Comparing the Traditional Credit to the Betson Credit
By David Spring, August 12, 2008

For the past couple of work group sessions, we have been confronting the question of which formula should be used to calculate the most equitable residential credit. Both on the residential credit subcommittee and in the meetings of the work group as a whole, only two methods have received visible support. These are the **traditional residential credit formula**, which was first proposed by the 1987 Washington State Child Support Commission and has been used in our State for over 30 years, and the **Betson Graduated Multiplier formula**, which was developed by Dr. Betson in 2002. As explained in my prior reports to the work group, the Betson Multiplier formula was developed in response to widespread criticism of the “cliff effects” inherent in the Williams 150% Multiplier Method which was first proposed by Williams in 1987.

At the June meeting, DCS staff were asked to prepare specific examples of the actual residential credits that would result from the two methods so that work group members could better understand how the residential credit would be calculated with each method and what the actual residential credit would be using each method.
A couple of weeks later, a tentative agenda was emailed to the work group. This agenda only listed a presentation of the Betson Graduated Multiplier Method. I emailed DCS pointing out that the Work group had requested a comparison of both the traditional and Betson residential credit methods. I asked that the agenda be changed to include information on both methods. Unfortunately I did not hear back from DCS and the agenda was not changed.

On July 23rd, at 2:44 pm on the afternoon before the July 24th Work Group meeting, I received an email from Nancy Koptur with DCS asking me to review and comment on a Power Point Presentation she had created based upon information from my April Report to the Work Group. I sent Nancy back a revised Power Point Presentation using the same number of slides by correcting and simplifying several confusing equations in her original presentation. I pointed out that it was incorrect to refer to the traditional residential credit method as the “Spring method” since I was not the one who developed this method.

I also pointed out that the equations Nancy used made the traditional credit method appear unnecessarily complex. The problem with her equations were a focus on the transfer payment to the mother in dollar amounts instead of comparing the residential credit as a percentage of total obligation. This mis-placed focus hid the effect of the higher time parent’s share of the total obligation.

I also protested that the original power point presentation was written in a rather gender biased manner (by referring to the examples in terms of the percentage of time spent with the mother when in fact the credit is based upon the time spent with the parent receiving the credit, regardless of whether that parent is the mother or the father or the higher time parent or lower time parent). The traditional credit method is simply **the TOTAL OBLIGATION (as taken from the Economic Table) multiplied by the percentage of time that parent cares for the child.**

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In response to my revised version of the Power Point Presentation, Nancy sent me an email stating:

David, I didn't want to revise the PowerPoint to reflect your philosophy, I wanted to make sure we correctly interpreted the formula, which it appears we have done. You are, of course, free to submit your own documents.

I therefore prepared the 5 page handout which I submitted to the work group at the meeting the next morning. (The handout is attached to the end of this report).

The first two pages presented the formula for calculating the traditional credit using the specific example used by Nancy Koptur. I also included a precise table comparing the amount of the traditional credit to the amount using the Betson formula. This table confirmed that the Betson formula almost always resulted in a lower credit for the lower time parent. For example, using the traditional credit formula, if the child is with the lower time parent 20% of the time and with the higher time parent 80% of the time, the lower time parent receives a credit of 20% of the total obligation and the higher time parent receives a credit of 80% of the total obligation. However with the Betson formula, the lower time parent (who cares for the child 20% of the time) only receives a credit of 10% of the total obligation while the higher time parent (who cares for the child 80% of the time) receives a credit of 90% of the total obligation. As mothers are typically the higher time parent, the Betson formula is clearly gender biased against fathers.

I obtained the result of the Betson formula directly from the EXCEL spread sheet provided by Dr. Betson. This result was also listed in two articles provided by Dr. Betson as well as in the April Addendum which I provided to the work group. Thus, there should have been no question that in at least some instances, **the Betson formula results in a residential credit that is only HALF the traditional residential credit.**

The first two pages I provided on July 24th were followed by three pages addressing the history of the traditional residential credit including specific quotations from the November 1987 Report of the Washington State Child Support Commission as well as a court case from May 2008 in which the trial court specifically referred to a computer program using the traditional credit method (which the trial court failed to apply). The Washington State Court of Appeals, Division II, also used the traditional credit method and reversing the trial court because the trial court had imposed "over 80% of the total obligation" on the dad even through the dad cared for the child 50% of the time. The Court of Appeals made it clear that, absent special circumstances, it was not equitable to only give the dad a 20% credit when the dad cared for the child 50% of the time. The Court of Appeals specifically endorsed 50% credit as being equitable if a parent cares for the child 50% of the time. In other words, the Washington State Court of Appeals specifically endorsed the traditional credit formula.

I was deeply disappointed that Nancy submitted an 11 page report which continued to use the confusing, misleading and gender biased presentation of the traditional formula rather than the more accurate and gender neutral presentation that I had sent back to her.

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I was even more disappointed that Nancy presented a comparison chart on page 11 of her presentation which falsely indicated that the Betson formula resulted in a higher residential credit than the traditional formula. I pointed out that Nancy's interpretation of the Betson formula was incorrect and that the amount of the credit was also incorrect. Nancy justified her chart by explaining that she and another staff member at DCS both independently arrived at the same result for the Betson formula.

The following is the chart presented to the work group by Nancy:

Comparison- How Much Does Dad Pay? (DCS INCORRECT TABLE)

Percentage of Time Spent with mom	Dad Pays Under Betson Method	Dad Pays Under Spring Method
100% with mom	443	443
90% with mom	265.80	369
80% with mom	236.16	295.20
70% with mom	206.64	221.40
60% with mom	177.12	147.60
50% with mom	147.60	73.80

This incorrect chart claims that the dad will have a lower payment under the Betson method than under the traditional method in the most common situations in which the dad cares for the child less than 30% of the time. According to this chart, the traditional method results in a much lower transfer payment only when the dad cares for the child 50% of the time. The implication of course is that the reason I support the traditional method is that I am a 50-50 parent and would pay less money under the traditional method. Sadly, not one of these things is true.

A more accurate, less confusing and more gender neutral chart would have been: (focusing solely on the parent receiving the credit and first calculating the credit as a percent of the total obligation)

Comparison- What is the transfer payment if total obligation is $738 and lower time parent income share is 60%?

% of Time Spent with lower time parent	% credit using traditional credit = TC	% credit under Betson Multiplier = BC	$ credit using traditional credit $ =TC x 738	$ credit under Betson Multiplier $ =BC x 738	Dad Pays Under Traditional Method 443 - $credit	Dad Pays Under Betson Method 443 - $credit
0%	**0%**	0%	0% x 738= $0.00	0% x 738= $0.00	443 – 0 = **$443.00**	443 – 0 = **$443.00**
10%	**10%**	4%	10% x 738= $73.80	4% x 738= 29.50	443 – 73.80 = **$369.20**	443-29.50= **$413.50**
20%	**20%**	10%	20% x 738= $147.60	10% x 738= $73.80	443 – 147.60 = **$295.20**	443-73.80= **$369.20**
30%	**30%**	21%	30% x 738= $221.40	21% x 738= 155.00	443- 221.40 = **$221.60**	443-155.00= **$288.00**
40%	**40%**	35%	40% x738= $295.20	35% x 738= 258.30	443–295.20 = **$147.80**	443-258.30= **$184.70**
50%	**50%**	40%	50% x 738= $369.00	40% x 738= $295.20	443 – 369.00 = **$74.00**	443-295.20= **$147.80**

The greatest difference between what the DCS incorrect table indicated and what a dad would actually pay under the Betson formula was $413.50 - $265.80 = **$147.70 per month or an error of $1,772.40 per year!** But what was most disturbing was that after months of discussion and two reports submitted by Dr. Betson including his EXCEL spread sheet, as well as two reports on the same subject which I submitted including detailed charts comparing the credits obtained using the two methods, that two high ranking members of the DCS staff still failed to realize the most basic fact that **the Betson formula results in a lower credit than the traditional formula.**

Indeed the whole point of the Betson formula is to LOWER the amount of the residential credit based upon Dr. Betson's contention that the per day costs are higher at the higher time parent's household than they are at the lower time parent's household. Thus, according to Dr. Betson, the higher time parent should receive 90% of the total obligation even if the higher time parent only cares for the child 80% of the time. Dr. Betson openly admitted during the June 2008 Work Group meeting that there is not a single scientific study that supports his assumptions or his formula. Nevertheless he continues to urge the work group to adopt his formula over the traditional formula.

By contrast, the traditional formula is based on the assumption that the per day costs are the same in the lower time parent's household as they are in the higher time parent's household. So the real question is whether there is any scientifically credible research supporting this assumption. As I pointed out in several of my past reports to the work group, all the available research confirms that the per day costs are actually higher in the lower time parent's household than in the higher time parent's household. Thus, if anything, the traditional residential credit formula does not give the lower time parent enough of a credit.

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 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.**

<u>In the March Addendum, beginning on page 20, I again quoted all three studies:</u>

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 <u>a per day basis.</u>

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, <u>about 90 percent of these parents provided a separate bedroom for the child</u>.

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.

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%	40%
50%	50%	45%
60%	60%	**60%**
70%	70%	**75%**
80%	80%	**90%**
90%	90%	**95%**
100%	100%	**100%**

CONCLUSION

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.

NOTE: THE FOLLOWING 5 PAGE HANDOUT WAS DISTRIBUTED TO THE WORK GROUP AT THE JULY 2008 MEETING ON JULY 24, 2008

Comparing the Traditional Credit Method to the Betson Credit Method
David Spring, July 24, 2008

•**Total Obligation** = Amount from Economic Table (BCSO) = Best estimate of amount that would have been spent on the child had family remained intact
•**Income Share** (IS) = % of total combined income X BCSO = Pre-credit transfer payment.
•**Cost Share** (CS) = % of total combined time X BCSO = Direct costs spent on the child.
•**Transfer payment** = Income Share minus Cost Share = Personal (direct) Obligation for the Child minus Personal (direct) costs spent on child.

Factual Assumptions

•With the traditional cross credit method, there is no preference for either household. All that matters is the % of total income and the % of time spent with the child.
•Assume child is 10 years old. (thus we will use first column of existing economic table)
•Assume Mom net income $2000 / Dad net income $3000
•Dad = 60% of income, Mom = 40% of income
•BCSO from table = 738 Total = 443 Dad, 295 Mom
•Assuming Zero time with dad, transfer payment is $443. Mom directly credited for $295.
Formula for lower time parent transfer payment:
Transfer payment = Income Share (Obligation) minus Cost Share (Direct Credit)
(IS x BCSO) – (CS x BCSO) = (60% x 738) – (0% x 738) = **442.80 if zero time with LTP**

If Child 90% of residential time with Mom, 10% of residential time with Dad:
Transfer payment = Income Share (Obligation) minus Cost Share (Direct Credit)
(60% x 738) – (10% x 738) = 442.80 obligation – 73.80 credit = **$369.00** payment
Note that the residential credit for 10% of residential time with the child is exactly 10% of the total obligation

If Child 80% of residential time with Mom, 20% of residential time with Dad
Transfer payment = Income Share (Obligation) minus Cost Share (Direct Credit)
(60% x 738) – (20% x 738) = 442.80 obligation – 147.60 credit = **$295.20 payment**
Note that the percent of the total obligation does not change (it is based only on % of total income). But 20% of residential time with the child results in exactly a 20% residential credit.

If Child 70% of residential time with Mom, 30% of residential time with Dad
Transfer payment = Income Share (Obligation) minus Cost Share (Direct Credit)
(70% x 738) – (30% x 738) = 442.80 obligation – 221.40 credit
= **$221.40 transfer payment**
Note that 30% of time is about 10 days a month. Thus, the credit is about $22 per day. The mom is also receiving about $22 per day. She is receiving a direct credit of $295 for her share of the obligation plus the transfer payment of $221.40 = 516.40 for her 20 days

If Child 60% of residential time with Mom, 40% of residential time with Dad
Transfer payment = Income Share (Obligation) minus Cost Share (Direct Credit)
(60% x 738) – (40% x 738) = 442.80 Obligation – 295.2 credit = **$147.60 payment**
Note that both parents are still receiving direct cost credits of 738/30 = $24.60/day

If Child 50% of residential time with Mom, 50% of residential time with Dad
Transfer payment = Income Share (Obligation) minus Cost Share (Direct Credit)
(60% x 738) – (50% x 738) = 442.80 Obligation – 369 credit = **$73.80 payment**
Even when both parents have equal time, the higher earning parent will have a transfer payment as they have a higher obligation (income share).

TABLE ONE: LOWER TIME PARENT INCOME SHARE: 60%

Lower time parent % of Time with the child	Traditional Credit % Of Total Obligation	Traditional Transfer Payment % of total obligation	Betson Credit % Of Total Obligation	Betson Transfer Payment % of total obligation	Traditional Credit minus Betson Credit
0	0	60	0	60	0
10	10	50	4	56	6%
20	20	40	10	50	10%
30	30	30	21	39	9%
40	40	20	35	25	5%
50	50	10	40	20	10%

TABLE TWO: LOWER TIME PARENT INCOME SHARE: 50%

% Time With lower time parent	Traditional Credit % Of Total Obligation	Traditional Transfer Payment % of total obligation	Betson Credit % Of Total Obligation	Betson Transfer Payment % of total obligation	Traditional Credit minus Betson Credit
0	0	50%	0%	50%	0%
10	10%	40%	5%	45%	5%
20	20%	30%	10%	40%	10%
30	30%	20%	25%	25%	5%
40	40%	10%	40%	10%	0%
50	50%	0%	45%	5%	5%

*This Table can be arrived at using the Betson Excel sheet by setting the incomes of both parents to be equal and then taking the Percentage columns of Alternative I (the Traditional Cross Credit Method) and the Indiana Credit (the Betson Multiplier Method) and dividing the percentages in half (to get the percent of the total obligation rather than the percent of the obligation of one parent).

Note that the traditional cross credit method always results in a match between the time spent caring for the child and the percentage of credit received. However, it does not always result in an exact match with the Betson multiplier method. The greatest inequity from using the Betson formula in both income examples comes when the lower time parent cares for the child 20% of the time, yet only receives a residential credit for 10% of the total obligation. This means that the higher time parent cares for the child 80% of the time, yet receives a credit for 90% of the total obligation. This is apparently due to the fact that Betson assumes that the higher time parent buys all the child's clothes (which he also assumes to be 10% of the total obligation).

Advantages of the traditional cross credit method

•It is the only method which is gender neutral, income neutral, and cost neutral in that it treats the lower time household with the same level of respect as they higher time household, and it assumes the per day costs are the same in both households.

•It is the simplest residential credit method.

•It has been used consistently here in Washington State for over 30 years.

•It confirms with the intent of the 1987 Washington State Child Support Commission.

Washington State Legislative History of the Cross Credit Method
By David Spring, July 24, 2008

The legislative history confirms that the first Economic Table was adopted by the Washington State legislature in 1988. [1] This table was developed by 1987 Washington State Child Support Schedule Commission and described in detail in a Report submitted to the Washington State Legislature, in November, 1987.[2] On page 2, the report states:
On May 18, 1987, Governor Booth Gardner approved SHB 418 creating the Washington State Child Support Schedule Commission…. The Commission sought to develop a schedule that apportions the costs of raising children as equitably as possible among those who are legally responsible.

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.*** (emphasis added).

This Report makes it very clear that the Economic Table is assumed to represent the total amount that would have been spent on the child had the family remained intact (typically referred to as the Total Obligation). This obligation is then divided between the parents based upon each parent's relative share of the total parental income. (their "income" share). Finally, adjustments are made based upon the amount of time the child spends with each parent (their "cost share"). Thus, the Commission deliberately <u>intended</u> that a residential credit would be provided to the lower time parent in cases where the lower time parent spent significant time with the child and incurred significant expenses caring for the child.

The plain meaning of the residential credit statute is that this credit is to be deducted from the total obligation as determined by the Economic Table and also based upon each parent's actual share of time with the child (now called the Traditional Cross Credit method). The Washington State Child Support Act (1988) states in part:

The legislature intends, in establishing a child support schedule, to insure that child support orders are adequate to meet a child's basic needs and to provide additional child support commensurate with the parents' income, resources, and standard of living. The legislature also intends that ***<u>the child support obligation should be equitably apportioned between the parents</u>****.* RCW 26.19.001 (Emphasis added).

[1] Washington State Child Support Schedule (1988) Washington State Child Support Schedule Commission, adopted by the 1988 Washington State Legislature.
[2] Washington State Child Support Schedule Commission (1987) Report to the Washington State legislature, November 1987.

Long established case law confirms that the parenting plan should be used as the basis for counting the number of days used to establish a residential credit. Marriage of Simpson, 57 Wn. App. 677, 790 P. 2d 177 (1990), requires the court to look at the residential schedule in the order to determine the amount of residential credit. Simpson at 682.

Prior to the 1991 change in the law regarding residential credits, there was a bright line test of 91 days per year (more than 25 per cent of the year). In 1991, this bright line test was abandoned in favor of the more general "significant amount of time" language. RCW 26.19.075. In the "Applewick Colloquy", Representative Applewick stated that **the meaning of the term "significant time…*will be decided on a case by case basis*"** and that the new law "*does reject the bright line ninety day rule*." Representative Applewick then added *"presumably residential time in excess of thirty-five and up to 49.9 percent would be significant time."* (emphasis added). Colloquy with Representative Marlin Applewick, Journal of the House, Washington State Legislature, 52nd Session, 18th day, pages 4320-4321 (June 27, 1991).

The fact that more than 35 per cent would presumptively be significant time, does not mean that less than 35 per cent would not be significant time. In fact, the current law was the result of a legislative compromise. The legislature could not agree on a precise definition of "significant time" as some wanted to lower the threshold than 25% and some wanted to raise it. SENATE BILL REPORT, ESSB 5996, as passed Senate, June 26, 1991, page 3. The ultimate language left the matter up to the trial court to decide the issue on a case-by-case basis.

It is important to note that while the 1991 Applewick Colloquy and associated language change in the residential credit law dealt with the threshold at which a residential credit could be obtained, there was **no change at all in the method to be used to determine the amount of the residential credit.** Thus, the legislative intent as established in the source documents of the 1987 Washington State Child Support Commission (ie the use of the traditional cross credit method) is still the current intent of the legislature.

This can be clearly seen in cases dealing with the "equitable provision" of the child support act. For example, Division II of the Washington State Court of Appeals recently reversed a trial court which had placed "80% of the burden of child rearing on the dad even though the dad cared for the child 50% of the time. In an unpublished Opinion (#36068-3) Marriage of Siddiqi, issued on 05/06/2008, the Court stated:

"*We hold that the trial court's findings do not support the court-ordered $264 transfer payment, which* ***imposed over 80 percent of the basic cost of the child's care on Hassan even though the parents had equal residential time with the child."***

The court also stated" **Because he has the child approximately 50 percent of the time, he is credited with providing 50 percent of the basic child support obligation, or $418.50. To compute his transfer payment to Zohra, the trial court should have subtracted $418.50 from $552.42, which would have resulted in a transfer payment of $133.92."**

Put in the traditional cross credit language, the Court of Appeals meant that:
With a total obligation of $825. because the dad's income was twice the mom's income, he was responsible for 66% of the total obligation or $544.50 and the mom was responsible for 34% or $280.50. The transfer payment should have been equal to the Income Share (544.50) minus the Cost Share (50% times $825 = 412.50). Thus, the transfer payment should have been 132.00.

This transfer payment would have given the mom a total of 280.50 in her direct contribution to the child during her 15 days of time with the child and $132.00 from the dad for a total of $412.50 to spend during her 15 days per month with the child.

The dad would also get $412.50 to spend during his 15 days with the child each month. Thus, each parent would care for the child 50% of the time and would receive 50% of the total obligation.

Thus, the correct amount of the "residential credit" (formerly referred to as the dad's cost share) should have been $412.50. Instead, the trial court only granted the dad a residential credit of $280.50 meaning the dad had to make a transfer payment of $264.00 per month. This meant the dad only received credit for $280.50 for his expenses during his 15 days per month ($**18.70 per day**) while the mom received her own $280.50 per month plus the transfer payment from the dad of $264.00 per month for a total credit to the mom of $544.50 ($**36.30 per day**). Note that the mom was receiving twice as much per day as the dad even though both parents had the child the same amount of time and incurred about the same daily expenses. This was clearly inequitable, and thus contrary to RCW 26.19.001 and thus Division II reversed the trial court.

The fact that the Court of Appeals specifically stated that the trial court should have subtracted half of the total obligation since the dad cared for the child half the time confirms that **the traditional cross credit method is still the standard formula used here in Washington State.** Indeed, the trial court referred to the computer program yielding the correct amount and the trial court simply did not want to go along with the computer program. That computer program is the traditional cross credit method. The Court of Appeals concluded that absent specific written reasons to the contrary, the trial court was required to follow the result from the computer program.. in other words, the trial court should have used the traditional cross credit approach.

Why the Betson multiplier method is contrary to the Washington State Child Support Act (RCW 26.19.001):

As Division II of the Court of Appeals stated above, it is not equitable under Washington State Child Support Act to have one parent paying substantially more in per day child costs than the other parent. The Betson method is most inequitable at 20% of residential time wherein the lower time parent is only credited with 10% of the total obligation.

This is particularly troubling in light of several studies confirming that the per day cost in the lower time parent's household is typically much higher than in the higher time parent's household. Thus, if equity really were the objective, the lower time parent should receive more per day of the total obligation than the higher time parent.

For both of these reasons, I would oppose any change in the method of determining a residential credit in our State. Instead, I am in favor of making the current cross credit formula mandatory rather than discretionary and lowering the threshold to qualify for a residential credit down to 20% of residential time with the child.