

<h1>ACF</h1> Administration for Children and Families	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Administration for Children, Youth and Families	
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PROGRAM INSTRUCTION

TO: State Agencies Administering Title IV-E of the Social Security Act

SUBJECT: Procedures for Adoption Incentive Payments

LEGAL AND RELATED REFERENCES: The Adoption and Safe Families Act of 1997 ([Public Law 105-89](#)) and [ACYF-CB-IM-97-05](#)

PURPOSE: The purpose of this Program Instruction is to inform States of the procedures to be utilized in determining the Adoption Incentive grant amounts and the schedule of payments to be used by ACF in awarding the Adoption Incentive funds to States.

BACKGROUND: Section 473A of the Social Security Act (the Act) authorizes the payment of adoption incentive funds to States that increase the number of special needs children and children adopted from the foster care system each year over established baselines. (As prescribed by the statute, the Children’s Bureau established the baseline data based on the average of States’ reported foster care adoptions for fiscal years 1995, 1996 and 1997.) Section 473A(h) of the Act authorizes an appropriation of \$20 million for each of five years (FY 1999 - FY 2003) for these incentive payments.

States will be eligible to receive adoption incentive payments if they meet the requirements of an "incentive-eligible state" as defined in section 473A(b) of the Act. A State is an incentive-eligible State for a fiscal year if:

- the State has a plan approved under title IV-E for the fiscal year;
- the number of foster child adoptions in the State during the fiscal year exceeds the established base number of foster child adoptions for the State for the fiscal year;
- the State is in compliance with subsection (c) of section 473A of the Act for the fiscal year; and

- in the case of fiscal years 2001 and 2002, the State provides health insurance coverage to any child with special needs (as determined under section 473(c)) for whom there is in effect an adoption assistance agreement between a State and an adoptive parent or parents.

The amount of incentive payments to States will be determined by the amount of funds appropriated annually by the Congress. Payments will be made in accordance with the following:

- A. \$4,000 to be awarded for every child adopted over the established baseline; and
- B. \$2,000 to be awarded for every special needs child adopted over the established title IV-E baseline.

In the event that the total amount of incentive payments earned by States exceeds the amount of funds appropriated for this purpose, payments to States will be prorated accordingly. For purposes of determining adoption incentive payments, the Children's Bureau will utilize adoption data transmitted semi-annually to ACF through the Adoption and Foster Care Analysis and Reporting System (AFCARS).

INFORMATION: Incentive funds earned by States within a fiscal year (the earning year) will be awarded in two payments to States the subsequent fiscal year. Two payments will provide States with more time to expend funds than the one payment in the fourth quarter of the fiscal year as originally contemplated in ACYF-CB-IM-97-05. The first payment of incentive funds will be calculated using the AFCARS data submitted by November 14 (including corrective action submissions and improved quality data submissions). The second and final payment for the fiscal year will be made on the basis of the AFCARS data submitted no later than May 15 of the year following the earning year. The second payment will reflect adjustments made by the State in the reported number of adoptions as well as any required adjustments resulting from the appropriation amount available for incentive payments.

Should sufficient funds not be available to make full awards, funds will be prorated. Each State will receive a cumulative payment amount arrived at when the total funds appropriated are divided by the total amount of funds earned by all incentive eligible States during the fiscal year and the resulting percentage is applied to the State's earned amount.

In order to ensure that funds distributed to States will not be subject to recovery at a later date:

- The maximum amount of funds awarded to States collectively in the first incentive payment will be limited to 50 percent of funds appropriated for that fiscal year (\$20 million dollars is authorized for each of fiscal years 1999-2003).
- Each State also will be limited in its first incentive payment to 50 percent of the amount it is eligible to receive on the basis of cumulative AFCARS data submitted by November 14 following the earning year.

The following data elements in the adoption file are required for the determination of incentive payments:

- 01 State
- 02 Report period end date
- 03 Record Number
- 21 Date adoption legalized
- 34 Child was placed by
- 37 Is the child receiving title IV-E Adoption Assistance? (Required for calculation of \$2,000 special needs adoption payment.)

AFCARS data need not be penalty free for a State to qualify for incentive payments. The Children's Bureau will include AFCARS Adoption files that have been submitted as corrective action for a noncompliant report period and AFCARS adoption files that have been resubmitted with quality improved data for a reporting period. All adoption data for an earning year must be received no later than May 15 of the subsequent fiscal year. Adoption data not received by this date will not be used to calculate adoption incentive payments.

The following provisions will apply to States:

- AFCARS finalized adoption numbers will be subject to ACF reconciliation and verification.
- Funds awarded as adoption incentive payments may only be expended by a State for allowable costs under part B (including post-adoption services) and part E of title IV of the Act. Incentive funds expended by a State will not be considered as State or local funds for the purpose of Federal Financial Participation.
- Incentive payments to a State in a fiscal year will remain available for use by a State through the end of the succeeding fiscal year. For example, funds awarded in fiscal year 1999 must be expended by September 30, 2000.
- If AFCARS finalized adoption data submitted by a State to ACF is determined to be in error, ACF will recover funds paid to a State as adoption incentive payments.

ACF reserves the right to adjust awards to States, as it deems necessary, based on AFCARS data reconciliation, the fiscal year appropriation and in accordance with the statutory formula.

INSTRUCTION: States must identify in the Annual Progress and Services Report (APSR) or the Child & Family Services Plan (CFSP), as applicable, due June 30 of each year the services they have provided to children and families as a result of the expenditure of their adoption incentive payments. In the event that funds were expended from more than one year's incentive award within a fiscal year, the APSR or CFSP should specify the services provided with each year's funds.

Actual expenditures of title IV-E funds received by States as adoption incentive payments must be reported on Form SF-269, Financial Status Report, and submitted to:

Division of Formula, Entitlement and Block Grants
Administration for Children and Families
370 L'Enfant Promenade S.W., 6th Floor
Washington, DC 20447

A copy of Form 269 also should be sent to the appropriate ACF Regional Office. The first report is due 30 days after the end of the twelve-month budget period. The final report is due 90 days after the end of the fiscal year succeeding the fiscal year of the grant award (December 31).

INQUIRIES TO: ACF Regional Administrators

/s/

Patricia Montoya

Commissioner

Administration on Children, Youth and Families