

State Funding for Children: Spending in 2003 and How It Changed From Earlier Years

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Executive Summary

States and their local governments play a crucial role in financing and delivering public services for children. On average, they finance approximately 90 percent of elementary and secondary education, almost half of Medicaid and other health care for children, and a large proportion of total spending on federal social welfare programs such as foster care, child welfare, and adoption assistance. They also fund state-only initiatives such as tax credits designed to benefit families with children. Many of these programs are targeted toward poor and low-income children. As the federal government responds to a yawning budget deficit, state and local governments may be called upon to do even more.

Despite this important role, there is no comprehensive source of information on how much each state spends for children. This study, funded by the Annie E. Casey Foundation, helps fill that gap by developing and analyzing spending data for most major programs that benefit children. This initial report describes and examines state and local spending in fiscal year 2003 and how it changed over the previous two decades, focusing on aggregate spending for the nation as a whole and on broad patterns across states. Subsequent reports will include data for 2004 and provide state-specific profiles. This report and its appendices provide detailed information on spending, need, and fiscal capacity in state fiscal years 1992, 1998, and 2003.

The study focuses on major programs designed specifically for children or where children are the main beneficiaries, where 50-state data that is comparable across states could be obtained within the resources of the project. This includes (a) elementary and secondary education; (b) all significant federal programs where children are important beneficiaries, if financed at least in part by the states – including Medicaid, the State Children’s Health Insurance Program (SCHIP), and family assistance programs such as Temporary Assistance for Needy Families (TANF), and its predecessor, Aid to Families with Dependent Children (AFDC); and (c) state earned income tax credit programs. It is not possible to include in this initial study *all* spending by states on children: states can and do have “state-only” programs not affiliated with federal programs, but there are no 50-state data sources on these and a state-by-state survey would be required to capture this spending. We believe, however, that the data in this study represent a very substantial majority of total spending on children, and that they fill a major gap and represent an important step. Past research on spending on children and families has shown that state-only spending can vary significantly from state to state, and so it would be important to examine this spending in future studies to help round out the picture.¹

The following are findings from early analyses of the project’s spending data:

- State and local governments spent approximately \$446 billion of own-source funds on major programs for children in fiscal year 2003.
- Elementary and secondary education dominated spending at \$402 billion, or 90 percent of total expenditures. Education spending dwarfed the next-largest category — the \$25 billion spent on children under Medicaid.

- Spending on children under TANF accounted for \$7 billion of the remaining \$19 billion, with foster care and other child welfare programs accounting for most of the remainder.
- In total, state-local spending on children's programs was an extremely important part of state and local budgets, accounting for about 31 percent of all state-local spending from their own resources in 2003.
- Per child spending varied dramatically across states in 2003, from \$3,575 in Utah to \$8,753 in New Jersey (over \$10,000 in the District of Columbia). Per child spending for the 50 states and the District of Columbia was \$5,803.
- Between 1992 and 2003 state-local spending on children's programs increased dramatically, rising \$1,483, or 34 percent, per child, after adjusting for inflation. A \$1,310, or 33 percent, increase in per child expenditures for elementary and secondary education accounted for much of this growth.
- Health spending increased \$154, or 76 percent, per child, reflecting a rapid increase in Medicaid spending on children plus the creation and rapid expansion of the State Children's Health Insurance Program.
- All other spending increased \$28, or 14 percent, per child reflecting rapid increases in spending on child welfare programs and earned income tax credits, offset in part by real per-child declines in spending on family assistance (TANF and related programs).
- Although states increased real per-child spending rapidly, this spending rose only modestly as a share of the economy, from 4.1 percent in 1992 to 4.3 percent in 2003. Put differently, while spending rose rapidly, so did the economy, and spending as a share of the economy increased by relatively little.

States vary widely in their demand and need for spending on children, and their capacity to fund this spending. Children, defined as individuals aged 18 years and under, ranged from 23 percent of the population in West Virginia to 33 percent in Utah in fiscal year 2003. The number of children below 200 percent of the federal poverty level ranged from nearly 54 percent of all children in Arkansas, to approximately 22 percent in Maryland (still one in five children). And gross state product per capita — one indicator of state taxable resources — ranged from \$23,774 in Mississippi to \$56,250 in Delaware. Between 1992 and 2003, indicators of need for and capacity to fund children's services suggest that the climate for providing such services became somewhat less strained: the child population generally declined as a share of the overall population, child poverty rates declined, and gross state product increased even after adjusting for inflation and population growth.

Future reports will examine patterns in state spending for children's services in more detail, and provide state-specific spending profiles.

Introduction

States and their local governments play an important role in financing public services for children. They provide most of the revenue for elementary and secondary education; provide match and maintenance-of-effort funding for federal social welfare programs; and fund state-only initiatives designed to benefit young people. Many people will be looking to the states to increase their efforts should budget constraints squeeze federal funding for children. Unfortunately, detailed information on how much each state spends for children currently is limited to a small number of programs and service areas, making it difficult to easily gauge total state expenditures. This report helps to fill that gap by developing and analyzing data on state spending for most major programs that benefit children.²

This report is a product of the Nelson A. Rockefeller Institute of Government's State Spending on Children's Services project, which is designed to shed light on state spending for children. It builds on earlier work completed by the Institute.³ The current project relies on data from federal and state officials and public documents to estimate state spending for children in 1992, 1998, 2003, and 2004, and to analyze how spending has changed over time.⁴ It includes elementary and secondary education, state and local spending for sixteen federal programs, and state-financed earned income tax credits, as well as other tax expenditures.⁵ Although the project's data set does not capture all state spending for children, it does include spending for most major program areas.

This first product from the children's spending project includes background information on the intergovernmental (federal, state, and local) structure for financing services; findings from the project's early analysis of state and local government expenditures in 1992, 1998, and 2003; and a discussion of demographic, fiscal, and other factors that influence state spending decisions. The final section of this paper contains a chart of key demographic and fiscal data that paints a picture of need and spending for children's services in each state. Future products will expand on this report to include information for 2004 as well as more state-specific spending data and analyses.

Intergovernmental Structure for Financing Children's Services

Publicly-financed services for children are a product of a number of partnerships between the federal, state, and local governments, and in some cases, private service providers. The nature of these partnerships including which levels of government provide funding, establish program policies, deliver services, etc., varies across programs and across states. This section provides an overview of the intergovernmental financing structures for the program areas included in this report and how they have changed during the study period.

Education

Elementary and secondary education has long been under the purview of states and localities, with these governments providing over 90 percent of total education revenue. State government's share of funding for elementary and secondary education varies across the nation, from over 85 percent of program revenues in Hawaii, which has a single statewide district, to less than 35 percent in South Dakota and Nebraska. The national average is approximately 50 percent.⁶ Although the federal government's financial contribution is relatively small, its influence on state and local educational policies is evident, as seen with the 2001 enactment of the federal No Child Left Behind Act, which requires each state, for example, to implement an accountability system that covers all schools and all students.⁷

Federal Programs

State financial participation in federal programs is, to a certain extent, dictated by the type of grant, as well as the match rates and maintenance-of-effort spending required by governing rules. The majority of the federal programs included in this study provide funds to the states using categorical grants. Categorical grants typically are for targeted populations or a narrow group of services.⁸ Federal funds for open-ended categorical grants are not capped. States spend the funding first and are reimbursed based on federal financial participation rates established by program rules.⁹ The state share of spending is commonly referred to as "match." The following open-ended categorical grants are included in this report: Medicaid, Foster Care, Adoption Assistance, Child Support Enforcement, Aid to Families with Dependent Children (AFDC), AFDC and Transitional Child Care, and Emergency Assistance.

Capped categorical grants are much like their open-ended counterpart, except the federal government's financial obligation is limited to a set amount of funding allocated to the states, typically by formula. The following capped categorical grants are included in this report: State Children's Health Insurance Program (SCHIP), Child Welfare Services (Title IV-B, Subpart 1), Promoting Safe and Stable Families (Title IV-B, Subpart 2), Job Opportunities and Basic Skills Training (JOBS), and At-Risk Child Care.

There are three federal programs included in this study that provide block grants to the states: the Maternal and Child Health Block Grant (MCHBG), the Temporary Assistance for Needy Families (TANF) program, and the Child Care and Development Fund (CCDF).¹⁰ Federal funding for this type of grant is capped, thus limiting the federal government's financial obligation to the amount of funds allocated to each state. Block grants usually are provided for a large functional area, and allow more state flexibility than categorical grants in determining how funds are spent.¹¹ The federal government may reimburse the states based on a federal financial participation rate or require states to meet a maintenance-of-effort (MOE) spending level, which is a minimum level of required, own-source expenditures.¹²

The federal government provides funding directly to the states in all of the programs noted previously and holds them responsible for meeting match and MOE requirements. States may pass federal dollars through to localities with or without the requirement that the local government spend own-source funds to meet federal spending rules. For example, New York State uses federal TANF funds and state MOE dollars to support cash assistance benefits administered by localities. The state requires its local governments to share in the cost of these benefits and counts this local spending for cash assistance toward its TANF MOE requirement.

1996 federal welfare reform legislation significantly altered the funding structure of several programs in this study. The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) replaced the AFDC, Emergency Assistance, and JOBS categorical grants with the TANF block grant. The new block grant structure placed a ceiling on the federal government's financial obligation to the nation's welfare program at approximately \$16.5 billion. Although states have more flexibility to design services and benefits under TANF, they bear the full burden of addressing any spending above block grant levels. PRWORA also combined the AFDC, Transitional, and At-Risk Child Care programs with the Child Care and Development Block Grant to create the Child Care and Development Fund.

Earned Income Tax Credits

The earned income tax credits (EITCs) included in this report are purely state-level efforts with no financial contribution from the federal and local governments. State EITCs are an amount deducted from a taxpayer's liability to reduce the amount of tax owed. Fourteen states and the District of Columbia reported having tax expenditures for EITC in 2003, with the majority of the credits structured as a percent of the federal EITC.¹³ The credit is nonrefundable in some states, but refundable in others, meaning the state pays the taxpayer the difference between the credit and tax liability if the credit is higher. Some states have both refundable and nonrefundable EITCs.

Methodology

A primary objective of the State Spending on Children's Services project is to build a data set of state expenditures for 1992, 1998, 2003, and 2004 that is comparable across years for each state and across states. Including all state expenditures for children — state match/MOE to federal programs, state spending exceeding federal requirements, and state-only programs — would require the difficult and time-consuming task of conducting a detailed survey of each state's finances, which is beyond the scope of this project. Therefore, initial efforts focused on seeking out data from sources that compiled spending information for each of the 50 states and the District of Columbia. This produced a data set that includes spending for elementary and secondary education, and state match and MOE expenditures for large federal programs designed to benefit children. The programs included with relevant study years are listed in Table 1. See Appendix A for a list of data sources and Rockefeller Institute calculations.

	Study Years			
	1992	1998	2003	2004
Elementary & Secondary Education	Y	Y	Y	Y
Medicaid	Y	Y	Y	Y
Maternal and Child Health Block Grant	Y	Y	Y	Y
State Children's Health Insurance Program /1		Y	Y	Y
Foster Care	Y	Y	Y	Y
Adoption Assistance	Y	Y	Y	Y
Child Welfare Services (Title IV-B, Subpart 1)	Y	Y	Y	Y
Promoting Safe and Stable Families (Title IV-B, Subpart 2) /1		Y	Y	Y
Child Support Enforcement	Y	Y	Y	Y
Aid to Families with Dependent Children (AFDC) /2	Y			
Emergency Assistance /2	Y			
JOBS /2	Y			
AFDC Child Care /3	Y			
At-Risk Child Care /3	Y			
Transitional Child Care /3	Y			
Child Care and Development Fund (CCDF) /1		Y	Y	Y
Temporary Assistance for Needy Families (TANF) /1		Y	Y	Y

/1 No expenditures in 1992.
/2 Merged into TANF by PRWORA 1996.
/3 Merged into CCDF by PRWORA 1996.

Project staff then expanded data collection to include several types of state tax expenditures for children. Since no single, comprehensive source of data exists on state revenue foregone from specific tax policies, project staff had to reach out to officials in each state and the District of Columbia for the following spending data:¹⁴

- Earned income tax credits;
- Child and dependent care exemptions;
- Child tax credits; and
- Child and dependent exemptions.¹⁵

State officials provided estimated and/or actual expenditure data. This report includes early data and analysis for state earned income tax credits.¹⁶

The extent to which this study captures total state own-source spending for children is different across states. It is more inclusive for states whose spending is more limited to elementary and secondary education and match/MOE for large federal programs. It is less inclusive for states with large state-only initiatives or significant amounts of spending over federal match/MOE requirements. Spending for pre-kindergarten programs is included in data for elementary and secondary education to the extent public schools used state funds to provide this service. It is also included in data for the TANF and CCDF programs to the extent states used these funding streams to support pre-kindergarten programs.

One final methodological note: Throughout this report, tables, graphs, and maps showing data for the United States as a whole are calculated by first summing data for the 50 states, and then applying appropriate formulas. This is true for economic data, demographic data, and fiscal data. This ensures comparability between state data and national data (as when, for spending per child for a state is compared to spending per child for the nation as a whole). One minor disadvantage of this approach is that on occasion there are small differences between our “sum of states” data and published national totals, if national totals are calculated using different data or methods than state figures. We believe the benefit of using state and national data that are comparable outweighs this small occasional disadvantage.

Definitions and Rules

It was necessary to establish definitions and rules to guide decisions on what expenditures should be included. All spending was counted for programs where children are the primary beneficiaries. This proved to be most of the programs in the study. The exceptions are:

- Medicaid: The Medical Statistical Information System (MSIS) at the Centers for Medicare and Medicaid Services breaks out Medicaid vendor payments by age group of recipient and by basis of eligibility, and these data were used to help estimate Medicaid spending on children. Because vendor payments are a subset of total Medicaid spending, these amounts were adjusted to reflect the relationship between total vendor payments and total Medicaid spending as reported on “Form 64,” the primary source of information on total Medicaid spending.
- AFDC, Emergency Assistance, and JOBS: The proportion of the AFDC caseload that is children was applied to total program spending to estimate spending on children.
- TANF: The proportion of the TANF assistance caseload that is children was applied to total MOE and separate state program spending to estimate spending on children.

Individual program definitions of “children” were used when estimating spending, rather than applying a uniform definition throughout. For example, the Medicaid program’s definition of children (a person less than 21 years of age) was applied when estimating spending for that program. Similarly, the TANF definition of a minor child (under the age of 18, or under 19 if the person is enrolled full time in secondary school or an equivalent level of vocational or technical training), was used when estimating TANF spending.

The study year approximates the time period for which spending occurred and does not suggest a uniform period across programs. Expenditures for federal programs are reported on a federal fiscal year basis, which runs from October 1 to September 30. Therefore, 1992 spending included for these programs occurred in the 1992 federal fiscal

year, October 1, 1991-September 30, 1992. Elementary and secondary education data are reported on a school year basis, which varies from state to state, but generally runs from July to June. Following the previous example, 1992 education spending occurred in the 1992 school year, which for many states was July 1991 to June 1992. States reported tax expenditures using varying time periods that either follow the state fiscal year (July to June in most states) or the calendar (tax) year. State fiscal years and the study years align as follows: SFY 1991-92 equals study year 1992; SFY 1997-98 equals study year 1998; and SFY 2002-03 equals study year 2003.

The primary focus of data collection was state-financed expenditures. Local government expenditures were included when states reported this spending as match or MOE for federal funding. Local government spending for elementary and secondary education is included with state expenditures in the analyses presented.

Spending Categories

Throughout the rest of this report, spending data is presented in three categories:

Education: Elementary and secondary education

Health: Medicaid, MCHBG, SCHIP

Non-Health/Non-Education: Adoption Assistance, Child Welfare Services (Title IV-B, Subpart 1), Promoting Safe and Stable Families (Title IV-B, Subpart 2), Foster Care, AFDC, JOBS, Emergency Assistance, TANF, AFDC Child Care, Transitional Child Care, At-Risk Child Care, CCDF, Child Support Enforcement, and EITCs.

Findings

This section presents findings from early analyses of the project's data set of state spending for children. There are three major themes:

- Elementary and secondary education is by far the largest area of state and local government spending for children;
- Total spending for children and spending per child increased substantially from 1992 to 2003; and
- States vary tremendously across the nation for all analyses including per child spending, expenditures per category, and 1992 to 2003 growth rates.

Spending for Children Totaled Over \$446 Billion in FY 2003, Approximately 31 Percent of State and Local Government Self-Financed Expenditures

State and local governments spent over \$446 billion of own-source funds in fiscal year 2003 for the children's services included in this study (see Table 2).¹⁷ Elementary and secondary education was by far the largest program area, with over \$402 billion expenditures. Removing local dollars (totaling \$188 billion) still left education at the top of the list with \$214 billion in state-only spending. Medicaid spending for children was a distant second at \$25 billion. TANF spending for children was the third largest program area at approximately \$7 billion. State and local spending for the remaining programs ranged from \$215 million for child welfare (Title IV-B, Subparts 1 and 2) to \$4 billion for foster care.

	<u>\$ in Millions</u>	<u>% of Total</u>
Elementary and Secondary Education	\$402,641	90.2
Medicaid (vendor payments for age <21)	25,288	5.7
TANF (Children)	6,962	1.6
Foster Care	4,047	0.9
Child Care Development Fund MOE and Match	2,221	0.5
State Children's Health Insurance Program	1,815	0.4
Child Support Enforcement Administration	1,747	0.4
State EITCs (Refundable/Nonrefundable)	1,410	0.3
Adoption Assistance	1,239	0.3
Maternal and Child Health Block Grant	392	0.1
Child Welfare (Title IV-B, Subparts 1 and 2)	215	0.0
	Subtotal	447,976
	Adjustments /1	-1,787
	Total	446,189
/1 Child support collections retained by states and CCDF match/MOE spending countable toward TANF MOE		
Sources: Authors' calculations of U.S. Department of Health and Human Services (DHHS), National Center for Education Statistics (NCES), and state government data		

State and local governments provide a wide array of services to the general public that are well outside the scope of this study. For example, they are responsible for public safety including police, fire, and corrections, as well as transportation services including building and maintaining roads. In total, state and local governments spent over \$1.4 trillion dollars in own-source revenue (excluding federal funds) in 2003. The \$446 billion in spending for children included in this study was approximately 31 percent of all state and local self-financed expenditures in 2003. To give a sense of perspective, this exceeds all of the spending by state and local governments (including substantial amounts funded by the federal government) for transportation (roads, bridges, and transit subsidies) *plus* all of the spending by state and local governments on public safety (police, fire, and protective inspections), which combined were \$305 billion in 2003.

Total Real Spending for Children Increased \$149 Billion from 1992 to 2003 with Significant Increases in Education and Health

State and local government spending for children increased 50 percent after adjusting for inflation, from \$297 billion in 1992 to \$446 billion in 2003. Education expenditures accounted for \$133 billion of the \$149 billion increase. Health spending almost doubled during the study period, from \$14 billion to \$27.5 billion. Increased spending for the remaining programs in the study (non-health/non-education category) was relatively modest, but still significant by most standards, at \$4 billion, or 27 percent.

	Total Spending (Millions)			1992 - 2003	
	FY 1992	FY 1998	FY 2003	Change	% Change
Elementary and Secondary Education	\$269,819	\$334,998	\$402,641	\$132,822	49%
Health	13,967	18,144	27,494	13,527	97
Non-Health/Non-Education	14,007	16,721	17,840	3,833	27
Adjustments /1	-953	-2,070	-1,787	-835	88
Total	296,841	367,794	446,188	149,347	50

/1 Child support collections retained by states and CCDF match/MOE spending countable toward TANF MOE

Medicaid spending for children accounted for the majority of the \$13.5 billion increase in the health category with a \$12 billion, or 88 percent, jump in expenditures from 1992 to 2003 (see Table 4). Also affecting year-to-year change in health spending was the SCHIP start up. States reported expenditures for the first time for this program in 1998 totaling approximately \$54 million, and increased spending to \$1.8 billion in 2003. The ramping up of Medicaid and SCHIP during the study period was offset by a \$95 million, or 20 percent, decline in Maternal and Child Health Block Grant expenditures.¹⁸

Foster Care, Adoption Assistance, Child Welfare (Title IV-B, Subparts 1 and 2), and child care spending accounted for over \$4 billion of the increase in spending for non-health/non-education programs. This is not surprising, as earlier research by the authors found that states significantly increased spending for these services after passage of

federal welfare reform legislation in 1996.¹⁹ State-financed earned income tax credits grew \$1.3 billion primarily due to the jump in the number of states offering the credit – from six in 1992 to 16 and the District of Columbia in 2003. Welfare was the only program area in the non-health/non-education category that saw a decline in real spending during the study period. State and local government spending in fiscal year 2003 for the TANF MOE requirement and separate state programs was \$2.6 billion, or 27 percent, less than state and local match spending for AFDC, JOBS, and Emergency Assistance in 1992 (see Table 4).²⁰

Table 4: Real State Spending for Selected Programs, Total Change and Percent Change, 2003 Dollars		
	<u>1992 - 2003</u>	
	Change (Millions)	% Change
Elementary and Secondary Education	\$132,822	49%
Health		
Medicaid (vendor payments for age <21)	11,807	88
State Children's Health Insurance Program	1,815	NA
Maternal and Child Health Block Grant	-95	20
Total Change	<u>13,527</u>	<u>97</u>
Non-Health/Non-Education		
Foster Care, Adoption Assistance, Child Welfare /1	2,663	94
Child Care /2	1,513	214
EITCs (Refundable/NonRefundable)	1,309	1298
Child Support Enforcement	949	119
AFDC, JOBS, EA and TANF (Children)	-2,600	-27
Total Change	<u>3,833</u>	<u>27</u>
/1 Includes Child Welfare State Grants (Title IV-B, Subpart 1) and Promoting Safe and Stable Families (Title IV-B, Subpart 2)		
/2 Includes AFDC, Transitional, At-Risk Child Care and CCDF		
Sources: Authors' calculations of DHHS, NCES, and state government data		

State and Local Government Spending for Children was Over Four Percent of US Gross State Product for All Study Years

Gross state product (GSP) is a measure of a state's economy that takes into consideration labor income, business taxes, and capital income. Total state and local government spending on the programs included in this study was over 4 percent of GSP for the 50 states and the District of Columbia – for all study years, and increased from 4.08 percent in 1992 to 4.29 percent in 2003 (see Table 5). Thus, spending for children constituted a slightly larger share of state economies in 2003 than in 1992.

Spending for children as a percent of GSP varied across the nation in fiscal year 2003 from 2.79 percent in Delaware (1.72 percent in the District of Columbia) to 6.19 percent in Vermont.²¹

Table 5: Total State and Local Government Nominal Spending for Children as a Percent of US Gross State Product

	FY 1992	FY 1998	FY 2003
Elementary and Secondary Education	3.71%	3.69%	3.87%
Health	0.19%	0.20%	0.26%
Non-Health/Non-Education	0.19%	0.18%	0.17%
Adjustments/ ¹	-0.01%	-0.02%	-0.02%
Total	4.08%	4.05%	4.29%

¹/1 Child support collections retained by states and CCDF match/MOE expenditures countable toward TANF MOE

Sources: Authors' calculations of DHHS, NCES, BEA, and state government data

Real Spending Per Child for the Nation Increased 34 Percent from 1992 to 2003

State and local government real spending per child for the programs in this study increased \$1,483, or 34 percent, from \$4,320 in 1992 to \$5,803 in 2003. Similar to total spending for children, education led the way in dollar change at \$1,310, but health experienced the largest year-to-year percent increase at 76 percent (see Table 6). In fiscal year 2003, 90 percent of per child spending for all states was for elementary and secondary education, 6 percent for health, and 4 percent for non-health/non-education spending.

Table 6: State and Local Government Real Spending Per Child, Change and Percent Change, 2003 Dollars

	Per Child Spending			1992 - 2003	
	FY 1992	FY 1998	FY 2003	Change	% Change
Elementary and Secondary Education	\$3,927	\$4,485	\$5,237	\$1,310	33%
Health	203	243	358	154	76
Non-Health/Non-Education	204	224	232	28	14
Adjustments /1	-14	-28	-23	-9	68
Total	4,320	4,924	5,803	1,483	34

/1 Child support collections retained by states and CCDF match/MOE expenditures countable toward TANF MOE.

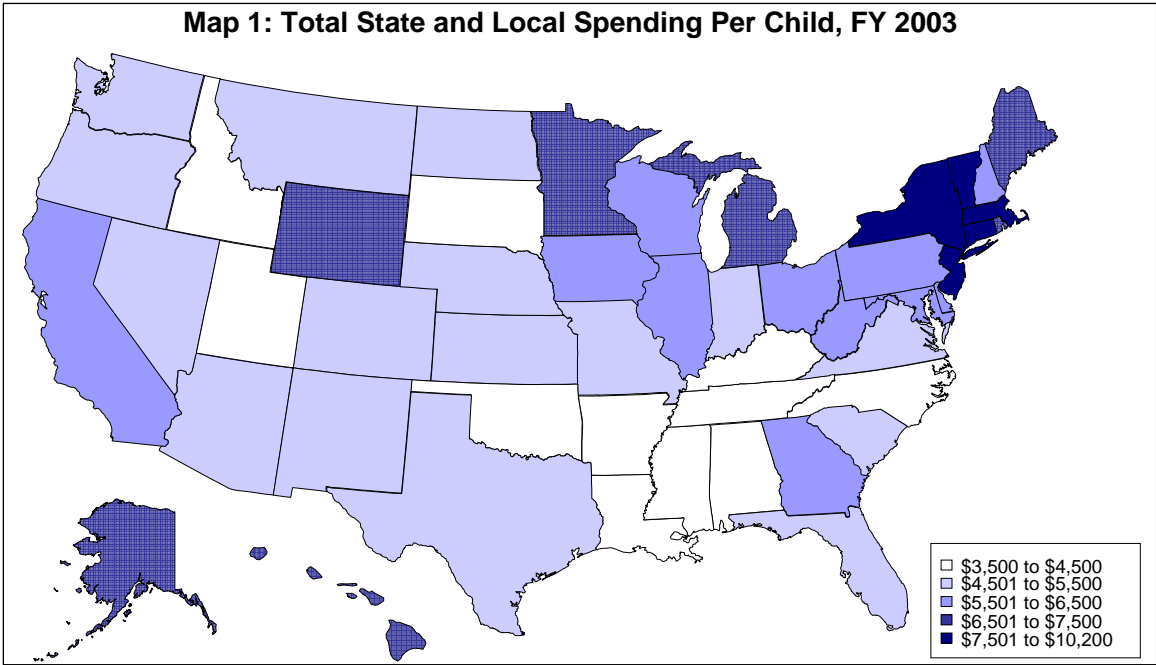
Sources: Authors' calculations of DHHS, NCES, BEA, and state government data

FY 2003 Per Child Spending Varied Across States, As Well As Growth in Per Child Spending from 1992 to 2003

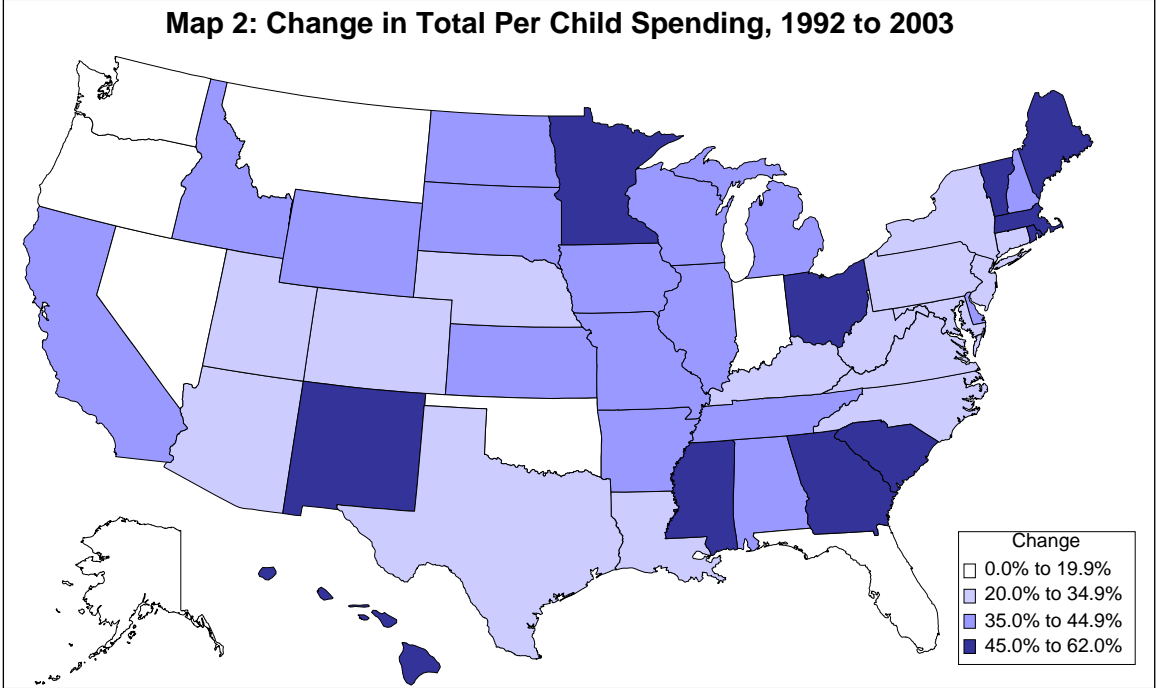
State and local government per child expenditures for the study programs ranged from \$3,575 in Utah to \$8,753 in New Jersey. The District of Columbia had spending of over \$10,000. The five highest spending states, all with expenditures over \$7,500 per child, were in the northeastern part of the nation. The majority of the states with the lowest spending per child (less than \$4,500) were in the South (see Map 1, *Total State and Local Spending Per Child, FY 2003*).²²

A closer look at the components of per child expenditures in each state provides a glimpse at spending priorities for the programs included in this study. Education spending as a percent of total per child expenditures ranged from 85.6 percent in Alaska (82.5 percent in the District of Columbia) to 94.7 percent in Utah. Health spending ranged from 3.5 percent of total per child expenditures in North Dakota and Utah to almost 11 percent in Alaska (see Table 7). Non-health/non-education spending was greater than health spending in only three states (Connecticut, Hawaii, and Illinois) and the District of Columbia.

State real spending per child increased in all states from 1992 to 2003, with the majority of the states experiencing growth rates of between 20 and 45 percent (see Map 2, *Change in Total Per Child Spending, 1992 to 2003*). As noted earlier, the national average was 34 percent. Hawaii experienced the highest growth rate, at 61 percent, and Alaska the lowest, at 1 percent.



Source: Authors' calculations using DHHS, NCES, U.S. Census Bureau, and state government data



Source: Authors' calculations using DHHS, NCES, U.S. Census Bureau, and state government data

Table 7: Spending Per Study Category as a Percent of Total Per Child Spending, Sorted by Education Spending, FY 2003

	Education	Health	Non-Health/ Non-Education	Adjustments /1	Total
Utah	94.7%	3.5%	2.1%	-0.3%	100%
North Dakota	94.0	3.5	2.9	-0.4	100
Montana	93.9	4.0	2.4	-0.3	100
Idaho	93.7	4.7	1.8	-0.1	100
South Carolina	93.6	5.1	1.4	-0.1	100
West Virginia	93.5	4.3	2.5	-0.3	100
Virginia	93.3	4.3	2.8	-0.4	100
Iowa	93.0	4.8	2.7	-0.4	100
Indiana	92.9	5.1	2.4	-0.3	100
New Jersey	92.8	4.3	3.2	-0.3	100
New Hampshire	92.8	4.9	2.8	-0.5	100
Alabama	92.7	5.6	1.8	-0.2	100
Louisiana	92.6	5.4	2.2	-0.2	100
Mississippi	92.4	6.3	1.4	-0.1	100
Wyoming	92.4	4.4	3.5	-0.3	100
Connecticut	92.4	3.7	4.5	-0.6	100
Hawaii	92.3	3.9	4.2	-0.4	100
Nevada	92.2	5.5	2.5	-0.2	100
Kansas	92.0	4.8	3.6	-0.3	100
Texas	92.0	6.5	1.7	-0.2	100
Michigan	92.0	4.3	4.1	-0.4	100
Wisconsin	91.8	4.4	4.1	-0.3	100
Georgia	91.8	6.3	2.1	-0.3	100
Ohio	91.7	4.4	4.4	-0.4	100
South Dakota	91.5	6.6	2.1	-0.2	100
Oklahoma	91.4	5.7	3.3	-0.4	100
Nebraska	91.3	6.0	3.1	-0.4	100
Massachusetts	91.2	5.3	4.0	-0.6	100
Colorado	91.2	5.3	3.7	-0.2	100
Arkansas	91.2	6.8	2.1	-0.1	100
Missouri	91.1	6.4	2.9	-0.4	100
Kentucky	90.7	6.9	2.8	-0.3	100
Washington	90.6	5.9	4.4	-0.9	100
Florida	90.5	6.6	3.2	-0.3	100
Oregon	90.4	6.7	3.3	-0.4	100
New Mexico	90.4	7.1	2.7	-0.2	100
Tennessee	90.4	7.5	2.6	-0.4	100
United States	90.2	6.2	4.0	-0.4	100
Illinois	90.2	4.9	5.3	-0.4	100
Arizona	89.9	8.4	2.0	-0.3	100
North Carolina	89.4	7.8	3.4	-0.5	100
Maryland	88.7	6.9	4.8	-0.4	100
Maine	88.4	9.1	2.9	-0.4	100
Vermont	88.4	7.1	4.9	-0.4	100
Pennsylvania	88.2	8.1	4.1	-0.4	100
Minnesota	88.0	7.7	4.8	-0.5	100
California	87.4	6.8	6.4	-0.6	100
Rhode Island	87.4	8.7	4.6	-0.6	100
Delaware	86.6	9.0	5.1	-0.6	100
New York	86.5	7.8	6.1	-0.4	100
Alaska	85.6	10.9	4.3	-0.7	100
District of Columbia	82.5	7.9	10.2	-0.6	100

/1 Child support collections retained by state and CCDF state match and MOE spending countable towards the TANF MOE.

Sources: Authors' calculations of DHHS, NCES, state government, and U.S. Census data

Factors That Influence State Spending for Children

States vary in their need for children's services, as well as their fiscal capacity and propensity to fund such services. Need, to a certain extent, is influenced by the number of children residing in the state and the number living in or near poverty. Funding available for children is influenced by the state's ability to raise revenue, as well as political, administrative, and other factors. This section provides an overview of demographic and fiscal trends that, to a certain extent, drive state spending for children. Major themes include:

- The number of children in the United States increased during the study period, although children as a share of total population declined.
- State population trends varied; nine states experienced a decline in the number of children from 1992 to 2003, and 20 states saw a double-digit increase.
- Children as a share of total state population in fiscal year 2003 ranged from 23.1 percent to 33.4 percent, suggesting that some states are "younger" than others.
- Child poverty rates varied across the states, and ranged from 6.5 percent to 27.6 percent in fiscal year 2003; the percent of low-income children (less than 200 percent of poverty) in each state ranged from 22 to 53.5.
- 2003 state fiscal capacity varied tremendously; the majority of the low capacity states were in the southern part of the nation, and most of the high capacity states were in the Northeast.

Demographic Trends

Population and poverty are useful indicators of need for government services. For example, the more children living in a state means more students requiring elementary and secondary education, and other services. The same logic applies to poverty; higher poverty levels increase the number of children eligible for health, cash assistance, and other social welfare benefits. The following review of population and poverty trends shows that states have different levels of need for programs that serve children.

Population Trends

There were approximately 77 million people aged 18 years and under living in the United States in fiscal year 2003.²³ The number of children increased 8.2 million, or 12 percent, from fiscal year 1992 to 2003, slightly trailing the rate of increase in total population (14 percent). It is not surprising that the number of students in public elementary and secondary education increased 6.1 million, or 15 percent, in that same period. Children as a share of total population declined from 27.2 percent in 1992 to 26.7 percent in 2003, reflecting the graying of the nation's population.

The most populous states tend to have more children. In fiscal year 2003, approximately 42 million people aged 18 years and under, or 55 percent of all children residing in the United States, lived in ten states: California, Texas, New York, Florida, Illinois, Pennsylvania, Ohio, Michigan, Georgia, and New Jersey. Thirty-five million children, or 45 percent, lived in 40 states and the District of Columbia. As noted in Table 8, the number of children in each state varies tremendously, from less than 132,000 in Wyoming (approximately 115,000 in the District of Columbia) to almost 10 million in California.

Only nine states and the District of Columbia saw a decline in the number of children from 1992 to 2003, ranging from a decline of 0.8 percent in South Dakota to 11.5 percent in North Dakota. Twenty states experienced double-digit increases, ranging from 10 percent in Indiana to 74 percent in Nevada: a majority of these states were in the Southeast or West. Table 9 provides the percent change in number of children during the study period for each state, the District of Columbia, and the nation.

In fiscal year 2003, children as a share of total population ranged from 23.1 percent in West Virginia (20.4 percent in the District of Columbia) to 33.4 percent in Utah. Forty states and the District of Columbia saw a decline in children as a share of total population from 1992 to 2003, ranging from less than 1 percent to almost 5 percent. The proportion of children to total population increased in ten states: Connecticut, Massachusetts, Rhode Island, Maryland, New Jersey, Florida, North Carolina, Nevada, Arizona, and Indiana. Table 9 shows children as a percent of total population, and change from 1992 to 2003, for each state, the District of Columbia, and the nation.

Table 8: Total Children, FY 2003

California	9,869,588
Texas	6,472,596
New York	4,833,669
Florida	4,065,867
Illinois	3,408,839
Pennsylvania	3,022,425
Ohio	2,991,015
Michigan	2,702,805
Georgia	2,387,037
New Jersey	2,228,642
North Carolina	2,163,576
Virginia	1,880,960
Indiana	1,685,002
Washington	1,594,085
Massachusetts	1,562,960
Arizona	1,552,593
Missouri	1,491,241
Tennessee	1,472,062
Maryland	1,447,052
Wisconsin	1,422,256
Minnesota	1,337,086
Louisiana	1,257,268
Colorado	1,208,623
Alabama	1,174,708
South Carolina	1,075,160
Kentucky	1,047,149
Oklahoma	933,005
Oregon	901,977
Connecticut	883,435
Mississippi	805,067
Utah	780,288
Iowa	747,126
Kansas	741,479
Arkansas	721,607
Nevada	593,240
New Mexico	532,759
Nebraska	469,689
West Virginia	417,471
Idaho	394,941
New Hampshire	324,883
Hawaii	312,329
Maine	309,623
Rhode Island	258,520
Montana	233,565
South Dakota	209,671
Delaware	206,317
Alaska	201,060
North Dakota	159,665
Vermont	149,195
Wyoming	131,691
District of Columbia	115,053

Source: U.S. Census Bureau

Table 9: Percent Change in Number of Children and Change in Children as a Share of Total Population, 1992 - 2003

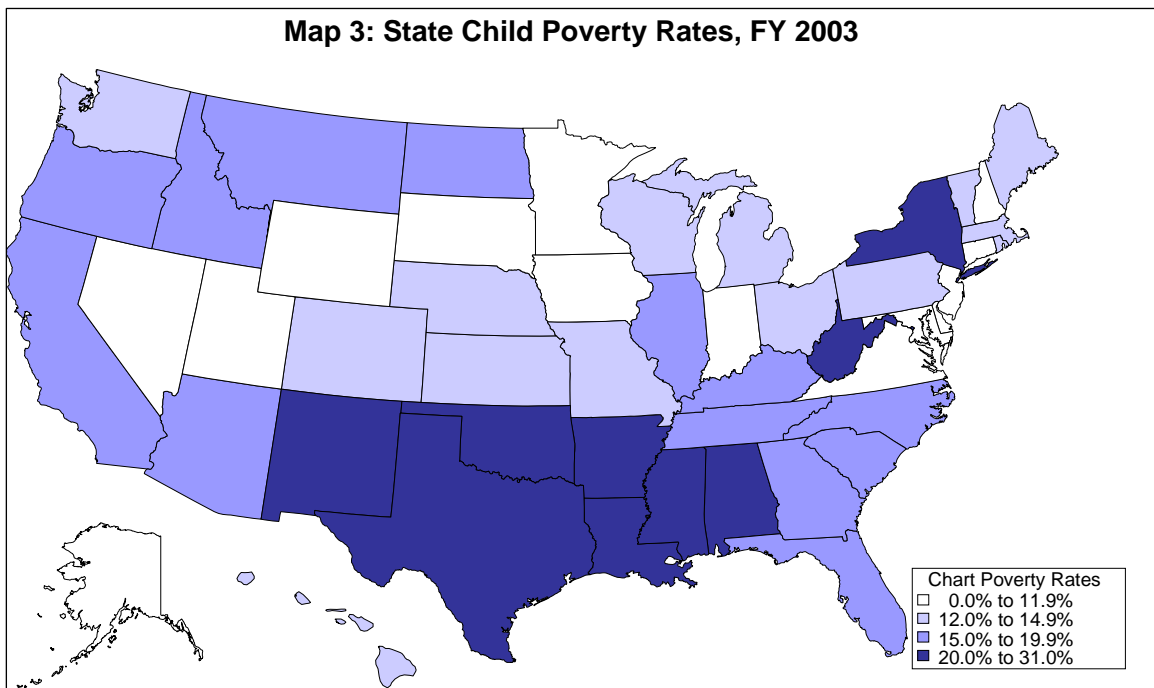
	% Change 1992 to 2003		Children as a Share of Total Population			
	Children	Total Population	1992	1998	2003	Change 1992 to 2003
United States	11.9%	13.8%	27.2%	27.4%	26.7%	-0.5%
New England						
Connecticut	9.6	4.7	24.4	25.5	25.5	1.1
Maine	-5.3	4.8	26.4	25.7	23.9	-2.5
Massachusetts	7.9	6.5	24.1	25.0	24.4	0.3
New Hampshire	10.2	14.8	26.6	26.8	25.5	-1.1
Rhode Island	6.8	5.7	23.9	25.0	24.2	0.2
Vermont	-2.2	8.4	26.8	26.5	24.2	-2.6
Mid-Atlantic						
Delaware	15.7	18.0	26.1	26.2	25.6	-0.5
District of Columbia	-7.2	-6.0	20.6	22.4	20.4	-0.3
Maryland	14.0	11.8	26.1	26.8	26.6	0.5
New Jersey	14.4	9.7	24.9	25.9	26.0	1.1
New York	5.0	5.8	25.4	26.3	25.2	-0.2
Pennsylvania	1.3	2.9	24.9	25.4	24.5	-0.4
Great Lakes						
Illinois	8.3	8.8	27.2	27.8	27.1	-0.1
Indiana	10.0	9.6	27.3	27.3	27.4	0.1
Michigan	3.2	6.8	27.9	27.8	26.9	-0.9
Ohio	1.1	4.2	27.0	27.1	26.2	-0.8
Wisconsin	3.1	9.6	27.8	27.3	26.1	-1.6
Plains						
Iowa	-1.9	4.9	27.2	26.8	25.5	-1.8
Kansas	5.3	8.6	28.2	28.2	27.3	-0.8
Minnesota	7.2	13.1	28.1	28.0	26.6	-1.5
Missouri	6.5	9.9	27.1	27.3	26.2	-0.8
Nebraska	3.0	8.2	28.6	28.2	27.2	-1.4
North Dakota	-11.5	-0.3	28.4	27.4	25.2	-3.2
South Dakota	-0.8	8.1	30.0	29.3	27.6	-2.5
Southeast						
Alabama	4.7	9.3	27.4	27.2	26.2	-1.2
Arkansas	9.1	13.6	27.7	27.6	26.7	-1.1
Florida	27.0	24.7	24.0	24.2	24.4	0.4
Georgia	27.6	29.0	28.1	27.9	27.8	-0.3
Kentucky	4.1	9.8	27.0	26.8	25.6	-1.4
Louisiana	-2.3	5.2	30.2	29.7	28.1	-2.1
Mississippi	3.0	10.3	30.1	29.6	28.1	-2.0
North Carolina	24.7	22.5	25.6	25.7	26.0	0.5
South Carolina	8.6	14.9	27.7	27.4	26.2	-1.5
Tennessee	12.9	16.6	26.2	26.1	25.4	-0.8
Virginia	15.3	15.6	25.9	26.0	25.8	-0.1
West Virginia	-9.5	0.3	25.6	24.5	23.1	-2.5
Southwest						
Arizona	44.0	43.5	28.5	27.5	28.5	0.1
New Mexico	10.0	19.3	31.1	30.5	28.7	-2.4
Oklahoma	4.3	9.8	28.2	28.0	26.8	-1.4
Texas	23.2	24.9	30.2	30.1	29.8	-0.4
Rocky Mountain						
Colorado	28.6	32.8	27.7	27.0	26.9	-0.9
Idaho	18.7	29.1	31.9	30.9	29.4	-2.6
Montana	-1.2	12.4	29.2	27.7	25.7	-3.5
Utah	17.0	31.3	37.5	35.1	33.4	-4.1
Wyoming	-8.3	8.7	31.3	29.1	26.4	-4.9
Far West						
Alaska	6.0	12.4	33.3	32.1	31.4	-1.9
California	14.2	14.8	28.4	29.4	28.2	-0.2
Hawaii	3.2	8.6	26.6	26.8	25.3	-1.3
Nevada	74.3	67.3	26.3	26.3	27.4	1.1
Oregon	14.3	20.3	27.0	26.5	25.6	-1.4
Washington	14.7	20.7	27.6	27.3	26.3	-1.4

Source: Authors' calculations of U.S. Census Bureau Data

Poverty

There were approximately 12.5 million children in the United States living in poverty in fiscal year 2003. The poverty rate for children declined from 20.1 percent in 1992 to 16.3 percent in 2003, while the overall poverty rate declined from 14.2 percent to 12.1 percent. This downward trend masks some year-to-year increases; in addition, child poverty rates and overall poverty rates have generally risen after the 2001-2003 period.

The percentage of children living in poverty varies across the United States. State child poverty rates in 2003 ranged from 6.5 percent in New Hampshire to 27.6 percent in Arkansas (29.7 percent in the District of Columbia). States with the highest child poverty rates cluster in the southern half of the United States with the exception of two states — New York and West Virginia — and the District of Columbia (see map below). Table 11 provides 2003 child poverty rates and the number of young people living in poverty for each state and the District of Columbia.



Source: National Center for Children in Poverty (NCCP)

It also is useful to look at statistics on low-income children — defined as children living in families with a household income of less than 200 percent of the federal poverty level — as many states have increased eligibility requirements for certain social welfare services to include this population. There were 29 million low-income individuals aged 18 years and under living in the United States in fiscal year 2003. This is approximately 38 percent of all children that year. The number of low-income children in the nation was consistently more than double that of young people living in poverty for all study years (see Table 10).

Table 10: U.S. Child Poverty Statistics

	# of Children in Poverty (Thousands)	% Children in Poverty	# Low-Income Children (Thousands)	% Low-Income Children
2003	12,503	16%	29,092	38%
1998	15,117	20%	31,743	43%
1992	13,839	20%	29,088	42%

Sources: Authors' calculations of U.S. Census Bureau and NCCP data

The percentage of children living in low-income families also varied across the states in fiscal year 2003, from 22 percent in Maryland to 53.5 percent in Arkansas (see Table 11). For most states, the number of low-income children was more than double that of children in poverty. Six states, however — Wyoming, Nevada, Indiana, Iowa, Minnesota, and New Hampshire — all with low child poverty rates compared to the nation, had triple the number of low-income children.

Poverty and Low-Income Primer

The statistical data on children living in or near poverty in this report are based on information from the U.S. Census Bureau's Current Population Survey. The Census Bureau uses a set of income thresholds based on family size and composition to determine who is poor. If a family's income (including money income before taxes and excluding capital gains and government non-cash benefits) is less than the established threshold, then the family is considered living in poverty.

The Census Bureau's thresholds are based on a definition developed in the 1960s, and subsequently revised, that assumes a family of three spends one-third of their after tax money on food. Original poverty thresholds for families of three or more were set at three times the cost of the U.S. Department of Agriculture's economy food plan. These thresholds are updated annually for inflation using the Consumer Price Index. No adjustments are made to take into consideration geographic differences in the cost of living.

This report uses the Census Bureau's conventions when using the terms "poverty" and "low-income." Poverty is up to 100 percent of the Census Bureau's income threshold for poverty, which was \$18,660 in 2003 for a family of two adults and two children. Low-income is up to 200 percent of the Census Bureau's income threshold, which was \$37,320 for the same family.

For 2005 and later, the Census Bureau's American Community Survey will be the new primary source of data for estimates of the poverty population in states and smaller geographic areas, in part because it has a much larger sample size than the Current Population Survey. However, because this study required data for years before the American Community Survey was fully implemented, we have used the best source of poverty data available for our study years — the Current Population Survey.

Source: U.S. Census Bureau — www.census.gov/population/www/cps/cpsdef.html and www.census.gov/hhes/poverty/threshld/thresh03.html.

Table 11: Child Poverty and Children Living in Low-Income Families - Rates and Number of Children, FY 2003

	# of Children in Poverty	Child Poverty Rate	Child Poverty Rate State Ranking	# of Low-Income Children	Low-Income Children - Rate	Low-Income Children Rate - State Ranking
District of Columbia	34,125	29.7%	1	60,610	52.7%	2
Arkansas	199,164	27.6	2	385,915	53.5	1
Louisiana	310,168	24.7	3	623,479	49.6	5
New Mexico	128,928	24.2	4	271,387	50.9	3
Mississippi	186,293	23.1	5	401,567	49.9	4
West Virginia	93,680	22.4	6	206,189	49.4	6
Texas	1,392,255	21.5	7	3,060,891	47.3	8
Alabama	241,520	20.6	8	516,519	44.0	10
Oklahoma	190,613	20.4	9	442,338	47.4	7
New York	968,184	20.0	10	1,900,115	39.3	19
Arizona	309,432	19.9	11	672,894	43.3	11
Tennessee	292,793	19.9	12	610,170	41.5	16
South Carolina	204,710	19.0	13	426,946	39.7	18
Montana	43,420	18.6	14	103,189	44.2	9
Kentucky	193,513	18.5	15	426,713	40.8	17
North Carolina	391,607	18.1	16	909,784	42.1	13
California	1,744,943	17.7	17	4,146,214	42.0	14
Georgia	420,357	17.6	18	936,435	39.2	20
Florida	700,549	17.2	19	1,687,741	41.5	15
Illinois	565,186	16.6	20	1,189,344	34.9	28
Idaho	64,494	16.3	21	166,389	42.1	12
North Dakota	26,025	16.3	22	60,625	38.0	22
United States	12,502,818	16.3		29,091,727	37.8	
Oregon	135,297	15.0	23	337,610	37.4	23
Maine	45,515	14.7	24	113,291	36.6	25
Ohio	432,501	14.5	25	998,401	33.4	33
Washington	224,128	14.1	26	552,988	34.7	29
Hawaii	43,664	14.0	27	109,752	35.1	26
Rhode Island	35,805	13.9	28	76,703	29.7	44
Michigan	373,798	13.8	29	880,033	32.6	35
Missouri	196,844	13.2	30	457,662	30.7	40
Pennsylvania	392,613	13.0	31	1,014,326	33.6	31
Massachusetts	201,466	12.9	32	473,889	30.3	42
Vermont	18,664	12.5	33	47,429	31.8	37
Wisconsin	174,511	12.3	34	424,117	29.8	43
Colorado	147,452	12.2	35	382,287	31.6	38
Nebraska	57,255	12.2	36	150,347	32.0	36
Kansas	89,497	12.1	37	246,616	33.3	34
Wyoming	15,540	11.8	38	48,950	37.2	24
Delaware	24,015	11.6	39	57,542	27.9	47
Utah	89,421	11.5	40	263,503	33.8	30
South Dakota	23,714	11.3	41	70,009	33.4	32
Nevada	65,790	11.1	42	230,652	38.9	21
Alaska	21,875	10.9	43	61,263	30.5	41
Virginia	204,460	10.9	44	550,745	29.3	45
Indiana	182,823	10.9	45	590,930	35.1	27
Connecticut	92,319	10.5	46	246,920	28.0	46
Iowa	71,052	9.5	47	231,758	31.0	39
New Jersey	207,709	9.3	48	571,647	25.7	48
Maryland	112,002	7.7	49	317,628	22.0	51
Minnesota	100,014	7.5	50	306,728	22.9	49
New Hampshire	21,117	6.5	51	72,546	22.3	50

Sources: Authors' calculations of U.S. Census Bureau population data and NCCP poverty rates

Fiscal Capacity

A state's fiscal capacity is its ability to raise revenue relative to its need for public services. Low fiscal-capacity states, or poor states, have limited potential to generate funding from taxes and fees, have a high need for services, or both. High fiscal-capacity states generally are referred to as rich, as their ability to raise revenue is proportionately greater than their need for services.²⁴

There are several indicators of fiscal capacity, each with advantages and shortcomings. Per capita personal income (PCPI), per capita gross state product (PCGSP), and total taxable resources (TTR) are more mainstream measures and typically are used in policy analysis and in formulas allocating federal funds to the states. Each measure includes somewhat different variables, thus providing different assessments of a state's ability to fund services. Research to date suggests that regardless of the measure used, fiscal capacity varies tremendously across states.²⁵

While the measures of fiscal capacity have important differences, most of the time they tell similar stories — states high on one fiscal capacity measure tend to be high on others, and states low on one measure tend to be low on others. The correlation coefficients between PCGSP, PCPI, and TTR ranged from approximately 0.76 to 0.90 in 2002, depending on the pairing examined.

This report uses PCGSP data to compare state fiscal capacity. PCGSP is a dollar estimate of state production divided by the state's total population. The Bureau of Economic Analysis (BEA) produces gross state product (GSP) estimates for each state on an annual basis. The BEA estimates take into consideration labor income, business taxes, and capital income, and are a reasonably good measure of a state's economy.²⁶ The Census Bureau produces annual population estimates, which in the case of PCGSP, are used as a measure of a state's need for public services.

Fiscal capacity, as measured by PCGSP, varied across states in fiscal year 2003, ranging from \$23,774 in Mississippi to \$56,250 in Delaware (\$119,933 in the District of Columbia). Eleven states had PCGSP of less than \$30,000 — Maine, South Carolina, Kentucky, New Mexico, Oklahoma, Alabama, Idaho, Arkansas, Montana, West Virginia, and Mississippi — suggesting a more limited ability to fund public services. The majority of these poor states were in the southern half of the United States (see Map 4, *Nominal Per Capita Gross State Product, FY 2003*). Sixteen states and the District of Columbia had a PCGSP higher than the national average of \$36,107, suggesting a greater ability to fund public services. The majority of the richest states (PCGSP over \$39,001) were in the Northeast.

Few states experienced a drastic change in fiscal capacity across study years relative to the national average. Put another way, states that were poor in 1992, generally were poor in 1998 and 2003. Table 12 provides PCGSP data with state indexing (state PCGSP as a percent of PCGSP for the 50 states and District of Columbia) and rankings for 1992, 1998, and 2003.

Table 12: Nominal Per Capita Gross State Product - Indexed and Ranked

	FY 1992			FY 1998			FY 2003		
	PCGSP	Index	Rank	PCGSP	Index	Rank	PCGSP	Index	Rank
United States	\$23,343	100		\$30,215	100		\$36,107	100	
New England									
Connecticut	30,400	130	4	41,112	136	3	48,020	133	3
Maine	19,500	84	43	24,604	81	44	29,781	82	41
Massachusetts	26,474	113	9	35,629	118	6	44,355	123	5
New Hampshire	21,983	94	23	30,745	102	17	36,235	100	17
Rhode Island	21,051	90	29	27,801	92	32	34,541	96	26
Vermont	20,226	87	36	25,395	84	41	31,728	88	35
Mid-Atlantic									
Delaware	36,428	156	2	47,224	156	2	56,250	156	2
District of Columbia	70,900	304	1	88,717	294	1	119,933	332	1
Maryland	24,172	104	15	29,887	99	23	37,506	104	15
New Jersey	28,824	123	6	36,612	121	5	43,464	120	6
New York	27,520	118	7	35,095	116	7	42,869	119	7
Pennsylvania	21,630	93	26	28,081	93	30	34,331	95	27
Great Lakes									
Illinois	24,952	107	13	33,152	110	9	38,701	107	12
Indiana	20,750	89	30	28,230	93	29	33,310	92	29
Michigan	22,160	95	22	30,481	101	18	34,846	97	22
Ohio	21,891	94	24	29,451	97	24	34,177	95	28
Wisconsin	21,508	92	27	28,778	95	27	34,675	96	25
Plains									
Iowa	20,627	88	32	28,336	94	28	33,178	92	31
Kansas	21,220	91	28	27,348	91	33	33,023	91	34
Minnesota	23,940	103	17	32,737	108	11	39,526	109	9
Missouri	21,699	93	25	28,863	96	26	33,154	92	32
Nebraska	22,642	97	20	29,970	99	21	34,709	96	24
North Dakota	18,631	80	44	25,113	83	43	31,378	87	37
South Dakota	19,965	86	37	26,610	88	38	34,741	96	23
Southeast									
Alabama	18,350	79	46	23,451	78	45	27,634	77	46
Arkansas	17,311	74	49	22,753	75	48	26,677	74	48
Florida	20,424	87	34	25,777	85	39	31,342	87	38
Georgia	22,673	97	19	30,900	102	16	35,736	99	19
Kentucky	19,671	84	39	26,747	89	35	29,528	82	43
Louisiana	20,626	88	33	25,618	85	40	30,013	83	40
Mississippi	15,628	67	51	20,869	69	51	23,774	66	51
North Carolina	22,633	97	21	29,890	99	22	35,660	99	20
South Carolina	19,656	84	40	25,234	84	42	29,636	82	42
Tennessee	20,737	89	31	27,896	92	31	33,077	92	33
Virginia	24,615	105	14	31,032	103	14	39,220	109	11
West Virginia	16,436	70	50	21,326	71	50	24,955	69	50
Southwest									
Arizona	19,769	85	38	26,888	89	34	31,618	88	36
New Mexico	19,533	84	42	26,730	88	36	28,301	78	44
Oklahoma	18,389	79	45	23,131	77	47	27,866	77	45
Texas	22,710	97	18	30,369	101	20	36,068	100	18
Rocky Mountain									
Colorado	24,108	103	16	33,069	109	10	40,493	112	8
Idaho	17,329	74	48	23,207	77	46	27,271	76	47
Montana	17,706	76	47	21,511	71	49	25,879	72	49
Utah	19,626	84	41	26,696	88	37	31,098	86	39
Wyoming	26,848	115	8	30,450	101	19	39,313	109	10
Far West									
Alaska	36,187	155	3	40,831	135	4	45,553	126	4
California	26,051	112	11	31,372	104	13	38,311	106	13
Hawaii	29,246	125	5	30,988	103	15	35,220	98	21
Nevada	26,347	113	10	33,965	112	8	37,490	104	16
Oregon	20,324	87	35	29,232	97	25	33,254	92	30
Washington	24,955	107	12	31,426	104	12	38,155	106	14

Sources: Author's calculations of U.S. Census Bureau and BEA data

Putting It All Together

One recurring theme throughout this paper is that states vary in their need for children's services, their capacity to fund such services, and their spending for the programs included in this study. Each state has a somewhat different set of circumstances, ranging from low need, capacity, and spending, to high need, capacity, and spending. Table 13 provides state data and rankings for four measures presented earlier: child poverty rate (need); per capita gross state product (fiscal capacity); total spending as a percent of gross state product; and total spending per child.

The reader can use the information in Table 13 to compare need, fiscal capacity, and spending for programs that serve children in each state. For example, the data presented for Connecticut indicate that, in fiscal year 2003, this state had: 1) one of the lowest child poverty rates in the nation (ranked 46), suggesting a lower need than most states for programs that serve poor children; 2) a higher capacity than all other states except Delaware and the District of Columbia to raise revenue for services (ranked 3 in PCGSP); 3) total spending for children that equaled approximately 4.4 percent of gross state product – close to the average for all states; and 4) spent more per child on the programs included in this study than 47 other states.

The data for Arkansas show a very different picture. In fiscal year 2003, this state had a high need for programs that serve poor children as suggested by a high child poverty rate – the second highest in the nation, coupled with a lower capacity than 46 other states and the District of Columbia to raise revenue for services. Its total spending for the programs included in this study as a percent of gross state product was, like Connecticut, close to the national average, but its total spending per child was only 76 percent of the national average, and lower than 41 other states and the District of Columbia.

The purpose of Table 13 is to provide a snapshot of the data presented in this report. It does not suggest a causal link between the need, fiscal capacity and spending measures. Forthcoming products from the Rockefeller Institute's children's spending project, including state-specific spending profiles, will provide more detailed information on expenditures for children in each state and how spending has changed over time.

Table 13: FY 2003 State Child Poverty Rates, PCGSP, Total Spending for Children as a Percent of Gross State Product, and Total Spending Per Child, Indexed and Ranked

	Child Poverty Rate (Need)		PCGSP (Fiscal Capacity)		Total Spending For Children - % GSP		Total Spending Per Child	
	Rate	Rank	Dollars	Rank	Percent	Rank	Dollars	Rank
United States	16.3%		\$36,107		4.29%		\$5,803	
New England								
Connecticut	10.5	46	48,020	3	4.38	25	8,230	4
Maine	14.7	24	29,781	41	5.76	2	7,188	9
Massachusetts	12.9	32	44,355	5	4.28	29	7,780	6
New Hampshire	6.5	51	36,235	17	4.33	27	6,156	18
Rhode Island	13.9	28	34,541	26	5.06	6	7,222	7
Vermont	12.5	33	31,728	35	6.19	1	8,111	5
Mid-Atlantic								
Delaware	11.6	39	56,250	2	2.79	50	6,129	19
District of Columbia	29.7	1	119,933	1	1.72	51	10,119	1
Maryland	7.7	49	37,506	15	4.47	19	6,298	16
New Jersey	9.3	48	43,464	6	5.23	4	8,753	2
New York	20.0	10	42,869	7	4.96	7	8,426	3
Pennsylvania	13.0	31	34,331	27	4.64	15	6,490	14
Great Lakes								
Illinois	16.6	20	38,701	12	3.99	34	5,705	22
Indiana	10.9	45	33,310	29	3.84	39	4,676	37
Michigan	13.8	29	34,846	22	5.14	5	6,657	12
Ohio	14.5	25	34,177	28	4.75	13	6,192	17
Wisconsin	12.3	34	34,675	25	4.80	11	6,372	15
Plains								
Iowa	9.5	47	33,178	31	4.34	26	5,649	23
Kansas	12.1	37	33,023	34	4.49	18	5,425	27
Minnesota	7.5	50	39,526	9	4.50	17	6,676	11
Missouri	13.2	30	33,154	32	4.11	32	5,189	31
Nebraska	12.2	36	34,709	24	4.25	30	5,424	28
North Dakota	16.3	22	31,378	37	3.74	42	4,660	39
South Dakota	11.3	41	34,741	23	3.36	47	4,236	45
Southeast								
Alabama	20.6	8	27,634	46	3.97	35	4,184	46
Arkansas	27.6	2	26,677	48	4.38	24	4,383	43
Florida	17.2	19	31,342	38	3.59	44	4,614	40
Georgia	17.6	18	35,736	19	4.39	21	5,641	24
Kentucky	18.5	15	29,528	43	3.89	37	4,485	41
Louisiana	24.7	3	30,013	40	3.87	38	4,136	48
Mississippi	23.1	5	23,774	51	4.38	23	3,710	50
North Carolina	18.1	16	35,660	20	3.20	48	4,384	42
South Carolina	19.0	13	29,636	42	4.54	16	5,136	32
Tennessee	19.9	12	33,077	33	3.18	49	4,136	49
Virginia	10.9	44	39,220	11	3.60	43	5,473	26
West Virginia	22.4	6	24,955	50	5.41	3	5,841	21
Southwest								
Arizona	19.9	11	31,618	36	4.21	31	4,666	38
New Mexico	24.2	4	28,301	44	4.81	10	4,742	34
Oklahoma	20.4	9	27,866	45	4.09	33	4,262	44
Texas	21.5	7	36,068	18	4.33	28	5,239	30
Rocky Mountain								
Colorado	12.2	35	40,493	8	3.55	45	5,343	29
Idaho	16.3	21	27,271	47	4.46	20	4,138	47
Montana	18.6	14	25,879	49	4.65	14	4,694	36
Utah	11.5	40	31,098	39	3.84	40	3,575	51
Wyoming	11.8	38	39,313	10	4.84	9	7,205	8
Far West								
Alaska	10.9	43	45,553	4	4.84	8	7,020	10
California	17.7	17	38,311	13	4.39	22	5,959	20
Hawaii	14.0	27	35,220	21	4.76	12	6,623	13
Nevada	11.1	42	37,490	16	3.45	46	4,733	35
Oregon	15.0	23	33,254	30	3.95	36	5,128	33
Washington	14.1	26	38,155	14	3.78	41	5,481	25

Appendix A

Data Sources and Rockefeller Institute Calculations

	Sources and Calculations
<i>Elementary and secondary education – revenue</i>	National Center for Education Statistics (NCES), Common Core of Data (CCD) at http://nces.ed.gov/ccd/ccddata.asp
<i>Medicaid – expenditures</i>	DHHS, CMS website at http://www.cms.hhs.gov/MedicaidBudgetExpendSystem/02_CMS64.asp Rockefeller Institute staff developed estimates of Medicaid spending for children.
<i>State Children’s Health Insurance Program (SCHIP) – expenditures</i>	DHHS CMS provided SCHIP expenditure data for all study years.
<i>Maternal and Child Health Block Grant (MCHBG) – expenditures</i>	DHHS HRSA provided expenditure data for 1998 and 2003. Rockefeller Institute staff calculated state share spending using federal expenditure data provided by HRSA and the program’s FFP rate. 1992 state spending data is from Table 3-2 in <i>How Funding of Programs for Children Varies Among the 50 States</i> , The Nelson A. Rockefeller Institute of Government
<i>Adoption Assistance and Foster Care – expenditures</i>	DHHS ACF OLAB provided expenditure data (total and federal) for each study year. Foster Care data include expenditures for benefits, program administration, information systems and training for CFDA program 93.658. Data does not include spending for the Chaffee Education and Training Vouchers Program (CFDA 93.599) and Chaffee Foster Care Independence Program (93.674). Rockefeller Institute staff calculated state share and also subtracted the state share of child support collections for foster care children from state foster care expenditures where applicable.
<i>Child Welfare Services (Title IV-B, Subpart 1) and Promoting Safe and Stable Families (Title IV-B, Subpart 2) – federal allocations to states</i>	1994 Green Book, Table 14-5, House Ways and Means Committee; 2004 Green Book, Tables 11-5 and 11-6, House Ways and Means Committee Rockefeller Institute staff estimated state expenditures using federal allocations for study years from the Green Books noted above and the programs’ FFP rate.
<i>Child Support Enforcement – administration expenditures and state share of collections</i>	Expenditure and collections data for 1992, 1998, and 2003 are from US DHHS OCSE Annual Reports to Congress and Annual Statistical Reports available at http://www.acf.hhs.gov/programs/cse/pubs/ .

<p><i>Aid to Families with Dependent Children (AFDC), Emergency Assistance, and JOBS</i> – expenditures</p>	<p>AFDC expenditures for benefits from DHHS website at http://aspe.hhs.gov/hsp/indicator00.wordver/T_A_7.doc. AFDC expenditures for program administration from the 1994 Green Book, Section 7, Table 22, House Ways and Means Committee</p> <p>Emergency Assistance expenditures from the 1994 Green Book, Table 10-9, House Ways and Means Committee</p> <p>JOBS expenditures from the 1994 Green Book, Section 7, Table 4, House Ways and Means Committee</p> <p>Rockefeller Institute staff estimated state expenditures for AFDC, Emergency Assistance, and JOBS using federal expenditure data from sources noted above and the state match rates for each program. Staff estimated state spending for children for these programs using AFDC caseload data available on DHHS website at http://www.acf.hhs.gov/programs/ofa/caseload/caseloadindex.htm#afdc</p>
<p><i>Temporary Assistance for Needy Families (TANF)</i> – MOE and separate state program (SSP) expenditures</p>	<p>TANF expenditure data from DHHS ACF website at http://www.acf.hhs.gov/programs/ofs/data/index.html minus refundable EITC expenditures reported on line 6e of the ACF-196 reporting form. These TANF MOE/SSP expenditures for EITCs are included in the study’s EITC spending category.</p> <p>Rockefeller Institute staff estimated TANF MOE and SSP spending for children using TANF caseload data available on DHHS website at http://www.acf.hhs.gov/programs/ofa/caseload/caseloadindex.htm. 1998. DHHS was unable to provide the number of children receiving TANF cash assistance in 1998 for each state; therefore, Rockefeller Institute staff used the average of the percent children of total AFDC caseload in 1996 and total TANF caseload in 2000 to estimate TANF spending for children in 1998.</p>
<p><i>AFDC, Transitional, and At-Risk Child Care</i> – expenditures</p>	<p>1996 Green Book, Section 10, Tables 10-13 and 10-15, House Ways and Means Committee</p> <p>Rockefeller Institute staff estimated state expenditures using federal expenditure data from the 1996 Green Book and state match rates.</p>
<p><i>Child Care and Development Fund</i> – match and MOE expenditures</p>	<p>2003 match and MOE expenditures from DHHS ACF website at http://www.acf.hhs.gov/programs/ccb/data/index.htm</p> <p>1998 match and MOE expenditures from the 2000 Green Book, Section 9, Table 9-29, House Ways and Means Committee</p> <p>Rockefeller Institute staff assumed that each state took full advantage of the federal rule allowing state spending for CCDF match and MOE, up to the CCDF MOE requirement level, to count toward the state’s TANF MOE spending requirement.</p>

<i>State Earned Income Tax Credits – expenditures</i>	State government officials provided spending data for Illinois, Indiana, Iowa, Kansas, Maine, Maryland, Minnesota, New Jersey, New York, Oklahoma, and Vermont. Government officials provided data for the District of Columbia. Data for Massachusetts and Oregon from CBPP at http://www.cbpp.org/12-27-01sfp.pdf and www.cbpp.org/3-8-06sfp.htm Wisconsin data from http://dor.state.wi.us/ra/06eitcty.pdf
<i>Population</i>	U.S. Census Bureau at http://www.census.gov/popest/estimates.php
<i>Child Poverty</i>	National Center for Children in Poverty (NCCP), Columbia University, Mailman School of Public Health
<i>Personal Income and Gross State Product</i>	U.S. Department of Commerce, Bureau of Economic Analysis at http://bea.gov/
<i>Consumer Price Index</i>	U.S. Department of Labor, Bureau of Labor Statistics http://www.bls.gov/cpi/home.htm#data

Appendix B

Description of Federal Programs Included in Rockefeller Institute Study

Aid to Families with Dependent Children (AFDC)

The AFDC program provided cash assistance to low-income families with children. The 1996 federal welfare reform law merged this program into the TANF block grant.

Emergency Assistance

The Emergency Assistance program provided assistance to needy families with children (whether or not eligible for AFDC) to avoid destitution. States used funds to assist victims of natural disasters and families facing certain crises such as homelessness, utility shut off, child or spousal abuse, etc. States could use federal matching funds to provide assistance for up to 30 days in any 12-month period. The 1996 federal welfare reform law merged this program into the TANF block grant.

Job Opportunities and Basic Skills Training (JOBS)

The JOBS program provided funds to states for education and training programs for low-income individuals, as well as reimbursement to participants for expenses related to participation (transportation, child care, and other work-related expenses). The 1996 federal welfare reform law merged this program into the TANF block grant.

Temporary Assistance for Needy Families (TANF)

States may use federal TANF and state MOE funds for purposes that meet the four goals of the program: 1) provide assistance to needy families so that children may be cared for in their homes or in the homes of relatives; 2) reduce dependency by promoting job preparation, work, and marriage; 3) prevent and reduce the incidence of out-of-wedlock pregnancies; and 4) encourage the formation and maintenance of two-parent families.

AFDC Child Care

The AFDC Child Care program provided funds to states to support child care for AFDC recipients who were employed or participating in an approved education and training program. The 1996 federal welfare reform law merged funding for this program into the new CCDF.

Transitional Child Care

The Transitional Child Care program provided funds to states for up to 12 months of child care services to employed families leaving AFDC due to increased employment. The 1996 federal welfare reform law merged funding for this program into the new CCDF.

At-Risk Child Care

The At-Risk Child Care program provided funds to states for child care services to low-income families not receiving AFDC, but who needed child care to stay employed and off of welfare. The 1996 federal welfare reform law merged funding for this program into the new CCDF.

Child Care and Development Fund (CCDF)

The 1996 federal welfare reform law combined funding for the AFDC, Transitional, and At-Risk child care programs with the Child Care and Development Block Grant to create the CCDF. The CCDF provides funds to the states for child care services and efforts to improve the quality or availability of such services. The CCDF includes three funding streams: discretionary, mandatory, and matching.

Child Welfare Services (Title IV-B, Subpart 1)

Title IV-B, Subpart 1 provides funds to states for services to prevent the abuse, neglect or exploitation of children; reduce foster care placement; place children in adoptive homes; and assure adequate foster care.

Promoting Safe and Stable Families (Title IV-B, Subpart 2)

Title IV-B, Subpart 2 provides funds to states for services to preserve, support and reunify families, as well as promote adoption.

Foster Care

The Foster Care program provides funds to the states to support maintenance payments on behalf of eligible children who have been placed in foster care family homes or other facilities, as well as administrative, training, and systems costs. Foster Care data include expenditures for benefits, program administration, information systems and training for CFDA program 93.658. Data does not include spending for the Chaffee Education and Training Vouchers Program (CFDA 93.599) and Chaffee Foster Care Independence Program (93.674).

Adoption Assistance

The Adoption Assistance program provides funds to the states to support maintenance payments to families who adopt special needs children who meet other eligibility tests. The program also supports child placement and other administrative costs, as well as training agency staff and adoptive parents.

Medicaid

The Medicaid program provides medical assistance to cash assistance recipients, children, pregnant women, and the aged who meet income and resource requirements, and other categorically-eligible groups.

State Children's Health Insurance Program (SCHIP)

SCHIP provides funds to the states to provide medical assistance to uninsured, low-income children either through development of new programs or expansion of the state's Medicaid program.

Maternal and Child Health Block Grant (MCHBG)

The MCHBG supports state development of systems for the delivery of health care services and related activities to pregnant women, mothers and children. States must use at least 30 percent of their federal funds for preventative and primary care for children, and at least 30 percent for services to children with special health care needs.

Child Support Enforcement

The Child Support Enforcement program provides services to locate absent parents, establish paternity, and enforce support obligations. The program serves both welfare and non-welfare families. A portion of child support payments collected by the program for certain children may be retained by the state to offset the costs of the AFDC/TANF and Foster Care programs.

Sources: Catalog of Federal Domestic Assistance at <http://12.46.245.173/cfda/cfda.html>; 1994 Green Book, Section 10 at <http://aspe.os.dhhs.gov/94gb/sec10.txt>; *Federal Child Care Programs in FY 1995* at <http://www.acf.dhhs.gov/programs/ccb/research/1995.htm> - 1995; *The Cost of Protecting Vulnerable Children II: What Has Changed Since 1996?* at <http://www.urban.org/publications/310071.html>.

Appendix C

Federal Match Rates and MOE Requirements

Program	Match Rate/MOE Requirement
Aid to Families with Dependent Children (AFDC)	Federal Medical Assistance Percentages (FMAP) for benefits, 50% federal financial participation (FFP) for administrative costs
Job Opportunities and Basic Skills Training (JOBS)	90% FFP up to the state's FFY 87 WIN allotment; additional expenditures reimbursed at FMAP with a floor of 60% FFP for non-administrative and personnel costs, 50% for all other administrative costs
AFDC, At-Risk and Transitional Child Care Programs	FMAP
Emergency Assistance	50% FFP
Temporary Assistance for Needy Families (TANF)	Each state must maintain a level of effort of 75% of its state share of expenditures for AFDC and AFDC-related programs in FFY 1994. The MOE level increases to 80% if the state does not meet the program's work participation rate requirements.
Child Care and Development Fund (CCDF)	Federal and state financial participation requirements are different across CCDF funding streams. CCDF Discretionary and Mandatory funds are 100% federal. The FMAP is used to reimburse states under CCDF Matching Funds. To access Matching Funds a state must obligate all of its federal mandatory funds and maintain 100% of the state share of expenditures under the AFDC child care programs in FFY 94 or FFY 95, whichever is greater. Throughout this report we refer to state expenditures under CCDF as "state match and MOE" spending. States can count match and MOE spending for the CCDF, up to the CCDF MOE level, toward the TANF MOE requirement.
Child Welfare Services (Title IV-B, Subpart 1)	75% FFP
Promoting Safe and Stable Families (Title IV-B, Subpart 2)	75% FFP
Foster Care	FMAP for assistance payments, 50% FFP for administrative costs, 75% for training
Adoption Assistance	FMAP for assistance payments, 50% FFP for administrative costs, 75% FFP for training
Medicaid	FMAP
Maternal and Child Health Block Grant	States must assure that \$3 of state/local dollars are spent for every \$4 of federal funds
State Children's Health Insurance Program (SCHIP)	The enhanced FMAP is used for the federal matching rate for SCHIP services. It is higher than the Medicaid FMAP, averaging 70%, compared with the nearly 60% average for Medicaid.
Child Support Enforcement	66% FFP for administrative costs and 90% FFP for paternity lab costs. The FFP rate for costs related to developing and improving management information systems varied across study years.

Appendix D

Fiscal Capacity Measures

This appendix provides a general overview of three fiscal capacity measures and a comparison of state rankings using each measure. Addressed here are per capita personal income (PCPI), per capita gross state product (PCGSP), and total taxable resources (TTR).²⁷

PCPI is the total of personal income of the state's residents divided by the state's total population.²⁸ This measure is used in determining federal match rates for the Medicaid program, commonly known as the Federal Medical Assistance Percentages, or FMAP. PCPI underestimates fiscal capacity in that it does not consider the extent to which a state can impose tax burdens on nonresidents. Two examples are taxes and fees levied on tourists, and severance and property taxes on companies extracting fossil fuels within the state's borders.

As discussed in the body of this paper, PCGSP is a dollar estimate of state production that takes into consideration labor income, business taxes, and capital income divided by the state's total population. It does a better job capturing exported taxes than PCPI. The U.S. Department of Treasury's TTR estimates build upon PCGSP to include income earned by residents from out-of-state sources and direct federal transfer payments. TTR subtracts federal taxes and contributions for social insurance. TTR is used in formulas to allocate federal funds to states for certain programs.²⁹

The table on the following page provides calendar year 2002 data for the three measures discussed above, indexed and ranked.³⁰ A closer look at these data find that, for a number of states, PCPI, PCGSP, PCTTR, provides a somewhat similar assessment of fiscal capacity relative to the other states. For example, Connecticut is a high fiscal capacity state across all measures, ranking second and third. Mississippi has low fiscal capacity, ranking last in PCPI, PCGSP, and PCTTR.

Comparing PCGSP data, the fiscal capacity measure presented in the body of this report, to PCTTR, a somewhat more inclusive measure, suggests that PCGSP may underestimate state fiscal capacity for six states: Florida, Kansas, Maryland, New Hampshire, Pennsylvania, and Rhode Island. It also suggests that PCGSP may overestimate fiscal capacity for two states: Michigan and Texas.

CY 2002 State Fiscal Capacity Measures: PCPI, PCGSP, and PCTTR - Indexed and Ranked

	Per Capita Personal Income			Per Capita Gross State Product			Per Capita Total Taxable Resources		
	Dollars	Index	Rank	Dollars	Index	Rank	PCTTR	Index	Rank
United States	\$30,810	100		\$36,107	100		\$39,704	100	
Alabama	25,409	82	41	27,634	77	46	30,556	77	46
Alaska	32,343	105	15	45,553	126	4	47,902	121	6
Arizona	26,507	86	38	31,618	88	36	34,793	88	37
Arkansas	23,363	76	50	26,677	74	48	29,140	73	50
California	32,803	106	13	38,311	106	13	41,632	105	16
Colorado	34,027	110	8	40,493	112	8	43,576	110	12
Connecticut	42,505	138	2	48,020	133	3	55,672	140	3
Delaware	32,925	107	11	56,250	156	2	64,003	161	1
District of Columbia	45,670	148	1	119,933	332	1	62,449	157	2
Florida	29,709	96	22	31,342	87	38	37,022	93	30
Georgia	28,544	93	30	35,736	99	19	38,335	97	19
Hawaii	29,464	96	23	35,220	98	21	38,105	96	25
Idaho	25,185	82	45	27,271	76	47	31,942	80	43
Illinois	32,869	107	12	38,701	107	12	42,473	107	15
Indiana	28,023	91	33	33,310	92	29	36,776	93	30
Iowa	28,081	91	32	33,178	92	31	37,359	94	28
Kansas	28,980	94	27	33,023	91	34	38,090	96	25
Kentucky	25,404	82	42	29,528	82	43	32,737	82	42
Louisiana	25,194	82	44	30,013	83	40	31,763	80	43
Maine	27,756	90	34	29,781	82	41	33,959	86	39
Maryland	36,533	119	5	37,506	104	15	46,077	116	8
Massachusetts	38,985	127	4	44,355	123	5	49,241	124	5
Michigan	30,227	98	20	34,846	97	22	37,113	93	30
Minnesota	33,237	108	9	39,526	109	9	43,004	108	13
Mississippi	22,321	72	51	23,774	66	51	27,093	68	51
Missouri	28,358	92	31	33,154	92	32	36,709	92	33
Montana	25,065	81	46	25,879	72	49	30,135	76	48
Nebraska	29,182	95	26	34,709	96	24	38,693	97	19
Nevada	30,736	100	19	37,490	104	16	42,770	108	13
New Hampshire	34,043	110	7	36,235	100	17	44,055	111	11
New Jersey	39,296	128	3	43,464	120	6	51,768	130	4
New Mexico	24,246	79	48	28,301	78	44	31,482	79	45
New York	35,357	115	6	42,869	119	7	45,546	115	9
North Carolina	27,510	89	35	35,660	99	20	38,667	97	19
North Dakota	26,427	86	39	31,378	87	37	35,122	88	37
Ohio	29,212	95	25	34,177	95	28	37,179	94	28
Oklahoma	25,861	84	40	27,866	77	45	30,458	77	46
Oregon	28,924	94	28	33,254	92	30	36,157	91	34
Pennsylvania	31,016	101	17	34,331	95	27	38,626	97	19
Rhode Island	31,478	102	16	34,541	96	26	41,380	104	18
South Carolina	25,361	82	43	29,636	82	42	32,861	83	41
South Dakota	27,087	88	37	34,741	96	23	38,630	97	19
Tennessee	27,490	89	36	33,077	92	33	35,180	89	36
Texas	28,846	94	29	36,068	100	18	37,539	95	27
Utah	24,895	81	47	31,098	86	39	33,820	85	40
Vermont	29,291	95	24	31,728	88	35	35,917	90	35
Virginia	33,013	107	10	39,220	109	11	45,280	114	10
Washington	32,549	106	14	38,155	106	14	41,872	105	16
West Virginia	24,002	78	49	24,955	69	50	29,512	74	49
Wisconsin	30,025	97	21	34,675	96	25	38,608	97	19
Wyoming	30,986	101	18	39,313	109	10	46,748	118	7

Sources: PCGSP and PCGSP are author's calculations of BEA and U.S. Census Data. PCTTR data from the U.S. Department of Treasury website at <http://www.ustreas.gov/offices/economic-policy/resources/>

Appendix E

**The Nelson A. Rockefeller Institute of Government
State Spending on Children's Services
State Tax Expenditure Survey**

DECEMBER 2006

The Rockefeller Institute of Government is the public policy research arm of the State University of New York. The Institute conducts independent research on the finances, management, and programs of state and local governments.

The purpose of this survey is to collect data on tax expenditures for specific state tax credits and exemptions for a project analyzing state spending for children, sponsored by the Annie E. Casey Foundation (AECF). The data will be included in Rockefeller Institute analyses and reports, and also may be included in a database of state spending available on the AECF website.

Instructions:

Please provide estimates of state revenue forgone for 1992, 1998, 2003, and 2004 for the tax credits and exemptions noted below, wherever applicable.

	Refundable				Nonrefundable			
	1992	1998	2003	2004	1992	1998	2003	2004
Earned Income Tax Credit								
Child/Dependent Care Tax Credit								
Child/Dependent Care Exemption								
Child Tax Credit								
Child/Dependent Exemption								

Are the data you provided:

- A) Actual revenue losses Estimated revenue losses
 B) State fiscal year Tax year Calendar year

Note: For credits and exemptions for both children and adults, please note if data include revenue losses for adults, and if possible, provide an estimate of revenue losses for children only.

Definitions:

Tax expenditures: For this survey, we define tax expenditures as features in tax law that reduce a taxpayer's liability to the state.

Tax credit: An amount deducted from a taxpayer's liability to reduce the amount of state tax owed.

Exemption: An amount deducted from a taxpayer's income subject to state tax.

Information submitted by:	Please send completed survey to:
NAME:	Barbara Stubblebine
STATE:	Rockefeller Institute of Government
TITLE:	411 State Street
OFFICE:	Albany, New York 12203
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DATE:	Email: stubbleb@rockinst.org

Appendix F

State Data – 1992, 1998, and 2003

State and Local Government Real Spending Per Child, FY 2003 /1					
	Education	Health	Non-Health/ Non-Education	Adjustments /2	Total
United States	\$5,237	\$358	\$232	-\$23	\$5,803
New England					
Connecticut	7,604	302	369	-46	8,230
Maine	6,356	654	211	-31	7,188
Massachusetts	7,099	414	310	-43	7,780
New Hampshire	5,711	303	172	-30	6,156
Rhode Island	6,310	628	329	-45	7,222
Vermont	7,171	574	398	-31	8,111
Mid-Atlantic					
Delaware	5,305	549	312	-38	6,129
District of Columbi	8,351	800	1,029	-61	10,119
Maryland	5,588	434	300	-23	6,298
New Jersey	8,121	378	279	-24	8,753
New York	7,292	656	512	-34	8,426
Pennsylvania	5,723	526	267	-27	6,490
Great Lakes					
Illinois	5,144	280	304	-22	5,705
Indiana	4,345	237	111	-16	4,676
Michigan	6,122	286	275	-25	6,657
Ohio	5,676	270	270	-24	6,192
Wisconsin	5,851	280	262	-21	6,372
Plains					
Iowa	5,255	269	150	-25	5,649
Kansas	4,992	258	193	-18	5,425
Minnesota	5,874	513	321	-33	6,676
Missouri	4,725	334	152	-22	5,189
Nebraska	4,950	328	167	-21	5,424
North Dakota	4,379	163	135	-17	4,660
South Dakota	3,876	281	88	-10	4,236
Southeast					
Alabama	3,880	235	76	-8	4,184
Arkansas	3,996	300	92	-5	4,383
Florida	4,177	304	149	-16	4,614
Georgia	5,180	357	119	-14	5,641
Kentucky	4,068	309	123	-15	4,485
Louisiana	3,831	224	89	-8	4,136
Mississippi	3,430	232	52	-4	3,710
North Carolina	3,920	341	147	-24	4,384
South Carolina	4,808	263	72	-6	5,136
Tennessee	3,737	310	107	-18	4,136
Virginia	5,106	236	152	-21	5,473
West Virginia	5,463	248	145	-15	5,841
Southwest					
Arizona	4,194	391	93	-12	4,666
New Mexico	4,286	339	127	-9	4,742
Oklahoma	3,894	244	141	-17	4,262
Texas	4,819	341	89	-9	5,239
Rocky Mountain					
Colorado	4,873	281	198	-9	5,343
Idaho	3,879	193	72	-6	4,138
Montana	4,409	186	111	-12	4,694
Utah	3,388	126	74	-12	3,575
Wyoming	6,657	317	250	-20	7,205
Far West					
Alaska	6,009	762	299	-50	7,020
California	5,207	407	384	-38	5,959
Hawaii	6,111	259	281	-28	6,623
Nevada	4,363	261	117	-9	4,733
Oregon	4,638	341	168	-18	5,128
Washington	4,966	322	242	-49	5,481

/1 2003 dollars
/2 Child support collections retained by state and CCDF state match and MOE spending countable towards the TANF MOE.
Sources: Authors' calculations of DHHS, NCES, state government, and U.S. Census data.

State and Local Government Real Spending Per Child, FY 1998 /1					
	Education	Health	Non-Health/ Non-Education	Adjustments /2	Total
United States	\$4,485	\$243	\$224	-\$28	\$4,924
New England					
Connecticut	6,397	238	350	-55	6,931
Maine	5,095	282	196	-33	5,540
Massachusetts	5,316	321	333	-52	5,917
New Hampshire	4,549	246	168	-31	4,933
Rhode Island	5,139	334	367	-61	5,779
Vermont	5,691	278	195	-18	6,145
Mid-Atlantic					
Delaware	4,730	371	270	-45	5,326
District of Columbi	5,126	695	930	-59	6,692
Maryland	4,874	275	304	-30	5,423
New Jersey	6,592	234	180	-34	6,972
New York	5,896	508	527	-33	6,898
Pennsylvania	4,959	351	241	-33	5,517
Great Lakes					
Illinois	4,291	283	273	-31	4,816
Indiana	4,843	143	122	-20	5,088
Michigan	5,420	222	256	-35	5,862
Ohio	4,573	189	227	-31	4,959
Wisconsin	5,176	201	258	-22	5,614
Plains					
Iowa	4,510	190	160	-28	4,833
Kansas	4,360	153	160	-20	4,653
Minnesota	5,137	291	281	-37	5,672
Missouri	4,145	176	152	-27	4,446
Nebraska	4,254	205	135	-11	4,583
North Dakota	3,707	116	125	-14	3,933
South Dakota	3,615	171	75	-12	3,849
Southeast					
Alabama	3,491	89	70	-10	3,640
Arkansas	3,562	240	95	-8	3,889
Florida	4,148	202	170	-18	4,501
Georgia	4,333	194	124	-19	4,631
Kentucky	3,698	215	112	-11	4,014
Louisiana	3,353	176	97	-10	3,617
Mississippi	2,779	131	60	-7	2,963
North Carolina	3,743	248	165	-31	4,126
South Carolina	3,866	166	40	-4	4,068
Tennessee	3,371	246	60	-19	3,659
Virginia	4,571	173	91	-25	4,810
West Virginia	4,981	186	134	-16	5,285
Southwest					
Arizona	3,596	224	129	-14	3,934
New Mexico	3,449	271	102	-5	3,817
Oklahoma	3,645	173	119	-20	3,917
Texas	4,140	181	70	-14	4,377
Rocky Mountain					
Colorado	4,176	193	158	-23	4,504
Idaho	3,564	104	79	-10	3,737
Montana	4,135	146	131	-14	4,398
Utah	3,177	99	88	-14	3,350
Wyoming	5,070	156	139	-20	5,346
Far West					
Alaska	5,988	410	330	-66	6,661
California	4,041	254	384	-42	4,637
Hawaii	3,985	242	307	-19	4,515
Nevada	4,327	202	111	-11	4,629
Oregon	4,574	248	174	-21	4,975
Washington	4,588	266	254	-62	5,046

/1 2003 dollars
/2 Child support collections retained by state and CCDF state match and MOE spending countable towards the TANF MOE.
Sources: Authors' calculations of DHHS, NCES, state government, and U.S. Census data.

State and Local Government Real Spending Per Child, FY 1992 /1					
	Education	Health	Non-Health/ Non-Education	Adjustments /2	Total
United States	\$3,927	\$203	\$204	-\$14	\$4,320
New England					
Connecticut	5,748	234	264	-25	6,221
Maine	4,420	214	152	-18	4,768
Massachusetts	4,527	312	331	-26	5,145
New Hampshire	4,110	105	133	-10	4,338
Rhode Island	4,286	181	289	-26	4,731
Vermont	4,947	146	255	-16	5,332
Mid-Atlantic					
Delaware	3,880	226	156	-20	4,242
District of Columbia	6,404	727	618	-20	7,729
Maryland	4,322	249	228	-18	4,781
New Jersey	6,376	259	202	-22	6,816
New York	5,446	459	535	-19	6,421
Pennsylvania	4,496	237	203	-17	4,919
Great Lakes					
Illinois	3,632	201	186	-9	4,010
Indiana	3,905	170	79	-12	4,143
Michigan	4,261	188	258	-27	4,681
Ohio	3,816	199	182	-13	4,185
Wisconsin	4,239	116	186	-18	4,522
Plains					
Iowa	3,807	137	107	-17	4,034
Kansas	3,744	166	116	-13	4,014
Minnesota	4,257	141	203	-20	4,581
Missouri	3,337	195	123	-14	3,641
Nebraska	3,814	125	100	-7	4,032
North Dakota	3,270	96	76	-9	3,433
South Dakota	2,901	107	84	-6	3,086
Southeast					
Alabama	2,744	121	49	-5	2,909
Arkansas	3,037	140	49	-5	3,221
Florida	3,854	208	139	-10	4,191
Georgia	3,241	177	122	-8	3,532
Kentucky	3,235	174	110	-9	3,510
Louisiana	2,884	261	75	-4	3,216
Mississippi	2,225	107	50	-5	2,377
North Carolina	3,396	161	98	-11	3,644
South Carolina	3,300	151	61	-5	3,507
Tennessee	2,617	200	83	-5	2,894
Virginia	3,952	164	108	-12	4,212
West Virginia	4,209	164	87	-4	4,455
Southwest					
Arizona	3,361	55	124	-4	3,535
New Mexico	3,047	90	81	-4	3,213
Oklahoma	3,337	165	99	-6	3,595
Texas	3,696	170	64	-4	3,926
Rocky Mountain					
Colorado	3,810	169	125	-12	4,093
Idaho	2,933	87	47	-7	3,059
Montana	3,900	97	84	-8	4,073
Utah	2,625	67	54	-8	2,738
Wyoming	5,123	107	79	-8	5,301
Far West					
Alaska	6,441	247	287	-31	6,943
California	3,540	197	402	-19	4,119
Hawaii	3,766	149	204	-14	4,105
Nevada	3,892	211	100	-10	4,192
Oregon	4,189	127	142	-12	4,447
Washington	4,253	179	230	-31	4,631

/1 2003 dollars
/2 Child support collections retained by state and CCDF state match and MOE spending countable towards the TANF MOE.
Sources: Authors' calculations of DHHS, NCES, state government, and U.S. Census data.

State and Local Government Real Spending Per Child Percent Change 1992 to 2003					
	Education	Health	Non-Health/ Non-Education	Adjustments /1	Total
United States	33%	76%	14%	68%	34%
New England					
Connecticut	32	29	40	81	32
Maine	44	205	38	72	51
Massachusetts	57	33	-7	68	51
New Hampshire	39	190	29	194	42
Rhode Island	47	246	14	71	53
Vermont	45	293	56	93	52
Mid-Atlantic					
Delaware	37	143	100	90	44
District of Columbia	30	10	67	210	31
Maryland	29	74	31	29	32
New Jersey	27	46	38	10	28
New York	34	43	-4	79	31
Pennsylvania	27	122	32	59	32
Great Lakes					
Illinois	42	39	63	149	42
Indiana	11	39	40	39	13
Michigan	44	52	6	-7	42
Ohio	49	36	48	88	48
Wisconsin	38	142	41	12	41
Plains					
Iowa	38	96	40	45	40
Kansas	33	55	67	42	35
Minnesota	38	263	58	61	46
Missouri	42	71	24	62	42
Nebraska	30	162	67	201	35
North Dakota	34	70	77	82	36
South Dakota	34	162	5	75	37
Southeast					
Alabama	41	93	55	50	44
Arkansas	32	115	86	-4	36
Florida	8	46	7	62	10
Georgia	60	102	-2	76	60
Kentucky	26	78	12	71	28
Louisiana	33	-14	19	76	29
Mississippi	54	117	5	-10	56
North Carolina	15	112	49	113	20
South Carolina	46	74	18	19	46
Tennessee	43	55	29	259	43
Virginia	29	44	41	86	30
West Virginia	30	52	67	247	31
Southwest					
Arizona	25	617	-25	181	32
New Mexico	41	276	57	121	48
Oklahoma	17	48	42	181	19
Texas	30	101	40	130	33
Rocky Mountain					
Colorado	28	66	58	-22	31
Idaho	32	123	55	-20	35
Montana	13	91	33	58	15
Utah	29	87	37	55	31
Wyoming	30	196	216	143	36
Far West					
Alaska	-7	209	4	59	1
California	47	106	-5	98	45
Hawaii	62	74	38	107	61
Nevada	12	24	18	-12	13
Oregon	11	169	18	58	15
Washington	17	80	5	58	18

/1 Child support collections retained by state and CCDF state match and MOE spending countable towards the TANF MOE.
Sources: Authors' calculations of DHHS, NCES, state government, and U.S. Census data.

¹ For discussion of variation in state-only spending, see Boyd, Donald J., Phil Dearborn, Patricia L. Billen, Carol Meyers, and Jane McNeil *The Fiscal Effects of Welfare Reform: State Social Service Spending Before and After Welfare Reform*, Rockefeller Institute of Government and The Brookings Institution, Final Report to the Administration for Children and Families, U.S. Department of Health and Human Services, May 2003.

² For information on federal spending on children see Urban Institute report titled, *Kids' Share 2007*, by Adam Carasso, C. Eugene Steuerle, and Gillian Reynolds, available at <http://www.urban.org/publications/411432.html>.

³ The earlier Rockefeller Institute report, *How Funding of Programs for Children Varies Among the 50 States* looks at changes in state and local government spending for children from 1970 to 1992. It is available at http://rfs.rockinst.org/exhibit/9068/Full%20Text/Funding_Programs_for_Children_1996.pdf.

⁴ Appendix A provides source information for fiscal and demographic data presented in this report and calculations by Rockefeller Institute staff.

⁵ Appendix B provides a description of benefits and services for each federal program included in this report.

⁶ Rockefeller Institute analysis of U.S. Census Bureau data for the 2003-04 school year.

⁷ See <http://www.ed.gov/nclb/overview/intro/execsumm.html>.

⁸ See *Block Grants: Flexibility vs. Stability in Social Services*, published by the Brookings Institution, December 2005, at: <http://www.brook.edu/es/research/projects/wrb/publications/pb/pb34.pdf>.

⁹ See Appendix C for FFP rates for the categorical grants included in this study.

¹⁰ The CCDF is often referred to as the Child Care and Development Block Grant (CCDBG).

¹¹ See *Block Grants: Flexibility vs. Stability in Social Services*, published by the Brookings Institution, December 2005, at: <http://www.brook.edu/es/research/projects/wrb/publications/pb/pb34.pdf>.

¹² See Appendix C for FFP rates and MOE levels for the block grants included in this study.

¹³ The fourteen states are Illinois, Indiana, Iowa, Kansas, Maine, Maryland, Massachusetts, Minnesota, New Jersey, New York, Oklahoma, Oregon, Vermont, and Wisconsin. Colorado's EITC is only available when the state has a TABOR surplus, which was not the case in 2003. Rhode Island offered an EITC in 2003, but state officials did not provide expenditure data to the Rockefeller Institute before this report was finalized.

¹⁴ Several organizations have either collected tax expenditure data or estimated spending for select state credits and exemptions benefiting children. For example, the Center on Budget and Policy Priorities (CBPP) tracks state policy and spending on state earned income tax credits and the National Women's Law Center estimated spending for state child and dependent care tax provisions for one year as part of a larger project.

¹⁵ The project's state tax expenditure survey form is attached as Appendix E.

¹⁶ Expenditures for Rhode Island's EITC are missing from the data in this report.

¹⁷ Here and throughout this report we have adjusted total spending to remove potential double counting. These adjustments include child support collections on behalf of AFDC/TANF recipients that states retained to offset the costs of the AFDC and TANF programs. They also include CCDF state match and MOE spending that states can use toward the TANF MOE. We assume that each state took full advantage of this federal rule and counted the maximum amount of CCDF spending toward the TANF spending requirement. Federal rules require that child support collections on behalf of foster care recipients be used to offset the costs of the Foster Care program. Child support collections on behalf of foster care children retained by the states are not included in our adjustments to total spending as we subtracted these collections directly from state Foster Care program expenditures. In aggregate, these adjustments are quite small: for example, absent these adjustments total spending would be approximately \$448 billion rather than the \$446 billion discussed in the text.

¹⁸ MCHBG data do not include expenditures that states report to DHHS ACF that are over the program's match requirements, as it is not clear that this spending is reported in a uniform manner across states, and project staff were unable to confirm whether states use the expenditures to match non-MCHBG federal dollars. State over-match spending reported to the federal government for MCHBG grew from \$1.5 billion in 1998 to \$1.9 billion in 2003.

¹⁹ See *The Fiscal Effects of Welfare Reform: State Social Service Spending Before and After Welfare Reform*, published by the Rockefeller Institute and the Brookings Institution, May 2003, at: http://rfs.rockinst.org/exhibit/110/Full%20Text/RIG_Brookings_ACF_Report_final.pdf.

²⁰ As noted earlier in this report, PRWORA 1996 merged funding for the AFDC, Emergency Assistance, and JOBS programs into the TANF block grant, and gave states increased flexibility to design their welfare services and benefits. Many states took advantage of this flexibility to expand the types of services offered and populations served by their welfare programs. Therefore, the benefits and services, as well as the populations served by the TANF program are not strictly comparable to those under the AFDC, Emergency Assistance, and JOBS programs.

²¹ See Table 13 for state percentages.

²² See Table 13 for state-specific data.

²³ The fiscal year in 46 of the 50 states starts on July 1, and includes a portion of two calendar years. This report uses economic and demographic data as of the start of each fiscal year. For example, for the 2002-03 fiscal year, this report uses poverty data from the 2002 calendar year.

²⁴ See *Measuring Fiscal Disparities across the U.S. States: A Representative Revenue System/Representative Expenditure System Approach Fiscal Year 2002*, published by the Urban Institute, November 2006, at: http://www.urban.org/UploadedPDF/311384_fiscal_disparities.pdf.

²⁵ See Appendix D for more information on PCPI, PCGSP and total taxable resources and a comparison of state rankings using each measure.

²⁶ BEA recently changed its terminology to refer to gross state product as "gross domestic product by state." For more information on BEA's terminology and methodology for developing GSP estimates see <http://bea.gov/bea/regional/gsp/help/GDPState.pdf#page=43>.

²⁷ The Representative Revenue System/Representative Expenditure System (RRS/RES), a fourth measure of state fiscal capacity, is beyond the scope of this appendix. For a detailed discussion of this measure see *Measuring Fiscal Disparities across the U.S. States: A Representative Revenue System/Representative Expenditure System Approach, Fiscal Year 2002* at http://www.urban.org/UploadedPDF/311384_fiscal_disparities.pdf.

²⁸ See <http://bea.gov/bea/regional/definitions/nextpage.cfm?key=per%20capita%20personal%20income>.

²⁹ See <http://www.ustreas.gov/offices/economic-policy/resources/nmpubsum.pdf>.

³⁰ The PCGSP data presented in this appendix for calendar year 2002 is the same as the data presented in Table 5 except we refer to the data in the Table as fiscal year 2003 information. See endnote 11 for more information.