

Fiscal Estimate - 2015 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 15-0511/1	Introduction Number AB-0166
Description Purchase of food by the Board of Regents of the University of Wisconsin System	
Fiscal Effect	
State:	
<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate	
<input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues
<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Decrease Costs	
Local:	
<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate	
1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory
5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
Fund Sources Affected	
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	
Affected Ch. 20 Appropriations	
Agency/Prepared By	Authorized Signature
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Date	
4/30/2015	

Fiscal Estimate Narratives

UWS 4/30/2015

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Description Purchase of food by the Board of Regents of the University of Wisconsin System					

Assumptions Used in Arriving at Fiscal Estimate

Components of the AB166

1. A UW System food bid or request for proposal (RFP) award must assign at least 50 percent of the points to price.
2. The bill allows the Department of Administration to use simplified procedures to make an award if the estimated cost is less than \$50,000. As this provision primarily impacts Department of Administration operations, no fiscal estimate is prepared for this change.

Cost Impact Analysis

The dynamic nature of the food industry and the procurement market makes it difficult to meaningfully assess an anticipated cost for this bill. As such, the areas that may increase costs are described below.

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 50 percent 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. As such, the actual cost for food provided may increase.

Many factors are considered in assigning points for purchase evaluation such as electronic ordering capabilities, stocking charges, and invoicing systems. While these factors are not directly price related, they are part of the total cost to the university in providing food to students. This bill could reduce the weight of these non-price factors in the scoring of proposals in a RFP process and could potentially increase total cost. Given the variability of food contracts, a specific estimate cannot be made.

Further, the bill could also impact quality because it reduces the ability of the UW System to assess true quality of food, delivery times, etc. Lower quality may result in a decreased demand and lower revenue.

This bill may have the unintended consequence of changing the RFP process into a bid process primarily awarded on price with mandatory requirements. This means that vendors who could not meet those mandatory requirements would not be able to compete for the contract at all. Fewer competing vendors may increase food pricing.

Long-Range Fiscal Implications