

Testimony Regarding Eligibility of Non-Kin for Subsidized Guardianship and Extension of
Guardianship Subsidy to Age 21*

Council of the District of Columbia Human Services Committee
December 12, 2008

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I would like to thank you, Councilman Wells, and Committee Members, for allowing me to address the Committee. I have spent much of the last decade studying the effectiveness of policies that encourage permanency for children in foster care. I study policy from my perspective as an economist. However, I bring first-hand experience to the work: my family has adopted children who could not be reunified with their birth parents.

In my testimony today, I emphasize two points. First, subsidies for permanency pay for themselves over time. Second, extending subsidies for permanency to age 21 encourages more families to offer permanency, which saves even more.

Before I review the evidence, I must note a qualification. I testify regarding guardianships, but because of the way data in child welfare systems is collected, data on guardianships are rare. The research is based upon studies of children who have been adopted from foster care. However, in my opinion, this is not a serious flaw. There is no evidence that guardianship is less effective than adoption as a vehicle to convey the benefits of permanency.

Subsidies for permanency are public investments with high returns. One of my studies, which was recently published in the journal *Adoption Quarterly* (Attachment A), shows that—even for a child who has been in foster care a significant amount of time—each dollar spent on permanency yields nearly three dollars in benefits to society. The benefits go partly to the child, but almost two-thirds of the benefits come from reduced costs in child welfare and other government systems.

Permanency yields savings, net of subsidy, of just over \$146,000 per child in the child welfare and human services systems alone. This figure is the net present value of the stream of annual savings from age of adoption to age 18 for the case of an eight year old child who has spent significant time in care (see Attachment A, Table 3, column c). The figure is calculated from a careful statistical analysis of administrative costs incurred on behalf of children who were adopted, as compared to similar children who remained in foster care. These figures were first

* Parts of this research were supported by a grant from the Center for Adoption Research at the University of Massachusetts Medical School and a grant from the NIH/NICHD (R03-HD045342-01).

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reported by Richard Barth and his co-authors (2006) and are summarized in more detail in Attachment A; I have adjusted their estimate for inflation.

In addition to the human services savings, there are savings to the government and to the public from reduced crime. Savings in the criminal justice system are about \$43,000. Because the crime savings were estimated at a time when incarceration costs were lower, the sum of these savings probably underestimates savings today.

A small amount of savings is realized in other systems, such as education. These savings are about \$400.

In addition to these savings, I show that permanency is an efficient means of improving economic outcomes for vulnerable youth.

The preponderance of evidence is that adoption is an effective intervention. Adoption improves the cognitive, educational, health, and social outcomes relative to the children's pre-adoptive status. Improved outcomes have economic value because they improve earning capacity and reduce dependency on TANF and other transfer programs in adulthood (see Attachment A, Table 2, first column).

I estimate that the net present value of the private benefits of adoption at age 3 is \$125,427, assuming a three percent discount rate (see Attachment A, Figure 1). Of course, when permanency takes longer time to achieve, benefits are lower (for a summary, please refer again to Attachment A, Table 3, column c).

To sum up the first point: Subsidies for permanency pay for themselves and improve outcomes for children. Subsidies should therefore be available to all families who are willing to make a permanent place for a child currently in foster care.

I now turn to the question of whether it also pays to extend subsidies for permanency to age 21. One issue is the matter of adequacy of the subsidy. It is clear that adolescents today rely on their families past age 18. Reliance is likely to be especially great among teens who have been in foster care because these teens are likely to have special educational, psychological, or behavioral health needs. Moreover, because of their needs, permanency may be especially important for them.

A second issue is the incentive structure of policy. I am particularly worried about the perverse incentives of having a higher cutoff age for foster care subsidy than for permanency subsidy. I worry that caseworkers will not pursue permanency for all children because they want to maintain the federal funding stream to support foster care. I worry that potential adoptive parents or legal guardians will compare the subsidies and choose foster care over permanency.

In two separate studies, I have shown that the incentive effects are significant.

In a publication in the journal *Child Welfare*, I show that states that offered bigger subsidies for adoption than for foster care finalized more adoptions than other states (see Attachment B, Table 2, column 3).

I recently co-authored a paper with Josh Gupta-Kagan of the Children's Law Center that will be appearing in the next issue of the *Journal of Juvenile Justice and Policy*. We compare the number adoptions from foster care in the states that extend adoption subsidies to age 21 to the number of adoptions in states that choose not to extend the subsidies. States that extend subsidies create more adoptions for foster children than states that do not extend subsidies. The number of adoptions in states that extend subsidies 70 percent higher than in states that do not extend (see Attachment C, Table 2). The ratio of adoptions to births in states that extend subsidies is also higher.

Even more convincingly, when states enact subsidy extensions, the number of adoptions and the adoption rate goes up in that states (see Attachment C, Table 3). Finally, extensions have an impact on permanency in kin placements, but extensions about double the offers of permanency in foster families (see Attachment C, Table 4).

In conclusion, the evidence is clear. If we seek to reduce the number of children in foster care, and if we want to capture the cost savings of permanency, we should work to provide universal permanency subsidies for former foster children until those children turn 21.

References:

Barth, Richard P., Chung Kwon Lee, Judith Wildfire, and Shenyang Guo (2006). A comparison of the governmental costs of long-term foster care and adoption. *Social Service Review*, 80(1), 127-158.

Referenced Attachments:

A: Mary Eschelbach Hansen, "The Value of Adoption," *Adoption Quarterly* 10(2), 2007, pp. 65-87.

B: Mary Eschelbach Hansen and Bradley A. Hansen, "An Economic Analysis of the Adoption of Children from Foster Care", *Child Welfare* 85, 3(May/June 2006), pp. 559-583.

C: Mary Eschelbach Hansen and Josh Gupta-Kagan, "Raising the Cut-Off: The Empirical Case for Extending Adoption and Guardianship Subsidies from Age 18 to 21," forthcoming *Journal of Juvenile Law and Policy* (expected Winter 2008).