

ACTIVITY/MECHANISM BUDGET SUMMARY  
Department of Health and Human Services  
Public Health Service - Indian Health Service  
Indian Health Services - 75-0390-0-1-551

**CONTRACT SUPPORT COSTS**

Program Authorization:

Program authorized by P. L. 93-638, Indian Self-Determination Act, as amended and P. L. 100-472, Section 106(a)(2) A & B.

	FY 1999 <u>Actual</u>	FY 2000 Final <u>Appropriation</u>	FY 2001 <u>Estimate</u>	Increase Or <u>Decrease</u>
Budget Authority	\$203,781,000	\$228,781,000	\$268,781,000	+\$40,000,000

PURPOSE AND METHOD OF OPERATION

Section 106(a)(2) of P.L. 93-638, the Indian Self-Determination Act, as amended, authorizes the Secretary to fund those costs that a tribal contractor incurs in addition to what the Secretary would have otherwise provided for the direct operation of the program. These costs are referred to as contract support costs.

The IHS uses contract support cost funds made available under the ISD fund to support the initial transfer of programs from Federal operations to tribal operation. The ISD funds tribal requests that includes Start-Up, Direct, and Indirect types of Contract Support Costs.

Amounts needed for CSC are determined in independent negotiations with the cognizant Agency's Inspector General (which is the Department of the Interior for virtually all contracts). The types of costs included in these indirect cost pools include the reasonable costs of tribal governing bodies, management and planning, financial management, property management, procurement management, data processing, office support, building rent, utilities, program specific insurance, legal services, and single-agency audits.

In FY 2000, IHS received an increase of \$25 million for contract support costs.

ACCOMPLISHMENTS

By definition, contract support costs (CSC) to the tribal program exceed the amount spent by the Agency at the location of service. Therefore, CSC are a supplement to the direct program funding provided in order to maintain an equitable opportunity for tribes who choose to operate programs under this legislative authority.

Amounts available have been less than the demand of which has resulted from the additional contracting related to the passage of the 1994 ISDA amendments. When the amounts for CSC are less than the aggregate requested funding by tribes for all Title I and Title III programs, the remaining difference is reported annually to the Congress as required by the ISDA.

In 1997, the Congress directed the IHS to "work with Tribes, the Bureau of Indian Affairs and the Inspector General at the Department of the Interior to contain the escalation in contract support costs." In response to this directive, the IHS developed a "Report to Congress on Contract Support Cost Funding in Indian Self-Determination Contracts and Compacts". The findings of the report, based on analysis of tribal indirect cost rates, indicated that rates have remained relatively stable and have not unreasonably escalated. The report further indicated that the continued increase in contract support cost need is due primarily to the increased assumption by tribes of new programs, services, functions and activities from the IHS. The Office of the Inspector General within the Department of Interior reached a similar conclusion as a result of an analysis it conducted of a sample of tribes over an eight-year period.

In FY 1999, the IHS received a \$35 million increase for CSC. Recommendations from the tribal consultation process resulted in the adoption of an allocation methodology that distributed CSC to those tribes with the greatest overall CSC need. The distribution of the \$35 million increase in this manner resulted in the IHS being able to fund contracting/compacting tribes at an average level of need funded of 86 percent for CSC. No tribe in the IHS system was funded at less than 80 percent of its CSC need at the time the \$35 million was allocated.

Consultation with tribes also resulted in the adoption of a new policy in FY 2000 to govern the administration of CSC in the IHS. The policy implements a new process and methodology for distributing CSC within available resources to tribes for new assumptions of programs, functions, services and activities. The policy also implements a process and methodology for reducing the inequity in CSC funding for existing contract and compact tribes.

Following are the funding levels for the last 5 fiscal years:

<u>Year</u>	<u>Funding</u>	<u>FTE</u>
1996	\$153,040,000	--
1997	\$160,702,000	--
1998	\$168,702,000	--
1999	\$203,781,000	--
2000	\$228,781,000	--

#### **RATIONALE FOR BUDGET REQUEST**

**TOTAL REQUEST** -- The request of \$268,781,000 is an increase of \$40,000,000 over the FY 2000 Appropriation of \$228,781,000.

#### **Contract Support Costs - +\$40,000,000**

The \$40 million increase will first be used to provide CSC for new assumptions of IHS programs under self-determination agreements. The IHS estimates that \$12.5 million will be needed for new assumptions, but, since contracting and compacting is a tribal option the amount actually needed could be higher. No new contracts will be funded at a higher funding level than the minimum percentage funded for existing contracts in FY 2001. To the extent the \$40 million is not needed for new assumptions it will be used to increase contract support cost funding for existing contracts. The increase supports the policy to permit an orderly transition from the

Federal administration of programs for Indian Tribes, to Tribal administration of the programs pursuant to the Indian Self-Determination Act.