



# *A Carrot Among the Sticks*



## *The Adoption Incentive Bonus*

Cornerstone Consulting Group, Inc.  
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## **Background**

In 1997, Congress enacted the Adoption and Safe Families Act (ASFA), the most extensive federal child welfare legislation since the Adoption Assistance and Child Welfare Act of 1980. Among other things, the legislation places renewed emphasis on child safety by requiring states to make more timely determinations about permanent arrangements for children in state custody. In addition to shortening the timeline for permanency hearings from 18 months to 12 months, the act sets deadlines for the initiation of hearings terminating parental rights. The overriding message of ASFA is that foster care is not the best place for children to grow up and states must make more determined efforts to find permanent homes for children who cannot be returned to their biological families.

One of the most novel provisions in ASFA is the Adoption Incentive Bonus. This provision encourages states to find adoptive homes for children who are legally free for adoption by granting a financial incentive for each foster child the state places in adoption above a baseline number. Congress authorized a bonus payment of \$4,000 for each foster child and an additional \$2,000 for each special needs adoption above the baseline. The Department of Health and Human Services (DHHS) calculated the baseline by averaging each state's number of finalized adoptions of children from foster care for 1995, 1996, and 1997.

The financial incentives for adoption that are part of ASFA were first recommended in President Clinton's Adoption 2002 report, published in 1996. Adoption 2002 outlined an agenda to help overcome barriers to permanency for children in foster care, including goals to speed up the pace to permanency through adoption. It was anticipated that the bonuses would help states achieve the Clinton Administration's goal to double the number of adoptions nationwide by 2002. In fact, states are well on their way toward this goal, having increased the number of finalized adoptions by 64 percent—from 28,000 in 1996 to 46,000 in 1999.

The use of financial incentives to meet certain policy objectives was an innovation of the Clinton Administration. In addition to the adoption bonuses, the administration authorized financial bonuses to states to reduce the number of out-of-wedlock births and to move people from welfare to work. In each case, DHHS created a baseline standard and measured states' success according to factors unique to each social policy issue. Unlike the adoption bonuses, which were distributed to every state that increased adoptions, welfare and out-of-wedlock birth incentives were only given to a handful of states.<sup>1</sup>

When first authorized, the adoption bonus provision received mixed reviews in the child welfare field. Some criticized it as being akin to a "bounty" for children, and some were concerned that state agencies would make inappropriate decisions for families in order to receive the bonus. There were also concerns that states would not reinvest bonus dollars in adoption services.<sup>2</sup> Others were more supportive of the bonus, believing that the federal government had finally produced a carrot for good social policy rather than a stick. Many were also encouraged by the provision's focus on adoption, which they believed had been ignored for too many years in the federal policy arena.

<sup>1</sup> The out-of-wedlock birth bonus and welfare to work bonus are discussed in more depth in the appendix.

<sup>2</sup> See *CWLA Adoption News*, Winter 2000 Edition, Volume 3, Issue 3

Between 1997 and 1999, as noted above, adoptions increased substantially. Every state in the country has received a bonus for at least one of the years in which the incentive was offered. Twenty-seven states received bonuses for both FY1998 and FY1999. In both years, the amount of money owed to the states exceeded the \$20 million appropriated for the bonus. Congress appropriated additional funding to make up for the shortfall and provided states with their full bonus amounts in both years.<sup>3</sup>

## **Methodology**

Cornerstone Consulting Group began studying the Adoption Incentive Bonus in 2000 to learn about using incentives to promote increased adoptions. We initiated phone interviews with 50 states and the District of Columbia, speaking with directors of Children's Services and their adoption specialists. Interviews ranged from 30 to 70 minutes. Among the questions we investigated are the following:

- Did states do anything differently to respond to the incentive? Did the lure of the bonus have an impact on how state agencies did business?
- How did states reinvest the bonus dollars they received? Was the money reinvested in the child welfare system and if so, how?
- How were decisions about reinvestment of bonus funds made?
- Is the Adoption Bonus a powerful enough incentive to move policy and practice in a different direction? Is it a wise use of federal resources?
- Are there other incentives that Congress might consider to promote permanency for children in foster care?

Although we asked each state's representatives the same five questions, there were some methodological limitations to our inquiry. First, the interviews were brief, and although we asked for general information about what the state was doing to enhance the adoption process and meet the requirements of the Adoption and Safe Families Act, we did not have enough time to put all answers into the specific context of each state's child welfare system. Second, the answers to the questions were self-reported. There was no process to independently verify the information. Third, in some cases we spoke with child welfare directors, in other cases with adoption and other child welfare staff, and in a few cases, we interviewed both directors and adoption staff. However, individuals participating in the calls varied across states and included staff from different levels of the state organization with different responsibilities for policy and programs. The answers to some questions were somewhat dependent upon our sources; given the variation in sources, our data may vary slightly by state. Finally, our inquiry was limited in that we spoke with staff at the state level only and did not speak with local administrators or adoption staff.

Despite these limitations, we believe that we have been able to gain an accurate picture of states' experiences with the adoption bonus and to determine the value of the bonus as a way to promote adoption nationally.

<sup>3</sup> See page 8 for details of each state's adoption figures and incentive payments for 1998 and 1999.

## **Findings**

### ***What States are Doing in General***

The Adoption Bonus was authorized at a time when states were already changing their adoption systems. In the mid-1990s, several forces combined to propel state and county child welfare systems to make significant changes in how they handled the adoption process.

First, many states had new state legislation calling for greater attention to finalizing adoptions for children in foster care. Many had laws similar to ASFA prior to its enactment, and by 1998, most states had laws that brought them into compliance with the national legislation. Second, several states had set up Adoption Task Forces or other initiatives to identify barriers to permanency for children and were working to implement recommendations. Third, litigation against child welfare agencies motivated some states to reform their child welfare systems, including adoption services and policies. Fourth, foundation-funded initiatives, such as the Kellogg Foundation's Families For Kids Initiative, stimulated reform in several jurisdictions.

In general, states were making enhancements in the following areas:

- Recruitment of foster families, particularly minority families and families interested in special needs children
- Contracting with private agencies to perform many adoption functions
- Legal reforms through attorneys and the courts to streamline the process to terminate parental rights and finalize adoptions
- Training on permanency-related issues, including adoption sensitivity
- Technology to recruit foster parents and create greater awareness about the needs of individual children
- Data management to deal with the flow of cases through the system and to ensure accountability for better permanency outcomes.

### ***What States Did Differently to Respond to the Bonus Incentive***

Generally, states report that they did not change adoption practices to respond to the Adoption Bonus. The bonus provided an extra incentive to keep moving in the same direction, but in no case were improvements in the adoption process motivated solely by the existence of the bonus. "The money is not the motivation to do a good job," noted one state administrator.

As mentioned previously, internal and external pressures, such as the enactment of state legislation and ASFA, litigation, financial burdens of foster care, and public dissatisfaction with the status of children in foster care, had already forced improvements in the adoption process prior to the authorization of the bonus. While the money received through the bonus allowed states to reinvest in activities to quicken the pace of reform, in no state was it the primary motivator for changes in the adoption system.

Although no state reported doing anything differently to respond to the bonus, states did report two important side effects of the availability of the bonus on their systems: improved data systems and better collaboration with the courts. Many agencies interviewed said that the need to report adoption data to HHS accurately and in a timely fashion resulted in useful improvements in their data reporting systems. Some states had difficulty reporting accurately on the status of cases, and the reported data lagged far behind the actual status of the case. By working closely with the courts to ensure that the status of cases are reported in a reasonable timeframe, agencies and the courts now have more accurate information with which to judge progress toward meeting permanency goals.

### ***How States Reinvested their Incentive Funds***

When the adoption bonus awards were first announced, many questioned the value of the small amount of incentive money states could receive. Because so many states were eligible for the bonus, some complained, the available resources would be spread much thinner than originally anticipated. Yet, our inquiry found that states made strategic decisions about how to use the money they received to fill gaps and to continue building the infrastructure of their adoption systems.

Some states commented that rather than using the money for things that would later be difficult to fund, such as salaried positions, they used the bonus for one-time activities that would make a difference in moving existing cases through the system. For example, states used incentive funds to contract with private agencies or individuals for home studies, purchase legal services for termination petitions, train staff on issues related to permanency and ASFA, hold adoption events, and develop a plan for post adoption services.

In addition, because the bonus received by most states was relatively small compared to the overall funding of the system, few states experienced resistance to using the funds in very flexible and innovative ways. Some states argued that if the bonuses had been larger, they might have had more trouble keeping the funds in their departments to fill critical gaps.

Bonus dollars were invested in areas of the adoption system that states were already working to improve. Specifically, states made investments in the following:

- Post adoption services (n=16)
- Recruitment of adoptive families (n=11)
- Legal services to expedite adoption (n=5)
- Contract enhancements for case management, recruitment, home studies, etc. (n=7)
- Training for adoption staff, mental health providers, etc. (n=9)
- Subsidy increases (n=4)
- Adoption awareness (n=6)
- Staff (n=2)
- General child welfare services (n=3)
- Distribution to county child welfare services, in some cases based on performance (n=11)

### ***How States Made Reinvestment Decisions***

Most states made decisions about how incentive funds were to be used as part of the executive budget process. Reinvestment decisions were largely made at the state agency level, usually with input from others inside the agency. A handful of states drew from the work of existing committees or task forces and used reinvestment funds to respond to needs identified by those bodies. Some states contacted local departments to help them identify critical needs, while others consulted with private contractors. No state indicated that they had a process that included families or the general public in decision making about how incentive funds would be used.

### ***Other Incentives that Might be of Value for Child Welfare***

Many respondents felt strongly that, while the adoption bonus is a useful strategy to create incentives toward adoption in the short run, there were many other areas that must be addressed to promote permanency in the long run. Several states responded that they would like to see an incentive for achieving permanency in general, including reunification, guardianship, adoption and, when appropriate, long term foster care. These individuals questioned why adoption was the only permanency option with an incentive. Questions about incentives for preventing foster care placement and for shortening the length of time children stay in the system were most commonly mentioned as potential ways to improve permanency goals.

Respondents indicated several other areas where incentives or increased funding might be appropriate including:

- Improved court processes
- Adoption within one year of Termination of Parental Rights
- Few adoption dissolutions and disruptions
- Adoption Tax Credit
- Funding for post adoption services
- Funding for more preventive services
- Research, particularly in the area of adolescent issues
- More discretionary funding to promote better practice

### ***State Outlook Toward the Adoption Bonus***

In general, individuals we interviewed were positive about the adoption bonus and believe it brings needed attention, energy, and excitement to the adoption arena. Most support the bonus as boosting flexible resources for the adoption community, resources that have only previously been available through limited and competitive discretionary grants. These resources, as noted earlier, have helped quicken the pace of reform that had already been set in motion when the bonuses were authorized. Furthermore, as one individual noted, “it is nice to be rewarded for good work rather

than punished for poor performance....[T]he bonus is good for agency and worker morale.” In a system with a long history of threatened sanctions from the federal government, being rewarded for good behavior has helped create a more positive environment for workers, supervisors, and administrators.

Several adoption administrators were particularly pleased that they finally had the data to measure their progress toward increasing the number of adoptions. Being able to compare their progress against the progress of other states introduced healthy competition into the system and allowed them to see which states were making the greatest headway.

On the other hand, many noted a concern about rewarding states for increased numbers rather than better outcomes. Although few expressed concern that agencies would make the wrong decisions in individual cases in the quest for bonus funds, they feared that the adoption incentive gives the message that adoption is the best plan for all children and families. In some cases, this message has been interpreted to mean that money matters, not outcomes.

Another concern is that some states have received only limited bonus funds because they successfully increased adoptions in the mid-1990s, the years in which the baseline numbers were calculated. After the enactment of the bonus provision their increases began to level off, and they have not realized the same level of award as states whose adoptions increased dramatically in the late 1990s. These state officials would also like to have flexible resources to continue making improvements in their child welfare and adoption systems.

Finally, perhaps the greatest criticism of the bonus is that it does nothing to change the largest impediment to child welfare reform: the structure of federal funding for child welfare. Respondents expressed the belief that longer term changes in federal funding streams for child welfare would have a much greater impact on outcomes than one-time awards. Such changes must satisfy the dual goals of maintaining a safety net for all children—a feature of the entitlement approach—while also offering states the flexibility to respond to unique and changing needs in the child welfare population. This flexibility would allow states to provide more resources for a variety of services and supports aimed at preserving families and protecting children.<sup>4</sup> Several respondents also expressed concern that the large increases in the number of adoptions will create the need for additional resources for post adoption services and supports.

<sup>4</sup> An additional concern about the federal financing structure is the linkage between the AFDC rate—which is tied to 1996 income levels—and foster care and adoption subsidies. Because there is no cost of living increase on the AFDC income limit, fewer and fewer children qualify for Title IV-E. Many expressed support for eliminating the link between the subsidy rates and AFDC as a way to maintain the federal share for these children.



## **Implications and Conclusions**

The adoption incentive bonus is a creative federal strategy to boost attention and resources to the adoption system. Among many other initiatives, it has brought greater enthusiasm, attention and funds into the public adoption arena. And it has allowed state agencies to invest a modest amount of additional resources in areas of greatest need without creating a new funding source.

Yet the bonus also sets a questionable precedent in the social policy arena that should be carefully examined. The following concerns were raised in our interviews and should be at the forefront of future decisions about whether or not to reward state agencies for adoption increases:

- First, the bonus places value on adoption above all other forms of permanency, even when adoption may not be the most appropriate option for some families. Agencies should be rewarded for helping to create safe and stable families for children, not just for placing children with adoptive families.
- Second, it places emphasis on increased numbers, with little attention to which improvements in the adoption process lead to better outcomes for adoptive families. Positive outcomes are at the center of HHS's new child and family services review system and should continue to be of highest priority.
- Third, the incentive bonus pays little or no attention to identifying the policies and practices that have led to increased numbers of adoptions or better adoption outcomes. Greater emphasis on best practices in adoption, which is happening in several other social service arenas around the country, would increase the value of the bonus.
- Fourth, the bonus does nothing to change the fundamental structure of child welfare financing, including bringing critical resources to help maintain the adoption placement through post adoption services and supports. Reform of the existing federal financing structure should also be a high priority.
- Fifth, the bonus has short-term utility. As many states reduce the backlogs in their systems, their adoption numbers will begin to level off. In the long term, the questions of how to sustain investments made with bonus dollars and how to sustain adoption reforms generally will be of concern.

Perhaps the most critical issue is how to ensure that states continue to reinvest bonus dollars in the adoption system. With the national and state economies lagging, it will be more difficult to keep these dollars in the child welfare system in general, and the adoption system in particular. And with very little public input into how these dollars are invested, there will be little accountability for decisions on spending the resources. In the future, public input and review into how bonus dollars are spent may provide the pressure needed to ensure reinvestment in child welfare services and supports.

States will continue to be eligible for incentives for adoptions finalized through 2002, when the incentive program will need to be reauthorized by Congress if it is to continue. Based upon our findings, we believe that the bonus program is a useful incentive for the time period for which it was authorized. Together with other aspects of ASFA, it brings needed attention to the adoption process. Perhaps most importantly, it brings flexible resources to reinvest in the adoption and child welfare system.

In the future, however, states will not be able to maintain the same level of momentum without access to more permanent and flexible sources of funding to support all forms of permanency, including family preservation, reunification, guardianship, kinship care arrangements, and, when necessary, long term foster care—in addition to adoption. Additional resources will also help continue the national momentum toward building services to support families once a permanent plan has been achieved. Together with a focus on measuring and achieving better outcomes for children, these resources will help ensure a better future for all vulnerable children and families.

### Baseline Adoptions and 1998 and 1999 Adoption Bonus Awards

Source: U. S. Department of Health and Human Services.

State	Baseline <sup>a</sup>	1998 Adoptions (% increase)	1998 Bonus <sup>b</sup>	1999 Adoptions (% increase)	1999 Bonus <sup>b</sup>
Alabama	136	0	0	152 ( 12%)	\$ 108,000
Arkansas	109	0	0	137( 26%)	\$ 166,000
Arizona	474	0	0	727 ( 53%)	\$ 1,326,000
Arkansas	138	251 ( 82%)	\$ 596,000	278 ( 11%)	\$ 194,000
California	3,287	3,958 ( 20%)	\$ 3,916,000	6,254( 58%)	\$ 11,698,000
Colorado	417	560 ( 34%)	\$ 892,000	711 ( 27%)	\$ 820,000
Connecticut	207	229 ( 11%)	\$ 88,000	403 ( 45%)	\$ 500,000
Delaware	33	0	0	36 ( 9%)	\$ 28,000
District of Columbia	132	0	0	166 ( 26%)	\$ 136,000
Florida	987	1,549 ( 57%)	\$ 2,744,000	0	0
Georgia	493	672 ( 36%)	\$ 956,000	1,029 ( 53%)	\$ 1,796,000
Hawaii	85	297 (249%)	\$ 1,102,000	0	0
Idaho	47	0	0	107 (128%)	\$ 312,000
Illinois	2,200	4,656 (112%)	\$14,606,000	7,031 ( 51%)	\$ 14,262,000
Indiana	497	774 ( 56%)	\$ 1,792,000	0	0
Iowa	350	517 ( 48%)	\$ 790,000	744 ( 44%)	\$ 1,062,000
Kansas	421	0	0	558 ( 33%)	\$ 842,000
Kentucky	222	0	0	340 ( 53%)	\$ 630,000

State	Baseline <sup>a</sup>	1998 Adoptions (% increase)	1998 Bonus <sup>b</sup>	1999 Adoptions (% increase)	1999 Bonus <sup>b</sup>
Louisiana	284	0	0	352 (24%)	\$ 292,000
Maine	108	112 ( 4%)	\$ 24,000	203 (81%)	\$ 530,000
Maryland	342	420 ( 23%)	\$ 676,000	528 (26%)	\$ 576,000
Massachusetts	1,116	1,137 ( 2%)	\$ 84,000	0	0
Michigan	1,905	2,254 ( 18%)	\$ 2,004,000	2,446 ( 9%)	\$ 1,108,000
Minnesota	258	427 ( 66%)	\$ 1,022,000	539 (26%)	\$ 654,000
Mississippi	114	169 ( 48%)	\$ 398,000	238 (41%)	\$ 402,000
Missouri	557	616 ( 11%)	\$ 236,000	817 (33%)	\$ 1,150,000
Montana	115	144 ( 25%)	\$ 116,000	176 (22%)	\$ 128,000
Nebraska	180	0	0	192 ( 7%)	\$ 56,000
Nevada	148	0	0	211 (43%)	\$ 354,000
New Hampshire	45	50 ( 11%)	\$ 20,000	63 (26%)	\$ 114,000
New Jersey	621	755 ( 22%)	\$ 870,000	0	0
New Mexico	147	197 ( 34%)	\$ 200,000	258 (31%)	\$ 440,000
New York	4,716	4,822 ( 2%)	\$ 424,000	0	0
North Carolina	694	0	0	907 (31%)	\$ 1,282,000
North Dakota	47	83 ( 77%)	\$ 144,000	138 (66%)	\$ 220,000
Ohio	1,400	0	0	1,605 (15%)	\$ 1,136,000
Oklahoma	338	465 ( 35%)	\$ 596,000	854 (87%)	\$ 2,234,000
Oregon	445	665 ( 49%)	\$ 1,248,000	755 (14%)	\$ 410,000
Pennsylvania	1,224	1,494 ( 22%)	\$ 1,260,000	0	0
Rhode Island	226	0	0	292 (29%)	\$ 378,000
South Carolina	256	465 ( 82%)	\$ 1,064,000	0	0
South Dakota	56	8 ( 4%)	\$ 8,000	82 (41%)	\$ 122,000
Tennessee	295	0	0	370 (25%)	\$ 428,000
Texas	880	1,365 ( 55%)	\$ 2,872,000	1,902 (39%)	\$ 2,990,000
Utah	225	250 ( 11%)	\$ 100,000	369 (38%)	\$ 404,000
Vermont	75	116 ( 55%)	\$ 214,000	138 (19%)	\$ 146,000
Virginia	276	0	0	321 (16%)	\$ 212,000
Washington	607	759 ( 25%)	\$ 620,000	921 (21%)	\$ 918,000
West Virginia	182	211 ( 16%)	\$ 128,000	308 (40%)	\$ 384,000
Wisconsin	467	589 ( 26%)	\$ 640,000	622 ( 6%)	\$ 302,000
Wyoming	15	30 (100%)	\$ 60,000	44 (47%)	\$ 96,000
<b>Totals:</b>			<b>\$ 42,510,000</b>		<b>\$51,488,000</b>

<sup>a</sup> Average number of adoptions from the child welfare system in the years 1995, 1996, and 1997.

<sup>b</sup> In both 1998 and 1999, the original amount appropriated by Congress (\$20 million) fell far short of the bonuses states earned through increases in the number of finalized adoptions. 1998 and 1999 bonuses in the table include the amount originally appropriated by Congress and distributed to states, as well as the second installment sent to states to make up for the greater than anticipated number of finalized adoptions in each year.

## How States Reinvested Adoption Awards for 1998 and/or 1999

STATE	Reinvestment Activities
Alabama	<ul style="list-style-type: none"> <li>• Training on adoption related issues</li> <li>• Display boards for counties to post adoption related information</li> </ul>
Alaska	<ul style="list-style-type: none"> <li>• Funding of adoption program, including subsidy payments to adoptive parents of special needs children<sup>a</sup></li> </ul>
Arizona	<ul style="list-style-type: none"> <li>• Undecided at time of interview</li> </ul>
Arkansas	<ul style="list-style-type: none"> <li>• Promotional materials for adoption awareness month</li> <li>• Training</li> <li>• Support groups for families</li> <li>• Recruitment activities</li> <li>• Plans to use incentive funding for post adoption services after conducting a needs assessment</li> </ul>
California	<ul style="list-style-type: none"> <li>• Distribution to counties for post adoption services</li> </ul>
Colorado	<ul style="list-style-type: none"> <li>• 25 percent to county departments for specialized recruitment</li> <li>• 50 percent to county departments that support adoptive families through respite, adoption education, etc.</li> <li>• Training on adoption issues for foster care clinicians</li> <li>• Support for an adoptive family support coalition</li> </ul>
Connecticut	<ul style="list-style-type: none"> <li>• Training on adoption related issues</li> <li>• Recruitment and TV/radio advertising</li> <li>• Adoption awareness event</li> <li>• Community meeting to share ideas about recruitment of minority families</li> </ul>
Delaware	<ul style="list-style-type: none"> <li>• Supervision of children in out-of-state placements</li> <li>• Marketing/recruitment for adoption of older children, African-American children, and sibling groups</li> </ul>
District of Columbia	<ul style="list-style-type: none"> <li>• Post adoption services</li> </ul>
Florida	<ul style="list-style-type: none"> <li>• Child specific recruitment efforts</li> <li>• Adoptive parent support groups and resource libraries</li> <li>• Training for staff and adoptive parents, including training on issues related to special needs children</li> <li>• Post adoption counseling</li> </ul>
Georgia	<ul style="list-style-type: none"> <li>• Distribution to counties to reinvest in the adoption system. Most of the focus of local agencies is on recruitment efforts.</li> </ul>
Hawaii	<ul style="list-style-type: none"> <li>• Subsidies to cover shortfall in foster board rates</li> </ul>

<sup>a</sup> As of February 27, 2001, Alaska is still awaiting legislative approval to accept the federal funds.

STATE	Reinvestment Activities
Idaho	<ul style="list-style-type: none"> <li>• Adoptive family recruitment</li> <li>• Adoption awareness activities, including enhancing “Wednesday’s Child”</li> </ul>
Illinois	<ul style="list-style-type: none"> <li>• Legal services</li> <li>• Post adoption counseling and support</li> <li>• Expansion of recruitment services</li> </ul>
Indiana	<ul style="list-style-type: none"> <li>• Post adoption services</li> </ul>
Iowa	<ul style="list-style-type: none"> <li>• Distribution to regions based on the number of adoptions completed. Local plans focused largely on support groups, newsletters, and targeted recruitment</li> </ul>
Kansas	<ul style="list-style-type: none"> <li>• Targeted child welfare services, including post adoption and family preservation services</li> </ul>
Kentucky	<ul style="list-style-type: none"> <li>• Distributed to regions, which receive a base amount, plus increased funds for the number of finalized adoptions. Regions using funding on adoption related issues, including recruitment and home studies</li> </ul>
Louisiana	<ul style="list-style-type: none"> <li>• Hiring a marketing consultant</li> <li>• Statewide recruitment initiatives</li> </ul>
Maine	<ul style="list-style-type: none"> <li>• Hiring eight additional adoption workers, which had been legislatively authorized, but never funded</li> </ul>
Maryland	<ul style="list-style-type: none"> <li>• Distribution to local counties according to the number of approved adoptive homes</li> <li>• Annual state-wide adoption celebration</li> <li>• Improvement of resource exchange</li> </ul>
Massachusetts	<ul style="list-style-type: none"> <li>• Expanded contract for specialized recruitment</li> <li>• State-wide adoption exchange</li> <li>• Supplies to support recruitment, such as digital cameras</li> <li>• Training on adoption for older children and those who are difficult to place</li> </ul>
Michigan	<ul style="list-style-type: none"> <li>• Post adoption services, including training, camperships, support groups, resource libraries, therapeutic support services, and legal support</li> </ul>
Minnesota	<ul style="list-style-type: none"> <li>• Distribution to counties based on increases in the number of adoptions. Counties will reinvest in adoption activities</li> </ul>
Mississippi	<ul style="list-style-type: none"> <li>• Training for staff</li> <li>• Post adoption services, including counseling prior to Termination of Parental Rights, in preparation for moving to adoptive homes and post finalization</li> <li>• Building a core of therapists qualified to deal with adoption issues</li> </ul>

STATE	Reinvestment Activities
Missouri	<ul style="list-style-type: none"> <li>• Hiring attorneys and contractors for termination hearings</li> </ul>
Montana	<ul style="list-style-type: none"> <li>• General child welfare services, including family-based services, family reunification, and adoption promotion</li> </ul>
Nebraska	<ul style="list-style-type: none"> <li>• Undecided at time of interview</li> </ul>
Nevada	<ul style="list-style-type: none"> <li>• Additional adoption subsidies to cover shortfall</li> </ul>
New Hampshire	<ul style="list-style-type: none"> <li>• Contract with a part time recruitment specialist</li> <li>• Consultant to do adoption searches</li> <li>• Brochure for adoption program</li> <li>• Two part time positions to recruit foster and adoptive homes and to enhance post adoption program</li> </ul>
New Jersey	<ul style="list-style-type: none"> <li>• Hiring law students to move termination petitions</li> <li>• Hiring staff from private adoption agencies to write case summaries</li> </ul>
New Mexico	<ul style="list-style-type: none"> <li>• Hiring contractors to do home studies and training</li> <li>• “Foster the Future” Campaign</li> <li>• Public relations materials, including development of website</li> </ul>
New York	<ul style="list-style-type: none"> <li>• Distribution to counties according to performance above the baseline number of adoptions. Counties will use for preventive and post adoption services</li> </ul>
North Carolina	<ul style="list-style-type: none"> <li>• Undecided at time of interview</li> </ul>
North Dakota	<ul style="list-style-type: none"> <li>• Hiring mid-level supervisors to oversee line staff and enhance post adoption services</li> </ul>
Ohio	<ul style="list-style-type: none"> <li>• Undecided at time of interview<sup>b</sup></li> </ul>
Oklahoma	<ul style="list-style-type: none"> <li>• General child welfare services, including residential treatment, family stabilization, and prevention of adoption dissolutions</li> </ul>
Oregon	<ul style="list-style-type: none"> <li>• Legal services for children who fall under ASFA guidelines</li> </ul>
Pennsylvania	<ul style="list-style-type: none"> <li>• Outreach campaign to recruit adoptive families</li> </ul>
Rhode Island	<ul style="list-style-type: none"> <li>• Undecided at time of interview<sup>c</sup></li> </ul>
South Carolina	<ul style="list-style-type: none"> <li>• Post adoption services</li> </ul>

<sup>b</sup> Ohio is looking at the following possibilities: creating adoption resource centers to provide intensive supportive services to adoptive families; targeted recruitment; increasing knowledge about adoption in the mental health community; and supporting respite networks. Final decisions about these options have not yet been made.

<sup>c</sup> Rhode Island is looking into investing in post adoption support and foster care retention, but final decisions were not yet available (3/2001).

STATE	Reinvestment Activities
South Dakota	<ul style="list-style-type: none"> <li>• Recruitment and retention of adoptive families</li> <li>• Family travel</li> <li>• Psychological evaluation of children</li> <li>• Information materials</li> </ul>
Tennessee	<ul style="list-style-type: none"> <li>• Adoption recruitment and support and other adoption assistance activities</li> </ul>
Texas	<ul style="list-style-type: none"> <li>• Increased contracted adoption service payments and enhanced work with private adoption agencies</li> <li>• Enhanced search process</li> </ul>
Utah	<ul style="list-style-type: none"> <li>• Support for private adoption agency to do case management for families adopting children</li> <li>• Post Adoption Summit</li> <li>• Website chat room for adoptive families</li> </ul>
Vermont	<ul style="list-style-type: none"> <li>• Subsidy increases</li> <li>• Post adoption services</li> <li>• Contract with private agency to finalize adoptions</li> </ul>
Virginia	<ul style="list-style-type: none"> <li>• Distribution to local departments of social services that increased the number of adoptions in 1999. Departments will reinvest in adoption services</li> </ul>
Washington	<ul style="list-style-type: none"> <li>• Distribution to regions to hire staff to focus on completing adoptions</li> </ul>
West Virginia	<ul style="list-style-type: none"> <li>• Salary increases for staff based on performance</li> </ul>
Wisconsin	<ul style="list-style-type: none"> <li>• Integrated into state's multimillion dollar initiative on adoption, including incentives for post adoption services and adoption contracts</li> </ul>
Wyoming	<ul style="list-style-type: none"> <li>• Distribution to district and field offices based on the number of adoptions in each district</li> </ul>

## **Appendix – The Welfare and Illegitimacy Bonuses**

The Adoption Incentive Bonus is one of three bonuses authorized during the Clinton Administration to reward states for achieving certain social policy goals. The Bonus to Reward Decrease in Illegitimacy is intended to address one of four goals of welfare reform: to reduce the incidence of out-of-wedlock pregnancies. Authorized through the Temporary Assistance to Needy Families legislation (TANF), the bonus program distributes \$100 million to the five states that achieve the greatest declines in out-of-wedlock births and reduce their abortion rate to below the 1995 level. States are not mandated to take any specific actions to receive this award. Rather, it is distributed based on data that the states routinely submit on births and abortions for all women, not just welfare recipients.

In September 1999, five states each received a \$20 million “illegitimacy bonus”: California, District of Columbia, Michigan, Alabama, and Massachusetts. The District of Columbia, Alabama and Michigan also received the bonus in 2000, as did Arizona and Illinois.

The TANF High Performance Bonus—intended to address the welfare reform goals of self-sufficiency and promoting marriage—distributes bonuses of up to \$200 million each year through 2003. Prior to 2002, the award was based solely upon work-related measures. Based upon a final rule issued by HHS in 2000, the awards for fiscal year 2002 and after will be based upon a more complex formula that includes four work measures, five measures that support work and self-sufficiency related to participation by low-income families in the Food Stamp, Medicaid, and State Children’s Health Insurance Programs, and child care, and one measure on family formation and stability. States have the option to compete on one or more of the measures. The amount awarded to each high-performing state may not exceed five percent of the state’s TANF block grant.

Like the Adoption Bonus, the “Illegitimacy Bonus” and the TANF High Performance Bonus have helped bring flexible resources into states that can demonstrate they have achieved certain social policy goals. Although there is no certainty in any of these states that these resources will be reinvested in the system, the bonuses do help bring attention to the major policy goals of the legislation they support.

The major criticism of all of these bonus programs, however, has been the difficulty of discerning what strategies led to the reduction (or increase) in the relevant measures. After the winners of round two of the Illegitimacy Bonus were announced, for instance, it was reported that “a DHHS spokesperson acknowledged that the bonus may be more a reflection of demographic changes than of program initiatives. A state’s illegitimacy ratio could very well change without any policy intervention.”

Nor is there any indication that the measures used to determine the bonuses (i.e., increases in adoptions, greater use of child care and food stamp benefits, and fewer abortions) actually led to better results for children or families. Funding for research and evaluation of all of these efforts is small compared to the overall amount of public resources going into the programs, and to date evaluation has not conclusively



identified the programs that are effectively reducing non-marital births, increasing marriage, or leading to permanent and stable homes for adoptive children.

Finally, in the case of each bonus, there have been complex data issues related to how to accurately measure state performance. First, it is often difficult to get consistent data across state agencies. Second, in the early years of the bonus programs, the data were reported for years that predated the legislative initiatives and thus did not reflect changes the states put into place to respond to the new legislation. The first illegitimacy awards, for instance, were based on data from 1994 to 1997, which did not necessarily reflect the efforts states made to implement TANF legislation or any programs developed specifically to reduce out-of-wedlock births. As we saw with the adoption bonus, it has also been difficult to get workers, the courts, and private providers to record and submit data accurately and in a timely manner.

Based upon our review of all three bonus programs, we conclude that, in the future, these incentives might be more powerful if combined with the following:

- Resources for research and evaluation to demonstrate which strategies lead to better performance,
- Incentives to demonstrate that the strategies employed lead to better short and long term outcomes for children and families,
- Assurance that the data being measured are consistent across states and reflect the timeframe in which new strategies and programs were developed, and
- Methods to ensure that states reinvest incentive dollars in the system to make further progress toward achieving social policy goals.