

the 63 grantee budgets analyzed, 24 (38 percent) expend 10 percent or less of their total grant award for administrative expenses; 11 (17.5 percent) expend over 10 percent but less than 15 percent; 10 (16 percent) expend over 15 percent but less than 20 percent; and, 18 (28.6 percent) expend over 20 percent up to 36.6 percent. It was determined that the lower the amount of administrative expenses allocated, the higher the amount of direct services provided to program clients.

- The average Title IV project served 512 HIV-infected clients, 273 uninfected clients, and 198 clients whose serostatus is unknown. The number of HIV infected clients served was not associated with the number of contractors in a Title IV network, receipt of Title I funds, or the organizational type of the lead agency. The number of HIV infected clients served is positively correlated with the number of years of Title IV funding, and of funds received from other Ryan White CARE Act Title sources.

2. In exercising its responsible stewardship of public funds, HRSA seeks to assure that limited Federal dollars will be maximized to the greatest extent possible to fund direct client services. The Title IV program's current absence of a limitation on administrative expenses should not be used to absorb administrative expenses of other related programs that have limitations.

3. HRSA has an established goal of enhancing access to care for HIV-infected women, infants, children, and youth and their affected family members under the Title IV program. We have determined that a limitation on administrative expenses will not diminish the ability of grantees to provide access to appropriate HIV/AIDS services and research opportunities. Furthermore, we believe that the establishment of a limitation on administrative expenses will maximize the dollars available for direct care services and access to research opportunities. With a total of \$64,759,964 of funds currently being provided to the 90 fiscal year (FY) 2002 Title IV grantees, we have determined that reducing the administrative expenditure from the current average of 14 percent to 10 percent would result in a shift of \$2,590,399 in administrative disbursements to direct services to clients. This increase in available services to Title IV clients is equivalent to the addition of approximately 10 new projects.

4. HRSA has had years of experience in managing other Ryan White CARE Act grantees with legislatively imposed

administrative expenses. Titles I, II, and III of the CARE Act limit grantees to 10 percent for administrative costs. Many of the current Title IV programs are also recipients of Title III grant funds and are effectively implementing their Title III programs with a 10 percent limitation on administrative expenses. Although Title IV provides some services that Title III does not, both are expected to assure the provision of health care services to HIV-infected clients and must meet the same standards for quality primary HIV care. HRSA is confident that Title IV grantees can maintain the highest quality of services and provide access to research for clients while expending no more than ten percent on administrative expenses.

5. Although there are a variety of Title IV program models, each of the Title IV programs provides an extensive array of services either directly or through contractual relationships. The proportion of total Title IV grant funds allocated by lead agencies for administrative services is strongly associated with the organizational type of the lead agency. Of the agencies whose administrative expenses exceed 20 percent of the total grant award, the majority were university-based health systems. Of the agencies whose administrative expenses were 10 percent or less, the majority were community-based programs. When comparing similar grantee models on amount allocated for administrative expenses, we found that an administrative budget allocation over 10 percent was not a requisite for serving a greater number of Title IV clients.

Implementation

The limitation on administrative expenses is proposed for implementation as follows:

5.1 The limitation on administrative expenses will be proposed as a specific percent. This limitation also would apply to any contractors of the Grantee who provide client services.

5.2 Recognizing that some grantees may exceed the specified percent limitation at present, we propose that beginning with FY 2004 funding, administrative expenses shall not exceed the specified percentage limitation plus 10 percent of the total grant award to the Grantee. These administrative costs include all administrative costs of the grantee and all payments to contractors or consultants who provide administrative services to the Grantee. The administrative costs of individual client service contractors of the grantee would not be considered part of this limitation to the grantee. Notwithstanding this

provision, no Grantee shall claim administrative expenses in excess of the percentage received in FY 2002, if such administrative expenses exceeded 10 percent of the total grant award.

5.3 For FY 2005, no Grantee shall claim administrative expenses in excess of the specified percentage limitation plus 5 percent. Notwithstanding this provision, no Grantee shall claim administrative expenses in excess of the percentage received in FY 2004.

5.4 For FY 2006 and in each succeeding year, no Grantee shall claim administrative expenses in excess of the specified percent limit.

5.5 It is the Grantee's responsibility to enforce the percent limitation on administrative expenses of contractors of the Grantee who provide direct services. This administrative limitation will apply to all contractor payments made in FY 2004 and each succeeding year.

5.6 Administrative expenditures under this section for grant awards shall be clearly specified and documented in grantee applications and budgets in the following categories: direct services; program support; and administrative costs. *Direct services* are those services that are provided to the patients/clients to meet the goals and objectives of the program. This includes the provision of professional, diagnostic, and therapeutic services rendered by a primary care provider. Also included are referrals to and provision of specialty care. *Program support services* are services that sustain program activities and contribute to or help to improve direct service delivery. Such services include capacity building initiatives, prevention and education materials and translation services among others. *Administrative costs* are funds to be used by the grantee for grant management and monitoring activities. This includes costs related to any staff or activity unrelated to direct or support services. Also, indirect costs are included as administrative costs. Indirect costs will be allowed only if the applicant has a Federal negotiated indirect cost rate. All indirect costs are considered administrative and subject to the specified percent limitation. The categorization of all services as direct, program support, and administrative is further addressed in the Title IV Ryan White CARE Act program guidance which can be obtained from HAB at the address noted above.

As required in the Act, "the Secretary may not make a grant under this part unless the grantee complies with such requirements as may be included in such determination." Accordingly, all Ryan White CARE Act Title IV recipients of Grants for Coordinated