



SEP 7 2006

Dear Tribal Leader:

On March 28 I presented a proposed change to the Indian Health Service (IHS) Contract Support Cost (CSC) Circular No. 2004-03. This change would only affect the allocation methodology for CSC associated with new or expanded awards under Public Law (P.L.) 93-638, the Indian Self-Determination and Education Assistance Act (ISDEAA), as amended. CSC associated with new or expanded awards would be allocated at the average level of CSC funding paid to all existing, ongoing P.L. 93-638 awards.

I requested comments on the proposed change be submitted by April 28 and I appreciate the comments and recommendations contributed by several Tribal contractors and compactors. Later, on May 8-12 I had the opportunity to discuss the proposed change in more detail during the Self-Governance Tribes' Annual Conference in Acme, Michigan. Then, on May 18 the House Interior Appropriations Committee marked up the fiscal year (FY) 2007 Federal Budget and included a statement in their report indicating that the IHS should complete its revision of its CSC policy as soon as possible. Congress would consider providing funding for new and expanded contracts in future fiscal years based upon the revised IHS policy.

In reviewing the comments, most were concerned that this proposed policy change might signify a shift in the commitment of the IHS to fully fund CSC, but that is not the case. The IHS remains committed to the ISDEAA and to the full funding of Tribal CSC needs. This change, however, was proposed as a means to achieve greater equity in CSC funding allocations. These methodological changes also demonstrate to Congress that the IHS has implemented a sound CSC policy that ensures equity and parity in CSC funding for all. The modified allocation methodology allows more Tribes to benefit from any new CSC appropriations and will further reduce CSC shortfalls for all ongoing programs.

Notwithstanding the comments received, I am temporarily implementing this change for the FY 2007 through FY 2010 funding periods. To ensure responsiveness to the needs of Tribes in administering their health programs, and continued support of the IHS's commitment to the Federal Government's policy of Indian Self-Determination, the change will be monitored and fully evaluated by the IHS/Tribal CSC Workgroup during the FY 2010 funding period to determine if the change should be made permanent.

Based on the comments received and discussions held during the Self-Governance Conference, I want to assure you that the IHS remains committed to obtaining and providing full CSC funding.

Sincerely yours,

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