



TITLE: PRICE CHANGE MECHANISM: PRODUCER PRICE INDEX

1. PURPOSE.

This document describes the procedures for using the Bureau of Labor Statistics' (BLS) Producer Price Index (PPI) as the price change mechanism for the Recommended-Fair Market Price (FMP).

2. APPLICABILITY.

These procedures apply to the U.S. AbilityOne Commission (Commission), Central Nonprofit Agencies (CNAs), and Nonprofit Agencies (NPA) participating in the AbilityOne Program®. In addition, all 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 must also comply.

3. AUTHORITY.

- (a) 41 U.S.C. §§ 8501-8506, Javits-Wagner-O'Day Act
- (b) 41 CFR 51, Committee for Purchase From People Who Are Blind or Severely Disabled
- (c) Federal Acquisition Regulation (FAR) 8.707, Prices
- (d) 2 CFR 230, Cost Principles for Non-Profit Organizations (OMB Circular A-122)
- (e) U.S. AbilityOne Commission Policy 51.600, Fair Market Pricing
- (f) U.S. AbilityOne Commission Policy 51.610, AbilityOne Products Pricing Policy

4. DEFINITIONS AND ACRONYMS.

Definitions, abbreviations, and acronyms frequently used throughout this policy system are provided in 51.102, Definitions. Definitions specific to this document are provided in Policy 51.600, Fair Market Pricing.

5. RESPONSIBILITIES.

- (a) The Commission has sole authority and responsibility for determining the FMP for products on the PL. In addition to performing review and evaluation to set the FMP, the Commission's responsibilities include providing guidance to all parties involved in the development of the Recommended-FMP.
 - i. The Commission shall provide processing schedules and annual price change notices, with accompanying price detail to Contracting Activities and CNAs.
- (b) The CNAs' main responsibilities related to the pricing of AbilityOne products include:



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- i. Ensuring that all parties are knowledgeable as to the AbilityOne Program requirements for developing and negotiating a price for AbilityOne products.
 - ii. Providing technical assistance to NPAs and Contracting Activities, as necessary.
 - iii. Certifying CNA concurrence and submitting the Recommended-FMP to the Commission.
 - iv. Ensuring NPAs are knowledgeable as to PPI processing schedules and deadlines.
 - v. Monitoring BLS information (Series IDs and indices).
- (c) NPAs actively participate in the development of the Recommended-FMP, with the assistance of the CNAs and in accordance with all pricing policies and procedures of the AbilityOne Program.
- i. NPAs shall submit all requests to propose a Recommended-FMP through their respective CNAs in a timely manner that allows the CNAs to meet the Commission's prescribed deadlines.
 - ii. The submission must support the Recommended-FMP and document the NPAs' certification of their participation in the development, negotiations, and concurrence in the Recommended-FMP.
 - iii. NPAs shall maintain and present accounting records that capture, allocate, and report costs, sales, and direct labor hours of individuals employed on AbilityOne contracts.
 - iv. NPAs shall perform market research and provide market data to the CNAs, to support the proposed Recommended-FMP.
 - v. NPAs shall actively participate in the selection and negotiation of the Series ID, Base Index, and Base Price to be used in the PPI process calculations, with the assistance of the CNAs and in accordance with the PPI processing schedule.
- (d) Contracting Activities actively participate in the development and negotiation of the Recommended-FMP, to include:
- i. Communicating with and providing CNAs and NPAs with adequate documentation that allows them to develop a pricing proposal that properly addresses all aspects of the requirement, to include providing documentation to the CNA that certifies their price concurrence and fair and reasonable determination.
 - ii. Performing standard cost and price negotiation activities as described in FAR Subpart 15.4, Contract Pricing, to determine whether the Recommended-FMP is fair and reasonable, and furnishing pricing information that assists the Commission in establishing the FMP.
 - iii. The Commission may request information directly from the Contracting Activity, as needed, before making a FMP determination.
 - iv. Contracting Activities shall actively participate in the selection and negotiation of the Series ID, Base Index, and Base Price to be used in calculating the PPI price adjustments.

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6. PROCEDURES.

(a) Timetables.

i. Mid-July each year.

PPI price change transactions must be submitted to the Commission prior to mid-July. Between mid-July and issuance of the annual notice to the Contracting Activities and CNAs, the Commission will not process any price change requests for products that use PPI as the price change mechanism.

ii. August 1st each year.

The Commission issues an annual price change notice with all the data used to calculate the new product FMPs. These notices must be used to monitor the Base Dates, Series ID, and 25% caps on FMPs.

iii. November 1st each year.

The Commission publishes a PPI Price Change Schedule for the subsequent calendar year that communicates milestone dates. Pursuant to that schedule, the Commission staff shall compute the FMPs for AbilityOne Products that have PPI as the price change mechanism.

(b) Developing an AbilityOne Product's Initial Recommended-FMP Based on PPI.

The Contracting Activity and NPA's agreement to use the PPI shall include the following three elements for each product:

i. Series ID

ii. Base Index

iii. Base Price

(c) Changes to the Product's FMPs during the PPI Process Period.

The PPI process runs for a period of 5 years (i.e., five years before May 1 of the current year), or until the end of the product's contract period. The Commission shall use the Series ID, Base Index, and Base Price as the bases for changing future prices within the PPI process. At the end of the 5-year period, the price change mechanism shall be changed to Negotiations and the current FMP shall remain in effect until renegotiated.

If the Contracting Activity, NPAs, and CNAs agree to modify a product's price within the 5-year period, or whenever any of the three elements become obsolete, the Contracting Activity, NPAs, and CNAs shall negotiate a new Recommended-FMP in accordance with Commission Procedure 51.610-01, Negotiating and Developing Recommended-FMP for AbilityOne Products.

(d) Calculation of FMP for Products Using the PPI Price Change Mechanism.

New FMPs shall be calculated during the month of July using adjustments based on the BLS PPI data for June of the current year, and shall become effective the following January 1. The Commission shall determine the new FMP using the following calculation:

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$$\left\{ \frac{(\text{New June PPI Index} - \text{Base Index})}{\text{Base Index}} + 1 \right\} \times \text{Base Price} = \text{FMP}^*$$

* The new FMP is capped at 1.25% of the Base Price.

(e) Commission Annual Price Change Notice.

After AbilityOne product prices are computed using the PPI process, the new Annual Price Change Notice for Products using PPI as the price change mechanism shall be generated and transmitted to the Contracting Activities and CNAs.

7. SUPERSESSION.

None.



APPROVED: _____

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Date: 10/2/15