

# GSA Steps

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## "Heads Up" on GSA Initiatives

The GSA Federal Supply Service wants you to know as much as possible about the numerous exciting new initiatives that are happening at GSA. The Office of Contract Management is the author and publisher of "GSA Steps" for that purpose. We hope that the information contained will provide answers to your questions and give you a clearer understanding of what is happening in the Federal Supply Service.

*You are our industry partners. Success is our plan... only you can make it a reality!■*

## Industrial Funding Fee (IFF) Reduction

If you hold any Multiple Award Schedule (MAS) contract awarded by any part of the Federal Supply Service (FSS), your contract contains a user fee called the "Industrial Funding Fee" (IFF) of 1%. This IFF is built into your contract prices. Although it is invisible to your customers, you collect this money from customer agencies, report total sales to the Office of Contract Management on a quarterly basis and send FSS the IFF quarterly.

The IFF covers FSS's costs of operating the MAS program. The fee has not been changed since 1995. Now, however, FSS has good news for its customers. It is reducing the fee from the current 1% rate to a new rate of 0.75%.

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This reduction reflects both the solid growth of the Schedules program, and sound financial management by the Federal Supply Service. Since FSS can cover its cost at a lower fee, it wants to ensure that the Federal Government benefits.

GSA's plan is for the new fee to be effective January 1, 2004.

Here is what will happen to enable FSS to reduce the fee:

First, FSS will take the opportunity to update, simplify and clarify the IFF clause. Outdated procedures will be eliminated, and requirements and expectations will be stated more simply. All interested parties will have the opportunity to comment on the rule. The rule was posted in the Federal Register on March 18, 2003, remains open for 30 days and will close for comments on April 17, 2003.

After the rule is finalized, you will get specific procedural information about the contract modification from your ACO. Be on the lookout for this information in late spring, and expect to be asked to sign the modification any time after July 1, 2003.

You will have to reduce all of your prices under contract by 0.25%, without exception. Again, this reduction reflects FSS's lowering of the fee, and will not come off of your bottom line. You will also have to update your catalog pricelists, your GSA Advantage! files, and any Blanket Purchase Agreements (BPAs) you have established. You will also need to update your accounting and reporting systems, so that on and after January 1, 2004, you can collect the new fee.

Contractors unwilling to pass the new lower fee along to Government agencies will have their contracts ended on December 31, 2003; however, FSS does not want to see this happen. Because we recognize that you may incur costs from these changes, the proposed rule will let you continue to collect a fee at the current 1% rate for the months of October, November and December. In January, when you report sales, you will only have to send in the money at the new 0.75% fee rate. As consideration for the change, you get to keep the other 0.25 of 1% (so you may find a competitive advantage if you sharpen those pencils when asked for price reductions that quarter!). This is a great deal for you, and reflects the high value that FSS puts on our relationship.

The rule-making process can be complex and time-consuming. Your Office of Contract Management will keep you informed as the process unfolds. Stay tuned. ■

# Coming to State and Local Government... Use of the GSA Federal Supply Schedule 70 for IT Products and Services

*This article has been developed based on preliminary assumptions and interpretations of the Draft Rule that appeared in the Federal Register, January 23, 2003, (Volume 68, Number 15) entitled General Services Administration Acquisition Regulation; Federal Supply Service Contract – Acquisition of Information Technology by State and Local Governments Through Federal Supply Schedules.*

Recently, Congress passed, and the President signed into law, the E-Government Act. This law included authority for State and Local Government to buy under the GSA IT Schedule (Schedule 70) Special Item Numbers (SINs). Before the law can take effect, several things have to happen. The law did not cover other supplies or services.

First, an implementation regulation must be developed. GSA is currently going through the rule-making process. A draft rule was issued on January 23, 2003. Two public hearings were held on February 4 and March 10, 2003.

If you are a contractor for IT SINs, you will be hearing from us soon. You will be getting information about how to expand your contract, if you like, so that you can sell to State and Local Governments. This is a voluntary program. You are allowed to say no. Even if you agree in concept, and add the authority to your contract, you can still say no on an order-by-order basis, by declining and returning the State or Local Government order within five (5) days of receipt.

Here is how it will happen. You will get an e-mail from your ACO inviting you to modify your contract. The e-mail will contain specific procedural information about how the modification process will work and the steps you will need to take. The modification is more than just adding a new group of authorized users.

Instead, it will change several terms and conditions of your contract. You may find some of the changes to be minor and may see others as significant. For example, your rights under the disputes clause will be different,

and the Federal Government will not be liable for the State or Local Government's performance or non-performance under the contract. GSA stresses that it is very important for you to read all the changes carefully, and fully consider them before making your decision.

Here are some of the things you should think about, in making your decision:

This change expands the list of entities you may sell to. You are not required to agree, and GSA will not enter into negotiations on this issue. Instead, you should make a business decision on the merits of the change.

The goal of the new rule is to make Government (at all levels) more efficient by reducing duplication of effort. Eligible users would include all 50 states, 3,139 counties, 19,365 incorporated municipalities, 30,386 minor subdivisions, 3,200 public housing authorities, 14,178 school districts, 1,625 public educational institutions of higher learning and 550 Indian Tribal Governments. Many of them will have state or local laws that would currently prevent them from using the Schedules program. Others may be interested in using it right away. You may find it efficient and effective to focus more of your business through a common contract instrument. Or, your organizational structure may not make that an attractive option. As of this writing, there are 3,830 contracts on the IT Schedule, 68% of which are small businesses.

GSA will be offering a training plan to help State and Local Governments learn to use the Schedules program effectively. GSA will monitor and track how much cooperative purchasing is used. ■



## Now It's Your Turn to Speak Up

We want to know what you think about how your GSA Federal Supply Service contracts are working, so the Office of Contract Management, FSS, is conducting a Contractor Satisfaction Survey of contractors in the Office of Transportation and Property Management, the Office of Acquisition, the Office of Supply, and Fleet Management. This initiative is intended to gauge the satisfaction of our contractors and business partners on how we do business. To that end, we have hired the CFI Group of Ann Arbor, Michigan. They will use the American Consumer Satisfaction Index (ACSI) methodology and each survey will take approximately 10 minutes to complete.

Some of the surveys will be conducted via e-mail links, while others will be performed telephonically. E-mail notifications have already gone out to approximately 12,000 MAS contractors announcing that the survey is coming. CFI began conducting the survey around March 15, 2003, and if all goes according to schedule, results will be available in May. We hope that you will take the time to express your views. Your viewpoint is important to us! ■

## Does Anyone Know What Contract Rationalization Is?

GSA recently announced its intention to improve the procurement process by combining and realigning certain functions currently carried out by the GSA Federal Supply Service (FSS) and the GSA Federal Technology Service (FTS). That's what we mean by Contract Rationalization. These changes will enable GSA to efficiently meet the rapidly growing needs of its customer agencies needing assistance in the procurement of Information Technology (IT) products, services and professional services.

GSA will continue to use Government-Wide Acquisition Contracts (GWACs) and Multiple Award Schedule (MAS) contracts to provide customer agencies the procurement help they need. Development and maintenance of GSA's GWACs was transferred to FSS to ensure appropriate coordination and avoid duplication for industry. At the same time, FTS will have responsibility and be the primary point of contact for Customer Account

Planning and Sales for IT and professional services. This action reflects a growing need by customers for GSA's expert assistance in procurement of IT and certain professional services.

A GSA Contract Vehicle Review Board was formed in January 2003 to provide oversight of GSA's contract development and maintenance functions. This board has begun reviewing GSA's IT contracting vehicles to assess their continued value and effectiveness and determine the need for modifications or replacements. In carrying out this function, the board issued a survey on March 4, 2003, to all IT contractors (Schedule or GWAC), interested customers, stakeholders and other interested parties. The survey was designed to validate the decision-making factors the board will utilize. The board anticipates completion of the IT contract review process by Summer 2003.

Now, do you know what contract rationalization is? ■

Comments and Questions:

Please forward consolidated comments and questions from your office to Marydel Kemp, (marydel.kemp@gsa.gov) no later than April 30, 2003.