



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #211

Foster Care and Kinship Care Rates (Children and Families -- Child Welfare)

[LFB 2021-23 Budget Summary: Page 92, #17 and Page 99, #3]

CURRENT LAW

Foster Care. When placing a child in foster care, a placing agency uses a standardized assessment tool to assess the needs and strengths of the child and the needs of the child's foster parent. The results of the assessment are used to determine the certified level of foster care into which the child will be placed, what services will be provided, and what payment the foster parent will receive.

Under the levels of care foster care licensing system, a foster home is certified in one of five levels commensurate with the foster parent's knowledge, skills, training, experience, and relationship to the child. Level one certification applies to a foster home with a child-specific license, which is issued to a relative of a child or an individual who has a previous existing relationship with the child or the child's family. Level two certification applies to basic foster homes. Level three certification applies to moderate treatment foster homes. Level four certification applies to specialized treatment foster homes. Level five certification applies to exceptional treatment foster homes.

Counties, tribes, and the Department of Children and Families (DCF) make monthly payments to foster parents to support food, clothing, housing, basic transportation, personal care, and other expenses for children in foster care. All foster care payments include the basic maintenance rate, which is established by statute. Counties, tribes, and DCF also consider the needs of the child and may provide a supplemental payment or an exceptional payment, in addition to the basic payment, for foster homes certified at level two or higher. The maximum payment is \$2,000 for the combined basic, supplement, and exceptional monthly rate.

Currently, the basic maintenance rate for all level one foster care providers is \$254 per

month. For levels two and above, the basic monthly maintenance rates are: (a) \$420 for children up to age five; (b) \$460 for children between the ages of five and 11; (c) \$522 for children between the ages of 12 and 14; and (d) \$545 for children ages 15 and older.

Kinship Care. Federal Temporary Assistance for Needy Family (TANF) block grant funds are budgeted to support monthly payments to certain qualifying individuals who care for relative children. Under the program, a relative does not necessarily assume guardianship of the child. Rather, kinship care is a living arrangement for the child in the relative's household.

In 2021, a qualifying caregiver receives \$254 per month per child as a kinship care payment. In addition, a relative who has been appointed as a guardian of a child may be eligible to receive "long-term kinship care" payments. The monthly payment amounts for kinship care and long-term kinship care are the same. In counties and tribes other than Milwaukee County, relative caregivers receive these payments from the county or tribe, while caregivers in Milwaukee County receive these payments from DCF, which administers child welfare services in that county. Each calendar year, DCF allocates funding to counties based upon estimate caseloads to support the costs of making these payments.

The kinship care program is not administered as a statewide benefits program with a single budget. For this reason, although total funding budgeted for the program on a statewide basis may be sufficient to support all kinship care benefits costs, individual counties and tribes may have surpluses or shortfalls in their kinship care budgets when their actual caseloads do not correspond with the initial funding allocations they receive from DCF. DCF makes adjustments to the initial calendar year county allocations, based on caseload information the agency receives from counties. To the extent TANF funds are not sufficient to fund kinship care costs, counties and tribes can either support kinship care costs from other state aids or local property tax or other funds or place non-court-ordered cases on waiting lists. However, individuals who care for children under a court order may not be placed on waiting lists to receive kinship care payments.

DISCUSSION POINTS

1. The basic maintenance rate is intended to cover basic costs of caring for a foster child on a monthly basis, including food, clothing, housing, basic transportation, personal care, and other expenses.

2. By contrast, supplemental and exceptional payments are not available in all cases. The supplemental rate is intended to cover the costs of a foster child's emotional, behavioral, or medical needs that require special care or supervision. The exceptional rate is intended to cover the costs of a foster child's extraordinary needs that require increased supervision, including severe behavioral problems, intensive physical needs, severe mental illness, chronic drug or alcohol abuse, or long distance travel to school. The supplemental and exceptional rates are determined based on the level of care required and the identified special needs of the child.

3. As shown in the following tables, the high frequency at which supplemental and exceptional payments are made available to foster families suggests that the current basic monthly payment may not be sufficient on its own to attract and retain foster homes.

4. In February, 2021, across all levels of care statewide, the average monthly foster care payment was \$956, including the basic maintenance rate and supplemental or exceptional payments made to foster parents. Table 1 shows the total number of payments made across the state and the average, for each level of care in February, 2021.

TABLE 1
Foster Care Payment Rates by Level of Care Provided
February, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Level 4</u>	<u>Level 5</u>
Number of Children	19	3,496	662	183	8
Total Payments	\$4,826	\$2,780,260	\$852,753	\$306,629	\$229,854
Average Payment	\$254	\$795	\$1,288	\$1,676	28,732 *

* Includes costs supported by children's long-term support through the Department of Health Services, such as significant medical, cognitive, and development needs.

5. Of these payments, 88.6% of cases received a supplemental payment, and 75.6% received an exceptional payment. Thus, no more than 11.4% of foster parents received only the basic rate. It is likely that even fewer families receive only the basic rate because some families may receive exceptional rates without supplemental rates.

6. As shown in the following Tables 2 and 3, the combined average supplemental and exceptional payments are a significant portion of the overall payment in all age groups and at all levels of foster care for which they are available.

TABLE 2
Average Basic, Supplemental, and Exceptional Foster Care
Monthly Payment Rates by Level of Care Provided
February, 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Level 4</u>	<u>Level 5</u>
Basic	\$254.00	\$454.18	\$473.75	\$493.68	\$531.50
Supplemental	N/A	176.01	401.27	480.27	620.00
Exceptional	N/A	288.27	501.47	782.80	27,580.21**
Overall	\$254.00	\$795.27	\$1,288.15	\$1,675.57	\$28,731.71
Percent Caseload	0.4%	80.0%	15.2%	4.2%	0.2%

**Includes costs supported by children's long-term support through the Department of Health Services, such as significant medical, cognitive, and development needs.

7. Table 3 shows the average supplemental payment, the average exceptional payment, and the average overall payment by the age of the child in out-of-home care in February, 2021. Table 4

also shows the percent of children in care in each age group. Note that many foster families do not receive supplemental and/or exceptional payments, and thus the overall average payment is not the sum of each payment type average.

TABLE 3

**Average Supplemental and Exceptional Foster Care Payment Rates by Age of Child
February, 2021**

<u>Average Payments</u>	<u>Ages 0-4</u>	<u>Ages 5-11</u>	<u>Ages 12-14</u>	<u>Ages 15 and Older</u>
Basic	\$419.79	\$460.03	\$521.26	\$543.59
Supplemental	139.23	261.05	316.96	369.07
Exceptional	267.89	342.76	484.29	1,199.76
Overall	\$711.07	\$954.01	\$1,166.67	\$1,749.88
Percent of Caseload	42.9%	35.8%	10.7%	10.6%

8. As shown in Tables 2 and 3, it appears that the basic payment is, on average, less than half of the cost reimbursement made to foster families for most age groups and all levels of care (supplemental and exceptional payments are not available for level 1). This suggests that the current basic payment is not covering most expenses of caring for children in foster homes.

9. Furthermore, foster care rates are not adjusted for inflation or tied to the cost of care for a child. If not increased, the inflation-adjusted value of the basic maintenance payment would decrease over the next two fiscal years.

10. In Wisconsin, the annual basic maintenance payment for a five-year-old in level two foster care is currently \$5,040. For comparison, the attachment shows the annual expenditures on a child by a married couple family in the urban Midwest as estimated by the Expenditures on Children by Families, 2015 report. As shown in the attachment, the estimated annual expenditure in 2015 on a five-year-old by a two-parent, middle income family is estimated to be \$12,420. Adjusting for inflation, this amount would be approximately \$13,980. Adjusting the estimated amounts for inflation, it is estimated that \$3,940 is spent on housing, \$1,800 is spent on food, and \$3,070 is spent for child care expenses and education and \$5,170 is spent on other costs the family incurs for the child, such as health care.

11. The federal Department of Health and Human Services (DHHS) conducts a federal child and family services review (CFSR) to determine each state's conformance with federal requirements under Titles IV-B and IV-E of the federal Social Security Act. DHHS conducted a CFSR for Wisconsin in 2018, which included a review of 65 cases (40 foster care and 25 in-home cases) in Barron, Brown, and Milwaukee counties, and interviews with local stakeholders. The CFSR assessed statewide performance with regard to seven child and family outcomes and seven systemic factors. DCF received the CFSR findings in September, 2018. Overall, DHHS determined that Wisconsin

was not in substantial conformance with any of the seven outcome areas and only one of the seven systemic factors. For the systemic factor of foster and adoptive parent licensing, recruitment, and retention, the CFSR stated that local stakeholders reported a severe shortage of foster homes and that there was a shortage of licensed foster homes for children with complex treatment needs. According to some stakeholders, the lack of available homes resulted in children being placed into higher levels of care than necessary or in congregate care because they were the only resources available. In one county, the report related that staff have stayed in the office with children because there were no placements available. Further, in some areas siblings had to be separated because of the lack of available placements for sibling groups.

12. A shortage of foster families can strain existing resources and lead to a shortage of available placements for children in the out-of-home care system. Inadequate availability of placements can result in children switching between temporary placements, children being placed into settings inappropriate for their treatment needs, and youth aging out of the system without having adequate housing.

13. Although not an explicit strategy in the state's program improvement plan for the CFSR, DCF indicates that increasing the basic maintenance rates would assist in recruiting and retaining foster families, which would assist with efforts to address issues identified by the CFSR as needing improvement.

14. Because increasing the foster care basic maintenance rates could help counties attract and retain foster parents to meet the needs of children, the Committee could provide \$352,400 (\$233,300 GPR and \$119,100 FED) in 2021-22 and \$1,057,200 (\$699,900 GPR and \$357,300 FED) in 2022-23 to increase the foster care rates paid by counties (funded from the children and families aids allocation) and by DCF for Milwaukee County and the special needs adoption program (Alternative A1). This would increase the basic maintenance rates paid to foster parents for Level 2 and above by 2.5% beginning January 1, 2022 and by an additional 2.5% beginning January 1, 2023, as provided under Assembly Bill 68/Senate Bill 111. (The amount of funding needed to support this rate increase is slightly less than the funding increase in AB 68/SB 111, due to a reestimate.) The federal funding is reimbursements under Title IV-E of the Social Security Act.

15. Because the 2021-23 budget would only fund the first half of the calendar year 2023 foster care and kinship care payments, the rate increase for the second half of calendar year 2023 would be funded in the 2023-25 budget. The estimated cost in the 2023-25 budget to continue foster care and kinship care payments in the second half of 2023 at the rates under Alternative A1 would be \$704,800 [\$466,600 GPR and \$238,200 FED (Title IV-E)] over current base funding levels.

16. Alternatively, the Committee could increase basic maintenance rates for foster care and kinship care benefits by 5.0% beginning on January 1, 2022, but not increase the rates on January 1, 2023 (Alternative A2). This would eliminate the need to increase funding in the 2023-25 budget to fully fund the rate increase provided in this biennium. Under this alternative, funding relative to the base for basic monthly payments would increase by \$678,500 (\$449,200 GPR and \$229,300 FED) in 2021-22 and \$1,357,000 (\$898,300 GPR and \$458,700 FED) in 2022-23

17. Likewise, the Committee could decide to increase basic maintenance rates for foster care

and kinship care benefits by 7.5% beginning on beginning on January 1, 2022, but not increase the rates on January 1, 2023 (Alternative A3). This would provide for an even larger increase, while also eliminating the need to increase funding in the 2021-23 budget to fully fund the rate increase provided in this biennium. Under this alternative, funding relative to the base for basic monthly payments would increase by \$1,030,800 (\$682,400 GPR and \$348,400 FED) in 2021-22 and \$2,061,600 (\$1,364,800 GPR and \$696,800 FED) in 2022-23 to increase monthly payments to foster parents by 7.5% beginning in 2022.

18. The foster care rates under current law and Alternatives A1, A2, and A3 are shown in the following Table 4.

TABLE 4

Foster Care Rates Level 2 and Above under Current Law and Alternatives

	Current <u>Law</u>	Alternative A1 <u>2022</u> <u>2023</u>		Alternative A2 <u>2022</u> <u>2023</u>		Alternative A3 <u>2022</u> <u>2023</u>	
Levels Two and Above							
Under Age 5	\$420	\$431	\$442	\$442	\$442	\$452	\$452
Ages 5 through 11	460	472	484	484	484	495	495
Ages 12 through 14	522	535	548	548	548	561	561
Ages 15 and Over	545	559	573	573	573	586	586

19. In addition to these alternatives, the Committee could also choose to automatically adjust foster care rates, level 2 and above, for inflation each year, beginning in 2024 and for the next six years. Under this alternative, rates would be adjusted based on the change for the month of August in the prior year compared to the month of August in the year preceding the prior year of the U.S. consumer price index for all urban consumers, U.S. city average, as determined by the federal Department of Labor (Alternative B1). Rates so adjusted would be rounded up to the nearest dollar.

20. The Committee could choose to not provide an increase to the basic maintenance rates (Alternative A4). The basic maintenance rate is meant to reimburse a foster parent's costs of caring for a foster child's basic child needs, and is not intended to cover all costs of raising a child nor as compensation for caring for a child. Given the total number of foster payments provided in Table 2, the Committee could conclude that the current payment levels are adequate to induce foster parents to care for children in Wisconsin.

Kinship Care and Level 1 Foster Care Rates

21. Based on updated caseload information through February, 2021, it is estimated that funding for kinship care payments, based on current payment rates, will total \$26,336,000 FED in 2021-22 and \$26,620,800 FED in 2022-23, a reduction of \$1,823,200 FED in 2021-22 and \$1,538,400 FED in 2022-23 from the base TANF allocation (\$28,159,200). Therefore, Committee could choose to decrease the TANF allocation under the bill to reflect this reestimate (Alternative C1).

22. However, if the Committee chooses to increase the level 1 foster care payments, as discussed previously in this paper, it could also increase the kinship care monthly payment so that it continues to equal the level 1 foster care rate, as under current law.

23. For example, the Committee could increase the Level 1 foster care monthly rate, from \$254 to \$300 per child beginning January 1, 2022 by providing \$13,000 [\$8,600 GPR and \$4,400 FED (Title IV-E)] in 2021-22 and \$26,000 [\$17,200 GPR and \$8,800 FED (Title IV-E)] in 2022-23, and providing \$567,900 FED TANF in 2021-22 and \$3,282,600 FED TANF in 2022-23 so that the kinship care payment rates would continue to equal the level 1 foster care rates (Alternative C2).

24. Alternatively, the Committee could provide \$5,900 [\$3,900 GPR and \$2,000 FED (Title IV-E)] in 2021-22 and \$11,800 [\$7,800 GPR and \$4,000 FED (Title IV-E)] in 2022-23 to increase the Level 1 foster care monthly rate, from \$254 to \$275 per child beginning January 1, 2022, and reduce the TANF allocation for kinship care by \$731,700 FED TANF in 2021-22 and increase the allocation by \$662,700 FED TANF in 2022-23 so that the kinship care payment rates would continue to equal the level 1 foster care rates (Alternative C3).

25. The kinship care payment rate and level 1 foster care rate under current law and Alternatives C1, C2, and C3 are shown in the following Table 5.

TABLE 5

Kinship Care Payments and Level 1 Foster Care Rates under Current Law and Alternatives

	Current Law	Alternative C1 2022	Alternative C1 2023	Alternative C2 2022	Alternative C2 2023	Alternative C3 2022	Alternative C3 2023
Level One	\$254	\$254	\$254	\$300	\$300	\$275	\$275

ALTERNATIVES

A. Foster Care Payment Rates -- Levels 2 and Above

1. Provide \$352,400 (\$233,300 GPR and \$119,100 FED) in 2021-22 and \$1,057,200 (\$699,900 GPR and \$357,300 FED) in 2022-23 to increase monthly payments to foster parents by 2.5% in each calendar year.

ALT A1	Change to Base
GPR	\$933,200
FED	476,400
Total	\$1,409,600

2. Provide \$678,500 (\$449,200 GPR and \$229,300 FED) in 2021-22 and \$1,357,000 (\$898,300 GPR and \$458,700 FED) in 2022-23 to increase monthly payments to foster parents by

5.0% beginning in 2022.

ALT A2	Change to Base
GPR	\$1,347,500
FED	<u>688,000</u>
Total	\$2,035,500

3. Provide \$1,030,800 (\$682,400 GPR and \$348,400 FED) in 2021-22 and \$2,061,600 (\$1,364,800 GPR and \$696,800 FED) in 2022-23 to increase monthly payments to foster parents by 7.5% beginning in 2022.

ALT A3	Change to Base
GPR	\$2,047,200
FED	<u>1,045,200</u>
Total	\$3,092,400

4. Take no action.

B. Foster Care Payment Rates -- Inflation Adjustment for Levels 2 and Above

1. Modify current law to automatically adjust foster care rates, level 2 and above, for inflation each year, beginning in 2024 and for the next six years. The adjustment would be based on the change for the month of August in the prior year compared to the month of August in the year preceding the prior year of the U.S. consumer price index for all urban consumers, U.S. city average, as determined by the federal Department of Labor. Rates so adjusted would be rounded up to the nearest dollar. Require DCF to publish the adjusted rates in the administrative register or administrative code.

2. Take no action.

C. Kinship Care Payments and Level 1 Foster Care Rate

1. Reduce the TANF allocation for kinship care payments by \$1,823,200 FED in 2021-22 and \$1,538,400 FED in 2022-23 to reflect reestimates of caseloads in the 2021-23 biennium, based on the current kinship care monthly payment rate (\$254 per month).

ALT C1	Change to Base
FED	- \$3,361,600

2. Increase the Level 1 foster care monthly rate from \$254 to \$300 per child beginning January 1, 2022, by providing \$13,000 [\$8,600 GPR and \$4,400 FED (Title IV-E)] in 2021-22 and \$26,000 [\$17,200 GPR and \$8,800 FED (Title IV-E)] in 2022-23. Further, provide \$567,900 FED

TANF in 2021-22 and \$3,282,600 FED TANF in 2022-23 so that the kinship care payment rates would continue to equal the level 1 foster care rates. In total, \$28,727,100 FED TANF in 2021-22 and \$31,441,800 FED TANF in 2022-23 would be provided to fund kinship care payments.

ALT C2	Change to Base
GPR	\$39,000
FED	<u>3,850,500</u>
Total	\$3,889,500

3. Increase the Level 1 foster care monthly rate, from \$254 to \$275 per child beginning January 1, 2022 by providing \$5,900 [3,900 GPR and \$2,000 FED (Title IV-E)] in 2021-22 and \$11,800 [\$7,800 GPR and \$4,000 FED (Title IV-E)] in 2022-23. Further, reduce the TANF allocation for kinship care by \$731,700 FED TANF in 2021-22 and increase the allocation by \$662,700 FED TANF in 2022-23 so that the kinship care payment rates would continue to equal the level 1 foster care rates. In total, \$27,427,500 FED TANF in 2021-22 and \$28,821,900 FED TANF in 2022-23 would be provided to fund kinship care payments.

ALT C3	Change to Base
GPR	\$17,700
FED	<u>- 69,000</u>
Total	- \$51,300

4. Take no action.

Prepared by: John D. Gentry
Attachment

ATTACHMENT

Estimated Annual Expenditures on a Child by Married-Couple Families, Urban Midwest, 2015

<u>Age of Child</u>	<u>Total Expense</u>	<u>Housing</u>	<u>Food</u>	<u>Transportation</u>	<u>Clothing</u>	<u>Health Care</u>	<u>Child Care and Education^a</u>	<u>Miscellaneous^b</u>
Before-Tax Income: Less than \$59,200 (Average = \$37,600)								
0 - 2	\$9,460	\$3,010	\$1,220	\$1,120	\$820	\$800	\$1,970	\$520
3 - 5	9,460	3,010	1,260	1,170	680	740	1,970	630
6 - 8	9,060	3,010	1,820	1,230	680	770	800	750
9 - 11	9,690	3,010	2,080	1,270	840	890	800	800
12 - 14	9,310	3,010	2,160	1,420	910	850	310	650
15 - 17	9,660	3,010	2,180	1,610	880	900	450	630
Total	\$169,920	\$54,180	\$32,160	\$23,460	\$14,430	\$14,850	\$18,900	\$11,940
Before-Tax Income: \$59,200 to \$107,400 (Average = \$81,700)								
0 - 2	\$12,370	\$3,500	\$1,490	\$1,710	\$890	\$1,160	\$2,730	\$890
3 - 5	12,420	3,500	1,600	1,760	740	1,090	2,730	1,000
6 - 8	12,030	3,500	2,170	1,820	740	1,120	1,560	1,120
9 - 11	12,830	3,500	2,550	1,860	930	1,260	1,560	1,170
12 - 14	12,680	3,500	2,650	2,010	1,020	1,220	1,260	1,020
15 - 17	13,470	3,500	2,670	2,200	1,000	1,280	1,830	990
Total	\$227,400	\$63,000	\$39,390	\$34,080	\$15,960	\$21,390	\$35,010	\$18,570
Before-Tax Income: More Than \$107,400 (Average = \$177,300)								
0 - 2	\$19,310	\$5,200	\$2,110	\$2,510	\$1,260	\$1,570	\$4,950	\$1,710
3 - 5	19,320	5,200	2,220	2,560	1,090	1,480	4,950	1,820
6 - 8	18,900	5,200	2,840	2,620	1,090	1,430	3,780	1,940
9 - 11	20,200	5,200	3,440	2,660	1,350	1,780	3,780	1,990
12 - 14	20,540	5,200	3,430	2,810	1,490	1,730	4,040	1,840
15 - 17	22,730	5,200	3,590	3,000	1,450	1,800	5,880	1,810
Total	\$363,000	\$93,600	\$52,890	\$48,480	\$23,190	\$29,370	\$82,140	\$33,330

Estimates are based on 2011-15 Consumer Expenditure Survey data (all data updated to 2015 dollars by using the Midwest region Consumer Price Index—All Urban Consumers). For each age category, the expense estimates represent average child-rearing expenditures for each age (e.g., the expense for the 3-5 age category, on average, applies to the 3-year-old, the 4-year-old, or the 5-year-old). The Total expenses (0 - 17) row represents the expenditure sum of all ages (0, 1, 2, 3, ...17) in 2015 dollars. The figures represent estimated expenses on the younger child in a two-child family. Estimates are about the same for the older child, so to calculate expenses for two children, figures should be summed for the appropriate age categories. To estimate expenses for an only child, multiply the total expense for the appropriate age category by 1.27. To estimate expenses for each child in a family with three or more children, multiply the total expense for each appropriate age category by 0.76. For expenses on all children in a family, these totals should be summed.

The Midwestern region consists of Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

^a Includes only families with child care and education expenses.

^b Includes personal care items, entertainment, and reading materials.