

Review of the Alabama Child Support Guidelines

Presentation to:

Alabama Advisory Committee on Child Support Guidelines and Enforcement

(Oct. 25, 2024)

Jane Venohr, Ph.D. Economist/Research Associate

jvenohr@centerforpolicyresearch.org

303-837-1555



1

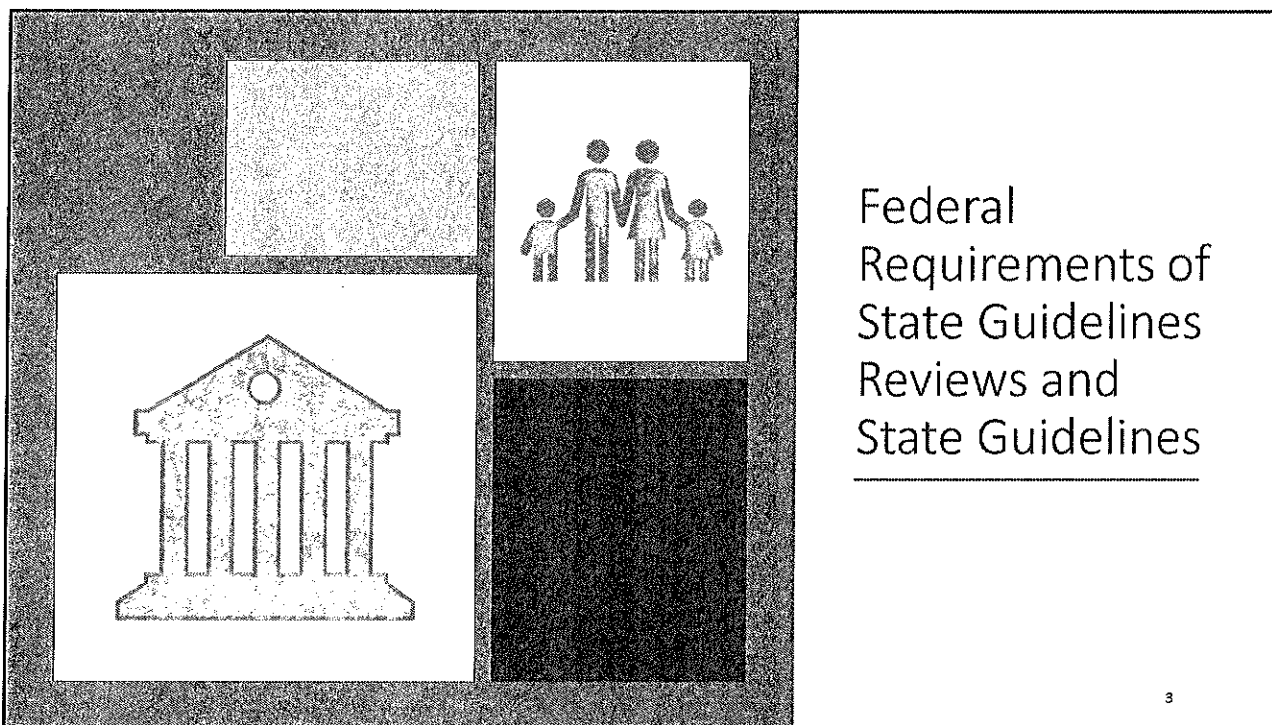
Overview/Outline

- Center for Policy Research (CPR) has been retained to provide technical assistance to the Committee
- CPR will meet all federal data requirements and provide written summaries
 - Review economic data on the cost of raising children
 - Analyze
 - labor market data
 - impact on low-income families
 - Case file data on
 - Deviations, payment data and rates of default, income imputation, and application of low-income adjustment
- CPR will summarize assumptions and data underlying schedule and low-income adjustment so the Committee can assess appropriateness
 - Prepare an updated schedule based on existing assumptions but more current data for the Committee to review
 - Prepare an alternative schedule if directed by Committee/Court
- Provide other technical assistance as requested

2

2

1



3

Federal Requirements of Reviews (45 C.F.R 302.56 (e) and (h))

(e) The State must review, and revise, if appropriate, the child support guidelines established under paragraph (a) of this section at least once every four years to ensure that their **application results in the determination of appropriate child support order amounts**. The State shall publish on the internet and make accessible to the public all reports of the guidelines reviewing body, the membership of the reviewing body, the effective date of the guidelines, and the date of the next quadrennial review.

(h) As part of the review of a State's child support guidelines required under paragraph (e) of this section, a State must:

- (1) Consider economic data on the cost of raising children, labor market data (such as unemployment rates, employment rates, hours worked, and earnings) by occupation and skill-level for the State and local job markets, the impact of guidelines policies and amounts on custodial and noncustodial parents who have family incomes below 200 percent of the Federal poverty level, and factors that influence employment rates among noncustodial parents and compliance with child support orders;
- (2) Analyze case data, gathered through sampling or other methods, on the application of and deviations from the child support guidelines, as well as the rates of default and imputed child support orders and orders determined using the low-income adjustment required under paragraph (c)(1)(ii) of this section. The analysis must also include a comparison of payments on child support orders by case characteristics, including whether the order was entered by default, based on imputed income, or determined using the low-income adjustment required under paragraph (c)(1)(ii). The analysis of the data must be used in the State's review of the child support guidelines to ensure that deviations from the guidelines are limited and guideline amounts are appropriate based on criteria established by the State under paragraph (g); and
- (3) Provide a meaningful opportunity for public input, including input from low-income custodial and noncustodial parents and their representatives. The State must also obtain the views and advice of the State child support agency funded under title IV-D of the Act.

4

4

Plan to Fulfill Federal Requirements of Reviews

Requirements	Responsibility	Requirement	Responsibility
Consider economic data on the cost of raising children	CPR, and develop updated schedule to consider	Provide meaningful opportunity for public input, including input from low-income parties	Court and rulemaking process and open meetings with public comment period
Consider labor market data	CPR	Obtain the views and advice of the IV-D agency	IV-D Representation on Committee
Consider case file data on application of and deviation from the guidelines	Working with DHR to obtain data	Review, and revise, if appropriate, the child support guidelines	Committee and Court
Impact of guidelines policies on parents with low income	CPR will prepare case file scenarios	Publish report on internet, membership of reviewing body, & effective date of the guidelines & next review	Court Website
Factors that influence employment rates and compliance	CPR analysis of case file data		
Rates of default, imputation, and application of low-income adjustment			
Comparison of payments by case characteristics including default, imputation, and application of the low-income adjustment			

5

5

AL's Compliance with Federal Requirements of Guidelines

Continued Requirement	AL Complies	Dec. 2016-Added Requirement	AL Complies
Provide 1 guideline, used statewide	<input checked="" type="checkbox"/>	Consider other evidence of ability to pay	<input checked="" type="checkbox"/>
Consider earnings and income	<input checked="" type="checkbox"/>	Consider parent's basic subsistence need	<input checked="" type="checkbox"/>
Be specific and numeric	<input checked="" type="checkbox"/>	Consider specific circumstances when imputing income	<input checked="" type="checkbox"/>
Provide for child's healthcare needs	<input checked="" type="checkbox"/>	Do not treat incarceration as voluntary unemployment	<input checked="" type="checkbox"/>
Provide deviation criteria and for record of deviation	<input checked="" type="checkbox"/>		

45 C.F.R. Section 302.56

(b) The State must have procedures for making the guidelines available to all persons in the State.

(c) The child support guidelines established under paragraph (a) of this section must at a minimum:

(1) Provide that the child support order is based on the noncustodial parent's earnings, income, and other evidence of ability to pay that:

(i) Takes into consideration all earnings and income of the noncustodial parent (and at the State's discretion, the custodial parent);

(ii) Takes into consideration the basic subsistence needs of the noncustodial parent (and at the State's discretion, the custodial parent and children) who has a limited ability to pay by incorporating a low-income adjustment, such as a self-support reserve or some other method determined by the State; and

(iii) If imputation of income is authorized, takes into consideration the specific circumstances of the noncustodial parent (and at the State's discretion, the custodial parent) to the extent known, including such factors as the noncustodial parent's assets, residence, employment and earnings history, job skills, educational attainment, literacy, age, health, criminal record and other employment barriers, and record of seeking work, as well as the local job market, the availability of employers willing to hire the noncustodial parent, prevailing earnings level in the local community, and other relevant background factors in the case.

(2) Address how the parents will provide for the child's health care needs through private or public health care coverage and/or through cash medical support;

(3) Provide that incarceration may not be treated as voluntary unemployment in establishing or modifying support orders; and

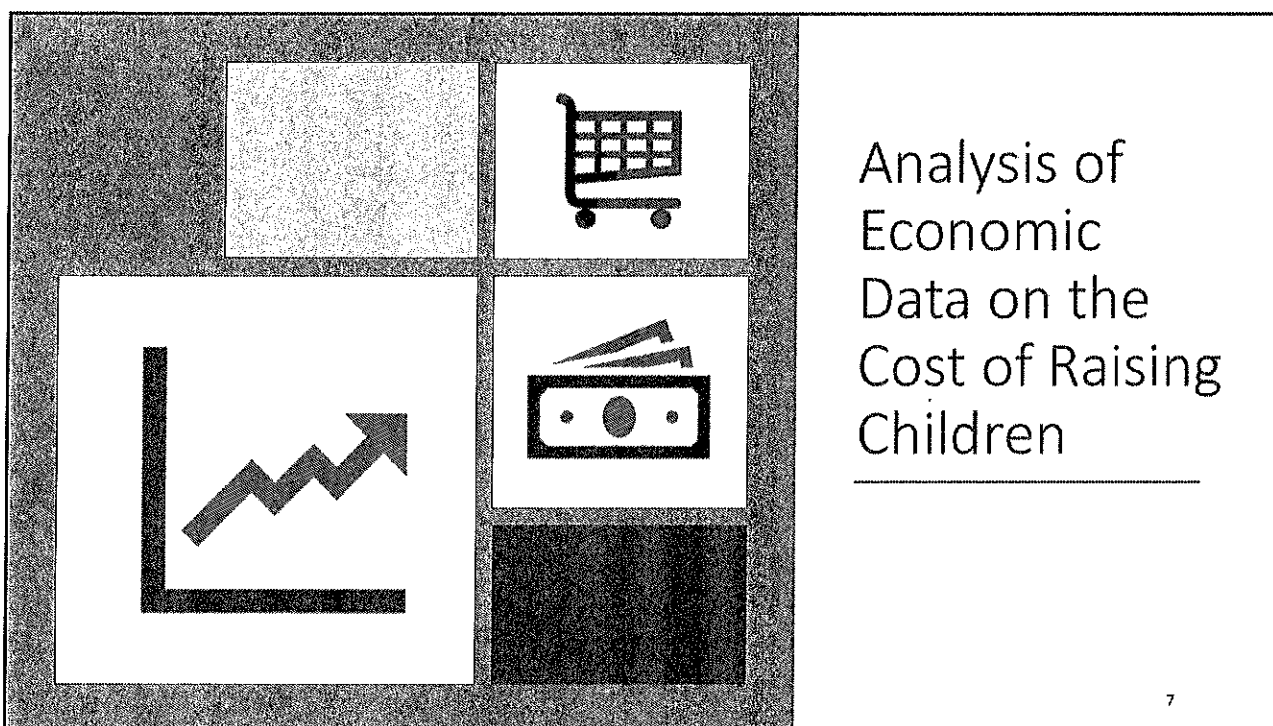
(4) Be based on specific descriptive and numeric criteria and result in a computation of the child support obligation.

6

6

3

3



7

Existing Alabama Schedule Is Based on Economic Data on the Cost of Raising Children

Combined Adjusted Gross Income	One Child	Two Children	Three Children	Four Children	Five Children	Six Children
0-250	52	80	95	107	118	123
300	63	95	115	129	142	154
350	73	111	134	150	163	179
400	83	127	153	171	188	204
450	93	142	171	191	210	229
500	103	157	190	212	233	253
550	113	172	208	232	255	278
600	123	187	226	253	278	302
650	133	203	244	272	300	326
700	143	218	263	293	323	351
750	153	233	281	314	345	375
800	163	248	299	334	367	399
850	173	263	317	354	390	423
900	183	278	335	374	412	446
950	193	293	353	395	434	472
1000	203	308	371	416	456	496
1050	212	323	389	435	479	520
1100	221	338	406	453	498	542
1150	231	353	424	474	519	567

28550	2362	3469	4040	4513	4964	5396
28600	2366	3474	4045	4518	4970	5403
28650	2369	3478	4050	4524	4976	5409
28700	2372	3482	4055	4529	4982	5416
28750	2375	3487	4060	4535	4988	5422
28800	2378	3491	4065	4540	4994	5429
28850	2382	3496	4070	4546	5000	5436
28900	2385	3500	4075	4551	5007	5442
28950	2388	3505	4080	4557	5013	5449
29000	2391	3509	4084	4562	5019	5455
29050	2394	3514	4089	4568	5025	5462
29100	2398	3518	4094	4573	5031	5468
29150	2401	3523	4099	4579	5037	5475
29200	2404	3527	4104	4584	5043	5481
29250	2407	3532	4109	4590	5049	5488
29300	2411	3536	4114	4595	5055	5495
29350	2414	3541	4119	4601	5061	5501
29400	2417	3545	4124	4606	5067	5508
29450	2420	3550	4129	4612	5073	5514
29500	2423	3554	4134	4617	5079	5521
29550	2427	3559	4139	4623	5085	5527
29600	2430	3563	4143	4628	5091	5534
29650	2433	3568	4148	4634	5097	5541
29700	2436	3572	4153	4639	5103	5547
29750	2440	3577	4158	4645	5109	5554
29800	2443	3581	4163	4650	5115	5560
29850	2446	3586	4168	4656	5121	5567
29900	2449	3590	4173	4661	5127	5573
29950	2452	3595	4178	4667	5133	5580
30000	2456	3599	4183	4672	5139	5586

Alabama schedule is based on a national study of child-rearing expenditures that was realigned to account for Alabama's below average income

National study: Betson, David M. (Mar 2021). "Appendix A Parental Expenditures on Children." In Venohr, J. and Matysic, S., *Review of Arizona Child Support Guidelines: Findings from the Analysis of Case File Data and Updating the Child Support Schedule*. Report to the Arizona Supreme Court Administrative Office of the Courts
<https://www.azcourts.gov/Portals/74/FCIC-CSGR/SupplementalPacket-030121-FCIC-CSGR5.pdf?ver=2021-02-26-161844-187>

8

8

4

4

Child Support Schedules Are Part Economic Data and Part Policy

Things in blue are what can be updated if no major change in assumptions

- **Relate to estimates of child-rearing expenditures**
 - No new studies since last review except FL study that is not used by any state
- **Adjustments are made to those estimates:**
 - Update to current price levels due to data lags
 - Update to most current federal and state income tax rates and FICA
 - Possibly update for changes in the income/price gap between Alabama and US average
 - Relate to after-tax income rather than family expenditures (i.e., factor in average household savings, donations, and other expenditures outside the home)
 - Exclude childcare expenses and the child's healthcare costs except for up to the first \$250 per child per year (update how we separate cost for child healthcare and adult healthcare)

9

9

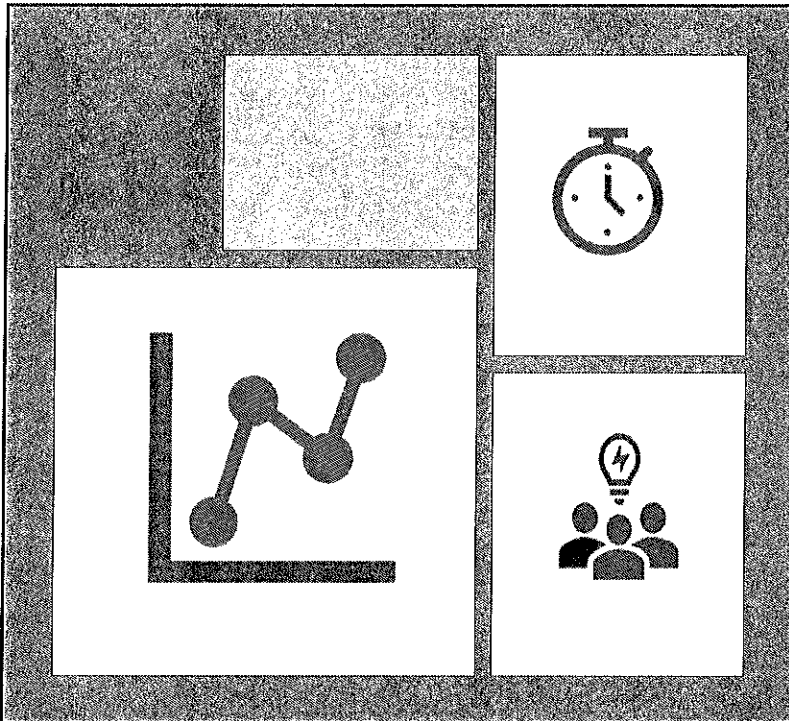
Assumptions and Data underlying AL Current Guidelines Schedule and Updates and Alternatives

	Current	Other Options/Notes
1. Guidelines Model	Income Shares	<ul style="list-style-type: none"> • 42 states rely on income shares • 3 states (DE, HI, & MT): Melson formula, 7 states use % of obligor income • Other guidelines models
2. Economic Study	5 th Betson study using the Rothbarth methodology (BR5) to separate child-rearing expenditures from total expenditures from the 2013-2019 Consumer Expenditure (CE) Survey	<ul style="list-style-type: none"> • No study using more recent expenditure data, 2021 FI study w/ same data years • All states updating their schedules rely on BR5, 13 states base on BR5
3. Price levels	August (?) 2021 price levels	2025 price levels As of Sept. 2024 price levels (15.2% increase— but doesn't mean 15.2% increase in schedule amounts because incomes have also increased)
4. Adjustment for AL Income/prices	Realigned for Alabama's incomes using 2019 income data	<ul style="list-style-type: none"> • 2019 AL price parity = 85.8%; 2022 AL price parity = 87.8% • In 2019, AL median income was 81.7% of US average median income
4. Exclude childcare, child's healthcare expenses	Excludes all but the first \$250 per child per year in ordinary, out-of-pocket medical expenses	<ul style="list-style-type: none"> • Use more current data to separate adult and child healthcare (2019 v. 2021) • A few states exclude <u>all</u> medical expenses from schedule <ul style="list-style-type: none"> • Advantage: don't have to explain \$250 • Disadvantage: all children have some expense, so more receipt sharing
5. Conversion of economic study to after-tax income	<ul style="list-style-type: none"> • Use expenditures to net income ratios from same subset of CE data • Cap expenditures at very low-income so families aren't asked to spend more than their income 	<ul style="list-style-type: none"> • Most alternative assumptions argue for higher (due to housing costs, parents should dip into savings)
6. Conversion to Gross Income	<ul style="list-style-type: none"> • 2021 federal and state income tax withholding formulas for a single taxpayer and FICA 	<ul style="list-style-type: none"> • 2025 federal and state income tax withholding formulas and FICA • Various other tax assumptions (e.g., tax rate of a family would produce increases)
7. Income range of schedule	<ul style="list-style-type: none"> • Lowest: \$0-\$250/mo • Highest: \$30,000 gross per month 	<ul style="list-style-type: none"> • Lowest: Policy decision • Highest: \$40,000 gross per month (?)
OTHER. Low-income adjustment is not in schedule, but worksheet	<ul style="list-style-type: none"> • Self-support reserve of \$981 per month, which is based on the 2021 Federal Poverty Guidelines— FPG— for 1 person (\$1,073) adjusted for ratio of median income of AL and US average and difference between net and gross income; and rebuttable min order of \$50 and 85% adjustment 	<ul style="list-style-type: none"> • 2024 FPG = \$1,255 per month • SSR, minimum order, and phase-out are policy decisions (discussed in more detail later)

10

10

S



Next Steps and Questions

11

11

Next Steps and Questions

CPR AND DHR

- Obtain data extract to meet federal data requirements
- Develop standard data extract, dictionary, and analysis for trend analysis for each quadrennial review
- Targeted timeline: early 2025

CPR

- Prepare updated, baseline schedule using same assumptions but more current economic data
- Targeted timeline: Mid-Feb 2025 (January 2025 price levels will be available)

Committee

- Besides case file data, what other information is useful when reviewing potential updates to the schedule and SSR adjustment?
- What other guidelines provisions should be reviewed or considered?
- Besides the federal data requirements, what case file data should be tracked over time and how should it be analyzed/reported (e.g., median amount/ranges; analysis of particular subgroups)?

12

12