

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: August 15, 2011
POSITION: Oppose
SPONSOR: B. Wieckowski

BILL NUMBER: AB 450
AUTHOR: R. Wieckowski

BILL SUMMARY: State University: Audits

This bill would require the Trustees of the California State University (CSU) to ensure the following: (1) policies and procedures for the acquisition of food service require service contractors to disclose all discounts, rebates, allowances and incentives received from a supplier; (2) agreements with food service contractors require payment to the CSU of an amount equal to any discount, rebate, allowance or incentive received by the contractor from its suppliers; and (3) all resulting discounts, rebates, allowances, or incentives paid to the CSU are subject to the CSU's current audit requirements.

FISCAL SUMMARY

This bill could create General Fund costs of an unknown, but significant amount, to revise or amend renewed contracts with vendors to allow for reimbursement of rebates, discounts, allowances or other supplier incentives. Further, this bill could create increased General Fund cost pressures to backfill for increased contract costs from vendors now required to account for rebates, maintain appropriate documentation for CSU oversight, and to credit universities for rebates, discounts, allowances, or other supplier incentives received by the contractor.

COMMENTS

The Department of Finance (Finance) is opposed to this bill for the following reasons:

- This bill is unnecessary since current law requires the CSU to use competitive bidding for the acquisition of services, facilities, materials, goods, supplies, or equipment. Thus, food service contractors have sufficient incentive to pass savings from rebates, discounts, allowances, or other supplier incentives to the CSU or risk another contractor providing a better value to the university.
• While the intent of this bill is to reduce costs for the CSU to provide food service, this bill could inadvertently increase costs by requiring food service contractors to report specified information to the CSU. Given recent reductions in General Fund support to the university, it would be imprudent to increase administrative costs.

Education Code section 89036 authorizes the CSU to enter into contract agreements with eligible public and private entities for the acquisition of facilities, materials, goods and services, including, but not limited to, food services. Further, current law requires the CSU to competitively bid contracts in order to obtain the best value for the CSU. It is our understanding that the intent of this bill is to create additional revenue and/or cost savings when the CSU contracts for food services. According to the Service Employees International Union, seven of the 23 CSU campuses contract with private entities for food services. Finance is currently unaware of any instances in which any individual campus has purportedly received less than the best value when contracting for these services.

Analyst/Principal Date Program Budget Manager Date
(0341) S. Swan Nick Schweizer

Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)

AUTHOR

AMENDMENT DATE

BILL NUMBER

R. Wieckowski

August 15, 2011

AB 450

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	
6610/CSU	SO	No		-----	See Fiscal Summary	-----			0001