



March 3, 2025

Chancellor's Directive on Best Practices for Use of Cooperative Purchasing

A. POLICY

Pursuant to Section V. H of the University System of Maryland Procurement Policies and Procedures,

“Institutions of the University System of Maryland may use contracts established by other Organizations, Agencies or Institutions provided that the contract was awarded after a procurement process (including Sole Source or Negotiated Procurement), and provided that the terms of the applicable contract does not prohibit use by the University System of Maryland.

Examples of Organizations, Institutions, or Agencies whose contracts are acceptable for use include, but are not limited to, other States Agencies or Instrumentalities, The Federal Government and its Instrumentalities, The University of Maryland Medical System, other higher education institutions, US Communities, Educational and Institution Cooperative (E & I Coop), Internet2, the Maryland Hospital Association and entities certified by the Board of Regents as High Impact Economic Development Activities. The Maryland Educational Enterprise Consortium (MEEC) is a consortium sponsored by the University System of Maryland and is available to all members including USM Institutions.”

This guidance does not apply to MEEC/USM contracts.

B. PURPOSE

The purpose of this directive is to establish comprehensive guidelines on cooperative purchasing across the University System of Maryland. Recognizing the importance of strategic sourcing, this directive aims to enhance collaboration between various institutions and entities, promoting efficiency, cost savings and resource sharing.

Cooperative purchasing allows our institutions to leverage collective buying power, thereby maximizing our budgetary allocations and ensuring we obtain quality goods and services at competitive prices. This directive will serve as a framework to ensure cooperative purchasing initiatives align with our institutional goals, compliance of USM Procurement Policies and Procedures and best practices.

By fostering partnerships with other organizations and encouraging inter-institutional cooperation, we can streamline procurement processes, reduce redundancy, and enhance overall operational effectiveness.

C. DEFINITIONS

1. **ADMINISTRATIVE EFFICIENCY**- The capacity of an organization or institution to produce desired results with a minimum expenditure of energy, time, money, personnel, materiel, etc.
2. **INSTITUTION** - A university, college, center, or other component of the University System of Maryland.
3. **PIGGYBACKING**- The practice where a University System of Maryland (USM) institution utilizes a contract established by another entity due to its favorable terms. By piggybacking, the institution extends the pricing and terms of the contract entered into by the other entity.

D. PROCEDURE FOR UTILIZING/PIGGYBACKING COOPERATIVE CONTRACT

1. **This directive applies to procurements valued at \$200,000 or more** although institutions may apply this directive to the use of all cooperative purchases.
2. A Procurement Officer's Written Determination (POWD) (See Exhibit A as a sample), or a comparable document, must be completed and must include:
 - a. Documentation that the cooperative contract will:
 - i. Ensure price reasonableness
 - ii provide benefits to USM institution; or
 - ii. promote administrative efficiencies, or promote intergovernmental cooperation; and
 - b. A statement how the cooperative contract is:
 - i. in the best interest of the USM institution.
3. Institutions are expected to complete Price Analysis/Cost Analysis (See Exhibit B as a Sample) and should include requirements detailed in Section E below.
4. Even under circumstances of institution piggybacking a contract through a

cooperative contract, the institution must still consider: (1) if the purchase can be designated as a Small Business Reserve (SBR); and (2) if there are subcontracting opportunities for Maryland certified Minority Business Enterprises (MBEs) and/or Veteran-owned Small Business Enterprise (VSBEs). Consistent with BPW Advisory 2001-1.

E. DETERMINING PRICE REASONABLENESS- PRICE ANALYSIS/COST ANALYSIS

This directive provides USM institutions with a uniform approach to analyzing, documenting and determining fair and reasonable contract prices.

“Fair and reasonable”, while used in Maryland Procurement regulations and the Federal Acquisition Regulations, it is not defined.

Pursuant to the [Maryland Board of Public Works Advisory 2016-1](#):

“A proposed price is fair and reasonable if a prudent buyer would be willing to pay a prudent seller that price based on the current market.”¹

1. **PRICE ANALYSIS:** The Price Analysis method looks at the whole price; it does not examine the individual cost and profit components. Here are some Price Analysis methods that may be used to evaluate whether a proposed price is fair and reasonable:
 - a. Price competition. Two or more acceptable bids are/were received.
 - b. GSA Schedule. Proposed price is comparable to price on federal General Services Administration contracts.
 - c. Current catalog or established price list. Proposed price is comparable to established price list (for example, a catalog) that bidder published within one year of proposed price.
 - d. Market price. Proposed price is comparable to verifiable market price.
 - e. Historical price. Proposed price is comparable to price institution has paid historically, taking into consideration appropriate inflationary factors, ie: Consumer Price Index (CPI)/Producer Price Index (PPI), etc. as well as additional/ancillary agency requirements (for example, new insurance requirements).
 - f. Price based on prior competition. Proposed price is comparable to price that resulted from a prior competitive procurement that received more than one bid, taking into consideration appropriate inflationary

¹ “A price is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of a competitive business.” 48 CFR 31.201-3 [Federal Acquisition Regulations].

factors, ie: Consumer Price Index (CPI)/Producer Price Index (PPI), etc. as well as additional/ancillary agency requirements (for example, new insurance requirements).

- g. Pre-bid estimate. Proposed price is comparable to estimate prepared for agency before bids submitted.
- h. Comparable item. Proposed price is comparable to another commercial item but has added features as long as the vendor validates the cost of the added features.
- i. Sale of same item to other purchasers. Proposed price is comparable to the price at which the vendor has sold the same item/service to another purchaser, when the other purchaser's price is verified.
- j. Other reasonable basis. Proposed price may be determined fair and reasonable when an institution articulates a rationale appropriate to the circumstances.

- 2. **COST ANALYSIS:** The Cost Analysis method examines individual cost elements that compose the total proposed price. Individual cost elements include labor rates, material costs, overhead, indirect rates, general and administrative expenses, and profits or fees.

A Cost Analysis is typically done only when a Price Analysis is not practicable. The Cost Analysis may then be compared with pricing data obtained from other reliable sources.

F. RECORDS

The procurement file in which cooperative purchasing was conducted should consist of the following:

- i. Copy of cooperative agreement with language detailing contract was awarded through a competitive process or a link to the solicitation/contract documents (if applicable)
- ii. Proposal/quote referencing cooperative agreement
- iii. Procurement Officer's Written Determination (See Exhibit A sample) or comparable document
- iv. Price Analysis (See Exhibit B sample)
- v. Certificate of Insurance (if applicable)
- vi. Performance and/or payment bonds (if applicable)
- viii. Board of Public Works approval (if applicable)

If contract/purchase requires Board of Public Works approval, adherence to the Maryland Board of Public Works ([BPW\) Advisory 2016-1](#) is required.

Exhibit A- Procurement Officer Written Determination- Cost/Price Analysis Template

Exhibit B- Cost/Price Analysis Tool/Spreadsheet