



STATE OPIOID RESPONSE: ALLOWABLE EXPENDITURES

Updated November 20, 2023

The following information is intended to provide State Opioid Response (SOR) contractors with a general list of allowable activities and expenditures under California’s SOR III grant.

For information on what is allowable under federal grants, please see [45 CFR Part 75](#).

For questions regarding specific allowable and unallowable activities and expenditures, please email SOR@dhcs.ca.gov.

Updates: Xylazine test strips have been added as an allowable expenditure on page 6, under 2B.

1. Terms & Conditions of SOR Grant Funding

A. Grant funds may be used to supplement existing activities. Grant funds may not be used to supplant current funding of existing activities. “Supplant” is defined as replacing funding of a subrecipient’s existing program with funds from a federal grant.

B. Grant funds for treatment and recovery services may only be utilized for:

1. Services directly attributable to the SOR grant; and
2. Services to individuals who are not covered by public or commercial health insurance plans; or

3. Services to individuals whose coverage has been formally determined to be unaffordable. This may include unaffordable insurance deductibles or co-pays and must be consistent with programs' internal protocols for individuals needing financial assistance where the cost of treatment would be unaffordable and ultimately serve as a barrier to receiving treatment; or
4. Services that are not sufficiently covered by an individual's health insurance plan. This includes gaps in coverage, for example, while an individual is waiting for public insurance coverage to begin. Expenditures for services only partially attributable to the SOR grant must have sufficient rationale identifying cost-sharing allocations.

C. SOR funds may only be utilized to provide services to patients that specifically address opioid or stimulant misuse issues.

1. If either a currently diagnosed or demonstrated history of opioid or stimulant misuse exists concurrently with other substance use, all substance use issues may be addressed.
2. Individuals who have no history of or no current issues with opioid or stimulant misuse shall not receive treatment or recovery services with SOR grant funds.
 - a. For example: a patient with only an alcohol use disorder without a history, or current experience of opioid or stimulant misuse, shall not be covered by SOR funds.

D. Organizations receiving SOR funding are not required to claim indirect costs.

1. All DHCS subrecipients receiving SOR funding must comply with [Behavioral Health Information Notice 20-020](#) if they elect to claim indirect costs.

E. No more than 5 percent of the total grant award may be used for administrative and infrastructure development.

1. As of October 2022, telehealth costs are not considered part of this 5%.
2. Any telehealth costs must be dedicated to provider telehealth equipment and services.
3. No funding can be allocated to purchasing telehealth equipment for patients, or loaning funds/equipment to patients for the purpose of providing telehealth services.

F. No more than 5 percent of the total grant award for the budget period may be used for data collection,

performance measurement, and performance assessment, including incentives for participating in the required data collection follow-up.

G. Organizations receiving SOR funds may not deny any eligible client, patient, or individual access to their program because of their use of FDA-approved medications for the treatment of 26 substance use disorders (e.g., methadone, buprenorphine products including buprenorphine/naloxone combination formulations and buprenorphine monoproduct formulations, naltrexone products including extended-release and oral formulations or long acting products such as extended release injectable or buprenorphine.)

1. Specifically, patients must be allowed to participate in methadone treatment rendered in accordance with current federal and state methadone dispensing regulations from an Opioid Treatment Program and ordered by a physician who has evaluated the client and determined that methadone is an appropriate medication treatment for the individual's opioid use disorder. Similarly, medications available by prescription or office-based implantation must be permitted if it is appropriately authorized through prescription by a licensed prescriber or provider. In all cases, medications for opioid use disorder (MOUD) must be permitted to be continued for as long as the prescriber or treatment provider determines that the medication is clinically beneficial. Recipients must assure that clients will not be compelled to no longer use MOUD as part of the conditions of any programming if stopping is inconsistent with a licensed prescriber's recommendation or valid prescription.

H. Procurement of DATA waiver training is not an allowable use of SOR funds as this training is offered free of charge from the Substance Abuse and Mental Health Services Administration (SAMHSA) at pcssnow.org.

1. No funding may be used to procure DATA waiver training by recipients or subrecipients of SOR funding, or to incentivize eligible providers to receive this training.

I. Grant funds may not be used, directly or indirectly, to purchase, prescribe, or provide marijuana or treatment using marijuana.

1. Grant funds also cannot be provided to any individual or organization that provides or permits marijuana use for the purposes of treating substance use or mental disorders.

J. The Consolidated Appropriations Act, 2021 (Public Law 116-260), Division H, Title II, Section 202, provides a salary rate limitation. The law limits the salary amount that may be awarded and charged to SAMHSA grants and cooperative agreements. Award funds may not be used to pay the salary of an individual at a rate in excess of Executive Level II, which is \$203,700. This amount reflects an individual's base salary exclusive of fringe and any income that an individual may be permitted to earn outside of the duties to your organization. This salary limitation also applies to subrecipients under a SAMHSA grant or cooperative agreement. Note that these or other salary limitations will apply in the following fiscal years, as required by law.

K. General Provisions under Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act Public Law 116-260, Consolidated Appropriations Act, 2021, Division H, Title V, Section 527, notwithstanding any other provision of this Act, no funds appropriated in this Act shall be used to purchase sterile needles or syringes for the hypodermic injection of any illegal drug.

2. Allowable & Unallowable Costs

A. Personnel

1. Allowable

- a. Salaries and fringe benefits for any staff serving patients or managing grant funds or activities. Positions include, but are not limited to:
 - i. Physician, NP, PA or other prescribing provider
 - ii. Nurse
 - iii. Counselor
 - iv. Case manager/care coordinator
 - v. Peer Support Specialist
 - vi. Program Director
 - vii. MAT Support Team Staff
 - viii. Administrative staff
- b. Reference manuals and tools used for personnel and community education.
- c. Time/expenses related to data collection activities (up to 5 percent of total grant award)

2. Unallowable

- a. Salaries and fringe benefits to personnel not performing SOR grant activities
- b. Salaries and fringe benefits for personnel performing both grant activities and non-grant activities without sufficient documentation (i.e. payroll records, paystubs, and job descriptions clearly identifying cost-sharing methodologies)

B. Treatment Services for Un/Under-Insured Patients

1. Allowable

- a. FDA approved medications for Opioid Use Disorder (OUD):
 - i. Methadone
 - ii. Buprenorphine products, including single-entity buprenorphine products, buprenorphine/naloxone tablets, films, buccal preparations, long-acting injectable buprenorphine products, and injectable extended-release naltrexone.
 - iii. Naltrexone products including extended-release and oral formulations
- b. FDA-approved medications or devices for withdrawal management

- c. HIV, hepatitis C testing
- d. Hepatitis A & B testing, vaccination
- e. Services for incarcerated patients with OUD or stimulant use disorder
- f. Residential treatment for patients with OUD or stimulant use disorder
- g. Any allowable services or activities provided via telehealth
- h. Urine drug screening/testing costs
- i. Xylazine test strips
- j. Any other services or activities for SUD treatment not covered/not sufficiently covered by the individual's insurance--contact your DHCS program analyst for approval.

2. Unallowable

- a. Utilization of SOR III grant funds to purchase naloxone. Naloxone can be requested through the [Naloxone Distribution Project](#) free of charge.
- b. Evidence-based contingency management (CM) approaches, including incentives, drawings, vouchers, etc. DHCS will not fund contingency management (CM) interventions through SOR III, as these interventions are currently being implemented and evaluated through a statewide pilot project effort funded by California's Medicaid program as a benefit through the 1115 waiver. This Medicaid benefit provides up to \$599 in CM incentives for beneficiaries. More information on this program can be found [here](#).
- c. Non-FDA approved medications
- d. Non-FDA approved devices
- e. Services or medications for patients who are covered by other funding sources (e.g., Medi-Cal, private insurance, etc.).
- f. Direct payments to individuals to induce their entry into treatment or continuation in treatment. It is unallowable to provide an "undue inducement" that removes the voluntary nature of participation in treatment.

C. Telehealth Equipment & Services

1. Allowable

- a. Purchase or upgrades related to provider telehealth systems. Examples include:
 - i. Hardware to be used by providers, such as: desktops, monitors, laptops, tablets, servers, iPad stands, and webcams
 - ii. Software and broadband subscriptions
 - iii. Reference manuals and tools used for personnel and community education
 - iv. Improvements to electronic health records, adding electronic forms, and

other data infrastructure

- b. Purchases or upgrades related to virtual meeting platforms

2. Unallowable

- a. Telehealth equipment or services for clients. Equipment/services must be used specifically by providers and may not be purchased or loaned out to clients.
- b. Telehealth infrastructure:
 - i. Structural development to integrate broadband lines
 - ii. Telehealth kiosks

D. Administrative & Infrastructure Development

1. Allowable

- a. Salaries of administrative or clerical staff under specific conditions where their services are integral to an activity and are not captured as indirect costs.
- b. Medical equipment necessary to project operation.
- c. Medication safes to store MAT medications.
- d. Medication safes or lockboxes for patients
- e. Minor Alterations and Renovations (A&R) may be authorized for up to \$150,000 or 5 percent of the overall indirect costs (whichever is more) of a given budget period for existing facilities, if necessary and appropriate to the project. All minor A&R must be approved by SAMHSA.
- f. A&R is defined as work that changes the interior arrangement or other physical characteristics of an existing facility or installed equipment so that it can be used more effectively for its currently designed purpose or adapted to an alternative use to meet a programmatic requirement. A&R may include work referred to as improvements, conversion, rehabilitation, or remodeling.
- g. Minor A&R examples include:
 - i. Dispensing Window addition or improvement
 - ii. Minor internal office infrastructure, such as adding walls or doors to house personnel

2. Unallowable

- a. Structural changes (e.g., to the foundation, roof, floor, or exterior or loadbearing walls of a facility, or extension of an existing facility) to achieve the following: Increase the floor area; and/or, change the function and purpose of the facility.
- b. A&R exceeding \$150,000 or 5 percent of the overall indirect costs (whichever is more).
- c. New facility construction.
- d. Facility improvements unrelated to the expansion of OUD prevention,

- treatment, and recovery services
- e. Facility improvements to building foundation, roofing, heating and air conditioning, or other structural improvements
- f. Purchase of building
- g. Supplies, equipment, or furniture for use in non-contract operations of the entity
- h. Automated External Defibrillators (AED)

E. Outreach & Engagement

1. Allowable

- a. Patient outreach/engagement activities and resources
- b. Costs of meetings, conventions or other events related to SOR grant operations within California, including conferences designed to improve MAT personnel clinical skills
- c. Outreach/presentations to community agencies, local organizations, law enforcement, etc.
- d. Costs related to operation of local opioid coalitions
- e. Advertising costs directly related to contracted services

2. Unallowable

- a. Costs of meetings, conventions or other events not related to SOR grant operations
- b. Costs of promotional items and memorabilia, including models, gifts, and souvenirs related to other activities of the entity
- c. Meals are generally unallowable unless they are an integral part of a conference grant or specifically stated as an allowable expense
- d. Sporting events and entertainment
- e. Alcoholic beverages

F. Miscellaneous

1. Allowable

- a. Patient incentives for completing GPRA surveys are allowable up to \$30 non-cash incentive. Incentives are only allowable for 6-month follow-up interviews or discharge interviews for clients who have dropped out or left the program.
- b. Travel reasonably incurred for the SOR grant paid at the State rate ([State travel reimbursement rates](#))
- c. Patient transportation, such as bus passes, taxis, and ride-sharing services
- d. Office supplies critical to project operation

- e. Furniture necessary to project operation, such as additional desks, office chairs, and other minor equipment.
- f. Deterra pouches used to deactivate medications for disposal
- g. Bandages, ice pack, and non-procedural first aid supplies that can be administered by patient
- h. HEPA air filters

2. Unallowable

- a. Travel unrelated to SOR grant operations
- b. Travel costs in excess of the State rate
- c. Purchasing vehicles to disperse MAT to patients
- d. Natural remedies (herbs, acupuncture, etc.)
- e. Medical procedures, such as suturing or removal of sutures, abscess management, etc.