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INFORMATION MEMORANDUM

TO: State Social Services Directors, State Child Welfare Administrators, State Adoption and Foster Care Coordinators

SUBJECT: Child Welfare Demonstration Projects for Fiscal Years 2000 and 2001

LEGAL AND RELATED REFERENCES: Title IV-B of the Social Security Act
Title IV-E of the Social Security Act
Section 1130 of the Social Security Act, as amended by Public Law 105-89

PURPOSE: The purposes of this Information Memorandum are to announce that the Department of Health and Human Services (Department) is seeking State proposals on child welfare demonstration projects and to inform interested parties of: (1) the procedures the Department expects States to employ in involving the public in the development of proposed demonstration projects under Section 1130; (2) the procedures the Department will follow in receiving demonstration proposals; and (3) the principles and procedures the Department will follow in exercising its discretion to grant demonstration projects under the authority in Section 1130 (a) of the Social Security Act (the Act), as amended by Public Law 105-89.

DUE DATE: The following are the due dates for letters of intent and proposals for both fiscal years 2000 and 2001. While we include due dates for each fiscal year, the Department intends this to be a rolling application process whereby a State may apply at any point within a fiscal year. The dates below provide assurances of consideration within a given fiscal year.

For fiscal year 2000 demonstrations, letters of intent should be submitted by March 3, 2000 with proposals submitted by April 21, 2000.

For fiscal year 2001 demonstrations, letters of intent should be submitted by January 26, 2001 with proposals submitted by March 30, 2001.

Letters of intent and proposals should be submitted to Patricia Campiglia, Children's Bureau, Administration on Children, Youth and Families, U.S. Department of Health and Human Services, Room 2428, 330 C Street, S.W. Washington, D.C. 20447.

FOR FURTHER INFORMATION: See the ACF Website at <http://www.acf.hhs.gov/programs/cb/> or contact Patricia Campiglia, Children's Bureau, Administration on Children, Youth and Families, HHS at (202)205-8060.

SUPPLEMENTARY INFORMATION: Under section 1130 of the Act, the Department of Health and Human Services is given authority to approve up to ten State child welfare demonstrations in each of the five fiscal years 1998-2002. These demonstration projects involve the waiver of certain requirements of titles IV-B and IV-E, the sections of the Act that govern foster care, adoption assistance, independent living, child welfare services, promoting safe and stable families, family preservation and support, and related expenses for program administration, training, and automated systems. This authority provides an opportunity for States to design and test a wide range of approaches to improve and reform child welfare. Such demonstrations should provide valuable knowledge that will lead to improvements in the delivery, effectiveness and efficiency of services.

In exercising her discretionary authority, the Secretary has developed a number of policies and procedures for reviewing proposals. In order to ensure a sound, expeditious and open decision-making process, the Department will be guided by the policies and procedures described in this Information Memorandum in accepting and reviewing proposals submitted pursuant to Section 1130 of the Act.

Background

The child welfare system continues to face many difficult challenges. Current social and economic forces are placing enormous pressures and stresses on children and families and on the professional workers and agencies that serve them. Increasing rates, substance abuse, child and family poverty, teen pregnancy, and interpersonal and community violence, increases in child abuse and neglect, and increase in the incidence of AIDS/HIV in women have resulted in a weakening of family strength and unity. These factors have created larger child welfare caseloads, and presented increasingly complex family problems for public child welfare agencies. Community and State agencies with limited resources are struggling to address these issues.

New, creative efforts are needed to stimulate meaningful changes in the delivery of child welfare services and promote more effective and beneficial methods of service delivery for children and families. Throughout the country, local and State child welfare agency administrators are developing innovative responses to these circumstances. Knowledgeable child welfare professionals are developing new solutions to these challenges even when faced with insufficient resources. In order to meet the existing service needs of families with diminishing community resources, more flexibility is needed in devising service programs.

The Adoption and Safe Families Act (ASFA) of 1997 (Public Law 105-89), which was signed by the President on November 19, 1997. ASFA represents an important landmark in Federal child welfare law. It establishes that the national goals for children in the child welfare system are safety, permanency and well-being. The law provides mechanisms for making child welfare systems more responsive to the multiple and often complex needs of children and families. It gives new impetus to the effort to dismantle the many barriers that may exist between children waiting in foster care and the permanent placements they need. The law also increased to ten the number of State demonstration projects that could be approved by the Secretary each year. By expanding the number of child welfare demonstrations available, the law provides States the opportunity to develop creative approaches to provide permanency for children in foster care, and offers a Federal partnership in the effort to develop innovative strategies to achieve positive results for children in the child welfare system.

General Considerations

Principles

The guiding principles for the implementation of a child welfare demonstration project remain unchanged from the original announcement for child welfare demonstration projects, published in the **Federal Register** on June 15, 1995. Projects conducted under this authority must, according to statute:

- Be consistent with the purposes of titles IV-B and IV-E of the Social Security Act in providing child welfare services, including foster care and adoption, that is:
 - assure the safety of children and protect the rights of children and their families; and
 - ensure permanency for children through intensive family preservation and support or through reunification or adoption efforts;

Be cost neutral to the Federal government for the duration of the project period; and

Ensure that benefit eligibility to a qualified child or family will not be impaired.

Demonstration projects should also:

Focus on improving outcomes for children and families and the efficacy with which services are provided;

Be open to public scrutiny at the local, State and Federal levels, and be based upon broad consultation and full opportunity for public comment;

Provide services in which the level of State intrusion into family life is consistent with the seriousness of the risks to family members;

Comply with appropriate civil rights statutes and regulations;

Present specific hypotheses that are testable by a well-designed evaluation plan; and

Test unique program concepts, in the context of a solid evaluation plan, that could lead to broader State child welfare program reforms.

Further, the newly amended demonstration effort affirms a number of key principles embodied in ASFA, which must be considered by the States in implementing the demonstration effort. These principles are:

The safety of children is the paramount concern that must guide all child welfare services.

Foster care is a temporary setting and not a place for children to grow up.

Permanency planning efforts for children should begin as soon as a child enters foster care and should be expedited by the provision of services to families.

The child welfare system must focus on results and accountability.

Innovative approaches are needed to achieve the goals of safety, permanency and well-being.

The final principle recognizes that more solutions are needed to achieve safety, permanency and well-being for children. By expanding the authority for the child welfare demonstrations, Public Law 105-89 provides a mechanism to allow States greater program flexibility to develop and evaluate cost neutral innovative strategies to achieve positive results for children and families.

Objectives

The Administration for Children and Families encourages States to use the flexibility under the demonstrations as a vehicle to test innovative alternatives and new approaches that will produce positive outcomes for children, youth and their families. In developing demonstration projects, States should consider that the Department affirms the following general objectives:

Improve results for children and families such as better assuring the safety and protection of children, enhancing and enriching child development, providing permanency for children, strengthening family functioning and averting family crises, providing early intervention to avoid out-of-home placement, reducing the time that children are separated from their families, speeding the process by which children who cannot return home are freed for adoption and adopted, or preparing young people in foster care for independent living;

Innovate and develop creative, alternative approaches to child welfare service delivery that, when confirmed by rigorous evaluation, can be employed by other States and Federal policymakers to improve outcomes for children, youth and families or increase efficiency or both;

Develop new information and experience on which to base legislative changes;

Develop family-focused, strength-based, community-based service delivery networks that enhance the child-rearing abilities of families, to enable children to remain safely in their homes whenever possible, or to move children quickly to permanency when that is not possible.

While the Department is committed to working with States to consider a range of proposals, it may disapprove or limit proposals on policy grounds or because the proposal creates potential constitutional problems or violates civil rights laws or equal protection requirements. The Department will give priority consideration to innovative approaches that have not yet been tested or where we are still building a knowledge base. [Appendix I](#) lists a number of examples of innovative projects.) Within the overall policy framework described above, the Department is prepared to grant demonstration projects that:

Clearly define the policy hypothesis to be tested; fully delineate the proposed intervention and describe how the intervention supports the hypothesis; outline the specific child welfare outcomes to be examined; and present alternatives to ongoing child welfare demonstrations (See [Appendix III](#)).

Projects that provide for an evaluation based on random assignment methodology produce more reliable results, and consequently are strongly favored and will be given priority consideration by the Department.

Preferences

The Department will give preference to proposals that would test policy alternatives that are unique; that differ in their approach to serving families and children; that differ in significant ways from other proposals; that will evaluate based on random assignment; and that are submitted by States that have not previously been approved for a child welfare demonstration project. The Department will give first consideration to proposals that reflect the priorities outlined in [Appendix I](#), and will make every effort to approve proposals reflecting these priorities. Section 1130(a)(3), as amended, provides that certain types of proposals must be considered. They are proposals for:

a project designed to identify and address barriers that result in delays to adoptive placement for children in foster care;

a project designed to identify and address parental substance abuse problems that endanger children and result in the placement of children in foster care. This would include the placement of children with their parents in residential treatment facilities (including residential treatment facilities for postpartum depression) that are specifically designed to serve parents and children together in order to promote family reunification and that can ensure the health and safety of children in such placements; and

a project designed to address kinship care.

The Department will consider any such proposal, in accordance with all the requirements of the law and the priorities outlined in this Information Memorandum.

Provisions Not Subject to Waiver

Section 1130 (b)(1) excludes certain provisions of titles IV-E and IV-B from waiver. They are:

Certain protections for children in foster care and their families, formerly required by section 427 of the Social Security Act (now section 422(b)(9), which, effective April 1, 1995, made those protections an element of a State's Child Welfare Services State Plan). These protections are fully explained in section 475 of the Act.

This excludes from waiver:

All the protections having to do with periodic reviews of the status and progress of foster care cases

Permanency hearings (formerly called dispositional hearings) to determine or confirm the future plan for the child and to determine whether an independent living plan is needed for older children in care

Requirements that certain information be contained in a child's case plan

Protections for the child such as requirements that the placement be the most family-like setting and in close proximity to the parents' home

Protections for the family such as procedural safeguards to assure that parental rights are respected; and (6) the requirement that the State must file or join a petition for Termination of Parental Rights for children in care 15 of the last 22 months.

Section 479 that establishes the Adoption and Foster Care Data collection requirements.

Any provision of title IV-E to the extent that a demonstration project would impair the entitlement of any qualified child or family to benefits under Part E.

In addition, the Department has determined that it will exclude from waiver those provisions of sections 471 (a)(8) and (12) which provide for confidentiality and fair hearings, respectively. All other provisions may be waived at the discretion of the Secretary.

Limitations

Section 1130(a)(4), as amended, limits State eligibility for child welfare demonstration projects. The Secretary may not approve a demonstration project for any State that fails to provide health insurance coverage to any child with special needs (as determined under section 473(c) of the Act) for whom there is in effect an adoption assistance agreement between a State and an adoptive parent or parents.

Further, Section 1130(a)(5) requires that all proposals must

1. identify any court order in effect anywhere in the State in which a court has determined that the State's child welfare program failed to comply with titles IV-B or IV-E of the Social Security Act or the U.S. Constitution, and
2. provide an analysis of whether that proposed demonstration would have any effect on any such court order and, if so, how.

Any State that has an approved demonstration and wishes in addition to propose a new child welfare demonstration should submit a new proposal; amendments to existing demonstrations will be considered only to the extent they are consistent with the Terms and Conditions for the approved project(s).

Duration

Section 1130 (d) of the Act, as amended, limits the duration of the demonstration to not more than five years unless in the judgment of the Secretary, the demonstration project should be allowed to continue. The Department will consider demonstrations with a duration of less than five years and will work with States to:

Approve demonstration projects of sufficient duration to give new approaches a fair test. The duration of the approval should be commensurate with the magnitude and complexity of the project. For example, a large-scale program may require the full five years. Smaller projects, for example a one-to-several county demonstration effort, may demonstrate their effectiveness and utility in a shorter period of time.

Provide reasonable time for the preparation of meaningful analyses and the preparation of evaluation reports for the demonstration project; and

Determine a reasonable start date for the project recognizing that new approaches often involve considerable start-up time.

Proposal Submission and Review Procedures

For proposals submitted in 2000 and 2001, a two-step procedure is provided to speed the review process and focus the Department's technical assistance efforts. The steps, described below, involve a letter of intent to be submitted by a State, followed at a later date by a full proposal. The Department will begin working with a State to respond to specific questions upon receipt of a letter of intent.

Acceptance of Proposals

Proposals for a child welfare demonstration project will be accepted at any time from the States, the District of Columbia, and Puerto Rico. Proposals will be easier to review and will require less time for negotiation and approval, to the extent that they:

1. present a statement of the problem the proposal is designed to address

2. articulate the hypothesis that will be tested through the implementation of the program intervention
3. clearly delineate the proposed program intervention
4. present specific and well-developed goals and outcomes that the State will use to measure the performance of the project;
5. identify the target population to be served
6. present a sound evaluation plan that preferably employs random assignment and enables the State to accurately determine the impact and effectiveness of the program intervention
7. present a reliable method of ensuring cost neutrality
8. identify the steps taken to assure county, local or judicial cooperation as required by the project
9. state the project period for the demonstration project
10. state the statutory requirements to be waived
11. describe any similar project already underway in the State;
12. describe any court order anywhere in the State by which a court has determined that the State has failed to comply with either title IV E or B and what effect it might have on the proposed project; and
13. provide an assurance that the State provides health insurance coverage for all special needs children.

Proposals should be addressed to Patricia Campiglia, Children's Bureau, Administration on Children, Youth and Families, U.S. Department of Health and Human Services, Room 2428, 330 C Street, S.W. Washington, D.C. 20447. States are asked to provide a copy of their proposals to their respective ACF Regional Administrators. A list of the names and addresses of Regional Administrators may be found at [Appendix II](#).

Proposals will be accepted immediately upon publication of this Information Memorandum. As proposals are received a brief description will be posted on the ACF Website, at http://www.acf.hhs.gov/programs/cb/laws_policies/index.htm#policy. This information will, among other things, enable State officials and others to judge for themselves the nature and extent of competition for child welfare demonstrations. This listing will be in addition to the publication in the **Federal Register**, described below in the Public Comment section.

Technical Assistance

States interested in a child welfare demonstration are invited to submit a letter of intent. A letter of intent should indicate an intention to submit a proposal, and briefly describe the demonstration project and the method of evaluation that the State is considering. The Children's Bureau will provide all interested States with a technical assistance package that will include, among other things:

a copy of this Information Memorandum;

a guide to the evaluation of child welfare demonstrations (including descriptions of methodologies the Department prefers and the reasons therefore, samples of the evaluation

provisions of approved Demonstrations, and information about resources that might be helpful to a State in designing a demonstration and constructing an evaluation plan);

examples of cost-neutrality designs on which the Department and States have reached agreement in the past;

a copy of section 1130 of the Act;

samples of other key provisions of Terms and Conditions the Department has approved for child welfare demonstration projects in the past; and

a checklist of the elements required in a proposal.

Upon receipt of a letter of intent from a State, Administration on Children, Youth and Families (ACYF) staff will contact the appropriate State official to offer a conference call in which both Central Office and Regional Office staff will participate. If the State accepts the offer, the State can use the opportunity to describe further the nature and scope of the demonstration it is considering, and its approach to evaluation, and to raise specific questions. Without making commitments at that point, ACYF staff will endeavor to answer questions concerning evaluation, cost neutrality, and the provisions of this Information Memorandum. ACYF staff will also refer interested States to published materials or other States that may be helpful to them. Technical assistance will also be available later to States that do not write letters of intent.

These pre-submission contacts are regarded as technical assistance to a State. They are an effort to help a State achieve its own purposes consistent with the priorities identified in this Information Memorandum and to anticipate, try to avoid or solve potential problems. Such contacts are not waiver negotiation sessions, and neither any State nor ACYF would be bound by any positions taken or tentative agreements reached in such a session.

Pre-approval consultation with a State (at any time before a proposal is submitted or while a proposal is under consideration) can include providing assistance related to preparing a proposal, answering specific questions regarding cost-neutrality and cost-allocation issues, working with a State to consider the scope of its project and options for evaluation, and referring a State to other sources of assistance for the formulation of evaluation plans. Federal staff will not, however, participate in determining the basic nature of a State's demonstration project.

After approval of a child welfare demonstration, Federally provided technical assistance will remain available through the ACF Regional and Central Offices and, to a limited extent, through Federally funded technical assistance providers. A major priority for Federally funded technical assistance will be to support the evaluations of approved demonstration projects.

Review of Proposals

The Department intends to review proposals as promptly as possible after receipt. Proposals will be reviewed by Federal officials, who will also consider comments received from outside experts (if any) and from the general public. Regional Office staff will be asked to contribute to the

review of proposals submitted by States in their respective Regions. The review process and all discussions and other activities leading up to a final decision will be managed by the Children's Bureau. If the initial review discloses basic questions or issues with a proposal, the State may be contacted for more information or to resolve the problem so that the process can continue. States will be permitted a reasonable period of time to address any issues raised during the initial review.

Following the initial review and responses to any basic questions as described above, an Issue Paper will be prepared and sent to the State. The Issue Paper will pose any questions of substance that have been raised within the Department and will outline any problems or issues that may impede approval or that may complicate agreement on the scope, nature, cost neutrality and evaluation of the proposed demonstration project. The Department will request that States respond in writing to the Issue Paper.

Where issues remain or problems cannot be resolved, the Department will continue its efforts to achieve agreement on any proposal that meets the requirements of the law and the preferences described in this Information Memorandum, and that the Department believes proposes a project that ultimately may be recommended to the Secretary for approval. Such efforts can include additional conference calls, exchanges of written statements and arguments, review and comment on draft Terms and Conditions prepared by the Children's Bureau, and face-to-face meetings. However, the Department or the State may terminate the process if it appears that agreement cannot be reached.

Public Comment

From time to time, the Department will summarize the proposals received and publish these summaries in the **Federal Register** for public comment. This Federal-level public comment process will be completed for a proposal before it is recommended to the Secretary for approval. This process is in addition to the public comments that States are required to solicit, consider and report on in their proposals, as described below under State Notice Procedures. When a summary of a State's child welfare demonstration proposal is published in the **Federal Register**, the Department will publish the name, address and telephone number of the official designated by each State and direct interested parties to contact the State directly to receive a full copy of the State's proposal. The announcement in the **Federal Register** will inform interested parties that they may respond directly to the Children's Bureau and encourage them to send a copy of their comments to the State.

All decisions about approval of a child welfare demonstration proposal and all Department commitments with respect to times for responding to demonstration proposals will be delayed until both the State and the Federal aspects of the public comment process are completed.

Decisions

ACYF will recommend to the Secretary approval of proposals that meet the requirements of the statute. The Terms and Conditions for a proposed child welfare demonstration will not be recommended for approval without the concurrence of the State that submitted the proposal and

the Federal Office of Management and Budget. ACYF will also assure that other HHS components, as appropriate, and any other relevant Federal agencies have reviewed the Terms and Conditions. States will be informed of the Secretary's decisions as they are reached.

If the Department determines it is necessary, an agreement might be negotiated between a State and the Department to implement the demonstration project at some date in the future. For example, if some action of the State legislature is required as an integral element of a demonstration, it might be possible to conditionally approve the project pending action by the legislature.

State Notice Procedures

The Department recognizes that individuals and groups who may be affected by a demonstration project have a legitimate interest in learning about proposed projects and must have an opportunity to provide input into the decision-making process prior to the time a proposal is approved by the Department. The Department requires that States notify the public that a child welfare demonstration project is being proposed and provide an opportunity for comment.

A process that facilitates public involvement and input promotes sound decision-making. There are many ways that States can solicit such input and the Department will accept any process that:

Includes the holding of one or more public hearings at which the most recent working proposal is described and made available to the public and time is provided during which comments can be received; or

Uses a commission, or other similar process, where meetings are open to members of the public in the development of the proposal;

Results from enactment of a proposal by the State legislature prior to submission of the demonstration proposal, where the legislature holds one or more public hearings and the outline of such proposal is contained in the legislative enactment;

Provides for formal notice and comment in accordance with the State's administrative procedures act, provided that such notice must be given at least 30 days prior to submission;

Includes notice of the intent to submit a demonstration proposal in newspapers of general circulation and provides a mechanism for receiving a copy of the working proposal and a reasonable opportunity, e.g. 30 days, to comment on the proposal; or

Includes any other similar process for public input that would afford an interested party the opportunity to learn about the contents of the proposal and to comment on it.

The State child welfare demonstration project shall include a description of the process that was used in the State to obtain public input. If the Department determines that the process was inadequate to meet the standards set forth above, the State can resolve the inadequacy by posting a notice in the newspaper of widest circulation in each city with a population of 100,000 or more,

or in the newspaper of widest circulation in the State if there is no city with a population of 100,000, indicating that a demonstration proposal has been submitted. Such notice shall describe the major elements of the proposed demonstration and any changes in benefits, payments, responsibilities or provider selection requested in the proposal. The notice shall indicate how an interested person can obtain copies of the proposal and shall specify that written comments will be accepted by the State. The State should maintain a record of all comments received through this process.

States must advise the public that comments regarding the proposed child welfare demonstration project can be made directly to ACYF. Written comments can be submitted to:

Patricia Campiglia,
Children's Bureau,
ACYF, Room 2428,
330 C Street, S.W.,
Washington, D.C. 20447.

States that materially revise their proposals after they are first submitted to the Department may be required to solicit public comment on any modification of consequence on which the public otherwise had no opportunity to comment.

As noted above, all decisions about approval of a child welfare demonstration proposal will be delayed until both the State-level and the Federal-level aspects of the public comment process are completed.

Evaluation

Section 1130 (f) requires that each State authorized to conduct a demonstration project must obtain an evaluation by an independent contractor to assess the effectiveness of the project. The evaluation plan, at a minimum, must provide for:

a comparison of outcomes for children and families in the child welfare demonstration project and children and families being served under the existing State plan or plans for purpose of assessing the relative effectiveness of the project in achieving program outcomes; and

a comparison of methods of service delivery under the project and such methods under a State plan or plans, with respect to efficiency, economy and any other appropriate measures of program management; and

a comparison of the fiscal consequences of the project for State and local jurisdictions, families, other agencies, and the Federal government and an assessment of the cost effectiveness of the project.

Section 1130 (e)(1) requires that the proposal include a description of both the children and families who would be served by the demonstration project and the services that would be provided. The Department is committed to testing a range of program strategies. The Department strongly encourages that the proposals provide for random assignment of children and families to

groups served under the project and control groups. Experience has shown that the random assignment approach easily addresses both evaluation and cost-neutrality issues and is the most appropriate method of evaluation for demonstrating the effectiveness of interventions.

The evaluation of the approach to be implemented should be as unobtrusive as possible to the clients, while ensuring that critical lessons are learned from the demonstration effort.

If the State proposes an alternative to random assignment, the proposal must include a demonstration that random assignment is not appropriate and an explanation of how the State believes an alternative methodology would meet evaluation needs. The evaluation design must include a clear statement of the evaluation questions.

The costs of the required independent evaluation of each State's demonstration project will be excluded from the cost-neutrality calculation. In addition, the costs for the development of the proposal and the evaluation design, as well as the costs of the evaluation itself, may be charged to title IV-E administrative costs without cost allocation, so that States may claim a full 50 percent of these costs as title IV-E administrative costs.

The Department has awarded a national contract to collect information from the approved demonstration projects; to produce annual reports for the Department and the general public; to collect, synthesize and report on the results of the individual States' evaluations; to organize an annual meeting of demonstration States and their evaluators; to assist selected States in resolving evaluation problems; to assist the Department in assuring that States with approved demonstrations are informed of and able to profit from the experience of other demonstration States; and to prepare a national summary of the child welfare demonstrations at the completion of the project periods. All States proposing a demonstration must provide an assurance that they will agree to cooperate and collaborate in this evaluation effort.

Cost Neutrality

Section 1130 (g) requires that the demonstration project be cost neutral, that is, the total amount of Federal funds used to support the demonstration, over the approved project period, will not exceed the amount of Federal funds that would have been expended by the State under the State plans approved under Parts B and E of title IV of the Act if the Demonstration project were not conducted. The Department will determine at the beginning of each demonstration that the project can be reasonably expected to be cost neutral over its projected duration. The Department will work with a State to devise a method for calculating cost neutrality in advance of approval, so that the project will be cost neutral as the Demonstration progresses, and the State will not be at risk of accumulating any debt under the demonstration. The Department has developed a fairly standardized formula for tracking cost-neutrality that may be used by most States. The Department provides this formula through the Technical Assistance program that is available for all States. The Department will continue to examine quarterly claims and otherwise monitor demonstration projects to track interim results and spending and to assure Federal cost neutrality as the demonstration project progresses.

The Department expects that States will project costs and savings over the full term of the project. The cost neutrality formula calculates an amount for typical quarterly payments to the States that they would otherwise have received for that period for the children in the demonstration, in the absence of a demonstration.

The Department expects to participate only to a very limited extent in the financing of any project that requires significant "up-front" expenditures in excess of that amount in order to produce a return on the investment in the later stages of the demonstration. The Department will impose a cap on the payment of costs for "up-front" expenditures, at a maximum of roughly five percent above the amount derived by the cost neutrality formula for a particular quarter or cumulatively from the beginning of the project. Payment to a State above the amount determined to be cost neutral for the quarter will be limited to the early quarters of the project. The determination that a project is cost neutral in concept will be made before a demonstration project begins.

The Terms and Conditions will prescribe a standardized formula by which each State calculates and claims the amount of title IV-E and IV-B funds to which it would otherwise have been entitled in the absence of a demonstration. Typically, the project evaluation will also provide data necessary for the calculation of cost neutrality, another reason for the emphasis on a reliable method of evaluation and the Department's strong preference for a random assignment methodology.

States are expected to use any Federal funds that are saved or freed up under a demonstration and that are not expended for purposes approved as part of the demonstration for child welfare purposes authorized by parts B and E of title IV. In order to be able to claim the full amount of title IV-E Federal Financial Participation (FFP) for any title IV-E funds that would be allowed under the cost-neutrality formula, a State must first expend sufficient non-Federal funds for such child welfare purposes. States will continue to claim FFP for non-demonstration title IV-E activities under the standard procedures.

Along with other project results, fiscal effects of the project will be carefully monitored as a key element of the evaluation as the demonstration project progresses. A demonstration will not be approved if the Department determines that up-front costs present too great a risk to the maintenance of cost-neutrality over the life of the project. Should the Department determine, in the course of a demonstration, that Federal costs exceed a cost-neutral amount, continuation of the demonstration project will be conditioned on modification of the project or other action that will maintain Federal cost neutrality.

States may be required to adapt relevant aspects of a demonstration to changes in Federal legislation within a reasonable period of time.

State Proposals

Proposals will be easier to review, and will require less time for negotiation and approval, to the extent that they provide:

State the problem and clearly describe the proposed project. This description should include an explanation of the issue to be addressed and the intervention proposed. The proposal should outline the specific goals and outcomes the State expects to realize at the end of the demonstration effort, including how service provision will have changed for children and families.

Articulate the hypothesis that will be tested through the implementation of the program evaluation.

Delineate of the proposed program intervention with a description of the nature and scope of services that will be provided by the proposed project.

Present specific and well-developed goals and outcomes that the State will use to measure the performance of the project.

Identify the target population to be served. Present demographic information, including the geographic area(s) in which the proposed project will be conducted; a description and an estimate of the number of children or families who would be served by the proposed project; and the number of title IV-E cases involved.

Present a sound evaluation plan that preferably employs random assignment and enables the State to accurately determine the impact and effectiveness of the program intervention. Include a description of the evaluation design.

Present a reliable method of ensuring cost neutrality. Include an estimate of the costs or savings of the project, along with a description of the basis for projecting that the project would be cost neutral overall.

Identify the steps taken to assure county, local or judicial cooperation as required by the project.

State the period during which the proposed project will be conducted.

State the statutory and regulatory requirements for which waivers will be needed to permit the proposed project to be conducted, and a specific proposal regarding the provision(s) of parts B or E of title IV for which the State proposes a demonstration project.

Describe any similar project already underway in the State that is supported by State or foundation funds and/or a statement of the State's ability successfully to implement the demonstration project.

Describe any court order in effect anywhere in the State by which a court has determined that the State's child welfare program failed to comply either

with State child welfare laws or

with title IV-B, title IV-E or the Constitution, along with an analysis of whether the proposed demonstration project would have any effect on any such court order, and if so, how.

Provide an assurance that the State provides health insurance coverage for all special needs children for whom the State has entered into an adoption assistance agreement.

Either at the time the proposal is submitted, or at least by the time the State responds to the Issue Paper for its proposal, the State must supply a copy of letters of agreement between the State and any county, municipality, foundation, private agency or any other governmental organization that is to be a participant in the child welfare demonstration project.

Federal Role

The overall management of child welfare demonstration projects will be the responsibility of the Children's Bureau in Washington, D.C. ACF Regional Office staff will have the principal responsibility for on-site liaison. Proposals for additions or modifications to the Terms and Conditions of any approved child welfare demonstration, including proposals for extension of the duration of any demonstration, are to be addressed to the Children's Bureau in Washington, D.C.

State program managers for the demonstration projects will be required annually to attend a two day meeting in Washington, D.C. to discuss the demonstration projects' development and progress. The cost of attendance will be excluded from the cost-neutrality calculation and will be chargeable to title IV-E administrative costs without cost allocation.

Administrative Record

The Department will maintain an administrative record which will generally consist of: the formal demonstration application from the State; correspondence sent to the State regarding issues/problems with the application and the State's response; public and congressional comments sent to the Department and any Department responses; the Department's decision memorandum regarding the granting or denial of a proposal; and the final Terms and Conditions and demonstration projects sent to the State and the State acceptance of them.

The Department regards all Issue Papers, once they have been sent to a State, and all Terms and Conditions for child welfare demonstrations, once they have been approved by the Secretary, as public documents, and will make arrangements for securing copies of them available to any requester. The Department also regards a State's proposal for a child welfare demonstration, along with any written modifications to a proposal, as public documents once they have been submitted to the Department and expects the State to make copies of the proposals and their modifications available to any requester.

Implementation Reviews

As part of the Terms and Conditions of any demonstration proposal that is approved, the Department may require periodic assessments of how the project is being implemented. The

Department will review, and when appropriate investigate, documented complaints that a State is failing to comply with requirements specified in the terms and conditions and implementing any approved demonstration project.

Legal Effect

This Information Memorandum, like the notice employing similar language that was originally published in the **Federal Register** of June 15, 1995, is intended to inform the public and the States regarding procedures the Department ordinarily will follow in exercising the Secretary's discretionary authority with respect to State demonstration proposals under section 1130. This Information Memorandum does not create any right or benefit, substantive or procedural, enforceable at law or equity, by any person or entity, against the United States, its agencies or instrumentalities, the States, or any other person.

/s/

Patricia Montoya
Commissioner
Administration on Children, Youth and Families

Appendices

[Appendix I](#)- Demonstration Topics of Interest to the Department

[Appendix II](#)- Names and Addresses of ACF Regional Administrators

[Appendix III](#)- Summaries of the first 24 Child Welfare Demonstration Projects Approved by the Department

Appendix I

Demonstration Topics of Interest to the Department

This list of possible demonstration topics is offered to provide examples of the types of child welfare projects in which the Department may be most interested.

- **Performance-Based Systems.**

The Department would like to emphasize the importance of operating results-oriented, performance-based child welfare systems in all child welfare demonstrations. In particular, the Department is interested in demonstrations that test the impact of linking a financial consequence to the attainment of desired outcomes. The Department would like to encourage the development of projects that would help achieve national, program-based outcomes including: reducing the recurrence of child abuse and neglect; reducing the incidence of child abuse and/or neglect in foster care; reducing time in foster care to reunification without increasing re-entry; reducing time in foster care to adoption; increasing placement stability; and reducing placements of young children in group homes or institutions. To do so, States may design creative strategies that specifically link provider reimbursements to the attainment of desired system improvement indicators and child, youth and family outcomes. Consistent with ASFA, most programs today operate under a system of outcomes goals. This demonstration project would identify ways to enhance the impact an additional financial incentive/penalty program on permanency, safety, well-being outcomes as well as costs and savings.

- **Integrated Systems for Behavioral Health (Substance Abuse and Mental Health).**

States may wish to propose demonstration projects aimed at improving the access, quality, and comprehensiveness of behavioral health services (mental health and substance abuse) to meet the unique needs of children, youth and their birth families who are in, or at-risk of, entering foster care. The majority of families entering the child protective and foster care systems are tackling substance abuse and mental health problems. These families often require extensive, sometimes lengthy treatment involving an array of health and mental health professionals and protocols. Child welfare agencies across the nation are struggling to coordinate their programs with Medicaid, substance abuse and mental health programs at the service delivery level. The Department would encourage States to submit proposals that identify a strategy for coordinating funds, including child welfare, Medicaid, mental health, substance abuse and domestic violence dollars in a way that maximizes the funds expended and the effectiveness of the services provided. IV-E dollars should be used to target areas once other funds are exhausted or not available.

A demonstration project in this area would be based on the premise that improved access to mental health, substance abuse treatment, domestic violence support and other services for children, youth and their families could prevent the need for foster care, reduce foster care lengths of stay and re-entry rates after reunification. States could elect to separate

mental health from substance abuse problems and tackle only one area, or they could take a more comprehensive approach and combine the two. States could attempt to use/coordinate/blend funds to support treatment services or instead fund coordinated case management and training and rely on MOUs or other interagency agreements to ensure access to treatment for parents and children already in placement or at risk of placement. States could use the flexibility to support joint planning, training, contracting, case management, and oversight functions across multiple systems. States may choose to target certain at-risk populations and exclude others, or attempt to coordinate behavioral health care for all children, youth and families in the child welfare system. In selecting the target population, States are urged to consider including: (1) Parents of children at-risk or in placement, in particular, parents who have lost eligibility to Medicaid because the child has been removed from the home; (2) Children and youth in the foster care system; (3) Pregnant and parenting teens in the community; and (4) Youth who are transitioning into independent living.

- **Effective Prevention/Early Intervention.**

State may choose to focus their demonstration project on children, youth and families in the child protective system, at risk of entering into the foster care. Such a project would enhance resources or organizational capacity to identify and provide support to children, youth and families before problems become crises and children enter into foster care. With more than 3 million children reported abused and neglected each of the last several years, most jurisdictions are faced with fielding and assessing an increasing number of reports of abuse and neglect. With limited agency resources, families with a finding of abuse or neglect may not get the services they need to fully address the problems that led to the finding. However, problems that go unaddressed may escalate until a child is harmed, or the family becomes so stressed that placement seems the only alternative. Under this project, States would use their Title IV-E funds to develop and apply multi-level assessments and services to families to test a coordinated, prevention/early intervention model with the goals of reducing the need for out-of-home care and increasing voluntary access to less intensive, less costly community-based options.

- **Adoption/Post Adoption Services.**

States may wish to propose demonstration projects using title IV-E funds to support adoption/guardianship placements. Since the passage of the Adoption and Safe Families Act in 1997, there has been an unprecedented increase in the number of special needs children adopted from the foster care system. Adoptions from the public child welfare system nationwide increased from 28,000 in 1996 to 36,000 in 1998, an increase of 29%.

Under such a project, States could provide an array of supportive services for families who adopt children with special needs. The services that children and their adoptive families need include mental health or counseling services, respite care, day care, and educational services. Such a project would test the assumption that post-placement supportive services provided to adopted children, youth (or those in guardianship placements) and their families would (1) be cost-effective for States by decreasing the

incidence of special-needs adoption disruptions and the subsequent reentry of children into foster care; and (2) improve the long-term success of adoptions.

- **Service Improvements for Children in the Placement and Care Responsibility of Tribes.**

States may wish to propose a demonstration project testing new approaches to improve the delivery of child welfare services for American Indian families. Such a project could involve the use of both State-administered and Tribally administered funds or "direct funding" of title IV-E to one or more Tribes for foster care and/or adoption and Independent Living. These demonstrations would test whether better coordination with the State, and/or delegation of authority for the title IV-E program, would produce better results for children, youth and families, enable Tribes to manage social services programs better, and reduce child welfare costs.

- **Service Improvements for Adolescent Youth.**

States may wish to propose a demonstration project to improve service delivery for adolescents to better meet the needs of this unique group; facilitate placements in the least restrictive setting possible; promote their adoption opportunities; or ease their transition into independent living. Of the 547,000 children (as of March 31, 1999) living in out-of-home care, family foster care, kinship care or residential care, teens currently represent approximately 32% of this population. Each year, 12,000 - 13,000 of these older youths "age out" of foster care and must make the transition to self-sufficiency. Such a project would test the premise that providing concentrated services for adolescents would result in reduction of the level of care needed in the long run, particularly for institutionalized youth, and/or enhance their permanency options. States might also consider using IV-E savings derived from these or other demonstration-related activities to expand independent living services to youth. Many youth emancipating from foster care face significant challenges. Studies show that after leaving foster care, many fail to complete high school, gain substantial employment, or worse yet, face homelessness and are part of the uninsured population.

- **Reunification Services for Adolescent Youth.**

States may wish to propose a demonstration project that would hasten the return home of older children in foster care by providing counseling service to the family to promote and accelerate reunification. Teens represent approximately 32% of the foster care population. Current trends show that youth emancipated from foster care face significant life challenges. Such a project would test the premise that by providing intensive family and individual services for older youth and their families that youth could return home, engage in activities that promote family functioning and strengthening, and improve the long-term outcomes for their education and employment.

Appendix II: Names and Addresses of ACF Regional Administrators
DEPARTMENT OF HEALTH AND HUMAN SERVICES
ADMINISTRATION FOR CHILDREN AND FAMILIES
REGIONAL OFFICES

REGION I Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

Hugh Galligan
Regional Administrator
JFK Federal Bldg.
Rm. 2000
Boston, MA 02203
617-565-1020 (ph)
617-565-2493 (fax)

REGION II New Jersey, New York, Puerto Rico, Virgin Islands

Mary Ann Higgins
Regional Hub Director
26 Federal Plaza
Rm. 4049
New York, NY 10278
212-264-2890 (ph)
212-264-4881 (fax)

REGION III Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, West Virginia

David Lett, RA
Regional Administrator
150 S. Independence
Mall West- Suite 864
Public Ledger Bldg.
Philadelphia, PA 19104-3499
215-861-4000 (ph)
215-861-4070 (fax)

REGION IV Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee

Ken Jackson
Acting Hub Director
ACF Atlanta Fed. Center
61 Forsyth Street, S.W.
Suite 4M60
Atlanta, GA 30303

404-562-2900 (ph)
404-562-2981 (fax)

REGION V Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin

Joyce Thomas
Hub Director
105 West Adams St.
20th Floor
Chicago, IL 60603
312-353-4237 (ph)
312-353-2204 (fax)

REGION VI Arkansas, Louisiana, New Mexico, Oklahoma, Texas

Leon R. McCowan
Hub Director
1301 Young Street
Suite 914
Dallas, Texas 75202
214-767-9648 (ph)
214-767-3743 (fax)

REGION VII Iowa, Kansas, Missouri, Nebraska

Linda Lewis
Regional Administrator
Federal Office Bldg.
Rm. 384
601 E. 12th St.
Kansas City, MO 64106
816-426-3981 (ph)
816-426-2888 (fax)

REGION VIII Colorado, Montana, North Dakota, South Dakota, Utah, Wyoming

Beverly Turnbo
Regional Administrator
Federal Office Bldg.
1961 Stout St., Rm. 1185
Denver, CO 80294-3538
303-844-2622 (ph)
303-844-2313 (fax)

REGION IX Arizona, California, Guam, Hawaii, Nevada, American Samoa, Territory of Pacific Islands

Sharon M. Fujii
Hub Director
50 United Nations Plaza
Rm. 450
San Francisco, CA 94102
415-437-8400 (ph)
415-437-8444 (fax)

REGION X Alaska, Idaho, Oregon, Washington

Stephen Henigson
Regional Administrator
Blanchard Plaza
2201 Sixth Ave.
Rm. 610-M/S RX-70
Seattle, Washington 98121
206-615-2547 (ph)
206-615-2574 (fax)

Appendix III September 1999 Summary of IV-E Demonstration Projects

As of September 1999, there are 30 title IV-E demonstration projects in 21 States and the District of Columbia. The demonstration projects are testing new approaches to the delivery of child welfare services in order to improve outcomes for children. The demonstration projects involve waivers of certain provisions of title IV-E of the Social Security Act and related regulations.

The waivers provide States with greater flexibility to use title IV-E funds for services that can facilitate permanence for children. At a minimum, all the demonstrations are expected to be cost-neutral and most expect to reduce title IV-E costs. Collectively, the demonstration projects are aimed at reducing the number of children in foster care, the length of time in foster care, the use of more restrictive and costly placement settings, re-allegations of abuse and neglect, and re-entry to foster care. Some States have proposed discrete interventions focused on a specific child welfare population, while others are experimenting with system-wide reform.

Among the common themes across demonstrations are the following:

- **Assisted Guardianship/Kinship Permanence:** Eight States ([California](#), [Delaware](#), [Illinois](#), [Maryland](#), [Montana](#), [New Mexico](#), [North Carolina](#), and [Oregon](#)) have proposed programs that are intended to provide relatives and foster parents, who are providing care for children in the custody of the child welfare agency, with the opportunity to become the children's legal guardians. This option would be offered to relatives and foster parents who have been providing stable homes for at least one year (six months in North Carolina) for children for whom adoption or reunification are not options. While children of all ages will be eligible for this program in Illinois, Maryland, New Mexico and North Carolina; Delaware, Montana, and California are focusing on older children (12 and over in Delaware and Montana, and 13 and over in California). The Montana and New Mexico demonstrations also include children under the jurisdiction of Tribal courts. All States propose a monthly payment that is less than or equal to the current foster care payment. States expect additional savings to accrue from reduction in case management and court costs. The guardianships are also expected to result in a greater sense of permanence for children and their caregivers.
- **Capped IV-E Allocations and Flexibility to Local Agencies:** Six States ([Florida](#), [Indiana](#), [New York](#), [North Carolina](#), [Ohio](#), and [Oregon](#)) are providing counties or other local entities the opportunity to use IV-E funds more flexibly to enhance the array of services available to prevent foster care placement, facilitate reunification and otherwise ensure safe, permanent outcomes for children. In these states, counties will be able to use IV-E funds for an array of services, but their total IV-E allotment will be fixed by agreement with the State, or will be determined by the experience of comparison counties. These States are entering into various arrangements with participating counties to share risks and rewards if expenses are either below or above their planned IV-E allotment. Some counties may enter into managed care contracts with private agencies. In Oregon, the State and branch offices negotiate a budget for flexible funding, which is allocated from the branch office's foster care budget. If the branch office spends less of

their flexible funds than budgeted, the difference transfers to other budget needs in the branch. If additional foster care funds are needed, the State makes up the difference from foster care savings in other parts of the State or from other programs with realized savings.

- **Managed Care/Capitated Payment Systems:** Six States ([Colorado](#), [Connecticut](#), [Maryland](#), [Michigan](#), [Texas](#), and [Washington](#)) are providing an array of services under fixed-price arrangements. These demonstrations are designed primarily to test different financing mechanisms for specific services or populations. In Connecticut, the State will contract with a lead service agency in one or two sites to provide a continuum of care to children, ages 7 to 15, who are in group or residential care and have behavioral problems. Washington will pay fixed rates to Regional Support Networks to provide services to children, ages 8 to 17, who are likely to enter group care and already are involved with the mental health or special education system for comprehensive services. In Michigan, six counties are establishing capitated-payment programs for wrap-around services for foster children at high risk or children at imminent risk of entering foster care.
- **Intensive Service Options:** Three States ([California](#), [District of Columbia](#), and [Mississippi](#)) have proposed demonstrations that increase the nature and extent of available services in an effort to reduce foster care placements and achieve permanence and safety for children. These include:
 - California will allow 12 counties to develop their plans for intensive service programs to prevent foster care placement. Each county will develop its own intensive service plan.
 - The District of Columbia is providing intensive support services for children being cared for by kin. Support workers in local collaboratives will be paired with child welfare agency social workers to provide community-based support services to these families. The District may, after the first year of the demonstration, choose to implement a guardianship program for families who have received services and no longer need frequent agency supervision and support.
 - Mississippi is using a new, child-focused family-centered practice approach in eight counties to target factors that contribute to abuse and neglect.

Permanency Efforts: Three States ([California](#), [Maine](#), and [Texas](#)) have demonstrations designed to improve permanency by either promoting early reunification or strengthening adoption.

California's demonstration waives the requirement for a court hearing within 180 days of executing a voluntary placement agreement, extending the hearing date to 365 days after voluntary placement. The intent is to allow child welfare staff to continue to work with families in a non-adversarial way when reunification appears imminent. The extensions are expected to reduce court-related costs and shorten the time necessary to achieve reunification.

Maine will provide training on special-needs adoption to mental health and other professionals who work with adoptive families, adoptable children, and public and private adoption providers, and subsequently will use IV-E funds to provide post-adoptive services.

Texas will train public and private agency adoption staff to better assess and match children and adoptive families.

Substance-Abuse Services: Five States ([Delaware](#), [Illinois](#), [Maryland](#), [New Hampshire](#), and [West Virginia](#)) are addressing the needs of caretakers with substance abuse problems. Delaware and New Hampshire hired substance abuse counselors to work with the Child Protective Services (CPS) staff working with families with a substance abuse problem by arranging treatment and accessing other needed services. Illinois is hiring "recovery coaches" to work with families after they have completed initial substance abuse treatment. Maryland is using multidisciplinary teams to provide comprehensive, coordinated services to families. West Virginia plans to allow parents to designate family members or friends to care for their children while the parents undergo inpatient treatment. Temporary caregivers, approved by the child welfare agency, may receive stipends less than or equal to a foster care payment for up to 60 days. These caregivers may provide care for the children, in the children's homes or in their homes. Efforts will be made to identify caregivers who reside in the children's own communities or near the parents' treatment facilities.

Tribal Administration of IV-E Funds: [New Mexico](#) will be working with up to five Tribes to develop the administrative and financial systems necessary for the Tribes to ultimately administer their title IV-E foster care program and directly claim federal reimbursement.

All of the demonstrations have comprehensive evaluation plans that include process, outcome and cost-benefit components. Demonstrations vary in the type of designs proposed for their outcome evaluations. Fourteen States and the District of Columbia are implementing evaluation designs based on random assignment for at least one component of their demonstrations. In seven States the evaluation designs use comparison sites, and in two States, matched samples of cases will be compared.

All of the assisted guardianship programs (except Delaware) have a design based on random assignment of eligible families to treatment and control groups. All will measure the degree of stability and safety achieved for children in the program and the reduction in costs. Most of the States proposing capped allocations and flexible funds to counties or other local entities will compare outcomes achieved by counties in the demonstration with a group of counties (with comparable characteristics) that continue to provide traditional services.

At this time the degree of detail about State evaluation plans varies. States that have recently been awarded waivers have not hired their evaluators. More detailed comparisons of evaluation plans will be prepared when the evaluation plans are submitted.