Review of the Alabama Child Support Guidelines

Presentation to:

Alabama Advisory Committee on Child Support Guidelines and Enforcement

(Feb 27, 2025)

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CPR center for policy research

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CPR's Role

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 and other data used to develop the schedule and low-income adjustment
  - Analyze and document
    - 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
- Provide other technical assistance as requested

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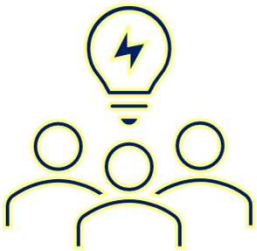
Today's Objectives

- Meet federal requirement to review economic data on the cost of raising children
- Examine the impact of an updated schedule
- Examine the impact of an updated Self-Support Reserve

- **Expectations for Committee:**
  - Begin discussion on:
    - Whether schedule should be updated; and
    - Whether SSR should be updated?
  - What case file data would the Committee like to see:
    - To help with these decisions; and
    - Tracked over time for future guidelines reviews?



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Federal Requirements of State Guidelines Reviews

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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.

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Plan to Fulfill Federal Requirements of Reviews

Requirements	Responsibility
Consider economic data on the cost of raising children	CPR – preliminary today
Consider labor market data	CPR – preliminary today
Consider case file data on application of and deviation from the guidelines	Working with DHR to obtain data
Impact of guidelines policies on parents with low income	CPR – preliminary today
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	

Requirement	Responsibility
Provide meaningful opportunity for public input, including input from low-income parties	Court and rulemaking process and open meetings with public comment period
Obtain the views and advice of the IV-D agency	IV-D Representation on Committee
Review, and revise, if appropriate, the child support guidelines	Committee and Court
Publish report on internet, membership of reviewing body, & effective date of the guidelines & next review	Court Website

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Analysis of Economic Data on the Cost of Raising Children

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

The quadrennial review is an opportunity to review:

- The schedule; and
- The self-support reserve;
  - for more current economic data and ;
  - Whether underlying assumptions are still appropriate for Alabama children; and families for the next 4 years; and
- Other guidelines provisions

Alabama

Schedule of Basic Child-Support Obligations

Number of Children due Support

Combined Adjusted Gross Income	One Child	Two Children	Three Children	Four Children	Five Children	Six Children
0-250	52	80	96	107	118	128
300	63	95	115	129	142	154
350	73	111	134	150	165	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	273	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	448
950	193	293	353	395	434	472
1000	203	308	371	415	456	496
1050	212	323	389	435	479	520
1100	221	336	406	453	498	542
1150	230	350	422	471	518	563
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	5078	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 was crafted in 2021 and 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 Matyasic, 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-CSGRS.pdf?ver=2021-02-26-161844-187

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Existing Self-Support Reserve (SSR) Is in the Worksheet, Not the Schedule

Existing SSR is based on 2021 federal poverty guidelines for one person and adjusted for Alabama incomes and payroll taxes.

- Current SSR: $981 per month.
- Minimum order: $50 for incomes below (rebuttable)
- Phase-in/Phase-out: 85% of difference between income and SSR to account for payroll taxes

Line	Item	Plaintiff	Defendant	Combined
1	MONTHLY GROSS INCOME	$	$	$ 0
	Self-Support Reserve (SSR)			
11	INCOME AVAILABLE AFTER SSR (Line – SSR of $981)	$	$	
12	INCOME AVAILABLE FOR SUPPORT (85% of Line 11. If less than $50, enter $50 minimum obligation.)	$	$	
	Child Support Order			
13	(Lesser of Lines 10 and 12)	$	$	

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Assumptions and Data underlying AL Current Guidelines Schedule and Updates and Alternatives (slide from Oct 2024 but updates are in yellow)

	Current	Other Options/Notes
1. Guidelines Model	Income Shares	• 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	5th Betson study using the Rothbarth methodology (BR5) to separate child-rearing expenditures from total expenditures from the 2013-2019 Consumer Expenditure (CE) Survey	• No study using more recent expenditure data, 2021 Fl study w/ same data years • All states updating their schedules rely on BR5, 16 states base on BR5
3. Price levels	Sept. 2021 price levels	2025 price levels As of Jan. 2025 price levels (15.8% increase– but doesn't mean 15.8% increase in schedule amounts because incomes have also increased)
4. Adjustment for AL income/prices	Realigned for Alabama's incomes using 2019 income data	• Require subcontract with Betson to update • 2019 AL price parity = 85.8%; 2023 AL price parity = 90.0% • In 2019, Al median income was 81.7% of US average median income; in 2023: 82.9%
4. Exclude childcare, child's healthcare expenses	Excludes all but the first $250 per child per year in ordinary, out-of-pocket medical expenses	• Some states subtract all, which lowers schedule amount but requires addressing all healthcare expenses on a case-by-case basis
5. Conversion of economic study to after-tax income	• 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	• Most alternative assumptions produce higher amounts
6. Conversion to Gross income	• 2021 federal and state income tax withholding formulas for a single taxpayer and FICA	• 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	• Lowest: $0-$250/mo • Highest: $30,000 gross per month	• Lowest: Policy decision • Highest: $40,000 gross per month
OTHER. Low-income adjustment is not in schedule, but worksheet	• 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	• 2025 FPG = $1,304 per month • SSR, minimum order, and phase-out are policy decisions (discussed in more detail later)

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#2: Economic Studies: 10 Different Studies in Use, BR5 Is Most Current

Study Author	Study Year	Reference
Van der Gaag	1981	Jacques van der Gaag, On Measuring the Cost of Children, Discussion Paper No. 663-81 (Univ. of Wisconsin Inst. for Research on Poverty, 1981)
Espenshade	1984	Thomas J. Espenshade, Investing in Children: New Estimates of Parental Expenditures (Urban Inst. Press, 1984).
Lewin Report (compared methods)	1990	Lewin/ICF. (1990). Estimates of Expenditures on Children and Child Support Guidelines. Report to U.S. Department of Health and Human Services, Office of the Assist. Secretary for Planning and Evaluation. Virginia
Betson-Rothbarth 1 (BR1) CE: 1980-86	1990	David M. Betson (1990). *Alternative Estimates of the Cost of Children from the 1980-86 Consumer Expenditure Survey*, Report to U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, University of Wisconsin Institute for Research on Poverty, Madison, WI.
BR2 and BR3 (1994-98 and 1998-2004)	1996 2006	See Betson (2021) for summaries
Betson-Rothbarth 4 (BR4) CE: 2004-09	2010	Betson, David M. (2010). "Appendix A: Parental Expenditures on Children." in Judicial Council of California, Review of Statewide Uniform Child Support Guideline. San Fran-cisco, California. Retrieved from: http://www.courts.ca.gov/partners/documents/2011SRL6aGuidelineReview.pdf
Rodgers-Rothbarth/NJ CE: 2000-11	2012	New Jersey Child Support Institute (March 2013). *Quadrennial Review: Final Report, Institute for Families*, Rutgers, the State University of New Jersey, New Brunswick, NJ. Retrieved from: http://www.judiciary.state.nj.us/reports2013/F0_NJ+QuadrennialReview-Final_3.22.13_complete.pdf
Comanor (CE: 2004-09)	2015	Comanor, William, Sarro, Mark, and Rogers, Mark. (2015). "The Monetary Cost of Raising Children." *In* (ed.) *Economic and Legal Issues in Competition, Intellectual Property, Bankruptcy, and the Cost of Raising Children* (Research in Law and Economics), Vol. 27). Emerald Group Publishing Limited, pp. 209–51
USDA (CE: 2011-2015)	2017	Lino, Mark (2017). *Expenditures on Children by Families: 2015 Annual Report*. U.S. Department of Agriculture, Center for Nutrion and Policy Promotion. Miscellaneous Publication No. 1528-2015, Washington, D.C. http://www.cnpp.usda.gov/publications/crc/crc2017.pdf
Florida State/Rothbarth and Engel (CE: 2013-19)	2021	Norribin, Stefan C., et al. (Nov. 2021). *Review and Update of Florida's Child Support Guidelines*. Retrieved from http://edr.state.fl.us/Content/special-research-projects/child-support/ChildSupportGuidelinesFinalReport2021.pdf.
Betson-Rothbarth (BR5) CE: 2013-19	2020	Betson, David M. (Mar 2021). "Appendix A Parental Expenditures on Children." in Venohr, J. and Matyasic, 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-CSGRS.pdf?ver=2021-02-26-161844-187

Shaded studies are not in use by any state. Besides those 8 studies, there is an old KS study and Betson-Engel study

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Comparison of Average Child-Rearing Expenditures as Percentage of Total Expenditures

Economists generally don't agree which methodology best measures actual child-rearing expenditures.

However, most economists and policymakers agree that a guidelines amount between the lowest and highest of credible measurements is within an appropriate range

STATE USAGE

- 32 states use a BR study
- 16 states use BR5 (AL, AZ, IA, IL, GA, LA, ME, MI, MO, NC, PA, SC, SD, WV, WY, VT)
- No state uses Comanor (2015)
- MN and MD high incomes use USDA
- Several states based on older studies (CA, NY)
- NJ uses own Rothbarth study
- MA not based on study

Economic Methodology	Economist and Data Years	Average Childrearing Expenditures as a Percentage of Total Expenditures		
		1 Child	2 Children	3 Children
Point estimate from literature review	van der Gaag (no year specified)	25.0%	37.5%	50.0%
Rothbarth	Betson			
	2013–2019	24.9%	38.4%	47.0%
	2004–2009	23.5%	36.5%	44.9%
	1998–2004	25.2%	36.8%	43.8%
	1996–1998	25.6%	35.9%	41.6%
	1980–1986	24.2%	34.2%	39.2%
	Rodgers/Replication of Betson			
	2004–2009	22.2%	34.8%	43.2%
	Rodgers			
	2000–2015	19.2%	24.1%	30.8%
	2004–2009	21.5%	24.4%	33.4%
	2000–2011	21.0%	25.0%	31.0%
	Florida State University			
	2013–2019	21.3%	33.4%	41.4%
	2009–2015	24.9%	38.3%	46.9%
Engel	Florida State University			
	2013–2019	21.5%	33.6%	41.6%
	2009–2015	20.3%	32.6%	41.4%
	Betson			
	1996–1998	32.0%	39.0%	49.0%
	1980–1986	33.0%	46.0%	58.0%
	Espenshade			
	1972–73	24.0%	41.0%	51.0%
USDA	2011–2015	26.0%	39.0%	49.0%

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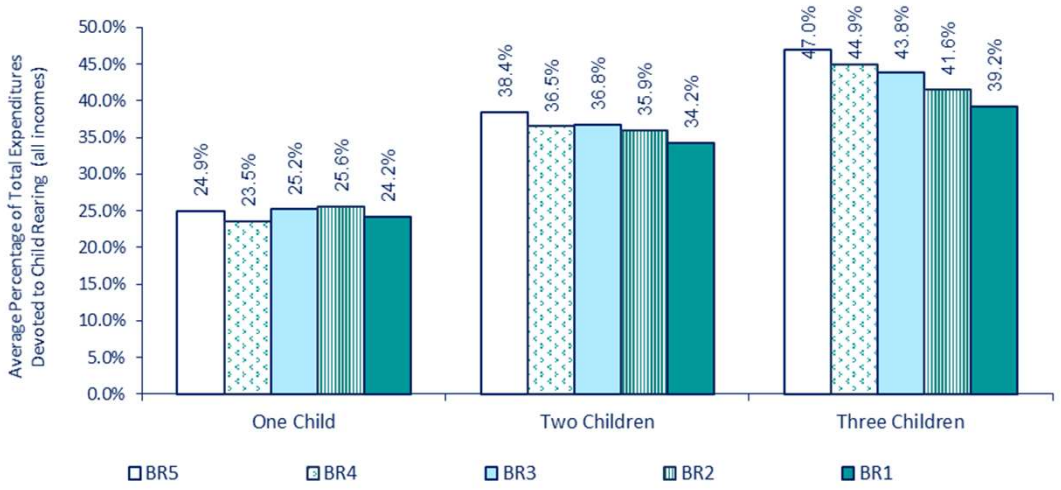
#2: Economic Study BR Average Estimates over Time



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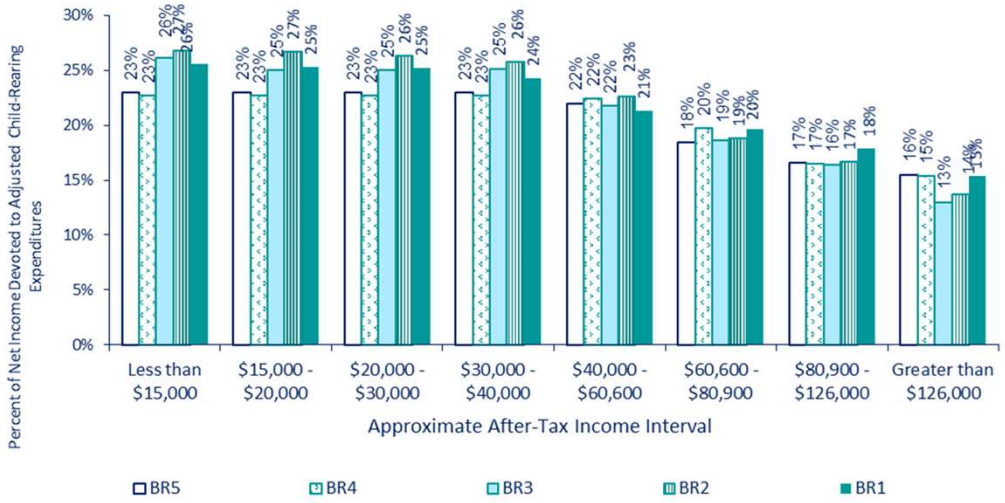
#2: BR Studies over Time by Income Range: One Child

Chart illustrates that percentage of after-tax income devoted to child-rearing expenditures decreases as income increases



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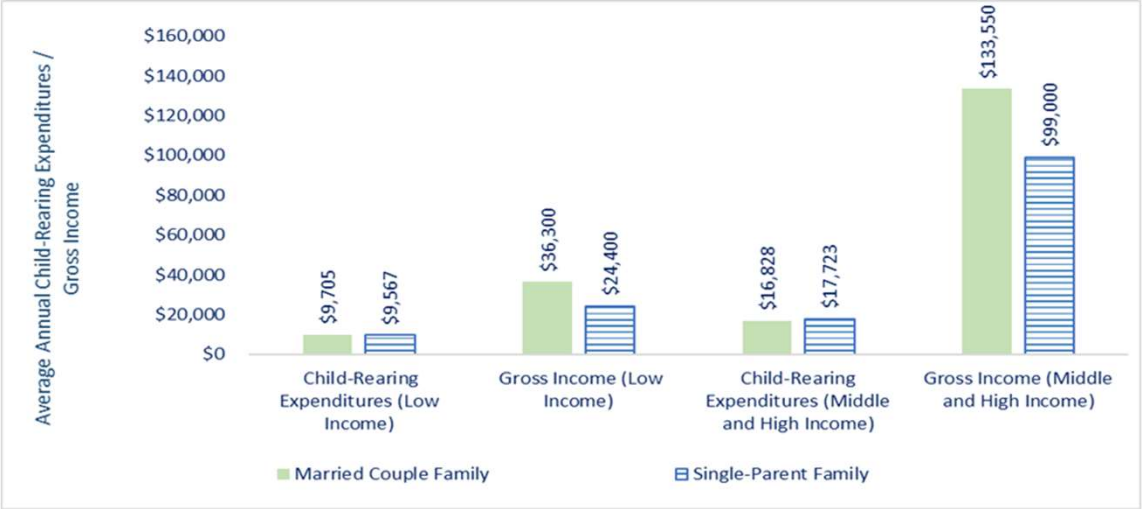
USDA Study



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Summary of What Numbers Could Be Updated if Retained BR5 and Existing Assumptions

- **Changes in price levels affect schedule amounts**: shown today
- **Changes in effective tax rates affect schedule amounts**: shown today
- **Changes in federal poverty level, which affect low-income adjustment in worksheet and is** not part of the schedule: shown today

	2021	2025
Federal Poverty Guidelines for 1 Person (monthly)	$1,073	$1,304
Alabama to US Median Income	85%	85% (assumed unchanged)
Net Income	$912	$1,108
Approximate Gross Equivalent to Above (Self-Support Reserve)	$981	$1,243

- **Changes that would require Betson subcontracting** that would affect schedule amounts: not shown today
  - Update for reduced gap in Alabama and U.S. national income– likely minuscule increase
  - Update for how increased gap in child and adult out-of-pocket medical expenditures- likely minuscule decreases for those with more than $250 per child per year

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Comparisons: 1 Child

- Increase is not the same across income ranges:
  - Average increase = 5%
  - Increase ranges from 0 – 10%, dollar increase at 10% is $84 per month (to schedule before payer-parent's share)
  - Maximum dollar increase to schedule is $139 per month

- Changes in price levels shifts line to the right (i.e., not a consistent slope, some income levels spend a greater share of their income than others)

- Tax bracket changes also cause inconsistent changes

- Base income limit for social security tax increased from $148,280 per year to $176,100 per year
  - creates some anomalies around about $12,000 to $16,000 per month

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Comparisons: 2 Children and 3 Children

2 Children

- Increase is not the same across income ranges:
  - Average increase = 5%
  - Increase ranges from 0 – 10%, dollar increase is $133 per month (to schedule before taking payer-parent's share)
  - Maximum dollar increase to schedule is $201 per month

3 Children

- Increase is not the same across income ranges:
  - Average increase = 5%
  - Increase ranges from 0 – 11%, dollar increase is $167 per month (to schedule before taking payer-parent's share
  - Maximum dollar increase to schedule is $231 per month

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State Comparisons and Preliminary Labor Market Data

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10 Case Scenarios: Cases 5-9 Rely on Median Earnings of Alabama Workers Age 25 and Over By Highest Educational Attainment (2023 U.S. Census Data)

	Gross Income of Receiving Parent	Gross Income of Paying Parent
1. Minimum Wage Earner	$0	$1,257
2. Both Parents Earn Minimum Wage	$1,257	$1,257
3. $10 per hour and Minimum Wage	$1,733	$1,257
4. Both $10 per hour	$1,733	$1,733
5. Less than High School Degree	$1,856	$2,799
6. High School Degree or GED	$2,350	$3,782
7. Some College or Associate's Degree	$2,844	$4,394
8. Bachelor's Degree	$4,037	$6,328
9. Graduate or Professional Degree	$5,103	$7,644
10. Very High Income	$10,000	$15,000

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Labor Market Information

	Alabama	US or Other States
Minimum Wage	Federal Applies: $7.25 per hour	20 states at $7.25, highest $17.50/hour
Labor Force Participation Rate (Dec. 2024)	57.7%	62.5%
Unemployment Rate	3.3%	4.1%

- Alabama Population (Census, 2023): 5,108,468
- Employed Persons (Dec, 2024) 2,234,300
- Counties with Lowest Unemployment Rates: Shelby (2.4%); Morgan and Marshall (2.6%)
- Counties with Highest Unemployment rates: Wilcox (8.5%); Clarke (6.8%); and Greene (6.6%)
- Alabama Entry Hourly Wages (3rd quarter, 2024)
  - All occupations: $12.96
  - Healthcare support occupations: $11.59
  - Cashiers: $9.64
  - Food Preparation: $9.76
  - Construction Laborers: $12.74
  - Building Cleaning and Pest Control Workers: $10.52

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Basis of Other State Guidelines

	Florida	Georgia	Louisiana	Mississippi	Tennessee
Last Review	2021	On-going	2024	2023	Current
Guidelines Model	Income shares	Income shares	Income shares	% of obligor income	Income shares
Gross or Net Income	Net	Gross	Gross	Net	Gross
Economic Study	Engel-Espenshade (1984)	BR5	BR5		BR2
Price Levels	1991?	2022	2024	Never updated	2003
Low-Income Adjustment	90% difference between net income and poverty	Deviation now, but low-income adjustment effective Jan 1, 2026: Proposed is 19-28% for gross incomes below $1,500	SSR = 75% of 2023 poverty level $43-$45 for gross income of $1,050 (Amount varies by number of children)	Deviation	$100 minimum order for gross incomes of $950 or less

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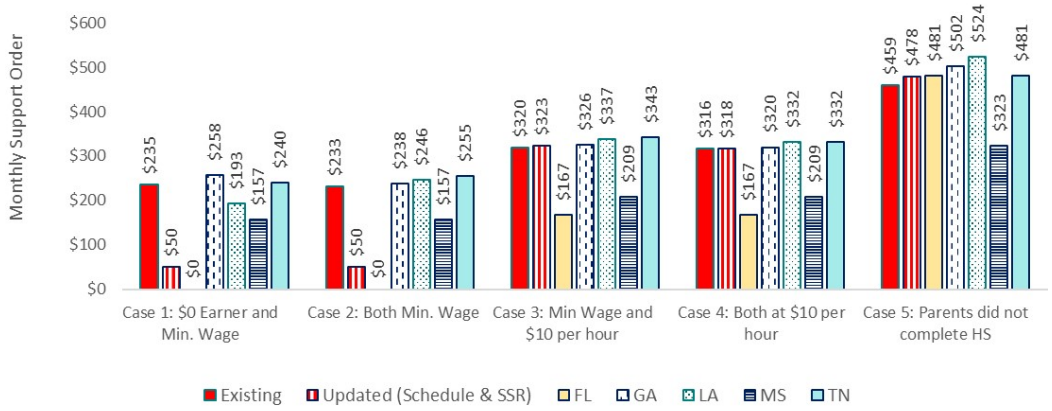
Comparisons for Cases 1-5: 1 Child

- Significant decrease for Cases 1 and 2 if SSR is updated for 2025 poverty guidelines
- Small changes between existing and updated for Cases 3-5
- When low-income adjustment doesn't apply, existing and updated AL similar to FL, GA, LA, and TN
- Fl is $0 or $167 for the first 4 case scenarios due to its low-income adjustment
- MS has a low guidelines



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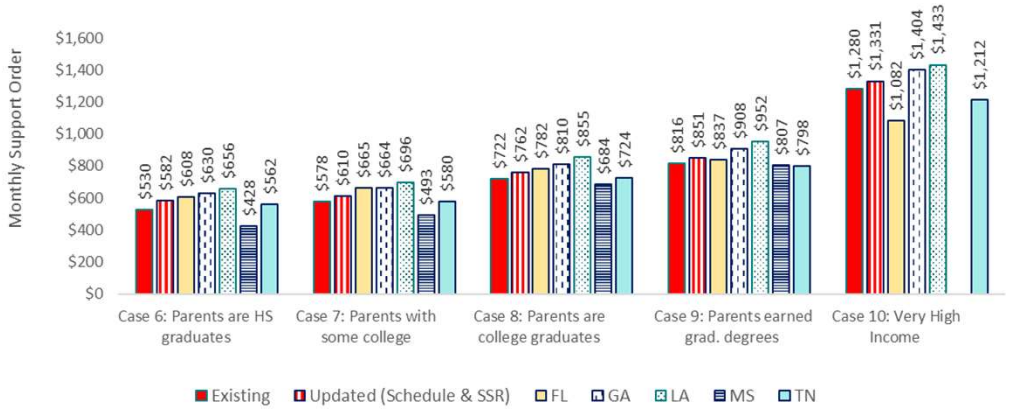
Comparisons for Cases 6-10: 1 Child

- Small changes between existing and updated
- Except for Case 10, existing and updated AL slightly less than FL, GA, and LA
- FL formula for incomes above $10,000 applies to Case 10
- MS has a low guidelines, No longer presumptive above $10,000 net
- TN has not updated for almost 20 years so doesn't capture increase in child-rearing expenditures at high incomes



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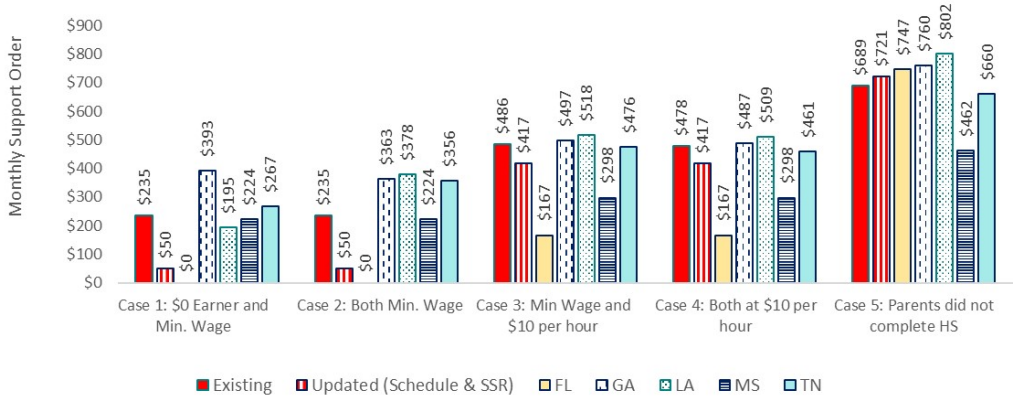
Comparisons for Cases 1 and 2: 2 Children

- Significant decrease for Cases 1-4 if SSR is updated for 2025 poverty guidelines
- Small changes between existing and updated for Case 5
- Fl is $0 or $167 for the first 4 case scenarios due to its low-income adjustment
- MS has a low guidelines



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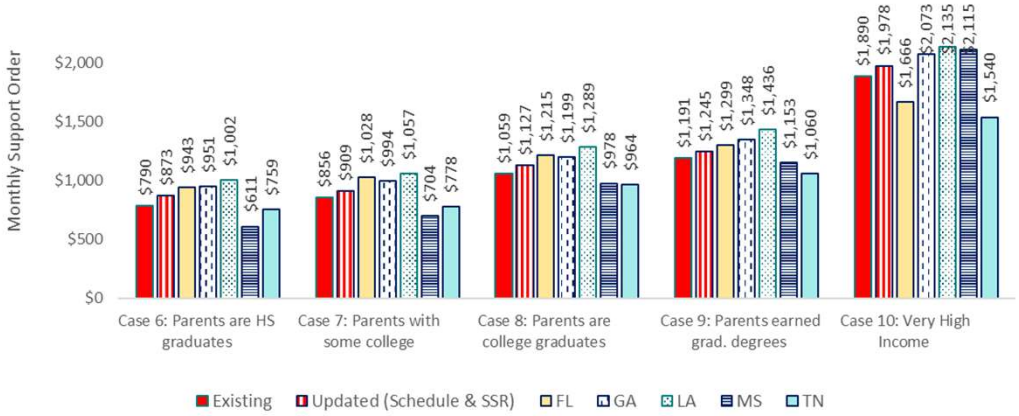
Comparisons for Cases 6-10: 2 Children

- Small changes between existing and updated
- Except for Case 10, existing and updated AL slightly less than FL, GA, and LA
- FL formula for incomes above $10,000 applies to Case 10
- MS has a low guidelines
- TN has not updated for over 10 years so doesn't capture increase in child-rearing expenditures at high incomes



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Analysis of Case File Data

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Federal Data Requirements

Requirements	Last Review	This Review
Sample of case file data	• Selected all new or modified orders that became effective from Jan 1, 2018 – Dec. 31, 2018 • Their payment data from following year • 8,333 orders from ALECS • 2,308 orders with detailed information from guidelines calculator	• Proposed selection period: Jan 1, 2023 – Dec. 31, 2023 • Payment data for following year
Percentage with guidelines deviations	9%	
Percentage with income imputation	• 5% based on ALECS data field	
Percentage entered by default	Less than percentage with income imputation	
Application of the low-income adjustment	• < 1% set at $50 per month • 5% of payer-parent's had income in the area of the previous schedule adjusted for the SSR (less than $1,100 gross per month for 1 child) • 3% of orders set between $1 and $50 per month (73% of the custodians in these cases were non-parent caretakers)	

Income from Guidelines Calculation	Fathers	Mothers
% with $0 income	11%	18%
% with minimum-wage income	31%	40%

Payment data on next slide

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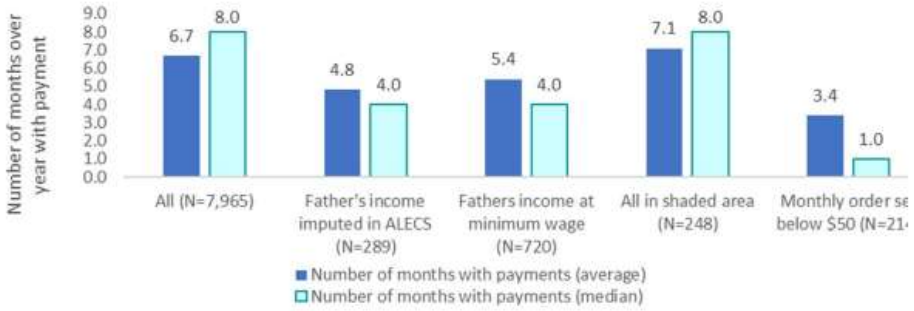
Analysis of Payment Data from Last Review

% of Current Support Paid (average paid over year divided by average due over year)

- Income imputation noted in ALECS: 38%
- Father had minimum-wage income: 42%
- Father's income was in the area of old schedule adjusted for the previous SSR: 57%
- Order is less than $50 order: 90%



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Next Steps and Questions

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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

Committee

- Are there things the Committee needs from CPR to begin discussion on:
  - Whether schedule should be updated; and
  - Whether SSR should be updated?
- What case file data would the Committee like to see:
  - To help with these decisions; and
  - Tracked over time for future guidelines reviews?
- Other Issues?