Review and Update of Florida's Child Support Guidelines

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Executive Summary

The Family Support Act of 1988 mandated that every state adopt a set of child support guidelines 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 Consumer Price Index changes. The guidelines were reviewed again in 1997,[1] 2004,[2] 2008,[3] 2011,[4] 2013,[5] and 2017.[6] 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 2021, 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.

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

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[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.

[6] 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, November 1, 2017.

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 an obligee avoids poverty while the obligor's subsistence needs are also met.

6. Provide a methodology that is consistent with the December 20, 2016, Federal Register final rule change to 45 C.F.R. 302.56(h)(1) and (2).

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. 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.

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.[7] The process of developing the current Florida schedule of child support obligations from this study was not rigorously developed, instead depending on a 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 combines the data from two different methodologies. Chapters 2 and 3 describe in detail the methodology adopted in this report. The proposed updated schedule of child support obligations is in Appendix 3-1.

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

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

from the child support guidelines and the rates of default and imputed child support orders and orders determined using the low-income adjustment.

Chapter 4 reviews a sample of child support orders from 2017-2019 and has 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 25 percent, but in some cases the amount exceeds 50 percent of net income. When childcare, health insurance, and health care expenses are included, the number of cases exceeding 50 percent exceeds 1.2 percent, with an average order-to-net income ratio of 58 percent for those cases.

Like those in other income shares states, Florida's current schedule of child support obligations 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.

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.

Chapter 6 discusses other provisions of the revised federal rules:

- the revised federal rule requires that child support obligations be based on various labor market variables and the cost of raising children. We do account for that.

- 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. *Replace the Existing Schedule of Child Support Obligations*: The revised schedule is sufficiently different from the prior one to be replaced.

2. *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."[8]

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[8] 45 CFR 302.56(h)(1)

3.   *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.

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

5.   *Update the Low-Income Adjustment Annually:* We also recommend adopting 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.

6.   *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 to reduce the disincentive for low-income parents to earn additional income and to pay child support.

7.   *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.

8.   *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.

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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 2021, 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)
Simona Andrei, Ph.D.	Adjunct Instructor, Florida State University
Sheridan Meek	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).

The rest of this chapter describes the history of child support guidelines, and, 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 the Consumer Expenditure Survey data, which provides the most detailed consumption data available for the U.S. 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 3-1.

On December 20, 2016, the federal Office of Child Support Enforcement finalized a new rule governing state child support guidelines. Chapter 4 follows this directive by analyzing a 2017 sample of child support orders obtained from the Florida Department of Revenue. Deviations from the child support guidelines and the rates of default and imputed child support orders are analyzed.

Chapter 5 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 5, 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 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 6 reviews the compliance of the current child support guidelines. The chapter recommends an amendment of the current guidelines to require consideration of each obligor's 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.

History and Current Status of Child Support Guidelines

Before the mid-1970s, 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.[9] The federal involvement initially focused primarily on child support enforcement, emphasizing 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 and 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.

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: the percent of obligor income model developed and implemented in the early 1980s 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 the Consumer Price Index changes. The guidelines were reviewed again in 1997, 2004, 2008, 2011, 2013, and 2017. Each of these reviews made recommendations for changes in the schedule. 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.

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[9] 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.

Models of Child Support

Current state child support guidelines follow one of three models: the percent of obligor income model and the income shares model. A hybrid version is used in a few states called the Melson formula, named after Judge Elwood F. Melson of the Delaware Family Court and explained and first adopted in Delaware in 1989. We will focus on the two predominantly used methods.

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 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."[10]

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 the percentage rarely varies 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%

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[10] Wisconsin Child Support Guidelines, Chapter DWD 40.

An Updated Schedule of Child Support Obligations for Florida

Income Shares

The income shares model is the basis for state child support guidelines in the majority of the states.[11] 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.[12] The child support obligation is determined as a percentage of the combined income of both parents. In Robert Williams's original formulation of the 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 income level spends on the child(ren), not including childcare or children's extraordinary medical expenses.[13] 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). The guidelines create at most a "moral obligation," but not a legal obligation for the obligee parent.

Expenditures on childcare and 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.[14]

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.[15] More recently, David Betson has developed estimates of expenditures on children using an alternative methodology for determining

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[11] 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.

[12] 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.

[13] The basic obligation is supposed to include a minimal amount for routine health care.

[14] In practice, the additional amount for children's health care is usually the premium cost of health insurance coverage for the child.

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

family equivalence known as the Rothbarth approach.[16] 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 derived using the Betson-Rothbarth approach. The 1997 review of Florida's guidelines recommended a revised schedule based on the Rothbarth approach. However, 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.[17]

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 most of a family's expenditures are for shared goods (housing, for example) rather than for goods 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 the 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. Most states using the income shares model have adopted schedules of child support obligations

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[16] 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.

[17] 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.

based on the Rothbarth approach. David Betson has used the Rothbarth approach to develop estimates of the share of family expenditures devoted to children. Betson's estimates form the basis for the child support schedules in a majority of states[18]

Engel Approach

The Engel approach assumes that families that spend the same proportion of their incomes on food are equally well off.[19] In the Engel approach, as total spending increases, the budget share or percent devoted to food should decrease, freeing up expenditures for other goods. As family size increases, the food share of the budget should also increase.

Rothbarth Approach

The Rothbarth approach measures family equivalence using the "excess income" level available to the household after all necessary expenditures have been made.[20] Rothbarth postulated that this excess income would be used for savings and luxuries, which he considered 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) to measure excess income.

In the Rothbarth approach, expenditure on adult goods increases as total consumption expenditure increases, but spending 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 representing adult consumption goods is chosen, the Rothbarth approach proceeds similarly to 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

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[18] 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.

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

[20] 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).

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. 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.[21]

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.[22] These are the percentages that formed the starting point for Williams's model guidelines schedule.

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[21] 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).
[22] Espenshade, Table 20, p. 66.

Williams's Schedule of Child Support Obligations

According to the income shares model, child support guidelines require estimates of the average amount spent on children as a proportion of family *income* rather than family *expenditures*. They also need estimates for families at different income levels rather than families classified by different socioeconomic status variables. Therefore, additional steps were necessary to develop the national model guidelines schedule 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,[23] and the average amount of union dues.

Although Espenshade's study was published in 1984, the data on which the percentages were based was more than ten years old, and Williams was developing his schedule in 1986. He first updated the CEX income ranges to their 1984 equivalents. He plotted the cumulative relative frequency of households in each of the 1972-73 gross income categories to do so. He then plotted the same relative frequency using 1984 data.[24] He assumed that income distribution 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

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[23] 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.

[24] *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.

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,[25] and they were regrouped into two categories. The consumption-to-income ratios in the following 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 developed by Williams generated a basic child support obligation to which actual childcare and extraordinary medical expenses would be added. However, 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.

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 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 1-2 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.[26] Espenshade's percentage for low socioeconomic status families is assigned to the lowest three income categories. Espenshade's percentage for medium socioeconomic status

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[25] The rationale for this is that "…families should not be required to spend more than their income." Venohr, p. 30.
[26] 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.

families is assigned to the middle-income category. Espenshade's percentage for high socioeconomic status families is assigned to the highest three income categories.

Table 1-2 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 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.[27] 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-

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

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.

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; 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.

An Updated Schedule of Child Support Obligations for Florida

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. Thus, 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 following 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 following 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.

Many assumptions must be made in transforming the basic CEX data into the final schedule. 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.

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 to have 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
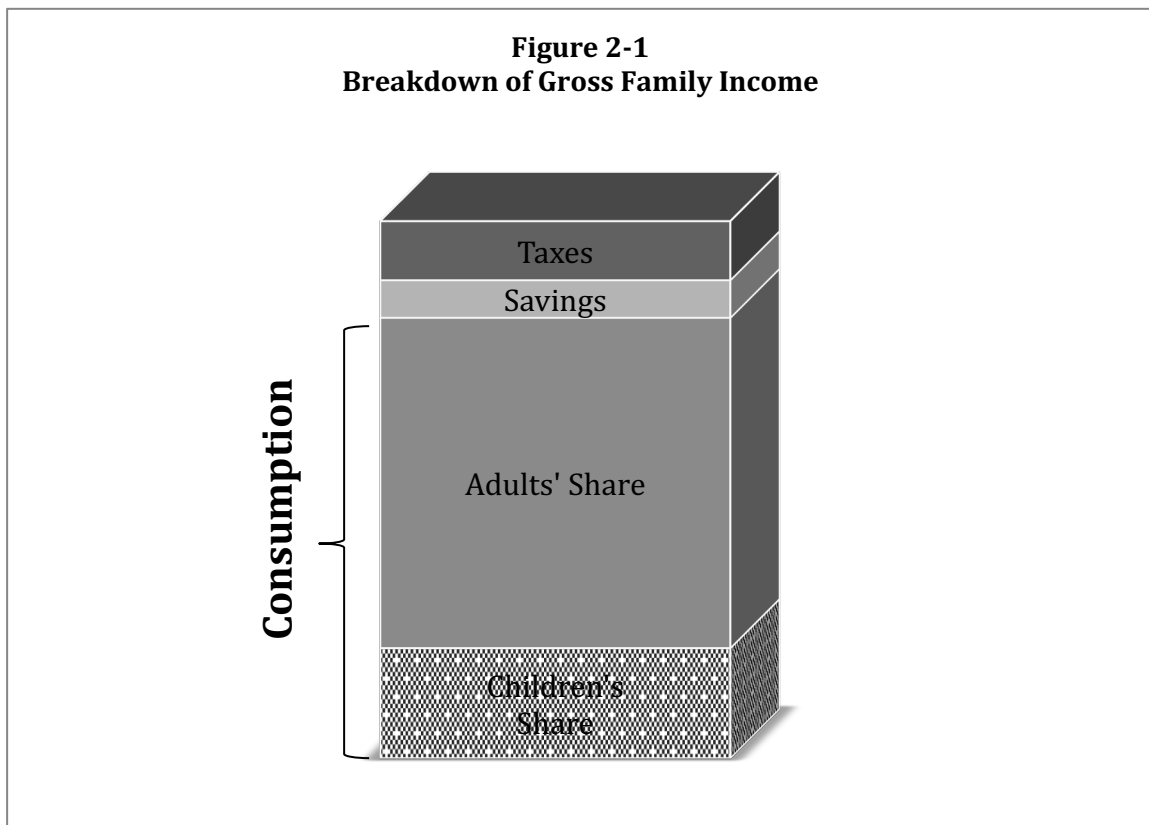
Alternative Methods of Apportioning Household Consumption between Adults and Children

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 the 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. An equivalence scale can be derived by comparing the total expenditure of a child and a childless couple, where both couples spend the same proportion of total expenditure on food. The total additional spending 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
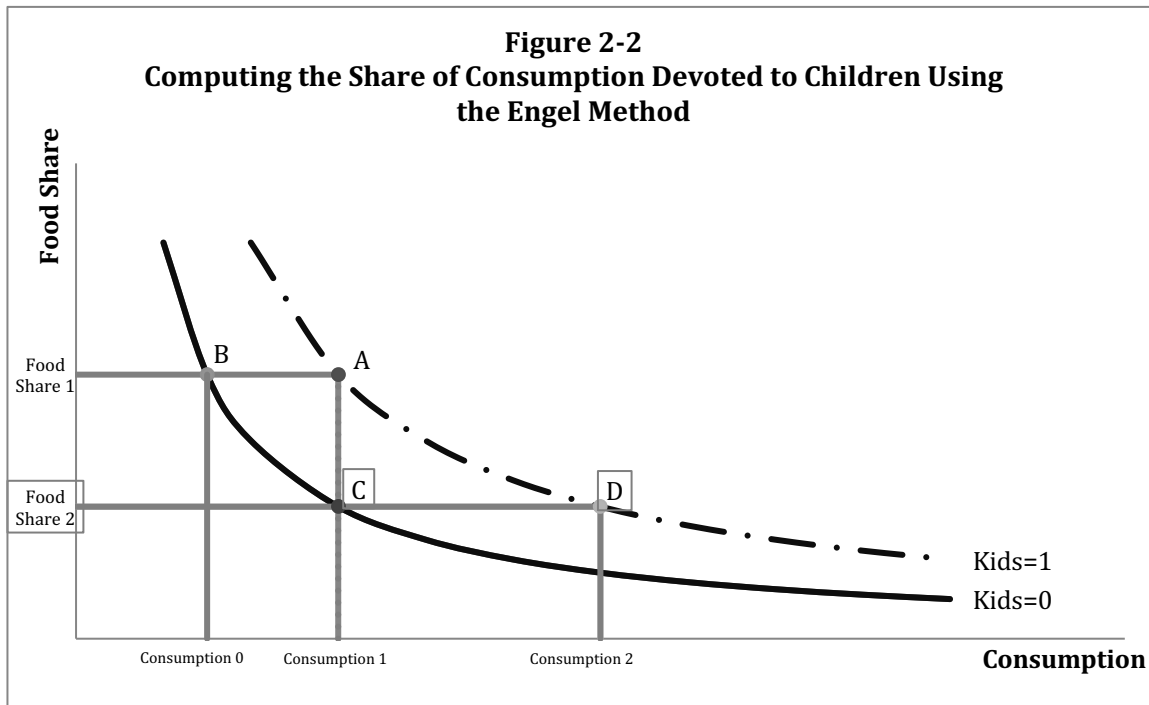
In Figure 2-2, we start with a particular consumption level for a family with one child (point A) and compute the consumption level that is necessary for a childless couple to achieve the same food share (point B). The percentage change from Consumption 1 to Consumption 0 is the fraction of consumption 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. Suppose two households with the same number of adults spend the same amount of money on adult-specific goods. In that case, they are assumed to enjoy the same level of welfare or have the same standard of living, regardless of their total expenditure and 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
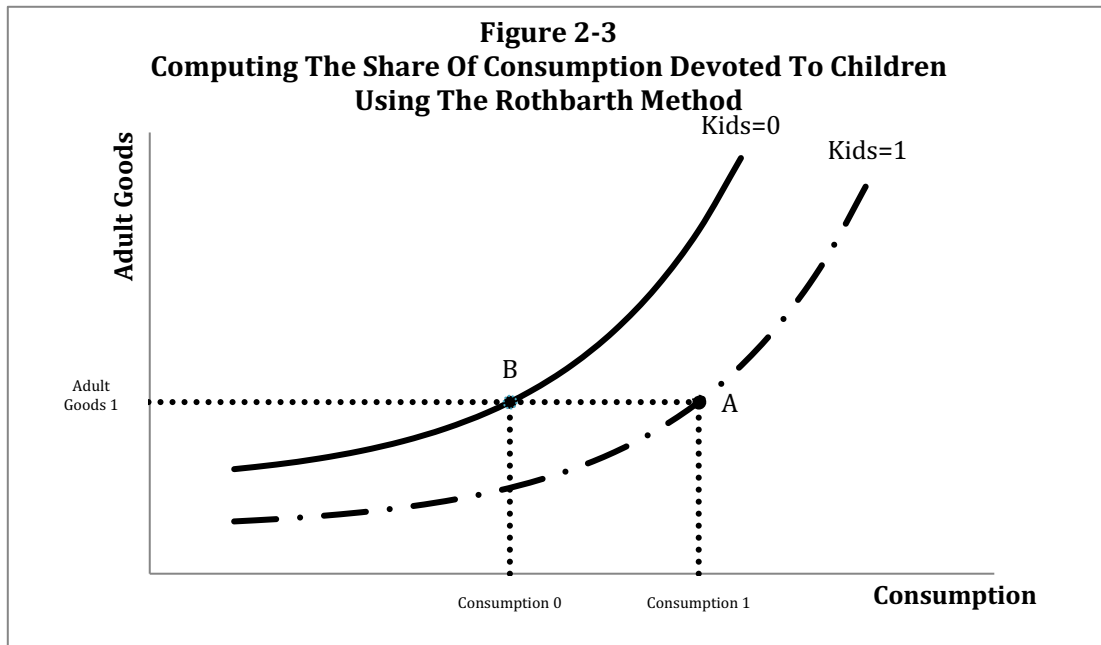
An Updated Schedule of Child Support Obligations for Florida

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 2013-2019 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, and socioeconomic and demographic characteristics of U.S. families.

The 2013-2019 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.[28] Our update uses only the public use file from the quarterly interview survey.

The analysis uses 2013-2019 data for two reasons. First, using recent CEX data provides the most current estimates of the cost of children. Second, the 2013 forward CEX data includes estimates of the respondents' state and federal income taxes using the National Bureau of Economic Research (NBER) TAXSIM program.[29] The TAXSIM program has the advantage that it accounts for child tax credits and the tax credits from the Earned Income Tax Credit (EITC) Program. These tax credits can cause lower-income families with children to have negative income taxes.[30] Another advantage is that the TAXSIM estimates of taxes are more accurate than the previously used survey respondents' estimate of their income taxes.[31] As expected, the use of TAXSIM has increased the number of respondents with tax data along with the amount of tax paid.

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

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[28] CEX Overview, http://www.bls.gov/cex/csxgloss.htm

[29] https://users.nber.org/~taxsim/taxsim32/. For a discussion of the TAXSIM program, see Feenberg, Daniel Richard, and Elizabeth Coutts, *An Introduction to the TAXSIM Model*, *Journal of Policy Analysis and Management* vol 12 no 1, Winter 1993, pages 189-194. http://www.nber.org/taxsim/feenberg-coutts.pdf

[30] The tax calculations in the CEX also account for Social Security taxes.

[31] For a discussion of the impact of the TAXSIM program on the CEX data quality, see Geoffrey D. Paulin and William Hawk, "Improving Data Quality in Consumer Expenditure Survey with TAXSIM," *Monthly Labor Review*, March 2015, https://www.bls.gov/opub/mlr/2015/article/improving-data-quality-in-ce-with-taxsim.htm

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.[32] 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 68,270 consumer units; our sub-sample includes 1,689 of these consumer units. The sample-selection restrictions imposed and the number of consumer units deleted from each restriction are shown in Table 2-1.

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

An Updated Schedule of Child Support Obligations for Florida

Table 2-1 Sample Deletions	Deletions	Remaining Sample Size
Total Number of Consumer Units		68,270
Not Full Year	46,804	21,466
Income Imputed	8,826	12,640
Family Income is 0 or less	13	12,627
Not Married	6,688	5,959
Over Age 55 and No Children	2,328	3,631
Non-Family Members Living with Family	335	3,296
No Data on Location	111	3,185
Children age 16 or Older	1,083	2,102
Four or more Children	107	1,995
Gross Income Below $9,000 or above $400,000 in 2020 Dollars	88	1,907
Net Income More Than $150,000 in 2020 Dollars	218	1,689

We first limited our sub-sample to consumer units for which a full year (four quarters) of data was available. This restriction resulted in the largest number of deletions, eliminating more than half the full sample. Another 8,826 consumer units were deleted because only imputed incomes, not actual incomes, were reported. The child support obligations in the income shares model are based on joint expenditures of intact families. Where the head of household is over age 55 with no children the observation was eliminated, or where the household includes no non-family members. These restrictions eliminated an additional 10,645 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 2020 constant dollars, and with data on location were included. These restrictions eliminated only 1,689 units. Households with more than three children were deleted because there are very few observations and part of our analysis requires including 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 expected 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	$16,870	$46,073	$37,815
2	$46,073	$66,204	$48,960
3	$66,204	$85,969	$59,950
4	$85,969	$107,120	$64,209
5	$107,120	$149,483	$80,609

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	$16,870-$46,073	$5,872	17.3%	$256	0.6%
2	$46,073-$66,204	$6,110	13.5%	$311	0.7%
3	$66,204-$85,969	$6,608	11.9%	$392	0.7%
4	$85,969-$107,120	$7,365	12.1%	$420	0.7%
5	$107,120-$149,483	$7,813	10.4%	$746	0.9%

Updated Engel Estimates

Using the 2013-2019 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 parents' socio-economic background. 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.[33]

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.

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[33] 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)**
Ln (Expenditures/10,000)	-0.651	-0.786
	(-5.201)	(-6.596)
Ln (Expenditures/10,000) ^{2}	0.0133	0.0436
	(0.354)	(1.214)
Ln (Family Size)	0.363	0.383
	(12.37)	(13.57)
Constant	-1.387	-1.387
	(-12.90)	(-13.75)
Observations	1,689	1,689
R-squared	0.422	0.414

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 0.414 to 0.422. 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. We 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[34]	$37,815	$48,960	$59,950	$64,209	$80,609
One Child	20.4%	21.0%	21.5%	21.7%	22.3%
Two Children	32.1%	32.9%	33.6%	33.9%	34.7%
Three Children	39.8%	40.8%	41.6%	41.9%	42.8%

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

Updated Rothbarth Estimates

To use the Rothbarth method, we selected spending on adult clothing from the 2013-2019 CEX to measure adult goods consumption. 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.

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 are 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, a 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 a larger family size.

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

Table 2-6 **Log Adult Clothing Spending Regression Models**		
Variable	**Coefficients With Parent Characteristics (t-statistics)**	**Coefficients Without Parent Characteristics (t-statistics)**
Ln ((Expenditures/10,000)/Family Size)	1.000	0.992
	(8.532)	(9.234)
Ln ((Expenditures/10,000)/Family Size)^2	0.0192	0.0269
	(0.249)	(0.358)
Ln (Family Size)	0.417	0.422
	(4.099)	(4.229)
Constant	4.662	4.591
	(25.35)	(33.28)
Observations	1,513	1,513
R-squared	0.173	0.168

Including the parents' characteristics results in little change in the R-squared; it rises only slightly, from 0.168 to 0.173. 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, the Rothbarth models will be estimated without the characteristics of parents in the remainder of the report.

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.

	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5
Table 2-7 **Cost of Children as a Percentage of Consumption Using the Rothbarth Methodology**					
Consumption[35]	$37,834	$48,930	$59,837	$64,372	$80,422
One Child	21.0%	21.2%	21.3%	21.4%	21.5%
Two Children	32.9%	33.2%	33.4%	33.5%	33.7%
Three Children	40.8%	41.1%	41.4%	41.5%	41.7%

Comparison of Florida to National Average Data

The number of Florida observations is 82. 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 the national average and Florida data.

The second column in Table 2-8 repeats the preferred Engel food share regression results from Table 2-4. The third column shows the effect of adding a binary 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.

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

Table 2-8		
Log of Food Share Regression Models Without and With Florida Variable		
Variable	**Coefficient Without Florida Adjustment (t-statistic)**	**Coefficient With Florida Adjustment (t-statistic)**
Ln (Expenditures/10,000)	-0.786	-0.788
	(-6.596)	(-6.620)
Ln (/10,000) ^{2}	0.0436	0.0444
	(1.214)	(1.237)
Ln (Family Size)	0.383	0.387
	(13.57)	(13.70)
Florida		0.0845
		(2.099)
Constant	-1.387	-1.395
	(-13.75)	(-13.83)
Observations	1,689	1,689
R-squared	0.414	0.416

The second column of Table 2-9 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.

Variable	Coefficient Without Florida Adjustment (t-statistic)	Coefficient With Florida Adjustment (t-statistic)
Table 2-9 Log of Adult Clothing Expenditure Regression Models Without and With Florida Variable		
Ln (Expenditures/10,000)	0.992	0.992
	(9.234)	(9.279)
Ln (Expenditures/10,000) ^{2}	0.0269	0.0243
	(0.358)	(0.324)
Ln (Family Size)	0.422	0.412
	(4.229)	(4.111)
Florida		-0.251
		(-2.018)
Constant	4.591	4.616
	(33.28)	(33.19)
Observations	1,513	1,513
R-squared	0.168	0.170

Comparison of Engel and Rothbarth Approaches Including Adjustment for Florida

Since 1972-73, the Engel estimates have fallen from an effective percentage of about 24 percent to 21.4 percent for one child using current data.[36] However, Rothbarth estimates appear to have increased over the same time period from about 19 percent to 21.3 percent using current data.[37] The Rothbarth one-child estimate is now almost equal to the Engel estimate using updated data. Similar patterns exist for two-child and three-child families.

Table 2-9 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 2-9 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 21.5 percent to 21.7 percent. With two children, the share increased from 33.6 percent to 33.9 percent; with three

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

children, it increased from 41.6 percent to 41.9 percent.

Comparing the results for the Rothbarth approach in Table 2-9 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 21.3 to 21.6 percent. For a family with two children, the share increases from 33.4 percent to 33.8 percent; it goes from 41.4 percent to 41.9 percent for a three-child family.

Two patterns are evident from Table 2-10. First, the percentage cost of children rises modestly at higher consumption levels with the Engel approach and the Rothbarth approach. Second, there are significant economies of scale in the cost of children; for the middle quintile, the cost of children is 21.7 percent for one child, 33.9 percent for two children, and 41.9 percent for three children. That is, the cost of children increases less than proportionately with the number of children.

	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5
Table 2-10 **Engel, Rothbarth and Combined with Florida Adjustment**					
Consumption[38]	$37,834	$48,930	$59,837	$64,372	$80,422
One Child					
Engel with Florida Adjustment	20.6%	21.2%	21.7%	21.9%	22.5%
Rothbarth with Florida Adjustment	21.3%	21.5%	21.6%	21.6%	21.8%
Combined with Florida Adjustment	21.0%	21.3%	21.7%	21.8%	22.2%
Two Children					
Engel with Florida Adjustment	32.3%	33.2%	33.9%	34.2%	35.0%
Rothbarth with Florida Adjustment	33.4%	33.7%	33.8%	33.9%	34.1%
Combined with Florida Adjustment	32.9%	33.4%	33.9%	34.0%	34.6%
Three Children					
Engel with Florida Adjustment	40.1%	41.1%	41.9%	42.2%	43.1%
Rothbarth with Florida Adjustment	41.4%	41.7%	41.9%	42.0%	42.2%
Combined with Florida Adjustment	40.7%	41.4%	41.9%	42.1%	42.7%

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.[39]

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

An Updated Schedule of Child Support Obligations for Florida

In this chapter, we develop an updated schedule of child support obligations for Florida.

Consumption as a Share of Net Income

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.

Figure 3-1
Allocation of Family Gross Income

Taxes

Savings

Adults' Share of consumption

Children's consumption

Net Income

In this chapter, we develop a function to compute expected consumption for families at different income levels.[40] We use data from the CEX to compute the following consumption function for the ith family by regressing consumption on net income, the square of net income to account for possible nonlinearity in the relationship, and the natural log of family size:

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

As in Chapter 2, we use data from the 2013-2019 surveys. The CEX tax data is reliable since 2013 when the CEX began using the National Bureau of Economic Research TAXSIM model to calculate taxes. All data are converted to 2020 dollars using the Consumer Price Index.

The estimated parameters are reported in Table 3-1. The dependent variable is the level of household consumption. The R-squared is acceptable, at 0.306, and all variables have the expected signs.

Table 3.1 CEX Consumption Function	
Variable	**Coefficient (t-statistic)**
Net Income	0.475
	(5.37)
Net Income^2	-8.36e-08
	(-0.14)
ln(Family Size)	11,142.6
	(6.63)
Constant	9,633.90
	(2.77)
Observations	1,689
R-squared	0.306

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[40] 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.

Table 3-2 provides the estimated consumption 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.[41] Consumption rates decrease quickly as net income increases, with the third quintile consumption to about 79 percent of net income and the top quintile to 65 percent.

Table 3-2 Estimated CEX Consumption Rates for a Family with One Child (Percent)					
	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5
Average Net Income	$35,337	$56,107	$76,517	$95,779	$124,195
Estimated Consumption Rate	109.5%	87.7%	78.7%	67.2%	65.0%

Comparing National Consumption Rates to Florida Consumption

The second column of Table 3-3 shows the parameters of the CEX saving function, reported above in Table 3-1. The third column of Table 3-3 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.

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

Table 3-3 CEX Consumption Function Without and With a Florida-Specific Effect		
Variables	**Coefficient Without Florida Adjustment (t-statistic)**	**Coefficient With Florida Adjustment (t-statistic)**
Net Income	0.475	0.4754
	(5.37)	(5.37)
Net Income^2	-8.36e-08	-7.49e-08
	(-0.14)	(-0.13)
ln(Family Size)	11,142.6	11,246.5
	(6.63)	(6.72)
Constant	9,633.9	9,321.4
	(2.77)	(2.70)
Florida		2,430.8
		(0.89)
Observations	1,689	1,689
R-squared	0.306	0.306

The t-statistic on the Florida variable is 0.89, indicating no evidence that Florida families behave differently than the national average. Therefore, no adjustment is needed to account for a Florida-specific effect.

Table 3-4 shows the average consumption share for families in each net income quintile.

Table 3-4 Consumption Share of Net Income for a Family with One Child					
	Quintile 1	**Quintile 2**	**Quintile 3**	**Quintile 4**	**Quintile 5**
Average Net Income	$35,337	$56,107	$76,517	$95,779	$124,195
Consumption Share	1.00	0.88	0.79	0.67	0.65

As we do not expect any family to persistently spend more than they earn in the long run, we set the consumption share of net income for the first quintile to 1.00. The consumption rates for a family with one child fall quickly, so the third quintile is expected to consume 79 percent of their net income, and a family in the top quintile is expected to consume 65 percent. We use the consumption rates in the next section to calculate an updated schedule of child support obligations.

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 as discussed earlier in the chapter. Because expenses for childcare and 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 amount 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 defined as medical expenses exceeding $250 per child per year.[42] 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 3-5 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 3-5 are expressed as percentages.

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

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: ($35,337)	21.0	3.2	100	17.8
2: ($56,107)	21.3	3.9	88	15.3
3: ($76,517)	21.7	3.7	79	14.2
4: ($95,779)	21.8	5.2	67	11.1
5: ($124,195)	22.2	5.8	65	10.7

Table 3-5
Shares of Net Income Devoted to One Child
(Percent)

The CEX has 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.[43] We use the following three-parameter formula advocated by Betson and Warlick (2006) and the Census Bureau:[44]

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

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.

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[43] 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.
[44] 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 3-1. The schedules start at $2,500 per month of net income. This is the level of earnings associated with two individuals working full-time at the federal minimum wage of $7.25 per hour. The net income would be higher than $2,500 per month due to the Earned Income Tax Credit and federal child tax credits.

Comparing the Current and Proposed Schedules

Figure 3-1 compares the child support obligations for one child as a function of net income in the current schedule and the updated schedule. Overall, the proposed schedule is always lower than the current schedule, and the gap between the schedules modestly expands as the level of net income rises. At $2,500 of net income, the proposed child support obligation is 18.6% lower than the current obligation. At $10,500 of net income, the proposed child support obligation is 22.5% lower than the current obligation.

Figure 3-1
Child Support Obligation for One Child
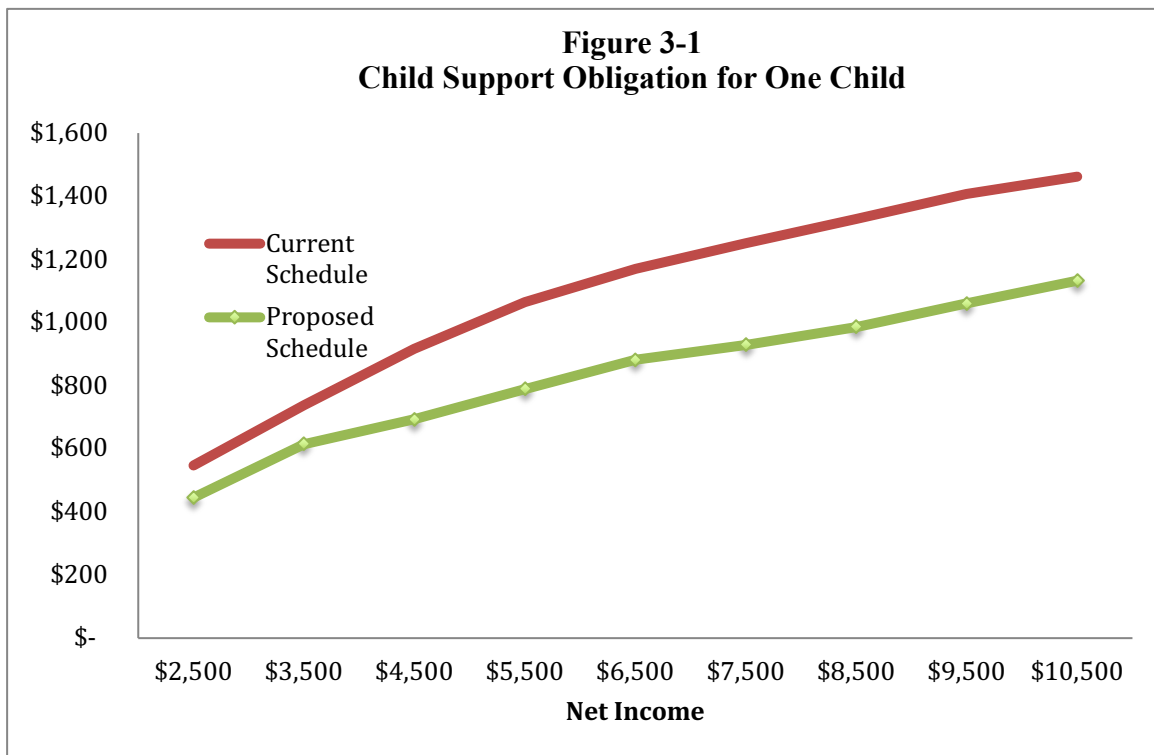
Figures 3-2 through 3-6 provide the same comparisons for families with two or more children. For two children, the proposed schedule is always lower than the current schedule, but the difference between the schedules is smaller than for one child. Again, the gap between the schedules modestly expands as the level of net income rises. At $2,500 of

net income, the proposed child support obligation is 6.8% lower than the current obligation. At $10,500 of net income, the proposed child support obligation is 12.9 % lower than the current obligation.

Figure 3-2
Child Support Obligation for Two Children
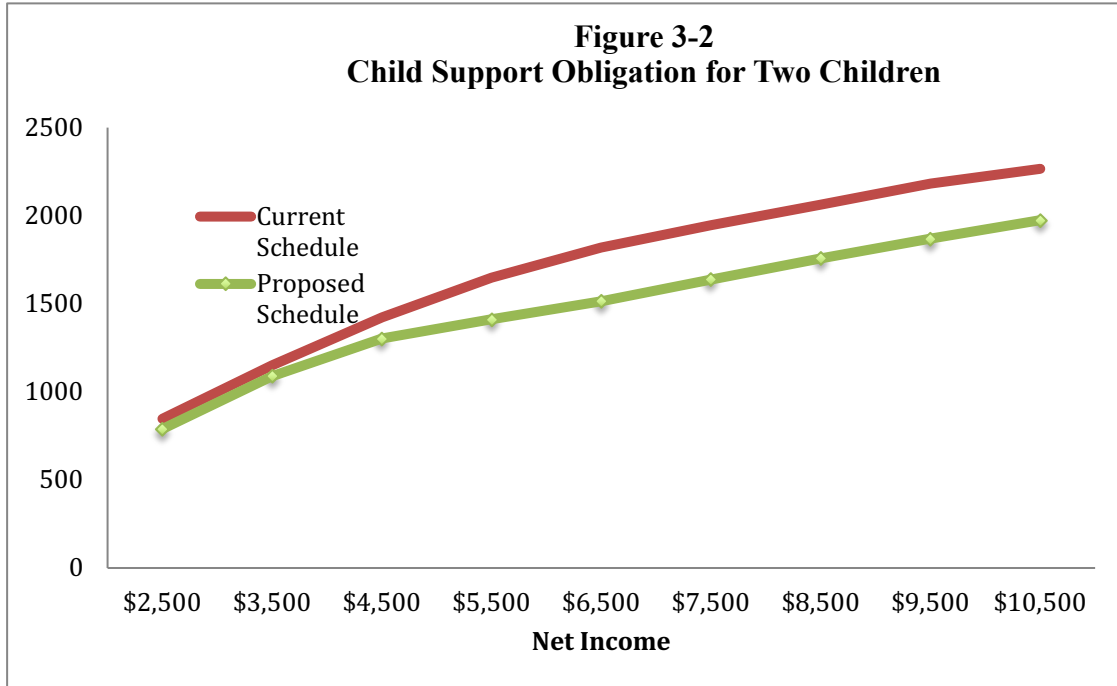
The updated support obligations at the lower end and the very top are very similar to the current schedule for three children. At middle-income levels, the updated obligations are modestly lower than the current schedule.

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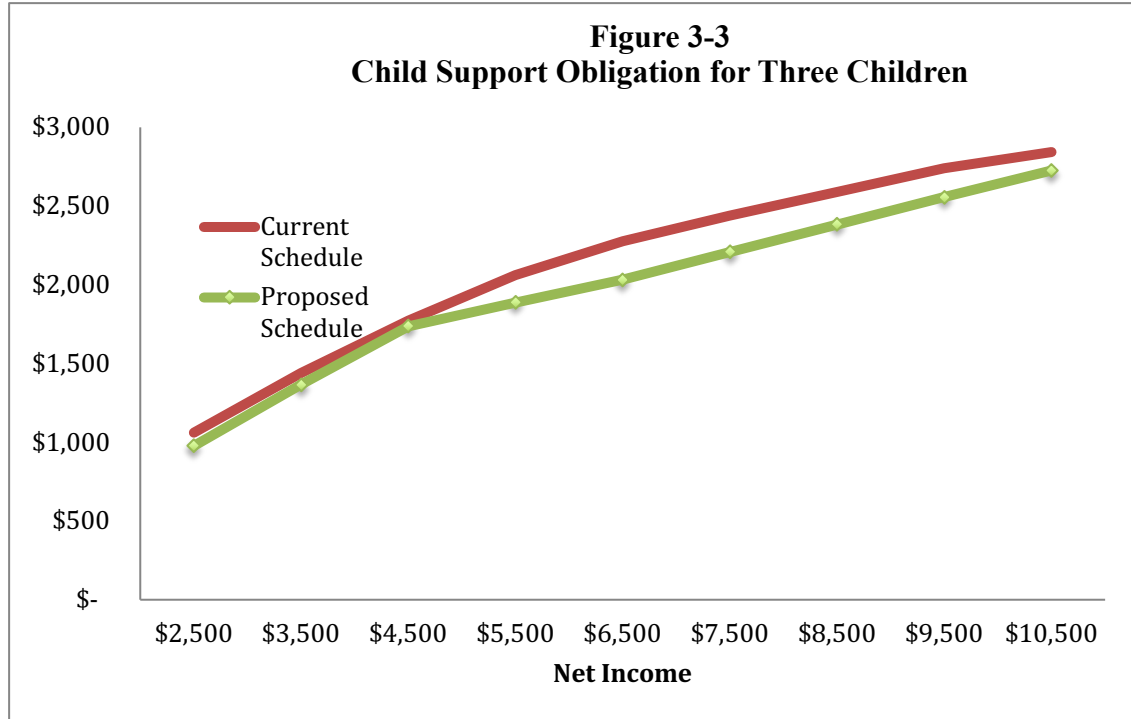
Because the child support obligations for four, five, and six children are simply a multiple of the obligations for three children, Figures 3-4 through 3-6 exhibit the same pattern as Figure 3-3.

Figure 3-4
Child Support Obligation for Four Children

An Updated Schedule of Child Support Obligations for Florida

Figure 3-5
Child Support Obligation for Five Children

Figure 3-6
Child Support Obligation for Six Children
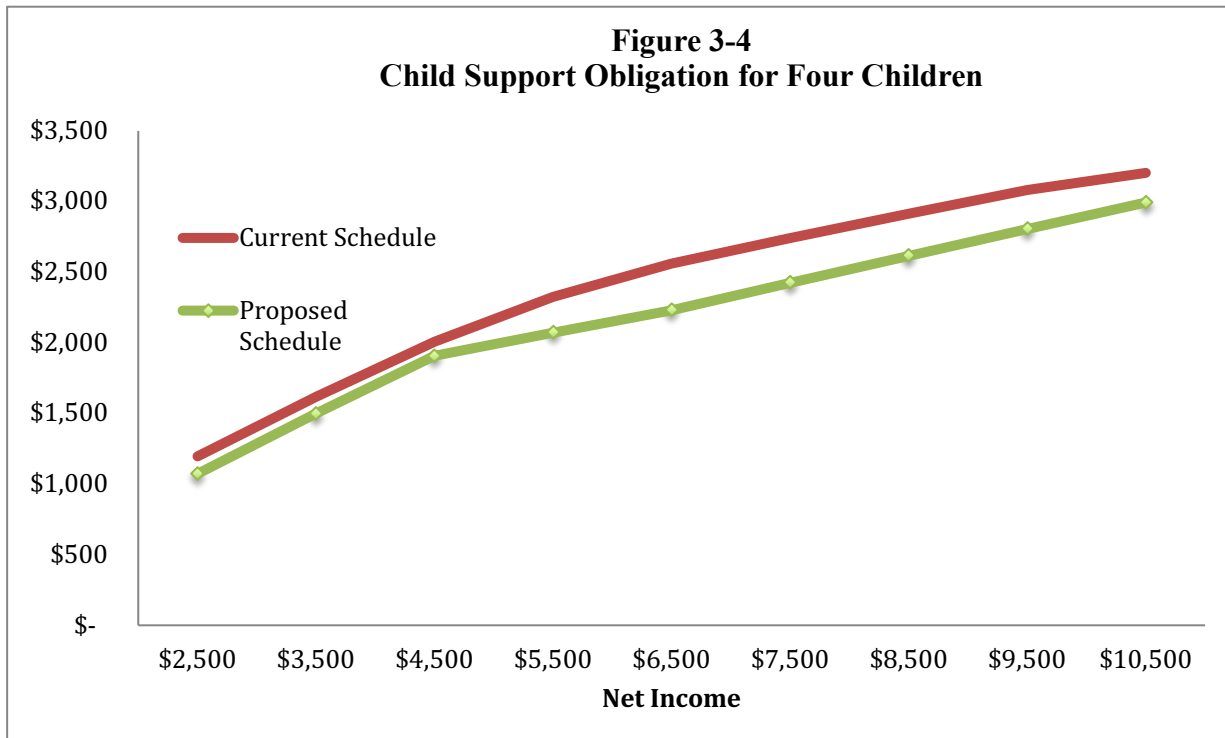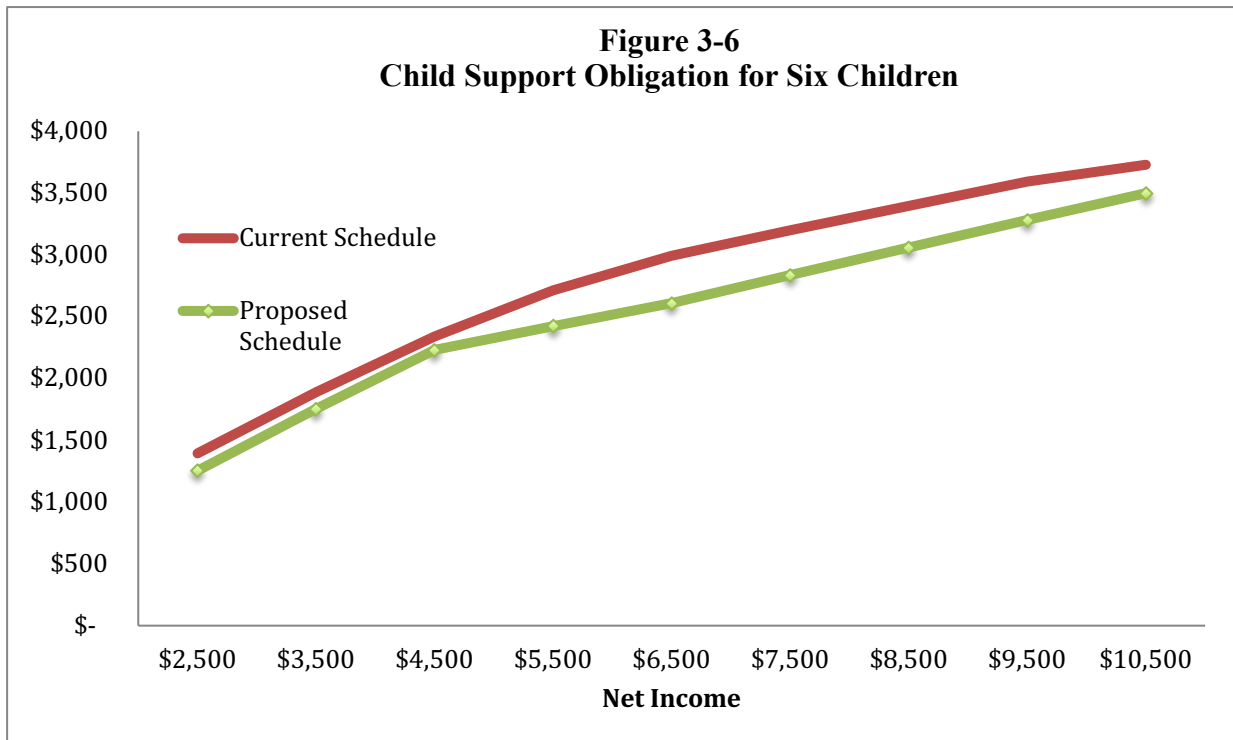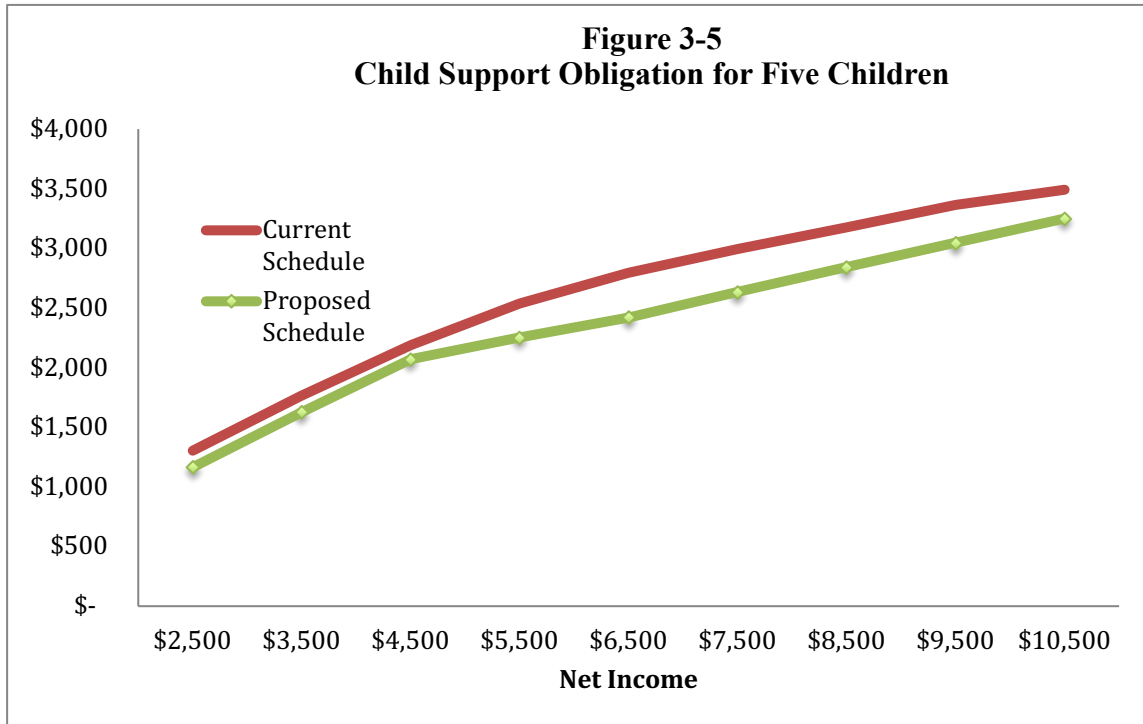
In summary, then, the updated schedule is lower than the current one. Children's share of total family consumption has fallen since the current schedule was adopted in 1993. Total family consumption has also declined as a share of net income, particularly at

higher income levels. These two changes cause the updated schedule to be lower than the current schedule.

Recommendation

Adopt the Updated Schedule of Child Support Obligations

Because the updated schedule differs from the current one, we are recommending that the updated schedule replace the existing schedule. However, we do recommend in Chapter 5 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 3-1

Updated Schedule of Child Support Obligations

Net Income	Children					
	One	*Two*	*Three*	*Four*	*Five*	*Six*
2,500	445	789	977	1,072	1,165	1,254
2,550	453	805	996	1,093	1,187	1,278
2,600	460	820	1,015	1,115	1,210	1,303
2,650	468	836	1,034	1,136	1,233	1,328
2,700	477	851	1,054	1,157	1,257	1,353
2,750	486	866	1,073	1,179	1,280	1,378
2,800	494	881	1,093	1,200	1,303	1,403
2,850	503	896	1,112	1,221	1,326	1,428
2,900	512	911	1,132	1,243	1,350	1,453
2,950	520	926	1,151	1,264	1,373	1,478
3,000	529	941	1,171	1,286	1,396	1,503
3,050	537	956	1,190	1,307	1,419	1,528
3,100	546	971	1,210	1,328	1,443	1,553
3,150	555	986	1,229	1,350	1,466	1,578
3,200	563	1,001	1,249	1,371	1,489	1,603
3,250	572	1,016	1,268	1,393	1,512	1,628
3,300	580	1,031	1,288	1,414	1,536	1,653
3,350	589	1,045	1,307	1,435	1,559	1,678
3,400	597	1,060	1,327	1,457	1,582	1,703
3,450	606	1,075	1,346	1,478	1,605	1,728
3,500	614	1,090	1,366	1,499	1,628	1,753
3,550	618	1,104	1,385	1,521	1,652	1,778
3,600	622	1,119	1,405	1,542	1,675	1,803
3,650	626	1,134	1,424	1,564	1,698	1,828
3,700	630	1,148	1,443	1,585	1,721	1,853
3,750	634	1,163	1,463	1,606	1,744	1,878
3,800	638	1,177	1,482	1,628	1,768	1,903
3,850	642	1,192	1,502	1,649	1,791	1,928
3,900	646	1,207	1,521	1,670	1,814	1,953
3,950	650	1,221	1,541	1,692	1,837	1,978
4,000	654	1,235	1,560	1,713	1,860	2,002
4,050	658	1,244	1,579	1,734	1,883	2,027
4,100	662	1,251	1,599	1,755	1,906	2,052
4,150	666	1,257	1,618	1,777	1,930	2,077
4,200	670	1,264	1,638	1,798	1,953	2,102
4,250	674	1,270	1,657	1,819	1,976	2,127

An Updated Schedule of Child Support Obligations for Florida

Net Income	Children					
	One	*Two*	*Three*	*Four*	*Five*	*Six*
4,300	678	1,276	1,676	1,841	1,999	2,152
4,350	682	1,283	1,696	1,862	2,022	2,177
4,400	686	1,289	1,715	1,883	2,045	2,202
4,450	689	1,296	1,728	1,897	2,060	2,218
4,500	693	1,302	1,737	1,907	2,071	2,230
4,550	697	1,308	1,746	1,918	2,082	2,242
4,600	701	1,315	1,756	1,928	2,094	2,254
4,650	705	1,321	1,766	1,939	2,106	2,267
4,700	709	1,327	1,773	1,947	2,115	2,276
4,750	714	1,332	1,781	1,955	2,123	2,286
4,800	719	1,338	1,788	1,963	2,132	2,295
4,850	724	1,343	1,795	1,971	2,141	2,305
4,900	729	1,349	1,803	1,979	2,149	2,314
4,950	734	1,354	1,810	1,987	2,158	2,323
5,000	739	1,359	1,817	1,995	2,167	2,333
5,050	744	1,365	1,824	2,003	2,175	2,342
5,100	749	1,370	1,832	2,011	2,184	2,351
5,150	754	1,375	1,839	2,019	2,193	2,360
5,200	759	1,380	1,846	2,027	2,201	2,369
5,250	764	1,386	1,853	2,035	2,210	2,379
5,300	769	1,391	1,860	2,042	2,218	2,388
5,350	774	1,396	1,867	2,050	2,226	2,397
5,400	779	1,401	1,874	2,058	2,235	2,406
5,450	784	1,406	1,881	2,066	2,243	2,415
5,500	789	1,412	1,888	2,073	2,252	2,424
5,550	794	1,417	1,895	2,081	2,260	2,433
5,600	799	1,422	1,902	2,089	2,268	2,442
5,650	804	1,427	1,909	2,096	2,276	2,451
5,700	809	1,432	1,916	2,104	2,285	2,459
5,750	814	1,437	1,923	2,111	2,293	2,468
5,800	819	1,442	1,930	2,119	2,301	2,477
5,850	824	1,447	1,937	2,126	2,309	2,486
5,900	829	1,452	1,943	2,134	2,317	2,495
5,950	834	1,457	1,950	2,141	2,325	2,503
6,000	839	1,462	1,957	2,149	2,333	2,512
6,050	844	1,466	1,964	2,156	2,341	2,521
6,100	850	1,471	1,970	2,163	2,349	2,529
6,150	855	1,476	1,977	2,171	2,357	2,538
6,200	860	1,481	1,984	2,178	2,365	2,546
6,250	865	1,486	1,990	2,185	2,373	2,555
6,300	870	1,490	1,997	2,193	2,381	2,563

An Updated Schedule of Child Support Obligations for Florida

Net Income	Children					
	One	*Two*	*Three*	*Four*	*Five*	*Six*
6,350	875	1,495	2,004	2,200	2,389	2,572
6,400	876	1,502	2,014	2,211	2,401	2,585
6,450	879	1,509	2,022	2,221	2,412	2,596
6,500	882	1,515	2,031	2,230	2,422	2,608
6,550	884	1,521	2,040	2,240	2,433	2,619
6,600	887	1,527	2,049	2,250	2,443	2,630
6,650	889	1,534	2,058	2,260	2,454	2,642
6,700	892	1,540	2,067	2,269	2,465	2,653
6,750	894	1,546	2,076	2,279	2,475	2,665
6,800	897	1,553	2,085	2,289	2,486	2,676
6,850	899	1,559	2,094	2,299	2,496	2,687
6,900	901	1,565	2,102	2,308	2,507	2,699
6,950	904	1,571	2,111	2,318	2,518	2,710
7,000	906	1,577	2,120	2,328	2,528	2,722
7,050	909	1,584	2,129	2,338	2,539	2,733
7,100	911	1,590	2,138	2,347	2,549	2,744
7,150	913	1,596	2,147	2,357	2,560	2,756
7,200	916	1,602	2,156	2,367	2,570	2,767
7,250	918	1,608	2,164	2,376	2,581	2,778
7,300	920	1,615	2,173	2,386	2,591	2,790
7,350	922	1,621	2,182	2,396	2,602	2,801
7,400	925	1,627	2,191	2,406	2,612	2,812
7,450	927	1,633	2,200	2,415	2,623	2,824
7,500	929	1,639	2,208	2,425	2,633	2,835
7,550	931	1,645	2,217	2,435	2,644	2,846
7,600	933	1,651	2,226	2,444	2,654	2,857
7,650	935	1,657	2,235	2,454	2,665	2,869
7,700	937	1,663	2,244	2,464	2,675	2,880
7,750	940	1,670	2,252	2,473	2,686	2,891
7,800	942	1,676	2,261	2,483	2,696	2,903
7,850	944	1,682	2,270	2,492	2,707	2,914
7,900	946	1,688	2,279	2,502	2,717	2,925
7,950	948	1,694	2,288	2,512	2,728	2,936
8,000	950	1,700	2,296	2,521	2,738	2,948
8,050	952	1,706	2,305	2,531	2,749	2,959
8,100	955	1,712	2,314	2,541	2,759	2,970
8,150	959	1,717	2,323	2,550	2,769	2,981
8,200	963	1,723	2,331	2,560	2,780	2,992
8,250	967	1,729	2,340	2,569	2,790	3,004
8,300	971	1,735	2,349	2,579	2,801	3,015
8,350	974	1,740	2,357	2,588	2,811	3,026

An Updated Schedule of Child Support Obligations for Florida

Net Income	Children					
	One	*Two*	*Three*	*Four*	*Five*	*Six*
8,400	978	1,746	2,366	2,598	2,821	3,037
8,450	982	1,752	2,375	2,608	2,832	3,048
8,500	986	1,757	2,384	2,617	2,842	3,060
8,550	989	1,763	2,392	2,627	2,853	3,071
8,600	993	1,769	2,401	2,636	2,863	3,082
8,650	997	1,774	2,410	2,646	2,873	3,093
8,700	1,001	1,780	2,418	2,655	2,884	3,104
8,750	1,004	1,786	2,427	2,665	2,894	3,115
8,800	1,008	1,791	2,436	2,674	2,904	3,126
8,850	1,012	1,797	2,444	2,684	2,915	3,138
8,900	1,016	1,803	2,453	2,693	2,925	3,149
8,950	1,019	1,808	2,462	2,703	2,935	3,160
9,000	1,023	1,814	2,470	2,712	2,945	3,171
9,050	1,027	1,819	2,479	2,722	2,956	3,182
9,100	1,030	1,825	2,487	2,731	2,966	3,193
9,150	1,034	1,830	2,496	2,741	2,976	3,204
9,200	1,038	1,836	2,505	2,750	2,987	3,215
9,250	1,042	1,841	2,513	2,760	2,997	3,226
9,300	1,045	1,847	2,522	2,769	3,007	3,237
9,350	1,049	1,852	2,530	2,778	3,017	3,248
9,400	1,053	1,858	2,539	2,788	3,028	3,259
9,450	1,056	1,863	2,548	2,797	3,038	3,270
9,500	1,060	1,869	2,556	2,807	3,048	3,281
9,550	1,064	1,874	2,565	2,816	3,058	3,292
9,600	1,067	1,879	2,573	2,825	3,068	3,303
9,650	1,071	1,885	2,582	2,835	3,079	3,314
9,700	1,075	1,890	2,590	2,844	3,089	3,325
9,750	1,078	1,896	2,599	2,854	3,099	3,336
9,800	1,082	1,901	2,607	2,863	3,109	3,347
9,850	1,085	1,906	2,616	2,872	3,119	3,358
9,900	1,089	1,912	2,624	2,882	3,129	3,369
9,950	1,093	1,917	2,633	2,891	3,140	3,380
10,000	1,096	1,922	2,641	2,900	3,150	3,391
10,050	1,100	1,928	2,650	2,910	3,160	3,402
10,100	1,104	1,933	2,658	2,919	3,170	3,412
10,150	1,107	1,938	2,667	2,928	3,180	3,423
10,200	1,111	1,943	2,675	2,938	3,190	3,434
10,250	1,114	1,949	2,684	2,947	3,200	3,445
10,300	1,118	1,954	2,692	2,956	3,210	3,456
10,350	1,122	1,959	2,701	2,965	3,220	3,467
10,400	1,125	1,964	2,709	2,975	3,230	3,478

An Updated Schedule of Child Support Obligations for Florida

Net Income	Children					
	One	*Two*	*Three*	*Four*	*Five*	*Six*
10,450	1,129	1,969	2,718	2,984	3,241	3,488
10,500	1,132	1,975	2,726	2,993	3,251	3,499
10,550	1,136	1,980	2,734	3,002	3,261	3,510
10,600	1,139	1,985	2,743	3,012	3,271	3,521
10,650	1,143	1,990	2,751	3,021	3,281	3,532
10,700	1,146	1,995	2,760	3,030	3,291	3,542
10,750	1,151	2,002	2,769	3,041	3,302	3,555
10,800	1,155	2,010	2,779	3,051	3,314	3,567
10,850	1,160	2,017	2,789	3,062	3,325	3,580
10,900	1,164	2,024	2,798	3,073	3,337	3,592
10,950	1,168	2,031	2,808	3,083	3,348	3,605
11,000	1,173	2,039	2,818	3,094	3,360	3,617
11,050	1,177	2,046	2,827	3,104	3,371	3,629
11,100	1,182	2,053	2,837	3,115	3,383	3,642
11,150	1,186	2,060	2,847	3,126	3,395	3,654
11,200	1,190	2,068	2,856	3,136	3,406	3,667
11,250	1,195	2,075	2,866	3,147	3,418	3,679
11,300	1,199	2,082	2,876	3,158	3,429	3,691
11,350	1,203	2,089	2,885	3,168	3,441	3,704
11,400	1,208	2,097	2,895	3,179	3,452	3,716
11,450	1,212	2,104	2,905	3,189	3,464	3,729
11,500	1,217	2,111	2,915	3,200	3,475	3,741
11,550	1,221	2,118	2,924	3,211	3,487	3,754
11,600	1,225	2,126	2,934	3,221	3,498	3,766
11,650	1,230	2,133	2,944	3,232	3,510	3,778
11,700	1,234	2,140	2,953	3,243	3,521	3,791
11,750	1,238	2,148	2,963	3,253	3,533	3,803
11,800	1,243	2,155	2,973	3,264	3,545	3,816
11,850	1,247	2,162	2,982	3,275	3,556	3,828
11,900	1,252	2,169	2,992	3,285	3,568	3,841
11,950	1,256	2,177	3,002	3,296	3,579	3,853
12,000	1,260	2,184	3,011	3,306	3,591	3,865
12,050	1,265	2,191	3,021	3,317	3,602	3,878
12,100	1,269	2,198	3,031	3,328	3,614	3,890
12,150	1,273	2,206	3,040	3,338	3,625	3,903
12,200	1,278	2,213	3,050	3,349	3,637	3,915
12,250	1,282	2,220	3,060	3,359	3,648	3,927
12,300	1,287	2,227	3,069	3,370	3,660	3,940
12,350	1,291	2,235	3,079	3,381	3,671	3,952
12,400	1,295	2,242	3,089	3,391	3,683	3,965
12,450	1,300	2,249	3,098	3,402	3,694	3,977

An Updated Schedule of Child Support Obligations for Florida

Net Income	Children					
	One	*Two*	*Three*	*Four*	*Five*	*Six*
12,500	1,304	2,256	3,108	3,413	3,706	3,990

Recommendation

Adopt the new Schedule of Child Support Obligations

However, we do recommend in Chapter 5 that the 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.

Chapter 4

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.[45]

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).[46]

This chapter provides a preliminary examination of a sample of child support cases obtained from the Florida Department of Revenue. Our focus is to examine payments and rates of default on child support orders by case characteristics. We also argue that an obligor's ability to pay should be assessed based on the total child support obligation rather than the basic obligation. We compare total child support to basic support for cases that include childcare and health expenses.

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[45] 45 CFR 302.56(h)(1)
[46] 45 CFR 302.56(h)(2)

Findings from a Case File Review

Description of the Data

At our request, the Department of Revenue Child Support Enforcement Agency provided data for cases for which support orders were established from January 2017 to December 2017. We examined compliance in 2017, 2018, and 2019 for a sample of 14,629 cases for which order amounts and payment information were available for at least one of the three years in the analysis.

The 14,629 cases in the sample are comprised of 84.2% administrative cases and 15.8% judicial cases. Although the proportion of judicial cases in the data provided is much higher (46.3%), reporting data for most of these cases does not include income information, so these cases are not included in the analysis.

Child Support Compliance by Case Characteristics

Overall Child Support Compliance

Over the three years in the analysis, on average, the obligor paid 49 percent of the amount owed, with a close median at 51 percent. On average, in 56 percent of months, the obligor made some payment. The median percentage of the number of months in which a payment was made was 63 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.

Table 4-1 shows that about 31 percent of obligors pay less than 20 percent of the child support owed, whereas a comparable 30 percent pay more than 80 percent of the child support owed. This shows that obligors tend to be either very involved in making the payments owed or removed from the process.

Table 4-1 Overall Child Support Compliance in the Florida Sample		
Child Support Compliance Rate	**Number of Cases**	**Percentage of Cases**
0 - 20%	4,541	31.04%
20 - 40%	1,816	12.41%
40 - 60%	1,791	12.24%
60 - 80%	2,163	14.79%
More than 80%	4,318	29.52%

Compliance by the Number of Children per Support Order

Our sample of 14,629 cases involves a total of 16,605 children. Of these, 89 percent of the cases involve only one child, and 98 percent involve either one or two children. Families with at least three children constitute only two percent of the sample cases. The average monthly support amount increases with the number of children, as expected. One might expect compliance to decrease as the number of children on the support order increases. However, the data shows almost no variation in compliance when the number of children on the support order changes. Figure 4-1 shows that compliance ranges from 48.4% for support orders that involve two children to 49.2% for support orders that involve one child.
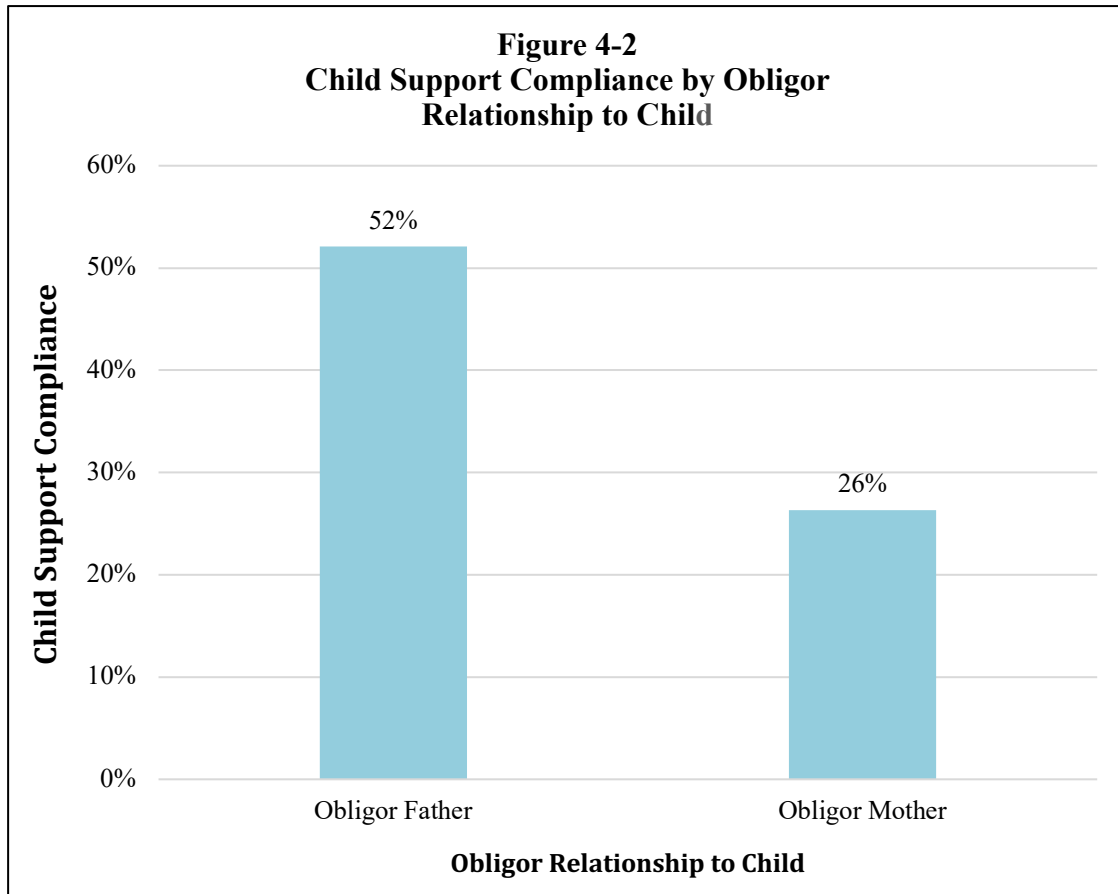
Figure 4-1
Child Support Compliance by the Number of Children
Per Support Order
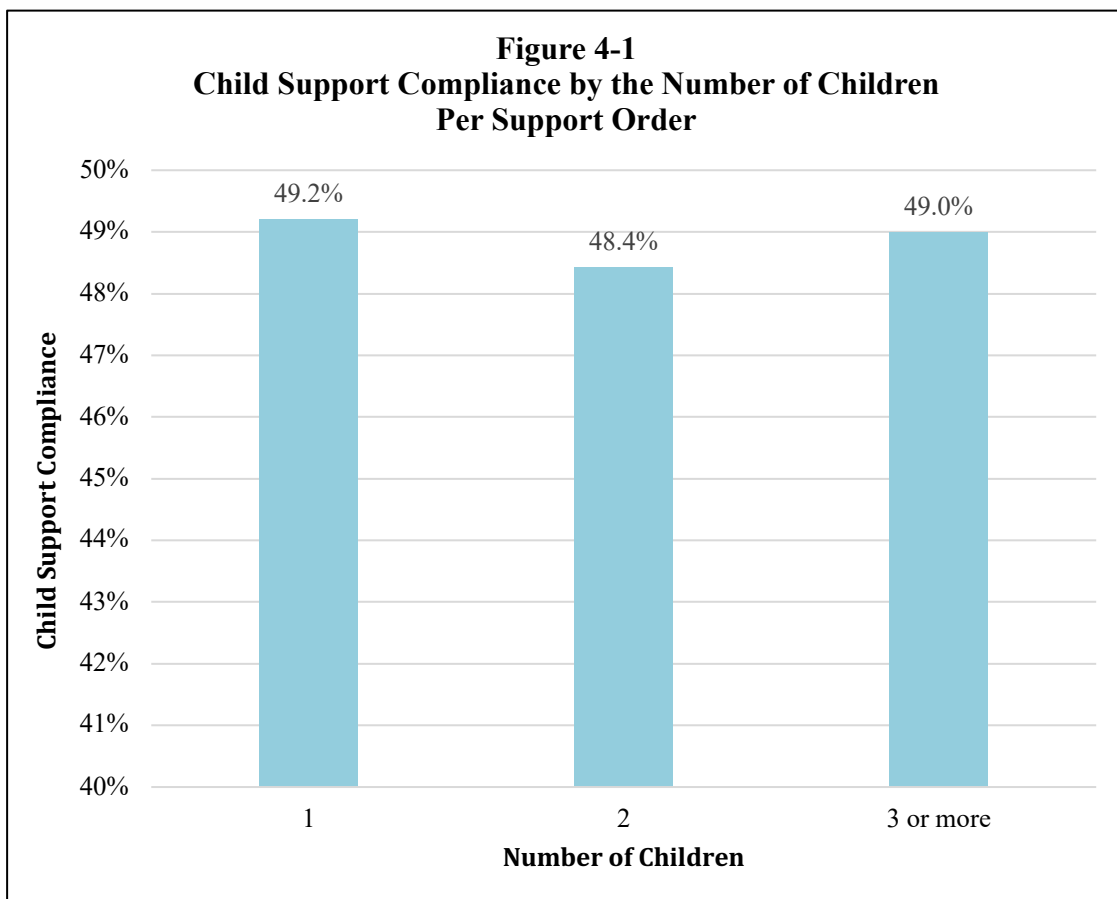
Compliance by Relationship of Obligor to the Child

In about 88 percent of the cases in our sample, the obligor is the father. The average monthly support order for obligor mothers is $303 compared with an average of $397 for obligor fathers, most likely reflecting the lower average monthly income of obligor mothers, $1,236 compared with $1,685 for obligor fathers. Figure 4-2 shows that the

average compliance for obligor fathers is 52 percent, which is twice the average compliance rate of obligor mothers.

Figure 4-2
Child Support Compliance by Obligor
Relationship to Child

Compliance for Actual vs. Imputed Income of Obligor Parent

Income appears to have been imputed to the obligor in about 41 percent of the cases in the Florida sample. Figure 4-3 shows what type of data was used for imputation. In most cases (82 percent), the federal minimum wage was used for imputation.

Figure 4-3
Sources of Imputed Income in the Florida Sample

- Federal Minimum Wage
- Florida Minimum Wage
- Former Wage
- Other
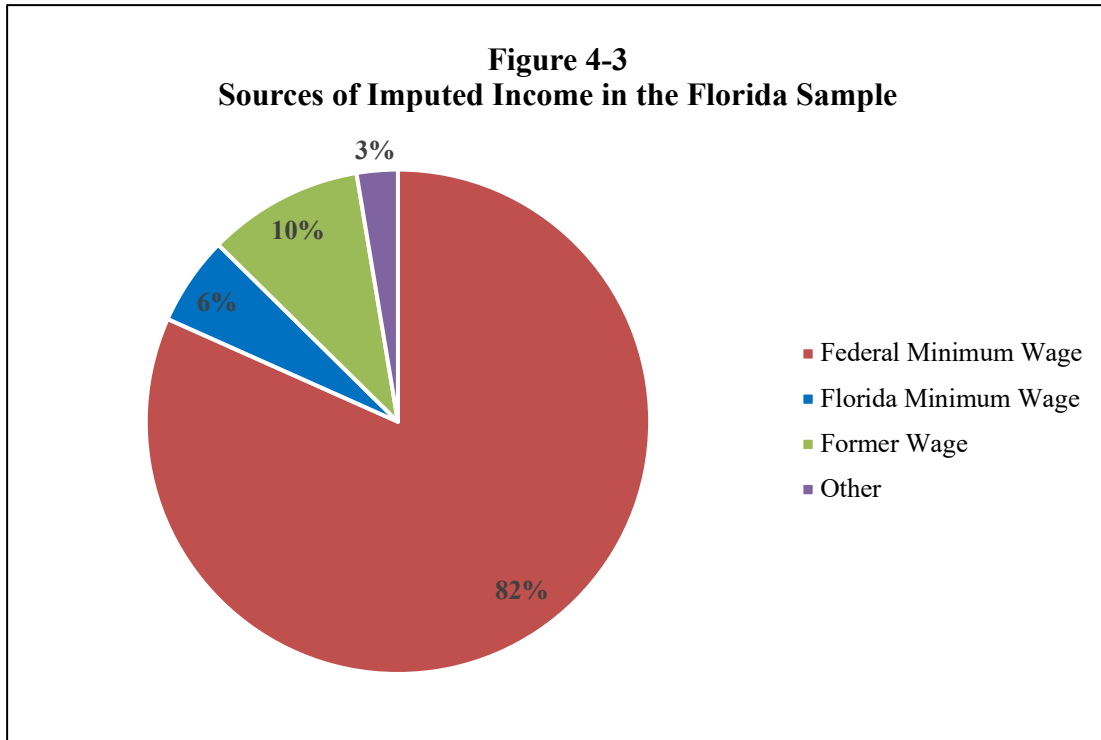
Obligors with imputed income tend to have significantly lower compliance rates than those with reported incomes. Figure 4-4 shows that the average compliance in cases with actual reported income is 63 percent, more than double the compliance rates in cases with imputed income (29 percent). Imputation 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 establishing the support order also means that 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 when the order was established or unemployed but was deemed employable by the child support agency. 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.

Figure 4-4
Child Support Compliance for
Actual vs Imputed Income of Obligor Parent
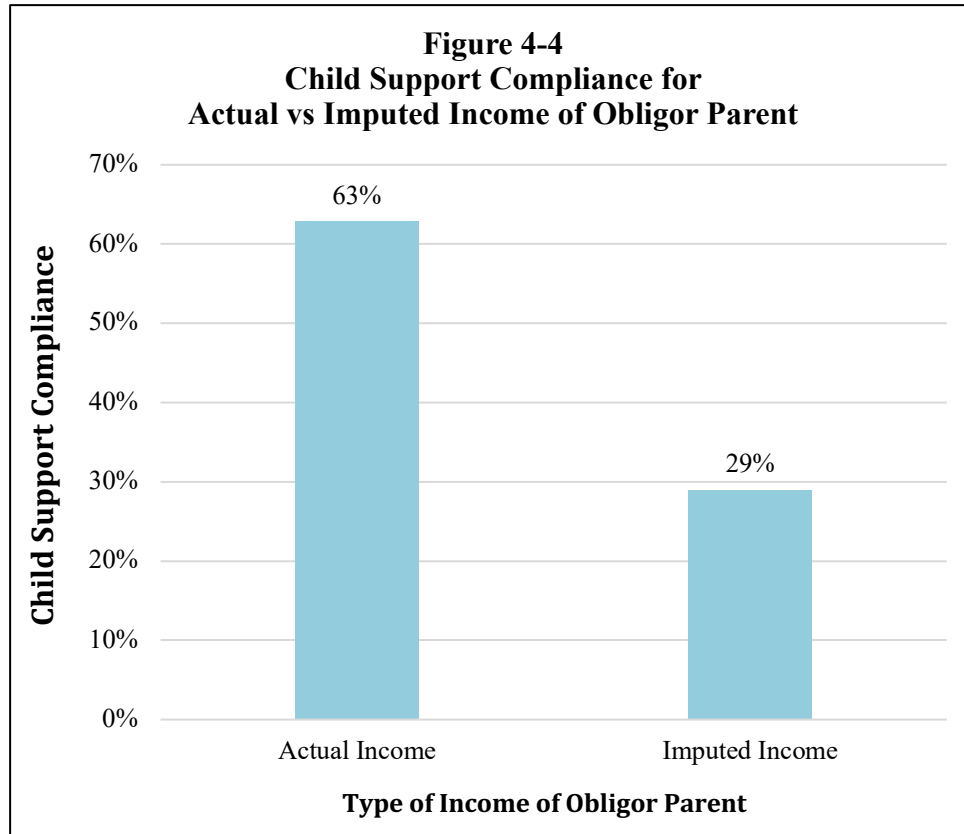
Compliance by Income of Obligor Parent

Table 4-2 provides information on the relationship between the income of obligor parent and compliance. Average compliance rates and percentage of months with some payment increase steadily as monthly net income increases. The obvious exception is the $1,000-$1,500 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 suggests that imputation of income is associated with much lower compliance rates than the federal OCSE claims.

						Percentage of
Monthly Net Income Range of Obligor Parent	**Number of Cases**	**Order to Income Ratio**	**Average Monthly Order Amount**	**Average Amount Paid per Month**	**Average Compliance Rate**	**Obligated Months with Payments**
$0-$1,000	951	25%	$203	$91	49%	58%
$1,000-$1,500	*8,032*	*25%*	*$294*	*$96*	*36%*	*42%*
$1,500-$2,000	2,361	24%	$422	$231	63%	70%
$2,000-$3,000	2,228	23%	$554	$327	69%	77%
$3,000-$4,000	704	22%	$743	$468	74%	82%
$4,000-$5,000	220	20%	$887	$528	74%	80%
$5000 and Over	133	17%	$1,095	$665	73%	80%
Overall	**14,629**	**25%**	**$386**	**$182**	**49%**	**56%**

Table 4-2 title:
Table 4-2
Child Support Compliance by Net Income of Obligor Parent

Compliance by Order-to-Income Ratio of Obligor Parent

Table 4-3 is similar to Table 4-2, 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 73 percent to 46 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….[47]

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 61 percent for this income range.

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[47] 81 Fed. Reg. 93516-93517.

Table 4-3 Child Support Compliance by Ratio of Order to Net Income of Obligor Parent					
Ratio of Order to Net Income of Obligor Parent	**Number of Cases**	**Average Net Income of Obligor**	**Average Monthly Order Amount**	**Average Compliance Rate**	**Percentage of Obligated Months with Payments**
0-10%	332	$2,398	$137	69%	73%
10-20%	1,477	$2,623	$443	73%	79%
20-30%	9,920	$1,500	$337	46%	53%
30-40%	2,102	$1,547	$525	46%	55%
40-50%	643	$1,406	$611	43%	52%
50% and Over	155	$1,208	$690	36%	47%
Overall	**14,629**	**$1,633**	**$386**	**49%**	**56%**

Total Obligation

In the commentaries and responses to the new federal rule, OCSE emphasized the importance of considering an obligor's ability to pay. The 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, and the basic obligation from the schedule.

Suppose payments for childcare, health insurance, and uncovered medical expenses are paid directly by the obligor. In that case, the obligor receives credit for these payments against the child support order amount to reduce the child support obligation. 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.

Findings from a Case File Review

Childcare and Health Insurance Costs

Of the cases in our sample, 27 percent included childcare credits, but only 213 obligors received childcare credits; the remaining were obligee credits. In other words, most of the childcare payments are made by the obligee.

The average monthly child support order in the Florida cases with childcare expenses was $486, compared with an average order for cases not including childcare of $348. Thus, obligors with childcare payments in Florida pay on average 40 percent more than those not liable for childcare. The average cost of childcare among the Florida cases with childcare expenses was $317 per month.

Because the cases including childcare expenses have higher support orders, we would expect lower compliance. But compliance for the cases with childcare expenses is 52 percent, slightly higher than the overall compliance rate of 49 percent. A possible explanation might be that only about 36 percent of cases with childcare have imputed income, compared with 41 percent of all obligors in the sample. The 213 cases of obligors with a childcare credit have a 70 percent compliance rate, with only 14 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 visitation information, but consideration should be given to collecting that information before the following quadrennial review.

Of the cases in our sample, 9.6 percent received health care credits, and the average health care cost was $119 per month. Compliance for these cases was 68 percent, compared with the average full sample compliance rate of 49 percent. Approximately 41 percent are obligor parents, and among these, the compliance rate was even higher at 81 percent. Once again, there is an inverse relationship between compliance and income imputation, as only one 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.

Total Child Support Cost Compared to 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 25 percent of the obligor's income. The range is from 15 percent at the 5th percentile to 41 percent at the 95th percentile.

When the total obligation is considered, the average order to income ratio stays at 25 percent, ranging from 17 percent at the 5th percentile to 41 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 19 percent of income with a range from the 5th to the 95th percentile of six percent to 33 percent. The average for the total obligation is 27 percent, and the range from the 5th percentile to the 95th percentile is 13 percent to 44 percent. The average total obligation is eight percentage points higher than the average basic obligation, and the top five percent pay almost half their incomes in child support. Compliance among these 741 cases is surprisingly high. However, the average compliance rate is 77 percent, with median compliance of 88 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

The review of the sample of cases from Florida reveals several interesting patterns in terms of compliance. First, obligors seem to have either a very high or a very low degree of compliance. Second, imputation seems to be a signal of non-compliance, with obligors with imputed income having significantly lower compliance than obligors for whom actual income is reported. Consistent with this fact, we also find that compliance increases with the level of net income of the obligor, and it is lowest for the range over which income is most likely to be imputed. Finally, the data show that compliance decreases as the ratio of the order to net income of the obligor increases, and it is lowest for the range over which income is likely to be imputed.

Our review of the Florida sample of cases also shows that total child support obligation, the total amount that an obligor spends on the child, is not always reflected in the child support order. Suppose credits are received for health care or childcare costs, or net income is reduced for prior child support orders. In that case, the true ratio of the child support obligation to income, which reflects the total amount spent on children, is not the same as the order amount. For those who have credits, the true ratio of the average total child support obligation to net income is higher than the order to income ratio based on the basic obligation.

Recommendations

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

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 cannot 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."[48]

Electronic Version of Worksheet

To ensure that the required data will be available for the next quadrennial review, we recommend designing and implementing an electronic version of the existing or proposed worksheet. 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.

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[48] 45 CFR 302.56(h)(1)

Chapter 5

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."[49] 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.[50]

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.

This chapter evaluates 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 provide for the subsistence needs of the obligor where the federal single-person poverty guideline defines subsistence. 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.[51] If the parents' combined income was less than $650, the schedule of child support obligations did not apply. Instead, "the [obligor] parent should be ordered to pay a child support amount, determined on a case-by-case basis, to

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[49] 81 Fed. Reg. 93562.
[50] 81 Fed. Reg. 93518.
[51] The monthly equivalent of the1992 federal single-person poverty guidelines was $567.50.

establish the principle of payment and lay the basis for increased orders should the parent's income increase in the future."[52]

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 the poverty guideline had increased to over $900 per month by then. The schedule has not been updated since 2010.

The child support obligation calculated using the income shares methodology is phased in for low-income parents above the poverty line. Over the phase-in range, one child's basic child support obligation equals 90 percent of the difference between the parents' combined monthly net income and the 1992 federal single-person poverty guideline.[53] 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 parent's child support obligation increasing by 100 percent (the full $100), the obligation for one child increases by 90 percent, or $90. The use of 90 percent instead of 100 percent is intended to encourage low-income parents to earn additional income. However, 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 $1500 for six children.

Ineffectiveness of the Low-Income Provisions

In our previous reviews, we have 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. Except for the increase in the self-support reserve in 2010, none of the previously cited problems have been addressed. The self-support reserve is even less effective today, applying to very few low-income parents.

In the 2017 sample of child support cases, only 34 out of 12,989 cases with one child had a combined income of less than $800 (the upper limit of the phase-in range for one child). Only 3 of 1,304 cases with two children had a combined income less than $950 (the

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[52] 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.

[53] 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.

upper limit of the phase-in range for two children). Therefore, in 2017, the existing self-support reserve applied to less than half of one percent of child support cases even if the parent's 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. In the vast majority of cases, the combined incomes of the two parents will be above the single-person poverty guideline even when one or both parents' 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.[54]

To illustrate the problem, we assume the obligor earns a net income of $800, the obligee has no income, and has two children. As Table 5-1 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 $484 less than the poverty guideline. To have the phase-in range apply, the obligor's income must be less than the poverty guideline. The self-support reserve does not prevent the obligor from being pushed into poverty; in fact, it exacerbates pre-existing poverty.

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[54] 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.

Table 5-1 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
2021 Federal Single-Person Poverty Guideline	$1073
Excess (+) or Shortage (-)	*-$484*

Comparing Table 5-1 with Table 5-2 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 5-2 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
2021 Federal Single-Person Poverty Guideline	$1073
Excess (+) or Shortage (-)	*-$542*

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 5-3 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).[55] However, because

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[55] 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

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 5-3 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
2021 Federal Single-Person Poverty Guideline	$1073
Excess (+) or Shortage (-)	*-$553*

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 effectively prevented the basic obligation from impoverishing parents, they would not prevent the total obligation from doing so. In the 2017 sample of child support cases, 27 percent included some childcare expenses, and the average childcare obligation in these cases was $317. Health expenses were included in the total obligation in 9.6 percent of the sample, and the average amount was $119.

Suppose the obligor parent has a 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 a net income of $1,120, $47 above the poverty guideline. But suppose the obligor parent must also pay childcare and medical expenses equal to the average of the cases in our 2017 sample. In that case, the net income remaining after payment of the total obligation is only $684, $389 below the 2021 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, the average childcare and health expenses together in this example are actually more than the basic obligation.

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parent will pay less support and pay less consistently.

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

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 $1073 by 2021.[56] 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 5-4 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 (Appendix 5-1). 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.[57,58] With a self-support reserve, the obligor's child support payment would sbe $243.

In our new line 22, we enter the 2021 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 income that exceeds the poverty guideline, $49. 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.[59] Line 24 shows the resulting child support payment, $44. The

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[56] The schedules are available at https://aspe.hhs.gov/poverty-guidelines

[57] To keep the example simple, we assume no childcare expenses, no health care expenses, and no shared parenting. We show in Appendix 5-2 that our proposed worksheet adjustment is easily modified to account for these.

[58] 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.

[59] 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

obligor, whose initial net income is above the poverty guideline, remains $5 above the poverty guideline after payment of child support. By contrast, with the self-support reserve, the obligor's income decreases from $49 above the poverty guideline to $194 below the poverty guideline; an obligor who is not initially in poverty falls into poverty due to the child support payment.

	Table 5-4 **Low-Income Worksheet Adjustment for Obligor** **(Net Income=$1,122)**		
22.	Current Year Single-Person Poverty Guideline	$1,073	
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.]	$49	
24.	Adjusted Excess Income [Multiply line 23 by 0.9. If less than zero, enter 0.]	$44	
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]	$44	
27.	Support Payment Owed, Subtract line 8 from line 26 [if less than zero then enter zero]*	$44	
*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 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).

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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.

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

Table 5-5 shows that the worksheet adjustment can apply to the total obligation including childcare and health expenses, not just the basic obligation. The table is the same as Table 5-4, 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 $436, and the obligor's share is $183. However, because the obligor is paying the full health insurance premium of $119, the obligor receives a credit.

Based on the guidelines schedule with a self-support reserve, the obligor's total child support payment would be $307. After payment of child support, the obligor's income would be reduced from $49 above the poverty guideline to $258 below the poverty guideline. With our proposed low-income worksheet adjustment, the obligor's child support payment is adjusted to $44, leaving the obligor $5 above the poverty guideline.

	Table 5-5 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.]			$317
b.	Total Monthly Child(ren)'s Health Insurance Cost [Amounts actually paid for children's health insurance]			$119
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.]			$436
6.	Additional Support Payments [Multiply the number on line 5d by the percentage on line 3A to determine the Obligor's share. Enter answer on line 6A. Multiply the number on line 5d by the percentage on line 3B to determine the obligee's share. Enter answer on line 6B.]	$183	$253	
Statutory Adjustments/Credits				
7.a.	Monthly Childcare Payments Actually Made		$317	
b.	Monthly Health Insurance Payments Actually Made	$119		
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]	$119	$317	
9.	**CHILD SUPPORT OBLIGATION FOR EACH PARENT** [Line 4 + line 6 - line 8]	$307	$271	

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

	LOW-INCOME NON-CUSTODIAL PARENT ADJUSTMENT			
22.	Current Year's Single-Person Poverty Guideline	$1073		
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.]	$49		
24.	Adjusted Excess Income [Multiply line 23 by 0.9. If less than zero, enter 0.]	$44		
25.	Sum of line 6 and line 4 for the parent owing child support	$426		
26.	Adjusted Net Obligation [Enter the smaller of line 24 or line 25, but not less than zero]	$44		
27.	Support Payment Owed, Subtract line 8 from line 26 [if less than zero then enter zero]*	$0		
*If line 27 is zero, the child support payment is to be determined at the discretion of the court.				

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

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 5-6.[60] 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 $49 above the poverty guideline, but after payment of child support, the obligor is $196 below the guideline. The child support payment impoverishes the obligor.

Table 5-6 Effect of Low-Income Worksheet Adjustment on Parental Poverty (One Child) [61]		
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	$1,073	$1,452
Income Remaining Above Poverty Guideline	*($196)*	*$321*
Proposed Worksheet Adjustment		
Obligor's Child Support Payment	$44	
Income After Child Support Payment	$1078	$1,572
Income Remaining Above Poverty Guideline	*$5*	*$120*

The lower portion of the table shows the effect of the proposed low-income worksheet adjustment. The obligor is again initially $49 above the poverty guideline and remains above the poverty guideline after payment of child support by $5. The obligee is initially $76 above and after the child support payment remains above by $120.

With two children, the child support payment using the current schedule with the self-support reserve increases to $375, as shown in Table 5-7. An obligor with two children goes from $49 above the poverty guideline to $326 below. With the worksheet adjustment, the obligor is kept out of poverty, remaining $5 above the poverty guideline after the child support payment. The obligee is slightly below the poverty guideline by $6.

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

[61] 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.

Table 5-7 **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	$1,073	$1,830
Income Remaining Above Poverty Guideline	*($326)*	*$325*
Proposed Worksheet Adjustment		
Obligor's Child Support Payment	$44	
Income After Child Support Payment	$1,078	$1,824
Income Remaining Above Poverty Guideline	*$5*	*($6)*

Recommendation

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.[62] 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 an adjustment to the calculated child support obligation for low-income parents in the child support worksheet. The worksheet adjustment that we propose is simple and does not

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[62] 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 37 percent.

complicate the worksheet unduly, only adding a three-line calculation at the end. Appendix 5-1 provides an example of the complete Florida child support worksheet with a low-income adjustment but no childcare or health insurance expenses. Appendix 5-2 is the same but includes childcare and health insurance expenses. Both examples omit the worksheet sections for shared parenting, but the inclusion of shared parenting does not substantially alter the low-income adjustment.

The updated schedule of obligations in Appendix 3-1 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. Suppose the updated schedule is adopted without including the low-income adjustment in the worksheet. In that case, the schedule in Appendix 3-1 needs to be modified to include an updated self-support reserve and phase-in. Even if the updated schedule in Appendix 3-1 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.

Update the Schedule to Reflect the Current Poverty Guideline

Our worksheet example uses the 2021 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 adjusting the phase-in, as done in 2010, is not sufficient. Otherwise, they will remain totally ineffective.

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.[63] 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 incentivize 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 considering 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 be set at any level desired. If the self-support reserve is retained, the schedule would require revision, whether in the existing schedule or the updated schedule. The phase-in would extend to significantly higher incomes than the current phase-in.

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

Appendix 5-1

Example of Complete Child Support Guidelines Worksheet with Low-Income Worksheet Adjustment 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.	$243	$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]	$243	$335	

NON-CUSTODIAL PARENT ADJUSTMENT				
22.	Current Year's Single-Person Poverty Guideline	$1,073		
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.	$49		
24.	Adjusted Excess Income [Multiply line 23 by 0.9][64]	$44		
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	$44		
27.	Support Payment Owed, Subtract line 8 from line 26 [if less than zero then enter zero]*	$44		
*If line 27 is zero, the child support payment is to be determined at the discretion of the court.				

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[64] 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 5-2

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.	$243	$335	

		Additional Support - Health Insurance, Child Care & Other			
5.	a.	Total Monthly Child Care 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.]			$317
	b.	Total Monthly Child(ren)'s Health Insurance Cost [This is only amounts actually paid for health insurance on the children.]			$119
	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.]			$436
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.	$183	$253	
		Statutory Adjustments/Credits			
7.	a.	Monthly Child Care Payments Actually Made		$317	
	b.	Monthly Health Insurance Payments Actually Made	$119		
	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]	$119	$317	
9.		**CHILD SUPPORT OBLIGATION FOR EACH PARENT** [Line 4 + line 6 - line 8]	$307	$271	

	NON-CUSTODIAL PARENT ADJUSTMENT			
22.	Current Year's Single-Person Poverty Guideline	$1,073		
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.	$49		
24.	Adjusted Excess Income [Multiply line 23 by 0.9][65]	$44		
25.	Sum of line 6 and line 4 for the parent owing child support	$426		
26.	Adjusted Net Obligation: Enter the smaller of line 24 or line 25, but not less than zero	$44		
27.	Support Payment Owed, Subtract line 8 from line 26 [if less than zero then enter zero]*	$44		
*If line 27 is zero, the child support payment is to be determined at the discretion of the court.				

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[65] We have chosen to keep the worksheet simple by applying a 90 percent adjustment regardless of the number of children.

Chapter 6

Additional Considerations in the Guideline Review

On December 20, 2016, the federal Office of Child Support Enforcement (OCSE) issued new or revised state child support guidelines requirements. The rule was first proposed in 2014, allowing almost three years for comments from interested parties and responses by OCSE before issuing the final rule.[66] 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 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

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[66] 81 Fed. Reg. 93492–93569

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 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.[67] 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 the average number of weeks worked, as shown in Chapter 2.[68] 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.[69] Including these additional variables has only a minor effect on our estimates of the cost of children.

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.

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. However, our experience with the variables that we have already included 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.

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[67] Thomas J. Espenshade, *Investing in Children*, The Urban Institute Press, Washington, DC, 1984.
[68] See Tables 2-4 and 2-6.
[69] See Tables 2-10 and 2-11.

This is also true 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.[70] The percentages differ only very slightly, although the characteristics of the families are widely different.

We conclude that both Florida's current schedule of child support obligations and the updated schedule in Appendix 3-1 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 child support personnel without significantly improving 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, which permeates the commentaries and responses, is the 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

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

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.[71]

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

> 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.*[72] [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.[73]

> 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

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[71] 81 Fed. Reg. 93516.

[72] 81 Fed. Reg. 93525.

[73] 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.

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.[74]

Most states impute income whenever a parent's income is unknown, the parent is unemployed, or deemed underemployed. The reasons for imputation are to reduce or eliminate incentives for parents to (1) hide income, (2) seek employment 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.[75]

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. Before 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.[76]

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

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[74] 81 Fed. Reg. 93517.
[75] Paul Legler, "Low-Income Fathers and Child Support: Starting Off on the Right Track", Denver: Policy Studies, Inc., (2003), p. 23.
[76] Florida Child Support Guidelines, 2004, Statute 61.30

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-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:

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. …[77] [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 41 percent of the obligor cases, almost half, appear to have income imputed. In more than 82 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

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[77] Florida Child Support Guidelines, 2013, Statute 61.30

the noncustodial parent, prevailing earnings level in the local community, and other relevant background factors in the case.[78]

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

One alternative to the 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. The 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.

Creating 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.

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

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[78] 45 CFR 302.56(c)(iii)

the child.[79]

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.[80]

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."[81]

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.[82]

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[79] Florida Child Support Guidelines, 2013, 61.13(1)(a)2(b)
[80] Florida Child Support Guidelines, 2013, 61.30(8)
[81] 81 Fed. Reg. 93547.
[82] 81 Fed. Reg. 93547.

Compliance with Federal Requirements for State Child Support Guidelines

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 based on 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.

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.