



JUN 15 2012

Mr. Ernest Hopkins
Chair, Board of Directors
CAEAR Coalition
P.O. Box 21361
Washington, D.C. 20009

Dear Mr. Hopkins:

Thank you for bringing your concerns to the attention of the Health Resources and Services Administration (HRSA) regarding the implementation of the Ryan White HIV/AIDS Program's National Monitoring Standards for Parts A and B Grantees and Subgrantees. Your letter addresses the requirement that rent and utilities costs dedicated to the delivery of a specific service are to be considered overhead expenses charged to the 10 percent administrative cap.

Rent and utilities are included in the statutory definition of "usual and recognized overhead activities." Overhead refers to the ongoing administrative expenses of operating a business (also known as operating expenses, i.e., rent, gas/electricity, wages, etc.). Overhead, like indirect costs, consist of expenses incurred for common or joint objectives which cannot be readily identified, but are necessary to the operations of the organization, i.e., the cost of operating and maintaining facilities, depreciation, and administrative salaries. The limit on administrative costs can be found in the Ryan White HIV/AIDS Program statute at sections 2604(h)(1) and 2618(b)(3) of the Public Health Service Act, and in Federal regulations at 2 CFR 225, Appendix A, Section F.

Parts A and B of the Ryan White HIV/AIDS Program provide comprehensive medical and supportive services to people living with HIV/AIDS. In certain limited exceptions, rent and utilities may be considered a direct cost of providing care. These exceptions include residential substance abuse treatment, housing services or emergency financial assistance where Ryan White Part A and Part B funds, in some instances may be used to cover all or a portion of a client's rent. Also included may be some food bank service models. In these limited cases, rent costs are not separated from costs of providing care. HRSA will work with Parts A and B Grantees and encourage review of current costs to ensure maximization of resources for direct service and administrative costs. This may allow additional resources to be allocated to rent while remaining within the legislative caps.

HRSA will clarify the limited exception when rent and utilities can be considered a direct cost of providing care. This clarification will be posted in the National Monitoring Standards. HRSA will also send a letter to Part A and Part B Grantees with the clarifications. In cases where grantees lack clarity on whether to include subgrantee rent as a direct cost of providing care, they should request permission to include rent as part of providing care through the Electronic Handbook by using the prior approval portal.

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The Ryan White HIV/AIDS Program Parts A and B subgrantee administrative costs are capped at 10 percent in the aggregate by the Ryan White legislation. Subgrantee administrative costs may exceed 10 percent, as long as the total aggregate administrative costs for all subgrantees in the eligible metropolitan area, transitional grant area or state do not exceed the 10 percent cap. We encourage subgrantees (i.e. direct service providers) to work with the Part A and/or B grantee to re-negotiate the administrative cost to have line item expenditures for rent and utilities charged to the correct cost centers and remain within their negotiated administrative cost caps.

HRSA will continue to work with grantees to enhance and strengthen their current fiscal systems to comply with the National Monitoring Standards. If you have additional questions, please contact Dr. Deborah Parham Hopson, Associate Administrator, HIV/AIDS Bureau.

Sincerely,

A handwritten signature in cursive script that reads "Mary Wakefield".

Mary K. Wakefield, Ph.D., R.N.
Administrator