



INSTITUTE *for*
RESEARCH *on*
POVERTY

UNIVERSITY OF WISCONSIN-MADISON

Child Support Models and the Perception of “Fairness”

Child Support Policy Research Agreement
Task 6 (2009-2011)

Jennifer L. Noyes
August 14, 2012

Outline

- **Background**
- Research Questions, Focus & Related Studies
- Methods
- Findings
- Summary
- Final Observations

Background: Federal Requirements

- States required to set numeric child support guidelines
 - Advisory (Child Support Enforcement Amendments of 1984)
 - Presumptive (Family Support Act of 1988)
- Minimum requirements established in federal regulation (45 C.F.R. 302.56):
 - Consider all NCP earnings and income
 - Base on descriptive and numeric criteria
 - Address how children's health care needs will be met

Background: Three State Models (as of December 2011)

Percentage of Income	Income Shares	Melson Formula
Alaska	District of Columbia	Delaware
Arkansas	All other 38 states	Hawaii
Illinois		Montana
Mississippi		
Nevada		
New Hampshire*		
North Dakota		
Texas		
Wisconsin		

* Traditionally considered an Income Shares model; recent guidelines review classified it as a Percentage Income model.

Background: Model Attributes

Percentage of Income	Income Shares	Melson Formula
<p>Applies a pre-determined, flat percentage to NCP income dependent on the number of children s/he has with the CP</p>	<p>Adds together both parents' income</p> <p>Compares the combined income to a schedule that sets the child support amount for this level of income and number of children</p> <p>Prorates this amount between the parents based on their share of their combined income</p>	<p>Calculates primary support needs amount based on a pre-determined percentage applied to combined parental income after allowing for parental self-support reserves</p> <p>Prorates this amount as under Income Shares</p> <p>Adds to this amount a standard of living allowance that is a fixed percentage of each parent's remaining income</p>

Outline

- Background
- **Research Questions, Focus & Related Studies**
- Methods
- Findings
- Summary
- Final Observations

Research Questions

- What factors might effect perceptions of fairness?
- How is each model perceived in terms of relative fairness?
- What have been the implications of these perceptions in terms of model adoption within states?

Research Focus

- Perceptions of fairness for whom?
- Potential perspectives:
 - Custodial parents
 - Noncustodial parents
 - Children
 - Second/subsequent families
 - Taxpayers
- Focus is on the parental perspective

Research Focus

- Further, focus is across – and not within – models; therefore, individual factors underlying calculations of support not addressed
 - Gross versus net income
 - Accounting of work-related child care and extraordinary medical expenses
 - Treatment of tax credits
- No assessment of whether perceptions are valid, based on a detailed technical analysis of differential outcomes under each model

Related Studies

- Perceptions of fairness are critical to parental cooperation with child support orders (Lin, 2000)
- Results of related qualitative studies have been mixed:
 - Setting orders should take into account the financial resources of both parents (Schaeffer, 1990)
 - Although children's needs as the basis for determining child support was a preferred strategy, "...a substantial minority focused on parents' incomes" (Coleman, Ganong, Killian, and McDaniel, 1999, p. 67)
 - Those who favored order modification following a change in circumstances believed that financial responsibility should be shared equitably, but there was no preferred model for accomplishing this and in cases where the change was caused by the remarriage of or subsequent birth of a child to the obligor, the Percentage of Income model was favored (Hans, 2009)

Outline

- Background
- Research Questions, Focus & Related Studies
- **Methods**
- Findings
- Summary
- Final Observations

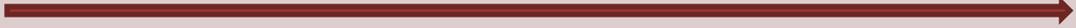
Methods

- Review and analysis of:
 - Reports and policy-related materials regarding the three models, including information developed during quadrennial guidelines reviews
 - State child support guidelines, including information about their adoption and implementation
- Conduct and analysis of telephone interviews with state and local officials from ten states
 - 4 Percentage of Income (Alaska, Arkansas, Illinois, New Hampshire)
 - 4 Income Shares (Colorado, Iowa, Michigan, West Virginia)
 - 2 Melson Formula (Delaware, Montana)

Outline

- Background
- Research Questions, Focus & Related Studies
- Methods
- **Findings**
- Summary

Perceptions of Fairness: Factors Associated with Fairness Across Models

Attribute	Percentage of Income	Income Shares	Melson Formula
Simplicity			
Consideration of both parents' income	Implicit	Explicit	Explicit
Custodial parent contribution	Assumed	Calculated	Calculated
Child support determination	For NCP only		
Order outcomes	Increase as income rises but remain constant as a percentage of income	Increase as income rises but typically decline as a percentage of income	Minimum at low incomes; flatten out at high incomes

Percentage of Income vs. Income Shares

- Income Shares *explicitly* take into account the contribution of each parent in the calculation of support
- Percentage of Income, because it does not *explicitly* account for the custodial parent's income, appears to place a heavier burden on the non custodial parent

Income Shares: Treatment of Custodial Parent Contribution

- The model accounts for custodial parent income and calculates the custodial parents contribution to the support of the child(ren)
- The share of the support contributed by the custodial parent is not actually ordered or paid
- However, the fact that it is calculated:
 - “Serves as a reminder that there is an expected level of direct expenditure on the child.” (Smith et al., p. 7)
 - Makes it “...more appealing at face value because the balancing of both parents’ incomes gives the impression of being more equitable.” (Smith et al., p. 66)

Percentage of Income: Treatment of Custodial Parent Contribution

- Model *implicitly* accounts for the custodial parent's income because it is assumed that the custodial parent is supporting the child(ren) through direct spending
- As states in the preface to Wisconsin's Child Support Percentage of Income Standard:
 - “The standard determines the minimum amount each parent is expected to contribute to the support of their children. It expects that the custodial parent shares his or her income directly with the children.”
- It does not appear that this is commonly understood
- A lack of understanding is what makes the Income Shares model appear the fairer alternative

Court vs. State Perspective

- Several different courts have rejected claims that consideration of only the noncustodial parent's income was unconstitutional and thus, unfair (Morgan, 2002, 2003)
- Nevertheless, although the courts have not supported claims of unfairness, states have often cited the presumed fairness of the Income Shares model over the Percentage of Income model when revising their guidelines (Smith et al., 2009)
- Example: Georgia
 - Superior Court found its Percentage of Income model was unconstitutional because the custodial parent's income was not taken into consideration
 - In 2003, the Superior Court was overruled because the formula did take into account, although not explicitly, the custodial parent's income
 - In 2006, Georgia transitioned to the Income Shares model

State Trends

- A handful of states shifted models following adoption of the Family Support Act
- Recent acceleration (since 2005) away from other models to Income Shares
 - Georgia, Wyoming, Connecticut, Tennessee, Minnesota, Iowa, Massachusetts, District of Columbia
 - Completed interviews indicate the trend will continue (for example, 5/6/2012 Illinois Child Support Advisory Committee recommendations)

Rationale

- Strong interest in ***explicitly*** accounting for contributions of both parents, thereby promoting perceptions of fairness
 - Contributions of the custodial parent are no longer “hidden”
- Strong interest in ***incorporating*** mechanisms in response to the changing circumstances of parenting within the guidelines calculations
 - Simplicity of Percentage of Income model undermined by need to adopt adjustment provisions

What about the Melson Formula?

- More “complicated” version of Income Shares
- Perceived by some as being the most “fair” because it:
 - Explicitly considers both parents’ incomes
 - Explicitly calculates both parents’ contributions to the child(ren) *and*
 - Calculates a reserve income for the parents
- Perceived to be difficult to implement

Outline

- Background
- Research Questions, Focus & Related Studies
- Methods
- Findings
- **Summary**
- Final Observations

Summary

- Overall, the Income Shares model is perceived as being fairer to parents than Percentage of Income model, in large part due to the ***explicit*** consideration of the custodial parent's financial contribution to the child(ren)
- Over time, there has been shift away from the Percentage of Income model to the Income Shares model; the trend can be expected to continue
- The trend toward Income Shares can be partially attributed to concerns about perceptions of fairness
- However, the trend has also been driven by state interest in establishing mechanisms for addressing a shift in the parenting arrangements of families

Outline

- Background
- Research Questions, Focus & Related Studies
- Methods
- Findings
- Summary
- **Final Observations**

Final Observations

- Strategies can be developed under the Percentage of Income model to address:
 - Perceptions of fairness
 - Changing circumstances of families
- Further, there are many other considerations related to assessing a new model such as
 - Level of resulting orders
 - Number and type of pieces of information required
 - Cost and difficulty of transition