

**To:** House Appropriations Committee  
**From:** Sarah Clark, CFO, Agency of Human Services  
**Re:** CRF Reallocation of funds due to unallowable indirect costs  
**Date:** January 21, 2021

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The Agency of Human Services (AHS) reallocated \$5,142,655 of existing AHS CRF appropriations from affected AHS departments to the Department of Corrections (DOC) to address the federal Treasurer guidance that indicated that Coronavirus Relief Funds (CRF) cannot be used for indirect costs. AHS used the Excess Receipts process as detailed in 32 VSA Section 511 to both provide the CRF authority to DOC and reduce the CRF authority in the respective departments.

The FY21 BAA request shifts the general fund spending authority from DOC to the other departments of AHS. This is a budget neutral adjustment and reflects a one-time reduction to the DOC budget.

**Response to the Pandemic:** During SFY20 and the first quarter of SFY21, AHS departments incurred CRF-associated indirect costs totaling \$5,142,656 (\$3,154,680 and \$1,987,975, respectively) during the Agency's response to the pandemic. Per US Treasury guidance available through September 1<sup>st</sup>, 2020, neither the AoA nor AHS had any indication that indirect costs would be considered an unallowable use of CRF. However, effective September 2<sup>nd</sup>, 2020, the US Treasury issued revised guidance disallowing the use of CRF for indirect costs. In accordance with federal cost allocation principles, indirect costs attributed to CRF activities that could no longer be eligible for CRF revenue would otherwise be covered by General Fund (GF). As such, in a net-neutral adjustment of CRF spending authority with DOC's appropriated GF for SFY21, AHS can cover the loss of CRF indirects without further statewide pressure on CRF or GF.

**Proposed Use of Reallocation:** Per current US Treasury guidance, Public Safety functions are presumed to be substantially dedicated to the COVID-19 response effort. Specifically, the US Treasury's updated guidance issued September 2<sup>nd</sup>, 2020 explicitly states that correctional officers are included in its definition of "Public Safety". As such, payroll costs for COI, COII and their direct supervisors are eligible for CRF. AHS proposes to equally exchange current CRF spending authority at the AHS-CO, DCF, VDH, DMH, DVHA and DAIL with DOC's GF, which will make AHS solvent and comport with federal cost allocation principals and US Treasury guidance.

**Confirmation Proposal Complies with CARES Act CRF Guidelines:** The proposed use of CRF, as outlined above, is explicitly stated as an acceptable use in the CRF guidance and was previously vetted by the Administration's CRF contractor.



The table below details the indirect costs in each of the respective departments. This information is reflected in the FY21 BAA ups & downs document as submitted to the Legislature.

	<u><b>Total</b></u>
AHS-CO	460,101
DCF	909,418
VDH	3,103,846
DMH	205,718
DVHA	331,095
DAIL	132,478
<b>Total</b>	<b>5,142,656</b>

