



Presentation to Quadannual Child Support Review Panel

November 16, 2011
Fathers for Virginia

Fred Hawkins
703-754-2045
Hawkinsf@erols.com



NO Need to Raise CS Guidelines!

- CS Guidelines already too high relative to real world child-rearing costs
- Guidelines are self-adjusting based on wage inflation
 - While CPI prices have increased by 77.3% from 1990 to 2011, VA incomes have increased by 86.5% from 1989 to 2009 (Dr. V., pg 31).
 - Therefore, VA incomes have outstripped CPI price increases and the current guidelines are overpriced based on income.



NO Need to Raise CS Guidelines!

- High Guidelines produce inequities between parties that prolong hostilities, contrary to guiding principles that, “Child support should not impoverish parents.”
 - In other words, “Child support should not enrich one parent while discriminating against the other.”
- High Guidelines produce incentive to divorce and separate.
 - This is clearly NOT in the best interest of the child[ren].
- High Guidelines produce incentive to minimize custody sharing.
 - This is in opposition to the guiding principle that, “[Guidelines should] not discourage shared physical custody.”
- High Guidelines create a “windfall” for the custodial parent (most often the mother) and unreasonable hardship for the non-custodial parent (most often the father).
 - This is contrary to guiding principle, “Not [to] indirectly create economic disincentives to [marry,] re-marry, or work.”



Raising CS Guidelines in an Economic Downturn is a Bad Idea!

- Many families are struggling simply to get by. Raising child support guidelines would inflict further economic distress on an already stressed public.
- Virginia has \$2.2B owed in CS arrearages, 70% owed by NCPs earning \$10,000 per year or less and clearly unable to pay, with many current CS awards exceeding 50% of NCP's income.
 - The current system is clearly broken.
 - Raising Guidelines will only make matters worse.
- Raising Guidelines at this time will increase DCSE's backlog.
- Raising Guidelines will result in:
 - More arrearages, more absent parents (out of shame), more conflict over unpaid CS, more job loss as drivers licenses are suspended, more tickets and re-instatement costs on already stressed individuals, etc., etc.



CS Guidelines are already too high relative to real world child-rearing costs!

- Cannot adequately rebut Dr. Venohr's 66 page presentation in 3 minutes – suggest special session to discuss inequities in current guideline and why upward changes are NOT needed
 - Note that Dr. Venohr and Center for Policy Research (CPR) are in the business of selling periodic increases in CS Guidelines to States across the nation. Her CPR bio states she “has worked with over 25 states to develop and update guidelines and present them to legislatures.” She recently “helped” MD, and possibly NC, raise their CS guidelines. Now one of her arguments is that VA's CS guideline is too low compared to its neighbors MD and NC.
- Estimates of child-rearing costs (Rothbarth, Engel, USDA) inaccurately predict real world child-rearing expenditures in split family situations and are illogically applied to develop child support guidelines.
- It has been demonstrated that the current guidelines produce dramatically unequal after tax situations, in conflict with the Equal Protections clause. Raising the guidelines will exacerbate this situation opening DCSE and the Courts to a flood appeals and rebuttals.



Currently CP receives all tax advantages, while the NCP pays all taxes on his CS obligation.

- Tax advantages available to the CP include:
 - Tax Exemptions & Credits = \$3650 per child + \$3000 child care credit for 1 child or \$6000 for 2 or more children, + Child Tax Credit of \$1,000 per child + EIC for low income households of up to \$3,050 for one child.
 - All accrue to custodial parent and should be deducted from non-custodial parent's obligation.
 - CS is paid tax free to CP, while taxes on CS are paid by NCP. This represents a 15% to 38% added value to the CP and an equivalent added expense to the NCP.
 - "The cost schedule is so excessive and the child-related tax benefits are such large financial windfalls to custodial parents that in typical cases, the custodial parent ends up with a sharply higher standard of living than the non-custodial parent—even when the custodial parent has significantly lower gross earnings. This is an equal protection violation." R. Mark Rogers addressing 2003 CS Review Panel



Current Guideline is generally 2X real world incremental cost of child-rearing

- From personal experience as a former noncustodial parent and now as an equal parent:
 - Actual child expenditures for 13 year old son are less than half of former CS obligation.
 - Total direct child expenditures for both parents are less than half of the Guideline amount that would apply, based on current incomes.
 - Virginia's child-support guidelines already assume that parents spend far more on their children than couples like I and my wife actually spend. To spend as much as Virginia's guidelines mandate that non-custodial parents pay in child support, we would have to do something really expensive, like feeding our daughter steak at every meal, and buying her lots of designer clothing. (Hans Bader, Virginia's Child Support Guidelines Likely to Become Grossly Excessive for Most Households, www.openmarket.org, July 6, 2011)July



Real World Child-Rearing Expenditures

- **Family budgets consist of fixed expenses and incremental expenses.**
- Fixed expenses include base housing (rent, mortgage, taxes, condo fees, etc.), base utilities (HVAC, general lighting, furnishings, etc.), base transportation (vehicle ownership & general maintenance), insurances (home, auto, life), taxes, savings (retirement & rainy day), etc.
 - These are costs that benefit all family members but cannot be attributed to individual members and do not change appreciably with the presence or absence of an individual family member.



Real World Child-Rearing Expenditures

- Incremental expenses include variable utilities (lights, water), variable transportation (gas & oil, usage maintenance, public transit), food, clothing, entertainment, personal care, etc.
 - These are costs that can be attributed to individual family member usage and do change significantly with the presence or absence of an individual family member.
- It's easy to see how upwards of 80% of family gross income would be consumed by fixed expenses, since taxes (IRS, SSA, Medicare, VA, sales), housing and vehicle costs alone would be approximately 70%.
- While these expenses benefit the child indirectly, it is unrealistic to include these costs in any child-rearing cost estimate or child support obligation since they cannot be separated by individual, and they would occur largely unchanged without children.



Child-rearing expenditures in the real world are primarily incremental costs

- The basic premise of the Income Shares model that “the child is entitled to the same amount of expenditures the child would have received if the parents & child lived together”
 - This is an impossibility!
- An intact family has a fixed combined income and one set of fixed expenses, with the remaining funds available to pay for incremental expenses.
- A split family has the same fixed combined income, but with two sets of fixed expenses, resulting in necessarily fewer funds remaining to pay for incremental expenses. The standard of living for all parties must necessarily shrink.
- Any attempt to allow one party to preserve the standard of living of the intact family will necessarily impoverish the other party!



Suggested Remedies

- Acknowledge that split families cannot preserve the same standard of living as when they were an intact family.
- Recognize that a split family has two sets of fixed expenses.
 - Using common estimates for support guidelines, the split family should enter the chart indexed at the average of their combined income, rather than their total combined income.
- Adjust guideline downward by 25% to account for the “standard” 90 day non-custodial award or credit all custody days to the proper custodial parent.
- Remove the “fudge factor” for shared parenting and give full credit for custody days with each parent.
 - Currently shared custody is not recognized until the non-custodial parent has more than 90 days of custody.
 - After 90 days, with the “fudge factor” applied, the custodial parent still receives full child support until the non-custodial parent has more than 100 days of custody.
 - Lawyers and judges routinely manipulate shared custody awards to ensure the non-custodial parent does not go over this 90 day threshold.
 - This results in the non-custodial parent paying approximately 125% of the guideline amount to have minimal custody time while maximizing the child support award to the custodial parent.



The Real Solution – Equal Parenting Presumption

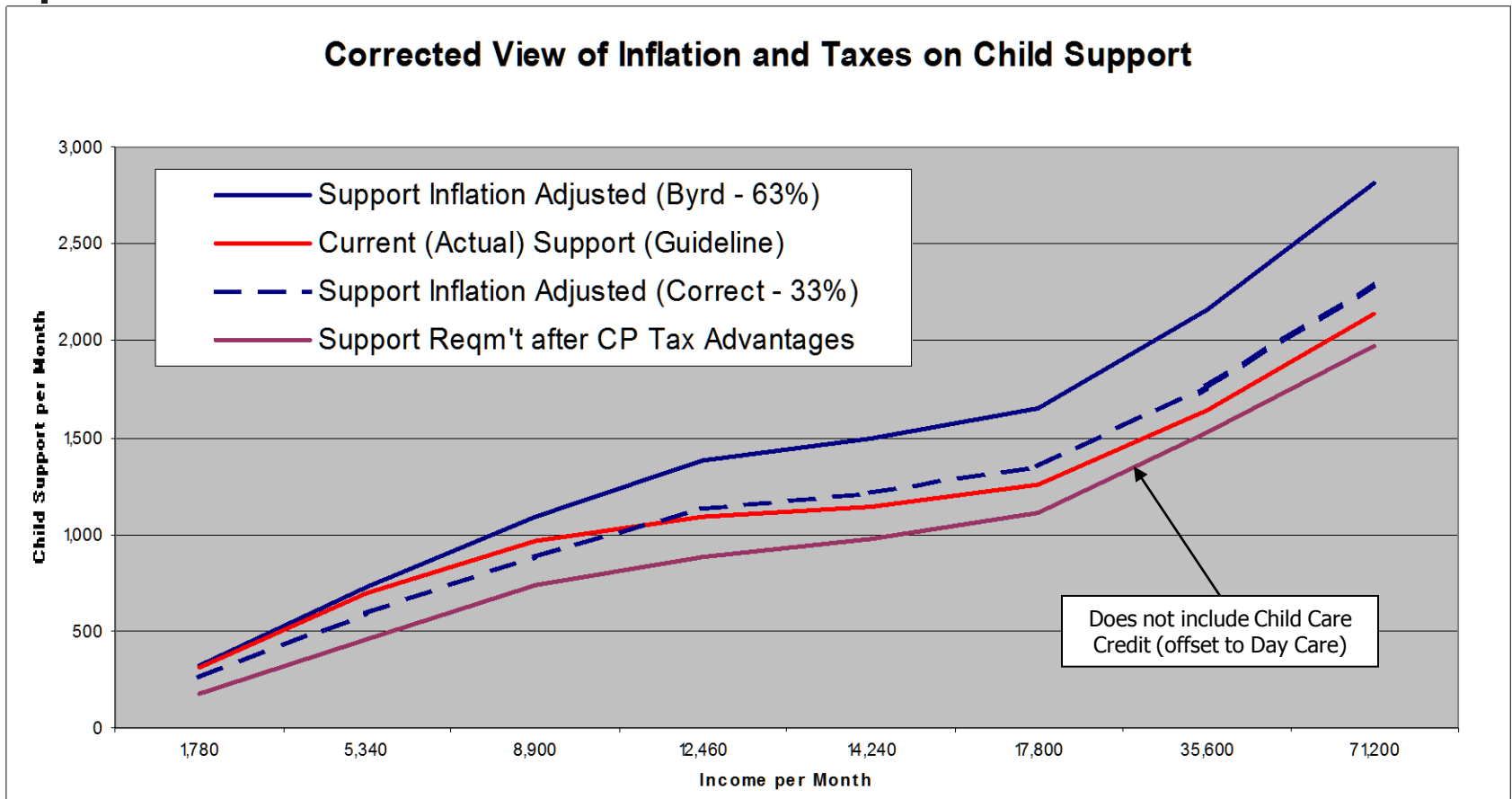
- Eliminate the “standard” 90 day non-custodial custody share in favor of an equal parenting model presumption as the default for all fit and willing parents.
- Make sure the parties understand the default and encourage them to work out their own custody agreement before coming to court.
 - DCSE could facilitate this process with trained counselors.
- Equal Parenting would drastically reduce arrearages, conflicts, court congestion, and enforcement issues.
- Equal Parenting would dramatically improve child happiness and wellbeing.



Backup Slides

- The following slides provide backup material

Correct View of Inflation and Taxes on Child Support





No Guideline Adjustment Needed at this Time

Fix problems with Guideline
implementation and custody
awards before thinking about
raising Guideline!



Other Actions Needed

- Ensure equal parenting for all qualified parents
- Begin pro-ration of child support from day 1 to properly account for NCP parenting costs (as in California)
- Eliminate improper 1.4 fudge factor in shared parenting pro-ration formula
- Fund comprehensive study to determine proper child support for split families (\$38M available from surplus Federal grants)