



Shelling the PEA: Minnesota's Parenting Expense Adjustment

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Where We Are Headed: Algebra

- In 2016, the legislature passed legislation for a new parenting expense adjustment.
- Changes to Minn. Stat. § 518A.36 (and other related sections) are effective August 1, 2018.
- BUT FIRST: A PEA history lesson...

$$\frac{(A_o)^3 \cdot (B_s) - (B_o)^3 \cdot (A_s)}{(A_o)^3 + (B_o)^3}$$

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Minnesota's PEA History: First, no statutory PEA

- Pre-2007, child support was based on a percentage of obligor's net income and the number of children.
- Obligee's income was not considered
- No formal PEA in statute

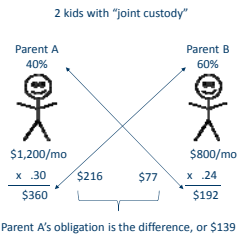
Net Income Per Month of Obligor	Number of Children						
	1	2	3	4	5	6	7 or more
500 and Below	Order based on the ability of the obligor to provide support at those income levels, or at higher levels, if the obligor has the earning ability.						
\$500 - 600	16%	19%	23%	25%	28%	30%	32%
\$600 - 650	17%	21%	24%	27%	29%	32%	34%
\$650 - 700	18%	22%	25%	28%	31%	34%	36%
\$700 - 750	19%	23%	27%	30%	33%	36%	39%
\$750 - 800	20%	24%	28%	31%	35%	38%	40%
\$800 - 850	21%	25%	29%	32%	36%	40%	42%
\$850 - 900	22%	27%	31%	34%	38%	41%	44%
\$900 - 950	23%	28%	32%	35%	40%	43%	46%
\$950 - 1000	24%	29%	33%	36%	41%	45%	48%
\$1000 - 5000	25%	30%	35%	39%	43%	47%	50%

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Minnesota's PEA History: Then, some case law...

- From two cases, the Minnesota Court of Appeals created the Hortis-Valento formula.
- The formula was only applied when the obligor was a “**joint physical custodian**.” Therefore, the custodial label made a BIG difference in support in cases with equal or substantially equal parenting time.
- The formula used each parent’s obligation under the chart, multiplied it by the percentage of parenting time of the other parent, then offset the numbers.

Minnesota's PEA History: Hortis-Valento



Net Income Per Month of Obligor	Number of Children						
	1	2	3	4	5	6	7 or more
\$50 and below	Order based on the ability of the obligor to provide support at these income levels, or at higher levels, if the obligor has the earning ability.						
\$50 - 600	18%	19%	22%	24%	28%	30%	32%
\$600 - 650	17%	21%	24%	27%	29%	32%	34%
\$650 - 700	15%	22%	25%	28%	31%	34%	35%
\$700 - 750	13%	20%	23%	27%	30%	34%	35%
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\$850 - 900	22%	27%	31%	34%	38%	41%	44%
\$900 - 950	23%	28%	32%	36%	40%	43%	45%
\$950 - 1000	24%	29%	34%	37%	41%	45%	45%
\$1001 - 5000	25%	30%	35%	39%	43%	47%	50%

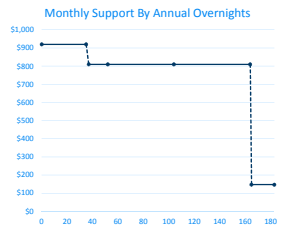
2007: PICS and a Statutory PEA

- Societal and demographic shifts needed to be reflected in how child support was calculated -- needed guidelines that considered BOTH parent’s income.
- The use of “Parental Income for Child Support” (PICS) went into effect in Minnesota in 2007, using BOTH parent’s gross income.
- Custody label does NOT impact the child support calculation.
- PEA instituted. Levels are:
 - Under 10% parenting time = **No adjustment to guidelines support**
 - 10 - 45% parenting time = **12% reduction to guidelines support**
 - 45.1 - 50% parenting time = **Equal parenting time formula**

2007: PICS and a Statutory PEA

One problem: "The Cliffs"

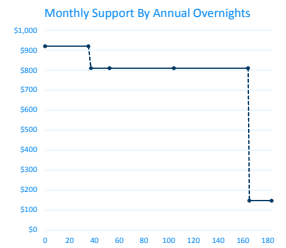
The abrupt increases between **9.9% to 10%** and **45% to 45.1%** parenting time are referred to as cliffs



2007: PICS and a Statutory PEA

- Issues:
- Cliffs may encourage conflict
 - Some NCP expenses may not be adequately accounted for

Example:
 NCP \$51,625/yr
 CP: \$41,066/yr
 2 children



A New Parenting Expense Adjustment

- In 2015 the Legislature created a Child Support Work Group
- The primary goals were to recommend changes to the PEA and recommend composition of permanent task force
- Composition included: 4 legislators, DHS designee, 2 parent advocacy reps, various professionals
- Engaged Dr. Jane Venohr, Economist.

A New PEA: Statutory Changes

Statutory Implications

- 518.175, subd. 5 Modification of PT order
- 518A.26, subd. 14 Definition of obligor
- 518A.34 Computation of Child Support
- 518A.35, subd. 1 IV-D program specific
- 518A.36 Parenting Expense Adjustment
- 518A.39, subd. 2 Modification

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A New Parenting Expense Adjustment

“The Cliffs”

The new model eliminates the cliffs, instead creating an adjustment for each overnight.

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A New Parenting Expense Adjustment

The Formula: Minn. Stat. section 518A.36, subd. 2b.

(b) The court shall apply the following formula to determine which parent is the obligor and calculate the basic support obligation:

- (1) raise to the power of three the approximate number of annual overnights the child or children will likely spend with parent A;
- (2) raise to the power of three the approximate number of annual overnights the child or children will likely spend with parent B;
- (3) multiply the result of clause (1) times parent B's share of the combined basic support obligation as determined in section 518A.34, paragraph (b), clause (5);
- (4) multiply the result of clause (2) times parent A's share of the combined basic support obligation as determined in section 518A.34, paragraph (b), clause (5);
- (5) subtract the result of clause (4) from the result of clause (3); and
- (6) divide the result of clause (5) by the sum of clauses (1) and (2).

$$= \frac{(A_a)^3 \cdot (B_c) - (B_a)^3 \cdot (A_c)}{(A_a)^3 + (B_a)^3}$$

(c) If the result is a negative number, parent A is the obligor, the negative number becomes its positive equivalent, and the result is the basic support obligation. If the result is a positive number, parent B is the obligor and the result is the basic support obligation.

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A New Parenting Expense Adjustment

Features of the new PEA

- Based on annual overnights
- Requires a specific number of nights in the formula (NO PT ORDER, NO ADJUSTMENT)
- Presume \$0 if more than 55% parenting time.

$$\frac{(A_o)^3 \cdot (B_s) - (B_o)^3 \cdot (A_s)}{(A_o)^3 + (B_o)^3}$$

- A_o = Parent A's overnights
- B_o = Parent B's overnights

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A New Parenting Expense Adjustment

Features of the new PEA

- Uses each parent's base support (calculated using % of combined PICS)
- Either parent may be obligor
- Parent A pays if result is negative, Parent B pays if result is positive

$$\frac{(A_o)^3 \cdot (B_s) - (B_o)^3 \cdot (A_s)}{(A_o)^3 + (B_o)^3}$$

- A_s = Parent A's base obligation
- B_s = Parent B's base obligation

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Using the Formula: Order Requirements

518A.36 PARENTING EXPENSE ADJUSTMENT.

§ Subdivision 1. General.

(a) The parenting expense adjustment under this section reflects the presumption that while exercising parenting time, a parent is responsible for and incurs costs of caring for the child, including, but not limited to, food, clothing, transportation, recreation, and household expenses. Every child support order shall specify the percentage of parenting time granted to or presumed for each parent. For purposes of this section, the percentage of parenting time means the percentage of time a child is scheduled to spend with the parent during a calendar year according to a court order averaged over a two-year period. Parenting time includes time with the child whether it is designated as visitation, physical custody, or parenting time. The percentage of parenting time may be determined by calculating the number of overnights or overnight equivalents that a parent spends with a child pursuant to a court order. For purposes of this section, overnight equivalents are calculated by using a method other than overnights if the parent has significant time periods on separate days where the child is in the parent's physical custody and under the direct care of the parent but does not stay overnight. The court may consider the age of the child in determining whether a child is with a parent for a significant period of time.

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Using the Formula: Order Requirements

518A.36 PARENTING EXPENSE ADJUSTMENT.

§ Subdivision 1. General.

(b) If there is not a court order awarding parenting time, the court shall determine the child support award without consideration of the parenting expense adjustment. If a parenting time order is subsequently issued or is issued in the same proceeding, then the child support order shall include application of the parenting expense adjustment.

Using the Formula: Let's do some math!

Example:

- Two Joint Children.
- Jaime earns \$3,500/month and has the kids most of the time.
- Chris earns \$4,300/month and has parenting time every other weekend. Chris also takes the kids to Canada for 3 weeks every August.

Using the Formula: Let's do some math!

Step 1: determine overnights for the formula. (A₀ and B₀)

How many nights is every other weekend plus a 3 week vacation?

52 + 21? No! 52 + 18

A₀ = Chris' Overnights = 70

B₀ = Jaime's Overnights = 295

$$\frac{(70)^3 \cdot (B_0) - (295)^3 \cdot (A_0)}{(70)^3 + (295)^3}$$

Using the Formula: Let's do some math!

Step 2: determine the base support for each parent.

Combined income: $\frac{(700)^3 \cdot (B_S) - (2950)^3 \cdot (A_S)}{(700)^3 + (2950)^3}$

3,500 + 4,300 = \$7,800

3,500/7,800 = 45% of PICS

4,300/7,800 = 55% of PICS

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Using the Formula: Let's do some math!

Step 2: determine the base support for each parent.

Combined PICS: \$7,800

Combined Support: \$1,658 $\frac{(700)^3 \cdot (746) - (2950)^3 \cdot (912)}{(700)^3 + (2950)^3}$

\$1,658 x .45 = \$746 (Jamie)

\$1,658 x .55 = \$912 (Chris)

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Using the Formula: Let's do some math!

Remember the basics!

- What is an exponent?
- What is the order of operations?

$\frac{(70)^3 \cdot (746) - (295)^3 \cdot (912)}{(70)^3 + (295)^3}$

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Using the Formula: Let's do some math!

Remember the basics!

- What is an exponent?
- What is the order of operations?

$$\frac{[(70 \cdot 70 \cdot 70) \cdot (746)] - [(295 \cdot 295 \cdot 295) \cdot (912)]}{[(70 \cdot 70 \cdot 70) + (295 \cdot 295 \cdot 295)]}$$

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Using the Formula: Let's do some math!

$$\frac{[(70 \cdot 70 \cdot 70) \cdot (746)] - [(295 \cdot 295 \cdot 295) \cdot (912)]}{[(70 \cdot 70 \cdot 70) + (295 \cdot 295 \cdot 295)]}$$

=

890.14089062539900

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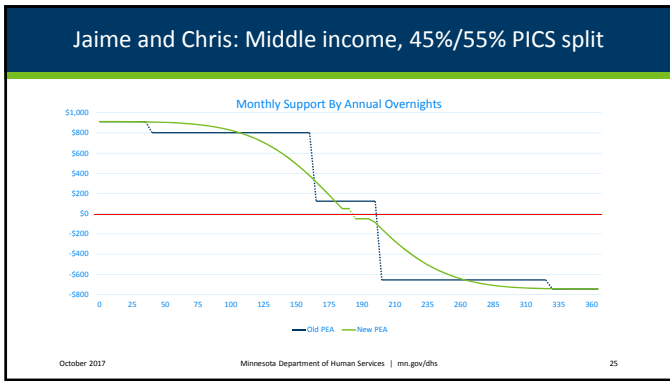
Jaime and Chris: Middle income, 45%/55% PICS split

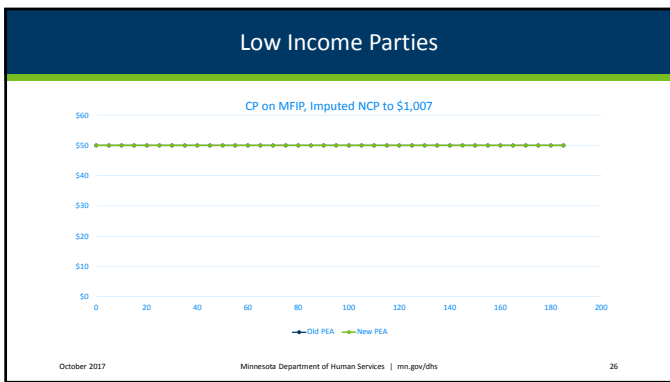


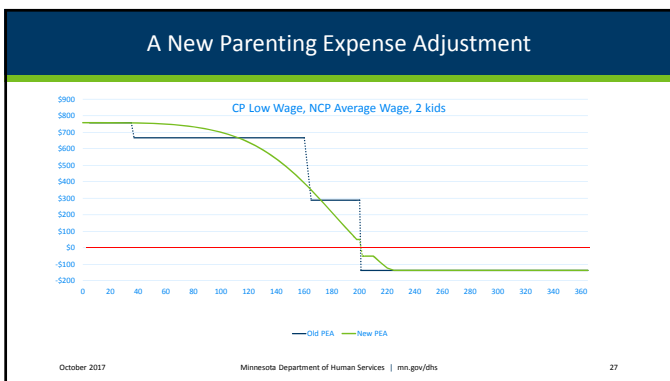
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Things that will stay the same...

- Equal income and equal parenting time will still be a \$0 basic support order
- Medical and child care expenses will still be divided between the parties based on PICS percentage
- Base guideline numbers have not changed (yet)
- The existing child support calculator will remain available
- Some child support participants will (still) not be happy with the results

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Questions....

- Q: Can people stipulate to the old PEA? To the new PEA?
- It is likely that people will want to stipulate going forward anticipating 8/2018. There is no explicit authority for this. It will likely be up to the court.

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Questions....

- Q: What if there is no set schedule but the parties had agreed on the 12% adjustment in the past?
- A: If parties have a child support order applying the PEA based upon agreement but did not have a parenting time order, there is a presumption they will continue to apply that adjustment.

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Questions....

- Q: What about modifications?
- A: 518.175 now says that if a parenting time order cannot be used to determine overnights, the court shall modify the parenting time order so that the number of overnights can be determined.
- A: 518A.39 says that you can use the old method if the previous order used it and there is not information to count the days.
- A: The law change alone is not a "change in circumstances."

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PRISM Implementation

- How does the Child Support Division implement these changes?



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PEA Project Team

- Formed September 2016
- 1 project sponsor
- 1 project manager
- 8 Child Support Division staff members
- 7 MNIT specialists
 - Business Analysts, Programmers, and Testers



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Six Phases

- Project Planning & Kick-Off
- Requirements & Specifications
- **Program Development**
- Functional Testing
- Quality Assurance
- Production

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Project Planning & Kick-Off

- Kick-Off complete
- Project planning
 - Communications plan
 - Stakeholder feedback
 - Legislative Analysis



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Requirements and Specifications

- CSD tells MNIT what needs to change
 - Guidelines Worksheet Detail (GUWD) screen
 - Child Support Web Calculator
 - Support Order Detail (SUOD) screen
 - Parenting Time Calendar tool
 - Minnesota Child Support Online (MCSO)
 - CORD Documents
 - DORD Documents

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Program Development

- MNIT programmers begin making technical changes

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VRFP001] PRISM 201 PW0001 via 0083 0879 PULLM18  
< | more support order detail 2 more >  
Action (A,S,C,D,H,N,P) Enforce DT: CO #1PS: CO Type: Stat: Func:  
Case: worker: Proj: File Loc:  
CP Name: CO Seq Mbrs:  
Parenting Time: NCP % CP %  
Overnights: NCP CP  
Medical cov for: Medical policy holder: Priv Med Cov Ord:  
Dental cov for: Dental policy holder: Priv Den Cov Ord:  
Uninsured/unreimbursed Exp: NCP % CP % $ Med Support:  
-----  
# of MCI Name Estb Med Den Emancipation  
Cov Cov Addr Code Date  
-----  
Direct Command: ( 5000 )  
F1=Help, F2=Quit, F3=Attn, F4=Prev, F7=Up, F8=Down, F10=Left, F11=Right, F13=Trbl  
F15=Del, F19=Inq, F20=Mod1  
Scrolling performed.
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Functional Testing and Quality Assurance



- Functional Testing
 - Business Analysts conduct preliminary testing
- Quality Assurance
 - In Depth Testing

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Production

- Once the Quality Assurance testing is completed, the changes will migrate to the PRISM production region (QQPR)
- CSD hopes to have PRISM changes completed by June 2018
- Some changes are already in production
 - SUOD Overnight Fields

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Changes

- SUOD Overnights Field
- GUWD New Worksheet Types
 - PST-past reimbursement
 - ONG- ongoing
 - C07-old current
 - R07-old reimbursement
- MCSO Guidelines Calculator
- Parenting Time Calendar tool

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Questions

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Fred v. Wilma

- Fred and Wilma were not married when they had Pebbles.
- Wilma and Pebbles moved out to a cave of their own when Pebbles was 5.
- Fred has Pebbles overnight every weekend while Wilma works selling mastodon bones.
- Wilma applied for MFIP because making ends meet in the stone age is difficult.

Fred v. Wilma

- Bedrock County received the PRISM referral from MAXIS and will begin the paternity pleadings. What parenting expense adjustment should be used?
- Bedrock County pleads out 365 overnights for Wilma using GUWD worksheet type ONG-ongoing.
- At the hearing, Fred and Wilma cannot agree on a schedule for the court order therefore no parenting time schedule was ordered.
- Fred will not receive a parenting expense adjustment in his child support calculation until the matter is resolved in district court.

Shaggy v. Daphne

- Daphne and Shaggy were divorced last year due to a major disagreement during an investigation of the haunted mansion.
- Daphne sees their son Scooby every other weekend and every Wednesday. She also has Scooby alternating holidays per the court ordered schedule.
- The court order provides a 12% parenting time adjustment.
- Daphne quit working for Mystery Inc. and got a much better paying job.
- Shaggy found out and requested a modification.

Shaggy v. Daphne

- Which parenting expense adjustment would apply?
 - The court order does not have a number of overnights
 - The court order does not have a percentage of overnights
 - The court order does give a 12% adjustment
- Because we have a court ordered schedule available to determine the number of overnights, we will use the new PEA.
- GUWD worksheets 'ONG-ongoing' will be used to calculate the support using the new PEA formula.

Shaggy v. Daphne

- Every other weekend=52 overnights
- Every Wednesday= 52 overnights
- Alternating Holidays=12 ÷ 2= 6 overnights
- Total Overnights
 - Daphne= 120
 - Shaggy = 245

Elmer v. Daffy

- Elmer and Daffy legally adopted Egghead Jr. and later split up due to Elmer taking up poaching Tasmanian devils. A child support and parenting time order was established.
- The court ordered parenting schedule says
 - "Reasonable and liberal"
 - The parties agreed to a 12% adjustment in the previous order
- Daffy found out that Elmer was making a LOT of money as a poacher and requested a modification.
- Elmer spends approximately 50 overnights with Egghead Jr.

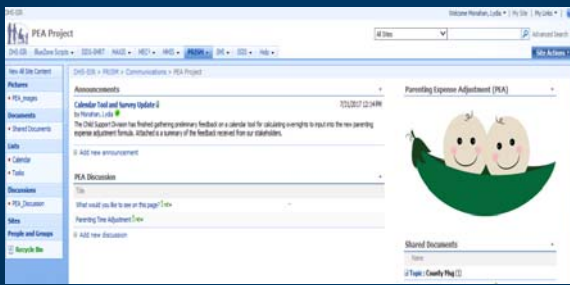
Elmer v. Daffy

- Which PEA will be used?
- Give the 12% deduction
- Use GUWD worksheet C07 for determining support using the old PEA.

Wrap Up

- CSOs may see new orders that use the number of overnights
 - Can put the information into 'Overnights' field on SUOD
 - GUWD will not be programmed to calculate child support using the new formula until June 2018
- Policy and programming changes will be announced as they occur using county messages
- The Parenting Expense Adjustment project team has also created a project page on DHS-SIR where information will be available
- Future question and answer sessions are being planned

DHS-SIR>PRISM>COMMUNICATIONS>PEA PROJECT
<https://www.dhssir.cty.dhs.state.mn.us/PRISM/Communications/PEA/default.aspx>



Questions

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