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June 2009

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## Extending Foster Care to Age 21: Weighing the Costs to Government against the Benefits to Youth

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Each year, approximately 26,000 young people age out of foster care in the United States. A majority of them are only 18 years old at the time of this transition because, in practice, few states allow young people to remain in care much beyond their 18th birthday. This reflects the fact that federal reimbursement for the costs of out-of-home care has been limited to foster youth under age 18, or under age 19 if they are likely to graduate from high school or an equivalent program before their 19th birthday. However, several factors—including an evolving understanding of normative development, growing knowledge about the diverse needs of foster youth, and changing views of the state's role and responsibilities as parent when children are removed from home—are leading policymakers to reassess how to support young people transitioning from foster care to independence.

The Fostering Connections to Success and Increasing Adoptions Act of 2008 will soon allow states to claim federal reimbursement for the costs of caring for and supervising Title IV-E eligible foster youth until age 21. As states consider whether to respond to this legislation

**Title IV-E of the Social Security Act** requires the federal government to reimburse states for costs associated with eligible foster children. A child is Title IV-E eligible if his or her family would have been income-eligible for the now-defunct Aid to Families with Dependent Children (AFDC) program. At least half of the children who enter foster care are Title IV-E eligible. The rate of reimbursement can range from 50 percent to 83 percent, depending on the state's per-capita income. States are responsible for covering the entire cost of caring for and supervising children who are not eligible for Title IV-E funds.

**The Fostering Connections to Success and Increasing Adoptions Act of 2008** amends Title IV-E by extending the age of eligibility from 18 to 21. Moreover, to qualify states for federal reimbursement, Title IV-E eligible foster youth age 18 and older must be either completing high school or an equivalent program; enrolled in postsecondary or vocational school; participating in a program or activity designed to promote, or remove barriers to, employment; employed for at least 80 hours per month; or incapable of doing any of these activities due to a medical condition. Eligible youth can be residing in a foster home or group care setting or living independently in a supervised setting, but the protections afforded to foster children under age 18 (such as judicial or administrative case review every 6 months) still apply. State child welfare agencies are also required to develop a transition plan at the direction of the young person during the 90 days immediately before they exit care.

by extending foster care beyond age 18, they will have to weigh the benefits to foster youth (and to society) against the costs to government.

This issue brief provides some preliminary estimates of those costs and benefits using data from a variety of sources, including the Midwest Evaluation of the Adult Functioning of Former Foster Youth (the Midwest Study), the Illinois Department of Children and Family Services, (DCFS), the 1988 National Education Longitudinal Study (NELS), and the U.S. Census Bureau.

Our analysis of the benefits and costs of extending foster care takes advantage of key differences in child welfare policy across the three participating states. Like most states, Iowa and Wisconsin typically discharge foster youth to independent living around their 18th birthday. Illinois is one of the few jurisdictions where young people can and routinely do remain in foster care until their 21st birthday.

We begin by estimating the costs to government of keeping young people in care after their 18th birthday. We then estimate potential benefits, focusing in particular on how increased postsecondary educational attainment could affect lifetime earnings. Based on our analysis, we conclude that the financial benefits of extending foster care—both for individual youth and for society—outweigh costs to government by a factor of approximately 2 to 1.

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## What Would It Cost to Extend Foster Care to Age 21?

We estimated the expected costs to government of extending foster care until age 21 by taking the following factors into account:

- the average per-day cost of caring for young people beyond their 18th birthday

The **Midwest Study** is the largest longitudinal study to examine the transition to adulthood among young people aging out of foster care since the Chafee Foster Care Independence Program was created in 1999. It is a collaborative effort among the public child welfare agencies in Illinois, Iowa, and Wisconsin; Chapin Hall at the University of Chicago; the University of Wisconsin Survey Center; and Partners for Our Children at the University of Washington, Seattle. Baseline interviews were conducted with 732 young people, ages 17 and 18, from the three participating states. Of these young people, 603, or 82 percent, were reinterviewed at age 19, and 591, or 81 percent, were reinterviewed at age 21. For a more detailed description of the study, see Courtney, Dworsky, Cusick, Havlicek, Perez, and Keller (2007).

- the average amount of time young people are likely to remain in care after reaching age 18
- the average public assistance costs that could be avoided if young people remain in care

Based on a weighted average of the per-day costs associated with different types of living arrangements in 2007 (for example, foster homes, supervised independent living, and subsidies for youth in college) provided by Illinois's Department of Children and Family Services, we estimate that keeping one young person in care in Illinois beyond his or her 18th birthday would cost, on average, approximately \$20,800 per year.

We know from the Midwest Study that the average age at exit from foster care is 20 years old in Illinois and only 18 years old in Iowa and Wisconsin. This difference reflects the fact that Illinois is one of the few states that currently allows young people to remain in foster care until their 21st birthday. If what happens in Illinois is similar to what would happen in other states if young people were allowed to remain in care until age 21, then extending care to age 21 would increase the average length of time in care by about 2 years. If we multiply the average estimated annual cost of care per youth

(\$20,800) by the average estimated increase of years in care (2 years), the estimated average additional cost for extending foster care is \$41,600 per youth.

This cost would be offset to some degree by avoiding expenditures on public assistance in the form of Social Security Income, food stamps, Temporary Assistance to Needy Families (TANF), and other welfare payments. To estimate those cost offsets, we drew primarily upon survey data collected from Midwest Study participants when they were 21 years old. As shown in Figure 1, these youth received an average of \$794 in SSI payments, \$847 in food stamps, \$153 in TANF payments, and \$32 in payments from other welfare programs (such as general or emergency assistance), for a total of \$1,826 over the course of a year.

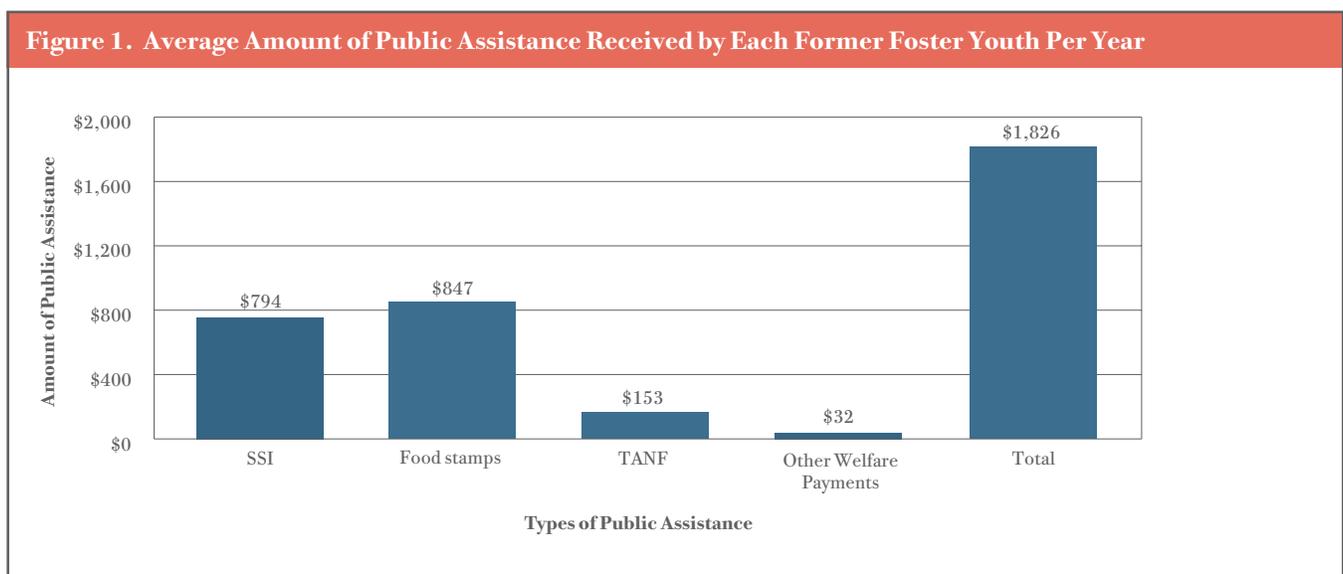
We only took into account expenditures on cash and “cashlike” in-kind benefits such as food stamps, for which a dollar value can easily be assigned. We did not directly account for administrative or other associated costs. However, the Midwest Study data indicate that some of these young people were receiving housing assistance (such as public housing or Housing Choice Vouchers) or benefits from the Special Supplemental

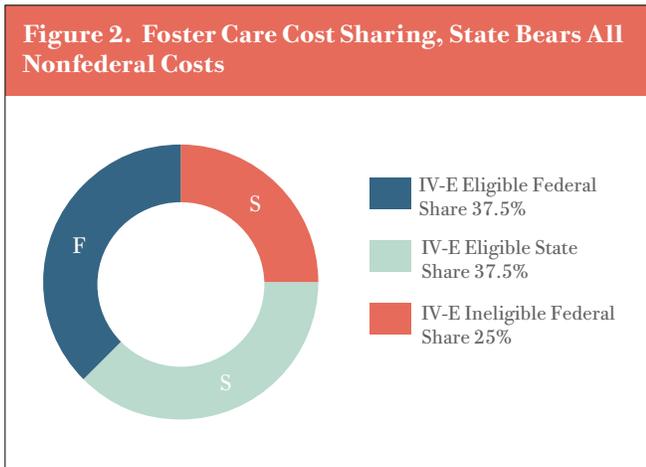
Nutrition Program for Women, Infants, and Children. If we had taken these other types of public assistance into account and factored in administrative costs, the estimates shown in Figure 1 would have been higher.

Assuming that each former foster youth between the ages of 18 and 21 receives an average of \$1,826 in public assistance per year, and assuming that these costs are not incurred for 2 years on average by young people who remain in care, the expected net cost of extending care would be reduced by \$3,652, or from \$41,600 to \$37,948. This predicted offset will vary somewhat across states because of between-state differences in TANF receipt. However, because TANF payments account for less than one-tenth of that \$3,652, this variation will have a negligible effect.

### Sharing the Cost of Extending Care Across Levels of Government

Policymakers need to consider how federal, state, and—in many states—county governments will share the costs if foster care is extended until age 21. This distribution is a function of (1) the state’s Title IV-E reimbursement rate; (2) the percentage of foster youth



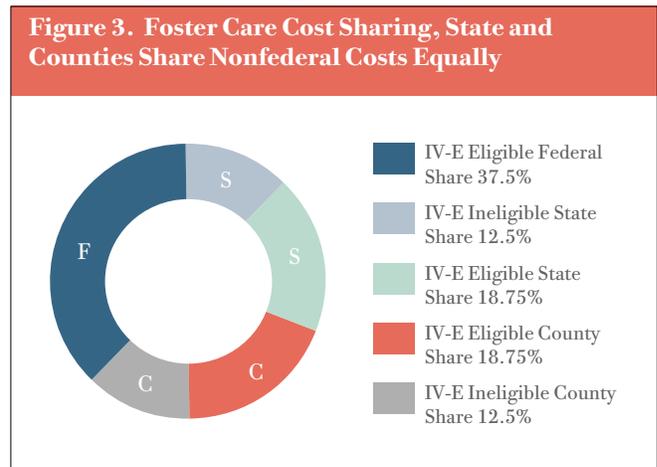


who would be Title IV-E eligible; and (3) how costs are shared within the state.

Figure 2 illustrates the distribution for a state that does not share costs with its counties. If, for example, 75 percent of the state’s foster youth were eligible for Title IV-E reimbursements, the federal government would pay half of what it costs to keep 75 percent of these foster youth in care. States would bear all of the costs for the 25 percent of young people who are not Title IV-E eligible. Overall, the federal government would pay 37.5 percent, and the state would pay 62.5 percent of the total cost.

By contrast, Figure 3 shows the breakdown for a state with the same proportion of Title IV-E eligible youth that shares costs equally with county governments. The federal government would still pay half of what it costs to keep 75 percent of the state’s foster youth in care, or 37.5 percent of the total cost. The other 62.5 percent would be split between the state and the counties, so each would pay 31.25 percent.

Of course, the actual costs to each level of government would depend on the number of young people who choose to remain in foster care and how long they choose to remain.



## What Are the Benefits of Extending Foster Care to Age 21?

### Is extending foster care likely to increase postsecondary educational attainment?

The advantages of postsecondary education are well established. According to the National Center for Educational Statistics, young adults with at least a bachelor’s degree earn significantly more than those with less education, and the gap in median income between college graduates and high school graduates has increased over time. A study by Planty and others (2007) estimates that, in 2005, 25- to 34-year-olds who had at least a bachelor’s degree earned, on average, 61 percent more than those with only a high school diploma or GED.

We also know that former foster youth lag considerably behind their peers with respect to postsecondary educational attainment, although estimates of the college graduation rate among former foster youth are problematic. Most are based on nonrepresentative samples of young people who aged out of foster care before the Education and Training Voucher program was created as an amendment to the Foster Care Independence Act in 2001. Moreover, educational

attainment has often been assessed too early in adulthood to provide a valid measure of actual college degree completion. Thus, estimates of the proportion of former foster youth who graduate from college range from as low as 1 percent to as high as 11 percent (Pecora et al., 2003; Wolanin, 2005). By comparison, approximately 30 percent of 25- to 29-year-olds in the general population have at least a bachelor's degree.

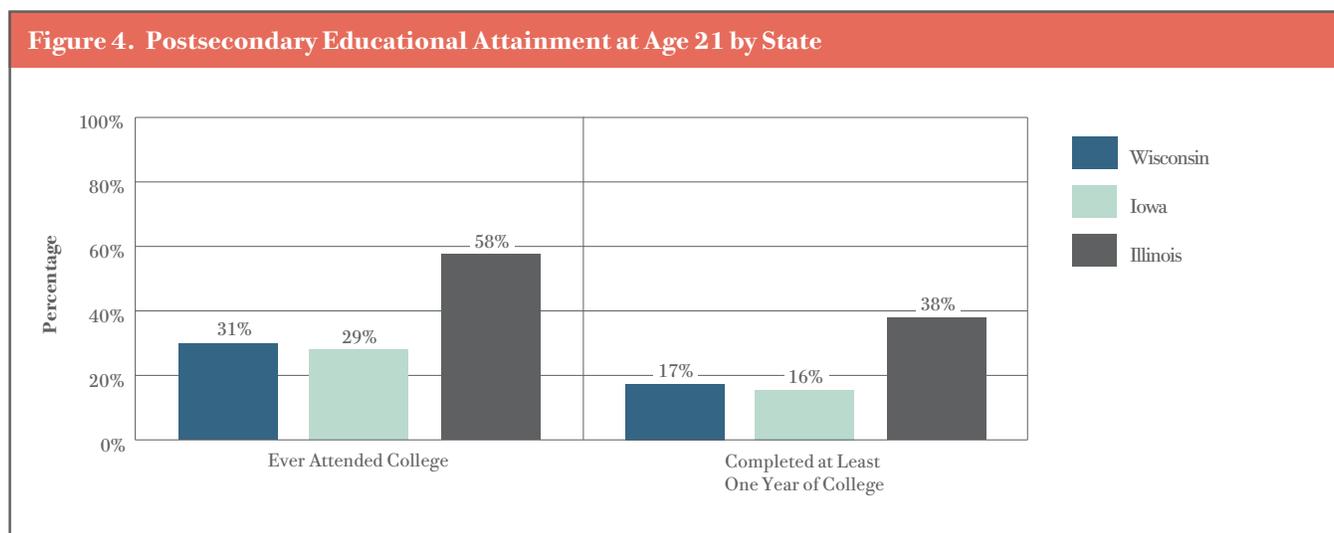
Despite this gap between foster and general populations, research suggests that allowing foster youth to remain in care until age 21 is associated with an increase in postsecondary educational attainment. Specifically, former foster youth from Illinois, where young people can and often do remain in care until their 21st birthday, were twice as likely to have ever attended college and more than twice as likely to have completed at least one year of college by age 21 compared with former foster youth from Iowa and Wisconsin, where remaining in care beyond 18 is not an option.<sup>1</sup>

### Educational and Training Vouchers

The ETV program provides current and former foster youth with up to \$5,000 per year for postsecondary education and training. Youth remain eligible until age 23 if they are participating in the program on their 21st birthday.

(Courtney, Dworsky, & Pollack, 2007) Figure 4 illustrates this difference.

As it turns out, these differences in postsecondary educational attainment cannot be explained by differences in the type of foster care population in the states. On the contrary, young people from Illinois were more likely to pursue postsecondary education than their peers from Iowa and Wisconsin, despite exhibiting characteristics normally associated with *lower* rates of college completion (Courtney, Dworsky, Cusick, Havlicek, Perez, & Keller, 2007.)



<sup>1</sup> Allowing young people to remain in care until age 21 was also associated with delayed pregnancy, higher earnings, and a greater likelihood of receiving independent living services. However, for reasons described in Peters, Courtney, and Pollack (2009), we chose to focus exclusively on the benefits associated with postsecondary attainment.

## How much will a bachelor's degree increase lifetime earnings?

Based on the finding that former foster youth from Illinois, where they could remain in care beyond 18, were more than twice as likely as their Wisconsin and Iowa counterparts to complete at least one year of college by age 21, we can estimate the long-term financial benefits of extending care on lifetime earnings. The amount of increased earnings will depend on the following: (1) the expected rate of college graduation among foster youth if care *is not* extended to age 21; (2) the expected increase in college graduation if care *is* extended to age 21; and (3) the additional work-life earnings associated with having a bachelor's degree versus having only a high school diploma.

Drawing upon data from the 1988 National Education Longitudinal Study, which measured educational attainment among a nationally representative sample of 26-year-olds, we estimate that approximately 10.2 percent of foster youth will graduate from college if they cannot remain in care until age 21, as is the case in most states.<sup>2</sup> We also estimate, based on the Midwest Study data, that allowing foster youth to remain in care until age 21 will double the percentage who earn a bachelor's degree.

To estimate the additional lifetime earnings associated with a bachelor's degree, we used U.S. Census Bureau data compiled by Day and Newburger (2002).<sup>3</sup> Because the investments required to extend care must be made immediately, whereas the increase in lifetime earnings accumulates over several decades, we posited a discount rate of 3 percent. Based on our calculations, former

foster youth with a bachelor's degree, on average, would earn \$481,000 more than former foster youth who have no more than a high school diploma.

To estimate the increase in what foster youth could expect to earn over the course of their lives if extending care increased the rate of college graduation, we multiplied the added value associated with having a bachelor's degree (\$481,000) by the difference between the predicted rate of college graduation for youth who have the option to remain in care (20.4%) and the estimated baseline rate of college graduation for youth under the current policy in most states (10.2%). This yields an estimate of \$49,620.

## Will completing some college but not earning a bachelor's degree also increase lifetime earnings?

More follow-up data are needed to know whether the favorable educational trajectories among the Midwest Study participants who were allowed to remain in care until age 21 persist over time and result in higher rates of graduation. However, even if the young people who begin college do not attain a bachelor's degree, they still stand to benefit from the postsecondary education that they do complete. According to Census Bureau estimates, completing any college increases lifetime earnings by \$129,000 relative to the work-life earnings of high school graduates (Day & Newburger, 2002).

Thus, we also estimated the increase in future earnings of foster youth for whom extended care did not lead to further educational gains beyond those we observed at age 21. To do this, we multiplied the added value

<sup>2</sup> Peters, Dworsky, Courtney, and Pollack (2009) contains more detailed information about how all of the estimates in this issue brief were derived.

<sup>3</sup> Day and Newburger (2002) estimated what similarly educated individuals could expect to earn, on average, during a hypothetical 40-year working life, but they did not account for the time-value of money.

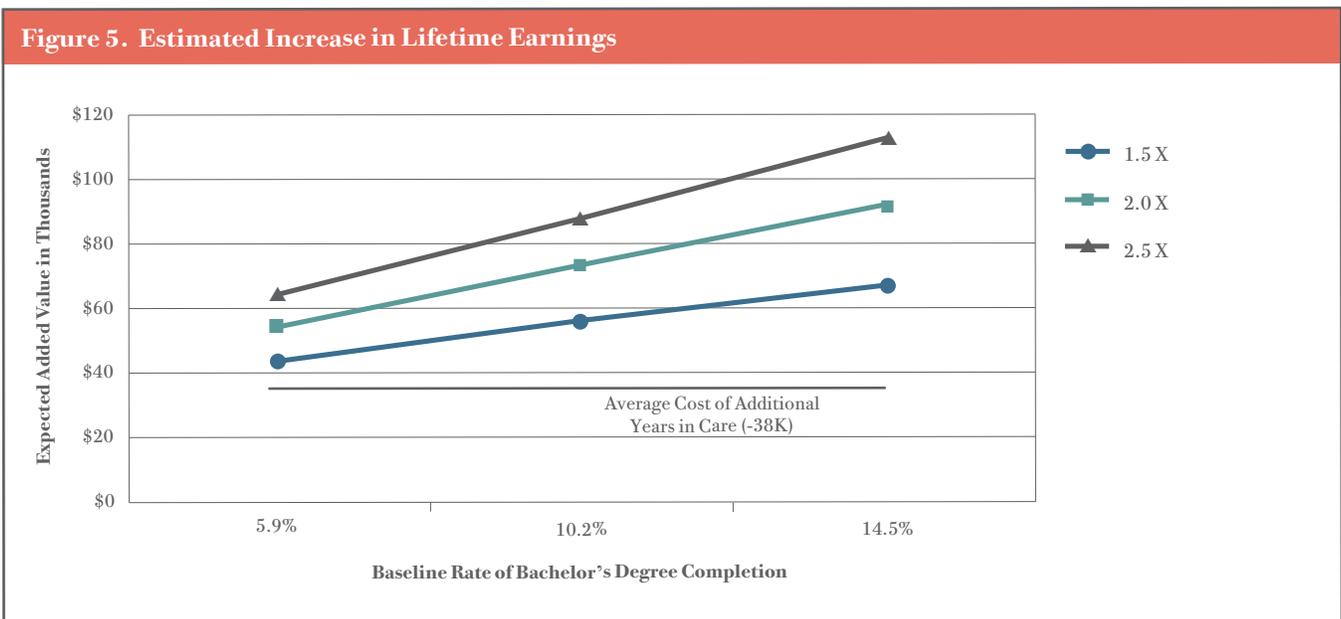
associated with “any college” (\$129,000) by the difference between the predicted rate of completing any college for youth who can remain in care until age 21 (58%) and the estimated baseline rate of completing “any college” for youth who do not have that option (30%). This yields an estimate of \$36,200 for youth who had at least some college experience.

### What will the average increase in lifetime earnings be if young people can remain in care until age 21?

Figure 5 represents the average per-person increase in lifetime earnings we expect for young people who can remain in foster care until age 21. We estimate that the baseline bachelor’s degree completion rate of 10.2 percent for foster youth would double to 20.4 percent if states were to adopt this policy. We also take into account not only the expected increase in lifetime earnings associated with having a bachelor’s degree but also the expected increase in lifetime earnings associated with completing some college

but not receiving a bachelor’s degree. (We made the conservative assumption that respondents who did not report any college attendance by age 21 would never attend college.) Under these assumptions, we estimate that extending care would increase per-person lifetime earnings by an average of \$72,000.

We also examined the consequences if we altered our assumptions regarding the baseline bachelor’s degree completion rate and the increase in educational attainment resulting from extending care. The upper line in Figure 5 represents the expected increase in earnings if extending care increases the bachelor’s degree completion rate by a factor of 2.5. The lower line represents the expected increase in earnings if extending care increases the bachelor’s degree completion rate by a factor of 1.5. The estimates on the far left side assume a baseline bachelor’s degree completion rate of 5.9 percent, whereas the estimates on the far right side assume a baseline bachelor’s degree completion rate of 14.5 percent. Under these



different assumptions, the expected per-person increase in lifetime earnings associated with extending care could range from as low as \$43,000 to as high as \$113,000.

It is important to note that, regardless of the assumptions we make, the return in earnings exceeds the average cost of an additional 2 years in care (\$37,948)—2 years being the average length of time that Illinois foster youth remain in care beyond their 18th birthday. Moreover, our best estimate (\$72,000) translates into a benefit-to-cost ratio of almost \$2 in increased earnings due to higher rates of bachelor's degree completion for every \$1 spent on foster care beyond age 18.

### **Is extending foster care to age 21 likely to have other benefits?**

Although our focus has been on the benefits of increased lifetime earnings to individual foster youth, a nontrivial proportion of the increase will return to the government in the form of higher tax revenues. Postsecondary education also has a number of nonmarket benefits that are not easy to monetize directly. (Wolfe & Haveman, 2002; Baum & Ma, 2007). These benefits include improved personal and familial health choices, and better education outcomes of subsequent generations. If we were able to account for these nonmarket benefits, our estimates of the benefits of extending foster care until age 21 could be significantly higher.

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## **Limitations and Conclusions**

Allowing foster youth to remain in care until age 21 could lead to a significant increase in educational attainment, which in turn would result in significantly higher lifetime earnings. Although we have drawn on the best available data, we recognize that our analysis

has several limitations. Our estimates are largely based on observed differences between what happens in one state (Illinois), which allows young people to remain in care until age 21, and what happens in two other states (Iowa and Wisconsin), where foster youth do not have this option. Not only might the experiences of foster youth in other states be different, but in addition, the between-state differences in postsecondary educational attainment that we observed in participants at age 21 may reflect more than this one difference in state policy.

Data being collected from these young people at ages 23 and 25 should reduce the need for speculation. However, we made the assumption that the educational trajectories we observed at age 21 would continue over time. We also relied on estimates of returns to postsecondary education among the general population, but those returns may be different for young people transitioning out of foster care.

Our calculations do not account for all of the potential costs and cost offsets. For example, they do not include the cost of court supervision for as many as 3 additional years, and those costs may vary across jurisdictions. Nor did we consider other potential monetary benefits, such as savings from delayed pregnancies or reductions in homelessness.

Finally, although having an associate's degree appears to increase earnings beyond the increase that results from completing some college, we did not distinguish between completing some college and earning an associate's degree. In this respect, we underestimate the value of postsecondary educational attainment short of a bachelor's degree.

These limitations notwithstanding, we conclude that if states adopt a policy of allowing young people to remain in foster care until their 21st birthday—an option that will soon be much less of a financial burden on states as a result of the Fostering Connections to Success and

Increasing Adoptions Act—the potential benefits to foster youth and society will more than offset the costs to government. This conclusion should be helpful to child welfare administrators and policymakers as states consider extending foster care to age 21 as a way to better address the needs of this vulnerable population during its transition to adulthood.

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## Recommended Citation

Peters, C. M., Dworsky, A., Courtney, M. E., & Pollack, H. (2009). *Extending Foster Care to Age 21: Weighing the Costs to Government against the Benefits to Youth*. Chicago: Chapin Hall at the University of Chicago

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## Acknowledgments

This study would not have been possible without the support of the John D. and Catherine T. MacArthur Foundation which funded the benefit cost analysis, as well as the William T. Grant Foundation which provided funding for the survey data collection. The authors also wish to thank the Midwest Study's three state partners: the Illinois Department of Children and Family Services, the Wisconsin Department of Health and Family Services, and the Iowa Department of Human Services.

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## Related Publications

Courtney, M. E., Dworsky, A., Cusick, G., Havlicek, J., Perez, A., & Keller, T. (2007). *Midwest Evaluation of the Adult Functioning of Former Foster Youth: Outcomes at Age 21*. Chicago: Chapin Hall Center for Children at the University of Chicago.

Peters, C. Claussen Bell, K. S., Zinn, A., Goerge, R. M., Courtney, M. E. (2008). *Continuing in Foster Care Beyond Age 18: How Courts Can Help*. Chicago: Chapin Hall at the University of Chicago

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