



# THE VITAL ROLE OF ADOPTION SUBSIDIES

## INCREASING PERMANENCY AND IMPROVING CHILDREN'S LIVES

(WHILE SAVING STATES MONEY)

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# ADOPTION PROVIDES BETTER OUTCOMES FOR CHILDREN THAN LONG-TERM FOSTER CARE

More than 104,000 children in the United States are waiting in foster care to be adopted by permanent, loving parents.<sup>1</sup> These youngsters, who are on average 8 years old, typically remain in temporary situations over three years before being placed with “forever families.”<sup>2</sup>

Adoption provides a lifetime of benefits for children who cannot return to their biological families, including the emotional security of caring adults and a committed family to ensure that their needs are met. Research consistently shows that children with adoptive families fare better than those without permanent families on adjustment measures, developmental outcomes, such as cognitive abilities and educational achievement, and self-support capability in young adulthood.<sup>3</sup>



## SUBSIDIES REDUCE FINANCIAL BARRIERS FOR FAMILIES ADOPTING CHILDREN FROM FOSTER CARE

**The Adoption Assistance and Child Welfare Act of 1980 aimed to promote adoptions of waiting children by removing financial barriers that prevented families from affording to care for children by requiring states to provide subsidies to adoptive parents. These subsidies, at a median of just \$485 a month,<sup>4</sup> help families meet the basic needs of their children and may include amounts to help pay for critical services such as healthcare, therapy or tutoring to address their children’s physical, mental, cognitive and developmental challenges.**

Adoption assistance helps many families adopting children from the child welfare system – the vast majority of whom are foster parents (54%) or relatives (31%) – who have very low incomes.<sup>5</sup> Nationally, nearly half (46%) of families adopting from care are at or below 200 percent of the poverty level.<sup>6</sup> State data reveal a similar trend: in Illinois, one study found that the majority (56%) of families had

annual incomes under \$35,000 (excluding subsidies) and another that one-third (30%) had annual incomes less than \$20,000 (including subsidies); in Oregon and Washington, nearly half (47-48%) of families adopting from care had incomes under \$40,000.<sup>7</sup>

Many parents report they could not have afforded to adopt without a subsidy.<sup>8</sup> Among adoptive and prospective adoptive parents of foster children in a multi-state study, most (81%) say subsidies were important to their decision to adopt and more than half (58%) that they could not do so without them.<sup>9</sup> In a study of success factors associated with families’ adoption of children from care, two-thirds (66%) of parents said they needed the subsidy to be able to adopt.<sup>10</sup> The top barrier to foster care adoption cited by African American families is the lack of financial resources to support additional children.<sup>11</sup>

Moreover, monthly adoption subsidies are \$100-150 lower than foster care payments.<sup>12</sup> Among children adopted from foster care whose parents



had previously fostered them, nearly one-third (30%) receive an adoption subsidy lower than their previous foster care payment.<sup>13</sup> Such discrepancies provide a financial disincentive to adoption from the very pool of parents who are most likely to adopt.



## SUBSIDIES INCREASE ADOPTIONS FROM THE CHILD WELFARE SYSTEM

According to economic analyses, subsidies “have a positive and statistically significant effect on adoption rates”<sup>14</sup> and “subsidy policy is the most important determinant of adoptions from foster care that is under the direct control of policymakers.”<sup>15</sup> A Department of Health and Human Services’ evaluation found that “adoption subsidies are perhaps the single most powerful tool by which the child welfare system can encourage adoption and support adoptive families.”<sup>16</sup>

Another federal program assessment determined that subsidies “increase permanent placement of foster care children, leading to both improved child well-being and reduced federal and State spending [and are] a critical component of the continuum of care provided through the State-administered child welfare system.”<sup>17</sup> Financial supports are also among the factors significantly associated with higher satisfaction in parenting children with special needs,<sup>18</sup> and evidence links subsidies with adoption stability.<sup>19</sup>

## ADOPTION AND SUBSIDIES ARE COST-EFFECTIVE

Research shows that adoption yields cost savings versus foster care. One economist found that every dollar invested in adoption of a child from care returns about three dollars in public and private benefits.<sup>20</sup> Another study concluded that the government cost savings for the 50,000 children adopted annually from foster care ranges from \$1 billion to \$6 billion.<sup>21</sup>

Title IV-E subsidies are an open-ended entitlement program, so states receive matching funds for all eligible children, and every state but two received increased federal funding from 2004-2006.<sup>22</sup> Even so, the proportion of state-only funded subsidies increased from 13 to 22 percent from 1996 to 2006, likely because Title IV-E reimbursement was based on birth families’ 1996 AFDC eligibility.<sup>23</sup> The 2008 Fostering Connections to Success and Increasing Adoptions Act gradually de-links funding from this outmoded welfare standard, resulting in more children eligible for federal funding and decreased state contributions; eventually, the law “is expected to expand eligibility for title IV-E adoption assistance to virtually all children determined by a State to have special needs.”<sup>24</sup>

States also recently achieved subsidy savings when the American Recovery and Reinvestment Act of 2009 provided almost \$100 million in increased federal reimbursement rates.<sup>25</sup> Additionally, states can realize Adoption Incentive funding awards by leveraging subsidies to increase adoptions above their baseline.



# PRESERVING ADOPTION SUBSIDIES IS IN CHILDREN'S, FAMILIES' AND STATES' BEST INTERESTS

Subsidies enable around 500,000 children to receive critical supports that meet their specific needs at a relatively low cost.<sup>26</sup> Of the children adopted from state systems in 2011, 90 percent received a subsidy (though 16% of those were deferred).<sup>27</sup> In a 2007 study, adoptive families indicated most children (61%) adopted from care received adoption assistance of less than \$501 per month.<sup>28</sup>

Even with subsidies, one- to two-thirds of parents report it did not meet their children's needs and some had to forego necessary services.<sup>29</sup> The annual median adoption payment of \$5,820 is significantly lower than the federal government's lowest estimate (\$8,480) for how much it costs yearly to raise a child.<sup>30</sup>



**In an era of increased emphasis on evidence-based policy, maintaining adequate adoption subsidies is not only in the best interests of children, it is a sound investment in an effective strategy to save states money. Modest payment increases of 10 percent could result in nearly 100 additional adoptions from foster care in a state in one year,<sup>31</sup> while reducing these allowances undercuts vulnerable children's chances of placement in secure families, gaining stability in their lives and achieving better outcomes and prospects for their futures.**



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