

**Cost of Raising Children and Expenditures on Children
Child Support Policy Research Agreement, 2018-2020: Task 3
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Policy/Research Question

This report is intended to serve as input into a review of the child support guidelines for the state of Wisconsin. This brief considers the costs of raising children, accounting for recent advances in cost estimation in the literature and adjustments in market prices faced by parents and caregivers. These estimated costs are also examined in relation to the current guidelines for the state of Wisconsin.

Data/Methods

Data from the Consumer Expenditure Survey (CE) are used to estimate expenditures on children for married-couple households in the urban Midwest and rural (all regions) areas. These estimates were generated as pure dollar and percentage of income figures for statistical comparison.

Results/Potential Policy Implications

Urban households generally report higher expenditures compared to those in rural areas and expenditures generally increase as children age. Expenditures also increase directly with household income, though percentage of income dedicated to child expenses declines as income increases. Any state policy related to child support orders should account for the high fixed costs of having children in the home. In addition, policymakers should consider how best to structure orders in cases where parents maintain joint custody, which is increasingly common in Wisconsin and many other states.

Accounting for the number of children in the household, the guidelines are an accurate reflection of expenditures realized by households with three or fewer children. However, because Wisconsin guidelines use lower per-child percentages for households with four or five children and the CE data calculate an average for all households with more than three children, the Wisconsin guidelines are significantly lower for households with four or five than observed expenditures for these households based on the CE data.

Additional Research Questions/Data Limitations

The CE provides detailed data for direct expenditures on children (child-specific expenditures) as well as overall household expenditures which may be attributed proportionally to different members of the family. This is an important limitation to consider as methods to generate proportional costs may vary greatly. Additionally, CE data assume a constant percentage of income expenditure for each additional child past 3 children.

It should be noted that the Wisconsin guidelines are intended to establish a minimum level of support from each parent, and under that standard the current guidelines may be effective. It should be noted that observed parental spending is but one of many factors to consider when establishing appropriate support guidelines.