



**Senate Government
Operations Committee**

January 18, 2017

Re: Highest Value Procurement

Vermont state government is a major purchaser of goods and services from the private sector, providing economic opportunities for businesses of all sizes and supporting thousands of jobs each year.

Awarding state contracts for goods and services to the “lowest cost” or “best-value” bidder without considering the impact of the business practices of bidders cannot ensure the highest value for Vermont taxpayers.

Vermont has an opportunity to use the market to encourage specific business practices, strengthen local communities, and help create a strong and vibrant statewide economy through government procurement policies.

With a Highest-Value Vermont Procurement contracting policy, Vermont government can minimize bad market signals, such as awarding contracts to companies with wages so low that employees receive public assistance, while also offering a strong market incentive for vendors to apply business practices that invest in their employees, local communities and Vermont’s natural environment. .

This procurement policy is not only aligned with Vermont values, but it also recognizes the vital impact that voluntary business practices that go above and beyond legal requirements can have on the state’s economy. In this regard, VBSR believes the state should direct all agencies and departments to consider and

award bonus points to the lowest cost or best-value bids from qualified vendors who can certify and document they go above and beyond with four or more of the six defined highest-value business practices that benefit Vermont’s citizens and the economy.

The Agency of Administration shall publish and maintain a website page for vendors, state agencies and departments that explains the six business practices eligible for bonus points under the Highest-Value Vermont Procurement policy, including:

High Road Procurement Metrics

LIVING WAGE

Vendor pays at least the average livable wage per hour for all employees, as defined by the most recent Vermont Basic Needs Budgets and the Livable Wage report published by the Vermont Legislature Joint Fiscal Office.

HEALTH INSURANCE

Vendor offers and contributes to an “eligible employer-sponsored health plan” for employees that meets or exceeds the basic requirements for coverage and affordability under the Affordable Care Act or applicable state law.

RETIREMENT BENEFITS

Vendor offers and contributes with an employer match to a pension, 401K or other retirement plan that allows employees to plan for retirement.

EQUAL RIGHTS

Vendor has an established pay equity and Diversity & Inclusion policy for employees, regardless of gender, race, age, sexual orientation, or disability.

WORKFORCE EDUCATION AND WORK-LIFE BALANCE

Vendor offers a combination of two or more of the following benefits that either help Vermont workers advance their education and skills as individuals or help them achieve a reasonable work and family life balance: reimbursement for tuition, skills training or certifications; paid leave for advanced education, training or family reasons; contributions for dependent care (child care or elder care).

WORKER SAFETY

Vendor has at least a five-year record without citations for violations of federal or state labor, safety, and environmental laws and regulations.

Development and Implementation

The state should develop a basic checklist and suggested certifications or documentation to enable practical and efficient implementation of this procurement reform and minimize the impact on the workload of state personnel and small businesses interesting in submitting bids under the Highest-Value Vermont Procurement policy.

Local Purchasing Preference

There are substantial economic benefits to gearing more state contracts to in-state companies. A 2014 memo from economist Tom Kavet to the Joint Fiscal Office outlined the opportunities and challenges of this policy, including a recommendation that any proposed policy be reviewed by the Vermont Attorney General's Office. Among the findings in this memo:

- A \$5.1M insurance services contract going to an in-state company over an out-of-state firm results in the creation of 36 new Vermont jobs and \$325,000 in additional state revenue.
- In terms of tax revenue, the modeling found that a \$5.4M contract to an in-state firm represents the same net cost to the state as a \$5.1M contract with an out of state firm – a differential of 6.4%.
- In various calculations, the differential between contracts ranged from 1.5% to 7.6%, depending on the industry, size and content of the contract.

Level the Playing Field

Vermont companies often bid on state contracts in New York and neighboring New England states. VBSR companies report seeing new language in state bidding procedures in other states that give preferences to their own in-state firms.

NY State Office of General Services – “Encouraging Use of New York State Businesses” procurement memo:

“Public procurements can drive and improve the State’s economic engine through promotion of the use of New York businesses by its contractors. The State therefore expects proposers to provide maximum assistance to New York businesses in their use of the contract. The potential participation by all kinds of New York businesses will deliver great value to the State and its taxpayers.”

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