COMMITTEE FOR PURCHASE FROM PEOPLE WHO ARE BLIND OR SEVERELY DISABLED

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MEMORANDUM FOR CHIEF ACQUISITION OFFICERS
SENIOR PROCUREMENT EXECUTIVES

FROM: Leon A. Wilson, Jr., Executive Director

SUBJECT: JWOD Program 2007 CNA Fee Ceiling

EFFECTIVE: October 1, 2006

The purpose of this memorandum is to update and clarify policy regarding the Central Nonprofit Agency (CNA) Fee applied to Javits-Wagner-O'Day (JWOD) Program contracts. As you know, the JWOD Program creates employment opportunities for people who are blind or who have other severe disabilities through the fulfillment of Federal requirements for a wide range of products and services. The Committee for Purchase From People Who Are Blind or Severely Disabled (Committee) is the Federal agency that administers the Program. The purpose of the CNA Fee is to provide funding for the operations of the Committee-designated CNAs – National Industries for the Blind and NISH (serving people with severe disabilities).

The Committee has approved a policy clarifying that the CNA Fee is neither an add-on to the JWOD Program's fair market price nor a pass-through to the Government, but is included in overhead. The CNA Fee is an inherent part of the fair market price, and is paid by each participating nonprofit agency to its CNA. Each year, the Committee reviews the CNA Fee ceiling and determines the appropriate level for the following year, which may be found on the Committee's website at http://www.jwod.gov/jwod/library/CNA_FEE.html. The 2007 CNA Fee ceiling has been posted.

Contracting officers have a right and responsibility to negotiate recommended fair market prices for JWOD products and services. The Committee's policy is that price analysis should be used for any JWOD product or service that has equivalent or similar counterparts in the commercial market. Changes in the CNA Fee ceiling will not affect existing fair market prices, as JWOD fair market prices are validated with market price indicators, and the CNA Fee is a business cost for the nonprofit agency. Where there are no commercial equivalents, and cost analysis must be used, the CNA Fee will be included in overhead costs, not as a separate line item. This fee is similar to those paid by commercial firms to belong to trade and industry associations related to their government contracts, and is considered an allowable cost. Specific disclosure of this cost element is not required of commercial firms and is not specifically addressed in negotiations.

The attached questions and answers are intended to provide further information. Please contact Sheryl Kennerly or Kimberly Zeich at (703) 603-7740 if you have any questions.

Attachment

Frequently Asked Questions – JWOD Program 2007 CNA Fee Ceiling Determination

1. What is the CNA Fee?

The purpose of the CNA Fee is to provide funding for the operations of the Central Nonprofit Agencies (CNAs) – National Industries for the Blind and NISH (serving people with severe disabilities) – designated by the Committee for Purchase From People Who Are Blind or Severely Disabled (Committee) in accordance with the provisions of the Javits-Wagner-O'Day (JWOD) Act. The CNA Fee is a percentage of the revenue of each contract on the JWOD Program Procurement List. The Committee establishes the fee ceiling annually for each CNA.

2. Who pays the CNA Fee?

The CNA Fee is paid by JWOD-participating nonprofit agencies to their Central Nonprofit Agency, either National Industries for the Blind or NISH, to fund CNA operations. The CNA Fee is not an add-on to the JWOD Fair Market Price, nor is it a pass-through to the Government.

3. When is the updated CNA Fee Ceiling effective, and is this rate permanent?

The FY 2007 CNA Fee Ceiling is effective on October 1, 2006, for the entire Fiscal Year. Each year, the Committee reviews the CNAs' budgets and planned activities, and determines the CNA Fee ceiling(s) for the following year. The Committee will make another determination for FY 2008. The Committee's web site will show the CNA Fee ceiling in effect for the current Fiscal Year at http://www.jwod.gov/jwod/library/CNA_FEE.html.

4. What does the new CNA Fee Ceiling for 2007 mean to Federal customers?

The CNA Fee should be invisible to Federal customers. The Committee has clarified that the fee is paid by the nonprofit agencies, and is not added on to the cost of contract performance to achieve a fair market price. The JWOD fair market price is to be validated in the commercial marketplace through price analysis. As the price is market-driven, any change in the CNA Fee (a nonprofit agency cost of doing business) does not affect customers' existing prices. Customers will continue to pay the fair market price.

5. What if the JWOD product or service does not have a commercial equivalent, then how is the price validated?

The Committee recognizes that for truly Government-unique requirements, it is necessary to use cost analysis to evaluate pricing proposals. In these cases, the CNA Fee will not be a separate line item, but included in overhead costs. This fee is similar to those paid by commercial firms to belong to trade and industry associations related to their government contracts, and is considered an allowable cost. Specific disclosure of this cost element is not required of commercial firms, and is not specifically addressed in price negotiations.

6. What impact will the new CNA Fee level have on existing contract prices?

None. A change in the CNA Fee paid by nonprofit agencies to their CNA does not change or affect existing contract prices. A fair market price on Sept. 30, 2006 remains a fair market price on October 1, 2006.

7. As the CNA Fee is the responsibility of the nonprofit agency, not the Government, can the Government seek a discount or rebate on JWOD pricing if the fee ceiling decreases?

There will be no discounts or rebates to Committee-established fair market prices as a result of the CNA Fee ceiling change. The CNA Fee has always been sent to NIB or NISH by the nonprofit agency from their contract revenues. The Committee's addition and price change procedures have always required Contracting Officers' concurrence that the proposed fair market price is reasonable. With firm, fixed prices established, the variations in the nonprofit agency's costs are not applicable to the Government.

8. Is the CNA Fee negotiable like other cost elements in order to reach a price agreement?

No. The CNA Fee will no longer be a stand-alone cost element in JWOD pricing proposals. First, JWOD pricing proposals will focus on market price indicators, not cost elements, unless there is no equivalent market for the Government requirement. In these cases, the CNA Fee will not be a separate line item, but included in overhead costs. As noted above, this fee is similar to those paid by commercial firms for trade and industry association memberships related to their government contracts, and it is considered an allowable cost. Specific disclosure of this cost element is not required of commercial firms, and is not specifically addressed in price negotiations.

9. Who may I contact for more information?

Federal customers may contact the Committee staff at info@jwod.gov or (703) 603-7740 for more information. Nonprofit agencies may contact their Central Nonprofit Agency.