
USDA's Expenditures on Children by Families Project: Uses and Changes Over Time

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For 40 years, the U.S. Department of Agriculture (USDA) has provided annual estimates of family expenditures on children. These expenditure estimates have important policy applications. This research brief reviews these applications and compares the most recent child-rearing expense estimates with those first produced in 1960. A description of the methods used to derive the expense estimates is reported elsewhere (2).

Some people wonder why the USDA, and not another Federal department such as the Department of Health and Human Services, produces the child-rearing expense estimates. Improving the economic well-being of American families has long been a goal of USDA, and the Expenditures on Children by Families report is one example of the Department's commitment to this purpose. Other examples include the USDA Thrifty Food Plan, which is used to determine food stamp allotments, and the USDA Food Guide Pyramid, which is used to help people make nutritious food choices.

Uses of Expenditures on Children Report

The Expenditures on Children by Families report has three primary uses. The significance of these uses has changed over time, in line with the changing structure of American families.

Child Support

One of the primary uses of the expense estimates is in determining child support. When the expense estimates were first produced in 1960, only 9 percent of families with children under age 18 were headed by a single parent (fig. 1), and many of these parents were widows. In 1998, 27 percent of families with children under age 18 were headed by a single parent, many becoming single-parent families as the result of divorce (5). These figures represent families at a given point in time. The percentage of children residing in a single-parent household at some point in their childhood is greater because many single parents remarry. In 1998, 52 percent of children lived with their original two parents; the remaining 48 percent of children lived with either a single parent, a parent and stepparent, or in some other arrangement (7).

Because so many children make their primary residence with only one of their biological parents, child support (legally mandated payments from a noncustodial parent to a custodial parent) has become important. It has become even more important in recent years because many single-parent families are in poverty, and payment of child support is seen as one way to reduce poverty among these families.

The Family Support Act of 1988 required States to implement numeric child support guidelines that are to be followed unless their application would

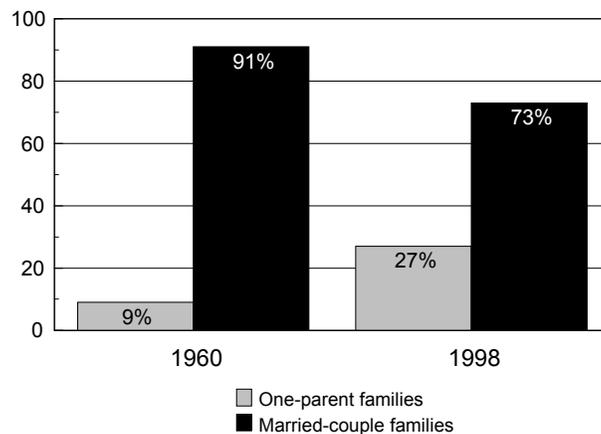
be unjust or inappropriate. In addition, States are required to review their guidelines every 4 years: (1) to ensure that application of the guidelines results in appropriate award amounts for child support and (2) to consider economic data on the cost of raising children in this review by the States. As a result of this act, USDA's Expenditures on Children by Families report has influenced the economic well-being of millions of children in the United States. A 1998 study titled "Interstate Comparisons of Child Support Orders Using State Guidelines" found that the USDA child-rearing expense estimates are usually consulted by States when calculating typical expenditures on children for State child support guidelines (3).

Foster Care

In 1982 about 262,000 children were in foster care. (Figures for earlier years are not available.) By 1998 about 520,000 children were in foster care (6). A child is placed in foster care when a court determines that his or her family cannot provide a minimally safe environment. This determination often follows an investigation by a State or county child protective services worker. Most children in foster care live in the home of a relative or nonrelative who is compensated monetarily to help cover the cost of the children living with them.

The USDA child-rearing expense estimates are often used by States in setting the levels of foster care rates. A 1989 study by the American Public Welfare Association found that nearly half the States used the USDA child-rearing expense report to calculate foster care rates (1).

Figure 1. Families, by presence of own children under age 18, 1960 versus 1998



Educational and Other Uses

One of the original intents of the child-rearing expense estimates was to "provide budgetary guidance to individual families" who had children or were planning to have children (4). A recent cover story by *U.S. News & World Report* used the USDA child-rearing expenses to inform people of the cost of children (8). Many financial advisors and personal finance textbooks use the estimates as a guide to how families may allocate their expenditures. In addition to providing budgetary guidance, the USDA child-rearing expenses are used in many high schools to educate teenagers on how much raising children really costs. One intent of providing this information is to encourage teenagers to wait until they are adults and more financially secure before having children.

There are many other uses of the USDA child-rearing expenses. Courts use the estimates to appraise damages

arising from personal injury or wrongful death cases. For example, if a person with children is hurt on a job such that he or she cannot work, the court uses the expense figures as a guide to determine how much the person is to be compensated in order to support the family. Courts also use the estimates to determine damages in malpractice cases, especially for women who give birth after undergoing surgical procedures to prevent pregnancy. These women are compensated based on the cost of the child they did not expect to have.

Estimating Child-Rearing Expenses: Similarities and Differences Over Time

Since the first report in 1960 on family expenditures on children, there have been similarities and differences in the method used by USDA researchers in estimating child-rearing expenses. Comparisons over time highlight both the similarities and differences.

Similarities

- USDA's child-rearing expense estimates always have been based on data from the Consumer Expenditure Survey (CE). The 1960 estimates were based on the 1960 CE, and the latest estimates are based on the 1990-92 CE, updated to 2000 dollars with the Consumer Price Index. The CE is the only Federal survey of household expenditures collected nationwide. It collects information on sociodemographic characteristics, income, and expenditures of a nationally representative sample of households.
- The child-rearing expense estimates always have covered total expenses on a child as well as expenses by major budgetary component: Housing, food, transportation, clothing, health care, education/child care, and other miscellaneous expenses (personal care items, recreation expenses, etc.).
- Expenses on children always have been estimated by age of child, household income level, number of children in the family, and geographic area. These factors are key determinants of how much a family spends on a child. Results have shown that in both 1960 and 2000 (1) families spend more on older children than younger children; (2) the higher a family's income, the more is spent on a child; (3) the more children in a family, the less is spent on each individual child because of economies of scale and income being spread over more children; and (4) families in the West have the highest expenses on a child, primarily because of high housing costs in this region.

- With the exception of food, the expense estimates for the various budgetary components have represented what is actually spent on a child as opposed to a scientific standard of what should be spent to ensure some standard or adequate level of living. This is because for most budgetary components, such as housing and education, a commonly accepted standard for what is adequate does not exist. Attempts to define a standard have been very controversial.

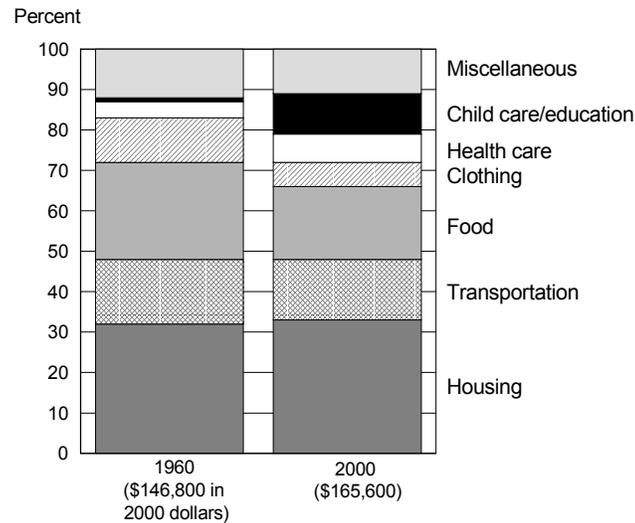
Differences

- When the child-rearing expense estimates were first produced in 1960, the figures were only applicable to husband-wife families. Since then, an increasing number of children are living in single-parent families. Hence, in 1990, USDA began to produce child-rearing expenses for single-parent families, as well as for husband-wife families.
- During the 1960's and 1970's child-rearing expense estimates were made for farm families in different regions of the country (Northeast, South, Midwest—also called North Central—, and West). Since then the number of families residing on farms has declined to the point where there has not been a sufficient sample size to produce estimates for farm families in the regions. Also, the current CE does not identify region for rural families. Because of these factors, USDA does not currently produce estimates of child-rearing expenses in farm families but rather produces estimates of child-rearing expenses in rural families throughout the United States. Rural areas are defined as places of fewer than 2,500 people outside a Metropolitan Statistical Area.

Expenses on children always have been estimated by age of child, household income level, number of children in the family, and geographic area.

- In 1960 there was no separate budgetary component for child care because many women were not in the labor force. Child care expenses were small and were included in the housing component because such expenses typically consisted of babysitting expenses in the home. Since 1989, child care/education has been a separate budgetary component; for preschoolers, child care accounts for almost all the expenditures in this category. For older children, education accounts for almost all the expenditures in this category. According to the most recent USDA child-rearing expense estimates, child care is one of the largest expenditures families make on preschoolers.

Figure 2. Expenditures on children up to age 18, by middle-income husband-wife families, 1960 versus 2000



- From 1960 to 2000 expense estimates for most budgetary components have represented what is actually spent on a child rather than representing some scientific standard of what should be spent. The exception was for food-at-home expenses. From 1960 to 1988, food-at-home expenses on a child represented a standard level and were based on the USDA Food Plans, which reflect the cost of a nutritious market basket of foods at different cost levels. Actual food-away-from-home expenses, however, were included in the food estimates during this time. After 1988 actual food-at-home expenditures on a child were used in the estimates, as opposed to the Food Plans, in order to make the expenses consistent across categories—that is, actual expenses rather than a standard.

Changes in Expenditures on Children: 1960 versus 2000

How have family expenditures on children changed from 1960 to 2000? A precise comparison is not possible because the household income groups do not exactly correspond over time. However, an approximate comparison may be made for a child in a two-child family by using the 1960 “moderate” income group and the 2000 “middle” income group.

In 1960 a moderate income family spent about \$146,800 (in 2000 dollars) to raise a child to age 18 (fig. 2). A similar family in 2000 spent about \$165,600 for this purpose—a 13-percent increase. As a percentage of total child-rearing costs, housing increased slightly (from 32 to 33 percent), whereas health care and child care/education increased considerably over this time. Health care rose from 4 to 7 percent of total child-rearing costs in tandem with the

significant increase in the costs of medical care over this time. Child care/education increased from 1 to 10 percent. As previously stated, in 1960, this category did not include child care because such expenses were minor. Hence, one of the major changes in child-rearing expenses since 1960 has been the addition of child care as more and more women entered the labor force.

Child-rearing expenses on food declined both as a percentage of total child-rearing costs (24 to 18 percent) and in real dollars from 1960 to 2000. However, it should be reiterated that in 1960, the food-at-home expenses on a child were not what people actually spent, but a determined standard. Hence, the figures for the 2 years do not represent the same concept. Child-rearing expenses on clothing also declined as a percentage of total child-rearing costs (from 11 to 6 percent) and in real dollars over this time. This is surprising because many people view present expenses on clothing for a child as being at an all-time high. The

clothing expenses do not include those expenditures made by nonhousehold members, such as grandparents. Total clothing expenses on a child would, therefore, be greater than reported here. It is unknown whether expenditures on clothing for a child by these non-household members would result in higher total clothing expenses in real terms in 2000 versus 1960. Transportation and miscellaneous expenses on a child declined slightly as a percentage of child-rearing costs from 1960 to 2000 (16 to 15 percent and 12 to 11 percent, respectively); however, in real dollars, transportation and miscellaneous expenses increased.

There were changes in child-rearing expenses by region from 1960 to 2000. In 1960 moderate or middle-income families in the urban West had the highest expenditures on a child, followed by families in the urban South and urban Northeast (fig. 3). Families in the urban Midwest had the lowest expenditures on a child. In 2000 families in the urban West still had the highest expenditures on a child, followed by families in the urban Northeast, urban South, and urban Midwest. Increases in housing costs were a primary reason families in the urban Northeast moved from having the third highest expenses on a child in 1960 to having the second highest expenses in 2000.

Figure 3. Expenditures on children, by middle-income husband-wife families, by region, 1960 versus 2000

	1960	2000
\$\$\$\$	Urban West	Urban West
\$\$\$	Urban South	Urban Northeast
\$\$	Urban Northeast	Urban South
\$	Urban Midwest	Urban Midwest

As in 2000, child-rearing expenses in 1960 included neither the cost of a college education nor the indirect costs of children. These indirect costs stem from the time involved in child rearing and include the reduction in current earnings and future career opportunities for one or both parents because of less time in the labor force. Both college-related and indirect costs of children are likely greater in real terms in 2000 than in 1960. More children are attending college now than were attending in 1960, and college costs have generally outpaced inflation in recent years. Also, there are more career opportunities for women, therefore making the indirect costs of child rearing higher.

Future Plans

USDA plans to continue providing annual estimates of family expenditures on children. Given the changing structure of American families, these estimates should continue to be important in the areas of child support and foster care. A new database, most likely the 1998-2000 CE when it is available, will be used to calculate future estimates because expenditure patterns change over time. New expenditure items will be added or subtracted from the child-rearing expense estimates as family expenditures change. As families change, and as new goods and services are introduced in the market, expenditures on children will change. USDA will monitor these developments.

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