

432 Park Avenue South New York, N.Y. 10016

(212) 689-8720

RECEIVED NOV 2 2 1983

Oliver La Farge, President (1932-1963)

MEMORANDUM

November 18, 1983

Alfonso Ortiz, Ph.D., President
Benjamin C. O'Sullivan, Vice President
Richard A. Halfmoon, Vice President
Jo Lewis Thickstun, Secretary
J. Kermit Birchfield, Jr., Treasurer
Steven Unger, Executive Director

Steven Unger, Executive Director Arthur Lazarus, Jr., Richard Schifter, General Counsel

To: Tribal Chairmen

From: Greg Argel

Re: New BIA Proposal on Overhead Costs of

Contracts Under Public Law 93-638

The BIA is currently presenting to tribes a proposal to change its method of paying tribal 93-638 overhead costs. The Association on American Indian Affairs believes the proposal would undermine tribal rights to self-determination.

The most critical recommendations of the Bureau's report are: (1) to discontinue the use of the Contract Support Fund budget activity for funding 638 contract program management costs on a continuing basis; (2) to discontinue the use of indirect costs as a basis for distributing Contract Support funds for new and second year contracts; and (3) to incorporate all 638 contract costs (direct and indirect) into BIA 638 contracts after the second contract year.

The Bureau's plan, if implemented, would drastically reduce the overhead funds provided to many tribal organizations. Many 638 contractors will be required to fund 638 overhead from BIA program funds in violation of section 106(h) of P.L. 93-638 or to cease 638 contracting altogether. Tribal initiatives in contracting would be discouraged. The most serious impact would fall on tribal organizations contracting relatively small and isolated programs for which overhead costs are naturally high.

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