

Virginia Child Support Guidelines Review

Presentation to:
Virginia Child Support Guidelines Review Panel
November 5, 2012

By:
Jane Venohr, Ph.D.
Economist/Research Associate
Center for Policy Research
303.837.1555
jvenohr@centerforpolicyresearch.org

Points of view expressed in this document are those of Dr. Venohr. They do not necessarily represent the official position of the State or Panel.

Objectives of Presentation/Discussion

- Review briefing materials
 - Provide additional information on issues identified by Panel

- Obtain Panel's feedback on draft, updated schedule(s) & determine assumptions & data for final, preliminary schedule & timeline

Question from June Meeting		Briefing
1	Existing guidelines appropriate	Updated Schedule
4	Self-support reserve	
5	Increase \$65 minimum	
12	Shared custody – 1.4 multiplier	Other Factors
13	Shared custody – 90 days threshold	
14	Guidance for complex cases	
17	Healthcare cost when obligor does not pay	
18	Who pays for first \$250 unreimbursed medical expenses	
24	Differential cost of living within regions	
25	Cost of raising children of different ages;	

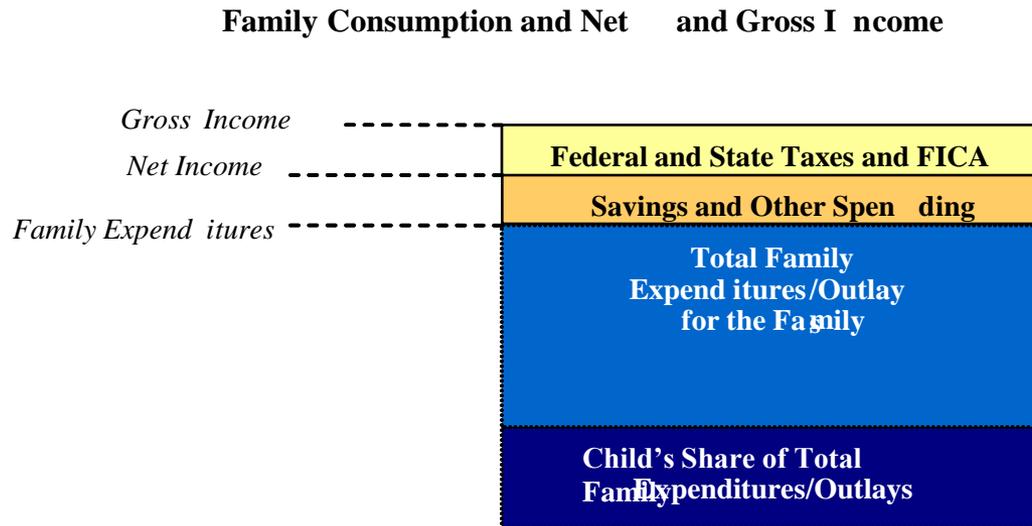
Schedule Briefing



Overview of Updated Child Support Schedules (pp. 2-11)

	Existing	Updated Schedule A	Updated Schedule B	Actual Proposed Schedule
Measurements of child-rearing expenditures	Espenshade-Engel	Betson-Rothbarth		To be determined by Panel
Years of expenditures survey data	1972-73	2004-2009		
Price levels	1988?	2012	2012	
Tax rates	1988?	2012	2013	
Minimum order	\$65	\$65-\$75	\$65	
Income threshold for minimum order	\$600	\$800	\$1,250	
Low-income adjustment above minimum order	Self-support reserve	Alternative adjustment	Self-support reserve	
Amount of self-support reserve	\$480	NA	\$931	
Highest income considered by schedule	\$10,000	\$27,350	\$29,250	
Formula for very high incomes	3 tiers: \$10K-\$20K, \$20K-\$50K & \$50K+	Requires extrapolation from above incomes		

Why Federal Tax Rates Are an Issue? (pp. 7-8)



- Measurements of child-rearing expenditures are expressed as a percentage of total expenditures and backed into gross income using prevailing tax rates
- Uncertainty of federal tax rates in 2013

Changes in Federal Tax Rates (p. 8)

	Federal Income Tax Bracket			Employee Tax Rate for Social Security	Medicare Tax
	Lowest	Highest	# of Brackets and rates		
1986	11%	50%	15 Bkts: 11%12%14%15%16%18% 20% 23% 26%..38% 42% 48% 50%	5.7% of income < \$42,000/yr	1.45%
1987	11%	38.5%	5 Bkts: 11% 15% 28% 35% 38.5%	5.7% of income < \$43,800/yr	1.45%
1988	15%	28%	2 Bkts: 15% 28%	6.6% of incomes < \$45,000/yr	1.45%
2012	10%	35%	6 Bkts: 10%15% 25% 28% 33% 35%	4.2% of incomes < \$110,100/yr	1.45%
2013	15%	39.6%	5 Bkts: 15% 28% 31% 36% 39.6%	6.2% of incomes < \$110,100+/yr	1.45% + 0.9% for incomes > \$200,000 yr
Reason for 2013 Change	Current tax rates rescind Dec. 31, 2012				Affordable Care Act of 2010 (healthcare reform)

- **Schedule A (2012 tax rates) is more than Schedule B (2013 tax rates)**
 - Lower tax rates, more after-tax income available for child support

- **Schedule A (2012 tax rates) minus Schedule B (2013 tax rates)**
 - One child: average = \$32, maximum = \$66
 - Two children: average = \$48, maximum = \$100
 - Three children: average = \$56, maximum = \$120

Proposed Changes to Core of Schedule (above low-income adjustment to \$10,000/month) from pp. 13-14

- Both schedules A & B indicate increases and decreases
- Frequency of cases by # of children
 - 1 child: 76% of cases
 - 2 children: 19% of cases
 - 3 children: 4% of cases
 - 4+ children: 1% of cases

Proposed Schedule Changes

(These are not proposed changes to order amounts. Orders depend on many other factors besides the schedule.)

	Schedule A		Schedule B		Schedule A		Schedule B	
	Average \$ Change	Range	Average \$ Change	Range	Average % Change	Range	Average % Change	Range
1 Child	\$78	\$7 - \$123	\$47	-\$11 - \$89	12.0%	3.2% - 22.1%	7.2%	-4.0% - 16.0%
2 Children	\$93	\$22 - \$164	\$45	-\$31 - \$110	9.5%	1.5% - 19.6%	5.0%	-2.0% - 13.8%
3 Children	\$50	-\$69 - \$157	-\$6	-\$137 - \$99	4.9%	-3.7% - 15.4%	0.8%	-7.1% - 9.9%
4 Children	\$43	-\$91 - \$165	-\$21	-\$167 - \$100	4.0%	-4.3% - 14.3%	-0.1%	-7.7% - 9.0%
5 Children	\$60	-\$84 - \$192	-\$10	-\$166 - \$121	4.8%	-3.7% - 15.3%	0.7%	-7.0% - 9.9%
6 Children	\$98	-\$53 - \$230	\$21	-\$140 - \$153	6.5%	-2.1% - 17.2%	2.4%	-5.5% - 11.7%

Increases to the Core Schedule (p. 14)

■ Average: Schedule-wide

- Schedule A: \$75/mo (8.9%)
- Schedule B: \$30/mo (4.5%)

■ One child

- Schedule A: all incomes above low-income adjustment
- Schedule B: all incomes above low-income adjustment

■ Two children

- Schedule A: all incomes above the low-income adjustment
- Schedule B: all incomes above low-income adjustment except incomes of \$9,000-\$10,000/mo

■ Three children

- Schedule A: all incomes above the low-income adjustment except incomes of \$8,000-\$9,000/mo
- Schedule B: all incomes above the low-income adjustment except incomes of \$6,000-\$11,000/mo

■ Four or more children: Patterns similar to three children.

Decreases to the Core Schedule (p. 15)

■ Causes

- Extrapolation of data available in late 1980's
- Higher FICA income cap leaves high-income families with less after-tax income
- Savings rate at very high incomes

■ One child

- none

■ Two children

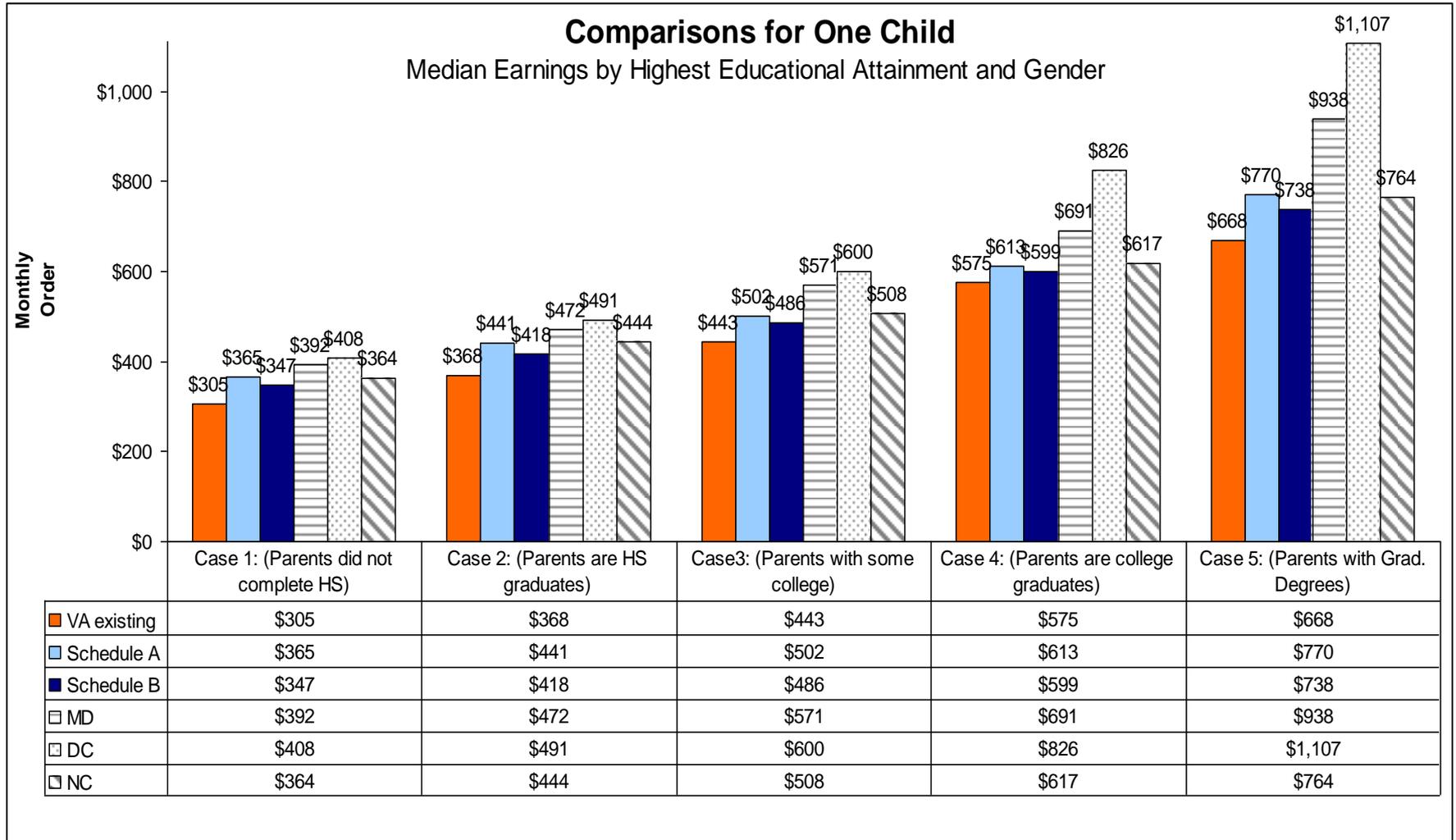
- Schedule A: none
- Schedule B: incomes of \$9,000-\$10,000/mo: Up to \$31/mo (2%)

■ Three children

- Schedule A: incomes of \$7,950-\$9,950/mo: Up to \$69/mo (3.6%)
- Schedule B: incomes of \$6,100-\$11,200/mo: Up to \$136/mo (7.1%)

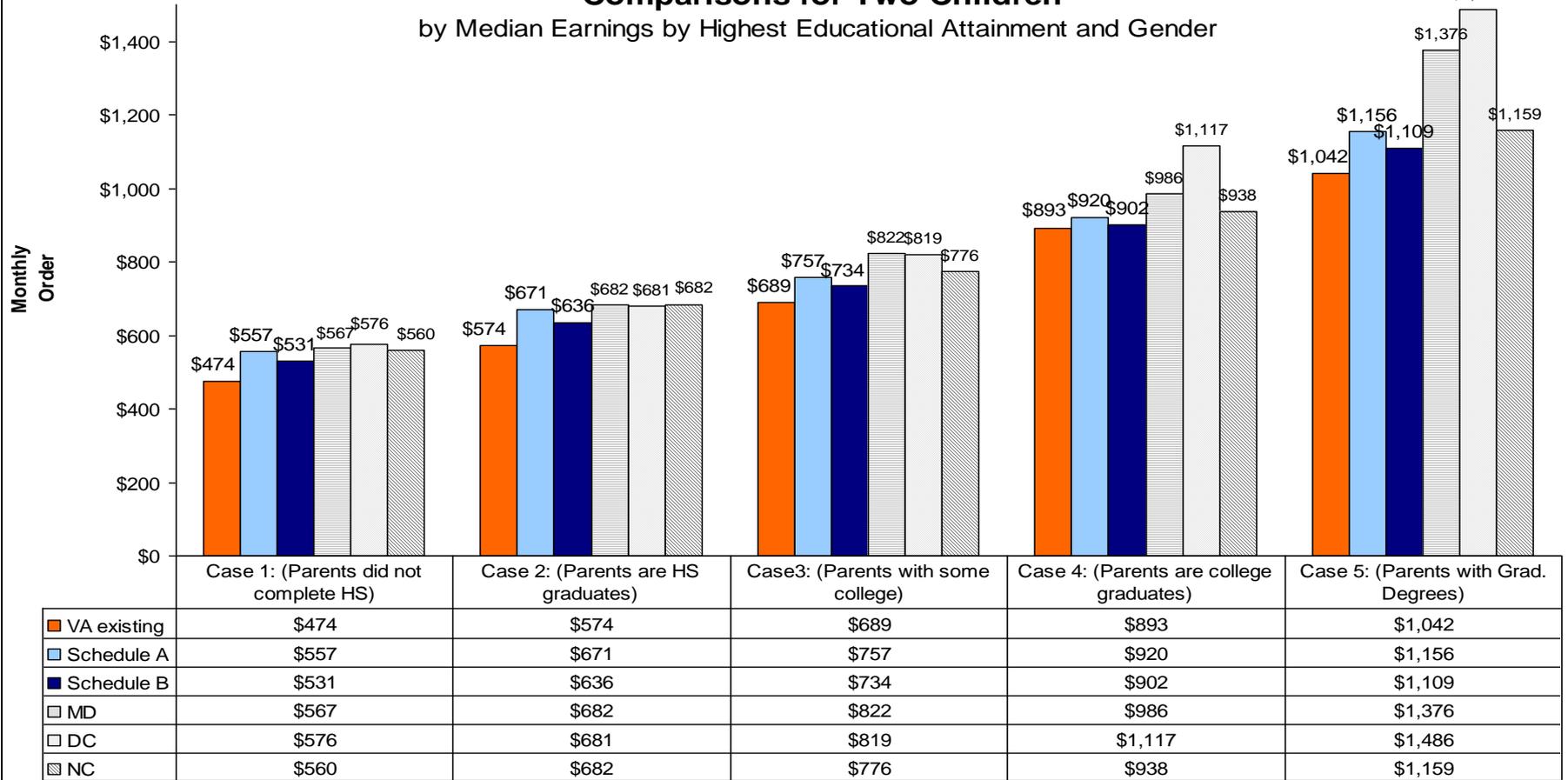
■ Four or more children: Patterns similar to three children.

Comparisons: Virginia Incomes by Educational Attainment (p. 16)

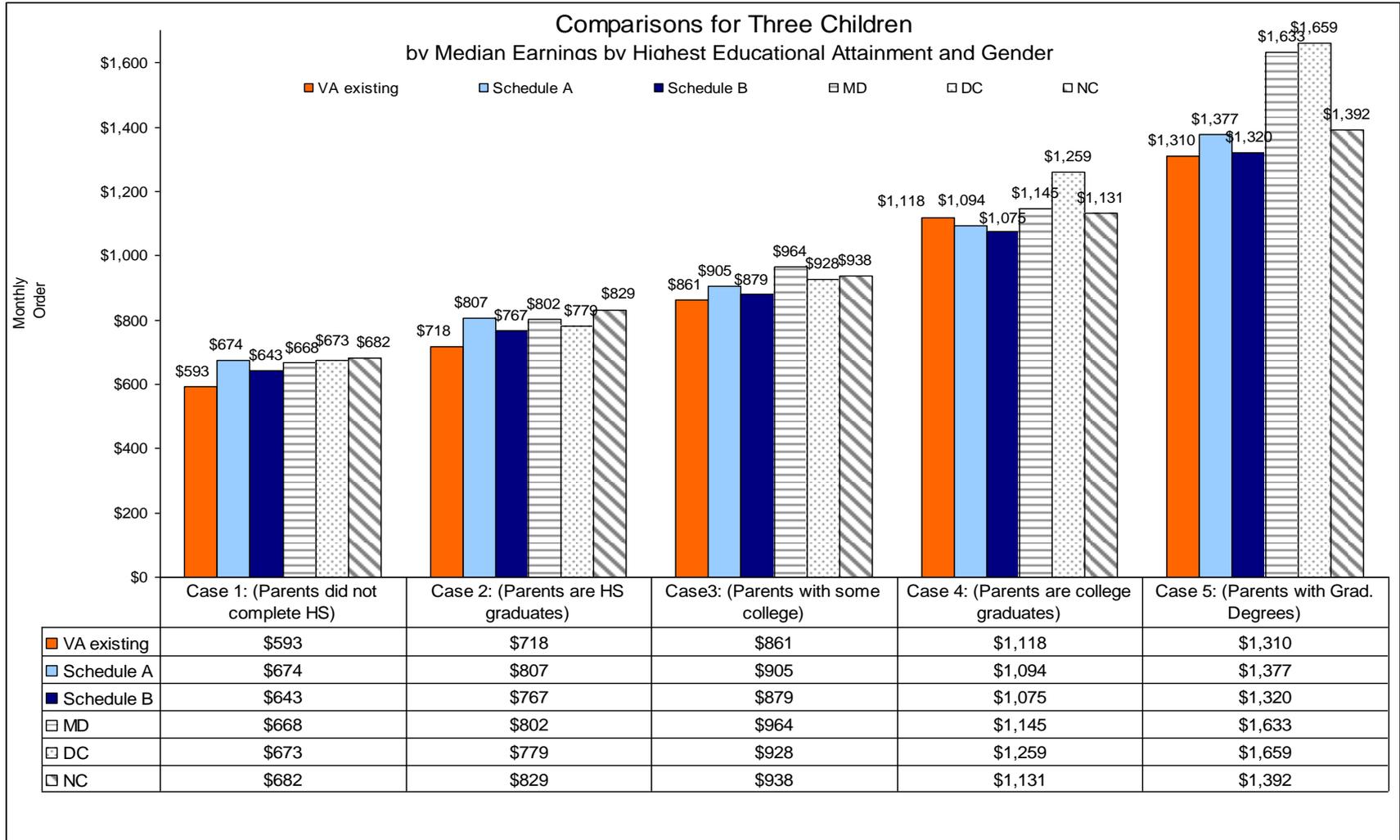


Comparisons: Virginia Incomes by Educational Attainment (p. 17)

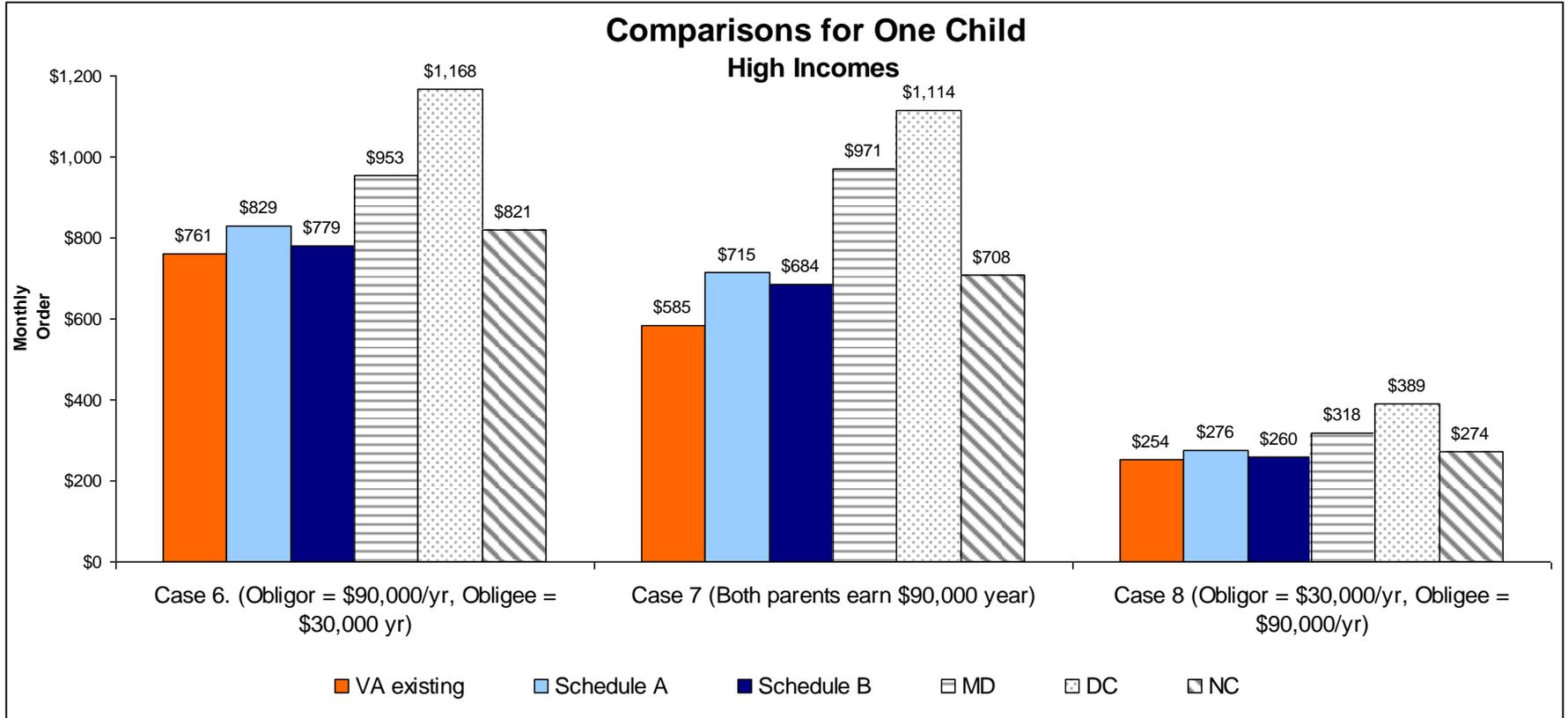
Comparisons for Two Children
by Median Earnings by Highest Educational Attainment and Gender



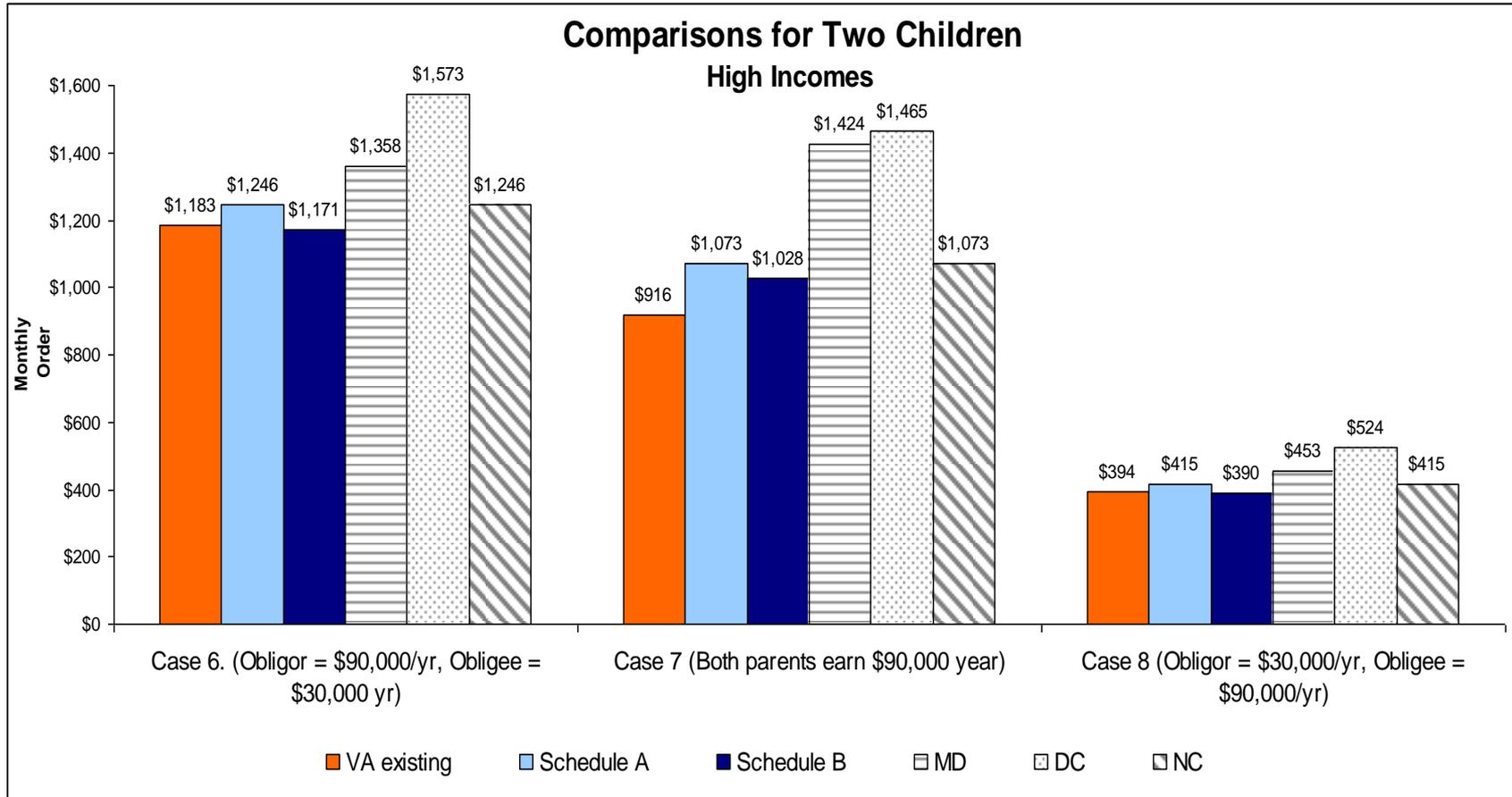
Comparisons: Virginia Incomes by Educational Attainment (p. 17)



Comparisons: High Incomes (p. 18)



Comparisons: High Incomes (p. 18)



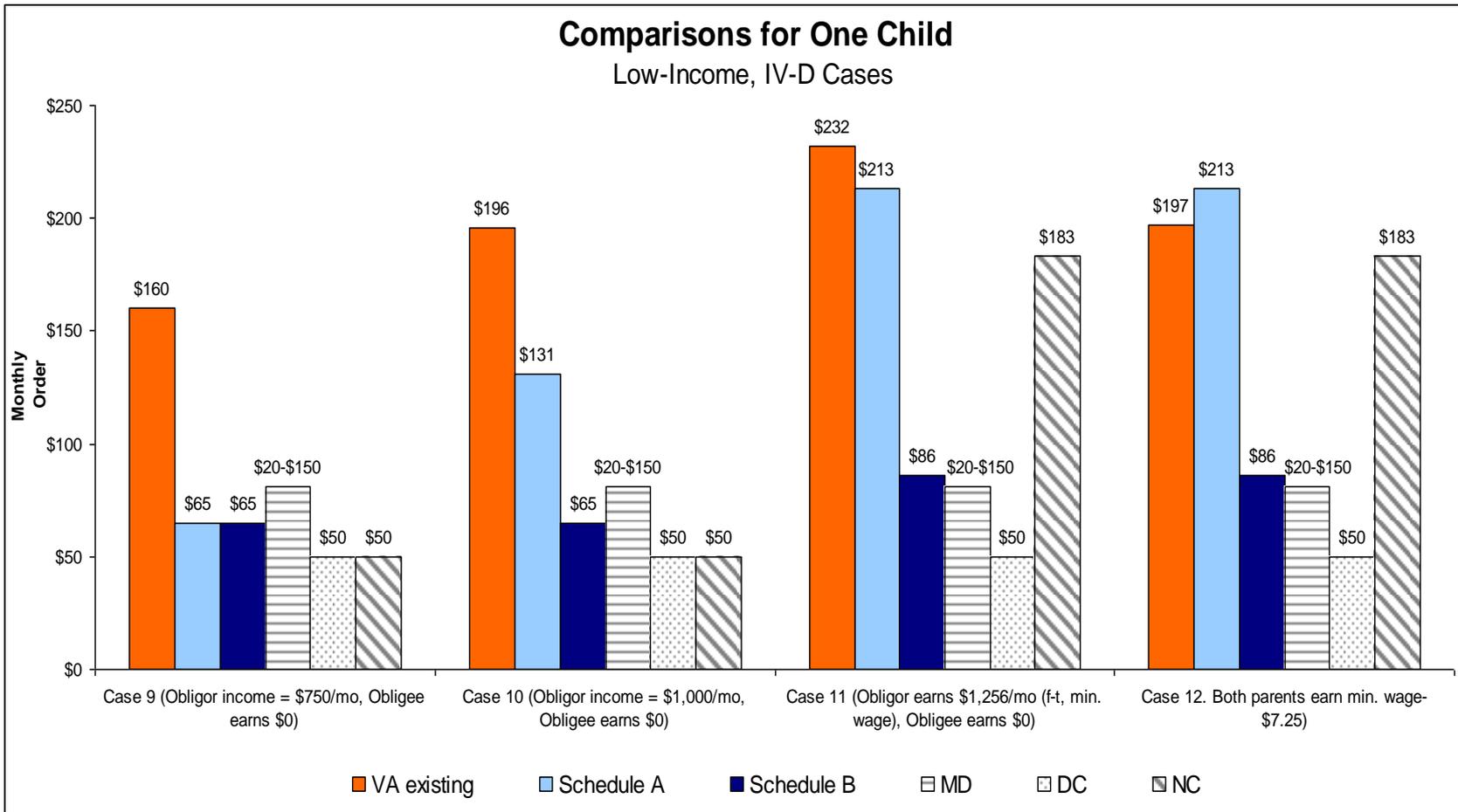
Alternative Assumptions and Data (pp.5-6)

- Use USDA measurements of child-rearing expenditures or another study
- DC assumption about taxes: assume married couple with children
- DC assumption about expenditures/income ratio: all income is spent
- DC and MD adjustment for higher housing costs
- PA incorporates nominal adjustment for standard visitation

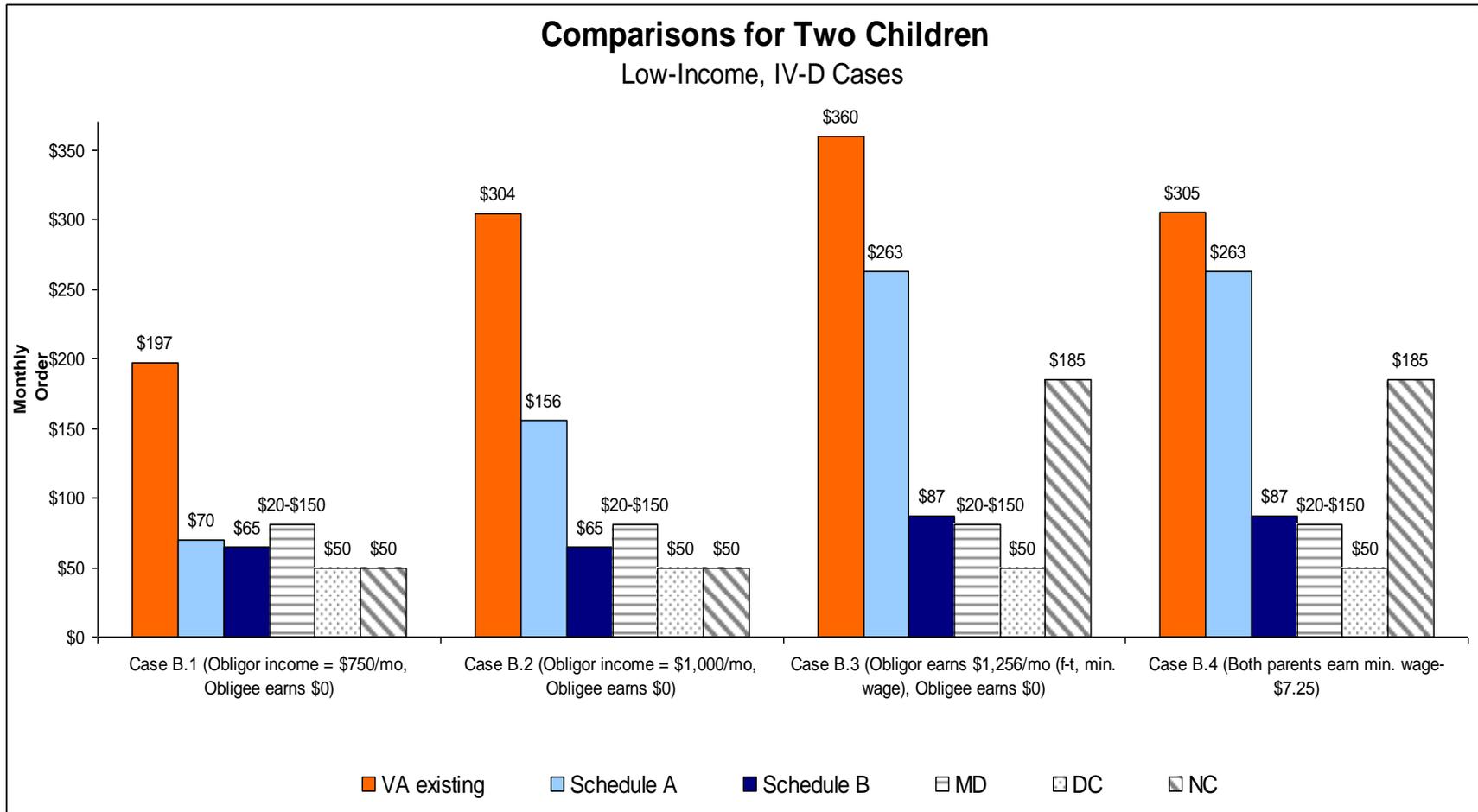
Low-Income Adjustment (pp.10-11)

	Existing	Updated Schedule A	Updated Schedule B	Proposed Schedule
Minimum order	\$65	1 child: \$65 2 children: \$70 3+ children: \$75	\$65	To be determined by Panel
Income threshold for minimum order	\$600	\$800	\$1,250	
Low-income adjustment above minimum order	Self-support reserve	@ min. wage <ul style="list-style-type: none"> ■ 1 child: 17% ■ 2 children: 21% ■ 3 children: 23% ■ 4 children: 25% ■ 5 children: 28% 	Self-support reserve	
Amount of self-support reserve	\$480 (1988 Fed. Poverty level)	NA	\$931 (2012 FPL)	

Low-Income Examples (p. 19)



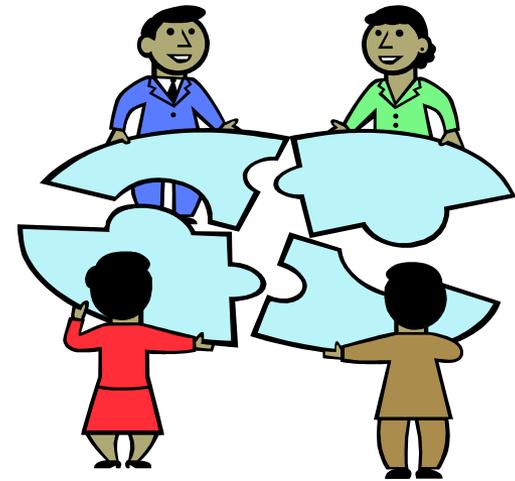
Low-Income Examples (p. 19)



Panel's Assignment: Complete Last Column

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Briefing on Selected Factors



Overview of Selected Factors and Requested Technical Assistance (p. 1)

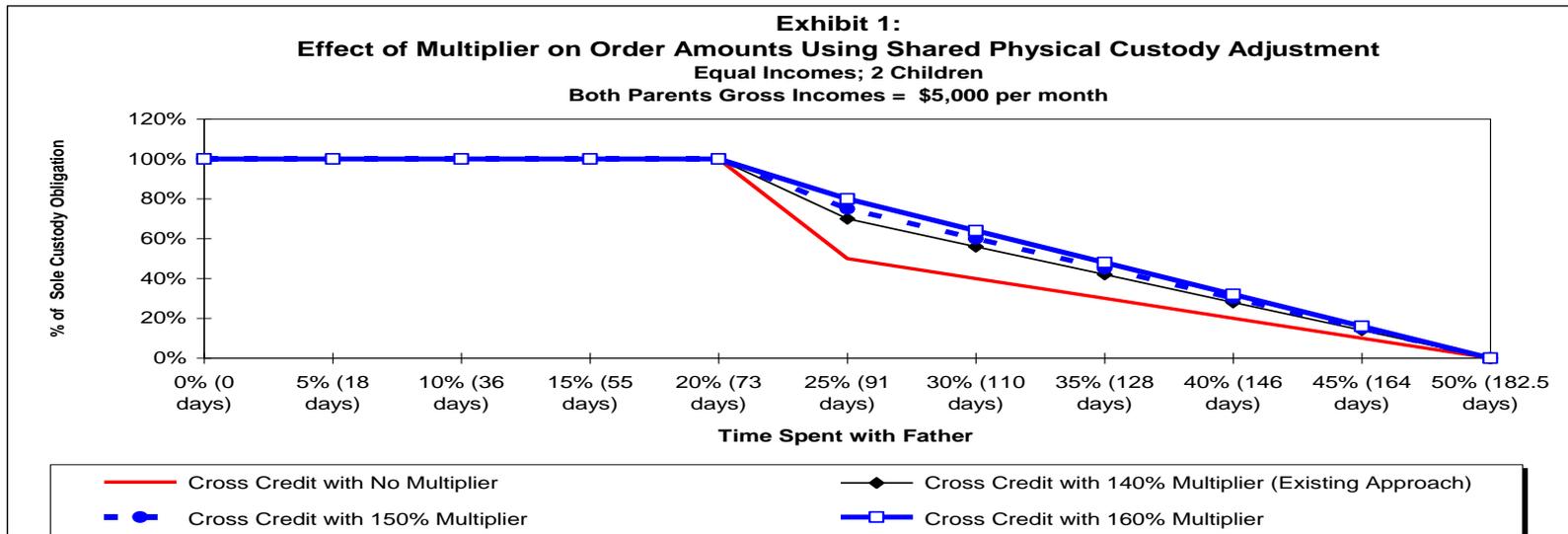
Question /Issue	Description	Venohr	Family Bar	Motion	2 nd	Yea
12	Shared custody – 1.4 multiplier should stay the same	X	X	Atkinson	Cooper	All
13	Shared custody – 90 days should stay the same	X	X	Burshem	Mahoney	All
14	Guidelines should include guidance for complex cases	X	X	Mahoney	Burshem	All
17	Add HCC cost back into obligation if NCP is ordered to pay for HCC but does not; AMENDED to include same provision for child care costs	X	X	Atkinson (as amended)	Oram-Smith	All
18	Guidelines should provide guidance on payment of first \$250 unreimbursed medical expenses, especially in shared custody cases	X	X	Oram-Smith	Cooper	All
24	Consider higher cost of living in different parts of state as adjustment to guidelines or deviation	X		Burshem	Watts	All
25	Guidelines should consider disparity in cost of raising children of different ages; AMENDED to consider adding as deviation factor	X		Cooper (as amended)	Mahoney	All

12 & 13: Shared Custody: Multiplier and Threshold (pp. 1-7)

- Issue: Virginia's formula differs from most states
 - VA uses 1.4 multiplier, most states use 1.5 multiplier
 - VA uses lower timesharing threshold (90 days)

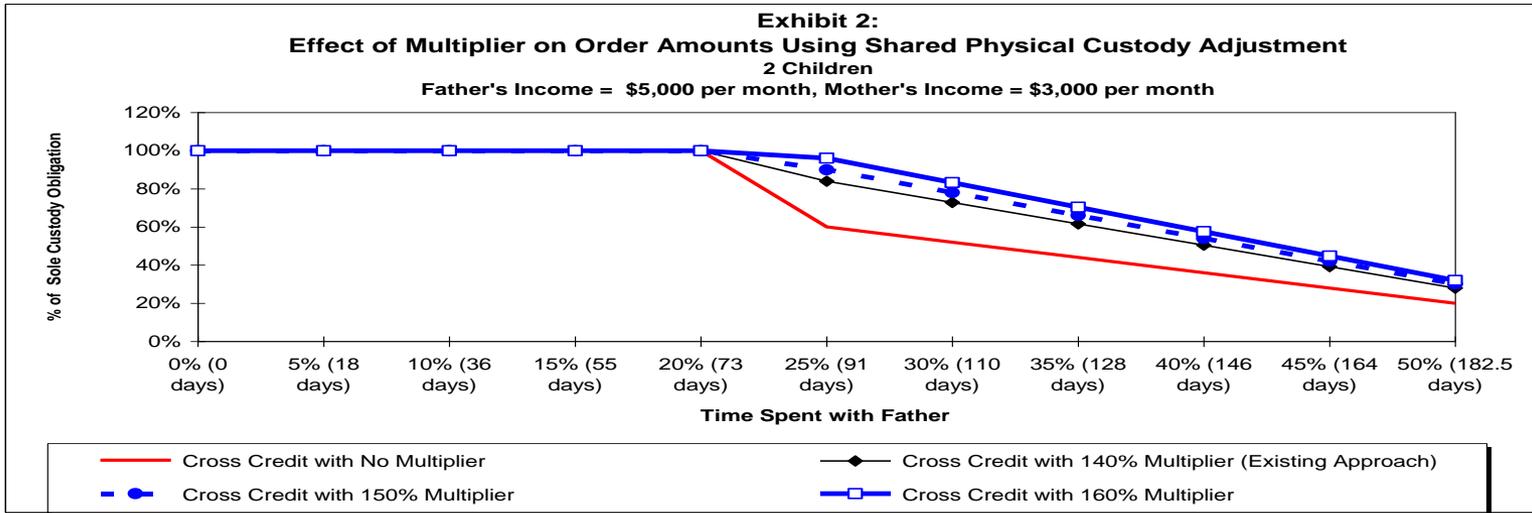
- Solutions:
 - Increase multiplier
 - Use two-tier formula (e.g., VT & IA)
 - Small adjustment near timesharing threshold
 - Cross-credit formula when timesharing is nearly equal

Impact of Higher Multipliers (p. 5)



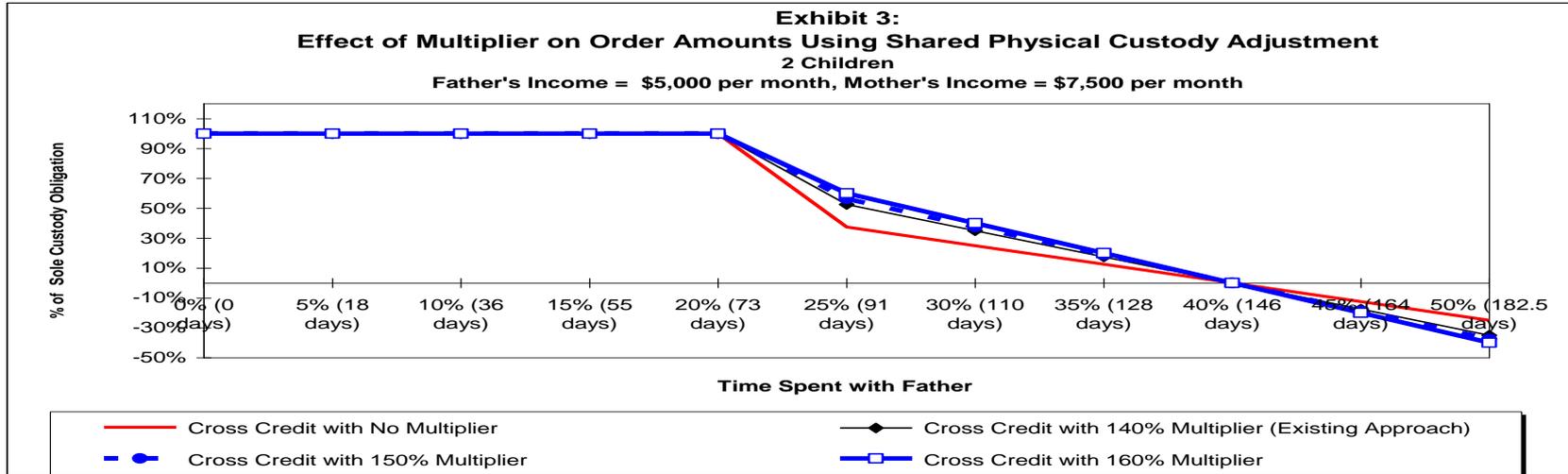
Comparison of Shared Custody Formulas									
Father's Monthly Gross Income = \$5,000, Mother's Monthly Gross Income = \$5,000									
Support Due (\$\$ per month)					% of Sole Custody Obligation				
Timesharing Arrangement (Percent)	Cross Credit with No Multiplier	Cross Credit with 140% Multiplier (Existing Approach)	Cross Credit with 150% Multiplier	Cross Credit with 160% Multiplier	Timesharing Arrangement (Percent)	Cross Credit with No Multiplier	Cross Credit with 140% Multiplier (Existing Approach)	Cross Credit with 150% Multiplier	Cross Credit with 160% Multiplier
0% (0 days)	\$789	\$789	\$789	\$789	0% (0 days)	100%	100%	100%	100%
5% (18 days)	\$789	\$789	\$789	\$789	5% (18 days)	100%	100%	100%	100%
10% (36 days)	\$789	\$789	\$789	\$789	10% (36 days)	100%	100%	100%	100%
15% (55 days)	\$789	\$789	\$789	\$789	15% (55 days)	100%	100%	100%	100%
20% (73 days)	\$789	\$789	\$789	\$789	20% (73 days)	100%	100%	100%	100%
25% (91 days)	\$394	\$552	\$591	\$631	25% (91 days)	50%	70%	75%	80%
30% (110 days)	\$315	\$442	\$473	\$505	30% (110 days)	40%	56%	60%	64%
35% (128 days)	\$237	\$331	\$355	\$378	35% (128 days)	30%	42%	45%	48%
40% (146 days)	\$158	\$221	\$237	\$252	40% (146 days)	20%	28%	30%	32%
45% (164 days)	\$79	\$110	\$118	\$126	45% (164 days)	10%	14%	15%	16%
50% (182.5 days)	\$0	\$0	\$0	\$0	50% (182.5 days)	0%	0%	0%	0%

Impact of Higher Multipliers (p. 6)



Comparison of Shared Custody Formulas									
Father's Monthly Gross Income = \$5,000, Mother's Monthly Gross Income = \$3,000									
Support Due (\$\$ per month)					% of Sole Custody Obligation				
Timesharing Arrangement (Percent)	Cross Credit with No Multiplier	Cross Credit with 140% Multiplier (Existing Approach)	Cross Credit with 150% Multiplier	Cross Credit with 160% Multiplier	Timesharing Arrangement (Percent)	Cross Credit with No Multiplier	Cross Credit with 140% Multiplier (Existing Approach)	Cross Credit with 150% Multiplier	Cross Credit with 160% Multiplier
0% (0 days)	\$886	\$886	\$886	\$886	0% (0 days)	100%	100%	100%	100%
5% (18 days)	\$886	\$886	\$886	\$886	5% (18 days)	100%	100%	100%	100%
10% (36 days)	\$886	\$886	\$886	\$886	10% (36 days)	100%	100%	100%	100%
15% (55 days)	\$886	\$886	\$886	\$886	15% (55 days)	100%	100%	100%	100%
20% (73 days)	\$886	\$886	\$886	\$886	20% (73 days)	100%	100%	100%	100%
25% (91 days)	\$532	\$744	\$798	\$851	25% (91 days)	60%	84%	90%	96%
30% (110 days)	\$461	\$645	\$691	\$737	30% (110 days)	52%	73%	78%	83%
35% (128 days)	\$390	\$546	\$585	\$624	35% (128 days)	44%	62%	66%	70%
40% (146 days)	\$319	\$447	\$479	\$510	40% (146 days)	36%	50%	54%	58%
45% (164 days)	\$248	\$347	\$372	\$397	45% (164 days)	28%	39%	42%	45%
50% (182.5 days)	\$177	\$248	\$266	\$284	50% (182.5 days)	20%	28%	30%	32%

Impact of Higher Multipliers (p. 7)



Comparison of Shared Custody Formulas
Father's Monthly Gross Income = \$5,000, Mother's Monthly Gross Income = \$7,500

Support Due (\$\$ per month)					% of Sole Custody Obligation				
Timesharing Arrangement (Percent)	Cross Credit with No Multiplier	Cross Credit with 140% Multiplier (Existing Approach)	Cross Credit with 150% Multiplier	Cross Credit with 160% Multiplier	Timesharing Arrangement (Percent)	Cross Credit with No Multiplier	Cross Credit with 140% Multiplier (Existing Approach)	Cross Credit with 150% Multiplier	Cross Credit with 160% Multiplier
0% (0 days)	\$682	\$682	\$682	\$682	0% (0 days)	100%	100%	100%	100%
5% (18 days)	\$682	\$682	\$682	\$682	5% (18 days)	100%	100%	100%	100%
10% (36 days)	\$682	\$682	\$682	\$682	10% (36 days)	100%	100%	100%	100%
15% (55 days)	\$682	\$682	\$682	\$682	15% (55 days)	100%	100%	100%	100%
20% (73 days)	\$682	\$682	\$682	\$682	20% (73 days)	100%	100%	100%	100%
25% (91 days)	\$256	\$358	\$384	\$409	25% (91 days)	38%	53%	56%	60%
30% (110 days)	\$171	\$239	\$256	\$273	30% (110 days)	25%	35%	38%	40%
35% (128 days)	\$85	\$119	\$128	\$136	35% (128 days)	13%	18%	19%	20%
40% (146 days)	\$0	\$0	\$0	\$0	40% (146 days)	0%	0%	0%	0%
45% (164 days)	-\$85	-\$119	-\$128	-\$136	45% (164 days)	-13%	-18%	-19%	-20%
50% (182.5 days)	-\$171	-\$239	-\$256	-\$273	50% (182.5 days)	-25%	-35%	-38%	-40%

14. Complex Families (pp. 8-12)

- *Issue.* Family structure is more complex and varied today.
- *Va.'s Approach.* Income deduction for other children based on: 1) an existing order or written agreement, and/or 2) deduction from schedule (“theoretical” order).
- *Approaches in Other States.*
 - Equalize support between sets of children by taking a % of theoretical order
 - Consider income of parent of other children in calculation of theoretical order
 - PA approach: proportionate reduction such that the NCP’s combined orders < 50% NCP’s income (income withholding limit)
 - WA Whole Family Formula: considers all children and all adults financially responsible for the children. It also reduces NCP’s order when CP has multiple orders.
 - Expand or narrow definition of eligible children (e.g., step-children or first-born children)

17. Unpaid, Ordered Healthcare Costs (pp. 13-15)

- *Issue.* NCP ordered to provide the child's health insurance and receives an adjustment to the order for cost of insuring child but then does not actually provide health insurance.

- *Approaches in Oregon and Ohio.*
 - Order contains two order amounts
 - One if the NCP provides insurance
 - Other if NCP does not provide insurance

 - Arrears accrue beginning 1st of month immediately after private health insurance coverage is no longer available

 - Difficult to administer and track. Ohio guidelines review committee proposes a provision that assumes the custodial parent provides the child's health insurance.

18. Unreimbursed Medical Expenses (pp. 15-16)

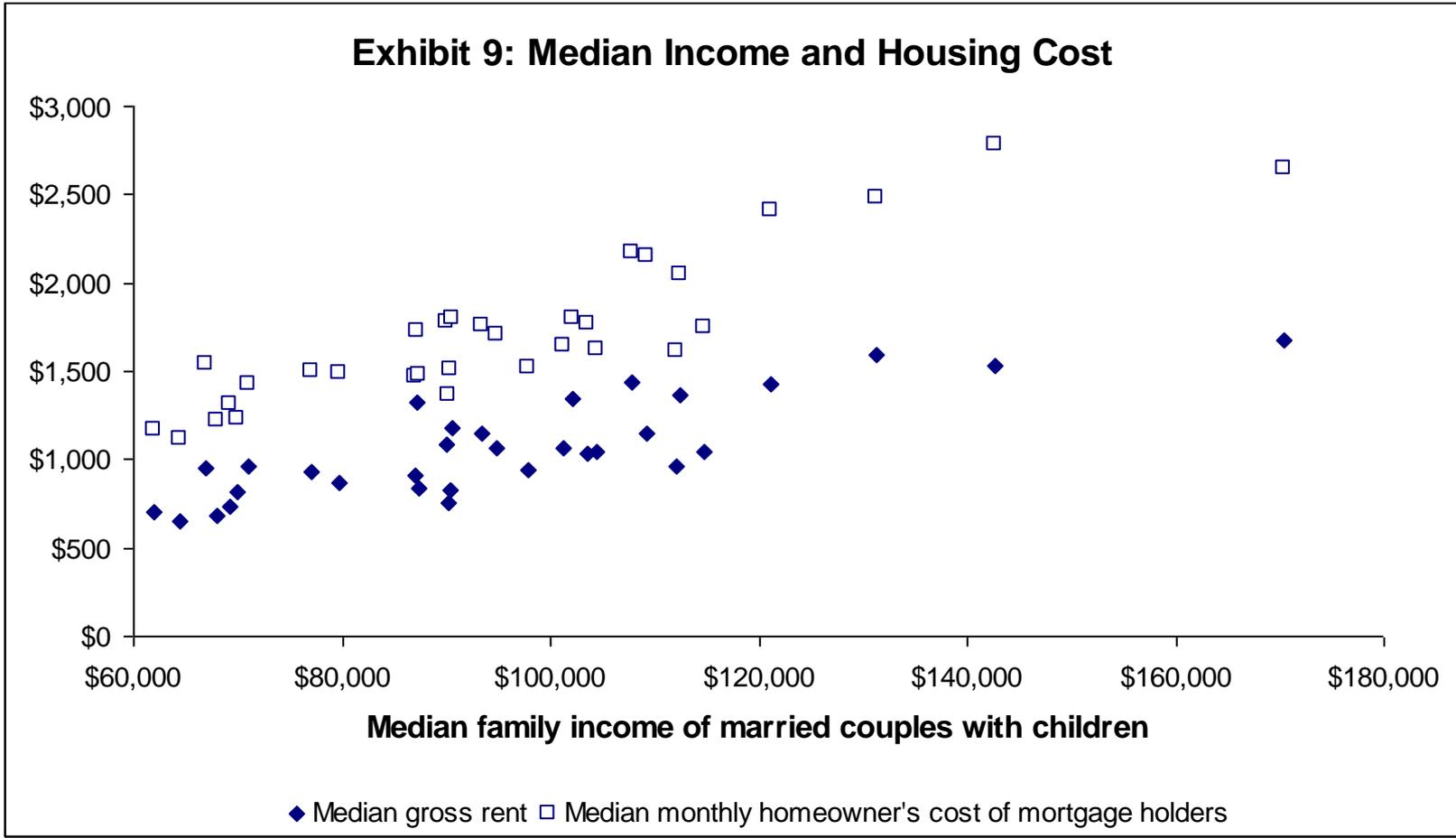
- *Issue.* Most income shares schedules include \$250 per child per year in ordinary, routine medical expenses (e.g., over-the-counter medicine, co-pay for well visit)
 - Which parent in equal custody cases is responsible for the first \$250?

- *State Approaches*
 - Most states including VA do not clarify.
 - The parent with more custody/owed support incurs the first \$250
 - SD encourages specificity in the parenting plan

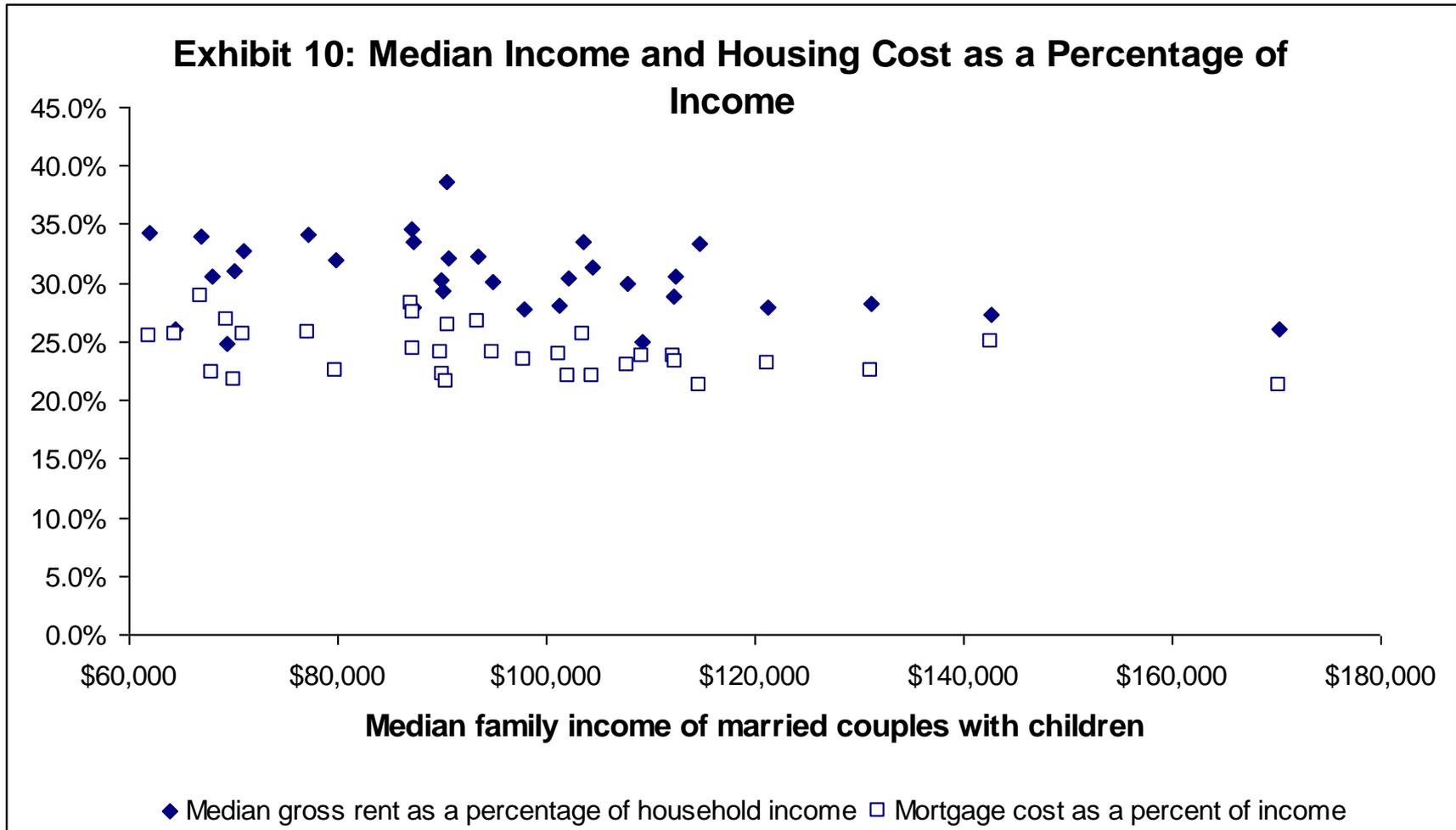
24. Regional Differences in Cost of Living (p. 16)

Exhibit 8: Median Income and Housing Costs					
	Median family income of married couples with children	Median gross rent	Median monthly homeowner's cost of mortgage holders	Median gross rent as a percentage of household income	Mortgage cost as a percent of income
USA	\$79,746	\$871	\$1,486	31.9%	22.5%
Virginia	94,885	\$1,062	\$1,707	30.1%	24.0%
Albemarle County, Virginia	\$114,759	\$1,041	\$1,745	33.4%	21.3%
Alexandria city, Virginia	\$121,175	\$1,426	\$2,408	28.0%	23.1%
Arlington County, Virginia	\$170,352	\$1,673	\$2,646	26.1%	21.2%
Augusta County, Virginia	\$67,935	\$682	\$1,220	30.5%	22.4%
Bedford County, Virginia	\$70,007	\$819	\$1,232	31.1%	21.8%
Chesapeake city, Virginia	\$93,454	\$1,144	\$1,760	32.2%	26.7%
Chesterfield County, Virginia	\$101,212	\$1,062	\$1,647	28.1%	23.9%
Fairfax County, Virginia	\$131,203	\$1,592	\$2,484	28.2%	22.5%
Fauquier County, Virginia	\$109,166	\$1,147	\$2,155	25.0%	23.7%
Frederick County, Virginia	\$104,425	\$1,044	\$1,626	31.4%	22.1%
Hampton city, Virginia	\$77,092	\$927	\$1,503	34.1%	25.8%
Hanover County, Virginia	\$112,146	\$963	\$1,615	28.8%	23.8%
Henrico County, Virginia	\$97,796	\$944	\$1,518	27.8%	23.4%
James City County, Virginia	\$89,994	\$1,085	\$1,776	30.2%	24.1%
Loudoun County, Virginia	\$142,684	\$1,530	\$2,785	27.3%	25.0%
Lynchburg city, Virginia	\$61,971	\$707	\$1,174	34.3%	25.4%
Montgomery County, Virginia	\$90,407	\$830	\$1,506	38.7%	21.5%
Newport News city, Virginia	\$70,997	\$964	\$1,430	32.8%	25.6%
Norfolk city, Virginia	\$66,983	\$949	\$1,546	34.0%	28.9%
Portsmouth city, Virginia	\$87,009	\$908	\$1,473	34.6%	28.2%
Prince William County, Virginia	\$107,765	\$1,441	\$2,175	29.9%	22.9%
Richmond city, Virginia	\$87,303	\$842	\$1,475	33.5%	27.4%
Roanoke city, Virginia	\$64,383	\$647	\$1,114	26.1%	25.6%
Roanoke County, Virginia	\$90,160	\$759	\$1,370	29.4%	22.2%
Rockingham County, Virginia	\$69,311	\$735	\$1,314	24.9%	26.9%
Spotsylvania County, Virginia	\$87,266	\$1,321	\$1,724	28.0%	24.3%
Stafford County, Virginia	\$112,362	\$1,365	\$2,046	30.6%	23.3%
Suffolk city, Virginia	\$103,562	\$1,032	\$1,771	33.5%	25.6%
Virginia Beach city, Virginia	\$90,586	\$1,183	\$1,802	32.1%	26.4%
York County, Virginia	\$102,138	\$1,348	\$1,797	30.4%	22.1%

24. Regional Housing Costs Are Correlated with Regional Incomes (p. 17)



24. Families Devote the Same Proportion of Income to Housing Regardless of Regional Differences (p. 18)



25. Child's Age (p. 19-20)

- *Issue:* Older children cost more.
- *Statistics:*
 - Teenagers are more expensive than toddlers, but there is not an incremental increase between each age bracket.
 - Divorces typically occur when children are older.
- *Adjustments in Other States*
 - FL: deviation factor
 - KS, ME and WA: age adjustment in presumptive formula

Kansas	Maine	Washington
Ages 6-11 years: 15% more than ages 0-5 years Ages 12-17 years: 8% more than ages 6-11 years	Ages 0-11 years; 92.7% of average for all ages Ages 12-17 years: 114.6% of average for all years	Ages 11-17 years: 24% more than ages 0-11

Next Steps

- Complete last column of table
- Schedule 2013 meetings including public hearing (to be addressed immediately after this presentation)
- Hear from Family Bar on selected factors
- Other steps?

	Existing	Updated Schedule A	Updated Schedule B	Actual Proposed Schedule
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