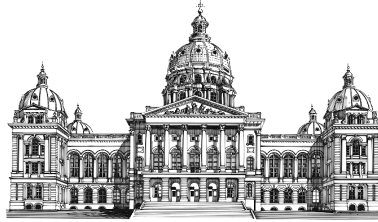

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Adoption Subsidy Program

ISSUE

This *Issue Review* provides an overview of the State's Adoption Subsidy Program, including the benefits available, eligibility, funding, and projections for future costs.

AFFECTED AGENCIES

Department of Human Services (DHS)

CODE AUTHORITY

Section 600.17, Code of Iowa
441 Iowa Administrative Code, Chapter 201

BACKGROUND

The Adoption Subsidy Program is designed to provide permanent placements for children with special needs that are in foster care under the State's guardianship. The Program provides assistance to adoptive families for the on-going care of the child by offsetting some of the additional expenses assumed as part of the adoption. Benefits may be in the form of financial assistance, services, or both but vary depending on the needs of each individual child.

Adoptive parents may receive a monthly subsidy payment, based on a daily rate, up to the amount the State would have paid if the child remained in foster care. Parents that adopt children with specific physical, mental, or emotional problems are eligible for a higher specialized rate if the rate is authorized while the child is in foster care. The rate amounts are provided in **Attachment A**. Subsidy payments and services may continue until a child reaches age 18 or age 21 for children with a physical or mental disability.

In addition, parents may receive other services including, but not limited to, Medicaid coverage for the child's physical and mental health needs; child care as required by the child's special needs; payment for additional premiums due to adding the child to the family's health insurance coverage; respite care; and non-recurring attorney fees and court costs associated with finalizing the adoption.

The profile of children whose families receive adoption subsidy is 50.0% female and 50.0% male. The profile by age and race is provided in the table below.

Age		Race	
0-5	20.0%	Caucasian	69.0%
6-11	38.0%	African American	19.0%
12-15	27.0%	Hispanic/Latino	5.0%
16+	14.0%	Native American	3.0%
		Asian/Pacific Islander/Other	3.0%

The national standard set by the federal government is that at least 32.0% of all adoptions be finalized within 24 months of the child's entry into foster care. The DHS reports that for adoptions finalized between October 1, 2003, and March 31, 2004, the Department finalized 65.9% within 24 months.

FUNDING SOURCES

The Adoption Subsidy Program is funded with a combination of State and federal funds. State funds are provided from the General Fund appropriation for Child and Family Services. (More detailed information regarding State costs is provided in the Budget Impact section).

Federal funds are provided through Title IV-E of the Social Security Act. Approximately 76.0% of children are Title IV-E eligible. The federal contribution, or the Federal Financial Participation (FFP) rate, for Title IV-E eligible children is 63.64% in Iowa. The remaining cost for these children is funded with State funds. If a child is not Title IV-E eligible, the State pays 100.0% of the costs. In order for a family to be eligible under federal Title IV-E, children must meet each of the characteristics provided in **Attachment B**.

ELIGIBILITY

Attachment C provides the criteria for determining if an adoptive child is eligible to receive assistance under the Adoption Subsidy Program. While adoption subsidy is not an entitlement, parent income cannot be considered when determining eligibility as federal law prohibits this when determining the child's eligibility for adoption subsidy under Title IV-E. However, a child's unearned income (for example, Veteran's benefits or trust funds) is used to offset the subsidy payment. The DHS considers the parent's circumstances and the child's needs when establishing the subsidy amount.

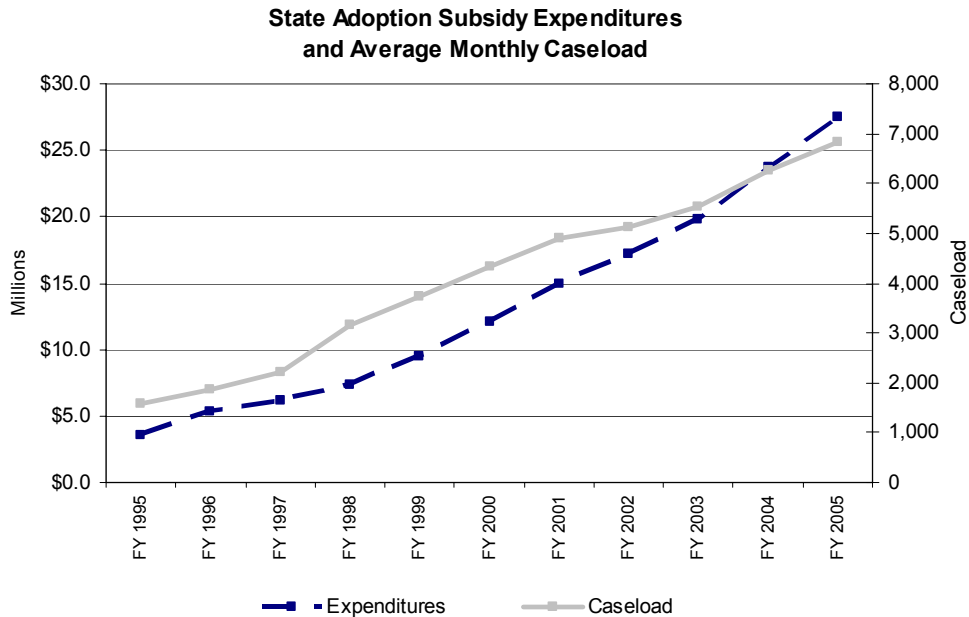
Approximately 95.0% of the children placed for adoption by the Department are eligible to participate in the Adoption Subsidy Program. The DHS and the adoptive parents enter into an adoption assistance agreement that specifies the amount of payment, if any, and other services to be provided. The agreement may be periodically reviewed by the DHS and readjusted with the consent of the parents as the child's needs change, the State's foster care maintenance payments change, or parental circumstances change.

BUDGET IMPACT

Adoption subsidy costs are the second largest expenditure, after Group Care, in the Child and Family Services budget. State expenditures for the Program are estimated to total \$27.5 million in

FY 2005. This will account for 27.7% of the General Fund appropriation for Child and Family Services, which totals \$99.1 million for FY 2005.

The average monthly caseload and State expenditures for adoption subsidy have increased over the last 10 years as the number of finalized adoptions has grown. The estimated \$27.5 million State cost for FY 2005 is an increase of \$23.8 million (655.1%) compared to FY 1995. The estimated average monthly caseload for FY 2005 is an increase of 5,241 (330.9%) compared to FY 1995. The chart below provides State expenditures and average monthly caseloads for FY 1995 through estimated FY 2005.



There is no cap placed on adoption subsidy expenditures within the Child and Family Services budget. When these expenditures increase without additional funding for the Child and Family Services budget, funding for other child welfare programs are impacted. The DHS has requested that the Adoption Subsidy Program become a separate appropriation from Child and Family Services beginning in FY 2006. The Department reports the caseload is increasing at an average of 47 cases per month, which will require an additional \$2.3 million in FY 2006.

RECENT POLICY CHANGES

The 2004 Legislature approved the following changes enacted in SF 2298 (FY 2005 Omnibus Appropriations Act) in order to contain growth in Program costs:

- Limited reimbursement for attorney fees and non-recurring expenses to \$500 per child.
- Eliminated subsidy payments for child care paid for under the Adoption Subsidy Program except for those agreements negotiated by June 30, 2004.
- Limited payment for child care for agreements negotiated by June 30, 2004, to the maximum allowable under the Child Care Assistance Program.

- Modified the definition of special needs to set a minimum age of two for minority children to be eligible for the subsidy, and eliminated eligibility for a child that is part of a sibling group of two placed together that does not have a diagnosed special need.
- Eliminated the additional subsidy payment of \$1.00 per day for sibling groups of three or more children placed together.
- Added a one-time payment of up to \$500 per child when a sibling group of three or more is placed together.
- Added a one-time payment not to exceed \$2,000 per family to reimburse transportation, lodging, or per diem expenses related to pre-placement visits.

The following additional policy changes were made by the DHS through amendments to the Program's Administrative Rules:

- Required families to re-pay the DHS an amount equal to the increase in the equity value of a home attributable to home modifications that were paid for through the Adoption Subsidy Program to accommodate a child's special needs when the family later sells the home.
- Eliminated the biennial review of subsidy agreements. (Families may request a review when family circumstances or the child's needs change).
- Required that the subsidy agreement must be reviewed when a child reaches the age of 17-1/2 to determine whether the child is eligible to receive a subsidy through age 21 due to the child's physical or mental disability.

COST SAVINGS

The changes enacted in SF 2298 will result in a total estimated State savings to the Adoption Subsidy Program of \$333,000, including \$83,700 in savings from legal fees and \$249,000 in savings from subsidy payments for child care in FY 2005. It is estimated that 33 cases will be eligible to receive assistance under the separate Child Care Assistance Program for an estimated net savings in federal funds of \$183,000.

For FY 2006, the total estimated State savings will be \$582,000, including \$83,700 in savings from legal fees and \$498,000 in savings from subsidy payments for child care. It is estimated that 93 cases will be eligible to receive assistance under the separate Child Care Assistance Program for an estimated net savings in federal funds of \$187,000.

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ATTACHMENT A

Adoption Subsidy Daily Rates

<u>Age</u>	<u>Basic Rate</u>	<u>Basic Plus \$4.94</u>	<u>Basic Plus \$14.80</u>
0-5	\$ 14.28	\$ 19.22	\$ 29.08
6-11	\$ 15.07	\$ 20.01	\$ 29.87
12 & Up	\$ 16.83	\$ 21.77	\$ 31.63

- The table provides the maximum basic daily rates, which are the same amounts as those provided for children in foster care. The rates have been in effect since July 1, 2000. As required by Section 234.38, Code of Iowa, the payment rates are set at 65.0% of the United States Department of Agriculture (USDA) estimate of the cost of raising a child in the Midwest in the calendar year immediately preceding the fiscal year.
- Maintenance rates may be increased by \$4.94 per day when a child has a special needs diagnosis but did not require placement in a foster home licensed for treatment or in a residential treatment facility.
- Specialized rates are based on the extraordinary needs of the child, and/or the additional parenting skill needed to raise the child. Children defined as having physical, mental, or emotional problems are eligible for a special monthly subsidy. The specialized care allowance (basic daily rate plus \$14.80) must be authorized while the child is in foster care prior to adoptive placement.

Title IV-E Eligibility

In order for a child's adoption subsidy maintenance to be claimed under federal Title IV-E, the child must meet each of the following four General Requirements, as well as one of the four Adoption Assistance Categories below.

Also, in order for a child's non-recurring adoption expenses to be claimed under federal Title IV-E, the child must meet each of the four General Requirements.

General Requirements

- The adoptive parents and the Department of Human Services (DHS) must sign a subsidy agreement prior to finalization of the adoption.
- The child must meet all three components of special needs, including:
 - A court has ordered that the child cannot or should not be returned to the birth family.
 - A "reasonable effort" has been made to place the child for adoption without the payment of a subsidy.
 - The child must be difficult to place.
- The child must be under age 18, although benefits may be continued to age 21 in special circumstances.
- The child must be a citizen or qualified alien.

Adoption Assistance Categories

- The child must reside with the child's IV-E claimable parent at the time of the adoption petition.
- The child must be eligible for federal Supplemental Security Income (SSI) at the time of the adoption.
- The child must have received IV-E in a previous adoption.
- The child must meet some, but not all, of the IV-E foster care requirements. A child who was claimed under IV-E while in foster care meets this category.

Adoption Subsidy Eligibility

A child is eligible for an adoption subsidy when the Department of Human Services (DHS) has documented that the DHS has been unable to place the child in an appropriate adoptive home without a subsidy, and the child meets one of the following criteria:

- Children with a medically diagnosed disability that substantially limits one or more major life activities, requires professional treatment, assistance in self-care, or purchase of special equipment.
- Children determined to have mental retardation.
- Children diagnosed with a psychiatric condition that impairs a child's mental, intellectual, or social functioning; and for which child requires professional services.
- Children diagnosed with behavioral or emotional disorder characterized by inappropriate behavior that deviates substantially from behavior appropriate to the child's age or significantly interferes with child's intellectual, social, or personal adjustment.
- Caucasian children, if age eight or over.
- Minority children age two or older, or if child's parents are of different races.
- Children that are members of a sibling group of three or more who are placed in the same adoptive home.
- Children determined to be at risk of having mental retardation, an emotional disability, or physical disability are eligible for special services only (not maintenance).