

Template: Cost-Effectiveness Evaluation of New or Renewal Privatization Contracts

- Purpose:** The purpose of this template (i.e. the "workbook") is to present a cost-effectiveness comparison of the costs of contracting out a service with the costs of delivering the service in-house with State employees.
- Completing Workbook:** The parts of the workbook are described below. For greater detail in regard to the specific requirements related to completing the forms, please see the forms instruction tab as well as the Cost-Effectiveness Evaluation of New or Renewed Privatization Contracts-Policies and Procedures Manual (i.e., the "Manual").
- Questionnaire** This questionnaire provides background and other information needed to understand the scope and type of services currently contracted out.
- Form A-100** Cost of the Contract: Form A-100 is used to project the current and projected cost of the contract for services.
- Form A-200** Cost of In-House Contract Management: Part A-200 is used to project the current and projected cost of in-house contract management. These costs are comprised of direct costs and indirect (overhead) costs. For more information on in-house contract management costs and indirect costs, please see the forms instruction tab and the Manual.
- Form A-300** Total Cost of Contracting Out: This form will calculate the total cost of contracting out, adding the cost of the contract in form A-100 and the cost of Contract Management in Form A-200. These costs will be calculated by Form A-300 with and without indirect costs.
- Form B-100** Cost of In-House Service Delivery: Form B-100 is used to project the current and projected cost of in-house service delivery. These costs are comprised of the direct costs and indirect (overhead) costs. For more information on estimating these costs, please see the forms instruction tab and the Manual.
- Form C-100** Summary of Costs: This form summarizes and compares the costs of contracting out the services and delivering the services in-house.

INSTRUCTIONS - Forms For Cost-Effectiveness Evaluation		The purpose of the template (i.e. the "workbook") is to do a cost-effectiveness comparison of the costs of contracting out a service with the costs of delivering the service in-house with State employees. These instructions describe how to complete the forms that comprise the workbook. For additional detail, please refer to the "Cost-Effectiveness Evaluation of New or Renewed Privatization Contracts-Policies and Procedures Manual" (i.e., the "Manual") on OPM's website.
Questionnaire		This questionnaire provides background and other information needed to understand the scope and type of the services currently contracted out as well as information related to actions and schedules that would be involved with bringing the services in-house.
Form A-100	Cost of Contract	This form will be used to indicate the prior year actual, annualized current year, and projected future year costs of the contract for services. Please explain your costs and projections including inflationary increases, in the space provided.
Form A-200	Cost of In-House Contract Management	This form will assist in calculating the cost for in-house contract management for services that are currently privatized. Please see the Manual for information regarding costing out these contract management costs.
Section A - Payroll		Payroll costs are defined as salaries and wages for full-time, part-time and temporary state employees, including overtime, longevity payments, shift differential, hazardous duty pay and all similar payroll costs. In Column 1, the title of those employees assigned to contract management should be listed. In Column 2, include the actual total payroll costs for the prior fiscal year for each position title listed in Column 1. Columns 3 through 8 will develop the annualized current fiscal year cost to provide a baseline for the following 3 years of in-house contract management. It is important to list the number of employees in Column 3 since this number calculates the medical and dental costs for eligible employees.
Section B - Fringe Benefits		Column 2 includes the actual prior year costs for the fringe benefit categories listed in Column 1. Columns 3 through 4 will compute the annualized current fiscal year cost to provide a baseline for the following 3 years of in-house contract management. For your convenience, the costs in this form are pre-populated by multiplying the fringe benefit percentage with the applicable payroll costs from Section A of this form. Please see the Manual for more information regarding fringe benefits.
Section C - Other Expenses		The amounts for other expenses should be included on Line 1. Please include additional information, calculations, explanations, etc. as needed in the comments box included at the bottom of this form, including the basis for any inflationary adjustments. Please attach additional material as needed. Please see the Manual for more information regarding other expenses.
Section D - Agency and Central Agency Overhead		The indirect rate will be automatically calculated based on the State-wide average of indirect rates related to agency and central agency (e.g. OPM, OSC, etc.) overhead costs. This percentage will be multiplied by total payroll for the applicable fiscal years. If your agency has a calculated indirect rate, please use that rate and the appropriate portion of direct costs for contracts management. Please see the Manual for more information regarding indirect costs.

Section E - Total Contract Management Costs		This section will automatically calculate the total cost of in-house Contract Management, with and without indirect costs.
Section F - Additional Comments and Information		Please provide additional comments and information, as needed, for all the sections of this form. Please include calculations, description of inflationary and cost increases, source of information and other explanatory information. <i>Please see the Manual for definitions and other information regarding these costs.</i>
Form A-300	Total Cost of Contracting Out	This form will calculate the total cost of contracting out, adding the cost of the contract in form A-100 and the cost of Contract Management in Form A-200. These costs will be calculated by Form A-300 with and without indirect costs.
Form B-100	Cost of In-House Service Delivery	Form B-100 will develop direct costs for the in-house delivery of services in the following categories: Section A - Payroll Costs; Section B - Fringe Benefits; and Section C - Other Expenses. Costs will be provided and estimated for the current fiscal year, as well as the for the first 3 years of the proposed contracting period. In this form, current full fiscal year costs are needed for baseline and comparative purposes. Section D of this form includes state agency transition costs related to bringing services in-house. Section E calculates estimates of agency and central agency indirect costs. Please refer to the Manual for more information in this regard.
Section A - Payroll		Payroll costs are defined as salaries and wages for full-time, part-time and temporary state employees, including overtime, longevity payments, shift differential, hazardous duty pay and all similar payroll costs. In Column 1, the title of those employees assigned to contract management should be listed by those who would work 17.5 hours or more per week, with hazardous duty employees listed separately, and by those working less than 17.5 hours per week. Columns 3 through 7 will develop the annualized current fiscal year cost to provide a baseline for the following 3 years of in-house service delivery. It is important to list the number of employees in Column 2 since this number calculates the medical and dental costs for eligible employees.
Section B - Fringe Benefit Costs		This form provides information regarding the fringe benefit costs associated with the in-house employees and staff included in Section A of this form. Please see the Manual for guidance on providing estimates for the categories of fringe benefits. For your convenience, the costs in this form are pre-populated by multiplying the fringe benefit percentage with the applicable payroll costs from Section A of this form.
Section C - Other Expenses		Lines 1 through 9, provide the annualized cost for the current fiscal year and the estimated costs, including any inflationary adjustments, for the first 3 fiscal years of in-house services. One-time startup costs related to bringing the work in-house can be included in Line 10. Any contract transition costs, generally related to terminating the contract, should be addressed in Section D of this form. Please see the Manual for definitions and other information regarding these line items. Please provide any additional comments and information in the spaces provided in Section F of this form.

Section D - State Agency Transition Costs Related to Bringing a Service In-House		<p>State agencies may experience some transition costs when terminating a contract. These types of transition costs are described more fully in the Manual. Line 1 of this schedule is for direct contract costs and Line 2 is for other transitional costs. These contract costs may include termination provisions and other costs included in the current contract. Please provide additional information and comments in Section F of this form.</p>
Section E - Agency and Central Agency Overhead		<p>The indirect rate will automatically calculate based on the State-Wide average of indirect rates related to an agency as well as central agencies (e.g. OPM, OSC, etc.) indirect costs. The rate will be multiplied by total payroll for the applicable fiscal year. If your agency has a calculated indirect rate, please use that rate and the appropriate portion of direct in-house service delivery costs. Please see the Manual for more information regarding indirect costs.</p>
Section F - Total Costs of In-House Service Delivery		<p>This section will automatically calculate the total cost of in-house Service Delivery, with and without indirect costs.</p>
Section G - Additional Comments and Information	Explanations for Form B-100	<p>Please provide additional comments and information, as needed, for all the sections on this form. Please include calculations, description of inflationary and cost increases, source of information and other explanatory information. <i>Please see the Manual for definitions and other information regarding these costs.</i></p>
Form C-100	Summary and Comparison of Costs of Contracting Out and In-House Service Delivery	<p>Lines 1 and 2 of this form are the total costs related to contracting out, with and without indirect costs, while lines 3 and 4 are the costs related to in-house service delivery, with and without indirect costs. Line 5 reflects the (costs) or savings, with indirect costs included, related to contracting out compared to in-house delivery, while Line 6 shows this amount without indirect costs reflected. The workbook will either pre-fill or calculate the figures in this form.</p>

Cost-Effectiveness Evaluation of New or Renewal Privatization Contracts

State Contracting Agency:	Select One
Contract Title:	
Description of Services to be Contracted:	
Need for New Contract/Renewal:	
Proposed Term of New Contract/Renewal:	Begin Date:
	End Date:
Amount of New Contract/Renewal:	
Number of Years with Current Contractor:	
Method of Procurement:	Describe:
	Select One
Name and Address of Current Contractor:	Name:
	Address:
Prior Renewals with Current Contractor (i.e., number of renewals and total amount):	Number of Renewals:
	Total Amount For Renewals:
Approach, Implementation Actions and Timeframes that would be Involved with Bringing Service In-House	
Describe benefits and risks, including costs and other quantitative and qualitative measures and issues, associated with different service delivery methods (i.e., contracting out, providing services in-house with State employees):	

