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The Distribution of a Federal Entitlement:
The Case of Adoption Assistance

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Abstract

Adoption assistance entitlements support the adoptions of children whose birth parents' rights have been severed after abuse or neglect. The subsidies are meant to offset the extra cost to adoptive families of raising children whose adverse experiences have left them with special physical, emotional, or behavioral needs. Previous studies of adoption assistance are limited in scope; I use administrative data on all recorded adoptions from foster care from 1996 through 2003 to examine the distribution of adoption assistance across and within states. The state-to-state variation payments is large, even after controlling for differences in the cost of living. Moreover, although adoption assistance is an entitlement for children, payments made within many states are systematically correlated with the characteristics of adoptive families. There is substantial evidence that the state administration of this federal entitlement leads to unequal treatment of similar children.

Key words: Adoption, adoption assistance, special needs, single parents, foster parents

JEL classification: J13 (children and youth), J18 (public policy), K39 (law and economics, other areas)

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<u>Introduction</u>

States are currently responsible for finding adoptive families for almost 120,000 children

in foster care (US DHHS, 2006a). These children are victims of abuse and neglect by their birth

parents and are subjected to the inherent insecurity of placement in foster care. Family courts

have ruled (or will soon rule) that the children's best interests are served by severing their birth

parents' rights, freeing the children for adoption by families that are willing to help them find the

places in society and the economy that most other children take for granted.

Through a combination of federal and state laws, an adoptive family willing to parent one

of these children can be reimbursed for the upfront expenses of the adoption, including

administrative and legal fees. A family can receive a substantial one-time tax credit to help

establish the child's place in the family home. The child can receive Medicaid, and the family

can receive assistance with extraordinary expenses related to the child's special needs. Finally,

the child may be entitled to receive a monthly adoption assistance payment that the family may

use to help defray the cost of raising the child to independence.

More active use of adoption assistance, together with other changes in child welfare law,

policy, and practice, led to a near-doubling in the number of children adopted from foster care in

the 1990s, as shown in figure 1. While every adopted child is not entitled to adoption assistance,

most are, so the increase in adoptions caused the number of entitled children to grow rapidly. In

1988, just fewer than 35,000 children received adoption assistance (Sedlak and Broadhurst,

1993). The number may near 140,000 children by 2010 (Wulczyn and Hislop, 2002).

Federal expenditure on adoption assistance has grown more than 2,000 times in the last

two decades, from less than $400,000 in fiscal year 1981 to $1.3 billion in fiscal year 2002

(Dalberth et al., 2005). The federal adoption assistance budget grew 30 percent between 2000 and 2002 alone and is expected to approach $2.5 billion by 2008 (Barth et al., 2006; Scarcella et al., 2004).

But adoption is less expensive for government than long term foster care. Adoption decreased administrative costs by $1.6 billion compared to continued foster care for the children adopted between 1983 and 1986 (Sedlak and Broadhurst, 1993). The governmental cost of adoption may be less than half the cost of foster care (Barth et al., 2006), and movement towards contracting out adoption services to private agencies continues to improve cost efficiency (Blackstone et al., 2004). Moreover, the benefits of adoption are not merely fiscal. Adoption improves health, behavioral, educational, and employment outcomes for children relative to keeping them in long-term foster care (Triseliotis, 2002). It is because adoption is a wise investment in children that states, and eventually the federal government, established the adoption assistance entitlement.

Just as higher maintenance payments increase the quantity of foster parenting supplied (Delfabbro and Barber, 2004; Simon, 1975), adoption assistance has a positive effect on the number of families who choose to adopt from foster care (Dalberth et al., 2005; Hansen, 2005; Hansen and Hansen, 2006). States cannot afford to retreat from a policy of supporting adoptions if they hope to meet the needs of the children waiting in foster care.

Nonetheless, states feel the budget pressure of adoption support. Fiscal stress led several states to put the brakes on adoption assistance spending in the first half of this decade (North American Council on Adoptable Children [NACAC], 2003; Eckholm, 2005). Some of the cuts have been blocks by the courts, which have made it clear that adoptive parents have the legal standing to protect their children's entitlements (*E.C. v. Blunt* (05-0726-CV-W-SOW) and

A.S.W. v. Oregon (also known as *A.S.W. v. Mink*, 424 F. 3d 970 (9th Cir. 2005)). These

decisions effectively require states to consider more carefully how adoption assistance is

distributed.

Since the establishment of the adoption assistance entitlement in 1980 there have been

questions about fairness in the distribution of benefits. As with other social insurance programs,

states set a basic level of adoption assistance payments.[1] States may also place limits on

characteristics of children who qualify for entitlement. The decisions of the states generate

substantial variation in nominal adoption assistance payments between states (Dalberth et al.,

2005). Moreover, in most states and in most cases, the basic rates are used as a guide, but the

amount of adoption assistance is negotiated on a case-by-case basis. While the intent of allowing

negotiation is to provide flexibility, the result is that similar children are not similarly treated

(Avery and Ferraro, 1997; Avery and Mont, 1992; Hansen and Pollack, 2005).

Previous studies of adoption assistance are limited to single states or single years. Here I

produce the most comprehensive description possible, using data on all adoptions finalized after

state agency involvement during fiscal years 1996 through 2003, as reported to the Children's

Bureau through the Adoption and Foster Care Analysis and Reporting System (AFCARS).

The next sections summarize the history of the adoption assistance and the AFCARS

adoption data. I then describe the extent of state claims for federal funds for adoption assistance

and the distribution of the amount of adoption assistance. Following the descriptive statistics, I

turn to the question of equal treatment in the distribution of adoption assistance payments. The

characteristics of the adoptive family have predictive power in a logit model of receipt of

adoption assistance and contribute to explaining the amounts of the payments in a fixed effects

model. The effects of some characteristics of the adoptive families are as large as the effects of

specific disabilities. A random coefficients model detects differences in how states "price" characteristics of children and families. Examination of the determinants of the payments on a state-by-state basis reveals a wide range of effects. While systematic differences in payments based upon child characteristics may be consistent with the intent of the law, systematic differences correlated with characteristics of adoptive families are not. In fact, consideration of the circumstances of the adoptive family is legally questionable (*E.C. v. Blunt*). The final section concludes with suggestions for lawmakers, administrators, and researchers.

Entitlements for Adopted Children

Because child welfare is a matter of family law, it has historically been left to the states. As early as 1958, the Child Welfare League of America [CWLA] Standards for Adoption Services recommended that states assist families in their efforts to adopt. States responded by establishing adoption assistance programs; California and New York were the first. In 1975 the CWLA wrote its Model State Subsidized Adoption Act. By the end of 1976, 42 state and local jurisdictions had enacted adoption assistance programs (Avery and Mont, 1992).

State and local adoption assistance programs were problematic. Assistance was available only for a limited time. Moreover, because the programs were means tested, some prospective adoptive families viewed adoption assistance as a kind of welfare, with stigma attached. Finally, state and local adoption administrators did not want to place children with adoptive families if the children qualified for federal foster care assistance. For qualified children the federal government paid about half of the cost of foster care, but if the child was adopted with state or local adoption assistance, the state or locality would be responsible for all of the cost.

In 1978, Congress passed the Child Abuse Prevention and Treatment Reform Act: Title II—Adoption Opportunities (P.L. 95-266). The Adoption Opportunities grants funded state and local programs to promote adoption: "The purpose of this Title is to facilitate the elimination of barriers to adoption and to provide permanent and loving home environments for children who would benefit by adoption, particularly children with special needs."

While the Adoption Opportunities program was small, its focus on children with *special needs* has carried forward into current law. Special needs are characteristics of children that tend to make adoptive placement more difficult. Each state defines its criteria for special needs in a different way within the broad federal guidelines. The NACAC (2006) details definitions for each state.

The Adoption Assistance and Child Welfare Act of 1980 (P.L. 96-272), also known as Title IV-E of the Social Security Act, established federal adoption assistance which provides matching funds on an entitlement basis to eligible children. To be *Title IV-E eligible* a child's family must have been eligible for Aid to Families with Dependent Children or the child must have been eligible for Supplemental Security Income at the time of removal from the home of the birth family. The child must also have a state-defined special need. If a child is Title IV-E eligible, the adoptive family can negotiate on the child's behalf for receipt of monthly adoption assistance payments until the child is 18 years of age (21 in some states) or until the child is financially independent or leaves the adoptive home.[2] Congress intended the adoption assistance program to make it possible for a family to adopt a child with special needs without a decline in the standard of living of the family (Avery and Ferraro, 1997; Barth, 1997).

The federal match for adoption assistance removed the disincentive for states to move children from foster care into adoptive families. Further, because the Act based eligibility on the

characteristics of the child rather than characteristics of the adoptive parents, it de-stigmatized adoption assistance.

States receive federal reimbursement at the federal medical assistance percentage (FMAP) for the adoption assistance payments made to families. The FMAP rates currently range from 50 to 76 percent (US DHHS, 2006d). States with lower per capita income have higher matching rates, while states with higher per capita income have lower matching rates. The federal reimbursement for adoption assistance is capped at the maximum reimbursement for foster care payments that could be made on behalf of the child.

Higher adoption subsidies can be paid using state or local dollars. Also, if the child to be adopted is not Title IV-E eligible, the state may fund adoption assistance from its own budget. Each state's budget for adoption assistance is appropriated by the state's legislature.

A study of families who adopted children from foster care in the mid-1980s found that 29 percent said that they would have had had difficulty adopting their child(ren) without the subsidy, and 35 percent said the availability of assistance had a positive influence on the decision to adopt. Twenty percent of families said that, despite adoption assistance, the child had to do without needed services or treatment because of tight family budgets; 28 percent of families reported borrowing money to provide care for the adopted child (Sedlak and Broadhurst, 1993). A 2005 survey found that nearly 60 percent of adoptive parents said that they would not have been able to adopt without adoption assistance. Among prospective adoptive parents, 45 percent said they would not adopt without it. (Children's Rights, 2006).

Whether adoption assistance provides adequate financial support for families who adopt children with special needs is an unanswered question. States and localities design adoption assistance programs differently. Some set rates high enough to provide general support and

needed special services. Others set rates that support only basic care for a child and require that families request funds separately for needed special services. The NACAC reported that in the late 1990s the basic adoption assistance rates in four states were slightly greater than the United States Department of Agriculture [USDA] estimates of the cost of raising a child in a low-income family. In three states the basic state subsidy was half the USDA estimate (Bower and Laws, 2002). In the county-administered system of New York State, 52 of 57 counties provided adoption assistance payments less than the USDA's child-cost estimate (Avery and Ferraro, 1997). Of course, these comparisons underestimate the adequacy of adoption assistance payments because the cost of raising an adopted child with special needs is likely to exceed the cost of raising a healthy child. Direct outlay for care of the child plus the opportunity cost of lost time at work may be substantial.

The AFCARS Adoption Data

Congress prodded states to increase adoptions from foster care though the Adoption Incentive program articulated in the Adoption and Safe Families Act of 1997 (P.L. 105-89). To qualify for Adoption Incentive payments, states had to document increases in adoptions. Effectively this required states to come into compliance with a federal rule issued in 1993 requiring the submission of data on adoptions with state agency involvement (Maza, 2000). The data collection system is known as the Adoption and Foster Care Analysis and Reporting System (AFCARS). The data are tabulated annually by the Children's Bureau. The Children's Bureau publishes tabulations on the Web and in an annual outcomes report (e.g. US DHHS, 2006c). The data used to produce the outcomes report form the basis for the public use version of the data, although the public use version may include updates made later by the states.

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States are required to submit data for each adoption in which a public child welfare agency was involved in any way. Although states are encouraged to submit data for other adoptions, little has been submitted. The analysis here is limited to cases with state agency involvement.

Limitations of the Data

The Children's Bureau puts little faith in the AFCARS data for 1995 through 1997.[3] Relatively few states were in compliance before fiscal year 1998. For example, in 1995, just 31 states submitted some adoption data to AFCARS. Moreover, the data submitted were incomplete.

For fiscal year 1996, 10 percent of adoption cases reported in AFCARS include invalid observations of whether the state had claimed Title IV-E reimbursement. Of reported adoptions in 1997, 5.6 percent are missing information on whether Title IV-E reimbursement was claimed. The AFCARS data on Title IV-E claims are fairly complete after 1997. Only 0.1 to 0.3 percent of observations for 1998 through 2003 are incomplete. The AFCARS information on adoption assistance payments is almost fully complete. Missing observations constitute less than three percent of submitted records for 1996 through 2003.[4]

Although the first years of data are suspect, AFCARS represents the only source of case-level data on adoptions with state agency involvement that is consistent in format across almost all states and over time. Moreover, at least at the state level, the AFCARS count for fiscal year 1996 is highly correlated with data reported through other sources (Hansen and Hansen, 2006).

<u>National Trends in Adoption Assistance</u>

Since fiscal year 1996, states have claimed federal Title IV-E reimbursement for, on average, 69 percent of adoptions from foster care (table 1). The average across years, however, obscures a marked increase early in the period; see table 1 and figure 2. For fiscal years 1996 and 1997, states claimed Title IV-E reimbursement for less than 50 percent of all adoptions made with state agency involvement (or 53 to 58 percent of valid observations). In each of fiscal years 1998 through 2003, states claimed Title IV-E reimbursement for more than 70 percent of adoptions. The greatest number and percentage of adoptions for which Title IV-E reimbursement was claimed was for fiscal year 2000, in which 37,961 adoptions (75.1 percent of valid observations) were made with claim for reimbursement. The percent of valid observations for which reimbursement was claimed fell thereafter to 68.8 percent for fiscal year 2003.[5]

The average monthly amount of adoption assistance reported in the 1996 through 2003 AFCARS was $390, as shown in the first column of table 2. The average amount in 1996 was $191, and the average increased each year. The average in 2003 was $462, 1.4 times larger than in 1996.

This average includes adoptions for which no monthly subsidy payment was planned at the time of the adoption. Considering the entire period from fiscal year 1996 through 2003, more than 45,000 adoptions of the children from foster care were not supported with a monthly adoption assistance payment. Unsupported adoptions represent over 15 percent of valid observations of adoption assistance payments. In six states over 40 percent of adoption cases were recorded with $0 subsidy payments.[6] Among states that submitted AFCARS data in 1996, 18 failed to support more than one-third of adoptions with a subsidy.

As was the case with Title IV-E claims, there was an abrupt change from fiscal year 1997 to fiscal year 1998 in the proportion of cases made without a monthly payment recorded.[7] The proportion with no support exceeded 35 percent in 1996, but fell to 17 percent in 1998. After 1998, the proportion of adoptions with state agency involvement but without adoption assistance held steady at 12 to 13 percent. The precipitous fall is evident in figure 2, where the trend appears as a mirror image of increasing Title IV-E claims.[8]

When adoptions with no adoption assistance are excluded, the overall average subsidy amount rises to $460 per month. The average in 1996 was $301; the average in 2003 was $523.

The right-hand column of table 2 shows the average value of adoption assistance in cost-of-living adjusted, constant 2000 dollars (adjustments made using American Federation of Teachers, various years, and US Dept. of Labor, 2006). The increases in adoption assistance payments evident in the nominal values table are reduced, but not eliminated, by the adjustment. The value of adoption assistance in 2000 dollars increased from an average of $208 per month in 1996 to $432 per month in 2003, an increase of 108 percent. When payments of $0 are excluded, the value of the subsidy increased from $325 to $495 (in 2000 dollars), an increase of 52 percent. The increase in the nominal amount of the subsidy was 77 percent. About one third of the purchasing power of the increase in adoption assistance was offset by inflation.

One reason why the average of adoption assistance at the time of the adoption rose is that older children are supported by higher subsidy, and there was an increase in the representation of older children among newly adopted children. Adoptions of infants (age less than one year) were supported with an average subsidy of $192; adoptions of toddlers (age 1 to 3) were supported with an average of $343 per month. Monthly subsidies for children 5 to 8 averaged $400; for children 8-10, $425; children over 10, $442.

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A second cause of increasing levels of adoption assistance payments was increases in the amounts of the basic rates states. The real basic rate for a two year old increased from an average of $364 in 1996 to $515 in 2003. The basic rate for an eight year old increased from $409 in 1996 to $577 in 2003.[9]

Table 3 shows the distribution of the values (in cost-of-living adjusted, constant 2000 dollars) of monthly adoption assistance payments at the time of the adoption. Considering the entire period from 1996 through 2003, about 17 percent of adoptions were made with adoption assistance of $1 to $250 per month. Over one-third of adoptions were supported with payments of between $250 and $450. About 22 percent had payments between $450 and $750, and about 7.5 percent had in excess of $750.

Although the upper tail of the distribution is relatively thin, there was a noticeable increase in its thickness over time: there were three times more adoption assistance agreements made at the highest amounts in the later years than in the earlier years. An exceptionally high monthly payment may be the result of effort to meet the needs of children with expensive-to-support disabilities, or it may be the result of negotiation between the adoptive parent and the child welfare authority. Again, although some states stick to a fairly rigid schedule in the determination of adoption assistance, most jurisdictions use the basic rates as a guide and determine the actual payments on a case-by-cases basis.[10]

Among adoptions with any support, less support is given to adoptions for which no federal reimbursement was claimed. If the recorded adoption assistance subsidy is greater than zero and the child is not Title IV-E eligible, it implies that the subsidy supporting the adoption is funded entirely at the state and local level. From fiscal year 1996 through fiscal year 2003, a total of 46,714 adoptions (almost 15 percent) fit this category; these adoption cases have positive

values of monthly adoption subsidy but Title IV-E assistance was not claimed. Table 4 shows

the percent and number of cases for which a state-funded adoption assistance payment was

recorded. The prevalence of state-funded adoption assistance payments has risen from 13.3

percent of adoptions in 1996 to 19.9 percent in 2003. Table 4 shows that, averaging across

years, state-funded adoption assistance is $40 dollars less than when the federal government pays

a share. The next section of the paper begins with a discussion of the role of Title IV-E

eligibility in the determination of adoption assistance receipt and amount.

Case Characteristics and Adoption Assistance

The probability of receiving adoption assistance is expected to depend upon whether the

state can be reimbursed through the federal program. If the child is Title IV-E eligible, then we

expect the probability of subsidy to be higher than if she is not. The effect of claiming Title IV-

E reimbursement on the probability of receiving adoption assistance is positive, as shown in the

first column of table 5. This column reports the marginal effects from a logit estimation that

includes fixed effects for state. Most of the work of predicting the probability of receipt is done

by this single variable. The cost to the state of supporting any particular adoption is higher, and

likelihood of assistance receipt is lower, if the state's basic rate is higher.[11]

Since children must have a state-designated special need for the state to claim Title IV-E

reimbursement, it is not obvious that special needs designations should have any additional

impact on the probability of receipt. The marginal effects of the special needs designations and

recorded disabilities, however, are positive and disabilities are mostly positive. Having a special

need of older age or having siblings who also need an adoptive family adds the most to the

likelihood of receiving adoption assistance. However, all other things equal, a child who is

mentally retarded or has a visual or hearing impairment is less likely to receive adoption assistance.

The key question is whether, after accounting for the characteristics of the child, the characteristics of the adoptive family has an impact on the probability of receiving adoption assistance. Avery and Ferraro (1997) argue that the differences in subsidy support cannot be well explained by the characteristics of the children. Hansen and Pollack (2005) argue that the bargaining power that the adoptive family feels they have relative to the child welfare authority influenced the likelihood and amount of adoption assistance payments in 2001.

After controlling for the characteristics of the child, children adopted by single parents, as compared to married or unmarried couples, are less likely to receive adoption assistance. Children adopted by kin are also less likely to receive support. This is consistent with earlier findings (Geen, 2003, for example) and may reflect historical differences in the way states view kinship care (Dalberth et al., 2005).

The estimated effects of the case characteristics on the monthly amount of the adoption assistance, given that assistance is received, are shown in column 2 of table 5.[12] The dependent variable is the natural logarithm of the monthly adoption assistance subsidy. The method of estimation is fixed effects using OLS. Standard errors are computed using the Huber/White/sandwich VCE estimator to correct for heteroskedasticity within states.

If the state can claim Title-IV-E reimbursement on behalf of the child, the adoption assistance payment is 16 percent higher than if reimbursement cannot be claimed. Increases in the state basic rate are not passed through one-to-one to negotiated rates. Specific disabilities increase the amount of the monthly payment from two to seven percent, but special needs designations do not increase payments much.

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As in the logit model, the fixed effects model shows that family characteristics play a role in distribution of adoption assistance, even after controlling for child characteristics. A child adopted by kin receives 10 percent less than a child adopted by his or her foster parents. Children who are adopted by adults with whom they had no prior relationship receive 12 percent less than children adopted by their foster parents. Children adopted by single women receive about one percent more than those adopted by couples; children adopted by single men receive about one percent less.

The fixed effects results hint at the extent of unequal treatment in the distribution of the adoption assistance entitlement, but they cannot adequately describe differences between states in the administration of the program. In fact, the estimation of a single parameter for each case characteristic implies that all cases are drawn from identical distributions. However, if state administration differs, then observations are drawn from a different distribution in each state. To gauge the importance of differences in state administration, I first consider a linear Gaussian mixed model (Rabe-Hesketh and Skrondal 2005). The mixed model allows estimation of common coefficients across states (here on the log of the basic rate) and random coefficients (on the other case characteristics) in the same model. That the coefficients are treated as random means that they are allowed to differ across states as the result of a stochastic process; in other words, the model specifically allows the system of determination of adoption assistance to be unique to each state. The coefficients reported in column 3 of table 5 are the weighted averages of the OLS coefficients, where the weights are proportional to the covariance matrices of the OLS coefficients.[13] The values in parentheses are the estimates of the variances of the processes generating the coefficients; they do not describe the sampling distribution of the estimator.

The estimated variances of the processes are large. The hypothesis that the true effects of case characteristics on adoption assistance payments are the same across states is rejected, at a high level of confidence.[14] The coefficients cannot be adequately described by their point estimates—such as the ones reported in column 2 of table 5—because they are unlikely to have been generated by identical processes in each state.

To further assess the importance of administrative differences, I considered the results of separate OLS regressions for each state. The individual state regressions are of the general form presented in column 2 of table 5. Table 6 summarizes the range of the estimated coefficients in the individual state regressions. At least one state had a negative coefficient on each case characteristic, while others had positive coefficients. The widest range in effects of characteristics of the children was for children with special medical needs. The widest range in effects of characteristics of the adopted family was for children adopted by single fathers. Finally, for each case characteristic, the distribution of the coefficients had at least one thick tail, that is, the wide range of values is not the product of just one outlier. For each of the coefficients, at least 15 states had estimated coefficients outside two standard deviations from the average.

Conclusion

Clearly the state administration of the federal adoption assistance entitlement program generates unequal support for children adopted from foster care and the families who step forward to take responsibility for them. In the past, state control has been advocated as a way to enable states to increase the pool of local families to meet local need. Yet there remain many states with more waiting children than approved families, while other states have more families

than waiting children (Hansen and Hansen, 2006; Wilson, Katz, and Geen, 2005). Congress has recognized the need to improve the system that supports the interstate placements of children (US GAO, 1999); it may also be wise for Congress to consider imposing a national structure on the adoption assistance program to ensure that the needs of all children waiting in foster care are met. A next step for research, then, is to examine whether states that follow a strict formula for allocation of adoption assistance payments create more adoptions than states that spend resources bargaining over adoption assistance.

Meanwhile, Congress can remove an obstacle to equal funding of all adoptions from foster care by states. Recall that for the state to claim Title IV-E reimbursement on behalf of a child, the child must have state-defined special needs and must either qualify for federal SSI or must have been removed from a family that would have qualified for benefits under Aid to Families with Dependent Children at the time of removal. Of course, because AFDC was replaced by the Temporary Assistance for Needy Families, AFDC eligibility criteria are no longer updated. The AFDC look-back likely accounts for much of the increase in the percentage of all payments that are funded solely with state monies (shown in table 4). A 2004 Pew Commission report suggested de-linking adoption assistance from the out-dated AFDC criteria (Pew Commission, 2004), and Senator Rockefeller and Representatives Herger and Cardin introduced bills intended to free states from the worry that federal matching funds will disappear. None of their bills emerged from committee.[15]

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Table 1. Title IV-E Claims (Percent of Adoptions)

	No Claim	Claimed	Missing	Total
1996	48.0	42.1%	10.0	100
1997	54.6	39.8	5.6	100
1998	28.5	71.4	0.1	100
1999	25.1	74.9	0.1	100
2000	24.8	75.0	0.2	100
2001	25.7	74.0	0.3	100
2002	26.4	73.4	0.2	100
2003	31.1	68.6	0.3	100
Average	29.8	69.1	1.0	100

Source: Calculation of author from the AFCARS Public Use Adoption Data.

Table 2. Adoption Assistance Payments by Year

	In Current Dollars		In COL-Adjusted 2000 Dollars	
	Mean	Std. Dev.	Mean	Std. Dev.
Including Payments of $0				
1996	191	234	208	255
1997	229	238	245	254
1998	350	263	376	286
1999	375	264	394	279
2000	401	270	402	272
2001	425	286	411	275
2002	436	287	416	266
2003	462	339	432	296
Average	390	291	387	282
Excluding Payments of $0				
1996	301	230	325	253
1997	319	223	338	240
1998	413	235	440	260
1999	434	235	452	250
2000	460	237	459	241
2001	488	251	470	243
2002	495	254	469	235
2003	532	309	495	264
Average	460	260	454	251

Source: Calculation of author from the AFCARS Public Use Adoption Data.

Table 3. Distribution of Adoption Assistance Payments (COL-Adjusted 2000 Dollars)

Percent of Payments in Range

	$0	$1 - $250	$251-$450	$451-$750	$751 -$1000	More than $1000
1996	36.0	18.0	32.1	10.4	2.4	1.1
1997	27.5	18.5	37.6	13.0	2.5	0.9
1998	13.9	21.5	40.0	17.5	4.6	2.5
1999	11.7	19.4	41.9	19.5	5.0	2.7
2000	11.6	16.2	42.3	22.9	4.5	2.5
2001	11.7	14.7	41.5	24.2	5.2	2.7
2002	10.7	15.0	39.3	27.2	5.7	2.1
2003	12.1	18.2	30.0	29.4	7.3	3.0
Average	13.8	17.4	38.7	22.6	5.1	2.4

Source: Calculation of author from the AFCARS Public Use Adoption Data.

Table 4. State-Funded Adoption Assistance Payments (constant 2000 dollars)

| | Percent | COL-Adjusted 2000 Dollars | | | |
| | State- | State-Federal Shared | | State-Funded | |
	Funded	Mean	Std. Dev.	Mean	Std. Dev.
1996	13.3	376	238	345	232
1997	15.7	377	226	324	232
1998	15.9	445	264	413	247
1999	14.1	459	253	413	238
2000	13.9	464	242	426	238
2001	14.6	472	242	456	248
2002	16.2	476	235	435	233
2003	19.9	506	265	454	257
Average	15.6	464	250	426	246

Source: Calculation of author from the AFCARS Public Use Adoption Data.

Table 5. Effects of Case Characteristics on Probability of Receipt and Amount of Adoption

Assistance

Dependent Variable	(1) Conditional Logit Model		(2) Fixed Effects Model		(3) Mixed Model	
	Receives AA		Ln(Amount) if Receives AA			
Title IV-E Eligible	0.3362	(0.0022)	0.160	(0.007)	0.213	(0.184)
Ln(Basic Rate)	-0.0156	(0.0009)	-0.090	(0.040)	0.007	(0.006)
Special Need: Minority Race	0.0073	(0.0006)	0.220	(0.015)	0.293	(0.135)
Special Need: Older Age	0.0121	(0.0006)	0.236	(0.013)	0.313	(0.132)
Special Need: Siblings	0.0148	(0.0005)	0.298	(0.014)	0.320	(0.137)
Special Need: Medical	0.0083	(0.0007)	0.243	(0.017)	0.322	(0.140)
Special Need: Other	0.0028	(0.0005)	0.298	(0.016)	0.202	(0.125)
Mental Retardation	-0.0037	(0.0015)	0.005	(0.021)	-0.024	(0.047)
Sensory Impairment	-0.0029	(0.0018)	0.131	(0.020)	0.026	(0.046)
Physical Disability	0.0089	(0.0008)	0.065	(0.017)	0.072	(0.051)
Emotional Disturbance	0.0074	(0.0006)	0.083	(0.012)	0.041	(0.034)
Other Diagnosed Condition	0.0043	(0.0006)	0.091	(0.011)	0.058	(0.031)
Single Adoptive Mom	0.0039	(0.0005)	0.007	(0.004)	0.032	(0.030)
Single Adoptive Dad	-0.0005	(0.0013)	-0.008	(0.014)	-0.028	(0.050)
Kinship Adoption	-0.0056	(0.0006)	-0.098	(0.005)	-0.050	(0.039)
Stranger Adoption	-0.0200	(0.0008)	-0.120	(0.009)	-0.064	(0.033)
N	221,144		195,508		195,508	
Pseudo R2	0.41					
Percent Successes Correctly Predicted	92					
Percent Failures Correctly Predicted	61					
R2			0.04			

Notes: All models include state fixed effects and year effects. Constant terms, and individual case effects of age, rate, and sex estimated but not reported. For models (1) and (2) standard errors appear in parentheses. See text for interpretation of reported values in model (3).

Sources: All data except basic rates from the AFCARS Public Use Adoption Data. Basic rates from NACAC archive of State Adoption Subsidy Profiles (see note 8).

Table 6. Summary of State Regressions

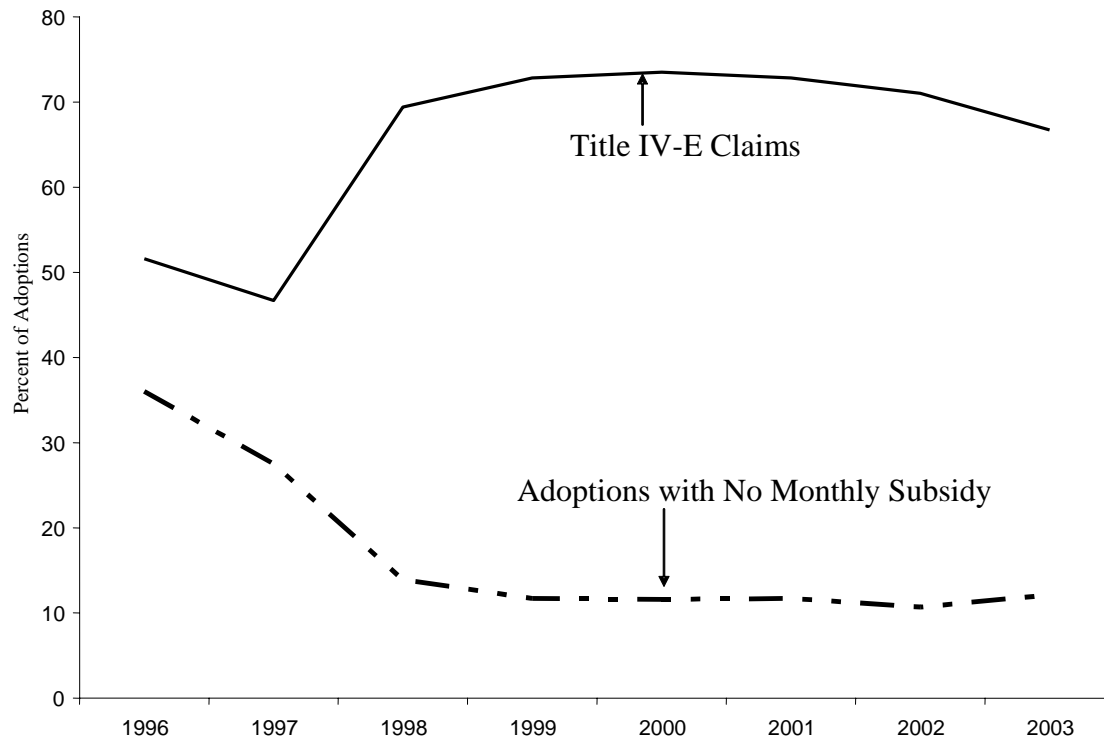|	Number of Coefficients		
	More than Two	Min.	Max.
	Standard Deviations from Zero		
Special Need: Age	20	-0.33	5.40
Special Need: Race	20	-0.97	5.30
Special Need: Siblings	22	-0.93	5.40
Special Need: Medical	24	-0.90	5.40
Special Need: Other	18	-0.94	5.30
Mental Retardation	15	-0.97	1.40
Sensory Impairment	17	-0.52	2.16
Physical Disability	18	-0.88	1.64
Emotional Disturbance	19	-0.59	1.15
Single Mom	20	-0.07	0.95
Single Dad	16	-0.93	1.70
Kin Adoption	23	-0.61	1.25
Stranger Adoption	21	-0.46	0.78

Sources: See table 6.

Figure 1

Adoptions with State Agency Involvement, 1995-2004
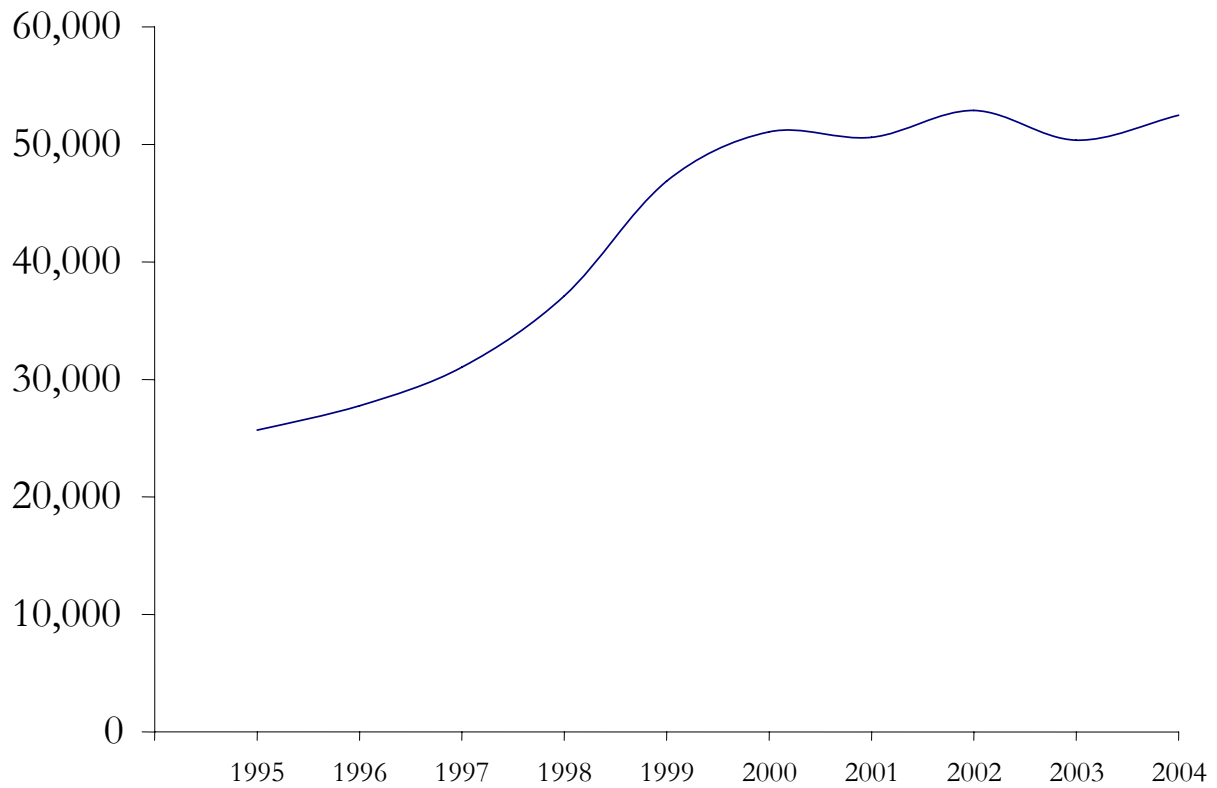
Figure 2. Trend in Title IV-E Claims and Unsupported Adoptions

[1] The state's basic monthly amount of adoption assistance is usually calculated from a *per diem* rate that is set at the state level in all but four states. New York State and three other states allow counties to set the basic adoption assistance rate.

[2] States may also offer deferred payment agreements, which allow families in the adoption data the option of negotiating a subsidy at a later date even if they do not opt to receive the subsidy at the time of adoption. I treat the 528 deferrals in the data as non-receipt. In 1983 federally-funded adoption assistance became portable across state lines. In 1986, reimbursement for non-recurring expenses such as the home study and legal fees were added to Title IV-E. Also in 1986, Congress allowed Medicaid-only adoption assistance grants and guaranteed their portability across state lines. In 1997, Congress added that once a child had become entitled to adoption assistance, the entitlement would follow the child even if an adoption disrupted so that subsequent adoptive families were assured of receiving adoption assistance.

[3] The User's Guide and Codebook states: "Adoptions finalized in years prior to FY 1998 are not being updated because most states indicated that those data were not credible" (NDACAN, p. 9).

[4] Most of the missing observations are for New York State. Very incomplete data for five or more out of the seven years used here are from Illinois, Massachusetts, and Pennsylvania.

[5] Alaska, Illinois, Maine, Michigan, Ohio, and Vermont requested IV-E reimbursement in about 80 percent of cases. These states were among those that paid the highest amounts of assistance. Five states made Title IV-E claims in less than 40 percent of adoptions.

[6] The states are Alabama, Connecticut, Florida, Kentucky, North Dakota, and Puerto Rico.

[7] The change is so abrupt in a few states (such as Delaware and Minnesota) that it likely due to inaccuracies in the AFCARS data. However, removing these states from the analysis does not change the overall upward trend in the proportion of adoptions supported.

[8] Children who were younger than one year old at the time of finalization were least likely to be placed with adoption assistance. All age groups exhibit an increasing trend in the likelihood of support with an adoption subsidy.

[9] Calculated from NACAC archive of State Adoption Subsidy Profiles. The author thanks Jeanette W. Bower for her assistance in obtaining these data. Current values available from NACAC (2006).

[10] The average of the monthly adoption assistance payments as recorded in AFCARS is greater than the basic rate in 16 states. New York, Maryland, Oklahoma, Michigan have the lowest coefficient of variation in their adoption subsidies. New York State, Alabama, Massachusetts, Wyoming, Puerto Rico and Minnesota each have fewer than 30 distinct values of recorded adoption assistance payments in AFCARS. This suggests that these states do not allow for much negotiation when adoption assistance agreements are made with adoptive parents.

[11] The basic subsidy rate for each child is calculated as the nearest age-specific rate available in the NACAC archive of State Adoption Subsidy Profiles. Dalberth, et al. (2005) find that the FMAP rate matters, but I find that the FMAP rate does not have an effect independent of its effect on the basic rate.

[12] Although selection on observables is clear, it is reasonable to wonder about selection on unobservables. No adequate instrument is available in the AFCARS data set, so no traditional selection correction model can be applied. Given the success of the complete logit model (see table 5), and following the argument of Altonji, Elder and Taber (2005), the degree of selection

on the unobervables would have to be many times greater than the selection on observables in order for selection bias to be large enough to account for the entirety of the effect of family characteristics on adoption assistance payments.

[13] Ignoring the year effects for simplicity of notation, the mixed model is regression equation is

$s_{ij} = z_{ij}\beta_1 + x_{ij}B_j + t + \varepsilon_{ij}$, where s is the amount of the subsidy, z is the basic rate on which a common parameter is estimated, and the xs are case characteristics upon which the parameter B is allowed to be different across j states.

[14] $\chi^2 = 1.4e^5$.

[15] Most recently, Sen. John D. Rockefeller (D-WV) introduced S. 1539 (A bill to amend part E of title IV of the Social Security Act to promote the adoption of children with special needs) on July 28, 2005. Rep. Benjamin Cardin (D-MD) introduced H.R. 1534 (Child Protective Services Improvement Act) on April 1, 2003. Rep. Herger introduced H.R. 4856 (Child Safety, Adoption, and Family Enhancement Act) on July 19, 2004.