



DR. JOE SHIRLEY, JR.
President

BEN SHELLY
Vice President

March 12, 2007

Nancy Theodore
USDA, Food and Nutrition Service
Food Distribution Division
3101 Park Center Drive, Room 506
Alexandria, Virginia 22302

Subject: Comments on proposed funding allocation methodology for federal administrative funds for the Food Distribution Program on Indian Reservations (FDPIR).

Dear Ms. Theodore:

The Navajo Nation appreciates the opportunity to provide comments on the proposed funding allocation methodology with respect to federal administrative funds for the FDPIR, which is intended to address inequities in funding allocation and the Food and Nutrition Service (FNS) staff resources.

It is our understanding that the United States Department of Agriculture's FNS currently negotiates over 100 administrative budgets each year and the administrative funding is currently allocated among the regional offices based on share percentages that were established several years ago. Administrative budgets are negotiated each year through an annual budget formulation process that varies from Region to Region.

Background

Pursuant to Navajo Nation Council Resolution CJN-62-71, the Navajo Nation Food Distribution Program (NNFDP) was established on June 11, 1971. While USDA purchases and transport commodity food from Kansas City, Missouri, the NNFDP stores and distributes the food, determines applicant eligibility, and provides nutrition education to recipients within and near the Navajo Nation. In 1979, Public Law 93-113 reauthorized the continuation of FDPIR. The USDA recognizes the Navajo Nation as a State Agency in the administration of the Food Distribution Program on the Navajo Reservation, which has a current population of 237,000.

The NNFDP received total federal funding of \$2,586,180 for FY-2006 and has requested an amount of \$2,628,590 for FY-2007 to fund its program administrative costs for 79 employees and associated operating costs. The Navajo Nation Council appropriated \$875,871 for FY-2006 and \$906,892 for FY-2007, respectively, as the required 25% tribal matching funds.

NNFDP operates 7 food distribution warehouses across the Navajo Nation and one central food-receiving department with 2 warehouses, owns and utilizes 34 pieces of heavy equipment, and operates a fleet maintenance department. Of the 7 food distribution warehouses, 4 are located in

Arizona and 3 in New Mexico to serve 10,500 eligible participants on a monthly basis covering over 26,000 square miles in three states and 13 counties. Even though there are monthly and seasonal fluctuations in the number of participants served, the annual average for a four-year period is approximately 10,500 eligible participants. In addition, NNFDP expends 30% of its total budget on monthly tailgate delivery services at 62 different food distribution sites throughout the Navajo reservation.

Apparently in 1994 and 1998, efforts were made to change the funding methodology to address two primary concerns including inequities in funding allocation and the Food and Nutrition Service staff resources. A proposed recommendation was presented for discussion at the 2000 National Association of Food Distribution Programs on Indian Reservations (NAFDPIR) annual conference. A resolution passed at that conference by the NAFDPIR membership withdrew support for a new methodology and further efforts to develop and implement a new funding methodology were suspended.

Thereafter in 2005, former Under Secretary of Agriculture Eric Bost asked FNS to convene a work group to develop a new funding methodology because there was continued concern and interest among NAFDPIR's membership for a more equitable method of distribution of administrative funding. Subsequently, a work group comprised of representatives from Indian Tribal Organizations (ITO) and State agencies that administer FDPIR and representatives from the FNS Regional Offices and their National Office convened in the spring of 2005 to develop a new funding methodology proposal. It is our understanding that the FNS initially received 14 separate funding allocation recommendations from various FDPIR regions, Program Directors and employees. FDPIR Directors were then asked to submit comments on the 14 recommendations and/or other recommendations.

In July 2006, the work group met in Alexandria, Virginia to review all the written comments that were submitted by all the FDPIR Program Directors on the 14 funding allocation recommendations. NNFDP took advantage of the opportunity and submitted comments on the 14 recommendations and also submitted its own recommendation for a funding allocation methodology consideration. The work group was challenged by all the varying administrative and operational cost considerations as well as significant differences among Indian tribal organizations. Upon review of all comments received, there was split support between 2 of the 14 funding allocation recommendations. The work group was amenable to some of the components of NNFDP's recommendation, so a consensus was reached to pursue it for further consideration.

The work group eventually drafted a funding allocation methodology proposal. From July 2006 to November 2006, the work group refined various parts of the proposal through numerous telephone conferences and came up with the current funding allocation proposal that was sent to tribal officials on November 28, 2006 for their review. Comments from Indian tribes and/or organizations are due by March 16, 2007.

Conclusion

While maintaining respect for the previous work by the FNS and FDPIR work group members who have contributed substantial time and effort in developing the current funding allocation methodology proposal, the Navajo Nation hereby submits its comments on the four (4) components of the proposal. The Navajo Nation's comments and recommendations on the four components are included in "Exhibit A". The Navajo Nation also has other concerns and issues related to any funding allocation methodology proposal. These are included in "Exhibit B".

Finally, the Navajo Nation recommends that USDA make every effort to consult with respective Indian tribes and tribal organizations on any proposed funding allocation, pursuant to numerous Native American treaties and with respect for the United States Government's departmental policies and Executive Order on dealing with Native Americans on a government-to-government basis. The Navajo Nation requests the USDA to provide every opportunity for tribal consultation before finalization of any revised funding allocation methodology.

Thank you for allowing the Navajo Nation to share its comments on the proposed funding allocation methodology for FDPIR. If you have any questions, please contact David B. Bowman at (928) 871-6537 or 6429.

Respectfully,



Ben Shelly, Vice President
THE NAVAJO NATION

cc: Anslem Roanhorse, Jr., Executive Division Director
 Navajo Division of Health
 David B. Bowman, Program Manager
 Navajo Food Distribution Program
 Thomas Walker, Jr., Chairperson
 Health & Social Services Committee

Comments on the Four (4) Components of Proposal

Component 1: Fixed Base Amount

FDPIR work group recommendation: Each ITO/State Agency receives a \$10,000 grant to cover a basic level of fixed operating costs. Ensures that programs with the fewest participant receive an adequate Basic Grant Amount.

Navajo Nation comments: *The Navajo Nation is not opposed to a starting base of the proposed \$10,000. If a majority of the NAFDPIR membership prefers to go with a higher amount like \$15,000, the Navajo Nation would still not oppose. However an amount higher than \$15,000 would have a significant negative impact on Component 3 and 4.*

Component 2: Past Expenditures

FDPIR work group recommendation: An amount equal to 5% of the highest federal share of expenditures in the recent three-year period (excluding capital expenditures of \$50,000 or more. Accounts for historical spending levels by ITOs/State Agencies and allocated funds not expended.

Navajo Nation comments: *The Navajo Nation believes the proposed 5% for this component is too low and recommends that it be increased to at least 15% because this component should be based on actual operational costs of the NNFDP as follows:*

(a.) NNFDP's federal outlay for expenditures has increased 7% over the last three years and it is estimated during FY-2007, expenditures will increase by 4 to 5%:

FY-2006	\$ 2,585,115
FY-2005	\$ 2,442,638
FY-2004	\$ 2,418,453

(b.) NNFDP expended at least 30% of its total budget (federal plus the matching funds) for the tailgate operation and the trend is expected to continue:

FY-2006	\$ 1,143,160
FY-2005	\$ 975,265
FY-2004	\$ 951,413

FDPIR was designed to serve participants who live in areas where access to grocery stores is not convenient and because many participants do not have means of transportation, it is NNFDP's responsibility to travel out to where the participants are. The NNFDP covers a 26,000 square mile area where 70% of the roads are unpaved.

(c.) Costs associated with maintenance of fleet and heavy equipment are excessive and continue to rise:

	<u>FY-2004</u>	<u>FY-2005</u>	<u>FY-2006</u>
Tubes & tires	\$ 16,429	\$ 17,873	\$ 15,701
Diesel fuel	56,898	81,397	82,633
Repair/Maintenance	<u>73,683</u>	<u>63,342</u>	<u>52,834</u>
Total	\$147,310	\$162,612	\$151,168

Based on the ever increasing cost of operation, this component should be increased to be more proportionate with the operational need of our Food Distribution Program. Personnel, fuel, and insurance costs are major expenses that continue to increase.

Component 3: Participation-driven

FDPIR work group recommendation: An amount for the ITO's percentage share of the National participation level averaged for the most recent three-year period. Participation is a primary cost driver. This component accounts for differences in the number of participants served by each program.

Navajo Nation comments: Navajo Nation does not have a major concern with this recommendation. Navajo Nation feels that participation should be considered as a cost driver for FDPIR funding; however, Component 2 should carry a little more weight than the proposed 5% (see comments under Component 2).

Component 4: Regional Negotiated Amount

FDPIR work group recommendation: Each FNS Regional Office would receive a share of administrative funds to provide supplemental funding to the ITOs/State Agencies through negotiation. Each Regional Office's share of the funding would be calculated based on its share of participation averaged for the most recent three-year period.

Navajo Nation comments: Navajo Nation does not have a problem with this component within the proposal. Navajo Nation recommends 10% for this component, but it is our understanding that the actual negotiated amount would be contingent on the impact of Gradual Implementation Plan which is a part of this proposal.

Other Concerns and Issues

The Navajo Nation believes that the proposed funding allocation methodology does not address the real issue with the entire FDPIR, which is inadequate funding. This funding dilemma has become more significant since the inception of the program as changes have occurred with program expansion, additional ITO, operational and regional differences, inflation and increased operational costs.

The Navajo Nation hopes that the FNS Administrators will aggressively support the funding increases recommended for FDPIR in the 2007 proposed Farm Bill Reauthorization Act. The proposed funding increases would reduce the funding gap that currently exists.

The Navajo Nation also questions if there is assurance that the FNS National Office would ensure the accuracy and reliability of all statistical information that would be utilized in the Basic Grant Amount computations. Would the ITO/State agencies be given an opportunity to verify all statistical information before acceptance of any Basic Grant funding amounts?

Does FNS have any alternative plan for the funding allocation process, if the majority of the NAFDPIR membership does not support or rejects the current proposed funding allocation methodology?

The Navajo Nation strongly recommends any administrative funding allocated for FDPIR be utilized for administrative costs as intended.

RESOLUTION OF THE
INTERGOVERNMENTAL RELATIONS COMMITTEE
OF THE NAVAJO NATION COUNCIL

21st NAVAJO NATION COUNCIL - First Year 2007

AN ACTION

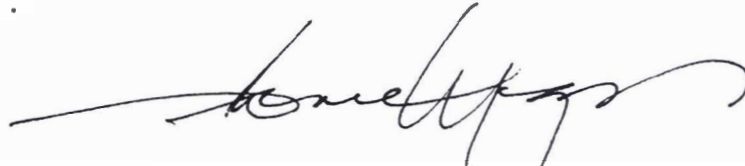
RELATING TO HEALTH, AND INTERGOVERNMENTAL RELATIONS; APPROVING THE NAVAJO NATION COMMENTS ON THE PROPOSED FEDERAL ADMINISTRATIVE FUNDS, FUNDING ALLOCATION METHODOLOGY FOR THE FOOD DISTRIBUTION PROGRAM ON INDIAN RESERVATIONS (FDPIR)

BE IT ENACTED:

1. The Navajo Nation hereby approves the Navajo Nation Comments on the Proposed Federal Administrative Funds, Funding Allocation Methodology for the Food Distribution Program on Indian Reservations (FDPIR), attached hereto as Exhibits A and B.
2. Mr. Thomas Walker, Chairman, Health and Social Services Committee, Mr. Anslem Roanhorse, Jr., Executive Director, Navajo Division of Health, and their designees are hereby authorized to advocate for the Navajo Nation Comments on the Proposed Federal Administrative Funds, Funding Allocation Methodology for the Food Distribution Program on Indian Reservations (FDPIR) at any Food Distribution Program tribal consultation session and at other related meetings with federal agencies and entities.
3. The Navajo Nation authorizes the Navajo Division of Health to make subsequent changes on the Navajo Nation FDPIR comments when necessary.

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Intergovernmental Relations Committee of the Navajo Nation Council at a duly called meeting at Window Rock, Navajo Nation (Arizona), at which a quorum was present and that same was passed by a vote of 9 in favor and 0 opposed, this 5th day of March, 2007.

A handwritten signature in black ink, appearing to read 'Lawrence T. Morgan', written over a light gray rectangular background.

Lawrence T. Morgan, Chairperson
Intergovernmental Relations Committee

Motion: Ervin M. Keeswood, Sr.

Second: Sampson Begay