Fiscal Year 2011 Report to Congress on Funding Needs For Contract Support Costs of Self-Determination Awards (Based on Fiscal Year 2010 Data) CORRECTED

In Response to:
Section 106(c) of Public Law 93-638, as amended

Prepared by the
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Indian Health Service
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Indian Health Service
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Introduction

The Indian Health Service (IHS) fiscal year (FY) 2011 Contract Support Costs (CSC) funding report based on FY 2010 data is prepared as required by section 106(c) of the Indian Self-Determination and Education Assistance Act (ISDEAA), Public Law (P.L.) 93-638, as amended, 25 U.S.C. § 450 et seq. The funding report provides an accounting of funds provided to a Tribe or Tribal Organization (T/TO) for direct program costs and CSC under ISDEAA contracts and compacts.

Background

The ISDEAA allows a T/TO to assume operation of Federal programs and to receive at least the funding amount that the Secretary would have otherwise provided for the direct operation of the programs by the IHS. Approximately half of the Agency's appropriation is contracted through ISDEAA contracts and compacts for Tribal health administration. The ISDEAA also provides that CSC be added to the program amount. The CSC are defined in the ISDEAA as the reasonable costs for activities the T/TO must carry out to ensure contract compliance and good management, but that either are not normally carried out by the Secretary in direct operation of the program, or are provided by the Secretary in support of the program from resources other than those under contract or compact.

Specific elements of the annual report required by statute are as follows:

(1) an accounting of the total amounts of funds provided for each program and the budget activity for direct program costs and contract support costs of Tribal organizations under self-determination;
(2) an accounting of any deficiency in funds needed to provide required contract support costs to all contractors for the fiscal year for which the report is being submitted;
(3) the indirect cost rate and type of rate for each Tribal organization that has been negotiated with the appropriate Secretary;
(4) the direct cost base and type of base from which the indirect cost rate is determined for each Tribal organization;
(5) the indirect cost pool amounts and the types of costs included in the indirect cost pool; and
(6) an accounting of any deficiency in funds needed to maintain the preexisting level of services to any Indian tribes affected by contracting activities under this subchapter, and a statement of the amount of funds needed for transitional purposes to enable contractors to convert from a Federal fiscal year accounting cycle, as authorized by [25 U.S.C. § 450j(d)].

With regards to the requirement in 25 U.S.C. § 450j-1(c)(6) that the Agency provide "an accounting of any deficiency in funds needed to maintain the preexisting level of services to any Indian tribes affected by contracting activities under this Act," we note the following distinction:

Accounting of funds to maintain preexisting services are not typically quantified because a T/TO that is not providing direct care does not have preexisting services. Once a T/TO contracts or compacts, however, the difference between the actual expense and medical costs incurred by the T/TO is tracked within the data provided in the IHS CSC Shortfall Report. All funding is provided to T/TOs on a Federal fiscal year accounting cycle.

The IHS policy governing CSC administration and allocation has been in effect since 1992. The policy was developed through extensive Tribal consultation and participation. In 2007, to ensure continued funding equity in the current fiscal environment, the IHS Director revised the CSC policy to amend procedures relevant to CSC funding associated with new or expanded programs. The IHS CSC policy conforms to applicable Office of Management and Budget (OMB) Circular A-87 and A-122 cost principles.

Linkage with Other Reports to Congress on Contract Support Costs (CSC)

2010 Report to Congress on Funding Needs For Contract Support Costs of Self-Determination Awards (Based on Fiscal Year 2009 Data)

An accounting of the total amounts of funds provided for each program and the budget activity for direct program costs and CSC of T/TOs under ISDEAA contracts and compacts

Total FY 2010 – Direct Program Cost funds awarded to T/TOs for ISDEAA contracts and compacts. $1,744,124,074

Section 106(a)(1) of P.L. 93-638, as amended, authorizes the Secretary to provide funding for ISDEAA contracts and compacts in the amount the Secretary would have otherwise provided for the direct operation of the program. These program costs include both direct and indirect costs the Secretary would have incurred. The funding for these costs are commonly referred to as the *Secretarial amount*, and is the sum of columns "E" + "F" - "G" of "Fiscal Year 2010 Contract Support Cost Data: Summary of All Area offices."

Total FY 2010 – Recurring CSC funds and Tribal Shares available for CSC provided to T/TOs for ISDEAA contracts and compacts. $ 424,369,577

Section 106(a)(2) of P.L. 93-638, as amended, authorizes the Secretary to provide funds for reasonable CSC in addition to the *Secretarial amount.* CSC includes direct and indirect costs for activities that must be carried out under the contract or compact that are not funded under the *Secretarial amount.* Funds for CSC awarded is the sum of columns "G," "J," and "S" of "Fiscal Year 2010 Contract Support Cost Data: Summary of All Area offices."

Funds needed to provide for the CSC need of all awardees in FY 2011 (based on FY 2010 data)

FY 2011 CSC Deficiency: $104,577,093

FY 2010 CSC need[1]	$ 515,955,386
Tribal Shares available for CSC[2]	($ 32,683,845)
FY 2010 DCSC Funding (non-recurring)[3]	$ 6,804,268
Total CSC funding awarded[4]	($398,490,000)
Sub-total of Shortfall[5]	**$ 91,585,809**
FY 2010 IDC on unfunded DCSC need[6]	$ 1,290,664
Final Shortfall / Shortfall at onset of FY 2011	**$ 92,876,473**
FY 2011Inflation at 1.5%[7]	$ 1,660,896
FY 2011Estimated new and expanded programs [8]	$ 15,000,000
CSC for program increases in the FY 2011 Omnibus Budget[9]	$ 1,033,393
FY 2011 DCSC Funding (non-recurring funds from FY 2010)[10]	($ 6,790,659)
FY 2011 Appropriation decrease for CSC (2011 Omnibus)[11]	796,990
FY 2011 CSC deficiency, additional CSC needed in 2011	**$ 104,577,093**

Under Titles I and VII of the Full-Year Continuing Appropriations Act, 2011, this appropriation has a limitation of $4,900,000 for CSC associated with new and expanded programs for FY 2011.P.L. 112-10, 125 Stat. 107, 153.

The IDC rate and type of rate for each T/TO

The majority of IDC rate agreements negotiated between T/TO contractors/compactors and their cognizant Federal Agency consist of fixed carry forward and provisional/final rates.

Lump sum "indirect type" CSC amounts are negotiated with awardees without formal negotiated IDC rate agreements, and are identified as IDC Type/Other or CSC Pilot Project in the report. The IDC Types of IDC rates are provided in column "P" of each IHS Area worksheet. The number for each type of rate is as follows:

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[1] FY 2010 CSC Data, Summary All Area Offices, column "U."
[2] FY 2010 CSC Data, Summary All Area Offices, column "G."
[3] FY 2010 CSC Data, Summary All Area Offices, column "H."
[4] FY 2010 CSC enacted Appropriation.
[5] FY 2010 CSC Data, Summary All Area Offices, column "W."
[6] FY 2010 IDC on unfunded DCSC of $1,290,664 is computed from the 2010 CSC Data, Summary of All IHS Area Offices, columns "S" + "T" equals Total; Total divided by column "N" equals Percentage; Percentage times column "K" equals IDC on DCSC deficiencies.
[7] FY 2010 CSC Data, Summary All Area Offices, column "I," FY 2010 DCSC negotiated need, is adjusted annually according to the OMB non-medical inflation rate of 1.5% for FY 2011.
[8] The additional estimated CSC need associated with new and expanded awards.
[9] The CSC associated with the portion of the enacted FY 2011 Appropriation increases that are to be included in ISDEAA awards (54% of the increase times 25% for CSC).
[10] FY 2010 CSC Data, Summary All Area Offices, column "H," funds non-recurring to the T/TOs or Area, less rescission of .2%.
[11] The rescission of .2% from FY 2010 Appropriation.

- Fixed Carry Forward 231
- Provisional/Final 50
- IDC Type Costs/Other 45
- CSC Pilot Project 3

The direct cost base and type of base from which the IDC rate is determined for each T/TO

The aggregate direct cost base for all T/TOs is $1,556,580,611. The type of base means the accumulated direct costs (typically either total direct salaries and wages or total direct costs, exclusive of any extraordinary or distorting expenditures or pass through) used to calculate the distribution of IDC to individual T/TO awards. The direct cost base selected should result in each award bearing a fair share of the indirect costs in reasonable relation to the benefits received from the costs. The direct cost base of each T/TO is identified in column "N" of each IHS Area worksheet.

The IDC pool amounts and the types of costs included in the IDC pool

The aggregate IDC pool attributable to IHS-funded programs for all T/TOs is $358,984,333. The IDC pool is the accumulated costs that jointly benefit two or more programs or other cost objectives. Indirect cost pool expenditures typically include the following:

- administrative salaries and fringe benefits associated with overall financial and organizational administration;
- operation and maintenance costs for facilities and equipment; and
- payroll and procurement services.

The IDC pool amount is provided in column "Q" of each IHS Area worksheet.[12]

American Recovery and Reinvestment Act of 2009 (ARRA) CSC need

In 2010, IHS Area offices reported $2,131,830 in ARRA funds allocated to T/TOs through supplements to their ISDEAA contracts and compacts. These funds were expended to help improve health care through maintenance and improvement projects, health information

[12] The IHS Area Worksheet identifies the total portion of the IDC pool that is attributable to IHS programs, as required by section 106(c). Section 106(c) does not require the IHS to distinguish how much of the IDC attributable to IHS programs is funded through the Secretarial amount from the amount that is funded as indirect CSC. Under the ISDEAA, the IHS funds IDC through both amounts. Indirect Costs are funded through the Secretarial amount if the Secretary also carried out the related activities and funded those activities from resources transferred under the contract or compact (25 U.S.C. § 450j-1(a)(1)). The IHS will provide indirect CSC funding for costs for activities that the T/TO must carry out, but that were either not carried on by the Secretary or funded by the Secretary through resources other than those transferred under the contract or compact (§ 450j-1(a)(2)). Because Section 106(c) does not require the IHS to distinguish between these categories of IDC, the IHS Area Worksheets include the total IDC pool.

technology, sanitation facilities construction, and health equipment. No CSC funds were available to support these one-time ARRA-funded projects. However, several T/TOs identified and reported a CSC need associated with administering the project(s). The IHS agreed with T/TOs to report this additional CSC need to Congress through the annual CSC deficiency report.