

EXECUTIVE SUMMARY

Alabama's existing child support schedule is based on economic data available in 2007. There are several new studies of child-rearing expenditures available to update the schedule. The studies vary in their data years and methodologies used to separate the child's share of expenditures from total household expenditures. The one that makes the most sense to Alabama is the newest Betson-Rothbarth measurements (BR5). A concern with adopting an updated schedule based on BR5 is it will produce some changes of 10 percent or more. This includes decreases and increases. Most of the large decreases are at lower incomes and most of the large increases are at combined incomes of \$15,000 per month or more. The decreases result from proposed increases to the self-support reserve and a change in the method and underlying data used to adjust the BR5 measurements (which consider national data) for Alabama's lower incomes/prices. Technical improvements to the Consumer Expenditure Survey (CES), which is the underlying source of expenditures data, contribute to the decreases at low incomes and the increases at high incomes as well. For middle incomes, the proposed BR5 schedule produces changes less than 10 percent.

When compared to other studies of child-rearing expenditures and guidelines amounts of neighboring states, the existing Alabama amounts and proposed changes are within reason. Nonetheless, the proposed changes are favored due to more current and better economic data.

Besides the economic study underlying the schedule there are other data and assumptions considered in the updated schedule. They include the guidelines models; method to adjust for Alabama's lower income/cost of living; method to adjust for federal and state income taxes and FICA; the amount of ordinary, out-of-pocket medical expenses to include in the schedule; consideration of the expenditures to net income ratio; and the low-income adjustment, which includes the amount of the self-support reserve, the minimum order amount (which is now \$50 per month), and the adjustment method. There is no overwhelming reason to change any of these assumptions from that used to develop the BR5 schedule adjusted for Alabama's price parity except for the low-income adjustment.

RECOMMENDED NEXT STEPS

1. The committee review the economic studies and decide whether it is in the best interest of Alabama children and families to update the schedule.
2. The committee review the appropriateness of the other factors used in updating the schedule.
3. The committee should carefully consider the low-income adjustment (*i.e.*, the self-support reserve amount, the minimum order amount, exceptions to the minimum order amount, and the method for adjusting for low income).

Next Steps for CPR

Based on the direction of the committee/Court, CPR will finalize a proposed, updated schedule with a placeholder for possible changes to the low-income adjustment. CPR will develop side-by-side comparisons of this schedule to the existing schedule. In addition, CPR will complete its analysis of the ALECS case file data and provide other findings on the analysis of labor market data.