

Amended in August 2016 to recalculate the maintenance and administration capped allocations by using federal fiscal years (FFY) 2015 and FFY 2016 actual first quarter claims, and estimated second quarter claims, annualized, to establish the base year capped allocation. (See sections 4.2.1 and 4.3.)

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

WAIVER AUTHORITY

STATE: **ARIZONA**

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

ARIZONA

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 **Arizona** (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 The Department may terminate the State’s authority to conduct a demonstration project if, after the three-year period following approval of these Terms and Conditions, the State has not made significant progress in implementing the child welfare program improvement policies proposed by the State in its application to conduct a demonstration, and as described in section 1130(a)(3)(C) of the Act (see also Section 2.3).
- 1.3 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.

- 1.4 All provisions of the Act not waived remain in effect.
- 1.5 The demonstration provisions will be implemented no earlier than **July 1, 2015**, and no later than **October 1, 2016**. 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 Demonstration Project 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. 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 demonstration's 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.
- 1.6 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.
- 1.7 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 Demonstration Project Terms and Conditions, the State is authorized to implement a demonstration project to **“right-size”¹ the current congregate care component of the State’s child welfare system. Specific strategies will include increased family engagement, effective case planning, increased supports available in the community, and the implementation of evidence supported interventions. The State’s demonstration will focus on accomplishing** the following goal(s):

- Increase permanency for all infants, children, and youth by reducing the time in foster placements when possible and promoting a successful transition to adulthood for older youth.
- Increase positive outcomes for infants, children, youth, and families in their homes and communities, including tribal communities, and improve the safety and well-being of infants, children, and youth.
- Prevent child abuse and neglect and the re-entry of infants, children, and youth into foster care.

The State’s demonstration will be implemented statewide. The primary target population will include all title IV-E eligible and non-IV-E eligible children, ages 0–18, who are in any congregate care placement, or who are at risk of entering congregate care, at the start of or during the demonstration. As specific interventions are selected, the State may further narrow the target population, taking into account any subgroups of the congregate care population whose needs may differ in the various regions across the State.

The State estimates that the total estimated population of children who could be served over the demonstration period is 28,000. Once specific interventions are selected, the number actually served may be a subset of this total estimated population.

Additional details regarding the target population, including priority subgroups and a more refined estimate of the total number to be served will be provided in the State’s Initial Design and Implementation Report (see Section 2.4).

2.1 **The State’s waiver demonstration to “right-size” its current congregate care system is one part of Arizona’s larger effort to transform its child welfare system and achieve long-term systemic change. Strategies implemented under the demonstration will include efforts to:**

- **Increase family engagement;**
- **Improve effective case planning; and**
- **Increase the supports available in the community.**

¹ Right-sizing is a comprehensive approach to ensuring children and youth receive the highest level of treatment and care needed in the least restrictive setting.

In addition, the State will implement one or more evidence-supported interventions, which may include, but are not limited to:

- **Motivational Interviewing**
- **Family Finding**
- **Expansion of Team Decision Making**
- **Wraparound Services**
- **Project Keep (Keeping Foster and Kin Parents Supported and Trained)**

Details regarding the demonstration's components, including specific services and evidence-supported interventions, will be described in the State's Initial Design and Implementation Report (see Section 2.4).

- 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 ensure that **child welfare caseworkers, supervisors, and 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 the State annually will provide an accounting of any additional Federal, State, tribal, and local investments made, as well as any private investments made in coordination with the State, to provide the service intervention(s) that the applicant intends to undertake through the demonstration (see Section 5.6).
 - 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 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 shall provide assurance of how the State has implemented, or plans to implement within three years of the date on which it submits its application the following child welfare program improvement policies:
- **Recruiting and Supporting High Quality Foster Family Homes (New): The development and implementation of a plan to improve the recruitment and retention of high quality foster family homes trained to assist infants, children, and youth swiftly secure permanent families. Supports for foster families under such a plan may include increasing maintenance payments to more adequately meet the needs of infants, children, and youth in foster care and expanding training, respite care, and other support services for foster parents.**
 - **Keeping Siblings Together: For infants, children, and youth in out-of-home placements, substantially increasing the number of cases of siblings who are in the same foster care, kinship guardianship, or adoptive placement, above the number of such cases in fiscal year 2008.**

2.4 The State will submit an Initial Design and Implementation Report within 90 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 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 use of title IV-E funds to **test the hypothesis that the flexible use of title IV-E funds to provide targeted services and evidence-supported interventions will result in improved safety, permanency, and well-being outcomes for targeted children and families.**

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 specific evaluation design will be described in the State's evaluation plan but will involve at a minimum a longitudinal, comparison group design to examine changes in safety, permanency, and well-being outcomes. The State will consider the most rigorous evaluation methodology based on the specific interventions and population(s) selected to receive the interventions under the demonstration. This may include developing comparison groups using retrospective or prospective case matching techniques including propensity score matching.**

In addition, the evaluation may include one or more experimental (e.g., random assignment) sub-studies of specific evidence supported interventions, geographic areas, or population(s) selected to receive the interventions under the demonstration project.

Details regarding the final evaluation design including estimated sample sizes will be determined in consultation with the State's third-party evaluation contractor and described in the State's evaluation plan (see Section 3.5). The State is committed to considering the use of the most rigorous evaluation design options.

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.

Cases will maintain their assigned status for the full period of the demonstration.

Modifications to the sampling plan may be proposed to the Department for approval if the sample sizes for the experimental and control groups are such that the number of clients in each group will provide adequate statistical power to detect differences in outcomes of interest between the two 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.

- **Confounding factors that may arise as the demonstration project is implemented in the midst of system-wide reform.**

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:

- **Reduced lengths of stay in out-of-home care;**
- **Reduced use of congregate care as a placement option;**
- **Reduced lengths of stay in congregate care;**
- **Increased timeliness of reunification;**
- **Reduced re-entry into congregate care; and**
- **Reduced foster care re-entry rates.**

Arizona intends to improve child and family well-being outcomes through its demonstration project. Additional well-being outcomes such as improved physical health and development, mental health, and social and emotional well-being will be identified and described in the State's evaluation plan (see Section 3.5).

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 from 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, 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 demonstration's implementation date** 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 5.9).
- 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 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 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, Table 1. 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.

At least 90 days prior to implementation, 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 for each of the funding categories impacted by the demonstration project through the following processes:

Source of claims: The base amount is the calculated Federal Fiscal Year (FFY) total computable (gross) title IV-E Foster Care allowable claims (including current and prior quarter adjustments) submitted by State 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 for baseline increases as specified below:

- Foster care maintenance costs: Total computable costs of ~~\$81,059,920~~ **\$119,068,026**. This total is calculated from the **FFY average actual claims reported in this funding category for expenditure quarters in FFYs 2013 2015 and annualized (multiplied by two) interim actual claims for the first half of FFY 2016 (fourth second quarter amount determined from the average of the first three quarters an estimate) in FFY 2014**. This total will be recalculated to reflect actual approved claims for the first half of FFY **2016** reported in this funding category on Form CB-496 for the quarter ended **September 30, 2014 March 31, 2016**, that are submitted by the state no later than **December 31, 2014 June 30, 2016**.
- Foster care administrative costs (excluding SACWIS, training, and pre-placement activities for candidates): Total computable costs of ~~\$63,246,683~~ **\$96,333,146**. This total is calculated from the **FFY average actual claims reported in the category of in-placement administration for expenditure quarters in FFYs 2013 2015 and annualized (multiplied by two) interim actual claims for the first half of FFY 2016 (fourth second quarter amount determined from the average of the first three quarters an estimate) in FFY 2014**. This total will be

recalculated to reflect actual approved claims for the first half of FFY 2016 reported in this funding category on Form CB-496 for the quarter ended September 30, 2014 March 31, 2016, that are submitted by the state no later than December 31, 2014 June 30, 2016.

Application of base allocation: 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 amount 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. 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:

a. Maintenance assistance payments: **The FFY 2016 allocation is set at the base level. The growth rate applied in each FFY thereafter through FFY 2019 is based on set at the FFY 2014 demonstrated 3-year average annual rate of change in the ratio of total computable maintenance payment claims to average monthly number of children.**

~~1. The FFY 2014 average monthly number of children (Form CB-496 Part 1, line 41) number applied in computing a base amount includes 871 additional children over the number that has been reported, reflecting the State's estimate of the number of children who will be determined as title IV-E eligible for maintenance assistance payment purposes among its foster care cases that are currently pending an eligibility determination. The State will provide documentation no later than July 15, 2015 establishing the average monthly number of additional children pending a title IV-E eligibility determination in FFY 2014 (i.e. not counted in one or more of the Form CB-496 Part 1, line 41 FFY 2014 submissions) who are actually determined as title IV-E eligible for FFY 2014 periods. This number will be factored with the reported amount in the four quarterly FFY 2014 CB-496 submissions to determine a revised FFY 2014 average monthly number of children. The capped~~

~~allocation will then be adjusted using the revised baseline number of children to compute the FFY 2015 projected caseload. The three year average annual rates of change previously identified for FFYs 2016-2019 (based on CB-496 reports) will, however, remain as computed without further adjustment.~~

1. If, at state option, documentation is submitted establishing a title IV-E impact of increases in maintenance payment rates in any FFY during which the project is operational (from FFY 2017 through FFY 2019), this calculated additional cost will be applied beginning in the FFY impacted and in each subsequent FFY within the five-year remaining project operational period.

- b. Administration: The FFY 2016 allocation is set at the base level. The FFY 2017 allocation growth rate is Projections based on the 3-year average annual rate of growth for the in-placement administration category. The allocation growth rate for each FFY thereafter through FFY 2019 is based on set at the FFY 2014 demonstrated 3-year average annual rate of change for the in-placement administration category.

1. If, at state option, documentation is submitted establishing that the title IV-E impact due to increases in administrative costs associated with the creation of the Department of Child Safety or as a result of approved amendments to the State's cost allocation plan in any FFY during which the project is operational (from FFY 2017 through FFY 2019), exceed the projected annual growth rate for that FFY already factored into the capped allocation for administration, the additional growth rate will be applied beginning in the FFY impacted and in each subsequent FFY within the five-year remaining project operational period.

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 claims for candidate administration 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.
- b. 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.

- c. Any **allowable SACWIS developmental 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.
- d. Any **allowable staff, provider or professional partner training 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.

4.3 Federal title IV-E payments to the State for this demonstration, including expenditures of any realized savings, will be made for amounts in accordance with Table 1 (shown below) quarterly 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 – Arizona Title IV-E Foster Care Total Computable Demonstration Project Capped Allocation Payments*

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	\$ 81,059,920	\$ 95,791,837	\$ 104,253,198	\$ 108,704,053	\$ 116,785,488	\$ 124,766,145
Administration	\$ 63,246,683	\$ 68,850,339	\$ 75,095,065	\$ 84,001,340	\$ 92,334,272	\$ 101,826,236
All Capped Categories	\$ 144,306,603	\$ 164,642,176	\$ 179,348,263	\$ 192,705,393	\$ 209,119,760	\$ 226,592,381

*The amounts in Table 1 do not include application of the annual allocation change factors discussed in Section 4.2.2.1c&e.

Table 1 - Arizona Title IV-E Foster Care Total Computable Demonstration Project Capped Allocation Payments*

Demonstration Project Funding Category	Base FFY Amount	FFY 2016 Allocation Cap	FFY 2017 Allocation Cap	FFY 2018 Allocation Cap	FFY 2019 Allocation Cap
Maintenance Payments	\$ 119,068,026	\$ 119,068,026	\$ 125,315,960	\$ 131,889,912	\$ 138,821,144
Administration	\$ 96,333,146	\$ 96,333,146	\$ 117,083,305	\$ 131,695,302	\$ 148,130,876
All Capped Categories	\$ 215,401,172	\$ 215,401,172	\$ 242,399,265	\$ 263,585,214	\$ 286,952,020

*The amounts in Table 1 do not include application of the annual change factors discussed in Section 4.2.2.1.a1 & b1.

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. For activities undertaken prior to the implementation date specified in Section 1.5 above, the Federal government will match the approved administrative costs related to development of the demonstration project (otherwise called developmental costs) at the 50 percent 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.
- 4.5 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 The State must submit a plan, for approval by the Department, designating which administrative costs will be treated as developmental costs (see Section 4.4) no later than 30 days after accepting these Terms and Conditions.
- 5.1 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.
- 5.2 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 2.4 for detailed elements of the report).
- 5.3 The State shall submit quarterly progress reports beginning 90 days after the acceptance of these Terms and Conditions and continuing until implementation. 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.
- 5.4 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. The State will address its progress toward implementing the Child Welfare Program Improvement Policies as described in Section 2.3. These reports are due no later than 30 days after the conclusion of each reporting period.
- 5.5 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.
- 5.6 The State will submit an annual accounting during the demonstration project period of all investments, public or private, made in coordination with the State to provide services under the proposed demonstration project.

- 5.7 The State will submit an Interim Evaluation Report 60 days after the conclusion of the 10th quarter **following the demonstration's 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 post copies of the interim and final evaluation reports on the State's child welfare agency Website (see Section 3.5).
- 5.10 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:

Acceptance:



Rafael López
Commissioner
Administration on Children, Youth
and Families



Greg McKay
Director
State of Arizona Department of
Child Safety

8/4/16

Date

8-16-16

Date