The Supply-Side Determinants of Foster Care Placements and Outcomes

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Abstract

Foster care is when a child is temporarily placed in an out-of-home living arrangement by court order. This working paper explores how the supply of foster carers affects placements and outcomes. I start by constructing two theoretical frameworks to understand how foster carers affect foster children outcomes: a "general quality of care" framework in which a foster care household that is generally good at providing care is good for all foster children, and a "child-household match" framework in which match quality determines outcomes. I then explore how two types of policies aimed at improving the foster care system by targeting foster care household would affect quality of care in the two frameworks. First, I find that policies that aim to increase supply of foster care households like recruitment or lowering licensing requirements would not affect the distribution of care outcomes under the general framework, but can potentially decrease the worst care outcome under the matching framework. Second, I find that policies that increase resources available to existing foster care households like increasing foster care maintenance payments has ambiguous effects on care outcomes in both frameworks. As this is early work, I conclude by discussing empirical approach and plans for future work.

Foster care is when a child is temporarily placed in an out-of-home living arrangement by court order. In the United States, foster care is not uncommon—2.4 children per 1,000 experienced foster care in 2023 (The Annie E. Casey Foundation 2023). Children in foster care are generally placed in one of three settings: with kinship carers (relatives of the child), non-kinship carers, or in congregate care (e.g., group homes, residential treatment facilities). It is currently unclear how the supply of foster carers affects placements and outcomes. In this paper, I construct a theoretical framework to explore how changes in the supply of foster carers could affect the propensity to place children in foster care, quality of care, and eventual foster care outcomes.

Different states and locales may use different policies to affect the supply of foster carers. Some examples include recruitment, training, and increasing resources available to foster carers. Recruitment policies focus

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on community outreach to attract households that might not have otherwise been aware of the foster care system to become licensed and provide foster care. Training policies focus on providing supplemental information to foster carers to increase quality of care. Increasing resources is also aimed at increasing quality of care, often by increasing money transfers to foster carers. I use the theoretical framework to consider how different policies may affect placements and outcomes. I conclude by discussing empirical approaches to assess the theoretical predictions.

1 Background: Foster Care in the U.S.

In the United States, a child may ultimately end up in foster care due to either voluntary or involuntary relinquishment; I focus here on involuntary relinquishment. When a child protective service (CPS) agency receives a report of suspected child maltreatment, it begins a multi-stage screening process. Child maltreatment cases are reported via child-at-risk hotlines; in the first stage, the call is initially screened in or out for further investigation. In the second stage, a screened-in report is assigned to a caseworker. The caseworker must determine (i) if the case is substantiated and (ii) what protective services are warranted, if any.

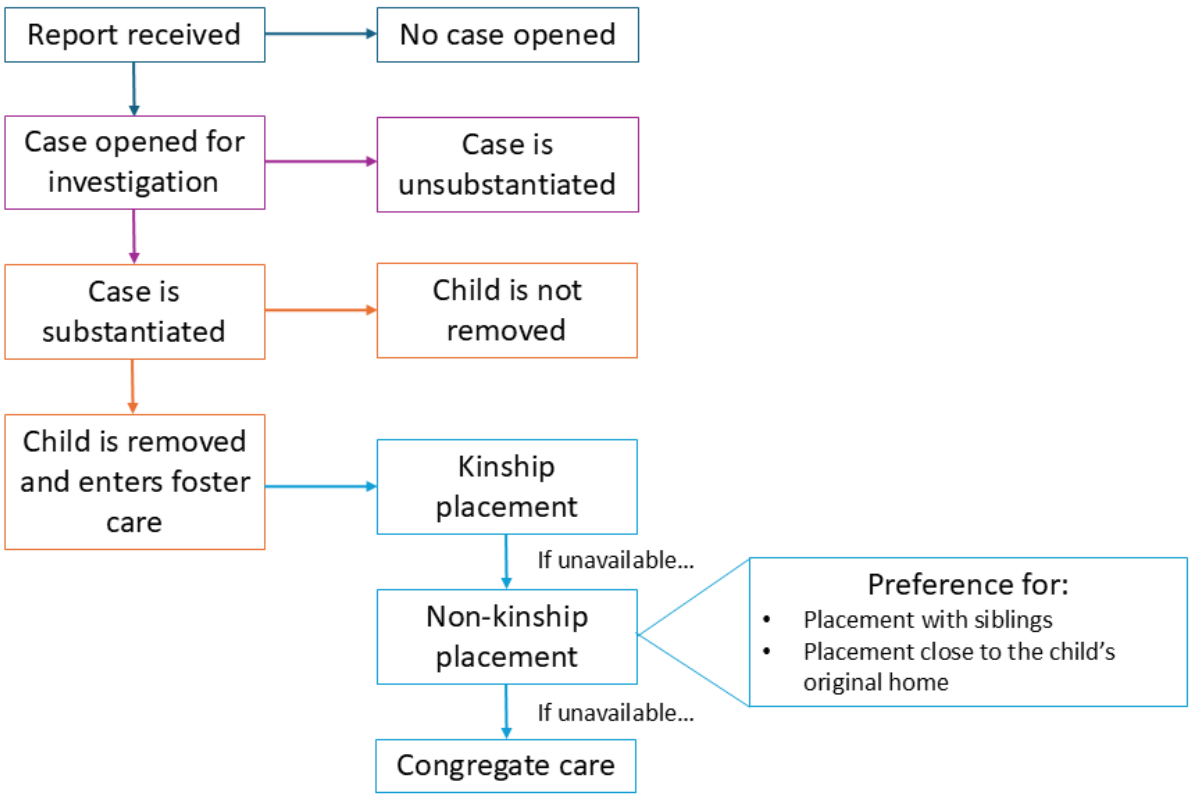
While the 2 caseworker determinations are strongly correlated, they are not identical. For example, a caseworker may believe that maltreatment has not occurred, but that protective services are necessary to prevent future maltreatment. Many protective services allow the child to remain at home; for example, protective services include providing counseling or training to parents. After investigating, the caseworker prepares a petition to the local Family Court (or 'the court' henceforth).[1] The court reviews and determines whether to accept or reject the petition. In practice, the court generally follows the caseworker's petition. If removal is part of the protective services recommended in the petition, then the child enters the care of the state ('foster care').

There are three types of foster care placements: kinship care (placement with a relative), non-kinship care, and congregate care (which includes group homes). According to the Social Security Act, Section 465(5), child protective service (CPS) agencies are required to find foster children "placement in a safe setting that is the least restrictive (most family like)". Similarly, the Family First Prevention Services Act (2018) says to "increas[e] use of kinship care". This implies a preference ranking of kinship care over non-kinship care over congregate care. While there is a strong preference against congregate care, it may be the only option for children who have specific care needs.

If kinship care is not possible and there are multiple non-kinship care options, then there is a preference for placement with siblings and a placement close to the child's home so that the child can continue attending the same school. Because child protective services are run at the state and/or local level, this introduces

[1] If a caseworker suspects severe maltreatment, then the caseworker can issue an emergency protective order, but must prepare a petition for court review within 24-72 hours of the emergency removal.

Figure 1: Child Welfare Entry Flowchart



heterogeneity in how different agencies may prioritize between placement characteristics. For example, suppose there is a group of four siblings, but there are no non-kinship carers who own a house that could accommodate four additional children. Should the caseworker recommend splitting the siblings up or putting all of them into congregate care? For another example, suppose there are two siblings and multiple potential non-kinship carers. Two are close to the siblings' original home but can only take in one child, while another is further away but can take both children. Should the siblings be placed separately (prioritizing proximity to home) or together (prioritizing keeping family together)? Therefore, a combination of state/local guidance and individual caseworker discretion likely affects these placement decisions.

Foster care is usually intended to be temporary. For most children, the primary goal is reunification with their original caregivers. However, as of 2024, only 51% of children who exit foster care achieve reunification. As such, most agencies simultaneously plan for the next-best option if reunification proves impossible ('concurrent planning'). Aside from reunification, other potentially desirable permanent outcomes from foster care include adoption, guardianship, and emancipation.

1.1 Trends in Foster Care Provision

Over the last 2 decades, federal guidance has moved away from using foster care. For example, the Family First Prevention Services Act (2018) calls for agencies to "reduc[e] the likelihood of foster care placement". Figure 2 shows that while foster care placements were growing from the mid-2010s, agencies appeared to respond to the policy change and decreased placements.

Data from the Adoption and Foster Care Analysis and Reporting System (AFCARS). This shows the number of children in foster care at the beginning of the fiscal year. It therefore may underestimate the number of children who were in foster care at any point in a year, as some children may have short spells in the foster care system.

However, Figures 5 and 6 show that the the response to this policy change varies across states. The fact that foster care placements decreased after 2018 appears to be strongly driven by changes in a small number of states that have large numbers of children in the foster care system, such as California, Pennsylvania, and Texas.

1.2 Providing Foster Care

In all states, non-kinship carers are required to get licensed to provide foster care. Licensing has two major functions. First, the licensing process is intended to ensure that a foster care household meets baseline standards to provide care. Second, licensing qualifies foster care households to receive foster care maintenance payments (FCMP).

Foster care licensing focuses on ensuring the physical safety of the house and the foster parent's ability to provide a foster child's basic needs. Licensing requirements are mostly unified across states via the National Model Foster Family Home Licensing Standards, which went into effect in 2019. All licensing processes incorporate (i) income requirements, (ii) training requirements, and (iii) a home visit. Income requirements are intended to ensure that a potential foster household does not rely on FCMP to meet basic household needs, since FCMP is only intended to support the foster child. Training is generally focused on understanding the foster care system and requirements to be/remain a foster parent. Finally, the home visit is intended to ensure that foster children would have physical needs (e.g., safety, a reasonable amount of privacy) met upon placement.

A major source of financial support for licensed households is through the Foster Care Maintenance Payments Program is part of the Social Security Acts. FCMP is intended to help foster carers cover the daily costs of providing foster care. FCMP are paid by state/local agencies to foster carers, and the federal government reimburses these agencies through Title IV-E funds. Generally, FCMP amounts are decided at the state but sometimes at the local level, and are categorized by age and "level of care" (LOC), which is intended to capture the fact that some children may have medical or behavioral needs that require more resources to address. Foster care households also have access to other forms of government support such as Temporary Assistance to Needy Families and Medicaid.

FCMP are generally perceived as insufficient to cover the actual cost of foster care. For example, the MIT Living Wage Calculator estimates that a 2-adult household in Worcester, Massachusetts that would have no childcare costs and had no children before taking in a foster child would spend an additional $16,274 every year, which comes to a daily rate of $44.59. The daily stipend in Massachusetts is between $34.12-$40.39. The costs become even higher if the household would have to incur out-of-home childcare expenses. Insufficient FCMP likely reflects a combination of two facts: (i) FCMP are not intended to be "profitable" for a household, and (ii) funding is limited.

1.3 Supply of Foster Carers

While the common narrative is that there is a lack of foster carers, it isn't empirically clear whether this is generally true or whether it depends on locale. As a part of this project, we are in the process of gathering data on the number of licensed households by states over time.

I now focus on describing four different types of policies that could affect the supply of foster carers: changing kinship care requirements, recruitment, training and licensing, and increasing resources.

Kinship care requirements. Until recently, most states did not require kinship carers to get licensed. However, licensing is tied to FCMP. A survey by the Annie E. Casey Foundation found that in 2022, only

13 states made regular FCMP to unlicensed kinship carers. While the federal government prefers kinship care due to being the most family-like placement option, this introduces an additional incentive to further prioritize kinship carers, because they create less of a financial burden on the child welfare system. However, kinship carers may not be required to go through the same training as non-kinship carers and can potentially end up with significantly *fewer* resources to provide foster care. This suggests a potential trade-off between keeping children with relatives vs. underlying quality of care.

In 2023, the Child and Families Administration passed a federal level rule that allowed state/local agencies to use separate licensing standards for kinship carers. The rule is intended to streamline the licensing process for kinship carers and allow kinship carers to more easily access resources only available to licensed households. According to the American Bar Association Center on Children and the Law, 13 states have an approved plan for a kin-specific licensing standards as of August 2025.[2]

Separately, some states are allow or are in the process of allowing 'fictive kin' to act as kinship carers. Fictive kin are non-relatives who have close, family-like relationship with the foster child.

Recruitment. Some states have outreach programs intended to recruit households to become foster carers. Recruitment can be either general (e.g., billboards, public service announcements) or targeted towards fulfilling care needs of specific children (New York State Office of Children and Family Services n.d.). After discussion with the Louisiana Department of Children and Family Services, recruitment may also be oriented towards specific communities; for example, Louisiana has held recruitment efforts through local churches (State of Louisiana Department of Children & Family Services 2024).

Training and licensing. Mandatory training is part of the foster care licensing process, but there is heterogeneity across states and locales as to what training entails. Training varies in required minimum length, topics covered, and minimum frequency of renewal. Similarly, states differ over licensing requirements such as CPR training, firearms requirements, and bedroom/housing size requirements. While increasing these requirements is intended to better prepare foster parents to meet the needs of foster children, it could increase the perceived cost of becoming licensed.

Increasing resources. Increases to FCMP or other resources directly lowers the cost of providing foster care. As a part of this project, we are also currently in the process of gathering data on FCMP amounts by states over time.

[2]Plan approved: Colorado, Illinois, Kansas, Kentucky, Louisiana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Tennessee, Washington. Plan to create kin-specific licensing submitted: Delaware, Iowa, Maryland, New Mexico, Oklahoma.

2 Theoretical Framework

I construct a general theoretical framework to analyze a household's decision to (1) become a foster carer and (2) quality of foster care provided. A key modeling question is whether a household that is good at providing foster care is generally good for all potential foster children, or whether match quality between household and foster child matters. I consider both possibilities separately.

2.1 General Quality of Care

Let a household i's type consist of two components: $\theta_i \in [0,1]$ which captures underlying "affinity" for providing foster care. I don't make any distributional assumptions on θ_i for now; let the CDF of θ_i be $F()$ and the PDF be $f()$. A household with $\theta_i = 1$ would provide very high quality care and a household with $\theta_i' = 0$ would provide low quality care, all else equal. The second component of type is $w_i \in \mathbb{R}_{++}$ a measure of household wealth. So a household i can be equivalently described by its type (θ_i, w_i). A fraction $\alpha \in [0,1]$ of households are aware that they could potentially provide foster care. α, θ_i, and w_i are all independent of each other.[3]

To simplify analysis, suppose that a household's decision rule to provide foster care is separable between underlying affinity θ_i and household wealth w_i.[4] Higher affinity and more household resources both make it more likely for a household to provide foster care. Then the decision to provide foster care can be characterized as a cut-off rule: For some $\bar{\theta}$ and weakly increasing function

$$d(w) : \mathbb{R}_{++} \to [0,1],$$

a household decides to get licensed if and only if

$$\theta_i \geq \bar{\theta} - d(w_i).$$

Therefore, the supply of foster carers is

$$\alpha[1 - F(\bar{\theta} - d(w_i))].$$

[3] Assuming independence is primarily to set up a tractable general framework. While it may be reasonable to assume θ_i and w_i are uncorrelated—having more money doesn't *intrinsically* make somebody better at providing child care, though they could act as complements in a quality of care function, as I'll expand upon later—it is probably less reasonable to assume that α is independent of either θ_i or w_i. A household that has an affinity for foster care is probably more likely to be aware of the foster care system.

[4] It would also be fine to let θ_i and w_i interact, as long as they act like complements to each other. Separability is only imposed to simplify analysis.

In this framework, let quality of care be determined by some function

$$Q(\theta_i, w_i) : [0, 1] \to \mathbb{R}_+.$$

Next, I analyze how the four policies identified in Section 1.3 affect supply of foster carers.

2.1.1 Kinship Care Requirements and Recruitment

Making it easier for kinship carers to provide foster care and increasing recruitment would both increase the fraction of households aware they could potentially provide foster care to $\alpha' > \alpha$, which strictly increases the number of households that would provide care to

$$\alpha'[1 - F(\bar{\theta} - d(w))].$$

Minimum and average quality of care would not change.

2.1.2 Increasing Household Resources

Suppose households receive $m \in \mathbb{R}_{++}$ to supplement household wealth if they provide foster care. The cut-off on θ_i for providing foster care therefore *decreases* to

$$\theta_i' \geq \bar{\theta} - d(w + m)$$

since $d()$ is increasing in wealth. Because the cut-off decreases, the number supply of foster carers strictly increases.

However, the effect on quality of care is not clear. If affinity for providing care θ_i is the only variable that affects quality of care, then it would be immediately clear that both the *minimum* and the *average* quality of care will both decrease as a result: high affinity households will already provide foster care even if they have lower household resources available, so increasing resources only attracts households that have lower affinity towards foster care. However, if increasing household resources increases quality of care, then effects are ambiguous and depends on how we assume resources and affinity for care interact with each other in the quality of care function. For example, if adding resources doesn't improve quality of care much for low affinity households but greatly augments high affinity households, then it's possible that minimum quality of care would decrease but average quality of care could increase.

2.1.3 Increasing Licensing Requirements

Increasing licensing requirements costly and acts like a reduction on household resources, therefore the supply of households decreases. If quality of care depends only on θ_i and not at all on wealth, though, both minimum and average quality of care will increase. Furthermore, this effect is exacerbated if we assume that increasing licensing requirements enhances quality of care. While care for children who are placed in a foster household will improve, the decrease in supply of household would sharply decrease the quality of outcomes from those who lose access to licensed households, so overall welfare effects remain ambiguous.

2.2 Match Quality of Care

Now suppose that a household's type has two components: $\tau_i^H \in [0,1]$ together with household wealth $w_i \in \mathbb{R}_{++}$. Also, every foster child k has a type $\tau_K^C \in [0,1]$. To keep the framework as general as possible, I don't make any assumptions over the distributions on household or child type. However, I note here that household type and child type should convey different information. τ^C represents a "level of care" measure, where a higher level of care implies that the child requires increasingly more specialized or intensive care (e.g., medical needs). τ^H then might represent how capable a household is to care for children with more specific/intensive care needs. Then unlike the previous framework, quality of care is determined by how closely households and children match; that is,

$$\mu(\tau^H, \tau^C) : [0,1]^2 \to \mathbb{R}_{++}$$

where $\mu()$ is weakly increasing in $|\tau_i^H - \tau_k^C|$. Ideally, we match children with more intensive care needs to the households most capable of providing them.

As long as household wealth matters at all to the decision to provide care, then focusing on directly increasing supply by lowering kinship care requirements or increasing recruitment has the same effects as increasing resources available to households. If there is a shortage of *any* type of carer, then average quality of care increases as some children would definitely improve their match without any matches being made worse off in quality. However, it is not clear whether this increases either marginal or minimal quality of care without making more precise assumptions on the matching function $\mu(\tau^H, \tau^C)$.

2.3 Additional Theoretical Work

Throughout, I have so far ignored potential "outside options" such as congregate care. This analysis implicitly assumes that putting foster children in non-congregate care options is strictly preferred. However, it is possible under either framework that children with certain needs would be better placed in congregate care;

for example, children with intensive behavioral needs may be best cared for by experts with specific training.

Taking this into account and making more precise assumptions about functional forms (e.g., distributions on type, gains from matches, etc.) would allow this framework to be used to do welfare analyses and generate more specific predictions about who is made better or worse off under different policy changes.

3 Proposed Data and Empirical Approach

I have access to two data sources: the Adoption and Foster Care Analysis and Reporting System (AFCARS) and the National Child Abuse and Neglect Data System (NCANDS). AFCARS collects data from states every year on children in the foster care system. NCANDS collects data from states every year on every child maltreatment report received. Because removal from home and placement into foster care is a potential outcome from a child maltreatment report, NCANDS data can be linked to AFCARS via a "child ID".

However, neither NCANDS nor AFCARS has data on the number of licensed households. Without that, I cannot analyze the *direct* effect of policy changes on the supply of foster carers. It also means that it would be difficult to confirm whether any indirect effects (number of placements, fraction of substantiated child maltreatment reports that convert to a foster care placement, length of stay, etc.) are really linked to changes in supply or if they are picking up on concurrent events.

As such, I'm currently gathering data on number of licensed households as well as information on changes in policies by state over time. Policy changes that I intend to eventually analyze include:

- Effects of recruitment campaigns. Examples: Louisiana started recruiting households via church outreach programs in the late 2010s. New York state requires its foster care agencies to submit recruitment and retention plans every 3 years.
- Changes in licensing requirements. Examples include making it easier for kinship carers to get licensed, qualifying fictive kin as kinship carers, adding training like CPR, or adding criteria to home studies like firearm security requirements.
- Non-inflation related changes in FCMP. Example: Louisiana substantially increased daily compensation to foster carers from an average of $15.20 to $19 in 2021.

4 Directions for Future Work

There are also two foster care related topics that this project will hopefully end up complementing: how supply of foster care households affects the probability of removal and if different states interpret federal

guidance differently when deciding foster care placements.

Supply of foster care households may affect probability of removal if caseworkers are less likely to remove a child when it is more difficult to find a place for them to live post-removal. In principle, a child should only be removed because of the characteristics of their maltreatment case. But it stands to reason that caseworkers may be less likely to remove a child from their home if the caseworker perceives that the only feasible placement option is congregate care—which federal guidance has emphasized should be used as infrequently as possible. If the decision to remove is endogenous to the supply of foster care households, then it follows that children will tend to removed less than the "correct" removal rate when supply is low and that children could also be "over-removed" if supply is high.

While federal guidance unifies some aspects of the child welfare system, there is likely significant variance in how states interpret this guidance. The Social Security Act and the Family First Prevention Services Act (2018) together make it clear that agencies should reduce removals and prioritize keeping foster children in the most family-like setting possible. Figures 5 and 6 clearly show, though, that different states have responded to the federal-level guidance to reduce foster care placements differently—in fact, a significant number of states seem to have not responded to this at all.

Similarly, federal guidance doesn't make it clear how to trade off between "placement in the most family-like setting" with other desirable placement qualities like placement stability. A significant minority of children in foster care, for example, have multiple placements—which is undesirable as changing carers disrupts overall stability in the child's life. Figure 3 shows that there is wide variance in placement stability even among states that have similar numbers of placements (that are on the same vertical).

Finally, there is significant heterogeneity in how much states utilize different types of foster care, even though federal guidance clearly states a preference for kinship care. Figure 4 shows the percentage of students in non-kinship care vs. kinship care (with the remainder in congregate care) by state in 2019. Even among states that rely on kinship care to a similar degree (that are on the same horizontal), states differ significantly in how much they use non-kinship vs. congregate care. For example, Arkansas and Alabama both placed approximately 20% of children in kinship care, but Alabama approximately placed 50% in non-kinship care and therefore approximately 30% in congregate care, while Arkansas placed approximately 25% in non-kinship care and therefore 55% in congregate care.

Overall, characterizing how different states have established different "norms" to interpreting federal guidance and how these norms affect downstream outcomes is of interest because it may help establish empirically-founded best practices recommendations.

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A Additional Figures and Graphs

Figure 2: Children In Foster Care Over Time

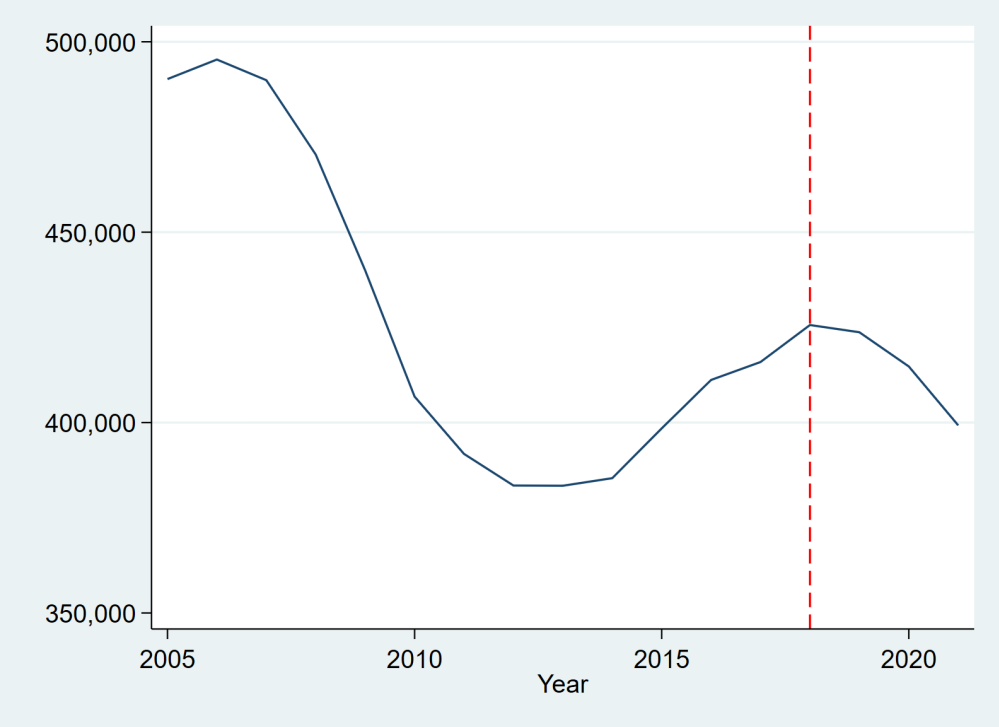


Figure 3: Placement Stability Across States

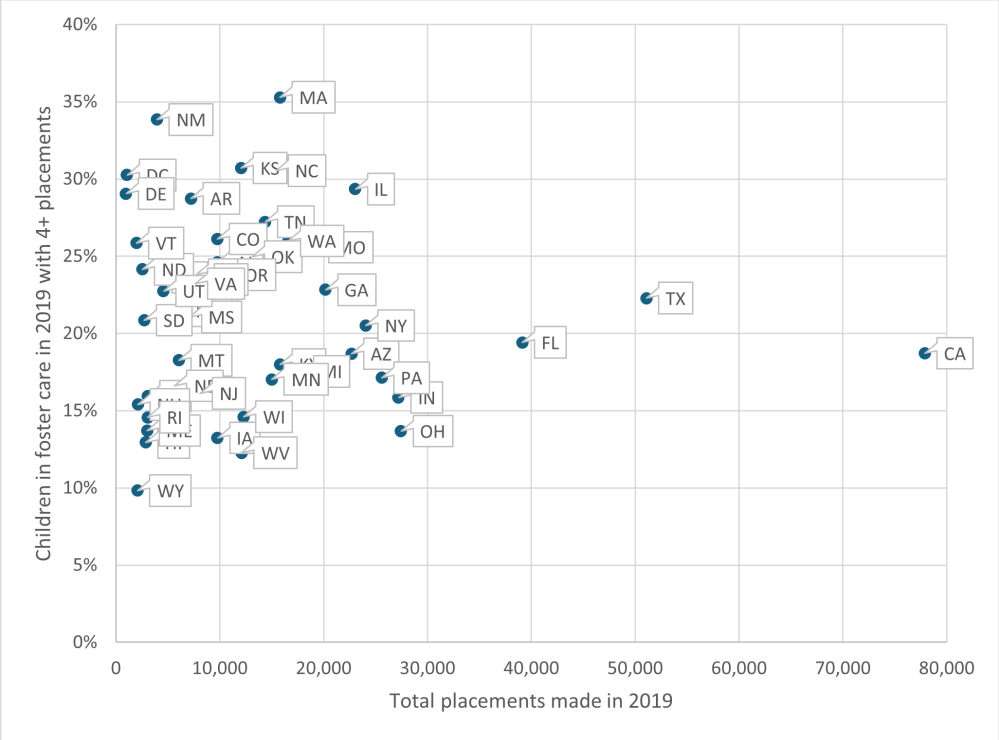


Figure 4: Percentage of Children in Kinship Care Across States

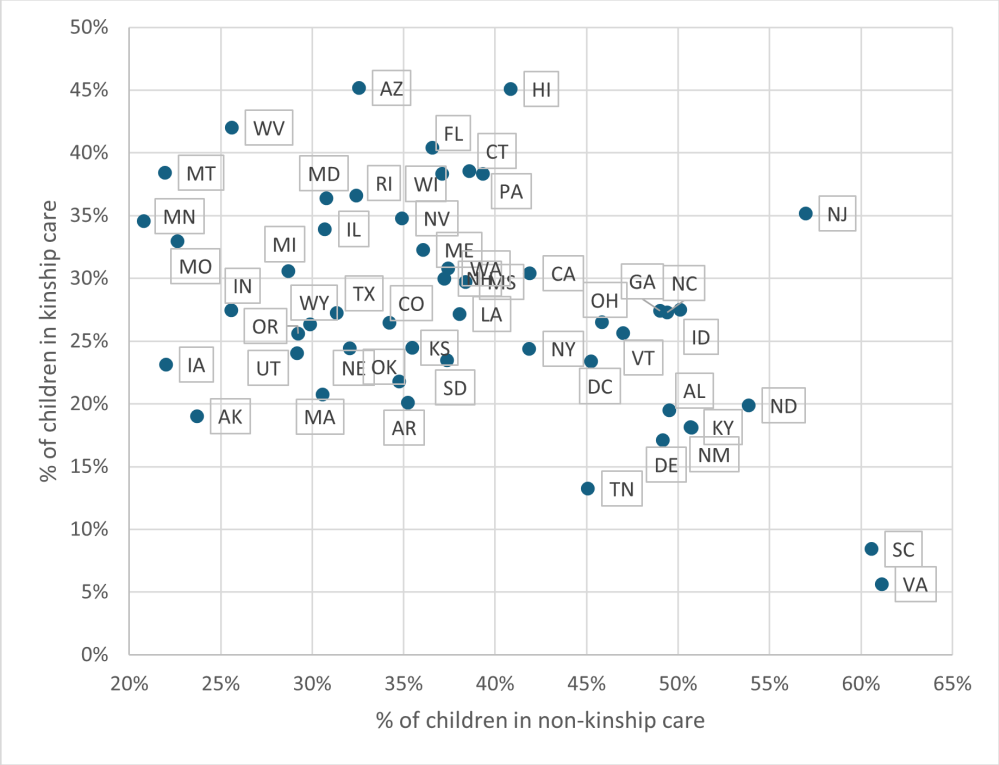
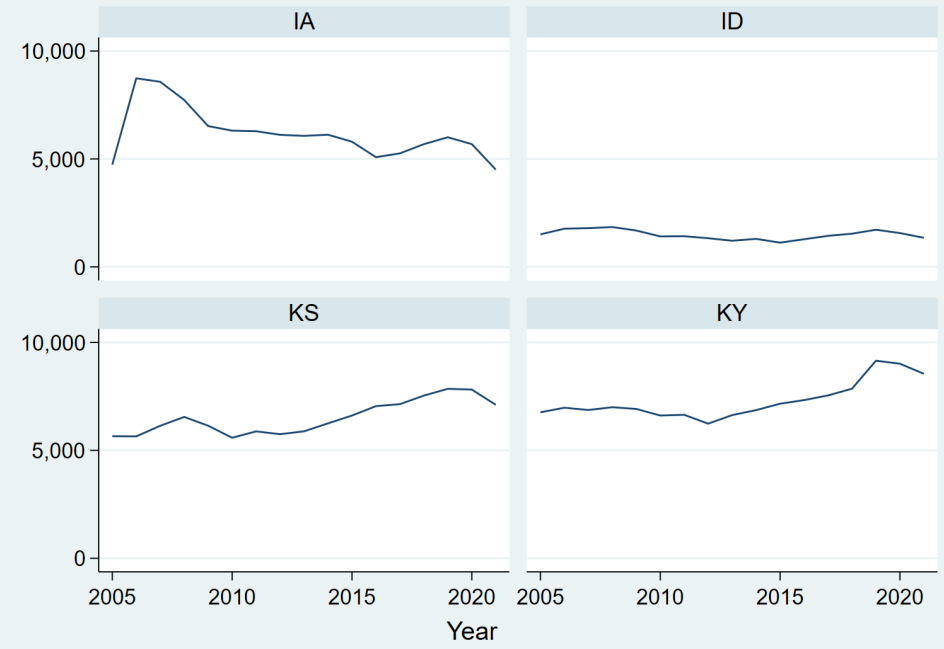
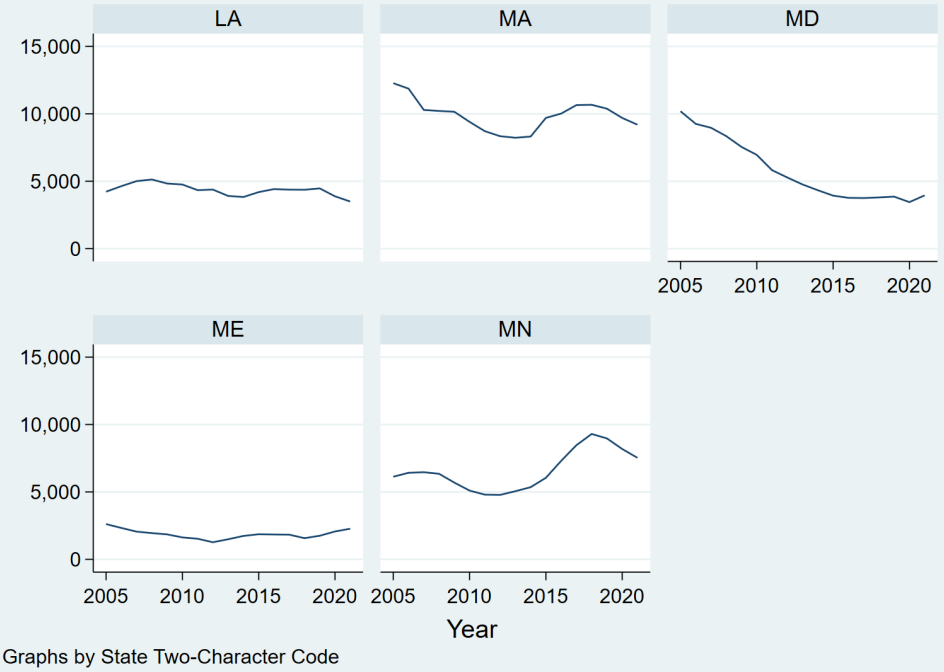
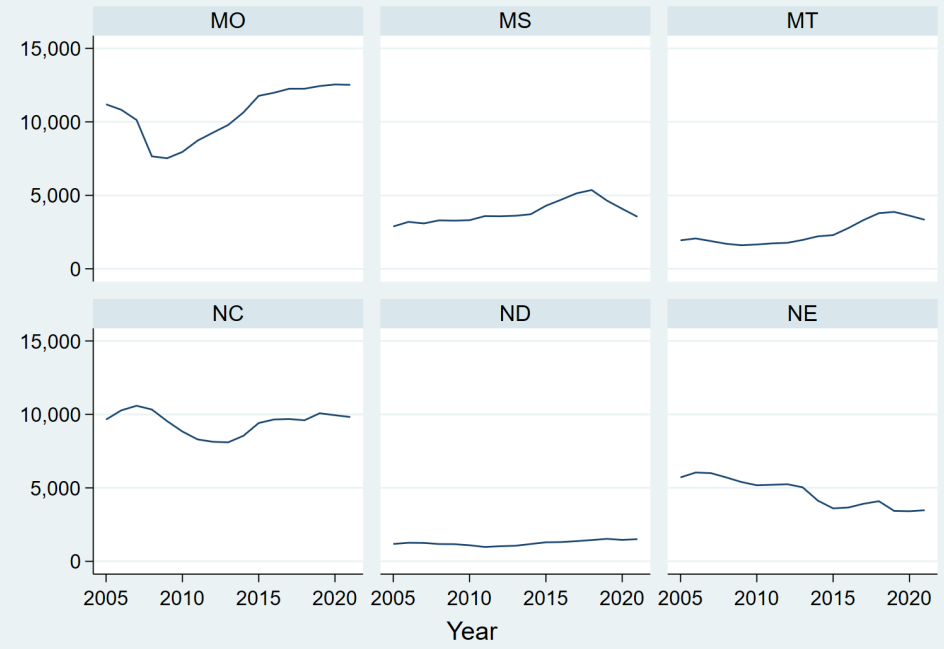


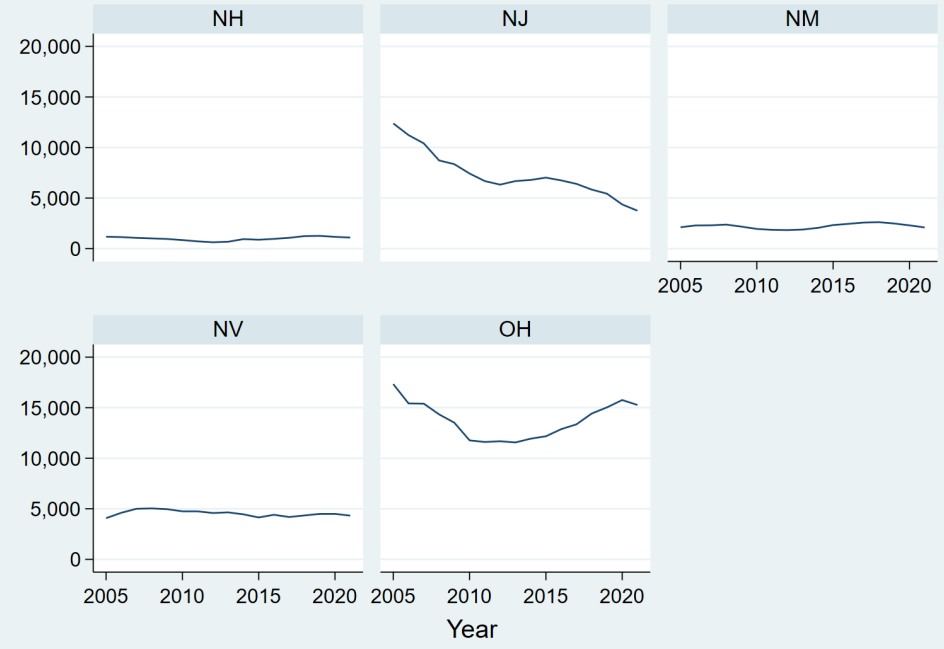
Figure 5: Children In Foster Care by States with <20,000 Observations

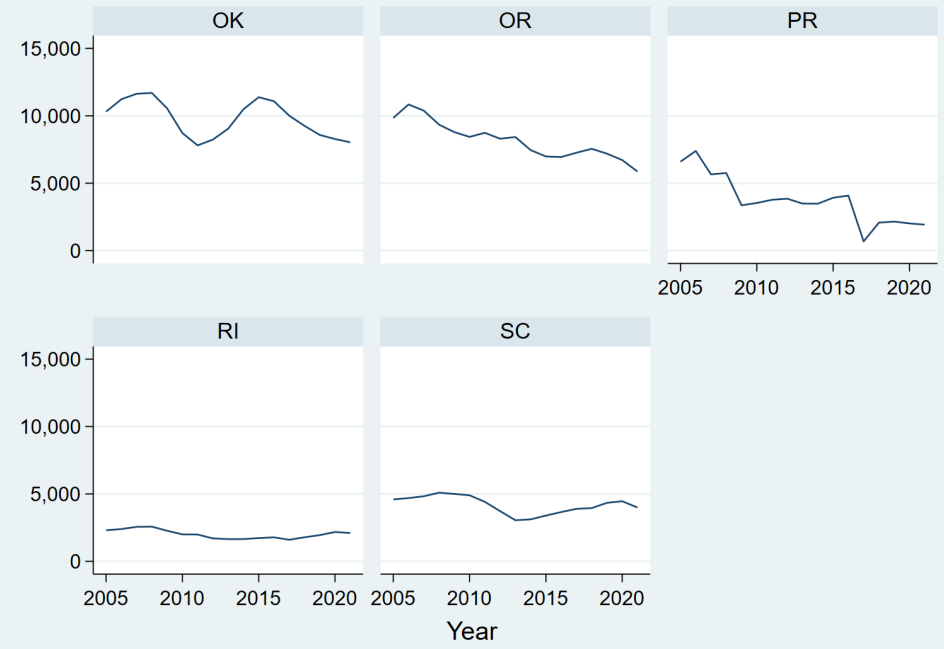


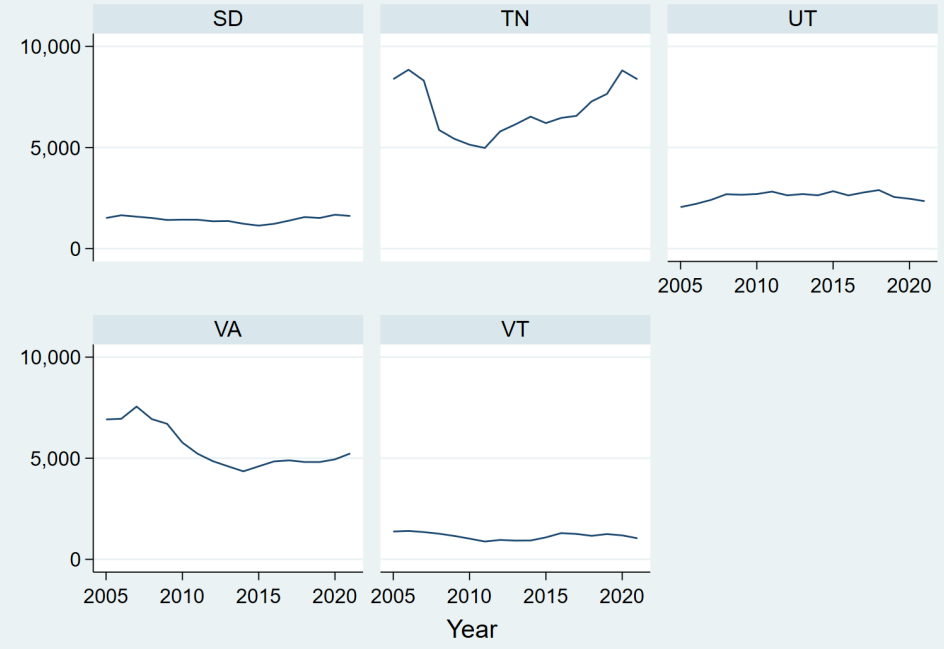

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Graphs by State Two-Character Code


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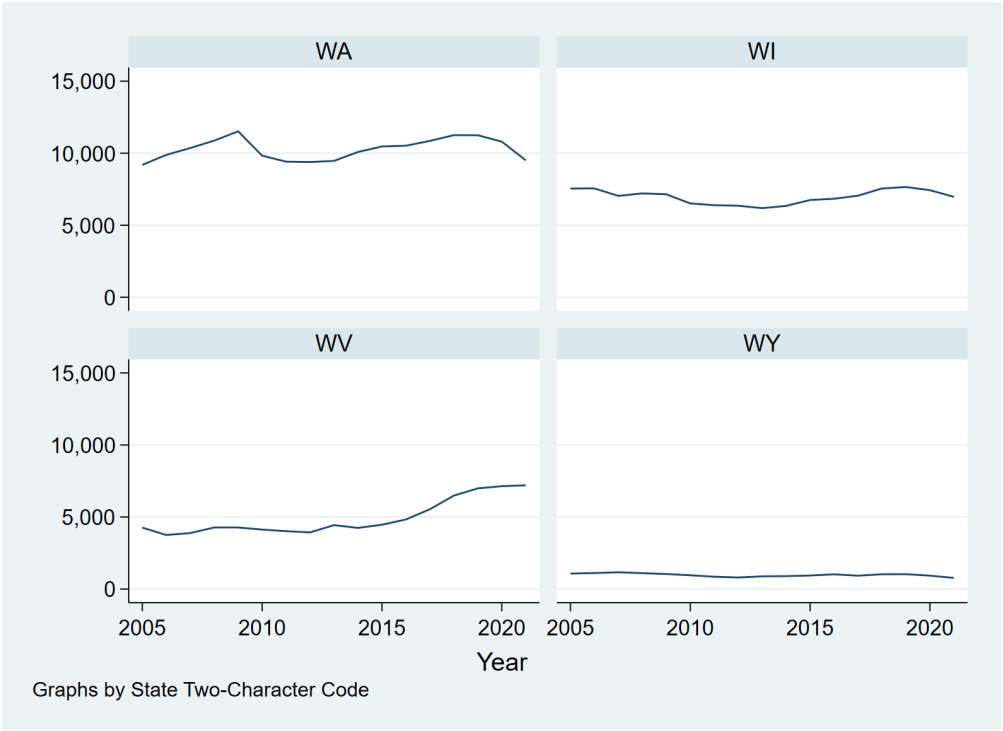
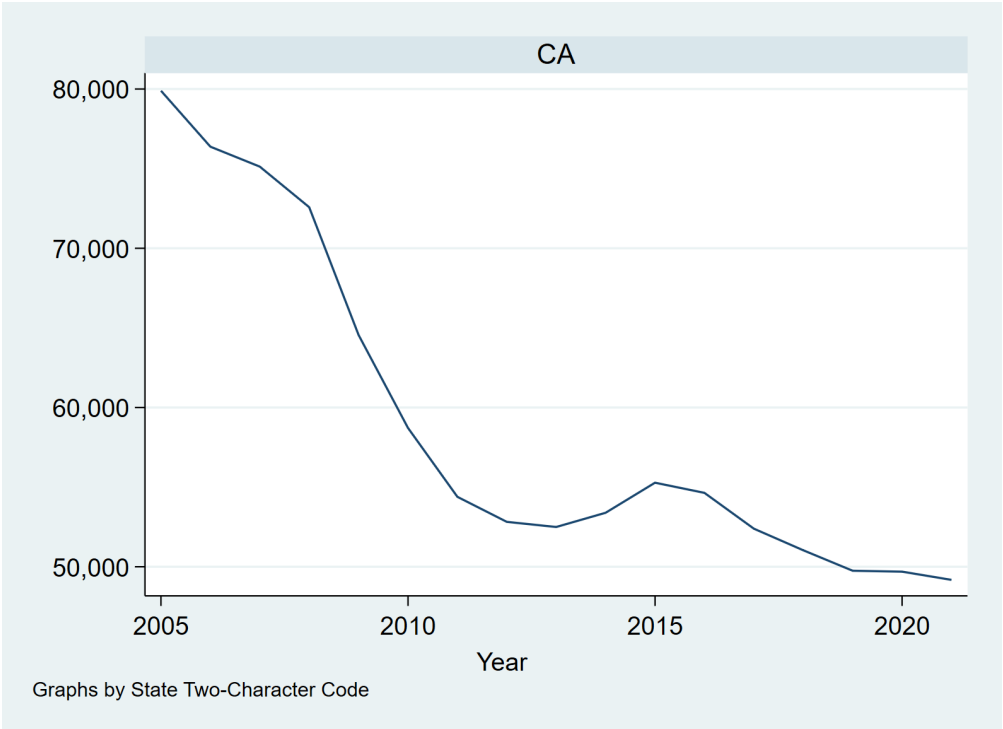
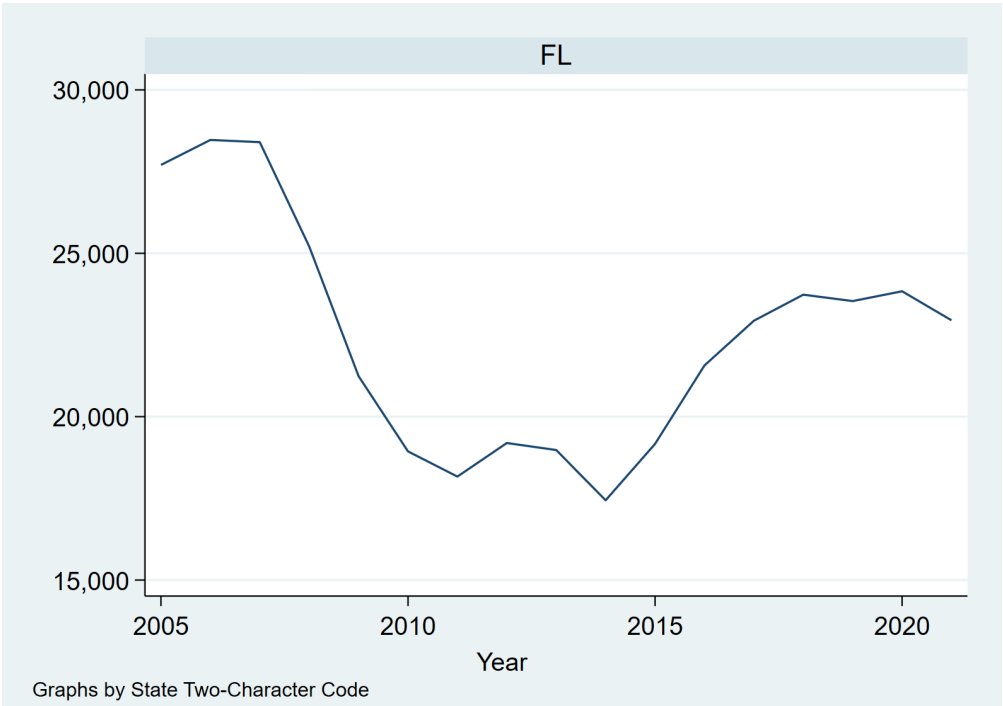
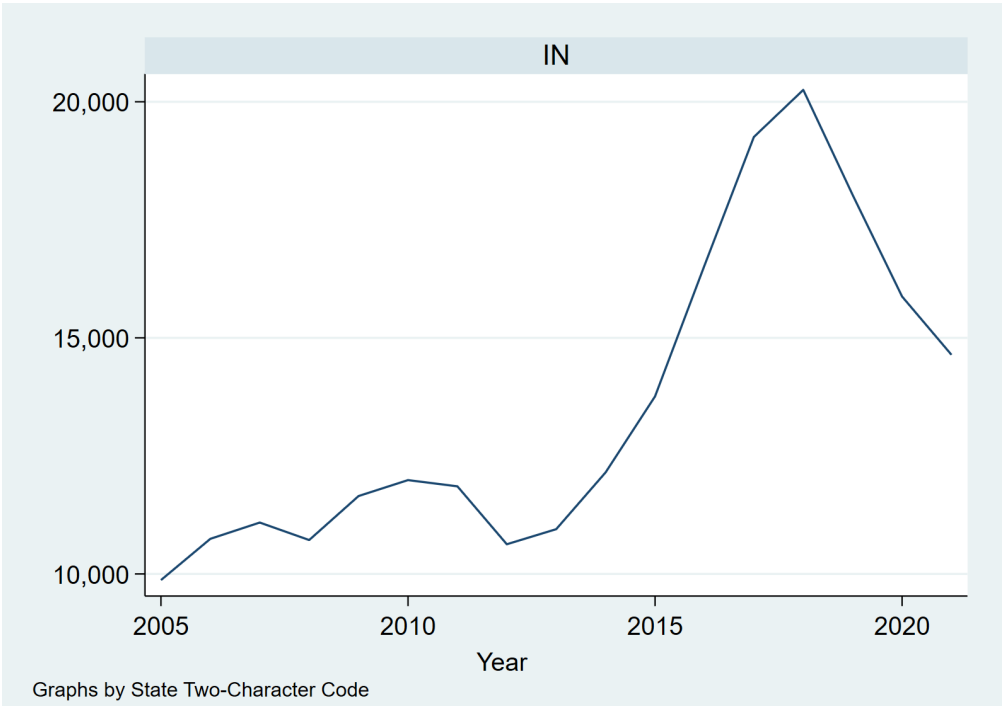


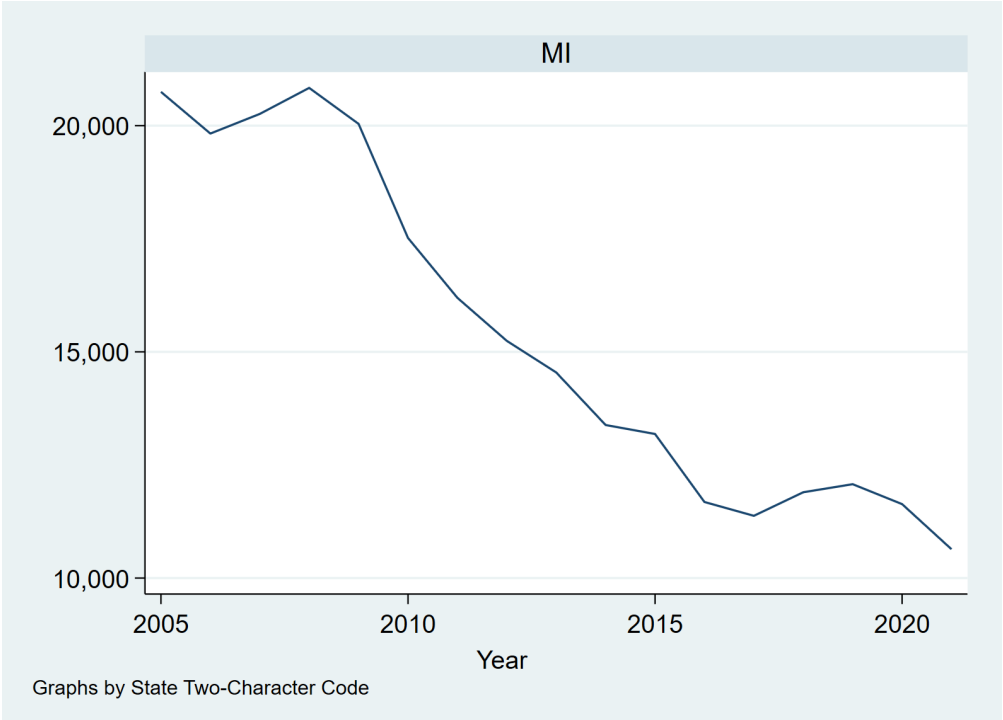
Figure 6: Children In Foster Care by States with >20,000 Observations

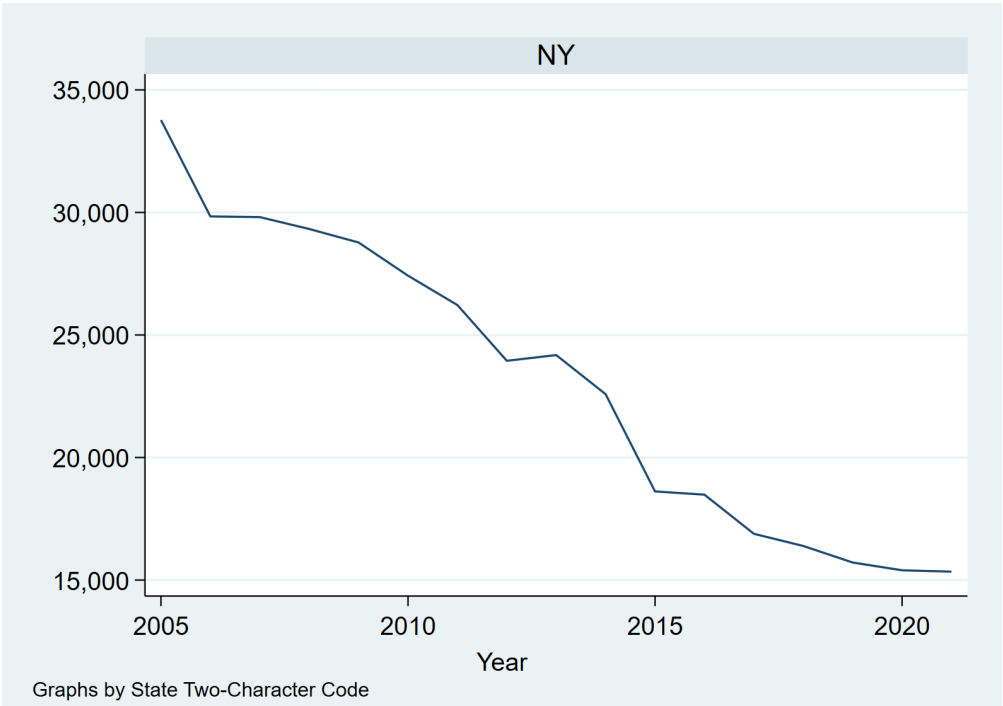


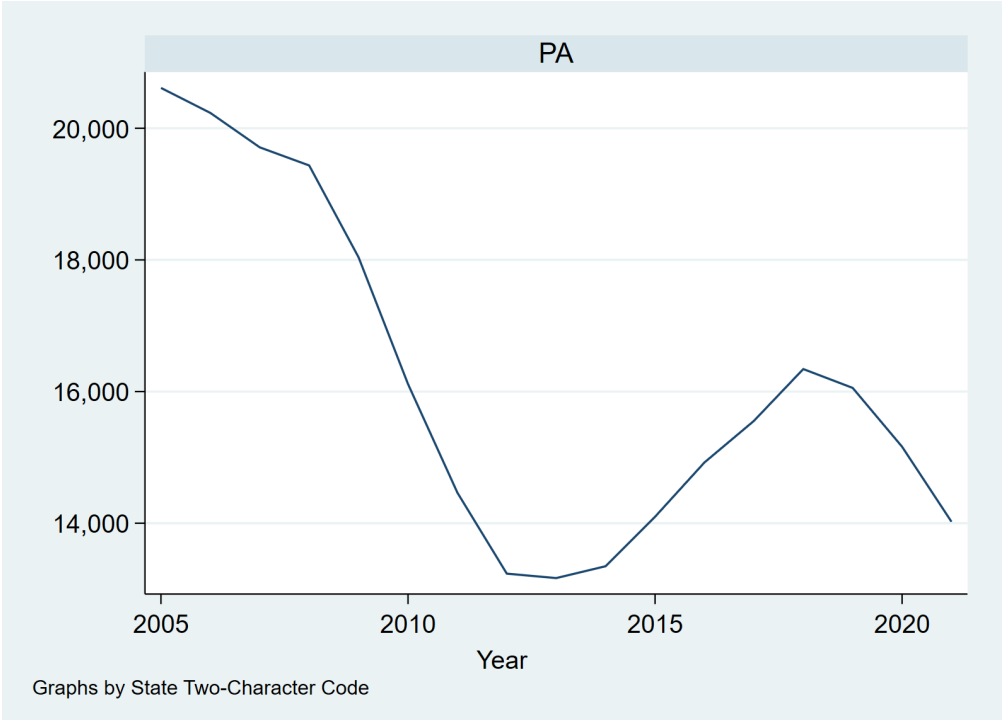

FL
30,000
25,000
20,000
15,000
2005
2010
2015
2020
Year
Graphs by State Two-Character Code

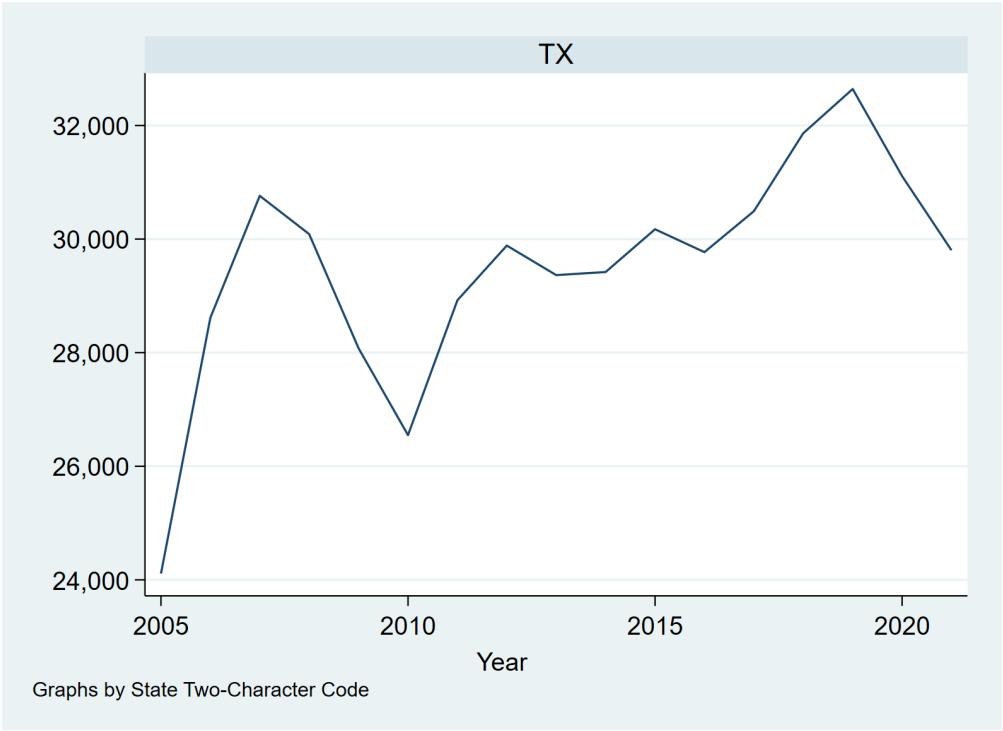

IL
20,000
18,000
16,000
14,000
2005
2010
2015
2020
Year
Graphs by State Two-Character Code


IN
20,000
15,000
10,000
2005
2010
2015
2020
Year
Graphs by State Two-Character Code


MI
20,000
15,000
10,000
2005
2010
2015
2020
Year
Graphs by State Two-Character Code


NY
35,000
30,000
25,000
20,000
15,000
2005
2010
2015
2020
Year
Graphs by State Two-Character Code


PA
20,000
18,000
16,000
14,000
2005
2010
2015
2020
Year
Graphs by State Two-Character Code


TX
32,000
30,000
28,000
26,000
24,000
2005
2010
2015
2020
Year
Graphs by State Two-Character Code