

Review of the South Dakota Child Support Guidelines

Presentation to:

South Dakota Commission on Child Support (April 29, 2025)

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Today's Objectives

- Review underlying assumptions and economic basis of existing schedule
- Fulfill federal requirement to review economic data on the cost of raising children

45 C.F.R. § 302.56

(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

- Examine preliminary updates to schedule retaining current assumptions

Existing South Dakota Schedule Is Based on Economic Data on the Cost of Raising Children (slide is from March presentation)

- The schedule is based on
 - economic data on how much families at that income spend on children in 2021; and
 - A low-income adjustment (emboldened amounts) that meets a federal requirement
- The quadrennial review is an opportunity to review the schedule
 - for more current economic data (e.g., recent inflation) and;
 - Whether underlying assumptions are still appropriate for SD children and families for the next 4 years; and
 - The low-income adjustment

Monthly Net Income	One Child	Two Children	Three Children	Four Children	Five Children	Six Childre
0-950	79	79	79	79	79	79
951-1,000	129	129	129	129	129	129
1,001-1,050	179	179	179	179	179	179
1,051-1,100	225	229	229	229	229	229
1,101-1,150	266	279	279	279	279	279
1,151-1,200	308	329	329	329	329	329
1,201-1,250	320	379	379	379	379	379
1,251-1,300	333	429	429	429	429	429
1,301-1,350	345	479	479	479	479	479
1,351-1,400	357	523	529	529	529	529
1,401-1,450	370	541	579	579	579	579
1,451-1,500	382	559	629	629	629	629
1,501-1,550	395	577	679	679	679	679
1,551-1,600	407	595	706	729	729	729
1,601-1,650	419	613	727	779	779	779
1,651-1,700	431	629	747	829	829	829

If Kept Same Assumptions but Updated Economic Data only

- No new economic data on the cost of raising children
 - Post-COVID-19 study scheduled to be available in Fall
- Possible economic updates
 - Inflation— 17.1% increase in price levels
 - Changes in income distribution
 - Changes in ratio of adult to child medical expenditures
- Impact of all 3 changes to core of the schedule: average increase of 4-7% depending on number of children and maximum increase of 12-15%
- Impact of just updating for inflation: average increase of 4% and maximum increase of 12%

Assumptions and Data Underlying Existing Schedule & What Could Be Updated

	Basis of Existing Schedule	Updated Schedules	Alternatives and Notes
1. Guidelines model	Income Shares	Income Shares	41 states rely on income shares 3 states (DE, HI, & MT): Melson formula, 7 states (including ND) use % of obligor income - Other guidelines model
2. Price levels	July 2021	March 2025	17.141% increase in prices
3. Measurement of child-rearing expenditures	5 th Betson study using the Rothbarth methodology (BR5) to separate child-rearing expenditures from total expenditures from the 2013-2019 Consumer Expenditure (CE) Survey	No change	No study using more recent expenditure data, 2021 FI study w/ same data years All states updating their schedules rely on BR5, 18 states based on BR5
4. Adjustments for state cost of living	Income realignment using 2019 Census data: Median Income 2019: \$100,115 (US); \$91,544 (SD)	2023 Census Data shows larger middle class in SD	- Could also adjust for SD Price parity = 87.8 (2020); 88.1 (2023) - No adjustment
5. Spending more/less of after-tax Income	Use actual ratios with cap	Same	Most alternative assumptions increase schedule amounts
6. Most highly variable child-rearing expenses excluded from schedule	Excluded childcare expenses and medical expenses up to the first \$250 per child per year in medical expenses excluded using 2017 medical expenditures data	Same assumption except 2022 medical expenditures data	Various options
7. Low-income adjustment & minimum order	Incorporates a self-support reserve of \$871/mo (2016 federal poverty for 1 person multiplied by 2014 SD price parity) and a minimum order of \$79/mo for \$0-\$950 net combined and splice	2025 federal poverty guidelines for 1 person = \$1,304/mo	Various options to be explored later
8. Extend to higher incomes	Economic data reliable till about \$26,000 net, amounts are extrapolated from \$26,000 to \$30,000	Economic data reliable till about \$28,200	Can extend to higher incomes

#2 Cost of Subsistence/Basic Needs or Study of Expenditures that Vary in Income

State Minimum Wage:

\$11.50 (2025) \$9.95 (2022) → 40-hr Wk week \$1,993/mo (2025); \$1,725/mo (2022)

Subsistence/Basic Needs

- Federal poverty guideline (FPG)

<https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines>

- 1-person: \$1,304 per month
- Each additional person: \$458 per month

- USDA Thrifty Food Budget

<https://fns-prod.azureedge.us/sites/default/files/resource-files/cnpp-CostFood-TFP-March2025.pdf>

- 1-year old : \$112 per month
- Teenage, male: \$316 per month

- Massachusetts Institute of Technology Living Wage: <https://livingwage.mit.edu>

- 2024 South Dakota required annual income after taxes (converted to monthly)
 - 1 Adult and 0 children: \$2,978/month
 - 1 Adult and 1 child: \$5,295/month
 - Difference attributed to child: \$2,317/month: \$837/month when excluding childcare and medical

No state just uses only the cost of subsistence/basic needs for its child support formula

All states provide a higher amount for when the payer-parent has more income

#2: Economic Studies: 10 Different Studies in Use, BR5 Is Most Current & Credible

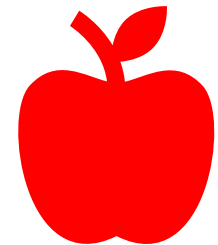
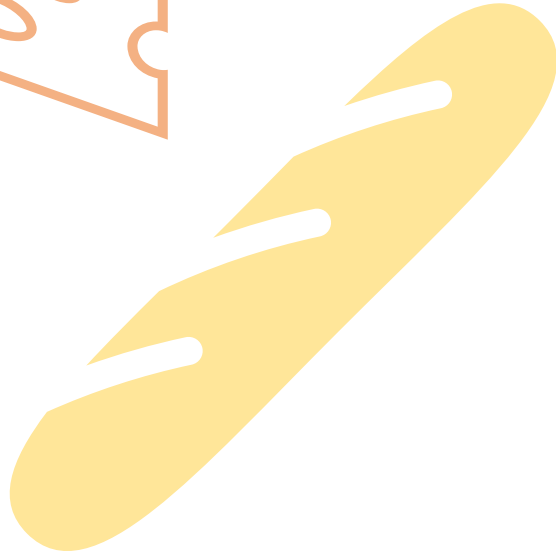
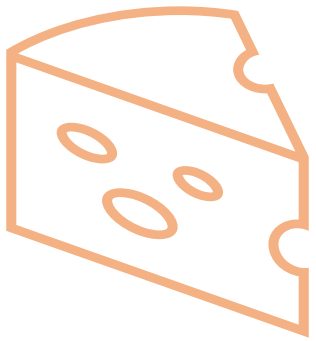
Van der Gaag	1981	Jacques van der Gaag, On Measuring the Cost of Children, Discussion Paper No. 663-81 (Univ. of Wisconsin Inst. for Research on Poverty, 1981)
Espenshade	1984	Thomas J. Espenshade, Investing in Children: New Estimates of Parental Expenditures (Urban Inst. Press, 1984).
Lewin Report (compared methods)	1990	Lewin/ICF. (1990). <i>Estimates of Expenditures on Children and Child Support Guidelines</i> . Report to U.S. Department of Health and Human Services, Office of the Assist. Secretary for Planning and Evaluation. Virginia
Betson-Rothbarth 1 (BR1) CE: 1980-86	1990	David M. Betson (1990). <i>Alternative Estimates of the Cost of Children from the 1980-86 Consumer Expenditure Survey</i> , 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, WI.
BR2 and Engel and BR3 (1994-98 and 1998-2004)	1996-2006	See Betson (2021) for summaries
Betson-Rothbarth 4 (BR4) CE: 2004-09	2010	Betson, David M. (2010). “Appendix A: Parental Expenditures on Children.” in Judicial Council of California, Review of Statewide Uniform Child Support Guideline. San Fran-cisco, California. Retrieved from: http://www.courts.ca.gov/partners/documents/2011SRL6aGuidelineReview.pdf
Rodgers-Rothbarth/NJ CE: 2000-11	2012	New Jersey Child Support Institute (March 2013). <i>Quadrennial Review: Final Report, Institute for Families</i> , Rutgers, the State University of New Jersey, New Brunswick, NJ. Retrieved from: http://www.judiciary.state.nj.us/reports2013/F0_NJ+QuadrennialReview-Final_3.22.13_complete.pdf
Comanor (CE: 2004-09)	2015	Comanor, William, Sarro, Mark, and Rogers, Mark. (2015). “The Monetary Cost of Raising Children.” In (ed.) <i>Economic and Legal Issues in Competition, Intellectual Property, Bankruptcy, and the Cost of Raising Children</i> (Research in Law and Economics), Vol. 27). Emerald Group Publishing Limited, pp. 209–51 Recycled above: Comanor, William (Summer 2024.) “Why Does Child Support Go Unpaid?” <i>Regulation</i> . Cato Institute.
USDA (CE: 2011-2015)	2017	Lino, Mark (2017). <i>Expenditures on Children by Families: 2015 Annual Report</i> . U.S. Department of Agriculture, Center for Nutrion and Policy Promotion. Miscellaneous Publication No. 1528-2015, Washington, D.C. http://www.cnpp.usda.gov/publications/crc/crc2017.pdf
Florida State/Rothbarth and Engel (CE: 2013-19)	2021	Norribin, Stefan C., et al. (Nov. 2021). <i>Review and Update of Florida’s Child Support Guidelines</i> . Retrieved from http://edr.state.fl.us/Content/special-research-projects/child-support/ChildSupportGuidelinesFinalReport2021.pdf .
Betson-Rothbarth (BR5) CE: 2013-19	2021	Betson, David M. (Mar 2021). “Appendix A Parental Expenditures on Children.” in <i>Review of Arizona Child Support Guidelines: Findings from the Analysis of Case File Data and Updating the Child Support Schedule</i> . Report to the Arizona Supreme Court Administrative Office of the Courts https://www.azcourts.gov/Portals/74/FCIC-CSGR/SupplementalPacket-030121-FCIC-CSGRS.pdf?ver=2021-02-26-161844-187
Betson-Engel CE: 2013-19	2022	Betson, David. (2022). “Appendix A to Addendum D: Review of the Georgia Child Support Guidelines.” In <i>Georgia Support Commission: Economic Study Final Report</i> . Retrieved from https://csc.georgiacourts.gov/wp-content/uploads/sites/8/2023/01/2022-Final-Report.pdf .

Shaded studies are not in use by any state. Besides those 8 studies, there is an old KS study, TX study (that is not in use) and Betson-Engel study partially used in Utah.

Consumer Expenditure Survey

Consumer Expenditure Survey (CE) is underlying source of expenditure data

- About 6,000 households surveyed each quarter on 100s of items
- National survey
- <https://www.bls.gov/cex/>



#2 Comparison of Average Child-Rearing Expenditures as Percentage of Total Expenditures

Economists generally don't agree which methodology best measures actual child-rearing expenditures.

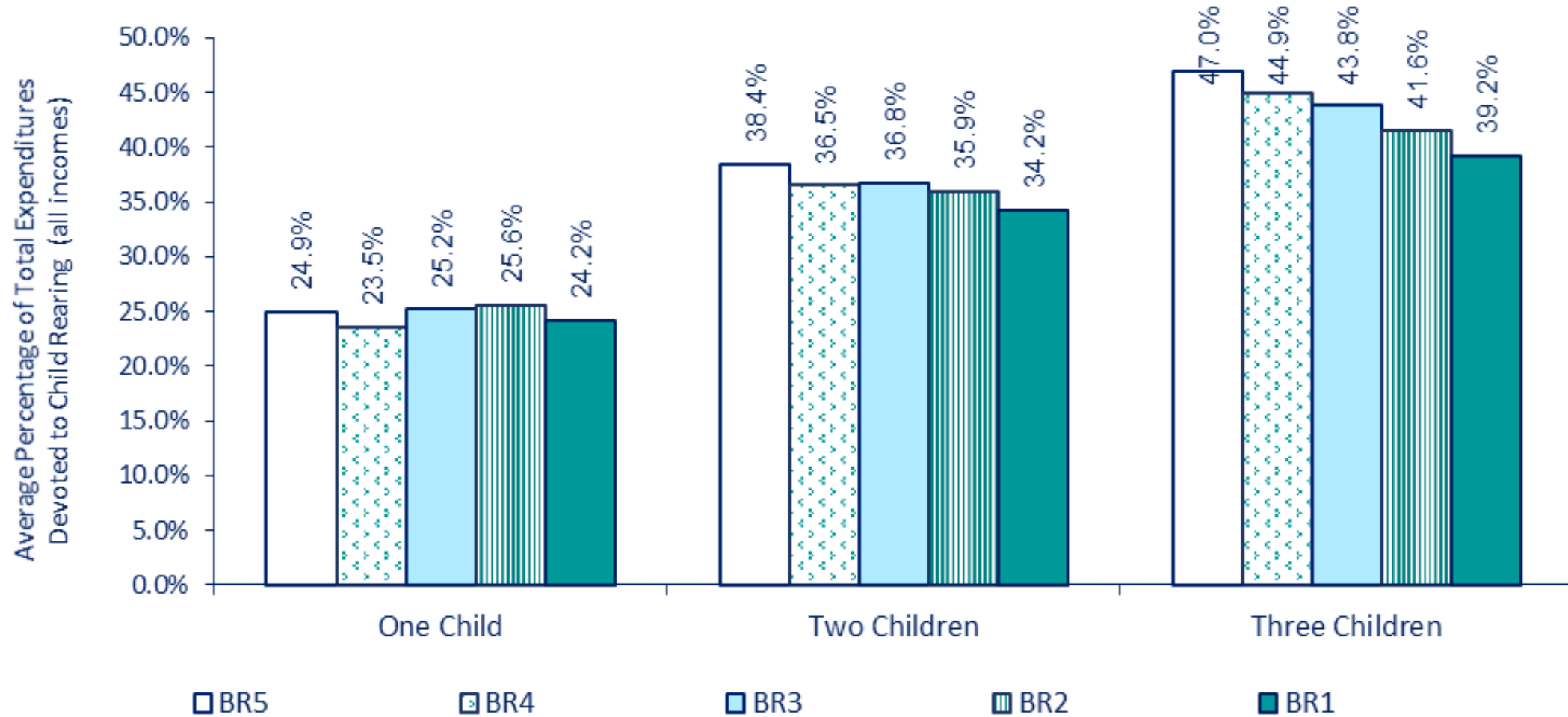
However, most economists and policymakers agree that a guidelines amount between the lowest and highest of credible measurements is within an appropriate range

STATE USAGE

- 32 states use a BR study
- 18 states use BR5 (AL, AZ, GA, IA, IL, IN, LA, ME, MI, MO, NC,NM, PA, SC, SD, WV, WY, VT)
- No state uses Comanor (2015)
- MN and MD high incomes use USDA
- Several states based on older studies (CA, NY)
- NJ uses own Rothbarth study
- MA not based on study

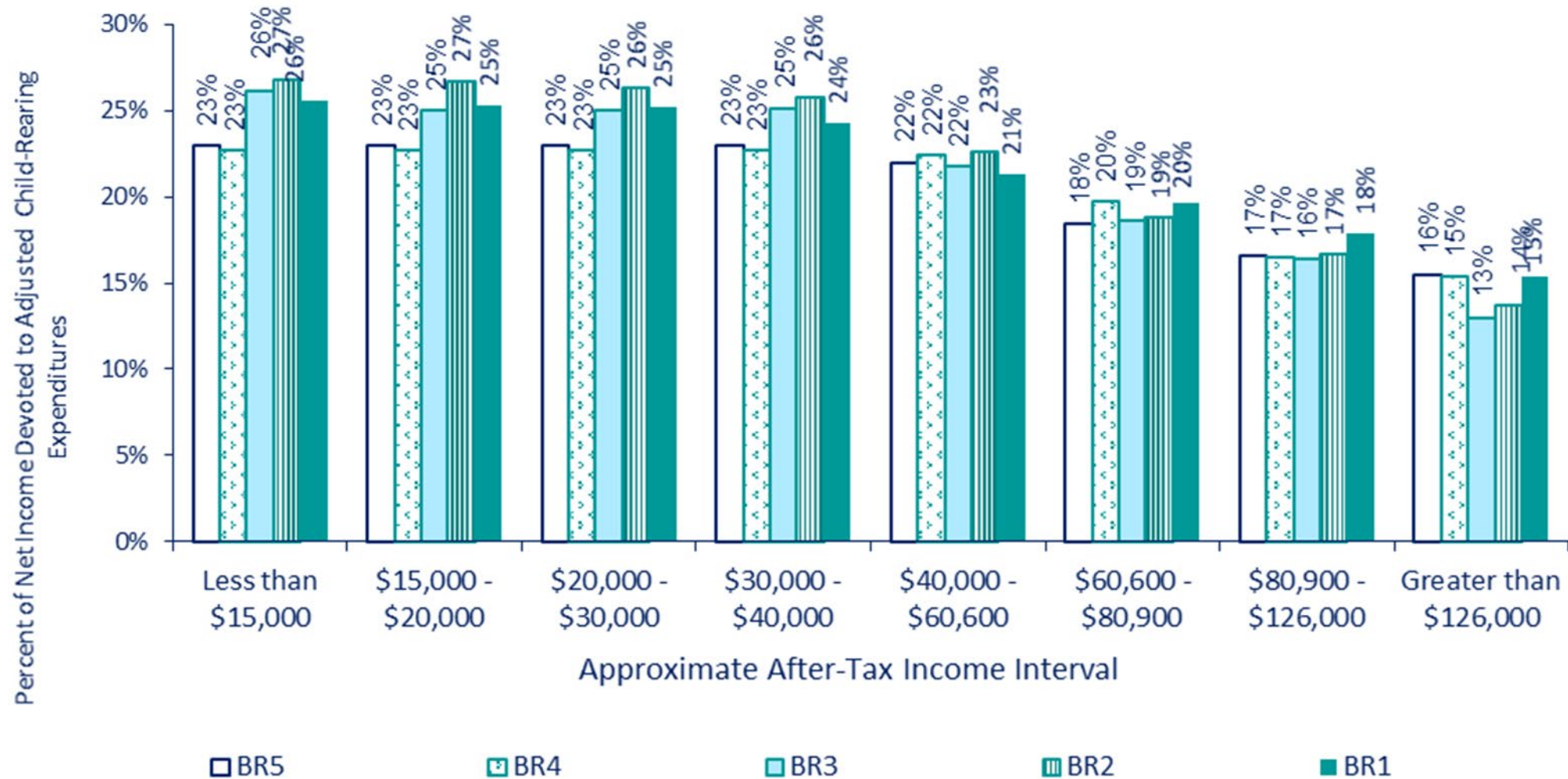
Economic Methodology	Economist and Data Years	Average Child-Rearing Expenditures as a Percentage of Total Expenditures		
		1 Child	2 Children	3 Children
Rothbarth	Betson 2013–2019	24.9%	38.4%	47.0%
	2004–2009	23.5%	36.5%	44.9%
	1998–2004	25.2%	36.8%	43.8%
	1996–1999	25.6%	35.9%	41.6%
	1980–1986	24.2%	34.2%	39.2%
	Rodgers/Replication of Betson 2004–2009 CE	22.2%	34.8%	43.2%
	Rodgers 2000–2015 CE	19.2%	24.1%	30.8%
	2004–2009 CE	21.5%	24.4%	33.4%
	2000–2011 CE	21.0%	25.0%	31.0%
	Florida State University 2013-2019 CE	21.3%	33.4%	41.4%
Engel	2009-2015 CE	24.9%	38.3%	46.9%
	Florida State University 2013-2019 CE	21.5%	33.6%	41.6%
	2009-2015 CE	20.3%	32.6%	41.4%
	Betson 2013-2019 CE	21.9%	34.4%	42.7%
	1996–1999 CE	32.0%	39.0%	49.0%
	1980–1986 CE	33.0%	46.0%	58.0%
	Espenshade 1972–73 CE	24.0%	41.0%	51.0%
	USDA 2011–2015 CE	26.0%	39.0%	49.0%
Point estimate from literature review	van der Gaag (no year specified)	25.0%	37.5%	50.0%

#3: Economic Study BR Average Estimates over Time

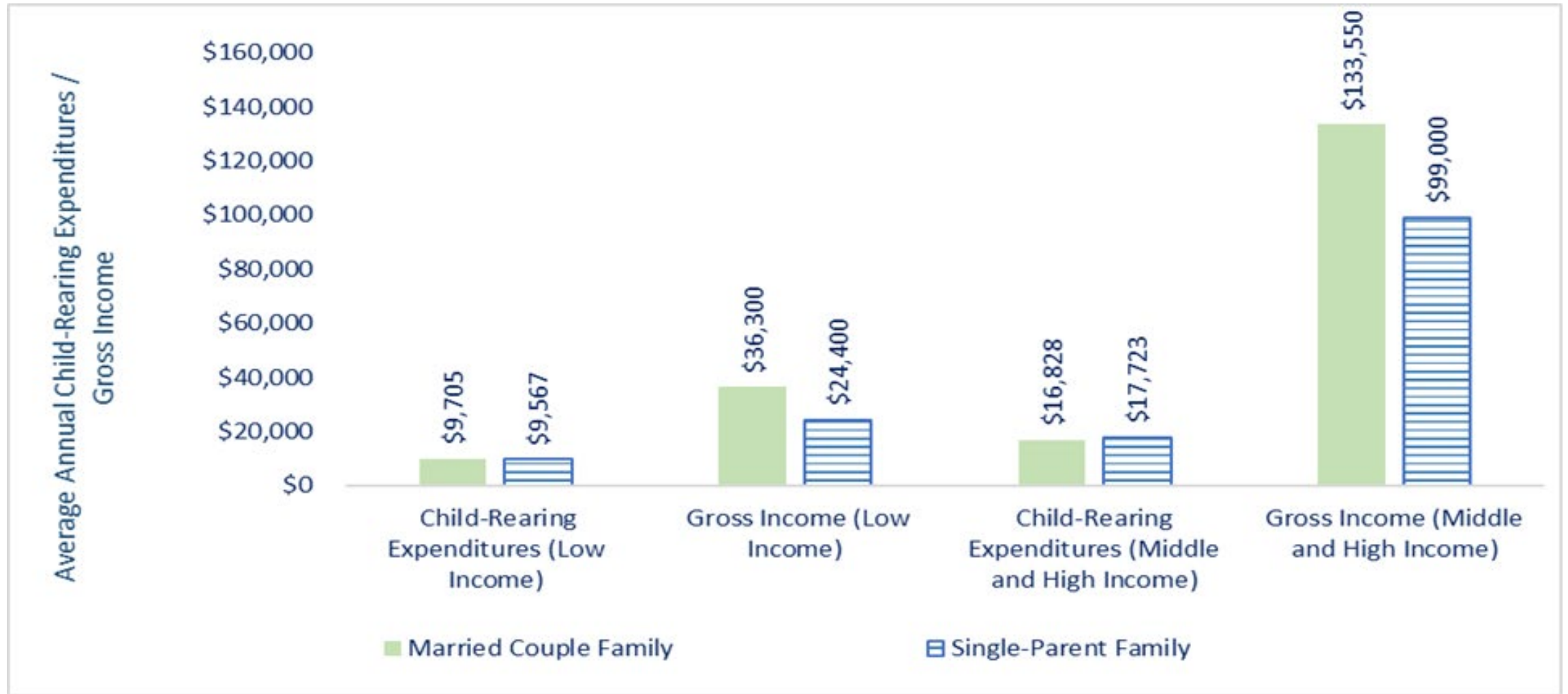


#3: BR Studies over Time by Income Range: One Child

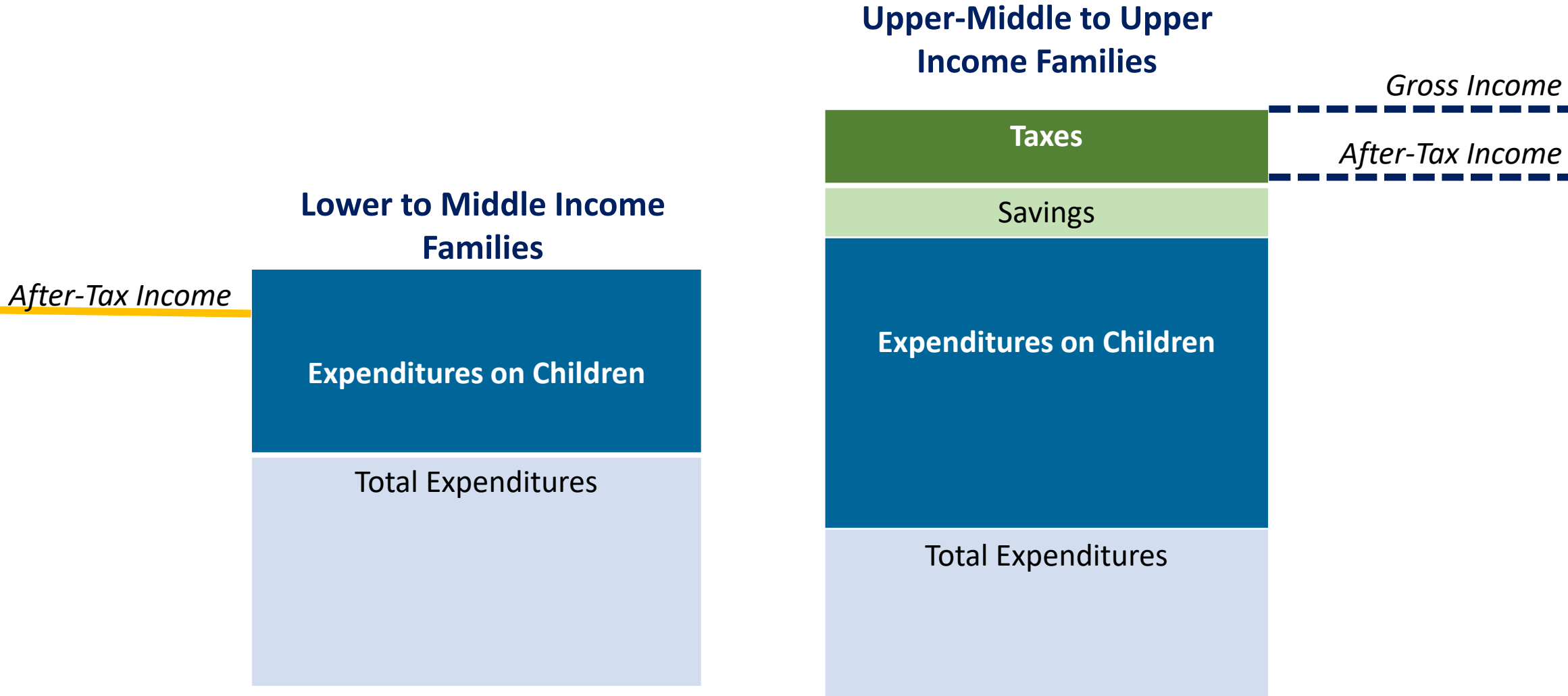
Chart illustrates that percentage of after-tax income devoted to child-rearing expenditures decreases as income increases



#3: USDA Study



#5: Average Expenditures to After-Tax Income Ratios



#7: The Low-Income Adjustment in the Schedule Fulfills 45 C.F.R § 302.56 (c)(1)(ii)

(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

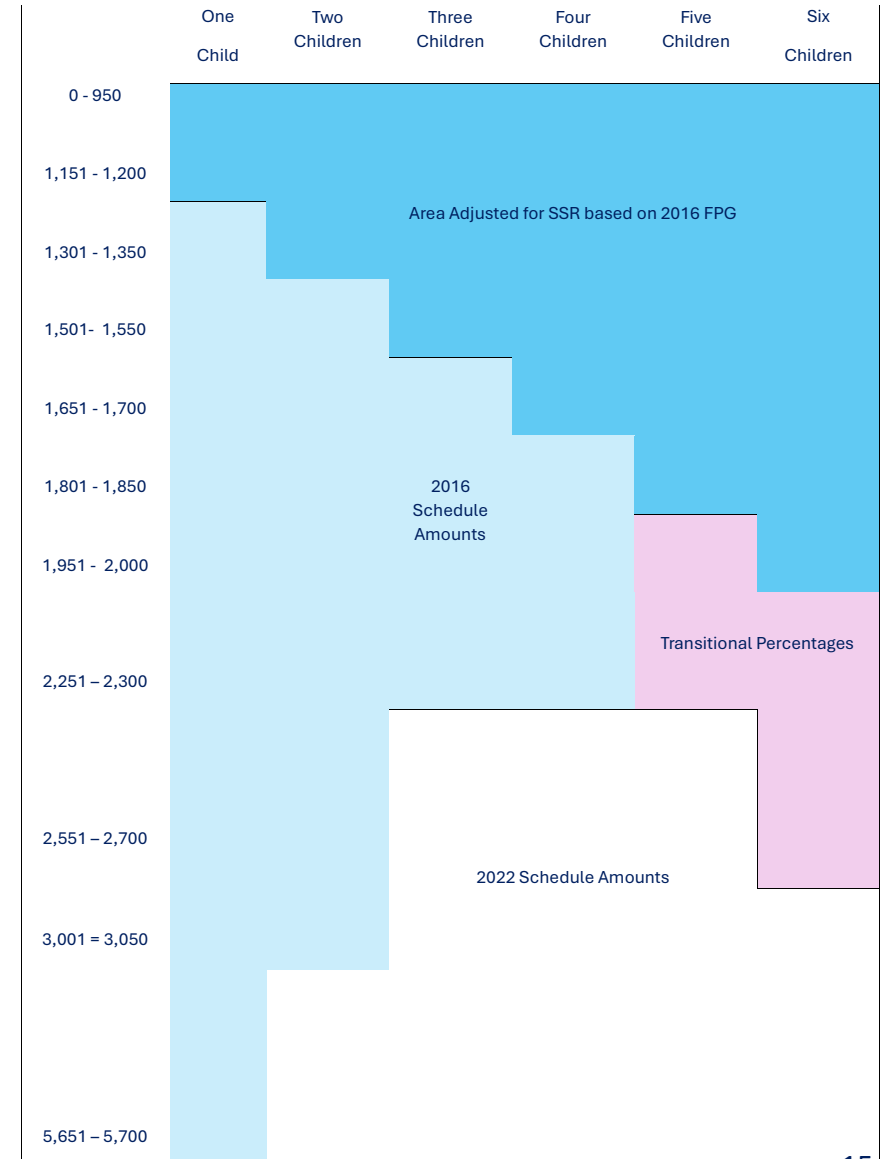
(iii) If imputation of income is authorized, takes into consideration the specific circumstances of the noncustodial parent (and at the State's discretion, the custodial parent) to the extent known, including such factors as the noncustodial parent's assets, residence, employment and earnings history, 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.

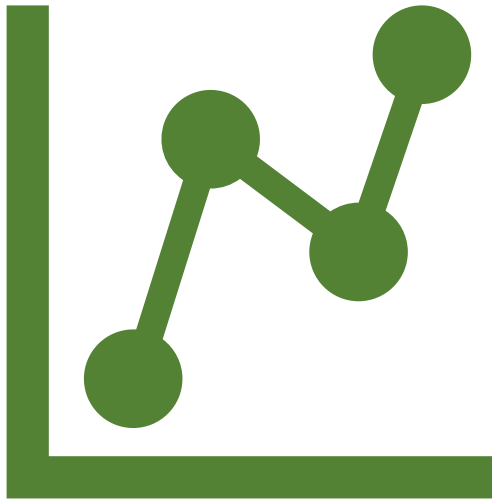
#7: Splice Pre-2022 Low-Income Adjustment

Premise of Splice: No decreases due to unprecedented inflation

Consequences:

- Low-Income adjustment was unchanged from 2016 amounts (dark blue)
- Some higher low-incomes to mid-incomes were retained at 2016 levels (light blue)
- Some transitional amounts were to ease between 2016 and 2022 proposed amounts (purple)





Comparisons of Alternative Updated Schedules and Bordering States

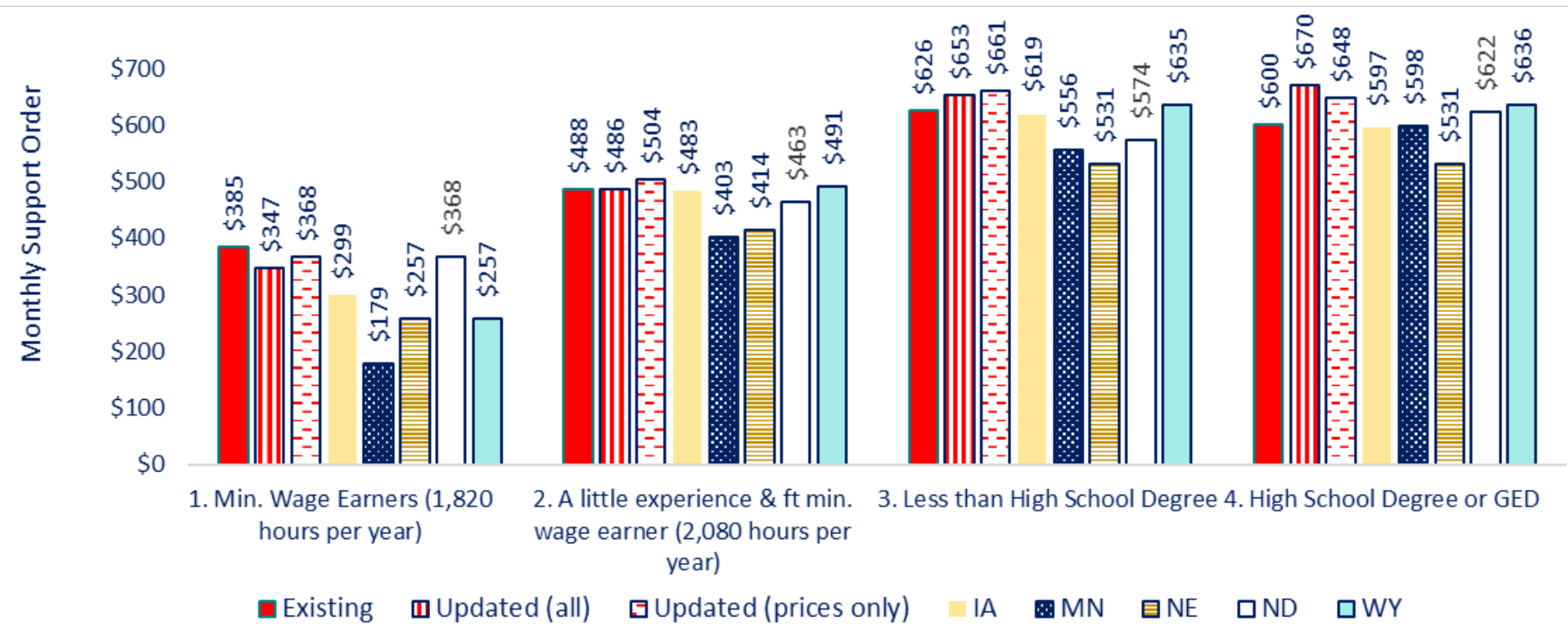
Basis of Other State Guidelines

	South Dakota	Iowa	Minnesota	Montana	Nebraska	North Dakota	Wyoming
Last Review	2022	2024 (in process of updating)	2022 (haven't updated since 2018)	2024	2024 (haven't updated since 2018)	2022	2022
Guidelines Model	Income shares	Income shares	Income shares	Melson	Income shares	% of obligor income	Income shares
Price levels	2021	2020	2018	?	2018	?	2021
Gross or Net Income	Net	Net	Gross	Net	Net	Net	Net
Economic Study	BR5 (realigned for SD income)	BR5	Adjusted USDA	FPL for basic needs	BR4 (adjusted for price parity)	Espenshade	BR5
Low-Income Adjustment	SSR based on 2016 FPG	Updating to 2024 FPG	120% FPG (indexed)	130% FPG (indexed)	100% FPG (indexed)	\$800 with phase-in for incomes above	100% FPG (indexed)
2023 Price Parity (US = 100.0)	88.1	88.8	98.4	90.2	90.4	88.6	90.8
2023 Median Gross Rent (U.S. \$1,406)	\$921	\$949	\$1,264	\$1,083	\$1,042	\$916	\$1,000
2023 Median Family Income of Married Couple with Children (US =\$125,779)	\$115,205	\$120,799	\$142,517	\$100,020	\$119,896	\$131,059	\$112,093
State Minimum Wage	\$11.50	\$7.25	\$11.13	\$10.55	\$13.50	\$7.25	\$7.25

8 Case Scenarios: Cases 3-7 Rely on Median Earnings of South Dakota Workers Age 25 and Over By Highest Educational Attainment (2023 U.S. Census Data)

	Gross Income of Paying Parent	Gross Income of Receiving Parent	Net Income of Paying Parent	Net Income of Receiving Parent
1. Min. Wage Earners (1,820 hours per year)	\$ 1,744	\$ 1,744	\$ 1,561	\$ 1,561
2. A little experience & ft min. wage earner (2,080 hours per year)	\$ 2,500	\$ 1,993	\$ 2,179	\$ 1,767
3. Less than High School Degree	\$ 3,421	\$ 1,616	\$ 2,918	\$ 1,456
4. High School Degree or GED	\$ 3,804	\$ 2,654	\$ 3,226	\$ 2,302
5. Some College or Associate’s Degree	\$ 4,493	\$ 3,207	\$ 3,780	\$ 2,747
6. Bachelor’s Degree	\$ 5,324	\$ 4,200	\$ 4,444	\$ 3,545
7. Graduate or Professional Degree	\$ 6,441	\$ 5,129	\$ 5,230	\$ 4,291
8. High Income	\$ 12,500	\$ 6,667	\$ 9,440	\$ 5,389

Comparisons: 1 Child with Lower Incomes



Findings:

Case 1: Some states have generous low-income adjustments that apply to this scenario

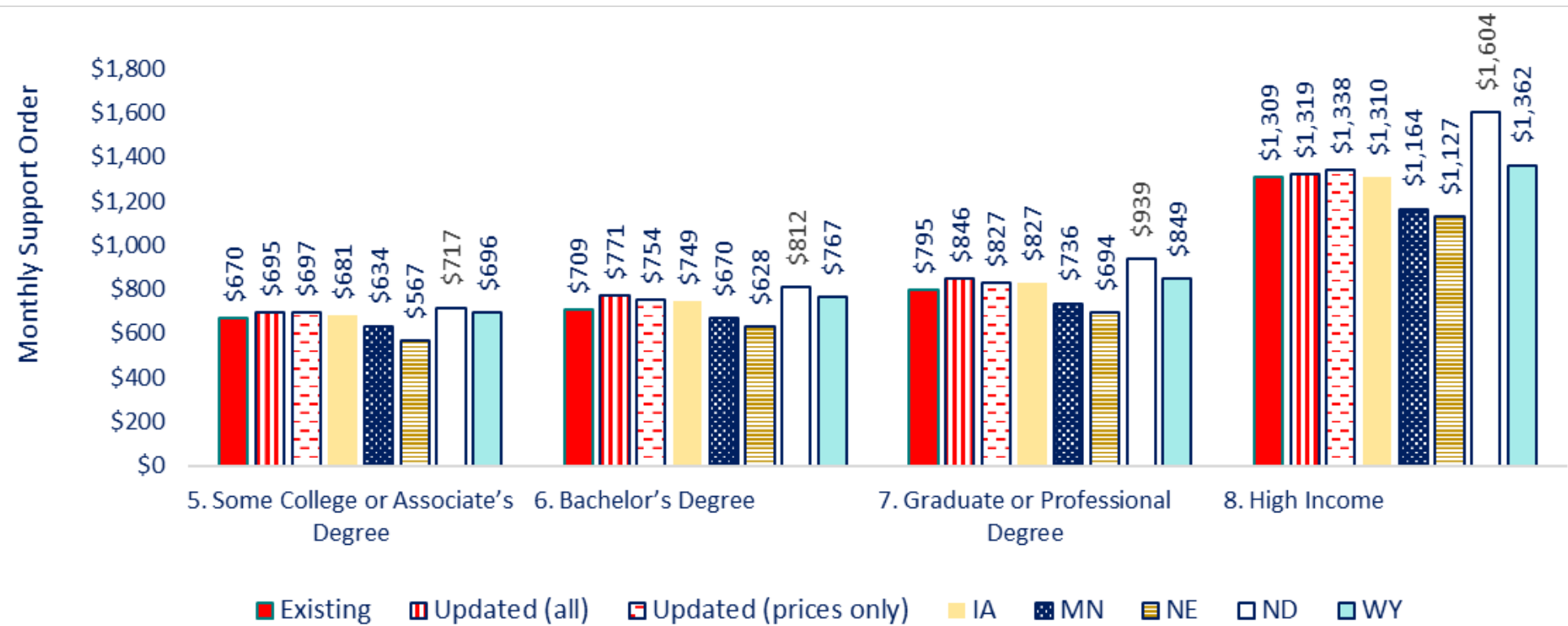
First 2 case scenarios could be adjusted for splice

None of the states have updated for 2022 inflation yet

Proposed increase of about \$37-\$70 per month

Some “bowing” under Updated (all); about a \$20 difference from Updated (prices only)

Comparisons: 1 Child with Higher Incomes



Findings:

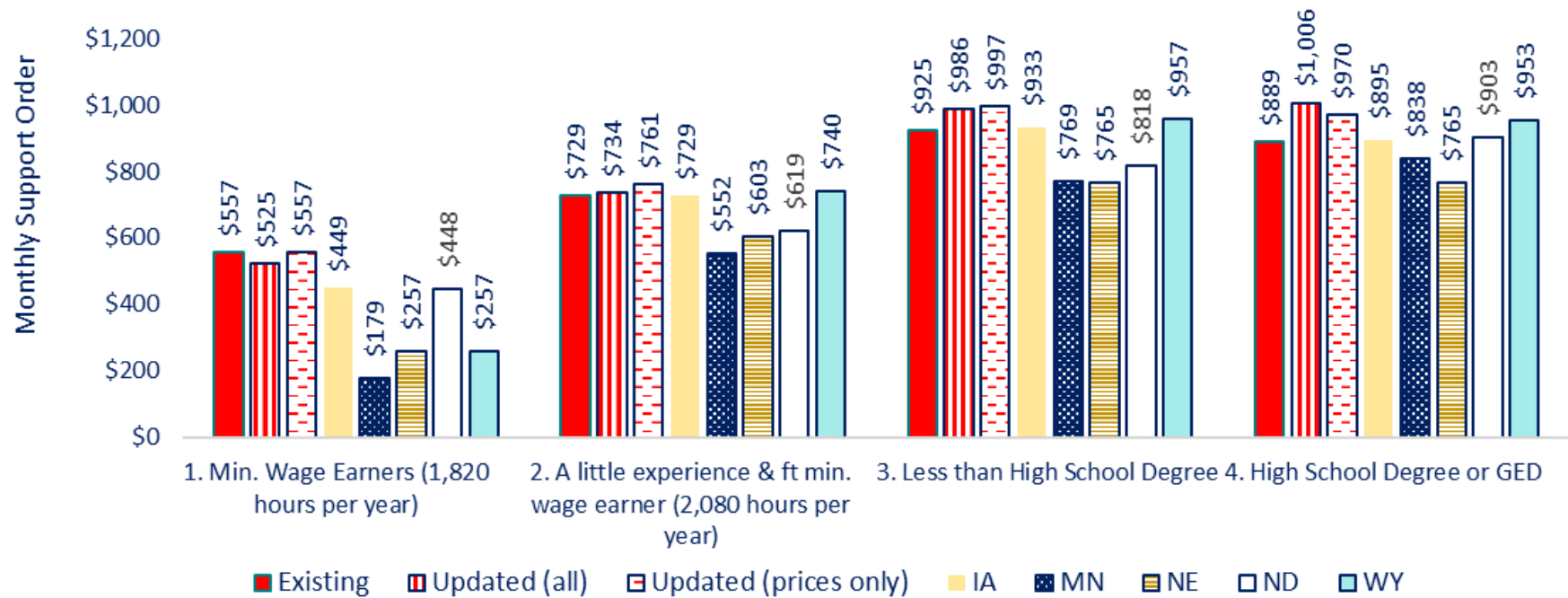
ND becomes higher with more income because of its % of income guidelines model

Proposed increase of about \$15-\$60 per month

Some “bowing” under Updated (all); about a \$20 difference from Updated (prices only); Neither is consistently more or less than the other

Other states (particularly MN & NE) have not updated for inflation

Comparisons: 2 Children with Lower Incomes



Findings:

Cases 1 & 2: Some states have more generous low-income adjustments

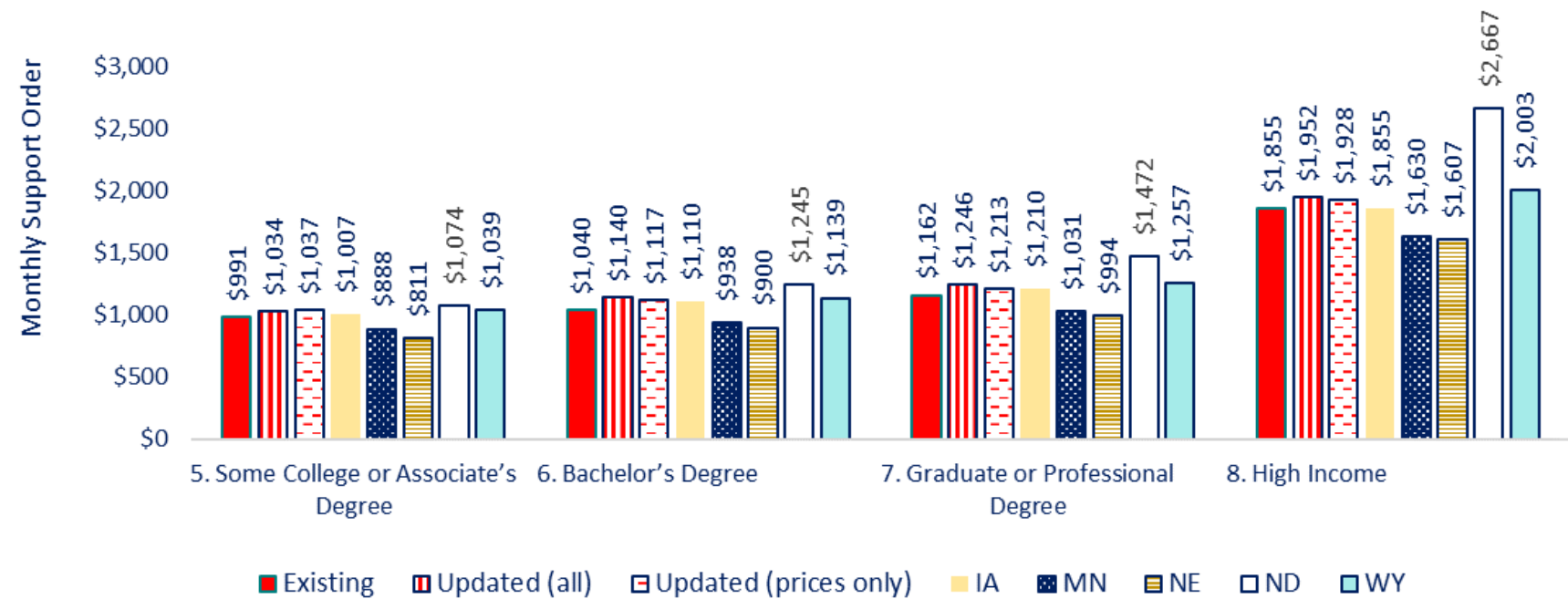
First 2 case scenarios could be adjusted for splice

None of the states have updated for 2022 inflation yet

Proposed increase of about \$0-\$117 per month

Some “bowing” under Updated (all); about a \$30 difference from Updated (prices only)

Comparisons: 2 Children with Higher Incomes



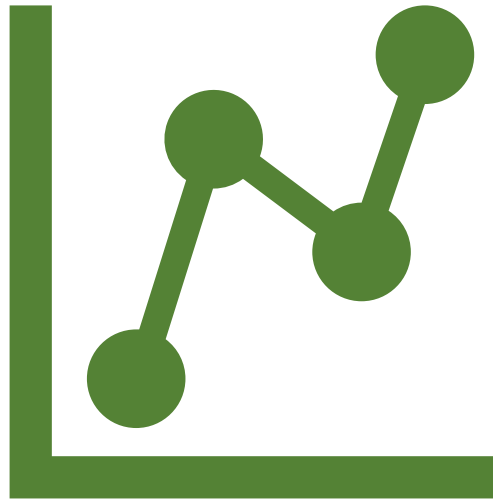
Findings:

ND becomes higher with more income because of its % of income guidelines model

Proposed increase of about \$40-\$100 per month

Some “bowing” under Updated (all); about a \$30 difference from Updated (prices only); Neither is consistently more or less than the other

Other states (particularly MN & NE) have not updated for inflation



Next Steps and Questions

Next Steps and Questions

Commission and DSS

- Questions/Concerns?

CPR

- Review adjustment for SD lower income/prices
- Low-income adjustment
- Analyze case file data
- Analysis of labor market data

