

# Adoption from Foster Care

Backgrounder No. 171

by Alexander M. Bachik

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*Hundreds of thousands of children enter the foster care system each year. Most are reunited with family members, but many children spend years in the system. Thousands of 18 year olds age out of foster care each year. A 1997 NCPA report found that many children eligible for adoption stayed in the system longer than necessary.<sup>1</sup>*



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In recent decades, the federal government has spent billions of dollars trying to improve the accuracy of foster care reporting systems and on adoption subsidies, but many adoptable children remain in foster care.

## Foster Care Counts

In 2012, 254,162 children entered the foster care system, and as of September 2012, approximately 399,546 children nationwide were living in foster care.<sup>2</sup> The good news: Most children spend relatively little time in foster care, with 46 percent leaving the system less than a year after they enter it [see Figure I]. But the darker picture shows that the longer a child stays in foster care, the less likely he or she is to ever leave the system other than by aging out.<sup>3</sup>

**Family Reunification.** Children arrive in foster care for a variety of reasons, ranging from abuse and neglect to parental drug use to simple parental abandonment. The goal for most children is reunification with their parents, provided the child's home situation improves. Thus, as shown in Figure II:<sup>4</sup>

- More than half (52 percent) of the children in the system are eventually reunited with their families, and 8 percent go to live with other relatives.
- One-fifth (20 percent) are adopted.
- However, more than one-in-ten (11 percent) of all children in foster care stay in the system until they become adults.

When children cannot be reunited with their family, after a specified period of time (which varies by state), a Termination of Parental Rights hearing is held, which ends either with parental rights restored or the child being freed for adoption. Unfortunately, about 30 percent of those who are reunited with their families will eventually return to the foster care system.<sup>5</sup>

**Adoption.** In 2012, 101,666, or about one in four of the 397,122 children in foster care, were eligible for adoption.<sup>6</sup> However, about 10 percent of adoptable children will age out of the system without ever finding a permanent home.<sup>7</sup>

## Adoption from Foster Care

**Aging Out of Foster Care.** For children who reach 18 years of age still living in foster care, life holds a bleaker outlook than for kids who are adopted. For example:<sup>8</sup>

- 24 percent of children who age out of foster care have reported being homeless;
- 42 percent of males and 20 percent of females report being arrested; and
- 42 percent will not have a high-school diploma at age 19.

### Problems with the System

There are a number of barriers to adoption in the current system.

**Untrained and Overburdened Case Workers.** One of the barriers to adoption is the inexperience of many child-care caseworkers, combined with ever-growing caseloads.<sup>9</sup> Caseworkers tend to be younger, and most only have a bachelor's degree in a social science field with no specific training in adoption.<sup>10</sup> Today's caseworkers carry larger caseloads than in the past, and retention rates, especially among younger workers, are low.<sup>11</sup> Further, 68 percent of caseworkers report a growth of caseload size.<sup>12</sup> Finally, caseworkers tend to devote more time to children in "greater crisis" than to adoptions.<sup>13</sup>

**Lack of Outreach to Potential Adoptive Parents.** The foster care system makes very little outreach to parents considering adoption. For instance, prospective parents report high levels of "unreturned phone calls and e-mails and a lack of follow-up." They also report that they feel they are being actively screened for *elimination* from adoption candidacy rather than welcomed

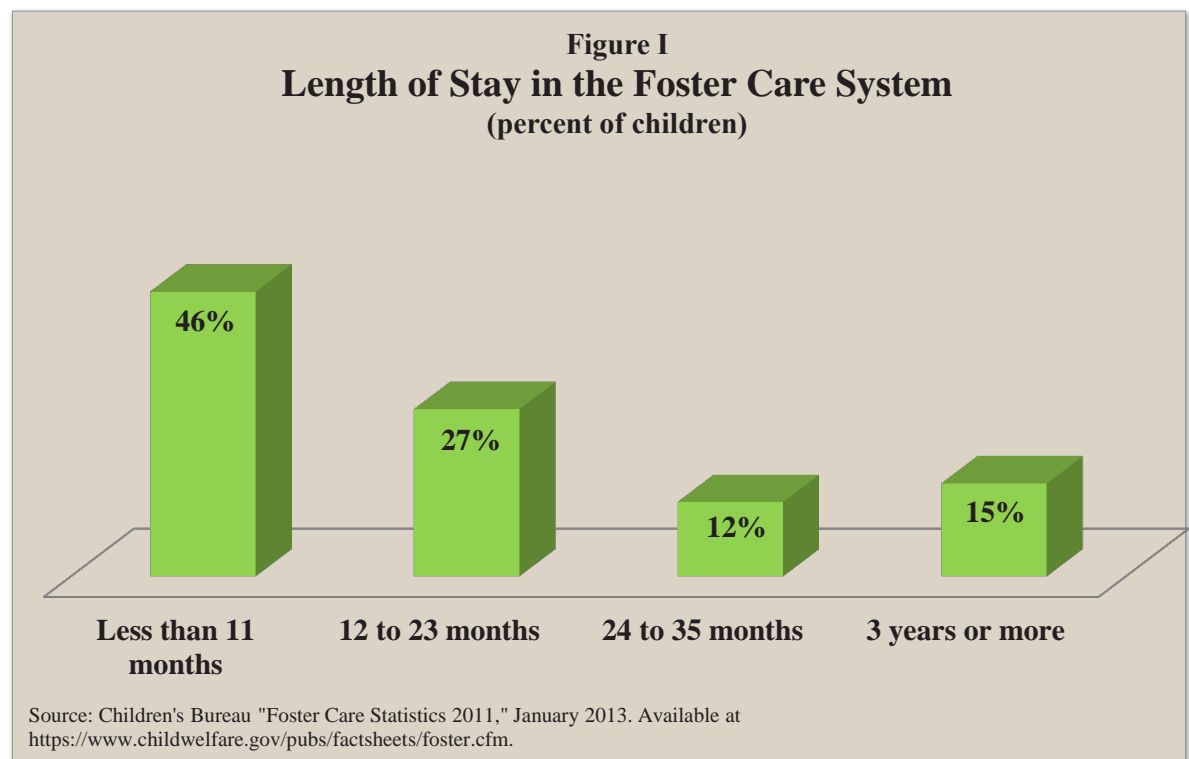
to explore adoption as something that may be right for their family or life.<sup>14</sup>

**Difficulty of Interstate Adoptions.** In many cases, it is more difficult to adopt a foster child across state lines than to adopt a child from a foreign country. The State Department reports that, in 2010, only 527 children were adopted from foster care across state lines, in contrast to 11,058 adoptions from other countries. Clearly, potentially adoptive parents receive little information about out-of-state adoptable children.<sup>15</sup> Indeed, adoption-seeking families are often unaware of children available to be adopted.<sup>16</sup> Further, states often know little about adoption-seeking parents from other states or reject evaluations done outside their jurisdiction.

### Subsidies for Adoption and Foster Care

Government spends billions of dollars each year on foster care, divided somewhat evenly between the federal government and states. In 2010, states spent \$29.4 billion on child welfare services, of which about \$12.6 billion was federal money.<sup>17</sup>

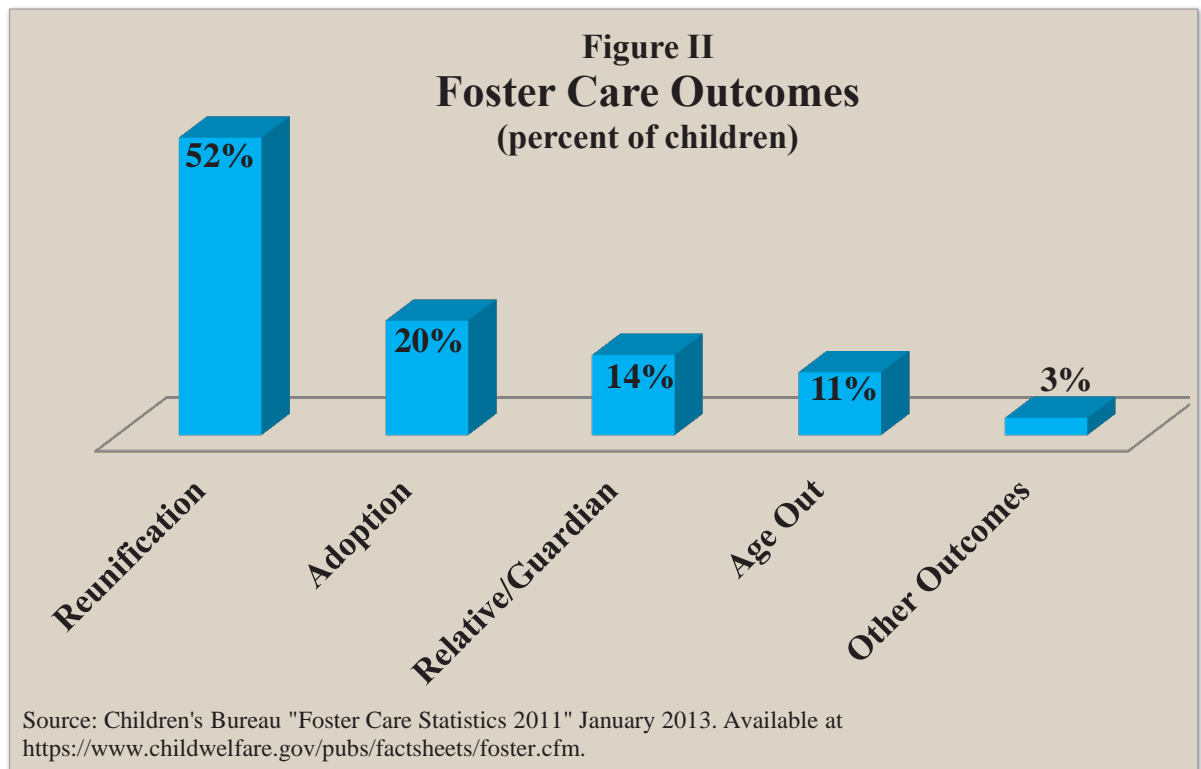
Federal subsidies for foster care are available for children who qualify for Title IV-E — the part of the Social Security Act that authorizes funds for foster



care and adoption.<sup>18</sup> Currently, qualification for Title IV-E subsidies depends on whether the child can be classified as special needs. Starting in 2018, however, all children in foster care will be eligible to receive monthly payments under Title IV-E.<sup>19</sup> States also offer *per diem* subsidies to foster parents at various rates. These rates range from \$7.23 per day in Wisconsin, to \$200 per day for a special needs child in Ohio, and vary based on several factors, including age and special needs considerations.<sup>20</sup>

Some subsidies for adoption are more poorly targeted, varying from year to year, state to state, and according to parental income. For instance, according to the Internal Revenue Service:

- In 2011, under the Patient Protection and Affordable Care Act, a one-time refundable federal income tax credit of as much as \$13,360 was available to adoptive families for “reasonable and necessary expenses related to a legal adoption” of any U.S. or foreign child.<sup>21</sup> (Refundability means that low-income adoptive parents with no net income tax liability could be reimbursed by the federal government.)
- For 2012, a \$12,650 credit was available for children with special needs, but it was not refundable and it was not tied to actual, qualified adoption expenses.
- In 2013, “the maximum non-refundable credit is \$12,970 and the credit is eliminated if your modified adjusted gross income (MAGI) is more than \$234,580, and it begins to phase out if your MAGI is more than \$194,580.”<sup>22</sup>



The availability of state funds depends on criteria set by the individual state, though every state offers subsidies. The subsidies range from a maximum monthly rate of \$250 in Ohio to \$1,590 in Alaska for a 16 year old, and vary based on the age of the child and other factors, including whether the child has special needs.<sup>23</sup>

According to the North American Council on Adoptable Children, 81 percent of prospective parents said “that the availability of the subsidy was important to their decision to adopt,” and 58 percent reported not being able to adopt “without a subsidy.” Furthermore, about half of adoptive parents “received a subsidy that was lower than the rate they received as foster parents for those same children.”<sup>24</sup> In 2007, adoptive families had an average income of \$52,060.<sup>25</sup>

Compared to former foster parents and foster parents who intend to quit, current foster parents are “more likely than the other two groups to earn less than \$25,000 annually.”<sup>26</sup> Foster parents who use foster parenting as a source of income “and those who are unemployed” are less likely to quit.<sup>27</sup> Conversely, studies have found that “higher levels of employment and income are associated with increased likelihood of quitting foster parenting.”<sup>28</sup>

Notably, the incentives for foster parents or others to adopt these children are often no higher than the payments foster parents receive: Fifty-three percent of parents who adopted from foster care received the same amount in subsidies that they received as foster parents.<sup>29</sup>

**Incentives for Government Bureaucracies and Individual Caseworkers.** The current subsidy system does not create an incentive for the government in general, or individual caseworkers in particular, to find permanent homes for the children.

The moment a child enters the foster care system the biological parents are obligated for child-support payments.<sup>30</sup> However, any money collected is used to reimburse the government for the expense of caring for the child, and the child receives no benefit from the payments. And because many of the families whose children are placed in foster care are poor, little revenue is actually gained, and government places a further financial burden on families who are already disadvantaged economically.<sup>31</sup> This practice exacerbates the economic problems that cause children to be placed in foster care.

### Alternatives to Foster Care

Other options should be considered for children in the foster care system who are otherwise unlikely to be adopted.

**Bonuses for Caseworkers.** The system of child-support payments in the foster care system should be reexamined to allow for a framework that replaces the revenue-seeking incentive of government workers with incentives for performance. For instance, if caseworkers received a bonus for each child who was adopted, they would have an incentive to recruit parents and place more children.

**Privately Funded Adoption Specialists.** The Wendy's Wonderful Kids program showed promise in increasing the rate of adoptions among children who have a statistically low chance of being adopted. This program assigned a caseworker to a single child (or a much smaller number of children than caseworkers are typically assigned) with the explicit purpose of finding a home for that child, and recruiting possible adopters. However, the recruiter system of adoption

is expensive, and the Wendy's program was only funded by a partnership of individual and corporate donations.<sup>32</sup>

**Orphanages.** Another alternative to foster care is institutional child care, otherwise known as orphanages. Efforts to bring back orphanages to shore up the foster and adoption system largely failed in the 1990s. Yet orphanages may be an appropriate means of providing children with a caring environment. A 2003 survey of over 800 orphanage alumni indicates that "nine out of ten respondents indicate that they would prefer to have grown up in their orphanages than in foster care."<sup>33</sup>

"According to their own reports, the orphanage alumni have outpaced their age counterparts in the general population on a substantial majority of the social and economic outcome measures covered in the study."<sup>34</sup> In other words, orphanage alumni fare exceedingly better than those who simply age out of the foster care system.

### Conclusion

Barriers to adoption should be removed, and the subsidy system reformed to provide better incentives to individual caseworkers or outside agencies to find permanent homes for children in foster care. Public foster care and adoption services should hire or reassign a small number of caseworkers to act as dedicated adoption agents for the kids most likely to age out of the system. This effort would cost less than a full-scale implementation of a recruiter system, while reducing the number of children who age out of the foster care system. Adoption tax credits should be targeted toward at-risk and special needs children to incentivize their adoption. The credits should be made refundable and permanent. The option of orphanages should be reexamined.

*Alexander M. Bachik is a research associate with the National Center for Policy Analysis.*



## Endnotes

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- <sup>2</sup> “Foster Care Statistics 2012,” Children’s Bureau, Administration for Children and Families, U.S. Department of Health and Human Services, November 2013. Available at <https://www.childwelfare.gov/pubs/factsheets/foster.cfm>.
- <sup>3</sup> “Foster Care Statistics 20121,” Children’s Bureau, Administration for Children and Families, U.S. Department of Health and Human Services, January November 2013. Available at <https://www.childwelfare.gov/pubs/factsheets/foster.cfm>.
- <sup>4</sup> “Foster Care Statistics 20121,” Children’s Bureau, Administration for Children and Families, U.S. Department of Health and Human Services, January November 2013. Available at <https://www.childwelfare.gov/pubs/factsheets/foster.cfm>. The children with the goal of reunification and the ones who are actually reunited may not all be the same children.
- <sup>5</sup> Keith A. Miller, Philip A. Fisher, B. Fetrow and K. Jordan, “Annotations of Research in Treatment Foster Care,” Foster Family-based Treatment Association, 2009. Available at [http://www.fftta.org/research\\_outcomes/annotations\\_Miller\\_Fisher\\_Fetrow\\_Jordan.pdf](http://www.fftta.org/research_outcomes/annotations_Miller_Fisher_Fetrow_Jordan.pdf).
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- <sup>8</sup> “Time for Reform: Aging Out and On Their Own,” Pew Charitable Trusts, 2007. Available at [http://www.pewtrusts.org/uploadedFiles/www.pewtrustsorg/Reports/Foster\\_care\\_reform/Kids\\_are\\_Waiting\\_TimeforReform0307.pdf](http://www.pewtrusts.org/uploadedFiles/www.pewtrustsorg/Reports/Foster_care_reform/Kids_are_Waiting_TimeforReform0307.pdf).
- <sup>9</sup> Jeff Katz, “Eliminating Barriers to the Adoption of Children in Foster Care,” Listening to Parents, 2011. Available at <http://www.listeningtoparents.org/wp-content/uploads/2012/04/No-Adoption-Barriers-White-Paper-4-12.pdf>.
- <sup>10</sup> Ibid.
- <sup>11</sup> Ibid.
- <sup>12</sup> “Assuring the Sufficiency of a Frontline Workforce: A National Study of Licensed Social Workers,” Center for Workforce Studies, 2006. Available at [http://workforce.socialworkers.org/studies/children/children\\_families.pdf](http://workforce.socialworkers.org/studies/children/children_families.pdf).
- <sup>13</sup> Jeff Katz, “Eliminating Barriers to the Adoption of Children in Foster Care,” Listening to Parents, 2011. Available at <http://www.listeningtoparents.org/wp-content/uploads/2012/04/No-Adoption-Barriers-White-Paper-4-12.pdf>.
- <sup>14</sup> Ibid.
- <sup>15</sup> Jeff Katz, “Eliminating Barriers to Adoption,” *Washington Post*, June 1, 2012.
- <sup>16</sup> Jeff Katz, “Eliminating Barriers to the Adoption of Children in Foster Care.”
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- <sup>19</sup> “Adoption Assistance for Children Adopted From Foster Care,” Children’s Bureau, February 2011. Available at [https://www.childwelfare.gov/pubs/f\\_subsid.pdf](https://www.childwelfare.gov/pubs/f_subsid.pdf).
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*The NCPA is a nonprofit, nonpartisan organization established in 1983. Its aim is to examine public policies in areas that have a significant impact on the lives of all Americans — retirement, health care, education, taxes, the economy, the environment — and to propose innovative, market-driven solutions. The NCPA seeks to unleash the power of ideas for positive change by identifying, encouraging and aggressively marketing the best scholarly research.*

### Health Care Policy.

The NCPA is probably best known for developing the concept of Health Savings Accounts (HSAs), previously known as Medical Savings Accounts (MSAs). NCPA President John C. Goodman is widely acknowledged (*Wall Street Journal*, WebMD and the *National Journal*) as the “Father of HSAs.” NCPA research, public education and briefings for members of Congress and the White House staff helped lead Congress to approve a pilot MSA program for small businesses and the self-employed in 1996 and to vote in 1997 to allow Medicare beneficiaries to have MSAs. In 2003, as part of Medicare reform, Congress and the President made HSAs available to all nonseniors, potentially revolutionizing the entire health care industry. HSAs now are potentially available to 250 million nonelderly Americans.

The NCPA outlined the concept of using federal tax credits to encourage private health insurance and helped formulate bipartisan proposals in both the Senate and the House. The NCPA and BlueCross BlueShield of Texas developed a plan to use money that federal, state and local governments now spend on indigent health care to help the poor purchase health insurance. The SPN Medicaid Exchange, an initiative of the NCPA for the State Policy Network, is identifying and sharing the best ideas for health care reform with researchers and policymakers in every state.

**NCPA President  
John C. Goodman is called  
the “Father of HSAs” by  
*The Wall Street Journal*, WebMD  
and the *National Journal*.**

### Taxes & Economic Growth.

The NCPA helped shape the pro-growth approach to tax policy during the 1990s. A package of tax cuts designed by the NCPA and the U.S. Chamber of Commerce in 1991 became the core of the Contract with America in 1994. Three of the five proposals (capital gains tax cut, Roth IRA and eliminating the Social Security earnings penalty) became law. A fourth proposal — rolling back the tax on Social Security benefits — passed the House of Representatives in summer 2002. The NCPA’s proposal for an across-the-board tax cut became the centerpiece of President Bush’s tax cut proposals.

NCPA research demonstrates the benefits of shifting the tax burden on work and productive investment to consumption. An NCPA study by Boston University economist Laurence Kotlikoff analyzed three versions of a consumption tax: a flat tax, a value-added tax and a national sales tax. Based on this work, Dr. Goodman wrote a full-page editorial for *Forbes* (“A Kinder, Gentler Flat Tax”) advocating a version of the flat tax that is both progressive and fair.

A major NCPA study, “Wealth, Inheritance and the Estate Tax,” completely undermines the claim by proponents of the estate tax that it prevents the concentration of wealth in the hands of financial dynasties. Senate Majority Leader Bill Frist (R-TN) and Senator Jon Kyl (R-AZ) distributed a letter to their colleagues about the study. The NCPA recently won the Templeton Freedom Award for its study and report on Free Market Solutions. The report outlines an approach called Enterprise Programs that creates job opportunities for those who face the greatest challenges to employment.

### Retirement Reform.

With a grant from the NCPA, economists at Texas A&M University developed a model to evaluate the future of Social Security and Medicare, working under the direction of Thomas R. Saving, who for years was one of two private-sector trustees of Social Security and Medicare.

The NCPA study, “Ten Steps to Baby Boomer Retirement,” shows that as 77 million baby boomers begin to retire, the nation’s institutions are totally unprepared. Promises made under Social Security, Medicare and Medicaid are inadequately funded. State and local institutions are not doing better — millions of government workers are discovering that their pensions are under-funded and local governments are retrenching on post-retirement health care promises.

### Pension Reform.

Pension reforms signed into law include ideas to improve 401(k)s developed and proposed by the NCPA and the Brookings Institution. Among the NCPA/Brookings 401(k) reforms are automatic enrollment of employees into companies’ 401(k) plans, automatic contribution rate increases so that workers’ contributions grow with their wages, and better default investment options for workers who do not make an investment choice.

The NCPA's online Social Security calculator allows visitors to discover their expected taxes and benefits and how much they would have accumulated had their taxes been invested privately.

### Environment & Energy.

The NCPA's E-Team is one of the largest collections of energy and environmental policy experts and scientists who believe that sound science, economic prosperity and protecting the environment are compatible. The team seeks to correct misinformation and promote sensible solutions to energy and environment problems. A pathbreaking 2001 NCPA study showed that the costs of the Kyoto agreement to reduce carbon emissions in developed countries would far exceed any benefits.

### Educating the next generation.

The NCPA's Debate Central is the most comprehensive online site for free information for 400,000 U.S. high school debaters. In 2006, the site drew more than one million hits per month. Debate Central received the prestigious Templeton Freedom Prize for Student Outreach.

### Promoting Ideas.

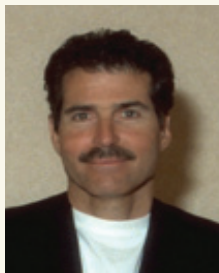
NCPA studies, ideas and experts are quoted frequently in news stories nationwide. Columns written by NCPA scholars appear regularly in national publications such as the *Wall Street Journal*, the *Washington Times*, *USA Today* and many other major-market daily newspapers, as well as on radio talk shows, on television public affairs programs, and in public policy newsletters. According to media figures from *BurrellsLuce*, more than 900,000 people daily read or hear about NCPA ideas and activities somewhere in the United States.

## What Others Say About the NCPA



*"The NCPA generates more analysis per dollar than any think tank in the country. It does an amazingly good job of going out and finding the right things and talking about them in intelligent ways."*

**Newt Gingrich**, former Speaker of the U.S. House of Representatives



*"We know what works. It's what the NCPA talks about: limited government, economic freedom; things like Health Savings Accounts. These things work, allowing people choices. We've seen how this created America."*

**John Stossel**,  
host of "Stossel," Fox Business Network



*"I don't know of any organization in America that produces better ideas with less money than the NCPA."*

**Phil Gramm**,  
former U.S. Senator



*"Thank you . . . for advocating such radical causes as balanced budgets, limited government and tax reform, and to be able to try and bring power back to the people."*

**Tommy Thompson**,  
former Secretary of Health and Human Services