

# **FOSTER CARE TAX CREDIT ACT**

## **Long-Term Financial Benefits Impacts**

### **of Encouraging More People to Become Foster Parents**

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#### **Purpose of the Bill:**

The Foster Care Tax Credit Act would seek to help the many families who care for foster children for six months or less, who unlike longer term-foster families, are not eligible for tax credit assistance, known as the Child Tax Credit, to cover the actual cost of caring for foster children.

The Foster Care Tax Credit Act provides tax relief to foster parents and helps cover the actual costs of caring for a foster child by establishing an inflation-adjusted, refundable tax credit of up to \$1,000 per year, per foster child. This credit is pro-rated by the number of months a foster child is in a family's care.

The bill also directs the Department of Health and Human Services, in coordination with the Department of Treasury, to increase outreach and education to State and Indian tribal foster care agencies and to foster families on the tax benefits available.

To view the Senate bill visit: <https://www.govtrack.us/congress/bills/113/s2390/text>

#### **Pertinent Background Information:**

##### **Foster Parent Recruitment and Retention**

Foster parents make a significant and meaningful difference in the lives of so many vulnerable children by opening their hearts and homes. But we continue to struggle to recruit and retain enough foster families to ensure each child is placed in a family-like setting.

Caring for a child in foster care can be more expensive than caring for one's own biological children. Children placed into foster care often have experienced significant emotional and physical trauma and have higher incidences of medical and behavioral health issues, resulting in additional costs to parents. On average, current foster care rates would have to increase almost 40% nationwide to provide for basic care.<sup>1</sup>

##### **The Pathway to Adoption**

Foster parents don't always jump into full-time foster parenting immediately. It's not uncommon for foster parents to begin by providing shorter-term respite or emergency care before "graduating" into more full-time foster parenthood. Likewise, foster parents may intend to be full-time; however, their placements are reunified with biological families after short lengths of time, but for example they may have multiple placements for 3-4 months at a time. One-quarter (26 percent) of all children who exited foster care in 2013 lived in foster care for less than six months.<sup>2</sup>

The more we can encourage people to become foster parents, the more children who will be adopted from foster care. In FY 2012, 50,663 of children who exited foster care were adopted.<sup>3</sup> Of children adopted from foster care in 2012, 54% were adopted by former foster parents.<sup>4</sup> In 2012, that would have equated to **~27,358 children adopted by former foster parents.**

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## **Much Publicized Foster Parent Shortage**

The shortage of foster homes has been widely reported. Here's an excerpt from a February 25, 2015 *LA Times* story:

“Demand for foster beds exceeds supply by more than 30% nationally. Forty percent of parents withdraw during their first year, and an additional 20% say they want out, national studies show. Those families that remain are often stuck in deep poverty themselves.”<sup>5</sup>

## **Potential Fiscal Impact:**

### **Shorter-Term Fiscal Impact**

A study conducted by Barth et al., and reported by the federal Children's Bureau, showed that the government saves between **\$65,000 and \$127,000** for each child who is adopted rather than placed in long-term foster care.<sup>6</sup>

Per the above, in 2012 about 27,358 children were adopted by former foster parents. This would create a cost savings range from **\$1.8B to \$3.5B nationally**.

The National Adoption Council has reported estimates that align with the above:

“Comparing the per-child cost of subsidized adoption from foster care with the cost of maintaining a child in foster care, one concludes that the child adopted from foster care costs the public only 40 percent as much as the child who remains in foster care. The difference in cost per child per year amounts to \$15,480 (\$25,782 minus \$10,302). If the number of children adopted from foster care doubled (increased by 57,500), the savings to the public would amount to \$890 million per year. If more children in foster care were made available for adoption, even greater savings could result.”<sup>7</sup>

### **Longer-Term Social Issues & Their Fiscal Impact**

Likewise, other social costs are offset when children are adopted from foster care. When comparing children who are adopted versus those who “age-out” of foster care at the state's maximum age (up to 20 years old in CA if certain requirements are met) without having been adopted, those who “age out” are more likely to be incarcerated, homeless and/or require public assistance as adults at a considerable burden to the taxpayer.

According to a 2010 study by the Universities of Chicago and Washington, nearly 30,000 youth age out of the U.S. foster care system annually without the emotional and financial support necessary to succeed. University researchers interviewed groups of “aged-out” foster children over the course of several years, and this is what they found:

- Nearly 40% had been homeless or couch surfed
- Almost 60% of young men had been convicted of a crime
- Only 48% were employed
- 75% of women and 33% of men received government benefits to meet basic needs
- 17% of the females were pregnant<sup>8</sup>

### *Number of Children who Age-Out of California Foster Care*

- About **4,500 children** age out of California foster care each year<sup>9</sup>

### *Homelessness*

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- According to HUD, it costs about **\$40,000/year** for a homeless person to be on the streets.<sup>10</sup>
- If 40% of the 4,500 children become homeless each year, it equates to 1,800 homeless former foster children.
- 1,800 homeless former foster youth costing taxpayers \$40K = **\$72M**
- The ultimate costs would be significant given the difficulty of emerging from homelessness and that this only represents one group. If each year, nearly 1,800 additional youth become homeless, the number would compound quickly.
- It should be noted that San Francisco alone spends **\$165.7M** annually on homelessness<sup>11</sup>

#### *Incarceration*

- Of those who aged-out of foster care, almost 60% of young men had been convicted of a crime.
- In FY 2012, the proportion of males to females in foster care was 52%/48%<sup>12</sup>
- 52% of 4500 = 2,340 men.
- California spends approximately \$49K per year per inmate.<sup>13</sup>
- The cost of incarcerating 2,340 men for just one year is **~\$114.7M**

#### *Social Welfare*

- As noted, 75% of women and 33% of men received government benefits to meet basic needs<sup>14</sup>
- California spends \$19.9 billion annually on welfare<sup>15</sup>

### **Individuals/Organizations in Support:**

Senate bill 2390 is supported by the Alliance for Strong Families and Communities and the Child Welfare League of America.

### **Individuals/Organizations in Opposition:**

I am unable to find any documented opposition to this bill as of March 27, 2015

### **Related Previous Legislation:**

This bill was introduced by Senator Heitkamp (for herself and Mr. Kaine) on May 22, 2014, in a previous session of Congress, but was not enacted.

#### **Sources**

<sup>1</sup> Foster Care Tax Credit Act (S. 664) Fact Sheet

<sup>2</sup> Child Trends Databank, Foster Care, Accessed March 29, 2015. <http://www.childtrends.org/?indicators=foster-care#sthash.ElzjWvJ.dpuf>

<sup>3</sup> Children's Bureau, Foster Care 2012. Published November 2013. Page 6. Accessed March 27, 2015 <https://www.childwelfare.gov/pubPDFs/foster.pdf>

<sup>4</sup> U.S. Department of Health & Human Services, The AFCARS Report, estimates as of July 2012. Accessed March 27, 2015 <https://www.acf.hhs.gov/sites/default/files/cb/afcarsreport19.pdf>

5 Therolf, Garret, "Inside the foster care system: A bleak last stop for lost youths," *Los Angeles Times*, February 28, 2015. Accessed March 27, 2015: <http://www.latimes.com/local/california/la-me-adv-foster-overflow-20150301-story.html#page=1>

<sup>6</sup> Save the Adoption Tax Credit Fact Sheet 2015

<sup>7</sup> Zill, Nicholas, Phd., "*Better Prospects, Lower Cost: The Case for Increasing Foster Care Adoption*," National Council for Adoption, Adoption Advocate Newsletter, May 2011. Accessed March 27, 2015 [http://www.adoptioncouncil.org/images/stories/NCFA\\_ADOPTION\\_ADVOCATE\\_NO35.pdf](http://www.adoptioncouncil.org/images/stories/NCFA_ADOPTION_ADVOCATE_NO35.pdf)

8 Partners for our Children, Chapin Hall, Jim Casey Youth Opportunities Initiative, Center for the Study of Social Policy press release, "Major Study Shows Young People Who Age Out of Foster Care Continue to Face Joblessness, Homelessness and Low Educational Attainment into Their Twenties," April 2, 2010. Accessed March 27, 2015 <http://www.jimcaseyyouth.org/sites/default/files/Midwest%20study%204%207%2010.pdf>

9 Public Policy Institute of California, "Just the Facts: Foster Care in California," March 2010. Accessed March 27, 2015: [http://www.ppic.org/content/pubs/jtf/JTF\\_FosterCareJTF.pdf](http://www.ppic.org/content/pubs/jtf/JTF_FosterCareJTF.pdf)

10 Secretary Shaun Donovan, The U.S. Department of Housing and Urban Development (quoted March 5, 2012 on *The Daily Show with Jon Stewart*. Accessed March 27, 2015 Source: <http://www.politifact.com/truth-o-meter/statements/2012/mar/12/shaun-donovan/hud-secretary-says-homeless-person-costs-taxpayers/>

11 Source: <http://www.sfexaminer.com/sanfrancisco/sf-spends-1657-million-on-homeless-but-its-still-not-enough/Content?oid=2730887>)

12 Children's Bureau, Foster Care Statistics 2012, published November 2013, page 12. Accessed March 27, 2015 <https://www.childwelfare.gov/pubPDFs/foster.pdf>

13 California spends an average of \$49,000 per year to house one inmate in a state prison. Source: <http://america.aljazeera.com/opinions/2014/7/prison-juries-incarcerationcostbenefit.html>)

14 *ibid* "Major Study Shows Young People Who Age Out of Foster Care Continue to Face Joblessness, Homelessness and Low Educational Attainment into Their Twenties,"

15 U.S. Government Spending Website accessed March 27, 2015 [http://www.usgovernmentpending.com/compare\\_state\\_welfare\\_spend](http://www.usgovernmentpending.com/compare_state_welfare_spend)

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