Review of the Michigan Child Support Guidelines: Consideration of Economic Data and Other Factors

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Points of view expressed in this document are those of the authors and do not necessarily represent the official position of the Michigan Department of Health and Human Services and Michigan Friend of the Court Bureau. The authors are responsible for any errors and omissions.

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Executive Summary

The major purpose of this study is to provide economic evidence on the cost of raising children and other research pertinent to the review of the Michigan Child Support Guidelines (also known as the Michigan Child Support Formula). As authorized by state statue (MCL 552.519(3)(vi)), the Michigan Friend of the Court Bureau (FOCB) sets the Guidelines and oversees its review, which is conducted by a FOCB Child Support Guidelines Review Committee. This report is one piece of information that will be considered. The report was commissioned through a competitive bid process through the Michigan Department of Health and Human Services' Office of Child Support (OCS) in collaboration with FOCB. OCS administers the statewide child support program, which must meet federal requirements including the requirements for a statewide guideline and its review at least every four years.

Chapter 1: Introduction

This chapter introduces the report by summarizing the study design developed by the 2020 guidelines review that resulted in the request for proposals for technical assistance, federal requirements of state guidelines, a summary of the Michigan Guidelines, and a report outline.

Study Design. Through the 2020 guidelines review process, six study objectives were identified: economic study, self-support reserve, parenting time costs, healthcare costs, lifestyle cost study, and federal data elements. For each objective, specific economic data and other information were requested. The economic study considers the cost of raising children which is relevant to the General Care Equation (GCE) that is the core formula. The self-support reserve is a type of low-income adjustment. States are federally required to consider the subsistence needs of the payer-parent (and the payee-parent and the children at the discretion of the state) through a self-support reserve or another type of low-income adjustment. Parenting time costs are relevant to adjusting the guidelines amount for timesharing. Healthcare costs are relevant to the cost and provision of the child's healthcare that are provided in the Guidelines. The term "lifestyle cost" was created through the last review to reflect a wide range of economic factors, perspectives, trend analysis, and other information pertinent to a child support guidelines review. Federal data elements refer to federal requirements added in 2016 that require states to consider specific data elements when reviewing their guidelines. The timeline for meeting those requirements is contingent on a state's guidelines review cycle and when other 2016-added requirements were met.

Federal Requirements. Federal requirements for state guidelines were initially imposed in 1987 and 1989, then expanded in December 2016 through the Flexibility, Efficiency, and Modernization Rule (2016 OCSS Rule changes).[1] States are required to have one set of guidelines to be applied as a rebuttable presumption to all child support orders set within a state. They must consider all income of the payer-parent, be sum-certain (calculable), and address the healthcare needs of the children. The

[1] Federal Register/Vol. 81, No. 244. (Dec. 20, 2016). Department of Health and Human Services Centers for Medicaid Services. Flexibility, Efficiency, and Modernization in Child Support Enforcement Programs. Vol. 81, No. 244. Retrieved from https://www.gpo.gov/fdsys/pkg/FR-2016-12-20/pdf/2016-29598.pdf.

2016-added requirements must consider evidence of ability to pay, the subsistence needs of the payer, the specific circumstances of the parent when income imputation is authorized, and not treat incarceration as voluntary unemployment. States are also required to review their guidelines at least once every four years and consider several data elements including labor market data, the impact of the guidelines on low-income parents and families, and payment data and other circumstances of child support cases.

Summary of Michigan Formula. The major components are a General Care Equation/General Care Support Tables (GCST); a Low-Income Equation (LE) and Low-Income Transition Equation (LTE); a Parental Time Offset Formula (PTO); and provisions for the child's medical support that address ordinary medical expenses (e.g., copayments and deductibles), additional (extraordinary) medical expenses (i.e., out-of-pocket expenses that exceed ordinary medical expenses), and, healthcare coverage. In addition, the Formula addresses work-related childcare expenses.

***Organization of Report*.** The report is organized around the six study objectives but re-ordered to reflect the sequence of the Michigan Formula calculation. Some nuanced changes are made to chapter titles to better reflect the gist of the objective. Chapter 2, entitled "Overview of Socioeconomic Trends Relevant to Child Support," addresses most of the elements of Objective 5 (Lifestyle Cost Study). Chapter 3, entitled "The Economic Cost of Raising Children and the General Care Equation," fulfills Objective 1 (Economic Study). It also includes elements of Objective 5 that are pertinent to the assumptions and economic data underlying the General Care Equation. Chapter 4, entitled "Low-Income Adjustments," addresses Objective 2 (Self-Support Reserve). Chapter 5, entitled "The Child's Healthcare Expenses," addresses Objective 4 (healthcare costs). Chapter 6, entitled "Consideration of Parenting Time Costs," addresses Objective 3 (parenting time offset). Chapter 7, entitled "State Approaches to Meeting Federal Data Requirements," addresses Objective 6 (federal data elements). Chapter 8 provides conclusions and summarizes the recommendations.

Chapter 2: Overview of Socioeconomic Trends Relevant to Child Support

This chapter provides an overview of socioeconomic trends relevant to child support guidelines as well as provides some history of the federal requirement for statewide guidelines.

Federal Involvement. In the 1980s, Congress passed legislation requiring statewide guidelines and requested the development of a national advisory panel with a balanced composition to identify principles for the development of state guidelines. Many of the identified principles (e.g., both parents should be financially responsible for their children and the consideration of the subsistence needs of the parent) shape most state child support guidelines of today, including the Michigan Formula.

Trends in Family Structure. Several decades ago, increases in divorces and births to unmarried mothers and other factors contributed to what is called the modern family and the demise of the nuclear family. It also contributed to an increased need for child support. In the last decade, however, many of these trends and other trends relevant to the need for child support have stabilized or declined (e.g., rates of divorce, marriages, births in general and births to unmarried mothers). Most Michigan households with minor children consist of a married couple, albeit the couple may consist of one parent who is legally

responsible for the child (e.g., a biological parent or parent who legally adopted the children) and that parent's spouse. Various studies find that child support payments are generally less when there are additional dependents. Little research is published, however, on household budgeting and finances in these blended families largely because nuanced data tracking expenditures by family member is not available and there are several barriers to collecting it.

Poverty and Low-Income Parents and Increased Costs. Over the past decade in Michigan and nationally, poverty has decreased as well as the number of children participating in many government assistance programs. With some exceptions, enrollment in Temporary Assistance to Needy Families (TANF) requires child support cooperation. Michigan also required cooperation with the establishment and enforcement of child support orders for those receiving childcare assistance and those receiving Supplemental Nutrition Assistance Program (SNAP) when this study was conducted. Increases in female earnings, the expansion of federal tax credits for children, and other factors have contributed to fewer children living in poverty and less participation in anti-poverty programs. In contrast, employment and earnings opportunities for males have declined; specifically, there is a demise in well-paying manufacturing jobs that do not require higher education. Based on the analysis of Michigan case file data, 50% of payer-parents and 48% of payee-parents qualify for the LE/LTE that is part of the Michigan Formula. This suggests that in general those with child support orders have less income than most Michigan families and individuals. Still, there are many payer-parents and payee-parents who have incomes well above poverty. Recent inflation exacerbates the issues families face. The increase in the cost of childcare is of particular concern for working families.

Perceptions. The general perception of child support is that both parents should contribute to their children's support when living apart, timesharing adjustments are appropriate, and ability to pay should be considered among those with very low incomes. The data find that most payer-parents are male. Research finds that over time fathers have become more involved in the lives of their children and equal physical custody arrangements have increased. Although the research finds increases, the level of involvement by mothers and fathers is not yet equal, and equal physical custody is not the norm. A recent 11-state study[2] found that the child support service of most interest was the calculation/recalculation of the child support amount (which would be based on a state's guidelines).

***Chapter Conclusion*.** This chapter concludes that child support guidelines such as the Michigan Formula are useful. If current trends persist (i.e., low incomes, increased parenting time, and increased cost of living), the challenge will be determining appropriate guideline amounts for these circumstances. The amount that can be afforded by very low-income parents may not be enough to adequately support the child. For those that are not low income, appropriately addressing parenting time and adjusting the amounts to reflect current costs are the largest concerns.

[2] Brogan & Partners. (2023). *Child Support Research Findings* [PowerPoint slides]. NCCSD/NCSEA/OCSS Joint Committee on Public Relations. https://www.ncsea.org/wp-content/uploads/2023/09/National-Child-Support-Research_FINAL-NCSEA-003.pdf

CHAPTER 3: THE ECONOMIC COST OF RAISING CHILDREN AND THE GENERAL CARE EQUATION

The core of the guidelines calculation is the General Care Equation/General Care Support Tables (GCST). It applies to parents who are not eligible for a low-income adjustment. The GCST relate to economic data on the cost of raising children. The General Care Equation calculates the parent's base support by taking that parent's prorated share of a GCST.

Basis of Current General Care Support Tables (GCST). The GCST rely on a 1984 study of child-rearing expenditures conducted by Dr. Thomas Espenshade by applying the Engel methodology to 1972–73 Consumer Expenditure (CE) survey data. The Friend of the Court Bureau has periodically updated the GCST for inflation: the GCST are currently based on 2020 price levels. The Engel methodology is an economic methodology used to separate the child's share of total household expenditures. Other data were used to translate the Espenshade estimates to the GCST and make them congruent with other guidelines provisions and policy premises (e.g., the consideration of the actual cost of work-related childcare and health insurance and a standardized amount of ordinary medical expenses). The GCST reflect child-rearing expenditures for children ages 12 and over.

Appropriateness of Assumptions Underlying GCST. The major assumption underlying the GCST is the income shares model that presumes both parents are financially responsible for their child (each at their prorated share of combined income) and the child is entitled to the same level of expenditures the child would have received had the parents lived together and shared financial resources. To this end, Michigan, like most states, bases its GCST on child-rearing expenditures in intact families. Some concerns with this are whether expenditures in single-parent families are more appropriate, it neglects how child-rearing expenditures vary when there are additional dependents or blended families, and it does not consider in-kind contributions. Findings from several studies are used to address these concerns.

Economic Data on the Cost of Raising Children. The study compares the 11 different studies underlying state child support guidelines and more current estimates of child-rearing expenditures. The studies vary in their results. Some of the variation over time may result from improvements to the CE rather than actual trends in the change in child-rearing expenditures. The few notable trends are increased expenditures at very high incomes and increased expenditures for more children. The most current studies rely on expenditure data up to 2019. An adequate amount of time has not lapsed since the COVID-19 pandemic to conduct another study partly because multiple data years are required to create a sufficient sample size. The most credible and current study used by states is a study by Dr. David Betson applying Rothbarth methodology to 2013–2019 CE data. Betson also prepared Engel estimates from the 2013–2019 data, but there are some data and theoretical issues with the Engel approach for families today.

Updated GCST. The most current Betson-Rothbarth (BR) study is used to update the GCST. Generally, the same underlying (non-data) assumption and steps used to translate the Espenshade estimates to the existing GCST are used to translate the BR estimates to the updated GCST. The translation also includes more current data on expenditures to net income, price levels, and other factors considered in the

translation. There is a slight change in the adjustment for older children. The updated GCST consider child-rearing expenditures for children ages six or more instead of ages 12 and more.

***Recommendations*.** One of the federal intents of requiring quadrennial reviews is to keep child support guidelines formulas updated to reflect the current cost of raising children. Based on the economic data on cost of raising children that was reviewed as part of this project, Michigan will be updating its GCST for more current economic data in 2015. This project also reviewed how Michigan periodically updates the GCST, and recommends use of its current method for periodically updating the GCST.

CHAPTER 4: SELF SUPPORT RESERVE AND LOW-INCOME ADJUSTMENTS

Federal Requirement and Basis of Current Low-Income Adjustment. Federal regulation requires states to consider the subsistence needs of the payer-parent (and at state's discretion the payee-parent and the children) who has limited ability to pay by incorporating a low-income adjustment, such as a self-support reserve or some other method determined by the state. Federal regulation do not prescribe the specifics of the adjustment (e.g., the amount considered to be subsistence, and whether to provide a minimum order and the amount of the minimum order as long as it is not excessive).[3] Michigan provides a Low Income Equation (LE) of 10% when the payer-parent's income is below $1,063 net per month and a Low Income Transition Equation (LTE) that phases from the LE to the General Care Equation for incomes above $1,063. The federal poverty guidelines (FPG) for one person was $1,063 per month when Michigan last reviewed its guidelines. Michigan updates the threshold every four years as part of its guidelines review.

Low-Income Adjustments in Other States. Michigan's approach is unique among states. Most states provide a self-support reserve (SSR) test in their worksheet or child support table. Most states relate their SSR to the FPG. One advantage of the SSR in the worksheet is it applies after consideration of addons to base support (e.g., ordinary medical expenses). This protects the SSR. States are mixed on whether they provide a minimum order below the SSR. Those that do often provide a dollar amount rather than a percentage. The advantage of a percentage-based minimum order is it produces a zero order when there is zero income.

Empirical Findings about Payments and Low-Income Parents. The Federal Office of Child Support Services issued major rule changes in 2016.[4] Among other things, they expanded federal requirements of state guidelines and much of it was aimed at recognizing low-income payer-parents have a limited ability to pay child support. The 2016 OCSS Rule changes **n**oted older research that orders are unpaid when they exceed 20% of the payer-parent's gross income. More current research is mixed but tends to paint a more complicated picture.

***Determining the Basic Subsistence Level and the Appropriate Minimum Order for Michigan*.** Three factors were discussed with determining appropriate levels for Michigan: alternative measures of

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[3] U.S. DHHS Office of Child Support Services. (Dec. 20, 2016). Actional Transmittal (AT-16-06) *Final Rule: Flexibility, Efficiency, and Modernization in Child Support Enforcement Programs*. P 93518. Retrieved from https://www.acf.hhs.gov/css/policy-guidance/final-rule-flexibility-efficiency-and-modernization-child-support-enforcement

[4] Ibid.

subsistence, public assistance benefits, and child-related tax credits. The interest in public assistance benefits and child-related tax credits is whether they should offset child support. None of the alternative measures are unequivocally better than the FPG. Not all children eligible for public assistance receive it due to wait lists and for other reasons. Public assistance cannot be consistently counted on to offset child support in every case and over time. The Earned Income Tax Credit (EITC) and Child Tax Credit are not advanced, so they cannot be relied on to affect monthly budgeting. EITC is considered means-tested income. States are mixed on whether they count the Child Tax Credit as income. Public assistance programs do not count the Child Tax Credit as income.

Recommendations. There is no overwhelming evidence to modify the existing low-income adjustments. The Committee, however, may want to review the impact of adding ordinary medical expenses, decide whether or whether not to count the childcare tax as guidelines income, and at what incomes the LTE should completely phase out from a policy perspective (e.g., at 200% of FPG after consideration of the General Care amount).

CHAPTER 5: THE CHILD'S HEALTHCARE EXPENSES

Overview of Types of Healthcare Expenses. The costs of healthcare for children can take many forms. Medical child support refers to any provision in a child support order (or an order that solely is for medical child support) that addresses how the parents will provide for the child's healthcare, how the cost of providing for child's healthcare needs will be allocated between the parents, or both. Healthcare coverage can mean private insurance or public coverage such as Medicaid. Cash medical support is a federally introduced term and often used in IV-D cases. It can address any cost for the child's healthcare (i.e., insurance premiums, out-of-pocket expenses, and the amount that a parent owes to offset these expenses including those that are paid by Medicaid).

Overview of Healthcare Coverage among Michigan Children. Just over half of Michigan children have coverage through employer-sponsored insurance, 39% through Medicaid, and less than 1% through the State Child Health Insurance Program. These percentages are for all children, not just those covered by child support. It is likely the percentage Medicaid is higher among child support cases. The income eligibility for Medicaid is 160–195% FPG, depending on the age of the child. Medicaid assesses no premiums or copays. Due to the Affordable Care Act of 2010, most private healthcare plans must provide many of the preventive services that Medicaid does.

Federal Medical Support Provisions. Federal regulation requires state guidelines to provide how the child's healthcare needs will be addressed. In addition, federal requirements of state IV-D agencies require them to petition for the consideration of medical child support that is reasonable in cost and accessible to the child. Due to this, states often include their definitions of reasonable cost and accessibility in their guidelines. The 2016 OCSS Rule change recognizes Medicaid and other public coverage as sources of healthcare coverage for children. Another change no longer requires the use of a marginal cost definition for determining the cost of providing the child's health insurance.

Michigan's Medical Support Provisions and Comparisons to Other States. Michigan's medical support provisions are much more thorough and comprehensive than those of other states. Michigan and Ohio

are the only states to provide a standardized amount for ordinary medical expenses. At the time of writing this report (2024), Michigan provided $454 per child per year for ordinary medical expenses.[5] The amount is to be prorated between the parents and the payer-parent's share added to base support. The ordinary amount is intended to cover copays and deductibles. Additional (extraordinary) medical expenses can also be considered (e.g., out-of-pocket expenses for asthmatic treatments). Regarding healthcare coverage, Michigan's threshold for determining reasonable cost is 6%, which is based on the marginal cost of adding the child. Coverage is considered accessible to the child if primary care services are within 30 minutes or 30 miles. Aside from the standardized amount for ordinary medical expenses, other states have similar provisions for out-of-pocket medical expenses and healthcare coverage but less detailed and less comprehensive provisions.

Cost of Healthcare and Tax Offsets. Michigan is one of a few states to mention tax benefits for healthcare expenses in their guidelines. They are to be considered when determining the premium attributable to the child but those (if any) offsetting out-of-pocket medical expenses for the child are not considered. In general, tax benefits are limited to a select population and the actual tax benefit is small.

***Currently Available Data on Ordinary Medical Expenses*.** Analysis of 2021 data finds an average of $284 per child per year in out-of-pocket expenditures. The average varies by the source of healthcare coverage (e.g., private or Medicaid), whether the children are living with one or two parents, and the number of children. The cost of healthcare coverage from employer-sponsored health plans is about $423 per month for children, assuming it is equivalent to the difference between coverage for a single employee and the total family premium.

Recommendations. Michigan should lower its standardized amount for ordinary medical expenses. This preliminary recommendation and the analysis supporting it were shared with the Michigan Child Support Formula Committee ("the Committee") reviewing the Guideline. The Committee recommended decreasing the ordinary medical expenses to $200 per year per child. This change will become effective in 2025.

CHAPTER 6: CONSIDERATION OF PARENTING TIME COSTS

***Background Information*.** There is no federal requirement for a timesharing adjustment. Most states, including Michigan, provide some sort of timesharing formula in their child support guidelines. The Michigan Formula, which is called the Parental Time Offset (PTO), is based on the premises that an adjustment is needed because the General Care Formula presumes the child is being raised in one household, some child-rearing expenses will shift away from the payee-parent to the payer-parent when the payer-parent has low levels of timesharing, and the child-rearing expenses are equal when there is equal timesharing and equal income. (The PTO produces a zero order in the latter situation.) The PTO does not require a certain number of overnights before it applies. It provides a small adjustment at low levels of timesharing that becomes larger as the payer-parent has substantial time with the child. It does

[5] The 2024 Michigan Child Support Formula Committee charged with reviewing the Guideline recommended reducing it to $200 per child per year based on preliminary analysis developed through this project. That change was not in effect when this report was written.

this mathematically through an exponent in its mathematical formula. Michigan changed its exponent twice in the past two decades. It is now set at 2.5. The larger the exponent, the smaller the adjustment.

***Timesharing Formula in Other States*.** Timesharing formulas vary widely across states. Only Minnesota uses a formula similar to the PTO. It uses an exponent of 3.0, however. The only adjustment used by three or more states is the cross-credit formula. It calculates theoretical orders for each parent, weighs that theoretical order by the percentage of the child's time with the other parent, and designates the parent with the higher amount as the payer-parent owing the difference. Most cross-credit formulas increase the theoretical order by 150% to account for the assumption that it costs about 50% more to raise a child in two households than one household. The PTO collapses to the cross-credit formula if no exponent is included. Regardless, at equal timesharing, the PTO and cross-credit formula yield identical amounts even when the parents have unequal incomes. A weakness of the cross-credit formula is it requires a timesharing threshold that, in some circumstances, produces a precipitous decrease in the order amount when the threshold is met. The PTO does not. The PTO is also compared to the Oregon timesharing formula, which also has an exponential function, and the Indiana adjustment, which is based on the theory that some child-rearing expenditures are transferable between the parents based on the child's time with the parent (e.g., food), others are duplicated and fixed (e.g., housing), and still other are duplicated and not fixed (e.g., winter boots for the child). The Indiana formula also adheres more strictly to the income shares principle that each parent is responsible for their prorated share of child-rearing expenditures.

***Low-Income and Disparate Income Scenarios*.** There is some concern about whether the PTO yields an appropriate amount in low-income and disparate income scenarios. Because the LE/LTE are applied to each parent prior to the PTO, the adjustment is small in low-income cases and tends to favor the greater-time parent when both parents are low income. However, there is no mathematical way to provide adequately for the child in each household, as well as an appropriate level of adjustment, when both parents are low income. When there is substantial timesharing and disparate income, the payer-parent will flip to the other parent if the payer-parent's timesharing is greater than their share of income (i.e., the payer-parent's income would be lower than the payee-parent's income for this to occur). In short, the interaction between the PTO and the LE/LTE produce sensible results.

***Transferred and Duplicated Expenses and Other Expenses*.** By design, the PTO does not provide the same level of incremental adjustment for each overnight.[6] Instead, the PTO is designed to provide a small adjustment at low levels of timesharing, larger adjustments with more substantial timesharing, and reduce the order to zero when there is equal timesharing and equal incomes. Unlike most timesharing adjustments, the PTO does not need to delineate at what number of overnights child-rearing expenses are duplicated, nor does it need to define percentages of transferred and duplicated child-rearing expenditures. Still, various studies are reviewed to determine the breakdown of child-

[6] For example, say each overnight produced an incremental adjustment of $8; 10 overnights per year would yield an adjustment of $80 per year, which is about $7 per month. One hundred overnights per year would yield an adjustment of $800 per year, which is about $67 per month.

rearing expenses that may be transferred or duplicated (i.e., the breakdown of child-rearing expenditures by food expenditures, housing expenditures, and other categories).

Recommendations. The evidence does not clearly suggest that another timesharing formula is better than the PTO. Through this project, however, a small modification in the PTO for disparate income cases at near equal timesharing was devised. Unlike the PTO, it requires assumptions about transferred and duplicated expenses.

CHAPTER 7: STATE APPROACHES TO MEETING FEDERAL DATA REQUIREMENTS

The purpose of this chapter is to examine how states are meeting federal data requirements added to periodic guidelines review requirement by the 2016 OCSS Rule changes.

***Federal Data Requirements and Contracted Activities*.** The added data requirements concern labor market data; the impact of the guidelines on low-income families and payers; and the analysis of case file data on payments and the rates of income imputation, default, and use of the low-income adjustment. The contracted activities were to obtain and review state reports addressing the added data requirements, summarize how states are collecting and analyzing the requisite data, and identify best practices and recommendations. Barring several factors, states roughly have two guidelines review cycles (over eight years) to meet the federal requirements.

***Obtain State Reports*.** Based on an online search, 32 states publish a report/document noting the findings from the analysis of case file data. The count is higher (37 states) when including those that have analyzed the impact of low-income families, which does not require the analysis of case file data. Determining whether a state has met the federal data requirements is not straightforward. When a state does have a report, it usually does not clearly document what in the report, let alone what is provided to meet a specific federal requirement. Further, not all states have reports; rather, they have memoranda, meeting notes, or other documents.

Collection and Use of Specific Data Elements and Best Practices. The counts for specific federal data elements are less or more than the 32 states identified as having data documentation for various reasons explained below.

- **Labor Market Data.** Over half (30 states) documented their analysis of labor market data when the analysis was conducted. All states rely on their state department of labor (DOL), which tracks state and local labor market data.
- **Impact on Low-Income Families.** Most states (37 states) consider the impact on low-income families. The most common way to document the impact is to show what the order amount would be for a range of low incomes or specific low-income scenarios that are often devised from the analysis of case file data (particularly low-income cases), as well as labor market data.
- **Factors that Influence Employment and Compliance.** Most states (31 states) address this. Some states cite specific research finding that child support can impoverish payer-parents or that unpayable arrears can influence a payer-parent's employment and compliance. Most states do not analyze this issue using their case file data.

- **Collection and Analysis of Payment Data.** Over half (32 states) documented their analysis of payment data. All states rely on payment data from their state IV-D automated systems. Most states report an average percentage of current support paid for a sample of cases.

States are still figuring out how to use the data. A few states have used the labor market information to change a provision that requires income imputation at least minimum wage at a 40-hour workweek when income evidence is not available or limited. Several states have used the analysis of impact on low-income parents and families to inform their low-income provisions.

CHAPTER 8: CONCLUSIONS AND RECOMMENDATIONS

Chapter 1, which is the introduction, shows there are many federal requirements of state guidelines and their reviews. Still, states have discretion in their guidelines amounts and parameters. Chapter 2 illustrates the diversity of the modern family, but also notes that the factors contributing to the modern family have generally stabilized. Still, there are more low-income families; continued needs for adjustments for low incomes, additional dependents, and timesharing; and an emerging need to address timesharing where the higher-income parent is not always the lower-time parent. Although the data do not suggest a change to the underlying premises of the General Care Equation, Chapter 3 documents that the existing General Care Support Tables are based on old economic data and new data exist. Chapter 4 reviews the existing low-income adjustments, the federal requirement for a low-income adjustment, alternative formulas, alternative data and the impact of tax credits. It appears that Michigan meets the federal requirement. The alternative methods and data relevant to low-income adjustments do not point to major changes to Michigan's current approach. Chapter 5 reviews the economic data relevant to guidelines provisions that consider the child's healthcare coverage and the child's healthcare costs. It finds more current data on healthcare costs. Chapter 6 reviews the economic data relevant to the timesharing adjustment. There is a dearth of available data and the data believed to be useful is constrained by resources as well as attainability issues. Chapter 7 reviews the federal data requirements added in 2016 and how states are meeting those requirements.

Major Recommendations

Chapter 2: Overview of Socioeconomic Trends Relevant to Child Support. Be mindful of the modern family, that many families and payer-parents are low income, there are often additional dependents, and it cannot be assumed that the higher-income parent is the lesser-time parent when applying the parenting-time offset.

Chapter 3: The Economic Cost of Raising Children and the General Care Support Tables (GCST). The major recommendation is to update the GCST for more current economic data. There is not overwhelming evidence to change the non-data assumption of the GCST or the steps used to translate an economic study of child-rearing expenditures to GCST. Michigan should continue to periodically update the GCST for changes in price levels using the Detroit CPI-U because it is Michigan-specific and considers price changes that affect Michigan families.

Chapter 4: Low-Income Adjustments. It appears that the exiting Michigan low-income formulas meet federal requirements. There is no compelling reason to change Michigan's current approach. The only recommendations are tweaks. There are three. One is to revisit whether the payer-parent's share of ordinary medical expenses should be considered before or after application of the low-income adjustment. The second is to make a policy decision on where the LTE should transition out to the General Care Equation (e.g., the General Care Equation should be phased in when the payer-parent's income after consideration of the order amount is at least 200% of the FPG). The third is to make a policy decision on whether the Child tax credit should be considered income for the purposes of calculating child support.

Chapter 5: The Child's Healthcare Expenses. Based on more current data, Michigan should lower the amount that it uses for its standardized ordinary medical expense. Also, there is no reason to not use the Detroit CPI-U to update it, particularly since an earlier recommendation sided on using it for periodic updates to the General Care Support Tables. The only limitation is that Michigan was using the Detroit CPI-U for medical expenses and that specific index has not been published recently due to limited sampling. The 6% of gross income threshold for determining reasonable cost seems appropriate given the data, but Michigan may also want to take advantage of the 2016 federal change that allows the consideration of the total premium paid. Alternatively, Michigan could rely on the IRS threshold, which is updated annually, but is higher than 6% (in the range of 8%)

Chapter 6: Consideration of Parenting-Time Costs. The evidence does not clearly suggest that another timesharing formula is better than the PTO. Although a small modification in the PTO for disparate income cases at near equal timesharing was developed, it requires assumptions about transferred and duplicated expenses so.

Chapter 7: Federal Data Elements**.** The recommendations are to utilize state department of labor data; use case scenarios reflective of case file data and low-income wage earners (as identified by state labor market data) to assess the impact of the guidelines on low-income families and payer-parents; rely on extant research to assess the impact of child support on employment and income of payer-parents; and rely on state child support agency for payment data. Descriptive statistics on the percentage of current support paid and the number of months within a 12 month-period for the entire sample/universe and for federally required subgroups (i.e., those with income imputation, orders entered by default, and orders based on the low-income adjustment) are sufficient. Further, collaborate with the committee reviewing the guidelines to provide summary analysis identified as helpful by them.

In summary, the overall structure of the Michigan Guideline is thorough and comprehensive and appropriate for the modern family. The most major recommendations are to update the GCST and ordinary medical expense amount that are currently based on old data to current data.

CHAPTER 1: INTRODUCTION

The purpose of this report is to summarize the findings from an economic study on the cost of raising children that will be used to review the Michigan Child Support Guidelines (also known as the "Michigan Child Support Formula"). The Michigan Friend of the Court Bureau (FOCB) sets the Formula as directed by state statue (MCL 552.519) and administers the review. Federal regulation (45 C.F.R. § 302.56) requires states to review their guidelines at least once every four years.

Child support is an important source of income to many Michigan children. In 2022, there were 2,099,823 children under 18 years old residing in Michigan; and 1,087,885 Michigan households with children under 18 years old.[7] Except as otherwise permitted by state statute, the court must order child support in the amount determined by applying the Formula. A child support order may be established directly through a local prosecuting attorney's (PA) office and some county Friend of the Court (FOC) offices, and modified directly through a county FOC office. About 47,000 new domestic relations cases are filed each year. Additionally, reviews and modifications of child support orders are likely underreported, but account for another 43,000 cases annually in which the Guideline would be applied. In 2022, OCS, through its automated system (the Michigan Child Support Enforcement System–MiCSES) tracked child support actions such as order establishment, modification, and enforcement on 760,124 cases as well as $1.2 billion dollars of child support that was collected for these cases and distributed.[8]

This report is one of several pieces of information that will be considered by the FOCB Child Support Guidelines Review Committee. Among other things, the Committee will also consider input from parents and other stakeholders and the FOCB's analysis of child support caseload data on recently established or modified orders. As part of the federal review requirement, states must consider economic data on the cost of raising children. This is the focus of this report.

During the 2020 quadrennial review, the State through its FOCB Review Committee identified six objectives to study:

- ***Objective 1: Economic Study***. This objective intends to analyze economic data relevant to the General Care Support Tables (GCST) that are at the core of the Michigan Formula. The GCE is used for parents whose incomes do not qualify them for the Low Income Equation (LE) or the Low-Income Transition Equation (LTE). The current GCST relates to economic data on the cost of raising children. The objective will document the underlying economic premises of families and their expenditures of the existing GCST; and consider alternative methods and recent studies of the cost of child rearing that could be used to update the GCST.

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[7] U.S. Census 2022 American Community Survey. Retrieved from http://data.census.gov.
[8] Federal Office of Child Support Enforcement. (2023). *Office of Child Support Preliminary Report 2022*. Retrieved from https://www.acf.hhs.gov/css/policy-guidance/fy-2022-preliminary-data-report-and-tables.

- ***Objective 2: Self-Support Reserve.*** Although the objective is called the "Self-Support Reserve," it really is intended to address low-income adjustments. (A self-support reserve is a type of low-income adjustment.) Specifically, the objective reviews the adjustments for low-income parents provided for in the Michigan Formula (i.e., the LE and the LTE). Due to changes in federal regulation, state guidelines are now required to consider the subsistence needs of the payer-parent (and the payee-parent and the children at the discretion of the state). The analysis compares how states (including Michigan) meet the federal requirement, data available for determining subsistence needs, how public assistance and tax benefits may affect subsistence, research suggesting that arrears accrue if the child support order exceeds a certain threshold of the payer-parent's gross income, and other factors informative to constructing an appropriate low-income adjustment.
- ***Objective 3: Parenting Time Costs.*** This objective intends to review economic data to assess the appropriateness of the timesharing formula provided in the Michigan Formula. This includes how duplicated and unduplicated child-rearing expenditures are delineated, defined, and treated in timesharing formulas. It also examines the underlying assumptions and data used in timesharing formulas of other states.
- ***Objective 4: Healthcare Costs.*** The objective intends to examine data on healthcare costs relevant to the medical child support provisions in the Michigan Formula. This includes analysis of the typical cost of healthcare coverage for Michigan children, typical out-of-pocket cost, and other cost factors (e.g., the availability of coverage from public sources such as Medicaid and tax benefits that can offset health-related costs). The analysis must also consider affordability to the parent providing coverage, the comprehensiveness of the coverage provided to the children, and the impact on base support.
- ***Objective 5: Lifestyle Cost Study.*** The architects of the study created the term "lifestyle cost." It is not a conventional term used in consumer economics. It covers a wide range of topics: studies of parental income and household expenditures in different types of households, perceptions of child support, the role of timesharing in perceptions and how their costs affect child support; the cost of the parent's additional children besides the children for whom child support is being determined (e.g., a child from a parent's current partner) and how that affects child support or should affect child support; examination of trends in child-rearing costs by different household types, income and expenses and savings, and childcare expenses; how these trends may affect assumptions underlying child-rearing cost studies and ability to pay; examination of scholarly articles on how family lifestyles and new family structures affect child-rearing costs and assumptions underlying guidelines formulas; research reviewed by the federally sponsored Fatherhood Research and Practice Network, and other topics.

- ***Objective 6: Federal Data Elements.*** The intent of this objective is to review how other states are meeting the federal data requirements that were added to the federal requirements of state guidelines reviews through the 2016 OCSS Rule changes (45 C.F.R. § 302.56(h)). These federal data requirements concern labor market data, impact of the guidelines policies on low-income parents and families, and case file data on payments, default, income imputation and application of the low-income adjustment.

The study designers also called for identification of research gaps and what data and research could be useful to fill those gaps.

With assistance from FOCB, OCS (which is the state child support agency responsible for responding to federal requirements of a state child support program) issued a request for proposal through a competitive process to conduct the study. It was awarded to Center for Policy Research with a subcontract to Professor Emeritus, David Betson, University of Notre Dame in late 2021.[9] They are the authors of this report.

Overview of Federal Requirements

Exhibit 1 shows the federal requirements of state guidelines and guidelines reviews. Federal requirements for state guidelines were initially imposed in 1987 and 1989, then expanded in December 2016.[10] The 1984 Child Support Amendments to the Social Security Act required each state with a government child support program through Title IV-D of the Social Security Act to have one set of child support guidelines to be used by all judicial or administrative tribunals having authority to determine child support orders within the state by 1987.[11] The Family Support Act of 1988 expanded the requirement by requiring that the application of a state's guidelines be a rebuttable presumption and that states review their guidelines at least once every four years and, if appropriate, revise them.[12] States could determine their own criteria for rebutting the guidelines; however, the federal requirements made it clear that states should aim to keep guidelines deviations at a minimum.

[9] State of Michigan Procurement Contract number MA 2100000001262.
[10] *Federal Register*, Vol. 81, No. 244. (Dec. 20, 2016). Department of Health and Human Services Centers for Medicaid Services. Flexibility, Efficiency, and Modernization in Child Support Enforcement Programs. Vol. 81, No. 244. Retrieved from https://www.gpo.gov/fdsys/pkg/FR-2016-12-20/pdf/2016-29598.pdf.
[11] See the 1984 Amendments of the Social Security Act (Public Law 98-378).
[12] See 1988 Family Support Act (Public Law 100–485).

Exhibit 1: Federal Regulations Pertaining to State Child Support Guidelines

45 C.F.R. § 302.56 Guidelines for setting child support orders

(a) Within 1 year after completion of the State's next quadrennial review of its child support guidelines, that commences more than 1 year after publication of the final rule, in accordance with § 302.56(e), as a condition of approval of its State plan, the State must establish one set of child support guidelines by law or by judicial or administrative action for setting and modifying child support order amounts within the State that meet the requirements in this section.

(b) The State must have procedures for making the guidelines available to all persons in the State.

(c) The child support guidelines established under paragraph (a) of this section must at a minimum:

(1) Provide that the child support order is based on the noncustodial parent's earnings, income, and other evidence of ability to pay that:

(i) Takes into consideration all earnings and income of the noncustodial parent (and at the State's discretion, the custodial parent);

(ii) Takes into consideration the basic subsistence needs of the noncustodial parent (and at the State's discretion, the custodial parent and 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; and

(iii) If imputation of income is authorized, 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 the noncustodial parent, prevailing earnings level in the local community, and other relevant background factors in the case.

(2) Address how the parents will provide for the child's health care needs through private or public health care coverage and/or through cash medical support;

(3) Provide that incarceration may not be treated as voluntary unemployment in establishing or modifying support orders; and

(4) Be based on specific descriptive and numeric criteria and result in a computation of the child support obligation.

(d) The State must include a copy of the child support guidelines in its State plan.

(e) The State must review, and revise, if appropriate, the child support guidelines established under paragraph (a) of this section at least once every four years to ensure that their application results in the determination of appropriate child support order amounts. The State shall publish on the internet and make accessible to the public all reports of the guidelines reviewing body, the membership of the reviewing body, the effective date of the guidelines, and the date of the next quadrennial review.

(f) The State must provide that there will be a rebuttable presumption, in any judicial or administrative proceeding for the establishment and modification of a child support order, that the amount of the order which would result from the application of the child support guidelines established under paragraph (a) of this section is the correct amount of child support to be ordered.

(g) A written finding or specific finding on the record of a judicial or administrative proceeding for the establishment or modification of a child support order that the application of the child support guidelines established under paragraph (a) of this section would be unjust or inappropriate in a particular case will be sufficient to rebut the presumption in that case, as determined under criteria established by the State. Such criteria must take into consideration the best interests of the child. Findings that rebut the child support guidelines shall state the amount of support that would have been required under the guidelines and include a justification of why the order varies from the guidelines.

(h) As part of the review of a State's child support guidelines required under paragraph (e) of this section, a State must:

(1) 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;

(2) 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 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); and

(3) Provide a meaningful opportunity for public input, including input from low-income custodial and noncustodial parents and their representatives. The State must also obtain the views and advice of the State child support agency funded under title IV–D of the Act.

For several decades, the federal requirements for state guidelines were and still are:

- Have one set of guidelines to be used by judges (and all persons within a state with the authority) to issue a child support order;
- Provide that the guidelines are rebuttable and develop state criteria for rebutting them;
- Consider all earnings and income of the noncustodial parent in the calculation of support;
- Produce a numeric, sum-certain amount;
- Provide for the child's healthcare coverage; and
- Review their guidelines at least once every four years and as part of that review analyze guidelines deviations.

The 2016 OCSS Rule changes added requirements are to consider:

- Other evidence of ability to pay in addition to a parent's earnings and income (45 C.F.R. § 302.56(c)(1)(i));
- The basic subsistence needs of the noncustodial parent who has a limited ability to pay (45 C.F.R. § 302.56(c)(1)(ii));
- The specific circumstances of the noncustodial parent, such as the 14 specific factors identified in the federal rule (45 C.F.R. § 302.56((c)(1)(iii)) to the extent that they are known when income imputation is authorized; and
- Incarceration not to be voluntary unemployment when establishing or modifying a support order (45 C.F.R. § 302.56(c)(3)).

The existing Michigan Formula appears to fulfill all these requirements.[13] The rule changes are grounded in research that finds compliance is lower and unpayable arrears accrue when income is imputed.[14] The specific concern is when income is imputed beyond what a payer-parent, particularly a payer-parent with income below or near poverty, actually has in income or the capacity to earn. The intent is to use the best evidence available on actual income, including income information from automated sources and verbal testimony.[15] Addressing order amounts at the front-end can avoid the need for enforcement

[13] The authors do not have the authority to determine compliance. The federal Office of Child Support Service (OCSS) has the authority. Compliance is usually determined as part of the review of a State's IV-D plan.

[14] See pp. 68553–56 of U.S. Department of Health and Human Services. (Nov. 17, 2014). "Flexibility, Efficiency, and Modernization in Child Support Enforcement Programs." *Federal Register*, Vol. 79, No. 221. Retrieved from https://www.govinfo.gov/content/pkg/FR-2014-11-17/pdf/2014-26822.pdf.

[15] U.S. Department of Health and Human Services (2016)., Federal Register/Vol. 81, No. 244. (Dec. 20, 2016). Department of Health and Human Services Centers for Medicaid Services. Flexibility, Efficiency, and Modernization in Child Support Enforcement Programs. Vol. 81, No. 244, p. 93495. Retrieved from https://www.gpo.gov/fdsys/pkg/FR-2016-12-20/pdf/2016-29598.pdf.

actions and is more responsive to the Supreme Court decision in *Turner v. Rogers*, 564 U.S. 431 (2011), which concerned a civil contempt action for non-compliance of a child support order, that was also an impetus for the rule changes.[16] In addition, the federal rule changes recognize the importance of healthy parent-child relationships in the development of children and how unpaid child support in some situations can inadvertently create barriers to the healthy interaction between the child and the parent obligated to pay support.

The 2016 OCSS Rule changes also expanded requirements of state guidelines reviews. They must:

- Consider labor market data by occupation and skill level;
- Consider the impact of guidelines amounts on parties with incomes below 200 percent of the federal poverty guidelines;
- Consider factors that influence employment rates among noncustodial parents and compliance with child support orders;
- Analyze rates of default and imputed child support orders and orders determined using the adjustment for the noncustodial parent's subsistence needs;
- Analyze payment patterns;
- Provide opportunity for public input, including input from low-income parents and their representatives and the state/local IV-D agency;
- Make all reports public and accessible online;
- Make membership of the reviewing body known; and
- Publish the effective date of the guidelines and the date of the next review.

The deadline for meeting the expanded federal review requirements is contingent upon when states met the 2016-added federal requirements to the state guidelines, a state's guidelines review cycle, and whether the state received an extension due to the COVID-19 pandemic.

Overview of Michigan Child Support Guidelines

The Michigan Child Support Guidelines fulfill all federal requirements. The major components of its calculation are:

- A General Care Equation/General Care Support Tables (GCST);

[16] U.S. Department of Health and Human Services. (Nov. 17, 2014). "Flexibility, Efficiency, and Modernization in Child Support Enforcement Programs." *Federal Register*, Vol. 79, No. 221. p. 68555. Retrieved from https://www.gpo.gov/fdsys/pkg/FR-2014-11-17/pdf/2014-26822.pdf.

- A Low-Income Equation (LE) and Low-Income Transition Equation (LTE);
- A Parental Time Offset Formula (PTO); and
- Provisions for the child's medical support, which address the cost and provision of:
    - Ordinary medical expenses (e.g., copayments and deductibles);
    - Additional (extraordinary) medical expenses (i.e., out-of-pocket expenses that exceed ordinary medical expenses); and
    - Healthcare coverage.

GCE. The GCE, which applies to most circumstances, is the core of the Michigan Formula. The GCE is the equation to be applied in a specific case (as long as the parent is not eligible for a low-income adjustment) and determines base support from lookup tables of incomes and percentages that vary by the number of children that are known as the General Care Support Tables (GCST). The GCST relate to an economic study of child-rearing expenditures published in 1984 from expenditure data collected in 1972–73 that has been updated to 2020 price levels.

LE and LTE. The first notable exception to applying the GCE is when a parent has low income or both parents have low incomes: then the LE or LTE should be applied. The LE and LTE fulfill the federal requirement, 45 C.F.R. § 302.56(c)(ii), to consider the subsistence needs of the payer-parent (and at state's discretion, the payee-parent and children) through a low-income adjustment such as a self-support reserve. Michigan's LE and LTE apply to the payer-parent as well as the payee-parent.

PTO. The Michigan Formula provides a formula for timesharing that is only used in Michigan. Unlike the timesharing formulas of most state guidelines, it does not require that each parent have a certain number of overnights before it applies. The PTO is applied based on the actual timesharing amount.

Medical Support. The Michigan Formula provides a standardized amount for ordinary medical expenses that reflects a typical amount of out-of-pocket healthcare expenses incurred for children. In addition, the Michigan Formula provides for ordering healthcare coverage based on accessibility to the child and reasonable cost to the parent providing the healthcare coverage, as well as specifies how the parents will share the child's healthcare-related expenses.

Most of these components consider economic data, albeit there are also many policy considerations.

Organization of Report

The report is organized around the six objectives, but presented in a different sequence to match the sequence that the Michigan Formula sub-equations are applied. The chapter titles are also labeled slightly different to better align with the purpose of the objective.

- Chapter 2, entitled, “Overview of Socioeconomic Trends Relevant to Child Support,” addresses the elements of Objective 5 (Lifestyle Cost Study) that serve as background information for the other chapters or provide general context to the study. Some elements of Objective 5 that do not appear in Chapter 2 pertain directly to Objective 1 (the Economic Study) or Objective 3 (Parenting Time Costs) and are addressed in those respective chapters.
- Chapter 3, entitled “The Economic Cost of Raising Children and the General Care Support Tables,” fulfills Objective 1 (Economic Study). It also includes elements of Objective 5 that are pertinent to the assumptions and economic data underlying the General Care Support Tables.
- Chapter 4, entitled “Low Income Adjustments,” addresses Objective 2 (Self-Support Reserve). Since a self-support reserve is a specific type of low-income adjustment, the chapter’s name reflects the more encompassing term as well as the chapter’s focus on how states fulfill the federal requirement to consider the subsistence needs of the payer-parent (and the payee-parent and children at the discretion of the state) and provide a low-income adjustment.
- Chapter 5, entitled “The Child’s Healthcare Expenses,” addresses Objective 4 (healthcare costs).
- Chapter 6, entitled “Consideration of Parenting Time Costs,” addresses Objective 3 (parenting time offset).
- Chapter 7, entitled “State Approaches to Meeting Federal Data Requirements,” addresses Objective 6 (federal data elements).
- Chapter 8 provides conclusions and summarizes the recommendations.

CHAPTER 2: OVERVIEW OF SOCIOECONOMIC TRENDS RELEVANT TO CHILD SUPPORT

This chapter adds context to the child support guidelines review by providing a brief history of the foundation of state child support guidelines and overviews of socioeconomic trends relevant to child support guidelines and general characteristics of Michigan child support cases. It also discusses many of the elements identified as "lifestyle costs."[17] Yet, this discussion is limited to background information. More detailed discussions of some cost data in which that cost data are relevant (e.g., child-rearing costs are discussed in Chapter 3 with the General Care Support Tables since they are based on data on child-rearing costs.)[18]

The data used in this chapter come from national and state data sources (i.e., mostly U.S. Census data) and an analysis of Michigan child support caseload data conducted by the Friend of the Court Bureau (FOCB) using a data extract of all child support calculations that were the basis of a child support order issued in 2021, 2022, or 2023[19] and recorded on the Michigan Office of Child Support (OCS) automated child support system (i.e., the Michigan Child Support Enforcement System– MiCSES).[20] The data extract consisted of 65,710 unique child support calculations.

CHAPTER SUMMARY

Federal Requirements. In the 1980s, Congress passed legislation requiring statewide guidelines and established a national advisory panel that identified principles for their development. Many of the principles shape most state child support guidelines of today, including the Michigan Formula.

Trends in Family Structure. Family structure has changed remarkably in the past several decades. In the 1950s, it was common for children to live with their biological parents in one household. Increases in divorces, non-marital births, cohabitation, blended families, and other factors have made family

[17] The procurement announcement called for a "Lifestyle Cost Study" that covered numerous, miscellaneous items. The term, "lifestyle costs" is not a term used in consumer economics or child support guidelines research; hence, the authors of the report carefully reviewed each individual item listed in the procurement announcement under that category to figure out how it pertained to a guidelines review, whether it is an economic issue, and whether there was credible data to address the issue. Some were contextual and background items, others were detailed items relevant to another study objective (i.e., the economic study, the self-support reserve, and parenting time costs), and still others assumed there were credible datasets that could be used to measure specific costs (e.g., the impact that the cost of an additional child on a child support order) when there is not. The items that are contextual and background information are addressed in this chapter. Those that are pertinent to other study objectives are addressed in their respective chapter. Those that could not be answered because of data limitations are also identified.

[18] For example, trends in the cost of raising children in intact and separate households are examined in Chapter 3 to discuss whether the General Care Equation should be updated and, if so, how. Still another example is cost studies of raising children in separate households is appropriate to the detailed discussion of parenting time costs in Chapter 6.

[19] Only part of 2023 was considered.

[20] A child support order could be established or modified without a calculation in MiCSES, but the situation is believed to be rare from IV-D staff and likely limited to orders were both parties are attorney-represented, and the parties agree to the order amount.

structure more diverse. It is more common for children in the child support caseload to be of never-married parents. Nonetheless, over half of unmarried parents were cohabitating at the time of the child's birth. Divorce and non-marital rates are no longer escalating. Marriage and births are also declining. TANF caseloads have declined dramatically. These trends affect child support caseloads. Increases in equally shared parental responsibility also affect the need for child support.

Poverty and Low-Income Parents and Increased Costs. Increases in female earnings, the expansion of federal tax credits for children, and other factors have contributed to a decline in child poverty as well as the use of public assistance programs. In contrast, employment and earnings opportunities for males have declined. Based on the analysis of Michigan case file data, about half of parents qualify for the Low-Income Equations provided for in the Michigan guidelines. Those with child support orders may be more impoverished than all Michigan families and individuals. Still, there are many payer-parents and payee-parents who have incomes well above poverty that the guidelines must address. Recent inflation has also affected the cost of living.

Perceptions. A recent national survey of parents[21] found that the child support service of most interest was the calculation/recalculation of the child support amount (which would be based on a state's guidelines) and that the top reason for using government child support programs was that "The amount feels more fair if it's set by a neutral decision maker." The general perception of child support is that both parents should contribute to their children's support when living apart, timesharing adjustments are appropriate, and ability to pay should be considered among those with very low incomes. The data find that most payer-parents are male and that fathers have become more involved in the lives of their children. Equal physical custody arrangements have increased, but data does not find it has increased to the point that equal involvement and equal custody are the norms.

Chapter Conclusion. Child support guidelines such as the Michigan Formula are useful. If current trends persist (i.e., low incomes, increased parenting time, and increased cost of living), the challenge will be determining an appropriate guidelines amount for these circumstances. The amount that can be afforded by very low-income parents is generally not enough to adequately support the child. For those that are not low income, appropriately addressing parenting time and adjusting the amounts to reflect current costs are the largest concerns.

Foundation of Statewide Child Support Guidelines

The Child Support Enforcement Amendment of 1984 (P.L. 98-378) mandated statewide child support guidelines. States must have one set of guidelines to be used in any judicial or administrative proceeding for the establishment and modification of a child support order (45 C.F.R. § 302.56(f)). In other words, the guidelines are to be applied in all circumstances, not just those who are enrolled in a government

[21] Brogan & Partners. (2023). *Child Support Research Findings* [PowerPoint slides]. NCCSD/NCSEA/OCSS Joint Committee on Public Relations. https://www.ncsea.org/wp-content/uploads/2023/09/National-Child-Support-Research_FINAL-NCSEA-003.pdf

assistance program or government child support program. This requirement is consistent with the 1974 Amendments to the Social Security Act that enabled state child support programs to serve families regardless of whether they received assistance. The 1974 Congress recognized the problem of nonsupport among parents living apart from their children was not just a problem among families receiving public assistance, but also a problem faced by families with higher incomes.[22]

The 1984 Amendment aimed to reduce the shortfall in child support order levels, produce comparable orders for cases with similar circumstances, and improve the efficiency of adjudicating child support orders by increasing voluntary settlements and reducing the judicial time required to reach an appropriate and fair determination between the parents in contested cases.[23] In the early 1980s, if a state or local government had child support guidelines, the guidelines amounts were often tied to Aid to Families with Dependent Children (AFDC) benefit levels and set below poverty levels. (Temporary Assistance to Needy Families (TANF) replaced AFDC as part of 1996 welfare reform.)

In 1983, the U.S. Office of Child Support Enforcement (which recently changed its name to the Office of Child Support Services, or OCSS), initiated the National Child Support Guidelines Project to help states develop child support guidelines. Within a month of launching the project, the U.S. House Ways and Means Committee requested that OCSS establish a national advisory panel with a balanced composition for the project. OCSS included representatives of the judiciary, child support service officials, parents paying support, parents receiving support, legislators, legal scholars, and an economist. The panel developed a set of basic principles for the development of state child support guidelines (which are shown in Exhibit 2) that shape most child support guidelines of today, including the Michigan Formula.

Among others, the recommendations of the advisory panel that were adopted and are still in effect today are rebuttable presumptive child support guidelines, reduced barriers to order modifications, and that guidelines include a provision to address the child's health insurance coverage. In recognition of 2010 healthcare reform and other federal legislation that improved and expanded healthcare coverage for children, the 2016 OCSS Rule changes[24] modified "health insurance coverage" to "healthcare coverage" so it would recognize Medicaid, CHIP, and other public sources of healthcare coverage available to children when determining medical child support.

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[22] U.S. Senate Committee on Finance. (Dec. 13, 1974). *Social Services Amendments of 1974.* p. 55. Retrieved from https://www.finance.senate.gov/imo/media/doc/social8.pdf.

[23] See National Center for State Courts. (1987) *Development of Guidelines for Child Support Orders, Final Report.* Report to U.S. Department of Health and Human Services, Office of Child Support Enforcement, Williamsburg, VA. pp. I–6-7.

[24] U.S. Department of Health and Human Services Centers for Medicaid Services. (Dec. 2016). Flexibility, Efficiency, and Modernization in Child Support Enforcement Programs. *Federal Register*. Retrieved from https://www.federalregister.gov/documents/2016/12/20/2016-29598/flexibility-efficiency-and-modernization-in-child-support-enforcement-programs#:~:text=The%20final%20rule%20will%20make,and%20the%20move%20toward%20electronic.

Exhibit 2: Principles Developed by the Advisory Panel of the 1983 National Child Support Guidelines Project

Guidelines Principle
1. Both parents should share financial responsibility for supporting their children. 2. The subsistence needs of each parent should be taken into consideration when setting the child support, but in order to establish a precedent to pay child support, it should not be set at zero. 3. The guidelines amounts should first cover the child's basic needs but to the extent that either parent enjoys a higher than subsistence level standard of living, the guidelines should enable the child to share in that parent's higher standard of living. 4. Each child of a given parent has an equal right to share in that parent's income subject to a variety of factors, including the income of each parent and the presence of other dependents. 5. Each child is entitled to the determination of support without respect to the marital status of the parents at the time of the child's birth. 6. Application of the guidelines should be sexually non-discriminatory—that is, without regard to the gender of the custodial parent. 7. The guidelines should not create extraneous negative effects on the major life decisions of either parent, specifically create economic disincentives pertaining to marriage and labor force participation. 8. The guidelines should encourage involvement of both parents in the child's upbringing and take into account the financial support provided directly by the parents in shared physical custody situations—albeit recognizing that equal (50%) custody may not obviate the need for a child support order.

Also, the 2016 OCSS Rule change essentially made the second principle a requirement of state guidelines. State guidelines are now required to consider the subsistence needs of the paying parent and, at court discretion, the subsistence needs of the payee-parent. The impetus for the regulation was the overuse of income imputation in the calculation of the order amount among low-income parents.[25] This produced orders that many low-income parents could not pay. In turn, it contributed to the accumulation of unpayable arrears and the ineffective use of enforcement mechanisms (e.g., driver's license suspension) among some parents who truly did not have the ability to pay.

Application of the 1987 Guidelines Provisions Today

As shown in Exhibit 3, the Michigan guidelines and most state guidelines embody most of these principles today.

[25] U.S. Department of Health and Human Services. (Dec. 20, 2016). "Flexibility, Efficiency, and Modernization in Child Support Enforcement Programs: Final Rule." 81 *Fed. Reg*. 244, p. 93520. Retrieved from https://www.gpo.gov/fdsys/pkg/FR-2016-12-20/pdf/2016-29598.pdf.

Exhibit 3: Comparison of National Guidelines Principles to Guidelines Provisions in Michigan and Other States

Guidelines Principle	Michigan's Provisions	Provisions of Other States
Principle 1: Parents should share in the financial responsibly for supporting their children.	• Considers the combined net incomes of the parents. • Provides that each parent is financially responsible for their prorated share with exceptions for low-income parents.	• 44 states and the District of Columbia consider both parents' incomes in the calculation of support.[26]
Principle 2: The subsistence needs of each parent should be considered, but a nominal amount should be required in most situations to demonstrate financial support.	• Relates the Low-Income Threshold to the federal poverty guidelines for one person. • For those with incomes below the Low-Income Threshold sets a rebuttable presumptive formula of 10% of the parent's net income, which is a nominal amount and yields a zero order to parent with zero income.	• All states provide for the consideration of the paying parent's subsistence needs. • Several states lower guideline table amounts at low incomes or provide formulas that consider a state-determined subsistence level that usually relates to the federal poverty guidelines for one person.
Principle 3: Guidelines amounts should not reflect the subsistence needs of the child; rather, if a parent can afford to live above subsistence, the child should share in the lifestyle the parent can afford.	• Does not set the general care equation at the cost of providing for the child's basic needs. • Relies on economic data on family expenditures for the general care support tables. • Produces higher general care support amounts for higher income, which is also consistence with economic data on child-rearing expenditures.	• Most states approach it the way Michigan does.
Principle 4: Each child (whether the child for whom support is being determined or a child from another relationship of the parent) has a right to that parent's income.	• Provides an income deduction in the guideline calculation when a parent supports other minor children.	• Most states also provide an income deduction.
Principle 5: Whether the child was born to never-married or ever-married parents should not matter.	• Does not provide different guidelines amounts based on whether the child was born to married, unmarried, divorced, or separated parents.	• No state provides amounts that differ based on marital status of the parents.

[26] See National Conference of State Legislatures. (Jul. 2020). *Child Support Guidelines Models.* Retrieved from https://www.ncsl.org/research/human-services/guideline-models-by-s.tate.aspx. NCSL lists New York as a state that considers both parents' incomes, but it only does so for prorated childcare and other expenses between the parents and to determine if the presumptive formula which is based on a percentage of the paying parent's income applies to high income cases.

Principle 6: Child support guidelines should be gender neutral.	• Calculates support based on each parent's income and custody/timesharing and does not treat mothers or fathers differently and does not use gender-specific pronouns.	• No state guidelines factor in or rely on the terms "mother" or "father," or "she" or "he," or other gender-specific pronouns.
Principle 7: Guidelines should not have a negative impact on life decisions about work and remarriage.	• Do not consider the income of a parent's new partner. • Do not assign every additional dollar earned to child support if a parent's income is to increase.	• All states do not generally consider the income of a parent's new partner or have formulas where every additional dollar earned is to be assigned to child support.[27] •
Principle 8: Child support guidelines should encourage both parents' involvement and provide timesharing adjustments.	• Provides a timesharing formula that Michigan has tweaked several times in the past two decades to improve its fairness and appropriateness for the children and each parent.	• 42 states and the District of Columbia provide a timesharing formula, but most have criteria that must be met before the timesharing formula can be applied that is more restrictive than Michigan's criteria.

SOCIOECONOMIC TRENDS

Several studies note that married couples living with their own children no longer predominantly describes the households in which children are raised.[28] Instead, a wide range of family structures that are often called "modern families" have replaced the nuclear family.[29] A Pew Research study examining national trends in the American family, found that the percentage of children living in a home with two married heterosexual parents in their first marriage declined from 73% in 1960 to 46% in 2013.[30] Some of the trends that contributed to modern families (e.g., increases in divorces[31] and births to unmarried mothers[32]) generally experienced their greatest increases in the 1970s and 1990s. Another emerging

[27] A small exception occurs in a couple of states in their additional dependents adjustment. In those states, the income of the other parent to the additional dependent must be known to calculate the additional dependents adjustment. For example, say support is being determined for Taylor and Taylor lives now with Alex. Taylor and Alex have a child together. For Taylor to receive an adjustment for Taylor's child with Alex, Alex's income would be considered in the amount of the adjustment in some but not all states.

[28] For example, see Aragao, Carolina, et al. (Sept. 2023). *The Modern American Family.* Retrieved from: https://www.pewresearch.org/social-trends/2023/09/14/the-modern-american-family/.

[29] Ibid.

[30] Livingston, Gretchen. (Dec. 2014). *Fewer than half of U.S. kids today live in a "traditional family."* Retrieved from https://www.pewresearch.org/short-reads/2014/12/22/less-than-half-of-u-s-kids-today-live-in-a-traditional-family/

[31] Research finds that the divorce rate peaked in 1979 and has generally decreased since then. See Loo, Jaden. (2023). *Divorce Rate in the U.S. Geographical Variation, 2022.* Bowling Green State University. National Center for Family & Marriage Research. Retrieved from https://www.bgsu.edu/ncfmr/resources/data/family-profiles/loo-divorce-rate-US-geographic-variation-2022-fp-23-24.html.

[32] The non-marital birth rate trended mostly upward from the 1940s to 1994 when generally stabilized and has declined since its peak in 2007–2008. See Curtin, Sally. (Aug. 2014). *Recent Declines in Nonmarital Childbearing in the United States.* NCHS

issue is how to calculate support when there are more than two parents. In 2013, California added circumstances in which the child was found to have more than two parents as a deviation factor.[33]

Characteristics of Michigan Child Support Orders

The FOCB analysis of orders established or modified in 2021–2023 found that:

- 33% involved divorcing or separating couples;
- 64% involved orders where a father's paternity needed to be established or where the parents had never been married; and
- 2% involved parents with a variety of circumstances (e.g., miscellaneous domestic relations cases often used for juvenile or foster care cases or intergovernmental transfers).[34]

The FOCB analysis also found that:

- 65% of orders were for one child;
- 25% were for two children;
- 7% were for three children, and
- the remaining 4% were for four or more children.[35]

Trends in Family Structure

The circumstances of parents establishing a child support order vary. They may be divorcing and separating parents, or never-married parents, or relatives caring for a child and child support is being sought from one parent or both parents who do not live with the child. In addition, child support may be sought from the parents in foster care situations. Another factor is mandatory referrals to the child support program from Temporary Assistance to Needy Families (TANF, which is provided by the Family Independence Program, or FIP, in Michigan), the Supplemental Nutritional Assistance Program (SNAP), and the Child Care Assistance Program (CCAP). Most of the statistics presented in this section are from the U.S. Census Bureau unless otherwise noted.[36]

Data Brief No. 162. Retrieved from https://www.cdc.gov/nchs/products/databriefs/db162.htm#:~:text=The%20nonmarital%20birth%20rate%20has,of%20decline%20during%20the%201970s.

[33] Based on the last review of the California guideline, it is not used frequently.

[34] The total does not add to 100% due to rounding.

[35] The total does not add to 100% due to rounding.

[36] Retrieved from https://Data.Census.gov. Additional compiled Census data on family households can be found in Gryn, Thomas, et al. (May 2023). *Married Couple Households Made Up Most of Family Households*. Retrieved from https://www.census.gov/library/stories/2023/05/family-households-still-the-majority.html.

This underscores the importance of child support presuming each parent has a financial responsibility to their child.

Exhibit 4 shows that most children (almost 90%) nationally and in Michigan live with at least one of their parents and that the percentage has changed little in the last decade. This underscores the importance of child support presuming each parent has a financial responsibility to their child.

Exhibit 4: Percentage of U.S. and Michigan Children by Living Arrangement in 2012 and 2022

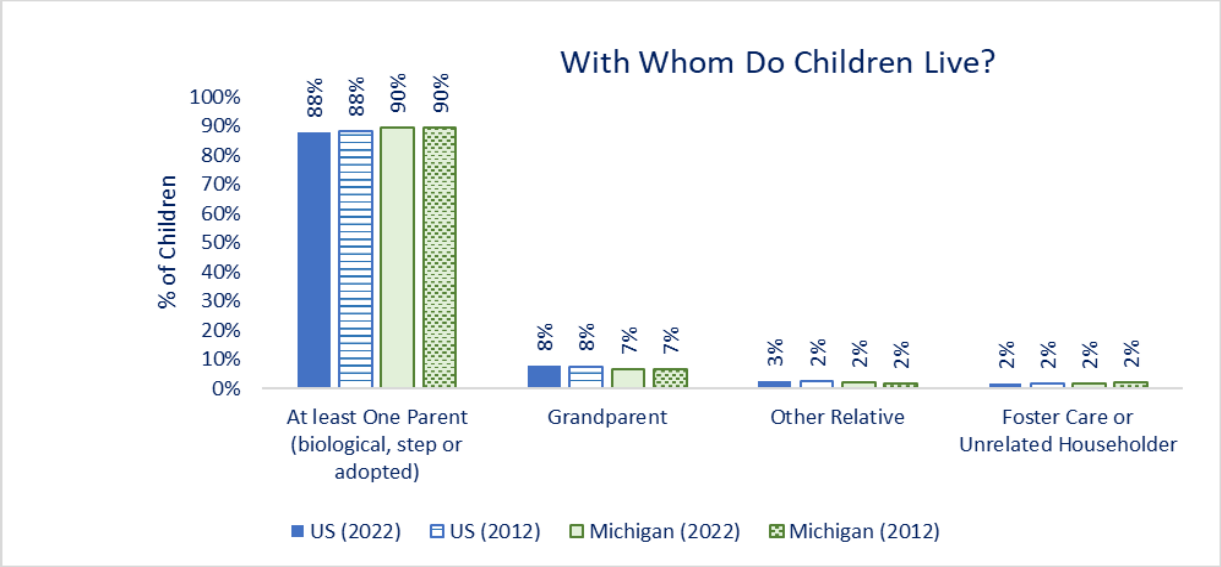


Exhibit 5 shows that most households with children under age 18 live with a married couple (almost 67%). This could be the legal parents of the child or a legal parent and that parent's current spouse. Exhibit 5 suggests a decline in the percentage of children living with a male or female householder, but the two periods are not comparable because the U.S. Census now also captures cohabitating couple households in the enumeration. Cohabitating couples could be the child's unmarried parents who are living together or one of their parents living with a domestic partner who is not the parent of the child.

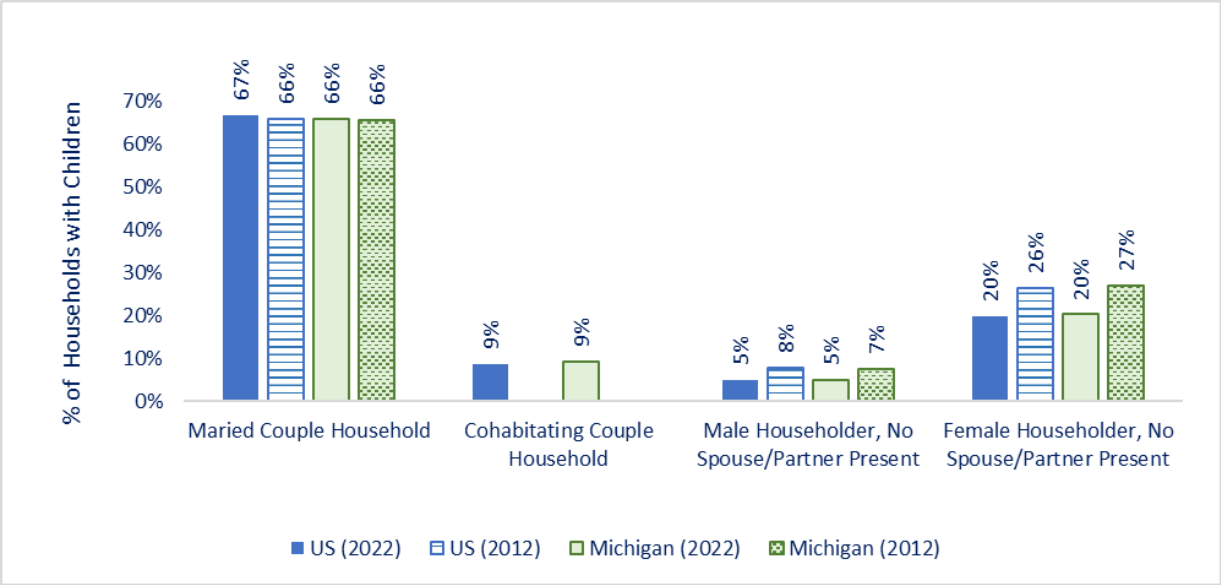
Non-Parent Caretakers and Foster Care

Exhibit 4 also shows little change in the percentage of children living with grandparents and in foster care or with an unrelated householder. To be clear, circumstances in which a grandparent or grandparents are the primary custodian of the children are different from multigenerational households, in which the child lives with at least one parent and at least one grandparent. Nonetheless, a national Pew Research Center study finds that multigenerational families are increasing.[37] It found that the

[37] Cohn, D'Vera, et al. *Financial Issues Top the List of Reasons U.S. Adults Live in Multigenerational Homes.* Retrieved from https://www.pewresearch.org/social-trends/2022/03/24/the-demographics-of-multigenerational-households/.

percentage of U.S. population (not just children) living in multigenerational homes increased from 7% in 1971 to 18% in 2021.[38] Financial reasons were the predominant reason for mutigenerational homes, particularly among lower-income adults.

Exhibit 5: Percentage of Households with Children under 18 Years Old by Household Type



The MiCSES data extract did not note the relationship of the child to the payer-parent or payee-parent; however, given that 2% of orders involved miscellaneous circumstances (e.g., guardianship, abuse and neglect cases and a child living with a nonparent), the percentage of orders established in foster care cases in Michigan is likely to be very small. Recognizing that child support can negatively impact a family with a child protective case where the parent is trying to develop and maintain familial and economic stability to reunify with their children particularly among low-income parents, the U.S. Department of Health and Human Services Children's Bureau and OCSS issued a joint letter July 29, 2022,[39] encouraging child welfare agencies to no longer automatically refer cases to the child support agency. Michigan has also made recent legislative and child support policy changes that improve the interaction of foster care and child support.

[38] The Pew Report defined multigenerational households are defined as including two or more adult generations or a "skipped generation," which consists of grandparents and their grandchildren younger than age 25.

[39] U.S. Department of Health & Human Services Administration for Children & Families. (Jul. 2022). *Dear Colleague Letter.* Retrieved from https://www.acf.hhs.gov/sites/default/files/documents/cb/letter_regarding_assignment_rights_child_support_for_children_foster_care.pdf.

Divorce, Marriage, and Birth Trends

Detailed analysis of national data finds that the martial status of custodial parents generally varies by whether they participate in a government child support program.[40] Specifically, marital status varies by whether the custodial parent has a government child support case (also called IV-D for Section IV-D of the Social Security Act that enables government child support programs). Among custodial parents receiving IV-D services in 2018, 17% were married, 30% were divorced, 11% were separated, 41% had never been married, and 1% were widowed. Among custodial parents not receiving IV-D services in 2018, 16% were married, 35% were divorced, 14% were separated, 34% had never been married, and 2% were widowed.

Births to both married and unmarried parents have been decreasing, as well as the rates of marriage and divorce.

The numbers of births and marriages and divorces/separations affect the number of households eligible for child support. Recent research finds that the proportions of women who ever marry and ever give birth have declined, and those that do marry or give birth are increasingly delaying these events to later ages.[41] A recent *Wall Street Journal* article reviewed academic literature on the declining birth rate.[42] The article attributes the decline to economic and social obstacles including unaffordability of homes, rising cost of childcare, the burden of student loans, as well as many men lack the earning power to be providers because blue-collar jobs do not pay as well as other occupations and fewer men are employed. Fewer births also have reduced the average number of children that a family has. The average number of children nationally was 1.93 children per family in 2010 and is 1.64 children per family in 2020.[43]

The Michigan Department of Health and Human Services[44] compiles data on birth trends. In 2022, there were 100,880 births to Michigan residents, compared to 112,708 births in 2012. In contrast, Michigan's total population grew from 9.9 million in 2012 to just over 10 million in 2022. In other words, the number of annual births in Michigan declined over the decade while the general population count held steady. The percentage of Michigan births to unmarried mothers has decreased from 42.7% in 2012 to

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[40] The data set is the Child Support Supplement of the Current Population Survey (CPS) conducted biannually by the U.S. Census Bureau for the Office of Child Support Services. The data considers the 2018 CPS. Sorensen, Elaine. (2021). *Characteristics of Custodial Parents and Their Children.* Retrieved from *https*://www.acf.hhs.gov/sites/default/files/documents/ocse/characteristics_cps_and_their_children.pdf.

[41] Brown, Adrianne. (2022). *Women's Union Status at First Birth*. Bowling Green State University National Center for Family & Marriage Research. Retrieved from https://www.bgsu.edu/ncfmr/resources/data/family-profiles/brown-women-union-status-first-birth-fp-22-21.html.

[42] Adamy, Janet. (May 26, 2023). "Why Americana Are Having Fewer Babies." *Wall Street Journal.* Retrieved from https://www.wsj.com/articles/why-americans-are-having-fewer-babies-3be7f6a9.

[43] Bendix, Aria and Murphey. (Jan. 2023). "The Modern Family Size Is Changing. Four Charts Show How." *NBC News.* https://www.nbcnews.com/health/parenting/how-modern-us-family-size-changing-charts-map-rcna65421.

[44] Michigan Department of Health and Human Services. (2022). *Vital Statistics.* Retrieved from https://www.michigan.gov/mdhhs/inside-mdhhs/statisticsreports/vitalstats.

39.7% in 2022. The trend nationally also indicates decreases. The most current national data (2021) finds that that 40.0% of all births were to unmarried mothers.[45] The highest national percentage was in 2009 (41.0%).

The divorce rate, which is measured as the number of divorces per 1,000 total population (regardless of age or marital status), has declined in Michigan and in most states. In 2022, the Michigan divorce rate was 4.1, compared to 6.7 in 2012.[46] Divorces are affected by the number of marriages. Marriage rates are also down.[47] In 2022, the Michigan marriage rate was 10.1, compared to 11.4 in 2012.[48] One study estimates that 3.6% of all marriages are among same-sex couples.[49]

Poverty, TANF, and Mandatory Referrals

Child poverty has significantly decreased in the past decade. In 2021, 15.3% of children nationally were impoverished, compared to 17.6% in Michigan. In 2012, the percentages were 21.8% in the U.S. as a whole and 24.7% in Michigan. Lower unemployment rates, increases in single mothers' labor force participation, and increases in state minimum wages contribute to the decline.[50] Other studies credit the Earned Income Tax Credit (EITC) and the Child Tax Credit.[51] The Child Tax Credit was temporarily increased during the COVID-19 pandemic.

TANF is an anti-poverty program. With some exceptions, federal regulation requires families receiving TANF cash assistance to cooperate with the establishment and enforcement of child support services. The referral of families enrolled in SNAP and the Child Care Assistance Program (CCAP, which is called "Child Development and Care," or CDC in Michigan) to child support is optional to states. As of 2018, Michigan was one of seven states to require households participating in SNAP to cooperate with the

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[45] Osterman, Michelle, et al. (Jan. 31, 2023). "Births: Final Data for 2021." *National Vital Statistics Reports*. Vol. 71, No. 1. Retrieved from https://www.cdc.gov/nchs/data/nvsr/nvsr72/nvsr72-01.pdf.

[46] Vital Statistics Michigan Department of Health and Human Services. (2022). Number of Divorces and Annulments Divorce and Annulment Rates Michigan and the United States Occurrences Selected Years 1900–2022. Retrieved from https://vitalstats.michigan.gov/osr/marriage/Tab3.5.asp.

[47] See Westrick-Payne, Krista & Manning, Wendy. (2023). *Marriages to Same-Sex and Different-Sex Couples: 2019 & 2021.* Bowling Green State University National Center for Family & Marriage Research. Retrieved from https://www.bgsu.edu/ncfmr/resources/data/family-profiles/westrick-payne-manning-marriage-same-sex-different-sex-couples-2019-2021-fp-23-09.html.

[48] Vital Statistics Michigan Department of Health and Human Services. (2022). *Rate of Marriages by County of Occurrence, State of Michigan Counties, 2000–2022.* Retrieved from https://vitalstats.michigan.gov/osr/Marriage/MarriageTrendRates.asp

[49] See Westrick-Payne, Krista & Manning, Wendy. (2023). *Marriages to Same-Sex and Different-Sex Couples: 2019 & 2021.* Bowling Green State University National Center for Family & Marriage Research. Retrieved from https://www.bgsu.edu/ncfmr/resources/data/family-profiles/westrick-payne-manning-marriage-same-sex-different-sex-couples-2019-2021-fp-23-09.html.

[50] Thomson, Dana, et al. (2022). *Lessons from a Historic Decline in Child Poverty.* Child Trends. Retrieved from https://www.childtrends.org/publications/lessons-from-a-historic-decline-in-child-poverty.

[51] For example, see Burns, Kalee & Fox, Liana. (Nov. 2022). *The Impact of the 2021 Expanded Child Tax Credit on Child Poverty.* https://www.census.gov/library/working-papers/2022/demo/SEHSD-wp2022-24.html.

establishment and enforcement of child support orders.[52] In the same year, Michigan was also one of 23 states to mandate child support cooperation for those receiving childcare assistance.[53] Michigan ended that requirement in 2024.[54] Michigan will also stop SNAP referrals to child support in 2024.[55] The MiCSES extract did not note overlap between child support cases and cases participating in TANF, SNAP, or CDC. Consequently, other data is used to show the potential overlap. The average number of Michigan families enrolled in TANF in 2022 was 8,729.[56] In 2012, the Michigan TANF caseload was 42,388.[57] As of January 2023, there were almost 800,000 Michigan households participating in SNAP, covering 1.4 million people.[58] This is a reduction from January 2012, when there were just over a million Michigan households participating in SNAP covering just over 2 million people.[59] According to 2020 data, about 200,000 Michigan households (34%) participating in SNAP included children. This was further broken down to the number and percentage of households with single adults and children (about 132,000 or 22% in Michigan).[60] In 2020, 19,100

With a few exceptions, Michigan families participating in TANF must cooperate with the establishment and enforcement of child support orders. (Michigan also imposed cooperation requirements for those receiving childcare assistance and SNAP until 2024.) The number of families participating in all three programs have been declining for various reasons.

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[52] Antelo, Lauren and Eric Meade. (Jul. 2018). *How Many Families Might Be Newly Reached by Child Support Cooperation Requirements in SNAP?* U.S. Department of Health and Human Services Office of the Assistant Secretary for Planning and Evaluation. https://aspe.hhs.gov/pdf-report/how-many-families-might-be-newly-reached-child-support-cooperation-requirements-snap-and-subsidized-child-care-and-what-are-their-characteristics.

[53]Selekman, Rebecca, & Holcomb, Pamela. (2018) *Child Support Cooperation Requirements in Child Care Subsidy Programs and SNAP: Key Policy Considerations.* Retrieved from https://aspe.hhs.gov/sites/default/files/private/pdf/260046/EMPOWERED_Child_Support_Cooperation_Issue_Brief.pdf.

[54] As of February 25, 2024, Michigan no longer requires cooperation with the Office of Child Support to receive childcare assistance. Source: Michigan Department of Health and Human Services. (Feb. 1, 2024). *Bridges Eligibility Manual.* Retrieved from https://dhhs.michigan.gov/olmweb/exf/BP/Public/BEM/255.pdf.

[55]Rule 400.3009 of the Michigan Administrative Code is amended and R4000.3010 is rescinded. The latter consisted of the cooperative requirement and the former requires the offer of …"services to establish paternity and obtain child support to the client if the food assistance program group includes a child or children, but the food assistance group does not include 1 or both parents of the child or children. The department shall provide comprehensive information about paternity and child support services to ensure the client can make an informed decision about whether to pursue or not to pursue those services." See Michigan DHHS Economic Stability Administration Food Assistance Program (Feb. 21, 2024.) "Filed with the secretary of state on Sept. 26, 2024. These rules become effective on Oct. 1, 2024."

[56] U.S. DHHS Office of Family Assistance. (Mar. 2023). *Temporary Assistance for Needy Families (TANF) Caseload Data — Fiscal Year (FY) 2022*. Retrieved from https://www.acf.hhs.gov/sites/default/files/documents/ofa/fy2022_tanf_caseload.pdf.

[57] U.S. DHHS Office of Family Assistance. (Apr. 2012). *TANF: Total Number of Families Fiscal and Calendar Year 2012.* Retrieved from https://www.acf.hhs.gov/sites/default/files/documents/ofa/tan.pdf.

[58] United States Department of Agriculture. (n.d.). *SNAP Data Tables: National and/or State Level Monthly and/or Annual Data from FY69-FY23.* Retrieved from https://www.fns.usda.gov/pd/supplemental-nutrition-assistance-program-snap.

[59] Ibid.

[60] United States Department of Agriculture. (Jun. 2022). *Characteristics of Supplemental Nutrition Assistance Program Households: Fiscal Year 2020. Report, No.* SNAP-21-CHAR. Retrieved from https://fns-prod.azureedge.us/sites/default/files/resource-files/Characteristics2020.pdf.

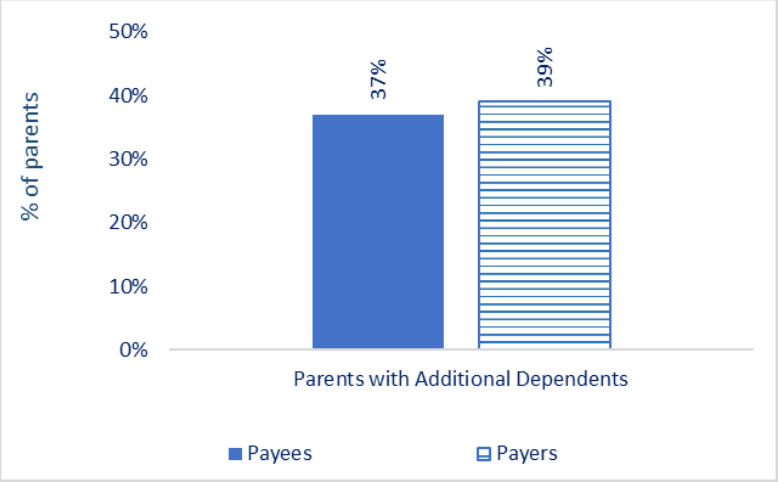
Michigan families (34,000 children) participated in CDC.[61] Ten years earlier (2010), 27,500 Michigan families (52,600 children) participated in CDC.[62] Federal regulation requires cooperation with a medical child support order only (i.e., not a financial order) when a child is enrolled in Medicaid; hence, Medicaid is discussed more in the chapter addressing the allocation of costs of the child's healthcare.

In general, the participation rates of all three programs have declined. Other states have experienced similar declines. In turn, this affects child support caseloads. Eroded TANF benefit levels, increased opportunities for employment and expansion of the EITC, time limits imposed on TANF receipts, and other factors contribute to TANF caseload declines. SNAP program researchers note that SNAP caseloads decrease as the economy recovers, with a typical lag of 2½ to 3 years after the unemployment rate falls.[63] The decrease in CDC participation appears to be a funding issue. The federal dollars issued under the block grant cannot accommodate rising childcare costs, so the budget is balanced by reducing the number of participants receiving a childcare subsidy.

Parents with Children from Multiple Partners

Based on the FOCB analysis of MiCSES case data, 39% of payer-parents and 37% of payee-parents had an adjustment to their income used in their guidelines calculations for additional children (see Exhibit 6). Among payer-parents with additional children, 50% had one additional child, 27% had two additional children, and the remaining 23% had three or more additional children. Among payee-parents with additional children, 56% had one additional child, 28% had two additional children, and the remaining 15% had three or more additional children. Both payer-parents and payee-parents with orders adjusted for low income were more likely

Exhibit 6: Percentage of Parents with Additional Dependents Adjustments (Data Source: 2021–2023 Child Support Orders in MiCSES)



[61] U.S. Department of Health and Human Services Office of Child Care. (n.d.). *FY2020 Preliminary Data Table 1 – Average Monthly Adjusted Number of Families and Children Served*. Retrieved from https://www.acf.hhs.gov/occ/data/fy-2020-preliminary-data-table-1.

[62] U.S. Department of Health and Human Services Office of Child Care. (n.d.). *FY2010 Preliminary Data Table 1 – Average Monthly Adjusted Number of Families and Children Served*. Retrieved from https://www.acf.hhs.gov/sites/default/files/documents/occ/fy_2010_ccdf_data_tables_final.pdf.

[63] United States Department of Agriculture Economic Research Service. (n.d.). *SNAP Stimulates Economic Activity During an Economic Downturn.* Retrieved from https://www.ers.usda.gov/topics/food-nutrition-assistance/supplemental-nutrition-assistance-program-snap/economic-linkages/.

to have additional dependents. This underscores the importance of adjustments for additional children particularly among parents with limited income.

Findings from Other Studies

The percentages of parents whose incomes were adjusted for additional dependents are higher in Michigan than other states. It is unclear whether this is due to the differences in their caseloads, differences in their adjustments for additional dependents, or differences in how the adjustments are applied. Analysis of a random sample from the Maryland child support caseload of orders established sometime between 2002 through 2006 found that 27% of payer-parents had multiple orders, and they paid about 8 percentage points less than the overall payment rate.[64] Data from Pennsylvania's last child support guidelines review found that an adjustment for additional dependents was issued for 11% of reviewed cases and the payment rate was 7 to 11 percentage points less (depending on whether it was a new or modified order).[65] Rather than an income deduction, Pennsylvania's additional dependents adjustment only applies to the payer-parent. It consists of a proportional reduction to all the payer's child support orders as well as consider the payer-parent's additional dependents who are not part of a child support order (e.g., children in the home). An obvious limitation to this approach is that it requires coordination across different tribunals if the orders were set in different courts. Still another study, which assessed cases with child support arrears in nine large states,[66] found that payer-parents with multiple current orders owed a disproportionate share of arrears: they comprised 12% of payer-parents in the study, and that 12% owed 25% of all arrears. This is over twice as much as their proportionate share, which would be 12%.

Multiple orders or additional children reduce the ability to pay child support. Sinkewicz and Garfinkel (2009) found that multiple-partner fertility reduced fathers' ability to pay child support to prior children by 17–27%.[67] Craigie (2010)[68] found that fathers who married a new partner since the birth of the focal study child were more likely to make formal child support payments but less likely to make informal child support payments. There is also a correlation with the payee-parent's multiple-partner fertility. For

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[64] Saunders, Correne, Logan Passerella, Letitia, & Born, Catherine. (Dec. 2014). *Reasonable Child Support Orders: The Relationship between Income and Collections.* University of Maryland School of Social Work, Baltimore, MD. Retrieved from https://www.ssw.umaryland.edu/media/ssw/fwrtg/child-support-research/cs-caseload-special-issues/reasonablesupportorders.pdf?&.

[65] Venohr, Jane, & Matyasic, Savahanna (Sept. 2021). *Review of the Pennsylvania Child Support Guidelines: Updated Schedule and Findings from Analysis of Case File Data.* Report to the Pennsylvania Department of Human Services, Harrisburg, PA. Retrieved from https://www.pacourts.us/Storage/media/pdfs/20210916/184842-2019guidelinereviewreport.pdf.

[66] Sorensen, Elaine, Liliana Sousa, & Simon Schaner. (Jul. 2007). *Assessing Child Support Arrears in Nine Large States and the Nation.* Prepared for U.S. Department of Health and Human Services. Retrieved from http://www.urban.org/sites/default/files/publication/29736/1001242-Assessing-Child-Support-Arrears-in-Nine-Large-States-and-the-Nation.PDF.

[67] Sinkewicz, M., & Garfinkel, I. (2009). Unwed Fathers' Ability to Pay Child Support: New Estimates Accounting for Multiple-Partner Fertility. *Demography, 46*(2), 247–263. https://doi.org/10.1353/dem.0.0051

[68] Craigie, T.A. (2010). Child support transfers under family complexity. *Fragile Families Working Paper* 10-15-FF. Princeton, NJ: Center for Research on Child Wellbeing.

example, Craigie (2010)[69] found that child support transfers to the focal child of the study declined even when the mother's other childbearing partners shirked their child support obligations.

Family Budgeting and Perceived Financial Responsibility in Blended Families

Multiple partner fertility and the children of domestic partners contribute to what is known as "blended families." Only a handful of reviewed articles addressed household budgeting and finances in these situations. Most of these studies are qualitative probably because of data limitations in the large data sets tracking detailed expenditures within a household.[70] Using ethnographic research, Edin and Nelson (2013)[71] found that many fathers provided financial support to residential children, biological or otherwise, even more than they supported biological, nonresidential children. Also using qualitative data, Burton and Hardaway (2012)[72] found tension between the perceived responsibility of fathers to their biological, nonresidential children and to the children living in their household, who may or may not be "theirs." This expectation contrasted with qualitative findings of an earlier study by Furstenberg (1995):[73] In his words, "Everyone I spoke to agreed that men are obliged only to support children they have fathered." Knox and Zusman (2001)[74] surveyed second wives and found high levels, or at least the perception, of fathers providing substantial financial support to their nonresidential biological children that impacted their residential family: 66% of respondents answered yes to the question, "Do you feel the demands of your husband's first family impact on your family?"

Some qualitative studies included information about the mechanics of budgeting and financial responsibility in blended families. Monte (2007)[75] found that, "Roughly half of all parents . . . either pool finances or report that they share expenses at the time of the focal child's birth." A Finnish study (Raijas, 2011)[76] found that "[i]n both blended and nuclear families, most expenditures are paid jointly, by which we mean that the spouses pay the same amount of money towards joint family expenditures, set aside the same share of their income for joint family expenditures, or the one who pays has got the money."

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[69] Ibid.

[70] For example, the U.S. Bureau of Labor Consumer Expenditure (CE) Survey, which most economists rely on for measuring child-rearing expenditures asks who lives in the household but in the context of that person's relationship to the survey respondent. Specifically, the question asks about own children which includes biological and adopted children. One limitation is that the survey does not address whether the relationship of the children to the spouse or other adults living in the household.

[71] Edin, K., & Nelson, T. J. (2013). *Doing the Best I Can: Fatherhood in the Inner City*. University of California Press.

[72] Burton, L., & Hardaway, C. R. (2012). Low-Income Mothers as "Other mothers" to Their Romantic Partners' Children: Women's Coparenting in Multiple Partner Fertility Relationships. *Family Process, 51*(3), 343–359. https://doi.org/10.1111/j.1545-5300.2012.01401.x

[73] Furstenberg, F.F. (1995). Fathering in the inner city: Paternal participation and public policy. *In* W. Marsiglio (Ed.), *Fatherhood: Contemporary theory, research, and social policy*. Thousand Oaks, CA: Sage.

[74] Knox, D. & Zusman, M. E. (2001). Marrying a Man with "Baggage": Implications for Second Wives. *Journal of Divorce & Remarriage*, *35*(3-4), 67–79. https://doi.org/10.1300/J087v35n03_04

[75] Monte, L. (2007). Blended but Not the Bradys: Navigating Unmarried Multiple Partner Fertility. In *Unmarried Couples with Children* (pp. 183–203). Russell Sage Foundation. https://doi.org/10.7758/9781610441865.11

[76] Raijas, A. (2011). Money management in blended and nuclear families. *Journal of Economic Psychology, 32*(4), 556–563. https://doi.org/10.1016/j.joep.2011.02.006

The same Finnish study found that blended families were less likely than nuclear families to share child-related expenses; rather, among blended families it is very often the woman who pays them.

Earnings and Multiple Partner Fertility

Another consideration is the impact of multiple partner fertility on earnings because it affects the income a parent has available to support their children. Only one study examined the correlation between earnings and multiple-partner fertility. Canican and Meyer (2006)[77] found that as the number of a father's partners increases, the average father's earnings declines.

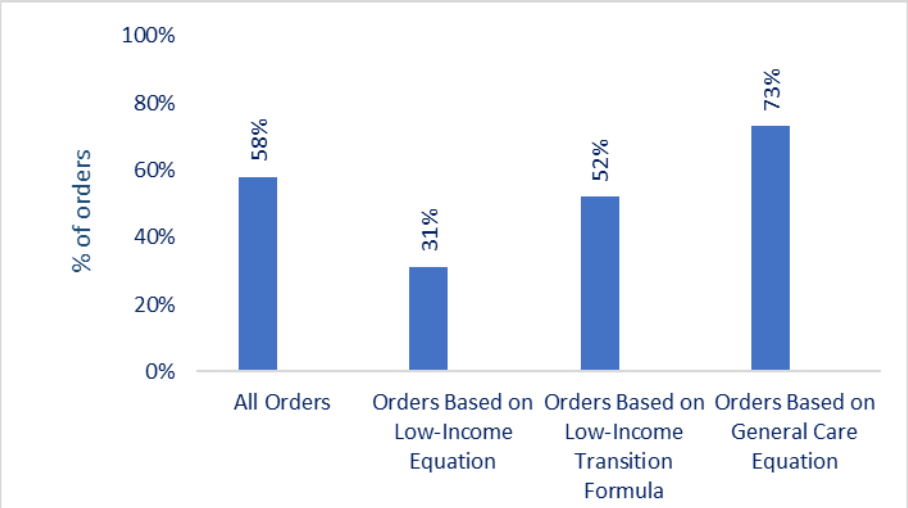
Payer-Child/Father-Child Involvement

The term "father" is used alongside "payer-parent" in this subsection because the majority of payer-parents are fathers. Although the MiCSES data did not capture the relationship of the parent to the child, it does capture gender. Most (84%) of payer-parents were male and 14% were female.[78] Father-child/payer-child involvement may be reflected by the fact that the order amount has been adjusted for parenting-time. FOCB's analysis of MiCSES case data found that 58% of orders included a parental time offset and that the percentage varied by calculation method (see Exhibit 7). The percentages are lower when the low-income equation or the low income transition equation is applied.

Findings from Other Studies

The Michigan parental time offset has no timesharing threshold. To put this in perspective, the Illinois parenting-time formula requires at least 146 overnights with the payer-parent per year (40% timesharing) before an adjustment is granted. Besides Michigan, only California, Minnesota, and Oregon do not have a threshold; that is, the parenting-time formula

Exhibit 7: Percentage of Orders with a Parenting-Time Offset by Guidelines Formula (Source: MiCSES)



[77] Cancian, M., & Meyer, D.R. (2006). "Alternative Approaches to Child Support Policy in the Context of Multiple-Partner Fertility." Discussion Paper. Institute for Research on Poverty, University of Wisconsin. Retrieved from https://www.irp.wisc.edu/wp/wp-content/uploads/2018/06/Cancian-Meyer-Task4B-2006.pdf.

[78] The remaining were missing.

applies when there is as little as one overnight per year. Minnesota, which uses a formula very similar to the Michigan Formula,[79] just adopted its adjustment a few years ago and has not analyzed the frequency that is applied. Oregon is in the midst of conducting its review and has not published the frequency that its adjustment is applied. Both Minnesota and Oregon require court-ordered timesharing or agreement between the parties to apply their formulas.

Based on California's most recent analysis of case file data conducted for its 2022 guidelines review, a parenting-time adjustment was applied in 46% of IV-D orders and 76% of non-IV-D orders.[80] Another comparison is Arizona, which applied its parenting-time formula to 82% of cases examined for its last guidelines review.[81] At the time, Arizona's timesharing threshold was three or more overnights per year. Since then, Arizona has increased its threshold to 20 overnights per year. Neither Arizona nor California requires court-ordered timesharing to apply their formula. Neither does Michigan.

National data finds the likelihood of shared physical custody after divorce increased from 13% in 2010 to 34% in 2014.[82] One researcher attributes this to increased sharing of child-rearing responsibilities due to increased labor force participation of mothers, and fathers being actively involved in their children's daily lives.[83] With regard to whether it is increasing for never-married parents, there is no national data. Still Wisconsin-specific data suggests that the trends differ. That data shows no increase among Wisconsin never-married parents with a legal timesharing agreement: the percentage remains at 7% from 1989 to 2010.[84] Timesharing orders/agreements are usually determined (and often required) as part of the divorce/separation order among divorcing/separating parents, while never-married parents typically must file separate petitions for support and timesharing.

Research conducted for the Fatherhood Research & Practice Network sheds insights on low-income fathers and their involvement with their children.[85] Based on information gathered from almost 200

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[79] At the time this chapter was written, the Georgia legislature adopted HB 454 that is awaiting the governor's signature. Prior to this bill, the Georgia child support guidelines did not provide a timesharing adjustment. The proposed legislation relies on the same basic formula used by Michigan and Minnesota, but the exponent that Minnesota uses rather the exponent that Michigan uses. Georgia will require court-ordered timesharing for the adjustment to apply. See the Georgia legislature website for more information about the bill: https://www.legis.ga.gov/legislation/66676.

[80] Judicial Council of California. (2022.) *Review of Statewide Uniform Child Support Guideline*. Retrieved from https://www.courts.ca.gov/documents/Review-of-Uniform-Child-Support-Guideline-2021.pdf.

[81] Venohr, Jane, & Matyasic, Savahanna. (Feb. 23, 2021). Review of the Arizona Child Support Guidelines: Findings from the Analysis of Case File Data and Updating the Child Support Schedule. Report to the Arizona Supreme Court Administrative Office of the Courts. Retrieved from https://www.azcourts.gov/Portals/74/FCIC-CSGR/SupplementalPacket-030121-FCIC-CSGRS.pdf?ver=2021-02-26-161844-187.

[82] Meyer, D.R. Carlson, M., & Ui Alam, M. (2022). "Increases in shared custody after divorce in the United States." *Demographic Research*. pp. 1137–62. Retrieved from https://www.jstor.org/stable/48677053?seq=3.

[83] Steinbech, A. (Jul. 2018). "Children's and Parents' Well-Being in Joint Physical Custody: A literature Review." *Family Process.*

[84] Costanzo, Molly, & Reilly, Aaron. (Sept. 2021). *2020–2022 Child Support Policy Research Agreement Task 6: Shared Placement in Paternity Cases: An Initial Look.* University of Wisconsin-Madison Institute for Research on Poverty. Retrieved from https://www.irp.wisc.edu/wp/wp-content/uploads/2021/11/CSRA-2020-2022-T6.pdf.

[85] Levine, Ethan, et al. (Aug. 2015.) *How Involved Are Fathers with Their Children: A Study of Fatherhood Programs.* Retrieved from https://www.frpn.org/asset/frpn-research-brief-how-involved-are-fathers-their-children-study-fatherhood-programs.

fathers participating in 13 different fatherhood programs, about half of nonresident fathers had income of $10,000 or less in the past 12 months, 80% reported some sort of contact with their child in the previous month, 46% reported more than weekly face-to-face contact with their children, 41% reported spending nights in the same residence of their child, and 40% reported sharing meals with their child more than once per week.

Father involvement for children living in a different household can improve a child's academic success, reduce levels of delinquency, and promote the child's social and emotional well-being.[86] Research generally shows that children do better when both parents are in their children's lives, even if the parents live apart.[87] Time with the child creates opportunities for father involvement. Various studies show that time spent by fathers providing care to their children in general have increased. The most recent data (2022) shows that fathers on average spend 0.94 hours per day caring and helping children living in the same household, while mothers spend 1.69 hours per day.[88] However, one report notes the time spent by fathers caring for the children has now leveled off and that mothers still spend twice as much time providing physical and developmental care.[89] When examining opposite-sex couples with children where both parents work, the same report shows both parents have increased the amount of time spent caring for the children.

Changes in Income

Income is the predominant factor that determines the amount of child support ordered. There are several trends that affect income.

- Employment and earnings opportunities for males have declined—specifically, well-paying manufacturing jobs that do not require higher education;
- Female earnings have increased; and
- Income disparity has increased.

Male and Female Employment and Earnings

A recent book by Richard Reeves (Brookings Institute scholar) entitled *Of Boys and Men: Why the Modern Male Is Struggling, Why It Matters and What to Do about It,* "explores the economic, social and cultural shifts that forced men to the sidelines of the economy, including the loss of jobs in male-

[86] Osborne, Cynthia, & Ankrum, Nora. (Apr. 2015). "Understanding Today's Changing Families." *Family Court Review*, Vol. 53, No. 2. pp 221–232.
[87] For example, see U.S. Department of Health and Human Services, Administration for Children and Families. (n.d.). *Pathways to Fatherhood.* Retrieved from http://www.acf.hhs.gov/programs/ofa/programs/healthy-marriage/responsible-fatherhood.
[88] U.S. Bureau of Labor Statistics. (n.d.). *Average Hours per Day Spent Caring for and Helping Household Children as Their Main Activity, 2022 averages.* https://www.bls.gov/charts/american-time-use/activity-by-parent.htm.
[89] Ninivaggi, F. (May 2023). Fatherhood in 2023: How the role of being a dad is changing. *Psychology Today.* Retrieved from https://www.psychologytoday.com/us/blog/envy-this/202305/fatherhood-in-2023.

dominated fields such as manufacturing and the influx of women into the workforce, diminishing the need for men to serve as providers for their families."[90] Some of the statistics cited in the book are labor force participation rates for men ages 25 to 54 have declined from 97% in 1960 to 88.5% in 2020; fewer than 1 in 10 jobs now require physical strength that is called heavy work, a sector once dominated by men; the percentage of women earning more than the average male has increased from 13% in 1979 to 40%; and 40% of U.S. households have a female breadwinner, which is quadruple the number a few decades ago. Reeves argues for encouraging men to adapt to the jobs of the future including jobs that are overwhelmingly performed by women and suggests if nothing is done to help struggling men, families will become poorer and economic inequality will worsen.

A recent Pew Research report finds similar trends but different percentages. It finds that in a growing share of U.S. marriages, husbands and wives earn about the same amount.[91] The Pew report shows that 29% of couples had equal incomes in opposite-sex marriages in 2022. The same study also shows that the husband was the primary or sole breadwinner in 85% of opposite-sex marriages in 1972 and that percentage has decreased to 55% in 2022. Less is known about same-sex couples with children currently, but data should become more available in time.

Income Used in MiCSES Child Support Calculations and Resulting Orders

The median incomes used in the guidelines calculations were $2,407 per month for payers and $1,914 per month for payees. The median incomes, however, varied by the gender of parent:

- Male payers: median gross income per month = $2,523
- Female payers: median gross income per month = $1,717
- Male payees: median gross income per month = $2,600
- Female payees: median gross income per month = $1,907

- Male payers: median net income per month = $1,861
- Female payers: median net income per month = $1,417
- Male payees: median net income per month = $1,981
- Female payees: median net income per month = $1,537

Income Distribution

The way the Michigan Formula works, each parent is placed in one of three equation categories depending on their guidelines income, which is an after-tax income that may include adjustments for additional dependents and other factors. The income threshold for the Low Income Equation (LE) during

[90] Hsu, Andrea. (Nov. 4, 2022). "Men are struggling. A New Book Explores Why and What to Do about It." https://www.npr.org/2022/11/04/1133586707/boys-men-labor-force-jobs-gender-gap-workforce.
[91] Fry, Richard, et al. (Apr. 2023). "In a Growing Share of U.S. Marriages, Husbands and Wives Earn about the Same. *Pew Report.* Retrieved from https://www.pewresearch.org/social-trends/2023/04/13/in-a-growing-share-of-u-s-marriages-husbands-and-wives-earn-about-the-same/.

the period of the MiCSES extract was $ 1,063 net per month, which related to the federal poverty guidelines for one person in 2020. The Low Income Transition Equation (LTE) is a sliding scale that depends on the number of children and the preliminary order amount based on the combined net incomes of the parents. It typically spans incomes just above the LE threshold to incomes of about $1,500 to $2,500 per month depending on the number of children. The General Care Support Tables (GCST) apply to higher incomes. Exhibit 8 shows the distribution of orders reviewed by FOCB.

Exhibit 8: Frequencies of Payee-Parents and Payer-Parents by Applicable Guidelines Formula: (Data Source: MICSES Extract)

	Payee-Parents		Payer-Parents	
Child Support Equation	**% of Parents by Applicable Equation**	**Median Monthly Net Income**	**% of Parents by Applicable Equation**	**Median Monthly Net Income**
Low Income	23%	$ 760	16%	$790
Low Income Transition	32%	$1,357	31%	$1,404
General Care	45%	$2,412	53%	$2,728
All	100%	$1,567	100%	$1,888

Employment and Income of Parents with Child Support Cases

National data shows that employment is generally less among custodial parents in the IV-D caseload[92] and low-income, nonresidential parents.[93] (See Exhibit 9 and Exhibit 10.) The studies did not relate this finding to the nature of low-wage employment, which often entails less than a 40-hour workweek, no paid time off, and frequent turnover. Rather, the studies focused on the circumstances of the parents. A chronic health condition or disability was the most common reason that nonresident parents did not work. Caregiving was the most common reason that resident parents did not work.

[92] Sorensen, Elaine. (2021). *Characteristics of Custodial Parents and Their Children.* Retrieved from *https*://www.acf.hhs.gov/sites/default/files/documents/ocse/characteristics_cps_and_their_children.pdf.

[93] U.S. Congressional Research Service. (Oct. 2021). *Demographic and Socioeconomic Characteristics of Nonresident Parents.* Retrieved from https://crsreports.congress.gov/product/pdf/R/R46942.

Exhibit 9: Employment Status in 2018 of Custodial Parents by Receipt of IV-D Services (U.S. Census Data)

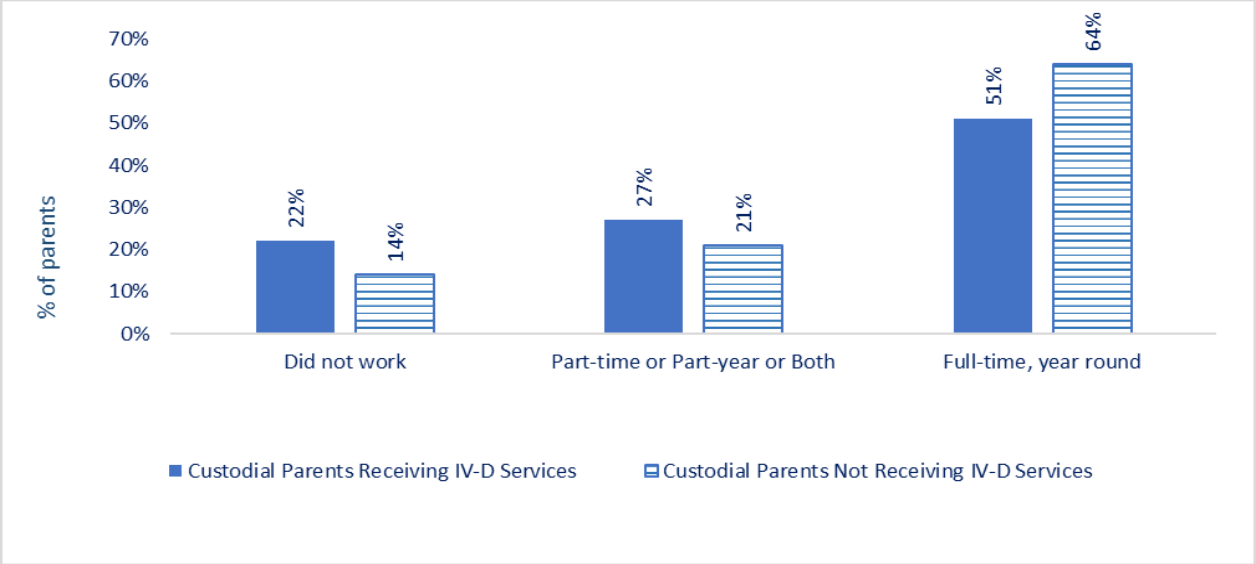
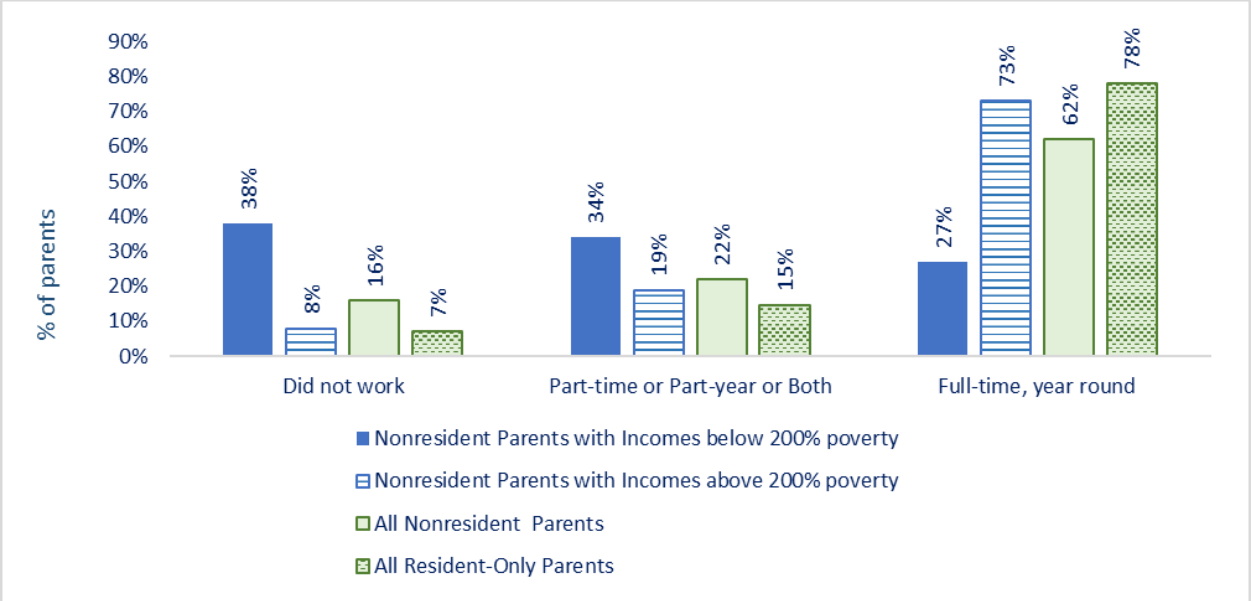


Exhibit 10: Employment Status in 2017 of Nonresidential Parents by Income Compared to Resident-Only Parents (U.S. Census Data)



Increasing Income Equality and the Shrinking Middle Class

Much has been written about increasing income inequality and the middle class shrinking. Child support cases can also be divided into three income classes, although the incomes do not perfectly align with income ranges used to discuss income inequality. To understand this, first note that all state guidelines

provide how to calculate a support order for a range of incomes. In Michigan, the Low Income Equation (LE) or Low Income Transition Equation (LTE) applies to those with the lowest incomes. Other states also have some sort of low-income adjustment, although the incomes to which they apply vary widely. This could be considered the lowest income group when child support guidelines are applied. For middle incomes, economic data on child-rearing expenditures for families of comparable family size and income are used as the basis of most state guidelines. In Michigan, this would be the General Care Support Tables (GCST). The highest income would be the highest income considered in the GCST, which is when the Michigan guidelines provide for the option of court discretion (i.e., the GCST provide that the Michigan Formula can be applied, or court discretion can be used when the combined income greatly exceeds $10,581 net per month). Most other state guidelines provide for judicial discretion when income is above the highest level for which child-rearing expenditures can be measured based on a large data set of families tracking their expenditures[94] (i.e., currently, this is above about $40,000 gross per month).

The major point of this subsection is that increasing income inequality and a shrinking middle class across society as a whole may result in more child support cases at the low and high ends—that is, being eligible for the LE or LTE or having combined incomes in the range where the guidelines provide for judicial discretion.

Changes in Consumption and Savings

Some argue that consumption inequality matters more than income inequality.[95] Consumption inequality recognizes the impact of the government safety net including public healthcare benefits that affect consumption but are not captured in income measures, changes in wealth, belt-tightening, and other factors. Many state guidelines review commissions also recognize the impact of the government safety programs and public healthcare benefits when reviewing their guidelines for similar reasons.

There are several trends that have affected consumption:

- Consumption disparity has not increased as rapidly as income disparity;
- The composition of household budget shares (i.e., percentage of expenditures devoted to food and the percentage devoted to housing, etc.) has changed; and
- Inflation and increased prices on specific economic goods and services are not uniform.

[94] This data set is the U.S. Bureau of Labor Statistics Consumer Expenditure Survey, which is discussed in more detail in the next chapter.

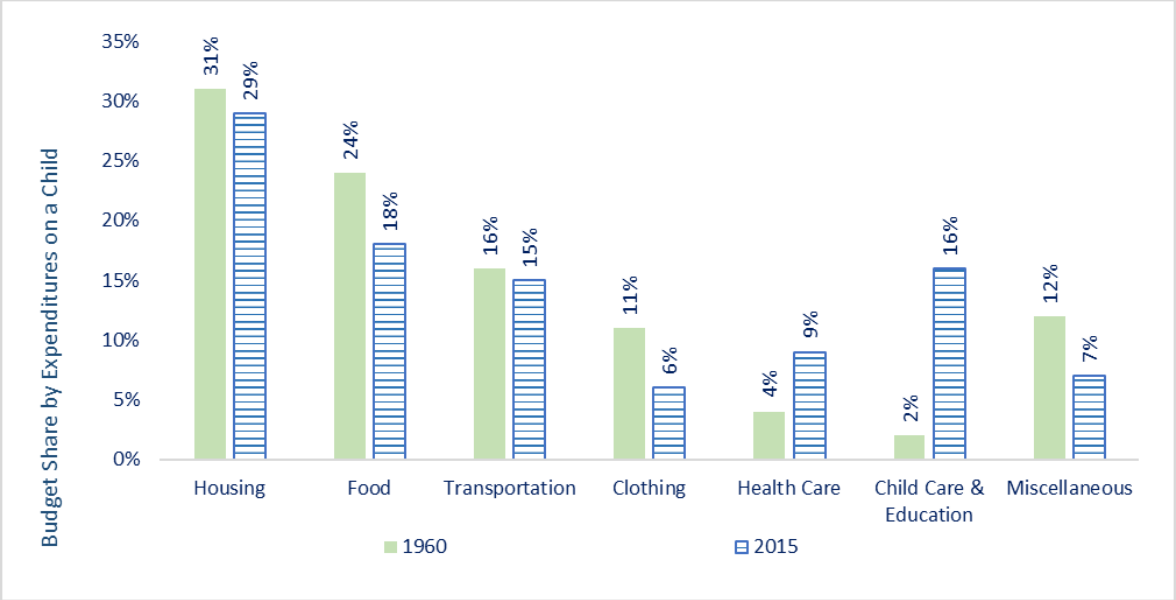
[95] For example, see Meyer, Bruce & Sullivan, James. (Jan. 2023). "Consumption and Income Inequality in the United States since the 1960s." *Journal of Political Economy.* Vol. 131, No. 2.

The government safety net is relevant to the Low Income Adjustment; hence, discussed more in Chapter 4 that addresses the Low-Income Adjustment. Public healthcare benefits are discussed more in Chapter 5 that addresses the treatment of the child's healthcare costs in the child support guidelines.

Changes in the Composition of Household Budget Shares

Exhibit 11 shows the changes in budget shares on expenditures on children from 1960 to 2015 based on a 2017 study conducted by the USDA on child-rearing expenditures for a child in a middle-income, married-couple family.[96] It shows a major increase in budget shares for childcare and education and healthcare, and major declines in budget shares for food, clothing, and miscellaneous expenses. The USDA attributes increases to the childcare portion to more women with children working and increased use of center-based childcare. The USDA attributes decreases in clothing and miscellaneous expenses to technological changes and globalization that have made these items less expensive. The USDA has not updated its 2017 study.

Exhibit 11: Changes in Budget Shares over Time for Expenditures on a Child from Birth through Age 17 (U.S.)



Childcare and the child's healthcare expenses are not included in the Michigan General Care Tables; rather, the actual amounts expended for childcare and the cost of the child's health insurance are addressed on a case-by-case basis in the guidelines calculation. Still, families may compensate for their

[96] Lino, Mark, et al. (2017). *Expenditures on Children by Families, 2015*. Misc. Pub. No. 1528-2015. U.S. Dept. of Agriculture, Center for Nutrition & Policy Promotion, Washington, D.C. Retrieved from https://cdn2.hubspot.net/hubfs/10700/blog-files/USDA_Expenditures%20on%20children%20by%20family.pdf?t=1520090048492.

increased expenditures on childcare and healthcare costs by spending less on other child-rearing expenditure items.

Recent Inflation and the COVID-19 Pandemic

Exhibit 11 does not show the impact of recent inflation and the economic changes caused by the COVID-19 pandemic that began in 2020. Inflation has increased at inconsistent rates for different categories of expenditures. From April 2020 (the beginning of the pandemic) to the most current price level available when this chapter was written (December 2023):

- The general price level for the nation (the Consumer Price Index for Urban areas, or CPI-U) increased 20%;
- Food prices increased 22%;
- Housing prices increased 21%;
- Transportation prices increased 36%; and
- Medical care increased 7%.[97]

Childcare expenses are not reported as a separate category in monthly CPI reports. Some suggest that the exorbitant increase in childcare costs and the lack of childcare workers has created a childcare crisis. The 2023 Kids Count Data Book, produced by the Annie E. Casey Foundation, finds that the cost of childcare has increased 220% since 1990.98 Without affordable and adequate childcare, parents have been forced to quit or be fired or had to turn down a new job offer.99

Changes in Savings and Difficulty Paying Bills

As of December 2023, the personal savings rate (which is personal savings as a percentage of disposable personal income across all individuals and households) was 3.7% and down from its May 2010 rate of 6.7%.[100] During the pandemic, it reached an all-time high of 24.9%, as of May 2020. This does not reflect that some families do not save anything. More data about savings (and whether families spend all, more or less than their income) is discussed when studies of child-rearing expenditures are reviewed because savings affect how much families spend. It varies by income level.

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[97] Calculated from the U.S. Bureau of Labor Statistics Consumer Price Index reports from various months. Retrieved from https://www.bls.gov/news.release/archives/cpi_05122020.pdf.
[98] The Annie E. Casey Foundation. (Jun. 2023). *2023 Kids Count Data Book*. Retrieved from https://assets.aecf.org/m/databook/aecf-2023kidscountdatabook-embargoed.pdf.
[99] For examples, see Wong, Ali. (Feb. 2023). "Child care crisis: What costly daycare and fewer workers mean for US economy and taxpayers." *USA Today.* Retrieved from https://www.usatoday.com/story/news/education/2023/02/07/daycare-costs-climbing-workers-disappearing-american-economy/11197416002/.
[100] U.S. Bureau of Economic Analysis. (Jan. 24, 2024). *Personal Savings Rate*. Retrieved from https://www.bea.gov/taxonomy/term/746.

Of more interest to child support, particularly given the inordinate share of low-income parents, are the results from the Making Ends Meet Survey conducted by the Consumer Financial Protection Bureau. The survey found that in January 2023, 37.8% of households had difficulty paying at least one bill or expense in the previous year, and the rates were higher for lower incomes (e.g., 61.2% for those with annual incomes of $20,000 or less and 53.7% for those with incomes of $20,001–$50,000).[101] (The percentage was actually higher before the pandemic but declined during the pandemic possibly due to stimulus money.) The fact underscores that many households have trouble paying bills, and not just child support owed.

Current Perceptions on Child Support Guidelines

In discussing perceptions of child support, it is important to recognize the purpose of child support, particularly child support guidelines. One purpose is to ensure both parents (if able) are financially responsible for their children. Other purposes are to ensure consistent outcomes among similarly situated cases and provide predictable amounts to parents making or considering changes. As a program, child support is also viewed as a program that alleviates child poverty.

Regarding what should be considered in the child support guidelines, there is growing consensus that parenting time should be factored into the child support calculation and that there should be low-income adjustment for parents with limited ability to pay. The latter is illustrated by the 2016-added federal requirement of state guidelines to consider the subsistence needs of parents who have limited ability to pay. The Michigan guidelines provide adjustments for both these factors.

Regarding child support in general, Vicky Turetsky, former Commissioner of what is now called the Federal Office of Child Support Services (OCSS) summarized the national perspective as:

> There is broad consensus that both parents should contribute to their children's support when living apart and custodial parents should not have to bear the sole burden of support. Consistent, on-time child support payments can help low-income families increase their economic stability and improve family relationships. Most noncustodial parents want to provide for their children, and most do pay child support.[102]

Guidelines and Consistent and Equitable Outcomes

The rate of deviations from the Michigan guidelines (i.e., Formula) speaks to consistent outcomes. The FOCB analysis of MiCSES data found a guidelines (Formula) deviation rate of 12%, which is low

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[101] Fulford, Scott, et al. (Dec. 2023). *Making Ends Meet in 2023: Insights from the CFPB Making Ends Meet Survey.* Consumer Finance Protection Bureau. No. 2023-8. Retrieved from https://files.consumerfinance.gov/f/documents/cfpb_making-ends-meet-in-2023_report_2023-12.pdf.

[102] Turetsky, Vicki. (Jun. 2019). *Reforming Child Support to Improve Outcomes for Children and Families.* Retrieved from https://abell.org/wp-content/uploads/2022/02/Abell20Child20Support20Reform20-20Full20Report202_20_202020edits20v1_3.pdf.

compared to other states. For example, Ohio's recent guidelines review found a deviation rate of 28% among new and modified orders entered by the court during the sample period.[103]

Whether a guidelines outcome is a fair and appropriate amount for the payer-parent and the payee-parent and children and consistent among similarly situated cases are more a matter of perception and, hence, addressed in the policy premise of the guidelines. Several states that have conducted surveys of parents on the fairness and adequacy of their state's child support guidelines generally find that the responses vary by whether the parent is the paying or payee-parent.[104] The findings from an 11-state customer survey of 5,432 current and potential participants of government child support programs also provides insights on the perception of child support guidelines.[105] Focused on general perceptions of child support and the services that government child support programs provide, the 2023 survey found that the child support service of most interest was the "Calculating/recalculating how much child support a parent should pay the other parent/caregiver." In other words, the child support guidelines, which are used to calculate/recalculate how much child support a parent should pay, was of most interest. The same survey found that the top reason for using government child support programs was that "The amount feels more fair if it's set by a neutral decision maker." Responses from other surveys and studies echo this sentiment. Without guidelines, the order amount can be determined by the stronger negotiator or even by coercion. The 2023 survey also found statistical differences in responses by income and race and ethnicity. Specifically, it found that higher income and White respondents are mostly interested in fairness of the child support order, very low-income respondents are almost equally concerned about the other parent seeming unwilling to pay, and Black and Hispanic/Latino respondents are also interested in other child support services (e.g., income withholding and payment recordkeeping).

Child Support as an Anti-Poverty Program

Regarding child support as an anti-poverty program, the findings are mixed. One frequently cited study finds that child support composes 41% of the income of poor custodial households receiving support in 2013.[106] Still, the most recent U.S. Census report on the Supplemental Poverty Measure (SPM), which considers the impact of participating in anti-poverty programs when measuring poverty, finds that child

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[103] Ohio Department of Job and Family Services. (2023). *2023 Child Support Guidelines Review: Report to the General Assembly*. Retrieved from https://jfs.ohio.gov/static/Ocs/employers/2023-Child-Support-Guidelines-Report.pdf.

[104] For example, see the results of the New Hampshire and Texas surveys retrieved from https://www.css-2022-nh-child-support-guidelines-review-report.pdf and https://www.texasattorneygeneral.gov/sites/default/files/files/child-support/files/2022/Child%20Support%20Division%20Guidelines%20Review%202022.pdf.

[105] Brogan Partners. (Apr. 2023). *Child Support Research Findings*. Presented to the NCCSD/NCSEA/OCSS Joint Committee on Public Relations. Retrieved from https://www.ncsea.org/wp-content/uploads/2023/09/National-Child-Support-Research_FINAL-NCSEA-003.pdf.

[106] Sorensen, Elaine. (Dec. 2016). "The Child Support Program Is a Good Investment." *The Story Behind the Numbers.* Office of Child Support Enforcement. Retrieved from https://www.acf.hhs.gov/sites/default/files/documents/ocse/sbtn_csp_is_a_good_investment.pdf

support received reduced the 2022 poverty rate among children under 18 years old by 0.47 percentage points.[107] (Nationally, the SPM measures child poverty at 12.4% in 2022.) In contrast, refundable tax credits reduced child poverty by 4.86 percentage points in the same year. The same report finds that payment of child support also put 0.08% more individuals in poverty. (The 2022 SPM found a poverty rate of 11.5% nationally among all individuals.) Undoubtedly, these individuals include some payer-parents with incomes at or near poverty. In all, this speaks to the need for appropriate low-income adjustment within state child support guidelines.

Chapter Conclusions and Future Research Needs

Family structures have changed, but still most children live with at least one biological parent and with a married couple; albeit the other half of the couple may be a stepparent. Although child poverty and participation in government anti-poverty programs have declined statewide and nationally, almost half of parents (i.e., payer-parents and payee-parents) with recently established and modified orders are low income. One factor that may contribute to this is the decline in employment and earnings opportunities in well-paying manufacturing jobs that do not require higher education. Exacerbating the issue is the impact of recent inflation on the cost of living. Increasing childcare costs is of particular concern for working parents. Further, a significant share of households across the nation have difficulty paying their bills, not just child support.

The data finds most payer-parents are males. Research studies find that father involvement in child-rearing and equal physical custody are increasing, but there still is not equal involvement between mothers and fathers and equal physical custody in most situations. Besides the impact of shared physical custody on the need for child support and the amount of child support, the closing wage gap between males and females also affects the need and amount.

Some general perceptions are that both parents should be financially responsible for their children, child support guidelines should factor in timesharing arrangements and consider a low-income parent's ability to pay. State child support guidelines such as the Michigan Formula are valuable in determining the order amount in a neutral way.

In conclusion, child support guidelines such as the Michigan Formula are useful. If current trends persist (i.e., low incomes, increased parenting time, and increased cost of living), the challenge will be establishing appropriate guidelines amount in these circumstances. Whatever the guidelines amount is at very low incomes (i.e., near poverty), it may not be enough to adequately support the child and leave the payer-parent sufficient income to live above poverty. This requires some difficult policy decisions.

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[107] Shrider, Emily, & Creamer, John. (Sept. 2023). *Poverty in the United States: 2022.* U.S. Census Current Population Reports, P60-280. Table B-7. Retrieved from https://www.census.gov/library/publications/2023/demo/p60-280.html.

For those who are not low income, appropriately addressing parenting time and adjusting the general care amounts to reflect current costs are the largest concerns.

Future Research Needs

It is difficult to untangle the finances and budgeting of modern families to construct a child support formula that is flexible enough to handle each factor when each child support case has a unique set of factors to consider. The diversity of modern families spans complex timesharing arrangements, sharing of financial resources and budgeting in blended families, intergenerational families and other living arrangements, and even children with two or more parents. Detailed datasets tracking the expenditures per child made by each parent in these diverse circumstances do not currently exist. Such datasets would inform the appropriate child support formulas in circumstances where the parents have sufficient financial resources to meet their own subsistence needs as well as provide adequately for their children. These datasets would be difficult and time-consuming to create. Also, they would be limited by what the survey respondent reported or could remember about specific expenditures (e.g., was the food purchase for all children in the household or just those children subject to the child support order.)

Regarding child support formulas for low-income parents, perceptions of what is a fair formula may matter more than data on what is actually spent on children by low-income families. As is, the perception is that low-income adjustments alone are fair and appropriate, but there is a dearth of research findings on what the precise amounts should be. Exacerbating the issue is that public perceptions about fair and appropriate amounts may be limited to individual experiences and clouded by ill-informed knowledge of the cost of living and what assistance programs are available to children and parents. Some believe that availability of the social net should be considered, but it is not clear why and how. Some believe child support should offset public assistance, while others believe if there is a safety net for children, a low-income payer-parent should face a reduced amount of child support. It is generally accepted that government child support programs were established as a cost recovery program and as well to equalize income/support between the custodial household and the payer-parent,[108] but it is unknown whether the general public's current perspective has changed. Should today's child support be a cost recovery program, a cost avoidance program, or something else? Knowing that perspective may help craft more appropriate child support formulas for low incomes.

[108] U.S. Senate Committee on Finance. (Dec. 13, 1974). *Social Services Amendments of 1974.* p. 55. Retrieved from https://www.finance.senate.gov/imo/media/doc/social8.pdf.

CHAPTER 3: THE ECONOMIC COST OF RAISING CHILDREN AND THE GENERAL CARE SUPPORT TABLES (GCST)

The General Care Support Tables (GCST) are the core of the guidelines calculation. The GCST relate to economic data on the cost of raising children. This chapter reviews the underlying assumptions and data of the existing GCST, reviews whether the underlying assumptions are still appropriate, reviews more economic data, and prepares an updated GCST.

CHAPTER SUMMARY

Basis of Current General Care Support Tables (GCST). The GCST are based on a 1984 study of child-rearing expenditures conducted by Dr. Thomas Espenshade by applying the Engel methodology to 1972–73 Consumer Expenditure (CE) survey data. It excludes childcare costs and the cost of the child's healthcare expenses. It is updated to 2020 price levels. It reflects child-rearing expenditures for children ages 12 through 17 in intact families.

Appropriateness of Assumptions Underlying GCST. The major assumption underlying the GCST is the income shares model that presumes each parent is responsible for their prorated share of child-rearing expenditures; and the child is entitled to the same amount of expenditures the child would have received had the parents lived together and shared financial resources. Some of the concerns are whether expenditures in single-parent families are more appropriate, it neglects how child-rearing expenditures vary when there are additional dependents or blended families, it does not consider in-kind contributions, and whether the age adjustment is appropriate. Empirical data is used to explore these concerns and finds no overwhelming evidence to change these assumptions other than to lower the age adjustment slightly and revisit the appropriateness of the additional dependents adjustment at higher incomes.

Economic Data on the Cost of Raising Children. The study compares the 11 different studies underlying state child support guidelines and more current estimates of child-rearing expenditures. The studies vary in their results but are often small. Some of the variation over time appears to be improvements with the CE rather than actual trends in the change in child-rearing expenditures.

Updated GCST. The most current Betson-Rothbarth study is used to update the GCST. Generally, the same underlying assumptions (non-data assumptions) and steps used to translate the Espenshade estimates to the existing GCST are used to translate the BR estimates to the updated GCST.

Chapter Conclusions and Recommendations. Michigan should update its GCST for more current economic data. Michigan can continue to use its current method for periodically updating the GCST.

Overview and Basis of the General Care Support Tables

For those who are not low income, the core of the Michigan Child Support Guidelines calculation is the General Care Equation (GCE). (The Michigan equations and thresholds for low-income parents are reviewed in the next chapter.) The GCE is used to determine base support for an individual case. Base support is determined using the General Care Support Tables (GCST), which are a series of lookup tables of incomes and percentages that vary by the number of children. Exhibit 12 shows the GCE and the GCST for One Child from the Guidelines in effect when this chapter was written.

Exhibit 12: Excerpt of the General Care Equation (GCE) and General Care Support Table (GCST) for One Child

3.02(B) General Care Equation

(2) Solve the following equation using the General Care Support Table (found in the supplement) for the appropriate number of children that the parents have in common and its amounts and percentages from the highest monthly income level that does not exceed the family's net monthly income.

{A + [B X (C - D)]} X E = G

A= Base Support (General Care Support table, column 3)
B = Marginal Percentage (General Care Support table, column 4)
C = Monthly Net Family Income (§3.02(B)(l))
D = Monthly Income Level (General Care Support table, first column)
E = Parent's Percentage Share of Family Income (§3.02(B)(l))
G = Base Support obligation using the General Care Equation (round to the nearest whole dollar)

General Care Support Table: One Child

Income Amount	Base Percentage	Base Support	&	Marginal Percentage		
$1,318	25.5%	$336.09	+	24.17%	over	$1,318
$2,116	25.0%	$529.00	+	17.50%	over	$2,116
$2,886	23.0%	$663.78	+	16.65%	over	$2,886
$3,703	21.6%	$799.85	+	14.65%	over	$3,703
$4,810	20.0%	$962.00	+	13.91%	over	$4,810
$6,830	18.2%	$1,243.06	+	12.37%	over	$6,830
$8,417	17.1%	$1,439.31	+	11.23%	over	$8,417
$10,581	15.9%	$1,682.38	+	10.00%	over	$10,581 or at the court's discretion

The GCST shown in Exhibit 12 (and the other GCST for two and more children) were based on a 1980s study of child-rearing expenditures in intact families that had been updated to 2020 price levels. This chapter details the basis of the current GCST including the economic data and policy premises, reviews the current economic cost of child rearing and how it varies for the modern family, and whether the policy premises are appropriate for today's families. Finally, this chapter uses more current economic data to develop updated GCST.

Basis of Current General Care Support Tables

Prior to the adoption of the Friend of the Court Act, Public Act 294 of 1982, Michigan circuit courts used a variety of locally established standards for setting child support.[109] Not only did the 1982 Act authorize the Friend of the Court Bureau (FOCB), but also directed the FOCB to establish a child support formula (statewide guidelines). As shown in Exhibit 13, state statute mandates that the Michigan Formula be based on the needs of the child and the actual resources of each parent, as well as consider childcare expenses and the cost of the child's healthcare.

In response to the 1982 Act, the Michigan State Court Administrative Office, which oversees FOCB, formed a Child Support Guidelines Committee to develop a statewide formula. The Committee published its report in 1986, which is before the National Child Support Guidelines Project published its final report and recommended guidelines formulas in 1987. However, Michigan did receive technical assistance through the National Guidelines Project including early drafts of its recommended formulas. Although the precise draft formulas shared with Michigan cannot be located,[110] it appears that the GCE and GCST are based on the draft formula recommended by the National Project. The differences in the underlying data sources of the guidelines formula appearing in the interim National Report and the Final Report is well documented[111] and noted in this discussion.

As shown in Exhibit 3, the GCE embraces the guidelines principles established by the national committee (e.g., both parents should be financially responsible for their children, the subsistence needs of each parent should be taken into account, and the child support amount should allow the child to share in the standard of living enjoyed by a parent able to live above subsistence).

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[109] Gehm, Paul. (Sept. 3, 2015). "Michigan's Child Support Formula Approaching 30 Years: Lessons Learned, Trails Blazed." *The Pundit.* State Court Administrative Office. Retrieved from https://info.courts.mi.gov/pundit/michigan-s-child-support-formula-approaching-30-years-lessons-learned-trails-blazed.

[110] The primary author of this report was an employee of Policy Studies Inc. (PSI, which provided technical assistance to states on the development of child support guidelines) until 2007. During that time, she came across memoranda and correspondences that Michigan relied on the preliminary draft of the recommended formula. It is unknown what happened to Michigan's technical assistance file after PSI was acquired by Maximus in 2012.

[111] National Center for State Courts. (1987). p. ii-139.

Exhibit 13: Michigan Statute Directing the Friend of the Court Bureau to Establish Statewide Child Support Guideline (Excerpt from Friend of the Court Act 294 of 1982).

552.519(3)(a)(iv) State friend of the court bureau; creation; supervision and direction; main office; duties; state advisory committee; report or recommendation; reimbursement for expenses; meetings; assistance.

Sec. 19.

(1) The state friend of the court bureau is created within the state court administrative office, under the supervision and direction of the supreme court.

(2) The bureau shall have its main office in Lansing.

(3) The bureau shall do all of the following:

(a) Develop and recommend guidelines for conduct, operations, and procedures of the office and its employees, including, but not limited to, the following:

…

(vi) A formula to be used in establishing and modifying a child support amount and health care obligation. The formula shall be based upon the needs of the child and the actual resources of each parent. The formula shall establish a minimum threshold for modification of a child support amount. The formula shall consider the child care and dependent health care coverage costs of each parent. The formula shall include guidelines for determining which parent is required to maintain health care coverage for the child and include a presumption for determining the reasonable cost and accessibility of health care coverage. The formula shall include guidelines for setting and administratively adjusting the amount of periodic payments for overdue support, including guidelines for adjustment of arrearage payment schedules when the current support obligation for a child terminates and the payer owes overdue support.

Espenshade Study of Child-Rearing Expenditures

The GCST rely on a study of child-rearing expenditures by Dr. Thomas Espenshade published in 1984.[112] After assessing several different studies of child-rearing expenditures, staff with the 1983–87 National Project concluded that Espenshade's study was the most credible and, hence, relied on it for the development of the prototype income shares model.[113] Espenshade used the Engel methodology to separate the child's share of expenditures from total household expenditures. A separation of methodology because many household expenditures are shared by the children and adults living in the same household. (The different methodologies used to separate child-rearing expenditures from total household expenditures are discussed later in this chapter.) Espenshade applied the Engel methodology to expenditures data collected from families participating in the 1972–1973 Consumer Expenditure (CE) Survey administered by the U.S. Bureau of Labor Statistics (BLS). The CE is the most comprehensive,

[112] Thomas J. Espenshade. (1984). *Investing in Children: New Estimates of Parental Expenditures*, Urban Institute Press: Washington, D.C.

[113] See National Center for State Courts. (1987). *Development of State Child Support Guidelines*. p. II-19.

thorough, and rigorous survey of expenditures available. Beginning in 1979,[114] the CE became an ongoing continuous survey. Today, households rotate in and out of it every quarter. It continues to be the data source for most current studies on the cost of child rearing. The BLS continuously monitors the CE for its reliability and accuracy; and has improved it based on the findings of its monitoring.

Espenshade selected a subset of CE households for his analysis—namely, those comprising a husband and wife with either no other persons or just children of the husband and wife. Further, he imposed age restrictions on the children and the husband (i.e., the husband had to be less than 55 years old.) Although the use of expenditures data from intact families is consistent with the concept of the income shares guidelines model, the issue of whether the GCE should rely on expenditures data from two-parent families or single-parent families is revisited later.

Overview of Espenshade Findings

Espenshade reported most of his results in 1981 dollar amounts for low, middle, and high socioeconomic families, where socioeconomic status generally relates to income status.[115] For one table, Espenshade converted his dollar estimates to percentages of total expenditures as well as percentages of before-tax (gross) income.[116] These percentages, which are shown in Exhibit 14, are the basis of the guidelines percentages developed for the National Project that became the basis of the Michigan General Care Tables. They generally show that the percentage of net income devoted to child-rearing expenditures is consistent across socioeconomic class (i.e., about 24% of net income for one child and about 41% of net incomes for two children), but the percentages relating to gross income decline as socioeconomic status increases. To be clear, the total dollar amount expended increases with higher socioeconomic status (income), but the percentage of gross income dedicated to child-rearing expenditures declines.

The difference between gross income and household expenditures are taxes, savings,[117] and expenditures outside the home such as gifts and charitable contributions. Most of the decrease in the percentage of gross income devoted to child-rearing expenditures is due to progressive federal tax rates—that is, after-tax income as a percentage of gross income shrinks because tax rates become progressively higher with more income.

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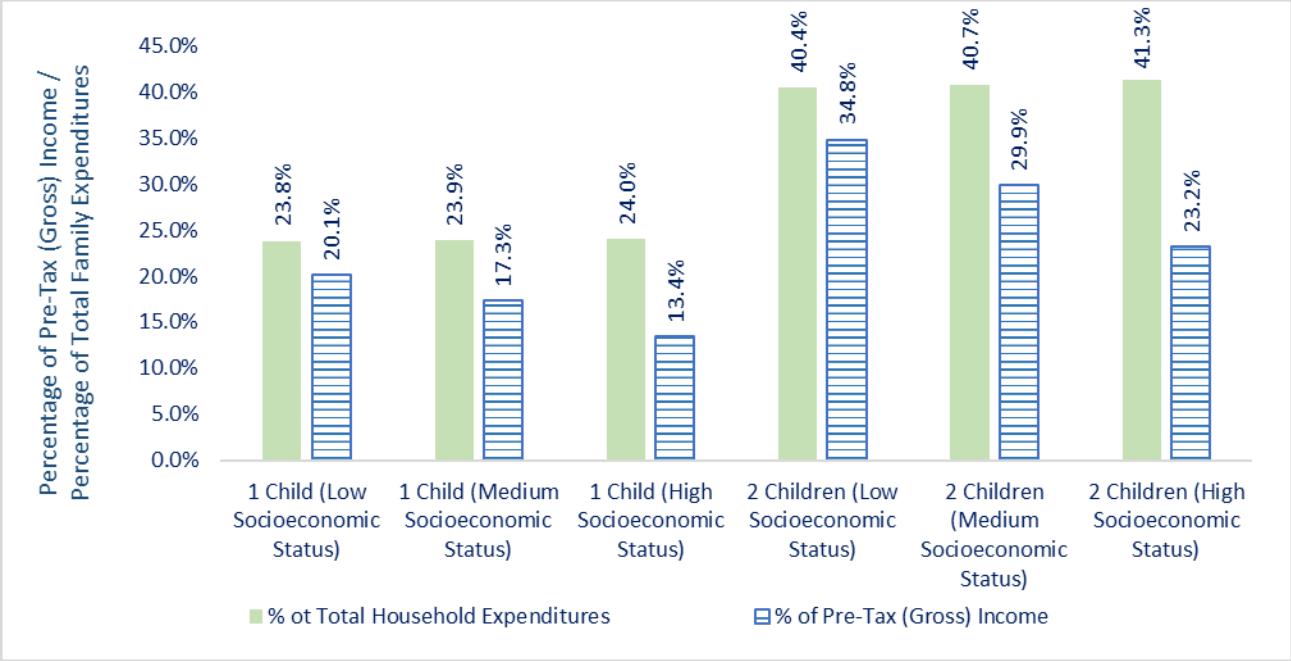
[114] U.S. Bureau of Labor Statistics. (n.d.). *Consumer Expenditures and Income:* History. Retrieved from https://www.bls.gov/opub/hom/cex/history.htm.

[115] The classification was based on the highest educational attainment and occupation of the husband, but generally related to income. See National Center for State Courts (1987). p. II-26. Espenshade used socioeconomic status because he was measuring child-rearing expenditures from age zero through 17. Socioeconomic status is generally time-invariant, whereas income would likely change with the lifecycle income (which is a term used in the economic sciences used to explain income and consumption decisions of individuals and households over time.) (See Espenshade (1984), p. 20).

[116] Espenshade (1984), Table 20, p. 99.

[117] There is considerable discussion of whether savings should be considered in the base for child support in the report of the National Project. Generally, the report argues against the inclusion because children benefit from their parents' savings when it is on their behalf (e.g., college fund and inheritance). See National Center for State Courts (1987), page II -26.

Exhibit 14: Percentage of Total Household Expenditures / Pre-Tax (Gross) Income Devoted to Child-Rearing Expenditures in 1981, According to Espenshade (1984)[118]



Conversion of Espenshade to Child Support Formula/Table

Besides determining an appropriate income base, staff from the National Child Support Project had to consider several factors to translate the Espenshade percentages to a prototype guidelines table relating to combined net income. It is assumed that the same or similar steps were used to translate Espenshade percentages to the GCST. The factors considered in the translation were:

- Converting the Espenshade percentages that related to socioeconomic class to net income;
- Translating the Espenshade percentages (which were reported either as a percentage of total expenditures or before-tax (gross) income) to after-tax income;
- Expanding the percentages to cover three or more children;
- Adjusting for age of the child; and
- Excluding the child's medical expenses and childcare expenses.

Converting Espenshade Findings from Socioeconomic Class to After-Tax Base

It is not entirely clear why Michigan chose to base its GCST on after-tax income rather than gross income. However, the National Project report notes that using after-tax (net) income better represents

[118] See Espenshade (1984), Table 20, p. 99.

the income available for child-rearing expenditures because not all before-tax (gross) income is available if the parent's income is subject to income taxes. The National Project provided a child support table for net income and another child support table for gross income.

The National Project used expenditures and income data from the 1972–73 Consumer Expenditure Survey (CE) to convert Espenshade percentages to an income base. The conversion simply multiplied the Espenshade percentage by the ratio of total household expenditures to after-tax tax incomes for a range of household incomes, where the ratios were from the 1972–73 CE. The percentages were further adjusted from the interim to the final Guidelines Project tables for more current CE on consumption and incomes (i.e., 1984 levels were used in the final report instead of 1972–73 levels) and changes in price levels (i.e., 1986 levels were used in the final report).[119] The Michigan FOCB periodically updated the original GCST for changes in price levels. At the time that this report was written the GCST reflected price levels from the Detroit area as of February 2020.[120]

Expanding Espenshade to Three or More Children

Espenshade provided estimates for one and two children. He found that two children are not double the cost of one child because there are some economies of scale in consumption. For example, the second child may share a bathroom with the first child; hence, the increase in expenditures for two children is not equivalent to the expenditures made solely for the first child. This is important when extending the estimates to three or more children because it is presumed there are further economies of scale (e.g., a third child may also share that bedroom). Economists have developed equivalence scales (that generally rely on the concept of economies of scale) to adjust for family size. For example, equivalence scales are often used in international comparisons of incomes or consumption across countries that vary in their average family size.[121] The Guidelines Project relied on an equivalence scale published by the U.S. Department of Labor in 1968.[122]

Adjusting For Age of the Child

Espenshade found evidence that child-rearing expenditures increase for older children. When Michigan first adopted its GCST, Michigan used expenditure data for children ages 12–17.[123] This would be

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[119] The final report discusses an adjustment for a gap between net income and total expenditures at high income. That adjustment was not made in the interim report.

[120] Michigan State Court Administrative Office Friend of the Court Bureau. (Jan. 2021). *Michigan Child Support Formula Supplement.* Retrieved from https://www.courts.michigan.gov/4a64db/siteassets/publications/manuals/foc/2021mcsfsuppl.pdf.

[121] For example, see Organization for Economic Cooperation and Development. (n.d.). *What Are Equivalence Scales?* Retrieved from https://www.oecd.org/els/soc/OECD-Note-EquivalenceScales.pdf.

[122] U.S. Bureau of Labor Statistics. (Nov. 1969). *Revised Equivalence Scale for Estimating Equivalent Incomes of Budget Costs by Family Type.* Retrieved from https://fraser.stlouisfed.org/title/revised-equivalence-scale-estimating-equivalent-incomes-budget-costs-family-type-4833.

[123] Policy Studies Inc. (Apr. 2002). *Report on the Michigan Child Support Formula*. Submitted to the Michigan Friend of the Court Bureau. p. 75.

consistent with research that finds parents tend to divorce when their children are older, as well as research that shows never-married parents are often romantically involved with each other at the time of the birth of their child.

Excluding the Child's Medical Expenses and Childcare Expenses

The child support formulas developed by the National Project (as well as the GCST) exclude the costs of childcare and extraordinary medical expenses.[124] The rational was that since the actual amount is highly variable from case to case (e.g., a case with older children has no childcare expenses, while a case with an infant may have substantial childcare expenses), the actual amount incurred for childcare and extraordinary medical expenses should be considered on a case-by-case basis; hence, these expenses should be excluded from the base child support table (which is the GCST in Michigan.)

To this end, the National Project estimated costs of childcare and extraordinary medical expenses and subtracted them from the Espenshade estimates. The data source was summary data from the 1972–73 CE for a four-person family.[125] Additional manipulations were necessary to the summary data to subtract them from the Espenshade percentages. Since the summary data combined care for children and the elderly, a per-child amount for childcare was identified by dividing the total by the number of adults and children in the household for a range of incomes. In other words, it was assumed that the cost of childcare and eldercare were the same. The summary data reported all medical expenses not covered by insurance less a presumed deductible of $200 per year in 1986 dollars. The presumed deductible was intended to align with the definition of extraordinary medical expenses in the Colorado and Ohio child support guidelines at the time. For the development of the Michigan General Care Tables, all medical expenses not covered by insurance were subtracted.[126]

Summary of Data Underlying GCST Effective 2021

In summary, the GCST are based on expenditure and income data from the 1972–73 Consumer Expenditure Survey (CE). This includes the Espenshade estimates of child-rearing expenditures developed from the 1972–73 CE and other income and expenditure data from the 1972–73 CE to convert Espenshade's estimates to child support tables. It also appears that the 1981 and 1984 Consumer Price Index were used to update some of the 1972–73 data to more current price levels when Michigan initially adopted its formula. Subsequently, the Consumer Price Index for the Detroit area was used to periodically update the GCST. The 2021 update relied on the Detroit area price index February

[124] For the purposes of this overview, extraordinary medical expenses mean those medical expenses incurred on behalf of the child that are substantial and exceed insurance reimbursement. However, as discussed more thoroughly in a subsequent chapter, the landscape of insurance and out-of-pocket medical expenses has vastly changed since the 1980s; those changes should be considered when re-assessing how the Michigan Formula addresses the child's healthcare and the costs of that care.
[125] U.S. Bureau of Labor Statistics. (1978). *Consumer Expenditure Survey: Interview Survey, 1972-73.* Table 5. Retrieved from https://fraser.stlouisfed.org/title/consumer-expenditure-survey-interview-survey-1972-73-4689?browse=1970s.
[126] Policy Studies Inc. (Apr. 2002). *Report on the Michigan Child Support Formula*, p. 82.

2020. The 2021 GCST do not include childcare expenses and do not include the child's medical expenses. They are based on expenditures on children ages 12–17 years old.

Appropriateness of Underlying Assumptions of General Care Equation and Support Tables

This section reviews the appropriateness of underlying policy assumptions underlying Michigan General Care Equation and Support Tables, the reliance on the income shares model, the use of child-rearing expenditure data from intact families, and reliance on expenditure data for older children. It also addresses the lack of consideration of in-kind support and other considerations of the modern family.

Guidelines Models and Expenditures Data

The guidelines model, which is a policy decision, is important to directing what economic data on child-rearing cost to use. No state relies on a guidelines model that only covers the cost of the child's subsistence needs. Instead, the amount of support is more when the payer-parent has more income under all state guidelines (assuming all other circumstances including the number of overnights with the paying parent are held constant). The underlying premise is that the child should share in the lifestyle afforded by the parent when the parent has income above subsistence.

The most common principle used for state guidelines models is what University of Wisconsin researchers call the "continuity of expenditures model"—that is, the child support award should allow the children to benefit from the same level of expenditures had the children and both parents lived together.[127] Most (41 state guidelines, including Michigan's General Care Equation and Support Tables) rely on the income shares model.[128] It presumes that the children are entitled to the same level of expenditures they would have had received had the children and both parents lived together and shared financial resources, and that each parent is responsible for their prorated share of those expenditures. To this end, most income shares formula rely on measurements of child-rearing expenditures in intact families. Most states that only consider the payer-parent's income in their guidelines formula also rely on measurements of child-rearing expenditures in intact families but presume that the receiving-parent contributes an equal dollar amount or percentage of income to child-rearing expenditures.

After reviewing seven different guidelines models in the initial development of the Michigan Formula, Michigan decided to use the income shares model.[129] Which guidelines models Michigan reviewed is

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[127] Rothe, Ingrid, & Berger, Lawrence. (Apr. 2007). "Estimating the Costs of Children: Theoretical Considerations Related to Transitions to Adulthood and the Valuation of Parental Time for Developing Child Support Guidelines." *IRP Working Paper,* University of Wisconsin: Institute for Research on Poverty, Madison, WI.

[128] National Conference of State Legislatures. (Jul. 2020). *Child Support Guideline Models*. Retrieved from https://www.ncsl.org/research/human-services/guideline-models-by-state.aspx.

[129] Gehm, Paul. (Sept. 3, 2015). "Michigan's Child Support Formula Approaching 30 Years: Lessons Learned, Trails Blazed." *The Pundit.* State Court Administrative Office. Retrieved from https://info.courts.mi.gov/pundit/michigan-s-child-support-formula-approaching-30-years-lessons-learned-trails-blazed

unknown. Today, states rely on one of three guidelines models: income shares, percentage of obligor income, and the Melson formula. Delaware, Hawaii, and Montana rely on the Melson Formula, which can be described as a hybrid between the income shares model and percentage of obligor income guidelines. It starts with prorating a basic subsistence level for the child between the parents; then, if the remaining income of the payer-parent is sufficient to meet that parent's share as well as a self-support reserve for that parent, an additional percentage of the remaining income is added to the parent's share of the child's subsistence amount.

Most states do not adhere strictly to the income shares model. Like Michigan, most states rely on other principles for their low-income adjustment and adjust for additional dependents that a parent supports, and other circumstances. Research finds that other factors (e.g., economic basis, whether the child support tables have been updated for changes in price levels, and adjustments for low-income parents) affect state differences in guidelines more than the guidelines model.[130] All states that have switched guidelines models in the last two decades have switched to the income shares model (i.e., Arkansas, District of Columbia, Georgia, Illinois, Massachusetts, Minnesota, and Tennessee). Common reasons for switching to the income shares model are its perception of fairness to each parent because it considers each parent's income in the calculation of support rather than just one parent's income, and its flexibility to consider individual case circumstances such as extraordinary child-rearing expenses that vary from case to case (e.g., childcare expenses) and timesharing arrangements. Besides the guidelines models in use, there are several other guidelines models not in use that have been proposed in several states.[131] Each have failed for various reasons.

Expenditures Data from Intact and Single-Parent Families

A common criticism of the income shares model is that it relies on child-rearing expenditures in intact families. The rationale is that the child should be held harmless—that is, the child's economic well-being should be unaffected by the parent's decisions to divorce, separate, or not live together. It presumes that children of ever-married and never-married parents should not be treated differently if their financial circumstances are similar. Critics of the income shares model are particularly bothered by applying this premise when the parents never lived together.

FOCB analysis of Michigan case file data finds that 64% of child support orders involve parents where a father's paternity needed to be established or where the parents had never been married. The Michigan

[130] Venohr, J. (Apr. 2017). Differences in State Child Support Guidelines Amounts: Guidelines Models, Economic Basis, and Other Issues. *Journal of the American Academy of Matrimonial Lawyers*.

[131] For example, see the Child Outcomes Based Model discussed by the Arizona Child Support Guidelines Review Committee, Interim Report of the Committee, Submitted to Arizona Judicial Council, Phoenix, Arizona on October 21, 2009; the American Law Institute (ALI) model can be found in the 1999 Child Support Symposium published by *Family Law Quarterly* (Spring 1999); and the Cost Shares Model can be found at Foohey, Pamela. "Child Support and (In)ability to Pay: The case for the cost shares model." (2009). *Articles by Maurer Faculty.* 1276. Retrieved from https://www.repository.law.indiana.edu/cgi/viewcontent.cgi?article=2271&context=facpub.

casefile data does not track how many of these cases involved parents who ever lived together, which is more salient to the issue. National data finds that one half of unmarried parents were cohabiting at the time of the child's birth.[132] In other words, half of children born to unmarried parents lived as an intact family. In addition, the low-income equation and the low-income transition equation, which are not based on economic data on the cost of raising the child in intact family, apply to most cases involving paternity (83% of paternity cases). Still, although data finds that poverty is more common among unmarried parents than ever-married parents, non-marital births should not be conflated with the issues of poverty and low income. There are never-married parents with incomes significantly above poverty in which the General Care Equation is appropriate. The Michigan Child Support Formula addresses low income. Assuming two cases where the incomes of the parents are identical and the same number of children, the real question is whether the guidelines should provide a different amount if the only difference is that the parents were married in one case but never married in the other case? This is the ultimate policy question. The existing Michigan Formula considers incomes, not the martial relationship of the parents.

Putting this policy debate aside, another criticism of the income shares is that it is backward looking (i.e., looking at the financial situation before child support was sought) rather than forward looking (i.e., considering the child may live in a single-parent household). The counterargument to this is that the economic evidence finds that single-parent families and married-couple families spend about the same dollar amount on children.[133] For example, as summarized in Exhibit 15, the USDA finds that low-income families spend an average of about $9,500 to $9,700 per year for one child in a two-child household regardless of whether they are a married-couple family or a single-parent family. Exhibit 15 shows what does vary between a married-couple family or a single-parent family is their average gross income (i.e., the average is $36,300 per year for the married-couple family and $24,400 for the single-parent family in low-income households). Consequently, the percentage of income devoted to child-rearing expenditures is actually higher among single-parent families than married-couple families. This is pertinent to the GCST because they are expressed as a percentage of income.

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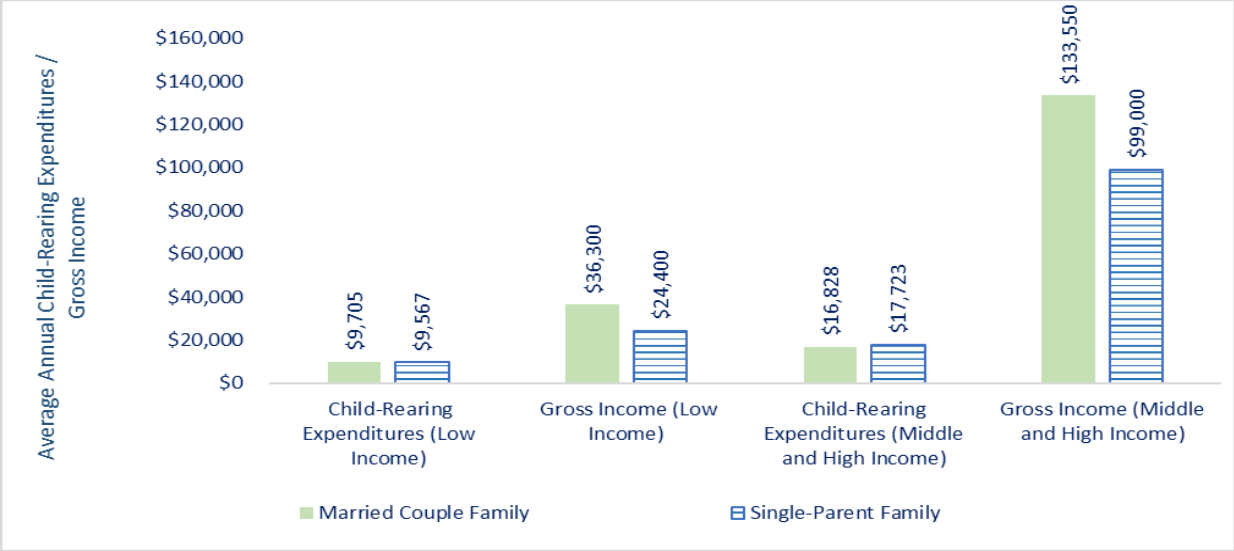
[132] Princeton University Bendheim-Thoman Center for Research and Child Wellbeing. (Jun. 2007). "Parents' Relationships Status Five Years after a Non-Martial Birth." *Fragile Families Research Brief.* https://ffcws.princeton.edu/sites/g/files/toruqf4356/files/researchbrief39.pdf

[133] For example, Lino et al. (2017) estimates child-rearing expenditures from ages zero to 17 years old among low-income families to be $174,690 among married-couple families and $172,200 among single-parent families. Source: Lino, Mark, et al. (2017). *Expenditures on Children by Families, 2015*. Misc. Pub. No. 1528-2015. U.S. Dept. of Agriculture, Center for Nutrition & Policy Promotion, Washington, D.C. Table 1, p 24 and Table 5, p. 28. Retrieved from https://www.fns.usda.gov/resource/2015-expenditures-children-families.

Exhibit 15: Average Annual Child-Rearing Expenditures/Gross Incomes in 2015 for Married and Single-Parent Families (Source: USDA)[134]



Undoubtedly, the incomes from dual-working parents averaged across all married-couple families (where some involve only one working parent and others involve two working parents) contribute to the income difference from single-parent family, where there is only one parent who can work. Another limitation to using child-rearing expenditures from single-parent families is there is an insufficient number of single-parent families with high income to produce reliable estimates for high-income families,[135] which is important to informing GCST percentages at high income.

Child-Rearing Expenditures in Blended Families and Other Family Types

Another concern with using expenditures in intact families is the composition of families is not always limited to the parents and the minor children of those parents. This is relevant to the additional children adjustment in the Michigan Formula. Based on the FOCB analysis of MiCSES case data, 39% of payer-parents and 37% of payee-parents had an adjustment to their income used in their guidelines calculations for additional children. A data set that can analyze this level of detail does not exist. The Consumer Expenditure (CE) Survey, which is the best data available for estimating child-rearing expenditures, had some detail about who is living in the household and their relationships to the adult

[134] The amounts are reported for urban areas in the USA. The USDA study divides married-couple families into thirds based on their gross income when reporting the information (i.e., low, middle, and high incomes). For the purposes of the comparisons, the middle and high income groups of married couples are averaged. The data source is Lino, Mark, et al. (2017). *Expenditures on Children by Families, 2015*. Misc. Pub. No. 1528-2015. U.S. Dept. of Agriculture, Center for Nutrition & Policy Promotion, Washington, D.C. Table 1, p. 24 and Table 6, p. 29. Retrieved from https://www.fns.usda.gov/resource/2015-expenditures-children-families.

[134] Lino et al. (2017), ibid, p. 13.

[135] Lino et al. (2017), ibid, p. 13.

responding to the survey, but the CE does not track for whom a particular expenditure is made (i.e., whether it was made for an adult or a specific child), which is further complicated because many expenditure items (e.g., food) are consumed by all members in the household. A methodology is necessary to separate not only the adults' share from the children's share, but also among the children by their relationship to the parent. Such a methodology does not exist.

Regardless, there is no research to believe the marginal cost of another child in the household (such as a parent having another child with their current live-in partner) is different than the marginal cost of adding another own child in an intact family.[136] As discussed later in this chapter, there is some economies of scale to having more children (e.g., having two children is not double the cost of having one child because of sharing of the bedroom and other household items). This explains why the percentage reduction for additional children in the current Michigan Formula decreases at a decreasing rate. For example, the Michigan adjustment multiplier is 83% for one child and 75% for two children, which means a reduction of 8 percentage points for having the second child (i.e., the 83% adjustment factor for one child minus 75% adjustment factor for two children is 8 percentage points). In contrast, the reduction factor for adding a fourth child is 4 percentage points (i.e., 68% adjustment factor for three children minus 64% adjustment factor for four children is 4 percentage points).

Besides the economies of scale, the amount of an additional child adjustment is largely a policy decision. Specifically, it concerns whether any set of children (e.g., prior-born children) should have a greater share of a parent's income than another set of children (e.g. children born later) or whether all sets of children should share in a parent's income equally. Few state guidelines prioritize based on birth order.[137] In practice, this is difficult to do since not all children born to a parent are known at the time of order establishment. Instead, most states try to equalize financial resources between the sets of children. The challenge to this is a simplified formula that can apply to variety of counts of children inside and outside the home particularly given the issue of economies of scale (e.g., one child in the home and two children for whom support is being determined or three children in the home and two children for whom support is being determined). The two adjustment formulas that best achieve this are a proportional reduction to all child support orders (with a theoretical order calculated for the children in the home), which is used by Pennsylvania, and subtracting 75% of a theoretical order based on that parent's income only. The latter is the adjustment used in Colorado, Minnesota, and North Carolina.

[136] The literature is discussed in Chapter 2.

[137] Venohr, Jane, & Matyasic, Savahanna. (2022). *Review of the Maine Child Support Guidelines.* Center for Policy Research, pp. 59–63. Retrieved from https://www.maine.gov/dhhs/sites/maine.gov.dhhs/files/inline-files/2022%20Guidelines%20Review.pdf.

The theoretical order is reduced by 75% because extensive analysis shows that 75% comes the closest to equalizing the percentage of a parent's incomes assigned to each set of children.[138]

In contrast, the Michigan additional children adjustment is not based on a theoretical order; rather, it applies only to income. Due to this and the Michigan percentages, the Michigan adjustment produces a larger adjustment than an adjustment based on a theoretical order particularly for higher incomes because the percentage of income assigned to child support decreases with more income. At the lowest income where the General Care Equation would apply (i.e., the parent has income just above where the low-income transition formula would apply), the Michigan additional children adjustment applies a slighter higher adjustment than an income deduction based on 75% of the theoretical order. The difference between the Michigan formula and the alternative adjustment becomes larger as the parent with the additional dependent adjustment has more income. When the parent is eligible for the low-income adjustment or the low-income transition formula, the Michigan additional dependents adjustment also provides a larger adjustment than an adjustment based on a theoretical order.

In-Kind Contributions

Some argue that child support, as well as child support guidelines,[139] should recognize the payer-parent's in-kind contributions to the child. Proponents suggest this would give parents more options on how they can contribute to their children, form stronger parent-child relationships by providing direct and visible in-kind support, and would better recognize the contributions of low-income parents who make in-kind contributions and prefer to make in-kind contributions.[140] Obviously, there are many logistics to setting and enforcing a child support order based on in-kind support. For example, an accounting method and system for tracking compliance would need to be developed. San Franciso launched an in-kind child support pilot in 2023 that informs some of these logistics.[141] The initial pilot began May 2023 and was limited to 10 families. The implementation report, which was published in July 2023, noted no participants yet.[142] Participation is limited to parents establishing a new child support

[138] For example, see a 2023 memorandum to the Maryland Child Support Guidelines Review Committee that examined different percentage adjustments for various case scenarios. Venohr, Jane. (Oct. 16, 2023). *Memorandum to the Maryland Child Support Guidelines Review Committee/Maryland Department of Human Services*. Unpublished.

[139] Federal regulation (45 C.F.R. § 302.56(c)(4)) imposed on state child support guidelines require that they, "be based on specific descriptive and numeric criteria and result in a computation." Although federal regulations applying to tribal child support programs have the same provisions, they (45 C.F.R. § 309.105(a)(3)) also explicitly provide that non-cash payments can be permitted to satisfy child support obligations when they specified as a dollar amount, the type of non-cash payment is specifically described, and other criteria are met. In practice, the guidelines of tribal nations vary as to whether they exercise this provision; some that do, limit it to the payment of past due child support.

[140] For example, see Edin, Kathryn, et al. (Mar. 2019). "Taking Care of Mine: Can Child Support Become a Family-Building Institution?" *Journal of Family Theory & Review.* Vol. 11, Issue 1. P. 79–91; and Hahn, Heather, Pratt, Eleanor, & Sonoda, Paige. (Jul. 2023.) *San Francisco's In-Kind Child Support Pilot: Implementation Pilot.* Retrieved from https://www.urban.org/research/publication/san-francisco-in-kind-child-support-pilot-implementation-study.

[141] Hahn, Heather, Pratt, Eleanor, & Sonoda, Paige. (Jul. 2023). *San Francisco's In-Kind Child Support Pilot: Implementation Pilot.* Retrieved from https://www.urban.org/research/publication/san-francisco-in-kind-child-support-pilot-implementation-study.

[142] Ibid.

order who agree to in-kind support or a hybrid of financial support and in-kind support. Some examples of in-kind support to which the parents can agree are purchases of food, clothing and school supplies; gift cards; rent, utility, and car payments; deposits in college education funds; childcare payments; and various services such as cooking meals, driving the child to and from school; house painting; and auto-mechanic services.

The data used for estimating child-rearing expenditures are not suitable or designed for measuring in-kind/noncash support.[143] A literature review of over 20 studies found that half of the studies rely on the same data set,[144] but that data set only askes a few questions about expenditures and not the hundreds of questions asked of the CE or conducts the data quality checks of the CE. In all, the frequency of in-kind/noncash support varies by the data set considered, how that data set measured and defined that support, the period considered, whether gifts were included, whether the parents were cohabiting at the time of the birth, and other factors. For example, one study found that mothers reported 60% of the nonresidential fathers who were cohabitating with the mother at the time of the child's birth provided noncash support, while 47% of mothers who were not cohabitating at the time of the child's birth provided noncash support.[145] A study using U.S. Census survey data found that 58% of custodial parents received at least one type of noncash support such as gifts or coverage of expenses from the other parent.[146]

Among studies reporting the types of in-kind support/noncash contributions, some of the more commonly reported items were:

- Gifts and toys (e.g., 49–79% of the types of in-kind support);147

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[143] The primary purpose of the Consumer Expenditure Survey (CE) administered by the U.S. Bureau of Labor Statistics is to help with the tracking of changes in price levels. See https://www.bls.gov/cex/.

[144] The most used data set for studies addressing in-kind support is the Future of Families & Child Wellbeing Study, formerly known as the Fragile Families & Child Wellbeing Study. It is a joint effort by Princton and Columbia University consistently of seven waves of longitudinal tracking thousands of children born between 1998–2000 (mostly to unmarried parents) in 20 large cities. More information can be found at https://ffcws.princeton.edu/documentation. Another survey that has been used by more than one study is the U.S. Current Population Survey–Child Support Supplement, which is a nationally representative survey of U.S. household with children who have a nonresident parent. More information about the CP-CSS can be found at https://www.census.gov/topics/families/child-support.html#:~:text=The%20Census%20Bureau%27s%20Current%20Population,custodial%20parents%20and%20their%20families. In addition, there are a few other datasets that have been used but none has been used for more than one study.

[145] Sariscsany, L., Garfinkel, I., & Nepomnyaschy, L. (2019). Describing and Understanding Child Support Trajectories. *Social Service Review* 93, p. 160. https://www-journals-uchicago-edu.du.idm.oclc.org/doi/pdfplus/10.1086%2F703191

[146] Grall, T. (2020). *Custodial mothers and fathers and their child support: 2017*. Washington, DC: U.S. Census Bureau. https://www.census.gov/content/dam/Census/library/publications/2020/demo/p60-269.pdf.

[147] Three different studies identified gifts and toys as the most common types of in-kind support. Another study (Nepomyaschy and Garfinkel) identified toys separately. Garasky, S., Stewart, S. D., Gundersen, C., & Lohman, B. J. (2010). "Toward a Fuller Understanding of Nonresident Father Involvement: An Examination of Child Support, In-Kind Support, and Visitation." *Population Research and Policy Review*, *29*(3), 363–393, Retrieved from https://link-springer-com.du.idm.oclc.org/content/pdf/10.1007/s11113-009-9148-3.pdf; Grall, T. (2020). *Custodial mothers and fathers and their*

- Clothing (e.g., about 43% of in-kind support)148; and
- Food (e.g., 22% to about 34% of in-kind support).149

Only three of the reviewed studies estimate the dollar value of in-kind contributions. One study found an average of about $60 per month and a range of about $1 to $650 per month.[150] Another study found the median reported value of informal, noncash support was $150 within a 30-day period or $75 per child.[151] Another study that considered the findings from parents surveyed 15 years after the birth of their child found an average value of $23 to $39 per month in-kind support where the amount varied depending on whether the parents were married, cohabitating, or not cohabiting at the time of the child's birth.[152]

Consideration of Age of the Child

When Michigan first adopted its statewide guidelines formula in the 1980s, Michigan used expenditure data for children ages 12–17.[153] This would be consistent with previous research that finds parents tend to divorce when their children are older. More current data shows the age of children among divorcing children encompasses a wider age range (i.e., 63% of children among recently divorced parents were in

child support: 2017. Washington, DC: U.S. Census Bureau, Retrieved from https://www.census.gov/content/dam/Census/library/publications/2020/demo/p60-269.pdf; Gunter, S. (2018). "Child support wage withholding and father–child contact: parental bargaining and salience effects. *Review of Economics of the Household*, 16, 427–452, Retrieved from https://link-springer-com.du.idm.oclc.org/content/pdf/10.1007/s11150-016-9330-4.pdf; Nepomnyaschy, L. & Garfinkel, I. (2010). "Child Support Enforcement and Fathers' Contributions to Their Nonmarital Children." *The Social Service Review*, 84(3), 341–80. Retrieved from https://www-journals-uchicago-edu.du.idm.oclc.org/doi/pdfplus/10.1086%2F655392.

[148] For example, see Grall, T. (2020). *Custodial mothers and fathers and their child support: 2017*. Washington, DC: U.S. Census Bureau, Retrieved from https://www.census.gov/content/dam/Census/library/publications/2020/demo/p60-269.pdf; and Gunter, S. (2018). "Child support wage withholding and father–child contact: parental bargaining and salience effects." *Review of Economics of the Household*, 16, 427–452. Retrieved from https://link-springer-com.du.idm.oclc.org/content/pdf/10.1007/s11150-016-9330-4.pdf.

[149] For example, see Grall, T. (2020). *Custodial mothers and fathers and their child support: 2017*. Washington, DC: U.S. Census Bureau, Retrieved from https://www.census.gov/content/dam/Census/library/publications/2020/demo/p60-269.pdf, and Nepomnyaschy, L. & Garfinkel, I. (2010). "Child Support Enforcement and Fathers' Contributions to Their Nonmarital Children." *The Social Service Review*, *84*(3), 341–80. Retrieved from https://www-journals-uchicago-edu.du.idm.oclc.org/doi/pdfplus/10.1086%2F655392.

[150] Kane, J. B., Nelson, T. J., & Edin, K. (2015). "How Much In-Kind Support Do Low-Income Nonresident Fathers Provide? A Mixed-Method Analysis." *Journal of Marriage and Family*, *77*(3), 591–611. Retrieved from https://onlinelibrary-wiley-com.du.idm.oclc.org/doi/full/10.1111/jomf.12188.

[151] Cancian, M., et al. (2018). "Characteristics of Participants in the Child Support Noncustodial Parent Employment Demonstration (CSPED) Evaluation." Retrieved from https://www.irp.wisc.edu/wp/wp-content/uploads/2019/05/CSPED-Final-Characteristics-of-Participants-Report-2019-Compliant.pdf.

[152] Gunter, S. (2018). "Child support wage withholding and father–child contact: parental bargaining and salience effects. *Review of Economics of the Household*, 16, 427–52, Retrieved from https://link-springer-com.du.idm.oclc.org/content/pdf/10.1007/s11150-016-9330-4.pdf.

[153] Policy Studies Inc. (Apr. 2002). Report on the Michigan Child Support Formula, p. 75.

the age range of 6 to 17 years old using 2018 data).[154] Further, an increasing percentage of children eligible for child support are born to never-married parent. The child's age when the couple breaks up increases over time according to data tracking the trajectories of unmarried parents who were cohabitating at the time of the birth.[155] In other words, child support is typically not an issue at the birth of the child, but later, even for parents who were not married. In short, there is still a justification for using expenditure data for older children, but some evidence that the age threshold should be less than 12 years old. Ultimately, whether to adjust for the age of the child is a policy decision and what age is a policy issue. The amount of the adjustment, however, is limited by available data. The available data on cost differential by age of the child is addressed later in this chapter.

Economic Data on the Cost of Raising Children

Most state guidelines (including the GCST) relate to an economic study of child-rearing expenditures in intact families largely because most state guidelines are based on a continuity of expenditures model.[156]

Summary Comparison of the Different Studies

Exhibit 16 compares the findings from most studies of child-rearing expenditures conducted in the last five years and those underlying state guidelines .[157] The studies range in data years and the methodology used to separate the child's share of expenditures from total household expenditures. A methodology is needed because many expenditures are consumed by all members in the household (e.g., electricity for the home would be consumed by children and adults living in the household). No study relies on data more current than 2019. All but one of the five studies using 2019 data relied on expenditure data collected for the Consumer Expenditure Survey (CE) data in 2013–2019.

[154] Schweizer. V. (2020). Recently divorced adults with resident minor children, 2018. *Family Profiles,* FP-20-07. Bowling Green, OH: National Center for Family & Marriage Research. https://doi.org/10.25035/ncfmr/fp-20-07

[155] For example, see Reeves, Richard, and Krause, Eleanor. (Apr. 2017). *Cohabitating parents differ from married ones in three big ways.* https://www.brookings.edu/research/cohabiting-parents-differ-from-married-ones-in-three-big-ways/

[156] As discussed earlier, no state bases its child support formula on expenditure data from single-parent families.

[157] The study underlying the Kansas guidelines is not shown because Kansas is the only state that relies on that study, it is an old study, and the methodology does not produce percentages comparable to the other results of the other studies compared. See page 34 of the 2024 Kansas Child Support Guidelines for the economic source of the Kansas guidelines: https://www.kscourts.org/KSCourts/media/KsCourts/Trial%20court%20programs/CSG-2024-strikethrough.pdf.

Exhibit 16: Comparison of Findings from Recent Studies of Child-Rearing Expenditures and Studies Underlying State Guidelines[158]

Economic Methodology	Economist and Data Years	Average Child-Rearing Expenditures as a Percentage of Total Expenditures		
		1 Child	2 Children	3 Children
Rothbarth	**Betson[159]**			
	2013–2019	24.9%	38.4%	47.0%
	2004–2009	23.5%	36.5%	44.9%
	1998–2004	25.2%	36.8%	43.8%
	1996–1998	25.6%	35.9%	41.6%
	1980–1986	24.2%	34.2%	39.2%
	Rodgers/Replication of Betson[160]			
	2004–2009 CE	22.2%	34.8%	43.2%
	Rodgers[161]			
	2000–2015 CE	19.2%	24.1%	30.8%
	2004–2009 CE	21.5%	24.4%	33.4%
	Florida State University			
	2013–2019 CE[162]	21.3%	33.4%	41.4%
	2009–2015 CE[163]	24.9%	38.3%	46.9%
Engel	**Betson[164]**			
	2013–2019 CE	21.9%	34.4%	42.7%
	1996–1998 CE	32.0%	39.0%	49.0%
	1980–1986 CE	33.0%	46.0%	58.0%
	Florida State University			
	2013–2019 CE	21.5%	33.6%	41.6%
	2009–2015 CE	20.3%	32.6%	41.4%
	Espenshade[165]			
	1972–1973 CE	24.0%	41.0%	51.0%
"Direct" Approaches	**Betson[166]** 2013–2019 CE	22.5%	35.6%	45.7%
	USDA[167] 2011–2015 CE	26.0%	39.0%	49.0%
Point Estimate from Literature Review	**van der Gaag[168]** (no year specified)	25.0%	37.5%	50.0%

[158] Adapted from Judicial Council of California, *Review of Statewide Uniform Child Support Guideline 2022*. San Francisco, CA. Exhibit 9, p. 52. Retrieved from https://www.courts.ca.gov/documents/Review-of-Uniform-Child-Support-Guideline-2021.pdf.
[159] Betson, David M. (2021). "Appendix A: Parental Expenditures on Children: Rothbarth Estimates." *In* Venohr, Jane & Matyasic, Savahanna. (Feb. 23, 2021). *Review of the Arizona Child Support Guidelines: Findings from the Analysis of Case File Data and Updating the Child Support Schedule*. *Report to the Arizona Supreme Court Administrative Office of the Courts*. Retrieved from https://www.azcourts.gov/Portals/74/FCIC-CSGR/SupplementalPacket-030121-FCIC-CSGRS.pdf?ver=2021-02-26-161844-187.

Professor Emeritus David Betson, University of Notre Dame, estimated child-rearing expenditures from the 2013–2019 CE for three different states, each using a different methodology to separate the child's share of total expenditures.[169] Florida State University economists applied two different methodologies to the 2013–2019 CE.[170] The fifth more current study was conducted specifically for Texas.[171] Using multiple data sources from 2015–2019, the Texas study considers Texas housing costs so is not that informative to Michigan. Exhibit 16 does not include Texas results because they were not reported as a percentage of total expenditures so are not comparable to the results from the other studies.

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[160] Rodgers, William M. (2017). "Comparative Economic Analysis of Current Economic Research on Child-Rearing Expenditures." *In* Judicial Council of California*, Review of Statewide Uniform Child Support Guideline 2017*. San Francisco, CA. Retrieved from http://www.courts.ca.gov/documents/lr-2018-JC-review-of-statewide-CS-guideline-2017-Fam-4054a.pdf.

[161] Rodgers (2017). Ibid.

[162] Norribin, Stefan C., et al. (Nov. 2021). Review and Update of Florida's Child Support Guidelines. Retrieved from http://edr.state.fl.us/Content/special-research-projects/child-support/ChildSupportGuidelinesFinalReport2021.pdf.

[163] Norribin, Stefan C., et al. (Nov. 2017). Review and Update of Florida's Child Support Guidelines. Retrieved from http://edr.state.fl.us/content/special-research-projects/child-support/ChildSupportGuidelinesFinalReport2017.pdf.

[164] Betson, David (2022). "Appendix A to Addendum D: Review of the Georgia Child Support Guidelines." *In Georgia Support Commission: Economic Study Final Report*. Retrieved from https://csc.georgiacourts.gov/wp-content/uploads/sites/8/2023/01/2022-Final-Report.pdf.

[165] Espenshade, Thomas J. (1984). *Investing in Children: New Estimates of Parental Expenditures*. Urban Institute Press: Washington, D.C.

[166] The percentages shown are those estimated using the "cost of an additional bedroom," albeit Betson found that the result was sensitive to how housing expenses are measured so used an alternative method as well. Betson, David. (2021). "Appendix B: Additional Research on the Cost of Raising Children." In Judicial Council of California, *Review of Statewide Uniform Child Support Guideline 2022*. San Francisco, CA. Retrieved from https://www.courts.ca.gov/documents/Review-of-Uniform-Child-Support-Guideline-2021.pdf.

[167] Lino, Mark, et al. (2017). *Expenditures on Children by Families, 2015*. Misc. Pub. No. 1528-2015. U.S. Dept. of Agriculture, Center for Nutrition & Policy Promotion, Washington, D.C. Retrieved from https://cdn2.hubspot.net/hubfs/10700/blog-files/USDA_Expenditures%20on%20children%20by%20family.pdf?t=1520090048492.

[168] van der Gaag, Jacques. (1981). *On Measuring the Cost of Children*. Discussion Paper 663-81. University of Wisconsin Institute for Research on Poverty, Madison, Wisconsin.

[169] Betson's application of the Rothbarth methodology, quasi-direct approach, and Engel methodology were conducted for Arizona, California, and Georgia, respectively. Betson, David M. (2021). "Appendix A: Parental Expenditures on Children: Rothbarth Estimates." *In* Venohr, Jane & Matyasic, Savahanna. (Feb. 23, 2021). *Review of the Arizona Child Support Guidelines: Findings from the Analysis of Case File Data and Updating the Child Support Schedule*. *Report to the Arizona Supreme Court Administrative Office of the Courts*. Retrieved from https://www.azcourts.gov/Portals/74/FCIC-CSGR/SupplementalPacket-030121-FCIC-CSGRS.pdf?ver=2021-02-26-161844-187. Betson, David. (2022.) "Additional Research on the Cost of Raising Children." *In* Judicial Council of California*, Review of Statewide Uniform Child Support Guideline 2022*. San Francisco, CA Retrieved from https://www.courts.ca.gov/documents/Review-of-Uniform-Child-Support-Guideline-2021.pdf.
Betson, David (2022). "Appendix A to Addendum D: Review of the Georgia Child Support Guidelines." *In Georgia Support Commission: Economic Study Final Report*. Retrieved from https://csc.georgiacourts.gov/wp-content/uploads/sites/8/2023/01/2022-Final-Report.pdf.

[170] Norribin, Stefan C., et al. (Nov. 2021). *Review and Update of Florida's Child Support Guidelines.* Retrieved from http://edr.state.fl.us/Content/special-research-projects/child-support/ChildSupportGuidelinesFinalReport2021.pdf.

[171] Texas Attorney General. (Aug. 2021.) *Texas Child Support Guidelines Review Report 2021*. Retrieved from https://www.texasattorneygeneral.gov/sites/default/files/files/child-support/files/2022/Child%20Support%20Division%20Guidelines%20Review%202022.pdf.

Underlying Data: Overview of the Consumer Expenditure Survey (CE)

All studies shown in Exhibit 16 rely in the Consumer Expenditure Survey (CE) administered by the U.S. Bureau of Labor Statistics, except the van der Gaag (1981) study, which is a literature review. It is a comprehensive, national survey of consumer expenditures. It includes two surveys: an interview survey for major/or recurring items and a diary survey for more minor or frequently purchased items. Economists generally use the interview data for measuring child-rearing expenditures. Interviewers ask respondents once a quarter about their previous expenditures in the past three months, expecting respondents to remember them. Respondents stay in the survey for four quarters with new respondents rolling in each quarter and others rolling out after four quarters. About 13,000 addresses are contacted each quarter and the interview response rate is just over 50%.[172] The CE's primary purpose is to periodically recalibrate the combination of goods and services tracked to measure the Consumer Price Index.

The CE is probably the most rigorous and comprehensive survey of consumer expenditures in the world. The CE was designed to produce annual reports beginning in 1984.[173] Before then, it was generally conducted about every 10 years. The 1972–73 CE survey, which forms the basis of the Espenshade estimates, was the last intermittent survey. Today, the CE surveys about 5,500 households per quarter on expenditures, income, and household characteristics (e.g., family size). Households are selected to represent the entire U.S. civilian noninstitutional population. Until recently, the CE surveys were designed to be nationally representative surveys with sufficient sampling to detect regional differences but not state differences. In 2017, the BLS began statewide sampling for the five largest states.

Most Current CE Data Used in Studies of Child-Rearing Expenditures

No study of child-rearing expenditures relies on CE data more current than 2019. This is of concern since the COVID-19 pandemic that began in Spring 2020 vastly changed consumption patterns for several years (e.g., reduced consumption of leisure travel initially, then spiked consumption of leisure travel a couple of years later). However, it would probably be better to wait another year or so before developing updated estimates of child-rearing expenditures because most economists use several years of CE data to create a larger sample size that improves statistical power. There also is delay between the time that the expenditure data is collected and available for analysis.[174]

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[172] U.S. Bureau of Labor Statistics (Sept. 12, 2022.) *Consumer Expenditures and Income: Sample Design.* https://www.bls.gov/opub/hom/cex/design.htm#cooperation-levels

[173] For more history of the CE, see U.S. Bureau of Labor Statistics. (Sept. 2022). *Consumer Expenditures and Income History*. Retrieved from https://www.bls.gov/opub/hom/cex/history.htm.

[174] Another issue is funding of updated estimates. Although multiple states benefit from an updated study of child-rearing expenditures, it is usually one state that funds that study. For example, Arizona funded the 2020 Betson-Rothbarth estimates, which now the form the basis of state guidelines formula in over 10 states.

Changes in the CE over Time

The BLS is constantly making changes to the survey in its continuous improvement efforts. These improvements can affect differences in study results over time. There are at least three major changes in the past few decades that either affect the estimates of child-rearing expenditures or the CE data used to convert them from expenditures to after-tax income when developing a child support formula/table. The most remarkable change was replacing "expenditures" with "expenditures-outlays." Expenditures track closely with how gross domestic product (GDP) is measured. GDP considers houses to be investments (physical capital), so mortgage principal payments were not considered in expenditures. (Expenditures did include and continue to include mortgage interest, HOA fees, rent, utilities, and other housing expenses.) Outlays consider all monthly expenses (e.g., mortgage principal payments and interest, and payments on second mortgages and home equity loans). Outlays also include installment payments (e.g., for major appliances and automobiles). Expenditures include the total price of an item at the time of purchase. In short, outlays track closer to how families spend and budget on a monthly basis. These monthly budgets consider the total mortgage payment and installment payments. Most economists switched to using outlays in studies of child-rearing beginning in 2010. The impact of the switch from expenditures to outlays appears to be increased expenditures on children at higher incomes. This is likely because higher income families are more likely to purchase items via installments, have higher installment payments, and more mortgage principal that they are paying down.

The CE also improved its measurement and reporting of income particularly at low incomes. An impetus for the change were the observations that low-income households spent more than their income on average and that the treatment of missing income data may have contributed to that. This also appeared to affect studies conducted in 2010 and after. It generally produced decreases in child-rearing expenditures at very low incomes once converted to an after-tax income.
Beginning in 2013, the BLS began using their internal tax calculator to calculate each household's taxes. This effectively reduced the after-tax income available for expenditure. In prior surveys, households would self-report taxes. The BLS learned that families underestimated taxes paid, particularly at high incomes; hence, their after-tax income (spendable income) was smaller than measured. Another indirect impact concerned the average ratio of expenditures to after-tax income, which is used in the conversion of the measurement of child-rearing expenditures to a child support table, increased.

Studies Used by States as the Basis of Their Child Support Guidelines

Exhibit 16 shows 19 studies. There are 11 different measurements of child-rearing expenditures that form the basis of state guidelines. In other words, not all the studies shown in Exhibit 16 are used. Besides Michigan, a few other states still rely on the Espenshade (1984) study and a few other states

rely on another older study (van der Gaag 1981). California claims to be based on both.[175] The majority of states rely on one of the five Betson-Rothbarth (BR) studies. Minnesota and Maryland are the only states to rely on the USDA measurements and do so for higher incomes only. Maryland relies on the USDA for combined incomes above $10,000 gross per month and BR measurements at lower incomes. Minnesota relies on the USDA for combined incomes above about $6,000 gross per month. New Jersey relies on the first Rodgers-Rothbarth study and is the only state to do so. No other state relies on the other Rodgers study. No state relies on either Florida studies. Georgia is the only state to rely on a Betson-Engel estimate. Specifically, it relies on the average of the Betson-Engel and a BR study, but the 2024 Georgia Legislature adopted a bill that will solely relate the Georgia child support table to the newest BR estimates. Kansas is based on a study using a unique methodology developed a few decades ago that is not used by any other state.[176] Exhibit 16 does not show the underlying Kansas study because its results are not presented in a format comparable to the other studies. A few state guidelines do not clearly relate to any economic study.

Summary of Comparison of Findings

Exhibit 16 compares the results of various studies—specifically, the average percentage of total expenditures devoted to children across all income ranges for one, two, and three children. Most economists limit their estimates to these family sizes because there are few families with four or more children in the CE.[177] Exhibit 16 groups the study results by the economic methodology used to separate child-rearing expenditures from total household expenditures. There are three methodologies: Rothbarth, Engel and what some economists call a direct approach (although it is a misnomer because not all child-rearing expenditures can be directly measured). The difference between total expenditures and after-tax income is mostly savings.[178] One reason that economists focus on total expenditures is because it limits the economic theories that must be modeled to current consumption and separating current consumption between the children and the parents. This is more straightforward than an economic model that must consider both current consumption and savings divided between the children and the parents. Empirical analysis of simplified, straightforward economic models is more

[175] Judicial Council of California. (2022.) *Review of Statewide Uniform Child Support Guideline*. Retrieved from https://www.courts.ca.gov/documents/Review-of-Uniform-Child-Support-Guideline-2021.pdf.

[176] See p. 34 of the 2024 Kansas Child Support Guidelines for the economic source of the Kansas guidelines: https://www.kscourts.org/KSCourts/media/KsCourts/Trial%20court%20programs/CSG-2024-strikethrough.pdf.

[177] The notable exceptions are the van der Gaag (1981) study (which was a literature review) and the Texas study.

[178] Most economists focus on current consumption to circumvent variation in savings and dissavings among households. When using a marginal cost approach, not including savings is particularly important because a childless couple may be saving to have a child, while a couple with children may be tapping into their savings they intended for child-rearing expenditures. Another limitation is that the CE is not designed to capture a robust estimate of savings. These issues of saving are discussed more in Betson, David. (2006). "Appendix B: Savings and Consumption in Families with Minor Children." *In* Judicial Council of California Administrative Office of the Courts. (Mar. 2006.) *Review of the Statewide Uniform Child Support Guideline 2005.* Retrieved from https://www.courts.ca.gov/documents/csguideline2005.pdf. In addition, the report of the 1983–87 National Child Support Guidelines Project recommended that savings not be included for similar and other reasons. See p. II-27 of National Center for State Courts (1987).

desirable than more complex economic models with many layers. To illustrate this, consider that an economic model of savings must address who is the intended beneficiary of the savings (e.g., the parents' retirement and the children's college). For this reason and other reasons, the 1983–87 National Child Support Guidelines project sided on not including savings. Another limitation is the data on the reasons for savings does not exist in the CE.

There are several key points apparent from Exhibit 16.

- There is a wide range of estimates[179] of child-rearing expenditures as a percentage of total expenditures among the studies:
  - 19.2–33.0% for one child (where the vast majority are in the range of about 21–25%);
  - 24.1–46.0% for two children (where the vast majority are in the range of about 34–38%); and
  - 30.8–58.0% for three children (where the vast majority are in the range of about 41–46%).
- There are a few studies that are consistently outliers (e.g., the Rodgers-Rothbarth study relying on 2000–2015 CE is consistently low; and the Betson-Engel study relying on 1980–86 CE is consistently high).
- Regardless of the economist(s) who developed the estimates, the range of estimates for one child narrows somewhat for those based on the Rothbarth estimates and the two studies relying on a direct method, but the range of estimates does not narrow when comparing the Rothbarth results for two and three children or across the estimates developed from the Engel methodology.
- There is no consistent trend by data years unless narrowly looked at by the economist(s) conducting the research as well as the methodology.
  - The Betson-Rothbarth estimates are generally stable over time for one child, but the estimates appear to be decreasing over time for two and three children. (This will be discussed more later.)
  - The Rodgers-Rothbarth estimates are not comparable over time; rather, one estimate (the lower one) encompasses a larger number of data years; hence, it may be biased by changes in how CE measured income.
  - There are very small variations in the Florida State University estimates over time, particularly for the Engel estimates.

[179] Besides reporting the range among studies, the standard error or standard deviation for each study would be useful. Betson did report standard errors for his first Rothbarth study and the preliminary results of second Rothbarth study for years 1997–1998: they were 1.8 and 3.7, respectively. (See p. I-21 of Policy Studies Inc. (Jun. 2006*). State of Oregon Child Support Guidelines Review: Updated Obligation Scales and Other Considerations*. Retrieved from https://justice.oregon.gov/child-support/pdf/psi_guidelines_review_2006.pdf.) However, most other studies did not report them.

Economic Methodologies

Exhibit 16 shows three different methodologies: the Rothbarth methodology, the Engel methodology, and the direct approach. These are general classifications. As documented in the 1990 Betson analysis and the 1990 Lewin/ICF report,[180] there are several other methodologies. Most have not produced robust results. At the time that this report was written, the Michigan General Care Support Tables were based on estimates of child-rearing expenditures developed by Dr. Thomas Espenshade using the Engel methodology.

Each of the methodologies has its own unique weaknesses. There is no consensus that one comes the closest to measuring the true costs of child-rearing.

Overview of Engel and Rothbarth Methodologies

The Engel and Rothbarth methodologies are named after the economists who developed them. Both are considered marginal cost approaches; that is, they consider how much more is spent by a couple with children than a childless couple of child-rearing age. Each of the methodologies compares expenditures of two sets of equally-well off families: one with children and one without children. The difference in expenditures between the two sets is deemed to be child-rearing expenditures. The Engel and Rothbarth methodologies use different indicators of equally well-off families. The Engel methodology uses expenditures on food, while the Rothbarth methodology relies on expenditures for adult goods to determine equally well-off families.[181]

Overview of the Direct Approach

The USDA methodology is considered a "direct" approach to measuring child-rearing expenditures, while both the Rothbarth and Engel methodologies are considered indirect approaches. Direct approaches attempt to enumerate expenditures for major categories of expenses (e.g., housing, food, transportation, clothing, healthcare, childcare and education, and miscellaneous expenses), then add them together to estimate the total cost. Some of these expenditure categories are explicitly tracked in the CE (e.g., the cost of clothing for children and the cost of childcare and education for the children). Others are measured through other sources (e.g., the child's food expenses are measured using the food budgets developed by the USDA that are also used to set benefit levels for the Supplemental Nutrition Assistance Program, or SNAP, and military per-diem benefits). In turn, the USDA adds the amount

[180] Betson, David M. (1990). *Alternative Estimates of the Cost of Children from the 1980–86 Consumer Expenditure Survey*. Report to U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation. University of Wisconsin Institute for Research on Poverty, Madison, Wisconsin; and Lewin/ICF. (1990). *Estimates of Expenditures on Children and Child Support Guidelines*. Report to U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation. Fairfax, VA.

[181] Specifically, Betson uses adult clothes, whereas others applying the Rothbarth estimator use adult clothing, alcohol and tobacco regardless of whether expenditures are made on these items. Betson has conducted sensitivity analysis and found little difference in using the alternative definitions of adult goods.

estimated for each category together to arrive at a total amount of child-rearing expenditures. Exhibit 15 and Exhibit 16 show some of the findings of the USDA (e.g., Exhibit 15 shows that child-rearing expenditures average just under $10,000 per year for low-income households regardless whether they were intact families or single-parent families). The USDA generally produces estimates higher than other methodologies.

The major limitation to a direct approach is that there is still a need for a methodology to separate the child's share from the total household's expenditures on expenses that are consumed for both the children and the parents (e.g., housing). Older USDA studies prorated housing expenditures between the family members. This equated the cost of housing for a child to the cost of housing for a parent, which is arguable since the child would benefit from the living room, kitchen, and other housing expenses a childless couple would consume anyway. Many economists believed this caused the USDA to overstate the child's housing costs.[182] In response, the USDA changed its methodology for estimating housing in its last study.[183]

In all, the methodology for estimating the child's share of the housing cost can result in vast differences in the final measurement of child-rearing expenditures.[184] Another limitation is that the methodology can neglect other housing expenses. For example, the Texas study used the marginal cost of renting an apartment with another bedroom for the basis of its housing costs.[185] This approach neglects other housing costs such as the cost of furniture, cleaning supplies, and even telephone services, which are classified as housing expenses in the CE survey.

Overview of the Comanor Approach and Results

Another study that received significant attention in the late 2010s, particularly among advocates for lower guidelines formulas, was spearheaded by Professor Emeritus William Comonor, University of California at Santa Barbara.[186] Like the Rothbarth and Engel estimation methodologies, the Comanor methodology compares expenditures between families with and without children except he uses gross

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[182] For example, see Lewin/ICF. (1990). *Estimates of Expenditures on Children and Child Support Guidelines*. Report to U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation. Fairfax, VA.

[183] See p. 9 of Lino, Mark, et al. (2017). *Expenditures on Children by Families, 2015*. Misc. Pub. No. 1528-2015. U.S. Dept. of Agriculture, Center for Nutrition & Policy Promotion, Washington, D.C. Retrieved from https://cdn2.hubspot.net/hubfs/10700/blog-files/USDA_Expenditures%20on%20children%20by%20family.pdf?t=1520090048492.

[184] For example, see Betson, David M. (2021). "Appendix B: Additional Research on the Cost of Raising Children" In Judicial Council of California, *Review of Statewide Uniform Child Support Guideline*. San Francisco, CA. Retrieved from https://www.courts.ca.gov/documents/Review-of-Uniform-Child-Support-Guideline-2021.pdf

[185] The Texas study found that it costs about $12,000–13,000 per year to raise a child one child Texas in 2019. This was across all incomes. The lower amount is for single-parent families, and the higher amount is for intact families. See pp. 152–160 of the Texas report.

[186] Comanor, William, Sarro, Mark, & Rogers, Mark. (2015). "The Monetary Cost of Raising Children." *In* (ed.) Economic and Legal Issues in Competition, Intellectual Property, Bankruptcy, and the Cost of Raising Children (*Research in Law and Economics*), Vol. 27). Emerald Group Publishing Limited, pp. 209–51.

incomes to place families with and without children in to three income categories: low, middle, and high income. Using 2004–2009 CE data, expenditures for a particular expenditure category (e.g., food or transportation) are estimated separately for each income category to determine if there is a difference in expenditures between those with and without children. In turn, the individual results for each expenditure category are added together to arrive at the total cost of child rearing. The study found child-rearing costs of $3,421 per year for one child and $4,291 per year for two children in low-income households in 2018.[187] For middle incomes (i.e., married couples with an average income of $76,207 per year), the study found child-rearing costs of $4,749 per year for one child and $6,633 per year for two children. The amounts for low-income households are below poverty, and the amounts for middle incomes are just above poverty. The study found negative expenditures for the child's healthcare expenses among those with children and did not estimate child-rearing expenditures for entertainment and miscellaneous goods. Some of the major limitations of the study concern the use of gross income and estimating each expenditure group separately. This methodology does not account for differences in earning incentives between those with and without children that could cause income differences between the two family types, the impact of their different child-related tax benefits, or substitution from one expenditure item to another when children are present (e.g., spending less on transportation and more on food when children are present) because each expenditure group is measured separately. In all, this creates biases in the estimates.

Assessment of the Different Methodologies

When Congress first passed legislation (i.e., the Family Support Act of 1988) requiring presumptive state child support guidelines, it also mandated the U.S. Department of Health and Human Services to develop a report analyzing expenditures on children and explain how the analysis could be used to help states develop child support guidelines. This was fulfilled by two reports that were both released in 1990. One was by Professor David Betson, University of Notre Dame.188 Using five different economic methodologies to measure child-rearing expenditures, he concluded that the Rothbarth methodology was the most robust[189] and, hence, recommended that it be used for state guidelines. At the time of Betson's 1990 study, most states including Michigan were using the Espenshade-Engel estimates, which are also the basis of the prototype guidelines formulas developed through the 1983–87 National Child

[187] Comanor, William. (Nov. 8, 2018). Presentation to Nebraska Child Support Advisory Commission. Lincoln, NE.
[188] Betson, David M. (1990). *Alternative Estimates of the Cost of Children from the 1980–86 Consumer Expenditure Survey*. Report to U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation. University of Wisconsin Institute for Research on Poverty, Madison, Wisconsin.
[189] The term "robust" in statistics is used to mean that the statistics yield good performance that are largely unaffected by outliers or sensitive to small changes to the assumptions.

Support Guidelines project.[190] Many states adapted the prototype income shares model; most switched to a Betson-Rothbarth estimate later.

Economists do not agree on which methodology best measures actual child-rearing expenditures. Nonetheless, many economists and policymakers agree that any guidelines amount between the lowest and highest of credible measurements of child-rearing expenditures are appropriate guidelines amounts. Guideline amounts below the lower bound are generally deemed to be inadequate for the support of children. Through a contract with the U.S. Department of Health and Human Services, Lewin/ICF (1990) developed this approach for assessing state guidelines.[191] Since then, several states have used it and continue to use it. It was used to assess the Michigan General Care percentages for its 2002 guidelines review.[192]

1990 Assessment

In its 1990 report, Lewin/ICF suggested that the Engel methodology overstated actual child-rearing expenditures because children were food intensive,[193] the USDA approach overstated actual child-rearing expenditures because of the way it estimated the child's housing expenses,[194]and the Rothbarth methodology understated actual child-rearing expenditures because of substitution effects produced by parents spending less on adult goods (e.g., adult clothing) to accommodate child spending.[195] Another Lewin/ICF criticism of the Engel estimator is it requires an unrealistic assumption about the percentage change in food consumption being equivalent to the percentage change in non-food consumption when children become present.[196] In 1990, empirical evidence also support that the Engel methodology produced higher amounts than the Rothbarth methodology. This is evident in Exhibit 16 when comparing the 1990 Betson estimates for one child from the Engel estimator (33.0%) and the Rothbarth estimator (21.2%).

Findings from Rothbarth Studies Post-1990

Since 1990, Professor Emeritus David Betson (University of Notre Dame), Professor William Rodgers (Rutgers University), and the Florida State University economists have applied the Rothbarth methodology. The Betson-Rothbarth estimates are used in 29 states, the Rodgers-Rothbarth estimates are used in New Jersey. The Florida State University estimates are not used. As shown in Exhibit 16,

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[190] National Center for State Courts. (1987). *Development of Guidelines for Child Support Orders, Final Report.* Report to U.S. Department of Health and Human Services, Office of Child Support Enforcement, Williamsburg, Virginia.
[191] Lewin/ICF. (1990). *Estimates of Expenditures on Children and Child Support Guidelines*. Report to U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation. Fairfax, VA.
[192] Policy Studies Inc. (Apr. 2002.) *Report on the Michigan Child Support Formula*, Submitted to the Michigan Friend of the Court Bureau.
[193] See p. 2-28, Lewin/ICF (1990).
[194] See p. 2-33, Lewin/ICF (1990).
[195] See p. 2-29, Lewin/ICF (1990).
[196] See p. 2-29, Lewin/ICF (1990).

Rodgers-Rothbarth and Florida-Rothbarth estimates are generally less than the Betson-Rothbarth estimates. This is also true of Rodgers attempt to replicate Betson's Rothbarth study from the same data years (2004–2009). Nonetheless, that difference from the replication is not of significant concern because it was less than a couple of percentage points, which is within an acceptable standard of error. Further, a difference is expected because Rodgers used a slightly different functional form. The lowest Rothbarth estimates are produced from the largest data time span (i.e., 2000–2015). The intent of a longer period was to smooth out economic cycles, including the Great Recession of 2007–2009, but a possible limitation would be the numerous CE survey designs made within that 16-year period that could have affected the consistency of the estimates.

Other Differences in the Rothbarth Applications

Differences in sample construction and functional form contribute among economists to some of the differences in the Rothbarth results. For most of his studies, Betson limits the sample to two-adult, married couples of child-rearing age and excludes households with adult children or other adults living in the household to focus on the cost of minor children. In contrast, for his first study, Rodgers makes no restriction: a household could have one adult (e.g., a single parent), two adults (a couple), or three or more adults (e.g., a couple living with a grandparent). The differences in their functional forms are more complex to explain in lay terms. For example, Rodgers' approach focuses on maximizing utility given a budget constraint of expenditures on either adult goods or children goods,[197] while Betson relies on the "Engel curve,"[198] which is another way that demand for a particular good is examined in economic theory of consumer demand.[199] In lay terms, the Betson approach aims to measure compensating variance; that is, how much would the parents have to be compensated for adding children such that they are equally well off. Another key difference between the Betson and the Rodgers approach is that Betson uses a non-linear specification of expenditures, while Rodger did not even in his attempt to replicate Betson's study.[200] The non-linear specification allows for the rate of change in child-rearing expenditures to vary as total expenditures increase, which aligns better with decreasing returns from

[197] See pp. 97–100 of Rodgers (2017).
[198] The Engel curve is not to be confused with the Engel method for estimating child-rearing expenditures, albeit the same economist developed them. To be clear, the Engel curve can be applied to any economic good, not just a good relating to the estimating of child-rearing measurements.
[199] The Engel curve is an alternative way to look at demand for a particular economic good. The ordinary demand curve examines the relationship between quantity demanded of an economic good and the price of that economic good holding income constant. The classic use of the Engel curve examines the relationship between quantity demanded of an economic good and income holding price of that economic good constant. Betson's application of the Engel curve uses total expenditures rather than income.
[200] See p. 92 of Rodgers (2017).

marginal increases in consumption. The differences from the functional form of the Florida researchers are similarly complex.[201]

Betson-Rothbarth Application to Other Family Types and Other Samples

Besides the baseline sample consisting of married couples either without children or with own children all who are under 18 years old, Betson also explored three alternative samples in his most recent study.[202] The first expanded sample from married couples (husband and wife) with own children to those that also had a child at least 18 years old living them. A second sample included married, same-sex couples. The inclusion of adult children lowered the estimates of child-rearing expenditures (e.g., the estimates for one child was lowered from 24.9% to 21.4% of total expenditures). The inclusion of same sex couples increased the percentages from the baseline sample: the increase averaged about 2% but was never more than 4%. A third alternative sample analyzed the CE data on a quarterly basis (which is how the CE data is gathered), rather than on an annualized basis.

Comparisons of Betson-Rothbarth over TimeExhibit 17 shows the changes in the Betson-Rothbarth measurements for the base sample over time for average child-rearing expenditures for one, two, and three children. It generally shows that average expenditures for one child have been stable over time, while the percentage of total expenditures devoted to child-rearing expenditures for two and three children has increased over time. This suggests a reduction in the economies of scale of having more children (e.g., the second child does not cost twice as much as the first child because they share bedrooms and clothes are handed down). In other words, the trend is less sharing of bedrooms and handed-down clothes when there are two or more children.

Exhibit 18 and Exhibit 19 compare the BR measurements for one and two children over time by net income range.[203] The patterns for three children are like those for two children. The patterns in the exhibits generally show that the changes over time are not consistent across income ranges, particularly for one child. One consistent pattern is either stable or increased expenditures at the two highest incomes ranges.

There were several adjustments made to make the comparisons over time. Due to these adjustments, the percentages shown in the exhibits are not comparable to those in Exhibit 17, which compares the BR measurements as a percentage of total expenditures, whereas the other exhibits compare percentage of

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[201] More detail about the differences in the Rothbarth approaches among the three researchers can be found in Betson's appendix to the Arizona report where his most recent Rothbarth estimates are published. See Betson, David M. (2021). "Appendix A: Parental Expenditures on Children: Rothbarth Estimates." *In* Venohr, Jane & Matyasic, Savahanna. (Feb. 23, 2021). *Review of the Arizona Child Support Guidelines: Findings from the Analysis of Case File Data and Updating the Child Support Schedule*. Report to the Arizona Supreme Court Administrative Office of the Courts. Retrieved from https://www.azcourts.gov/Portals/74/FCIC-CSGR/SupplementalPacket-030121-FCIC-CSGRS.pdf?ver=2021-02-26-161844-187

[202] Ibid.

[203] Due to data limitations, the income ranges represent the income range for in the year the study was conducted; in other words, income ranges are nominal levels that are not adjusted for inflation.

net income. Total expenditures equal net income only if the household spends all its after-tax income and not more of it. If it spends more than its after-tax income, the household is borrowing or using credit. If it spends less than its after-tax income, it typically has savings.

Exhibit 17: Comparison of Rothbarth Estimates over Time for One, Two, and Three Children

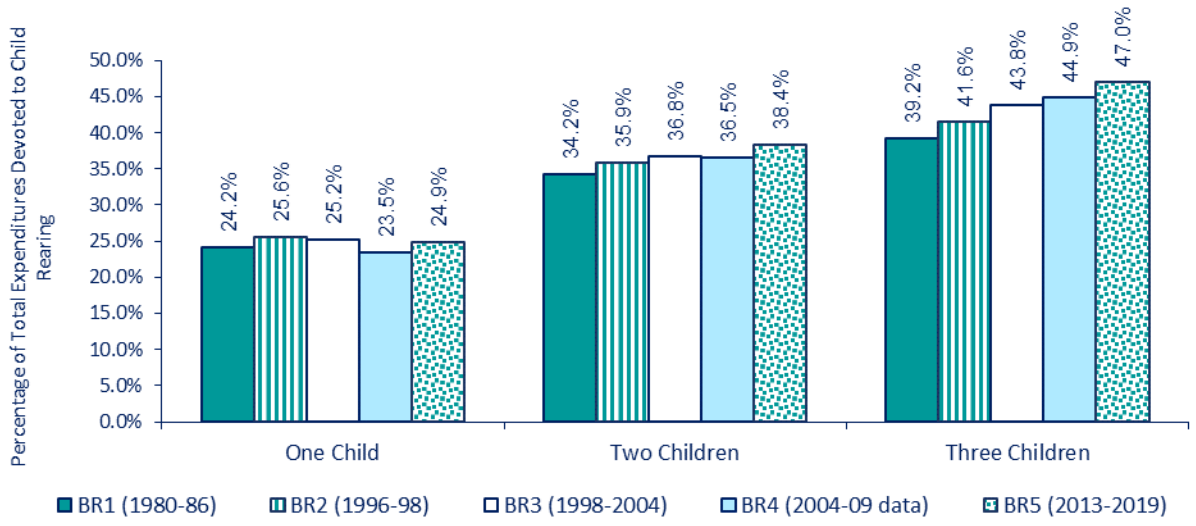


Exhibit 18: Changes in the Betson-Rothbarth (BR) Estimates for One Child by Income Range

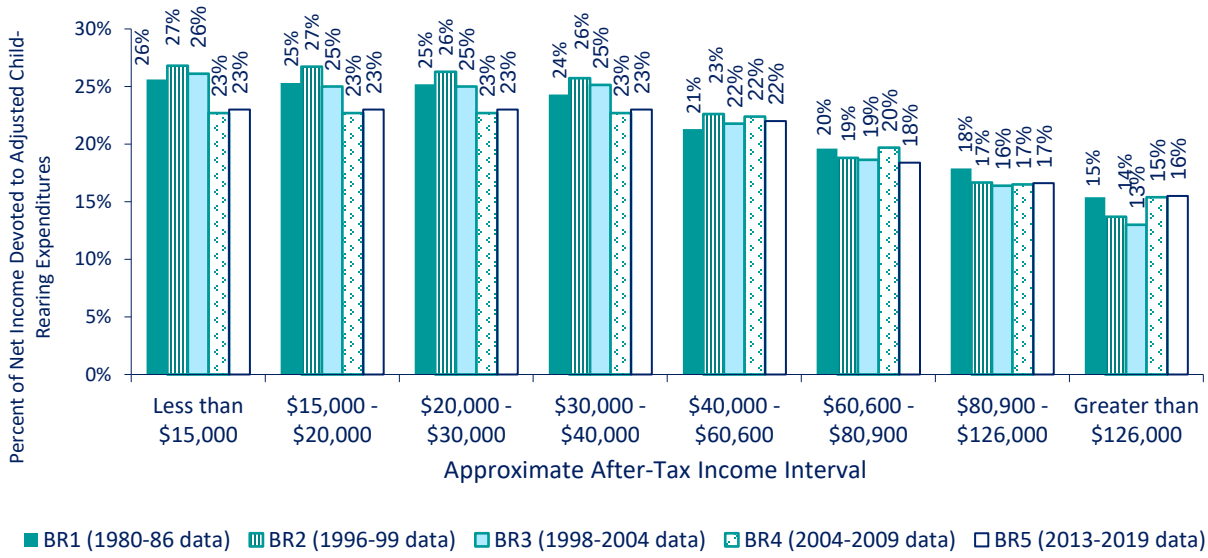
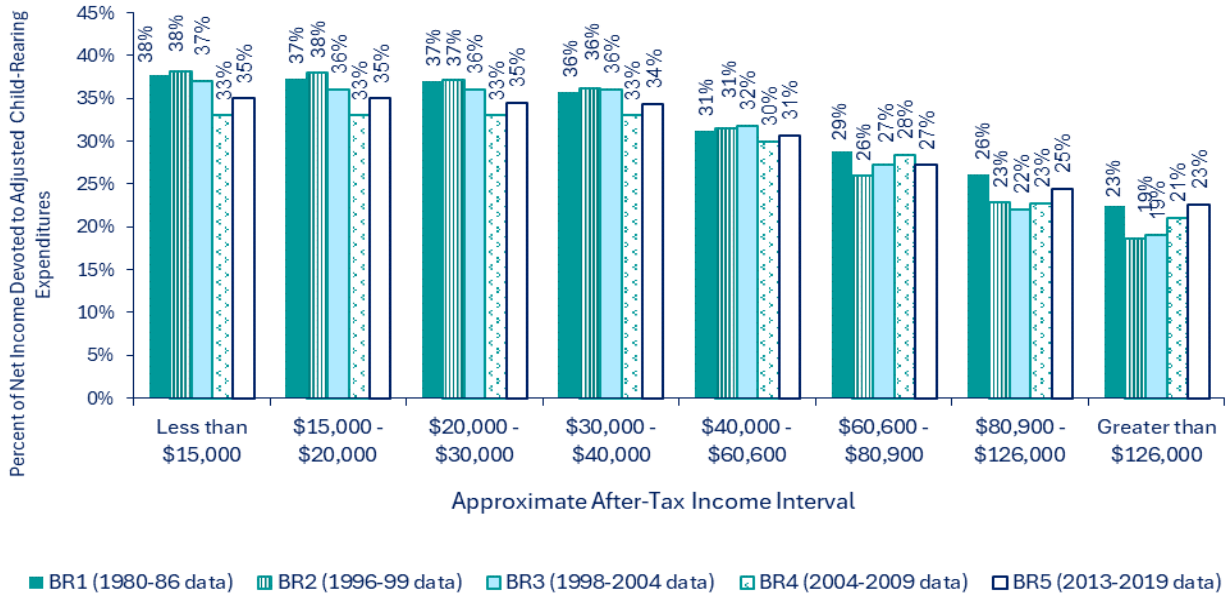


Exhibit 19: Changes in the Betson-Rothbarth (BR) Estimates for Two Children by Income Range



Findings from Espenshade Studies Post-1990

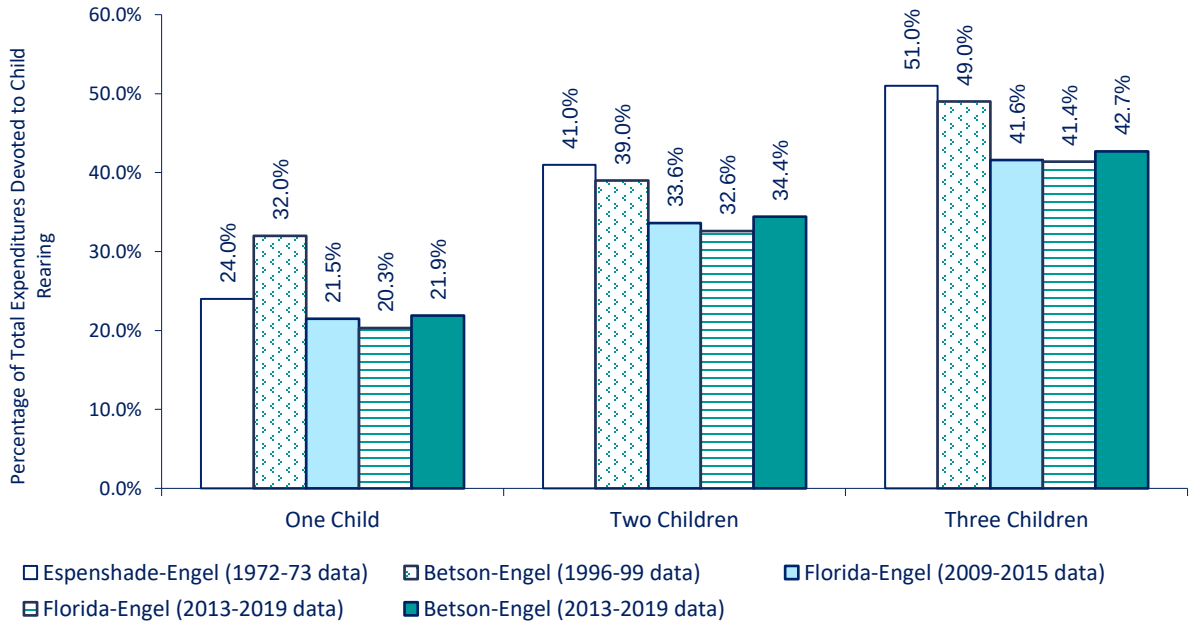
Although there have been fewer studies conducted using the Engel estimator (probably because most states switched to the Rothbarth estimator), Exhibit 20 shows greater fluctuations in the Engel estimates over time and among economists. The changes from Espenshade to the most current Engel estimates by Betson or the Florida economists may have resulted from real differences over time, data specification changes in the CE, differences in subsamples of the CE used by the different economists, different application of the Engel methodology, or the conversion of the Espenshade estimates to a format comparable to the other estimates. There is not sufficient information to know the root of the change.

Betson, however, explored the drop in the Betson-Engel (BE) estimates from the 1996–99 CE to those from 2013–2019 CE (e.g., a drop from 32% for one child to 21.9%). Betson did not change his approach or any of his assumptions between the two studies. Only the data years were changed. In Betson's analysis for Georgia,[204] a state that partially relied on the BE estimates, he offered two explanations of the drop. One correlates the drop to when there was a change in the CE wording asking about food consumption. This suggests the underlying issue is a change in data definition. The second explanation appears to relate to food consumption being more discretionary over time rather than a necessity.

[204] Betson, David (2022). "Appendix A to Addendum D: Review of the Georgia Child Support Guidelines." *In Georgia Support Commission: Economic Study Final Report*. Retrieved from https://csc.georgiacourts.gov/wp-content/uploads/sites/8/2023/01/2022-Final-Report.pdf.

When food is purely a necessity, the amount needed to compensate a childless couple for the additional cost of children can be anchored by the percentage spent on necessary food. To retain that percentage, one could simply increase that childless couple's income by how much it costs to raise the children. However, when food consumption becomes more discretionary, there is substitution within the types of food purchased when there are children (e.g., the family consumes more chicken, a lower cost food item, when children are present rather than salmon, a higher cost food item, when children are not present). These substitution effects are exacerbated by the substitution of food and other items (e.g., expenditures on adult goods and housing) particularly when some of those other items must also be consumed for the child (e.g., housing). (In contrast, expenditures on adult goods—which is the proxy of equally well-off families used by the Rothbarth methodology—does not contain the same issue because adult goods are consumed by just the two adults in the household regardless of the family size.) To be clear, this does not make earlier Engel estimates invalid.

Exhibit 20: Comparison of Engel Estimates over Time and from Different Studies



The most recent BE estimates are close to the Florida-Engel estimates from different study years. The Florida researchers also recognize that the Engel estimates have fallen since Espenshade produced his estimates from 1972–73 CE data, but do not explain the decrease.[205] The most current BE estimates and both Florida estimates yield very similar results (e.g., 20.3–21.9% for one child).

[205] See Norribin, et al. (2021), p. 28.

Comparison of Michigan General Care Equation to Current Estimates

Exhibit 21 and Exhibit 22 compare the Michigan General Care Equation to formulas based on the most current Betson-Rothbarth (BR) and Betson-Engel (BE) estimates for one and two children. The patterns for three and more children would be like those for two children. For comparison purposes, the Michigan GCST are updated to April 2023 price levels, which is the same price level used for the BR and BE estimates. The GCST and the estimates exclude extraordinary medical expenses and childcare expenses. The BR and BE estimates are also adjusted for children ages 12 and over to be like the GCST. In addition, an alternative BR5-based formula using an age adjustment for children ages 6 years old is also shown. The comparisons do not include the USDA estimates because the USDA estimates relate to gross income while the GCST relate to after-tax income. The comparisons do not include the Florida estimates because the Florida study did not provide the level of detail needed to exclude childcare expenses, adjust to after-tax income, and make other changes appropriate to for the GCST.

Exhibit 21: Michigan General Care Formula Compared to Formulas Based on Current Betson-Engel and Betson-Rothbarth Estimates

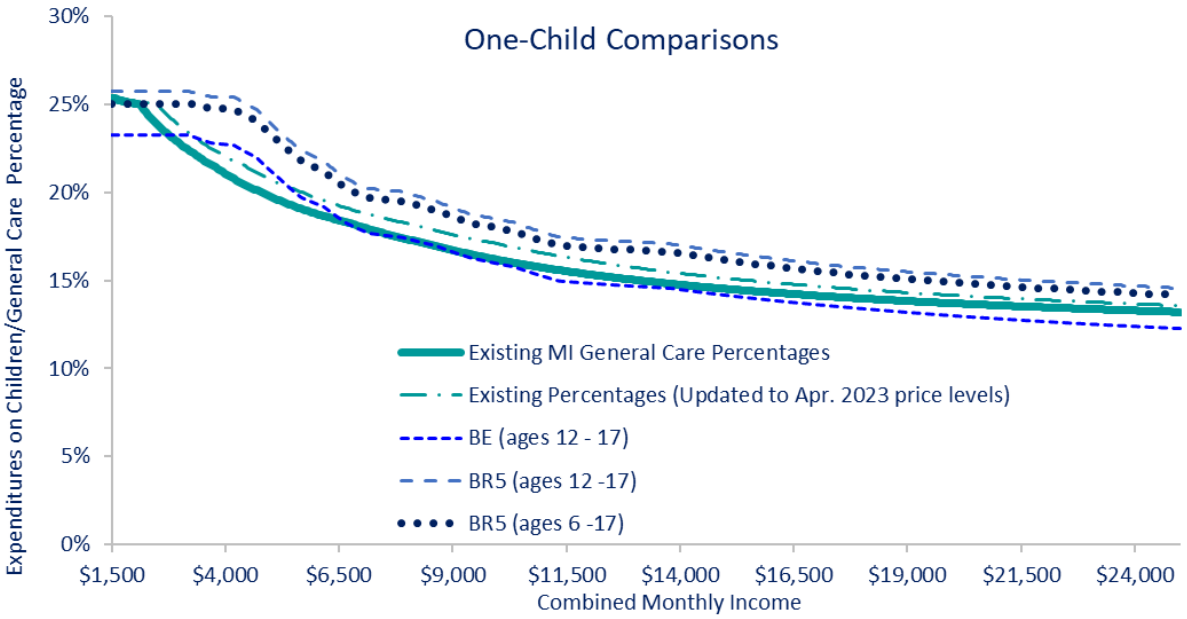
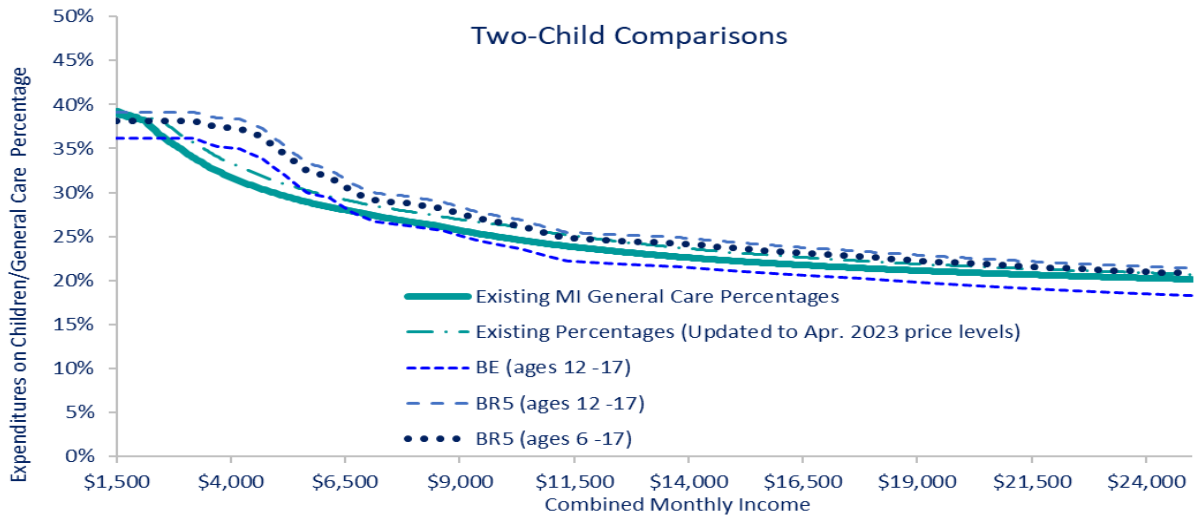


Exhibit 22: Michigan General Care Formula Compared to Formulas Based on Current Betson-Engel and Betson-Rothbarth Estimates



The comparisons generally show that the BE estimates are less than the existing GCST for combined incomes above about $6,000 net to about $10,000 net per month. As is, the reliability of the BE estimates is questionable. The BR estimates are considered more robust. The BR5-based amounts generally are higher than the existing GCST even when they are adjusted to April 2023 price levels, which is the most current price level data available when an update formula for Michigan was prepared. The difference is higher at upper-low incomes, then the gap between the GCST and the BR5-based amounts narrows. Exhibit 21 and Exhibit 22 also show the difference between adjusting the BR5-based equations for children at least age 12 and for children at least age 6 is small, with the lower age-threshold producing the lower amounts.

Exhibit 21 and Exhibit 22 also show that the percentage of net income devoted to child-rearing expenditures at lower combined net incomes (e.g., $1,500 net per month) is generally flat at these incomes. As discussed more in the next subsection, this is an artifact of imposing an artificial cap on expenditures at low income such that the guidelines formula does not assume that the payer-parent is not spending more than their income, even though the CE data indicates that very low-income families spend more than their income on average.

Development of an Updated General Care Equation

The General Care Support Tables (GCST) are a tabular form of the General Care Equations (GCE). Besides the economic study and the adjustment for the age of the child, there are many other factors considered when developing updated a General Care Equation. Exhibit 23 summarizes the data and data assumptions underlying the existing General Care Equation and those used to update them.

Exhibit 23: Data Sources and Assumptions Underlying General Care Equations

Factor	Basis of Existing General Care Equation	Basis of Updated General Care Equation	Other Alternatives/Notes
1. Economic study	Espenshade-Engel (1984)	Betson-Rothbarth (2020)	Other economic studies
2. Adjustment for child's age	Espenshade-Engel (1984) findings for children ages 12–17	USDA (2017) findings for children ages 6–17	Other age ranges
3. Adjustment for changes in price levels	Feb. 2020 Consumer Price Index Urban Consumers (CPI-U) for Detroit from 1985 base	April 2023 CPI-U from 2015 base[206]	None, the CPI-U is the most credible and widely used index to adjust for changes in prices
4. Exclusion of childcare expenses and the child's extraordinary medical expenses	Assumptions of the interim report of the 1983-87 National Child Support Guidelines Project, which were based on 1972–73 Consumer Expenditure (CE) data	2013-2019 CE data from the same subset of families Betson uses to develop estimates of child-rearing expenditures	As discussed in Chapter 5, several states incorporate a nominal level of extraordinary out-of-pocket expenses into their equivalent to the General Care Equation
5. Extended to 4 and more children	1967 equivalence scale	National Academy of Science equivalence scale	Most equivalence scales in current use relate to the National Academy of Science
6. Conversion to after-tax income base	Used ratios of total expenditures to after-tax income based on 1972–73 CE data, which was used for the interim findings of the 1983–87 National Child Support	Used ratios of total expenditures to after-tax income from same subset of families participating in the 2013–2019 CE that Betson uses to develop estimates of child-rearing expenditures	Numerous alternative assumptions (e.g., families spend all their after-tax income
7. Conversion to General Equation format	Currently 8 income bins based on 1986 interim findings of the 1983–87 National Child Support Guidelines Project	The most current BR estimates consider 17 income ranges	Numerous options

[206] The U.S. CPI-U is used for consistency with the Consumer Expenditure Survey. Economists generally prefer not to mix price indexes across regions because each start with 100.0 as their base (i.e. ground zero) in order to track increases for that region. Still, the use of the changes in the Detroit CPI-U for subsequent updates is appropriate because Michigan's policy preference is to use Michigan specific data.

An updated General Care Equation is provided in Appendix A.

Factor 1: Economic Study Underlying Update of General Care Equation

The most current Betson-Rothbarth study emerges as the most current, credible and documented study for updating the GCE. It relies on the most current expenditure data (2013–2019) used in any study. Although the Betson-Engel (BE) and Florida studies also rely on 2013–2019, they each have issues. There are concerns with the Engel methodology's reliance on food shares. It not only concerns data issues (i.e., the estimates appear sensitive to changes in the CE question about food expenditures), but the consistency of the Engel estimator because of increasing substitutability in food items (i.e., there is not a fixed amount of food expenditures that needs to be added to a household budget for every additional person, rather lower-cost items can be purchased to accommodate a larger family size). Betson's empirical application of the Rothbarth estimator has some empirical strength: Betson's use of compensating differential is more consistent with the Rothbarth economic model than the constrained utility used by Florida researchers. Betson's empirical specification of consumption is more reflective of household expenditures. The Florida study is also not as well documented and does not provide the supplemental CE data necessary to transform their estimates to a child support formula.

Factor 2: Adjustment for Age of the Child

Cognizant that parents often did not separate until the children are older, the GCE are based on estimates of child-rearing expenditures for children ages 12–17. More current data suggests that the age should be lowered. It shows the age of children among divorcing children encompasses a wider age range (i.e., 63% of children among recently divorced parents were in the age range of 6 to 17 years old based on 2018 data.)[207] Also, an increasing percentage of children eligible for child support are born to never-married parent and often they are cohabitating at the time of the birth. According to data tracking the trajectories of cohabiting parents, if the parents split up, it is not immediately after the birth of the child, but usually occurs before the child becomes a teen.[208] Specifically, the research finds that two-thirds of cohabitating couples split before their child reaches age 12.

Betson's most recent application of the Rothbarth estimator did not consider child's age. His last study that considered age of the child was conducted in 2001 and did not find notable differences.[209] The last USDA study (2017) did analyze expenditures by child's age. Based on the USDA data for the Midwest in 2015 and excluding expenditures on healthcare and childcare and education:

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[207] Schweizer. V. (2020). "Recently divorced adults with resident minor children, 2018." *Family Profiles*, FP-20-07. Bowling Green, OH: National Center for Family & Marriage Research. https://doi.org/10.25035/ncfmr/fp-20-07.

[208] For example, see Reeves, Richard, and Krause, Eleanor. (Apr. 2017). Cohabitating parents differ from married ones in three big ways. https://www.brookings.edu/research/cohabiting-parents-differ-from-married-ones-in-three-big-ways/.

[209] Betson acknowledged his findings may have been limited due to the treatment of adult clothing, which also would be consumed by teenagers.

- An average of 11.9% more is spent on children ages 12–17 than the average across ages 0–17; and
- The comparable percentage is 8.9% for children ages 6–17.[210]

In contrast, the age adjustment was about 14.5% using Espenshade's study.

Factor 3: Adjust for Current Price Levels

For each guidelines review, the incomes of the GCE are increased for changes in the Consumer Price Index for Urban Consumers (CPI-U) for the Detroit area. The most current GCE consider February 2020 prices. Betson developed his estimates from national data and reported them using the national CPI-U as of May 2020. They were updated to the national CPI-U as of April 2023.

Regional CPIs are not comparable. Each starts with a base of 100 in a specific year. For example, the Detroit CPI-U is 100 in 1984 and the national CPI-U is 100 in 1984, but that does not mean that the price levels between Detroit and nation are equivalent in 1984. A base of 100 eases the measurement of changes in price level (e.g., a CPI of 150 means prices have increased 50% from when the base CPI is 100). Regional price parities can be used to determine whether one region has higher or lower price levels. The U.S. Bureau of Economic Analysis (BEA) measures regional price parity. The BEA last reported price parities for 2022. Michigan's price parity was 93.4 and 96.1 for the Detroit-Warren-Dearborn area.[211] This means that Michigan prices are 93.4% of what the national prices are on average; that is, Michigan has lower prices.

The use of the national CPI-U for the update of the GCE does not preclude the use of the changes in the Detroit CPI-U to update the GCST, which is how it is currently updated. The advantage of using the Detroit CPI-U is that it is Michigan specific. The advantage of using the Detroit CPI-U over the Michigan CPI-U is that it recognizes a large percentage of the population lives in the metropolitan area and may face slightly higher prices and price increases. This errs on the side of the children, and does not relegate where the children may live in Michigan.

Factor 4: Subtract Healthcare and Childcare Costs from Total Child-Rearing Expenditures

The existing GCE do not include the child's healthcare costs and do not include childcare expenses. Instead, actual childcare expenses and the actual cost of the child's healthcare coverage are addressed on a case-by-case basis and ordinary medical expenses are a standardized amount. All estimates of

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[210] This calculated from Lino, Mark, et al. (2017). *Expenditures on Children by Families, 2015*. Misc. Pub. No. 1528-2015. U.S. Dept. of Agriculture, Center for Nutrition & Policy Promotion, Washington, D.C. p. 27. Retrieved from https://cdn2.hubspot.net/hubfs/10700/blog-files/USDA_Expenditures%20on%20children%20by%20family.pdf?t=1520090048492.

[211] U.S. Bureau of Economic Analysis. (Dec. 14, 2023). *Real Personal Consumption Expenditures by State and Real Personal Income by State and Metropolitan Area, 2022.* Retrieved from https://www.bea.gov/sites/default/files/2023-12/rpp1223_1.pdf.

child-rearing expenditures capture all child-rearing expenses including childcare and extraordinary medical expenses. The CE notes childcare expenses and total out-of-pocket expenses for the entire household. Betson provided the average amounts for these expenses from the same families from the 2013–2019 CE for which he estimated child-rearing expenditures. As discussed in greater detail in Appendix A, they are used to subtract the child's healthcare costs and childcare expenses from his total estimate of child-rearing expenditures. It appears that the existing GCE were based on a similar adjustment to the Espenshade estimates of child-rearing expenditures only 1972–73 CE data on childcare and healthcare expenditures was used to make the adjustment.

Factor 5: Extend to Four or More Children

Most of the measurements of child-rearing expenditures only cover one, two, and three children. The number of families in the CE with four or more children is insufficient to produce reliable estimates. The updated GCE rely on the National Research Council's (NRC) equivalence scale, as shown below, to extend the three-child estimate to four and more children:[212]

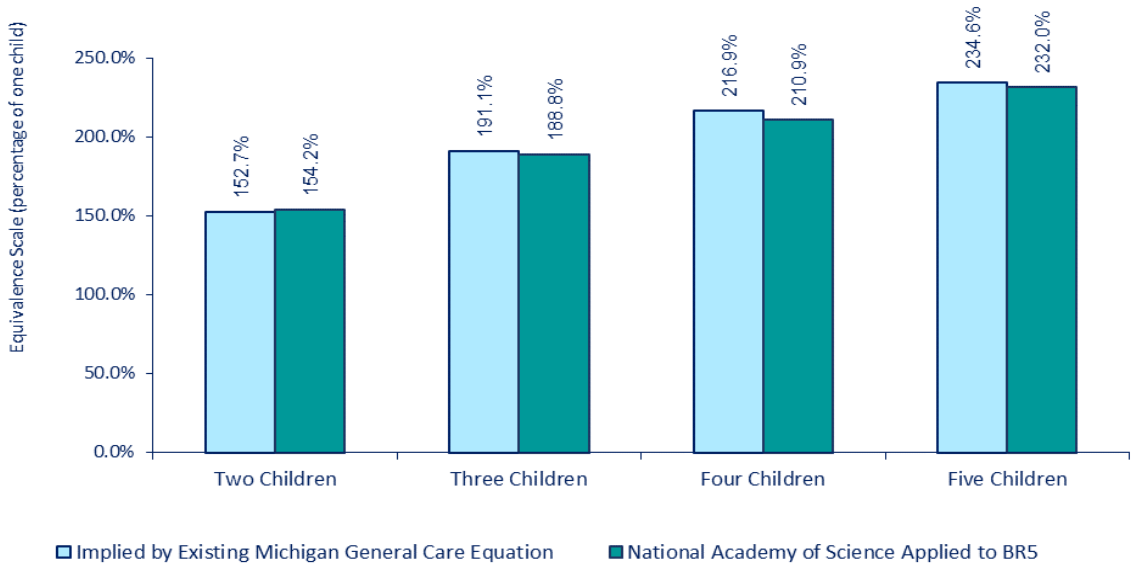
$$= (\text{number of adults} + 0.7 \times \text{number of children})^{0.7}$$

The existing GCE rely on an older equivalence scale. However, as shown in Exhibit 24 , small differences between the two equivalence scales exist. The U.S. Census Bureau and other organizations rely on the NRC equivalence scale to adjust for family size.[213] Application of the equivalence scale implies that expenditures on four children are 11.7% more than the expenditures for three children, and expenditures on five children are 10.0% more than the expenditures for four children.

[212] Citro, Constance F., & Robert T. Michael (eds.). (1995). *Measuring Poverty: A New Approach*. National Academy Press. Washington, D.C.

[213] For example, see the U.S. Census. (Oct. 2021). *Equivalence Adjustment for Income.* https://www.census.gov/topics/income-poverty/income-inequality/about/metrics/equivalence.html#:~:text=Another%20way%20to%20measure%20income,advantage%20of%20economies%20of%20scale.

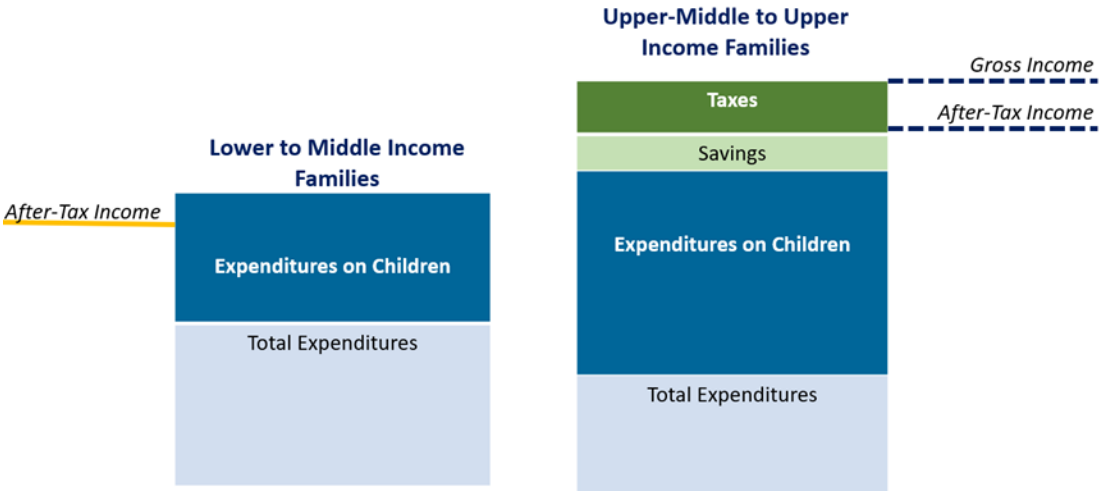
Exhibit 24: Comparison of Equivalence Scales for More Children



Factor 6: Convert to Net Income

Most economists including Betson report their estimates of child-rearing expenditures as a percentage of total expenditures. Families may spend more or less of their total income. Exhibit 25 illustrates this by a graphical comparison of expenditures between low-income families and families with more income. Analysis of CE data finds that low-income families spend more than their after-tax income on average. Upper-middle and upper-income families do not spend all their after-tax income, on average, and generally have savings. To adjust the measurements of child-rearing expenditures expressed as a percentage of total expenditures for income ranges with savings, the measurements are multiplied by the average percentage of total expenditures to net income for income ranges with saving. Betson calculated these ratios of total expenditures to net income from the same subset of families he used in the 2013–2019 CE to estimate child-rearing expenditures. (Appendix A shows these ratios and provides more information about the conversion.) For families in the income range where the average expenditure to after-tax income is greater than one, the ratio is capped at one. This occurs at the lower income ranges. Setting at more than one would have the policy implication that parents should spend more than their income.

Exhibit 25: Relationship between Expenditures and Income



Factor 7: Convert to Format Used by Existing General Care Formula

Michigan guidelines users are familiar with the current format. They may find an alternative format confusing even though it is more consistent with current economic data. To this end, the updated GCE are adjusted as close as possible to match the current format. The formatting produces generally the exact same amounts as they would prior to the formatting. Appendix A provides more details.

The existing GCE have fewer income bins and cover a different income range than the current BR estimates of child-rearing expenditures. The existing GCST consider eight income bins, with the lowest combined income bin starting at $1,318 net per month and the highest combined income bin starting at $10,581 net per month. The lowest and highest amounts are not sensible despite being increased due to changes in price levels. Since the original GCST were developed in the 1980s, prices have increased almost three times. The lowest income bin (i.e., starting at $1,318 net month) is not that useful because it approximates what the low income threshold will be the next update to the Michigan Formula. Historically, Michigan bases the threshold on the Federal Poverty Guidelines (FPG) for one person. The FPG at the time this report (2024) was written was $1,255 per month.[214] Since Michigan applies its Low Income Equation and Low Income Transition Equation to both parents (i.e., the parents combined income would need to be at least $2,510 net per month for both parents to have incomes above the 2024 FPG), the first income bin starting at $1,318 per month will rarely be used. In short, there is justification for starting the income bins at a higher income.

[214] U.S. DHHS Assistant Secretary of Planning and Evaluation. (Jan. 2024). *Poverty Guidelines for 2024*. Retrieved from https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines.

Betson provides his estimates for 17 income ranges. The lowest combined income bin starts at about $3,000 net per month. Betson actually provides estimates for lower incomes, but because low income families spent significantly more than their after-tax income, the income ranges were combined. The highest income range considered by Betson started at about combined incomes of $17,000 net per month. Addressing higher incomes is appropriate. According to the 2022 U.S. Census American Community Survey, 11% of Michigan families had incomes greater than $200,000 gross per year.[215]

Chapter Conclusions, Recommendations, and Future Research Needs

This chapter identifies the assumptions and data underlying the General Care Support Tables (GCST). Even though the GCST has been updated for changes in price levels over time, it is based on old data (i.e., 1972–73 CE.) Not only are there more current estimates of child-rearing expenditures, but the CE has had several changes that improve the validity of the CE data. The major recommendation is to update the GCST for more current economic data—namely, the most current Betson-Rothbarth (BR) estimates of child-rearing expenditures. The BR estimates are the most credible of current estimates. Like the current GCST, the updated GCST do not include the child's healthcare expenses or childcare expenses. Instead, the guidelines provide for the actual amounts expended on these items to be considered on a case-by-case basis and a standardized amount for ordinary medical expenses in the calculation of support. The current GCST are based on child-rearing cost data for older children (i.e., 12 years old and older) because parents tend to separate as their children become older. Based on recent trends, there is some evidence to down the age used. The updated GCST consider child-rearing costs for children ages 6 and up.

The major assumption underlying the GCST is the income shares model. Some of the concerns are whether expenditures in single-parent families are more appropriate, it neglects how child-rearing expenditures vary when there are additional dependents or blended families, it does not consider in-kind contributions, and whether the age adjustment is appropriate. Empirical data is used to explore these concerns and finds no overwhelming evidence to change these assumptions other than to lower the age adjustment slightly and revisit the appropriateness of the additional dependents adjustment at higher incomes.

Recommendations. The major recommendation is to update the GCST for more current economic data and continue to periodically update the GCST for changes in price levels using the Detroit CPI-U.

Future Research Needs

There needs to be studies of child-rearing expenditures using more current data than the 2013–2019 CE. The COVID-19 pandemic vastly changed the economy. More current studies of child-rearing

[215] U.S. Census Data. Retrieved from http://data.census.gov.

expenditures in single-parent families should also be conducted, and the results compared to those for intact families. It would also be interesting to compare child-rearing expenditures of married parents to cohabitating parents, but it does not appear that the CE data can identify cohabitating parents. Even though Betson considered some alternative family structures (e.g., same-sex, married couples), there needs to be more studies of child-rearing expenditures from other family structures besides families consisting of a husband and a wife and their own children only. The differences in how Betson and the Florida economists apply the Rothbarth and Engel estimators also needs to be investigated further to understand whether one application is better than another or if there are other issues.

CHAPTER 4: SELF-SUPPORT RESERVE AND LOW-INCOME ADJUSTMENTS

The purpose of this chapter is to review Michigan's low-income adjustments, which consists of two formulas: the Low-Income Equation (LE) and the Low-Income Transition Equation (LTE). Most state guidelines use a self-support reserve for their low-income adjustment. Federal regulation requires state guidelines to consider the subsistence needs of the payer-parent (and the payee-parent and the children at the discretion of the state) through a self-support reserve[216] or another type of low-income adjustment. In other words, a self-support reserve is a type of low-income adjustment.

The amount and structure of a low-income adjustment are largely policy decisions. In designing their low-income adjustments, most states consider the federal poverty guidelines as a benchmark for subsistence, income from minimum-wage earnings, availability and amount of assistance from government program, and income tax rates and available tax credits.

CHAPTER SUMMARY

Federal Requirements and Basis of Current Low-Income Adjustment. Federal regulations require states to consider the subsistence needs of the payer-parent (and at state's discretion the payee-parent and the children). Federal regulation gives states a lot of latitude in whether the provision is a formula or deviation, the amount considered to be subsistence, and leave whether to have a minimum order to state discretion as long as the amount is not excessive. Michigan provides a Low-Income Equation (LE) of 10% for a parent when that parent's income is below $1,063 net per month and a Low-Income Transition Equation (LTE) that phases from the LE to the General Care Equation for incomes above $1,063. The income threshold of $1,063 related to the federal poverty guidelines (FPG) for one person when Michigan last updated its guidelines. Michigan updates the threshold every four years as part of its guidelines review.

Low-Income Adjustments in Other States. Michigan's approach is unique among states. Instead, most states provide a self-support reserve test in their worksheet or child support table. Most states relate their SSR to the FPG. One advantage of the SSR in the worksheet is it applies after consideration of add-ons to base support (e.g., ordinary medical expenses), which protects the SSR. States are mixed whether they provide a minimum order below the SSR. Those that do often provide a dollar amount rather than a percentage. The advantage of a percentage is the order amount is zero when there is no income.

Empirical Findings about Payments and Low-Income Parents. The 2016 Federal Rule changes noted older research that orders are unpaid when they exceed 20% of the payer-parent's gross income. More current research is mixed but tends to suggest a lack of a threshold that divides payments and non-payments. Also, income imputation and default are more correlated to payment.

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[216] The term "self-support reserve" also appeared in the procurement and contract.

Determining Basic Subsistence Level and the Appropriate Minimum Order for Michigan. Three factors were discussed with determining appropriate levels for Michigan: alternative measures of subsistence, public assistance benefits, and child-related tax credits. None of the alternative measures are overwhelmingly better than the FPG. The interest in public assistance benefits and child-related tax credits is whether they should offset child support. Not all children eligible for public assistance receive them due to waitlists and other reasons. Eligibility is redetermined periodically. In short, public assistance is not reliable income. The Earned Income Tax Credit (EITC) and Child Tax Credit are not advanced. EITC is considered a means-tested program. States are mixed on whether they count the Child Tax Credit as income in determining child support. Public assistance income does not count the Child Tax Credit as income.

Recommendations. There is no recommendation to overwhelmingly change the low-income adjustments. Michigan may want to review whether it is appropriate to add ordinary medical expenses after application of low-income adjustment and provide whether or not the child tax credit is to be counted as income in the determination of child support. This is a policy decision.

Federal Requirements and Basis of Current Low-Income Adjustment

A change in federal regulation issued in 2016 requires states to consider the subsistence needs of a low-income obligated parent through a low-income adjustment such as a self-support reserve (SSR) in their guidelines.

> (45 C.F.R. § 302.56(1)(c)(ii)) Takes into consideration the basic subsistence needs of the noncustodial parent (and at the State's discretion, the custodial parent and 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; and . . .

The change was one of many made as part of the 2016 OCSS Rule changes.[217] The changes aimed to increase regular, on-time payment to families, to increase the number of payer-parents working and supporting their children, and to reduce the accumulation of unpaid arrears.[218] Many of the changes focused on low-income payer-parents and ending practices at setting orders beyond what a payer-parent with limited financial resources could pay. The requirement to consider the basic subsistence needs is another way to consider ability to pay. The Supreme Court decision in *Turner v. Rogers*, 564 U.S. 431 (2011), essentially requires the determination of ability to pay prior to incarceration for nonpayment of child support. The regulation intends for the guidelines to produce payable orders by

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[217] See Federal Office of Child Support Enforcement. (Dec. 20, 2016). Actional Transmittal (AT-16-06) *Final Rule: Flexibility, Efficiency, and Modernization in Child Support Enforcement Programs*. Retrieved from https://www.acf.hhs.gov/css/policy-guidance/final-rule-flexibility-efficiency-and-modernization-child-support-enforcement.

[218] U.S. Department of Health and Human Services. (Nov. 17, 2014). "Flexibility, Efficiency, and Modernization in Child Support Enforcement Programs." 79 *Fed. Reg.* 68,548. Retrieved from https://www.govinfo.gov/content/pkg/FR-2014-11-17/pdf/2014-26822.pdf.

considering the specific circumstances of the payer-parent and evidence of ability to pay (including the subsistence needs of the payer-parent) before nonpayment becomes an issue and, in turn, limits the need for enforcement actions, particularly among low-income parents with a limited ability to pay. OCSS cites several research studies supporting this position including research finding a high level of unpayable arrears and that most arrears are owed by very low-income parents as well as simulations finding most arrears are uncollectible because the parents are very low income.[219]

In the proposed and finalized rule and through other actions, the federal Office of Child Support (OCSS), makes it clear that states have a lot of latitude in how they meet this requirement.

- States do not have to provide a low-income formula; rather, providing for court discretion is sufficient when the payer-parent's income is below a state-determined level of basic subsistence;
- States should determine a level of basic subsistence needs appropriate for their state rather than rely on a federal definition; and
- States can provide for a minimum order as long it is rebuttable and reasonable.

No Requirement for a Low-Income Formula

OCSS's response to Virginia illustrates there is no requirement for a low-income formula. As part of its 2021 review, the Virginia IV-D director at the time sought confirmation from OCSS that Virginia fulfilled the federal requirement through a Virginia provision providing that the court may set an order less than the presumptive minimum order ($68 per month for incomes of $0 to $350 gross per month when there is one child and higher amounts for more children) in certain circumstances where the payer-parent's income was 150% of the federal poverty level or less.[220] In other words, the Virginia guidelines provides for judicial discretion when the payer-parent's income is at or below 150% of the federal poverty level. The Virginia guidelines do not provide a formula or sum-certain amount under this circumstance. Although not explicitly stated, it also appears that Virginia considers 150% of the federal poverty level to define basic subsistence.

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[219] Ibid. p. 68556.

[220] See email exchange between Barbara Lacina, Virginia Department of Social Services IV-D director, and Rose Bynum, Federal Office of Child Support Services. (2021). "Appendix B: OCSE Email – House Bill 2055 Enactment Clause." *In* Virginia Child Support Guidelines Review Panel. (Dec. 2021). *Review of Virginia's Child Support Guidelines*. Retrieved from https://dls.virginia.gov/groups/childsupport/research/2021%20child%20support%20guidelines%20review%20panel%20report.pdf.

State-Determined Level of Basic Subsistence

The purpose of the low-income adjustment is to ensure that a low-income payer-parent could meet their basic subsistence need, pay the full amount of child support owed, and continue employment.[221] In its proposed rule, OCSS referred to a dictionary definition of subsistence: the minimum necessary to support life.[222] OCSS used food and shelter as examples of necessary items, but make it clear that subsistence is to be defined by the state.[223] OCSS reiterated its position for state-determined basic subsistence needs in its responses to questions in the final rule including requests for a federally set level of basic subsistence needs.[224]

Minimum Orders Are Permissible

In its final rulemaking, OCSS makes it clear that across-the-board, high minimum orders without regard to ability to pay are not in compliance. However, OCSS does not explicitly prohibit low minimum orders. It also does not define what is a "high minimum order." This caused some confusion when Louisiana received a letter from OCSS citing issues with Louisiana's minimum order, which is $100 per month for incomes of $0 to $950 gross per month. It appears that the issue, however, was that Louisiana's minimum order was not rebuttable.[225] The federal requirement is for a rebuttable presumptive guidelines in which any minimum order is also rebuttable.[226] In 2024, Louisiana eliminated the provision and added a deviation criterion for parents with incomes below $950 gross per month.[227] The Louisiana child support schedule, however, still provides for a $100 order for incomes of $0 to $950 gross per month.

Michigan's Low-Income Adjustment

Exhibit 26 shows Michigan's two low-income adjustments: the Low Income Equation (LE) and the Low Income Transition Equation (LTE).

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[221] U.S. Department of Health and Human Services. (Nov. 17, 2014). "Flexibility, Efficiency, and Modernization in Child Support Enforcement Programs." 79 *Fed. Reg.* 68,555. Retrieved from https://www.govinfo.gov/content/pkg/FR-2014-11-17/pdf/2014-26822.pdf.

[222] U.S. Department of Health and Human Services. (Nov. 17, 2014). "Flexibility, Efficiency, and Modernization in Child Support Enforcement Programs." 79 *Fed. Reg.* 68,555. Retrieved from https://www.govinfo.gov/content/pkg/FR-2014-11-17/pdf/2014-26822.pdf.

[223] Ibid.

[224] U.S. DHHS Office of Child Support Services. (Dec. 20, 2016). Actional Transmittal (AT-16-06) *Final Rule: Flexibility, Efficiency, and Modernization in Child Support Enforcement Programs*. P 93518. Retrieved from https://www.acf.hhs.gov/css/policy-guidance/final-rule-flexibility-efficiency-and-modernization-child-support-enforcement.

[225] The Louisiana provision provided, "In no event shall the court set an award of child support less than one hundred dollars, except in cases involving shared or split custody." (See La. Rev. Stat. Ann. § 9:315.14.). Retrieved from https://legis.la.gov/Legis/Law.aspx?d=107379.

[226] U.S. DHHS Office of Child Support Services. (Sept. 14, 2000, current as of Nov. 30. 2021). "State IV-D Program Flexibility with Respect to Low Income Obligors." *Policy Interpretation Questions*, PIQ-00-03. Retrieved from https://www.acf.hhs.gov/css/policy-guidance/state-iv-d-program-flexibility-respect-low-income-obligors.

[227] See the Louisiana Child Support Guidelines (La. Rev. Stat. Ann. § 9:315) at https://legis.la.gov/Legis/Law.aspx?d=107379.

Exhibit 26: Michigan's Low-Income Adjustments

3.02(C) Low Income Equation

When a parent's monthly net income does not exceed the Low Income Threshold, the parent's base support obligation is 10 percent of that parent's income. The Low Income Equation is designed to retain funds for the parent's subsistence.

F x 10%= L

F = Parent's Monthly Net Income, when below the Low Income Threshold (§2.09(A))

10% = Percentage for Income below the threshold

L = Base Support (round to the nearest whole dollar)

3.02(D) Low Income Transition Equation

When a parent's net income exceeds the Low Income Threshold, that parent's base support obligation will generally be determined using the General Care Equation. However, if the following equation's result is lower than the amount calculated using the General Care Equation, a parent's base support obligation is the amount determined by applying this equation. The Low Income Transition Equation is designed to balance a parent's subsistence needs with the costs of raising children in another household.

(H x 10%) + [(I - H) x P] = T

H = Low Income Threshold (§2.09(A))

I0% = Percentage for Income below the threshold (§3.02(C))

I = Parent's Monthly Net Income

P = Percentage Multiplier for the appropriate number of children from the Transition Adjustment table

T = Base Support obligation using the Low Income Transition Equation

Transition Adjustment

Number of Children-in-Common	Percentage Multiplier
1	50%
2	55%
3	60%
4	65%
5 or more	70%

At the time this report was written, the LE was applied to income not exceeding the Low-Income Threshold (LIT), which was $1,063 net per month. Historically, Michigan updates the LIT each review for changes in the Federal Poverty Guidelines (FPG) for one person. The FPG is updated in January or

February of each year. When this report was written, the LIT was based on the 2020 FPG. For incomes below the LIT, the Michigan Formula provides for an order set at 10% of the payer-parent's income available for support. (Note that the both the LE and LTE can also apply to the payee-parent but it would not affect the order amount of the payer-parent eligible for the LE.) The LE (i.e., 10% of income) is akin to what a minimum order would be in other state guidelines.

The LTE provides a gradual transition to application of the General Care Equation. It functions similar to (but not exactly like) a self-support reserve test used by many other state guidelines. The LTE is the sum of:

- 10% of the income threshold for applying the LE; that is, since the LTE income threshold is $1,063 net per month in 2023, the amount would be $106 per month ($1,063 multiplied by 10% is $106); and
- The difference between the parent's income available for support and the LTE multiplied by percentage adjustment (called the Transition Adjustment in the table shown in Exhibit 26) for the number of children in common.

For example, consider support for one child if a parent has an income of $1,163 net per month. The amount owed for the first bullet would be $106 per month. The amount owed for the second bullet would be $50 based on the 50% percentage multiplier for one child (shown in Exhibit 26) applied to $100 (which is the difference between the parent's income of $1,163 and the LTE of $1,063). The sum of the two bullets would be $156 net per month. If this is less than that parent's General Care Equation, it would be applied to that parent. If the parent's General Care Equation is less, it would apply.

Application to Both Parents

The LE and LTE apply to both parents. The application to both parents affects the outcome when the Parental Time Offset Formula (PTO) is applied but not in other circumstances. The LE/LTE indirectly reduces the amount of the adjustment for overnights because the PTO is applied to a smaller base than the base amount from the General Care Equation. The application of the LE/LTE to the payee-parent does not affect the outcome when the PTO is not applied. Instead, the order amount is based on the payer-parent's eligibility for the LE/LTE or the General Care Equation.

Federal Compliance

There is no reason to believe that the existing Michigan adjustment does not comply with the federal requirement to consider the subsistence needs of the payer-parent. The Michigan Formula clearly provides a low-income adjustment through its LE/LTE. Although the federal regulation does not require a self-support reserve (SSR), the income threshold for applying the LE may be considered an SSR as well as an amount of basic subsistence. The Michigan Formula also clearly states the threshold is the amount identified for basic subsistence. The Federal Poverty Guidelines for one person is a reasonable amount

for defining basic subsistence. The assignment of 10% of income for those with incomes below the LE income threshold is not excessive, particularly in light of the 20% of gross income research cited in the final rule.[228] Federal regulation does not prohibit minimum orders but discourages high minimum orders without defining what is high. The LE/LTE can be rebutted.

With that said, the authors of this report do not have the authority to determine state compliance. Only a federal official can do that. Typically, this is done as part of the review of the State Title IV-D plan.

Overview of Low-Income Adjustment in Other States

The Michigan LE/LTE are unique to Michigan but share many similarities with other state adjustments for low income.

Self-Support Reserve Test

The most common low-income adjustment used by other states centers around a self-support reserve (SSR). In 2016, there were 37 state guidelines that provided a self-support reserve.[229] The count is higher today because many states adopted or expanded their low-income adjustment after the 2016 rule change. Partially due to delays caused by the COVID-19 pandemic, some states are still moving through the quadrennial guidelines review cycle and promulgating changes (e.g., Colorado and Georgia just adopted their recent changes in 2024). The more common approach is to provide a self-support reserve test.

Arizona's self-support reserve test (SSR) is shown in Exhibit 27. Arizona's SSR, which is shown as $1,685 gross per month, on Line 7 of Exhibit 27, is tied to full-time earnings at the Arizona minimum wage. The highest SSR is used by New Jersey: 150 percent of the federal poverty guidelines (FPG) for one person. This amounts to almost $1,900 net per month using the 2024 FPG. Minnesota uses 120% of the FPG but it relates it to gross income. The FPG can be applied to gross or net income. States usually base it on whatever income base they use for their equivalent to the General Care Support Tables.

Instead of addressing the SSR in the worksheet, some states incorporate the SSR in their equivalent to the GCST. The strength of placing it in the worksheet is that it is transparent and easy to update. The strength of placing it the formula/table is that it is seamless, easy to calculate, and does not require additional lines in the worksheet. For those states that use a transitional percentage like Michigan does,

[228] U.S. Department of Health and Human Services. (Nov. 17, 2014). "Flexibility, Efficiency, and Modernization in Child Support Enforcement Programs." 79 *Fed. Reg.* 68,554. Retrieved from https://www.govinfo.gov/content/pkg/FR-2014-11-17/pdf/2014-26822.pdf.

[229] Venohr, Jane. (2016). *Review of the Nevada Child Support Guidelines*. Retrieved from https://www.leg.state.nv.us/Session/79th2017/Exhibits/Senate/JUD/SJUD144D.pdf.

it also appears to work better when incorporated into the formula/table if guidelines users do not have a reliable automated guidelines calculator readily available.[230]

Exhibit 27: Arizona's SSR Adjustment[231]

	Petitioner	Respondent	Combined
Line 1: Monthly gross income	$2,400	$1,600	$4,000
Line 2: Monthly adjusted gross income	$2,400	$1,600	$4,000
Line 4: Basic child support obligation for 3 child(ren)			$1,306
Line 5: Percentage share of income (each parent's income on Line 2 divided by Combined Income)	60%	40%	100%
Line 6: Preliminary child support obligation (Multiple Line 4 by Line 5)	$784	$522	
Self-Support Reserve Test			
Line 7: Self-support reserve	$1,685		
Line 8: Adjusted gross income less self-support reserve	$ 715		
Line 9: Child support order (lower of Line 6 and Line 8)	$ 715		

For incomes below the SSR, some states set a rebuttable presumptive minimum order and other states set base support at zero. Arizona provides for court discretion, but in practice, Arizona usually sets a zero order when the payer-parent's income is below the SSR. If Arizona provided a minimum order, it would probably be included on Line 8 of the worksheet shown in Exhibit 27, and may say something like, "Insert a $50 minimum order if the difference between the parent's income (Line 1) and the SSR (Line 7) is less than the minimum order." For incomes above the SSR, base support is calculated like Michigan's LTE, except the SSR is used instead of the LE income threshold. Some states assign all that difference to child support (e.g., Arizona), and other states take only a percentage like the LTE does. Most states, however, do not add 10% of the low-income threshold (i.e., 10% of $1,063, which would be $106 per month) to the difference.

Whether the Michigan LE/LTE produces a higher/lower adjustment than other states depends on the parameters of another state's adjustment (i.e., the amount of the minimum order, the amount of the SSR, and the percentage assigned to income above the SSR).

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[230] West Virginia includes something similar to a transitional percentage adjustment in its worksheet. When first adopted, it caused some confusion among guidelines users, but with time, guidelines users are now comfortable with it.

[231] This is an abbreviated version of the Arizona child support guidelines worksheet provided by Arizona Judicial Branch. (n.d.). 2018–2021 Child Support Calculator. Retrieved from https://www.azcourts.gov/familylaw/2018-Child-Support-Calculator. It is adapted from the 2022 California report.

Consideration of SSR after Add-Ons for Ordinary Medical Expenses and Other Expenses

Another advantage to including the SSR test in the worksheet is it can be applied after ordinary medical expenses, childcare expenses, and other expenses are added to the base support. This maintains and prioritizes the subsistence needs of the payer-parent in the calculation. Exhibit 28 shows an abbreviated version of the Alabama SSR that accomplishes this. It shows that by applying the SSR as the last step, the payer-parent will have income above the SSR (assuming a minimum order does not apply). Exhibit 28 also shows on Line 12, the payer-parent's income is multiplied by 85%; this is somewhat like Michigan's LTE percentages. Both intend to allow the payer-parent to retain some of the payer-parent's additional income rather than assign all of it to child support. Applying only a percentage provides an economic incentive to increase earnings.

Exhibit 28: Example of Alabama's SSR Test after Consideration of Add-ons

	Payer-Parent	Payee-Parent	Combined
Line 1: Monthly gross income	$1,200	$1,000	$2,200
Line 2: Monthly adjusted gross income	$1,200	$1,000	$2,200
Line 3: Percentage share of income (each parent's income on Line 2 divided by Combined Income)	55%	45%	100%
Line 4: Basic child support obligation			$414
Line 5: Work-related childcare costs (paid by either parent)		$100	$100
Line 6: Healthcare coverage costs (paid by either parent)	$20		$ 20
Line 7: Total child support obligation (combined Line 4 + Line 5 + Line 6)			$534
Line 8: Each parent's child support obligation (multiply Line 3 by Line 7)	$294	$240	
Line 9: Total costs paid by each parent (Line 5 + Line 6)	$ 20	$100	
Line 10: Each parent's adjusted child support obligation (Line 8 – Line 9, if less than $0, enter $0)	$274	$140	
Self-Support Reserve Test			
Line 11: Income available after self-support reserve (Line 2 – $981, if less than $0, enter $0)	$219		
Line 12: Income available for support (85% of Line 11, if less than $50, enter $50 minimum order)	$ 186		
Line 8: Recommended child support order (Lesser of Lines 10 and 12)	$186		

In Michigan, ordinary medical expenses would be added after the LE/LTE is applied. Similarly, childcare expenses and other child-rearing expenses would be added after the LE/LTE is applied. With that said, the Michigan Equation does provide a deviation when childcare expenses exceed 50% of that parent's base support obligation. This may alleviate some of the concern.

SSRs and Minimum Orders

Most states relate their SSR to the federal poverty guidelines (FPG) for one person. The highest SSR is used by New Jersey: 150 percent of the federal poverty guidelines (FPG) for one person. This amounts to almost $1,900 net per month using the 2024 FPG. Minnesota uses 120% of the FPG but relates it to gross income. Many low-income states (e.g., Alabama and Kentucky) set their SSR slightly below the FPG. Arizona is the only state to relate its SSR to their state minimum wage. The strength is it relates better to potential earnings in the state. However, it can be a limitation, particularly in states that do not keep their state minimum wage up to date.

Annual Updates to SSR

Arizona and several other states (e.g., Minnesota, New York, Oregon, and Washington) index their SSR so it updates with annual changes to the state minimum wage or the FPG, which is released in about mid-January each year. The advantage of this approach is it keeps the SSR more current. The disadvantage is annual publication and notification and changes to automated calculators can be tedious and time-consuming. A small difference from one year to the next also makes the annual adjustment questionable.

Minimum Orders

Whether to provide a minimum order is a policy decision as well as the amount of the minimum order. Most states provide a dollar amount (e.g., $50 per month) instead of a percentage of income like Michigan does. One reason states use dollar amounts is it is consistent with the format of their equivalent to the GCST, which is typically in dollar amounts in states relying on the income shares model. A strength of using a percentage of income is it yields a zero order when there is zero income.

A few states (e.g., Maine and Connecticut) apply percentages at very low incomes and dollar amounts at higher incomes. The percentages used by these states are 10% or close to 10%. Some states provide higher minimum orders/percentages orders when there are more children. Besides accounting for the fact that more children require more financial resources, increasing the amounts for more children eases the transition to formula/table amounts that reflect child-rearing expenditures, which are higher for more children.

A 2019 analysis of low-income adjustments conducted by University of Wisconsin-Madison Institute for Research on Poverty found that only 12 states had considered making changes to their low-income adjustment since January 2017.[232] Among those 12 states, four states had no minimum order while the minimum order for the other eight states ranged from $50 to $100 for one child plus $50 for each

[232] Hodges, Leslie, & Vogel, Lisa Klein. (Aug. 2019). *Recent Changes to State Child Support Guidelines for Low-Income Noncustodial Parents.* University of Wisconsin at Madison Institute for Research on Poverty. CS-2018-2020-T4. Retrieved from https://www.irp.wisc.edu/wp/wp-content/uploads/2020/01/CS-2018-2020-T4.pdf.

additional child. Nebraska was the only state among the 12 states that relied on a percentage of income for its minimum order. Specifically, Nebraska provides a minimum order that is the greater of $50 per month or 10% of the payer-parent's net income.

Other Low-Income Adjustments Used by States

Besides self-support reserves, states use a variety of low-income adjustments. California uses a percentage reduction for incomes below their state-determined threshold. Utah and Nevada provide a separate low-income table. Texas provides a sliding scale percentage. Most of these alternative adjustments are more complicated to apply and update than the current Michigan low-income adjustment or a self-support reserve test.

Application to Both Parents in Other States

Few states explicitly provide for the consideration of the payee-parent's subsistence needs other than as a criterion for a deviation. Some recognize that the SSR test (or low-income adjustment) should not apply to the payer-parent if the payee-parent's subsistence needs are not met. New Jersey, however, does explicitly consider the payee-parent's subsistence needs. New Jersey prohibits a low-income payer-parent from receiving the SSR adjustment if the payee-parent's net income minus the other parent's share of the total obligation is 150 percent of the poverty guideline or less.[233] Consideration of the other parent's subsistence needs is sensitive to the needs of the custodian household. However, it does not change the payer-parent's ability to pay.

Low-Income Adjustments in Neighboring States

Exhibit 29 shows the case scenarios used to compare Michigan's LE/LTE to the low-income adjustments of bordering states in 2023. The case scenarios assume that the payer-parent and the payee-parent have equal gross incomes. They consist of three case scenarios that vary in the number of hours worked at Michigan's minimum wage ($9.87 per hour in 2022). Each of Michigan's neighboring states has a unique adjustment. Illinois only provides an adjustment for payer-parents with net incomes below 75% of the federal poverty guidelines (FPG) for one person. (Illinois adopted a conservative low-income adjustment when it switched to income shares in 2017. It had no adjustment for low income in 2017.) Indiana incorporates lower amounts in its child support table for low income, but the basis of those amounts is unknown. Minnesota relies on a SSR test where the SSR is set at 120% of the FPG. At the time of this analysis, Ohio had not updated its SSR for annual changes in the FPG; rather, the SSR was set at 116% of the 2016 FPG. Ohio uses a generous phase-out to its table that is like the GCST. Wisconsin, which is based on the percentage-of-obligor income model, provides lower percentages for payer-parents with incomes below 150% of FPG. The comparisons also consider Pennsylvania because it relies on a SSR of

[233] New Jersey Rules of Court. (eff. Sept. 1, 2021). *Appendix IX-A: Considerations in the Use of Child Support Guidelines.* Section 7h. Retrieved from https://www.njcourts.gov/attorneys/assets/rules/app9a.pdf.

$1,063 net per month, which is Michigan's income threshold for the LTE. Pennsylvania does not apply a minimum order or an adjustment percentage like that provided by the Michigan LE.

Exhibit 29: Summary of Case Scenarios

Case Scenario	Gross Monthly Income of Payer-Parent	Gross Monthly Income of Payee-Parent
1. 20 hours per week	$855/mo	$855/mo
2. 30 hours per week	$1,283/mo	$1,283/mo
3. 40 hours per week	$1,711/mo	$1,711/mo

Exhibit 30 and Exhibit 31 compare the low-income adjustments of Michigan to those of neighboring states for one and two children, respectively. The comparisons consider base support only. An amount would be added for the payer-parent's share of ordinary medical support in Michigan and Ohio, but not in the other states. In general, the exhibits illustrate that Michigan is generally within range of the low-income adjustments of neighboring states. Of particular interest is the outcomes of Pennsylvania since it provides a conventional SSR as its low-income adjustment and sets its SSR at $1,063, which is Michigan's income threshold for applying the LTE. Under the Pennsylvania guidelines, that would be a zero order in Scenario 1 because the payer-parent's income is below the SSR. In contrast, Michigan provides an order at 10% of the payer-parent's income. For Scenario 2, the Pennsylvania amount is also lower than the Michigan amount because the SSR is a more generous adjustment. However, under Scenario 3, the low-income adjustments no longer apply under the Pennsylvania guidelines.

Exhibit 30: Comparison of Low-Income Adjustments of Neighboring State Guidelines: One Child

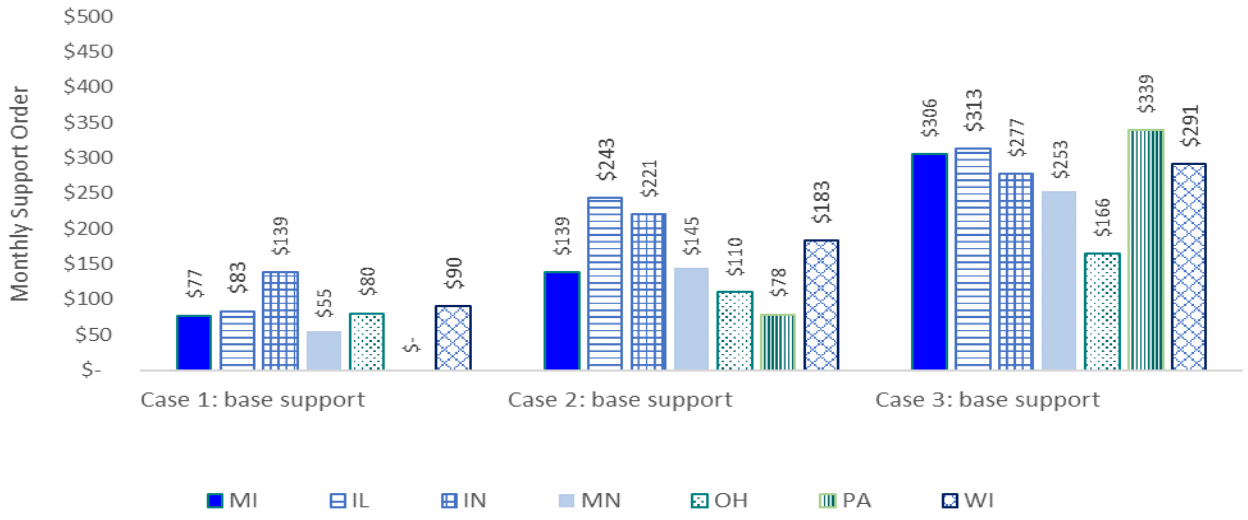
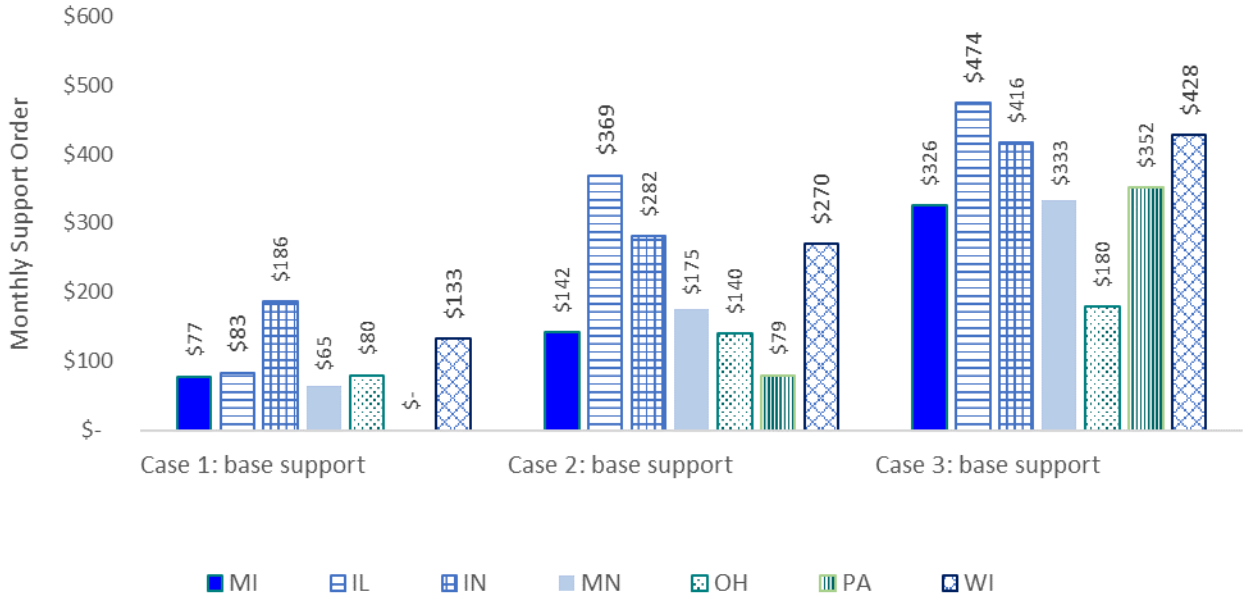


Exhibit 31: Comparison of Low-Income Adjustments of Neighboring State Guidelines: Two Children



Empirical Findings about Payments and Low-Income Parents

To support its regulation change, OCSS cited studies from a few jurisdictions that found child support compliance declined when the support order is set above 15 to 20 percent of the income of the payer-parent.[234] The studies were conducted in 2011 and 2006. Subsequent analysis from various states including a rigorous study conducted by the University of Wisconsin at Madison Institute for Research on Poverty have mixed results.

Findings from OCSS-Cited Studies

One of the cited studies was completed by analysts with the Orange County child support agency in 2011 using statewide data from the California child support agency.[235] It found that orders set above 19% of the obligor's gross income had lower levels of child support compliance and arrears growth and missed monthly payments. The study found significant decreases in the percentage of current support paid and the percentage of months with payments between payer-parents whose orders were set at

[234] U.S. Department of Health and Human Services. (Nov. 17, 2014). "Flexibility, Efficiency, and Modernization in Child Support Enforcement Programs." 79 *Fed. Reg.* 68,554. Retrieved from https://www.govinfo.gov/content/pkg/FR-2014-11-17/pdf/2014-26822.pdf.

[235] Mark Takayesu. (2011). *How Do Child Support Order Amounts Affect Payments and Compliance*? Orange County, CA Department of Child Support Services. Retrieved from https://www.css.ocgov.com/sites/css/files/import/data/files/blobid=27829.pdf.

10–19% of gross income and those whose orders set at 20–29% of gross income. For those with lower orders, they had an average compliance rate of 71.7%; for those with higher orders, they had an average compliance rate of 53.1%. For low-income families with three or more children, the Orange County researchers found that the threshold was higher: payment performance declined for orders set above 29% of gross income.

The 2003 Washington State study was conducted to inform the causes of arrears buildup. It relied on 1995–97 data from its state child support program.[236] The study found that the bulk of arrears growth could be attributed to low-income, paying parents. The study also concluded that arrears will grow when child support orders are set above 20% of the payer-parent's gross income. Another finding was that child support payments were three times more likely to be regularly received when the payer-parent's child support order was 20% of the payer-parent's earnings or less.

Findings about the 20% Threshold from More Current Studies

Since the federal rule changes in 2016, Orange County updated its study.[237] In addition, several state-specific studies were conducted on the issue. Using more current California data, Orange County conducted another study in 2021 and concluded that income imputation/presumption and default had large effects on the compliance rates, while whether the percentage order was more than 19% had almost no effect on compliance rates. The updated Orange County study did not explore consistency of payment. In 2020, the University of Wisconsin Institute for Research in Poverty conducted a rigorous analysis of the 20% threshold using Wisconsin data.[238] The Wisconsin researchers found some similar findings and contradictory findings as to whether higher ratios of child support to income were associated with lower payments and compliance. The Wisconsin researchers found that payments were higher when the ratio was more than 15% than when the ratio was 15% or less, and that payments increase until the ratio was at least 30%, then decreased again until the ratio was 50%. In other words, payments did not consistently increase or decrease as the ratio increased.

The issue also has been analyzed in several states using data from the state's child support program, but not to the rigor of the Wisconsin study. For example, studies conducted for guidelines reviews in

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[236] Carl Formoso. (2003). *Determining the Composition and Collectability of Child Support Arrearages, Volume 1: The Longitudinal Analysis.* Retrieved from https://www.dshs.wa.gov/sites/default/files/ESA/dcs/documents/cvol1prn.pdf.
[237] Orange County Department of Child Support Services. (Jun. 2021). *Revisiting the 19 Percent Ratio of Order to Wage Threshold on Payment Compliance*. Retrieved from https://www.css.ocgov.com/sites/css/files/2021-06/Revisiting%2019%20Percent%20Ratio%20of%20Order%20to%20Wage%20FINAL%20June%2021_0.pdf.
[238] Leslie Hodges, Daniel R. Meyer, & Maria Cancian. (2020). "What Happens When the Amount of Child Support Due is a Burden? Revisiting the Relationship Between Child Support Orders and Child Support Payments." *Social Service Review*, *94*(2), p. 247. Retrieved from https://www.journals.uchicago.edu/doi/abs/10.1086/709279.

Pennsylvania, where income imputation is infrequent, do not corroborate the 20% threshold.[239] However, a study conducted for a guidelines review for Georgia, a state where income imputation is common, found evidence that corroborates the 20% threshold.[240] The prevalence of income imputation is emphasized because it can be the actual factor affecting compliance, rather than the ratio.[241]

Other Findings about Payments and Low-Income Adjustments

There is a common belief held by some in the child support community that low-income adjusted orders will produce greater payments. Empirical evidence to analyze whether this actually occurs is becoming more available due to the 2016 rule changes that require the analysis of payments when the low-income adjustment is applied. In general, the results so far do not support the hypothesis that low-income adjusted orders will produce greater payments. For example, case file data from California's most recent guidelines review found, on average, 54% of current support due was paid among low-income adjusted orders and 72% was paid on all orders.[242] The same study found that low-income adjusted orders pay in 5.5 months of a 12-month period, on average, while all orders pay in 7.7 months within a 12-month period. FOCB analysis of Michigan data finds similar results: an average 47% of current support due was paid among low-income adjusted orders and 68% was paid on all orders. Michigan's analysis also found that over the life of the order in the dataset, general care equation cases received some level of payment (i.e., 78% of GCE cases had a payment in at least one of the analyzed months in which a payment was due. The comparable percentages were 48% for low income adjusted cases; and 63% for all cases.

One limitation to the California and Michigan findings is they are snapshots in time. They do not capture whether payments increased after the application of the low-income adjustment or how much they would be if the low-income adjustment was applied. A pre/post analysis would be a more appropriate measure. Although there is no recent pre/post analysis available, Colorado presented some pre/post evidence that payments increased when they lowered their minimum order to $50 per month over a decade ago by comparing payments across all $50 orders before the change to all $50 orders after the

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[239] Venohr, Jane. (Mar. 2016). *2015–2016 Pennsylvania Child Support Guidelines Review; Economic Review and Analysis of Case File Data.* Retrieved from https://www.humanservices.state.pa.us/csws/csws/forms/paguidelines.pdf. Venohr, Jane & Matyasic, Savahanna. (Sept. 2021). *Review of the Pennsylvania Child Support Guidelines; Updated Schedule and Findings from the Analysis of Case file Data.* Retrieved from https://www.pacourts.us/Storage/media/pdfs/20210916/184842-2019guidelinereviewreport.pdf.

[240] Venohr, Jane. (2018). "Appendix C: Economic Study: Review of the Georgia Child Support Guidelines," *in* Georgia Commission on Child Support (2018.) Final Report. Retrieved from https://csc.georgiacourts.gov/wp-content/uploads/2020/08/GACommChildSupportRptFullPDF2018.pdf at 33–34.

[241] If income imputation is frequent, income imputation typically yields an order that is more than 20% of the payer-parent's income and lower compliance levels are associated with income imputation, then the analysis has been mis-specified. If these conditions exist, the 20% ratio will appear to be the cause on noncompliance, but the data analysis is actually picking up the effect of income imputation.

[242] Judicial Council of California. (2022). *Review of Statewide Uniform Child Support Guideline*. Retrieved from https://www.courts.ca.gov/documents/Review-of-Uniform-Child-Support-Guideline-2021.pdf.

change.[243] Besides pre/post analysis, another way to look at the issue is whether payments vary among low-income parents by the size of their low-income adjusted order. There is some evidence available from Michigan finding that lower order amounts do not produce greater payment rates for payer-parents with imputed incomes below full-time, minimum wage.[244] Rather, the evidence suggests that the opposite occurs (e.g., those with minimum wage imputed for 35 hours per week paid an average of 39% of the current support due while those with minimum wage imputed at 20 hours per week paid 28% of the current support due.)

In all, there is limited empirical evidence on the impact of low-income adjustments on payments to inform the parameters of low-income adjustments (e.g., amounts for the minimum order or SSR) that would produce the best payment outcomes for families and appropriately address the subsistence needs of the payer-parent. A large body of child support research finds that many factors affect payment (e.g., low earnings, lack of employment or stable employment, and whether an income withholding order is in effect). Future research should consider the interaction of low-income parameters and these other factors to better inform low-income adjustments in state guidelines.

Determining Appropriate Parameters for Michigan Low-Income Adjustment (LIA)

This section addresses the appropriateness of the income threshold used for the LE, which can be considered the state-determined level of basic subsistence for Michigan; the order amount when income is below the LE income threshold; and the percentages used for the LTE. Public assistance and child-related tax benefits are also considered in this section since they can affect the level needed for basic subsistence.

Basic Subsistence Level

There are three concerns addressed in this subsection that are intertwined: whether the income threshold for the LE should be a different amount, whether there should be any adjustment to account for public assistance available to families or payer-parents, and whether there should be any offset to account for child-related tax benefits.

Alternative Measures of Subsistence

Michigan and most states rely on the federal poverty guidelines (FPG) for one person.[245] Michigan uses it to update the LE income threshold for each review. The federal government updates the FPG annually

[243] The presentation was made at the National Child Support Engagement Association Policy Forum.
[244] Capps, Steve. (Apr. 8, 2024). "Bridging our Way toward Sustainable Child Support Orders." Presentation to the 2024 Eastern Regional Interstate Child Support Association Conference, Grand Rapids, MI. Retrieved from https://ericsa.org/2024-conference-materials/.
[245] See U.S. DHHS Secretary of Planning and Evaluation. (Last updated Jan. 17, 2024). *Federal Poverty Guidelines.* Retrieved from https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines.

in about January of each year. The 2024 FPG is $1,255 per month. The FPG is closely related to the Official Poverty Measure (OPM) used by the U.S. Census Bureau to measure the number and percentage of families and individuals living in poverty. The federal government releases the FPG early in the year for the purposes of administering programs such as the determination of Medicaid eligibility. Since its purpose is administrative, it may be applied to gross or after-tax income. Released later, the federal government adjusts the OPM for price levels in that calendar year and uses that to measure the number of individuals and households living in poverty based on U.S. Census data.

A few states use alternative measurements. Arizona relies on its state minimum wage,[246] and although not clearly stated, North Dakota relies on the maximum amount of Supplemental Security Income (SSI) benefit, which is a means-tested disability benefit. Arizona relies on 80% of state-minimum wage earnings assuming a 40-hour workweek. It uses 80% because it is the difference between 100% and the 20% income threshold identified in the 2016 federal rule changes. In 2024, Michigan sets its minimum wage of $10.33 per hour,[247] which yields an income of $1,791 gross per month assuming a 40-hour workweek (equivalent to $1,540 net per month for a parent whose tax filing status is single).[248] Michigan statute provides for annual minimum wage increases through 2030 unless the state unemployment rate is 8.5% or greater.[249] Updated annually of each year, the federal government set the maximum SSI benefit for a single individual at $943 per month in 2024.[250] An advantage of using state minimum wage is that it can be viewed as a more state-specific proxy of subsistence than the FPG. (Many poverty experts believe the FPG and OPM understate actual poverty.) A disadvantage of using the state minimum wage is that it may not adequately reflect an amount of state subsistence particularly if it is not updated. An advantage of using the maximum SSI benefit is it reflects a typical income of a disabled, low-income parent, and a disadvantage is it is below the FPG.

The Eastern Shoshone Nation considered using the expenses listed on the financial affidavit of the payer-parent. In other words, subsistence would be determined on an individualized basis. They believe

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[246] Colorado also proposes an update that relates to minimum wage, particularly one that relates to the level of income imputation when there is no evidence of earnings capacity and the specific circumstances of the payer-parent are considered. If these circumstances are met, Colorado previously relied on income imputation at the state minimum wage at 40-hours per week. Colorado now assumes a 32-hour workweek and work 50 weeks per year instead of 52 weeks per year based on evidence labor market information. See Colorado Child Support Commission. (2023.) *Final Report*. Retrieved from https://childsupport.state.co.us/sites/default/files/2024-05/2023%20Child%20Support%20Commission%20Quadriennial%20Review%20Report.pdf.

[247] Michigan Department of Labor and Economic Opportunity. (n.d.). *Minimum Wage Set to Increase January 1, 2024.* https://www.michigan.gov/leo/bureaus-agencies/ber/wage-and-hour/minimum-wage-january-2024.

[248] This is based on the tax calculator provided as part of the MIChildSupport guidelines calculator provided by the Michigan Department of Health and Human Services at https://micase.state.mi.us/calculatorapp/public/childCare/load.html.

[249] Michigan Improved Workforce Opportunity Wage Act, MCL 408.931 et seq. Retrieved from https://www.legislature.mi.gov/Laws/MCL?objectName=mcl-408-934.

[250] See U.S Social Security Administration. (n.d.). *How Much You Get from SSI.* Retrieved from https://www.ssa.gov/ssi/amount#:~:text=The%20maximum%20monthly%20SSI%20payment,and%20%241%2C415%20for%20a%20couple.

it would be feasible due to the small volume of cases, and limited geographical area where rents, the cost of utilities, and other living expenses are generally consistent. Claims of extraordinary amounts would warrant additional investigation or verification.

Other Measures of Subsistence Needs for Low-Wage Earners

An overwhelming number of poverty experts criticize the current measures of poverty.[251] Looking at the issue from a different angle, the Massachusetts Institute of Technology (MIT) Living Wage[252] and the Self-Sufficiency Standard[253] measure what wage is necessary for an individual or family to subsist by adding up the cost of housing, childcare, food, transportation, healthcare, and miscellaneous expenses from secondary data sources and then adjusting for income taxes. The 2024 MIT Living Wage for Michigan is $20.28 per hour for one adult with no children and $36.31 for one adult with one child. This converts to monthly amounts of $3,515 gross per month and $6,294 gross per month, respectively. If medical and childcare expenses are excluded, the monthly amounts would be $3,258 for one adult with no children and $4,653 for one adult and one child. The Self-Sufficiency Standard is not a statewide measure; rather, it is measured for specific regions within a state. The last Self-Sufficiency Standard for Michigan was measured in 2020. For Genessee County, it found a self-sufficiency wage of $10.49 for one adult and $20.65 for one adult with a preschooler. When converted to a monthly amount excluding healthcare and childcare expenses, the amounts translated to $1,668 gross per month and $2,268 gross per month. Although there appears to be a large difference between the 2024 MIT Living Wage and 2020 Self-Sufficiency Standard, much of that gap would probably close if adjusted for double-digit inflation between the different data years (2020 and 2024).

One major advantage of using the MIT Living Wage or Self-Sufficiency Standard is they are state or regionally specific. A disadvantage of the Self-Sufficiency Standard is it is not updated annually. Another disadvantage of both alternatives is some of the specific expenses are arguable and not consistent with individual circumstances (e.g., the estimated tax rates and tax credits).

The Supplemental Poverty Measure, which is an alternative to the OPM, cannot be used as an income threshold because of the individualized way it measures poverty. Not only does it consider income, but regional housing costs, tax credits, government benefits, and other factors.[254]

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[251] For example, see National Academies of Sciences, Engineering, and Medicine. 2023. *An Updated Measure of Poverty: (Re) Drawing the Line.* Washington, D.C. Retrieved from https://nap.nationalacademies.org/read/26825/chapter/1#ix.
[252] Massachusetts Institute of Technology. (n.d.). *Living Wage Calculation for Michigan*. Retrieved from https://livingwage.mit.edu/states/26.
[253] Pearce, D. M. (Jan. 2020). *The self-sufficiency standard for Michigan 2020.* Retrieved from https://selfsufficiencystandard.org/wp-content/uploads/2022/06/MI2020_SSS.pdf.
[254] U.S. Census Bureau. (Jun. 2022). *Measuring America: How the U.S. Census Bureau Measures Poverty.* Retrieved from https://www.census.gov/library/visualizations/2021/demo/poverty_measure-how.html.

Public Assistance Benefits

There are numerous government programs available to low-income families with children and a few programs for low-income adults. Some argue that public assistance should offset child support, while others argue that even with public assistance there is not enough to provide an adequate standard of living.

Only the Supplemental Nutrition Assistance Program (SNAP), Medicaid, and Free and Reduced School Meals are widely used. Only SNAP and Medicaid are available to individuals without children. Housing assistance and childcare assistance are typically waitlisted. The income eligibility for TANF cash benefits limits its use.

Temporary Assistance to Needy Families (TANF)

TANF is an anti-poverty program available to children with families. Michigan's TANF program is called Family Independence Program (FIP). The average number of Michigan families enrolled in TANF in 2022 was 8,729.[255] The income eligibility threshold is set at just over 50% of the FPG. In 2023, the maximum cash benefit level was $492 for a family of three with no income.[256] Assistance is time limited.

Supplemental Nutrition Assistance Program (SNAP)

SNAP is available to households (even households of one person) with gross incomes below 130% of the FPG. (Income eligibility extended to higher incomes during the COVID-19 pandemic.) As of January 2023, there were almost 800,000 Michigan households participating in SNAP, covering 1.4 million people.[257] A significant share of households receiving SNAP consist of elderly individuals. According to 2020 data, about 200,000 Michigan households participating in SNAP included children in the household (34% of all households in Michigan receiving SNAP). This was further broken down to the number and percentage of households consisting of one adult and children (about 132,000 households or 22% of all households receiving SNAP in Michigan). There is no readily available data on how many payer-parents receive SNAP. The maximum benefit level is tied to the USDA Thrifty Food Plan. The estimated maximum benefit in 2024 was $291 per month for one person and $535 per month for two persons, while the average benefit estimated at $202 and $372 per month, respectively.[258] Benefit levels consider several factors: number of people in the household income, a 20% deduction for earned income, dependent care deduction, a deduction for child support paid, excess shelter deduction, and other factors. SNAP

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[255] U.S. DHHS Office of Family Assistance. (Mar. 2023). *Temporary Assistance for Needy Families (TANF) Caseload Data — Fiscal Year (FY) 2022*. Retrieved from https://www.acf.hhs.gov/sites/default/files/documents/ofa/fy2022_tanf_caseload.pdf.

[256] Thompson, Gina Azito, & Azevedo-McCaffrey, Diana. (Feb. 2023). *Increases in TANF Cash Benefit Levels Are Critical to Help Families Meet Rising Costs*. https://www.cbpp.org/research/family-income-support/more-states-raising-tanf-benefits-to-boost-families-economic-security

[257] United States Department of Agriculture. (n.d.). *SNAP Data Tables: National and/or State Level Monthly and/or Annual Data from FY69-FY23.* Retrieved from https://www.fns.usda.gov/pd/supplemental-nutrition-assistance-program-snap.

[258] Center on Budget and Policy Priorities. (Oct. 2023). *A Quick Guide to SNAP Eligibility and Benefits.* Retrieved from https://www.cbpp.org/research/food-assistance/a-quick-guide-to-snap-eligibility-and-benefits.

requires six-month redeterminations. It also imposes time limits and work requirements in certain circumstances.

Housing Assistance

Michigan provides and coordinates a range of housing assistance programs including federally funded ones, which are the dominant programs.[259] Many are waitlisted. Federal rental assistance programs helped 147,000 Michigan households (266,500 people, of which 30% are children) in 2020.[260] One federal program available in Michigan that consists of about 28,000 Housing Choice Vouchers has a closed waiting list.[261] In addition, there is another voucher system for designated housing developments where the waiting list varies by county. The income eligibility threshold is set at 50–80% of the median income of a county. Rent is determined based on 30% of adjusted income. The value of the rent is also limited by HUD rates.[262]

Free and Reduced School Meals

Just over half of Michigan students (740,927 children in 2023) are eligible for free or reduced-price meals under the National School Lunch programs, where those from households with income less than 130% FPG are eligible for a free lunch and households with incomes of 130–185% FPG are eligible for a reduced lunch.[263]

Childcare Subsidy

Michigan provides childcare subsidies through the federal Childcare Assistance Program (CCAP), which is a block grant program. In 2020, 19,100 Michigan families (34,000 children) participated in CCAP, but that is only 10% of eligible families.[264] Waitlists and enrollment freezes for CCAP are common nationally. Income eligibility is set at 200% of the FPG.[265]

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[259] See Michigan State Housing Development Authority. Retrieved from https://www.michigan.gov/mshda/rental/housing-choice-voucher/mshda-housing-choice-voucher-hcv-waiting-list-information.

[260] Center on Budget and Policy Priorities. (Jan. 2022). *Michigan Federal Rental Assistance Fact Sheet*. Retrieved from https://www.cbpp.org/sites/default/files/atoms/files/12-10-19hous-factsheet-mi.pdf.

[261] See Michigan State Housing Development Authority. Retrieved from https://www.michigan.gov/mshda/rental/housing-choice-voucher/mshda-housing-choice-voucher-hcv-waiting-list-information.

[262] See U.S. Housing and Urban Development Fair Market Rents, which are set at the 40th percentile of area rents, at https://www.huduser.gov/portal/datasets/fmr.html.

[263] The Annie E. Casey Foundation. (2024). *Kids Count Data Center.* Retrieve from https://datacenter.aecf.org/data/tables/1672-students-who-are-economically-disadvantaged#detailed/2/any/false/2545,871,870,573,869/any/3551,13159.

[264] U.S. Department of Health and Human Services Office of Child Care. (n.d.). *FY2020 Preliminary Data Table 1 – Average Monthly Adjusted Number of Families and Children Served*. Retrieved from https://www.acf.hhs.gov/occ/data/fy-2020-preliminary-data-table-1.

[265] Michigan Department of Health and Human Services. (Oct. 2022). *CDC Income Eligibility Scale and Provider Rates*. Current MDHHS Policy Manuals. Retrieved Oct. 3, 2022, from https://dhhs.michigan.gov/olmweb/ex/html/.

Medicaid and Child Health Insurance Program

In 2022, 39% of Michigan children had healthcare coverage through Medicaid, and less than 1% had coverage from a public source other than Medicaid.[266] Michigan sets its income eligibility for Medicaid at 160–195% of the FPG depending on the age of the child and sets its SCHIP (which is called MIChild in Michigan) income eligibility at 217% of FPG. Michigan offers Medicaid to childless adults whose modified adjusted gross income is less than 133% of FPG. Enrollment in Medicaid is subject to periodic eligibility reviews.

Child-Related Tax Benefits

In 2017, Congress passed the Tax Cuts and Jobs Act (P.L 115-97). It became effective January 1, 2018, and is due to expire in 2025. It eliminated the personal exemption for children but increased the standard deduction and lowered tax rates. Today, the major child-related tax benefits are the Earned Income Tax Credit (EITC) and the Child Tax Credit. IRS code allows the Child Tax Credit to be transferred from one parent to the to the other through the custodial parent's release or revocation to claim the child as an exemption, but the EITC cannot be transferred.[267] This is important because many parents, particularly middle to higher income parents, split or rotate the claim of the child exemption to gain the Child Tax Credit.

Earned Income Tax Credit

Many states including Michigan consider the EITC to be means-tested income and, hence, do not consider it to be income available for child support. The Michigan Formula specifically provides that means-tested income is not to be counted as guidelines income, as well as specifically identifies the EITC to be means-tested income. The EITC cannot be transferred from the parent with primary physical custody to the other parent like the Child Tax Credit can through the custodial parent's release or revocation to claim the child as an exemption.[268]

The EITC is available to households with and without children. The maximum EITC and income eligibility are higher among households with children. The EITC cannot be advanced; rather, many realize a tax refund due to the EITC when they file their annual taxes. The IRS reports that there were 664,000 claims for the EITC in Michigan in 2022, with an average EITC of $2,587 per tax filing.[269] The majority of early research on the EITC and expenditures patterns find that most households receiving the EITC plan to

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[266] Kaiser Family Foundation. (n.d.). *State Health Facts: Health Insurance Coverage of Children 0–18.* Retrieved from https://www.kff.org/other/state-indicator/children-0-18/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D.

[267] See IRS Publication 501, Publication 504, and Form 8332 at https://www.irs.gov.

[268] See IRS Publication 501, Publication 504, and Form 8332. https://www.irs.gov

[269] U.S. Internal Revenue Service. (n.d.). Tax Returns with the Earned Income Tax Credit. Retrieved from https://www.eitc.irs.gov/eitc-central/statistics-for-tax-returns-with-eitc/statistics-for-tax-returns-with-the-earned-income.

spend it on bills (including car repairs and other durable items) and few plan to save their refund.[270] Another study analyzing data from the 2013 Household Financial Survey found that among those receiving the EITC, their average credit card debt was over twice as much as their average EITC.[271] The same study found that EITC recipients were likely to pay down debt (e.g., credit card balances) or support consumption such as food, housing, clothing, and school supplies. Still, another study found that EITC recipients spend a small share of their total EITC refund (i.e., an average of 15 cents per EITC refund dollar) at retail stores and restaurants with two weeks of receipt, which when aggregated can have a positive impact on the local economy.[272] The U.S. Census Bureau estimates that the EITC reduced the poverty rate of children under 18 years old by nearly 3 percentage points in 2022, which is more so than any individual anti-poverty program or tax credit.[273]

In 2023, the maximum EITC was $600 per year (an average of $50 per month for an individual with no qualifying children). The maximum EITC is $3,995 per year for a head of household with one child, $6,604 per year for a head of household with two qualifying children, and $7,430 per year for a head of household with three or more qualifying children.[274] The EITC generally peaks near full-time earnings from the federal minimum wage. For single-filing taxpayers with no qualifying dependents, the EITC phases out quickly as total earnings exceed full-time earnings from the federal minimum wage. The phase-out for head-of-households with children occurs at higher incomes and is more gradual than single taxpayers with no children. In 2023, single taxpayers without children qualified for the EITC if their income was below $17,640 per year.[275] Their average EITC was $295 per tax filing in 2020.[276] Working families with children qualify if their annual income is between $46,600–63,400, depending on their marital status and number of qualifying children.[277] In addition, Michigan has a state EITC. It is 6% of the

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[270] Goodman-Bacon, Andrew, & McGranahan, Leslie. (2008). "How do EITC Recipients Spend Their Refunds?" *Economic Perspectives.* Vol. 32, 2nd. Federal Reserve Bank of Chicago. Retrieved https://www.chicagofed.org/publications/economic-perspectives/2008/2qtr2008-part2-goodman-etal.

[271] Despard, Mathieu R., et al. (Jul. 2015). "Do EITC Recipients Use Tax Refunds to Get Ahead? New Evidence from Refunds to Savings." *Center for Social Development Research Brief 15-38.* George Warrant Brown School of Social Work, Washington University in St. Louis. Retrieved from https://openscholarship.wustl.edu/cgi/viewcontent.cgi?article=1589&context=csd_research.

[272] Aladangady, Aditya, et al. (Jun. 21, 2018.) "High-Frequency Responses to the Earned Income Tax Credit." *FEDS Notes*. Board of Governors of the Federal Reserve System. Retrieved from https://www.federalreserve.gov/econres/notes/feds-notes/high-frequency-spending-responses-to-the-earned-income-tax-credit-20180621.html.

[273] This is based on the impact of refundable tax credits (that includes the EITC and the refundable Child Tax Credit) less the impact of the refundable Child Tax Credit. See Shrider, Emily, & Creamer, John. (Sept. 2023). *Poverty in the United States: 2022.* U.S. Census Current Population Reports, P60-280. Table B-7. Retrieved from https://www.census.gov/library/publications/2023/demo/p60-280.html.

[274] IRS. (last reviewed or updated on Mar. 15, 2024). *Earned Income and Earned Income Tax Credit (EITC) Tables.* Retrieved from https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/earned-income-and-earned-income-tax-credit-eitc-tables.

[275] Center on Budget and Policy Priorities. (Apr. 28, 2023). *Policy Basics: The Earned Income Tax Credit*. Retrieved from https://www.cbpp.org/research/policy-basics-the-earned-income-tax-credit.

[276] Ibid.

[277] Ibid.

federal EITC. In 2019, about 738,830 Michigan families received an average credit of $150 for the tax year.[278]

Child Tax Credit

The Tax Cuts and Jobs Act of 2017 (P.L 115-97) expanded the Child Tax Credit to $2,000 per child per year. It is due to be rescinded back to $1,000 per child per year beginning January 1, 2026. It was temporarily increased during the COVID-19 pandemic. Like the EITC, it is not advanced and what research exists suggests families spend it like the EITC: to pay down bills.

Michigan does not specifically mention the Child Tax Credit in its Guideline Formula, but it does provide for it on its automated guidelines calculator. Only two state guidelines specifically mention the Child Tax Credit. New Jersey includes it in its definition of income as well as in its gross to net income conversion in its automated guidelines calculator. In contrast, Delaware guidelines explicitly state not to consider the Child Tax Credit, rather to let it flow down to the family as intended by the Federal tax code (see Exhibit 32). Although not explicitly stated in its guidelines, Illinois also does not include it. In its documentation of why it is not included, it notes that the current IRS W-4 form overstates the impact of the Child Tax Credit at low incomes and, hence, overstates the actual income that low-income custodians have available for child support.[279] Some low-income families do not receive the full Child Tax Credit because they do not have sufficient tax liability to apply a credit.[280] Further, Illinois recognizes that the IRS W-4 form does not include the gradual phase-out of the Child Tax Credit at high incomes. In short, Illinois has concluded the phase-in and phase-out of the full Child Tax Credit is not adequately simulated in the IRS withholding formula, which Illinois relies on for its gross to net income conversion.

Exhibit 32: Delaware's Position on the Child Tax Credit in Its Child Support Calculation[281]

Child Tax Credits – In response to the pandemic, the Federal and State government have aggressively provided tax credits and assistance to reduce hardship and keep the economy afloat. Other states have identified some of these benefits as elements to be taken into consideration in determining child support. The Committee discussed the issue of child tax credits and elected to stay the course with prior determinations to allow child tax credits to flow into the intended homes of recipients rather than indirectly shared through adjustments to the child support calculation.

In all, there are 17 states that base their guidelines on net income and consider both parents' incomes. (The rest of the states that consider both parents incomes rely on the parents' gross incomes, so they do

[278] Michigan League for Public Policy. (n.d.). *It's Time to Boost Michigan's Earned Income Tax Credit.* Retrieved from https://mlpp.org/michigan-eitc-a-two-generation-approach-that-promotes-work-and-helps-kids/.
[279]Venohr, Jane. (Mar. 2023). *2023 Addendum to the Illinois Schedule of Basic Obligations and Standardized Net Income Table*. Report submitted to Illinois Department of Healthcare and Family Services Division of Child Support https://hfs.illinois.gov/content/dam/soi/en/web/hfs/sitecollectiondocuments/2023AddendumtotheIllinoisScheduleofBasicObligationsandStandardizedNetincomeTable.pdf.
[280] The Additional Child Tax Credit, which is actually a refund up to $1,400 per child per year, can partially offset.
[281] Delaware Family Court Judiciary. (Nov. 2022). *The Family Court of the State of Delaware: Delaware Child Support Formula Evaluation and Update.* Retrieved from https://courts.delaware.gov/forms/download.aspx?id=172308.

not need to address the Child Tax Credit.) Most (10) of the 17 states offer a public-facing guidelines calculator that also converts gross income to net income: six of these 10 states include the Child Tax Credit and four do not include the Child Tax Credit.

Like the EITC, researchers have found that the Child Tax Credit significantly reduces poverty—specifically, it reduces child poverty by 4% when it was expanded in 2021.[282] The Child Tax Credit is not considered as income in the determination of any public assistance programs.

Order Amount for Incomes Below LE income Threshold

The Guideline provides for 10% of the parent's available income to be assigned to support when the parent's income is below the LE income threshold. The advantages of Michigan's 10% order are that it is nominal amount so consistent with the 1987 National Guidelines project recommendation to provide a nominal amount at very and low incomes; and it clearly produces a zero order when there is zero income. In contrast, most other states provide a dollar-based minimum order for incomes below their self-support reserve (which would be the equivalent to Michigan's LE income threshold). In addition to their dollar-based minimum order, these states often provide the circumstances in which a zero order should be used instead of the dollar-based minimum order. For example, Illinois provides for a minimum order of $75 per month but specifies that the order shall be zero when the parent is incarcerated or disabled and has no ability to pay, and in other circumstances.

The only question regarding Michigan's percentage for incomes below the LE income threshold is whether it could be set at a higher percentage. For example, it could be set higher if credence is given to early research on the 20% threshold.

Percentages in Low-Income Transition Equation (LTE)

As shown in Exhibit 26, the LTE includes a transition percentage that assigns some but not all net income above the LE income threshold to child support. If all income above the threshold were assigned to child support, there would be no economic incentive to increase income. The transition percentage is 50% for one child; that is, for each dollar above the LE income threshold, half is assigned to child support and the other half is retained by the parent. The transition percentages gradually increase with more children to 70% for five or more children. If the base support determined by the General Care Equation is less than LTE, the LTE no longer applies. Instead, the General Care Equation is used. At the time that this report was written, and assuming that the payee-parent had no income and no other adjustments, the LTE is no longer applied; that is, the General Care Equation will produce a lower amount when:

- The payer-parent income is at least $1,750 net per month for one child;

[282] Shrider, Emily, & Creamer, John. (Sept. 2023). *Poverty in the United States: 2022.* U.S. Census Current Population Reports, P60-280. Table B-7. Retrieved from https://www.census.gov/library/publications/2023/demo/p60-280.html.

- The payer-parent income is at least $2,555 net per month for two children;
- The payer-parent income is at least $3,250 net per month for three children;
- The payer-parent income is at least $3,450 net per month for four children; and
- The payer-parent income is at least $3,550 for five or more children.

The income thresholds are higher for more children because the GCST assign a larger percentage of net income to support more children. These income thresholds would be lower if the payee-parent had income and the more income the payee-parent had because it reduces the payer-parent's prorated share.

Most states that use something like Michigan's transition percentage do not clearly state it in their guidelines like Michigan does; rather, it is seamlessly incorporated into their child support guidelines table (e.g., see Pennsylvania, which uses a transition percentage of 90–95%, depending on the number of children).[283] Pennsylvania's approach is similar to that of many income shares guidelines. Ohio, however, incorporates a much lower transition percentage into its guidelines table: it is 30% and results in the low-income adjustment applying to high incomes when there are more children (e.g., more than $70,000 gross per year for two or more children).[284] In other words, lower transition percentages result in the LTE applying to higher incomes. The amount of the transition percentage is a policy decision.

Chapter Conclusions, Recommendations, and Future Research Needs

The Michigan Low-Income Equation (LE) and Low-Income Transition Equation (LTE) appear to fulfill the federal requirements to consider the subsistence needs of the payer-parent.[285] The LE/LTE also apply to the payee-parent when the Parental Time Offset is applied. (Federal regulation gives states discretion to consider the subsistence needs of the payee-parent.) OCSS encourages states to determine a level of subsistence needs appropriate for their state. Michigan relates its subsistence needs amount to the federal poverty guidelines (FPG) for one person. Most states also relate their subsistence needs amount to the FPG.

The LE/LTE are unique to Michigan but share many similarities with the self-support reserve (SSR) adjustment used in most state guidelines. The income threshold used for the LE is analogous to the SSR. Some states use more or less of the FPG for their SSR. The highest SSR is 150% of the SSR, which is used

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[283] Venohr, Jane, & Matyasic, Savahanna. (Sept. 2021). *Review of the Pennsylvania Child Support Guidelines: Updated Schedule and Findings from Analysis of Case File Data.* Report to the Pennsylvania Department of Human Services, Harrisburg, PA. Retrieved from https://www.pacourts.us/Storage/media/pdfs/20210916/184842-2019guidelinereviewreport.pdf.

[284] Ohio Department of Job and Family Services. (2023). *2023 Child Support Guidelines Review: Report to the General Assembly*. Retrieved from https://dam.assets.ohio.gov/image/upload/jfs.ohio.gov/Ocs/employers/2023-Child-Support-Guidelines-Report.pdf.

[285] The term "appears" is used because the report authors do not have the authority to determine federal compliance. Rather, the authority rests with OCSS.

by New Jersey. Arizona ties its SSR to its state minimum wage. Besides the FPG and state minimum wage, there is no better, alternative measure of subsistence. There is no overwhelming economic evidence or payment evidence that the parameters (the LE income threshold and the 10% of income assigned to support) are too low or too high. The only major concern with the structure of the LE/LTE compared to the SSR is that additional support (e.g., childcare and ordinary medical expenses) are added to base support after application of the LE/LTE, whereas many states relying on the SSR apply the SSR as the last step. This ensures the payer-parent's remaining income is at least equivalent to the SSR if the minimum order is not applied.

Public assistance benefits and child-related tax benefits were also reviewed. No state (including Michigan) incorporates the value of public assistance in the calculation of the child support order. The only public assistance benefits received by a substantial number of individuals in child support cases are Medicaid, SNAP, and Free and Reduced School Lunch Program. Medicaid is addressed in the next chapter. SNAP is available to households with and without children. The average SNAP benefit is relatively small, and households must periodically redetermine their eligibility. Michigan and most states consider the Earned Income Tax Credit (EITC) to be means-tested income and exclude it from the determination of child support. State guidelines that consider the net income of the payer-parent, however, are mixed in their treatment of the Child Tax Credit. The Michigan Equation and several other state guidelines based on net income do not specifically mention the Child Tax Credit but include it on their automated guidelines calculator. Still, several states based on net income do not include it. Delaware specifically does not include it for a reason similar to why the EITC is not included: the Child Tax Credit is intended to financially help families with children. Illinois does not include it because the most current IRS W-4 and income withholding formula overstates the Child Tax Credit that low-income families receive and, hence, overstates the income that low-income families have available for child support.

Recommendations. There is no overwhelming evidence to modify the existing low-income adjustments. The Committee, however, may want to review the impact of adding ordinary medical expenses and childcare expenses; definitely decide whether to count the childcare tax as income, and at what incomes the LTE completely phases out (e.g., at 200% of FPG after consideration of the General Care amount). These are generally policy decisions.

Future Research Needs

Although federal regulation requires states to review case file data on the application of their low-income adjustment and payment data when it is applied, there is little information to date to inform which types of equations for addressing subsistence needs works best as well as the precise amounts for minimum orders, SSRs, and income thresholds that best serve families. This will require pre/post comparisons rather than examination of case file data at one point of time.

CHAPTER 5: THE CHILD'S HEALTHCARE EXPENSES

This chapter addressed medical child support provisions of the Michigan child support guidelines. Federal regulation requires that each state's child support guidelines address how the parents will provide for the child's healthcare needs. This chapter reviews the federal requirements; the history of them; coverage and healthcare costs of Michigan children, which affects the need for medical support provisions; how Michigan provides medical support in its guidelines; comparisons to other states; the economic data on the cost of healthcare; and other pertinent information to the medical support provisions in the Michigan guidelines.

CHAPTER SUMMARY

Like most states, Michigan meets the federal requirements in several ways. It provides for orders that typically require one parent to obtain healthcare coverage through private coverage, public coverage, or another source. It also provides that in most circumstances, each parent shall be responsible for their prorated share of any premium cost and the out-of-pocket healthcare expenses incurred for their children. These amounts are considered in the child support calculation. The Michigan guidelines recognize that some of these out-of-pocket expenses will be ordinary medical expenses (e.g., copays and deductibles) and others will be extraordinary medical expenses (i.e., out-of-pocket expenses that exceed the ordinary medical expenses).

Like most states, Michigan considers whether the cost of healthcare coverage is reasonable to the parent and whether the healthcare coverage can be accessed by the child. Both are federal requirements. Michigan, however, differs from most states in that it provides a standardized amount for ordinary medical expenses as a line item in the child support calculation. The current amount is based on old data that was updated each review for inflation. This approach does not consider other changes over time (e.g., changes in out-of-pocket expenses caused by changes in healthcare plans and market cost of healthcare, which was affected by various provisions of the Affordable Care Act of 2010.) More current data provides a rational basis for lowering the amount. There is also a rational basis for no longer increasing the standardized amount each review for inflation since historically the amount has not kept up with inflation. (The underlying reason for why it has not kept up with inflation is beyond the scope of this study.) The chapter also reviews current data on the cost of healthcare and does not find overwhelming evidence to change the current threshold for determining reasonable cost of healthcare coverage, which is 6% of the gross income of the parent enrolling the child in healthcare coverage.

GLOSSARY OF TERMS USED IN THIS CHAPTER

The costs of healthcare for children takes many forms (e.g., insurance premiums and the cost for out-of-pocket healthcare costs). Exhibit 33 lists some basic terms.

Exhibit 33: Glossary of General Terms Pertaining to Medical Child Support Used in This Chapter

Medical child support	"Medical child support" refers to any provision in a child support order (or an order that solely is for medical child support) that addresses how the parents will provide for the child's health care needs, how the cost of providing for the child's health care needs will be allocated between the parents, or both. It addresses health care coverage such as ordering a parent to enroll a child in that parent's employer-sponsored insurance or even Medicaid. Allocation considers the insurance premium incurred for the child's health care coverage as well as out-of-pocket expenses incurred for the child's heath care expenses such as copays and deductibles.
Health care coverage	"Health care coverage" recently replaced the term, "private insurance" in federal regulation to recognize other sources of health care coverage available to children such as Medicaid and State Child Health Insurance Program (SCHIP). Often, private insurance is from employer-sponsored insurance but could also be employment-related insurance (e.g., provided through a workers' union rather than the employer) or purchased privately.
Cash medical support	Federal regulation introduced this term in 2008. It is generally used to discuss medical child support in the IV-D caseload. Federally, its definition is broad and can expand any sort of cost for the child's health care (e.g., the cost of the child's health insurance premium, the cost of the child's out-of-pocket health care expenses, an amount that a parent is to pay to offset the cost of health care where it could be a premium paid by the other parent, the State's cost of Medicaid, an out-of-pocket health care cost or any combination of these expenses). State definitions vary as well as whether they use the term in their guidelines. Michigan does not use the term "cash medical support" in its child support guidelines.
Out-of-pocket medical/health care expenses	States also vary on how they define "out-of-pocket" expenses associated with the cost of the child's medical or health care. Most states (including Michigan) do not include the cost of the premium cost of private insurance for the child in their definition of out-of-pocket expense, but address the cost of premium (health coverage) in their guidelines. States also vary in whether they use "health care" and "medical care" or both. For the purposes of this chapter, medical care is a subset of health care where health care may include vision, dental, and mental health. However, Michigan uses the term medical in its definition of "out-of-pocket expenses" and defines it to also include oral, vision, and psychological. Federal requirements of states consider medical care costs and leave it to state discretion whether to expand it to other health care expenses.

Overview of Healthcare Coverage among Michigan Children

In 2022, the distribution of Michigan children (i.e., all Michigan children not just those with child support cases) was:

- 53% had healthcare coverage through employer-sponsored health insurance;
- 39% had coverage through Medicaid;
- 4% had coverage through a non-group plan;

- less than 1% had coverage from a public source other than Medicaid; and
- 3% were uninsured.[286]

The Michigan rates closely mirror national rates, except Michigan has a slightly higher rate of children with employer-sponsored insurance (53% of Michigan children have employer-sponsored insurance, while the national rate is 49%). The Medicaid enrollment rate is 39% for both Michigan and nationally. The case file data did not note whether the child was enrolled in Medicaid at the time the order was established or modified.

Income Eligibility for Medicaid and MIChild and Enrollment Levels

States have some discretion in setting their income eligibility for their Medicaid and State Child Health Insurance Program (SCHIP). According to the Kaiser Family Foundation,[287] Michigan sets its income eligibility for:

- Medicaid at 160–195% of the federal poverty guidelines (FPG) depending on the age of the child; and
- SCHIP (which is called MIChild in Michigan) income eligibility at 217% (FPG).

The Michigan income eligibility thresholds approximate the national medians among all states. Medicaid assesses no premium and MIChild assesses a $10 per month premium regardless of the number of children in the household. Neither Medicaid nor MIChild have deductibles, copays, or coinsurance. In 2022, about 1.13 million Michigan children were enrolled in Medicaid and about 46,000 Michigan children were enrolled in MIChild.[288]

Services: Cost and Differences Between Medicaid/MIChild and Private Coverage

Medicaid and MIChild include dental and vision screening and other dental and vision services for children. The hallmark of Medicaid/CHIP programs are Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) services because of their comprehensive screening that leads to early and appropriate treatment. Due to the Affordable Care Act of 2010, private insurance plans must also provide some of the core preventive health services (e.g., well-child visits, immunizations, and

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[286] Kaiser Family Foundation. (n.d.). *State Health Facts: Health Insurance Coverage of Children 0–18.* Retrieved from https://www.kff.org/other/state-indicator/children-0-18/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D.

[287] Kaiser Family Foundation. (n.d.). *State Health Facts: Medicaid and CHIP Income Eligibility Limits for Children as a Percent of the Federal Poverty Level.* Retrieved from https://www.kff.org/health-reform/state-indicator/medicaid-and-chip-income-eligibility-limits-for-children-as-a-percent-of-the-federal-poverty-level/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D#note-1.

[288] The Annie E. Casey Foundation. (n.d.). "Children Ages Birth to 18 Insured by MIChild in Michigan.) *Kids Count Data Center.* Retrieved from https://datacenter.aecf.org/data/tables/1678-children-ages-birth-to-18-insured-by-michild#detailed/2/any/false/1095,2048,574,1729,37,871,870,573,869,36/any/3563,13109.

screenings for development and specific health issues) at no cost unless they are grandfathered plans.[289] As a consequence, basic preventive services are generally available for children at no cost regardless of the source of the children's healthcare coverage. Some private plans may be more limited (i.e., only provide what is federally required). Once a healthcare condition is diagnosed, additional medical services and treatment may be needed. Medicaid and MIChild will not assess deductibles, copays, or co-insurance for these services and treatment. Many healthcare plans will, but the amount varies among healthcare plans. Research finds that children covered under Medicaid are more likely to receive preventive screening than those covered by private insurance, but access to specialty care was difficult regardless of the source of children's healthcare coverage.[290] The same study found the difficulty was higher among those whose children have private coverage than those enrolled in Medicaid or SCHIP, and the out-of-pocket costs were higher among those with private coverage.

Federal Medical Support Provisions: History and Current Provisions

Federal child support regulations impose provisions for healthcare coverage in child support guidelines and programs because health is a critical component of child well-being. The rest of this subsection is broken down as a timeline of trends and events affecting federal medical support requirements. It concludes with a summary of current provisions.

1970s Trends. When the child support program was first founded in the 1970s, private insurance was the source of healthcare coverage for most Americans (i.e., 70% of all persons under age 65 nationally had private coverage through an employer).[291]

1984 Legislation Favoring Private Coverage for Children. The Child Support Amendments of 1984 made the pursuit of private healthcare coverage for child support-eligible children a part of government child support programs.[292] It required the U.S. Health and Human Services (HHS) Secretary to issue regulations requiring government child support agencies to petition for medical child support when it is was available at a reasonable cost. HHS defined reasonable-cost coverage as coverage available through the payer-parent's employment.[293]

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[289] Kaiser Family Foundation. (May 2023). *Preventive Services Covered by Private Health Plans under the Affordable Care Act.* https://www.kff.org/womens-health-policy/fact-sheet/preventive-services-covered-by-private-health-plans/.
[290] Kreider, Amanda, R. et al. (Jan. 2016). "Quality of Health Insurance Coverage and Access to Care for Children in Low-Income Families." *JAMA Pediatrics*, *170*(1), pp. 43–41. Retrieved from https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8011294/.
[291] U.S. Centers for Disease Control and Prevention. National Center for Health Statistics. (n.d.). *Trends in Health Care Coverage and Insurance for 1968–2011.* https://www.cdc.gov/nchs/health_policy/trends_hc_1968_2011.htm
[292] U.S. Department of Health and Human Medical Child Support Working Group. (2000). *21 Million Children's Health: Our Shared Responsibility*. Report to the Honorable Donna Shalala, Secretary of Department of Health and Human Services and the Honorable Alexis Herman, Secretary of Department of Labor. Retrieved from https://aspe.hhs.gov/sites/default/files/migrated_legacy_files//113561/FullReport.pdf.
[293] Ibid. p. 2-2.

1980–2000 Trends. The next few decades witnessed a decrease in availability of employment-sponsored insurance, escalating costs of health insurance and out-of-pocket medical expenses and an increase of uninsured Americans, notably among children. In 1980, 9% of all children nationally had no healthcare coverage, and the rate was higher for children living in households whose income was 150% of the poverty level or less.[294]

1990s: Medicaid Expansion and Creation of SCHIP. Medicaid was expanded in the 1980s and 1990s, and the State Children's Health Insurance Program (SCHIP) was created in 1997.[295]

2005 Legislation Tweaking Provisions of Private Coverage. The Deficit Reduction Act of 2005 (DRA)[296] reinforced the notion that the medical child support coverage would be through the payer-parent's employment, but was sensitive to the fact that the payer-parent may not always have coverage available through employment and when the parent did, it may be very expensive. To this end, DRA added the concept of considering the reasonable cost of healthcare coverage for the child . DRA added the option of medical support from the custodial parent if available to the custodial parent at a reasonable cost and expanded the definition of medical support to include not only healthcare coverage under a health insurance plan (including payment of costs of premiums, copays, and deductibles), but also other payments for medical expenses incurred on behalf of the children.

2008 Medical Support Rules Reinforcing Public Coverage. The 2008 OCSS medical support rules made more changes that reinforced private coverage, but expanded options and was more sensitive to reasonableness in cost.[297] It provided for the consideration of health insurance available to either parent, whether that coverage could be accessed by the child (e.g., the child lived in the geographical area served by the plan), emphasized the consideration of whether insurance was reasonable in cost, and introduced the concept of "cash medical support" as "an amount ordered to be paid toward the cost of health insurance provided by a public entity or by another parent through employment, or otherwise, or for the other medical costs not covered by insurance." Private insurance remained prioritized as the source of child's healthcare coverage in medical support provisions as long as it was reasonable in cost and accessible to the children.

2000–2010 Trends. The national trends of declining employment-sponsored insurance, escalating healthcare costs, and increased numbers of uninsured persisted. The percentage of Americans under

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[294] U.S. Department of Health and Human Services, Public Health Service, National Center for Health Statistics. (n.d.). *Insurance Coverage and Ambulatory Medical Care of Low-Income Children: United States, 1980.* Retrieved from https://www.cdc.gov/nchs/data/natmedcare/nmc_c_01acc.pdf.

[295] Mann, Cindy, Rowland, Diane, & Garfield, Rachel. (2012). *Historical Overview of Children's Health Care Coverage.* Retrieved from https://ccf.georgetown.edu/wp-content/uploads/2012/03/Uninsured_historical-overview.pdf.

[296] U.S. Department of Health and Human Services Administration for Children and Families (ACF). (2008). "Child Support Enforcement Program; Medical Support: Final Regulation." Federal *Register*, Vol. 73, No. 140 (Jul. 21, 2008, pp. 42416-42442). Retrieved from: https://www.federalregister.gov/documents/2008/07/21/E8-15771/child-support-enforcement-program-medical-support.

[297] Ibid.

age 65 with employer-sponsored insurance dropped from 71% in 1980 to 57% in 2010.[298] From 2000 to 2010, the percentage of children nationally with healthcare coverage from Medicaid/CHIP increased from 19% to 36%.[299]

2010 Affordable Care Act and OCSS Suspend Enforcement of State Medical Support. The Affordable Care Act was adopted in 2010. In the same year, OCSS suspended enforcement of federal requirements for state medical support for OCSS to analyze the impact of the Affordable Care Act on medical child support requirements and identify appropriate changes.[300]

2016 OCSS Rule Changes Recognize Public Coverage. In 2016, OCSS released a major update to its child support rules that included changes to medical child support.[301] It gave states the flexibility to consider public or private insurance as healthcare coverage, as well as more flexibility in how states define reasonable cost of insurance. The clarification replaced the word "insurance" with "healthcare coverage," and specifically noted that coverage from a government agency such as Medicaid/SCHIP and other public sources was healthcare coverage. The 2016 OCSS Rule changes also eliminated the requirement to measure the cost of health insurance for the child as the marginal cost (e.g., the difference between the cost for just the employee and the cost of employee plus one).

2018: OCSS Notifies States that State Medical Support Provisions Are No Longer Suspended. In 2018, OCSS rescinded the 2010 suspension of federal requirements of state medical support.[302]

Current OCSS Medical Support Provisions

Today, federal regulation requires each state's child support guidelines to:

> Address how the parents will provide for the child's health care needs through private or public health care coverage and/or through cash medical support.[303]

Since this is a requirement of a state's guidelines, it applies to all orders in which a child support order is being set, not just those in the state IV-D caseload. Some states define reasonable cost and accessible insurance within their guidelines. It is not federally required to be in the state guidelines; however, it is a

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[298] U.S. Centers for Disease Control and Prevention. National Center for Health Statistics. (n.d.). *Trends in Health Care Coverage and Insurance for 1968–2011.* https://www.cdc.gov/nchs/health_policy/trends_hc_1968_2011.htm

[299] Coyer, Christine, & Kenney, Genevieve. (Mar. 2013). "The Composition of Children Enrolled in Medicaid and CHIP." *Low-Income Working Families Fact Sheet*. Retrieved from https://www.urban.org/sites/default/files/publication/32681/412782-The-Composition-of-Children-Enrolled-in-Medicaid-and-CHIP-A-Summary.PDF.

[300] Turetsky, Vicki. (Jun. 2010). *AT-10-02*: *States Harmless from Penalties for Failure to Comply with Medical Support Final Rule State Plan Requirement*. U.S. Department of Health and Human Services Office of Child Support Services. Retrieved from https://www.acf.hhs.gov/archive/css/policy-guidance/states-harmless-penalties-failure-comply-medical-support-final-rule.

[301] *See* Federal Office of Child Support Enforcement. (Dec. 20, 2016). Actional Transmittal (AT-16-06) *Final Rule: Flexibility, Efficiency, and Modernization in Child Support Enforcement Programs*. Retrieved from https://www.acf.hhs.gov/css/policy-guidance/final-rule-flexibility-efficiency-and-modernization-child-support-enforcement.

[302] Lekan, Scott. (Aug. 2018). *AT-18-06: Compliance with Medical Support Final Rule requirements.* https://www.acf.hhs.gov/css/policy-guidance/compliance-medical-support-final-rule-requirements

[303] 45 C.F.R. § 302.56(c)(2). Retrieved from https://www.ecfr.gov/current/title-45/subtitle-B/chapter-III/part-302.

convenience to government child support agencies because federal regulation requires any IV-D petition for child support to consider medical child support that is reasonable in cost and accessible to the child.[304] A state may define reasonable cost and accessibility in other places besides their guidelines. Specifically, the federal regulation requires that the State IV-D agency must:

> Petition the court or administrative authority to (i) include health care coverage that is accessible to the child(ren), as defined by the State, and is available to the parent responsible for providing medical support and can be obtained for the child at reasonable cost, as defined under paragraph (a)(3) of this section, in new or modified court or administrative orders for support; an (ii) Allocate the cost of coverage between the parents.305
>
> . . . [where the cost is considered] if the cost to the parent responsible for providing medical support does not exceed five percent of his or her gross income, at State option, a reasonable alternative income-based numeric standard defined in State law, regulation or court rule having the force of law or State child support guidelines adopted in accordance with § 302.56(c) of this chapter.[306]

MICHIGAN'S MEDICAL SUPPORT PROVISIONS AND COMPARISONS TO OTHER STATES

Overview of Michigan's Current Medical Support Provisions

Appendix B.1 shows all medical support provisions in the Michigan guidelines. Exhibit 34 summarizes the four different types of medical expenses that are identified in the Michigan guidelines. The first three definitions are provided for in Section 3.04(A) of the guidelines and the last definition is provided in Section 3.05 of the guidelines.

Careful definitions are necessary because the guidelines provide for each type of medical expense differently. Discrete definitions are also necessary when comparing the amounts to current data on healthcare costs. Michigan's definitions also address health savings accounts and flexible benefit accounts, which are both federal tax benefits aimed at reducing out-of-pocket healthcare costs.

In general, each type of healthcare expense is prorated between the parents. The Michigan guidelines, however, provide for several exceptions and other considerations and specifics relating to each expense.

[304] 45 C.F.R. § 303.31(b)(1). Retrieved from https://www.ecfr.gov/current/title-45/subtitle-B/chapter-III/part-303.
[305] 45 C.F.R. § 303.31(b)(1). Retrieved from https://www.ecfr.gov/current/title-45/subtitle-B/chapter-III/part-303.
[306] 45 C.F.R. § 303.31(a)(3). Retrieved from https://www.ecfr.gov/current/title-45/subtitle-B/chapter-III/part-303.

Exhibit 34: Types of Healthcare Costs Identified in the Michigan Child Support Guidelines

Type of Expense	Description	How Expense Is Addressed in Guidelines
Routine remedial care costs	Band-Aids and first-aid supplies and similar expenses.	Implicitly assumed to be included in general care tables
Ordinary medical expenses	Copayments and deductibles normally incurred by the support recipient who is assumed to obtain medical care for the child.	Standardized amount to be prorated between the parents with some exceptions
Additional (extraordinary) medical expenses	Support recipient's out-of-pocket expenses that exceed what is ordered for the child's ordinary medical expenses, and any amount of qualified medical expenses paid by the payer.	Prorated between the parents
Healthcare coverage	"Fee for service, health maintenance organization, preferred provider organization, or other type of private health coverage or public health care coverage." Private and public healthcare coverage are further defined. • Private coverage means healthcare coverage obtained through an employer or purchased by an individual from an insurer.[307] • Public coverage means healthcare coverage is established or maintained by a government agency such as Medicaid or SCHIP.[308]	Prorated between the parents

Treatment of Ordinary Medical Expenses

Section 3.04(B) provides for a standardized amount of ordinary medical expenses for each child, that the standardized amount is prescribed in the guidelines supplement, and that the amount is to be prorated between the parents where the support payer's share is to be included in the monthly support obligation. In the 2021 Michigan Child Support Supplement, the standardized amount of ordinary medical expenses for each child is $454 per year. It is based on 1996 national data[309] updated to February 2020 price levels using the Consumer Price Index for medical care in the Detroit area.[310] In some circumstances, the guidelines provide court discretion in the amount ordered for ordinary medical expenses.

[307] Section 3.05(a) of the 2021 Michigan Child Support Guidelines.
[308] Section 3.05(b) of the 2021 Michigan Child Support Guidelines.
[309] The average out-of-pocket medical expense for a child was $209 per year. M. McCormick, R. Weinick, A. Elixhauser, et al. "Annual Report on Access to and Utilization of Health Care for children and Youth in the United States–2000." *Ambulatory Pediatrics*. 1(1) Jan.-Feb. 2001. (Agency for Healthcare Research and Quality 01-R036.)
[310] See the background information in the internal Friend of the Court Bureau Excel spreadsheet used to update the Michigan Child Support Formula in 2021.

- The guidelines (Section 3.04(B)(2)) provide that uninsured medical expenses that are predictable (e.g., a recurring medical expense that is not fully covered by insurance such as some asthmatic treatments) can be added to the standardized amount ordered for ordinary medical expenses. If so, this is to be clearly stated in the order.
- The guidelines (Section 3.04(B)(3)) provide that no amounts will be added if both parents typically incur the cost for the child's medical expenses or the paying parent incurs qualifying medical expenses for the child, the paying parent is incapacitated, or healthcare costs are paid or partially paid by the payee-parent's employer.[311]

The amount ordered is presumed to be the amount spent within a year period by the recipient. There is no need for the recipient to provide proof of medical expenditures for the child(ren) for this amount.

Treatment of Additional Medical Expenses

Additional medical expenses are also prorated between the parties. The recipient must show that the ordered amount for ordinary expenses per year for all children was exceeded to seek reimbursement; the support payer is entitled to seek reimbursement for any additional medical expense. The additional medical expense must be at least $100 per child per calendar year before an enforcement action can be pursued.

Treatment of Healthcare Coverage Obligation and Premiums

The treatment can be further broken down into several subparts: determining whether healthcare coverage is reasonable in cost and accessible to the child, then ordering one parent to maintain healthcare coverage for the child.

Accessible to the Child. The guidelines presume that healthcare coverage is accessible to the child if primary care services are covered within 30 miles or 30 minutes from any of the child's residences, with an exception for rural families.

Reasonable Cost. There are at least four layers to determining reasonable cost in the Michigan guidelines:

- The cost of coverage to the child is defined as the net cost of adding the child to the parent's current coverage, which may be the difference between self-only and family coverage;
- The guidelines define healthcare coverage for the child to be reasonable in cost if it does not exceed 6% of the providing parent's gross income;

[311] The guidelines (Section 3.04(B)(3)) provide that no amounts will be added if both parents typically incur the cost for the child's medical expenses or the paying parent incurs qualifying medical expenses for the child, the paying parent is incapacitated, or healthcare costs are paid or partially paid by the payee-parent's employer.

- No contribution is required from a low-income parent[312] or, when the child is covered by Medicaid, from the parent whose income was used to determine Medicaid eligibility; and
- Finally, there is a consideration of whether the total amount of support (i.e., a parent's share of general care, childcare expenses, ordinary healthcare expenses, and the parent's share of healthcare coverage) exceeds 50% of the parent's regular aggregate disposable earnings.

Ordering One Parent to Maintain Coverage. To avoid duplicated coverage, the Michigan guidelines make it clear that only one parent should be ordered to maintain coverage but allows for ordering both in specific circumstances.[313] The guidelines recognize many factors may be considered to determine which parent should maintain coverage (e.g., accessibility and comprehensiveness of covered services).

Cost Allocation between the Parents. The net cost of the child's healthcare premium shall be apportioned between the parents according to each parent's prorated share of family income. The parent paying the premium receives a credit to their base support obligation and the other parent's share is added to that parent's base support obligation.

State Comparisons

Although the Michigan medical child support provisions are much more comprehensive and thorough than most states, Michigan and other states share the same general approach.

- Michigan and many states separate the types of cost for the child (i.e., they separate the cost of healthcare plans and out-of-pocket expenses such as copays and deductibles);
    - Further, several states (and Michigan) separate out-of-pocket expenses that are ordinary healthcare expenses from "extraordinary" where ordinary is loosely (but not consistently defined or explicitly defined) as what is typically incurred in copays and deductibles and other out-of-pocket expenses for routine healthcare for a child without special healthcare needs.
- Michigan and most states prorate the cost of the child's medical support between the parents; and
- Michigan and most states set a reasonable cost threshold in the range of 4–9% of the gross income of the parent providing healthcare coverage.

As shown in Exhibit 35, most differences between the medical support provisions of Michigan and other states are nuanced. The most significant differences are:

[312] Specifically, a parent whose income is below 133% of the federal poverty level.
[313] Specifically, when both parents already provide coverage or both agree to provide coverage. See MCL 552.605a(2). https://www.legislature.mi.gov/Laws/MCL?objectName=mcl-552-605a

- The step at which standardized ordinary medical expenses are considered in the calculation;
- The amount to which standardized ordinary medical expenses are set;
- Michigan's procedure for obtaining reimbursement of extraordinary medical expenses; and
- Michigan's consideration of tax benefits that offset the cost of healthcare coverage.

Exhibit 35: Similarities and Differences between the Medical Support Provisions in Child Support Guidelines of Michigan and Other States

Major Similarities	Major Differences

• Most states including Michigan recognize there are different types of costs incurred for the child's healthcare. The most common:
  ○ The cost of a healthcare coverage (e.g., the insurance premium incurred for the child); and
  ○ Uninsured, unreimbursed, or uncovered medical expenses.
• Some states (including Michigan) subdivide uninsured medical expenses into ordinary and extraordinary.
	• States have nuanced differences in their definitions:
	  ○ Some states share Michigan's concept of what is ordinary and extraordinary, but they use different terms for the concepts or do not use a dollar threshold to delineate them.
	  ○ Some states use the terms "ordinary" or "extraordinary" to mean something other than what Michigan means.
	• Some states note "uninsured" or "uncovered" expenses but do not divide them into ordinary/extraordinary.
	• Besides Michigan, no state defines routine, remedial medical expenses. Some states include what Michigan defines as remedial expenses in their definition of ordinary expenses (e.g. cough syrup).

• Most states prorate the child's medical expenses between the parents.	• The few states that do not explicitly prorate generally have non-income shares guidelines.[314] • Other states provide fewer exceptions than the Michigan guidelines does or no exceptions other than an exception through a deviation.

• Most states designate a standardized cost amount for ordinary medical expenses.	• Michigan and Ohio are the only state guidelines to provide an explicit amount to be added to the paying parent's share of the general care obligation. Instead, most states incorporate the standardized amount within their child support table (which would be equivalent to Michigan's general care tables).
	  ○ In 2021, Michigan set its standardized amount at $454 per child per year.
	  ○ Ohio sets it at $388.70 per child per year.[315]

[314] For example, Alaska bases its guidelines on a percentage-of-obligor incomes and divides healthcare expenses 50%/50% between the parents.

[315] Ohio Department of Job and Family Services. (Jun. 2023 revised). *Child Support Guideline Manual.* Retrieved from https://www.odjfs.state.oh.us/forms/num/JFS07766/pdf/.

	○ Indiana assumes 6% of the basic obligation (the Indiana equivalent to the general care table) is for ordinary medical expenses. ○ Illinois and several other states include $250 per child per year for ordinary medical expenses in their equivalent to Michigan's General Care Equation.
• Some states, including many in the Great Lakes area, explicitly identify Medicaid and SCHIP to be healthcare coverage.	• Some states do not explicitly mention Medicaid and SCHIP.
• Several states provide a threshold for reasonable cost within their guidelines.	• Some states provide their reasonable cost threshold in another statute or rule besides their guidelines. • The thresholds vary, but Michigan's percentage is within the general range of most states. • Michigan's exceptions are more thorough than most states and address low-income parents, which is encouraged by OCSS.
• Several states provide that the cost of the child's healthcare coverage as being the marginal cost (e.g., difference between cost for single coverage and family coverage or single plus one).	• Michigan provides exceptions and more considerations than most states. ○ Michigan provides for the subtraction of tax credits, subsidies or other reimbursement. ○ Most states do not mention tax credits or tax-related benefits.

Appendix B.2 provides more detail about similarities and differences between the approaches of Michigan and other states.

State Usage of Federal Flexibility on How to Measure Cost of Coverage

The 2016 federal rule changes gave states more flexibility in how they measure the cost of the child's healthcare coverage by eliminating the requirement that it be measured based on the marginal cost of adding the child to the policy.[316] The intent of this change is to recognize circumstances in which the parent needs to enroll in family coverage for the child but the parent is not covered by that healthcare plan (e.g., instead the parent's healthcare coverage is through a current domestic partner or the Veterans Administration). In these circumstances, using the difference between the cost of insurance for a single employee and family policy does not reflect the total cost of covering the child.

Only Massachusetts and Ohio consider the entire cost of the health insurance premium to the parent providing health insurance coverage for the children. In both states, it is a deduction from income. This

[316] Federal Office of Child Support Enforcement. (Dec. 20, 2016). Actional Transmittal (AT-16-06) *Final Rule: Flexibility, Efficiency, and Modernization in Child Support Enforcement Programs*. p. 93499. Retrieved from https://www.acf.hhs.gov/css/policy-guidance/final-rule-flexibility-efficiency-and-modernization-child-support-enforcement.

differs from Michigan's approach of prorating the premium cost attributable to the child between the parents and adjusting base support to consider the proration. Specifically, if the payee-parent provides health insurance, the payer-parent's share of the premium cost attributable to the child is added to payer-parent's share of base support; if the payer-parent provides health insurance, the payee-parent's share of premium cost attributable to the child is subtracted from payer-parent's share of base support. The premium amount attributable to the child is determined by considering the difference between the cost of the parent's current plan and the plan needed to add a child. Prior to its 2019 changes, Ohio considered only the premium cost attributable to the child.

Michigan's Consideration of Healthcare-Related Tax Benefits

Michigan is one of a few states to mention tax benefits for healthcare expenses in its guidelines. They are considered when determining the premium attributable to the child but those (if any) offsetting out-of-pocket medical expenses for the child are not considered. The pertinent federal tax benefit programs are:

- Health Saving Accounts (HSAs);
- Flexible Spending Accounts (FSAs); and
- Health Reimbursement Arrangements (HRAs).[317]

In addition, the Michigan Marketplace (i.e., the healthcare exchange that the Affordable Care Act of 2010 operationalized) can offset the cost of private coverage.

Health Savings Accounts (HSA). An HSA is generally a tax-exempt trust account to reimburse certain out-of-pocket medical expenses (not insurance premiums) when the individual or family is enrolled in a high-deductible health plan (HDHP). It can be funded by an employer or employee. In 2023, the contribution was limited to $3,850 per year for self-only coverage and $7,750 for family coverage.[318] Contributions remain in the trust account until they are used to pay down an allowable medical expense. According to a recent study, 33% of those enrolled in a HDHP did not have a HSA and among those that did, few contributed. [319]

Flexible Spending Accounts (FSA). A medical FSA allows employees to be reimbursed for qualified medical expenses (which do not include premiums) and is typically funded through voluntary salary reduction agreements. No employment or federal income taxes are deducted from the employee's contribution. The employer may also contribute. For 2023, the maximum FSA contribution is $3,050 per

[317] See IRS Publication 969. Retrieved from https://www.irs.gov/publications/p969.
[318] See IRS. Rev. Proc. 2022-24. Retrieved from https://www.irs.gov/pub/irs-drop/rp-22-24.pdf.
[319] Kullgren, Jeffrey, Cliff, Elizabeth, & Krenz, Christopher. (Jul. 2020). "Use of Health Savings Accounts among US Adults Enrolled in High-Deductible Health Plans." *JAMA Network Open*. Retrieved from https://jamanetwork.com/journals/jamanetworkopen/fullarticle/2768350.

year. Like HSAs, few people using FSAs contribute the full amount.[320] Another issue is that distributions from an FSA generally must be paid to reimburse an individual/family for medical expenses from the same period of coverage. Due to the spending deadline, many workers with FSAs forfeit at least part of their FSA contributions each year.[321]

Health Reimbursement Arrangement (HRA). Employers are the only ones that can fund a health reimbursement arrangement (HRA). Unlike FSAs, they cannot be paid through a voluntary salary reduction. An HRA may be offered with other health plans. The HRA can be used to offset qualified medical expenses that include insurance premiums depending on the type of HRA. In 2023, the maximum annual contribution is $1,950 per year.

Summary and Comparison of Federal Healthcare Benefits. In summary, only certain types of HRAs apply to health insurance premiums. The other federal tax benefits apply to out-of-pocket medical expenses only. The major benefit of each of them is a reduction in federal taxes. Consequently, those with a higher tax rate are more likely to benefit. Still, as pointed out by Arizona (see Appendix B.2), the actual tax benefit is small. Further, separating out the share used for the child's out-of-pocket expenses from the parent's out-of-pocket expenses would be just but difficult to calculate and only likely to make a minute difference.

Michigan Marketplace

Michigan developed its Marketplace to meet 2010 federal healthcare reform requirements for a state health insurance exchange. In 2023, 322,273 Michigan residents were enrolled in the Marketplace.[322] In contrast, Michigan's 2023 population was just over 10 million.[323] This translates into about 3% of Michigan residents enrolled in the Marketplace. Income eligibility is set at 400% of FPG. The Marketplace includes a range of plans varying in premium amounts and out-of-pocket costs. Marketplaces offer two types of financial assistance on a sliding scale:

- Premium tax credits; and
- Cost-sharing reductions (CSR) that reduce out-of-pocket expenses such as deductibles.

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[320] See Employee Benefit Research Institute. (Mar. 2021). *The Vital Statistics on Flexible Spending Accounts: Findings from the EBRI FSA Database.* Retrieved from https://www.ebri.org/docs/default-source/fast-facts/ff-389-fsas-18mar21.pdf?sfvrsn=b6f33a2f_2.

[321] Hardy, Adam. (Mar. 2022). "Workers Lose $3 Billion a Year in FSA Contributions (and Employers Get to Keep It)." *Money.* Retrieved from https://money.com/fsa-contributions-workers-forfeit-money/.

[322] Reindl, J.C. (Jan. 26, 2023). "Obamacare in Michigan: How Affordable Care Act Tax Credits Boosted Enrollment." *Detroit Free Press.* Retrieved from https://www.freep.com/story/money/business/2023/01/26/affordable-care-act-enrollment-obamacare-michigan/69843038007/.

[323] U.S. Census Bureau. (n.d.). *Quick Facts: Michigan*. Retrieved from https://www.census.gov/quickfacts/fact/table/MI/PST045222.

Marketplace Plans

Marketplace plans are color-coded to reflect benefit levels. The Bronze plans are the lowest-cost plans with the highest out-of-pocket expenses. Platinum and gold plans are the highest-cost plans and cover a higher percentage of expected expenses. Silver plans have moderate costs in both premiums and out-of-pocket costs. They are typically used to compare Marketplace costs across regions within a state and across states. The maximum cost for the second lowest silver plan with no tax credits is 8.5% of income.[324] It is 0% of income when income is less than 150% of FPG, 2% of income for incomes between 150-200% of FPG, and so forth.

IRS Threshold for Determining Employer-Sponsored Insurance Is Affordable

In 2024, IRS tax code uses 8.39% of household income as the threshold for determining when employer-sponsored insurance is affordable.[325] The IRS adjusts that percentage annually based on the relative growth of premium costs to income. What the percentages will be in 2025 is unclear. Not only will it depend on the relative growth of premium costs to income, but also the 2025 expiration of the enhanced subsidies created by federal measures to address the economic downturn caused by COVID-19 pandemic (i.e., the Inflation Reduction Act of 2022 and the American Rescue Plan Act of 2021.) Prior to the pandemic (2020), they ranged from 2.06% to 9.78%.[326]

Marketplace Premiums and Out-of-Pocket Costs

Premium tax credits may be paid in advance to the insurance provider, addressed with year-end tax filing (which may be a refundable tax credit), or a combination of the two. CSRs are available to those with incomes below 250% of the poverty level, and only to those enrolled in a silver plan. According to the Kaiser Family Foundation (KFF), CSRs essentially reduce the out-of-pocket expenses to the level of a gold or platinum plan for those with incomes between 100–150% of the poverty level.[327] A silver plan has an actuarial value of 70%, which means that the health plan will pay 70% of total average costs incurred by the standard population. CSRs reduce the actuarial value to 94% for those with incomes between 100–150% of the poverty, 87% for those with incomes between 150–200% of the poverty level, and 73% for those with incomes of 200–250% of the poverty level.[328] To illustrate the impact of the CSR for those with incomes in the 100–150% range, KFF notes that the 2023 average annual deductible under a silver plan was nearly $5,000 per year and the average annual deductible under a platinum plan was $45 per year.

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[324] IRS. (n.d.). 26 C.F.R. § 601.105. Examination of returns and claims for refund, credit, or abatement; determination of correct tax liability. Retrieved from https://www.irs.gov/pub/irs-drop/rp-23-29.pdf.
[325] Ibid. Household income appears to be a gross amount, not the modified adjusted gross income used for Medicaid determination.
[326] 26 C.F.R. § 601.105 (2020). https://www.irs.gov/pub/irs-drop/rp-19-29.pdf
[327] Kaiser Family Foundation. (Oct. 6, 2023). *Explaining Health Care Reform: Questions about Health Insurance Subsidies.* Retrieved from https://www.kff.org/health-reform/issue-brief/explaining-health-care-reform-questions-about-health-insurance-subsidies/.
[328] Ibid.

Relevance of Marketplace to Michigan Medical Support Provisions

Regarding the Michigan guidelines, the current provision for defining the marginal cost of the child's insurance that considers tax subsidies and other offsets would capture the Marketplace tax credit. The Michigan provisions generally would not cover the impact of the CSRs, however. Nonetheless, families with children eligible for the more generous CSR would be eligible for MIChild, which would be a more cost-effective source of healthcare coverage for the children. Consequently, the number of children in the child support caseload that benefit from CSRs is likely to be miniscule and, hence, probably not worthy of a specific guidelines provision. It may be addressed as a reason for a deviation.

CURRENTLY AVAILABLE DATA ON ORDINARY MEDICAL EXPENSES

Some of the prime benefits of setting a standardized ordinary medical expense in the guidelines are that it typically provides an adequate financial amount to cover the child's medical out-of-pocket expenses incurred by the primary custodial parent; it does not require the tracking of medical receipts by the custodial parent as long as medical out-of-pocket expenses do not exceed the ordinary medical expense set in the order (which is typically the standardized amount);[329] it is a predictable amount that does not require discovery of actual cost data on a case-by-case basis when setting the child support order; and it generally works for all regardless of the source of the child's healthcare coverage.

Identifying one amount to cover ordinary medical expenses (such as the average out-of-pocket medical expenses for all children from a credible data source), however, is not straightforward. One reason concerns how representative the average is, particularly given the differences in out-of-pocket expenditures between Medicaid and private healthcare coverage such as High Deductible Health Plans (HDHP). Almost half of Michigan children are enrolled in Medicaid, which has no deductibles, copays, or co-insurance. At the other extreme are HDHPs, which accounted for 28% of employer-provided insurance nationally in 2022.[330]

A second reason that it is not straightforward is because of variation in the healthcare needs of the child. Analysis of the 2019 National Survey of Children's Health finds that 19% of all children in the U.S have special healthcare needs and many of their families have problems paying the out-of-pocket expenses for their children's healthcare needs.[331] This raises the concern of setting the guidelines amount for ordinary medical expenses too low.

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[329] It may be more or less. It may be more if the child has a recurring medical out-of-pocket expense such as an uninsured asthma treatment. It may be less or nothing if the parents have equal custody of the child.

[330] Kaiser Family Foundation. (Oct. 22, 2022). "Section 8: High-Deductible Health Plans with Savings Options." *2022 Employer Health Benefits Survey.* Retrieved from https://www.kff.org/report-section/ehbs-2022-section-8-high-deductible-health-plans-with-savings-option/.

[331] Williams, Elizabeth, & Musumeci, Mary Beth. (Oct. 2021). *Children with Special Health Care Needs Coverage, Affordability, and HCBS Access.* Kaiser Family Foundation. Retrieved from https://www.kff.org/medicaid/issue-brief/children-with-special-health-care-needs-coverage-affordability-and-hcbs-access/.

Another reason that it is not straightforward is Michigan's definition of ordinary medical expenses does not always align the available data. As shown in Exhibit 34, unlike many states, Michigan discerns between routine remedial care costs (e.g., band-aids, cough syrup, and vitamins) and ordinary medical expenses are those prescribed or provided by a healthcare professional (e.g., prescription medicine and co-pays for doctor visits). Discerning between the two can be difficult since a healthcare professional may recommend some supplemental vitamins (Vitamin D3) or allergy medicines that can be purchased over the counter.

A fourth reason is the appropriateness of using average out-of-pocket medical spending from children in intact (two-parent) families. Although this would be consistent with the income shares model (which is premised on the concept that the child should receive the same amount of expenditures that the child would have experienced had the parents lived together and combined financial resources), the guidelines provide for the actual amount of ordinary and extraordinary medical expenses incurred by the custodial parent if it differs from the standardized ordinary amount. To this end, the average out-of-pocket medical spending from children in single-parent families may be more appropriate. A counter-argument to that is the difference may be driven by Medicaid eligibility.

Available Data Sets

The analysis considers three different data sets:

- The U.S. Bureau of Labor Statistics Consumer Expenditure Survey (CE),[332] which is the same database used to estimate spending on children in intact families that is used to update the general care tables.
- The U.S. Department of Health and Human Services Agency for Healthcare Research and Quality (AHRQ) Medical Expenditure Panel Survey (MEPS)[333] that has been the data source for Michigan's current ordinary out-of-pocket medical expenses as well as the data source for Ohio and other states.
- The U.S. Census Bureau Current Population Survey Annual Social and Economic Supplement (CPS ACES).[334]

Each dataset has its strengths and weaknesses. None ask questions directed at providing research needed for states in defining the parameters of their medical support provisions.

[332] More information about the CE can be found at https://www.bls.gov/cex/.
[333] More information about the MEPS can be found at https://meps.ahrq.gov/mepsweb/.
[334] More information about the CPS ACES can be found at https://www.census.gov/data/datasets/time-series/demo/cps/cps-asec.html.

Consumer Expenditure Survey (CE)

The CE is the primary data source of estimates of child-rearing expenditures. (Due to this, it was described in Chapter 3.) The CE asks hundreds of detailed questions about a household's medical and health expenditures. For example, it asks if household made any payment in the last three months for physician services, hospital room or hospital services, dental care, prescription and non-prescription drugs, vitamins, and almost a hundred other items. For each item, the CE also asks the amount paid and whether there was any reimbursement such as from an insurance company. The CE does not ask if the expense was made for a child or adult in the household.

Apart from having to trust the respondents to know what they have spent their money on, the most important problem with the CE is that spending in general is not reported by family member but for the entire consumer unit. Therefore, constructing an estimate of healthcare expenses for children is not straightforward. To resolve this issue would require devising a scheme to allocate the family's medical spending to each family member. Other issues involve data definitions and data reporting lags. The CE's healthcare and medical expenses generally encompass all remedial medical, ordinary, and extraordinary expenses as defined in the Michigan guidelines. Using the CE for Michigan's purposes would require separating out those expenses and making judgments for some specific items. There are also likely to be issues with data lags. The CE asks how much the household spent on out-of-pocket expenses (prescription drugs, for instance) during the previous quarter. If there are lags in insurance processing, the out-of-pocket expense may drag into the next quarter.

Medical Expenditure Panel Survey (MEPS)

As the name of the survey suggests, this database is the nation's premier source of data on the utilization of medical care and how this care is paid for. The complexity of this database mirrors the complexity of the healthcare system. While the focus is upon the members of households, the data collection efforts are extended to healthcare providers and insurers whom the families use. By not relying solely upon the responses to a survey of households, it is believed that the quality of the data is high especially compared to the CE.[335]

Instead of asking global annual retrospective questions as done in the CE, MEPS inquires and collects data based upon health events that is verified with healthcare providers. MEPS collects data from households, healthcare providers and insurers and cross-checks. The cross-checks make it a very rigorous data source. Generally, MEPS focuses on health services that may be covered by a health insurance plan, Medicare, or Medicaid. Hence, it does not include first-aid supplies, cough syrup, and vitamins. The trigger to collecting the data is a health event. There are eight classifications of health

[335] A side-by-side detailed comparison of medical expenses between the CE and MEPS is provided in Foster, Ann C. (Feb. 2010). "Out-of-Pocket Health Care Expenditures: A Comparison." *Monthly Labor Review.* Retrieved from https://www.bls.gov/opub/mlr/2010/02/art1full.pdf.

events (e.g., prescribed medical, dentist visits, and in-hospital stays) that are each tracked separately. From there, they can collect information about which member of a household incurred the event, how much it cost, and how it was paid. Since it is event-based, the data would have to be rolled up from event to household to child in a household. This rollup would be very complex.

The only drawback to using the data is that the simplified MEPS data query tool and survey were recently redesigned in 2018/2019 such that it no longer allows for pivot tables of average out-of-pocket medical expenses for subpopulations such as children. Pulling the information from the raw MEPS data is prohibitively complex. The data is likely to be still in MEPS but would require extensive MEPS experience or knowledge to pull out from their public use data files that span over 100 files and hundreds of data fields.

Current Population Survey – Annual Social and Economic Supplement (CPS – ASEC)

The primary purpose of this data set is employment data, but it investigates special issues in its March annual supplement such as poverty. Since 2010, this has included detailed questions about the healthcare insurance status of each family member and how much was spent on premiums, medical out-of-pocket spending (cost sharing and uninsured medical expenses) for each family member, and on over-the-counter medical items not covered by insurance in the previous year. Since 2019, the data has been publicly available and organized two ways: by household and by individual in a household. The survey is conducted in March of each year using computer-assisted telephone interviewing tools. The sample design provides consistent national-level estimates, but consideration is also given to providing reliable annual state-level estimates of unemployment.

Some of the relevant data fields available based on the ASEC data dictionary are:

- Sum of the total out-of-pocket expenditures for non-premium medical care across family members as well as for individual family members that can be linked to other data in the dataset indicating the family member is a child; and
- Total amount paid in over-the-counter, health-related spending across family members as well as for individual family members that can be linked to other data in the dataset indicating the family member is a child.

The actual survey question posed to the interviewed household member states out-of-pocket expenditures for medical care and provides examples of copays for doctor and dentist visits, diagnostic tests, prescription medicine, glasses and contacts, and medical supplies. As a convenience to the reader, these are labeled “uncovered out-of-pocket expenses.” The actual question about over-the-counter healthcare expenditures specifies nonprescription healthcare products such as vitamins, allergy and cold medicine, pain relievers, quit-smoking aids, and other non-reported expenditures items. The questions are asked of the expenditures for the entire household and each member of the household. In other words, the data comes from what the interviewed household member can remember.

Like the CE, one limitation of the ASEC is the ability of respondents to recall medical spending for each family member in the previous calendar year. The Census Bureau indicates the quality of the ASEC data is high and favorably compares to the MEPS data on medical expenses (although no comparison was done explicitly for children). Given the relative ease of using this data, its rather large size, and it being annually available, this data source should be considered as a good alternative to the MEPS.

Summary Statistics on Average Out-of-Pocket Expenditures per Child

The following summary statistics shown in Exhibit 36 were prepared by David Betson from the March 2022 ASEC survey, which would be expenditures from 2021 and demographic data from March 2022.[336] Due to this, if an infant is born in 2022 before the family is in the survey, medical expenses for these infants would not occur in 2021. Recognizing this, Betson identified 270 infants in the sample in which this situation occurs and dropped them from the analysis. Betson also adjusted the sample size to exclude households where the children did not live with their parents and those where the child formed their own family. The analyzed sample contained information for 36,743 children (younger than 18 years old), of which 27,181 lived with both parents and 9,562 living with one parent. The amounts are weighted averages.[337]

Exhibit 36: Average Out-of-Pocket Expenditures per Child in 2021

	Uncovered (e.g., copays and prescriptions)	Over-the-Counter, Non-Prescription
All Children	$284	$71
Children Living with Both Parents	$319	$74
Children Living with One Parent	$180	$63

Exhibit 36 shows the average out-of-pocket expenditures per child based on the 2021 ASEC for medical expenses, which aligns closely with Michigan's definition of ordinary medical expenses, and over-the-counter, non-prescription out-of-pocket expenditures that more closely aligns with Michigan's definition of remedial medical expenses. Subsequent exhibits drop the over-the-counter out-of-pocket medical expenses because they are not of interest to updating what amount Michigan should use for its ordinary medical expenses.

Assuming the average is the appropriate amount for ordinary medical expenses, it suggests an amount of $284 per child per year. However, there are several issues with that amount. As noted in Exhibit 36,

[336] The file is available in SAS, a common statistical software, and as a comma delimited file that can be read into Excel from https://www.census.gov/data/datasets/time-series/demo/cps/cps-asec.html.
[337] Where the weights are used to align the characteristics of survey respondents with the general population.

less is spent on children living with one parent, albeit that probably reflects more children living with one parent being enrolled in Medicaid, which has no copays, co-insurance, or deductibles.

Exhibit 37 drops the over-the-counter, non-prescription, out-of-pocket expenses from the analysis because they are akin to what Michigan defines as remedial medical costs. Exhibit 37 confirms that the uncovered out-of-pocket expenses are less for those with public coverage ($44 per child per year) than those with private coverage ($423 per child per year). Exhibit 37 also confirms that the amounts among those with public coverage vary little between children living with both parents and children living with one parent (i.e., the difference is $20 per year).

Exhibit 37: Average Uncovered, Out-of-Pocket Expenditures per Child in 2021 by Healthcare Coverage

	All	Private Coverage Only	Public Coverage Only	Both Private and Public in 2021	No Coverage
All Children	$284	$423	$44	$268	$195
Children Living with Both Parents	$319	$424	$53	$287	$210
Children Living with One Parent	$180	$418	$33	$239	$160

One possible solution to the large difference between the average uncovered out-of-pocket expenses between those with private and public coverage would be to adopt Ohio's approach of deeming the amount from private coverage as ordinary medical expenses and to assess no or a nominal amount to those with public coverage. This would justly serve children with private coverage by providing an adequate amount. The disadvantage is addressing ordinary medical expenses when the children roll on and off Medicaid would be administratively difficult to do.

Exhibit 38 illustrates another issue detected by the data: the average varies by the number of children. In contrast, the Michigan guidelines provide the same amount of ordinary expenses regardless of the number of children. Among those with private coverage, the amount declines with more children (e.g., it is $507 per child per year when there is one child and $321 per child per year when there are four children). This may result from those with private coverage only meeting health insurance deductions more quickly the more children that they have. Exhibit 38 does not indicate a similar trend among those not having private coverage only. Instead, the maximum difference between the lowest and highest per-child-per-year amount is $65 (which is about $5 per month and is observed for those with public coverage only). In summary, Exhibit 38 provides some evidence for adjusting the amount used for ordinary medical expenses by family size for those with private coverage only. However, there are many disadvantages. It adds another calculation and consideration to the guidelines that increases its cumbersomeness while the gain is not that great. Most child support orders cover one or two children. The maximum per-child-per-year amount among children with private coverage is $186 per child per year (i.e., the $507 per child per year amount for one child, compared to the $321 per child per year amount for four children), which is about $15 per month. This could also be handled within the

guidelines by adjusting the ordinary medical expense amount in a particular case, such as when the children are covered by private healthcare coverage with a low deductible. In this circumstance, the per-child-per-year amount expended on medical out-of-pocket expenditures may be less because the deduction is easily met.

Exhibit 38: Average Medical Out-of-Pocket Expenditures per Child Living with Both Parents in 2021 by Number of Children

Number of Children Living with Both Parents	Private Coverage Only		Public Coverage Only		Both Private and Public within 2021		No Coverage	
	All Children	Per Child	All Children	Per Child	All Children	Per Child	All Children	Per Child
1 Child	$507	$507	$ 90	$90	$86	$90	$49	$49
2 Children	$894	$447	$ 93	$47	$202	$101	$125	$63
3 Children	$1,101	$367	$ 86	$29	$366	$122	$211	$70
4 Children	$1,282	$321	$376	$94	$274	$69	$157	$39
5 or More Children	$1,283	Not calculated	$234	Not calculated	$362	Not calculated	$479	Not calculated

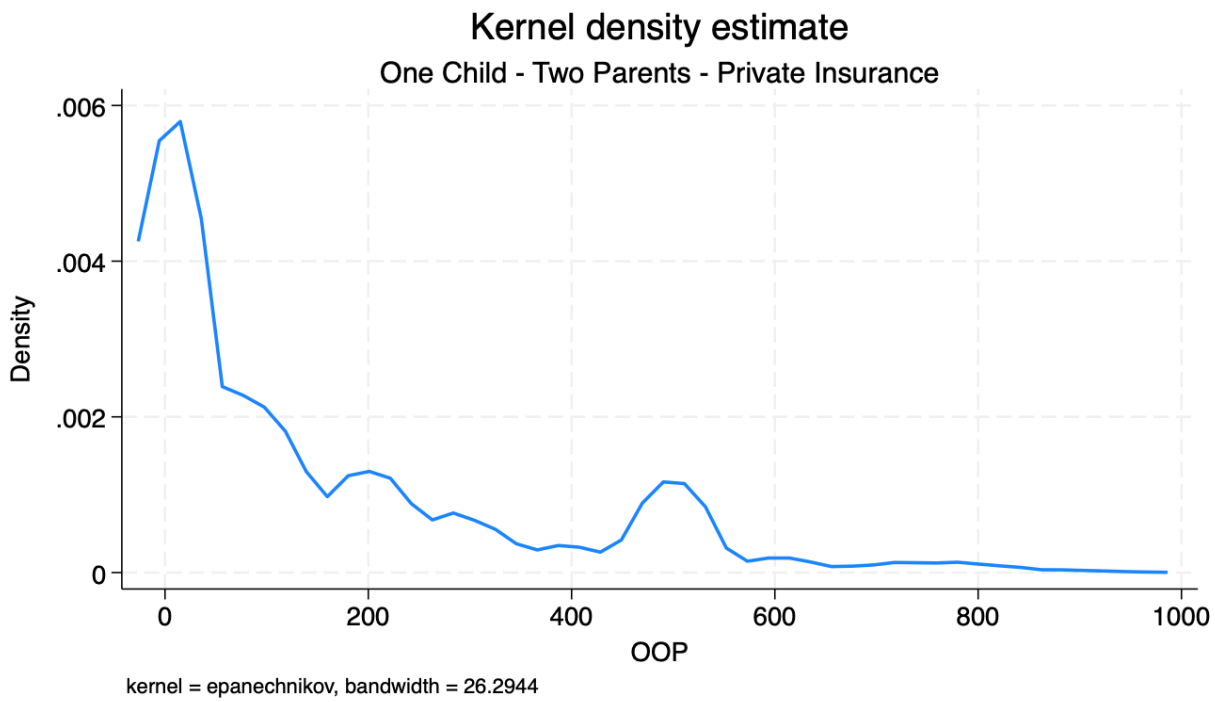
Using Averages

The data so far illustrates that the average medical out-of-pocket expense for all children (i.e., $284 per child per year) regardless of their healthcare coverage and other factors may not be appropriate for all circumstances (e.g., they vary by whether healthcare coverage is public or private). It also does not appear that the medical out-of-pocket expenses are normally distributed. A natural question is how are average medical out-of-pocket expenses distributed across families? To answer that question, Betson examined the distribution of medical out-of-pocket expenses for one child when there are two parents with private coverage only. The analysis of case file data conducted for this guidelines review found that 65% of orders are for one child. Private coverage only is considered because setting an ordinary medical expense that adequately provides for those with private coverage is a just policy decision. Betson found that 35% have no uncovered out-of-pocket expenses and 65% had some uncovered out-of-pocket expenses; the average was $507 per child per year, while the median was $100 per child per year. When the average is much larger than the median, it suggests the distribution is skewed to the right rather than normally around the average, and those with extraordinary amounts are dragging the average up. Betson also used a "kernel destiny" to graph out the distribution of the uncovered out-of-pocket expenses (which are noted as OOP in Exhibit 39) to illustrate this distribution.[338] For the purposes of the graph, Betson limited the graph to those with uncovered out-of-pocket expenses of $1,000 for one child

[338] Kernal destiny essentially smooths the distribution curve by weighing the distance between data points. It can make patterns more observable.

per year or less. In Exhibit 39, "density" refers to the number/percentage of children in the sample. In summary, Exhibit 39 confirms that uncovered out-of-pocket expenses are not normally distributed and that they skewed to the right. This provides justification for using an amount below the average ($507 per child per year) to update Michigan's ordinary medical expense amount, but not less than the median ($100 per child per year).

Exhibit 39: Distribution of Uncovered, Out-of-Pocket Expenses



Currently Available Data on the Cost of Healthcare Coverage

As already noted, in 2022, 53% of Michigan children had healthcare coverage through employer-sponsored health insurance, 39% had coverage through Medicaid, 4% had coverage through a non-group plan, less than 1% had coverage from a public source other than Medicaid, and 3% were uninsured.[339] Medicaid assesses no premium amount, and MIChild assesses a $10 per month premium regardless of the number of children in the household. The rest of this subsection focuses on the cost of

[339] Kaiser Family Foundation. (n.d.). *State Health Facts: Health Insurance Coverage of Children 0–18.* Retrieved from https://www.kff.org/other/state-indicator/children-0-18/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D.

healthcare coverage from employer-sponsored health plans, which is the major source of healthcare coverage among Michigan children not enrolled in Medicaid.

Cost of Healthcare Coverage from Employer-Sponsored Health Plans

This section addresses three components of private insurance: availability through employment; premium amounts; and out-of-pocket expenses for deductibles, copays, and other unreimbursed expenses. Most of the data used in this subsection comes from compilations of the 2019–2021 MEPS data.[340] In addition to the MEPS data described earlier, MEPS conducts an annual survey of private employers and state and local governments that produces national and state-level estimates pertaining to employer-sponsored insurance. The private-sector sample comprises about 42,000 business establishments (i.e., about 6% of all registered business) nationally, with a response rate of 56.9%. Unfortunately, there is a time lag between when the MEPS data are collected and reported; hence, 2019–2021 is the most current data years among MEPS compilations.

Availability of Employment-Related Insurance

According to the 2019–2021 MEPS data, 85.5% of Michigan private-sector employees worked for establishments offering health insurance. The comparable national average is 85.9%. When limited to firms with 50 employees or less, the Michigan percentage is 49.8% and the national percentage is 50.6%. According to Michigan labor market data,[341] 32% of Michigan workers worked for an employer with fewer than 50 employees. The agency overseeing the MEPS recognizes that low-wage, small employers (i.e., fewer than 50 employees) are less likely to offer employees health insurance. The offer rate nationally was 23.6% in 2018 among employers with fewer than 50 employees where the predominant wage was less than $12.00 per hour.[342] In all, small employers paying lower wages are less likely to offer health insurance. The national offer rates also varied by industry. Michigan-specific data are not available. There is no reason to believe that Michigan's rate differs remarkably from the national rate.

Among firms that offer health insurance (regardless of firm size), the enrollment rate is 57.1% in Michigan and 56.3% nationally. When considering all Michigan private-sector employees regardless of whether they work for a firm that offered health insurance, 48.8% of Michigan private-sector employees enrolled in employer-sponsored insurance. Among those that do not enroll, it is unknown whether they have coverage through a spouse, Medicaid or another source.

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[340] U.S. Department of Health and Human Services Agency for Healthcare Research and Quality. (Oct. 2022). *MEPS Insurance Component Chartbook 2021.* Retrieved from https://meps.ahrq.gov/data_files/publications/cb26/cb26.pdf.

[341] Michigan Department of Technology, Management & Budget, Center for Data and Analytics. (n.d.). "Employment by Firm Size: First Quarter 2023." *Michigan Labor Market Information.* Retrieved from https://milmi.org/DataSearch/Employment-by-Firm-Size.

[342] U.S. DHHS Agency for Healthcare Research and Quality. (n.d.). *Chartbook #23: Medical Expenditure Panel Survey Insurance Component 2018 Chartbook.* Retrieved from https://meps.ahrq.gov/data_files/publications/cb23/cb23.shtml#section1.

Premiums for Private Insurance

Exhibit 40 and Exhibit 41 show the average premium cost of private insurance in Michigan from 2019–2021 MEPS data. Exhibit 40 shows the total average cost including what the employer contributes. Exhibit 41 shows the average employee contribution only. Since the data are a couple years old, the amounts in the last column of the exhibits are updated to 2023 levels for changes in price levels. Prices in general have increased 9.1% from December 2021 through May 2023.[343] Most of the Michigan averages are less than the national average. The three exceptions (the total average for a single employee and the average employee contributions for employee plus one and the family premiums) were all below the national average.

Exhibit 40: Average Premium Cost of Private Insurance Available from Michigan Employers

	2019–2021 Average Cost (Annual)	2019–2021 Average Cost (Monthly)	Estimated Monthly Amount in 2023 Dollars
Single Employee	$6,804	$567	$619
Employee plus One	$14,319	$1,193	$1,302
Total Family Premium	$19,983	$1,665	$1,817

Exhibit 41: Average Employee Contribution to Private Insurance Available from Michigan Employers

	2019–2021 Average Cost (Annual)	2019–2021 Average Cost (Monthly)	Estimated Monthly Amount in 2023 Dollars
Single Employee	$1,456	$121	$132
Employee plus One	$3,232	$269	$294
Total Family Premium	$4,124	$344	$375

Among other ways, the Michigan guideline provides that the cost of the child's health insurance can be calculated using the difference in family coverage and single-employee coverage. Using the 2023 estimated amounts from Exhibit 41, this would suggest the average cost of the child's health insurance is $243 per month. Assuming one child and using the Michigan guidelines threshold of 6% of gross income as reasonable cost, the average cost of the child's health insurance would be reasonable for an employee whose gross monthly income is more than $4,050 per month. In contrast, the Michigan labor market data indicates the average monthly wage of Michigan workers employed in the private sector is

[343] General changes in price levels are used because the agency that calculates changes in price levels does not readily provide the information necessary to calculate the change in health insurance over the specific period of interest. Further, what data is readily available suggest a 9% decrease in insurance prices in the last year, which seems dubious.

$5,702 per month.[344] If Michigan guidelines were to utilize the 2016-added federal option of considering the total family premium, that would be 6.6% of the average monthly wage of Michigan workers employed in the private sector. In this situation, it may be appropriate to rely on the IRS definition of what is affordable. In 2024, IRS tax code uses 8.39% as the threshold for determining when employer-sponsored insurance is affordable.[345] Another issue is the MiCSES data analyzed by FOCB staff finds that incomes of parents with guidelines calculations are much lower than the average monthly wage of Michigan workers employed in the private sector (see Exhibit 8). This would suggest that the average cost of child's health insurance ($243 per month) is often unreasonable.

Out-of-Pocket Expenses

Out-of-pocket expenses for private health insurance can vary by plan and service and can be significant particularly among high-deductible health plans (HDHP), which are becoming more common. According to the 2019–2021 MEPS data, 94.1% of Michigan employees enrolled in any private insurance plan through their employer had a deductible. The comparable national percentage is 88.1%. Further, 56.9% of enrolled Michigan employees with single coverage had a high-deductible health insurance plan, while 55.3% of enrolled Michigan employees with family coverage had a high-deductible health insurance plan. (The percentages are not significantly different from the national percentages.)

Exhibit 42 shows the average deductible for private insurance available from Michigan employers, according to 2019–2021 MEPS data. The Michigan averages are below the national averages. They would apply to out-of-pocket expenses incurred across all household members. On average, adults incur more medical expenses than children. In short, the amounts are not appropriate for updating the ordinary medical expense amount provided in the Michigan guidelines, but their high amounts suggest the importance of the Michigan guidelines providing for the ordinary medical expenses of the children.

[344] This is calculated from Michigan Department of Technology, Management & Budget Labor Market Information using the Quarterly Census of Employment and Wages (QCEW) for private industries as of the first quarter of 2023. The amount was reported as a weekly amount (i.e., $1,316) and converted to a monthly amount. Retrieved from https://milmi.org/DataSearch/QCEW.

[345] IRS. (n.d.). 26 C.F.R. § 601.105. Examination of returns and claims for refund, credit, or abatement; determination of correct tax liability. Retrieved from https://www.irs.gov/pub/irs-drop/rp-23-29.pdf.

Exhibit 42: Average Employee Deductible for Private Insurance Available from Michigan Employers

Enrollment	2019–2021 Average Cost (Annual)	2019–2021 Average Cost (Monthly)	Estimated Monthly Amount in 2023 Dollars
Single Employee			
• All	$1,611	$134	$146
• High-deductible plans	$2,287	$191	$208
Total Family			
• All	$3,044	$254	$277
• High-deductible plans	$4,339	$362	$394

Excludes amounts for employee plus one.

Chapter Conclusions, Recommendations, and Future Research Needs

The Michigan medical support provisions appear to meet federal requirements.[346] The Michigan medical support provisions are comprehensive and thorough compared to most states. Still, they share many core elements with the provisions of other states: the separation of the cost of the child's health insurance premium from the out-of-pocket medical expenses of the child, consideration of reasonable cost and accessibility in determining how the child's healthcare coverage will be provided, and generally prorating the expenses between the parents.

Recommendations. Most of the recommendations pertain to amounts. Based on more current data made available through this project, Michigan is lowering the amount that it uses for its standardized ordinary medical expense to $200 per year per child. Regarding the periodic update of it, there is no reason to not use the Detroit CPI-U. This would also be consistent with an earlier recommendation of using the Detroit CPI-U for periodic updates to the General Care Support Tables. The only limitation is that Michigan was using the Detroit CPI-U for medical expenses and that specific index has not been published recently due to limited sampling. The 6% of gross income threshold for determining reasonable cost seems appropriate given the data, but Michigan may also want to take advantage of the 2016 federal change that allows the consideration of the total premium paid. For simplicity and consistently, Michigan could rely on the IRS threshold, which is updated annually. In 2024, the IRS Tax Code uses 8.39% as the threshold for determining when employer-sponsored insurance is affordable.

Future Research Needs. Michigan and the greater child support community should lobby the federal government—specifically, the agencies responsible for three surveys with some relevant data, to include data questions relevant to medical support. Many of these surveys have advisory committees: there needs to be better representation from the child support community of these advisory committees.

[346] CPR cannot certify whether federal requirements are met.

Chapter 6: Consideration of Parenting Time Costs

This chapter addresses economic data on parenting time cost as well as the economic assumptions used in parenting time adjustments provided in state child support guidelines. The contract emphasized the analysis of duplicated and unduplicated child-related costs associated with parenting time. The information is to be used to assess the appropriateness of the current provisions in the Guidelines Formula that address shared parenting time and ways that the current formula can be improved.

Chapter Summary

Background Information. There is no federal requirement for a timesharing adjustment. Most states including Michigan provide some sort of timesharing formula in their child support guidelines. The Michigan Formula, which is called the Parental Time Offset (PTO), is based on the premise that an adjustment is needed because the General Care Formula presumes the child is being raised in one household, some child-rearing expenses will shift away from the payee-parent to the payer-parent when the payer-parent has low levels of timesharing, and the child-rearing expenses are equal when there is equal timesharing and equal income. (The PTO produces a zero order in the latter situation.)

Timesharing Formula in Other States. Timesharing formulas vary widely across states. Only Minnesota uses a formula like the PTO. The only adjustment used by three or more states is the cross-credit formula. The PTO collapses to the cross-credit formula depending on its parameters. Regardless, at equal timesharing, the PTO and cross-credit formula yield identical amounts even when the parents have unequal incomes. The PTO is also compared to the Oregon timesharing formula, which has a similar mathematical form, and the Indiana adjustment, which clearly relates to theories about transferable and duplicated child-rearing expenses, and that duplicated expenses should be shared between the parents.

Low-Income and Disparate Income Scenarios. There is some concern about whether the PTO yields an appropriate amount in low-income and disparate income scenarios. The analysis finds there is no solution that can adequately provide for children when both parents are low income. Regarding disparate income, the PTO allows for the lesser-time parent to flip to the payee-parent when the lesser-time parent's income is substantially less than the income of the other parent.

Transferred and Duplicated Expenses and Other Expenses. The PTO does not need to delineate at what number of overnights child-rearing expenses are duplicated, nor does it need to define percentages of transferred and duplicated child-rearing expenditures. Still, various studies are reviewed to determine the breakdown of child-rearing expenses that may be transferred or duplicated (i.e., the breakdown of child-rearing expenditures by food expenditures, housing expenditures, and other categories).

Recommendations. The limited evidence that is currently available does not clearly suggest that another timesharing formula is better than the PTO.

BACKGROUND INFORMATION: FEDERAL REGULATION AND EXISTING MICHIGAN FORMULA

Federal regulation does not require adjustments for shared physical custody and other circumstances in which both parents provide significant and direct care for their children. Most states (i.e., 42 states including Michigan) and the District of Columbia, however, provide some sort of timesharing formula in their child support guidelines.

The Michigan Parental Time Offset

Exhibit 43 shows the provision in the Michigan Formula, which is called the Parental Time Offset (PTO). It is based on the premise that an adjustment is needed because the General Care Formula presumes the child is being raised in one household (i.e., the household of the primary custodian of the children); the payer-parent incurs more direct child-rearing expenditures the more time that the children are in the care of the payer-parent; and the payee-parent realizes some savings in direct child-rearing expenditures when the children are with the payer-parent because the payee-parent won't have to spend as much money for food and other costs for the child. In other words, some of the direct expenses of the child will shift away from the payee-parent to the payer-parent.

When Michigan initially developed its guidelines in the 1980s, staff with the 1983–87 National Child Support Guidelines project favored the cross-credit formula. In fact, if the 2.5 exponent is removed from the PTO, it collapses into the cross-credit formula. The cross-credit formula is the most used timesharing formula among states. The premise of the cross-credit formula is simple and intuitive.[347] Raising the number of overnights of each parent to the 2.5 power adds a desirable outcome of a timesharing adjustment. Specifically, the exponent produces a small adjustment for timesharing when the payer-parent has low levels of time and precipitously increases when the child is with each parent almost equally. Exhibit 44, which appears in the Michigan Guidelines, shows this outcome graphically.

Although the PTO was an improvement to the cross-credit formula, where the cross-credit formula has a simple theoretical basis, there is no theoretical basis for the amount of the exponent in the PTO. Mathematically, the higher the exponent, the lower the amount of the credit when incomes and timesharing are unequal. The higher the exponent (and the lower the amount of the credit) implies a

[347] Under the cross-credit formula, a theoretical order is calculated for each parent. These are the same as the terms, As and Bs, in the Michigan PTO shown in Exhibit 43. The second step of the cross-credit weighs each parent's theoretical order by the percentage of time the child spends with the other parent. If an exponent of one instead of 2.5 is applied to both Ao and Bo in the Michigan PTO, this would accomplish the second step. The rationale of the cross-credit formula is one parent owes the other parent only for the percentage of time the child is with the other parent. In the final step, time-weighed theoretical orders are offset. The parent with the larger amount owes the other parent the difference between each parent's theoretical order (that was time-weighted) in the cross-credit formula.

higher percentage of child-rearing expenses are duplicated. In this situation, the greater-time parent would not realize a significant decline in direct child-rearing expenditures at low levels of timesharing.

Exhibit 43: The Michigan Parental Time Offset Formula

3.03(A) Adjusting Base Obligation with the Parental Time Offset

Presuming that as parents spend more time with their children they will directly contribute a greater share of the children's expenses, a base support obligation needs to offset some of the costs and savings associated with time spent with each parent. (The supplement to this manual contains a graph and other information about adjusting support payments for parenting time.)

(1) Base support mainly considers the cost of supporting a child who lives in one household. When a parent cares for a child overnight, that parent should cover many of the child's unduplicated costs, while the other parent will not have to spend as much money for food, utility, and other costs for the child.

(2) Apply the following Parental Time Offset Equation to adjust base support to reflect some of the cost shifts and savings associated with the child spending time with both parents:

$$\frac{(Ao)^{2.5} \cdot (Bs) - (Bo)^{2.5} \cdot (As)}{(Ao)^{2.5} + (Bo)^{2.5}}$$

Ao = Approximate annual number of overnights the children will likely spend with parent A

Bo = Approximate annual number of overnights the children will likely spend with parent B

As = Parent A's base support obligation

Bs = Parent B's base support obligation

Note: A negative result means that parent A pays and a positive result means parent B pays

3.03(B) Application

(1) An offset for parental time generally applies to every support determination whether in an initial determination or subsequent modification, whether or not previously given.

(2) The parental time offset does not apply when a nonparent has custody of a child. (§1.04(E)(16) and (§4.0l(A)).

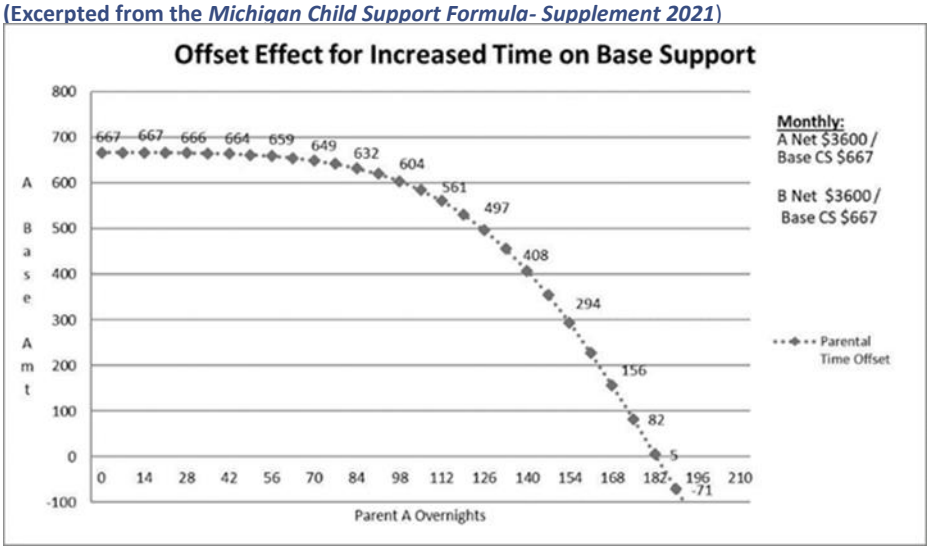
3.03(C)Apply the parental time offset to adjust a base support obligation whenever the approximate annual number of overnights that each parent will likely provide care for the children-in-common can be determined. When possible, determine the approximate number based on past practice.

Michigan and Minnesota are the only states to rely on this formula structure. Michigan relies on an exponent of 2.5, and Minnesota relies on an exponent of 3.0. Michigan's earlier version of the PTO started with an exponent of 2.0. It was raised to 3.0, then reduced to 2.5 in 2017. Minnesota

deliberated the amount of the exponent extensively and landed on the higher amount mainly because it has the least change from what Minnesota was using. The amount of exponent does not matter when there is equal timesharing. The amount of the exponent yields the same result when there is equal custody.

Exhibit 44: Illustration of the Parental Time Offset (PTO)

(Excerpted from the *Michigan Child Support Formula- Supplement 2021*)



The exact year that Michigan adopted its exponential formula is unknown, but available documentation show that it dates to at least 1987[348]and probably when Michigan first promulgated its statewide guidelines, which also would have been in the mid-1980s. Michigan has made three major changes to its timesharing formula over time. Prior to 2008, the Michigan Formula provided a shared economic responsibility formula (which is the same exponential formula used today but with an exponent of 2.0) and an abatement for extended timesharing. The shared economic responsibility formula applied when the payer had at least 128 overnights. The shared economic responsibility formula was directed at recurring, routine timesharing (e.g., a monthly parenting-time schedule) while the abatement was directed at extended parenting time (e.g., summer school breaks when the child was in the care of the payer-parent for several weeks.) In 2008, Michigan eliminated both the threshold and the abatement. Instead, the number of overnights for the two timesharing adjustments were added and counted in the application of what is now called the PTO, which is really the same formula as the shared economic responsibility formula, but there is no timesharing threshold and no distinction between overnights that are recurring and routine and overnights that are incurred during extended parenting time. Subsequently, the exponent in the formula was raised to 3.0. In 2017, it was lowered to 2.5 based on public comment that the exponent of 3.0 produced inadequate reductions—specifically, they were too low to cover the cost of the child's daily food when the child was with the payer-parent.

[348] National Center for State Courts. (1987). *Development of Guidelines for Child Support Orders, Final Report.* Report to U.S. Department of Health and Human Services, Office of Child Support Enforcement, Williamsburg, VA, p. II-58.

Overview of Parental Time Offsets in Other State Guidelines

Timesharing formulas vary widely across states. Unlike Michigan, most states require a certain amount of timesharing (e.g., 120 overnights per year) before the formula applies. Historically, many states set their timesharing threshold above a "traditional level of visitation" based on the premise that the payer-parent did not incur substantial costs of major expenditure categories (e.g., housing for the child) for a nominal level of time.[349] Another concern was whether the payee-parent's expenditures were significantly reduced if the child was with the other parent. The parent with more time would still incur expenses for the child's housing and other expenses including even some food expenditures because of volume discounting (e.g., buying a gallon of milk instead of buying a quart).[350] Most states also explicitly require court-ordered timesharing or agreed-to-timesharing to apply the adjustment. The Michigan formula does not explicitly require court-ordered timesharing, but court-ordered timesharing could be used to determine the "likely amount of time" (that is the wording under the Michigan Guideline) for which the Michigan formula provides or timesharing based on previous practice.

Types of Timesharing Formulas Used by States

Exhibit 45 summarizes the types of formulas used by states. Appendix C.1 provides more detail about the different types of timesharing formulas.

Overview of the Cross-Credit Formula

Exhibit 45 shows that the cross-credit with 1.5 multiplier is the most used formula. The multiplier of 1.5 is to account for it costing more to raise a child in two households than one household; specifically, it presumes it costs 150% more to raise a child in two households. Appendix C.1 provides more detail about the premise of the 1.5 multiplier.

Most cross-credit formulas also require that a state-determined threshold of timesharing be met by both parents before the adjustment is applied (i.e., each parent has at least 25–40% timesharing). Without the threshold, the cross-credit formula adjusted for duplicated expenses can yield an amount more than the guidelines-determined amount for sole custody. The un-intended consequence of the cross-credit, however, is that a cliff effect (i.e., a precipitous decrease in the guidelines-determined amount) can occur when the timesharing threshold is met under some case circumstances.

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[349] Ibid. p. II-56.

[350] Venohr, Jane. (Mar. 2016). *2015–2016 Pennsylvania Child Support Guidelines Review: Economic Review and Analysis of Case File Data*. Retrieved from https://www.pacourts.us/storage/rules/2015%202016%20Pennsylvania%20Child%20Support%20Guidelines%20Review%20Econonic%20Review%20and%20Analysis%20of%20Case%20File%20Data%20-%20005119.pdf.

Exhibit 45: Types of Timesharing Formulas in State Child Support Guidelines

Formula	States
Cross-Credit with 1.5 Multiplier	18 states (AL, AK, CO, DC, IL, ID, FL, LA, ME, MD, NE, NC, NM, SC, SD, VT, WY, WI) and IA* for equal custody
Cross-Credit with No or Alternative Multiplier	6 states (CA, MT, NV, OK, VA, WV)
Offset (Special Case of Cross-Credit Formula)	1 state (RI) and ND* for equal custody
Simple Percentage or Sliding Scale Adjustment	6 states (AZ, DE, IA*, KS, KY, OH)
Per Diem Adjustment	5 states (HI, PA, ND*, TN, UT)
Consideration of Transferable and Fixed Expenses	3 states (IN, MO, NJ)
Non-Linear Formulas	3 states (MI, MN, OR)
Unique Formula	1 state (MA)
States with a Formula	43 states
States without a Formula	8 states (AR, CT, GA, MS, NH, NY, TX, WA)

* State is listed twice because it has two different formulas depending on the amount of time.

Other Timesharing Formulas Used by States

Besides the cross-credit formula, states generally use very different formulas. Most states base their formulas on principles and concepts[351] rather than on economic evidence on the allocation of child-rearing expenditures in timesharing situations, partly because there is a dearth of economic data about timesharing situations. Among those states with timesharing adjustments premised on some child-rearing expenditures are time variable expenses (e.g., food for the child) and other expenses are duplicated by the parents (e.g., housing expenses for the child), many incorporate economic data on child-rearing expenditures in general (that is not specifically expenditure data in shared-parenting situations) to delineate between the percentages of total child-rearing expenditures that are time-variable and those that are duplicated. However, these states do not consistently delineate these expenses and some approximate.

Another formula that is the same category of the Michigan/Minnesota PTO in Exhibit 45 because of its non-linear offset as the lesser-time parent's time with the child increase (see Exhibit 44 for this relationship graphically) is the Oregon formula that was devised by a mathematics professor to achieve that desirable relationship.

[351] Oldham, Thomas, & Venohr, Jane. (May 2021). "The Relationship between Child Support and Parenting Time." *Family Law Quarterly.* Vol. 43, No. 2. Available at https://centerforpolicyresearch.org/publications/the-relationship-between-child-support-and-parenting-time/.

Graphical Comparisons of the Michigan PTO to Other Timesharing Formulas

This subsection considers two sets of comparisons. The first set is limited to a comparison of the PTO to the cross-credit formula; specifically, it illustrates why the PTO is better than the cross-credit formula. The second set explores some other alternative timesharing formulas besides the cross-credit formula: the Indiana timesharing formula for its strong theoretical basis and the Oregon timesharing formula for achieving a similar graphical outcome to the PTO—that is, small decreases at low levels of timesharing and large increases at near equal timesharing.

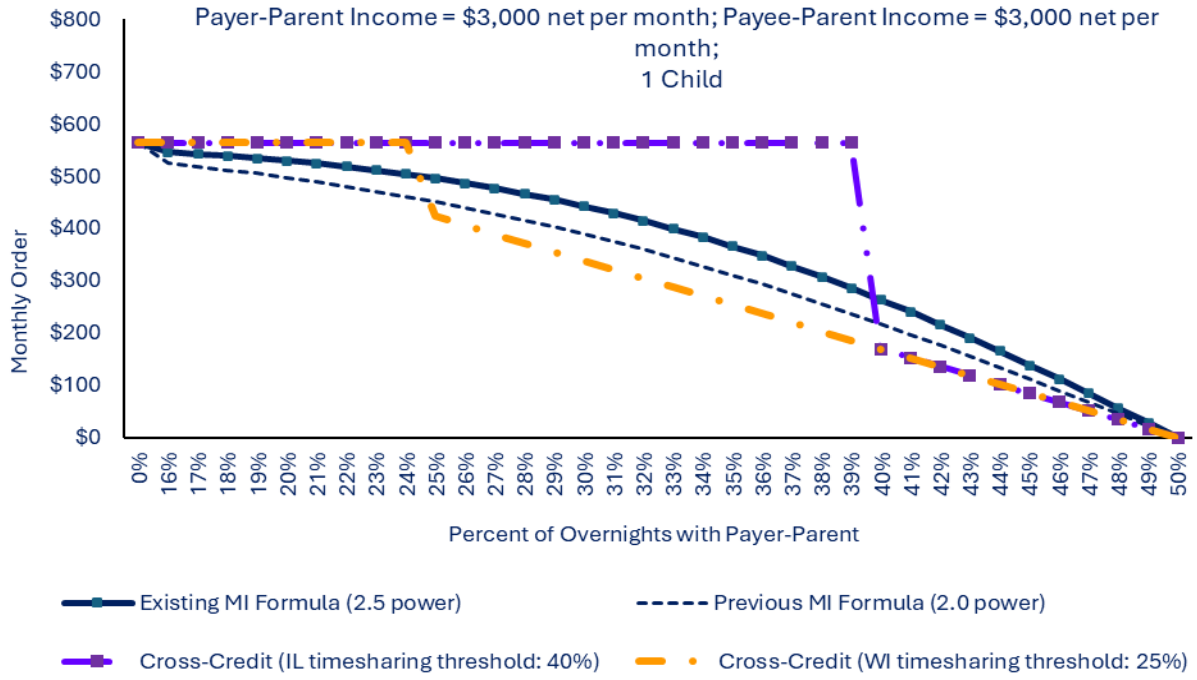
PTO Compared to Cross-Credit Formula

Exhibit 46 compares the outcomes of the existing Michigan parental offset equation to the cross-credit formula used in two of Michigan's neighboring states: Illinois and Wisconsin. Both states rely on a 150% multiplier. Illinois requires at least 146 overnights per year (40% timesharing) for the adjustment to apply and Wisconsin requires at least 92 overnights (25% timesharing) for the adjustment to apply. The scenario assumes one child and that the parents have equal income ($3,000 net per month). The Illinois and Wisconsin cross-credit formulas are applied to the existing Michigan General Care Formula for this scenario. A caveat to the visual interpretation of Exhibit 46 is that the change from 0% to 16% timesharing should be ignored; rather, the graphs should be used to examine changes from 16% timesharing to 50% timesharing.[352] The jump from 0% to 16% (58 overnights, which is about two weekends per month and a week in the summer) artificially creates a small decrease in the previous Michigan formula that relied on an exponent of 2.0 (power = 2.0). The jump is due to space limitations on the graph (i.e., there is not enough space to show the levels at 1% timesharing, 2% timesharing and so forth until 15% timesharing). Nonetheless, the setup of Exhibit 46 is effective at showing how the support amount changes above 16% timesharing.

Exhibit 46 clearly illustrates a strength of the PTO (regardless of whether a 2.0 or 2.5 exponent is used) over the cross-credit formula. The PTO does not have a cliff effect at 40% timesharing—that is, a precipitous decrease in the order amount when the timesharing threshold is reached. Another criticism of the cross-credit formula is it does not consider the income shares of each parent in the adjustment; rather, the amount of adjustment is driven by the timeshare. In other words, the disparity in income does not affect the amount of the timesharing adjustment.

[352] The graph does not use 1% increments from 0% to 16% timesharing so the graph can fit across the page. The jump from 0% to 16% (58 overnights, which is about two weekends per month and a week in the summer) artificially makes the guidelines amounts from 0% to 16% decrease more precipitously on a visual level than they actually do.

Exhibit 46: Illustration of the "Cliff Effect" in the Cross-Credit Formula



PTO Compared to Indiana and Oregon Formulas

The next set of comparisons considers the Indiana and Oregon timesharing formulas. Three different scenarios are compared: Exhibit 47 compares the results when the parents have equal income, Exhibit 48 compares the results when the lesser-time parent has more income than the other parent, and Exhibit 49 compares the results when the lesser-time parent has less income than the other parent. The scenarios do not include medical support or other adjustments. Like Exhibit 46, a limitation to the comparisons of these exhibits is that they start with 0% timesharing and jump to 16% timesharing before they consider the incremental impact of a 1% increase in the timesharing. This has the visual effect of making the change from 0% timesharing to 16% more precipitous than it really is. This is particularly evident for the Oregon timesharing formula, which has a more gradual change from 0% to 16% timesharing. It also obscures the fact that the Indiana formula does not apply until there is at least 14% timesharing (at least 52 overnights per year).

Indiana Timesharing Formula

The Indiana timesharing formula is considered because it is from a neighboring state and is based clearly on the concept that some child-rearing expenditures are transferable between parents, while others are fixed (i.e., cannot be transferred). Indiana's formula considers three types of child-rearing expenditures. At low levels of time-sharing (below 120 overnights), the adjustment is for transferable expenses only (i.e., time-variable expenses such as food consumed outside the home). When time-sharing becomes

more substantial (i.e., at least 120 overnights), the adjustment also considers duplicated, fixed expenses (e.g., housing expenses for the child). Finally, there are some fixed child-rearing expenses that only one parent picks up even when timesharing is equal (e.g., major clothing items, cellphones, and school pictures). Indiana presumes 35% of child-rearing expenses are transferable based on time with the child; 50% of child-rearing expenses are duplicated, fixed expenditures; and 15% of child-rearing expenditures are non-duplicated, fixed expenditures. Consistent with the income shares model, the Indiana timesharing formula is structured such that the parents will share in duplicated, fixed expenses (and non-duplicated, fixed expenses) based on their prorated share of income. However, transferable expenses are allocated between the parents based on each parent's percentage of time only.

The Oregon Timesharing Formula

Like the PTO, the Oregon Formula includes an exponent function; hence, it also achieves what the PTO does: small offsets a low level of timesharing that initially gradually increase and then precipitously increase near equal timesharing. Several state guidelines review committees favor or have considered the Oregon Formula because of this outcome as well as it is easier to use than the Michigan PTO since it has been converted to a simple lookup table (see an excerpt in Appendix C.1.) In designing the Oregon timesharing formula, the guidelines review body consulted with a mathematics professor to create a timesharing formula that would have a gradual decrease to an order amount based on no timesharing to a 13% credit at 25% timesharing and above 25% timesharing increase rapidly to a 50% credit near 50% timesharing. The final point is based on the premise that 50% timesharing, child-rearing expenditures are equally shared between the parents.[353] Prior to adopting this formula, Oregon used the cross-credit formula. Another directive to the mathematics professor was to minimize the change. To that end, it is not surprising that the Oregon Formula closely tracks the cross-credit formula.

Comparisons when There Is Equal Income

Exhibit 47, which is the equal income scenario, shows a zero order when there is equal timesharing under all the timesharing formulas except under the Indiana Formula because Indiana assume that there is always one parent who has controlled expenses: that is, one parent buys the child's clothes, cellphone, and other non-duplicated, fixed expenses. Unfortunately, there is no credible empirical data from equal timesharing, equal income timesharing arrangements to support or refute the concept of controlled expenses. Exhibit 47 also shows that the Indiana Formula is less steep at low levels of timesharing and has a larger slope after about 33% timesharing (about 120 overnights). This is because Indiana presumes that child-rearing expenses become duplicated at this point. In contrast, the PTO and the Oregon Formula produce decreases that increase steadily with more timesharing. This is more

[353] Oregon Child Support Program. (Mar. 2012). *Guidelines Advisory Committee Report and Recommendations.* Retrieved from https://justice.oregon.gov/child-support/pdf/guidelines_advisory_committee_report_and_recommendations_2011-12.pdf.

consistent with not delineating a number of overnights where child-rearing expenditures become duplicated; although, the Indiana formula was designed to slowly phase-in duplicated expenses.

Exhibit 47: Comparisons of Timesharing Formulas: Parents Have Equal Incomes

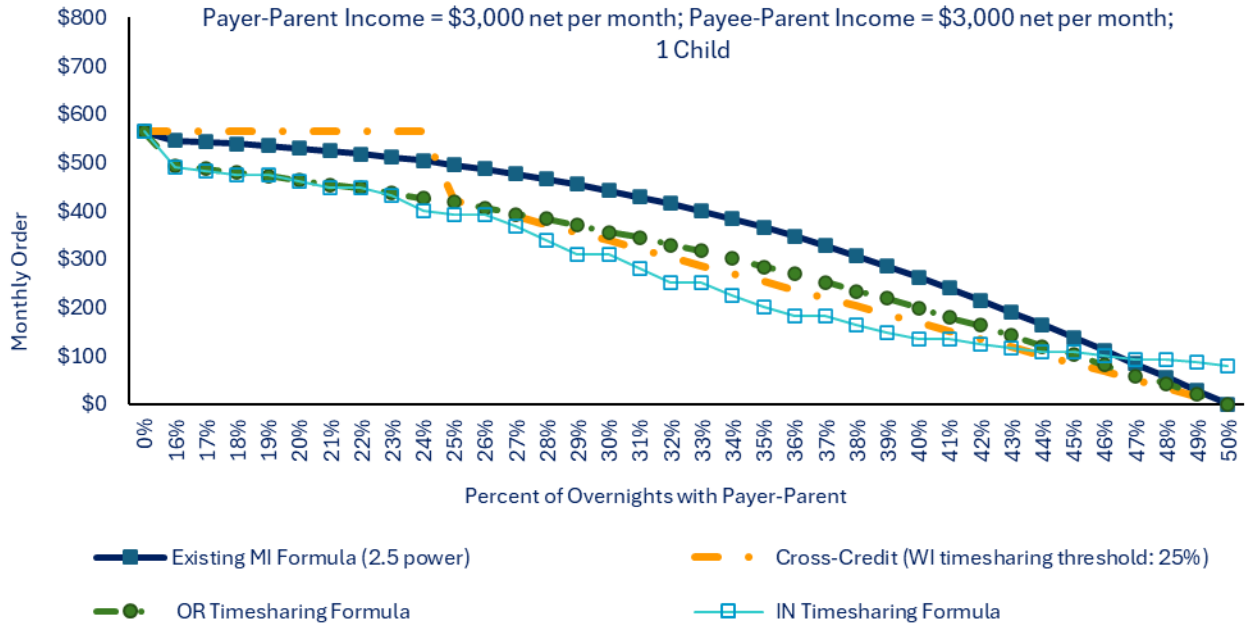


Exhibit 47 also shows that once the timesharing threshold for applying the cross-credit formula is met, the cross-credit formula and the Oregon timesharing formula closely track each other. This outcome is not surprising since the Oregon timesharing formula was designed to have minimum difference from Oregon's previously used formula, which was a cross-credit formula. The fact that the PTO yields a higher guidelines formula than the Indiana timesharing formula suggests that the PTO presumes a higher level of duplicated expenses than Indiana does.

Comparisons when One Parent Has More Income than the Other Parent

The guidelines amounts when the lesser-time parent has more income than the greater-time parent are generally more than when the parents have equal incomes. As shown in Exhibit 48, none of the timesharing formula produce a zero order at equal timesharing. This is because the greater-time parent still shares in some of the child-rearing expenditures of the lesser-time parent. Still, the cross-credit formula, the Oregon formula, and the PTO produce the exact same amount at 50% timesharing. This is because the Oregon formula was designed to produce little difference from the cross-credit formula. The PTO becomes the cross-credit formula at equal timesharing. In contrast, Indiana's order amount is

higher at equal timesharing because of Indiana's assumptions about one parent incurring non-duplicated, fixed expenses.

Exhibit 48: Comparisons of Timesharing Formulas: Lesser-Time Parent Has *More* Income

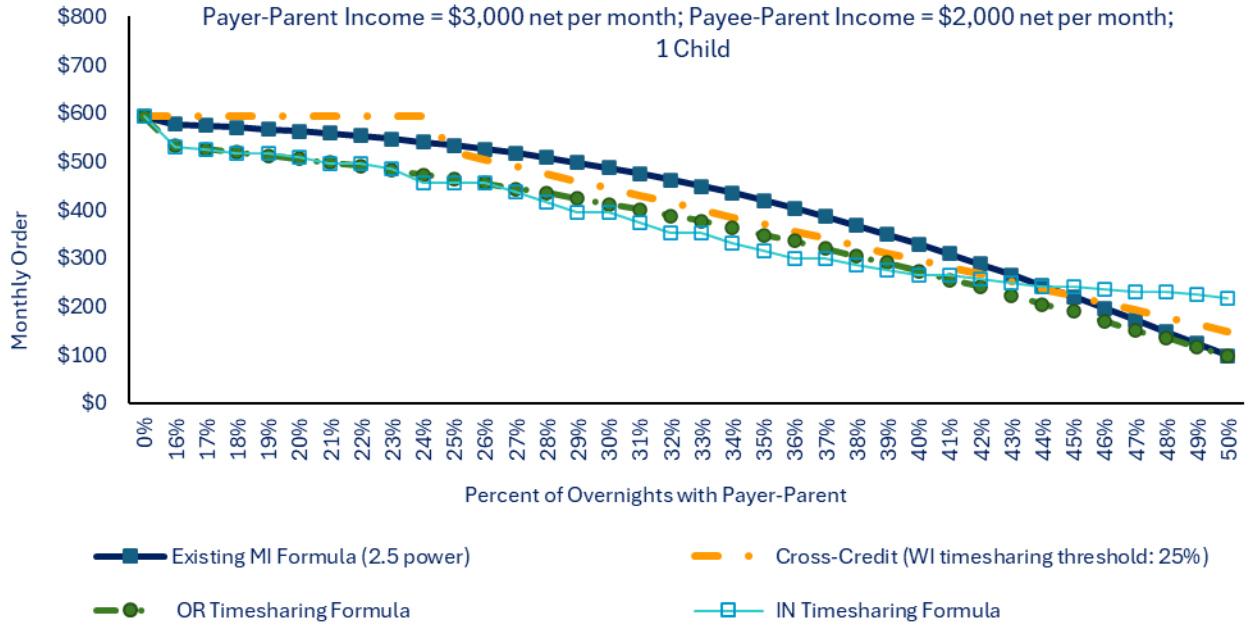
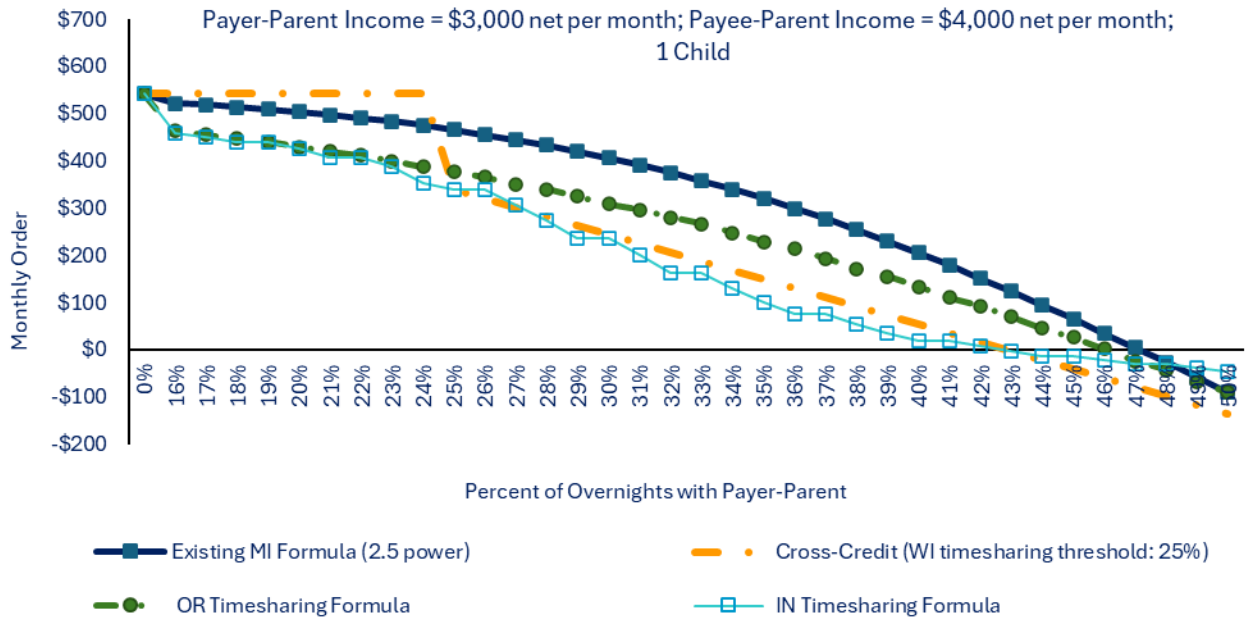


Exhibit 49 considers the situation when the lesser-time parent is also the lesser-time income. Exhibit 49 show the higher-income parent owing the lower-income parent as lower-income parent's time with the child becomes closer to equal timesharing regardless of which timesharing formula is applied. The higher income parent is expected to cover some of the child-rearing expenditures for the children when they are with the lower-income parent. The crossover point—that is, the point where the higher-income parent owes support even when the higher income is the greater-time parent—varies by timesharing formula, but not by much. The crossover point is at 43% timesharing under the Indiana Formula and the cross-credit, 47% timesharing under the Oregon Formula, and 48% under the PTO.

Exhibit 49: Comparisons of Timesharing Formulas: Lesser-Time Parent Has *Less* Income



*The negative amounts mean that the parent owing support flips between the two parent (i.e., if Parent B was the payer-parent, Parent A becomes the payer-parent when the amount is negative.)

Low Income and Disparate Income Scenarios

One specific concern is whether the PTO produces appropriate outcomes when one or both parents have low income or when the parents have disparate income.

Low Income

The appropriate guidelines amount when one or both parents are low income in substantial timesharing circumstances becomes a policy decision because the combined financial resources of the parents are insufficient to cover the child adequately in both households as well as recognize each parent's direct expenses on the child. When the lesser-time parent is also the higher-income parent, one concern is that the timesharing adjustment will provide too little support for the children living in the lower-income household, which is the household with more of the child's time. To this end, a few states limit the application of both adjustments. For example, Kentucky does not allow the low-income adjustment on top of its timesharing adjustment. Still another example is New Jersey which provides that its timesharing adjustment shall not be applied if the income of the primary custodian household is less than 200% of the poverty level. The intent is to ensure enough support in the home of the primary custodian household so the children can live above subsistence.

Another concern is equal treatment among all payer-parents regardless of their income—that is, both a high-income payer-parent and a low-income payer-parent should have access to timesharing adjustments. To reduce the guidelines amount for the parenting time of a high-income payer-parent but not reduce the amount for the parenting time of a low-income payer-parent is not similar treatment of the two payer-parents. The findings from the case file review indicate that PTO is applied more frequently in higher income cases than lower income cases. This is also common in other states. Aside from the PTO, there are many other factors that can explain this difference (e.g., the order was entered by default, which limits the ability to set a timesharing arrangement; and divorcing parents are more likely to set a rigid, certain timesharing schedule, which lends itself better to calculating an adjustment than a flexible, uncertain timesharing schedule).

Michigan does not limit the PTO to higher incomes like New Jersey does—that is, Michigan does not preclude use of the parental time offset when the primary custodian household is low income. The way the Michigan formula currently works, each parent's base support is first determined, then the parental time offset is applied. Base support is determined using the General Care Equation (GCE) unless the parent is eligible for the Low-Income Equation (LE) or the Low-Income Transition Equation (LTE). Exhibit 50 shows that if only the payee-parent is eligible for one of the low-income equations (e.g., Parent A), it will produce a higher order amount after the parental time offset is applied because Parent A's base support (As) is less than it would be under the GCE, so the remainder is smaller.

Exhibit 50: Calculation of Parental Offset when One Parent Is Low Income

Special Case of when Low-Income Equation or Low-Income Transition Equation Applies to the Payee-Parent Only (Parent A in equation below) and Does Not Apply to the Payer-Parent (Parent B in the equation below)
$\frac{(Ao)^{2.5} \cdot (Bs) - (Bo)^{2.5} \cdot (As)}{(Ao)^{2.5} + (Bo)^{2.5}}$ *This term is less when either of the low-income adjustments are applied to the payee-parent. In turn, this reduces amount of credit for the payer-parent's parenting time because less is subtracted.* Ao = Approximate annual number of overnights the children will likely spend with parent A Bo = Approximate annual number of overnights the children will likely spend with parent B As = Parent A's base support obligation Bs = Parent B's base support obligation Note: A negative result means that parent A pays and a positive result means parent B pays .
Special Case of when Low-Income Equation or Low-Income Transition Equation Applies to the Payer-Parent Only (Parent B in the equation below) and Does Not Apply to Payee-Parent (Parent A in the equation below)
$\frac{(Ao)^{2.5} \cdot (Bs) - (Bo)^{2.5} \cdot (As)}{(Ao)^{2.5} + (Bo)^{2.5}}$ *This term is less when either of the low-income adjustments are applied to the payer-parent. In turn, it reduces the payer-parent's amount of base support, which increases the likelihood that the amount will become negative; that is, the payee parent (Parent A in this formula) will become the payer.*

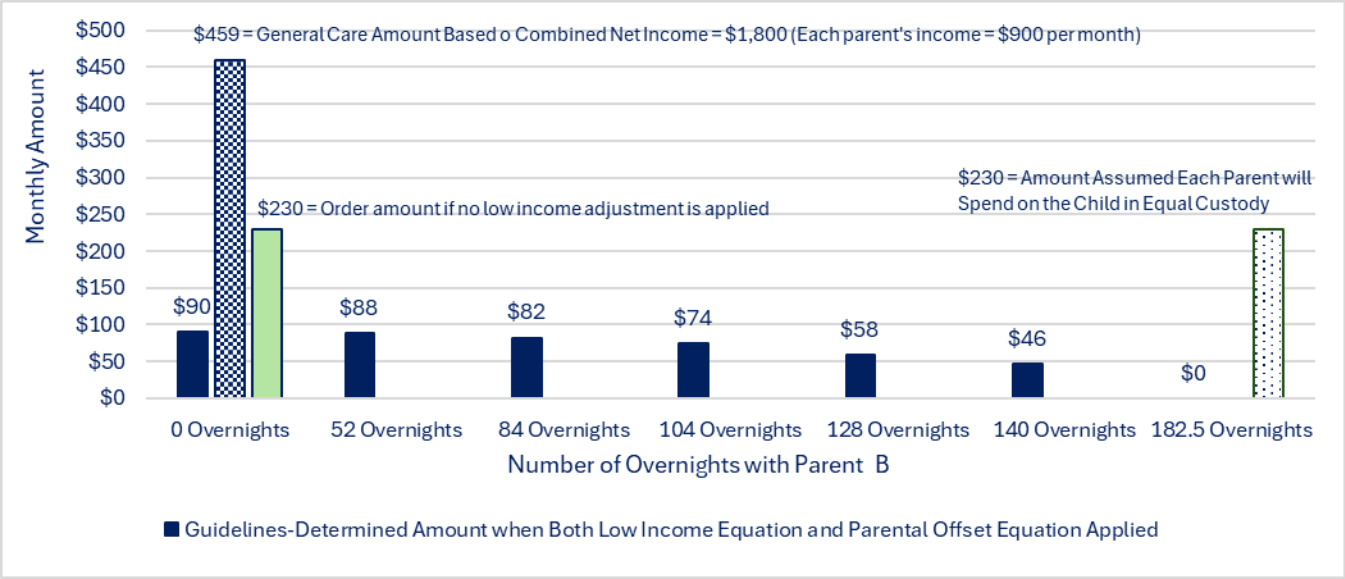
Exhibit 50 also shows that if Parent B is low income, Parent B's base support (Bs) would be lower than it would be if the GCE was applied. This reduces the order amount after application of the PTO.

Both Parents Are Low Income

When both parents are low income, the PTO is layered on top of the LE that is applied to each parent. The net effect is the guidelines-determined order is low; in turn, the amount of the adjustment for the parental offset is low. There is no formula that will adequately provide for the child in both households when both parents are low income.

Exhibit 51 illustrates a scenario where each parent has a net income of $900 per month and there is one child. If there is no timesharing (i.e., 0 overnights) and the LE applies, the guidelines-determined order would be $90 per month. In contrast, the order would be $230 per month if the LE were *not* applied. This would be based on $459 from the GCST according to the combined income of the parents (i.e., the combined income would be $1,800 net per month assuming each parent's income is $900 net per month). Obviously, $90 is far less than $459 and $230. The $90 results from the LE applied to the payer-parent. The $90 amount is not sufficient to provide the child with the same standard of living the child would have received had the parents shared financial resources, which is the principle of the income shares guidelines model; that is the premise of the Michigan guidelines and most state guidelines formula. In other words, Michigan and most states do not strictly adhere to the income shares model when applying their low-income adjustment.

Exhibit 51: Guidelines-Determined Amount* when Both Parents Are Eligible for Low-Income Equation (each parent's net income = $900/month)



This is also called "base support after parental offset" when adjusted for timesharing. It does not include the ordinary medical expense.

Also evident from examining Exhibit 51, the PTO does not adequately compensate the payer-parent for the payer-parent's direct expenses on the child. For example, Exhibit 51 shows applying both the PTO and the LE would yield a $88 order when there are 54 overnights per year, which is only $2 per month less the $90 order when there is no timesharing.

Disparate Income

When the parents have equal incomes, the role of the PTO is to distribute financial resources fairly to compensate each parent for their direct child-rearing expenses. At equal timesharing, the presumption is zero child support when the parents have equal incomes. When the parents have unequal income, it becomes more complicated. Not only must the timesharing formula distribute child support to compensate each parent for their direct child-rearing expenses, but it also must redistribute income so each parent can afford to provide the child the same standard of living when the child is in that parent's household (assuming the principle of the income shares guidelines model applies to both households in timesharing circumstances). There is valid concern whether and how one timesharing formula can achieve this for every circumstance particularly in disparate income circumstances.

One concern is whether the existing PTO produces too little of an adjustment at low levels of timesharing to cover a low-income payer-parent's direct child-rearing expenditures. Another concern in disparate income cases is whether the PTO leaves the lower-income, greater-time parent with insufficient financial resources to provide the same standard of living for the child as the higher-income household. The analysis of case file data finds these disparate income cases occur in 18% of the cases. Disparate income is arbitrarily defined as one parent's share of combined income is at least 70% of the combined income. Exhibit 52 identifies various case scenarios with varying incomes and timesharing arrangements that are used to analyze the impact of the guidelines (i.e., the combination of the PTO and LE/LTE). They consider approximate common arrangements (i.e., about 52 overnights, 84 overnights, and 128 overnights). As a benchmark, the first case scenario considers parents with equal incomes who are both eligible for the LE. Another benchmark is 160 overnights, which is not common but included to illustrate the impact of approaching equal timesharing.

Exhibit 52: Guidelines-Determined Amounts for Selected Income Scenarios[354]

Scenario	1	2	3	4	5	6
Parent A's Net Income	**$900**	**$900**	**$1,500**	**$1,500**	**$2,500**	**$7,500**
Parent B's Net income	**$900**	**$3,000**	**$3,000**	**$7,500**	**$7,500**	**$2,500**
Number of Overnights *per Year* with Parent A	**Monthly Base Support after Parental Offset (Amount Parent A owes Parent B unless noted)**					
0 Overnights	$90	$90	$306	$251	$404	$1,213
52 Overnights	$88	$81	$296	$234	$386	$1,195
84 Overnights	$82	$54	$263	$181	$329	$1,138
104 Overnights	$74	$20	$222	$114	$257	$1,066
128 Overnights	$58	Parent B owes Parent A $46	$144	Parent B owes Parent A $15	$119	$928
140 Overnights	$48	Parent B owes Parent A $91	$91	Parent B owes Parent A $101	$26	$835
160 Overnights	$27	Parent B owes Parent A $180	Parent B owes Parent A $15	Parent B owes Parent A $276	Parent B owes Parent A $162	$647
182.5 Overnights	$0	Parent B owes Parent A $296	Parent B owes Parent A $153	Parent B owes Parent A $502	Parent B owes Parent A $404	$404
365 Overnights (Parent A has sole custody)	Parent B owes Parent A $90	Parent B owes Parent A $683	Parent B owes Parent A $611	Parent B owes Parent A $1,254	Parent B owes Parent A $1,213	Parent B owes Parent A $404

Some common themes about the application of the PTO in low-income cases emerge from the case scenarios.

- **The decreases in the order amounts for PTO at low levels of timesharing in disparate income scenarios are small.** From no overnights (0 overnights) to 52 overnights per year (which is an average of about 4 overnights per month), the decreases range from $9 to $18 per month. On the one hand, this is unlikely to cover the lower-time parent's (Parent A's) direct expenditures

[354] The guidelines-determined amounts were calculated using the state guidelines calculator in early 2024. See https://micase.state.mi.us/calculatorapp/public/welcome/load.html.

on the child such as the cost of food. (The amount spent on the child's food is discussed in the next subsection.) On the other hand, it achieves the desirable policy outcome of a small decrease at low levels of timesharing and recognizes that Parent B's decreased expenditures on the child may not be substantial (e.g., Parent B may not decrease food expenditures by the same amount that Parent A spends on the child's food because of volume discounting). The decrease is larger from 52 overnights to 84 overnights per year (which averages an additional 3 overnights per month). It ranges from $27 to $57 per month, which can arguably cover the child's food costs for these 3 overnights. (This issue surrounding the cost of food for the child is discussed in more detail later in the discussion of transferable/duplicated expenses.)

- **The PTO yields larger decreases for those with more income.** The decreases are larger the more income Parent A has as well as the more income Parent B has. This is consistent with higher incomes spending a greater dollar amount on food and other items than lower incomes.
- **The decreases due to the PTO become more substantial above 100 overnights.** This is apparent in the decreases from 104 to 128 overnights per year (which averages an additional 2 overnights per month.) The decreases range from $66 per month (Scenario 2) to $138 per month (Scenario 6). At 128 overnights, it is presumed there is some duplication of expenditures for the child such as the child's housing expense.
- **The payer-parent will switch from the lesser-time parent to the other parent (from Parent A to Parent B in the above scenarios) when the other parent (Parent B in the scenarios) has substantially more income than the lesser-time parent (Parent A in the scenarios).** This is observed in Scenarios 2 and 4 at 124 overnights and in Scenarios 3 and 5 at 160 overnights. The actual switch point depends on the income disparity of the parents and number of overnights. It generally occurs when the lesser-income parent's timeshare is slightly more than that parent's prorated share of combined income. The switch from Parent A being the payer-parent to Parent B being the payer-parent may alleviate the concern of fairness to the lower-income parent (Parent A in scenarios 2–5) near equal timesharing in some circumstances.
- **The largest changes occur from 140/160 overnights to equal timesharing.** In most of the scenarios, this entails the higher-income parent owing the lower-income parent a higher amount of child support. This is to equalize the standard of living in the two households.

By design, the PTO does not provide the same level of incremental adjustment for each additional overnight.[355] Instead, the PTO is designed to provide a small adjustment at low levels of timesharing, larger adjustments with more substantial timesharing, and to reduce the order to zero when there is equal timesharing and equal incomes. Unlike most timesharing adjustments, the PTO does not assume that child-rearing expenses are duplicated by the parents once a certain level of timesharing is achieved or requires that a certain number of overnights be met for its application. The PTO accomplishes this without assuming a certain level of transferred/duplicated expenses or timesharing threshold delineating when expenses are duplicated.

Available Data and Data Limitations

Still, data about transferred/duplicated expenses could be used to determine whether the PTO is appropriate in all timesharing circumstances and, if not appropriate, how it can be improved. Similarly, the data could be used to address the concerns with the results of the PTO in disparate income circumstances identified earlier.

Unfortunately, there is no credible data set tracking expenditures made on children in timesharing circumstances.[356] The ideal data would be detailed expenditures on the child in one household and detailed expenditures on the child in the other household. The data would also track the time the child was with each parent, the incomes of the parent, the distance between the residences (which may affect transportation expenses), the number of children and whether a particular expense was for one or more children, the ages of the children,[357] the extent that some expenditure items are shared with other members in the household and to what level, and other considerations. This data could be used to determine which child-rearing expenditures are duplicated in the two households and which child-rearing expenditures are transferable (time variable), what levels of timesharing affect these expenditures, whether it is variable by income, and other information useful to crafting timesharing formulas. Building such a dataset would require a significant amount of time, financial resources, and design efforts.

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[355] For example, say each overnight produced an incremental adjustment of $8; then 10 overnights per year would yield an adjustment of $80 per year, which is about $7 per month. One hundred overnights per year would yield an adjustment of $800 per year, which is about $67 per month.

[356] One 2003 study attempted to shed light on the issue by surveying college students with divorced parents about what they could remember about the items they had in each of their parent's household. It found some evidence that many expenses were duplicated, but the study was limited to college students and their memories. William V. Fabricius & Sanford L. Braver. (2003). "Non-Child Support Expenditures on Children by Nonresidential Divorced Fathers: Results of a Study," *Family Court Review*. Vol. 41.

[357] Anecdotal evidence suggests that depending on the timesharing arrangement, it can be a cost-saving measure if the children require childcare, particularly non-employment-related childcare because non-employment-related childcare is not considered in the calculation of the support award, but employment-related childcare is.

Since the data do not exist, many states have developed timesharing formulas based on their own premises of how child-rearing expenditures are incurred by each parent when there is timesharing. Some consider other economic data. Most state timesharing formulas presume it costs more to raise a child in two households than one household because both parents must provide housing for the child and duplicate other expenses (e.g., some transportation expenses) for the child. Some states use the breakdown of expenditures by categories (e.g., food and housing) in intact families or households that include both adults and children.

Early Assumption about Duplicated Child-Rearing Expenses

Until recently, it was generally assumed that 50% of child-rearing expenses were duplicated. The 1983–87 National Child Support Project conceived of the 50% adjustment and incorporated it into the prototype income shares model that was subsequently adopted by many states.[358] The Project report identified housing, fuel and utilities as household goods often duplicated by the parents when there was substantial timesharing, and acknowledged additional transportation costs could be incurred to transport the children between each of the parent's homes. Using Espenshade's 1984 economic study of child-rearing expenditures in 1972–1973, the Project suggested that child-rearing expenditures increased by as much 50% in shared physical custody circumstances.

West Virginia, which was one of the states that based its timesharing adjustment on the assumption that 50% of child-rearing expenditures are duplicated, recently upped its assumption to 60% based 2013–2019 CE expenditure data. Although the increase reduced the impact of its timesharing adjustment on order amounts by a negligible amount, West Virigina believes the update was fair and appropriate.

Categories of Child-Rearing Expenditures

Exhibit 53 shows the breakdown of total child-rearing expenditures by different categories from several different studies that indicate budget shares of major expenditures categories.

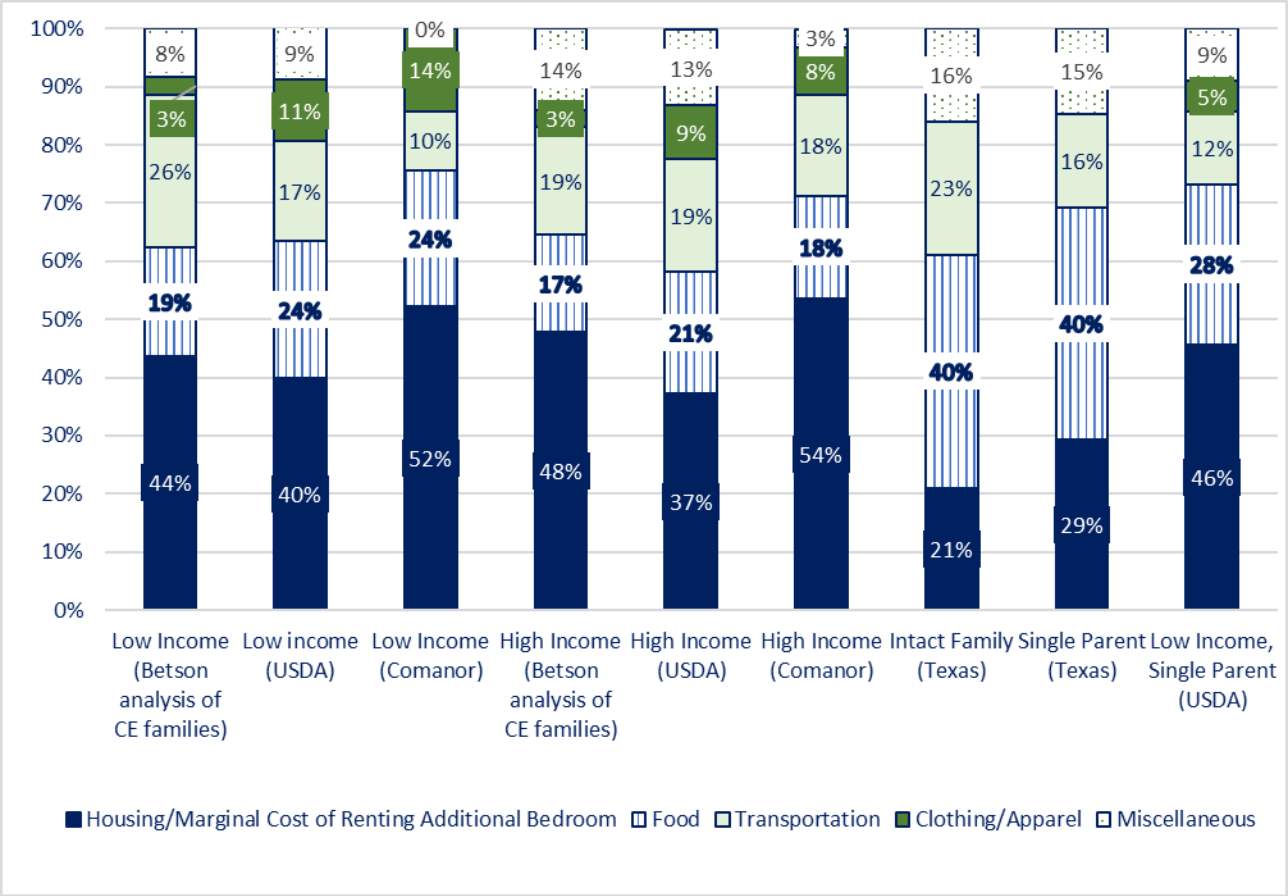
Overview of the Studies Examining Budget Shares and Their Limitations

None of the studies, however, were conducted specifically to determine budget shares and none are from expenditures data in actual timesharing situations. The budget shares have been adjusted in Exhibit 53 to exclude the cost of healthcare and childcare because these expenses are not included in the General Care Equation (GCE). In all, the differences in categorizations, definitions, and methodologies of the studies contribute to the different results evident in Exhibit 53. (Appendix C.2

[358] National Center for State Courts. (1987). *Development of Guidelines for Child Support Orders, Final Report.* Report to U.S. Department of Health and Human Services, Office of Child Support Enforcement, Williamsburg, VA, p. II-59.

details the assumptions made of each study to make them as comparable as possible in Exhibit 53 as well as identifies limitations of the studies and comparisons).

Exhibit 53: Percentages of Total Expenditures Devoted to Specific Categories Expenditures (estimated or measured from various studies and subgroups)



* See Appendix C.2 for calculation. The budget shares exclude childcare and healthcare expenses because they are not included in the general care equation. Further, the definition of miscellaneous expenses varies among the studies.

Due to these limitations, it is not surprising that Exhibit 53 shows a wide variation among studies and across specific subgroups across studies. The Betson analysis of data from the 2013–2019 Consumer Expenditure survey (CE) data, the USDA study, and the Comanor study provide information that can be used to show the budget shares for income groups. (To save space, only the lowest third in income and the highest third in income of the Betson, USDA and Comanor studies are shown in Exhibit 53, which is sufficient to observe differences by income.) The USDA and Texas study provide information that can be used to compare budget shares of intact families to budget shares of single-parent families. The other studies only consider budget shares of intact families. One key difference between the Betson analysis of CE families and the other studies is the Betson analysis encompasses expenditures on both the

children and parents living in the household, while the other studies consider expenditures on the children only. Another key difference between the Betson analysis and the other studies is that the Betson analysis is an analysis of actual data, whereas the other studies estimate child-rearing expenditures for various categories, then sum the categories to arrive at a total. A consequence of this is that if the estimate for a particular category is biased, the estimate for total expenditures is also biased. In turn, a biased estimate of total expenditures affects all budget shares. The limitations and biases of these differences and issues are numerous and discussed in more detail in Appendix C.2.

General Findings from Analysis of Budget Shares

No one study or study subgroup clearly emerges as the definitive study on budget shares. Still, the analysis informs what are reasonable ranges for transferable/duplicated expenses. It also provides some evidence that the differences among income groups and between intact and single-parent families are not large. This suggests that the percentages used for transferable/duplicated expenses need not vary for income groups when used to construct timesharing adjustments. They also need not be adjusted from the premise of the income shares guidelines model that considers child-rearing expenditures in intact families to the reality that some parents with timesharing may be single-parent households. Regarding identifying the budget share for a particular expenditure category as a range rather than a point estimate, small differences in the percentage assigned to transferable/duplicated expenses generally produce negligible differences in timesharing formulas that rely on transferable/duplicated expenses (e.g., West Virginia found that increasing the percentage of expenditures believed to be duplicated from 50% to 60% reduced the timesharing credit only slightly).

***Housing Share*.** The budget share devoted to housing among the studies and study subgroups ranged from 21% to 54%. Most of the percentages were in the 40–50% range. The Texas study produced the lowest budget share for housing. The methodology Texas used to measure the child's housing expenses (a marginal cost approach that focused on the rental cost of additional bedroom for the child and neglected other housing expenses such as home maintenance) is likely to understate housing expenses. Three of the studies (the Betson analysis of CE families, the USDA study, and the Comanor study) provided information by income range—specifically, three income groups: the third lowest, the middle third, and the third highest. The Betson analysis and Comanor study find that the housing budget share increases slightly for higher incomes, but the USDA study did not. Both the USDA and Texas study found that the housing budget share was higher for single-parent families than intact families.

***Food Share*.** The budget share devoted to food ranged from 19% to 40%. Except for the Texas study (which is the 40% study), the findings of most studies were near 20% or in the 20% range. The Texas food share may be skewed by its lower housing share. (A lower share of one category means another category must be higher.) Food shares were consistently lower at higher incomes (but not much lower) for the three studies that consider income. This undoubtedly reflects the amount spent on food is less sensitive to income (i.e., more income inelastic) than other categories of expenditures. The two studies

where the differences in food shares between intact families and single-parent families could be examined had results that conflicted with each other.

Transportation Share. The budget share devoted to transportation among the studies and study subgroups ranged from 10% to 26%. When the 10% finding and the 12% finding are excluded, the range is 16% to 26%. The 10% finding and 12% finding were both for low-income households. Two of the studies examining income found the transportation share was slightly larger for higher incomes. Both the USDA and Texas study found the transportation share was smaller among single parents.

Clothing/Apparel Share. The budget share devoted to clothing/apparel among the studies and study subgroups ranged from 3% to 14%. Texas did not separate the child's clothing expenses; rather, it folded clothing into miscellaneous expenses.

Miscellaneous Share. The budget share devoted to miscellaneous items among the studies and study subgroups ranged from 0% to 16%. The studies varied in the expenses classified as miscellaneous. The Comanor study included entertainment expenses only. The Comanor study found no difference in entertainment expenses between low-income households with and without children, which translates into a zero entertainment expenses for low-income children.[359]

Classifying Expenditure Categories as Transferable/Duplicated Child-Rearing Expenses

Which of these expenditure categories should be classified as a transferable expense and which are duplicated is generally subjective, albeit there is also some commonsense classification (e.g., most researchers and policymakers agree that at least some housing expenses are duplicated and at least some food expenses are transferable.) Exhibit 54 provides a partial list of the types of expenditures in each category based on the U.S. Bureau of Labor Statistics Consumer Expenditure Survey (CE).[360] Housing expenses are particularly complicated to designate. Housing comprises the largest budget share, but the definition of housing arguably includes some expenses that will be transferable or unduplicated and fixed. For example, the Michigan Formula notes that utility costs may be transferable, but utilities are included in the CE categorization housing. Similarly, many computer- and cellphone-related expenses are included in the CE description of housing. A cellular phone plan may be only incurred by one parent.

[359] Issues with the Comanor methodology are discussed in Chapter 3.
[360] See the glossary for the Consumer Expenditure Survey, which is available from the U.S. Bureau of Labor Statistics website: https://www.bls.gov/cex/csxgloss.htm.

Exhibit 54: Descriptive of Types of Expenditures

Housing	Rent paid for dwellings, rent received as pay, parking fees, maintenance, and other expenses for rented dwellings; interest and principal payments on mortgages, interest and principal payments on home equity loans and lines of credit, property taxes and insurance, refinancing and prepayment charges, ground rent, expenses for property management and security, homeowners' insurance, fire insurance and extended coverage, expenses for repairs and maintenance contracted out, and expenses of materials for owner-performed repairs and maintenance for dwellings used or maintained by the consumer unit. Also includes other lodging for vacation homes, school, college, hotels, motels, and other lodging when out of town; utilities, fuels and public services (e.g., electricity, water, trash collection, septic tank cleaning and telephone charges; other household expenses including housekeeping services, lawn care services, coin-operated laundry and dry cleaning, pest control products, home security services, storage expenses, repair of household appliances, repair of computer systems for home use, computer information services, furniture repair and rental of other household equipment; housekeeping supplies (e.g., laundry supplies, postage, delivery services, miscellaneous household products); household textiles (e.g., rugs and linns); furniture; floor covering; and major appliances (e.g., refrigerators and vacuum cleaners).
Food	Food at home purchased at grocery or other food stores, as well as meals, including tips, purchased away from home (e.g., full-service and fast-food restaurant, vending machines); special catered events, and school lunches.
Transportation	Vehicle finance charges, gasoline and motor oil, maintenance and repairs, vehicle insurance, public transportation, leases, parking fees, and other transportation expenditures.
Entertainment	Admission to sporting events, movies, concerts, health clubs, recreational lessons, television/radio/sound equipment, pets, toys, hobbies, and other entertainment equipment and services.
Apparel	Apparel, footwear, uniforms, diapers, alterations and repairs, dry cleaning, sent-out laundry, watches, and jewelry.
Other	Personal care products, reading materials, education fees, banking fees, interest paid on lines of credit, and other expenses.

Exhibit 55 shows the breakdowns used by different state child support guidelines and studies. Most of the information sources categorize food and transportation as transferable expenses and housing as duplicated, fixed expenses. Clothing and entertainment are generally classified as non-duplicated, fixed expenses. Pennsylvania's definition of transferable expense did not include all food because Pennsylvania assumed that one parent's food expenditures for the child did not necessarily reduce the other parent's food expenditures for the child dollar for dollar due to volume discounting (e.g., the cost of milk when bought by the gallon compared to buying it by the quart).

Exhibit 55: Percentage of Child-Rearing Expenditures Deemed to Be Transferable and Duplicated

State or Study	Transferable (Time Variable)	Duplicated and Fixed	Non-Duplicated and Fixed	Source
AZ	38% (Food home and away and household operations and utilities)	28% (furnishings and shelter), but rounded up to 30% initially	34% (all other expenses[361])	1995 analysis by Professor Shockey from 1991 Consumer Expenditure Survey data[362]
IN	35% (food and transportation)	50% (shelter)	15% (clothing, education, schoolbooks and supplies, ordinary uninsured healthcare and personal care) 6% uninsured healthcare expenses[363]	Thomas Espenshade (1984)[364]
MO	38%	30%	32%	Examined other states and designed to create gradual change
NJ	37% (food and transportation)	37% (housing)	25% (clothing, personal care, entertainment, and miscellaneous)	USDA (early 1990s—exact year is unknown)
PA	About 20% (75% of total food and entertainment fees and admissions)	Not addressed	Not addressed	Analysis of Consumer Expenditure Survey data[365]
TX	37% of total food expenses	Percentage not noted but includes housing and some food, transportation, clothing, miscellaneous expenses)	Some clothing and miscellaneous items	Texas researchers made assumptions about what was duplicated[366]
Melli & Brown (1994)[367]	Estimated 40–50% (food, recreation, and some transportation)	Estimated at 25–33% (utilities, household furnishing, play and study space, toys and play equipment)	Estimated 25% (clothing, medical care, childcare, and school expenses)	Unknown (possibly Espenshade)

[361] Although not explicitly stated, this would be apparel, transportation, reading and entertainment, healthcare, and other using Shockey's categories on page 9 of his report.
[362] Shockey, J. W. (1995). *Determining the Cost of Raising Children in Nonintact Arizona Households*, Report to Arizona Judicial Council, University of Arizona Department of Sociology, p. 27.
[363] This is not included in the Indiana child support schedule, which would be equivalent to the Michigan general care equation.
[364] Espenshade, Thomas J. (1984). *Investing in Children: New Estimates of Parental Expenditures*. Urban Institute Press: Washington, D.C.
[365] Venohr, Jane. (Mar. 2016). *2015–2016 Pennsylvania Child Support Guidelines Review: Economic Review and Analysis of Case File Data*. Retrieved from https://www.pacourts.us/storage/rules/2015%202016%20Pennsylvania%20Child%20Support%20Guidelines%20Review%20Econonic%20Review%20and%20Analysis%20of%20Case%20File%20Data%20-%20005119.pdf.
[366] Texas Attorney General. (Aug. 2021). *Texas Child Support Guidelines Review Report 2021.* pp. 164–68. Retrieved from https://www.texasattorneygeneral.gov/sites/default/files/files/child-support/files/2022/Child%20Support%20Division%20Guidelines%20Review%202022.pdf.
[367] Melli, Marygold S., & Brown, Patricia. R. (1994). "The Economics of Shared Custody: Developing an Equitable Formula for Dual Residence." 31 *Houston Law. Review* 543.

The Texas study also assumes that food costs increase when the children are being raised across two households because of the "economies of scale associated with food purchases."[368] Texas also recognized that some but not all transportation expenses doubled; specifically, there was some duplication for vehicles, bus passes, and other transportation expenses.

The Arizona and Pennsylvania child support guidelines no longer use their timesharing adjustment that considered the classifications shown in Exhibit 55. When Arizona first adopted its timesharing adjustment in the 1990s, it used the concept of transferable/duplicated expenses to develop a sliding percentage scale based on ranges of overnights. The percentages increased with each bin of overnights. However, Arizona has refined its sliding scale several times since then by including additional bins of overnight ranges and adjusting the percentages. It no longer is clearly based on transferable/duplicated expenses. Pennsylvania's assumption about transferable/duplicated expenses was used in conjunction with the assumption of 30% timesharing. Pennsylvania incorporated the assumption into its child support schedule, which would be the equivalent to Michigan's General Care Tables. Pennsylvania abandoned the formula because it is easier to adjust for other timesharing arrangements (e.g., equal timesharing) starting from zero timesharing than 30% timesharing (which was what Pennsylvania previously assumed) and for other reasons. (The previous Pennsylvania adjustment was nominal.) The Indiana, Missouri, and New Jersey child support guidelines still rely on the concept of transferable/duplicated expenses. Missouri developed a sliding scale like the Arizona adjustment about 10 years ago. It used information from a variety of sources to estimate transferable/duplicated expenses. Indiana and New Jersey make additional assumptions about when duplicated expenses kick in. Indiana uses 120 overnights per year as its threshold and New Jersey uses at least two overnights per week, which is 28% timesharing. The Missouri guidelines do not provide a percentage for equal timesharing; instead, it allows for judicial discretion in that circumstance.

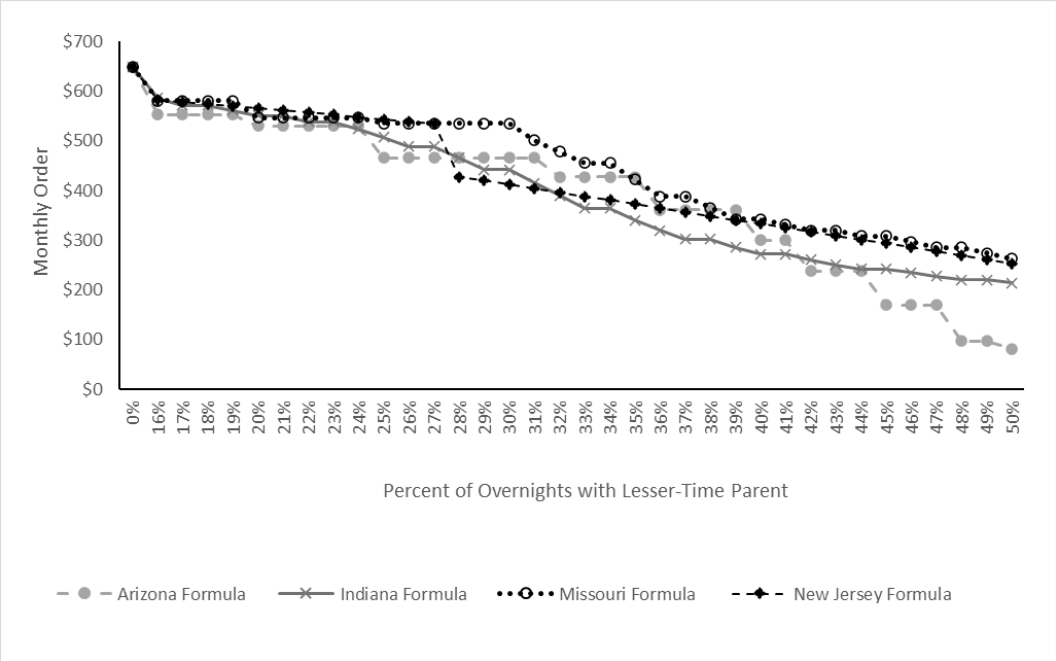
Texas made its assumptions to analyze the cost of its standard order of possession, which is essentially a standardized amount of timesharing for the paying parent (i.e., 37% of the child's time). Texas did not identify specific percentages of transferable and duplicated expenses in its assessment. Instead, the Texas researchers made numerous assumptions about what categories of child-rearing expenditures were duplicated and transferred to estimate the cost.

[368] Texas Attorney General. (Aug. 2021). *Texas Child Support Guidelines Review Report 2021.* p. 164. Retrieved from https://www.texasattorneygeneral.gov/sites/default/files/files/child-support/files/2022/Child%20Support%20Division%20Guidelines%20Review%202022.pdf.

Impact of Different Assumptions about Transferable/Duplicated Expenses

A 2021 *Family Law Quarterly* article[369] comparing the different state timesharing formulas that rely on the assumptions about their transferable/duplicated expenses produce different results. (Exhibit 56 provides an excerpt of one of the graphical comparisons from the article.) However, without conducting extensive analysis, it is unclear whether the differences result from the point estimates used for transferable/duplicated expenses or other attributes of the formula (e.g., Arizona provides its formula in a sliding scale and the Indiana formula used a log function to gradually phase in duplicated expenses).

Exhibit 56: Excerpt of Comparison of Timesharing among State Formulas Rooted in the Concept of Transferable/Duplicated Expenses (source: Oldham and Venohr, 2021)



Another observation from Exhibit 56 is the staircase decrease of some of the timesharing formulas as the percentage of overnights with the lesser-time parent increases. This staircase effect is a byproduct of timesharing adjustments that are sliding scale adjustments in which the percentage decreases from one bin of overnights to the next overnights. (See Appendix C.1 for a greater discussion of this anomalous outcome.)

[369] Oldham, Thomas, & Venohr, Jane. (May 2021). "The Relationship between Child Support and Parenting Time. Family Law Quarterly. Vol. 43, No. 2. Available at https://centerforpolicyresearch.org/publications/the-relationship-between-child-support-and-parenting-time/.

Relevance to Michigan's Parental Time Offset Equation

The PTO does not explicitly state a relationship between transferable/duplicated expenses, and it does not state an assumption about the percentages that are transferable/duplicated expenses, but it implicitly assumes they exist. This is evident in the relationship between number of overnights and base support graphed in Exhibit 44 and the use of the exponent in the formula. As pointed out by Dr. David Betson in Appendix C.3, however, the problem with the parental offset formula is it does not adequately address differences in the parent's incomes when their base support is determined by the General Care Equation (GCE); rather, it addresses the percentage gap in their income.

Additional Consideration When There Is Low Income or Disparate Income

In the disparate income scenarios examined earlier, there were concerns that the PTO did not reduce the guidelines amount adequately at low levels of timesharing to cover the child's food expenses when with the lesser-time parent and that it reduced the guidelines amount too much for the lower-income parent at equal timesharing assuming housing expenses were duplicated. It would seem that the information in Exhibit 53 and Exhibit 55 could serve as useful benchmarks for validating these concerns by informing transferable or duplicated expenses. However, applying the percentages from Exhibit 53 and Exhibit 55 are not always sensible. For example, the existing General Care Support Table (GCST) for one child shows base support of $663.78 per month when the combined income is $2,886 net per month. Using the information in Exhibit 53 suggests that food comprises about 20% of total expenditures. When applied to $663.78 this would mean $133 per month for the child's food, which averages about $4 per day. In contrast, the USDA Thrifty Food Budget for an eight-year-old is $199.40 per month,[370] and the cost of a USDA moderate food plan and liberal food plan would be $287.20 and $335.70 per month, respectively.[371] The Thrifty Food Budget is used to set Supplemental Nutrition Assistance Program (SNAP) benefit levels and the USDA liberal food plan is used to set military food allowances. The USDA considers food prices, food composition, consumption patterns, and current dietary guidance in developing these plans. In all, the USDA amounts suggest that the child's food expenses are understated using the information in Exhibit 53. The information, however, is somewhat more sensible at higher incomes. For example, the amount from the GCST for one child for a combined income of $10,581 net per month is $1,682.38 per month. Assuming 20% of that is allocated to the child's food would yield $336 per month, which is about $11 per day.

[370] USDA. (Feb. 2024). *Official USDA Thrifty Food Plan: U.S. Average, January 2024.* Retrieved from https://fns-prod.azureedge.us/sites/default/files/resource-files/Cost_Of_Food_Thrifty_Food_Plan_January_2024.pdf.
[371] USDA. (Feb. 2024). *Official USDA Food Plans: Cost of Food at Home At Three Levels, U.S. Average, January 2024.* Retrieved from https://fns-prod.azureedge.us/sites/default/files/resource-files/Cost_Of_Food_Low_Moderate_Liberal_Food_Plans_January_2024.pdf.

The percentage of total expenditures devoted to housing offers another example. Exhibit 55 suggest that 40% to 50% of expenditures are considered duplicated and it is often for housing; however, the CE definition of housing is broad. It includes utilities, which the Michigan formula implies is a transferable expense. It also includes computer and cellphone expenses, which also may not be duplicated. The higher the duplicated expense, the less feasible it is to create a timesharing formula that can provide an adequate level of support for the children in both households.

Chapter Conclusions, Recommendations, and Future Data Needs

There is a dearth of economic data on child-rearing expenditures in shared parenting situations. Obtaining the data would require establishing a new data set that would take considerable resources to develop. Nonetheless, most states have timesharing adjustments, many are based on assumptions about child-rearing expenditures in timesharing circumstances, and some are loosely based on economic data on types of child-rearing expenditures that are duplicated between the parents (e.g., housing for the child) and other expenses will shift from one parent to the other (e.g., the cost of the child's food).

The Michigan Formula Is Unique. The Michigan timesharing formula, known as the parental time offset formula (PTO), does not incorporate a specific level of transferable/duplicated expenses; however, by design, it intends to provide small adjustments at low levels of timesharing (which is consistent with transferable expenses), larger adjustments as the timesharing arrangement becomes substantial (which is consistent with premises about duplicated expenses), and finally produce a zero order when there is equal timesharing and the parents have equal incomes. Michigan accomplishes this by applying an exponential weight on the timesharing adjustment. Only Minnesota uses a similar formula. Both Michigan and Minnesota have struggled with what is the appropriate level for the exponent (i.e., whether it should be 2.0, 2.5 or 3.0). There is no theoretical basis for the exponent, but smaller exponents produce larger timesharing adjustments.

The Michigan Formula Does Not Have the Same Limitations as Most State Timesharing Formulas. Besides Michigan and Minnesota, only Oregon uses an exponential function for its timesharing formula and Indiana partially uses one to phase in its duplicated-expense adjustment. Without an exponent, the adjustment is linear—that is, a consistent change for each additional overnight once the state-determined threshold is met. Formulas without exponent produces precipitous decreases in the guidelines-determined amount when that threshold is met even in sliding-scale formulas. The PTO does not produce this undesirable outcome.

Concerns about the Outcomes of the Michigan Formula in Disparate Income Cases Are Arguable. There is some concern that the PTO provides too little of an adjustment when the lesser-time parent has considerably less income than the other parent and too much of an adjustment for the higher-income parent when there is nearly equal timesharing. The former concern is that the parent who has less income and less time is not getting a credit large enough to cover direct child-rearing expenditures. This

is an artifact of the gradual credit for low levels of timesharing as well as the fact the adjustment starts with the lower-income parent's base support assuming no overnights. The base support (which may be based on the Low-Income Equation or the General Care Equation) is low, so the adjustment is low. No guidelines formula can adequately provide for both low income and timesharing. Regarding nearly equal timesharing, the PTO (and other timesharing formulas) will flip to the higher-income parent having to pay the lower-income parent. The flipping generally occurs when the lesser-income parent's percentage of the child's time is slightly more than that parent's prorated share of combined income (e.g., if the parent has 35% of the child's time but that parent's income is 30% of combined income, that parent will be the payee-parent). Still the existing PTO provides more of an adjustment for the parent with more time and more income in this circumstance than other state timesharing formulas.

Transferred/Duplicated Expenses. The chapter extensively reviews what data do inform transferred/duplicated expenses and the assumptions surrounding them among states incorporating them into their timesharing formulas. The available data do not provide point estimates for the percentages of child-rearing expenditures that are transferred/duplicated; rather, there appears to be a credible range even though the definitions of transferred/duplicated expenses are subjective. However, this should not be of concern to Michigan. The existing Michigan Formula is based only on the concept of transferred/duplicated expenses; it does not presume a certain percentage of transferred or duplicated expenses.

Recommendations. The evidence does not clearly suggest that another timesharing formula is better than the PTO. Through this project, Professor Emeritus David Betson sought to devise a small modification in the PTO for disparate income cases at near equal timesharing. Appendix C.3 documents his efforts. One limitation of Betson's proposed modification is that it requires assumptions about the percentages of child-rearing expenditures that are time-variable and duplicated. It also requires an assumed threshold for the number of overnights when child-rearing expenditures become duplicated.

Future Data Needs. More and better data on how parents share child-rearing expenditures when the child resides substantially with each parent would be very helpful in constructing appropriate timesharing expenses. This would include details about what expenses are shared, the value of those expenses, how sharing of expenses changes with the amount of timesharing, and many other details. Although empirical data would be ideal, the time and resources necessary limit the feasibility. A second choice would be more survey data of matched parents so the parent's responses can be compared to address any biases. This is needed because previous research finds that responses concerning child support and parenting practices often vary among parents according to their role (e.g., one study found

that custodial parents underreport the amount of child support paid, while noncustodial parents overreport the amount of child support paid.)[372]

[372] For example, see Schaeffer, Nora Cate, Seltzer, Judith, Seltzer, & Klawitter, Marieka. (Aug. 1991). "Estimating Nonresponse and Response Bias: Resident and Nonresident Parents' Reports about Child Support." *Sage Journals*. Vol. 20, Issue. 1. Retrieved from https://journals.sagepub.com/doi/abs/10.1177/0049124191020001002.

CHAPTER 7: STATE APPROACHES TO MEETING FEDERAL DATA REQUIREMENTS

The purpose of this chapter is to examine how states are meeting federal data requirements added to periodic guidelines review requirement by the 2016 OCSS Rule changes.

CHAPTER SUMMARY

***Federal Data Requirements and Contracted Activities*.** The added data requirements concern labor market data; the impact of the guidelines on low-income families and payers; and the analysis of case file data on payments and the rates of income imputation, default, and use of the low-income adjustment. The contracted activities were to obtain and review state reports addressing the added data requirements, summarize how states are collecting and analyzing the requisite data, and identify best practices and recommendations. States generally have two guidelines reviews (and longer if they received a COVID-19-related extension or had delays in meeting other guidelines requirements) to meet the data requirements.

Obtain State Reports. Based on an online search, 32 states publish a report/document with their data analysis. Determining whether a state has met the federal data requirements is not straightforward. When a state does have a report, it usually does not clearly document what in the report is provided to meet a specific federal requirement. Overall, the quality of documentation varies and not all states have reports; rather, they have memoranda or meeting notes or other documents. It may be that states are still in the infantile stage of developing their protocols for analysis and documentation. If so, documentation and the availability of reports will improve with time.

Collection and Use of Specific Data Elements and Best Practices. The counts for specific federal data elements are less or more than the 32 states identified as having data documentation for various reasons that are discussed individually by federal data element. The discussion is subdivided by the three major data elements.

- **Labor Market Data.** Over half (30 states) have documentation of their labor market data when the analysis was conducted. All states rely on their state department of labor (DOL), which tracks state and local labor market data. Several states just excerpt DOL tables or information into their reports or append them to their report without any explanation. The best practice is to use state labor market data and supplement as needed (e.g., use federal department of labor's data on average hours worked per week if the state DOL does not provide it).
- **Impact on Low-Income Families.** Most states (37 states) consider the impact on low-income families. (The count is larger than the number of states with documented reports on the Internet because CPR knows of states that have conducted the analysis, but have not published their reports online.) The most common way to document the impact is to show what the order amount would be for a range of low incomes or specific low-income scenarios devised from the

analysis of case file data (particularly low-income cases) as well as labor market data. Many states also analyze payments for these low-income scenarios. This is also the best practice. using case file data and updating them for labor market information. Obviously, the more current the case file information or labor market information the more relevant to current circumstances.

- **Factors that Influence Employment and Compliance.** Despite the lack of clarity of this requirement, 31 states address it. Some states cite specific research finding that child support can impoverish payer-parents or that unpayable arrears can influence a payer-parent's employment and compliance. Most states do not analyze this issue using their case file data.
- **Collection and Analysis of Payment Data.** Over half (32 states) have documentation of their analysis of payment data. All states rely on payment data from their state IV-D automated systems. Most states report the average percentage of current support paid for a sample of cases and, if data are available, they also report it for those where with income imputed, an order entered by default, and for those where the low-adjustment (or just the minimum order) was applied.

States are still figuring out how to use the data. A few states have used the labor market information to change a provision that requires income imputation at least minimum wage at a 40-hour workweek when income evidence is not available or limited. Several states have used the analysis of impact on low-income parents and families to inform their low-income provisions.

Federal Data Requirements and Contracted Activities

The 2016 OCSS Rule changes added the analysis and consideration of numerous data items to the periodic guidelines requirements. States are federally required (see 45 C.F.R. § 302.56(h) to analyze:

- Statewide labor market data (e.g., unemployment rates, employment rates, hours worked, and earnings) by occupation and skill level;
- Local labor market data by occupation and skill level;
- The impact of guideline policies on recipients and payers with family incomes below 200% of the federal poverty level;
- Factors that influence employment rates among non-custodial parents and compliance with child support orders; and
- Comparisons for payment based on case characteristics, including whether the order was entered by default, based on imputed income, or determined using the low-income adjustment for payer.

One intent of the data requirements is for the development of evidence-based recommendations. For example, the labor market data can inform income imputation provisions as well as a state's low-income adjustment.

The specific activities are:

- Obtain state guidelines reports and review how each of these states address the federally required data elements;
- Discuss how other states are gathering and analyzing these new federal data elements and
- provide recommendations on how to gather and use each one; and
- Compile information on how states have begun to study the federally required data elements and recommend best practices for Michigan to study these elements.373

***State Deadline*.** The timeline for states to meet the federal data requirements is tied to a state's guidelines review cycle and when a state guidelines have been revised under the final 2016 review.[374] In short, it is a two-part deadline where the second part is contingent on the first. In addition, many states received a one-year extension due to the COVID-19 pandemic. The first part is changes within the guidelines (i.e., consider the subsistence needs of the payer-parent, provide for the actual circumstances of the payer-parent when income imputation is authorized, and not treat incarceration as voluntary unemployment). For the first part, states have one year after completion of their review that commenced more than one year after December 2016, which is when the final rule was published. For Michigan, this would have been its 2021 guideline change. The deadline for the second part is the first quadrennial review of the guidelines commencing after the State's guidelines were revised for the 2016 guideline change. So, that would appear to be Michigan's scheduled 2025 guideline change.

Obtain State Reports

States are federally required to post their guidelines review reports online. CPR conducted an online search of these reports and examined them to see if they included the findings from the federal data requirements. Most states post their guidelines report or some other documentation of their review online. Many (32 states) also publish a report/document with their data analysis. Appendix D shows the links to those reports.

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[373] The activities were identified in the request for proposal as well as listed in the contract.

[374] U.S. Department of Health and Human Services Centers for Medicaid Services. (Dec. 2016). Flexibility, Efficiency, and Modernization in Child Support Enforcement Programs. *Federal Register*. p. 93,492. Retrieved from https://www.federalregister.gov/documents/2016/12/20/2016-29598/flexibility-efficiency-and-modernization-in-child-support-enforcement-programs#:~:text=The%20final%20rule%20will%20make,and%20the%20move%20toward%20electronic.

CPR was not expecting to find information on the data analysis for every state for two reasons:

- Federal regulation does not clearly require states to document their data analysis: and
- The deadline for meeting the federal data requirement has not been met for many states.

Determining whether a state has met the federal data requirements is not straightforward. When a state does have a report, it usually does not clearly document what in the report is provided to meet a specific federal requirement. Overall, the quality of documentation varies. Tables of contents are not always used, even when there are hundreds of pages of documentation. Some states have published documents of their review, but there is no data analysis report (e.g., Idaho), or some states may document some of the required analysis and not others or mention the analysis they did not document. Some of the states do not have a final report but have several documents (e.g., proposed changes and meeting minutes), and the data analysis can be found in meeting minutes or presentations given to the reviewing body (e.g., North Dakota and Wisconsin). Still, other states are known to have conducted the federal data analysis (e.g., Missouri and Oklahoma) but do not post their reports on the Internet.

In summary, there are many challenges to obtaining state by state information.

- Not all states clearly post a final report summarizing the guideline review activities, recommendations of the reviewing body, and what was adapted.
- A few states (e.g., Alabama and Rhode Island) either publish multiple reports, memoranda, and other documents or information that sometimes has the information, but not always. The documents are not clearly marked to determine which contain the federal data elements.
- At least a couple of states (e.g., Maryland and Wisconsin) have guidelines-review information posted in different places (e.g., the state and the university conducting the research).
- Some states do not clearly document that they did indeed review data. For example, we know of states where we (CPR) presented labor market information to the reviewing body, but it was not posted online or it was not in the final report written by the state.
- Among states not publishing reports, meeting minutes are sometimes helpful toward determining what data were reviewed. Finding state meeting minutes, however, is difficult. States vary in the detail of their meeting minutes.

It may be that states are still in the infantile stage of developing their protocols for analysis and documentation. If so, documentation and the availability of reports will improve with time.

Collection and Use of Specific Data Elements and Best Practices

Exhibit 57 summarizes data collection by states and by federal data elements. The counts for specific federal data elements are less or more than the 32 states identified as having data documentation for various reasons that are discussed individually by federal data element. Although not shown in Exhibit 57, many states have collected and analyzed guidelines deviation data, which has been a federal requirement for several decades.

Exhibit 57: Data Sources that States Use to Collect Data on Federal Data Elements

Federal Data Element	Number of States that Have Collected Information and Documented It	Data Source/Approach
Statewide labor market data (e.g. unemployment rates, employment rates, hours worked, and earnings) by occupation and skill level.	30 states	Statistics compiled by federal and state department of labor
Local labor market data by occupation and skill level	30 states	Statistics compiled by state department of labor
The impact of guideline policies on recipients and payers with family incomes below 200% of the federal poverty level	37 states	• Federal poverty guidelines • State minimum wage • Comparison of guidelines amounts for low-income scenarios including minimum-wage earners
Factors that influence employment rates among non-custodial parents and compliance with child support orders	31 states	• Citation of research studies • Discussion of the factors • No empirical data other than citation of research studies
Comparisons of payments for various subgroups including whether the order was entered by default, based on imputed income, or determined using the low-income adjustment for payer	32 states	• All collected payment data is from the state IV-D automated system • Data on whether an order was entered by default, income imputation, and using the low-income adjustment is sometimes available from the automated system, but not usually. Some states collect through analysis of court files or surveys or logs of guidelines users. Other states are adding the requisite data fields to their automated system.

Statewide and Local Labor Market Information

Over half (30 states) have documentation of their labor market data when the analysis was conducted. All states rely on their state department of labor (DOL), which tracks state and local labor market data. All states have a DOL and their DOLs track unemployment rates and the numbers of employed/unemployed workers at the state and local levels, as well as wages for specific occupations, and provide information about occupations with the most job openings and the level of education needed for those occupations.

Average Hours Worked per Week. DOLs vary on whether they track average hours per week. Those that do vary on whether they track only for the state or also track by region or industry. (Michigan tracks average hours worked by week.) If a state does not track average hours worked, it can be obtained from the U.S. Bureau of Labor Statistics (BLS). BLS publishes the information annually.

Low-Wage Jobs and Other Labor Market Data. Many DOLs have a wealth of information about low-wage occupations, which is important to government child support programs where an inordinate share of parents are low income and income is often imputed. Some provide information that is useful to churn—that is, how often workers change jobs or lengths of unemployment spells. This is also informative to income imputation. Since most of the reports were written in the early 2020s, many state guidelines reports included information about the economic impact of the COVID-19 pandemic on employment. The more recent the report, the more likely it is to include current information about the abundance of job openings post-pandemic.

Minimum Wage and Other DOL Data. Most state guidelines reports also note whether the state has a state minimum wage. DOLs also vary on the breadth and depth of other labor market data they track that is useful to child support. Some DOLs have information about labor force participation rates—that is, the percentage of the working-age population that either has a job or wants a job. (During the COVID-19 pandemic, labor force participation shrank.)

Non-DOL Data. There are also many other studies informative about low-wage jobs, specifically their lack of consistent hours from week to week, high turnover, lack of paid benefits, and other characteristics that bring into question presuming a consistent, month-to-month earnings when calculating child support.

Use of Labor Market Data

Several states just excerpt DOL tables or information into their reports or append them to their report. In many states, the reported information is perfunctory. Most states do not provide narrative linking their labor market data and their guidelines provisions. When linked, the most commonly used data elements are:

- Average hours worked per week; and
- Availability of low-income jobs and their pay.

Average Hours Worked per Week. Several states have used labor market information about average hours worked to lower the number of hours worked in their income imputation policies. Some states made the changes even before the 2016 federal rule changes. Typically, states lower it from a 40-hour workweek to about a 34- to 37-hour workweek. Colorado recently changed its income imputation policy when there is no evidence of earnings or employment limitations from the state minimum wage at a 40-hour workweek for 52 weeks per year to the state minimum wage at a 32-hour workweek and 50 weeks per year based on labor market data. To be clear, this pertains to income imputation typically after the consideration of the specific circumstances of the parent and a finding that that income imputation is appropriate.

Availability of Low-Income Jobs. This is generally used to inform income imputation policies—that is, if there are available jobs. Even though all states appear to meet the new federal requirements to consider the specific circumstances of the parent when income is imputed, most states will impute income at the state minimum wage if the parent does not have barriers to employment and there are jobs openings. CPR staff have participated in meetings of various state guidelines review bodies that make conclusions about the availability of low-income jobs based on the reported unemployment rates and the number of openings of low-wage jobs and their wages. In most states, recent labor market data generally shows low unemployment rates and job openings for those without post-secondary educational achievements that typically pay slightly more than the state minimum wage. This information suggests that there is not an issue with income imputation at the state minimum wage. Some states take it a step further and suggest that there is no issue with income imputation at a 40-hour workweek and presuming each week of the year is paid because it is a wash between what a parent could earn at an entry-level wage (even though it is not 40 hours per week and every week of the year) and income imputation at full-time, year-round minimum wage.

Minimum Wage and Wage Data. Many states use the information to develop case scenarios to analyze the impact of potential guidelines changes, particularly the impact of changing the low-income adjustments.

Best Practices and Recommendations: Labor Market Data

The best practice is to use state labor market data and supplement as needed. The Michigan Bureau of Labor Market Information and Strategic initiatives (MILMI)[375] publishes Michigan labor market information. It also has monthly newsletters with insightful information. For example, its January 2022

[375] Available at https://www.milmi.org/.

newsletter provides a snapshot of trends for each of the state's major metropolitan areas.[376] This could be insightful to income imputation by region. Income should only be imputed if jobs are indeed available.

Average Hours Worked per Week. As shown in Exhibit 58, MILMI provides average hours worked by industry. It does not provide it by region. Michigan should include the information in its review and encourage MILMI to report it by regions. The latter could be helpful to local courts when imputing income.

Exhibit 58: Average Hourly Wage and Hours Worked (2020)

(Data Source: https://milmi.org/DataSearch/Earnings-and-Hours-by-Industry)

Industry	Employment	Average Hours Worked	Average Weekly Earnings	Average Earnings per Hour
Durable goods	446,600	42.5	$1,053.15	$24.78
Nondurable goods	143,600	41.1	$916.12	$22.29
Wholesale trade	163,900	39.8	$1,067.04	$26.81
Retail trade	460,600	29.3	$513.92	$17.54
Finance and insurance	174,300	36.9	$1,013.27	$27.46
Professional and technical services	308,100	35.4	$1,280.42	$36.17
Healthcare and social assistance	573,100	31.3	$780.31	$24.93
Arts, entertainment, and recreation	39,300	19.6	$355.74	$18.15

Minimum Wage Compared to Pay of Low-Paying Jobs. A comparison of minimum wage to the median and entry-level wage (or 10th or 25th percentile of wages, which is available in some states) can be helpful. Michigan's 2022 minimum wage was $9.87 per hour. Exhibit 59 shows an example of what data is available from MILMI. The information appears to be available at the standard metropolitan area and county level also. Many states consider the wages of high-growth occupations for workers with a high school degree or less. Those occupations are usually identified in a state's labor market information. This information could be helpful in examining income imputation policies statewide and informative to judicial officials when imputing income at the local level.

Exhibit 59: Examples of 2020 Wage Rates for Select Occupations

(Data Source: https://milmi.org/DataSearch/OEWS)

	Total Employment	Mean Wage	Entry Level Wage	Wage at 10 Percentile	Median Wage
Cleaners of vehicles and equipment	10,150	$13.44	$11.06	$10.27	$12.47
Industry truck tracker operators	20,890	$19.12	$13.68	$12.99	$17.95

[376] Retrieved from https://www.milmi.org/_docs/publications/News/LMN/LMN_0122.pdf.

In addition, Michigan should continue to scan alternative literature from think tanks and Google Scholar that inform the predicament of low-wage earners.

Impact on Low-Income Families

Most states (37 states) consider the impact on low-income families. (The count is larger than the number of states with documented reports online because CPR knows of states that have conducted the analysis but have not published their reports online.)

Impact Analysis

States usually use the impact analysis to inform changes to their low-income adjustment. Most guidelines review bodies struggle with balancing the subsistence needs of the payer-parent with the subsistence needs of the custodial household.

- The most common way to document the impact is to show what the order amount would be for a range of low incomes or specific low-income scenarios devised from the analysis of case file data (particularly low-income cases) as well as labor market data. Many states also analyze payments for these low-income scenarios.
- Most states also note the percentage of children (typically in the state) that live in poverty and the federal poverty guidelines for a single individual. Some states also review the safety net (i.e., public assistance) available to each parent in their analysis. Still other states bring in housing costs, particularly states with extraordinarily high housing costs. This can be used to justify larger low-income adjustments for payer-parents or to argue against decreasing order amounts for custodial families.
- A few states have estimated the percentage of families that are lifted out of poverty if the order amount is paid and the percentage of payer-parents that pushed into poverty if they pay the order amount. The accuracy of these estimates is limited because they rely on guidelines income, which may be imputed, or quarterly wage data, which may not be accurate; they do not account for what is actually paid; and they do not account for the fact that a household may have additional members (e.g., the payer-parent may be living with a partner and their child). The additional members affect the family size used to measure poverty status and new partners could affect household income.
- A few states have attempted to obtain input from parents on whether the guidelines amounts (particularly the low-income adjustment) are too high or too low (e.g., see the results of the surveys conducted for Mississippi, New Hampshire, and Texas). The findings from the surveys have been used to support legislative changes.

Best Practices and Recommendations: Impact on Low-Income Families

The best practice is the analysis of specific case scenarios using case file data and updating them for labor market information. Obviously, the more current the case file data, the more relevant it is to current circumstances. Analyzing payment data is also informative; albeit most states find that the percentages paid are much lower at low incomes than for all incomes. This may indicate low-income parents' limited ability to pay rather than whether the low-income adjustment is working or not working. Tracking changes in payments before/after a change in the guidelines amount may better inform the low-income adjustment.

In addition, obtaining input from parents is always useful and fair. Parental input may be obtained through surveys, focus groups, or public comment. The challenge is reaching low-income parents and obtaining their feedback. Generally, surveys must be open to all groups—that is, any parent should have the opportunity to provide feedback. In turn, this means the survey respondents are rarely representative of those affected by potential guidelines changes. This can be somewhat alleviated by reaching out to low-income advocacy groups and others serving low-income populations. Linking the survey to a state's payment portal also seems to tap a larger number of responses. Most states find that payee-parents are more likely to respond than payer-parents and their responses differ. Due to this, it is important to report the findings by subgroups to observe their differences.

Factors that Influence Employment and Compliance

This data requirement is the most nebulous of the federal requirements. Still, 31 states address it even if it is simply an acknowledgment that many factors influence employment and compliance besides child support. Some states cite specific research finding that child support can impoverish payer-parents or that unpayable arrears can influence a payer-parent's employment and compliance. In short, most states do not analyze this issue using their case file data. Below are some of the secondary studies that are cited to fulfill this federal requirement.

- In an analysis of factors affecting full-time, year-round work, a 2021 U.S. Congressional Research Service identified the following contributing factors: many low-income, nonresidential parent lack education beyond a high school degree, and some do not have a high school degree.[377]
- The evaluation of the Child Support Noncustodial Parent Employment Demonstration identified the following employment barriers: transportation, housing, criminal history, employment skills, taking care of other family issues, health issues, and alcohol or drug problems.[378]

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[377] U.S. Congressional Research Service. (Oct. 2021). *Demographic and Socioeconomic Characteristics of Nonresident Parents*. Retrieved from https://crsreports.congress.gov/product/pdf/R/R46942.

[378] Canican, Maria, Meyer, Daniel, & Wood, Robert. (Dec. 2018). Characteristics of Participants in the Child Support Noncustodial Parent Employment demonstration (CSPED) Evaluation, at 20. Retrieved from https://www.irp.wisc.edu/wp/wp-content/uploads/2019/05/CSPED-Final-Characteristics-of-Participants-Report-2019-Compliant.pdf.

- Other indicators of inconsistent earnings are the percentage of workers that are paid hourly (58%),[379] and the high rates of quits and discharges among those earning less than median earnings and without healthcare benefits.[380]

According to the narrative accompanying the issuance of the final rule, it does not appear that states are required to conduct original research on the topic. If they were, the subtopic would have appeared with the items to be analyzed by case file data. There are a few states, however, that have tried to inform this issue through the analysis of their case file data. Some states (e.g., West Virginia) compare payment rates by the gap between guidelines income and quarterly wage income, which is an indicator of how much income is imputed above actual income. The analysis finds that the compliance rate is lower the larger the gap. Hawaii took a unique approach. It identified 19 cases with no payments from the sample of cases it used to analyze payments, then did detailed research on the circumstances of those 19 cases. It found that all of them were receiving some sort of public assistance, with Supplemental Nutrition Assistance Program (SNAP) being the most common.

Use of Information on Influencing Factors

This information is generally used to support expansion of low-income adjustments and minimize income imputation.

Best Practices and Recommendations on Influencing Factors

Until more is learned from other states' experiences and what OCSS expects from this requirement, it seems appropriate for Michigan to use secondary data sources, like most states do.

Collection and Analysis of Payment Data

Over half (32 states) have documentation of their analysis of payment data. All states rely on payment data from their state IV-D automated systems.

- Most states extract case level data, while others aggregate it (e.g., Mississippi reported the total amount of support paid among those with income imputed).
- Most states analyze newly established orders in which the state has controlling jurisdiction (i.e., another state's guidelines are not used).
- All states de-identify the data—that is, they report it and extract it so individuals cannot be identified;

[379] Ross, Martha & Bateman, Nicole. (Nov. 2019). Meet the Low-Wage Workforce. Brookings Institute. Retrieved from https://www.brookings.edu/wp-content/uploads/2019/11/201911_Brookings-Metro_low-wage-workforce_Ross-Bateman.pdf.
[380] Jund-Mejean, Martina, & Escobari, Marcela. (Apr. 2020). Our employment system has failed low-wage workers. How can we rebuild. Brookings Institute. Retrieved from https://www.brookings.edu/blog/up-front/2020/04/28/our-employment-system-is-failing-low-wage-workers-how-do-we-make-it-more-resilient/.

- States are mixed on:
    - whether they include non-IV-D cases;
    - whether they also include modified orders;
    - the time periods considered;
    - whether they draw from a sample or all established/modified orders; and
    - whether they contract with a vendor for the analysis.

Analysis of Case Level Data. The advantage of extracting case level data is that it is conducive to developing descriptive statistics on the frequencies (e.g., percentage with no payment compared to those with some or full payment), averages (e.g., percentage of current support due that is paid), and medians and other statistics. The advantage of aggregates is that they can be easier to pull from an automated system and does not require analysis, the development of summary statistics, and written interpretation.

Non-IV-D Orders. Some states (e.g., Arizona, Nebraska, and Wyoming) are able to include non-IV-D cases due to a state-specific requirement on either immediate wage withholding or use of the state disbursement unit. The advantage of including non-IV-D orders is it paints a more accurate snapshot of the cases to which a state guideline applies. A limitation is not all states record or can access non-IV-D payments. Also, in some states, some but not all non-IV-D orders are tracked. This can create a biased sample of non-IV-D orders (e.g., if the non-IV-D orders were ordered to pay through the SDU because there were payment issues).

Inclusion of Modified Orders. Including modified orders also paints a more accurate snapshot of the cases to which a state guideline applies. Some states, however, cannot easily identify modified orders within the sample period.

Sample or All Establishments/Modifications. Larger states tend to take samples, while smaller states tend to take all orders orders/modified within a 12-month period. Some states with data limitations that require manual data checks also sample. Generally, the number of orders analyzed range from about 100 orders to tens of thousands of orders where most samples are in the thousands, which is more than adequate for statistical analysis. Also, some states sample from shorter than 12-month periods to match when the guidelines were last changed or avoid periods involving system changes, or for another reason. It is generally better to collect payment data over a 12-month period to avoid any seasonality of payments (e.g., higher payments during the winter holiday season).

Sample Periods. Some states sample from all years since the last review, while other states try to take from the most recent year. The advantages of the larger period are increased statistical power and the ability to do trend analysis since there may be a learning curve to applying guidelines changes or the petition was filed under the old guidelines, but the order was established in the sampling period. The advantage of using a recent year is it represents the most current process and avoids the anomalies created early in the COVID-19 pandemic, when many courts shut down. Some states (e.g., Georgia and

Ohio) have a sampling timeframe (e.g., a month or a week) in which they collect baseline data from logs of entered orders or court dockets (i.e., whether there was a deviation or income was imputed), then match the data to the IV-D automated system to track payment data for a longer period. This approach facilitates the collection of data on income imputation and defaults when a state's automated system does not track these data items. (Michigan's automated system does track these data items.)

Use of Vendors. Several states contract with vendors including their university researchers (e.g., Louisiana and Florida) to conduct the case file data analysis. Alaska, Hawaii, Iowa, Ohio, Montana, and Washington are a few states that conduct the analysis using state internal resources. The advantage of using vendors is experience and dedicated resources. The advantage of using internal staff is their familiarity with the data and staff may find the analysis interesting and a welcoming break to their normal duties.

Analysis of the Payment Data and Its Use

The length and depth of the analysis varies. Some states report the findings in one table and others provide several tables and charts and pages of written analysis.

- Most states analyze the percentage of current support paid and report the average percentage of current support paid for various subgroups (e.g., those with and without income imputed). Those that capture both new and modified orders usually separate the analysis between them because payment outcomes are generally better for modified orders than new orders. (Modifications are more likely to be sought on paying orders than non-paying orders because parents on paying orders have a greater vested interest in the order amount since it is paid.) Besides averages, some states report medians.
- The second most reported statistic is average number of months with payments for various subgroups.
- The third most reported statistic is average/median dollars paid for various subgroups.

A few states analyze average/median paid as a percentage of gross income (which is consistent with the Orange County study finding the 20% threshold). One state also analyzes the number of months until first payment. A few states also include analysis of arrears payment, payment by income withholding, and whether there was a notice of driver's license suspension. The analyses across states generally show that payment outcomes are less favorable when income is imputed, the order is entered by default, or the low-income adjustment is applied. So far, the analysis alone has not pinpointed the best level to set the minimum order, a self-support reserve, or another parameter of the low-income adjustment

Although the analysis does not inform precise parameters, the analysis of payment data has generally been helpful toward developing low-income adjustments, analyzing the impact of alternative low-income adjustments, and supporting expansion of the low-income adjustment and limiting income imputation. Alabama used information from its case file analysis to develop a streamlined low-income

adjustment. Although the committee reviewing the guidelines favored a minimum order that varied by the number of children and to include add-ons for support after application of the low-income adjustment, the case file data found most orders are one child and add-ons are rare in low-income cases; hence, the committee concluded that developing guidelines provisions to accommodate these factors was not sensible. Connecticut used its case file data to analyze the percentage of cases that would likely to be affected by expanding the Connecticut minimum order to higher incomes. Review committees are often provided basic statistics (e.g., the percentage of orders eligible for the current low-income adjustment and payment data on those orders), as well as how the low-income adjustment could be updated (e.g., a self-support reserve could be updated for changes in the poverty guidelines over time). From there, committees identify some alternative updates, then will ask for some analysis from the case file data to determine the impact of that alternative. In other words, the data analysis is often an iterative process where the committee reviews information, deliberates, identifies alternatives, and then seeks data analysis to estimate the impact of the alternative.

Few states have extensively analyzed the impact of application of adjustments for additional dependents, timesharing, or other adjustment on payments. Instead, the analysis is limited generally to a comparison of payments by the federal data elements: default, income imputation, and application of the low-income adjustment.

Best Practices and Recommendations

The best practices are to extract data from IV-D automated systems, take a large sample or all modified/new orders, take a recent period but be cognizant of the dates of change that can affect payment outcomes, sample payments from 12 months, and try to analyze modified and new orders separately. Future analysis should consider whether the modifications were upward and downward and whether they considered the low-income adjustment and whether there were any changes in the timesharing arrangement that were factored into the order amount. This could be helpful in examining the impact of the low-income adjustment and timesharing adjustments.

Chapter Conclusions and Recommendations

States are facing additional requirements of their periodic guidelines reviews—namely, the consideration of federal data elements. Several states do not have to meet the requirement until the next review, which for some is in 2025. Most states have already attempted to collect and analyze at least some of the data elements. Their published reports and efforts are not detailed and sometimes perfunctory. Still, some states have used the data as intended to make evidence-based changes to their guidelines. The most noteworthy are changes to longstanding provisions and practices that assume a minimum income equivalent to minimum wage earnings at a 40-hour workweek and refinements to low-income adjustments. The analysis and use of the analysis are still at their infantile stage. Undoubtedly, the analysis will become more sophisticated and robust over time, produce more

evidence-based recommendations, and ultimately produce state guidelines that better serve families receiving child support and payer-parents.

Recommendations. The major recommendations of this chapter are to utilize state department of labor data, use case scenarios reflective of case file data and low-income wage earners (as identified by state labor market data) to assess the impact of the guidelines on low-income families and payer-parents, rely on extant research to assess the impact of child support on employment and income of payer-parents, and rely on the state child support agency for payment data. Descriptive statistics on the percentage of current support paid and the number of months within a 12 month-period for the entire sample/universe and for federally required subgroups (i.e., those with income imputation, orders entered by default, and orders based on the low-income adjustment) are sufficient. Further, the data analysis should be an iterative process where summary statistics and potential updates are provided to the review committee, they deliberate and develop preliminary recommendations and/or alternatives; and, then request more data analysis useful to examining the impact of the preliminary recommendations and/or alternatives.

CHAPTER 8: CONCLUSIONS AND SUMMARY OF RECOMMENDATIONS

The major purpose of this study is to provide economic evidence on the cost of raising children and other research pertinent to the review of the Michigan Child Support Guidelines (also known as the Michigan Child Support Formula). Unfortunately, the expectations about what economic evidence is available simply do not exist. For example, there is no dataset tracking detailed expenditures by family member (i.e., adult, child subject of the child support order, and child not subject to the child support) in matched households where the child lives in both households. Further, creating such a dataset is prohibitive in cost and resources, as well is limited by the knowledge of the survey respondents and their ability to recall expenditures and the fact that many expenditures (e.g., housing) are purchased for the entire household so the survey respondents would not be able to divide it up by household member. The authors of this study have tried their best to find extant datasets to provide the economic evidence sought.

SUMMARY CONCLUSIONS BY CHAPTER

Chapter 1: Introduction. There are many federal requirements that state guidelines must meet. However, federal regulation provides states with some flexibility on the amounts and parameters of their guidelines.

Chapter 2: Overview of Socioeconomic Trends Relevant to Child Support. The modern family has replaced the nuclear family. However, in the past ten years, birth rates, rates of birth to unmarried mothers, divorce rates, and other socioeconomic factors have generally stabilized. The trends of most concern are economic: an increasing percentage of low-income families and increased price levels. Another concerns the leveling of male–female earnings, at least in low-wage occupations, and increased shared-parenting arrangements. The stereotype of the higher-earner parent also being the lesser-time parent no longer holds. Still, the general perceptions are guidelines are valuable in determine the amount in a neutral way, both parents should be financially responsible for their children, child support guidelines should factor in timesharing arrangements and consider a low-income parent's ability to pay.

Chapter 3: The Economic Cost of Raising Children and the General Care Support Tables (GCST). The GCST are the core of the Michigan Formula. Like most state guidelines, they are based on economic evidence on the cost of raising children. The existing GCST are based on old data. New and better data exists. This chapter also reviews the underlying (non-data) assumptions of the GCST.

Chapter 4: Low-Income Adjustments. The Michigan Low-Income Equation (LE) and Low-Income Transition Equation (LTE) appear to fulfill the federal requirements to consider the subsistence needs of the payer-parent.[381] The LE/LTE are unique to Michigan but share many similarities with the self-support

[381] The term "appears" is used because the report authors do not have the authority to determine federal compliance; rather, the authority rests with OCSS.

reserve (SSR) adjustment used in most state guidelines. The income threshold used for the LE and most state SSRs related to the federal poverty guidelines (FPG) for one person. There are alternative measures of subsistence, but they are not better for the use of state guidelines. Federal regulation gives states discretion on minimum orders as long as they are rebuttable and consider ability to pay. States are mixed whether they provide minimum orders. The clear advantage of Michigan's order amount for incomes below the low-income threshold, which is 10% of income, is that it produces a zero order when there is zero income. Most states (including Michigan) do not count means-tested income (such as the Earned Income Tax Credit) as income for the child support calculation. States are mixed on whether they count the Child Tax Credit (i.e., which was $2,000 per child per year in 2024). It is not mentioned in the Michigan Guidelines, but it is provided for on the state's automated guidelines calculator. Public assistance programs do not count it as income when determining benefit levels. Further, it is not advanced and most household live month to month and do not budget based on when they receive their tax refund, assuming they will receive a tax refund.

Chapter 5: The Child's Healthcare Expenses. The Michigan medical support provisions appear to meet federal requirements.[382] The Michigan medical support provisions are comprehensive and thorough compared to most states. Still, they share many core elements with the provisions of other states: the separation of the cost of the child's health insurance premium from the out-of-pocket medical expenses of the child, consideration of reasonable cost and accessibility in determining how the child's healthcare coverage will be provided, and generally prorating the expenses between the parents. Michigan is one of two states that provide a standardized amount for ordinary medical expenses (e.g., copays and deductibles) that is added to base support after the calculation of base support. Most other states incorporate ordinary medical expenses into their General Care Support Tables. The amount Michigan presumes for ordinary medical expenses is generally more than the average amount of out-of-pocket expenses based on 2022 data. In addition, the Michigan threshold for determining reasonable cost of insurance is low compared to how the IRS considers affordability of private insurance. A lower threshold means fewer insurance plans are considered reasonable in cost.

Chapter 6: Consideration of Parenting-Time Costs. There is not a lot of evidence concerning parenting-time costs. The existing Michigan Formula fulfills tacit policy objectives to provide a small adjustment for little timesharing and increase at an increasing rate until there is equal timesharing. It does not require any assumptions about what expenses are transferred from one parent to another and what expenses are duplicated nor assumptions about the number of overnights in which duplicated expenses begin. Such assumptions are common in the timesharing adjustments of other states.

***Chapter 7: Federal Data Elements*.** States are facing additional requirements of their periodic guidelines reviews—namely, the consideration of federal data elements. Several states do not have to meet the requirement until the next review, which for some in 2025. Most states have already attempted to

[382] CPR cannot certify whether federal requirements are met.

collect and analyze at least some of the data elements. Their published reports and efforts are not detailed and sometimes perfunctory. Still, some states have used the data as intended to make evidence-based changes to their guidelines. The most noteworthy are changes to longstanding provisions and practices that assume a minimum income equivalent to minimum wage earnings at a 40-hour workweek and refinements to low-income adjustments. The analysis and use of the analysis are still at their infantile stage. Undoubtedly, the analysis will become more sophisticated and robust over time, produce more evidence-based recommendations, and ultimately produce state guidelines that better serve families receiving child support and payer-parents.

MAJOR RECOMMENDATIONS

Except for Chapter 1, which was an introduction, the major recommendations are organized by chapter.

Chapter 2: Overview of Socioeconomic Trends Relevant to Child Support. Be mindful of the modern family, that many families and payer-parents are low income, there are often additional dependents, and it cannot be assumed that the higher-income parent is the lesser-time parent when applying the parenting-time offset.

Chapter 3: The Economic Cost of Raising Children and the General Care Support Tables (GCST). The major recommendation is to update the GCST for more current economic data. There is not overwhelming evidence to change the non-data assumptions of the GCST or the steps used to translate an economic study of child-rearing expenditures to GCST. Michigan should continue to periodically update the GCST for changes in price levels using the Detroit CPI-U because it is Michigan-specific, and where many families live and work.

Chapter 4: Low-Income Adjustments. There is no compelling reason to change Michigan's current approach to meeting the federal requirement to consider the subsistence needs of the parents. The only recommendations are tweaks. There are three and they are policy decisions. One is to revisit whether the payer-parent's share of ordinary medical expenses should be considered before or after application of the low-income adjustment. The second is to make a policy decision on where the LTE should transition out to the General Care Equation (e.g., the General Care Equation should be phased in when the payer-parent's income after consideration of the order amount is at least 200% of the FPG). The third is to make a policy decision on whether the Child Tax Credit should be considered income for the purposes of calculating child support.

Chapter 5: The Child's Healthcare Expenses. Based on more current data, Michigan should lower the amount that it uses for its standardized ordinary medical expenses. Also, there is no reason to not use the Detroit CPI-U to periodically update it, particularly since an earlier recommendation sided of using it

for periodic updates to the General Care Support Tables[383]. The only limitation is that Michigan was using the Detroit CPI-U for medical expenses and that specific index has not been published recently due to limited sampling. The 6% of gross income threshold for determining reasonable cost seems appropriate given the data, but Michigan may also want to take advantage of the 2016 federal change that allows the consideration of the total premium paid. For simplicity and consistently, Michigan could rely on the IRS threshold, which is updated annually.

Chapter 6: Consideration of Parenting-Time Costs. The evidence does not clearly suggest that another timesharing formula is better than Michigan's current formula. Although a small modification for disparate income cases at near equal timesharing was developed, it requires assumptions about transferred and duplicated expenses that are not required under the current formula. The data on transferred and duplicated expenses is not definitive.

***Chapter 7: Federal Data Elements*.** The recommendations are to utilize state department of labor data, use case scenarios reflective of case file data and low-income wage earners (as identified by state labor market data) to assess the impact of the guidelines on low-income families and payer-parents, rely on extant research to assess the impact of child support on employment and income of payer-parents; and rely on state child support agency for payment data. Descriptive statistics on the percentage of current support paid and the number of months within a 12 month-period for the entire sample/universe and for federally required subgroups (i.e., those with income imputation, orders entered by default, and orders based on the low-income adjustment) are sufficient. The data analysis should be an iterative process where summary statistics and potential updates are provided to the review committee, they deliberate and develop preliminary recommendations and/or alternatives; and, then request more data analysis useful to examining the impact of the preliminary recommendations and/or alternatives.

Summary. In summary, the overall structure of the Michigan Guideline is thorough and comprehensive and appropriate for the modern family. The most major recommendations are to update the GCST and ordinary medical expense amount that are currently based on old data to current data.[384]

[383] At the time that this report was written, the recommendation was already approved. The new Tables will become effective in January 2025.

[384] At the time that this report was written, the recommendations were already approved. They will become effective in January 2025.

Review of the Michigan Child Support Guidelines: Consideration of Economic Data and Other Factors

Appendices

(Revised Sept. 30, 2024)

TABLE OF CONTENTS

APPENDIX A: TECHNICAL DOCUMENTATION OF THE UPDATED TABLES

There are several technical considerations and steps taken to update the General Care Support Tables (GCST) shown at the end of this appendix.

The economic data and assumptions underlying the updated tables are summarized below.

- There are no significant changes in the underlying guidelines model.
- The basis for the tables is the fifth set of Betson-Rothbarth (BR) measurements, which are described in Chapter 3.
- The tables are updated to 2023 price levels.
- The tables do not include childcare expenses, the cost of the child's health insurance premium, and the unreimbursed medical expenses of the child. The guidelines calculation considers a standardized amount for ordinary medical expenses and can consider the actual amounts expended for childcare expenses, the cost of the child's health insurance premium, and the extraordinary unreimbursed medical expenses on a case-by-case basis.
- The BR measurements of child-rearing expenditures are expressed as a percentage of total family expenditures and are converted to net income for guidelines purposes.
- The tables are based on the average of all expenditures on children from ages 6 through 17 years. There is no other adjustment for the child's age.

This Appendix provides more detail to the underlying data and assumptions described to the overview of the tables update in Chapter 3. Exhibit A-1 shows the data that Betson provided CPR to convert the BR5 measurements to the tables.

Overview of Income Ranges

Betson provided CPR with information for 25 income ranges that were generally income intervals of $5,000 to $20,000 per year. CPR collapsed a few of them to average out some anomalies (*e.g.,* a spike in the percentage of total expenditures devoted to child-rearing expenditures once childcare and extraordinary medical expenses were excluded from a particular income range.) The collapsing resulted in the 20 income ranges shown in Exhibit A-1. These are more income ranges than considered in the existing Michigan tables. How CPR collapsed this information to arrive at tables similar in format to existing Michigan's tables is described later in this appendix.

Exhibit A-1: Parental Expenditures on Children and Other Expenditures by Income Range Used in the BR5 Tables								
Annual After-Tax Income Range (2020 dollars)	Number of Observa-tions	Total Expenditures as a % of After-Tax Income	Expenditures on Children as a % of Total Consumption Expenditures (Rothbarth 2013–2019 data)			Child Care $ as a % of Consump-tion (per child)	Total Medical $ as a % of Consumption	
			1 Child	2 Children	3 Children		(per capita)	(total)
$ 0 – $19,999	283	>200%	22.433%	34.670%	42.514%	0.473%	1.039%	3.587%
$20,000 – $29,999	306	134.235%	23.739%	36.642%	44.893%	0.437%	1.078%	3.869%
$30,000 – $34,999	306	107.769%	24.057%	37.118%	45.462%	0.407%	1.230%	4.370%
$35,000 – $39,999	409	103.780%	24.222%	37.364%	45.755%	0.647%	1.558%	5.469%
$40,000 – $44,999	428	100.064%	24.362%	37.571%	46.002%	0.721%	1.677%	6.054%
$45,000 – $49,999	416	97.195%	24.452%	37.705%	46.161%	0.747%	1.743%	6.210%
$50,000 – $54,999	399	92.716%	24.509%	37.789%	46.261%	0.855%	1.815%	6.641%
$55,000 – $59,999	367	90.548%	24.580%	37.894%	46.386%	1.210%	2.387%	8.143%
$60,000 – $64,999	335	86.130%	24.615%	37.945%	46.447%	0.776%	2.297%	8.289%
$65,000 – $69,999	374	84.016%	24.668%	38.025%	46.541%	1.255%	2.345%	8.348%
$70,000 – $74,999	333	82.671%	24.725%	38.108%	46.640%	1.586%	2.352%	8.177%
$74,999 – $84,999	615	82.690%	24.820%	38.249%	46.807%	1.743%	2.538%	8.733%
$85,000 – $89,999	318	78.663%	24.863%	38.311%	46.880%	1.392%	2.644%	9.180%
$90,000 – $99,999	565	76.240%	24.912%	38.384%	46.966%	1.658%	2.375%	8.693%
$100,000 – $109,999	493	75.488%	24.996%	38.508%	47.113%	2.159%	2.161%	7.896%
$110,000 – $119,999	374	73.058%	25.054%	38.593%	47.213%	2.523%	2.274%	8.408%
$120,000 – $139,999	468	71.731%	25.142%	38.722%	47.365%	2.477%	2.016%	7.146%
$140,000 – $159,999	240	70.658%	25.266%	38.904%	47.579%	3.073%	2.306%	8.323%
$160,000 – $199,999	512	62.753%	25.322%	38.986%	47.676%	1.790%	2.136%	7.741%
$200,000 or more	498	58.427%	25.571%	39.350%	48.103%	2.459%	2.081%	7.201%

Steps to Convert to Tables

The steps used to convert the information from Exhibit A-1 to the updated tables are presented in the order that they occur, not in the order that the factors were discussed in Chapter 3.

The steps consist of:

Step 1: Exclude childcare expenses.

Step 2: Exclude child's healthcare expenses.

Step 3: Adjust for ratio of expenditures to after-tax income.

Step 4: Update for current price levels.

Step 5: Develop marginal percentages.

Step 6: Adjust for ages 6 through 17.

Step 7: Extend measurements for one, two and three children to four and five children.

Step 8: Convert to Michigan's format.

Step 1: Exclude Childcare Expenses

Childcare expenses are excluded because the actual amount of work-related childcare expenses can be considered in the guidelines calculation on a case-by-case basis. The actual amount is considered because of the large variation in childcare expenses, which means that the childcare expense is minimal for some children (e.g., older children) and substantial for others (e.g., infants in center-based care). Not to exclude them from the tables and to include the actual amount in the guidelines calculation (typically as a line item in the worksheet) would be double-accounting.

Starting with the expenditures on children, which is shown in seventh column of Exhibit A-1, average childcare expenses are subtracted from the percentage of total income devoted to child-rearing. For example, at combined incomes of $60,000 to $64,999 per year, 37.945% of total expenditures is devoted to child-rearing expenditures for two children. Childcare comprises 0.776% of total expenditures per child. The percentage may appear small compared to the cost of childcare, but it reflects the average across all children regardless of whether they incur childcare expenses. Childcare expenses may not incur because the children are older, a relative provides childcare at no expense, or another situation.

The percentage of total expenditures devoted to childcare is multiplied by the number of children (e.g., 0.776 multiplied by two children is 1.552%). Continuing with the example of a combined income of $60,000 to $64,999 net per month, 1.552% is subtracted from 37.945%. The remainder, 36.393, (37.945 minus 1.552 equals 36.393), is the adjusted percentage devoted to childrearing expenditures for two children that excludes childcare expenses.

One limitation is that the CE does not discern between work-related childcare expenses and childcare expenses the parents incurred due to entertainment (e.g., they incurred childcare expenses when they went out to dinner). This means that work-related childcare expenses may be slightly overstated. In turn, this would understate the table amounts. Similarly, if there are economies to scale for childcare, multiplying the number of children by the percentage per child would overstate actual childcare expenses. When subtracted from the tables, this would reduce the tables too much. However, due to the small percentage devoted to childcare expenses, any understatement is likely to be small.

Step 2: Exclude Medical Expenses

A similar adjustment is made for the child's medical expenses; explicitly, all the child's medical expenses are excluded from the General Care Support Tables (GCST). This Step does not consider or affect the amount for the ordinary medical expense, which is separate from the GCST. Exhibit A-1 shows the medical percentage, two ways by the per-capita amount and the average amount for the entire

household. Either way the adjustment considers expenditures on the two adults in the household. It is adjusted to a per-child amount since medical expenses of children are less. The underlying data does not track whether the insurance premium or medical expense was made for an adult's or child's healthcare needs or both.

Based on the 2019 National Medical Expenditure survey, the mean medical expense per child is $2,403, while it is $6,252 for an adult between the ages of 18 and 64.[1] In other words, an adult's medical expenses are 2.42 times more than that of a child. This information is used to recalibrate the per-person medical amount shown in Exhibit A-1 to a per-child amount. For example, at combined incomes of $60,000 to $64,999 per year, the total medical expense is 8.289%. The adjusted child amount is divided by the weighted amounts for family members (6.450 based on 2.42 times two adults plus the average number of children for this income range, 1.6084). The quotient, 1.285%, is the per-child amount for excess medical. It is less than the per-capita amount of 2.297%.

Continuing from the example in Step 1, where 36.393 is the percentage that excludes childcare for two children at a combined income of $60,000 to $64,999 per year, 1.285 multiplied by two children is subtracted to exclude the children's excessive medical expenses. This leaves 33.823 as the percentage of total expenditures devoted to raising two children, excluding their childcare expenses and excess medical expenses.

Step 3: Convert to After-Tax Income

The next step is to convert the percentage from above to an after-tax income by multiplying it by expenditures to after-tax income ratios. Continuing using the example of combined income of $60,000 to $64,999 per year, the ratio is 86.130. When multiplied by 33.823, this yields 29.132% of after-tax income being the percentage of after-tax income devoted to raising two children, excluding their childcare and excess medical expenses. An exception is made at lower incomes, because as shown in Exhibit A-1, they spend more than their after-tax income on average. (How their spending exceeds their after-tax income is beyond the scope of this study. Among other things, they may borrow from friends and family.)

Step 4: Adjust to Current Price Levels

The amounts in Exhibit A-1 are based on May 2020 price levels. They are converted to April 2023 price levels using changes to the Consumer Price Index (CPI-U), which is the most used price index.[2] The adjustment is applied to the midpoint of each after-tax income range.

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[1] Agency for Healthcare Research and Quality. (2019). *Mean expenditure per person by source of payment and age groups, United States, 2019. Medical Expenditure Panel Survey*. Generated interactively from https://www.meps.ahrq.gov/mepstrends/hc_use/.

[2] The increase from May 2020 to April 2023 is 18.3% based on 303.363 divided by 256.394 and subtracting 100%. Source: U.S. Bureau of Labor Statistics. (n.d.). *Consumer Price Index Historical Tables for U.S. City Average.* Retrieved from CPI Home : U.S. Bureau of Labor Statistics (bls.gov).

Step 5: Develop Marginal Percentages

The information from the previous steps is used to compute a tax table-like schedule of proportions for one, two, and three children. Exhibit A-2 shows this schedule.[3] The percentages from above (e.g., 29.132% for two children for the combined income of $60,000 to $64,999 per year) are assigned to the midpoint of that income range adjusted for inflation. Marginal percentages are created by interpolating between income ranges. For the highest income range, the midpoint was supplied by Betson, and it was $258,887 per year in May 2020 dollars. When converted to April 2023 dollars, and a monthly amount, it is $25,526 per month.

Exhibit A-2: Schedule of Proportions for One, Two, and Three Children

Annual After-Tax Income Range (May 2020 dollars)	Monthly Midpoint of Income Range (April 2023 Dollars)	One Child		Two Children		Three Children	
		Midpoint	Marginal Percentage	Midpoint	Marginal Percentage	Midpoint	Marginal Percentage
< $30,000	$0	22.967%	22.967%	34.938%	34.938%	42.192%	22.967%
$30,000 – $34,999	$3,204	22.967%	21.068%	34.938%	30.507%	42.192%	22.967%
$35,000 – $39,999	$3,697	22.714%	22.621%	34.347%	33.549%	41.230%	22.714%
$40,000 – $44,999	$4,190	22.703%	16.957%	34.253%	25.304%	41.051%	22.703%
$45,000 – $49,999	$4,683	22.098%	10.397%	33.311%	14.890%	39.862%	22.098%
$50,000 – $54,999	$5,176	20.984%	9.463%	31.557%	10.931%	37.672%	20.984%
$55,000 – $59,999	$5,669	19.982%	13.028%	29.763%	21.881%	35.178%	19.982%
$60,000 – $64,999	$6,162	19.426%	7.939%	29.133%	9.062%	34.680%	19.426%
$65,000 – $69,999	$6,655	18.575%	11.094%	27.646%	14.536%	32.650%	18.575%
$70,000 – $74,999	$7,148	18.059%	16.455%	26.742%	23.070%	31.413%	18.059%
$74,999 – $84,999	$7,888	17.909%	12.099%	26.397%	19.927%	30.858%	17.909%
$85,000 – $89,999	$8,627	17.411%	9.358%	25.843%	12.991%	30.436%	17.411%
$90,000 – $99,999	$9,367	16.775%	12.163%	24.828%	16.153%	29.153%	16.775%
$100,000 – $109,999	$10,353	16.336%	7.712%	24.002%	9.709%	27.964%	16.336%
$110,000 – $119,999	$11,339	15.586%	13.679%	22.759%	19.760%	26.339%	15.586%
$120,000 – $159,999	$13,804	15.245%	9.973%	22.224%	15.960%	25.672%	15.245%
$160,000 – $199,999	$17,748	14.074%	10.367%	20.832%	14.817%	24.468%	14.074%
Over $200,000	$25,526	12.944%	12.944%	18.999%		22.117%	12.944%

Another adjustment was made at low incomes. The percentages for incomes below $30,000 net per year were less than the amounts for the net income range $30,000 to $34,999 per year. This is an artificial result caused by the cap on expenditures in Step 3. Decreasing percentages result in a smooth decrease when the parent receiving support has more income. This is the general result of the steps thus far. The exception is at low incomes because they spend more than their after-tax income, on

[3] There is a small rounding difference in the percentages from the illustration in Steps 1-3.

average. For the development of the child support tables, the percentage from the $30,000 to $34,999 are applied to all incomes less than $30,000 per year. For one child, the percentages are from the $35,000 to $39,999 income range. To be clear, this is still less than what families of this income range actually spend on children.

Step 6: Adjust for Older Children

The percentages in Exhibit A-2 were increased by 8.9155% to account for children ages 6 through 17. The percentage increase was calculated from the USDA estimates of childrearing expenditures for the Midwest in 2015[4] and excluded expenditures on healthcare and childcare and education. The USDA estimates consider a range of ages. The ranges were collapsed for children ages 6 through 17 across all income ranges and compared to the overall cost for children ages 0 through 17 to arrive at 8.9155% difference.

Step 7: Extend to More Children

The measurements of child-rearing expenditures only cover one, two, and three children. The number of families in the CE with four or more children is insufficient to produce reliable estimates. For many child support guidelines, the National Research Council's (NRC) equivalence scale, as shown below, is used to extend the three-child estimate to four and more children.[5]

$$= (\text{Number of adults} + 0.7 \times \text{number of children})^{0.7}$$

Application of the equivalence scale implies that expenditures on four children are 11.7% more than the expenditures for three children, expenditures on five children are 10.0% more than the expenditures for four children, and expenditures on six children are 8.7% more than the expenditures for five children.

Step 8: Adjust to Michigan Format

The information from Exhibit A-2 was used to develop a conventional income shares table (see an excerpt in Exhibit A-3). In turn, the income shares table was converted to percentages and then collapsed to a format similar to the existing Michigan General Care Equation using a similar number of income bins and income ranges. The amounts between income bins were interpolated.

CPR used the schedule to determine the table amounts at combined net incomes of $1,000 per month, $2,000 per month, $3,200 per month, $4,000 per month, $4,500 per month, $8,000 per month, and $15,000 per month. The marginal percentages between these incomes were interpolated to arrive at

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[4] Lino, Mark, et al. (2017). *Expenditures on Children by Families, 2015*. Misc. Pub. No. 1528-2015. U.S. Dept. of Agriculture, Center for Nutrition & Policy Promotion, Washington, D.C. Retrieved from https://www.fns.usda.gov/resource/2015-expenditures-children-families.

[5] Citro, Constance F., & Robert T. Michael, Editors. (1995). *Measuring Poverty: A New Approach*. National Academy Press. Washington, D.C.

proposed, updated Michigan tables. An excerpt of the income shares schedule is shown at the end of this appendix. It will not perfectly match the amounts of the tables because of the interpolation. There is a negligible difference between the income shares schedule and the amounts based on updated amounts collapsed into a format similar to the existing Michigan tables.

Exhibit A-3: Conventional Income Shares Table					
Combined Net Income	One Child	Two Children	Three Children	Four Children	Five Children
3000	751	1143	1380	1541	1696
3050	764	1162	1403	1567	1724
3100	776	1181	1426	1593	1752
3150	789	1200	1449	1619	1780
3200	801	1219	1472	1644	1809
3250	813	1236	1491	1666	1832
3300	824	1252	1510	1687	1856
3350	836	1269	1530	1709	1879
3400	847	1286	1549	1730	1903
3450	859	1302	1568	1751	1926
3500	870	1319	1587	1772	1950
3550	882	1336	1606	1794	1973
3600	893	1352	1625	1815	1996
3650	905	1369	1644	1836	2020
3700	916	1386	1663	1858	2044
3750	929	1404	1685	1882	2070
3800	941	1422	1706	1906	2097
3850	953	1440	1728	1930	2123
3900	966	1459	1750	1954	2150
3950	978	1477	1771	1979	2176
4000	990	1495	1793	2003	2203
4050	1003	1514	1815	2027	2230
4100	1015	1532	1836	2051	2256
4150	1027	1550	1858	2075	2283
4200	1039	1568	1879	2098	2308
4250	1048	1581	1895	2116	2328
4300	1057	1595	1911	2135	2348
4350	1067	1609	1927	2153	2368
4400	1076	1623	1943	2171	2388
4450	1085	1636	1960	2189	2408
4500	1094	1650	1976	2207	2428
4550	1104	1664	1992	2225	2448
4600	1113	1678	2008	2243	2468
4650	1122	1692	2025	2261	2488
4700	1130	1704	2038	2277	2505
4750	1136	1712	2048	2287	2516
4800	1142	1720	2057	2297	2527
4850	1147	1728	2066	2308	2539
4900	1153	1736	2075	2318	2550
4950	1159	1744	2084	2328	2561
5000	1164	1752	2094	2339	2572
5050	1170	1760	2103	2349	2584
5100	1176	1769	2112	2359	2595
5150	1181	1777	2121	2369	2606
5200	1187	1784	2128	2377	2615
5250	1192	1790	2133	2383	2621
5300	1197	1796	2138	2388	2627
5350	1202	1802	2143	2394	2633
5400	1207	1808	2148	2399	2639
5450	1212	1814	2153	2405	2645
5500	1218	1819	2158	2410	2651

General Support Tables	Apr. 2023

General Care Support Table:				One Child		
Income Amount	Base Percentage	Base Support	&	Marginal Percentage		
$2,000.00	25.00%	$500.00	+	24.92%	over	$2,000.00
$3,250.00	24.97%	$811.53	+	17.63%	over	$3,250.00
$4,500.00	22.93%	$1,031.85	+	14.05%	over	$4,500.00
$7,148.44	19.64%	$1,403.95	+	13.98%	over	$7,148.44
$9,366.93	18.30%	$1,714.15	+	12.01%	over	$9,366.93
$17,747.86	15.33%	$2,720.75	+	11.29%	over	$17,747.86
$25,000.00		$3,539.51				

General Care Support Table:				Two Children		
Income Amount	Base Percentage	Base Support	&	Marginal Percentage		
$2,000.00	38.10%	$519.29	+	37.92%	over	$2,000.00
$3,250.00	38.03%	$808.31	+	24.31%	over	$3,250.00
$4,500.00	34.22%	$1,010.10	+	20.43%	over	$4,500.00
$7,148.44	29.11%	$1,203.48	+	20.20%	over	$7,148.44
$9,366.93	27.00%	$1,452.62	+	17.87%	over	$9,366.93
$17,747.86	22.69%	$2,581.76	+	16.16%	over	$17,747.86
$25,000.00		$3,753.71				

General Care Support Table:				Three Children		
Income Amount	Base Percentage	Base Support	&	Marginal Percentage		
$2,000.00	46.00%	$651.09	+	45.71%	over	$2,000.00
$3,250.00	45.89%	$1,028.38	+	25.48%	over	$3,250.00
$4,500.00	40.22%	$1,298.70	+	24.11%	over	$4,500.00
$7,148.44	34.25%	$1,547.85	+	23.91%	over	$7,148.44
$9,366.93	31.80%	$1,866.28	+	20.98%	over	$9,366.93
$17,747.86	26.69%	$3,227.21	+	18.19%	over	$17,747.86
$25,000.00		$4,546.37		18.19%		

General Care Support Table:				Four Children		
Income Amount	**Base Percentage**	**Base Support**	**&**	**Marginal Percentage**		
$2,000.00	51.30%	$732.81	+	50.99%	over	$2,000.00
$3,250.00	51.18%	$1,153.22	+	28.14%	over	$3,250.00
$4,500.00	44.78%	$1,460.32	+	27.02%	over	$4,500.00
$7,148.44	38.20%	$1,740.41	+	26.80%	over	$7,148.44
$9,366.93	35.50%	$2,106.78	+	23.28%	over	$9,366.93
$17,747.86	29.73%	$3,650.45	+	20.44%	over	$17,747.86
$25,000.00		$5,132.79		20.44%		

General Care Support Table:				Five or More Children		
Income Amount	**Base Percentage**	**Base Support**	**&**	**Marginal Percentage**		
$2,000.00	56.50%	$801.34	+	56.14%	over	$2,000.00
$3,250.00	56.36%	$1,259.02	+	31.45%	over	$3,250.00
$4,500.00	49.44%	$1,587.30	+	29.47%	over	$4,500.00
$7,148.44	42.04%	$1,895.94	+	29.20%	over	$7,148.44
$9,366.93	39.00%	$2,308.80	+	25.83%	over	$9,366.93
$17,747.86	32.78%	$3,946.71	+	22.34%	over	$17,747.86
$25,000.00		$5,566.84		22.34%		

Appendix B: Michigan Medical Support Provisions and Detailed State Comparisons

This appendix has two sub-appendices:

- Appendix B.1: Michigan's Medical Support Provisions; and
- Appendix B.2: Comparison of State Medical Support Provisions.

Appendix B.1: Michigan's Medical Support Provisions

This appendix shows Michigan's medical support provisions at the time of the analysis:

- That were part of the guidelines in effect from 2021 through 2024: and
- The updated medical support provisions that will become effective January 1, 2025.

Exhibit B- 1: Comparison of Current and Updated Medical Support Provisions

Medical Support Provisions in Effect from Jan. 1, 2021 through Dec. 31, 2024	Medical Support Provisions Effective Jan. 1, 2025
3.04 Medical (Health Care) Obligations 3.04(A) Obligations Generally (1) The term "medical" includes treatments, services, equipment, medicines, preventative care, similar goods and services associated with oral, visual, psychological, medical, and other related care, provided or prescribed by health care professionals for the children. (2) Routine remedial care costs for children (e.g., first-aid supplies, cough syrup, and vitamins) do not qualify as medical expenses. (3) Ordinary medical expenses include the support recipient's co-payments and deductibles, and uninsured medical-related costs for all children in this case. Ordinary medical expenses presume that the recipient is the individual who typically obtains medical care for the children for whom support is paid, and therefore normally has out-of-pocket expenses needing reimbursement. (4) Additional (extra-ordinary) medical expenses consist of the support recipient's out-of-pocket expenses that exceed the children's ordered annual ordinary medical expense amount and any uninsured medical expense paid by the support payer. (5) Every support order should specify the medical expense percentage based on each parent's share of the family income (§3.0l(B)(2)) for uninsured medical expenses for which each parent is responsible.	3.04 Medical (Health Care) Obligations 3.04(A) Obligations Generally (1) The term "medical" includes treatments, services, equipment, medicines, preventative care, similar goods and services associated with oral, visual, psychological, medical, and other related care, provided or prescribed by health care professionals for the children. (2) Routine remedial care costs for children (e.g., first-aid supplies, cough syrup, and vitamins) do not qualify as medical expenses. (3) Every support order should specify the medical expense percentage based on each parent's share of the family income (§(2)) for uninsured medical expenses for which each parent is responsible. (4) Ordinary medical expenses include the support recipient's co-payments and deductibles, and uninsured medical-related costs for all children in this case. Ordinary medical expenses presume that the recipient is the individual who typically obtains medical care for the children for whom support is paid, and therefore normally has out-of-pocket expenses needing reimbursement. (5) Additional (extra-ordinary) medical expenses consist of the support recipient's out-of-pocket expenses that exceed the children's ordered annual ordinary medical expense amount and (because the payer is reimbursing the payee in advance for the support payer's share of anticipated

(6) A parent's or custodian's qualifying medical expenses include those paid with monies from a health savings account or flexible benefit account, provided that account is funded, in whole or part, with monies reported as that individual's income.	ordinary medical expenses) any of the support payer's uninsured medical expenses. (6) A parent's or custodian's qualifying medical expenses include those paid with monies from a health savings account or flexible benefit account, provided that account is funded, in whole or part, with monies reported as that individual's income.
3.04(B) Ordinary Medical Expense Obligations (1) In order to reimburse the support recipient's qualifying medical expenditures for the children within the same calendar year, almost every support order should set an appropriate annual ordinary medical expense amount for the children and apportion payment of the annual amount between the parents according to each parent's percentage share of family income. (2) When setting the annual amount, presume that the amount listed for the appropriate number of children in Ordinary Medical Expense Average Table (found in the supplement) is the amount that will be spent on ordinary medical expenses. Amounts may be added to the Table amounts to compensate for higher uninsured expenses that can be predicted in advance (e.g., orthodontia, special medical needs, or ongoing treatments). (3) The court may determine that no ordinary medical expense amount is appropriate and treat all qualifying medical expenses as additional medical expenses (§3.04(A)(4)) when any following circumstance exists: (a) both parents routinely take one or more children-in-common for medical care and incur qualifying medical expenses, (b) the support payer will likely incur most qualifying out-of- pocket costs for the children, (c) an incapacitated payer's base support obligation is set at zero (§4.02), or (d) the recipient has an employer-paid benefit (e.g., health reimbursement arrangement) that pays the recipient's initial out-of-pocket expenses for the children. (4) Ordinary Expense Payments (a) The annual ordinary medical expense amount restarts every calendar year and remains in effect with the rest of the support obligation or until further order of the court. (i) The support payer's apportioned share of ordinary medical expenses should be ordered paid as part of the monthly support obligation and maintained by the support recipient. (ii) The support recipient's apportioned share of ordinary expenses is directly	3.04(B) Ordinary Medical Expense Obligations (1) In order to reimburse the support recipient's qualifying medical expenditures for the children within the same calendar year, almost every support order should set an appropriate annual ordinary medical expense amount for the children and apportion payment of the annual amount between the parents according to each parent's percentage share of family income. (2) When setting the annual amount, presume that the amount listed for the appropriate number of children in Ordinary Medical Expense Average Table (found in the supplement) is the amount that will be spent on ordinary medical expenses. Amounts may be added to the Table amounts to compensate for higher uninsured expenses that can be predicted in advance (e.g., orthodontia, special medical needs, or ongoing treatments). (3) Typically, the court should exercise discretion and determine that no medical expense amount is appropriate and treat all qualifying medical expenses as additional medical expenses (§3.04(A)(5)) when any following circumstance exists: (a) both parents routinely take one or more children-in-common for medical care and incur qualifying medical expenses, (b) the support payer will likely incur most qualifying out-of- pocket costs for the children, (c) an incapacitated payer's base support obligation is set at zero (§4.02), or (d) the recipient has an employer-paid benefit (e.g., health reimbursement arrangement) that pays the recipient's initial out-of-pocket expenses for the children. (4) Ordinary Expense Payments (a) The annual ordinary medical expense amount restarts every calendar year and remains in effect with the rest of the support obligation or until further order of the court. (i) The support payer's apportioned share of ordinary medical expenses should be ordered paid as part of the monthly support obligation and maintained by the support recipient. (ii) The support recipient's apportioned share of ordinary expenses is directly

contributed by the recipient as expenses occur. (b) Ordinary Medical Expense Accounting (i) All qualifying expenditures are considered made in proportion to each parent's medical expense percentage established in the order. (ii) Presume that the annual amount will be spent. The recipient does not have to routinely provide proof of its expenditure. (iii) In order for a support recipient to seek reimbursement of additional medical expenses, the recipient needs to show that the ordered total annual ordinary medical expense amount for all children was exceeded. (c) Prorate ordinary medical expense amounts for partial periods during which they are in effect.	contributed by the recipient as expenses occur. (b) Ordinary Medical Expense Accounting (i) All qualifying expenditures are considered made in proportion to each parent's medical expense percentage established in the order. (ii) Presume that the annual amount will be spent. The recipient does not have to routinely provide proof of its expenditure. (iii) In order for a support recipient to seek reimbursement of additional medical expenses, the recipient needs to show that the ordered total annual ordinary medical expense amount for all children was exceeded. (c) Prorate ordinary medical expense amounts for partial periods during which they are in effect.
3.04(C) Additional (Extra-ordinary) Medical Expenses Additional expenses should be apportioned between the parents according to the medical expense percentages established in the support order. 3.04(D) Unreimbursed Medical Expense Minimum Enforcement Threshold (1) State law establishes that complaints seeking enforcement of unreimbursed additional medical expenses (§3.04(A)(4)) must meet a minimum threshold before a friend of the court office is required to act on that complaint. MCL 552.511a. (2) The "minimum enforcement threshold" under MCL 552.51 la(l)(b) for additional medical expenses is $100 per child each calendar year, or a lower amount set by the court. If unreimbursed additional expenses do not exceed the threshold before a year ends, those expenses may be submitted to the FOC for enforcement before the deadline under MCL 552.51 la(l)(c).	3.04(C) Additional (Extra-ordinary) Medical Expenses 3.04(D) Unreimbursed Medical Expense Minimum Enforcement Threshold (1) State law establishes that complaints seeking enforcement of unreimbursed additional medical expenses (§(5)) must meet a minimum threshold before a friend of the court office is required to act on that complaint. MCL 552.511a. (2) The "minimum enforcement threshold" under MCL 552.51 la(l)(b) for additional medical expenses is $100 per child each calendar year, or a lower amount set by the court. If unreimbursed additional expenses do not exceed the threshold before a year ends, those expenses may be submitted to the FOC for enforcement before the deadline under MCL 552.511a(l)(c).
3.05 Health Care Coverage Obligation and Premiums 3.05(A) Health Care Coverage, Accessibility, and Cost (1) The Support and Parenting Time Enforcement Act defines health care coverage as “a fee for service, health maintenance organization, preferred provider organization, or other type of private health care coverage or public health care coverage.” MCL 552.602(n).	3.05 Health Care Coverage Obligation and Premiums 3.05(A) Health Care Coverage, Accessibility, and Cost (1) The Support and Parenting Time Enforcement Act defines health care coverage as “a fee for service, health maintenance organization, preferred provider organization, or other type of private health care coverage or public health care coverage.” MCL 552.602(n).

(a) Private coverage means health care coverage obtained through an employer or purchased by an individual from an insurer. (b) Public coverage means health care coverage that is established or maintained by a local, state, or federal government like Medicaid or SCHIP. (2) Reasonable Cost of Coverage Except as otherwise ordered by the court, a reasonable cost to a parent for providing health care coverage for the children does not exceed 6 percent of the providing parent's gross income. In applying this standard, the cost of providing health care coverage is the parent's net cost of adding the children to the parent's coverage (e.g., difference between self-only and family coverage) or adding the children to the existing coverage. (a) Parents with a net income below 133 percent of the federal poverty level or whose child is covered by Medicaid based on that parent's income should not be ordered to contribute toward or provide coverage, unless coverage is obtainable without any financial contribution by that parent. (b) A parent's cost for providing health care coverage is unreasonable if the parent's total current obligation for support, child care expenses, ordinary health care expenses, plus the parent's net share of health care insurance exceeds 50 percent of the parent's regular aggregate disposable earnings. (3) Accessible to the Child Health care coverage is presumed accessible if primary care services are covered within 30 miles or 30 minutes from any of a child's residences. Coverage may be considered at greater times and distances in areas where residents normally travel longer to access primary care services.	(a) Private coverage means health care coverage obtained through an employer or purchased by an individual from an insurer. (b) Public coverage means health care coverage that is established or maintained by a local, state, or federal government like Medicaid or SCHIP. (2) Reasonable Cost of Coverage Except as otherwise ordered by the court, a reasonable cost to a parent for providing health care coverage for the children does not exceed 6 percent of the providing parent's gross income. In applying this standard, the cost of providing health care coverage is the parent's net cost of adding the children to the parent's coverage (e.g., difference between self-only and family coverage) or adding the children to the existing coverage. (a) Parents with a net income below 133 percent of the federal poverty level or whose child is covered by Medicaid based on that parent's income should not be ordered to contribute toward or provide coverage, unless coverage is obtainable without any financial contribution by that parent. (b) A parent's cost for providing health care coverage is unreasonable if the parent's total current obligation for support, child care expenses, ordinary health care expenses, plus the parent's net share of health care insurance exceeds 50 percent of the parent's regular aggregate disposable earnings. (3) Accessible to the Child Health care coverage is presumed accessible if primary care services are covered within 30 miles or 30 minutes from any of a child's residences. Coverage may be considered at greater times and distances in areas where residents normally travel longer to access primary care services.
3.05(B) Responsibility to Insure (1) When ordering child support, the court must order one of the parents to maintain health care coverage that is accessible to the children and available to the parent at a reasonable cost. MCL 552.605a(2) requires the presumptive use of this manual to determine whether coverage is accessible and available at a reasonable cost, and also permits the court to exercise discretion when ordering coverage. (a) To prevent duplicate coverage, extra costs, and avoid unnecessary enforcement actions, only one parent should be ordered to maintain coverage.	3.05(B) Responsibility to Insure (1) When ordering child support, the court must order one of the parents to maintain health care coverage that is accessible to the children and available to the parent at a reasonable cost. MCL 552.605a(2) requires the presumptive use of this manual to determine whether coverage is accessible and available at a reasonable cost, and also permits the court to exercise discretion when ordering coverage. (a) To prevent duplicate coverage, extra costs, and avoid unnecessary enforcement actions, only one parent should be ordered to maintain coverage.

(b) The court should avoid routinely requiring both parties to provide coverage. MCL 552.605a(2) allows ordering both parents to maintain coverage when both parents already provide coverage or both agree to provide coverage. (2) Many factors may be used to determine which parent should maintain employer, group, individual, or public coverage for their children. When comparing plans, consider factors like: the accessibility and comprehensiveness of covered services, likely continuation of coverage, affordability of deductibles and co-payments, and reasonableness of the premiums. (The supplement to this manual contains a guide to determine which parent should be ordered to maintain health care coverage. 2021 MCSF-S 3.02.) (3) The court may permit a parent to provide required coverage through alternative means, such as a spouse's or other household member's coverage or coverage provided by a nonparent-custodian (§4.01(D)(6)), provided that a parent is required to purchase coverage immediately should the alternative coverage stop.	(b) The court should avoid routinely requiring both parties to provide coverage. MCL 552.605a(2) allows ordering both parents to maintain coverage when both parents already provide coverage or both agree to provide coverage. (2) Many factors may be used to determine which parent should maintain employer, group, individual, or public coverage for their children. When comparing plans, consider factors like: the accessibility and comprehensiveness of covered services, likely continuation of coverage, affordability of deductibles and co-payments, and reasonableness of the premiums. (The supplement to this manual contains a guide to determine which parent should be ordered to maintain health care coverage. 2025 MCSF-S .) (3) The court may permit a parent to provide required coverage through alternative means, such as a spouse's or other household member's coverage or coverage provided by a nonparent-custodian (§(6)), provided that a parent is required to purchase coverage immediately should the alternative coverage stop.
3.05(C) Health Care Premium Allocation (1) The children's net determinable portion of health insurance premiums paid by the parents to cover the children should be apportioned according to each parent's percentage share of family income. §3.01(B)(2). (a) The difference between the parents' shares of the net determinable amounts should be included (as an addition or subtraction) as part of the support payment. (b) Adjust base support by adding the net health care premium attributable to the children (whether positive or negative) to the base support obligation after applying the parental time offset formula. (c) If the parent provides insurance for the children-in-common using a spouse's or household member's benefits, consider amounts paid by the parent's household as the parent's premiums paid to insure the children. (2) Subject to §4.01(D)(5), allocate the children's net health care premiums for parent-provided insurance between the parents according to the following steps. (a) Determine each parent's monthly net health care premium attributable to the children by dividing the net premium (actual cost to the parent after subtracting any tax credits, subsidies, other reimbursements, and amount deducted for self-	3.05(C) Health Care Premium Allocation (1) The children's net determinable portion of health insurance premiums paid by the parents to cover the children should be apportioned according to each parent's percentage share of family income. §(2). (a) The difference between the parents' shares of the net determinable amounts should be included (as an addition or subtraction) as part of the support payment. (b) Adjust base support by adding the net health care premium attributable to the children (whether positive or negative) to the base support obligation after applying the parental time offset formula. (c) If the parent provides insurance for the children-in-common using a spouse's or household member's benefits, consider amounts paid by the parent's household as the parent's premiums paid to insure the children. (2) Subject to §(5), allocate the children's net health care premiums for parent-provided insurance between the parents according to the following steps. (a) Determine each parent's monthly net health care premium attributable to the children by dividing the net premium (actual cost to the parent after subtracting any tax credits, subsidies, other reimbursements, and amount deducted for self-coverage under §2.07(F) by the number of

coverage under §2.07(F) by the number of individuals covered and multiply by the number of children covered in this case. (b) Prorate each parent's monthly health care premium attributable to the children by multiplying it and the other parent's percentage of family income. (c) Offset the prorated premiums attributable to the children by subtracting the support recipient's share of the support payer's premium from the payer's share of the recipient's premium, and round to the nearest cent. (Note: A positive net result means an additional amount must be paid to cover the payer's share of the support recipient's premium, while a negative result means a reduction in base support to offset the support recipient's share of the payer's premium).	individuals covered and multiply by the number of children covered in this case. (b) Prorate each parent's monthly health care premium attributable to the children by multiplying it and the other parent's percentage of family income. (c) Offset the prorated premiums attributable to the children by subtracting the support recipient's share of the support payer's premium from the payer's share of the recipient's premium, and round to the nearest cent. (Note: A positive net result means an additional amount must be paid to cover the payer's share of the support recipient's premium, while a negative result means a reduction in base support to offset the support recipient's share of the payer's premium).

APPENDIX B.2: DETAILED COMPARISON OF STATE MEDICAL SUPPORT PROVISIONS

This Appendix details differences in state guidelines provisions for medical support. It compares the treatment of:

- Out-of-pocket healthcare costs;
- Proration of healthcare expenses between the parents;
- Thresholds for considering reasonable cost of healthcare coverage/medical support;
- Standardized amounts of ordinary medical expenses; and
- Reimbursement process for unexpected, extraordinary medical expenses (e.g., emergency medical services).

Out-of-Pocket Health Care Costs

Exhibit B-3 illustrates that states vary on whether they subdivide the costs of out-of-pocket healthcare costs between ordinary and extraordinary expenses; among those that do, they vary in the terms they use, thresholds for discerning between ordinary and extraordinary expenses, and precise definition Exhibit B-3 shows the guidelines provisions from income shares states in the Great Lakes region (i.e., Illinois, Indiana, Michigan, Minnesota, and Ohio), as well as Connecticut, Pennsylvania, and Virginia. Like Michigan, Pennsylvania ranks in the top ten of most populous states, but the Pennsylvania guidelines are more typical of guidelines nationally than the Michigan guidelines. Other states surrounding Michigan also have less typical guidelines. Connecticut and Virginia are included because they are the only two income shares guidelines to not provide a standardized amount for ordinary out-of-pocket medical expenses. Instead, all out-of-pocket medical expenses are prorated between the parents. Wisconsin, which relies on a percentage-of-obligor income guidelines, also does not provide a standardized amount.

Exhibit B-2: Examples of how State Guidelines Address the Out-of-Pocket Medical Expenses of the Child

State	Definition
CT	(3**) Payment of unreimbursed expenses** An order shall be made under this subdivision for payment of the child's medical and dental expenses that are not covered by insurance or reimbursed in any other manner. (**C) Cash Medical Support** The health care coverage requirement may include cash medical support as described in clauses (i) or (ii) of this subparagraph. (i) … paid to the cost of premiums…. (ii) An amount ordered to be paid either directly to a medical provider or to a person obligated to pay a medical provider, toward any ongoing extraordinary health care expenses of the child that are not covered by insurance or reimbursed in any other manner, provided such expenses are documented and identified specifically on the record.
IL	**(4) Health care to be addressed by the court.**

	(A) A portion of the basic child support obligation is intended to cover basic ordinary out-of-pocket medical expenses… (B) The court, in its discretion, may order either or both parents to contribute to the reasonable health care needs of the child not covered by insurance, including, but not limited to, unreimbursed medical, dental, orthodontic, or vision expenses and any prescription medication for the child not covered under the child's health insurance.
IN	**Ordinary uninsured health care expenses** are paid by the parent who is assigned to pay the controlled expenses (the parent for whom the parenting time credit is not calculated) up to six percent (6%) of the basic child support obligation (Line 4 of the Child Support Obligation Worksheet). Extraordinary health care expenses are those uninsured expenses which are in excess of six percent (6%) of the basic obligation, and would include uninsured expenses for chronic or long term conditions of a child.
MI	**3.04(B) Ordinary Medical Expense Obligations** (1) In order to reimburse the support recipient's qualifying medical expenditures for the children within the same calendar year, almost every support order should set an appropriate annual ordinary medical expense amount for the children and apportion payment of the annual amount between the parents according to each parent's percentage share of family income. (2) When setting the annual amount, presume that the amount listed for the appropriate number of children in Ordinary Medical Expense Average Table (found in the supplement) is the amount that will be spent on ordinary medical expenses. Amounts may be added to the Table amounts to compensate for higher uninsured expenses that can be predicted in advance (e.g., orthodontia, special medical needs, or ongoing treatments). (3) The court may determine that no ordinary medical expense amount is appropriate and treat all qualifying medical expenses as additional medical expenses (§3.04(A)(4)) when any following circumstance exists: (a) both parents routinely take one or more children-in-common for medical care and incur qualifying medical expenses, (b) the support payer will likely incur most qualifying out-of- pocket costs for the children, (c) an incapacitated payer's base support obligation is set at zero (§4.02), or (d) the recipient has an employer-paid benefit (e.g., health reimbursement arrangement) that pays the recipient's initial out-of-pocket expenses for the children.
MN	**518A.41 MEDICAL SUPPORT.** (g) "Unreimbursed health-related expenses" means a joint child's reasonable and necessary medical and dental expenses if a joint child is covered by health care coverage and health care coverage does not pay for the total cost of the expenses when the expenses are incurred. Unreimbursed health-related expenses do not include the cost of premiums. Unreimbursed health-related expenses include, but are not limited to, deductibles, co-payments, and expenses for orthodontia, and prescription eyeglasses and contact lenses, but not over-the-counter medications if provided through health care coverage. **Medical support costs; unreimbursed and uninsured health-related expenses.** (a) Unless otherwise agreed to by the parties and approved by the court, the court must order that the cost of private health care coverage and all unreimbursed and uninsured health-related expenses be divided between the obligor and obligee based on their proportionate share of the parties' combined monthly PICS.
OH	"Cash medical support" means an amount ordered to be paid in a child support order toward the ordinary medical expenses incurred during a calendar year. (7) "Extraordinary medical expenses" means any uninsured medical expenses incurred for a child during a calendar year that exceed the total cash medical support amount owed by the parents during that year.
PA	(c) Unreimbursed Medical Expenses. The trier-of-fact shall allocate the obligee's or child's unreimbursed medical expenses. … (1) Medical Expenses. (i) For purposes of this subdivision, medical expenses are annual unreimbursed medical expenses in excess of $250 per person.

	(ii) Medical expenses include insurance co-payments and deductibles and all expenses incurred for reasonably necessary medical services and supplies, including but not limited to surgical, dental and optical services, and orthodontia. (iii) Medical expenses do not include cosmetic, chiropractic, psychiatric, psychological, or other services unless specifically directed in the order of court.
VA	D. ….any child support order shall provide that the parents pay in proportion to their gross incomes, as used for calculating the monthly support obligation, any reasonable and necessary unreimbursed medical or dental expenses. …. medical or dental expenses shall include but not be limited to eyeglasses, prescription medication, prosthetics, orthodontics, and mental health or developmental disabilities services, including but not limited to services provided by a social worker, psychologist, psychiatrist, counselor, or therapist
WI	`The court shall also establish an order for medical expenses that are not covered by insurance. The court shall consider each parent's ability to pay these medical expenses.

Illinois and Pennsylvania include the first $250 per child per year of the child's medical expenses within their child support tables (which is the equivalent of Michigan's general care tables). Illinois does not state the $250 threshold in its guidelines, but the threshold can be found in the technical documentation of the Illinois guidelines. When this was written, Indiana claimed that ordinary medical expenses were included in its child support table, and they were 6% of the basic obligation amounts.[6] Ohio, like Michigan, does not include any medical expenses within its child support table, but adds a standardized amount in the child support calculation. That standardized amount is set administratively, although the Ohio guidelines is set in statute.

Exhibit B-2 also shows several states (i.e., Illinois and Ohio) define ordinary medical expenses similar to Michigan, although the threshold amount differs. Several states use different terms and slightly different definitions. Illinois uses "basic ordinary" to describe the expenses incorporated in the Illinois child support table. What Michigan calls extraordinary, however, Illinois calls "uninsured/uncovered," and does not use a threshold to discern between ordinary and extraordinary. Connecticut uses the term "extraordinary" to describe healthcare expenses but uses the term differently than Michigan. Connecticut uses it to classify an expense as "cash medical support," which is a federal term that encompasses several different types of medical child support orders expressed as a dollar amount (e.g., the dollar amount owed by one parent to the other for the child's health insurance premium). Minnesota uses the term "unreimbursed and uninsured." Some states (e.g., New Jersey and Virginia) give examples of what is an extraordinary or unreimbursed or uninsured expense. The examples include prescription medication, orthodontia, expenses for chronic health conditions, and other expenses. No state specifies that remedial medical expenses shall not be included like Michigan does. Pennsylvania

[6] Due to changes at low and high income in the Indiana table over time, it actually did not include 6% at every income level. Further, at the time this appendix was written, Indiana was reviewing its guidelines and leaning toward removing all medical expenses from its table. Instead, all medical expenses would be treated as add-ons to base support.

notes that it shall not include cosmetic, chiropractic, and other expenses unless directed between the courts.

Proration of Expenses between the Parents

Proration of healthcare expenses between the parents is consistent with the income shares guidelines model that allocates child-rearing expenses between the parents based on each parent's share of their combined income. Most states (42 states including Michigan and the District of Columbia) rely on the income shares model. Some non-income shares states also prorate the expenses between the parents.

Like Michigan, several states note exceptions for low-income parents and when the parent of the children is covered by the state's Medicaid plan. The details of these state provisions are generally not as thorough as the Michigan provisions. The thresholds for not including a low-income parent's prorated share of medical expenses vary among the states addressing this specific use. For example, Michigan provides that a parent whose net income is below 133% of federal poverty should not be ordered to contribute toward or provide private coverage unless it obtainable without any financial contribution by that parent. In contrast, New Jersey has a similar provision but uses 200% of federal poverty as its threshold.[7]

Reasonable Cost Threshold

As noted earlier, federal regulation requires states to set a threshold for determining whether the cost of healthcare is reasonable to the parent providing it for the child. The threshold need not appear in the state guidelines but must be used when setting a medical child support order in IV-D cases. Federal regulation suggests a threshold of 5% of gross income but encourages states to set an amount appropriate for their state. It does not require that it be based on gross income. This allows for consistency between the income base for reasonable cost and the guidelines income base. For example, Pennsylvania sets its threshold at 5% of net income because the Pennsylvania guidelines relate to net income. (States are mixed whether they rely on gross or net income as their guidelines base.) Michigan bases its threshold on gross income but uses net income for the calculation of base support. It does not appear to be a problem in Michigan probably because many Michigan guidelines users rely on an automated guidelines calculator that addresses the differences between gross and net income automatically. Using net income as the base instead of gross income for the same percentage (e.g., 5%) essentially produces a lower threshold (e.g., 5% of a net income of $2,000 per month would be $100 while the gross equivalent of $2,000 is much higher). For example, say a net income of $2,000 was equivalent to $2,500 gross per month. If so, $100 is 4% of $2,500 gross per month, while 4% of $2,000

[7] U.S. Department of Health and Human Services. (Jul. 21, 2008). "Child Support Enforcement Program: Medical Support." *Federal R*egister. Vol. 73, No. 140. P. 42428. https://www.govinfo.gov/content/pkg/FR-2008-07-21/pdf/E8-15771.pdf.

net per month is $80. This illustrates that applying a net-income threshold yields a lower dollar threshold than a gross-income threshold.

The thresholds used by states range from 4% to 12%.[8] Wisconsin has the highest threshold among Great Lake states. It sets its threshold at 10% of gross income. The advantage of a higher threshold is more private healthcare plans would be deemed reasonable in cost. The disadvantage is affordability to the parent paying the expense.

Texas, which relies on a percentage-of-obligor income guidelines model, is unusual in that it provides a separate reasonable cost threshold for dental insurance (i.e., 1.5% of the obligor's annual resources). The Texas threshold for reasonable cost of health insurance is 9% of the providing parent's annual resources, which is essentially after-tax income.

States are also mixed on whether the threshold applies just to the cost of the child's healthcare plan or the healthcare plan and the parent's share of the child's out-of-pocket expenses. Michigan also provides that if base support, childcare expenses, ordinary healthcare expense, and the parent's net share of healthcare insurance exceeds 50% of the parent's disposable earnings, the cost of providing healthcare coverage is unreasonable. The advantage of the more inclusive definition is it is more sensitive to the parent's affordability. One disadvantage of the more inclusive definition is that it is not feasible to consider unpredictable out-of-pocket medical expenses incurred for the child.

Step at Which Standardized Ordinary Medical Expenses Are Considered

Most states based on the income shares model include a standardized amount of ordinary medical expenses within their child support table, which would be equivalent to Michigan's general care tables. Michigan and Ohio are the only states that provide a standardized amount outside their tables. The major advantages of including it outside the table are that it is transparent and can be updated without updating the entire child support table. The major disadvantage is it adds a step in the child support calculation.

Standardized Amount of Ordinary Medical Expenses in State Guidelines

Most income shares guidelines incorporate ordinary medical expenses of $250 per child per year into their child support tables. This is loosely based on data from the Medical Expenditure Panel Survey (MEPS) conducted by the U.S. Department of Health and Human Services Agency for Healthcare Research and Quality (AHRQ) in various years. For example, the 2015 MEPS found that the average out-

[8] Venohr, Jane C. (Dec. 2013). "Medical Support in Today's Child Support Guidelines and the Affordable Care Act." *CommuniQu*e, National Child Support Enforcement Association, Washington, D.C.

of-pocket medical expense per child was $271 per year.[9] Ohio sets its standardized amount of ordinary medical expenses at $388.70 per child per year but relies on median out-of-pocket expenses incurred for children with *private insurance* according to the 2017 MEPS. In 2021, Michigan set its amount at $454 per child per year. The underlying data source was also the MEPS but out-of-pocket expenses incurred for all children regardless of source of healthcare coverage and updated for changes in medical prices for Detroit.

Both Connecticut and Virginia include no medical expenses within their child support tables and do not provide a separate amount like Ohio and Michigan do. The major advantage of having no standardized ordinary medical expense amount is that it recognizes that healthcare costs are not a "one size fits all"; rather, they vary significantly depending on the child's primary source of healthcare coverage (e.g., private insurance or Medicaid) and whether the child has special or extraordinary medical expense needs. The disadvantage of not including a standardized amount is that most children incur some expenses; hence, when there is none in the child support guidelines, this means parents must track all out-of-pocket expenses for the children and share the information with the other parent to obtain reimbursement. This can be burdensome. Michigan only requires the tracking for out-of-pocket medical expenses that are deemed to be extraordinary.

Reimbursement Process

Few state guidelines specify how a parent shall obtain reimbursement from the other parent for extraordinary out-of-pocket expenses. Michigan is one of them. Indiana, where its child support guidelines is issued through court rule, provides commentary in its guidelines that encourages parents to spell out a schedule for periodic payment of uninsured expenses suitable to the child's condition (e.g., a chronic medical condition may necessitate weekly payment). Minnesota requires that the medical support order address how unreimbursed or uninsured health-related expenses will be allocated between the parents but does not provide suggestions.

Other States that Consider Health-Related Tax Benefits

Ohio, like Michigan, also provides for the consideration of premium subsidies or tax credits when determining the cost of healthcare coverage for the children. The New Jersey guidelines identify the tax advantages of paying for a child's health insurance as a deviation criterion. Arizona's last guidelines review committee specifically considered the possible impact of HSAs and FSAs on the child's healthcare costs to determine whether they should be addressed within the child support guidelines. The committee concluded that the tax benefits from a parent contributing to either are small and difficult to calculate. For example, a parent with an annual income between $25,000 and $100,000 who

[9] U.S. Department of Health & Human Services Agency for Healthcare Research and Quality. (n.d.). *Medical Expenditure Panel Survey.* Retrieved from https://www.meps.ahrq.gov/mepsweb/data_stats/meps_query.jsp.

contributed $2,500 per year to an HSA or FSA would incur a tax savings of about $21 to $36 per month.[10] Due to this, they recommended that if there were issues with medical expenses being paid with pre-tax dollars, the court could deviate if appropriate. The Arizona committee did not address HRAs.

[10] Arizona Family Court Improvement Committee and Subcommittee for a Review of the Child Support Guidelines. (Mar. 2021). *Report and Recommendations.* Retrieved from https://www.azcourts.gov/Portals/31/2021ReportFCICCSGRS.pdf?ver=2021-04-14-192637-967.

APPENDIX C: TIMESHARING ADJUSTMENTS

This appendix has three sub-appendices:

- Appendix C.1: Comparison of State Timesharing Adjustments
- Appendix C.2: Documentation of Data Assumptions Used to Compare Types of Childrearing Expenditures
- Appendix C.3: Professor David Betson's Analysis

APPENDIX C.1: COMPARISON OF STATE TIMESHARING ADJUSTMENTS

Exhibit C-1, which was shown as Exhibit 45 in Chapter 6, summarizes the types of formulas used by states. It is repeated as a convenience to the reader.

Exhibit C-1: Types of Timesharing Formulas in State Child Support Guidelines

Formula	States
Cross-Credit with 1.5 Multiplier	18 states (AL, AK, CO, DC, IL, ID, FL, LA, ME, MD, NE, NC, NM, SC, SD, VT, WY, WI) and IA* for equal custody
Cross-Credit with No or Alternative Multiplier	6 states (CA, MT, NV, OK, VA, WV)
Offset (Special Case of Cross-Credit Formula)	1 state (RI) and ND* for equal custody
Simple Percentage or Sliding Scale Adjustment	6 states (AZ, DE, IA*, KS, KY, OH)
Per Diem Adjustment	5 states (HI, PA, ND*, TN, UT)
Consideration of Transferable and Fixed Expenses	3 states (IN, MO, NJ)
Non-Linear Formulas	3 states (MI, MN, OR)
Unique Formula	1 state (MA)
States with a Formula	43 states
States without a Formula	8 states (AR, CT, GA, MS, NH, NY, TX, WA)

* State is listed twice because it has two different formulas depending on the amount of time.

The Cross-Credit Formula and Offset Formula

The cross-credit formula was described in Chapter 6. A theoretical order is determined for each parent; the theoretical order is weighed by the child's percentage of time with the other parent; the weighed theoretical orders are offset against each other; and the parent owing the larger amount owes the difference as base support. Most cross-credit formulas also require that a state-determined threshold of timesharing be met by both parents before the adjustment is applied (i.e., each parent has at least 25–40% timesharing). Without the threshold, the cross-credit formula adjusted for duplicated expenses can yield an amount more than the guidelines-determined amount for sole custody.

Most cross-credit formulas increase the basic obligation (which is equivalent to the General Care amount before it is prorated between the parents) by 50% to approximate the percentage of child-rearing expenditures that are duplicated between the parents (this is noted as 150% in Exhibit C-1

because 100% is the cost of child-rearing expenses in one household and 50% is added for the duplicated child-rearing expenses). It presumes that both parents must incur housing expenses for the child and some transportation expenses. Project staff for the 1983–87 National Child Support Project conceived of the 50% adjustment and incorporated it into timesharing formula that was subsequently adapted by many states.[11] Montana and Nevada do not include a multiplier, Virigina uses a multiplier of 40%, West Virginia uses a multiplier of 60%, and California and Oklahoma rely on variable multipliers. Oklahoma's multiplier becomes smaller with more timesharing, and California's is based on the percentage of time with the payer-parent so the multiplier becomes larger with a greater share of timesharing. There is no theoretical basis or empirical data to support either the California or Oklahoma approach.

The offset formula is a special case of the cross-credit formula. The offset formula only works at 50/50% timesharing. It is based on the difference of each parent's prorated share of the basic obligation (called the General Care amount in Michigan.)

The major strengths of the cross-credit formula are that it has a theoretical basis, and it is explainable–explicitly, a theoretical order is calculated for each parent based on the percentage of time the child is with the other parent; the parent with a higher theoretical order pays the difference between the two theoretical orders. The major limitation of the cross-credit formula is that it often results in a "cliff effect" (precipitous decrease in the order amount once the timesharing threshold is met particularly if the payee-parent has substantial income).[12] Exhibit C-2 compares the outcomes of the existing Michigan parental offset equation to the cross-credit formula used in two of Michigan's neighboring states: Illinois and Wisconsin. Both states rely on a 150% multiplier. Illinois requires at least 146 overnights per year (40% timesharing) for the adjustment to apply and Wisconsin requires at least 92 overnights (25% timesharing) for the adjustment to apply. The scenario assumes one child and that the parents have equal income ($3,000 net per month). The Illinois and Wisconsin cross-credit formulas are applied to the existing Michigan General Care Formula for this scenario. A limitation to Exhibit C-2 is the horizontal axis jumps from 0% to 16% timesharing, then considers 1% increases to timesharing. The jump from 0% to 16% (58 overnights, which is about two weekends per month and a week in the summer) artificially creates a small decrease in the previous Michigan formula that relied on an exponent of 2.0 (power = 2.0). The jump is due to space limitations on the graph (i.e., there is not enough space to show the levels at 1%, 2%, and so forth until 15%). Nonetheless, the setup of Exhibit C-2 is effective at showing changes above 16% timesharing.

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[11] More information about the prototype income shares model can be found in National Center for State Courts. (1987). Michigan did not adopt the cross-credit formula. *Development of Guidelines for Child Support Orders, Final Report.* Report to U.S. Department of Health and Human Services, Office of Child Support Enforcement, Williamsburg, VA.

[12] A recent paper published on behalf of the National Parents Organization suggests the multiplier issue can be corrected by applying the multiplier to the percentage of parenting time rather than the basic obligation (which is called the general care equation in Michigan) and letting that multiplier vary with percentage of time the child is with each parent. See Piskor, George. (Jul. 31, 2023). *The Refined Multiplier Model for Parenting Time Adjustments in Child Support Determination.* National Parents Organization. In 2024, a legislative bill was introduced to allegedly adopt the refined multiplier model in New Hampshire (see HB 1595-FN at https://gencourt.state.nh.us/bill_status/billinfo.aspx?id=1386&inflect=2). The New Hampshire version essentially is the cross-credit with no multiplier when both parents have at least 33% timesharing.

Exhibit C-2: Illustration of the "Cliff Effect" in the Cross-Credit Formula

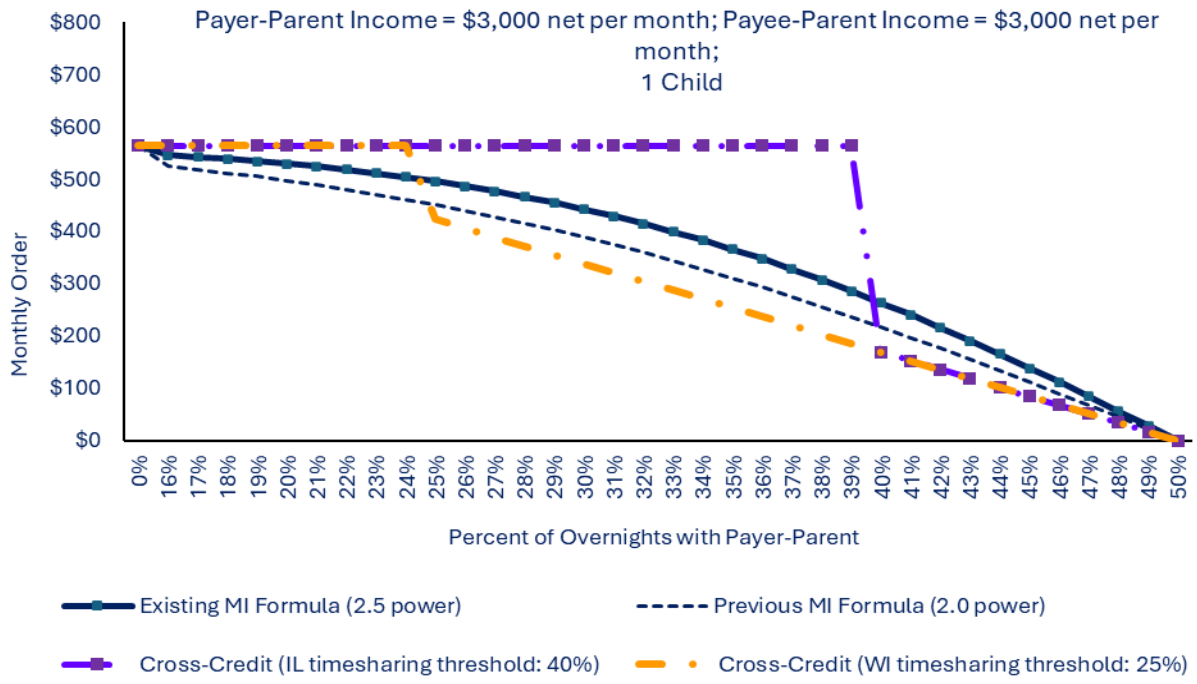

Exhibit C-2 shows a dramatic decrease in the order amount (i.e., cliff effect) at 40% timesharing when the Illinois cross-credit formula is applied to the General Care Equation. Exhibit C-2 also shows a less precipitous cliff effect for Wisconsin at 25% timesharing. The cliff effect is not the same for all income scenarios; rather, it depends on the income disparity of the parents. There is less cliff effect when the payee-parent has no income. The cliff effect becomes larger the more income the payee-parent has.

Exhibit C-2 shows that the current Michigan parental time offset tracks above the cross-credit formula once the cross-credit formula is applied; and that the parental time offset would track closer to the cross-credit if an exponent of 2.0 were used. In addition, the slope (change in the order amount as the payer-parent has more time) increases at an increasing rate under the parental time offset formula; this is the mathematical outcome from small timesharing adjustments at low levels of timesharing that become larger as timesharing approaches equal.

Simple Percentage or Sliding Scale Percentages

Simple percentages or sliding scale percentages are easy to use and explain the amount of the adjustment. Ohio, which neighbors Michigan, provides a simple percentage formula in its child support guidelines. It consists of two parts: a 10% reduction to the payer-parent's share of the Ohio equivalent to the general care amount when there is court-ordered parenting time of at least 90 overnights per year; and a deviation factor for at least 147 overnights because it is near equal custody. It also requires

the court to explain why they did not deviate if they do not when there are at least 147 overnights. Ohio developed this formula as a compromise to input from a wide range of Ohio stakeholders where there was no consensus about the best adjustment formula.

The major limitations to simple percentages and sliding scale percentages are cliff effects (precipitous decreases) as the child's time with the payer-parent increases from one time-range bin to the next (i.e., the threshold for a time bin has the same effect as the threshold in the cross-credit formula); they do not adhere to a theoretical basis, and there is generally no economic data to support their basis.

Per-Diem Formulas

A few states provide a per-diem adjustment, which essentially is a percentage adjustment for timesharing above a state-determined timesharing threshold. The strength of per-diem adjustments is the concept is simple. Although the concept is simple, the mathematical formulas are not simple; rather, they are difficult to calculate and even appear difficult when written in mathematical form. In other words, the intuition becomes lost once set in an equation. Another limitation is that many childrearing expenses (e.g., housing) really should not be converted to a per-diem amount because rents and mortgage payments are monthly bills and other expenses (e.g., clothing) are not consumed at a per-diem rate.

Non-Linear Formulas

As shown in Exhibit C-1, the Michigan Parental Offset formula is considered a non-linear formula. Minnesota, which uses the Michigan Formula with an exponent of 3.0, and the Oregon timesharing formula are also non-linear formulas. The formulas are non-linear because they include exponential functions of time (i.e., multiple the parent's timeshare by itself twice if the exponent is 2.0, multiple the parent's timeshare by itself thrice if the exponent is 3.0, and so forth).

Oregon Formula

As part of its 2012 guidelines review, Oregon developed its existing formula to improve on the shortcomings of the cross-credit formula, which Oregon previously used. The 2012 Oregon review committee started with a concept of what an ideal formula should do. This included starting with zero credit for no parenting time, producing small percentage credits as the lesser-time parent gains more parenting time (explicitly, a 13% credit for 25% timesharing), increasing rapidly to a 50% credit near 50% timesharing based on the assumption that when there is 50% timesharing, childrearing expenditures are equally shared between the parents, and then gradually increase again to a 100% credit at 100% parenting time.[13] In addition, the committee believed that the formula should not produce dramatic changes from the Oregon's existing cross-credit formula. A mathematics professor and computer engineer translated the committee's concept into the following formula.

[13] Oregon Child Support Program. (Mar. 2012). *Guidelines Advisory Committee Report and Recommendations.* Retrieved from https://justice.oregon.gov/child-support/pdf/guidelines_advisory_committee_report_and_recommendations_2011-12.pdf.

Percentage credit = 1/(1+e^(-7.14*((overnights/365)-0.5)))-2.74%+(2*2.74%*(overnights/365))

Oregon converted the formula into a table for ease of use. It results in a 0.07% credit for one overnight per year, a 0.14% credit for two overnights per year, a 0.21% credit for three overnights per year, and so forth, up to a 49.75% credit for 182 overnights—effectively a 50.0% credit for 182.5 overnights. (The results of the Oregon Formula are compared to the Michigan Parental Offset formula later.)

The strengths of non-linear formulas are there are no cliffs (precipitous decreases) with more timesharing, they can adjust for one night (which is an arguable strength depending on the policy perspective), and they produce a zero order when there is equal income and equal timesharing (which is an arguable strength, depending on the policy perspective). The limitations of non-linear formulas are they are complicated to calculate, difficult to explain, and the amount of the adjustment is independent of the distribution of income between the parents (which is inconsistent with the principle of each parent being responsible for their prorated share in the income shares model). Michigan also has concerns about whether it appropriately adjusts for childrearing expenditures incurred and transferred in each parent's household when the parents have disparate incomes.

Formulas that Consider Transferable and Duplicated Expenses

Indiana, Missouri, and New Jersey formulas are based on the concept that some childrearing expenditures are transferable between parents, while others are fixed (i.e., cannot be transferred). At low levels of timesharing, the adjustment is for transferable expenses only. When timesharing becomes more substantial, the adjustment also considers duplicated, fixed expenses (e.g., housing expenses for the child). Since all states using this formula rely on the income shares model, it is assumed that the parents will share in duplicated, fixed expenses (and non-duplicated, fixed expenses) based on their prorated share of income. However, transferable expenses are allocated usually between the parents based on each parent's percentage of time.

Transferable expenses are those that are transferable between the parents, depending on which parent has time with the child (hence, also called time-variable expenses). For example, food expenses are typically considered a transferable childrearing expense.[14] If one parent buys the child food, there is no need for the other parent to purchase food also. Some states (e.g., Indiana) discern between duplicated and unduplicated, fixed costs. Duplicated, fixed costs are those child-rearing expenses that both parents incur and the other parent's time with the child does not reduce that expense for the first parent (e.g.,

[14] Whether the amount transferred for food expenses is one-to-one (i.e., each dollar the payer-parent spends on the child's food reduces the payee-parent's food expense for the child by a dollar) is arguable. When Pennsylvania incorporated a timesharing adjustment in its equivalent to the Michigan General Care table, it assumed that amount transferred was not a one-to-one ratio because of volume discounting (e.g., the cost of milk differs depending on whether it was purchased as a pint or gallon). See Venohr, Jane. (Mar. 2016). *2015–2016 Pennsylvania Child Support Guidelines Review: Economic Review and Analysis of Case File Data*. Retrieved from https://www.pacourts.us/storage/rules/2015%202016%20Pennsylvania%20Child%20Support%20Guidelines%20Review%20Econonic%20Review%20and%20Analysis%20of%20Case%20File%20Data%20-%20005119.pdf.

housing for the child). Non-duplicated, fixed costs are child-rearing expenses that are not affected by the parent's time and are not duplicated (also called controlled expenses because they are controlled by one parent). For example, the child has one set of clothes that are generally not duplicated. Due to the non-duplicated, fixed costs, one parent incurs more child-rearing expenditures even in equal custody and equal income situations. That is, one parent buys the child's clothes, cellphone, and other non-duplicated, fixed items. This means the order is never zero in Indiana (which embraces this concept) when the parents have equal incomes and equal timesharing. The New Jersey formula also provides for a non-zero order when there are equal incomes and equal timesharing due to non-duplicated, fixed costs. Missouri, however, provides for court discretion when circumstances involve equal incomes and equal custody.

The strengths of transferable/fixed cost formulas are that they have a theoretical basis, they consider the breakdown of actual childrearing expenditures, they adhere to the income shares principle that each parent is responsible for their prorated share of child-rearing expenditures (at least those that are fixed), and they generally make it clear which parent is responsible for the child's clothing and school expenses. The limitations of transferable/duplicated cost formulas are they are complicated to calculate, there is not definitive data on what percentage of childrearing expenditures fits into each category, they do not allow for a zero order when there is equal income and equal custody (which is actually an arguable limitation depending on the underlying policy premise), and they do not always flip the paying parent to the greater-time parent when the greater-time parent is also the parent with greater income. (The Indiana formula can mathematically, but the Missouri formula cannot.) Determining which parent is responsible for non-duplicated, fixed expenses also can be challenging, but both Indiana and Missouri provide clear guidance. Indiana has almost two decades of experience with the successful implementation of its adjustment, which complements its parenting-time guidelines and encourages the filing of a parenting plan with the courts. New Jersey provides that the parent closest to the child's school is the parent responsible for controlled expenses when there is equal custody.

APPENDIX C.2: CALCULATING COMPARABLE BUDGET SHARES

Exhibit 53 in Chapter 6 shows the budget shares from four different studies:

- Professor David Betson's compilation from families with children participating in the 2013–2019 Consumer Expenditure Survey (more detail is provided in Exhibit C-4);
- The United States Department of Agriculture study of child-rearing expenditures;[15]
- The Comanor study of child-rearing expenditures;[16] and
- The Texas study of child-rearing expenditures.[17]

Exhibit C-3 summarizes how the studies differ in their underlying data sources, data years, number of children considered, incomes considered geographies and in other ways. It also summarizes the adjustments made to the studies to make them comparable.

Some of the major data limitations of the studies are highlighted below.

- ***A study's methodology may bias estimated child-rearing expenditures for a particular category as well as the estimated total amount of child-rearing expenditures.*** This is of particular concern of the USDA, Comanor, and Texas estimates, which estimate child-rearing expenditures for a particular category; and, in turn, sum them to estimate total child-rearing expenditures. If an estimation methodology for a particular category of expenditures has an upward (downward) bias, this will upwardly (downwardly) bias the percentage. This bias extends to all categories of expenditures because a bias in just one category will bias the total child-rearing expenditures. If the bias is upward (downward) in one category, the bias will be downward (upward) in other categories. If total expenditures are underestimated (which is clearly a problem for the Comanor estimates, which do not include all miscellaneous expenses), the percentage for a particular category would be overstated.

  This is not of concern about the Betson percentages because they are not estimates; rather, they are just descriptive statistics of actual expenditures reported from families participating in

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[15] Lino, Mark. (2017). *Expenditures on Children by Families: 2015 Annual Repor*t. U.S. Department of Agriculture, Center for Nutrition and Policy Promotion. Miscellaneous Publication No. 1528-2015, Washington, D.C. Table 4, p. 27. Retrieved from http://www.cnpp.usda.gov/publications/crc/crc2012.pdf.

[16] Texas Attorney General. (Aug. 2021). *Texas Child Support Guidelines Review Report 2021*. Retrieved from https://www.texasattorneygeneral.gov/sites/default/files/files/child-support/files/2022/Child%20Support%20Division%20Guidelines%20Review%202022.pdf.

[17] Comanor, William, Sarro, Mark, & Rogers, Mark. (2015). "The Monetary Cost of Raising Children." *In* (ed.) Economic and Legal Issues in Competition, Intellectual Property, Bankruptcy, and the Cost of Raising Children (*Research in Law and Economics*), Vol. 27). Emerald Group Publishing Limited, pp. 209–51; Comanor, William. (Sept. 21, 2021). *Presentation to Colorado Child Support Guidelines Commission.* University of California: Los Angeles and Santa Barbara; and Comanor, William. (Nov. 8, 2018). *Presentation to Nebraska Child Support Advisory Commission.* University of California: Los Angeles and Santa Barbara.

the Consumer Expenditure Survey (CE). However, as discussed below, the Betson percentages of family expenditures have other limitations.

Exhibit C-3: Comparison of Studies and Adjustments Made for Comparative Purposes

	Betson's Analysis of Family Expenditures	USDA's Estimate of Child-Rearing Expenditures	Comanor's Estimate of Child-Rearing Expenditures	Texas Estimate of Child-Rearing Expenditures
Data Source				
Base Unit	Family expenditures (i.e., expenditures for children and adults) living in intact families with children[a]	Child-rearing expenditures in intact families and single-parent families	Child-rearing expenditures in intact families	Child-rearing expenditures in intact family and single-parent families
Number of Children	Data were not compiled by number of children	1 child in a 2-child family	2 children[b]	2 children[b]
Income Ranges Considered	Divided into thirds: lowest, middle, and highest	Divided into thirds: lowest, middle, and highest	Divided into thirds: lowest, middle, and highest	No division by income range
Geography Considered	National	Urban Consumers in Midwest Region for intact families and US average for single-parent families	National	Texas
Data Year(s)	2013–2019	2015	2006–2009	Mostly 2019 but depends on data source
Primary Data Source	Consumer Expenditure Survey (CE)	Miscellaneous	Consumer Expenditure Survey (CE)	Miscellaneous
Expenditure Category				
Housing Expenses/ Marginal Cost of Renting Additional Bedroom	CE broad categorization of housing	Estimated cost of additional bedroom using CE data on shelter, utilities, house furnishings and equipment, and mortgage payments including principal and interest payments	CE broad categorization of housing	Marginal cost of adding a bedroom based on HUD Fair Market Rents weighted across Texas.
Food	CE broad categorization of food	Price of USDA Food Plans	CE broad categorization of food	Price of USDA Food Plans
Transport-ation	Includes all transportation expenses of the family regardless of whether work-related or not work-related	Estimate excludes work-related transportation	CE broad categorization of transportation; note that the estimation methodology should exclude work-related transportation	Estimate excludes work-related transportation
Clothing/ Apparel	CE broad categorization of apparel	CE broad categorization of apparel	CE broad categorization of clothing	Included in miscellaneous
Healthcare	CE categorization of healthcare	Medical Expenditure Survey Panel	CE categorization of healthcare	Medical Expenditure Survey Panel

	Betson's Analysis of Family Expenditures	USDA's Estimate of Child-Rearing Expenditures	Comanor's Estimate of Child-Rearing Expenditures	Texas Estimate of Child-Rearing Expenditures
Childcare and Education		The USDA states it uses the CE, but it is not clear how they combine childcare and education since they are reported under different categories	CE broad categorization of childcare and education[18]	Texas Child Care Market Survey Supplemental Report
Miscellan-eous	To better match the USDA categorization this includes entertainment, education and reading, personal care, and all other	USDA notes that this includes personal care items, entertainment, and reading material	The Comanor study only included entertainment, but not the other materials	Clothing, reading materials, care items, toys, and entertainment
Summary of Adjustments Made to Make the Estimates More Comparable				
	Reweighed information to exclude healthcare and alcohol and tobacco. Also excluded 10% of housing to adjust for childcare expenses incurred under personal services, which is a subcategory of housing	Reweighed to exclude healthcare and childcare and education. Ideally, education should be retained, but based on the available data it is likely to be small	Reweighed to exclude healthcare and childcare and education. Ideally, education should be retained, but based on the available is likely to be small	No re-weighing necessary because estimates were reported without healthcare and childcare

[a] Betson examined CE data to estimate total child-rearing expenditures using the Rothbarth methodology. The CE does not report for whom an expenditure item was made (e.g., whether food was purchased for the child, the adult or both) and Rothbarth methodology does not require separating child-rearing expenditures by expenditure category. Hence, Betson could not report budget shares for child-rearing expenditures. The closest unit readily available in the data was the household unit consisting of parents and at least one child.

[b] Since the USDA reports most of its data for one child living in a two-child family, two-child amounts were also used for the Comanor and Texas amounts.

- ***Details in Study Variations.*** The USDA, Texas and Comanor studies estimate child-rearing expenditures on a specific category than sum the amount expended on each category to estimate the total spent on children. The studies vary in the categories that they consider. Comanor considers six categories (e.g., housing, food, transportation, clothing, childcare, and education) when arriving at total amount in his presentations,[19] but Comanor et al. also considered healthcare and entertainment. It is likely that Comanor dropped these expenses because Comanor et al. found that families with children generally spend less on healthcare

[18] Although Comanor et al. states they use broad categories, the U.S. Bureau of Labor Statistics includes "baby-sitting; day care, nursey school, and preschool tuition" as "personal services" under the broad category "housing."

[19] For example, see Comanor, William. (Sept. 21, 2021). *Presentation to Colorado Child Support Guidelines Commission.* University of California: Los Angeles and Santa Barbara; and Comanor, William. (Nov. 8, 2018). *Presentation to Nebraska Child Support Advisory Commission.* University of California: Los Angeles and Santa Barbara.

than families without children; similarly, low-income families with children generally spend less on entertainment than low-income families without children.[20]

- ***The Betson percentages are for the household (which includes parents) not just for children***. Budget shares for children alone may differ from families with children; that is, the inclusion of expenditures made on behalf of the parents may tip the budget shares if expenditures on the children alone were considered. Expenditures on transportation illustrate this point. Transportation expenditures on families (which include transportation expenditures for the parents) would include work-related transportation expenses; whereas transportation expenses incurred for children would not. Besides transportation, there are other categories of expenditures that may result in the budget shares of the family (which includes the parents) not perfectly aligning with the budget shares for children only.

- ***The definitions of specific expenses vary between the studies.*** Because the Betson percentages are for the entire family, they also consider work-related transportation expenses and other transportation expenses for adults in the household. The other studies attempted to limit transportation expenses incurred for the child. The difference between the Betson transportation percentage and transportation percentages in other studies will likely cause the Betson transportation percentage to be more. **Exhibit C-3** also shows different definitions of miscellaneous expenses.

- ***Separating out childcare expenses and the child's healthcare expenses***. In the ideal, these expenses would be excluded before determining budget shares because the General Care Support Tables exclude them, but economists generally measure *all* child-rearing expenditures not just those that appear in child support tables. Nonetheless, the studies inconsistently included childcare and healthcare expenses. For example, the Comanor study found that households with children had lower healthcare costs than households without children.

[20] Comanor et al. suggest that various factors including public healthcare coverage for children contribute to families with children spending less on healthcare than families without children. See Comanor, William, Sarro, Mark, & Rogers, Mark. (2015). "The Monetary Cost of Raising Children." *In* (ed.) Economic and Legal Issues in Competition, Intellectual Property, Bankruptcy, and the Cost of Raising Children (*Research in Law and Economics*), Vol. 27). Emerald Group Publishing Limited, pp. 209–51.

Exhibit C-4: Average Spending in Intact Families with Children by Net Income

(% of Total Expenditures, Data Source: Compiled by Professor David Betson from 2013–2019 Consumer Expenditure Survey)

	Bottom Third of Families by Net Income	Middle Third of Families by Net Income	Top Third of Families by Net Income	All Families
Housing	42.8%	42.9%	45.2%	43.5%
Transportation	16.4%	16.6%	14.2%	15.8%
Food	23.1%	18.4%	15.9%	19.1%
Entertainment	4.1%	4.9%	5.9%	5.0%
Healthcare	5.6%	8.8%	7.6%	7.4%
Apparel	2.7%	2.2%	2.4%	2.4%
Tobacco and Alcohol[21]	1.6%	1.2%	1.1%	1.3%
Education and Reading	1.0%	1.4%	2.8%	1.7%
Personal Care	.5%	.6%	.7%	.6%
All other	1.2%	3.0%	4.2%	3.2%

[21] For the purposes of Exhibit 53 in Chapter 6, the percentages are reweighed to exclude tobacco and alcohol.

APPENDIX C.3: SHARED-PARENTING TIME CREDIT

By Professor Emeritus David Betson

Introduction

Non-custodial parents[22] wish to take an active role in raising their children by spending a meaningful amount time with their children. Asking the non-custodial parent to continue to pay the same amount of support they would pay if children never resided with them will produce a financial barrier for the non-custodial parent to exercise shared parenting. In this appendix, we will provide a justification for adjusting the non-custodial parent's financial obligation paid to the custodial parent when the children spend time with the non-custodial parent and compare this "ideal" adjustment to the Michigan credit.

Fundamental to the income shares child support model is the assumption that each parent's share of the total spending on the children should reflect their proportional share of their combined income. If, for example, the non-custodial parent has 60% of the combined income, then the non-custodial parent should be obligated to pay 60% of the total spending on the children. We will assume this presumption of the sharing of the financial cost of the children should be maintained regardless of the amount of time the children reside with each parent.

Non-custodial parents have two ways to meet their financial obligation to their children. They can pay support to the custodial parent, or they can directly make purchases for their children. When the custodial parent has sole physical custody of the children, the non-custodial parent is assumed to meet their financial obligation only by making payments to the custodial parent through child support. But as the children spend time with the non-custodial parent, the non-custodial parent is assumed to directly purchase goods and services for the children. To the extent these purchases by the non-custodial parent substitute for purchases made by custodial parent, the non-custodial parent should receive a credit equal to the amount of these purchases they have made in order to maintain both parent's share of spending. But to the extent the non-custodial parent's purchases represent additional total spending for the children, the credit should reflect the custodial parent's share of these "new" spending on the children due to increased cost of maintaining two households. When the credit reflects these two features, each parent will pay their income share of the total spending on the children.

After describing this "ideal" credit for shared parenting, the difficulties of implementing this credit because of the lack of empirical data on spending in the two households when shared parenting occurs will be discussed. The implementation of the "ideal" credit will be accomplished by making assumptions

[22] The discussion starts from a framework where one parent has more physical custody (i.e., the custodial parent) than the other parent (i.e., non-custodial parent) and the non-custodial parent is the payer-parent. The authors recognize that these terms are less than ideal and not necessarily reflective of the parent's emotional involvement with the child.

about the dollar amount of the purchases transferred from the custodial parent to the non-custodial parent and amount of purchases of goods duplicated by the parents.

The Appendix next compares Michigan's credit to the cross-crediting approach to accounting for shared parenting. It will be shown that the Michigan approach and cross-crediting can be thought of being derived from the same general formula. They differ because they make different assumptions about how the non-custodial parent's expenses will increase with the number of overnights.

One advantage of the Michigan shared parenting credit is simplicity—the size of the credit as a percent of the combined obligation is based solely upon the number of overnights the children spend with the non-custodial parent. But simplicity has its drawbacks. The formula is moot about its underlying assumptions. By comparing the ideal credit to the Michigan credit, we can ask which set of assumptions in the ideal credit would have to be made to be consistent with the Michigan credit with regards to the amount of the credit as a proportion of the combined obligation of the parents. We demonstrate that the Michigan credit and this ideal credit would be fairly similar if we assume that the parents have the same income, the proportion of total spending that is transferred is 40% and duplicated expenses (60% of total spending) are not incurred until the children spend 120 overnights.

To achieve simplicity in a formula, the potential effects of factors are often assumed away. We showed that the Michigan credit as a percent of the combined obligations of the parents is solely a function of the number of overnights the children spend with the non-custodial parent but the ideal credit which maintains income sharing of total spending on the children provides a credit for duplicated expenses that reflects the income shares of the parents. If the non-custodial parent has the majority of the combined income, then the Michigan credit can be shown to provide too large of a credit compared to the ideal credit. Conversely, if the custodial parent has the majority of the combined income, then the credit is too small and the non-custodial parent will pay too large a share of the combined spending on the children. A modification to the Michigan credit that addresses this shortcoming will be proposed.

1. Construction of a Credit for Shared Parenting

Two case scenarios are considered when constructing a credit for shared parenting: sole physical custody, and the child spends overnights with each parent. Each is discussed individually.

Sole Physical Custody: The children reside with only one parent

If the children spend the entire year with one parent, it is assumed that the parent with whom the children reside (i.e., custodial parent) will make purchases for the children totaling the combined financial obligation (which, if a low-income adjustment does not apply, is the amount of support determined by the General Care formula in Michigan–CO) of both parents. By paying their support, the non-custodial parent reimburses the custodial parent for the non-custodial parent's share of these purchases (support equals ω CO where ω equals the non-custodial parent's share of the parents'

combined income). Once the non-custodial parent's support payment is paid to the custodial parent, each parent will have paid their proportional share of their combined obligation.

Let us consider a couple with one child where their combined monthly net income is $3,000. Further, we will assume that the non-custodial parent's share of combined income is 60% ($1,800). Based upon the 2021 General Care Table, the parents' combined obligation would be $682, which reflects the average monthly spending on the child that the custodial parent is expected to incur on food, clothing, transportation, shelter, utilities, entertainment, personal care, and education for the child. The non-custodial parent's monthly support of $409.20 paid to the custodial parent reduces the custodial parent's net out of pocket spending to $272.80 or 40% of the combined obligation of $682.

Shared Physical Custody: When the children spend overnights with both parents

When the children spend time (measured in terms of the number of overnights) with the non-custodial parent on a regular basis, it is reasonable to assume the non-custodial parent will also incur direct spending for the children which would not occur if the custodial parent had sole physical custody of the children.

Let us assume that when the child spends 100 overnights with the non-custodial parent, the non-custodial parent will have $150 of out-of-pocket purchases on behalf of the child. If no credit is provided, then the non-custodial parent would be required to pay the custodial parent $409.20 of support and would be spending an additional $150 when the children spend time with the non-custodial parent.

During the time with the children are with non-custodial parent, it is reasonable to assume that the custodial parent will need to incur further out-of-pocket expenditures on the children. Let us assume that due to the children spending 100 overnights with the non-custodial parent, the spending by the custodial parent declines by $80 per month. If no credit is provided to the non-custodial parent, the custodial parent will continue to receive $409.20 in support each month but instead of making $682 of purchases each month, they will have $608 of purchases or the custodial parent's net out-of-pocket spending is now $198.80 ($272.80 minus $80).

Not providing a credit for direct purchases made by the non-custodial parent will shift the distribution of financial obligations of the parents by making the non-custodial parent face a higher share of the total obligation than is reflected by their relative income. In our example, total spending on the child increases from $682 to $752 (= $682 - $80 + $150). If no credit is given, then the non-custodial parent pays 74.4% of the total amount of spending (= ($409.20 + $150)/$752) much more than their share of income (60%).

To determine a credit that maintains the non-custodial parent's share to 60%, think of the direct spending on the child of $150 of being composed of two parts. The first $80 of spending by the non-custodial parent is being offset by reductions in spending by the custodial parent so that total spending

on the child remains the same. The next $70 of spending by the non-custodial parent represents additional spending on the child due to shared parenting.

These two parts should be awarded different credits. The first $80 of spending by the non-custodial parent represents "transferred" spending from the custodial parent to the non-custodial parent and should reduce the non-custodial parent's support obligation dollar per dollar or $80 total. The next $70 represents new spending and the financial obligation of the non-custodial parent by the share of the custodial parent (40%) or $28. The credit for the non-custodial parent's shared parenting should be equal to $108 (= 80 + $28) and their new support obligation would be $301.20 (= $409.20 - $108). The non-custodial parent would pay the custodial parent $301.20 and incur $150 of direct spending for the child or $451.20. This total payment represents 60% of the total spending ($752) when the child spends 100 overnights with the non-custodial parent.

This credit that maintains each parent's share of the total spending on the children can be expressed as

$$Credit = RE(O)_{CP} + (1 - \omega) \times [E(O)_{NCP} - RE(O)_{CP}]$$

where

ω = the non-custodial parent's share of income,

O = the number of overnights with the non-custodial parent,

$RE(O)_{CP}$ = custodial parent's reduction in spending on the child due to shared parenting, and

$E(O)_{NCP}$ = non-custodial parent's spending on the child due to shared parenting.

The two amounts $RE(O)_{CP}$ and $E(O)_{NCP}$ should be a positive function of the number of overnights spent with the children that is if the number of overnights with the non-custodial parent increases so too will the reduction in spending by the custodial parent and the amount of spending by the non-custodial parent.

It can be shown that the proposed credit can also be written as the weighted average of the non-custodial parent's spending and the reduction in spending by the custodial parent when shared parenting occurs

$$Credit = (1 - \omega)\, E(O)_{NCP} + \omega\, RE(O)_{CP} \ .$$

Intuition suggests that the non-custodial parent's direct spending on the child will increase with the number of overnights the child spends with them and will never be less than the reduction in spending by the custodial parent. Hence, the amount of credit will be greater than the reduction in custodial parent's spending but less than the non-custodial parent's direct spending on the child,

$$RE(O)_{CP} \leq Credit \leq E(O)_{NCP} .$$

As the non-custodial parent's share of income rises (ω), the amount of the credit will decline.

Let CO denote the parents' combined obligation when the custodial parent has sole custody. The amount of supported owed by the non-custodial parent after the credit is applied would be equal to

$$\omega\, CO - Credit = \omega\, [CO + (E(O)_{NCP} - RE(O)_{CP})] - E(O)_{NCP} .$$

The bracketed term, $CO + (E_{NCP} - RE_{CP})$, reflects the parents' combined spending on the child when there is shared parenting.[23] Multiplying by the non-custodial parent's share of income (ω) equals the non-custodial parent's share of all spending of the child or their financial obligation to the child. Since they have made direct purchases of the amount of E_{NCP}, the obligation owed to the custodial parent is reduced by this amount.

It can be shown that the non-custodial parent's total payments – the after-credit payment to the custodial parent plus the direct purchases the non-custodial parent has made on behalf of the child will always be equal to the non-custodial parent's share of income

$$\frac{(\omega\, CO - Credit) + E(O)_{NCP}}{CO + (E(O)_{NCP} - RE(O)_{CP})} = \omega .$$

Finally, it should be noted that the level of spending captured by E_{NCP} and RE_{CP} are at a minimum a function of the number of overnights the children spend with the non-custodial parent but could also be a function of other factors such as the combined income of the parents. We would assume that as the number of overnights with the non-custodial parent increases, so too will the amount of spending by

[23] Total spending on the children when there is shared parenting is equal to CO(1+M) where M equals (EN_{CPS}=RE_{CP})/CO can be interpreted as a "multiplier" of spending due to shared parenting. Again, M is a function of the number of overnights the child spends with the non-custodial parent.

the non-custodial parent increase as well as the reduction in the custodial parent's spending on the children.

2. Implementation of Ideal Credit

To implement the ideal credit, one would need to know the total spending of the non-custodial parent due to the amount of shared parenting time, E_{NCP}, and the amount of spending on the child that is reduced by the custodial parent as result of the child spending a given amount of overnights with the non-custodial parent. Unfortunately, empirically obtaining these estimates of these two concepts isn't possible given the survey design of the Consumer Expenditure Survey (CE). We would need data on spending by both parents separately when the child resides with them and when they don't. While the CE collects data on households, there is no guarantee that the CE would sample both the custodial parent household and non-custodial parent household. If one household was included in the CE, it is very unlikely that the child's other household would be sampled.

Another difficulty of obtaining estimates is the result of the CE design is that the CE captures only the family members who are present at the time of the quarterly interview. Hence, it is impossible to know how many overnights the children spent during the quarter with each parent.

While the Consumer Expenditure Survey is not an appropriate survey design to use, the survey design would need to interview both parents of the children. The sample would need to include parents with different parenting plans ranging from no overnights with the non-custodial parent to equal time sharing with the children. Another difficulty would be how to collect data in order to determine the level of spending the parents have made both when the children reside with them and when they don't. In our opinion, the strategy of trying to collect data on how parents who share time with their children would be costly and impractical.

Faced with these barriers to implementation, the strategy employed has been to group spending categories of goods and services on the child (CO) into three categories: "transferred," "duplicated," and "controlled."[24] Transferred goods are goods that will be obtained by the non-custodial parent for the children and will be reflected in a dollar-for-dollar reduction in spending by the custodial parent. The spending on the transferred goods by the non-custodial parent will be assumed to reflect the amount of spending the custodial parent reduces in their spending due to shared parenting, RE_{CP}. Assuming that

[24] The third component reflects the purchases of goods made solely by the custodial parent and is equal to $CO\text{-}E_{NCP}$. An example of a controlled good is clothing where one parent (usually the custodial parent) purchases the clothing for the children and the clothing travels with the children as they change residence. In this situation, only one parent is assumed to purchase clothing. However, it could be the case that the children have two wardrobes, one at each parent's home. In this case, clothing would be considered as a duplicated good. For the rest of the discussion in this chapter, we will assume there are no controlled expenses.

the amount of transferred spending is proportional to the number of overnights (O), the amount of transferred spending can be approximated by

$$RE(O)_{CP} = CO \times \frac{O}{365} \times T$$

where T denotes the proportion of total spending on the child devoted to transferred goods and services for the children. The specific value for T is based upon examining estimates of what type of goods the parents obtain for the child and their respective budget shares of child spending included in the General Care amount of spending, CO. An example of a transferred good would be spending on food.

When the children spend time with the non-custodial parent, there will be some goods and services where the custodial parent will not change their spending when the child is residing with the non-custodial parent. These goods are denoted as being "duplicated" and will result in increasing total spending on the children and should reflect the difference, E_{NCP} - RE_{CP}. An example of a duplicated expense would be housing where the custodial parent would still need to pay rent even when the children reside with the other parent.

While the assumption of proportionality with respect to the number of overnights hasn't been questioned for transferred goods, the assumption of proportionality for duplicated has been rejected by states. Let D denote the proportion of total spending, CO, devoted to duplicated goods when the child spends equal time with both parents. Also let P(O) be a function of the number of overnights which represents the proportion of the duplicated expenses that will be purchased by the non-custodial parent. The function P(O) should range from zero in the case of sole custody to one when the child spends both equal time with the parents (182.5 overnights).

The amount of the non-custodial parent's duplicated expenses can be approximated by

$$E(O)_{NCP} - RE(O)_{CP} = CO \times P(O) \times D.$$

While there is a lack of consensus about the exact shape of the function P(O), it is assumed that as the number of overnights increase so too will the amount of duplicative spending will be undertaken by the non-custodial parent and that duplicated expenses won't be incurred until the child spends a minimum number of overnights. Some states have assumed that once the child spends at least a Threshold number of overnights ($0 \leq \text{Threshold} \leq 182.5$) then the amount of duplicated expenses will be equal to CO X D. Mathematically the function P(0) implied by this assume would equal

$$P(O) = \begin{cases} 0 & if\ O < Threshold \\ 1 & if\ O \geq Threshold \end{cases}$$

While some states use this variant specify the function P(O), it is very problematic because of the dramatic increase in the assumed value of duplicated expenses as the number of overnights change from the Threshold minus one to the threshold number of overnights. We will denote this option as the "Notch" option.

To avoid this discontinuity in the function at the threshold number of overnights, Indiana has assumed the function P(O) can be characterized with a modified logistic function which ranges from 0 to 1 in a continuous fashion as the number of overnights range from 0 to 182.5. This choice assumes the non-custodial parent's duplicated spending to increase with the number of overnights at an increasing rate then to increase at diminishing rate. We will denote this as the "Logistic" option.

A third option would be to assume that the proportion of duplicated expenses incurred by the non-custodial parent increases with increases in the number of overnights at a constant rate

$$P(O) = \begin{cases} 0 & if\ O < Threshold \\ \dfrac{O - Threshold}{182.5 - Threshold} & if\ Threshold \leq O \leq 182.5 \\ 1 & if\ O > 182.5 \end{cases}$$

We will denote this specification as the "Linear" option.

Total direct spending by the non-custodial parent would be approximated based upon assumptions as

$$E(O)_{NCP} = CO\ \times \left[\frac{O}{365} \times T\ +\ P(O) \times D\right].$$

It is important to repeat, if we knew how much the non-custodial parent spent out of their own pocket on the children (E_{NCP}) and how much the custodial parent reduced their spending on the child (RE_{CP}) for any number of overnights, the "Ideal" credit would be known and would equal to

$$Credit =\ RE(O)_{CP} +\ (1 - \omega) \times\ [E(O)_{NCP} -\ RE(O)_{CP}]$$

The problem is we don't know how E_{NCP} and RE_{CP} vary with respect to the number of overnights the children spend with the non-custodial parent and we lack data that could be used to determine these amounts. Given the limitation of the data, we need to make assumptions about how these amounts of

spending vary and the reasonableness of the credit will be dependent upon the reasonableness of the assumptions we have made.

3. Michigan's Credit

When parents have shared responsibility for their children (measured by the number of overnights they spend with a parent), the Michigan Child Support Guidelines provide a formula that "reflects some of the cost shifts and savings associated with the child spending time with both parents." The Michigan Formula as stated in its Manual is

$$B_S - Credit = \frac{A_O^{2.5}\, B_S - \, B_O^{2.5}\, A_S}{B_O^{2.5} + A_O^{2.5}}$$

where A and B refer to the two parents, the subscript O refers to the number of overnights spent with each parent, and S refer to the parent's base support obligation. If this adjusted support amount is positive, then parent B will pay parent A this amount. But if the adjusted amount is negative then parent A will pay parent B this amount. We will assume that the children spend the majority of the time with parent A and also assume that parent A has less income than parent B. These assumptions will result in parent B making payments to parent A.

Assuming parent B is the non-custodial parent and using the notation in this appendix, Michigan's credit can be expressed as

$$Michigan\ Credit = \ \omega\ CO - \frac{(365 - O)^{2.5}(\omega CO) - O^{2.5}(1 - \omega)CO}{O^{2.5} + (365 - O)^{2.5}}$$

It can be shown the implied credit expressed as proportion of the combined obligation is equal to

$$\frac{Michigan\ Credit}{CO} = \frac{O^{2.5}}{O^{2.5} + (365 - O)^{2.5}}$$

When there is sole custody, the credit is zero (O equals zero) and when the children spend an equal number of overnights with each parent, the credit would be 50% of the combined obligation. It can be shown that the amount of credit increases with the number of overnights at an increasing rate.

While the number of overnights will affect the credit as a proportion of the combined obligation, Michigan's credit as a proportion of the combined obligation is not affected by the combined obligation (CO), the combined income or the distribution of income between the parents (ω).

4. Comparing the Michigan Credit to Cross-Crediting

Early attempts to account for shared parenting is what is called cross-crediting. The general approach can be described as the following. If the children spend less than a given threshold number of overnights (threshold) then no adjustment in the non-custodial parent's support is made. But once the number of overnights reaches or exceeds the threshold, the non-custodial parent is eligible for an adjustment computed based upon the assumption that the combined obligation of the parents will increase by M percent – if the number of overnights exceeds the threshold, then the combined obligation of the parents will equal CO (1 + M). The non-custodial parent's share of the combined obligation will equal ω CO (1 + M) and the custodial parent's share will equal (1 - ω) CO (1 + M). The non-custodial parent's share is then adjusted for the number of overnights the child spend by multiplying each parent's share of the combined obligation times the number of overnight spent with the other parent, dividing by 365 and then taking the difference of these two amounts. The non-custodial parent's obligation under the cross-crediting approach can be expressed as

$$\frac{(365 - O)\,\omega\,CO(1 + M)\;\; -\;\; O\;(1 - \omega)\,CO(1 + M)}{365} \quad if\; O \geq Threshold$$

Otherwise, no adjustment is made to the non-custodial parent's support, the non-custodial parent's support is equal to ω CO. If we denote t as the portion of the year the children spend with the non-custodial parent (O/365), the amount of support that will be owed by the non-custodial parent will be equal to

$$Support = \begin{cases} \omega\,CO & if\; O < Threshold \\ [(1 - \tau)\omega - \tau(1 - \omega)]\,CO(1 + M) & if\; O \geq Threshold \end{cases}$$

Let τ* denote a generalized expression of the proportion of overnights spent with the non-custodial parent

$$\tau^* = \frac{O^\rho}{O^\rho + (365 - O)^\rho}$$

When ρ equals 1 then τ^* equals O/365 and 1- τ^* = (365-O)/365. This implies the above expression for the non-custodial parent's support if the number of overnights is at least the threshold number of overnights

$$[(1-\tau^*)\omega - \tau^*(1-\omega)] \times CO(1+M) = [\omega - \tau^*] \times CO(1+M)$$

where ρ equals 1. Since the adjusted support will equal the gross amount of support (w CO (1 + M)) minus the implicit credit from cross-crediting, the implicit credit is equal to

$$Cross\ Crediting\ Credit = \tau^*\ CO\ (1+M) \quad where\ \rho = 1\ and\ O \geq Threshold.$$

For example, Illinois has adopted a cross-crediting approach where they have chosen 146 (40%) overnights and value of .50 for M. The blue line in Exhibit C-5 depicts the implicit credit as a proportion of the combined obligation as a function of the number of overnights.

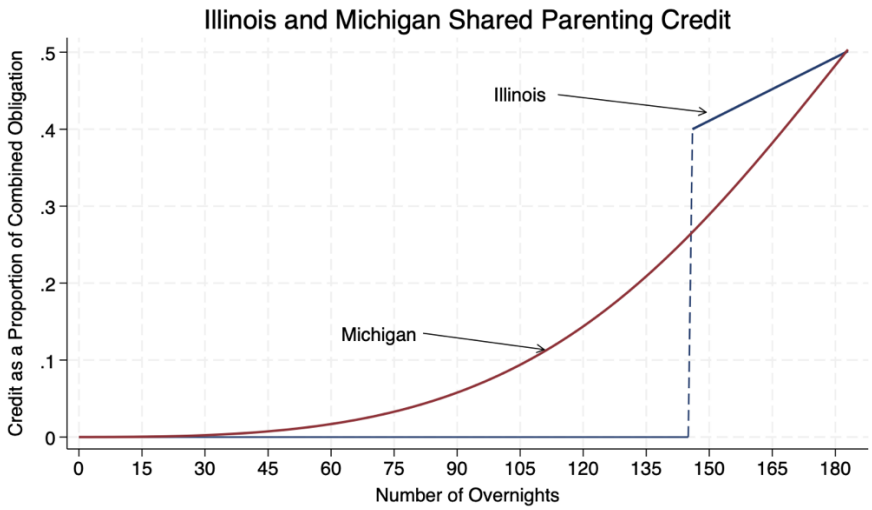
Earlier, we showed that the Michigan credit was equal to

$$Michigan\ Credit = \tau^*\ CO \quad where\ \rho = 2.50\ and\ O \geq 0.$$

Comparing the two expressions for the implicit credit between the two methods, we see that the Michigan and cross-crediting approaches are similar but just utilize different assumptions. While Michigan's approach applies to all cases with an overnight, non-custodial parents must have at least 146 overnights to be eligible for a credit under the Illinois version of the Cross-Crediting Formula. While additional overnights will increase the cross-crediting credit at a constant rate, the Michigan credit increases at an increasing rate.

The navy line in Exhibit C-5 depicts the Illinois credit as a proportion of the assumed combined obligation, while the red line depicts the Michigan credit.

Exhibit C-5



For less than 146 overnights (the threshold), Michigan provides a credit for shared parenting, while Illinois (and other states that employ a threshold) doesn't. But for 146 overnights, Illinois provides a credit of 40% of the combined obligation resulting in a drastic reduction in the support paid by the non-custodial parent. Michigan's approach avoids this notch effect of using a threshold by using a formula not requiring a threshold.

Comparing the above expressions for the implicit shared parenting credits in Illinois and Michigan, we can see that the cross-crediting and Michigan's approach to the credit share some common elements. The differences arise from different assumptions about the use of a threshold and the value for ρ. While the cross-crediting assumes a threshold before expenses are incurred by the non-custodial parent, there is no reason why we need to adopt a threshold and the consequence of creating a discontinuity in the formula. If we drop the threshold assumption but maintain the assumption of ρ equal to 1.0, the credit as a proportion of the combined obligation would be equal to 0 when the overnights were equal to 0 and increase linearly to .50 when the overnights were equally split between the parents. This modified cross-crediting credit would always exceed the Michigan credit reflecting the difference in the assumption about ρ.

The above expressions for the cross-crediting and Michigan's approach to the credit for shared parenting also point to a similarity. Both credits as a proportion of the combined obligation are solely a function of the number of overnights the children spend with the non-custodial parent. The parent's income or the distribution of income between the parents (ω) doesn't affect the credit as a proportion of the combined obligation.

While there are similarities in these two approaches, the Michigan credit is preferable. The Michigan approach doesn't use a threshold and, hence, avoids the problems associated with the notch in Illinois's credit. The assumption that ρ equals 1.0 doesn't seem to be reasonable. It implies that for each additional overnight the non-custodial parent incurs the same amount of additional costs deserving of a credit that is independent of the number of overnights. It is much more reasonable to assume that the additional costs of an overnight will increase as the number of overnights increases. This is consistent with an assumed value for ρ that exceeds 1.0.

5. Comparing the Michigan Credit to the Ideal Credit

In this section, we will compare the Michigan credit with two alternative implementations of our "ideal" credit. In both implementations, we will assume that the incomes of both parents are equal (ω=.50) and the proportion of spending on transferred goods is equal to 40% (T=.40). We will assume there is no controlled spending by the custodial parent and, hence, the maximum proportion of duplicated expenses will be 60% (D=.60). The only difference between the two implementations will be the assumption of how the duplicated expenses are phased in with respect to the number of overnights; that is, the assumption about P(O).

In the first implementation (green line), we will assume the threshold is equal to 120 overnights. Once this number of overnights is achieved, the non-custodial parent is assumed to incur the maximum amount of duplicated expenses (this is the "notch" option for P(O)). In the second implementation (blue line), we assume that if the number of overnights is less than 120 overnights, the non-custodial parent will not incur any duplicated expenses. But once the number of overnights is 120 or more, the amount of duplicated expenses as a proportion of the combined obligation increases at a constant (linear) rate (this is the "linear" option for P(O)). The red line represents the Michigan credit.

Exhibit C-6

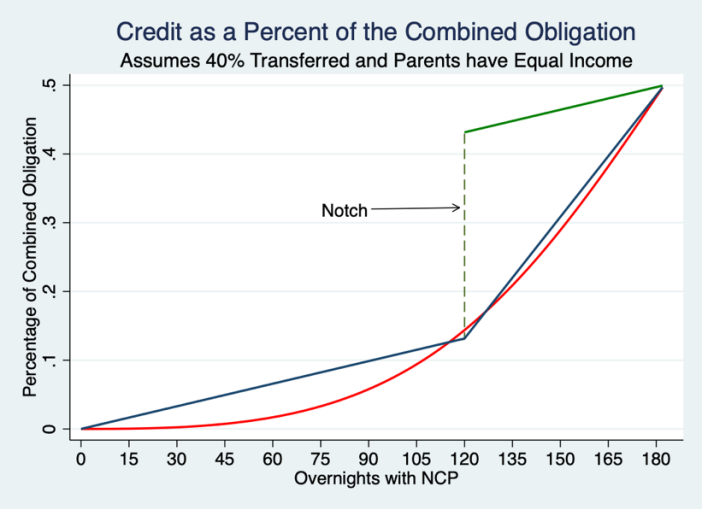


Exhibit C-6 shows the problems created by the "notch" option to describe P(O). When the number of overnights increases from 119 overnights to 120, the credit as a proportion of the combined obligation increases by 0.30. This difference creates a significant incentive for the non-custodial parent to see at least 120 overnights. Secondly, compared to the other two alternatives, the "notch" option provides significantly larger credits. Given these two observations, we conclude that the use of the "notch" option should be avoided.

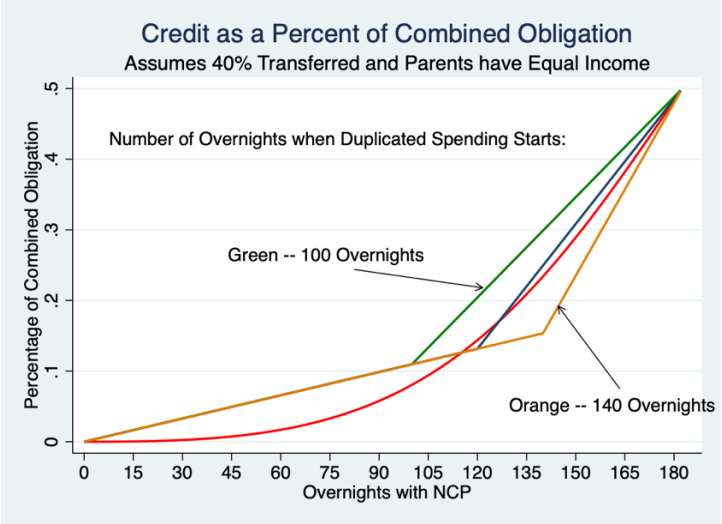
The blue line captures the "ideal" credit with our baseline assumptions: 40% of spending will be transferred; 60% of spending will be duplicated; duplicated spending doesn't occur until 120 overnights; both transferred and duplicated expenses increase at a constant rate (i.e., the linear option); and both parents have equal incomes. Exhibit C-6 suggests that when the child spends at least 120 overnights, the Michigan credit and the "ideal" credit with the baseline assumptions are very similar – the red and blue lines are very close to each other. But if the child spends less than 120 overnights with the non-custodial parent, the Michigan credit is always less than the "ideal" credit with the baseline assumption. Some concern might be raised for non-custodial parents who don't spend much time with their children. If the baseline assumptions reflect the actual situation parents face, the Michigan credit is not providing sufficient compensation for the non-custodial parent's expense incurred during shared parenting.

Since we don't know if our baseline assumptions are correct, we now wish to do a sensitivity test by changing the assumptions one at a time. In each of the following exhibits, the Michigan credit is pictured as a red line.

Threshold Assumptions

In the baseline assumptions, we have assumed a 120 overnight threshold for when the non-custodial parent begins to incur duplicated expenses. Exhibit C-7 shows the "ideal" credit when we vary the baseline assumption of 120 overnights to 100 overnights and 140 overnights.

Exhibit C-7

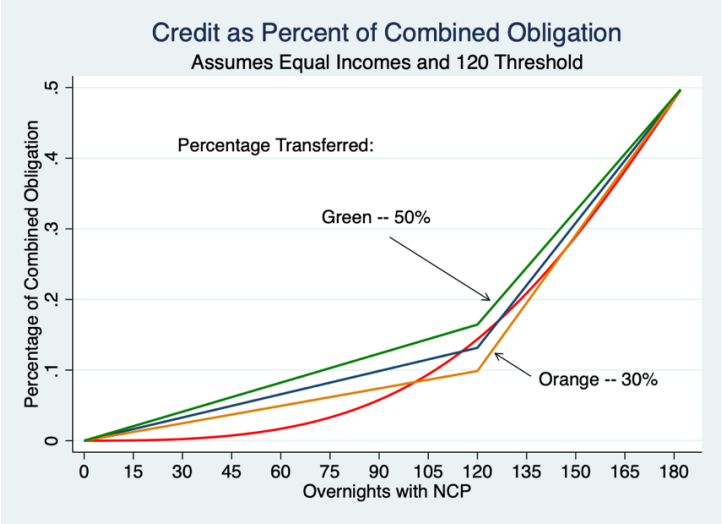


Adopting a threshold of 100 overnights increases the amount of the "ideal" credit so that it always larger than the Michigan. Choosing a threshold of 140 lowers the amount of the "ideal" credit so it is lower than the Michigan credit when the number of overnights exceed 120 overnights.

Percentage of Spending that is Transferred

Our baseline assumption is that 40% of the spending on the child is transferred from the custodial parent to the non-custodial parent during periods of shared parenting. **Error! Reference source not found.** Exhibit C-8 show the "ideal" credit varies when we use the assumption of 30%, 40% (baseline) and 50% of spending is transferred. Given our assumption that there are no "controlled" expenses, increasing the percentage transferred will require a reduction in the percentage of spending that are duplicated.

Exhibit C- 8



Increasing the percentage of spending transferred to 50%, increases the credit at all number of overnights while decreasing the percentage to 30%, the "ideal" credit is reduced at all levels.

Concluding Observations

The purpose of this comparison has been to ask whether the Michigan credit was "consistent" with the "ideal" credit when the parents have equal income. Given assumptions we had to make to empirically implement the ideal credit, we were trying to ask whether a set of assumptions could be found so the values of the two credits were roughly equal. While our baseline assumptions were roughly equal to the Michigan credit for at least 120 overnights, the credits were different when there were 60 to 90 overnights. Given the judgment that these assumptions were reasonable, maintaining the current Michigan credit seems also reasonable.

6. Unequal Incomes

In the previous section, it was assumed that the parents have equal incomes. If the parents' incomes are unequal, then the support payments in the income shares model have two functions. The support payment paid by the non-custodial parent serves to reimburse the custodial parent for the cost of raising the children and secondly addresses any unequal distribution of income between the parents to finance the cost of raising the children. The credit we have developed based upon transferred and duplicated expenses reflected the premise that any duplicated expense incurred by the non-custodial parent should be shared in proportion to their incomes—the credit should reflect the custodial parent's share of any duplicated expenses incurred.

As we have shown, the ideal credit as a function of the combined income of the parents is a function of the income share of the non-custodial parent. But the Michigan does not account for the distribution of income between the parents. The ideal was constructed so the parents would always share in the costs of the children so each parent would pay a share in proportion to their relative incomes. Failing to account for differences in income between the parents will result in parents no longer reflecting is fundamental assumption in the Income Shares. model. One problem with the Michigan formula is the distribution of income between the parents is not reflected in the credit. The ideal credit's treatment of duplicated expenses implies non-custodial parents with more than 50% of the combined income should receive a smaller credit for duplicated expenses than a non-custodial parent whose income is equal to the custodial parent. Conversely, for non-custodial parents with less income than the custodial parent should receive a larger credit than a non-custodial parent with 50% of combined income.

A Possible Solution by Modifying the Michigan Credit

While the state could solve this problem with the shared parenting credit by adopting the "ideal" credit constructed using the baseline assumptions about the percentage of total child spending on transferred goods and the number of overnights when duplicated expenses begin to occur, we will pursue an alternative strategy of making changes to the Michigan timesharing formula to account for the impact of differences in the parents' incomes.

Differences in income will not affect the treatment of transferred expenses only the treatment of duplicated expenses. Given our assumption that only when the children spend more than 120 overnights with the non-custodial parent will the non-custodial parent incur duplicated expenses, no alteration to the Michigan formula needs to be made for when the number of overnights is less than 120.

When the parents equally share the time with the children, it is assumed the transferred outlays would represent 20% (one half of 40%) of the combined obligation of the parents plus 60% of the combined obligation in terms of duplicated expenses. If the income share of the custodial parent is 20% (the income share of the non-custodial parent is 80%), the appropriate credit would be equal to 32% of the combined obligation (20% for transferred + 12% for duplicated based on 12% = 60% X 20%). But the Michigan formula yields a credit of 50% of the combined obligation. The appropriate credit is 36% lower than the Michigan formula when the overnights are equally shared (i.e., 100% - 32%/50% = 36%). On the other hand, let us assume that the custodial parent's share of income is 80% (the non-custodial parent's share is 20%), the appropriate credit would be 68% of the combined obligation which is 36% more than the Michigan credit for equal time spent with both parents.

Given we can compute the appropriate credit for 120 overnights and when the children equally split their time with the parents, we can compute the percentage difference between the appropriate credit and Michigan formula for the credit at these two numbers of overnights. To adjust the Michigan formula if the overnights are greater than 120 and less than 182.5 (equal time sharing) overnights, we

are proposing an adjustment in the Michigan formula reflecting the proportion of the percentage difference between the appropriate credit and Michigan's credit given the number of overnights exercised. Given our assumptions, the appropriate credit was 36% lower than the value of the Michigan formula if the parents equally share time with the children (182.5 overnights). For 120 overnights there was no difference between the two credits. We are proposing to interpolate the percentage difference between the appropriate credit and the Michigan credit formula for the number of overnights between 120 and 182.5 by assuming a linear relationship between the percentage difference in credits and the number of overnights in excess of 120 overnights relative the difference in 182.5 and 120 overnights (62.5 overnights).

For example, let us assume that the non-custodial parent spends 140 overnights with the children, or 32% more than 120 overnights (= (140 - 120)/62.5). At 140 overnights, we are assuming that the percentage difference between the appropriate and the Michigan formula at 140 is a minus 11.52% (11.53% = 32% x -36%). The Michigan formula yields a credit of 23.4% of the combined obligation of the parents. The adjustment we would make is to lower this amount by 11.52% from its current value to a value of 20.7% (= (1-.1152) x 23.4%).

In general, the proposed credit as a proportion of the combined obligation can be mathematically expressed as the following formula

$$\frac{Credit}{CO} = \tau^M \left[1 + D\,(1 - 2\,\omega)\, \times \left(\frac{Max(0, Min(O, 182.5) - 120)}{182.5 - 120}\right)\right]$$

$$\text{where } \tau^M = \frac{O^{2.5}}{O^{2.5} + (365 - O)^{2.5}}.$$

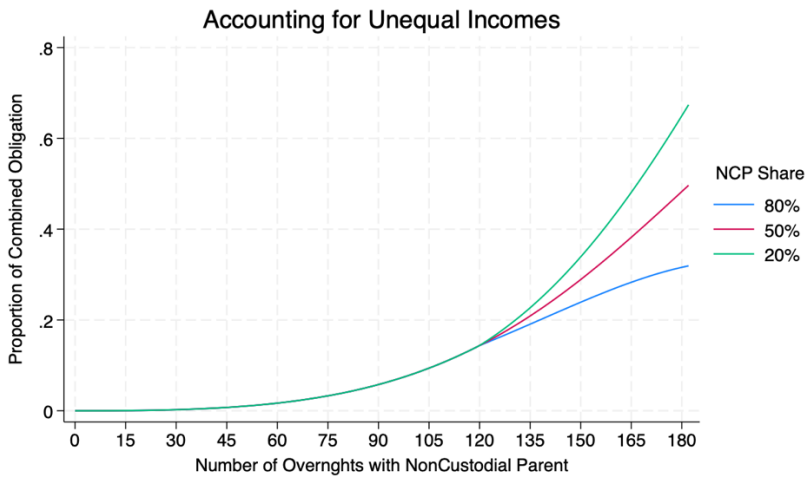
Note if O is less than 120 or ω equals .50 then the above expression equals the credit produced by the existing Michigan credit (τ^M). If O is equal to 182.5 or more then the credit as a proportion of the combined income is

$$\tau^M\,[1 + D(1 - 2\omega)]$$

The following exhibit shows how the shared parenting credit would differ for alternative income shares of the non-custodial parent assuming D is equal to 0.60. Given the Michigan implicitly assumes the parents have equal incomes, the red line reflects the Michigan formula would always yield regardless of

the actual differences in income. But when incomes do differ, the credit for more than 120 overnights should be smaller when the non-custodial parent has a larger share of income.

Exhibit C-9



Conclusions

It is reasonable to provide a credit (reductions in paid support to the custodial parent) to non-custodial parents whose children spend time with them. The credit should reflect the out-of-pocket expenses they will incur for the children who spend time with the non-custodial parent. It is also reasonable that the credit should increase as the children spend more time with the non-custodial parent.

Michigan has a fairly direct and simple approach to determining the credit as a proportion of the total spending on the children made by both parents. The credit as percent of the combined obligation of the parents is solely a mathematical function of the number of overnights. The question is how can we determine whether the credit is reasonable or not. To make this determination we first need to determine what should the credit look like and then compare the Michigan credit to the credit based upon what is believed to be correct.

If we knew how shared parenting affected the parent's purchases for their children, and the policy objective is to maintain income sharing of the total spending on the children, the credit for the non-custodial parent should reflect the expenditures that were transferred from the custodial parent because of shared parenting plus the custodial parent's share of any duplicated expenses.

If we assumed that the parents had equal incomes, 40% of spending was transferred from the custodial parent to the non-custodial parent, and duplicated expenses (60% of total spending) were not incurred

until the children spent 120 overnights with the non-custodial parent then the Michigan credit and the ideal credit were fairly similar especially when the overnights exceeded 120 overnights. Given the reasonableness of the assumptions to implement the ideal credit, the similarity between Michigan and Ideal credit provides confidence in the existing Michigan credit based upon the assumption of 2.5 for the exponential weight for the number of overnights.

However, we do recommend that Michigan give consideration to modifying the shared parenting credit to account for differences in the parent's incomes. We have shown that the current credit provides too large of a credit if the non-custodial parent has the majority of income or too small of a credit if the custodial parent has the majority of the income. In the absence of the data, we have created a modification to the credit based upon our assumptions about spending patterns that maintains income sharing of the spending on the children by the parents.

APPENDIX D: STATE GUIDELINES REPORTS

STATE	Data Report Available Online?	Data Analysis of….				Last Known Review	**Report URL**
		Item A & B	Item C	Item D	Item E		
		Labor market data	Impact on Low-Income Families	Influencing Factors	Payment Data Analysis		
Alabama	Many	Yes	Yes	Yes	Yes	2021	https://www.alacourt.gov/docs/AL%20prelim%20findings%20case%20file%20and%20labor%20Sept%2014.pdf
Alaska	Yes	DK	DK	DK	DK	2023	https://courts.alaska.gov/rules/docs/child-support-report.pdf
Arizona	Yes	Yes	Yes	Yes	Yes	2021	https://www.azcourts.gov/Portals/31/2021AZEconomicandCaseFileReviewFCICCGRS.pdf?ver=2021-04-14-192639-973
Arkansas	Yes	Yes	Yes	Yes	No	2020	https://www.arcourts.gov/sites/default/files/formatted-files/review-of-arkansas-child-support-guidelines.pdf
California	Yes	Yes	Yes	Yes	Yes	2022	https://www.courts.ca.gov/documents/Review-of-Uniform-Child-Support-Guideline-2021.pdf.
Colorado	Yes	Yes	Yes	Yes	Yes	2023	https://drive.google.com/file/d/1mzM4cvqDPym-Vs758lYR94ERNeY1joI6/view?usp=sharing
Connecticut	Will	No	No	No	No	current	
District of Columbia	Will	will	will	will	will	current	
Delaware	Yes	Yes	Yes	Yes	Yes	2022	https://courts.delaware.gov/forms/download.aspx?id=172308
Florida	Yes	No	Yes	No	Yes	2021	http://edr.state.fl.us/Content/special-research-projects/child-support/ChildSupportGuidelinesFinalReport2021.pdf
Georgia	Yes	Yes	Yes	Yes	Yes	2022	https://csc.georgiacourts.gov/wp-content/uploads/2023/01/2022-Final-Report.pdf
Hawaii	Yes	No	Yes	Yes	Yes	2024	https://www.courts.state.hi.us/wp-content/uploads/2024/05/1a.-Report-on-the-2024-HI-Child-Support-Guidelines-CSG-Review.pdf
Idaho	No	DK	DK	DK	DK	2021	IRFLP-120-Child-Support-Guidelines_eff070122.pdf (idaho.gov)
Illinois	No	Yes	Yes	Yes	Yes	2022	
Indiana	No	Yes	Yes	Yes	Yes	2024	

STATE	Data Report Available Online?	Data Analysis of….				Last Known Review	**Report URL**
		Item A & B	Item C	Item D	Item E		
		Labor market data	Impact on Low-Income Families	Influencing Factors	Payment Data Analysis		
Iowa	Yes	Not in report	Yes	No	No	2020	https://www.iowacourts.gov/collections/630/files/1353/embedDocument/
Kansas	No	No	No	No	No	2020	
Kentucky	Yes	Yes	Yes	Yes	Yes	2020	https://apps.legislature.ky.gov/CommitteeDocuments/8/12009/Oct%2004%202019%20DIS%20Presentation%20Hubbard.pdf
Louisiana	Yes	No	No	No	No	2020	http://dcfs.la.gov/assets/docs/searchable/ChildSupportServices/Legislative-Report-2020-Quadrennial-Guidelines-Committee_20210316.pdf
Maine	Yes	Yes	Yes	Yes	Yes	2023	https://www.maine.gov/dhhs/sites/maine.gov.dhhs/files/inline-files/2022%20Guidelines%20Review.pdf
Maryland	Yes	No	Yes	Yes	Yes	2020	https://www.ssw.umaryland.edu/media/ssw/fwrtg/child-support-research/cs-guidelines/Maryland-Child-Support-Guidelines-Case-Level-Review-2015-to-2018-2.pdf
Massachusetts	Yes	Yes	Yes	Yes	Yes	2021	https://www.mass.gov/doc/economic-review-of-the-massachusetts-child-support-guidelines-2020-2021/download
Michigan	No	will	will	will	will	current	
Minnesota	Yes	No	No	No	Yes	2018	https://www.leg.mn.gov/docs/2019/mandated/190059.pdf
Mississippi	No	DK	Yes	DK	DK	2022	https://www.mdhs.ms.gov/wp-content/uploads/2023/01/Quad-Report-FINAL-1.pdf
Missouri	No	Yes	Yes	Yes	Yes	2020	
Montana	Yes	Yes	Yes	No	No	2020	https://dphhs.mt.gov/assets/cssd/2020QuadRpt.pdf
Nebraska	Yes	Yes	Yes	Yes	Yes	2018	https://supremecourt.nebraska.gov/sites/default/files/rules/FindingsAndRecommendations.pdf
Nevada	Yes	No	Yes	Yes	Yes	2016	https://www.leg.state.nv.us/Session/79th2017/Exhibits/Senate/JUD/SJUD144D.pdf
New Hampshire	Yes	Yes	Yes	Yes	Yes	2022	https://www.dhhs.nh.gov/sites/g/files/ehbemt476/files/documents2/css-2022-nh-child-support-guidelines-review-report.pdf
New Jersey	No	No	No	No	No	2021	

STATE	Data Report Available Online?	Data Analysis of….				Last Known Review	**Report URL**
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		Labor market data	Impact on Low-Income Families	Influencing Factors	Payment Data Analysis		
New Mexico	Yes	Yes	Yes	Yes	Yes	2018	https://www.hsd.state.nm.us/wp-content/uploads/FileLinks/22ddd455f2de49089689e333736004e7/Review_of_the_New_Mexico_Child_Support_Guidelines.pdf
New York	No	Yes	Yes	Yes	Yes	2023	
North Carolina	No	No	No	No	No	2022	
North Dakota	No	Yes	Yes	No	Yes	2022	
Ohio	Yes	Yes	Yes	Yes	Yes	2023	https://dam.assets.ohio.gov/image/upload/jfs.ohio.gov/Ocs/employers/2023-Child-Support-Guidelines-Report.pdf
Oklahoma	No	Yes	Yes	Yes	Yes	2019	
Oregon	No	DK	DK	DK	DK	current	
Pennsylvania	Yes	Yes	Yes	Yes	Yes	2021	https://www.pacourts.us/storage/rules/Preliminary%20Report%20Jan%206%202021%20-%20011012.pdf
Rhode Island	No	No	No	No	No	2022	
South Carolina	No	No	No	No	No	2024	
South Dakota	Yes	Yes	Yes	Yes	Yes	2022	https://dss.sd.gov/docs/childsupport/child_support_commission_report.pdf
Tennessee	Yes	Yes	Yes	Yes	Yes	2019	https://www.tn.gov/content/dam/tn/human-services/documents/Tennessee%20Child%20Support%20Guidelines_report_6.17.2020.pdf
Texas	Yes	No	No	No	No	2022	https://www.texasattorneygeneral.gov/sites/default/files/files/child-support/files/2022/Child%20Support%20Division%20Guidelines%20Review%202022.pdf
Utah	No	DK	DK	DK	DK	2018	
Vermont	Yes	Yes	yes	Yes	No	2023	https://outside.vermont.gov/dept/DCF/Shared%20Documents/OCS/Calculator/Support-Guidelines-Review.pdf
Virginia	No	No	No	No	No	2021	https://www.dss.virginia.gov/files/division/dcse/guideline_review_panel/reports/2021.pdf
Washington	Yes	No	Yes	No	No	2023	https://www.dshs.wa.gov/sites/default/files/ESA/dcs/2023-cssw/Child%20Support%20Order%20Review_2022%20final.pdf

STATE	Data Report Available Online?	Data Analysis of….				Last Known Review	**Report URL**
		Item A & B	Item C	Item D	Item E		
		Labor market data	Impact on Low-Income Families	Influencing Factors	Payment Data Analysis		
West Virginia	Yes	Yes	Yes	Yes	Yes	2022	https://dhhr.wv.gov/bcse/parents/Documents/2022%20Jane%20Venohr%27s%20Summary%20Report.pdf
Wisconsin	Many	reviewing	Yes	Yes	Yes	2021	https://www.irp.wisc.edu/wp/wp-content/uploads/2020/01/CS-2018-2020-T2.pdf
Wyoming	Yes	Yes	Yes	Yes	Yes	2021	https://childsupport.wyo.gov/wp-content/uploads/2022/02/Wyoming-Child-Support-Guidelines-Study-2021.pdf

Summary Statistics

Yes	34	30	37	32	32	4	current
No	17	15	10	14	14	40	2020 or later
DK		6	4	5	5	7	2020 or earlier
Total	51	51	51	51	51	51	