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# Investing in Children

by Eugene Steuerle



Telluride Economic Summit on Early Childhood  
Investment

*September 9-11, 2007*

# Summary

## **The Past**

Investment in Children Never a Federal Priority

## **The Present**

Ever larger growth in programs for consumption

Flatter revenues

Reduced work and saving

No longer reprieve from a declining defense budget

## **The Future**

A budget for a declining nation?

Reduced investment

Reduced investment in our children

# Investment

Definition: *Use of resources to increase future output or income*

This study will examine the federal budget's

Overall investment

Investment in children

# Investments

## **A: Education & Research**

Builds human capital

## **B: Employment Supports**

Support work effort (EITC, child care)

## **C: Social Supports**

Mainly consumption-oriented but may bolster family members' ability to work (non-elderly Medicaid, Food Stamps)

## **D: Physical Capital (Non-Defense)**

Structures & equipment

## **E: Defense Investment**

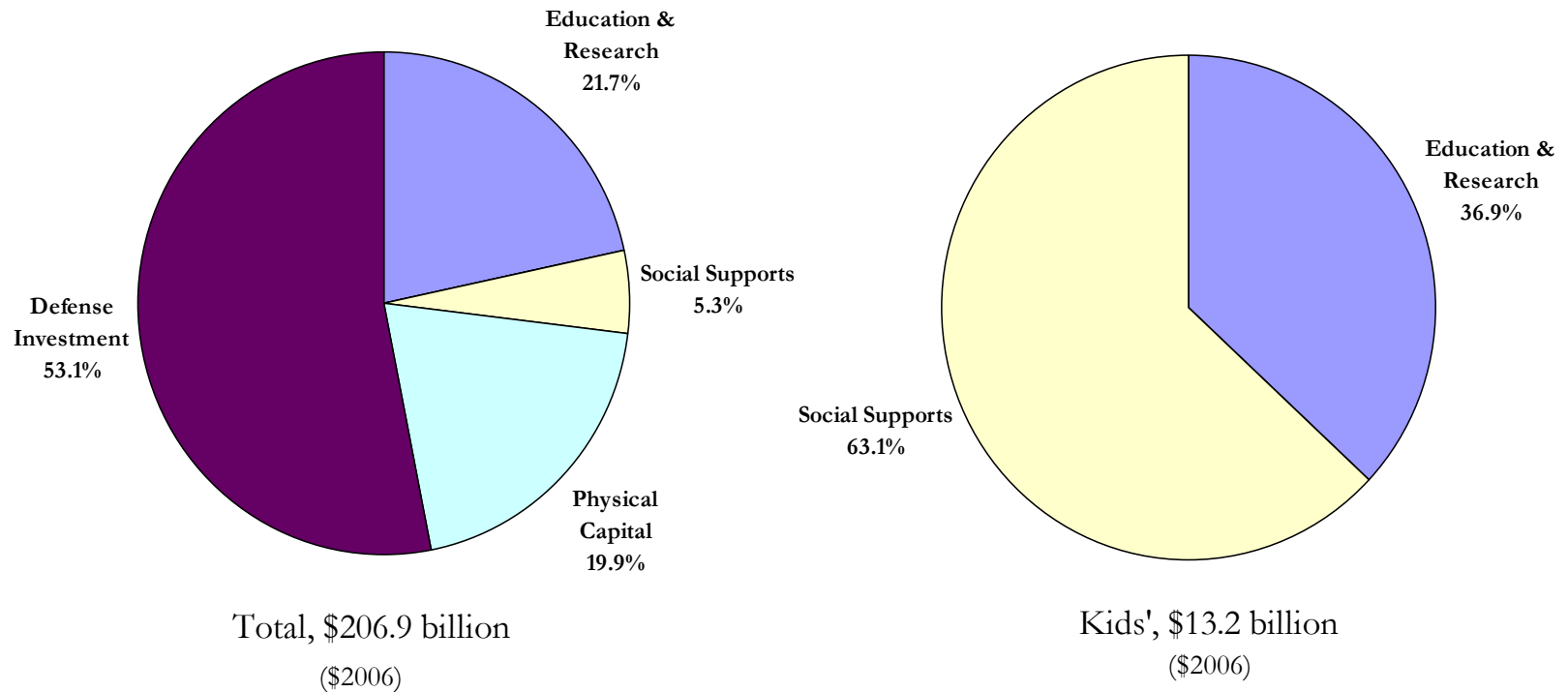
Physical and capital investment in security

# Largest Investment Programs for Children, 1965 and 2006(% GDP)

	1965		2006	
	Millions of 2006 dollars	Percentage of category	Millions of 2006 dollars	Percentage of category
<b><u>Education and Research</u></b>				
Impact Aid	1,802	36.9%	Education for the Disadvantaged	14,696      30.4%
Neighborhood Youth Corps	499	10.2%	Special Education	11,836      24.5%
Head Start	494	10.1%	Head Start	6,851      14.2%
Bureau of Indian Affairs Schools	479	9.8%	School Improvement	5,797      12.0%
Vocational (and Adult) Education	419	8.6%	Vocational (and Adult) Education	1,162      2.4%
Dependents' Schools Abroad	376	7.7%	Impact Aid	1,141      2.4%
School Improvement	371	7.6%	Dependents' Schools Abroad	1,045      2.2%
<b><u>Work Supports</u></b>				
None	-	0.0%	EITC: refundable portion	35,081      87.0%
			Child care entitlement to states	3,060      7.6%
			Child Care and Development Block G	2,192      5.4%
<b><u>Social Supports</u></b>				
AFDC/TANF	6,094	68.9%	Medicaid (non-disabled kids)	30,085      24.5%
Child Nutrition	919	10.4%	Section 8 Low-Income Housing Assis	18,218      14.8%
Maternal and Child Health (Block G)	566	6.4%	Food Stamp Program	17,463      14.2%
Special Milk	446	5.0%	Child Nutrition	12,422      10.1%
NICHHD	144	1.7%	AFDC/TANF	11,871      9.7%
Food Stamp Program	88	1.0%	SCHIP	5,451      4.4%
Juvenile Justice	51	0.6%	Special Supplemental Food for Women	5,060      4.1%

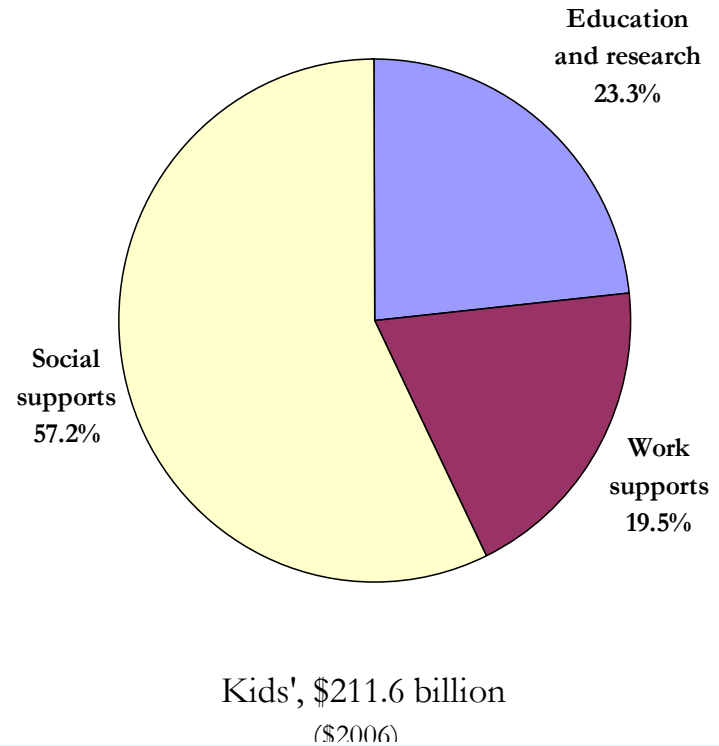
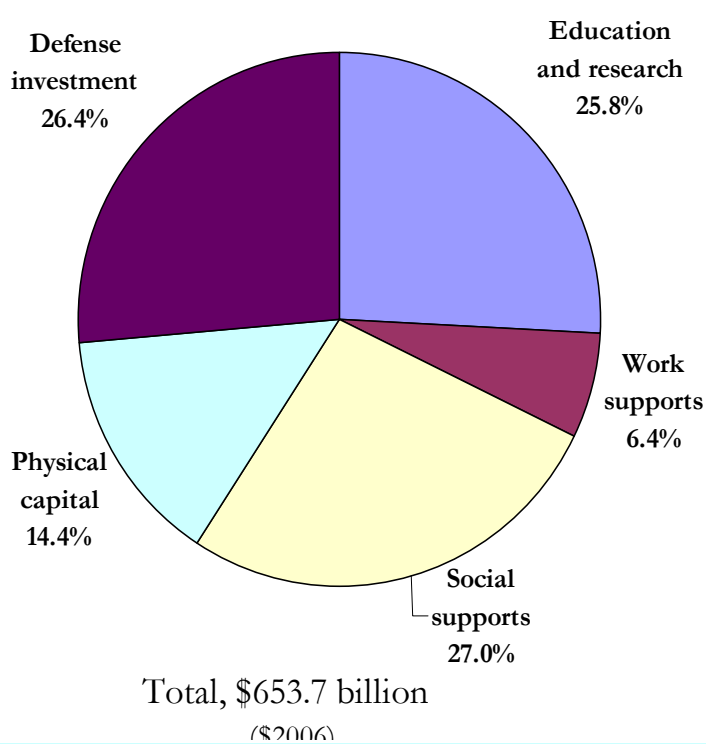
Source: C. Eugene Steuerle, Adam Carasso, and Gillian Reynolds, The Urban Institute, 2007. Based on data from *Federal Budget: Analytical Perspectives*, various years; *Appendix*, various years; *Health Care Financing Review* 2005.

# Total & Kids' Investment, 1965



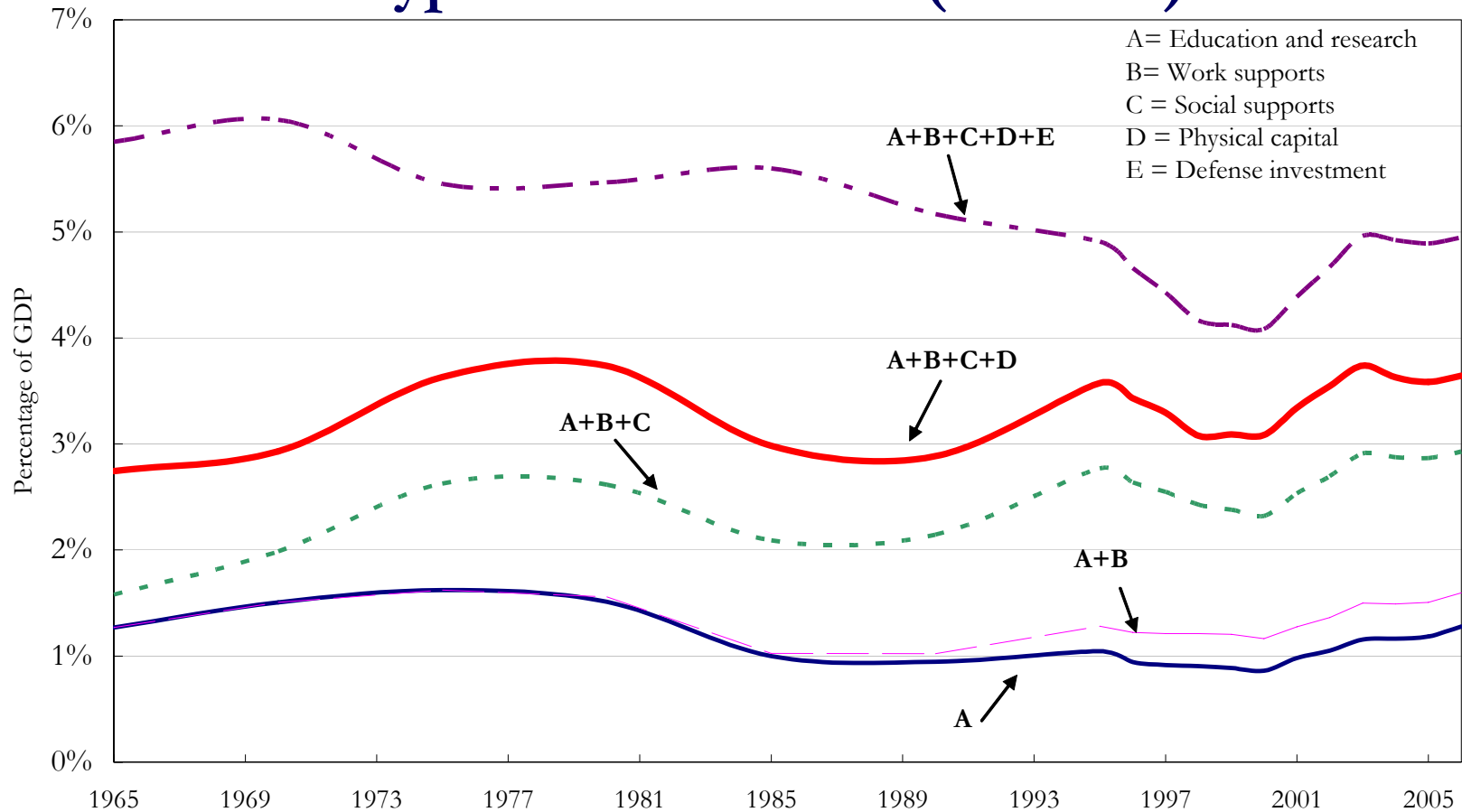
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# Total & Kids' Investment, 2006



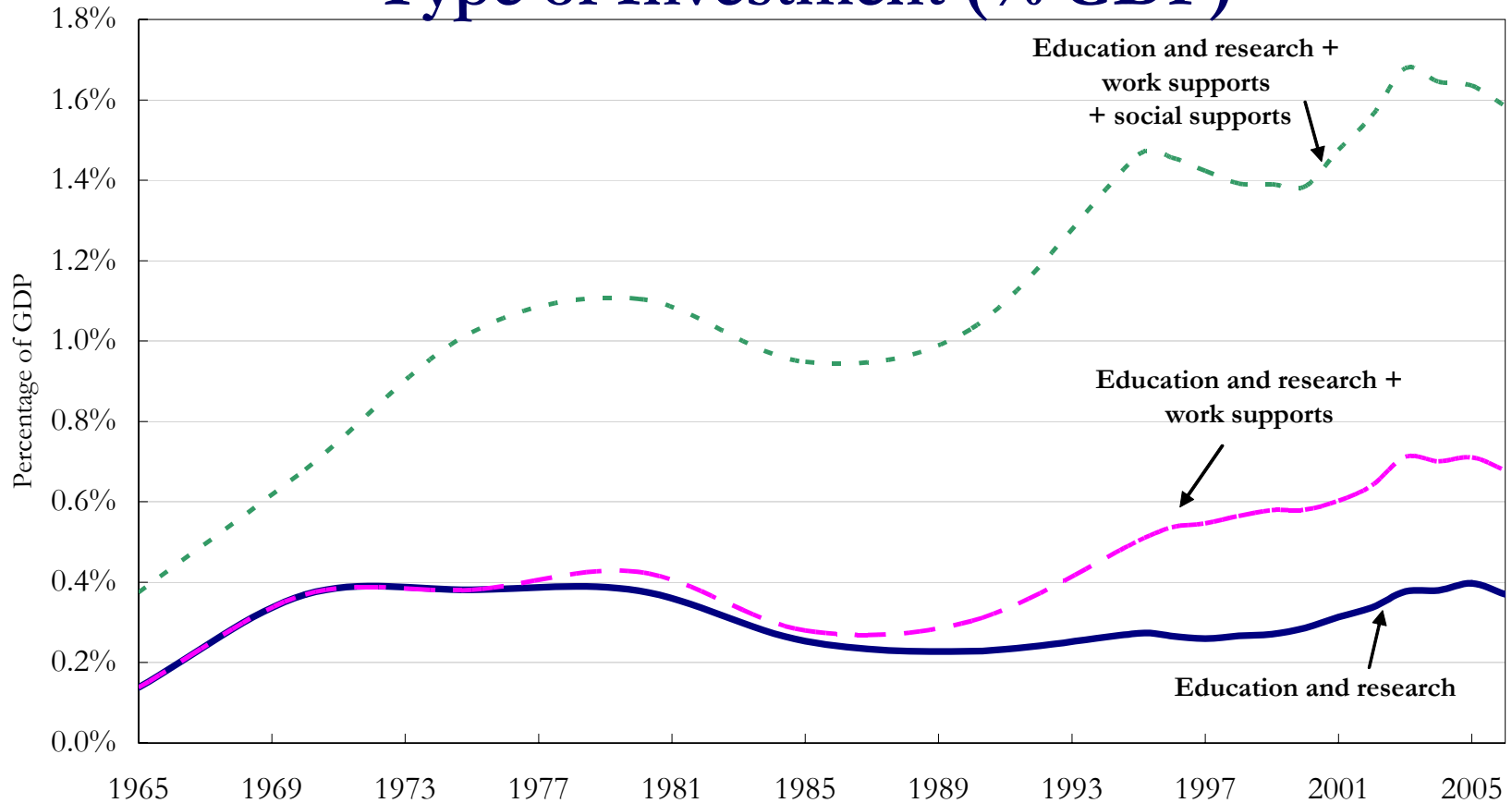
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# Federal Investment by Type of Investment (% GDP)



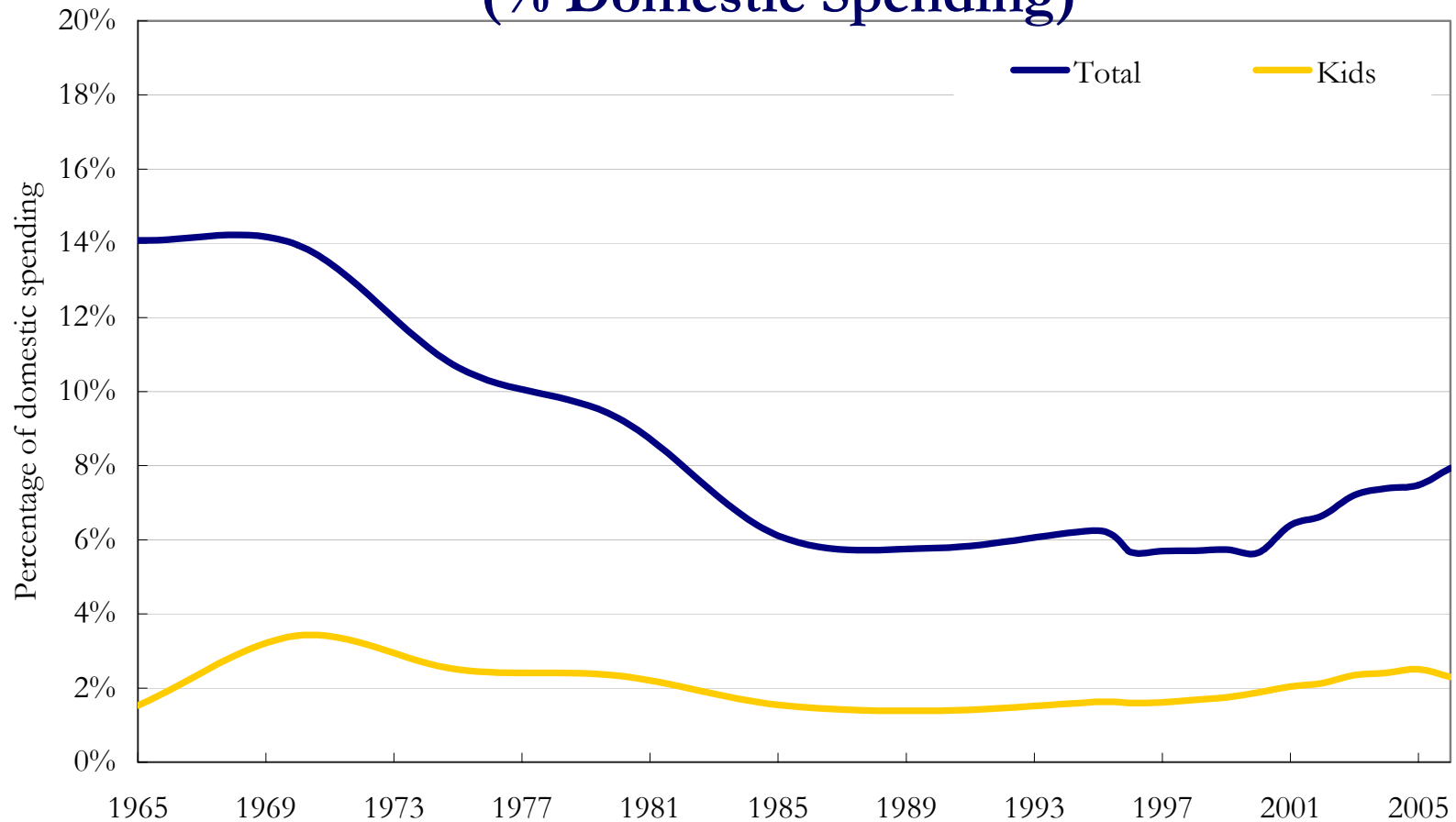
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# Federal Kids' Investment by Type of Investment (% GDP)



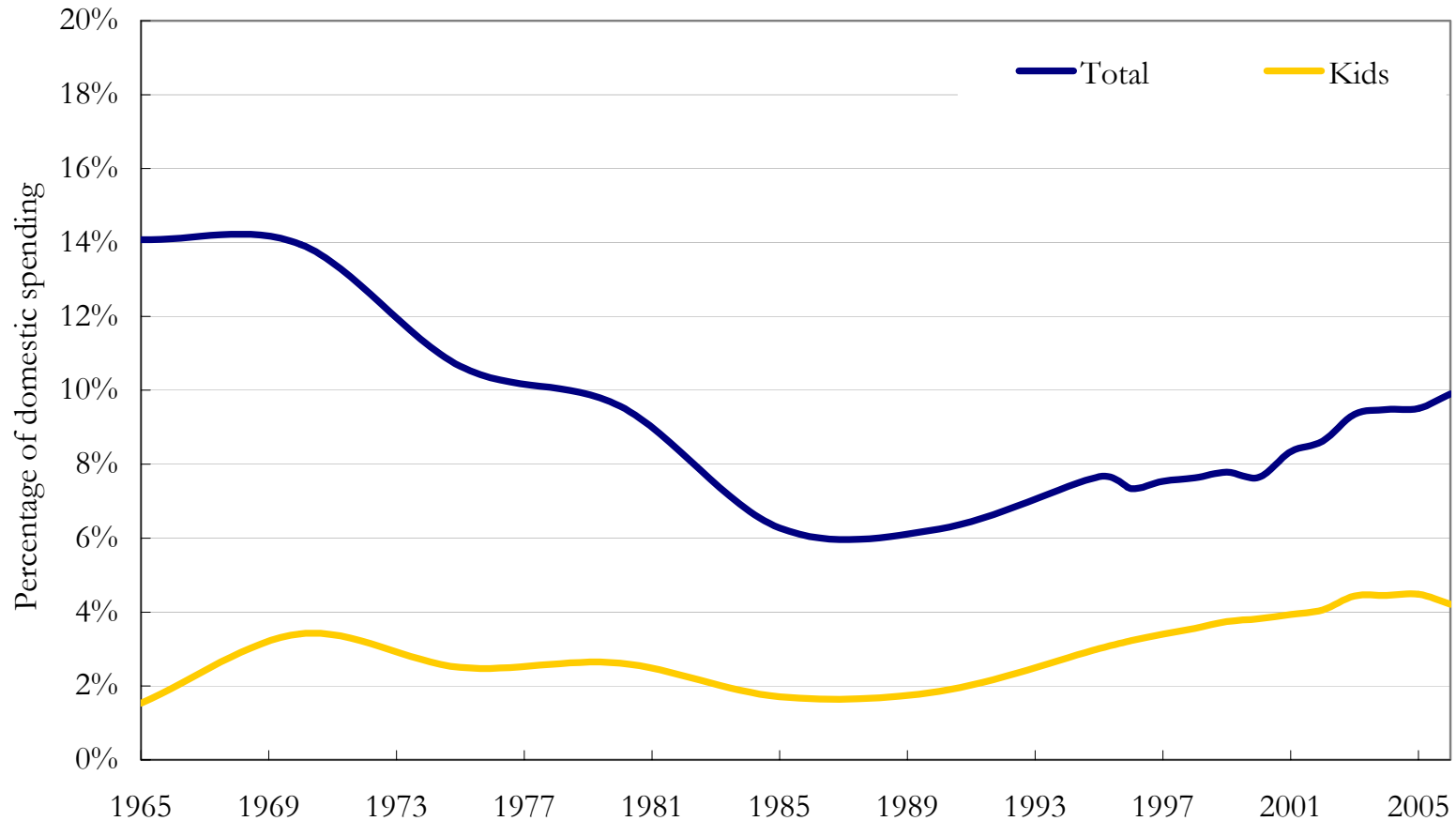
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# Federal Investment in Education & Research (% Domestic Spending)



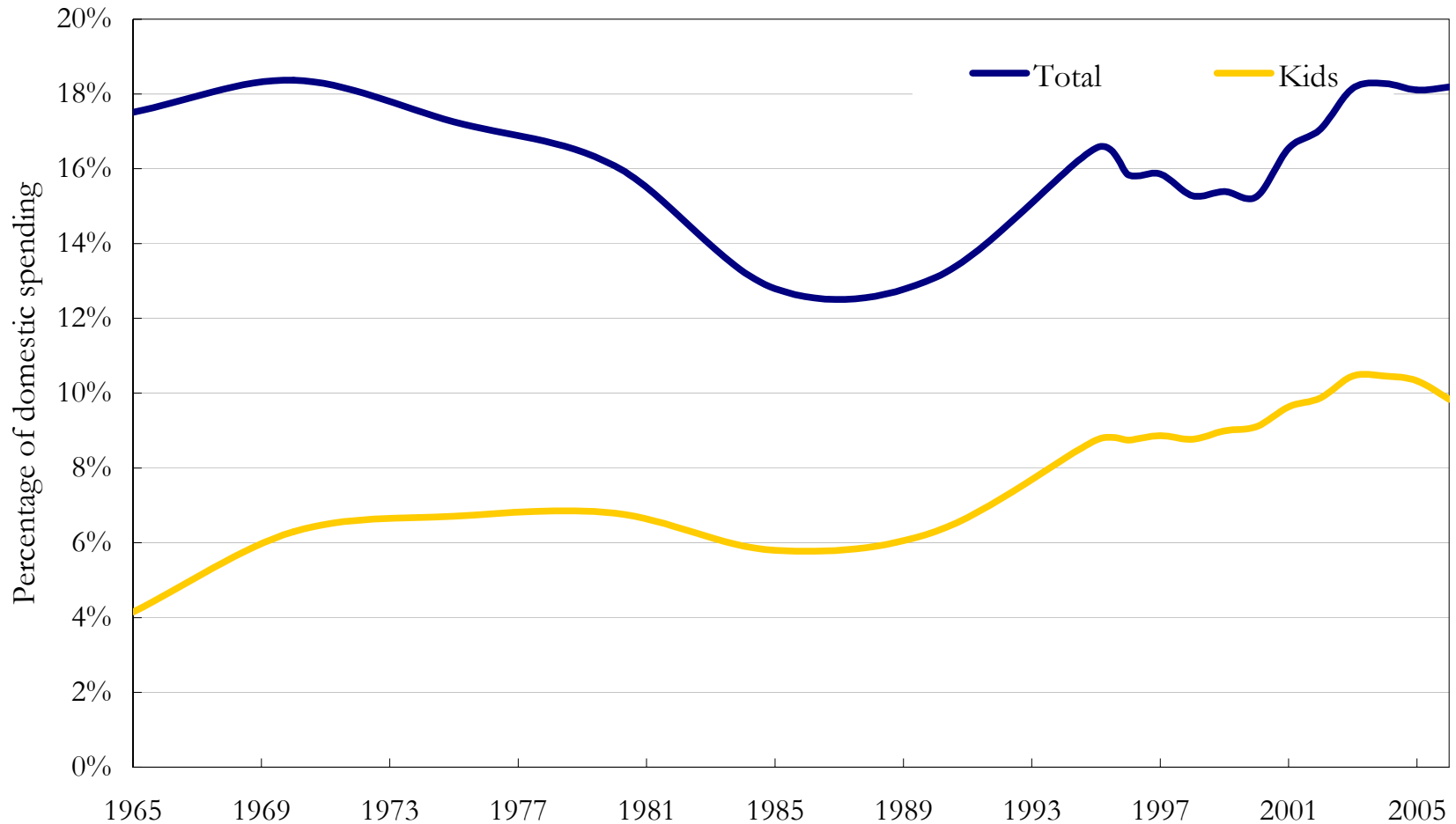
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## Federal Investment in Education & Research and Work Supports (% Domestic Spending)



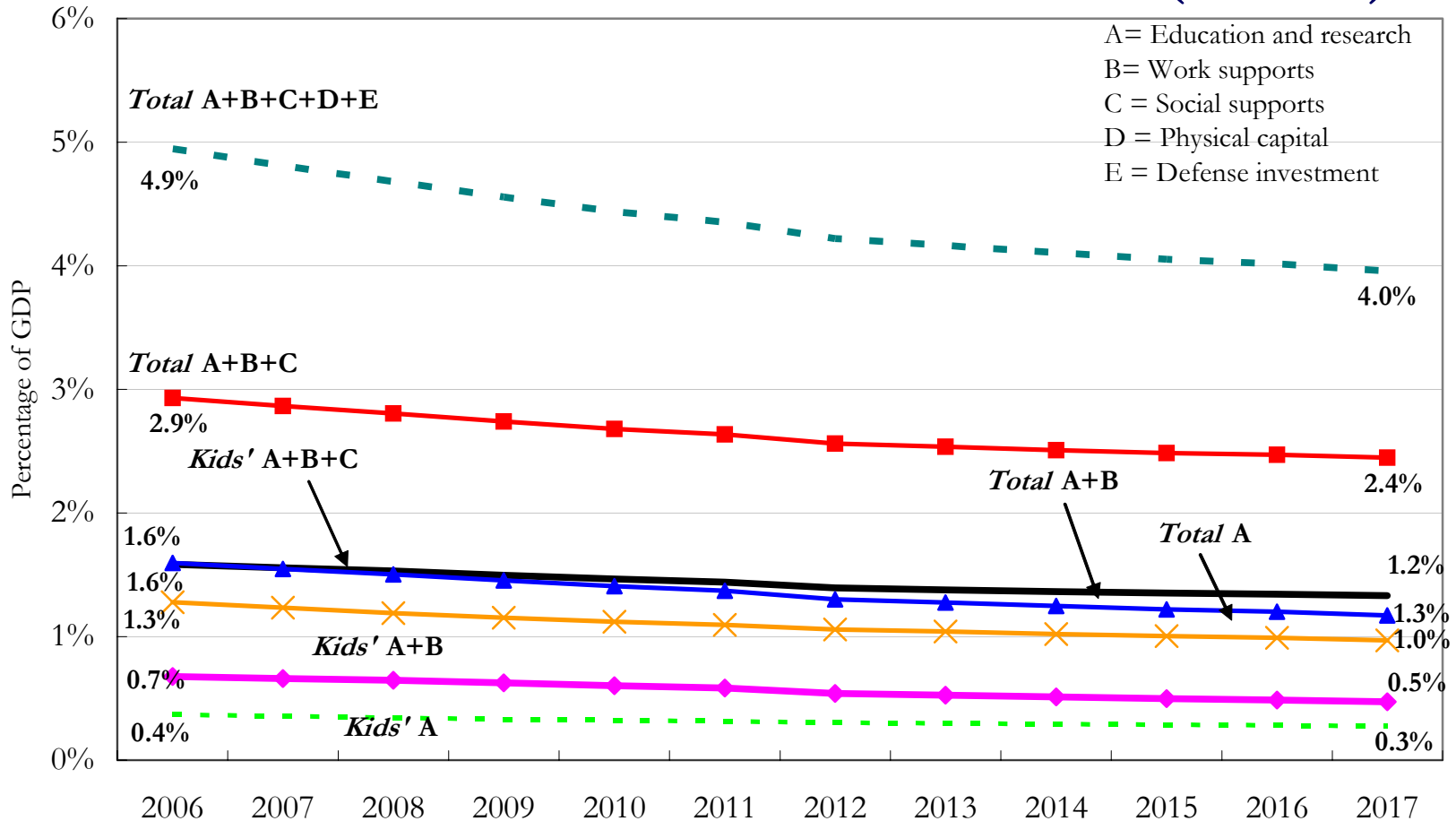
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# Federal Investment Education & Research, Work Supports, & Social Supports (% Domestic Spending)



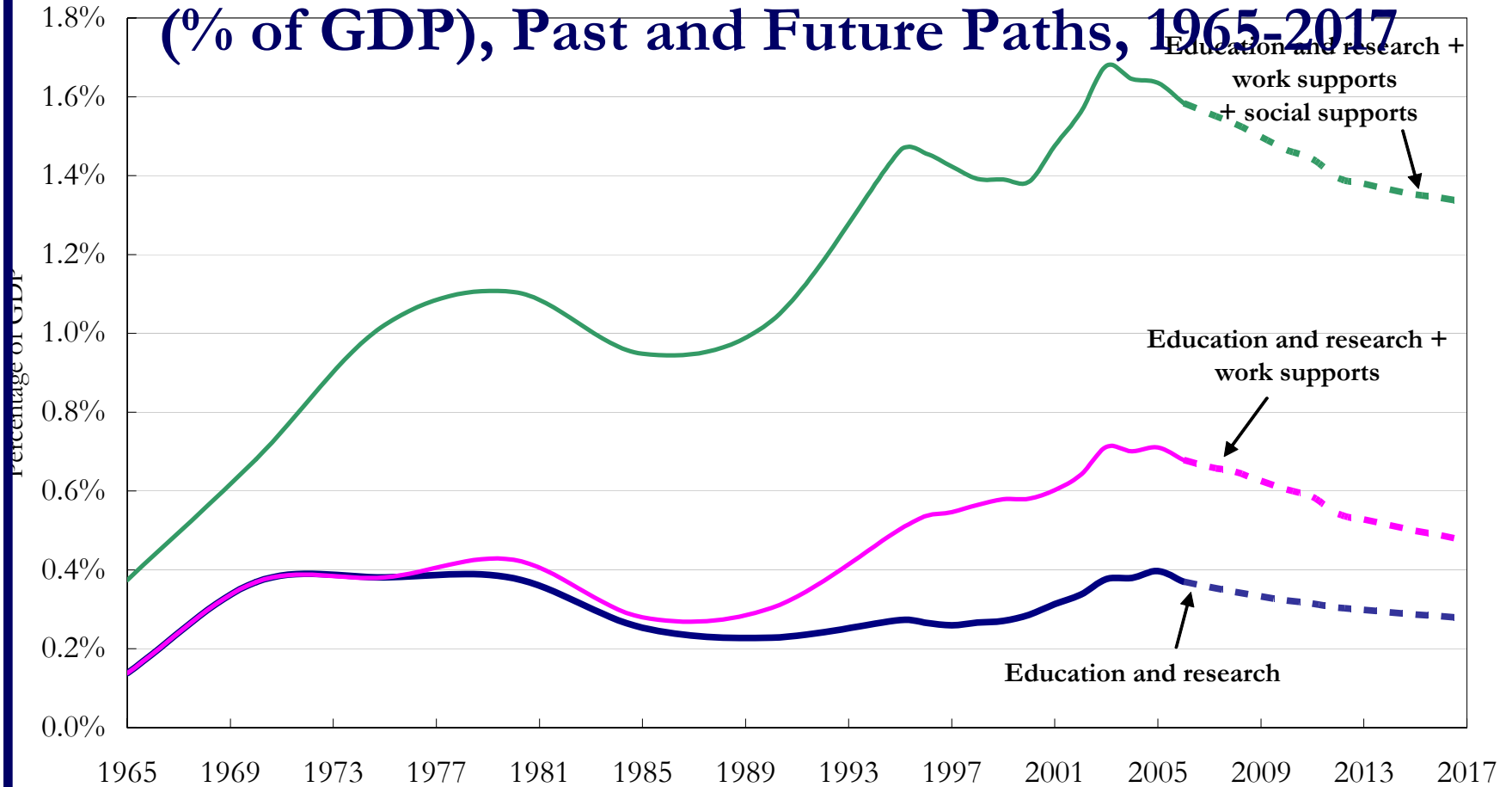
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# Future Federal Domestic Investment Under Current Law: Total Investment and Kids' Investment (% GDP)



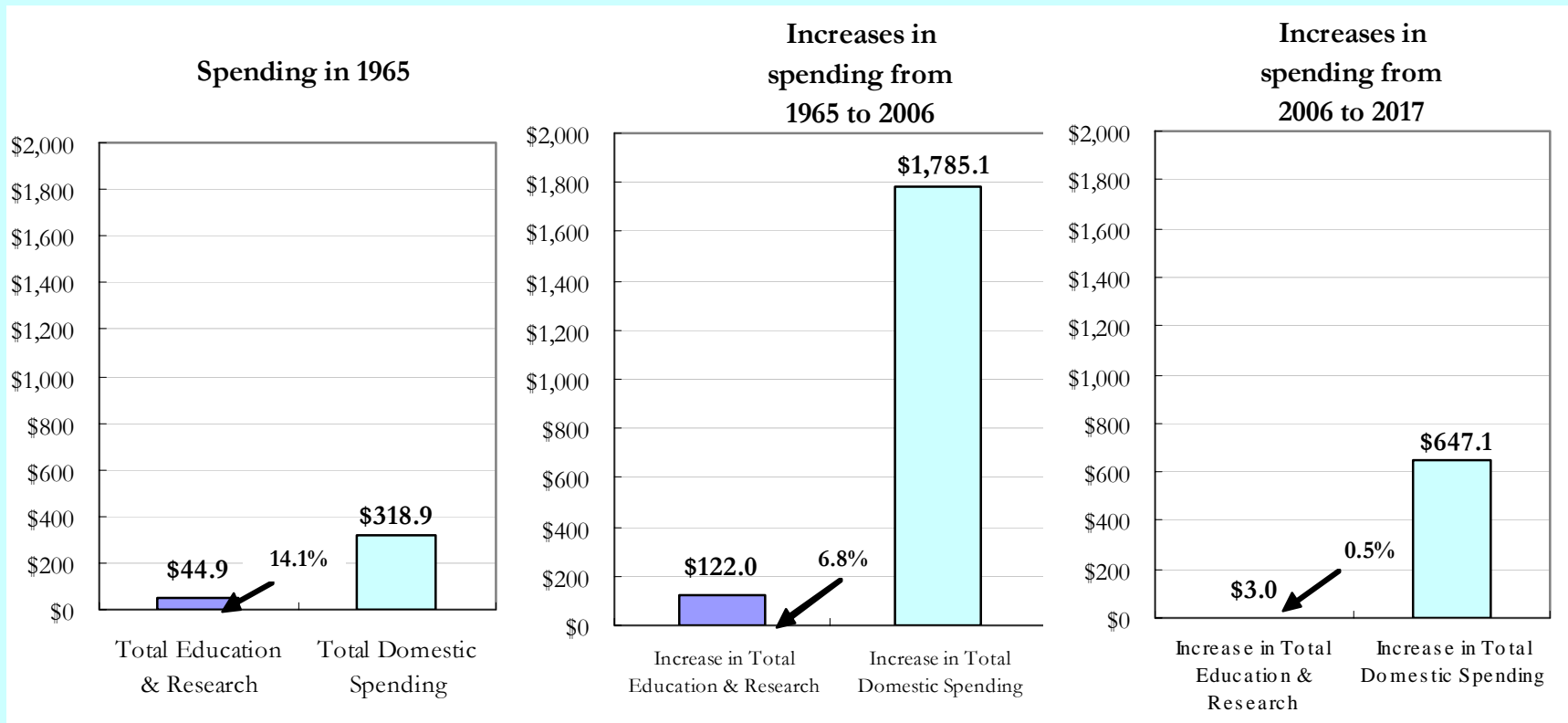
Source: The Urban Institute, 2007. Authors' estimates and projections, based on the *Budget of the U.S. Government FY 2008*, its Appendix, *Analytical Perspectives*, and CBO's *Budget and Economic Outlook, 2008-17*.

# Federal Kids' Investment by Type of Investment (% of GDP), Past and Future Paths, 1965-2017



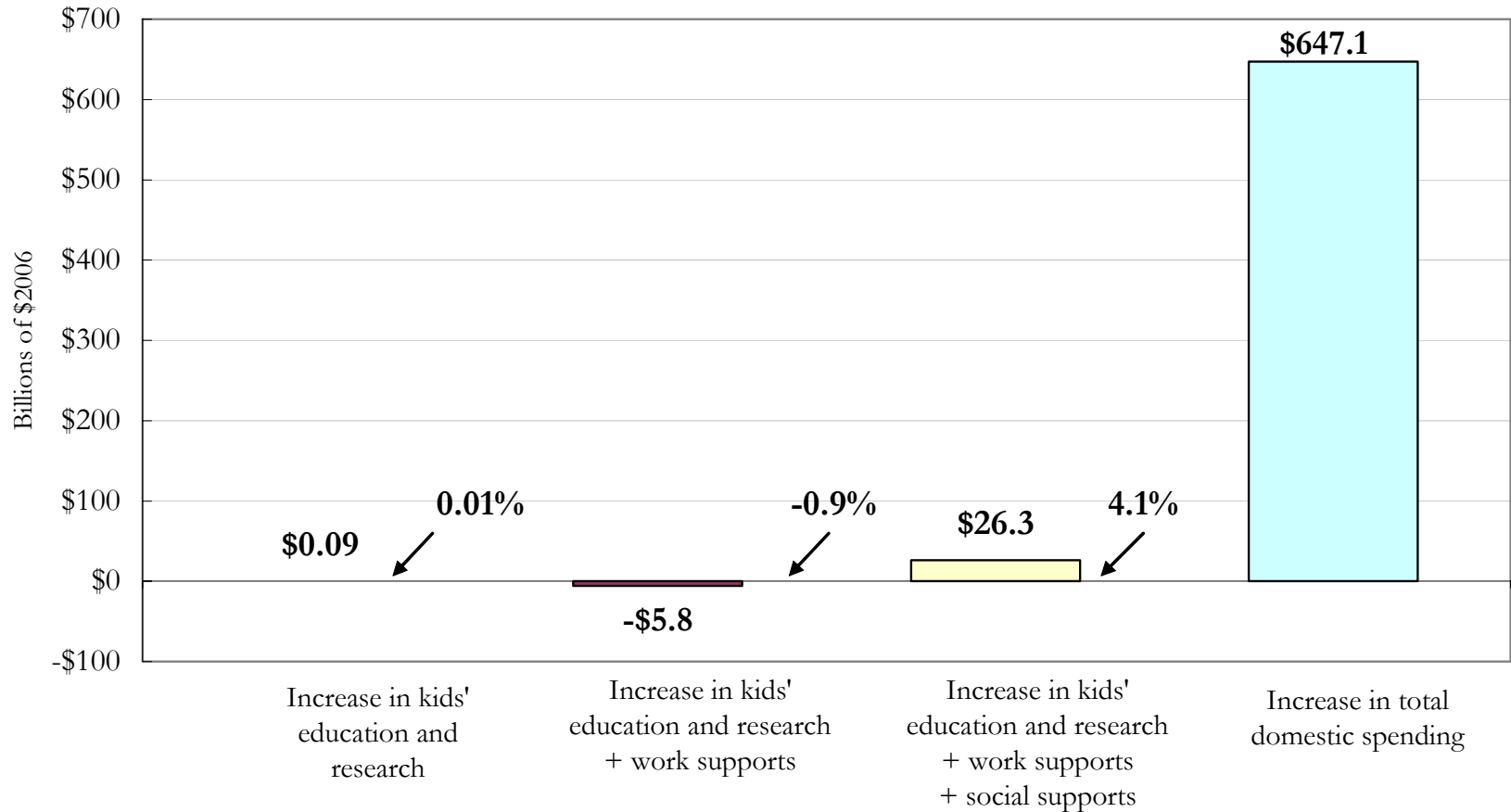
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# Increments of Federal Investment in Education & Research Vs. Total Domestic Spending (Billions of 2006 Dollars)



Source: The Urban Institute, 2007. Authors' estimates and projections, based on the Budget of the U.S. Government FY 2008, its Appendix, Analytical Perspectives, and CBO's Budget and Economic Outlook, 2008-17.

## Increase in Kids' Investment 2006-2017 under Different Definitions of Investment



Source: The Urban Institute, 2007. Authors' estimates and projections, based on the *Budget of the U.S. Government FY 2008*, its *Appendix, Analytical Perspectives*, and CBO's *Budget and Economic Outlook, 2008-17*.

# Some Conclusions

- A variety of potential investment measures
- Most lead to similar conclusions
  - This is not an investment budget
  - This is not a budget that invests in kids
  - There have been some modest recent improvements in Employ and Soc supports
  - Investment (except, perhaps, for kids' health) is scheduled for very significant decline