

**2012 Report to Congress on Funding Needs  
For Contract Support Costs of Self-Determination Awards  
(Based on Fiscal Year 2011 Data)**



**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 and Background**

This report, consisting of the following narrative and the attached tables, is prepared in response to 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 report is based on fiscal year (FY) 2011 funds provided to Tribes and Tribal Organizations (T/TOs) for Secretarial funding and contract support costs (CSC) under ISDEAA contracts and compacts.

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 programs directly operated by the Indian Health Service (IHS). More than half of the IHS appropriation is contracted through ISDEAA contracts and compacts for Tribal health administration. The ISDEAA also provides that CSC be added to the Secretarial 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)].

25 U.S.C. § 450j-1(c).

## **Report Preparation and Linkage with Other Reports to Congress on CSC**

The IHS policy governing CSC administration, allocation, and preparation of this report 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.

As outlined in the policy, each IHS Area Office provided data for the T/TOs under their responsibility for inclusion in this report in accordance with the CSC policy. The Area Offices are charged with working closely with the T/TOs as part of their responsibility to update the negotiated amounts of ISDEAA funding and the indirect cost rates the Tribes have negotiated with their cognizant Federal agency. In February 2012, each Tribe was given an additional opportunity to review their respective final data submitted for inclusion in the report. IHS Headquarters also performs a review and certification of the data to assure the report is reasonable and as accurate as possible.

This report links indirectly with the "Fiscal Year 2011 Report to Congress on Funding Needs for Contract Support Costs of Self-Determination Awards," which contains an estimate of FY 2011 CSC shortfall based on FY 2010 data. This report contains FY 2011 shortfall data based on actual payments made to T/TOs in FY 2011 and the most up-to-date indirect cost rates negotiated by T/TOs.

Summarized report information is presented below. Detailed information organized by IHS Area Office and by T/TO is presented in the attached tables. The narrative accompanying each element below describes the ISDEAA provision and includes the reference to the columns of the attached tables and the formula, if applicable, for calculating the amount for that particular report element.

## Report Elements - Summary

### (1) 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 2011 direct program cost funds awarded to T/TOs for ISDEAA contracts and compacts.	\$1,803,386,648
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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. This amount is commonly referred to as the *Secretarial amount*, and is the sum of columns "E" + "F" - "G" in the attached tables.

Total FY 2011 CSC funds provided to T/TOs for ISDEAA contracts and compacts.	\$ 397,240,656
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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*. Funds awarded for CSC are the sum of columns "J" and "U" in the attached tables.

Total FY 2011 Recurring Tribal Shares available for CSC-like costs provided to T/TOs for ISDEAA contracts and compacts. \$ 32,779,827

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*. Funds for Headquarters and Area Tribal shares that duplicate costs that might otherwise be considered CSC is the amount in column "G" in the attached tables.

**(2) An accounting of any deficiency in funds needed to provide for the contract support costs need of all contractors for the fiscal year for which the report is being submitted**

FY 2012 CSC Deficiency: \$70,668,783

FY 2011 CSC need <sup>1</sup>	\$ 545,564,660
Tribal Shares available for CSC-Like Costs <sup>2</sup>	(\$ 32,779,827)
Total CSC funding awarded <sup>3</sup>	(\$397,240,656)
<b>Sub-total of Shortfall<sup>4</sup></b>	<b>\$ 115,544,177</b>
FY 2011 IDC on unfunded DCSC need <sup>5</sup>	<u>\$ 2,932,328</u>
<b>Final Shortfall / Shortfall at onset of FY 2012</b>	<b>\$ 118,476,505</b>
FY 2012 Inflation at 2.6% <sup>6</sup>	\$ 3,157,446
FY 2012 Estimated CSC for new and expanded programs <sup>7</sup>	\$ 8,623,063
Estimated CSC for IHS funding increases in the FY 2012 Consolidated Appropriations Act <sup>8</sup>	\$ 14,792,550
FY 2012 appropriation increase for CSC <sup>9</sup>	<u>(\$74,380,781)</u>
<b>FY 2012 CSC deficiency, additional CSC needed in 2012</b>	<b>\$ 70,668,783</b>

**(3) The indirect cost 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.

The rate for each Tribe that has an IDC rate agreement is shown in Column "Q" of the attached IHS Area tables. Lump sum "indirect type" CSC amounts are negotiated with awardees that opt

<sup>1</sup> 2012 Contract Support Costs Report to Congress – FY 2011 Data, SUMMARY - All Area Offices, column "W."

<sup>2</sup> 2012 Contract Support Costs Report to Congress – FY 2011 Data, SUMMARY - All Area Offices, column "G."

<sup>3</sup> 2012 Contract Support Costs Report to Congress – FY 2011 Data, SUMMARY - All Area Offices, column "X."

<sup>4</sup> 2012 Contract Support Costs Report to Congress – FY 2011 Data, SUMMARY - All Area Offices, column "Z."

<sup>5</sup> FY 2011 IDC on unfunded DCSC is computed from the 2012 Contract Support Costs Report to Congress – FY 2011 Data, SUMMARY - All Area Offices, column "S" divided by column "N" equals Percentage; Percentage times column "K" equals IDC on unfunded DCSC need.

<sup>6</sup> 2012 Contract Support Costs Report to Congress – FY 2011 Data, SUMMARY - All Area Offices, column "I," FY 2011 DCSC negotiated need, is adjusted annually according to the OMB non-medical inflation rate, which is 2.6% for FY 2012.

<sup>7</sup> The additional estimated CSC need associated with new and expanded awards. The amount shown reflects the total requests submitted for the Indian Self-Determination Fund, which is for new and expanded awards.

<sup>8</sup> An estimate of the CSC associated with the portion of the enacted FY 2012 Appropriation increases that may be included in ISDEAA awards.

<sup>9</sup> The CSC increase for FY 2012, as compared to the amount appropriated in FY 2011.

to enter into such negotiations with the IHS or that do not have formal negotiated IDC rate agreements, and are identified as IDC Type Costs Negotiated or CSC Pilot Project with amounts shown in Column "T" of the attached tables.<sup>10</sup>

Types of rates and numbers of T/TO using each type are as follows:

- Fixed Carry Forward            230
- Provisional/Final                54
- IDC Type Costs/Other            39
- CSC Pilot Project                 2

**(4) 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 \$1,601,180,885. The direct cost base for each Tribe is shown in Column "N" of the attached Area tables. 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 awards to each T/TO. The direct cost base selected should result in each award bearing a fair share of the T/TO's indirect costs in reasonable relation to the benefits received from the costs.

**(5) 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 \$367,929,052. The portion of IDC pool amounts attributable to IHS programs is provided in column "S" of the attached Area tables.<sup>11</sup>

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:

<sup>10</sup> The IDC rates that a T/TO negotiates with its cognizant agency are distinctive from the IDC Type Costs and CSC Pilot Project amounts negotiated with the IHS for an ISDEAA compact or contract. The IDC rate represents all indirect costs for the T/TO. Consistent with the ISDEAA, the IDC Type Costs or CSC Pilot Project amounts negotiated with the IHS should exclude duplicative indirect costs already funded in the Secretarial amount and be limited to indirect CSC negotiated between the parties.

<sup>11</sup> The IHS Area tables identify the total portion of each T/TO's 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 reasonable 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 tables include the total IDC pool.

- 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.

**(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.