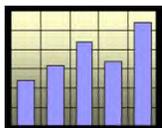


# Alabama

## Economic Report on Alternative Child Support Cost Schedules and Related Issues

August 26, 2016



RogersEconomics.com

Rogers Economics, Inc.  
617 Garamond Place  
Peachtree City, GA 30269  
678-364-9105

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## Executive Summary

The explicit objectives of this guideline review are:

- ❖ Develop an updated standard “Income Shares” cost table based on a 2010 study by David Betson of the University of Notre Dame. This is the study used as a foundation for guideline reviews by most states.
- ❖ Adjust the standard Income Shares cost table for differences between the cost of living in Alabama and the U.S. average.
- ❖ Adjust the standard Income Shares cost table for the cost of a second household. The standard Rothbarth estimates assume discretionary income of both parents sharing one set of housing costs.
- ❖ A fourth set of child cost data was developed. The standard Income Shares cost table with an adjustment for the cost of a second household was adjusted with a COLA to reflect the cost of living in Alabama.



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## Executive Summary

Rogers Economics, Inc. has developed four sets of alternative updated schedules based on the most current data on child costs available in 2010. They are based on:

- ❖ An updated standard “Income Shares” cost table based on a 2010 study by David Betson of the University of Notre Dame—the study used as a foundation for guideline reviews by most states.
- ❖ New measurements of child-rearing expenditures applying the Rothbarth methodology using data from a nationally representative sample of families surveyed in 2004-2009;
- ❖ Adjustments for the cost of living between Alabama & the national average use data from the Council for Community and Economic Research (CCER);
- ❖ For a second household adjustment, IRS housing allowances;
- ❖ 2016 federal and state withholding rates for income tax rates and FICA; and
- ❖ The 2016 federal poverty guidelines.



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## Key Findings

- ❖ The current BCSO schedule is vastly out of date—being based upon 1996-1999 Consumer Expenditure Surveys.
  - New 2016 estimates in this Alabama study are based on David Betson’s 2010 research on child costs using Consumer Expenditure Surveys from the first quarter of 2004 through the first quarter of 2009.
- ❖ The 2016 standard Rothbarth cost schedules are significantly higher than the current Rule 32 tables due to several factors.
  - The current Rule 32 cost table is based on data that are more than a decade old. Household spending patterns (in terms of percentages of net income and child costs as a percentage of overall household spending) rise with inflation-adjusted net income. The updating effect is substantial.
  - There are some offsetting or mixed factors to the general upward trend in child costs. Very low income levels in 2016 estimates see lower numbers due to the sharp rise over the years in the federal poverty threshold.



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## Key Findings (continued)

- There are some offsetting or mixed factors to the general upward trend in child costs. Very low income levels in 2016 estimates have lower numbers due to the sharp rise in the federal poverty threshold which is a key input in the self-support reserve.
- Betson's 2010 child cost estimates show higher percentages at higher incomes but lower percentages at lower incomes.
- The higher percentages are more significant for three or more children.
- The 2010 study switched its spending approach from use of "expenditures" to "outlays."

Expenditures include the purchase price (and sales tax) on any item purchased within the survey year regardless whether the item was purchased through installments. In contrast, outlays only capture what was actually paid toward that item during the survey period.

Overall, the switch to outlays has had a damping effect on costs.



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## Key Findings (continued)

- ❖ The 2016 Rothbarth estimates with a cost of living adjustment (COLA) for Alabama most closely follow the methodology underlying current Rule 32 cost tables.
  - While cost levels are similar at modest income levels, even the COLA adjusted tables are notably higher at moderately high and high income levels for two or more children. This is especially the case for three or more children.
- ❖ Of the four sets of estimates for 2016:
  - The standard Rothbarth estimates clearly are the highest and show sharp increases relative to the current Rule 32 numbers.
  - The 2016 Rothbarth with a second household adjustment and Alabama COLA comes in with the lowest cost estimates.
  - The 2016 Rothbarth with a second household adjustment (but NO COLA) and the 2016 Rothbarth with an Alabama COLA (but NO second household adjustment) fall in between and show roughly similar cost levels.



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## Key Findings (continued)

- ❖ While this report presents four alternative child cost tables for the Administrative Office of the Courts to consider for replacing current Rule 32 tables, another alternative may be for the AOC to choose a gradual update approach.
- ❖ That is, what may be considered would be a new cost tables that lies between current Rule 32 and one of the four new estimates.
- ❖ This approach has been used, for example, by the State of New Mexico.



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## Recommendations

- ❖ The current Rule 32 is significantly outdated (based on a 2004 study and data from 1996-1999).
- ❖ Some type of implementation of newer cost data is appropriate (using one of this study's 2016 estimates or as a weighted average with current Rule 32).
- ❖ It should be noted that the four alternative tables are based on standard methodologies but with different assumptions (such as to use national or state based tables or to use data based on net income available to intact families or use data taking into account the added "adult overhead" of a second residence).



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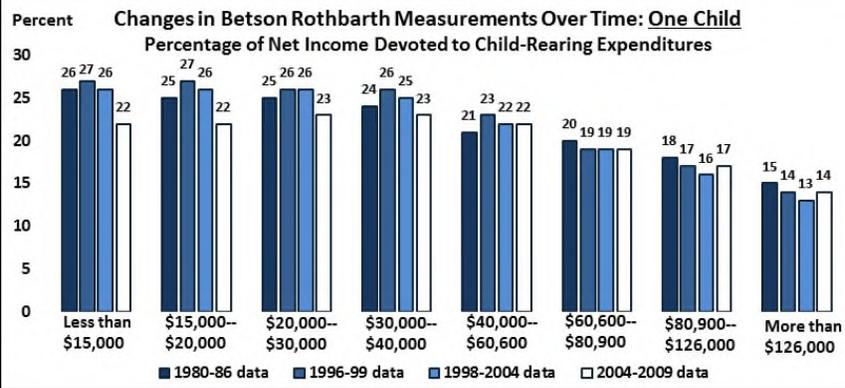
## Recommendations (cont.)

- ❖ The cost table using the Rothbarth methodology (based on David Betson's 2010 study) with a COLA adjustment for Alabama is based most closely to the methodology underlying current Rule 32.
- ❖ Using a weighted average of the current cost table and an updated cost table would not be unprecedented.
- ❖ The self-support reserve portion of Rule 32 is out date, based on a 2004 report, and should be updated to 2016.
  - The U.S. poverty threshold for one adult has risen from \$8,980 annual net income or \$748 monthly in 2003 to \$11,880 annual net income or \$990 monthly in 2016.
  - This large increase largely explains the higher brackets for the self-support reserve in 2016 child cost tables.



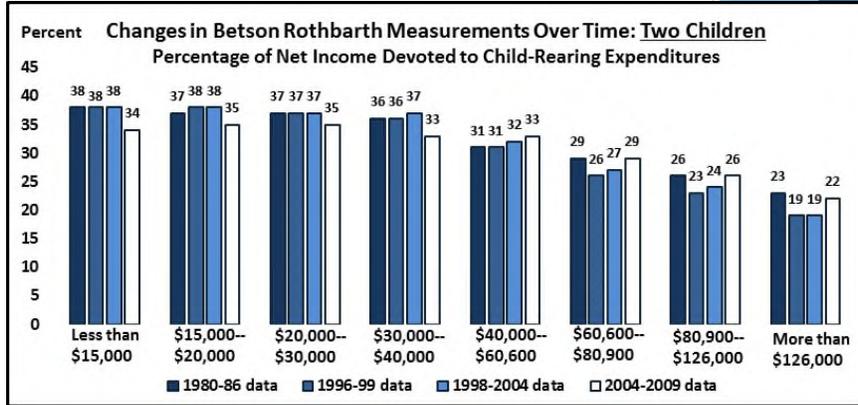
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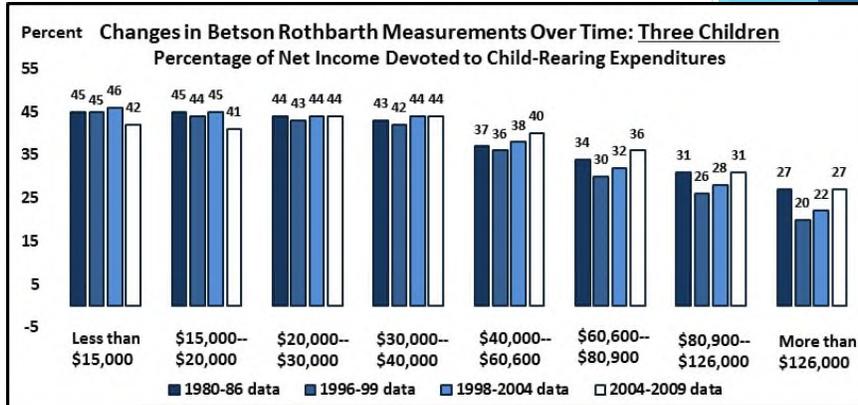
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### Betson 2010 Study Summary Results

Annual Net Income Ranges Lower Bound (March 2016 Dollars)	Annual Net Income Ranges Upper Bound (March 2016 Dollars)	Annual Net Income Ranges Upper Bound (2012 Dollars)	Annual Net Income, Midpoint (March 2016 Dollars)
\$0	\$15,759	\$15,000	\$7,879
\$15,760	\$21,012	\$20,000	\$18,386
\$21,013	\$26,265	\$25,000	\$23,639
\$26,266	\$31,518	\$30,000	\$28,892
\$31,519	\$36,771	\$35,000	\$34,145
\$36,772	\$42,024	\$40,000	\$39,398
\$42,025	\$47,277	\$45,000	\$44,651
\$47,278	\$52,530	\$50,000	\$49,904
\$52,531	\$57,782	\$55,000	\$55,156
\$57,783	\$63,035	\$60,000	\$60,409
\$63,036	\$68,288	\$65,000	\$65,662
\$68,289	\$73,541	\$70,000	\$70,915
\$73,542	\$78,794	\$75,000	\$76,168
\$78,795	\$84,047	\$80,000	\$81,421
\$84,048	\$94,553	\$90,000	\$89,301
\$94,554	\$105,059	\$100,000	\$99,807
\$105,060	\$115,565	\$110,000	\$110,312
\$115,566	\$126,071	\$120,000	\$120,818
\$126,072	\$141,830	\$135,000	\$133,951
\$141,831	\$168,094	\$160,000	\$154,963
\$168,095	\$1,050,589	\$999,999	\$609,342



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### Betson 2010 Study Summary Results (cont.)

Annual Net Income, Midpoint Net Income	Number of Observations	Current Consumption as a % of Net Income	Expenditures on Children as a % of Total Consumption Expenditures (Rothbarth 2004 - 2009 Data)		
			1 Child	2 Children	3 Children
\$7,879	221	4684.7	21.61	33.68	41.57
\$18,386	213	168.7	22.44	34.92	43.04
\$23,639	267	140.6	22.66	35.25	43.44
\$28,892	321	121.5	22.83	35.51	43.74
\$34,145	341	114.7	22.97	35.72	43.98
\$39,398	427	106.1	23.09	35.89	44.18
\$44,651	411	103.9	23.19	36.03	44.36
\$49,904	432	96.5	23.25	36.12	44.46
\$55,156	403	91.0	23.28	36.17	44.52
\$60,409	417	89.8	23.34	36.26	44.62
\$65,662	385	88.7	23.40	36.34	44.71
\$70,915	411	83.1	23.41	36.35	44.73
\$76,168	402	82.5	23.45	36.42	44.81
\$81,421	314	76.2	23.44	36.41	44.79
\$89,301	668	76.4	23.52	36.51	44.92
\$99,807	529	73.6	23.57	36.59	45.01
\$110,312	412	72.5	23.63	36.68	45.12
\$120,818	321	67.6	23.65	36.70	45.14
\$133,951	350	67.0	23.72	36.80	45.26
\$154,963	350	61.6	23.76	36.86	45.33
\$609,342	326	53.8	23.85	37.00	45.49



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## Betson 2010 Study Summary Results (cont.)

Annual Net Income, Midpoint (March 2016 Dollars)	Child Care \$ as a % of Consumption (per child)	Medical \$ as a % of Consumption
\$7,879	0.3446	0.1242
\$18,386	0.3639	0.2693
\$23,639	0.4871	0.6430
\$28,892	0.5066	0.5640
\$34,145	0.6658	0.4876
\$39,398	0.6429	0.6309
\$44,651	0.8937	0.6599
\$49,904	0.9943	0.9044
\$55,156	1.1487	0.8072
\$60,409	1.3082	0.6023
\$65,662	1.2134	0.9437
\$70,915	1.3289	0.7969
\$76,168	1.4856	0.8175
\$81,421	1.4308	0.9152
\$89,301	1.4754	0.8076
\$99,807	1.3564	0.9983
\$110,312	1.8433	0.8424
\$120,818	1.7049	0.8489
\$133,951	1.7482	0.8514
\$154,963	1.8513	0.6834
\$609,342	2.0101	0.7060



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## Basic Steps in Developing Alabama's Child Cost Tables

- ❖ Essentially, establishing the cost tables:
  - Revolve around Betson's 2010 study as the foundation for spending patterns in terms of percentages of net income
  - A table starts with gross income intervals of \$50
  - Gross income is converted to dollar level net income using payroll withholding formulas for federal and state taxes
  - Spending percentages by category as a percentage of net income (household consumption, expenditures on children, child care, and medical expenditures) were multiplied against net income to derive dollar amounts for each category at the net income bracket midpoints and corresponding gross income brackets.
  - Note: Study brackets for net income differ from \$50 brackets in final tables for child costs.



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Continued

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## Basic Steps in Developing Alabama's Child Cost Tables (continued)

- Total spending on children include spending on health costs and day care. These categories are subtracted from the total
- Spending percentages (excluding medical and child care expenses) are calculated for the study's net income bracket midpoints.
- Spending percentages of net income are smoothly interpolated for each corresponding \$50 bracket for gross income.
- Spending percentages are converted to dollar levels by multiplying percentages times net income for each gross income \$50 bracket.
- An assumed \$250 per child annually for out-of-pocket medical is added to dollar level costs.

Continued



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## Basic Steps in Developing Alabama's Child Cost Tables (continued)

- Child costs at upper income levels were based on logarithmic extrapolation to preserve the pattern of rising but slowing growth in child costs at modest and middle income levels.
- Extremely large net income brackets at high income levels inappropriately results in "straight-line" child costs that are excessive. The midpoint is far out from the prior net income bracket midpoint and likely is farther out than justified where likely data congregate (at the low end of the net income bracket).
- David Betson's study covered cost estimates only for one, two, and three children. Child cost tables were expanded for four, five, and six children using income equivalence ratios from a 1995 study by Constance F. Citro and Robert T. Michael.

Continued



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## Basic Steps in Developing Alabama's Child Cost Tables (continued)

- The above steps are used for the standard Rothbarth estimates which are based on national data for intact families.
- Additional steps are included for:
  - An Alabama cost of living adjustment and
  - Separately for an adjustment for the cost of a second household when parents do not live in the same residence.



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## Treatment of High Income Costs

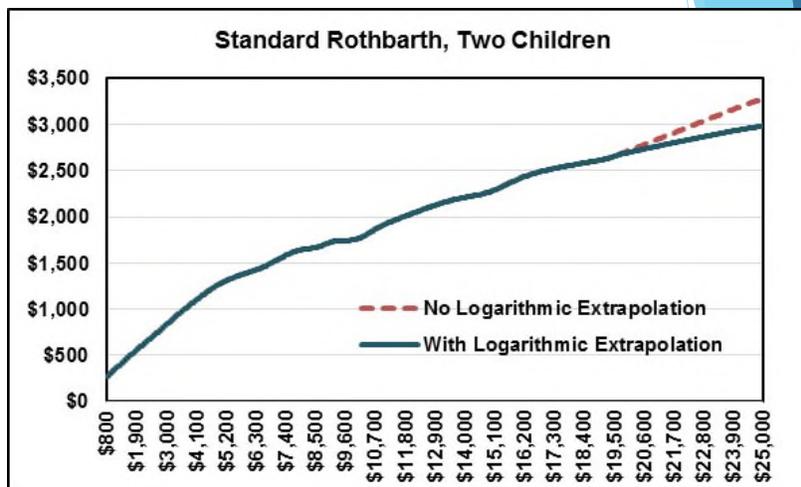
- ❖ There is an insufficient number of households with high income to measure child-rearing costs among high-income families. The last two income brackets (highest two) have small sample sizes.
- ❖ Using The highest two brackets—especially the highest bracket—are quite wide, meaning that there is no curve between the highest midpoints. Essentially, the highest brackets do not follow the pattern as seen in other brackets. This is due to applying straight line extrapolation to upper brackets that have insufficient data for statistically meaningful estimates.
- ❖ Instead, for high income in this 2016 report cost estimates were compared to changes in income (as reflected in gross income in logarithmic form) and extrapolated on logarithmic income and then converted back to standard income. Logarithmic extrapolation results in a continuous curved pattern.
- ❖ The alternative approach (that also is economically sound) would be to stop the cost table when valid data end—about \$20,000 in monthly gross income.



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## Treatment of High Income Costs



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## Point of Debate—Are Standard Child Cost Estimates Too Low or Too High?

- ❖ What often is forgotten about child “cost” tables based on either the Engel or Rothbarth methodologies is that what is being measured is NOT expenditures on children but the amount of income needed to restore a household’s wellbeing to the before child level.
- ❖ These methods are known as “income equivalence.” The “child cost” is the income needed to restore pre-child wellbeing.
- ❖ In turn, child costs are not defined as expenditures but as the child’s share of household income. This is the source for the name of “income shares” child support guidelines.
- ❖ What are the basics about Engel and Rothbarth methodologies and how do they affect our beliefs about these child cost estimates being too low or too high?



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## Point of Debate—Are Standard Child Cost Estimates Too Low or Too High? (continued)

### Engel Methodology

- ❖ In 1895, Ernst Engel developed a methodology to measure the cost of children that was based upon the supposition that the standard of living of the household could be proxied by the share of total expenditures devoted to the consumption of food.
- ❖ In simplified terms, the child cost is the difference in total expenditures in families with and without the added child and in which both spend the same share of total expenditures on food (or equivalently, % non-food).
- ❖ There is reason to believe that this assumption is invalid; children are probably relatively “food-intensive.” That is to say, the percentage of the family’s food that is consumed by children is probably greater than the percentage of non-food items consumed by children.
- ❖ If this is the case, then the Engel estimator overestimates [emphasis original] the true expenditures on children.
- ❖ Alabama’s original income shares cost table was based on the Engel methodology using an updated 1986 study by Thomas Espenshade.



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## Point of Debate—Are Standard Child Cost Estimates Too Low or Too High? (continued)

### Rothbarth Methodology

- ❖ After it became apparent that the Engel-based were excessive, a methodology begun by Erwin Rothbarth gained favor and was adopted by Policy Studies, Inc.
- ❖ Rothbarth was an economist interested in household spending behavior and did much of his research during WWII.
- ❖ The Rothbarth methodology is based on measuring a household’s economic well-being based on the level of spending on selected goods consumed only by the adults in the household. The higher a household’s spending level is on these adult goods, then the higher the household’s economic well-being.
- ❖ For a given level of income, as children are added to the family, the amount of household spending on adult goods falls. So, the questions become how much income is needed to restore that level of spending on those adult goods and what is the difference in total household spending? This amount of income is defined as the child cost.



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## Point of Debate—Are Standard Child Cost Estimates Too Low or Too High? (continued)

### Rothbarth Methodology

- ❖ A key point of debate regarding the Rothbarth methodology is how does having children affect adult behavior regarding spending on adult goods?
- ❖ Bear in mind that the “target spending” on adult goods used by Betson originally was for alcohol, tobacco, and adult clothes. Currently, Betson only uses adult clothes as the target for restoring spending on adult goods.
- ❖ Some economists argue that having children makes most parent want to spend more on adult goods to compensate for spending so much more on children and shared goods. This is a “spending on me feels better” type of argument.
- ❖ Some argue that having children results in parents wanting to spend more on their children than otherwise. Parents are argued to get enjoyment from their children.
- ❖ Both of these arguments reflect changes in behavior toward spending on adult goods after having children.



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## Point of Debate—Are Standard Child Cost Estimates Too Low or Too High? (continued)

### Rothbarth Methodology

- ❖ Both of these arguments reflect changes in behavior toward spending on adult goods after having children.
- ❖ For the first argument, adults more readily spend on adult goods, making it easier to restore the pre-child level of spending on adult goods. This easier-ness would mean child costs are underestimated by the target measure of spending on adult clothes.
- ❖ For the second argument, adults less readily spend on adult goods, making it harder to restore the pre-child level of spending on adult goods. This harder-ness would mean child costs are overestimated by the target measure of spending on adult clothes.
- ❖ The big question: which is more likely—parents choosing to buy more adult clothes after having children or choosing to spend more on children and shared goods?
- ❖ These are theoretical questions—there is no known data answer.



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## Point of Debate—Are Standard Child Cost Estimates Too Low or Too High? (continued)

### Rothbarth Methodology

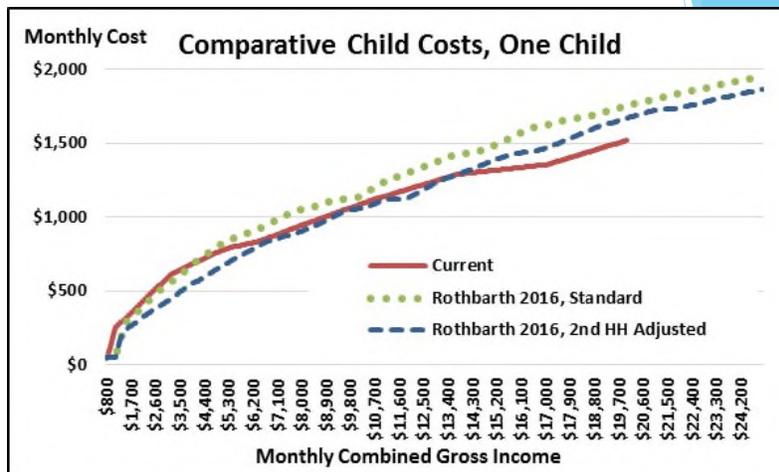
- ❖ To make the claim that the Rothbarth methodology understates child costs, two highly unlikely assumptions must be made:
  - Parents do not like sharing household goods with their children, and
  - Parents get no sense of wellbeing from their children.
  
- ❖ One should remember that income shares uses data only from intact families.



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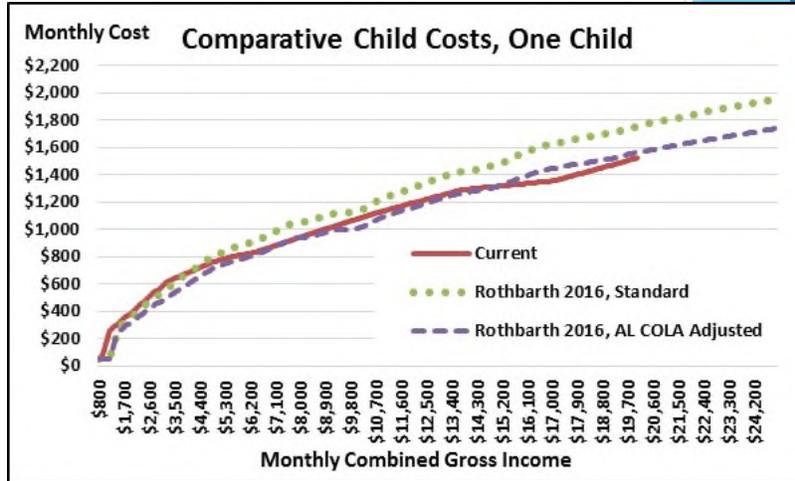
## Alabama Alternative Cost Estimates



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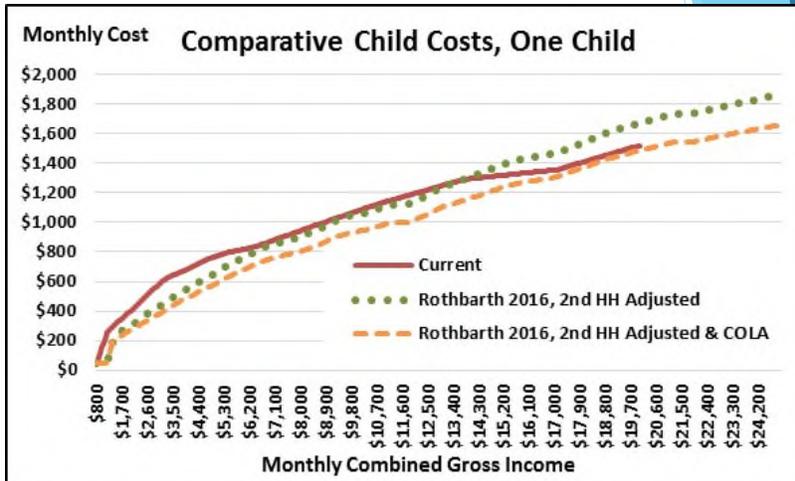
### Alabama Alternative Cost Estimates



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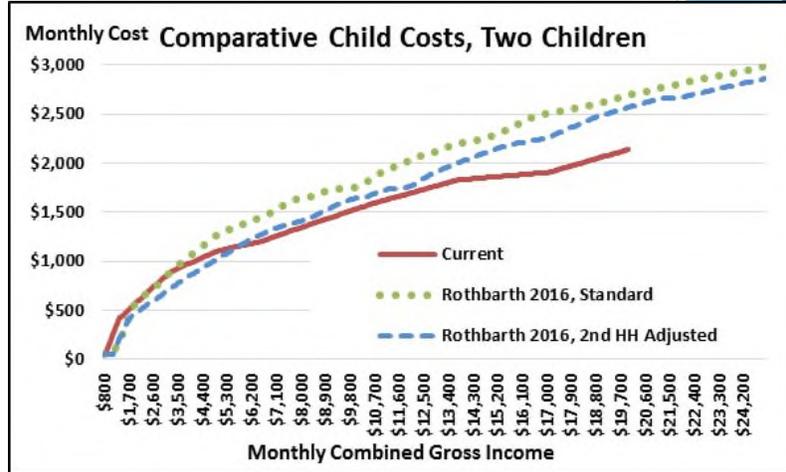
### Alabama Alternative Cost Estimates



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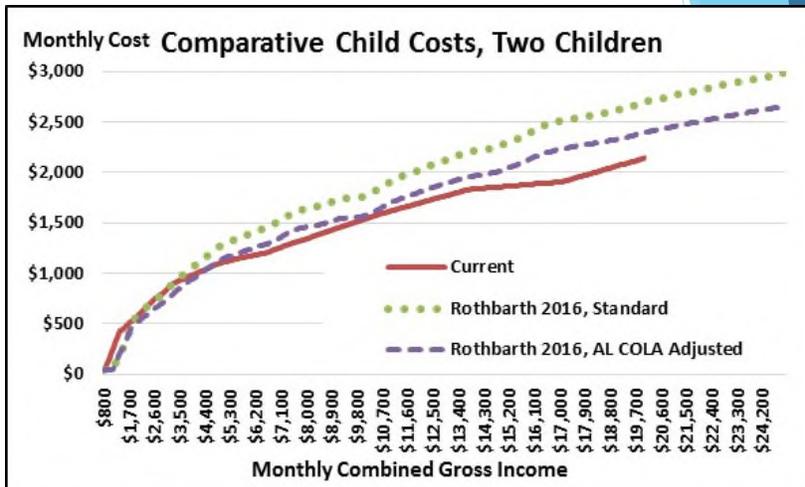
### Alabama Alternative Cost Estimates



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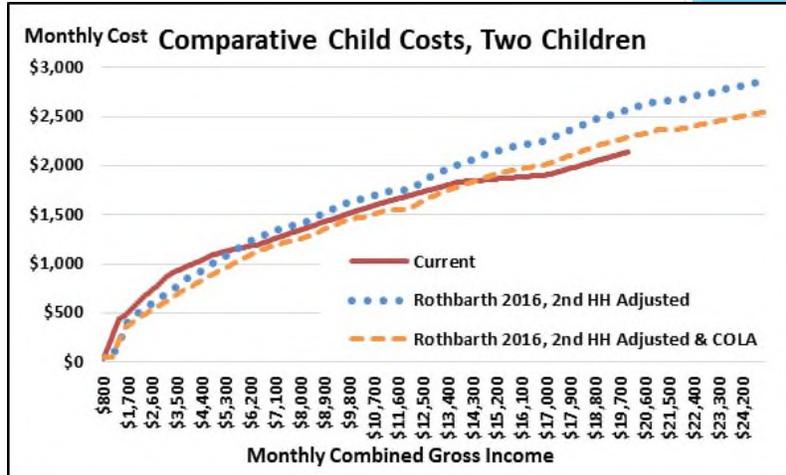
### Alabama Alternative Cost Estimates



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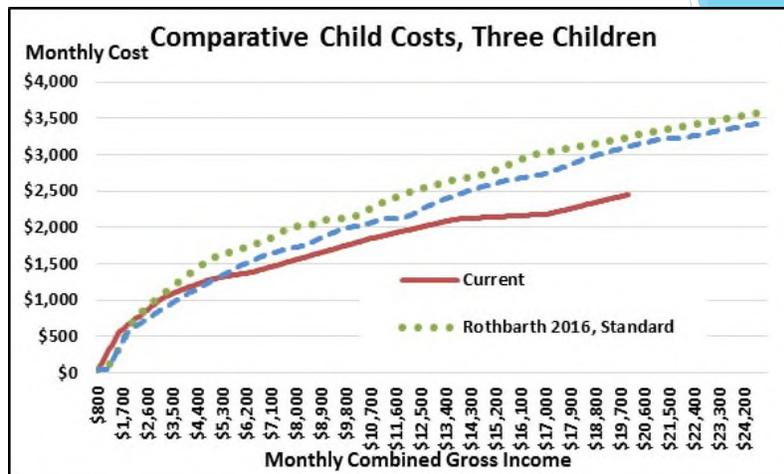
### Alabama Alternative Cost Estimates



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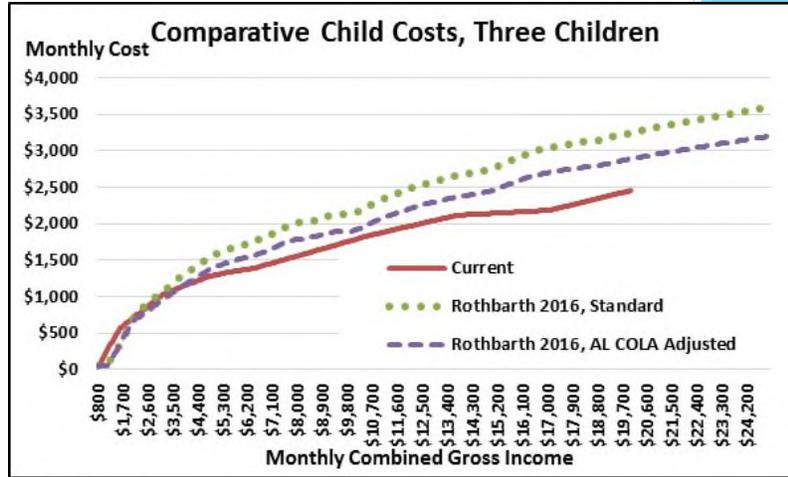
### Alabama Alternative Cost Estimates



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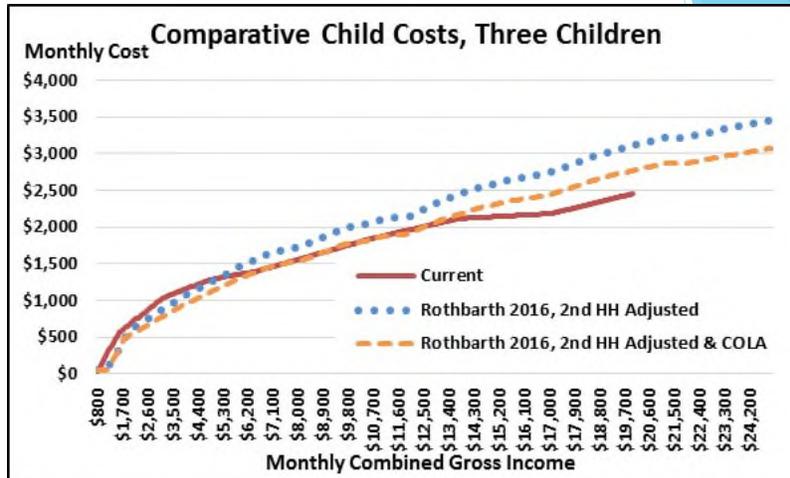
### Alabama Alternative Cost Estimates



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### Alabama Alternative Cost Estimates



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## Adjusting National Child Costs to the Alabama Cost of Living

Whether to Realign National Estimates to Alabama's Income Distribution

- ❖ The current child support guidelines include an adjustment to realign the child cost table to reflect Alabama's income distribution that has more households in lower and middle income brackets than the U.S. average.
- ❖ This adjustment lowered Alabama's child cost table due to moving the gross income brackets more toward use of higher income spending percentages.
- ❖ Spending percentages on children are higher at income levels.
- ❖ This adjustment had more impact on middle and higher income levels and minimal impact on low incomes (cannot realign as zero income is approached).
- ❖ Economic soundness of realignment has been neither proven nor disproved.



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## Adjusting the Standard Rothbarth Estimates for the Cost of Living in Alabama

The 2016 report on updating Alabama's child support cost table uses a cost of living adjustment instead of income realignment.

- ❖ The Alabama cost of living adjustment uses data from the Council for Community and Economic Research (CCER) for the first quarter of 2016.
- ❖ Data were used for the following available metropolitan areas: Anniston-Oxford-Jacksonville, Auburn-Opelika, Birmingham-Hoover, Decatur, Dothan, Florence-Muscle Shoals, Huntsville, and Montgomery. Price indexes for each metro area were weighted by metro population.
- ❖ The CCER U.S. average is set to an index of 100.0. Alabama's weighted cost of living index came in at 89.0—11 percent lower than the U.S. index.
- ❖ The Rothbarth dollar level cost tables were reduced by 11 percent.



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## Adjusting the Standard Rothbarth Estimates for the Cost of Living in Alabama (continued)

The 2016 report on updating Alabama's child support cost table uses a cost of living adjustment instead of income realignment.

- ❖ The COLA method applies equally across all income ranges.
- ❖ This is in contrast to the income redistribution method which has low impact for modest incomes while higher impact at the middle and upper income ranges.
- ❖ The income redistribution method compresses the spending pattern (higher percentages at low incomes and lower percentages at high incomes) into a smaller income range for Alabama than the U.S. average.



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## Adjusting the Standard Rothbarth Estimates for the Cost of Living in Alabama (continued)

- ❖ There is little difference between COLA Rothbarth for Alabama 2016 and the current Rule 32 costs.
- ❖ Current Rule 32 costs were shifted down very little at the low income range while the COLA based 2016 Rothbarth was shifted down notably at all income ranges.
- ❖ The COLA methodology has equal impact across all income ranges—in terms of percentage reduction.
- ❖ An exception is within the self-support range of income when the self-support adjustment is the primary factor affecting the calculation.



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### Cost Schedule's Use of Intact Family Data: Conflict with Being Applied to Non-Intact Family Situations & Potential Solutions

- ❖ Standard cost schedules assume that the parents have available income after paying only one rent (or mortgage) payment and only have only one set of utilities.
- ❖ But available income is reduced by cost of second house expenses.
- ❖ There are two economic solutions to the presumption of intact family child costs not fitting case facts of divorced or never married parents:
- ❖ There are two economic solutions to the presumption of intact family child costs not fitting case facts of divorced or never married parents:
  - Use single-parent child costs based on an average of the two parents' incomes, or
  - Make adjustments to the intact family data to reflect the additional adult overhead from two single-parent households compared to one intact household.



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### Cost Schedule's Use of Intact Family Data: Conflict with Being Applied to Non-Intact Family Situations & Potential Solutions

- ❖ Use of single-parent data is the more economically sound approach. The child cost schedule should be based on single-parent household data.
- ❖ The problem with this first approach is that there are very few data for single-parent households, especially for moderately high and high incomes. It essentially is not a statistically viable approach.
- ❖ Regarding the second approach, the Income Shares intact family data on child costs can be at least partially corrected for the additional adult overhead of a second household to be maintained after divorce or in unwed situation.
- ❖ Adjusting an intact family data cost schedule for the added cost of a second household is not a novel idea. Kansas has built in such a calculation in its presumptive child cost schedule.



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### Adjusting the Standard Rothbarth Estimates for Costs Associated with a Second Household

- ❖ Steps in the second household adjustment are the following:
  - 1) Determine the traditional adjusted gross income for both parents;
  - 2) Determine each parent's share of the traditional combined adjusted gross income;
  - 3) Determine appropriate cost of maintaining a second household (mortgage or rent and utilities but not the cost of parenting time—the appropriate cost should vary by income) ;
  - 4) Subtract the cost of maintaining the second household from net income; and
  - 5) Apply Betson's child cost percentages to mid-points for net income after deducting second household costs (instead of the standard usage of unadjusted net income).



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### Data Source for One-Adult Housing Costs

- ❖ The U.S. Internal Revenue Service establishes standards for allowable living expenses for tax payers with tax arrearage.
- ❖ These data include allowable living expenses for housing and utilities and vary by income and are established on a county-by-county basis.
- ❖ Housing and utilities standards include mortgage or rent, property taxes, interest, insurance, maintenance, repairs, gas, electric, water, heating oil, garbage collection, residential telephone service, cell phone service, cable television, and Internet service.
- ❖ County household income data are produced by the U.S. Census Bureau.
- ❖ Second household costs for one adult are estimated at income brackets by using statistical regression of IRS living expenses against household income.



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## Data Sources for One-Adult Housing Costs

- ❖ The U.S. Internal Revenue Service establishes standards for allowable living expenses for tax payers with tax arrearage.
- ❖ These data include allowable living expenses for housing and utilities and vary by income and are established on a county-by-county basis.
- ❖ Housing and utilities standards include mortgage or rent, property taxes, interest, insurance, maintenance, repairs, gas, electric, water, heating oil, garbage collection, residential telephone service, cell phone service, cable television, and Internet service.
- ❖ County household income data are produced by the U.S. Census Bureau.
- ❖ Second household costs for one adult are estimated at income brackets by using statistical regression of IRS living expenses against household income.



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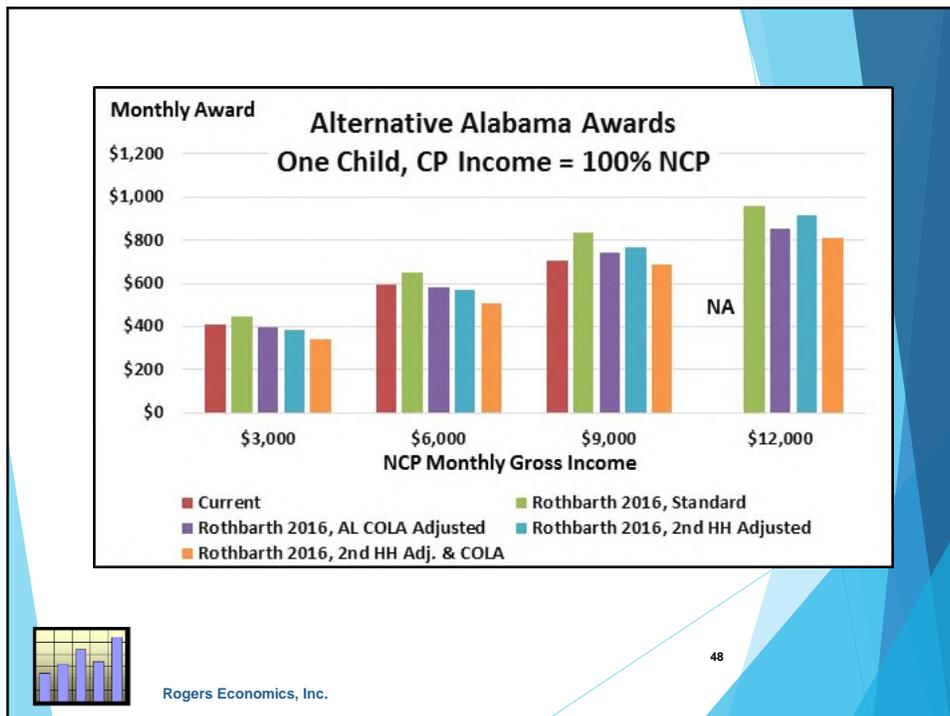
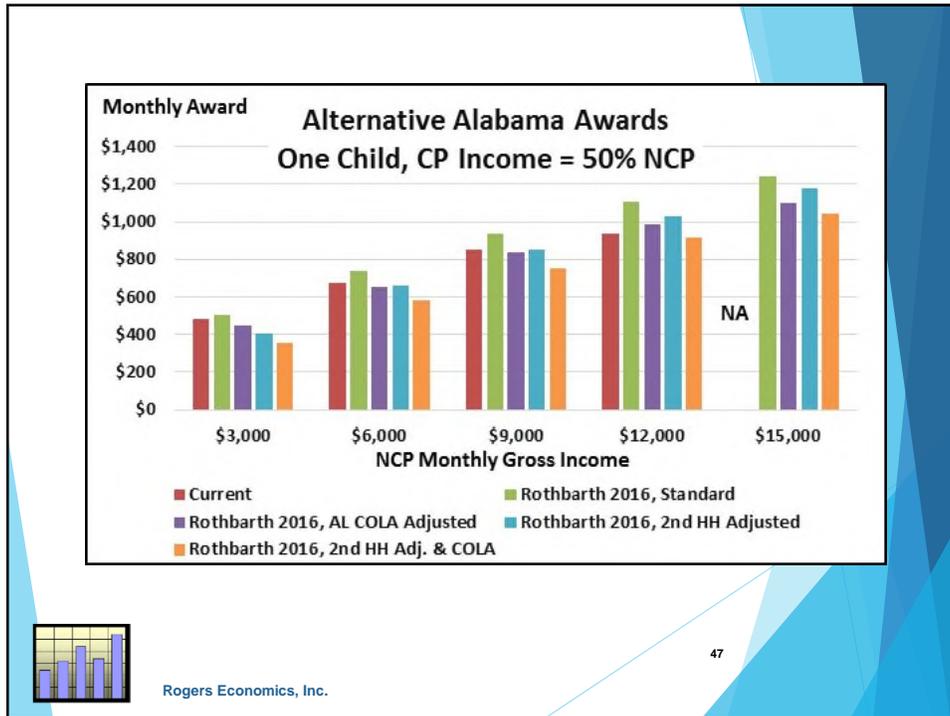
## Second Household Adjustments

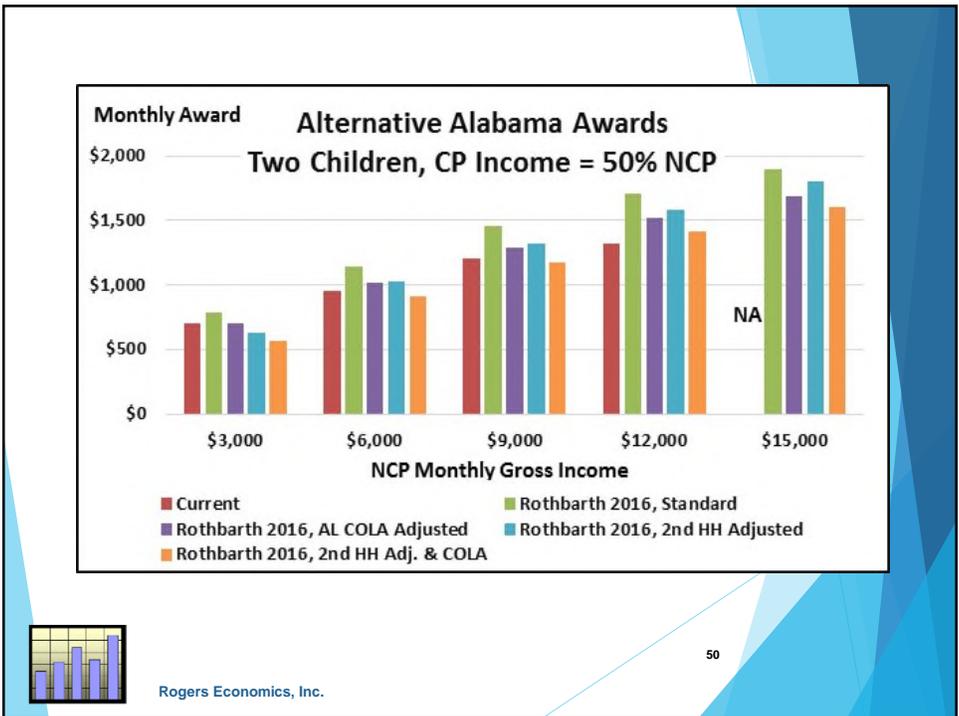
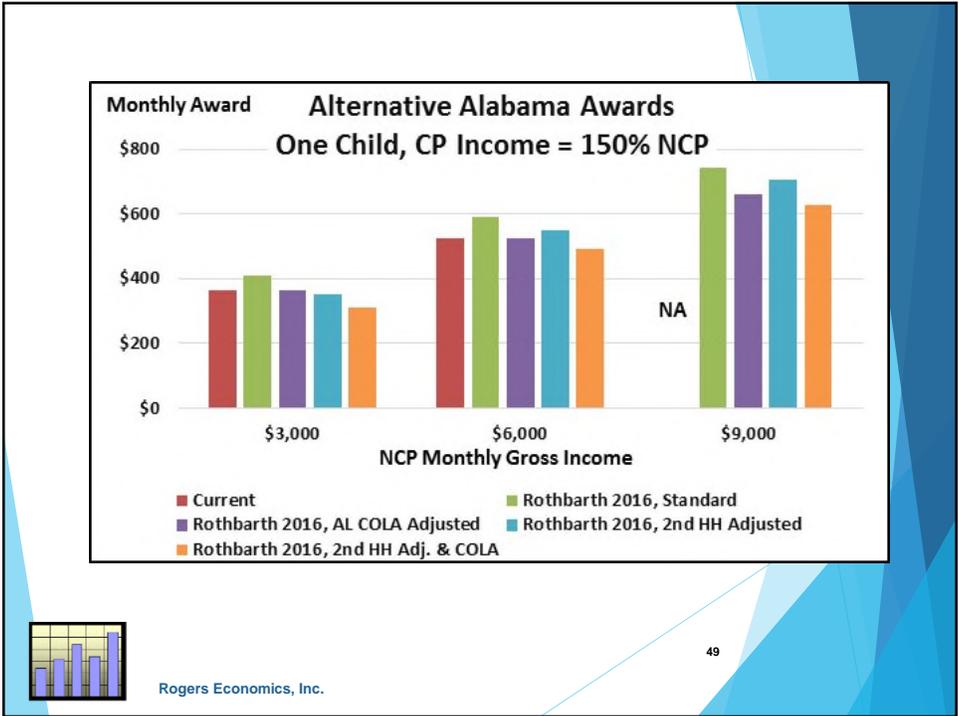
- ❖ Second household costs are treated as a reduction in net income for a given level of gross income.
- ❖ Second household costs are subtracted from the standard estimate of net income used in Rothbarth child cost estimates.
- ❖ Betson's standard spending percentages (2010 study) are applied to the reduced amounts of net income at the various income brackets.
- ❖ The impact of this adjustment is somewhat stronger at lower income levels than at high income levels due to housing being a bigger share of the household budget at low incomes.

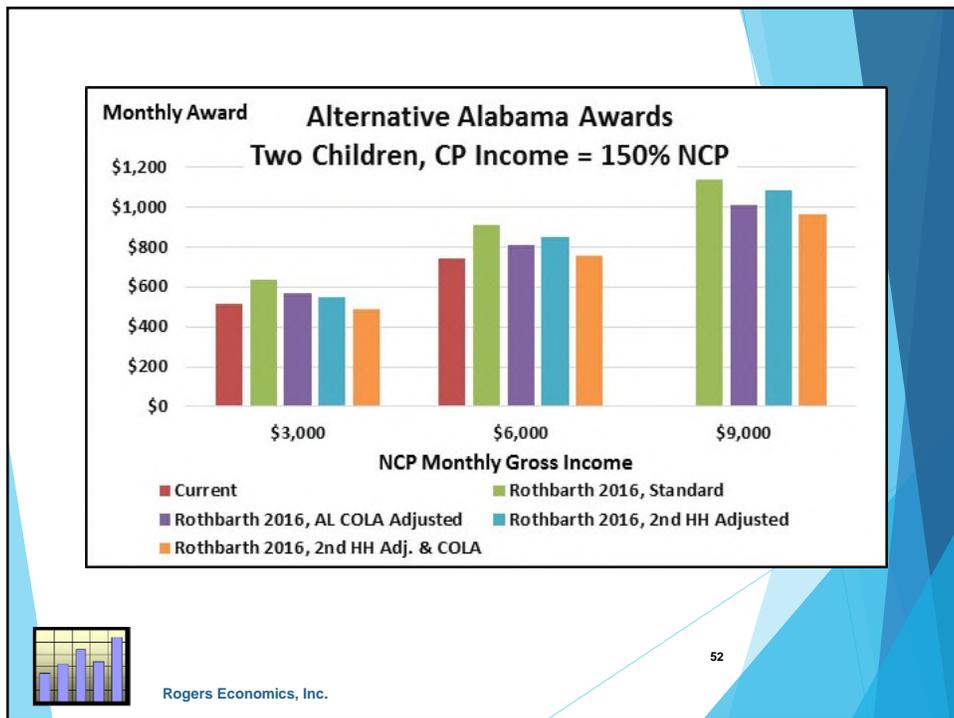
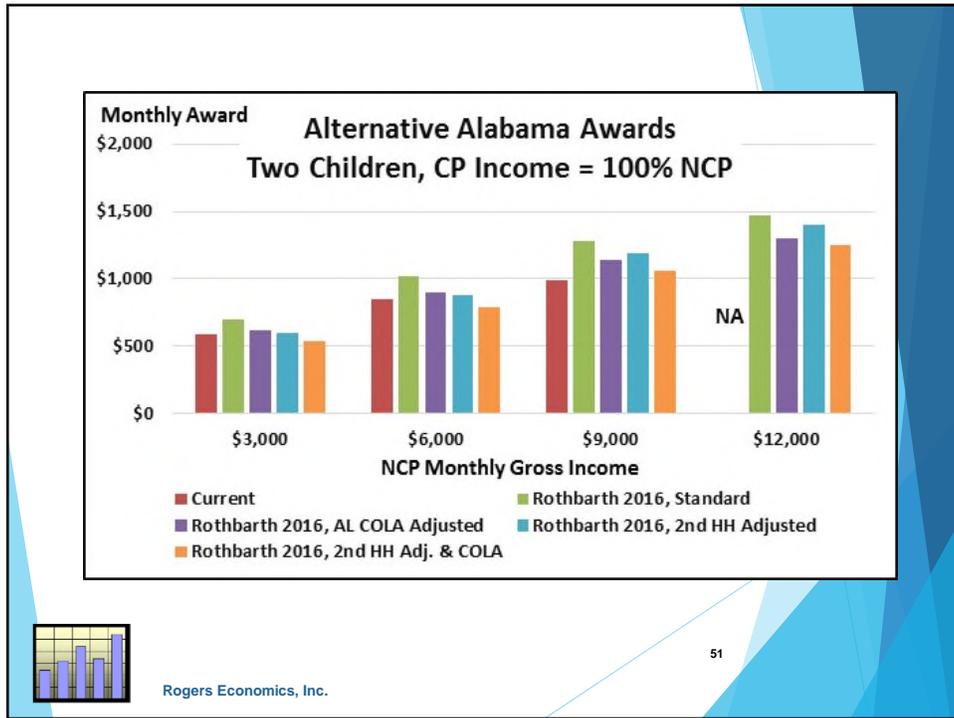


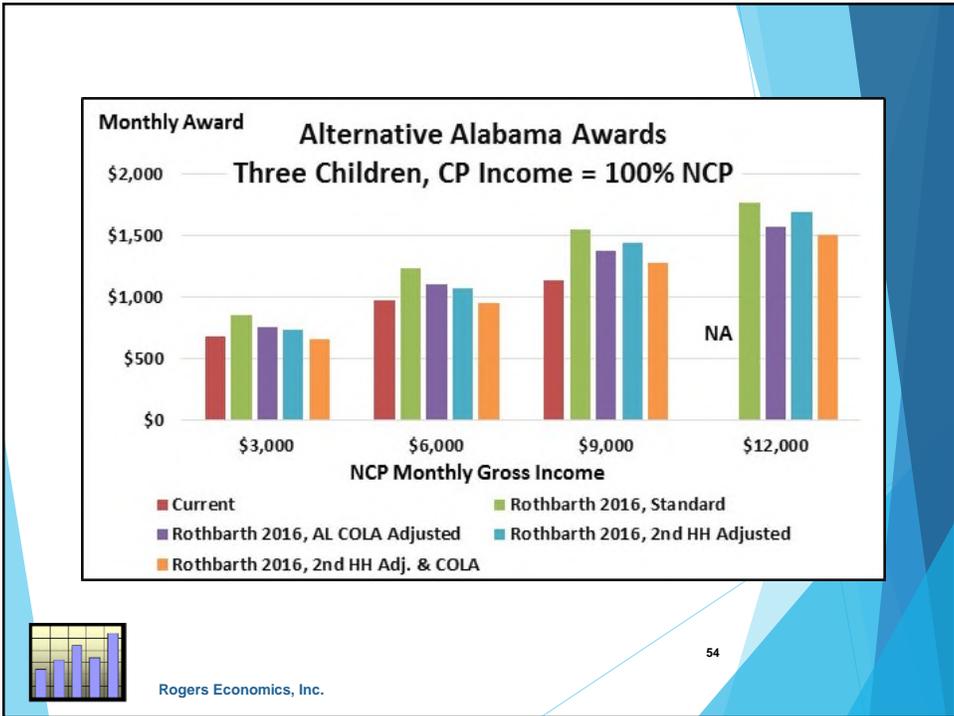
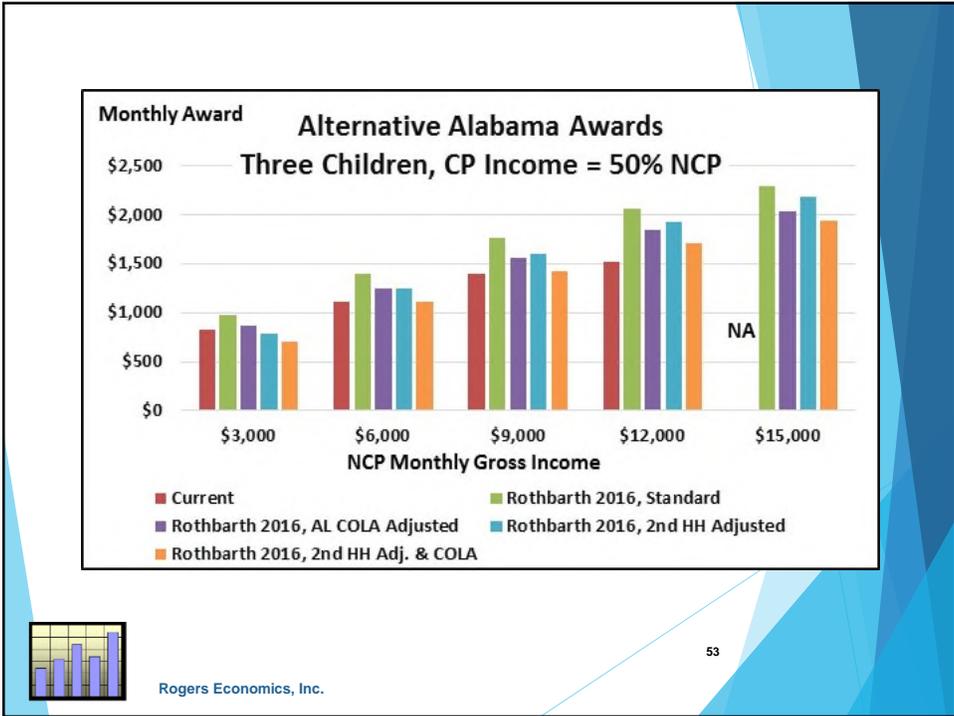
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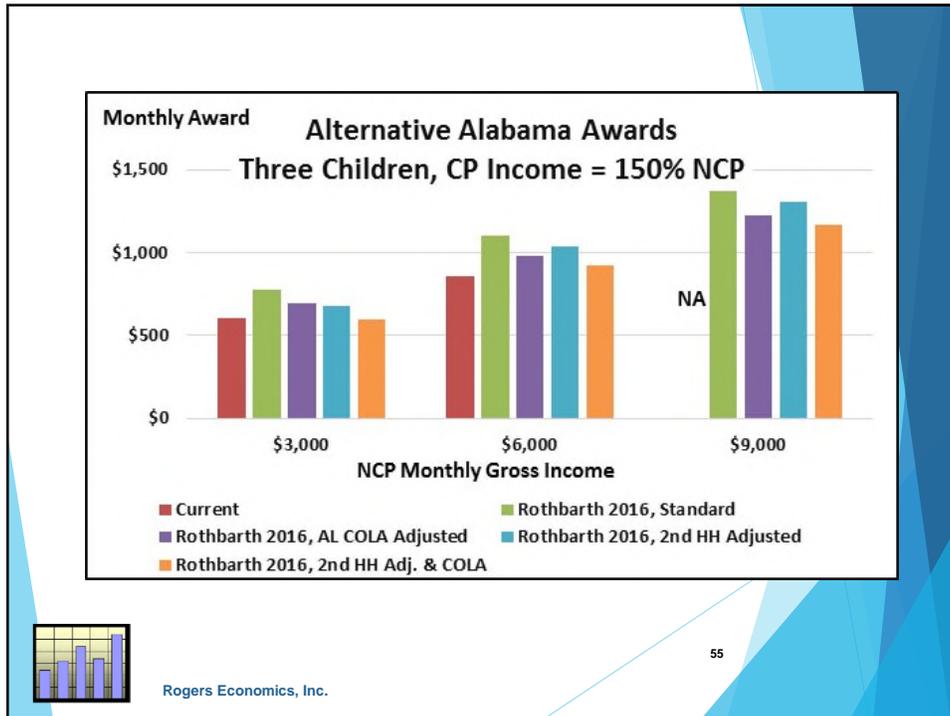
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### Comparison of Key Characteristics and Bases of Alternative Basic Child Support Obligation Schedules

	Rule 32, Current	Rogers Economics 2016 Standard Rothbarth	Rogers Economics 2016 Standard Rothbarth with AL COLA	Rogers Economics 2016 Rothbarth with 2 <sup>nd</sup> Household Adjustment	Rogers Economics 2016 Rothbarth with 2 <sup>nd</sup> HH Adj. & AL COLA
<b>Underlying study</b>	Betson, 2001	Betson, 2010	Betson, 2010	Betson, 2010	Betson, 2010
<b>Key data sources</b>	1996-99 CEX	2006-09 CEX	2006-09 CEX; CCER (Council for Community and Economic Research )	2006-09 CEX; IRS Collection Standards, Housing	2006-09 CEX; IRS Collection Standards, Housing; CCER
<b>Estimation technique</b>	Rothbarth income equivalence based on spending on adult clothing	Rothbarth income equivalence based on spending on adult clothing	Rothbarth income equivalence based on spending on adult clothing	Rothbarth income equivalence based on spending on adult clothing	Rothbarth income equivalence based on spending on adult clothing
<b>Intact family or adjusted for 2<sup>nd</sup> HH</b>	Intact	Intact	Intact	Adjusted for Second Household	Adjusted for Second Household

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### Comparison of Key Characteristics and Bases of Alternative Basic Child Support Obligation Schedules

	Rule 32, Current	Rogers Economics 2016 Standard Rothbarth	Rogers Economics 2016 Standard Rothbarth with AL COLA	Rogers Economics 2016 Rothbarth with 2 <sup>nd</sup> Household Adjustment	Rogers Economics 2016 Rothbarth with 2 <sup>nd</sup> HH Adj. & AL COLA
<b>Day care</b>	Excluded—treated as an add-on	Excluded—treated as an add-on	Excluded—treated as an add-on	Excluded—treated as an add-on	Excluded—treated as an add-on
<b>Medical expenses</b>	Includes \$250 per child per year	Includes \$250 per child per year	Includes \$250 per child per year	Includes \$250 per child per year	Includes \$250 per child per year
<b>Self-support</b>	Based on 2003 poverty threshold	Based on 2016 poverty threshold	Based on 2016 poverty threshold	Based on 2016 poverty threshold	Based on 2016 poverty threshold



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### Comparison of Key Characteristics and Bases of Alternative Basic Child Support Obligation Schedules

	Rule 32, Current	Rogers Economics 2016 Standard Rothbarth	Rogers Economics 2016 Standard Rothbarth with AL COLA	Rogers Economics 2016 Rothbarth with 2 <sup>nd</sup> Household Adjustment	Rogers Economics 2016 Rothbarth with 2 <sup>nd</sup> HH Adj. & AL COLA
<b>Lower limit of schedule before suggesting use of discretion</b>	\$800	\$1,100 suggested	\$1,100 suggested	\$1,100 suggested	\$1,100 suggested
<b>Upper limit of schedule before suggesting use of discretion</b>	\$20,000 in monthly combined gross income	\$25,000 in monthly combined gross income	\$25,000 in monthly combined gross income	\$25,000 in monthly combined gross income	\$25,000 in monthly combined gross income
<b>Realigned for Alabama's relative distribution of income to the U.S.</b>	Realigned	Not realigned	Not realigned; COLA used instead	Not realigned	Not realigned; COLA used instead



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Alabama 2016 Income Shares Standard Rothbarth, Schedule of Basic Child Support Obligations						
Combined Adjusted Gross Income	One (1) Child	Two (2) Children	Three (3) Children	Four (4) Children	Five (5) Children	Six (6) Children
<b>Monthly Basic Child Support Obligations</b>						
800	50	50	50	50	50	50
850	50	50	50	50	50	50
900	50	50	50	50	50	50
950	50	50	50	50	50	50
1,000	50	50	50	50	50	50
1,050	50	50	50	50	50	50
1,100	50	50	50	50	50	50
1,150	52	53	53	54	55	55
1,200	87	88	89	90	91	92
1,250	121	122	123	125	126	127
1,300	153	155	156	158	160	162
1,350	186	188	190	193	195	197
1,400	220	222	224	227	229	232
1,450	253	256	259	261	264	267
1,500	285	288	292	295	298	301
1,550	295	322	326	329	333	336
1,600	304	356	360	364	368	371
1,650	312	389	393	397	401	406
1,700	321	422	427	432	436	441
1,750	329	456	461	466	471	476
1,800	338	489	494	499	505	510
1,850	346	522	528	534	540	545
1,900	355	555	561	567	573	580
1,950	363	571	595	602	608	615
2,000	372	583	629	636	643	650
2,050	381	596	662	670	677	684
2,100	389	608	696	704	712	719
2,150	398	620	730	737	745	753
2,200	407	633	764	772	780	789
2,250	415	645	798	806	815	824
2,300	424	657	819	840	849	858



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Alabama 2016 Income Shares Standard Rothbarth, Schedule of Basic Child Support Obligations						
Combined Adjusted Gross Income	One (1) Child	Two (2) Children	Three (3) Children	Four (4) Children	Five (5) Children	Six (6) Children
<b>Monthly Basic Child Support Obligations</b>						
2,350	433	660	833	874	884	893
2,400	441	681	848	909	918	928
2,450	450	693	863	942	952	962
2,500	458	705	878	977	987	998
2,550	467	717	893	997	1,022	1,033
2,600	475	730	908	1,014	1,056	1,067
2,650	483	742	923	1,031	1,090	1,102
2,700	491	754	938	1,047	1,125	1,137
2,750	498	767	953	1,064	1,160	1,172
2,800	506	779	969	1,082	1,190	1,207
2,850	513	792	984	1,099	1,209	1,242
2,900	520	805	999	1,116	1,228	1,277
2,950	527	817	1,015	1,133	1,246	1,312
3,000	534	830	1,031	1,151	1,266	1,346
3,050	541	843	1,047	1,169	1,286	1,381
3,100	548	856	1,062	1,186	1,305	1,416
3,150	555	869	1,078	1,204	1,324	1,440
3,200	562	882	1,094	1,222	1,344	1,462
3,250	569	896	1,110	1,239	1,363	1,482
3,300	576	908	1,125	1,256	1,382	1,503
3,350	584	921	1,141	1,274	1,401	1,524
3,400	591	933	1,156	1,291	1,420	1,544
3,450	598	946	1,171	1,308	1,439	1,565
3,500	606	958	1,186	1,324	1,456	1,583
3,550	613	970	1,200	1,340	1,474	1,603
3,600	621	982	1,215	1,357	1,493	1,624
3,650	629	994	1,229	1,372	1,509	1,641
3,700	636	1,005	1,243	1,388	1,527	1,661
3,750	644	1,017	1,257	1,404	1,544	1,679
3,800	652	1,028	1,271	1,419	1,561	1,698
3,850	659	1,039	1,284	1,434	1,577	1,715



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Alabama 2016 Income Shares Rothbarth with Alabama COLA, Schedule of Basic Child Support Obligations						
Combined Adjusted Gross Income	One (1) Child	Two (2) Children	Three (3) Children	Four (4) Children	Five (5) Children	Six (6) Children
<b>Monthly Basic Child Support Obligations</b>						
800	50	50	50	50	50	50
850	50	50	50	50	50	50
900	50	50	50	50	50	50
950	50	50	50	50	50	50
1,000	50	50	50	50	50	50
1,050	50	50	50	50	50	50
1,100	50	50	50	50	50	50
1,150	52	53	53	54	55	55
1,200	87	88	89	90	91	92
1,250	121	122	123	125	126	127
1,300	153	155	156	158	160	162
1,350	186	188	190	193	195	197
1,400	220	222	224	227	229	232
1,450	247	256	259	261	264	267
1,500	255	288	292	295	298	301
1,550	262	322	326	329	333	336
1,600	270	356	360	364	368	371
1,650	278	389	393	397	401	406
1,700	286	422	427	432	436	441
1,750	293	456	461	466	471	476
1,800	301	474	494	499	505	510
1,850	308	485	528	534	540	545
1,900	316	496	561	567	573	580
1,950	323	508	595	602	608	615
2,000	331	519	629	636	643	650
2,050	339	530	662	670	677	684
2,100	346	541	675	704	712	719
2,150	354	552	689	737	745	753
2,200	362	563	702	772	780	789
2,250	369	574	715	799	815	824
2,300	377	584	729	814	849	858



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Alabama 2016 Income Shares Rothbarth with Alabama COLA, Schedule of Basic Child Support Obligations						
Combined Adjusted Gross Income	One (1) Child	Two (2) Children	Three (3) Children	Four (4) Children	Five (5) Children	Six (6) Children
<b>Monthly Basic Child Support Obligations</b>						
2,350	385	595	741	827	884	893
2,400	392	606	754	842	918	928
2,450	400	616	768	858	943	962
2,500	407	627	781	872	959	998
2,550	415	638	794	887	976	1,033
2,600	423	649	808	902	992	1,067
2,650	430	660	821	917	1,009	1,097
2,700	437	671	834	931	1,025	1,115
2,750	443	682	848	947	1,041	1,132
2,800	450	693	862	963	1,059	1,151
2,850	456	705	875	978	1,076	1,170
2,900	463	716	889	993	1,092	1,188
2,950	469	727	903	1,008	1,108	1,205
3,000	475	738	917	1,024	1,126	1,225
3,050	481	750	931	1,040	1,144	1,244
3,100	487	761	945	1,055	1,161	1,262
3,150	494	773	959	1,071	1,178	1,281
3,200	500	785	973	1,087	1,196	1,301
3,250	506	797	987	1,102	1,213	1,318
3,300	512	808	1,001	1,117	1,229	1,337
3,350	520	819	1,015	1,133	1,246	1,356
3,400	526	830	1,028	1,148	1,263	1,374
3,450	532	842	1,042	1,164	1,280	1,392
3,500	539	852	1,055	1,178	1,295	1,408
3,550	545	863	1,068	1,192	1,311	1,426
3,600	552	874	1,081	1,207	1,328	1,445
3,650	560	884	1,093	1,221	1,342	1,460
3,700	566	894	1,106	1,235	1,358	1,478
3,750	573	905	1,118	1,249	1,374	1,494
3,800	580	915	1,131	1,262	1,389	1,511
3,850	586	924	1,142	1,276	1,403	1,526



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## State Comparisons

- ❖ This report compared cost schedules for:
  - **Current Rule 32**
  - **Colorado** (national data plus modest upward COLA)
  - **Georgia** (Southeast region but different methodology)
  - **South Carolina** (Southeast region with downward COLA)
  - **Tennessee** (Southeast region)
  - **2016 Betson-Rothbarth** (all four versions)
  - **Mississippi** was added for comparisons of award scenarios. MS uses percentages instead of cost schedules.



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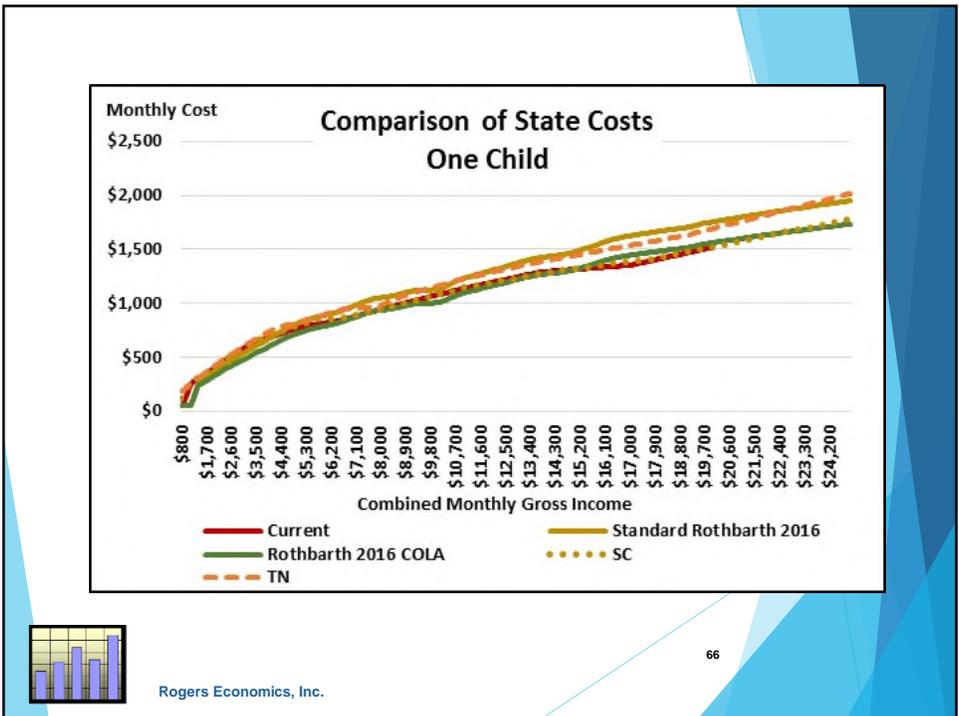
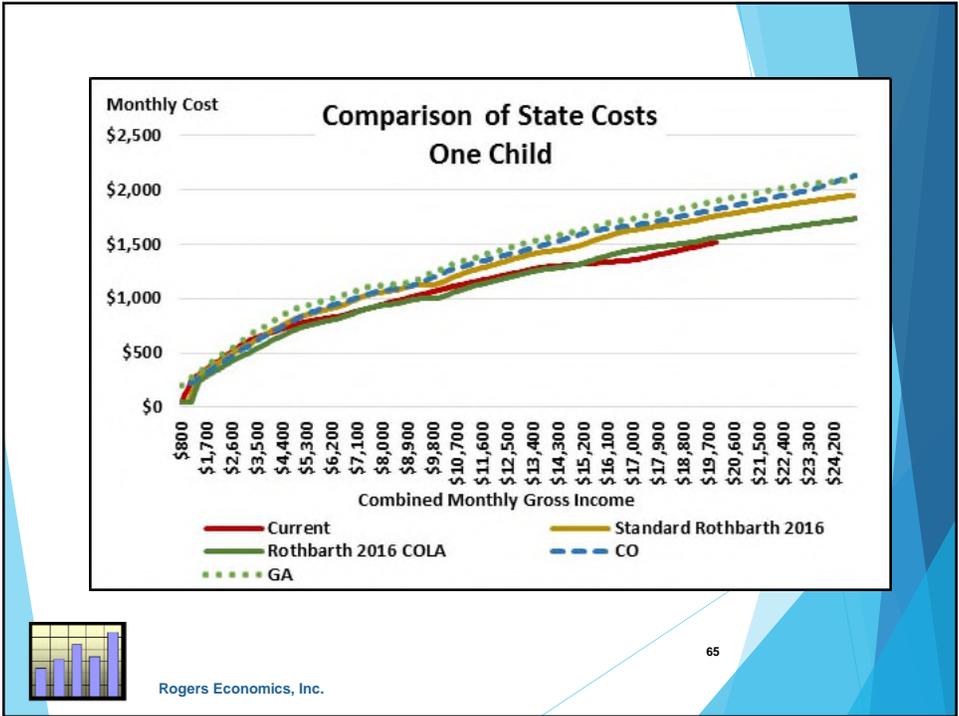
## Summarizing State Comparisons of Child Cost Tables

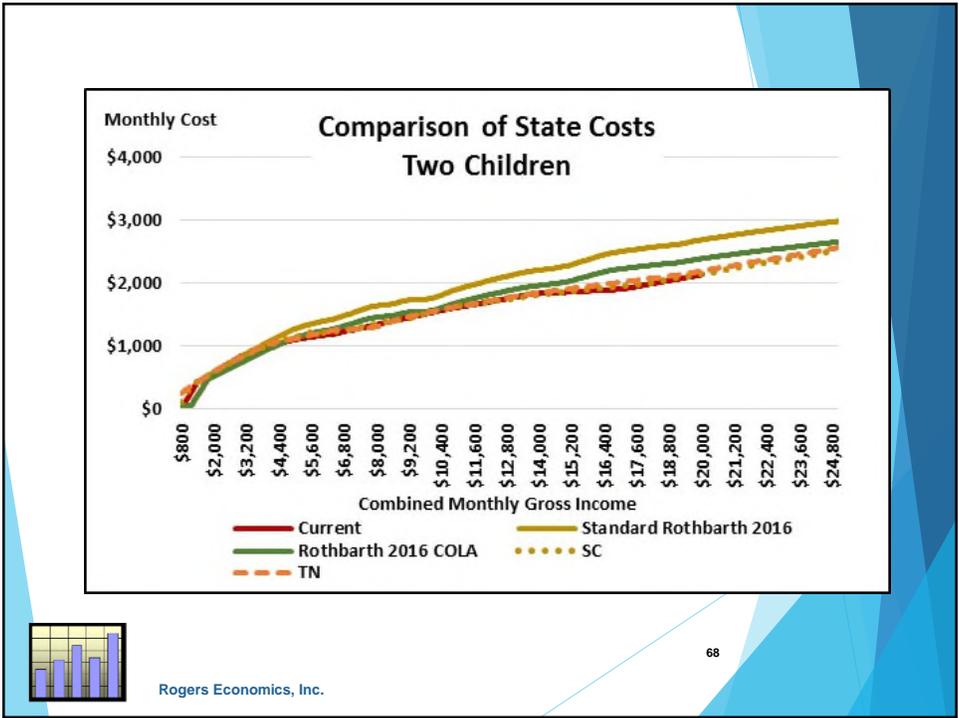
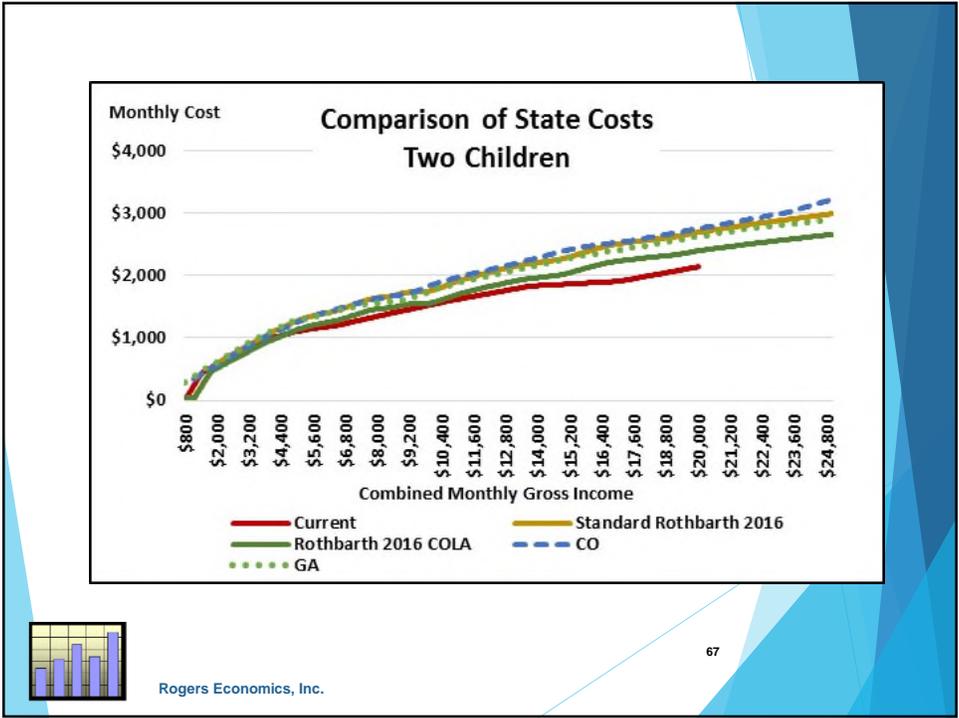
- ❖ Rule 32 cost numbers fall on the low end of the scale for comparisons (Alabama, Colorado, Georgia, South Carolina, and Tennessee) with
- ❖ South Carolina is close to Rule 32 dollars due to its low income realignment.
- ❖ Alabama standard Rothbarth (no adjustments and based on national data) estimates for 2016 are similar to numbers for Colorado and Georgia.
- ❖ Colorado uses national data with a small upward adjustment for higher housing costs. Georgia's data are old but are based on a combination of the Rothbarth methodology and the very upward biased Engel methodology (discussed in Appendix II).
- ❖ The 2016 Rothbarth with Alabama COLA falls in the middle for state comparisons.

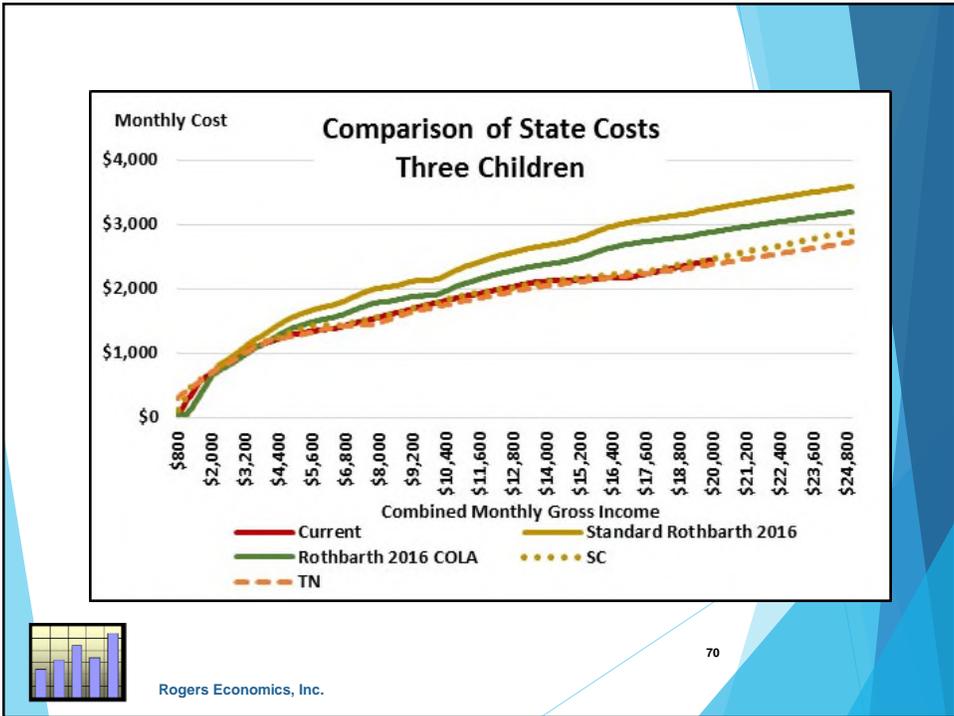
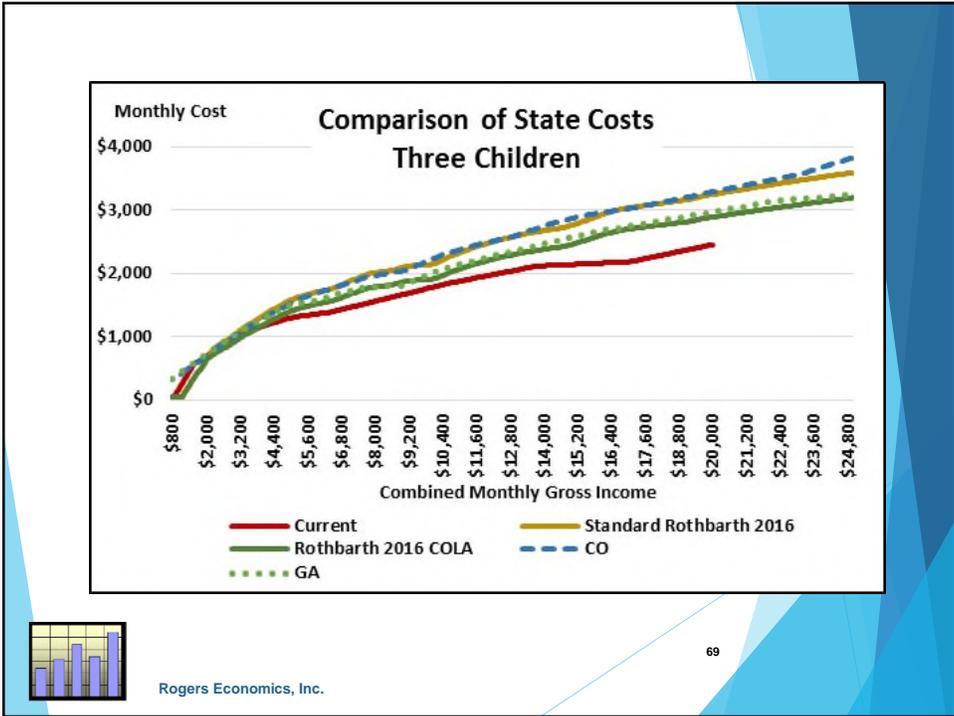


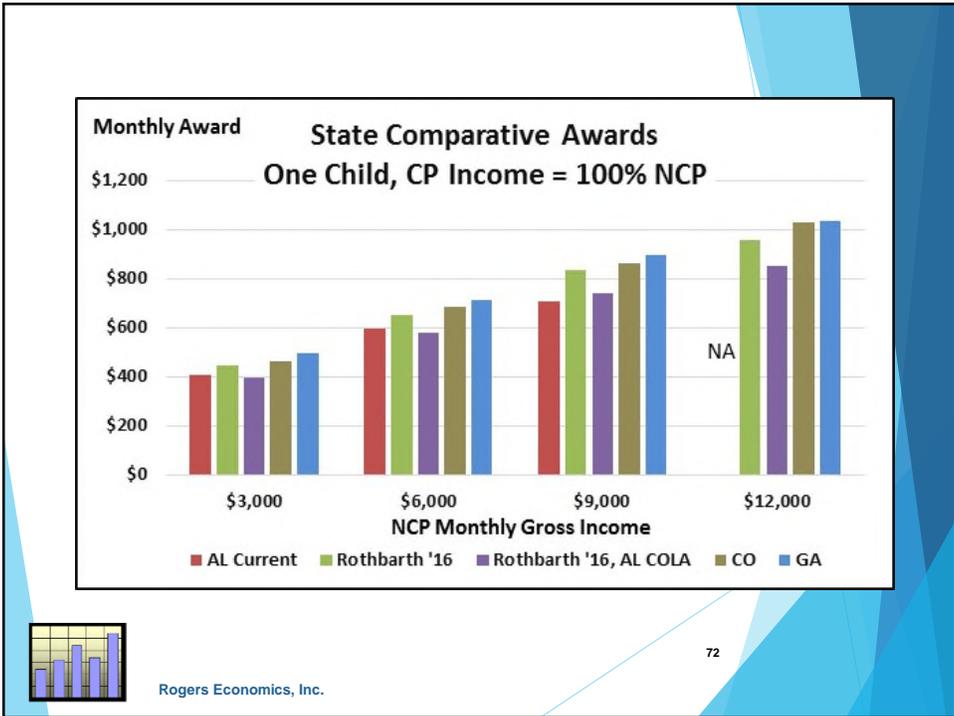
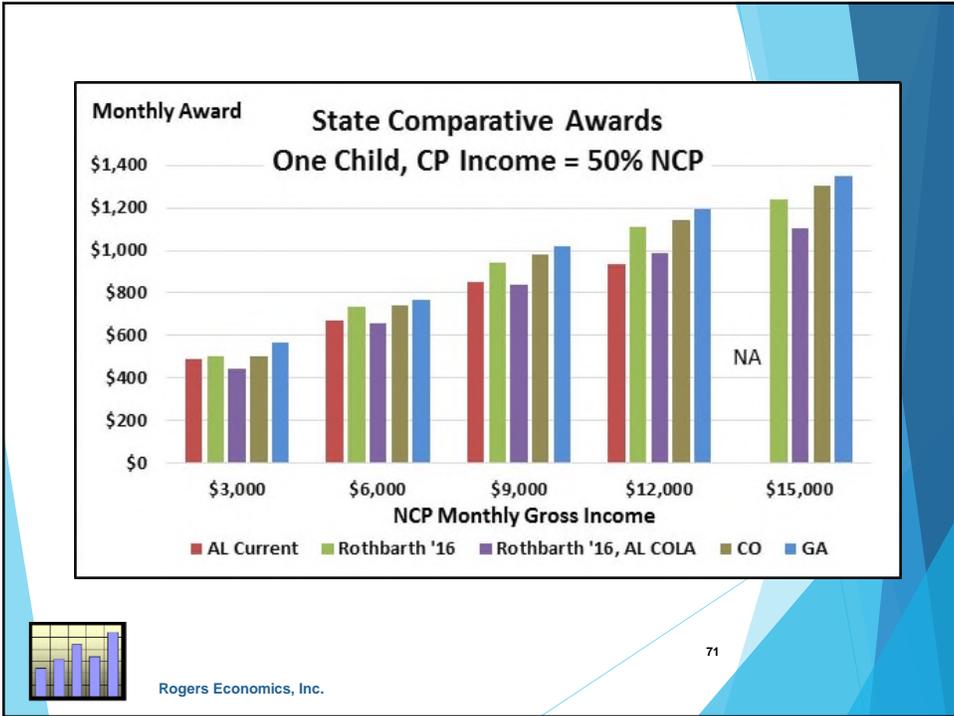
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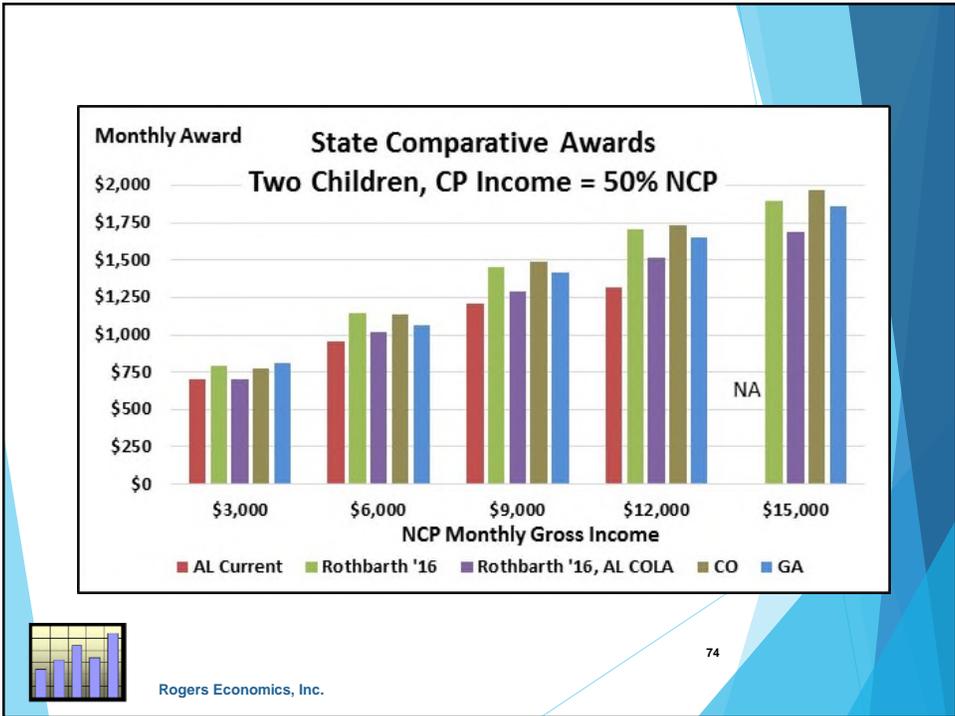
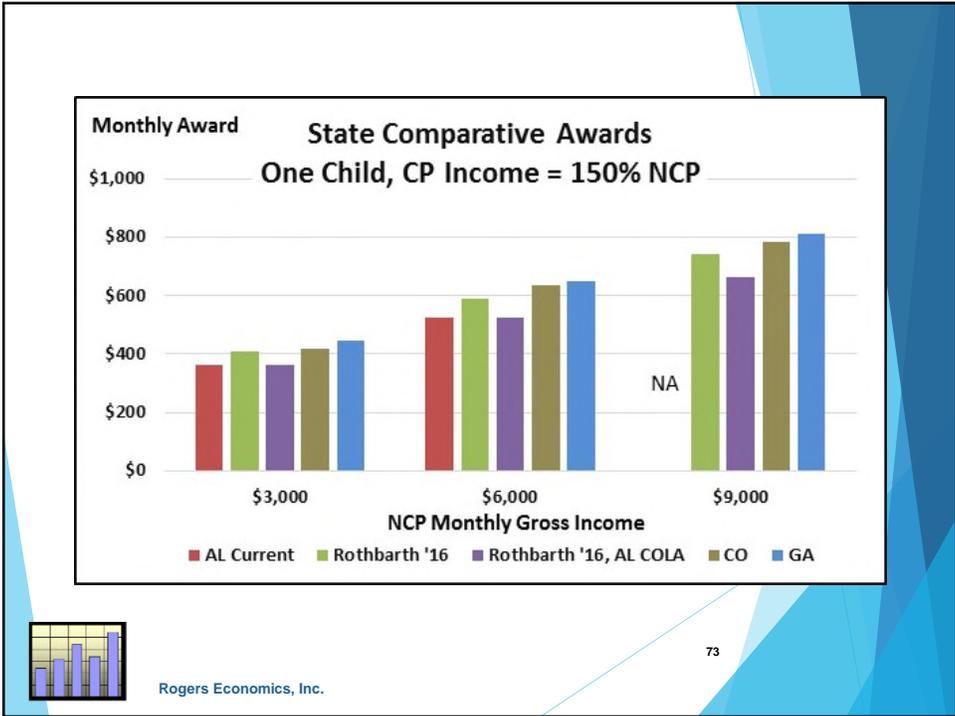
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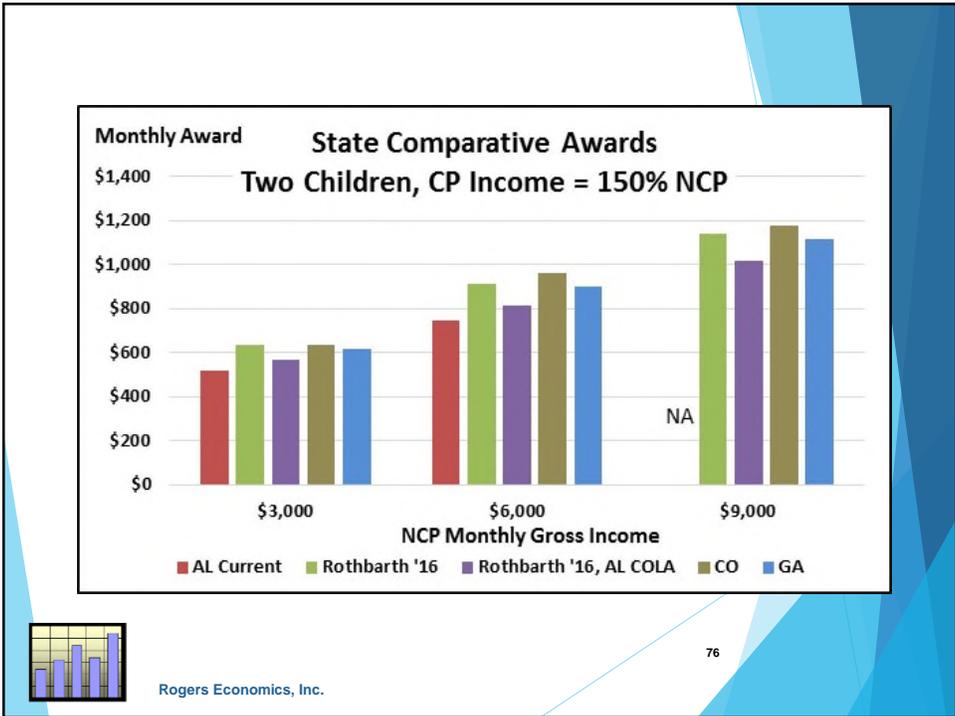
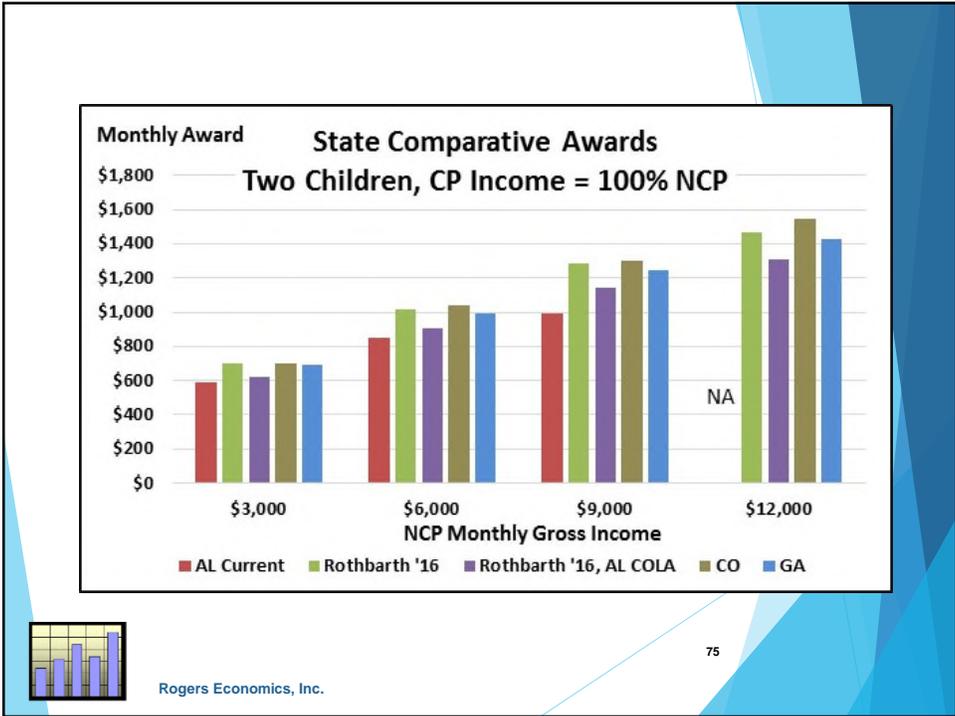


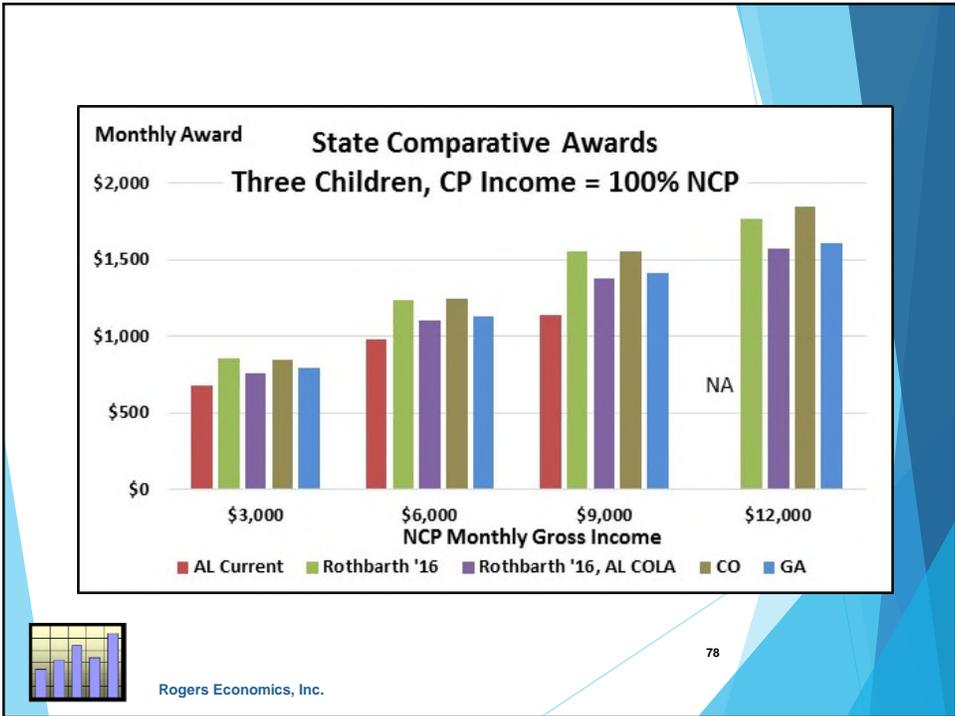
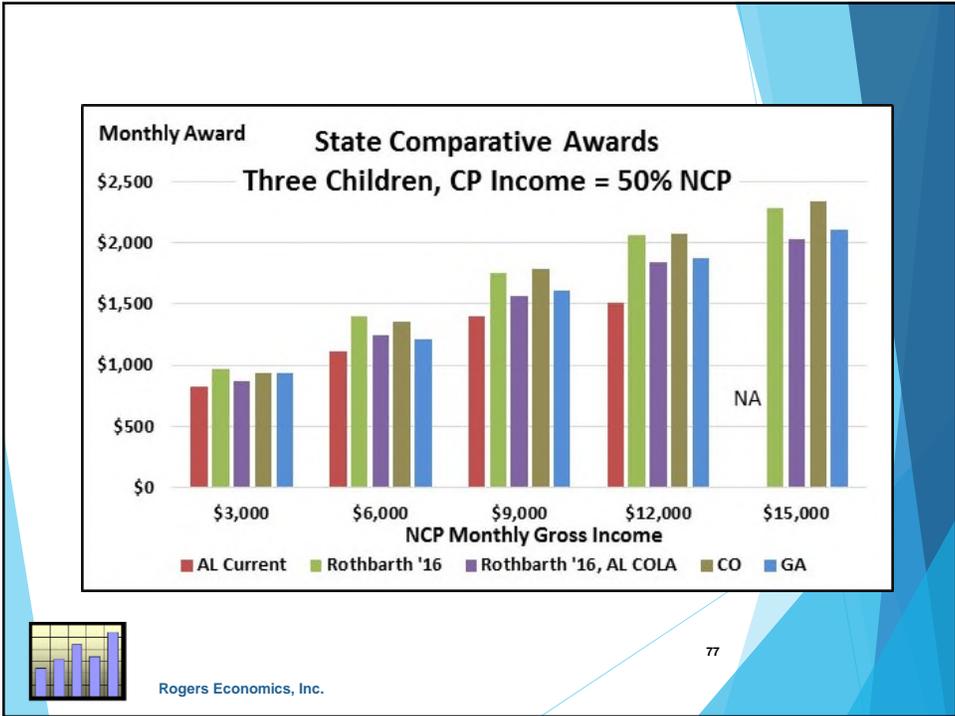


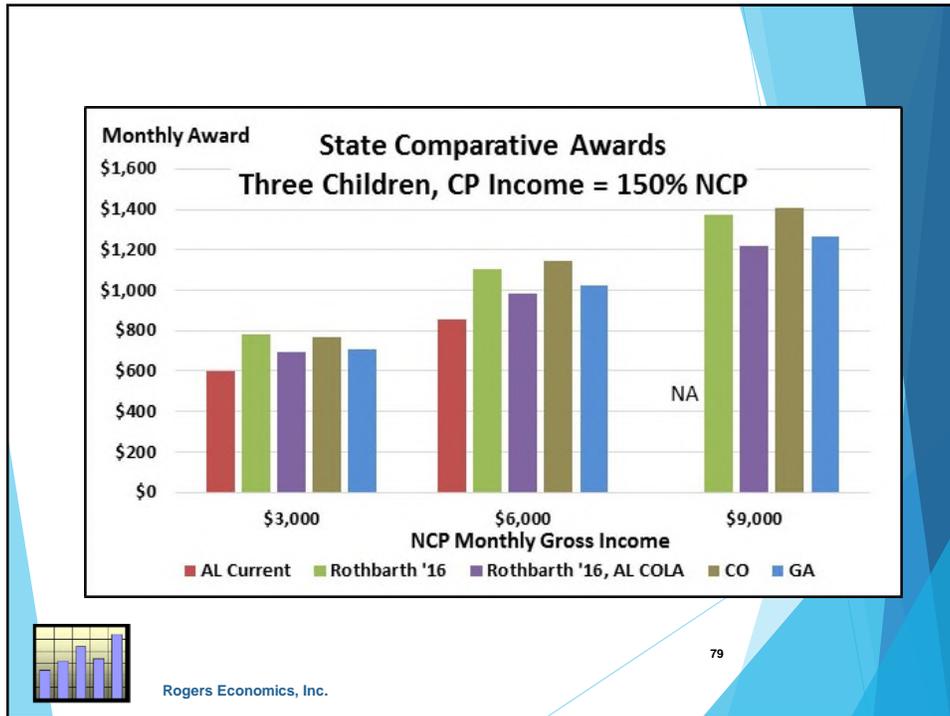












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## Recommendations

- ❖ The current Rule 32 is significantly outdated (based on a 2004 study and data from 1996-1999).
- ❖ Some type of implementation of newer cost data is appropriate (using one of this study's 2016 estimates or as a weighted average with current Rule 32).
- ❖ It should be noted that the four alternative tables are based on standard methodologies but with different assumptions (such as to use national or state based tables or to use data based on net income available to intact families or use data taking into account the added "adult overhead" of a second residence).



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## Recommendations (cont.)

- ❖ The cost table using the Rothbarth methodology (based on David Betson's 2010 study) with a COLA adjustment for Alabama is based most closely to the methodology underlying current Rule 32.
- ❖ Using a weighted average of the current cost table and an updated cost table would not be unprecedented.
- ❖ The self-support reserve portion of Rule 32 is out date, based on a 2004 report, and should be updated to 2016.
  - The U.S. poverty threshold for one adult has risen from \$8,980 annual net income or \$748 monthly in 2003 to \$11,880 annual net income or \$990 monthly in 2016.
  - This large increase largely explains the higher brackets for the self-support reserve in 2016 child cost tables.



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