Impact of Charging Direct Service Rent and Utilities to Capped Administrative Costs in Ryan White HIV/AIDS Program Part A Jurisdictions

Background

In April 2011, the HRSA HIV/AIDS Bureau instituted a requirement mandating that Ryan White Part A subgrantees charge all rent and utilities to administrative expenses. Administrative expenses are capped at 10% of the total Ryan White award amount for the Part A jurisdiction. The new requirement was a change in practice for some Part A jurisdictions, which had allowed rent and utilities attributable to a specific program to be charged to the direct expenses for that program.

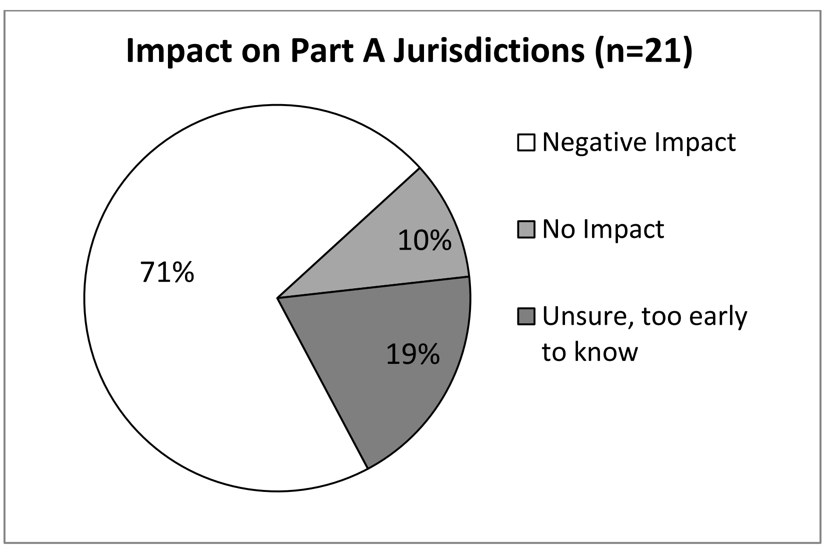
Survey

CAEAR Coalition surveyed Part A grantees and its membership to determine the impact of this change on funded agencies and services and in Part A jurisdictions.

The survey went to all 52 Part A grantees and to CAEAR Coalition members. Some grantees forwarded it on to their subgrantees

- CAEAR Coalition received feedback from 21 EMAs/TGAs, including responses from the Part A grantee in 19 of those jurisdictions.

- Out of the 21 jurisdictions, 15 report that the change in policy has been a burden for Part A subgrantees and/or negatively impacted service delivery in the jurisdiction; two report that it has not been a problem; four are not sure, saying it is too early to tell.



- Many respondents noted the particular impact on CBOs, as opposed to larger institutions like hospitals, as well as the inconsistency with past direction and with OMB circulars.

Concerns from the Field

➢ Service Reductions

- "One of our subrecipients cancelled their contract to provide food box services due to the change that required rent to be charged as administrative vs. direct costs."
  Part A grantee

- "Ryan White is no longer covering the proportion of the rent for the space used in the provision of Part A services, and because of the 10% cap, we cannot simply shift the total amount to administrative costs. Therefore, we have to use other unrestricted funds to cover Ryan White Part A's portion of the rent. We were using these funds to provide additional services. Therefore, we have had to reduce the number of clients we can see to ensure the rent and utilities are covered."
  Part A subgrantee

- "The existing 10% administrative cap was difficult for many agencies to maintain. The inclusion of rent as an administrative expense is an even greater challenges and will require agencies to reduce some services they formerly included without charge."
  Part A grantee

- "Rent/utilities for staff offices has not been allowed for some time. However, rent and utilities that could be clearly demonstrated as linked to the direct service had been (such as rent for the food bank warehouse, and utilities to run the refrigerators/freezers). The change has a significant impact, as those costs are more than the maximum allowable for administration. Thus, the service provider must now look for other funding sources to cover those costs. If other resources cannot be found, the direct service may need to be eliminated."
  Part A grantee

➢ Impact on Community-based Organizations

- "There was difficulty in finding other sources of funding - particularly for smaller CBOs that do not have unrestricted funds. The stress on smaller CBOs may lead to some closing. This policy is likely to force closure for some smaller CBOs which are a critical and vital part of our continuum of care."
  Part A grantee

- "Unlike health departments and hospitals which are the major recipients of Part A funds, our agency's rent is not absorbed through a larger entity. As an ASO with clinic services, not allowing programmatic clinic services to be considered as administrative places a financial burden on services particularly since the cap is 10% of the requested funding. Additionally, placing program managers within the administrative line item and not under the program they manage seems contrary to general accounting practices. This also places a financial burden on the agency as well as the program itself."
  Part A Subgrantee

- "We have always (until this past year) allowed providers to charge rent, telecommunications, and other miscellaneous expenses such as these to "program" budgets as they were seen as a direct support/relation to the program. Not-for-profit entities do not have the means in some situations to absorb all of these costs to support the program in their admin budgets."
  Part A grantee

- "Sub-recipients of programs who provide transitional housing and other similar services where facility costs and rent are a direct expense of delivery services are especially impacted by this policy change."
  Part A grantee

- "It has not been catastrophic, but it is going to impact the potential mix of providers we have, especially those that we need to retain to be culturally diverse and accessible. Those providers that are large hospital based groups or health departments will have no issues moving forward, small CBO's will continue to struggle and we may continue to lose them unless some concessions can be made regarding these expenses and how they are budgeted."
  Part A grantee

- "Moving forward, more providers may request funds to cover rent as other funding runs out. This may result in a burden on the TGA as a whole to stay within the 10% admin aggregate for direct services. There may be some non-profits that will not be able to keep doing business with the Ryan White program."
  Part A grantee

- "The 10% cap that the service providers are allowed under Ryan White is not sufficent to cover these expenses. If enough money cannot be found in the current budget, it places an excessive burden on the agency. In addition there are limited other resources to pay for these specific line items. Staff may be forced to fundraise for administrative items that are difficult items to fundraise for. It may lead to some agencies not wanting to accept Ryan White funding because it is too burdensome to manage financially."
  Part A grantee

- "Currently we do not have funding to cover the cost of the portion of rent in our office where Part A/MAI services are provided. In theory our case manager and peer educators as well as client do not have a place a physical space for service delivery. Capping administrative costs to 10% is not sufficient to cover the cost of rent."
  Part A subgrantee

- "In previous years, we allowed local providers to include a portion of rent, utilities, or building occupancy expenses as a direct cost, only if they could specify the space used by direct service staff or clients in relation to the agency's total space. For example, a case manager's office where they meet with clients was considered a direct cost, in relation to the agency's total square footage."
  Part A grantee

➢ Confusion and Burden

- "I believe it is unfair to charge rent and utilities to administrative costs. It had been allowed by the Circulars and is a common accounting practice. I am providing training out of my budget to train the sub-recipients on Program Income to help offset this change. However, not all sub-recipients are able to generate program income so staff reductions in hours or actual positions may occur in FY 12.This seems counterproductive as we try to increase the number of those in care."
  Part A grantee

- "This change has caused confusion and frustration about the treatment of rent and utilities exclusively under administrative costs. The subgrantees have received mixed messages about allowances, i.e., OMB circulars and precedence. The subgrantees expect the Part A grantee to be able to answer or explain the reason for requiring/demanding rent and utilities to fall under administrative expenses. The answer we give is the same answer given to us from HRSA. Unfortunately, this only adds to the confusion."
  Part A grantee

- "Communicating the change in policy to providers, answering a lot of angry questions about the reason for the change, tracking implementation of the change, and calculating compliance with the 10% aggregate cap has been a HUGE burden."
  Part A grantee