



COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY DISABLED

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Administrative Memorandum No. 11

Subject: Central Nonprofit Agency (CNA) Fee Ceiling Determination Process

Effective Date: October 1, 2006

1. PURPOSE

This memorandum describes the process to be followed by the Committee for Purchase From People Who Are Blind or Severely Disabled in determining the Central Nonprofit Agency (CNA) Fee Ceiling as authorized by 41 CFR 51-3.5. This memorandum incorporates the fee ceiling determination process into the Committee's series of administrative memoranda governing internal functions of the Committee. This is a new memorandum; no previous memoranda are superseded.

2. COMMITTEE POLICY ON CNA FEE CEILING

a. Fee Applicability

The principle purpose of the fee is to finance the CNAs. The fee is paid by the nonprofit agencies to the CNAs for the purpose of contributing to the overall financing of the non-appropriated portion of the JWOD Program, stimulating job growth, supporting approved CNA business plans, and financing support provided to nonprofit agencies by the individual CNAs. All nonprofit agencies pay fees as set on individual contracts. Fees and fair market price determination information should be disclosed to the Committee when Procurement List additions or price changes are requested. Committee and CNA policy provide nonprofit agencies the opportunity to appeal fees they consider inappropriate. The channel for appeal is normally first to the CNA, then to the CNA Board, and then to the Committee (via Committee Staff). The fee ceiling should be set independently for each CNA.

b. Authority to set and collect fees

The Committee sets fee ceilings independently for each CNA after consideration of the CNA's overall program health, the CNA annual business plan, job growth stimulation initiatives, CNA performance against their approved business plan and other external factors impacting CNA performance.

CNAs have the flexibility to set fees on individual nonprofit agency contracts within the Committee approved fee ceiling(s) to generate revenue within their approved business plan, to incentivize the expansion of employment opportunities and to assist in start-ups.

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c. Fair Market Price

The fee is not a markup on fair market price, but is instead a component of the JWOD-participating nonprofit agency's cost of doing business in the JWOD Program. Price analysis is the preferred method of determining a fair market price recommendation for Committee approval. The NPA's price, including the fee, shall be compared against appropriate market indicators whenever possible to support the FMP recommendation. The NPAs costs should only be used as the basis for recommending a price when both the nonprofit agency and the contracting activity can demonstrate to the Committee that market indicators are not available. Full disclosure of the components of the nonprofit agency's recommended fair market price should only be made when it becomes necessary in the course of negotiations with Government contracting officers. Changes in the fee do not subsequently change the FMP. The FMP on September 30 is the same on October 1 should a new fee ceiling become effective.

d. Applicability of Changes to the Fee Ceiling

Any change to the fee ceiling shall be applied to new additions, renegotiation of contracts (other than predetermined annual price changes) and contracts with follow-on years which already provide for a fee ceiling change.

e. Fees on Subcontracts

Fees shall be applied to subcontracts only where:

- i. The subcontractor is itself a JWOD nonprofit agency, or
- ii. The subcontract's cost comprises less than 25% of the total cost of delivering the product or service (exclusive of raw materials).

CNA's may request a waiver to this restriction from the Committee in cases where said waiver would provide additional employment opportunities for individuals who are blind or severely disabled.

For purposes of fee calculation, the restriction of fees on subcontracts does apply to finished products that are purchased in their end state for repackaging. The restriction does NOT apply to raw materials for products that are substantially transformed into a finished product.

f. Period to be used in Assessing Performance

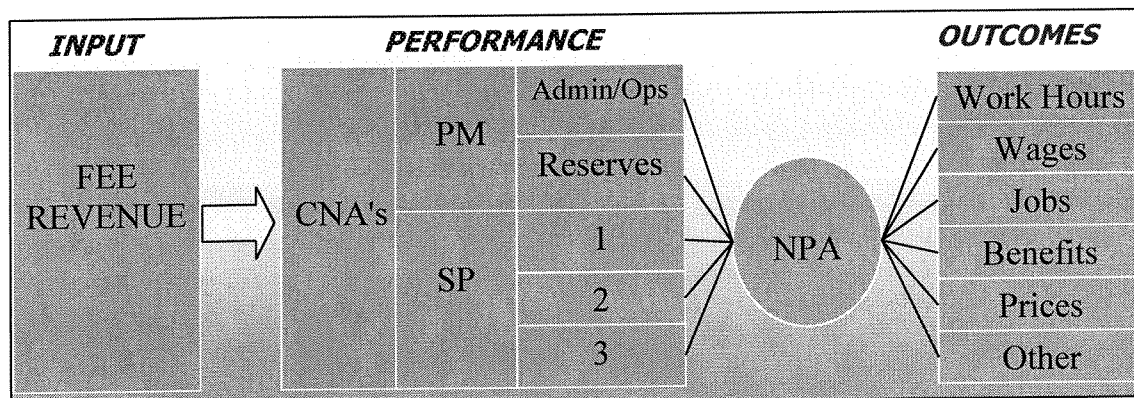
A period of 18 months should be used to measure the CNAs' performance. The 18 months would include the first two quarters of the current fiscal year and the entire previous fiscal year. The CNAs will provide quarterly execution plans within their annual business plans so that progress against such plans can be assessed as quarterly reports are submitted.

g. Utilization of Fee Revenue

The CNAs use of their fee revenue, including the level of cash reserves held, will be part of the annual budget review. Specific guidelines will be established annually as part of the CNA budget/fee determination process.

3. PERFORMANCE BASED/OUTCOME DRIVEN MODEL FOR CALCULATING THE CNA FEE CEILING

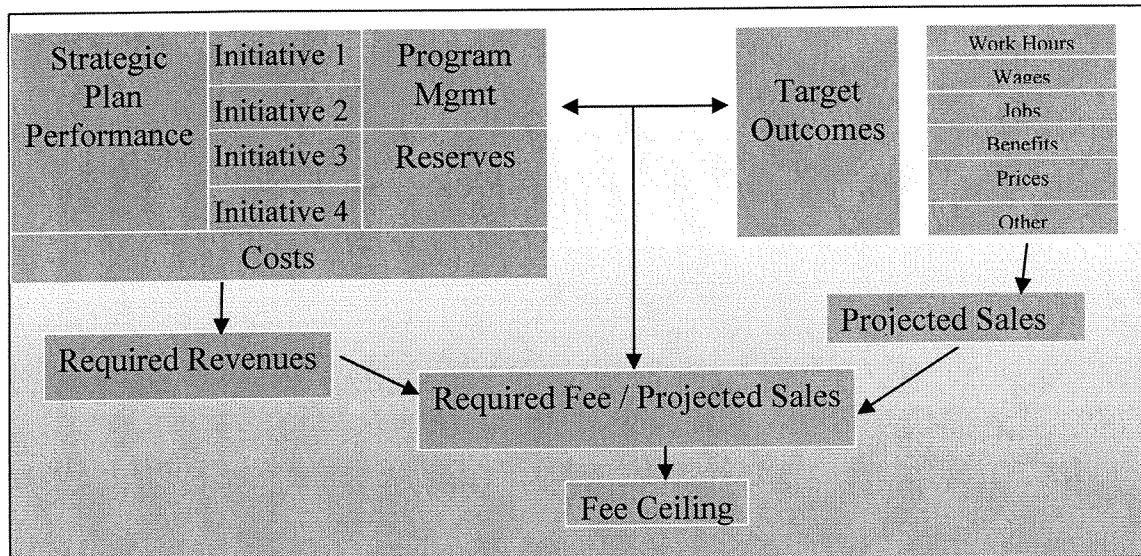
The Committee uses a performance based/outcome driven model (PB/ODM) to annually review CNA budget submissions and establish the fee ceiling. This model is consistent with the JWOD Program Strategic Plan objective to ensure that the fee structure incentivizes creation of employment opportunities. The following graphic identifies the high level flow of inputs/outputs with this model.



Performance Based/Outcome Driven Model

This model is based on defining CNA performance with budgets stratified by: (1) Program Management (PM) which consists of Administration and Operations (Admin/Ops) and Reserves; and, (2) Strategic Plan (SP) initiatives which are clearly defined and enumerated by costs. The performance measurements of the CNAs are based on the outcomes from the nonprofit agencies, which consist of the key Strategic Plan outcome measures for Work Hours, Wages, Jobs, Program Benefits, Best Value Prices, or other measures determined to be key outcomes for the JWOD Program Strategic Plan.


The process for determining the fee ceiling under this model expands fee calculation to determine the required fee revenues based on projected sales to achieve target outcomes. “Required revenues” are defined as business plan costs aggregated by specific initiatives for program management and reserves based on costs for specific strategic plan performance. The “projected sales” are estimated by establishing specific target outcomes based on achievement of strategic plan objectives. Reserve balances will be evaluated each year as compared to the estimated fee ceiling to develop and analyze fee options each year. The Committee will set the fee considering the impacts of the various fee options as they fit into a multi-year fee plan. The following graphic illustrates the fee ceiling determination process.



Fee Ceiling Determination Process

4. IMPLEMENTATION

The CNAs shall provide business plans using the performance based/outcome driven model as described herein. Specific annual guidance for the preparation and submission of CNA budgets shall be provided by the Executive Director.


 Leon A. Wilson, Jr.
 Executive Director

11/27/06
 Date