

project. For example, a large-scale statewide 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 timeframe;

- ♦ Provide reasonable time for the preparation of meaningful evaluation results of the demonstration project; and
- ♦ Determine a reasonable start date for the project recognizing that new approaches often involve considerable start-up time.

Prior to final approval, negotiated agreements will be established between the State and the Department which include provisions to cancel/suspend/modify the demonstration project: (1) If it is determined that, in the conduct of the project, appropriate and sufficient services cannot be provided to eligible participants or the safety and protection of children would be jeopardized; or (2) for any other reason deemed adequate and sufficient for suspension/cancellation by the State or the Department.

IV. Evaluation

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

- (1) A comparison of outcomes for children and families, and groups of children and families, under the project and such outcomes under an existing State plan or plans, for purposes of assessing the effectiveness of the project in achieving program goals; and
- (2) 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.

Section 1130 (e)(1) requires the proposal to describe both the children and families who would be served by the waiver demonstration project and the services which would be provided. The Department is committed to testing a range of program strategies. The Department encourages, where appropriate, that the proposal provide for random assignment of children and families to groups served under the project and control groups, but is open to various other evaluation techniques. For example, in a proposed demonstration effort that would necessarily affect 100% of the population to be served, a random assignment methodology would not be appropriate.

The Department is also eager to ensure that the evaluation process be as unintrusive as possible to the clients in terms of implementing and operating the approach to be demonstrated, 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 justification explaining why random assignment is not appropriate and how the alternative methodology will meet evaluation needs.

The evaluation design must include a clear statement of the evaluation questions.

The State demonstration project managers must meet with Department staff within 30 days after project approval to finalize the evaluation design and reporting schedule and make changes, as necessary. In general, the Department will require an evaluation update report at 12 months; an Interim Evaluation Report to be submitted within 30 months after project start-up; another update report at 48 months; and a Final Evaluation Report to be submitted 90 days after the project ends.

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 fifty percent of these costs as title IV-E administrative costs.

Subject to the availability of funding, a national contract will be awarded to collect information from the approved demonstration projects; produce annual reports for the Department and the general public; collect, analyze and report the results of each demonstration project; and prepare a national summary of the Child Welfare Waiver Demonstrations at the completion of the project period. All approved applicants must provide an assurance that they will agree to cooperate and collaborate in this evaluation effort. Periodic meetings between the national contractor and the ten evaluators will be held in order to coordinate the evaluation of the waiver demonstration project. It is anticipated that there will be one coordination meeting annually in addition to the other required meetings indicated in this Public Notice.

V. Cost Neutrality

Section 1130 (g) requires that the waiver demonstration project be cost-neutral, that is, the total amount of federal funds used to support the

demonstration project, 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 if the waiver demonstration project were not conducted. The Department will monitor demonstration projects, as outlined in this section and elsewhere in this Announcement, to track interim results and spending, and to assure federal cost neutrality, where needed, as the demonstration project progresses. The Department will work with a State to maintain cost neutrality throughout the period of the demonstration project, by modifying the project or taking other appropriate action.

The Department will allow States to project cost neutrality over the life of a demonstration project, rather than on a year by-year basis, since many demonstrations involve making "up-front" investments in order to achieve out-year savings. The Department will set a cap on the total "up-front" federal dollar amount associated with any demonstration project. The determination of cost-neutrality will be completed before the demonstration project begins, and fiscal effects will be carefully monitored, along with other project results, as the demonstration project progresses and the State submits the required fiscal and programmatic reports.

Waivers will not be granted 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 added federal costs attributable to the demonstration project exceed projections or a cap on up-front costs, continuation of the demonstration project will be conditioned on modification of the project or other action that will maintain federal cost neutrality.

The Department encourages, where appropriate, the use of random assignment of individuals for evaluation and as a method for determining the fiscal effects of the demonstration project but recognizes that this method may not be appropriate for certain demonstration projects. In randomly assigning individuals to experimental and control groups, the costs associated with the control group (foster care rates and administrative costs) become the baseline for cost neutrality (i.e., the average cost for a control group case is assumed to be the amount that would have been spent on each experimental case). If an alternative method is proposed, then other methods of measuring cost neutrality should be used. In the proposal, States should