



# Co-ops 101: Practices, Programs & Assessment

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# Our Agenda



- Legal Aspects
- Defining Cooperative Purchasing
- Defining Cooperative Organization Models
- Program Familiarization
- How to Evaluate





# Legal Aspects



- ABA 2000 Model Procurement Code (MPC)
  - Model “recommended” procurement legislative language
    - Adopted in-full by 6 states
    - Partially adopted by 22 states
  - Broad language promoting cooperative procurement activities among “Public Procurement Units”
  - Stipulates “...All Cooperative Purchasing ... shall be through contracts awarded through full and open competition...”



# Legal Aspects Non-profit contract use

**PU = Public Unit; silent on private non-profits (45)**

**NL = Not Limited strictly to PUs; broad language (6)**

Alabama	PU	Idaho	PU	Michigan	PU	New York	PU	Tennessee	PU
Alaska	PU	Illinois	PU	Minnesota	PU	North Carolina	NL	Texas	PU
Arizona	PU	Indiana	PU	Mississippi	PU	North Dakota	PU	Utah	PU
Arkansas	PU	Iowa	NL	Missouri	NL	Ohio	NL	Vermont	PU
California	PU	Kansas	PU	Montana	PU	Oklahoma	PU	Virginia	PU
Colorado	NL	Kentucky	PU	Nebraska	PU	Oregon	PU	Washington	PU
Connecticut	NL	Louisiana	NL	Nevada	PU	Pennsylvania	PU	Washington, D.C.	PU
Delaware	PU	Maine	PU	New Hampshire	PU	Rhode Island	PU	West Virginia	PU
Florida	PU	Maryland	PU	New Jersey	PU	South Carolina	PU	Wisconsin	PU
Georgia	PU	Massachusetts	PU	New Mexico	PU	South Dakota	PU	Wyoming	PU
Hawaii	PU								



# Legal Aspects



- All 50 states and D.C. have cooperative-enabling legislation
  - New York and New Jersey enacted 2012-13
    - Resistance from state procurement
    - Resistance from legislatures (local / constituent pressures)
- Periodic challenges
  - Local preference policies, diversity programs
  - Local suppliers claim non-competitive practice
  - Appropriateness of fees retained vs. distributed
  - Agencies' AG resistant to cooperative practices







# Defining Cooperative Purchasing



- Joint Solicitation
- Piggybacking

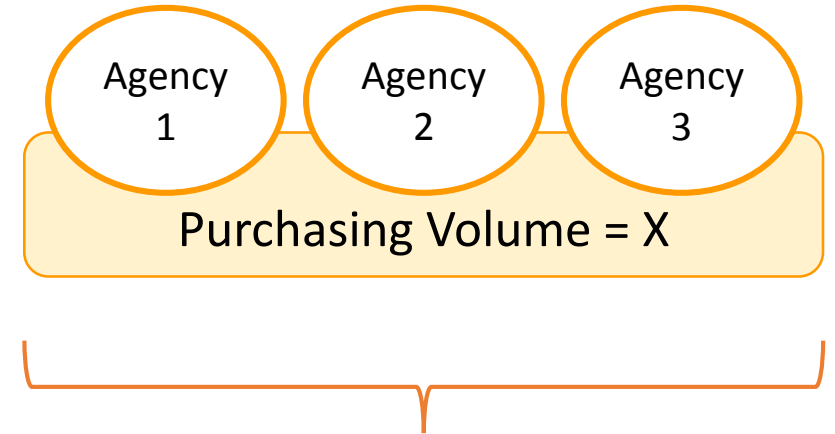




# Cooperative Practices **Joint Solicitation**



- 2+ agencies intentionally initiate
- Commit to use contract
- Known agencies
- Known need
- Known anticipated volume
- Pricing based on known volume



## CONTRACT

Supplier +  
Agency 1 +  
Agency 2 +  
Agency 3

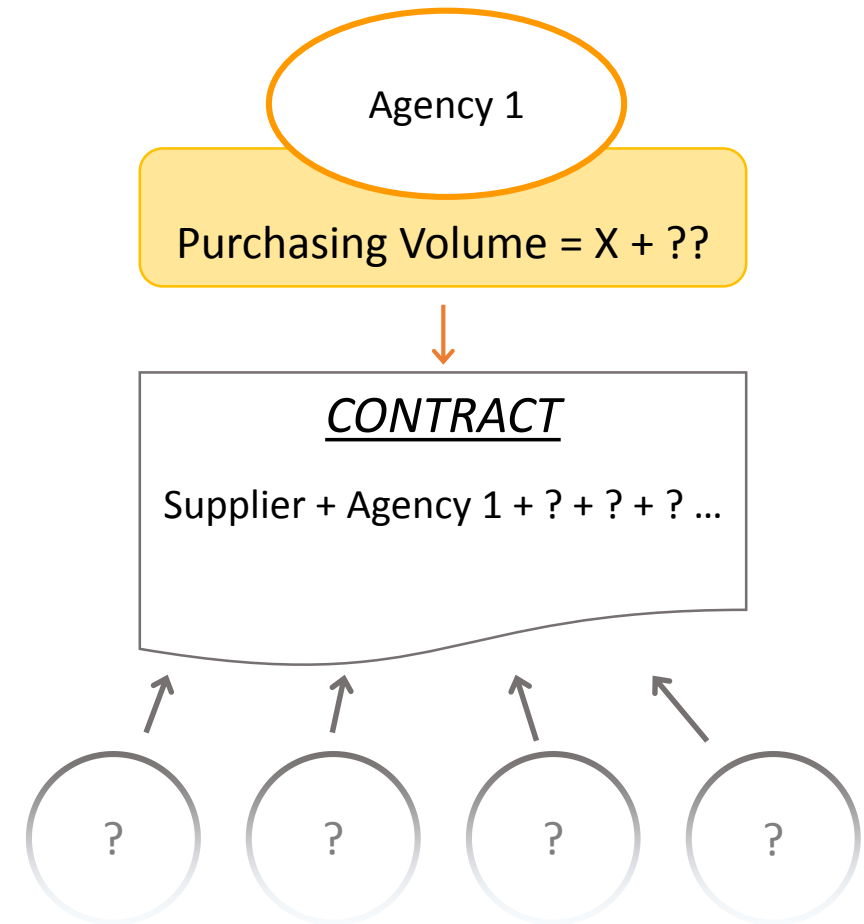




# Cooperative Practices Piggyback



- 1 agency initiates
- Contract language allows others to use
- Unknown agencies
- Unknown max need
- Unknown anticipated volume
- Unknown distribution need
- Pricing based on “unknowns”
- Future contract users
- Intergovernmental agreement
  - May have capacity to amend contract







# Cooperative Organization Models



- IRS definition
- Public Agency Managed
- 3<sup>rd</sup> Party Managed
- MAS





# Cooperative Organizations **per IRS**



*Per IRS §1381 – 1388; Taxable cooperative (not-for-profit)*

- Purpose
  - Provide goods and services to its member-owners
- Ownership
  - Owned by members
  - Ownership evidenced by purchase of stock
- Income Taxes
  - Net income returned as patronage to owners
  - Patronage is a deductible expense
  - Effectively reduces taxable income to zero





# Cooperative Programs **Public Agency Managed**



- Public entity is contracting entity
- Contract language provides piggyback capacity
- Public entity negotiates final T & Cs (though some T&Cs may be amended by user entities)
- Public entity self-manages its contract schedule
  - Promotion
  - Supplier relationship management
  - Customer relationship management
  - Contract administration
  - Audit
    - Contract price = price charged
    - Volume rebates





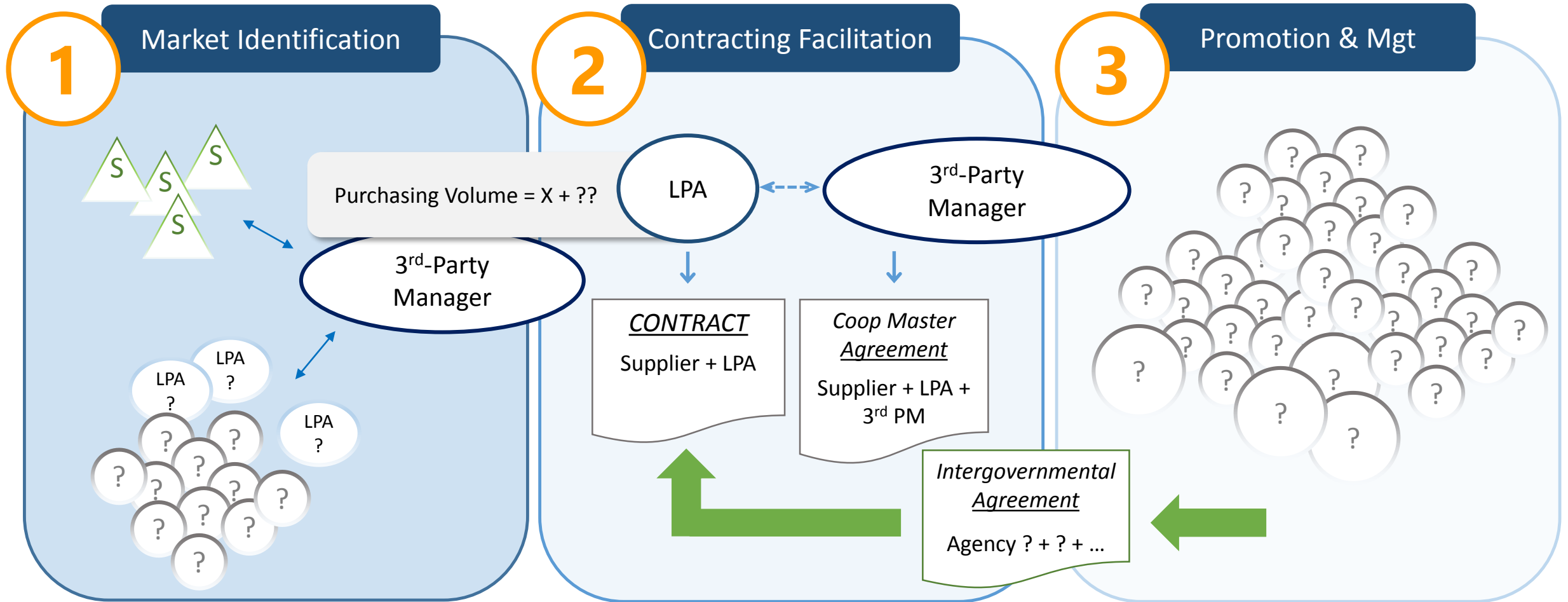
# Cooperative Programs 3<sup>rd</sup> Party Managed



- 3<sup>rd</sup>-party program management
  - Market identification and aggregation
  - Rely on public entity(ies) to establish contract (w/ piggyback capacity)
  - Master agreement between LPAs and coop mgt; Suppliers and coop mgt
- 3<sup>rd</sup>-party manages the contract schedule
  - Contract promotion
  - Supplier relationship management support
  - Customer relationship management support
  - Contract administration rests primarily with contracting and user entity
  - Audit (may or may not)
    - Contract price = price charged
    - Volume rebates (if contracted)
  - Suppliers must also contract with the management company



# Cooperative Programs 3<sup>rd</sup>-Party Managed







# Cooperative Programs MAS



- *Schedule* = Collection of contracts
- Contract awarded to one or more suppliers
- Minimum criteria established and met
- “Favored customer pricing”
- User entities encouraged to further negotiate
- User and/or supplier fee





# Cooperative Program Models



- Self-Managed
- 3<sup>rd</sup> Party Managed



# Cooperative Practices

Piggybacking

Joint Solicitations

Multiple Award Schedules

## Cooperative Program Types

### Public Agency Managed

**Baltimore Regional Cooperative Purchasing**  
**CalMAS & TxMAS**  
**HGACBuy & HGAC Energy (MAS)**  
**Midwest Higher Ed Compact**  
**NJPA** (National Joint Powers Alliance)  
**Ohio DAS**  
**Public Procurement Authority (PPA)**  
**Unified Purchasing Cooperative** (Hamilton County ESC)

### Third-Party Managed

**AEPA** (Association of Educational Purchasing Agencies)  
**National IPA / TCPN**  
**National Purchasing Partners (NPP)**  
**U.S. Communities**  
**NASPO ValuePoint**

### Unincorporated Programs


**KCRPC** (Kansas City Regional Purchasing Coop)  
**S.E. Florida Cooperative**

# Program profiles **Self-Managed**

Program	Program Type	Mgt Org Type	Contracts	Est.	NOTES
E & I Cooperative Services	Self + Lead	Coop (IRS)	110	1934	
BuyBoard (Austin, TX)	Self-Managed	Public Entity	72		MAS
California Multiple Award Schedule (CMAS)	Self-Managed	Public Entity	1,750+		MAS; “Fair & best pricing”; Min. supplier qual’s
Charlotte Coop Purchasing Alliance	Self-Managed	Public Entity	52	2012	
Choice Partners (Harris County, TX - Dept of Education)	Self-Managed	Public Entity	600	1960s	
GSA	Self-Managed	Public Entity	1,300+	1941	MAS; “Fair & best pricing”
HGACBuy	Self-Managed	Public Entity	53	2001	MAS
MA Higher Ed Consortium (MHEC)	Self-Managed	Public Entity	55		Technology
MiDEALS	Self-Managed	Public Entity	200+		
Midwest Higher Ed Compact (MHEC)	Self-Managed	Public Entity	15		
Mohave AZ Coop Purch (ESC)	Self-Managed	Public Entity	187		
NJPA (ESC)	Self-Managed	Public Entity	175+	1978 / 1995	



# Program profiles 3<sup>rd</sup> Party Managed



Program	Program Type	Mgt Org Type	Contracts	Est.	Notes
AEPA	Lead Agency	3rd Party	31	2000	
NASPO ValuePoint	Lead Agency	3rd Party	67	1993	
National IPA / TCPN	Lead Agency	3rd Party	106	2008 / 2015	
National Purchasing Partners (NPP)	Lead Agency	3rd Party	29	2000	Public Purchasing Authority (OR) designated LPA; formed 2013
U.S. Communities	Lead Agency	3rd Party	36	1996	







# Fee models



- **Volume-based administrative fee**
  - 0.5-3%
  - Supplier pays to program manager
  - Included in supplier pricing
- **Contract user fee**
  - Flat fee for program membership
  - Flat fee per transaction (could be a fee schedule based on order value)
- **Combination**
  - Lower administration fee + per transaction fee





# How to Evaluate **Step 1**



## Know Thyself

Agency requirements

Procurement strategy /  
Best approach

Legal authority





# How to Evaluate **Step 2**



## Scan Options

Recognize program type

Sector-specific programs

User fees / accessibility

Program transparency





# How to Evaluate **Step 3**



## *It's the **CONTRACT!***

*Who did it?*

Development process

Solicitation process

Evaluation / Award process

Post-Award





# How to Evaluate **Step 3**



## *Pre-Solicitation*

Stakeholders

Scope / Needs Definition

Market Scan

Solicitation development







# How to Evaluate **Step 3**



## *Solicitation*

Appropriately communicated

Competitive process

Single or multiple award





# How to Evaluate **Step 3**



## *Award*

Submittal evaluation

Who awards

All documents available





# How to Evaluate **Step 3**



## *Post-Award*

Clearly defined responsibilities for...

Contract management

Supplier management

Customer service issues





# How to Evaluate **Step 4**



## *Confirmation*

Processes meet user agency requirements

Accommodation for amendment?

Dispute resolution

Supplier capacity to support locally

Pricing, terms, rebates





# ***DISCUSSION / Q & A***







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