Wisconsin Department of administration

Division of Enterprise operations

DOA-3821I

(R 07/2023)

**Cost Benefit Analysis Financial Information-Instructions**

A complete Cost Benefit Analysis (CBA) requires a Justification of Need and CBA Project Summary form (DOA–3821a) and Financial Information form (DOA-3821b). The following instructions pertain to the Financial Information form (DOA–3821b). Completed forms must be simultaneously submitted to the State Bureau of Procurement at DOAcba@wisconsin.gov. Financial Information form DOA-3821b will be submitted in Excel. The State Procurement Manual, PRO-205, Cost Benefit Analysis (CBA), Continued Appropriateness and Justification of Need for Services provides for additional guidance.

**General Instructions:**

• **Do not alter formulas** imbedded into the spreadsheet except where noted in the instructions that apply to a particular “line”.

• Do not alter any information in blue.

• Completing the CBA process will require you to consult with your human resource personnel, budget or fiscal staff and purchasing staff.

**Agency Information**

Each yellow box will expand as you type.

1. Department: Enter full department name

2. Date: Enter date the CBA is completed

3. Agency tracking number: This number is assigned by the agency completing a CBA. Please assign a unique number which is the same number provided on the Project Summary form DOA-3821a

4. Contact: This is the person who completed the CBA

5. Fiscal Year: Enter the fiscal year for the CBA in which it will be effective

6. Phone number: This is the direct telephone number of the Contact

7. Project/Program Title: This is the concise working title of the reason for the CBA

**Part One – State Employee Costs**

**Line 1. Part A**: This section identifies all permanent state staff needed to carry out the function requested in the CBA, amount of pay, number of staff needed, and the annual hours needed for each staff person.

Under “Job Classifications from DPM- Permanent Positions”, identify the individual classifications needed. See your human resource personnel for further assistance. For UW campuses that are not using DOA, Division of Personnel Management classifications, work with campus HR authorities.

Under “Hourly Pay”, calculate the classification’s pay based on these two factors; 1) For broad banded classifications, pay should be the mid-point between the minimum and the appropriate appointment maximum for the class used or; 2) For non- broad banded positions, the minimum of the pay range should be used. See your human resource personnel for further assistance. If an Hourly Pay rate is different from these two factors, explain the rationale for the rate in the assumptions.

Under “Number of Staff Needed”, identify by head count, the number of each classification requested.

Under “Annual Hours”, enter the number of hours each staff will be needed.

If your project/contract is for more than one year, enter amounts in years 2 – 5 as appropriate. If there is a planned increase in pay for each classification, you must document your calculations for years 2 – 5 in the assumptions box. Sub-totals will automatically be calculated according to pre-determined formulas contained in the spreadsheet.

**Line 1 Part B**. The following section pertains to Limited Term Employee (LTE) positions.

Under “Job Classifications from DPM- Limited Term Employee Positions” identify the individual classifications needed. See your human resource personnel for further assistance. For UW campuses that are not using DOA, Division of Personnel Management classifications, work with campus HR authorities.

Under “Hourly Pay” base your pay on the classifications you identify. See your human resource personnel for further assistance.

Under “Number of Staff Needed”, identify by head count, the number of each LTE classification requested.

Under “Annual Hours”, enter the number of hours each LTE staff will be needed.

The “Sub-Total State Employee Wage and Salary Costs for Line 1 Part B, Limited Term Employee will automatically sum both permanent and LTE factors as you described them.

If your project/contract is for more than one year, enter amounts in years 2 – 5 as appropriate. If there is a planned increase in pay for each classification, you must document your calculations for years 2 – 5 in the assumption box. Sub-totals will automatically be calculated according to pre-determined formulas.

Assumption Box: Concisely document, in layperson’s terms, any assumptions made in this section to clarify how classifications were selected, how pay and hours were selected and any unique circumstances that may be associated with this section.

**Line 1 Part C**: The Leave Adjustment Factor accounts for benefits that a state employee earns but does not use. A standard 15% was calculated by DPM based on its survey of state agencies. If you use the standard 15%, totals will automatically be calculated based on the information entered under Line 1 Part A. This section will fill-in based on the information you entered within Line 1 Part A. No rationale will be needed in the assumption box. If you completed your own study and have a different percentage for the Leave Adjustment Factor, enter the information and explain your rationale in the assumption box at line 72.

**Line 2**. Fringe is calculated at appropriate percentage of wages included in Line 1 Part A and Line 1 Part B.

You must obtain the fringe benefit rate for permanent and LTE employees and fill the percentages in the respective cells under Total Year 1 - 5. Each biennium, the State Budget Office publishes fringe benefit rates for each agency. For assistance obtaining these figures, contact your budget office for the appropriate rate.

Total Fringe Benefits Costs for Line 2 will automatically calculate for you based on the fringe benefit percentages entered on the previous spreadsheet cells.

**Line 3**. Annual State Employee Administrative Overhead Costs. These are costs not directly related to the operation of a specific program but necessary to support the functioning of the program. These include, but are not limited to: information technology desktop support, insurance and other risk premiums, space, agency overhead charges, FTE-based assessment amounts, phones, training, general supplies and other costs as appropriate (please explain). Standard overhead estimates, developed by agencies for budgeting purposes, may be used for this section. Contact your agency budget office for the appropriate amounts. Enter amounts on a per employee basis.

You do not have to include costs that will be the same for a contractor as a state employee, i.e. the contractor will sit in a state-owned space and will be provided space, telephone and computer. If state space will be furnished to a contractor, the cost of renting or leasing this space should be the same whether state employee or contractor’s personnel occupy it. Consequently, state-furnished space is treated as a common cost and does not need to be included in the analysis on the state or contractor-sides.

There are several considerations to be addressed in computing space cost if state space will not be furnished to a contractor. If the facility is currently state-owned or leased, it is only necessary to ascertain the actual cost of the rent, or the state assigned rate for the facility (typically available on a cost per square foot rate basis). In the latter circumstance it is necessary to compute the total cost by multiplying the square footage by the rate.

“Total Individual Overhead Costs” are automatically calculated based on your entries.

“Total number of employees needed from Line 1 assumptions above”: Enter the total number of staff needed for years 1 – 5 included in Line 1 Part A and Line 1 Part B.

Assumption box: Document any assumptions made in this section to clarify how overhead costs were calculated and any unique circumstances that may be associated with this section.

**Line 4.** Other Operating Costs. Operation or production costs that are related to a program and are not already included in administrative overhead must be identified in this section. These include significant new program costs such as equipment, vehicles, building costs and other costs that would be associated with bringing the service in-house or continuing to perform the service in-house.

Equipment lease or rental costs that would not continue in the event of contract performance or would constitute a new cost over $5,000, should be included in Line 4. This could include all vehicles, machinery, tools, raw materials, subassemblies and components, and office furniture. If state equipment will be furnished to a contractor, the lease or rental fees are a common cost and do not need to be included in the analysis.

Depending on the type of program and the accounting standards used by the agency, equipment costs may be shown as a one-time cost in the first year or may be amortized over the asset life. For example, a copier costing $10,000 and an asset life of five years would show annual costs of $2,000 per year. The supporting documentation should clearly outline major equipment acquisitions and the accounting method used to attribute those costs to the length of the contract.

Assumption box: Please document any assumptions made in this section to clarify how operating costs were selected and describe any unique circumstances that may be associated with this section.

**Line 5** is the Total State Employee Costs: This is automatically calculated based on lines 1 through 4 and is included on the summary page at the end of this document.

**Part Two – Contracting Costs**

**Line 6.** Contract Price: If the exact positions and pay per position are known, enter those figures using the same methodology described for Line 1, Part A (Permanent state employee costs). If the exact positions and hourly pay are not known but a total contract cost is known, enter that total. You may use a total contract payment as one line item if there is an historical reference (such as a previous solicitation) or you can estimate the cost of the contract (due to the amount budgeted). The basis for the proposed amount will be documented (example: how were contractor labor rates or unit costs derived) in the assumptions.

Under “Year 1”, the totals will be automatically calculated for you. If your project/contract is for more than one year, enter amounts in years 2 – 5 as appropriate. If there is a planned increase in pay for each classification, you must document your calculations for years 2 – 5 in the assumption box. Sub-totals will automatically be calculated according to pre-determined formulas contained in the spreadsheet.

If the number of positions requested or annual hours are different from Line 1, you must explain the variances using the assumptions box.

Assumption Box: Document assumptions such as how classifications were selected, how pay and hours were selected or total contract costs were estimated, and any unique circumstances associated with this section.

**Line 7.** Contract Monitoring and Contract Creation Costs. This includes the cost of contract monitoring, creation and administration, that is, the costs for all activities that take place from the time a decision is made to contract out until the contract is fully executed and final payment is made. These costs include but are not limited to program staff time involved in developing business requirements, specifications, evaluating proposals; contract negotiations; processing of amendments and change orders; dispute resolution; processing contractor invoices; and contract monitoring and evaluation. This would also include the salary, fringe benefits, and services and supplies needed for the contract administrator.

Indicate the Job Classifications, hourly pay, number of staff requested and annual hours. The amounts for each year are not automatically calculated in this section, therefore, you must enter the amounts for each year. Contact your budget office for benefit and overhead amounts to include with the staffing costs associated with developing, negotiating and administrating the vendor contract.

Assumption Box: Document any assumptions made in this section to clarify how classifications were selected, how pay and hours were selected and any unique circumstances that may be associated with this section.

**Line 8.** Contractor Administrative Overhead Costs. These are costs not directly related to the operation of a specific program but necessary to support the functioning of the program. These include but are not limited to: information technology desktop support, space, phones, general supplies and other costs as appropriate (please explain). Contact your agency budget office for the appropriate amounts. Enter amounts on a per contractor basis.

“Total Contractor Overhead Costs” are automatically calculated based on your entries.

“Total Number of Contractors Needed from Line 6”: Enter the total number of contractors needed for years 1 – 5 included in Line 6.

Assumption box: Document any assumptions made in this section to clarify how overhead costs were calculated and any unique circumstances that may be associated with this section.

**Line 9.** One-time Conversion and Implementation Costs. One-time conversion costs are incurred when converting a service from state employees to contracting out. Examples of one-time conversion costs include personnel-related costs, material-related costs, and other costs. Personnel costs relate to those costs that an agency will incur as a result of transitioning from current classified employees to the use of contractual services.

Costs to be considered include potential unemployment obligations. Payouts for sick and annual leave are not included, as these are financial obligations that exist for the agency whether or not employees are displaced, or contractual services utilized. Material-related costs are those associated with the preparation and transfer of government property or equipment to be made available to a contractor for use in providing a target service.

If these items are sold rather than supplied to the contractor, they may be considered benefits or gains, in which case these benefits should be deducted from these costs.

The other costs are those that may be specific to the project, such as, training of the staff or penalty fees associated with terminating leases or rental agreements. When substantial one-time conversion costs are involved, these costs should be amortized over the length of the contract. The front-end-loading of substantial one-time conversion costs into one year can skew cost comparisons between state employees and contracting out in favor of the state employees.

Implementation costs are those charged by the contractor to start providing the services. These costs are typically in addition to conversion costs.

Note: Conversion costs related to bring a service in-house (from contract to a state employee) may also be included in "Line 4, Other Operating Costs” section for Part One: State Employee Costs, since any new service would have costs associated with starting up as well.

Assumption Box: Document any assumptions made in this section to clarify how conversion and/or implementation costs were calculated and describe any anomalies that may be associated with this section.

**Line 10.** Total of All Contracting Costs. This line automatically sums lines 6 through 9 in Part Two and is included on the summary page.

**Part Three – Cost Benefit Analysis Summary**

This page automatically summarizes from the data entered on previous pages. You should review this page and ensure that information accurately imported from your earlier entries. Do not change anything on this page.