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Fostering Independence Accounts for Young People Aging Out of Foster Care

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The Problem

Each year, approximately 2,000 children age out of foster care when they turn 18 or, for those who live in states that offer extended time in care, as late as 21. Yet, these children lack proper resources to establish safe and flourishing life. Instead:

- Just 56% of youth in foster care earn a high school diploma or GED by age 19.¹
- Youth who have spent time in foster care have the same college aspirations as their peers, yet just 10% graduate and at most 4% earn a 4-year degree.²
- One-third of youth will experience homelessness, one-third will be neither working nor in school, and over half of males and one-third of females will be arrested within several years of aging out of care.³
- One longitudinal study found just 48% of foster alumni were employed at age 23 and earned just \$8,000, far below their non-fostered peers.⁴ One further study found 34% were neither working nor in school.⁵

These poor outcomes are also costly for states:

- States are paying an [estimated](#) \$300,000 for every young person who ages out of foster care at 18.⁶
- One [analysis](#) estimated that youth who age out of the foster care system would result in a cost of \$625,000 to society compared to the general population.²¹
- Adults lacking a high school diploma or equivalency have increased risk of unemployment and are more likely to hold low-skill, low-wage jobs—losing an estimated \$410,000 in lifetime earnings.⁶

¹ "Outcomes File, Cohort Age 17 in FY2014, Waves 1-3 (2018)," National Youth in Transition Database, accessed 2021, <https://www.acf.hhs.gov/cb/research-data-technology/reporting-systems/nytd>.

² "National Datasheet 2022," Legal Center for Foster Care and Education; "Memo from CalYOUTH: An Early Look at Predictors of College Degree Completion at Age 23 for Foster Youth," Chapin Hall; "Midwest Evaluation of the Adult Functioning of Former Foster Youth: Outcomes at Age 26," Chapin Hall.

³ "The California Youth Transitions to Adulthood Study (CalYOUTH)," Chapin Hall, 2021, <https://www.chapinhall.org/research/cal youth/>; "Crime during the Transition to Adulthood: How Youth Fare as They Leave Out-of-Home Care," Chapin Hall, 2011, <https://www.chapinhall.org/research/placement-instability-a-predictor-of-criminal-behavior-african-americans-at-greater-risk-for-arrest/>.

⁴ "Midwest Evaluation of the Adult Functioning of Former Foster Youth: Outcomes at Age 23-24," Chapin Hall. <https://www.chapinhall.org/wp-content/uploads/Midwest-Eval-Outcomes-at-Age-23-and-24.pdf>. In comparison, 76% of their counterparts were employed and earned on median \$18,300.

⁵ CalYOUTH study. In comparison, 83% of their peers were employed and/or in school.

⁶ "Future Savings: The Economic Potential of Successful Transitions from Foster Care to Adulthood." The Annie E. Casey Foundation, 2019, <https://assets.aecf.org/m/resourcedoc/aecf-futuresavings-2019.pdf#page=10>.



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States do not offer statewide, youth-directed accounts with flexible funding. A patchwork of aids and funds may exist for youth, such as Education and Training Vouchers, matched savings or education accounts, child savings accounts, and a assortment of scholarships and stipends. These band aids vary drastically by location and cannot adequately cover the comprehensive needs of emerging adults looking to sustain employment and/or education.

Proposed Solution

Require states to recognize their role as surrogate parents to the teens and young adults in our nation's foster system and provide them a modest, publicly funded spending account as they age out. Federally, this means clearly allowing states to access federal funding to help establish and fund FIAs.

Tim Keller (The Center) and Dan Lips (FREOPP) wrote a report—[Fostering Independence Accounts: A New Approach to Help Youth Aging Out of Foster Care](#)—proposing that states provide each young person aging out of foster care with a FIA. A FIA is essentially a cash account funded by the government for a period long enough to allow these young men and women to find their footing. Specifically:

- FIAs could be unrestricted cash deposits.
- Allowable uses could include things like housing, food, utilities, clothing, and public transportation.
- Policymakers could also establish incentives to encourage older and former foster youth to practice behaviors linked with achieving independence, such as graduating from high school, completing a financial literacy course, participating in education or job training programs, or maintaining steady employment.
- Congress can incentivize states to experiment with FIAs by allowing federal funds to offset the state cost of creating FIAs.

A growing body of evidence indicates that direct cash assistance, without strings, is better at improving long-term outcomes for the poor and disadvantaged than traditional welfare programs that provide participants with services or that place strings on the financial assistance. If successful, these accounts would give older youth a reason to stay in care and not run away, provide a firmer foundation as they exit care, and likely save the government downstream money while rescuing kids from overwhelmingly discouraging outcomes.

Legislation

No legislation establishing publicly funded spending accounts for youth in care has been introduced federally.



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Funding

To date, a precise federal funding stream has not been identified. The key is to give states as much flexibility as possible to design FIAs. Several avenues considered include:

- Amending Title IV-E to authorize states to access federal [Title IV-E](#) funding to provide direct financial aid to individuals who will soon or who have already aged out of foster care by making such expenses reimbursable. This could include making FIA payments an allowable foster care maintenance payment (and eliminating income conditions on foster care maintenance payments) or granting states greater flexibility in using extended foster care funds.⁷
- Utilizing Chafee flexible funding for FIA investment.⁸

Of note, as part of the Consolidated Appropriations Act of 2021, Congress [provided](#) states with funds intended to provide immediate cash grants to youth who have aged out of the foster care system.

⁷ Leveraging extended foster care maintenance payments would [require](#) decoupling the requirement that the child's family income be below the 1996 definition of need. Both Tennessee and Illinois officially close the cases of teens when they age out and then bring them back into care—creating a “new determination” process that considers only the young person's income.

⁸ According to HHS guidance, states may use Chafee independent living funds to [establish trust funds](#) for youth eligible under the program, with assets limited to \$10,000. The state must describe the design and delivery of the trust fund program in the Chafee program plan and [expend](#) funds within 2 years.