Summary

The Administration for Children’s Services provides assistance such as counseling to prevent the need for foster care as one of four components of its child welfare service system along with child protection, foster care, and adoption. From 2000 through 2010 the agency significantly increased its use of preventive services as an alternative to foster care placement, a change in practice that contributed to a 54 percent reduction in the number of children in foster care and a 28 percent increase in the number of children receiving preventive services while remaining in their homes. The transition from a system that emphasizes foster care to one that focuses on preventing the need for foster care placements, however, has been unsteady—jolted by the tragic deaths of children in the child welfare system and weighed down by uncertainty brought on by the city’s budget problems.

This report looks at changes in the city’s foster care and preventive services programs over the last decade, including enrollment, spending, and funding. Among our key findings:

- From 2000 through 2006 the foster care caseload decreased by more than half from 34,400 to 16,700. Over the next four years the caseload declined by less than 5 percent.
- While the reduction in the foster care caseload initially provided significant savings for the city, the subsequent stabilization of the foster care caseload and problems claiming federal funding for foster care have limited city savings available for reinvestment in preventive services.
- Because spending on preventive programs is discretionary, these services compete with other programs for scarce city dollars. This uncertainty has at times created difficulties for preventive services providers, and has led to a 25 percent reduction in the number of children receiving preventive services over the last two years.

Following recommendations made in a March 2011 report by the Administration for Children’s Services and the Public Advocate’s office for improving the child welfare system, the recently adopted budget reversed planned cuts and enhanced funding for preventive services. But continuing fiscal difficulties at the city, state, and federal levels suggest that funding for this program remains at risk.
Background

The Administration for Children’s Services (ACS) provides preventive services as one of four components of its child welfare service system; the others are child protection, foster care, and adoption. The child protection division investigates abuse and neglect reports and decides whether there is a need to place the child in foster care or to assign the family to preventive services. Preventive services include counseling and other interventions in order to prevent the need for placement in foster care. Preventive services are intended to be used only in situations in which the child’s safety has been evaluated and has been determined to not be at risk, but where the family situation is considered sufficiently unstable that intervention is required to prevent placement in foster care. At the end of fiscal year 2010, ACS provided preventive services for almost 30,000 children.1

The shift from a child welfare system weighted heavily towards placement in foster care to one focused on preventive services can be traced back to as early as 1996 and the reforms created in response to the murder of six year old Elisa Izquierdo, a child with an open case in the city’s child welfare system at the time of her death in November of 1995. Elisa’s death received national attention and significant outrage from advocates when it was revealed that the Child Welfare Agency (now ACS) failed to intervene on several occasions after reports of abuse.

In response, then-Mayor Rudolph Giuliani created ACS as “the first free standing agency in New York City’s history to serve children...” and appointed Nicholas Scoppetta as the first ACS commissioner, charging him with leading the agency in reforming child welfare. 2 In December of 1996, ACS released the report Protecting the Children of New York, which detailed initial reforms for child welfare and laid early groundwork for the move towards an emphasis on prevention with the establishment of community-based services provided by private nonprofit agencies, and incentives for these groups to expedite family reunification and other permanency efforts.

During the same time period, the organization Children’s Rights filed a lawsuit, Marisol vs. Giuliani, on behalf of thousands of children with open cases in New York City’s child welfare system. The lawsuit, named after a starving 5-year-old foster child found locked in a closet, charged the city with several identified systemic failures to protect children from abuse and neglect. The suit was settled in 1999 and created a Special Child Welfare Advisory Panel that supervised the city’s reform efforts. The panel was comprised of five national experts on child welfare and included the future ACS Commissioner John Mattingly, then with the Annie E. Casey Foundation. The special advisory panel ended its work in 2000, but was invited to continue to consult with ACS for an additional two years.

In 2001, ACS produced under the supervision of the advisory panel, The Renewed Plan of Action for the Administration of Children’s Services. The report, which outlined the progress of several ongoing reforms and goals for the agency, also included an increased emphasis on the value of preventive services in reforming child welfare and articulated the goal of reinvestment of resources from foster care into preventive services. When John Mattingly was appointed commissioner of ACS in 2004, he continued the work of expanding preventive services, creating specialized services for high risk populations such as teenage mothers and their babies, and further articulating a policy of reinvesting savings from a reduction in foster care caseloads into preventive and aftercare services.

Today, ACS provides three types of preventive services—primary, secondary, and tertiary. Primary preventive services do not target a specific family and are not individualized. An example of a primary prevention service is a child abuse prevention campaign consisting of pamphlets, billboards, and other public education materials. Secondary preventive services are individualized services for a specific family in which designated risk factors have been identified. Secondary preventive services involve a caseworker and may include such services as regular home visits with the family, individual or family counseling, parenting classes, and assessments.

### Defining the Terms: Safety and Risk

**Safety:** “A child is considered safe when there is no immediate threat to the child’s life or health as a result of the actions or inactions of the parent or person responsible for the child.”

**Risk:** “A child is considered at risk when there is likelihood that the child may be abused or neglected in the future as a result of actions or inactions by the parent or person legally responsible for the child.”

**SOURCE:** Administration for Children’s Services, Office of Bill de Blasio


**March 31, 2011.**
of mental health or substance abuse issues and referrals for treatment. Finally, tertiary preventive services are preventive services that take place after abuse or neglect have occurred and a child has been placed in foster care, the family has received treatment and the child has returned home.\(^3\) Tertiary services are intended to ensure that the abuse or neglect does not reoccur and that the family continues to make progress. An example of a tertiary preventive service is the city’s Aftercare program, which begins just prior to and lasts up to six months after a child in foster care is reunited with his or her family.

The majority of ACS secondary and tertiary preventive services are delivered by nonprofit community-based providers contracted through a Request for Proposals (RFP) process administered by the city. Each RFP that is released designates a specific number of slots for each preventive services program; the total number of preventive slots allocated citywide for 2011 was 12,639. Cases are opened when families are referred from ACS’s protective services division or are self-referred through agency walk-ins. When demand for services outstrips the available number of slots, ACS child protective referrals are given priority. Preventive services are free of charge for families regardless of referral type. One secondary preventive service provided directly by the city itself is homemaking, which supports parents by teaching them how to make the home a safe and suitable environment for children. Homemaking also provides support for a parent who is sick and provides referrals for families in need of other preventive services.

This report looks at changes in the city’s foster care and preventive services programs over the last decade including enrollment, spending, and funding. It focuses on the city’s initiative to expand the use of preventive services in order to reduce reliance on foster care, and the obstacles that have made it difficult to fully implement this initiative.

**Enrollment and Spending Trends:**
**Foster Care and Preventive Services**

During the period from 2000 through 2010, ACS significantly increased its use of preventive services as an alternative to foster care placement, which contributed to a 54 percent reduction in the number of children in foster care and a 28 percent increase in the number of children receiving preventive services while remaining in their homes. The decrease in the foster care caseload, however, was not continuous throughout the decade. After declining steadily for six years, foster care caseloads saw a slight upturn in 2007, reflecting changes in policy and public awareness following the tragic death of a child in the child welfare system. The increase in the preventive caseload was also unsteady, largely reflecting variations in funding over the years. Aside from the greater availability of preventive services, other factors contributing to the decline in the foster care caseload include a greater emphasis on adoption and permanency, and the end of New York City’s crack epidemic, which lasted through the late 1990s. The shift in emphasis was also reflected in agency spending; during the course of the decade expenditures for preventive services nearly doubled while foster care spending declined.

**Foster Care Caseload Declines Sharply, Then Levels Off.**

From 2000 through 2010, the average number of children in foster care each year declined by more than half, from 34,354 to 15,895. Most of the decrease occurred over the first six years of the decade, with the census falling by 52 percent to 16,659 by 2006. Much of the initial decrease in the census can be attributed to a decline in the number of children entering foster care, which fell by 5,250 a year from 2000 through 2005, partly as a result of the increased number of at-risk children receiving secondary preventive services. Increases in adoption, children aging out of foster care, and tertiary preventive services that work to ensure that the abuse and neglect does not reoccur, also contributed to the overall decline in the census in these and later years.

The decrease in the number of children in foster care slowed significantly after 2006, with the census declining by less than 5 percent from 2006 through 2010. The slowdown has been closely linked to the tragic and highly publicized death of Nixzmary Brown, a child under the care of ACS at the time of her death in January 2006. In response, ACS launched a comprehensive child abuse public awareness campaign which contributed to a 28
percent increase in the number of abuse and neglect reports between 2005 and 2007. In addition, an ACS internal investigation into the circumstances surrounding Nixzmary’s death resulted in a number of reforms to increase child safety and provide better agency oversight. These reforms, coupled with the increase in abuse and neglect reports, likely contributed to a 45 percent surge in the number of children entering foster care in 2005 through 2007. The upturn in foster care entrances has continued largely undiminished through 2010, and has made it difficult to further reduce the foster care census.

In spite of this difficulty the foster care census continues to slowly decline; recently released figures indicate that the average number of children in foster care decreased from 15,895 in 2010 to 14,843 in 2011.

**Expansion of Preventive Services.** From 2000 through 2010 the number of children receiving preventive services increased by almost 30 percent from 23,462 to 29,945. There was significant year-to-year fluctuation, however, within the decade’s overall increase. From 2000 through 2003 the preventive caseload grew by 29 percent from 23,462 to 30,368 children, but then declined by about 10 percent to 27,304 in 2006. After 2006 the preventive caseload increased again, reaching its peak of 31,875 children in 2008, before declining to 29,945 in 2010.

Unlike foster care and child protection services in which caseloads are driven largely by the need for services at any given time, the majority of preventive services cases are considered discretionary, with the size of the caseload determined in part through budget and policy decisions made by city officials. In the early years of the decade, ACS added preventive services slots as part of its effort to reduce the number of children in foster care. From 2003 through 2006, however, the preventive services caseload drifted down, reflecting an environment in which the number of abuse and neglect reports was decreasing.

This situation changed in the wake of the controversy surrounding Nixzmary Brown, leading the city to increase funding for preventive services in 2006 through 2008, while the caseload also grew. More recently the city’s fiscal problems led to a planned 3,000 slot reduction in capacity beginning in 2011. Although funding for these slots was ultimately restored, in anticipation of the reduction providers began to downsize and in some cases eliminate preventive programs in the latter half of 2010, contributing to another decrease in the number of children served. In spite of the funding restoration, ACS recently reported that the number of children receiving preventive services dropped by 20 percent from 29,945 in 2010 to 23,881 in 2011, “due to continuing pressures on prevention resources.”

**Spending Shift from Foster Care to Preventive Services.** The increased emphasis on using preventive services to reduce foster care placements is apparent in the agency’s spending history. From 2000 through 2010 overall spending for foster care decreased by 16 percent from $930 million to $782 million. When spending is adjusted for inflation, the decline is an even more substantial 42 percent. Not surprisingly, the spending pattern was closely linked to changes in the caseload. Foster care spending decreased significantly in 2000 through 2006 when the caseload was falling steadily; in 2006 expenditures reached a low point of $726 million. After the Nixzmary Brown incident the foster care census stabilized and overall spending began to grow as foster care payments—which the state increases every two years—contributed to a steady rise in the cost per child. Over the course of the decade, annual spending per child in foster care rose from $27,069 in 2000 to $49,188 in 2010 or 82 percent; adjusted for inflation, the increase was 26 percent.

The average cost for foster care can further be broken out between the two types of foster care placements. The first type, referred to as a foster boarding home, places a child within the home of a foster family. The second type, residential care, (formally referred to as congregate care), places a child with other foster children in a larger, staffed facility. Residential care is used in cases where placement in a foster boarding home is not an option. ACS reports that in 2010 the average annual cost of a child in a foster boarding home was about $25,000, while the average for residential care was about $92,000.
While foster care expenditures were decreasing from 2000 through 2010, spending on preventive services almost doubled over the course of the decade, from $117 million in 2000 to $230 million in 2010; in inflation-adjusted dollars, spending increased 37 percent over this period. Nominal preventive spending increased from $117 million in 2000 to $146 million in 2003, before leveling off over the next few years. Expenditures then jumped from $147 million in 2005 to $236 million in 2008 as city officials moved to strengthen preventive services programs following the Nixzmary Brown case. But as the agency came under pressure to help close city budget gaps, spending first leveled off and then declined to $230 million in 2010.

Preventive services are especially cost effective if they reduce the number of children in congregate care, although they also save money if they reduce the number of children in foster boarding homes. According to ACS, in 2010 the average annual cost per slot for preventive services, excluding homemaking, was about $10,000.11 Each slot represents a family that is served; as there is often more than one child in a family, the cost per child for preventive services is actually less than $10,000. In contrast, the annual cost of keeping a child in foster care averaged $49,000 in 2010. But while it is clear that placing a child in preventive services is cheaper than placing that child in foster care, it is not possible to calculate how much the city saves by using preventive services without knowing how many of those children would otherwise have ended up in foster care as opposed to other possible outcomes.

**Sources of Funding**

Funding for the foster care and preventive programs has varied significantly among city, state, and federal sources over the last decade. Most significantly, beginning in 2006, the city had to give up a large part of the federal funding for foster care it had been using. As a result, the city assumed a substantially higher share of foster care costs, thereby limiting potential city savings from the large reduction in the foster care caseload. In 2010, city, state and federal funding for foster care in New York City totaled $789 million, a decline of $150 million from 2000; over the same period, city foster care funding decreased just $18 million. On the other hand, increases in state funding for preventive services have made it easier for the city to expand that program. Looking at the decade as a whole, nominal city funding for foster care was $18 million lower in 2010 than in 2000, while city funding for preventive services had increased by $5 million.

**Problems Claiming Federal Funds Limit City Savings.**

During the early years of the decade the city began to reap significant savings from the steady decrease in the foster care caseload, with city funding falling by $51 million from $275 million in 2000 to a low of $224 million in 2004. Over the next few years, however, city funding had to be increased significantly due to a substantial decline in federal foster care funds that the city could use.

This shift from federal to city funding is largely due to claiming issues within the federal Title IV-E program, the largest funding source for foster care. In 2005, ACS received notification of a forthcoming federal audit intended to verify that all children receiving Title IV-E funds met the designated income, legal, and home certification requirements. After a preliminary investigation by ACS revealed several cases in which criteria had not been documented properly, the city made the decision to transfer the majority of children receiving Title IV-E funds out of the program in order to avoid being found noncompliant and face a potential fine. The gap in the foster care budget resulting from giving up that federal

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**Foster Care Spending Declines: 2000-2010**

*Dollars in millions*

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<tr>
<th>Year</th>
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**SOURCES:** IBO; Mayor’s Office of Management and Budget

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**Spending on Preventive Services Almost Doubles Between 2000 and 2010**

*Dollars in millions*

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<th>Year</th>
<th>Preventive Spending</th>
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<td>2010</td>
<td>$146 million</td>
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**SOURCES:** IBO; Mayor’s Office of Management and Budget
City, State Share Cost of Expanding Preventive Services.

While city savings from foster care caseload decreases have been less than could have been expected in the early years of the decade, new city expenditures for the expansion of preventive services were initially modest thanks to increases in state funds. City spending for preventive services increased from $31 million in 2000 to $71 million in 2008. The increase might have been much greater but for the fact that state funding also increased, rising from $38 million to $116 million over the same period. The state increased its share of funding for preventive services under the 2002 Child Welfare Financing legislation which created an uncapped 65 percent reimbursement to localities for prevention and other child welfare services. Prior to 2002, reimbursement was limited to about 50 percent of the capped Family Services Block Grant.

After 2008, the state reduced its reimbursement to about 62 percent, contributing to a reduction in state funds from $31 million in 2000 to $107 million in 2010. At the same time, starting in 2010 the state began to require that the city spend more of its federal Flexible Fund for Family Services block grant allocation on preventive services; as a result, federal funding for prevention more than doubled, rising from $48 million in 2009 to $107 million in 2010. While this allowed the city to decrease its own funding for preventive services from $82 million in 2009 to $36 million in 2010, it is not an actual savings to the city since it would have to replace the federal funding in the same period. The $24 million increase in city spending for preventive services in 2003, for example, was used to replace federal Temporary Assistance for Needy Families funds that were shifted from ACS to the Human Resources Administration to pay for other social services. Therefore, only about $7 million of the overall $31 million increase in preventive services during these years could be considered reinvestment out of the $45 million in foster care savings.

Foster Care Savings Reinvested in Preventive Services?

Over the last decade city officials have articulated a policy which calls for reinvesting city savings from a decreasing foster care caseload into the expansion of preventive services, to further reduce the need for foster care. Our analysis suggests that this policy has not lived up to its promise.

From 2000 to 2005, with foster care caseloads dropping, city funding for foster care decreased by $45 million, while city funding for preventive services increased by $31 million. But swings in state and federal funding in the same period confound the picture somewhat. The $24 million increase in city funds for preventive services in 2003, for example, was used to replace federal Temporary Assistance for Needy Families funds that were shifted from ACS to the Human Resources Administration to pay for other social services. Therefore, only about $7 million of the overall $31 million increase in preventive services during these years could be considered reinvestment out of the $45 million in foster care savings.
In 2006, in the wake of the Nixzmary Brown tragedy, the city reaffirmed its commitment to preventive services, adding two new programs to the preventive service line, Aftercare and Teens and Babies Reinvestment. But by that time there was no more foster care money to reinvest, as the city’s inability to use federal Title IV-E foster care funds required ACS to add $100 million in city funds, more than wiping out all previous foster care savings. While city funding for preventive services was gradually increased from $62 million in 2005 to $82 million in 2009, the absence of savings from foster care has forced the preventive program to compete with other city programs for scarce city dollars.

**The Challenge of Maintaining a Stable Preventive Service Program**

Despite the fact that preventive services have the potential to produce good outcomes for troubled children and families at considerably lower cost than foster care, city funding for preventive services has been unstable in recent years, putting a financial strain on groups under contract with the city to provide these services. In the January 2010 Preliminary Budget, the Bloomberg Administration proposed eliminating funding for 600 preventive slots for the upcoming 2011 fiscal year, in addition to a reduction of 2,400 slots called for in an RFP released in March 2009. In June 2010, the City Council restored 2,900 of those 3,000 slots for 2011 only, leaving funding for 2012 uncertain. This sequence of events meant that for more than a year preventive service providers under contract with the city were preparing for a significant reduction in services and funding. During the same time period providers faced more uncertainty when new RFP awards slated to begin in September 2010 were rescinded due to a mistake in grading the proposals. While funding ultimately was restored, providers had little certainty regarding the stability of their contracts with the city.

Unfortunately, this instability had consequences for the children and families receiving preventive services during that time period. Although funding for 2011 was restored just prior to the start of the fiscal year, service interruptions still occurred as nonprofit service providers under contract with the city were required to begin the process of closing or transferring cases back to ACS. As it turned out, many cases were lost in the shuffle or closed without appropriate review.\(^{14}\)

In the midst of this period of transition a medically fragile 4-year-old girl named Marchella Pierce died as the result of child abuse after her case was transferred back to ACS. In response to Marchella’s death, ACS and the Office of Public Advocate Bill de Blasio formed the Children’s Services Planning Group in November 2010 to conduct a review of the issues related to preventive services and medically fragile children. In a report released in March 2011, the planning group found that the contract agency, the Child Development Support Corporation, played a significant role in the breakdown of care and oversight in the months leading up to Marcella’s death. Nonetheless, the report also found ACS protocols were insufficient to ensure a continuum of care during the transfer of open preventive cases from contract providers back to ACS and identified several areas within ACS policy and practice in need of improvement.

The Marchella Pierce tragedy and the resulting recommendations for improving the system have led the city to once again reemphasize its commitment to preventive services. The May 2011 Executive Budget restored 2,900 slots and provided enhanced funding for 2012 and later years. ACS expects that the additional funding will enable it to increase the number of children receiving preventive services in 2012, following the significant decreases of the last two years. But significant risks remain; as long as the majority of preventive services are considered discretionary by the state, they remain vulnerable when the city must close budget gaps. In addition, fiscal difficulties at the state and federal levels could lead to reductions to vital funding streams that the city has relied on to help pay for preventive service programs.

*Report prepared by Kathleen Maher*
Endnotes

1 Unless otherwise noted, all references to years refer to city fiscal years.
4 In addition to the increase in the number of abuse and neglect reports, the indication rate, or the percentage of reports that are substantiated, also increased during the same time period.
5 These figures represent the number of children receiving preventive services at the end of the fiscal year. Homemaking services are not included.
6 Abuse and neglect reports and all census data for preventive and foster care published in the Mayor’s Management Report, Administration for Children’s Services for fiscal years 2000–2010
7 Preventive services are mandatory only if there is imminent risk of removal. New York State Social Service Law Article 6, Title 4, section 409A http://public.leginfo.state.ny.us/LAWSSEAF.cgi?QUERYTYPE=LAWS+&QUERYDATA=$$SOS409-A$$@TXSOS0409-A+&LIS
8 Administration for Children’s Services, Office of Bill de Blasio Public Advocate for the City of New York, Children’s Services Planning Group Final Report, March 31, 2011.
9 Mayor’s Management Report, Administration for Children’s Services, September 2011.
10 Foster care rates are adjusted every two years by the state in response to Standard of Payment submissions by individual foster care providers. Standard of Payment submissions outline the total costs for foster care by a specific provider and rates are adjusted by the state on a provider to provider basis.
11 For homemaking services, cost is measured on an hourly basis. No annual average is available.
12 Mayor’s Office of Management and Budget, November 2010 Financial Plan Agency Gap Closing Programs
13 Administration for Children’s Services, A Renewed Plan for the Administration for Children’s Services, July, 2001 (p.48)
14 Administration for Children’s Services, Office of Bill de Blasio Public Advocate for the City of New York, Children’s Services Planning Group Final Report, March 31, 2011.