DEPARTMENT OF HEALTH & HUMAN SERVICES

ADMINISTRATION FOR CHILDREN AND FAMILIES
Administration on Children, Youth and Families
1250 Maryland Avenue, S.W.
Washington, D.C. 20024

Pete Cervinka
Program Deputy Director for Benefits and Services
California Department of Social Services
744 P Street, MS 8-11-86
Sacramento, CA 95814

MAR 30 2015

Dear Mr. Cervinka:

On November 10, 2014, we received a request by email from Mary Sheppard of the California Department of Social Services to remove Lassen County as one of the new cohort of counties participating in California's child welfare waiver demonstration project, conducted under the authority of Section 1130 of the Social Security Act. We understand that the other seven new counties, as well as the two original counties, have confirmed their participation in the demonstration.

In response to the request, staff in the Children's Bureau discussed the change with members of your staff and worked with your agency to assess its effect on the capped allocation of title IV-E funding provided under the demonstration. Based on those discussions, we have prepared amended Waiver Terms and Conditions approving the change. Please sign the terms and conditions and return the fully executed original version to the Children's Bureau, retaining a copy for your records.

We look forward to continuing to work with you as you implement this new phase of California's demonstration. Should you have any questions, please feel free to contact Liliana Hernandez, Program Specialist, at 202-205-8086.

Sincerely,

JooYeun Chang
Associate Commissioner
Children's Bureau

cc: Gail Collins, Director; CB, Division of Program Implementation; Washington, DC
Douglas Southard, Child Welfare Regional Program Manager; CB, RO IX; San Francisco, CA
Debra Samples, Child Welfare Regional Program Specialist; CB, RO IX; San Francisco, CA
Susan Woo, Child Welfare Regional Program Fiscal Specialist; CB, RO IX; San Francisco, CA

Amended in March 2015 to reflect the removal of Lassen County from the Cohort 2 counties. (See Sections 2.0, 4.2.1, 4.2.2.1, and 4.3).

Amended in September 2014 to permit California to extend its Waiver Demonstration for five additional years (20 quarters) beginning on October 1, 2014 and ending September 30, 2019. These amended Terms and Conditions replace in their entirety California's Waiver Terms and Conditions approved on March 31, 2006.

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)(1): Expanded Claiming: To allow the State to claim at the Federal medical assistance percentage any allowable expenditures of foster care maintenance payment cost savings.

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.

DEMONSTRATION PROJECT TERMS AND CONDITIONS

CALIFORNIA

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 demonstration project (hereinafter referred to as "the demonstration") as set forth in these Demonstration Project Terms and Conditions. The Department reserves the right, in its sole discretion, to withdraw approval of this demonstration project, including withdrawal of 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 Demonstration Project 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 approval of this demonstration project. 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 the demonstration is approved, the Department reserves the right to withdraw approval 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 approval at such time(s) as the Department determines.

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

1.4 **The demonstration's provisions were initially implemented on July 1, 2007 with a project period not to exceed five years under the waiver provisions of the Act, unless in the judgment of the Secretary the demonstration should be allowed to continue. To allow the Secretary to make that determination, the demonstration was extended until September 30, 2014. The Secretary has determined that the demonstration**

should be allowed to continue and has approved a further five-year extension beginning on October 1, 2014 and ending September 30, 2019. 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 the latest five year extension of these waiver Terms and Conditions to participating children, caregivers, or other targeted individual.** 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. For States electing to receive a capped allocation as the method for ensuring cost neutrality, the implementation date must occur within the first month of the quarter. The demonstration shall end no later than the last day of the **20th quarter ending after the demonstrations deemed beginning date or September 30, 2019, whichever is earlier.** 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 Demonstration Project 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 demonstration's deemed beginning date or September 30, 2019, whichever is earlier**, unless the demonstration is terminated earlier. The State's project demonstration period may not exceed a maximum of five total years under the provisions of the Act.

1.5 Federal approval of these Demonstration Project Terms and Conditions shall not be construed to establish any precedent that the Department will follow in the approval of any subsequent request for Terms and Conditions.

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 otherwise reimbursable under title XIX but provided under these Terms and Conditions for children and families who are not eligible under title IV-E does not establish 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, title IV-E Foster Care, and title IV-E Guardianship Assistance Program, if applicable.

SECTION 2: IMPLEMENTATION

2.0 Under these Terms and Conditions, the State is authorized to implement a demonstration **that seeks to build upon current systemic child welfare reforms and interventions focused on prevention and family-centered practice to improve outcomes for child welfare and probation-involved children and youth. The State's demonstration will focus on accomplishing the following goal(s):**

- **Improve the array of services and supports available to children, youth and families involved in the child welfare and juvenile probation systems;**
- **Engage families through a more individualized casework approach that emphasizes family involvement;**
- **Increase child and youth safety without an over-reliance on out-of-home care;**
- **Improve permanency outcomes and timelines;**
- **Improve child, youth and family well-being; and**
- **Decrease recidivism and delinquency for youth on probation.**

The demonstration's target population will include title IV-E eligible and non-IV-E eligible children and youth aged 0–17, inclusive, who are currently in out-of-home placement or who are at risk of entering or re-entering foster care.

Under these Waiver Terms and Conditions, the State will continue implementation of the demonstration in Alameda and Los Angeles Counties' Child Welfare and Probation Departments. For cost neutrality purposes, this group of counties will be designated as Cohort 1. The State will also begin implementation of the demonstration in the following ~~eight (8)~~ seven (7) counties: Butte, Lake, ~~Lassen~~ Sacramento, San Diego, San Francisco, Santa Clara, and Sonoma. These counties are designated as Cohort 2 for cost neutrality purposes.

Under these Terms and Conditions, individual counties 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 the Federal Government as of the effective termination date of the county's participation in the demonstration.

2.1 **The State's demonstration will include the following two core service interventions:**

- **<u>Wraparound</u>: Probation departments in participating counties will provide Wraparound services to youth exhibiting delinquency risk factors that put them at risk of being removed from their homes and placed in foster care. The State's Wraparound model will involve a family-centered, strengths-based, needs-driven planning process for creating individualized services and supports for the youth and family. Specific elements of the Wraparound model will include case teaming, family and youth engagement, individualized strength-based case planning, and transition planning. Additional details regarding the Wraparound model, including the estimated numbers of children and families in**

participating counties that will be offered this intervention, will be provided in the State's Initial Design and Implementation Report (Section 2.3).

- **<u>Safety Organized Practice (SOP)</u>: Child welfare departments in participating counties will implement this initiative to support the development of a statewide core practice model to further enhance social work practice. Specific elements of SOP include family engagement and assessment, behaviorally based case planning, transition planning, ongoing monitoring, and case plan adaptation as appropriate. Specific services to be implemented as part of SOP include Safety Mapping/Networks, effective safety planning at foster care entry and exit, Capturing the Children's Voice, solution-focused interviewing, motivational interviewing, and case teaming. Additional details regarding SOP, including the estimated numbers of children and families in participating counties that will be offered this intervention, will be provided in the State's Initial Design and Implementation Report (Section 2.3).**

- **In addition to the two core service interventions described above, participating counties may implement additional child welfare and/or probation interventions.**

The State's choice of specific child and family assessment tools to implement in conjunction with the two core service interventions will be identified in its Initial Design and Implementation Report (Section 2.3), but may include Child and Adolescent Needs and Strengths (CANS), Ages and Stages Questionnaire (ASQ), and Structured Decision Making (SDM).

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, ensure 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 the confidentiality of the information collected on the children and families under the demonstration.

e. 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.

f. Ensure that title IV-E eligibility determinations 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.

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

h. Ensure that the State is organizationally and legally prepared for all aspects of demonstration project implementation.

i. Ensure that a conventional title IV-E program is maintained for those children and families that are not designated to receive demonstration services, and that these children and families continue to receive services that are consistent with the "traditional services" available to such children and families in the State at the time the demonstration begins.

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

k. Ensure that children who are eligible for the Medicaid program will retain their eligibility for a full range of Medicaid services under the demonstration.

l. Ensure that any "savings" resulting from the 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.

m. Ensure that in each year throughout the duration of this demonstration the appropriate State officials and evaluators will attend and participate in an annual meeting of the Child Welfare Demonstration States in the Washington, D.C. area.

n. 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 90 days following acceptance of these Terms and Conditions (see Section 5.1). This report will include information about program design and implementation. Report sections regarding implementation will include:

- 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-demonstration portion of their

placement (See Section 6.1);

- The detailed protocol or set of policies that will guide decisions about which families or children are to be selected to participate in the demonstration, how the selection will be made, and how the suitability of services will be determined;

- 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 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 test the hypothesis that the use of title IV-E funds to provide alternative services in the areas of prevention and family-centered practice, as appropriate, will result in improved safety, permanency, and well-being outcomes for children.** 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 research design and sampling plan; 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 in which changes in key child welfare outcomes are tracked over time. Observations of selected outcomes will be made in participating counties for a pre-determined time period prior to implementation of the demonstration to establish baselines, after which additional observations will be made at pre-determined time intervals following implementation. Outcome patterns before and after implementation of the demonstration as a whole, will be analyzed to identify differences that may be attributable in part to the interventions implemented under the demonstration. To the extent possible and subject to the availability of comparable data, outcome pattern comparisons with non-participating counties also may be part of the evaluation. For the two core interventions of Wraparound and Safety Organized Practice, the analysis will use case-level data to the extent possible to isolate the impact of these interventions from the effects of demographic, programmatic, and other external factors.**

To the extent feasible, the State will also conduct one or more quasi-experimental sub-studies of specific programs that are implemented under the waiver demonstration. The specific programs to be evaluated through these sub-studies, and the specific research methods for conducting them, will be determined in consultation with the Department and the State's third-party evaluation contractor and described in the State's evaluation plan (Section 3.5).

Other details regarding the final evaluation design (e.g., sample size estimates, methods of statistical analysis) will be determined in consultation with the State's third-party evaluation contractor and described in the State's evaluation plan (Section 3.5).

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 State's ability

to identify statistically significant differences in key demonstration outcomes. The State will notify the Department as soon as any serious problems are noted. Semi-annual progress reports (see Section 5.4) will include an update on the sample sizes and progress toward meeting the targeted sizes.

For any sub-studies that are implemented as part of the evaluation, cases will maintain their assigned status for the full period of the demonstration.

Modifications to the sampling plans **of any sub-studies** may be proposed to the Department for approval to ensure that the sample groups are appropriately sized to provide adequate statistical power to detect differences in outcomes of interest between the comparison groups.

3.2 Process Evaluation: The evaluation will include interim and final process analyses that describe how the demonstration was implemented and that identify how demonstration services differ from services available prior to implementation of the demonstration, or from services available to children and families that are not designated to receive demonstration services. The analysis will include a logic model that describes the demonstration's objectives, the services or other interventions provided, and the way the intervention is linked to measurable outcomes. In addition, the process analysis will examine, at a minimum, the following:

- The planning process for the demonstration including whether any formal needs assessment, asset mapping, or assessment of community readiness was conducted;
- The organizational aspects of the demonstration, such as 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 will note any possible confounding effects of changes in these systems, or changes resulting from other demonstrations or reforms that were implemented during the title IV-E demonstration;

- The degree to which demonstration programs and services are implemented with fidelity to their intended service models; and

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

For each of the factors described above, the process analysis will note any differences, as appropriate for the State's evaluation design, in implementation before and after the start of the demonstration, among participating counties or other administrative units, or between the experimental and control/comparison groups.

3.3 Outcome Evaluation: The State's outcome evaluation will address, at a minimum, changes in the following outcomes **in all participating counties:**

- **Entries into out-of-home care;**
- **Entries into the most appropriate and least restrictive placement settings;**
- **Re-entries into out-of-home care;**
- **Recurrence of maltreatment;**
- **Re-offenses among children and youth on probation; and**
- **Child and family functioning and well-being as measured by assessment tools selected by the State.**

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 **for the evaluation from** the State's automated child welfare information systems, child welfare agency case records, **selected child and family assessment tools,** 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, at a minimum, the costs of the key elements of services received by children and families designated to receive demonstration services and will compare these costs with those of services available prior to the start of the demonstration, or that were received by the children and families that were not designated to receive demonstration services. 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 Act, as well as State and local funds. The purpose of the analysis will be to compare the costs of services available through the demonstration with those of services traditionally provided to children and their families. Where feasible, a cost-effectiveness analysis will be conducted to estimate the costs of each successful outcome achieved through the demonstration. This analysis will be conducted using one or more of the key outcome measures for which a statistically

significant difference is identified.

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 for review 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 will be clearly described.

- The State will submit an evaluation plan to the Department for approval within 90 days after the evaluation contract is awarded. The evaluation plan must present the underlying logic linking interventions to expected outcomes, the research question to be studied, the major variables to be measured, the final sampling plan, 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. The plan will describe the comparability of selected comparison groups on key variables.

- Not later than 60 days after the conclusion of the 10th quarter **following the effective date of the demonstration's extension period** the State will submit an interim evaluation report (see Section 5). The report will include a process analysis of the evaluation to date and any outcome data available at that time. The report will 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, 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.

- The State will post copies of the interim and final evaluation reports on the State's child welfare agency Website (see Section 5.10).

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

Public release of any evaluation or progress 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 are not applied equally to experimental and control/comparison groups, or that would substantially affect the evaluation of the demonstration, must be approved by the Department as an amendment to these Demonstration Project Terms and Conditions.

SECTION 4: COST NEUTRALITY

4.0 As required by section 1130(h) of the 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 4.4 and 4.5 below), starting with the deemed beginning date (see Section 1.5) 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 Act.

4.1 Section 4 Terms:

Costs. All references made to costs (unless otherwise specifically noted) consist of total computable (gross) costs. The Federal share of demonstration project costs will be computed using the matching rate applicable to the funding category.

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 Act), and such other costs for 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 (per Federal regulations at 45 CFR 1356.60(c)) for in-placement and candidate activities and other costs deemed as title IV-E allowable through a waiver granted for this demonstration project.

SACWIS Costs. All references made to SACWIS costs include title IV-E allowable SACWIS costs (per 45 CFR 1355.57 and Part 95 Subpart F) for the development, maintenance, and operation of an automated system that is determined by the Department to meet the requirements to be designated as a Statewide Automated Child Welfare Information System (SACWIS). Title IV-E allowability of specific SACWIS costs is further subject to (in addition to these terms and conditions) Departmental approval of an advance planning document (APD) or an operational advance planning document (OAPD), as applicable.

Training Costs. All references made to training costs include title IV-E allowable training costs (per 45 CFR 235.63 through 235.66(a), 1356.60(b), and Section 474(a)(3)(B) of the Act) for the development, delivery or participation in training by eligible IV-E agency staff and providers or professional partner individuals.

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 The total costs of foster care payments shall be an amount determined by a base allocation as determined in Section 4.2.1 below plus any annual change factor or exclusions as specified in Section 4.2.2. The results of this calculation are shown in Section 4.3, Tables 1 and 2. The aggregate sum of Federal share payments for the duration of the demonstration shall be the cumulative fixed payment that shall be made to the State. Receipt by the State of payments not greater than the cumulative fixed payment shall be considered cost neutral to the Federal government.

Within 30 days following acceptance of these Terms and Conditions, the State shall submit to the Department for approval a document showing a fixed schedule of payments for the duration of the demonstration period. The State may receive quarterly payments in accordance with a schedule of quarterly payments the sum of which do not exceed the total cumulative payments under the demonstration.

4.2.1 The foster care base allocation amount to be used for purposes of establishing a cap to reflect cost neutrality to the Federal government for demonstration project operations has been determined separately for the two identified cohorts of participating counties (see section 2.0) for each of the funding categories impacted by the demonstration project through the following processes:

Source of claims:

Cohort 1 (See section 2.0): The base amount is the calculated Federal Fiscal Year (FFY) 2014 total computable (gross) title IV-E Foster Care demonstration project allocation for California with adjustments to exclude amounts paid on behalf of any youth age 18 or older. The initial allocation for this project (in FFY 2007) was derived from the title IV-E Foster Care allowable Federal financial participation (FFP) claims (including current and prior quarter adjustments) submitted by California on quarterly reports of expenditures and estimates (i.e., Form ACF-IV-E-1) during previous time periods. Calculations are applied to separately identify amounts by cost categories and to convert FFP to total computable amounts for the following cost categories as specified below:

- **Foster care maintenance costs: Total computable costs of $373,273,185. This total is calculated from the FFY 2014 demonstration project total allocation (all cost categories) of $479,060,616 FFP. The total FFP allocation is multiplied by the percentage of the allocation attributable to each of the two Cohort 1 counties. The total FFP allocation for each of these counties is then multiplied by the county ratio of maintenance assistance payment FFP claims to the combined total of maintenance assistance payments plus administrative cost FFP claims for that county in the baseline period (FFYs 2003–2005) used to establish the FFY 2007 allocation. The resulting FFP total for each county is summed and then adjusted to exclude identified amounts from Cohort 1 counties as paid on**

behalf of any youth age 18 or older. The adjusted FFP total is divided by the FFY 2014 Federal medical assistance percentage (FMAP) rate for California of 50.00% to derive the total computable amount.

- **<u>Foster care administrative costs (see section 4.2.2.3 for exclusions):</u> Total computable costs of $578,723,905. This total is calculated from the FFY 2014 demonstration project total allocation (all cost categories) of $479,060,616 FFP. The total FFP allocation is multiplied by the percentage of the allocation attributable to each of the two Cohort 1 counties. The total FFP allocation for each of these counties is then multiplied by the county ratio of administrative cost FFP claims to the combined total of maintenance assistance payments plus administrative cost FFP claims for that county in the baseline period (FFYs 2003–2005) used to establish the FFY 2007 allocation. The resulting FFP total for each county is summed and then adjusted to exclude identified amounts from Cohort 1 counties as paid on behalf of any youth age 18 or older. The adjusted FFP total is divided by the applicable FFP rate of 50.00% to derive the total computable amount.**

<u>Cohort 2 (See Section 2.0)</u>: The base amount is the calculated Federal Fiscal Year (FFY) total computable (gross) title IV-E Foster Care allowable claims submitted by Cohort 2 counties on the California County Expense Claim and California Assistance Claim. These reports were used by the State to submit title IV-E Foster Care allowable claims (including current and prior quarter adjustments) on quarterly reports of expenditures and estimates (i.e., Form ACF-IV-E-1 or CB-496, as applicable) during the specified time periods for the following cost categories and adjusted as specified below:

- **<u>Foster care maintenance costs:</u> Total computable costs of ~~$121,410,610.~~ $120,242,774. This total is calculated from the FFY average actual Cohort 2 county claims, as adjusted to reflect proper cost categorization and to exclude amounts identified as paid on behalf of any youth age 18 or older, in this funding category for expenditure quarters in FFYs 2008 - 2012.**

- **<u>Foster care administrative costs (see section 4.2.2.3 for exclusions):</u> Total computable costs of ~~$ 276,424,768.~~ $275,152,291. This total is calculated from the FFY average actual Cohort 2 county claims, as adjusted to reflect proper cost categorization and to exclude amounts identified as paid on behalf of any youth age 18 or older and for the performance of licensing activities, in this funding category for expenditure quarters in FFYs 2008 - 2012.**

<u>Application of base allocation:</u> The base amount will be applied separately in determining annual allocations for maintenance assistance payments and

administration.

4.2.2 The payments for each full FFY during the operational period of the demonstration project shall consist of the base amounts for each Cohort adjusted each FFY by the change factor(s) and the exclusions described in the subsections below. Thus, payments in the second and subsequent full FFYs of demonstration operations will equal the amount calculated for the prior FFY plus any further applicable changes. The results of this calculation are set out in Table 1 and Table 2. Payments for demonstration operations during any partial FFY will be pro-rated proportionally by quarter to reflect the portion of the FFY when the demonstration project is operational.

4.2.2.1 The annual allocation change factors applied have been determined by the following process:

<u>Cohort 1 (See Section 2.0)</u>

a. Maintenance assistance payments: Growth rate based on three year average annual rate of change in the ratio of total computable maintenance payment claims to average monthly number of children assisted, computed as follows:

1. The claiming data consists of amounts expended through FFY 2012 (adjusted in the same manner as noted in section 4.2.1 for Cohort 2 counties) for the fifty-six (56) California counties not within Cohort 1.

2. The average monthly number of children assisted includes data for the fifty-six (56) California counties not within Cohort 1 through FFY 2013. The change rate applied to this data for FFY 2014 projection purposes is the annual rate of decline demonstrated in FFY 2013 multiplied by the three-year average change in the rate of annual caseload decline demonstrated through FFY 2013. The projected caseload for each subsequent FFY of the project's operational period is determined as follows: the prior FFY's calculated caseload plus that number multiplied by both the calculated rate of annual change in that number and the FFY 2013 three-year average change in the rate of annual caseload decline.

3. The calculated average monthly number of children assisted for a given FFY will be subject to supplementation for that FFY only, at the request of California, if the actual number of children assisted under age 18 (using the definition of such as applied on Form CB-496 Part 1, line 41) in the fifty-six (56) California counties not within Cohort 1 exceeds the projected number for that FFY by 10% or greater.

4. The average maintenance payment claim per child for FFY

2014 is calculated by using the base period (FFYs 2008 – 2012) calculated amount and adding to it the multiplication of that number by the California Necessities Index (CNI) annual demonstrated change rate in FFY 2013. The annual change in the CNI is the basis in California, in accordance with Welfare and Institutions Code sections 11461 for Foster Family Homes, 11462 for Group Homes and 11463 for Foster Family Agencies, for mandated adjustments to maintenance payment rates. The average maintenance payment claim per child in each subsequent FFY during the specified project operational period is calculated by adding the impact of the prior FFY's estimated CNI annual change rate. The estimated CNI factor (displayed on Table 1) for each completed FFY will be adjusted to an actual CNI factor as documented through a submission received from California within three months of the close of that FFY (by December 31).

5. **The multiplication of the amounts computed in Steps #2 (plus any adjustment as per Step #3) and #4 above provide a projection of total maintenance payments for each FFY of project operations in the fifty-six (56) California counties not within Cohort 1. The annual percentage change in this projection is the factor applied to the Cohort 1 maintenance payment allocation.**
6. **The maintenance payment allocation in FFY 2015 and in each subsequent FFY (see Table 1 in section 4.3) is computed by adding to the Cohort 1 maintenance payment allocation amount in the prior FFY that amount multiplied by the current FFY annual percentage change factor (see Step #5 above).**

b. **Administration: Growth rate based on three-year average annual rate of change in total computable administration claims computed as follows:**
   1. **The claiming data consists of amounts expended through FFY 2012 (adjusted in the same manner as noted in Section 4.2.1 for Cohort 2 counties) for the fifty-six (56) California counties not within Cohort 1.**
   2. **The base period (FFYs 2008 – 2012) amount calculated from administration claims (as described in Step #1 above) is deemed as the FFY 2014 projected claim and is added to the product of that amount multiplied by the three-year average annual rate of change demonstrated (using FFY 2011 claims) in this category to compute the FFY 2015 projection of total administration claims. A projection of administration claims in the fifty-six (56) California counties not within Cohort 1 is similarly performed for each FFY of anticipated project**

operations.

3. The annual percentage change in the projection computed in Step #2 above is the factor applied to the Cohort 1 administration allocation.
4. The administration allocation in FFY 2015 and in each subsequent FFY is computed by adding to the Cohort 1 administration allocation amount in the base period or prior allocation FFY that amount multiplied by the current FFY annual percentage change factor (see Step #3 above).

Cohort 2 (See section 2.0)

a. Maintenance assistance payments: Growth rate based on three year average annual rate of change in the ratio of total computable maintenance payment claims to average monthly number of children assisted computed as follows:
   1. The claiming data consists of amounts expended through FFY 2012 (adjusted in the same manner as noted in Section 4.2.1 for Cohort 2 counties) for the ~~eight (8)~~ seven (7) California counties within Cohort 2.
   2. The average monthly number of children assisted is calculated by using the base period (FFYs 2008 – 2012) calculated amount. No change rate will be applied to the average monthly number of children assisted for the purposes of projecting FFY allocations in this category for this cohort.
   3. The average monthly number of children assisted for a given FFY will be subject to supplementation for that FFY only, at the request of California, if the Cohort 2 actual number of children under age 18 assisted (using the definition of such as applied on Form CB-496 Part 1, line 41) exceeds the projected number for that FFY by 10% or greater.
   4. The average maintenance payment claim per child for FFY 2015 is calculated by using the base period (FFYs 2008 – 2012) calculated amount and adding to it the multiplication of that number by the California Necessities Index (CNI) estimated annual change rate in FFY 2014. The annual change in the CNI is the basis in California, in accordance with Welfare and Institutions Code sections 11461 for Foster Family Homes, 11462 for Group Homes and 11463 for Foster Family Agencies, for mandated adjustments to maintenance payment rates. The average maintenance payment claim per child in each subsequent FFY during the specified project operational period is calculated by adding the impact of the prior FFY's estimated CNI annual change rate. The estimated CNI factor (displayed on Table 2) for each completed FFY will be adjusted to an actual CNI factor as documented through a submission

received from California within three months of the close of that FFY (by December 31).

5. **The maintenance payment allocation in FFY 2015 and in each subsequent FFY of project operations is computed by multiplying the average monthly number of children assisted (step #2 plus any adjustment as per Step #3 above) by the average maintenance payment claim per child (see Step #4 above) in that FFY.**

b. **Administration: Growth rate based on three-year average annual rate of change in total computable administration claims computed as follows:**

1. **The claiming data consists of amounts expended through FFY 2012 (adjusted in the same manner as noted in Section 4.2.1 for Cohort 2 counties) for the ~~eight(8)~~ seven(7) California counties within Cohort 2.**
2. **The base period (FFYs 2008 – 2012) amount calculated from administration claims (as described in Step #1 above) is deemed as the FFY 2014 projected claim and a three-year average annual rate of change is computed by comparing that amount to the FFY 2011 claims in this category.**
3. **The administration allocation in FFY 2015 and in each subsequent FFY is computed by adding to the Cohort 2 administration amount in the base period or prior FFY that amount multiplied by the calculated three-year average annual rate of change in the prior FFY.**

4.2.2.2 The foster care costs excluded from the cost neutrality calculation and thus subject to payment outside of the capped allocation are as follows:

a. **Any allowable title IV-E claims from counties <u>not</u> participating in the demonstration project will be excluded from the calculation of the demonstration's capped allocation (see Section 4.3) and will be reimbursable separately in addition to the amount of the capped allocation.**

b. **Any allowable SACWIS development or operational costs will be excluded from the calculation of the demonstration's capped allocation (see Section 4.3) and will be reimbursable separately in addition to the amount of the capped allocation.**

c. **Any allowable title IV-E In-Placement Administration – Provider Management claims for performance of foster care licensing activities and any training claimable at 50% FFP will be excluded from the calculation of the demonstration's**

capped allocation (see Section 4.3) and will be reimbursable separately in addition to the amount of the capped allocation.

d. Any allowable staff, provider, or professional partner training category costs will be excluded from the calculation of the demonstration's capped allocation (see Section 4.3) and will be reimbursable separately in addition to the amount of the capped allocation.

e. Any allowable title IV-E claims on behalf of title IV-E eligible youth who are at least age 18 but have not yet attained the age of 21 will be excluded from the calculation of the demonstration's capped allocation (see Section 4.3), and will be reimbursable separately in addition to the amount of the capped allocation.

4.2.2.3 **Upon a request from the State, the Department will consider an amendment to these Terms and Conditions with respect to the amount of the capped allocation for one or both Cohorts if the State documents significant unanticipated cost increases in either maintenance or administrative costs that exceed the growth rate for the cost category provided for in these Terms and Conditions, provided the documented increase in costs is unrelated to the implementation of this demonstration project (e.g., stemming from Federal, State or county policy changes, court orders, or other external factors) and would result in increased title IV-E allowable claims for the participating counties, but for their participation in the demonstration.**

4.3 **Federal title IV-E payments to the State for this demonstration, including expenditures of any realized savings, will be made quarterly for amounts in accordance with Table 1 and Table 2 below based on State estimates of demonstration expenditures for the next quarter in accordance with the payment schedule (as determined in Section 4.2 above).**

Table 1 - California Title IV-E Foster Care Total Computable Demonstration Project Capped Allocation Payments - Cohort 1[1]

Demonstration Project Funding Category	Base FFY Amount	FFY 2015 Allocation Cap	FFY 2016 Allocation Cap	FFY 2017 Allocation Cap	FFY 2018 Allocation Cap	FFY 2019 Allocation Cap
Maintenance Payments	$373,273,185	$380,070,004	$390,659,182	$398,231,636	$411,019,498	$420,637,930
Applied CNI Factor[2]		2.17%	2.97%	2.03%	3.26%	2.37%
Administration	$578,723,905	$590,182,638	$621,285,262	$636,133,980	$656,490,268	$680,189,566
All Capped Categories	$951,997,090	$970,252,642	$1,011,944,444	$1,034,365,616	$1,067,509,766	$1,100,827,496

Table 2 - California Title IV-E Foster Care Total Computable Demonstration Project Capped Allocation Payments - Cohort 2***

Demonstration Project Funding Category	Base FFY Amount	FFY 2015 Allocation Cap	FFY 2016 Allocation Cap	FFY 2017 Allocation Cap	FFY 2018 Allocation Cap	FFY 2019 Allocation Cap
Maintenance Payments	$120,242,774	$122,852,042	$126,502,998	$129,076,956	$133,284,739	$136,440,083
Applied CNI Factor**		2.17%	2.97%	2.03%	3.26%	2.37%
Administration	$275,152,291	$279,390,622	$296,625,001	$304,146,042	$314,490,004	$327,152,649
All Capped Categories	$395,395,065	$402,242,664	$423,127,999	$433,222,998	$447,774,743	$463,592,732

[1] This allocation level covers only those California counties identified in section 4.2.1 as participating in Cohort 1 of the demonstration project.

[2] The California Necessities Index (CNI) factor applied is the year it is effective. The numbers displayed are estimates that when, as required by section 4.2.2.1, must be adjusted to actuals will impact the amount of the displayed Maintenance Payments allocations.

~~Table 2 – California Title IV-E Foster Care Total Computable Demonstration Project Capped Allocation Payments – Cohort 2[3]~~						
~~Demonstration Project Funding Category~~	~~Base FFY Amount~~	~~FFY 2015 Allocation Cap~~	~~FFY 2016 Allocation Cap~~	~~FFY 2017 Allocation Cap~~	~~FFY 2018 Allocation Cap~~	~~FFY 2019 Allocation Cap~~
~~Maintenance Payments~~	~~$121,410,610~~	~~$124,045,220~~	~~$127,731,635~~	~~$130,330,593~~	~~$134,579,242~~	~~$137,765,232~~
~~Applied CNI Factor[4]~~	-	~~2.17%~~	~~2.97%~~	~~2.03%~~	~~3.26%~~	~~2.37%~~
~~Administration~~	~~$276,424,768~~	~~$280,682,766~~	~~$297,996,053~~	~~$305,551,610~~	~~$315,943,040~~	~~$328,663,705~~
~~All Capped Categories~~	~~$397,835,378~~	~~$404,727,986~~	~~$425,727,688~~	~~$435,882,203~~	~~$450,522,282~~	~~$466,428,937~~

Federal title IV-E payments for demonstration operational expenditures will be made for any quarter beginning in accordance with the dates specified in section 1.5 of these terms and conditions when the demonstration is in operation and for a total period of no longer than five years (20 quarters) thereafter.

Actual expenditures claimed for the demonstration project, including expenditures of any realized savings, along with estimates in advance of each quarter, will be identified separately on the ACF quarterly claim form, CB-496. Summary fiscal information on the results of the project must be reported in Part 3 as well as other applicable parts of form CB-496. These estimates and claims relating to the demonstration will be subject to 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 will continue to be filed in accordance with current quarterly claiming requirements for payments for allowable cost. 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.

At the completion of the demonstration project, the State will notify the Department when a final claim for operational costs has been filed. Reported expenditures subject to consideration as part of the payments made under the capped allocation will be totaled and reconciled against the cumulative capped allocation payments made. Any unclaimed portion of the capped allocation will be available for claiming in accordance with Federal regulations at 45 CFR 95.7 for costs incurred during the project period.

4.4 **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. This waiver demonstration was**

originally implemented on July 1, 2007; therefore, no further developmental costs may be claimed during the period of the five-year extension beginning on October 1, 2014.

4.5 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 that 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 1.5) 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.

SECTION 5: MONITORING

The State will 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 Within 60 days of acceptance of these Terms and Conditions, the State will submit to the Department a draft of the specifications or Request for Proposal (RFP) and evaluation specifications for review.

5.1 Within 90 days following acceptance of these Terms and Conditions, the State will submit an Initial Design and Implementation Report to the Department for approval (see Section 2.3 for detailed elements of the report).

5.2 The State shall submit quarterly progress reports beginning 90 days after the acceptance of these Terms and Conditions. The Initial Design and Implementation Report will serve as the first quarterly report. All subsequent reports are due no later than 30 days after the conclusion of each quarterly period and will include a basic update on the status of each activity or task identified in the Implementation Report. The report will also identify any problems encountered that may have an impact on the design or anticipated implementation schedule. Suggestions for resolving these problems will be provided for the Department's review and approval.

5.3 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 progress 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.

5.4 The State will submit an evaluation plan to the Department for approval within 90 days after the evaluation contract is awarded (Section 3.5). The evaluation plan must be approved by the Department prior to implementation.

5.5 The State will submit an Interim Evaluation Report 60 days after the conclusion of the 10th quarter **following the effective date of the demonstration's extension period** (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.

5.6 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).

5.7 The State will post copies of the interim and final evaluation reports on the State's child welfare agency Website (see Section 3.5).

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

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 2.4), the State will submit for the Department's approval a plan to phase down and end the demonstration to ensure that there are no demonstration-related Federal costs incurred beyond the period approved by the Department. All activities requiring Department approval 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 of the demonstration or before September 30, 2019, whichever is earlier.**

Approval:

Joo Yeun Chang
Associate Commissioner
Children's Bureau

MAR 30 2015

Date

Acceptance:

Pete Cervinka
Program Deputy Director for Benefits and Services
California Department of Social Services

3/30/2015

Date