The background of the slide features a light blue gradient with a faint, semi-transparent image of classical architectural columns on the left side. The columns are white with detailed capitals and are set against a darker blue background. The entire slide is framed by a thin brown border.

Child Support Guideline Panel Meeting
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VIRGINIA'S CHILD SUPPORT GUIDELINES

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The Beginning

Virginia's child support guidelines were enacted in 1988 in response to federal requirements.



(Va. Code Ann. § 20-108.2)

The Beginning



The original obligation amounts used in the guideline schedule were based on economic data from the 1970s.

Changes to Guidelines

Although there have been some changes to the guidelines since their inception, Virginia has never updated the actual obligation amounts.



Changes to Guidelines



- 1 of only 8 states never to have updated and revised original guideline schedule
- Guidelines do not reflect current cost of raising children

1995 Panel Changes

- Codified \$65 per month minimum obligation
- Allowed imputation of income in certain situations

1999 Panel Changes

- Allowed self-employed persons a reduction in gross income of 1/2 the self-employment tax (passed in 2002)
- Allowed deduction for parent already supporting children not the subject of the proceeding (passed in 2001)
- Removed requirement for adding recurring unreimbursed medical expenses to obligation
- Medical costs allocated according to income

1999 Panel Changes (cont'd)

- Clarified status of \$65 minimum monthly obligation
- Considered treatment of spousal support when determining child support
- Included dental care

2002 Panel Changes

- Disallowed including income from overtime or 2nd job taken for purpose of paying arrears (passed in 2004)
- Custodial parent must pay first \$250 in unreimbursed medical expenses per year, but expenses over \$250 allocated according to income shares (passed in 2004)

2002 Panel Changes (cont'd)

The Panel recommended changes to the guideline amounts based on newer economic data, but legislation was not enacted at that time.



2005 & 2009 Panel Changes

- Clarified several deviation factors in § 20-108.1 (2005)
- Pre-TANF (Temporary Assistance to Needy Families) arrearages to be paid to family first (2009)

How are guidelines formulated?



Basis of Guidelines

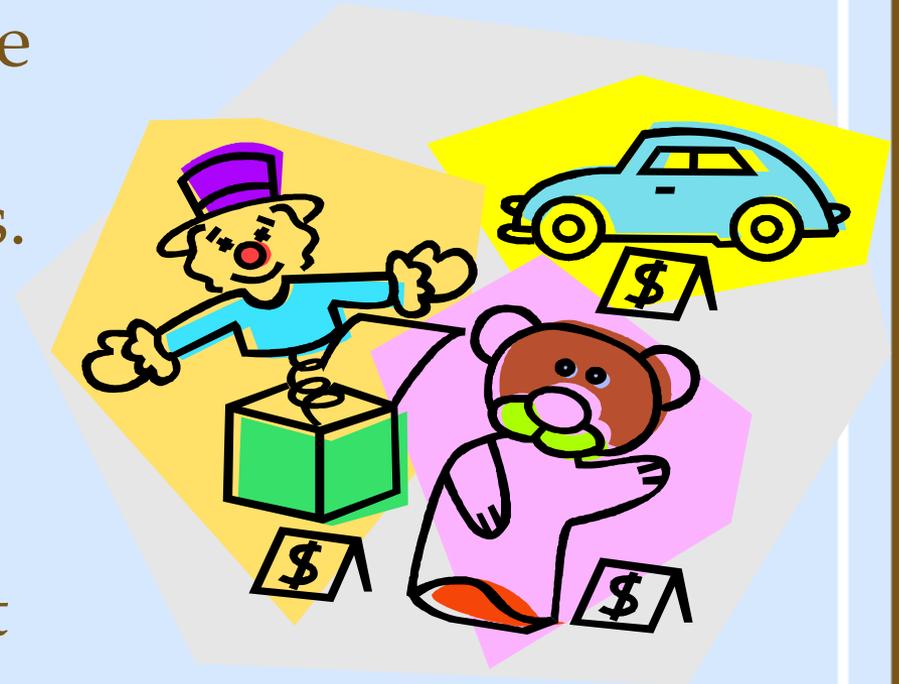
Federal law allows states to choose their guideline model, but method must:

- Be based on specific descriptive & numeric criteria
- Take all earnings & income of the noncustodial parent into consideration
- Provide for the child's health care needs

Economic Methodologies

Several economists have developed estimates on child-rearing costs.

These estimates have been used to develop various child support guideline models.



Economic Methodologies – Van der Gaag Estimates

- Determined that a couple with 1 child needs 25% more gross income to maintain pre-child standard of living
- As of 2008, used as the basis of guidelines for 5 states

Economic Methodologies – Espenshade-Engel Estimates

- Basis of original Income Shares Model developed by the National Child Support Guidelines Project in mid-1980s.
- Espenshade used Engel's methodology to determine that families spent \$58,000 - \$138,000 in 1981 dollars to raise a child from birth to age 18

Economic Methodologies – Espenshade-Engel Estimates



Engel used the difference in total expenditures between two equally “well-off” couples – one with children, the other of child-bearing age without children – as the measure of the cost of raising the children.



Economic Methodologies – Espenshade-Engel Estimates

- To determine whether 2 families were equally well-off, Engel measured how much each spent on food.
- 2 families are equally well-off if they spend an equal percentage of their total expenditures on food.



Economic Methodologies – Espenshade-Engel Estimates

Once 2 families are determined to be equally well-off, the difference between their **total** expenditures represents the child-rearing costs of the family with children.

Economic Methodologies – Espenshade-Engel Estimates

- Currently the basis of 7 state guidelines
- Virginia's Income Shares guideline is based on Espenshade-Engel estimates

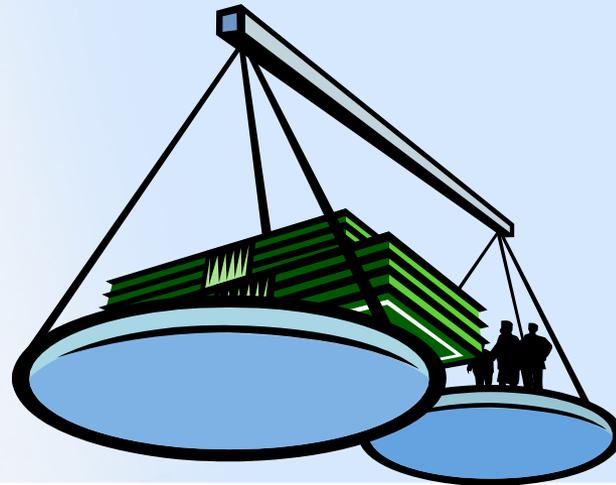
Economic Methodologies – Betson-Rothbarth

Betson based his first estimates on Rothbarth's 1990 methodology.

Rothbarth assumed that if 2 couples – one with children, one of child-bearing age without children – spend an equal percentage of their total expenditures on adult goods, the families are equally well-off.

Economic Methodologies – Betson-Rothbarth

Once 2 families are deemed equally well off, the difference between their **total** expenditures represents the child-rearing costs for the family with children.



Economic Methodologies – Betson-Rothbarth

Betson has updated his estimates twice since 1990:

- 2001 –updated economic data
- 2006 –updated economic data, larger sample size & more economic cycles

Most states with Betson-Rothbarth data as the basis of their guidelines use the 2001 version.

Economic Methodologies – Betson-Rothbarth

About 20 states originally based guidelines on Espenshade-Engel.

Several states that updated guidelines after 1990 switched to Betson-Rothbarth, largely because Rothbarth estimates produced least price-sticker shock to existing guideline amounts.



Economic Methodologies – Betson-Rothbarth

- Recommended by many economists.
- Most recent, authoritative estimates available.
- Basis of most state guidelines that rely on the Income Shares model.



Other Methodologies

- Georgia's guideline uses an average of Betson-Rothbarth and Betson-Engel estimates.
- Minnesota uses USDA estimates.
- Kansas uses per capita estimates adjusted for routine parenting time.

Other Methodologies



In a few states, the economic basis for the guidelines is unknown or is based on a combination of other factors.

Guidelines Models

3 basic guidelines models:

- Percentage of Obligor Income
- Melson Formula
- Income Shares

Guidelines Models – Percentage of Obligor Income

Bases child support
award solely on
noncustodial parent's
income without taking
custodial parent's
income into account



Guidelines Models – Melson Formula

- Developed by Delaware judge
- Assumes
 - parents should be allowed to meet their own basic needs first
 - children should also have basic needs accounted for
 - parents should share income increases with children

Guidelines Models – Income Shares

Most states, including Virginia, base their guidelines on the Income Shares Model.

Basic Premise: children are entitled to the same level of expenditures they would have received if their parents lived together and combined finances.

Guidelines Models - Income Shares

- Economic foundation is a measurement of how much families expend on child rearing
- Measurements come from estimates of child-rearing expenditures reported by the Consumer Expenditures Survey (CES)

Principles of Income Shares

1. Both parents share in financial support of their children & responsibility should be divided in proportion to their incomes.



Principles of Income Shares

2. Subsistence needs of both parents should be considered, but there should be virtually no cases where an obligation is set at \$0.

Principles of Income Shares

3. Child support must first cover a child's basic needs, but if either parent has a higher standard of living, child is entitled to share in higher standard.



Principles of Income Shares



4. Each of a parent's children has the right to a share of that parent's income.

Principles of Income Shares

Guidelines should:

5. Treat children of separated, divorced and never-married children equally.
6. Consider both parents' involvement in raising the child.

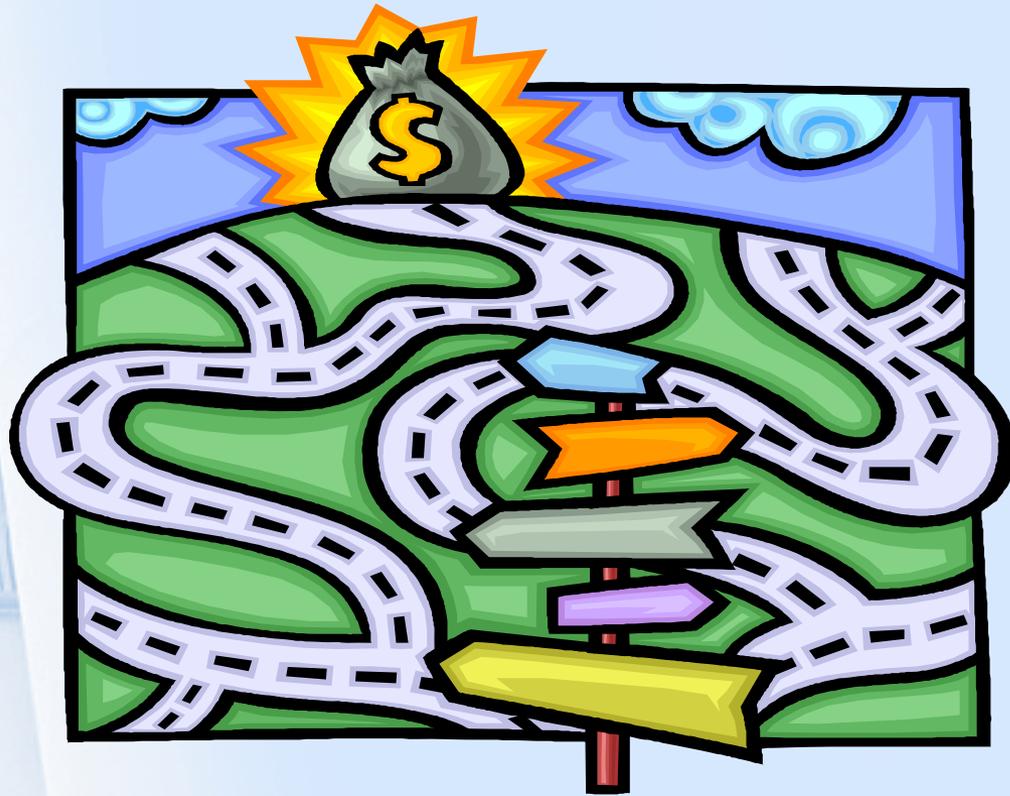


Principles of Income Shares

Guidelines should **not**:

7. Assume custodial parent is the mother or the father.
8. Create an economic disincentive to work or remarry.

What's Next?



Next Steps

1. Commission Economic Study

Because Virginia's guidelines are based on such outdated economic data, the Division asks the Child Support Guideline Panel to commission an economic study and update the guideline schedule.

Next Steps

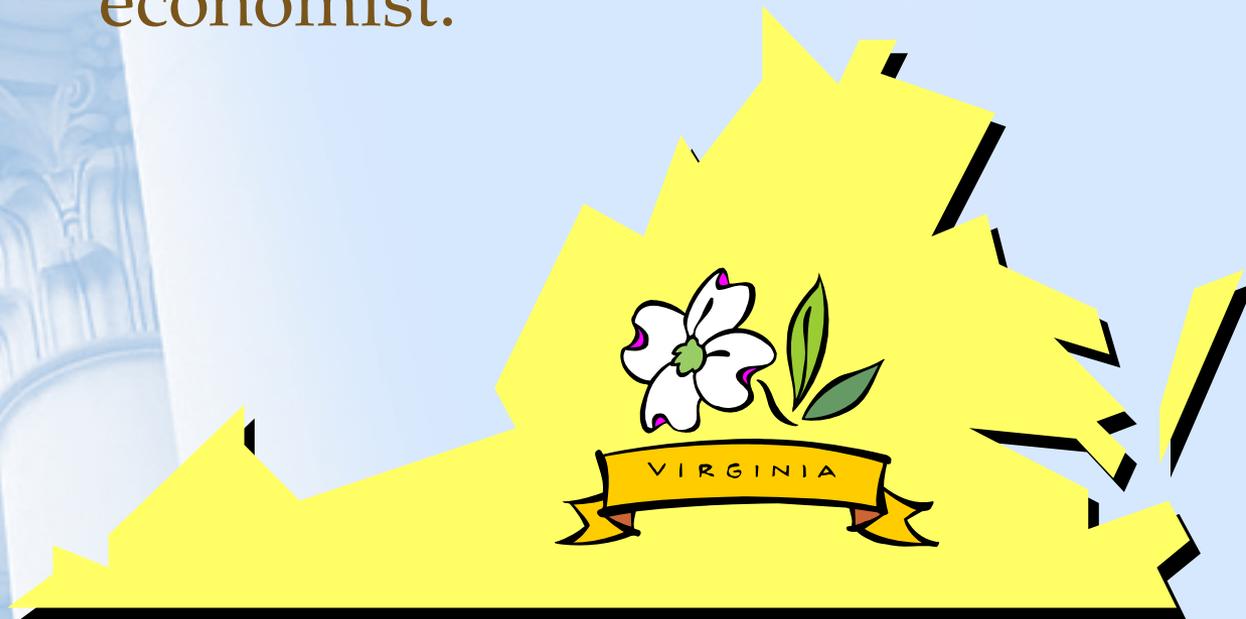


In 2008, the Center for Policy Research (CPR) completed an update of the Maryland child support guidelines.

CPR's report provides comprehensive technical and economic documentation.

Next Steps

We recommend hiring CPR to conduct a similar study for Virginia with input from a Virginia-based economist.



Next Steps

- Use CPR as a sole-source rather than issuing an RFP.
- Only a handful of people in the U.S. do this kind of work.
- In addition to Maryland, CPR has recently completed studies for California, Arizona, and D.C.

Next Steps

2. Create a committee of diverse stakeholders, i.e.:
 - Judges
 - Family law attorneys
 - Division representatives
 - Custodial & noncustodial parents



Next Steps

3. Consider Policy Questions

During the process, the Panel may have to make decisions about policy issues that arise.

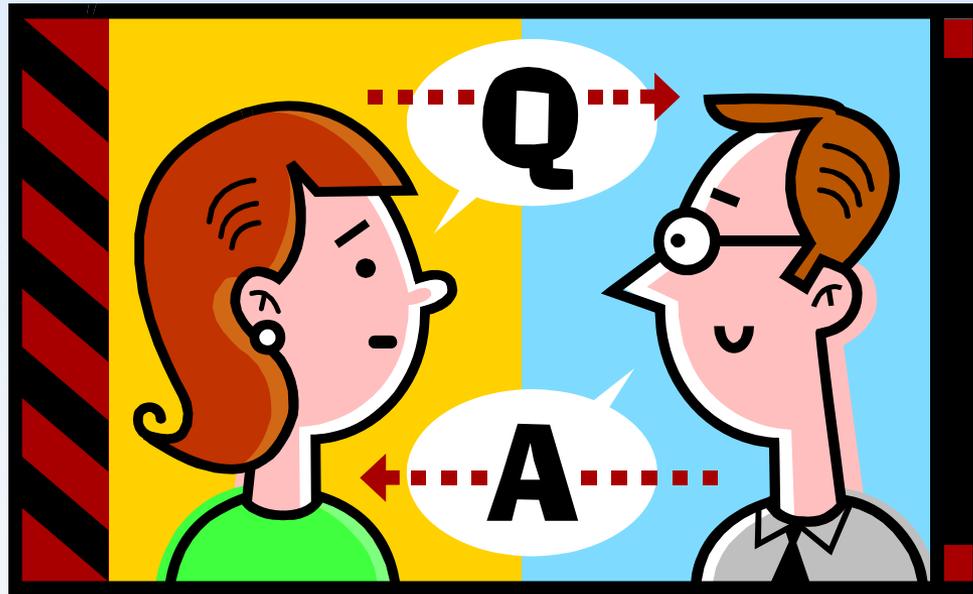


Potential Policy Issues

Some examples:

- Keep the Income Shares Model or use something different?
- Include a self-support reserve?
- Regionalize figures to account for disparity in income and cost of living in different parts of the state?

Questions



The End

