

Child Support Task Force Minutes

Wednesday, April 26th, 2017

9:00 a.m. to 3:00 p.m.

Room 300N, State Office Building

100 Rev. Dr. Martin Luther King Jr. Blvd, St. Paul, MN

Members Present: The following task force members were present on Wednesday, April 26, 2017:

<input type="checkbox"/> Jimmy Loyd, Chair	<input checked="" type="checkbox"/> Senator Melissa Wiklund	<input type="checkbox"/> Senator Mary Kiffmeyer
<input checked="" type="checkbox"/> Tammie Campbell, Vice Chair	<input type="checkbox"/> Representative Peggy Scott	<input checked="" type="checkbox"/> Representative Laurie Pryor
<input type="checkbox"/> Melinda Hugdahl	<input checked="" type="checkbox"/> Jeffrey Jorgenson	<input checked="" type="checkbox"/> Lisa Kontz
<input checked="" type="checkbox"/> Jodie Metcalf	<input checked="" type="checkbox"/> Melissa Rossow	<input checked="" type="checkbox"/> Rachel Sablan
<input checked="" type="checkbox"/> Jason Smith	<input type="checkbox"/> Laura Vang	<input checked="" type="checkbox"/> Pamela Waggoner

Other Meeting Participants: Charlie Petersen, facilitator

DHS Staff: Brynn Rhodes, Julie Erickson, Tara Borton, Denise Lundgren, Lydia Monahan, Bruce Erickson, Shaneen Moore, Bennett Hoffmann

1) Welcome: Agenda review and introductions of the group.

2) Updates:

- The link to the Orange County Dept. of Child Support Services Report [How Do Child Support Order Amounts Affect Payments and Compliance?](#) has been posted on the Task Force website.
- The contract with the Center for Policy Research is in line to be reviewed by the DHS Legal Department and expected to be completed by the end of May or early June.
- Julie Erickson gave an update on the Task Force Administrator hiring process.

3) Review of March meeting minutes:

- Minutes approved:

The March meeting minutes were approved and will be posted on the Child Support Task Force website. Completed 4.28.17

- Action Items:

Post Dr. Comanor's response on the task force website. Completed 4.28.17

4) Reflections on presentations by Drs. Comanor and Venohr:

What caught your attention (Dr. Comanor's report)?

- His model is at the low end, acknowledged that it would need more research.
- He acknowledged that his model has a deficiency. Doesn't take into account the low income percentage. In the CES (Consumer Expenditure Survey) —people with income of 10k were actually spending 24K—going into debt.
- Linear—does not account for anomalies, low income, and compliance

- This model is a floor, whatever the true cost is won't be lower. He measured easy direct costs, now we have to figure out the harder real costs.
- How much more did the family spend on children? Families spend what they earn. So the additional expenditure thing is strange because people don't have more money when they have kids. To say that because there aren't more total expenditures, there are no child costs is illogical and disingenuous. Understand difficulty of measuring, but not sure that either model accurately captures it.
- Both economists would admit that there isn't an "answer." These are economic theories.
- USDA, multiplying number of children, method didn't seem realistic, was surprising. It was valuable to see that.
- With the final rule out in Dec. 2016, there are many things that MN is already doing that other states are not.

What caught your attention (Dr. Venohr's report)?

- 38% of female head-of-household families are in poverty
- USDA on the high end
- Dr. Venohr also looked at Betson-Rothbarth, which tends to be lower than USDA but not as low as Dr. Comanor. Looked at low income obligors specifically.
- Took away from Dr. Venohr that there are things we do well in MN. Don't want to lose the things we do well. Don't want to fix one area to the detriment of the whole process.

Take Aways (Dr. Comanor)

- Difference between the two
- There isn't an easy answer as to the cost of raising a child—models are using the same data, but there is not an easy answer: this is what it costs to raise a child. People say why can't we just find the cost, but not easy.
- Such an extreme difference between the models that each economist uses. All models are comparing married households, not 2 actual separate households.
- The list of things we have to consider is a lot, multiple families, 2 households and shared time, all of the things we've already been struggling with, this is just as hard.
- We should examine the expenditures one by one and come up with our own model
- There is data on single head of households—page 37 of Dr. Venohr's report. Not completed, but there is some data. Why do none of the models use this data? Really need to look at single families because that is who were dealing with.
- Single family data--some data but not enough to create a model.
- Pie analogy—when NCPs pay child support, they pay for that increase. Giving a slice of their household pie to another household. As to what MN does well, we are one of the worst states for efficiency.
 - We separate out child care and medical is one thing we do well—only paid if incurred and based on actual cost.
 - Agree but when things change, the expense to get that changed is hundreds of dollars as an NCP. Not fluid or easy. Court fees etc.
 - Understand that there are 2 pies and it's important to be fair to both households and the child. Need to find numbers that both sides think is fair.

- Minnesota doesn't have bad efficiency at collection—we're in the top 5 for both collecting current and arrears. Doesn't speak to fairness or amount but efficiency. Cost effectiveness: doesn't rank as high as other states on that particular measure.
- Cost effectiveness ratio—it all costs money. Doing things that are important for our families and children and sometimes that ratio is going to suffer because we are doing the right thing.
- Not saying we do things perfectly, but keep the good things, like PEA, child care and medical support. SSR and minimum orders.
- Having Dr. Comanor here means that we as a task force are open to multiple viewpoints—his method is relatively new and other states haven't been as open to hearing from him.
- Once the judge sets an order, it doesn't get reviewed—was concerning. This seems to be a problem. Ongoing relationship with the courts.

Take Aways (Dr. Venohr)

- Interpretation and a policy judgment, not an “answer”
- The models themselves are just manipulations of the data and we have to make policy determinations
- Policy: keep child in same position as would be if parents in one household
- Majority of expenses are household expenses—if the child is kept in the same position so is the household
- It is unrealistic to think that the increase from one to 2 households can maintain the same standard of living. Shouldn't have children in poverty if one parent is middle-class.
- What about if household has a new wealthy partner and NCP still has to pay support even though child's standard of living has risen.
- Don't want us to lose sight that bio-parents are financially responsible for their children, and the new spouse is not financially responsible. Need to keep focus on bio-parents and child reaping benefits.
- Dr. Venohr's chart –shows us the factors to think about before we get to the numbers. Help us to make baseline policy decisions.
- Exh. 2 and all the things to look at in guiding our discussion—11 items.
- The chart is a good place to start.

Concerns/Challenges:

- Single parent households
- Parenting expense adjustment
 - self-support reserve/orders
- Multiple children: same household and separate households (non joint)
- Different standards of living—truly poverty level, voluntarily unemployed, different categories in low income group.

Key areas of Focus:

- POLICY: start with and then get to data and models
- Exhibit 2 of Dr. Venohr's, page 4-5 of report.

- MN specific: child care and medical support, PEA, SSR, imputed income and minimum support orders.
- Should new households of either parent be taken into consideration?
- Fairness aspect, maintaining standard of living—is this possible? Discussion needed.
 - “continuity of expenditures”
- Different standards of living: low income vs. voluntary underemployment
- Multiple children within family unit (as well as multiple non-joint children)
- Guidelines group, but it is just a starting point, we have deviation factors, we could take some categories out of the guidelines and add something to deviation factors for the court system.
- Issue: Judges have to use the deviation factors and every judge is different—they don’t apply the same way across the board. There is not consistency in how factors are applied.
- Also—high income group. Have a cap that is unrealistic—should look at this.
- Having orders be easier to change and not have it have to go through court process. Still keeping due process, etc.

5) Review of legislation and task force charge:

- Clarification: The task force is making recommendations to the DHS Commissioner, who will present a report to the legislature by 2/15/18. The legislative process can change recommendations and other groups can present legislation as well.

6) Focus on Guidelines Assumptions:

11 items to consider –from Chart in exhibit 2 on page 4 of Dr. Venohr’s report:

https://mn.gov/dhs/assets/2017-03-31-Revised-Dr-Venohr-Report-to-MN-Child-Support-Task-Force_tcm1053-286690.pdf

#2 of Dr. Venohr’s chart: Income shares guidelines model—do we want to stay with that?

- Income shares has strengths (both parents work and support kids)
 - One strength of percentage is when the noncustodial parent (NCP) has multiple kids in multiple households.
- After establishment, custodial parent (CP) increases income, sometimes this can increase NCP’s support to be paid.
- Ratio of wage to the order (Ratio of Order to Wage – ROTW; “Tax Rate”)-from the [Orange County report](#). Capped percentage of obligor’s income that can be taken and transferred to other parent. This needs to be looked at for multiple order situations.

Does anyone object to staying with income shares? No objection. Consensus to stay with income shares.

#3 Adjustment for state cost of living—double check that MN’s were adjusted down for housing costs.

- Do we need to have an overall adjustment for cost of living generally from the CES (Consumer Expenditure Survey)?

#4 Tax Assumptions—gross income vs. net income.

- Guidelines chart has some tax consideration in it. Previous model (net income) had a lot of things hidden in it that's why it was switched to gross income, but tax considerations added to the statutory chart. It's not gross income in and gross income out.
- If this gets changed to net instead of gross income, it will be about litigating "net" income, what is "fair".
- The tax code has become so much more complicated since the net income model. Very complex.
- Would like to know exactly what the last child support change was. Action Point: Send out link to report on 2007 changes
Assumption: reduce litigation and have it be fair.
- In the end, what are the parties bringing home for income? Should be considered. What percentage?
- Tax consideration when we get into the model and a simple check at the end.
- Orange county study—compliance falls off at 19% of gross.
- Big difference between poverty level, middle income, high income and the relative considerations. Compartmentalize considerations based on income level and impact on the most people.

#5 *Price Levels:*

- Consumer Price Index (CPI). All pre-existing orders have had Cost of Living Adjustments (COLAs), so wouldn't this be a double whammy? Do other states use CPI or COLA?
 - There is a difference between cost of living and CPI. Question for Dr. Venohr: What is the interplay between the cost of living and the CPI?
- What about retroactivity of the new guidelines?
- Have data run to compare someone with an order with multiple COLAs (Cost of Living Adjustments) vs. an order set with current CPI (Consumer Price Index) levels.

#6 *Adjustments for more than 3 children (and possibly amounts between 1, 2 & 3 children):*

- Ask Dr. Venohr to look at this. USDA numbers, multiplier vs. marginal cost.

#7 *Exclude highly variable childrearing expenses:*

- Child care and medical—routine expenses. Should they be included in basic support? Statute could be made clearer as to what is to be divided.
- Medical should be looked at, not as part of the current charge. Based on study from 1997.
- Our charge is to look at basic support. Medical is separate. Urge task force to set aside because we've already got a big task. Leave it as the PICS (Parental Income for Child Support) calculation as it is for now.
- Consensus agreement to keep it separate. May fit under Standards for Modifications—discuss then.

#8 *Families that spend more/less of their Income:*

- Not an issue for USDA, but an issue for Betson-Engel and Betson-Rothbarth—Why?

- Question for Dr. Venohr—Explain how this works in MN. pg 32—the underreporting of income is inherent to most surveys. Many low income families spend more than they report earning. Come back and look at in context with the model.
 - Cost of raising a child→determining economic model→looking at data
- #10 *Low-income adjustment and minimum order:*
- Dr. Venohr liked that MN does it off the bottom so we can see it.
 - To discuss: Orange County ROTW (Ratio of Order to Wage – ROTW; “Tax Rate”). Where to set it? Should it apply to both people?
- #11 *Adjustment at high incomes:*
- Current table goes up to \$15,000 gross per month.
 - Most states go up to 20/30 K gross. Is there interest in increasing the cap? Some members: yes. Other members: no. Agreement that there should be a cap, disagreement as to whether the current cap (set in 2001) should be adjusted.
 - Standard of living—does it flow to child? To discuss with Dr. Venohr
- #12 *Adjustments for time-sharing:*
- Should stay the same—keep separate from the basic table. Everyone agrees.

Points of task force consensus:

- *Income Shares:* stay with this model
- *Exclude highly variable childrearing expenses:* keep it separate as now
- *Adjustments for time-sharing:* keep it separate as now

Further discussion and questions of Dr. Venohr:

- *Adjustment for state cost of living*
- *Tax Assumptions (net v. gross income, child tax credit, etc.)*
- *Price Levels (CPI, COLA)*
- *Adjustments for more than 3 children (and possibly amounts between 1, 2 & 3 children)*
- *Families that spend more/less of their Income*
- *Low-income adjustment and minimum order*
- *Adjustment at high incomes*

7) Data runs:

- Are we ready for data runs? No. We still have a lot of policy questions.
- What are we trying to accomplish? Trying to maintain a standard of living within reason considering now 2 households OR maintain child at poverty level?
- Do other household earners play into calculation?
- Non joint children—how do they impact child support calculations? Should multiple families have equal economic priority?
- SSR (Self Support Reserve)—is it set at the right level and should it be applied to both parties? Also examine the minimum order.
- COLA (Cost of Living Adjustment) and tax implications
- What are the levels of income throughout MN –how many people earn 0-10K, 10-20K, etc. So we can know how many people are impacted by decisions relative to their income bracket. Action Point: CSD is looking at whether it has the ability to gather data about how

many people in the child support system fall into various income brackets and the sizes of their orders. What do we want to know about our current child support system. Also--what about the state demographer?

- Action Point: SEND email to people not here so they can also generate and weigh in on questions.

8) Next Steps:

- The group discussed the May meeting agenda and time, which will be 9-1 p.m.
- Public comment meeting tentatively scheduled for September 2017. Action Point: publicize this meeting.
- Give policy updates to CECLC and invite to the May meeting because we are discussing policy questions. Action Point: Contact CECLC about May meeting and ask to attend. Loop in Jimmy and Tammy to plan at least annual communication between chairs and CECLC.
- Action Point: SEND EMAIL with info about Elizabeth's attendance at the CECLC meeting.
- Questions we've identified are the policy questions that we need to reach consensus on before starting work with Dr. Venohr. These are the policy questions that we need to identify before we can choose an economic model and ask for data runs.
- Discussion: Consensus is not unanimity. If no consensus, then vote, which requires supermajority (60%).

9) Action Items:

- Action Point: Contact CECLC about May meeting and ask to attend. Done 5.5.17—no response yet. Loop in Jimmy and Tammy to plan at least annual communication between chairs and CECLC (Cultural and Ethnic Communities Leadership Council). Discuss at May meeting.
- Action Point: Send email to Task Force with information about Elizabeth's attendance at the CECLC meeting.
- Action Point: Report on the exact composition of the 2007 child support change. (Gross number goes in, net number comes out—look for confirmation in Venohr's report).
- Action Point: Send email to people not here so they can also generate and weigh in on questions. Done 5.12.17
- Action Point: What are the levels of income throughout MN—how many people earn 0-10K, 10-20K, etc. So we can know how many people are impacted by decisions relative to their income bracket.
- Action Point: publicize the September 2017 public comment meeting. Discuss ideas at May meeting.

10) Public Comments:

There was one member of the audience who gave public comments to the group:

- Amy Anderson, Attorney and CPA, representing herself.

Meeting Adjourned at 2:30 p.m.

Next Meeting will be held on May 31st from 9 a.m. to 1 p.m. in **Hearing Room 10** of the State Office Building. ****NOTE: new meeting room.****