ASPE OFFICE OF HUMAN SERVICES POLICY

BRIEF

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Frozen at $2,000 Since 1986: The Coverage of Non-Recurring Adoption Expenses Has Lost Two-Thirds of Its Purchasing Power Over 40 Years

Administration for children and Families: Alex J. Adams and Cody Inman
Office of the Assistant Secretary for Planning and Evaluation: Kaitlyn Jones

KEY POINTS

- Coverage of non-recurring adoption expenses can help reduce upfront adoption costs for families – covering expenses like legal fees, court costs, home studies, and necessary transportation, food, and lodging – supporting permanency for children with special needs.
- A family receiving $2,000 in 1986 had almost three times the buying power of a family receiving the same amount in Fiscal Year 2025 (FY25) – yet the maximum amount for non-recurring adoption expenses has remained fixed at $2,000 per child (with up to $1,000 being reimbursed by the federal government) for nearly 40 years, since 1986.
- From FY19 to FY25, the percentage of children exiting foster care to adoption remained fairly consistent, between 25 and 27 percent. During this time there was also a 33 percent decline in the total number of adoptions, which is reflective of an overall drop in the number of children entering foster care – meaning there are fewer children in the system overall, and therefore fewer children exiting foster care through any pathway, including adoption.
- In FY24, 47,335 children exited foster care to adoption. An estimated 90 percent of those children would qualify as "special needs," yet many of these families did not access the non-recurring adoption expenses benefit.
- An exploratory analysis suggests that raising the cap from $2,000 to $2,500 might have increased the ceiling for FY24 federal reimbursement costs by about three percent, and raising it to $3,000 might have increased costs by about six percent; both estimates are lower than what the federal government actually reimbursed in several recent fiscal years.

BACKGROUND

The actual cost of adopting a child from foster care is difficult to estimate precisely – while some estimates range from roughly $2,500 up to $10,000 depending on individual circumstances, most sources indicate that adoption from foster care is often free or low-cost for families, since the majority of associated expenses are covered through a combination of state and federal programs.[1,2,3,4]

The Children's Bureau (CB) at the U.S. Department of Health and Human Services (HHS), Administration for Children and Families (ACF) is responsible for the Title IV-E Adoption Assistance Program. The Adoption Assistance Program provides funds to states and participating territories and tribes to facilitate the timely placement of children whose special needs or circumstances would otherwise make them difficult to place with adoptive families.[5] Through the Title IV-E Adoption Assistance Program, families can receive monthly subsidies and can work with their Title IV-E agency or another public or licensed nonprofit private agency to cover costs for non-recurring adoption expenses, to assist with the costs of a child's adoption. Monthly subsidies are designed to support the ongoing everyday costs of adopting a child, such as food, clothing, and housing. Monthly adoption assistance payments are matched at the Federal Medical Assistance Percentage (FMAP) rate, which depends on the per capita income of the state or Tribe and ranges from 50 to 83 percent.

Non-recurring adoption expenses are defined as the reasonable and necessary adoption fees, court costs, attorney fees and other expenses which are directly related to the legal adoption of a child with special needs,[i] are not incurred in violation of state/tribal or federal law, and have not been reimbursed from other sources or funds.[6] They are designed to reduce the upfront costs for adoptive families and can include (but are not limited to) legal fees, court costs, and home studies, as well as transportation, food, and lodging for the child and/or the adoptive parents when necessary to complete the adoption process. For non-recurring adoption expenses, federal financial participation (FFP) is available at the matching rate of 50 percent of the agency's amount, up to $2,000 per adoptive placement – meaning the federal government's maximum reimbursement to states is $1,000 per placement. States may set either a lower or higher maximum and are thus not precluded from spending more or less than the $2,000.[2] There are also additional costs associated with the program such as administration and training costs. Administrative costs such as case management, placement, recruitment, and eligibility determinations are matched at 50 percent, with allowable training costs for child welfare staff and current and prospective adoptive parents matched at 75 percent.[1]

There are additional programs available that work alongside the Title IV-E Adoption Assistance Program and supplement federal support for other costs of adopting a child – such as the Federal Adoption Tax Credit. The Federal Adoption Tax Credit allows families to claim up to $17,280 (for 2025) of qualified adoption related expenses on their federal income tax return.[7] Eligible expenses are similar to what is covered by the non-recurring adoption expense assistance program, but do not include any expense reimbursed by or otherwise paid for by a federal, state, or local program. While this is a useful tool to help families offset costs that exceed amounts allowed by other federal programs, this brief focuses specifically on the Title IV-E Adoption Assistance program's non-recurring adoption expenses.

For families to be able to access coverage of non-recurring adoption expenses and for Title IV-E agencies to be able to request reimbursement from the federal government, Title IV-E agencies and the adopting parent(s) must enter into an adoption agreement prior to finalization of the adoption and it must clearly state the nature and the amount of the payment to be made for non-recurring expenses. Additionally, the child needs to meet the federal definition of special needs; the child does not need to be (or have been) eligible for Aid to Families with Dependent Children (AFDC), Title IV-E foster care, Supplemental Security Income (SSI), or be in the Title IV-E agency's placement responsibility.[2] ACF has released guidance on the Adoption Assistance Program, with specific information about non-recurring expenses. This information can be found in [The Child Welfare Policy Manual](), [Title 45 of the Code of Federal Regulations,]() as well as a specific section taken from the manual on non-recurring expenses on [ACF's website]() and relevant guidance documents.[8,9]

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[i] To determine if a child meets the criteria for "special needs" the state or Title IV-E agency must determine one or more of the following conditions: a) the child cannot return home, b) possess a specific factor or condition [such as age, behavioral health disorders, medical disability, or a member of a sibling group] hindering placement without assistance, and c) has faced reasonable yet unsuccessful placement efforts without providing adoption assistance without success. For more information on the definition of "special needs" see, https://www.childwelfare.gov/resources/adoption-and-guardianship-assistance-washington-dc/.

The 2022 U.S. Adoption Attitudes Survey found that adults considering adoption identify a range of perceived obstacles to moving forward with adoption, including the public perception that the cost of adoption is increasingly expensive for all types of adoption.[10] Additionally, a survey looking at barriers to finalizing adoptions for prospective adoptive parents found that cost emerged as the most widely cited barrier, with 97 percent of respondents identifying it as an obstacle and 48 percent characterizing it as an "extreme barrier."[11] In questions specifically targeted at those who attempted to adopt from foster care, respondents identified out-of-pocket expenses (e.g. tuberculosis tests, home inspections, fire inspections, fingerprinting, etc.) as minimal/minor barriers, whereas the costs of adapting a home for placement (e.g. adding bedrooms, windows, fencing, etc.) were viewed as a slightly more burdensome minor/moderate barrier. In the same survey, adoption professionals also identified financial circumstances as one of the top reasons prospective adoptive parents did not complete the adoption process.

This brief examines the federal cap on non-recurring adoption expenses, which has remained at the same amount since 1986, to understand the real value of it today, along with an analysis of what an update to the cap could mean for adoptive families and federal expenditures. Methods for this brief are discussed in Appendix 2.

POLICY HISTORY OF NON-RECURRING ADOPTION EXPENSES

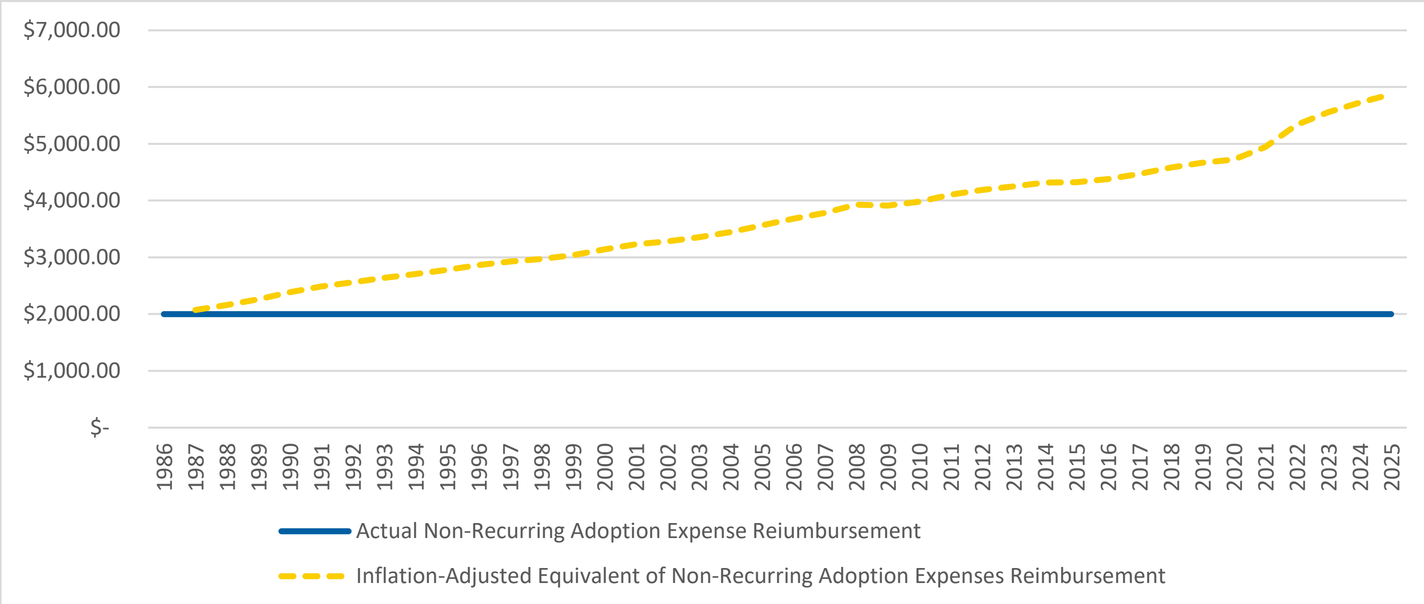
The Title IV-E Adoption Assistance Program was created in 1980 by the Adoption Assistance and Child Welfare Act. In 1986, the Tax Reform Act repealed the itemized deduction of $1,500 for expenses associated with adoption of a child with special needs and expanded federal financial participation in adoption assistance to include payments made by states for non-recurring adoption expenses incurred by families adopting eligible children with special needs. Under this authority, the federal government reimburses states at a 50 percent federal matching rate, up to $2,000 in eligible expenses per adoption, for a maximum federal share of $1,000.[12] In 1988, the changes were implemented. For more information on the policy history of adoption expenses see Appendix 1.

THE $2,000 COVERAGE OF NON-RECURRING ADOPTION EXPENSES HAS LOST NEARLY TWO-THIRDS OF ITS VALUE SINCE 1986

The value of the dollar changes over time due to inflation, and a fixed dollar amount of $2,000 set decades ago can lose much of its practical value if never adjusted to keep pace. Figure 1 displays this – the solid blue line shows the actual $2,000 amount currently available to families for non-recurring adoption expenses, while the dashed yellow line shows what the cap would have needed to be to keep pace with inflation. The widening gap between the two lines reflects the cumulative purchasing power the benefit has lost by remaining fixed since it was set.

The dashed yellow line rises steadily from the late 1980s through 2025, illustrating that it takes far more than $2,000 today to purchase what $2,000 bought in 1986. In fact, by 2025, the inflation-adjusted value approaches $5,900, nearly three times the 1986 cap value. Put simply, a family receiving $2,000 in 1986 had almost three times the buying power of a family receiving the same amount in 2025 – meaning the $2,000 today buys roughly a third of what it used to. Thus, the current $2,000 cap may be insufficient relative to current adoption expenses.

Figure 1. $2,000 in 1986 Would Need to be Around $5,900 in 2025 to Match the Same Purchasing Power

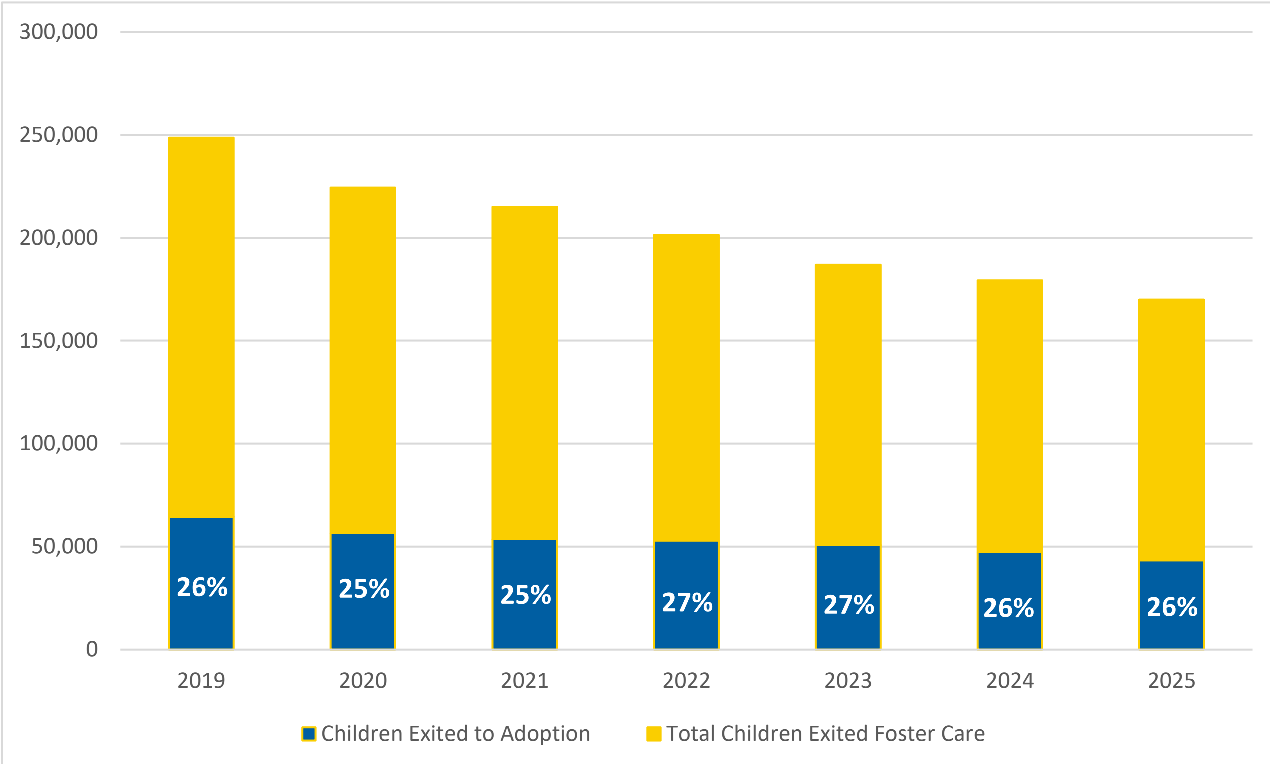


THE PERCENTAGE OF CHILDREN WHO EXIT FOSTER CARE TO ADOPTION HAS REMAINED CONSISTENT WHILE OVERALL NUMBERS HAVE DECLINED SINCE 2019

There are many permanency options available to children exiting foster care, one of which is adoption, which accounts for about one in four exits from foster care. Figure 2 displays the percent of children exiting foster care into adoption in relation to total children exiting foster care.

From 2019 to 2025, the *percentage* of children exiting foster care to adoption remained consistent, between 25 and 27 percent (see Figure 2). However, there was a decline in overall foster care caseloads and entries into foster care, and therefore, a decline in the total *number* of children exiting foster care into adoption. In 2019, approximately 64,415 children exited foster care into adoption, compared to 43,380 children in 2025. That is about a 33 percent decline in adoptions, which occurred within a broader context of system-wide decreases, including fewer children entering, being served in, and exiting foster care in general. Taken together, this information suggests consistent permanency performance for adoption amid a declining caseload. Despite declining caseload sizes, permanency timelines have not diminished in recent years for all exits from foster care, including adoption. This shows that Title IV-E agencies face many challenges, of which caseloads may be only one component.

Figure 2. Overall Adoptions Have Decreased, but the Share of Children Adopted Has Remained Fairly Stable Since 2019



INCREASING THE CAP, WHICH IS ONLY A SMALL PORTION OF THE OVERALL TITLE IV-E BUDGET, AND REDUCING BARRIERS COULD HELP TO IMPROVE PERMANENCY OUTCOMES

Non-recurring adoption expenses are just a small part of a larger Title IV-E financing system, and a relatively small number of children are eligible for them in any given year since it is a one-time benefit to help with the transition from foster care to adoption. In FY24, non-recurring adoption federal reimbursements accounted for just 0.57 percent of the total Title IV-E Adoption Assistance federal program costs. Despite representing a small share of Title IV-E spending, non-recurring adoption expenses can be a valuable resource for adoptive families navigating the upfront costs of adoption.

In FY24, 47,335 children exited foster care to adoption.[13] An estimated 90 percent of those children would qualify as "special needs,"[14,15] yet according to internal ACF analysis, many of these families did not access the non-recurring adoption expenses benefit. Program regulations can add barriers for families to access coverage for non-recurring adoption expenses and make it difficult for Title IV-E agencies to claim federal reimbursement for associated costs. For example, program regulations state that Title IV-E agencies and the adopting parent(s) must enter into an adoption agreement prior to finalization of the adoption and the nature and the amount of the payment made for non-recurring expenses is determined through that agreement.[16] Because the agreement must be negotiated and finalized before the adoption is legally complete, families may lock in terms before a child's full needs are known, face pressure to accept agency-offered terms without full information on what is available, and/or experience inconsistent access depending on local agency practice – thus creating barriers to a benefit intended to support all eligible families. Another potential barrier to families receiving the full benefit is that states have the option to set a maximum cap on non-recurring adoption expenses below $2,000.[17] As a result, coverage of non-recurring adoption expenses by Title IV-E agencies may vary by state. Taken together, these barriers may help explain why overall uptake of the benefit remains low.

Coverage of non-recurring adoption expenses may offer key opportunities to support permanency. For example, for those that do receive coverage of non-recurring adoption expenses, it may help remove some of the financial roadblocks associated with adoption and thus preserve household resources, making it easier for the family to provide for the day-to-day care of the child. Additionally, the coverage of non-recurring adoption expenses can help encourage the adoption of children with special needs by offsetting initial legal and health assessment costs.

ALTHOUGH AVAILABLE DATA PRECLUDES A PRECISE ESTIMATE, AN INCREASE IN THE CAP TO $3,000 IN FY24 WOULD LIKELY HAVE RESULTED IN ***LESS*** IN FEDERAL EXPENDITURES THAN THE ACTUAL NON-RECURRING REIMBURSEMENTS CLAIMED IN FY19 AND FY20

Increasing the full expense cap on non-recurring adoption expenses by $500 (to $2,500) or $1,000 (to $3,000) could offer more support to families who need it, without a significant increase to the federal budget due to the benefit being capped and only applying to a relatively small population.

Reliably estimating the precise amount that caps of $2,500 or $3,000 would cost the federal government is difficult. According to the Children's Bureau, many states have shared that non-recurring adoption expenditures are not necessarily incurred as one-time expenses, but rather they may accrue over multiple months or quarters. Therefore, the same child may appear in the reported caseload in multiple quarters, making it extremely difficult to calculate an accurate, unduplicated annual cost per child from the current publicly available data.

To provide a rough sense of the potential federal cost, we conducted an exploratory analysis drawing on claims data, caseload data, and in some instances, even supplemented by AFCARS caseload data – to curate a file consisting of the best data currently available for this purpose. The following estimates should be interpreted as directional and exploratory rather than exact estimates due to the data quality limitations mentioned above. Additionally, the estimates might represent an over-estimation since not every adoption might claim the maximum non-recurring adoption expenses. Conversely, however, this estimate does not account for the potential of an *increased* caseload, if submitting claims for the increased cap is more appealing either for families or for Title IV-E agencies.

In FY24, raising the cap from $2,000 to $2,500 (a $250 increase in the federal share per child) would have added an estimated $660,000 in federal reimbursement costs — about a three percent increase. Raising the cap to $3,000 (a $500 increase in the federal share per child) would have added an estimated $1,320,000 — about a six percent increase. The projection for what total estimated costs would have been in FY24 under a hypothetical $2,500 cap is less than the *actual non-recurring FFP claimed* in FY19, FY20, FY22, and FY23, and the projected total expenses in FY24 under a hypothetical $3,000 cap are also less than FY19 and FY20 actual non-recurring adoption costs.

It is important to emphasize that these hypotheticals are just estimates. For more information on estimation, please see Appendix 2 (Methods). Although we cannot accurately predict the amount the federal government would incur by increasing the cap given the limitations discussed above, the exploratory analysis shows that a modest increase in the cap would likely not increase the budget drastically.

Several factors may contribute to the estimated impacts being modest. These potentially include that the federal share is capped and matched, the reimbursement is only available to a specific population, and many families do not hit the current cap since reimbursement is only available for eligible expenses (in FY24 only six out of 53 states and territories reached the $1,000 federal reimbursement cap per child). It also has not been adjusted upward to grow with inflation, so the "true cost" of the current cap has already shrunk dramatically in real terms. Furthermore, if the number of children entering foster care continues to decrease over time, the number of children eligible for adoption from foster care may also decrease, which could decrease state claiming and potentially further offset budgetary concerns associated with increasing the cap. Children adopted from foster care no longer incur foster care maintenance payments, which may also result in savings across the child welfare system as adoption assistance has a lower estimated monthly cost per child than foster homes.[18]

CONCLUSION

Since 1986, the federal cap for non-recurring adoption expenses has remained fixed at $2,000 per child, with the federal government reimbursing 50 percent of costs — up to a maximum of $1,000 per child in federal reimbursement. Over the past four decades, however, the real value of that cap has diminished significantly: had it been adjusted for inflation each year, it would have equated to roughly $5,900 in FY25. In practical terms, a family receiving the full $2,000 in 1986 had about three times the buying power of a family receiving that same amount today. Raising the cap would likely have only modest federal budget implications but could help restore some of the purchasing power lost since 1986 and strengthen support for adoptive families by reducing the upfront financial barriers that can stand in the way of permanency.

ENDNOTES

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APPENDIX 1. POLICY HISTORY OF NON-RECURRING ADOPTION EXPENSES

1980

Adoption Assistance and Child Welfare Act

Amended the Title IV-E of the Social Security Act to establish a new Federal Adoption Assistance Program that provided authority for federal matching of state payments for adoption assistance for children with special needs [those that are Aid to Families with Dependent Children (AFDC)-eligible, AFDC-Foster Care eligible, and Supplemental Security Income- eligible]. States determined the level of monthly adoption assistance subsidy support and were reimbursed at the same rate as Medicaid expenses.[17]

1986

Tax Reform Act

Repealed Section 222 of the Internal Revenue Code which permitted an itemized deduction of $1,500 for expenses associated with adoption of a child with special needs.

Congress amended Title IV-E of the Social Security Act, to expand FFP in adoption assistance to include payments made by states for non-recurring adoption expenses incurred by families adopting eligible children with special needs (not just those who are title IV-E eligible and receiving adoption assistance payments). The statue provides a 50 percent federal matching rate to states for these reimbursements (up to a matched maximum of $2,000).[17]

1988

Final Rule Implementation

Implemented changes made in the Adoption Assistance Program under Title IV-E of the Social Security Act by the Tax Reform Act of 1986 (Pub. L. 99-514) by establishing the regulatory framework to reimburse for non-recurring adoption expenses of parents who adopt children with special needs. Federal financial participation (FFP) was officially made available at the matching rate of 50 percent for state expenditures up to $2,000 for each adoptive placement.[17]

1997

Adoption and Safe Families Act

Was passed to promote the adoption of children in foster care and amend Title IV-E of the Social Security Act. Allowed states to earn bonus payments for increasing the number of adoptions from foster, increased funding available for post-adoption services, and added a new discretionary grants program for programs that support adoption related goals.

2008

Fostering Connections to Success and Increasing Adoptions Act

Amended Title IV-E of the Social Security Act to establish eligibility for receiving adoption assistance payments no longer determined based on the income requirements of the 1996 AFDC income eligibility standard.

APPENDIX 2. METHODS

This analysis draws on two publicly available data sources: Title IV-E Claims and Caseload Data for FY19-FY24, and ACF's AFCARS Report and Dashboard data for FY19-FY25. As with any analysis of this kind, findings are only as reliable as the underlying data, and both sources carry known limitations. Claims and caseload data and AFCARS data are collected for different purposes and do not always align, and AFCARS data collection methods have changed over time – both factors that can produce discrepancies between the two sources. Data of this kind undergo periodic quality reviews and may be revised in the future.

Figure 1 shows the $2,000 non-recurring adoption expense cap adjusted for inflation from 1986 to the present. Inflation-adjusted values were calculated using annual CPI (Consumer Price Index) values, applying the formula: value in year X = value in 1986 × (CPI in year X / CPI in 1986). This produces the equivalent purchasing power of the original $2,000 cap in each subsequent year.

Figure 2 estimates the number of children exiting foster care to adoption each year. This was calculated using AFCARS data from FY19–FY25 by comparing the total number of children exiting foster care against the number of children whose exit reason was recorded as adoption.

For the **cap increase cost estimates**, we relied on an analysis conducted by the Children's Bureau using non-recurring administrative cost and caseload data from the Claims and Caseload spreadsheets, supplemented by AFCARS data. Because some states report caseloads as quarterly rather than monthly averages, adjustments were made to correct for this reporting inconsistency and produce a more accurate estimate of the average cost per child by state. States were then evaluated to determine whether their average cost per child reached or exceeded the current $1,000 federal reimbursement threshold (50 percent of the $2,000 cap). Only states meeting or exceeding this threshold were included in the cost impact calculation for a proposed cap increase, since children in states below the current threshold are not fully utilizing the existing reimbursement amount and would therefore be unaffected by a higher cap. For states at or above the threshold, we calculated the additional cost that would result from raising the cap in order to produce an estimated total fiscal impact of the proposed increase.

Two specific issues affect this analysis and warrant caution in interpreting the results. First, as mentioned previously, reported caseloads do not appear to be fully accurate, and the Children's Bureau is currently investigating the discrepancy. The claims data reports an average monthly caseload of adoptions for which an administrative cost was claimed; in FY24, that average was 6,099 adoptions per month, which annualizes to around 73,000 adoptions. Furthermore, the same child may appear in the reported caseload in multiple quarters, making it extremely difficult to calculate an accurate, unduplicated annual cost per child from the current publicly available data. By comparison, AFCARS reports around 48,000 total adoptions in FY24 — and not all of those would have been eligible for administrative cost claims or non-recurring adoption expenses in the first place. This gap suggests the claims-based caseload figure is substantially overstated.

Second, the methodology used to estimate the fiscal impact of raising the cap has a number of notable limitations, including the use of estimated caseloads; potential overstatement of the fiscal impact since not every adoption results in a claim for non-recurring expenses; some states impose lower caps for non-recurring adoption expenses than the federal maximum; and the estimates do not account for the possibility that a higher cap could increase overall caseloads, if a more generous amount makes claiming more appealing to families or to Title IV-E agencies.

Given these data limitations, the cost estimates in this brief should be interpreted as illustrative rather than precise, and are intended to convey a general order of magnitude rather than an exact fiscal projection.

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of the Assistant Secretary for Planning and Evaluation

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Washington, D.C. 20201

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