

THE FINANCIAL LANDSCAPE FOR MILITARY FAMILIES OF YOUNG CHILDREN

Technical Report

by

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EXECUTIVE SUMMARY

At the request of the Office of Military Community and Family Policy, this report examines the income and expenditure patterns of military parents of children younger than six. The request for the report was motivated by concerns voiced to military leaders by families about the affordability of military child care. These concerns raised larger questions about the financial landscape confronting families with preschool children.

Findings come from analyses of data from the 1999 Active Duty Survey, the 1999 Survey of Permanent Change of Station Costs, the 1998 Consumer Expenditure Survey, the 1999 Living Patterns Survey, Department of Defense compensation tables, and state self-sufficiency budgets. The 1999 Active Duty Survey is the most recent data source available that contains any detailed data about the expenditures of military families. We used these data sources to construct summaries of the income and expenditures of military families with preschool children who lived in several income and housing arrangements. Based on the summaries, we consider three features of the financial landscape:

- Absolute risk, meaning the degree to which military parents of children younger than six appeared likely to spend more than they earned.
- Risk relative to civilians, meaning the degree to which the spending patterns of military parents correspond to those of civilians in comparable work and family circumstances.
- Risk relative to self-sufficiency standards, meaning the degree to which the spending patterns of military parents of young children conform to standards for financial self-sufficiency.

Our analyses are based on samples of both military and civilian families. The military sample was drawn from the 1999 Active Duty Survey data and contained 2,526 members stationed in the continental U.S., in paygrades E3 to E6 and O2 to O3, in one- or two-earner families and one or two children younger than six years of age. The civilian sample contained 968 families drawn from the 1998 Consumer Expenditure Survey data to match the family structures and incomes of the military sample.

The expenditures of military families also were compared to civilian “self-sufficiency” budgets, which have been calculated for each state and many counties in the U.S. The self-sufficiency standard defines the minimum income necessary for families to meet their basic needs without relying on public assistance. The complete family budgets we compiled are displayed in Appendix B.

Absolute Risk:

Which Military Families with Young Children Risk Spending More than They Earn?

Risk was calculated as the difference between average family expenditures and average family income. The more income exceeded spending, the lower the level of “absolute risk” for the family. Because the Office of Military Community and Family Policy was specifically interested in the affordability of child care, we calculated risk by comparing the amount of income remaining after all spending but that for child care had been taken into account to the fees that military child development centers would charge a family of that structure and income level:

- Risk was considered **High** when funds remaining after all but child care spending were less than the minimum CDC fees for that group.

- Risk was considered **Moderate** when the funds remaining after all but child care were within the range of CDC fees for that group.
- Risk was considered **Low** when the funds remaining after all but child care spending exceeded the maximum CDC fees for that group.

Assessments of risk revealed the following:

- Military families living in civilian housing appeared to be at low financial risk given their other spending if they had two earners. Most one-earner military families with children younger than 6 living in civilian housing were at high risk of spending more than they earned given their other spending. About 40% of these one-earner families had recognized needs for child care because a parent was in school or looking for work, or because there was only one parent.
- Almost all of the risk estimates for military families living in military housing were low or moderate, regardless of the number of earners or children in the family. This may be due in part to the low cost of military housing and to the larger savings members living in military housing were able to achieve at commissaries and exchanges.
- Although in general higher income appeared to be associated with lower risk, some groups at relatively high levels of income (e.g., paygrade O2) experienced high or moderate risk.
- Most types of civilian families of children younger than six experienced high or moderate risk, meaning that their purchases of other goods and services did not leave sufficient funds, on average, to purchase child care equaling the cost of minimum CDC fees.

Relative Risk:

Comparing Spending by Military and Civilian Families

The most notable differences between military and civilian families concerned spending for transportation, child care, and miscellaneous items. Although military members sometimes spent less than civilians for health care, food, and household/personal items, these differences were easily explained by the fee structure of the TRICARE system and savings achieved at commissaries and exchanges. Estimated spending for taxes also appeared to be quite different, but we suspect this is explained by different methods of calculation for military and civilian data sources.

Most groups of military members spent substantially more (i.e., at least \$100 per month more) on transportation than civilians at comparable income levels, except for E4 and E6 families with two earners. Military members also consistently spent more than civilians for child care. Although military members' expenditures for child care often were similar to what Child Development Centers would charge, it was often the case that multiple forms of care were purchased for those funds. Military families spent substantially less on miscellaneous than civilian families at comparable income levels, most likely due to the low costs of pensions and insurance for military families.

After all spending was taken into account, most groups of officer military families and civilian families with comparable incomes had some income remaining. Most groups of enlisted families, however, particularly those living in civilian housing and those with one earner, had little or no income remaining given current spending patterns. In general, military families living in military housing had more

discretionary income than military families living in civilian housing, particularly when RMC-based estimates of income were used.

When both shelter and utility costs were considered, military parents of children younger than six who lived in civilian housing paid a considerably higher percentage of their housing expenses out-of-pocket – 25% to 41% -- than the rate targeted by the military – 19% in 2000. In these data, rates of home ownership were usually about 10% to 20% lower among military families living in civilian housing than among civilians with comparable income.

Relative Risk:

The Financial Situations of Military Families and Self-Sufficiency Standards

Comparing self-sufficiency budgets across the low-, medium-, and high-cost areas selected for this study indicates the degree to which particular expenses are stable or vary with cost of living. Our informal comparison suggests that costs for food and transportation do not vary dramatically across areas with different costs of living. Health care spending varies somewhat more. The largest variations occur in spending for shelter, child care, and taxes, which are about twice as large in high cost-of-living areas as in low ones.

Initial comparisons focused on the income of military families relative to self-sufficiency standards. The average income in most groups of military families in the paygrades we examined (E4, E6, O3) met the minimum standards when the cost of living was low. The average income in some groups of military families met the minimum standards when the cost of living was moderate. Almost no groups met minimum standards when the cost of living was high.

Subsequent analyses compared specific expenditure items:

- Spending for shelter by members in paygrades E4 and E6 approximated that of self-sufficiency budgets in moderate-cost areas (\$609); spending for shelter by members in paygrade O3 approximated that of self-sufficiency budgets in high-cost areas (\$1,108).
- Transportation expenditures in military families occupied double – or more – the dollars allocated in self-sufficiency budgets, which assume the use of public transit if available, or ownership of a used car. Given the location of many military bases, families may be more likely to own cars. No data are available to explain the transportation expenditures of military families.
- Military families spent about 1/3 fewer dollars on child care than self-sufficiency budgets allocated, on average. O3 families were an exception, spending what self-sufficiency budgets recommended, on average.

Why Might Families Experience Financial Risk?

We explored four possible explanations: (1) debt load; (2) expenditures for shelter; (3) expenditures for transportation; and (4) expenditures for child care vis-à-vis fee structures in military Child Development Centers.

Debt

- Military members' self-reports of unsecured debt on the 1999 Active Duty Survey did not differ systematically from those of civilians. Precision of these estimates was low, however.
- Data gathered at one military installation from over 40,000 new military trainees from 1997 to 2003 years suggests that rates of indebtedness are rising rapidly – from 26% of trainees four year ago to 42% now. The single largest component, accounting for about half of this indebtedness is car loans.

Shelter

- In 1999, military families with children younger than 6 spent more than the amount of their BAH on rent or mortgage, leaving them to pay for utilities and other shelter expenses out of pocket.
- Military families with young children tended to live in larger housing than military guidelines suggested, although they owned homes at lower rates than civilians.
- Regardless of where military members and their families lived (i.e., military vs. civilian housing), about two-thirds preferred to live in civilian housing.
- Recent changes in compensation have done much to eliminate shortfalls in shelter costs, although the gap between enlisted members and officers in Basic Allowance for Housing has widened slightly in the locations studied.

Transportation

- Military families spent considerably more for transportation than both civilians and self-sufficiency standards.
- Data from several thousand military members at one installation over a period of years suggest that debts for cars are being incurred early and often by young military members. We could find no evidence that these expenditures were driven by work-related need.

Fees in CDCs

- Compensation increases have substantially increased the percentage of military parents who do not qualify for child care subsidies. The lowest income category has not shrunk, however, indicating that substantial needs remain at the bottom of the income distribution.
- About 56% of one-earner families with a recognized need for child care would have difficulty affording it given their other spending and the availability of waivers; this represents about 1 in 5 of all one-earner families in the groups studied.

Recommendations

Develop an understanding of the high transportation expenditures of military members. As noted above, military members spend considerably more than civilians and self-sufficiency standards on transportation, regardless of whether they live in military or civilian housing. Available data offer no hints about whether this is due to needs or preferences; additional data would be very helpful and might be obtained via a small number of questions on one of the surveys in the Status of Forces series.

Assess the current suitability of military housing guidelines. The military families with children younger than six who were included in this study tended to live in housing that was larger than military housing guidelines would suggest. For example, they were more likely to live in single family detached homes at lower paygrades than the guidelines suggested – and spending more than their BAH as a result. Yet, they were less likely to live in such homes than civilians. Military policy makers may need to explore why young families are living where they do and whether it is because of space or safety concerns for their children. Housing guidelines currently make no provision for numbers or ages of children. If military families are assigned to home installations for longer periods in the future, good financial behavior would suggest they would purchase homes and housing guidelines and allowances may need to change to accommodate this likelihood.

Reconsider housing options for junior enlisted members with young children. Despite the fact that most military families in this study preferred to live in civilian housing, the families who did so seemed to be at a financial disadvantage. In addition, most of the families in this study believed there were advantages to living on base (although most did not want to do so). This was due in part to housing cost, but also to reduced savings at commissaries and exchanges. Military policy makers may want to consider offering junior enlisted families with financial problems or those who prefer to do so access to on-base housing.

Explore ways to increase the exchange and commissary savings of military families living off-base. Achieving greater savings would allow military families living in civilian housing to reduce any financial disadvantage they experience as a result.

Consider using an annual benchmark for child care subsidies. In an earlier section of this report, we noted that the highest level of child care subsidy became more difficult to qualify for during the late 1990's because the ratio of the income cutoff to the poverty threshold had fallen. A substantial adjustment was made, but the ratio has once again begun to fall. We suggest that the income cutoff for the highest level of subsidy be selected with attention to federal poverty guidelines, or the guidelines used for other important programs for children, such as WIC or Food Stamps.

Expand the availability of fee waivers for child care. Our data suggest that many more families might qualify for waivers of child care fees than actually request or receive them. Studies of the U.S. child care supply say that children who need care in families who cannot afford to pay for it will very likely end up in low-quality or even risky supervision arrangements – we have no way of knowing how military children are cared for in families that cannot afford to purchase care.

Ensure that comprehensive child care costs are taken into account when calculating allowances for cost of living. Cost-of-living allowances are based heavily on the Living Patterns Survey conducted by the Department of Defense. The only item on this survey that pertains to child care asks members what percent of their child care is purchased at a commissary or exchange. It might be helpful to conduct a special Living Patterns Survey with the parents of young children to gather much more detailed data about child care spending, including the amount, types, cost, and schedules of care for children of different ages (e.g., infants and toddlers). This information could be used to reduce the financial penalty currently paid by parents who are unable to use subsidized military child care.

Collaborate with the national Consumer Expenditure Survey to document the expenditure patterns of military families. The Consumer Expenditure Survey gathers very detailed information from civilians about income and spending. Survey staff already generate an annual summary of the data gathered from the small number of military members who are selected via random sampling strategies. If the survey were to include a much larger number of military members every year or every few years, detailed

analyses could be conducted of their income and expenditure patterns, which would be useful in calculating allowances for housing and for cost of living.

Ensure that parents living in civilian understand the high level of quality of military child care and its importance for child outcomes. Members living in civilian housing are more likely to use civilian child care arrangements. It is not clear that parents understand the degree to which the quality of military child care exceeds that available in the civilian sector.

Consider ways to subsidize the child instead of the care. Subsidies for child care have concentrated on particular forms of care when most families use multiple forms of care or choose not to use military care. Thus, military subsidies benefit only a percentage of parents.

Continue efforts to ensure that spouses who want to be employed are able to do so. Single earner military families are at a financial disadvantage. In substantial numbers of these families, one spouse was in school or looking for work, indicating a desire to be employed.

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INTRODUCTION

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- Absolute risk, meaning the degree to which military parents of children younger than six appeared likely to spend more than they earned.
- Risk relative to civilians, meaning the degree to which the spending patterns of military parents correspond to those of civilians in comparable work and family circumstances.
- Risk relative to self-sufficiency standards, meaning the degree to which the spending patterns of military parents of young children conform to standards for financial self-sufficiency.

Deciding what military families “should” earn or spend is challenging. One popular source for benchmarking income in families is the federal poverty threshold. Numerous problems with the poverty threshold have been recognized, however, the primary one being that it is simply too low allow families to meet their basic needs. For example, in 2000 the poverty threshold for a family of four was just \$17,050 per year (www.ssc.wisc.edu/irp/faq1.htm). Many assistance programs use a multiple of the poverty threshold as an eligibility standard. Medicaid, for example, is extended to families with incomes that are 150%, 185%, or 200% of the official poverty threshold, and families are eligible for WIC nutrition assistance if they fall at or below 185% of the poverty threshold.

Another flaw of the national poverty threshold is that it is outdated; since the 1960s, it has been adjusted only for inflation and income, without considering changes in the configuration of families’ needs. For example, the percentage of families with multiple earners has risen substantially, in turn increasing families’ needs for child care. Being above the “poverty line” thus does not mean that any given family can afford child care or live self-sufficiently.

The “Self-Sufficiency” standard provides a more useful method of assessing the monthly income and expenditures of families who *can* meet their basic needs and provide for themselves without relying on public assistance (Bernstein, Brocht, & Spade-Aguilar, 2000). By 2001, this standard had been calculated for all states, and often for each county in the state. The standard is now being used as a guide for wage-setting; a benchmark for evaluation; a standard in research; and a tool for policy, counseling, public education, and needs assessment. For these reasons, we use it as a benchmark.

METHODS

Data Sources: Military, Civilian, and Self-Sufficiency

Developing an accurate financial picture of military families is no easy matter. No data are available that provide details of each source of income and each spending decision made by a large number of military families. As a result, we used military data when they were available and civilian data when they were not, so long as there was no obvious reason to believe that civilian and military families would differ. The budgets presented here for military families are thus educated estimates of their likely expenditures, not actual records of the purchases of specific families.

The most recent available source of information about expenditures by military families is the **1999 Active Duty Survey**, described earlier. Several items were included in the survey that dealt with income and expenditures, such as household income, payments made for rent or mortgage, car payments, payments on unsecured debt, and fees paid for child care. The Active Duty Survey covered only a fraction of the kinds of expenditures normally made by families, and so we drew on additional sources of data specifically about the military.

Data from the 1999 Permanent Change of Station Costs Survey, originally conducted by Caliber Associates (Kerner-Hoeg & Spera, 2000) for the Force Management Policy arm of the Pentagon, provided information about the income and spending associated with the frequent moves required by military life. This service-wide survey was sent to 20,000 military members in 1999; 5,200 surveys were returned. The survey asked about the demographic characteristics of each member's family and the spending and reimbursements associated with their most recent permanent change of station. For the purposes of the current study, we focused on the 482 families with preschool children, calculating the median reimbursable and non-reimbursable spending and the reimbursements received against those expenditures.

The **1999 Living Patterns Survey**, conducted every few years by the Per Diem, Travel, and Transportation Allowance committee, provided data about military families' use of commissaries and exchanges and the savings they obtained as a result.

Department of Defense data were consulted about military pay and benefits. We also used this source for estimates of federal taxes paid by members, as well as income they received in the form of basic pay, allowances for housing and subsistence, and tax advantages.

For expense items for which no military data were available, and for information about the finances of civilian families, we consulted the **1998 Consumer Expenditure Survey**. Conducted by the Bureau of Labor Statistics annually since 1979 and periodically prior to that since 1888, the Consumer Expenditure Survey is the major tool used by the federal government to set the Consumer Price Index, the major measure of inflation in the United States. Respondents are selected using probability methods to be representative of the total civilian noninstitutional population. Cluster sampling methods are used, whereby 101 counties, groups of counties, or independent cities are first selected at random. Lists of all potential respondents within each of the included areas are then compiled using census data files. For the interview survey, approximately 9,000 addresses are contacted in each calendar quarter. In 1994, the response rate for the interview module was 83%; estimates were not available for data gathered in 1998 (Bureau of Labor Statistics, 1997).

The survey is conducted in two separate modules – an interview module where households are interviewed every 3 months over 5 calendar quarters, and a diary module where respondents complete a survey at home for two consecutive weeks. Respondents are encouraged to consult household financial records during the data collection interview, increasing our confidence that these are the best national data available for this purpose. Analyses for this report relied upon the interview data, which are designed to capture regular expenditures. Income and expenditure data are organized into several different formats in these files (Bureau of Labor Statistics, 1997):

- The “**Family**” data files contain summary data for each household studied, such as total income and totals for many types of expenditures. We used this data file for demographic information about respondents and their spouses, family structure, and summary data about specific types of expenditures.
- The “**Member**” data files contain information about individual members of each household. We accessed these files several times – first selecting data about the respondents, then for the spouses, and finally for data about preschool children. For respondents and spouses we sought information about their individual earnings from jobs, owned businesses, and farms. For children, we selected all the children who were younger than 6 and then selected the families of those children for analysis.
- Files on “**Expenditures**” include very specific information on many aspects of families’ financial situations. We used several of these files to access information about health care insurance coverage and costs; unsecured credit balances; and finance and interest charges paid to banks, credit unions, credit card companies, and other financial institutions.

Finally, the “**Income and Expenditures**” files contain over 3 million records of individual expenditure and income items, classified according to one of hundreds of precisely-defined categories, such as “men’s clothing – outdoor,” and “non-electric items for the hair.” We used these files for two purposes. First, we selected records for families who had expenditures of specific types (i.e., family child care in their own home) so that we could see what families who actually had expenditures in that category spent. These estimates were unweighted. Second, we used Bureau of Labor Statistics procedures to compile these individual income and expense items into larger categories, such as transportation, food, utilities, and so on. These analyses are similar to those reported in the annual Statistical Abstract of the United States, but they break dependent care spending into more specific categories and they focus only on families in particular income brackets who have specific family structures.

The last benchmark we present, the **Self-Sufficiency Budgets**, already existed. For a variety of reasons including activism on behalf of homeless families, movements toward self-sufficiency, welfare reform, and living wage campaigns, many communities and regions across the U.S. have undertaken the assessment of the minimum income needed for a family to be self-sufficient – to provide for itself independent of all government assistance. As such, self-sufficiency budgets represent a baseline or a minimum income necessary for adequate quality of life. In fact, self-sufficiency budgets tend to be quite austere, allocating no funds for savings for the future, entertainment, eating out, or vacations. They do, however, routinely include funds for child care because parents at low income levels must be employed to support themselves and require child care in order to do so. Each of the budgets we present was prepared by a team led by Diana Pearce. Professor Pearce’s methodology is very consistent with the recommendations made in a recent review of self-sufficiency budgets calculated in 19 different regions of the U.S. (Bernstein, Brocht, & Spade-Aguilar, 2000).

The Self-Sufficiency Standard encompasses the following categories of family spending: Housing, child care, food, transportation, health care, miscellaneous spending, state and federal taxes, earned income tax

credits, the Child Care Tax Credit, and the Child Tax Credit. In the Standard, costs that have little or no regional variation (e.g. food) are usually standardized, while costs that vary substantially (e.g., housing, child care) are calculated at the most geographically specific level available. The Standard is calculated for different family types based on number of adults, number of children, age of children, and geographic region. All adults are considered to be working full time.

We selected self-sufficiency budgets from three specific locations for our study, using military Cost-of-Living Allowance (COLA) rates as a guide. Howard County, Indiana was selected as a site for low-cost self-sufficiency budgets because it is designated as a 0% COLA area (according to 2001 COA rates). San Bernardino, California, was selected as a moderate-cost site because the COLA rate for that area is 4%. Westchester County, New York serves as a high-cost site; the COLA there is 9%.

Selection and Description of the Families Studied

Members of the U.S. military are distinct from the overall population of the United States. On average, military members are younger than the labor force as a whole; they tend to have very low rates of uneducated members relative to the civilian population; and they consistently earn income, unlike a substantial minority of civilians. For this study, we were specifically interested in studying families at particular paygrades who had preschool children. As a result, our first task was to develop and implement a strategy for selecting families with the desired characteristics for study.

Military Families. Because it was not feasible to try to consider every possible type of military family arrangement, we focused on families with specific characteristics. Initially, we focused on:

- Paygrades E1 through E6 and O1 through O3, based on the assumption that affordability problems, if they exist, would be most evident among members in lower paygrades. Warrant officers were excluded because their incomes were either very similar to, or higher than, groups already included in the study.
- Because the data did not make it possible to accurately assess the costs of care for school-aged children, we limited our consideration to families with one or two children younger than 6 and no other school-aged children living with them.

In order to closely replicate the financial situations of specific types of military families, we divided the sample into groups. Our aim was to use the most finely-tuned classification possible, but with each group large enough for us to feel confident about the applicability of the data it generated. In the results of the 1999 Active Duty Survey, data were not reported if they came from less than 30 respondents, and so we used this as an initial benchmark for the sizes of our groups.

Four basic characteristics of family life were considered: the number and ages of preschool children, the sources and amounts of family income, and where the family lived. Obviously the number of children needing care has a direct impact on spending for child care, but children's ages are also relevant because parents' preferences and the costs of certain types of care differ for older and younger children.

Family income is important because it determines the amount and type of care that can be purchased; fees at military child development centers are also set according to family income. The number and type of income sources in the family is related to the some of the financial benefits available to family members (i.e., dual-military families are a special case for some financial benefits). Spouses were considered to be employed if they reported serving in the military on active duty, working full- or part-time at a civilian job, working in a family business, or self-employed. Respondents with employed spouses were considered two-earner families (i.e., all military members responding to the survey were assumed to be

employed). Employed spouses who reported any military employment were classified as having military income.

Location includes both location in the world (i.e., whether posted inside or outside the continental U.S.), and the location of family housing in military or civilian quarters (military quarters are usually but not always located on base; we considered all military quarters as military housing regardless of whether it was on- or off-base; civilian housing was any form of housing paid for by the member). Location has many implications for both income (because many allowances are higher overseas and in civilian housing), and spending (because military housing carries lower costs for shelter and utilities, as well as easier access to other services at relatively low cost (Bacon, 2000)).

In our first classification attempt, we assigned military families to groups based on paygrade (E1-E6, O1-O3), the number of preschool children who lived with them (one, two), number of earners (one, two) sources of income (military, civilian), location (CONUS, OCONUS), and housing status (military, civilian). Using this classification method, 3,139 members were assigned to an unwieldy 216 groups. The average number of members was 14.5 per group and most groups included less than 10 members. We rejected this classification system as infeasible.

Our final strategy assigned families to groups defined by paygrade (E3-E6, O2-O3), number of preschool children (one, two), number of earners (one, two), and type of housing (civilian, military). Several groups were excluded because they were still too small to be considered: these included members in paygrades E1, E2, and O1 (2, 16, and 86 members, respectively); members in paygrades E3 and O2 with two preschool children (24 and 38 members respectively); and members stationed outside the continental U.S. (496 members). Using this method, 2,526 families were retained, yielding an average group size of 54.8 members. The families selected were similar to the overall military population in their distribution across services and paygrades. In almost all cases, the difference between our sample and the overall military population in the percentage of members from any given service or paygrade was 3% or less.

We regret the necessity of excluding the most junior enlisted and officer members from our analyses. The 2001 Profile of Military Communities indicates that there are 116,058 military members in paygrades E1 to E4 who have children (no estimates were available that broke out individual paygrades) – about 20% of all members of these paygrades (Military Family Resource Center, 2001). Readers should refer to our analyses of civilian families with similar incomes and family structures for hints about the experiences of junior enlisted and officer members.

Several other limitations of our sample should be mentioned. First, there were not enough cases to analyze separately joint-military families. We also were not able to construct separate budgets for families of infants and toddlers. Although military Child Development Center fees also make no distinction between infants and toddlers, providing care for infants is more costly than caring for toddlers and civilian child care fees reflect this. We also make no formal distinction between one- and two-parent families with one earner, although we do examine the percentage of one-parent families in both the military and civilian samples, as well as some other “special groups” (e.g., members and spouses with two jobs; spouses who work part-time).

In summary, our sample of military families included:

- 2,526 families
- paygrades E3 to E6 and O2 to O3
- families with one or two preschool children (one child only for E3 and O2)
- families stationed in the continental U.S.

- families with one or two earners
- families living in military-paid or member-paid family housing

Across paygrades, most of the respondents with preschool children were male, ranging from 74% of the E3 respondents to 92% of the E6 respondents. As might be expected, members in more junior paygrades had completed fewer years of military service: 98% of members in paygrade E3 had completed four years of service or less, while 51% of members in paygrade O3 had completed between 7 and 10 years of active duty service. Over 90% of the members in every paygrade were married. Between 13% and 29% of the members' spouses were employed full-time; approximately 10% were employed part-time. In the civilian population, over 60% of mothers of children younger than 6 are employed (U.S. Census Bureau, 1999). Most members in this sample had only 1 preschool child. The percentage of members with two preschool children ranged from a low of 19% among members in paygrade E3 to a high of 43% in paygrade O3.

Estimating Income in Military Families. Reporting the income of military families, particularly when the aim is to conduct comparisons with non-military families, is not straightforward because military members receive several different types of both direct and indirect compensation. Components of military compensation paid directly to various military members include basic pay; allowances for housing; subsistence; and regional variations in the cost of living; special pay for particular duties or hazards; and bonuses for enlistment and reenlistment. Indirect compensation includes low-cost access to medical, dental, and psychological care; savings on food purchases at military commissaries; tuition assistance; subsidized child care; fitness centers; libraries; and structured opportunities for hobbies and recreation (Pleeter, 2000).

Our first instinct was to use military parents' reports of their gross household income from the 1999 Survey of Active Duty Personnel. This proved problematic for two reasons. First, the survey asked military members to report monthly gross income to the household from all sources, thus collapsing together earnings (possibly from multiple earners and/or jobs), allowances, government assistance, and interest and dividends. This made it impossible to separate income components such as spouses' earnings. The breadth of the question also led us to suspect that there might be inconsistencies across members in what was reported (e.g., some members may have excluded allowances and others not). As a result, we sought a second estimate of military household incomes.

By law, "regular military compensation" (RMC) is equivalent to the salaries paid to civilians in the private sector. Regular military compensation includes basic pay, allowances for housing and subsistence, and the tax advantage that comes from the tax free status of these allowances (Pleeter, 2000). We use 2000 published rates of regular military compensation as our primary estimates of income for military members. We estimated spouses' income as the difference between the levels of income reported by one- and two-earner military families in the 1999 Active Duty Survey, controlling for the number of preschool children and housing status (i.e., whether paid for by the military or by the member).

We selected estimates of regular military compensation based on the average years of active duty service reported by members on the 1999 Active Duty Survey (summarized below in Table 1). For members in paygrades E1 and E2, we selected the level of RMC assigned to members with the least experience.

Table 1Average Years of Active Duty Service by Paygrade

	E1	E2	E3	E4	E5	E6	O1	O2	O3
Average years of AD service	Too few cases	Too few cases	1.0	1.5	2.7	3.9	2.0	1.8	2.8
Range of years of AD service	Too few cases	Too few cases	1-3	1-8	1-6	1-6	1-6	1-6	1-9

Table 2 presents both members' self-reports of income in the Active Duty Survey and our estimates based on RMC. At lower paygrades, our estimates are higher than members' self-reports; the opposite is true at higher paygrades. This is probably because self-reports of income are lower for members living in military housing, who are more common at lower paygrades. The maximum discrepancy was \$335 per month. In our results, we calculate risk using both members' self-reports and RMC-based estimates. Because we could not independently verify our estimates of regular military compensation and could not do so for members' self-reports, however, we used RMC-based estimates to select the civilian matching sample.

Table 2Comparison of Regular Military Compensation and Self-Reported Income

Regular Military Compensation	\$1,905	\$1,869	\$2,085	\$2,343	\$2,600	\$2,961	\$2,954	\$3,556	\$4,325
Household income reported by one-earner parents of preschoolers on 1999 Active Duty Survey (weighted mean)	Too few cases	Too few cases	\$1,862	\$2,046	\$2,498	\$3,291	\$3,156	\$3,378	\$4,660
Difference between RMC and reports on Active Duty Survey	Too few cases	Too few cases	\$223	\$297	\$102	(\$330)	(\$202)	\$178	(\$335)

Civilian Families. Once the military sample had been selected, we turned to the civilian data from the Consumer Expenditure Survey to find civilian parents of preschoolers who matched the military sample in family structure and income. In all, 29,192 families were included in the 1998 Consumer Expenditure Survey. These families had a total of 12,192 children; 2,057 families had only preschool children.

When we began to select civilian families to match the income levels and family structure of each military group, we found that it was impossible to construct non-redundant groups large enough for analysis. This occurred because the range of incomes in the military sample was very narrow relative to the range in the civilian sample (where, for example, many individuals earn less than \$10,000 per year, less than any Active Duty military member would earn). We decided to treat each of the civilian groups we created as an independent sample unrelated to any of the others. So, to match E1's we selected the 100 civilians on either side of the mean income for the military group, adjusting the upper and lower income bounds slightly to achieve a good match of the average income. To match E2's we selected the 100 cases on either side of the E2 income mean, regardless if they had been selected for comparison to E1's, continuing this process until we had matched all paygrades by income and earner status. Thus, data for the same civilian family may be included in multiple comparison groups. If we were calculating

inferential statistical analyses this would be a serious problem because we violate the assumption of independent samples that many statistics require. In this case, however, we are calculating only descriptive statistics for the purpose of comparing military and civilian samples. So long as no attempt is made to statistically compare one civilian group to another we are on solid ground.

In all cases, the difference between average incomes for the civilian and military groups was less than \$100, as shown in Table 3. Groups were matched on paygrade and the number of earners. Some of the between civilian and military groups widened after the groups were split into families with one or two children.

Table 3
Matched Income Data for Military and Civilian Samples

Per month	E1	E2	E3	E4	E5	E6	O1	O2	O3
RMC	\$1,905	\$1,869	\$2,085	\$2,343	\$2,600	\$2,961	\$2,954	\$3,556	\$4,325
CES one earners	\$1,909	\$2,030	\$2,089	\$2,343	\$2,617	\$2,961	\$2,961	\$3,552	\$4,320
<i>Difference between military and civilian</i>	(\$4)	(\$61)	(\$4)	\$0	(\$17)	\$0	(\$7)	\$4	\$5
Est. spouse earnings*	\$1,030	\$743	\$943	\$909	\$1,077	\$772	\$1,126	\$1,552	\$1,341
RMC + sps	\$2,935	\$2,762	\$3,028	\$3,252	\$3,677	\$3,733	\$4,080	\$5,108	\$5,666
CES two-earner family income	\$2,943	\$2,765	\$3,022	\$3,242	\$3,670	\$3,729	\$4,086	\$5,101	\$5,662
<i>Difference between military and civilian</i>	(\$8)	(\$3)	\$6	\$10	\$7	\$4	(\$6)	\$7	\$4

* Within each paygrade, estimated as the difference between one- and two- earner families in reported monthly household income

The final civilian sample contained 968 families. On average, the respondents and their spouses were 31 years old. Over 85% of the reference persons and 87% of the spouses were white. Males comprised 65% of the sample; 82% were married. Approximately 10% of the sample comprised single parents. About two-thirds (68%) of the families had 1 preschool child, 32% had 2. In about half of the families, one of the preschool children was under 2 (46%). One-third (33%) of the families contained one earner and two-thirds (67%) included two earners. Median earnings were \$28,620 for respondents and \$23,320 for spouses. The most common occupations for respondents were professional (17%), administrative support (10%), machine operator (10%), and administrator/manager (10%). About 80% of the respondents and their employed spouses worked in private industry; about 4% were self-employed. Respondents were more likely than spouses to report working full-time (82% vs. 63%).

We created 36 groups of civilian parents by classifying them according to the paygrade they were designed to match (E1 – E6, O1 – O3), and family structure (one-earners with one child and two children; two-earners with one child and two children).

Matching Military and Civilian Data to Self-Sufficiency Budgets

Self-sufficiency data were not available in every location for every type of family included in this study. As a result, the following comparisons were used:

- Military and civilian one-earner families with one child were compared to self-sufficiency budgets for one adult and an infant. Because they include only one adult, self-sufficiency budgets will likely *underestimate* true minimum income for one-earner military and civilian families. They were chosen, however, because all self-sufficiency budgets with two adults assume two earners.
- Military and civilian one-earner families with two children were compared to self-sufficiency budgets for one adult, an infant, and a preschooler. Because they include only one adult, self-sufficiency budgets will likely *underestimate* true minimum income for one-earner military and civilian families. They were chosen because all self-sufficiency budgets with two adults assume two earners.
- Military and civilian two earner families with one child were compared to self-sufficiency budgets for two adults, a preschooler, and a school-aged child. Because they include a second child, self-sufficiency budgets will likely *overestimate* true minimum income for military and civilian families in this category. They were chosen because no estimates were available for household containing two adults and one child.
- Military and civilian two earner families with two children were compared to self-sufficiency budgets for two adults, an infant and a preschooler.

Methods Used to Estimate Family Budgets

In order to estimate family budgets, we first reviewed existing literature to determine which income and expense items should be included. During this process, we learned that self-sufficiency budgets set to zero many expenses deemed not necessary for minimum subsistence (e.g., entertainment, savings, and debt). We also identified a number of sources of income and expense that are unique to military families, such as allowances for housing and subsistence and reimbursements for Permanent Changes of Station. Once we had determined all of the income and expense categories to be included, we searched for data about the actual cash flows associated with these items for different types of families. We immediately sought out the 1999 Survey of Active Duty Personnel and the Consumer Expenditure Survey. We found limitations in each of these data sources, however. The Active Duty Survey asked about only a few income and expense items. Furthermore, with the exception of child care costs, each income and expense item asked respondents to choose a range of values, as opposed to indicating a specific dollar amount. Our research also revealed that the publicly-available tables produced by the Consumer Expenditure Survey (CES) did not present data for the combinations of family structures and income levels that interested us. In addition, the costs of child care were buried within the category “household operations” in the publicly-available tables from the CES. Consequently, it was necessary for us to obtain the raw data and conduct original analyses.

Once we had identified all of the information needed and acquired the necessary data sources, we began to estimate each item in the budgets. For every item, we tried to develop a definition or method of calculation that would be consistent across each type of budget. In some instances this was not possible. For example, self-sufficiency budgets collapse utilities, household and personal expenses, and apparel and services into a single category of expense estimated as 10% of all other expenses, while the Consumer Expenditure Survey records each item separately. We tried to base our estimates on the most comparable group possible, matching on both number of children and number of earners within paygrade whenever possible. At times, however, this was not possible and we had to collapse families with one and two children to calculate an estimate.

The complete family budgets we compiled are displayed in Appendix B. The budgets are presented in 36 tables, which are grouped by paygrade (E1-E6; O1-O3) and by family type:

- One-earner families with one child younger than six (Tables B1 - B9)
- One-earner families with two children younger than six (Tables B10 – B18)
- Two-earner families with one child younger than six (Tables B19 – B27)
- Two-earner families with two children younger than six (Tables B28 – B36)

Each table contains information for several budgets. From left to right, the budgets are for:

- Military members living in military housing
- Military members living in civilian housing
- Civilians with comparable incomes and family structure
- Self-sufficiency budget for similar family structure in a low cost-of-living area
- Self-sufficiency budget for similar family structure in a moderate cost-of-living area
- Self-sufficiency budget for similar family structure in a high cost-of-living area

In several tables, no data are presented for military members and those columns are shaded in gray (Paygrades E1, E2, and O1; E3 and O2 where there are two children). As explained in the methods section, too few cases were available in the data from the 1999 Active Duty Survey for analyses of these groups. Data were compiled for civilians, however, and matched to military members using income estimates based on Regular Military Compensation. The self-sufficiency budgets for that family type are also presented. Because self-sufficiency budgets are intended to define minimum spending for particular types of families, the figures in the self-sufficiency columns are the same for all families of a given type.

The far right column of each table contains line numbers for each total, and income or expense item. Appendix C contains a line-by-line description of the source and construction of the information in each budget. Readers should remember that it was necessary to make a variety of arbitrary decisions and compromises when compiling these budgets – we recommend keeping Appendix C close at hand when the budgets are being examined.

Rather than reproducing the exhaustive detail in Appendix C here, we present and respond to questions about some of the key aspects of the methods used to calculate the budgets.

Civilian data are used to estimate several types of expenditures by military families.

Why does this occur and how does it affect the accuracy of the budget estimates?

Military data were not available for all of the expense items included in the family budgets. Estimates for the remaining items were based on civilian data, as follows:

- Estimates of spending for education, entertainment, finance charges, and cash contributions were derived solely from civilian data.
- Both military and civilian data were used to construct estimates of spending for household and personal items, health care, transportation, food, utilities, shelter, and insurance and pensions (included under miscellaneous).
- Expenditure estimates derived solely from military data were those for child care, taxes and moving (included in miscellaneous).

Although it certainly would have been preferable to use data from military families to estimate every expenditure, we made every effort to identify ways in which military families might differ systematically from civilians. For example, we subtracted commissary and exchange savings from civilian data to arrive

at our military estimate of spending. We used civilian data to estimate health care costs, but prorated the results by the ratio of military to civilian health care costs in the population as a whole. Each of these adjustments is detailed in Appendix C.

The Active Duty Survey was conducted in 1999 but the civilian data come from 1998.

How were dollar figures from different years made comparable?

Data from different years were made comparable by adjusting for inflation. We used the Consumer Price Index inflation calculator to determine the conversion factor necessary for data from each year so that we could express results in constant year 2000 dollars. Figures from 1998 were multiplied by 1.06 to adjust for the 6% total inflation rate across those two years. Figures from 1999 were multiplied by 1.03.

The financial items on the Active Duty Survey are formatted as ranges – how was it possible to calculate average income or spending?

Virtually all of the military income and expenditure data, as well as data on work hours, were gathered using items that asked respondents to choose among several ranges of values. In order to be able to calculate mean scores for different types of families, these categorical data were converted to continuous data or integers. This was done by assigning values in each category a dollar value equal to the midpoint of the category (e.g., household income between \$1,001 and \$2,000 per month was assigned a value of \$1,499.5). While this is a widely accepted statistical practice and allows us to use the best data currently available, it has the obvious shortcoming of imprecision – we have no way of knowing WHERE in a given range respondents' scores were located. Furthermore, the amount of variability in members' reports is limited to only 8 or 9 categories.

Why are some income and expense estimates the same for every type of family within a paygrade?

In general, this occurred when there were too few reports to calculate a reliable estimate for smaller groups, when the data contained extreme values, or when no more detailed data were available. Estimates for taxes were available only at paygrade level. Basic allowance for housing is the same for all members with dependents in a given paygrade. The number of families in the Permanent Change of Station Cost Survey with preschool children was so small that estimates were calculated only at paygrade level. Regular Military Compensation is the same for all one- or two-earner families within a paygrade regardless of the number of children.

Military members get reimbursed for many expenses. How is this reflected in the financial data?

For expenditure items estimated from civilian data, business-related expenditures that get reimbursed are excluded from the financial data (both income and spending) (Bureau of Labor Statistics, 1997). For items estimated from military data, we attempted to estimate reimbursements and allowances for items that every military member is likely to receive regularly. This was true, for example, for dislocation allowances and reimbursement for costs associated with Permanent Changes of Station. We did not attempt to estimate income or spending associated with irregular or infrequent events such as re-enlistment bonuses or hazardous duty pay.

Military members receive Cost of Living Allowances (COLA). Why aren't these included in income?

Military members were able to include Cost of Living Allowances in their reports of household income. We did not include COLA allowances in our RMC-based estimates because this study focuses only on

members stationed in the continental United States, where only about 2% of military members receive COLA. Because both the military and civilian samples include respondents from all over the country, and are structured to faithfully replicate the characteristics of the overall population, variations in the cost of living are automatically taken into account. Self-sufficiency budgets were selected from areas of the country designated by the military as low-, moderate-, and high-cost.

What are sample “weights”? How are they used?

When research samples are constructed by varying the proportions of respondents selected from specific groups, it is usually necessary to adjust the resulting data to match the characteristics of the national population. Data from both the Active Duty Survey and the Consumer Expenditure Survey were adjusted in this way by the original researchers.

How exact are these budgets?

When a sample is selected with the aim of accurately representing a much larger population, it is important to measure the degree to which this goal has been achieved. The standard error of the mean is typically used for this purpose. Statistical laws of probability tell us that there is a 95% chance that the “true” value of a mean in the population falls within 2 standard errors of the value in the sample. That is, if the sample mean is 5 and the standard error of the mean is 1, there is an approximately 95% chance that the true population mean is between 3 and 7. Thus, the smaller the standard error, the more precisely the sample value estimates the population value.

Standard errors are reported in Appendix B for each income and expense item reported by military families – each of these lines is labeled “Precision of estimate.” In general, precision is better (i.e., the standard errors are smaller) for items like rent, mortgage or food than it is for reports of savings or debt. This is good news for the accuracy of the budgets, as items with lower precision (i.e., savings or debt balances) were not included in estimates of affordability from month to month.

To whom can the findings in this report be generalized?

Although the application of weights helps to make samples more accurately represent the populations from which they are drawn, a healthy dose of caution is required when making generalizations based on the family budgets presented in this report. The limited available supply of military data necessitated many compromises to construct the budgets. At best, they should be considered educated guesses about the financial landscape of military parents of preschoolers in the paygrades we studied.

How can readers know when differences between groups are “real”?

This report is purely descriptive. No inferential analyses were used to determine the statistical significance of differences between groups, in part because our data came from so many sources. Readers are cautioned against making fine comparisons among groups.

Some of the expense items in Appendix B are labeled “for those who pay.” What does this mean?

Several estimates of child care expense are included in each family budget; most are based only on families who pay for that type of care. Because a substantial minority of both civilian and military families do not pay for child care, overall group means do not provide a good estimate of actual child care costs. Including the zero values for families who do not purchase child care lowers the overall mean, resulting in an underestimate of the actual costs of care to parents.

The groups of one-earner families contain some families with only one parent. How does this affect the results?

There are many reasons that single parents ideally would be considered separately from one-earner families with two parents. Most single parents in the U.S. are women, who tend to earn less than men throughout the labor force. Single parents also may need more child care than married parents, who have a partner to assist with child care responsibilities. If a large proportion of the military sample consisted of single parents, and if their incomes were low, we might mis-estimate financial risk. Table 4 reports the percentage of single parents in each paygrade in the military sample, as well as the income differences between one- and two-earner families. The percentages of one-earner families in each paygrade were relatively small. The highest percentages were in the E3 and E4 paygrades, where slightly more than 10% of the parents were single. Somewhat unexpectedly, about half of the groups of single parents of preschoolers reported higher incomes than married one-earner parents. Because their representation was so small, and because their incomes were generally not lower than those of married parents, we determined that retaining single parents in the samples was unlikely to distort our assessments of financial risk.

Table 4
Income Differences between One- and Two-Parent Families

	E3	E4	E5	E6	O2	O3
% Single Parents	10.6% (n=16)	10.4% (n=46)	7.1% (n=47)	6.2% (n=23)	2.1% (n=3)	2.1% (n=16)
Income reported by 2-parent families	\$1,888	\$2,006	\$2,469	\$3,358	\$3,370	\$4,660
Income reported by 1-parent families	\$1,735	\$2,213	\$2,659	\$2,898	\$3,640	\$4,643
<i>Difference</i>	<i>\$153</i>	<i>(\$207)</i>	<i>(\$190)</i>	<i>(\$460)</i>	<i>(\$270)</i>	<i>\$17</i>

What about members and spouses who have multiple jobs?

As with single parents, it is reasonable to suspect that individuals with multiple jobs might earn more than individuals with only one job. To the extent that this is common within our sample, we could underestimate risk. Table 5 summarizes the representation and income of members and spouses with multiple jobs in the military sample. Although the percentages of individuals with multiple jobs were sometimes larger than the representation of one-parent families, for example, once again our suspicions about income were generally unfounded. In most cases, families where there was a member or spouse with multiple jobs reported less income than families where members or spouses held only one job.

Table 5
Multiple Jobs in the Military Sample

	E3	E4	E5	E6	O2	O3
% Members with multiple jobs	8.0% (n=7)	14.0% (n=29)	15.3% (n=36)	18.1% (n=27)	8.3% (n=6)	5.6% (n=16)
% One-earner families where member had multiple jobs	9.7%	13.7%	13.0%	16.8%	7.6%	3.7%
Income reported by families where member had 2 jobs	\$1,634	\$2,615	\$2,375	\$3,753	\$3,605	\$5,253
Income reported by families where member had 1 job	\$1,883	\$1,955	\$2,522	\$3,203	\$3,356	\$4,640
<i>Difference</i>	<i>(\$249)</i>	<i>\$660</i>	<i>(\$147)</i>	<i>\$550</i>	<i>\$249</i>	<i>\$613</i>
% Two-earner families where member had multiple jobs	6.3%	14.4%	16.7%	20.0%	9.1%	8.3%
Income reported by families where member had 2 jobs	\$1,879	\$3,026	\$3,613	\$2,940	\$3,557	\$5,792
Income reported by families where member had 1 job	\$2,839	\$2,938	\$3,566	\$4,103	\$4,967	\$6,024
<i>Difference</i>	<i>(\$960)</i>	<i>\$88</i>	<i>\$47</i>	<i>(\$1,163)</i>	<i>(\$1,410)</i>	<i>(\$232)</i>
% Spouses with multiple jobs	2.7% (n=2)	1.5% (n=3)	6.2% (n=20)	5.4% (n=9)	2.5% (n=4)	5.9% (n=17)
Income reported by families where spouse had 2 jobs	\$2,575	\$2,575	\$3,226	\$3,336	\$3,981	\$5,688
Income reported by families where spouse had 1 job	\$2,853	\$2,946	\$3,583	\$4,141	\$5,057	\$6,046
<i>Difference</i>	<i>(\$278)</i>	<i>(\$371)</i>	<i>(\$357)</i>	<i>(\$805)</i>	<i>(\$1,076)</i>	<i>(\$358)</i>

Civilians report income from many sources – how are these handled in military budgets?

Military members were encouraged to include income from all sources in their self-reports of household income. The amount of income civilians reported from sources of income other than wages and salaries was typically between \$100 and \$200 per month. Table 6 reports the percent of military and civilian families in this study who received income from three nonwage sources. Military members appeared to be less likely than civilians to receive alimony, most likely because most military respondents were male. Military members in paygrades E3 and O3 also appeared to be less likely than civilians to receive child support.

Table 6
Percent of Military and Civilian Samples Receiving Income from Various Sources

	E3		E4		E5		E6		O2		O3	
	M	C	M	C	M	C	M	C	M	C	M	C
Alimony	0	6.2	5.5	5.3	0	5.3	0	5.9	1.9	0.9	0	0
Child support	7.6	13.6	7.4	5.2	5.0	4.1	4.1	2.7	0	2.8	1.0	7.0
Food stamps	7.5	4.5	4.2	4.2	1.4	2.5	0.5	1.4	0	1.4	0.1	0

Child care costs seem high in the self-sufficiency budgets – do they really represent minimum income levels?

Estimates of child care costs in self-sufficiency budgets are based on state surveys of actual costs, consistent with recommendations by Bernstein, Brocht, and Spade-Aguilar (2000). Children younger than 3 years of age are assumed to receive full-time care in family day care homes. Children aged 3 to 5 are assumed to receive full-time care in day care centers. Children living in rural areas with few centers are assumed to receive full-time care in a family day care home. Costs are set at the 75th percentile of costs in the state, by age of child and type of care. The Family Support Act of 1988 uses this standard to set maximums for child care subsidies (Bernstein et al., 2000). Readers should keep in mind that the quality of care and staff compensation in most civilian settings are adequate at best; part of the aim of the 75% standard in self-sufficiency budgets is to ensure that children are provided care of at least minimally adequate quality.

There are no civilian data for payments on unsecured debt. How was this handled in budget estimations?

The Consumer Expenditure Survey tracks expenditures so precisely that the cost of each item charged on a credit card is recorded in the cost category of the original item (e.g., food, clothing). Costs for finance charges, interest, and late fees are recorded separately. In the 1999 Active Duty Survey, military members reported their monthly payments toward unsecured debt. We were unable to use these reports in the calculation of budgets for military families, however, because costs for some of those items were already included in the civilian data we were using to estimate the costs of, for example, food and household items – these expenses would have been double-counted. As a result, we used civilian data to estimate finance charges and interest for military members. Both military and civilian respondents reported their total balances for savings and unsecured debt (see Lines 36 and 38 in Appendix B).

What are the other limitations of the results?

We've already described limitations stemming from the need to convert income ranges to dollar amounts, the need to use civilian data to estimate military spending, and in some instances, small group sizes. We also were unable to match family structures exactly when comparing military budgets to self-sufficiency standards.

As is true with many secondary analyses of national data, the time that has elapsed between the collection of the original data and the preparation of this report means that this report already might be out of date. By adjusting for inflation, we were able to use 2000 as our benchmark year. But the financial lives of many military members have changed a great deal in recent months, with service members receiving substantial increases in pay and allowances. A special section at the end of the presentation of results considers the financial impact of these changes on the groups at greatest financial risk.

In the next section, we draw on the data in Appendix B to examine the financial landscape for military parents.

WHAT IS THE FINANCIAL CONDITION OF MILITARY FAMILIES WITH YOUNG CHILDREN?

We answer this question by considering “absolute” and “relative” risk. Absolute risk deals with what families DO spend, and the degree to which they are likely to spend more than they earn. Relative risk tries to address the issue of what families SHOULD spend, according to comparisons with a) civilian families with similar incomes and family structures; and b) objective standards for minimum family budgets.

Absolute Risk:

Which Military Families with Young Children Risk Spending More than They Earn?

We first calculated the difference between average family expenditures and average family income. The greater the margin by which income exceeded spending, the lower the level of “absolute risk” for the family. Because the Office of Military Community and Family Policy was specifically interested in the affordability of child care, we calculated risk by comparing the amount of income remaining after all spending but that for child care had been taken into account to the fees that military child development centers would charge a family of that structure and income level:

- Risk was considered **High** when funds remaining after all but child care spending were less than the minimum CDC fees for that group.
- Risk was considered **Moderate** when the funds remaining after all but child care were within the range of CDC fees for that group.
- Risk was considered **Low** when the funds remaining after all but child care spending exceeded the maximum CDC fees for that group.

Figure 1 is a graphic summary of the risk classifications. The chart is divided into three sections: civilians, military members living in military housing, and military members living in civilian housing. Paygrades E1 through O3 are listed across the top for each section. The top four rows of the chart present data for one-earner families, separately for one- and two-child families; the bottom four rows are for two-earner families. Two estimates of income are included for each group: our estimates of income based on Regular Military Compensation and members’ self-reports of income.

Cells in the chart are colored to indicate low, moderate, and high risk, respectively; the darker the color, the higher the risk. Cells left blank indicate groups for whom no data were available. We can make several observations regarding the figure:

- Most groups of civilian families of children younger than six experienced high or moderate risk, meaning that their purchases of other goods and services did not leave sufficient funds, on average, to purchase child care equaling the cost of minimum CDC fees.
- About half of the groups of military families living in civilian housing experienced high or moderate risk.
- Less than 10% of the risk estimates for military families living in military housing were high or moderate.

- Although in general higher income appeared to be associated with lower risk, some groups at relatively high levels of income (e.g., paygrade O2) experienced high or moderate risk.
- Families with one income appeared to be more likely to experience high risk than families with two incomes, especially when they lived in civilian housing. Most families in this group (60%) have a homemaker spouse and thus may not need child care; in about 40% of one-earner families one parent is unemployed and looking for work, a student or a single parent and thus require child care.
- When military families living in military and civilian housing experienced different levels of risk, families living in civilian housing always received the higher rating. This may be due in part to the low cost of military housing and to the larger savings members living in military housing were able to achieve at commissaries and exchanges.
- Although military data were not available, data for civilians with similar income suggests that military families in paygrades E1, E2, and O1 would experience high risk in most groups of families.

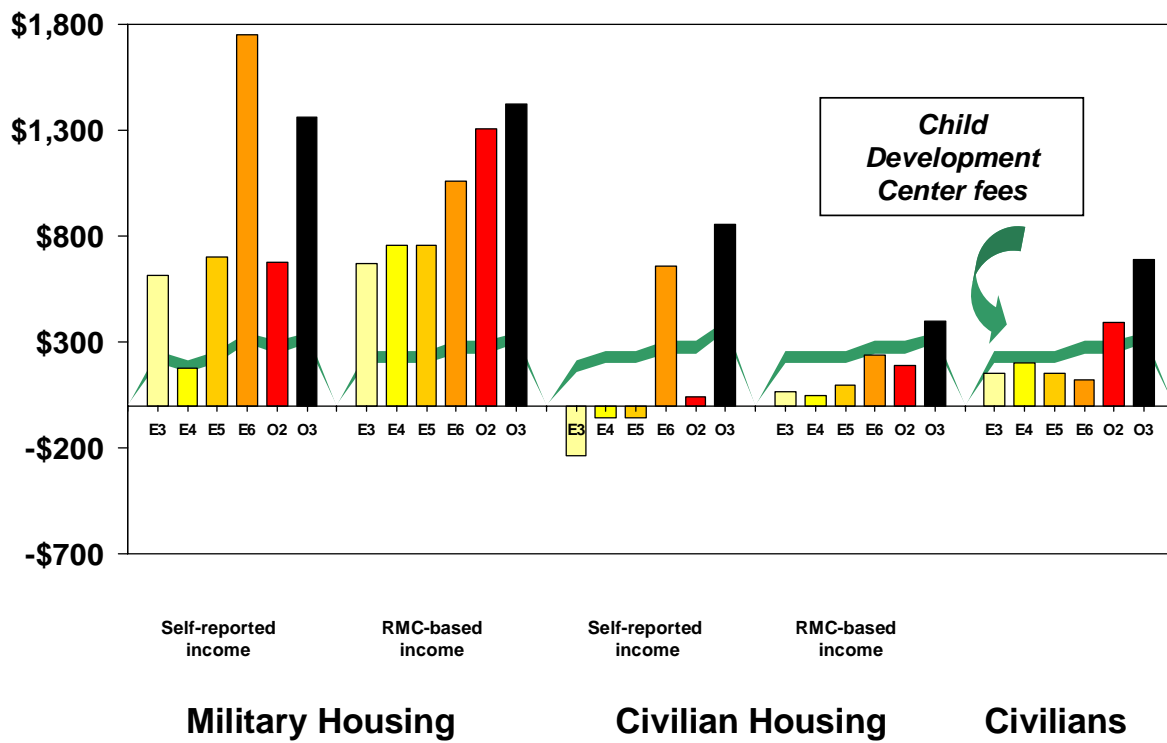
Figures 2 through 5 provide more precise information about absolute risk. For each group of families, we calculated the number of dollars remaining after all expenses but child care had been met, which we called an “Risk Index.” Two versions of the index were created– one using members’ and civilians’ self-reports of income and one using our estimates of income based on Regular Military Compensation (estimated only for military families). Each figure presents data for one type of family:

- Figure 2 – One-earner families with one child
- Figure 3 – One-earner families with two children
- Figure 4 – Two-earner families with one child
- Figure 5 – Two-earner families with two children

The fees that would be assessed by military Child Development Centers according to family income are also shown in each chart, as a colored ribbon or band traversing each group of bars. The vertical position of the band indicates the fee that would be charged for that group according to the 2000-2001 sliding fee scale. Bars that fail to reach at least the bottom of the fee band indicate groups that do not appear to have enough money left to pay for Child Development Center fees after making other purchases, or at high financial risk for spending more than they earn after purchasing child care.

Figure 2
Affordability Index for Military Families:
Single-Earner Families with One Child

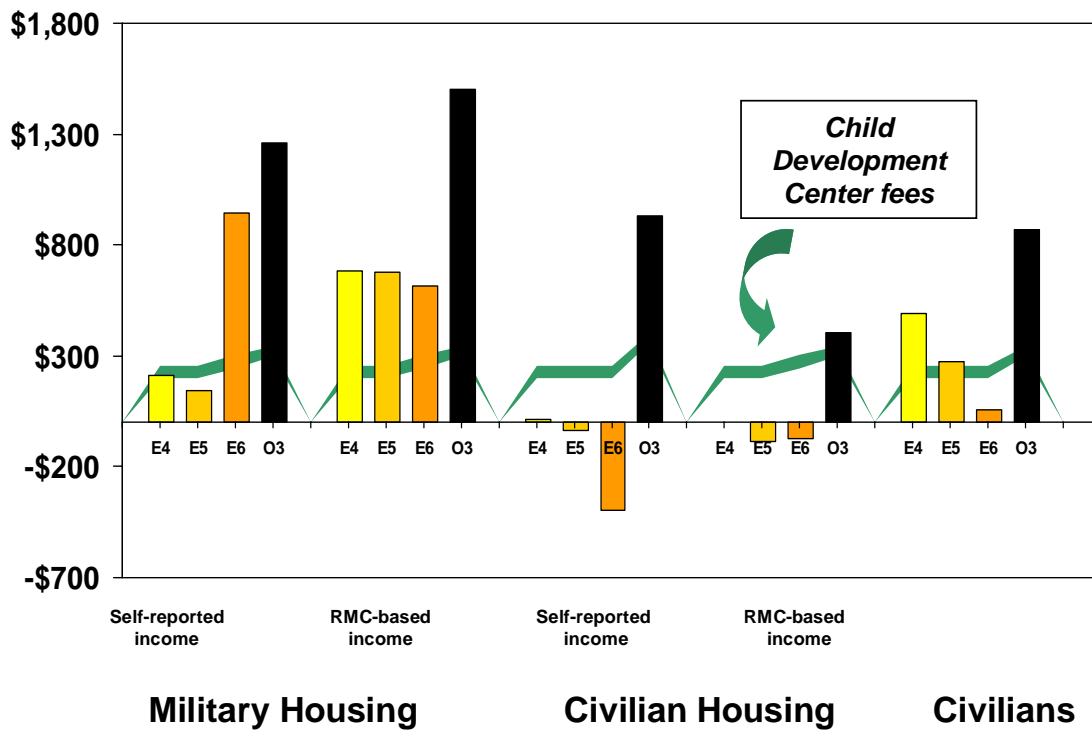
(Affordability is defined as the dollars remaining to pay for child care after all other household expenditures have been taken into account)



Note:
 The range of fees that would be assessed by military Child Development Centers for each group are shown in the band or ribbon behind the bars. Bars that fail to reach at least the bottom of the fee band indicate groups that do not appear to have enough money left to pay for Child Development Center fees after other expenses have been met.

Figure 3
Child Care Affordability for Military Families:
Single-Earner Families with Two Children

(Affordability is defined as the dollars remaining to pay for child care after all other household expenditures have been taken into account)



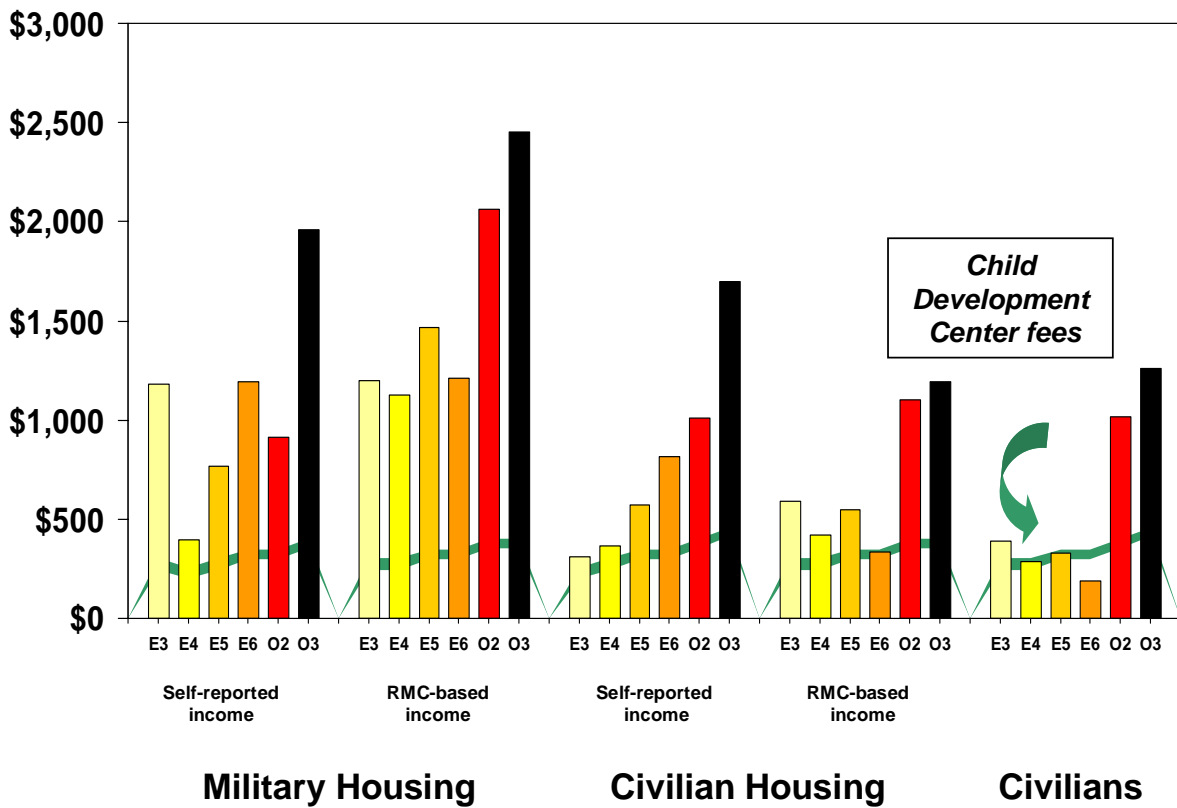
Notes:

The range of fees that would be assessed by military Child Development Centers for each group are shown in the band or ribbon behind the bars. Bars that fail to reach at least the bottom of the fee band indicate groups that do not appear to have enough money to left to pay for Child Development Center fees after other expenses have been met.

Pay grades E3 and O2 are not included in this figure because of insufficient data.

Figure 4
Child Care Affordability for Military Families:
Dual-Earner Families with One Child

(Affordability is defined as the dollars remaining to pay for child care after all other household expenditures have been taken into account)

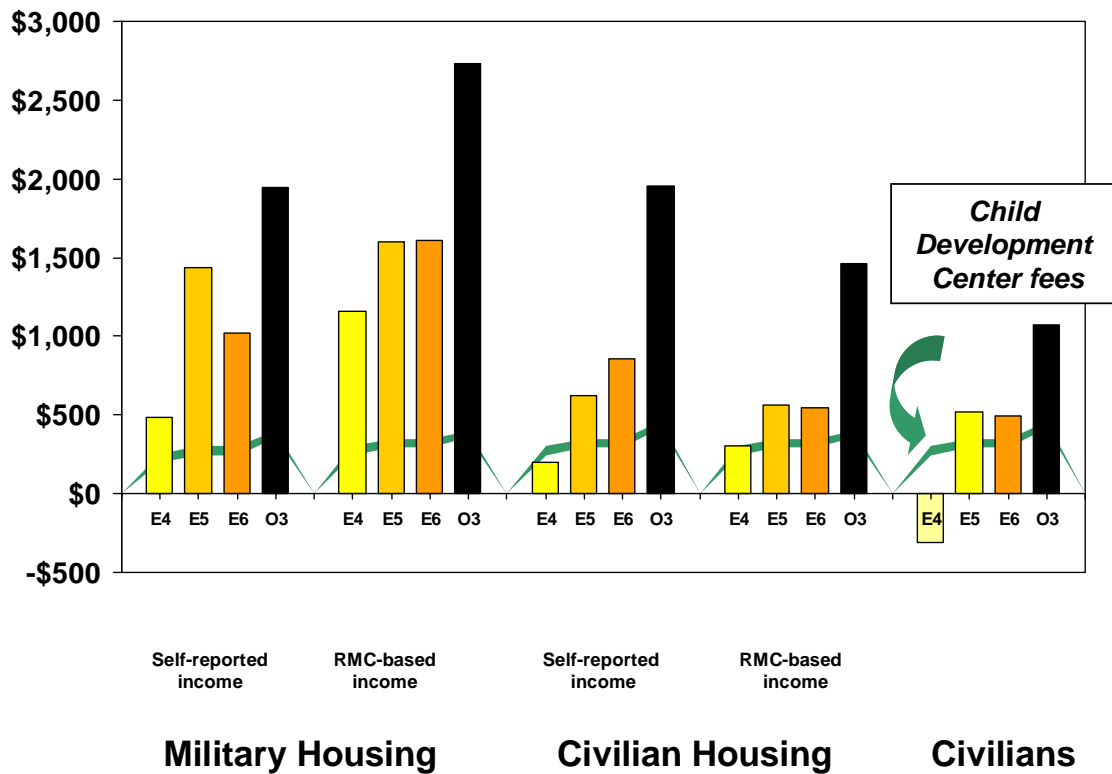


Notes:

The range of fees that would be assessed by military Child Development Centers for each group are shown in the band or ribbon behind the bars. Bars that fail to reach at least the bottom of the fee band indicate groups that do not appear to have enough money left to pay for Child Development Center fees after other expenses have been met.

Figure 5
Child Care Affordability for Military Families:
Dual-Earner Families with Two Children

(Affordability is defined as the dollars remaining to pay for child care after all other household expenditures have been taken into account)



Note:
 The range of fees that would be assessed by military Child Development Centers for each group are shown in the band or ribbon behind the bars. Bars that fail to reach at least the bottom of the fee band indicate groups that do not appear to have enough money to left to pay for Child Development Center fees after other expenses have been met.

Paygrades E3 and O2 are not included in this figure because of insufficient data.

Figure 2 shows that for families living in military housing, one-earners with one child reported having more funds remaining than families living in civilian housing after purchasing all items but child care. Only members in paygrade E-4, according to their self-reports of income, would have insufficient funds to purchase care in military child development centers given their other spending. For families living in civilian housing, those in paygrades E3, E4, E5, and O2 reported high risk regardless of which income estimates were used, and E6 members when RMC-based income estimates were used. Given their other spending, these families would not have sufficient funds to purchase care in military Child Development Centers. Civilians with incomes comparable to all levels except O2 and O3 appeared to experience low risk.

In Figure 3 (one-earner families with two children) the bars are not quite as tall as in the prior figure, indicating that one-earner families with two children had less money after purchasing all their goods and services except child care than similar families with one child. Note that no data are included in the figure for paygrades E3 and O2, as there were too few members in these paygrades who had two children to permit reliable analyses. Only members in paygrade O3 and comparable civilians appeared to experience consistently low risk. Among military members living in military housing, members in all paygrades experienced low according to RMC-based income estimates, but this was not the case for members' self-reports of income. Except for paygrade O3, all groups living in civilian housing appeared to experience high risk. Civilians with incomes comparable to all levels except E6 appeared to experience low risk.

Figure 4 displays the risk indices for two-earner families with one child. No military group shown in this figure appeared to experience high risk. Civilian families of this type appeared to experience somewhat higher risk than military families.

As was the case earlier, Figure 5 (two-earner families with two children) excludes paygrades E3 and O2 because of insufficient data. Here too, members living in military housing appeared to experience somewhat lower risk than members living in civilian housing, although members in all paygrades except E4 – and comparable civilians – reported adequate affordability. According to their self-reports of income, members in paygrade E4 who lived in civilian housing did not have sufficient funds, after all other expenses were met, to purchase child care in a military Child Development Center.

Conclusions: Absolute Risk

- Given current spending patterns, most groups of military families living in military housing appeared to be able to afford child care in military child development centers after all their other purchases, on average. This tended to be true regardless of the number of earners or children in the family.
- Among groups of families living in civilian housing, most one-earner families with children younger than 6 would have difficulty affording care in military child development centers given their other spending. About 40% of these one-earner families needed child care because there was only one parent or because a parent was in school or looking for work.
- The average two-earner family living in civilian housing appeared to be able to afford to pay for care in military child development centers given their other spending.
- Most groups of civilian families would have difficulty affording care in military child development centers given their other spending.

Relative Risk:

Comparing the Financial Situations of Military and Civilian Families

Our first examination of relative risk compared military and civilian expenditures. As described earlier, civilian and military families were matched on earner status and income using income estimates based on Regular Military Compensation (RMC).

We begin by identifying the major expenditure items for each group of military and civilian families. Next, we examine the dollar amounts spent by military and civilian families on specific items. Finally, we identify the largest spending discrepancies between military and civilian families.

Major Expenditure Items

Figure 6 summarizes the top three expenditure items for each group. Black squares indicate that a particular expenditure was one of the top three for all types of families within a paygrade category. Gray boxes indicate that a particular expenditure was one of the top three for some types of families, with the number of structure groups indicated by the number of asterisks. The pattern of colors and symbols in the figure suggests the following:

- *Transportation* is one of the top three expenditures for virtually all income levels and family types for both civilian and military families.
- *Shelter* is one of the top three expenditures for all groups living in civilian housing, whether or not they are military members.
- *Food* and *Miscellaneous* are among the top three expenditures for more than half of the groups, regardless of civilian or military status.
- *Taxes* are a major expenditure for all military groups in paygrades E6, O2, and O3.
- *Child care* is routinely a major expenditure for military families but not for civilians. Note, however, that it was not possible to compare costs per unit of child care. Thus, the differences between military and civilian families could occur because military families purchase more care, because they select more expensive forms of care, or because they seek higher-quality care.

Overall, the top expenditure categories of military members living in civilian housing are quite similar to those of civilians except for the miscellaneous and child care categories. The top spending categories of military families living in military and civilian housing are generally similar except for shelter, which is never a top expense for families living in military housing.

Figure 6
Top Three Expense Categories

	Civilians						Military Members Civilian Housing						Military Members Military Housing					
	E3	E4	E5	E6	O2	O3	E3	E4	E5	E6	O2	O3	E3	E4	E5	E6	O2	O3
Shelter	+	+	+	+	+	+	+	+	+	+	+	+						
Utilities	+																	
Food		***	***	*			*	+	*				+	+	***	**		
Transportation	***	+	+	***	+	+	+	+	+	+	+	+	+	+	+	+	+	+
Health Care																		
Household and Personal Spending				*										*				
Finance Charges																		
Taxes									*	+	+					*	+	+
Entertainment																		
Miscellaneous	*	*	*	***	+	+			*	**			+	**	***	**	+	***
Child Care							*		**	*				**	**	***		*

- + Indicates an expense category that was among the top three for all four types of family structures in a given paygrade
- * Indicates an expense category that was among the top three for one type of family structure in a given paygrade
- ** Indicates an expense category that was among the top three for two types of family structures in a given paygrade
- *** Indicates an expense category that was among the top three for three types of family structures in a given paygrade

Specific Expenditure Amounts

Figures 7 through 12 summarize specific expenditures for families grouped by paygrade and family structure. Military families living in military and civilian housing were considered separately.

The data tables below the bars in each graph itemize average expenditures by category, ordered from top to bottom to match the bars. Some expenditure categories are collapsed together to reduce the number of segments in each bar:

- “Miscellaneous” includes personal insurance and pensions, education, cash contributions, moving expenses, and other miscellaneous;
- “Household” includes both household and personal spending.

Readers should note that the child care expenses shown in Figures 7 through 12 are what families who pay for care actually spend, not what they would pay if they were to use military child development centers. It is also important to remember that many of the expense items included in these figures, even for military families, were estimated using civilian data:

- Estimates of spending for education, entertainment, finance charges, and cash contributions were derived solely from civilian data.
- Both military and civilian data were used to construct estimates of spending for household and personal items, health care, transportation, food, utilities, shelter, and insurance and pensions (included under miscellaneous).
- Expenditure estimates derived solely from military data were those for child care, taxes and moving (included in miscellaneous).

The “bullet” points near or above the top of each bar show the level of income for that particular group, using our usual two estimates: self-reports and estimates based on RMC. The slope of the lines joining a particular section of one bar to the same section of the next bar offer good indications of whether the proportion of spending for a single item differs across the bars.

In our comparisons by each paygrade below, we consider the following information:

- Total income relative to total spending including actual spending for child care.
- The expense items that are among the top three dollar amounts (we call these “major” expenses) for any of the family groups in a given paygrade, along with detailed descriptions of these expenses. (Although expenses for food sometimes are among the top three, we do not discuss them because all estimates are based on civilian data and there are rarely large differences among the different types of families.).
- Rates of home ownership among military and civilian families.
- Differences of \$100 or more per month among military and civilian families by expense category.

Paygrade E3. Data for military families in paygrade E3 and their civilian counterparts are shown in Figure 7. Two-child families are not included in this figure because of insufficient data. The major expense items in this category were shelter, utilities, food, transportation, and miscellaneous spending.

Income -- We first compared income to spending by examining the distance between the top of each expense bar and the bullet points that indicate income. Greater distances indicate more discretionary income (i.e., income remaining after all expenses are paid). Figure 12 suggests that military families living in military housing had more discretionary income than military families living in civilian housing or civilians. One-earner military families who lived in civilian housing with one child spent more than they made, on average, according to our estimates of their income and spending. Income and spending were about equal for civilian families.

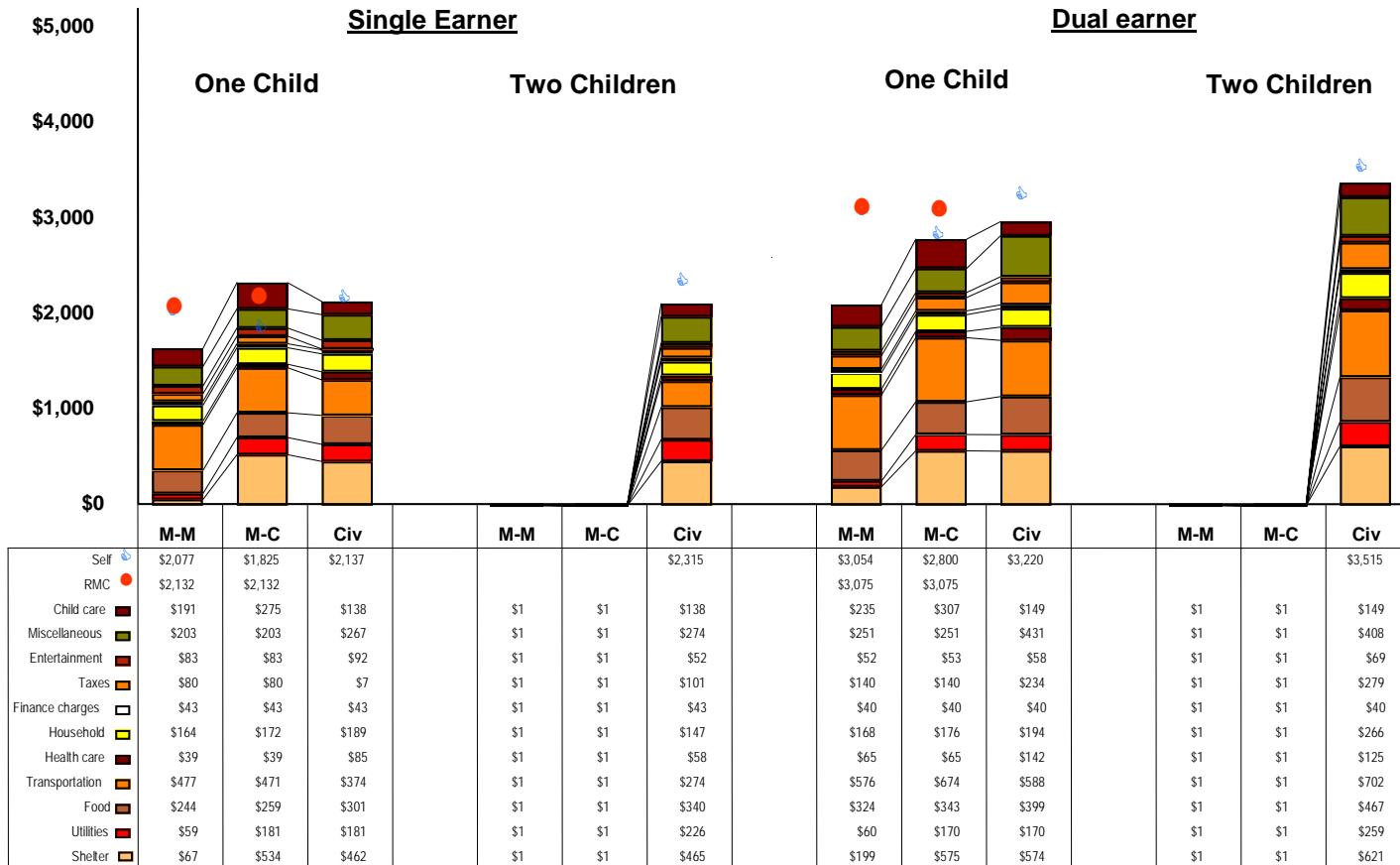
Shelter -- Average expenditures on rent or mortgage ranged from \$534 to \$575 for military families and from \$462 to \$621 for civilian families; the basic housing allowance was \$545 at this paygrade in 2000. Utility costs ranged from \$170 to \$181, although these estimates were based on civilian data. Thus, the average out-of-pocket expense for shelter was 25%. Rates of home ownership were lower among military members living in civilian housing (no more than 21%) than among civilians (over 40%).

Transportation – Military families living in civilian housing spent about \$100 more than civilians on transportation and, in two-earner families only, about \$100 more than military families living in military housing. One-earner military families spent about the same on transportation regardless of whether they lived in military or civilian housing.

Child Care – Military families living in civilian housing spent about \$70 more per month than military families living in military housing and about double what was spent by civilians. As a percent of self-reported monthly income, child care spending ranged from 7.7% (for two-earner families with one child, living in military housing) to 15.1% (for one-earner families with one child, living in civilian housing). Civilian families spent between 4.2 and 6.5% of their monthly income on child care.

Miscellaneous – Military members spent somewhat less than civilians on miscellaneous expenses, especially in two-earner families, where the difference approached \$200 per month. Two components of miscellaneous spending differed substantially for military members and civilians. First, military members had regular expenses for moving, averaging \$98 per month at this paygrade (net of reimbursement); the average civilian family did not have these expenses. Second, military members spent much less each month than civilian families on insurance and pensions, probably because no employee contribution was required in the military retirement program and because most military members could expect to retire young enough to seek subsequent paid employment and additional retirement savings.

Figure 7
Benchmark Budgets:
Military and Civilian Expenditures
Paygrade E3



Paygrade E4. Figure 8 compares the expenditures of civilian and military families in the E4 pay range. The major expense categories were shelter, transportation, food, miscellaneous, household and personal spending, and child care.

Income – The average spending of most E-4 groups approached or exceeded their income. Except for two-earner families with one child, all groups of military members living in civilian housing spent more than they earned regardless of which income estimate was used. Military members living in military housing spent almost exactly what they made according to self-reports of income, and spent quite a bit less than they made according to RMC-based income estimates (which included the value of BAH). Civilian families with two earners and two children spent more than they made; other civilian families made slightly more or about the same as they spent, on average.

Shelter -- Military members living in civilian housing spent \$560 to \$643 on rent or mortgage, compared to the basic allowance for housing of \$525 that they received. Civilian families spent between \$545 and \$1,017. Utility costs ranged from \$179 to \$257, based on civilian estimates. Thus, the combination of rent or mortgage payments and utility costs exceeded the housing allowance by over \$200 per month on average, resulting in 30% of total housing costs being paid out-of-pocket. One-earner military families who lived in civilian housing spent about \$60 to \$120 more per month on shelter than civilians; two-earner military families with two children who lived in civilian housing spent about the same or up to \$400 less per month on shelter than civilians. Rates of home ownership were somewhat lower among military members living in civilian housing (maximum of 32%) than among civilians (minimum of 40%).

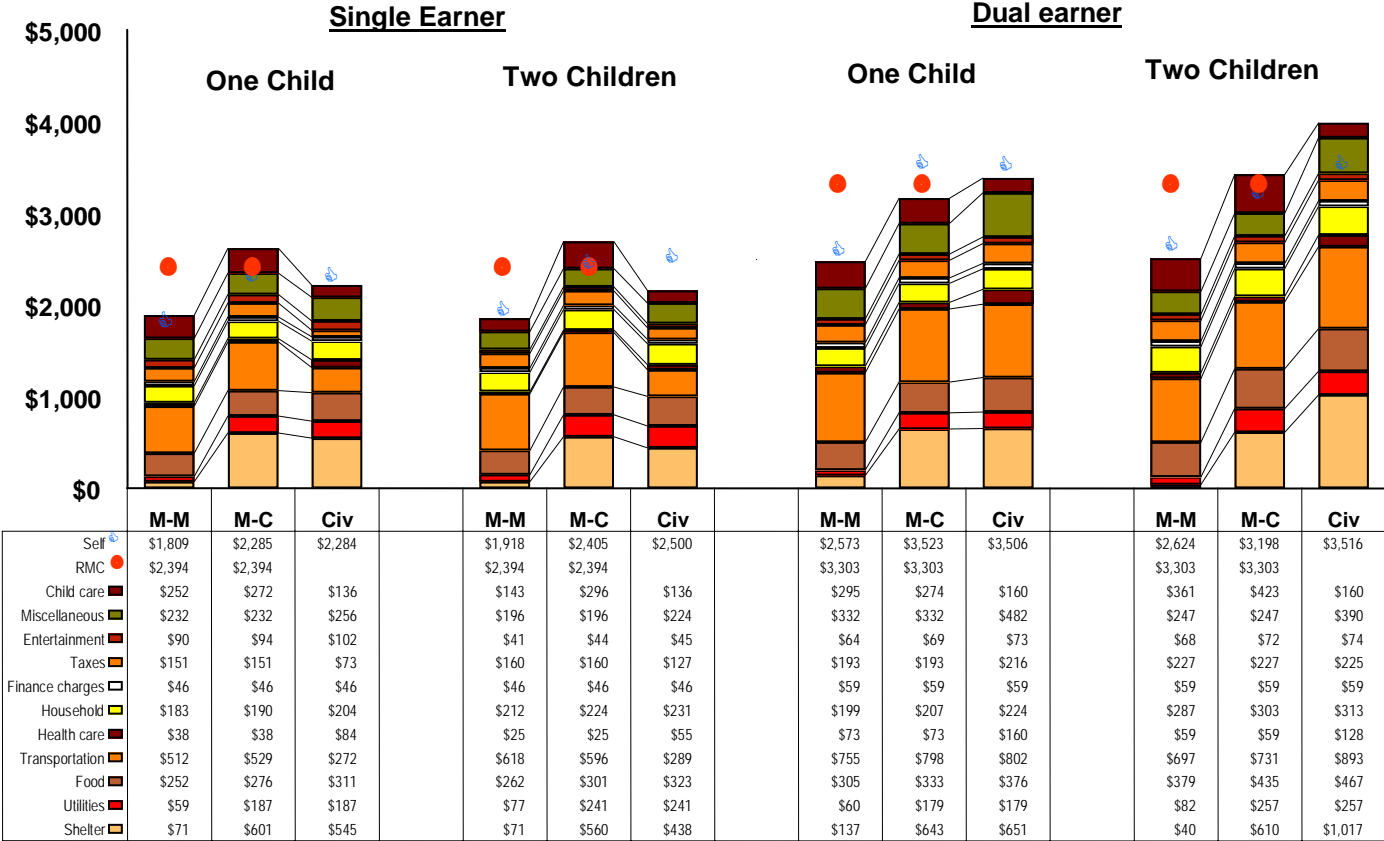
Transportation -- One-earner E4 members spent considerably more per month on transportation than civilians earning similar incomes. One-earner military families spent over \$500 per month compared to civilians' \$272. The reverse was true in two-earner families, where military families spent the same or less (averages ranged from \$697 to \$798) than civilians (averages ranged from \$802 - \$893).

Household and Personal Spending – Although household and personal expenses were among the top three expenditures for some E4 families, the small observed differences among civilian and military families were likely a function of the savings military families achieved at exchanges.

Miscellaneous Spending – One-earner military families spent about \$30 less per month in this category, on average, than civilians. Two-earner military families spent about \$150 less than civilians.

Child Care -- Military families with one child or with one earner and two children spent similar amounts for child care – at least \$100 per month more than civilians -- regardless of whether they lived in civilian or military housing. The same held for two-earner military families with two children, except that they paid more than \$200 more per month than civilians. When child care costs were compared for only those families who used center-based care, military families spent more than civilians only among one-earner families. Military families spent between 7.5% (one-earner families with 2 children, living in military housing) and 13.9% (one-earner families with 1 child, living in military housing) of their self-reported monthly income on child care; civilian families spent between 4.6% and 6.0%.

Figure 8
Benchmark Budgets:
Military and Civilian Expenditures
Paygrade E4



Paygrade E5. Figure 9 displays the expenditures of military and civilian families earning the equivalent of E5 compensation. Major expense categories were shelter, transportation, food, miscellaneous, and child care.

Income – One-earner military families living in civilian housing tended to spend more than they earned; two-earner military families and civilian families usually earned slightly more than they spent, on average.

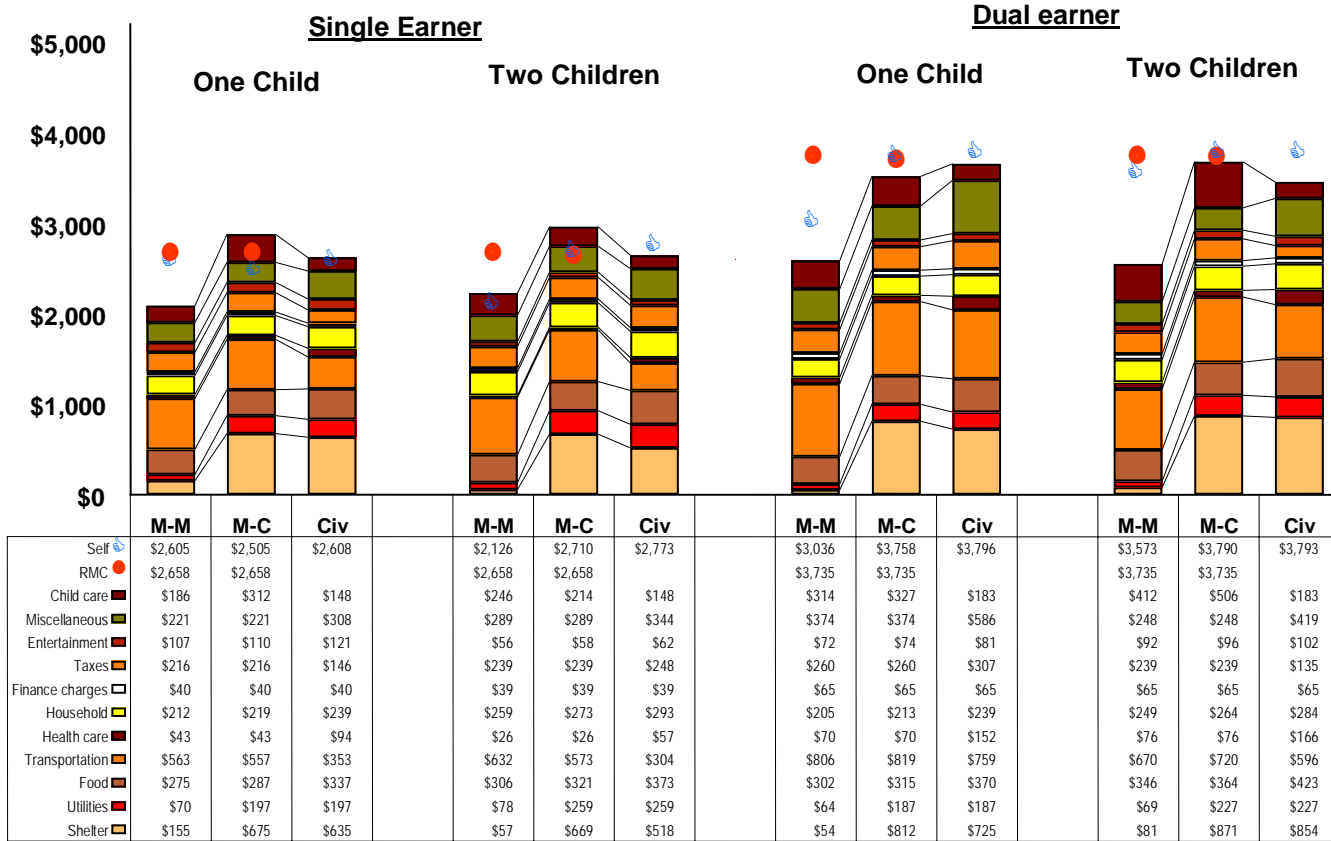
Shelter - Rent or mortgage costs for military families living in civilian housing ranged from \$669 to \$871, compared to civilian spending of \$635 to \$854 and a basic allowance for housing of \$648. Utility costs ranged from \$187 to \$259, based on civilian estimates. These families paid more than \$100 per month more for utilities than families living in military housing. Thus, the average out-of-pocket expense for shelter for families in this paygrade was approximately 34.7%. Except for one-earner families with two children, military families living in civilian housing and civilians paid similar amounts for shelter. Civilian rates of home ownership ranged from 47% to 65%; the military rate was 29% for one-earner families with one child; otherwise the rate was 55% to 60%.

Transportation -- Military families spent between about \$50 and \$300 per month more than civilians on transportation – the biggest difference was for one-earner families with two children.

Child Care -- Civilian families spent less on child care than military families, ranging from about \$50 less per month for one-earner families with one child living in military housing, to about \$300 less per month for two-earner families with two children living in military housing. Military families paid fairly similar amounts for child care regardless of where they lived for one-earner families with two children and two earners with one child. In both of the other groups, military families living in civilian housing paid about \$100 more per month than families living in military housing. Military families spent between 7.1% (one-earner families with 1 child, living in military housing) and 13.4% (two-earner families with 2 children, living in civilian housing) of their self-reported monthly income on child care; civilian families spent between 4.8% and 5.7%.

Miscellaneous -- Two-earner military families spent almost \$200 less per month in this category than civilians.

Figure 9
Benchmark Budgets:
Military and Civilian Expenditures
Paygrade E5



Paygrade E6. Figure 10 compares the expenditures of military and civilian families at the E6 compensation level. Major expense categories were shelter, transportation, food, household and personal expenses, miscellaneous, taxes and child care.

Income – Self-reported income exceeded spending for all groups except one-earner military families with two children living in civilian housing. Estimates of average income based on regular military compensation were, however, less than spending for all families living in military housing. Military members living in military housing had the most discretionary income.

Shelter -- Rent or mortgage costs for military families living in civilian housing ranged from \$645 to \$942, compared to civilian spending of \$578 to \$856 and BAH of \$735. Utility costs ranged from \$187 to \$267, for total shelter spending of \$832 to \$1209, resulting in about 27.3% of total housing cost being paid out-of-pocket. Families living in civilian housing spent about \$120 to \$180 more per month than families living in military housing for utilities, and between \$50 and \$250 more per month than civilians for shelter. At this level of income, civilian rates of home ownership ranged from 54% to 65%. About 47% of one-earner military families with one child owned homes; for other military families the home ownership rate was between 65% to 76%.

Transportation -- On average, all families with one earner and one child, or two earners and two children, spent similar amounts on transportation. Military families with one earner and two children spent more than \$300 more per month for transportation than civilian families; military families with two earners and one child paid more than \$100 less per month for transportation than civilians.

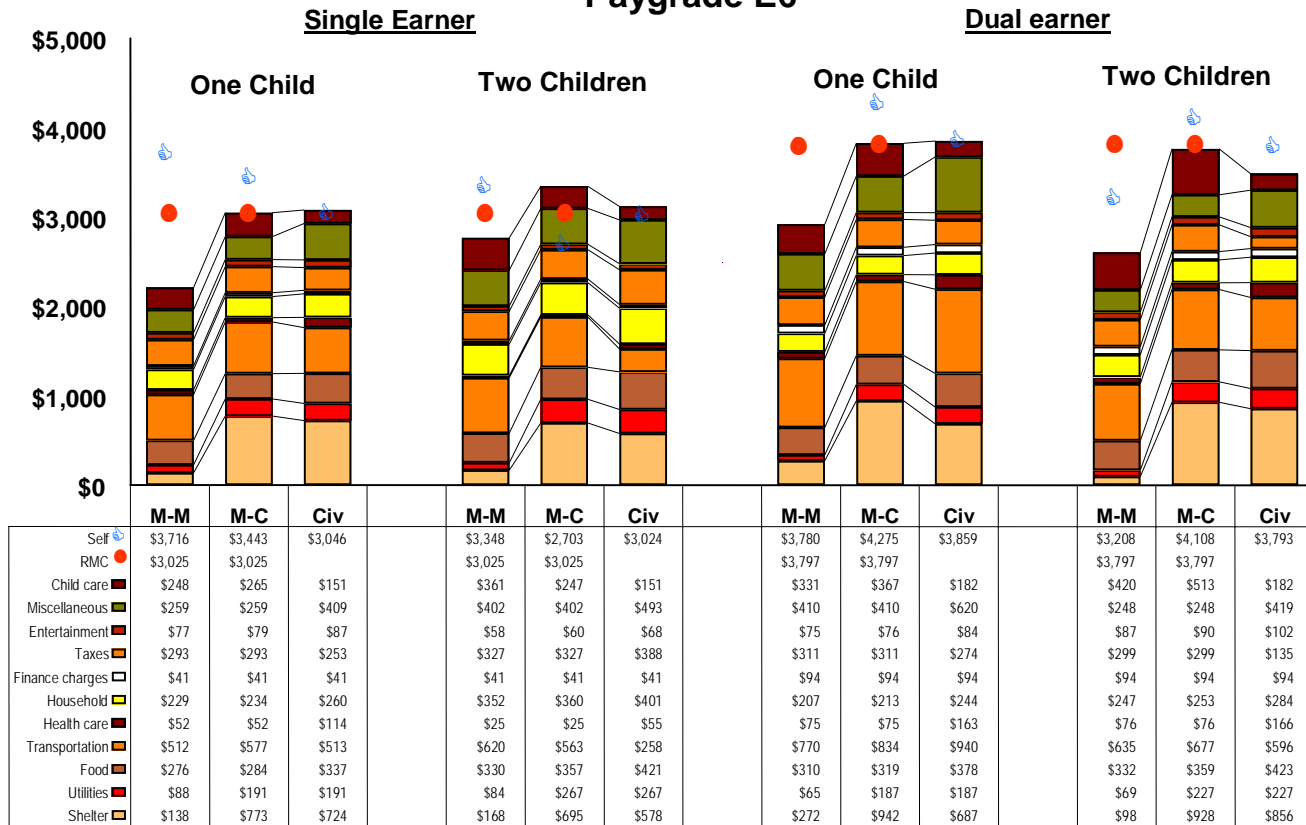
Household and Personal Spending -- Although household and personal expenses were among the top three expenditures for some E4 families, there were not substantial differences between military and civilian families, or among military families living in military or civilian housing. The small differences that were observed are likely a function of the savings military families achieved at exchanges.

Miscellaneous Spending – One-earner military families spent about \$100 to \$150 less than civilian families in this category; two-earner military families spent \$70 to \$210 less per month, on average.

Taxes – Two-earner military families with two children paid about \$220 less per month in taxes than civilian families, according to our estimates.

Child Care -- Similar to E4 families, E6 families spent considerably more on child care than civilian families – at least \$100 more per month, up to more than \$200 per month for two-earners with two children. No consistent pattern of differences in child care costs was found between military members living in military and civilian housing, although the differences ranged from \$15 to \$110 per month. Military families spent more than civilian families on center-based care in all family types. Military families spent between 6.7% (one-earner families with 1 child, living in military housing) and 13.1% (two-earner families with 2 children, living in military housing) of their self-reported monthly income on child care; civilian families spent between 4.7% and 5.0%.

Figure 10
Benchmark Budgets:
Military and Civilian Expenditures
Paygrade E6



Paygrade O2. Figure 11 summarizes the expenditures at this income level. No data for families with two children are presented because of insufficient cases. Major expense categories are shelter, transportation, taxes, food, and miscellaneous spending. We describe child care spending below although they were not a major expense category at this paygrade.

Income -- Earnings exceeded spending for all two-earner families. Among one-earner families, military families living in civilian housing with one child and civilians with two children earned less than they spent. In contrast, civilians with one child earned slightly more than they spent. Military families with one earner and one child who lived in military housing had more discretionary dollars than the other groups.

Shelter -- Average rent or mortgage costs for military families living in civilian housing ranged from \$867 to \$1,074, with utility costs ranging from \$216 to \$253 per month. Total shelter costs thus ranged from \$1,083 to \$1,327, compared to BAH of \$715. This represents an average out-of-pocket expense for shelter of 40.7%. Military families living in civilian housing spent at least \$100 more per month on housing than civilians (who paid between \$635 and \$968 on average), and at least \$100 more per month on utilities than other military families. The home ownership rates among civilians are 65% and 81% respectively for one- and two-earner families. Rates among military families with one child ranged from 44% to 50%; rates among families with two children ranged from 70% to 81%.

Transportation – In three of the four types of military families shown in this figure, military families spent more than \$100 more per month on transportation than civilian families. The exception was one-earner families with one child, who spent less than civilians.

Taxes – According to our estimates, military families with one earner and one child paid close to \$200 more per month in taxes than civilians. Military families with two earners and one child paid a little less than \$100 more than civilians each month. We think it is possible, however, that these estimates are not fully accurate because we were unable to determine the exact components of the tax estimates in our data sources.

Miscellaneous – Military families spent considerably less on miscellaneous spending than civilian families – around \$300 per month.

Child Care -- Military families living in civilian housing spent \$50 to \$130 more per month on child care than civilian families and \$120 to \$150 more per month than military families living in military housing. When consideration was limited to the costs of center-based care, no differences exceeding \$100 per month were found. Military families spent between 3.2% (one-earner families with 1 child, living in military housing) and 6.9% (two-earner families with 2 children, living in civilian housing) of their self-reported monthly income on child care; civilian families spent between 3.8% and 4.7%.

Figure 11 Benchmark Budgets: Military and Civilian Expenditures

Single Earner

Paygrade O2

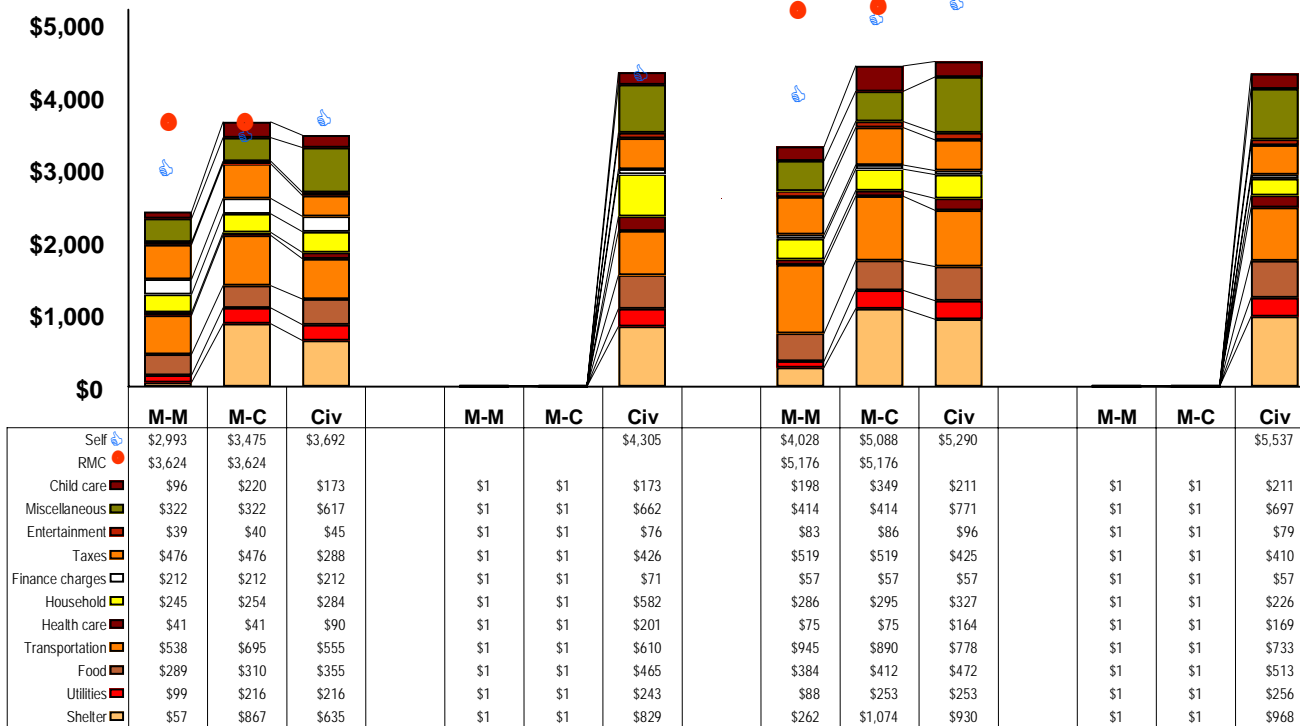
Dual earner

One Child

Two Children

One Child

Two Children



Paygrade O3. Figure 12 summarizes the expenditures for families at this compensation level. The major expense categories were shelter, transportation, miscellaneous, taxes, and child care.

Income – All groups of families reported average earnings that exceeded spending, even after child care was paid. All groups thus had discretionary income.

Shelter -- At this income level, military members living in civilian housing spent about \$200 more per month for rent or mortgage than civilians, in each family type. Military families living in civilian housing spent an average of \$1,016 to \$1,220 for shelter and between \$213 and \$265 for utilities. Civilian families with comparable income and family structures spent between \$802 and \$1061. The basic allowance for housing at this paygrade was \$872. Military families living in civilian housing paid more than \$100 per month more than families living in military housing for utilities. Thus, military families living in civilian housing at this income level spent an average of 35.7% for shelter out-of-pocket. Between 73% and 84% of civilians and between 61% and 74% of the military members living in civilian housing owned homes.

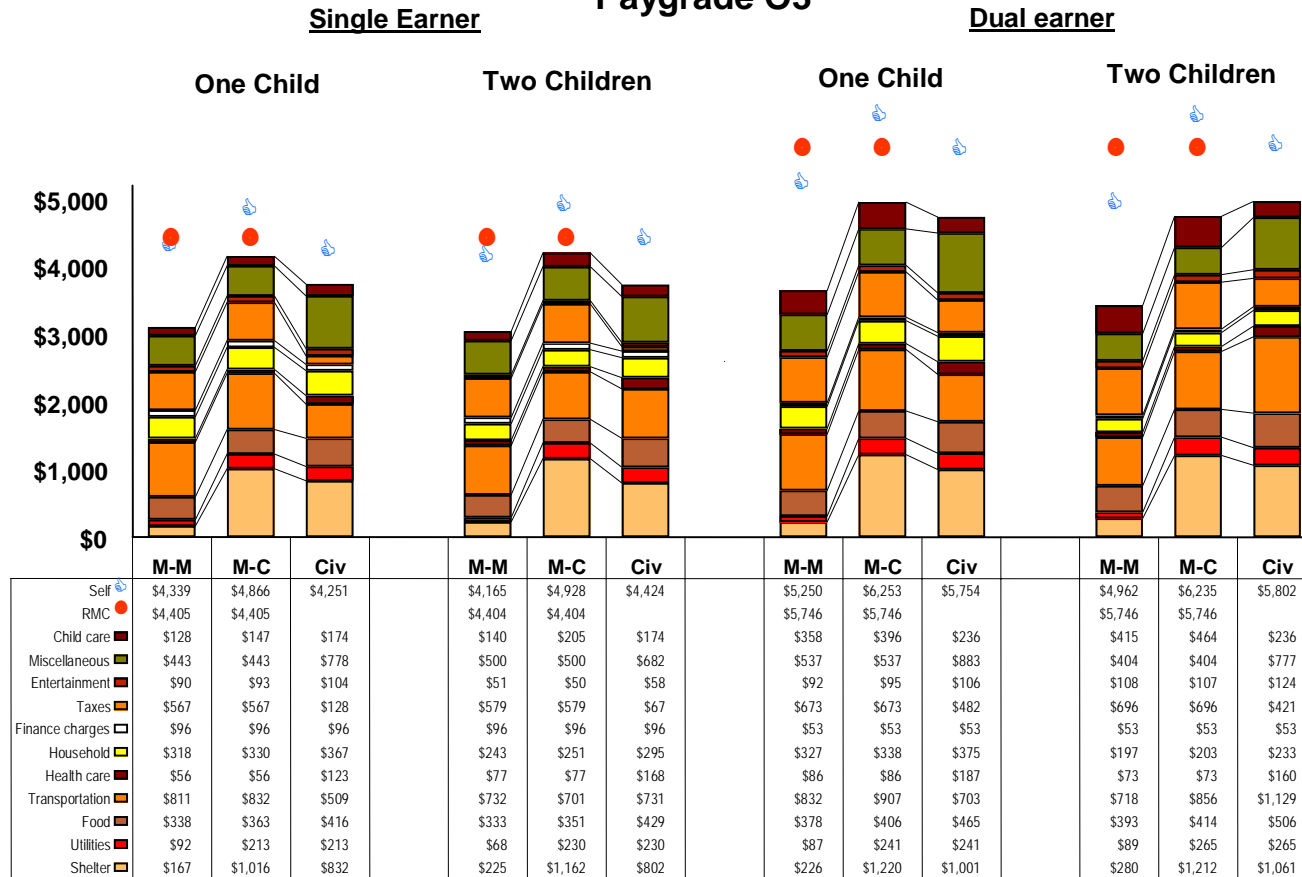
Transportation -- Military families with one child spent \$100 to \$200 per month more for transportation than comparable civilian families regardless of type of housing, but two-earner military families with two children paid considerably less than civilians – more than \$400 per month. One-earner military families with two children spent about the same as civilian families in this category.

Taxes – Estimates of taxes were much higher for military families, ranging from \$200 to \$400 more per month than estimates of civilian expenditures in this category.

Miscellaneous – Military families spent \$200 to \$300 less per month than civilians in this category.

Child Care -- At this income level, child care expenditures were fairly similar for one-earner military families and civilians. One-earner families at this income level spent from \$128 to \$205 per month. Two-earner military families with one child paid \$120 to \$160 more than civilians; two-earner military families with two children paid \$170 to \$220 more than civilians per month. Military families living in civilian housing always spent more on child care than families living in military housing, about \$40 per month on average. Military members paid more than civilians for center-based care in all types of families. Military families spent between 2.9% (one-earner families with 1 child, living in military housing) and 8.4% (two-earner families with 2 children, living in military housing) of their self-reported monthly income on child care; civilian families spent between 3.9% and 4.1%.

Figure 12
Benchmark Budgets:
Military and Civilian Expenditures
Paygrade O3



Major Discrepancies between Military and Civilian Families

Figure 13 compares the dollar amounts spent by the different groups of families. In most categories, three comparisons are presented:

- MM:MC Military families living in military housing vs. military families living in civilian housing
- MC:C Military families living in civilian housing vs. civilian families
- MM:C Military families living in military housing vs. civilian families

When estimated spending for military families is similar regardless of where they live, the comparison is simplified to simply military vs. civilian families, indicated by M:C.

Colored boxes indicate a difference of \$100 or more per month in a given category. The color of the box refers to the relative status of the first group in the comparison. Green boxes containing the symbol “-“ indicate that the first group listed pays less; red boxes containing the symbol “+” indicate that the first group listed pays more. Boxes left empty indicate differences less than \$100 per month. The pattern of codes indicates the following findings:

- Shelter Not surprisingly, families living in military housing spend less than all other families for housing; military families living in civilian housing spend more than civilians in paygrades E6, O2, and O3.
- Utilities Again not surprisingly, families living in military housing spend less on utilities than all other groups. No group differences of more than \$100 were found between military families living in civilian housing and civilian families.
- Food There was only one group difference of more than \$100 – two-earner military members with two children spend less than civilians in paygrade O3. Estimates of military expenses for food were based on civilian data, net of commissary savings.
- Transportation Military members spend at least \$100 per month more on transportation than civilians in the following family groups: E3, E4, O2 and O3 families with one child; E5 and E6 one-earners with two children.. Military members spend less than civilians on transportation in the following groups: E4 two-earners with two children, E6 two-earners with one child, and O3 two-earners with two children.
- Health Care There was no consistent pattern of differences. Two-earner military families with one child living in military and civilian housing pay less than civilians in paygrade O3.
- Taxes Taxes were higher for military families than civilians among some E6 and O2, and all O3 family groups. We have some uncertainty, however, about the composition of the tax estimates we were able to locate.
- Miscellaneous Military families spend less on miscellaneous than most civilian groups. As explained earlier, this is largely due to the much lower spending borne by military families for insurance and pensions.

Figure 13

Comparison of Dollar Amounts Spent by Military and Civilian Families

Paygrade:	E3				E4				E5				E6				O2				O3							
Number of Earners:	S		D		S		D		S		D		S		D		S		D		S		D					
Number of Children:	1		1		1	2	1	2	1	2	1	2	1	2	1	2	1		1		1	2	1	2				
Shelter																												
MM : MC & C	-		-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MC : C						+		-		-				+	+			+				+				+	+	+
Utilities																												
MM : MC & C	-		-		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MC : C																												
Food																												
MM : MC																												
MC : C																												
MM : C																												-
Transportation																												
MM : MC																												-
MC : C						+		-		+	+			+		-				+		+				+		-
MM : C	+					+		-		+	+			+		-				+		+				+		-
Health Care																												
MM : MC																												-
MC : C																												-
MM : C																												-
Household, Personal																												
<i>No differences</i>																												
Finance Charges																												
<i>No differences; all estimates based on civilian data</i>																												
Taxes																												
M : C																+				+						+	+	+
Entertainment																												
<i>No differences; all estimates based on civilian data</i>																												
Miscellaneous																												
MM : MC						-				-				+				-				-						
MC : C			-					+			-	-		-	-	-		-	-	-		-				-	-	-
MM : C			-					+			-	-		-	-	-		-	-	-		-				-	-	-
Child Care – Actual																												
MM : MC						-				-				+				-				-						
MC : C	+		+			+	+	+		+	+	+		+		+		+	+	+		+						+
MM : C						+		+		+	+	+		+	+	+		+	+	+		+						+
Child Care -- Centers																												
M : C						+		+		-	+	+		+	+	+		+	+	+		+				+	+	+

- indicates an expense where the first group listed pays at least \$100 less per month than the second group
 + indicates an expense where the first group listed pays at least \$100 more per month than the second group

Child Care	For most groups, military families spend at least \$100 more per month than civilians for child care. However, the following family groups living in military housing spend less than military families living in civilian housing : E4 one-earners with two children, E5 one-earners with one child, and O2 families with one child .
Centers	Some families in the E4 and E5 paygrades, and all families in the E6 and O3 paygrades, spend at least \$100 more per month than civilian families for care in child care centers. E3 and O2 military families spend about the same as civilian families.

Conclusions: Comparisons about the Relative Financial Risk of Military and Civilian Families

The most notable differences between military and civilian families concerned spending for transportation, child care, and miscellaneous. Although military members sometimes spent less than civilians for health care, food, and household/personal items, these differences were easily explained by the fee structure of the TRICARE system and savings achieved at commissaries and exchanges. Estimated spending for taxes also appeared to be quite different, but we suspect this is explained by different methods of calculation for military and civilian data sources.

Most groups of military members spent substantially more (i.e., at least \$100 per month) on transportation than civilians at comparable income levels, except for E4 and E6 two-earner families. Military members also consistently spent more than civilians for child care, although differences between the paygrades in child care expenditures were small. For example, E4 families with two earners and one child living in civilian housing reported paying \$274 per month while O3 two-earner families living in civilian housing paid \$396. Two-child families paid \$423 and \$464 respectively for E4 and O3 families. Although military members' expenditures for child care often were similar to what Child Development Centers would charge, it was often the case that multiple forms of care were purchased for those funds. Military families spent substantially less on miscellaneous than civilian families at comparable income levels, most likely due to the low costs of pensions and insurance for military families.

After all spending was taken into account, most groups of officer military families and civilian families with comparable incomes had some income remaining (on average). Most groups of enlisted families, however, particularly those living in civilian housing and those with one earner, had little or no income remaining given current spending patterns. In general, military families living in military housing had more discretionary income than military families living in civilian housing, particularly when RMC-based estimates of income were used.

When both shelter and utility costs were considered, military parents of children younger than six who lived in civilian housing paid a considerably higher percentage of their housing expenses out-of-pocket – 25% to 41% -- than the rate targeted by the military – 19% in 2000. In these data, rates of home ownership were usually about 10% to 20% lower among military families living in civilian housing than among civilians with comparable income.

The spending patterns of civilian families are a useful but imperfect benchmark for military families because they do not take into account the appropriateness of spending decisions or objective standards for income adequacy. For these issues, we now turn to a consideration of self-sufficiency standards.

How Do the Income and Expenditures of Military Families Compare To Self-Sufficiency Standards?

We used self-sufficiency budgets as the final benchmark for the spending patterns of military families. Self-sufficiency budgets are estimates of the minimum income needed for a family to live independent of government assistance. The income estimates are built by adding together the estimated costs of basic budget items including food, shelter, transportation, health care, child care, and taxes. Self-sufficiency budgets have been calculated for many locations around the U.S. using standard methodology. As explained earlier, we selected three locations – where the cost of living was low, medium, and high -- as benchmarks.

Self-sufficiency budgets make it possible for us to address an important question raised by our earlier comparison of military and civilian family spending: How much income do families need and how should they spend it?

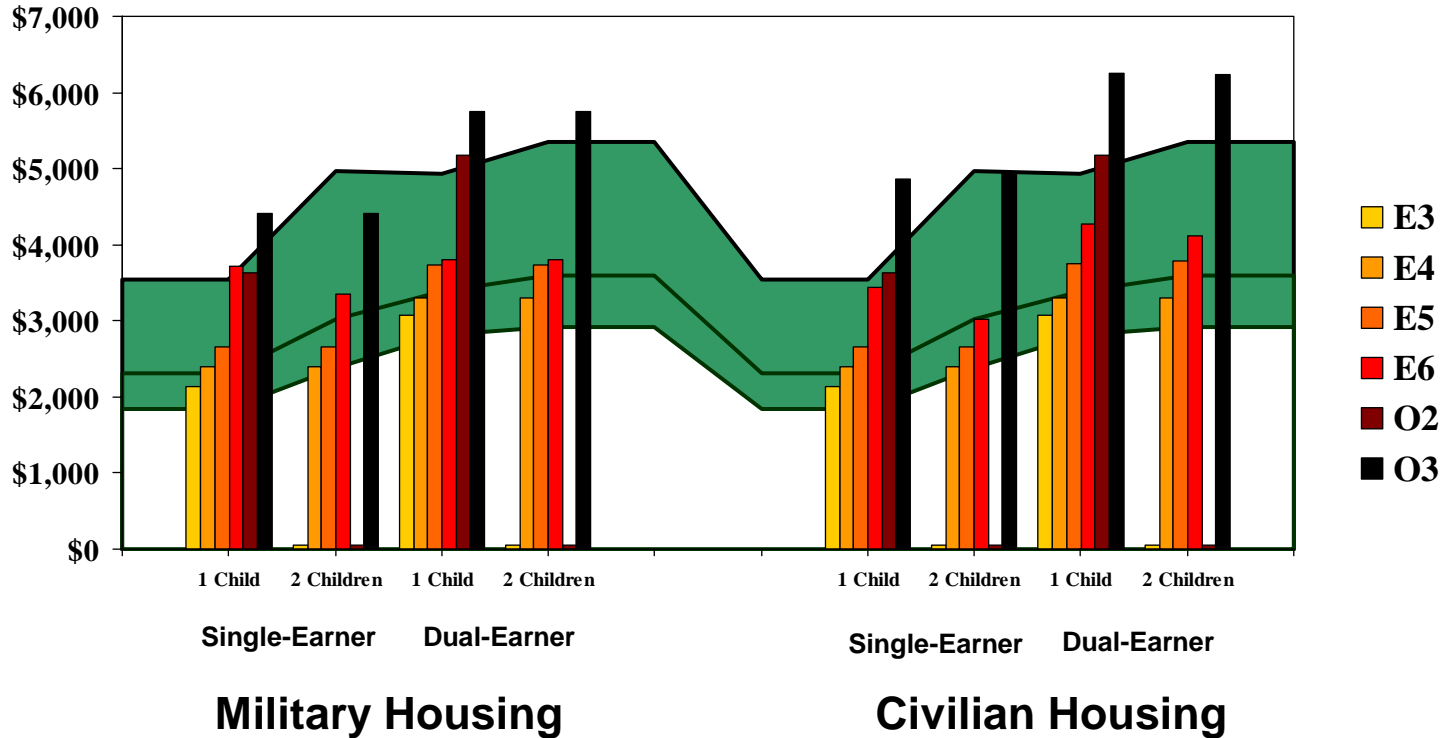
Income Comparisons

We first compared the total income of military families (using for each group whichever income estimate – self-report or RMC-based – was higher) to self-sufficiency levels. Figure 14 shows estimates of military income against self-sufficiency estimates in the three cost-of-living areas. The self-sufficiency levels are shown in the colored ribbon, with the bottom line indicating self-sufficiency income in a low cost-of-living area (Howard County, IN), the middle line indicating self-sufficiency income in a moderate cost-of-living area (San Bernardino, CA), and the top line indicating self-sufficiency income in a high cost-of-living area (Westchester County, NY). Separate bars are shown for each family type, with groups defined by number of children, number of earners, and housing type (military vs. civilian). Figure 14 shows that:

- For all groups of military families shown, average income exceeded the self-sufficiency income requirement for areas where the cost of living is low.
- With the exception of one-earner E5 families with two children and E6 one-earners with two children living in civilian housing, the average incomes in the E5, E6, and O2 groups exceeded the self-sufficiency requirement for areas where the cost of living is moderate.
- With the exception of O3 families with one child OR two earners, and O2 families with one child AND two earners, no group of families exceeded the self-sufficiency income requirement for areas where the cost of living is high.

Figure 14 also shows that the income requirements for self-sufficiency in areas with high costs of living are 50% to 100% higher than the income requirements in areas where the cost of living is low, largely due to the costs of shelter, taxes, and child care. We note that military housing allowances in the highest-cost locations are double or triple the housing allowances in the lowest-cost locations. Cost-of-living allowances provided by the military to accommodate variation in other expenses, however, range only from 1% to 9% and members stationed at most domestic locations do not receive any allowance for variations in the cost of living.

Figure 14
 Military Members and Self-Sufficiency Budgets
 Income – Highest Estimate



Note:
 The self-sufficiency levels are shown in colored ribbon, with the bottom line indicating self-sufficiency income in a low cost-of-living area (Howard County, IN), the middle line indicating self-sufficiency income in a moderate cost-of-living area (San Bernardino, CA), and the top line indicating self-sufficiency income in a high cost-of-living area (Westchester County, NY).

Comparisons of Expenditures

Figures 15 through 26 benchmark the expenditures of military families in paygrades E4, E6, and O3 against self-sufficiency levels for low, moderate, and high-cost areas. The charts display the dollar values and percent of expenditures occupied by each item.

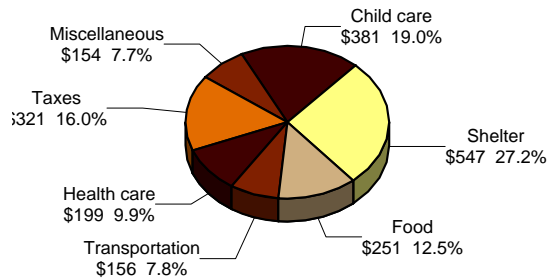
	<i>One Earner</i>		<i>Two-earner</i>	
	<i>1 child</i>	<i>2 children</i>	<i>1 child</i>	<i>2 children</i>
<i>E4</i>	<i>Figure 15</i>	<i>Figure 16</i>	<i>Figure 17</i>	<i>Figure 18</i>
<i>E6</i>	<i>Figure 19</i>	<i>Figure 20</i>	<i>Figure 21</i>	<i>Figure 22</i>
<i>O3</i>	<i>Figure 23</i>	<i>Figure 24</i>	<i>Figure 25</i>	<i>Figure 26</i>

At the outset, it is important to note that the percentage of expenditures devoted to child care must be scrutinized carefully in self-sufficiency budgets. Self-sufficiency budgets are intended to define a minimum level of income needed for adequate survival; the percentage devoted to various expense items are not assumed to extrapolate to individuals earning more than minimum levels. That is, it would not be correct to interpret self-sufficiency budgets as indicating that all individuals should plan to spend more than 20% of their income on child care, as is the case in many of the budgets presented in Figures 15 through 26. Readers should focus primarily on comparing the dollar amounts for particular expenditures rather than the percentages. Readers also should note that self-sufficiency budgets assume no subsidies for child care, such as those provided in military child development centers and family child care homes.

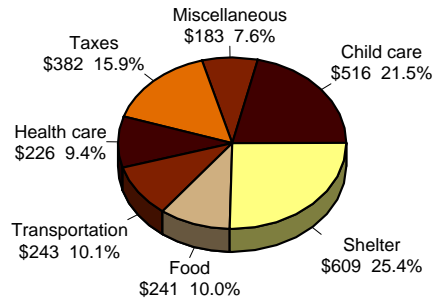
Readers also should note that self-sufficiency budgets intentionally set to zero spending for debt, entertainment, and other discretionary items. Household spending and utilities are included in a miscellaneous category that is set at no more than 10% of the total budget. In contrast, military members spend about 3-10% on household items, about 2% on entertainment, and 1-3% on finance charges, and about 6-10% on other miscellaneous items, for a total of 12% to 25% of income.

Figure 15 Benchmark Budgets: Military vs. Self-Sufficiency Paygrade E-4, Single-Earner, One Child

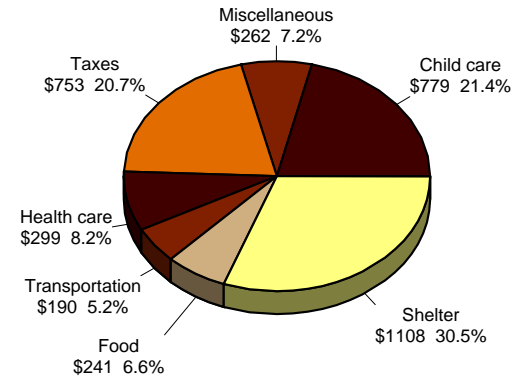
**Self-sufficiency:
Low cost of living area**



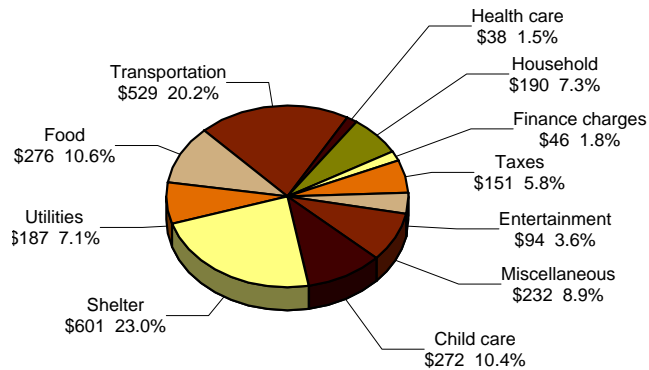
**Self-sufficiency:
Medium cost of living area**



**Self-sufficiency:
High cost of living area**



Military members: Civilian Housing



Military members: Military Housing

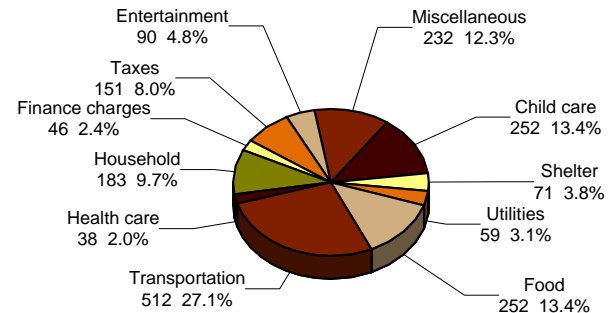


Figure 16
Benchmark Budgets: Military vs. Self-Sufficiency
Paygrade E-4, Single-Earner, Two Children

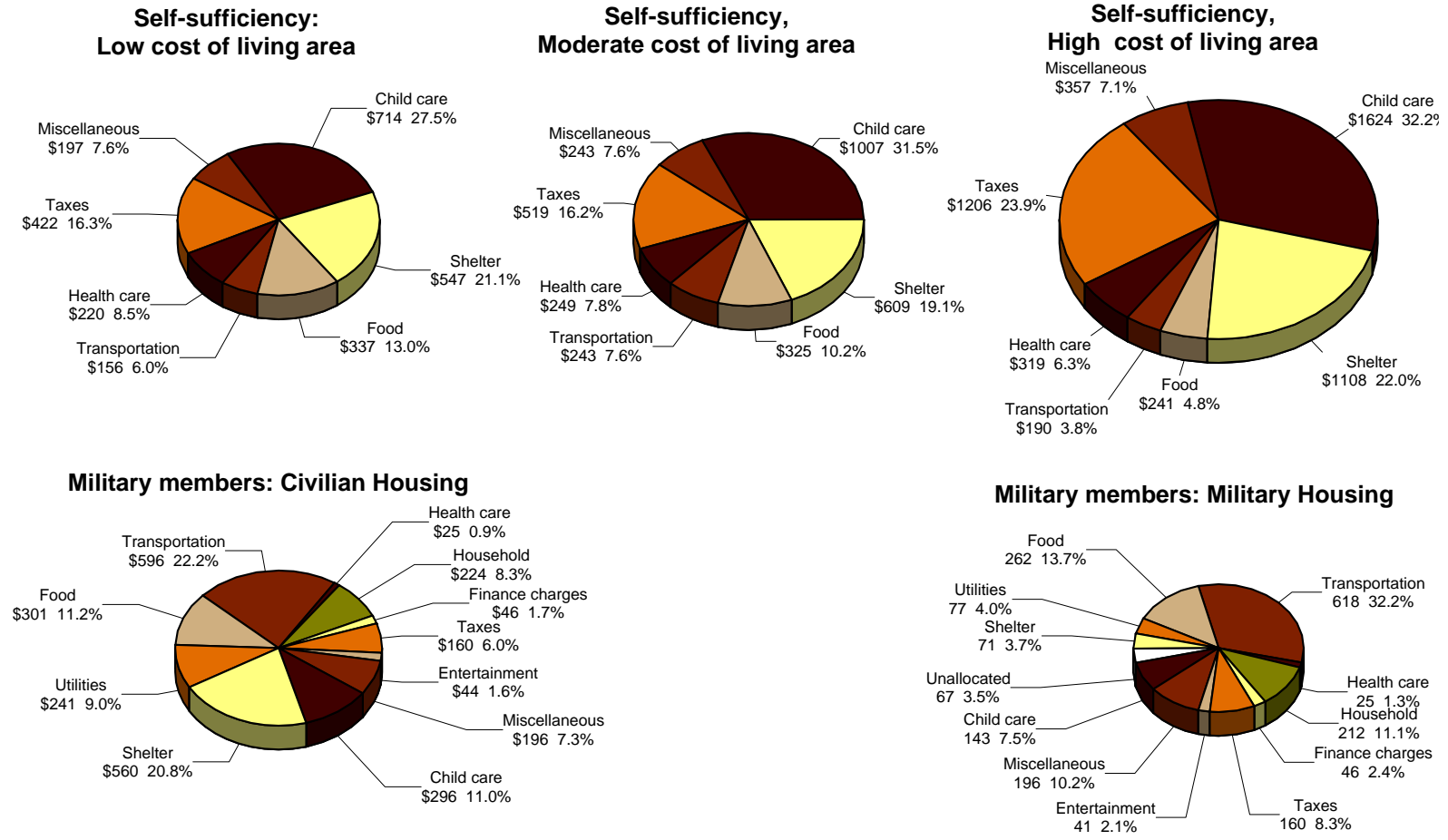
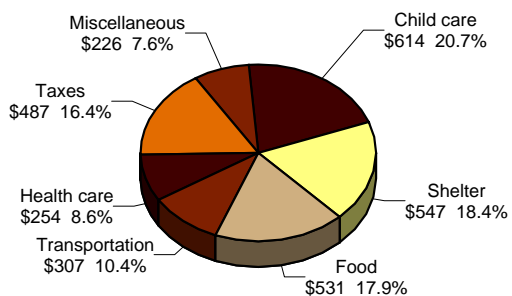
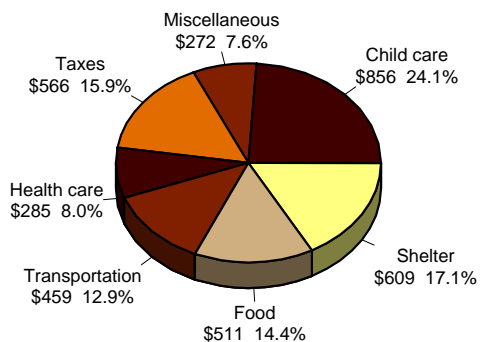


Figure 17
Benchmark Budgets: Military vs. Self-Sufficiency
Paygrade E-4, Dual Earner, One Child

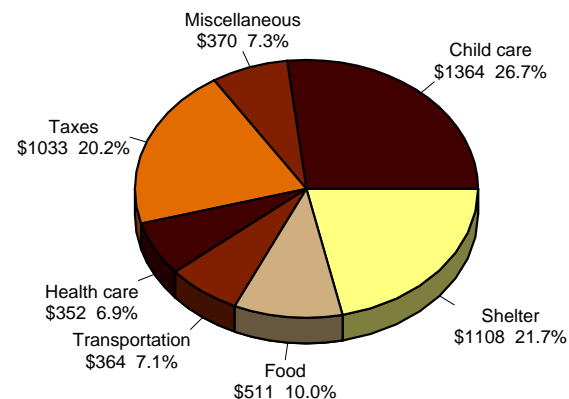
**Self-sufficiency:
 Low cost of living area**



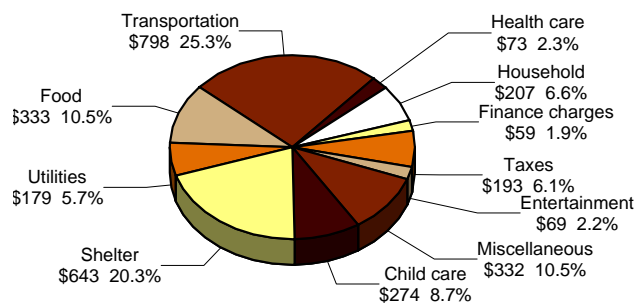
**Self-sufficiency,
 Moderate cost of living area**



**Self-sufficiency,
 High cost of living area**



Military members: Civilian Housing



Military members: Military Housing

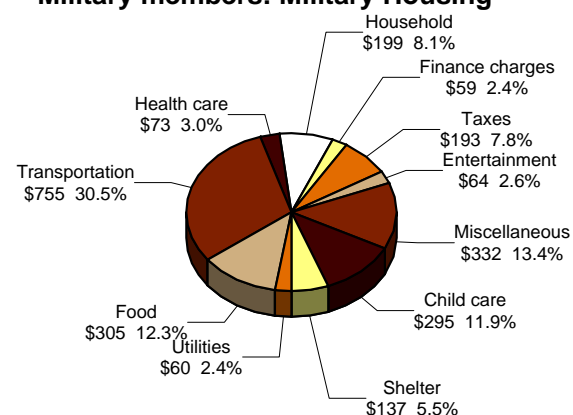
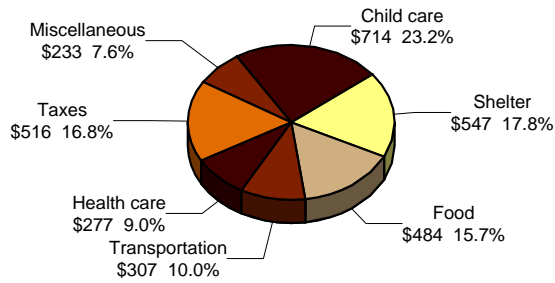
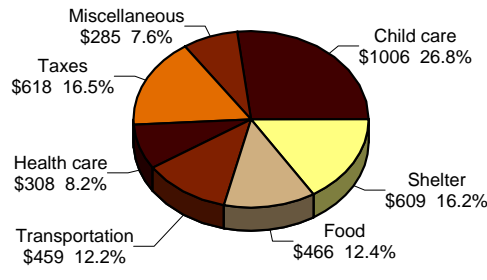


Figure 18
Benchmark Budgets: Military vs. Self-Sufficiency
Paygrade E-4, Dual Earner, Two Children

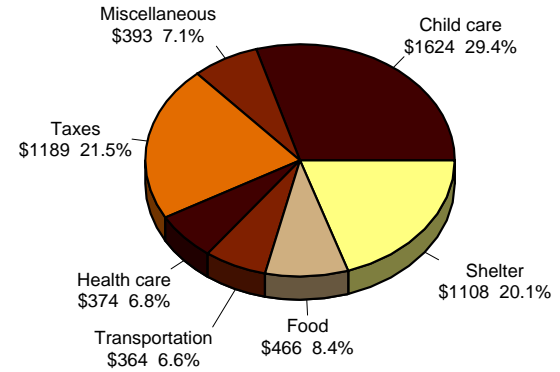
**Self-sufficiency:
 Low cost of living area**



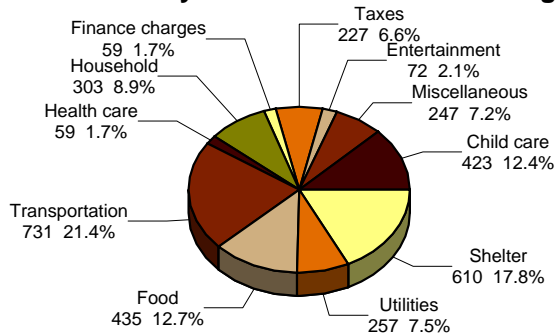
**Self-sufficiency,
 Moderate cost of living area**



**Self-sufficiency:
 High cost of living area**



Military members: Civilian Housing



Military members: Military Housing

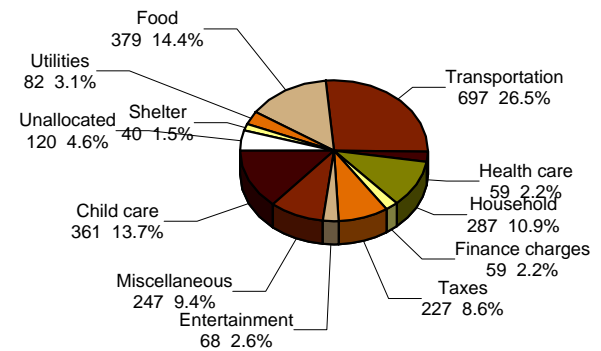
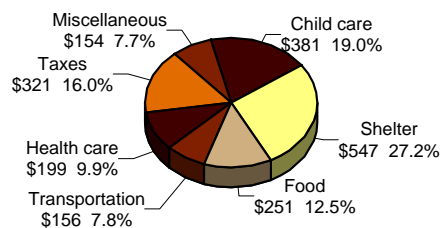
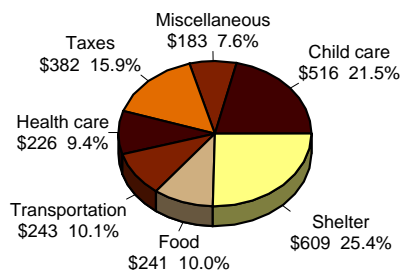


Figure 19 Benchmark Budgets: Military vs. Self-Sufficiency Paygrade E-6, Single-Earner, One Child

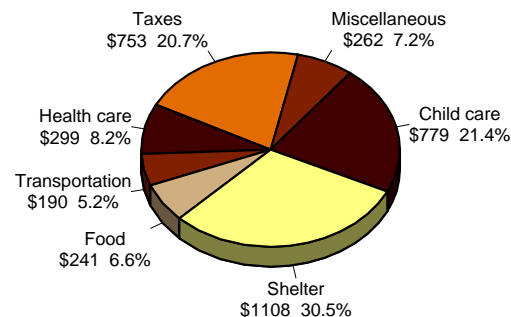
**Self-sufficiency:
Low cost of living area**



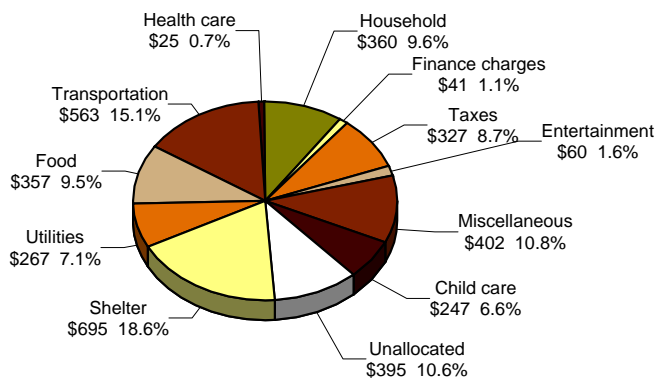
**Self-sufficiency,
Moderate cost of living area**



**Self-sufficiency,
High cost of living area**



Military members: Civilian Housing



Military members: Military Housing

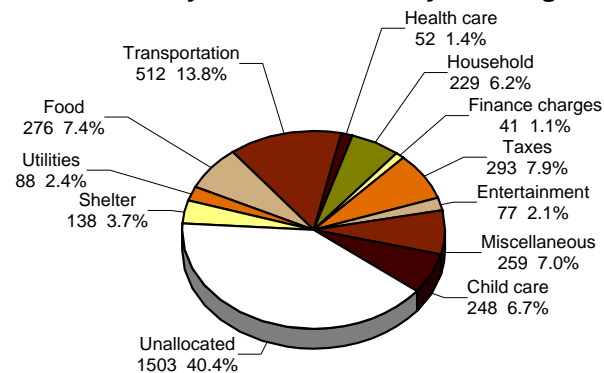


Figure 20
Benchmark Budgets: Military vs. Self-Sufficiency
Paygrade E-6, Single-Earner, Two Children

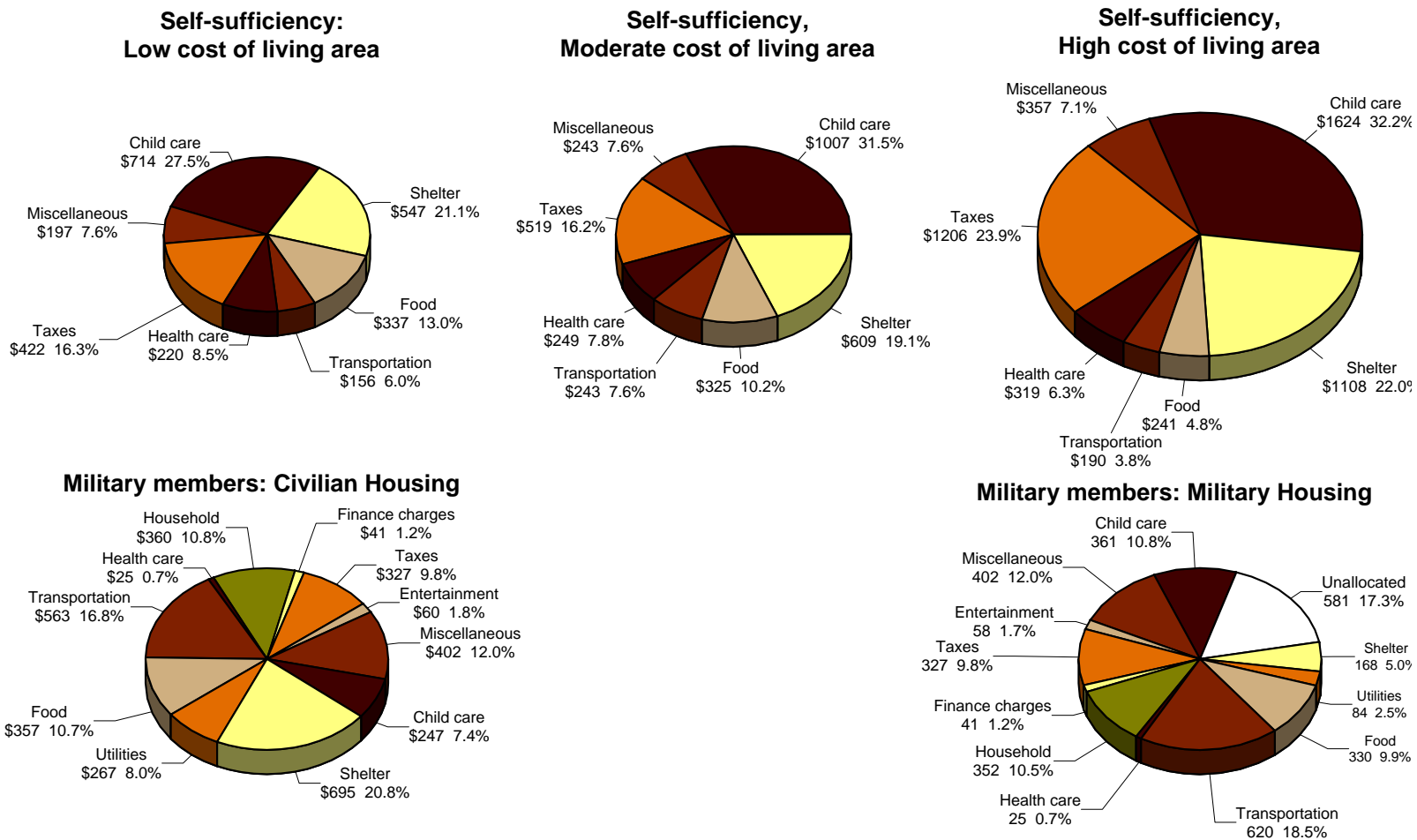
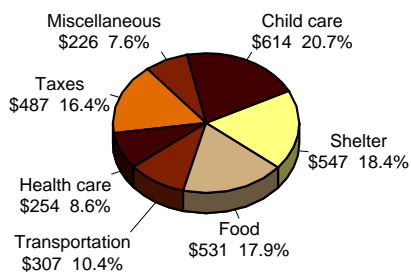
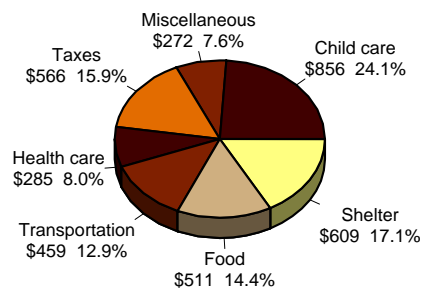


Figure 21
Benchmark Budgets: Military vs. Self-Sufficiency
Paygrade E-6, Dual-Earner, One Child

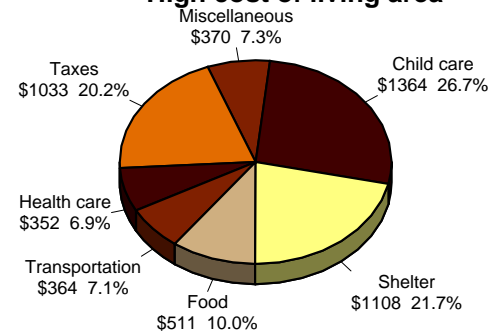
**Self-sufficiency:
 Low cost of living area**



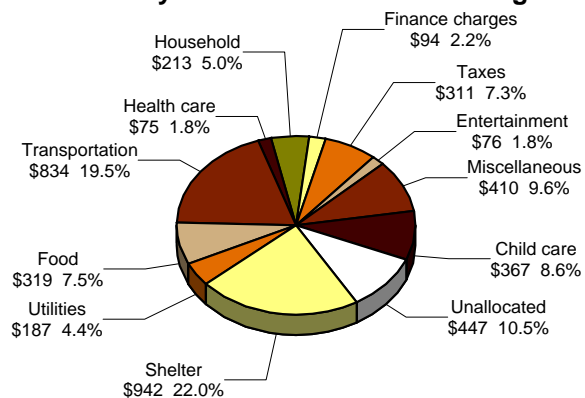
**Self-sufficiency,
 Moderate cost of living area**



**Self-sufficiency,
 High cost of living area**



Military members: Civilian Housing



Military members: Military Housing

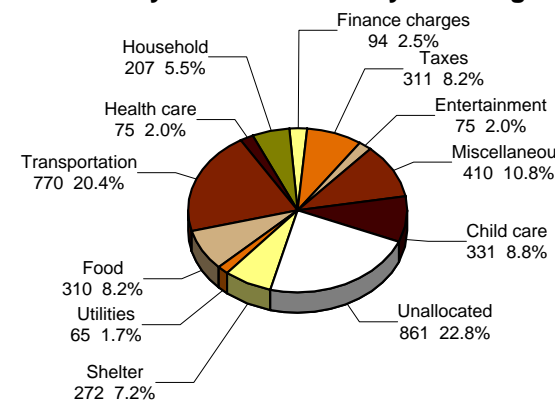


Figure 22
Benchmark Budgets: Military vs. Self-Sufficiency
Paygrade E-6, Dual-Earner, Two Children

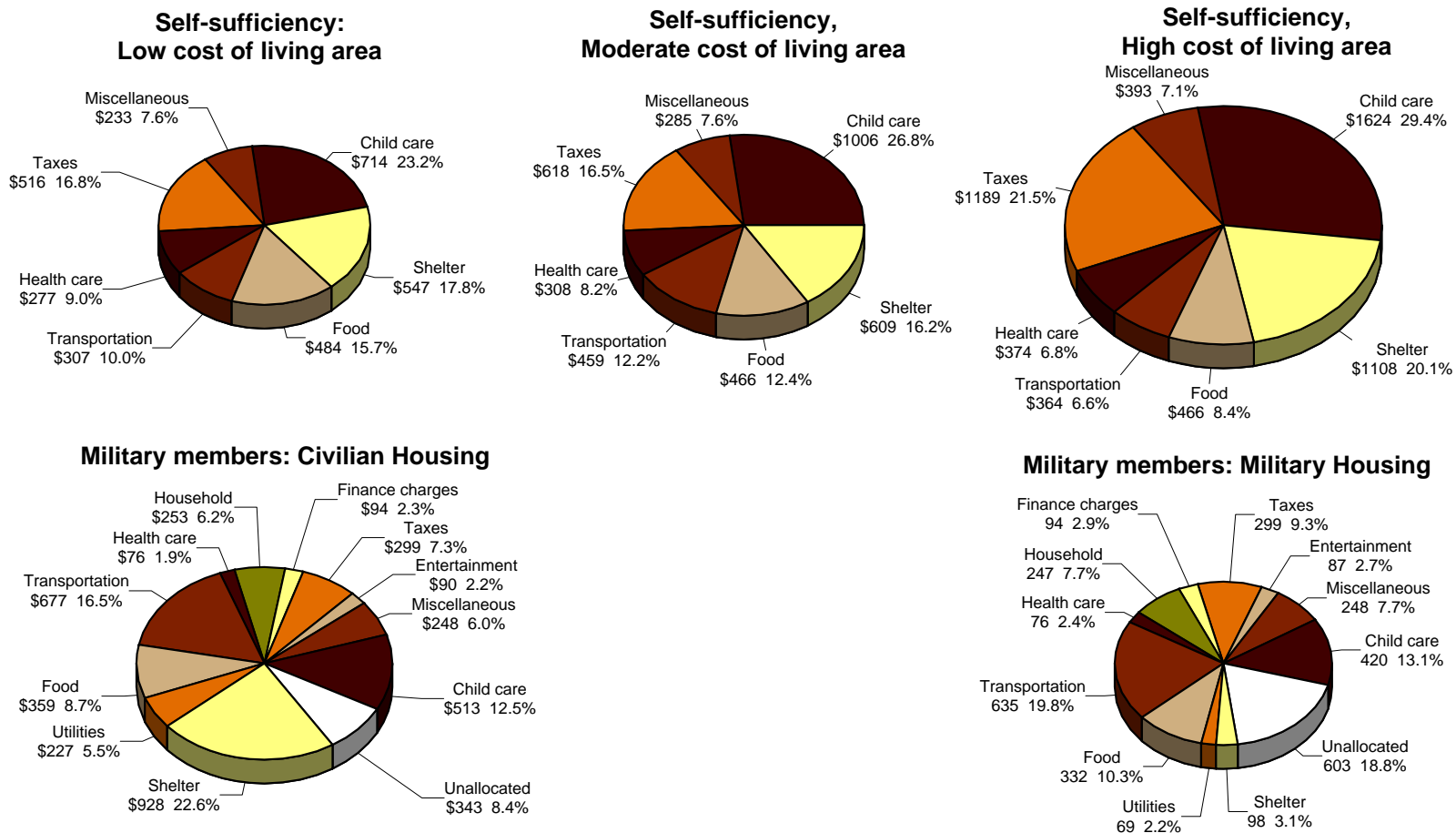
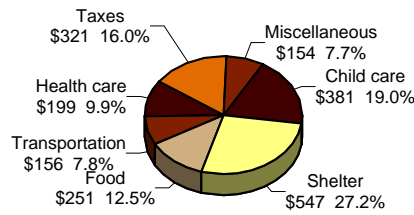
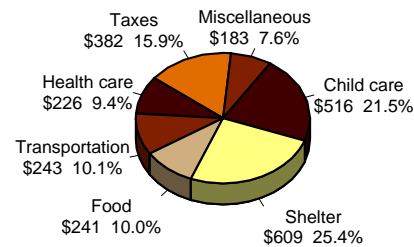


Figure 23 Benchmark Budgets: Military vs. Self-Sufficiency Paygrade O-3, Single-Earner, One Child

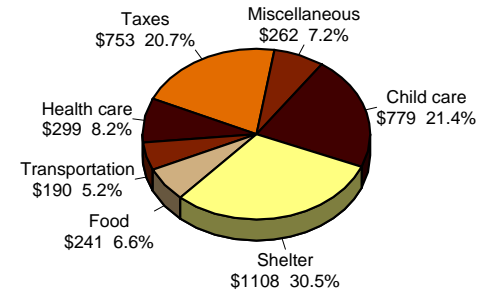
**Self-sufficiency:
Low cost of living area**



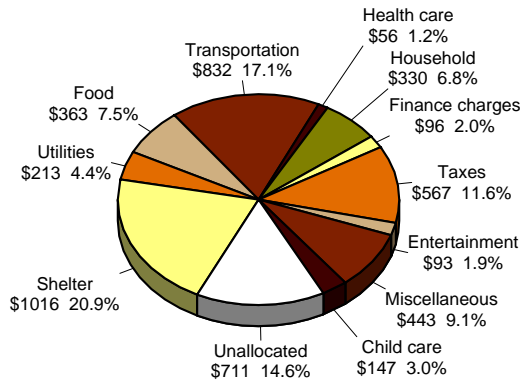
**Self-sufficiency,
Moderate cost of living area**



**Self-sufficiency,
High cost of living area**



Military members: Civilian Housing



Military members: Military Housing

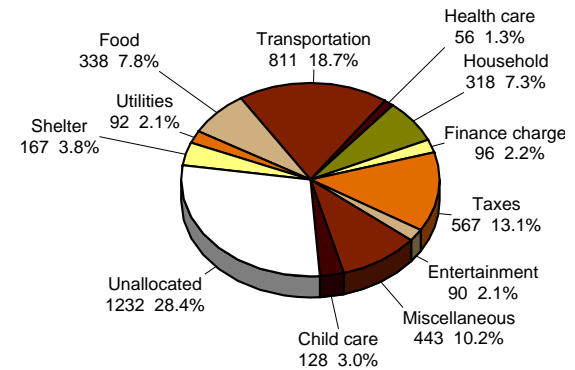
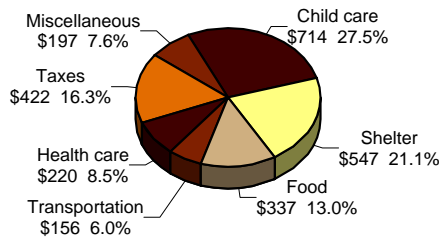
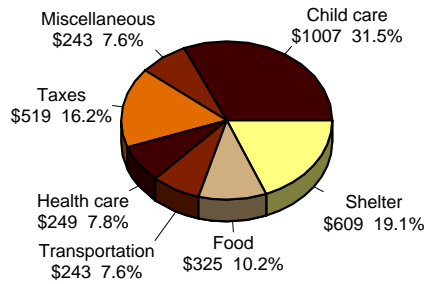


Figure 24 Benchmark Budgets: Military vs. Self-Sufficiency Paygrade O-3, Single-Earner, Two Children

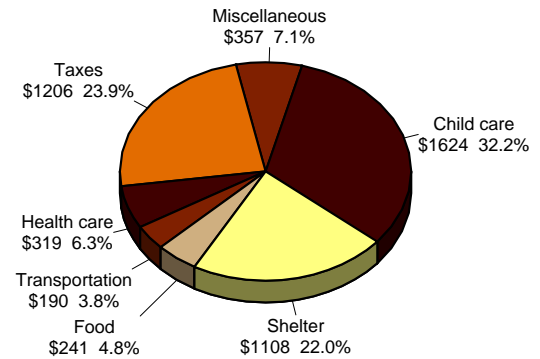
**Self-sufficiency:
Low cost of living area**



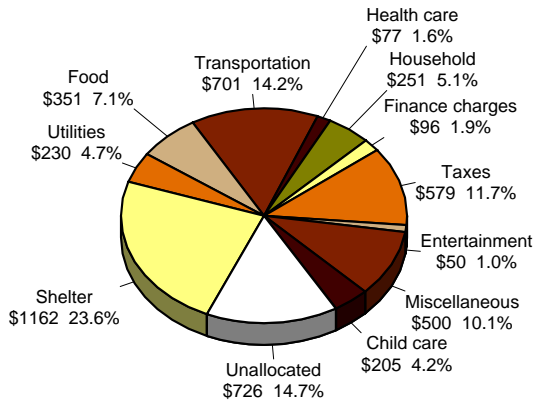
**Self-sufficiency,
Moderate cost of living area**



**Self-sufficiency,
High cost of living area**



Military members: Civilian Housing



Military members: Military Housing

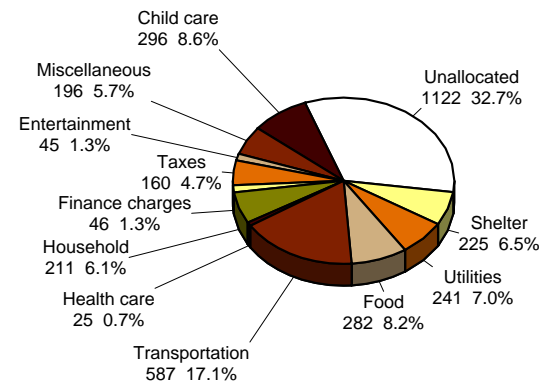


Figure 25
Benchmark Budgets: Military vs. Self-Sufficiency
Paygrade O-3, Dual-Earner, One Child

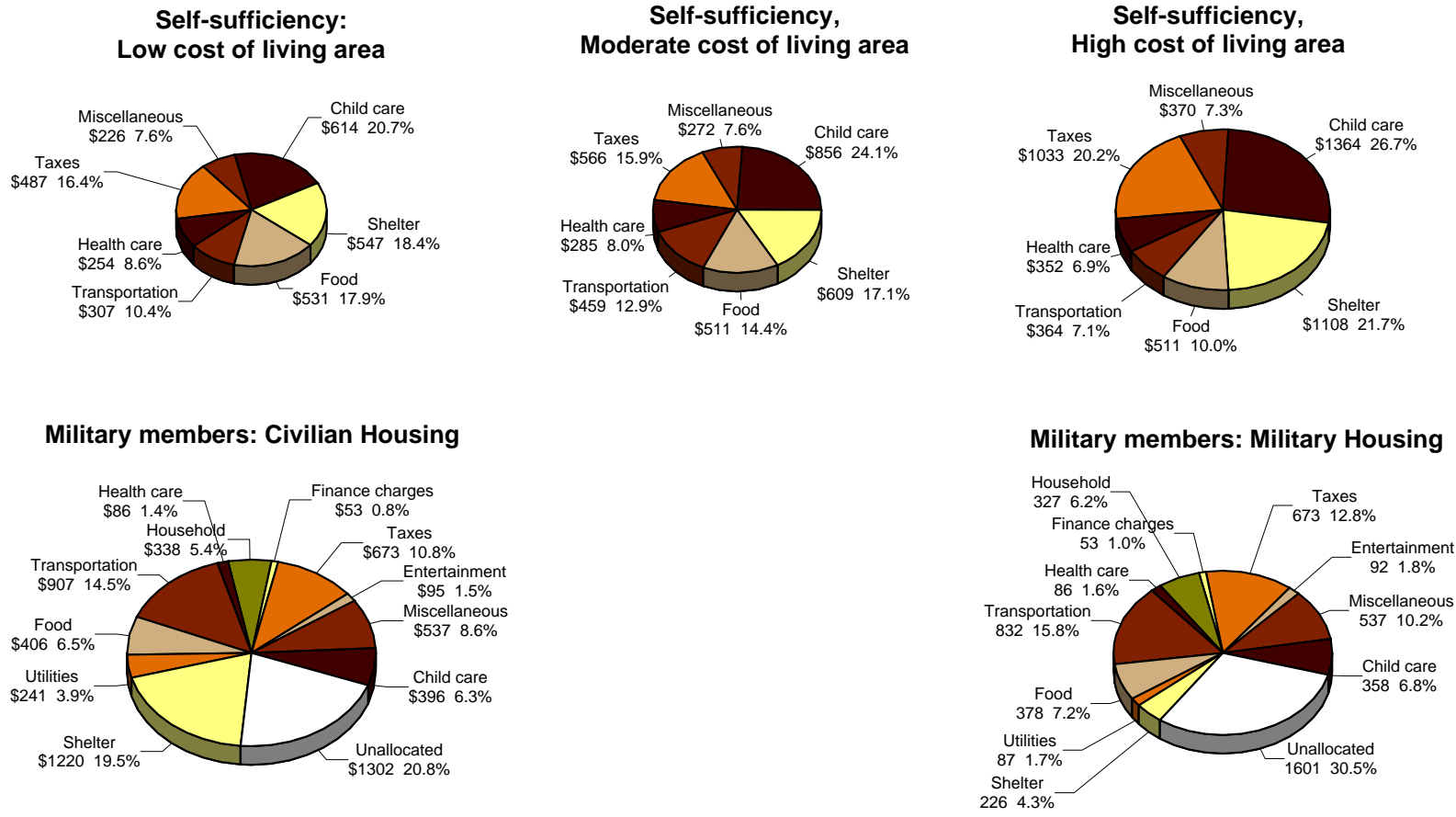
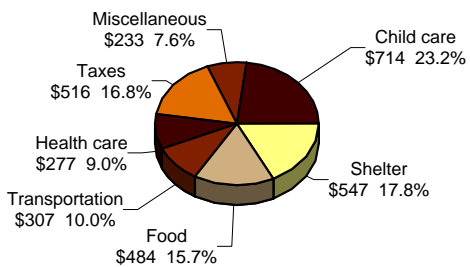
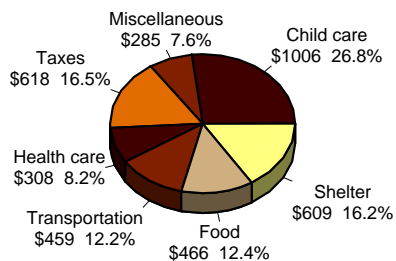


Figure 26 Benchmark Budgets: Military vs. Self-Sufficiency Paygrade O-3, Dual-Earner, Two Children

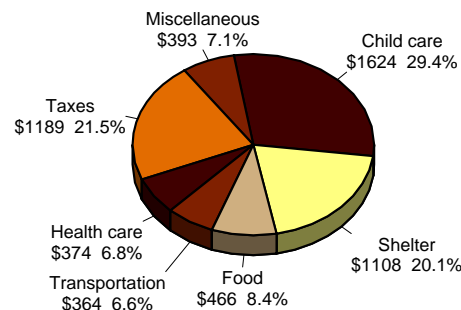
**Self-sufficiency:
Low cost of living area**



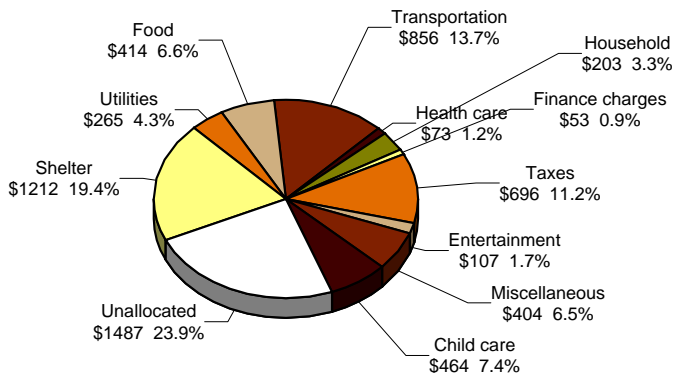
**Self-sufficiency,
Moderate cost of living area**



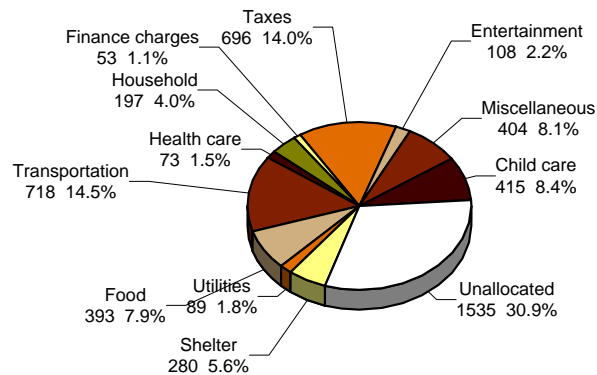
**Self-sufficiency,
High cost of living area**



Military members: Civilian Housing



Military members: Military Housing



Conclusion: The Financial Situations of Military Families and Self-Sufficiency Standards

By comparing self-sufficiency budgets across the three low-, medium-, and high-cost areas selected for this study, we get a rough idea of the degree to which particular expenses are stable or vary with cost of living. Our informal comparison suggests that costs for food and transportation tend not to vary dramatically across areas with different costs of living. Health care spending varies somewhat more. The largest variations occur in spending for shelter, child care, and taxes, which are about twice as large in high cost-of-living areas as in low ones.

- The average income in most groups of military families in the paygrades we examined (E4, E6, O3) met standards for minimum income when the cost of living was low. The average income in some groups of military families met standards for minimum income in areas where the cost of living was moderate. Almost no groups met standards for minimum income in areas where the cost of living was high, on average.

We observed remarkable consistency when we compared the expenditures of military members in paygrades E4, E6, and O3 and self-sufficiency budgets:

- Spending for shelter by members in paygrades E4 and E6 approximated that of self-sufficiency budgets in moderate-cost areas (\$609); spending for shelter by members in paygrade O3 approximated that of self-sufficiency budgets in high-cost areas (\$1,108).
- Transportation expenditures in military families occupied double – or more – the dollars allocated in these self-sufficiency budgets, which assume the use of public transit if available, or ownership of a used car. Given the location of many military bases, families may be more likely to own cars. No data are available to offer more insight into the transportation needs of military families.
- Military families spent about 2/3 as many dollars on child care as self-sufficiency budgets allocated, on average. O3 families appeared to spend what self-sufficiency budgets recommended, on average. O3 families appeared to spend what self-sufficiency budgets recommended for child care regardless of whether they lived in military or civilian housing. On average, E6 families living in military, but not civilian, housing could afford to spend more on child care given their other expenditures, although not always as much as self-sufficiency budgets recommended. On average, E4 families would have difficulty spending more on child care.

Why Do Some Groups Have Affordability Problems?

Buddin & Do (2002) analyzed the financial problems of junior enlisted personnel (10 years of service or less; members with and without spouses or children) and a comparable group of civilians. They found that junior enlisted members of the military were twice as likely as civilians (20% vs. 10%) to report being “hassled by creditors,” regardless of other demographic characteristics.

Financial problems were more common for members living in off-base housing and members deployed for more than 1 of the previous 12 months. In contrast to the civilian pattern, financial problems were not more common among military families headed by single mothers than families headed by single fathers. In two-earner families, financial problems did not appear to vary as a function of whether or not the spouse had a full-time civilian job.

Although Buddin and Do (2002) concluded that families with young children did not have more financial problems than other families overall, they did find that the financial problems resulting from family separation associated with a permanent change of station were greater when there were children in the family. Serious problems paying bills also increased as the number of children in the family increased.

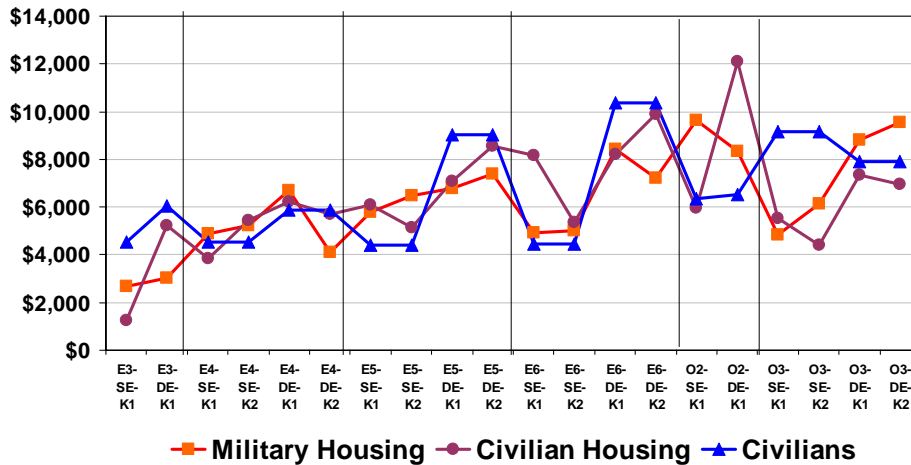
Finally, Buddin and Do (2002) observed that level of income did not appear to make a difference in the likelihood of financial problems, at least for this group of junior enlisted members, most of whom earned \$3,000 per month or less.

In the March 2003 Status of Forces Survey of Active-Duty members of the military, 24% of active-duty respondents in paygrades E1 to E4 reported that they had been pressured in the last year to pay bills by stores, creditors or bill collectors. Twenty-three percent of the members reported falling behind in paying bills for credit card, AAFES, NEXCOM, or Military Star accounts, and 17% bounced two or more checks or had their telephone, cable or internet service terminated.

In the present study, military parents of young children in families living in civilian housing and who had only one earner appeared to be at elevated risk of financial problems. In this section, we explore four possible reasons: (1) debt load; (2) expenditures for shelter; (3) expenditures for transportation; and (4) expenditures for child care vis-à-vis fee structures in military Child Development Centers.

Figure 27 reports the average balances of unsecured debt for military members and civilians in all groups, revealing no obvious systematic pattern of debt levels across groups. In most groups, the self-reported debt levels of military members were similar to those of civilians with similar family structures and incomes. Members living in civilian housing may certainly have more debt than some would consider ideal, but they don’t appear to have systematically more debt than civilians, nor more than members living in military housing. Readers should keep in mind, however, the relatively low precision of our estimates of debt balances (shown in Appendix B).

Figure 27
**Unsecured Debt Balances for
 Military Civilian Parents of Children Younger than 6**



Shelter Spending

Average expenditures for shelter by military members living in civilian housing consistently exceeded basic allowance for housing (BAH). Although BAH is intended to cover the costs of utilities, the data reported here suggest that many families with preschool children were spending their entire allowance on rent or mortgage. The costs of utilities and maintenance could then require another \$200 to \$300 (keep in mind, however, that the estimates for these items in this study were based on civilian data). Future research to explore in more detail shelter costs for military members living in civilian housing might prove useful. In our data, military families living in civilian housing often spent at least \$100 per month more for housing than civilians, although only slightly more than self-sufficiency standards required. Taking both housing and utility costs into account, military families with children younger than 6 paid between 25% and 41% of shelter expenses out of pocket, rates higher than the 19% the DoD targeted for 2000.

Why do military families spend more on shelter than BAH guidelines allow? In 2001, military housing standards allocated a maximum of a two-bedroom apartment or townhouse for members in enlisted paygrades up to E5 and officer paygrade O1; and a 3-bedroom townhouse/duplex for members in paygrades E6 and O2. Only for paygrades O2 and O3 were single family detached homes specified by the guidelines. In contrast with these guidelines, civilians lived in single family detached homes at very high rates – 47% of the E1 to E3, 53% of the E6 to E8 and 68% of the O1 to O3 comparison groups. Perhaps not surprisingly, military members’ actual behavior fell somewhere in the middle – starting at E5, over half owned their own homes, but less than 30% of E4 members and 20% of E3 members owned their homes. So, military families appear to be choosing levels of housing that exceed military guidelines, but still fall behind those of comparable civilians.

We were curious about how members living in civilian housing felt about their experiences. Is it the case that they spent so much on shelter voluntarily, or did they feel somehow compelled to do so? To answer this question we examined items on the Active Duty Survey that asked members about their dissatisfaction with their housing. The results are shown in Figures 28 to 35. Light-colored bars display

the results for military members living in military housing; dark-colored bars indicate military families living in civilian housing.

We found only very small differences in average levels of dissatisfaction with the quality, condition, or amount of livable space in the residence, the quality of housing or safety in the neighborhood, or the distance to shopping or recreational areas (see Figures 28 to 33). Members living in civilian housing tended to be more dissatisfied than their counterparts in military housing with the cost of their residences and the distance between their homes and workplace, but more satisfied with levels of privacy (see Figures 34 to 36).

The Active Duty Survey also asked members why they chose their housing. We found that military housing appeared more likely to be chosen because it was seen as better than civilian housing, because the family wanted military neighbors, or because they had no choice (see Figure 37). In contrast, civilian housing tended to be chosen because military housing was unavailable, because it was seen as better than military housing, because of military rules, or privacy concerns.

Finally, we examined responses to an item asking where military members would choose to live if costs were equal. Most military parents of children younger than six – 66% -- would choose to live in civilian housing, regardless of where they now live. Overall, data regarding members’ attitudes toward their housing suggest that military members had a fairly strong preference for civilian housing. This may indicate that members voluntarily paid more for shelter than the amount of their housing allowance, than some civilians pay, or than some self-sufficiency budgets require. Additional data would be needed to determine the quality and size of housing that military members are purchasing – there may be cost factors our data don’t reveal. Perhaps housing near military bases is particularly expensive. Perhaps military members require or desire more space than military guidelines for housing allowances permit.

Figure 28
Dissatisfaction with Quality and Condition of Residence
 Parents of Children under 6, Civilian and Military Housing

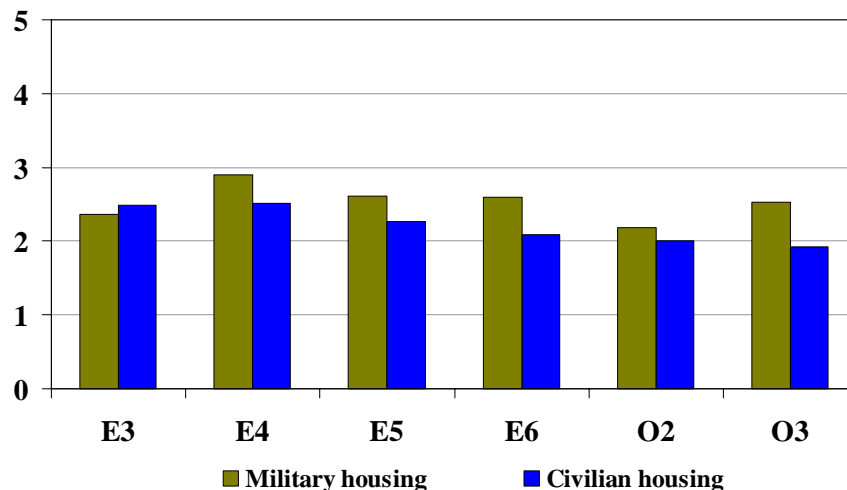


Figure 29
Dissatisfaction with Amount of Livable Space in Residence
 Parents of Children under 6, Civilian and Military Housing

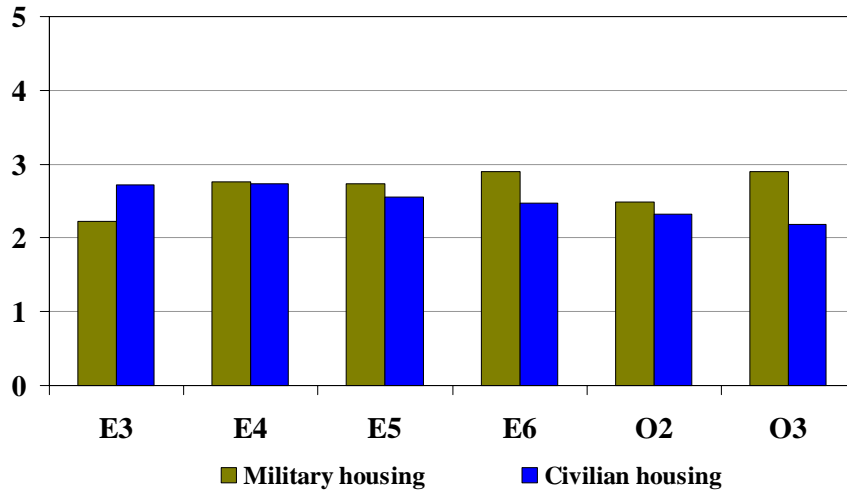


Figure 30
Dissatisfaction with Quality of Housing in the Area Where You Live
 Parents of Children under 6, Civilian and Military Housing

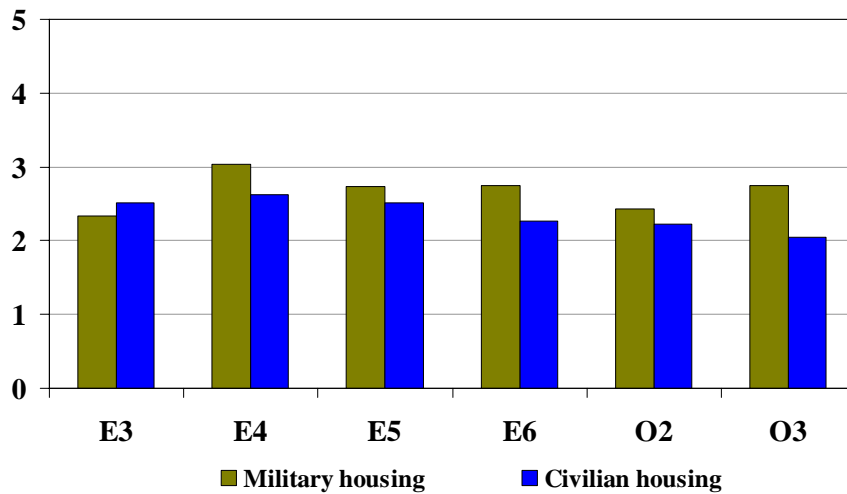


Figure 31
Dissatisfaction with the Safety of the Area Where You Live
 Parents of Children under 6, Civilian and Military Housing

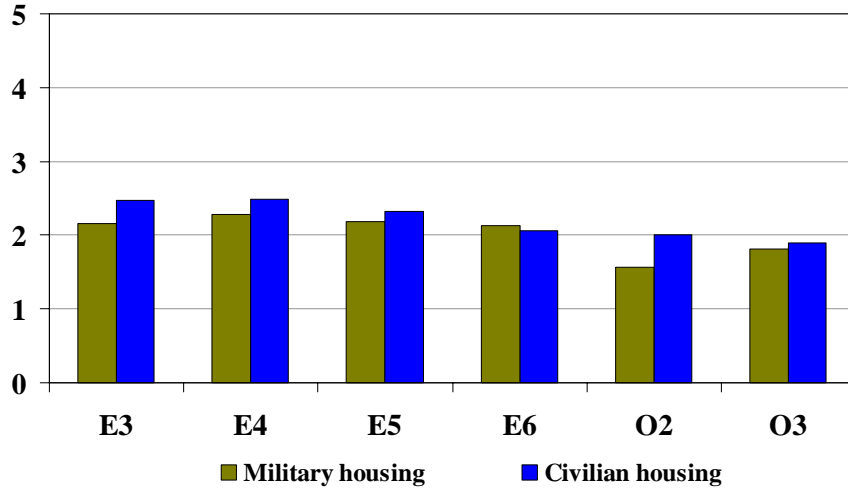


Figure 32
Dissatisfaction with Distance to Shopping Areas
 Parents of Children under 6, Civilian and Military Housing

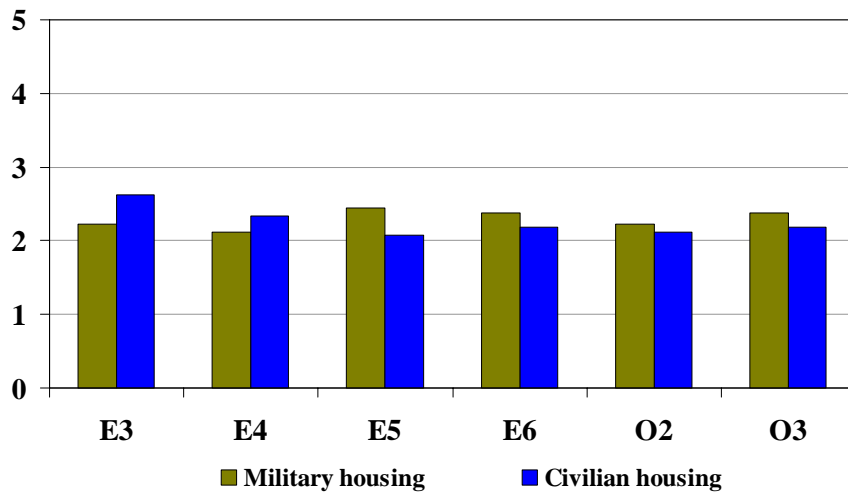


Figure 33
Dissatisfaction with Distance to Recreation Areas
 Parents of Children under 6, Civilian and Military Housing

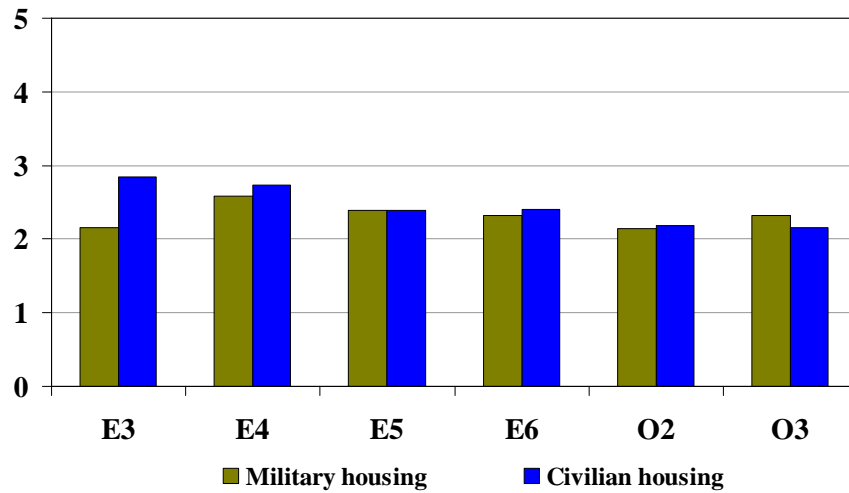


Figure 34
Dissatisfaction with Cost of Residence
 Parents of Children under 6, Civilian and Military Housing

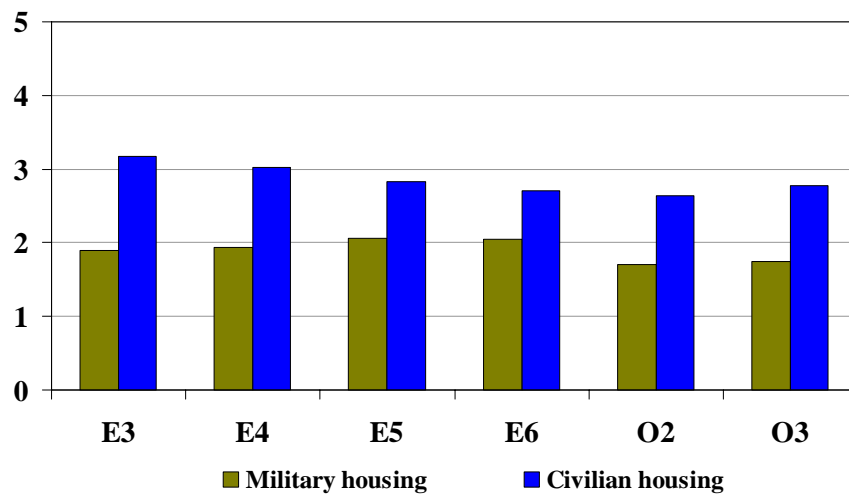


Figure 35
Dissatisfaction with Distance to Workplace
 Parents of Children under 6, Civilian and Military Housing

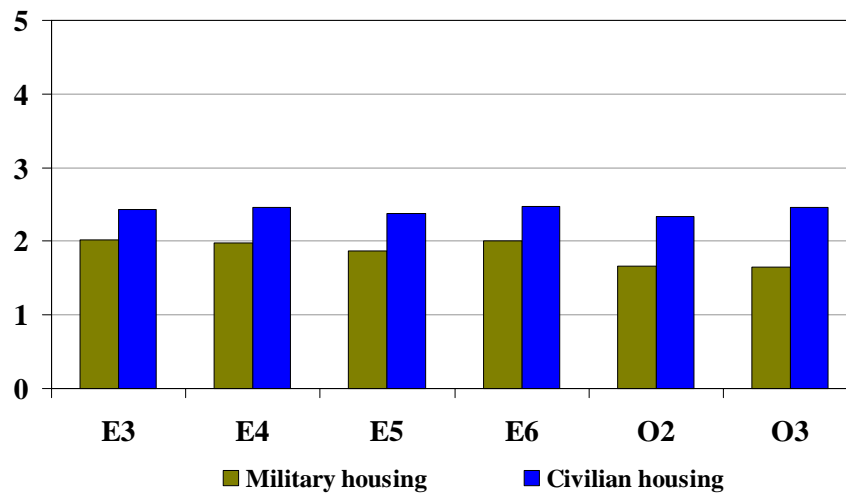


Figure 36
Dissatisfaction with Privacy of Residence
 Parents of Children under 6, Civilian and Military Housing

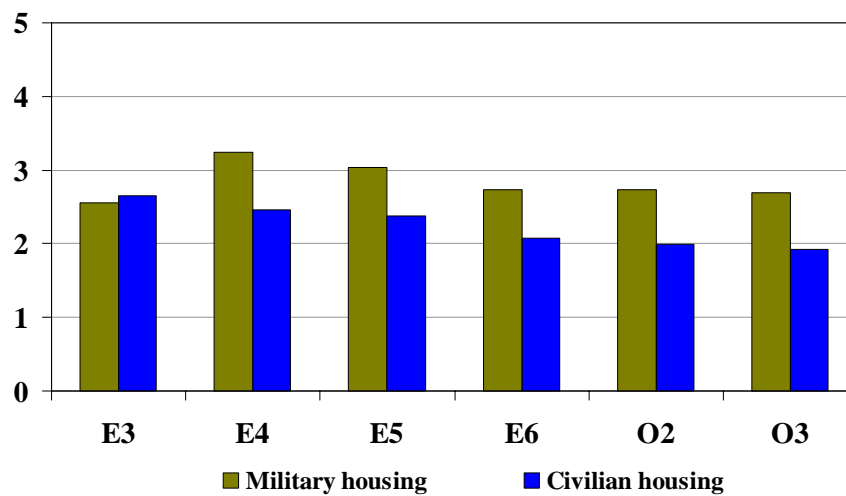
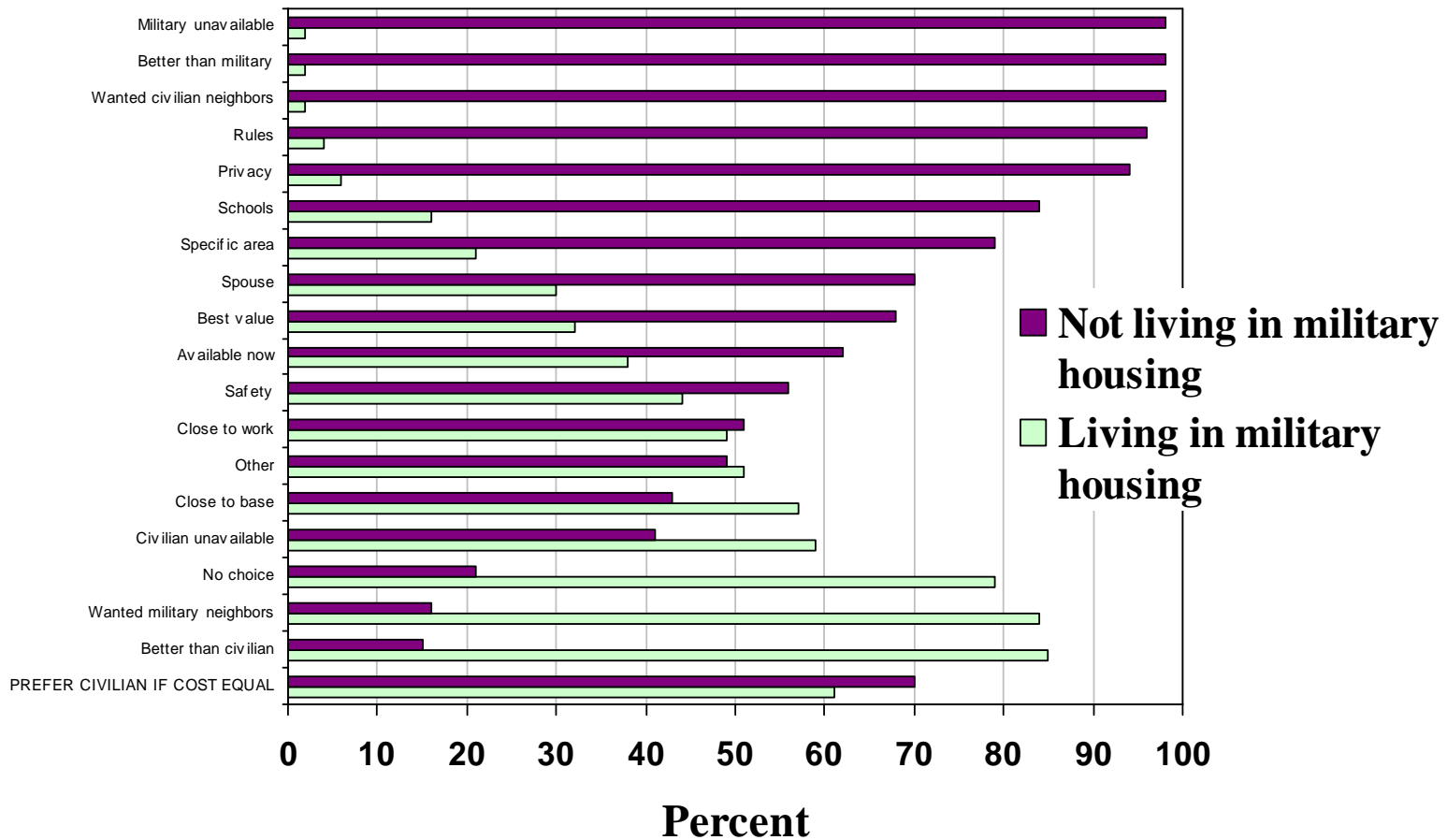


Figure 37

Reasons for Choosing Current Housing

Parents of Children under 6



Transportation Expenditures

A second possible explanation for affordability problems is transportation expenditures. As with shelter, many military members appear to spend more than civilians and self-sufficiency standards on transportation (only the estimates of the costs of purchasing a vehicle were based on military data in this study; other transportation costs were based on civilian data). It's not clear whether military members face unique demands for transportation, whether it is more difficult for them to acquire vehicles or use public transportation at reasonable cost, or whether they simply choose to spend more. We found no reliable differences in transportation expenditures between families living on and off base, or between one- and two-earner families. Recall from Table 7, however, that 42% of young military trainees at one installation – up from 25% only four years earlier -- now report an average of over \$7500 debt, half of which is for car loans.

Thanks to the dedicated efforts of an educator of young military members, we were able to obtain a summary of data he gathered from six successive annual classes of new trainees. As Table 7 below shows, the average indebtedness of trainees rose \$2,254 or 42% between 1997 and 2003. The proportion of trainees carrying debt loads rose from 26% to 42%. Approximately half of the indebtedness was due to car loans; about one-third to student loans, about 10% to credit cards and 12% to other sources. We have no way of knowing, of course, how representative these military members are of the entire population, but the rising rates of indebtedness among members so early in their military careers is troubling.

Table 7
Indebtedness of Military Trainees

	# surveyed	% with debt	Average indebtedness
1997			\$5,337
1998			\$6,338
1999	9,983	26%	\$7,505
2000	9,853	29%	\$6,736
2001	8,822	33%	\$7,031
2002	11,450	40%	\$7,943
2003	4,766	42%	\$7,591

Fees in Military Child Development Centers

Finally, we reviewed the fee structures for care in military Child Development Centers (CDCs). The results of our analyses are shown in Figures 38 and 39. Figure 51 plots the weekly fees for child care as a percent of the upper income cutoff for each category of child care fees. The line for Category I fees, at the top of the chart, shows that members in this income category would not only pay a larger percentage of their income than members in any other income category, but also that while the other income categories are separated by one percent or less, Categories I and II were separated by about 2%. That is, while in 2000 members earning Category III income would pay about 9% of their income for care in military CDCs and members in Category II would pay about 10% -- a difference of 1% -- members in Category I, the lowest income category, would pay 12% of their income for care in military CDCs. In Figure 39, we plot the Category I upper income cutoff (the shaded area in the background) against the ratio of the income cutoff to the official federal poverty threshold, both expressed in constant 1998 dollars. This figure shows that the ratio of the upper income cutoff has fallen during most of this time. In 1995,

military members could earn almost 1.9 times the official poverty threshold and still pay the lowest fees on the sliding scale. By 2001, military members could earn no more than 1.6 times the poverty threshold in order to pay the lowest fees on the scale. After 2001, a correction was made by increasing the upper income cutoff for category I from \$23,000 to \$28,000 (current dollars); this raised the income: poverty threshold ratio to 1.96. The subsequent year saw a slight decline in the ratio, to 1.89.

Of course, affordability calculations that pay every expense BUT child care first are not realistic. Families make expenditure decisions every day in a complicated package of large and small considerations. The data we have reviewed reveal HOW families may spend their money, but they tell us little about WHY – that remains a task for future research.

When considering the costs of child care, it is also important to consider family's needs for care. Although in this study one-earner military parents living in civilian housing would have the greatest difficulty affording child care in light of their other expenditures, about 60% of those families included a full-time homemaker and thus had no recognized need to purchase child care. So, how many families had a recognized need for care and would have affordability problems? According to the weighted estimates from the 1999 Active Duty Survey:

- 71,785 families contained one earner (all two-earner families have a recognized need for care)
- 27,736 (39%) of one-earner families had a recognized need for child care because they contained a single parent, a student, or someone who was unemployed and looking for work
- 15,425 (56%) of one-earner families with a recognized need for care would have difficulty affording it given their other spending; this represents about 1 in 5 of all one-earner families

The Department of Defense has in place a system through which commanders can waive child care fees to assist families in difficulty who request assistance. How does the number of waivers provided compare to the estimated number of families with a need? In 1999 only 386 waivers were awarded.

Figure 38
Weekly Fees as a Percent of Weekly Income

Percent = Weekly fee / (Upper income cutoff / 52)

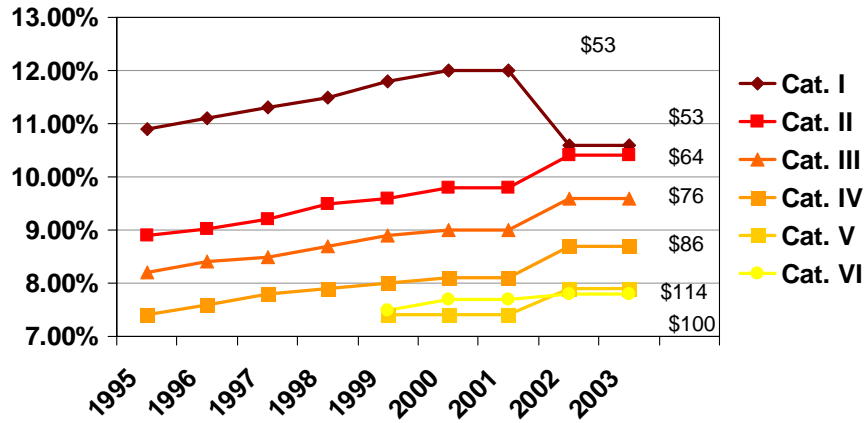
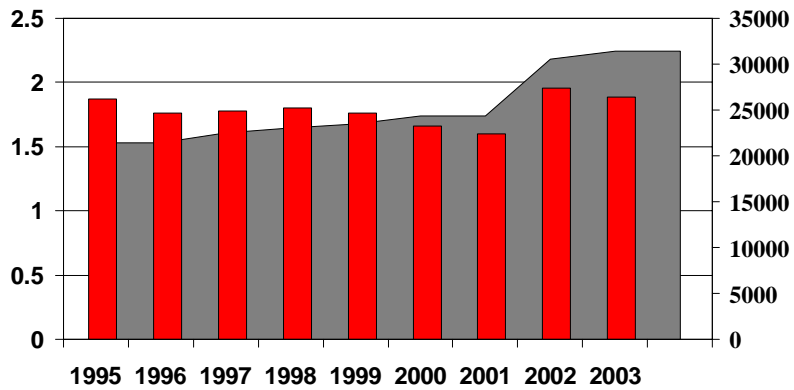


Figure 39
Ratio of Category I Upper Income Cutoff to Official Federal Poverty Threshold



Have Financial Problems Been Eliminated by Recent Changes in Military Compensation?

Military leaders have recently had considerable success in securing funds to improve both basic pay and military allowances. Between 2000 and 2003, military members received real increases (i.e., corrected for inflation) of 8.7% in wages and 27.9% in basic allowance for housing. An obvious question is whether the apparent financial difficulties of some families of young children have been eliminated by these improvements.

To estimate the impact of increases in pay, we calculated the change in cash flow families could experience. First, the cumulative impact of percentage increases in pay and allowances from 2000 to 2003 were calculated. The resulting amount was then converted to year 2000 dollars to match the analysis year of our family budgets and added to the average risk index or “bottom line” for each group of families (note that some groups of families had a negative bottom line – see Appendix B). According to these analyses, one-earner E3 families with 1 child would see a real increase of \$250 if living in civilian housing. One-earner O2 families with 1 child would receive a \$150 real increase if living in civilian housing.

The goal of increases in housing allowances was to reduce *absorption*, or the percentage of housing costs that members must pay themselves. In 2001, the absorption target was no more than 15%, down from 18.8% in the prior year (Bacon, 2000). Targets for 2002 through 2005 were 11%, 7.5%, 3.5%, and 0% (Performance Metrics & Scorecard Final Report, 2000). Based on increases in BAH from 2000 to 2003, the out of pocket portion for one-earner E3 parents of young children who lived in civilian housing would drop to 2.5% of income, which meets the 2003 target of 3.5%. One-earner O2 families with one child would pay 15.6% of shelter costs out of pocket when living in civilian housing, which exceeds the 2003 target of 3.5%.

Figure 40 plots the basic allowances for housing in 2000 and 2003 for E3 and O3 families who live in a low-cost area (Lafayette, IN) and a high-cost area (Westchester County, NY). E3 members gained about \$140 and \$900 in Lafayette and Westchester County, respectively, from 2000 to 2003. The comparable increases for O3 members were \$220 and \$640. In Lafayette in 2000, O3 allowances were about 10% higher than E3, but in 2003 they were 21% higher. In Westchester County, officers’ advantage fell from 55% to 15%. Thus, enlisted members in high-cost areas gained considerable ground in both absolute terms and relative to officers, but members in low-cost areas gained in absolute terms but lost ground relative to officers.

One final way that we can examine the impact of changes in military compensation is to look at the distribution of subsidies for child care fees, which are awarded based on family income. Category VI, to which families with the highest incomes are assigned has grown from 7.3% to 22.2% of total families, suggesting that family incomes are rising (see Figure 41). However, category I, to which families with the lowest incomes are assigned, has rebounded to a high of 9.8% from a 2002 low of 6.7%. The income cutoff for this category remains less than 2 times the federal poverty threshold for a family of three. The fact that category I families have not become less prevalent suggests that increases in pay and allowances have not eliminated the financial needs of military parents of young children. And because the criteria for need are based on income, the legitimacy of families’ need does not depend upon their other spending.

Figure 40
**Basic Allowances for Housing
 by Paygrade and Cost of Living
 2000 and 2002**

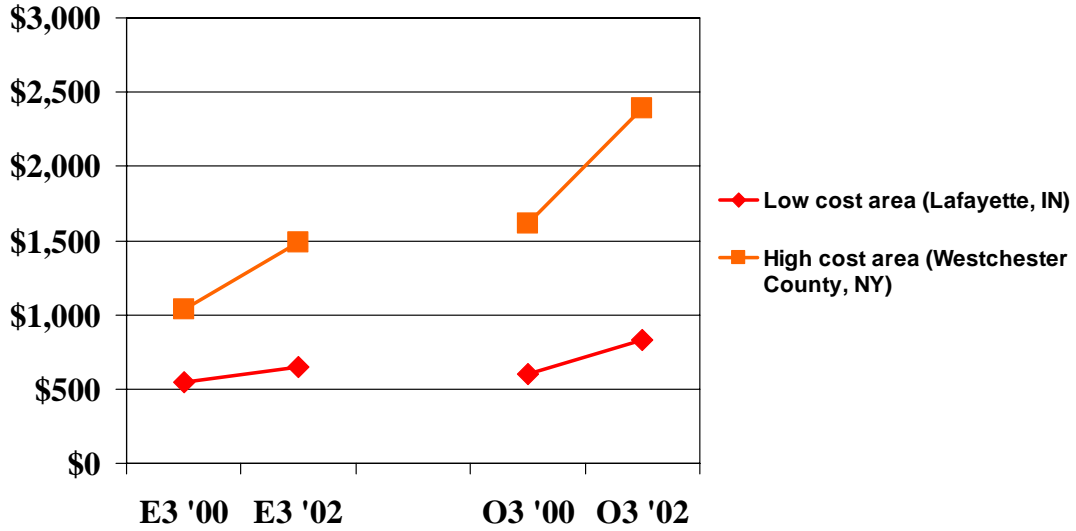
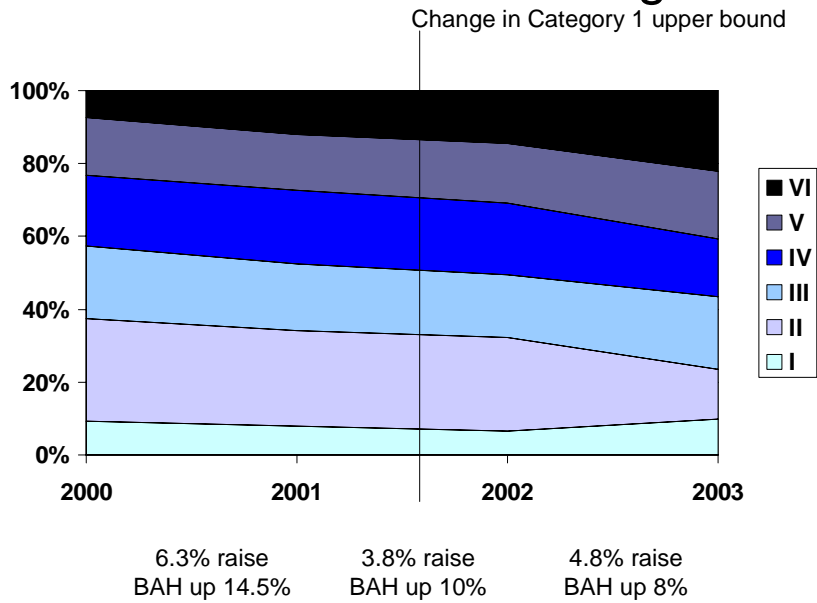


Figure 41
Distn of child care fee categories



Summary

We explored four possible explanations for financial problems: (1) debt load; (2) expenditures for shelter; (3) expenditures for transportation; and (4) expenditures for child care vis-à-vis fee structures in military Child Development Centers.

Debt

- Military members' self-reports of unsecured debt on the 1999 Active Duty Survey did not differ systematically from those of civilians.
- Data gathered at one military installation from over 40,000 new military trainees over a period of years suggests that rates of indebtedness are rising rapidly – from 26% of trainees four year ago to 42% now. The single largest component, accounting for about half of this indebtedness is car loans.

Shelter

- In 1999, military families with children younger than 6 spent more than the amount of their BAH on rent or mortgage, leaving them to pay for utilities and other shelter expenses out of pocket.
- Military families with young children tended to live in larger housing than military guidelines suggested, although they owned homes at lower rates than civilians.
- Regardless of where military members and their families lived (i.e., military vs. civilian housing), about two-thirds preferred to live in civilian housing.
- Recent changes in compensation have done much to eliminate shortfalls in shelter costs, although the gap between enlisted members and officers in Basic Allowance for Housing has widened slightly.

Transportation

- Military families spent considerably more for transportation than both civilians and self-sufficiency standards.
- Further, data from one installation suggest that debts for cars are being incurred early and often by young military members.
- We could find no evidence that these expenditures were driven by work-related need.

Fees in CDCs

- Compensation increases have substantially increased the percentage of military parents who do not qualify for child care subsidies. The lowest income category has not shrunk, however, indicating that substantial needs remain at the bottom of the income distribution.
- Taking spending patterns into account, we estimate that more than half of the about 28,000 one-earner families who have recognized needs for child care would have difficulty affording it given their other spending and the extremely limited availability of fee waivers.

CONCLUSION AND IMPLICATIONS

The purpose of this report was to examine the financial landscape for military parents of children younger than six, particularly regarding the affordability of care in military Child Development Centers. We assessed absolute financial risk using a variety of military and civilian data sources to construct budgets for military parents of preschool children living in various family structures. We assessed relative risk by comparing each military budget to two benchmark budgets: civilian families matched on income and family structure, and self-sufficiency budgets that specify minimum income requirements. As readers consider the implications of our results, the following limitations and strengths of our analyses should be kept in mind.

Strengths and Limitations of the Analyses

The analyses presented in this report offer several important strengths:

- Findings are based on multiple sources of both military and civilian data.
- Several of the data sources are national samples that accurately represent the U.S. population or the population of active duty military members.
- Custom analysis programs were developed to match data from the Consumer Expenditure Survey as precisely as possible to specific types of military families. Budget estimates were built item by item, rather than simply estimating totals, resulting in improved precision.

The major limitations of this study stem from small sample sizes, vagueness in the key child care question included on the 1999 Active Duty Survey, gaps in the information available about military family income and expenditures, and the absence of tests of statistical significance.

- Although the databases used for this study contained many thousands of cases (e.g., the 1999 Active Duty Survey was administered to more than 60,000 respondents), analysis groups became quite small once divided by paygrade, number of earners, and number and ages of children. This limited the precision of our findings and prevented us from conducting separate analyses for each armed service, or for families with infants and toddlers.
- Available military data contained no information about the number of hours particular child care arrangements are used or the cost of specific arrangements. Furthermore, these data came exclusively from military members (vs. spouses), regardless of whether or not they were the parent primarily responsible for making and monitoring arrangements for child care.
- Some military members may have mistakenly understood “child care” to exclude care by parents and failed to respond appropriately to items in the 1999 Active Duty Survey. As a result, our findings may underestimate the use of some child care arrangements.
- Because the 1999 Active Duty Survey did not ask about all family expenditures and did not itemize sources of income, civilian data were used to estimate some of the spending of military families. Although these estimates were carefully constructed, there is no way to be certain that they are completely accurate. In addition, dollar amounts were estimated from military data by converting ranges of values, reducing the precision of the resulting budgets.
- The results presented in this report were not tested for statistical significance because of biases introduced by large sample sizes, and variations in levels of analysis and design effects

across data sources. Instead, we focused on identifying meaningful patterns indexed by large and consistent differences among groups.

Findings come from analyses of data from the 1999 Active Duty Survey, the 1999 Survey of Permanent Change of Station Costs, the 1998 Consumer Expenditure Survey, the 1999 Living Patterns Survey, Department of Defense compensation tables, and state self-sufficiency budgets. The 1999 Active Duty Survey is the most recent data source available that contains any detailed data about the expenditures of military families. We used these data sources to construct summaries of the income and expenditures of military families with preschool children who lived in several income and housing arrangements. Based on the summaries, we consider three features of the financial landscape:

- Absolute risk, meaning the degree to which military parents of children younger than six appeared likely to spend more than they earned.
- Risk relative to civilians, meaning the degree to which the spending patterns of military parents correspond to those of civilians in comparable work and family circumstances.
- Risk relative to self-sufficiency standards, meaning the degree to which the spending patterns of military parents of young children conform to standards for financial self-sufficiency.

Our analyses are based on samples of both military and civilian families. The military sample was drawn from the 1999 Active Duty Survey data and contained 2,526 members stationed in the continental U.S., in paygrades E3 to E6 and O2 to O3, in one- or two-earner families and one or two children younger than six years of age. The civilian sample contained 968 families drawn from the 1998 Consumer Expenditure Survey data to match the family structures and incomes of the military sample.

The expenditures of military families also were compared to civilian “self-sufficiency” budgets, which have been calculated for each state and many counties in the U.S. The self-sufficiency standard defines the minimum income necessary for families to meet their basic needs without relying on public assistance. The complete family budgets we compiled are displayed in Appendix B.

Absolute Risk:

Which Military Families with Young Children Risk Spending More than They Earn?

Risk was calculated as the difference between average family expenditures and average family income. The more income exceeded spending, the lower the level of “absolute risk” for the family. Because the Office of Military Community and Family Policy was specifically interested in the affordability of child care, we calculated risk by comparing the amount of income remaining after all spending but that for child care had been taken into account to the fees that military child development centers would charge a family of that structure and income level:

- Risk was considered **High** when funds remaining after all but child care spending were less than the minimum CDC fees for that group.
- Risk was considered **Moderate** when the funds remaining after all but child care were within the range of CDC fees for that group.
- Risk was considered **Low** when the funds remaining after all but child care spending exceeded the maximum CDC fees for that group.

Assessments of risk revealed the following:

- Military families living in civilian housing appeared to be at low financial risk given their other spending if they had two earners. Most one-earner military families with children younger than 6 living in civilian housing were at high risk of spending more than they earned given their other spending. About 40% of these one-earner families had recognized needs for child care because a parent was in school or looking for work, or because there was only one parent.
- Almost all of the risk estimates for military families living in military housing were low or moderate, regardless of the number of earners or children in the family. This may be due in part to the low cost of military housing and to the larger savings members living in military housing were able to achieve at commissaries and exchanges.
- Although in general higher income appeared to be associated with lower risk, some groups at relatively high levels of income (e.g., paygrade O2) experienced high or moderate risk.
- Most types of civilian families of children younger than six experienced high or moderate risk, meaning that their purchases of other goods and services did not leave sufficient funds, on average, to purchase child care equaling the cost of minimum CDC fees.

Relative Risk:

Comparing Spending by Military and Civilian Families

The most notable differences between military and civilian families concerned spending for transportation, child care, and miscellaneous items. Although military members sometimes spent less than civilians for health care, food, and household/personal items, these differences were easily explained by the fee structure of the TRICARE system and savings achieved at commissaries and exchanges. Estimated spending for taxes also appeared to be quite different, but we suspect this is explained by different methods of calculation for military and civilian data sources.

Most groups of military members spent substantially more (i.e., at least \$100 per month more) on transportation than civilians at comparable income levels, except for E4 and E6 families with two earners. Military members also consistently spent more than civilians for child care. Although military members' expenditures for child care often were similar to what Child Development Centers would charge, it was often the case that multiple forms of care were purchased for those funds. Military families spent substantially less on miscellaneous than civilian families at comparable income levels, most likely due to the low costs of pensions and insurance for military families.

After all spending was taken into account, most groups of officer military families and civilian families with comparable incomes had some income remaining. Most groups of enlisted families, however, particularly those living in civilian housing and those with one earner, had little or no income remaining given current spending patterns. In general, military families living in military housing had more discretionary income than military families living in civilian housing, particularly when RMC-based estimates of income were used.

When both shelter and utility costs were considered, military parents of children younger than six who lived in civilian housing paid a considerably higher percentage of their housing expenses out-of-pocket – 25% to 41% -- than the rate targeted by the military – 19% in 2000. In these data, rates of home

ownership were usually about 10% to 20% lower among military families living in civilian housing than among civilians with comparable income.

Relative Risk:

The Financial Situations of Military Families and Self-Sufficiency Standards

Comparing self-sufficiency budgets across the low-, medium-, and high-cost areas selected for this study indicates the degree to which particular expenses are stable or vary with cost of living. Our informal comparison suggests that costs for food and transportation do not vary dramatically across areas with different costs of living. Health care spending varies somewhat more. The largest variations occur in spending for shelter, child care, and taxes, which are about twice as large in high cost-of-living areas as in low ones.

Initial comparisons focused on the income of military families relative to self-sufficiency standards. The average income in most groups of military families in the paygrades we examined (E4, E6, O3) met the minimum standards when the cost of living was low. The average income in some groups of military families met the minimum standards when the cost of living was moderate. Almost no groups met minimum standards when the cost of living was high.

Subsequent analyses compared specific expenditure items:

- Spending for shelter by members in paygrades E4 and E6 approximated that of self-sufficiency budgets in moderate-cost areas (\$609); spending for shelter by members in paygrade O3 approximated that of self-sufficiency budgets in high-cost areas (\$1,108).
- Transportation expenditures in military families occupied double – or more – the dollars allocated in self-sufficiency budgets, which assume the use of public transit if available, or ownership of a used car. Given the location of many military bases, families may be more likely to own cars. No data are available to explain the transportation expenditures of military families.
- Military families spent about 1/3 fewer dollars on child care than self-sufficiency budgets allocated, on average. O3 families were an exception, spending what self-sufficiency budgets recommended, on average.

Why Might Families Experience Financial Risk?

We explored four possible explanations: (1) debt load; (2) expenditures for shelter; (3) expenditures for transportation; and (4) expenditures for child care vis-à-vis fee structures in military Child Development Centers.

Debt

- Military members' self-reports of unsecured debt on the 1999 Active Duty Survey did not differ systematically from those of civilians. Precision of these estimates was low, however.
- Data gathered at one military installation from over 40,000 new military trainees from 1997 to 2003 years suggests that rates of indebtedness are rising rapidly – from 26% of trainees four year ago to 42% now. The single largest component, accounting for about half of this indebtedness is car loans.

Shelter

- In 1999, military families with children younger than 6 spent more than the amount of their BAH on rent or mortgage, leaving them to pay for utilities and other shelter expenses out of pocket.
- Military families with young children tended to live in larger housing than military guidelines suggested, although they owned homes at lower rates than civilians.
- Regardless of where military members and their families lived (i.e., military vs. civilian housing), about two-thirds preferred to live in civilian housing.
- Recent changes in compensation have done much to eliminate shortfalls in shelter costs, although the gap between enlisted members and officers in Basic Allowance for Housing has widened slightly in the locations studied.

Transportation

- Military families spent considerably more for transportation than both civilians and self-sufficiency standards.
- Data from several thousand military members at one installation over a period of years suggest that debts for cars are being incurred early and often by young military members. We could find no evidence that these expenditures were driven by work-related need.

Fees in CDCs

- Compensation increases have substantially increased the percentage of military parents who do not qualify for child care subsidies. The lowest income category has not shrunk, however, indicating that substantial needs remain at the bottom of the income distribution.
- About 56% of one-earner families with a recognized need for child care would have difficulty affording it given their other spending and the availability of waivers; this represents about 1 in 5 of all one-earner families in the groups studied.

Recommendations

Develop an understanding of the high transportation expenditures of military members. As noted above, military members spend considerably more than civilians and self-sufficiency standards on transportation, regardless of whether they live in military or civilian housing. Available data offer no hints about whether this is due to needs or preferences; additional data would be very helpful and might be obtained via a small number of questions on one of the surveys in the Status of Forces series.

Assess the current suitability of military housing guidelines. The military families with children younger than six who were included in this study tended to live in housing that was larger than military housing guidelines would suggest. For example, they were more likely to live in single family detached homes at lower paygrades than the guidelines suggested – and spending more than their BAH as a result. Yet, they were less likely to live in such homes than civilians. Military policy makers may need to explore why young families are living where they do and whether it is because of space or safety concerns for their children. Housing guidelines currently make no provision for numbers or ages of children. If military families are assigned to home installations for longer periods in the future, good financial

behavior would suggest they would purchase homes and housing guidelines and allowances may need to change to accommodate this likelihood.

Reconsider housing options for junior enlisted members with young children. Despite the fact that most military families in this study preferred to live in civilian housing, the families who did so seemed to be at a financial disadvantage. In addition, most of the families in this study believed there were advantages to living on base (although most did not want to do so). This was due in part to housing cost, but also to reduced savings at commissaries and exchanges. Military policy makers may want to consider offering junior enlisted families with financial problems or those who prefer to do so access to on-base housing.

Explore ways to increase the exchange and commissary savings of military families living off-base. Achieving greater savings would allow military families living in civilian housing to reduce any financial disadvantage they experience as a result.

Consider using an annual benchmark for child care subsidies. In an earlier section of this report, we noted that the highest level of child care subsidy became more difficult to qualify for during the late 1990's because the ratio of the income cutoff to the poverty threshold had fallen. A substantial adjustment was made, but the ratio has once again begun to fall. We suggest that the income cutoff for the highest level of subsidy be selected with attention to federal poverty guidelines, or the guidelines used for other important programs for children, such as WIC or Food Stamps.

Expand the availability of fee waivers for child care. Our data suggest that many more families might qualify for waivers of child care fees than actually request or receive them. Studies of the U.S. child care supply say that children who need care in families who cannot afford to pay for it will very likely end up in low-quality or even risky supervision arrangements – we have no way of knowing how military children are cared for in families that cannot afford to purchase care.

Ensure that comprehensive child care costs are taken into account when calculating allowances for cost of living. Cost-of-living allowances are based heavily on the Living Patterns Survey conducted by the Department of Defense. The only item on this survey that pertains to child care asks members what percent of their child care is purchased at a commissary or exchange. It might be helpful to conduct a special Living Patterns Survey with the parents of young children to gather much more detailed data about child care spending, including the amount, types, cost, and schedules of care for children of different ages (e.g., infants and toddlers). This information could be used to reduce the financial penalty currently paid by parents who are unable to use subsidized military child care.

Collaborate with the national Consumer Expenditure Survey to document the expenditure patterns of military families. The Consumer Expenditure Survey gathers very detailed information from civilians about income and spending. Survey staff already generate an annual summary of the data gathered from the small number of military members who are selected via random sampling strategies. If the survey were to include a much larger number of military members every year or every few years, detailed analyses could be conducted of their income and expenditure patterns, which would be useful in calculating allowances for housing and for cost of living.

Ensure that parents living in civilian understand the high level of quality of military child care and its importance for child outcomes. Members living in civilian housing are more likely to use civilian child care arrangements. It is not clear that parents understand the degree to which the quality of military child care exceeds that available in the civilian sector.

Consider ways to subsidize the child instead of the care. Subsidies for child care have concentrated on particular forms of care when most families use multiple forms of care or choose not to use military care. Thus, military subsidies benefit only a percentage of parents.

Continue efforts to ensure that spouses who want to be employed are able to do so. Single earner military families are at a financial disadvantage. In substantial numbers of these families, one spouse was in school or looking for work, indicating a desire to be employed.

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APPENDIX A

Glossary of Acronyms

BAH	Basic Allowance for Housing
CDC	Child Development Centers
CES	Consumer Expenditure Survey
COLA	Cost-of-Living Allowance
CONUS	Continental U.S.
DoD	Department of Defense
FCC	Family Child Care Centers
MC&FP	Office of the Military Community and Family Policy
OCONUS	Outside the Continental U.S.
PCS	Permanent Change of Station
RMC	Regular Military Compensation
SAC	School Age Care

APPENDIX B

Notation Conventions

Left-justified values are subtotals of values listed immediately below.

“n=” at the end of a label refers to the number of reports from civilian families.

“n=” in a cell refers to the number of reports from the families to whom that column pertains.

When a range of values appears after “n=,” it means that the number of reports ranged for items in that section.

Total income, expenditures and Affordability indices are in boldface. Not all the information in a column is used in the calculation of totals; consult Appendix C for details.

Negative numbers are shown in parentheses.

Precision of estimates are italicized.

APPENDIX C

	Military Sample	Civilian Sample	Self-Sufficiency Standards
Data Sources	1999 Survey of Active Duty Personnel DOD information (e.g., paytables) 1998 Consumer Expenditures Interview 1999 Permanent Change of Station Cost survey 1999 Living Patterns Survey	1998 Consumer Expenditure Survey Documentation of the data set is contained in the 1998 Consumer Expenditure Interview Survey Public Use Microdata Documentation. Unless otherwise indicated, all information in this column is from that source. The complete citation appears in the reference list.	Self-sufficiency standards for: <ul style="list-style-type: none"> • New York (2000) • California (2000) • Indiana (1998) Self-sufficiency data were not available in every location for every type of family included in this study. As a result, the following comparisons were used: <p>One-earner families with one child were compared to self-sufficiency budgets for one adult and an infant.</p> <p>One-earner families with two children were compared to self-sufficiency budgets for one adult, an infant, and a preschooler.</p> <p>Two-earner families with one child were compared to self-sufficiency budgets for two adults, a preschooler, and a school-aged child..</p> <p>Two-earner families with two children were compared to self-sufficiency budgets for two adults, an infant and a preschooler.</p>

Adjustments for Inflation	All dollar values were adjusted for inflation. According to the Consumer Price Index inflation calculator (http://146.142.4.24/cgi-bin/cpicalc.p1), the rate of inflation from 1999 to 2000 was 3%. All dollar values were multiplied by 1.03 to convert them to year 2000 equivalents.	All dollar values from the Consumer Expenditure Survey data were converted to year 2000 equivalents by multiplying by 1.06, because the total rate of inflation from 1998 to 2000 was 6% (according to the Consumer Price Index inflation calculator http://146.142.4.24/cgi-bin/cpicalc.p1).	Data for New York and California were gathered during 2000 and do not require adjustments for inflation. Dollar values for Indiana were converted to 2000 equivalents using the same procedures as for the civilian sample.
Weighted vs. unweighted data	Unless otherwise indicated, all data are weighted.	Unless otherwise indicated, all data are weighted.	Not applicable.
<i>Line 1</i> Raw group size	The number of respondents in each group. Each respondent appears in only 1 group.	The number of respondents in each group. Because military pay ranges are relatively narrow given the full range of earnings in the civilian population, respondents were “re-used” and may appear in multiple groups. Groups were created by selecting approximately 100 cases on either side of the salary mean for military members.	Not applicable.
<i>Line 2</i> Weighted group size	The number of respondents in each group, weighted by the final sample weight provided by the Defense Manpower Data Center with the 1999 Active Duty Survey.	The number of respondents in each group, weighted by sample weights provided by the Bureau of Labor Statistics.	Not applicable.

INCOME

	Military Sample	Civilian Sample	Self-Sufficiency Standards																								
<i>Line 3</i> Money income before taxes	<p>Question #88 on the 1999 Active Duty Survey asked members to select the range of values within which their household income fell. In order to calculate group averages for income, responses were assigned a dollar value equal to the midpoint of the range.</p> <p>88. What is your <u>total</u> monthly gross (before-tax) household income from <u>all sources</u>? (Please include your military earnings, your earnings from a second job, your spouse's earnings, and income or financial support from any other source.)</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Original range</th> <th style="text-align: left;">Assigned value</th> </tr> </thead> <tbody> <tr><td>\$1-1,000</td><td>\$499.50</td></tr> <tr><td>\$1,001-2,000</td><td>\$1,499.50</td></tr> <tr><td>\$2,001-3,000</td><td>\$2,499.50</td></tr> <tr><td>\$3,001-4,000</td><td>\$3,499.50</td></tr> <tr><td>\$4,001-5,000</td><td>\$4,499.50</td></tr> <tr><td>\$5,001-6,000</td><td>\$5,499.50</td></tr> <tr><td>\$6,001-7,000</td><td>\$6,499.50</td></tr> <tr><td>\$7,001-8,000</td><td>\$7,499.50</td></tr> <tr><td>\$8,001-9,000</td><td>\$8,499.50</td></tr> <tr><td>\$9,001-10,000</td><td>\$9,499.50</td></tr> <tr><td>\$10,001 and up</td><td>\$10,001.00</td></tr> </tbody> </table> <p>Source: 1999 Active Duty Survey</p>	Original range	Assigned value	\$1-1,000	\$499.50	\$1,001-2,000	\$1,499.50	\$2,001-3,000	\$2,499.50	\$3,001-4,000	\$3,499.50	\$4,001-5,000	\$4,499.50	\$5,001-6,000	\$5,499.50	\$6,001-7,000	\$6,499.50	\$7,001-8,000	\$7,499.50	\$8,001-9,000	\$8,499.50	\$9,001-10,000	\$9,499.50	\$10,001 and up	\$10,001.00	<p>Income is the combined income of all consumer unit members 14 years of age or over during the 12 months preceding the interview. The components of income include wages and salaries, piece-rate payments, commissions, tips, military pay and allowances, and cash bonuses before deductions for taxes, pensions, union dues, etc., self-employment income from farms or businesses, social security and retirement pensions, interest and dividends, unemployment, public assistance, regular contributions for support (e.g., child support and alimony), and other income such as fellowships and scholarships.</p> <p>In general, the amounts of income received from sources other than wages and salaries were quite small. Military members were to include <u>all</u> sources of income in their reports, but there is no way to determine whether or not this occurred.</p>	Equal to wages and salaries; shown in Line 5.
Original range	Assigned value																										
\$1-1,000	\$499.50																										
\$1,001-2,000	\$1,499.50																										
\$2,001-3,000	\$2,499.50																										
\$3,001-4,000	\$3,499.50																										
\$4,001-5,000	\$4,499.50																										
\$5,001-6,000	\$5,499.50																										
\$6,001-7,000	\$6,499.50																										
\$7,001-8,000	\$7,499.50																										
\$8,001-9,000	\$8,499.50																										
\$9,001-10,000	\$9,499.50																										
\$10,001 and up	\$10,001.00																										

<p><i>Line 4</i> Precision of estimate</p>	<p>Whenever a sample is selected with the aim of accurately representing a much larger population, it is important to measure the degree to which this goal has been achieved. The <i>standard error of the mean</i> is typically used for this purpose. Statistical laws of probability tell us that there is a 95% chance that the “true” value of a mean in the population falls within 2 standard errors of the value in the sample. That is, if the sample mean is 5 and the standard error of the mean is 1, there is an approximately 95% chance that the true population mean is between 3 and 7. Thus, the smaller the standard error, the more precisely the sample value estimates the population value.</p>	<p>It was not possible to compute standard errors of the mean for the Consumer Expenditure Survey because of the structure of the public use data files.</p> <p>A publication estimating precision in the Consumer Expenditure Survey is available from the Bureau of Labor Statistics.</p>	<p>Not applicable.</p>
<p><i>Line 5</i> Regular Military Compensation (military members) Wages and Salaries (civilians)</p>	<p>Regular military compensation (RMC) is the legal equivalent of civilian salaries (Pleeter, 2000). RMC includes basic pay, basic allowance for housing, basic allowance for subsistence, and the tax advantage that results from the tax-free status of the allowances.</p> <p>The 1999 Active Duty Survey was used to calculate the average years of active duty service for each paygrade -- the RMC for that level of experience was used as one estimate of member income in our analyses.</p> <p>Source: 2000 Compensation tables. ftp://141.116.74.201/cola/overseas/paytablesJuly2000.pdf</p>	<p>Wage and salary income before deductions, 2000 dollars.</p> <p>Total money earnings from all jobs, including civilian wages and salaries, Armed Forces pay and allowances, piece-rate payments, commissions, tips, National Guard or Reserve pay, and cash bonuses before deductions for taxes, pensions, union dues, etc.</p>	<p>Equal to the sum of necessary expenditures in self-sufficiency budgets. Can be earned by one or a combination of multiple earners.</p>

<p><i>Line 6</i> (Value of) Basic allowance for housing</p>	<p>Shown only for reference purposes.</p> <p>Housing allowance includes recurring funds for rent and utilities, plus 1/12 lump sum payment for move-in housing allowance. The allowance is based on rental data because mortgage costs include difficult-to-measure factors such as expected appreciation in home value, etc. Median housing costs include current market rent, average utilities, and renters' insurance.</p> <p>Members who live in military housing do not receive an allowance for housing; their self-reports of income are thus lower than those of members living in civilian housing. Housing allowances ARE included in estimates of Regular Military Compensation.</p> <p>www.dtic.mil/perdiem/bahfaq/html</p>	<p>Not applicable.</p>	<p>Not applicable.</p>
<p><i>Line 7</i> Estimated spouse income</p>	<p>No direct report of this information was available; only total household income was reported on the 1999 Active Duty Survey, using the item listed below. We estimated spouses' incomes separately for each paygrade as the difference between the average monthly incomes reported by one- and two-earner families.</p>	<p>Wage and salary income before deductions, 2000 dollars.</p> <p>Total money earnings from all jobs, including civilian wages and salaries, Armed Forces pay and allowances, piece-rate payments, commissions, tips, National Guard or Reserve pay, and cash bonuses before deductions for taxes, pensions, union dues, etc.</p> <p>Source: 1998 Consumer Expenditures Interview, Income file</p>	<p>For the purposes of estimating commuting and child care costs, spouses in two-parent families are assumed to be employed.</p>

<p><i>Line 8</i> Self-employment income</p>	<p>Included in self-reports of gross household income.</p> <p>Percentages of military members in this sample who have civilian jobs: E3 24.2% O2 17.6% E4 33.2% O3 15.7% E5 34.9% E6 31.6%</p>	<p>Net business and farm income, which consists of net income (gross receipts minus operating expenses) from a profession or unincorporated business or from the operation of a farm by an owner, tenant, or sharecropper. If the business or farm is a partnership, only an appropriate share of net income is recorded. Losses are also recorded .</p>	<p>Set to 0 in self-sufficiency budgets</p>
<p><i>Line 9</i> Social security, private, and government retirement</p>	<p>Included in self-reports of gross household income.</p>	<p>Includes 1) payments by the Federal Government made under retirement, survivors, and disability insurance programs to retired persons, to dependents of deceased insured workers, or to disabled workers; and 2) private pensions or retirement benefits received by retired persons or their survivors, either directly or through an insurance company.</p>	<p>Set to 0 in self-sufficiency budgets</p>
<p><i>Line 10</i> Interest, dividends, rental income, other property</p>	<p>Included in self-reports of gross household income.</p>	<p>Includes interest income on savings or bonds; payments made by a corporation to its stockholders, periodic receipts from estates or trust funds; net income or loss from the rental of property, real estate, or farms, and net income or loss from roomers or boarders.</p>	<p>Set to 0 in self-sufficiency budgets</p>
<p><i>Line 11</i> Unemployment and workers' compensation, veteran's benefits</p>	<p>Included in self-reports of gross household income.</p> <p>Percentages of military members in this sample who receive income from this source: E3 0.6% O2 0% E4 4.1% O3 1.6% E5 5.2% E6 4.6%</p>	<p>Includes income from unemployment compensation and workers' compensation, and veterans' payments including educational benefits, but excluding military retirement.</p>	<p>Set to 0 in self-sufficiency budgets</p>

<p><i>Line 12</i> Public assistance, supplemental security income, and food stamps</p>	<p>Included in self-reports of gross household income.</p> <p>Across paygrades (E1-E6, O2-O3), between 0 and 1.2% of members receive supplemental social security.</p> <p>Percentages of members in this sample receiving food stamps are 7.5%, 4.2%, and 1.4% respectively for E3, E4, and E5. Fewer than 1% of members in paygrades E6, O2, and O3 in this sample reported receiving food stamps.</p> <p>Percentages of members in this sample receiving WIC are 69.5%, 54.9%, 39.9% and 21.7% respectively for E3, E4, E5 and E6. In paygrade O2, 4.5% of the members reported receiving WIC; fewer than 1% of the members in paygrade O3 made such reports.</p>	<p>Includes public assistance or welfare, including money received from job training grants; supplemental security income paid by Federal, State, and local welfare agencies to low-income persons who are age 65 or over, blind, or disabled; and the value of food stamps obtained.</p>	<p>Set to 0 in self-sufficiency budgets</p>
<p><i>Line 13</i> Regular contributions for support</p>	<p>Included in self-reports of gross household income.</p>	<p>Includes alimony and child support as well as any regular contributions from persons outside the consumer unit.</p>	<p>Set to 0 in self-sufficiency budgets</p>
<p><i>Line 14</i> Other income</p>	<p>Included in self-reports of gross household income.</p>	<p>Includes money income from care of foster children, cash scholarships, fellowships, or stipends not based on working; and meals and rent as pay.</p>	<p>Set to 0 in self-sufficiency budgets</p>

<p><i>Line 15</i> Dislocation allowance</p>	<p>Primary Dislocation Allowance (CONUS, with dependents), July – Dec 2000; divided by 1.9 for frequency of moves, and by 12 for cost per month.</p> <p>www.dtic.mil/perdiem/dla.html</p>	<p>Not applicable</p>	<p>Not applicable</p>
<p><i>Line 16</i> Total income – Self Report</p>	<p>Equal to the amount reported in Line 3: Money Income before Taxes.</p>	<p>Equal to the amount reported in Line 3: Money Income before Taxes.</p>	<p>Monthly wage required to cover the costs of living at minimum self-sufficiency levels.</p>
<p><i>Line 17</i> Total income – Regular Military Compensation Estimate</p>	<p>For one-earner families, equal to the average Regular Military Compensation for members with dependents and the average years of service reported by respondents to the 1999 Active Duty Survey.</p> <p>For two-earner families, equal to the sum of Regular Military Compensation and estimated spouse income.</p>	<p>Not applicable.</p>	<p>Not applicable.</p>

SPENDING

	Military Sample	Civilian Sample	Self-Sufficiency Standards														
<i>Line 18</i> Shelter	<p>The sum of rent or mortgage payments, and the costs of maintenance, insurance, and repairs (see line 19).</p> <p>In order to calculate group averages for rent or mortgage, responses in each range were assigned a dollar value equal to the midpoint of the range.</p> <p>91. What is the total amount you (and your spouse) paid <u>last month</u> for rent or mortgage?</p> <p>Original Range Assigned Value</p> <table> <tr><td>\$0</td><td>\$0</td></tr> <tr><td>\$1-400</td><td>\$199.50</td></tr> <tr><td>\$401-800</td><td>\$600.50</td></tr> <tr><td>\$801-1,200</td><td>\$1,000.50</td></tr> <tr><td>\$1,201-1,600</td><td>\$1400.50</td></tr> <tr><td>\$1,601-2,000</td><td>\$1800.50</td></tr> <tr><td>\$2,001 and up</td><td>\$2001</td></tr> </table> <p>Source: 1999 Active Duty Survey.</p> <p>Since property taxes are often paid as part of mortgage payments, we did not estimate these separately.</p>	\$0	\$0	\$1-400	\$199.50	\$401-800	\$600.50	\$801-1,200	\$1,000.50	\$1,201-1,600	\$1400.50	\$1,601-2,000	\$1800.50	\$2,001 and up	\$2001	<p>Owned dwellings include interest on mortgages, property taxes and insurance, refinancing and prepayment charges, ground rent, expenses for property management/security, homeowners' insurance, fire insurance, and extended coverage, expenses for repairs and maintenance contracted out, and expenses of materials for owner-performed repairs and maintenance for dwellings used or maintained by the consumer unit.</p> <p>Rented dwellings includes rent paid for dwellings, rent received as pay, parking fees, maintenance, and other expenses.</p> <p>Also includes expenses for vacation homes, school, college, hotels, motels, cottages, trailer camps, and other lodging while out of town.</p>	<p>Fair Market Rents surveys from 1998 (Indiana) and 2000 (New York and California). Calculated annually by US Dept. of Housing and Urban Development for every metropolitan housing market and non-metropolitan county (totally over 400 housing market areas).</p> <p>Based on data from decennial census, the annual American Housing Survey, and telephone surveys.</p> <p>Includes utilities except for telephone service.</p> <p>In New York, also used 1999 New York City Housing and Vacancy Survey to calculate rents within each borough (since rates vary widely with location).</p>
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\$2,001 and up	\$2001																

<i>Line 19</i>	The costs of maintenance, insurance, and repairs	Unweighted reports of average mortgage	Not applicable. Self-sufficiency
<i>Line 20</i>	See annotation for line 4	Not applicable.	Not applicable.
<i>Line 21</i>	Estimated using civilian expenditure data from the	Utilities, fuels, and public services includes	Included in shelter expense.
<i>Line 22</i>	Estimated using civilian expenditure data from the	Food at home refers to total expenditures for	USDA Low-Cost Food Plans for
<i>Line 23</i> Commissary savings	<p>According to the 1999 Living Patterns Survey (Fowlkes, 2001), 55.6% of military members overall shop at commissaries, where they save an average of 27% on their purchases.</p> <p>Usage rates were calculated separately for families with one or two children by paygrade and by housing status (i.e., civilian vs. military). Sample sizes did not permit separate rates to be calculated for one- and two-earner families.</p> <p>Commissary savings were calculated as (<usage rate>*.270) times the cost of food eaten at home.</p> <p>Data source: 1999 Living Patterns Survey.</p>	Not applicable	Not applicable
<i>Line 24</i> Household/ personal spending	Estimated using civilian expenditure data from the Consumer Expenditure Survey.	<p>Includes products for the hair, oral hygiene products, shaving needs, cosmetics and bath products, electric personal care appliances, other personal care products, personal care services for males and females.</p> <p>Also includes household textiles (e.g., linens, curtains, and drapes), furniture (both indoor and outdoor), floor coverings (e.g., installation and replacement of carpets and rugs), major appliances (e.g., refrigerators, freezers, stoves, washers and dryers), small appliances (e.g., kitchen appliances, portable heating and cooling equipment), miscellaneous household equipment (e.g., luggage, lamps, power tools, home office equipment), and other household expenses (e.g., termite and pest control, housekeeping services, lawn care services, repair of household appliances and other household equipment).</p>	Included under miscellaneous expenses.

<p><i>Line 25</i> Apparel and services</p>	<p>Estimated using civilian expenditure data from the Consumer Expenditure Survey.</p>	<p>Includes apparel for men, boys, women and girls, footwear, and jewelry, as well as supplies to make clothing, rental charges for clothing, dry cleaning, sent out laundry, and repair or alterations to clothing, shoes, and jewelry.</p>	<p>Included under miscellaneous expenses.</p>
<p><i>Line 26</i> Exchange savings</p>	<p>According to the 1999 Living Patterns Survey (Fowlkes, 2001), 35.8% of military members overall shop at exchanges, where they save an average of 24.2% on their purchases.</p> <p>Usage rates were calculated separately for families with one or two children by paygrade and by housing status (i.e., civilian vs. military). Sample sizes did not permit separate rates to be calculated for one- and two-earner families.</p> <p>Exchange savings were calculated as (<usage rate>*.242) times the cost of food eaten at home.</p> <p>Source: 1999 Living Patterns Survey</p>	<p>Not applicable.</p>	<p>Not applicable.</p>
<p><i>Line 27</i> Total transportation</p>	<p>Sum of costs of vehicle purchase and other transportation spending.</p>	<p>Sum of costs of vehicle purchase and other transportation expenses.</p>	<p>Families living in cities with adequate public transportation system (e.g., rail and bus system) are assumed to use public transportation to get to work.</p>

<p><i>Line 28</i> Vehicle purchase</p>	<p>In order to calculate group averages, responses in each range were assigned a dollar value equal to the midpoint of the range.</p> <p>92. What is the total amount you (and your spouse) paid last month for all car loans and leases on cars, trucks, or motorcycles?</p> <p>Original Range Assigned Value</p> <p>\$0 \$0 \$1-250 \$124.50 \$251-500 \$375.50 \$501-750 \$625.50 \$751-1,000 \$875.50 \$1,001-1,250 \$1,125.50 \$1,251-1,500 \$1,375.50 \$1,501 and up \$1,501</p> <p>Source: 1999 Active Duty Survey.</p>	<p>Vehicle purchases (net outlay) include the net outlay (purchase price minus trade-in value) on new and used domestic and imported cars and trucks; other vehicles include attachable campers, trailers, motorcycles, and private planes.</p> <p>Vehicle finance charges include the dollar amount of interest paid for a loan contracted for the purchase of vehicles described above.</p>	<p>Based on average cost of a commute using both a bus and the Metro each way.</p> <p>For families living in suburban areas, it is assumed that car is required to get adults to and from work; one car per adult.</p> <p>Costs based on <u>fixed</u> costs of owning an 8-year-old car (or cars): insurance, registration, license, taxes, and finance charges.</p> <p>Also includes monthly variable costs: gas, oil, tires, maintenance.</p> <p>The Standard assumes cars will be used to commute to and from work 5 days per week, one extra trip for family food and errands, and one parent in each household with young children is assumed to have slightly longer weekday trips to allow for day care trips</p>
<p><i>Line 29</i> Precision of estimate</p>	<p>See annotation for line 4.</p>	<p>Not applicable</p>	<p>Data obtained from the American Automobile Manufacturers Association and the Consumer Expenditure Survey</p>

<p><i>Line 30</i> Other transportation expense</p>	<p>Estimated using civilian data from the Consumer Expenditure Survey.</p>	<p>Includes gasoline, diesel fuel, and motor oil. Also includes tires, batteries, tubes, lubrication, filters, coolant, additives, brake and transmission fluids, oil change, brake adjustment and repair, front-end alignment, wheel balancing, steering repair, shock absorber replacement, clutch and transmission repair, electrical system repair, exhaust system repair, body work and painting, motor repair, repair to cooling system, drive train repair, drive shaft and rear-end repair, tire repair, other maintenance and services, and auto repair policies.</p> <p>Also includes premiums paid for insuring cars, trucks, and other vehicles, leased and rented cars, trucks, motorcycles, and aircraft, inspection fees, state and local registration, drivers' license fees, parking fees, towing charges, and tolls.</p> <p>Also includes fares for mass transit, buses, trains, airlines, taxis, private school buses, and boats.</p>	<p>Not applicable.</p>
<p><i>Line 31</i> Transportation savings</p>	<p>Some transportation-related services (e.g., car washes, repairs) are available at military exchanges. According to the 1999 Living Patterns Survey (Fowlkes, 2001), military members save an average of 24.2% on their exchange purchases.</p> <p>Usage rates were calculated separately for families with one or two children by paygrade and by housing status (i.e., civilian vs. military). Sample sizes did not permit separate rates to be calculated for one- and two-earner families.</p> <p>Exchange savings were calculated as (<usage rate>*.242) times the cost of food eaten at home.</p> <p>Source: 1999 Living Patterns Survey</p>	<p>Not applicable.</p>	<p>Not applicable.</p>

<p><i>Line 32</i> Health care</p>	<p>Initially, we used civilian data to estimate this expense. Given the fees associated with TRICARE, however, we became concerned that the civilian data overestimated the costs to military families. Only about three-quarters of the civilian families in the entire Consumer Expenditure Survey were covered by employer-sponsored insurance, compared to 100% of the military families. To correct our estimates, we consulted a report prepared by the Consumer Expenditure Survey staff for the Per Diem, Transportation, and Transportation Allowance Committee (U.S. Department of Labor, 2000). In this report, expenditure records for the small number of military families included in the survey are compiled across 1996, 1997, and 1998 (to achieve a reasonable sample size). The summary is for all types of military families, not just families with preschoolers, but because it presents the military data along with data for the civilian population, it was possible to calculate a correction factor for our estimates of health care costs. Overall, military families spent 45.8% as much on health care as civilian families. We thus multiplied all of our estimates of military health care costs in families of preschoolers by .458.</p> <p>We also calculated health cost estimates using the 1999 Living Patterns Survey. These estimates were much lower, usually less than half of those prorated from civilian costs. Because the sample size for the Living Patterns Survey was smaller and the methodology less precise than that used for the Consumer Expenditure survey, we used the higher estimates as a conservative strategy. This may mean that we slightly underestimate affordability.</p>	<p>Includes health maintenance plans (HMO's), Blue Cross/Blue Shield, commercial health insurance, Medicare, Medicare supplemental insurance, and other health insurance.</p> <p>Also includes the costs of services by hospitals, physicians, other medical practitioners, eye and dental care, lab tests x-rays, nursing, therapy services, and care in convalescent or nursing homes.</p> <p>Also includes prescription and nonprescription drugs, internal and respiratory over-the-counter drugs.</p> <p>Also includes medical supplies such as dressings, antiseptics, and bandages; medical appliances such as braces, canes, crutches, and walkers, eyeglasses, and hearing aids; and rental and repair of medical equipment.</p> <p>Among all the reports received from families in the 1998 Consumer Expenditure Survey over the course of the data collection period, the unweighted percentage of families covered by group health insurance policies sponsored by their employers was 73%. In slightly more than half of these reports (52%), the family paid part of the cost of this covered; in 32% of the families the employer paid the entire cost. Among families covered by employer plans, only one member was covered in 44% of the cases; two members were covered in 25% of the cases.</p>	<p>Assumes the employer provides health insurance coverage.</p> <p>Costs includes employee's share of the insurance premiums plus additional out-of-pocket expenses such as co-payments and uncovered expenses.</p> <p>Assumes employees will pay 1/3 of the cost of the premium (the average national proportion).</p> <p>Data source: The National Medical Expenditure Survey and the Families USA Report, <i>Skyrocketing Health Inflation: 1980-1993-2000</i>.</p> <p>Information for California also comes from PacAdvantage 2000 Rate Information, July 2000 (also known as the Health Insurance Plan of California).</p>
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<p><i>Line 33</i> Personal insurance and pensions</p>	<p>Estimated using civilian expenditure data from the 1998 Consumer Expenditure Survey.</p> <p>For military members, contributions to pensions are set to 0 because there is no mandatory member contribution. This line thus includes only contributions to personal insurance.</p>	<p>Includes premiums for whole life and term insurance; endowments; income and other life insurance; mortgage guarantee insurance; mortgage life insurance; premiums for personal liability, accident and disability, and other non-health insurance other than for homes and vehicles.</p> <p>Also includes all Social Security contributions paid by employees; employee's contributions to railroad retirement, government retirement, and private pension programs; retirement programs for self-employed.</p>	<p>Set to 0 in self-sufficiency budgets</p>
<p><i>Line 34</i> Finance charges and interest on unsecured debt</p>	<p>Estimated using civilian data from the 1998 Consumer Expenditure Survey.</p> <p>These estimates are inaccurate to the extent that civilians carry more or less unsecured debt than military members. In general, however, the debt balances in this study were similar for military members and civilians.</p>	<p>This item is the sum of finance charges and late fees paid to credit card companies, store credit accounts, credit unions, finance companies, and banks over the past year, divided by 12 to convert to a monthly figure.</p> <p>The number of reports on which the data are based is indicated by (n=) at the end of the label for the line. Because of data collection procedures used in the Consumer Expenditure Survey, it was necessary to group families with one and two children for this analysis. Estimates of this item are unweighted.</p>	<p>Other than car loans, which are included under transportation, no loans are included in self-sufficiency budgets</p> <p>Set to 0 in self-sufficiency budgets.</p>

<p><i>Line 35</i> Payments on unsecured debt</p>	<p>Car loans are included under transportation. Home mortgages are included under housing. The value of each item purchased on credit is included in the category of the original purchase, based on data from the Consumer Expenditure Survey; finance charges are recorded under unsecured debt, based on civilian data from the Consumer Expenditure Survey.</p> <p>We report separately military members' self-reported estimates of loan payments but do not include them in our affordability calculations because we then would double-count the value of the original purchases, which are already included in all estimates of the original category that are based on civilian data.</p> <p>In order to calculate group averages, responses in each range were assigned a dollar value equal to the midpoint of the range.</p> <p>93. What is the amount of <u>payments</u> that you (and your spouse) made <u>last month</u> to cover personal unsecured debt? (<u>Include</u> all credit cards, debt consolidation loans, AAFES loans, NEXCOM loans, student loans, and other personal loans; <u>exclude</u> home mortgage and car loans.)</p> <table border="0"> <thead> <tr> <th>Original Range</th> <th>Assigned Value</th> </tr> </thead> <tbody> <tr> <td>\$0</td> <td>\$0</td> </tr> <tr> <td>\$1-150</td> <td>\$74.50</td> </tr> <tr> <td>\$151-300</td> <td>\$225.50</td> </tr> <tr> <td>\$301-450</td> <td>\$375.50</td> </tr> <tr> <td>\$451-600</td> <td>\$525.50</td> </tr> <tr> <td>\$601-750</td> <td>\$675.50</td> </tr> <tr> <td>\$751-900</td> <td>\$825.50</td> </tr> <tr> <td>\$901-1,050</td> <td>\$975.50</td> </tr> <tr> <td>\$1,051 and up</td> <td>\$1,051</td> </tr> </tbody> </table> <p>Source: 1999 Active Duty Survey.</p>	Original Range	Assigned Value	\$0	\$0	\$1-150	\$74.50	\$151-300	\$225.50	\$301-450	\$375.50	\$451-600	\$525.50	\$601-750	\$675.50	\$751-900	\$825.50	\$901-1,050	\$975.50	\$1,051 and up	\$1,051	<p>Car loans are included under transportation. Home mortgages are included under housing. The value of each item purchased on credit is included in the category of the original item.</p> <p>No data were available for total payments (i.e., including the cost of the original item) by civilians toward unsecured debt.</p>	<p>Other than car loans, which are included under transportation, no loans are included in self-sufficiency budgets</p> <p>Set to 0 in self-sufficiency budgets.</p>
Original Range	Assigned Value																						
\$0	\$0																						
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<p><i>Line 36</i> Precision of estimate</p>	<p>See annotation for line 4.</p>	<p>Not applicable.</p>	<p>Not applicable.</p>																								
<p><i>Line 37</i> Total balance of unsecured debt</p>	<p>In order to calculate group averages, responses in each range were assigned a dollar value equal to the midpoint of the range.</p> <p>94. After the last payment was made on personal unsecured debt, what was the total amount you (and your spouse) still owed? (<u>Include</u> all credit cards, debt consolidation loans, AAFES loans, NEXCOM loans, student loans, and other personal loans; <u>exclude</u> home mortgage and car loans.)</p> <table border="0"> <thead> <tr> <th>Original Range</th> <th>Assigned Value</th> </tr> </thead> <tbody> <tr> <td>\$0</td> <td>\$0</td> </tr> <tr> <td>\$1-1,000</td> <td>\$499.50</td> </tr> <tr> <td>\$1,001-2,500</td> <td>\$1,249.50</td> </tr> <tr> <td>\$2,501-5,000</td> <td>\$3,750.50</td> </tr> <tr> <td>\$5,001-7,500</td> <td>\$6,250.50</td> </tr> <tr> <td>\$7,501-10,000</td> <td>\$8,750.50</td> </tr> <tr> <td>\$1,001-12,500</td> <td>\$11,250.50</td> </tr> <tr> <td>\$12,501-15,000</td> <td>\$13,750.50</td> </tr> <tr> <td>\$15,001-17,500</td> <td>\$16,250.50</td> </tr> <tr> <td>\$17,501-20,000</td> <td>\$18,750.50</td> </tr> <tr> <td>\$20,001 and up</td> <td>\$20,001</td> </tr> </tbody> </table> <p>Source: 1999 Active Duty Survey</p>	Original Range	Assigned Value	\$0	\$0	\$1-1,000	\$499.50	\$1,001-2,500	\$1,249.50	\$2,501-5,000	\$3,750.50	\$5,001-7,500	\$6,250.50	\$7,501-10,000	\$8,750.50	\$1,001-12,500	\$11,250.50	\$12,501-15,000	\$13,750.50	\$15,001-17,500	\$16,250.50	\$17,501-20,000	\$18,750.50	\$20,001 and up	\$20,001	<p>Balance of unsecured debt on first of the current month. Unweighted mean based on those who report any debt. Credit card accounts for stores, gasoline, or general purposes (e.g., Visa); installment credit accounts at stores, banks and savings and loan companies (not including mortgages, home equity loans, car loans, or business loans); credit unions; finance companies; insurance companies; doctors, dentists, hospitals or other medical practitioners; other credit sources.</p> <p>The number of reports on which the data are based is indicated by (n=) at the end of the label for the line. Because of data collection procedures used in the Consumer Expenditure Survey, it was necessary to group families with one and two children for this analysis. Estimates of this item are unweighted.</p>	<p>Set to 0 in self-sufficiency budgets</p>
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\$20,001 and up	\$20,001																										
<p><i>Line 38</i> Precision of estimate</p>	<p>See annotation for line 4.</p>																										

<p><i>Line 39</i> Savings</p>	<p>In order to calculate group averages, responses in each range were assigned a dollar value equal to the midpoint of the range.</p> <p>89. Roughly, what is the total amount of savings you (and your spouse) have? (Please include funds in bank accounts, IRAs, money market accounts, Certificates of Deposit (CDs), Savings Bonds, mutual funds, stocks and/or bonds.)</p> <table border="0"> <thead> <tr> <th>Original Range</th> <th>Assigned Value</th> </tr> </thead> <tbody> <tr><td>\$0</td><td>\$0</td></tr> <tr><td>\$1-1,000</td><td>\$499.50</td></tr> <tr><td>\$1,001-2,500</td><td>\$1,249.50</td></tr> <tr><td>\$2,501-5,000</td><td>\$3,750.50</td></tr> <tr><td>\$5,001-7,500</td><td>\$6,250.50</td></tr> <tr><td>\$7,501-10,000</td><td>\$8,750.50</td></tr> <tr><td>\$10,001-12,500</td><td>\$11,250.50</td></tr> <tr><td>\$12,501-15,000</td><td>\$13,750.50</td></tr> <tr><td>\$15,001-17,500</td><td>\$16,250.50</td></tr> <tr><td>\$17,501-20,000</td><td>\$18,750.50</td></tr> <tr><td>\$20,001-50,000</td><td>\$35,000.50</td></tr> <tr><td>\$50,001-100,000</td><td>\$75,000.50</td></tr> <tr><td>\$100,001 and up</td><td>\$100,001</td></tr> </tbody> </table> <p>Source: 1999 Active Duty Survey</p>	Original Range	Assigned Value	\$0	\$0	\$1-1,000	\$499.50	\$1,001-2,500	\$1,249.50	\$2,501-5,000	\$3,750.50	\$5,001-7,500	\$6,250.50	\$7,501-10,000	\$8,750.50	\$10,001-12,500	\$11,250.50	\$12,501-15,000	\$13,750.50	\$15,001-17,500	\$16,250.50	\$17,501-20,000	\$18,750.50	\$20,001-50,000	\$35,000.50	\$50,001-100,000	\$75,000.50	\$100,001 and up	\$100,001	<p>Total amount of savings on the last day of last month. Unweighted mean based on those who report any savings. Includes total amount in savings accounts in banks, savings and loans, credit unions, and similar accounts.</p> <p>The number of reports on which the data are based is indicated by (n=) at the end of the label for the line. Because of data collection procedures used in the Consumer Expenditure Survey, it was necessary to group families with one and two children for this analysis. Estimates of this item are unweighted.</p>	<p>Set to 0 in self-sufficiency budgets</p>
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<p><i>Line 40</i> Precision of estimate</p>	<p>See annotation for line 4.</p>	<p>Not applicable.</p>	<p>Not applicable.</p>																												

<p><i>Line 41</i> Education</p>	<p>Estimated using civilian data from the Consumer Expenditure Survey.</p> <p>It is possible that we have underestimated this expense. According to the table of average expenditures prepared by Consumer Expenditure Survey staff for the Per Diem, Transportation, and Transportation Allowance Committee (U.S. Department of Labor, 2000), military members spend an average of about \$100 per month on education. We chose to rely on the civilian estimates because they come from families matched in structure and earner status to the families in this study. Given the demands of raising young children, matching family stage seemed more important than matching military status.</p>	<p>Includes tuition, fees, textbooks, supplies, and equipment for elementary and high schools, colleges and universities, and other schools.</p> <p>The number of reports on which the data are based is indicated by (n=) at the end of the label for the line. Because of data collection procedures used in the Consumer Expenditure Survey, it was necessary to group families with one and two children for this analysis. Estimates of this item are unweighted.</p>	<p>Set to 0 in self-sufficiency budgets.</p>
<p><i>Line 42</i> Entertainment</p>	<p>Estimated using civilian data from the Consumer Expenditure Survey.</p>	<p>Includes fees for entertainment and recreational activities including reading materials, alcohol and smoking; the costs of equipment for entertainment and recreation; costs associated with pets and outdoor activities; and costs associated with participation in sports and hobbies.</p>	<p>Set to 0 in self-sufficiency budgets.</p>
<p><i>Line 43</i> Entertainment savings</p>	<p>Some entertainment services are available at military exchanges. According to the 1999 Living Patterns Survey (Fowlkes, 2001), military members save an average of 24.2% on their exchange purchases.</p> <p>Usage rates were calculated separately for families with one or two children by paygrade and by housing status (i.e., civilian vs. military). Sample sizes did not permit separate rates to be calculated for one- and two-earner families.</p> <p>Exchange savings were calculated as (<usage rate>*.242) times the cost of food eaten at home.</p> <p>Source: 1999 Living Patterns Survey</p>	<p>Not applicable.</p>	<p>Not applicable.</p>

<p><i>Line 44</i> Miscellaneous</p>	<p>Estimated using civilian data from the Consumer Expenditure Survey.</p>	<p>Includes safety deposit box rental, checking account fees and other bank services, legal fees, accounting fees, funerals, cemetery lots, union dues, occupational expenses, and finance charges other than for mortgage and vehicles.</p>	<p>Includes: clothing, shoes, paper products, diapers, non-prescription medicines, cleaning products and household items, personal hygiene items, and telephone</p> <p>Calculated as 10% of all other costs. This is a conservative estimate; most other family budgets estimate 15%.</p>
<p><i>Line 45</i> Cash contributions</p>	<p>Estimated using civilian data from the Consumer Expenditure Survey.</p>	<p>Includes cash contributed to persons or organizations outside the consumer unit including alimony and child support payments, care of students away from home, and contributions to religious, educational, charitable, or political organizations.</p>	<p>Set to 0 in self-sufficiency budgets</p>
<p><i>Line 46</i> Permanent Change of Station (PCS) expenses net of reimbursements</p>	<p>According to data for the total number of moves per year and the total number of active duty military members reported in the 1999 Profile of the Military Community, military members move about once every 1.9 years. Although there are slight variations across services: 2.2 years in the Air Force, 1.8 years in the Army and the Navy, and 1.7 years in the Marine Corps, we used 1.9 years for the sake of simplicity.</p> <p>The 1999 PCS Cost Survey provided data for reimbursable and non-reimbursable expenses, and reimbursements, from the participants' most recent move, which occurred in 1998. Means for families with preschoolers were calculated within each paygrade.</p> <p>For civilians, moving costs are included in Household/personal expenses. As a result, moving costs are double-counted for military members because their household/apparel costs are based on civilian data. The distortion is small however:</p>	<p>Includes costs of moving, storage, and freight express. For civilians, these costs are included in Household/personal expenses.</p>	<p>Not included in self-sufficiency budgets.</p>

	moving costs averaged about \$1 per month for civilian families.		
<i>Line 47</i> PCS expenses	Expenses associated with the most recent Permanent Change of Station, including those incurred before, during, and after the transition.	Not applicable.	Not applicable.
<i>Line 48</i> Non-reimbursable expenses	Expenses associated with the most recent Permanent Change of Station that are not eligible for reimbursement.	Not applicable.	Not applicable.
<i>Line 49</i> Reimbursable expenses	Expenses associated with the most recent Permanent Change of Station that are eligible for reimbursement.	Not applicable.	Not applicable.
<i>Line 50</i> PCS reimbursements	Reimbursements received for expenses incurred during the most recent Permanent Change of Station.	Not applicable.	Not applicable.
<i>Line 51</i> Total taxes	Sum of federal, social security, and state and local taxes, net of tax credits.	Sum of all other taxes.	Sum of all other taxes.
<i>Line 52</i> Federal income taxes	<p>Estimated using detailed RMC tables for all personnel with dependents July 1, 2000, obtained from S. Pleeter.</p> <p>Since these tables were for all personnel, they overestimated the values for our sample, who tended to have less years' of service than the overall average. We prorated tax charges down by the same proportion that experience-specific RMC differed from the overall averages.</p>	Includes Federal income taxes withheld in survey year to pay for income earned in survey year plus additional taxes paid in survey year to cover any underpayment or under-withholding of taxes in the year prior to the survey.	<p>Payroll taxes for SS and Medicare are calculated at 7.65% of each dollar earned.</p> <p>Federal Tax calculated using federal tax forms and assuming standard deduction (for the family type) and exemptions.</p>
<i>Line 53</i> Social security taxes	Source: Department of Defense tables for components of Regular Military Compensation (Pleeter, 2001).	No data available.	No data available.
<i>Line 54</i> State and local income taxes	Estimated using civilian data from the Consumer Expenditure Survey.	Includes State and local income taxes withheld in survey year to pay for income earned in survey year plus additional taxes paid in survey year to cover any underpayment or under-withholding of taxes in year prior to survey.	<p>State Taxes: 1998 (Indiana) and 1999 (California and New York) Commerce Clearinghouse State Tax Handbook, and forms from each Department of Revenue.</p> <p>Sales taxes are included for items in the "miscellaneous" category.</p>

<i>Line 55</i> Other taxes	Estimated using civilian data from the Consumer Expenditure Survey.	Includes personal property and other personal taxes paid, including social security taxes for the self-employed paid in the survey year to cover any underpayment or under-withholding of taxes in the year prior to the survey.	No data available.
<i>Line 56</i> Earned Income Tax Credit (EITC)	Included in the calculation of total federal taxes paid by military personnel (S. Pleeter, personal communication, 2001).	Not specifically identified in civilian income data.	Federal tax refund intended to offset the loss of income from payroll taxes owed by working poor and near-poor families—refundable
<i>Line 57</i> Child Care Tax Credit (CCTC)	No data found.	Not specifically identified in civilian income data.	Federal tax credit that allows for working parents to deduct a percentage of their child care costs from the federal income taxes they owe, deducted from total amount of money a family needs to be self-sufficient—non-refundable.
<i>Line 58</i> Child Tax Credit (CTC)	No data found.	Not specifically identified in civilian income data.	Federal tax credit that allows parents to deduct up to \$400 per child from federal income taxes they owe—non-refundable with 2 or fewer children.
<i>Line 59</i> Sub-total expenditures	Sum of spending for shelter, utilities, food, household/personal products, apparel, transportation, health care, personal insurance, finance charges, education, entertainment, miscellaneous, cash contributions, and taxes, net of savings at commissaries and exchanges.	Sum of expenses for shelter, utilities, food, household/personal products, apparel, transportation, health care, personal insurance and pensions, finance charges, education, entertainment, miscellaneous, cash contributions and taxes.	Sum of all cost items.
<i>Line 60</i> Average child care spending for those who pay	64. What is the <u>total</u> amount that you spent <u>last month</u> on child care arrangements for all of your children? Possible range: \$0 - \$9,999 All arrangements	Includes fees for family child care in own or other's home, and fees for care in child care centers. The number of reports on which the data are based is indicated by (n=) at the end of the label for the line. Because of data collection procedures used in the Consumer Expenditure Survey, it was necessary to group families with one and two children for this analysis. As a result, the figures will tend to overestimate the	Provides the cost of child care at the 75 th percentile, by age of child and child care setting. Infants (children less than 3 years) are assumed to receive full-time care in day care family homes. Preschoolers (3 to 5 years old) are assumed to go to day care centers full-time.

		costs of care for one child and underestimate the costs of care for two children. Note, however, that this information is not included in the calculation of affordability. Estimates of this item are unweighted.	<p>For rural areas with few or no centers, preschoolers assumed to be full-time in family day care.</p> <p>School-aged children are assumed to receive part-time care in before- and after-school programs.</p> <p>Data source: State surveys of child care costs mandated by the Family Support Act.</p>
<i>Line 61</i> Precision of estimate	See annotation for line 4.	Not applicable.	Not applicable.
<i>Line 62</i> Fees paid to child care centers for those who pay	Because the 1999 Active Duty Survey asked military members to report only their total child care costs, the only way to estimate the amounts actually paid to military Child Development Centers was to rely on the members who reported using ONLY that type of care and no other. Sample sizes were quite small and so the same figure is used for all families within a given paygrade. This means that one- and two-child families were collapsed together within paygrade. As a result, the figures will tend to overestimate the costs of care for one child and underestimate the costs of care for two children.	Tuition for day care centers and nursery schools for those who use those forms of care. .	Not applicable.

<p><i>Line 63</i> Fees paid to child care homes for those who pay</p>	<p>Because the 1999 Active Duty Survey asked military members to report only their total child care costs, the only way to estimate the amounts actually paid to military family child care homes was to rely on the members who reported using ONLY that type of care and no other. Sample sizes were quite small and so the same figure is used for all families within a given paygrade. This means that one- and two-child families were collapsed together within paygrade. As a result, the figures will tend to overestimate the costs of care for one child and underestimate the costs of care for two children.</p>	<p>Babysitting or child care in own home or other's home for those who use those forms of care.</p>	<p>Not applicable.</p>
<p><i>Line 64</i> Child Development Center fees for this group (based on RMC-based estimates of income)</p>	<p>Child Development Center Fees are based on family income, defined by a DoD instruction to include wages, salaries, allowances, and in-kind contributions (i.e., military housing). (Thompson, 2001)</p>	<p>Not applicable.</p>	<p>Not applicable.</p>
<p><i>Line 65</i> Child Development Center fees for this group (based on self-reports of income)</p>	<p>Child Development Center Fees are based on family income, defined by a DoD instruction to include wages, salaries, allowances, and in-kind contributions (i.e., military housing). (Thompson, 2001)</p>	<p>Not applicable.</p>	<p>Not applicable.</p>
<p><i>Line 66</i> Child care affordability index – Regular Military Compensation</p>	<p>RMC-based estimate of income minus sub-total expenditures.</p>	<p>Not applicable.</p>	<p>Not applicable.</p>
<p><i>Line 67</i> Child care affordability index – Self-reports of income</p>	<p>Self-report of income minus sub-total expenditures.</p>	<p>Total income minus sub-total expenditures.</p>	<p>By definition, equal to the cost of child care.</p>

<p><i>Line 68</i> Risk category – RMC-based income</p>	<p>Risk was considered High when funds remaining after all but child care spending were <u>less than the minimum</u> CDC fees for that group, Moderate when the funds remaining after all but child care were <u>within the range</u> of CDC fees for that group, and Low when the funds remaining after all but child care spending <u>exceeded the maximum</u> CDC fees for that group.</p>	<p>Risk was considered High when funds remaining after all but child care spending were <u>less than the minimum</u> CDC fees for that group, Moderate when the funds remaining after all but child care were <u>within the range</u> of CDC fees for that group, and Low when the funds remaining after all but child care spending <u>exceeded the maximum</u> CDC fees for that group.</p>	<p>Not applicable.</p>
<p><i>Line 69</i> Risk category – Self-reported income</p>	<p>Risk was considered High when funds remaining after all but child care spending were <u>less than the minimum</u> CDC fees for that group, Moderate when the funds remaining after all but child care were <u>within the range</u> of CDC fees for that group, and Low when the funds remaining after all but child care spending <u>exceeded the maximum</u> CDC fees for that group.</p>	<p>Risk was considered High when funds remaining after all but child care spending were <u>less than the minimum</u> CDC fees for that group, Moderate when the funds remaining after all but child care were <u>within the range</u> of CDC fees for that group, and Low when the funds remaining after all but child care spending <u>exceeded the maximum</u> CDC fees for that group.</p>	<p>Not applicable.</p>
<p><i>Line 70</i> Average number of financial problems</p>	<p>Item #96 in the 1999 Active Duty Survey asked members to indicate which of the financial problems on the following list they had experienced during the past 12 months. We calculated the number of problems reported by each member; the group average is reported in this line.</p> <ul style="list-style-type: none"> • Bounced two or more checks • Received a letter of indebtedness • Had your wages garnished • Fell behind in paying your rent or mortgage • Fell behind in paying your credit card, AAFES, or NEXCOM account • Was pressured to pay bills by stores, creditors, or bill collectors • Had a bill collector contact your unit leader • Pawned or sold valuables to make ends meet • Borrowed money from friends or relatives to help you with a financial difficulty • Borrowed money through an Emergency Loan 	<p>Not applicable.</p>	<p>Not applicable.</p>

	<p>Assistance Program or a Service Aid Society</p> <ul style="list-style-type: none">• Had your utilities (telephone, cable, water, heat, or electricity) shut off• Had a car, household appliances, or furniture repossessed• Was unable to afford needed medical care• Went bankrupt (declared personal bankruptcy)• None of the above		
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<p><i>Line 71</i> Average types of financial assistance</p>	<p>Item #87 in the 1999 Active Duty Survey asked members to indicate which of the types of financial assistance on the following list they had received during the past 12 months. We calculated the number of types of assistance reported by each member; the group average is reported in this line.</p> <p>A second job Alimony Child support Supplemental Security Income Unemployment or Worker's Compensation State-funded child care assistance Women, Infants, and Children (WIC) Food Stamp Program Head Start Program Aid to Families with Dependent Children (AFDC) Medicaid Other</p>	<p>Not applicable.</p>	<p>Not applicable.</p>
<p><i>Line 72</i> Average number of child care arrangements used</p>	<p>Item #62 on the 1999 Active Duty Survey asked members to indicate which of the types of child care on the following list they had routinely used during the past 12 months. We calculated the number of types of child care reported by each member; the group average is reported in this line. The average families who report using the other parent as a form of care.</p> <p>Child's other parent or stepparent Child's brother or sister (aged 15 or older) Child's brother or sister (under age 15) Child's grandparent Other relative Friend or neighbor Sitter, nanny, or au pair Preschool (on base) Preschool (off base) "Child Development Center" (on base) Child care center/day care center (off base) "Family Child care Home" (on base)</p>	<p>Not applicable.</p>	<p>Not applicable.</p>

	Child care provider in a home setting (off base) "School-Age Care Program" (on base) After-school program (off base) Federally supported Head Start program None of the above		
Exclusions	Mass transit incentives 2001 pay raises Pet quarantine assistance Elder care costs Imminent danger pay Reenlistment bonuses Combat tax breaks Education investment and reimbursements		

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