

**FY 2005 FDPIR Funding Methodology Work Group  
November 29-December 1, 2005 Meeting Notes**

<b>Attending</b>	<b>Not Attending</b>
Tony Nertoli, NAFDPIR President/Sault Ste. Marie Tribe of Chippewa Indians	Susie Roy, NAFDPIR Midwest Region Vice-President/Leech Lake Chippewa
Ray Capoeman, NAFDPIR Western Region Vice-President/Quinault Nation	Sharon Thompson, St. Regis Mohawk
Red Gates, NAFDPIR Mountain Plains Region Vice-President/Standing Rock Sioux	Gale Dills, Eastern Cherokee
Linday Rayon, NAFDPIR Southwest Region Vice-President/Muscogee (Creek) Nation	
Yunus Lakhani, Southern California Tribal Chairmen's Association	
Melinda Newport, Chickasaw Nation	
Don DeBoer, FNS-MPRO	
Chris Hennelly, FNS-SWRO	
Madeline Viens, FNS-WRO	
Steve Stathopoulos, FNS-NERO	
Elvira Jarka, FNS-MWRO	
Laura Castro, FNS-HQ	
Nancy Theodore, FNS-HQ (staff support)	

**Welcome and Introductions:**

- Betty Veasley, Special Nutrition Program Director for the FNS Southwest Regional Office welcomed the members of the Work Group and thanked them for participating. Later, Bill Ludwig, FNS Southwest Regional Office Administrator also met with the Work Group and welcomed the members to Dallas.
- Nancy Theodore, FNS staff support for the Work Group, also welcomed the members and asked the members to introduce themselves. The Work Group members were also provided an opportunity to offer comments.
- The Work Group members reviewed the day's agenda. Nancy reminded the Work Group members to:
  - Be courteous and respectful to other Work Group members;
  - Be on time in the morning and when returning from breaks and lunch;
  - Limit comments to the topic at hand during the discussions. (Non-relevant issues will go into the "parking lot" for discussion at a later time.); and
  - Speak up, since everyone's input is valuable.

**Review and Meeting Objectives:**

- Nancy provided a review of the Work Group's progress to date, and the objectives for the meeting:
- Review -
  - In prior meetings, the Work Group had developed a list of cost drivers and identified data to be collected. These items are listed below.
  - The Work Group also developed an action plan for:
    - 1) forwarding a proposed funding methodology to the other ITOs and Tribal and State governments for their comments;
    - 2) modifying the proposed funding methodology based on those comments; and
    - 3) forwarding the work group's final recommendation to FNS officials for concurrence.

The Work Group reviewed the action plan later in the meeting.

- Meeting Objectives-
  - The objective for this meeting was to review the data that was collected, and begin development of a proposed funding methodology. If the Work Group was unable to develop a final product by the end of the week, it was hoped that the Work Group would reach consensus on the components that will be incorporated in the proposed funding methodology.

**Review of Handouts/Data Collection:**

- The Work Group reviewed the following handouts/data collection provided by FNS staff support:
  - 1) **FDPIR Funding Work Group Web Page** – Nancy pointed out the contents of the web page, and asked the Work Group members to suggest changes to the web page content.
  - 2) **Notes from October 19, 2005 Conference Call** – The notes listed the data collection items that the Work Group agreed upon at the June 22, 2005 meeting. There were five 5 items:
    - a. FNS Regional Office budget negotiation process;
    - b. Cost drivers and other considerations;
    - c. Per participant funding amounts FY 2003-2005;
    - d. Indirect cost rates in other programs/agencies. (Steve Stathopoulos and Elvira Jarka volunteered to research this item)
    - e. Data from the ITO's/SA's approved FY 2005 budgets. (Initially, the Work Group decided to collect actual cost data, but this provided to be problematic. In the October 19, 2005 conference call, the Work Group decided to collect FY 2005 approved budget data.)
  - 3) **List of Cost Drivers and Other Considerations** – The Work Group reviewed the list of cost drivers and other considerations that was developed at the June 22, 2005 meeting:
    - Participation
    - Functions Common to All Programs:
      - Certification (i.e., staff; office facilities; supplies; etc.)
      - Ordering and storage of commodities (i.e., staff; equipment; number of warehouses; etc.)
      - Issuance (i.e., staff; number of issuance outlets (stores, tailgate sites, home deliveries); etc.)
      - Reporting
      - Outreach
      - Nutrition Education
      - Training
    - Geographic area
    - Tribal match
    - Indirect cost rate
    - Tribal/State Human Resource policies (i.e., salary levels; COLAs; etc.)
  - 4) **Summary of FNS Regional Office FDPIR Budget Negotiation Process** – The Work Group reviewed the attached chart (Attachment A) that summarizes the FNS Regional Office FDPIR budget negotiation process.
  - 5) **Indirect Cost Rates in Other Programs/Agencies** – Elvira Jarka and Steve Stathopoulos reported on the results of their research:
    - Tribal indirect cost rates are negotiated by the Department of Interior.
    - Some discretionary programs have an established cap on indirect cost rates; however, the cap is legislated.

One issue of concern to the Program Directors is that indirect cost rates are often negotiated at the end of the fiscal year. If the approved indirect cost rate is higher or lower than the rate used in the budget for the current year, the ITO may not have enough funds to cover the cost or too much funds to be able to utilize at that point in the year. This issue must be resolved between the Tribes and the Department of Interior, to ensure a more timely approval of the indirect cost rate.

SWRO staff member Mel Pickrell, Financial Management, also briefed the Work Group on indirect cost rates.

**6) Per Participant Funding Amounts for FY 2003-2005** – The Work Group reviewed the following charts:

- Chart 1a: FY 2003 Federal Per Participant Amounts by Region. The federal per participant amount is calculated by dividing the ITO's FY 2003 average monthly participation level into the ITO's FY 2003 federal allocation for General Administrative funds (without Nutrition Education or infrastructure funds)).
- Chart 1b: FY 2003 Federal Per Participant Amounts – National Ranking. Ranks the ITOs/State agencies highest to lowest based on Federal per participant amount.
- Chart 2a: FY 2004 Federal Per Participant Amounts by Region. The federal per participant amount is calculated by dividing the ITO's FY 2004 average monthly participation level into the ITO's FY 2004 federal allocation for General Administrative funds (without Nutrition Education).
- Chart 2b: FY 2004 Federal Per Participant Amounts – National Ranking. Ranks the ITOs/State agencies highest to lowest based on Federal per participant amount.
- Chart 3a: FY 2005 Total and Federal Per Participant Amounts by Region – Ranked by total per participant amount. This chart compares the total per participant amount to the federal per participant amount. The total per participant amount is calculated by dividing the ITO's FY 2005 average monthly participation level into the ITO's FY 2005 federal allocation + nonfederal match for General Administrative funds (without Nutrition Education).
- Chart 3b: FY 2005 Total and Federal Per Participant Amounts – National Ranking by Total Per Participant Amount. Ranks the ITOs/State agencies highest to lowest based on total per participant amount.
- Chart 3c: FY 2005 Total and Federal Per Participant Amounts – National Ranking by Federal Per Participant Amount. Ranks the ITOs/State agencies highest to lowest based on Federal per participant amount.
- Chart 4a: Comparison of Federal Per Participant Amounts by Region – FY 2003, 2004, 2005
- Chart 4b: Comparison of FY 2005 Total and Federal Per Participant Amounts by Region

**7) ITO/SA Approved FY 2005 Budget Data** – The Work Group reviewed the following charts:

- Chart 5a: FY 2005 Approved ITO/SA General Administrative Funding Budgets – Total Budget and Indirect Costs by Region

- Chart 5b: FY 2005 Approved ITO/SA General Administrative Funding Budgets – Total Budget and Indirect Costs – National Ranking by Indirect Cost Rate
- Chart 5c: FY 2005 Approved ITO/SA General Administrative Funding Budgets – Total Budget and Personnel Costs by Region
- Chart 5d: FY 2005 Approved ITO/SA General Administrative Funding Budgets – Total Budget and Personnel Costs – National Ranking by Personnel Costs as a Percentage of Total Budget
- Chart 5e: FY 2005 Approved ITO/SA General Administrative Funding Budgets – Buildings and Equipment by Region
- Chart 5f: FY 2005 Approved ITO/SA General Administrative Funding Budgets – Buildings and Equipment - National Ranking by Percentage of Total Budget
- Chart 5g: FY 2005 Approved ITO/SA General Administrative Funding Budgets – Operations, Insurance & Contracts by Region
- Chart 5h: FY 2005 Approved ITO/SA General Administrative Funding Budgets – Operations, Insurance & Contracts - National Ranking by Percentage of Total Budget

8) **State Administered Operations** – The Work Group reviewed the attached chart (Attachment B), which summarizes the operations of the State administered programs in South Dakota, Montana, Nevada, North Carolina and Oregon.

9) **Potential Components for a Funding Methodology** – The Work Group reviewed the following list of potential funding methodology components and was asked to suggest other potential components:

- **Tiering for Economies of Scale** – ITOs/State agencies would be ranked by average monthly participation levels and grouped in tiers (e.g., participation levels of less than 200; 200-399; 400-599; etc.). This would account for economies of scale.
- **Per Participant Grant Amount** – A per participant amount would be established and each ITO/SA would receive a grant based its average monthly participation level.

**Examples:**

- 1) Establish one per participant amount for all ITOs/State agencies;
- 2) Establish a separate per participant amount for each tier.

- **Base Grant Amount** – A specified amount(s) of total available funding would be allocated to all ITOs/State agencies to account for administrative expenses that are common to all programs.

**Examples:**

- 1) One amount (e.g., \$20,000) would be allocated to all ITOs/State agencies;
- 2) Graduated amounts based on size of program would be allocated (e.g., \$15,000 for ITOs/State agencies with average monthly participation levels less than 200; \$20,000 for ITOs/State agencies with average monthly participation levels of 200-399; etc.).

- **Calculated Grant Amount** – A specified amount of total available funding would be allocated based on certain factors, such as participation level or specific cost drivers. This calculated amount would account for differences between programs.

**Example:**

1) 60 percent of total available funding would be distributed based on each ITOs/State agencies participation level compared to the national participation level.

- **Negotiated Grant Amounts** – A specified amount of total available funding would be set aside for special needs (e.g., infrastructure and vehicle expenses, unanticipated expenses, etc).

**Example:**

1) 10 percent of total available funding (i.e., \$2,487,300 for FY 2006) would be set aside for negotiation with the ITOs/State agencies. ITOs/State agencies would submit funding requests to the FNS Regional Offices prior to each fiscal year and allocations would be made on a competitive basis. Requests for emergency funds would be submitted on an as needed basis.

- **Nutrition Education Grants** - A specified amount of total available funding would be set aside for nutrition education.

**Examples:**

1) 5 percent of total available funding (i.e., \$1,243,650 for FY 2006) would be set aside for negotiation with the ITOs/State agencies ITOs/State agencies would submit funding requests to the FNS Regional Offices prior to each fiscal year and allocations would be made on a competitive basis;

2) A per participant amount would be established and each ITO/SA would receive a nutrition education grant based on its average monthly participation level.

- **Gradual Implementation** – Incorporate provisions for gradual implementation over several years to avoid significant increases and decreases in funding at initial implementation.

**10) Action Plan** – The Work Group reviewed the attached Action Plan (Attachment C). No changes were made at this time.

**Group Discussion of Proposed Funding Methodologies:**

The Work Group discussed the previously developed guidelines for developing a new funding methodology. Under these guidelines, the proposed funding methodology(ies):

- Must be fair
- Must be easily understood
- Must ensure that the smallest ITOs have sufficient funding for basic operations
- Must incorporate a plan for the gradual redistribution of funds to minimize impacts and allow program adjustments
- Must reflect how costs are generated by efficient program operations (The Work Group reconsidered this guideline and agreed that it was beyond the scope of the Work Group to be able to determine a methodology that could appropriately reflect “efficient program operations.”)

The Work Group members suggested several methodologies and discussed each one in terms of the guidelines above. Attached is a chart (Attachment D) that describes the methodologies considered by the Work Group.

The Work Group requested the following additional data during the discussions:

- A chart showing each ITO's/State agency's FY 2005 allocation and participation level ranked by participation (Attachment E)
- A chart showing the anticipated FY 2006 appropriation allocated by each ITO's/State agency's share of the National participation level (Attachment F).

As a result of the discussions, the Work Group agreed on specific parameters for the proposed funding methodology.

1. Participation is a primary cost driver and is an equitable determinant for allocating funding since it is not arbitrary. The most recent available participation data should be used for generating ITO/State agency allocations (expected to be June-May data).
2. Using participation alone as a factor in allocating funding does not provide sufficient funding for the smaller ITOs/State agencies. Therefore, a base amount should also be incorporated in the funding methodology. The Work Group agreed on a fixed base amount that would bring the smallest ITOs/State agencies up to an amount that approximates the smallest current allocation (i.e., \$15,641 and \$24,136 in FY 2005).
3. FNS-HQ would determine each ITO's/State agency's proposed grant amount (a base funding amount + a participation-driven funding amount) prior to each fiscal year. Actual allocation would be subject to the availability of appropriated funds.
4. A funding formula may take into account many of the common functions performed by the ITOs and State agencies, but it cannot account for all of the operational differences among the ITOs and State agencies. Therefore, the Work Group supports the set aside of a fixed amount of funding to be used by the FNS Regional Offices to fund the special needs of the ITOs and State agencies. This funding would be allocated to the FNS Regional offices based on each Region's share of the national FDPIR participation level. This funding amount is referred to as the "Regional negotiated funding amount."

Upon announcement of the ITO/State agency proposed grant amount for the coming year, ITOs/State agencies would be invited to submit requests for additional funding to the FNS Regional Offices. These requests would be considered by the FNS Regional Offices on a competitive basis and allocated from the Regional negotiated funding amount.

In addition, each FNS Regional Office, in consultation with its ITOs/State agencies may choose to set aside a portion of the Regional negotiated funding amount for use throughout the fiscal year to fund emergency needs or other one-time costs.

5. All available appropriated funding (e.g., \$25,064,000 for FY 2006) should be used for allocating administrative funding for program operations. The Work Group agreed that separate appropriations should be sought to fund infrastructure needs and nutrition education. However, until these funds are appropriated, the Work Group agreed that a minimum of \$200,000 should continue to be set aside for Nutrition Education.

In its discussions on Nutrition Education funding, the Work Group was briefed by the following Southwest Regional Office staff: Jeff Wingate, Financial Management, and Richard Burley, Nutritionist. The Work Group members were provided a briefing paper on Food Stamp Program Nutrition Education Highlights and a list of federal grants that may be used to match Food Stamp Program nutrition education funding. The Work Group asked headquarters staff to research whether Food Stamp Program Nutrition Education funds could be used for FDPIR.

### **Proposed Funding Methodology:**

The Work Group agreed to propose Option 6b from Attachment D. Under this funding methodology 15 percent of the available appropriation would be set aside for Regional negotiated funding amounts. From the remaining 85 percent, each ITO/State agency will receive a base amount of \$15,000. The remaining funds would be allocated to the ITOs/State agencies based on their share of the national FDPIR participation level. Attachment G compares the actual FY 2005 ITO/State agency allocations to the amounts that the ITOs/State agencies would receive under the proposed funding methodology using the same national allocation amount of \$23,110,471 (i.e., the total allocations for FY 2005).

The Work Group members agreed to include a plan for the gradual implementation of this methodology over a four year period to minimize large increases or decreases in funding as the new funding methodology is implemented. The Work Group agreed to a 25 percent adjustment per year, but this plan was not fully developed by the conclusion of the meeting.

This proposed methodology guarantees a Regional negotiated funding amount to be used for special needs. It provides sufficient funding for the smaller ITOs/State agencies, and it treats all ITOs/State agencies equitably, since the bulk of the funding is allocated based on participation. Finally, the methodology is easy to understand and administer (upon completion of the four year implementation period).

### **Consultation with Tribes and State Agencies:**

FNS staff support will prepare personalized letters to all Tribal and State governments forwarding the proposed funding methodology for their comment. The package will include:

- A list of work group members;
- A brief history of efforts to develop a new funding methodology noting USDA's commitment to establish a new funding methodology;
- The guidelines for developing a new funding methodology;
- A chart showing current Regional division of funds as percentage of total funds, with current participation rate as percentage of National participation level, and total Regional allocation of funds under proposed methodology;
- A discussion of operational commonalities and differences among the ITOs/State agencies;
- A description of the proposed methodology, with an example showing allocations for all ITOs/State agencies and FNS Regional Offices;
- A description of the methodologies rejected by the work group, with explanation for rejection;
- A request for comments on features of the proposed methodology and request for other options; and
- An explanation of the proposal for the gradual implementation of the proposed funding methodology over a 4-year period.

The Work Group specified a 60-day comment period.

FNS staff support will prepare a comment analysis and provide the analysis to the Work Group prior to the next face-to-face meeting, which will coincide with the NAFDPIR annual meeting near Seattle, WA, the week of April 24-27, 2006. At a minimum, the Work Group will plan to meet for a full day at the conclusion of the conference. Once the general conference agenda is available, the Work Group will determine if there will be other opportunities to meet.

At the face-to-face meeting, the Work Group will discuss the comments and make changes to the proposed funding methodology, as appropriate.

FNS staff support will then prepare a letter from the Work Group to FNS officials recommending the adoption of the proposed funding methodology.

**Assignments/Issues to be Resolved:**

<b>Task</b>	<b>Status</b>
Provide USDA policy on consultation with Native Americans to Work Group members	Completed 12/12
Provide Work Group members with a chart identifying the ITO-administered programs; the number of State-administered programs and the ITOs they oversee; FY 2005 average monthly participation for each ITO; and the number of Tribes, Rancherias, and Pueblos that are served by each ITO	In progress (chart under review by FNS Regional Offices)
Determine whether a regulatory change is needed to implement a new funding methodology	In progress
Determine availability of Food Stamp Program nutrition education funding for FPDIR. (Can Tribes compete on the same level as States for funding?)	In progress
Research policy on number of FDPIR staff that may attend NAFDPIR annual conference	In progress
Research policy on 30% guideline for negotiating ITO budgets	In progress
Research requirements for submission of Form SF-424	In progress
Establish mechanism for the permanent transfer of MT/ND warehouse funding from the SAE account to the food cost account	In progress
Tribal Program Directors submittal of travel claim form for reimbursement	In progress