

August 2022

New Foster Care Contracts Expected to Bring About Changes in Service Delivery, Cost

Summary

The New York City Administration for Children's Services (ACS) is responsible for overseeing the city's child welfare system. This includes contracting with nonprofit agencies to provide foster care services for children who cannot remain safely in their homes. ACS is in the process of rebidding those contracts, with new ones set to begin next fiscal year. The new contracts are intended to enhance services and reduce the time children spend in foster care, which—combined with ACS's [increasing investment in prevention](#)—is expected to continue the decades-long reduction in the foster care population. As such, foster care spending is also budgeted to decline somewhat in future years.

In this brief, IBO explores changes to the foster care budget, describes the new contracts and provider and advocate reactions to them, and examines how recent actions on the state and federal levels may impact ACS's child welfare budget and policies. Finally, the brief raises some outstanding issues that will be important to monitor as the new foster care contracts get underway. Among our findings:

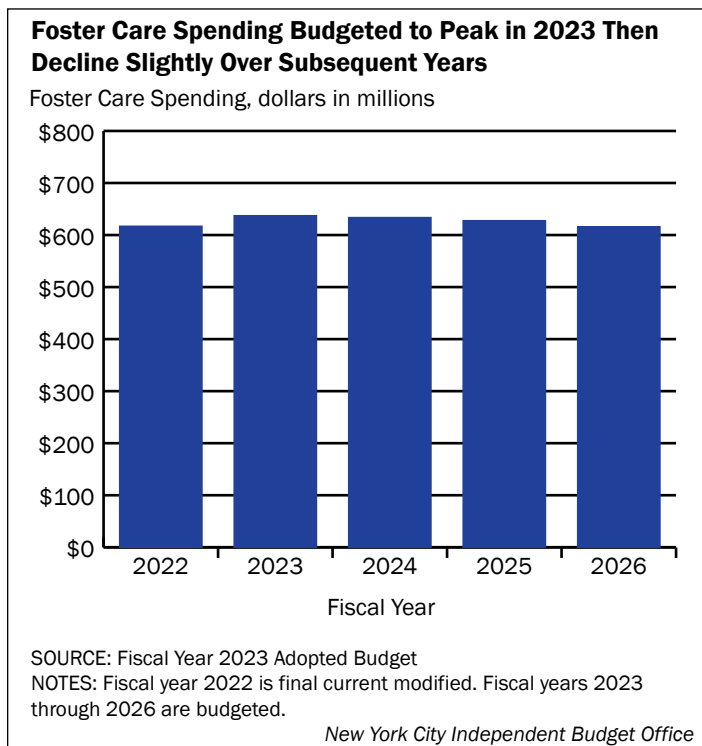
- Spending on foster care services is budgeted to total \$637 million in 2023 (all years refer to city fiscal years) before decreasing slightly to \$634 million in 2024, when the new foster care contracts go into effect. The budget continues to decline to \$628 million in 2025 and \$616 million in 2026.
- The foster care census has been steadily falling for years, from a monthly average of 34,354 children in care in 2000 to 15,896 in 2010 and 7,147 over the first nine months of 2022. While some of the budgeted decline is based on continued shrinkage in the foster care population, ACS also projects that changes made through its new contracts will accelerate the trend.
- The new foster care contracts differ from the old in several ways: the city is increasing kinship care (where children are cared for by family members), investing more in therapeutic services, and enhancing support for foster parents. The contracts are also expected to have a more predictable fiscal structure for foster care agencies, where payments are no longer based on a provider's daily census. ACS will also assess providers' performance on programmatic outcomes and send more referrals to higher-performing providers.
- Despite the budgeted decline in foster care spending, it is likely that some additional funding will be necessary in each year of the city's current financial plan. In December 2021, the state agreed to substantially increase the rates paid to foster parents, but the state has not allocated funding for localities to cover the costs. ACS estimates this will cost over \$100 million annually.

While advocates and providers report that they are largely pleased with the design of the new foster care contracts, it is still an open question as to how the programmatic changes made in new contracts will impact outcomes for those in care. In addition, the structure of the contracts will need to be assessed to ensure it is achieving its goal of promoting the provision of high-quality services, while ensuring financial stability for providers.

Overview

The Administration for Children’s Services (ACS) oversees the city’s foster care system through contracts with nonprofit agencies that provide foster care services. The agency is in the midst of making programmatic changes and rebidding the contracts that are now scheduled to take effect in July 2023, while hoping to continue a decades-long drop in the number of children in care. In the process of these changes, the city is expecting to spend less on foster care services in future years than in the current year.

Spending on foster care services is budgeted to total \$637 million in 2023 (all years refer to city fiscal years), a 3 percent increase compared with what the city spent in 2022. Beginning in 2024, foster care spending is currently budgeted to decline slightly to \$634 million, the first year the new foster care contracts are to be in effect. Foster care costs are budgeted to continue to decline to \$628 million in 2025, and \$616 million in 2026. Although 2027 does not yet appear in city budget documents, ACS has indicated they project reducing spending even further that year. While some of the budgeted decline is based on continued shrinkage in the foster care population, ACS also projects that enhancements and changes being made to the foster care system through the new contracts will accelerate the trend. ACS has said, however, that the projection in savings is not tied to a specific number of slots planned for reduction.



New Foster Care Contracts

The foster care census has been steadily decreasing for decades, from a monthly average of 34,354 children in care in 2000 to 15,896 in 2010 and 7,147 over the course of the first nine months of fiscal year 2022. This census is driven by two factors: how many children come into care and how long children remain in care. While neither factor is completely within ACS’s control, the agency has made efforts to reduce both foster care entrances and length of stay to try to reduce entrances into care, ACS has invested in prevention services, which are in a separate area of the agency’s budget and operations and are designed to support families and keep children in their homes. The new foster care contracts will take effect three years after ACS’s new foster care contracts will take effect three years after ACS’s new contracts for its overhauled continuum of [prevention services](#) began in July 2020.

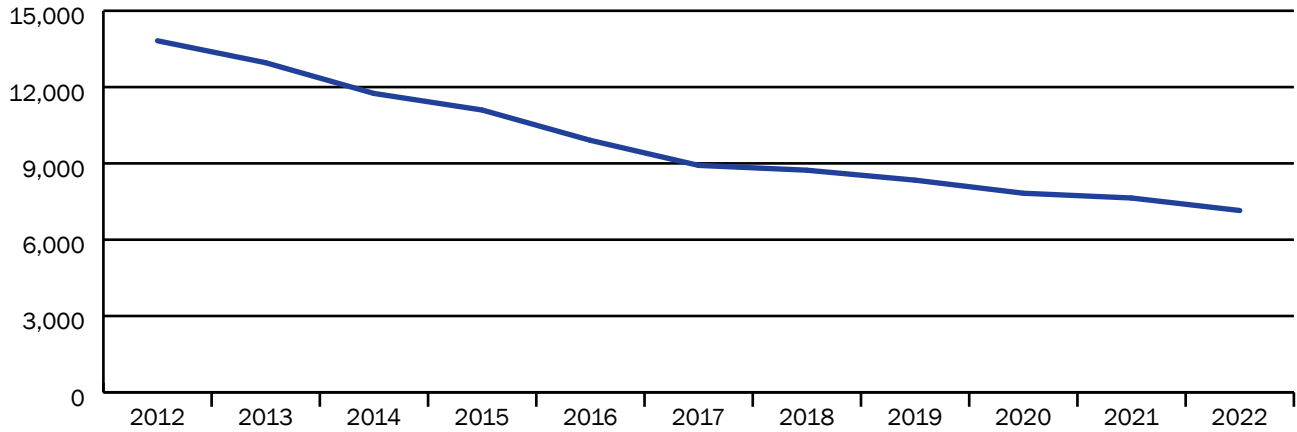
ACS expects to achieve a continued reduction in the foster care census in part through investments in the new contracts designed to shorten the amount of time that children spend in care. These include expanding upon the number of parent advocates who have lived experience with the child welfare system and help families navigate it, increasing kinship care (where children are cared for by family members or family friends), strengthening family visiting time, increasing therapeutic services, and enhancing support for foster parents.

Requests for Proposals (RFPs) for the new contracts were issued in May 2021—one for residential foster care and the other for family-based foster boarding homes, both on the same contract cycle. After a year-long delay during which ACS asked providers that responded to the RFPs to submit additional information regarding past performance and organizational capacity before making its decisions, the new three-year contracts will begin in July 2023 and will be renewable for two additional three-year terms. Current contracts, which had been set to expire on June 30, 2022, were extended by a year.

The new foster care contracts that the city is expected to enter into with foster care providers will use a new fiscal structure: ACS will reimburse providers based on an approved, budgeted allocation that accounts for fixed costs involved in providing foster care services. While applicants responding to the new RFPs must apply for a specific number of slots for each program it plans to offer, ACS will no longer pay providers based on their daily census. The

Average Number of Children in Foster Care Has Continued its Steady Decline over the Past Decade

Children, in thousands



SOURCES: Mayor's Management Report for 2012-2021; ACS Monthly Flash Indicators for 2022S

NOTES: 2012-2021 are monthly averages over the full year; 2022 is the monthly average for the first nine months of the fiscal year

New York City Independent Budget Office

goal behind this payment structure is to bolster providers' fiscal health by allowing them predictability of funding.

Once the new contracts are underway, ACS will assess providers' performance on programmatic outcomes such as achieving permanency for children in care, assuring children's safety, and minimizing the number of children who experience a placement move; fidelity to program models; and compliance with ACS policies. ACS will use these data to send more referrals to higher-performing providers and to make any adjustments to the number of slots per provider that may be necessary.

Advocates have indicated that providers are largely pleased with the direction of the new RFPs, particularly the investments in the foster care workforce, and the fact that ACS solicited provider feedback in developing them.¹ However, while the RFPs recommend higher salaries for provider staff, they (like most human services RFPs) do not include cost-of-living adjustments (COLAs), which means that staff salaries could stagnate if the city does not approve sufficient COLAs for human services staff in future years. This has not always happened in past years.² The Fiscal Year 2023 Adopted Budget did include a baselined 4 percent COLA; however, this was less than the 5.4 percent COLA that human services advocates had campaigned for, which would have matched the COLA included in the recently enacted state budget for state human services contracts.

Because of the delayed contract start from July 1, 2022 to July 1, 2023, existing foster care providers will have their current contracts extended for a year during fiscal

year 2023. They will receive increased funding to support investments related to the new RFPs over the next year. One open question for current providers has been how to plan and budget for this contract extension, without knowing if they will be awarded new contracts later this calendar year to begin in July 2023. For example, providers can choose to implement evidence-based models for their work, such as trauma-informed interventions for older youth. However, evidence-based models require investment of both money and staff time in learning to implement them, and providers may not wish to risk making this investment without knowing if they will still be providing foster care services next year. Provider budgets for the next fiscal year were due April 15, and ACS worked with providers to help them with budgeting and to respond to other requirements of the one-year extension.³

State and Federal Context

One significant area of uncertainty with respect to ACS's budget for the coming years is how much city funding will be required to cover increases in monthly reimbursements to foster parents. In December 2021, New York State agreed under the terms of a legal settlement to substantially increase these rates, but the state did not include any funding for localities to cover the higher rates in its adopted budget. ACS indicated in its preliminary budget hearing in March that it estimates annual costs of \$117 million, which if no additional state funding is provided would need to be covered by the city. The city did not include the funding in its 2023 Adopted Budget and funding will need to be added in a later financial plan.

The new RFPs were issued against the backdrop of the federal [Family First Prevention Services Act](#), which was signed into law in 2018 and which New York State began implementing in September 2021. One goal of the law is to limit the use of residential, or congregate, foster care in favor of family-based care. It does this by allowing localities to claim federal Title IV-E funding for children placed in congregate care for more than 14 days only if the providers are certified as Qualified Residential Treatment Programs (QRTPs), and for more than 30 days only if the child is independently assessed and found to need placement in congregate care.⁴ Most providers responding to ACS’s residential care RFP will need to meet these QRTP certification requirements, which will be incorporated into the award-making process.

ACS has already had a policy of prioritizing family-based over congregate care where possible for the past two decades, and less than 10 percent of the children in care over the past few years have been in congregate care. Further reducing the use of congregate care to comply with the federal Family First requirements is another way that ACS expects to achieve reductions in foster care costs.

Unanswered Questions

It is difficult to assess at this time to what extent the investments and structure of the new foster care contracts RFPs and ACS’s continued focus on prevention services will result in a reduction to the number of children in foster care. Planning for the new contracts was largely done before the Covid-19 pandemic, the lasting effects of which are not yet known.

While the foster care census has been trending steadily downward for decades, the Covid-19 pandemic has ushered in uncertainty; it led to the deaths of many parents and other caregivers, and substantially increased families’ needs for supports, such as mental health and substance

abuse services and access to food and housing.⁵ While reports of child maltreatment fell sharply at the onset of the pandemic, they have since increased, though they have not yet rebounded to pre-pandemic levels. ACS’s prevention services and newly ramped-up Family Enrichment Centers (community centers that support all families, not just those already involved with ACS) aim to support families and keep children out of care, but it remains to be seen to what extent these services and other city services can cope with the devastation wrought by the pandemic.

Additionally, the new payment structure for contracts will need to be assessed on an ongoing basis to ensure it is achieving its goal of promoting the provision of high-quality services while ensuring financial stability for providers.

Finally, before the implementation of Family First, ACS received federal funding from a federal Title IV-E waiver. The waiver is now obsolete, yet the city’s Office of Management and Budget (OMB) has been replacing this previously-baselined federal funding with city dollars one year at a time. For 2023, the total amount of these federal dollars replaced with city money was \$120 million. The 2024 and outyear budgets currently still reflect anticipated receipt of the federal waiver dollars, even though ACS will not be receiving the money. At the Fiscal Year 2023 Executive Budget hearing in May, ACS indicated that it is working with the Mayor’s Office of Management and Budget to determine how much money the agency will receive for prevention services from the federal government for Family First; this money could help to fill the as-of-yet-unresolved gap in ACS’s budget. However, this uncertainty and the lack of baselining of city funds to replace waiver funding represent potential risks to ACS’s budget in the future. IBO will continue to monitor all of these changes in the current fiscal year and beyond.

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Endnotes

¹IBO conversation with Council of Family and Child Caring Agencies (COFCCA), 4/8/22

²Email from Human Services Council, 3/30/22

³IBO conversation with COFCCA, 4/8/22

⁴There are a few exceptions to the QRTP requirement, including settings that provide prenatal, postpartum and/or parenting supports for youth; provide residential care and services to youth who have been, or are at risk of becoming, victims of sex trafficking; or, in the case of youth over age 18, provide supervised settings for youth to live independently.

⁵Citizens’ Committee for Children and COFCCA. “[Reimagining How to Meet the Needs of New York City’s Families in Times of Crisis.](#)”