

Georgia Child Support Guidelines Commission Meeting

ECONOMIC STUDY AND OBLIGATION TABLE SUBCOMMITTEE AGENDA

October 6, 2005

SUMMARY OF MEETING MINUTES

*Sub-Committee Chair, Dr. Roger Tutterow
Co-Chair, State Senator Seth Harp*

I. Welcome and Introductions

Senator Seth Harp, Co-Chair of the Economic Study and Obligation Table Subcommittee, called the Subcommittee Meeting to order at 9:30a.m. Subcommittee Members in attendance were as follows: Senator Seth Harp; Dr. Roger Tutterow; Representative Earl Ehrhart; Judge Louisa Abbot; Judge Debra Bernes; Sadie Fields; Annetta Panatera; and Chuck Clay. This meeting was open to the public.

The members of the Subcommittee were mailed the July 13 Meeting Minutes in advance of this Subcommittee Meeting. Following a further quick review with no suggestions for corrections or additions, a motion was made and seconded to approve the minutes. The minutes were approved without any objection.

II. Economic Task Force Report

Senator Harp called on Dr. Roger Tutterow to give the Economic Study Task Force recommendations on the methodological recommendations to be used in building an obligation table, a component of HB 221 and the new Child Support Guidelines. The methodological recommendations include selecting an estimate of child rearing expenditures.

Dr. Tutterow introduced Dr. Carol Dole, Professor, Richards School of Business, University of West Georgia, who was in the audience and a member of the Task Force. Dr. Tutterow also provided the names of the other economists who served on the team and produced input. Essentially, in their analyses, the economists reviewed a variety of reports from other states in regard to their guidelines, the most up to date Consumer Price Index, up to date Consumer Expenditure Survey, USDA's Expenditures on Children by Families, 2004, as well as the insights of Dr. Jane Venohr. Dr. Jane Venohr, an economist with Policy Studies, Inc, met with the economists and they observed her presentation to the Child Support Commission on September 9, 2005. In addition, the economist reviewed additional literature and used their independent judgment and expertise in making these recommendations.

A. Recommendations Regarding Selecting an Estimate of Child-Rearing Expenditures—

The economists recommended that we take an equal weighted average between the Rothbarth and Engel estimators. The reasoning behind this is that you take one estimator known to overestimate the child rearing expenses, with the other reputed to underestimate the actual child rearing expenses. The average of the two should provide a good approximation of the actual expenditures of child rearing expenditures.

B. Recommendations Regarding the Adjustments to the Price Level over Time—

The economists recommended using the Consumer Price Index U, the urban price index, with as much frequency as allowed by the data. In other words, if the Commission chooses to review the consumer expenditure on a yearly basis, which would be an appropriate adjustment since the Consumer Price Index is updated monthly.

C. Recommendation Regarding Aligning Estimates Based on National Data—

The economists recommended that Georgia's Commission uses national estimates at this time. The economists indicated we could review this in the future, but for the time being the national estimates would be appropriate. The justification for this is that Georgia is close enough to the national average in terms of income and consumption patterns to provide a good approximation. There was a realization that to some degree this runs counter to dialogue both the Commission and the Legislature had to ensure the obligation table was state specific. The economists discovered, though, that Georgia is not too far out of line with national estimates in regard to income and costs. For example, the median family income in Georgia is approximately \$49,745, while the national average is @\$53,692. Yet, if one looks at the variation across the nation, median family income is much greater or lower in most other states. Thus, Georgia looks quite similar to the national profile of median family income. It is also important to look at regional variations. Surprisingly, looking at the Consumer Expenditure Survey studies, the consumption patterns are remarkably stable across the four main census areas. Unless one is willing to address the issue of very community specific cost of living, we are better off working with national averages instead of conducting a Georgia specific study. The Georgia specific studies will probably only find very modest differences as to the cost of raising the child.

D. Recommendation Regarding Subtracting out for Work Related Child Care and Health Insurance Expenses—

There was no recommendation needed. It will already be incorporated into the analysis.

E. Recommendation Regarding Extending the Obligation Table to Four Plus Children

The economists did recommend extending the table to four plus children.

F. Recommendation Regarding Extrapolating to Higher Monthly Incomes

The economists agreed that could extrapolate past \$20,000 per month for higher incomes.

G. Recommendation Regarding Tax Assumptions

The economists agreed that this was part of the statute and needed to be made.

H. Recommendation Regarding a Self Support Reserve

While the economists could make an argument for a self support reserve, they thought the issue was essential a policy question and chose not to make a recommendation. They felt it could be handled as a deviation.

Upon completion of his report, Dr. Tutterow asked Dr. Dole if that well sums up the consensus of the task force. She said it did. Senator Harp asked whether there were any dissents, and Dr. Tutterow answered there were none. This was a unanimous report from the economists.

III. Subcommittee Review of Report and Vote to Adopt Recommendations

A motion was made for this Subcommittee to adopt the economists' report as this Subcommittee's recommendations. The motion was seconded. Representative Ehrhart commented that the Commission had spoken a great deal about a Georgia specific study. However, the Commission employed due diligence in this area, including having the economists review the differences between the national numbers and Georgia specific costs. After the research, it does not appear that Georgia should move away from national data. Still, Representative Ehrhart recommends that the Commission look at cost fluctuations yearly to determine if there are significant changes. He moves that this Commission looks yearly at the fluctuations, based on the Consumer Price Index and make adjustments if necessary. This motion is seconded. The Subcommittee voted on the recommendations, and as amended with the yearly review. The motion carries.

IV. Obligation Table Time Lines

Senator Harp commented that at the last full Commission Meeting, the Commission unanimously approved to allow Policy Studies, Inc. to develop the obligation table. Jill Radwin announced that Policy Studies, Inc. is on hold waiting for the Commission's recommendations. She announced that without adjusting for Georgia specific costs, the obligation tables should be developed by early November.

V. Agenda Items for Next Meeting/Future Meeting Dates

Senator Harp thanked Dr. Tutterow and his task force for serving the state and the children of the state in this process. Senator Harp said that Georgia has previously never had an economic study. Now, we can proudly state that we have studied the data. The end result is what has been long suspected, that Georgia is not far off from the national data. The guidelines, as had been applied, though, may have been far off from the national average. At the same time, we will continue to study and monitor to accomplish the goal of treating Georgia's children fairly.

Chuck Clay inquired what the next steps are after we receive the obligation table. He asked whether someone would explain the results, as well as explaining the comparisons between the old and new guidelines. Jill Radwin suggested that Dr. Venohr return to explain the obligation table. Senator Harp said it may benefit us to have another power point presentation that can be developed in such a manner as to present it to the State Bar and the public.

With no further business, the meeting was adjourned.