



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 11, 2004

S. 1696

Department of Health and Human Services Tribal Self-Governance Amendments Act of 2004

As ordered reported by the Senate Committee on Indian Affairs on June 16, 2004

SUMMARY

S. 1696 would require the Secretary of Health and Human Services (HHS) to conduct a demonstration project to promote tribal self-governance. The project would involve about 50 tribes and would last no more than five years. Participating tribes would manage a number of programs administered by HHS and would have flexibility to reshape those programs to better meet tribal needs. Participating tribes would also receive their funding for those programs in a lump sum. The bill would authorize the appropriation of such sums as necessary to carry out the project.

CBO estimates that implementing S. 1696 would cost \$10 million in 2005 and \$42 million over the 2005-2009 period, assuming appropriation of the necessary funds. Those costs would be borne by the Office of the Secretary in HHS, which would oversee the implementation of the demonstration project. We also estimate that providing funding to participating tribes in a lump sum would accelerate outlays for many of the programs included in the demonstration project. As a result, the bill would increase direct spending by a total of \$7 million and spending subject to appropriation by \$34 million over the 2005-2009 period. Over the longer 2005-2014 period, the use of lump-sum funding would have no net effect on direct spending and would increase spending subject to appropriation by \$2 million.

S. 1696 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). At their option, tribal governments could participate in a demonstration project that would grant them greater authority for governing and administering a variety of programs.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1696 is shown in Table 1. The costs of this legislation fall within budget functions 500 (education, employment, training, and social services), 550 (health), and 600 (income security). For this estimate, CBO assumes that S. 1696 will be enacted by the end of 2004.

TABLE 1. ESTIMATED BUDGETARY EFFECTS OF S. 1696

	By Fiscal Year, in Millions of Dollars									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CHANGES IN DIRECT SPENDING										
Budget Authority	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	3	3	1	*	0	-5	-1	*	0	0
CHANGES IN SPENDING SUBJECT TO APPROPRIATION										
Estimated Authorization Level	10	8	8	8	8	0	0	0	0	0
Estimated Outlays	23	24	11	9	9	-28	-4	-1	*	0

NOTE: * = Costs or savings of less than \$500,000.

BASIS OF ESTIMATE

The Indian Self-Determination and Education Assistance Act (ISDEAA) allows Indian tribes to directly manage programs that had previously been administered on their behalf by the Indian Health Service (IHS). Tribes that do so have considerable flexibility to reshape those programs to better meet tribal needs.

S. 1696 would amend ISDEAA to authorize a demonstration project that would give participating tribes the same flexibility in managing certain other HHS programs. The bill specifies 13 programs that would be included in the project and allows the Secretary to add up to six programs annually in later years. Each participating tribe would decide which of those programs to include in the project. Under current law, tribes can administer most of those programs themselves, but must follow existing program rules.

The bill would target participation in the demonstration project to 50 tribes, although the Secretary could allow a higher number to take part if tribal interest were high. Only tribes

that already manage IHS-funded programs would be eligible. As with IHS programs, participating tribes would have the option of receiving their annual funding for the project in a lump sum. The demonstration project would last for no more than five years after the enactment of the bill.

For this estimate, CBO assumed that about 50 tribes would participate in the demonstration project, and that each tribe would manage about half of the eligible programs. We assumed that the Secretary would not make any additional programs eligible for the project. CBO estimated funding amounts for participating tribes based on historical averages, and assumed that tribes would opt to receive their funding in a lump sum.

Direct Spending

Tribes currently receive funding for most of the programs in the demonstration project on an as-needed basis rather than in a lump sum. As a result, the shift to lump-sum funding under the bill would accelerate outlays for those programs. CBO estimates that the bill would increase spending for the four mandatory programs in the demonstration project—Child Care and Development Fund, Native Employment Works, Promoting Safe and Stable Families, and Temporary Assistance for Needy Families—by a total of \$7 million over the 2005-2009 period. Those increases would be offset by lower spending in later years, and the bill would have no net effect on direct spending over the 2005-2014 period.

Spending Subject to Appropriation

The estimated effects of S. 1696 on spending subject to appropriation are shown in Table 2.

Effect of Lump-Sum Funding. CBO estimates that the use of lump-sum funding under the bill would increase outlays for the programs in the demonstration project that are funded through annual appropriations—Child Care and Development Fund, Child Welfare Services, Family Violence Prevention Grants, Grants to Native Americans, Head Start, Promoting Safe and Stable Families, and Targeted Capacity Expansion—by a total of \$34 million over the 2005-2009 period. Those increases would be largely offset by lower spending in later years, with the bill increasing costs by \$2 million over the 2005-2014 period.

Startup Costs. Indian tribes that wish to participate in the demonstration project would incur one-time costs for planning and preparation activities. Both IHS and the Bureau of Indian Affairs—where tribal management of programs is also common—have given tribes grants to offset these costs. Based on the experience of IHS, CBO assumes that HHS would

issue grants averaging \$70,000 to each participating tribe, for a total cost of \$3.5 million in 2005.

TABLE 2. ESTIMATED EFFECTS OF S. 1696 ON DISCRETIONARY SPENDING

	By Fiscal Year, in Millions of Dollars									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Effect of Lump-Sum Funding										
Estimated Authorization Level	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	13	16	3	1	1	-28	-4	-1	*	0
Startup Costs										
Estimated Authorization Level	4	0	0	0	0	0	0	0	0	0
Estimated Outlays	4	0	0	0	0	0	0	0	0	0
Project Management										
Estimated Authorization Level	4	4	4	4	4	0	0	0	0	0
Estimated Outlays	4	4	4	4	4	0	0	0	0	0
Contract Support Costs										
Estimated Authorization Level	2	4	4	4	4	0	0	0	0	0
Estimated Outlays	2	4	4	4	4	0	0	0	0	0
Total Changes in Spending Subject to Appropriation										
Estimated Authorization Level	10	8	8	8	8	0	0	0	0	0
Estimated Outlays	23	24	11	9	9	-28	-4	-1	*	0

NOTE: * = Costs or savings of less than \$500,000.

Project Management. According to HHS, the costs of administering the demonstration project would include a project office to oversee the demonstration, annual negotiations with participating tribes, a legal staff to review tribal agreements, and regular reports on the status of the project. Based on the experience of IHS, CBO estimates that those costs would total about \$4 million annually.

Contract Support Costs. The bill would allow tribes that participate in the demonstration project to receive funding for the administrative costs that they would incur. These costs, commonly known as contract support costs, include facilities, equipment, legal services, and salaries. Although all of the programs in the demonstration project include some funding for administrative costs, IHS experience with tribal management suggests that those amounts would not be sufficient for many tribes. Based on information from HHS, CBO estimates that the cost of the additional administrative costs for participating tribes would total

\$2 million in 2005 and \$18 million over the 2005-2009 period. Costs in 2005 would be lower because tribes would not operate the demonstration project for the entire year.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1696 contains no intergovernmental or private-sector mandates as defined in UMRA. At their option, tribal governments could participate in a demonstration project that would grant them greater authority for governing and administering a variety of programs.

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