

*An Estimation Model of
the Cost of Raising Children in Texas:
Final Report*

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Final Report

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EXECUTIVE SUMMARY

The Office of the Attorney General-Child Support Division (OAG) contracted with the Child and Family Research Partnership (CFRP) at the University of Texas at Austin to develop an estimation model for the cost of raising children in Texas (Texas CORC). Estimating the cost of raising children is a required element of the quadrennial child support guideline review process. The Texas CORC, presented in this report, provides the OAG with a Texas-specific estimate that, importantly, estimates the cost of raising children across two households, reflecting the reality of many children whose parents have a child support order.

Economists have developed and evaluated several models to estimate the costs of raising a child. Most states rely on either the Engel or Rothbarth methods, both of which estimate the marginal change in adult's spending by comparing families that have a child to families with similar income levels who do not have children. Texas is one of only two states to use the U.S. Department of Agriculture (USDA)'s annual estimate of families' expenditures on children in their child support guidelines review. Economists generally agree that the Engel method overestimates the costs of raising a child, the Rothbarth method underestimates the costs of raising a child, and the USDA estimate typically falls in between the Engel and Rothbarth estimates.

Similar to the Engel and Rothbarth methods, the USDA estimate relies on data from the Consumer Expenditure Survey (CES), which does not lend itself well to Texas-specific estimates. Further, the USDA does not estimate the cost of raising children across two households, which is critical for the purposes of child support. Additionally, the USDA makes several assumptions in their estimate that may not be applicable to families of all income levels, particularly those families served by the Child Support (IV-D) Program, who are more likely to be poor, never-married, younger, and less-educated than non IV-D families.

The Cost of Raising Children in Texas

CFRP developed the Texas CORC model, which provides estimates for raising children across two households. The two-household model is particularly important for determining the adequacy of states' child support guidelines, because in most circumstances it is ideal for a child to spend time in both households. The Texas CORC is modeled after the USDA estimate of expenditures on children, but incorporates Texas-specific data for housing and child care costs, unavailable in the CES. Housing and child care costs are two of the most expensive costs related to raising children, which makes it important to have them be as specific to Texas as possible. The Texas CORC assumes there is a basic cost to raising children in order to provide them with the modest resources they need for healthy growth and development. The extent to which

families meet (or exceed) that cost will vary widely and will depend largely on family income and preferences.

The Texas CORC provides three cost estimates: the cost of raising children in single-parent families, married-parent families, and across two households. Each model is presented in greater detail in the report. The Texas CORC across two households is the highest cost model of the three, driven mostly by the need for an additional bedroom in each home. We also present how the custodial and noncustodial parents share the costs, assuming they share physical custody and a Texas standard order of possession is in place. The cost of raising children estimated by the Texas CORC for single-parent families is less than the Texas CORC for married-parent families, but as a percentage of median income in Texas, the cost estimated by the single-parent Texas CORC is much higher.

How Families Meet the Cost of Raising Children

The Texas CORC assumes there is a basic cost to providing children with the basic necessities for healthy growth and development. Whether and how families meet these costs varies widely across income levels. Financial insecurity makes it difficult for low-income families to consistently meet the costs of raising children. In addition to programs like Medicaid and the State Children's Health Insurance Program (SCHIP), which provide in-kind assistance, public assistance programs vary widely in the extent to which they help low-income parents meet the cost of raising children.

The spending habits data from low-income mothers surveyed by CFRP suggest that these mothers meet the cost of raising a child in ways that are contradictory to many of the assumptions in the USDA estimate of families' expenditures on children. Generally, low-income mothers are not moving into larger residences or buying a larger car when they have an additional child. Most mothers are cooking at home instead of going out to eat, taking advantage of public assistance programs including the Supplemental Nutrition Assistance Program (SNAP), the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), and public health insurance programs, and relying on more affordable/informal forms of child care than center-based care. Additionally, mothers report spending less on themselves to help meet the costs associated with having a child.

Child support is a key part of the safety net of social services available to low-income parents to help meet the cost of raising children. When the noncustodial and custodial parents are both working and earning incomes equal to the median incomes in Texas, the transfer of child support from the non-custodial parent (NCP) to the custodial parent (CP) makes the cost to resources ratio more equitable. At those incomes, only the CP is eligible for the Earned Income

Tax Credit (EITC), which further reduces her financial burden. When the noncustodial parent is working full-time and earning a wage equal to the federal minimum wage, and the custodial parent is not working, the transfer of child support from the NCP to CP accounts for over half of the cost of raising a child for the CP. Child support combined with the marginal increase in the CP's monthly SNAP benefit associated with the child reduces the CP's financial burden, but does not fully cover her share of the cost of raising a child.

Conclusions and Recommendations

Developing the Texas CORC illuminated several limitations to the current consideration of the cost of raising children in determining the adequacy of the child support guidelines in Texas. Based on the fully-developed Texas CORC model and associated research, we provide policy considerations for how the cost of raising children can be more effectively incorporated into the Texas Child Support Guidelines. We recommend that Texas: 1) specify what standard of living child support intends to replicate; 2) specify what each parent should contribute to the cost of raising a child and align the child support award with the decision; and 3) include child care costs in consideration of the costs of raising children.

CHAPTER 1 BACKGROUND

Purpose and Introduction

Increasingly, children rely on child support payments as an important means of economic security. For some children, financial support from their noncustodial parent (generally the father) is the difference between living above or below the poverty line. Even when that support does not lift a family out of poverty, it is still likely to close that family's "poverty gap"—i.e. reduce the depth of poverty.¹ In FY2012, child support lifted nearly one million people out of poverty.² Other research shows that in 2008, nearly half a million children in the U.S. would have lived in deep poverty (below 50 percent of the federal poverty level) were it not for their child support income.³

Indeed, for many poor families child support acts as a substantial source of income. On average, child support payments account for 40 percent of total income for poor families and 63 percent of total income for deeply poor families who receive it.⁴ The benefits of this economic support are wide-ranging. A large body of research has linked child support payments to a host of positive child outcomes, including greater academic achievement, fewer behavioral problems, and reduced rates of depression, anxiety, and low self-esteem.⁵ The degree to which child support orders are adequately satisfying the true cost of raising children may have serious impacts on children's development and health.

The Office of the Attorney General-Child Support Division (OAG) contracted with Cynthia Osborne and the Child and Family Research Partnership (CFRP) at the University of Texas at Austin to develop an estimation model for the cost of raising children in Texas (Texas CORC). The Texas CORC model provides the OAG with information necessary to review the adequacy of the Texas child support guidelines as required by state and federal law. The Texas CORC models also make two important contributions to our understanding of the cost of raising children in an era of significant family change. First, the Texas CORC provides estimates for raising children across two households to accurately reflect the living situation of most children in families with child support orders.

Second, the Texas CORC assumes one basic cost associated with healthy child development. The cost of raising children does not vary across income level, rather the extent to which parents do or do not meet the costs varies across income level. Assuming a fixed cost for childrearing differs from the existing estimates of the cost of raising children used by states, which rely on a proportion of a family's expenditures on children to estimate cost. Children have the same basic needs regardless of family income, and it does not cost less to raise them

in low-income families than it does in higher-income families, despite differences in actual spending behavior. The Texas CORC, by estimating a basic cost for healthy child development, is a more accurate, albeit conservative, reflection of the cost of raising children than other estimates of family expenditures.

The present report outlines the assumptions made and the data sources used to develop the Texas CORC models. This report also situates the estimation model within a larger context of the economics of raising children and provides recommendations for how Texas can better consider the cost of raising children in their child support guidelines.

Child Support in Texas

The Texas Family Code stipulates that the aim of the child support guidelines is to provide an “equitable”⁶ amount of child support for Texas families. The guidelines, however, do not define “equitable.” Equitable might reflect an equal or fair amount based on income or time spent with the child. Moreover, many states clearly articulate in their guidelines the “continuity of expenditures principle,”⁷ which asserts that a child should be afforded the same standard of living that the child would have enjoyed if the parents had not separated. The Texas guidelines do not clearly specify the intent of an “equitable” amount of child support for the child’s best interest.

Texas relies on the percentage of income model to calculate child support orders. In this model, the standard child support order for one child is set as 20 percent of a NCP’s net resources. The model does not consider whether the established amount is sufficient to meet the cost associated with raising the child, and the guidelines do not specify the proportion of the costs the NCP is supposed to cover. In addition, the percentage of income model does not take into consideration the custodial parent’s income, and whether jointly the parents share enough resources to cover the child’s costs. For example, if an NCP has a low income, the child support award may be set too low to cover even half of child-related expenses. For NCPs with higher incomes, the amount of their child support orders may exceed the actual costs of raising a child.

Federal regulations require that states conduct a review of their child support guidelines every four years, but provide little guidance on what to include in the guidelines review. Federal regulations do mandate, however, that states “...must consider economic data on the cost of raising children” (45 CFR 302.56(h)).⁸ Although federal regulations mandate that the state guideline reviews include, among other requirements, the most recent data specifying the costs of raising a child, the regulations are not specific about which data states should use for their reviews or how childrearing costs should be used to inform state guideline calculation models. For example, the regulations do not provide guidance on the type of living standard the child

support awards aim to replicate for children, nor do they specify whether the costs of raising a child should be shared proportionately between the parents, be paid entirely by the noncustodial parent, or some other arrangement.

In 2011, during Texas' 82nd legislative session, the legislature amended Texas Family Code section 111.001. Prior to this change, the legislature required that Texas include in its review economic data from the United States Department of Agriculture (USDA). As currently written, the state does not require the use of a specific data set.

Economic Methodologies for Calculating the Cost of Raising a Child

Children and adults jointly consume many of a household's expenditure items, making it impossible to directly observe the marginal costs a family incurs in raising a child. Thus the child's share of household expenditures must be estimated indirectly. There is no perfect methodology to separate the children's share of family expenditures from the parents' share and economists do not agree on which estimate best reflects actual childrearing expenditures.⁹ Thus, the states vary in their approach to estimating the costs of raising children.

Although states are required by federal law to include the most recent economic data, the law does not specify how childrearing costs should be used to inform state guideline calculation models. Many states use data to assess the adequacy of their guidelines.¹⁰ If the state guideline amount is below the economic estimate, the guideline amount is deemed to inadequately support children.

THE ENGEL AND ROTHBARTH METHODS

The most common approach for estimating a child's share of family expenditures is a marginal cost approach, which compares expenditures between two *equally well-off* groups of families: a) married couples with children, and b) married couples of childrearing age without children. The difference in expenditures between the two groups of families is deemed to be childrearing expenditures.¹¹ There is no generally accepted measure of equivalency or "equally well-off," but the two most commonly used are the Engel and Rothbarth methods.¹² The Engel method uses expenditures on food, whereas the Rothbarth method relies on expenditures for adult goods (specifically adult clothing) to determine "equally well-off" families.¹³ The Engel approach assumes that if two families spend an equal percentage of their total expenditures on food, they are equally well-off. The Rothbarth approach assumes that if two families spend an equal amount on adult goods and have the same level of savings, they are equally well-off. In both methodologies, the differences in expenditures between the two groups of families are presumed to represent marginal costs associated with childrearing.¹⁴

Economists generally believe that the Engel method is likely an overestimate of the cost of children, whereas the Rothbarth method is likely an underestimate of the cost of children, creating upper and lower bounds for the cost estimate. Though recently, it has been argued that *both* the Engel and Rothbarth methods may be overestimates of child costs.^{15,16}

The Betson Studies

Over the last two decades, economist David Betson has conducted four studies (1990, 2001, 2006, and 2010) estimating childrearing data. Each study uses more recent data from the Consumer Expenditure Survey (CES) administered annually by the Bureau of Labor Statistics (BLS). The CES is the only nationally-representative survey of consumer expenditures and it is used to periodically update the Consumer Price Index (CPI).¹⁷ His work provides the basis for the child support schedules presently used in approximately 29 states.

In a 1990 study, Betson analyzed 1980-1986 CES data with different economic approaches.¹⁸ Using the Engel approach, Betson found that households spend 33 percent of total expenditures on one child, 39 percent on two children, and 49 percent on three children. He rejected these outcomes as too high and recommended adopting the Rothbarth estimator, which found that households spend 25 percent of expenditures on one child, 37 percent on two, and 45 percent on three.

In 2001, Betson updated his 1990 study with 1996-1999 CES data and analyzed it using the Rothbarth, Engel, and USDA economic approaches.¹⁹ Betson concluded again that the Rothbarth methodology was the “least objectionable.” The original methods, assumptions, and limitations used for the Rothbarth estimates remained unchanged. For the Rothbarth approach, Betson used spending on adult clothing as a proxy for adult spending. His results did not vary much from the 1990 study: 26 percent of household expenditures for one child, 36 percent for two children, and 42 percent for three children. The Engel results were 32 percent for one child, 46 percent for two children, and 58 percent for three children.

Betson updated his study again in 2006 using the 1997-2004 CES data.²⁰ He retained the same methods and assumptions as in 1990 and 2001, but this time applied only the Rothbarth methodology. His findings are consistent with the previous studies: 25 percent of total household expenditures is spent on one child, 37 percent on two, and 44 percent on three.

In 2010, Betson updated his study a fourth time, now using 2004-09 CES data.²¹ Consistent with 2006, he applied only the Rothbarth methodology; he did, however, make changes to his data selection. Prior to 2010 Betson used *expenditures*, which exclude principal payments on debt; here he switched to *outlays*, which include principal payments. Additionally, the CES changed in 2001 by adding an income data field that imputes income if it is not reported. Despite these

differences, Betson's 2010 results remained consistent with his previous studies: 24 percent of total household outlay is spent on one child, 37 percent on two, and 45 percent on three.

The Espenshade Method

In 1988, when the Family Support Act first required states to develop child support guidelines, sociologist Thomas Espenshade's 1984 study applying the Engel methodology to CES data from 1972-73 was the most authoritative research available.²² Many states used it as the economic basis for their original support schedules. Espenshade found that 24 percent of total household expenditures is spent on one child, 41 percent on two, and 51 percent on three.²³ In 2008, McCaleb and colleagues applied the Engel methodology to 2004-2006 CES data and reported that the averages were lower than Espenshade's estimates.²⁴ The State of Florida commissioned this study, but rejected it as a basis for their guidelines.

THE USDA'S EXPENDITURES ON CHILDREN BY FAMILIES

Historically, the state of Texas has used the USDA's calculation for their child support guidelines to estimate the economic costs associated with raising a child. Minnesota is the only other state that relies on the USDA estimate in their child support guidelines.²⁵ Similar to the other methods, the USDA estimate also relies on expenditure data from the CES. The USDA uses a per-capita methodology to calculate the cost of raising a child, and includes estimates for married-parent households across three income brackets, and for single-parent households across two income brackets. Expenditure data from the CES, adjusted to the current year, on housing, food, transportation, clothing, health care, child care and education, and miscellaneous are analyzed.²⁶ Child-specific housing expenditures are calculated as the average cost of an additional bedroom. Food is allocated using USDA food plans, and health care is allocated according to the most recent National Medical Survey. Clothing, child care, and education expenses are allocated 100 percent to children. Transportation and miscellaneous spending are allocated on a per-capita basis.

The USDA's Expenditures on Children by Families Report is updated annually. The most recent review of Texas' child support guidelines relied on the 2011 USDA report using CES data from 2005-2006 (updated to 2011 dollars; the most recent USDA report is the 2013 report, which also relies on 2005-2006 CES data).²⁷ Texas uses the Urban South regional estimates for its calculations and excludes expenditures on both health and child care. In Texas, child care expenses are considered only as a deviation from the initial child support calculation, and health care expenses are handled in a separate medical support obligation. In the 2011 report, a married-parent family's estimated expenditure on one child is 22 percent of pre-tax income for low income families (\$8,560), 24 percent for middle income families (\$11,496), and 10 percent (\$18,340) for high income families. Low income single-parent families are estimated to

spend 31 percent (\$8,191) of pre-tax income on one child, whereas high income single-parents families are estimated to spend 16 percent (\$16,047) of pre-tax income.²⁸

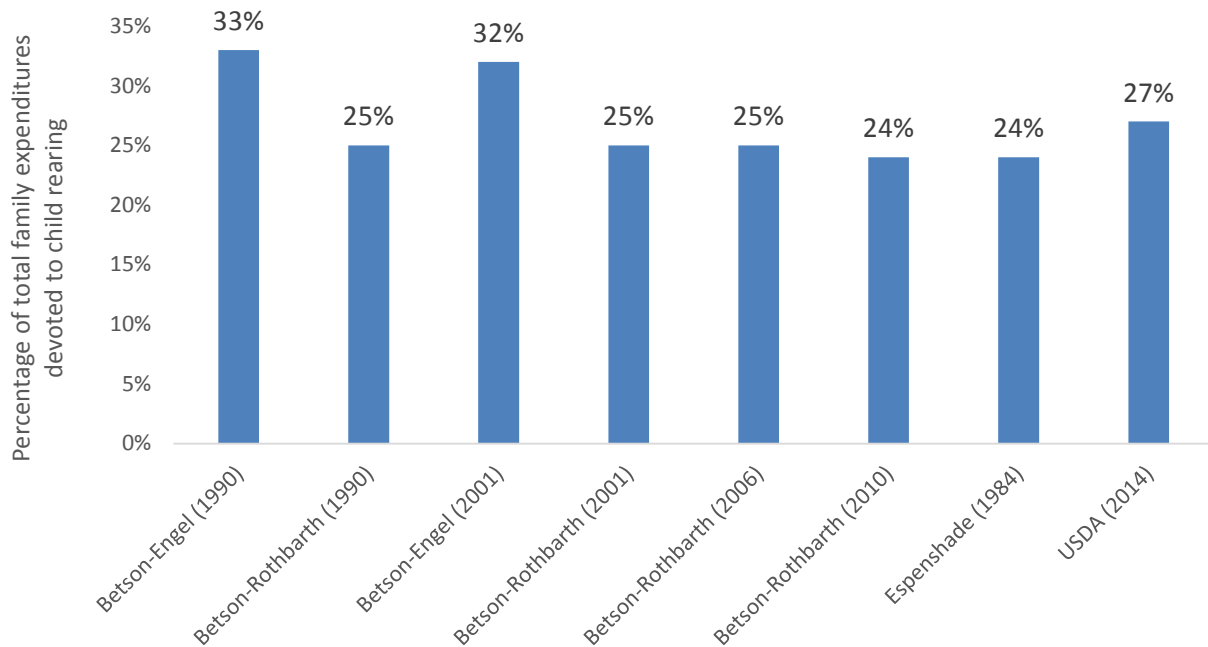
Although the USDA calculation is broadly valid and reliable, it sacrifices granularity for generalizability across all states and regions. Estimates for Texas come from the USDA's estimates for the Urban South, which includes Texas and 16 other states that vary widely in geographic and population context. For instance, the Urban South also includes Delaware and the District of Columbia. Assuming the cost of raising children in Texas is similar to that of Washington D. C. is likely erroneous.

COMPARISONS OF THE ESTIMATES

Most states rely on a marginal cost approach to estimate the cost of raising children. Currently, the Betson-Rothbarth (1990) estimates form the basis of approximately five state guidelines; the Betson-Rothbarth (2001) estimates form the basis for ten state guidelines; and the Betson-Rothbarth (2006) estimates form the basis of 12 state guidelines. Two states, North Carolina and Rhode Island, rely on the Betson-Rothbarth (2010) measurements. Georgia uses an average of the Betson-Rothbarth and Betson-Engel (2001) estimates. The Espenshade (1984) estimates form the basis of seven state guidelines. In contrast, Minnesota and Texas rely on the USDA estimates. The economic basis for estimating child costs is unknown or the basis is a combination of factors for the remaining 10 states.

The basis for the two most common approaches by states—the Engel and the Rothbarth estimates are argued to be over- and under-estimates, respectively, of the costs of raising a child, with the USDA estimates typically falling somewhere in the middle.²⁹ Figure 1 provides a comparison of the estimates for the childrearing expenditures for one child produced by each review method.

Figure 1. Comparisons of the Economic Estimates of Childrearing Costs Used by States for One Child



Sources: Venohr, J. (2012). Review of the Pennsylvania Child Support Guidelines. Center for Policy Research; Lino, M. (2014). Expenditures on Children by Families, 2013. U.S. Department of Agriculture, Center for Nutrition Policy and Promotion. Miscellaneous Publication No. 1528-2013

Other Estimators of the Cost of Raising a Children

Several research centers have created estimators that attempt to calculate the cost of raising children, though none is used by states in their child support guidelines. Most of these estimates consider the minimum cost required to meet children's basic needs for healthy growth and development as a part of a larger family budget. Here we present a description of each estimator and its assumptions. A comparison of the estimators is presented in Table 1.

USDA'S COST OF RAISING A CHILD CALCULATOR

The USDA uses information from its annual report *Expenditures on Children by Families* to directly calculate the average amount that families spend on children.³⁰ The Cost of Raising a Child Calculator provides child cost estimates from the CES for families with one to six children at three different income levels for married-parent households, and two different income levels for single-parent households. The Calculator adjusts its output according to the age of each child in the family. Estimates for married-parent families are provided at the regional level, with Texas belonging to the urban South region, however estimates for single-parent families rely on national averages.

CENTER FOR PUBLIC POLICY PRIORITIES BETTER TEXAS FAMILY BUDGETS

The Texas Center for Public Policy Priorities' (CPPP) Better Texas Family Budgets tool provides a deliberately conservative budget estimate that is designed to serve as a “realistic benchmark” for the amount of money needed to achieve an “austere” standard of living in Texas.³¹ This estimator calculates the basic budget for an individual adult or a couple, as well as for married and single-parent families with one to three children. The estimator compares the income needed to “get by” to the income earned by the minimum wage, and takes into consideration not only family composition but also whether the family has employer health insurance. The Better Texas Family Budgets tool relies on data from the USDA, the U.S. Department of Housing and Urban Development (HUD) Fair Market Rents, the Texas Child Care Market Rate Survey, the Medical Expenditure Survey, the U.S. Department of Transportation's National Household Travel Survey, and the CES.³² For illustrative purposes, CPPP uses a fixed age for each child depending on family composition. One child is assumed to be a preschooler, two children are assumed to be a preschooler and a school-age child, and three children are assumed to be an infant, a preschooler, and a school-age child. These estimates contain local data for 27 Texas metropolitan areas and vary substantially depending on where in Texas the family lives and whether or not the family pays the full cost of health insurance.

MASSACHUSETTS INSTITUTE OF TECHNOLOGY POVERTY IN AMERICA LIVING WAGE CALCULATOR

Massachusetts Institute of Technology's (MIT) Living Wage Calculator provides a “minimum estimate of the cost of living for low-wage families” that should be regarded as a “minimum cost threshold” for living in different communities in the United States.³³ Similar to CPPP's Better Texas Family Budgets, this tool calculates the basic budget for an individual adult or a couple, as well as for married and single-parent families with one to three children. The Living Wage Calculator relies on data from the USDA, the National Association of Child Care Resource and Referral Agencies, the HUD's Fair Market Rents, and the CES.³⁴ In addition to the amount of annual pre-tax income needed for each family to get by, MIT also compares the living wage and poverty wage to the minimum wage for each family composition. These estimates contain local data for hundreds of counties and municipalities across Texas and demonstrate the large range in living costs throughout the state. The calculator assumes that married-parent families do not pay for child care and that single-parent families pay for full-time child care. This assumption results in a dramatic difference in the estimated cost of raising a child between these two family types.

Table 1. Comparison of Annual Family Budget and Child Cost Estimators

	USDA*			CPPP**		MIT***
Family Composition	Low	Middle	High	Employer insurance	Household pays for all insurance	NA
1 adult	N/A	N/A	N/A	\$21,612	\$28,176	\$22,826
1 adult 1 child	\$11,623	N/A	\$23,852	\$34,116	\$43,368	\$46,703
1 adult 2 children	\$17,546	N/A	\$36,542	\$41,532	\$49,704	\$53,805
Cost of first child	\$11,623	N/A	\$23,852	\$12,504	\$15,192	\$23,826
Total cost of two children	\$17,546	N/A	\$36,542	\$19,920	\$21,528	\$30,979

*USDA Calculator estimates child costs in a given family composition; Low income = Less than \$61,530; High Income = Over \$61,530; Age chosen for one child is 4, ages chosen for two children are 4 and 6.

**CPPP calculates minimum income needed to "get by." Cost of first child is calculated as the difference in income needed between one adult with no children and one adult with one child. Total cost of two children is calculated as the difference in income needed between one adult with no children and one adult and two children.

***MIT estimates the annual before tax income required given estimated expenses by family type. Costs are calculated the same as for the CPPP estimates.

Estimating the Cost of Raising Children in Texas

The states vary widely in their economic approach to estimating the cost of raising children, and there is no agreed upon best approach. The USDA estimates, which Texas has used in previous guideline reviews, may not be as Texas-specific as possible, particularly for single-parent families. Additionally, the USDA estimates do not reflect the cost of raising children across two households, which would more accurately reflect the living situation of children in families with a child support order.

The Texas CORC, presented in greater detail in the following chapters, provides a conservative estimate that reflects the cost of the needs for healthy child development. The model is Texas-specific, incorporating housing and child care data specific to Texas. In addition, the Texas CORC demonstrates costs of children in two-parent and single-parent households. The most innovative contribution of the Texas CORC model is that it estimates the cost of raising children across two households, assuming both the custodial and non-custodial parent fully exercise the standard order of possession, which is established with every child support order in Texas unless the parents and judge agree to a different arrangement. The two-household Texas CORC model incorporates an allocation factor that accounts for the resources (e.g., food, transportation) that are shared across the two households.

CHAPTER 2

THE COST OF RAISING CHILDREN IN TEXAS

CFRP developed a Texas-specific estimate of the cost of raising children (referred to hereafter as Texas CORC) because existing estimates fall short of providing useful, Texas-specific estimates for the purposes of assessing the adequacy of Texas' child support guidelines.

The Cost of Raising Children across Two Households

A critical weakness of the Engel, Rothbarth, and USDA approaches described earlier is that no approach provides estimates for the cost of children across two households. The cost of raising children in two households is arguably greater than the cost of raising children by either a single-parent or two parents in a single household. Children live most of their time with the custodial parent, but in many cases spend a significant proportion of their time in the noncustodial parent's household. Though some costs may remain constant (e.g., child care), the child will require a bedroom in each house, as well as personal and entertainment items at both houses. Estimating the cost of raising a child in two households most accurately reflects the reality of many children in the child support system and should be the standard. At a minimum, child support should provide for the costs of raising children across both the custodial parent and noncustodial parent's households. The Texas CORC provides estimates for the cost of raising children in three family structure types: single-parent families, married-parent families, and two-households, one of which is the custodial parent and the other is the noncustodial parent.

The Cost of Raising Children in Texas

A second, notable limitation to Texas' use of the USDA estimate for the cost of raising children is that it only provides estimates for four urban/suburban geographic regions (Northeast, South, Midwest, and West). State-specific estimates are not possible because the sample of families in each state in the CES is too small to provide reliable estimates. Texas is included in the Urban South region, which also encompasses 15 other states including Delaware and the District of Columbia.^a In the USDA estimate, the cost of raising a child in Texas is presumed to be the same as any state included in the South region, which does not account for the regional variation in the cost of goods and services within the southern U.S. Moreover, the region-specific estimates from the USDA are only provided for estimates in married-parent families.

^a The Southern region consists of Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia.

The sample size of single-parent families in each of the four urban/suburban geographic regions is too small to provide reliable region-specific estimates for single-parent families. Accurate estimates of the cost of raising children in single-parent families are critical for assessing the adequacy of Texas' child support guidelines, the outcome of which is often a child growing up in one and/or two single-parent families. The Texas CORC relies on Texas-specific data from the U.S. Department of Housing and Urban Development's (HUD) Fair Market Rents (FMR) and from the Texas Child Care Market Rate Survey conducted by the Child and Family Research Institute (CFRI) and the Ray Marshall Center (RMC) at UT Austin. Housing and child care costs are two of the most expensive costs related to raising children, making it important to have them accurately reflect costs in Texas.

Costs versus Expenditures

Finally, the Engel, Rothbarth, and USDA estimates all rely on families' consumption of goods (i.e., their expenditures), which may not reflect the standard costs of raising a healthy child, regardless of a family's ability or preference for consuming goods. In particular, the USDA makes several assumptions in their estimates that additional research by CFRP, detailed below, indicates do not accurately reflect how families of all income levels meet the costs of raising children. For instance, the USDA assumes that the housing-related cost of raising a child is equal to the average cost of an additional bedroom, but also assumes an additional bedroom for *each* child. Only one-quarter of the mostly low-income mothers surveyed by CFRP reported buying or renting a larger house or apartment after having a child. Many families, particularly low-income families, have children share bedrooms to save on costs or move in with other relatives.

The Texas CORC assumes that the cost of a child's basic needs for healthy development do not increase as family income increases. The basic cost of healthy child development remains constant. Families' expenditures to meet the cost of healthy child development vary substantially by income level. Some parents' expenditures, particularly those parents with higher incomes, likely far exceed the basic cost, whereas other parents with far lower incomes may not be able to meet the cost, and may need to rely on public benefits or other forms of cash or in-kind assistance. This variation in preferences and ability to meet childrearing costs can be taken into consideration by parents and judges when establishing specific orders within families.

VARIATION IN EXPENDITURES ON CHILDREN ACROSS FAMILY INCOME

For families with low incomes, numerous barriers make it difficult for them to consistently meet the costs of raising children. Among working families specifically, monthly expenses typically exceed their income, even after considering public assistance; they are financially precarious

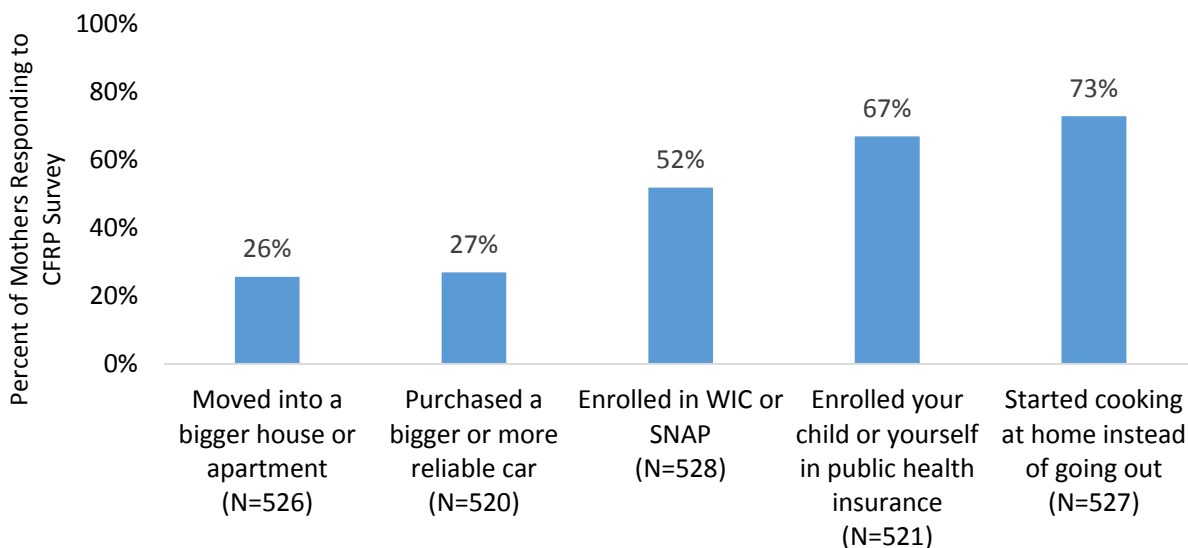
and are continually navigating shifts in income; and public assistance programs are not designed to account for the fluctuating nature of the working-poor's finances.³⁵

CFRP conducted additional research to situate the Texas CORC within a larger context of what it takes to meet the costs of raising children, particularly for low-income or poor families. CFRP surveyed 580 mostly low-income mothers³⁶ who were unmarried at the time of their child's birth in January 2013, to examine how families' spending habits on housing, food, child care, health care, and transportation changed as a result of having a child. Mothers were surveyed approximately 15 months after the birth of their child.

Mothers were asked how they met the costs associated with housing, food, transportation, health care, and child care after the birth of their child. In general, most low-income mothers are not making big purchases, many are finding ways to reduce costs after having a child, and many have to rely on public assistance to meet the costs of raising children (Figure 3).

About one-quarter of mothers reported they moved into a bigger house or apartment (26%), or purchased a bigger or more reliable car (27%). In contrast, over half reported receiving WIC or SNAP to meet food costs, and two-thirds reported enrolling in public health insurance. Approximately three-quarters of mothers said they cook at home instead of going out to eat to help meet the costs of childrearing.

Figure 2. How Low-Income Mothers Meet the Costs of Raising a Child



The average monthly cost of child care reported among mothers in the survey was \$442.84, or approximately \$5,314 per year. The average cost of center-based infant care in Texas was \$8,495 in 2012,³⁷ which suggests that low-income families may not be able to meet the high cost of center-based child care and are using other forms of child care that may be less

expensive, more informal, and potentially lower-quality. In fact, only a quarter of mothers were using a center-based form of child care. Almost half (47%), relied on their family for child care.

The Texas CORC

Given the limitations of using the available estimates of families' expenditures on children as an estimate of the cost of raising children, CFRP developed the Texas CORC. The Texas CORC provides estimates across household structure (single-parent, married-parent, and two households), parity (one-child and two-children families), and across five cost categories (housing, child care, food, transportation, and miscellaneous). It is modeled after the USDA estimate of expenditures on children, but incorporates Texas-specific data for housing and child care costs unavailable in the CES, and estimates a basic cost of childrearing rather than expenditures. Thus, the Texas CORC is not estimated for various income levels, because the Texas CORC assumes one basic cost of raising a child to adequately meet the child's health and developmental needs. Assuming a basic cost to keeping children safe and healthy means the Texas CORC is a conservative measure.

The Texas CORC estimates childrearing costs across the same expense categories that are included in the USDA estimate. There are some direct costs associated with childrearing that states do not regularly consider in their guidelines, but may consider as a deviation from the initial calculation. One example is child care expenses. Child care expenses may amount to a large share of raising a child in some families, whereas other families may not need child care services. Texas Family Code allows for the initial calculation of the child support award to deviate for child care expenses, indicating that child care expenses are not included in the standard child support award. The Texas CORC assumes both of the child's parents are working and that quality child care is a necessary cost for families. Only five percent of Texas children live in low-income households in which no adult works.³⁸ Over half (59%) of children under age 6, and almost two-thirds (63%) of children between ages 6 and 12, have all available parents in the labor force.^{39,40} However, because child care costs are not included in the initial calculation of child support awards, the Texas CORC is presented with and without child care costs.

Texas Family Code section 154.064 provides that "The guidelines for support of a child are based on the assumption that the court will order the obligor to provide medical support for the child in addition to the amount of child support calculated in accordance with those guidelines." Medical support is defined as "periodic payments or a lump-sum payment made under an order to cover medical expenses, including health insurance coverage, incurred for the benefit of a child."⁴¹ Health care coverage may be provided by the NCP through health insurance, reimbursement of premiums (if insurance is provided by the CP) or payment of additional cash amounts to the CP (cash medical support).⁴² How expenses are shared for

medical costs is evolving because of the Affordable Care Act (ACA). The Texas CORC does not include child-related health or medical costs, although they are likely a large cost to many families.

A detailed methodology of the Texas CORC model is presented in Chapter 3. The three estimates of the Texas CORC are presented in Chapters 4, 5, and 6: including the Texas CORC for single-parent families, married-parent families, and across two households, respectively. Each chapter highlights the specific assumptions and analytic strategy used to develop each estimate. Chapter 7 presents analyses of the extent to which child support and other public assistance programs meet the cost of raising children across two households, as estimated by the Texas CORC. Finally, Chapter 8 concludes the report and provides policy recommendations.

CHAPTER 3

METHODOLOGY

The model of the cost of raising children in Texas (Texas CORC) uses cost categories similar to the expenditure categories in the USDA estimate, but relies on Texas-specific data sources for the housing and child care categories - the two most expensive cost categories for raising children. Similar to the USDA estimate, CFRP relied on the USDA Low-Cost food plan for families, which does not incorporate geographic variation in food costs, but is a widely-cited source for food costs for families. For transportation and miscellaneous (e.g., care items, entertainment, reading materials, and clothing) costs, no reliable Texas-specific source could be found, therefore CFRP used the USDA's estimate of transportation and miscellaneous expenditures from the CES data for the Urban South region, which includes Texas. A summary of the cost categories and data sources is presented in Table 2.

The data sources for each of the cost categories are presented first, followed by additional detail on how each cost category was calculated.

Table 2. Texas CORC Cost Categories and Data Sources

Texas CORC Cost Category	Texas CORC Data Source
Housing	2014 U.S. Department of Housing and Urban Development (HUD) Fair Market Rents (FMRs)
Child Care	2013 Child and Family Research Institute (CFRI) Texas Child Care Market Rate Survey
Food	2014 U.S. Department of Agriculture (USDA) Low-Cost Food Plan
Transportation	2012 U.S. Bureau of Labor Statistics Consumer Expenditure Survey; 2009 U.S. Department of Transportation National Household Travel Survey (NHTS)
Miscellaneous (e.g., clothing, reading materials, entertainment)	2012 U.S. Bureau of Labor Statistics Consumer Expenditure Survey

Data Sources

FAIR MARKET RENT

The housing cost category for the Texas CORC relies on data from the U.S. Department of Housing and Urban Development (HUD), which annually estimates Fair Market Rents (FMRs) for 530 metropolitan areas and 2,045 nonmetropolitan county FMR areas.⁴³ FMRs are gross rent estimates and include shelter rent plus the cost of all tenant-paid utilities, except telephones,

cable or satellite television service, and internet service. FMRs are primarily used to determine the standard payment amounts for the Housing Choice Voucher program and to determine initial renewal rents for some expiring project-based Section 8 contracts. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units (occupied rental units paying cash rent, with full plumbing, full kitchen, more than two years old, and meals not included in rent). The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. HUD uses three data sources to develop the FMR estimates: the decennial Census, the American Community Survey (ACS), and random digit dialing (RDD) telephone surveys. The 40th percentile rent underestimates the cost of housing for many families, but in the Texas CORC, we use the difference in the cost of one-room units and two-room units, which should not be as underestimated as the total cost of housing.

TEXAS CHILD CARE MARKET RATE SURVEY

Data on child care costs come from the Texas Child Care Market Rate Survey (Texas CCMRS). The Texas Workforce Commission (TWC) contracts with the Child and Family Research Institute at the University of Texas at Austin's Center for Social Work Research, in partnership with the Ray Marshall Center for the Study of Human Resources (RMC) at the Lyndon B. Johnson School of Public Affairs at the University of Texas at Austin, to conduct the Texas CCMRS.⁴⁴ The objective is to gather and report on the rates charged to the general public (or the "market rate") for child care in each of the 28 local workforce development areas (LWDAs) across Texas. These data are then used by the TWC and the Local Workforce Development Boards (LWDBs) to assess the cost of child care services available in the LWDAs. TWC provides subsidized child care for families in the TANF Choices programs and those transitioning from TANF. The 28 LWDBs are responsible for managing child care subsidies for low-income families and other related programs.

In the 2013 Texas CCMRS report, three types of child care facilities were surveyed between August 2013 and January 2014: licensed child care centers, registered homes, and licensed homes. Of the nearly 4,500 child care facilities sampled, almost two-thirds (3,957) responded. Child care facilities provided information on their hours of operation, vacation schedules, child age and enrollment, rates, additional fees, national accreditations, and whether they participated in the Texas Rising Star accreditation Program.

U.S. DEPARTMENT OF AGRICULTURE FOOD PLANS

The food cost category uses data from the U.S. Department of Agriculture's (USDA) food plans. For over 100 years, the USDA has prepared guides for selecting nutritious diets at home at four

different cost levels: thrifty, low-cost, moderate-cost, and liberal. The thrifty food plan provides a healthy, minimal-cost meal plan that shows how a nutritious diet can be achieved with limited resources and is used as the basis for the Supplemental Nutrition Assistance Program (SNAP, or food stamps) allotments. The low-cost and moderate-cost food plans provide healthy meal plans at the second and third quartiles of food spending and are used by bankruptcy courts to set alimony and child support payments. The liberal food plan provides a healthy meal plan at the fourth quartile of food spending and is used by the Department of Defense to set Basic Allowance for Subsistence (food allowance). The nutritional basis of the food plans are the 1997-2005 Dietary Reference Intakes (vitamins and minerals), the 2005 Dietary Guidelines for Americans, and 2005 MyPyramid food intake recommendations.⁴⁵

Each plan is updated monthly and has 15 market baskets (for 15 age-gender groups) specifying the type and quantity of foods that people could consume at home to obtain a nutritious diet. Food plans do not contain food away from home, dietary supplements, or alcohol. Costs are provided for individuals in a four-person family. The USDA provides recommended adjustments to the data to calculate the individual costs in family sizes greater or less than four.

CONSUMER EXPENDITURE SURVEY

The Consumer Expenditure Survey (CES), which consists of two surveys, the Quarterly Interview Survey and the Diary Survey, is the only Federal survey that collects information on the buying habits of American consumers, including data on their expenditures, income, and consumer unit (families and single consumers) characteristics. The CES is collected for the Bureau of Labor Statistics by the U.S. Census Bureau. The CES collects information on all spending components including food, housing, apparel and services, transportation, entertainment, and out-of-pocket health care costs including insurance premiums, and is the most comprehensive source of information on household expenditures at the national level.

In the Interview Survey, each consumer unit is interviewed every three months over five calendar quarters.⁴⁶ The Interview sample, selected on a rotating panel basis, surveys about 7,000 consumer units each quarter. Data are collected on an on-going basis in 91 areas of the United States. The Interview Survey is designed to capture expenditure data that respondents can reasonably recall for a period of three months or longer. About 95 percent of expenditures are covered in the Interview Survey.

Expenditure data are available for the four U.S. Census regions: Northeast, Midwest, South, and West. Expenditures at the state level are not calculated or published, because the CES sample was not designed to produce precise estimates for individual states.

NATIONAL HOUSEHOLD TRAVEL SURVEY

The National Household Travel Survey (NHTS) is collected for the U.S. Department of Transportation Federal Highway Administration. The NHTS collects data on daily trips taken in a 24-hour period and includes the purpose of the trip, means of transportation used (car, bus, etc.), how long the trip took, the time of day and day of the week when the trip took place, and if the trip was with a private vehicle trip; then the number of people in the vehicle, driver characteristics, and vehicle attributes are also collected. The NHTS data are used primarily for gaining a better understanding of travel behavior and trends in travel over time. Data are collected through a random digit dialing (RDD) computer-assisted telephone interviewing (CATI) survey conducted over an entire year. Travel data were collected from the civilian, non-institutionalized population of the U.S., which may underrepresent the driving trends of younger and lower-income drivers.

Cost Categories

The methods for estimating and allocating the marginal child-related costs for each cost category, using the above data sources, are detailed below.

HOUSING

Child-related housing costs are estimated using the U.S. Department of Housing and Urban Development's 2014 Fair Market Rent (FMR) estimates. To estimate Texas-specific child-related housing costs, CFRP calculated the weighted (by population) average of the 40th percentile of monthly spending in each of the 254 Texas counties. The first child in a household is allocated an extra room (in addition to the child's parent(s)' bedroom) as a rule to allocate the portion of housing costs attributable to a child. For families with two children, children are assumed to share a room. That is, the per-child housing cost in a two-child family is half the child-related housing cost in a one-child family, but the total housing cost of two children is equal to that of one child). In the two-household model, the child is assumed to need an extra bedroom in each household (that would be shared with a sibling). CFRP computed the difference in the FMR for a house with two rooms and a house with one room and multiplied by 12 (the FMRs are estimated as monthly rents) to estimate the annual spending attributable to the first child. It is important to note here that the assumption that two children share rooms may underestimate the cost of two children for parents. Parents may want separate rooms for an infant and older children, or for children of the opposite gender.

CHILD CARE/EDUCATION

The weighted (by population) average of the 40th percentile^b of child care spending across the 28 LWDAs is estimated using the Texas Child Care Market Rate Survey. The average spending for both part-time and full-time child care is estimated, as is spending for three types of care: licensed child care centers, licensed child care homes, and registered child care homes. It is assumed that each child, from infancy through age five, spends 250 days in full-time child care (allows for a parent to work 40 hours per week for 50 weeks a year), and each child from age six to 14 spends 180 days in partial care (after school) and 70 days in full-time care (summer). Child care costs are estimated to be zero for each child over age 14. The average rate for licensed child care centers is estimated. This, however, may be an overestimate because licensed child care center rates are the most expensive. The Texas CORC assumes quality child care to be a basic need for young children's development, and although licensing does not ensure quality, it does set minimum health, safety, and caregiver training standards which centers must maintain. Center-based care settings are usually equipped with a greater number and variety of toys and materials for children, have more space, and are designed as educational settings compared to home-care settings.⁴⁷

The total cost of child care for one child is constant across all three models. In the two-household model, the custodial parent assumes the full cost of child care.

School-aged children are assumed to attend public school at no tuition cost to parents.

FOOD

The USDA Low-Cost Food Plan (LCFP) is used to estimate basic food costs for a child. From ages 11 to 17, food plans are broken down by gender. For the Texas CORC, the male and female estimates are averaged. The USDA food plans are per-person estimates in a household of four. Texas CORC estimates were calculated for two-person households (single parent with one child), three-person households (single parent with two children or married parents with one child), and four-person households (married parents with two children). The monthly costs are multiplied by 12 to calculate annual child-related food costs.

Per the USDA's recommendations, 10 percent is added to the LCFP when the Texas CORC is being estimated for children in two-person households, and 5 percent is added when the Texas CORC was being estimated for children in three-person households. The USDA does not provide recommendations for estimating food costs across multiple households. Food cannot be shared

^b CFRP estimated the 40th percentile of child care costs to be consistent with the housing cost estimates. The FMRs are calculated at the 40th percentile.

across two households, but in a standard order of possession, a child will consume approximately two-thirds of his or her meals at one home and one-third at the other home.^c For the Texas CORC across two households, the economies of scale adjustment for food costs was only given to the household in which the child spent the most time (the custodial parent). That is, in the custodial single-parent household, the child's food costs were estimated as a two-person household. In contrast, in the noncustodial single-parent household, the child's food costs were estimated as though the child represented a single-person household.

TRANSPORTATION

Estimates of child-related transportation costs come from the 2012 CES. Transportation expenses in the CES include monthly payments on vehicle loans, down payments, gasoline and motor oil, maintenance and repairs, insurance, and public transportation (including airline fares). The cost of transportation attributable to a child is based on the USDA's per-capita methodology, which relies on the CES and the National Household Travel Survey (NHTS) by the U.S. Department of Transportation.

For the Texas CORC, the transportation estimates from the CES are limited to estimates from the South region. The NHTS Survey is used to estimate the percentage of all transportation activities that are related only to family-related activities. In the USDA estimate, 59 percent of total transportation activities were family-related according to analyses of the 2001 NHTS. CFRP re-estimated this percentage using more recent data from the 2009 NHTS. In the 2009 NHTS, among single-parent families, 65 percent of total transportation activities were estimated to be family-related and among married-parent families, 62 percent of transportation activities were family-related. These updated family-related transportation factors are incorporated into the Texas CORC models. Family-related transportation costs on the child are determined by using the per-capita method to allocate the costs among household members in equal proportions (e.g., two equal proportions for a single-parent family with one child, three equal proportions for a married-parent family with one child, etc.) The per-capita family-related transportation costs are estimated at the 40th percentile of the income distribution to be consistent with the housing and child care estimates.

For children growing up in two households, the custodial and noncustodial parent share the child-related transportation costs. For transportation, the two-household estimate is most similar to that of the married-parent estimate—both parents require forms of transportation (i.e., a vehicle, bus pass, etc.), and share the family-related transportation costs. But, because the parents live in two households, each household is a single-parent household in terms of the

^c Calculations for the allocation factor for food, transportation, and miscellaneous costs across two-households are presented in greater detail in Chapter 6

proportion of transportation activities that are family-related. Therefore, the Texas CORC across households was estimated as the per-capita family-related transportation costs equal to 65 percent (the proportion of total transportation activities in single-parent households that are family-related) of the total married-parent transportation costs. To reflect a standard order of possession, approximately two-thirds of the per-capita child transportation costs are allocated to the custodial parent and one-third of the costs are allocated to the noncustodial parent.

MISCELLANEOUS

Estimates of child-related miscellaneous costs, including clothing, come from the 2011-2012 CES. Clothing expenses in the CES consist of children's apparel such as diapers, shirts, pants, dresses, and suits; footwear; and clothing services such as dry cleaning, alterations, and repair. Miscellaneous expenses include personal care items (haircuts, toothbrushes, etc.), entertainment (portable media players, sports equipment, televisions, computers, etc.), and reading materials (non-school books, magazines, etc.). Clothing and miscellaneous expenses represent two separate categories in the CES, but are combined in the Texas CORC. Each are estimated at the 40th percentile of the income distribution and then combined, again to be consistent with the assumptions in the housing, child care, and transportation costs.

Child-related miscellaneous costs are estimated using the USDA per-capita methodology for miscellaneous costs and per-child methodology for clothing costs (e.g., two equal proportions for a single-parent family with one child, three equal proportions for a married-parent family with one child, etc.). Estimating the child-related miscellaneous and clothing costs across two households needed to account for both households having certain items (toothbrushes, towels, bedding, books, etc.) for the child, but sharing other items (clothing, personal entertainment devices). These costs were estimated by first comparing the single-parent and married-parent costs to determine the proportion of married-parent costs that are shared by the two parents. The married-parent costs are not double the single-parent costs; married-parent costs are approximately 76 percent greater than single-parent costs. The miscellaneous items that are shared by the two parents account for 24 percent of total miscellaneous costs. These shared costs, by definition, cannot be shared in a two-household model. The Texas CORC across two households was estimated as the single-parent miscellaneous and clothing costs plus an additional 24 percent to account for the items that could not be shared across the households. Assuming both parents fully exercised a standard possession order, approximately two-thirds of those costs were allocated to the custodial parent and one-third were allocated to the noncustodial parent.

Age Groups

The cost of raising children changes as children get older. The Texas CORC is estimated for the same six age categories of children used in the USDA estimate: 0-2, 3-5, 6-8, 9-11, 12-14, and 15-17. In two-child families, children are assumed to be in the same age category for simplicity.

Family Structure and Parity

The Texas CORC is estimated for three family structures: single-parent, married-parent, and importantly, across two households (shared physical custody among two single parents). The two-household Texas CORC model best reflects the reality of raising children in families with a child support order, and has important implications for how to best estimate those costs. The cost categories that rely on data from the CES (transportation and miscellaneous), are estimated among single-parent families in the CES for the single-parent Texas CORC and among married-parent families in the CES for the married-parent Texas CORC. For the two-household model, the transportation costs are estimated among married-parent families in the CES with an adjustment, and the miscellaneous costs are estimated among single-parent families in the CES with an adjustment, assuming that the total costs of each are then shared between the custodial and non-custodial parents.

For each family structure, the Texas CORC is estimated for families with one child and for families with two children. The estimates for two-child families are presented both as the combined costs related to both children. Additional detail on the specific methodology associated with each estimate is presented in the following chapters.

CHAPTER 4

SINGLE-PARENT TEXAS CORC

This chapter presents the single-parent Texas CORC. A summary of the methodology is presented first, followed by the estimate.

Methodology

The Texas CORC for single-parent families is estimated separately for families with one child and for two children. Using the data sources and methodology outlined in Chapter 3, a summary of how the child-related costs are estimated in one-child and two-child families is presented in Table 3.

Table 3. Child-Related Costs for Single-Parent CORC

Cost Category	One Child	Two Children
Housing	Cost of one additional bedroom (difference between a one-bedroom and two-bedroom unit)	Same as one-child household
Food	Per-capita child food costs in a two-person household	Per-capita food costs for two children in a three-person household
Child Care	One child in licensed center-based child care	Two children in licensed center-based child care
Transportation	Family-related transportation activities (65% of total) allocated equally among household members (two people). Cost for one child equals the per-capita costs for one person.	Family-related transportation activities (65% of total) allocated equally among household members (three people). Cost for two children equal the per-capita costs for two children.
Miscellaneous	Clothing costs for one child + per-capita child miscellaneous costs	Clothing costs for two children + per-capita child miscellaneous costs for two children

The Single-Parent Estimate

Including child care costs, the annual cost of raising one child in a single-parent family in Texas is \$10,616 (Table 4). The total annual cost of raising two children in a single-parent family is \$17,549 (Table 5). The breakdown by age and cost category is presented below.

As noted earlier, child care costs are not included in the initial calculation of child support awards. In the Texas CORC model, the annual average cost of raising children is also estimated without child care costs included (Tables 4 and 5). Without child care costs, the estimated annual average cost for one child in a single-parent family in Texas is \$6,517, and \$9,348 for two children in a single-parent family in Texas. Given the high cost of child care, not including

child care costs is underestimating the actual cost of raising children by over one third, particularly if parents are assumed to work.

Table 4. Total Estimated Annual Texas CORC for Single-Parent Families with One Child

Child Age	Housing	Food	Trans.	Child Care	Misc.	Total
0-2	\$2,143	\$1,724	\$638	\$6,281	\$1,052	\$11,837
3-5	\$2,143	\$1,804	\$779	\$5,760	\$666	\$11,153
6-8	\$2,143	\$2,603	\$895	\$4,187	\$533	\$10,360
9-11	\$2,143	\$2,759	\$1,436	\$4,187	\$1,671	\$12,195
12-14	\$2,143	\$2,961	\$972	\$4,187	\$888	\$11,150
15-17	\$2,143	\$2,979	\$1,053	\$0	\$827	\$7,001
Average Annual Cost	\$2,143	\$2,472	\$962	\$4,100	\$940	\$10,616
Annual Average Cost without Child Care						\$6,517

Table 5. Total Estimated Annual Texas CORC for Single-Parent Families with Two Children

Child Age	Housing	Food	Trans.	Child Care	Misc.	Total
0-2	\$2,143	\$3,292	\$1,009	\$12,561	\$1,066	\$20,070
3-5	\$2,143	\$3,445	\$1,323	\$11,521	\$901	\$19,332
6-8	\$2,143	\$4,969	\$1,236	\$8,374	\$1,465	\$18,186
9-11	\$2,143	\$5,267	\$1,341	\$8,374	\$1,290	\$18,414
12-14	\$2,143	\$5,652	\$1,702	\$8,374	\$975	\$18,845
15-17	\$2,143	\$5,686	\$1,606	\$0	\$1,010	\$10,445
Average Annual Cost for Both Children	\$2,143	\$4,719	\$1,369	\$8,201	\$1,118	\$17,549
Average Annual Cost for Both Children without Child Care						\$9,348

Note. Both children are assumed to be in the same age category; The minimal increase in miscellaneous costs from the one-child to two-child models reflects decreased per-child expenditures in the CES among the small sample of single-parent population with two children in the urban South.

CORC as a Percentage of Family Income

The median income among all single-parent families in Texas in 2013 was \$30,366 (median income among male-householders with children was \$36,836; median income among female-householders with children was \$23,896).⁴⁸ The Texas CORC (including child care costs) for one child in a single-parent family (Table 4) is \$10,616, or over a third (35.0%) of the median income among single-parent families. The Texas CORC (including child care costs) for two children in a single-parent family (Table 5) is \$17,549, or over half (57.8%) of the median income among single-parent families.

Excluding child care costs, the Texas CORC estimate for one child is 21.5 percent of the median income among single-parent families, and for two children is 30.8 percent of the median income

among single-parent families. As a point of comparison, the most recent estimate from the USDA of expenditures on one child in a single-parent family earning less than \$61,530 suggests a single parent spends \$6,988 (excluding health care and child care costs) on average annually,⁴⁹ or approximately 23 percent of the median income among single-parent families in Texas.

CHAPTER 5

MARRIED-PARENT TEXAS CORC

This chapter presents the married-parent Texas CORC. A summary of the methodology is presented first, followed by the estimate.

Methodology

The Texas CORC for married-parent families is estimated for families with one child and for two children. Using the data sources outlined in Chapter 3, a summary of how the child-related costs are estimated in one-child and two-child families is presented in Table 6. The housing and child care costs remain the same as in the single-parent CORC, but food costs change because the household size increased, and the transportation and miscellaneous costs change because they are estimated among married-parent families in the CES rather than among single-parent families. In a married-parent family, the two parents can share many of the transportation and miscellaneous expenses.

Table 6. Child-Related Costs for Married-Parent CORC

Cost Category	One Child	Two Children
Housing	Cost of one additional bedroom (difference between a one-bedroom and two-bedroom unit)	Same as one-child household
Food	Per-capita child food costs in a three-person household	Per-capita food costs for two children in a four-person household
Child Care	One child in licensed center-based child care	Two children in licensed center-based child care
Transportation	Family-related transportation activities (65% of total) allocated equally among household members (three people); cost for one child equals the per-capita costs for one person.	Family-related transportation activities (65% of total) allocated equally among household members (four people); cost for two children equals the per-capita costs for two children
Miscellaneous	Clothing costs for one child + per-capita child miscellaneous costs	Clothing costs for two children + per-capita child miscellaneous costs for two children

The Married-Parent Estimate

Including child care costs, the annual cost of raising one child in a married-parent family in Texas is \$11,004 (Table 7). The annual cost of raising two children in a married-parent family is \$18,774 (Table 8). The breakdown by age and cost category is presented below.

Without child care costs, the estimated annual average cost for one child in a married-parent family in Texas is \$6,904 and \$10,573 for two children.

Table 7. Total Estimated Annual Texas CORC for Married-Parent Families with One Child

Child Age	Housing	Food	Trans.	Child Care	Misc.	Total
0-2	\$2,143	\$1,646	\$1,159	\$6,281	\$1,038	\$12,266
3-5	\$2,143	\$1,722	\$1,101	\$5,760	\$852	\$11,579
6-8	\$2,143	\$2,485	\$1,212	\$4,187	\$1,173	\$11,200
9-11	\$2,143	\$2,633	\$1,303	\$4,187	\$1,387	\$11,653
12-14	\$2,143	\$2,826	\$1,437	\$4,187	\$1,353	\$11,944
15-17	\$2,143	\$2,843	\$1,567	\$0	\$826	\$7,379
Average Annual Cost	\$2,143	\$2,359	\$1,297	\$4,100	\$1,105	\$11,004
Average Annual Cost without Child Care						\$6,904

Table 8. Total Estimated Annual Texas CORC for Married-Parent Families with Two Children

Child Age	Housing	Food	Trans.	Child Care	Misc.	Total
0-2	\$2,143	\$3,135	\$1,717	\$12,561	\$1,641	\$21,197
3-5	\$2,143	\$3,281	\$2,010	\$11,521	\$1,566	\$20,520
6-8	\$2,143	\$4,733	\$1,819	\$8,374	\$1,554	\$18,622
9-11	\$2,143	\$5,016	\$2,340	\$8,374	\$1,793	\$19,665
12-14	\$2,143	\$5,383	\$2,611	\$8,374	\$1,987	\$20,497
15-17	\$2,143	\$5,416	\$2,726	\$0	\$1,860	\$12,144
Average Annual Cost for Both Children	\$2,143	\$4,494	\$2,204	\$8,201	\$1,733	\$18,774
Average Annual Cost for Both Children without Child Care						\$10,573

Note. Both children are assumed to be in the same age category.

CORC as a Percentage of Family Income

The median income among married-parent families in Texas in 2013 was \$75,754.⁵⁰ The Texas CORC (including child care costs) for married-parent families with one child is \$11,004 (Table 7), or about 15 percent (14.5%) of the median income among married parents. The Texas CORC (including child care costs) for married-parents with two children is \$18,774 (Table 8), or about a quarter (24.8%) of the median income.

Excluding child care costs, the Texas CORC for one child is 9.1 percent of the median income among married-parent families; and for two children is 14.0 percent of the median income among married-parent families. As a point of comparison, the most recent USDA estimate on expenditures on one child in a married-parent family earning between \$62,010 and \$107,360 in

the urban South, U.S., indicates those parents spend \$9,515 (excluding health care and child care costs) on average annually,⁵¹ or approximately 12.6 percent of the median income among married-parents in Texas.

CHAPTER 6

TWO-HOUSEHOLD TEXAS CORC

This chapter presents the two-household Texas CORC, which estimates how much it costs to raise a child across two households when the child's parents have shared (not equally shared) physical custody. Spending time in multiple households is the reality for many children in families with a child support order, yet none of the most common methods (i.e., the Rothbarth, Engel, or USDA methods) used by states to estimate the cost of raising children provide an estimate across two households. Raising children across multiple households incurs a unique set of child-specific costs. Some costs will be double the single-parent or married-parent models, some costs will be constant, but will be shared by the custodial and noncustodial parents, and other costs will be greater, but not quite double the single-parent or married-parent models. Estimating the unique set of child-specific costs associated with raising children across two households provides the most accurate estimate of the cost of raising children for informing child support awards.

The Texas Family Code requires that child support orders include a parenting time order that establishes the rights and duties of the parents, provides for periods of custody of and access to the child, provides for child support, and optimizes the development of a close and continuing relationship between each parent and the child.⁵² Texas law also provides a statutory standard possession order, which is presumed to provide a noncustodial parent with a reasonable minimum amount of time with his or her child, and be in the best interest of the child. In the standard possession order (Texas Family Code section 153.312) for parents who reside 100 miles or less apart, the possessory conservator (noncustodial parent) shall have the right to possession (custody) of the child as follows:

- First, third, and fifth weekends of every month.
- Thursday evenings of each week.
- Alternating holidays (such as Thanksgiving every other year).
- An extended period of time (30 days) during the summer vacation.

Assuming both the custodial parent (CP) and the noncustodial parent (NCP) fully exercise the standard possession order, the NCP needs to provide housing, food, transportation, and miscellaneous items for the child for 26 weekends out of the year (52 days), 52 Thursdays, and for 22^d days during the summer. In addition, the NCP needs to provide housing, food, transportation, and miscellaneous items for the child for an additional 8 days out of the year to account for possible holidays (e.g., Monday holiday extended weekends, Spring break, Father's

^d 22 days represents 30 days minus the 4 Thursdays and 4 weekend days already calculated.

Day, Thanksgiving, and/or Christmas). In total, the NCP provides care for the child for slightly more than one-third of the time (134 days of the year, or 37% of the year).

For the purposes of estimating the Texas CORC across two households, this “allocation factor” (37% for the NCP and 63% for the CP) is incorporated into calculations of costs that are shared between the two parents (e.g. food, transportation, and miscellaneous). Importantly, this allocation factor may overestimate how much care the NCP provides for the child if the standard possession order is not fully exercised. Conversely, the allocation factor may underestimate the amount of care the NCP provides if the standard possession order is fully exercised in a particular calendar year when the NCP provides care during all holidays.

A summary of the methodology for estimating the two-household Texas CORC is presented first, followed by the estimate.

Methodology

The Texas CORC for families raising children across two households with a custodial and noncustodial parent is estimated for one child and for two children. Using the data sources and methodology outlined in Chapter 3, a summary of how the child-related costs are estimated in one-child and two-child families for both the CP and NCP is presented in Table 9.

The housing costs double because one additional bedroom will be needed in each house. Housing costs cannot be shared. Food costs increase because food cannot be shared across two households. Assuming a standard order of possession is in place, a child will consume approximately 63 percent of his or her meals at one home and 37 percent at the other home. It is assumed that only the CP receives the economies of scale benefit associated with food purchases. That is, 63 percent of the child-related food costs are the per-capita costs in a two-person household (with the CP), and 37 percent of the child-related food costs are the per-capita costs in a one-person household (with the NCP). Child care costs remain the same (the child is assumed to be in the same child care setting across households). Because NCP payments of child care costs are considered a deviation from the child support order, 100 percent of child care costs are allocated to the custodial parent.

As noted in Chapter 2, the transportation- and miscellaneous-related costs are the most difficult to conceptualize across two households. Some transportation and miscellaneous costs are doubled because there are two parents, but some costs are shared by the CP and NCP. Estimates for transportation and miscellaneous costs are adapted for two households using the USDA methodology. For transportation, the two-household estimate is most similar to that of the married-parent estimate—both parents require forms of transportation (i.e., a vehicle, bus pass, etc.), and share the family-related transportation costs. But, because the parents live in

two households, each household is a single-parent household in terms of the proportion of transportation activities that are family-related. Therefore, the transportation costs across households was estimated as the per-capita family-related transportation costs equal to 65 percent (the proportion of total transportation activities in single-parent households that are family-related) of the total married-parent transportation costs. To reflect a standard order of possession, 63 percent of the per-capita child transportation costs are allocated to the custodial parent and 37 percent of the costs are allocated to the noncustodial parent.

Estimating the child-related miscellaneous and clothing costs across two households must account for both households having certain items (toothbrushes, towels, bedding, books, etc.) for the child, but sharing other items (clothing, personal entertainment devices). These costs were estimated by first comparing the single-parent and married-parent costs to determine the proportion of married-parent costs that are shared by the two parents. The married-parent costs are not double the single-parent costs; married-parent costs are approximately 76 percent greater than single-parent costs. The miscellaneous items that are shared by the two parents account for 24 percent of total miscellaneous costs. These shared costs, by definition, cannot be shared in a two-household model. The Texas CORC across two households was estimated as the single-parent miscellaneous and clothing costs plus an additional 24 percent to account for the items that could not be shared across the households. Per the standard possession order, 63 percent of those costs were allocated to the custodial parent and 37 percent were allocated to the noncustodial parent.

Table 9. Child-Related Costs for Two-Household CORC

Cost Category	One Child	Two Children
Housing	CP: One additional bedroom (difference between a one-bedroom and two-bedroom unit) NCP: One additional bedroom (difference between a one-bedroom and two-bedroom unit)	CP: One additional bedroom (difference between a one-bedroom and two-bedroom unit) NCP: One additional bedroom (difference between a one-bedroom and two-bedroom unit)
Food	CP: 63% of per-capita food costs for one child in a two-person household NCP: 37% of per-capita food costs for one child in a one-person household	CP: 63% of per-capita food costs for two children in a three-person household NCP: 37% of per-capita food costs for two children in a two-person household
Child Care	CP: One child in licensed center-based child care NCP: No cost	CP: Two children in licensed center-based child care NCP: No cost
Transportation	CP: 63% of per-capita family-related transportation costs (65% of the total married-parent transportation costs) for one child NCP: 37 percent of per-capita family-related transportation costs (65% of the total married-parent transportation costs) for one child	CP: 63% of per-capita family-related transportation costs (65% of the total married-parent transportation costs) for two children NCP: 37% of per-capita family-related transportation costs (65% of the total married-parent transportation costs) for two children
Miscellaneous	CP: 63% of (per-capita miscellaneous costs in a two-person household and child clothing for one child, plus non-shared costs) NCP: 37% of (per-capita miscellaneous costs in a two-person household and child clothing for one child, plus non-shared costs)	CP: 63% of (per-capita miscellaneous costs in a three-person household and child clothing for two children, plus non-shared costs) NCP: 37% of (per-capita miscellaneous costs in a three-person household and child clothing for two children, plus non-shared costs)

The Total Two-Household Estimate

Including child care costs, the annual cost of raising one child across two households in Texas is \$13,465 (Table 10). The annual cost of raising two children across two households is \$20,984 (Table 11). The breakdown by age and cost category is presented below.

Without child care costs, the estimated annual average cost for raising one child across two households in Texas is \$9,364 and \$12,783 for raising two children across two households in Texas.

Table 10. Total Estimated Annual Two-Household CORC for One Child

Child Age	Housing	Food	Trans.	Child Care	Misc.	Total
0-2	\$4,285	\$1,782	\$1,215	\$6,281	\$1,304	\$14,868
3-5	\$4,285	\$1,865	\$1,155	\$5,760	\$826	\$13,891
6-8	\$4,285	\$2,691	\$1,271	\$4,187	\$661	\$13,094
9-11	\$4,285	\$2,852	\$1,366	\$4,187	\$2,072	\$14,762
12-14	\$4,285	\$3,060	\$1,506	\$4,187	\$1,101	\$14,139
15-17	\$4,285	\$3,079	\$1,643	\$0	\$1,026	\$10,033
Average Annual Cost	\$4,285	\$2,555	\$1,359	\$4,100	\$1,165	\$13,465
Average Annual Cost without Child Care						\$9,364

Table 11. Total Estimated Annual Two-Household CORC for Two Children

Child Age	Housing	Food	Trans.	Child Care	Misc.	Total
0-2	\$4,285	\$3,350	\$1,800	\$12,561	\$1,322	\$23,318
3-5	\$4,285	\$3,506	\$2,107	\$11,521	\$1,117	\$22,535
6-8	\$4,285	\$5,057	\$1,907	\$8,374	\$1,816	\$21,439
9-11	\$4,285	\$5,360	\$2,454	\$8,374	\$1,600	\$22,072
12-14	\$4,285	\$5,752	\$2,738	\$8,374	\$1,209	\$22,357
15-17	\$4,285	\$5,787	\$2,858	\$0	\$1,252	\$14,181
Average Annual Cost for Both Children	\$4,285	\$4,802	\$2,311	\$8,201	\$1,386	\$20,984
Average Annual Cost for Both Children without Child Care						\$12,783

Note. Both children are assumed to be in the same age category; The minimal increase in miscellaneous costs from the one-child to two-child models reflects decreased per-child expenditures in the CES among the small sample of single-parent population with two children in the urban South (the estimates upon which the two-household miscellaneous costs are based).

The Shared Two-Household Costs

The total cost of raising children across two households must be shared by the custodial and noncustodial parents. A comparison of the costs assumed by the custodial and noncustodial parents, assuming a standard order of possession for the cost areas that can be shared (food, transportation, and miscellaneous), 63 percent of those costs are allocated to the CP, and 37 percent are allocated to the NCP is presented in Tables 12 and 13. Additionally, these tables also compare the costs assumed by the CP and the NCP to the single-parent and married-parents costs.

Table 12. Annual Costs for Custodial, Noncustodial, Single, and Married Parents of One Child

Average Annual Cost of One Child					
	Two Households			Single-Parent Family	Married-Parent Family
	CP	NCP	Total		
Housing	\$2,143	\$2,143	\$4,285	\$2,143	\$2,143
Food	\$1,558	\$996	\$2,555	\$2,472	\$2,359
Transportation	\$856	\$503	\$1,359	\$962	\$1,297
Child Care	\$4,100	\$0	\$4,100	\$4,100	\$4,100
Miscellaneous	\$734	\$431	\$1,165	\$940	\$1,105
Total Annual Average	\$9,392	\$4,073	\$13,465	\$10,616	\$11,004

Table 13. Annual Costs for Custodial, Noncustodial, Single, and Married Parents of Two Children

Average Annual Cost of Two Children					
	Two Households			Single-Parent Family	Married-Parent Family
	CP	NCP	Total		
Housing	\$2,143	\$2,143	\$4,285	\$2,143	\$2,143
Food	\$2,977	\$1,825	\$4,802	\$4,719	\$4,494
Transportation	\$1,456	\$855	\$2,311	\$1,369	\$2,204
Child Care	\$8,201	\$0	\$8,201	\$8,201	\$8,201
Miscellaneous	\$873	\$513	\$1,386	\$1,118	\$1,734
Total Annual Average	\$15,649	\$5,335	\$20,984	\$17,549	\$18,774

The total annual Texas CORC across two households is higher than either the single-parent or married-parent Texas CORC. The share of Texas CORC across two households assumed by the custodial parent, who has the child the majority of the time, is the most similar to the single-parent household, but is slightly less. The custodial parent assumes more of the total cost than the noncustodial parent even when child care is not included in the total cost. For one child, the custodial parent is responsible for \$9,392 or 69 percent of the costs (of which \$4,100 is child

care), whereas the noncustodial parent is responsible for \$4,073 or 31 percent (Table 12). For two children, the custodial parent is responsible for \$15,649 or 75 percent of the total cost (of which, \$8,201 is child care), whereas the noncustodial parent is responsible for \$5,335 or 25 percent (Table 13).

CORC as a Percentage of Parent Income

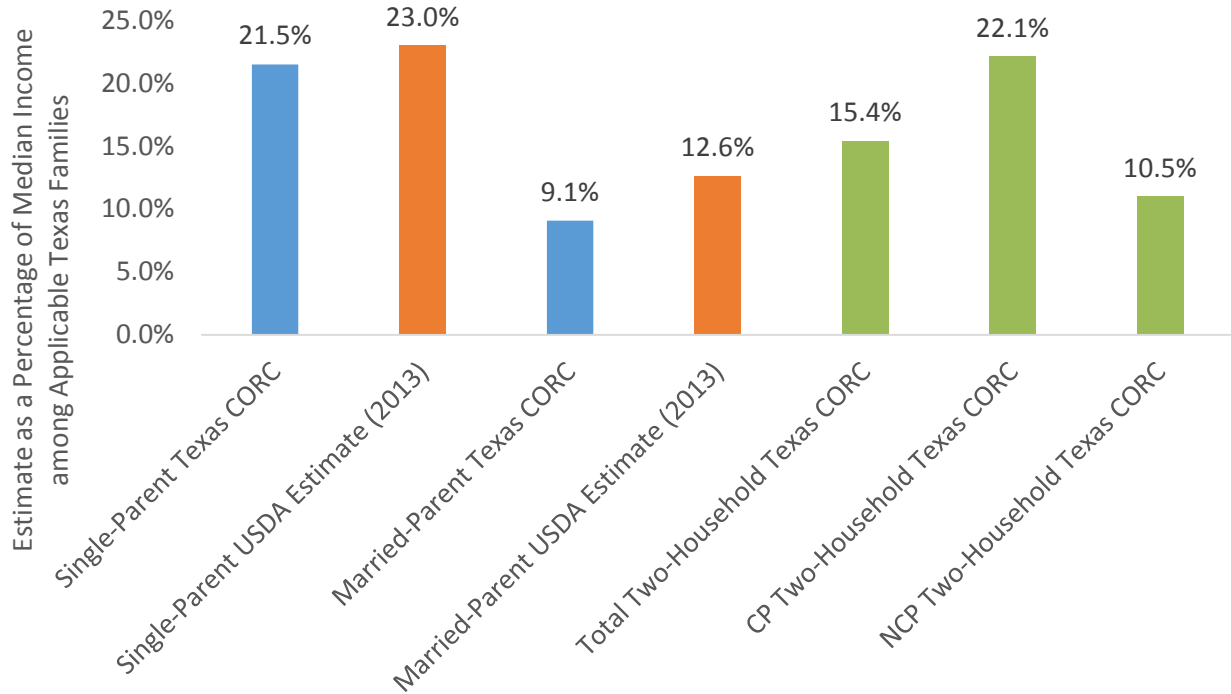
According to data from the 2010 Child Support Supplement to the U.S. Census Bureau's Current Population Survey (CPS-CSS), among custodial families receiving services through the IV-D program, who represent 62 percent of all custodial families, 72 percent of families had incomes below \$50,000 and almost 40 percent had incomes below \$20,000.⁵³ The CPS-CSS is a survey of custodial parents, therefore much less is known about noncustodial parents.

The two-household Texas CORC estimates the total cost of raising children across two households, and provides estimates of how that total cost is allocated between the custodial (CP) and non-custodial parents (NCP). If we estimate the median income of the CP to be \$23,896 (the median income among female-householders with children in Texas), and the median income of the NCP to be \$36,836 (the median income among male-householders with children in Texas),⁵⁴ then the total cost of raising one child across two households without child care costs (\$9,364; Table 10) is 15.4 percent of the parent's combined income (\$60,732). As a proportion of each parent's income, the custodial parent's share (\$5,292; Table 12) is 22.1 percent of her income and the noncustodial parent's share (\$4,073; Table 12) is 10.5 percent of his income. If child care costs are included, the difference in the CP and NCP's proportional costs as a percent of income is even greater. The CP assumes all of the costs associated with child care (\$4,100 annually) in the standard child support award; therefore the CP's share of the cost of raising one child is 39.3 percent of average income, compared to 10.5 percent for the NCP.

None of the most common methods (i.e., the Rothbarth, Engel, or USDA methods) used by states to estimate the cost of raising children provide an estimate across two households, thus, we are limited to comparing the two-household Texas CORC to the USDA estimates for single-parent and married-parent families. Figure 3 shows the estimates (excluding child care) provided by the Texas CORC and the USDA for single-parents (earning less than \$61,530) as a percentage of the median income among single-parent families in Texas (\$30,366); the estimates provided by the Texas CORC and the USDA for married-parents (earning between \$62,010 and \$107,360 in the urban South) as a percentage of the median income among married-parent families in Texas (\$75,754); the total two-household Texas CORC as a percentage of the combined income among male and female-headed householders with children in Texas); and the CP and NCP

shares of the two-household Texas CORC as a percentage of the median income among female and male-headed householders with children in Texas, respectively.

Figure 3. Comparison of the Texas CORC and USDA Estimates



The total two-household CORC, as a percentage of median income among families in Texas, is smaller than both the single-parent estimates from the Texas CORC and the USDA, but larger than the married-parent estimates from the Texas CORC and the USDA. The CP share of the two-household CORC, as a percentage of median income, falls in the middle of the Texas CORC and USDA estimates for single-parents. The NCP share, as a percentage of income, is smaller than either of the Texas CORC or USDA estimates for single-parents.

The Texas CORC across two households as a percentage of income should be considered descriptive only and should be interpreted with caution for several reasons. First, child care costs are excluded from the cost estimates in these calculations because child care costs are not included in initial calculations of child support awards. Not including child care costs substantially underestimates the actual cost of raising children. Second, given the high rate of incomes below \$20,000 among custodial parents nationwide,⁵⁵ the estimates of income for the CP and NCP used in these calculations are likely overestimates. The two-household CORC as a percentage of the CP and NCP's income is also likely to be much larger than these estimates suggest.

CHAPTER 7

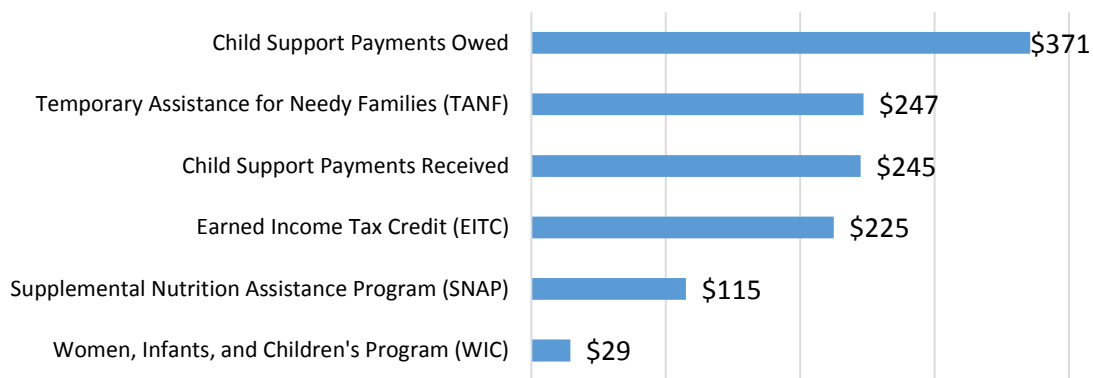
HOW PARENTS MEET THE COST OF RAISING CHILDREN

The three Texas CORC estimates are unique in that they assume there is a basic cost of raising healthy children. That is, the cost of raising children estimated by the Texas CORC does not vary across income levels. Rather, we assume that the extent to which families meet or exceed these costs varies across income levels. In this chapter we focus primarily on how low-income families meet the cost of raising children and analyze the extent to which the safety net available to eligible families, including child support, assists families in meeting these costs.

Public Assistance Programs and the Cost of Raising Children

For low-income families in particular, child support is only one of the resources available to parents to help meet the cost of raising children, but can be a significant part of the safety net of social services available to parents (Figure 4). Findings from the survey CFRP conducted of mothers (Chapter 2) indicate public assistance programs are an essential support for low-income families as they try to meet the costs of raising children. Programs vary widely in who is eligible for assistance and how much assistance they provide families. As such, the extent to which the value of different public assistance benefits and other estimations of the same cost buckets for raising a child align, varies considerably.

Figure 4. Monthly Assistance Available for Eligible Families in Texas



Sources and Notes: TANF: Texas Health and Human Services Commission (2015). TANF Cash Help. Retrieved from <http://yourtexasbenefits.hhsc.texas.gov/programs/tanf/families>. The figure listed is the maximum monthly benefit for one parent and one child; EITC: Internal Revenue Service. (2015). Statistics for Tax Returns with EITC. Washington, DC: United States Department of the Treasury. Retrieved from <http://www.eitc.irs.gov/EITC-Central/eitcstats>. The figure listed is the annual 2014 tax year benefit divided into a monthly amount; SNAP: The Henry J. Kaiser Family Foundation. (2015). Average Monthly Food Stamp Benefits Per Person. Menlo Park, CA. Retrieved from <http://kff.org/other/state-indicator/avg-monthly-food-stamp-benefits/>. The figure listed is the average monthly benefit for FY2014; WIC: USDA Food and Nutrition Service. (2016). WIC Program: Average Monthly Benefit Per Person. Retrieved from <http://www.fns.usda.gov/sites/default/files/pd/25wifavgfd.pdf>. The figure listed is the preliminary FY2015 average monthly benefit; Child Support Payments Owed and Child Support Payments Received: OAG-CSD administrative data from AOP Signing Mothers in Texas at 42 months post-partum (N=228)

In one study of children born to unmarried parents with an Acknowledgement of Paternity (AOP) in Texas, nearly half of the mothers receiving child support also received SNAP.⁵⁶ Approximately one-third also received WIC and one in ten received a housing subsidy. Very few mothers (approximately 3%) also received TANF. Importantly, the intersection between child support receipt and eligibility for public assistance programs is complicated and often leaves parents vulnerable. Public assistance programs vary in whether they consider child support as income when determining eligibility (Table 14). When child support (received) is considered as income, child support can increase a parent's income above the income requirement, making them ineligible for assistance. Considering child support as income might be appropriate if custodial parents consistently received child support. Payments, however, are often irregular meaning child support is unlikely to be a consistent source of income.

Table 14. Public Assistance Program Eligibility and Child Support

	Non-custodial parent: Does child support owed reduce income considered for eligibility requirements?	Custodial parent: Does child support received increase income considered for eligibility requirements?
SNAP ⁵⁷	YES	YES
WIC ⁵⁸	NO	YES
EITC ⁵⁹	NO	NO
Housing Assistance ⁶⁰	UNCLEAR	YES
Medicaid ⁶¹	NO	NO

Here, we provide a review of five public assistance programs and compare the average or maximum (depending on available information) benefit available to a single parent with a child in Texas to the estimated childrearing costs for the custodial parent in the two-household Texas CORC and to the childrearing costs in the single-parent Texas CORC. These comparisons illustrate the variation in the extent to which public assistance programs support low-income parents in meeting the cost of raising children. We attempt to estimate the marginal increase in program benefit associated with the child to compare to the specific child-related costs estimated by the Texas CORC models. Thus the estimates shown in Figure 3 may differ slightly from those provided below.

FOOD AND NUTRITION ASSISTANCE PROGRAMS

The purpose of the Supplemental Nutrition Assistance Program (SNAP, formerly the Food Stamp program), is to cover the gap between expected expenditures on food, and expenditures necessary for adequate nutrition, which is represented by the USDA's Thrifty Food Plan.⁶² The

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) is “based on the premise that early intervention programs during critical times of growth and development can help prevent future medical and developmental problems.”⁶³ It therefore provides supplemental nutrition to meet the special needs of pregnant and postpartum women as well as infants and young children not met by SNAP.

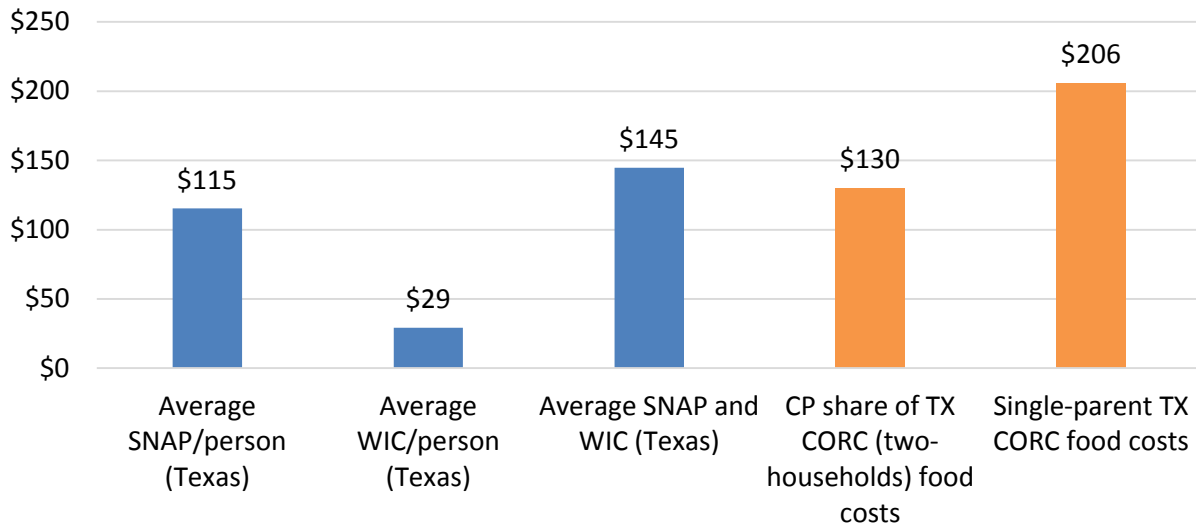
Income Eligibility

To receive SNAP, families must meet two federal income tests: gross income not over 130 percent of the Federal Poverty Line (FPL) (\$1,705 per month for a family of two and \$2,144 per month for a family of three⁶⁴) and net income not over 100 percent FPL (\$1,311 per month for a family of two and \$1,650 per month for a family of three⁶⁵).⁶⁶ The federal poverty threshold varies by family size and is set at three times the cost of the economy food plan from 1961, and is updated for inflation using the CPI.⁶⁷ The underlying assumption is that today’s families still spend 30 percent of their income on food. In addition to the income limits, families face federal initial asset limits of \$2,000 (\$3,000 if aged 60 or older) in countable resources and state-determined asset limits for vehicles.^{68,69}

Eligibility for WIC is currently set at 185 percent of FPL. This is \$2,456 per month for a family of two and \$3,098 per month for a family of three.⁷⁰ The comparatively high income threshold for WIC compared to SNAP means that many families who are not eligible for general nutrition assistance are eligible for this targeted intervention, if their child is age five or younger.

SNAP, WIC, and Child-Related Food Costs

The amount of support SNAP and WIC provide parents in meeting the food costs of raising one child relative to the actual estimated food costs of raising one child by the Texas CORC are presented in Figure 5. The average SNAP and WIC benefits per person combine to \$145 per month, which exceeds the custodial parent’s share of child-related food costs estimated by the Texas CORC across two households, but is 70 percent the cost of child-related food costs estimated by the Texas CORC for a single parent. Most noncustodial parents will not be eligible for SNAP or WIC benefits.

Figure 5. Average Monthly SNAP, WIC, and Child-Related Food Costs

Sources. WIC: (FY15) [http://www.fns.usda.gov/sites/default/files/pd/25wifavgfd\\$.pdf](http://www.fns.usda.gov/sites/default/files/pd/25wifavgfd$.pdf); SNAP: (FY14) <http://kff.org/other/state-indicator/avg-monthly-food-stamp-benefits/>

TEMPORARY ASSISTANCE TO NEEDY FAMILIES

In 1996, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA, commonly referred to as “welfare reform”) eliminated the sixty-year old Aid to Families with Dependent Children and replaced it with the Temporary Assistance to Needy Families (TANF) program.⁷¹ Under PRWORA, federal block grants allow states considerable freedom in how to design TANF programs and what level of benefits to provide, with the restriction that programs must require beneficiaries to work in the formal economy and they must impose lifetime limits on benefits.⁷²

Income Eligibility

TANF recipients face two income eligibility tests. The first is the initial income eligibility test to join the program, and the second is the ongoing eligibility test to remain in the program. Texas TANF uses the Budgetary Needs Standard for the initial eligibility test and the Recognizable Needs Standard for the ongoing eligibility test.

The Texas Health and Human Services Commission (HHSC) defines Budgetary Needs as “the full basic needs amount as defined by HHSC necessary for a family to obtain food, clothing, housing, utilities, and incidentals such as telephone, laundry and recreation.”⁷³ The initial stated income eligibility limit for a single-parent with one child is \$650 per month. However, for each family the first \$120 of income is disregarded, making the total initial income limit \$770 per month. The ongoing monthly income eligibility test is based on the Recognizable Needs Standard,

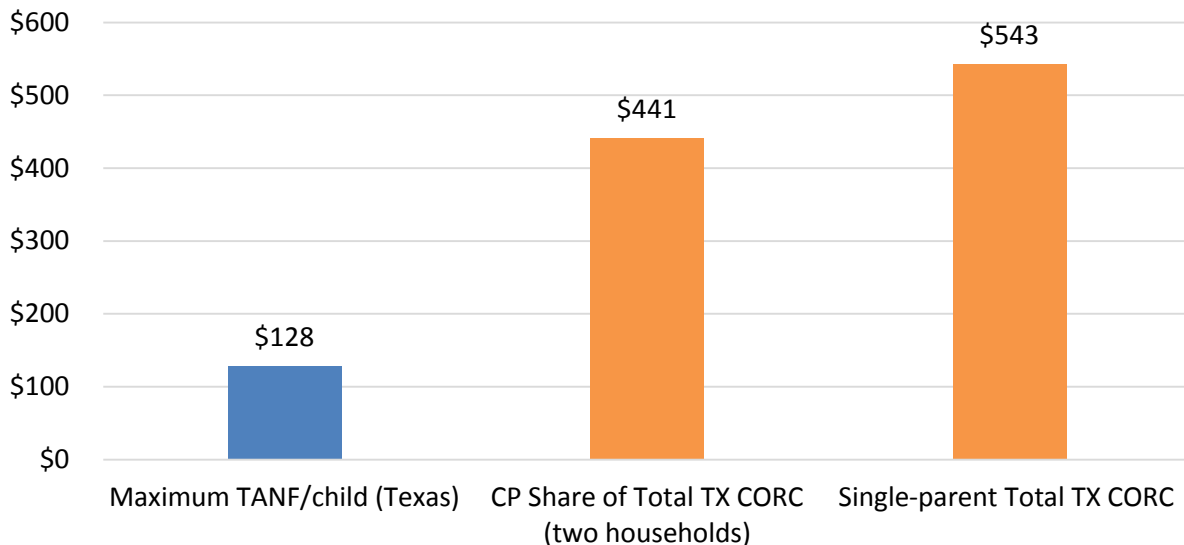
which is defined as the "maximum amount allowed by HHSC when determining eligibility" and is calculated as 25 percent of Budgetary Needs.⁷⁴ The stated continuing income limit is \$163 per month for a single parent with one child.⁷⁵ Each month, \$120 and 33 percent of income (up to \$1,400) is disregarded from the eligibility calculation.⁷⁶

TANF and Child-Related Costs

TANF benefits can help families pay for basic necessities such as housing, utilities, transportation, clothing, and food.⁷⁷ The formula used to determine TANF benefit allotments is the maximum grant minus the family's net income. In Texas, a single parent with one child can receive a total maximum monthly TANF benefit of \$247, of which \$128 is the marginal increase in benefit associated with the child.⁷⁸ The amount of support TANF provides parents with one child (the marginal increase in benefit associated with the child) compared to the overall Texas CORC is presented in Figure 6.

The marginal increase in the monthly TANF benefit associated with the child in a single-parent family with one child is equal to \$128, which is 29 percent of the custodial parent's share of the child-related costs and 24 percent of the total child-related costs in a single-parent household (excluding child care costs).

Figure 6. Maximum Monthly TANF Benefit and Child-Related Costs



EARNED INCOME TAX CREDIT

The Earned Income Tax Credit (EITC) was introduced in the 1970s following national discussions about a negative income tax or universal guaranteed income. Unlike the other two options, which would have created work disincentives, the EITC had similar poverty alleviation effects

while encouraging formal employment.⁷⁹ The EITC also had the benefit of being relatively simple to implement because it could be administered through the existing tax system. The EITC provides a rebate to working families with children whose income falls below a certain threshold. If the family owes taxes then the credit is applied to that bill, and if they either do not owe taxes or the credit is larger than their tax liability, then they receive a cash refund.

Since its creation, the EITC has been the United States' fastest growing anti-poverty program⁸⁰ and today it "lifts more children out of poverty than any other social program or category of programs."⁸¹ The EITC represents a large reduction in taxes for low-income families with children.⁸² It "appears to increase the labor force participation of single mothers,"⁸³ and in 2013 "the number of poor children would have been one-quarter higher without the EITC."⁸⁴

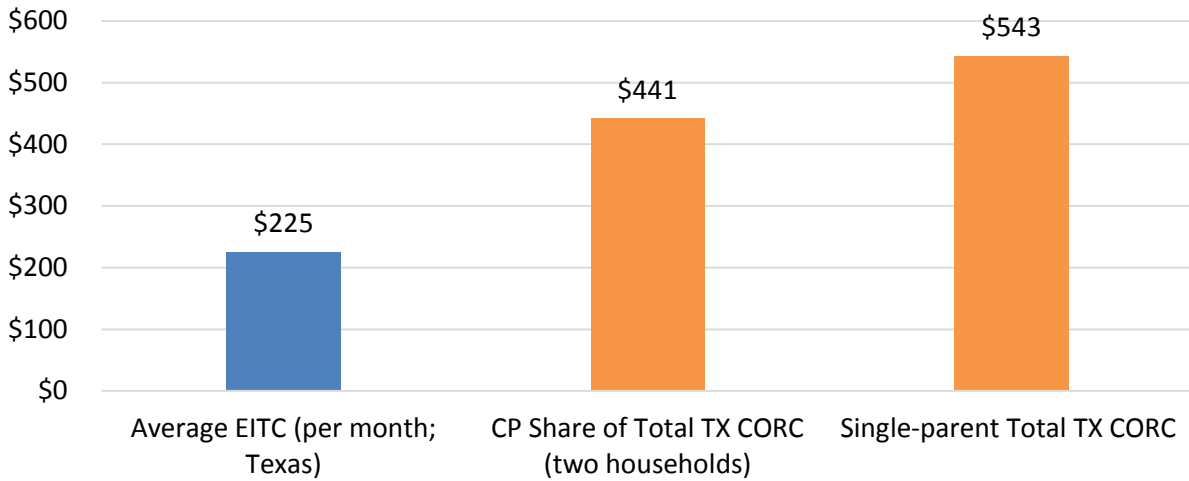
Income Eligibility

Families become eligible for the EITC when they earn income during the tax year. Total earned income must be at least \$1, but both earned income and adjusted gross income must be no more than \$39,131 for a single-parent with one child.

EITC and Child-Related Costs

The amount of EITC eligible families can receive depends on a recipient's income, marital status, and the number of children.⁸⁵ The amount of EITC rises with earned income until it reaches a maximum level and then begins to phase out at higher income levels. In 2015, single-parent families with one child could earn a maximum EITC of \$3,359 if they earned between approximately \$10,000 and \$17,500. The average EITC for families in Texas in 2014 was \$2,701, which comes out to approximately \$225 per month (even though the EITC is received once annually). The average (per-month) EITC for families in Texas compared to the overall Texas CORC is presented in Figure 7.

The average monthly EITC in Texas (\$225/month) is 51 percent of the custodial parent's share of the Texas CORC across two households and approximately 41 percent of the cost of raising a child in a single parent family.

Figure 7. Average Monthly EITC and Child-Related Costs

SECTION 8 HOUSING CHOICE VOUCHER PROGRAM

In 1974 the Housing and Community Development Act created the Section 8 Housing Choice Voucher Program. Section 8, the largest and most well-known federal housing program, is funded by the U.S. Department of Housing and Urban Development (HUD) and administered at the local level by public housing authorities (PHAs).

Section 8 recipient families are responsible for finding housing on the private market. Once they find a landlord who is willing to accept the voucher, the PHA pays him or her directly, and the family pays the difference between the rental unit's rental price and the amount of their voucher.⁸⁶ Section 8 is not an entitlement and most localities have extensive waiting lists, which in larger cities are often closed.

Income Eligibility

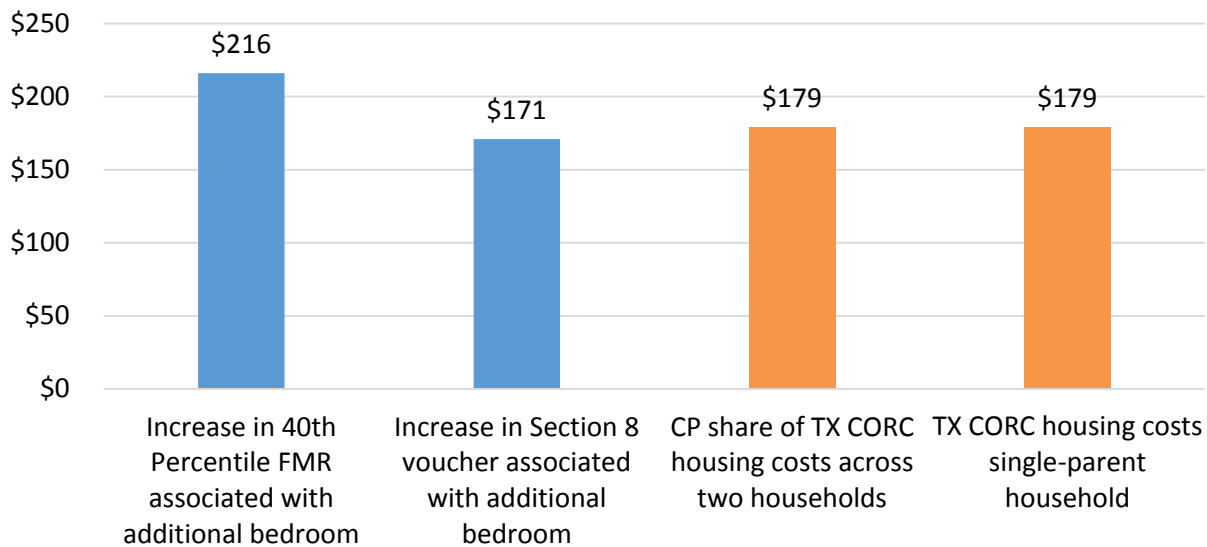
Income eligibility for Section 8 in Texas is currently capped at 50 percent of state median income (SMI) and three-quarters of vouchers are reserved for families earning below 30 percent SMI.⁸⁷ This means that most Texas families receiving Section 8 earn below \$14,450 per year (or \$1,204 per month) in two-person families or below \$16,300 per year (or \$1,358 per month) in three-person families.⁸⁸

Section 8 and Child-Related Housing Costs

The value of a family's voucher is determined by two principal factors: the payment standards for housing in a given locality, based on the 40th or 50th percentile of the Fair Market Rates (FMR) for that county or Metropolitan Statistical Area, minus 30 percent of the family's monthly adjusted gross income.⁸⁹ For the purposes of this example, Austin-Round Rock-San Marcos was

selected as the Metropolitan Statistical Area. The 40th percentile FMR in Austin-Round Rock-San Marcos is \$1,050 for a two-bedroom unit.⁹⁰ A single parent with one child who earns \$1,204 (30% SMI) can receive up to \$689 towards a two-bedroom unit costing \$1,050. The \$689 benefit for a two-bedroom unit is \$171 more than what she would receive for a one-bedroom unit. That is, the marginal increase in the Section 8 housing voucher associated with the additional bedroom for a child is \$171. A comparison of the increase in FMR, Section 8 benefit, and the child-related housing costs estimated by the Texas CORC is presented in Figure 8.

Figure 8. Housing Benefit for Child and Child-Related Housing Costs



The marginal increase in the Section 8 benefit associated with the additional bedroom a single parent would need for a child is similar to the monthly child-related housing costs estimated by the Texas CORC (Figure 8). The Section 8 benefit is approximately 96 percent of the child-related housing costs. Unfortunately, the likelihood that a parent could actually receive the Section 8 benefit is low because the demand for housing assistance often exceeds the limited resources available and long waiting periods are common.⁹¹ For instance, in Austin, the waiting list opened in 2014 for the first time since 2006, and the Austin PHA received 19,715 pre-applications for the lottery for 2,500 slots on the waiting list.⁹²

SUMMARY

The ability for families to meet the costs associated with raising children varies widely across income. Financial insecurity makes it difficult for low-income families to consistently meet the costs of raising children. In addition to programs such as Medicaid and SCHIP, which provide in-kind assistance, the five programs reviewed here vary widely in the extent to which they help

low-income parents meet the cost of raising children. For some programs, when child support is considered as income, child support receipt can be a barrier for families' ability to access assistance. Food and housing assistance programs help low-income parents meet the child-related food and housing costs to a greater extent than TANF and EITC help parents meet the overall costs. The limited availability of housing assistance indicates that SNAP and WIC provide the greatest support for low-income families.

Child Support and the Cost of Raising Children across Two Households

Texas' Child Support Guidelines do not clearly state the purpose for the goals of the child support awards, making it difficult to determine whether Texas' Child Support Guidelines meet the cost of raising children. Some states provide specific language in their guidelines indicating that the goal of child support is for children to have the same standard of living they would enjoy if their parents had not separated; others state that the parents will share the costs based on their proportional income. Policy clarity on the aims of the Texas Child Support Guidelines is needed to determine whether they are adequately addressing families' needs.

States that set their child support awards proportionate to the parents' combined income (known as the income shares model) also clearly indicate what each parent is expected to contribute toward the costs of raising a child. In those states, the child support schedule is directly aligned to the estimated costs of raising a child at each income level, and the costs are shared proportionately among the parents. Texas' guidelines are not directly aligned to the costs of raising a child, therefore it is not clear what the percentage of net resources is supposed to represent, relative to the costs of raising a child.

The initial calculation for child support in Texas is 20 percent of the obligor's net resources for the first child (the child support obligation increases by 5 percentage points of the obligor's net resources for each additional child covered by the order up to 40% of the obligor's net resources for five or more children in one household). In addition to the child support provision, Texas obligors are responsible for providing medical support (i.e., insurance coverage or cash support) for their children or reimbursing the custodial parent for medical support. Additional deviations from the initial calculation of the child support order also may be applied on a case-by-case basis.

We present two scenarios to evaluate how child support meets the cost of raising children across two households. Both scenarios assume the standard order of possession—the CP assumes approximately two-thirds of the cost and the NCP assumes approximately one-third of the cost. In the first scenario, both the CP and NCP earn the median income among female-headed and male-headed households in Texas, respectively. In the second scenario, the CP is

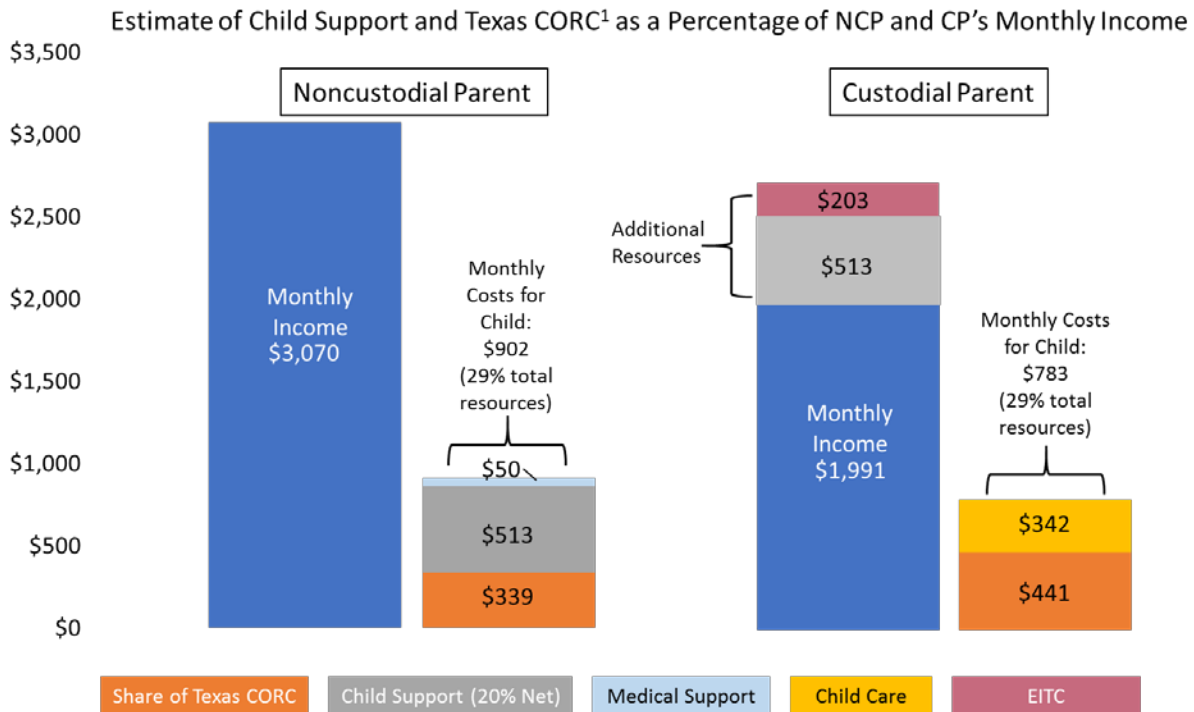
not working and the NCP works full time, earning the minimum wage. In both scenarios, the cost of raising a child across two households remains the same, but other expenses and the resources available to both parents vary. Both scenarios estimate the cost of raising one child.

SCENARIO 1: MEDIAN INCOME

In the first scenario, both the CP and NCP work full time, earning income equal to the median income among female-headed and male-headed households with children in Texas (Figure 9). In this case, the CP's gross annual income is \$23,896 (\$1,991/month), and the NCP's gross annual income is \$36,836 (\$3,070/month).⁹³ The total annual cost of raising a child across two households without child care is \$9,364, of which the NCP is responsible for \$4,073 (\$339/month) and the CP is responsible for \$5,292 (\$441/month). Plus because the CP is working, she is also responsible for child care (\$342/month). The NCP is responsible for child support, which is calculated as 20 percent of his net monthly income (\$2,566), which equals \$513 per month.⁹⁴

Earning \$3,070 per month, the NCP is ineligible for public assistance or the childless EITC. The CP is ineligible for public assistance, but is eligible for an EITC of approximately \$2,438 (or \$203 each month). Without child support, the CP would be eligible for WIC, but child support increases the CP's income just above the monthly gross income limit for WIC.

As shown in Figure 9, the NCP's share of the cost of raising the child, child support, and medical support for the child comprise 29 percent of his gross monthly income. Without child support or the EITC, the CP's share of the cost of raising the child with child care, comprise approximately 39 percent of her gross income. With child support added to her monthly income, the CP's expenses are 31 percent of her total resources, and with both child support and the EITC included, her expenses are 29 percent of her total resources. The transfer of child support from the NCP to the CP makes the ratio of costs to resources more equitable for both parents. The EITC helps to further reduce the ratio of costs to resources for the CP.

Figure 9. Child-related Costs as a Percentage of Median Income in Texas

¹Texas CORC (cost of raising a child) across two households for one child
 Note: Monthly Income for NCP represents the median income of male house-holders with children in Texas.
 Monthly income for CP represents the median income of female house-holders with children in Texas

SCENARIO 2: LOW INCOME

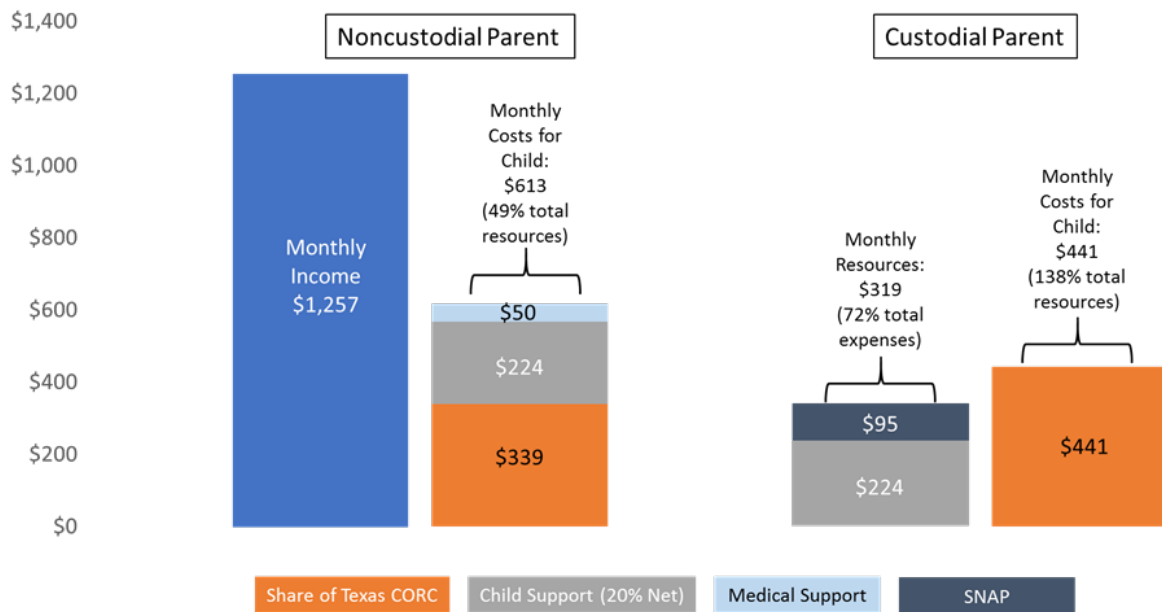
In the second scenario, the NCP works full time at minimum wage, earning \$15,080 (federal minimum wage is \$7.25/hour, for 2,080 hours/year) in annual income and the CP is not working (Figure 10). The cost of raising a child across two households remains the same: \$9,364 per year, of which the NCP is responsible for \$4,073 (\$339/month) and the CP is responsible for \$5,292 (\$441/month). The CP is not working, and thus does not need to pay for child care. The NCP is responsible for child support, which is calculated as 20 percent of his net monthly income (\$1,121), which equals approximately \$224 per month.⁹⁵

The NCP remains ineligible for all benefits, with the exception of minimal SNAP benefits (approximately \$7 per month, not shown below). The CP is no longer eligible for the EITC because she has no earned income, but is eligible for SNAP (approximately \$289 per month, of which \$95 is the marginal increase in benefit associated with the child). Although probably eligible, depending on the age of the child, WIC is not included below because of the difficulty determining exactly how much she would be eligible for (and it would be less than \$30 per month). The CP would also likely qualify for a Section 8 housing voucher, but given the waiting list, would likely not receive it.

The NCP's share of the cost of raising the child, child support, and medical support for the child, is 49 percent of his gross monthly income (Figure 10). Child support (\$224) only accounts for approximately half (50.8%) of the CP's share of the cost of raising a child. The monthly costs for the CP exceed her resources. Child support and SNAP benefits combined account for approximately three-quarters of the CP's share of the cost of raising a child.

Figure 10. Child-related Costs as Percentage of Low Income in Texas

Estimate of Child Support and Texas CORC¹ as a Percentage of Low-Income NCP and Non-working CP's Monthly Income



¹Texas CORC (cost of raising a child) across two households for one child

Note: Monthly Income for NCP represents the monthly income earned at the federal minimum wage (\$7.25/hr). Monthly income for non-working CP equals 0. SNAP amount reflects marginal increase in SNAP benefit for child. Assumes CP is not receiving TANF; if CP was receiving TANF, CP would have to assign their right to child support collections to the State to reimburse the state and federal governments for TANF benefits. CP could still receive \$75 per month as a "pass-through" in any month a child support payment is made (Source: TX OAG).

SUMMARY

Child support is a key part of the safety net of social services available to low-income parents to help meet the cost of raising children. When the noncustodial and custodial parents are both working and earning incomes equal to the median incomes in Texas, the transfer of child support from the NCP to CP makes the cost to resources ratio more equitable. Only the CP is eligible for the EITC, which further reduces her financial burden. When the noncustodial parent is working full time and earning a wage equal to the federal minimum wage, and the custodial parent is not working, the transfer of child support from the NCP to CP accounts for over half of the cost of raising a child for the CP. Child support combined with the marginal increase in the CP's monthly SNAP benefit associated with the child reduces the CP's financial burden but does not fully cover her share of the cost of raising a child.

CHAPTER 8

CONCLUSIONS AND RECOMMENDATIONS

CFRP's primary objective was to develop a Texas-specific model to estimate the cost of raising a child considering age, family and household structure, and parity. The Texas CORC, presented in this report, provides the Texas Office of the Attorney General (OAG) with a Texas-specific model that, importantly, estimates the cost of raising children across two households, reflecting the reality of many children whose parents have a child support order. Overall, the Texas CORC is a conservative estimate of the cost of raising children because it reflects the basic costs associated with healthy child development, but does include child care costs, which may offset some of the potential underestimates.

Summary and Discussion of Findings

Texas is one of only two states to use the USDA's annual estimate of families' expenditures on children in its child support guidelines review. Most states rely on either the Engel or Rothbarth methods, both of which estimate the marginal change in adult's spending by comparing families who have a child to families with similar income levels who do not have children.⁹⁶ Economists generally agree that the Engel method overestimates the costs of raising a child, the Rothbarth method underestimates the costs of raising a child, and the USDA estimates typically fall in between the Engel and Rothbarth estimates.^{97,98}

Similar to the Engel and Rothbarth methods, the USDA estimate relies on data from the Consumer Expenditure Survey (CES), which does not lend itself to Texas-specific estimates. Additionally, the USDA makes several assumptions in their estimate that may not be applicable to families of all income levels, particularly those families served by the Child Support (IV-D) Program, who are more likely to be poor, never-married, younger, and less-educated than non IV-D custodial families.⁹⁹

The Texas CORC incorporates Texas-specific data for housing and child care costs, the two largest cost categories for raising children, and estimates a basic cost of raising children that meets children's needs for healthy development, instead of estimating families' expenditures on children across various income levels. The extent to which families meet the cost varies widely by income, but the basic cost remains constant across family income.

In addition to including Texas-specific data and estimating a basic cost of raising children rather than families' expenditures on children, the Texas CORC also provides estimates for raising children across two households. Determining the cost of raising children across two households

is particularly important for determining the adequacy of states' child support guidelines, because in most circumstances it is preferable for a child to spend time in both households.

The cost of raising children across two households is the costliest of the three Texas CORC estimates. The higher cost is driven mostly by the need for an additional bedroom in the second house, as well as the loss of the economies of scale benefit for food costs. The Texas CORC for married-parent families may be higher than for single-parent families, but as a proportion of income, the cost of raising children for single-parent families in Texas is considerably greater.

That the cost of raising children is a larger proportion of income for single-parent families compared to married-parent families is unsurprising, but still concerning. Analyses of data from mostly single, low-income mothers showed that, counter to several of the assumptions in the USDA estimate, having a child does not necessarily mean larger houses, more food, or better cars. Instead, it often means relying on public assistance to make ends meet, and making other sacrifices to save money including relying on more affordable or informal forms of child care rather than center-based care, and spending less on personal items.

Compared to the existing methods of estimating the cost of raising children (i.e., the USDA, Rothbarth, and Engel methods), the Texas CORC for a single-parent household and the custodial parent's share of the two-household CORC produce comparable estimates to the USDA estimate (Figure 3). The Texas CORC cannot be compared to the Rothbarth and Engel methods, because each of the latter estimate the percentage of childrearing expenditures out of total family expenditures, whereas the Texas CORC estimates the cost of raising children as a proportion of median income.

Child support is a key element of the safety net of social services available to parents to help meet the cost of raising children. The extent to which the available programs adequately help parents meet those costs varies widely.

When the noncustodial and custodial parents are earning income equal to the median income for male householders and female householders with children in Texas, respectively, the NCP's share of the cost of raising a child is 10.5 percent of his income whereas the CP's share is 22.1 percent of her income. When child support, medical support for the child, and taxes are included, the NCP's expenses are approximately 46 percent of his income. When child support is added to the CP's income, her expenses (her share of the Texas CORC, child care, and taxes) are approximately 41 percent of her resources. Child support helps make the cost of raising a child a more equitable percentage of each the NCP's and CP's income. The EITC further reduces the financial burden of the cost of raising a child on the CP.

When the noncustodial parent earns an income equal to the federal minimum wage and the custodial parent is not working, the NCP's expenses, including his share of the cost of raising a child, child support, medical support, and taxes add up to nearly half of his income. The child support paid by the NCP and the SNAP that the CP receives for the child make up almost three-quarters of the CP's share of the cost raising a child.

Recommendations

Developing the Texas CORC illuminated several limitations to the current consideration of the cost of raising children in determining the adequacy of the child support guidelines in Texas. Based on the fully-developed Texas CORC model and associated research, we provide policy considerations for how the cost of raising children can more effectively be incorporated into the Texas Child Support Guidelines.

SPECIFY WHAT STANDARD OF LIVING CHILD SUPPORT INTENDS TO REPLICATE

Determining the best estimate of childrearing costs in Texas is difficult because the state's guidelines do not provide direction on the standard of living that the child support award intends to replicate. If the state aims to provide support awards to replicate the standard of living the child would enjoy if the parents had not separated, then the estimates of childrearing costs that are associated with married-parent households may provide the most accurate estimates of the costs of raising a child. If the goal of the state is to allow parents to maintain two independent single-parent households to accommodate visitation, then the estimates of childrearing costs across two households may provide the most accurate estimates.

SPECIFY WHAT EACH PARENT SHOULD CONTRIBUTE TO THE TOTAL COSTS OF RAISING A CHILD AND ALIGN THE CHILD SUPPORT AWARD WITH THE DECISION

Currently, Texas does not clearly articulate what the purpose of the child support award amount represents relative to the costs of raising a child. The state should consider whether the child support award is intended to provide for the full costs of raising a child, a share proportionate to each parent's contribution to the parents' total combined incomes, half of the costs of raising a child, a token or symbolic amount, or some other amount.

In Texas, the Child Support Guidelines do not specify what each parent should contribute to the costs of raising a child and the child support awards are only aligned with the obligor's net resources, not the costs of raising a child. Therefore, the contributions of noncustodial parents to the costs of raising their children will vary widely across families and income levels.

Clearly articulating what each parent is supposed to contribute to the provisions of a child may also increase perceptions of fairness and equity among noncustodial and custodial parents. Currently, only the noncustodial parents' contributions are formally recognized and enforced. Although it may be impractical to enforce the custodial parents' contribution, formally recognizing them in the child support order may lead to a better understanding that each parent is responsible for the financial and emotional wellbeing of the child.

In addition, the state should specify what childrearing costs are included in, or excluded from, the initial calculation of the child support award. This clarification will provide parents, judges, and attorneys with meaningful information regarding what expenditures may be the sole responsibilities of the noncustodial parent or what expenditures should be shared between the parents.

INCLUDE CHILD CARE COSTS IN CONSIDERATION OF THE COSTS OF RAISING CHILDREN

Parents of young children must be able to access child care in order to participate in the labor force. Typically, working parents have three options for child care: they pay for market rate care; receive free or low-cost care from a friend or relative; or qualify for free or discounted care through a government subsidy. Child care represents a significant expense for many households, but for families living in or near poverty, child care costs may be particularly burdensome.

Currently, child care is considered a deviation from the initial child support calculation—the court may deviate from the initial child support calculation to require the obligor to share some of the costs of child care if the obligee uses child care to maintain gainful employment. The guidelines do not indicate what constitutes reasonable costs for child care. If the parents do not agree to an amount, the court determines how much the obligor will be responsible for paying.

In Texas, only five percent of children live in low-income households in which no adults work,¹⁰⁰ indicating a high need for child care among parents to facilitate work. As such, child care costs should be included in the initial child support calculation and *not* needing child care should be considered a deviation. The benefits of high quality child care for families are two-fold: child care allows parents to participate in the labor force, and can provide children with important support for their cognitive and social development. Considering child care costs in the initial child support calculations would more accurately represent the costs of raising children for working families.

CONSIDER THE TEXAS CORC A STARTING POINT IN DETERMINING CHILD SUPPORT AWARDS

An underlying assumption of the Texas CORC is that the cost of a child's basic needs for healthy development does not increase as family income increases. The basic cost of healthy child development remains constant. Families' expenditures to meet the cost of healthy child development vary substantially by income level. Some parents' expenditures, particularly those parents with higher incomes, likely far exceed the basic cost, whereas other parents with far lower incomes may not be able to meet the cost, and may need to rely on public benefits or other forms of cash or in-kind assistance. This variation in preferences and ability to meet childrearing costs should be taken into consideration by parents and judges when establishing specific orders within families.

Conclusion

Adequately providing for a child's healthy development is the joint responsibility of both parents. When parents do not live together, they must share this responsibility across two households and ensure that each parent is contributing "equitably" to the child's wellbeing. Currently, a standard Texas child support award holds the NCP accountable for contributing 20 percent of the NCP's net resources, plus medical support, and it allows for the child to be with the NCP for approximately one-third of the time. This amount is not aligned through policy to the actual needs of the child, and it can leave the CP or NCP responsible for an unequal share of the responsibility to provide for the child. Texas should consider the costs associated with childrearing across two households, the income levels of both parents, the public resources either parent receives, and the amount of time the child will spend in each household when determining each parent's contribution to their child's wellbeing.

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CHILD & FAMILY

RESEARCH PARTNERSHIP

Strengthening Families & Enhancing Public Policy Through Rigorous Research

The Child and Family Research Partnership is an independent, nonpartisan research center under the direction of Dr. Cynthia Osborne at the LBJ School of Public Affairs at The University of Texas at Austin. CFRP specializes in rigorous research on policy issues related to young children, teens, and their parents. CFRP seeks to understand how current demographic trends affect parents and their children, what factors contribute to both positive and negative child outcomes, and what policy and programmatic changes can be implemented to improve child and family wellbeing.

Research Areas

Family Structure and Wellbeing

Family Instability • Marriage & Cohabitation • Child Support
Economic Security • Family Violence

Father Involvement

Responsible Fatherhood • Paternity Establishment
Father Participation in Social Programs

Early Childhood

Home Visiting Programs • Systems-Level Change
Program Retention • Public Pre-Kindergarten

Child Welfare

Child Welfare Workforce • Permanency • Effectiveness of Mediation • Family Safety

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Teen Pregnancy • Teen Fathers • Healthy Relationships • Youth Homelessness

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