



# Cost Avoidance

Cutler Consulting // 2009

Bolstering the Economic Case for Investing  
In Youth Aging Out of Foster Care



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## Executive Summary

Youth aging out of foster care experience a great many difficulties in their lives and, in a number of vital areas, their “outcomes” lag dramatically behind their non-foster care peers. Although measurable improvements can be made in a number of youth outcomes, funding is always scarce and it is difficult in any economic climate to make the case for increased expenditures.

Gaining public and private support for efforts to assist former foster youth begins with raising awareness, but requires more than just identifying the problem. A “business case” needs to be made for large scale intervention – one that shows the size and nature of the problems, demonstrates that they can be successfully addressed, and describes the considerable cost benefits and return on investment that can be achieved if we invest in the futures of these young people.

This paper is intended to bolster the case for greater investment in the futures of youth aging out of foster care. We do so by identifying some of the costs of bad outcomes and estimating the potential savings that could be achieved if former foster youth were doing as well as others their age. In doing so we demonstrate that the stakes, and the potential economic benefits, of improved outcomes are enormous.

The paper looks at three important areas: education, family formation and criminal justice. In each area – by looking at high school completion rates, too-early pregnancy rates and involvement with the criminal justice system – we see the depth of the difficulties:

- » The data shows that 13% of the general population has neither graduated high school nor received a GED by age 21, while that figure is 25% for youth aging out of foster care.
- » The data shows that 71% of females aging out of foster care become pregnant at least once before age 21, while this is true for only 34% of the general population.
- » Males in the foster care group were four times more likely to have ever been arrested than a comparison group, while females were nearly ten times as likely to have been arrested.

The differences in outcomes results in welfare and Medicaid costs, the cost of incarceration, lost wages and other significant costs to individuals and to society. We estimate that the outcome differences between youth aging out of the foster and the general population is nearly \$5,700,000,000 for each annual cohort of youth leaving care. To summarize:

- » One cohort year graduating at the rate of the general population would increase earnings over a working life .....\$748,800,000
- » One cohort year unplanned parenthood based on the cost of first 15 years of life for the first child .....\$115,627,350
- » One cohort year criminal justice costs for a criminal career .....\$4,833,736,200

Total for education, unplanned pregnancy and criminal involvement for each cohort year ...\$5,698,163,550

Clearly, the stakes are enormous. And yet at every point in these calculations where a choice had to be made, we chose the lesser cost option, the bottom of the range, the conservative assumption and the simplest way to calculate. We took the conservative stance throughout because we wanted the conclusion to be unassailable, wanted to avoid double counting and wanted to avoid coming up with numbers that were so large as to defy belief.

A conservative cost of over \$5 billion per cohort year as the “cost of bad outcomes” makes the point that tremendous return on investment can be achieved by providing effective services and supports and creating permanent relationships with responsible and caring adults. The tools exist to make improvements in the outcomes for aging out youth; all that is needed is the political will and leadership required to make the necessary investments.

## Introduction

These days a good investment is hard to find. With financial markets in turmoil, it is hard to get sound information and harder still to assess the risks and rewards of a wide range of superficially attractive opportunities.

In the social policy world services to youth aging out of foster care compete with other worthy causes in the market of ideas and strategies. In recent years a great deal of emphasis has been placed on the very young, fueled by brain research and the logical case for early intervention and prevention. We talk of a “pay me now or pay me later” dynamic in the financing of social services – enormous sums are spent to address the consequences of failing to effectively support vulnerable youth, particularly at critical times in their lives.

The social services world is just beginning to look hard at concepts like “return on investment.” We are finding that, indeed, some of the policies and actions we support are not only right and humane, but are also sound investments. In that vein, this paper looks at the enormous cost savings that can be achieved by improving outcomes for youth aging out of foster care. Careful investments in the future of these youth can result in a better educated workforce, a reduction in unwanted pregnancies and a reduction in criminal behavior – and each of these would result in avoiding enormous social and financial costs.

The methodology employed in this paper is straightforward and admittedly crude. We seek to answer a simple question – how much would our society save if the youth aging out of foster care did as well as most youth? We hope to get at a preliminary, illustrative answer, mindful that it will not be precise and that other, later studies will improve on our work.

Our mission is to call attention to what may be the investment opportunity of a lifetime, one that carries little risk and promises great rewards.

## Background

Since 2001 the Jim Casey Youth Opportunities Initiative has been engaged in increasing the opportunities available for youth aging out of foster care. It has worked to raise the visibility of this population, which too often falls through the cracks between child services systems and adult services systems. It has called attention to the difficulties these youth face, the bad outcomes that frequently result, and the public and human cost of failing to address these issues.

As a group, youth aging out of foster care do not do well. Often lacking the help and support of a permanent and stable family, they are forced to address the difficult life challenges of education, employment, housing and family formation with limited resources and guidance. Youth leaving the foster care system are strongly represented in other systems as adults – they show up in large numbers in the mental health, substance abuse, homeless services, employment services and criminal justice systems, at great cost.

In a landmark study of youth aging out of foster care in Iowa, Illinois and Wisconsin<sup>1</sup>, researchers at Chapin Hall compared the status of these youth with a control group and concluded that:

In comparison with their peers, they are, on average, less likely to have a high school diploma, less likely to be pursuing higher education, less likely to be earning a living wage, more likely to have experienced economic hardships, more likely to have had a child outside of wedlock, and more likely to have become involved with the criminal justice system.

A study in Washington State, interviewing former foster youth 6-12 months after leaving placement found that:

At the time of the post-emanicipation interview, one-half of the young adults had completed high school or earned a GED and 19% were working toward a high school diploma or GED. Additionally, one-fourth had started some college classes. Less than one-half (43%) were employed, and 45% were looking for work. Of these employed, 47% were making wages at or below the poverty line. One-third of the young adults were enrolled in at least one public assistance program.<sup>2</sup>

To address the plight of these youth and young adults the Jim Casey Youth Opportunities Initiative has made grants to demonstration sites to implement a set of core strategies. It is working in ten sites: Atlanta, Connecticut, Denver, Des Moines, Maine, Michigan, Nashville, Rhode Island, San Diego, and Tampa. Jim Casey Youth has also made grants to national organizations that are seeking to impact the transitioning-youth foster care population. Through these grants, the Initiative creates national partnerships to improve policies and practices at the state and federal levels; and to develop and support youth advocacy and technical assistance that is critical to communities.

Gaining public and private support for efforts to assist youth formerly in foster care begins with raising awareness, but requires more than just identifying the problem. A “business case” needs to be made for a large scale intervention – one that shows the size and nature of the problems, demonstrates that they can be successfully addressed, and describes the cost benefits and return on investment that can be achieved if we invest in the futures of these young people.

With building a business case in mind, the Jim Casey Youth Opportunities Initiative set out to measure the degree of “leverage” the Initiative and its local partners were producing. While it is common practice in philanthropy to speak of the importance of leverage in effective grantmaking, there are no precise and widely accepted guidelines we are aware of for measuring it. Jim Casey Youth believed that it might at times have been too modest, measured leverage too conservatively and, as a result, failed to fully reflect the impact of the Initiative. The Initiative commissioned an independent, third-party review to assess the leverage achieved thus far.

The assessment, conducted by the Cornerstone Consulting Group, resulted in a 2007 report - *Assessing Leverage: Lessons from the Jim Casey Youth Opportunities Initiative*. In that report Cornerstone estimated that the leverage achieved by the Initiative could *very conservatively* be estimated at \$6.50 for every \$1.00 invested. While both public and private funds were leveraged the bulk of the return on investment resulted from public policy changes that expanded medical coverage, supported housing and eased access to universities.

In the *Assessing Leverage* report, Cornerstone noted interest in the notion of tracking further leverage, or perhaps more

<sup>1</sup> *Midwest Evaluation of the Adult Functioning of Former Foster Youth: Outcomes at Age 21* Mark E. Courtney et.al. Chapin Hall Center for Children, December 2007, p.84

<sup>2</sup> *Foster Youth Transition to Independence Study Final Report 2004* State of Washington, Office of Children’s Administration Research

properly “financial impact,” by identifying the Initiative’s impact through what is often called “cost avoidance.” Cost avoidance in this context means the changes in demand on public or private funds as a result of improved outcomes, in the immediate instance for aging out youth.

We know that youth who age out of foster care face a whole host of challenges. If the Jim Casey Youth Opportunities Initiative and other efforts are truly successful these numbers will improve. Even a modest lowering of bad outcomes would produce cost savings, both in real terms and in comparison to projected trend lines. The report noted that “These savings would represent leverage, a clear “return on investment,” of a sort that, if documented, might cement political support for assistance to this population for a very long time.”

This current report extends that discussion and looks at cost avoidance. The case made is in four parts. We argue that:

1. Youth aging out of foster care have bad outcomes in comparison to the general youth population.
2. There is convincing evidence that services and supports can be provided that would improve the critical outcomes.
3. In addition to the human costs, there are significant financial implications associated with these bad outcomes.
4. Improved outcomes would produce large scale savings and a substantial return on public and private investments.

What would be the financial implications of an improvement in a number of important, and potentially expensive, bad outcomes? What if we could increase the graduation rate for foster youth and move the needle to national averages? Or decrease the unplanned pregnancy rate or the rate at which youth engage the criminal justice system?

We see this paper as the beginning of a discussion. Its methodology is open to criticism and improvement – we do not pretend this is the last word in assessing cost avoidance.

To begin to address these issues we will look at three important areas:

- » Education
- » Family formation
- » Criminal justice

In each area we will identify the scale of cost avoidance that might be achieved and briefly discuss what it takes to improve outcomes. Although a review of practice is not the main thrust of this paper, it is important to build confidence that we can, in fact, improve graduation rates, reduce unplanned pregnancies reduce criminal behavior and achieve tremendous economic benefits.

## Education

### The bad outcomes

A critical milestone in the transition from adolescence to adulthood is completion of at least a basic level of education, most often defined as graduation from high school or, failing that, earning a GED. Youth aging out of foster care, as a group, do less well in this area than their peers. In fact, The White House Task Force on Disadvantaged Youth acknowledged the problem in a report recommending, among other things, that public resources be targeted specifically at youth in, and aging out of, foster care. The report noted that:

About 70 percent of [foster youth] are school age, and their school work often suffers for a whole range of reasons [...] They score lower on standardized tests, have higher absentee and tardy rates, are more likely to drop out of school, and are three times more likely to be referred for special education and related services.<sup>3</sup>

Evidence to document this high rate of educational difficulty and failure is readily available.

- » One study of dropout rates found that only 48% of youth aging out of foster care had graduated from high school. In contrast, around 85% of 18 to 24 year olds had completed high school.<sup>4</sup>
- » Nearly one-quarter of the young adults in the *Midwest Evaluation of the Adult Functioning of Former Foster Youth: Outcomes at Age 21* had not obtained a high school diploma or a GED by age 21. These young adults were more than twice as likely not to have a high school diploma or GED as their peers.<sup>5</sup>
- » A study by the Washington State Institute for Public Policy demonstrated that education related difficulties among youth in foster care are present well before a missed graduation day. Foster youth were found to be twice as likely to fall below standards on the state's standardized

10<sup>th</sup> grade test. The report noted that "Foster youth were more likely than non-foster youth to have characteristics associated with not meeting WASL [Washington Assessment of Student Learning] standards. For example, 73 percent of 10<sup>th</sup>-grade foster youth were in poverty, 17 percent were behind a grade level, and 22 percent had been in the same district one year or less."<sup>6</sup>

- » The US Census reports that 87% of US 20-24 year olds are high school graduates and 13% have not graduated, as compared to a 25% rate of non-grads among youth in foster care in the Midwest Study.

As would be expected, these academic difficulties carry on through life. Education beyond high school is also far less likely among youth aging out of foster care. The Midwest Study found that only 30% of the young adults in the foster care group had completed any college (by age 21) compared with 53% of the young adults in the comparison group.

Another recent report found that "foster youth enroll in college at a significantly lower rate than their peers; between 10 percent and 30 percent of former foster youth enroll in college, while 60 percent of other youth attend college. Very little research on postsecondary education completion rates for foster youth exists, but available data suggests that few among those who enroll in higher education institutions complete a degree."<sup>7</sup>

The *Northwest Foster Care Alumni Study* (Northwest Study)<sup>8</sup> examined outcomes for 659 alumni who were placed in family foster care as children. These alumni were all adults age 20 to 33 who had been placed in family foster care between 1988 and 1998. Although the young adults in the Northwest Study did better than other foster youth in completing high school or GED (perhaps in part because they were followed until age 30), their post-high school experiences are consistent with national results, and are disheartening, with less than 2% completing a bachelor's degree.

<sup>3</sup> Cited on Children's Aid Society website at <http://www.childreinsaidociety.org/about/whatwethink/agingoutoffostercare>

<sup>4</sup> U.S. Department of Education (2001). *Dropout rates in the United States: 1999*. Washington, DC: National Center for Educational Statistics.

<sup>5</sup> *Midwest Evaluation of the Adult Functioning of Former Foster Youth: Outcomes at Age 21* Mark E. Courtney et. al. December 2007, Chapin Hall Center for Children at the University of Chicago

<sup>6</sup> EDUCATIONAL ATTAINMENT OF FOSTER CHILDREN: 2006 RESULTS, Washington State Institute for Public Policy, March 2008

<sup>7</sup> Merdinger et al., "Pathways to College for Former Foster Youth: Understanding Factors That Contribute to Educational Success," *Child Welfare* (2005)

<sup>8</sup> IMPROVING FAMILY FOSTER CARE: Findings from the Northwest Foster Care Alumni Study Revised March 14, 2005. Compiled by Peter J. Pecora, et.al.

## What can be done to change education outcomes

Several factors are of particular importance to youth in foster care in achieving academic success. A study of these youth in the education system noted several factors that have been found to contribute to negative educational experiences, including:

- » Numerous placement changes, which frequently result in school changes and delays in school enrollment;
- » Unclear lines of responsibility and accountability for educational progress;
- » Lack of coordination between child welfare agencies, schools, and other service providers; and
- » Lack of a consistent and knowledgeable educational advocate.<sup>9</sup>

There is a good deal of consensus and data supporting the belief that moving from school to school and district to district disrupts the education process in even the best of circumstances and negatively impacts performance. The Northwest Study found that 65% of the alumni reported **seven or more school changes** from elementary through high school. Continuity in a school, like continuity in a home, is vitally important.

A report from the National Conference of State Legislatures speaks to the educational barriers that accompany foster care placement:

- » Children in foster care often experience numerous changes in placement that require changes in schools. Not only must foster children cope with the emotional consequences of such instability, they also must adjust to new teachers, classmates, curricula and rules. In addition, school disruptions often result in lost credits, delayed academic progress, repetition of grades, and delays in enrollment and transfer of student records.<sup>10</sup>

The relationship between home stability, school stability and academic achievement is further borne out by the Washington Policy Institute finding that “youth who have found a permanent placement have higher met-standard rates in all three WASL subject areas.”

In its study of youth in foster care and education the Washington Policy Institute notes that:

- » Seventy percent of non-foster youth were in the same school district for more than two years, while 58 percent of foster youth shared this characteristic. Increased time in the same district was associated with higher met-standard rates. Twenty-three percent of 10th grade foster youth were in the same district for less than one year. Of these students, 20 percent met standard in all three WASL content areas.
- » Older foster youth (grades 7 and 10) who met standard in all three content areas on the 2006 WASL had about one fewer placement event in each episode, compared with those who did not meet standard. In addition, foster students who did not meet standard were characterized by more unstable placement episodes with more than two events in each placement. In addition to more stable placements, older foster youth who met standard on the WASL also had fewer placements and less total time in placement, compared with those who did not meet standard.<sup>11</sup>

The Midwest Study reports that: “Findings from this study indicate that children in care are often changing schools multiple times over their academic career. Furthermore, opportunities for the development of strong working relationships with consistent repeated interactions between school staff, caseworkers, and foster parents may be constrained by such factors as the current approach to case assignment, placement instability, and worker turnover. Communication among all of the parties involved in these children’s education is often complex and ineffective, and sometimes lacking altogether. For many children, factors such as poor communication and school mobility are further impeding their educational progress while in out-of-home care.<sup>12</sup>”

<sup>9</sup> National Council of State Legislatures, *Educating Children In Foster Care*, March 2008

<sup>10</sup> EDUCATING CHILDREN IN FOSTER CARE by Steve Christian, *National Conference of State Legislatures*, December 2003

<sup>11</sup> EDUCATIONAL ATTAINMENT OF FOSTER CHILDREN: 2006 RESULTS, p. 10

<sup>12</sup> Educational Experiences of Children in Out-Of-Home Care, Executive Summary Chapin Hall Center for Children at the University of Chicago 2004



Attention to school stability, as a facet of permanency planning, is clearly indicated. If placement stability is achieved the need for school transfers will be lessened. Even if a change in placement is needed, careful attention to the education transition process may lessen the impact on academic achievement.

The education related difficulties of foster youth often have systemic roots and without data and reflection they cannot be effectively addressed. The State of Washington has been especially vigilant in this area, in part as a result of legal action and the creation of an oversight panel in *Braam v. Washington State*. More than most states, they are tracking the educational progress of foster youth and making results and recommendations public. California has been a leader in creating partnerships between schools and child welfare departments focused on education for foster youth. Studies have shown improved academics, fewer expulsions and better attendance. Legislation in other states, including Washington, Arkansas, Louisiana and others have sought to require information sharing and coordinated action.<sup>13</sup>

Most states have enacted programs to offer financial assistance and/or scholarships for youth interested in pursuing higher education, although many barriers remain. Florida's Road to Independence Program provides a monthly stipend for youth who transition out of the foster care system and continue to pursue their education. Under this legislation, youth formerly in foster care are eligible for an initial award from ages 18 to 21 and a renewal award until age 23. Participants in the Road to Independence Program may also receive a tuition waiver for Florida public undergraduate colleges and universities to make higher education more financially accessible.

Perhaps the most significant gap for youth in or formerly in foster care is the frequent absence of a continuing "education advocate." For most youth this role is played by parents – advocating for attention in the schools when help is needed, encouraging performance, celebrating successes, and planning for a future beyond high school. Data from the

Jim Casey Youth pilots suggests the importance of stable relationships on academic achievement. In a recent reporting period youth with a permanent relationship with an adult reported a 17% increase in high school diploma or GED attainment, while those without a permanent relationship reported only an 8% increase.<sup>14</sup>

Finally, high school completion, education beyond high school and successful employment to a large extent hinges on aspirations, on the youths' view of their likely and possible future. Why study hard in high school if college is not a realistic option? Why work hard in school if a good paying job is not up ahead?

Does going to school pay off? Most people think so. Currently, almost 90% of young adults graduate from high school and about 60% of high school seniors continue on to college the following year. People decide to go to college for many reasons. One of the most compelling is the expectation of future economic success based on educational attainment.<sup>15</sup>

Recognizing the pivotal importance of aspirations, the Jim Casey Youth and its pilots have focused attention on giving young people real world experience in the workplace and have noted significant impact. By fostering access to part time and full time jobs and internships, the initiative has given youth a glimpse of the adult world of work and their potential part in it. Forty percent (40%) of all Opportunity Passport™ participants 18 and under were employed either full or part-time at their most recent survey. An Urban Institute study found that youth with early work experience are more likely to be employed at 24.<sup>16</sup>

Addressing real and perceived barriers to a positive future is a critical component of changing education outcomes and ultimately is the job of the permanent adult, mentor and education advocate. Without this kind of support, without a vision of a future that is positive and which hinges on education, achieving educational success may be just too steep a climb.

<sup>13</sup> National Council of State Legislatures, *Educating Children In Foster Care*, March 2008

<sup>14</sup> Report to Board of Trustees, June 2008

<sup>15</sup> Jennifer Cheeseman Day and Eric C. Newbulger, *The Big Payoff: Educational Attainment and Synthetic Estimates of Work Life Earnings*, Washington, DC: US Census Bureau, July 2002

<sup>16</sup> *Coming of Age: Employment Outcomes for Youth Who Age Out of Foster Care Through Their Middle Twenties*, Urban Institute

## Estimating the costs of academic failure

Evidence for academic failure among youth aging out of foster care is convincing and the cost of academic failure has also been well documented.

The Alliance for Educational Excellence<sup>17</sup> provides a number of different ways to identify costs:

- » Over the course of his or her lifetime, a high school dropout earns, on average, about \$260,000 less than a high school graduate.
- » Dropouts from the Class of 2007 alone will cost the nation nearly \$329 billion in lost wages, taxes, and productivity over their lifetimes.
- » If the United States' likely dropouts from the Class of 2006 had graduated, the nation could have saved more than \$17 billion in Medicaid and expenditures for uninsured health care over the course of those young people's lifetimes.
- » Increasing the graduation rate and college matriculation of male students in the United States by just 5 percent could lead to combined savings and revenue of almost \$8 billion each year by reducing crime-related costs.

In addition to earning higher wages, which results in attendant benefits to local, state, and national economic conditions, high school graduates live longer, are less likely to be teen parents, and are more likely to raise healthier, better-educated children. In fact, children of parents who graduate from high school are themselves far more likely to graduate from high school than are children of parents without a high school degree. High school graduates are also less likely to commit crimes, rely on government health care, or use other public services such as food stamps or housing assistance.

Additionally, high school graduates engage in civic activity, including voting and volunteering in their communities, at higher levels.<sup>18</sup>

A California study<sup>19</sup> found that the lifetime earnings of a high school graduate could be expected to be \$280,000

higher than a non-graduate and that the graduate would pay \$100,000 more in taxes and be less likely to receive public benefits. The authors note that "each high school graduate represents a fiscal gain, both by generating greater public funds and reducing public costs to the taxpayer."

A study at Princeton found that "over a lifetime, an 18 year old who does not complete high school earns approximately \$260,000 less than an individual with a high school diploma and contributes about \$60,000 less in lifetime federal and state income taxes."<sup>20</sup> The study finds also that the gap is growing: "In 1964 a high school dropout earned 64 cents for every dollar earned by an individual with at least a high school degree. In 2004 the high school dropout earned only 37 cents for each dollar earned by an individual with more education. High school graduation has been a necessary (but not sufficient) pre-requisite for making it in America."

The loss of earning power is frequently documented in discussions of the cost of not graduating from high school. Reports from the US Census Bureau show that the average annual income for a high school dropout in 2005 was \$19,915 compared to \$29,448 for a high school graduate, a \$9,533 annual difference. Further, wage increases can be expected for those achieving educational credentials beyond high school — those with associate's degrees averaged \$37,990 and those with bachelor's degrees averaged \$54,689.<sup>21</sup>

For this analysis we will use the Census Bureau figures for comparison to the Midwest Study. As noted, the Census reports that 87% of US 20-24 year olds are high school graduates and 13% are not grads, as compared to 75% graduation rate at age 21 among the foster youth in the Midwest Study. What is the cost of this 12% differential? What if the graduation rate of youth formerly in foster care reached the national average of 87%?

## Crunching the numbers:

Most estimates place the number of youth aging out of the foster care system nationally at 24,000 per year. Using the Midwest Study results as a guide, we can project that 6,000 of these youth, or 25%, will not graduate high school or receive a GED by age 21. If youth aging out were graduating high school at the national rate of 87% only 3,120 would

<sup>17</sup> Alliance for Educational Excellence, Fact Sheet, September 2007

<sup>18</sup> Alliance for Educational Excellence, Issue Brief, updated June 2008

<sup>19</sup> The Economic Losses from High School Dropouts in California, Belfield, Levin, California Dropout Research Project August 2007

<sup>20</sup> The Labor Market Consequences of an Inadequate Education, Rouse September 2005

<sup>21</sup> U.S. Census Bureau, Current Population Survey, 2006 Annual Social and Economic Supplement Internet Release date: September 24, 2007

fail to graduate. The difference between the youth aging out group and national norm is 2,880.

- » The cost, in lost wages alone, for a single year's cohort of foster youth, is 2,880 non-graduates X \$9,533 = \$27,455,040 per year.
- » The cost over a working life, using the \$260,000 suggested by the Alliance for Educational Excellence is 2,880 non-graduates X \$260,000 = \$748,800,000.
- » Three quarters of a billion dollars reflects only the cost of lost wages. If we were to add the other factors documented in numerous studies, including lost tax revenues, cost of public benefits, and others, the cost for each year's cohort would certainly exceed \$1 billion. In addition, if we could raise the high school graduation rate it is likely that, having achieved some measure of academic success, a portion of the graduating youth would go on beyond high school, generating even greater earnings and contributions to the economy.

Raising the graduation rate of one year's cohort of youth aging out of foster care to the national average would result in increased earnings and lowered public costs of more than \$1 billion.

## Too-early Pregnancy

### The bad outcomes

Unplanned pregnancies often present major obstacles for youth trying to establish themselves. Becoming a too-soon parent may interrupt education which, as we have seen, negatively impacts employment and earning power. The likelihood of a young, single woman with a child or children living at or below the poverty line is far greater than for young women who have delayed pregnancy.

The Guttmacher Institute reports that each year almost 750,000 women age 15-19 become pregnant. Overall, 75 pregnancies occur every year per 1,000 women age 15-19; this rate has declined 36% since its peak in 1990.<sup>22</sup> Fifty-seven percent (57%) of teen pregnancies result in live births, 14% in miscarriages and 29% in abortions. Eighty-two percent (82%) of teen pregnancies are unplanned. Despite improvements over twenty years, the United States still has the highest teen pregnancy and birth rates in the industrialized world. In fact, rates of teen pregnancy in the United States are two to six times higher than those in most of Western Europe including France, Holland, Denmark, and Sweden.<sup>23</sup>

As high as the rate of unintended pregnancies is among American teenagers in general, it is far higher among the subset of youth who age out of foster care. A staggering 71% of the young women in the Midwest Study reported having been pregnant by age 21. Further, "Repeat pregnancies were more the rule than the exception. Among those who had ever been pregnant, 62 percent had been pregnant more than once. By comparison, only one-third of the Add Health females (the comparison group) had ever been pregnant and a majority of those who had been pregnant reported they had been pregnant only once."<sup>24</sup>

Teen pregnancy, of course, is not just about mothers. Half of the young men in the Midwest Study reported that they had gotten a female pregnant compared with 19% of their comparison group counterparts.

<sup>22</sup> Guttmacher Institute, U.S. *Teenage Pregnancy Statistics: National and State Trends and Trends by Race and Ethnicity*, 2006.

<sup>23</sup> *By the Numbers - The Public Costs of Teen Childbearing*, Saul D. Hoffman, Ph.D. October 2006 The National Campaign to Prevent Teen Pregnancy

<sup>24</sup> Midwest Evaluation, p.50-5

## What can be done to change rates of unplanned pregnancy

The best evidence to demonstrate we can improve pregnancy rates is that we have already done so. The teen birth rate declined by a third from 1991 until 2005, before a slight uptick in 2005-2006.<sup>25</sup> While there are political and philosophical disagreements about the cause of the decrease, most observers believe that a combination of factors – fear of AIDS; increased access to contraceptives; sex education and abstinence programs – may have contributed.

In an individual's life, managing sexual behavior is like other opportunities for risk taking – youth decide what they are going to do and not do, and how they are going to protect themselves based on a combination of information, experience and the influences that affect them. Teens report that their parents have the most influence on their sexual behaviors, even more than media and peers. For youth who are estranged from their parents, the responsibility for guidance around sex and relationships may fall through the cracks.

The influence of caseworkers, especially those with high turnover rates, may be limited. Foster parents, frequently untrained and uncomfortable in this area may, like many parents, shy away. It is evident that despite considerable danger to very large numbers of young people, the vast majority of professionals are uncomfortable, unskilled and unprepared to intervene when youth are engaged in harmful sexual or drug-related behavior. Clearly, training for social service agency staff and foster parents in counseling in this area is indicated, as is a clear delineation of responsibilities.

Numerous studies over the years have indicated that while we often think of early pregnancies as “unplanned,” in fact some amount of the pregnancies are intentional or come as a result of a conscious decision not to use contraception. (Thirty percent of the young women in the Midwest Study who had experienced one or more pregnancies reported wanting to become pregnant, and only a quarter was using birth control around the time they conceived.) Clearly, some young people, particularly those who lack stable and continuing family relationships, see starting a family of their own as desirable. Recognizing this factor adds even more weight to the importance of taking steps to assure

that young people have if not family, at least family-like relationships that endure.

For those youth who are failing in school and who do not see a rewarding career as a part of their future, the concern that child-bearing may interrupt schooling may be minimal. Many in the field suggest that the absence of positive aspirations among youth contributes to a number of risky behaviors, including engaging in unprotected sex. Hence the catchphrase “Hope is the best contraceptive.”

Experts in the field agree that too-early pregnancy rates (as well as the incidence of sexually transmitted diseases) can be reduced if we:

- » Provide continuity of quality adult relationships – particularly for foster youth;
- » Provide fact-based, age appropriate sex education to youth;
- » Encourage delay in the onset of sexual activity;
- » Aggressively encourage consistent use of contraceptives and assure access, including funding, most likely under Medicaid, to cover costs;
- » Provide supports to youth that build on their career and or educational aspirations; and
- » Train adults responsible for these youth in discussing sexuality frankly and accurately.

The absence of sound information and guidance continues beyond the foster care experience. The Midwest Study notes that “Only one-third of the females and one-fifth of the males had received either family planning services or information about birth control since their last interview.” Given this, the high rates of pregnancy should come as no surprise.

## Estimating the costs of unplanned pregnancy

We have already documented the costs of failing to graduate from high school and unplanned pregnancies are a major contributor to education not being completed or continued. As the National Women's Law Center reports

<sup>25</sup> Teen Births: Examining The Recent Increase, National Campaign to Prevent Teen Pregnancy and Child Trends, October 2008 p.5

“Pregnancy and parenting responsibilities have a significant impact on girls’ ability to stay in school. In fact, girls report leaving school, during as well as following their pregnancies, at alarming rates.”<sup>26</sup>

It works both ways. Not only does unplanned pregnancy impact graduation rates, but a recent study noted that dropping out of high school increases the risk of school-age pregnancy for some groups of girls.<sup>27</sup> The study demonstrated that 40% of the female dropouts surveyed—about 48% of the Hispanic female dropouts, 34% of the White female dropouts, and 33% of the Black female dropouts—gave birth before age 20.

The considerable losses due to non-completion of high school are, however, only the beginning of the story. As The National Campaign to Prevent Teen Pregnancy has noted:

- » Much of the cost of teen childbearing is associated with negative consequences for the *children* of teen mothers. These costs include \$1.9 billion for increased public sector health care costs, \$2.3 billion for increased child welfare costs, \$2.1 billion for increased costs for state prison systems, and \$2.9 billion in lost revenue due to lower taxes paid by the children of teen mothers over their own adult lifetimes.
- » The public sector costs of young teens (those aged 17 and younger) having children are particularly high. These births account for \$8.6 billion of costs, an average of \$4,080 per mother annually.<sup>28</sup>

The National Campaign reports that “between 1991 and 2004 there were 6,776,230 births to teens in the United States. The estimated cumulative public costs of teen childbearing during this time period is \$161 billion dollars. Their report, *By The Numbers*, looks at two broad categories of cost: those for this generation (the teen mother and the father of her child) and those for the next generation (the children of teen mothers) across a range of expenditure types including public assistance, health care, lost tax revenues, and predictably bad outcomes for the children of teenage mothers.

## Crunching the numbers

The most comprehensive look at the cost of teen pregnancy is *By The Numbers*. It is also the most complex – it looks at the costs of each pregnancy in a two generation framework and counts some of the costs, for example that of dropping out, that we are counting elsewhere. For simplicity, we will focus primarily on two cost estimates found in *By The Numbers* – the annual public cost per pregnancy is \$4,080 for mothers age 17 and younger and for older mothers – 18 and 19 – it is \$1,430.

For the limited purpose of this discussion we will focus only on *females* aging out of the foster care system. Recognizing that fathers also play an important role and are impacted by becoming fathers, we focus only on mothers for several reasons:

- » The responsibility for caring for children still rests primarily with mothers – in the Midwest Study nearly three times as many mothers who had a child were living with that child – over 90% – while the comparable figure for fathers was only 30%.
- » Much of the costs of teen pregnancy for males will be picked up in our discussion of educational failure and we do not want to double count when we can avoid it.
- » Data on the financial impact of fatherhood on young men appears to be scattered.

Focusing on the mothers and children, we are able to make conservative, sensible estimates of cost impact:

- » If we assume that the cohort of 24,000 youth aging out of foster care is about 50% young women, then approximately 12,000 young women age out of foster care per year.
- » The Midwest Study figures indicate that by age 21, 71% or 8,520 of these 12,000 young women experienced at least one pregnancy.
- » About 63% of these pregnancies resulted in a live birth.

12,000 young women X 71% who become  
pregnant X 63% of pregnancies that result  
in live births = 5,368 live births

<sup>26</sup> When Girls Don’t Graduate We All Fail, National Women’s Law Project, 2007

<sup>27</sup> Jennifer Manlove, *The Influence of High School Dropout and School Disengagement on the Risk of School-Age Pregnancy*, 8 *Journal of Research on Adolescence* 187-220 (1998).

<sup>28</sup> *By the Numbers - The Public Costs of Teen Childbearing*, Saul D. Hoffman, Ph.D. October 2006 The National Campaign to Prevent Teen Pregnancy, p.7

- » The pregnancy rate reported in the Midwest Study for non-foster care youth was 34%, just under half that of the foster youth. For the comparison group 2,570 live births could be expected.
- » The difference between the youth aging out and the comparison group is equivalent to a difference in live births of 2,798.
- » For the purpose of this rough estimate we will assume that 50% of the difference in births would be to girls 17 and under and the remainder to 18-19 year olds.  $2,798 \div 2 = 1,399$ .
- »  $1,399 \text{ children} \times \$4,080 \text{ cost per child per year for mothers 17 and under} = \$5,707,920$ .
- »  $1,399 \text{ children} \times \$1,430 \text{ cost per child per year for mothers 18 and 19} = \$2,000,570$ .

Using this methodology, bringing the rate of teen pregnancy to the norm would produce savings for a single one year cohort of \$7,708,490 per year.

The National Campaign to Prevent Teen Pregnancy's estimates of the total national aggregate cost of teen pregnancy is based on a methodology that looks at the costs to parents as well as the costs engendered by their children. In that methodology, they project costs for the first fifteen (15) years of the child's life. If we were to adopt that approach we would calculate the annual cost for each child over a 15 year period.

As large as \$115 million may seem, this is an extremely conservative estimate:

- » It looks only at the costs of a first child, although the Midwest Study notes an alarming rate of repeat pregnancies – 62% of those who had ever been pregnant were pregnant more than once in a study of 21 year olds!
- » The cost estimates represent the costs associated with the children, not the mothers. Loss of earnings, incomplete schooling, etc. can be associated with

too-early, unplanned pregnancy and we have already noted those costs in the education/employment section.

- » We did not attempt to quantify the costs to young fathers.
- » The estimate does not identify the *total* cost of all pregnancies associated with aging out youth. Rather, it projects the costs associated with the unusually high rates. In other words, \$115 million represents the cost, for each cohort year, of the *difference between the aging out group's pregnancy rate and that of the comparison group*. The total cost of all pregnancies to aging out youth would be in the quarter of a billion dollar range for each cohort year.

The cost associated with a higher than average pregnancy rate for youth aging out of foster care is  $15 \text{ years} \times \$7,708,490$  (the cost per year) = \$115,627,350 for each cohort year.

## Crime

### The bad outcomes

Young adults in the Midwest Study reported a high level of involvement with the criminal justice system. By age 21, 31% reported being arrested, 15% reported being convicted of a crime, and 30% reported being incarcerated. The level of criminal justice involvement was a great deal higher among the young men.<sup>29</sup> They were more likely to report ever being arrested, ever being convicted, and ever being arrested as an adult than the comparison group. In fact, *females* in the Midwest Study were significantly more likely than *males* in the Adolescent Health comparison group to report ever being arrested (57% vs. 20%), ever being convicted (25% vs. 12%), and ever being arrested as an adult (33% vs. 8%).<sup>30</sup>

As might be expected, the bad outcomes experienced by youth aging out are overlapping. In the previous section we discussed the co-occurrence of teen pregnancy and failing to graduate from high school. There are links as well between failure in school and involvement with the criminal justice system.

Male high school dropouts are especially at-risk of very bad outcomes, with a large percentage incarcerated at some point before they are 25. Approximately 16% of all young men, ages 18-24, without a high school degree or GED are either incarcerated or on parole at any one point in time; among African-American males the proportion is thirty percent. Brown, in his study of youth in the 1979 Longitudinal Survey of Youth, found that thirty-three percent of all males who failed to complete high school experienced incarceration at some point before reaching age 25. Over half of all African-American male dropouts born in the years 1965-69 experienced imprisonment. Eighty-six percent of young men in prison failed to finish high school.<sup>31</sup>

A Chapin Hall study<sup>32</sup> showed dramatic differences between the foster care group and the population at large:

Overall, there were striking differences in offending reported between 17–18-year-old youth aging out of care and their same-aged peers. Youth aging out of the child welfare system had higher rates of offending across a

range of behaviors from property crimes to serious violent crimes.

Foster youth were more likely to report damaging property, stealing something worth more than \$50, participating in a group fight, and pulling a knife or gun on someone.

Both male and female foster youth were over ten times more likely to report having been arrested since age 18 than youth in the Add Health (comparison) study.

### What can be done to reduce involvement in the criminal justice system

Like education failure and too-early pregnancy, there is no magic program that can dramatically reduce the likelihood of large numbers of youth formerly in foster care coming into contact with the criminal justice system. Further, the inter-connections between bad outcomes have frequently been described. Simply put, there is a coincidence between education failure, joblessness, and crime, particularly among youth who are disconnected from their families. The Office of Juvenile Justice and Delinquency Prevention noted an overlap between delinquency and fatherhood:

The Rochester Youth Development Study and the Pittsburgh Youth Study examined risk factors for teenage paternity, specifically the role of delinquency in early fatherhood. Both studies concluded that early delinquency is a highly significant risk factor for becoming a teen father. In addition, the Rochester study reported that the possibility of teen paternity rises dramatically as risk factors accumulate, and the Pittsburgh study found that teen fatherhood may be followed by greater involvement in delinquency.<sup>33</sup>

Most observers suggest that involvement in criminal behavior can be lessened by providing healthier opportunities for recognition and success. As with education and pregnancy prevention, support, encouragement, aspirations and a sense of a positive future can act as motivating factors and help youth resist influences pushing towards criminal misbehavior.

It has become common in recent years to describe youth behavior in terms of risk and protective factors. In discussing

<sup>29</sup> Midwest Evaluation, p.65

<sup>30</sup> Offending During Late Adolescence: How Do Youth Aging Out of Care Compare with Their Peers? By Gretchen R. Cusick and Mark E. Courtney, Chapin Hall January 2007

<sup>31</sup> Connected by 25: Improving the Life Chances of the Country's Most Vulnerable 14-24 Year Olds, Michael Wald and Tia Martinez, Stanford University William and Flora Hewlett Foundation Working Paper November, 2003. P.7

<sup>32</sup> Offending During Late adolescence

<sup>33</sup> OJJDP Juvenile Justice Bulletin, January, 2000

these factors as regards youth violence, the National Youth Violence Resource Center notes that:

Family members, especially parents or primary caregivers, can play a significant role in helping protect youth from violence by emphasizing the importance of education and offering support and affection. Frequent, in-depth conversations and communication between parents and children help build resilience as does the existence of a non-kin support network which offers access to a variety of adult viewpoints and experiences. Other family level protective factors include clear boundaries for behavior that enforce structure and rules within the household and reasonable disciplinary actions when rules are violated.<sup>34</sup>

The life of a foster child, particularly one who has bounced from placement to placement, is a polar opposite to this description. As with education and pregnancy prevention, the presence on a continuing basis of caring and responsible adults, “permanence,” is often the critical element in youth outcomes.

There are important policy issues impacting criminal justice as well and a need for systemic reform. Minority over-representation in foster care is mirrored in the justice system. We note that the *self-reported criminal behavior* in the Midwest Study shows a greater incidence of criminal behavior for the youth formerly in foster care, but the difference in rates of arrest is far greater. The rates of arrest of foster youth, with a far greater representation of minorities, may be greater than the general population for at least some offenses. It is not hard to imagine that youth living with their parents get support and/or are “given a break” by authorities more often than youth in or recently aged out of foster care. The need for consistent and strong support and advocacy for foster youth as individuals and as a group seems clear.

### Estimating the costs of involvement with the criminal justice system

Estimating the cost of involvement in the criminal justice system is more difficult than in education or unplanned pregnancy. In estimating the cost of criminal behavior it is hard to know when to stop. We can look to police costs,

court costs, costs of incarceration and/or probation and parole, insurance costs to guard against property crimes, lost wages due to the difficulty in gaining and keeping well-paid jobs for ex-offenders, the several types of costs assignable to victims, and other aspects.

Costs in the justice system are greatest for those who commit the most serious crimes and who persist in a criminal career. Those individuals are most likely to require incarceration, which carries far greater costs than other forms of rehabilitation. A 1998 groundbreaking study,<sup>35</sup> *The Monetary Value of Saving a High-Risk Youth*, estimated the cost to society of criminal behavior in the following way:

...the typical career criminal causes \$1.3 - \$1.5 million in external costs; a heavy drug user, \$370,000 to \$970,000; and a high-school dropout, \$243,000 to \$388,000. Eliminating duplication between crimes committed by individuals who are both heavy drug users and career criminals results in an overall estimate of the “monetary value of saving a high-risk youth” of \$1.7 to \$2.3 million.

In a follow-up study<sup>36</sup>, conducted in 2007, Cohen and his colleagues note that a very small group of “career criminals” generate a huge proportion of crime. Studying a cohort of 27,160 individuals born in 1958 in Philadelphia, the study found that about 4% of the population represented 51% of all police contacts. Cohen notes that:

Across multiple data sources collected at different time periods and throughout the world, a consistent finding indicates that antisocial and deviant behavior that emerges early in the life course tends to continue into childhood, adolescence, and adulthood, of course in different manifestations. Several of these studies have also shown that a small subset of offenders across all studies are responsible for much of the crime—especially costly property and violent crimes.<sup>37</sup>

In a complicated process the researchers distinguish between types of crime, frequency of offense and other variables and determine that the present updated value of “saving a high-risk youth”<sup>38</sup> is estimated to be from \$2.6 to \$5.3 million. Far greater costs are ascribed to the most active criminals, particularly those who commit violent offenses.

<sup>34</sup> Risk and Protective Factors for Youth Violence Fact Sheet, National Youth Violence Resource Center Web site

<sup>35</sup> *The Monetary Value of Saving a High-Risk Youth*, *Journal of Quantitative Criminology*, Vol. 14, No. 1, 1998 Mark A. Cohen, Vanderbilt University

<sup>36</sup> *New Evidence on the Monetary Value of Saving a High Risk Youth* Mark A. Cohen Vanderbilt University - Owen Graduate School of Management, Alex R. Piquero City University of New York - CUNY John Jay College of Criminal Justice, 2007

<sup>37</sup> Cohen, 2007, p.4

<sup>38</sup> “High-risk youth” is defined as one who becomes involved with the criminal justice system, is a heavy drug user and/or fails to complete high school.



## Crunching the numbers

The Midwest Study reports that two thirds (66%) of the foster care population had been arrested by age 21, as compared to only 12% of the comparison group. (Males in the foster care group were 4 times as likely to have been arrested, females nearly 10 times as likely.) The differences in self-reported criminal acts were far less dramatic, suggesting that foster youth are more likely to be arrested for their misbehavior than the general population, perhaps in part due to minority status and the absence of a parent to back them up.

A review of the literature reveals that violent crimes are far more “expensive” than most property crimes, due in part to the computation of lost offender and victim wages. A single murder is often estimated at a cost of millions of dollars. Since a majority of arrests for violent crimes and other serious offenses involve males, we will focus our cost estimates on them.

In Cohen’s paper it is noted that various studies report that about 4-5% of the population represented 51% of police contacts – these are the career criminals who generate the greatest costs. Since 5% of the total population is the norm and 4 times as many youth in the foster group reported having been arrested by age 21, we estimate that 20% of the foster group males will have serious and prolonged involvement in the criminal justice system.

Using this logic we project that 20% of the 12,000 male youth aging out in a single year, or 2,400 youth, will have prolonged involvement in the criminal justice system, compared to 5% of the larger population, or 600 youth out of a sample of 12,000 males. The difference is 1,800 youth. In other words, if the proportion of foster youth who had serious and prolonged involvement were the same as the general population, this would change the trajectory for 1,800 youth.

Cohen utilizes a methodology that looks at victim costs, criminal justice costs (including police, courts, and prisons), and lost productivity of offenders who are incarcerated. This is a relatively conservative approach, as others look also at a broader range of measurements including the

“fear of crime,” expenditures or actions taken by the public to avoid the risk of crime, as well as residual losses to the community in terms of social cohesion, community development, etc. Even broader estimates can be made by examining the costs not only to offenders and victims but to the families of both offenders and victims.

Cohen estimates \$2,685,409 to \$4,795,270 as the cost of a criminal career measured from age 14<sup>39</sup>. (This excludes the costs associated with drug abuse and failure to graduate.) Even using the lower estimate of \$2,685,409, times the difference between foster and comparison groups of 1,800 yields a cost of \$4,833,736,200.

If the youth aging out of foster care in a single year were only involved in the criminal justice system at the much lower rate of the general population, it would produce savings in excess of \$4 billion over their lifetimes.

<sup>39</sup>New Evidence on the Monetary Value of Saving a High Risk Youth, p. 44, Table 10

## Summary and Conclusions

To summarize:

- » One cohort year graduating at the rate of the general population decreased earnings over a working life ..... \$748,800,000
- » One cohort year experiencing unplanned parenthood for the cost of first 15 years of life for the first child ..... \$115,627,350
- » One cohort year criminal justice costs for a criminal career over a lifetime.....\$4,833,736,200
- » Savings for education, unplanned pregnancy and criminal involvement for each cohort year.....\$5,698,163,550

Clearly, the stakes are enormous. And yet at every point in these calculations where a choice had to be made, we chose the lesser cost option, the bottom of the range, the conservative assumption and the simplest way to calculate. We took the conservative stance throughout because we wanted the conclusion to be unassailable, wanted to avoid double counting and wanted to avoid coming up with numbers that were so large as to defy belief.

- » We did not count the full cost of the identified bad outcomes, only the cost of the difference between the outcomes of foster youth and those of the general population.

- » We looked only at males and not females on crime, at females only on pregnancy, we resisted the temptation to include intangible losses, losses to family members of criminals and victim of crime.
- » We did not assess the impact of today's bad outcomes on the next generation – despite supporting data we did not calculate that the children of unwed mothers are more likely to commit criminal offenses and to create a next generation of children in one parent households.
- » We calculated the cost of educational failure by identifying lost wages, not lost tax receipts or welfare costs or lowered economic productivity.
- » We did not examine the costs of other bad outcomes – we left out substance abuse, homelessness, and mental illness, for example, because data was tough to come by and often duplicative. The substance abuser, high school dropout and homeless person may well be the same individual – how often can you count the cost of lost wages?

A conservative cost of over \$5 billion per cohort year as the “cost of bad outcomes” certainly makes the point that tremendous return on investment can be achieved by providing effective services and supports and especially the creation of permanent relationships with responsible and caring adults. The tools exist to make improvements in the outcomes for aging out youth; all that is needed is the political will and leadership required to make the necessary investments.



The Jim Casey Youth Opportunities Initiative brings together the people, systems and resources necessary to assist youth leaving foster care make successful transitions to adulthood.



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