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# **Untapped Potential:** Economic Costs of Colorado's Foster Youth

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## About the Authors



### John Farnam - 2023 Morgridge Child Welfare Fellow

John Farnam has served the Morgridge Family Foundation for 12 years, administering more than \$150 million in grants, first as chief of staff and now as managing director. John builds relationships and catalyzes connections with partners at every level, resulting in transformational change across all social sectors in Denver and beyond. His expertise has been sought out as an Aspen Institute Fellow, a member of the American Enterprise Institute Leadership Network, and an advisor to the Governor's Leadership Committee on COVID Relief. In 2022 he earned an executive certificate through the prestigious Chief of Staff Fellowship at the University of Oxford, and in 2023, he was one of just 60 leaders from 20 countries to complete the inaugural Chief of Staff Association Program through Harvard Business School Executive Education. He now serves as the Morgridge Child Welfare Fellow for the Common Sense Institute.

In his earlier career, Farnam served as vice president of marketing for Goodwill Industries of Denver where he played an integral role in establishing the Goodwill Endowment Fund, which raised an ambitious \$10 million. During his time as executive director of the Northern Colorado AIDS Project, Farnam was recognized with the DoSomething Award celebrating leaders whose work transforms the community. His work in education and philanthropy began when he raised \$6.5 million to build Vanguard Classical School in Denver.

Farnam is chairman of the board of MindSpark, an education organization dedicated to K-12 transformation through upskilling teachers to effectively use technology and design thinking. He also served as chairman of the board of Excelsior, a mental and behavioral health organization serving young people ages 11-21 in Aurora, Colorado.

John and his husband Paul Heitzenrater, a certified recreation therapist at National Jewish Health in Denver, grow and donate more than 2,000 pounds of produce every year. They volunteer at Metro Caring, Hunger Relief Center, the Denver Center for the Performing Arts and their church, Montview Boulevard Presbyterian Church. They have received the Firefly Luminescence Award as well as the Georgia Imhoff Philanthropic Award.



## D.J. Summers – Director of Policy and Research

DJ Summers is Director of Policy and Research for the Common Sense Institute, where he oversees the efforts of analysts and fellows to produce the best in class analysis of Colorado's most pressing policy issues.

Prior to joining the institute, DJ spent a decade working as a journalist. He cut his teeth covering cyber security for Fortune before moving to Alaska to cover the commercial fishing industry. He left to write a book on the marijuana industry (The Business of Cannabis, ABC-CLIO, 2018), and spent time working for political research firms and think tanks before landing at FOX31 Denver. As FOX31's data reporter, DJ gathered and interpreted publicly available data to dive deep into Colorado issues, focusing in particular on housing, crime, migration, and business trends.



## Cole Anderson – Research Analyst

Cole Anderson is a Research Analyst with Common Sense Institute. He is an alum of the University of Denver where he graduated with a double-major in Public Policy and Economics. His work covers a range of issues including homelessness, crime, inflation, housing, and the job market.

## About Common Sense Institute

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**Common Sense Institute** is a non-partisan research organization dedicated to the protection and promotion of Colorado's economy. CSI is at the forefront of important discussions concerning the future of free enterprise and aims to have an impact on the issues that matter most to Coloradans. CSI's mission is to examine the fiscal impacts of policies, initiatives, and proposed laws so that Coloradans are educated and informed on issues impacting their lives. CSI employs rigorous research techniques and dynamic modeling to evaluate the potential impact of these measures on the Colorado economy and individual opportunity.

## *Teams & Fellows Statement*

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CSI is committed to independent, in-depth research that examines the impacts of policies, initiatives, and proposed laws so that Coloradans are educated and informed on issues impacting their lives. CSI's commitment to institutional independence is rooted in the individual independence of our researchers, economists, and fellows. At the core of CSI's mission is belief in the power of the free enterprise system. CSI's work explores ideas that protect and promote jobs and the economy, and the CSI team and fellows take part in this pursuit of academic freedom. The CSI team's work is guided by data-driven research and evidence.

The views and opinions of fellows do not reflect the institutional views of CSI. CSI operates independently of any political party and does not take positions.

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## Introduction

Colorado's foster care youth are a small but troubled section of society. Unfortunately, data is scarce for their life outcomes after they exit the system and, in some cases, when they are still inside it.

To illustrate the economic impact of even a small sliver of the foster population, the report focuses on those aging out of the system. This is the first study attempting to derive the individual and social costs borne by a cohort of Colorado's foster youth.

The concept of "age-outs" in the Colorado foster care system refers to the situation where youth who have been in foster care reach a certain age (typically 18 or 21, depending on state policies) and are no longer eligible for foster care services or placements. At this point, they "age out" of the system, meaning they transition into adulthood without the support or guidance of a foster care arrangement.

Foster care youth aging out of the foster care system in Colorado face a multitude of challenges, including higher rates of homelessness, limited education, unemployment, involvement in the criminal justice system, early parenthood, mental health issues, a lack of support networks, limited healthcare access, substance abuse risk, and financial instability.

Each carries heavy economic and social tolls, four of which are detailed in the following report. The report, however, can only quantify a small subsection of youth aging out of the foster care system rather than the entire foster care system's outcomes. These kinds of outcomes likely apply to a much broader range of Colorado's foster care youth than just youth aging out of the foster care system – as do the costs.

## Key Findings

- Coloradans who encounter the foster care system often face lifelong challenges, leading to adverse outcomes. Though there are an average of 5,127 youth who are in the foster care system throughout a year in Colorado, the available data points to more severe outcomes for those who age out of the foster system.
- The recent average of 213 foster youth who age out of Colorado's foster system per year incur lifetime costs ranging from \$66 million to \$73 million, or between \$309,614 and \$343,453 per person.
- Over time, these figures grow into hundreds of millions of dollars. For five years' worth of youth aging out of the foster care system, costs range from \$330 million to \$366 million. For a decade's worth, it ranges from \$660 million to \$732 million.
  - **Incarceration** - Costs related to incarceration ranged from \$21 million to \$28 million, or \$99,776 to \$131,209 per person.
  - **Education** - In 2022, only 30% of the foster care youth in Colorado schools graduated from high school. The costs of not graduating high school amounted to \$42 million, or \$195,155 per person.
  - **Early Parenthood** - Costs of early parenthood amounted to \$2.6 million, or \$12,200 per person
  - **Homelessness** - Costs linked to homelessness ranged from \$528,985 to \$1 million, or \$2,483 to \$4,889 per person
- Coloradans are paying for these costs on the back end of a foster care intervention that did not lead to permanency. Policies which pay for performance at the front end and invest in high school graduation are key, as seen in the economic analysis.
  - Reforms worth considering include Education Savings Accounts (ESAs), creating a Pay for Success model, and establishing a Virtual School District to track foster youth's educational progress if they move to a new school.

## The Problem's Scope

Between 2017 and 2021, there were an average of 5,127 youth of all ages in the Colorado foster care system. About as many exited the system as entered it in 2018 and 2019, but in 2020 and 2021 more exited than entered foster care.

Figure 1

Colorado Foster Youth Population by Year			
Year	Number of Youth in Foster System	Entries	Exits
2017	5,704	5,134	N/A
2018	5,542	4,785	4,741
2019	5,340	4,420	4,402
2020	4,804	3,554	3,936
2021	4,247	3,430	3,879

About one in 25, or 4%, of the state's foster youth age out of the system annually. Between 2017 and 2021, an average of 213 youth aged out of the foster care system each year.

CSI analyzed the costs to both the foster youth who age out of the system and to society resulting from poor outcomes observed across this population. The analysis drew heavily on the findings in an Annie E. Casey Foundation study from 2019 (AECF), "Future Savings: the Economic Potential of Successful Transitions from Foster Care to Adulthood"<sup>i</sup>. Across four types of outcomes for which Colorado youth aging out of the foster care system have a higher likelihood of underperforming, the social and economic costs range from \$66 million to \$73 million.

The costs for a single year's worth of youth aging out of the foster care system are sizable. The lifetime/ societal costs for one cohort (1-year) due to negative foster care outcomes ranged from \$65,947,881 to \$73,155,450. The City of Denver's general administration budget was \$66 million in 2023<sup>ii</sup>.

On an individual basis (averaging 213 individuals), this amounts to a cost of \$309,614 to \$343,453 per person.



Over time, these figures grow into hundreds of millions of dollars. For five years' worth of youth aging out of the foster care system, costs range from \$330 million to \$366 million. For a decade's worth, it ranges from \$660 million to \$732 million.

Efforts have been made in many states, including Colorado, to provide transition services and support to youth aging out of foster care. These services may include assistance with housing, education, employment, and life skills training to help these youth successfully navigate the transition to independent living.

Figure 2

Total Per 5 Cohorts (Years) Lifetime Costs	
Range 1 (Lower Bound)	\$329,739,405
Range 2 (Higher Bound)	\$365,777,248

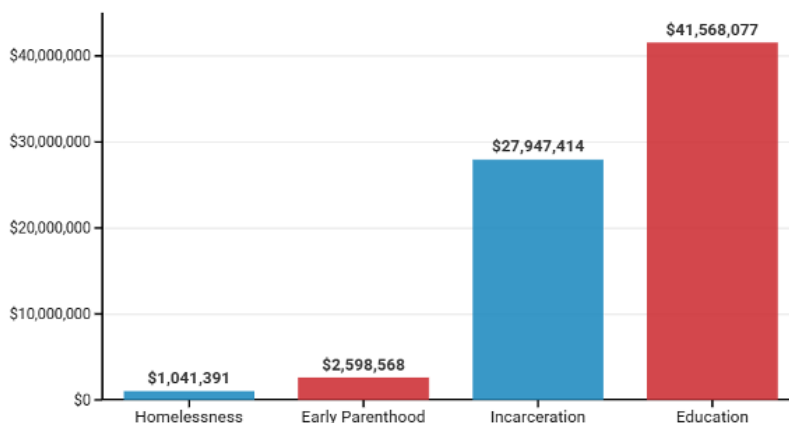
Total per 10 Cohorts (Years) Lifetime Costs	
Range 1 (Lower Bound)	\$659,478,809
Range 2 (Higher Bound)	\$731,554,496

Figure 3

Indicator	Cost Estimate	Time Frame/Analysis
<b>Incarceration</b>	\$21,252,251 - \$27,947,414	Costs include per day cost to incarcerate, coupled with projected stints of recidivism.
<b>Education</b>	\$41,568,077	Total lifetime (40-years) earnings loss as a result of not earning a high school degree.
<b>Early Parenthood</b>	\$2,598,568	Costs associated with early parenthood for the first 15 years of a child's life.
<b>Homelessness</b>	\$528,985 - \$1,041,391	Costs include per day cost of homelessness, coupled with projected repeat episodes of homelessness.
<b>Total Lifetime Costs</b>	<b>\$65,947,881 - \$73,155,450</b>	

Figure 4

**Lifelong Costs for Negative Outcomes of One Year of Colorado Foster Care Age-Outs**  
 Costs shown are the higher cost estimates for 213 youth - the average number of age outs between 2017-2021.



Source: Common Sense Institute



## Incarceration

Youth transitioning out of Colorado's foster care system are at an increased risk of incarceration. Incarceration carries a two-pronged effect on the economy. It creates a sizable tax burden for the incarceration itself and hinders formerly incarcerated people from securing lucrative employment later in life.

For young people in the general population, incarceration is a rare outcome. According to the U.S. Department of Justice, the rate of incarceration is 65 per 100,000 individuals, or 0.06%, for young people up to 21 years old in the general population<sup>iii</sup>.

Foster care recipients have a much greater risk. According to the National Youth in Transition Database (NYTD), which conducts state specific bi-annual surveys of current and former foster youth, 26% of former foster youth in Colorado aged 21 in 2021 had been incarcerated in the last two years<sup>iv</sup>.

This high incarceration rate creates a substantial cost for a single year's worth of Colorado foster care youth aging out of the foster care system. The total costs related to incarceration ranged from \$21,252,251 to \$27,947,414. On an individual level, this translates to a cost between \$99,776 to \$131,209 per person.

CSI derived these figures by comparing general population and foster incarceration rates from the U.S Department of Justice, and Colorado specific foster youth incarceration data from the U.S Department of Health and Human Services, applying general population rates by crime type, and juvenile rates by crime type.

Inflation adjusted state-specific per-day incarceration costs were used, without factoring in other societal costs such as cost to victims of crime and the associated spillover impacts<sup>v</sup>.

# 26%

*of former foster youth in Colorado aged 21 in 2021 had been incarcerated in the last two years.*

## Education

Educational attainment is one of the most reliable links to positive economic outcomes. Colorado's foster care recipients have the worst educational attainment in the state among students in special curricula.

According to the 2015 census, approximately 89% of 21-year-olds in the general U.S. population held at least a high school diploma, compared with 66% of U.S. 21-year-olds with foster care experience.

Colorado foster care youth have even worse graduation rates. According to a Colorado legislative report, four-year graduation rates for foster care youth are lower than any other group including those experiencing homelessness<sup>vi</sup>.

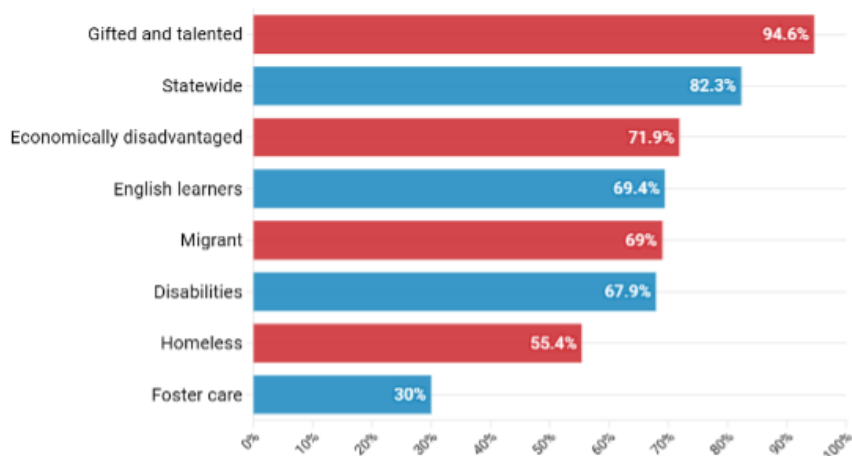
The statewide graduation rate in 2022 was 82.3%. Of all student subgroups, foster care youth had the lowest graduation rates. These groups include economically disadvantaged students, English learners, migrant students, students with disabilities, students experiencing homelessness, and students in foster care. **In 2022, only 30% of the foster care youth in Colorado schools graduated from high school.** Children experiencing homelessness graduated from high school at nearly twice that rate, 55.4%.

Assuming an average work life of 40 years, lifetime educational attainment losses due to not graduating high school amounted to \$41,568,077 for this single group of 213 youths. Individually, this represents a cost of \$195,155 per person.

The methodology utilized U.S. Bureau of Labor Statistics data on lifetime earnings, coupled with high school graduation rates from the Colorado Department of Education. Projections were made regarding how many foster youths would graduate at general population rates, and the lost earnings were calculated over a 40-year period.

*Figure 5*

**Colorado Statewide 4-Year Graduation Rates by Instructional Program Service Type**  
Data shows 4-year high school graduation rates for the class of 2022.



Source: [Colorado Department of Education](#)



## Early Parenthood

Along with increased incarceration rates and dismal educational attainment, foster care recipients have elevated risk of early parenthood. This is especially true of Colorado's youth aging out of the foster care system.

Current data estimate that 2% of women in the general population give birth between age 15 and 19. Experts refer to this age range as "early parenthood."

The rate of early parenthood is 13 times higher for women of the same age who are aging out of the foster care system. The AECF study found 26% of transition-aged women in foster care gave birth between 15 and 19.

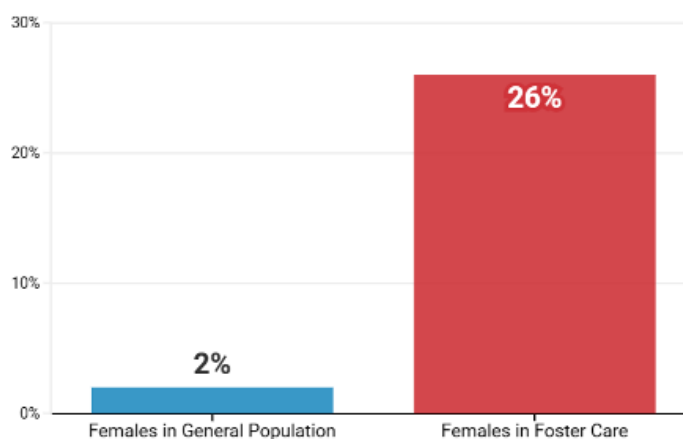
While not as substantial as lifetime costs of poor educational attainment or incarceration, early parenthood also creates an economic hole. The total costs associated with early parenthood for a year's worth of Colorado foster care youth aging out of the foster care system amounted to \$2,598,568, averaging \$12,000 per individual.

The methodology relied on the AECF's annual cost associated with early parenthood (\$6,869) and multiplied it by the number of early mothers, considering a 15-year period due to developmental significance.

*Figure 6*

### Comparison of Early Parenthood Rates for Females Aged 15-19

While only 2% of females in the general population have a child between the ages of 15-19, that number jumps to 26% among females in the foster system.



Source: [Annie E. Casey Foundation](#)



## Homelessness

Colorado's youth aging out of the foster care system feed into the state's homelessness crisis, as well. In the most recent U.S. Department of Housing and Urban Development Point-in-Time count of individuals experiencing homelessness, 15% of the people experiencing homelessness in the Denver metro area are under the age of 17.

Foster care youth aging out of the foster care system are at six times greater risk of homelessness than the population at large. According to the National Longitudinal Study of Adolescent to Adult Health (respondents ages 18–26), approximately 4% of adolescents in the general population experience homelessness<sup>vii</sup>. By comparison, approximately 36% of young people who aged out of foster care in Colorado will experience homelessness between the ages of 19 and 21, according to the most recent foster youth cohort survey<sup>vii</sup>. The total costs linked to homelessness ranged from \$528,985 to \$1,041,391. On an individual level, this equated to a range of \$2,483 to \$4,889 per person.

The methodology to estimate the societal costs of homelessness for foster youth who age out involved referencing daily cost data from the Colorado State of the Homeless report and the Annie E. Casey Foundation's analysis of the duration of homelessness<sup>ix</sup>. The youth homelessness rate from AECF, and Colorado's National Youth in Transition Database (NYTD) dataset for the state's foster youth homeless rate were used.

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## Policy Recommendations

As demonstrated above, Coloradans are paying the societal and economic costs on the back end of a foster care intervention that did not lead to permanency. Policies which pay for performance at the front end and invest in high school graduation are key.

The Higher Education Support for Foster Youth Act (SB 22-008) provides access to all public higher education institutions in Colorado for any Colorado resident students who have been in foster care. The state is required to pay whatever students cannot raise on their own to attend a public university. With the lowest high school graduation rate among Colorado's students, the state needs to address high school graduation first, before the rest of its postsecondary plans and goals can even be implemented.

Recommendations that could be considered include establishing Education Savings Accounts for foster youth; creating a Pay for Success model; and establishing a Virtual School District to track foster youth's educational progress if they move to a new school.

### ESAs

In light of the economic consequences of such dismal graduation rates, policymakers could consider repurposing child welfare dollars for Foster Youth Education Savings Accounts which would allow dollars to be directed by the individual and their family instead of the system.

Other states have carved out similar structures for their foster youth or other special populations. There are currently eight states with ESA programs aimed at providing youth with extracurricular tools including tutoring, occupational therapy, or school supplies, including Arizona, Florida, Indiana, Mississippi, New Hampshire, North Carolina, Tennessee, and West Virginia<sup>x</sup>.

These programs are distinct from school vouchers, which explicitly offer tuition funding for school options other than traditional public school, though some states have expanded their ESA eligibility to include all students. Each of the eight existing programs specify students with special needs as a target. These include students with diagnoses of dyslexia, autism, Down syndrome, intellectual disabilities, deafness or visual impairment, or traumatic brain injuries. Some designate low- and middle-income students as well.

Arizona's Empowerment Savings Account, for example, established in 2011, specifies foster care youth as one of the eligible groups. Foster children were an early population allowed to participate in the ESA program in that state. Authorizing an Education Savings Accounts for foster youth could be considered in Colorado. Such accounts could include eligible services such as transportation, textbooks, counseling, tutoring, and other out of school learning supports that would help more foster youth graduate from high school.

## Pay for Success

Aside from giving foster youth themselves greater resources for educational attainment, policymakers could consider incentives instead of mandates to increase high school graduation rates for this vulnerable population.

Colorado's foster parents are already incentivized with stipends. Those stipends, however, are currently set at the county level and vary dramatically across the state. An additional \$5,000 cash stipend to foster parents or kinship caregivers, upon their foster child's successful graduation from high school would give one more push to attain a high school diploma, which is critical to long-term economic success.

The Pay for Success Pilot Programs established in 2018 attempted to move funding to private investors rather than government entities. A University of Denver evaluation found, however, that the pilot didn't impact the rate at which foster children passed their school courses<sup>xi</sup>. Transferring the power of dollars from the state to the foster parents or kinship caregivers would be a more direct incentive to the adults in most direct charge of foster youth outcomes.

## Virtual School District

Bureaucratic hurdles are presented for foster youth and their guardians when they attempt to transfer credit across school, district, or state lines. Guardrails should be put into place which track foster youth's education across school districts. As foster children move among school districts, educators and case workers have little knowledge regarding that student's place in the curriculum. Making a high school transcript as seamless as possible could lead to stronger course completion and ultimately, a more likely high school graduation. One way to reduce these administrative hurdles for foster youth is to create a centralized virtual "school district" into which a student enrolls when they enter foster care. This district could be authorized specifically for foster youth opting into this arrangement.

## Conclusion

In conclusion, the analysis highlights the substantial societal and economic costs associated with negative outcomes stemming from foster care in Colorado.

The youth aging out of Colorado's foster care system represent a small example of the issues facing the state's foster youth as a whole. The foster youth aging out have uniquely adverse outcomes across a range of indicators. Their rates of incarceration, early parenthood, and homelessness are significantly higher than those of the general population. Rates of high school graduation, on the other hand, are the lowest among the subgroups tracked by the Colorado Department of Education.

These outcomes have real costs associated with them. In a single year's worth of foster care youth aging out of the foster care system, the lifetime social and individual costs associated with negative outcomes range from \$66 million to \$73 million to Colorado.

These findings underscore the importance of addressing the challenges faced by foster youth and implementing supportive measures to improve their outcomes and reduce these significant costs.

Options should focus on educational attainment, which staves off many of the negative outcomes elsewhere. These include Educational Savings Accounts for students in the foster care system, cash incentives for foster parents who shepherd a student to high school graduation, and a statewide Virtual School District that allows credit to follow the student more seamlessly across multiple school or district transfers.

The costs borne by this small group of foster youth are borne by the state at large. Redirecting dollars into their educational success will not only benefit an at-risk population, but the state as a whole.

*Options should focus on educational attainment, which staves off many of the negative outcomes elsewhere.*



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