

Contract Support Costs

➤ Background

The **Indian Self-Determination and Education Assistance Act (ISDEAA)** requires the IHS to contract with Tribes to assume operation of Federal programs and to provide them with not less than the amount of direct program funding that the secretary would have provided for the operation of the program. It also provides that there be added to the program amount, **contract support costs (CSC)**, which consist of an amount for the reasonable costs for activities which must be carried on by the Tribe to ensure compliance with the terms of the contract and prudent management, but which: 1) were normally not carried on by the Secretary in his direct operation of the program; or 2) were provided by the Secretary from resources other than those under contract.

➤ CSC Related Provisions of the ISDEAA:

- **Section 106(a)(2), (a)(3), (a)(5), and (a)(6)** of the ISDEAA of 1975, as amended, authorizes CSC funding for contract and compact awards.
- **Section 106(c)(1-5)** of the ISDEAA outlines what information the Congress wants as it pertains to the use and adequacy of CSC appropriations.
- **Sections 106(d)(2) and 106(g)** of the ISDEAA require full funding of the indirect cost need of tribal contractors, subject to the availability of appropriations (**Section 106(b)**).

➤ CSC Defined in Sections 106(a)(2) & (a)(3):

- **Section 106 (a)(2)** requires the Secretary to add CSC funds to the amount of the program funds the Secretary provides. Section 106 (a)(2) states that CSC is the cost of activities either not carried out by the Secretary, or carried out from resources other than those available under contract.
- **Section 106(a)(3)** defines **CSC** that are eligible for reimbursement. These costs are:
 - Reasonable costs for activities which must be carried on by the Indian tribe or tribal organization as a contractor/compactor to ensure compliance with the terms of the contract and prudent management.
 - Costs which are reasonable, necessary and allowable costs of the contractor/compactor which are allocable to the contract or compact based on applicable Federal cost principles; and
 - Costs which are not provided for under the allocation of program funds available for the contract/compact as defined in P.L. 93-638, as amended, Section 106(a)(1); and
 - Treated as either **direct** or **indirect** by the contractor/compactor based on applicable cost principles and the contractor/compactor's own cost allocation policy.

➤ CSC for Startup and Pre-Award costs:

- **Section 106(a)(5)** identifies **startup costs** as the reasonable costs that **will be incurred during the initial year of award** by a Tribe to begin operation of the programs. These are costs necessary to plan, prepare for, and assume operation of the program.
- **Section 106(a)(6)** identifies **pre-award costs** as those cost incurred **before the award** of the contract provided that the Secretary receives written notice concerning the nature and extent of the costs *before they are incurred*.

➤ Direct Contract Support Costs (DCSC):

DCSC are both non-recurring and recurring. **Non-recurring DCSC** are those costs generally required for the program to begin operations. These costs are also referred to as start up or pre-award costs. **Recurring DCSC** are those costs which are associated directly with the operation of the program. They are not intended to be an additional category of costs, however. Costs for these activities are not contained in either the indirect cost pool or the amount computed pursuant to section 106(a)(1).

- **Examples of DCSC generally include, but are not limited to:**
 - Unemployment taxes on direct program salaries
 - Workers compensation Ins.
 - Property/Liability Insurance
 - Facility support costs

➤ **Indirect Costs (IDC):**

IDC are costs incurred for a common or joint purpose benefiting more than one contract objective, or which are not readily assignable to the contract objectives specifically benefited without effort disproportionate to the results achieved; and which are not funded by other direct costs; and are incorporated in the contractor/compactor's indirect cost reimbursement procedure as negotiated annually with their cognizant Federal agency. Amounts for IDC are determined based on an **approved IDC Rate**.

➤ **Indirect-Type Costs:**

For organizations without "current" negotiated indirect cost rates, **indirect-type costs** consist of costs which are normally found in indirect cost pools of contractors with rates, and which are negotiated between the contractor/compactor and the Area Office. Generally, these amounts are negotiated as a lump sum amount.

- **Examples of IDC and IDC-Type costs generally include, but are not limited to costs incurred under the following categories:**

- Management and Administration;
- Facilities and Support Equipment;
- General Services and Expenses.

None of these costs are to be duplicative of direct program costs.

➤ **Indian Health Service CSC Policy – Indian Health Manual Part 6, Chapter 3:**

The Indian Health Service provides CSC to Tribes based on the statutory criteria above. **CSC is appropriated** by Congress and identified specifically in Appropriations Bills. Since 1998 Congress has "capped" the amount the IHS may allocate to Tribal CSC. Congress has historically identified an amount for CSC associated with new or expanded transfers of programs to Tribes (Indian Self-Determination (ISD) funding) from within the total CSC appropriation. The remaining CSC appropriation is used to provide for the CSC associated with ongoing awards.

The IHS divides the CSC appropriation into **three pools** of funding.

- **Pool No. 1** includes CSC funding for new or expanded awards (ISD). This fund is provided to tribes contracting or compacting new programs based on their overall level of CSC need funded on a bottom-up approach (funding those with the greatest unfunded needs first) up to the average CSC level of need funded under ongoing awards (* revised 2007 Policy). Excess Pool No. 1 funds, if any, are added to Pool No. 3.
- **Pool No. 2** is composed of the total amounts of IDC and DCSC awarded to Tribes in the previous fiscal year. These funds are provided to those same Tribes if they continue to justify a need for the funds. Reductions in the amount of CSC awarded are added to Pool No. 3.
- **Pool No. 3** includes increases to the appropriation for CSC associated with ongoing awards. This Pool is used to fund shortfalls in available CSC funding associated with the ongoing awards. One half (50%) of these increases are provided on a pro-rata basis to all Tribes with a CSC shortfall and the remaining half (50%) is provided to those Tribes with the greatest unfunded CSC needs on a bottom-up basis. Funds reallocated within Areas from Pool No. 2 are provided on a bottom-up basis to those Tribes with the greatest unfunded need.

The IHS has had a written **CSC policy** since 1992 which describes how the amounts required for CSC are determined and how amounts appropriated for CSC are to be allocated. This policy has been developed with active Tribal participation and full Tribal consultation in accordance with Secretarial policy and applicable Executive Orders. The current version of that policy, IHM Part 6, Chapter 3, was adopted in FY 2007.

For additional information contact IHS Office of Tribal Programs at 301-443-1104.