**DRAFT Update 3/24/14**

**Recommendations for Payment of FY 2014 Contract Support Cost**

**CSC Technical Workgroup**

At its meeting on February 25, 2014, the CSCWG reached consensus on the following recommendations to the IHS Director regarding payment of Contract Support Costs (CSC) for FY 2014:

* Develop a **Dear Tribal Leader Letter (DTLL)** as soon as practicable, ideally by March 7, 2014, communicating the recommendations from the CSCWG for distribution of FY 2014 CSC funding, with a request for comments by March 21, 2014.
* Distribute FY 2014 CSC increases according to IHS policy by March 31, 2014, subject to the apportionment process.
* Use the FY 2013 Shortfall Data with the following adjustments:
  + Inflation on Direct CSC (DCSC), using the non-medical inflation rate;
  + IDC on any previously unpaid DCSC;
  + Add program increases to the base (CHS, staffing increases, etc);
  + IDC rate updates.
* New and expanded requests for CSC are recommended to be processed according to IHS policy, for which $30 million has been set aside by IHS.

**Issue: Tribes may have updates later in the year that change the CSC requirement, upward or downward. There is a risk of Tribes begin overpaid CSC as a result.**

**Assumptions:** (1) That CSC funding in the recurring base (i.e., the actual FY 2013 level) is being paid as soon as possible following apportionment to IHS. Thus, these options only involve the CSC increase received to the IHS in FY 2014. (2) That “approved IDC rate” carries the same meaning in the IHS CSC policy, specifically, that an approved rate may be final or provisional.

The Technical Workgroup discussed Options for payment of FY 2014 CSC funding:

**Option 1**

* Hold no CSC funding back; make full payment immediately, based upon the latest Policy and Shortfall Report Information.
* Have Area Offices continue to monitor each Tribe’s CSC Requirement; changes in 106(a)(1) funding and changes in IDC Rates and modify awards if necessary

**Pros/Cons for Option 1**

* Pro – no delay in any Tribe receiving all CSC funding increases;
* Pro – less administrative burden, because only one CSC payment is made;
* Con – there is a risk of Tribes having updated approved rates that are received after the payment of the CSC increases are made.

**Option 2**

* Hold back some percentage of the CSC increase from all Tribes (5%);
* Pay the balance as soon as possible following apportionment;
* Make final payment on a final reconciliation to occur the last quarter of FY 2014.

**Pros/Cons for Option 2**

* Pro – most of the CSC funding increases (95%) get distributed right away;
* Pro – the final payment allows for correcting any potential overpayments;
* Con – all Tribes, even those with approved FY 2014 IDC rates and little risk of overpayment, have funding withheld from payment;
* Con – more administrative burden for IHS than a single payment.

**Option 3**

* Hold back some percentage of the CSC increase (5%) ***from only those Tribes without approved IDC agreements (either IDC rate or lump-sum)***;
* Pay the balance of CSC increases (95%) as soon as possible;
* Make final payment on a final reconciliation to occur the last quarter of FY 2014.

**Pros/Cons for Option 3**

* Pro – most of the CSC funding increases (more than 95%) get distributed right away;
* Pro – the final payment allows for correcting any potential overpayments;
* Pro – only those Tribes at risk for overpayment have a small amount of funding withheld;
* Con – more administrative burden than Option 1.

**Option 4**

* Hold no CSC funding back; make full payment in the last quarter of FY 2014.

**Pros/Cons for Option 4**

* Pro – allows time for most accurate data and lowering risk of overpayment;
* Pro – less administrative burden, because only one CSC payment is made;
* Con – causes delay in distributing CSC funding, which has been unacceptable to Tribes.