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Jeb Spaulding, Secretary

MEMORANDUM

Recommendation from the Report on Econometric Modeling (Required by Section 2 of Act 112 of 2012)

To: House Committee on Government Operations
Senate Committee on Government Operations
House Committee on Natural Resources and Energy
Senate Committee on Natural Resources and Energy
House Committee on Corrections and Institutions
Senate Committee on Institutions

From: Jeb Spaulding, Secretary of Administration 

Re: Report on Econometric Modeling

Date: April 25, 2014

As a follow-up to the report submitted February 28, 2014, and testimony provided on Thursday, March, 20, 2014, the next steps identified to complete the econometric modeling study include four recommendations: continuing the study, establishment of a contract, educate stakeholders, and to document what we are currently doing.

1. Continue the Study

- a) **Study continuation and model testing with real data:** Continue with the study with the expectation that we further define the data elements being collected. This will be done in cooperation with the legislative economists, the Administration, and the Office of Purchasing & Contracting. We will continue data collection for RFPs with an estimated value over \$100,000. We need to ensure appropriate data is collected to allow the modeling to be based on real data versus hypotheticals, but that we do not adversely impact the bidding process.
- b) **Exempt federal funds:** At this time, we will not apply this approach to any bid situations involving federal funds. If further research indicates that contracts funded by certain federal agencies can be included by adding econometric modeling to our documented procedures, that step will be considered.
- c) **Refine data:** Continue to refine the statewide spreadsheet database of contracts and RFP responses to allow the economists, utilizing the collected data, to make specific recommendations to target contracting areas that would most benefit from analysis. The

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completeness of responses regarding the location of economic activity linked to State contracts should be improved.

2. Establish a contract

- a) **Contract model analysis:** Establish a contract to assist with the goals of Sec. 1 of Act 112 of 2012. The model should be independently reviewed for this application before awarding a contract.
- b) **Information Security:** The contract will need to include provisions for security of bid information and integrity of the system.
- c) **Sample bid analysis:** BGS Purchasing & Contracting and the Administration will work with individual State departments to identify a few candidate bid situations where it would be useful to collect the detailed information needed as part of the bid process and access this modeling approach.

3. Educate stakeholders

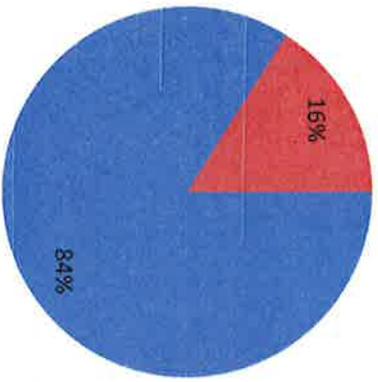
- a) **Education for understanding:** Educate stakeholders to facilitate understanding of the model.
- b) **Optimize contract process:** Provide guidance to departmental contracting staff for optimizing contracting practices in the best interest of the State. This guidance will be developed by BGS Purchasing & Contracting.
- c) **Educate on process:** BGS Purchasing & Contracting will educate internal and external stakeholders in the contracting process on the model.
- d) **Best interests of state contracting:** BGS Purchasing & Contracting will develop guidance for departments on how to contract in the best interest of the State.

4. Document what we are doing

- a) **Document Vermont consideration:** The file should contain justification and documentation of the award. Was consideration given to a business or industry located in Vermont and employing citizens of this State? If a business or industry located in Vermont and employing citizens of the state was not considered, also identify in the record why they were not considered.
- b) **Identification of Vermont contract awards:** Identify or track awards that are made to a Vermont company, although "Vermont Company" at this time remains undefined. The Administration and the state economists need to agree on a useful but practical dataset on in-state economic activity expected from a bid or contract.
- c) **Reporting:** Reference the attached sample reports which include a breakdown of contracts issued by the Department of Buildings and General Services, as well as an overview of food purchases made for FY13.

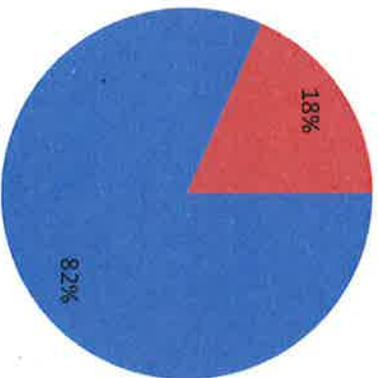
BGS - Purchasing and Contracting
 Actual Contract Awards
 Sample Reports Run 4/4/2014

Current A & E Contracts = 25



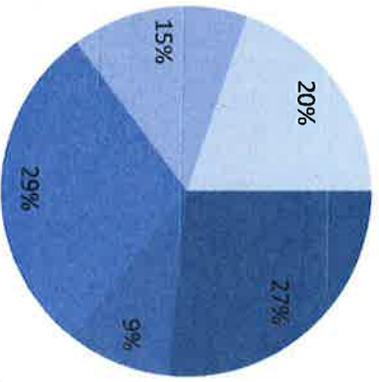
■ 84% VT Award (21) = \$13,077,328.00
 ■ 16% Non VT Award (4) = 5,311,865.00

Current Construction Contracts = 49



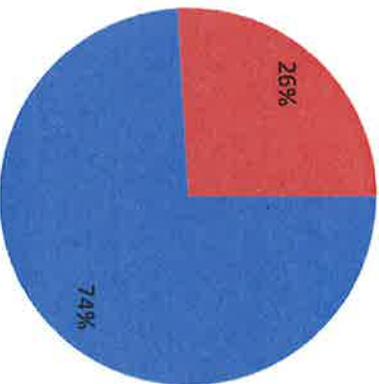
■ 82% VT Award (40) = \$171,565,265.00
 ■ 18% Non VT Award (9) = \$4,841,185.00

Current Commodity Contracts = 426



■ 27% VT Award (113)
 ■ 9% Non VT Award (38)
 ■ 29% No VT Bids (125)
 ■ 15% Multi-State or GSA (66)
 ■ 20% Multiple Award-Incl VT (84)

Current Personal Service Contracts = 270



■ 74% VT Award (200) = \$27,559,716.00
 ■ 26% Non VT Award (70) = \$18,190,118.00

	Corrections, VSH, VVH, Woodside	WIC
DAIRY - BDA 107		
Alliant Food	\$13,490.00	
Blue Ledge Farm	\$16.00	
Crescent Creamery Inc	\$49,100.00	
Burlington Food/Reinhart	\$185,702.00	
Fat Toad Farm	\$93.00	
Garelick Dairy		\$258,343.95
Glens Falls Produce Co	\$17.70	
Green Mtn Food service	\$23.00	
Hannafords	\$58.00	
Hood/Booth Brothers	\$90.00	\$737,519.58
Monument Farms	\$2,093.00	
Orin Thomas Dairy	\$1,702.00	\$192,155.55
Quandts	\$574.00	
Sysco of Albany	\$339.00	
Van vlaanderen, George	\$106.00	
VT Original Ice Cream	\$3,660.00	
Whorles	\$90.00	
TOTAL	\$257,153.70	\$1,188,019.08
EGGS		
Alliant Food	\$45.00	
Burlington Food Service/Reinhart	\$24,514.00	
Hillside Poultry		**
Maple Meadows*	\$50,449.00	**
Shadow Cross*	\$14,115.00	**
TOTAL	\$89,123.00	\$253,338.00
FOOD - OTHER		
Burlington Food/Reinhart*	\$1,410,208.38	\$4,119,385.99
Bimbo Foods*	\$16,125.53	
TOTAL	\$1,426,333.91	\$4,119,385.99
MEAT		
Alliant Food	\$40,753.00	
Burlington Food/Reinhart*	\$507,772.00	
Carioto Product	\$431.00	
Glens Falls Produce	\$82.00	
Hannafords	\$132.00	
Ipswich	\$4,407.00	
Lucky Day Poultry	\$22.00	
Poultry Products*	\$55,559.00	
Price Chopper of VT	\$22.00	
Quandts Food Service	\$8,193.00	
Sysco Food of Albany	\$5,221.00	
Whites Market	\$232.00	
Whorles*	\$5,617.57	
TOTAL	\$628,443.57	
PRODUCE - BDA 11		
Black River Produce	\$28,752.07	
Burlington Food/Reinhart	\$248,166.22	
Champlain Orchard	\$630.00	
Glens Falls Produce	\$15,336.39	
Green Mtn Food Svs	\$70.39	
Terrance Magnan Farms	\$100.00	
The Garden Patch	\$5,849.15	
TOTAL	\$298,904.22	
* Designated Contract		

Food Purchases - FY13

3-Apr-14

	INSTATE	OUT OF STATE
DAIRY - BDA 107		
Alliant Food** - NY		\$23,681.72
Black River Produce - VT	\$84.15	
Crescent Creamery Inc - MA		\$10,121.45
Burlington Food/Reinhart - VT	\$21,588.32	
Don Maynard - VT	\$252.94	
Hannafords - GA		\$146.63
Hood/Booth Brothers - VT	\$1,964,019.18	
Hood/Albany - MA		\$114,865.00
Orin Thomas Dairy - VT	\$232,568.53	
Sysco of Albany - NY		\$4,285.88
VT Original Ice Cream - VT	\$8,456.90	
Whorles - MA		\$775.70
TOTAL	\$2,226,970.02	\$153,876.38
EGGS		
Alliant Food** - NY		\$6,436.29
Burlington Food Service/Reinhart* - VT	\$26,150.33	
Maple Meadows* - VT	\$39,090.10	
Shadow Cross* - VT	\$22,069.50	
FOR WIC - VT	\$426,096.00	
TOTAL	\$513,405.93	\$6,436.29
FOOD - OTHER		
Alliant Food** - NY		\$140,333.04
Burlington Food/Reinhart* - VT	\$1,187,970.41	
Bimbo Foods* - NY		\$1,891.13
TOTAL	\$1,187,970.41	\$142,224.17
MEAT		
Alliant Food** - NY		\$58,773.92
Burlington Food/Reinhart* - VT	\$201,664.38	
Poultry Products* - MA		\$181,024.95
Whorles* - MA		\$16,332.38
TOTAL	\$201,664.38	\$256,131.25
PRODUCE - BDA 11		
Alliant Food** - NY		\$45,455.61
Black River Produce - VT	\$3,662.04	
Burlington Food/Reinhart - VT	\$282,782.93	
Carioto - NY		\$15,865.66
Don Maynard - VT	\$1,768.30	
Glens Falls Produce - NY		\$9,289.75
Hannafords - GA		\$169.95
Ron Brouhard - VT	\$7,556.50	
Sysco of Albany - NY		\$530.29
Upper Valley - VT	\$10,490.87	
Whorles - MA		\$169.95
TOTAL	\$306,260.64	\$71,481.21
OVERALL TOTAL	\$4,436,271.38	\$630,149.30
* Designated Contract		
**VA Pricing		