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STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY
DEPARTMENT OF SOCIAL SERVICES
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ARNOLD SCHWARZENEGGER
GOVERNOR

December 23, 2010

Mr. Joseph J. Bock
Acting Associate Commissioner
Children's Bureau
Administration for Children and Families
U.S. Department of Health and Human Services
1250 Maryland Avenue, S.W.
Washington, D.C. 20024

Dear Mr. Bock:

Enclosed are the accepted and signed California Waiver Terms and Conditions amended November 19, 2010, reflecting the funding adjustment for the extension of the temporary increase in Federal Medical Assistance Percentage authorized under Public Law 111-226.

The Department would like to thank the Administration for Children and Families for the efforts by the Children's Bureau and Region IX staff in finalizing the revised language and numbers with our fiscal staff for this amendment.

For any further information, you may contact me at (916) 657-2598 or Gregory E. Rose, Deputy Director of the Children and Family Services Division, at (916) 657-2614.

Sincerely,

JOHN A. WAGNER
Director

Enclosure

c: Liliana Hernandez, ACF CB
James Toscano, CB Region IX
Debra Samples, CB Region IX
Debi O'Leary, ACF Region IX

Amended November 19, 2010 to reflect changes in the calculation of the foster care reimbursement rate due to the application of the extension of the temporary increase in the Federal Medical Assistance Percentage (FMAP) as authorized by section 201 of Public Law 111-226 (see Section 4.3).

Amended September 24, 2009 to reflect changes in the calculation of the foster care reimbursement rate due to the application of the temporary increase in the Federal Medical Assistance Percentage (FMAP) as authorized by the American Recovery and Reinvestment Act of 2009, as well as changes in the calculation of annual increases in the foster care reimbursement rate (see Sections 4.3 and 4.4).

DEPARTMENT OF HEALTH AND HUMAN SERVICES
ADMINISTRATION FOR CHILDREN AND FAMILIES
ADMINISTRATION ON CHILDREN, YOUTH AND FAMILIES
CHILDREN'S BUREAU

WAIVER AUTHORITY

STATE: **CALIFORNIA**

Waivers of the following provisions of the Social Security Act and Program Regulations are provided to the State to operate a child welfare demonstration project:

Section 472 (a) – Expanded Eligibility: To allow the State to expend title IV-E funds for children and families who are not normally eligible under Part E of title IV of the Act as described in the Terms and Conditions.

Section 474(a)(3)(E) and 45 CFR 1356.60(c)(3) – Expanded Services: To allow the State to make payments for services that will be provided that are not normally covered under Part E of title IV of the Act; and to allow the State to use title IV-E funds for these costs and services as described in the Terms and Conditions, Section 2.0.

All waivers are granted only to the extent necessary to accomplish the project as described in these Terms and Conditions.

WAIVER TERMS AND CONDITIONS

CALIFORNIA

CHILD WELFARE WAIVER DEMONSTRATION PROJECT

SECTION 1: GENERAL

1.0 The Department of Health and Human Services (hereinafter referred to as "the Department") will grant waivers to the State of California (hereinafter referred to as "the State") under Section 1130 of the Social Security Act (hereinafter referred to as "the Act") to operate a child welfare waiver demonstration project (hereinafter referred to as "the demonstration") as set forth in these Waiver Terms and Conditions. The Department reserves the right, in its sole discretion, to withdraw any and all waivers granted by the Department at such time(s) that the Department determines that the State has materially failed to meet the requirements as set forth in these Waiver Terms and Conditions. The State also retains the right to terminate the demonstration.

1.1 Failure to operate the demonstration as approved and according to Federal and State statutes and regulations will result in withdrawal of waivers. The Federal statutes and regulations with which the State must comply in the operation of the demonstration include civil rights statutes and regulations that prohibit discrimination on the basis of race, color, national origin, disability, sex, age, and religion, including title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, title II of the Americans with Disabilities Act, the nondiscrimination provisions of the Omnibus Budget Reconciliation Act of 1981, and the Multiethnic Placement Act as amended. After waivers are granted, the Department reserves the right to withdraw them if agreement cannot be reached on any item(s) cited in this document as needing approval by the Department. The State also has the same right.

1.2 If Federal or State statutes or regulations that would have a major effect on the design and impacts of this demonstration are enacted, or if any deficiencies or serious problems in implementation of these Terms and Conditions are noted by the Department, the Department and the State will reassess the overall demonstration and develop a mutually agreed-upon strategy for dealing with the demonstration in the context of such changes. If such a mutually agreed-upon strategy cannot be developed, the Department reserves the right, in its sole discretion, to withdraw any or all waivers at such time(s) as the Department determines.

1.3 All provisions of the Act not waived remain in effect.

1.4 The demonstration provisions will be implemented no earlier than October 1, 2006 and no later than January 1, 2007. The implementation date of the demonstration shall be the first day on which the State offers services, subsidies, or other supports under the provisions of these waiver Terms and Conditions to participating children, caregivers, or other targeted individuals. For cost-neutrality purposes, the demonstration shall be deemed to begin on the first day of the calendar quarter (hereinafter "quarter") which includes the implementation date, but for the purpose of calculating costs for the initial quarter of the demonstration, only costs incurred beginning with the month that includes the implementation date will be counted. The demonstration shall end no later than the last day of the 20th quarter ending after the deemed beginning date. The demonstration provisions shall be as specified in Sections 2 and 3. Waivers necessary for the demonstration are approved upon acceptance by the Department and the State of these Waiver Terms and Conditions. They will become effective as of the implementation date and will remain in effect until the last day of the 20th quarter ending after the deemed beginning date, unless the demonstration is terminated earlier. The State's project demonstration period may not exceed a maximum of five total years under the waiver provisions of the Act, unless in the judgment of the Secretary, the demonstration project shall be allowed to continue.

1.5 Federal approval of waivers, subject to these Waiver Terms and Conditions, shall not be construed to establish any precedent that the Department will follow in the granting of any subsequent request for waivers.

1.6 Nothing in these Terms and Conditions shall create eligibility for any child or family for any Federal program or entitlement for which that child or family would not otherwise be entitled, except that title IV-E funds may be expended, according to the provisions of these Terms and Conditions, for persons who would not be eligible for title IV-E funds in the absence of the demonstration. Receipt of services reimbursable under title XIX but provided under these title IV-E waivers for children and families who are not eligible under title IV-E does not constitute eligibility for Medicaid. Children under this demonstration who are determined to be eligible under title IV-E will retain that eligibility through the duration of the demonstration project, so that such children will remain eligible for Medicaid, title IV-E Adoption Assistance or for title IV-E Foster Care.

SECTION 2: IMPLEMENTATION

2.0 Under these Waiver Terms and Conditions, the State will receive a waiver of certain provisions of title IV-E of the Social Security Act for the purposes of implementing a flexible funding demonstration project. Under the waiver demonstration, the State will receive capped allocations of title IV-E funds that will be disbursed to selected counties to provide direct services to children and their families, regardless of their IV-E eligibility or placement status. The specific goals of the State's waiver demonstration are:

- To improve the array of service for children and families and engage families through more individualized approach that emphasizes family involvement;
- To increase child safety without an over-reliance on out-of-home care;
- To improve permanency outcomes and timelines; and
- To improve child and family well-being.

Under these Waiver Terms and Conditions, the State will operate a demonstration of the flexible funding demonstration project. The demonstration will target title IV-E-eligible and non-IV-E-eligible children ages 0-19 currently in out-of-home placement, or who are at risk of entering or re-entering foster care.

Implementation of the waiver demonstration may occur in up to 20 counties statewide. Counties will self-select subject to State approval to participate in the flexible funding demonstration and receive a capped allocation of IV-E funds.

Prior to implementation, the State will provide to the Department for review and approval a detailed design and implementation plan (see Sections 2.3 and 5.2) that identifies the specific counties in which the demonstration will be implemented and the proposed implementation strategies to be employed. The State reserves the right to add counties up to the date of implementation.

Under these Terms and Conditions, individual counties in the State reserve the right to terminate their involvement in the waiver demonstration subject to State approval. A county that ends its involvement in the demonstration will reconcile with the State any title IV-E funds due to the State and Federal governments as of the effective termination date of the county's participation in the demonstration.

2.1 The State's flexible funding demonstration will incorporate the following components:

Capped Allocation of Title IV-E Funds: Under these Terms and Conditions, the State will receive a capped allocation of Federal title IV-E funds that will then be distributed among participating counties.

Expansion and Improvement of Existing Child Welfare Practice, Programs and System Improvements: Under the waiver demonstration, participating counties will utilize their

annual allotments of title IV-E funds to expand and strengthen the child welfare practice, programs and system improvements throughout the State.

Expanded child welfare practice, programs and system improvements implemented by counties through the waiver demonstration may include, but are not limited to:

- Early Intervention Services
- Crisis Intervention Services
- Intensive Child Welfare Services
- Permanency Services

In addition to the service components described above, participating counties will have the option to spend flexible funds on other services, programs, and supports that demonstrate their ability to address child and family needs and to positively affect the demonstration's goals outlined in Section 2.0.

Each participating county will submit to the State a detailed work plan describing specific strategies, procedures, and timelines for implementing the service components it will operate under the waiver demonstration.

2.2 The State shall comply with the following general provisions over the full term of the demonstration project. The State will, or where appropriate, will assure that child welfare and probation case managers, supervisors, and staff from contracted providers:

a. Work closely with the evaluator to maintain the integrity of the evaluation.

b. Develop and deliver services to meet the individual needs of each child and family.

c. Ensure that any services being provided to a child or family member at the time the demonstration ends will be completed.

d. Ensure that children placed in family arrangements under this demonstration will be able to remain in those placements, to the extent they remain appropriate placements for such children, at the end of the demonstration, and ensure that the mere termination of this demonstration will not disrupt guardianship and subsidy arrangements nor compromise the protection of the children.

e. Ensure the confidentiality of the information collected on the children and families under the demonstration.

f. Ensure that the rights of children and their families are protected, and that the safety of the children is a paramount concern of the demonstration project.

g. Ensure that title IV-E eligibility determinations (annual or as appropriate) are

made for all children who are involved in the demonstration project, throughout the life of the demonstration project, to ensure that eligible children retain their eligibility after the demonstration ends.

h. Bear any costs that exceed the amount of Federal funds provided for the demonstration.

i. Ensure that the State is organizationally and legally prepared for waiver implementation.

j. Ensure that a conventional title IV-E program is maintained for those children and families in counties not participating in the demonstration.

k. Ensure that all applicable provisions of the Act apply to all demonstration components except for those provisions that are explicitly waived above.

l. Ensure that children who are eligible for the Medicaid program will retain their eligibility for a full range of Medicaid services under the waiver demonstration. If needed, an individual child's title IV-E eligibility may continue throughout the demonstration to ensure continuing eligibility for Medicaid.

m. Ensure that any "savings" resulting from the waiver demonstration, whether they are savings to the Federal government, to the State, or to a county or to another jurisdiction within the State, will be used for the further provision of child welfare services. For the purposes of this provision, "savings" means any amount that would have been expended for conventional title IV-E purposes in the absence of this demonstration, or that could have been expended under title IV-B of the Act.

n. Ensure that in each year throughout the duration of this demonstration the appropriate State official(s) and evaluators will attend and participate in an annual meeting of the Child Welfare Waiver Demonstration States in the Washington, D.C. area.

o. For the duration of the demonstration project, assure that the State shall provide health insurance coverage to any child with special needs (as determined under Sec. 473(C) of the Act) for whom there is in effect an adoption assistance agreement between the State and an adoptive parent or parents.

2.3 The State will submit an Initial Design and Implementation Report within 120 days following acceptance of these Terms and Conditions (see Section 5.2). This report will include information about program design and implementation. Report sections regarding implementation should include, but are not limited to:

- A Final Work Plan, outlining the key tasks, reporting requirements, and timelines throughout the course of the demonstration;

- A phase-down plan for the demonstration so that case plans for children and their families can be adjusted, if necessary, for the post-waiver portion of their placement (See Section 6.1);

- Standards of quality and safety and practice requirements identified by the State to be incorporated into any agreements with public and private providers that are expected to provide support and services; and

- The status of evaluation activities, including efforts to engage a third-party evaluator.

The demonstration project will be reviewed periodically by the Department to ensure that the demonstration activities are consistent with the purposes of titles IV-B and IV-E of the Social Security Act and these Terms and Conditions in providing child welfare services, including an assurance of the safety of the children and families involved. The review is intended to ensure that benefit eligibility will not be impaired and that improved outcomes for the children and families will result. Any proposed amendment to these Terms and Conditions is subject to prior approval by the Department.

SECTION 3: EVALUATION

3.0 The State will conduct an evaluation of the waiver demonstration to determine whether the use of a capped, flexible title IV-E funding strategy and resulting changes in the State's child welfare service system will improve child welfare outcomes for children currently in out-of-home placement, or who are at risk of entering or re-entering foster care. Specifically, the State will test the hypothesis that the increased availability of funds for child welfare services through capped allocations of title IV-E dollars will:

- To improve the array of service for children and families and engage families through more individualized approach that emphasizes family involvement;
- To increase child safety without an over-reliance on out-of-home care;
- To improve permanency outcomes and timelines; and
- To improve child and family well-being.

The evaluation will consist of three components: a process evaluation, an outcome evaluation, and a cost analysis.

The State is required to engage a third party to conduct an evaluation of the demonstration program. The evaluator shall be an independent organization that is not affiliated with state or local government, except that state universities may be engaged to conduct the evaluation. The evaluator shall be responsible for the development of the final evaluation design within the basic evaluation parameters outlined below. The evaluator shall develop a sampling plan; develop and implement a design for tracking changes in child welfare outcomes over time and procedures for examining the relationship between observed changes and waiver implementation; develop and execute the data collection and analysis plans; and prepare interim and final reports.

3.1 Evaluation Design: The State will implement an interrupted time series design for the evaluation of its waiver demonstration that analyzes historical changes in child welfare outcomes. Using this method, observations of child welfare outcomes will be made prior to the onset of the waiver to establish a pattern of outcomes within each participating county. Observations will be made again after the onset and during the implementation of the waiver in participating counties to establish a second pattern of outcomes. Outcome patterns following implementation of the waiver will then be compared to outcome patterns prior to waiver implementation.

To measure longitudinal changes in child welfare outcomes, the State or its evaluation contractor will establish a baseline for each key outcome measure (see Section 3.3) prior to the implementation of the demonstration and will report progress on these measures at specified intervals.

Participating counties shall serve as the unit of analysis for the evaluation of the State's waiver demonstration. However, the State and its evaluation contractor will, to the extent

possible, use case-level child welfare data to track historical changes in outcome measures.

Throughout the evaluation, the State will apprise the Department of any difficulties encountered in achieving the estimated sample sizes for the project, and in consultation with the outside evaluator will determine if such difficulties will affect the ability to discern longitudinal changes in key child welfare outcomes. The State should notify the Department as soon as any serious problems are noted. Semi-annual progress reports (see Section 5.4) should include an update on the sample sizes and progress toward meeting the targeted sizes.

3.2 Process Evaluation: The evaluation will include interim and final process analyses that will describe how the demonstration was implemented and identify how this differed from the services available prior to implementation of the demonstration. The analysis will include a logic model that describes the demonstrations objectives, the services or other interventions provided, and the way the intervention is linked to the measurable outcomes. In addition, the process analysis will examine, as appropriate, the following:

- The organizational aspects of the demonstration, such as the planning process, staff structure, funding committed, administrative structures, and project implementation, including ongoing monitoring, oversight, and problem resolution at various organization levels;

- The number and type of staff involved in implementation, including the training they received, as well as their experience, education and characteristics;

- The service delivery system, including procedures for determining eligibility, referring subjects for services, the array of services available, the number of children/families served and the type and duration of services provided;

- The role of the courts in the demonstration and the relationship between the child welfare agency and court system, including any efforts to jointly plan and implement the demonstration;

- Contextual factors, such as the social, economic and political forces that may have a bearing on the replicability of the intervention or influence the implementation or effectiveness of the demonstration. This discussion should note any possible confounding effects of changes in these systems or changes from any other demonstrations or reforms that were implemented during the title IV-E waiver demonstration; and

- The barriers encountered during implementation, the steps taken to address these barriers, and any lessons learned during implementation.

- The availability and intensity of family preservation, reunification, and

permanency services under the waiver demonstration as compared to the intensity and availability of such services prior to implementation of the demonstration.

For each of the factors described above, the process analysis should note any differences in implementation among participating counties.

The primary data source for the process evaluation will be site visits conducted at least biannually in each participating county, beginning with a baseline site visit prior to implementation of the demonstration. During each site visit, evaluation staff will review pertinent documents and conduct focus groups and interviews with county staff involved in the implementation of the waiver demonstration. Standardized focus group and interview protocols will be developed and used by evaluation staff to ensure that data are collected in a consistent and reliable manner across counties.

3.3. Outcome Evaluation: The State's outcome evaluation will measure longitudinal changes in the following outcomes in all participating counties:

- Increased child safety;
- Increased and more timely exits to permanency;
- Increased placement stability;
- Increased appropriateness and decreased restrictiveness of new and existing out-of-home placements; and
- Improved child well-being.

For each of these outcomes, the State or its evaluation contractor will establish and track appropriate outcome measures, including, but not limited to:

- Increased child safety:
  - Number and proportion of children with a subsequent substantiated report of abuse/neglect within a specified time period;
  - Number and proportion of children in foster care with a substantiated report of abuse or neglect while in foster care;
  - Number and proportion of children that receive a face-to-face contact with a child welfare professional within a specified period following a report of abuse or neglect; and
  - Average Number of social worker visits, as appropriate, per child in placement or with an active child welfare case.
  - Rate of recurrence of abuse/neglect in homes where children were not removed.
- Increased and more timely exits to permanency:

- Number and proportion of children that are reunified within 12 months of removal from the home;
- Number and proportion of children that are adopted within 24 months of removal from the home; and
- Number and proportion of children who re-enter out-of-home placement.

- Increased placement stability:
  - For children in out-of-home placement, the average number of changes in placement setting within 12 months of removal from the home.

- Increased appropriateness and decreased restrictiveness of new and existing out-of-home placements:
  - Number and proportion of children placed in foster care with all or some of their siblings;
  - Number and proportion of children in out-of-home placement who change placement settings, and the direction of change in the restrictiveness of the placement setting (i.e., to a less restrictive or more restrictive setting); and
  - Number and proportion of Indian Child Welfare Act (ICWA) eligible children placed in culturally appropriate foster care settings as defined by ICWA.

- Improved child and family well-being:
  - Children transitioning to self sufficient adulthood such as: high school diploma, enrolled in college/higher education, completed vocational training, employed or other means of support.

To the extent available, the State's evaluation will track all outcome measures in relation to gender, age, race, and, as appropriate, placement type or setting.

The State is free to propose additional research questions and outcome measures for inclusion in the evaluation.

The State will collect data to address these questions using the State's automated child welfare information systems, child welfare agency case records and additional information sources as appropriate. The State will work with its evaluation contractor to identify other appropriate data sources to address the process and outcome measures described above.

3.4 Cost Study: The cost analysis will examine the costs of key elements of the services received by children and families and compare these costs with those of the usual services/placements prior to implementation of the demonstration. The cost analysis will also include an examination of the use of key funding sources, including all relevant Federal sources such as titles IV-A, IV-B, IV-E and XIX of the Social Security Act, as well as State and local funds. The purpose of the analysis will be to compare the costs of the demonstration with those of services traditionally provided to children and their families. Where feasible, a cost-effectiveness analysis will be conducted by examining the relationship between the demonstration's costs and outcomes.

In addition, the State's cost study will address the following issues:

- Overall changes in foster care maintenance expenditures and associated administrative costs;
- Shifts in child welfare expenditures away from foster care maintenance to alternative services, supports, and programs provided through the waiver demonstration; and
- Whether, and the degree to which the demonstration increases the variety of alternative services, supports, and programs for which title IV-E funds are utilized.

3.5 Evaluation Reporting Requirements: The following reports and documents shall be provided to the Department for review and approval (also noted in Section 5):

- The State will submit to the Department a draft of the specifications or Request for Proposals (RFP) for the agreement to conduct an evaluation of the demonstration within 60 days after acceptance of these Terms and Conditions. The draft specifications must detail the objectives of the project, the evaluation design, the specific tasks to be conducted, the time frames for conducting those tasks, and a schedule and list of deliverables. The research questions, key variables, data collection methods, sample sizes and other aspects of the evaluation noted in these Terms and Conditions should be clearly described.
- The State and its evaluator will provide an evaluation plan to the Department. The evaluation plan must present the underlying logic linking interventions to expected outcomes; the research questions to be studied; the major variables to be measured; the final sampling plan; baseline measures for key evaluation outcomes; statistical methods and techniques for conducting longitudinal data analysis; the data sources (including an assessment of the reliability and validity of each source); data collection procedures; and the major data analyses to be performed.
- Not later than 60 days after the conclusion of the 10th quarter of the demonstration, the State will submit an interim evaluation report (see Section 5). The report should include a process analysis of the evaluation to date and any

outcome data available at that time. The report should also include a brief description of the outcome and cost components of the evaluation planned and note any issues or problems anticipated in completion of these components. If the findings are unclear or incomplete, the Department may request revisions and resubmission of the report.

- Not later than six months after the conclusion of the demonstration (20th quarter), a final report integrating the process, outcome and cost components of the evaluation will be submitted. If the findings are unclear or incomplete, the Department may request revisions and resubmission of the report.

- Not later than six months after the conclusion of the demonstration (20th quarter), the State will have the evaluation contractor produce and make available public-use data tapes, including documentation necessary to permit reanalysis of the data gathered during the course of the evaluation.

Public release of any evaluation or monitoring reports required under this agreement will be made only by the Department or the State. Prior to public release of such reports, the Department and the State will have at least a 30-day period for review and approval.

3.6 Program Changes: Additional program changes that would substantially affect the evaluation of the demonstration must by approved by the Department as an amendment to these Waiver Terms and Conditions.

SECTION 4: COST NEUTRALITY

4.0 As required by section 1130(g) of the Social Security Act, the amount of Federal funds expended for this project may not exceed the amount of such funds that would be expended by the State under the State plans approved under parts B and E of title IV if the demonstration project were not conducted. Therefore, except for costs of evaluating and developing this project (as specified in Sections 4.5 and 4.6 below), starting with the deemed beginning date (see Section 1.4) the operation of this demonstration is to be cost-neutral to the Federal government with respect to maintenance and administrative costs for titles IV-B and IV-E of the Social Security Act.

4.1 Section 4 Terms:

Costs. All references made to costs (unless otherwise specifically noted) consist of the Federal share of costs.

Maintenance Costs. All references made to maintenance costs include title IV-E allowable foster care maintenance assistance payments (per Section 475(4)(A) of the Social Security Act (the Act)) and such other costs for experimental group cases deemed as title IV-E allowable through a waiver granted for this demonstration project.

Administrative Costs. All references made to administrative costs include title IV-E allowable administrative costs and other costs for experimental group cases deemed as title IV-E allowable through a waiver granted for this demonstration project.

Cumulative. All references made to cumulative in the context of costs will indicate that costs are to be summed for all quarters from the deemed beginning date through the quarter in question.

4.2 Foster Care Payments. For foster care payments, including maintenance costs and applicable administrative costs (see section 4.11 for exclusions), the total costs payable to the State on behalf of the participating counties shall be an amount determined by a base allocation as determined in Section 4.3 below plus an annual increase as specified in Section 4.4. The aggregate five year sum of payments shall be the cumulative fixed payment that shall be made to the State for the counties participating in the demonstration. Receipt by the State of payments not greater that the cumulative fixed payment shall be considered cost neutral to the Federal government.

4.3 For foster care payments the base amount shall be the average of payments made to the State on behalf of participating counties during the period from fiscal year 2003 through 2005.

4.3.1 The base amount of foster care payments used for periods in fiscal years 2009, 2010 and the first three quarters of fiscal year 2011 (October 1, 2008 - June 30, 2011) is revised to reflect application of the temporary increase in the Federal Medical Assistance Percentage (FMAP), as authorized by the American Recovery and Reinvestment Act of 2009 and as extended in accordance with section 201 of Public Law 111-226. Use of these FMAP rates as opposed to the "regular" FMAP rate results in increases to the portion of the base amount identified as foster care maintenance assistance payments as follows:

- **6.2 percentage point increase applicable to FYs 2009, 2010 and the first quarter of FY 2011;**
- **3.2 percentage point increase applicable to the second quarter of FY 2011; and**
- **1.2 percentage point increase applicable to the third quarter of FY 2011**

This higher amount is added to the total amount of foster care payments payable under the waiver agreement.

4.4 The annual increase for years following the base year shall be determined as follows:

4.4.1 For any implementation period occurring in fiscal year 2006, the pro rata share of the base year and an increase of two percent.

4.4.2 For any implementation period occurring in fiscal year 2007, the pro rata share of two percent above the fiscal year 2006 amount (i.e. two percent above the base year).

4.4.3 Periods in each subsequent fiscal year shall reflect application of a two-percent annual increase above the applicable base amount as specified in section 4.3 or 4.3.1 for each fiscal year that has been completed after the fiscal year of implementation and prior to the current fiscal year.

4.4.4 The State may receive payments in accordance with a schedule of quarterly payments the sum of which do not exceed the total cumulative payments under the waiver. Alternatively, the State may receive payments equal to up to 20 percent of the total cumulative amount per year in the initial years.

4.5 The State may receive retroactive reimbursement for periods prior to the demonstration period through normal title IV-E reimbursement procedures. If agreed by the Department and the State the base amount may be adjusted to reflect retroactive claims. Otherwise, the base amount shall be the amount determined under Section 4.3.

4.6 Adoption Assistance Payments. Adoption assistance payments to the State on behalf of participating counties shall continue as a matching program up to the cost neutrality cap as provided herein. For adoption assistance, the cost neutrality cap shall be calculated as follows:

4.6.1 The base year amount shall equal the amount of Federal adoption assistance payments, including nonrecurring adoption expenses, adoption assistance subsidies and administrative expenses related to adoptions or adoption assistance, paid to the State on behalf of participating counties for fiscal year 2005.

4.6.2 Increase the base amount by an annual increase of 15 percent in the year immediately following the base year and in each of the five years of the demonstration.

4.6.3 The cost neutrality threshold for title IV-E adoption assistance for the participating counties shall be the cumulative five year total of the base amount adjusted by the annual increases. The State shall be responsible for payments exceeding the cumulative five year threshold. As long as the cumulative threshold is not exceeded, federal matching funds may continue to be made. Payments exceeding the annual threshold shall not be considered to exceed the cost neutrality threshold as long as the cumulative threshold has not been exceeded.

4.7. Actual expenditures claimed for the demonstration project, and estimates in advance of each quarter, will be identified separately on the ACF quarterly claim form, IV-E-1. Summary fiscal information on the results of the project must be reported in Part 4 as well as other applicable parts of form IV-E-1. These estimates and claims relating to the demonstration will be subject to Regional Office review and deferral or adjustment according to the normal procedures for reviewing title IV-E estimates and paying title IV-E claims. All other title IV-E claims that are not related to this demonstration should continue to be filed in accordance with current quarterly claiming requirements for payments for allowable costs.

4.8 The State must examine its cost allocation plan to determine whether any of the components will affect the calculation of or claiming for any administrative costs under title IV-E, and if so the State must submit an amendment to the cost allocation plan prior to the implementation date to address any such effects appropriately.

4.9 Developmental Costs. Developmental costs are the expenses the State incurs to establish the demonstration prior to the project's implementation. These costs are excluded from the cost-neutrality calculation. For activities undertaken prior to the implementation date specified in Section 1.4 above, the Federal government will match the approved administrative costs related to development of the demonstration project (otherwise called developmental costs) at the applicable matching rate without application of cost allocation. Such costs can begin with the preparation of the State's proposal and may also include automated systems development and changes, policy or procedures development, and staff training. Developmental costs do not include costs for activities

performed on or after the deemed start date of project operations. No later than 30 days after the State formally accepts these Terms and Conditions, the State will submit a plan, for approval by the Department, designating which administrative costs will be treated as developmental costs for purposes of this section (see Section 5.0). This section is not intended to supersede other requirements for Federal approval for administrative costs of the programs involved in the demonstration.

4.10 Evaluation Costs. Evaluation costs are expenses incurred by the external evaluator as well as those incurred by the State that are directly related to the evaluation effort. These costs are excluded from cost-neutrality calculation. Evaluation costs begin with the first evaluation planning activities and continue until the final evaluation report is submitted. Such costs will encompass all costs necessary to carry out the approved evaluation plan, including costs for evaluation activities carried out by State and local agencies as well as those carried out by the evaluation contractor. The costs of approved evaluation activities may be charged to title IV-E administrative costs without cost allocation so that the State may claim a full 50 percent of these costs as title IV-E administrative costs. The State shall address any changes needed to implement this provision through submission of appropriate amendments to its approved State cost allocation plans. Costs of evaluation which arise from the demonstration project(s) approved under these Terms and Conditions may be claimed for a reasonable period of time after the expiration of the period of this demonstration (Section 1.4) so long as the costs are for activities required by the evaluation plan(s) approved by the Department and are otherwise allowable and reasonable. Evaluation components not approved by the Department will not qualify for Federal matching funds.

4.11 Administrative Costs Excluded from the Cost Neutrality Calculation. Administrative costs associated with training and licensing in the participating counties will not be capped and will be excluded from the calculation of the base year costs. The State may continue to claim training and licensing activities at the applicable matching rate, in accordance with the State's approved cost allocation plan. Costs associated with the development, maintenance and operation of the State's SACWIS project will also be excluded from the base costs and the cost neutrality calculation. The State may continue to claim approved SACWIS project activities at the applicable matching rate, in accordance with the State's approved cost allocation plans.

4.12 The State, if otherwise eligible, shall remain an eligible State for purposes of Adoption Incentive payments. Any such payments shall be in addition to title IV-E funds received pursuant to this agreement.

4.13 Nothing in this agreement shall affect the payment to the State of funds under title IV-B or any other federal funding sources.

SECTION 5: MONITORING

The State should send all reports required in this section to the Children's Bureau, the Regional ACF Office and the evaluation technical assistance contractor for this initiative.

5.0 The State must submit a plan, for approval by the Department, designating which administrative costs will be treated as developmental costs (see Section 4.5) no later than 60 days after accepting these Terms and Conditions.

5.1 The State demonstration project managers must confer directly with Department staff within 60 days of acceptance of these Terms and Conditions to discuss the RFP or evaluation specifications and an overall update on the project's status.

5.2 The State will submit an Initial Design and Implementation Report to the Department within 120 days following acceptance of these Terms and Conditions (See Section 2.3 for detailed elements of the report).

5.3 The State shall submit quarterly progress reports beginning 120 days after the acceptance of these Terms and Conditions and continuing until implementation. These reports are due no later than 30 days after the conclusion of each quarterly period. The Initial Design and Implementation Report will serve as the first quarterly report. Thereafter, the progress reports should include a basic update on the status of each activity or task identified in the Implementation Report. The report should also identify any problems encountered that may have an impact on the design or anticipated implementation schedule. Suggestions for resolving these problems should be provided for Department review and approval.

5.4 Once implementation has begun, semi-annual progress reports will be required throughout the project period summarizing project and evaluation activities and accomplishments during the reporting period as well as interim findings from the evaluation, if available. The semi-annual monitoring reports shall indicate issues or problems and resolutions regarding the implementation of the demonstration or evaluation as approved, including updates on the resolution of any significant problems identified in the implementation report. These reports are due no later than 30 days after the conclusion of each reporting period.

5.5 The State will submit for approval a draft of the specifications or Request for Proposals (RFP) for the agreement to conduct an evaluation of the demonstration to the Department within 60 days after acceptance of these Terms and Conditions (Section 3.5).

5.6 The State will submit an evaluation plan to the Department within 60 days after the evaluation contract is awarded for approval (Section 3.5). The evaluation plan must be approved by the Department prior to implementation.

5.7 The State will submit an Interim Evaluation Report 60 days after the conclusion of the 10th quarter following the implementation date (Section 3.5). Additional reports may be proposed by the State and, subject to approval by the Department, may be considered allowable components of the evaluation of the demonstration.

5.8 The State will submit a Final Evaluation Report six months after the project ends, integrating the process study, the outcomes study, and the cost analysis (Section 3.5).

5.9 The State will submit, or have the evaluation contractor produce and make available, public-use data tapes, including documentation necessary to permit reanalysis of the data gathered during the course of the evaluation, six months after the project ends (Section 3.5).

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SECTION 6: TERMINATION PROCEDURES

6.0 Federal financial participation in demonstration activities requiring waivers will not be provided beyond the period approved by the Department.

6.1 As part of the Initial Design and Implementation Report (Section 2.3), the State will submit for the Department's approval a plan to phase down and end the demonstration to ensure there are no waiver-related Federal costs incurred beyond the period approved by the Department. All activities requiring waivers must cease on the date decided by the Department if the project is terminated prior to the end of the 20th quarter after the deemed beginning date.

Approval:

Joseph Bock
Acting Associate Commissioner
Children's Bureau

11/19/10
Date

Acceptance:

John A. Wagner, Director
California Department of Social Services

12/22/10
Date