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Jeb Spaulding, Secretary

MEMORANDUM

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

Date: January 15, 2014

Re: Report on Econometric Modeling Recommendations
Required by Section 2 of Act 112 of 2012

This report reviews the current status of findings and recommendations toward satisfying Section 2 of Act 112 of 2012. Section 1 of Act 112 of 2012 requires the Secretary of Administration and the legislative economist to design and implement a one-year pilot project to conduct an econometric analysis when evaluating government contracts for goods and services by the Department of Buildings and General Services, the Agency of Natural Resources, and the Department of Corrections. Section 2 requires the Secretary of Administration, working with the legislative economist, to submit a report to the House and Senate Committees on Government Operations and on Natural Resources and Energy, the House Committee on Corrections and Institutions, and the Senate Committee on Institutions on the results of the econometric analysis pilot project and any further legislative or policy recommendations for expansion, adaptation, or elimination of econometric analysis in government contracting.

I am proposing to shift the deadline for the Section 2 report for an additional month and a half, to February 28, 2014, to accommodate the current project schedule. A summary of the current project work plan follows:

Data Collection	Complete
Preliminary Econometric Model	Complete
Fiscal Model	Complete
Data Consolidation and Scrubbing	In process
Hypothetical Model Runs ¹	On hold for final data scrubbing
Report and Recommendations	February 28, 2014

It is anticipated that the February 28, 2014 report and recommendations will include:

- results of hypothetical model runs
- recommendations for contract areas that appear to have potential for in-state contracting
- information requirements needed in Requests For Proposal (RFP) to enable modeling for bid evaluation
- actionable information and recommendations for State contracting personnel
- a concise review of known issues (Federal funding, security of the bidding process, etc.).

In addition, the pilot project will continue its data collection from ongoing RFPs, emphasizing the importance of certain data regarding proportions of Vermont labor and purchased goods/services used to fulfill State contracts, and will introduce an educational outreach effort to all departments with significant activity in promising contracting areas.

¹ A “hypothetical model” runs selected contract subject areas, where the data indicates large contracts that could be bid on by an in-state entity, to estimate the net cost to taxpayers of a hypothetical contract awarded to a 100% in-state entity compared to a 100% out-of-state entity. For cases where linearity is affected by disparities in the multiplier for elements within a contract, values between 100% in and out of state may be included.