ALTERNATIVE PROPOSALS FOR
A NEW FOSTER FAMILY HOME RATE STRUCTURE IN CALIFORNIA

A Report Prepared for the California Department of Social Services

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EXECUTIVE SUMMARY

Introduction

In 2007, the lawsuit California Foster Parent Association, et al. v. John A. Wagner, et al., challenged the adequacy of California's Foster Family Home rate. In his summary judgment on the case, The Honorable William Alsup wrote that "foster care maintainance payments include[s] both a procedural and a substantive component: procedurally, the state must take the enumerated cost factors into account, and substantively, the state's rates may not fall too far out of line with the cost of providing those items."[1]

The California Department of Social Services contracted with The Center for Public Policy Research (CPPR) at the University of California, Davis to develop a recommended methodology (or alternative methodologies) for setting foster care rates in California. The contract deliverables included: an analysis of the report, *Hitting the MARC: Establishing Foster Care Minimum Adequate Rates for Children*, as well as *The Costs of Caring*, an Australian study used in conjunction with that report; a description of *The MARC Report* findings for California within a broader context of the state's complex rate system which includes specialized care rates, dual agencies rates and other resources associated with foster care parenting; a proposal for new rates that include an option for regional cost of living variations throughout the state; and recommendations for adjusting the rate annually for inflation through the use of the California Necessities Index (CNI).

This report outlines the choices involved in determining a rate setting methodology, recommends a preferred approach, and presents the rates that are implied by this approach, both statewide and for separate regions in California. The report also includes a review of the history of foster care rates in California and describes reform efforts in selected states.

[1] California State Foster Parent Association, California State Care Providers Association, and Legal Advocates for Permanent Parenting v. John A. Wagner, Director of the California Department of Social Services; Mary Ault, deputy Director of the Children and Family Services Division of the California Department of Social Services.

History

To understand the context for the analysis and recommendations of this report, some history is useful. In 1981, a seminal report, *Foster Care Rates Setting: Report to the Legislature* [2] proposed the current system of a statewide set of FFH rates, creating distinctions between institutional settings and family homes and proposing statewide rate-setting policies for both. The rates proposed in the 1981 report were adopted in 1982 by Section 13 of Chapter 977, Statutes of 1982, which added California Welfare and Institutions Code (WIC) Section 11461. That statute also mandated annual cost-of-living increases to the new state rates, "subject to the availability of funds." However, rates did not increase at all between 1982 and 1988. In Budget Years 1989, 1990 and 1991, FFH rates were raised substantially, to levels that brought them up to approximately 80% of the value of the original 1982 rates.

In the two decades since 1991, FFH rates were raised only infrequently and have lagged far behind inflation. Today's FFH rates are only 29% higher than the rates of Budget Year 1991, whereas inflation as measured by the California Necessities Index (CNI) was 79% over the intervening period. Today's rates would need to be increased by 38% to match the real value of the 1991 rates, and by 70% to match the real value of the 1982 rates.

Recommended Methodology

To develop an appropriate methodology for a new set of FFH rates, the original 1981 *Rates Setting* report was reviewed, as well as the influential 2007 publication on foster care rate setting known as *The MARC Report.*[3] Both reports developed their rate proposals from expenditure data on the costs of raising children reported in the Consumer

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[2] California Department of Social Services. *Foster Care Rates Setting: Report to the Legislature*. Project Manager: Dennis Boyle, June 1981.

[3] Published in 2007, the official title of *The MARC Report* is *Hitting the M.A.R.C: Establishing Foster Care Minimum Adequate Rates for Children.* This influential report was the product of a collaborative effort between the University of Maryland School of Social Work, the National Foster Parent Association, and Children's Rights, a national advocacy organization.

Expenditure Survey (CES). The CES is a nationally representative annual survey of households that describes the buying habits of American families.[4] The 1981 *Rates Setting* report used estimates of the costs of raising children constructed annually by the U.S. Department of Agriculture (USDA)[5] from CES data. *The MARC Report* authors also used CES data, but strove to exactly match the categories of foster-care spending for which the federal government reimburses states under Title IV-E of the Social Security Act.[6] As a result, the list of reimbursable categories included in *The MARC Report* differs from the set of costs reflected in the USDA estimates of costs of children.[7] Specifically, *The MARC Report* includes some reimbursable items that are particular to children in foster care, such as liability and property insurance. The USDA estimates, in contrast, include broad categories of housing costs, education and health care that are not reimbursable under Title IV-E. [8]

The rate-setting approach proposed in this report accords with the methodology of *The MARC Report* in using the household expenditure data from the CES survey to estimate

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[4] The CES records information on families' annual income and the details of their household and personal expenditures, together with household members' demographic characteristics. See http://www.bls.gov/cex/

[5] The *Expenditures on Children by Families* reports are issued annually by the Center for Nutrition Policy and Promotion of the U.S. Department of Agriculture. See http://www.cnpp.usda.gov/expendituresonchildrenbyfamilies.htm,

[6] Title IV-E of the Social Security Act makes federal financial assistance available to help cover state foster care maintenance payments (see 42 U.S.C§675 (4)(A)). In the words of the law, "The term "foster care maintenance payments" means payments to cover the cost of (and the cost of providing) food, clothing, shelter, daily supervision, school supplies, a child's personal incidentals, liability insurance with respect to a child and reasonable travel to the child's home for visitation." Public Law 110-351 (October 7, 2008) added educational transportation costs with the phrase "… and reasonable travel for the child to remain in the school in which the child is enrolled at the time of placement."

[7] The USDA estimates include the nonreimbursable categories of mortgage or rent, children's health care costs and children's educational costs. The latter two costs are not reimbursable presumably because they are covered through Medi-Cal and public schooling, respectively. Rent and mortgage are excluded because the costs of the (foster) parents' housing are assumed to not increase when a foster child joins the family. It is possible to use the USDA estimates and exclude these broad categories of spending.

[8] Differences between the two reports in the statistical methods used to analyze the CES data also lead to variations in estimates of costs of children.

the cost elements that are reimbursable under Title IV-E.[9] However, the approach differs from the recommendations in *The MARC Report* in several respects.

One of the differences is in how transportation costs are handled. The cost of transporting foster children to their regular visits with their biological family is included, although it was not in *The MARC Report* because it was deemed to be too variable nationwide. We also identify a separate category to cover the "cost of providing" the goods and services needed by foster children. This category includes travel for purchasing or providing everything that children need, whether buying clothes and food, or transporting children to and from child care, social visits, or extracurricular, recreational or cultural activities. These travel costs were itemized in *The MARC Report* as the costs for motor oil and gas, and placed under the Personal Incidentals category.

The estimates for the "cost of providing" used in this report are adapted from the USDA *Expenditures on Children by Families*.[10] Recognizing that some of the "cost of providing" is an expense shared with "providing" goods and services for other people (e.g., a single grocery–store trip provisions the foster child and the rest of the family), this report proposes two different sets of rates, one with a full estimate for "cost of providing" and the lower including 50% of the estimate.[11]

The other substantial difference between our approach and that of *The MARC Report* is that we do not assume that the FFH rates should reflect *higher* costs of caring for children

[9] These estimates from the CES, regionally adjusted to California and inflation-adjusted to 2006, were provided to us by *The MARC Report* authors.

[10] The "cost of providing" is based on USDA Estimated Annual Expenditures on a child by husband-wife families in the urban West, estimating the expense by including expenditures for gas, motor oil and vehicle maintenance and repairs, but not the cost of purchasing a vehicle. See Lino, Mark, *Expenditures on Children by Families, 2008*, U.S. Department of Agriculture, Center for Nutrition Policy and Promotion, Miscellaneous Publication No. 1528-2008. The actual figures are from the Oregon Foster Care Rate Redesign Project, *Foster Care Maintenance Payment Rate Reimbursement Methodology Proposal*, July 2008. See Appendix C.

[11] Additionally the rates we propose include another transportation expense which, although allocated to a particular purpose – visits home and court – also may be conducted along with other family travel/errands and thus offset some of the "cost of providing".

than costs incurred by typical parents. In contrast, *The MARC Report* authors argue that foster children are more costly than non-foster children. This claim leads them to adjust upward many cost categories by a considerable margin above the estimates from the CES. These adjustments are not made in this report.

The multipliers that *The MARC Report* used to upwardly adjust rates were taken from findings of the McHugh report, a study conducted in Australia that attempted, using surveys of foster care agencies and focus groups of foster parents, to quantify these hypothesized costs of fostering compared to raising one's own children.[12]

These adjustments are not applied to estimates in this report because we did not find them applicable to California. The primary intent of the McHugh report was to address Australia's lack of national guidelines for foster care payments. The general conclusion of the study that, *on average*, children and youth in foster care can be more costly to care for than children not in care is not contested here. But California has addressed that issue by creating a diversified rate structure including a robust Specialized Care Increment (SCI) system to accommodate additional costs for individual behavioral and health needs.[13]

There are two additional considerations to note. First, the proposed rates do not include a category to cover the reimbursable costs of 'reasonable travel for a child to remain in the school at the time of placement'.[14] Instead it is recommended that this cost be reimbursed on an individual basis for children whose foster parents do, in fact, drive them back and forth to their original schools.

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[12] McHugh, Marilyn, *The Costs of Caring: A Study of Appropriate Foster Care Payments of Stable and Adequate Out of Home Care in Australia*, Social Policy Research Centre, University of New South Wales, 2002.

[13] The focus groups from which the multiplier data was generated included foster parents caring for children and youth with disabilities and kin carers, who, at the time of the study, received lower payments than non-kin carers. Marilyn McHugh, the author of the report, herself noted that… "the additions and adjustments made to children's budgets are, in a sense, arbitrary as they are not grounded in statistical data based on a representative sample of carers around Australia." (pg. 75, *The Costs of Caring*).

[14] This cost was not a part of the law at the time of publication of *The MARC Report*. It was added in October 7, 2008 as part of PL 110-351.

Second, it is recommended that counties continue to provide an initial clothing allowance for children at the time of placement, but discontinue any recurring allowances for clothes. California counties typically provide clothing allowances in addition to monthly payments but the foster care rates that we propose will cover the clothes that growing children normally need. However, the monthly allowance of approximately $50 would not equip a child who came into a foster care placement with few or no adequate clothes, shoes or other personal items, as is often the case. Therefore, retaining an initial clothing allowance is preferred.[15]

Recommended Statewide Rates

Rate Structure #1 is the aggregate of the enumerated cost factors specified under Title IV-E, with the estimates derived from CES data in the manner of *The MARC Report.* The transportation categories differ from those in *The MARC Report* as noted earlier; that is, we include costs to visit birth families, as well as the 50% estimate for the "cost of providing" transportation category. (Details of the enumerated cost factors are available in Appendices J and K.) The rates are inflation-adjusted to 2009 (and applicable to Budget Year 2010-2011) using the CNI. Current rates are shown for comparison.

Rate Structure #2 takes the same cost elements used for Rate Structure #1, but uses 100% of the estimate in the "cost of providing" category. (See Table 1)

[15] Another small difference between the approach in this report and that in *The MARC Report* is that dry cleaning costs are not included in the Clothing category.

Table 1. Proposed Rate Structures #1 and #2

	Age 0-4	Age 5-8	Age 9-11	Age 12-14	Age 15-19
Current rates	$446	$485	$519	$573	$627
Rate Structure #1: cost estimates from the CES and lower estimate of 'cost of providing'	$609	$660	$695	$727	$761
Rate Structure #2: cost estimates from the CES, and upper estimate of 'cost of providing'	$638	$692	$727	$767	$801

Recommended Geographic Adjustments

Finally, the report presents an option for a rate structure to reflect geographical cost of living differences within the state of California. Counties were grouped into low, medium and high cost regions based on the cost of housing as indicated by the HUD fair-market rents (FMRs) of 2-bedroom and 3-bedroom units in each county.[16] (See Table 2) More than half of foster care cases are in the high-cost region, and rents in the high-cost region are 81% higher than in the lowest-cost region.

[16] The breaks between the three regions occurred naturally, with the most costly county in each group showing an average FMR at least $100 less than the FMR for the least-costly county in the next higher group.

Table 2. Regional organization and variation by FMR rents

Region 1: Counties with Low-Cost Housing (with 21% of cases statewide)	Alpine, Butte, Calaveras, Colusa, Del Norte, Fresno, Glenn, Humboldt, Imperial, Inyo, Kern, Kings, Lake, Lassen, Madera, Mariposa, Mendocino, Merced, Modoc, Plumas, San Joaquin, Shasta, Siskiyou, Stanislaus, Sutter, Tehama, Trinity, Tulare, Tuolumne, Yuba.
Region 2: Counties with Medium-Cost housing (with 24% of cases statewide)	Amador, El Dorado, Mono, Monterey, Nevada, Placer, Riverside, Sacramento, San Bernardino, San Luis Obispo, Sierra, Yolo.
Region 3: Counties with High- cost housing (with 56% of cases statewide)	Alameda, Contra Costa, Los Angeles, Marin, Napa, Orange, San Benito, San Diego, San Francisco, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Solano, Sonoma, Ventura.

Table 3 shows the region-specific payments that correspond to the proposed Rates #1 and #2. The regional payment rates were constructed so that the sum of all foster-care payments would amount to the same statewide total as if payments were uniform statewide. See Appendix L for a chart showing the percentage increases over current FFH rates that is implied by each of the proposed rate structures.

Table 3. Low, Medium and High Cost regional adjusters applied to Rates #1 and #2

RATES	Age 0-4	Age 5-8	Age 9-11	Age 12-14	Age 15-19
Rate #1 (statewide rate)	$609	$660	$695	$727	$761
Low-cost region, Rate #1	$562	$608	$640	$669	$701
Medium-cost region, Rate#1	$595	$643	$677	$708	$741
High-cost region, Rate #1	$636	$687	$723	$756	$792
Rate #2 (statewide rate)	$638	$692	$727	$767	$801
Low-cost region, Rate #2	$588	$637	$670	$706	$738
Medium-cost region, Rate#2	$621	$674	$708	$747	$780
High-cost region, Rate #2	$664	$720	$757	$798	$834

Recommended Adjustment for Changes in Annual Cost of Living

To ensure that FFH payment rates rise with the cost of living and do not fall behind the cost of caring for children, it will be important to routinize the application of the CNI to update foster care rates annually. Additionally, if regional rather than statewide rates are adopted, it is recommended that the county groupings and the associated geographic adjustments be reviewed every five years using updated HUD rental data. This five year review of county groupings does not replace the annual adjustment of rates by the CNI, but is in addition to that calculation.

Additional Recommendations

In conclusion, we note some general recommendations about the implementation of any of the proposed rates in the context of current foster care policy.

Supplementary payments*:* California counties supplement FFH rates in various ways, including clothing allowances and Specialized Care Increment payments. As noted above, it is preferred that the one-time clothing allowances for children newly placed in foster care be retained, but other clothing allowances be discontinued.

Our review of Specialized Care Increments (SCI) led to two significant findings. First, the levels of these payments vary greatly by county; and second, the CDSS does not have a way to accurately determine how many children in each county are receiving which kinds of SCI payments. Such large variations in payments and absence of data on receipt rates suggest the need for a systematic analysis to identify possible inefficiencies.

Any change in FFH rates will not necessarily have direct bearing on county SCI payments. However, an indirect effect of higher FFH rates may be that individual counties may decide to adjust their SCI payments. As an alternative, the CDSS might consider developing a standardized statewide SCI payment system. A more uniform payment system might also include a uniform assessment system. For example, a number of states use a standardized psychological assessment tool such as the Child and Adolescent Needs and Strengths (CANS) measure for each child who enters foster care.[17]

[17] The CANS is a comprehensive multisystem assessment.

INTRODUCTION

This report proposes a new basic rate-setting methodology and four alternative rate structures for Foster Family Home (FFH) care in the state of California. The report was contracted by the CDSS and written in response to the outcome of the lawsuit filed as California Foster Parent Association, et al. v. John A. Wagner, et al. The summary judgment in the case required that California develop a systematic method for meeting its federal obligation in regards to foster care maintenance payments. In setting rates, the State must consider the enumerated cost factors itemized in Title IV-E of the Child Welfare Act and set rates in relation to them. The State must also consider annual increases in the cost of living. This report outlines the choices involved in determining a rate-setting methodology, recommends a preferred approach, and reports the rates that are implied by this approach, both statewide and for separate regions of California based on differences in cost of living.

Included in the report is a review of the history of foster care rates in California, and a description of reform efforts in selected states. The seminal early document is the *Foster Care Rate Setting* report to the California legislature from June 1981, but a variety of other California-specific publications also helped inform the analysis and recommendations (see Bibliography). For policies in other states, the survey of state rate-setting policies by the National Association of Public Child Welfare Administrators (NAPCWA) provided valuable information on how other states calculate and establish basic foster care rates.[18] We also reviewed the methodology proposed in the influential 2007 publication on foster care rate setting, *Hitting the M.A.R.C: Establishing Foster Care Minimum Adequate Rates for Children* (hereafter *The MARC Report*)[19] and *The*

[18] National Association of Public Child Welfare Administrators, *Basic Family Foster Care Maintenance Rates Survey: Summary of Findings*, May 2007.
[19] Children's Rights, National Foster Parent Association and University of Maryland School of Social Work, *Hitting the M.A.R.C: Establishing Foster Care Minimum Adequate Rates for Children*, October 2007.

Costs of Caring, a report by Marilyn McHugh.[20] Additionally, reports on reforms to foster care rates in Oregon, Washington and North Carolina were reviewed.

This report includes the findings from this review and presents two proposals for a new standard statewide rate-setting methodology for a basic FFH rate, together with a suggested set of geographic adjustments.

THE TWO COMPONENTS OF FOSTER CARE RATE SETTING

In his summary judgment of California Foster Parent Association, et al. v. John A. Wagner, et al.**,** The Honorable William Alsup observed that the elements of foster care maintainance payments specified in California's Welfare and Institutions Code mirror the specifications in federal law.[21] Yet the judge noted that the state lacks a theory and methodology to establish foster care maintenance rates to cover these mandated foster care costs. Specifically, the judge wrote that "the [Child Welfare] Act's mandate with respect to foster care maintainance payments includes both a procedural and a substantive component: procedurally, the state must take the enumerated cost factors into account, and substantively, the state's rates may not fall too far out of line with the cost of providing those items."[22] Therefore, a new methodology must make an explicit account

[20] McHugh, Marilyn, *The Costs of Caring: A Study of Appropriate Foster Care Payments of Stable and Adequate Out of Home Care in Australia*, Social Policy Research Centre, University of New South Wales, 2002.

[21] According to federal law 42 §675 (4)(A) "The term "foster care maintenance payments" means payments to cover the cost of (and the cost of providing) food, clothing, shelter, daily supervision, school supplies, a child's personal incidentals, liability insurance with respect to a child, and reasonable travel to the child's home for visitation. According to California Welfare and Institutions Code 11460: "(a) Foster care providers shall be paid a per child per month rate in return for the care and supervision of the AFDC-FC child placed with them. (b) "Care and supervision" includes food, clothing, shelter, daily supervision, school supplies, a child's personal incidentals, liability insurance with respect to a child, and reasonable travel to the child's home for visitation." Public Law 110-351 (October 7, 2008) added this statutory criteria to federal law, "and reasonable travel for the child to remain in the school in which the child is enrolled at the time of placement."

[22] California State Foster Parent Association, California State Care Providers Association, and Legal Advocates for Permanent Parenting v. John A. Wagner, Director of the California Department of Social Services; Mary Ault, deputy Director of the Children and Family Services Division of the California Department of Social Services.

of the specific costs of caring for children enumerated in Title IV-E and ensure that foster care payments keep pace with the cost of living.

California's current FFH rates have their roots in a thirty-year-old document, the *Foster Care Rate Setting* report by the California Department of Social Services to the California legislature of June 1981.[23] At the time, each county relied on its Board of Supervisors to set foster care rates. The *Rate Setting* report made a number of important recommendations for the organization of the state's foster care system and foster care rate structures, creating distinctions between institutional settings and family homes and proposing statewide rate-setting policies for both.

The report recommended that FFH rates be based on data-driven estimates of the costs of raising children: specifically, estimates published by the U.S. Department of Agriculture (USDA) in the annual USDA *Expenditures on Children by Families.*[24] The USDA prefaces this publication with the comments, "results of this study should be of use in developing State child support and foster care guidelines…"[25] and indeed, these estimates and the related methodology are widely used as a basis for foster care rates across the country.

The USDA estimates of the costs of raising children are based on expenditure data recorded in the Consumer Expenditure Survey (CES), a nationally representative annual survey that describes the buying habits of American households.[26] The CES is the most comprehensive source of information on household expenditures available at the national level. The USDA calculates expenditures by category – housing expenses, food

[23] California Department of Social Services. *Foster Care Rates Setting: Report to the Legislature*. Project Manager: Dennis Boyle, June 1981.

[24] The *Expenditures on Children by Families* reports are issued annually by the Center for Nutrition Policy and Promotion of the U.S. Department of Agriculture. See http://www.cnpp.usda.gov/expendituresonchildrenbyfamilies.htm,

[25] *Expenditures on Children by Families*, USDA, 2008.

[26] The CES is administered by the U.S. Census Bureau, U.S. Department of Commerce, under contract with the Bureau of Labor Statistics BLS), U.S. Department of Labor. The survey records information on families' annual income and the details of their household and personal expenditures; together with household members' demographic characteristics. See http://www.bls.gov/cex/

expenses, transportation expenses, clothing expenses, health care expenses, childcare and educational expenses, and miscellaneous expenses – which are aggregated to an overall annual estimate. Estimates are provided separately for regions: urban Northeast, urban West, urban Midwest, urban South, and Rural areas. Separate estimates are also calculated for households of different income levels – Low, Medium (Moderate) and High Income families.

The 1981 *Foster Care Rate Setting* report noted that foster care payment rates established using the Moderate Cost Plan (based on spending by Middle Income families) would fully cover the cost of caring for foster children, thereby eliminating any need for foster parents to subsidize children. In contrast, payments based on expenditures by Low Income families would require the typical foster parent to contribute towards the cost of caring for a foster child. Ultimately, the report recommended taking the *average* of the USDA Moderate and Low Cost Income Groups in order to estimate annual expenditures on a child in the "urban West".

The report specifically states that the "items covered by the basic rate will be …food, clothing, shelter, daily supervision and personal incidentals," but also notes a rationale for not specifying how the aggregate amount will be spent. "… Individual amounts for each of these items will not be specified because of differing geographical proportions of total costs that each represent and in order to not interfere with foster parents exercising their best judgment in providing for the foster child." [27]

The FFH rates recommended in the 1981 *Foster Care Rate Setting* report were adopted in 1982 and revised and renumbered in 1989.[28] In that Budget Year and again in 1990 and 1991, FFH rates were raised substantially, although they still did not catch up to the value

[27] California Department of Social Services, *Foster Care Rates Setting: Report to the Legislature*, Project Manager: Dennis Boyle, June 1981, pg. 15.
[28] See Section 13 of Chapter 977, Statutes of 1982 for the original implementation.

(in real terms) of the original 1981 proposal. [29] By Budget Year 1991, FFH rates were at 81% of the value of the original 1982 rates.

In the two decades since, FFH rates were raised only infrequently and have lagged far behind inflation. Although legislation mandates cost-of-living adjustments to rates, increases are "subject to the availability of funds." Today's FFH rates are only 29% higher than the rates of Budget Year 1991, while inflation from 1991 to the current year has been 79%, as measured by the CNI. (See Appendix B for CNI annual increases.)

Today's rates would need to be increased by 38% to match the real value of the 1991 rates, and by 70% to match the real value of the 1982 rates.

THE NAPCWA SURVEY AND *THE MARC REPORT*

In 2006, the National Association of Public Child Welfare Administrators (NAPCWA) conducted a survey of the fifty states and eight counties, as well as the District of Columbia and Puerto Rico, seeking information on the methodologies used to create basic family foster care reimbursement rates. Twenty-six surveys were returned, providing data from twenty-one states and five counties.

Of the twenty-one states that responded, five reported using USDA estimates of the costs of children in setting their foster care rates, one state (Alaska) used US Department of Health and Human Services poverty guidelines, one state (Rhode Island) reported using a level of care model, twelve states reported having no specific methodology or no knowledge of a specific methodology, and two states did not answer the question. Interestingly, although sixteen of the states reported that the foster care rates in their state had increased over the last five years, only three states have an agency policy that requires a periodic review of the current costs of raising a child in foster care.[30]

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[29] FFH rates were increased by 9% in 1989, by 12% in January of 1990 and by 5% in July of 1990. See Appendix A for a chart of all FFH rate increases from 1990 to 2010.
[30] National Association of Public Child Welfare Administrators, Basic Family Foster Care Maintenance Rates Survey: Summary of Findings, May 2007.

The influential *MARC Report* cites the findings of NAPCWA survey as a rationale for the development of a new methodology for creating basic foster care rates across the country. This report, the product of a collaborative effort between the University of Maryland School of Social Work, the National Foster Parent Association, and Children's Rights, a national advocacy organization, argued that the NAPCWA survey "demonstrate[s] that [payment] rates of support for children in foster care are far below what is needed…"[31]

Although many states use the USDA estimates of the costs of raising children as a starting point for developing their foster care rates, *The MARC Report* argued that USDA estimates are not specific enough to the task of fostering children. The costs encompassed by the USDA estimates do not exactly match the list of foster care maintenance expenses that the federal government will reimburse to states under Title IV-E of the Social Security Act (the Title that mandates federal payments for foster care). Specifically, USDA estimates include expenditures for rent or mortgage, health care and education, which are not reimbursable under Title IV-E, while excluding certain other expenses that are reimbursable as part of foster care.[32]

The MARC Report takes a step-by-step approach to address this issue. The steps delineated in the report are: 1) Establishing Cost Categories as Defined by Federal Policy, 2) Determining the most Applicable Dataset Available, 3) Estimating Cost Categories, and 4) Making Adjustments to Cost Categories to address the particular needs of Foster Children. For clarity of exposition the last two steps are reversed in the following summary.

1. *Establishing Cost Categories as Defined by Federal Policy*: The categories that *The MARC Report* uses to estimate rates are those listed in the Title IV-E legislation: food, clothing, shelter, daily supervision, school supplies, personal incidentals, and liability

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[31] Ibid.

[32] Health care and educational costs are not reimbursable presumably because they are covered through Medi-Cal and public schooling. Rent and mortgage are excluded because the costs of the (foster) parents' housing are assumed not to increase when a foster child joins the family.

insurance. *The MARC Report* includes the "cost of providing", a category specified in Title IV-E as a cost factor and therefore a reimbursable expense, by including transportation costs, itemized as motor oil and gas, in the Personal Incidentals category. An eighth category, transportation associated with visits to a child's biological family, is discussed in the report but ultimately was not included in the proposed rates because of the great variability in this expense.[33]

The MARC Report authors acknowledge that there are additional expenses that foster parents incur that are not included in this list. They also note that their work is intended to establish a basic rate and will not meet the needs of children with physical disabilities or medical conditions.

2. *Determining the most Applicable Dataset Available*: The annual Consumer Expenditure Survey (CES) is, as noted earlier, a national study of the buying habits of American consumers and as such is ideal to the task of setting foster care rates. Detailed information is collected on families' expenditures, together with family income and the demographic characteristics of the household. The authors of the annual USDA report on costs of raising children, as well as the authors of *The MARC Report,* rely on these data to construct their estimates.

3. *Making Adjustments to Cost Categories for Foster Children's Particular Needs*: An innovation in *The MARC Report* is to argue that foster children are more costly than non-foster children. Citing a study from Australia by Marilyn McHugh,[34] which relied on surveys of foster care agencies and data from focus groups with foster parents, *The MARC Report* authors posited that children in care have experienced trauma that can often result in behaviors that entail increased costs. The focus group participants in the

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[33]At the time of *The MARC Report's* publication, transportation to school was not among the federally reimbursable costs. It was added in October 7, 2008 as part of the PL 110-351.

[34] McHugh, Marilyn, *The Costs of Caring: A Study of Appropriate Foster Care Payments of Stable and Adequate Out of Home Care in Australia*, Social Policy Research Centre, University of New South Wales, 2002.

McHugh study were asked to estimate the cost differences between caring for a foster child and a non-foster child. Group discussions focused on modifying the estimates of the costs of raising children developed by the Budget Standards Unit (BSU) in Australia.

The focus group participants suggested that costs were higher for foster than non-foster children in five of the seven reimbursable cost categories. They noted differences such as increased breakage, wear and tear on household items, increased laundry because of bed-wetting and other difficulties, increased costs of food due to hoarding as well as due to substantial nutritional needs, higher utility bills because of extra laundry and needing to leave lights on at night when children are afraid of the dark. The authors of *The MARC Report* used the multipliers developed from the focus groups in the McHugh study as they created their proposed foster care rates.

4. *Estimating Cost Categories*: The goal of *The MARC Report* was to estimate, as closely as possible, expenditures on children in families similar to foster families. Accordingly, the authors selected for analysis families composed of parents with two or fewer child-years in the family (the "consumer unit") over the course of the year. "Child-years" rather than individual children were used in the estimates as children could have moved in and out of the house over the course of a year. Most of the families had either one or two children for the entire year. The reason for excluding families with more than two children is that the expenditure patterns are likely different as children may share and pass along resources. The researchers excluded families at both ends of the income distribution, selecting only families with before-tax family incomes in the range between $40,000 and $100,000 (with a median of $62,761). These families are taken to be "middle income" families.

Drawing on the CES surveys of 2002, 2003 and 2004, the researchers analyzed spending data for a total sample of 1,422 families, weighting results to be nationally representative. For household purchases in categories shared by children and adults (e.g., spending on food), expenditures on children were calculated as the per-person expenditure in the family. Where categories only applied to children (e.g., spending on children's clothing), costs were calculated as the average per child in the family. Multivariate regression analysis was performed to estimate how expenditures varied as a function of children's ages; the report provided rates for children in three age ranges of 0-4, 5 -13, and 14-18.

Using the Consumer Price Index (CPI), the cost estimates were inflation-adjusted to the price level of the second half of 2006. Finally, the cost estimates were adjusted to each state's cost of living in order to provide estimates for basic foster care rates for each state.[35]

Each of the following categories was estimated for the sample of families in the study (i.e., middle-income two-parent families with one or two children):

Food: Food costs were based on per-capita in each family. The McHugh study suggested that foster children's behavioral problems such as food hoarding or special preferences could raise food costs above the CES estimate by 10%.

Clothing: Clothing costs were calculated as per-child for spending on children's clothing and per-capita within each family for laundry and dry cleaning. The McHugh study suggested that clothing purchases should be increased by 100% over the CES estimates to adjust for additional wear and tear, and by 50% for laundry.

Shelter: This category includes per-capita expenses on utilities, furniture, appliances and household linens. The category does not include mortgage or rent, as foster parents are expected to maintain a home regardless of their foster care payments. Following the McHugh study, estimates for utility costs were raised by 50% and estimates for appliances, linens and furniture were raised by 100% to adjust for wear and tear on these household items.

Daily Supervision: This category covers occasional baby-sitting and a week of residential summer camp for ages 5-18. *The MARC Report* cost estimates include

[35] State cost of living indices were those for 2003 developed by the Inter-University Consortium for Political and Social Research (http://www.icpsr.umich.edu/icpsrweb/ICPSR/).

babysitting costs for older and younger age groups, arguing that foster children's behavioral issues may mean that even teenagers sometimes require supervision.

School Supplies: The costs of books and other school supplies and recreational lessons comprised this category. Following the McHugh study, the cost of books and other school supplies were increased by 100% to adjust for wear and tear.

Personal Incidentals: This was a heterogeneous list, including personal hygiene, cosmetics, over the counter medications and other miscellaneous items.[36] Also included were reading materials, toys, hobbies, gas and motor oil, and fees and admissions. Again, drawing on the McHugh study, the costs for reading materials, video games, and toys and hobbies were raised by 100% to adjust for wear and tear.

Liability and Property Insurance: Foster Parent Professionals, Inc. provided the rate estimates for foster parent liability and property insurance, based on policies sold to child welfare agencies to cover foster children under the age of 18. These rates represent a conservative estimate because they were for agencies and not for individual foster parents.

Reasonable Travel to the Child's Home for Visitation: As noted above, the authors of *The MARC Report* did not include any amount for this expense because they argued that there was too much variability in this category nationwide to justify an estimate.

RATE SETTING POLICES AND METHODOLOGIES IN OTHER STATES

To provide additional context for our work we looked at rate setting policy and procedures in three states, Oregon, North Carolina and Washington.

[36] Personal care items, cosmetics, over the counter medications and other miscellaneous items were valued at 15% of all other expenses based on Mark Lino's work on USDA estimates. See Lino, M., *Expenditures on Children by Families, 2005*, US Department of Agriculture, Center for Nutrition Policy and Promotion. http://www.cnpp.usda.gov/Publications/CRC/crc2005.pdf.

Oregon**:** The state began developing a new foster care rate system in April of 2008. Recent legal claims of inadequate Foster Care Maintenance Payments, focusing on four specific arguments, guided their work and provided a broad framework.[37] These four claims were, first, that if a state accepts federal funding for foster care maintenance payments then a state has a binding obligation to follow the language of the Child Welfare Act (specifically, Title IV-E) in making those payments; second, that the Act enumerates the cost of certain items and requires states to consider the cost of those items when setting rates; third, that the Act obligates only 'substantial compliance' rather than exact compliance; and four, that states can take into account budgetary considerations, but these cannot be the only factor in a state's rate setting policy.[38]

Oregon's methodology uses five of the categories of costs enumerated in Title IV-E and listed in *The MARC Report*: Food, Clothing, Shelter, Daily Supervision, and Personal Incidentals, while omitting School Supplies and Liability Insurance. The Oregon rate methodology also includes a "cost of providing" category not delineated as a separate cost category in *The MARC* rate, but included in that report as motor oil and gas under the Personal Incidentals category. The category of "cost of providing" as articulated in the Oregon report "includes, but is not limited to, transportation to and from extracurricular activities, to and from child care, and to and from recreational and cultural activities."[39]

In creating the basic foster care rates, Oregon policy makers relied on USDA estimates of annual expenditures on children of different ages by a middle-income husband-wife family in the "urban West". This information was adjusted upward using the McHugh multipliers recommended in *The MARC Report*. Information from an Oregon Child Care Market Study was used to arrive at a rate for the daily supervision category.

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[37] Oregon Foster Care Rate Redesign Project, *Foster Care Maintenance Payment Rate Reimbursement Methodology Proposal*, July 2009.
[38] The Oregon report cites California Alliance, 2008 U.S. Dist. Lexis 19083, as the basis on which they make this claim about "substantial compliance" rather than exact compliance.
[39] Oregon Foster Care Rate Redesign Project, *Foster Care Maintenance Payment Rate Reimbursement Methodology Proposal*, July 2009. Oregon used USDA data on transportation for the urban West to create this category. See Appendix C

Oregon's new foster care rates became effective September 1, 2009 and the basic rates are, on average, 60% higher than the rates that were in effect at the time. They are nearly as high as the recommendations in *The MARC Report* for the 0-5 and 6-12 age groups, and exceed the recommendations for the 13-21 age group. (See Table 4).

Table 4. Oregon Basic Rate

AGE	PRIOR RATE	CURRENT RATE	Percent change	MARC Rate
0-5	$399	$639	62%	$642
6-12	$414	$729	56%	$735
13-21	$512	$823	62%	$806

As well as revising the basic rate, Oregon's rate re-design included two new categories for children with additional needs. For children with additional non-medical supervision needs, the enhanced supervision category provides a tri-level system of increased payments of $212, $414, and $850. (See Table 5)

Table 5. Oregon Enhanced Supervision Rates

AGE	BASE	LEVEL 1	LEVEL 2	LEVEL 3
0-5	$639	$851	$1053	$1489
6-12	$728	$940	$1142	$1578
13-21	$823	$1035	$1237	$1673

For children in need of additional medical intervention, the personal care services program provides a four-tiered payment system: $207, $413, $620, and $620 with additional services to be authorized.[40] (See Table 6) Overall, Oregon's rate re-design increased rates for some children in care, but for others, there was a decrease.

[40] Oregon uses the CANS, a comprehensive screening instrument to determine levels of payment for additional expenses included in the Enhanced Supervision category and a Personal Care Services Assessment (PCSA) to determine levels of payment for the PCSA program.

Table 6. Oregon Personal Care Services Program Rates

AGE	BASE	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4
0-5	$639	$846	$1052	$1259	$1259+
6-12	$728	$935	$1141	$1348	$1348+
13-21	$823	1030	$1236	$1443	$1443+

***North Carolina*: In February of 2005, North Carolina convened the Foster Care Rate Structure Work Group (FCRSWG) to assess and develop a cost model for the establishment of rates. The mission to develop a clear, defensible and consistently applied rate setting methodology was part of a broad effort to improve outcomes for children in care and ensure that placement decisions were made based on quality rather than competitive pricing.[41] The effort was primarily directed at a cost modeling process for residential facilities, but the state includes the basic foster care rate within that process, necessitating an examination of these rates. The assessment revealed that "the current room and board rates have no foundation upon which they were established; they were simply based on the funding available at the time."[42]

To correct this situation, the FCRSWG arrived at a recommendation for a basic foster care rate based on the USDA *Expenditures on Children by Families*. The authors used the lowest income bracket of the USDA income brackets because that most closely matched US Census Bureau data for median income levels in North Carolina. The authors took from the USDA data costs in the categories of Housing, Food, Transportation, Clothing, and Miscellaneous, with the USDA category of Child Care and Education retained for children over the age of six to represent school supplies.[43] (See Table 7).

[41] North Carolina Foster Care Rate Structure Group, *North Carolina*, *Cost Modeling for Foster Care Services in North Carolina*, December 3, 2007.
[42] Ibid.
[43] Acknowledging a possible need for supplemental payments to support additional supervision for some children, the Department of Health and Human Services assured families and providers that they would continue to document and quantify this need.

One curious note is that the FCRSWG claims validation of their method by *The MARC Report*, stating that it recommends an economic model based on the USDA *Expenditures on Children by Families*.[44] This is incorrect: *The MARC Report* specifically argues that USDA estimates include too many categories not allowable under Title IV-E. Despite the incorrect information, the citation of *The MARC* indicates that the report itself has gained status as a national benchmark. It is equally notable, however, that the FCRSWG report's recommendations fall short of the rates proposed in The *MARC Report*.[45]

Table 7. North Carolina Basic Rates

AGE	BASIC RATE
0-6	$475
6-12	$581
13 and older	$634

***Washington*:** In 2000, the Children's Administration of the State of Washington hired the consulting firm Hornby Zeller Associates to help redesign their foster care rate system. At the time, the state had a basic rate and two forms of additional reimbursement, an exceptional cost plan and special rates. The goals of the redesign were to ensure that children were correctly assessed to an appropriate payment level, that flexible funding could be monitored, and that there was a consistency between different regions in the state.

The study looked at the basic rate setting in twelve other states and found that four based their basic rates on the USDA annual report on *Expenditures on Children by Families*, and the remaining states used historical factors, i.e., the rates were either set at a certain

[44] Ibid."*MARC* recommends an economic model to determine foster care maintenance rates for children in out-of–home placement with foster families and bases its calculation of rates on the USDA Cost of Raising a Child. This is virtually the same approach developed by the FCRSWG several months earlier, thus lending national credibility to the model recommended in the report." Pg. 8. As noted above, the actual title of the annual USDA report is *Expenditures on Children by Families*.

[45] In the report North Carolina compares their rates with the nearby states of Alabama, Florida, Georgia, Kentucky, Mississippi, and Ohio, South Carolina, Tennessee, and Virginia.

time and increased by the Consumer Price Index or were simply created based on available funds without using any cost or scientific data. The researchers also looked at the federal reimbursement policy under Title IV-E.

The core of the research was an assessment tool that gathered data on the characteristics of children in foster care in order to measure the additional effort and time foster parents need to expend for children with extra needs beyond the average foster child. "Each question [in the assessment tool] focused not only on what the needs of the child were, but also on what the foster parents would do in relation to those needs (pg. 9)". Ultimately, the new rate structure retained the already existing basic rate based on historical factors, but revised the assessment process and created a new payment structure with three tiers of payment, Levels II, III and IV.

The state of Washington has the lowest basic rate of the three states reviewed for this report, trailing the rates recommended in *The MARC Report* by about $240 per month.

The rates for 2010, shown in Table 8, are taken from the state's Children's Administration website for prospective foster parents.[46] They are modestly higher (by approximately 13-21%) than the rates recommended for the year 2000 in the study by HZA.[47] It is interesting to note that the state does not claim to cover all costs incurred by a foster parent in caring for a child. Instead, the website claims, "The reimbursement rate is based on the age of the child and on the time spent caring for the child's specific needs. The rate is assessed by a Children's Administration staff member in each region after discussion with the foster parent. While the reimbursement is helpful in offsetting some of the costs of care, foster parents typically absorb some costs themselves. They do it because they are volunteering to make a difference in the lives of children." Also worthy of note is the fact that the state makes available payment for childcare during a foster parent's work hours.

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[46] http://www.dshs.wa.gov/ca/fosterparents/be_FosterFinancial.asp
[47] State of Washington Children's Administration, *Foster Care Rate Redesign Final Report*, Authors: Helaine Hornby and Dennis E. Zeller, June 30, 2000.

Table 8. Washington Basic Rate (Level 1) and additional tiered rates

AGE	LEVEL I	LEVEL II	LEVEL III	LEVEL IV
0-5	$423.68	$601.61	$947.19	1,225.98
6-11	$500.69	$678.61	$1,024.20	$1,302.99
12+ years	$575.30	$753.22	$1,098.81	$1,377.60

CALIFORNIA'S FOSTER CARE RATES

The methodology used in *The MARC Report* was developed as a national model and adapted to geographical cost of living differences in each state. Table 9, below, compares current 2010 California Foster Family Home rates with the rates developed and proposed by *The MARC Report* at the time of publication in 2007. (A few California counties choose to pay slightly more than these rates, usually deviating by only a few dollars per month: Los Angeles and Santa Clara Counties pay $525 rather than $519 for age 9-11, Marin County pays $457 for the youngest age group, $558 for ages 7-12 and $635 for age 13-19, and Orange County pays $659 for youth ages 12 years and older).[48]

Table 9. California FFH Rates compared to *The MARC Report* rates

Age	Current Rates	MARC RATES
Age 2	$446	$685
Age 9	$575	$785
Age 16	$627	$861

This comparison between *The MARC Report* rates and current rates, if taken at face value, suggests that California's foster parents are receiving far too little reimbursement

[48] *The MARC Report* includes rates for the mid-points of three age categories in order to standardize across states. See Appendix D for California's current rates in the standard five age categories as well as tables for counties choosing to pay slightly different rates.

to meet the needs of their foster children.[49] However, more than half of California's 60,000 foster children and youth are covered by payments higher than the basic rate.[50]

Approximately 17-18,000 of the total foster care population are in placements with Foster Family Agencies (FFAs) which pay more – often substantially more – than the FFH rates.[51] About 6,500-8,000 youth are placed in group homes with per child rates varying from approximately $2,000-9,000.[52] Approximately 1,800 children have been diagnosed with SED and receive rates that average approximately $5,800. About 2,170 foster children with developmental disabilities, who are served by both the California Regional Centers and the California Child Welfare and Probation Agencies, receive a 'dual agency rate' of $2,006 and are eligible for supplemental payments of up to an additional $1,000. In addition, approximately 11-30% of the other approximately 30,000 children and youth in family foster care receive Special Care Increments (SCI), which vary greatly by county.[53]

Special Care Increments: These supplemental payments are payments to foster parents for youth who have been identified as needing more intensive care than typical because of behavioral and health needs. Among other policy goals, SCI increments make it easier to find placements for children close to their families of origin.

The development and administration of the SCI program is the responsibility of each county with review and approval from the CDSS. Although there are wide-ranging differences in rates, most counties rely on information from the social worker and the

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[49] In fact, public relations materials issued in tandem with *The MARC Report* suggested *all* California's foster children were getting inadequate support (See Appendix E).

[50] These numbers are inclusive of waiver counties.

[51] By law an FFA must provide the basic rate + child increment. For a child 0-4 that would currently be $562, an additional $116 above the current foster family home rate in the same age group. There are also some non-treatment FFAs which only provide the foster family home rate, but most FFA are treatment FFAs (personal conversation with Debra Williams, CDSS, September 3, 2010).

[52] This number is from Estimates and Research, CDSS

[53] This estimate is based on SCI proposals from San Bernadino, Los Angeles, Santa Clara, and Contra Costa counties, and from personal conversation with Casey Blake, Child Welfare Policy Manager in San Francisco County, September 2010.

caregiver to assess the difficulty of the issue and its severity. In each county, tiered rates are tied to that assessment. SCI rates for the twelve counties with the highest caseloads[54] range from $12 to $2,220 per month, a broad range that defies generalization, and a number of other counties pay a maximum of over $1,000. A chart of the SCI rates per county appears in Appendix F where minimum and maximum rates for each county are indicated. The absence of accurate and reliable data from each county about the number of children receiving SCI rates makes it difficult for the CDSS to analyze, let alone regularize, this component of the foster care system.

Dual Agency Rates**:** In addition to the standard rate of $2,006 per month, a supplement of up to $1,000 is available for children three years and older who have extraordinary care and supervision needs. A rate of $898 is also available for the care and supervision of children under the age of three who have not yet been determined to have a developmental disability as defined by the Lanterman Developmental Disabilities Services Act but are receiving services under the California Early Start Intervention Services Act.[55] These rates went into effect July 1, 2007, as a result of Senate Bill SB 84.

Clothing Allowances**:** A supplemental clothing allowance of $100 per child is allocated annually. In addition, counties provide additional clothing allowances in amounts that vary from county to county. Some counties have an allowance tied to initial placement, an annual allowance and a back to school allowance while others simply provide an initial amount. Some counties also vary the amount by the age or grade level of the child. The average initial clothing allowance for the twelve counties with the largest caseloads

[54] The twelve counties with the largest caseloads include Alameda, Contra Costa, Fresno, Kern, Los Angeles, Orange, Riverside, Sacramento, San Bernardino, San Diego, San Francisco, and San Joaquin.

[55]Information on the population that receive dual agency rates and the rates themselves is from the *Report to the Joint Legislative Budget committee: Data to Facilitate Legislative Review of the Outcomes of the Dual Agency Program and Payment Changes*, November, 2008.

is $233 per year for the infant age group and $297 per year for the oldest age group or highest grade.[56]

Special Care Incentives and Assistance Program (SCIAP) Fund: The SCIAP program provides State General Fund money to purchase needed goods and services for foster children on a non-recurring or as needed basis.[57] Examples of items and services include: glasses, psychiatric visits, wheelchair ramps, orthodontia, and equipment or activities that will help a child or youth's physical and/or emotional growth. The total SCIAP allocation for FY 009-10 was $2,425,182 for 56 counties with waiver counties Los Angeles and Alameda not included in that figure.[58]

Other Expenses for foster children paid for in the state of California**:** Most California School District's take part in the National School Lunch and Breakfast Programs. These programs provide breakfast and lunch free to foster children and other eligible youth in public schools. Different school districts have varying prices. For example, Davis Unified School District charges $3.25 for lunch at elementary school and $1.75 for breakfast for a total of $5 per day for meals. Secondary school prices are $3.50 for lunch and $2.00 for breakfast for a total of $5.50 per day for meals. Meal expenditures per week can therefore range from $25 to $27.50 depending on the child's age. Sacramento City Unified School District charges $1.00 for breakfast and $1.25 for K-6 for a total of $2.25 per day for meals. The district charges $1.75 for lunch and $1.25 for breakfast for grades 7-12 for a total of $3.00 per day for meals. Meal expenditures per week can therefore range from $11.25 per week to $15.00 per week.[59]

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[56] See Appendix G for Statewide Clothing Allowances by Counties, January 1, 2008.
[57] More specifically, SCIAP funds cover costs that are not allowable costs within the TANF specialized care system and are also not available through other funding sources.
[58] Information on the SCIAP program is from a CDSS brochure. FY allocations all from County Fiscal Letter (CFL) No. 09/10-11 dated September 25, 2009. See Appendix H for an allocation per county for FY 2009-10.
[59] See Sacramento City Unified School District website: http://www.scusd.edu/NutritionServices/Pages/Menus.aspx and Davis Unified School District website, School Menus pages, meal prices: http://www.djusd.net/district/business/sns/menu/?searchterm=school%20lunch

A RATE-SETTING METHODOLOGY AND REVISED FOSTER FAMILY HOME (FFH) RATES IN CALIFORNIA

The survey of rate setting approaches in other states and by other analysts led us to a recommendation of three general principles for basic rate setting in California. (These recommendations are specific to rates for basic foster home care and should not be taken as applying to care rates for special-needs children and youth. It is not within the scope of this report to evaluate those rates.)

First, California should calculate foster care rates that correspond to costs reimbursable under Title IV-E: namely food, clothing, shelter, daily supervision, school supplies, personal incidentals, liability insurance, visits to biological family, and the "cost of providing". Where possible, the state should use estimates from the Consumer Expenditure Survey (CES) to calculate these costs.

Second, foster care payments should be updated to keep pace with the cost of living by annually using the CNI.

Third, living costs and wages in California vary widely from county to county, making it reasonable to consider an option for foster care payments to vary accordingly.

In applying these principles, we were fortunate to obtain from *The MARC Report* project partners their regression-adjusted estimates from the 2002-2004 CES data of expenditures by middle-income families by category, adjusted to California's cost of living and inflated to 2006. These were the estimates used in developing *The MARC Report* proposed basic foster care rates.

The costs of children that were estimated for *The MARC Report* are used in this report, with inflation adjustments and with the addition of transportation categories. The rates are appropriate here because they were specifically estimated for the foster care context. *The MARC Report* project partners conducted an analysis of the data to estimate, as closely as possible, expenditures on children in families similar to foster families. The cost factors included are the costs specified under Title IV-E, and reimbursable under federal law. *The MARC Report* project partners adjusted the data for inflation to 2006, whereas for this report, the data were adjusted using the CNI to be applicable to Budget Year 2010-1011.[60,61]

This report differs from *The MARC Report* in the way it includes transportation costs. We add a cost category that is not a part of *The MARC Report* estimates, the cost of transporting foster children for their regular visits with their biological family, an expense deemed to vary too much nationwide. We also identify a separate category for "cost of providing" the goods and services needed by foster children. The cost of providing goods and services is included in *The MARC Report*, itemized as expenses for gas and motor oil, and included under the category of Personal Incidentals.[62] This category includes travel for purchasing or providing everything that children need whether buying clothes and food or transporting children to and from child care, social visits, or extracurricular, recreational or cultural activities.

Not included is a category to cover the reimbursable costs of 'reasonable travel for a child to remain in the school at the time of placement'.[63] Instead it is proposed that this cost be reimbursed on an individual basis for children whose foster parents do, in fact, drive them back and forth to their original schools.

We also considered *The Marc Report*'s practice of increasing certain cost categories from the CES data to account for additional expenses of caring for a child in foster care beyond the basic costs of caring for a child not in foster care. The trauma that foster children can experience in living apart from their biological families sometimes leads to emotional

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[60] See step four on page 22 of this report for an explanation of the analysis of the CES data and the national and state adjustments *The MARC* project partners performed prior to our use of the data. As *The MARC Report* only used three age groups, the numbers were interpolated to create five age groupings in keeping with California's current rate structure.

[61] One other difference is the exclusion in the Clothing category of dry cleaning costs.

[62] Local travel associated with providing the items listed in the first sentence of section 475 (4)(A) of the Social Security Act (the Act): [food; clothing; shelter; daily supervision; school supplies; and a child's personal incidentals] is labeled "cost of providing" because that is the language used in Title IV-E.

[63] This cost was not itemized in the law at the time of publication of *The MARC Report*. It was added in October 7, 2008 as part of PL 110-351.

difficulties and translates into behaviors that have financial consequences, ranging from minimal problems such as bedwetting to more extreme problems such as destructive behaviors.

The authors of *The MARC Report* argued that children in foster care are more costly to care for than children not in care and raised various expenses 10%, 50% and 100%. These adjustment multipliers came from the study conducted in Australia that surveyed foster care agencies and conducted focus groups with foster parents on the topic of the adequacy of rates (McHugh, 2002).[64] The multipliers were primarily created by asking the focus group participants to estimate the cost differences between caring for a foster child and a non-foster child with group discussions concentrated on modifying budgets created through an Indicative Budget Standards method.

However, the McHugh study is limited in its applicability to California for various reasons. The budgets the parents discussed were not based on a national expenditure survey but were constructed through estimating necessities. The sample size of foster parents was small and the focus group participants included parents caring for foster children with special needs,[65] as well as kin carers,[66] who at the time received a lower subsidy rate in Australia. The overall intent of the report was to gather data to begin development of a national standard for subsidy payments in Australia. Marilyn McHugh,

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[64] McHugh, Marilyn, *The Costs of Caring: A Study of Appropriate Foster Care Payments of Stable and Adequate Out of Home Care in Australia*, Social Policy Research Centre, University of New South Wales, 2002.

[65] "…As the groups evolved it became apparent that carers who wanted to come (many insisting) to discuss their costs were caring for children some of whom received a standard subsidy but many others received 'loadings' on the standard subsidy as they had children with special needs. The range of children with special needs of varying descriptions was extensive and reimbursements of carer's costs in recognition of children's need was not always reflected in amounts received by carers." (pg. 32, *The Costs of Caring*).

[66] Indigenous children are significantly over-represented in out-of-home care in Australia with estimates ranging from 20-30%. There is policy to encourage kinship placement for stability and permanency yet as noted in the McHugh study, kin carers often received smaller payments than non-kin carers. (pg.47) Of the 159 participants in the focus groups, 30% identified as Aboriginal or Islander and 11% were kin or relative carers, (pg. 30) Both citations from *The Costs of Caring*.

the author of the report noted herself that, “the additions and adjustments made to children’s budgets are, in a sense, *arbitrary* as they are not grounded in statistical data based on a representative sample of carers around Australia.” [67]

The general conclusion of the McHugh study that, *on average*, children and youth in foster care can be more costly to care for than children not in care is not contested here. But California has addressed that issue by creating a diversified rate structure including a robust Specialized Care Increment (SCI) system to accommodate additional costs for individual behavioral and health needs. Increasing rates to reflect these behaviors for *every* child does not appear to be necessary.

Recommended Statewide Rates: Rate Structure #1 is the aggregate of the enumerated cost factors specified under Title IV-E, estimated directly from the CES and used in the methodology proposed in *The MARC Report*. It includes an estimate of the “cost of providing” that is 50% of the estimate derived from the CES, and is augmented to include the cost of transporting foster children to their regular visits with their biological family. (As noted earlier, some of the “cost of providing” may be shared with the travel cost of buying goods for other family members.)

Rate Structure #2 takes the same cost factors used for Rate Structure #1 and includes 100% of the estimate for the “cost of providing” category.[68] The rates are inflation-adjusted to 2009 (and applicable to Budget Year 2010-2011) using the CNI. Current rates are shown for comparison. (See Table 10)

[67] pg. 75, *The Costs of Caring.*
[68] See Appendix I for a full explanation of the cost factors involved in the rates and Appendix J and K for charts itemizing each cost factor included in the two rates.

Table 10. Proposed Rate Structures #1 and #2

Ages	0-4	5-8	9-11	12-14	15-19
Current rates	$446	$485	$519	$573	$627
Rate Structure #1: from the CES and lower estimate of 'cost of providing'	$609	$660	$695	$727	$761
Rate Structure #2: from the CES and upper estimate of 'cost of providing'	$638	$692	$727	$767	$801

One consideration to note is in regard to clothing. California counties typically provide clothing allowances in addition to monthly FFH payments but the foster care rates proposed in this report will cover the clothes that growing children normally need. However, the monthly allowance of approximately $50 would not equip a child who comes into a foster care placement in need of basic provisions such as clothes, shoes or personal items. Therefore, retaining an initial clothing allowance at the time of placement is preferred.

The rates adopted in 1991, based on those developed in 1981 but incompletely adjusted for inflation, provide another validation check for the proposed Rates #1 and #2. Had FFH rates kept pace with inflation since 1991, they would be, on average, 38.3% higher than they are. It so happens, and quite by accident, that the higher of the rates proposed here correspond to an average (weighted) increase of 37.7%, which is remarkably close to the inflation adjustment required to reach the 1991 level.

Geographic Adjusters and Region-Specific Rates: We were also asked to provide a rate structure that could accommodate cost of living differences in various regions of the state. The costs of raising children are generally lower for rural than urban families, a fact indicated by the 9% higher costs of food and clothing for children that the CES data imply for rural as compared to urban families (Lino 2010).[69] No data are available to compare urban-rural differences on most aspects of cost of living in California. However, housing costs are reported by county, and we used data on rental costs as a measure of overall variation in cost of living.

The rents for 2-bedroom and 3-bedroom units were the most appropriate metrics for this analysis, because foster children and foster parents are required to have separate bedrooms, and school-age boys and girls must sleep separately.

Counties were ordered according to the average of their reported 2- and 3-bedroom HUD fair-market rents (FMRs) and were then grouped into three regions based on natural divisions in rents that persisted over time.[70] Statewide, county average rents range from $794 per month in Tulare County to $2,140 per month in Marin, San Mateo, and San Francisco Counties. The breaks between the three regions occurred naturally, with the most costly county in each group showing an average FMR about $100 less then the FMR for the least costly county in the next higher group.

Table 11 indicates the organization of counties into regions based on their FMR rents, while Table 12 shows how the three regions differ. Rents in the high-cost region are 81% higher than in the lowest-cost region, and more than half the foster care caseloads are in the high-cost region.

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[69] Overall, Lino estimates that rural spending on children is 24% lower than urban spending. Most of the difference is due to higher housing costs, but some other expenses are also higher in urban areas. See Lino, Mark.*Expenditures on Children by Families, 2009*. U.S. Department of Agriculture, Center for Nutrition Policy and Promotion, Miscellaneous Publication No. 1528-2009, 2010. Table 6: Estimated Annual Expenditures on a child by husband-wife families, Rural Areas, mid-level income of $56,650 to $98,080.

[70] We studied the FMRs for 2001, 2006 and 2011. These county FMRs, which underpin the permitted Section 8 rents in each county, are measured annually and reported publicly and therefore provide a simple tool by which regional adjustments can be updated periodically as economic conditions change.

Table 11. Regional organization and variation by FMR rents

Region 1: Counties with Low-Cost Housing (with 21% of cases statewide)	Alpine, Butte, Calaveras, Colusa, Del Norte, Fresno, Glenn, Humboldt, Imperial, Inyo, Kern, Kings, Lake, Lassen, Madera, Mariposa, Mendocino, Merced, Modoc, Plumas, San Joaquin, Shasta, Siskiyou, Stanislaus, Sutter, Tehama, Trinity, Tulare, Tuolumne, Yuba
Region 2: Counties with Medium-Cost housing (with 22% of cases statewide)	Amador, El Dorado, Mono, Monterey, Nevada, Placer, Riverside, Sacramento, San Bernardino, San Luis Obispo, Sierra, Yolo
Region 3: Counties with High- cost housing (with 57% of cases statewide)	Alameda, Contra Costa, Los Angeles, Marin, Napa, Orange, San Benito, San Diego, San Francisco, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Solano, Sonoma, Ventura

Table 12. Rents and Caseloads in the Low, Medium and High Cost Counties

County group	% of foster care caseload	Averaged 2- and 3-BR FMR	Lowest and highest values of the average of 2- and 3- BR FMR rents, by county group	
			Low	High
Low cost	20.5%	$1,035	$ 795	$1,171
Medium cost	22.2%	$1,339	$1,279	$1,462
High cost	57.4%	$1,812	$1,556	$2,140
All	100%	$1,312	$ 795	$2,140

1. The table reports the average of the 2- and 3- bedroom 2010 fair-market rents (FMR) (http://www.ccrwf.org/wp-content/uploads/2010/05/ccrwf-calworks-primer-2nd-edition.pdf), averaged across the counties in each group.

The regional foster care payments were constructed as deviations from the statewide average, with the deviations prescribed by variation in housing costs. Housing was assumed to represent 25% of spending for the purposes of these calculations. Thus, while average rents in the medium-cost region are 26% lower than in the high-cost region ($1,339 is 74% of $1,812), the foster care payments proposed for the medium cost region are only 6.5% lower than those proposed for the high-cost region. The proposed foster care rates for each region also include a weighting for the caseload in each region, in order to keep the regional adjustments cost-neutral, as compared to paying a uniform rate statewide.

Table 13 shows the calculations of our proposed Rates #1 and #2 using the regional adjusters and in comparison to current rates and a statewide rate with no adjustment.

Table 13. Regional versions of the statewide Rates #1 and #2

RATES	Age 0-4	Age 5-8	Age 9-11	Age 12-14	Age 15-19	Deviation from Statewide
Rate #1 (statewide)	$609	$660	$695	$727	$761	
Regional Group:						
Low-cost , Rate #1	$561	$608	$640	$669	$701	-7.9%
Medium-cost , Rate#1	$593	$643	$677	$708	$741	-2.6%
High-cost , Rate #1	$634	$687	$723	$756	$792	4.1%
Rate #2 (statewide)	$638	$692	$727	$767	$801	
Regional Group:						
Low-cost , Rate #2	$588	$637	$670	$706	$738	-7.9%
Medium-cost , Rate#2	$621	$674	$708	$747	$780	-2.6%
High-cost , Rate #2	$664	$720	$757	$798	$834	4.1%

The regional payment rates were constructed so that the sum of all foster care payments would amount to the same statewide total as if the payments were uniform statewide. See Appendix L for a chart showing the percentage increases over current FFH rates that is implied by each of the proposed rate structures.

Ensuring that rates rise with the cost of living: In order that FFH payment rates stay current with the cost of caring for children and do not fall behind, as has historically been the case, it will be important to routinize the application of the CNI to update foster care rates annually. This annual adjustment by the CNI should occur whether statewide or regional rates are established.[71]

If regional rates are used, however, it is also recommended that, in addition to an annual adjustment by the CNI, the geographic adjustments and the county groupings be reviewed every five years using updated HUD rental data. This review would confirm that counties are appropriately categorized and would re-estimate the rate differences

[71] The statewide CNI is appropriate to adjust the regional rates as long as the regional categories are reconsidered every five years.

between county groups. Caseload weightings by region would also be a necessary part of this review.

Evidence from a ten-year period of 2001-2011 indicates that forty-nine counties remained in the same cost category and that only nine counties shifted categories or tiers. Six counties shifted between the high cost tier and the mid-cost tier and three counties shifted between the low cost tier and the mid-cost tier. (See Appendix M)

ADDITONAL RECOMMENDATIONS

Our study found that current FFH payment rates are below estimates of the costs of caring for children, regardless of how these payments are calculated. In conclusion, we note some general recommendations about the implementation of any of the proposed rates in the context of current foster care policy.

Supplementary payments: California counties supplement FFH rates in various ways, including through clothing allowances and through Specialized Care Increment payments. As noted above, we suggest that the one-time clothing allowances for children newly placed in foster care be retained, but other clothing allowances be discontinued.

Our review of SCI led to two significant findings. First, the levels of these payments vary greatly by county; and second, the CDSS does not have a way to accurately determine how many children in each county are receiving which kinds of SCI payments. Such large variations in payments and absence of data on receipt rates suggest the need for a systematic analysis. It seems likely that there are substantial inefficiencies in the allocation of these payments.

Any change in FFH rates will not necessarily have direct bearing on county SCI payments. However, an indirect effect of higher FFH rates may be that individual counties will adjust their SCI payments. As a result, the CDSS might consider moving to a standardized statewide SCI payment system. A more uniform payment system might also include a uniform assessment system. For example, a number of states use a standardized psychological assessment tool such as the Child and Adolescent Needs and Strengths (CANS) measure for each child that enters foster care.[72]

[72] The CANS is a comprehensive multisystem assessment.

APPENDIX A: INCREASES TO CALIFORNIA FFH RATES SINCE 1989 [73]

January 1, 1990	12%
July 1, 1990	5%
July 1, 1998	6%
July 1, 1998	2.84%
January 1, 1999	2.36%
January 1, 2000	2.36%
July 1, 2000	2.96%
July 1, 2001	4.85%
January 1, 2008	5%

[73] From rates history compilation packet including ACLs 01-55; 00-86; 00-64; 99-107; 99-103; 99-66; 98-70; 98-27 and other documents. Personal communication with Debra Williams.

APPENDIX B: THE CNI HISTORY OF CHANGE SINCE 1980

Comparison Period	Budget Year	CNI Percent Change
Dec. 80 - Dec. 81	1982-83	8.13
Dec. 81 - Dec. 82	1983-84	5.79
Dec. 82 - Dec. 83	1984-85	5.56
Dec. 83 - Dec. 84	1985-86	5.74
Dec. 84 - Dec. 85	1986-87	5.15
Dec. 85 - Dec. 86	1987-88	2.62
Dec. 86 – Dec. 87	1988-89	4.74
Dec. 87 – Dec. 88	1989-90	4.61
Dec. 88 – Dec. 89	1990-91	4.62
Dec. 89 – Dec. 90	1991-92	5.49
Dec. 90 – Dec. 91	1992-93	1.81
Dec. 91 – Dec. 92	1993-94	2.37
Dec. 92 – Dec. 93	1994-95	1.69
Dec. 93 – Dec. 94	1995-96	1.48
Dec. 94 – Dec. 95	1996-07	0.52
Dec. 95 – Dec. 96	1997-98	2.60
Dec. 96 – Dec. 97	1998-99	2.84
Dec. 97 – Dec. 98	1999-00	2.36
Dec. 98 – Dec. 99	2000-01	2.96
Dec. 99 – Dec. 00	2001-02	5.31
Dec. 00 – Dec. 01	2002–03	3.74
Dec. 01 – Dec. 02	2003-04	3.46
Dec. 02 – Dec. 03	2004-05	2.75
Dec. 03 – Dec. 04	2005-06	4.07
Dec. 04 – Dec. 05	2006-07	3.75
Dec. 05 – Dec. 06	2007-08	3.70
Dec. 06 – Dec. 07	2008-09	5.26
Dec. 07 – Dec. 08	2009-10	1.53
Dec. 08 – Dec. 09	2010-11	1.57

	Period	Budget Year	CNI Percent Change
Base:	Dec. 80 - Dec. 81	1982-83	
Inflation to:	Dec. 88 – Dec. 89	1990-91	57.9%
Inflation to:	Dec. 08 – Dec. 09	2010-11	182.7%
Base:	Dec. 88 – Dec. 89	1990-91	
Inflation to:	Dec. 08 – Dec. 09	2010-11	79.0%

APPENDIX C: COST OF PROVIDING PROPOSAL FROM OREGON REPORT[74]

This proposal includes the cost of local travel associated with providing food, clothing, shelter, incidentals, and daily supervision for a child in foster care. This includes expenditures for gas and oil; and vehicle maintenance and repairs but not the cost of purchasing a vehicle (**which is included in the USDA amount**). This includes, but is not limited to, transportation to and from extracurricular activities, to and from childcare, and to and from recreational and cultural activities.

Methodology

Information used:

USDA Report: Table 2. Estimated Annual Expenditures on a child by husband-wife families, urban-West

Hitting the M.A.R.C. Establishing Foster Care Minimum Adequate Rates for Children.

Consumer Expenditure Survey (CES): Table 1. Quintiles of income before taxes: Average annual expenditures and characteristics, Consumer Expenditure Survey.

Process:

USDA Report middle income bracket was selected.

Age brackets were averaged to correspond to DHS brackets.

This is the USDA final amount which is defined as the estimated expense on the younger child in a two-child family. This also included the cost of purchasing a vehicle.

CES Fourth Percentage income bracket was selected.

Expenditures for gasoline and motor oil and vehicle maintenance and repairs in the CES report were used to build the rate in order to eliminate the cost of purchasing a vehicle. The total was divided by the number of people in the home per the survey (2.8).

These expenditures were approximately 46% of the final USDA figure.

The MARC Report does not specifically address the cost of providing as a separate line item.

Final Oregon amount is 46% of the USDA report

AGE	USDA	MARC	OREGON
0-5	$123	N/A	$57
6-12	137	N/A	$63
13-21	172	N/A	$79

[74] This is a replication of the proposal from the Oregon Foster Care Rate Redesign Project, *Foster Care Maintenance Payment Rate Reimbursement Methodology Proposal*, July 2008.

APPENDIX D: CURRENT CALIFORNIA FFH RATES STATEWIDE

California Foster Family Home Rate (Basic Rate)

AGE	0-4	5-8	9-11	12-14	15-19
Basic Rate	$446	$485	$519	$573	$627

Counties with distinct rates: Los Angeles, Orange and Santa Clara

AGE	0-4	5-8	9-11	12-14	15-19
Los Angeles	$446	$485	$525	$573	$627
Orange	$446	$485	$519	$659	$659
Santa Clara	$446	$485	$525	$573	$627

Marin County

AGE	0-4	5-6	7-12	13-19
	$457	$485	$558	$635

APPENDIX E: *THE MARC REPORT* PUBLIC RELATIONS CAMPAIGN

HITTING THE M.A.R.C.

ESTABLISHING FOSTER CARE
MINIMUM ADEQUATE RATES FOR CHILDREN

CALIFORNIA

Almost 81,200 of California's children are in foster care. Abused and neglected children have the right to receive appropriate care while in government custody.

State and local child welfare systems are obligated by federal law to provide payments to foster parents to cover the basic needs of children in foster care, including food, shelter, clothing and school supplies. Inadequate payment rates can mean that children in foster care do not receive necessary care. Low rates can negatively affect foster parent recruitment and retention, which can set off a chain reaction of long-term life consequences for children. When a child welfare system cannot maintain an adequate pool of foster homes, children may be more likely to be placed in institutional facilities, which are costly, or shuttled from placement to placement, an unstable situation which harms children and can decrease their chances of growing up in a permanent family.

A national research study has established **Foster Care Minimum Adequate Rates for Children (the "Foster Care MARC")** for all 50 states and the District of Columbia, the first-ever calculation of the real expenses of caring for children in foster care in the United States.

California's current foster care rates must be increased by up to 61% in order to cover the real costs of providing care for children.

California's Current Monthly Foster Care Rate[1]	Foster Care MARC[2] for California	To hit the Foster Care MARC, California's current rate must be increased by:
Age 2: $425	$685 + travel and childcare expenses	61%
Age 9: $494	$785 + travel and childcare expenses	59%
Age 16: $597	$861 + travel and childcare expenses	44%

California Stats[3]

Number of children in foster care:	81,174
Number of licensed family foster homes:	12,160
Average number of different foster care placements children experience:	3.3
Percent of children placed in facilities (rather than family foster homes):	18%
Average length of time spent in foster care:	38.6 months (3.2 years)

For more information about the Foster Care MARC, please visit these websites:

www.childrensrights.org   www.nfpainc.org   www.family.umaryland.edu

[1] Current as of 05/07, Source: National Resource Center for Family Centered Practice and Permanency Planning, Foster care maintenance payments, www.hunter.cuny.edu/socwork/nrcfcpp/info_services/foster-care.html (2007), supplemented with additional research by Children's Rights.

[2] The Foster Care MARC includes travel expenses associated with the daily provision of basic care to children. However, due to the variability in expenses, the Foster Care MARC does not include the cost of travel for visitation with the child's biological family, travel to administrative and judicial reviews or the cost of full-time child care for working foster parents. Foster parents should be reimbursed for their actual expenses for these purposes, in addition to the Foster Care MARC.

[3] All data from CWLA, NDAS, http://ndas.cwla.org (2004), except number of children in foster care which is from AFCARS (2005).

APPENDIX F: MINIMUM AND MAXIMUM SCI RATES

County	Minimum	Maximum
Alameda	$12	$2,220
Alpine	$114	$340
Amador	$141	$424
Butte	$202	$991
Calaveras	$138	$138
Colusa	$114	$343
Contra Costa	$12	$1,014
Del Norte	$211	$1,201
El Dorado	$210	$1,050
Fresno	$54	$689
Glenn	$120	$360
Humboldt	$105	$105
Imperial	$40	$171
Inyo	$267	$532
Kern	$314	$504
Kings	$105	$840
Lake	$420	$1,313
Lassen	$227	$509
Los Angeles	$150	$998
Madera	$116	$777
Marin	$38	$153
Mariposa	$37	$37
Mendocino	$281	$635
Merced	$74	$224
Mono	$240	$945
Monterey	$315	$683
Napa	$37	$481
Nevada	$35	$798
Orange	$75	$1,050
Placer	$62	$473
Riverside	$28	$666
Sacramento	$107	$855
San Benito	$345	$826
San Bernardino	$79	$840
San Diego	$85	$290
San Francisco	$200	$1,800
San Joaquin	$106	$776
San Luis Obispo	$25	$629
San Mateo	$197	$697
Santa Barbara	$107	$955

County	Minimum	Maximum
Santa Clara	$36	$1,503
Santa Cruz	$282	$975
Shasta	$182	$991
Siskiyou	$289	$395
Solano	$100	$407
Sonoma	$158	$420
Stanislaus	$85	$961
Sutter	$210	$2,400
Tehama	$253	$719
Trinity	$240	$481
Tulare	$210	$633
Tuolumne	$181	$992
Ventura	$50	$890
Yolo	$49	$494
Yuba	$221	$991
Average	$147	$756
Minimum	$12	
Maximum		$2,400

APPENDIX G: CLOTHING ALLOWANCES BY COUNTY PER JAN 1, 2008

County	Initial	Annual	Back to School	Emergency	Other/Misc
Alameda	$214	$125	$214	$214	$214
Alpine	*$ 198, $232, $340				* $209, $246, $375 - ongoing
Amador	$149				Semi-annual: $149 - January $149 - July
Butte	$177	$177			
Calaveras	* $146, $221	* $110, $146			
Colusa	$288	$288			
Contra Costa	$252	* $90, $190, $224			$252 Supplemental
Del Norte	$196 upon request		$156		$156 - Special
El Dorado	* $162, $222, $277				
Fresno	$276				$276 - Special
Glenn	$149				$149 – Summer $149 - Fall
Humboldt	* $108, $214, $268, $331	* $108, $214, $268, $331			
Imperial	* $162, $177, $235	* $177, $235			Change-of-Placement
Inyo	$263		$263 – August for Back to School		
Kern	* $158, $212, $267	$139			
Kings	$191	$108			
Lake		$86			
Lassen	$181	$181			
Los Angeles	* $121, $181, $240, $256		* $98, $144, $189		Replacement – * $121, $181, $240, $256
Madera	* $215, $342, $436,				
Marin	$81				Dispositional - * $103, $159
Mariposa	$153				Initial or when deemed necessary

County	Initial	Annual	Back to School	Emergency	Other/Misc
Mendocino		* $251, $273, $470			
Merced	* $231, $326	$278			
Modoc					Does not have C.A. program
Mono	$300				$300 – Every August after initial
Monterey	* $565, $635, $706				
Napa	$201				
Nevada		$224			
Orange	* $246,$306, $332				* $108, $137, $151 - Extraordinary; * $164, $207, $227 - Replacement
Placer	* $126, $167, $167, $254, $254				* $126, $167, $167, $254, $254 Semi-Annual
Plumas	$100	$100			
Riverside					$97 - Quarterly
Sacramento	* $158, $216, $268	$216			
San Benito	* $120, $150, $181	* $120, $150, $181			
San Bernardino		* $153, $229, $229, $308, $308		*Amount Varies	
San Diego	* $191, $230, $198, $292, $408, $423	$100			
San Francisco	$350	$350		$200 - Urgency	
San Joaquin	$236	$182		$182	$91 subsequent placement
San Luis Obispo	$317	$141			$317 – Special Need
San Mateo	*$175, $196, $196, $218, $218	$175			
Santa Barbara	$154				$154 – Semi-Annual

County	Initial	Annual	Back to School	Emergency	Other/Misc
Santa Clara	* $176, $245, $293, $387, $413	$69, $141			
Santa Cruz	* $153, $233	$147			
Shasta	$74	$142			
Sierra	* $141, $176, $411 and upon request				
Siskiyou					* $106, $142, $176 – Emergency (when needed)
Solano	* $122, $180, $298, $348, $424				* Supplemental - $122, $180, $298, $348, $424
Sonoma	* $216, $251, $327				* $216, $251, $327
Stanislaus	*$ 143, $248, $355	* $98, $129, $162			
Sutter	$110	$223			
Tehama			* $79,$92, $105, $131, $144 Fall allowance		* $78, $91, $105, $131, $143 Spring allowance
Trinity	*$142, $164, $182	$169			
Tulare	$307	$161			
Tuolumne	* $131, $180, $180, $225, $225				
Ventura	$84				
Yolo	$185	* $36, $110			
Yuba	$176	$142			

* Allowances by Age or Grade Level

APPENDIX H: SCIAP PAYMENTS FROM COUNTY FISCAL LETTER (CFL) NO. 09/10-11

County	Amount
Alameda	$ 0
Alpine	$ 1,000
Amador	$ 1,030
Butte	$ 27,720
Calaveras	$ 3,559
Colusa	$ 1,405
Contra Costa	$ 61,715
Del Norte	$ 18,917
El Dorado	$ 14,422
Fresno	$ 196,854
Glenn	$ 5,244
Humboldt	$ 19,947
Imperial	$ 23,881
Inyo	$ 1,000
Kern	$ 132,984
Kings	$ 16,576
Lake	$ 8,709
Lassen	$ 2,247
Los Angeles	$ 0
Madera	$ 7,492
Marin	$ 7,118
Mariposa	$ 2,247
Mendocino	$ 13,861
Merced	$ 35,307
Modoc	$ 1,000
Mono	$ 1,000
Monterey	$ 29,406
Napa	$ 5,806
Nevada	$ 8,241
Orange	$ 107,511
Placer	$ 9,739
Plumas	$ 1,000
Riverside	$ 178,592
Sacramento	$ 158,269
San Benito	$ 4,027
San Bernardino	$ 216,520
San Diego	$ 481,739

County	Amount
San Francisco	$ 89,437
San Joaquin	$ 66,304
San Luis Obispo	$ 39,333
San Mateo	$ 37,367
Santa Barbara	$ 27,440
Santa Clara	$ 98,240
Santa Cruz	$ 16,482
Shasta	$ 32,965
Sierra	$ 1,000
Siskiyou	$ 4,495
Solano	$ 21,727
Sonoma	$ 17,793
Stanislaus	$ 33,059
Sutter	$ 5,900
Tehama	$ 11,238
Trinity	$ 2,154
Tulare	$ 45,795
Tuolumne	$ 8,148
Ventura	$ 41,207
Yolo	$ 13,392
Yuba	$ 5,621

APPENDIX I: DESCRIPTION OF ALLOWABLE TITLE IV-E COST FACTORS USED TO CREATE THE PROPOSED RATES

Food This cost factor was based on the expenses of a middle-income family on food for children of different ages as it is noted in the CES.

Clothing The clothing category is based on the expenditures of a middle-income family on clothing and coin-operated laundry as these are identified in the CES.

Shelter This category includes per child expenses of a middle-income family on utilities, furniture, appliances and household linens as they are identified in the CES. The category does not include mortgage or rent, as foster parents are expected to maintain a home regardless of their foster care payments.

Daily Supervision Included in the daily supervision category are expenditures of a middle-class family on occasional baby-sitting for children based on the CES. This category also includes residential summer camp for ages 5-18. Daily supervision is extended through the upper age groups to account for after-school activities.

School Supplies School supply estimates includes books, recreational lessons and other school supplies based on expenses of a middle-income family as indicated in the CES.

Personal Incidentals For the purposes of this report, this category is based on what a middle-income family spends on their children for personal care items, cosmetics, over the counter medications and other miscellaneous items. It also includes reading materials, toys, hobbies, and fees and admissions, as these costs are identified in the CES.

Liability and Property Insurance This estimate would cover foster parents of children under the age of eighteen and is found in *The MARC Report*. It was provided by Foster Parent Professionals, Inc, as the CES provides no data on this kind of insurance. *The MARC Report* notes that the estimates were based on policies sold to child welfare agencies not individual foster parents and therefore represents a conservative calculation.

Reasonable Travel to the Child's Home for Visitation Calculations for transportation costs for home visits were located in California Foster Parent Association, et al. v. John A. Wagner, et al. (Plaintiffs' Notice of Motion and Motion for Summary Judgment: memorandum of Points and Authorities in Support Thereof, Case No. C 07-5086 WHA pa-1279666). Using data from The Center for Social Services Research at the University of California at Berkeley, it was found that in 2006, California's foster children were placed an average of at least 6.14 miles from their homes. Estimating four weekly home visits per month and multiplying the 49.12 miles by the 2008 federal mileage rate of $0.505 yielded an approximate cost of $25 per foster child for average monthly home visitation. This cost was adjusted to Budget Year 2010-2011 using the CNI.

Expenses associated with the "cost of providing" *The MARC Report* includes the "cost of providing" by itemizing the costs of gas and motor oil for travel related to daily basic care and placing these expenses under the Personal Incidentals category. We delineate a separate category for "cost of providing" because this is the language used in Title IV-E for transportation costs. This category includes but is not limited to, transportation to and from extracurricular activities, to and from childcare, and to and from recreational and cultural activities.[75] The estimate used in this report is based on USDA Estimated Annual Expenditures on a child by husband-wife families in the urban West, including expenditures for gas, motor oil and vehicle maintenance and repairs, but not the cost of purchasing a vehicle.[76] The upper estimate is the aggregate of these expenses. The lower estimate is 50% of the aggregate of these expenses. "Cost of providing" is a transportation expense and it is acknowledged that this is a 'shared cost' that could be adjusted downward. Transporting children around is often concurrent with doing other family errands. The rates in this report also specify another transportation expense which, although allocated to a particular purpose – visits home and court – also may be conducted along with other family travel/errands. (See Appendix C for a replication from the Oregon report describing the process used to create the "cost of providing" category.)

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[75] The website of the Administration for Children & Families answers questions about transportation services that can be claimed for reimbursement as part of the foster care maintenance payment under Title IV-E: http://www.acf.hhs.gov/cwpm/programs/cb/laws_policies/laws/cwpm/questDetail.jsp?QAId=438

[76] The costs are from USDA Expenditures on Children by Families, 2008, which are cited in the Oregon's recent rate report. The USDA does not organize their data by state but by region. California and Oregon are both part of what the USDA calls the urban West and costs would be the same by USDA calculations. Oregon Foster Care Rate Redesign Project, Foster Care Maintenance Payment Rate Reimbursement Methodology Proposal, July 2008.

APPENDIX J: ENUMERATED COST FACTORS IN RATE #1[77]

	Age 0-4	Age 5-8	Age 9-11	Age 12-14	Age 15-19
RATE	**$609**	**$660**	**$695**	**$727**	**$761**
Food	199	213	224	236	252
Clothing					
Clothing purchases	45	46	46	51	56
Laundry	4	3	2	3	3
Shelter					
Furniture, Linens, Appliances	26	26	27	25	23
Utilities	115	119	121	130	140
Daily Supervision	30	49	65	60	60
Babysitting, day care	22	16	11	12	12
School supplies	3	8	12	13	14
Personal Incidentals					
Personal care items, cosmetics, over the counter medications, etc.	73	76	78	83	88
Video games, toys, hobbies	9	9	9	6	4
Reading materials	4	5	5	6	6
Fees, admissions	13	21	26	25	26
Liability & Property Insurance	10	10	10	10	10
Transportation (mandated visits home, court, etc)	28	28	28	28	28
50% 'Cost of Providing'	28	31	31	39	39

77 Title IV-E reimbursable categories are in bold with delineated CES expenditures listed below.

APPENDIX K: ENUMERATED COST FACTORS IN RATE #2

	Age 0-4	Age 5-8	Age 9-11	Age 12-14	Age 15-19
RATE	**$638**	**$692**	**$727**	**$767**	**$801**
Food	199	213	224	236	252
Clothing	45	46	46	51	56
Laundry	4	3	2	3	3
Shelter					
Furniture, Linens, Appliances	26	26	27	25	23
Utilities	115	119	121	130	140
Daily Supervision	30	49	65	60	60
Babysitting, day care	22	16	11	12	12
School supplies	3	8	12	13	14
Personal Incidentals					
Personal care items, cosmetics, over the counter medications, etc.	73	76	78	83	88
Video games, toys, hobbies	9	9	9	6	4
Reading materials	4	5	5	6	6
Fees, admissions	13	21	26	25	26
Liability & Property Insurance	10	10	10	10	10
Transportation (mandated visits home, court, etc)	28	28	28	28	28
100% 'Cost of Providing'	57	63	63	79	79

APPENDIX L: PERCENTAGE DIFFERENTIALS BETWEEN PROPOSED AND CURRENT RATES

STATEWIDE					
	Age 0-4	**Age 5-8**	**Age 9-11**	**Age 12-14**	**age 15-19**
CURRENT	*$446*	*$485*	*$519*	*$573*	*$627*
Proposal #1	$609	$660	$695	$727	$761
% Difference	**37%**	**36%**	**34%**	**27%**	**21%**
Proposal #2	$638	$692	$727	$767	$801
% Difference	**43%**	**43%**	**34%**	**34%**	**28%**

LOW-COST COUNTIES					
	Age 0-4	**Age 5-8**	**Age 9-11**	**Age 12-14**	**age 15-19**
CURRENT	*$446*	*$485*	*$519*	*$573*	*$627*
Proposal #1	$561	$608	$640	$669	$701
% Differential	**26%**	**25%**	**23%**	**17%**	**12%**
Proposal #2	$588	$637	$670	$706	$738
% Differential	**32%**	**31%**	**29%**	**23%**	**18%**

MEDIUM-COST COUNTIES					
	Age 0-4	**Age 5-8**	**Age 9-11**	**Age 12-14**	**Age 15-19**
CURRENT	*$446*	*$485*	*$519*	*$573*	*$627*
Proposal #1	$593	$643	$677	$708	$741
% Differential	**33%**	**33%**	**30%**	**24%**	**18%**
Proposal #2	$621	$674	$708	$747	$780
% Differential	**39%**	**39%**	**36%**	**30%**	**24%**

HIGH-COST COUNTIES					
	Age 0-4	**Age 5-8**	**Age 9-11**	**Age 12-14**	**Age 15-19**
CURRENT	*$446*	*$485*	*$519*	*$573*	*$627*
Proposal #1	$634	$687	$723	$756	$792
% Differential	**42%**	**42%**	**39%**	**32%**	**26%**
Proposal #2	$664	$720	$757	$798	$834
% Differential	**49%**	**48%**	**46%**	**39%**	**33%**

APPENDIX M: MOVEMENT OF COUNTIES BETWEEN DIFFERENT COST OF LIVING REGIONS

Region 1: Counties in the Low-Cost Housing group in 2001, 2006 and 2011	Alpine, Butte, Calaveras, Colusa, Del Norte, Fresno, Glenn, Humboldt, Imperial, Inyo, Kern, Kings, Lake, Lassen, Madera, Mariposa, Mendocino, Merced, Modoc, Plumas, San Joaquin, Shasta, Siskiyou, Stanislaus, Sutter, Tehama, Trinity, Tulare, Tuolumne, Yuba.
Region 2: Counties in the Medium-Cost Housing group in 2001, 2006 and 2011	El Dorado, Mono, Monterey, Nevada, Placer, Sacramento, San Luis Obispo, Sierra, Yolo.
Region 3: Counties in the High-Cost Housing group in 2001, 2006 and 2011	Alameda, Contra Costa, Marin, Orange, San Francisco, San Mateo, Santa Clara, Santa Cruz, Sonoma, Ventura.

Moved between Region 1 and Region 2 during the 2001-2011 period	San Bernardino, Amador, Riverside.
Moved between Region 2 and Region 3 during the 2001-2011 period	Los Angeles, Napa, San Diego, Solano, Santa Barbara, San Benito.

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Court Care No. C-07 5086: California Foster Parent Association, California State Care Providers Association and Legal Advocates for Permanent Parenting vs. John A. Wagner, Director of the California Department of Social Services, in his official capacity; Mary Ault, Deputy Director of the Children and Family Services Division of the California Department of Social Services.

Website Resources:
California Department of Social Services
http://www.cdss.ca.gov
Budgets
http://www.cdss.ca.gov/cdssweb/PG2291.htm

Letters and Notices
http://www.dss.cahwnet.gov/lettersnotices/default.htm
Children's Rights
http://www.childrensrights.org/policy-projects/foster-care/

Children's Advocacy Institute
University of San Diego School of Law
http://www.caichildlaw.org/