



MINNESOTA FAMILY SUPPORT & RECOVERY COUNCIL
 2018 ANNUAL CONFERENCE





Behind the Curtains: The Economics of the Minnesota Child Support Guidelines and Parenting Expense Adjustment

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Outline



- Basis of Child Support Guidelines
 - Economics and Policy Decisions
- Parenting-Expense Adjustment
- Child Support Task Force

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Developing a State Child Support Guidelines



Policy Decisions

- Federal & State requirements
- Guidelines models
 - Which economic data to use
- Treatment of special factors
 - Parenting-expense adjustment
 - Adjustments for other factors (e.g., self-support reserve/minimum order, non-joint children)

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Federal Requirements (45 C.F.R. § 302.56)



Since 1988

- One Statewide guidelines
- Use by all judges/decisionmakers
- Consider all income of NCP
- Result in fixed-sum amounts
- Provide for the child's health care needs
- Review every 4 years

Added as of December 2016

- Consider the basic subsistence needs of the NCP (and CP, at state discretion)
- Thoroughly consider the circumstances of the NCP when income imputation is authorized
- Provide that incarceration may not be treated as voluntary unemployment
- Timeline: 1 year after completing next review

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State Usage of Guidelines Models

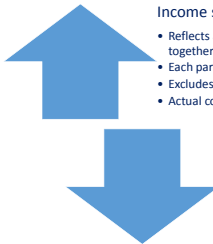


History of MN guidelines model
 1984-2006: % of obligor net income
 2006: Income shares based on gross income

Usage of Income Shares
 2005: 34 states
 2017: 40 states

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Premises of Income Shares



Income shares guidelines model

- Reflects average child-rearing expenditures when parents live together and combine financial resources
- Each parent financially responsible for prorated share
- Excludes childcare & healthcare-related expenses
- Actual costs of these items are addressed on a case-by-case basis

Adjustments for current realities

- Self-support reserve
- Parenting-expense adjustment
- Income deduction for non-joint children

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Studies of Child-Rearing Costs

Minimum Needs

- e.g., Federal Poverty Level (2018 = \$1,012 for 1 person and \$360 for each additional person)
- Basic support amount for child in Melson formula
- Often used as a "self-support reserve for obligated parent"

"Continuity of Expenditures Studies"

- If obligated parent can afford a higher standard of living, the child should share in that standard of living
- Most states use as the basis of their guidelines
- Several studies that vary in data years & economic methodology for separating child's expenditures from adult

Economic Basis of State Guidelines

Economic Study	# of States*	States bordering MN?
van der Gaag (1981)	≈ 6 states	WI (% of gross income)
Engel (Espenshade 1984, Betson 2001)	≈ 9 states	MI (income shares/net income)
Rothbarth (Betson 1990, 2001, 2006 & 2010, Rodgers/NJ 2012)	≈ 30 states & Guam	IA, NE & SD (income shares/net income)
USDA (updated at least bi-annually)	1 state (MN** – adjusted for MN housing costs)	
Other/Unknown	≈ 7 states	MT (Melson) & ND (% of obligor net income)

*GA is counted twice because it takes the average of 2 different methodologies.
 ** MN should be counted more than once.

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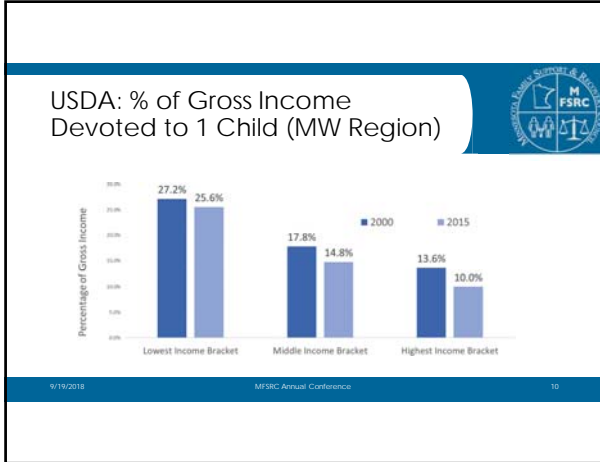
Betson-Rothbarth Measurements

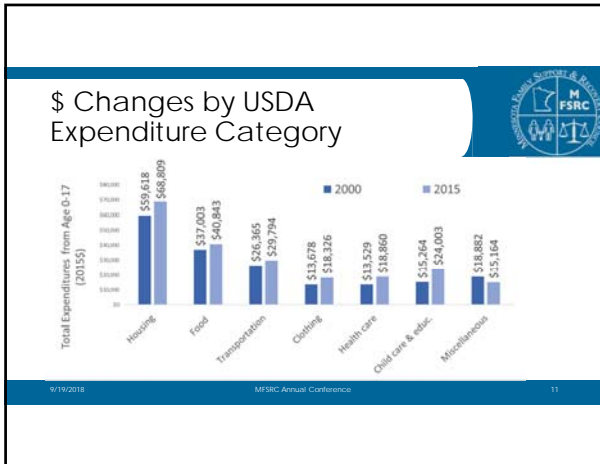
- Form the basis of most state guidelines
- Measured as a % of total expenditures
- Converted to net or gross income depending on basis of state guidelines

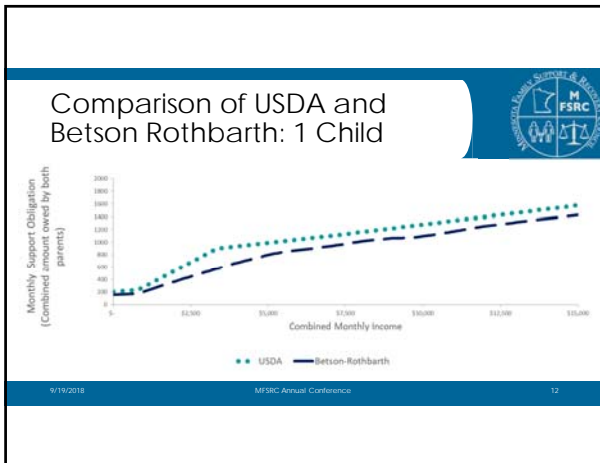
Approximate Income Interval: \$15,000, \$20,000, \$25,000, \$30,000, \$35,000, \$40,000, \$45,000, \$50,000, \$60,000, \$70,000, \$80,000, \$100,000, Greater than \$124,000

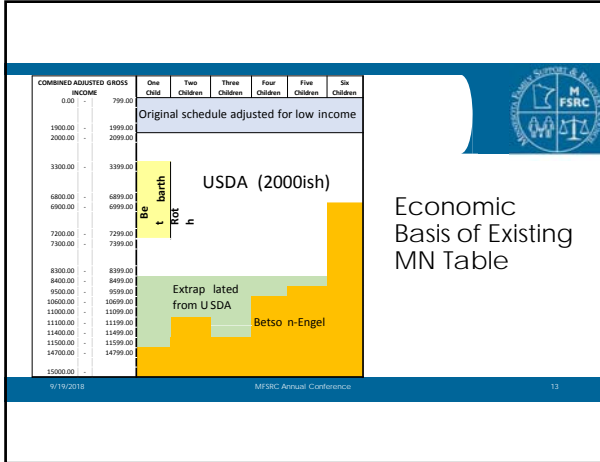
Legend: ■ Betson-Rothbarth 1980-85 data, ■ Betson-Rothbarth 1996-99 data, □ Betson-Rothbarth 2004-09 data

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History of Minnesota Child Support Guidelines Models

- **1984-2007:** Percentage of Obligor’s Income Model
- **2000/2001:** Attempt at Shared Responsibility Model
- **2005:** Income Shares Model adopted by Legislature
- **2006:** Income shares Model adjusted for both low and high incomes
- **2007:** Income Shares Model implemented
- **2008:** Parenting Expense Adjustment Change

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Parenting Expense Adjustment

Policy Challenges to Parenting-Expense Adjustments

- Cost more to raise children in 2 households than 1 household
- Reduction in child-rearing expenditures to primary custodian is not \$1 for \$1

Recognizes obligated parent incurs child-rearing expenses

Do not encourage bargaining of time & money

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How States Deal with Challenges

- 12 states provide no formula but Court may deviate
- 39 states provide a formulaic adjustment
 - Formulas vary
 - Applicable when certain criteria are met
 - Court-ordered parenting time or agreement between parties
 - Time-sharing threshold
 - Consideration of the income in the custodial parent

MN Legislature formed workgroup in 2015 to address issue.

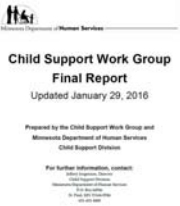
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History – The 2015 Child Support Work Group

- In 2015, the Minnesota Legislature appointed a work group tasked to recommend changes to the Parenting Expense Adjustment
 - Lead by DHS CSD with membership including legislators, parent appointees, legal aid, county attorneys, the MSBA Family Law Section and the Minnesota county child support programs
- Economist Help
 - Dr. Jane Venohr, Ph.D., economist from Center for Policy Studies, Inc., was retained to assist the work group

Minnesota Child Support Work Group Report

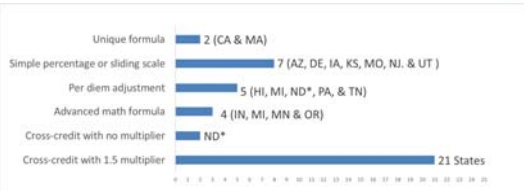
- Work group report and recommendations:
 - No more cliffs – use the Michigan parenting expense adjustment for a gradual curve
 - http://mfsrc.org/News/Updated%20Final%20DHS%20Child%20Support%20Work%20Group%20Report_01%2029%2016.pdf



Why Change the Parenting Expense Adjustment?

- Two main issues:
 - The old PEA was too broad
 - A parent with 3-4 days of parenting time a month would get the same 12% adjustment as a parent with 13 days of parenting time a month
 - Cliff Effect at 45% (and 10%)
 - From 13 to 14 days, the 12% adjustment changed to the presumed equal parenting time adjustment
 - The difference of one additional day of parenting time could result in an extreme difference in the child support obligation
- The thought (hope) is there will be less fighting about parenting time if the cliffs are smoothed out and more adjustment is applied in the 30-44% parenting time range

Types of Parenting Expense Formulas



Formula Type	Number of States
Unique formula	2 (CA & MA)
Simple percentage or sliding scale	7 (AZ, DE, IA, KS, MO, NJ, & UT)
Per diem adjustment	5 (HI, MI, ND*, PA, & TN)
Advanced math formula	4 (IN, MI, MN & OR)
Cross-credit with no multiplier	ND*
Cross-credit with 1.5 multiplier	21 States

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Premise of AZ, IN, NJ and PA adjustment



- 3 Types of child-rearing expenditures
 - Variable (e.g., food)
 - Fixed, Duplicated (e.g., housing)
 - Fixed, Unduplicated (e.g., cell phone and winter jacket)

Adjust for variable expenses at low-levels of time sharing

Premise of Cross-Credit and "Cubed" or "Exponential"



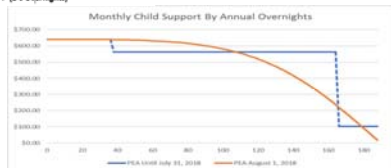
- Cross-Credit Formula
 - Increase the basic obligation by 150% to account for it costing more to raise a child in two households than one household (i.e., housing and some transportation expenses are duplicated between the parents)
 - Compute a theoretical order for each parent
 - Weigh it for time with the other parent
 - Parent with greater amount owes the parent the difference
- "Cubed" takes elements of cross-credit to the 3rd power (called cubed)
 - make it "non-linear" (gradual) adjustment

"Cubed" or "Exponential" Formula



$$\frac{(A's\ Overnights)^3 \times (B's\ Basic\ Support) - (B's\ Overnights)^3 \times (A's\ Basic\ Support)}{(A's\ Overnights)^3 + (B's\ Overnights)^3}$$

Curve results from "cubed"



Oregon's Parenting Expense Adjustment



Formula version:

(6) Determine each parent's parenting time credit percentage as follows:

$$\text{credit percentage} = 1 / (1 + e^{-(7.14 * ((\text{overnights} / 365) - 0.5))) - 2.74\% + (2 * 2.74\% * (\text{overnights} / 365))$$

Table version

Table: Parenting time credit percentage by number of overnights

Overnights	Credit %	Overnights	Credit %	Overnights	Credit %
0	0.00%	36	3.19%	72	6.67%
1	0.07%	37	3.30%	73	6.87%
2	0.14%	38	3.42%	74	7.07%
3	0.21%	39	3.54%	75	7.27%
4	0.28%	40	3.66%	76	7.48%
5	0.35%	41	3.78%	77	7.68%
6	0.42%	42	3.91%	78	7.90%
7	0.49%	43	4.06%	79	8.11%
8	0.57%	44	4.18%	80	8.33%
9	0.65%	45	4.30%	81	8.55%
10	0.72%	46	4.43%	82	8.77%

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Time-Sharing Criteria (as of 2016)



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Defining "Days" or "Overnights"



Minnesota

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.

Arizona

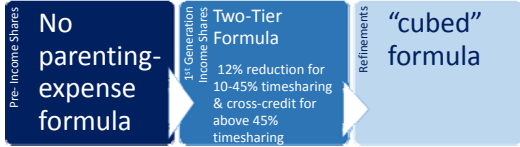
- A. Each block of time begins and ends when the noncustodial parent receives or returns the child from the custodial parent or from a third party with whom the custodial parent left the child. Third party includes, for example, a school or childcare provider.
- B. Count one day of parenting time for each 24 hours within any block of time.
- C. To the extent there is a period of less than 24 hours remaining in the block of time, after all 24-hour days are counted or for any block of time which is in total less than 24 hours in duration:
1. A period of 12 hours or more counts as one day.
 2. A period of 6 to 11 hours counts as a half-day.
 3. A period of 3 to 5 hours counts as a quarter-day.
 4. Periods of less than 3 hours may count as a quarter-day if, during those hours, the noncustodial parent pays for routine expenses of the child, such as meals.

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Progression of MN's Parenting Expense Adjustment



Minnesota's PEA – Old & New



January 1, 2007 – July 31, 2018

- No court ordered parenting time
 - No adjustment
- Parenting time less than 10%
 - No adjustment
- Parenting time from 10% to 45%
 - 12% adjustment (reduction)
- Parenting time from 45.1% to 50%
 - Presumed Equal Parenting Time calculation used


Effective August 1, 2018

- $$\frac{(Ao)^2 (Bs) - (Bo)^2 (As)}{(Ao)^2 + (Bo)^2}$$
- There is a calculator!
 - Ao and Bo
 - Number of overnights with parents A and B
 - As and Bs
 - Parent A and B basic support obligations



Child Support Task Force

Minnesota Child Support Task Force Statute




518A.79 CHILD SUPPORT TASK FORCE.
Subdivision 1. Establishment; purpose.
 There is established the Child Support Task Force for the Department of Human Services. The purpose of the task force is to advise the commissioner of human services on matters relevant to maintaining effective and efficient child support guidelines that will best serve the children of Minnesota and take into account the changing dynamics of families.

- Administered through the Minnesota Department of Human Services
- Task Force Expires on June 30, 2019 unless extended by the legislature
- Members include legislators, MCAA, MFSRC, Parents, DHS, Courts, Tribal IV-D, Legal Aid, Minnesota State Bar Association
- Ability to consult with an Economist


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Child Support Task Force



- Expires June 30, 2019 unless extended
- Members include legislators, MCAA, MFSRC, Parents, DHS, Courts, Tribal IV-D, Legal Aid, Minnesota State Bar Association

Child Support Task Force



- 2017 State legislation created Task Force
 - Defined composition of task force
 - Staffed by the Minnesota Department of Human Services

Major, specified duties:

- (1) serving in an advisory capacity to the commissioner of human services;
- (2) reviewing the effects of implementing the parenting expense adjustment enacted by the 2016 legislature;
- (3) at least every four years, preparing for and advising the commissioner on the development of the quadrennial review report;
- (4) collecting and studying information and data relating to child support awards; and
- (5) conducting a comprehensive review of child support guidelines, economic conditions, and other matters relevant to maintaining effective and efficient child support guidelines.


Also, 7 priority items.

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Task Force Duties: 7 Priority Items

Subd. 5. Duties of the task force.

(b) The task force must review, address, and make recommendations on the following priority issues:



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Task Force: Seven Priority Issues

- 1) The self-support reserve for custodial and noncustodial parents
- 2) Simultaneous child support orders
- 3) Obligor who are subject to child support orders in multiple counties
- 4) Parents with multiple families
- 5) Non-nuclear families, such as grandparents, relatives, and foster parents who are caretakers of children
- 6) Standards to apply for modifications

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Task Force: Seven Priority Issues

- 7) Updating section 518A.35, subdivision 2, the guideline for basic support



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Minnesota's Guidelines Review

- Being conducted by Task Force
- Although MN's self-support reserve (SSR) fulfills the new federal requirements, Task Force is extensively reviewing how to improve it
 - Challenge
 - Obligated parents with incomes just above minimum wage
 - SSR = 120% FPL (\$1,215/mo)
 - Minimum wage: \$9.67/hr (large employers) & \$7.87/hr (small employers)
 - 40 hr workweek ⇒ \$1,676/mo or \$1,364/mo
 - Average weekly hours ranges from 21 hrs/week in food & drinking places to 40.6 in manufacturing of durable goods

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Policy Decisions so Far


- **Economic Model** - USDA, subject to adjustments
- **Guidelines Model** - Income shares
- **Adjustments for Time Sharing** - The 8/1/18 PEA
- **Income Used** - Gross income, but perhaps adjustments
- **Prices from Consumer Price Index** - Use current
- **Cost of Living Adjustments** - Use National numbers, Minnesota's numbers are very close
- **Adjustments for 3 or More Children** - Use Dr. Venohr's lower multiplier
- **Highly Variable Child-Rearing Expenses** - Child Care and Medical calculations remain separate from the Basic Support calculation

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Policy Discussions Continuing


- Assistant Ramsey County Attorney Amy Anderson's presentation on a proposed Guidelines table
- Tax assumptions
- Gross Income adjustments
- Adjustment for low incomes
- Adjustment for high incomes
- Minimum basic support order
- Self-Support Reserve application to both parties
- Nonjoint Children in the Home
- Credit for all court-ordered support obligations

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Task Force Meeting Tomorrow!

- The next Task Force meeting is tomorrow, nearby!
- Great River Regional Library
 - 1300 West St. Germain Street, St. Cloud
 - <https://griver.org/locations/st-cloud>
- 10:00a.m. - 2:30p.m. – Meeting
- 2:30p.m. - 3:30p.m. – Public Comment
- Please join us if you can!
 - You are welcome to observe
 - You are welcome to sign up to make comments
 - Both with permission of your supervisor, of course



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People we serve Partners and providers General public Media

Child Support Task Force

What we do





Our mission is to ensure that all children receive the support they need to thrive. We work with state and local agencies to ensure that all children receive the support they need to thrive. We work with state and local agencies to ensure that all children receive the support they need to thrive.

https://mn.gov/dhs/general-public/about-dhs/advisory-councils-task-forces/child-support-t-a-sk-force.jsp

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Thank you!

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References to Studies of Child-Rearing Expenditures

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Studies of Child-Rearing Expenditures

Study Name and CES Years	Study Year	Full Reference
Betson-Rothbarth 1 (BR1) CES: 1980-86	1990	David M. Betson (1990). <i>Alternative Estimates of the Cost of Children from the 1980-86 Consumer Expenditure Survey</i> . Report to U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, University of Wisconsin Institute for Research on Poverty, Madison, Wisconsin.
Lewin Report (compared methods)	1990	Lewin/CF. (1990). <i>Estimates of Expenditures on Children and Child Support Guidelines</i> . Report to U.S. Department of Health and Human Services, Office of the Assis. Secretary for Planning and Evaluation. Virginia
Betson-Rothbarth 2 (BR2) CES: 1996-99	2001	Betson, David M. (2001). "Chapter 5: Parental Expenditures on Children." in Judicial Council of California, <i>Review of Statewide Uniform Child Support Guideline</i> . San Francisco, California
Betson-Rothbarth 3 (BR3) CES: 1998-2004	2006	David M. Betson (2006). "Appendix I: New Estimates of Child-Rearing Costs" in PSI, <i>State of Oregon Child Support Guidelines Review: Updated Obligation Scales and Other Considerations</i> . Report to State of Oregon, Policy Studies Inc., Denver, CO
Betson-Rothbarth 4 (BR4) CES: 2004-09	2010	Betson, David M. (2010). "Appendix A: Parental Expenditures on Children." in Judicial Council of California, <i>Review of Statewide Uniform Child Support Guideline</i> . San Francisco, California. Retrieved from: http://www.courts.ca.gov/partners/documents/20112946aGuidelineReview.pdf
New Jersey-Rothbarth CES: 2000-11	2012	New Jersey Child Support Institute (March 2013). <i>Quadrennial Review: Final Report</i> . Institute for Families, Rutgers, the State University of New Jersey, New Brunswick, NJ. Retrieved from: http://www.judiciary.state.nj.us/reports2011/FIQ_NJ-QuadrenniaReview-Final_3.22.13_complete.pdf
USDA (CES: 2011-2015)	2017	Lino, Mark (2017). <i>Expenditures on Children by Families: 2015 Annual Report</i> . U.S. Department of Agriculture, Center for Nutrition and Policy Promotion. Miscellaneous Publication No. 1528-2015, Washington, D.C. http://www.nrcps.usda.gov/publications/mrc/erc2015.pdf

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