

Wesman

The Public Costs of Struggling Families Wisconsin Cares, Inc.

If one thing could be done to dramatically reduce welfare dependency and crime, would you do it? Skeptics would say there is not one thing that can be done. But most thoughtful people would ask, what is it? The answer is: to insure that every child has a competent parent – it's as simple as that.

Both skeptics and thoughtful persons would argue that parents are important, but they cannot eliminate poverty or change their children's genetic endowment. They cannot eliminate prejudice and discrimination. They cannot create good neighborhoods and schools. They cannot create jobs.

Of course, parents cannot do any of these things.

Yet the empirical fact is this: children – even the handicapped and poor – raised by competent parents rarely become welfare dependent and rarely become criminals. Even skeptics would have to acknowledge that this is true, but then they would ask for a definition of competent parents.

The definition of competent parents is clear, they are persons who are:

- capable of assuming responsibility for their own lives,
- willing to sacrifice some of their own interests for their children,
- provide limits for their children's behavior,
- give their children hope for the future,
- and have access to essential economic and educational resources.

This definition immediately raises complicated questions. The capacity to procreate precedes the capacity to be responsible for one's own life. Many parents do not wish to sacrifice their own interests for their children. Many parents do not help their children learn self-discipline. Some parents do not have hope for their own futures. Many parents do not have the resources they need.

These facts make the one thing that could be done to dramatically reduce welfare dependency and crime seem like an overwhelming task. But it really is not if our society honored the basic right of every child to become a productive citizen, which means the right to be raised by a competent parent. This right is based on the positive right of all citizens to the "pursuit of happiness" as expressed in the Declaration of Independence and the negative right to not be abused or neglected as expressed in state child abuse and neglect statutes.

Impossibly idealistic? Yes, if we really are not serious about reducing taxes and improving our society. No, if we recognize the enormous financial, humanitarian, and moral costs to our society of struggling families and if we have the will to align the resources we have to make this vision come true.

Definitions of Thriving and Struggling Families

The functions of families, which exist in many forms from single-parent to grandparent headed, are to provide:

- **sustenance:** a stable home with enough income for basic necessities of food, shelter, and clothing.
- **child development:** nurturant and socializing caregiving.

- **advocacy:** planning for and negotiating educational and recreational opportunities; health care; and protection from harm

Thriving families are able to carry out these functions. Struggling families are unable to fulfill one or more of these basic functions.

The Public Benefits of Thriving Families

A picture of the long-term benefits of thriving families can be inferred from the Wisconsin Longitudinal Study (WLS) that follows a random sample of 10,317 men and women who graduated from Wisconsin high schools in 1957. Data from the 1992 WLS follow-up revealed that when in their 50s only .3%, had received public assistance other than Social Security Insurance benefits. In 2004, only 2% had spent any time in jail or prison.

Children reared in thriving families have a much better chance of completing high school and entering relatively high paying jobs. For example, the average annual income of a non-high-school graduate is \$23,400. For high school graduates the average incomes are from \$30,400 to \$109,600 depending upon the level of post-high-school education.¹

According to the U.S. Department of Agriculture child rearing expenses in 2003 ranged from \$9,510 to \$10,560 for a child in a two-child, middle-income, married couple family.²

The elderly from thriving families are more able to support their long-term care without Medical Assistance and reduce institutional costs, which now run approximately \$1.5 billion annually in Wisconsin. The Wisconsin DHFS Family Care program is an effort to help the elderly avoid nursing home care.

The Prevalence of Struggling Families

The number of struggling families in Wisconsin can be inferred from four sources. The reported data refer to children and do not give an accurate picture of the percentages of families involved. It also is likely that the size of a family is a significant variable in determining whether or not it can be regarded as struggling. The categories of data also overlap. Still these percentages are useful approximations.

- 1) The National Survey of America's Families provides Snapshots of Wisconsin Families in 1999:

Family Economic Well-Being	
"Children in families that worried about or had difficulty affording food"	36%
Children's Behavior and Well-Being	
"Children ages 12-17 who were expelled or suspended from school"	21%
"Children ages 12-17 with serious behavioral and emotional problems"	15%
Children's Family Environment	
"Children with a parent who is highly aggravated"	16%
"Children with a parent reporting symptoms of poor mental health"	27%

If one averages these figures, **23% of Wisconsin children** can be considered to be living in struggling families.

- 2) Kids Count – Wisconsin 2001 (Wisconsin Council of Children and Families)

Total number of children <18	1,338,064
"Children in families with no parent employed full-time year around"	21%

- 3) 1994 Family Status Study of Delinquent Youth
 "Youths who never lived with biological parent" 26%
- 4) U.S. Census Bureau Estimates of Poverty in Families with Children 17%

Correcting these percentages downward to account for variations in family size, these data suggest that about **one-fifth of Wisconsin's families** can be considered to be struggling.

The Annual Costs of Struggling Families in Wisconsin

The public costs of struggling families in fiscal year 2005 can be estimated from the following state and county expenditures:

State (Executive Budget - 2005)

Total State Expenditures \$25 billion

Calculated by Departments

Department of Corrections		1.0 billion
Department Of Health and Family Services	6.3 billion	2.7 billion
(Division of Children and Families	.3 billion)	
(Medicaid – 28% low income & 20% elderly	2.4 billion)	
Department of Public Instruction		.2 billion
Special Education	.54 billion	
(Behavioral categories	.2 billion)	
Department of Workforce Development	1.1 billion	1.0 billion
(Workforce development	.2 billion)	
(Economic support	.8 billion)	
Youth Aids		.08 billion
Office of Justice Assistance		
Juvenile delinquency		<u>.18 billion</u>
	Total	5.16 billion
		(20% of 25 billion)

Calculated by Recipients as Individuals

Aids to Individuals	\$5 billion	20%
Corrections	\$1.5 billion	<u>6%</u>
		26%

Counties (Wisconsin Taxpayers Alliance)

Total Expenditures (2000)	\$3.6 billion
Law enforcement	\$.32 (9%)
Other public safety	\$.38 (11%)
*Health & Human Services	\$1.6 (44%)
Culture and education	\$.13 (4%)

These figures suggest that about 26% of state and about 45% of county expenditures are related to struggling families. There is significant overlap in these figures since community aids from the state are included in the county figures.

The Total National Costs of Struggling Families

The estimated monetary loss resulting from struggling families is a concrete means of highlighting the financial value of competent parenting.

Struggling families are costly in a number of ways, the most prominent being in the financial repercussions of habitual criminality, of chronic welfare dependency, and of child abuse and neglect service expenses. They also contribute to the growing number of unskilled, illiterate adults who erode national productivity.

Estimating the costs arising from struggling families is like estimating the costs of social security. Both need to be calculated over life periods rather than over biennia or decades. The following estimates in 2003 dollars are based on the 40-year span used by the U.S. Census Bureau to estimate Work-Life Earnings.⁴

ESTIMATE OF THE COSTS OF STRUGGLING FAMILIES IN THE UNITED STATES

	<u>Individual</u>		<u>Total Population</u>	
	(Annual)	(Over 40 Years)	(Annual)	(Over 40 Years)
Criminal Recidivism	\$42,566	\$1.7 million	\$22.1 billion	\$884 billion
Welfare Dependency	\$6,227	\$247,494	\$15.4 billion	\$616 billion
Child Abuse & Neglect Services	\$15,120	\$604,804	<u>\$10.4 billion</u>	<u>\$417 billion</u>
			Total \$47.9 billion	\$1.9 trillion

Although representing a tiny fraction of the population (0.2%), habitual criminals have an inordinate impact on the quality of life in the United States by causing much of the serious crime that necessitates the deployment of massive security, law enforcement, and correctional resources that cost over \$97 billion (2003\$) a year.¹⁷ Excluding that cost and the costs of the crimes committed, the total loss to society from habitual criminality, conservatively estimated is \$884 billion dollars over a generation of offenders' potential productive years. This represents a lifetime loss of approximately \$1.7 million for each offending individual.

The second product of incompetent parenting is intergenerational welfare dependency. Only a minority (26%) of the parents who ever receive welfare payments are chronically dependent on them. They constitute only 0.4 percent of the population, but they persistently drain public resources and national productivity. The cost of welfare dependency in AFDC payments alone is \$15.4 billion annually. Over a forty-year period that cost totals \$616 billion.

The third cost of incompetent parenting is represented by the array of services required to investigate and manage cases of child abuse and neglect. The direct costs of child abuse and neglect services for .3 percent of the population are at least \$10.4 billion annually, or \$15,120 annually for each abused or neglected child. Over a forty-year period this totals at least \$417 billion.

The aggregate 40-year cost of these three categories is \$1.9 trillion. All of this expense arises from 0.9 percent of the population of the United States.

The fourth category obviously is the result of more than incompetent parenting, but the association is close enough to warrant including it in our calculations. The loss in national productivity from an estimated 23.7 million unqualified workers in the year 2000

over a forty-two year period (the adult years used in these calculations) would be 21.8 trillion 1994 dollars, or \$520 billion annually.

All of these calculations are based upon conservative estimates for readily identified populations that represent only a fraction of the total costs of incompetent parenting. They do not reflect the improved quality of life of the nation that would result from safe streets and from the availability for other purposes of the money now spent on the products of incompetent parenting. They also do not reflect the future costs of successive generations repeating the same patterns.

Hopefully these crude estimates will stimulate economists to study more definitively the actual financial consequences of struggling families. Unfortunately, these figures also reveal that a significant segment of our economy depends upon servicing the products of incompetent parenting, just as the manufacturers of armaments depend upon hostilities between nations.¹⁸ For this reason at least subtle resistance to solving the problem can be expected from those quarters.

Protecting America's Investment in Education

Education is one of America's largest industries. In the fall of 2002, some 78 million people in the U.S. were involved in providing or receiving formal education, with total expenditures for public and private education from pre-kindergarten to graduate school estimated by Lieberman and Haar to be nearly \$830 billion for the school year 2001-02. About 60 percent of that total, or \$498 billion, was spent on public and private elementary and secondary education.⁹

This investment in education is based on the assumption that it will prepare the young for productive citizenship. For every dollar spent to keep a child in school, the future costs of welfare, prison, and intervention services are reduced. It costs less to educate a child now than to support a teenage parent or a repeat offender in the future. Education monies help to secure the future of all citizens.

However, struggling families are unable to support the education of their children, who tend to drop out of school. The cost of these school dropouts affects us all. We lose more than \$240 billion a year in earnings and taxes that dropouts would have generated over their lifetimes.⁶

Specific data is available for the states of Texas and Arizona. In Texas, the cumulative costs of students leaving public high school prior to graduation between the 1985-86 and 2000-01 school years were estimated to be in excess of \$441 billion.⁷

In Arizona, the total annual costs attributable to dropouts in one year were estimated at \$214.9 million. Cumulative costs over the working lifetime of that group of dropouts totaled \$14.25 billion. Adding all costs for the 64,117 students lost from the three classes analyzed yielded a staggering \$42.58 billion in lost revenues. By contrast, for every \$1 Arizona spent on keeping those same pupils in school up to and through graduation would have yielded the state \$66 in savings.⁸ (Note: there is a significant discrepancy between the AZ and TX loss estimates.)

Prevention Cost-Benefit Analyses in Michigan and Colorado

The Michigan and Colorado analyses estimate that the primary prevention of child abuse and neglect will cost 5% and 6% respectively of the potential savings.

Michigan

A 1992 study for the Michigan Children's Trust Fund concluded that providing either comprehensive parent education or home visitation service for every Michigan family expecting its first child would amount to only 5% of the estimated total State cost of maltreatment. Based on an estimated annual cost of \$712 per family served, statewide prevention services were projected at approximately \$43 million. In comparison, analysts figured that child maltreatment and inadequate prenatal care cost the State approximately \$823 million. Michigan's total estimated annual cost of child maltreatment and inadequate prenatal care included direct and indirect costs associated with the following:

- Protective services (\$38 million)
- Foster care (\$74 million)
- Health costs of low birth weight babies (\$256 million)
- Medical treatment of injuries due to abuse (\$5 million)
- Special education costs (\$6 million)
- Psychological care for child maltreatment victims (\$16 million)
- Juvenile justice system and correction services (\$207 million)
- Adult criminality (\$175 million)
- Projected tax revenue lost from infant deaths (\$46 million).

In making these estimates, a series of extrapolations were used to account for the proportion of total spending that can be linked to maltreatment. For example, prior research suggests that approximately 20% of children from abusive homes commit delinquent acts as juveniles and 25% of these go on to commit crimes as adults. Based on these findings, the Michigan researchers predicted that of the 39,452 children identified as abused that year, 1,996 would become involved in the adult criminal justice system. With an average annual State adult prison cost of \$25,000, and an average prison sentence of 3.5 years, total adult criminality associated with child abuse and neglect was estimated to cost \$175 million (1,996 x \$25,000 x 3.5) assuming that there was only one spell of 3.5 years in prison.

Colorado

A similar 1995 analysis, commissioned by the Colorado Children's Trust Fund, examined the costs incurred in the State of Colorado by failing to prevent child abuse and neglect, and then compared these costs with the savings that would accrue from an investment in effective prevention services. The State estimated \$190 million in annual direct costs for child maltreatment, including the costs of CPS investigations, child welfare services to children in their own homes, and out-of-home placements. In addition, annual indirect costs were calculated based on an assumption that \$212 million (approximately 20% of the \$1 billion total expenditure) in State social programs were associated with the long-term consequences to individuals maltreated as children (e.g., special education, AFDC assistance payments, job training programs, youth institutional and community programs, mental health programs for children and adults, substance and drug abuse programs, victim services, criminal justice programs, domestic violence shelters, and prisons). Indirect costs (\$212 million) and direct costs (\$190 million) combined for an estimated total of \$402 million in annual expenditures related to abuse and neglect.

The State costs of maltreatment were compared to the potential savings associated with an intensive home visitor prevention program targeting those families most at risk of abuse and neglect. Based on an estimated \$2,000 per-family cost of a State-wide home visitation program for high risk families with children from birth to 3 years old, the Colorado analysis projected total costs of \$32 million. At the time of the study, \$8 million was being spent in the State on home visitation and family support, thus suggesting a need for \$24 million in new money. The Colorado analysis concluded that if the program were able to reduce child maltreatment expenditure by only 6 percent (.06 x \$402 million annual expenditure), the cost of the prevention investment would be offset.

Prioritizing Risks to Our Society

With the growing interest in preventing the pollution of our environment and preventing illnesses, attention is being devoted to risk reduction. As science progresses and as our ability to detect risks to the quality of our lives improves, our opportunities for reducing those risks have increased as well. To date we have proceeded haphazardly, responding to each risk as it is identified without prioritizing it. For example, the range of unacceptable risks is from 1 in 10,000 for federally regulated drugs (Food and Drug Administration regulations) to 3 in 100 for factory-work injuries (estimated observation) to 1 in 10 for lung cancer for smokers. In this perspective, the risk of damage to children by incompetent parenting is at least 1 in 3. In this light, the risk created by struggling families to society is the greatest hazard of all, yet it is unrecognized.

Conclusion

There is no question that competent parenting has financial value for society. In contrast with the \$2.4 million cost to society of each child who is grossly incompetently parented, competent parents contribute \$1.2 million in gain for society for each child they raise. In social cost terms, the more important benefits of fostering thriving families are reductions in child abuse and neglect, crime, and welfare dependency and increased employment for the nation. Beyond these measurable benefits are incalculable gains in personal fulfillment and happiness. These facts must be recognized in our social policies and workplaces.

We have the choice of continuing to ineffectively react to the devastating consequences of struggling families or to proactively prevent this enormous waste of human and economic resources by insuring competent parenting for all of our children.

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Table 1. Financial Cost of an Habitual Criminal from a Family with a Criminal Member

1. Lived at home with parent(s) and 4-5 siblings (from birth to 13 years):	
2. Lived at home with parent(s) and siblings (ages 13 to 15 years):	
arrests by police (3)	\$ 648
court costs (2)	4,622
detained overnight (1)	108
social worker services	5,266
3. Juvenile correctional institution (ages 15 to 15 1/4 years):	
arrest by police (1)	\$ 216
court cost (1)	2,311
detained overnight (1)	108
correctional facility	10,572
4. Lived at home with family (ages 15 1/4 to 17 1/4 years):	
5. Juvenile correctional institution (ages 17 1/4 to 18 years):	
arrest by police (1)	\$ 216
court cost (1)	2,311
detained overnight	108
correctional facilities	31,716
6. Adult prison (ages 18 to 60 years; 40 years prison & 2 years on probation):	
arrests by police (3 x \$216)	\$ 648
court costs (3 x \$2,311)	6,933
detained in jail (\$108 x 60)	6,480
adult prison (\$22,056 x 40)	882,120

Total Juvenile Cost: \$ 58,202

Total Adult Cost: \$ 896,181

Total Direct Cost for Services: \$ 954,383

Loss of Federal Income Taxes (\$ 21,936 single person: \$2381 x 42 Years): \$ 100,002

Total Direct Cost to Government: \$ 1,054,385

Loss to National Economy (\$ 19,555 x 42 years): \$ 821,310

Total Monetary Loss to Society for Individual: \$ 1,875,695

Aggregate Loss of This Category (47% or 251,553 persons): \$ 471,836,700,000

Table 2. Financial Cost of an Habitual Criminal from a Single-Parent, Welfare Family

1. Lived at home with single mother (from birth to 13 years):	
AFDC payments	\$ 60,271
social services (\$2,633 x 13)	34,229
2. Lived at home with parent (ages 13 to 15 years):	
arrests by police (3)	\$ 648
court costs (2)	4,622
detained overnight (1)	108
probation services	5,266
3. Juvenile correctional institution (ages 15 to 15 1/4 years):	
arrest by police (1)	\$ 216
court cost (1)	2,311
detained overnight (1)	108
correctional facilities	10,572
4. Lived at home with parent (ages 15 1/4 to 17 1/4 years):	
probation (1 year)	\$ 2,633
arrest by police (1)	216
court cost (1)	2,311
5. Juvenile correctional institution (ages 17 1/4 to 18 years):	
arrest by police (1)	\$ 216
court cost (1)	2,311

detained overnight	108
juvenile facilities	31,716
6. Adult prison (ages 18 to 60 years; 40 years prison & 2 years on probation):	
court costs (3 x \$2,311)	\$ 6,933
arrests by police (3 x \$216)	648
jail detention (\$108 x 60)	6,480
adult prison (\$22,056 x 40)	882,240
Total Juvenile Cost: \$ 157,862	
Total Adult Cost: \$ 896,301	
Total Direct Cost for Services: \$ 1,054,163	
Loss of Federal Income Taxes (\$ 21,936 single person: \$ 2381 x 42): \$ 100,002	

Total Direct Cost to Government: \$ 1,154,165
Loss to National Economy (\$ 19,555 x 42 years): \$ 821,310

Total Monetary Loss to Society for Individual: \$ 1,975,475

Aggregate Loss of This Category (30% or 160,565 persons): \$ 317,192,140,000

Table 3. Financial Cost of an Habitual Criminal with Multiple Placements

1. Single mother with one child (unwed teenager; birth to 3 years):	
social services (\$2,633 x 3)	\$ 7,899
AFDC payments(\$5,023 x 3)	15,069
2. Foster home (ages 3 to 10 years):	
social services (\$2,633 x 7)	18,431
foster home (\$3,324 x 7)	23,268
court costs (\$2,311 x 7)	16,177
3. Mental hospital (ages 10 to 11 years):	
hospital (\$396 x 365 days)	\$ 144,540
court cost (1)	2,311
4. Child caring institution (ages 11 to 14 years)	
social services(\$2,633 x 3)	\$ 7,899
group home(\$30,540 x 3)	91,620
arrests by police(\$216 x 3)	648
5. Juvenile correctional institution (ages 14 to 18 years):	
correctional cost (\$3,524 x 36 mo.)	\$ 126,864
court costs (\$2,311 x 4)	9,244
arrests by police (\$216 x 4)	864
detention (\$108 x 60 days)	6,480
6. Adult prison (ages 18-60 years; 40 years prison & 2 years on probation):	
court costs (\$2,311 x 3)	\$ 6,933
arrests by police (\$216 x 3)	648
jail (\$108 x 60 days)	6,480
adult prison (\$22,056 x 40 yrs)	882,240

Total Juvenile Cost: \$ 481,034
Total Adult Cost: \$ 896,301
Total Direct Cost for Services: \$ 1,377,335
Loss of Federal Income Taxes (\$ 21,936 single person: \$ 2381 x 42 yrs): \$ 100,002

Total Direct Cost to Government: \$ 1,477,337
Total Loss to National Economy (\$ 19,555 x 42 years): \$ 821,310

Total Monetary Loss to Society for Individual: \$ 2,298,647

Aggregate Loss of This Category (23% or 123,100 persons): \$ 282,963,440,000