Examples of Adoption and Legal Guardianship Incentive Payment Calculations

The Adoption and Legal Guardianship Incentive Payments Program, as amended by P.L. 113-183, recognizes improved performance in helping children and youth in foster care obtain permanency through both adoption and legal guardianship. The program provides incentive payments in four categories: foster child adoptions; foster child legal guardianships; pre-adolescent foster child adoptions and legal guardianships (ages 9-13); and older child adoption and legal guardianships (age 14 and older).

To determine award amounts, five years of AFCARS data are needed. The five years are composed of the most recent completed fiscal year (the earning year) and the four previous fiscal years. In determining an agency's award, it is first necessary to determine the applicable "base rate" for that incentive category (e.g., foster child adoptions). The base rate is the lesser of the rate in the immediately preceding one year or the average rate for the three preceding fiscal years. The base rate (i.e., the lesser of the two rates) is multiplied by the applicable number children in foster care as of September 30 of the FY immediately preceding the earning year. The resultant baseline number is compared to the number of finalized adoptions and/or guardianships in the particular category (e.g., foster child adoptions) completed during the earning year. The baseline number is subtracted from the number of earning year adoptions and/or guardianships and any difference exceeding zero is multiplied by the award amount per adoption and/or guardianship for that category, the product of which is the total award amount for that category.

The following hypothetical examples for States A, B and C provide illustrations of how incentives are calculated.

Example #1: Calculating Foster Child Adoption Incentive Payments for State A

The chart below shows data for "State A" needed to calculate incentive payments for foster care adoptions. In this example, the number of adoptions finalized in the earning year was the same as the number in the previous year. However, because of changes in the number of children in foster care, State A is eligible for an incentive payment.

State A

	"In Care" only Year 0	Year 1	Year 2	Year 3		"Earning Year" Year 4					
Current Adoptions		200	250	300		300					
Prior Yr In Care	1,000	1,100	1,100	1,075	-	**247**	Adoption Baseline				
Adoption Rate		0.2	0.23	0.27		53	Number of Adoptions Exceeding Baseline				
Average rate of						**0.23**					
the 3 years prior to				0.23		Lesser of two rates					
earning year						multiplied by Year 3					
						"In Care"					
						Adoption Incentive Award		**53**	**X**	**$5,000**	**= $265,000**

As displayed in the chart, State A finalized 300 foster care adoptions in the earning year (labeled "Year 4"). To determine the number of adoptions qualifying for incentive payments, it is necessary to calculate the base rate of foster child adoptions –the lesser of the foster child adoption rate for the previous fiscal year (Year 3) or the average rate for the previous three fiscal year (Years 1, 2 and 3).   In this example, the rate for the immediately preceding FY is determined by dividing the number of adoptions in Year 3 (300 adoptions) by the number of children in foster care on September 30 in the year before that, i.e.,Year 2 (1,110 children in care).   Using these numbers, the rate is calculated as follows: 300 ÷ 1110 = (0.27). Following the same approach for each of three previous years, we see that in Year 2 the rate was (0.23) and in Year 1 the rate was (0.20). The average of these three rates is (0.23).

The applicable base rate for determining the foster child adoption incentive is the three-year average (0.23) since it is less than the rate of (0.27) in the year immediately preceding the earning year. This base rate is multiplied by the number of children in foster care on September 30 of the year prior to the earning year (1,075) which yields a baseline foster child adoption number of 247. Subtracting 247 from the number of adoptions in the earning year results in 53 adoptions (300 – 247 = 53) in excess of the baseline number.

To determine the award, we would multiply that number (53) by the dollar amount specified for the foster child adoption category to calculate the overall award for that category.   So, since the incentive payment per foster child adoption is $5,000, the total award for the category of foster child adoptions would be $265,000 (53 x $5,000 = $265,000).

Example #2: Calculating Foster Child Adoption Incentive Payments for State B

This example presents a scenario for "State B" in which the number of children being adopted is growing, but the number of children in foster care is increasing faster than the number of adoptions. As illustrated in this example, this pattern can result in a state not receiving an incentive payment.

State B

	"In Care" only Year 0	Year 1	Year 2	Year 3		"Earning Year" Year 4						
Current Adoptions		200	250	300		310						
Prior Yr In Care	1,000	1,100	1,200	1,350	-	**311**	Adoption Baseline					
Adoption Rate		0.2	0.23	0.25		0	Number of Adoptions Exceeding Baseline					
Average rate of the 3 years prior to earning year				0.23		**0.23**						
						Lesser of two rates multiplied by Year 3 "In Care"						
						Adoption Incentive Award		0	X	$5,000	=	$0

In the example, State B finalized 310 foster child adoptions during the earning year, a number that is higher than the number of adoptions finalized in the preceding years. However, to determine whether the state will earn incentives for foster child adoptions, it is necessary first to determine the foster child adoption base rate by examining the rate in the immediately preceding year and the average rate for the previous three years. As in Example #1, the lower of the two rates, is the three-year average (0.23). This rate is then multiplied by the number of children in foster care on September 30 of the year prior to the earning year (1,350), yielding a baseline adoption number of 311. The number of earning year adoptions (310) does not exceed the baseline, therefore State B will not earn an incentive payment for foster child adoptions this year.

Example #3: Calculating Pre-Adolescent Foster Child Adoptions and Legal Guardianship Incentive Payments for State C

Some of the incentive categories in the new Adoption and Legal Guardianship Incentive Payment Program use data on both adoptions and guardianships and focus on a specific age group when in determining whether a state will earn an incentive payment.   In this example, we see data for "State C" that will be used to determine whether the state has earned an incentive payment in the category of pre-adolescent (age 9 – 13) adoptions and guardianships.

State C

		"In Care" Only					
Pre-Adolescent Adoptions and Guardianships		Year 0	Year 1	Year 2	Year 3	"**Earning Year**" Year 4	
Ages 9 thru 13 Current Adoptions+*Guardianships*			275 + *60* = 335	288 + *49* = 337	275 + *55* = 330	302 + *51* = 353	
Prior Yr In Care (Ages 9 thru 13)	1,450		1,400	1,545	1,375	**289** Adoption\Guardianship Baseline	
Adoption\Guardianship Rate			0.23	0.24	0.21	64 Number of Adoptions\Guardianships Exceeding Baseline	
Average Rate						**0.21**	
Of The 3 Years					0.23	Lesser of two rates	
Prior To The						multiplied by Year 3	
Earning Year						"In Care"	
						Adoption Incentive Award 64 X $7,500 = $480,000	

The overall approach to calculating the incentive payment for this category is the same as in the previous examples, except that the analysis is limited to children ages 9 – 13 only and the numbers of adoptions and guardianships finalized in each year are summed to determine the applicable counts and rates. In this example, State C finalized 302 pre-adolescent adoptions + 51 pre-adolescent guardianships for a combined total of 353 in the earning year.

Unlike in the previous two examples, the base rate for pre-adolescent adoptions and guardianship in this example is the rate calculated for the year immediately preceding the earning year (0.21), rather than the three-year average (0.23). To determine the incentive payments,

the base rate (0.21) is multiplied by the number of pre-adolescent children in foster care on September 30 of the year prior to the earning year (1,350), yielding a baseline of figure of 289 pre-adolescent adoptions and guardianship. Subtracting the 289 from the 353 combined number of adoptions and guardianships completed during the earning year results in a count of 64 adoptions and guardianships in excess of the baseline. The number 64 is multiplied by this category's per child award amount of $7,500, resulting in an incentive payment of $480,000 (64 x $7,500 = $480,000) for State C in the category of pre-adolescent foster child adoptions and legal guardianships.