

CHILD SUPPORT GUIDELINE REVIEW PANEL
GLOSSARY OF GUIDELINE-RELATED METHODOLOGIES AND TERMINOLOGY
September 2010

GUIDELINE METHODOLOGIES

Betson-Rothbarth Estimates (1990, 2001 and 2006)

In 1990, David Betson used the Rothbarth method to determine that the percentages of total household expenditures attributable to children are, on average, 24% for one child, 34% for two children, and 39% for three children in an intact family. He considered the Engel method as well (referred to as the Betson-Engel estimates), but rejected it because its upper limits were too high (33% for one child, 39% for 2 children, and 49% for three children). In 2001, Betson used the same methodology to recalculate the percentages using more current data and found the percentages increased to 26% for one child, 36% for two children, and 42% for three children. In 2006, Betson expanded his methodology by increasing the sample size and using data from several economic cycles. New percentages were 25% for one child, 37% for two children, and 44% for three children. Over the three data periods, the proportion of household expenditures attributable to children increased, although not as much for families with one child as for families with three children.

Engel Estimates

Ernst Engel's method calculates marginal expenditures by assuming that if two families – one married with children, the other married and of child-bearing age but without children - spend an equal amount of their total expenditures on food, they are equally well-off. The difference between the total expenditures of the families represents the child-rearing costs.

Espenshade Estimates (1984)

These estimates form the basis of the original Income Shares model developed by the National Child Support Guidelines Project in the mid-80s. Thomas Espenshade used the Engel methodology to determine that families spent \$58,000 - \$138,000 (in 1981 dollars) to raise a child from birth to age 18.

Income Shares Method

Guidelines are generated by using the Consumer Expenditures Survey (CES) to estimate marginal child expenditures and then allocating responsibility for the expenditures between the two parents in proportion to their incomes. The obligated parent's share is the basis of his or her child support amount. Main premises: both parents are financially

responsible for their children and the children should be entitled to the same level of expenditures they would have received if the parents lived together and combined financial resources.

**Marginal Cost
(or Marginal Expenditures)**

Compares expenditures between two equally well-off families: married couples with children and married couples of child-rearing age without children. The difference in expenditures between the two family types is considered the child-rearing expenditure. This approach is also called the marginal expenditures method.

**Melson Approach
(1989)**

Delaware Judge Elwood Melson's method considers the basic needs of the child and each parent. If the obligated parent's income is more than sufficient to cover his or her share of the basic needs of the child, plus his or her own basic needs, an additional percentage of his remaining income is assigned to child support.

Percentage of Obligor Income Method

Sets support amounts by applying a percentage to the obligor's income without considering the income of the custodial parent. Percentages are based on marginal expenditures on children. States that use this method typically rely on older estimates by Van der Gaag that yield a flat rate.

Rothbarth Estimates

Erwin Rothbarth's method calculates marginal expenditures by assuming that if two families - one married with children and the other married and of child-bearing age but without children - spend an equal amount of their total expenditures on adult goods, they are equally well-off. The difference between the total expenditures of the families represents the child-rearing costs. Rothbarth's method is based on the assumption that, as children are added to a family, the amount of spending on adult goods decreases.

**United States Department of Agriculture
(USDA) Estimates**

Provides estimates of annual expenditures on children from birth through age 17 for both husband-wife and single-parent families. Data used to estimate expenditures comes from the Consumer Expenditure Survey (CES), which collects overall household expenditure data for some budget items (food, family-related transportation, health care, and miscellaneous goods and services) and child-specific expenses for other items (clothing, childcare and education). The USDA allocates CES's non-child-specific expenses among family members to estimate child-rearing expenditures for those categories. The allocation methods vary depending on the budgetary component. Housing expenses for

children are calculated using the average cost of an additional bedroom approach.

Van der Gaag Estimates (1981)

Jacques Van der Gaag concluded that a couple that adds one child to the household needs 25% more gross income to maintain the pre-child standard of living. Van der Gaag is the only economist who did not estimate child-rearing expenditures based on the Consumer Expenditure Survey (CES).

OTHER TERMINOLOGY

Consumer Expenditures Survey (CES)

Administered by the Bureau of Labor Statistics (BLS) and considered the most comprehensive and detailed survey on household expenditures. The CES surveys thousands of households per quarter on expenditures, income and household characteristics (i.e., family size). Households remain in the CES for 5 consecutive quarters, with households rotating in and out each quarter. The CES produces a national sample and 4 regional samples – Midwest, Northeast, South and West. The CES focuses on current consumption of over 100 detailed items, with the major categories being housing, food, transportation, entertainment, apparel and other (personal care products, reading materials, education fees, etc.). The CES forms the basis for all estimates of child-rearing expenditures except for the Van der Gaag method.

Costs

➤ Duplicate Costs

An increase in the total expenditures on the child necessary because of the shared parenting time. These costs do not travel with the child. When a duplicate cost is incurred by one parent, the other parent still has to pay that cost as well. For example, a noncustodial parent may pay more for a home that has an extra bedroom to accommodate the child, but the custodial parent also has to pay for the child's bedroom in his or her home.

➤ Variable Costs

Items such as food for which the cost travels with the child. These costs are proportionate to the amount of time the child spends in a parent's household. For example, if a child spends 40% of his time with one parent, that parent incurs 40% of

Deviation Factor

the variable costs and the other parent saves those costs. If one parent feeds the child 40% of the time, the other parent saves the cost of feeding the child during that same time period.

A factor which makes the presumptive guideline amount unjust or unfair and which warrants a change to the presumptive guideline amount. Examples of deviation factors in Virginia include: special needs of the child; standard of living established for the child during the marriage; debts of either party arising during the marriage for the benefit of the child; tax consequences to the parties; actual monetary support for other family members; and imputed income to a party who is voluntarily unemployed or underemployed.

Federal Poverty Threshold

The current poverty threshold for a single person is \$903 per month. This threshold may be used in determining self-support reserves.

Income



Gross Income **(§ 20-108.2)**

Income from all sources, including but not limited to income from salaries, wages, commissions, royalties, bonuses, dividends, severance pay, pensions, interest, trust income, annuities, capital gains, social security benefits (with some exceptions), workers' compensation benefits, unemployment insurance benefits, disability insurance benefits, veterans' benefits, spousal support, rental income, gifts, prizes or awards. Gross income does not include benefits from public assistance and social services programs, federal supplemental security income benefits, child support received, or income received from secondary income (additional job, self-employment or overtime employment) which the obligor obtained for the express purpose of paying a child support arrearage.

➤ ***Middle Class Living Standard Income***

The income required for an intact family of four to enjoy an "average" middle class living standard based on a state's median household income. This figure can be used to create equivalent averages for other family types. Virginia's median family income based on 2008 data was \$85,939 for a family of four. For more median family income data for Virginia and other states, see <http://www.census.gov/hhes/www/income/statemedfaminc.html>.

➤ ***Minimally Adequate Income***

The amount of income required to buy basic necessities without anything left over for extras. This is not the same as the federal poverty level. For example, Arizona calculated its minimally adequate income at 170% of the federal poverty threshold.

➤ ***Net Income***

Income remaining after deductions from gross

(§ 20-108.2)

income for federal and state income tax, Federal Income Compensation Act (FICA) benefits, union dues if collection is required by federal law, and any other amounts required by law.

Phase-In Support Orders

A change in the method used to calculate a child support obligation may create a significant increase in a noncustodial parent's obligation calculated under the previous method. This might create a financial hardship for the noncustodial parent, which can be used as a basis to "phase in" the increase support amount for a specified time before the final order becomes effective.

Presumptive Guideline Amount (§ 20-108.1(B))

A rebuttable presumption that the amount which results from application of the child support guidelines is the correct amount to be awarded. To rebut the presumption, the court must make written findings in the order that the application of the guidelines would be unjust or inappropriate. This finding must state the amount that would have been required under the guidelines, must give a justification for varying from the guidelines, and must be determined by relevant evidence pertaining to the deviation factors, the ability of each party to provide support, and the child's best interests.

Self-Support Reserve

Protects the obligor from a child support order that would reduce his or her available income below the federal poverty level of \$903 per month for a single person. To calculate the self-support reserve, subtract \$903 from the obligor's adjusted gross income. If the resulting amount is less than the guideline amount, reduce the final order to the resulting amount after considering the effect of the reduction on the custodial parent's household.

Shared Custody Calculation

Used when a party has custody or visitation for more than 90 days per year. A shared custody child support amount takes into account the number of days a child spends with each parent in addition to the parents' income.

Sole Custody Calculation

Used when the parties' child or children live primarily with one party and the other parent has visitation for 90 days or fewer per year.

Split Custody Calculation

Used when each parent has physical custody of a child or children born of the parents, born of either parent and adopted by the other, or adopted by both parents. A separate family unit exists for each parent, and child support for each family unit is calculated based upon the number of children in that

family unit. A parent is a custodial parent to the children in that parent's family unit and a noncustodial parent to the children in the other parent's family unit. Child support to be paid is the difference between the amounts owed by each parent as a noncustodial parent, with the noncustodial parent owing the larger amount paying the difference to the other parent.