

Fiscal Estimate Narratives

UWS 10/30/2013

LRB Number	13-3091/2	Introduction Number	AB-0432	Estimate Type	Original
Description Purchase of food by the Board of Regents of the University of Wisconsin-System					

Assumptions Used in Arriving at Fiscal Estimate

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AB 432 applies only to the University of Wisconsin System Board of Regents. This bill does not apply to other state agencies. It provides several exceptions to the standard bid and Request for Proposal (RFP) State statutory language when buying food directly.

Components of the bill include:

1. A food bid or RFP award must be based on at least 75% of the points assigned to price.
2. The UWS may purchase food priced under \$100,000 without requiring a bid if the food is produced within 100 miles of the site to which it is delivered.
3. Local Vendors are defined as supplying food produced within a 100 mile radius of the site to which food is delivered. Local Vendors may be awarded a food contract if their bid is no more than 20% higher than the low bid price.

Cost Impact Analysis

Section 2: Price must be 75% of the points in awarding a food RFP
This language could have a cost impact on the University. Many factors such as electronic ordering capabilities, stocking charges, and invoicing systems are considered in assigning points for evaluation. While they are not price related, they are part of the total cost to the university in providing food to students. This bill would not allow those factors to be considered in the scoring of proposals in a RFP process. Effectively the RFP process becomes a bid process with mandatory requirements and is primarily awarded on price. This means vendors who could not meet those mandatory requirements would not be able to compete for the contract at all.

In the Food Service industry there are large post invoice rebates and off invoice price deviations available to bulk purchasers which are not reflected in the unit price bids by vendor selling to the state. This proposed model of assigning 75% of the points to price in a RFP structure will not recognize those rebates and vendors may not choose to incorporate them into their pricing structure.

Section 5: Contracts may be awarded up to \$100,000 without a bid, if the food is produced within a 100 mile radius of the site to which the food is delivered.
This language provides purchasing flexibility to the UW System.

One concern is the definition of "produced," which could mean grown or processed or packaged. There would be an administrative cost associated with determining which products are locally produced.

Section 7: Alters RFP language in 16.75(2m) (a) restricting the UW System to using factors other than price to 25% of the total points.

This has the same cost impact as Section 2. It does not allow the UW System to assess all cost factors because it requires 75% of the points to be assigned to price. It could also impact quality considerations, since it does not allow the UW System to assess true quality of food, delivery times, etc.

Section 10: Grants the Board of Regents authority to purchase food produced within 100 miles of the site up to \$100,000.

Section 11: Grants UW System authority to award a contract to a vendor who is within 20% of the low bid or

within 20% of the points of the high scoring vendor on a RFP, if they are selling food produced within 100-mile radius of the site to which it is to be delivered.

This language grants authority to the university to potentially pay a premium of up to 20% to buy locally above \$100,000. This language allows flexibility for a UW institution to determine when to use this authority, which is needed, since there are UW institutions that would not be able to pay a 20% premium in food costs.

It appears that all purchases competitively awarded over \$100,000 could be awarded with preference for locally produced products. This would create an administrative cost if there is a large line item list of products. Every item in the market basket would have to be identified as locally produced by the vendor and evaluated in order to make a determination for local preference points. Administrative time would also be used to determine what is locally produced

As drafted this bill will impact the UW institutions differently given that the bill creates a distinct 100 mile radii for each UW institution. This may also increase administrative costs.

Long-Range Fiscal Implications