Residential Credit Options and Comparing Per Day Credits
David Spring, November 14, 2008

Dear Work Group members,
In an analysis I emailed to the work group yesterday, I provided comparisons of four different residential credit formulas. The following chart is from Page 4 of that analysis:

TABLE ONE: RESIDENTIAL CREDIT AS A PERCENT OF THE TOTAL OBLIGATION WHEN BOTH PARENTS HAVE EQUAL INCOME

% of time with child	Traditional Per day Credit	Betson Multiplier	Gallaher 125% Multiplier	Williams 150% Multiplier
0%	0%	0%	0%	0%
10%	10%*	5%*	6%*	0%
20%	**20%**	**10%**	**12.5%**	**5%**
30%	30%	25%	25%	20%
40%	40%	35%	37.5%	35%
50%	50%	40%/60%	50%	50%
60%	60%	65%	62.5	65%
70%	70%	75%	75%	80%
80%	80%	90%	87.5%	95%
90%	90%	95%	94%	100%
100%	100%	100%	100%	100%

* Note: if the threshold is set at 20% minimum time with the child to receive a residential credit, then the credit for 10% of the time regardless of method would be 0%.

I also provided examples based upon a typical family with a total obligation of $900 per month which converts to a daily obligation of $30 per day. As the above chart indicates, the traditional credit yields the same per day credit to both parents regardless of whether they are the higher time parent or the lower time parent. By comparison, at 20% of residential time, the lower time parent receives a per day credit which is much less than the higher time parent per day credit if one uses any of the other three options.

I am particularly concerned about the per day costs at 20% of time for two reasons. First, of those lower time parents who get to spend any time at all with their child, 20% of time is one of the most common arrangements. Second, the three studies done on shared parenting costs all concluded that **the vast majority of 20% of time parents provide the child with a bedroom.** This means their monthly costs approach the higher time parent and their per day costs are far greater than the higher time parent's per day costs.

With the traditional per day credit, taking $900 a month or $30 per day with both parents have equal incomes and the lower time parent at 20% of the time as an example, the traditional credit results in the lower time parent receiving $30 per day and the higher time parent also receiving $30 per day.

With the Betson graduated credit, in the lower time parent receives a 10% credit even though they care for the child 20% of the time. This is $15 per day. By comparison, the higher time parent receives a credit of 90% of the total obligation even though they care for the child only 80% of the time.. This is $810 for 24 days = $34 per day.

Thus, the higher time parent receives a per day credit which is more than twice the pre day credit of the lower time parent even though we know that the lower time parent's actual per day costs are much greater than the higher time parent's per day costs.

The lower time parent is actually receiving $90 credit per month for caring for the child 6 days a month which equals $15 per day while the mother is receiving a credit for $34 per day!!! The mother receives twice as much per day for each day she cares for the child than the father receives for each day he cares for the child even though we know from all three studies done on the cost of shared parenting that it is highly likely this dad is paying for a bedroom for his child and incurring much higher per day costs than the mom.

With the Gallaher 125% Multiplier Credit, and a 50/50 income split, at 20% of the time, the lower time parent's credit is 12.5% of $900 or $112.50 which divided by 6 = **$18 per day**. The higher time parent receives a monthly credit of $787.50 = $33 per day. Again, the higher time parent receives almost twice as much per day as the lower time parent.

With the Williams 150% Multiplier, the monthly credit for the lower time parent is 5% of % of 900 = $45 per month which divided by 6 days per month equals **$7.50 per day.** By comparison, the higher time parent receives a monthly credit of 95% of 900 = $855 per month which divided by 24 days a month equals **$36 per day**. Thus, even though the lower time parent is likely to have higher per day costs, the higher time parent is receiving a per day credit which is about **5 times greater** than the lower time parent's per day credit. Clearly the 150% multiplier results in a credit which is extremely inequitable to the lower time parent.

TABLE TWO: RESIDENTIAL CREDIT AS A PERCENT OF THE TOTAL OBLIGATION WHEN BOTH PARENTS HAVE EQUAL INCOME Per day cost at $900 total obligation

% of time with child	Traditional Per day Credit	Betson Multiplier	Gallaher 125% Multiplier	Williams 150% Multiplier
0%	0%	0%	0%	0%
10%	10%*	5%*	6%*	0%
20%	**20% $30/day**	**10% $15/day**	**12.5% $18/day**	**5% $7.50/day**
30%	30%	25%	25%	20%
40%	40%	35%	37.5%	35%
50%	50%	40%/60%	50%	50%
60%	60%	65%	62.5	65%
70%	70%	75%	75%	80%
80%	**80% $30/day**	**90% $34/day**	**87.5% $33/day**	**95% $36/day**
90%	90%	95%	94%	100%
100%	100%	100%	100%	100%

The next question is to examine what the actual per day costs are for each parent. Assuming the parents got divorced and mutually agreed to an 80/20 shared parenting arrangement as being in the best interest of the child, and assuming a total obligation of $900 per month and assuming that total obligation is about 20% of combined family income, the combined family income is 5 X 900= $4,500 net per month. (gross of about $6,000 per month or $3,000 per month gross each if there is a 50/50 income split).

Let's next take a look at the actual budgets of both parents before and after divorce. Before divorce, both parents and the child lived in a house costing $4,500 times 33% = $1,500 per month. After divorce, the child has bedrooms in each of the parents new homes. **How much higher are the lower time parent's per day costs if the only difference between the two households is that the child eats more food in the higher time parent's household as a result of spending 24 days a month at that household if there is no residential credit (ignoring tax credit differences which also favor the higher time parent)?**

In the intact family, if the child costs 20% of combined net income, then each parent costs 40% of combined net income (40 + 40 + 20 = 100%). For the sake of simplicity, we will assume there are no day care or health care costs. But if there were, the lower time parent's share of these costs would make their per day costs even higher.

Actual costs of shared parenting if no increase in family income after divorce

Combined Monthly Net Income (CMNI) = $4500	**Intact family budget = $4,500 = 900 for child and 1800 for each adult.**	**Post Divorce budget higher time parent = 2250 + 450 transfer = $2700/ month**	**Post Divorce budget lower time parent = 2250 – 450 transfer = $1800/ month**
Housing Adult (33%)	1200 = 600 each	600	600
Food, Adult (33%)	1200 = 600 each	600	600
Other adult expenses (33%)	1200 = 600 each	600	600
ADULT TOTAL (80% of CMNI)	**$3600 = $1800 each**	**$1800**	**$1800**
Housing child (33%)	300 = 10 per day	150 (30 days)	150 (30 days)
Food, child (33%)	300 = 10 per day	240 (24 days)	60 (6 days)
Other, child (33%)	300 = 10 per day	150 (30 days)	150 (30 days)
CHILD TOTAL (20% of CMNI)	**$900/30 days = $30 per day**	**$540/ 24 days = $22.50 per day**	**$360/6 days = $60 per day**
TOTAL	**$4500 for all three**	**$2340**	**$2160**

Of course, one is unlikely to find a two bedroom apartment in King County for $750 per month, so each parent will have to cut back on both adult and child "other" expenses in order to pay for both of the two residences. If the lower time parent received a traditional "per day" credit of $30 per day for each of the 6 days they cared for the child, there income would go up $180 (to $1980) and the higher time parent's income would go down $180 (to $2500). This still leaves the lower time parent short $180 per month. This is because the lower time parent's "per day" costs are three times greater than the higher time parent due to having to pay for the child's bedroom during 24 days the child is with the other parent.

Three studies on the cost of shared parenting

The above example explains why all three studies done on the cost of shared parenting concluded that **parents who care for the child 20% of the time (and therefore provide the child with a bedroom) have much higher "per day" costs than the other parent who cares for the child 80% of the time**. As some work group members at the November 2008 work group meeting once again asked for quotes from these studies, the quotes and references are provided below. The following is copied from pages 5 to 10 of the August 2008 Report I sent to the work group which in turn quotes three other reports I referencing and quoting from these three studies. **This is thus, the Fifth time I have supplied this information to the work group. My hope is that any work group members who have concerns about this information will actually read it before asking me for the information yet again.** In addition, I have posted several of these studies on the Washington Shared Parenting Website in case any work group members would like to read the original studies. I would also be happy to email PDF's of the studies to anyone who wishes to read them. None of the studies are over 20 pages long and thus can be read in under a couple of hours.

From My August 2008 report on Residential Credits:

Recap of the Scientific Studies Comparing Per Day Child Costs of the Higher and Lower time parent

During the June and July Work Group meetings, the question was raised about the validity of scientific studies comparing the per day child costs at the higher versus the lower time parent's household. This question is important because the answer to this question is a primary factor in determining which residential credit formula (the traditional residential credit formula or the Betson Graduated Multiplier Formula) would be most equitable to both parents. Thus, this line of research can help provide a scientifically valid answer to this key question…**which formula is most equitable to both parents?**

As I pointed out at both meetings, there are three highly credible scientific studies all of which reached the same conclusion… that ***the per day child costs at the lower time parent's house are much greater than the per day child costs at the higher time parent's house***.

This runs contrary to the commonly held belief that the lower time parent spends very little money on the child compared to the higher time parent.

These three studies are so important that I have posted two of them online at the washingtonsharedparenting.com website.
Fabricius and Braver (2003) and
Henman, P. and Mitchell, K., *(2001).* The only reason I did not post the third study online (Murray Woods & Associates (1999)) is that I do not have a PDF version of it.

I have also repeatedly referred to these studies in my past submissions to the work group. However, it was pointed out at the last meeting that some work group members do not have the time to read the source documents and may not even have the time to read the reports I submitted in January, February, March and April. I would therefore like to summarize these three studies as I described in the various past reports.

In the January 2008 Analysis, I provided a chapter on the traditional cross credit method (Chapter 8, pages 134 to 158) including many examples of how the cross credit method applies in various family situations. I also referred to the three studies all of which supported the traditional cross credit method.

Definitions:

"Total Combined Obligation" means the total cost of caring for the child during a month. In the traditional child support system, it was assumed that only the higher time parent incurred costs for caring for a child. Thus, the total combined obligation went to the higher time parent.

"Income share" means each parents monthly income as a percentage of the combined monthly income of both parents.

"Cost share" means each parents monthly time with the child as a percentage of the combined monthly time with the child. The daily cost share is determined by taking the total combined monthly obligation and dividing by 30 days. The monthly cost share is determined by multiplying the daily cost share times the average number of days per month the child is with that parent.

"Residential credit" is the monthly cost share of each parent.

"Transfer obligation" is the monthly income share minus the monthly cost share.

On page 145, I added: A common objection to residential credits is the claim that the majority parent has "higher costs" than the non-majority parent. These costs include having to provide a house and pay for clothing and school supplies. Such objections are usually raised by people who have never been non-majority parents. If anything the opposite is true. The child typically needs (and will demand) a room in both houses and clothes at both houses. In addition, majority parents typically have the child on school days when the child is gone most of the day. By contrast the traditional non-majority parent has the child on weekends when the child gets to make demands on the parent all day. Any parent knows a child is much more expensive on the weekend than during the week. Thus on a percentage of time or per day basis, **child caring costs are much higher for the non-majority parent than they are for the majority parent**. But the real benefit of this method (the traditional credit formula) is that it treats each parent equally and equally honors and acknowledges the time and income commitments each parent has made to the child.

Beginning on page 155, I referred specifically to two of the three studies:

An important study was conducted by **Fabricius and Braver** which has shed new light on how much non-majority fathers actually spend on their children while the children are in their care (*Non-Child Support Expenditures on Children by Non-residential Divorced Fathers, Family Court Review, Vol. 41, 2003*). Rather than asking majority mothers for this information (as the CES does) or non-majority fathers for this information, the authors deliberately sought out a less biased source of information… the children of divorce.

In a survey of several hundred children of divorce, the authors found that fathers direct expenses on children increased in a linear fashion according to the amount of time the fathers spent with their children. Contrary to the standard assumption of the Betson-Rothbarth model that NCPs' do not incur child costs, even fathers who were given very little residential time with their children still incurred significant direct expenses. For example, even when children only spent an average of 10% of their time with their father, 40% of those fathers provided a bedroom for the child. Given that housing is the single greatest component of child costs, this is a very surprising result that casts the "no NCP expense" assumption of the Betson-Rothbarth model into doubt. Equally surprising, of children who only spent 25% of their time with their fathers, 77% of those fathers provided the child with a bedroom of their own. This result suggests that most non-majority parents incur not only significant un-credited child costs, but per month child costs that are comparable to the child costs incurred by majority parents! On page 12 of their report, the authors concluded, ***"The current findings suggest that the typical assumptions about the economics of noncustodial fathers may simply be wrong".*** …. the non-majority parents non-credited expenses will always exceed those of the majority parent as the non-majority parent will have more days per year when the child is not with that parent yet the parent is still incurring child costs (such as for the room the child is not using). Since both parents incurred nearly identical fixed "child cost" expenses on a monthly basis (such as paying for a bed room for the child whether the child is in the bedroom or not), it is far more likely that the non-majority parent has higher daily costs than a parent who has a higher percentage of time with the child. Given the straight-line relationship just described the only equitable solution is a straight-line cross credit calculation. (*For a more detailed comparison of the ratio of costs incurred by majority and non-majority parents, see **Henman, P. and Mitchell, K., (2001**) Estimating the Costs of Contact for non-residential parents: A budget standards approach, Journal of Social Policy, Volume 30, Issue 3, pp. 495–520*).

On page 50, I also noted: **Murray Woods and Associates (1999)** found that, of non-custodial parents who had visitation with their children, about 90 percent of these parents provided a separate bedroom for the child. Given that housing is the single greatest component of child costs, this is a very surprising result that casts the "no NCP expense" assumption of the Betson-Rothbarth model into doubt.

Thus, I did refer to and provide references for all three studies in my initial report to the work group.

In the February Addendum (page 36), I also discussed the historical basis of the traditional cross credit method referring specifically to the November 1987 Child Support Commission which stated:

Among the Principles listed on page 8 was the following:
A schedule should recognize the involvement of both parents in the child's upbringing. It should take into account the financial support provided directly by parents in shared physical custody or extended visitation arrangements. .

On page 11, the authors described the model chosen by the Commission: *At least 18 states have adopted or are considering adoption of child support schedules that are based on the Income Sharing Model or on a hybridization of the Income Shares Model with the Cost Sharing Model. The model suggests first that parental income be totaled. Next, the percentage of that total income that would have been spent on the children had the family remained intact is calculated and allotted to child support. Finally, each parent pays the percentage of child support that would correspond to their relative share (percentage) of the combined total income. The actual flow of child support payments will then depend on the amount of time the child spends with each parent.*

I also noted two of the three studies on child cost:
Bradbury, B. 1994,'Measuring the cost of children', *Australian Economic Papers*, June 1994, pp. 120-138.**Concluded that Rothbarth method always overestimates the cost of children**
Henman, P. and Mitchell, K., *(2001) Estimating the Costs of Contact for non-residential parents: A budget standards approach,* J. Social Policy, 30 (3) 495–520.
Concluded that child costs at the non-residential parent's house were actually higher on a per day basis than child costs at the residential parents house and thus the non-residential parent was being double charged during any time they spent with the child.

In the March Addendum, beginning on page 20, I again quoted all three studies:
To date, there have been three credible studies done on this topic. These are Murray Woods & Associates (1999), Henman and Mitchell, (2001), and Fabricius and Braver (2003). These three studies all confirmed that the lower time parent's direct child related costs are typically similar to the higher time parent's child related costs on a per month basis. Since the lower time parent has the child fewer days per month, the lower time parents direct child costs are typically greater than the higher time parent on a per day basis.

I then went on to describe and quote from all three studies much as I had done in the January Analysis. For example, I noted that **Murray Woods (1999**) found that, of non-custodial parents who had visitation with their children, with the standard residential schedule being about 20% of the time, about 90 percent of these parents provided a separate bedroom for the child.

Henman and Mitchell (2001) also confirmed that child costs in the non-majority time parent's house were typically greater on a per day basis than child costs in the majority time parents house. This was because the lower time parent was paying for costs, such as a bedroom for the child, even on days when the child wasn't there.

Fabricius and Braver (2003) reached conclusions identical to the 1999 and 2001 studies.

Thus all three scientifically credible studies on this subject reached the same conclusion using substantially different methods and sources of information. Equally important, no study has ever shown that higher time parents per day costs were greater than lower time parents per day costs. Thus, the assumption that lower time parents have no direct expenses is invalid and results in the lower time parent being overcharged, typically by hundreds of dollars each month in un-credited child-related expenses.

Comparing the Traditional Credit to the Betson Credit, Page 8

To better illustrate the disparity and inequitability of the current system, consider the case where both parents make a median income and the mom cares for the child 70% of the time. (Note that this example is taken from page 147 of the Spring 2008 Analysis).

Median Combined Income, equal income and unequal parenting time.

RESIDENTIAL CREDIT **INCOME SHARE: 50-50** **COST (TIME) SHARE: 70-30**	**HIGHER TIME PARENT**	**LOWER TIME PARENT**
COMBINED OBLIGATION: $600 (from Economic Table) **INCOME SHARE =** (Combined Obligation X Income ratio)	50%X $600 = $300	50%x $600 **= $300** **(Pre credit child support)**
PERCENTAGE TIME WITH THE CHILD	70%	30%
COST SHARE: (amount paid directly) = (combined total obligation x % time with child)	($600 x 70%) = $420	($600 x 30%) =**$180=** **Residential credit**
TRANSFER AMOUNT = **Income share minus cost share**	0	($300 - $180) = $120
Funds for child after transfer	300+ 120=420	300-120=180
Percentage of child funds after transfer	70	30
Amount Higher Time parent receives per day with the child	21 days	**420/21 = 20 per day**
Amount Lower Time parent receives per day with the child	9 days	**180/9=$20 per day**

Note that without the residential credit, the lower time parent would pay the higher time parent $300 per month. Thus, the higher time parent would receive (and currently does receive) their own $300 plus the lower time parent's $300 each month. As the higher time parent cared for the child 21 days per month, the higher time parent receives $600 divided by 21 days equals **$28.57 per day** for each of the 21 days the child is with the higher time parent. By contrast, **the lower time parent receives $0.00 per day** for each of the 9 days the child is with the lower time parent. Given that the child cost is in fact about $20 per day for each parent, as determined by the Economic Table, the lower time parent is currently over-charged 9 times $20 or $180 each month while the higher time parent is overpaid this same amount each month. This difference does not take into account tax credits to the higher time parent of at least $150 to $250 per month. Thus, **the total current disparity is $360 plus $150 equals $510 each month.**

Put another way, during marriage both parents likely contributed about $225 each to the child (after dividing up the $150 monthly child tax credit). But after divorce, the dad paid $300 in child support plus direct costs of 9 days times $20 per day or $180 for a total of **$480 per month**, while the mom paid 21 times $20 or $420 in direct costs minus $300 in child support received from the dad equals $120 minus the $150 per month tax credit meaning **the mom does not have to pay anything for the child after divorce as the dad and the federal government are picking up the entire cost of the child**.

Thus, the current system promotes divorce by giving the mom a huge financial incentive for divorce. She likely will get the house and the child and the full tax credit while the dad gets all the bills. This example explains why so many dads wind up living out of the trunk of their cars while the mom's "sugar bowl" is filled to over flowing.
Thus, failure to provide a residential credit is contrary to the existing scientific research and **contrary to the "equitable" distribution requirement of RCW 26.19.001.**

On Page 6 of the April Addendum, I also discussed the three studies:
The only issue that has ever been debated in our State is **what the minimum threshold should be for granting a residential credit.** In the past, it was wrongly believed that the lower time parent incurred little or no expenses during their time with the child. **This was shown to be a false assumption in three recent studies on this topic which were described in more detail in the March Addendum.**
These three studies were also referred to in several other sections of the April Addendum (for example, see the first paragraph of page 33), Unfortunately, while I discussed the conclusions of the three studies in the April Addendum, I failed to list the three studies in the References section of the April Addendum.

The merit of these three studies was also discussed at the June Work Group meeting. Dr. Betson objected to the three studies by noting that two of the three studies were done outside the United States and that the studies used three different methods.
I replied that it is common in scientific studies to use multiple methods and draw from a variety of different sample populations. I added that arriving at the same conclusion, despite the differences in methods and sample sizes increased rather than reduced the validity of the conclusion that the per day costs were higher in the lower time parent's house than the higher time parent's house. Finally, there is no evidence that family expenditure patterns after divorce are substantially different in Australia than they are in the US. To the contrary, in my January Analysis, I quoted from two Australia studies showing that spending patterns in Australia were similar to US spending patterns (Bradbury, 1994; Percival, Harding & McDonald, 1999). Thus, Dr. Betson's sole objection to these three studies was irrelevant.

This conclusion (that the lower time parent has higher per day costs with the child than the higher time parent) is not only supported directly by the three studies cited above, but also indirectly by more than 200 studies done on the costs of child rearing in intact and non-intact families cited in the several reports I have submitted to the work group. By contrast, Dr. Betson admitted during the June 2008 Work group meeting that his assumption that the higher time parent's per day costs are greater than the lower time parent are NOT supported by any scientific studies.

The lack of equity inherent in the Betson formula is most apparent when one includes the credit given to each parent in the same table (see chart Below). Even when both parents have equal income and equal time with the child, the Betson formula does not give an equal credit to both households.

The greatest disparity occurs when the child spends 20% of the time with the lower time parent. That parent only receives a credit for 10% of the total obligation. This flies in the face of research confirming that the majority of these parents provide the child with a bedroom and thus that their per month costs are comparable to the higher time parent. Put another way, both parents are spending about the same each month in direct child costs. Yet the higher time parent is receiving 90% of the total obligation or NINE TIMES MORE than the lower time parent!!!

RESIDENTIAL CREDIT AS A PERCENT OF THE TOTAL OBLIGATION WHEN INCOMES OF PARENTS ARE EQUAL

% of residential time	Traditional Credit formula *	Betson Multiplier formula *
10%	10%	5%
20%	20%	10%
30%	30%	25%
40%	40%	35%
50%	50%	45%/55%
60%	60%	**65%**
70%	70%	**75%**
80%	80%	**90%**
90%	90%	**95%**
100%	100%	**100%**

<u>CONCLUSION</u>

The differences between the traditional credit formula and the Betson Graduated Multiplier formula are summarized in the following chart:

Comparing the Traditional Credit formula to the Betson Multiplier Formula	Traditional Credit Formula	Betson Multiplier Formula
Per Day Cost Assumption Supported by Scientific Studies	Yes	No
Parental Income Assumption Supported by Scientific Studies	Yes	Yes
Complies with 1987 Legislative Intent	Yes	No
Complies with current Washington State Court rulings	Yes	No
Complies with Equitable requirement of the Child Support Act (treats both the higher and lower time parent in the same manner)	Yes	No
Is Gender Neutral	Yes	No
Is simple for parents to understand and calculate without the need of a professional	Yes	No

The research on per day child costs with the lower time parent confirms that lower time parents who spend significant time with their child, typically fathers, have been double charged for years by thousands of dollars every year. This research explains why the vast majority of feedback coming from fathers is that child support transfer payments are way too high and make it nearly impossible for them to afford to spend any time with the child. Indeed many lower time dads are living out of the back of their truck and cannot afford any home at all to provide the child.. this includes even many middle income dads. Meanwhile, the few moms that have filed a public comment with this work group have complained mainly about not being paid at all.

The obvious solution to both of these problems is establishing an equitable residential credit that treats both parents in a fair and equal manner for the costs incurred during their residential time with the child. The only way to treat both parents fairly is by **assuming that the per day child costs are equal at both households**. The only residential credit method that treats both parents fairly and equally is the traditional residential credit formula. For this and the many other reasons cited above, shared parenting advocates such as myself have urged this work group to support the continuation of the traditional residential credit method.

References:

Bradbury, B. 1994,'Measuring the cost of children', *Australian Economic Papers*, June 1994, pp. 120-138 & Bradbury, B. 1997, *Family Size and Relative Need*, unpublished Ph.D. thesis, School of Economics, University of New South Wales, see page 76.

Fabricius and Braver (2003) Non-Child Support Expenditures on Children by Non-residential Divorced Fathers, *Family Court Review*, Vol. 41

Henman, P. and Mitchell, K., (2001) [1]Estimating the Costs of Contact for non-residential parents: A budget standards approach, *Journal of Social Policy*, 30 (3) 495–520.

Murray Woods & Associates (1999) The Behavior and Expenditures of Non-resident Parents During Contact Visits *(Policy Research Paper Number 75). Australia: Department of Family and Community Services.*

Percival, R. Harding, A. & McDonald P. (1999) Estimates of the costs of children in Australian families, 1993-94, National Center for Social and Economic Modeling, University of Canberra.