Review and Update of Florida's Child Support Guidelines

Report to the Florida Legislature
November 1, 2017

Stefan C. Norrbin, Ph.D.
David A. Macpherson, Ph.D.
Thomas S. McCaleb, Ph.D.
Onsurang Norrbin, Ph.D.
Katie Sherron, Ph.D.
Victoria Roberts, Graduate Student in Economics

Department of Economics
Florida State University
Tallahassee, Florida

Executive Summary

The Family Support Act of 1988 mandated that every state adopt a set of child support guidelines to be used as a "rebuttable presumption" in child support cases. The guidelines were to be based on economic data. The 1988 act also required the states to periodically review and update their schedules of child support obligations.

The Florida schedule of obligations was reviewed in 1992 and updated in 1993 to reflect changes in the Consumer Price Index. The guidelines were reviewed again in 1997,[1] in 2004,[2] in 2008,[3] in 2011,[4] and in 2013.[5] Each of these reviews made recommendations for significant changes in both the schedule and the underlying methodology. None of the updated schedules were ever adopted by the Florida Legislature, nor were any of the recommendations for changes in the methodology. Although specific provisions of the guidelines have been modified, the dollar amount of child support obligation for each income level has remained unchanged since 1993.

In July 2017, the Florida Legislature through its Office of Economic and Demographic Research contracted with the Department of Economics at Florida State University to undertake the present review. The review included seven tasks:

1. Select the most appropriate statistical methodologies to establish the cost of raising children in Florida compared to overall consumption expenditures as the term is commonly used within the economics profession.

2. Establish the relationship between consumption and income using different and appropriate economic data sets.

---

[1] Robert G. Williams, David J. Price, and Jane C. Venohr, *Economic Basis for Updated Child Support Schedule, State of Florida,* Policy Studies, Inc., January 30, 1997.
[2] Thomas S. McCaleb, David Macpherson, and Stefan Norrbin, *Review and Update of Florida's Child Support Guidelines, Report to the Florida Legislature*, Department of Economics, Florida State University, March 5, 2004.
[3] Thomas S. McCaleb, David Macpherson, and Stefan Norrbin, *Review and Update of Florida's Child Support Guidelines, Report to the Florida Legislature*, Department of Economics, Florida State University, November 17, 2008.
[4] Stefan Norrbin, David Macpherson, and Thomas S. McCaleb, *Review and Update of Florida's Child Support Guidelines, Report to the Florida Legislature*, Department of Economics, Florida State University, December 14, 2011.
[5] Stefan Norrbin, David Macpherson, and Thomas S. McCaleb, *Review and Update of Florida's Child Support Guidelines, Report to the Florida Legislature*, Department of Economics, Florida State University, December 15, 2013.

3. Provide a comparison of Florida data to national data using the varying economic data sets.

4. Using the appropriate methodology and data, review and, if necessary, revise the child support guidelines incorporating findings from 1 – 3 above, which are based on the cost of raising children in Florida. To the extent possible, proposed guidelines should incorporate ease of use and facilitate electronic filing.

5. Provide policy options to meet the objective of setting low-income obligor payments such that a child avoids poverty while the obligor's subsistence needs are also met.

6. Provide a methodology that is consistent, to the extent possible, with the December 20, 2016, Federal Register final rule change to 45 C.F.R. 302.56(h)(1) and (2). Where such methodology is not currently feasible or a change is not appropriate, identify, discuss, and provide any necessary recommendations for overcoming barriers to adherence with the revised Federal regulation for subsequent quadrennial reviews.

Florida's current schedule of child support obligations is based on the income shares model of child support. The income shares model is the most common model in the United States. This model forms the basis for child support guidelines in 38 states and the District of Columbia. In the income shares model, a child support obligation is calculated as a percent of the combined incomes of both parents. This obligation is then prorated between the parents in proportion to their respective shares of the combined income. The obligor parent's share of the obligation becomes the legally mandated child support payment.

The next most common model is the percent-of-obligor income model used in nine states. In this model, the child support payment is calculated as a percent of the obligor parent's income alone. The percent varies with the number of children and in three states with the obligor parent's income as well. There is, however, no systematic difference in the amount of child support payments in income shares states and in percent of obligor income states.

Florida's current schedule of obligations was based on a study of average family expenditures on children. The study was from 1984 and was based on Consumer

Expenditure Survey data for 1972-73.[6] The process of developing the current Florida schedule of child support obligations from this study was not rigorous, but depended on a large number of assumptions and *ad hoc* statistical procedures. As a result, the links between the original data and the final schedule are often weak.

The updated schedule in this report follows the income shares model but was developed using a different methodology and different data sets than used for the current schedule. The updated estimates of expenditures on children use survey data from both the most recent Consumer Expenditure Survey and the University of Michigan Panel Study of Income Dynamics. The methodology attempts to correct for implausible estimates of total family consumption in the Consumer Expenditure Survey, and ultimately combines the data from the two sets by averaging. Chapters 2 and 3 describe in detail the methodology adopted in this report. The proposed updated schedule of child support obligations is developed in Chapter 4 and is contained in Appendix 4-1.

On December 20, 2016, the federal Office of Child Support Enforcement finalized a new rule governing state child support guidelines. The rule instructs states to 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.

Chapter 5 reviews a sample of child support orders from 2014; Chapter 6 addresses issues with the low-income adjustment. Chapter 5 compares the Florida case data with the two most recent case analyses from other states, Pennsylvania and California, and reaches three major conclusions:

- The guideline deviations in Florida cases are minimal.

- The Florida sample shows a very high frequency of imputing incomes.

- Some cases have very high ratios of child support order-to-income ratios. The average child support order-to-income ratio is 26 percent, but in over two percent of the cases, the child support order exceeds 50 percent of net income. When childcare, health insurance, and health care expenses are included, the number of cases exceeding 50 percent increases to over two and half percent, with an average order-to-net income ratio of 31 percent for those cases.

[6] Thomas J. Espenshade, *Investing in Children*, The Urban Institute Press, Washington, DC, 1984.

Executive Summary

Florida's current schedule of child support obligations, like those in other income shares states, includes a "self-support reserve" and a range of incomes over which the full child support obligation is phased in. The purpose of these provisions is to ensure that the payment of child support does not push an obligor parent into poverty. The analysis in our three previous reviews showed that these provisions are not effective and apply to very few parents.

Certain features of the child support guidelines unintentionally limit the effectiveness of the low-income provisions:

- applicability is determined by comparing the parents' *combined* income to the federal *single-person* poverty guideline.

- the amount of the self-support reserve is not indexed to the federal poverty guideline and is now substantially out of date.

- the provisions are applied only to the basic child support obligation and not to the total obligation, which includes childcare and children's health expenses in addition to the basic obligation.

The ineffectiveness of the low-income provisions is exacerbated by the common practice of imputing income to parents for whom data on actual income is unavailable. Traditionally, income has been imputed in an amount equal to full-time, year-round minimum-wage earnings. As we describe in Chapter 6, the ineffectiveness problem has grown since our original review in 2004 as the minimum wage has increased faster than the poverty guideline. Even if the self-support reserve and phase-in had been indexed to the poverty guideline, the rapid increase in the minimum wage would put more and more parents out of reach of these low-income provisions.

Moreover, in the interim since our first review, Florida's child support guidelines were revised to require imputation at *median* earnings. Median earnings are approximately two-and-a-half times higher than minimum-wage earnings. This clearly means that any parents to whom income is imputed will be totally unaffected by the low-income provisions no matter how low their actual income may be, even if the child support guidelines are corrected for all three of the problems listed above.

In 2017 a significantly revised federal rule governing state child support guidelines went into effect. The revised federal rule will require careful review of Florida's child support guidelines, and possibly statutory amendment to bring the State's

guidelines into conformity with the federal rule. A major emphasis of the revised rule is to ensure that child support obligations are appropriate, allow for the subsistence needs of the obligor parent (and, at the state's option, also of the obligee parent), and are commensurate with the obligor parent's ability to pay.

Chapter 7 discusses several specific provisions of the revised federal rule, and finds that they may necessitate the following amendments of Florida's guidelines:

- the revised federal rule requires that child support obligations be based on a variety of labor market variables as well as on the cost of raising children.

- the rule requires that states engage in greater fact-finding about the specific circumstances of obligors, that child support obligations be based on the individual-specific facts of each case, that income imputation be strictly limited, and that income not be imputed at a standardized amount independent of the specific circumstances of individual obligors.

- as part of its quadrennial review, states are mandated to consider the application of and deviations from the guidelines to ensure that deviations are limited and guideline amounts are appropriate based on criteria established by the state.

- the federal rule specifically states that public health insurance or health care such as Medicaid satisfies any requirement to provide for the child's health care needs.

Recommendations

1. *Retain the Existing Schedule of Child Support Obligations*: Because the updated schedule does not differ significantly from the current one, we are not recommending that the existing schedule be replaced by the updated schedule.

2. *Sample All Judicial Data*: For the next quadrennial review, a fully representative sample of all cases, administrative and judicial, should be provided for analysis.

3. *Include Visitation Information in the Case File Data*: We recommend collecting visitation data and including it in the sample of cases for the next review, especially to comply with the new federal rule that the next review "consider…factors that influence…compliance with child support orders."[7]

[7] 45 CFR 302.56(h)(1)

4. *Include Complete Net Income Reporting*: For the next quadrennial review, all deductions from net income should be included with the sample cases for analysis.

5. *Include Worksheets from Non-IV-D Child Support Orders*: Accuracy of the case analysis for the next quadrennial review would be improved by inclusion of the child support worksheet for each case, including non-IV-D cases.

6. *Design and Implement an Electronic Version of the Worksheet*: To assure that the required data will be available for the next quadrennial review, we recommend that an electronic version of the existing or proposed worksheet be designed and implemented. This task should include training for the Florida Association of Court Clerks and the Department of Revenue in filling out the worksheet for each child support order.

7. *Replace the Self-Support Reserve and the Phase-in Range with a Low-Income Worksheet Adjustment*: Because the self-support reserve and the phase-in income range in the current schedule do not have the intended effect on most low-income obligors, we recommend replacing them with a low-income adjustment in the child support worksheet. We also recommend applying the low-income adjustment, whether in the schedule itself or in the worksheet, to the total obligation, not just the basic obligation. Finally, if the self-support reserve and phase-in are retained, we recommend amending the guidelines so that only the obligor parent's income, not the combined incomes of both parents, is compared to the federal single-person poverty guideline.

8. *Update the Schedule to Reflect the Current Poverty Guideline*: We recommend that if the self-support reserve and the phase-in are retained, the low-income adjustment be updated to reflect the current federal single-person poverty guideline.

9. *Update the Low-Income Adjustment Annually:* We also recommend the adoption of a process for annual updating of the low-income provision, whether in the schedule itself or in the worksheet, to reflect changes in the federal poverty guideline.

10. *Reduce the Disincentive in the Phase-in for Low-Income Parents to Pay Child Support*: If the self-support reserve and phase-in are retained, we recommend reducing the rates at which the child support obligation increases as income increases from the current 90-95 percent to significantly lower rates in order to reduce the disincentive for low-income parents to earn additional income and to pay child support.

11. *Amend the Enumerated Bases on Which Deviations May Be Justified*: We recommend that, to comply with 45 CFR 302.62(h)(2), Section 61.30(11)(a) of the

Florida child support guidelines statute be amended to provide for deviations on the basis of labor market conditions facing individual parents and that such deviations be clearly and carefully justified in the support order. We also recommend, if necessary, increased training of those involved in setting child support orders and increased scrutiny of these orders to ensure that the information is present in the case file and that deviations are duly and correctly justified.

12. *Amend the Guidelines Provision for Imputing Income*: We recommend amending Florida Child Support Guidelines, 2004, Statute 61.30, to strictly limit income imputation, to specify the criteria, including those in CFR 302.56(1)(c)(3), where imputation of income is authorized, to enumerate the individual-specific information on which an imputed income is to be based, and to eliminate any reference to imputing income in some standardized amount that does not reflect the individual circumstances of the obligor.

13. *Amend the Guidelines Provisions on Health Insurance*: To conform to the explicit requirements in the new federal rule that allow all forms of public insurance and public health care in addition to private health insurance and cash payment for health care services, the guidelines should be amended to require that the parents provide for the child's health care coverage without specifying or limiting the source of that coverage.

Table of Contents

Table of Contents

Table of Contents

Chapter 1

Introduction and Background

Federal law requires that each state periodically review and update its child support guidelines based on the most recently available economic data on the cost of children. In July 2017, the Florida Legislature, through its Office of Economic and Demographic Research, contracted with the Department of Economics at Florida State University to undertake this review. The members of the team conducting the review were:

Stefan C. Norrbin, Ph.D.	Professor of Economics, Florida State University
David A. Macpherson, Ph.D.	E. M. Stevens Professor of Economics Trinity University, San Antonio, Texas (formerly Rod and Hope Brim Eminent Scholar and Abba P. Lerner Professor of Economics, Florida State University)
Thomas S. McCaleb, Ph.D.	Associate Professor of Economics (retired), Florida State University
Onsurang Norrbin, Ph.D.	Associate Teaching Professor of Economics, Florida State University
Katie Sherron, Ph.D.	Associate Teaching Professor of Economics, Florida State University
Victoria Roberts	Graduate Student in Economics, Florida State University

The project team was assigned the following tasks:

1. Select the most appropriate statistical methodologies to establish the cost of raising children in Florida compared to overall consumption expenditures as the term is commonly used within the economics profession

2. Establish the relationship between consumption and income using different and appropriate economic data sets.

3. Provide a comparison of Florida data to national data using the varying economic data sets.

4. Using the appropriate methodology and data, review and, if necessary, revise the

child support guidelines incorporating findings from 1–3 above, which are based on the cost of raising children in Florida. To the extent possible, proposed guidelines should incorporate ease of use and facilitate electronic filing.

5. Provide policy options to meet the objective of setting low-income obligor payments such that a child avoids poverty while the obligor's subsistence needs are also met.

6. Provide a methodology that is consistent, to the extent possible, with the December 20, 2016 Federal Register final rule change to 45 C.F.R. 302.56(h)(1) and (2). Where such methodology is not currently feasible or a change is not appropriate, identify, discuss, and provide any necessary recommendations for overcoming barriers to adherence with the revised Federal regulation for subsequent quadrennial reviews.

The rest of this chapter describes the history of child support guidelines, three alternative child support models, two alternative approaches to estimating expenditures on children on which the child support schedules are based, and the methodology used to develop Florida's current schedule of child support obligations. The following chapter computes the percentage of a family's consumption devoted to children using each of the two alternative approaches, Engel and Rothbarth. Both approaches use data from the Consumer Expenditure Survey, which provides the most detailed consumption data available for the U.S.

Chapter 3 computes saving rates using both the Consumer Expenditure Survey and the University of Michigan Panel Study of Income Dynamics, compares the results, and concludes with a recommendation to use an average of the two saving rates to determine the consumption-to-income ratio. In Chapter 4 the child support obligations corresponding to each net income are computed and an updated schedule of child support obligations for Florida is provided in Appendix 4-1.

On December 20, 2016, the federal Office of Child Support Enforcement finalized a new rule governing state child support guidelines. Chapter 5 follows this directive by analyzing a 2014 sample of child support orders obtained from the Florida Department of Revenue. Deviations from the child support guidelines, as well as the rates of default and imputed child support orders, are analyzed.

Chapter 6 reviews the treatment of low-income obligors in Florida's guidelines and shows that the self-support reserve and the phase-in income range in the current schedule apply to very few low-income obligors. For several reasons, discussed in

Chapter 6, these provisions are generally ineffective at preventing low-income obligors from being impoverished by the payment of child support. For this reason, they do not conform to the new federal child support rule that requires that obligors retain at least a subsistence level of income after child support. The chapter concludes with a recommendation to replace the self-support reserve and the phase-in range in the schedule with a low-income adjustment in the child support worksheet and a recommendation to annually update either the self-support reserve and phase-in or the low-income worksheet adjustment to reflect changes in the federal poverty guideline.

Finally, Chapter 7 reviews compliance of the current child support guidelines with several provisions of the new federal rule. The chapter recommends amendment of the current guidelines to require consideration of each obligor's individual circumstances in setting child support payments. The chapter also recommends that income imputation be limited to only the most extreme cases where income information is clearly inconsistent with the obligor's standard of living or where there is clear evidence that the obligor is voluntarily unemployed or underemployed. Finally, the chapter also considers conformity of the requirement for health insurance in Florida's guidelines with the new federal rule and recommends amendment of the current guidelines to bring them into compliance.

History and Current Status of Child Support Guidelines

Before the mid-1970's, child support was almost exclusively governed by the states. Significant involvement by the federal government began with the passage of Title IV-D of the Social Security Act.[8] The federal involvement initially focused primarily on child support enforcement, with an emphasis on families eligible for the Aid to Families with Dependent Children (AFDC) program. Title IV-D mandated that the states establish a variety of offices and programs as well as adopt techniques to aid in child support collection.

Although formal child support guidelines first appeared in 1975 in Illinois and Maine, the Federal Child Support Enforcement Amendments of 1984 required all states to adopt advisory child support guidelines. Between 1984 and 1988, federal interest in child support significantly increased with the appointment of the Federal Advisory Panel on Child Support Guidelines. The panel released its recommendations in 1987 along with a report by Robert G. Williams in which he developed the "income shares" model for determining child support.

[8] This discussion draws heavily from Andrea H. Beller and John W. Graham, *Small Change: The Economics of Child Support*, New Haven and London: Yale University Press (1993), p. 162-69.

One year later, the Family Support Act of 1988 mandated that every state adopt a set of child support guidelines to be used as a "rebuttable presumption" in child support cases. The guidelines were to be based on the most current economic data. The 1988 act also required the states to periodically review and update their schedules of child support obligations. With little time to consider the issues involved, states tended to adopt one of the two existing models, either the percent of obligor income model, developed and implemented in the early 1980's in Wisconsin, or Williams's income shares model.

Florida adopted the income shares model, including Williams's proposed schedule of child support obligations. The Florida schedule was subsequently reviewed in 1992 and updated in 1993 to reflect changes in the Consumer Price Index. The guidelines were reviewed again in 1997,[9] in 2004,[10] in 2008,[11] in 2011,[12] and most recently in 2013.[13] Each of these reviews made recommendations for significant changes in both the schedule and the underlying methodology. None of the updated schedules were ever adopted by the Florida Legislature, nor were any of the recommendations for changes in the methodology. Although specific provisions of the guidelines have been modified, the dollar amount of child support obligation for each income level has remained unchanged since 1993.

Alternative Models of Child Support

Current state child support guidelines follow one of three models: the percent of obligor income model, the income shares model, and the Melson formula, named after Judge Elwood F. Melson of the Delaware Family Court and explained and first adopted in Delaware in 1989.

Percent of Obligor Income

The percent of obligor income model is used in nine states. It is the simplest and most transparent of the existing approaches to child support. It calculates the child

[9] Robert G. Williams, David J. Price, and Jane C. Venohr, *Economic Basis for Updated Child Support Schedule, State of Florida,* Policy Studies, Inc., January 30, 1997.
[10] Thomas S. McCaleb, David Macpherson, and Stefan Norrbin, *Review and Update of Florida's Child Support Guidelines, Report to the Florida Legislature*, Department of Economics, Florida State University, March 5, 2004.
[11] Thomas S. McCaleb, David Macpherson, and Stefan Norrbin, *Review and Update of Florida's Child Support Guidelines, Report to the Florida Legislature*, Department of Economics, Florida State University, November 17, 2008.
[12] Stefan Norrbin, David Macpherson, and Thomas S. McCaleb, *Review and Update of Florida's Child Support Guidelines, Report to the Florida Legislature*, Department of Economics, Florida State University, December 14, 2011.
[13] Stefan Norrbin, David Macpherson, Thomas S. McCaleb, and Onsurang Norrbin, *Review and Update of Florida's Child Support Guidelines, Report to the Florida Legislature*, Department of Economics, Florida State University, December 15, 2013.

support payment as a percentage of the obligor parent's income alone. Therefore, the payment is not affected by the obligee parent's income. The premise of the percent of obligor income model is stated in the Wisconsin guidelines: "a child's standard of living should, to the degree possible, not be adversely affected because his or her parents are not living together."[14]

Child support guidelines in these nine states exhibit considerable variation. The major differences among the states arise from the definition of income and the percentages applied to that income. Some states apply the percentage to gross income, while others use net income. The percentages in all states increase with the number of children, but only rarely does the percentage vary with the obligor parent's income. Table 1-1 compares the percentages applied to obligor parent income in selected states in 2017.

Table 1-1
Percentages Utilized by Selected Percent-of-Obligor Income States

Number of Children	Percentage of Income			
	Gross Income		Net Income	
	New York	***Nevada***	***Mississippi***	***Illinois***
1	17%	18%	14%	20%
2	25%	25%	20%	28%
3	29%	29%	22%	32%
4	31%	31%	24%	40%
5	35%	33%	26%	45%
6	35%	35%	26%	50%

Income Shares

The income shares model is the basis for state child support guidelines in the majority of the states.[15] The premise of the income shares model is essentially the same as that of Wisconsin's percent-of-obligor income model: a child should receive the same amount of expenditure as if the family were intact, even if the child is not the product of an intact family.[16] The child support obligation is determined as a percentage of the combined income of both parents. In Robert Williams's original formulation of the

[14] Wisconsin Child Support Guidelines, Chapter DWD 40.
[15] Between 2004 and 2011, four states and the District of Columbia adopted the income shares model. Three of these (Tennessee, Georgia, and Minnesota) previously utilized the percent of obligor income model, and Massachusetts and the District of Columbia utilized a hybrid model.
[16] Clearly this assumption results in higher costs of children than if child support payments were intended only to underwrite the minimum subsistence costs of the child.

model, the percentage was derived from estimates of average expenditures on children as a function of the income of intact two-parent households.

In this approach, the incomes of the two parents are combined. The basic child support obligation equals the average amount that an intact family with this level of income spends on the child(ren), not including expenditures on childcare or children's extraordinary medical expenses.[17] This basic support obligation is apportioned to the parents in proportion to their respective shares of the combined income. The obligor parent's share of the basic obligation becomes a court-ordered, legally mandated and enforced child support payment from the obligor parent to the obligee parent. The obligee parent is simply assumed to spend the apportioned amount on the child(ren) so that the guidelines create at most a "moral obligation", but not a legal obligation, for the obligee parent.

Expenditures on childcare and on extraordinary children's health care (often defined as expenditures above a nominal amount such as $250 per year) are excluded from the expenditure estimates from which the basic child support obligations are derived. After determining the basic obligation, the *actual* amounts expended by the parents for these items are added to the basic obligation and apportioned between the parents. The obligor parent's share of these expenses is then added to the court-ordered child support payment.[18]

Williams's original formulation of the income shares model relied on estimates of expenditures on children by Thomas Espenshade using what is known as the Engel approach to determining family equivalence.[19] More recently, David Betson has developed estimates of expenditures on children using an alternative methodology for determining family equivalence known as the Rothbarth approach.[20] Both approaches are more fully described below.

Many states that have revised their child support guidelines since 1990 have converted from estimates derived using the Espenshade-Engel approach to estimates

[17] The basic obligation is supposed to include a minimal amount for routine health care.
[18] In practice, the additional amount for children's health care is usually the premium cost of health insurance coverage for the child.
[19] Thomas J. Espenshade, *Investing in Children*, The Urban Institute Press, Washington, DC, 1984.
[20] David Betson, "Alternative Estimates of the Cost of Children from the 1980-1986 Consumer Expenditure Survey," U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, September (1990). Betson subsequently updated his estimates using data from the 1996-1998 Consumer Expenditure Survey in "Chapter 5: Parental Expenditures on Children." in Judicial Council of California, *Review of Statewide Uniform Child Support Guideline,* San Francisco, California (2001). His most recent estimates are in "Appendix A: Parental Expenditures on Children: Rothbarth Estimates", Judicial Council of California, Administrative Office of the Courts, *Review of Statewide Uniform Child Support Guidelines: A Report to the California Legislature*, November 2010.

derived using the Betson-Rothbarth approach. The 1997 review of Florida's guidelines recommended a revised schedule based on the Rothbarth approach, but because Florida continues to use a slightly updated version of Williams's original model, the current schedule is still based on the Espenshade-Engel approach.[21]

Melson Formula

The Melson formula model is used in three states (Delaware, Hawaii, and Montana). It is a more complicated version of the income shares model.[22] Delaware's Melson formula consists of two parts. First, a primary support allowance, based solely on the number of children, is determined. The primary support allowance is designed to meet the minimum basic needs of the children while also allowing the obligor to maintain a minimum standard of living. Second, if the obligor still has income available above the amount needed to maintain a minimum standard of living, a standard-of-living adjustment (SOLA) is applied. The standard-of-living adjustment lets the child share in the portion of the parent's income that exceeds the amount needed to maintain a minimum standard of living. Table 1-2 shows Delaware's primary support allowances and SOLA percentages.

Table 1-2
Delaware's Primary Support Allowance and SOLA Percentage[23]

Number of Children	Primary Support Allowance	SOLA Percentage
1	$500	19%
2	$800	27%
3	$1100	33%
Each additional	+$300	+4%

Alternative Approaches To Estimating Expenditures on Children

Whichever child support model is used, most states claim to base their child support payments on estimates of actual average family expenditures on children. Direct estimates of family expenditures on children are not possible because a majority of a family's expenditures are for shared goods (housing, for example) rather than for goods

[21] As of 2011, about seven states including Florida continued to use schedules derived using the Espenshade-Engel approach. Jane Venohr, Ph.D., *Economic Basis of an Updated Child Support Schedule for Georgia*, Center for Policy Research, December 14, 2010, page 10.
[22] See Laura Wish Morgan, *Child Support Guidelines: Interpretation and Application*, Aspen Publishers, 1996, or http://library.findlaw.com/1999/Jan/1/241469.html for a more complete description of the Melson formula.
[23] The Family Court of the State of Delaware, Instructions For Child Support Calculations (2017-2018).

that are consumed by a specific individual within the family. This has led to the use of indirect estimates.

The indirect approach attempts to compare families with children to equivalent families without children. Equivalence means the families have the same standard of living. The difference between total consumption expenditures of a family with one child and an equivalent family with no children is assumed to be the marginal cost of the first child. Similarly, the difference between the total consumption expenditures of a family with two children and an equivalent family with one child is assumed to be the marginal cost of a second child.

Crucial to this methodology is the definition of equivalence. The approaches most commonly used to determine when two families are equivalent or have the same standard of living are the Engel approach and the Rothbarth approach. The Engel approach was used by Espenshade and therefore forms the basis for Florida's child support schedule. More recently, most states using the income shares model have adopted schedules of child support obligations based on the Rothbarth approach. The Rothbarth approach has been used by David Betson to develop estimates of the share of family expenditures devoted to children, and Betson's estimates form the basis for the child support schedules in the majority of states.[24]

Engel Approach

The Engel approach assumes that families that spend the same proportion of their incomes on food are equally well off.[25] In the Engel approach, as total spending increases, the budget share or percent devoted to food should decrease, freeing up expenditures for other goods, and as family size increases, the food share of the budget should also increase.

Rothbarth Approach

The Rothbarth approach measures family equivalence using the level of "excess income" available to the household after all necessary expenditures have been made.[26]

[24] A third, more direct, approach is used by the United States Department of Agriculture. USDA estimates child-rearing expenditures individually for several expenditure categories (e.g. , food, transportation, housing), then adds them to derive a total. Only one state (Minnesota) uses the USDA measurements in setting child support obligations. Some analysts consider the USDA study to be the upper bound of current measurements of child-rearing expenditures.

[25] Ernst Engel, 1857, "Die Productions und Consumtionsverhaltnisse des Konigreichs Sachsen, *Zeitschrift des Statistischen Bureaus des Koniglich Sachsischen Ministerium des Inneren,* 8-9: 28-29.

[26] Erwin Rothbarth, "Note on a Method of Determining Equivalent Income for Families of Different Composition," in *War-Time Pattern of Saving and Spending* (ed. C. Madge). Cambridge: Cambridge University Press, (1943).

Rothbarth postulated that this excess income would be used for savings and luxuries, which he considered to be alcohol, tobacco, entertainment, and sweets. Subsequent implementation of the Rothbarth approach to develop child support guidelines has used expenditures on adult consumption goods (specifically, adult clothing, tobacco, and alcohol) as the measure of excess income.

In the Rothbarth approach, expenditure on adult goods increases as total consumption expenditure increases, but expenditure on adult goods decreases as household size increases. Betson tested several different measures of adult consumption goods but found that the results were only minimally affected by the choice of expenditure items to include. Once a variable to represent adult consumption goods is chosen, the Rothbarth approach proceeds in the same way as the Engel approach.

Development of Florida's Current Schedule of Child Support Obligations

As noted earlier, Florida initially adopted Robert Williams's proposed schedule of child support obligations developed for the Office of Child Support Enforcement, U.S. Department of Health and Human Services. The starting point for Williams's schedule was a set of percentages of household consumption spent on children derived by Espenshade using the Engel approach. Espenshade's analysis is described first, and then Williams's procedure to convert these percentages into a detailed schedule of support obligations follows.

Espenshade's Analysis

To implement the Engel approach, Espenshade used data from the 1972-73 Consumer Expenditure Survey conducted by the U.S. Bureau of Labor Statistics. From among the expenditure categories in the CEX, he selected food consumed at home (expressed as a percentage of total consumption spending) as his dependent variable. He then examined the relationship between this dependent variable and total consumption expenditures. Estimating expenditures on children using this approach proceeded in two steps.

First, expenditures on a single child were computed as the difference between total consumption expenditures for a one-child family and total consumption expenditures for an equivalent childless couple. Again equivalence means that each family spends the same share of its budget on food consumed at home. Second,

expenditures on additional children were estimated by examining how expenditure patterns vary between families with different numbers of children.[27]

Espenshade estimated average total expenditures on children in dollars from birth to age eighteen. He also created three synthetic families defined by socioeconomic status. The families were differentiated by the educational attainment and the type of occupation of the head of household. The three families were:

Low SES Family	Elementary school education, blue-collar occupation
Medium SES Family	High school education, blue-collar occupation
High SES Family	College education, white-collar occupation

For these three families, he simulated the proportion of total family expenditure devoted to raising children from birth to age 18. His estimates for a family with two children were 40.4 percent for the low SES family, 40.7 percent for the medium SES family, and 41.3 percent for the high SES family.[28] These are the percentages that formed the starting point for Williams's model guidelines schedule.

Williams's Schedule of Child Support Obligations

Child support guidelines following the income shares model require estimates of the average amount spent on children as a proportion of family *income* rather than family *expenditures*. They also require estimates for families at different income levels rather than families classified by different socioeconomic status variables. Therefore, in order to develop the national model guidelines schedule, additional steps were necessary to transform the Espenshade percentages.

Williams used the income data in the 1972-73 CEX to convert Espenshade's percentages of family expenditure devoted to children into percentages of family income devoted to children. The CEX reports summary data for families grouped into twelve income categories or ranges based on their gross incomes. Williams converted the gross income ranges into net income ranges by subtracting from gross income the average amount of federal, state, and local taxes paid, an estimate of the average amount of federal insurance (Social Security) contributions,[29] and the average amount of union dues.

---

[27] Lewin/ICF, "Estimates of Expenditures on Children and Child Support Guidelines," submitted to Office of the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services, October (1990).

[28] Espenshade, Table 20, p. 66.

[29] Federal insurance contributions were estimated as 5.525 percent (the average of the FICA rates for 1972 and 1973) of wages and salaries up to $9,902.

Although Espenshade's study was published in 1984, the data on which the percentages were based was at that time more than 10 years old, and Williams was developing his schedule in 1986. He first updated the CEX income ranges to their 1984 equivalents. To do so, he plotted the cumulative relative frequency of households in each of the 1972-73 gross income categories. He then plotted the same relative frequency using 1984 data.[30] He assumed that the distribution of income had remained stable between 1972-73 and 1984 even as the actual incomes increased. By assuming unchanged relative frequencies, he established boundaries for income categories in 1984 that he deemed equivalent to the boundaries of the 1972-73 CEX income categories.

For example, suppose one of the boundaries separating gross income categories in 1972-73 had been $5,000, and suppose 30 percent of families in 1972-73 had gross incomes below $5,000. If 30 percent of families in 1984 had gross incomes below $10,000, then Williams assumed that $10,000 in 1984 was equivalent to $5,000 in 1972-73. This procedure resulted in twelve gross income categories in 1984 dollars that were assumed equivalent to the twelve categories in 1972-73.

Assuming that gross incomes between 1984 and 1986 increased at the same rate as the average prices of goods and services, Williams transformed the data from 1984 dollars to 1986 dollars using the May 1986 Consumer Price Index. Finally, the twelve gross income categories were converted to net income by applying the 1972-73 ratio of gross to net income.

The ratio of consumption to net income in the five lowest net income categories exceeded one. Therefore, the ratios in these five categories were capped at one,[31] and they were regrouped into two categories. The consumption-to-income ratios in the next two categories were identical so they were combined into a single category, as were the next two for the same reason. These adjustments reduced the number of categories from twelve to seven.

The income shares model as developed by Williams generated a basic child support obligation to which actual amounts for childcare and extraordinary medical expenses would be added. But, the Espenshade percentages included average family expenditures on both of these items so Williams needed to back these expenditures out of the consumption-to-net income ratios in some way.

---

[30] *Money Income of Households, Families, and Persons in the U.S.: 1984*, Series P-60, No. 151, U.S. Department of Commerce, Bureau of Census, April 1986.

[31] The rationale for this is that "…families should not be required to spend more than their income." Venohr, p. 30.

The 1972-73 CEX included an expenditure variable for "cost of care", but this variable included both children and the elderly. To develop the guidelines schedule, Williams estimated the amount expended for children alone by apportioning the cost of care reported in the CEX between children and the elderly on a per capita basis.

Extraordinary medical expenses were defined as all medical costs not covered by insurance less a $200 deductible (the 1986 equivalent of $79.16 in 1972-73). Medical costs not covered by insurance are included in the CEX. These two items, estimated childcare expenses and extraordinary medical expenses, were added together and calculated as a percentage of net income. The consumption-to-net income ratio in each income category was then reduced by the ratio of the sum of childcare and extraordinary medical expenses to net income.

The results of all these calculations and adjustments are shown in Table 1-3 below. The first column shows the net income categories adjusted to 1986 dollars. The second column assigns the three Espenshade percentages to these income categories.[32] Espenshade's percentage for low socioeconomic status families is assigned to the lowest three income categories. Espenshade's percentage for medium socioeconomic status families is assigned to the middle-income category. Espenshade's percentage for high socioeconomic status families is assigned to the highest three income categories.

[32] Williams does not explain the basis for these assignments. They apparently were done simply by assumption, although the Espenshade percentages are sufficiently alike that this makes little difference to the results.

Table 1-3
Converting Expenditures on Children in a Two-Child Family from a Percent of Consumption to a Percent of Net Income

Net Income Category	Child Expenditure/Total Expenditure	Total Expenditure/Net Income	(Childcare + Medical)/Net Income	Child Expenditure/Net Income
$0-5,600	40.4	1.000	3.40	37.0
$5,601-$10,650	40.4	1.000	3.69	36.7
$10,651-$16,725	40.4	0.985	3.66	36.1
$16,726-$28,200	40.7	0.907	3.40	33.5
$28,201-$39.975	41.3	0.860	2.86	32.7
$39,976-$51,875	41.3	0.815	2.49	31.2
$51,876 or more	41.3	0.718	1.97	27.7

Espenshade estimated the percentage of family expenditures devoted to children only for families with two children. Therefore, Williams had to construct estimates for one-child families and three-child families using other data in Espenshade's analysis. Elsewhere in the study, Espenshade computes total dollar amounts spent on children from birth to age 18. These estimates are disaggregated by socioeconomic status, children's birth order, children's ages, and wife's employment status, and they are computed separately for families with one, two, and three children.[33] For example, a one-child, medium socioeconomic status family with a wife working part-time is estimated to spend $106,200 (in 1981 dollars). A two-child family with the same characteristics spends $164,800, and a three-child family spends $206,400.

To derive expenditures on children as a percent of net income for one-child families, Williams divided Espenshade's total dollar expenditure on children for the one-child family by total dollar expenditure for the two-child-family. The ratio is 0.6444. He then multiplied the percentages in the last column of Table 1-3 by this ratio to yield corresponding percentages for families with one child.

[33] Espenshade, Table 3, p. 26-28.

Similarly, Williams derived percentages of net income spent on children in three-child families by first dividing Espenshade's total dollar expenditure in three-child families by the total dollar expenditure in two-child families to get a ratio of 1.2524. He then multiplied the percentages in the last column of Table 1-3 by this ratio to yield the corresponding percentages for three-child families.

However, as we showed in our 2011 review, this procedure leads to erroneous results for one-child and three-child families because Williams appears to have misinterpreted Espenshade's analysis. The percentages of net income spent on two children, to which Williams applied these ratios, are annual amounts; that is, the percentages in the last column of Table 1-3 represent the ratio of average expenditure on two children each year to average net income for that year. But Espenshade's estimate of the amount of expenditure on one child is the total over 18 years while his estimate of the amount for two children is the total over 20 years. These need to be converted to annual amounts before multiplying the percentages in Table 1-3 by their ratio.

Because the amount for one child would be divided by 18 while the amount for two children would be divided by 20, the ratio of the annual amounts would be larger than the ratio of the total amounts. Instead of Williams's 0.6444, the true ratio of the annual amounts would be 0.7160. Thus, Williams's estimates of expenditures on one child as a percent of net income were too low by an average of about 10 percent, or about 2.5 percentage points.

Similarly, the amount for three children should be divided by 22. Therefore, the ratio of the annual amount for three children to the annual amount for two children should be smaller than the ratio of the total amounts. Instead of Williams's 1.2524, the true ratio of the annual amounts would be 1.1386. Thus, Williams' estimates of expenditures on three children as a percent of net income were too high by an average of about 10 percent, or almost four percentage points.

Espenshade also provided no estimates of family expenditures on children for families with more than three children. To extend the proportions to four-child families, Williams used a set of Revised Equivalence Scales developed by the Bureau of Labor Statistics based on 1968 data. These equivalence scales show how much more proportionately a family with four children needs to spend than a family with three children.

The BLS equivalence scales only extended to families with four children, but Williams wanted to include five-child and six-child families in his schedule. He assumed the equivalence scale would increase at a constant but decreasing rate (presumably

reflecting economies of scale in family size). This allowed him to calculate equivalence values for five and six children. He then increased his estimated percentage of net income spent on four children by these equivalence values to derive estimated percentages for five and six children.

The final result was a set of forty-two child support percentages corresponding to seven net income categories each for families with one through six children. The next and last step to derive the model guidelines schedule was to convert the seven annual net income categories into a table of child support obligations expressed in dollars corresponding to monthly net incomes in increments of $50.

The percentage of net income devoted to children in each of the seven net income categories was assigned to the mid-point net income for that category. For example, the third income category was $888-$1,394 per month with a mid-point of $1,141. The percent of income devoted to children in this category is estimated to be 36.1. So the child support obligation for parents with two children and a combined net income of $1,141 is $412 (36.1 percent of $1,141). The mid-point of the next income category is $1,873, and child expenditure as a percentage of net income in this category is 33.5. Therefore, the child support obligation for parents with two children and a combined net income of $1,873 is $627 (33.5 percent of $1,873).

Between adjacent midpoints, child support amounts at each net income were interpolated. The marginal percentage separating net incomes within each net income range was calculated. Then, support obligations corresponding to each net income were calculated so that the marginal percentage separating each support obligation was the same as the marginal percentage separating each net income.

For example, the difference between a net income of $1,500 and the next lower mid-point income, $1,141, is $359. This is 49 percent of the difference between the two adjacent midpoints, $1,141 and $1,873. Therefore, the difference in the support obligation for a net income of $1,500 and the next lower mid-point support obligation, $412, is also 49 percent of the difference between the two adjacent mid-point support obligations, $412 and $627. In this way, the entire schedule was created. This schedule with small modifications continues to be used in Florida.

It is important not to place excessive reliance on the precision of these estimates. They are the result of a process that originates with economic data (the Consumer Expenditure Survey), but with a large amount of human intervention between the data and the result. While the schedule of child support obligations following the income

shares model appears to be firmly grounded in economic data, the linkages between the underlying data and the final schedule are weak.

Many assumptions must be made in transforming the basic CEX data into the final schedule. Many of the assumptions are purely arbitrary and have no particular economic or statistical justification. Estimates of expenditures on children are sensitive to the specification of the estimating equation, the choice of variables to include in the equation, and the data series used in the estimation. It is not possible to say for certain that any schedule of child support obligations developed using this methodology truly reflects average expenditures on children by intact families.

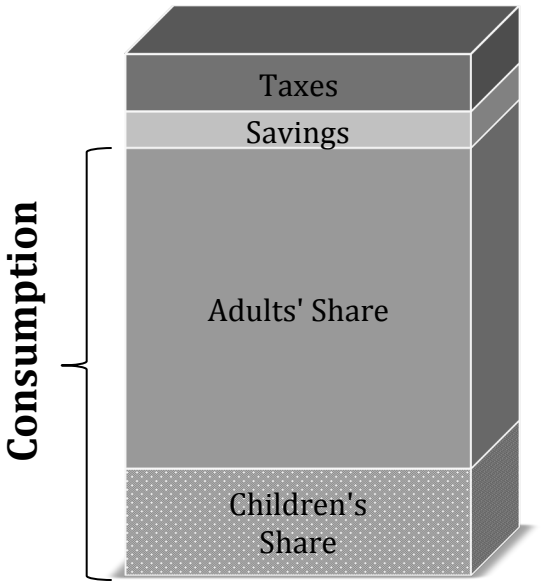
For these reasons, the schedules of obligations adopted by different states vary widely even when they purport to use the same methodology. While the choice of a particular schedule of obligations matters greatly to parents who receive and pay child support, economically, statistically, and methodologically, there are no strong grounds for preferring any one schedule to any other.

Chapter 2

Calculating the Cost of Children

Economic methods for measuring child-rearing expenditures attempt to determine how much income a household with two adults and one child needs in order to enjoy the same level of economic welfare as a childless couple. The problem is how to separate the proportion of household expenditure devoted to a child's consumption from the proportion devoted to jointly consumed goods such as housing, food, utilities, etc. As Figure 2-1 shows, families have three things they can do with their income: consume, pay taxes, or save.

Figure 2-1
Breakdown of Gross Family Income



Alternative Methods of Apportioning Household Consumption between Adults and Children

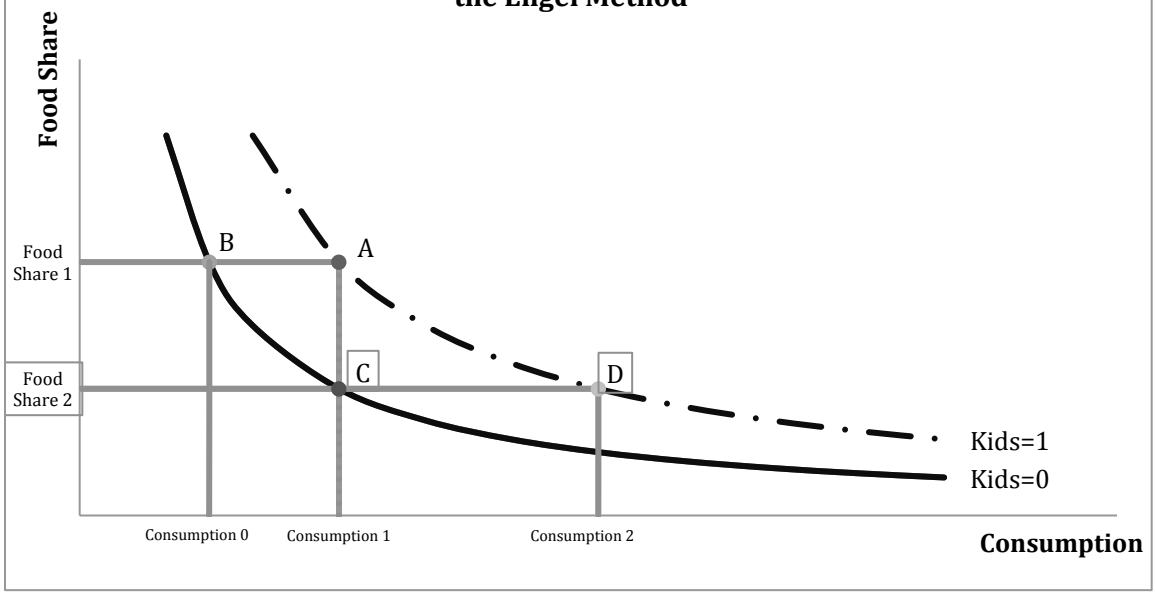
The difficult task for an economist is to apportion a family's total consumption between the parents and the children. As Chapter 1 noted, the two most common models used to estimate the marginal cost of rearing a child are Engel (1895) and Rothbarth (1943). The measure of equivalence of levels of economic welfare or standards of living

between a couple with a child and a childless couple is food as a share of total expenditure in the Engel approach and expenditure on adult-specific goods in the Rothbarth approach.

The Engel Methodology

The presence of a child increases the proportion of family budget devoted to food. The cost of a child can be measured by calculating the compensation that would have to be paid to the parents to restore the household food share to its prenatal level. Two households with the same food share are assumed to enjoy the same level of welfare regardless of family size, demographic composition, or total expenditure. By comparing total expenditure of a couple with a child and a childless couple, where both couples spend the same proportion of total expenditure on food, an equivalence scale can be derived. The additional total expenditure required by the couple with a child is the cost of maintaining that couple at the same welfare level as the childless couple.

Figure 2-2
Computing the Share of Consumption Devoted to Children Using the Engel Method



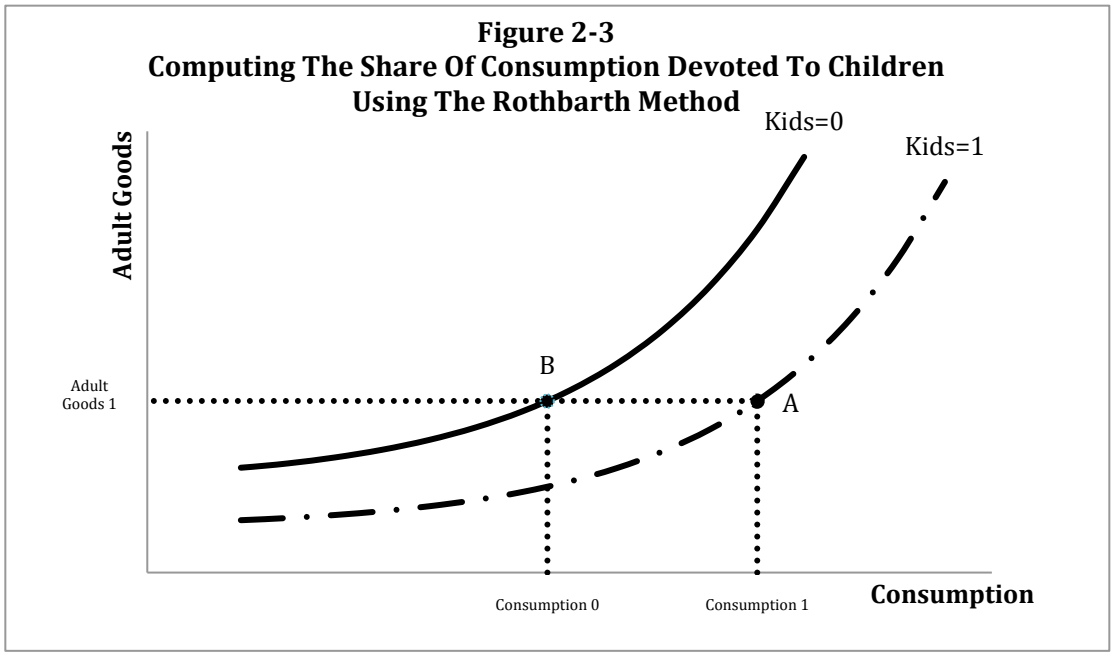
In Figure 2-2 we start with a particular consumption level for a family with one child (point A), and compute the consumption level that is necessary for a childless couple to achieve the same food share (point B). The percentage change from Consumption 1 to Consumption 0 is the fraction of consumption devoted to one child. Note also that due to the nonlinearity in the Engel curves, the food share may vary with the level of consumption. For example, in Figure 2-2 the distance from D to C is not the same as from A to B.

Rothbarth Methodology

Goods and services consumed by households can be divided into (1) child-specific goods (consumed exclusively by children), (2) adult-specific goods (consumed exclusively by adults) and (3) jointly-consumed or shared goods (consumed jointly by children and adults; housing, for example). The presence of children is assumed to affect the total expenditure on adult-specific goods, and the consumption of adult-specific goods determines the adult's welfare in this approach. If two households with the same number of adults spend the same amount of money on adult-specific goods, they are assumed to enjoy the same level of welfare or to have the same standard of living, regardless of their total expenditure and regardless of household size. The Rothbarth method calculates the additional amount of money required for a couple with a child to spend the same amount on adult-specific goods as a childless couple.

Figure 2-3 provides a graphical interpretation. Starting at Consumption 1, we compute expenditure on adult goods by a family with one child. We then find point B, the amount of total consumption expenditure (Consumption 0) that allows the family with no children to spend the same amount on adult goods as the family with one child. The percentage difference between the total consumption of these two families represents the share of consumption devoted to one child.

Figure 2-3
Computing The Share Of Consumption Devoted To Children Using The Rothbarth Method



Computing the Cost of Children

We use both the Engel and Rothbarth approaches with updated Consumer Expenditure Survey (CEX) data to find the current cost of children in Florida.

Data

Data for the analysis comes from the 2009-2015 CEX conducted by the U.S. Bureau of the Census for the U.S. Bureau of Labor Statistics (BLS). The CEX provides comprehensive information on family expenditures and income as well as on socioeconomic and demographic characteristics of U.S. families.

The 2009-2015 survey consists of two parts: (1) a quarterly interview survey which includes monthly out-of-pocket expenditures on such items as housing, apparel, transportation, health care, insurance, and entertainment, and (2) a diary survey which includes weekly expenditures on frequently purchased items such as food and beverages, tobacco, personal care products, and nonprescription drugs and supplies.[34] Our update uses only the public use file from the quarterly interview survey.

Interviews were conducted for each consumer unit, defined as (1) all members of a particular household who are related by blood, marriage, adoption, or other legal arrangements; (2) a person living alone or sharing a household with others, or living as a roomer in a private home or lodging house or in permanent living quarters in a hotel or motel, but who is financially independent; or (3) two or more persons living together who use their income to make joint expenditure decisions. Financial independence is determined by the three major expense categories: housing, food, and other living expenses. To be considered financially independent, at least two of the three major expense categories must be provided entirely or in part by the respondent.[35] The quarterly interview data file was used to construct a hypothetical annual data set. Each household was identified by a unique number and linked across quarters.

The number of children in a household was averaged across quarters. It is therefore possible for some households to have fractional children if a child was present in the household for less than the full year. Total expenditures, childcare, and medical care are averaged across quarters and multiplied by four to arrive at an estimate of the annual amount.

For analysis purposes, we use a more restricted sub-sample of the full CEX. The full sample consists of 71,382 consumer units; our sub-sample includes 2,004 of these

[34] CEX Overview, http://www.bls.gov/cex/csxgloss.htm
[35] CEX Glossary of Terms, http://www.bls.gov/cex/csxgloss.htm–

consumer units. The sample-selection restrictions imposed and the number of consumer units deleted from by each restriction are shown in Table 2-1.

Table 2-1
Sample Restrictions

Restriction	Deletions	Remaining Sample Size
Total Number of Consumer Units		71,382
Full Year	45,523	25,829
Income Not Imputed	11,497	14,362
Family Income Greater Than 0	37	14,325
Married	7,567	6,758
Under Age 55 If No Children	2,291	4,467
No Non-Family Members Living with Family	485	3,982
Includes Data on Location	18	3,964
All Children Age 15 or Younger	1,373	2,591
Three or Fewer Children	112	2,479
Gross Income Above $9,000 and Below $400,000 in 2016 Dollars	75	2,404
Net Income Less Than $150,000 in 2016 Dollars	400	2,004

We first limited our sub-sample to consumer units for which a full year (five quarters)[36] of data was available. This restriction resulted in the largest number of deletions, eliminating more than half the full sample. Another 11,497 consumer units were deleted because only imputed incomes, not actual incomes, were reported. Because the child support obligations in the income shares model are based on expenditures of intact families, we also restricted our analysis to consumer units where the parents are married, where the head of household is either under age 55 or over age 55 with children, and where the household includes no non-family members. These restrictions eliminated an additional 10,343 consumer units.

Finally, only units with incomes greater than zero, three or fewer children, children age 15 or younger, gross income between $9,000 and $400,000 in 2016 constant dollars, net income above the bottom one percent and less than $150,000 in 2016 constant dollars, and with data on location were included, although these restrictions eliminated only 2,015 units. Households with more than three children were deleted because there

[36] The CEX collects data for 5 quarters on each household. The first quarter provides demographic data and the following four quarters contain income and expenditure data.

are very few observations and part of our analysis requires inclusion of the number of children. The CEX defines adult clothing expenditures as spending on clothing by those aged 16 and older. As a result, spending by children would be mixed with adult spending if children aged 16 and 17 were included in the sample. There are also few observations on consumer units with very low or very high incomes, and in many of these cases, the low or high income is likely to be transitory. Consumption is likely to be determined by long run expected income, not by transitory low or high income, so including these consumer units would distort the consumption-to-income ratio. Finally, units with no location were deleted because we need to identify Florida residence for part of our analysis.

We sorted the sub-sample into net income quintiles. Table 2-2 shows the net incomes for each quintile and the average consumption within each quintile. Average consumption increases with net income but less than in proportion to the increase in income.

Table 2-2
Total Consumption by Net Income Quintile

Quintile	Lowest Net Income	Highest Net Income	Consumption
1	$12,785	$41,237	$33,671
2	$41,237	$60,699	$42,564
3	$59,318	$79,751	$50,883
4	$79,751	$105,778	$60,495
5	$105,778	$149,859	$70,531

As noted previously, Espenshade implemented the Engel approach using expenditure on food consumed at home from the CEX data. Betson implemented the Rothbarth approach using expenditure on adult clothing. Table 2-3 shows the mean dollar expenditure on each of these variables for each net income quintile, along with each variable's share of total consumption for each quintile. As expected, mean dollar expenditure on food consumed at home rises with net income, but its share of total consumption decreases. Also, as expected, mean expenditure on adult clothing and expenditure as a share of total consumption both rise with net income.

Table 2-3
Mean Spending and Share of Consumption

Quintile	Net Income	Food at Home		Adult Clothing	
		Dollars	***Share***	***Dollars***	***Share***
1	$12,785-$41,237	$5,313	17.7%	$301	0.9%
2	$41,237-$59,318	$5,751	14.5%	$394	0.9%
3	$59,318-$79,751	$5,917	12.5%	$522	1.0%
4	$79,751-$105,778	$6,807	12.0%	$668	1.1%
5	$1058-$149,859	$7,053	10.9%	$828	1.2%

Updated Engel Estimates

Using the 2009-2015 CEX data, we estimated the following equation for food consumed at home as a share of total consumption:

$$\ln(F) = \delta \ln(S) + \beta \ln(S)^2 + \phi \ln(FS) + \gamma(X)$$

The dependent variable, *ln(F)*, is the log of the food budget share. The food budget share is assumed to be a log-linear function of (1) the log of total spending, *ln(S)*, and its square, $ln(S)^2$; (2) the log of family size, *ln(FS);* and (3) a set of characteristics of the adults in the family, *X*. The exponential term is included to allow for nonlinearity in the relationship between food and total consumption.

We estimate the Engel model in two ways, with and without accounting for the effect of family characteristics such as the socio-economic background of the parents. The logic for including family characteristics is that, for example, parents with a high education level may spend a greater share of their total expenditure on children than less educated parents.[37]

Table 2-4 reports the results of regressing the share of food consumed at home on the various adult characteristics that we use and expenditures and family size. The second column results include parents' characteristics but the third column results do not.

[37] Because we want to maintain consistency between our Engel and Rothbarth estimates, and because the dependent variable in the Rothbarth estimates excludes children ages 16 and 17, we also exclude children ages 16 and 17 from our Engel estimates. Recall that in the CEX, spending on adult clothing includes clothing for children ages 16 and 17.

Table 2-4 Log Food Share Regression Models		
Variable	**Coefficients With Parent Characteristics (t-statistics)**	**Coefficients Without Parent Characteristics (t-statistics)**
Log (Expenditures/10,000)	-0.386	-0.461
	(-3.057)	(-3.792)
Log (Expenditures/10,000) ^{2}	-0.0813	-0.0653
	(-2.114)	(-1.744)
Log(Family Size)	0.356	0.369
	(13.68)	(14.82)
Husband: Less Than H.S Degree	-0.0283	
	(-0.810)	
Husband: More Than H.S. Degree	-0.0272	
	(-1.363)	
Wife: Less Than H.S Degree	0.0354	
	(0.914)	
Wife: More Than H.S. Degree	-0.0321	
	(-1.449)	
Wife: Number of Weeks Worked Per Year	-0.000909	
	(-1.837)	
Wife: Usual Works 35 or More Hours Per Week	0.00493	
	(0.218)	
Husband and Wife Both Work	-0.00508	
	(-0.225)	
Constant	-1.620	-1.633
	(-15.28)	(-16.49)
Observations	2,004	2,004
R-squared	0.447	0.442

R-squared measures the regression's ability to explain movements in the dependent variable. The greater the number of variables included in the regression, the higher the R-squared should be. However, adding seven variables capturing parents' characteristics in this regression results in very little change in the R-squared. The R-squared rises only slightly, from 0.442 to 0.447. This indicates that parents'

characteristics have limited importance in explaining the variation among families in food share, and thus in the cost of children. Because the regressions indicate that parents' characteristics are not significant in explaining variations in food share, in the remainder of the report, the Engel models will be estimated without the characteristics of parents.

Table 2-5 shows our estimates of the cost of children as a percentage of consumption using the Engel method. We used the regression results in Table 2-4 to compute the food share at a particular consumption level for a family with one, two, or three children and then computed the total consumption level at which a family without children would have the same food share as the family with children. The difference represents the cost of children.

Table 2-5
Cost of Children as a Percentage of Consumption Using the Engel Methodology

	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5
Consumption[38]	$33,671	$42,564	$50,883	$60,495	$70,531
One Child	21.9%	21.0%	20.3%	19.7%	19.2%
Two Children	35.1%	33.6%	32.6%	31.7%	30.9%
Three Children	44.1%	42.3%	41.1%	39.9%	39.0%

The table indicates that the cost of children, as expected, increases as the number of children increases, but decreases as net income increases.

Updated Rothbarth Estimates

To use the Rothbarth method, we selected spending on adult clothing from the 2009-2015 CEX as our measure of consumption of adult goods. We estimate the following equation:

$$\ln(A) = \delta \ln(S/FS) + \beta \ln(S/FS)^2 + \phi \ln(FS)$$

where the log of real spending on adult clothing, *ln(A)*, is the dependent variable. Spending on adult clothing is assumed to be a linear function of (1) the log of total per capita spending, *ln(S/FS)* and its square, $ln(S/FS)^2$, and (2) the log of family size *ln(FS)*. Again, the exponential term is included to allow for nonlinearity in the relationship between adult clothing and total consumption.

[38] This is the average consumption of all families within each quintile.

Table 2-6 reports our results. As before, the second column includes parents' characteristics but the third column does not. The coefficients on the per capita spending variables is consistent with expectations; an increase in total per capita spending is associated with an increase in spending on adult clothing. Family size affects spending on adult clothing in two ways. First, higher family size will reduce adult clothing spending by reducing per capita spending. Second, a higher family size will increase spending on adult clothing, other things equal, through the ln(family size) effect. The net effect is a decrease in spending on adult clothing with larger family size.

Table 2-6 Log Adult Clothing Spending Regression Models		
Variable	**Coefficients With Parent Characteristics (t-statistics)**	**Coefficients Without Parent Characteristics (t-statistics)**
Log((Expenditures/10,000)/Family Size)	1.073	1.117
	(10.50)	(11.36)
Log((Expenditures/10,000)/Family Size)^2	0.0573	0.0629
	(0.741)	(0.805)
Log(Family Size)	0.322	0.351
	(3.400)	(3.756)
Husband: Less Than H.S Degree	-0.0622	
	(-0.463)	
Husband: More Than H.S. Degree	0.173	
	(2.426)	
Wife: Less Than H.S Degree	0.522	
	(3.770)	
Wife: More Than H.S. Degree	0.143	
	(1.869)	
Wife: Number of Weeks Worked Per Year	0.000380	
	(0.252)	
Wife: Usual Works 35 or More Hours Per Week	0.0741	
	(1.080)	
Husband and Wife Both Work	0.0164	
	(0.220)	
Constant	4.647	4.914
	(29.22)	(38.92)
Observations	1,823	1,823
R-squared	0.234	0.221

Including the parents' characteristics results in little change in the R-squared; it rises only slightly, from 0.221 to 0.234. This indicates that parents' characteristics have limited importance in explaining the variation in spending on adult clothing, and thus in the cost of children. Because the regressions indicate that parents' characteristics are not significant, in the remainder of the report, the Rothbarth models will be estimated without

the characteristics of parents.

Table 2-7 presents a listing of the Rothbarth estimates for the cost of children based on spending on adult clothing as the adult good. The results are generally consistent with expectations. For example, there are economies of scale with children. That is, the cost of two children is less than twice the cost of one child.

Table 2-7
Cost of Children as a Percentage of Consumption Using the Rothbarth Methodology

	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5
Consumption[39]	$33,671	$42,564	$50,883	$60,495	$70,531
One Child	24.5%	24.7%	24.9%	25.0%	25.2%
Two Children	37.7%	38.1%	38.3%	38.6%	38.8%
Three Children	46.2%	46.6%	46.9%	47.2%	47.4%

Previous analyses using the Rothbarth method excluded families with zero spending on adult clothing. Table 2-8 compares the characteristics of families with zero spending on adult clothing with the characteristics of all families in the sample. Families with zero adult clothing consumption average 0.35 more children and their net income is 16 percent, or $12,070, less than all families. Zero adult clothing families also spend a 4.9 percentage point higher share of total expenditures on food at home.

Table 2-8
Comparison of Sample with Zero Clothing Expenditure and Full Sample

	Zero Clothing Sample	Full Sample
Net income	$61,240	$73,310
Number of Children	1.57	1.22
Share of Spending on Food at Home (%)	18.4%	13.5%
Spending on Adult Clothing in 2016 (Dollars)	0	$542
Sample Size	181	2,004

[39] Average consumption of all families within each quintile.

To examine how the inclusion of the zero adult clothing families would affect the cost of children, we assign a value of $0.01 to observations with zero spending on adult clothing so that the log of adult clothing can be calculated for these families. Table 2-9 shows the cost of children including those families that report zero spending on adult clothing. Including these families in the analysis dramatically alters the results. The cost of children for the middle quintile rises three to seven percentage points. In fact, the Rothbarth cost estimate is substantially above the cost estimate using the Engel approach. Thus, estimates that exclude the zero consumption observations yield more reasonable estimates of the cost of children than estimates that include the zero consumption observations.

Table 2-9
Rothbarth Estimates Using Adult Clothing and Including Zero Consumption Observations

	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5
Consumption[40]	$33,671	$42,564	$50,883	$60,495	$70,531
One Child					
Clothing (no zeroes)	24.5%	24.7%	24.9%	25.0%	25.2%
Clothing (with zeroes)	29.2%	28.7%	28.1%	27.5%	26.8%
Two Children					
Clothing (no zeroes)	37.7%	38.1%	38.3%	38.6%	38.8%
Clothing (with zeroes)	45.2%	44.7%	44.2%	43.5%	42.9%
Three Children					
Clothing (no zeroes)	46.2%	46.6%	46.9%	47.2%	47.4%
Clothing (with zeroes)	55.3%	54.8%	54.4%	53.8%	53.2%

Comparison of Florida to National Average Data

The number of Florida observations is 107. This is too small a sample size to estimate a complete model with only Florida observations. Instead we test the full-sample model with the addition of a binary variable for Florida (equal to one if the consumer unit resides in Florida, zero otherwise) to capture any differences between national average and Florida data.

The second column in Table 2-10 repeats the results of the preferred Engel food share regression from Table 2-4. The third column shows the effect of adding a binary

[40] Average consumption of all families within each quintile.

variable for Florida. The coefficient on the Florida variable is statistically significant and indicates that the average food share for Florida consumer units is higher than the national average food share.

Table 2-10
Log of Food Share Regression Models Without and With Florida Variable

Variable	Coefficient Without Florida Adjustment (t-statistic)	Coefficient With Florida Adjustment (t-statistic)
Log (Expenditures/10,000)	-0.461	-0.442
	(-3.792)	(-3.743)
Log (Expenditures/10,000)^2	-0.0653	-0.0694
	(-1.744)	(-1.910)
Log(Family Size)	0.369	0.372
	(14.82)	(15.09)
Florida		0.178
		(6.275)
Constant	-1.633	-1.667
	(-16.49)	(-17.30)
Observations	2,004	2,004
R-squared	0.442	0.451

The second column of Table 2-11 repeats the results in Table 2-6 of our preferred Rothbarth adult clothing regression. The third column adds a binary variable for residence in Florida. The coefficient on the Florida variable is statistically significant and indicates that Florida consumer units spend less on adult clothing than the national average.

Table 2-11 Log of Adult Clothing Expenditure Regression Models Without and With Florida Variable		
Variable	**Coefficient Without Florida Adjustment (t-statistic)**	**Coefficient With Florida Adjustment (t-statistic)**
Log (Expenditures/10,000)	1.117	1.114
	(11.36)	(11.33)
Log (Expenditures/10,000) ^{2}	0.0629	0.0602
	(0.805)	(0.759)
Log(Family Size)	0.351	0.337
	(3.756)	(3.621)
Florida		-0.296
		(-2.678)
Constant	4.914	4.947
	(38.92)	(39.26)
Observations	1,823	1,823
R-squared	0.221	0.224

Comparison of Engel and Rothbarth Approaches With Adjustment for Florida

Since 1972-73, the Engel estimates have fallen from an effective percentage of about 24 percent to 20.8 percent for one child using current data.[41] However, Rothbarth estimates appear to have increased over the same time period from about 19 percent to 25.2 percent using current data.[42] In fact, the Rothbarth one-child estimate exceeds the Engel estimate using updated data. Similar patterns exist for two-child and three-child families.

Table 2-12 shows the effect of including a binary variable for Florida on the share of consumption devoted to children using each of the two estimation approaches. Comparing the results in Table 2-12 with those in Table 2-5, adding a Florida-specific effect generally increases the children's share of household consumption. For a middle quintile income family with one child, the child's share goes from 20.3 percent to 20.6 percent. With two children, the share increase from 32.6 percent to 33.1 percent; with

[41] See Lewin-ICF (1990) for the derivation of the one-child cost based on the 1972-73 Espenshade results.
[42] See Lazear and Michael (1988) for the 1972-73 results.

three children, it increases from 41.1 percent to 41.7 percent.

Comparing the results for the Rothbarth approach in Table 2-12 with those in Table 2-8, the Florida-specific effect slightly increases in the fraction of consumption devoted to children. For a single child in a middle income quintile family, the child's share rises from 24.9 to 25.2 percent. For a family with two children, the share increases from 38.3 percent to 38.8 percent; for a three-child family, it goes from 46.9 percent to 47.5 percent.

Two patterns are evident from Table 2-12. First, the percentage cost of children falls modestly at higher consumption levels with the Engel approach and rises modestly at higher consumption levels with the Rothbarth approach. The average of the two models yields a very slight decline in the cost of children as consumption levels increase. Second, there are significant economies of scale in the cost of children; for the middle quintile, the cost of children is 22.9 percent for one child, 36.0 percent for two children, and 44.6 percent for three children. That is, the cost of children increases less than proportionately with the number of children.

Table 2-12 Engel, Rothbarth and Combined with Florida Adjustment					
	Quintile 1	**Quintile 2**	**Quintile 3**	**Quintile 4**	**Quintile 5**
Consumption[43]	$33,671	$42,564	$50,883	$60,495	$70,531
One Child					
Engel with Florida Adjustment	22.4%	21.4%	20.6%	20.0%	19.4%
Rothbarth with Florida Adjustment	24.8%	25.0%	25.2%	25.3%	25.5%
Combined with Florida Adjustment	23.6%	23.2%	22.9%	22.7%	22.4%
Two Children					
Engel with Florida Adjustment	35.9%	34.3%	33.1%	32.1%	31.3%
Rothbarth with Florida Adjustment	38.3%	38.6%	38.8%	39.0%	39.2%
Combined with Florida Adjustment	37.1%	36.4%	36.0%	35.6%	35.2%
Three Children					
Engel with Florida Adjustment	45.0%	43.1%	41.7%	40.5%	39.5%
Rothbarth with Florida Adjustment	46.8%	47.2%	47.5%	47.7%	48.0%
Combined with Florida Adjustment	45.9%	45.2%	44.6%	44.1%	43.7%

It is difficult to argue that one or the other of the methodologies is unambiguously better, and the results are quite close. Moreover, because Florida appears to be statistically significantly different from the national averages, an adjustment for Florida seems warranted. Therefore, we recommend using an average of the Engel and Rothbarth estimates with a Florida adjustment to the national models to develop the schedule of child support obligations for Florida parents.[44]

[43] Average consumption of all families within each quintile.

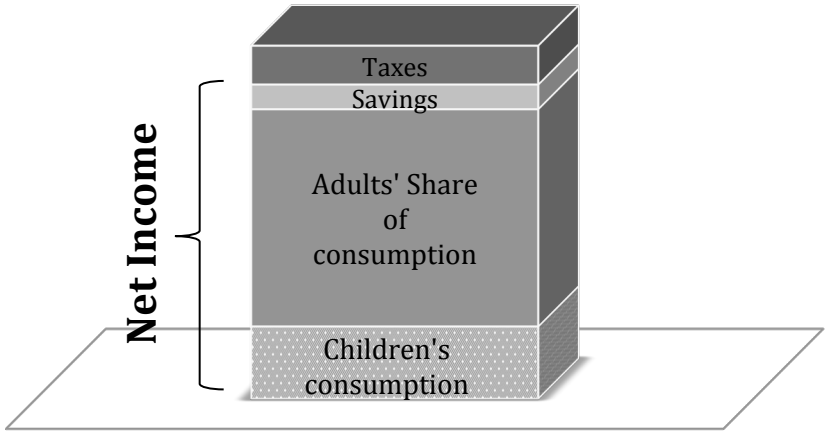
[44] At the time of our 2011 review, at least one state, our neighboring state of Georgia, based its schedule of child support obligations on an average of estimates of the cost of children obtained using the Engel and Rothbarth methods.

Chapter 3

Computing Total Consumption for Florida Families

Figure 3-1 shows the allocation of the family's net income. In addition to reporting detailed information about household consumption expenditures, the Consumer Expenditure Survey also asks the respondent about gross income. Net income is derived by subtracting taxes from gross income, where taxes are calculated using the National Bureau of Economic Research TAXSIM model. The CEX does not ask respondents about saving. Instead, saving is determined as a residual or balancing item after accounting for the other components.

Figure 3-1
Allocation of Family Gross Income



This residual saving in the CEX appears to be overstated compared with saving reported in other surveys such as the Panel Study of Income Dynamics (PSID) and the Federal Reserve Board's Survey of Consumer Finances.[45] If CEX saving is overstated, then CEX total family consumption is understated. This might occur, for example, if the respondent forgets to report some consumption expenditures. The omitted consumption expenditure would then be folded into the CEX saving variable so that reported saving at each income level is too high and reported consumption is too low. [46] The problem is especially acute at higher income levels.[47]

[45] Dynan, Karen, Jonathan Skinner and Stephen Zeldes, "Do the Rich Save More?" *Journal of Political Economy*, 2004, vol. 112, no.2.
[46] Prior to 2013, taxes in the CEX were always coded as zero if tax information was missing, another

The schedule of child support obligations is based on estimates of children's consumption as a share of net income rather than children's shares of total consumption as calculated in Chapter 2. Because total consumption reported in the CEX is unreliable, we cannot use the CEX data directly to convert from total consumption to net income. Instead, we need a way to generate a more reliable estimate of total consumption for families at different net income levels.

In this chapter, we develop a function to compute expected saving for families at different income levels.[48] Once we have established the relationship between saving and net income, we can estimate total consumption as a share of net income at each net income level. We use both the CEX, as we did in Chapter 2, and the Panel Study of Income Dynamics.[49] The PSID survey began in 1968 with a nationally representative sample of 5,000 families in the United States. These families have been followed continuously since then. The survey includes detailed data on family saving that can be used to compute total family consumption.

The PSID estimate of total consumption might provide a useful alternative to the CEX for three reasons. First, the PSID saving rate is closer than the CEX implicit saving rate to the personal saving rate in the National Income and Product Accounts. Second, the CEX tax data is reliable only since 2013 when the CEX began using TAXSIM. That restricts the usable sample size for the CEX so that we have many fewer CEX observations than PSID observations.

Finally, household saving is not likely to be the same every year. For example, if an income earner in the household is temporarily unemployed in a given year, household income in that year decreases but consumption is unlikely to decrease, or at least not in the same proportion. In the expectation that unemployment will be of relatively short duration, the family attempts to maintain as closely as possible its level of consumption by drawing on prior saving. The family would have a low income and a negative saving rate in the current year, but higher income and a positive saving rate in prior and subsequent years. The CEX is limited to only a single year whereas the PSID can be used

---

reason for the overstatement of saving in the CEX. Beginning in 2013 the CEX survey uses TAXSIM to compute the correct taxes for each consumer unit. For a discussion of the problems with earlier versions of the CES data see Geoffrey Paulin and William Hawk, "Improving Data Quality in Consumer Expenditure Survey with TAXSIM," *Monthly Labor Review,* U.S. Bureau of Labor Statistics, March 2015, https://doi.org/10.21916/mlr.2015.5.

[47] See Branck, Raphael, 1994, "The Consumer Expenditure Survey: A Comparative Analysis," *Monthly Labor Review*, 117 (December) pp. 47-55.

[48] Throughout this chapter, we define a family as a household with two adults and zero to three children with no non-family members living in the household. The children must be age 15 or less. If the adults have no children, they must both be under age 55.

[49] Panel Study of Income Dynamics, public use dataset. Produced and distributed by the Survey Research Center, Institute for Social Research, University of Michigan, Ann Arbor, MI 2017.

to estimate an annual average for the same family over a four-year period. The four-year average also includes expenditures that are not recurring each year and would therefore likely not be included in the CEX. Thus, the four-year average computed from the PSID might provide a more reliable estimate of a family's true total consumption than the CEX's single-year observation.

Implicit Saving Rates Using the Consumer Expenditure Survey

We use data from the CEX to compute the following implicit saving function for the ith family by regressing saving on net income, the square of net income to account for possible nonlinearity in the relationship, and the natural log of family size:

$$\text{Saving}_i = \text{Constant} + a_1 * \text{Net Income}_i + a_2 * \text{Net Income}_i^2 + a_3 * \ln(\text{Family Size}_i) + e_i$$

Because of the problem with taxes in the CEX prior to 2013, we use only data from the 2013-2015 surveys. All data is converted to 2016 dollars using the Consumer Price Index.

The estimated parameters are reported in Table 3-1. The dependent variable is the level of household saving. The R-squared is acceptable, at 0.39, and all variables have the expected signs.

Table 3.1 CEX Saving Function	
Variable	**Coefficient (t-statistic)**
Net Income	0.528
	(4.24)
Net Income^2	-2.25e-07
	(-0.28)
ln(Family Size)	-10,738.5
	(-5.16)
Constant	-6,620.0
	(-1.32)
Observations	783
R-squared	0.391

Table 3-2 provides the estimated saving rates computed by this function for families in each of the net income quintiles defined in Chapter 2. The analysis implies that low-income families with one child consume slightly more than their incomes.[50] Saving rates increase quickly as net income increases with the third quintile saving almost 25 percent of net income and the top quintile slightly more than 35 percent.

Table 3-2 Estimated CEX Saving Rates for a Family with One Child (Percent)					
	Quintile 1	**Quintile 2**	**Quintile 3**	**Quintile 4**	**Quintile 5**
Average Net Income	$29,928	$49,967	$69,938	$92,552	$124,199
Estimated Saving Rate	-9.4%	14.8%	24.9%	30.8%	35.2%

[50] Note that saving is a function of family size so that the saving rate differs for families with one, two or three children.

Panel Study of Income Dynamics Saving Rates

Our analysis using the PSID closely follows the methodology that Juster, Lupton, Smith, and Stafford[51] used to construct wealth and saving variables. We have used responses from the 2011, 2013, and 2015 PSID surveys. We want to estimate the share of net income that families save each year. In the language of Juster, et al., we are interested in "active saving". Active saving is:

$$AS_i = DW_i - PW_i$$

where AS_i is the change in wealth from contributions to asset value out of current income, DW_i is the total change in wealth stored in asset *i*, and PW_i is the change in passive wealth stored in that asset. For example, an increase of $100,000 in the equity in a house results in part from the down payment to purchase the house or principal payments on the mortgage and in part from appreciation (or depreciation) in the price of the house. The down payment and principal payments are examples of active saving, while price appreciation or depreciation is an example of passive saving. We are only interested in the active saving component.

Juster, et al., have eight asset classes, but these can be aggregated into two general categories based on the presence or absence of passive saving. The first category includes assets that may have both active and passive saving components. This category consists of owned homes (AS_1), other real estate (AS_2), farms and businesses (AS_3), and corporate equities (AS_6).[52] The second category consists of assets where changes in wealth are a function only of active saving; that is, they have no passive wealth component. In the second category we include automobiles (AS_4), checking and saving accounts (AS_5), miscellaneous saving vehicles (AS_7), and other debt (AS_8).

Table 3-3 shows the average saving for all families. Most of the average saving of $8,574 is accounted for by saving in owned homes and other real estate. The third most important active saving asset is checking and saving deposits.

[51] Juster, Thomas, Joseph Lupton, James Smith, and Frank Stafford, "The Decline in Household Saving and the Wealth Effect," *The Review of Economics and Statistics*, vol. 88(1) 20-27 and mimeo University of Michigan, 2004.

[52] Our analysis allocates household saving to owned homes slightly differently than Juster, et al. While Juster, et al., distinguished only between moving and non-moving households, our analysis adds households that changed living status from renting to owning or vice versa.

Table 3-3 PSID Active Saving By Asset Class (2016 Dollars)	
Asset Class	**Mean**
AS_1 Homeowner	6,742
AS_2 Other Real Estate	1,312
AS_3 Farms/Business	201
AS_4 Durable Goods	97
AS_5 Demand Deposits	788
AS_6 Corporate Equities	273
AS_7 Miscellaneous Saving	-629
AS_8 Other Debt	-219
Total Saving	**8,574**

PSID reports gross income, but not net income. As we are interested in the ratio of saving to net income, we must first compute a net income corresponding to each level of gross income in the PSID. Unlike the CEX, the PSID does not report either net income or taxes. Therefore, we use the estimated relationship between gross income and the implied value of net income in the CEX to transform PSID gross income into net income, which then becomes the independent variable in the following regression.

To do this, we regress CEX net income on the CEX's reported gross income, the square of gross income (again, to allow for the possibility that the relationship is non-linear), an interactive term between gross income and Florida residence (to account for the possibility that Florida families behave differently), the square of the interactive term, and a binary variable for Florida residency:

$$\text{Net income}_i = \text{Constant} + a_1\text{Ginc}_i + a_2\text{Ginc}_i^2 + a_3\text{Ginc}_i*\text{FL}_i + a_4\text{Ginc}_i^2*\text{FL}_i + a_5\text{FL}_i + e_i$$

The results are shown in Table 3-4. The function has a very high explanatory power of 98 percent. Because Florida does not have a state income tax, the function shows that Florida has a higher net income as a fraction of gross income than the national average.

Table 3-4 **PSID Net Income Function**	
Variable	**Coefficient** **(t-statistic)**
Ginc	0.789
	(49.51)
$Ginc^2$	-4.90e-07
	(-6.26)
FL*Ginc	0.141
	(2.78)
FL*$Ginc^2$	-4.32e-07
	(-1.78)
FL	-6,150.4
	(-2.79)
Constant	6,869.9
	(9.59)
Observations	783
R-squared	0.983

We now use the net incomes generated by this regression to estimate the relationship between net income and saving as reported in the PSID:

$$Saving_i = Constant + a_1*Net\ income_i + a_2*Net\ income_i^2 + a_3*\ln(Family\ size_i) + e_i$$

The results are shown in Table 3-4. The R-squared for the PSID saving function is low, but all variables have the expected signs.

Table 3-4 PSID Saving Function	
Variable	**Coefficient (t-statistic)**
Net Income	0.241
	(7.87)
Net Income^2	-1.81E-07
	(-2.70)
Ln(Family Size)	-14,053
	(-3.91)
Constant	6,466
	(1.32)
Observations	1,522
R-squared	0.082

Finally, as shown in Table 3-5, we use the PSID saving function to compute the expected saving rate for families in each net income quintile.

Table 3-5 Estimated PSID Saving Rates For a Family with One Child (Percent)					
	Quintile 1	**Quintile 2**	**Quintile 3**	**Quintile 4**	**Quintile 5**
Average Net Income	$29,928	$49,967	$69,938	$92,552	$124,199
Estimated Saving Rate	-6.4%	5.2%	10.0%	12.7%	14.6%

As Table 3-5 shows, low-income families on average, not unexpectedly, have negative saving; they consume slightly more than their income. The saving rate rises rapidly as net income rises so that the middle quintile is expected to save 10 percent of net income and the top quintile saves almost 15 percent.

Comparing National Saving Rates to Florida Saving

The second column of Table 3-6 shows the parameters of the CEX saving function, reported above in Table 3-1. The third column of Table 3-6 shows the parameters of the same function with a binary variable for Florida added. This Florida variable is intended to allow for the possibility that Florida families with a given net income may save more or less than the national average.

Table 3-6
CEX Saving Function Without and With a Florida-Specific Effect

Variables	Coefficient Without Florida Adjustment (t-statistic)	Coefficient With Florida Adjustment (t-statistic)
Net Income	0.528	0.531
	(4.24)	(4.27)
Net Income^2	-2.25e-07	-2.44e-07
	(-0.28)	(-0.30)
ln(Family Size)	-10,738.5	-10,652.2
	(-5.16)	(-5.11)
Constant	-6,620.0	-7,096.9
	(-1.32)	(-1.42)
Florida		3,120.5
		(1.00)
Observations	783	783
R-squared	0.391	0.392

The t-statistic on the Florida variable is 1.00, indicating that there is no evidence that Florida families behave differently than the national average. Therefore, no adjustment is needed to account for a Florida-specific effect.

In Table 3.7 we also test the PSID results for a potential Florida-specific effect. The two columns are specified in the same way as in Table 3-6.

Table 3-7 PSID Saving Function Without and With a Florida-Specific Effect		
Variables	**Coefficient Without Florida Adjustment (t-statistic)**	**Coefficient With Florida Adjustment (t-statistic)**
Net Income	0.241	0.245
	(7.87)	(7.94)
Net Income^2	-1.81E-07	-1.76E-07
	(-2.70)	(-2.62)
ln(Family Size)	-14,053	-14,161
	(-3.91)	(-3.94)
Constant	6,466	6,569
	(1.32)	(1.34)
Florida		-6.360
		(-1.04)
Observations	1,522	1,522
R-squared	0.081	0.082

Table 3-7 shows that the Florida variable is again insignificant, with a t-statistic of -1.04. Therefore, an adjustment in the PSID saving rate is not needed for a Florida-specific effect.

Comparison of the Two Methods

The saving rates computed above for the CEX and the PSID surveys differ substantially. The calculated implicit CEX saving rates, like the residual saving rates reported in the CEX, might be too high due to underreporting of total consumption by respondents. The PSID survey may have the opposite problem. It asks respondents about changes in their wealth, and PSID respondents may not accurately recall all their assets.

Thus, saving as reported in the PSID method may be understated, resulting in overstatement of total consumption.

To account for potential overestimation of saving (underestimation of consumption) in the CEX and potential underestimation of saving (and overestimation of consumption) in the PSID, we have averaged the two. We then subtract the average saving rate from one to derive an estimate of total consumption as a share of net income. Table 3-8 shows the consumption shares as calculated for each survey and the average consumption share for families in each net income quintile.

Table 3-8
Consumption Share of Net Income for a Family With One Child

	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5
Average Net Income	$29,928	$49,967	$69,938	$92,552	$124,199
CEX Consumption Share	1.00	0.85	0.75	0.69	0.65
PSID Consumption Share	1.00	0.95	0.90	0.87	0.85
CEX-PSID Average Consumption Share	1.00	0.90	0.83	0.78	0.75

The average provides a potential correction for possible errors in both surveys. At low incomes we still see a slightly negative saving rate. As we do not expect any family to persistently spend more than they earn, we set the consumption share of net income for the first quintile to 1.00.. The saving rates for a family with one child climb quickly so the third quintile is expected to consume 83 percent of their net income, and a family in the top quintile is expected to consume 75 percent. We use the average saving rates in the next chapter to calculate an updated schedule of child support obligations.

Chapter 4

An Updated Schedule of Child Support Obligations for Florida

In this chapter we combine the results from Chapters 2 and 3 to develop an updated schedule of child support obligations for Florida.

Computing the Schedule of Child Support Obligations

We use the estimated fraction of total consumption devoted to a child from Chapter 2, multiplied by total consumption as a share of net income from Chapter 3. Because expenses for childcare and for extraordinary medical expenses are not included in the basic obligation in the income shares model, we subtract these from the share of consumption devoted to children before calculating children's consumption as a share of net income. The results are then converted to a dollar amounts corresponding to each net income where net income is expressed in $50 increments.

The CEX family consumption data includes childcare expenditures and medical expenses, but the basic child support obligation does not. Extraordinary medical expenses are most commonly defined as medical expenses exceeding $250 per child per year.[53] To account for childcare and extraordinary medical expenses, we calculate the average extraordinary medical and childcare expense as a share of total consumption for each net income quintile. We then compute a smooth function using the five averages.

Table 4-1 illustrates the process of computing expenditures on children as a fraction of net income, assuming a family with only one child. The first column shows the average net income in each quintile. The second column shows the estimated children's share of total family consumption in each net income quintile. The third column shows expenses on childcare and extraordinary medical expenses as a share of total family consumption. Finally, the fourth column displays total family consumption as a share of net income. The percentage share of net income devoted to children in the fifth column is calculated by subtracting Column 3 from Column 2 and multiplying the result by Column 4. All numbers in Table 4-1 are expressed as percentages.

[53] Jane Venohr, 2015-2016 Pennsylvania Child Support Guidelines Review: Economic Review and Analysis of Case File Data, March 31, 2016, page 56

Table 4-1 Shares of Net Income Devoted to One Child (Percent)				
Quintile	**Child's Share of Consumption**	**Childcare and Extraordinary Medical Expenses As Share of Consumption**	**Consumption As Share of Net Income**	**Child's Share of Net Income**
1: ($29,928)	23.6	1.0	100	22.6
2: ($49,967)	23.2	1.6	91	19.7
3: ($69,938)	22.9	2.5	83	16.9
4: ($92,552)	22.7	3.7	79	15.0
5: ($124,199)	22.4	3.9	75	13.9

The CEX and the PSID both have too few observations for families with more than three children to use as a basis for computing child support obligations. Therefore, support obligations for four, five, and six children are extrapolated from the calculated support obligations for three or fewer children.[54] We use the following three-parameter formula advocated by Betson and Warlick (2006) and the Census Bureau:[55]

$$(2+.5C)^{.70}/2.1577$$

where C is the number of children in a family with two adults. Using this formula, a family with four children will have a 9.80 percent higher cost than a three-child family, a family with five children will have an 8.60 percent higher cost than a family with four children, and a family with six children will have a 7.65 percent higher cost than a family with five children.

[54] This is the standard practice using the income shares model. The obligations for four or more children in Florida's current schedule were derived in this way.

[55] Betson, David, and Jennifer L. Warlick, "Measuring Poverty" in *Methods in Social Epidemiology* edited by Michael Oakes and Jay Kaufman, Jossey-Bass Press, 2006, 112-133.

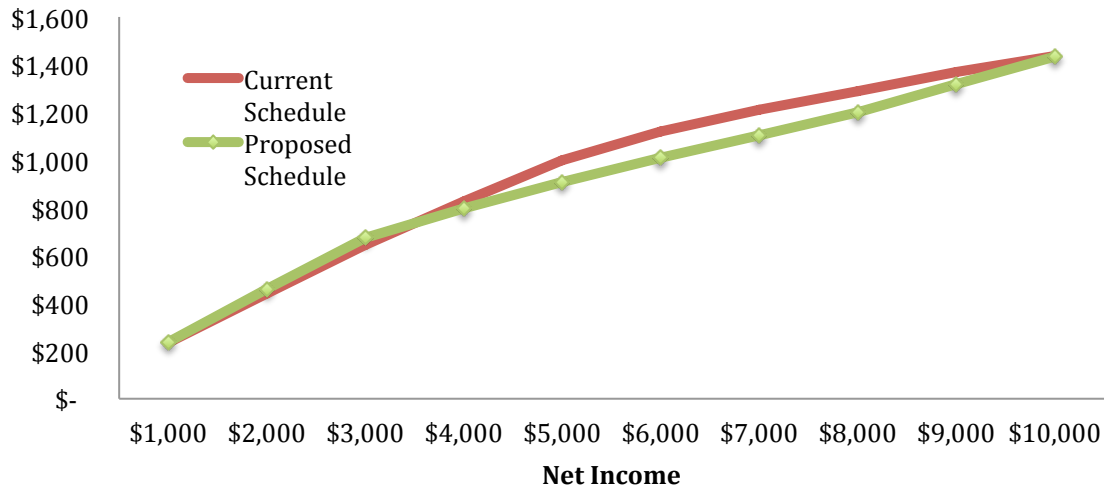
An Updated Schedule of Child Support Obligations

The proposed updated schedule of child support obligations is presented in Appendix 4-1.

Comparing the Current and Proposed Schedules

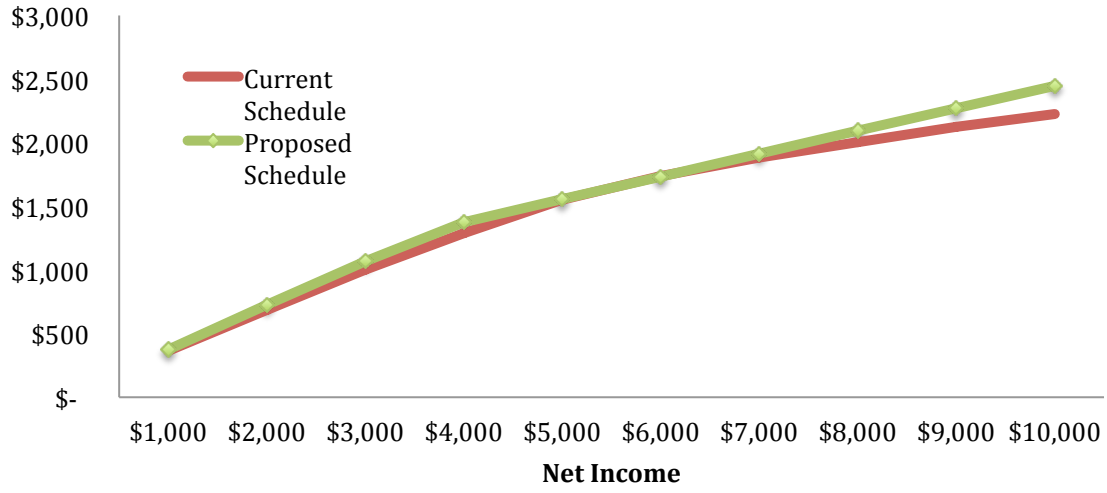
Figure 4-1 compares the child support obligations for one child as a function of net income in the current schedule and in the updated schedule. Overall, the updated schedule is quite close to the current schedule. The updated support obligations at the lower end and at the very top are almost identical to the current schedule. At middle income levels, the updated obligations are modestly lower than the current schedule.

Figure 4-1
Child Support Obligations for One Child



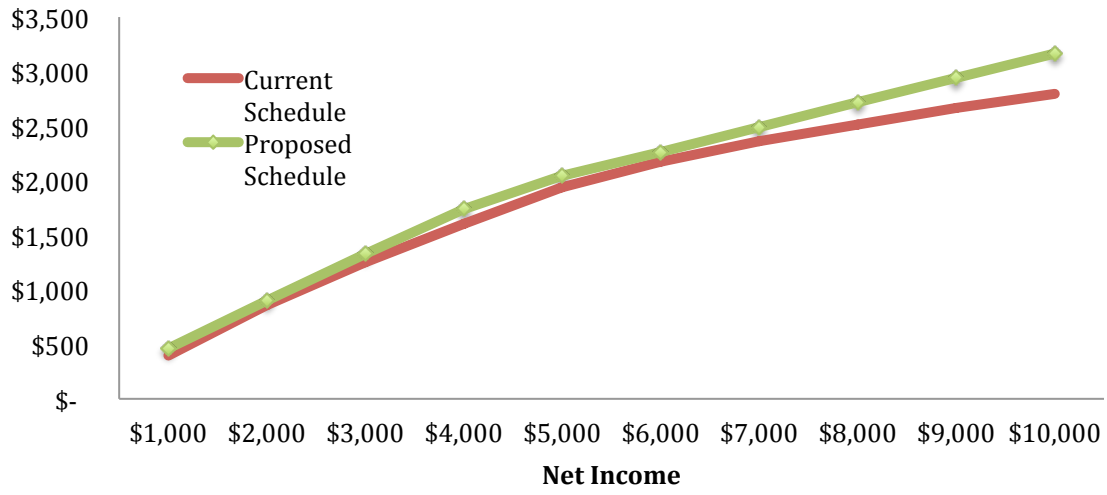
Figures 4-2 through 4-6 provide the same comparisons for families with two or more children. For two children, the proposed schedule is essentially identical to the current schedule up to $8,000 per month net income. At $8,000 per month or more, the new schedule has slightly higher obligations.

Figure 4-2
Child Support Obligations for Two Children



For three children, the updated schedule is also almost identical to the current schedule up to about $7,000 per month and then is modestly higher than the current schedule at or above $7,000.

Figure 4-3
Child Support Obligations for Three Children



Because the child support obligations for four, five and six children are simply a multiple of the obligations for three children, Figures 4-4 through 4-6 exhibit the same pattern as Figure 4-3.

Figure 4-4
Child Support Obligations for Four Children

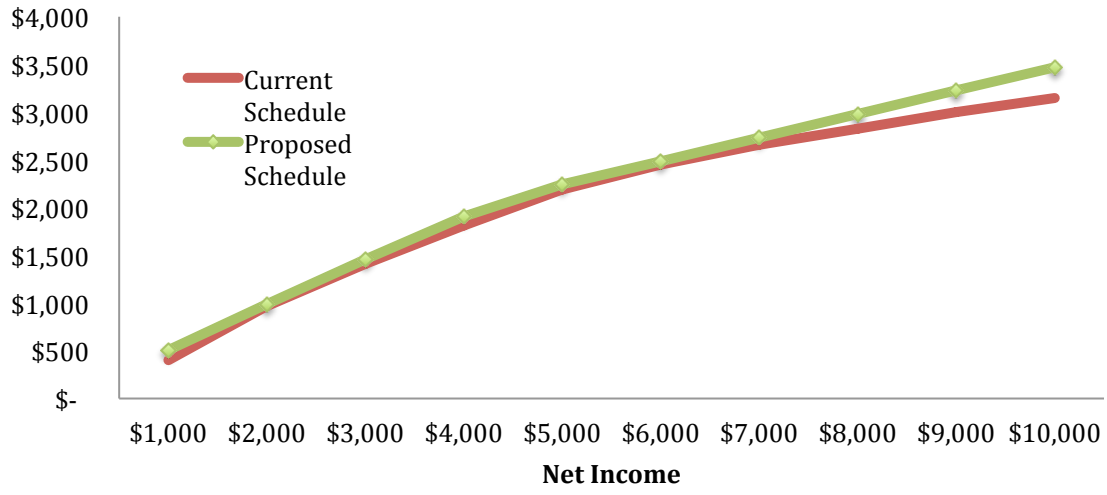


Figure 4-5
Child Support Obligations for Five Children

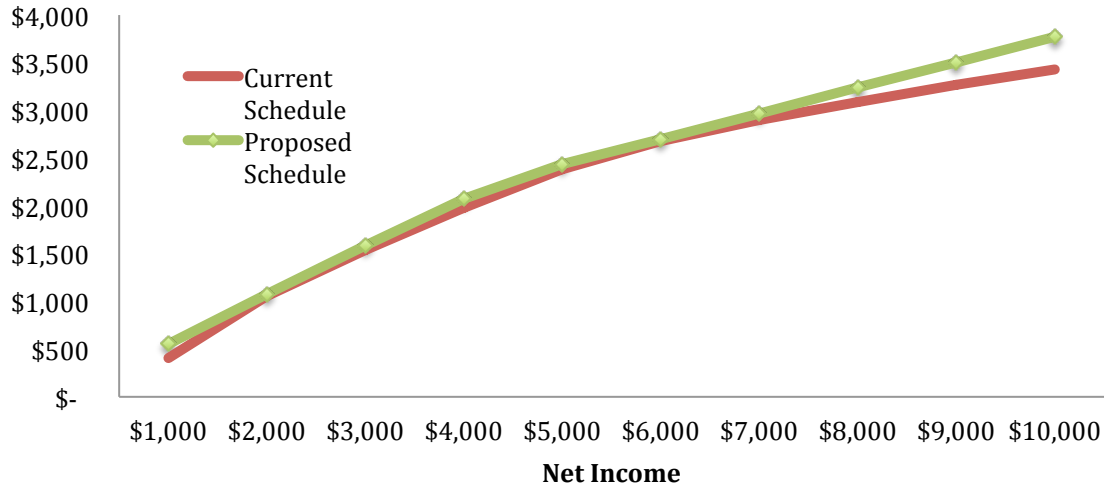
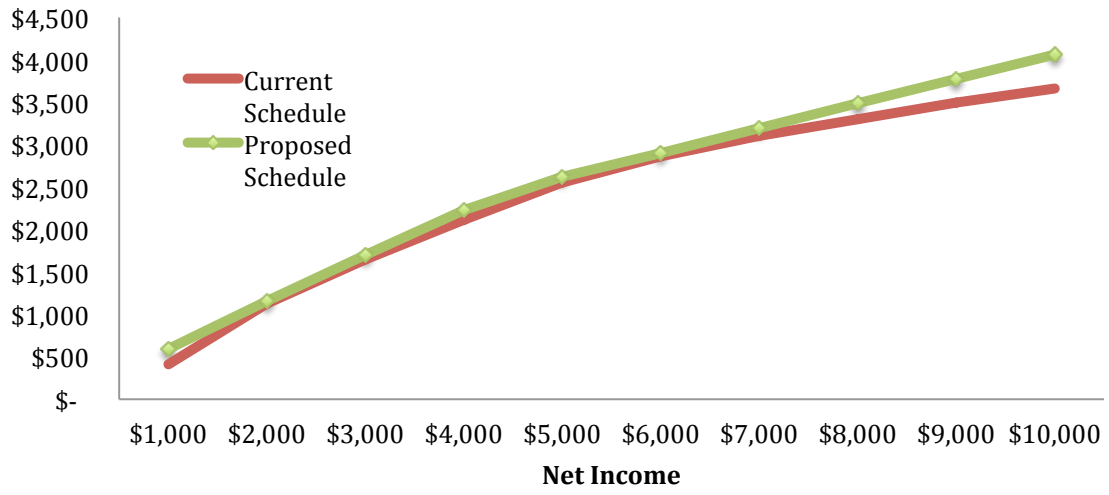


Figure 4-6
Child Support Obligations for Six Children



In summary, then, the updated schedule does not differ much from the current one. Children's share of total family consumption has fallen since the current schedule was adopted in 1993, but total family consumption has risen as a share of net income. These two changes tend to offset one another so that the updated schedule does not differ significantly from the current schedule.

Recommendation

Retain the Existing Schedule of Child Support Obligations

Because the updated schedule does not differ much from the current one, we are not recommending that the existing schedule be replaced by the updated schedule. However, we do recommend in Chapter 6 that the existing schedule be modified to eliminate the self-support reserve and the phase-in and be replaced by a low-income adjustment incorporated into the child support worksheet.

Appendix 4-1

Updated Schedule of Child Support Obligations

Net Income	Children					
	One	*Two*	*Three*	*Four*	*Five*	*Six*
1,000	237	373	462	507	551	593
1,050	248	391	485	532	578	622
1,100	260	409	507	557	605	651
1,150	271	427	530	581	631	680
1,200	283	445	552	606	658	708
1,250	294	463	574	631	685	737
1,300	305	481	597	655	711	766
1,350	317	499	619	679	738	794
1,400	328	517	641	704	764	823
1,450	339	534	663	728	791	851
1,500	351	552	685	752	817	880
1,550	362	570	707	777	843	908
1,600	373	588	729	801	870	936
1,650	384	605	751	825	896	964
1,700	395	623	773	849	922	992
1,750	406	640	795	873	948	1,021
1,800	417	658	817	897	974	1,048
1,850	428	675	839	921	1,000	1,076
1,900	439	693	860	945	1,026	1,104
1,950	450	710	882	968	1,052	1,132
2,000	461	727	904	992	1,077	1,160
2,050	472	745	925	1,016	1,103	1,188
2,100	483	762	947	1,039	1,129	1,215
2,150	494	779	968	1,063	1,154	1,243
2,200	504	796	990	1,087	1,180	1,270
2,250	515	814	1,011	1,110	1,205	1,298
2,300	526	831	1,032	1,133	1,231	1,325
2,350	537	848	1,054	1,157	1,256	1,352
2,400	547	865	1,075	1,180	1,282	1,380
2,450	558	882	1,096	1,203	1,307	1,407
2,500	569	899	1,117	1,227	1,332	1,434
2,550	579	916	1,139	1,250	1,358	1,462
2,600	590	933	1,160	1,273	1,383	1,489
2,650	601	950	1,181	1,297	1,408	1,516
2,700	611	967	1,202	1,320	1,434	1,543
2,750	622	984	1,223	1,343	1,459	1,570

An Updated Schedule of Child Support Obligations for Florida

Net Income	Children					
	One	*Two*	*Three*	*Four*	*Five*	*Six*
2,800	632	1,001	1,244	1,366	1,484	1,597
2,850	643	1,018	1,265	1,389	1,509	1,624
2,900	653	1,034	1,286	1,413	1,534	1,651
2,950	664	1,051	1,307	1,436	1,559	1,678
3,000	674	1,068	1,328	1,459	1,584	1,705
3,050	682	1,085	1,349	1,482	1,609	1,732
3,100	689	1,101	1,370	1,504	1,634	1,759
3,150	695	1,118	1,391	1,527	1,659	1,786
3,200	701	1,135	1,412	1,550	1,683	1,812
3,250	707	1,151	1,433	1,573	1,708	1,839
3,300	713	1,168	1,453	1,596	1,733	1,865
3,350	719	1,185	1,474	1,618	1,758	1,892
3,400	726	1,201	1,495	1,641	1,782	1,919
3,450	732	1,218	1,515	1,664	1,807	1,945
3,500	738	1,234	1,536	1,686	1,831	1,971
3,550	744	1,250	1,556	1,709	1,856	1,998
3,600	750	1,267	1,577	1,731	1,880	2,024
3,650	756	1,283	1,597	1,754	1,905	2,050
3,700	762	1,300	1,618	1,776	1,929	2,077
3,750	768	1,316	1,638	1,799	1,953	2,103
3,800	774	1,332	1,659	1,821	1,978	2,129
3,850	780	1,346	1,679	1,843	2,002	2,155
3,900	786	1,356	1,699	1,866	2,026	2,181
3,950	792	1,366	1,719	1,888	2,050	2,207
4,000	798	1,376	1,740	1,910	2,074	2,233
4,050	804	1,386	1,760	1,932	2,099	2,259
4,100	810	1,395	1,780	1,955	2,123	2,285
4,150	816	1,405	1,800	1,977	2,147	2,311
4,200	822	1,415	1,820	1,999	2,171	2,337
4,250	828	1,424	1,840	2,020	2,194	2,362
4,300	833	1,433	1,859	2,041	2,217	2,386
4,350	839	1,442	1,878	2,062	2,240	2,411
4,400	844	1,451	1,897	2,083	2,263	2,436
4,450	850	1,460	1,917	2,104	2,285	2,460
4,500	855	1,469	1,931	2,120	2,302	2,478
4,550	861	1,478	1,942	2,132	2,316	2,493
4,600	866	1,487	1,953	2,145	2,329	2,507
4,650	871	1,496	1,964	2,157	2,342	2,522
4,700	877	1,505	1,976	2,169	2,356	2,536
4,750	882	1,514	1,987	2,181	2,369	2,550
4,800	888	1,523	1,998	2,194	2,382	2,565

An Updated Schedule of Child Support Obligations for Florida

Net Income	Children					
	One	*Two*	*Three*	*Four*	*Five*	*Six*
4,850	893	1,532	2,009	2,206	2,396	2,579
4,900	898	1,541	2,020	2,218	2,409	2,593
4,950	904	1,550	2,031	2,230	2,422	2,608
5,000	909	1,558	2,042	2,243	2,435	2,622
5,050	914	1,567	2,053	2,255	2,449	2,636
5,100	919	1,576	2,065	2,267	2,462	2,650
5,150	925	1,585	2,076	2,279	2,475	2,664
5,200	930	1,593	2,087	2,291	2,488	2,678
5,250	935	1,602	2,098	2,303	2,501	2,692
5,300	940	1,611	2,108	2,315	2,514	2,707
5,350	946	1,619	2,119	2,327	2,527	2,721
5,400	951	1,628	2,130	2,339	2,540	2,735
5,450	956	1,637	2,141	2,351	2,553	2,749
5,500	961	1,645	2,152	2,363	2,566	2,762
5,550	966	1,654	2,163	2,375	2,579	2,776
5,600	971	1,662	2,174	2,387	2,592	2,790
5,650	976	1,671	2,184	2,399	2,605	2,804
5,700	981	1,679	2,195	2,410	2,618	2,818
5,750	986	1,688	2,206	2,422	2,631	2,832
5,800	991	1,696	2,217	2,434	2,643	2,846
5,850	995	1,704	2,226	2,445	2,655	2,858
5,900	1,000	1,713	2,238	2,457	2,669	2,873
5,950	1,005	1,722	2,250	2,470	2,682	2,888
6,000	1,010	1,732	2,261	2,483	2,696	2,902
6,050	1,014	1,741	2,273	2,495	2,710	2,917
6,100	1,019	1,750	2,284	2,508	2,724	2,932
6,150	1,024	1,759	2,296	2,521	2,737	2,947
6,200	1,029	1,768	2,307	2,533	2,751	2,962
6,250	1,034	1,777	2,319	2,546	2,765	2,976
6,300	1,038	1,786	2,330	2,558	2,778	2,991
6,350	1,043	1,796	2,342	2,571	2,792	3,006
6,400	1,048	1,805	2,353	2,584	2,806	3,020
6,450	1,052	1,814	2,364	2,596	2,819	3,035
6,500	1,057	1,823	2,376	2,609	2,833	3,050
6,550	1,062	1,832	2,387	2,621	2,847	3,064
6,600	1,066	1,841	2,399	2,634	2,860	3,079
6,650	1,071	1,850	2,410	2,646	2,874	3,094
6,700	1,076	1,859	2,422	2,659	2,888	3,108
6,750	1,080	1,868	2,433	2,671	2,901	3,123
6,800	1,085	1,877	2,444	2,684	2,915	3,138
6,850	1,089	1,886	2,456	2,696	2,928	3,152

Net Income	Children					
	One	*Two*	*Three*	*Four*	*Five*	*Six*
6,900	1,094	1,895	2,467	2,709	2,942	3,167
6,950	1,098	1,904	2,478	2,721	2,955	3,181
7,000	1,103	1,913	2,490	2,734	2,969	3,196
7,050	1,107	1,922	2,501	2,746	2,982	3,211
7,100	1,112	1,931	2,512	2,759	2,996	3,225
7,150	1,116	1,940	2,524	2,771	3,009	3,240
7,200	1,121	1,949	2,535	2,784	3,023	3,254
7,250	1,125	1,958	2,546	2,796	3,036	3,269
7,300	1,130	1,967	2,558	2,808	3,050	3,283
7,350	1,134	1,976	2,569	2,821	3,063	3,298
7,400	1,138	1,985	2,580	2,833	3,077	3,312
7,450	1,143	1,994	2,592	2,846	3,090	3,327
7,500	1,147	2,003	2,603	2,858	3,104	3,341
7,550	1,151	2,012	2,614	2,870	3,117	3,356
7,600	1,156	2,020	2,625	2,883	3,131	3,370
7,650	1,160	2,029	2,637	2,895	3,144	3,385
7,700	1,164	2,038	2,648	2,907	3,158	3,399
7,750	1,172	2,048	2,660	2,921	3,172	3,415
7,800	1,178	2,057	2,672	2,934	3,186	3,430
7,850	1,183	2,066	2,683	2,946	3,199	3,444
7,900	1,189	2,075	2,694	2,958	3,213	3,458
7,950	1,195	2,084	2,706	2,971	3,226	3,473
8,000	1,201	2,093	2,717	2,983	3,240	3,487
8,050	1,207	2,102	2,728	2,995	3,253	3,502
8,100	1,212	2,110	2,739	3,008	3,266	3,516
8,150	1,218	2,119	2,750	3,020	3,280	3,531
8,200	1,224	2,128	2,762	3,032	3,293	3,545
8,250	1,230	2,137	2,773	3,045	3,306	3,559
8,300	1,236	2,146	2,784	3,057	3,320	3,574
8,350	1,241	2,155	2,795	3,069	3,333	3,588
8,400	1,247	2,164	2,807	3,082	3,347	3,603
8,450	1,253	2,172	2,818	3,094	3,360	3,617
8,500	1,259	2,181	2,829	3,106	3,373	3,631
8,550	1,265	2,190	2,840	3,118	3,387	3,646
8,600	1,271	2,199	2,851	3,131	3,400	3,660
7,450	1,143	1,994	2,592	2,846	3,090	3,327
7,500	1,147	2,003	2,603	2,858	3,104	3,341
7,550	1,151	2,012	2,614	2,870	3,117	3,356
7,600	1,156	2,020	2,625	2,883	3,131	3,370
7,650	1,160	2,029	2,637	2,895	3,144	3,385
7,700	1,164	2,038	2,648	2,907	3,158	3,399

Net Income	Children					
	One	*Two*	*Three*	*Four*	*Five*	*Six*
7,750	1,172	2,048	2,660	2,921	3,172	3,415
7,800	1,178	2,057	2,672	2,934	3,186	3,430
7,850	1,183	2,066	2,683	2,946	3,199	3,444
7,900	1,189	2,075	2,694	2,958	3,213	3,458
7,950	1,195	2,084	2,706	2,971	3,226	3,473
8,000	1,201	2,093	2,717	2,983	3,240	3,487
8,050	1,207	2,102	2,728	2,995	3,253	3,502
8,100	1,212	2,110	2,739	3,008	3,266	3,516
8,150	1,218	2,119	2,750	3,020	3,280	3,531
8,200	1,224	2,128	2,762	3,032	3,293	3,545
8,250	1,230	2,137	2,773	3,045	3,306	3,559
8,300	1,236	2,146	2,784	3,057	3,320	3,574
8,350	1,241	2,155	2,795	3,069	3,333	3,588
8,400	1,247	2,164	2,807	3,082	3,347	3,603
8,450	1,253	2,172	2,818	3,094	3,360	3,617
8,500	1,259	2,181	2,829	3,106	3,373	3,631
8,550	1,265	2,190	2,840	3,118	3,387	3,646
8,600	1,271	2,199	2,851	3,131	3,400	3,660
8,650	1,276	2,208	2,862	3,143	3,413	3,674
8,700	1,282	2,217	2,874	3,155	3,427	3,689
8,750	1,288	2,225	2,885	3,168	3,440	3,703
8,800	1,294	2,234	2,896	3,180	3,453	3,717
8,850	1,300	2,243	2,907	3,192	3,467	3,732
8,900	1,305	2,252	2,918	3,204	3,480	3,746
8,950	1,311	2,261	2,930	3,217	3,493	3,760
9,000	1,317	2,269	2,941	3,229	3,507	3,775
9,050	1,323	2,278	2,952	3,241	3,520	3,789
8,650	1,276	2,208	2,862	3,143	3,413	3,674
8,700	1,282	2,217	2,874	3,155	3,427	3,689
8,750	1,288	2,225	2,885	3,168	3,440	3,703
8,800	1,294	2,234	2,896	3,180	3,453	3,717
8,850	1,300	2,243	2,907	3,192	3,467	3,732
8,900	1,305	2,252	2,918	3,204	3,480	3,746
8,950	1,311	2,261	2,930	3,217	3,493	3,760
9,000	1,317	2,269	2,941	3,229	3,507	3,775
9,050	1,323	2,278	2,952	3,241	3,520	3,789
9,100	1,329	2,287	2,963	3,253	3,533	3,803
9,150	1,335	2,296	2,974	3,266	3,546	3,818
9,200	1,341	2,304	2,985	3,278	3,560	3,832
9,250	1,346	2,313	2,996	3,290	3,573	3,846
9,300	1,352	2,322	3,008	3,302	3,586	3,861

Net Income	Children					
	One	*Two*	*Three*	*Four*	*Five*	*Six*
9,350	1,358	2,331	3,019	3,315	3,600	3,875
9,400	1,364	2,339	3,030	3,327	3,613	3,889
9,450	1,370	2,348	3,041	3,339	3,626	3,904
9,500	1,376	2,357	3,052	3,351	3,639	3,918
9,550	1,382	2,366	3,063	3,363	3,653	3,932
9,600	1,387	2,375	3,074	3,376	3,666	3,946
9,650	1,393	2,383	3,086	3,388	3,679	3,961
9,700	1,399	2,392	3,097	3,400	3,693	3,975
9,750	1,405	2,401	3,108	3,412	3,706	3,989
9,800	1,411	2,409	3,119	3,425	3,719	4,004
9,850	1,417	2,418	3,130	3,437	3,732	4,018
9,900	1,423	2,427	3,141	3,449	3,746	4,032
9,950	1,429	2,436	3,152	3,461	3,759	4,046
10,000	1,435	2,444	3,163	3,473	3,772	4,061
10,050	1,440	2,453	3,175	3,486	3,785	4,075
10,100	1,446	2,462	3,186	3,498	3,799	4,089
10,150	1,452	2,471	3,197	3,510	3,812	4,104
10,200	1,458	2,479	3,208	3,522	3,825	4,118
10,250	1,464	2,488	3,219	3,534	3,838	4,132
10,300	1,470	2,497	3,230	3,547	3,852	4,146
10,350	1,476	2,506	3,241	3,559	3,865	4,161
10,400	1,482	2,516	3,254	3,573	3,880	4,177
10,450	1,488	2,526	3,267	3,587	3,895	4,193
10,500	1,495	2,536	3,279	3,601	3,910	4,209
10,550	1,501	2,546	3,292	3,615	3,925	4,226
10,600	1,507	2,556	3,305	3,629	3,941	4,242
10,650	1,513	2,566	3,317	3,643	3,956	4,258
10,700	1,519	2,576	3,330	3,657	3,971	4,275
10,750	1,526	2,586	3,343	3,671	3,986	4,291
10,800	1,532	2,597	3,356	3,685	4,001	4,308
10,850	1,538	2,607	3,369	3,699	4,017	4,324
10,900	1,544	2,617	3,381	3,713	4,032	4,340
10,950	1,550	2,627	3,394	3,727	4,047	4,357
11,000	1,557	2,637	3,407	3,741	4,063	4,373
11,050	1,563	2,648	3,420	3,755	4,078	4,390
11,100	1,569	2,658	3,433	3,769	4,093	4,406
11,150	1,576	2,668	3,446	3,783	4,109	4,423
11,200	1,582	2,678	3,458	3,797	4,124	4,439
11,250	1,588	2,689	3,471	3,812	4,139	4,456
11,300	1,594	2,699	3,484	3,826	4,155	4,473
11,350	1,601	2,709	3,497	3,840	4,170	4,489

Net Income	Children					
	One	*Two*	*Three*	*Four*	*Five*	*Six*
11,350	1,601	2,709	3,497	3,840	4,170	4,489
11,400	1,607	2,719	3,510	3,854	4,186	4,506
11,450	1,613	2,730	3,523	3,868	4,201	4,522
11,500	1,620	2,740	3,536	3,883	4,217	4,539
11,550	1,626	2,750	3,549	3,897	4,232	4,556
11,600	1,632	2,761	3,562	3,911	4,248	4,572
11,650	1,639	2,771	3,575	3,925	4,263	4,589
11,700	1,645	2,781	3,588	3,940	4,279	4,606
11,750	1,651	2,792	3,601	3,954	4,294	4,623
11,800	1,658	2,802	3,614	3,968	4,310	4,639
11,850	1,664	2,813	3,627	3,983	4,325	4,656
11,900	1,670	2,823	3,640	3,997	4,341	4,673
11,950	1,677	2,833	3,654	4,012	4,357	4,690
12,000	1,683	2,844	3,667	4,026	4,372	4,707
12,050	1,690	2,854	3,680	4,041	4,388	4,724
12,100	1,696	2,865	3,693	4,055	4,404	4,741
12,150	1,703	2,875	3,706	4,069	4,419	4,758
12,200	1,709	2,886	3,719	4,084	4,435	4,774
12,250	1,715	2,896	3,733	4,099	4,451	4,791
12,300	1,722	2,907	3,746	4,113	4,467	4,808
12,350	1,728	2,917	3,759	4,128	4,483	4,825
12,400	1,735	2,928	3,772	4,142	4,498	4,843
12,450	1,741	2,939	3,786	4,157	4,514	4,860
12,500	1,748	2,949	3,799	4,171	4,530	4,877

Chapter 5

Findings from a Case File Review

On December 20, 2016, the federal Office of Child Support Enforcement finalized a new rule governing state child support guidelines. The rule requires states to

> [c]onsider 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.[56]

The rule also instructs states to

> [a]nalyze 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).[57]

Although compliance with the new federal rules is not required until Florida's next quadrennial review, this chapter provides a preliminary examination of a sample of child support cases obtained from the Florida Department of Revenue. Our main focus here is to determine the extent of deviations from the child support guidelines and to examine payments and rates of default on child support orders by case characteristics.

[56] 45 CFR 302.56(h)(1)
[57] 45 CFR 302.56(h)(2)

Description of the Data

At our request, the Department of Revenue Child Support Enforcement Agency provided all available data for cases for which support orders were established from January 2014 to December 2014. We examined compliance in 2015 for these cases. We began with 11,458 cases. We excluded 806 cases that showed no support obligation for 2015. The resulting sample includes 10,652 cases, and all 67 Florida counties are represented in the sample.

The 10,652 cases in the sample include 9,885 administrative cases and 767 judicial cases. The proportion of judicial cases is underrepresented in the sample because the Child Support Enforcement Program's system was changed during 2014 to incorporate "results-only" recording of cases where orders were established judicially. At the time of the change, some judicial orders were already established. According to the Department of Revenue, however, the observations for judicial cases included in the sample are representative of the other judicial cases for which data is unavailable. Future reviews are expected to include more judicial cases.

Two recent child support reviews in other states have also included a case file analysis. Pennsylvania's most recent review used a 2013-2014 random sample of 5,000 cases consisting of 2,500 new orders and 2,500 modified orders. The report was released in March 2016.[58] California's most recent review, released in June 2017, sampled 1,203 new and modified orders from 2015.[59]

Order Amounts, Payments, and Compliance

Table 5-1 provides general information about the parents in the Florida sample cases. The average gross and net income of mothers was slightly lower than that of fathers.[60] However, the $200 difference in net income is relatively small. A substantial proportion of both fathers and mothers had imputed incomes; in fact it was almost as

[58] Venohr, J., Ph. D. (March 2016). *2015-2016 Pennsylvania Child Support Guidelines Review: Economic Review and Analysis of Case File Data,* Retrieved from http://www.pacourts.us/assets/uploads/Resources/Documents/2015%202016%20Pennsylvania%20Child%20Support%20Guidelines%20Review%20Econonic%20Review%20and%20Analysis%20of%20Case%20File%20Data%20-%20005119.pdf?cb=b3603

[59] Center for the Support for Families (CSF), "Review of Uniform Child Support Guideline", Judicial Council of California, Center for Families Children & the Courts, June 2017, Retrieved from http://www.courts.ca.gov/documents/SP17-05.pdf

[60] The case files provide data for fathers and mothers, whereas we are generally concerned with obligors who pay child support and obligees who receive child support regardless of whether the obligor or obligee is the father or the mother. This does not create significant problems for our analysis, however, as 89 percent of obligors are fathers.

common for the mother's income to be imputed as for the father's. The average net income is similar to the California sample where the obligor earned $1,622 and the obligee $1,214.[61]

Table 5-1
Florida Case Sample Incomes

	Mothers	Fathers
Average Gross Income	$1,538	$1,899
Average Net Income	$1,327	$1,522
Imputed Income	42%	43%

The average monthly order amount was $390 with a median of $334. The average monthly payment amount was $234, with a median of $187. The average monthly order was $268 for the California sample and $426 for the Pennsylvania sample. Thus, monthly order amounts in Florida were substantially above the California sample even though the obligor income was similar, but close to the Pennsylvania order amounts.

On average, the obligor paid 55 percent of the amount owed, with a slightly higher median at 65 percent. On average, in 61 percent of months, the obligor made some payment. The median number of months in which a payment was made was 73 percent. The proportion of months in which a payment is made is important as it shows that the obligor is making regular payments even if those payments are not full. The overall compliance rate was substantially higher in the Pennsylvania data with a 73 percent average compliance rate.

Table 5-2 shows that about 18 percent of obligors are not paying child support at all, whereas a comparable 14 percent are paying in full. Interestingly, apart from the extremes of zero and 100 percent, the percentage of child support paid is higher at the bottom and at the top and approximately even in the middle.

[61] IV-D net income excluding imputed and presumed incomes.

Table 5-2 Child Support Compliance	
Percent of Child Support Paid in 2015	**Percent of Total Cases**
0%	18.3%
>0 - 10%	6.0%
10 - 20%	4.8%
20 - 30%	4.3%
30 - 40%	4.3%
40 - 50%	4.3%
50 - 60%	5.3%
60 - 70%	5.7%
70 - 80%	6.7%
80 - 90%	9.1%
90 - <100%	16.8%
100%	14.4%

Guideline Deviations

Only 50 out of the 10,652 orders in our sample involved guideline deviations. Because guideline deviations can lead to zero child support obligations, we also examined the 806 orders with no obligation in 2015. In the full data set, 67 of the 11,458 orders involved guideline deviations. Of these, 54 fathers were adjusted an average of −$161, and 13 mothers were adjusted an average of −$308. This represents less than one percent of the sample cases, leading to the conclusion that deviations are quite limited and the guidelines are in fact being followed. In the California sample, 17 percent of the cases had deviations, whereas in the Pennsylvania sample 25 percent had deviations from the guidelines.[62] Thus, Florida's child support orders are following the guidelines more closely than some other states.

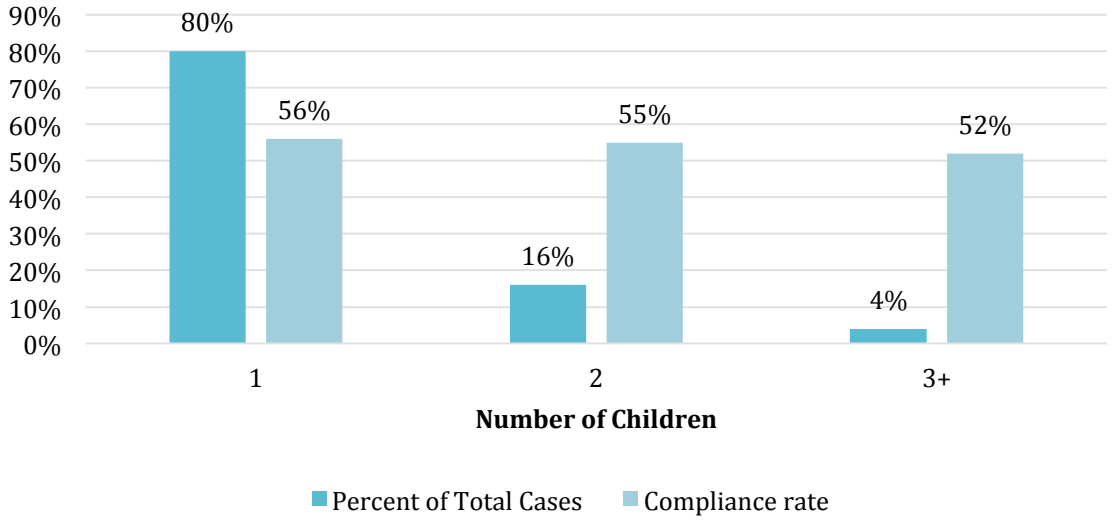
Number of Children

Our sample of 10,652 cases involves about 13,500 children. As Figure 5-1 shows, eighty percent of the cases involve only one child and 96 percent involve either one or two children. Families with more than three children constitute only four percent of the sample cases. The average monthly support amount increases with the number of children, as expected. Also as expected, compliance decreases as the number of children (and the order amount) increases, but the effect is modest, from 56 percent for one child

[62] The deviations for California are likely understated as 28 percent of the responses did not indicate whether they followed the guidelines.

to 55 percent for two and to 52 percent for three or more. In the Pennsylvania sample, by comparison, only 69 percent of the cases involved one child, but the compliance rates for different size families in Pennsylvania were similar to Florida.

Figure 5-1
Number of Children Per Support Order and Compliance



Examining Low-Income Families

The revised federal rule emphasizes the impact of the guidelines on families up to 200 percent of the federal poverty guideline. Table 5-3 provides information from our sample cases on these low-income families. Not unexpectedly, the table shows a lower compliance rate among these families than the sample average. The average order-to-income ratio increases as the number of children increases, from 24 percent for one child to 43 percent for three children. The compliance rate, however, actually increases slightly as the number of children increases even as the order-to-income ratio is increasing.

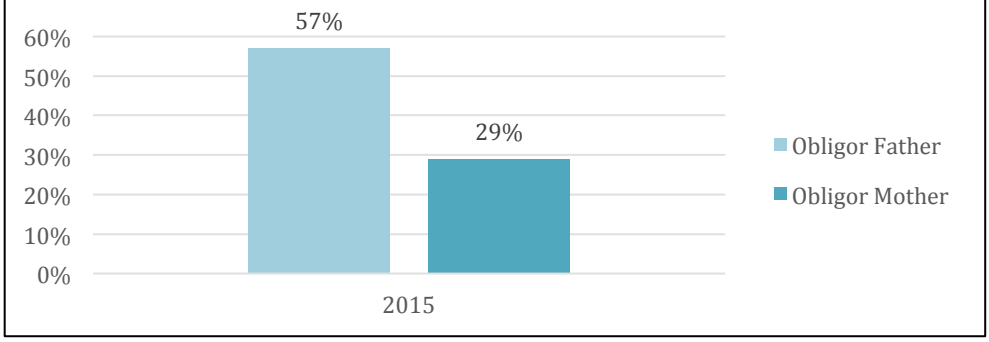
Table 5-3
Low-Income Families[63]

Number of Children	Maximum Gross Family Income	Number of Families in Sample	Average Monthly Order Amount	Order to Income Ratio	Average Compliance Rate	Percent of Months with Payment
1	$3,298	5,056	$273	24%	45%	50%
2	$3,975	1,202	$437	35%	47%	54%
3	$4,652	314	$582	43%	48%	56%

Characteristics of the Obligor and Obligee

In about 89 percent of the cases in our sample, the obligee is the mother, while in the remaining 11 percent the obligee is either the father or a non-parental caregiver. This is comparable to the Pennsylvania sample where 84 percent of obligees were female. However, "female" could mean a mother or another female relative or caregiver, as that distinction is not made in the Pennsylvania sample. In the Florida sample, the average monthly payment for obligor mothers is $327 compared with an average of $395 for obligor fathers, most likely reflecting the lower average monthly income of obligor mothers, $1,192 compared with $1,559 for obligor fathers. Figure 5-2 shows that obligor fathers also have higher compliance rates than obligor mothers.

Figure 5-2
Percentage of Current Support Paid by Relationship to Child



[63] Families with a combined monthly gross income less than 200 percent of the intact family federal poverty guideline for the characteristics of that case (i.e. one, two, or three children).

Government Assistance Cases

Table 5-4 disaggregates the cases in our sample into those with and without government assistance. The majority of the cases, slightly more than 57 percent, are non-assistance cases. Of the 43 percent that are classified as government assistance cases in the Florida sample, about 87 percent are currently on government assistance while the remaining 13 percent have formerly been on assistance.[64] The table categorizes cases by the type of government assistance program. However, each case can be included in only one category, even if an individual is receiving assistance from more than one program. For example, an individual who qualifies for TANF would also be eligible for Medicaid, but for classification purposes, the case would be included in in the category with the more stringent eligibility requirements, in this instance, TANF.

In comparison, 74 percent of the cases in the Pennsylvania sample are non-assistance cases. However, non-assistance in Pennsylvania is defined as never having received and not currently receiving TANF. If we use that definition for the Florida sample, then 93 percent of the Florida cases are non-assistance cases. The major difference in the two samples is Medicaid. Pennsylvania has 69 percent of the new support orders ever receiving Medicaid as compared to the Florida sample where only 27 percent ever receive Medicaid.

Table 5-4
Government Assistance Cases in the Florida Sample

	Percent of Total
Non-Assistance	**57.3**
Government Assistance	**42.7**
TANF	5.0
Medicaid	23.6
Food Stamps	8.5
Former TANF	1.8
Former Medicaid	3.1
Former Food Stamps	0.5

[64] Based on data provided annually by the State of Florida via Form OSCE-157, about 60.7 percent of the total caseload in 2014 was receiving some form of government assistance or had received it in the past. This differs from our sample where 43 percent of the 10,652 studied cases are or have received assistance. By way of explanation, the Department of Revenue indicates that all cases referred to the Child Support Enforcement Program by various assistance programs count towards the total caseload but not all cases result in the establishment of an order.

Income Imputation and Compliance

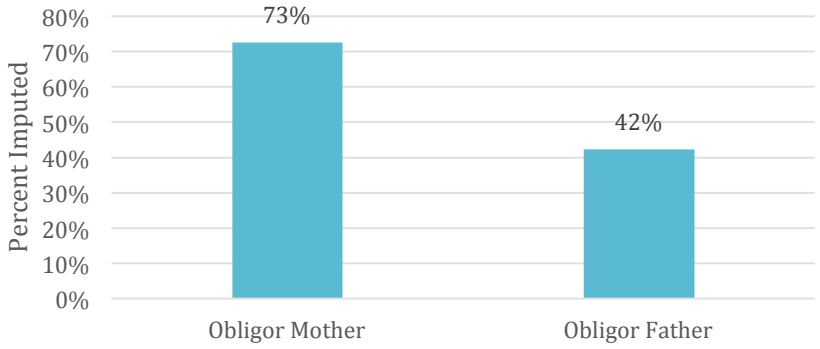
Income appears to have been imputed to the obligor in about 45 percent of the cases in the Florida sample, and in more than 86 percent of these, income was imputed at federal minimum wage.

Table 5-5
Imputation of Income
To Obligor Parents

Type of Imputation	Percent of Total Observations
Federal Minimum Wage	39.1%
Florida Minimum Wage	0.6%
Current Full-time Wage	1.0%
Former Wage	4.1%
Median Wage	0.1%
Market Wage	0.4%
Total Imputed Income	45.3%

Figure 5-3 shows that incomes are more likely to be imputed to obligor mothers, 73 percent, than to obligor fathers, 42 percent. About 7 percent of our cases are judicial, and income imputation is slightly lower for this group. Thirty-one percent of fathers have imputed incomes, whereas 42 percent of mothers have imputed incomes, about the same as the full sample. In comparison, only 10 percent of obligor parents had imputed incomes in Pennsylvania, and less than five percent had imputed incomes in the California sample.

Figure 5-3
Imputation by Obligor Relationship to Child

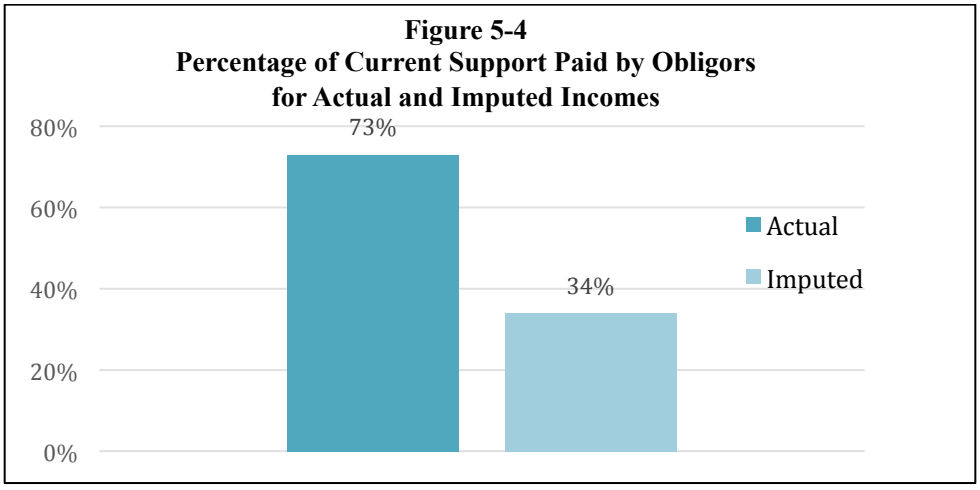


Obligors with imputed income tend to have significantly lower compliance rates than those with reported incomes.[65] As Figure 5-4 shows, compliance in cases with actual reported income is more than double compliance in cases with imputed income. Imputation often occurs in cases where the obligor fails to provide income information to the Child Support Enforcement Agency on which to base the order. Failure to cooperate in the establishment of the support order also means it is much less likely that the obligor will pay child support. This is one possible reason that compliance is so low where income is imputed.

A second possible explanation is that an obligor was unemployed but seeking employment at the time the order was established or was unemployed but was deemed by the child support agency to be employable. In either event, the obligor is not actually earning the imputed income on which the child support order was based and therefore likely does not have sufficient ability to pay the order amount.

In Pennsylvania, compliance was 78 percent for those without imputed income but 51 percent with imputed income. Thus, the compliance rates for actual incomes are very similar in Florida and Pennsylvania, 73 percent and 78 percent, respectively. However, compliance of obligors with imputed income is very low in the Florida sample, and the high frequency of imputing income to obligors leads to overall compliance being much lower in Florida than in Pennsylvania.

Figure 5-4
Percentage of Current Support Paid by Obligors for Actual and Imputed Incomes

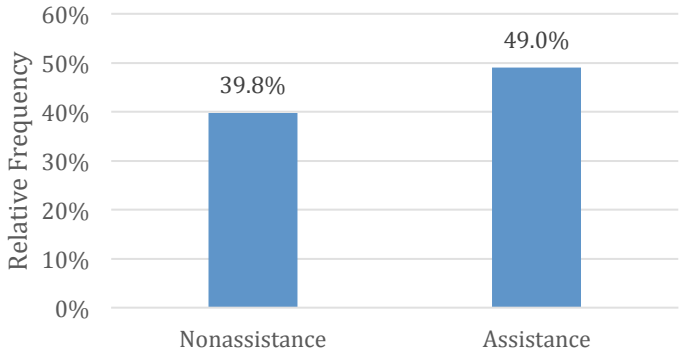


Income imputation also occurs about 10 percentage points more frequently among Florida cases receiving government assistance than among non-assistance cases (Figure 5-5). When a custodial parent applies for government assistance, he or she may be required to comply with the child support enforcement program in establishing or

[65] This observation was a major motivation for the emphasis in the new federal rule on limiting income imputation and is discussed at greater length in Chapter 7.

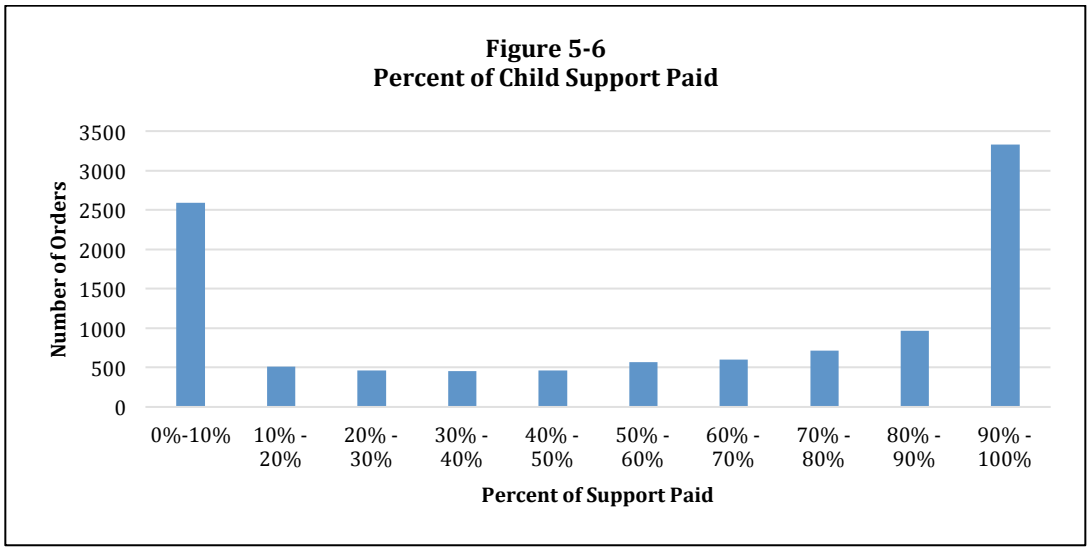
enforcing a child support order. Participation in the process is not voluntary and the parent may be less inclined to provide actual income information than parents in the non-assistance cases where compliance is voluntary.

Figure 5-5
Imputation of Obligee Income by Government Assistance



Characteristics of Non-Compliant Child Support Cases

Table 5-2 shows, that in a large number of cases in our sample, compliance with the child support order is very high. Figure 5-6 shows that the 90-100 percent compliance is quite common; about 1/3 of the cases pay either the full amount of the child support order or close to the full amount. However, there is also a large non-compliant group in the 0-10 percent category. There were over 2,500 cases where the obligor paid nothing or close to nothing. The reasons for this might have to do with lack of income or child support orders that are too large relative to the obligor's income. We investigate these reasons in this section.



Relationship between Income and Compliance

Table 5-6 provides information on the relationship between income and compliance. Average compliance rates and percent of months with some payment increase steadily as monthly net income increases. The obvious exception is the $1,001-$1,200 category. This is the monthly net income level where cases with imputed incomes are most highly concentrated. Compliance rates in this income range are dramatically lower than at any other income level, *including the income range below it*. This seems to suggest that imputation of income is associated with much lower compliance rates as the federal OCSE claims.

Comparing the table to the Pennsylvania study we can see similar increases in the compliance rates as income rises. The Pennsylvania compliance rates start at 62 percent and reach 92 percent at the high end. There is a small dip in compliance at the $1,201-1,300 income range, where compliance falls to 53 percent.[66] This is likely the effect of imputed incomes. However, the effect is much smaller in Pennsylvania data than in Florida, where the compliance rate falls to 36 percent. This is likely due to the smaller number of orders that involve imputed incomes in Pennsylvania. Overall compliance in in Pennsylvania is substantially higher at 73 percent than in Florida with 55 percent compliance.

[66] Note that Pennsylvania uses gross income, whereas the table shows net income for Florida.

Table 5-6
Net Income and Compliance for Florida

Monthly Net Income Range of Obligor	Number of Orders	Order-to-Income Ratio	Average Monthly Order Amount	Average Amount Paid Per Month	Average Compliance Rate	Percent of Months Paid
$0-$1,000	797	27%	$222	$131	60%	68%
$1,001-$1,200	*4,880*	*27%*	*$301*	*$108*	*36%*	*41%*
$1,201-$1,300	474	26%	$325	$193	61%	68%
$1,301-$1,500	889	27%	$371	$244	67%	72%
$1,501-$2,000	1,591	26%	$446	$324	73%	79%
$2,001-$2,500	942	25%	$546	$416	76%	82%
$2,501-$3,000	514	24%	$649	$521	81%	87%
$3,001-$4,000	414	22%	$753	$595	80%	86%
$4,001-$5,000	101	20%	$904	$758	85%	90%
>$5,000	60	18%	$1,147	$941	81%	87%
ALL	**10,662**	**26%**	**$390**	**$234**	**55%**	**61%**

Order-to-Income Ratio and Compliance

Table 5-7 is similar to Table 5-6, but the focus is on the order-to-income ratio. Compliance decreases as this ratio increases. This is to be expected as the obligor has less income remaining after making the payment, and may not have enough to maintain a subsistence standard of living. As soon as the order-to-income ratio exceeds 20 percent, compliance drops from approximately 80 percent to approximately 50 percent. This is consistent with the observation in the OCSE commentaries and response to the new federal rule that

> [r]esearch consistently finds that orders set too high are associated with less consistent payments, lower compliance, and increased child support debt. In fact, studies find that orders set above 15 to 20 percent of a noncustodial parent's income increases the likelihood that the noncustodial parent will pay less support and pay less consistently….[67]

However, the income range between 20 percent and 30 percent is where most imputed income cases fall. Omitting the imputed cases leads to a much higher compliance rate of 69 percent for this income range.

[67] 81 Fed. Reg. 93516-93517.

Table 5-7
Ratio of Order to Net Income and Compliance for Florida

Ratio of Order to Net Income	Number of Orders	Average Net Income of Obligor	Average Monthly Order Amount	Average Compliance Rate	Percent of Obligated Months Paid
< 10%	215	$2,271	$153	81%	84%
10-20%	975	$2,346	$389	78%	83%
20-30%	6,443	$1,432	$328	53%	58%
30-40%	2,085	$1,474	$502	52%	59%
40-50%	714	$1,374	$598	47%	55%
> 50%	220	$1,221	$705	47%	57%

Total Obligation

In the commentaries and responses to the new federal rule, OCSE emphasized the importance of giving consideration to an obligor's ability to pay. Ability to pay depends on the total child support obligation. The total obligation includes expenses that the obligor is paying for childcare or health insurance or uncovered medical costs, whether these payments are included in the child support payment or are paid directly by the obligor on behalf of the child, as well as on the basic obligation from the schedule.

If payments for childcare, health insurance, and uncovered medical expenses are paid directly by the obligor, the obligor receives a credit for these payments against the child support order amount so that the child support obligation is reduced. In this case, the order-to-income ratio as customarily defined does not reflect the total obligation.

A similar problem arises in cases where there is a prior support order for a second family. With a prior family child support obligation, the obligor's net income is adjusted accordingly, which reduces the child support obligation owed to the second family. But the order-to-income ratio that we observe in the data does not reflect the total support obligation. The total obligation is much higher for an obligor who is making two child support payments.

Childcare and Health Insurance Costs

Of the cases in our sample, 32 percent included childcare credits, but only 147 obligors received childcare credits; the remaining were obligee credits. In other words, most of the childcare payments are made by the obligee. The Florida sample has a substantially higher frequency of childcare expenses than the California sample, where only nine percent of the sample had childcare expenses. The proportion of Florida cases

with childcare expenses is also much higher than the 17 percent of cases in the Pennsylvania sample.

The average monthly child support order in the Florida cases with childcare expenses was $468, compared with an average order for cases not including childcare of $353. Thus, obligors with childcare payments in Florida pay on average 33 percent more than those not liable for childcare. The average cost of childcare among the Florida cases with childcare expenses was $288 per month, lower than the average childcare cost of $375 in the Pennsylvania sample

Because the cases including childcare expenses have higher support orders, we would expect lower compliance. But compliance for the cases with childcare expenses is 59 percent, slightly higher than the overall compliance rate of 55 percent. A possible explanation might be that only about 20 percent of cases with childcare have imputed income, compared with 45 percent of all obligors in the sample. The 147 cases of obligors with a childcare credit have an 81 percent compliance rate, with only 15 percent having imputed incomes. Some of the increased compliance, therefore, is likely due to the lower frequency of imputation.

Another possible explanation might be greater involvement with the children through visitation by obligors paying childcare expenses. The data available from the Department of Revenue does not have information on visitation, but consideration should be given to collecting that information before the next quadrennial review.

Of the new order cases in the Pennsylvania sample, 69 percent are receiving or have received Medicaid, whereas only 27 percent of the Florida cases have ever received Medicaid. Because Medicaid has no copays, we would expect higher Medicaid coverage to reduce the frequency of health care expenses, but surprisingly cases with health insurance and health care expenses make up only 14.5 percent of the Florida sample, substantially lower than the 27 percent in the Pennsylvania sample and much lower than the California sample's 55 percent.

One potential explanation is a difference in the frequency of health care expenses in the administrative and in the judicial cases. In the small number of judicial cases in our sample, the frequency of health care expenses was somewhat higher at 20.5 percent than in the full sample. If our sample of judicial cases is representative of the entire population of judicial cases, then the full sample frequency would be closer to that in Pennsylvania. We expect the next quadrennial review will have access to all administrative and judicial cases.

The health care expense frequency in the California sample is surprisingly high and apparently increased sharply between 2011 and 2017. In 2011, 18 percent of the sample cases had health care expenses, close to the frequency in our Florida sample. By 2017, cases with health care expenses in California had risen to 55 percent.

For the 14.5 percent of Florida cases that receive health care credits, the average health care cost was $102 per month. Compliance for these cases was 72 percent, compared with the average full sample compliance rate of 55 percent. About 40 percent are obligor parents and among these, the compliance rate was even higher at 87 percent. Once again, there is an inverse relationship between compliance and income imputation as only two percent of these cases had imputed income. As with childcare expenses, it is possible that obligor parents who pay for their child's health care are more involved with the child and therefore more likely to pay child support.

Prior Family Credit

There were only 107 cases of prior family credits for the obligor. Four of those cases were mothers. These cases had an income adjustment to reduce the second family child payment, but the combination of the first and second child payment could still result in a very high order-to-income ratio. In fact, the average ratio is 45.7 percent, meaning these parents pay almost half their income in child support. This is far above the 15-20 percent deemed consistent with ability to pay by the federal OCSE. The order-to-income ratios ranged from 30 percent in the lowest fifth percentile to 67 percent in the highest 95th percentile. Surprisingly, the compliance rate among these cases is 78 percent, even higher than the average for all cases in the sample without imputed incomes. Of these 107 cases, only 18 percent had imputed incomes.

Total Child Support Cost Compared With Basic Obligation

The consistency of a child support order with an obligor's ability to pay can only be assessed by the total obligation, including all payments made by the obligor for or on behalf of the child. The basic child support order averages 26 percent of the obligor's income. The range is from 16 percent at the fifth percentile to 43 percent at the 95th percentile. But when the total obligation is considered, the average rises slightly to 27 percent with a range from 17 percent at the fifth percentile and 45 percent at the 95th percentile.

Focusing only on those cases that include childcare or health insurance or health care expenses, the difference between the basic obligation and the total obligation is more pronounced. The basic obligation averages 22 percent of income with a range from the fifth to the 95th percentile of 10 percent to 38 percent. The average for the total obligation

is 31 percent and the range from the fifth percentile to the 95th percentile is 16 percent to 53 percent. The average total obligation is almost 10 percentage points higher than the average basic obligation and the top five percent pay more than half their incomes in child support. Compliance among these 822 cases is surprisingly high, however; the average compliance rate is 84 percent with a median compliance of 95 percent. As we suggested earlier, it is possible that obligors paying childcare or health insurance or health care expenses are more involved with their children, and that greater involvement results in higher compliance. Our case sample does not include sufficient information to test this hypothesis.

Summary

Guideline deviations in our Florida case sample are relatively few in comparison with either Pennsylvania or California. Florida child support orders appear to follow the guidelines very closely.

On the other hand, the Florida sample shows a very high frequency of imputing incomes compared with either Pennsylvania or California. Where income is imputed in Florida, it is almost always at full time federal minimum wage. The greater frequency of imputed incomes in Florida is linked to a lower rate of compliance than in Pennsylvania.

The average child support order-to-income ratio is 26 percent, but 220 cases have an order-to-income ratio over 50 percent. Moreover, the total amount that an obligor spends on the child is not always reflected in the child support order. If credits are received for health care or childcare costs, or net income is reduced for prior child support orders, then the true ratio of child support obligation to income, the ratio that reflects the total amount spent on children, is not the same as the order amount. For those who have credits, the ratio of the average total child support obligation to net income is 31 percent, and the number of cases with ratios above 50 percent increases to 267.

Recommendations

For the next review there are some additional data elements that would improve the case analysis required by 45 CFR 302.56(h)(2).

All Judicial Data

Our sample, as noted above, includes very few judicial cases. For the next quadrennial review, a fully representative sample of all cases should be provided for analysis.

Visitation

The extent of contact between a non-custodial parent and a child is believed to be a significant determinant of the degree of compliance with child support orders. We are unable to assess whether this is the case in Florida because our sample lacks data on visitation. We recommend collecting visitation data and including it in the sample of cases for the next review, especially to comply with the new federal rule that the next review "consider…factors that influence…compliance with child support orders."[68]

Net Income Reporting

While conducting this review, we became aware that the prior family credit is deducted from net income in accordance with the statutory guidelines. That deduction is not shown in the documentation that accompanies the case files, and leads us to question whether other adjustments not shown may have been made to net income. We recommend that for the next quadrennial review all deductions from net income be included with the sample cases.

Worksheet from Non-IV-D Child Support Orders

Because the child support order sample is from the Department of Revenue, it includes only Title IV-D cases. For the next quadrennial review, the case analysis would be more accurate if it also included a sample of non-IV-D cases. Presently the Florida Association of Court Clerks data reports any new or modified child support case to the State Case Registry. In 2014, 25,452 new or modified cases were reported. The reporting does not, however, include any income information. Including the child support worksheet for each case with the Florida Association of Court Clerks data would provide information on both IV-D and non-IV-D cases for the next quadrennial review.

Electronic Version of Worksheet

To assure that the required data will be available for the next quadrennial review, we recommend that an electronic version of the existing or proposed worksheet be designed and implemented. This task should include training for the Florida Association of Court Clerks and the Department of Revenue in filling out the worksheet for each child support order.

[68] 45 CFR 302.56(h)(1)

Chapter 6

Treatment of Low-Income Parents in the Florida Child Support Guidelines

The revised federal child support rule requires that a state's child support guidelines must "[t]ake into consideration the basic subsistence needs of the noncustodial parent (and at the State's discretion, the custodial parent and the 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."[69] In the commentaries and responses, OCSE states:

> A low-income adjustment is the amount of money a parent owing support needs to support him or herself at a minimum level. It is intended to ensure that a low-income parent can meet his or her own basic needs as well as permit continued employment. A low-income adjustment is a generic term. A self-support reserve is an example of a low-income adjustment that is commonly used by the States.[70]

Florida's child support guidelines conform to this new federal rule by incorporating a self-support reserve in the schedule of child support obligations. 45 CFR 302.56(h)(2) mandates that the next quadrennial review of Florida's guidelines focus on, among other things, cases where the low-income adjustment was applied.

In this chapter we evaluate the effectiveness of the current self-support reserve using the sample of cases described in the previous chapter. We show that the self-support reserve in the Florida guidelines does not in fact provide for the subsistence needs of the obligor where subsistence is defined by the federal single-person poverty guideline. We provide an alternative to the self-support reserve that more adequately addresses the obligor's subsistence needs and is easily updated each year without changing the schedule of child support obligations.

The original intent of the self-support reserve in the income shares model was to prevent the payment of child support from pushing a non-poor parent into poverty. The self-support reserve in Florida's current schedule was originally $650, based on the 1992 federal single-person poverty guideline.[71] If the combined income of the parents was less than $650, the schedule of child support obligations did not apply. Instead, "the [obligor]

[69] 81 Fed. Reg. 93562.
[70] 81 Fed. Reg. 93518.
[71] The monthly equivalent of the1992 federal single-person poverty guidelines was $567.50.

parent should be ordered to pay a child support amount, determined on a case-by-case basis, to establish the principle of payment and lay the basis for increased orders should the parent's income increase in the future."[72]

By the time of our first review of Florida's child support guidelines in 2004, the federal poverty guideline had increased by more than $200, but Florida's schedule of obligations had not been updated. In 2010 the self-support reserve in Florida's schedule was updated to $800, but by then the poverty guideline had increased to over $900 per month. The schedule has not been updated since 2010.

For low-income parents above the poverty line, the child support obligation calculated using the income shares methodology is phased in. Over the phase-in range, the basic child support obligation for one child equals 90 percent of the difference between the parents' combined monthly net income and the 1992 federal single-person poverty guideline.[73] The percentage increases with the number of children, reaching 95 percent for six children. To illustrate, suppose the parents' combined income is within the phase-in range, and the income increases by $100. Instead of the parents' child support obligation increasing by 100 percent (the full $100), the obligation for one child increases by 90 percent, or $90. Use of 90 percent instead of 100 percent is intended to encourage low-income parents to earn additional income, although a 90 percent "tax rate" seems almost as much of a disincentive as 100 percent. The upper limit of the phase-in range is $800 for one child, $950 for two children, and extends to $1500 for six children.

Ineffectiveness of the Low-Income Provisions

In our previous reviews, we have consistently noted that the self-support reserve in Florida's guidelines is ineffective. It does not prevent the child support obligation from pushing a non-poor parent into poverty as intended, and it actually increases the poverty of an already-poor parent. With the exception of the increase in the self-support reserve in 2010, none of the problems that we cited previously have been addressed. The self-support reserve is even less effective today, applying to very few low-income parents.

[72] Many income shares states specify a $50 minimum order. In Florida, no minimum amount is specified. However, the model schedule designed by Robert Williams that became the basis for Florida's current schedule was constructed in a manner that is consistent with a $50 minimum. Adding $50 to the 1992 poverty guidelines yields $617.50. The nearest $50 multiple above that is $650.

[73] When the self-support reserve was updated in 2010, the phase-in range was not. Instead, net incomes between $650 and $800 were simply deleted along with the corresponding child support amounts. The phase-in range continues to be based on the 1992 poverty guideline. As a result, the range for one child was effectively eliminated, although part of it remains in effect at the old income levels for two or more children.

In the 2014 sample of child support cases, only 27 out of 8,494 cases with one child had a combined income less than $800 (the upper limit of the phase-in range for one child). Only in 13 of 1,709 cases with two children is the combined income less than $950 (the upper limit of the phase-in range for two-children). Therefore, in 2014 the existing self-support reserve applied to less than one percent of child support cases even if the parents' actual income was below the poverty line. There are three reasons the existing self-support reserve is ineffective:

- the *combined* income of both parents is compared to the federal *single-person* poverty guideline.
- the self-support reserve is not indexed to the annual changes in the single-person federal poverty guideline.
- the self-support reserve and phase-in apply only to the basic child support obligation, not the total obligation including actual payments for childcare, health insurance, and unreimbursed medical and dental expenses, where those are applicable.

Combined Income Is Compared to the Single-Person Poverty Guideline

The use of the parents' *combined income* to determine the basic child support obligation is inconsistent with a self-support reserve and phase-in based on the *single-person* poverty guideline. The self-support reserve and phase-in are often rendered inoperable when combined income is used. The combined incomes of the two parents will, in the vast majority of cases, be above the single-person poverty guideline even when one or both parent's individual income is below the guideline.

Moreover, even in the phase-in range, if the obligee parent's income increases, so too does the combined income. When the combined income increases, the obligor parent's child support payment increases, pushing the obligor parent closer to or into poverty. This occurs even though the obligor parent's income is unchanged.[74]

To illustrate the problem, we assume the obligor earns a net income of $800, the obligee has no income, and there are two children. As Table 6-1 shows, the obligor's income is below the single-person poverty guideline and falls within the phase-in range of the schedule. The obligor would pay $211, which would leave the obligor with $384 less than the poverty guideline. Just to have the phase-in range apply, the obligor's income must be less than the poverty guideline. The self-support reserve not only does

[74] This is a unique feature of the phase-in range, and therefore uniquely and adversely affects only low-income obligors. Above the phase-in range, an increase in combined income attributable entirely to the obligee parent would reduce, not increase, the obligor parent's share of the total obligation.

not prevent the obligor from being pushed into poverty, it exacerbates pre-existing poverty.

Table 6-1 Support Obligation for Two Children, Obligee Earnings=$0	
Obligor's Monthly Net Income	$800
Obligee's Monthly Net Income	$0
Combined Monthly Net Income	$800
Maximum Phase-in Income	$950
Obligor's Child Support Payment	$211
Monthly Net Income for the Obligor *After* Payment of Child Support	$589
2014 Federal Single-Person Poverty Guideline	$973
Excess (+) or Shortage (-)	*-$384*

Comparing Table 6-1 with Table 6-2 illustrates the effect of an increase in the obligee's income when the obligor's income is unchanged. If the obligee's income increases to $100, the combined income increases to $900, and the obligor's child support payment *increases* by $58, from $211 to $269. Again, this happens because the child support obligation is based on the combined income of the two parents, not on the obligor parent's income alone. The self-support reserve has the unintended consequence that an increase in the obligee's income is equivalent to a tax on the obligor's income.

Table 6-2 Support Obligation for Two Children, Obligee Earnings=$100	
Obligor's Monthly Net Income	$800
Obligee's Monthly Net Income	$100
Combined Monthly Net Income	$900
Maximum Phase-in Income	$950
Obligor's Child Support Payment	$269
Monthly Net Income for the Obligor *After* Payment of Child Support	$531
2014 Federal Single-Person Poverty Guideline	$973
Excess (+) or Shortage (-)	*-$442*

If the obligee parent's income increases sufficiently, the combined income would be above the phase-in range so the self-support reserve and phase-in range would no longer apply. Table 6-3 shows what happens when the obligee's income increases to equal the obligor's income. The combined income no longer falls within the self-support

reserve. The obligor now pays $280 (35 percent of the obligor's net income).[75] However, because the combined income is now above the phase-in range, a further increase in the obligee's income would *decrease* the obligor's child support payment. For example, if the obligee earns $900, then the obligor's payment decreases to $278.

Table 6-3 Support Obligation for Two Children, Obligee Earnings=Obligor Earnings	
Obligor's Monthly Net Income	$800
Obligee's Monthly Net Income	$800
Combined Monthly Net Income	$1600
Maximum Phase-in Income	$950
Obligor's Child Support Payment	$280
Monthly Net Income for the Obligor *After* Payment of Child Support	$520
2014 Federal Single-Person Poverty Guideline	$973
Excess (+) or Shortage (-)	*-$453*

Self-Support Reserve Applies to the Basic Obligation Only

The self-support reserve and phase-in range apply only to the basic child support obligation, not the total obligation. Even if the self-support reserve and the phase-in were effective in preventing the basic obligation from impoverishing parents, they would not prevent the total obligation from doing so. In the 2014 sample of child support cases, 32.3 percent included some childcare expenses and the average childcare obligation in these cases was $288. Health expenses were included in the total obligation in 14.5 percent of the sample and the average amount was $102.

Suppose the obligor parent has monthly net income of $1,450 and the obligee parent has no income. The basic support obligation from the schedule is $330 for one child, leaving the obligor parent with net income of $1,120, $147 above the poverty guideline. But if the obligor parent must also pay childcare and medical expenses equal to the average of the cases in our 2014 sample, net income remaining after payment of the total obligation is only $730, $243 below the 2014 poverty guideline. In other words, the obligor parent was not impoverished by the basic obligation, but was impoverished by the total obligation after the expenses for childcare and health costs were included. In fact,

[75] As we have noted earlier, in the commentaries and responses, OCSE notes that orders set above 15 to 20 percent of a noncustodial parent's income have been shown to increase the likelihood that the noncustodial parent will pay less support and pay less consistently.

the average childcare and health expenses together in this example are actually more than the basic obligation.

Schedule of Obligations Has Not Been Updated

As noted above, the single-person poverty guideline in 1992, when Florida's current child support schedule was adopted, was $567.50 per month. When the schedule was updated in 2010, the lowest three income categories ($650, $700, and $750) were deleted, but the obligations for incomes greater than or equal to $800 were not changed even though the poverty guideline had risen to $931 by 2012.[76] Thus, because of the failure to update, Florida's self-support reserve and most of the phase-in range are now *below* the current poverty guideline. Instead of preventing child support from impoverishing non-poor parents, the self-support reserve and the phase-in apply, if at all, only to parents who are already in poverty and not to all of those.

An Alternative to the Self-Support Reserve

An alternative to including a self-support reserve in the schedule of child support obligations is to incorporate a low-income adjustment in the child support worksheet. Adding just a few lines to the existing worksheet can overcome the ineffectiveness of the self-support reserve.

Low-Income Worksheet Adjustment

Table 6-4 provides an example of the additional lines in the worksheet needed to adjust the child support obligation for low-income obligors. The example assumes both parents have incomes equal to full-time minimum-wage earnings and one child. Each parent's net income and the combined net incomes are entered on line one of the worksheet (not shown). The combined income is $2,650, the child support obligation from the schedule is $578, and the obligor's share of the obligation is $243.[77,78] With a self-support reserve, the obligor's child support payment would be $243.

In our new line 22, we enter the 2017 single-person federal poverty guideline. The obligor's net income is $1,122, so in line 23 we enter the amount of the obligor's net

[76] The federal single-person poverty guideline is $12,060 annually in 2017, which converts to $1,005 monthly. The 2014 poverty guideline is $11,670, which converts to $973 per month. Both schedules are available at https://aspe.hhs.gov/poverty-guidelines

[77] To keep the example simple, we assume no childcare expenses, no health care expenses, and no shared parenting. We show in Appendix 6-2 that our proposed worksheet adjustment is easily modified to account for these.

[78] Throughout this chapter, we use the National Bureau of Economic Research's TAXSIM 9 database to determine the net incomes corresponding to full-time minimum-wage gross incomes. This database gives realistic net incomes for different income levels and numbers of children.

income that exceeds the poverty guideline, $117. In the income shares model with a self-support reserve, an obligor with one child pays 90 percent of this excess income as the child support payment.[79] Line 24 shows the resulting child support payment, $105. The obligor, whose initial net income is above the poverty guideline, remains $12 above the poverty guideline after payment of child support. By contrast, with the self-support reserve, the obligor's income decreases from $117 above the poverty guideline to $126 below the poverty guideline; an obligor who is not initially in poverty falls into poverty as a result of the child support payment.

Table 6-4
Low-Income Worksheet Adjustment for Obligor
(Net Income=$1,122)

22.	Current Year Single-Person Poverty Guideline	$1,005	
23.	Compare Parental Income to Poverty Line [Subtract line 22 from line 1A or 1B. The parent owing support will be subject to the income comparison.]	$117	
24.	Adjusted Excess Income [Multiply line 23 by 0.9. If less than zero, enter 0.]	$105	
25.	Sum of line 6 and line 4 for the parent owing child support	$243	
26.	Adjusted Net Obligation [Enter the smaller of line 24 or line 25, but not less than zero]	$105	
27.	Support Payment Owed, Subtract line 8 from line 26 [if less than zero then enter zero]*	$105	

*If line 27 is zero, the child support payment is to be determined at the discretion of the court.

The proposed low-income worksheet adjustment compares the net income of the obligor only, not the combined income of both parents, to the single-person poverty guideline. This ensures that the child support payment neither impoverishes the obligor nor exacerbates an obligor's pre-existing poverty. The worksheet adjustment is also

[79] We have chosen to keep the worksheet simple by applying a 90 percent adjustment regardless of the number of children. This contrasts with the phase-in range in the current schedule where the rate increases from 90 percent for one child up to 95 percent for six children. The additional dollar amounts for higher numbers of children are very small and would complicate the worksheet for no substantial gain, but our worksheet adjustment can be easily modified to include phase-in percentages that vary with the number of children. In fact, the phase-in percentage can be adjusted in any way desired without the necessity of revising the entire schedule.

easily updated for changes in the poverty guideline without the necessity of revising the entire schedule (which, as we have noted, has been done only once since 1993).

Table 6-5 shows the effect of an increase in the obligor's net income by $250 to $1,372. Now, the obligor has enough income remaining, $367, after payment of the full child support obligation in the schedule to avoid falling into poverty. The low-income worksheet adjustment applies only to obligors who would be impoverished by payment of child support based on the guidelines schedule.

Table 6-5
Low-Income Worksheet Adjustment for Obligor
(Net Income=$1372)

22.	Current Year Single-Person Poverty Guideline	$1,005	
23.	Compare Parental Income to Poverty Line [Subtract line 22 from line 1A or 1B. The parent owing support will be subject to the income comparison.]	$367	
24.	Adjusted Excess Income [Multiply line 23 by 0.9. If less than zero, enter 0.][80]	$330	
25.	Sum of line 6 and line 4 for the parent owing child support	$296	
26.	Adjusted Net Obligation [Enter the smaller of line 24 or line 25, but not less than zero]	$296	
27.	Support Payment Owed, Subtract line 8 from line 26 [if less than zero then enter zero]*	$296	

*If line 27 is zero, the child support payment is to be determined at the discretion of the court.

Table 6-6 shows that the worksheet adjustment can apply to the total obligation including childcare and health expenses, not just to the basic obligation. The table is the same as Table 6-4 but the total obligation includes childcare expenses and health expenses equal to the averages in our sample cases. The total amount of these expenses is $390, and the obligor's share is $164. However, because the obligor is paying the full health insurance premium of $164, the obligor receives a credit of $102, equal to the obligee's share of the premium.

[80] We have chosen to keep the worksheet simple by applying a 90 percent adjustment regardless of the number of children. This contrast with the phase-in range in the current schedule where the rate increases from 90 percent for one child up to 95 percent for six children. The additional dollar amounts for higher numbers of children is very small and would complicate the worksheet for no substantial gain.

Based on the guidelines schedule with a self-support reserve, the obligor's total child support payment would be $305. After payment of child support, the obligor's income would be reduced from $126 above the poverty guideline to $188 below the poverty guideline. With our proposed low-income worksheet adjustment, the obligor's child support payment is again adjusted to $105, leaving the obligor $12 above the poverty guideline. However, in this case the actual support payment owed becomes $3 with an obligation to pay health care expenses of $102. The combination of the two payments constitutes the $105.

Table 6-6 Low-Income Worksheet Adjustment with Childcare and Health Insurance Expenses				
Additional Support - Health Insurance, Childcare & Other				
5.a.	Total Monthly Childcare Costs [Childcare costs should not exceed the level required to provide quality care from a licensed source. See section 61.30(7), Florida Statutes, for more information.]			$288
b.	Total Monthly Child(ren)'s Health Insurance Cost [Amounts actually paid for children's health insurance]			$102
c.	Total Monthly Child(ren)'s Noncovered Medical, Dental, and Prescription Medication Costs.			$0
d.	Total Monthly Childcare & Health Costs [Add lines 5a + 5b + 5c.]			$390
6.	Additional Support Payments [Multiply the number on line 5d by the percentage on line 3A to determine the Father's share. Enter answer on line 6A. Multiply the number on line 5d by the percentage on line 3B to determine the mother's share. Enter answer on line 6B.]	$164	$226	
Statutory Adjustments/Credits				
7.a.	Monthly Childcare Payments Actually Made		$288	
b.	Monthly Health Insurance Payments Actually Made	$102		
c.	Other Payments/Credits Actually Made for Any Noncovered Medical, Dental, and Prescription Medication Expenses of the Child(ren) not Ordered to be Separately Paid an a Percentage Basis. [See section 61.30(8), Florida Statutes.]	$0		
8.	Total Support Payments Actually Made [Add 7a through 7c]	$102	$288	
9.	**CHILD SUPPORT OBLIGATION FOR EACH PARENT** [Line 4 + line 6 - line 8]	$305	$273	

LOW-INCOME NON-CUSTODIAL PARENT ADJUSTMENT				
22.	Current Year's Single-Person Poverty Guideline	$1,005		
23.	Compare Parental Income to Poverty Line [Subtract line 22 from line 1A or 1B. The parent owing support will be subject to the income comparison.]	$117		
24.	Adjusted Excess Income [Multiply line 23 by 0.9. If less than zero, enter 0.]	$105		
25.	Sum of line 6 and line 4 for the parent owing child support	$407		
26.	Adjusted Net Obligation [Enter the smaller of line 24 or line 25, but not less than zero]	$105		
27.	Support Payment Owed, Subtract line 8 from line 26 [if less than zero then enter zero]*	$3		
*If line 27 is zero, the child support payment is to be determined at the discretion of the court.				

Effect of Low-Income Worksheet Adjustment on Parental Poverty Rates

The effects of the worksheet adjustment on an obligor and obligee with one child are shown in Table 6-7.[81] Again, both parents are assumed to have full-time minimum-wage incomes. The upper portion of the table shows the results of applying the current schedule with its self-support reserve. The obligor is initially $117 above the poverty guideline, but after payment of child support, the obligor is $128 below the guideline. The child support payment impoverishes the obligor. The obligee, on the other hand, begins with a net income that is $175 above the poverty guideline. After the child support payment, the obligee is $419 above the poverty guideline.

Table 6-7
Effect of Low-Income Worksheet Adjustment on Parental Poverty (One Child) [82]

Current Schedule	**Obligor**	**Obligee**
Gross Income	$1,257	$1,257
Net Income	$1,122	$1,528
Obligor's Child Support Payment	$245	
Income After Child Support Payment	$877	$1,773
Federal Poverty Guideline	$1,005	$1,353
Income Remaining Above Poverty Guideline	*($128)*	*$419*
Proposed Worksheet Adjustment		
Obligor's Child Support Payment	$105	
Income After Child Support Payment	$1,017	$1,633
Income Remaining Above Poverty Guideline	*$12*	*$280*

The lower portion of the table shows the effect of the proposed low-income worksheet adjustment. The obligor is again initially $117 above the poverty guideline and remains above the poverty guideline after payment of child support by $12. The obligee is initially $175 above and after the child support payment remains above by $280.

With two children, the child support payment using the current schedule with the self-support reserve increases to $375, as shown in Table 6-8. An obligor with two children goes from $117 above the poverty guideline to $258 below. Again, the child

[81] For simplification, all numbers in the following examples have been rounded to the nearest whole number.

[82] The obligee's net income is higher than gross income because of the effect of the Earned Income Tax Credit. We assume the obligee is the custodial parent and use the two-person federal poverty guideline for the obligee.

support payment pushes the obligor into poverty. The obligee is $78 above the poverty guideline before the child support payment and $453 above after the payment. With the worksheet adjustment, the obligor is kept out of poverty, remaining $12 above the poverty guideline after the child support payment. The obligee also remains out of poverty by $183.

Table 6-8
Effect of Low-Income Worksheet Adjustment on Parental Poverty
(Two Children)

Current Schedule	**Obligor**	**Obligee**
Gross Income	$1,257	$1,257
Net Income	$1,122	$1,780
Obligor's Child Support Payment	$375	
Income After Child Support Payment	$747	$2,155
Federal Poverty Guideline	$1,005	$1,702
Income Remaining Above Poverty Guideline	*($258)*	*$453*
Proposed Worksheet Adjustment		
Obligor's Child Support Payment	$105	
Income After Child Support Payment	$1,017	$1,885
Income Remaining Above Poverty Guideline	*$12*	*$183*

The same example with three children is shown in Table 6-9. The child support payment increases to $468 using the current schedule with the self-support reserve. The payment results in the obligor's income decreasing from $117 above the poverty guideline to $351 below the poverty guideline. Unlike the previous examples, with three children, the obligee's net income is already $212 below the poverty guideline before the payment of child support. After the payment of child support, however, the obligee's income is $256 above the guideline. The effect of the self-support reserve in this example is to push the obligor into poverty while raising the obligee out of poverty.

Using the worksheet adjustment instead of the self-support reserve, the obligor's income decreases, as in the examples with one child and two children, from $117 above the poverty guideline before payment of child support to $12 above after child support. The obligee's income increases from $212 below the guideline to $107 below. The worksheet adjustment prevents an obligor from being impoverished by the payment of child support. It will not necessarily raise an already impoverished obligee out of poverty, but it will reduce the extent of the obligee's pre-existing poverty.

Table 6-9 Effect of Low-Income Worksheet Adjustment on Parental Poverty (Three Children)		
Current Schedule	**Obligor**	**Obligee**
Gross Income	$1,257	$1,257
Net Income	$1,122	$1,838
Obligor's Child Support Payment	$468	
Income After Child Support Payment	$654	$2,306
Federal Poverty Guideline	$1,005	$2,050
Income Remaining Above Poverty Guideline	*($351)*	*$256*
Proposed Worksheet Adjustment		
Obligor's Child Support Payment	$105	
Income After Child Support Payment	$1,017	$1,943
Income Remaining Above Poverty Guideline	*$12*	*($107)*

Recommendations

We have four recommendations to make the treatment of low-income obligors effective in Florida's child support guidelines. We discuss each of them below.

Replace the Self-Support Reserve and the Phase-in Range with a Low-Income Worksheet Adjustment

As we have shown, the self-support reserve and phase-in are ineffective, apply to very few families, complicate the schedule, and create anomalies that would seem inequitable.[83] Therefore, our first and foremost recommendation is to eliminate the self-support reserve and phase-in from the schedule of child support obligations. Instead, the schedule would show calculated child support obligations for all monthly net incomes.

In place of the self-support reserve and the phase-in, we recommend including in the child support worksheet an adjustment to the calculated child support obligation for low-income parents. The worksheet adjustment that we propose is simple and does not complicate the worksheet unduly, only adding a three-line calculation at the end. Appendix 6-1 provides an example of the complete Florida child support worksheet with

[83] As shown above, if the obligee's income increases when the phase-in applies, the obligor's share of the child support obligation *increases* even though the obligor's income is unchanged. Moreover, when the obligor's income increases while remaining within the phase-in range, the obligor's share of the support obligation increases by 90 percent of the additional net income. This is effectively a 90 percent marginal tax rate on a low-income obligor's income. The highest marginal tax rate in the U.S. Individual Income Tax applied to middle and upper incomes is only 39 percent.

a low-income adjustment, but no childcare or health insurance expenses. Appendix 6-2 is the same, but includes childcare and health insurance expenses. Both examples omit the worksheet sections for shared parenting, but inclusion of shared parenting does not substantially alter the low-income adjustment.

The updated schedule of obligations in Appendix 4-1 omits the self-support reserve and phase-in. If the updated schedule is adopted, it should be coupled with the revised worksheet including the low-income adjustment. If the updated schedule is adopted without including the low-income adjustment in the worksheet, the schedule in Appendix 4-1 needs to be modified to include an updated self-support reserve and phase-in. Even if the updated schedule in Appendix 4-1 is not adopted and the existing schedule remains in force, the self-support reserve and phase-in in the existing schedule should be replaced by the low-income worksheet adjustment.

Additionally, if the self-support reserve and phase-in are retained, we recommend amending the guidelines so that only the obligor parent's income, not the combined incomes of both parents, is compared the federal single-person poverty guideline in determining the applicability of the reserve and phase-in. Other states have recognized the problem of using the combined incomes in cases involving low-income obligors and have adopted this approach. To do otherwise ensures that in many cases with low-income obligors, the income of the obligor parent will be below the subsistence level after paying child support, which is not in conformance with the new federal child support rule.

Update the Schedule to Reflect the Current Poverty Guideline

Our worksheet example uses the 2017 federal single-person poverty guideline. However, even if the self-support reserve and phase-in are retained, either in the current schedule of obligations or in the updated schedule of obligations, it is essential that these features of the schedule be updated to reflect the current poverty guideline. Simply eliminating the self-support reserve without also adjusting the phase-in, as was done in 2010, is not sufficient. Otherwise, they will remain totally ineffective.

Appendix 6-3 shows the current Florida schedule of child support obligations with an updated self-support reserve and phase-in range of incomes. The 2017 federal single-person poverty guideline is $1,005 per month. Based on that poverty guideline, the self-support reserve is $1,100 per month. Below the self-support reserve, the obligor's child support payment is determined at the discretion of the court. The phase-in range in the table is shaded. Appendix 6-4 provides a modified version of the updated schedule in Appendix 4-1 that includes a self-support reserve and phase-in. Again, the self-support reserve is $1,100 monthly income based on the 2017 federal single-person poverty guideline.

Update the Low-Income Adjustment Annually

In previous reviews, we recommended the adoption of a process for annual updating of whatever low-income provision is in use to reflect changes in the federal poverty guideline. We reiterate this recommendation. Updating our recommended low-income worksheet adjustment is simple and straightforward, requiring only a change to worksheet line 22. Adjusting the self-support reserve and phase-in either in the existing schedule or in the updated schedule is only slightly more complicated. To avoid excessive litigation by parents with existing orders seeking a modification based on the update, the statutory provision for updating might provide that updating of the low-income provision is not by itself a basis for a modification.

Reduce the Disincentive in the Phase-in for Low-Income Parents to Pay Child Support

Within the phase-in range, child support obligations are increased whenever the obligor's income increases. The rate of increase for one child is 90 percent of the income increase.[84] As noted above, this is equivalent to a marginal tax rate on the additional income of 90 percent, which is higher than the highest marginal income tax rate imposed on the highest income taxpayers.

The justification claimed in the original model guidelines was to provide an incentive for parents to earn additional income. Clearly, if the obligation increased by 100 percent of the amount of any additional income, leaving the obligor parent with no increase in net income, there would be no economic incentive to earn additional income. But intuitively, there seems to be only a very small difference in incentives between 90 percent and 100 percent.

If providing incentives for obligor parents to earn additional income is an objective, we recommend consideration of a lower phase-in rate than 90 percent. As we have pointed out in our earlier reviews, at least one state has adopted a lower rate of 50 percent. Even this is higher than the highest marginal income tax rate, but the incentive effects favoring the earning of additional income by the obligor parent are likely to be substantially greater than with 90 percent. While our worksheet example continues to use 90 percent, it can in fact be set at any level desired. If the self-support reserve is retained, whether in the existing schedule or the updated schedule, the schedule would require revision as the phase-in would extend to significantly higher incomes than the current phase-in.

[84] The rate rises to 95 percent for six children.

Appendix 6-1

Example of Complete Child Support Guidelines Worksheet with Low-Income Worksheet Adjustment but without Childcare and Health Insurance Expenses

CHILD SUPPORT GUIDELINES WORKSHEET				
		A. FATHER	B. MOTHER	C. TOTAL
1.	Present Net Monthly Income Enter the amount from line number 27, Section 1 of Florida Family Law Rules of Procedure Form 12.902(b) or (c), Financial Affidavit.	$1,122	$1,528	$2,650
2.	Basic Monthly Obligation There is (are) {number} __1__ minor child(ren) common to the parties. Using the total amount from line 1, enter the appropriate amount from the child support guidelines chart			$578
3.	Percent of Financial Responsibility Divide the amount on line 1A by the total amount on line 1 to get Father's percentage of financial responsibility. Enter answer on line 3A. Divide the number on line 1B by the total amount on line 1 to get Mother's percentage of financial responsibility. Enter answer on line 3B.	42%	58%	
4.	Share of Basic Monthly Obligation Multiply the number on line 2 by the percentage on line 3A to get Father's share of basic obligation. Enter answer on line 4A. Multiply the number on line 2 by the percentage on line 3B to get Mother's share of basic obligation. Enter the answer on line 4B.	$245	$335	

Additional Support - Health Insurance, Child Care & Other				
5. a.	Total Monthly Child Care Costs [Child care costs should not exceed the level required to provide quality care from a licensed source. See section 61.30(7), Florida Statutes, for more information.]			$0
b.	Total Monthly Child(ren)'s Health Insurance Cost [This is only amounts actually paid for health insurance on the children.]			$0
c.	Total Monthly Child(ren)'s Noncovered Medical, Dental, and Prescription Medication Costs.			$0
d.	Total Monthly Child Care & Health Costs [Add lines 5a + 5b + 5c.]			$0
6.	Additional Support Payments Multiply the number on line 5d by the percentage on line 3A to determine the Father's share. Enter answer on line 6A. Multiply the number on line 5d by the percentage on line 3B to determine the mother's share. Enter answer on line 6B.	$0	$0	
Statutory Adjustments/Credits				
7. a.	Monthly Child Care Payments Actually Made			
b.	Monthly Health Insurance Payments Actually Made			
c.	Other Payments/credits Actually Made for any Noncovered Medical, Dental, and Prescription Medication Expenses of the Child(ren) not Ordered to be Separately Paid on a Percentage Basis. [See section 61.30(8), Florida Statutes.]			
8.	Total Support Payments actually made [Add 7a through 7c]	$0	$0	
9.	**CHILD SUPPORT OBLIGATION FOR EACH PARENT** [Line 4 + line 6 - line 8]	$245	$335	

NON-CUSTODIAL PARENT ADJUSTMENT				
22.	Current Year's Single-Person Poverty Guideline	$1,005		
23.	Compare Parental Income to Poverty Line Subtract line 22 from line 1A or 1B. The parent owing support will be subject to the income comparison.	$117		
24.	Adjusted Excess Income [Multiply line 23 by 0.9][85]	$105		
25.	Sum of line 6 and line 4 for the parent owing child support	$243		
26.	Adjusted Net Obligation: Enter the smaller of line 24 or line 25, but not less than zero	$105		
27.	Support Payment Owed, Subtract line 8 from line 26 [if less than zero then enter zero]*	$105		

*If line 27 is zero, the child support payment is to be determined at the discretion of the court.

[85] We have chosen to keep the worksheet simple by applying a 90 percent adjustment regardless of the number of children. This contrast with the phase-in range in the current schedule where the rate increases from 90 percent for one child up to 95 percent for six children. The additional dollar amounts for higher numbers of children is very small and would complicate the worksheet for no substantial gain.

Appendix 6-2

Example of Complete Child Support Guidelines Worksheet with Low-Income Worksheet Adjustment and with Childcare and Health Insurance Expenses

CHILD SUPPORT GUIDELINES WORKSHEET				
		A. FATHER	B. MOTHER	C. TOTAL
1.	Present Net Monthly Income Enter the amount from line number 27, Section 1 of Florida Family Law Rules of Procedure Form 12.902(b) or (c), Financial Affidavit.	$1,122	$1,528	$2,650
2.	Basic Monthly Obligation There is (are) {number} __1__ minor child(ren) common to the parties. Using the total amount from line 1, enter the appropriate amount from the child support guidelines chart			$578
3.	Percent of Financial Responsibility Divide the amount on line 1A by the total amount on line 1 to get Father's percentage of financial responsibility. Enter answer on line 3A. Divide the number on line 1B by the total amount on line 1 to get Mother's percentage of financial responsibility. Enter answer on line 3B.	42%	58%	
4.	Share of Basic Monthly Obligation Multiply the number on line 2 by the percentage on line 3A to get Father's share of basic obligation. Enter answer on line 4A. Multiply the number on line 2 by the percentage on line 3B to get Mother's share of basic obligation. Enter the answer on line 4B.	$245	$335	

Additional Support - Health Insurance, Child Care & Other				
5. a.	Total Monthly Child Care Costs [Child care costs should not exceed the level required to provide quality care from a licensed source. See section 61.30(7), Florida Statutes, for more information.]			$288
b.	Total Monthly Child(ren)'s Health Insurance Cost [This is only amounts actually paid for health insurance on the children.]			$102
c.	Total Monthly Child(ren)'s Noncovered Medical, Dental, and Prescription Medication Costs.			$0
d.	Total Monthly Child Care & Health Costs [Add lines 5a + 5b + 5c.]			$390
6.	Additional Support Payments Multiply the number on line 5d by the percentage on line 3A to determine the Father's share. Enter answer on line 6A. Multiply the number on line 5d by the percentage on line 3B to determine the mother's share. Enter answer on line 6B.	$164	$226	
Statutory Adjustments/Credits				
7. a.	Monthly Child Care Payments Actually Made		$288	
b.	Monthly Health Insurance Payments Actually Made	$102		
c.	Other Payments/credits Actually Made for any Noncovered Medical, Dental, and Prescription Medication Expenses of the Child(ren) not Ordered to be Separately Paid on a Percentage Basis. [See section 61.30(8), Florida Statutes.]	$0		
8.	Total Support Payments Actually Made [Add 7a through 7c]	$102	$288	
9.	**CHILD SUPPORT OBLIGATION FOR EACH PARENT** [Line 4 + line 6 - line 8]	$305	$273	

NON-CUSTODIAL PARENT ADJUSTMENT				
22.	Current Year's Single-Person Poverty Guideline	$1,005		
23.	Compare Parental Income to Poverty Line Subtract line 22 from line 1A or 1B. The parent owing support will be subject to the income comparison.	$117		
24.	Adjusted Excess Income [Multiply line 23 by 0.9][86]	$105		
25.	Sum of line 6 and line 4 for the parent owing child support	$407		
26.	Adjusted Net Obligation: Enter the smaller of line 24 or line 25, but not less than zero	$105		
27.	Support Payment Owed, Subtract line 8 from line 26 [if less than zero then enter zero]*	$3		

*If line 27 is zero, the child support payment is to be determined at the discretion of the court.

[86] We have chosen to keep the worksheet simple by applying a 90 percent adjustment regardless of the number of children. This contrast with the phase-in range in the current schedule where the rate increases from 90 percent for one child up to 95 percent for six children. The additional dollar amounts for higher numbers of children is very small and would complicate the worksheet for no substantial gain.

Appendix 6-3

Current Schedule of Child Support Obligations with Updated Self-Support Reserve and Phase-in

Net Income	Children					
	One	*Two*	*Three*	*Four*	*Five*	*Six*
1,100	85	86	87	88	89	90
1,150	130	131	133	134	136	137
1,200	175	177	179	181	183	185
1,250	220	222	225	227	230	232
1,300	265	268	271	274	277	280
1,350	310	313	317	320	324	327
1,400	320	359	363	367	371	375
1,450	330	404	409	413	418	422
1,500	340	450	455	460	465	470
1,550	350	495	501	506	512	517
1,600	360	541	547	553	559	565
1,650	370	575	593	599	606	612
1,700	380	591	639	646	653	660
1,750	390	606	685	692	700	707
1,800	400	622	731	739	747	755
1,850	410	638	777	785	794	802
1,900	421	654	818	832	841	850
1,950	431	670	839	878	888	897
2,000	442	686	859	925	935	945
2,050	452	702	879	971	982	992
2,100	463	718	899	1,014	1,029	1,040
2,150	473	734	919	1,037	1,076	1,087
2,200	484	751	940	1,060	1,123	1,135
2,250	494	767	960	1,082	1,170	1,182
2,300	505	783	980	1,105	1,204	1,230
2,350	515	799	1,000	1,128	1,229	1,277
2,400	526	815	1,020	1,151	1,254	1,325
2,450	536	831	1,041	1,174	1,279	1,367
2,500	547	847	1,061	1,196	1,304	1,394
2,550	557	864	1,081	1,219	1,329	1,420
2,600	568	880	1,101	1,242	1,354	1,447
2,650	578	896	1,121	1,265	1,379	1,473
2,700	588	912	1,141	1,287	1,403	1,500
2,750	597	927	1,160	1,308	1,426	1,524
2,800	607	941	1,178	1,328	1,448	1,549

Net Income	Children					
	One	*Two*	*Three*	*Four*	*Five*	*Six*
2,850	616	956	1,197	1,349	1,471	1,573
2,900	626	971	1,215	1,370	1,494	1,598
2,950	635	986	1,234	1,391	1,517	1,622
3,000	644	1,001	1,252	1,412	1,540	1,647
3,050	654	1,016	1,271	1,433	1,563	1,671
3,100	663	1,031	1,289	1,453	1,586	1,695
3,150	673	1,045	1,308	1,474	1,608	1,720
3,200	682	1,060	1,327	1,495	1,631	1,744
3,250	691	1,075	1,345	1,516	1,654	1,769
3,300	701	1,090	1,364	1,537	1,677	1,793
3,350	710	1,105	1,382	1,558	1,700	1,818
3,400	720	1,120	1,401	1,579	1,723	1,842
3,450	729	1,135	1,419	1,599	1,745	1,867
3,500	738	1,149	1,438	1,620	1,768	1,891
3,550	748	1,164	1,456	1,641	1,791	1,915
3,600	757	1,179	1,475	1,662	1,814	1,940
3,650	767	1,194	1,493	1,683	1,837	1,964
3,700	776	1,208	1,503	1,702	1,857	1,987
3,750	784	1,221	1,520	1,721	1,878	2,009
3,800	793	1,234	1,536	1,740	1,899	2,031
3,850	802	1,248	1,553	1,759	1,920	2,053
3,900	811	1,261	1,570	1,778	1,940	2,075
3,950	819	1,275	1,587	1,797	1,961	2,097
4,000	828	1,288	1,603	1,816	1,982	2,119
4,050	837	1,302	1,620	1,835	2,002	2,141
4,100	846	1,315	1,637	1,854	2,023	2,163
4,150	854	1,329	1,654	1,873	2,044	2,185
4,200	863	1,342	1,670	1,892	2,064	2,207
4,250	872	1,355	1,687	1,911	2,085	2,229
4,300	881	1,369	1,704	1,930	2,106	2,251
4,350	889	1,382	1,721	1,949	2,127	2,273
4,400	898	1,396	1,737	1,968	2,147	2,295
4,450	907	1,409	1,754	1,987	2,168	2,317
4,500	916	1,423	1,771	2,006	2,189	2,339
4,550	924	1,436	1,788	2,024	2,209	2,361
4,600	933	1,450	1,804	2,043	2,230	2,384
4,650	942	1,463	1,821	2,062	2,251	2,406
4,700	951	1,477	1,838	2,081	2,271	2,428
4,750	959	1,490	1,855	2,100	2,292	2,450
4,800	968	1,503	1,871	2,119	2,313	2,472
4,850	977	1,517	1,888	2,138	2,334	2,494

Net Income	Children					
	One	*Two*	*Three*	*Four*	*Five*	*Six*
4,900	986	1,530	1,905	2,157	2,354	2,516
4,950	993	1,542	1,927	2,174	2,372	2,535
5,000	1,000	1,551	1,939	2,188	2,387	2,551
5,050	1,006	1,561	1,952	2,202	2,402	2,567
5,100	1,013	1,571	1,964	2,215	2,417	2,583
5,150	1,019	1,580	1,976	2,229	2,432	2,599
5,200	1,025	1,590	1,988	2,243	2,447	2,615
5,250	1,032	1,599	2,000	2,256	2,462	2,631
5,300	1,038	1,609	2,012	2,270	2,477	2,647
5,350	1,045	1,619	2,024	2,283	2,492	2,663
5,400	1,051	1,628	2,037	2,297	2,507	2,679
5,450	1,057	1,638	2,049	2,311	2,522	2,695
5,500	1,064	1,647	2,061	2,324	2,537	2,711
5,550	1,070	1,657	2,073	2,338	2,552	2,727
5,600	1,077	1,667	2,085	2,352	2,567	2,743
5,650	1,083	1,676	2,097	2,365	2,582	2,759
5,700	1,089	1,686	2,109	2,379	2,597	2,775
5,750	1,096	1,695	2,122	2,393	2,612	2,791
5,800	1,102	1,705	2,134	2,406	2,627	2,807
5,850	1,107	1,713	2,144	2,418	2,639	2,820
5,900	1,111	1,721	2,155	2,429	2,651	2,833
5,950	1,116	1,729	2,165	2,440	2,663	2,847
6,000	1,121	1,737	2,175	2,451	2,676	2,860
6,050	1,126	1,746	2,185	2,462	2,688	2,874
6,100	1,131	1,754	2,196	2,473	2,700	2,887
6,150	1,136	1,762	2,206	2,484	2,712	2,900
6,200	1,141	1,770	2,216	2,495	2,724	2,914
6,250	1,145	1,778	2,227	2,506	2,737	2,927
6,300	1,150	1,786	2,237	2,517	2,749	2,941
6,350	1,155	1,795	2,247	2,529	2,761	2,954
6,400	1,160	1,803	2,258	2,540	2,773	2,967
6,450	1,165	1,811	2,268	2,551	2,785	2,981
6,500	1,170	1,819	2,278	2,562	2,798	2,994
6,550	1,175	1,827	2,288	2,573	2,810	3,008
6,600	1,179	1,835	2,299	2,584	2,822	3,021
6,650	1,184	1,843	2,309	2,595	2,834	3,034
6,700	1,189	1,850	2,317	2,604	2,845	3,045
6,750	1,193	1,856	2,325	2,613	2,854	3,055
6,800	1,196	1,862	2,332	2,621	2,863	3,064
6,850	1,200	1,868	2,340	2,630	2,872	3,074
6,900	1,204	1,873	2,347	2,639	2,882	3,084

Net Income	Children					
	One	*Two*	*Three*	*Four*	*Five*	*Six*
6,950	1,208	1,879	2,355	2,647	2,891	3,094
7,000	1,212	1,885	2,362	2,656	2,900	3,103
7,050	1,216	1,891	2,370	2,664	2,909	3,113
7,100	1,220	1,897	2,378	2,673	2,919	3,123
7,150	1,224	1,903	2,385	2,681	2,928	3,133
7,200	1,228	1,909	2,393	2,690	2,937	3,142
7,250	1,232	1,915	2,400	2,698	2,946	3,152
7,300	1,235	1,921	2,408	2,707	2,956	3,162
7,350	1,239	1,927	2,415	2,716	2,965	3,172
7,400	1,243	1,933	2,423	2,724	2,974	3,181
7,450	1,247	1,939	2,430	2,733	2,983	3,191
7,500	1,251	1,945	2,438	2,741	2,993	3,201
7,550	1,255	1,951	2,446	2,750	3,002	3,211
7,600	1,259	1,957	2,453	2,758	3,011	3,220
7,650	1,263	1,963	2,461	2,767	3,020	3,230
7,700	1,267	1,969	2,468	2,775	3,030	3,240
7,750	1,271	1,975	2,476	2,784	3,039	3,250
7,800	1,274	1,981	2,483	2,792	3,048	3,259
7,850	1,278	1,987	2,491	2,801	3,057	3,269
7,900	1,282	1,992	2,498	2,810	3,067	3,279
7,950	1,286	1,998	2,506	2,818	3,076	3,289
8,000	1,290	2,004	2,513	2,827	3,085	3,298
8,050	1,294	2,010	2,521	2,835	3,094	3,308
8,100	1,298	2,016	2,529	2,844	3,104	3,318
8,150	1,302	2,022	2,536	2,852	3,113	3,328
8,200	1,306	2,028	2,544	2,861	3,122	3,337
8,250	1,310	2,034	2,551	2,869	3,131	3,347
8,300	1,313	2,040	2,559	2,878	3,141	3,357
8,350	1,317	2,046	2,566	2,887	3,150	3,367
8,400	1,321	2,052	2,574	2,895	3,159	3,376
8,450	1,325	2,058	2,581	2,904	3,168	3,386
8,500	1,329	2,064	2,589	2,912	3,178	3,396
8,550	1,333	2,070	2,597	2,921	3,187	3,406
8,600	1,337	2,076	2,604	2,929	3,196	3,415
8,650	1,341	2,082	2,612	2,938	3,205	3,425
8,700	1,345	2,088	2,619	2,946	3,215	3,435
8,750	1,349	2,094	2,627	2,955	3,224	3,445
8,800	1,352	2,100	2,634	2,963	3,233	3,454
8,850	1,356	2,106	2,642	2,972	3,242	3,464
8,900	1,360	2,111	2,649	2,981	3,252	3,474
8,950	1,364	2,117	2,657	2,989	3,261	3,484

Net Income	Children					
	One	*Two*	*Three*	*Four*	*Five*	*Six*
9,000	1,368	2,123	2,664	2,998	3,270	3,493
9,050	1,372	2,129	2,672	3,006	3,279	3,503
9,100	1,376	2,135	2,680	3,015	3,289	3,513
9,150	1,380	2,141	2,687	3,023	3,298	3,523
9,200	1,384	2,147	2,695	3,032	3,307	3,532
9,250	1,388	2,153	2,702	3,040	3,316	3,542
9,300	1,391	2,159	2,710	3,049	3,326	3,552
9,350	1,395	2,165	2,717	3,058	3,335	3,562
9,400	1,399	2,171	2,725	3,066	3,344	3,571
9,450	1,403	2,177	2,732	3,075	3,353	3,581
9,500	1,407	2,183	2,740	3,083	3,363	3,591
9,550	1,411	2,189	2,748	3,092	3,372	3,601
9,600	1,415	2,195	2,755	3,100	3,381	3,610
9,650	1,419	2,201	2,763	3,109	3,390	3,620
9,700	1,422	2,206	2,767	3,115	3,396	3,628
9,750	1,425	2,210	2,772	3,121	3,402	3,634
9,800	1,427	2,213	2,776	3,126	3,408	3,641
9,850	1,430	2,217	2,781	3,132	3,414	3,647
9,900	1,432	2,221	2,786	3,137	3,420	3,653
9,950	1,435	2,225	2,791	3,143	3,426	3,659
10,000	1,437	2,228	2,795	3,148	3,432	3,666

Appendix 6-4

Updated Schedule of Child Support Obligations with Self-Support Reserve and Phase-in

Net Income	Children					
	One	*Two*	*Three*	*Four*	*Five*	*Six*
1,100	85	86	87	88	89	90
1,150	130	131	133	134	136	137
1,200	175	177	179	181	183	185
1,250	220	222	225	227	230	232
1,300	265	268	271	274	277	280
1,350	310	313	317	320	324	327
1,400	328	359	363	367	371	375
1,450	339	404	409	413	418	422
1,500	351	450	455	460	465	470
1,550	362	495	501	506	512	517
1,600	373	541	547	553	559	565
1,650	384	586	593	599	606	612
1,700	395	623	639	646	653	660
1,750	406	640	685	692	700	707
1,800	417	658	731	739	747	755
1,850	428	675	777	785	794	802
1,900	439	693	823	832	841	850
1,950	450	710	869	878	888	897
2,000	461	727	904	925	935	945
2,050	472	745	925	971	982	992
2,100	483	762	947	1,018	1,029	1,040
2,150	494	779	968	1,063	1,076	1,087
2,200	504	796	990	1,087	1,123	1,135
2,250	515	814	1,011	1,110	1,170	1,182
2,300	526	831	1,032	1,133	1,217	1,230
2,350	537	848	1,054	1,157	1,256	1,277
2,400	547	865	1,075	1,180	1,282	1,325
2,450	558	882	1,096	1,203	1,307	1,372
2,500	569	899	1,117	1,227	1,332	1,420
2,550	579	916	1,139	1,250	1,358	1,462
2,600	590	933	1,160	1,273	1,383	1,489
2,650	601	950	1,181	1,297	1,408	1,516
2,700	611	967	1,202	1,320	1,434	1,543
2,750	622	984	1,223	1,343	1,459	1,570
2,800	632	1,001	1,244	1,366	1,484	1,597

Net Income	Children					
	One	*Two*	*Three*	*Four*	*Five*	*Six*
2,850	643	1,018	1,265	1,389	1,509	1,624
2,900	653	1,034	1,286	1,413	1,534	1,651
2,950	664	1,051	1,307	1,436	1,559	1,678
3,000	674	1,068	1,328	1,459	1,584	1,705
3,050	682	1,085	1,349	1,482	1,609	1,732
3,100	689	1,101	1,370	1,504	1,634	1,759
3,150	695	1,118	1,391	1,527	1,659	1,786
3,200	701	1,135	1,412	1,550	1,683	1,812
3,250	707	1,151	1,433	1,573	1,708	1,839
3,300	713	1,168	1,453	1,596	1,733	1,865
3,350	719	1,185	1,474	1,618	1,758	1,892
3,400	726	1,201	1,495	1,641	1,782	1,919
3,450	732	1,218	1,515	1,664	1,807	1,945
3,500	738	1,234	1,536	1,686	1,831	1,971
3,550	744	1,250	1,556	1,709	1,856	1,998
3,600	750	1,267	1,577	1,731	1,880	2,024
3,650	756	1,283	1,597	1,754	1,905	2,050
3,700	762	1,300	1,618	1,776	1,929	2,077
3,750	768	1,316	1,638	1,799	1,953	2,103
3,800	774	1,332	1,659	1,821	1,978	2,129
3,850	780	1,346	1,679	1,843	2,002	2,155
3,900	786	1,356	1,699	1,866	2,026	2,181
3,950	792	1,366	1,719	1,888	2,050	2,207
4,000	798	1,376	1,740	1,910	2,074	2,233
4,050	804	1,386	1,760	1,932	2,099	2,259
4,100	810	1,395	1,780	1,955	2,123	2,285
4,150	816	1,405	1,800	1,977	2,147	2,311
4,200	822	1,415	1,820	1,999	2,171	2,337
4,250	828	1,424	1,840	2,020	2,194	2,362
4,300	833	1,433	1,859	2,041	2,217	2,386
4,350	839	1,442	1,878	2,062	2,240	2,411
4,400	844	1,451	1,897	2,083	2,263	2,436
4,450	850	1,460	1,917	2,104	2,285	2,460
4,500	855	1,469	1,931	2,120	2,302	2,478
4,550	861	1,478	1,942	2,132	2,316	2,493
4,600	866	1,487	1,953	2,145	2,329	2,507
4,650	871	1,496	1,964	2,157	2,342	2,522
4,700	877	1,505	1,976	2,169	2,356	2,536
4,750	882	1,514	1,987	2,181	2,369	2,550
4,800	888	1,523	1,998	2,194	2,382	2,565
4,850	893	1,532	2,009	2,206	2,396	2,579

Net Income	Children					
	One	*Two*	*Three*	*Four*	*Five*	*Six*
4,900	898	1,541	2,020	2,218	2,409	2,593
4,950	904	1,550	2,031	2,230	2,422	2,608
5,000	909	1,558	2,042	2,243	2,435	2,622
5,050	914	1,567	2,053	2,255	2,449	2,636
5,100	919	1,576	2,065	2,267	2,462	2,650
5,150	925	1,585	2,076	2,279	2,475	2,664
5,200	930	1,593	2,087	2,291	2,488	2,678
5,250	935	1,602	2,098	2,303	2,501	2,692
5,300	940	1,611	2,108	2,315	2,514	2,707
5,350	946	1,619	2,119	2,327	2,527	2,721
5,400	951	1,628	2,130	2,339	2,540	2,735
5,450	956	1,637	2,141	2,351	2,553	2,749
5,500	961	1,645	2,152	2,363	2,566	2,762
5,550	966	1,654	2,163	2,375	2,579	2,776
5,600	971	1,662	2,174	2,387	2,592	2,790
5,650	976	1,671	2,184	2,399	2,605	2,804
5,700	981	1,679	2,195	2,410	2,618	2,818
5,750	986	1,688	2,206	2,422	2,631	2,832
5,800	991	1,696	2,217	2,434	2,643	2,846
5,850	995	1,704	2,226	2,445	2,655	2,858
5,900	1,000	1,713	2,238	2,457	2,669	2,873
5,950	1,005	1,722	2,250	2,470	2,682	2,888
6,000	1,010	1,732	2,261	2,483	2,696	2,902
6,050	1,014	1,741	2,273	2,495	2,710	2,917
6,100	1,019	1,750	2,284	2,508	2,724	2,932
6,150	1,024	1,759	2,296	2,521	2,737	2,947
6,200	1,029	1,768	2,307	2,533	2,751	2,962
6,250	1,034	1,777	2,319	2,546	2,765	2,976
6,300	1,038	1,786	2,330	2,558	2,778	2,991
6,350	1,043	1,796	2,342	2,571	2,792	3,006
6,400	1,048	1,805	2,353	2,584	2,806	3,020
6,450	1,052	1,814	2,364	2,596	2,819	3,035
6,500	1,057	1,823	2,376	2,609	2,833	3,050
6,550	1,062	1,832	2,387	2,621	2,847	3,064
6,600	1,066	1,841	2,399	2,634	2,860	3,079
6,650	1,071	1,850	2,410	2,646	2,874	3,094
6,700	1,076	1,859	2,422	2,659	2,888	3,108
6,750	1,080	1,868	2,433	2,671	2,901	3,123
6,800	1,085	1,877	2,444	2,684	2,915	3,138
6,850	1,089	1,886	2,456	2,696	2,928	3,152
6,900	1,094	1,895	2,467	2,709	2,942	3,167

Net Income	Children					
	One	*Two*	*Three*	*Four*	*Five*	*Six*
6,950	1,098	1,904	2,478	2,721	2,955	3,181
7,000	1,103	1,913	2,490	2,734	2,969	3,196
7,050	1,107	1,922	2,501	2,746	2,982	3,211
7,100	1,112	1,931	2,512	2,759	2,996	3,225
7,150	1,116	1,940	2,524	2,771	3,009	3,240
7,200	1,121	1,949	2,535	2,784	3,023	3,254
7,250	1,125	1,958	2,546	2,796	3,036	3,269
7,300	1,130	1,967	2,558	2,808	3,050	3,283
7,350	1,134	1,976	2,569	2,821	3,063	3,298
7,400	1,138	1,985	2,580	2,833	3,077	3,312
7,450	1,143	1,994	2,592	2,846	3,090	3,327
7,500	1,147	2,003	2,603	2,858	3,104	3,341
7,550	1,151	2,012	2,614	2,870	3,117	3,356
7,600	1,156	2,020	2,625	2,883	3,131	3,370
7,650	1,160	2,029	2,637	2,895	3,144	3,385
7,700	1,164	2,038	2,648	2,907	3,158	3,399
7,750	1,172	2,048	2,660	2,921	3,172	3,415
7,800	1,178	2,057	2,672	2,934	3,186	3,430
7,850	1,183	2,066	2,683	2,946	3,199	3,444
7,900	1,189	2,075	2,694	2,958	3,213	3,458
7,950	1,195	2,084	2,706	2,971	3,226	3,473
8,000	1,201	2,093	2,717	2,983	3,240	3,487
8,050	1,207	2,102	2,728	2,995	3,253	3,502
8,100	1,212	2,110	2,739	3,008	3,266	3,516
8,150	1,218	2,119	2,750	3,020	3,280	3,531
8,200	1,224	2,128	2,762	3,032	3,293	3,545
8,250	1,230	2,137	2,773	3,045	3,306	3,559
8,300	1,236	2,146	2,784	3,057	3,320	3,574
8,350	1,241	2,155	2,795	3,069	3,333	3,588
8,400	1,247	2,164	2,807	3,082	3,347	3,603
8,450	1,253	2,172	2,818	3,094	3,360	3,617
8,500	1,259	2,181	2,829	3,106	3,373	3,631
8,550	1,265	2,190	2,840	3,118	3,387	3,646
8,600	1,271	2,199	2,851	3,131	3,400	3,660
8,650	1,276	2,208	2,862	3,143	3,413	3,674
8,700	1,282	2,217	2,874	3,155	3,427	3,689
8,750	1,288	2,225	2,885	3,168	3,440	3,703
8,800	1,294	2,234	2,896	3,180	3,453	3,717
8,850	1,300	2,243	2,907	3,192	3,467	3,732
8,900	1,305	2,252	2,918	3,204	3,480	3,746
8,950	1,311	2,261	2,930	3,217	3,493	3,760

Net Income	Children					
	One	*Two*	*Three*	*Four*	*Five*	*Six*
9,000	1,317	2,269	2,941	3,229	3,507	3,775
9,050	1,323	2,278	2,952	3,241	3,520	3,789
9,100	1,329	2,287	2,963	3,253	3,533	3,803
9,150	1,335	2,296	2,974	3,266	3,546	3,818
9,200	1,341	2,304	2,985	3,278	3,560	3,832
9,250	1,346	2,313	2,996	3,290	3,573	3,846
9,300	1,352	2,322	3,008	3,302	3,586	3,861
9,350	1,358	2,331	3,019	3,315	3,600	3,875
9,400	1,364	2,339	3,030	3,327	3,613	3,889
9,450	1,370	2,348	3,041	3,339	3,626	3,904
9,500	1,376	2,357	3,052	3,351	3,639	3,918
9,550	1,382	2,366	3,063	3,363	3,653	3,932
9,600	1,387	2,375	3,074	3,376	3,666	3,946
9,650	1,393	2,383	3,086	3,388	3,679	3,961
9,700	1,399	2,392	3,097	3,400	3,693	3,975
9,750	1,405	2,401	3,108	3,412	3,706	3,989
9,800	1,411	2,409	3,119	3,425	3,719	4,004
9,850	1,417	2,418	3,130	3,437	3,732	4,018
9,900	1,423	2,427	3,141	3,449	3,746	4,032
9,950	1,429	2,436	3,152	3,461	3,759	4,046
10,000	1,435	2,444	3,163	3,473	3,772	4,061
10,050	1,440	2,453	3,175	3,486	3,785	4,075
10,100	1,446	2,462	3,186	3,498	3,799	4,089
10,150	1,452	2,471	3,197	3,510	3,812	4,104
10,200	1,458	2,479	3,208	3,522	3,825	4,118
10,250	1,464	2,488	3,219	3,534	3,838	4,132
10,300	1,470	2,497	3,230	3,547	3,852	4,146
10,350	1,476	2,506	3,241	3,559	3,865	4,161
10,400	1,482	2,516	3,254	3,573	3,880	4,177
10,450	1,488	2,526	3,267	3,587	3,895	4,193
10,500	1,495	2,536	3,279	3,601	3,910	4,209
10,550	1,501	2,546	3,292	3,615	3,925	4,226
10,600	1,507	2,556	3,305	3,629	3,941	4,242
10,650	1,513	2,566	3,317	3,643	3,956	4,258
10,700	1,519	2,576	3,330	3,657	3,971	4,275
10,750	1,526	2,586	3,343	3,671	3,986	4,291
10,800	1,532	2,597	3,356	3,685	4,001	4,308
10,850	1,538	2,607	3,369	3,699	4,017	4,324
10,900	1,544	2,617	3,381	3,713	4,032	4,340
10,950	1,550	2,627	3,394	3,727	4,047	4,357
11,000	1,557	2,637	3,407	3,741	4,063	4,373

Net Income	Children					
	One	*Two*	*Three*	*Four*	*Five*	*Six*
11,050	1,563	2,648	3,420	3,755	4,078	4,390
11,100	1,569	2,658	3,433	3,769	4,093	4,406
11,150	1,576	2,668	3,446	3,783	4,109	4,423
11,200	1,582	2,678	3,458	3,797	4,124	4,439
11,250	1,588	2,689	3,471	3,812	4,139	4,456
11,300	1,594	2,699	3,484	3,826	4,155	4,473
11,350	1,601	2,709	3,497	3,840	4,170	4,489
11,400	1,607	2,719	3,510	3,854	4,186	4,506
11,450	1,613	2,730	3,523	3,868	4,201	4,522
11,500	1,620	2,740	3,536	3,883	4,217	4,539
11,550	1,626	2,750	3,549	3,897	4,232	4,556
11,600	1,632	2,761	3,562	3,911	4,248	4,572
11,650	1,639	2,771	3,575	3,925	4,263	4,589
11,700	1,645	2,781	3,588	3,940	4,279	4,606
11,750	1,651	2,792	3,601	3,954	4,294	4,623
11,800	1,658	2,802	3,614	3,968	4,310	4,639
11,850	1,664	2,813	3,627	3,983	4,325	4,656
11,900	1,670	2,823	3,640	3,997	4,341	4,673
11,950	1,677	2,833	3,654	4,012	4,357	4,690
12,000	1,683	2,844	3,667	4,026	4,372	4,707
12,050	1,690	2,854	3,680	4,041	4,388	4,724
12,100	1,696	2,865	3,693	4,055	4,404	4,741
12,150	1,703	2,875	3,706	4,069	4,419	4,758
12,200	1,709	2,886	3,719	4,084	4,435	4,774
12,250	1,715	2,896	3,733	4,099	4,451	4,791
12,300	1,722	2,907	3,746	4,113	4,467	4,808
12,350	1,728	2,917	3,759	4,128	4,483	4,825
12,400	1,735	2,928	3,772	4,142	4,498	4,843
12,450	1,741	2,939	3,786	4,157	4,514	4,860
12,500	1,748	2,949	3,799	4,171	4,530	4,877

Chapter 7

Compliance with Federal Requirements for State Child Support Guidelines

On December 20, 2016, the federal Office of Child Support Enforcement (OCSE) issued new or revised requirements for state child support guidelines. The rule was first proposed in 2014, allowing almost three years for comments from interested parties and responses by OCSE prior to issuance of the final rule.[87] The final rule was effective on January 19, 2017.

Our last assigned task is to:

> Provide a methodology that is consistent, to the extent possible, with the December 20, 2016 Federal Register final rule change to 45 C.F.R. 302.56(h)(1) and (2). Where such methodology is not currently feasible or a change is not appropriate, identify, discuss, and provide any necessary recommendations for overcoming barriers to adherence with the revised Federal regulation for subsequent quadrennial reviews.

The first provision, 45 CFR 302.56(h)(1), requires the State, as part of its quadrennial review of the guidelines, to:

> 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.

The second provision, 45 CFR 302.56(h)(2), requires the State to:

> 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

[87] 81 Fed. Reg. 93492–93569

> 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).

The compliance date for these provisions "is 1 year after completion of the first quadrennial review of the State's guidelines that commences more than 1 year after publication of the final rule."[88] The current review began less than one year after publication of the final rule. Therefore, Florida's compliance date is one year following completion of the next quadrennial review. This allows sufficient time for statutory changes required to bring Florida's guidelines into conformity with the new regulations and sufficient time to develop new methodologies, if any, needed for compliance.

Additional Considerations in the Guidelines Review

The first provision, 45 CFR 302(h)(1), revises the previous rule by adding a number of variables that the guidelines review should consider in addition to the cost of raising children. The original economic analysis on which Florida's current schedule of child support obligations is based made some effort to account for these variables.[89] The share of family consumption expenditures devoted to children aggregated families into several different categories based on the parents' education level, broad occupation (white collar or blue collar), and employment status. To this extent, then, Florida's schedule of child support obligations already reflects some of the variables in 45 CFR 302(h)(1).

Our own methodology for updating the existing schedule also includes variables for education and average number of weeks worked, as shown in Chapter 2.[90] We have also included an adjustment for a Florida-specific effect that captures differences between labor market conditions in Florida and national labor market conditions.[91] Including these additional variables has only a minor effect on our estimates of the cost of children.

---

[88] 45 CFR 302.56(a).
[89] Thomas J. Espenshade, *Investing in Children*, The Urban Institute Press, Washington, DC, 1984.
[90] See Tables 2-4 and 2-6.
[91] See Tables 2-10 and 2-11.

In a previous review of Florida's child support guidelines, we argued that it is unnecessary to separately account for local variations within the State. In locations where income is lower (higher) than the State average, the cost of living is also approximately proportionately lower (higher) than the State average. Although expressed in absolute dollar amounts, the child support obligations in the schedule are derived from the *share* of net income devoted to children at each net income level. There is no evidence that these shares vary by location. Therefore, where income is lower (higher) than the State average, so too are the costs of children, but expenses of children *as a share of income* are the same and the guideline amounts remain valid.

Nevertheless, to test whether inclusion of local labor conditions explains variations in the *share* of family consumption devoted to children, we have re-estimated the Engel model regression with the inclusion of binary variables to account for residence in a metropolitan area together with variables for residence in a metropolitan area interacted with all of the independent variables. Based on an F-test, we cannot reject the hypothesis that these metropolitan area variables are jointly equal to zero; that is, residence in a metropolitan area does not contribute to explaining variations among Florida families in the share of total consumption devoted to children.

Additional variables along the lines of those enumerated in 45 CFR 302.56(h)(1) could be included in our food share equation and in our adult clothing equation in future reviews of the child support guidelines. Our experience with the variables that we have already included, however, suggests that these variables are unlikely to be significant contributors to explaining the variation in the share of total consumption devoted to children among families at different income levels.

This is true also for the original Espenshade estimates that form the basis for the current guidelines. Espenshade created three synthetic families defined by socioeconomic status. The families were differentiated by the educational attainment and the type of occupation of the head of household. The three families were:

Low SES Family	Elementary school education, blue-collar occupation
Medium SES Family	High school education, blue-collar occupation
High SES Family	College education, white-collar occupation

For these three families, he simulated the proportion of total family expenditure devoted to raising children from birth to age 18. His estimates for a family with two children were 40.4 percent for the low SES family, 40.7 percent for the medium SES

family, and 41.3 percent for the high SES family.[92] The percentages differ only very slightly although the characteristics of the families are widely different.

Our conclusion is that both Florida's current schedule of child support obligations and the updated schedule in Appendix 4-1 are in reasonable compliance with 45 CFR 302.56(h)(1). Alternative methodologies would require multiple schedules, creating complexity and sowing confusion among parents and among child support personnel without a significant improvement in the appropriateness of child support obligations for most cases. These sorts of variables are likely to be more important where information on the obligor's income is incomplete or unavailable, a topic we address below. The limited number of individual cases where income information is available but the guideline amount is clearly inappropriate based on the labor market conditions facing one or both parents can and probably should be handled through deviations.

Incomplete or Missing Income Information and Imputation of Income

A major concern of OCSE in promulgating the revised federal rule, a concern that permeates the commentaries and responses, is imputation of income where information on actual income is incomplete or missing. The commentary notes that many states set high minimum orders for whole categories of low-income obligors without regard to available evidence of an obligor's ability to pay.

> Over time, we have observed a trend among some States to reduce their case investigation efforts and to impose high standard minimum orders without developing any evidence or factual basis for the child support ordered amount. Our rule is designed to address the concern that in some jurisdictions, orders for the lowest income noncustodial parents are not set based upon a factual inquiry into the noncustodial parent's income and ability to pay, but instead are routinely set based upon a standardized amount well above the means of those parents to pay it. The Federal child support guidelines statute requires guidelines that result in "appropriate child support award" and is based on the fundamental principle that each child support order should take into consideration the noncustodial parent's ability to pay.[93]

OCSE makes quite clear that imputing incomes based on some standard amount does not comply with the federal rule:

[92] Espenshade, Table 20, p. 66.
[93] 81 Fed. Reg. 93516.

> Imputing standard amounts in default cases based upon State median wage or statewide occupational wage rates does not comply with this rule because it is unlikely to result in an order that a particular noncustodial parent has the ability to pay. When other information about the noncustodial parent's ability to pay is not available, information about residence will often provide the decision-maker with some basis for making this calculation. In addition, information provided by the custodial parent can provide the basis for a reasonable calculation, particularly in situations when the noncustodial parent fails to participate in the process. …***[I]f there is no evidence or insufficient evidence of earnings and income, or it is inappropriate to use earnings and income as defined in §302.56(c)(1), then the State's guidelines must provide that the State take into consideration the specific circumstances of the noncustodial parent as delineated in §302.56(c)(iii) and impute income under criteria developed by the State based upon the noncustodial parent's ability to pay the amount.***[94] [Emphasis added]

The underlying premise is that compliance with support orders is strongly linked to ability to pay, so the rule is intended to focus more attention by the states on fact-gathering and setting orders based on actual evidence of ability to pay.[95]

> To be clear, the guidelines must provide that orders must be based upon evidence of the noncustodial parent's earnings and income and other evidence of ability to pay in the specific case. In addition, the guidelines must provide that if income is imputed, the amount must reflect the specific circumstances of the noncustodial parent to the extent known, and may not order a standard amount imposed in lieu of fact-gathering in the specific case. The expectation is that in IV-D cases, the IV-D agency will investigate each case sufficiently to base orders on evidence of the noncustodial parent's ability to pay.[96]

Most states impute income whenever a parent's income is unknown, the parent is unemployed, or the parent is deemed to be underemployed. The reasons for imputation are to reduce or eliminate incentives for parents to (1) hide income, (2) seek employment

---

[94] 81 Fed. Reg. 93525.
[95] HHS Office of Inspector General, *The Establishment of Child Support Orders for Low-Income Non-custodial Parents*, OEI-05-99-00390, (2000), available at http://oig.hhs.gov/ oei/ reports/ oei-05-99-00390.pdf.
[96] 81 Fed. Reg. 93517.

in the underground economy, (3) avoid employment or seek part-time employment instead of full-time employment, and (4) fail to provide relevant information or appear in court.[97]

The child support guidelines in many states stipulate that income is to be imputed in an amount equal to the earnings of a full-time, year-round minimum-wage worker. Prior to 2011, Florida's guidelines did not include such a stipulation. Before 2011 Florida's guidelines stated:

> Income on a monthly basis shall be imputed to an unemployed or underemployed parent when such employment or underemployment is found to be voluntary on that parent's part, absent physical or mental incapacity or other circumstances over which the parent has no control. In the event of such voluntary unemployment or underemployment, the employment potential and probable earnings level of the parent shall be determined based upon his or her recent work history, occupational qualifications, and prevailing earnings level in the community; however, the court may refuse to impute income to a primary residential parent if the court finds it necessary for the parent to stay home with the child.[98]

Current Florida guidelines state:

> Monthly income shall be imputed to an unemployed or underemployed parent if such unemployment or underemployment is found by the court to be voluntary on that parent's part, absent a finding of fact by the court of physical or mental incapacity or other circumstances over which the parent has no control. In the event of such voluntary unemployment or underemployment, the employment potential and probable earnings level of the parent shall be determined based upon his or her recent work history, occupational qualifications, and prevailing earnings level in the community if such information is available. If the information concerning a parent's income is unavailable, a parent fails to participate in a child support proceeding, or a parent fails to supply adequate financial information in a child support proceeding, ***income shall be automatically imputed to the parent and there is a rebuttable presumption that the parent has income equivalent to the median income of year-round full-***

[97] Paul Legler, "Low-Income Fathers and Child Support: Starting Off on the Right Track", Denver: Policy Studies, Inc., (2003), p. 23.
[98] Florida Child Support Guidelines, 2004, Statute 61.30

> ***time workers*** as derived from current population reports or replacement reports published by the United States Bureau of the Census. However, the court may refuse to impute income to a parent if the court finds it necessary for that parent to stay home with the child who is the subject of a child support calculation or as set forth below:
> ***1. In order for the court to impute income at an amount other than the median income of year-round full-time workers as derived from current population reports or replacement reports published by the United States Bureau of the Census, the court must make specific findings of fact consistent with the requirements of this paragraph.*** …[99] [Emphasis added]

Unlike the previous provision, this provision stipulates a basis for imputing income. But rather than basing imputation on minimum-wage earnings, as in most other states, it requires imputation based on median earnings. Nevertheless, in our sample of child support cases in Florida, about 45 percent of the obligor cases, almost half, appear to have income imputed and in more than 88 percent of those, the incomes are equivalent to full-time, year-round federal minimum-wage earnings.

The current provision in the Florida child support guidelines for imputing income and Florida's current practice in which almost half of all orders appear to have imputed incomes seems clearly out of compliance with the federal rule. The rule states:

> If imputation of income is authorized, [the child support order] 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.[100]

The commentaries and responses also suggested when income imputation might be justified, for example, where the noncustodial parent's lifestyle is inconsistent with earnings or income and where there is evidence of income or assets beyond those identified or where a noncustodial parent who, despite good educational credentials and

[99] Florida Child Support Guidelines, 2013, Statute 61.30
[100] 45 CFR 302.56(c)(iii)

marketable job skills, simply refuses to work. In this situation the court may deviate from the guidelines.

One alternative to imputation of income at some standardized amount is to develop an income prediction model that uses all available information on the variables included in the rule and any other variables relevant to determining the obligor's ability to pay. Development of an income prediction model is a major undertaking and is not within the purview of this review. It requires first a determination as to what data is available at the national or state level to estimate such a model. Next, the model needs to be statistically estimated and tested. Decisions must be made about how the model will be implemented, including determining what information is currently available on individual cases, what additional information is needed to implement the model, and how that information is to be obtained.

The creation of an income prediction model will likely require significant interaction between the developers and personnel involved with the actual process of setting child support orders. Implementation of the model may require significantly more investigation by the child support agencies into the circumstances of the obligor parent and more and better training of agency personnel, but that is exactly the intent of 45 CFR 302.56. If developed, however, the model can also be used to test the appropriateness of the guidelines schedule child support obligation in any individual case.

Based on 45 CFR 302.56(h)(2), the next quadrennial review of Florida's guidelines must examine the extent of deviations from the guideline amounts, including specifically those cases where income has been imputed. The review will likely evaluate compliance with the federal rule by testing the deviations in the imputed income cases against the criteria specified in 45 CFR 302.56(1)(c)(iii).

Children's Health Care

Pursuant to a previous federal requirement that State child support guidelines address how the parents will provide for the child(ren)'s health care needs through health insurance coverage and/or through cash medical support, Florida's child support guidelines statute states:

> Each order for support shall contain a provision for health insurance for the minor child when health insurance is reasonable in cost and accessible to the child.[101]

[101] Florida Child Support Guidelines, 2013, 61.13(1)(a)2(b)

and

> Health insurance costs resulting from coverage ordered pursuant to s. 61.13(1)(b), and any noncovered medical, dental, and prescription medication expenses of the child, shall be added to the basic obligation unless these expenses have been ordered to be separately paid on a percentage basis. After the health insurance costs are added to the basic obligation, any moneys prepaid by a parent for health-related costs for the child or children of this action shall be deducted from that parent's child support obligation for that child or those children.[102]

In addition to specifying "health insurance", the previous federal requirement also held that a child's eligibility for Medicaid could not be considered sufficient to meet the child's health care needs.

The new federal rule has replaced "health insurance coverage" with "public or private health care coverage" and has explicitly held that the child's eligibility for Medicaid satisfies this requirement. In the commentaries and responses to the new federal rule, OCSE states "We want to clarify that States do not have an option in distinguishing between private and public forms of health care coverage."[103]

OCSE recognizes that this likely requires amendment of most states guidelines and provides suggestions about the amendment language:

> Through our revised definition of health care coverage, if the child is covered through Medicaid, CHIP, or other State coverage plan, then public forms of coverage are an allowable form of health care coverage. Additionally, since the implementation of the ACA, health coverage includes health insurance policies offered through the Federal or State marketplaces that meet the standards for providing essential health benefits. We encourage States to include a provision in child support orders that medical support for the child(ren) be provided by either or both parents, without specifying the source of the coverage.[104]

[102] Florida Child Support Guidelines, 2013, 61.30(8)
[103] 81 Fed. Reg. 93547.
[104] 81 Fed. Reg. 93547.

Recommendations

Comparing Florida's current child support guidelines with the new federal rule gives rise to several recommendations for amending the guidelines.

Amend the Enumerated Bases on Which Deviations May Be Justified

Section 61.30(11)(a) of the Florida child support guidelines statute enumerates grounds for a deviation from the guideline amount. To provide for deviations on the basis of labor market conditions facing individual parents, we recommend the Legislature consider amending paragraph (11)(a) to include in its enumerated list a set of labor market variables such as those in 45 CFR 302.56(h)(1). Furthermore, deviations based on labor market conditions should, like other deviations, be clearly and carefully justified in the support order.

To comply with 45 CFR 302.62(h)(2), the next quadrennial review must include a review of the extent of deviations and the reasons therefor, especially those based on labor market conditions. In turn, this requires more complete information in the child support order as to the reasons for the deviation. Increased training of those involved in setting child support orders may be needed along with increased scrutiny of these orders to ensure that the information is present in the case file and that deviations are duly and correctly justified.

In anticipation of the next quadrennial review, it is recommended that the Department of Revenue and the court system begin, whether or not income is imputed, to collect parental information in each case such as level of education, broad occupation, hours worked, and county of residence for both parents. The questions can be phrased such that a custodial parent can answer most questions even if the noncustodial parent is not cooperating. For example, level of education might have four choices: no high school degree, high school degree, some college, and college degree and more. Broad occupations could be categorized as: Manager or Professional, Sales Worker, Service Worker, Office and Administrative support, Blue-Collar and Other. Hours worked could have categories, such as: fewer than 20, 20-34, 35-40, and more than 40. This type of information would make it possible to design a model for the imputation of income satisfying 45 CFR 302.56(h)(1).

Amend the Guidelines Provision for Imputing Income

The current provision in the Florida child support guidelines for imputing income and Florida's current practice in which almost half of all orders appear to have imputed

incomes seems clearly out of compliance with the federal rule. We recommend amending Florida Child Support Guidelines, 2004, Statute 61.30, to bring it into conformity with 45 CFR 302.56(1)(c)(3). The amended statute should specify the criteria, including those in the federal rule, where imputation is authorized and should specify the information on which an imputed income is to be based.

Amend the Guidelines Provisions on Health Insurance

The current Florida child support guidelines statute requires the parents to provide health insurance for their child or children. By implication, this is limited to private health insurance. To conform to the explicit requirements in the new federal rule, these provisions should be amended to require that the parents provide for the child's health care coverage without specifying or limiting the source of that coverage. This will allow coverage to include all forms of public insurance and public health care in addition to private health insurance and cash payment for health care services.