



# U.S. ABILITYONE COMMISSION

**Policy Number 51.601**  
**Effective Date: January 1, 2022**

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## ABILITYONE PROGRAM FEE CALCULATION METHODOLOGIES

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### 1. PURPOSE

This document prescribes the U.S. AbilityOne Commission (Commission) policy for the calculation of Program Fees within AbilityOne Program cost proposals and recommended Fair Market Prices determined by price analysis. The Commission requires the remittance of Program Fees by nonprofit agencies (NPAs) with AbilityOne Program sales to their associated Central Nonprofit Agencies (CNAs) for the purpose of contributing to the overall financing of the non-appropriated portion of the AbilityOne Program. As such, these fees are allowable, direct costs within the AbilityOne Program, treated as described below. Prior to 2016, these fees were referred to as Central Nonprofit Agency (CNA) Fees.

### 2. APPLICABILITY

This policy applies to the Commission, its designated CNAs, and authorized NPAs participating in the AbilityOne Program. Federal entities subject to the Javits-Wagner-O'Day (JWOD) Act and Federal contractors awarding directed subcontracts to meet the mandatory source requirement in their prime contracts should be aware of the Commission's guidance related to Program Fees, which affect the Fair Market Prices of products and services on the AbilityOne Procurement List.

### 3. AUTHORITY

- (a) 41 U.S.C. §§ 8501-8506, Javits-Wagner-O'Day (JWOD) Act
- (b) 41 C.F.R. Ch. 51, Committee for Purchase From People Who Are Blind or Severely Disabled

### 4. DEFINITIONS AND ACRONYMS

Definitions, abbreviations, and acronyms frequently used throughout this policy system are provided in Commission Policy 51.102, Definitions. Terms unique to a specific subject matter will be defined in the associated policy and/or procedure.

Term	Definition
Program Fee	A fee that Commission-designated CNAs are authorized by Commission regulation and their Cooperative Agreements to collect from authorized NPAs to facilitate the latter's participation in the AbilityOne Program. The Program Fee contributes to the overall financing of the non-appropriated portion of the AbilityOne Program. The Program Fee is neither profit nor net proceeds.

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The Committee for Purchase From People Who Are Blind or Severely Disabled operates as the U.S. AbilityOne Commission



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<b>Term</b>	<b>Definition</b>
Program Fee Ceiling	By regulation, the Commission establishes a limit (i.e., a ceiling, expressed as a percentage rate) to the fees a designated CNA may collect to facilitate its associated NPAs' participation in the AbilityOne Program. The CNAs may charge less than, but no more than, the Program Fee Ceiling rate set by the Commission. The Commission may establish a different Program Fee Ceiling for each CNA.
Total NPA Compensation	The portion of the Fair Market Price for a product or service on the Procurement List that includes all of the nonprofit agency's allowable costs for labor, materials, overhead, general and administrative costs (G&A), and net proceeds.

**5. RESPONSIBILITIES**

- (a) The Commission provides authorization and guidance regarding the collection of Program Fees by the Commission-designated CNAs in 41 C.F.R. 51-3.5 and their Cooperative Agreements with the Commission.
- (b) The Commission approves the Program Fee Ceiling for each CNA in accordance with 41 C.F.R. 51-2.2(f), and communicates the applicable Program Fee Ceiling to participating NPAs and other stakeholders.
- (c) The CNAs collect Program Fees from their associated NPAs, not to exceed the Program Fee Ceiling, after the NPAs have been paid by the Government for the sale of products or services on the Procurement List.
- (d) The CNAs report their collection of fees and fee-related expenditures as required by their Cooperative Agreements with the Commission and/or applicable law.
- (e) To maintain qualification to participate in the AbilityOne Program, the NPAs remit Program Fees to their respective CNA(s) upon the NPAs' receipt of payment from the Government.

**6. POLICY**

- (a) The Commission establishes and oversees the Program Fee Ceilings for the CNAs, and communicates the applicable Program Fee Ceiling rates to participating NPAs and Federal customers.
- (b) The Commission has sole authority to establish Fair Market Prices for AbilityOne products and services. As such, the Commission establishes the methodologies for calculating Program Fees within the Recommended Fair Market Prices for AbilityOne contracts.

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- (c) In accordance with 41 C.F.R. 51-3.5, the Commission authorizes the CNAs to collect Program Fees from NPAs “for facilitating their participation in the AbilityOne Program;” in other words, exclusively for performance of duties as a Commission-designated CNA.
- (d) The Program Fee is unique to the AbilityOne Program and to Federal purchases pursuant to the JWOD Act, and is neither profit nor “net proceeds.” The Program Fee is an allowable, direct cost for the NPA delivering a product or service under the AbilityOne Program.
- (e) The Commission’s policy is to direct and ensure that Program Fees may not be added to prices that already include Program Fees.
- (f) Cost Proposals: The CNAs and NPAs shall ensure that AbilityOne cost proposals to the Government reflect Program Fee calculations based on Total NPA Compensation (i.e., the portion of the price or cost that goes to the NPA) not including the Program Fee amount.
  - i. The Program Fee shall be calculated by multiplying the Program Fee rate (expressed as a percentage) by the Total NPA Compensation; i.e., the Program Fee rate is applied to the sum of allowable costs for materials, labor, other direct costs, overhead, general administrative expenses, and net proceeds.
  - ii. The Program Fee is not applied to unallowable subcontracting costs; i.e., costs related to a non-AbilityOne subcontractor that represent 25% or more of the price and do not pertain to materials substantially transformed by the NPA.
  - iii. The Program Fee rate applied shall not exceed the Program Fee Ceiling rate established by the Commission.
- (g) Price Analysis: The CNAs and NPAs shall ensure that when AbilityOne prices are negotiated with Government customers based on price analysis, the Program Fee amount is included within the negotiated price that is compared to or based on market price indicators. The Program Fee is not added after the price analysis has taken place, nor after a Recommended Fair Market Price has been negotiated.
  - i. The Program Fee amount within a Recommended Fair Market Price established by price analysis shall be calculated by dividing the Recommended Fair Market Price by (1 + the Program Fee percentage rate expressed as a decimal number) to determine the Total NPA Compensation (e.g., 1 + .0375).
  - ii. The Program Fee dollar amount is the difference between the Recommended Fair Market Price and the Total NPA Compensation.
  - iii. Alternatively, the Program Fee dollar amount may be calculated by multiplying the Total NPA Compensation (derived in (g)(i) above) by the Program Fee percentage rate. The Program Fee dollar amount is the same using either mathematical calculation described in (g).

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- iv. The Program Fee charged by the CNA shall be calculated using percentage rates not to exceed the annual Program Fee Ceiling rate approved by the Commission.
- (h) Government Furnished Materials (GFM) and cost-reimbursable line items for other than labor are not considered to be part of “nonprofit agency sales to the Government,” and the Program Fee percentage rate is not applied to these items.
- (i) Program Fees shall not be assessed twice on the same sale. Thus, Program Fees shall not be embedded in one cost element of the sales price such as overhead and then assessed against the entire negotiated sales price.

## **7. EXCEPTIONS TO POLICY**

None.

## **8. PROCEDURES**

- (a) The following procedures further explain the methodologies used to calculate the Program Fee, as described in this Policy.
- (b) Cost Analysis Methodology: When cost analysis is used, the cost proposal includes the Total NPA Compensation, which is normally composed of the following cost elements that may be evaluated by and negotiated with the Contracting Activity:
  - 1. Labor Costs (including fringe benefits)
  - 2. Materials Costs
  - 3. Other Direct Costs
  - 4. Overhead
  - 5. General & Administrative (G&A) Expenses
  - 6. Net Proceeds

The sum of these cost elements (i.e., the Total NPA Compensation) is multiplied by the Program Fee percentage rate to calculate the Program Fee dollar amount that the NPA will remit to its CNA after the NPA’s receipt of payment by the Federal customer.

The Recommended Fair Market Price (FMP) is calculated by adding the Total NPA Compensation to the Program Fee dollar amount.

### **Calculations:**

**Program Fee Dollar Amount = Total NPA Compensation x Program Fee Percentage Rate**

**Recommended FMP = Total NPA Compensation + Program Fee Dollar Amount**

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- (c) Price Analysis Methodology: Price analysis is the preferred methodology for products with commercial equivalent items.

When the price analysis methodology is used, the Recommended Fair Market Price (FMP) is based on market price indicators and is inclusive of Program Fees. The Government customer will pay no more than the Recommended FMP.

The Recommended FMP is divided by (1 + the Program Fee percentage rate expressed as a decimal number) to determine the Total NPA Compensation (e.g., 1 + .0375).

The Total NPA Compensation is subtracted from the Recommended FMP to determine the Program Fee dollar amount, which the NPA will remit to its CNA after the NPA's receipt of payment by the Federal customer.

Alternatively, the Program Fee dollar amount may be calculated by multiplying the Total NPA Compensation by the Program Fee percentage rate. The Program Fee dollar amount is the same using either mathematical calculation (see also Policy section 6(g)).

**Calculations:**

**Total NPA Compensation = Recommended FMP ÷ (1 + Program Fee Percentage Rate expressed as a decimal number)**

**Program Fee Dollar Amount = Recommended FMP – Total NPA Compensation**

**9. SUPERSESSION**

Administrative Memorandum Number 11, dated October 1, 2006, is replaced in its entirety by a combination of this Policy and Commission Policies 51.210 and 51.302.



APPROVED: Kimberly M. Zeich Date: 8/31/2021

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