

August 2011

Foster Care Cost Survey of Indiana

Memorandum of Survey Methodology



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Introduction

The Center for Business and Economic Research at Ball State University conducted a foster care cost survey for the Indiana Department of Child Services. The purpose of the survey is to better understand costs related to caring for foster children across a variety of areas. Importantly, while we have obtained considerable information about spending patterns of families with foster children, this study focuses only on those expenses allowable under Title IV-E of the Social Security Act. This report discusses the survey methodology used in the study.



Survey Methodology

Census of Families

A listing of foster care families was obtained from Department of Child Services' *Total Child and Resource Information* for a total of 5,895 children placed in foster homes as of June 1, 2010. This dataset included variables such as child case ID, name of child, date of birth, county, resource ID of foster parent, name, and address of foster parent. Some parents had more than one foster child. In order to reduce the burden on foster parents, all the duplicate resource IDs were deleted. The resultant first child (sorted by first letter of last name, then by first letter of first name) of each foster parent was considered in our initial census for a total of 2,813 families. This process included all foster parents in the given data set; all families were sent a survey. After removing the undeliverable addresses¹, the final census was 2,488. In one basic survey, we have analyzed two groups of children – Young Child: Infant to 4 years and Child: 5 to 18 years. The infant to 4 years category had 1,003 families and the 5 to 18 years group had 1,485 families.

Surveys

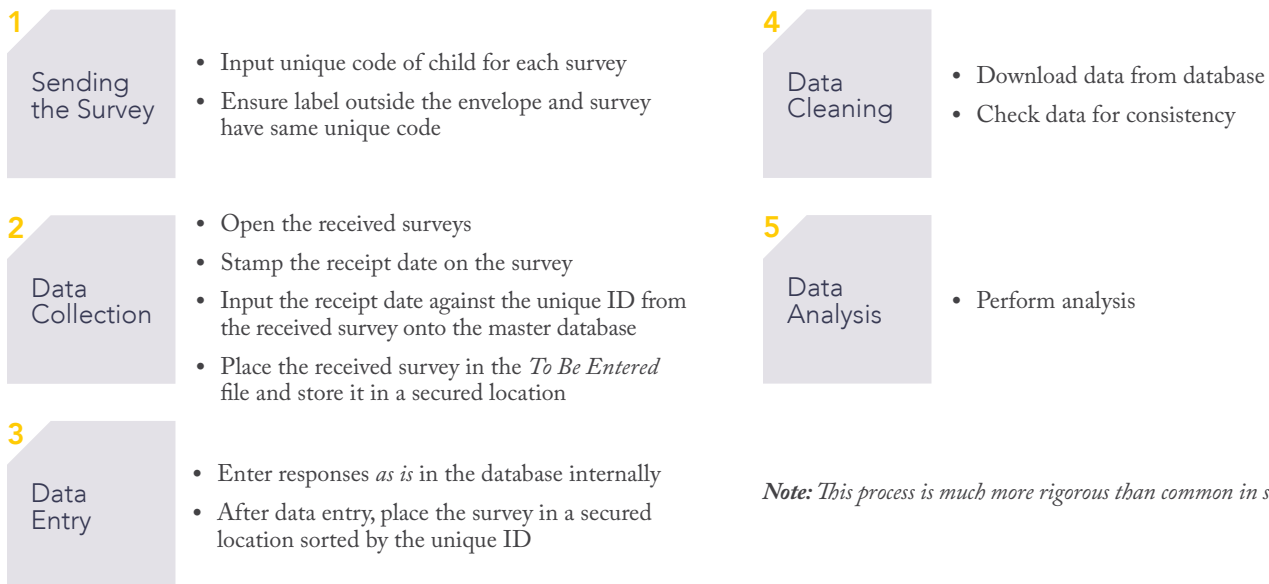
Letters and surveys were sent out on the first week of July 2010 to all the foster parents, with one foster child's name at the top of the survey. A reminder letter was sent on August 3, 2010 with a deadline for completion of August 11, 2010. Samples of letters and surveys are found in the Appendices.

¹There were a total of 325 foster parents with undeliverable addresses due to relocation or other reasons unknown.

Survey Process

We followed a five-step process to ensure effective survey methodology as shown in Figure 1.

Figure 1: Five-Step Survey Process



Note: This process is much more rigorous than common in similar surveys.

Existing Literature: USDA & MARC Studies²

In order to prepare for the census, we reviewed two recent studies—the United States Department of Agriculture (USDA) Expenditures by Families with Children (2009) and Hitting the MARC: Establishing Foster Care Minimum Adequate Rates for Children (2007).

USDA Study

The USDA study is an analysis of federal survey data from the 2005-2006 Consumer Expenditure Survey (CES) adjusted to 2009 dollars using the Consumer Price Index. The estimated annual expenditures on a child by husband-wife families with before-tax income of \$56,300 to \$97,490 for urban midwest,³ and the IV-E equivalent costs—food, clothing, miscellaneous and housing—could be used for calculating the costs.

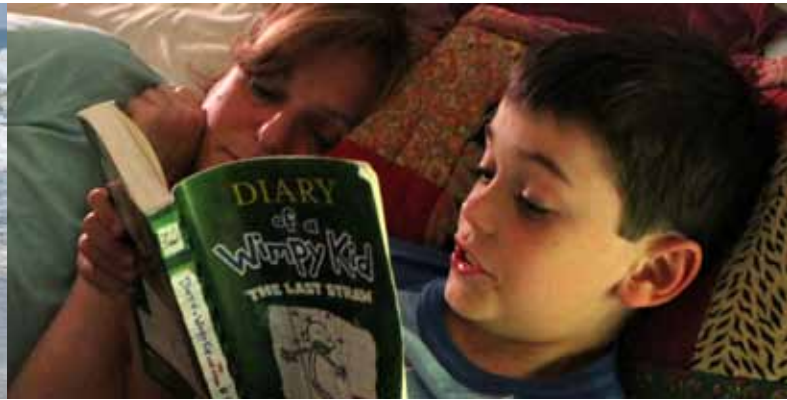
There are two primary limitations in the USDA study for purposes of understanding the costs associated with a foster

child. The first is the level of aggregation of individual areas, and the second is the focus of the study on estimating ‘average’ not ‘incremental’ expenditures made by families. In the first case, the USDA study sums up different types of expenditures into single categories which make direct comparison of any findings from this survey and that study problematic. However, the second problem is far more problematic for use in establishing expenditures associated with foster care. The USDA Study estimates the average daily expenditures by averaging total costs of household expenditures across all family members. This would inevitably lead to misstatement of actual changes in cost associated with an additional child. An example may be helpful.

The addition of a child to a household, through birth, adoption or fostering, would lead to higher overall costs as the child consumes more space in the home, and the associated utilities, food, clothing, etc. But, this child would not cause an increase in all household related costs (e.g. mortgage, or costs associated with maintaining the lawn). Some costs may be understated by the USDA methodology (e.g. utilities, ,water use, etc.) However, the USDA study averages these costs across all household members. As a consequence, the USDA approach measures the average cost of an additional child, rather than the additional cost of that child on a household’s expenses. It is the additional, or incremental cost of an additional child that this study seeks to measure.

² DePanfilis, D., Daining, C., Frick, K., Farber, J., & Levinthal, L. 2007. *Hitting the M.A.R.C. Establishing foster care Minimum Adequate Rates for Children, Technical Report*. New York: Children’s Rights, Inc.

³The Midwest region consists of Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota and Wisconsin.



MARC Study

The MARC study is the result of an analysis funded by several children's advocacy groups, using data from the same Consumer Expenditure Survey, (which measures the average, not incremental cost), and is then inflated and adjusted to regional costs of living.

In contrast to the USDA Study, the MARC study deploys implausible assumptions to inflate the cost of caring for foster children. While there are many examples, a few obvious examples are sufficient to call into doubt the efficacy of this report to inform states or families of the costs of foster care. For example the MARC study assumes that foster children require a 15 percent greater incidental allowance without supporting data (See MARC study p. 16) and includes the incremental cost of family financial services (insurance) related to foster care (See MARC study p. 16). This is based on commercial insurance, despite the fact that homeowner insurance is almost exclusively a fixed, not variable cost with respect to family size and composition.

The MARC study assumes foster children will damage or wear out their school supplies at a higher rate (15 percent) than other children, and that their clothing will wear out or be damaged at double the rate of other children. More puzzling, a relatively small category of CES data (expenditures on coin-operated laundry) was increased by 50 percent for foster children. Though we believe the costs of foster children differ in many respects from non-foster children, the choices made by the MARC authors appear to be arbitrary and capricious. More troubling is that where common cost theory could be applied, the MARC study chose to adjust costs in the opposite direction. For example, when confronted with the average cost of providing food for a child from the CES, the MARC study authors chose to inflate that cost by 10 percent to account for behavioral issues that may, or may not be more prevalent in foster children (such as food hoarding). This choice is not merely performed without the benefit of empirical support, it is apparently done without any

recognition of the commonly known fact that there are scale economies⁵ present in feeding a family. This obvious mistake is magnified by the failure of the study authors to recognize that the CES data report average instead of incremental costs of children in a household and so already misstates the cost of an additional household member. Further, it appears the MARC study uses aggregate regional cost of living estimates to adjust for regional cost differences, which would overstate the differences because most regional variability in prices are found in consumer durables (e.g. homes). Admittedly, it is difficult to say with certainty that this occurred in the MARC study, since the authors did not list the index they employed in their study (See MARC study note xxxvii). If these analytical shortcomings occur in only three pages, then there are certainly others. What is clear is that the MARC study is inadequate for use as guidance to either families or states on the costs of foster care.

Summary

This census of foster parents represents the most comprehensive analysis of costs associated with foster child care to date. The approach is designed to capture true incremental costs of foster care that are allowable under Title IV-E of the Social Security Act, with particular attention to disaggregation of individual cost elements. This permits varied uses of the data in the administration and management of foster care and related services.

⁵For an extensive review on scale economies, refer to the following studies:

(1) Browning, M. (1992). *Children and Household Economic Behavior*. *Journal of Economic Literature* 30(3), 1434-1475.

(2) Engel, E. (1895). *Die lebenskosten belgischer arbeiter-familien fruher und jetzt*. *Bulletin de l'Institut International de Statistique* 9, 1-129.

(3) Jones, K.M. *Household Economies of Scale: Benefits for Age-grouped Children?* Department of Agriculture and Resource Economics, University of California, Berkeley (August 29, 2008), <http://are.berkeley.edu/fields/ae/jones.pdf>.

Appendix 1: Initial Letter Accompanying Child Care Cost Survey



CENTER FOR BUSINESS AND ECONOMIC RESEARCH
MILLER COLLEGE OF BUSINESS

Phone: 765-285-5926
Fax: 765-285-8024

June 30, 2010

Dear Foster Parent:

The *Center for Business and Economic Research at Ball State University* is conducting a child care cost survey for the Indiana Department of Child Services. You will find the survey on the back of this letter.

We ask your assistance in completing this survey, which should take about ten minutes of your time. The purpose of the survey is to better understand costs related to caring for your Foster child. Please note the child's name at the top of the survey and respond **with information specifically regarding only that child.**

Please return the completed survey in the postage-paid envelope provided. If you have any questions while completing the survey please call 765.285.5926 or email us at cbersurvey@bsu.edu.

Thank you for your time and assistance on this survey.

Regards,

Michael J. Hicks, PhD
Director

Enclosures

Appendix 2.A: Child Maintenance Survey, Young Child: Infant - 4 Years

DEPARTMENT OF CHILD SERVICES – CHILD MAINTENANCE SURVEY

Young Child: Infant - 4 years

CHILD'S NAME: _____

DIRECTIONS: The following sections contain questions that relate to the cost of providing care for your foster child. Please answer these questions only for the child's name listed above. Please answer these questions honestly to the best of your ability.

If you have any questions at any time, please contact the Center for Business and Economic Research at 765-285-5926 or cbersurvey@bsu.edu.

1. FOOD PER DAY

Cost of formula for infant per week: _____

Cost of food (e.g., First Foods, cereal) for infant per week: _____

Cost of breakfast for child per week: _____

Cost of lunch for child per week: _____

Cost of dinner for child per week: _____

Cost of snacks for child per week: _____

Cost of dining out for child per week: _____

Other food costs for child per week: _____

Please explain "other food costs" in detail: _____

2. CLOTHING

Initial clothing purchase cost at time child entered foster home: _____

On-going clothing purchases paid out-of-pocket per **MONTH** (not reimbursed): _____

Please explain if there are special circumstances: _____

6. DEMOGRAPHICS

Age of foster parent this completing survey: _____

Marital status: (please circle one) Married / Divorced / Widow / Single / Co-habiting

Are you a relative or kin of the foster child listed above? Yes / No

Number of foster children currently in your home: _____

Number of people in home (all adults and children, including yourself and any currently placed foster children): _____

Do you receive WIC? Yes / No

3. SHELTER & CAR

Cost of preparing home for foster child entry that you paid out of pocket. Please provide specific examples: crib/baby bed \$ high chair \$ car seat \$

Cost of monthly utilities: (e.g., water, electricity, natural gas, trash removal) _____

Was there any increase in your utilities cost due to having the child in the home? Yes / No

How much was the increase in your utilities cost due to having the child in the home? \$ _____

4. PERSONAL INCIDENTALS

Cost of personal hygiene items per **MONTH**: (e.g., soap, **diapers**, **pull-ups**, toothbrush, toothpaste, over the counter medicine) _____

5. TRAVEL & VISITATION COSTS FOR FOSTER PARENTS

Method you use to travel to child's visit site: Car Train Bus Other: _____

Frequency of visits per **MONTH** to child's visit site: _____

Miles to child's visit site: _____

Free/reduced lunch? Yes / No

Length of time in your home for the foster child listed above: _____

Do you have a CCDF (day care) voucher for this child? Yes / No

What best describes the type of supervision this child requires? (Please check only one response)

Less supervision than a typical child of his/her age

About the same amount of supervision as a typical child of his/her age

More supervision than a typical child of his/her age

Constant, 'hands-on' supervision that is not typical of a child of this age

Survey by Ball State University Center for Business and Economic Research. Questions: 765-285-5926 or cbersurvey@bsu.edu

Appendix 2.B: Child Maintenance Survey, Child: 5 Years - 18 Years

DEPARTMENT OF CHILD SERVICES – CHILD MAINTENANCE SURVEY

Child: 5 years - 18 years

CHILD'S NAME: _____

DIRECTIONS: The following sections contain questions that relate to the cost of providing care for your foster child. Please answer these questions only for the child's name listed above. Please answer these questions honestly to the best of your ability.

If you have any questions at any time, please contact the Center for Business and Economic Research at 765-285-5926 or cbersurvey@bsu.edu.

1. FOOD PER DAY

Cost of breakfast
for child per week: _____

Cost of lunch
for child per week: _____

Cost of dinner
for child per week: _____

Cost of snacks
for child per week: _____

Cost of dining out
for child per week: _____

Other food costs
for child per week: _____

Please explain "other
food costs" in detail:

2. CLOTHING

Initial clothing purchase cost at
time child entered foster home: _____

On-going clothing purchases paid
out-of-pocket per **MONTH**
(not reimbursed): _____

Please explain if there are
special circumstances:

6. DEMOGRAPHICS

Age of foster parent completing
this survey: _____

Marital status: _____
(please circle one) Married / Divorced / Widow
Single / Co-habiting

Are you a relative or kin
of the foster child listed above? _____
Yes / No

Number of foster children
currently in your home: _____

Number of people in home (all
adults and children, including
yourself and any currently placed
foster children): _____

3. SHELTER & CAR

Cost of preparing home for foster
child entry that you paid out of
pocket. Please provide specific
examples: _____

Cost of monthly utilities: (e.g., water,
electricity, natural gas, trash removal)

Was there any increase in your
utilities cost due to having the
child in the home? _____ Yes / No

How much was the increase in
your utilities cost due to having
the child in the home? _____ \$

4. PERSONAL INCIDENTALS

Cost of personal hygiene
items per **MONTH**: (e.g., soap,
shampoo, toothpaste, toothbrush,
over the counter medicine)

Cost of school supplies per
MONTH: (e.g., pens, pencils,
paper, erasers)

5. TRAVEL & VISITATION COSTS FOR FOSTER PARENTS

Method you use to travel _____
to child's visit site: Car Train
 Bus Other: _____

Frequency of visits per **MONTH**
to child's visit site: _____

Miles to child's visit site:

Free/reduced lunch? _____ Yes / No

Length of time in your home for
the foster child listed above: _____

Do you have a CCDF (day care
voucher) voucher for this child? _____ Yes / No

What best describes the type of (Please check only one response)
supervision this child requires?

- Less supervision than a typical child of his/her age
 About the same amount of supervision as a typical child of his/her age
 More supervision than a typical child of his/her age
 Constant, 'hands-on' supervision that is not typical of a child of this age

Survey by Ball State University Center for Business and Economic Research. Questions: 765-285-5926 or cbersurvey@bsu.edu

Appendix 3: Reminder Letter for Child Care Cost Survey

A reminder letter was sent on August 3, 2010, with a deadline for completion of August 11, 2010.



Phone: 765-285-5926

Fax: 765-285-8024

CENTER FOR BUSINESS AND ECONOMIC RESEARCH

August 3, 2010

Re: Department of Child Services Survey

Dear Foster Parent:

*This is a friendly reminder to please take ten minutes to fill out the **Department of Child Services Child Maintenance Survey** that was mailed to you three weeks ago. If you have already completed and returned the survey, please accept our sincere thanks.*

The *Center for Business and Economic Research* at Ball State University is conducting a child care cost survey for the **Indiana Department of Child Services**.

We ask your assistance in completing this survey, which should take about ten minutes of your time. The purpose of the survey is to better understand costs related to caring for your Foster child. Your child was randomly chosen from a sample of all foster children in Indiana. Please note the child's name at the top of the survey and respond **with information specifically regarding only that child.**

Please return the completed survey in the postage-paid envelope provided or fax it to us at 765.285.8024. If you have any questions please call 765.285.5926 or email us at cbersurvey@bsu.edu. Surveys post marked later than **August 11, 2010** will not be considered in our analysis.

Thank you for your time and assistance on this survey.

Regards,

Michael J. Hicks, PhD
Director

About the Center

The Center for Business and Economic Research, formerly the Bureau of Business Research, is an award-winning economic policy and forecasting research center housed within the Miller College of Business at Ball State University. CBER research encompasses health care, public finance, regional economics, transportation, and energy sector studies.

In addition to research, we serve as the forecasting element in the Muncie area—holding five state and federal economic forecasting roundtables.

Center for Business and Economic Research

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