

Exhibit 2: Major Factors and Assumptions underlying Minnesota Child Support Guidelines Schedule (Minnesota Compared to Other States)

	Basis of Existing Minnesota Table	Summary of Basis of Other States	Possible Updates or Alternatives	When Applicable	Task Force Decision	Program or General Impacts
1. Measurement of child-rearing expenditures	<p>Mostly USDA (2001) for gross incomes of \$2,000 - \$8,500/mo. for 2+ children.⁸</p> <p>Other sources include Betson-Rothbarth (BR)⁹ measurements (for 1 child for \$3,300-\$7,299 and Betson-Engel (BE) for very high incomes.</p>	29 states rely on Betson-Rothbarth (BR) measurements.	<ul style="list-style-type: none"> • USDA (2017) • Comanor (2015) • BR (2010—most current) • Other 	<p>WITHIN TABLE</p> <p>Economic model that is used to arrive at the numbers in the grid</p>	Not yet decided	<ul style="list-style-type: none"> • New/updated basic support amounts in the table. • Requires legislation. • Updates to system (PRISM).
2. Guidelines model	Income shares	39 states rely on the income shares model. The other two models used by states are the percentage-obligor income model and the Melson formula.	Several alternatives	<p>INCOME CALCULATION</p> <p>Child support is based upon both parents income (not a percentage of one parent's income).</p>	<p>Decided</p> <p>Income shares</p> <p>Cited- September Meeting</p>	<ul style="list-style-type: none"> • Adoption of a new guidelines model would take years to implement. Not within the scope of current contract with economist. • Requires legislation. • Updates to system (PRISM).
3. Adjustments for state cost of living	Housing expense in USDA (2001) were adjusted because the USDA methodology used at the time was believed to overstate housing expenses.	States with extraordinary high or low incomes or cost of living often adjust BR measurements, which reflect national data	MN is close to average so no adjustment is probably warranted (e.g., MN price parity is 97.6% while US prices are on average 100%) ¹⁰	<p>WITHIN TABLE</p> <p>How the numbers in the grid are adjusted up/down relative to MN's cost of living (compared to national numbers).</p>	<p>Decided</p> <p>No adjustment MN is average</p> <p>Cited-April Meeting</p>	<ul style="list-style-type: none"> • New/updated basic support amounts in the table. • Requires legislation. • Updates to system (PRISM).

<p>4. Tax assumptions</p>	<ul style="list-style-type: none"> No tax assumption needed for USDA measurements because USDA measurements are gross-income based Further research needed to know tax assumptions underlying other measurements in table 	<p>BR measurements, based on expenditures/after-tax income, must be backed in to gross income. Most states doing so use federal and state income tax and FICA withholding formula and in prevailing year and use the tax schedule for single/head-of-household</p>	<p>2016 tax rates, different tax assumptions (e.g., married couple with same number of children for whom support is being determined), base guidelines on net income instead of gross income, and other options.</p>	<p>INCOME CALCULATION OR WITHIN TABLE</p> <p>How tax assumptions are accounted for:</p> <ol style="list-style-type: none"> 1) Contained within numbers on grid (net numbers—invisible) 2) Taken off of each parent's income before inputted into grid <ol style="list-style-type: none"> a. Limited amt of tax assumptions allowed b. Litigated amt of tax assumptions allowed 	<p>Not yet decided</p>	<ul style="list-style-type: none"> New/updated basic support amounts in the table. Requires legislation. Updates to system (PRISM).
<p>5. Price levels</p>	<p>Appears to be based on 2002 price levels</p>	<p>Most states use the Consumer Price Index (CPI) from the year in which they updated their schedule</p>	<p>2017 CPI. (There are few alternatives to CPI, and none are in notable or significant use)</p>	<p>WITHIN TABLE</p> <p>Most recent CPI.</p>	<p>Decided</p> <p>Cited: September Meeting</p>	<ul style="list-style-type: none"> New/updated basic support amounts in the table. Requires legislation. Updates to system (PRISM).
<p>6. Adjustments for more than 3 children (and possibly amounts between 1, 2 & 3 children) (addl. Issue: credit for nonjoint children in home)</p>	<p>Appears to use USDA multipliers</p>	<p>Most states use equivalence scales developed by the National Academy of Science¹¹</p>	<p>Several alternatives. See discussion in Section III.</p>	<p>WITHIN TABLE (and income calculation)</p> <p>How numbers in grid are adjusted for more than one child</p>	<p>Not yet decided</p>	<ul style="list-style-type: none"> New/updated basic support amounts in the table. Requires legislation. Updates to system (PRISM).
<p>7. Exclude highly variable child-rearing expenses</p>	<p>Childcare expenses and health care expenses are excluded from table</p>	<p>Most income shares states make a similar exclusion except include \$250 per child per year for ordinary and routine medical expenses</p>	<p>Alter the amounts excluded/included</p>	<p>WITHIN TABLE</p> <p>Whether numbers in grid account for child care and medical</p>	<p>Decided</p> <p>Excluded from table</p> <p>Cited: April Meeting</p>	<ul style="list-style-type: none"> MN currently excludes childcare and medical expense from basic support. If MN would like to change that, significant legislative

						<p>changes would be required.</p> <ul style="list-style-type: none"> • New/updated basic support amounts in the table. • Updates to system (PRISM).
8. Families that spend more/less of their Income	Not an issue for USDA but issue for BE and BR.	Most states use actual ratios with cap on those that spend more than after-tax income	Several alternatives. Depends on which economic measurement of child-rearing expenditures is used.	WITHIN TABLE Lower income vs. higher income	Not yet decided	<ul style="list-style-type: none"> • New/updated basic support amounts in the table. • Requires legislation. • Updates to system (PRISM).
9. Low-income adjustment and minimum order	MN does not include the adjustment in the basic table. It is addressed in the worksheet.	Most income shares states incorporate a SSR and minimum order in schedule	Several alternatives. Worksheet option has many advantages.	ADJUSTMENT AFTER TABLE	Not yet formally decided.	<ul style="list-style-type: none"> • New/updated basic support amounts in the table. • Requires legislation. • Updates to system (PRISM).
10. Adjustment at high incomes	Current table goes up to \$15,000 gross per month.	Most income shares tables go up to \$20,000 -\$30,000 per month gross.	The highest income considered depends on the measurement of child-rearing expenditures. To address higher incomes, an extrapolation can be made.	WITHIN TABLE	Not yet formally decided. Level of cap not decided	<ul style="list-style-type: none"> • New/updated basic support amounts in the table. • Requires legislation. • Updates to system (PRISM).
11. Adjustments for time-sharing	None included in the basic table	Only three states include an adjustment in the basic table	Several alternatives.	ADJUSTMENT AFTER TABLE	Decided. Use PEA eff. 8/1/2018 Cited-May Meeting	<ul style="list-style-type: none"> • There is a new Parenting Expense Adjustment that will be effective August 1, 2018. If MN were to decide to adopt a different adjustment for time-sharing, legislation would be required. • Updates to system (PRISM).

⁸ Based on analysis documented in Venohr, Jane. (Sept. 16, 2015). *Economic Basis of Minnesota Basic Schedule and Parenting- Time Expense Adjustment*. Report to the Child Support Work Group, Minnesota Department of Human Services, St. Paul, MN. ⁹ Betson is the economist (Professor David Betson, University of Notre Dame) preparing the estimates. "Rothbarth" is the economic method for determining the child's share of total expenditures.

¹⁰ U.S. Bureau of Economic Analysis. (2016). Real Personal Income for States and Metropolitan Areas, 2014. http://www.bea.gov/newsreleases/regional/rpp/rpp_newsrelease.htm.

¹¹ Citro, Constance F. and Robert T. Michael, Editors. (1995). *Measuring Poverty: A New Approach*. National Academy Press. Washington, D.C.