

**Board Meeting
Agenda Item 1.f. - Proposed Amendment**

The Executive Committee reviewed and approved this policy and is recommending this policy be added to the Board's Policies and Procedures:

CBB Policy – Administrative Expenses

It is the policy of the Cattlemen's Beef Board to expend the level of funding of administrative expenses necessary to efficiently and effectively carry out the CBB's responsibilities under the Act and Order. Pursuant to this policy, the CBB shall:

- Expend the minimum amount of checkoff assessment funds for administrative expense to ensure the maximum allocation of checkoff funding for programs; and
- Allocate and account for administrative expenses in accordance with the USDA/AMS Guidelines and the Act and Order.

As background, Chairman Brett Morris appointed a Task Force in 2017 to review the guidelines for the 5% administrative cap in the Act & Order. The Task Force was chaired by Richard Winter and consisted of CBB board members Jared Brackett, Rob Von Der Leith and the late Leo Sutterfield. Brett Morris and Wayne Watkinson, legal counsel for CBB, served as advisors. The Task Force met via two conference calls and reviewed the current process for allocating expenses to CBB's budget categories. As part of that discussion, they specifically discussed the criteria for expenses allocated to the administration budget category (i.e., the 5% cap) and the purpose of the cap in the Act & Order.

The Task Force discussed the following points:

- The Act & Order do not specifically define administrative expenses.
- The AMS Guidelines for Oversight of Research and Commodity Programs do not provide specific direction on the allocation of expenses to the administration category.
- USDA has provided guidance to CBB on categories of expenses that are not required to be classified under the administrative cap, generally because the expense is outside the control of the board. For example, USDA has granted an exemption to CBB for the costs incurred for responses to Freedom of Information Act Requests (FOIAs) and litigation.
- CBB staff monitor expenses and seek USDA guidance on expenses that do not seem to fit into the administrative cap.

The Task Force recognized the need for a Board policy regarding allocation of expenses under the cap and allocation of allowable expenses outside the cap. Because leaders and board members change, a general, board-approved policy would allow staff to continue to allocate expenses to the greatest efficiency of the Board, while following the Board's wishes on this allocation. Based on this desire, the Task Force recommended the policy to the CBB Executive Committee.