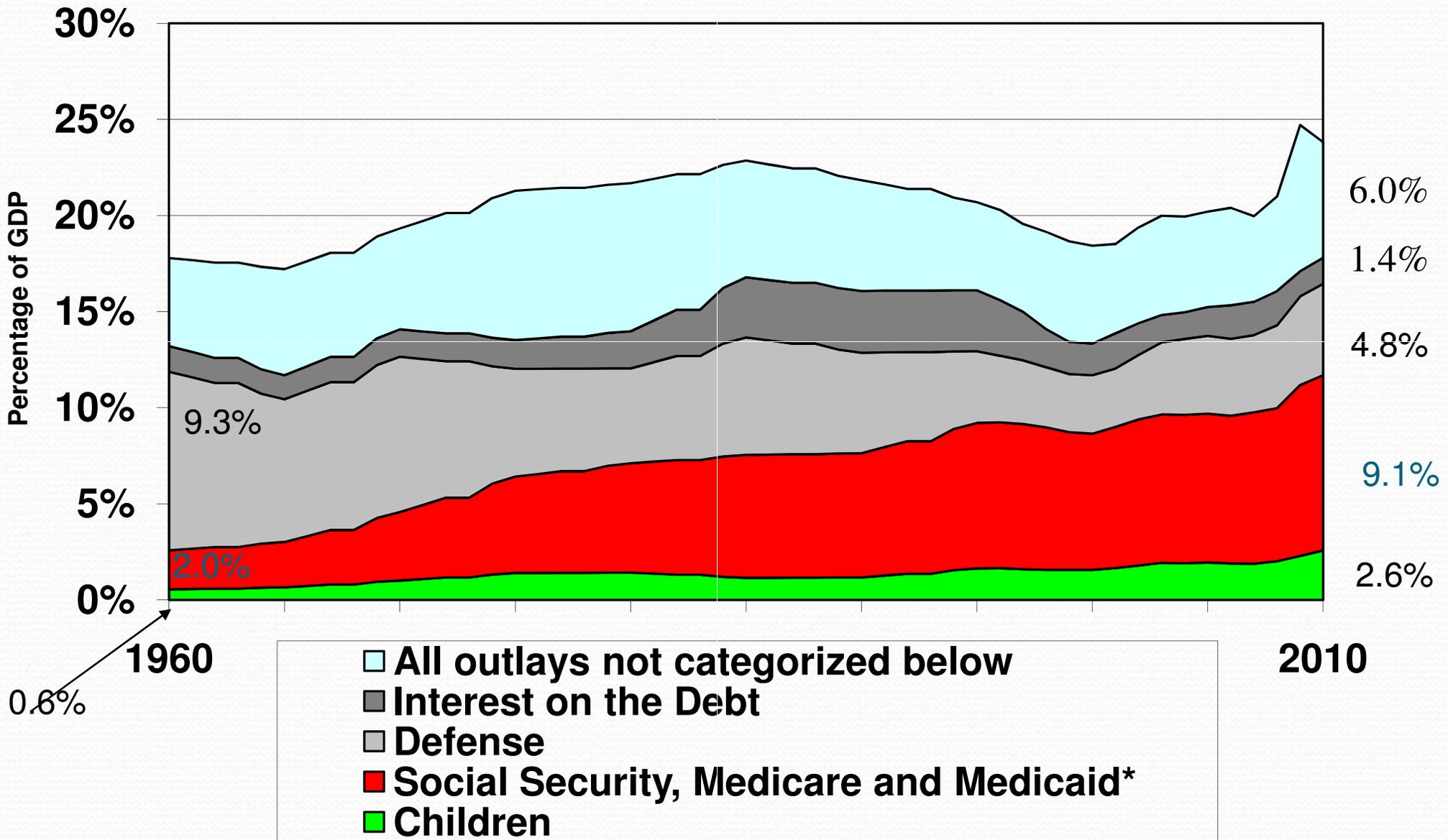
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# Trends in Federal Budget Outlays, 1960-2009



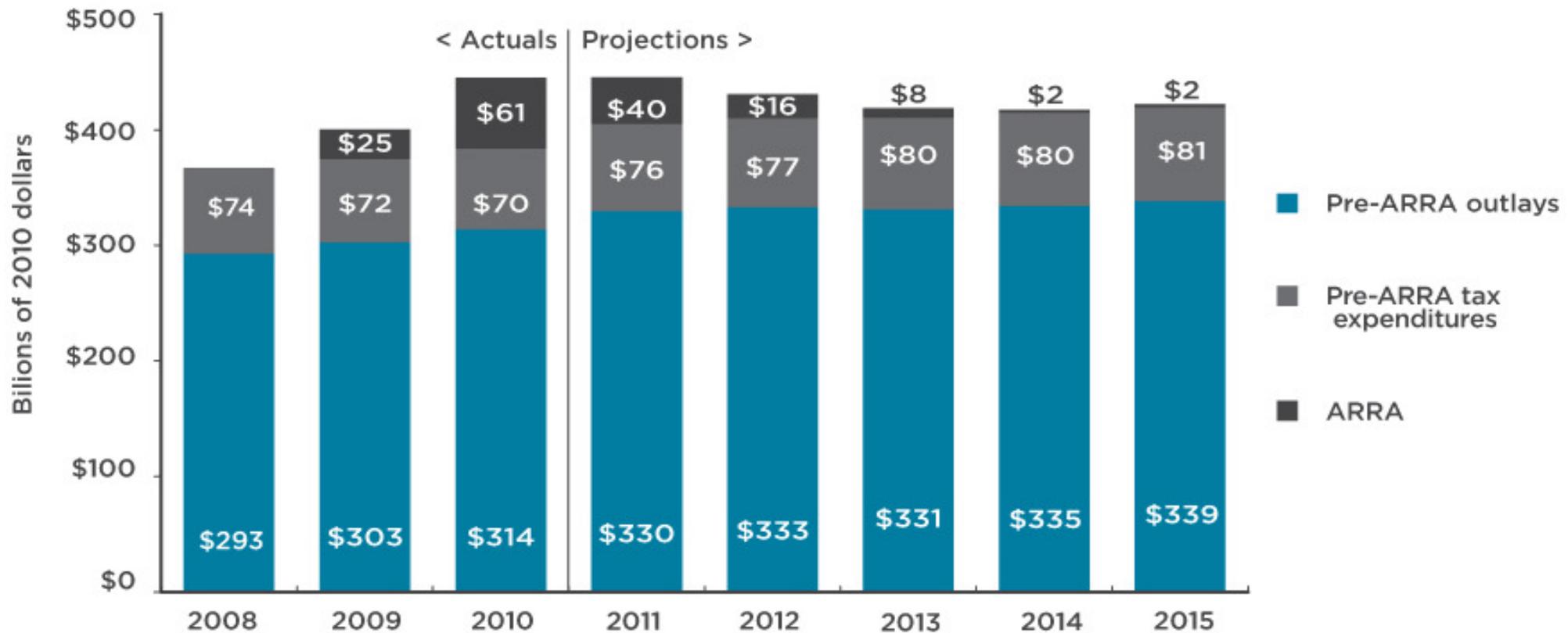
Source: Isaacs, Vericker, Macomber, Kent, 2009, Figure 5.

# Trends in Federal Budget Outlays, 1960-2009



Source: Isaacs, Vericker, Macomber, Kent, 2009, Figure 5.

# Actual and Projected Expenditures on Children, 2008-2015\*



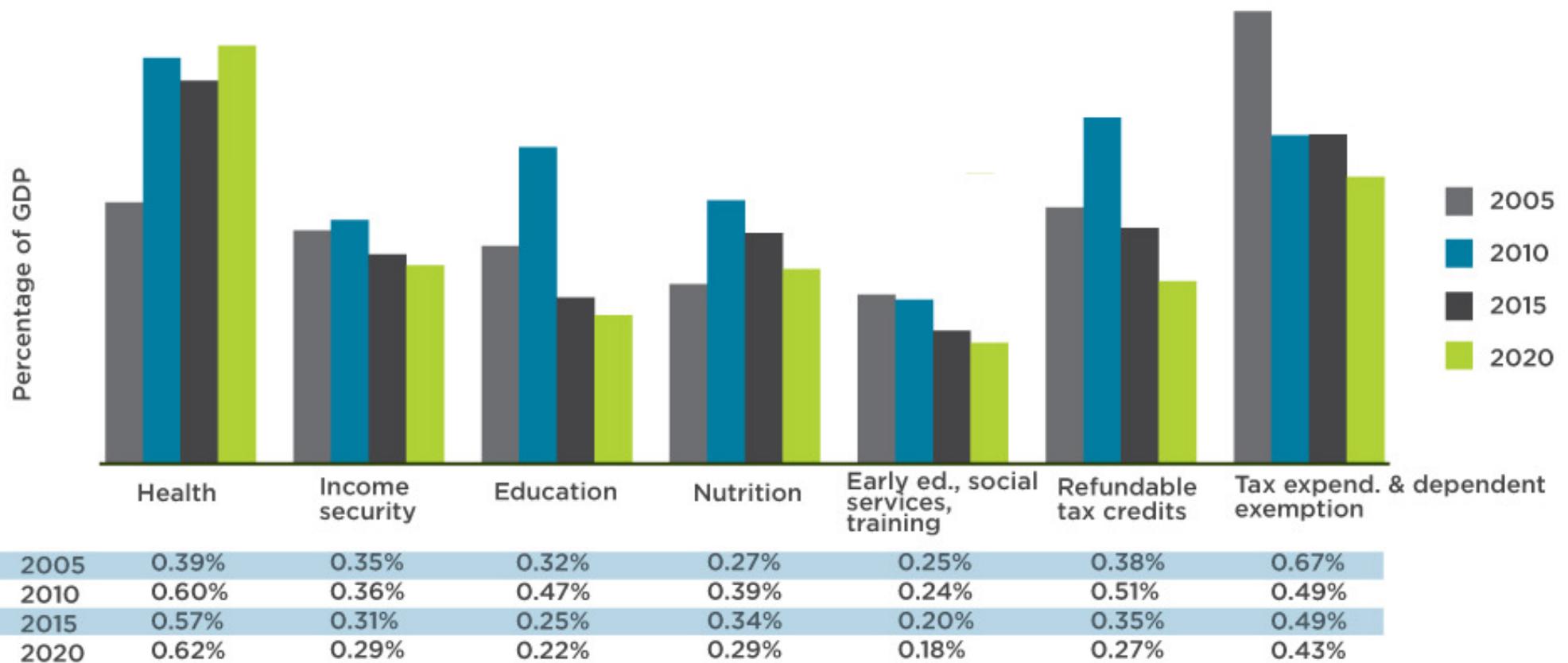
Source: The Urban Institute and The Brookings Institution, 2011. Authors' estimates based on data from the *Budget of the U.S. Government Fiscal Year 2012* and previous years, CBO projections, and Urban-Brookings Tax Policy Center Microsimulation Model projections.

\* Projections assume continuation of current policy in CBO March 2011 baseline and do NOT include cuts in 2011 continuing resolution or any of the proposed cuts currently under debate.

# ARRA's Effects on Children

- Expenditures on children increased in 2009 and 2010, as a result of ARRA and other responses to the recession
  - ARRA was well-targeted to children (25% vs. 11%)
- As ARRA impact ends, outlays on children are projected to decline:
  - **Measured in inflation-adjusted dollars** (a drop of 9% in next 5 years)
  - **As share of total budget** (from 11% to 8% over next 10 years)
  - **As share of economy**, falling below pre-recession levels by 2020
  - These projections based on CBO baseline in March 2011, BEFORE the cuts in the continuing resolution
  - Cuts particularly large in education and tax credits (see next slide)

# Expenditures on Children by Category, as a Percentage of GDP, in 2005, 2010, 2015, and 2020 (under current policy)



Source: The Urban Institute and The Brookings Institution, 2011. Authors' projections based on the *Budget of the U.S. Government Fiscal Year 2012*, CBO's Budget and Economic Outlook, 2011-21, and Urban-Brookings Tax Policy Center Microsimulation Model.

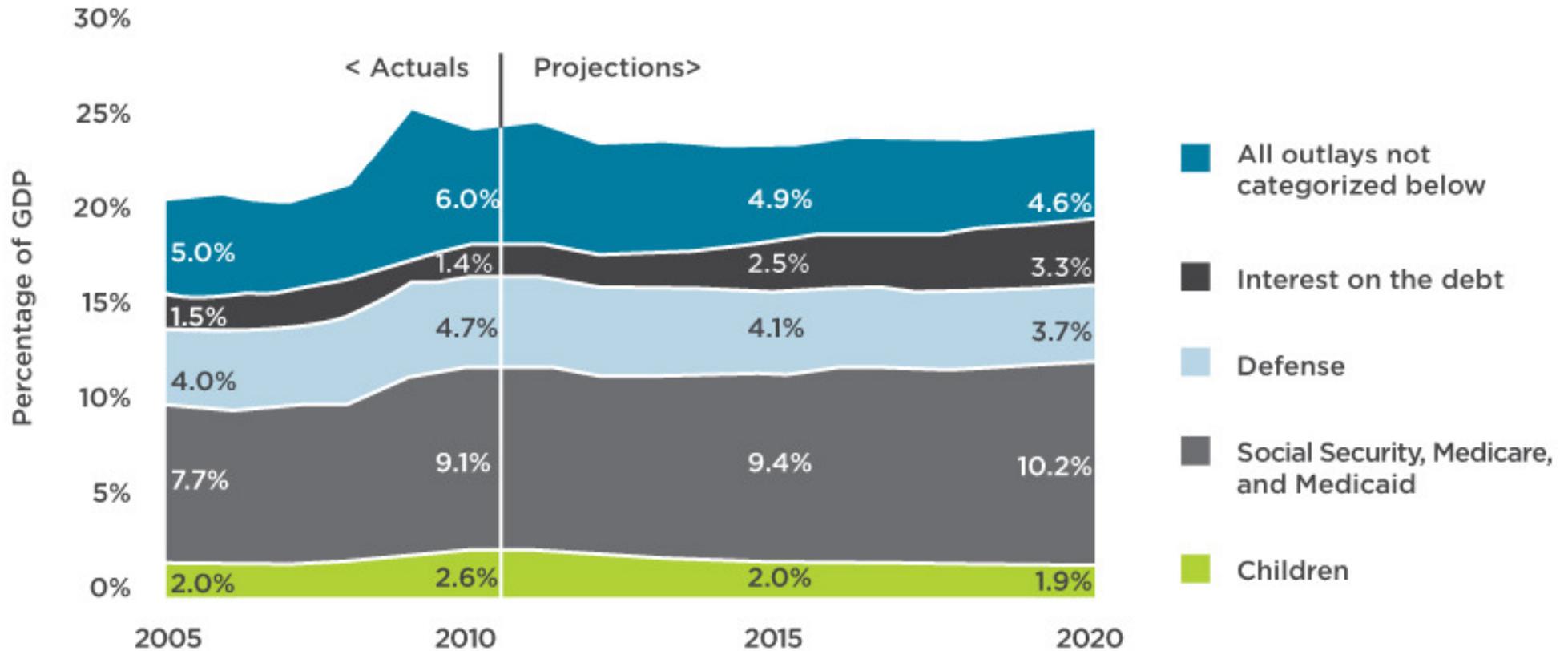
# Federal budget overall is NOT falling; CBO projects outlays \$1 trillion higher in 10 years

- CBO projects large growth in Social Security, Medicare and Medicaid,
  - Will be >\$600 billion higher in 2020 than today
  - By 2020, these 3 programs (Soc Sec, Med & Med) will consume 43 percent of the federal budget
- CBO also projects large growth in interest payments
  - Will be >\$400 billion higher in 2020
  - Starting in 2014, annual payments on interest on the federal debt will exceed outlays on children

# Share of Projected Growth in Federal Outlays (from 2010 to 2020) Going to Major Budget Items

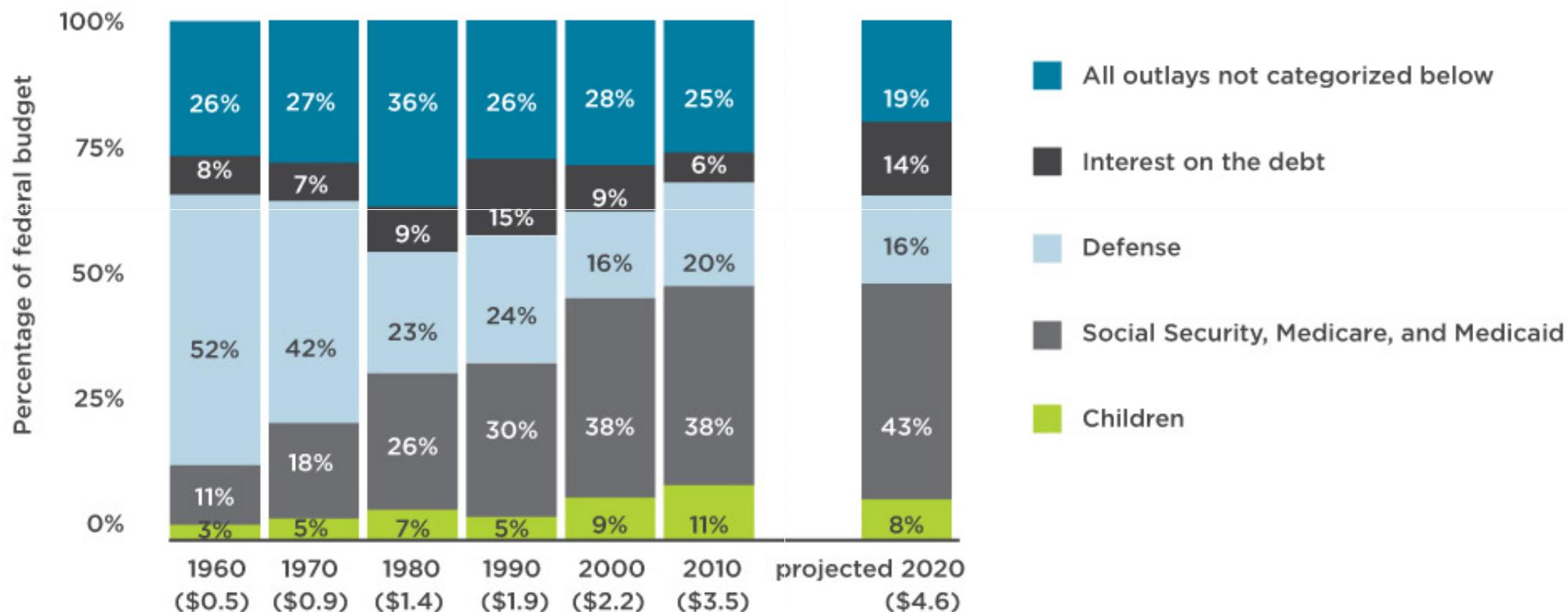
Major budget items	Increase between 2010 & 2020 (in billions)	Share of Total Increase
Social Security, Medicare and Medicaid*	\$635	58%
Interest on the Debt	\$444	41%
Defense	\$23	2%
Children	-\$15	-1%
All other Outlays	\$10	1%
<b>Total Growth</b>	<b>\$1,096</b>	<b>100%</b>

# Actual and Projected Outlays on Children and Other Major Items in the Federal Budget, 2005-2020



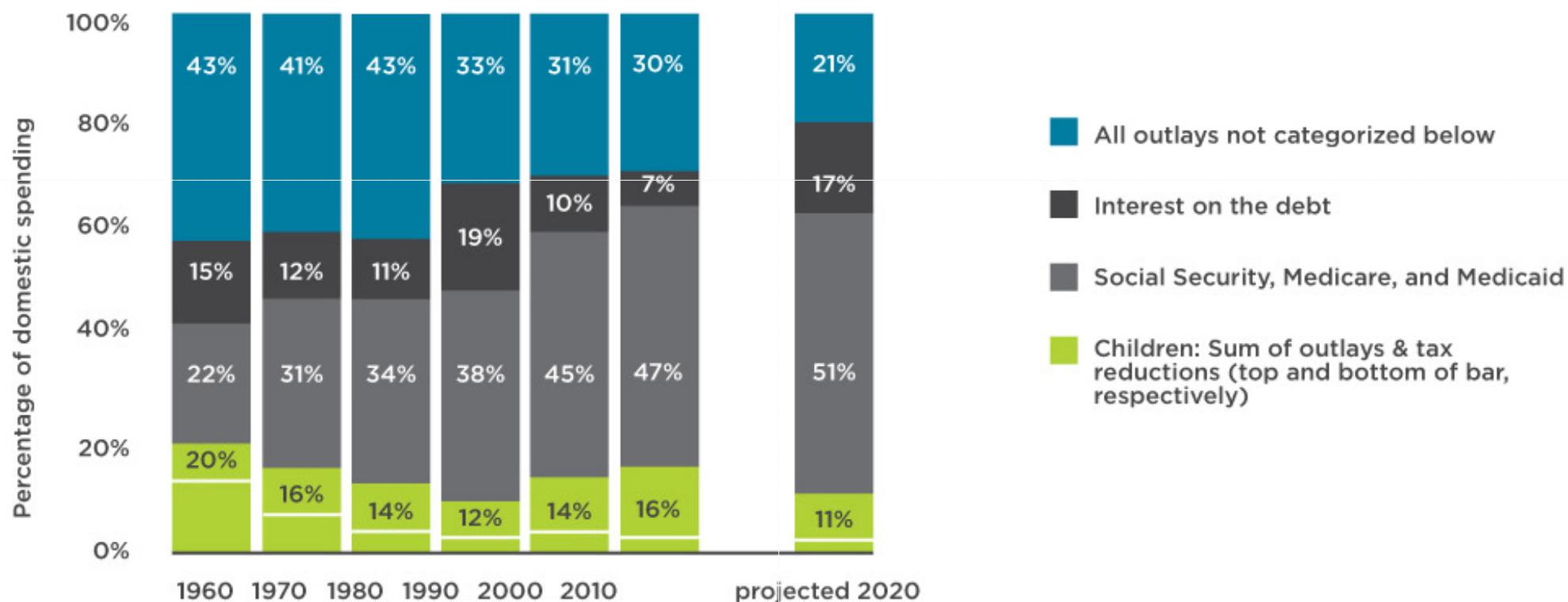
Source: The Urban Institute and The Brookings Institution, 2011. Authors' estimates based on data from the *Budget of the U.S. Government Fiscal Year 2012* and previous years and CBO projections. Note: Social Security, Medicare, and Medicaid excludes spending already captured as children's spending.

# Trends in Outlays on Children as a Share of Total Budget Outlays



Source: The Urban Institute and The Brookings Institution, 2011. Authors' estimates based on data from the *Budget of the U.S. Government Fiscal Year 2012* and previous years and CBO projections. Notes: Social Security, Medicare, and Medicaid category excludes spending already captured as children's spending. Dollars at the bottom show total federal outlays in trillions of 2010 dollars.

# Trends in Expenditures on Children as a Share of *Domestic* Federal Budget



Source: The Urban Institute and The Brookings Institution, 2011. Authors' estimates based on data from the *Budget of the U.S. Government Fiscal Year 2012* and previous years and CBO projections. Notes: Social Security, Medicare, and Medicaid category excludes spending already captured as children's spending. Domestic spending includes tax expenditures on children as well as outlays on all budget items other than defense and international affairs.

# Broad Trends: Recap

- Children's spending has grown over past 50 years, with additional temporary boost in 2009 and 2010
  - The **federal** increases may not translate into **total** increases, because of likely declines in state/local spending on schools.
- Declines in defense spending allowed domestic spending to increase, without increases in spending or taxes as % of GDP (1960 to about 2000)
- Over past 10 years, increases in spending and decreases in taxes have resulted in increased borrowing
  - Spending more on annual interest payments on the debt higher than spending on children (2014 forward)
- Much of future budget tied up in automatic growth in spending on elderly and disabled and interest payments, leaving little for children.
  - Children's spending projected to decline to 8% of budget in 2020

# Thank you for opportunity to present

- Julia Isaacs      [jisaacs@brookings.edu](mailto:jisaacs@brookings.edu)

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