CSC National Workgroup

CARES Act Funding and Indirect Cost Rates

Following the BIA presentation, the federal team invited questions. The first was whether any guidance has been sent to Interior's National Business Center (NBC)—the cognizant federal agency for negotiating most Tribes' indirect cost rates—on how to calculate rates based on data from the anomalous years of FY 2020 and FY 2021 when Tribes received large infusions of CARES Act funding. Typically indirect cost rates are calculated based on audited figures from two years prior, so this issue will hit in 2022 and 2023, and some tribal representatives believe its impact will be dramatic—and potentially traumatic. In a nutshell, the problem is this: Coronavirus Relief Fund (CRF) funds from Treasury may not be used for indirect costs; as Treasury's guidance document put it, these are not traditional grants and "Recipients may not apply their indirect cost rates to these payments."[2] These payments thus enlarge the direct cost base while having little to no impact on the indirect cost pool. Since the rate is calculated by dividing the indirect cost pool by the direct cost base, a massive inflation of the denominator in FY 2020 creates a dramatically smaller rate in FY 2022 when those figures are used. This in turn will reduce Tribes' recovery of indirect contract support costs from BIA and the Indian Health Service (IHS), among other pernicious effects.

DeMakus Staton of the Eastern Band of Cherokee Indians reported that the United South and Eastern Tribes (USET) is preparing a letter requesting that the Office of Management and Budget (OMB) grant an exception to the ordinary ratemaking process to address this national policy issue. State and local governments may support this effort since they will be affected in a similar way. The Workgroup decided to invite representatives from OMB and NBC to the next meeting to ensure they understand the issue and its potential impact on Tribes.