

To: Alabama Advisory Committee on Child Support Guidelines and Enforcement
From: Jane Venohr, CPR
Date: Dec 31, 2020
RE: Adjusting for Alabama Prices/Incomes

Background

The Betson-Rothbarth (BR) measurements of child-rearing expenditures consider U.S. average incomes and prices. Alabama's current child support schedule is based on BR measurements developed in 2006¹ from expenditures data collected from families in 1998-2004 that were realigned to Alabama's income using 2004 U.S. Census data. This reflected the most current data available at the time. The most current BR study is from 2020.² It is based on expenditures data from families in 2013-2019 and reflects three data improvements to the expenditures and income data collected on families.³ One of the improvements causes decreases at low incomes.

Question and Options

What is the best way to account for differences in Alabama prices/incomes from the U.S. average?

1. Adjust for Alabama price parity, this was the schedule provided in the September 2020 CPR report;⁴
2. Adjust for differences in income distribution between Alabama and the U.S. as a whole, which is how the current schedule was adjusted; or

Another option is to blend or combine the adjustments through averaging or another method. This memorandum considers two of these options.

3. Taking the average of the schedule that considers U.S. price levels and the schedule adjusted for Alabama price parity. (The rationale for this is there some evidence that the Alabama price parity understates Alabama housing prices.) A variation of this option would be to put more or less weight on the Alabama price parity. (Averaging puts equal weight; that is the alternative schedule is 50% U.S. prices and 50% Alabama prices.)
4. Taking the average of the existing schedule and the updated schedule based on Alabama-realigned incomes. The rationale for this is to create a gradual change in the schedule amounts.⁵ Similarly, this could use different weighting schemes and also combine more than two schedules or options.

¹ Betson, David M. (2006). "Appendix I: New Estimates of Child-Rearing Costs." In *State of Oregon Child Support Guidelines Review: Updated Obligation Scales and Other Considerations*. Report to State of Oregon, Prepared by Policy Studies Inc., Denver, CO.

² Betson, David M. (2020) "Appendix A: Parental Expenditures on Children: Rothbarth Estimates" In Venohr, Jane, (Dec. 9, 2020) *Review of the Arizona Child Support Guidelines: Updating the Child Support Schedule*. Report to the Arizona Supreme Court Administrative Office of the Courts, Prepared by Center for Policy Research, Denver, CO.

³ See Venohr, J. and Matyasic, S. (Sept. 2020.) *Review of the Alabama Child Support Guidelines: Updating the Child Support Schedule*. Report to the Alabama Advisory Committee on Child Support Guidelines and Enforcement. Pp. 3-6.

⁴ The schedule in the September 2020 report is adjusted for Alabama's 2018 price parity. Since then, Alabama's 2019 price parity was published. The 2019 price parity is used in the comparisons.

⁵ New Mexico used a similar approach in 2007 to update its schedule to reduce the sticker shock of an update purely on the most current economic data. About fifteen years had lapsed since New Mexico last updated. Originally, New Mexico intended to take half of the proposed change, but later changed it to one-quarter of the proposed change.

The remainder of this memorandum provides an overview of the first two options, then a summary of the pros and cons of the four approaches. This is followed by graphical comparisons of the first three options. (The fourth option is not graphed to avoid too many lines on the graph.)

More technical details on the first two approaches are provided in Appendix A and Appendix B. Since Alabama housing prices are an important consideration to determining which adjustment is most appropriate for an updated Alabama child support schedule, Appendix C provides more detail about Alabama housing prices.

This memorandum does not address another option identified at a committee meeting to eliminate the assumption that families do not spend more of their income. Elimination of this cap would increase the amounts for combined gross incomes below about \$4,000 per month only. This option is discussed in the CPR September 2020 report on page 19.

Adjustment for Alabama Price Parity

The proposed schedule developed in September 2020⁶ was adjusted for Alabama prices by reducing the U.S. average amounts by the difference between the 2018 Alabama price parity (86.4%) and the average U.S. price parity (100%).⁷ It effectively reduced the U.S. amounts by 13.6 percent. The price parity measure is a relatively new measure that was not available when the current Alabama child support schedule was developed. Alabama's price parities for the state and various Alabama metropolitan areas are shown in Appendix A. The 2019 price parity was just published on December 15, 2020. It suggests a slightly lower price parity for Alabama: 85.8%.

CPR believes that the Alabama Price Parity may exaggerate Alabama's lower housing prices. Appendix C provides some evidence that Alabama housing price may not be as low as in the rent component of the Alabama Price Parity. If Alabama's housing prices are not as low as indicated in the Alabama Price Parity measure, it would suggest either not using the Alabama Price Parity or making an upward adjustment to Alabama Price Parity for the purposes of developing an updated child support schedule for Alabama.

Adjustment for Income Differences

The existing schedule was also developed from Betson-Rothbarth (BR) measurements based on U.S. prices and incomes. Those BR measurements were realigned using 2004 data on Alabama's income distribution compared to the U.S. income distribution. Appendix B shows an excerpt from the 2007 guidelines review report⁸ that explains the adjustment. A similar adjustment is made to the BR5 measurements in this memorandum. (It was not made in the September 2020 report.) The realignment assumes expenditures are comparable by income distribution. To conceptualize this, consider two lines, one for U.S. families and the other for Alabama families, and that families are lined up by income starting with the lowest. Now examine the incomes and expenditures of the U.S. and Alabama family at the position representing 10% of the families (10% of the line). Based on 2019 Census data,⁹ the U.S. family has an approximate income of \$25,232 per year and the Alabama family has an approximate

⁶ Supra, Note 3, Appendix B.

⁷ U.S. Bureau of Economic Analysis. (July 2020.) *2018 Regional Price Parities by State (US = 100)*. Retrieved from <https://www.bea.gov/news/2020/real-personal-income-states-and-metropolitan-areas-2018>.

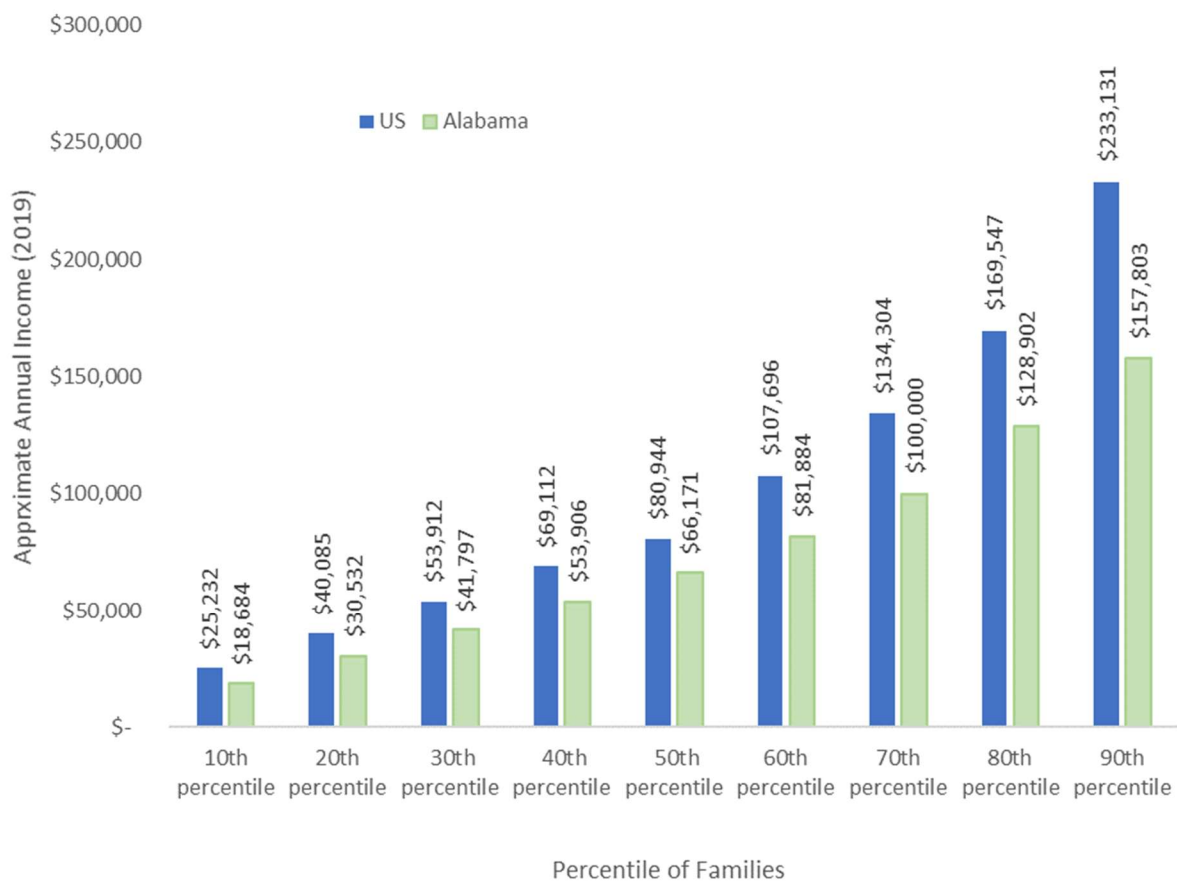
⁸ Venohr, Jane. (Jan. 2008). *2007 Update of the Alabama child Support Guidelines Schedule*.

⁹ Interpolated from U.S. Census American Community Survey: Table S1901: Income in the Past 12 Months in 2019 Inflation Adjusted Dollars. Retrieved from <http://www.data.census.gov>.

income of \$18,684 per year. The realignment essentially applies the percentage of income devoted to child-rearing expenditures by the U.S. family with \$25,232 in income to the Alabama family with \$18,684 in income. Since families devote a smaller percentage of income to child-rearing expenditures as income increases, this results in a lower percentage of income used to calculate the basic obligation at that particular income (\$18,684 per year in the example) than the percentage of income that U.S. families (of income of \$18,684 per year in the example) spend on average.

Figure 1 shows the approximate incomes for each 10th percentile of families. At the first cluster of columns is the income at 10% of families: \$25,232 for U.S. families and \$18,684 for Alabama families.

Figure 1: Comparison of Alabama and U.S. Incomes at Percentiles of Families



The table below shows the ratio of Alabama incomes to U.S. incomes for the percentiles above. In most percentiles, Alabama incomes are about 74.0% to 78.0% of U.S. incomes. The notable exceptions are at median income (50th percentile) and at the 90th percentile. The 67.7% ratio of Alabama to U.S. incomes at the 90th percentile suggests Alabama has fewer very high income families than the U.S. as a whole.

Percentile	10 th	20 th	30 th	40 th	50 th	60 th	70 th	80 th	90 th
AL Income	\$18,684	\$30,532	\$41,797	\$53,906	\$66,171	\$81,884	\$100,000	\$128,902	\$157,803
US Income	\$25,232	\$40,085	\$53,912	\$69,112	\$80,944	\$107,696	\$134,304	\$169,547	\$233,131
Ratio of AL/US Income	74.0%	76.2%	77.5%	78.0%	81.7%	76.0%	74.5%	76.0%	67.7%

Table 1: Major Pros and Cons of Options for Adjusting for Alabama Prices/Incomes

	Pros	Cons
Adjusted Using Alabama Price Parity	<ul style="list-style-type: none"> • Captures Alabama’s lower housing costs • Price parity is an official measure of regional price differences • Incorporates the most current, credible data • Sophisticated method to measure regional differences • It is used by Arkansas, Maryland, and Nebraska to adjust for their above/below average price levels 	<ul style="list-style-type: none"> • Most current is 2019 • Change in method from what was used to adjust the current schedule • Most of Alabama’s lower price parity is driven by Alabama’s lower rents • The price parity suggests Alabama’s housing is 61.8% of U.S. average while other evidence suggests that may be too large of an adjustment. (See App. C.) • Families breaking up are likely to incur “new” housing cost, which is likely to be more • The price of goods and other services differ little in Alabama from the U.S. average. (See App. A.) • Relies on rental prices and imputes rents to homeowners • Does not factor differences in expenditures by income, assumes all incomes experience the same price reduction • Missouri, another state with low price parity, rejected an adjustment for its price parity because the Rothbarth estimator already understates actual child-rearing expenditures
Adjusted for Alabama’s Incomes	<ul style="list-style-type: none"> • Uses same method as the basis of the existing schedule • Allows for variation by income 	<ul style="list-style-type: none"> • Most current income data is from 2019 • Census data on income distribution is limited: it is for families that may or may not have children; does not contain as many income ranges as previous data years • Assumes percentiles spend the same amount • Adjustment tends to bow: least adjustment at lowest and highest incomes • Method used by South Dakota, New Jersey and Guam
Average of U.S. and Alabama Price Parity	<ul style="list-style-type: none"> • Compromise between using Alabama price parity, which appears to overstate how much lower Alabama’s housing prices are than the national average, and U.S. 	<ul style="list-style-type: none"> • The average, which puts a 50% weight on the Alabama price parity and a 50% weight on the U.S. may not be the best weighting. It may be more appropriate to weigh more or less heavily on Alabama prices.
Average of an alternative(s) and Existing	<ul style="list-style-type: none"> • Compromise • Eases the transition from existing schedule to schedule based on current data 	<ul style="list-style-type: none"> • Assumes that existing is appropriate for current and future families

Impact of Different Alternatives

Overview of Other Assumptions in Schedules

There is no self-support reserve (SSR) built into the updated schedules, but there is in the existing schedule. (The committee favors a SSR for each parent. For this to occur, it must be in the worksheet. The SSR adjustment is addressed in a separate memorandum.) All updated schedules are updated to November 2020 price levels, which is the most recent data available. The schedule updated for Alabama's price parity considers Alabama's 2019 price parity. The schedule in the September 2020 report considered July 2020 price levels and Alabama's 2018 price parity.

Overview of Graphs

There are six graphical comparisons of the schedule amounts (*i.e.*, the amount owed by both parents before proration of income). There are two comparisons for one child, two comparisons for two children, and two comparisons for three children. The patterns for four and more children would be similar to those of three children. For each number of children, the first comparison considers combined adjusted gross incomes of \$800 to \$30,000 per month. The second comparison "blows-up" (magnifies) the area of the graph where the updated schedule amounts are **less** than the existing schedule amounts. This generally occurs at lower to middle incomes. Where it occurs varies with the number of children. As discussed in the September 30 report, the proposed decrease appears to result in an improved measure of income. If the committee favors no decreases, it could also splice in the existing amounts where there are decreases or pursue another alternative.

Impact of Increase to Federal Minimum Wage

The comparisons do not consider the impact of an increase to federal minimum wage. That impact is considered in the memorandum addressing the self-support reserve. Many decreases occur at combined incomes below full-time earnings of \$10 to \$15 per hour, which is the general range of proposed increases to federal minimum wage. Current federal minimum wage is \$7.25 per hour (which is \$1,257 per month and \$2,114 per month combined for a 40-hour workweek). Full-time earnings from \$12 per hour would be \$2,080 per month or \$4,160 per month combined. It has been over a decade since the federal minimum wage increased. As of October 2020, 29 states, the District of Columbia, Guam and the Virgin Islands have state minimum wages that exceed the federal minimum wage.¹⁰

Actual Number of Children and Incomes from CSED Data

Findings from the analysis of case file data can be used to help examine the impact of any schedule changes by number of children and incomes of the parties. CPR obtained a data extract of recently established or modified orders from the Alabama Department of Human Resources Child Support Enforcement Division (CSED) to analyze how the guidelines were being applied. The September 30 report contains some preliminary findings from the analysis. The data are limited to CSED child support cases; specifically, those with information about the guidelines calculation recorded in the state automated system. Based on data from other states, CPR finds that state child support caseloads tend to have much lower incomes and fewer children than child support cases that are not part of the state

¹⁰U.S. Department of Labor, (Oct. 2020.) *Consolidated State Minimum Wage Updated Table*. [Consolidated Minimum Wage Table | U.S. Department of Labor \(dol.gov\)](#)

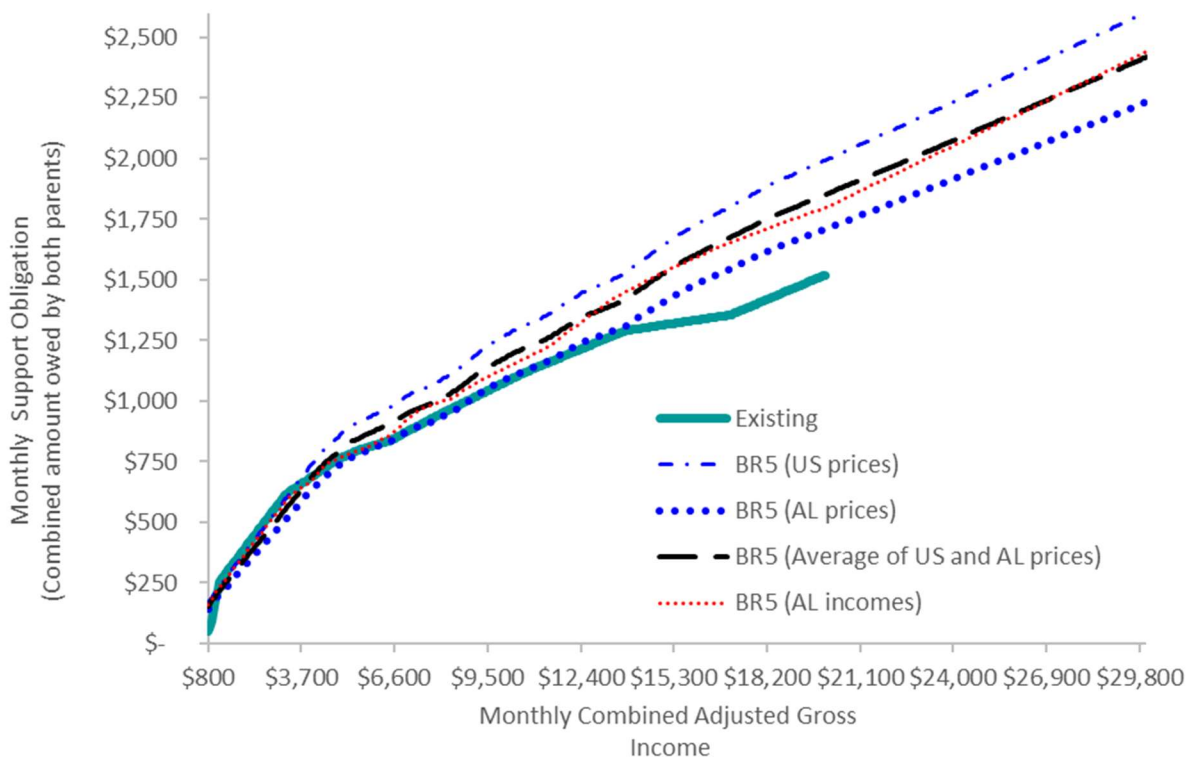
caseload. Also, CPR sometimes finds that orders with recorded guidelines calculations on a state automated system tend to be orders with imputed income, and set by default or judicial hearing rather than agreement between the parties.

Based on the analysis of CSED case file data, the frequency of orders by the number of children is 92 are for one child, 6 percent are for two children, 1 percent are for three children, and 1 percent are four or more children. The income distribution of CSED orders with recorded guidelines calculations is shown below. It is based on the income recorded for the guidelines calculation. Only 1 percent of CSED orders with recorded guidelines calculations had combined gross incomes above \$10,000 per month.

Percentile	10 th	20 th	30 th	40 th	50 th	60 th	70 th	80 th	90 th
Combined Gross Income	\$893	\$2,154	\$2,514	\$2,520	\$2,990	\$3,462	\$3,987	\$4,737	\$5,886

Income may have been imputed to one or both parties. As mentioned earlier, income imputation at full-time minimum wage would be \$1,257 per month. If rounded up and imputed to each party, the combined gross income would be \$2,520 per month. Combined gross incomes at the 40th percentile and 50th percentile (\$2,514 per month and \$2,520 per month, respectively) suggest income imputation at minimum wage to both parties is common. It is also common just to impute minimum wage to one party. The income used for the guidelines calculation is in the range of full-time, minimum wage earnings (\$1,250 to \$1,260 per month) for 38% of mothers and 29% of fathers with recorded guidelines calculations in the CSED data extract.

Figure 2: Comparisons for One Child from Gross Incomes of \$800 - \$30,000 per month



Maximum Decreases: One Child

	Maximum Decrease to Basic Obligation	Crossover Income (Updated > Existing)
BR5 (US prices)	\$20/mo or 9%	Combined gross income = \$3,450/mo
BR5 (AL prices)	\$103/mo or 21%	Combined gross income = \$6,100/mo
BR5 (Average of AL and US prices)	\$61/mo or 14%	Combined gross income = \$4,050/mo
BR5 (AL incomes)	\$32/mo or 9%	Combined gross income = \$4,300/mo

Figure 3: Comparisons for One Child from Gross Incomes of \$800 - \$6,200 per month

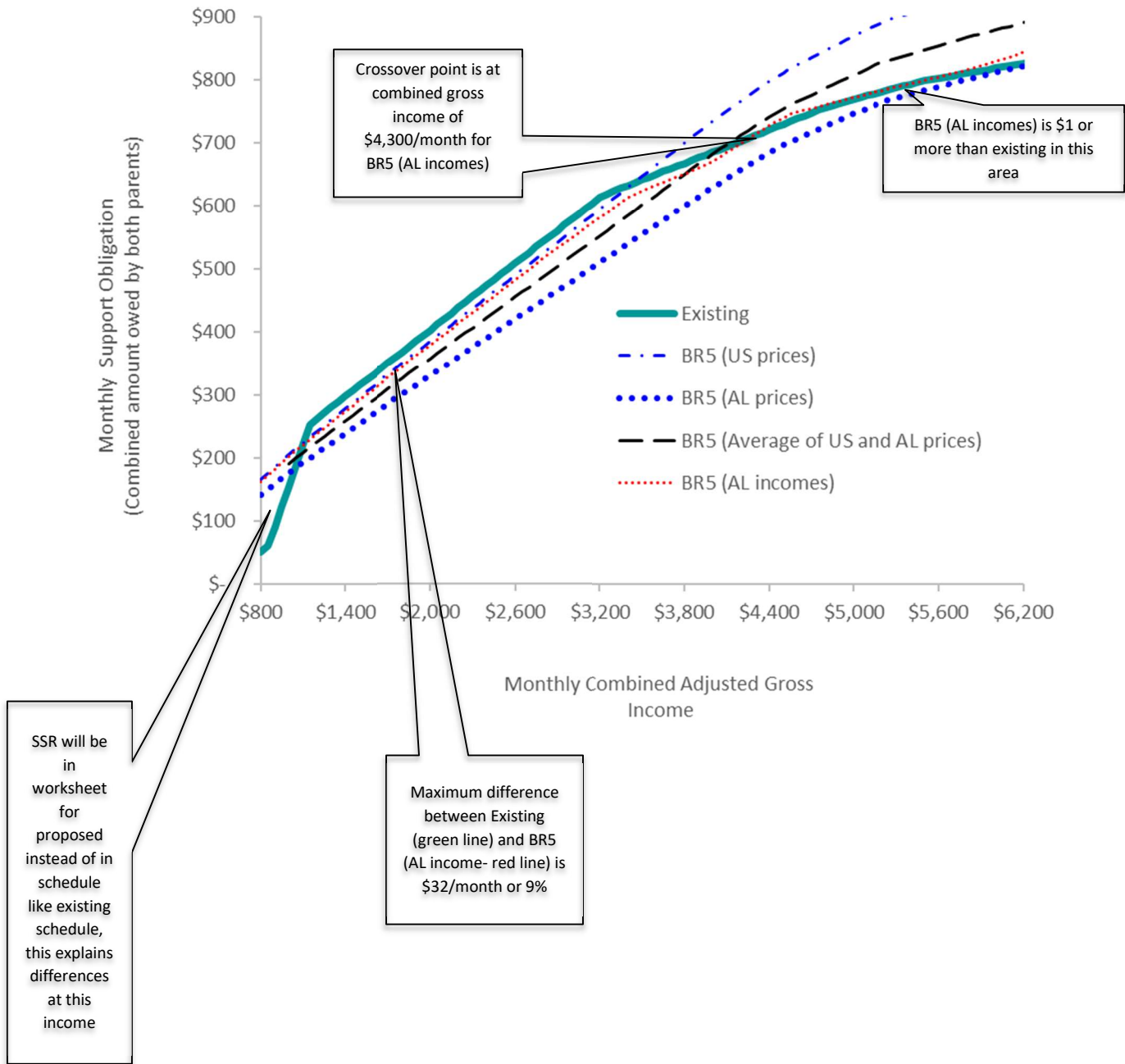
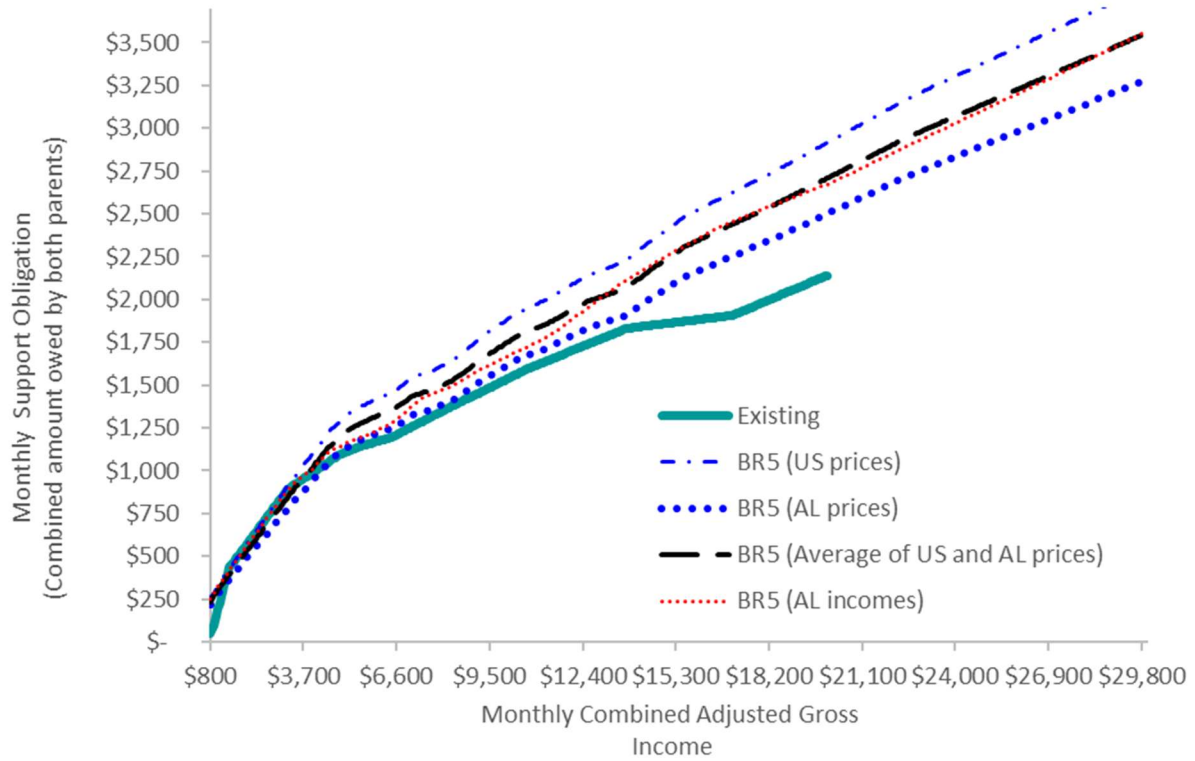


Figure 4: Comparisons for Two Children from Gross Incomes of \$800 - \$30,000 per month



Maximum Decreases: Two Children

	Maximum Decrease to Basic Obligation	Crossover Income (Updated > Existing)
BR5 (US prices)	\$11/mo or 3%	Combined gross income = \$1,750/mo
BR5 (AL prices)	\$110/mo or 16%	Combined gross income = \$4,550/mo
BR5 (Average of AL and US prices)	\$46/mo or 14%	Combined gross income = \$3,700/mo
BR5 (AL incomes)	\$19/mo or 9%	Combined gross income = \$3,300/mo

Figure 5: Comparisons for Two Children from Gross Incomes of \$800 - \$4,600 per month

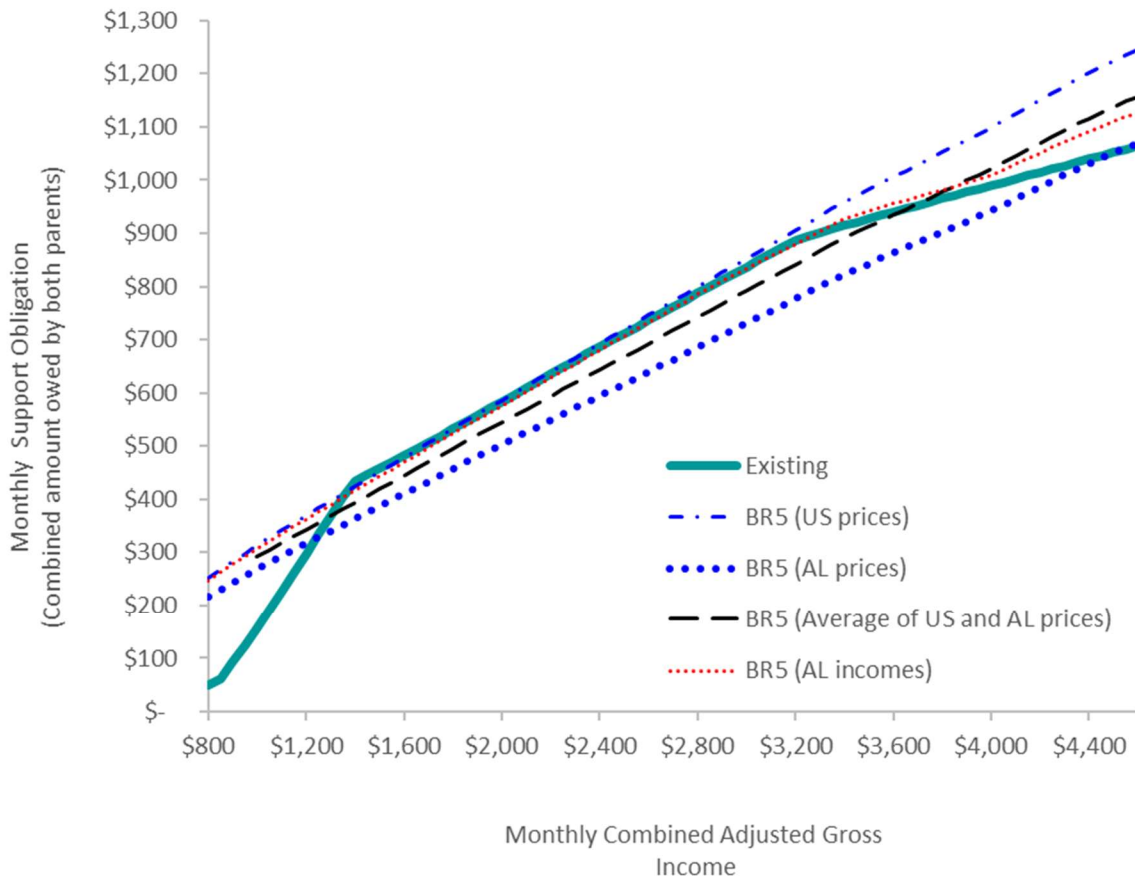
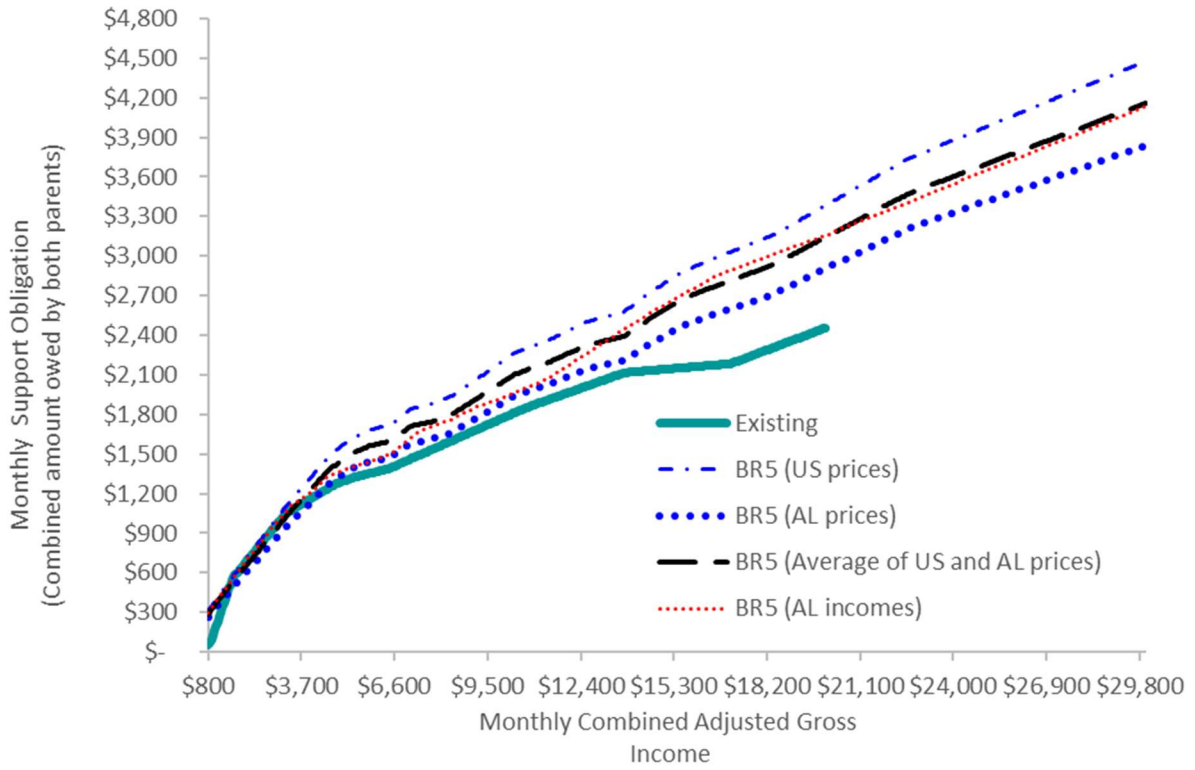


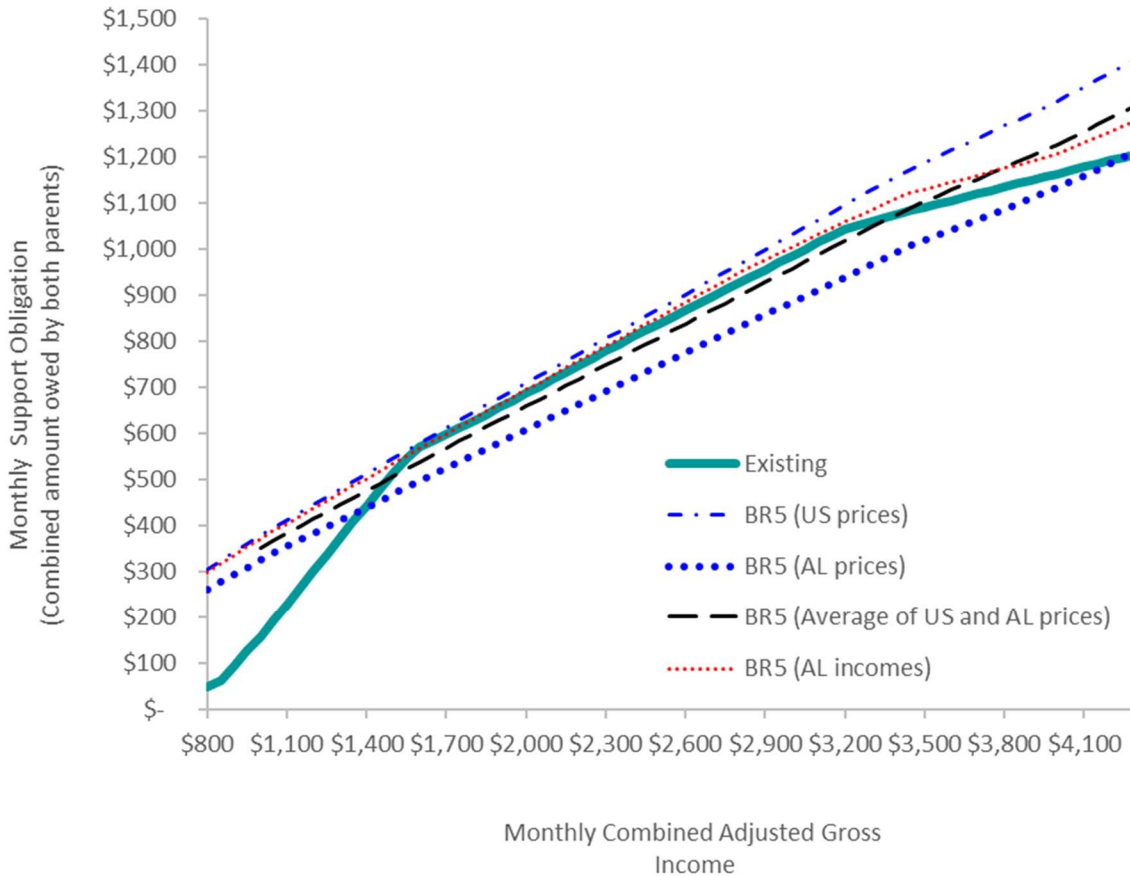
Figure 6: Comparisons for Three Children from Gross Incomes of \$800 - \$30,000 per month



Maximum Decreases: Three Children

	Maximum Decrease to Basic Obligation	Crossover Income (Updated > Existing)
BR5 (US prices)	No decrease	N.A.
BR5 (AL prices)	\$97/mo or 12%	Combined gross income = \$4,250/mo
BR5 (Average of AL and US prices)	\$61/mo or 14%	Combined gross income = \$3,400/mo
BR5 (AL incomes)	\$4/mo or 3%	Combined gross income = \$1,650/mo

Figure 7: Comparisons for Three Children from Gross Incomes of \$800 - \$4,300 per month



Appendix A: Price Parity

Table 2: 2018¹¹ and 2019¹² Price Parities

	All Items		Goods		Services			
	2018	2019	2018	2019	Rents		Other	
	2018	2019	2018	2019	2018	2019	2018	2019
United States	100.0	100.0	99.3	99.2	101.4	101.4	100.0	100.0
United States metropolitan	100.0	100.0	98.9	98.8	101.9	102.0	100.0	100.0
United States non-metropolitan portion	87.2	86.8	94.7	95.0	62.5	62.0	93.7	93.7
Alabama	86.4	85.8	96.2	95.9	61.8	61.9	91.7	90.3
Anniston-Oxford, AL	83.1	82.4	97.5	96.8	52.2	51.0	91.8	90.5
Auburn-Opelika, AL	85.5	85.1	92.0	92.7	70.4	68.1	91.6	90.1
Birmingham-Hoover	88.7	88.3	97.3	96.7	69.1	69.4	91.8	90.5
Columbus, GA-AL	88.9	88.6	97.1	96.2	70.3	69.3	94.7	95.1
Daphne-Fairhope-Foley, AL	90.3	90.2	97.5	96.8	80.2	81.7	91.8	90.5
Decatur, AL	83.5	83.7	97.5	96.8	52.2	53.5	91.8	90.5
Dothan, AL	83.9	83.6	96.4	96.0	56.2	55.5	91.8	90.5
Florence-Muscle Shoals, AL	82.3	80.7	97.5	96.8	48.8	45.9	91.8	90.5
Gadsden, AL	82.3	82.2	97.5	96.8	49.8	50.0	91.8	90.5
Huntsville, AL	89.2	89.0	97.5	96.8	69.2	70.6	91.8	90.5
Mobile, AL	85.9	85.3	97.0	96.4	62.3	61.6	91.9	90.5
Montgomery, AL	88.2	87.8	97.4	96.7	69.0	69.1	91.8	90.5
Tuscaloosa, AL	87.1	86.2	96.3	95.9	65.6	64.2	91.9	90.6

Technical Notes¹³ on Price Parity Measure

- Underlying data sources are the Consumer Price Index (CPI) survey data from the Bureau of Labor Statistics (BLS) and the American Community Survey (ACS) from the Census Bureau.
- The CPI captures over a million price quotes per year. They are classified into nine expenditures groups: apparel, education, food, housing, medical, recreation, rents, transportation and other goods and services. Each of these nine categories contains goods and services except for apparel (which only has goods) and rents (which only has services). In turn, this creates 16 expenditure classes.

¹¹U.S. Bureau of Economic Analysis. (July 2020.) *2018 Regional Price Parities by State (US = 100)*. Retrieved from <https://www.bea.gov/news/2020/real-personal-income-states-and-metropolitan-areas-2018>.

¹²U.S. Bureau of Economic Analysis. (Dec. 15, 2020.) [Real Personal Income by State and Metropolitan Area, 2019 | U.S. Bureau of Economic Analysis \(BEA\)](#).

¹³U.S. Bureau of Economic Analysis. (May 2020). *Real Personal Income and Regional Price Parities*. Retrieved from [RPP2020-methodology_1.pdf \(bea.gov\)](#)

- ACS is the source of rents. For owner-occupied housing, a rent equivalent is imputed by type of housing unit (*e.g.*, studio apartment or detached house with a particular number of bedrooms).
- Use five-year rolling average to smooth out averages over time and small geographic samples. Hedonic regressions are also used to take into account the variation in the characteristics of the sampled items.
- State levels are “built-up” from CPI metropolitan area to counties to states.
- Builds on difference in Personal Consumption Expenditures (PCE), which is the difference in the change in amount consumed while the Consumer Price Index (CPI) measure the change in the out-of-pocket cost for a basket of particular goods. One limitation of the CPI is its focus on urban consumer households.
- The share of total consumption devoted to “rents” is 31.6% using the CPI and 23.4% using the PCE. Other housing expenses are 10.0% using the CPI and 11.4% using the PCE. Rents are adjusted for quality using a hedonic model that considers number of bedrooms, total number of rooms, and structure age, type of structure, total number of rooms, whether it is urban or rural, and if utilities are included.

Appendix B: Excerpt from 2007 Report Explaining Realignment Method

Step 2: Realign estimates to account for Alabama's income

Alabama ranks 45th in median family income. The 2004 American Community Survey conducted by the U.S. Census reported that median family income is \$55,832 nationally and \$46,806 in Alabama. The realignment assumes expenditures are comparable by income distribution. To conceptualize this, consider two lines, one for U.S. families and the other for Alabama families, and that families are lined by income starting with the lowest. Now examine the incomes and expenditures of the U.S. and Alabama family at the position representing 10 percent of the families (10 percent of the line). Say, the U.S. family has income of \$20,000 per year and the Alabama family has income of \$15,000 per year, the realignment applies the child-rearing expenditures incurred by the U.S. family with \$20,000 in income to the Alabama family of \$15,000. The difference between U.S. and Alabama family income distribution is shown in Exhibit 8.

Exhibit 8 Differences in Family Income between The U.S. Average and Alabama (Source: 2005 U.S. Census American Community Survey)		
	Percent of U.S. Families	Percent of Alabama Families
Number of Families	74,341,149	1,223,725
Median Family Income	\$55,832	\$46,086
	% of Families	
FAMILIES: Less than \$10,000	5.3%	7.4%
FAMILIES: \$10,000 to \$14,999	3.9%	5.5%
FAMILIES: \$15,000 to \$19,999	4.5%	6.1%
FAMILIES: \$20,000 to \$24,999	5.1%	6.5%
FAMILIES: \$25,000 to \$29,999	5.2%	5.8%
FAMILIES: \$30,000 to \$34,999	5.4%	6.1%
FAMILIES: \$35,000 to \$39,999	5.1%	5.7%
FAMILIES: \$40,000 to \$44,999	5.2%	5.7%
FAMILIES: \$45,000 to \$49,999	4.8%	5.0%
FAMILIES: \$50,000 to \$59,999	9.1%	9.0%
FAMILIES: \$60,000 to \$74,999	11.9%	11.1%
FAMILIES: \$75,000 to \$99,999	13.8%	11.7%
FAMILIES: \$100,000 to \$124,999	8.4%	6.6%
FAMILIES: \$125,000 to \$149,999	4.5%	3.1%
FAMILIES: \$150,000 to \$199,999	4.1%	2.5%
FAMILIES: \$200,000 or more	3.9%	2.2%

Appendix C: Housing Expenses and Other Statistics

As already mentioned, there is a concern that the Alabama Price Parity understates Alabama housing expenses. One reason is that its most recent year is 2019, while recent evidence suggests Alabama housing prices have increased, although the amount of the increase varies by the data source. The Alabama Association of Realtors (November 2020) finds that home sales have increased over 20% in the past year and the median sale price has increased 14.9% in the last year.¹⁴ Zillow reports that Alabama home prices have increased by 8.2% in the last year and forecasts a 10.3% increase in the upcoming year.¹⁵ The Federal Reserve Bank of St. Louis has developed a “All-Transactions House Price Index” based on actual housing sales.¹⁶ It finds that the price of Alabama houses have increased 5.8% from Quarter 3, 2019 to Quarter 3, 2020.

Another issue is that the U.S. Census American Community Survey suggests a smaller gap in housing prices between Alabama and the U.S. average than Alabama’s price parity. The Alabama’s price parity for rent is 61.9% of the U.S. average in 2019. As shown in Table 4, the U.S. Census American Community Survey shows the ratio of Alabama to U.S. averages for gross rents and housing costs for those with and without mortgages to be above 70% rather than near 60%. One reason that the price parity may be less than 70% is because Alabama has a higher percent of households living in owner-occupied housing and without mortgages, so the U.S. Bureau of Economic Analysis (BEA), which is the organization that calculates the price parity may put less weight on the cost of owner-occupied housing with mortgages. As an aside, the BEA uses the ACS data as well, so there is obviously another issue that the BEA is considering that is not obvious. For example, it could be how BEA controls for differences in housing quality and Alabama may have older housing. It may also relate to how the BEA imputes rent to those with owner-occupied housing. It appears this is done with statistical modeling that considers a range of factors such as number of bedrooms and whether the housing unit is an attached unit.

Table 3: Selected Data from 2019 U.S. Census American Community Survey

	State of Alabama	United States Average	Ratio of Alabama/U.S.
Gross rent	\$ 807	\$1,097	73.6%
Monthly cost of owner-occupied housing <u>with</u> mortgage	\$1,172	\$1,609	72.8%
Monthly cost of owner-occupied housing <u>without</u> mortgage	\$ 362	\$ 505	71.7%
Percentage living in owner-occupied housing	68.8%	64.1%	107.3%
Percentage living in owner-occupied housing with mortgages	55.3%	61.7%	89.6%

¹⁴ ACRE Research. (Dec. 28, 2020.) *Alabama statewide real estate continues year-over-year growth in November*. [Alabama statewide real estate continues year-over-year growth in November - Alabama NewsCenter](#) .

¹⁵ Zillow. (Data through Nov. 30, 2020.) *Alabama Home Values*. Retrieved from <https://www.zillow.com/alhome-values/> .

¹⁶ Federal Reserve Bank of St. Louis. (last updated Nov. 24, 2020.) *All-Transactions House Price Index for Alabama*. Retrieved from <https://fred.stlouisfed.org/series/ALSTHPI> .

Another issue is that the data are not broken down by families with children or disrupted families with children. Due to a family disruption, one or both parties may be forced to take on a mortgage, which could be more costly than renting.

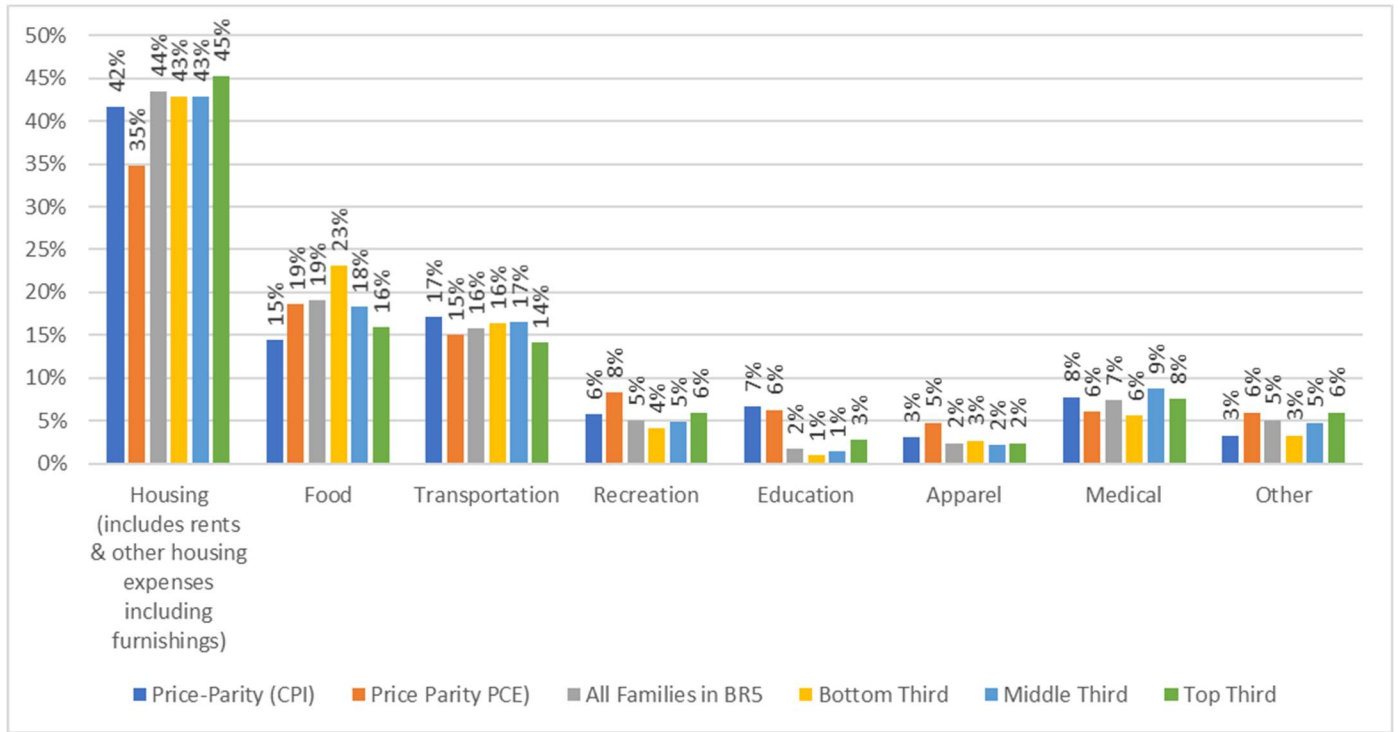
Expenditures Shares

Another issue that CPR attempted to explore was whether the price parity measure imposed a different weight on housing (rent in the price parity measurement) than what families with children spend. This is an issue because if families with children devote a smaller share of their income (or total expenditures) to housing than what is considered in the price parity measure, this would suggest an upward adjustment to Alabama's price parity for the purposes of developing a child support schedule. The price parity relies on both the Consumer Price Index (CPI), which tracks changes in prices for a particular market basket of several typically consumed items that is held constant from one time period to the next time period, and the Personal Consumption Expenditures (PCE), which tracks the amount expended and allows the shares of each category to vary over time. Figure 9 illustrates that the expenditures shares using the CPI and PCE generally track closely to the BR measurements. The notable exception is the PCE housing share is significantly less than the CPI share and BR share.

A better gauge would be if BR broke down housing expenses incurred for rents and other housing expenses (*e.g.*, furniture and cleaning supplies) like they are broken down in CPI and PCE, which tracks the amount expended for a particular category of expense and allows the shares of each category to vary). Rents comprise 76% of housing expenses under the CPI and 67% of housing expenses under the PCE (31.6% and 23.4% of total expenditures, respectively). If the percentages used for the price parity were significantly higher than those of the BR measurements, it would suggest placing a lower emphasis on rents. The evidence in Figure 9 actually suggests the opposite. Relying on this data alone, it suggest no upward adjustment to the Alabama Price Parity is needed.

Figure 9 also shows expenditures shares by family income. Specifically, it considers three income groups of the families that Betson used to develop his most recent measurements of child-rearing expenditures: the bottom third, the middle third, and the upper third. In other words, the bottom third would be the lowest income, the middle third would be middle income, and the upper third would be upper income. In general, there is not variation in the expenditures shares by these income groups. When only considering this information, it suggests that adjusting for differences in expenditures shares by income may not be necessary. There is one exception, however, food. The bottom third devote a notable larger share to food than the middle and upper thirds.

Figure 8: Comparison of Expenditures Share



Housing Prices by County

The 2019 U.S. Census American Community Survey captures median gross rents and housing costs of owner-occupied housing for several Alabama counties, but not all counties. The information is shown in Exhibit 10. It illustrates that some counties have housing costs above the state average. Federal regulation requires states to have one set of guidelines; that is, it does not allow for different guidelines across counties within a state.

Figure 9: 2019 Housing Costs by Select Alabama Counties

