

UNITED STATES SENATE COMMITTEE ON INDIAN AFFAIRS

Oversight Hearing on Unemployment on Indian Reservations at  
50%: The Urgent Need to Create Jobs in Indian Country

Testimony of the National Tribal Contract Support Cost Coalition  
on Funding for Contract Support Costs

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This testimony is submitted jointly on behalf of the National Tribal Contract Support Cost Coalition, comprised of the Shoshone Bannock Tribes of Idaho, the Cherokee Nation and Choctaw Nation of Oklahoma, the Shoshone-Paiute Tribes of Nevada and Idaho, the Riverside San Bernardino County Indian Health Consortium of California, the Pueblo of Zuni of New Mexico, the Spirit Lake Nation of North Dakota, the Confederated Salish and Kootenai Tribes and Chippewa Cree Tribe of Montana, the Forest County Potawatomi Tribe of Wisconsin, the Little River Band of Ottawa Indians of Michigan, and the Copper River Native Association, Alaska Native Tribal Health Consortium, Arctic Slope Native Association, Kodiak Area Native Association, and Yukon-Kuskokwim Health Corporation of Alaska.

The National Coalition believes that in advancing jobs legislation in the coming weeks Congress should seriously consider enhanced funding for “contract support costs,” because contract support cost monies directly fund jobs in Indian country.

As this Committee is aware, contract support costs represent the fixed costs which Tribes and tribal organizations must incur when they carry out self-determination contracts and self-governance compacts with either the Bureau of Indian Affairs or the Indian Health Service. Contract support costs cover such federally-mandated costs as annual independent audits, but also other necessary costs including liability and property insurance, accounting costs and the like. The majority of contract support costs are set by an indirect cost rate that is established by either the National Business Center within the Department of the Interior or the Division of Cost Allocation within the Department of Health and Human Services, and the remainder of those costs are set directly by the BIA and IHS.

As this Committee is also aware from its extensive work over three decades in amending the Indian Self-Determination Act, when the BIA or IHS underfund fixed tribal contract support costs, the tribal contractors are left with no choice but to leave program positions unfilled to make up for the difference. Contract support cost underpayments thus cost jobs.

By contrast, restoring contract support cost payments that are due under contracts and compacts permits Tribes and tribal organizations carrying out BIA and IHS programs to restore jobs. This is why Tribes and tribal organizations have repeatedly explained to Congress that, despite its somewhat oblique name, the “contract support cost” issue is a

jobs issue. Indeed, at even a high estimate of \$100,000 per full-time equivalent employee, every \$10 million increase in contract support cost payments produces 100 additional jobs (and even more jobs under contracts with IHS, where healthcare services lead to additional revenues from Medicare, Medicaid and other third-party payers).

The National Contract Support Cost Coalition requests this Committee's assistance in securing an immediate infusion of contract support cost funding in an amount equal to the amounts which President Obama will shortly announce in his Budget for fiscal year 2011. By including such one-time funds in the new jobs legislation, Tribes and tribal organizations administering IHS and BIA programs will be able to hire the additional staff which the President's increases will permit, not in the summer of 2011, but this summer in the year 2010. This acceleration in hiring in Indian country is critically necessary to help immediately combat some of the country's highest unemployment rates.

For instance, if the President proposes an FY 2011 increase in BIA contract support cost payments of \$20 million – sums which would, in due course, eventually be transferred under tribal contracts in the summer of 2011, \$20 million in BIA contract support cost funds should also be added to the jobs bill so that those positions can be hired now, without further delay. The same action is warranted in connection with the IHS budget where the President may propose a contract support cost increase of \$45 million for FY 2011.

Including contract support cost funding in the new jobs bill meets every identified criteria for stimulus funding. It will directly lead to increased employment; the funds can be immediately obligated within a few days after apportionment into existing contracts, and without the negotiation of any additional or supplemental terms; and contract support cost funds (together with other contracted funds) are already subject to rigorous and transparent annual independent audits.

Thank you for the opportunity to present these views on behalf of the National Contract Support Cost Coalition. Coalition member Tribes and tribal organizations will be supplementing this testimony with their own individual statements.

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