



United States
Department of
Agriculture

Food and
Nutrition
Service

Alexandria, VA

October 19, 2007

Roberto Salazar, Administrator
USDA, Food and Nutrition Service
3101 Park Center Drive, Room 906
Alexandria, Virginia 22302

Dear Mr. Salazar:

The Food Distribution Program on Indian Reservations (FDPIR) Funding Methodology Work Group is pleased to submit three proposals for a new administrative funding allocation process for your review and consideration. We want to thank you for your input and support in the development of these proposals. We share your belief that the Indian Tribal Organizations (ITOs) and State agencies that administer FDPIR are entitled to a system of funds allocation that is fair, objective, and easy to understand. We also greatly appreciate the opportunity for Tribal and State FDPIR administrators to partner with the Food and Nutrition Service (FNS) on this important issue. Cooperative efforts such as this benefit the program and its participants.

The three proposals reflect the diversity of opinion among the comments we received from Tribal and State agency officials and within the work group itself. Each of us supports at least one of the proposals, but not necessarily all of the proposals. The proposals are briefly described below; however, we are also providing a chart that describes the proposals in more detail and explains the rationale for each proposal.

Under the first proposal, individual ITOs and State agencies would submit annual budgets to their FNS Regional Offices that reflect their individual program needs. If the total amount requested by all ITOs and State agencies exceeds the amount of available funding in any fiscal year, the National Office would reduce each region's total request by an equal percentage. Under the current system, each region's allocation is determined by differing, historical percentages. Our proposal differs from the current system in that allocations to the Regional Offices would be driven by the actual budget requests submitted by the ITOs and State agencies.

The second proposal would allow FNS Regional Offices the flexibility to conduct negotiations on the budget proposals submitted by the ITOs and State agencies. The National Office would allocate funds to the Regional Offices based on three weighted factors: 1) each region's share of the national participation level averaged over the most recent three-year period; 2) the number of programs in each region; and 3) the number of programs in each region with tailgate operations, home delivery, and/or multiple warehouses or other issuance methods (i.e., stores). The Regional Offices would negotiate budgets with their ITOs and State agencies within the amount of funds made available under this methodology.

Under the third proposal, the FNS National Office would employ a formula to determine a basic grant amount that each ITO/State agency would receive. Each ITO/State agency would have the opportunity to negotiate with their FNS Regional Office for supplemental funds to meet their individual needs. This proposal is based on a preliminary proposal developed by the work group and forwarded for comment to all Tribal and State officials in November 2006. Based on the comments received from Tribal and State officials, the work group made several changes to the original proposal. Under the enclosed proposal, 85 percent of the available funding each year would be allocated to the ITOs and State agencies in the form of a basic grant. The basic grant would be determined by two factors: 1) a fixed base amount that would be adjusted annually by an inflation factor; and 2) an amount based on each ITO's/State agency's share of the national participation level averaged over the most recent three-year period. The FNS National Office would allocate the remaining 15 percent of available funding to the FNS Regional Offices based on each region's share of the national participation level averaged over the most recent three-year period. That funding would be used by the FNS Regional Offices to supplement the basic grants to the ITOs and State agencies based on individual negotiations.

We submit the three proposals with the belief that no ITO or State agency would experience a reduction in funds as a result of the implementation of any of the proposals. The work group is aware of recent Congressional proposals to significantly increase the amount of funds available for FDPIR administrative needs in fiscal year 2008. The appropriation committees in both Houses of Congress have expressed support for additional funding to address current inequities in the allocation of administrative funds. Congress has not completed action on the fiscal year 2008 appropriations bill for the Department of Agriculture, but given the committees' actions to date, we do not anticipate that any ITO/State agency would receive less funding in fiscal year 2008 under any of the enclosed proposals than in fiscal year 2007. Due to the nature of each proposal and the uncertainty regarding the specific amount of funding Congress and the President will ultimately approve, we are unable to project accurate estimates of how much funding each ITO/State agency will receive under each proposal.

Many of the comments received from Tribal officials on the work group's preliminary proposal addressed the need for consultation. Pursuant to those comments, the work group supports additional consultation with the Tribes on this critical issue and in the development of other Federal policies that have Tribal implications. Tribal leaders are the appropriate source for determining the best means of consultation for their individual Tribes. We recommend that you seek input from the Tribal leaders on the consultation process that would be appropriate for each Tribe.

We also have three specific recommendations for improving the administration of FDPIR that we ask you to consider.

- **Additional funding for FDPIR nutrition education.** Diet-related health conditions such as obesity, diabetes, and hypertension have reached epidemic proportions among Native Americans. FDPIR serves a significant portion of the low-income Native American population, and provides an appropriate focal point for nutrition education

efforts to improve the health status of Native Americans. Targeted FDPIR-focused nutrition education programs are critically needed to assist program participants, especially those with diet-related health conditions, in making healthy food choices and positive lifestyle changes. The current FDPIR administrative funding set aside for nutrition education provides an average of approximately \$2 per participant per year (compared to an average of \$9.26 per participant under the Food Stamp Program). This amount is not adequate to provide a meaningful nutrition education program. Although FDPIR participants are eligible to participate in Food Stamp Nutrition Education activities, many do not live in areas where these activities are offered. We recommend the establishment of a separate stream of annual funding for FDPIR Nutrition Education that is proportionate to the Food Stamp Nutrition Education Program. This would be a major step in developing a comprehensive FDPIR Nutrition Education Program that would complement the Food Stamp Nutrition Education Program, and provide nutrition education services to those not receiving adequate nutrition education services under FDPIR.

- **Additional funding for FDPIR capital expenditures.** Current FDPIR administrative funding levels are insufficient to meet capital expenditure needs. There is an ongoing need to maintain coolers, freezers, and warehouse space for the storage and distribution of commodities, and for equipment, such as forklifts and pallet jacks, for unloading and storing the commodities. In addition, vehicles are needed to deliver commodities (including frozen products) to remote locations for distribution at designated tailgate sites and to homebound program participants. The current average FDPIR administrative funding allocation is approximately \$242,000 per year. The purchase of a refrigerated truck could currently represent around one-third of an agency's administrative funding allocation. We recommend a separate stream of annual funding for the purchase of needed vehicles, equipment, computers, and facility improvements to support the operation of FDPIR.

- **Commodity storage and transportation costs for the seven independent ITOs serviced by the Montana and North Dakota State agencies should be provided from FDPIR food funds rather than FDPIR administrative funds.** Both the North Dakota and the Montana State agencies maintain central warehouses where shipments of USDA commodities are received, stored, and then transported to the local agencies served by these State agencies. The North Dakota and Montana State agencies also order, receive, store, and transport commodities to seven independent ITOs that are not under the administration of the State agencies. The Montana and North Dakota State agencies receive FDPIR administrative funds for warehousing and transporting commodities to the local agencies they administer. These functions are part of the State agencies' administrative responsibilities in serving their local agencies. However, the State agencies are also receiving FDPIR administrative funds for warehousing and transporting commodities to the seven independent ITOs. The work group believes that the North Dakota and Montana State agencies should receive FDPIR food funds rather than FDPIR administrative funds for ordering, receiving, storing, and transporting commodities to ITOs that are not under their direct administration. We urge FNS to take immediate action to remedy this situation in the most effective manner.

Thank you for this opportunity to work together for the betterment of the program. If you have any questions about our funding methodology proposals or our other recommendations, we would be happy to meet with you at your convenience.

Sincerely,

The Members of the FDPIR Funding Methodology Work Group

Listed below in alphabetical order:

Laura Castro	Chief, Policy Branch, Food Distribution Division, FNS Headquarters
Don DeBoer	Senior Program Specialist, FNS Mountain Plains Regional Office
Gale Dills (North Carolina Department of Agriculture and Consumer Services/ Cherokee Tribe of North Carolina)	Representing the ITOs of the Southeast Region
Nancy Egan (Shoshone-Paiute Tribes)	Representing the members of the National Association of Food Distribution Programs on Indian Reservations (NAFDPIR) as NAFDPIR President
Charles Gates (Standing Rock Sioux Tribe)	Representing the members of the NAFDPIR Mountain Plains Region as NAFDPIR Mountain Plains Vice-President
Betty Jo Graveen (Lac du Flambeau Band of Lake Superior Chippewa Indians)	Representing the Indian Tribal Organizations of the Midwest Region
Chris Hennelly	Senior Program Specialist, FNS Southwest Regional Office
Elvira Jarka	Director, Special Nutrition Programs, FNS Midwest Regional Office
Yunus Lakhani (Southern California Tribal Chairmen's Association)	Representing the members of the NAFDPIR Western Region as NAFDPIR Western Region Vice-President
Melinda Newport (Chickasaw Nation)	Representing the Oklahoma-New Mexico Food Action Committee for Tribes (Southwest Region)

Lindsay Rayon (Muscogee (Creek) Nation)	Representing the members of the NAFDPIR Southwest Region as a representative for the NAFDPIR Southwest Region Vice-President
Susie Roy (Leech Lake Band of Ojibwe)	Representing the members of the NAFDPIR Midwest Region as NAFDPIR Midwest Region Vice-President
Mary Trottier (Spirit Lake Tribe)	Representing the members of the Mountain Plains Region Executive Board
Madeline Viens	Assistant Director, Field Operations, FNS Western Regional Office
Cindy Wheeler	Program Specialist, FNS Southeast Regional Office
Thomas Yellowhair (Navajo Nation)	Representing the members of the Western Association of Food Distribution Programs on Indian Reservations

Enclosure

**Food Distribution Program on Indian Reservations (FDPIR) Funding Methodology Work Group
Proposals for a New Funding Allocation Process for FDPIR**

Proposal #1: This proposal has no preset level of funds at the regional level. Indian Tribal Organizations (ITO) and State agencies may receive funds at a level that meets their individual needs, to the extent that sufficient funds are available on a national basis.

Proposal Description	How the Proposal Meets/Does Not Meet the Work Group's Criteria
<p>Step 1: All ITOs/State agencies would submit a budget to their Food and Nutrition Service (FNS) Regional Office that meets their individual needs and unique operations. <i>The work group concurred with Tribal and State officials who commented on the uniqueness of each Tribe and the need to consider operational differences.</i></p> <p>Step 2: The FNS Regional Offices would review the budget proposals against Federal grant procedures and requirements to ensure that costs are allowable, necessary and reasonable. Significant budget changes from the previous fiscal year must be properly justified by the ITOs/State agencies and approved by the Regional Offices. <i>The work group recommends that training and policy guidance be provided to budget review staff in the Regional Offices to help standardize the budget review process.</i></p> <p>Step 3: Upon completion of Step 2 above, each Regional Office would submit the proposed budget amounts of its ITOs and State agencies to the FNS National Office.</p> <p>Step 4: The FNS National Office would add the amounts of all proposed budgets from the regions and compare the total amount requested to the amount of available funding for that year.</p> <p>Step 5a: If the total amount requested does not exceed the amount of available funding for that year, each Regional Office would receive an amount no less than the amount submitted in Step 3 above.</p> <p>Step 5b: If the total amount requested exceeds the amount of available funding for that year, the total request from each region would be reduced by an equal percentage. [For example, the available funding is \$34 million, and the total amount requested is \$35 million. Since the available funding is less than the total amount requested, each region would receive an allocation that reflects a reduction of 2.94 percent.]</p> <p>Step 6: Each Regional Office would be responsible for allocating funds to the ITOs and State agencies within its region, and would have discretion to set aside funds to allocate for emergencies and other unanticipated needs that arise during the fiscal year.</p> <p><u>Considerations:</u></p> <ul style="list-style-type: none"> • Allows ITOs to negotiate with FNS Regional Offices on the approvals of their budget submissions. • Addresses ITO and State agency operational differences within regions. • Accommodates the Alaska FDPIR, which has high intra-State costs for shipping commodities. • ITOs/State agencies that are better at negotiating and supporting budgets may have an advantage. 	<p><u>Fair:</u> Each ITO and State agency may submit a budget that meets their individual needs.</p> <p><u>Objective:</u> Less objective than formula-driven proposals for allocating funding.</p> <p><u>Easy to Understand:</u> Allocations are based on budget submissions that reflect individual program need. There are no funding calculations.</p>

Proposal #2: The FNS National Office would determine the level of funding each FNS Regional Office would receive based on three weighted factors relating to the region’s programs. The Regional Offices would negotiate with their ITOs and State agencies on the approval of their annual budget submissions within the limits of the funding available to the respective regions.

Proposal Description	How the Proposal Meets/Does Not Meet the Work Group’s Criteria
<p>Step 1: The FNS National Office would allocate funding to each FNS Regional Office as follows:</p> <ul style="list-style-type: none"> <p>• Factor A: 50% of available funding would be allocated based on each region’s share of national participation (averaged over the most recent three-year period). <i>Participation is one of the few readily available, objective data elements that can be used as a measure to allocate funding. The work group recognized that participation is a <u>major</u> cost driver, but that there are other important factors that must be taken into consideration in allocating funds. Tribal and State officials commented both for and against the use of participation as a determinant in a funding allocation methodology. The weight proposed for this factor (50%) is an attempt to reflect the divergent opinions of the Tribal and State officials, as well as work group members, on the relevance of participation in regard to program costs. This methodology would balance the impact of participation (50%) with two operations-based factors (totaling 50%) in allocating funds to the Regional Offices.</i></p> <p>• Factor B: 25% of available funding would be allocated based on each region’s share of the national number of programs. <i>As indicated above, the work group recognized that participation cannot be the sole factor in determining funds allocation. The work group concluded that there was a need to allocate a portion of the available funds to each of the regions for the purpose of providing each ITO and State agency with a base amount of funds for basic operations. However, in our research, we found no definitive source that provides an estimate of the amount of funds needed for basic operations or a recommended cost per person for small, medium or large programs. Nor were we able to identify any factors that could easily measure or quantify individual program operations. Also, the work group concurred with Tribal and State officials who commented that each program is unique. We concluded that a “one size fits all approach” that would assign a value to specific aspects of program operations would not be appropriate for FDPIR. Factor B acknowledges that a region with a large number of programs would need more funds than a region with a small number of programs to provide funding to ITOs and State agencies for basic operations.</i></p> <p>• Factor C: 25% of available funding would be allocated based on each region’s share of national number of programs with tailgate operations, home delivery, multiple warehouses and/or stores. <i>Several of the commenters and work group members eloquently expressed concerns about the costs associated with tailgate operations and deliveries to homebound participants. ITOs and State agencies that have multiple warehouses and stores also incur additional costs. The work group was not able to identify measures that could easily quantify the intensity or level of program operations. For example, the work group was unable to develop an easy measure that could differentiate intensive tailgate operations from less intensive tailgate operations. Factor C acknowledges that there are costs associated with tailgate operations, home deliveries, and multiple warehouses and/or stores. This factor provides more funding to those regions with a larger number of ITOs/State agencies with these operational costs, and less funding to those regions with fewer ITOs/State agencies that have these operational costs.</i></p> 	<p>Fair: Addresses several factors that are directly correlated to operational costs.</p> <p>Objective: Formula-driven. Uses specific measures to allocate funds.</p> <p>Easy to Understand: Few calculations involved. Based on readily understood data.</p>

Proposal Description	How the Proposal Meets/Does Not Meet the Work Group's Criteria
<p>Step 2: Once the Regional Office allocations have been determined by the FNS National Office, each Regional Office would work individually with their ITOs/State agencies on approvals of their budget submissions (within the limits of the funds available to the Regional Office). Each Regional Office would have discretion to set aside funds to allocate for emergencies and other unanticipated needs that arise during the fiscal year.</p> <p><u>Considerations:</u></p> <ul style="list-style-type: none"> • Allows ITOs to negotiate with FNS Regional Offices on the approvals of their budget submissions. • Addresses ITO and State agency operational differences within regions. • Special consideration may be needed to accommodate the Alaska FDPIR due to the high intra-State costs for shipping commodities. • The work group acknowledges that the weights proposed for the three factors are arbitrary. No consensus was reached on the issue of assigned weights to the three factors. Some work group members supported equal weights or weights other than those included in this proposal. 	

Proposal #3: This proposal is based on a preliminary proposal developed by the work group and forwarded for comment to all Tribal and State officials in November 2006. Based on the comments received from Tribal and State officials, the work group made several changes to the original proposal. The FNS National Office determines each ITO's/State agency's share of 85 percent of the available funding each year based on two factors. The remaining 15 percent of funding would be allocated to the FNS Regional Offices by the FNS National Office based on each region's share of national participation averaged for the most recent three-year period (i.e., the Regional Negotiated Amount). The Regional Negotiated Amount would be used to supplement, through individual negotiations, the basic grant amount received by each ITO and State agency.

Proposal Description	How the Proposal Meets/Does Not Meet the Work Group's Criteria
<p>Step 1: The FNS National Office would set aside 15 percent of the total available funding each year as the <u>Regional Negotiated Amount</u> for negotiation between the FNS Regional Offices and the ITOs/State agencies. The amount each Regional Office receives is based on its share of national participation averaged for the most recent three-year period.</p> <p>Step 2: The FNS National Office would assign each ITO/State agency a base amount. In the first year of implementation, each ITO/State agency would receive a base amount of \$10,000. In subsequent years, the base amount would be increased by the inflation factor used in the President's Budget.</p> <p>Step 3: The FNS National Office would use the remaining available funding to determine each ITO's/State agency's participation-driven amount based on each ITO's/State agency's share of the of the national participation level averaged for the most recent three-year period.</p> <p>Step 4: The FNS National Office would combine the amounts in Step 2 and 3 for each ITO/State agency. This is the <u>Basic Grant Amount</u> that each ITO and State agency would receive.</p> <p>Step 5: ITOs/State agencies that need funding in excess of the combined amount in Step 4, would submit a request for supplemental funding to their FNS Regional Office. The Regional Office would negotiate with the ITO/State agency for the supplemental funding (based on the availability of funding). Each Regional Office would have discretion to set aside funds to allocate for emergencies and other unanticipated needs that arise during the fiscal year.</p> <p>Considerations:</p> <ul style="list-style-type: none"> • Step 5 allows ITOs/State agencies to negotiate with FNS Regional Offices to receive supplemental funding to meet their individual needs. • Addresses ITO and State agency operational differences within regions. • Special consideration may be needed to accommodate the Alaska FDPIR due to the high intra-State costs for shipping commodities. 	<p>Fair: Provides base funding for small programs. Recognizes participation as a major cost-driver. ITOs/State agencies may negotiate for supplemental funding program to meet individual needs.</p> <p>Objective: Partially formula driven.</p> <p>Easy to Understand: Somewhat easy to understand. All data elements are easily understood and are readily available.</p>