

# Federal Expenditures on Infants and Toddlers in 2007

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The Urban Institute

BROOKINGS



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# EXECUTIVE SUMMARY

**R**esearch suggests that investing in young children can help build a strong future workforce, improve children's educational success and health, and potentially reduce some of the social ills that drain the nation's resources and will. To have an informed conversation about future investments, it is important to start from an understanding of the baseline: What investments does this nation currently make in young children? Which programs and purposes are currently supported by federal investments, and which are not?

This report provides such a baseline understanding and informs a national conversation about how best to invest the country's resources by examining federal expenditures on infants and toddlers, defined as children under age 3. The report looks at more than 100 programs through which the federal government spends money on children and calculates the amount spent on this population. These baseline estimates provide a place to start in gauging the priority the nation places on investing in very young children and in comparing the expenditure patterns to researchers' findings about investments that work.

Experts make six compelling points about the value of investing in young children:

- A child's earliest years are pivotal to development.
- Poverty and toxic stress can adversely affect infant and toddler development.
- Significant numbers of infants and toddlers are vulnerable to poverty and toxic stress.
- Scientifically rigorous evaluations have identified interventions that work to improve vulnerable children's development.
- High-quality services for infants and toddlers require significant investments.
- Substantial returns can be realized when investing in disadvantaged children early.

Given this research documenting the value of investing in young children, how much does the federal government spend on infants and toddlers, and where and how is the money being spent? Analyses reveal the following:

- Early care and education programs make up a relatively small share of all federal funding on infants and toddlers, despite expert findings that show the demonstrated benefits of these programs during this pivotal stage in development. Spending on Early Head Start, Part C of the Individuals with Disabilities Education Act, and child care assistance under spending and tax programs represents 7 percent of all spending on infants and toddlers. By comparison, 17 percent of federal spending on all children goes to early care and education, and high levels of state spending on education for these older children mean that the total public investment is far higher.
- Federal spending on infants and toddlers is more concentrated in health and nutrition than federal spending on all children, with the health portion driven largely by spending on Medicaid, specifically on costs in the first two years of life. An estimated 38 percent of all federal spending on infants and toddlers



is on health and nutrition programs, compared with 25 percent of federal spending on all children under 18. In fact, 21 percent of federal spending on infants and toddlers comes in the Medicaid program alone, compared with 12 percent of spending on all children.

- Most spending on infants and toddlers flows through programs that do not explicitly focus on young children but serve all children (e.g., the child tax credit) or low-income individuals of different ages (e.g., Medicaid).
- Federal programs serving children tend to be targeted on low-income families, and this is particularly true for expenditures on infants and toddlers; more than two-thirds of expenditures are focused on low-income families.
- Infants and toddlers receive very little cash assistance. Programs providing regular cash payments compose only 2 percent of total spending on infants and toddlers, compared with 9 percent of expenditures on all children. Relatively few infants and toddlers receive Social Security survivors' benefits, qualify as disabled under Supplemental Security Income, or receive child support payments.
- The federal government spent \$44 billion in outlays and an additional \$13 billion in tax expenditures on infants and toddlers in 2007. As these numbers are baselines, it is not possible to know if this represents an increase or decrease from prior years. In addition, while state expenditures are outside the scope of this report, findings from other research suggests that states spend little on this age group, compared with older children.

While answering important questions about federal spending on very young children, these estimates also allow policymakers, advocates, and the public to ask several new questions that could not be asked before, in light of the case experts are making for investment in very young children:

- Do current spending levels, particularly for early care and education programs, address the full range of developmental needs of infants and toddlers, given this pivotal stage in life?
- Do current allocations allow programs to reach the children most vulnerable to poverty and toxic stress during these critical years to improve their life trajectories?
- Do evaluations of what works suggest the need for greater investment in certain program areas?
- Are investment levels sufficient to ensure high-quality services for enough of the infants and toddlers who need them?

This report provides valuable information to a new presidential administration and Congress that will make critical budgetary decisions in troubled economic times. Given the developmental importance of children's early years, the interest in investing in young children (especially the most vulnerable), and the potential for return on this investment, the well-being of young children may figure more prominently in these future decisions. To inform these discussions, this report estimates federal expenditures on infants and toddlers and differentiates the key sources and types of funding that support them. In doing so, it brings into clearer focus the choices the nation faces in deciding how much to invest in its youngest citizens and how to make that investment.





# INTRODUCTION

**R**esearch suggests that investing in young children can help build a strong future workforce, improve children's educational success and health, and potentially reduce some of the social ills that drain the nation's resources and will. To have an informed conversation about future investments, it is important to start from an understanding of the baseline: What investments does this nation currently make in young children? Which programs and purposes are currently supported by federal investments, and which are not?

The purpose of this report is to provide such a baseline understanding and inform a national conversation about how best to invest the country's resources, by examining federal expenditures on infants and toddlers, defined as children under age 3. We look at more than 100 programs through which the federal government spends money on children and calculate the amount spent on this population. Because this is the first year of this research, we cannot assess trends over time, and we cannot estimate state resources, only federal. Moreover, we cannot say from these results anything about the success, efficiency, or merit of a particular type of spending. Nor does the level of spending on very young children demonstrate how much help is needed. However, these baseline estimates provide a place to start in gauging the priority the nation places on investing in very young children and in comparing the expenditure patterns to researchers' findings about investments that work.

Experts make six compelling points about the value of investing in young children:

- *A child's earliest years are pivotal to development.* During the first years of life, a child's brain grows substantially in size and in architecture. An estimated 700 new neural connections are created every second (Center on

the Developing Child 2008). These new connections help form more complex brain circuits that are paramount in the development of vision, hearing, and language skills, along with higher cognitive functioning. Additionally, interactions with caregivers are critical. Attachments very young children form with caregivers early in life largely shape their later relationships (Ainsworth 1985; Bowlby 1969; National Scientific Council on the Developing Child 2004).

- *Poverty and toxic stress can adversely affect infant and toddler development.* Extreme poverty can weaken a child's brain architecture by inhibiting the development of neural connections (Center on the Developing Child 2008). Hart and Risley (2003) estimate that by the age of 3 the language experiences between children of higher and lower socioeconomic status differ by 30 million words, setting the stage for persistent achievement gaps. Toxic stressors (e.g., recurrent child abuse or neglect, severe maternal depression, parental substance abuse, or family violence) can lead to persistent elevations of stress hormones and altered levels of key brain chemicals. These physiological changes weaken the architecture and



chemistry of the developing brain (Center on the Developing Child 2007).

- *Significant numbers of infants and toddlers are vulnerable to poverty and toxic stress.* In 2007, 5.4 million, or 43 percent, of the nation's infants and toddlers lived in low-income families (families with incomes below 200 percent of the federal poverty level), a percentage higher than most groups of older children (Douglas-Hall and Chau 2008). Beyond poverty, other forms of toxic stress can afflict the early development of thousands of infants and toddlers. For example, nearly one-third of the over 900,000 victims of child maltreatment in 2006 were age 3 or younger (U.S. Department of Health and Human Services [HHS] 2008b). Additionally, as many as 40 to 60 percent of low-income mothers of young children and pregnant and parenting teens report depressive symptoms (Knitzer, Theberge, and Johnson 2008).
- *Scientifically rigorous evaluations have identified interventions that work.* Early Head Start (EHS), which provides comprehensive and intensive services to poor families with children under age 3 in centers or through visits to families' homes, is shown to improve home environments and outcomes for children and parents (HHS 2002). The Nurse Family Partnership (NFP), which regularly sends trained nurses into family's homes to help parents develop positive parenting skills, reduces the incidence of abuse or neglect, improves mothers' prenatal health, reduces the likelihood of an early second pregnancy, and improves language development and behavior of children of more psychologically vulnerable mothers (Goodman 2006). Children served by the Abecedarian Program, which provided a full-day, center-based education program for at-risk children from early infancy to school entry, had better academic achievement in reading and math, completed more years of education, were more likely to attend a four-year col-

lege, and were older on average when their first child was born.<sup>1</sup> The evaluations of all these programs employed scientifically rigorous methods, using randomly assigned treatment and comparison groups.

- *High-quality services for infants and toddlers require significant investments.* Child care services for infants and toddlers are more costly than services for older children, largely because of the lower child-to-staff ratios needed to provide quality care at this age. For example, recommended child-to-staff ratios range from 3:1 to 5:1 for infants and toddlers, compared with ratios between 8:1 and 10:1 for 4-year-olds (Children's Defense Fund 2004). The higher costs of services for very young children are also reflected in the difference between the cost of Head Start and Early Head Start services. Head Start costs on average \$7,200 per 3- to 5-year-old, while Early Head Start costs \$10,500 per 0- to 2-year-old (Isaacs 2008). A look at medical expenses also reveals the high cost of infant and toddler care. For example, one study estimates Medicaid costs for a low-weight infant in South Carolina in 2006 at almost \$29,000 for a year of coverage (Henderson 1994; Hueston, Quattlebaum, and Benich 2008).
- *Investing in disadvantaged children early can produce substantial returns.* Nobel prize-winning economist James Heckman suggests that investing in disadvantaged children early has high rates of return that promote productivity in the economy and society at large (Heckman 2006). The Partnership for America's Economic Success estimates that if the Abecedarian Program were implemented nationwide, reaching 20 percent of the most disadvantaged children, in 75 years the U.S. federal government's revenues would increase \$134 billion (in 2007 dollars) and the nation's gross domestic product would increase 1.1 percent (Bartik, Dickens, and Baschnagel 2008). Similarly, the Partnership estimates that if the NFP home visiting pro-



gram were implemented nationally, by 2088 it would produce just under a half-million new jobs. Federal Reserve economists Rob Grunewald and Arthur Rolnick describe returns on investment in early education as “extraordinary whether compared to most dollars invested in conventional economic development or even to opportunities in the private sector” (2006, 4).

Given this research documenting the value of investing in young children, how much does the federal government spend on infants and toddlers, and where and how is the money spent? This first-time report provides initial estimates to answer these questions. Analyses reveal the following:

- Early care and education programs make up a relatively small share of all federal funding on infants and toddlers. Spending on Early Head Start, Part C of the Individuals with Disabilities Education Act, and child care assistance under spending and tax programs represents 7 percent of all spending on infants and toddlers. By comparison, 17 percent of federal spending on all children goes to early care and education. High levels of state spending on education for these older children mean that the total public investment is far higher.
- Federal spending on infants and toddlers is more concentrated in health and nutrition than federal spending on all children, with the health portion driven largely by spending

on Medicaid. An estimated 38 percent of all federal spending on infants and toddlers is on health and nutrition programs, compared with 25 percent of federal spending on all children under 18. In fact, 21 percent of federal spending on infants and toddlers comes in the Medicaid program alone, compared with 12 percent of spending on all children.

- Most spending on infants and toddlers flows through programs that do not explicitly focus on young children but serve all children or low-income individuals of different ages.
- Federal programs serving children tend to be targeted on low-income families. This is particularly true for expenditures on infants and toddlers; more than two-thirds are focused on low-income families.
- Infants and toddlers receive very little cash assistance. Programs providing regular cash payments compose only 2 percent of total spending on infants and toddlers, compared with 9 percent of expenditures on all children.
- The federal government spent \$44 billion in outlays and an additional \$13 billion in tax expenditures on infants and toddlers in 2007. As these numbers are baselines, it is not possible to know if this represents an increase or decrease from prior years. In addition, findings from other research suggests that states spend little on this age group, compared with older children.



## METHODS

**E**stimating federal expenditures on infants and toddlers is a challenging proposition. How does one define an infant and a toddler? Which federal programs provide benefits to infants and toddlers? Should the analysis include tax provisions that benefit young children? What are the best data sources? How much of a benefit to families with children goes to the infants and toddlers compared with their older siblings or parents? For many of these questions, there is no simple answer. Instead, researchers must make judgments based on expert advice and available data.

Fortunately, our task was greatly simplified, as we built on the methods and estimates developed for prior work on children's budgets conducted at the Urban Institute. We already had estimates of federal expenditures in 2007 on children under age 19 from *Kids' Share 2008: How Children Fare in the Federal Budget* (Carasso et al. 2008).<sup>2</sup> Below we summarize the key methods used for estimating federal expenditures on children in the Urban Institute's earlier work, and we describe how these estimates were further refined in this new analysis of expenditures on infants and toddlers. Further information is provided in the data appendix, *Federal Expenditures on Infants and Toddlers in 2007*, a separate publication.<sup>3</sup>

The key decisions and methodological approaches used in estimating expenditures on children in *Kids' Share 2008* and in this report can be summarized as follows:

- **Definition of Children:** Children are defined as residents of the United States under age 19. We draw a line at the end of high school in adding up children's benefits. Thus, we exclude federal spending in the form of college or postsecondary vocational training, such as Pell grants, Stafford or Perkins loans, Hope Scholarship tax credits, Job Corps for youth over age 18, and the like.

- **Programs Included:** More than 100 programs through which the federal government spends money on children are classified into several major categories:

1. *Health* (e.g., Medicaid and the State Children's Health Insurance Program [SCHIP])
2. *Nutrition* (e.g., Supplemental Nutrition Assistance Program [SNAP], formerly known as Food Stamps, and Child Nutrition)
3. *Housing* (e.g., Section 8 Low-Income Housing Assistance and Low Income Home Energy Assistance)
4. *Income security* (e.g., Temporary Assistance for Needy Families [TANF] and Supplemental Security Income [SSI])
5. *Social services* (e.g., Head Start, child care, and foster care)
6. *Education and training* (e.g., Education for the Handicapped (Part C))
7. *Refundable tax credits* (e.g., the refundable portions of the earned income tax credit [EITC] and the child tax credit [CTC])
8. *Reductions in taxes* (e.g., the dependent exemption, the child and dependent



care credit, and the nonrefundable portions of the EITC and CTC)

For a full list of spending and tax programs, see table 1, which lists more than two dozen major programs directly in the table and many smaller programs in the notes.

In this report, the tax programs are split into two categories: the refundable portions of the EITC and the CTC, which provide cash to families and are classified as outlays in budgetary documents; and all other tax credits and tax exemptions, which provide an offset to taxes owed and are classified as tax expenditures in budgetary documents. This split allows us to provide two estimates of total spending on children. For most purposes, we present total expenditures, the sum of all eight categories, including tax expenditures, to provide a comprehensive picture of government expenditures on children. However, our figures also show an outlay subtotal (the sum of the first seven categories), a useful figure for making apple-to-apple comparisons to other spending estimates in the federal budget, as well as most other estimates of spending on children.

■ **Criteria for Inclusion:** For a program to be included in this analysis, it must meet one of the following criteria:

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

■ **Calculation of Share Expended on Children:** There are a number of different ways one could conceptualize the share of benefits expended on children. In the children's budget reports, we define federal spending on children as equal to the amount families

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

■ **Data Sources:** Analyses draw primarily on data from the federal *Budget of the United States Government* (fiscal year 2009 and past years), its appendices, and special analyses for historical data and projections. For most programs, we start with outlay estimates from the *Appendix to the Federal Budget* or, in the case of tax expenditures, from the *Analytical Perspectives* volume of the budget. All budget numbers presented in this report represent fiscal years and are always expressed in 2007 dollars, unless otherwise indicated.

Much of the quantitative effort goes into estimating the portions of programs, such as Food Stamps, Medicaid, or SSI, that go just to children. For these calculations, the most frequently used data sources are the House Ways and Means Committee's *Green Book* (various years), the *Annual Statistical Supplement to the Social Security Bulletin* (various years), reports from the agencies that administer the programs, and discussions with agency staff. For program-by-program detail on data sources and allocation assumptions, see the data appendix.

*Federal Expenditures on Infants and Children in 2007* builds on this methodology to further examine expenditures on children by estimating those solely focused on infants and toddlers. To generate these estimates we applied a three-step process.

■ **Define Infants and Toddlers:** Infants and toddlers are defined as residents of the United



TABLE 1. Federal Expenditures on Infants and Toddlers, by Category and for Major Programs

	Spending (millions)	As percent of total expenditures on infants and toddlers	As percent of total program spending
Medicaid	\$12,018	21%	6%
State Children's Health Insurance Program	\$827	1%	14%
Immunization	\$442	1%	77%
National Institute for Child Health & Human Development	\$195	*	16%
Maternal and Child Health Block Grant	\$138	*	20%
Other health	\$206	*	—
<b>Health total</b>	<b>\$13,827</b>	<b>24%</b>	—
Women, Infants and Children Food Program	\$3,857	7%	73%
Supplemental Nutrition Assistance Program/Food Stamp Program	\$3,501	6%	10%
Child nutrition	\$535	1%	4%
Other nutrition	\$6	*	—
<b>Nutrition total</b>	<b>\$7,899</b>	<b>14%</b>	—
Section 8 housing	\$3,944	7%	16%
Low-rent public housing	\$599	1%	16%
Low income home energy assistance	\$205	*	7%
Other housing	\$90	*	16%
<b>Housing total</b>	<b>\$4,839</b>	<b>8%</b>	—
Temporary Assistance for Needy Families	\$2,564	4%	16%
Supplemental Security Income	\$504	1%	1%
Child support enforcement	\$340	1%	9%
Social Security	\$350	1%	*
Other income security	\$200	*	*
<b>Income security total</b>	<b>\$3,957</b>	<b>7%</b>	—
Child Care and Development Block Grant	\$1,678	3%	33%
Head Start	\$686	1%	10%
Foster care	\$359	1%	8%
Social services block grant	\$177	*	9%
Other social services	\$318	1%	—
<b>Social services total</b>	<b>\$3,218</b>	<b>6%</b>	—
Education for the Handicapped/Individuals with Disabilities Education Act	\$434	1%	4%
Other education programs	\$0	0%	0%
Training programs	\$0	0%	0%
<b>Education and training total</b>	<b>\$434</b>	<b>1%</b>	—
Earned income tax credit (outlays)	\$7,050	12%	18%
Child tax credit (outlays)	\$2,830	5%	18%
<b>Tax credits (outlays)</b>	<b>\$9,881</b>	<b>17%</b>	—
<b>Total outlays on infants and toddlers</b>	<b>\$44,054</b>	<b>77%</b>	—
Child tax credit (nonrefundable portion)	\$5,414	9%	18%
Dependent exemption	\$4,900	9%	15%
Earned income tax credit (nonrefundable portion)	\$919	2%	18%
Child and dependent care credit	\$856	2%	31%
Exclusion of employer-provided child care	\$374	1%	32%
Adoption credit and exclusion	\$234	*	63%
Other tax provisions	\$254	*	—
<b>Tax expenditures total</b>	<b>\$12,951</b>	<b>23%</b>	—
<b>Total expenditures on infants and toddlers (outlays and tax expenditures)</b>	<b>\$57,005</b>	<b>100%</b>	—

\* = < 1 percent.

Notes: Other health includes lead hazard reduction, Healthy Start, children's graduate medical education, birth defects/developmental disabilities, universal newborn hearing, adolescent family life, emergency medical services for children, and abstinence education. Other nutrition includes commodity supplemental food program and special milk. Other housing includes rental and supplemental housing assistance. Other income security includes veterans benefits, railroad retirement, and black lung disability. Other social services includes children and families services programs, family preservation and support, adoption assistance, child welfare services, child welfare training community services block grant, children's research and technical assistance, missing children, independent living, and juvenile justice. There is no infant or toddler spending in other education programs or any training programs. Other tax provisions include tax exclusions for public assistance benefits, certain foster care payments, veterans death benefits and disability compensation, Social Security disability benefits, Social Security retirement and dependents and survivors' benefits, veterans pensions, special benefits for disabled coal miners, and railroad retirement benefits, along with assistance for adopted foster children and the employer-provided child care credit.





States between ages 0 and 2, with a focus on expenditures beginning after the child is born. We considered expanding the definition to include federal coverage of prenatal care. Such expenditures undoubtedly benefit children, and many analysts are beginning to define “early childhood” as the period spanning “prenatal to five.” However, one can also argue for a conceptual definition distinguishing costs spent on infants once they are born and are part of the infant and toddler population. Indeed, we were pushed toward this choice by data constraints. Our Medicaid and SCHIP data sources do not allow us to easily capture spending that is linked to the mother’s health record as opposed to the infant’s health record, and thus we are missing the vast majority of federal spending on prenatal, birth, and postpartum costs. Although we cannot estimate from the Medicaid records themselves, a back-of-the-envelope calculation suggests Medicaid spends roughly \$7.6 billion on birth and delivery costs, most of which are missing from the figures reported here.<sup>4</sup> For consistency sake, we also excluded \$894 million in spending on pregnant and postpartum women from the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program, the Maternal and Child Health Block Grant (MCHBG), and three smaller programs.<sup>5</sup>

- *Calculate Share of Children’s Benefits Expended on Children Age 0 to 2:* We gathered program-level data (when available) to estimate the percentage of program funding devoted to children age 0 to 2 as a percentage of estimated spending on children 0 to 18. However, many data sources used to determine spending on children overall (cited above) do not break down spending into detailed age groups, and so we often had to ask agency staff or in-house experts within the Urban Institute to produce specialized tabulations by age of program-level data. Where we could not find program-level

data, we relied on the surveys such as Current Population Survey—sometimes augmented through the Transfer Income Model 3 (TRIM3)—to estimate the age of children receiving benefits.<sup>6</sup>

When data were sufficiently detailed, we used total *program dollars* devoted to infants and toddlers to construct the share of spending on infants and toddlers, a percentage we refer to in the accompanying data appendix as the “infants and toddlers multiplier.” In this manner, we are able to take into account not only the share of recipients who are infants and toddlers, but also how much their average benefits are higher or lower than those of older children. Child care assistance (under both spending and tax programs) and Medicaid are examples of programs where our estimates are significantly higher (and more accurate) because we took into account the higher expenses associated with benefits for infants, as well as their share in the recipient population. In some cases however, due to the lack of detailed programmatic data, the number of infants and toddlers that are *program recipients* was used for the multiplier. For example, our estimate of TANF expenditures benefiting children 0 to 2 relies on counts of recipient children by age, without adjustment for possible differences in the size of TANF benefits to families with very young children. We also used a number of other approaches, tailored to specific programs. In the case of both Head Start and Education for the Handicapped, budgetary reports explicitly split spending on children under 3, through the Early Head Start program and Early Intervention Part C programs, respectively. In other cases, such as adoption assistance and immunizations, we relied on custom-built models and other resources to generate our multiplier estimate. Finally, for some smaller programs without data on spending or recipients by age, we simply assumed that spending on children was distributed equally



among all ages of children (e.g., family preservation and support, Community Services Block Grant, and children's emergency medical services).

- *Apply Multiplier to Kids' Share Estimates:* Finally, we applied the infants and toddlers multiplier to estimates of program spending on all children, which are published in *Kids' Share 2008: How Children Fare in the Federal Budget*. In a few cases, we refined the estimate provided in the *Kids' Share 2008* report to more accurately capture federal spending devoted to children. As noted

above, we excluded some WIC and other health program expenditures that were directed more toward pregnant women than toward children. In addition, close examination of spending by age resulted in discovery of some program spending that was on "children" age 19 and older, and these also were excluded from our "all children" spending totals. Hence, total spending for children under 19 in this report is reestimated as \$345 billion rather than the \$354 billion originally estimated by the *Kids' Share 2008* report.





# HOW MUCH IS SPENT ON INFANTS AND TODDLERS?

Federal expenditures on infants and toddlers totaled an estimated \$57.0 billion in 2007 (figure 1). Of this, \$44.1 billion was outlays and \$13.0 billion was tax expenditures. The \$44.1 billion in outlays includes \$9.9 billion on the refundable portion of refundable tax credits, which means that tax programs in total account for \$22.8 billion in expenditures (\$9.9 billion in outlays and \$13.0 in tax expenditures).

The total federal expenditures of \$57 billion represent 16.5 percent of the \$345 billion in expenditures on all children in 2007.<sup>7</sup> Similarly, outlays of \$44 billion represent 16.3 percent of the \$270 billion in outlays for all children in 2007. Moreover, these proportions roughly match the 16.1 percent of children who are infants and toddlers, according to Census Bureau population estimates.<sup>8</sup>

It is important to note that this report only provides baseline numbers. It is not possible to know whether the \$44 billion in outlays or the \$57 billion in total expenditures represents an increase or decrease from prior years.

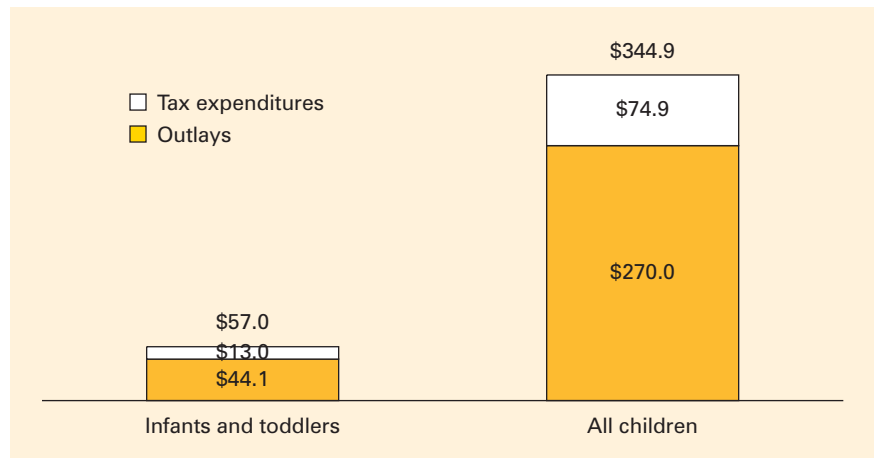
There are different ways to think about “how much” \$57 billion expended on infants and toddlers represents. One way to conceptualize this amount is to calculate spending on infants and toddlers as a share of the total federal budget and as a share of domestic spending. Another way is to make comparisons to other federal programs, which can shed light on specific federal spending priorities relative to infants and toddlers. One can also consider expenditures per child, calculated by dividing the total amount of spending by the number of all infants and toddlers in the United States. Individual infants and toddlers will, of course, receive more or less depending on their

needs and their eligibility for different programs. For example, spending is likely to be much higher on a special needs child than on a healthy infant. Finally, tracking expenditures over time, which this baseline report does not do, can also provide perspective on “how much” is \$57 billion.

## Share of Federal and Domestic Budget

Around \$44.1 billion, or 1.6 percent of the total \$2.73 trillion in federal outlays, is focused on

FIGURE 1. Federal Expenditures on Children (billions of dollars)



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



infants and toddlers. As a share of domestic outlays (which exclude defense, homeland security, and international affairs spending), federal spending allocated to children age 0 to 2 is 2.1 percent. By comparison, infants and toddlers represented 4.2 percent of the United States population in July 1, 2007. For an apples-to-apples comparison, we do not include the \$13 billion in tax expenditures on infants and toddlers when comparing with other spending programs in the federal budget.

### Relative to Other Federal Spending

Looking at spending on other national programs can provide additional context. The \$44 billion in outlays on infants and toddlers is substantial when compared with many important functions in the federal budget. For example, it is larger than the \$31.8 billion in outlays spent on natural resources and the environment in 2007, and it is similar in size to spending on ground transportation (\$46.8 billion in 2007). Yet it is less than one-twelfth the size of spending on Social Security (outlays of \$586.2 billion in 2007) or national defense (outlays of \$552.6 billion in 2007) (Office of Management and Budget [OMB] 2008b, table 3.2). Additionally, the federal government spent more than twice the amount it did for infants and toddlers on procurement outlays for the Department of Defense in 2007 (\$99.6 billion) (OMB 2008b, table 9.4).

### Expenditures per Child

Considering average expenditures per child, the federal government spent approximately the same per capita on infants and toddlers as it did for all children in 2007. Federal outlays for both groups are similar on a per capita basis, \$3,510 for infants and toddlers compared with \$3,454 for all children. Similarly when tax expenditures are included, per capita estimates were \$4,542 for children age 0 to 2 compared with \$4,413 for children age 0 to 18. An equal per capita breakdown suggests that the overall distribution of fed-

eral dollars devoted to children is not weighted more heavily toward the youngest of children. However, as discussed later, some types of spending (e.g., health and nutrition) are more heavily weighted toward very young children while other types of spending (e.g., education and training) are more heavily weighted toward older children.

This approach to looking at spending on infants and toddlers, however, has some limitations, especially for this particular age group. Most notably, if per capita estimates were calculated using federal and state spending, rather than just federal, spending estimates would be much lower for infants and toddlers because of states' substantial expenditures on public education for older children.

A detailed 50-state analysis of state and local spending on children in 2004 by researchers at the Rockefeller Institute finds that such expenditures are predominantly spent on elementary and secondary education, and thus on children age 5 and older (Billen et al. 2007). While the analysis does not investigate state and local spending by age, relatively little of the \$467 billion in state and local spending is in programmatic areas that include infants and toddlers. The Rockefeller researchers estimate that \$420 billion (90 percent of the total) is spent on elementary and secondary education, leaving only \$29 billion on health and \$18 billion on all other programs included in the analysis.<sup>9</sup>

Two earlier analyses of child development and education spending by age in selected states further support the conclusions that states and localities spend much more on school-age children than on young children; the latest of these analyses estimates that total public investments (across federal, state, and local sources) provide only 9 cents for infants and toddlers for every \$1 for school-age children, at least in the area of child development and education among the 10 states studied (Bruner et al. 2004; Voices for America's Children and Child and Family Policy Center 2005). Overall, the \$44 billion in outlays and \$57 billion in total federal support for infants and toddlers represents the majority of public investment in these critical years.



## Expenditures over Time

Given these estimates are baselines, future tracking of spending on infants and toddlers would provide trends over time. This could be particularly important in the next several years as sizable children's programs and tax credits come before the next Congress and administra-

tion for reauthorization (box 1). Reauthorization presents an opportunity to revise aspects of program policy and consider funding levels. Given the substantial portion of resources that most of these programs allot to infants and toddlers, any changes in policy or funding could affect trends in spending levels for this population.

### BOX 1. Selected Programs Facing Reauthorization

#### Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

*Expenditures on infants and toddlers:* 73 percent of program expenditures /\$3.9 billion

WIC is a primary nutritional support program to ensure the healthy development of infants and toddlers. The program provides nutritional supplementation, education, counseling, and referrals to health care for eligible infants, children under age 5, and pregnant, breastfeeding, and postpartum women. The program is up for reauthorization in the next Congress. In 2007, 73 percent of program expenditures for WIC were on infants and toddlers, which totaled \$3.9 billion.

#### Child Care and Development Block Grant (CCDBG)

*Expenditures on infants and toddlers:* 33 percent of program expenditures /\$1.7 billion

The CCDBG is the primary funding stream for child care and after-school assistance for low-income working families. CCDBG expired in September 2002 and has been functioning without reauthorization since then. Depending on the timelines of the new Congress and the administration, it may come up for reauthorization in 2009. In 2007, a third of expenditures for CCDBG, or \$1.7 billion, were on infants and toddlers.

#### Child Tax Credit (CTC)

*Expenditures on infants and toddlers:* 18 percent of expenditures /\$2.8 billion in outlays and \$5.4 billion in tax expenditures

The CTC is the largest cash assistance program for children, providing families with requisite earnings a tax credit for children under age 17. Changes made to the child tax credit in 2001 and 2003 doubled the maximum credit from \$500 to \$1,000 per child. These changes are scheduled to sunset after 2010, and the credit would revert back to \$500 per child. In 2007, 18 percent of the CTC outlays and the nonrefundable portion were for infants and toddlers, translating into \$2.8 billion in outlays and \$5.4 billion in the nonrefundable portion.

#### Child and Dependent Care Tax Credit (CDCTC)

*Expenditures on infants and toddlers:* 31 percent of expenditures /\$856 million

The CDCTC is a tax credit that reimburses a percentage of qualified families' child care costs. The maximum child care costs against which this percentage (which varies between 35 percent at lower incomes and 20 percent at higher incomes) can be applied is \$3,000 for one child and \$6,000 for two or more children. After 2010, allowable child care costs will fall to \$2,400 and \$4,800, respectively, and the percentage reimbursement will range from 30 to 20 percent. In 2007, nearly a third (31 percent) of CDCTC expenditures were directed at infants and toddlers, or \$856 million.

#### Earned Income Tax Credit (EITC)

*Expenditures on infants and toddlers:* 18 percent of expenditures /\$7.1 billion in outlays and \$919 million in tax expenditures

The EITC is the second-largest cash assistance program for children, providing qualifying low-income working families with tax refunds. The credit value phases out at relatively low incomes. The 2001 tax cut slightly extended the income phaseout credit point for married couples, thus preserving more of the credit for children in these families and penalizing marriage and children less—a provision that will also expire at the end of calendar year 2010. In 2007, 18 percent of EITC expenditures were for infants and toddlers, translating into \$7.1 billion in outlays and \$919 million in nonrefundable expenditures.



## WHERE ARE FUNDS SPENT?

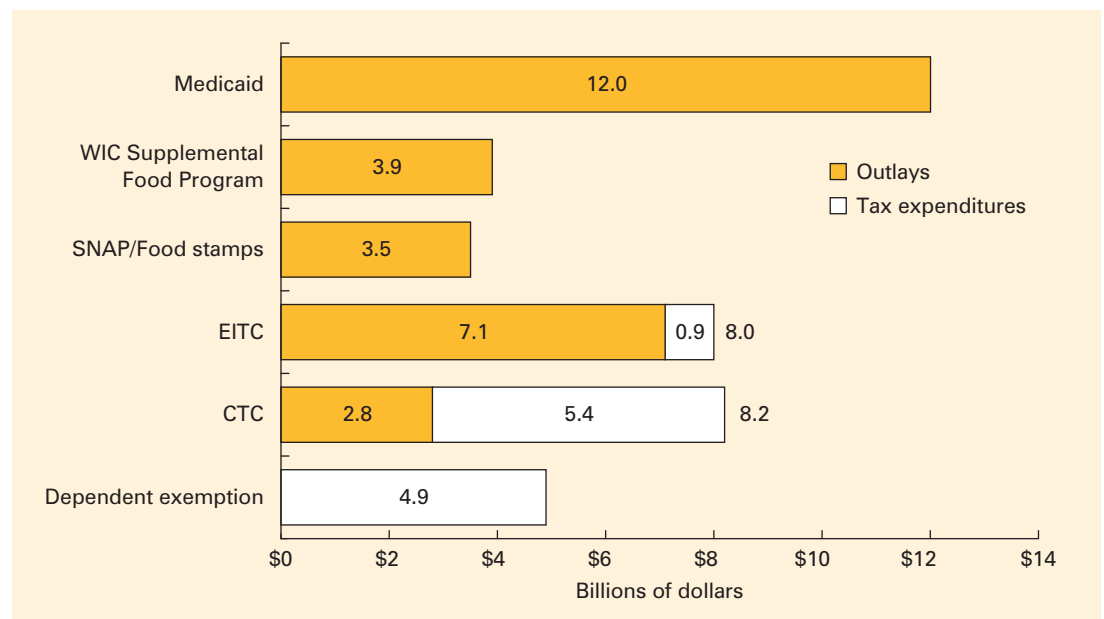
Six programs account for 71 percent of the \$57 billion in expenditures on infants and toddlers (figure 2a). These six programs include one health program (Medicaid), two nutrition programs (WIC and SNAP/Food Stamps), and three tax programs (EITC, CTC, and the dependent exemption). Notably, only one of these six programs, WIC, particularly emphasizes serving infants and toddlers. That is, most spending on infants and toddlers flows through programs not specifically focused on them.

Programs centered on serving infants and toddlers (Early Head Start, WIC, Early Intervention Part C, and CCDBG), as described in box 2, represent only 12 percent of all spending on infants and toddlers. Similarly, early care and education programs make up 7 percent of all funding on infants and toddlers, despite the expert findings cited earlier

that show the demonstrated benefits of these programs, particularly for disadvantaged children (figure 2b).

Overall, spending for infants and toddlers is relatively high in the areas of health and nutrition, particularly compared with spending on all children, but less in the areas of housing, income security, and social services (figure 3).

FIGURE 2A. Six Largest Programs by Expenditure on Infants and Toddlers



Source: The Urban Institute and The Brookings Institution, 2009. Authors' estimates based on the *Budget of the United States Government, Fiscal Year 2009*. Note: See table 1 for further detail.



## Health (\$13.8 billion on infants and toddlers)

Health spending on children is heavily concentrated on young children, with an estimated \$13.8 billion going to infants and toddlers—almost a quarter of total infant and toddler expenditures (24 percent). In contrast, only 15 percent of total expenditures on all children are delivered through health programs, such as Medicaid and SCHIP. The driving force behind this difference can be traced to Medicaid spending, which is 21 percent of total expenditures on infants and toddlers, compared with 12 percent of expenditures on children 0 to 18. In fact, 6 percent of all Medicaid spending goes to infants and toddlers.

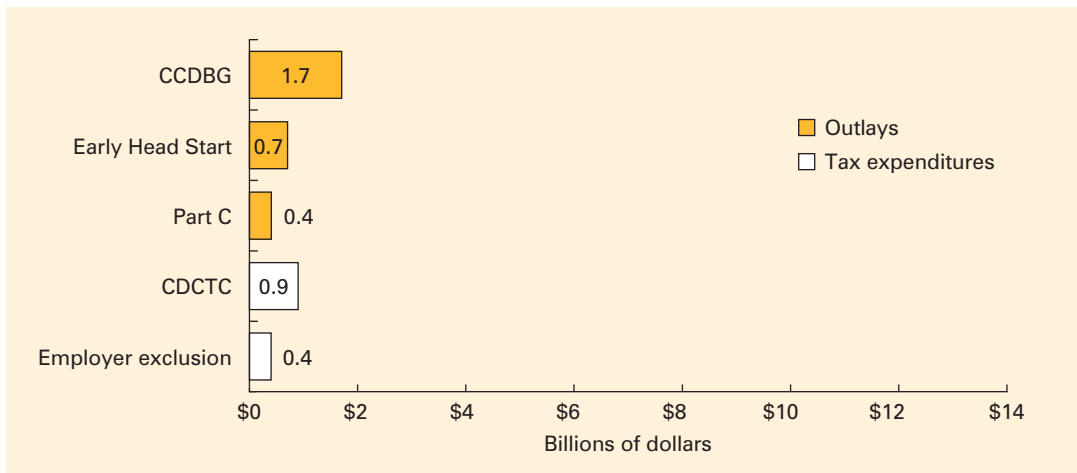
A number of factors contribute to the prominence of infants and toddlers in Medicaid's budget. To begin with, infants have much higher rates of Medicaid enrollment than other children because of lower eligibility thresholds for children age 0 and 1, high poverty rates among young children, and lingering effects of concerted efforts to enroll families in Medicaid at the time of birth. In addition, families can accrue large health costs during a child's first year of life. Low-birth weight infants generate vastly higher first-year health costs (\$28,887 in 2006 dollars)

than infants with normal birth weights (\$3,169 in 2006 dollars) (Hueston et al. 2008). In addition, even among healthy children, the normal schedule of well-child visits and immunizations requires more trips to the doctor in the early years of life. As a result of all these factors, our Medicaid estimates suggest that over 80 percent of federal Medicaid dollars directed at infants and toddlers go to 0- and 1-year-olds, with spending on 2-year-olds more closely resembling that on older children.

## Nutrition (\$7.9 billion on infants and toddlers)

Infants and toddlers also receive a disproportionate share of nutrition spending; overall, the federal government spent nearly \$8 billion on infant and toddler nutrition in 2007, totaling 14 percent of all infant and toddler expenditures (table 1). In comparison, nutrition spending accounted for 10 percent of expenditures on children 0 to 18. The WIC program, along with SNAP (formerly Food Stamps), are the main contributors to nutrition spending; together the programs account for more than 90 percent of spending in that category. WIC, which has the word "infants" in its title and devoted 73 percent of its program's funding to infants and toddlers in 2007, spent

FIGURE 2B. Expenditures on Five Early Care and Education Programs



Source: The Urban Institute and The Brookings Institution, 2009. Authors' estimates based on the *Budget of the United States Government, Fiscal Year 2009*. Note: See table 1 for further detail.



## **BOX 2. Selected Programs Focused on Infants and Toddlers**

### **Early Head Start (EHS)**

Early Head Start, established in 1994 in recognition of the importance of the early years in shaping children's life trajectories, is a federally funded program administered by the Department of Health and Human Services to provide comprehensive and intensive services to poor families with children under age 3. EHS offers a flexible model for providing services. Services may be offered in centers or through visits to families' homes, while some programs combine both approaches. The program is part of the Head Start program, established in 1965 to provide a comprehensive, center-based child-development program to economically disadvantaged preschoolers. EHS was originally funded through a set-aside from Head Start that had reached 10 percent of all Head Start funds (Wilensky 2003). Reauthorization of Head Start in 2007 increased funding for the program and changed the funding structure so half of expansion funding was authorized for EHS and at least 20 percent of training dollars were allocated to EHS. A scientifically rigorous evaluation of the program strongly suggests that Early Head Start programs lead to improved home environments and outcomes for children and parents by the time children reach the age of 3 and that these outcomes are still present when children are about age 5 (HHS 2002, 2006). In 2006, 85,831 children infants and toddlers and 10,825 pregnant women participated in more than 700 Early Head Start programs nationwide. This total represents only 2.4 percent of the eligible population of infants and toddlers (Center for Law and Social Policy 2008).

### **Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)**

WIC, originally authorized in the Child Nutrition Act of 1966, is administered by the Department of Agriculture. The program provides nutritional supplementation, education, counseling, and referrals to health care for eligible infants, children under age 5, and pregnant, breastfeeding, and postpartum women. To be eligible, participants must be at nutritional risk and meet the program's specified income requirements. States are required to set income limits between 100 and 185 percent of the national poverty guidelines. In 2007, an average of 8.3 million participants were enrolled in WIC.<sup>a</sup> The program currently reaches most low-income infants (83 percent of all who are eligible in 2003), meaning it touches the lives of most newly born vulnerable infants and their mothers (USDA 2006). Results from the national WIC evaluation suggest that WIC participation is associated with improved dietary intake for children, particularly among children who are poor, black, or in single-parent or large families. The program also is linked to higher rates of immunization and more frequent use of health care, but not necessarily of preventive health services. Research also identifies gains for vocabulary, digit memory, and some additional child behaviors (Rush et al. 1988).

### **Early Intervention Programs (PART C)**

The Early Intervention Program for Infants and Toddlers with Disabilities, added to the Individuals with Disabilities Education Act (IDEA) in 1986, is administered by the Department of Education. This legislation provides funding to states to build service systems for children under the age of 3 with developmental delays and disabilities or who have a high probability of developmental delays or disabilities. Services, which vary widely by state, include screening and assessment services; family resources coordination; occupational and physical therapy; and health, nutrition, speech, and psychological services. In 2003, 272,000 infants and toddlers were receiving services under IDEA, an increase from 165,000 in 1994 (U.S. Department of Education 2005).

### **Child Care and Development Block Grant (CCDBG)**

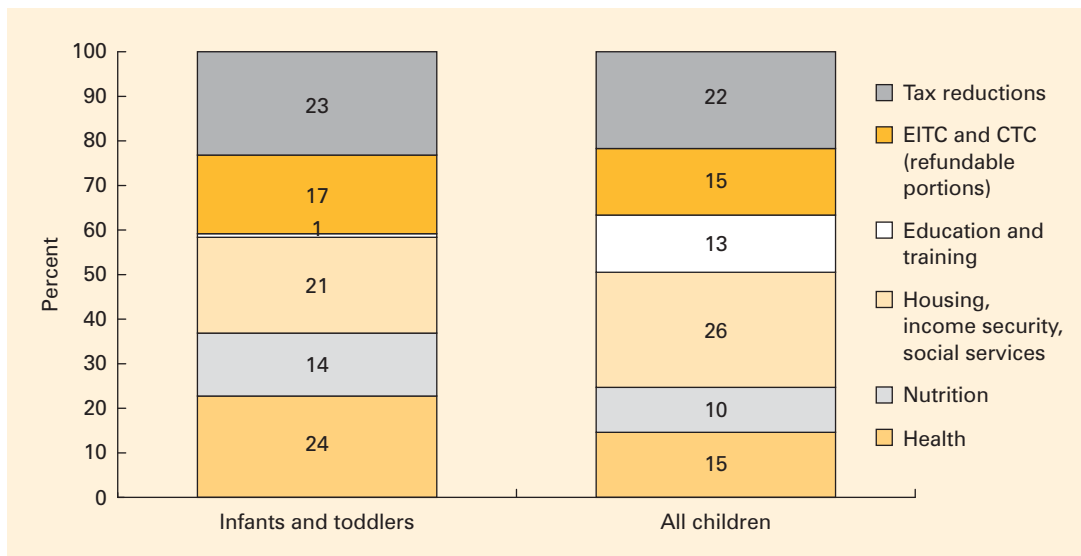
CCDBG consists of several funding streams to states, including mandatory funding, discretionary funding, and state maintenance of effort and matching funds. The current funding structure was established under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) and is administered by the Department of Health and Human Services (HHS) Child Care Bureau. CCDBG provides states with funds to subsidize child care as well as improve its quality and availability. States subsidize child care by providing vouchers for eligible families or by paying child care providers directly to open slots for children from eligible families (U.S. House of Representatives 2004). According to Matthews (2008), infants and toddlers in 2006 composed 28 percent of the children receiving funds through the CCDBG. In any given month in 2006, about a half-million infants and toddlers were recipients of child care services supported by the CCDBG; of these, over half were served in center-based care (Matthews 2008). In 2005, 32 percent of children age 0 to 2 eligible under state-established CCDBG limits received child care assistance under CCDBG, TANF, or the Social Services Block Grant (HHS 2008a). Approximately \$100 million has been designated over the past several years to help states improve the quality of infant and toddler child care (Zero to Three 2003). This funding, together with other sources like TANF, helped states initiate various strategies to address quality-of-care issues for infants and toddlers (Schumacher et al. 2006).

a. See U.S. Department of Agriculture, Food and Nutrition Service, "WIC Program Participation and Costs," <http://www.fns.usda.gov/pd/wisummary.htm>.





FIGURE 3. Federal Expenditures, by Category of Expenditure



Source: The Urban Institute and The Brookings Institution, 2008. Authors' estimates based on the *Budget of the United States Government, Fiscal Year 2009* and U.S. Census Bureau, Monthly Postcensal Resident Population: July 2007.

only slightly more on infants and toddlers than the broader SNAP/Food Stamp Program.

### Housing (\$4.8 billion on infants and toddlers)

Housing programs spent roughly \$4.8 billion on infants and toddlers, which amounts to 8 percent of all expenditures in this age group (table 1). Contributing nearly \$4 billion, the Section 8 Low-Income Housing Assistance Program accounts for the majority of federal spending on infant and toddler housing.

### Income Security (\$4.0 billion on infants and toddlers)

The federal government directed \$4.0 billion toward infants and toddlers through income security programs in 2007. Major programs in the income security category include Social Security, TANF, child support enforcement (CSE), SSI, and veteran's benefits. TANF accounts for over 60 percent of the income security spending on infants and toddlers; it devotes 16 percent of the program's funding toward that age group (table 1).

Despite receiving relatively high shares of TANF spending, infants and toddlers receive less in income security than children age 0 to 18. In particular, income security programs contribute to 7 percent of total expenditures on infants and toddlers but are 13 percent of total expenditures on all children. Infants are less likely than older children to receive survivors' and dependent benefits under Social Security; infants and toddlers received roughly \$350 million in Social Security payments whereas all children collected over \$19.6 billion. Additionally, per capita, CSE, SSI, and veteran's benefits provide approximately half as much funding to infants and toddlers as they do to older children. Less funding for the youngest children may reflect the fact that it takes time to establish and collect child support enforcement orders, or time for a child's disability to be identified and recognized by SSI.

### Social Services (\$3.2 billion on infants and toddlers)

The Child Care and Development Block Grant (CCDBG), also known as the Child Care and Development Fund (CCDF), spent over \$1.6



billion on infants and toddlers in 2007, a third of total program expenditures. Head Start spent 10 percent of its budget, or less than \$700 million, on Early Head Start, which targets children under age 3. Other social service programs with significant spending on infants and toddlers include the foster care program and the Social Services Block Grant.

Early care and education programs compose a relatively small share of all funding on infants and toddlers. Spending on early care and education represents 7 percent of all expenditures on infants and toddlers, even though early care and education is defined to include not only spending on Early Head Start and CCDBG, but also child care assistance provided through tax programs and early intervention under Part C of the Individuals with Disabilities Education Act (discussed below).<sup>10</sup> By comparison, 17 percent of federal spending on all children goes to early care and education, including 12 percent on education and 5 percent on Head Start and child care assistance.

### **Education and Training** *(\$0.4 billion on infants and toddlers)*

Education and training programs primarily serve children older than 3, as the federal government spent only \$434 million on infant and toddler education in 2007. No training programs and only one part of one education program—Part C of Education for the Handicapped (also the Individuals with Disabilities Education Act)—serves children younger than age 3. Part C devotes money toward infants and toddlers—a relatively small amount that is 1 percent of total infant and

toddler expenditures (table 1). In comparison, education and training programs accounted for 12 percent of total expenditures on all children in 2007.

### **Refundable Taxes** *(\$9.9 billion on infants and toddlers)*

Refundable taxes, represented by the refundable portions of both the EITC and the CTC, contributed almost \$10 billion to infants and toddlers in 2007 (table 1). This amount totaled 17 percent of all expenditures on this age group. Responsible for the majority of refundable tax spending, the EITC devoted over \$7 billion to infants and toddlers in 2007. In addition, the EITC and the CTC both allocate 18 percent of their total program funding to infants and toddlers. When looking just at spending on children under 17 (the CTC is limited to children under 17), a higher portion of the EITC (22 percent) than the CTC (18 percent) is directed to infants and toddlers.

### **Nonrefundable Taxes** *(\$13.0 billion on infants and toddlers)*

Responsible for nearly a quarter (23 percent) of total expenditures on infants and toddlers, nonrefundable taxes supplied \$13.0 billion in expenditures on infants and toddlers (table 1 and figure 2a). As the primary programs within the tax expenditure category, the CTC (nonrefundable portion) and the dependent exemption each contribute roughly \$5 billion to infants and toddlers (table 1).





# HOW ARE FUNDS SPENT?

Federal programs serving children tend to be targeted toward low-income families. This is particularly true for expenditures on infants and toddlers; more than two-thirds of expenditures on infants and toddlers were focused on low-income families.

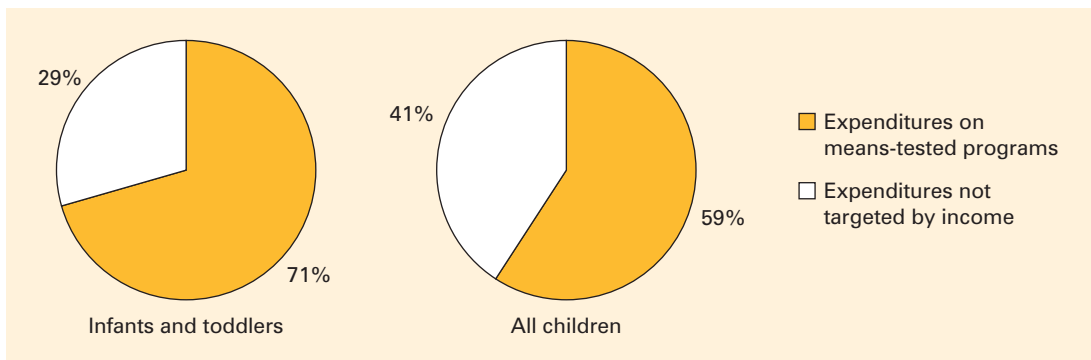
In thinking about who might need benefits the most, it is helpful to understand some demographic characteristics of infants and toddlers. Probably the most critical demographic fact is that infants and toddlers are disproportionately low income. In 2007, 5.4 million, or 43 percent, of the nation's infants and toddlers lived in low-income families, a percentage higher than most groups of older children (Douglas-Hall and Chau 2008). The same year, half (54 percent) of infants and toddlers in low-income families also lived with a single parent—a family type commonly considered vulnerable. Additionally, one in five infants and toddlers living in low-income families did not have an employed parent, and more than one in four lived with parents that had less than high school educations. Infants and toddlers living in low-income families also moved substantially more often than those in higher-income families; 1 million (18 percent) had moved in the past year (Douglas-Hall and Chau 2008).

The distribution of expenditures is evaluated by looking at the portion of expenditures on infants and toddlers that is targeted to them based on their families' incomes. To examine how benefits are provided, four expenditure categories are considered: in-kind benefits, cash payments, the refundable portions of tax credits, and tax reductions.

## Targeting on Low-Income Children

Federal expenditures on infants and toddlers are more narrowly targeted on low-income children than expenditures on all children. In fiscal year 2007, more than two-thirds (71 percent) of expenditures on infants and toddlers were attributable to programs targeted to low-income children, while 29 percent of expenditures were on programs not targeted by income (figure 4). In comparison, 59 percent of expenditures were on programs targeted to low-income children.

FIGURE 4. Percent of Federal Expenditures Targeted on Low-Income Children



Source: The Urban Institute and The Brookings Institution, 2008. Authors' estimates based on the *Budget of the United States Government, Fiscal Year 2009*. Notes: Figure includes tax expenditures on infants and toddlers. See notes in table 2.



How often targeting by income, or means-testing, occurs differs by type of expenditure (table 2). A striking 94 percent of spending from government programs is through programs directed toward infants and toddlers in low-income families. Some of these programs are restricted to families with incomes below 130 percent of the federal poverty level (e.g., Head Start and SNAP/Food Stamps), some are focused on families below 185 percent of the federal poverty level (e.g., WIC and reduced-price school meals), and some are governed by limits set by states (e.g., Medicaid and child care assistance). Recall from above that Social Security and public education—the prime examples of programs that are universally provided without income testing—provide relatively few benefits to infants and toddlers.

A smaller but still large proportion (71 percent) of expenditures on infants and toddlers under the refundable portions of tax programs is targeted by income. Of the two tax programs providing a refundable credit, the EITC is targeted toward low- and moderate-income families, while the CTC is not.

Finally, a very small share of tax expenditures is attributable to provisions targeted toward low-income families (8 percent). Only the EITC (nonrefundable portion) and the exclusion of public assistance benefits from taxable income fall into the “targeted by income” category of tax expenditures. In contrast, other tax programs are classified in our analysis as “not targeted by income” because they are available to families across a broad spectrum of the income distribution. Note, however, that tax programs do contain elements of income targeting; the CTC, for example, phases out for higher-income families, and tax exemptions and nonrefundable credits provide little or no benefit to families whose income is so low that they do not pay taxes.

### In-Kind Benefits

The majority of federal expenditures (58 percent) on infants and toddlers in fiscal year 2007 was paid out in the form of in-kind, or noncash, benefits. In-kind benefits include programs providing services (such as education, health services, or social services) as well as programs providing house-

TABLE 2. Federal Expenditures on Children, by Program Targeting

	Expenditures targeted on low-income children (billions of dollars)	Expenditures NOT targeted by income (billions of dollars)	Total expenditures (billions of dollars)	Percent targeted on low-income children
<i>Expenditures on Infants and Toddlers</i>				
Spending programs	32.2	2.0	34.2	94%
EITC and child tax credit (refundable portions)	7.1	2.8	9.9	71%
<b>Total spending</b>	<b>39.2</b>	<b>4.8</b>	<b>44.1</b>	<b>89%</b>
Reductions in taxes	1.0	11.9	13.0	8%
<b>Total spending and tax expenditures</b>	<b>40.3</b>	<b>16.7</b>	<b>57.0</b>	<b>71%</b>
<i>Expenditures on All Children</i>				
Spending programs	164.2	54.3	218.5	75%
EITC and child tax credit (refundable portions)	35.3	16.2	51.4	69%
<b>Total spending</b>	<b>199.5</b>	<b>70.5</b>	<b>270.0</b>	<b>74%</b>
Reductions in taxes	5.0	70.0	74.9	7%
<b>Total spending and tax expenditures</b>	<b>204.5</b>	<b>140.4</b>	<b>344.9</b>	<b>59%</b>

Source: The Urban Institute and Brookings Institution, 2008. Authors' estimates based on the *Budget of the United States Government, Fiscal Year 2009*. Notes: Among other tax programs, the “reductions in taxes” categories include the nonrefundable portions of both the EITC and the child tax credit. Apart from the EITC and the exclusion from public assistance benefits, tax programs that are broadly available are characterized as “expenditures not targeted by income,” even though several of them, such as the child tax credit and the child and dependent care tax credit, phase out at high-income thresholds.



holds with vouchers for specific benefits (such as WIC, SNAP/Food Stamps, or Section 8 Low-Income Public Housing Assistance). The TANF program, which provides both cash and in-kind benefits, is classified as providing in-kind benefits. Of total spending on children age 0 to 18, 54 percent of expenditures were in-kind benefits.

### Cash Payments

Cash payments were the smallest form of expenditures in 2007. Programs providing cash payments, such as SSI and CSE, made up 2 percent of total spending on infants and toddlers (figure 5). A larger percentage—9 percent of federal expenditures on all children—was cash payments, driven by the higher payments in the income security program area (e.g., Social Security survivors' and dependent benefits, SSI, and CSE).

### Tax Credits (Refundable Portions)

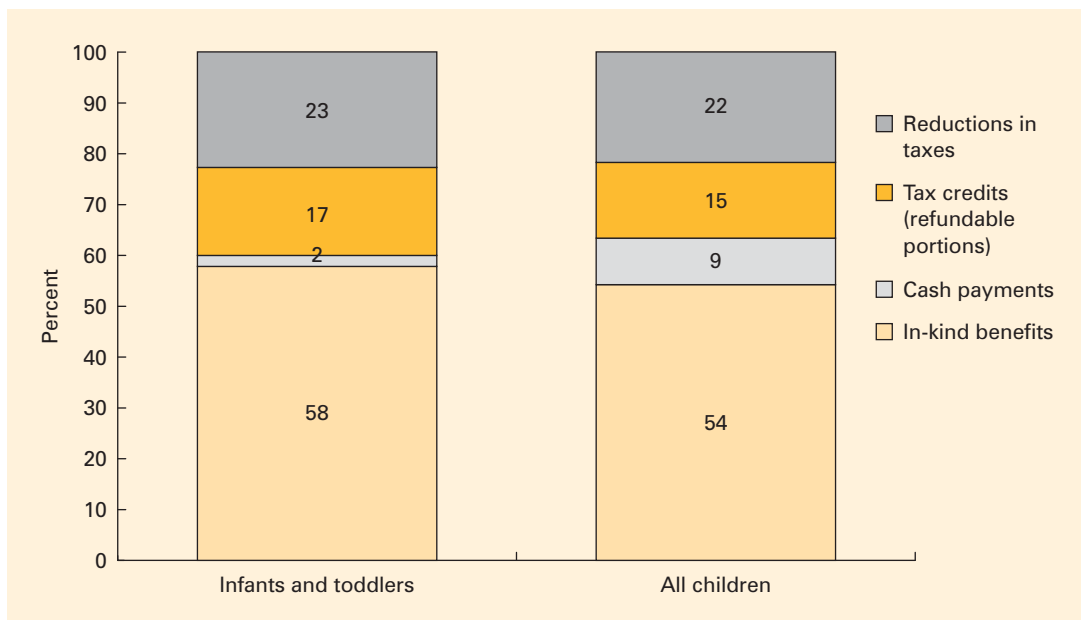
Figure 5 also presents the contribution of tax assistance programs to total spending on infants and children, which includes tax credits

(refundable portions) and reductions in taxes (nonrefundable portions). The two child-related tax credits that have refundable portions are the EITC and the CTC. In fiscal year 2007, refundable tax credits from these two programs made up 17 percent of spending on infants and toddlers. Total spending on all children in the form of refundable tax credits was 15 percent.

### Reductions in Taxes

Nearly one-quarter (23 percent) of expenditures on infants and toddlers is in the form of reductions in taxes (the dependent exemption, the nonrefundable portions of the CTC, the CDCTC, the exclusion for employer-provided child care, the adoption credit and exclusion, and a number of smaller exclusions). Of total spending on all children, 22 percent was in reductions in taxes. The CDCTC is one of the few tax provisions that has a distinct age bias in it, with higher spending on infants and toddlers because of higher child care expenses for this age group.

FIGURE 5. Federal Expenditures, by Type of Expenditure



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



# CONCLUSION

To inform a national conversation about how best to invest the country's resources, this report provides first-time baseline estimates of federal expenditures on infants and toddlers in 2007. It offers critical contextual information for considering policies that will shape future levels of investment in young children. Results also enable policymakers to assess for the first time the amount of spending dedicated to infants and toddlers in over 100 federal programs. The findings answer three questions:

## 1. How much does the federal government spend on infants and toddlers?

The federal government expended \$44 billion in outlays and an additional \$13 billion in tax expenditures on infants and toddlers in 2007. As these numbers are baselines, it is not possible to know if they represent an increase or decrease from prior years.

## 2. Where are funds being spent?


Early care and education programs compose a relatively small share of all funding on infants and toddlers. Spending on Early Head Start, Part C of the Individuals with Disabilities Education Act, and child care assistance under spending and tax programs represents 7 percent of all spending on infants and toddlers. Spending for infants and toddlers is relatively high in the areas of health and nutrition, particularly when compared with spending on all children. Moreover, the health portion is driven largely by spending on Medicaid and specifically on costs in the first two years of life. It is also notable that most spending on infants and toddlers flows through programs that do not focus explicitly on young children but that serve all children (such as the CTC) or poor individuals of different ages (such as Medicaid).

## 3. How are funds being spent?

More than two-thirds of expenditures on infants and toddlers are targeted toward low-income children; targeting by income is even stronger for infants and toddlers than among all children.

In addition to answering important questions about federal spending on very young children, these estimates also allow policymakers, advocates, and the public to ask several new questions that could not be asked before in light of the case experts are making for investment in very young children:

- Do current spending levels, particularly for early care and education programs, address the full range of developmental needs of infants and toddlers, given this pivotal stage in life?
- Do current allocations allow programs to reach the children most vulnerable to poverty and toxic stress during these critical years to improve their life trajectories?
- Do evaluations of what works suggest the need for greater investment in certain program areas?
- Are investment levels sufficient to ensure high-quality services for enough of the infants and toddlers who need them?



This report provides valuable information to a new presidential administration and Congress that will make critical budgetary decisions in troubled economic times. Given the developmental importance of children's early years, the interest in investing in young children (especially the most vulnerable), and the potential for return on this investment, the well-being of young children may

figure more prominently in these future decisions. To inform these discussions, this report estimates federal expenditures on infants and toddlers and differentiates the key sources and types of funding that support them. In doing so, it brings into clearer focus the choices the nation faces in deciding how much to invest in its youngest citizens and how to make that investment.



## NOTES

1. FPG Child Development Institute, “The Carolina Abecedarian Project, Major Findings,” [http://www.fpg.unc.edu/~abc/#major\\_findings](http://www.fpg.unc.edu/~abc/#major_findings).
2. The analysis in *Kids’ Share 2008: How Children Fare in the Federal Budget* was itself preceded by two earlier works: *Kids’ Share 2007: How Children Fare in the Federal Budget* (Carasso, Steuerle, and Reynolds 2008) and *Federal Expenditures on Children: 1960–1997* (Clark et al. 2000).
3. The data appendix is available at <http://www.urban.org/url.cfm?ID=411875>.
4. Our estimate of \$7.6 billion is based on the following. A memo from the March of Dimes projected the average birth covered by Medicaid cost \$6,800 in 2003 (roughly \$7,600 in 2007 dollars) (Colleen A. Sonosky, letter to Jeanne De Sa, March 15, 2007). Additionally, according to a 2007 report from the National Center for Health Statistics, close to 4.3 million children were born in 2006 (Hamilton, Martin, and Ventura 2007). If we assume that 40.7 percent of these births are covered by Medicaid (NGA Center for Best Practices 2006), total birth and delivery Medicaid costs totaled roughly \$13.3 billion in 2007, including \$7.6 billion in federal expenditures. This estimate does not include prenatal costs in Medicaid, or birth and delivery costs funded by SCHIP in those states that provide SCHIP coverage to pregnant women. Also note that our Medicaid and SCHIP figures in the report may include some birth and delivery costs, to the extent such costs were attached to the infant rather than the maternal Medicaid claim. However, we cannot estimate to what extent, due to both state and individual case variation in claiming practices (NGA Center for Best Practices 2006).
5. Specifically, we excluded costs associated with services to pregnant teens or non-breastfeeding-women rather than infants totaling \$738 million from WIC, \$96 million from MCHBG, \$51 million from Healthy Start, \$7 million from Adolescent Family Life (AFL), and \$1 million from the Commodity Supplemental Food Program (CSFP). (See data appendix for details on each program.)
6. TRIM 3 is maintained and developed by the Urban Institute, under primary funding from the Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation (HHS/ASPE). TRIM3 requires users to input assumptions and/or interpretations about economic behavior and the rules governing federal programs. Therefore, the conclusions in this report are attributable only to the authors of this report.
7. The programs evaluated are identical to those analyzed in *Kids’ Share 2008: How Children Fare in the Federal Budget* (Carasso et al. 2008). Close examination of spending by age resulted in some modifications to further specify only spending on children and specifically children under 19. Hence, total spending for children under 19 in this report is reestimated as \$345 billion rather than the \$354 billion originally estimated by the Kids’ Share 2008 report.
8. For 0–2-year-olds as a percentage of all 0–18-year-olds, as of July 2007, see <http://www.census.gov/popest/national/asrh/2007-nat-detail.html>.
9. Because of the challenge of collecting data across 50 states, the Rockefeller report focuses on fewer programs than our report, providing expenditure information for a dozen major programs, including elementary and secondary education, state programs associated with major federal programs (Medicaid, SCHIP, MCHBG, TANF, CSE, child care, child welfare, etc.), and state earned income tax credits. While it does not fully capture expenditures on state-only programs, it is the best available source of recent data on state and local spending. Patricia Billen, coauthor of the report on state and local expenditures, consulted with the authors of this report and earlier children’s budget reports in an effort to improve consistency in methodological approaches in measuring federal and state and local expenditures. Both sets of reports, for example, start with a definition of children as those 18 and under, and the state and local expenditure report added an analysis of state earned income tax credits in response to the emphasis on tax programs in the federal expenditure reports. However, many differences remain between the reports; the federal expenditure reports provide more recent data and cover a more comprehensive list of spending and tax programs.
10. The estimate of 7 percent of infant and toddler expenditures spent on early education and care does not include child care expenditures under TANF; including such expenditures would likely increase the estimate to 8 percent.



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