

FUTURE SAVINGS

The Economic Potential of Successful Transitions From Foster Care to Adulthood



JIM CASEY YOUTH OPPORTUNITIES INITIATIVE

THE ANNIE E. CASEY FOUNDATION

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ABOUT THE ANNIE E. CASEY FOUNDATION

The Annie E. Casey Foundation is a private philanthropy that creates a brighter future for the nation’s children by developing solutions to strengthen families, build paths to economic opportunity and transform struggling communities into safer and healthier places to live, work and grow. For more information, visit the Foundation’s website at www.aecf.org.

ABOUT THE JIM CASEY YOUTH OPPORTUNITIES INITIATIVE

A unit of the Casey Foundation, the Jim Casey Youth Opportunities Initiative[®] works to improve outcomes for all young people in the United States ages 14 to 26 who have spent at least one day in foster care after their 14th birthday — a population of nearly 1 million. Working with 17 sites across the country, the Jim Casey Initiative influences policy and practices to improve outcomes for teenagers and young adults who have experienced foster care as they transition to adulthood.

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Executive Summary

Every year in America, thousands of young people age out of foster care, often at age 18, without being connected to a permanent family and other critical resources and opportunities needed to succeed in life. Many of these young people experience troubling outcomes. They are more likely than their peers who aren't in foster care to drop out of school, become parents before they're ready, experience homelessness or become incarcerated. For each of these young people, these consequences translate to hardship that can last a lifetime. For society, the persistent trends of poor outcomes for youth who age out of foster care have sizable negative economic effects.

Future Savings: The Economic Potential of Successful Transitions From Foster Care to Adulthood builds on two previous Jim Casey Youth Opportunities Initiative reports — *Cost Avoidance: The Business Case for Investing in Youth Aging Out of Foster Care* and *Cost Avoidance: Bolstering the Economic Case for Investing in Youth Aging Out of Foster Care* — that calculate economic costs associated with young people who age out of foster care and emphasize how billions of dollars in costs are avoidable with targeted interventions.

Future Savings explores the economic costs associated with the disparate outcomes for young people who age out of foster care in four areas: education, early parenthood, homelessness and incarceration.

For example, with the right resources, 5,290 more young people would graduate from high school each year, leading to \$2.17 billion in economic gains through increased lifetime income. Additionally, 2,866 fewer young women would experience early parenthood by the age of 19, resulting in avoided societal and taxpayer costs of \$295 million for the first 15 years of the child's life.

If transition-aged young people in care completed high school at the same rate as the general population,

5,290

more young people would graduate each year.

To address these disparate outcomes, numerous states have enacted legislation to help develop concrete solutions to ensure young people with foster care experience have what they need to thrive as they transition to adulthood. The passage of the federal Family First Prevention Services Act in February 2018 represents sweeping changes to child welfare policy that emphasize the vital importance of stable, permanent relationships as a driving factor in the health, well-being and overall success of children and youth in foster care.

What's more, during the past 20 years, there have been important reform proposals aimed at removing barriers and increasing opportunities for youth in foster care and those who age out. These proposals reflect a growing awareness of child development research and the impact of trauma on a child's life. For example, insights from neuroscience help us understand that healthy adolescent development is shaped by supportive relationships, opportunities to build skills and practice decision making and key resources that enable youth to participate in normal growing-up activities. Yet young people in foster care often face multiple barriers to achieving typical developmental milestones not only due to barriers associated with being in foster care but also because of the challenges stemming from their exposure to trauma.

There's now much greater understanding among policymakers that the adolescent brain can be rewired to heal from past trauma if the environment is supportive and responsive to the developmental needs of young people. This creates significant opportunities and urgency to align policy and practice with the science. Policymakers, influenced by effective advocacy by young people who have experienced foster care, have been steadily crafting research-based reforms to help more young people in foster care succeed in life. This is evidenced by the 2014 passage of the federal Preventing Sex Trafficking and Strengthening Families Act, which acknowledges the needs of young people during adolescence and supports opportunities for experiential learning and growth. Specifically, this includes federal and state legislation creating the "reasonable and prudent parenting" standard to remove onerous burdens on caregivers and children that prevent them from engaging in typical adolescent development activities (such as attending sleepovers and getting a driver's license).

Policymakers also know that, in addition to understanding what works in policy and practice, decision making is driven largely by fiscal considerations. As such, it is abundantly important for decision makers to be aware not only of the cost and consequence to individuals through lost opportunity, but also about the financial costs to public programs and society.

Summary of Findings

These estimates reflect costs by outcome area that could be avoided if there were no disparities between young people aging out of foster care and their peers in the general population.¹

TABLE 1: COSTS AVOIDED IF YOUNG PEOPLE TRANSITIONING FROM FOSTER CARE HAD OUTCOMES SIMILAR TO THEIR PEERS IN THE GENERAL PUBLIC

Indicator	Cost Estimate	Time Frame
Cost of not completing high school	\$2,170,000,000	lifetime gross income
Early parenthood	\$295,400,000	cost of early parenthood (parental income loss, medical expenses and the likelihood of the child ending up in foster care) for the first 15 years of the child's life
Homelessness	\$9,600,000	cost of a bed per night across homeless episodes
Incarceration	\$1,627,700,000	cost of per-day detention, cost to society and victim and recidivism rate
Total Costs Avoided	\$4.1 billion	

- **Education:** 5,290 more young people would graduate from high school annually, leading to \$2.17 billion in economic gains during their working lifetimes.
- **Early parenthood:** 2,866 fewer young women would experience early parenthood by age 19, resulting in avoided societal and taxpayer costs of \$295 million for the first 15 years of the child's life.
- **Homelessness:** 4,370 fewer young people would experience homelessness, which would save \$9.6 million in spending on beds, per night across homeless episodes, needed to provide temporary shelter.
- **Incarceration:** 4,870 fewer young people would experience the juvenile justice system, resulting in \$1.6 billion less spent on the cost of per-day detention, cost of crime to society and victim and recidivism rate.

Closing the gaps in education, housing, early parenting and juvenile justice outcomes would reduce costs to society by \$4.1 billion for each new group of young people aging out of foster care.

A focus on economic costs does not minimize the emotional and personal costs for these young people. The emotional and personal costs are key considerations in any conversation about young people who leave foster care without strong and stable social, emotional and economic resources. *Future Savings* is designed to help inform and spur local, state and federal investments that can support young people who experience foster care and lessen the economic toll on public programs, society and young people.

METHODOLOGY

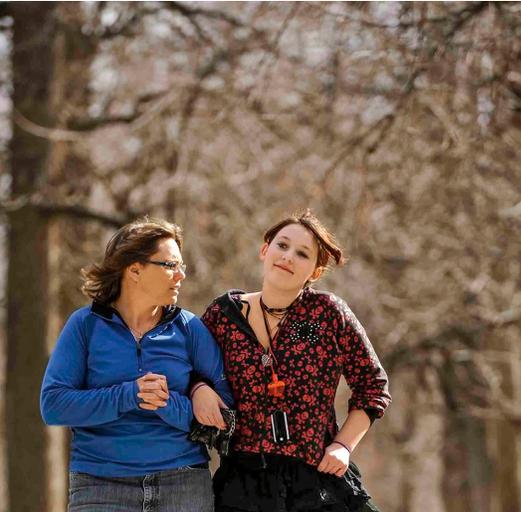


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uture Savings examines four important outcome areas: education, early parenthood, homelessness and incarceration. This report draws from publicly available data and previously published studies to estimate how outcomes in these areas differ for young people aging out of foster care when

compared with the outcomes of their peers in the general population, as well as the costs associated with those outcome variations. Data were obtained from multiple sources (Table 2). Available data on young people with foster care experience captures 19- and 21-year-olds who may have transitioned out of care or who may still be in care. When multiple estimates were available for a given outcome, the median is used.

The cost data were obtained from peer-reviewed research. When estimating the costs, societal perspective is used, meaning costs from multiple perspectives — the individual (such as lost income), governmental (such as lost tax revenue) and service provider (such as costs for housing individuals experiencing homelessness) — were considered. Though the disparate outcomes for young people who age out of foster care affect individuals directly, they also affect society indirectly. Throughout this analysis, if the literature search resulted in multiple estimates for an outcome, the more conservative one was chosen. The median is used when several cost estimates for a given outcome were available. The costs of goods and services change over time and, as a result, the value of the dollar changes. The cost estimates used were from several different years. Therefore, the value of the dollar differed from one cost estimate to the next.



To avoid overestimating or underestimating the cost avoided and making fair comparisons between cost estimates from different years, the costs were inflated to 2017 dollars using a standard 2 percent inflation rate.^{2,3,4} Additionally, because all savings would not be wholly recognized in one year, measures that require more than one year to see the full cost savings are discounted at a standard rate of 3 percent.

Based on five years of data (2011–2015) from the Adoption and Foster Care Analysis Reporting System (AFCARS), an estimated 23,000 young people⁵ age out of foster care every year, experiencing adverse outcomes compared with the same outcomes as their peers in the general population. The avoidable costs to society increase with each new cohort. This estimate of 23,000 young people is used to approximate the number of young people who would complete high school, delay pregnancy and avoid homelessness and incarceration if young people aging out of foster care experienced outcomes at similar rates to their counterparts in the general population.

YOUNG PEOPLE WITH BETTER OUTCOMES

$$= 23,000 \times (| \text{Outcome Rate}_{\text{Foster Care}} - \text{Outcome Rate}_{\text{General Population}} |)$$

Next, this number is multiplied by the cost associated with each outcome. This provides the estimated cost of the disparate outcomes experienced by young people aging out of foster care.

$$\text{COSTS AVOIDED} = \# \text{ Young People With Better Outcomes} \times \text{Cost of Negative Outcome}$$

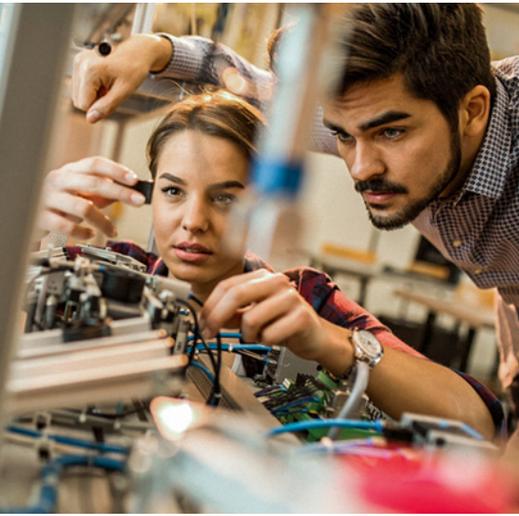
TABLE 2: DATA SOURCES FOR OUTCOMES

Data on young people with foster care experience

- > CalYOUTH Study⁶
- > Midwest Study^{7,8}
- > National Youth in Transition Database (NYTD)⁹

Data on young people in the general population

- > American Community Survey (ACS)¹⁰
- > National Longitudinal Study of Adolescent to Adult Health¹¹
- > Power to Decide¹²



Education

Many young people in foster care face unique challenges to educational achievement, including school mobility, grade retention and increased likelihood of attending low-performing schools.^{13,14} For these young people, changing high schools even once has been shown to reduce their chances, by half, of graduating when compared with their more school-stable peers.¹⁵ And yet, studies show that far too many young people in foster care are dealing with these obstacles to their well-being and success. For example, a recent study showed that a third of young people in foster care in California attended more than one school during the academic year, and about one in 10 attended three or more schools.¹⁶ Due in part to school moves, young people in care are often older than their peers in the general population, further delaying on-time graduation and increasing the likelihood they drop out.^{17,18}

Lacking a high school diploma or high school equivalency/GED is associated with an increased risk of unemployment compared with those with a high school diploma or high school equivalency/GED, especially during economic recessions.¹⁹ The decrease in earnings associated with low educational attainment is stark. Young adults without a high school diploma are more likely to hold low-skill and low-wage jobs, with an estimated lifetime income and societal tax loss of \$410,659.^{20,21,22}

According to the 2015 census, approximately 89 percent of 21-year-olds in the general population held at least a high school diploma,²³ compared with 66 percent of 21-year-olds with foster care experience.²⁴ This report focuses on high school completion rates by age 21 because of educational delays that may result from high school mobility rates.²⁵ If transition-aged young people in care graduated at the same rate as the general population, 5,290 more young people would graduate each year, resulting in \$2.17 billion in economic gains during their working lifetimes.

Early Parenthood

Adolescent mothers are more likely to drop out of school and struggle to achieve or maintain financial stability. Studies show that by age 22 only 40 percent of adolescent mothers will earn a high school diploma (compared with 83 percent of young women who did not have a teen birth),²⁶ and less than 2 percent will earn a college degree by age 30²⁷ (compared with 43 percent of young women in the general population).²⁸ Adolescent mothers are more likely to work low-wage jobs, depend on social services and experience long periods of unemployment.²⁹ Adolescent mothers are also at an increased risk of living in poverty for up to five years following the birth of their first child.³⁰ The children of adolescent parents are more likely to struggle academically, become adolescent parents themselves and experience homelessness.³¹

Young people who age out of foster care are at a higher risk of becoming young parents, compared with their general-population peers.³² Recent findings show the rate of early parenthood among transition-aged foster youth is lower for those who remain in foster

care until age 19 compared with those who exit care earlier.³³ Current data estimate that 2 percent of women in the general population give birth between age 15 and 19³⁴ compared with 26 percent of transition-aged women in foster care.³⁵ If young women³⁶ in foster care experienced birth rates similar to their counterparts in the general population, 2,866 births to young mothers would be prevented or delayed by age 19.

Adolescent mothers have an estimated taxpayer and societal cost of \$6,869 per year for the first 15 years of parenthood, or \$103,038 for the first 15 years of parenthood. The cost to society and taxpayers includes parental income loss, medical expenses and the likelihood of the child ending up in foster care.³⁷ Using these estimates, the total cost of adolescent parenthood among young women who age out of foster care is about \$295 million for the first 15 years of their child's life. This cost estimate represents a conservative estimate — the calculation does not account for the costs associated with multiple births or certain negative future outcomes for the child.

Homelessness

Housing instability for adolescents is associated with juvenile delinquency, lower educational attainment, food insecurity and physical and mental health risk factors.³⁸ Further, young people experiencing homelessness are at an increased risk of isolation from family, decreased employment opportunities, extreme stress and exposure to harm.³⁹ Housing instability and homelessness lead to the need for housing assistance and increased use of emergency services, which exact a cost on communities.⁴⁰ Reasons for housing instability and homelessness vary among young people, but a recent review of the literature points to poverty, abuse, family conflict and psychosocial issues as the primary reasons.⁴¹

According to the National Longitudinal Study of Adolescent to Adult Health (respondents ages 18–26), approximately 4 percent of adolescents in the general population experience homelessness.⁴² By comparison, approximately 23 percent of young people who age out of foster care will experience homelessness by the age of 21.⁴³ This report focuses the cost estimate on homelessness reported at age 21 to capture the population who may have aged out or left care by 21.^{44,45,46} If adolescents transitioning out of foster care were homeless at the rate of the general population, 4,370 fewer individuals would experience homelessness.

Estimating the cost of homelessness is difficult considering the many services and needs of individuals experiencing homelessness. Shelters and housing assistance programs vary in the extent to which they attempt to meet the housing, physical health and mental health needs of the individuals they serve. To produce conservative estimates and minimize double counting between the estimates of these services and costs of other factors associated with homelessness, this report focuses only on the cost of providing a bed per individual in a transitional housing setting per year, which is \$13,000, or \$36 per person per night.⁴⁷

If young women in foster care experienced birth rates similar to their counterparts in the general population,

2,866

births to young mothers would be prevented or delayed by age 19.

TABLE 3: # OF YOUNG PEOPLE WHOSE HOMELESSNESS COULD BE AVOIDED AT DIFFERENT EPISODE LENGTHS

Nights Homeless (Longest Episode)	% of Those Who Reported Homelessness ⁴⁸	Estimated # Who Would Avoid Homelessness
1 night	18%	769
2 to 7 nights	30%	1,328
8 to 30 nights	23%	983
31 to 90 nights	18%	769
> 90 nights	12%	516
Total # Estimated to Avoid Homelessness		4,370

If adolescents transitioning out of foster care had housing at the rate of the general population,

4,370

fewer individuals would experience homelessness.

Considering the wide variety in the length of homelessness episodes (such as number of unique times a young person reports experiencing homelessness) reported by young people transitioning out of foster care, this report calculates homelessness cost based on the young person’s longest episode of homelessness (Table 3). The first two columns in Table 3 present findings from the Midwest Study.⁴⁹ The first column provides categories of homelessness episodes and the second column lists the percent of young people who identified each episode as their longest homelessness episode. For example, 23 percent of those who reported homelessness since discharge reported their longest homeless episode lasted between eight to 30 nights. The last column estimates the number of young people with foster care experience who would avoid homelessness for each episode length if these emancipated young people experienced homelessness at the rate of their peers in the general population.

Using the estimates for those who would avoid homelessness, this report calculates the total cost of homeless episodes among the 4,370 young people. This report uses midrange estimates for the length of homeless episodes. For example, if an episode of two to seven nights would be avoided, the costs are estimated for four and a half nights (\$1,125, \$36 per night). This calculation results in estimated costs of \$4.2 million for the episodes detailed in Table 3. Evidence from the Midwest Study revealed the mean number of homelessness episodes to be 2.1, meaning most young people experienced multiple occurrences of homelessness.⁵⁰ Therefore, the estimated \$4.2 million is multiplied by 2.1 episodes and inflated to 2017 dollars to get a total cost estimate of \$9.6 million.

Incarceration

The reasons a young person may commit a crime or engage in delinquent behavior are complex, but growing research points to two factors: contextual disadvantages and adolescent cognitive development.⁵¹ First, contextual disadvantages include exposure to trauma, maltreatment, poverty, poor family-child interactions and a lack of environmental safety that put adolescents at an increased risk for criminal behavior.^{52,53} These risk factors are associated with internalizing and externalizing behavioral issues such as depression, anxiety, conduct problems and other antisocial behaviors. Evidence of this includes the fact that adolescents with juvenile justice involvement have a higher rate of traumatic experiences and post-traumatic stress disorder compared with adolescents without juvenile justice experiences.⁵⁴ Second, during adolescence, socioemotional and cognitive control systems go through rapid and dramatic changes that are associated with increased reward-seeking behavior and poor impulse control. While the transition to adulthood comes with improved impulse control and self-regulation,⁵⁵ lasting effects on brain development due to trauma and unresolved adolescent behavioral issues can hinder the transition to adulthood. This ongoing brain development helps explain the higher rate of delinquency among adolescents compared with adults.⁵⁶

While the rate of juvenile arrest and incarceration have both declined significantly in the past two decades, young people transitioning out of foster care continue to be at increased risk for both.⁵⁷ According to the U.S. Department of Justice, the rate of incarceration is 65 per 100,000 individuals, or 0.06 percent, for young people up to 21 years old in the general population.⁵⁸ For young people with foster care experience, the incarceration rate is significantly higher. According to the NYTD data, by age 21, 26 percent have been incarcerated.⁵⁹ To calculate the cost of criminal justice involvement, this report gathers data on crime type, length of stay and recidivism from the Office of Juvenile Justice and Delinquency Prevention (OJJDP), fiscal year 2015 data. Length of stay was measured as the length of residential placement following arrest, detention or adjudication for young adults under 21 years old.⁶⁰ Finally, this report draws from the literature to determine the rate of recidivism among young people. To calculate the total cost of incarceration, estimates of the cost of a one-day detention placement,⁶¹ the cost to society⁶² and the rate of recidivism^{63,64} were used. The cost to society consists of two categories: the cost to the victim (based on the type of crime) and the cost to society (cost of court services, cost of arrest).⁶⁵ All of these costs were updated to 2017 dollars.⁶⁶

If young people with foster care experience avoided confinement at the rate of young people in the general population, 4,870 fewer would experience incarceration. According to OJJDP data, more than half of young people spend less than three months in detention, whether incarcerated or in a residential placement. In 2015, approximately 8 percent spent more than one and a half years in detention. Using this information, it was determined that the cost of detention for young people with foster care experience is \$253,630,267.

TABLE 4: COSTS ASSOCIATED WITH JUVENILE INCARCERATION

Cost of detention

> \$253,630,267

Cost of crime to society and victim

> \$486,240,348

Recidivism rate — youth with foster care experience: youth in general population

> 2:1

Total Cost Incarceration

> \$1,627,700,000

If young people with foster care experience avoided confinement at the rate of young people in the general population,

4,870

fewer would experience incarceration.

Crime category data for all young people incarcerated, which count those who were detained or committed in 2015, were included. For example, of all young people who were incarcerated, approximately 8 percent committed assault and approximately 10 percent committed robbery or household burglary.⁶⁷ Using the complete OJJDP list of crimes, it was determined that the cost of crime to the victim and the criminal justice system was \$486,240,348. Considering that recidivism among young people with foster care experience is twice the general population, the estimates were doubled, bringing the total crime and detention cost to \$1,627,700,000.^{68,69}

Recommendations

Like all youth, young people in foster care need relationships, opportunities and resources to achieve well-being and success. Meeting these needs during the period of adolescent development paves a successful road to adulthood. Building on a series of bipartisan reform efforts over the years, policymakers today have new opportunities to help young people in foster care — and those who've aged out — succeed in life.

The following strategic investments in policy and practice efforts can remove barriers and maximize opportunities for young people to succeed while also helping mitigate future costs to society.

Relationships

Policy and practice should facilitate permanent family connections and cultivate a network of supportive relationships with mentors, coaches, employers and other caring adults. A policy framework should include the following priorities:

- Help young people and caring adults in their lives maintain permanent connections by understanding and working through their history of trauma.
- Remove disincentives to permanency such as limited eligibility for transition and higher education resources and policies that provide families less financial support when they choose to become a permanent resource.
- Extend foster care and permanency subsidies to age 21 with developmentally appropriate resources (see *Foster Care to 21: Doing It Right*).

Opportunities

Child development research underscores that age-appropriate opportunities are essential to enable children and young people to grow emotionally, mentally, physically, socially and academically. These opportunities are particularly important for young people in foster care who, because of well-meaning policies and rules, often face barriers to

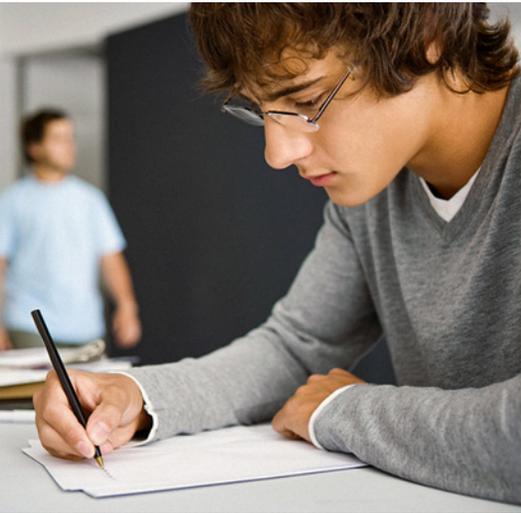
enjoying and learning from the normal, everyday activities that their peers who aren't in foster care have. Opportunities to succeed in school are the foundation for success. Academic success, including in higher education, leads to work and career opportunities, which are linked to financial security. A policy and practice framework should include the following priorities:

- Ensure collaboration between child welfare and educational agencies to keep children in foster care in the same school when living placements change and ensure that children in foster care who do change schools are promptly enrolled in a new school, with the relevant school records per the Fostering Connections Act.
- Increase opportunities for youth in and transitioning from foster care to successfully complete a postsecondary education by making higher education more affordable and by supporting retention, success and completion of higher-education programs. Helpful policies include ensuring timely implementation of the extended availability (to age 26) of Education and Training Vouchers per the Family First Prevention Services Act; making tuition waiver programs available to youth aging out of foster care; addressing rising college debt through loan forgiveness programs; and improving the application and enrollment processes for young people pursuing higher-education programs.
- Provide evidence-based career development and employment services to prepare young people for living-wage jobs.
- Implement the Opportunity Passport® program. Established by the Foundation's Jim Casey Youth Opportunities Initiative®, this program teaches young people financial literacy, assists with opening a bank account and provides a matched-savings program to give young people the developmental experience of managing finances and making wise decisions about how to spend their savings, incentivizing purchases of assets that support long-term success.

Resources

The transition to adulthood is commonly understood to be a gradual process that spans ages 18 through 25. For young people not involved in foster care, this process is marked by gradual independence from family, including in the areas of housing and residence, employment, education, finances and parenting. However, young people who age out of foster care often experience a rapid transition. They often find themselves completely on their own, without access to critical resources, such as housing, health care and other services. A policy framework should include the following priorities:

- Increase the supply of youth-friendly housing and supportive housing services.
- Ensure young people's access to health care, including reproductive health services and the information and skills needed to make informed decisions about whether and when to become parents.



- Provide services, resources and opportunities to young people who are expecting or parenting, including evidence-based home visiting as well as child care.

Additional considerations should be given to young people who are involved in the juvenile justice system. Policy priorities should include the following:

- Expand programs and policies that divert youth from juvenile justice involvement and ensure that youth in foster care have equal access to all diversion opportunities and services.
- Adopt policies and practices across child welfare settings that create options for agencies and families to address youth misbehavior without involving police or courts (such as restorative practices).
- Track police and court referrals from child welfare placements and bring together an interdisciplinary team to reduce those referrals.
- Provide resources to youth in foster care who are on probation to help them avoid violations that may result in incarceration.

Conclusion

Future Savings emphasizes the economic costs that could be avoided by improving conditions to change the life trajectory for young people who age out of foster care. This publication is designed to show how local, state and federal investments can better support young people and prevent future economic costs.

The recent passage of the federal Family First Prevention Services Act (Family First) provides many opportunities to bolster child welfare policy to prioritize stable, permanent relationships as a driving factor in the health, well-being and overall success of children and youth in foster care. A central intent of the new federal law is to strengthen prevention efforts that reduce the need for foster care. It does this by providing states with access to matching federal funds for the costs of certain evidence-based prevention services. The law also seeks to reduce more costly group placements by limiting reimbursement for these settings and encouraging placement in family foster or kinship care. Family First can serve as a critical means for states to engage in a more proactive services approach that could help jurisdictions avoid the costs and lost economic potential that are incurred when child welfare system efforts fail.

The Casey Foundation's recently published brief, *Fostering Youth Transitions: Using Data to Drive Policy and Practice Decisions*, can be used to help inform implementation of Family First, as well as spur state public policy advocacy. This 50-state brief, which provides data on young people in and transitioning from foster care, includes several key outcome measures related to findings that are highlighted in *Future Savings'* analyses. These and other data on young people transitioning from foster care can be found at Casey's KIDS COUNT Data Center.

Casey's Jim Casey Initiative draws on the experience of young people to help develop solutions and spur policy improvements to give young people in foster care the best chances possible to thrive as they transition into adulthood. These efforts are critical to the countless young people who will continue shaping the future of the nation and their own lives.



ENDNOTES

- 1 In this analysis, outcomes of youth with foster care experiences are compared with those of youth in the general population for two reasons. First, society's expectations for youth with foster care experiences should not be lower due to those experiences. Second, comparison data are not available to make consistent and reliable cost estimates for all disadvantaged groups in the population.
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