

Quadrennial Review of Minnesota Child Support Guideline (2002)

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Child Support Enforcement Division
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Summary of federal requirement:

Federal regulations require states to review their child support guidelines at least once every four years [see 45 CFR §302.56(e)]. This review must consider economic data on the cost of raising children and an analysis of case data relating to application of the guideline. The analysis of case data must also focus on the extent of deviations from the guideline. The data analysis must be used in the review to ensure that deviations from the guideline are limited [see 45 CFR §302.56(h)].

Specific state statutory requirement:

The federal requirement is codified in Minnesota law at §518.551 Subd. 5c.

Available data on the cost of raising children:

There are seven different estimates of child-rearing expenditures that are generally considered by states as part of their guideline review. Two of the methodologies to estimate child-rearing expenditures are currently used in state child support guidelines. The estimates vary by methodology and the years in which the survey data were collected. These studies use intact families as the basis for estimating the percentage of family expenditures that are allocated to children.¹ The estimates from the studies are shown in Table 1.

Table 1: Estimates of Average Child-rearing Expenditures, Various Studies

Author (Year)	Data Years ^a	Methodology (Use in child support guidelines)	Average child-rearing expenditures as a percent of total family expenditures		
			One Child	Two Children	Three Children
Espenshade (1984)	1972-73	Engel Estimator (Used in 8 states)	24%	41%	51%
Betson (1990)	1980-86	Engel Estimator (Not used in any state)	33%	49%	59%
Betson (2001)	1996-98	Engel Estimator (Not used in any state)	30%	44%	52%
Betson (1990)	1980-86	Rothbarth Estimator (Used in 19 states)	25%	37%	44%
Betson (2001)	1996-98	Rothbarth Estimator (Used in 2 states)	25%	35%	41%
Lino (2000)	1990-92	USDA (Not used in any state)	26%	42%	48%
Betson (2001)	1998-98	USDA (modified) (Not used in any state)	32%	46%	58%

^a All estimates use data from the Consumer Expenditure Survey produced by the federal Bureau of Labor Statistics

¹ Venohr, Jane C. and Tracy Griffity (2002). *Report on the Michigan Child Support Formula*. Policy Studies, Inc. for Michigan Supreme Court.

The three different methodologies for estimating child-rearing expenditures are the Engel, Rothbarth, and the U. S. Department of Agriculture (USDA) approach. A methodology is necessary to separate the child's share from the adults' share of household expenditures on common goods (e.g., housing, food, and transportation). The Engel and Rothbarth estimators are considered marginal cost approaches because they compare total expenditures of two equally well off families: one with children and the other without children. The difference in expenditures between the two households is assumed to be what is spent on child-rearing. The Engel and Rothbarth methodologies use different benchmarks to identify equally well-off families. The Engel Estimator uses the percent of family expenditures on food and the Rothbarth Estimator uses the percent of family expenditures on adult goods.

The USDA methodology uses the expenditure categories reported in the Consumer Expenditure Survey, adding together the amounts to determine the amount attributable to spending on children. The major expenditure categories (e.g., housing and transportation) are allocated using a per capita approach. Per capita allocation assumes expenditures for household expenditures are shared equally among household members, so the housing cost for a child is the same as for an adult. Some expenditures (children's clothing, education and child care) are reported directly in the Consumer Expenditure Survey and the USDA methodology uses the reported amounts in these areas to estimate expenditures on children. Other expenditures (food and health care) are divided between parents and the children using proportions measured from other more detailed surveys conducted by the federal government. To determine total expenditures on children, all of these amounts are added together.

According to a 1990 report to the Department of Health and Human Services, there is no consensus that any single estimation methodology is better than others². This report concludes that the various estimates should be considered as expressing a possible range of actual expenditures on children. According to the report, the Engel methodology is theoretically most likely to overstate child-rearing expenditures and the Rothbarth methodology is theoretically most likely to understate child-rearing expenditures.

Comparison of available data to Minnesota guideline amounts:

Comparison to estimates using the Rothbarth estimator is appropriate given that it is the most widely used methodology in child support guidelines in other states. Table 2 below presents expenditures on children as a percentage of total household expenditures and as a percentage of net income for a variety of income groups.

² 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).

**Table 2: Estimates of expenditures on one child as a percentage of net income
[Using Betson- Rothbarth (2001)]**

Estimates of Child-Rearing Expenditures 1980-86 & 1996-99 (Child-rearing expenditures as a percent of total household expenditures and net income)						
Annual Household Net Income	One Child		Two Children		Three Children	
	1980-86 data	1996-99 data	1980-86 data	1996-99 data	1980-86 data	1996-99 data
Average Income						
• % of total household expenditures	25%	25%	37%	35%	44%	41%
• % of net income	25%	25%	36%	35%	43%	41%
\$20,000- \$24,999						
• % of total household expenditures	25%	26%	37%	37%	44%	44%
• % of net income	28%	37%	42%	53%	50%	63%
\$50,000 - \$59,999						
• % of total household expenditures	25%	25%	36%	35%	44%	40%
• % of net income	21%	22%	30%	30%	37%	35%
\$80,000 - \$99,999						
• % of total household expenditures	25%	25%	36%	34%	43%	39%
• % of net income	19%	18%	28%	24%	33%	27%

Source: Policy Studies, Inc.

Minnesota's child support guideline applies the same percentage of net income to individuals with annual net income of \$12,001 to \$81,012³ (25% of net income for 1 child, 30% of net income for two children, and 35% for three children). These percentages are generally consistent with the estimates presented in Table 2, with the exception of families earning \$20,000 - \$24,999 and with two or three children, in which case Minnesota's guideline may understate the amount of net income that should be available for child support. Also, Minnesota's guideline does not reflect the general trend that as income increases, the proportion of expenditures on children tends to decrease. This observation is consistent with the Department's previous review of USDA child expenditure data, which is incorporated by reference.⁴

Case data on application of the guideline:

States are required to have child support guideline provisions to address child support and medical support. To analyze case data on application of the child support guideline we use data from a database created in 2002 by Kathryn Rettig, Ph.D. Dr. Rettig compiled a statistically valid sample of dissolution cases that is representative of the all dissolution cases in the state (See Appendix for description of sampling methodology). The database also contains a sample of paternity cases in Hennepin County, which has the largest proportion of paternity cases in Minnesota. All of the cases in this sample are from 1999.

³ The upper income limit is established by the Minnesota Supreme Court pursuant to Minn. Stat. §518.551 Subd. 5 (k).

⁴ Minnesota Department of Human Services (2001). *The Shared Responsibility Child Support Guidelines: Rationale and Research Support*.

Child support: Data from the analysis indicate that child support was addressed in virtually all dissolution cases (98.2%) and paternity cases (97.8%).

Medical support: Medical support was addressed in approximately 87 percent of all dissolution cases, with the majority (66 percent) specifying that medical support be shared equally by both parents. Health insurance coverage was addressed in 93 percent of dissolution cases. Dental insurance coverage was addressed in 62 percent of dissolution cases. Adequate data to analyze medical support in paternity cases was not gathered.

Deviation from the guideline: Stated deviation from the child support guideline in dissolution cases is minimal. About six percent of all dissolution cases indicate that there was a deviation from the guideline in determining the child support amount. In two percent of cases there was an upward deviation and in 4 percent of cases there was a downward deviation.

For paternity cases, stated deviation is also minimal. There is a stated deviation is about nine percent of all cases. There was a downward deviation in about 8 percent of paternity cases and an upward deviation is less than one percent of paternity cases.

Appendix

The study's goal was to collect and analyze data from a statewide sample of dissolution with children cases, paternity cases, and support cases in order to analyze the financial consequences for parents and children of court decisions and application of the child support guidelines. The sample of cases studied included a statewide representative sample of dissolution with children cases in Minnesota from 10 counties. The paternity and support case sample included a representative sample drawn only from Hennepin County, which has the largest population of all Minnesota counties and the greatest number of filings for paternity and support orders in the state.

Sampling Strategy

The sample of dissolution with children cases for the study was drawn from counties in each of the ten judicial districts in Minnesota – Beltrami, Goodhue, Hennepin, Kandiyohi, Lyon, Ottertail, Pine, Ramsey, St. Louis and Winona. Data were gathered from a total of 1,708 dissolution with children (DWC) cases filed in 1999.

As previously mentioned, paternity and support cases were drawn from Hennepin County for the study. Data were gathered from 168 paternity and 66 support cases that were adjudicated in 1999.⁵

There were several challenges encountered in defining the population from which to draw a sample of paternity and support cases. Each county had unique practices for identifying support or paternity cases, defining a support case, filing cases, and recording and cross-referencing information for related cases. These challenges are described in more detail in Appendix B.

Information Collected

The entire court file in the dissolution cases was reviewed to gather data, including demographic information about the parents, custody and visitation arrangements, employment and income information for both parents, income deductions, public assistance receipt, monthly expenses, maintenance, parental assets, property settlements, tax exemptions, legal representation, and attorney's fees. Child support order information included information about back support, deviations from guidelines, income withholding, child care costs and support, and medical coverage and support.

The paternity and support data collection forms were modeled after the Dissolution with Children forms, but adjusted to reflect the information unique to these cases. Additional information was collected about family and household structure, pregnancy and childbirth expenses, and parentage. Most of the detailed financial settlement information collected for

⁵ Reviewed cases represented 29.2% of the 607 paternity cases and 29.3% of the 249 support cases provided by the Hennepin County Court Records Department. Earlier information from the Hennepin County Court Records Department indicated there may have been as many as 1,600 paternity and 1,364 support cases filed in Hennepin County in 1999. Court staff members were unable to explain the discrepancies in the numbers provided regarding case filings and adjudications.

Dissolution with Children cases was not available in the paternity and support cases, or was relevant to the paternity and support sample.

Data Collection

Dr. Rettig and project manager Kerry Kriener-Althen were assisted by a team of 21 graduate and undergraduate research assistants in collecting data for the study. Data collectors visited the counties in person to review the court files sampled for the study. Detailed procedures for collecting data were established and consistently updated in a Data Collection Procedures Manual.

Inter-rater reliability checks were conducted on every tenth case to further ensure consistent data recording. The completed cases that arrived in the office were reviewed prior to coding to solve any coding concerns. Cases were then coded and checked for consistency by two procedures. First, the questions about coding were directed to coding supervisors who were responsible for maintaining consistency across cases. The second procedure was that a coding auditor checked 10% of all forms for consistency across all cases and all forms.