



# Time for Reform

FIX THE FOSTER CARE  
LOOKBACK



**KIDS ARE WAITING**  
Fix Foster Care Now

# Time for Reform

## FIX THE FOSTER CARE LOOKBACK

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Thousands of foster children and the states responsible for them are losing the critical help they need from the federal government. In 1998, 53 percent of the children in foster care were eligible for federal support, but, by 2005, the percentage had declined to 46 percent—an estimated 35,000 fewer eligible foster children. The number eligible for federal financial assistance is projected to continue to decline by approximately 5,000 children each year.<sup>1</sup>

The decrease in the number of children eligible for federal foster care has translated into an estimated \$1.9 billion loss in federal foster care support to the states between 1998 and 2004.<sup>2</sup> Because states are required by federal law to protect children from harm and provide foster care services when necessary, states must make up the difference. And as states devote more of their resources to foster care, fewer funds are available to provide the range of other services children and families need.

Many factors affect the number of children eligible for federal foster care assistance, including changes in state policies and in the demographics of a state's foster care population, but the decline is due in part to a federal eligibility policy known as the lookback. Foster care was removed from the welfare program more than 25 years ago, and the Aid to Families with Dependent Children (AFDC) program was dismantled more than a decade ago. Nonetheless, a child today is only eligible for federal foster care support if the family from which the child is removed would have been eligible for AFDC in 1996. To make matters worse, the 1996 AFDC income standard has not been adjusted for inflation, resulting in fewer children eligible for federal foster care support each year. In addition to reducing federal aid to the states, this outdated policy also means that caseworkers must spend time documenting eligibility and filling out paperwork instead of providing the services that children and families need.

**“There is no policy reason that the federal government should ‘care’ [in monetary terms] more about children in imminent danger of maltreatment by parents who are poor than it does about children whose parents have higher incomes.”**

U.S. Department of Health and Human Services, 2005<sup>3</sup>

The lookback is just one reason among many why the federal child welfare financing system is in urgent need of reform. Experts and policy makers from across the ideological spectrum agree the current financing structure encourages an over-reliance on foster care over other services,

discourages state innovation and the adoption of proven practices, and punishes states that successfully reduce the number of children in foster care by decreasing their federal funding. The Pew Commission on Children in Foster Care, National Governors Association, leading advocates for children and families, judges, and others have called for common-sense reforms that would address the lookback and other shortcomings in the current child welfare financing structure. For example, the Pew Commission developed practical recommendations to provide federal support for every child in foster care and to give states the tools, incentives and reliable resources needed to ensure children have safe, permanent families through reunification, adoption and guardianship.

Past federal policy reforms have made a difference. During the 1990s, the federal government placed a greater emphasis on monitoring outcomes for children, created new incentives for states to increase the number of children adopted from foster care, strengthened the role of state and local courts and established new time frames for judicial decisions. As a result of these and other efforts, the number of children in foster care has declined and the number of children adopted from foster care increased. Yet, despite this progress, more than 500,000 children are currently in foster care. On average, two birthdays will go by while they are in care. And each month, more than 2,000 children will turn 18 or older and “age out” to live on their own without the support of a permanent family.

This report describes a range of proposals that have been made to address the lookback. Without action, in the years ahead more children who enter foster care because of abuse or neglect will be ineligible for federal foster care support because of the lookback and states will be left with sole financial responsibility for their care.

## How serious is the CURRENT SITUATION?

“Imagine the stadium at a baseball All-Star game filled with children, that’s how many children are not receiving (federal) assistance due to this antiquated formula. We call on Congress to fix the eligibility requirement and put an end to 10 years of leaving foster children behind.”

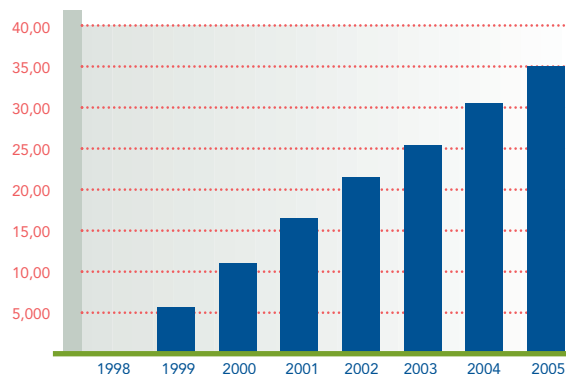
**Shay Bilchik**, *President, and CEO*,  
Child Welfare League of America

support grows each year—by an estimated 35,000 in 2005. For the states, this means fewer federal foster care dollars are available to support the children in foster care who need assistance. Many factors contribute to the decline in federal foster care support but a portion is due to the outdated lookback policy. In 1998, 53 percent of the children in foster care were eligible for federal support, but, by 2005, the percentage had declined to an estimated 46 percent. The number of children in foster care eligible for federal financial assistance is projected to continue to decline by approximately 5,000 children each year. See Appendix A.

Studies by the Child Welfare League of America and the Urban Institute also have shown that the percentage of children eligible for federal financial assistance is decreasing significantly.<sup>5</sup> The Urban Institute study showed that the percentage of children eligible for federal foster care dollars has been dropping one percentage point each year on average.<sup>6</sup> A 2005 report from the U.S. Department of Health and Human Services also acknowledges that the lookback, and especially the failure to adjust for inflation, will translate into fewer children in foster care being eligible for federal financial support in the future.<sup>7</sup>

The situation is very serious. Because federal foster care funding is tied to the 1996 eligibility standard, the federal government is contributing support to fewer children in foster care each year. By federal mandate, states must provide foster care to all children who need it, so the burden on the states increases as the federal government backs away. As Figure 1 shows, the number of children in foster care who are *ineligible* for federal foster care

**FIGURE 1**—More children lose federal foster care support (IV-E) each year<sup>4</sup>



## The “lookback” and HOW IT CAME TO BE

“All the families we serve are poor, but we have to ask ‘just how poor are you?’ before they can get any federal assistance, even though the needs of the children haven’t changed. Clearly, our system could help families more efficiently and more fairly if the old AFDC link wasn’t a factor.”

**JOHN MATTINGLY**, *commissioner, New York City Administration for Children’s Services*

In 1935, as part of the Social Security Act, Congress created the Aid to Dependent Children (ADC) program to assist children of widowed mothers. States’ participation in this program initially was voluntary and limited to support for parents. In 1950, the program expanded to provide benefits for dependent children in the care of relative caregivers.<sup>8</sup> In 1961, the federal government for the first time provided assistance to states to care for

children removed from their families and placed into what became known as foster care (Public Law 87-31).<sup>9</sup> Some states had adopted the practice of denying welfare payments to families with children born outside of marriage, declaring them to be “unsuitable.” The federal Department of Health, Education and Welfare, in a ruling that came to be known as the Flemming Rule (after then-Secretary Arthur Flemming), directed states to cease denying ADC benefits to needy children on the basis of “unsuitable home” conditions, unless homes were actually unsafe for children.<sup>10</sup> States were required either to continue ADC assistance payments while working to improve the home situation or to place children in foster care. When states objected to the added costs of protecting these children, Congress authorized federal funds to provide foster care for children who qualified for the ADC program at the time a judicial decision was made that the home was unsafe for the child.<sup>11</sup>

In 1962, Congress changed the name of the program to the Aid to Families with Dependent Children (AFDC) and made a permanent authorization for foster care, thereby ensuring that states would not be financially disadvantaged when they protected children by placing them in foster care.<sup>12</sup> The foster care component of AFDC was born, and the link between the traditional welfare system and the child welfare system was created.<sup>13</sup> From 1961 through 1980, federal foster care was part of the AFDC program. In 1980, Congress created a separate federal foster care program for the first time, removing it from the welfare system. Commonly referred to as the “Title IV-E program” (after its section of the Social Security Act), the new federal foster care program nevertheless kept many of its previous links to the old welfare system, including the income eligibility standards. The result is that some children who enter foster care because of abuse and neglect will receive federal financial support and other children with the same histories of maltreatment do not.

In 1996, Congress eliminated the AFDC program and replaced it with the Temporary Assistance for Needy Families (TANF) program. In doing so, however, Congress kept in place existing AFDC income standards for providing federal assistance for foster care and adoption—and hasn’t revised them since, not even to keep pace with inflation. Thus, for a child to qualify for federal foster care assistance, his or her family must meet the income test of the AFDC program as it was on July 16, 1996—the day the new welfare law was passed.

Children who enter foster care in 2007, even if they come into care from poor families, will not qualify for federal financial support unless their birth families meet the eligibility requirements for welfare benefits that were in place more than ten years ago.

## How does the “lookback” hurt our MOST VULNERABLE KIDS?

It's very simple. Children are hurt when their state and local governments do not have resources to help reunite them with their families when possible, provide them with safe and loving out-of-home care, or find them a permanent family if they cannot return home. Because fewer children in foster care meet the outdated income test, the federal government is providing less support to states and local governments to ensure that these children are growing up in safe, permanent families.

**“The lookback’s continuing erosion of federal support robs public child welfare of the few state dollars that are available to fund innovative alternatives to foster care. The loss jeopardizes the ability of states like Illinois to find permanent homes for the thousands of children.”**

**MARK TESTA**, *director of the University of Illinois Children and Family Research Center*

on a child’s eligibility for federal foster care assistance.<sup>14</sup> As a result, the lookback jeopardizes their eligibility for federal adoption assistance in addition to their eligibility for federal foster care support. States have the option of providing state-funded adoption subsidies for children who are not eligible for federal assistance, but state-funded programs do not always provide the same level of benefits and do not cover all children adopted from foster care. Despite the likely impact on the ability of some foster children to be adopted, few data are available on the lookback’s effect on adoptions. As a result, this report focuses on the lookback’s documented impact on federal foster care eligibility and support to states.

For some foster children waiting to be adopted, the lookback may have a doubly negative effect. Research has shown that adoption subsidies are often critical to a family’s decision to adopt a child from foster care. Without adoption assistance, many families simply would not be able to afford the special services needed by children with a history of abuse and neglect. However, eligibility for federal adoption subsidies is based primarily

## Increasing the burden on STATE AND LOCAL GOVERNMENTS

**“For years, counties have recognized that federal funding should be available to children in need of protection, regardless of their parents’ income. The federal government should share in the services that we provide to all abused and neglected children—not only those from poor families.”**

**DIANNE EDWARDS**, *director, Sonoma County Human Services Department, Santa Rosa, California, testimony before the House Ways and Means Committee*

For more than four decades, the federal government has recognized its financial responsibility for the care of children in foster care in partnership with the states. By not addressing the lookback, however, the federal government has reduced its responsibility, leaving the states to find the financial resources needed to provide services for every child in foster care. This makes it increasingly difficult for state and local child welfare agencies to provide all services necessary for ensuring the well-being of foster children.

Children who enter foster care require services and supports to not only ensure their safety while in foster care, but to meet their physical and mental health needs, address the impact of the abuse or neglect that they have experienced, and help them leave foster care safely to their own families or to new families through adoption or guardianship. As states devote more resources to foster care services, fewer funds are available to provide the range of other services needed.

The National Governors Association makes clear the need for a strong federal-state partnership to support the entire range of child welfare services—from prevention to foster care to adoption assistance.<sup>15</sup> As the governors state, “basing eligibility on the outdated ‘lookback’...poses a heavy burden on states and has the unintended consequence of causing fewer children to be eligible for federal foster care assistance.”

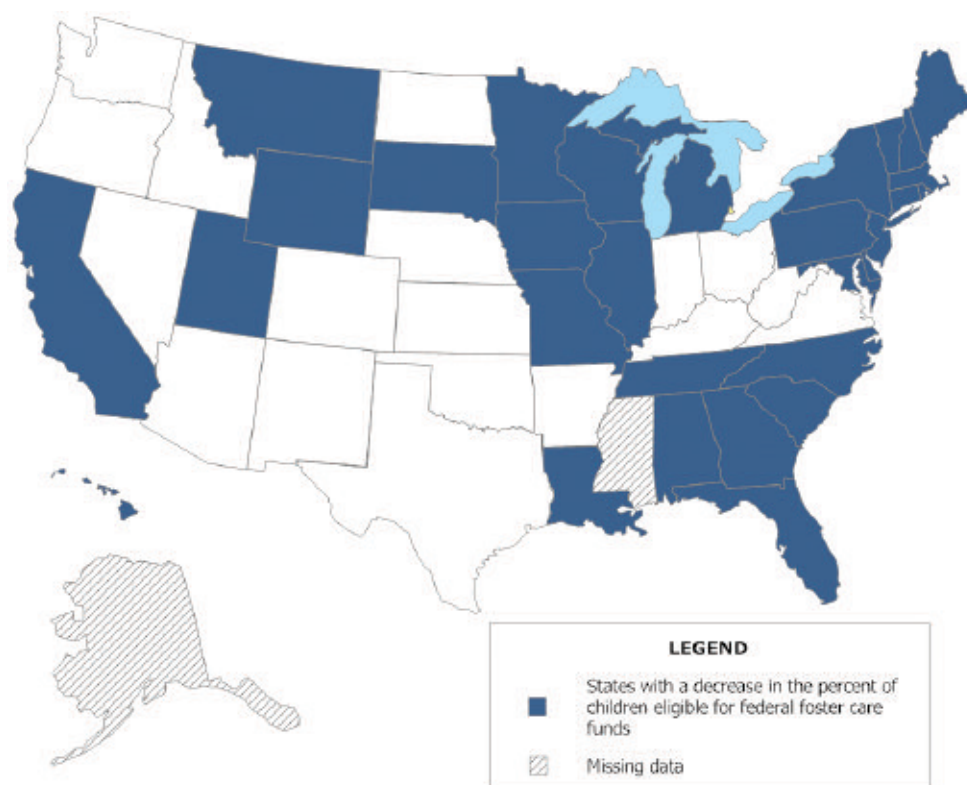
“Congress, in consultation with states, should explore options to eliminate the outdated ‘lookback’ provision...While recognizing that this could be a costly endeavor, Governors believe that ideally all children in care, regardless of family income or jurisdiction, should be treated equally.”

POLICY STATEMENT, National Governor’s Association,  
August 2006

State legislators agree. The National Conference of State Legislatures in its *Child Welfare Policy* states, “We urge Congress to consider delinking foster care eligibility from AFDC as of July 16, 1996 for all states and move toward reimbursement for all children in foster care, as the states determine.”<sup>16</sup>

Three-fifths of the states saw a decrease in the percent of children eligible for federal foster care between 1998 and 2004 due, at least in part, to the federal lookback. (See Figure 2.) Table 1 lists the ten states that saw the largest percentage drop. Other factors in addition to the lookback affect the number of children eligible for federal foster care assistance in a state, including changes in the state’s techniques for claiming IV-E, demographic shifts or other effects on the composition of a state’s foster care population, and adjustments in federal policies. As a result, in any year, some states may see increases, and others may see decreases in the percentage of foster children receiving federal assistance. (See Appendix B.) However, despite this variation, the analyses in this report document the significant national downward trend in eligibility for federal foster care assistance.<sup>17</sup>

**FIGURE 2**—States with a decrease in percent of children eligible for federal foster care funds between 1998 and 2004 (See Appendix B.)



State and local governments are trying to compensate for the federal shortfall. Between 2002 and 2004, state spending on foster care increased by six percent and local spending grew by 10 percent.<sup>18</sup> One reason for this changing financial picture is the declining rate of eligibility for federal foster care assistance and the need to shift expenditures to make up the difference. Twenty-two states in the Urban Institute study reported spending more state dollars for foster care services, and it is expected that state funding will continue to increase as the proportion of children eligible to receive federal funds continues to decline.<sup>19</sup>

**TABLE 1**—Ten states with largest drops in the percent of children eligible for federal foster care assistance between 1998 and 2004<sup>20</sup> (See Appendix B.)

|               |        |
|---------------|--------|
| Maine         | -33.1% |
| Massachusetts | -20.6% |
| Iowa          | -16.3% |
| Missouri      | -16.3% |
| Tennessee     | -15.7% |
| Georgia       | -14.3% |
| Utah          | -14.2% |
| New York      | -14.1% |
| Wisconsin     | -14.1% |
| Pennsylvania  | -14.0% |

## The lookback diverts attention from CHILDREN'S NEEDS

"We are trying hard to do a better job of preventing the need for foster care. But too much of the available funding has to be spent making up for a loss in federal dollars as a result of outdated AFDC eligibility requirements and documenting eligibility. We need more flexibility to fund prevention strategies—and reduce the need for foster care."

**STATE REPRESENTATIVE RUTH KAGI,**

*Washington State House of Representatives*

standards to children's birth families today. Claiming is a complicated process that consumes time and energy that otherwise could be spent on serving abused and neglected children and their families.

Child welfare agencies, anxious to stem the decline of federal foster care support, are increasingly investing precious resources in the claiming process. In Maine, for instance, the Bureau of Child and Family Services hired 12 eligibility workers whose full-time job is to ensure that all the eligibility requirements for children to receive federal foster care assistance are met. These workers review court orders, licensing information and background checks,<sup>22</sup> interview caseworkers about the work history of children's parents, and collect documentation on parents' income and assets. Because families who come into contact with child welfare agencies often are geographically mobile and have sporadic work histories, it can be particularly challenging and time consuming to find the right information to determine a family's income.

Whether tied to the earlier income eligibility standard or an updated one, the link between federal foster care support and a child's birth family income makes little sense. It is also cumbersome and costly. Child welfare administrators, caseworkers, and federal auditors struggle to amass the documents needed to determine a child's eligibility and complete reimbursement procedures, a process known as "claiming."<sup>21</sup> Claiming is made all the more labor intensive by the need to apply 1996 income eligibility



In other states, the same caseworkers who remove a child from a home are also required to seek out income eligibility information. This dual role takes away from the time they are able to spend with families to develop and implement a plan for the safe return of children to their homes or to find new families for children through adoption or guardianship. It also can undermine the relationship that caseworkers need to build with families.

“Historically speaking, we’ve been asking workers to be family-centered and supportive, to work with families in an engaging way, and to assure parents that we will do everything we can to help them get their children back. Then, we drill into our workers the importance of establishing federal eligibility as quickly and as thoroughly as possible. We’ve been worried about the extent to which good casework is being compromised by the need to cross the T’s and dot the I’s—all for hopefully meeting some archaically determined income guideline.”

**JERRY CLINE**, *Title IV-E manager,*  
Indiana Department of Child Services

Paperwork requirements have a direct impact on caseworkers’ ability to spend time with children and families, a critical element in the delivery of quality social services.<sup>23</sup> Determining children’s eligibility for federal assistance has nothing to do with achieving the key goals of protecting children from harm, ensuring children’s safety and well-being while they are in foster care, and ensuring that they leave care to permanent families in a timely manner. It is therefore not surprising that the U.S. Department of Health and Human Services has concluded that “it is not clear at all that the time and effort spent tracking eligibility criteria results in better outcomes for children.”<sup>24</sup>

## It is time to re-establish a full federal-state partnership on behalf of CHILDREN IN FOSTER CARE

This nation operates under the principle of federalism. This system provides that federal, state and local governments work together to ensure the security and well-being of their citizens. The tragedies of 9/11 and Hurricane Katrina demonstrate the power of strong federal-state partnerships and the poor outcomes when that partnership flounders. These lessons are worth heeding, particularly when it comes to vulnerable children. States are obligated to provide protection to every abused or neglected child, regardless of their income, and the federal government should, too.

The lookback policy simply makes no sense, shortchanges states, wastes taxpayer dollars on needless paperwork and leaves social workers with less time to help children and families. Policy makers and experts from across the political and ideological spectrum agree the lookback is counterproductive. Children and states have waited a decade for federal policy makers to

“The 1996 AFDC standard is outdated and counter productive... federal support for protection of children through use of foster care is limited to those children who meet a decade-old, complex poverty test...Recognizing children do not have independent means, all children in foster care should be eligible for federal foster care reimbursement.”

**JUDGE JUDITH S. KAYE**, *Chief Judge of the*  
*State of New York*

decide that the time is right—waiting for the “right political climate,” the “right funding environment,” or the “right legislative vehicle” to change the law. They cannot—and should not have to—wait any longer.

A variety of proposals have been put forward to ensure that every child who is abused or neglected has the protection and support of both the federal and state governments and that taxpayer dollars are spent on needed services rather than needless paperwork. Proposed solutions include the following:

- **Make all children eligible for federal assistance.** Simply eliminating the link between family income and federal foster care support (“delinking”) and making all children eligible is the simplest solution, but it would not be without some additional cost to the federal government. Without offsetting changes, it has been estimated it would cost the federal government an additional \$1.6 billion a year.<sup>25</sup> In addition, because states currently provide foster care to all abused and neglected children regardless of whether they are eligible for federal assistance, the increased federal dollars would primarily replace state dollars currently being spent on foster care, rather than directly helping states develop capacity to reduce their reliance on foster care.
- **Provide an optional fixed grant.** Others have suggested giving states the option to administer their foster care program within a fixed allocation of federal funds over a five-year period, which states could then use to provide services to any abused or neglected child, regardless of the family’s income. This optional fixed grant would replace the current guaranteed federal matching funding for children whose families would have been eligible for AFDC in 1996. This way of addressing the lookback could provide states with increased flexibility and avoid the need to determine income eligibility for federal funding. However, it could ultimately provide some states with more federal funding than current policy and other states with less federal funding. States would have little ability to predict or control whether they would be better or worse off with the optional fixed grant. Some experts have suggested that all states might be worse off with a fixed grant because funding for large federal block grants may decline over time. For instance, federal funding for the Social Services Block Grant and Community Development Block Grant has declined significantly over the years.<sup>26</sup>

“In order to ensure that every child who is abused or neglected has the protection of both the federal and state governments, we must eliminate income requirements for federal foster care eligibility. The Pew Commission crafted its recommendation calling for the end of the lookback to reflect a deeply held principle: that every child who experiences abuse or neglect—not just every poor child—deserves the protection of the federal and state governments. Additionally, eliminating the lookback would give states the opportunity to redirect administrative resources that they currently spend to determine income eligibility on services designed to protect children and support safe, permanent families.”

**CAROL SPIGNER**, *Pew Commission member and Associate Professor and Clinician Educator, University of Pennsylvania School of Social Policy and Practice*

Moreover, if the federal fixed grant proved insufficient, this approach would not ensure that every abused and neglected child has the protection and support of both the federal and state governments.

- **Update the federal eligibility criteria.** To maintain the federal-state partnership and constrain the increased cost to the federal government, some have suggested “updating,” rather than eliminating, the federal eligibility criteria. This could be done either by adjusting eligibility levels for inflation and other factors or by linking eligibility to a current state or national standard, such as eligibility for Food Stamps or the federal poverty guidelines. For example, linking federal foster care assistance to a state’s current TANF income eligibility would reduce the administrative cost and burden to states, cost the federal government less than completely delinking, and raise the federal share of overall foster care spending. However, under such an approach, all children would still not be eligible for federal assistance, states would still have to spend resources determining eligibility, and federal costs would still increase compared to current law.

- **De-link and make offsetting changes.** Other proposals would make all abused or neglected children eligible for federal assistance but would make offsetting changes to reduce the federal cost of delinking while making sure that no state would be worse off than under current policy. The Pew Commission on Children in Foster Care recommended such an approach. The Commission identified a variety of ways this could be done, including options that limit the increased cost to the federal government or that are completely cost-neutral to both the federal government and states. For example, all children could be made eligible for federal foster care assistance, and the increased cost could be offset by reducing each state's federal foster care reimbursement rate while still ensuring that no state received less than it would have under current law. Such an approach would ensure universal eligibility and eliminate unnecessary paperwork while allowing the federal government to focus any increased funding directly on helping states reduce the number of children in foster care.

Each year that Congress fails to act, more and more children will drop off the federal foster care rolls, forcing states to cover the costs on their own. This means that the states will have less money for programs to help children and families stay together and for services to help children leave foster care quickly for safe, permanent families. The lookback is but one reason that foster care financing reform is urgently needed. The federal government can and must do a better job of partnering with states to provide the services families need so their children do not have to be placed in foster care and creating incentives for states to move foster children swiftly to safe, permanent families through reunification, adoption or guardianship.

A decade has gone by. In human terms, this translates into a generation of children. The nation can ill afford to continue this neglect. Children are waiting. As it is, the wait has been too long already.

## APPENDIX A

### Calculating Federal Foster Care (IV-E) Coverage Trends from 1998-2005

Analyses and Methodology by Elliott G. Smith, National Data Archive on Child Abuse and Neglect (NDACAN)

#### COMPUTING THE DROP IN COVERAGE FROM 1998 TO 2004 WITH THE 36 COMPLETE STATES

According to the Adoption and Foster Care Analysis and Reporting System (AFCARS) data for the 36 states with data for both 1998 and 2004, 244,700, or 53%, of the 462,200 children in foster care at the end of FY1998 were eligible to receive Title IV-E funds. In 2004, only 47% were eligible to receive federal support (193,700 out of 411,500). If the rate had not dropped and the rate were as high in 2004 as it had been in 1998, 218,000 children would have been eligible to receive federal support in 2004, rather than the 193,700 who actually did so. As a result, the drop in the rate led to 24,300 fewer children were eligible to receive federal support through Title IV-E in these 36 states.

| Using the 36 States with Complete Data from 1998-2004 |         |         |                         |                          |
|---|---------|---------|-------------------------|--------------------------|
|   | 1998    | 2004    | 2004 with the 1998 rate | Drop in Coverage         |
| Number Eligible for IV-E                              | 244,700 | 193,700 | 218,000                 | 218,000-193,700 = 24,300 |
| Number in Care  | 462,200 | 411,500 | 411,500                 |                          |
| Rate of Coverage                                      | 53%     | 47%     | 53%                     | 53%-47% = 6%             |

#### COMPUTING THE DROP FOR ALL STATES FROM 1998 (OR CLOSEST AVAILABLE YEAR) TO 2004

The above analysis is based on the 36 states with valid data for both 1998 and 2004. These 36 states represent 81% of the foster care children in the United States who were in care at the end of FY2004. These data are used to derive national estimates of the Rate of Coverage for 1998 and 2004, which are 53% and 47%, respectively.

To derive a national estimate of the drop for all 50 states, the rates from the 36 state analysis were applied to the national count of foster children. For states with missing data, the count from the closest available year was used.

The table below shows how the numbers for Figure 1 were derived:

| Percent Decrease Based on Linear Trend* | 1998    | 1999    | 2000     | 2001     | 2002     | 2003     | 2004     | 2005     |
|---|---------|---------|----------|----------|----------|----------|----------|----------|
| Rate based on Linear Trend*             | 53%     | 52%     | 51%      | 50%      | 49%      | 48%      | 47%      | 46%      |
| Number in Care at Year End              | 550,600 | 557,200 | 541,200  | 532,800  | 521,400  | 509,800  | 507,100  | 503,000  |
| Estimated Eligible for IV-E             | 291,800 | 289,700 | 276,000  | 266,400  | 255,500  | 244,700  | 238,300  | 231,400  |
| Eligible Estimate at 1998 Rate          | 291,800 | 295,300 | 286,800  | 282,400  | 276,300  | 270,200  | 268,800  | 266,600  |
| Drop in Coverage                        |         | (5,600) | (10,800) | (16,000) | (20,800) | (25,500) | (30,500) | (35,200) |

\*This rate was calculated using OLS regression analysis, ( $y = -0.011x + 0.527$ ,  $R^2 = 0.730$ )

\*\*To calculate estimated drop in coverage for 2005, we used the Children's Bureau national count of children in care, subtracting 10,000 children as that was the typical size of the AFCARS undercount relative to the figures provided in the Children's Bureau's AFCARS Report.<sup>27</sup>

#### COMPARISON WITH PENETRATION ANALYSES

Two recent reports have provided estimates of Title IV-E penetration rates. The rates in these reports were derived from different sources. The Urban Institute report, *The Cost of Protecting Vulnerable Children V*, calculated foster care penetration rates based on a survey of child welfare agency staff. The Child Welfare League of America report, *Ten Years of Leaving Foster Children Behind*, calculated rates by dividing the national average monthly number of Title IV-E caseload claims filed with U.S. Health and Human Services department by the number of children in foster care on the last day of the federal fiscal year. The new NDACAN analysis presented here was calculated using the AFCARS data submitted by states to the Children's Bureau each year. In AFCARS, states indicate for each child in foster care whether the child is eligible to receive a Title IV-E foster care payment. From this variable, the proportion of children in care on the last day of the federal fiscal year who were IV-E eligible can be derived. When the mean rates for 2004 are compared with a series of paired sample t-tests, the Urban Institute estimated penetration rates are significantly higher than both the CWLA and AFCARS rates. The CWLA and AFCARS rates are not significantly different. The mean Urban Institute rate is 50%, while the CWLA and AFCARS rates are 42%. It is perhaps not surprising that the Urban Institute rate differs from the CWLA and AFCARS rates because the Urban Institute data are based on survey data rather than administrative data.

## APPENDIX B

|                 | 1998  |                     |   | 2004  |                |   | % difference |
|-----------------|---|---------------------|---|---|----------------|---|--------------|
|                 | # of children eligible for foster care (IV-E) | Total               | % eligible for federal foster care (IV-E) | # of children eligible for foster care (IV-E) | Total          | % eligible for federal foster care (IV-E) |              |
| Maine           | 2,434   | 3,595               | 67.7                                      | 893   | 2,584          | 34.6                                      | -33.1        |
| Massachusetts   | 4,748 <sup>1</sup>                            | 11,169 <sup>1</sup> | 42.5                                      | 2,755   | 12,562         | 21.9                                      | -20.6        |
| Iowa            | 2,601   | 4,920               | 52.9                                      | 1,968   | 5,384          | 36.6                                      | -16.3        |
| Missouri        | 5,552   | 12,495              | 44.4                                      | 3,289   | 11,681         | 28.2                                      | -16.2        |
| Tennessee       | 6,587 <sup>1</sup>                            | 10,796 <sup>1</sup> | 61.0                                      | 4,348   | 9,590          | 45.3                                      | -15.7        |
| Georgia         | 4,696   | 9,937               | 47.3                                      | 4,687   | 14,216         | 33.0                                      | -14.3        |
| Utah            | 1,325   | 2,468               | 53.72                                     | 833   | 2,108          | 39.5                                      | -14.2        |
| New York        | 39,816  | 53,555              | 74.3                                      | 20,143  | 33,445         | 60.2                                      | -14.1        |
| Wisconsin       | 4,723   | 10,076              | 46.9                                      | 2,563   | 7,812          | 32.8                                      | -14.1        |
| Pennsylvania    | 15,976  | 23,070              | 69.3                                      | 12,131  | 21,944         | 55.3                                      | -14.0        |
| Vermont         | 875   | 1,316               | 66.5                                      | 755   | 1,432          | 52.7                                      | -13.8        |
| Minnesota       | 2,966   | 8,521               | 34.8                                      | 1,524   | 7,038          | 21.7                                      | -13.1        |
| South Dakota    | 518 <sup>3</sup>                              | 1,101 <sup>1</sup>  | 47.0                                      | 543   | 1,600          | 33.9                                      | -13.1        |
| Rhode Island    | 833   | 2,844               | 29.3                                      | 405   | 2,414          | 16.8                                      | -12.5        |
| Montana         | 881   | 1,991               | 44.2                                      | 693   | 2,030          | 34.1                                      | -10.1        |
| North Carolina  | 5,423   | 11,314              | 47.9                                      | 3,902   | 10,077         | 38.7                                      | -9.2         |
| Michigan        | 7,564 <sup>4</sup>                            | 18,583 <sup>4</sup> | 40.7                                      | 6,687   | 21,173         | 31.6                                      | -9.1         |
| Delaware        | 561   | 1,480               | 37.9                                      | 250   | 849            | 29.4                                      | -8.5         |
| New Jersey      | 3,826   | 9,182               | 41.7                                      | 4,300   | 12,702         | 33.9                                      | -7.8         |
| California      | 74,783  | 112,767             | 66.3                                      | 54,532  | 92,344         | 59.1                                      | -7.2         |
| Wyoming         | 137   | 759                 | 18.1                                      | 135   | 1,209          | 11.2                                      | -6.9         |
| Florida         | 9,275   | 26,320              | 35.2                                      | 8,277   | 28,864         | 28.7                                      | -6.5         |
| South Carolina  | 1,663   | 4,644               | 35.8                                      | 1,500   | 4,855          | 30.9                                      | -4.9         |
| Maryland        | 5,007   | 12,890              | 38.8                                      | 3,876   | 11,111         | 34.9                                      | -3.9         |
| Alabama         | 1,397   | 5,198               | 26.9                                      | 1,352   | 5,880          | 23.0                                      | -3.9         |
| Louisiana       | 3,961   | 6,301               | 62.9                                      | 2,630   | 4,397          | 59.8                                      | -3.1         |
| Illinois        | 25,772  | 48,737              | 52.9                                      | 10,042  | 19,931         | 50.4                                      | -2.5         |
| New Hampshire   | 711 <sup>1</sup>                              | 1,385 <sup>1</sup>  | 51.3                                      | 613   | 1,236          | 49.6                                      | -1.7         |
| Hawaii          | 1,039   | 2,441               | 42.6                                      | 1,253   | 2,953          | 42.4                                      | -0.2         |
| Oklahoma        | 3,418   | 7,233               | 47.3                                      | 5,041   | 10,572         | 47.7                                      | 0.4          |
| Colorado        | 2,838   | 7,951               | 35.7                                      | 2,972   | 8,196          | 36.3                                      | 0.6          |
| West Virginia   | 852   | 3,082               | 27.73                                     | 1,144   | 3,990          | 28.7                                      | 1.0          |
| Nebraska        | 1,085 <sup>1</sup>                            | 5,146 <sup>1</sup>  | 21.1                                      | 1,394   | 6,292          | 22.2                                      | 1.1          |
| Nevada          | 1,237 <sup>5</sup>                            | 3,525 <sup>5</sup>  | 35.1                                      | 1,504   | 4,050          | 37.1                                      | 2.0          |
| Arizona         | 2,264   | 5,608               | 40.4                                      | 3,889   | 9,119          | 42.6                                      | 2.2          |
| Oregon          | 4,850   | 9,242               | 52.5                                      | 5,555   | 10,096         | 55.0                                      | 2.5          |
| Kentucky        | 2,834 <sup>1</sup>                            | 5,942 <sup>1</sup>  | 47.7                                      | 3,662   | 7,000          | 52.3                                      | 4.6          |
| Ohio            | 11,826 <sup>1</sup>                           | 20,078 <sup>1</sup> | 58.9                                      | 11,494  | 18,004         | 63.8                                      | 4.9          |
| Virginia        | 3,568   | 7,213               | 49.5                                      | 3,829   | 6,869          | 55.7                                      | 6.2          |
| Arkansas        | 1,418 <sup>2</sup>                            | 3,138 <sup>2</sup>  | 45.2                                      | 1,697   | 3,097          | 54.8                                      | 9.6          |
| New Mexico      | 454   | 821                 | 55.3                                      | 1,410   | 2,150          | 65.6                                      | 10.3         |
| Washington      | 2,166   | 8,872               | 24.4                                      | 3,277   | 9,368          | 35.0                                      | 10.6         |
| Idaho           | 412   | 963                 | 42.8                                      | 864   | 1,565          | 55.2                                      | 12.4         |
| Kansas          | 1,504   | 8,488               | 17.7                                      | 2,081   | 6,060          | 34.3                                      | 16.6         |
| Indiana         | 819   | 5,070               | 16.2                                      | 3,402   | 9,745          | 34.9                                      | 18.7         |
| Connecticut     | 3,770   | 6,683               | 56.4                                      | 5,466   | 6,803          | 80.3                                      | 23.9         |
| North Dakota    | 184   | 1,170               | 15.7                                      | 528   | 1,314          | 40.2                                      | 24.5         |
| Texas           | 2,949   | 15,182              | 19.4                                      | 14,284  | 24,529         | 58.2                                      | 38.8         |
| Alaska*         |   | 1,940               |   |   | 1,825          |   |              |
| Mississippi*    | 1,335   | 3,359               | 39.7                                      |   | 2,989          |   |              |
| <b>National</b> | <b>285,433</b>                                | <b>550,561</b>      | <b>51.8</b>                               | <b>230,372</b>                                | <b>507,054</b> | <b>45.4</b>                               | <b>-6.4</b>  |

AFCARS Data from the National Data Archive on Child Abuse and Neglect

<sup>1</sup>from 1999, <sup>2</sup>from 2000, <sup>3</sup>from 2001, <sup>4</sup>from 2002, <sup>5</sup>from 2003

\*Data from Alaska and Mississippi were not available, so proportions for these states were not computed.

## ENDNOTES

<sup>1</sup>See Appendix A. National Data Archive on Child Abuse and Neglect. (2006). Available at: [http://www.ndacan.cornell.edu/NDACAN/Datasets/Abstracts/DatasetAbstract\\_AFCARS\\_General.html](http://www.ndacan.cornell.edu/NDACAN/Datasets/Abstracts/DatasetAbstract_AFCARS_General.html) (accessed December 22, 2006). Unless otherwise noted, data and analyses contained within this report were produced by Dr. Elliott Smith, National Data Archive on Child Abuse and Neglect, and are based on Adoption and Foster Care Analysis and Reporting System data from 1998-2005.

<sup>2</sup>We estimated the loss to states in two ways, using a national averages method, and then validating with a state-specific method. Data sources: the US Health and Human Services IV-E claims data and estimates from NDACAN. The national average federal foster care payment per child (from IV-E claims data: 1999, \$13,143; 2000, \$14,628; 2001, \$16,477; 2002, 17,546, 2003, \$18,498; and 2004, \$18,839) was multiplied by the estimated number of children who would have been eligible for federal foster care maintenance payments if the 1998 percent eligible rate had been sustained (from NDACAN using AFCARS data: 1999, 5,600; 2000, 10,800; 2001, 16,000; 2002, 20,800; 2003, 25,500; and 2004, 30,500), and summed across the six years to generate the \$1.9 billion estimate. The national average federal foster care payment per child is based on the sum of the following federal share payments: maintenance (subtracting out child support), child placement services and administration, training, and demonstration (where applicable); and divided by the national average monthly number of children. To validate this method, we replicated the analysis using state-specific data. For each year, we calculated the total federal foster care payment to a state divided by the average monthly number of children for a state (from IV-E claims data) to come up with a state average federal foster care payment per child. We then multiplied this by the estimated number of children in a state who would have been eligible for federal foster care maintenance payments if the 1998 percent eligible rate had been sustained (from NDACAN using AFCARS data), and summed over the same six year period (1999-2004). The total was \$1.85 billion, which is very close to the estimate based on national averages (\$1.9 billion). Some data were missing in certain years or states; where possible, estimates were imputed into the missing fields from a state's nearest available year percentage.

<sup>3</sup>U.S. Department of Health and Human Services. Office of the Assistant Secretary for Planning and Evaluation. (2005). ASPE Issue Brief, Federal foster care financing: How and why the current funding structure fails to meet the needs of the child welfare field, p. 7. Available online at: <http://aspe.hhs.gov/hsp/05/fc-financing-ib/> (accessed January 23, 2007).

<sup>4</sup>See Appendix A.

<sup>5</sup>Child Welfare League of America. (2006). *Ten Years of Leaving Foster Children Behind*. Available at: [www.cwla.org/advocacy/childreninfostercarereport.pdf](http://www.cwla.org/advocacy/childreninfostercarereport.pdf) (accessed December 22, 2006); Scarcella, C.A., Bess, R., Zielewski, E.H., & Geen, R. (2006). *The Cost of Protecting Vulnerable Children V: Understanding State Variation in Child Welfare Financing*. Washington, DC: Urban Institute.

<sup>6</sup>Scarcella, et al., (2006), op. cit., p. 15.

<sup>7</sup>U.S. Department of Health and Human Services. (2005), op. cit., (accessed December 22, 2006).

<sup>8</sup>US Department of Health and Human Services. Office of the Assistant Secretary of Planning and Evaluation. (2006). A brief history of the AFDC program. Available on-line at: <http://aspe.hhs.gov/hsp/AFDC/baseline/1history.pdf> (accessed January 18, 2007).

<sup>9</sup>Murray, K.O. & Gesiriech, S. (2005). A brief legislative history of the child welfare system. Available on-line at: <http://pewfostercare.org/research/docs/Legislative.pdf> (accessed January 12, 2007).

<sup>10</sup>U.S. Department of Health and Human Services. (2005), op. cit., (accessed January 12, 2007).

<sup>11</sup>Ibid.

<sup>12</sup>Murray & Gesiriech (2005), op. cit., (accessed January 12, 2007).

<sup>13</sup>Ibid.

<sup>14</sup>To be eligible for federal adoption assistance program, children must have "special needs" as defined under Title IV-E and must have been eligible for Title IV-E foster care assistance or for the Supplemental Security Income (SSI) program.

<sup>15</sup>National Governors Association. (2006). *Policy Position, HHS-14. Child Welfare Services*. Available at: [www.nga.org/portal/site/nga/menuitem.8358ec82f5b198d18a278110501010a0/?vgnnextoid=208a9e2f1b091010VgnVCM1000001a01010aRCRD](http://www.nga.org/portal/site/nga/menuitem.8358ec82f5b198d18a278110501010a0/?vgnnextoid=208a9e2f1b091010VgnVCM1000001a01010aRCRD) (accessed December 22, 2006).

<sup>16</sup>National Conference of State Legislators. (2006). Child Welfare Policy. Available at: <http://www.ncsl.org/statefed/HUMAN.HTM#ChildWelfare> (accessed December 28, 2006).

<sup>17</sup>Regression analyses confirm a significant, downward trend in federal foster care (IV-E) at the national level, providing evidence that the lookback is having a negative effect on eligibility rates nationally. See Appendix A.

<sup>18</sup>Scarcella, et al. (2006), op. cit., p. 7.

<sup>19</sup>Ibid, p. 7.

<sup>20</sup>See Appendix B. National Data Archive on Child Abuse and Neglect. (2006). AFCARS data are available at: <http://www.ndacan.cornell.edu> (accessed December 22, 2006). Note: data for Mississippi, Michigan and Nevada were incomplete for several years and an imputed value was used as explained in Appendix B.

<sup>21</sup>U.S. Department of Health and Human Services. (2005), op. cit., (accessed December 22, 2006).

<sup>22</sup>These review requirements are designed to ensure basic safety protections for the child. The requirements related to income verification, on the other hand, are solely designed to determine whether a child's family is financially needy enough to warrant federal help.

<sup>23</sup>United States General Accounting Office. (2003). *Child Welfare: HHS could play a greater role in helping child welfare agencies recruit and retain staff*. Available at: <http://www.gao.gov/new.items/d03357.pdf> (accessed December 22, 2006).

<sup>24</sup>US HHS (2005), op. cit., (accessed December 22, 2006).

<sup>25</sup>The Pew Commission on Children in Foster Care. (2004). *Fostering the Future: Safety, Permanence and Well Being for Children in Foster Care*. Available at: <http://pewfostercare.org/research/docs/FinalReport.pdf> (accessed January 22, 2007).

<sup>26</sup>Gish, M. CRS Report to Congress: Social Services Block Grant. Available online at: [http://digital.library.unt.edu/govdocs/crs//data/2003/upl-meta-crs-5385/94-953\\_2003Aug20.pdf?PHPSESSID=c3f536037d201aa1f5d81117e0af4a5](http://digital.library.unt.edu/govdocs/crs//data/2003/upl-meta-crs-5385/94-953_2003Aug20.pdf?PHPSESSID=c3f536037d201aa1f5d81117e0af4a5) (accessed January 22, 2006); Spar, K. (2006). Community Services Block Grants (CSBG): Funding and Reauthorization. Washington, DC: Congressional Research Center.

<sup>27</sup>United States Department of Health and Human Services, Administration for Children and Families, Administration on Children, Youth and Families, Children's Bureau. (2006). *The AFCARS Report: Preliminary FY 2005 Estimates as of September 2006 (13)*. Available at: [www.acf.hhs.gov/programs/cb/stats\\_research/afcars/tar/report13.htm](http://www.acf.hhs.gov/programs/cb/stats_research/afcars/tar/report13.htm) (accessed January 23, 2007).

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