



Amazon's Next Frontier: Your City's Purchasing

Amazon is changing the rules for how local governments buy goods — and putting cities, counties, and school districts at risk.

By Olivia LaVecchia and Stacy Mitchell
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The authors would like to thank everyone interviewed for this report for their time and insights.

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Executive Summary

Amazon's been the subject of a lot of headlines lately. But while the company's growing power in the consumer market has drawn scrutiny, Amazon's move to capture another large stream of spending – the public sector's – has gone largely unnoticed. Last year, Amazon quietly secured a national contract to provide cities, counties, and schools with office and classroom supplies, library books, electronics, and more. The contract was awarded by U.S. Communities, an organization that negotiates joint purchasing agreements for its members, many of which are local governments. It's received virtually no media coverage, and yet it opens the way for billions of dollars in public spending to shift to Amazon.

As this report details, key aspects of both this contract and Amazon's push into public purchasing should alarm citizens and elected officials. To begin with, the terms of Amazon's contract with U.S. Communities depart in striking ways from established norms in public procurement, favoring Amazon at the expense of the public. The contract lacks standard safeguards to protect public dollars, and puts cities, counties, and schools at risk of spending more and getting less.

Amazon is leveraging its growing relationship with local governments to induce more businesses to join its Marketplace, thus fortifying its position as the dominant platform for online commerce.

The contract also poses a broader threat. Amazon is using the contract to position itself as the gatekeeper between local businesses and local governments. As it does so, it's undermining competition and fortifying its position as the dominant platform for online commerce.

In a written statement, Amazon notes that it won the contract through a process "subject to full and open competition." Yet, our analysis, which is based on a review

of the contract documents, including materials and emails obtained by public information request, finds that the request for proposals was written in a way that favored Amazon and precluded competing offers. Among those shut out were independent office supply companies, such as Guernsey. This Virginia-based company employs more than 200 people and is part of a national cooperative of independent dealers that put together the winning offer for the last U.S. Communities office supply contract, in 2010. "We looked at [the request for proposals] and said, there's just no place for us," says David Guernsey, the company's founder.

As Amazon markets its contract with U.S. Communities, it's telling public officials that they can continue to buy from these local suppliers, because these businesses can become third-party sellers on Amazon's platform. In other words, Amazon is leveraging its growing relationship with local governments to induce more businesses to join its Marketplace.

For businesses that do so, however, the costs are steep: Amazon takes a 15 percent cut of their revenue and sets the terms by which they're allowed to operate on the platform, all while competing against them. Meanwhile, as cities shift their spending away from local office supply companies, or from chains that have local locations, and to Amazon, they're contributing to the erosion of their own tax base. While Amazon lacks a physical location in many of the places where it does business, locally headquartered companies employ dozens of people, and pay the property, sales, and income taxes on which cities, counties, and school districts depend.

Already, more than 1,500 jurisdictions have adopted the contract, and more are deciding whether to sign on. But as we'll show, other cities have rejected Amazon's deal. The evidence in this report suggests they're smart to do so. Specifically, we find:

- **The Request for Proposals, or RFP, for the U.S. Communities contract was written in a way that favored Amazon and hobbled a truly competitive bidding process.**

A core tenet of government procurement is to write an RFP in such a way that it attracts multiple competitive offers. In the case of this RFP, our analysis suggests that it was tailor-made to favor a single company, Amazon. Only five companies were able to put together offers deemed

even minimally responsive to the RFP's requirements. Of these, four received very low scores in the evaluation process, ranging from 2.5 to 36.7 points, out of 100. The final offer, from Amazon, won 91.3 points.

- **Amazon's contract with U.S. Communities fails to secure the best price for local governments and lacks pricing protections that are standard in public procurement.**

We found that Amazon won the U.S. Communities contract without having to compete on price, and without providing a volume discount for the \$5.5 billion in sales the contract is expected to generate over 11 years. This is a remarkable departure from standard practice. For routine goods like office supplies, local governments typically develop a list of hundreds of their highest-volume items, and then solicit a contract that calls for a fixed price on those items. This approach enables cities to make apples-to-apples price comparisons of competing proposals.

In contrast, Amazon's contract with U.S. Communities does not guarantee prices for any items. Instead, the contract adopts Amazon's dynamic pricing – the constantly changing prices available on Amazon Business. The company asserts that because Amazon Business is a "marketplace" that hosts multiple sellers, its platform naturally produces the lowest prices. Yet, Amazon's control of the platform and the fees it charges sellers raise doubts about the validity of this assertion.

To evaluate pricing on Amazon Business, we asked OPSsoftware, a firm that tracks office supply pricing across multiple retailers, to run a price comparison. Using the purchasing history of a California school system, OPSsoftware found that the district would have paid 10 to 12 percent more had it purchased the same supplies on Amazon Business, rather than through its established local supplier. Another recent study by the Naval Postgraduate School examined options for federal buyers and similarly found that Amazon Business is not the cheapest option.

- **With this contract, Amazon is positioning itself as the platform through which other companies have to go to reach government buyers.**

As Amazon sells the contract, it's told public officials that they can still shop with their local businesses but just do so through Amazon's platform. Independent businesses

that have a track record of winning government contracts are in turn being pitched to join the Amazon Marketplace by both Amazon and, in some cases, public officials. With this strategy Amazon is following an approach that it's already used with consumer goods: Positioning itself to be not just the retailer selling goods to public agencies, but the platform through which its competitors have to go to reach their buyers. This enables Amazon, through the fees that it charges sellers, to collect a private tax on their sales.

- **The contract's service terms mean slower delivery times for local governments.**

Amazon is often credited with setting new expectations for the speed of orders, but the delivery terms in its contract with U.S. Communities are a step down for cities. That's because office supply dealers established next-day delivery as the norm in their industry several decades ago. When Independent Stationers, a cooperative of independent office products dealers, won the U.S. Communities contract for office supplies in 2010, its terms included free next-day delivery. In contrast, Amazon's contract does not provide guaranteed delivery times, and while contract users can access free two-day shipping through 2018, that benefit is only available on certain items and is set to expire, after which point buyers will need to pay for Business Prime.

- **The contract adopts Amazon's own terms and conditions over local governments' – and does so in a way that compromises public transparency.**

The final contract contains terms and conditions that were largely rewritten by Amazon's legal team. As a stream of emails and red-lined documents shows, Amazon altered provisions governing issues such as payment terms and opportunities for minority subcontractors, and added new sections, including one that provides an umbrella deferral to Amazon's prevailing account terms in the case of inconsistencies.

Amazon's changes also include a section that covers Freedom of Information Act requests for documents related to the contract. The revised terms require that Amazon be informed when a request is made, and they give Amazon the right to intercede and lobby that the information not be disclosed. This change violates the spirit of public information laws, and it goes against the

principle that, when it comes to government spending, citizens should be able to see what's going on.

- **The U.S. Communities contract is one element of Amazon's broader strategy to go after public sector spending.**

Securing the U.S. Communities contract didn't come out of nowhere. Over the last two years, Amazon has made capturing public spending part of its growth strategy. Amazon first signaled the scope of its ambitions in the fall of 2016, when it hired Anne Rung, who held top roles in procurement in the Obama Administration, to lead its government division. In the months since, Amazon has made deep inroads into defense contracting and other federal spending, including with the passage this year of legislation directing the General Services Administration to solicit contracts for "e-commerce portal providers" to supply federal agencies with commercial goods. In positioning itself to win this business, Amazon has made some of the same assertions that it's made at the local level, including that its role as a gatekeeper will be good for its competitors. In a recent interview with Bloomberg, Rung framed the portal law as especially benefitting smaller-sized businesses.

- **Local governments have been doing more off-contract spending with Amazon, a factor that's propelling cities to adopt the U.S. Communities contract.**

Government employees have been increasingly turning to Amazon for the odds and ends they need to do their jobs. Most of this spending has occurred not through formal contracts, but through smaller, impromptu purchases. To better understand the scope of this spending, we gathered data from 60 cities, counties, and school districts about their spending with Amazon in 2016, the year before the U.S. Communities contract was signed. The data reveal wide variation, but, on average, the school districts in our sample spent \$0.93 per capita with Amazon, while cities spent \$0.32 and counties \$0.10, for a total of \$1.35 per person across these three types of jurisdictions. The Denver Public School District topped the list in total spend, spending \$1.6 million with Amazon in 2016.

While it's too early to say how Amazon's share of public spending will grow under the contract, initial indications suggest the effect might be sizable. Take, for example, the

Denver Public School District, which, as a member of the U.S. Communities Advisory Board, commits to utilizing its contracts. The district's spending with Amazon rose to \$2.8 million in 2017, a jump of 77 percent from 2016.

- **Some cities aren't buying Amazon's deal.**

As Amazon pushes into the public sector, some cities are pushing back. Pittsburgh signed on to the contract last year, but the city's controller, Michael Lamb, has since developed doubts about using it. "There are reasons why certain checks are in our system," says Lamb. "One of those is to make sure we're getting the best price, and another is to make sure that we're treating everyone fairly. With Amazon, we just don't know that that's the case."

Some jurisdictions recognize that, while Amazon may at times offer the most convenient option, their policies need to account for the full costs of shifting spending to the company. Virginia Commonwealth University, for example, has this policy for off-contract spending: "While not expressly prohibited, departments that order through Amazon are accountable for compliance with the following requirements and must take into account the negative impact the purchase(s) have on the university." Those impacts reflect the university's interest in securing discounted pricing and supporting competition.

The city of Phoenix offers another example. Phoenix's purchasing records show that the city spent just \$700 with Amazon in 2016. That's in part owing to a policy that prioritizes local businesses for small off-contract purchases. Another reason is that the city's competitively bid contract for office supplies was won by a locally owned company, Wist Office Products. The contract has special features that the city negotiated, like desktop delivery.

As the discussion about Amazon's growing economic and political power has become increasingly loud, that discussion has largely centered around the federal level. Now, as Amazon pushes into public sector purchasing, local governments also have the opportunity to take action. They will face a choice: Whether to use public money to further Amazon's monopoly power, or to take steps to limit their spending with the company and instead cultivate a diverse economy. With this report, we urge cities, counties, and school boards to closely examine both the full costs and the broader stakes as they decide how to respond to Amazon's pursuit of the public sector.



SECTION 1

Amazon's National Contract with U.S. Communities

Empty Amazon boxes on the loading dock at Montgomery Blair High School in Montgomery County, Md.
Credit: Brenda Platt

In the fall of 2016, Gordon Thrall saw a Request for Proposals (RFP) released by Prince William County Public Schools, a nearly-90,000 student school district in Virginia.

Thrall knows the district well. The Virginia-based company where Thrall works, Guernsey, had previously serviced a contract for the district's office products.

When people think of an office products business, they might think of either a big-box chain or a small mom-and-pop store. Out of sight of many consumers, though, is a robust network of independent office products companies that are somewhere in the middle. They're primarily business-to-business operations. Instead of storefronts, they have sales representatives, e-commerce sites, and delivery trucks. These independent dealers are an important economic force, accounting for about 20 to 25 percent of the market for office supplies, according to the National Office Products Alliance.

Guernsey is a good example. David Guernsey started the company in 1971, and today, it has about \$90 million in annual revenue, and Thrall is one of more than 200 people it employs. Along with competitive prices, the company has offered online ordering for nearly 20 years and free next-day delivery for more than 40. There are other service perks, too: When Guernsey delivers an order of printer paper and toner cartridges, it drops off the supplies in every copy room on every floor.

When Gordon Thrall saw the RFP from Prince William County Public Schools, he was also familiar with another name listed on the document: U.S. Communities, an organization that facilitates public agencies joining together in purchasing contracts. Often referred to as “cooperative” purchasing, joint purchasing is an idea that started gaining traction in the 1990s, and in 1996, a group of governmental organizations founded U.S. Communities. Today, its governance is overseen by a group of seven sponsors that includes the National Association of Counties, the National League of Cities, and the National Governors Association. Its operations are managed by a private company, OMNIA Partners.¹

In the case of this RFP, Prince William County Public Schools was functioning as the “lead agency” to solicit the contract on behalf of U.S. Communities, which would then invite its members to sign on to the deal. The purchasing group counts more than 55,000 members, which include public entities of all sizes and types, across all 50 states. The police department in Mesa, Ariz., the school district in Denver, the library in Menomonie, Wisc., the City of Atlanta, Ga., the County of Travis, Texas – all are members of U.S. Communities.

For public entities, the idea is that U.S. Communities, and other national purchasing organizations like it, offer a way for them to pool their purchasing power to get the best price and terms on a contract. The group also gives them access to contracts that meet the requirements for a public solicitation without the time and expense of going through their own bid or proposal process. Those benefits come with some trade-offs though too, like less say in the solicitation

and evaluation of proposals, and less transparency in the administration of the contract. The way Mike Mucha, deputy executive director for the Government Finance Officers Association, puts it, “It comes down to local control versus economies of scale.”

There’s also the potential for local governments to get ripped off. When Office Depot held the U.S. Communities contract for office and classroom supplies in the 2000s, the company came under investigation in six states for alleged overcharges.² Office Depot ultimately refunded state and local governments millions of dollars, including a \$4.5 million settlement in Florida,³ and a \$68.5 million settlement in a related case in California.⁴

“Frankly, it seemed to go against all of the procurement processes that we understood,” Thrall says.

In the aftermath of the Office Depot scandal, Guernsey was part of a cooperative of independent office products dealers across the country that put together the winning offer for the U.S. Communities office supply contract. The group, Independent Stationers, held the contract for five years, but when it ended in the summer of 2015, U.S. Communities didn’t immediately solicit a new contract for office supplies.

A year later, in September 2016, Prince William County Public Schools released a new RFP for a contract to be made available through U.S. Communities. The RFP included office supplies, but it was also much broader: It called for an “online marketplace for the purchases of products and services,” and specified 10 product categories for the marketplace to include: Office supplies, classroom and school supplies, home kitchen and grocery, books, musical instruments, audiovisual and electronic equipment, scientific equipment and lab supplies, clothing, and animal supplies and food. Rounding out the list in the tenth spot was a category for “miscellaneous/other,” for any

other goods purchased by public entities. In the next section of the RFP, under “Pricing Instructions,” offerors were directed to only “provide pricing based on their marketplace model.”

The RFP estimated the value of the contract to be \$500 million annually, with an initial term of five years and the option to renew for three two-year periods. Over a potential 11-year term, in other words, the contract had an estimated value of \$5.5 billion. For U.S. Communities, there is an advantage to putting together such a large contract: The organization receives an administrative fee, charged to suppliers, which it describes as ranging from 1 to 2.5 percent of purchases made by its members.⁵ For this contract, that works out to between \$55 and \$138 million in anticipated fees. U.S. Communities reports that agencies procure \$2.7 billion through all of its contracts annually, which means that this contract comprises a significant share of U.S. Communities’ total volume.⁶

When Thrall, at Guernsey, saw the RFP, he realized right away that it was different from anything he’d seen before. “Frankly, it seemed to go against all of the procurement processes that we understood,” he says. Thrall wasn’t alone. In an addendum to its initial RFP, Prince William County Public Schools released six pages of questions it had received about the RFP from prospective offerors, and provided answers.

The questions show that, for companies used to responding to public sector RFPs, and used to navigating the particular hurdles these RFPs impose to safeguard public dollars, the document they were looking at was something quite different. “Where do I enter our discount or pricing terms?” asked one company. Others echoed this same confusion over the absence of a requirement in the RFP to submit a price list. Another questioner named Amazon directly: “Are you looking for just the platform that can later add all of these commodity categories, or are you looking to award to a company... like Amazon?”

As Thrall and David Guernsey, the founder and CEO of the company, looked at the RFP, they realized that

they wouldn’t be able to put together a responsive offer, and decided not to respond. Suddenly, Guernsey was shut out of business that it would typically compete for and potentially win. “We looked at it and said, there’s just no place for us to play,” David Guernsey says.

What’s more, though, they also started thinking that there was really just one company that could. “It occurred to us right off the bat that there was only one organization that could be a responsive bidder,” says David Guernsey. Thrall is more blunt: “We thought, this is absolutely spec’d to Amazon.”

Four months later, in January 2017, Prince William County Public Schools and U.S. Communities announced the award: Amazon had won the contract. Or, more precisely, Amazon Business, the company’s business-oriented marketplace, had won. Launched in 2015, Amazon Business is similar to Amazon’s consumer-facing platform, but aimed at corporate, government, and institutional buyers.

“This is not a case of Amazon Business simply getting a foot in the public-sector door,” *OPI*, a source of trade news for the office products sector, wrote at the time. “The e-commerce giant has barged the door down.”⁷

Amazon and U.S. Communities both framed the award as a transformative moment for public sector procurement. “We’ve just made it easier for educational and public-sector organizations to get the supplies they need,” the two organizations wrote in a joint release.

A Bad Deal for Local Governments

Our analysis, however, finds significant concerns for citizens and public agencies alike in Amazon’s contract with U.S. Communities. We find evidence to suggest that this RFP was written in such a way that hobbled a truly competitive bidding process; that the contract’s pricing terms fail to secure the best price for local governments; that its service terms mean substandard delivery times; and that the contract

adopts Amazon's own terms and conditions over local governments', and does so in a way that compromises public transparency. In this section, we examine four ways that the contract fails local governments: process, cost, service, and terms and transparency.

An Amazon spokesperson declined to respond to specific questions about the contract, but in a written statement, said that Amazon won the contract through a process "subject to full and open competition." Amazon's statement, which is included in full in the endnotes, reiterates some of the main points that Amazon's made in marketing the contract to local governments, including that the contract provides "best-value pricing for education and public sector organizations," and that it allows government buyers to "purchase directly from the Amazon Business marketplace, which includes small, local and socio-economically diverse businesses."³

U.S. Communities declined our request for an interview, but provided a written response to questions. Asked about the contract's benefit to its members, the organization responded in part: "Value is delivered through lower prices paid, streamlined end-user discovery and buying experience, and an expedited procure to pay solution."⁹

➔ **Process: We find that the U.S. Communities RFP process favored Amazon and precluded competitive bidding.**

Though Amazon's statement emphasizes that the contract was "competitively solicited," Thrall and David Guernsey weren't alone in thinking that the Request for Proposals was written in such a way that very few organizations, and perhaps only one, could respond to it. A review of hundreds of pages of documents and e-mails between the school district, U.S. Communities, and Amazon offers evidence to suggest that they were right.¹⁰

Prince William County Public Schools received 12 responses to its RFP, and of those, seven failed to submit complete materials, and so PWCS deemed just five

responsive. The evaluation scores that show how PWCS and the U.S. Communities Evaluation Committee rated those five offers, however, cast doubt on how many of the companies offered truly responsive proposals – and therefore, whether the RFP was truly competitive.

A core tenet of most government procurement strategies is to design an RFP in such a way that it attracts multiple competitive offers.¹¹ Many local governments structure their bid or RFP process such that if they get fewer than a certain number of responses, they have to call a redo. "It's important that there's really a qualified pool of respondents," says Brent Maas, the director of outreach at a professional association for procurement officials known as NIGP: The Institute for Public Procurement. Otherwise, he says, "It's not truly a competitive process."

"If the RFP said there are 10 categories, and you know going in that Amazon is the only one able to be responsive, then it's not a real RFP," says Mucha of the Government Finance Officers Association.

Of the five responsive offerors to the PWCS-U.S. Communities RFP, one, a tiny business called Scull Studios that primarily provides commercial printing services, was awarded just 2.5 points out of 100. Two – a musical instrument supply company called Peripole and the book supplier Textbook Warehouse – were awarded scores of 15.3 and 15.7. The second-place offeror, a wholesaler of office products called Essendant, was awarded 36.7 points in the final round of scoring. Amazon won 91.3 points.

In a sign of the novelty of this RFP, the second-place finisher hadn't done this before. "Historically Essendant has not been a bidder of record," a vice president at the company wrote to PWCS, in an email exchange obtained via record request. Primarily a wholesaler, Essendant had decided that changes in the office

products sector meant that “the timing is right” for the company to start trying to win public-sector business directly, according to the email exchange. In its offer, Essendant pitched itself as a company that could combine the benefits of both large and small: The supply chain and sales force of Essendant, a Fortune 500 company with 40 distribution centers, \$100 million in recent infrastructure upgrades, and next-day delivery to 98 percent of the U.S.; and, at the same time, the personalized service of 10,000 independent office products companies, who would partner with Essendant on pieces of the contract.

Along with the low scores of the other offerors, a second revealing fact about their offers is how many of the 10 categories outlined in the RFP they included. The second-place finisher, Essendant, submitted an offer that included just three of the 10 categories, those for office supplies, classroom supplies, and miscellaneous and other; in that third category, Essendant offered office furniture, janitorial supplies, and several other product types. While we only obtained the offers from Essendant and Amazon, given the other final offerors’ low scores and specialty areas – printing, musical instruments, and textbooks – we infer that their offers likely covered this many or fewer categories of goods. Amazon’s offer, meanwhile, covered all 10 categories.

Instead of a fixed, guaranteed price, the pricing in the contract is based on Amazon’s dynamic pricing. Prices change constantly over the course of a day, according to a model that’s set by Amazon and not available to the public.

“The whole idea of an RFP is so that you get a competitive response,” says Mucha, of the Government Finance Officers Association. Mucha offers the example of a government deciding on a type of software, where Apple is expected to be one of the offerors. “You can structure that process so that you can truly evaluate the merits of [different companies] through a fair process,”



U.S. Communities promoted its contract with Amazon Business with this image.

he says. “Or you can include a requirement in the RFP that says, ‘the logo must be in the shape of a fruit.’”

“In this case, if the RFP said there are 10 categories, and you know going in that Amazon is the only one able to be responsive,” Mucha continues, “then it’s not a real RFP.”

➔ **Cost: We find that Amazon’s contract lacks standard pricing protections, leaving cities and school districts at risk of paying inflated prices.**

A key argument for joint purchasing is that, by banding together, local governments will be able to leverage their combined buying volume to get a better price. Indeed, in its pitch to public agencies, U.S. Communities leans heavily on the price benefits of its contracts. “Our supplier partners commit to their best overall government pricing,” says Rob Fiorilli, a program manager for U.S. Communities, in a February 2017 webinar for U.S. Communities members about the Amazon contract.

Despite this, the U.S. Communities contract appears to have been awarded to Amazon with little consideration of the cost for local governments, and indeed, with pricing terms that differ sharply from established norms in public sector purchasing. These terms create risks for public agencies and citizens, including a significant risk of paying inflated prices.

This section details these unusual contract terms and their implications, including that Amazon is not required to guarantee a fixed price on any items, that Amazon doesn't provide a volume discount for U.S. Communities' members, and – most striking of all – that Amazon's argument for how it ensures public agencies the best value on their purchases hinges on the "competition" that happens internal to its own platform. In this section we also report on new research that finds that Amazon doesn't have the best prices, at least not in every case: An analysis conducted by the firm OPSoftware found that a school district in California would have paid about 12 percent more had it made its purchases through Amazon Business.

To better understand this contract's abnormal pricing terms, and how they came about, we can again look back to how Prince William County Public Schools, on behalf of itself and U.S. Communities, wrote the RFP. The only pricing instruction in the main part of the RFP is this: "All offerors must provide pricing based on their marketplace model." In the question-and-answer document that was included as an addendum to the RFP, PWCS clarifies this instruction. In response to the question, "Can you provide the price update schedule for this RFP?", the school district answers, "We understand pricing is dynamic and can change daily."

Amazon's explanation for how it will provide low prices to public agencies relies on the role of sellers in its Marketplace – and the assumption that the lowest price will always be internal to Amazon.

To understand just how different this instruction is, it's helpful to start with how pricing in public sector purchasing of goods has typically worked. With procurement, local jurisdictions everywhere have varying rules. But generally speaking, for routine goods like office supplies, many local governments have handled procurement by developing a "core list" of hundreds of their highest-volume items, and then

soliciting a contract that calls for a guaranteed fixed price on those items, with adjustments to that pricing made at set intervals.

For the local governments, this model means that when they're evaluating proposals, they can make an apples-to-apples comparison between different offerors. "With the core list and a standard procurement approach, you can tell who's compliant with your requirements and price," says Mucha. "There's some transparency into that that's the best deal, and really, that's the whole point of public procurement."

Because they're being directly assessed on price, companies that are responding to the RFP typically make a proposal that prices those core items at a deep discount. Guernsey, for instance, goes to manufacturers to negotiate volume pricing for public sector contracts and other deals. "It's at or below cost," says Thrall at Guernsey.

This process means that local governments can clearly choose a company that's offering them the lowest price. At its best, it also means that they're leveraging their size to get a volume discount, getting the lowest prices on the items that they buy the most, obtaining consistent pricing that they can use to plan and budget, and removing the risk of future price increases.

The pricing methodology that Amazon proposed in its offer, and that was adopted in the contract, is very different. Instead of a fixed, guaranteed price, the pricing in the contract is based on Amazon's dynamic pricing. This means that not only do prices change, they do so constantly over the course of the day, and according to a model that's set by Amazon and not available to the public. (In one concession to public agencies' need to plan ahead and get approvals for purchases, Amazon did include a "hold" feature that locks the price of an item for seven days once a user of the Amazon-U.S. Communities contract adds the item to the checkout cart).

Though pricing on Amazon Business changes constantly, just as it does on Amazon's consumer-facing platform, it appears that the U.S. Communities Evaluation Committee assessed Amazon's pricing

using only a log-in that it could use to spot-check prices. From a thorough review of the evaluation documents, both those that are publicly posted and those obtained via Freedom of Information Act request, it does not appear that the Evaluation Committee requested or performed any more rigorous pricing analysis.

When asked to confirm that pricing for U.S. Communities members is the same as pricing for regular users of Amazon Business, U.S. Communities replied with a written statement, "Pricing on Amazon Business is dynamic through their competitive marketplace."

In a webinar for U.S. Communities members, Amazon tries to sell this dynamic pricing as a benefit for public agencies. "If you think about it, if you've negotiated a long-term contract, that pricing might change," Daniel Smith, Amazon's general manager for global education, says in the February 2017 webinar, sidestepping the fact that public sector contracts typically lock in prices. "One of the benefits of using the Amazon-U.S. Communities contract is... You'll get incremental value as prices lower on the Amazon Business Marketplace."¹²

Over the term of a contract, however, prices can also rise – and they often do. "I've been in the business for 47 years, and pricing tends much more toward increasing, not lowering," says David Guernsey, citing inflation alone. For Guernsey, this means that when he negotiates a contract with local governments and agrees to fixed prices on the core list of items, the risk of price increases then falls on him instead of on the local government. "That's something that we're always worried about, because then that risk is on us."

Molly Huhn, the purchasing director at the city of Savannah, Ga., sees it similarly. "The dynamic pricing model tends to make me leery," she says. "I think if you don't have something locked in, that can be really bad for you."

A second difference in the contract is the absence of a price benefit for public agencies' volume spend. With the Amazon-U.S. Communities contract, purchasing for public agencies works much the same as it does for an individual: Users log in to Amazon Business with

their organizational email, search for the items they're looking for, and add them to their cart. This means that a large school district that expects to place four orders for 200 toner cartridges might have the option to order, say, a pack of 10, but doesn't get to negotiate for a better price based on the volume of the orders it will place over the course of a year. Again, a core part of U.S. Communities' appeal to public agencies – that by joining together, they can leverage their collective purchasing power to get a better deal – doesn't apply to this contract.

Amazon says that public agencies can still purchase from their local companies – but just do so through Amazon's platform, with Amazon taking a cut.

It's the third difference, though, that most distinguishes the pricing terms in the Amazon-U.S. Communities contract, and that poses the greatest potential for risk. Without a fixed price for public agencies to use to assess the pricing in the contract, Amazon instead offers a different explanation for how it plans to offer low prices to public agencies: It argues that competition that happens between sellers in its Marketplace is enough to ensure public agencies the best value on their purchases.

Many people don't realize it, but half of the products sold on Amazon are sold not directly by the company, but by third-party sellers using its platform. In its contract with U.S. Communities, Amazon makes the case that the internal competition that happens between Marketplace sellers on its platform keeps prices low. "The Marketplace is really the key to the value and pricing component," says Smith in the Amazon-U.S. Communities webinar. In its offer, Amazon frames it this way: "Your organization needs to know that it is getting the best products and best value. Amazon Business makes comparison shopping a snap by displaying multiple offers from different sellers on one page."

There's an assumption at the heart of this argument. It relies on the belief that the best price will always be internal to Amazon, or in other words, that one of the sellers on Amazon's Marketplace will have a better price than any seller off of it.

Amazon is, of course, also a seller on its own platform, and its role as both a retailer competing on the platform and the platform itself often creates a conflict of interest. For instance, there's evidence that Amazon prioritizes its own offerings in search results;¹³ there are examples of Amazon leveraging its role as both platform and retailer to extract concessions from suppliers;¹⁴ and there's research that suggests that Amazon uses the data of the third-party merchants on its platform to improve its ability to compete against them.¹⁵

This dual role also means that all of the sellers on Amazon's platform are giving Amazon a cut of every sale they make, generally, 15 percent. To Amazon, these fees translated into more than \$31.8 billion in revenue in 2017.¹⁶

To David Guernsey, the fees alone mean that it's impossible for a third-party seller in Amazon's Marketplace to be able to offer prices on most goods that are competitive with Amazon itself. On a public agency contract, Guernsey explains, his margins are very slim. That doesn't offer a lot of room for fees: If he had to pay them, Guernsey explains, he'd have to raise his prices to build that fee in. "If another dealer across town climbs onto Amazon's Marketplace and pays the requisite 10 to 15 percent to Amazon for the privilege of being on that Marketplace," Guernsey says, "they will never be price competitive with my organization."

Guernsey's had to think about it. Amazon has approached Guernsey to pitch him on becoming a seller on the Marketplace. It's something that he's heard about from public agencies, too: After Amazon won the U.S. Communities contract, Guernsey remembers saying that he was being muscled out of public sector purchasing, and hearing back, 'No, you can become a seller on Amazon's Marketplace.' Amazon's also making that pitch directly to public

agencies. In our conversations with procurement officials in local governments, one described how, when Amazon had approached him about signing on to the U.S. Communities contract, the company's representative had said that his city could still shop with small businesses as part of the contract, but just do so on Amazon.¹⁷

"Amazon might be 10 times the price as anyone else, and that wasn't really addressed in this process."

The idea, Amazon seems to be saying, is that public agencies can still purchase from their local companies. That purchase will just run through Amazon's platform instead of through a public process, and Amazon will take its cut.

In the section of the RFP that outlines the criteria for evaluating proposals, "Proposed Costs" counts for up to 20 points. The U.S. Communities Evaluation Committee awarded Amazon the full 20 points for its proposed pricing, compared with 4.1 points for the second-place offeror, Essendant. It's unclear on what the committee based that decision. Yet, given the fees that Amazon extracts from every seller in its Marketplace, it's tough to see how the lowest price will always be internal to Amazon.

"Amazon might be 10 times the price of anyone else, and that wasn't really addressed in this process," says Mucha. "If a city is purchasing something off of this contract, I have no way of knowing if those Amazon prices are competitive. I'm basically going on faith that Amazon always delivers the lowest prices."

To test the question of how the prices on Amazon Business compare, we asked Rick Marlette of OPSoftware, a firm that tracks office supply pricing across a range of retailers, including Amazon Business, Staples, Walmart, and many independent dealers, to conduct a price comparison. For the analysis, Marlette used a list of supplies purchased by a California school

district during a two-week period in January. On the list are 57 items, some ordered in multiples: 10 packages of Crayola washable colored markers, 25 three-ring binders, 4 certificate holders, and so on. The district purchased these items from an independent office supply dealer in the region and was invoiced \$1,205, with next-day delivery provided at no additional cost.

Had school officials, during that period in January, opted to purchase these same products from Amazon Business, using a Business Prime account to get free two-day shipping, the district would have paid \$1,328, or 10 percent more, Marlette found. Some of the items were cheaper on Amazon, but others, including eight of the twelve items that the district ordered in quantities greater than two, were more expensive. (Though Business Prime is complimentary through the U.S. Communities contract through 2018, the cost for it starts at \$499 per year. After this contract benefit expires, prorating this fee over 52 weeks would make the real cost of shopping on Amazon for this two-week period 12 percent higher than buying from the local dealer.)

Marlette's analysis isn't the only evidence. In December 2017, a report from the Naval Postgraduate School compared the U.S. General Services Administration's "GSA Advantage" e-commerce platform for federal agencies with Amazon Business, looking at the prices of 60 common items purchased by the Air Force in 2015. The report found that the federal platform beat Amazon Business on price for "most items," and also offered more robust bulk and quantity discounts, though GSA Advantage does have minimum order requirements that limit flexibility. "Amazon Business, in its current state, is not ready for use above the micro-purchase threshold," the report concluded.¹⁸

Amazon is often associated with low prices, but these two analyses suggest that perception may not match reality, at least not in the office supplies sector. And while it might be assumed that obtaining the best value for its members would be one of the primary benefits driving U.S. Communities to make a deal with Amazon, in fact, its contract eschews the very protections that have been developed to ensure low costs for local governments.

Already, some public officials are growing concerned. Michael Lamb, the controller for the city of Pittsburgh, is one of them. Pittsburgh signed onto the Amazon contract with U.S. Communities in the summer of 2017, and Lamb says that he's developed doubts about the city using the contract. One of them is about cost. "There's the concern that we're not getting the best price," Lamb says. "We're paying for shipping on items now that we could have gotten without shipping from a local vendor, and so the price is higher." Since adopting the Amazon contract, Pittsburgh has started an audit of its processes around cooperative contracts.

➔ **Service: We find that Amazon's contract provides slower delivery times.**

For David Guernsey, not only is it unclear how Amazon was evaluated on price, it's also unclear what other benefits the company provides that his can't. "There's no way that Amazon can compete with us on price" in a traditional RFP scenario, he says, "and there are no other advantages that Amazon offers. Their online platform, their delivery people, we do as much or more."

For many cities, Amazon's contract is a notable step down when it comes to fast delivery. That might seem surprising for a company often credited with setting a new standard for how quickly people expect packages to arrive. But, in the office supply sector, independent dealers long ago established next-day delivery as the norm for their customers. Guernsey, for instance, has offered free next-day delivery for more than 40 years, and same-day delivery to customers in certain delivery zones. This type of service isn't an outlier among independent office supply dealers: When Independent Stationers, the cooperative of local office products dealers, won the U.S. Communities contract for office supplies in 2010, its terms included free next-day delivery for orders placed before 4:00 p.m., with no minimum order size required.

In contrast, the Amazon contract does not provide guaranteed delivery times. Public agencies can get free two-day shipping on their orders if they enroll in Business Prime, and limit their purchases to Prime-eligible items. Through the end of 2018, Amazon

is offering governments that sign on to the U.S. Communities contract Business Prime accounts at no cost. After that offer ends, governments will need to pay the annual membership fee, which currently starts at \$499 per year. (Business Prime did not exist when the contract was signed in early 2017; it was launched in October of that year. The contract's original shipping terms mirrored those available to all Amazon Business customers at the time: free two-day shipping if a shopper ordered at least \$49 worth of items marked eligible for free shipping.)

One evident benefit of Amazon's contract with U.S. Communities seems to be the ability for a local government to order everything in one place, combining purchases of routine office items with those for lab supplies and musical instruments. Indeed, following Prince William County Public Schools' announcement of its intention to award the contract to Amazon, Anthony Crosby, PWCS' lead on the contract, sent an email to representatives of Amazon and U.S. Communities suggesting that he sees this as one of the contract's main benefits. "I too am very excited," Crosby writes, "as this contract supports my long-term vision regarding 'One Stop Shopping' for public agencies across the country." Crosby did not respond to a request for comment for this report.

The way Mike Mucha sees it, though, there are potential pitfalls of convenience. "It's potentially true that out of convenience," Mucha warns, "you're sacrificing stewardship for the public dollar."

➔ **Terms and Transparency: We find that U.S. Communities and PWCS allowed Amazon to rewrite its standard contract terms, including adding a provision that allows Amazon to intercede when citizens make a public information request about the contract.**

There is a final way in which Amazon's contract with Prince William County Public Schools and U.S. Communities represents a departure, and raises

concerns: In its terms and conditions, and in its level of transparency.

Prince William County Public Schools and U.S. Communities both have their own terms and conditions, developed and honed to suit their needs over their years of experience. In the Request for Proposals, the sections outlining both organizations' terms and conditions comprise 21 pages of the 82-page RFP.

"Good morning Tony, attached are Amazon's consolidated red-lines to PWCS' General Terms and Conditions."

In its offer, however, Amazon is blunt about the fact that it won't agree to PWCS' usual terms. Instead, Amazon proposes its own terms and conditions. "Amazon takes exception to each of the terms in Section 11 of the RFP, inclusive of paragraphs 1-50," Amazon's offer reads, referencing the section that contains PWCS' "General Terms and Conditions." "Amazon instead proposes our standard terms and conditions and, if Amazon is awarded this contract, we will discuss the modification of such terms to address PWCS-specific public-sector requirements."

In the final contract, the terms detailed in the RFP are substantially changed. E-mails between PWCS and Amazon, obtained through public record request, show the negotiation process that changed them. It begins with an email sent on Nov. 9, 2016, from Michael Levin, head of education sales at Amazon Business, to Crosby, of PWCS, with other representatives of Amazon and U.S. Communities copied. "Good morning Tony," Levin begins, "attached are Amazon's consolidated red-lines to PWCS' General Terms and Conditions."

The attached document shows Amazon's legal team's handiwork. It's full of altered clauses that replace PWCS' terms with Amazon's own language. It even includes a new section that provides an umbrella deferral to Amazon: It gives the company's "prevailing Amazon Business Accounts Terms and Conditions" – the rules

that govern all Business accounts and which Amazon can change at any time – precedence over the revised PWCS terms should an inconsistency arise.

Along with the additions, there are also whole sections that are gone. One of these is a section called “Price Reduction,” which says that PWCS’ contractors must offer PWCS their best available pricing. Other sections, such as one on “Payment Terms,” are substantially changed, so that in the new version, they read, simply, “Payment will be made in accordance with the methods and terms made available to PWCS on Contractor’s Amazon Business marketplace.”

Under Amazon’s re-write of PWCS’ terms, Amazon gets to review Freedom of Information Act requests about the contract and request “exemption or redaction.”

Another section changes PWCS’ commitment to small and minority business enterprises. This section is changed from reading, “The Contractor agrees to... ensure that Small and Minority Businesses shall have the maximum practicable opportunity to compete for subcontract work,” to instead, “The Contractor will promote Small and Minority Businesses via the Contractor’s Seller Credentials program available on the Amazon Business marketplace.”

The most brazen change Amazon made to PWCS’ terms involves a section that covers the Virginia Freedom of Information Act. The original terms note that, under the law, all of the documents and proceedings related to the contract “shall be open to the inspection of any citizen, or any interested person, firm or corporation.” In Amazon’s re-write, Amazon included a provision that says that, when disclosing information about the contract, PWCS has to first notify Amazon of “any Public Records Act requests,” and also allow Amazon “the right to request exemption or redaction based on assertions

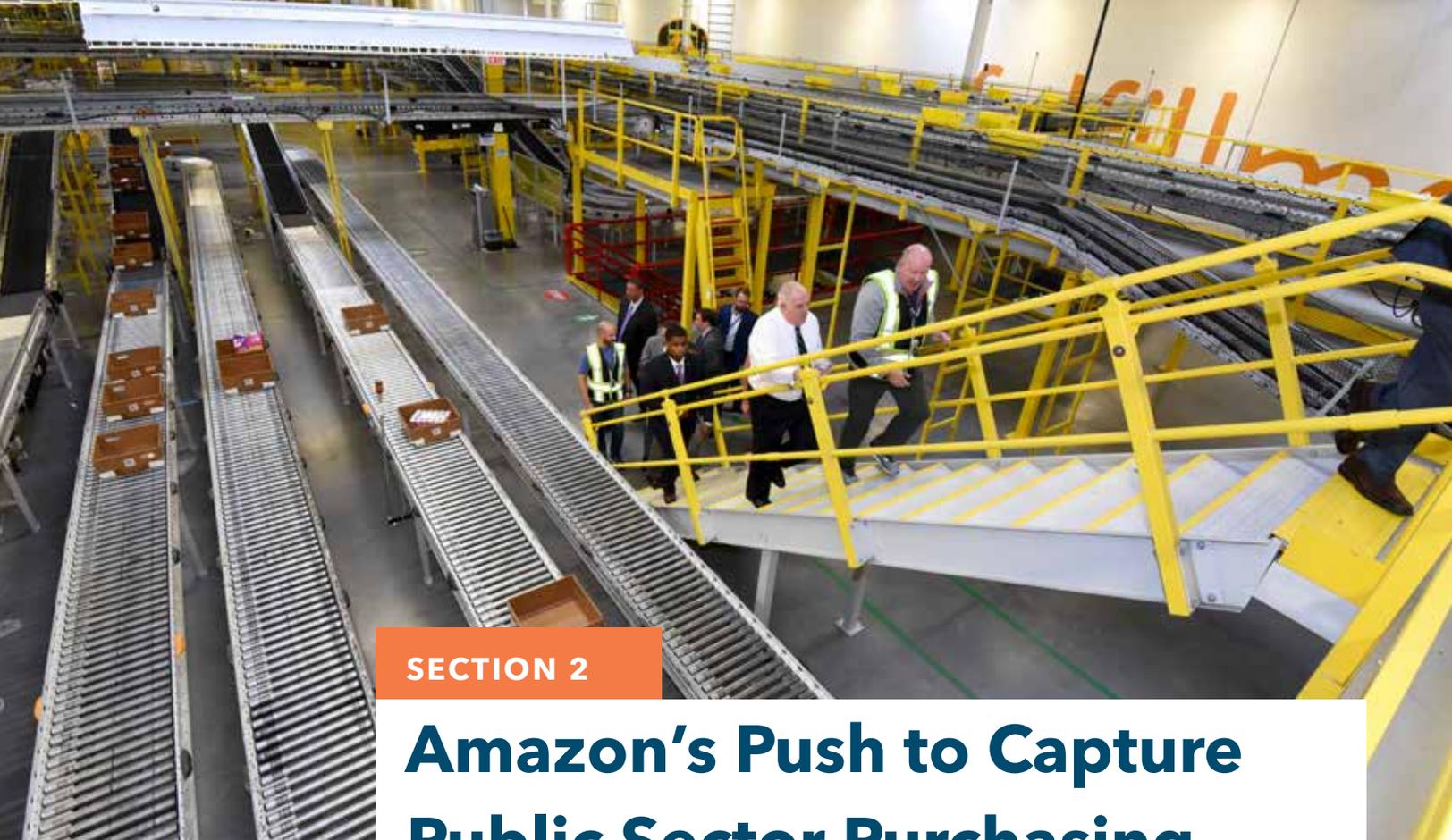
of confidentiality or proprietary information to the extent permitted by applicable law.” PWCS accepted the changes to this section of its terms and conditions as written by Amazon.

Public agencies that adopt the U.S. Communities contract typically adopt these terms and conditions that Prince William County Public Schools negotiated with Amazon, according to U.S. Communities. “We are not aware of any public agency that has different terms,” the organization said in a written statement.

One of the core aims of public procurement is transparency. The idea is that when it comes to government spending, citizens should be able to see what’s going on and companies should be able to access and compete for that business. Amazon changing the way that PWCS responds to information requests made by citizens, journalists, and competing businesses under the Virginia Freedom of Information Act violates this spirit. It requires PWCS to inform Amazon of a citizen’s information request before answering the request, and it gives Amazon an opportunity to intercede and lobby that the information not be disclosed.

As with other pieces of the contract, when other businesses heard about Amazon’s changes to the terms and conditions, they expressed surprise. “I’ve been part of many RFPs that award points for terms and conditions you’re deemed non-responsive,” says one person, a national sales manager with an office supply company who has over 10 years of experience with public sector procurement. “Somehow Amazon got all of their standard terms and conditions to apply to this contract, which is really unique. I’ve never seen that before.”

“There are reasons why certain checks are in our system,” says Lamb, the controller in Pittsburgh. “One of those is to make sure we’re getting the best price, and another is to make sure that we’re treating everyone fairly. With Amazon, we just don’t know that that’s the case.”



SECTION 2

Amazon's Push to Capture Public Sector Purchasing

Maryland Gov. Larry Hogan tours an Amazon warehouse in September 2017. Credit: Joe Andrucyk via Flickr

U.S. Communities finalized its contract with Amazon at the end of January 2017, and in February, promoted the contract in an announcement to the more than 55,000 cities, counties, school districts, and other entities that are its members. To date, just over 1,500 public agencies have adopted the Amazon Business contract, according to U.S. Communities.

These include communities such as the school districts in Pennsauken, N.J., and Norridge, Ill., the County of Wayne, N.Y., and the City of Grapevine, Texas, all of which have signed on to the contract, according to the minutes of meetings at which the contract was approved. Amazon is out promoting the contract, too: Amazon and U.S. Communities led an information session about the contract, for instance, at the March 2018 conference of the Iowa Association of School Business Officials.¹⁹

U.S. Communities also has an Advisory Board of public agencies that “are committed to utilizing” the group’s contracts, as well as promoting them “among

other public agencies nationwide.” The Advisory Board’s 31 members include some of the largest public agencies in the country, like the cities of Chicago, Denver, Houston, Kansas City, and Seattle. U.S. Communities discusses the purchasing volume of its Advisory Board members in the section of the “online marketplace” RFP that estimates the contract’s value at \$500 million per year.

Amazon’s Government Strategy

One factor that’s propelling the contract’s adoption is Amazon’s aggressive sales strategy. When we enrolled the Institute for Local Self-Reliance as a member of U.S. Communities earlier this year (nonprofits may join), the registration process offered the option of specifying interest in various contracts, including a check box for the Amazon contract. Less than 24 hours after checking that box, an Amazon sales representative called us to make his pitch.

Indeed, the extent of Amazon’s commitment to marketing the contract was a significant point of consideration for the U.S. Communities Evaluation Committee. In written questions submitted to Amazon during the review process, the committee asks the company to “please provide details on your salesforce and how they would be involved in selling the contract.”

Amazon’s thorough response to this question, which outlines how it’s trained a national sales force to sell to local governments, reflects the fact that, over the last two years, Amazon has made capturing public sector spending part of its growth strategy. Amazon set the stage for this in 2015, when the company rebranded its business-to-business division as Amazon Business; in its first year with that name, the division generated \$1 billion in sales.²⁰ Then, in fall of 2016, Amazon Business made a move that declared its intentions to go after public sector spending, too: It hired Anne Rung to lead its government division.

Rung was a catch for Amazon. She’d spent most of the Obama Administration in top roles in federal procurement, first at the U.S. Department of Commerce, then the U.S. General Services Administration, and finally,

two years as the U.S. Chief Acquisition Officer at the White House.²¹ After her hire, Amazon Business started staffing up its government division more, including with other people with public sector backgrounds. In May 2017, for instance, Mario Marin came on as head of U.S. Sales for Amazon Business’ government division; earlier in his career, he ran the City of Los Angeles’s Mayor’s Office of Economic Development.²²



Anne Rung during her tenure with the federal government.

This strategy is already paying off for Amazon at the federal level. Last year, a bill introduced in Congress authorized the General Services Administration (GSA), the agency that oversees much of the government’s procurement, to select a single company to supply federal departments with commercial products through an “e-commerce portal,” and further specified that the GSA could choose the provider “without the use of full and open competition.”²³ Companies that compete for this spending pushed back, and in the final legislation, Congress specified that the GSA solicit contracts from “multiple commercial e-commerce portal providers.”²⁴

Meanwhile, in another area of federal spending, companies competing for the Defense Department’s massive cloud computing business contend that they are being maneuvered aside by Amazon’s behind-the-scenes lobbying. In April, the department announced that the \$10 billion contract would be awarded to a single provider, a decision that many believe strongly favors Amazon.²⁵ On top of these contracts, late last year, Amazon cut a deal with the Department of Homeland Security to allow its employees to make day-to-day off-contract purchases from Amazon Business.²⁶

In a recent interview with *Bloomberg Government*, Anne Rung was reluctant to talk about Amazon's role in drafting the e-commerce portal law. She made it clear, however, that Amazon sees its platform as becoming the primary portal through which federal spending runs, and through which any business that wants to compete for that spending as to go. City of Los Angeles's.²⁷

Rung has been central to Amazon's local strategy, too.²⁸ Now, through the U.S. Communities contract, Amazon aims to add local government spending to this growing portfolio of public-sector purchasing.

Over the last two years, Amazon has made capturing public sector spending part of its growth strategy.

Another factor propelling the contract's adoption is that, just as consumer spending has been shifting to Amazon, so too has public-sector spending, as municipal and county employees turn to Amazon for the odds and ends they need to do their jobs. Most of this spending has occurred not through formal contracts, but through smaller-dollar purchases that many local governments make through a system known as purchasing cards or p-cards, which are similar to credit cards. In many places, this type of spending still requires a supervisor's approval, but it doesn't have the same checks as a bid or RFP process. As a result, it's more flexible, but it's also subject to the creep of changing habits.

While some level of off-contract spending is inevitable, procurement administrators generally make it their mission to keep a lid on this leakage. They establish checks to ensure that if a city has a contract for office supplies, city employees buy, say, printer paper through that contract and not through another vendor, such as Amazon. The aim is to protect public dollars by ensuring that most spending happens through competitively bid contracts that provide the best available pricing and service.

This desire to drive spending through contracts is part of the draw of the Amazon Business contract with U.S. Communities. If spend is happening through Amazon anyway, the thinking can go, then an agency might as well sign a contract with Amazon and make that spend official. It's an insidious part of the contract's appeal: Though the contract skirts basic principles designed to protect public-sector spending, those same principles encourage local governments to sign on to it.

Though Amazon's contract offers nothing more than the same pricing and service that's available to anyone shopping on Amazon Business, now, Amazon can go to public agencies and make the case that this leaky spending with Amazon can become contract spending. "Right now public agencies fight against rogue spend, because that's their job," says one national sales manager at an office supply company. "The second that you're calling all that rogue spend contract spend, the purchasing people have lost that battle."

How Much Are Local Governments Spending on Amazon?

Amazon's contract with U.S. Communities was a major advance in the company's relationship with local governments, and winning it didn't come out of nowhere. Even prior to it, Amazon had been successful at picking up a growing share of local government spending.

In order to better understand this spending, and to get a sense of how much it's set to grow with the U.S. Communities contract, we submitted public records requests to more than 90 local governments and school districts across the U.S., and got back data that we could use from 60 of them. Though our requests are not randomized and our data does not comprise a representative sample, we submitted requests to a diverse range of communities.²⁹ This data gives us an important initial assessment of how public spending is shifting to Amazon, and also offers a baseline against which to measure future increases in local government spending with Amazon.

In 2016, for the 60 local agencies from which we received data, school districts spent an average of \$0.93 per capita with Amazon, while cities spent \$0.32 and counties \$0.10, for a total of \$1.35 per person across these three types of local jurisdictions. We found wide variation with this spending: While several agencies reported \$0.00 in spending, others reported as much as \$2.95 per capita. (See the appendix for the full data.) The Denver Public School District topped the list in total spend, spending \$1.6 million with Amazon in 2016. Salt Lake County led among counties, reporting \$515,686 spent with Amazon, while Austin, Texas, came in first in the list of cities, with \$501,724 spent.

TABLE 1: LOCAL GOVERNMENT SPENDING AT AMAZON IN 2016, BY TYPE

Type of Jurisdiction	Sample Size	Average Spending Per Capita at Amazon	Range
School Districts	10	\$0.93	\$0.02 - \$2.95
Cities	39	\$0.32	\$0.00 - \$2.77
Counties	10	\$0.10	\$0.02 - \$0.47
Total		\$1.35	

We found that local governments are purchasing a wide range of goods from Amazon. For the City of Boulder, for instance, which spent \$142,272 or \$1.32 per capita with Amazon in 2016, the most expensive purchase was \$3,089 for six standing desks, followed by assorted office supplies, file cabinets, iPads, and printers. Most of the items in local governments' spreadsheets are mundane – external hard drives, whiteboards, wrenches, space heaters, cables of all kinds. Some are evocative, like a public works department's purchase of bed bug traps. Especially in the school districts, the purchases can reveal the class curricula and favorite toys; the item descriptions include products like the "Fisher-Price Animal Friends

Discovery Treehouse" and books about learning to rap and how to manage depression.

For some purchases, like office supplies and hardware items, one could assume that there are other sources for the items. For other purchases, buying from Amazon might be the only convenient option. For some of the local governments from which we received data, the library was the department with the highest spend. In Lincoln, Neb., for instance, the library spent \$23,857 of a total spend of \$91,539 in 2016, or \$0.33 per capita.

It's clear that in at least some of these cases, this high spend is driven by spending on e-books. In Los Angeles County, for instance, nearly all of the County's spend with Amazon in 2016 – \$206,010 of \$217,850 – is from the library. Apart from three small orders ranging in price from \$88.92 to \$121.76, on which the County explained that Amazon offered "a significant cost savings over other vendors," the remainder of that County library spending, or \$208,648, was for Kindle Whispercast, an Amazon system used by libraries and other organizations for managing the distribution of digital content. In early 2017, Amazon controlled just over 83 percent of the U.S. market for e-books, according to data cited by *Bloomberg*.³⁰

In three places, we received data for three levels of government: the city, county, and school district. In these three communities – Portland, Me., Grand Rapids, Mich., and Minneapolis, Minn. – this overlapping spend offers a picture of much higher spending with Amazon per capita. In Portland, Me., for instance, we found that cumulatively, the spend of the three levels of government combined amounted to \$3.78 per capita for residents of the city of Portland, or \$251,997 for the community as a whole.

Cities point out that purchasing from Amazon can be convenient. Of the public agencies that we reached out to for comment, the City of Portland replied with a statement that discussed convenience. "While \$100,000 is a significant amount of money, we budgeted \$7.25 million for supplies in FY2016," the statement reads. "Ordering online in some cases saves time and productivity."³¹



TABLE 2: LOCAL GOVERNMENT SPENDING AT AMAZON, OVERLAPPING JURISDICTIONS

PORTLAND, MAINE (POPULATION 66,666)

Cumberland County*	\$34,885	\$0.12
Portland	\$103,945	\$1.56
Portland School District	\$140,209	\$2.10
Total		\$3.78

GRAND RAPIDS, MICHIGAN (POPULATION 193,792)

Kent County*	\$42,943	\$0.07
Grand Rapids	\$83,581	\$0.43
Grand Rapids School District	\$172,507	\$0.89
Total		\$1.39

MINNEAPOLIS, MINNESOTA (POPULATION 410,939)

Hennepin County*	\$233,819	\$0.19
Minneapolis	\$54,934	\$0.13
Minneapolis School District	\$183,783	\$0.45
Total		\$0.77

IOWA CITY, IOWA (POPULATION 73,415)

Iowa City	\$38,917	\$0.53
Iowa City School District	\$216,534	\$2.95
Total		\$3.48

ASHEVILLE, NORTH CAROLINA (POPULATION 87,882)

Buncombe County*	\$55,052	\$0.22
Asheville	\$89,211	\$1.02
Total		\$1.23

PORTLAND, OREGON (POPULATION 619,360)

Portland	\$493,677	\$0.80
Portland School District	\$629,031	\$1.02
Total		\$1.81

AUSTIN, TEXAS (POPULATION 912,791)

Travis County*	\$25,812	\$0.02
Austin	\$501,724	\$0.55
Total		\$0.57

SALT LAKE CITY, UTAH (POPULATION 190,884)

Salt Lake County*	\$515,686	\$0.47
Salt Lake City	\$115,378	\$0.60
Total		\$1.07

*County spending prorated by city population.

Indeed, when taken separately, overall, local governments' spending with Amazon in 2016 was modest. For another example in Portland, Me., the school district there spent \$140,209 with Amazon in 2016 – a small share of the \$2.8 million the district spent on goods that year. When taken together, though, this data shows a picture of a share of local government spending now going to Amazon.

The greatest increase is from Denver Public Schools, which grew its spending with Amazon 77 percent.

We don't know exactly how the U.S. Communities contract will grow that share. However, we also requested 2017 data from several of the U.S. Communities Advisory Board members. Of these requests, we received 2017 data from four public agencies.

Though a very small sample, this data is revealing, and shows significant increases in these public agencies' spend with Amazon from 2016 to 2017. Overall their spending increased 63 percent. The greatest increase is from Denver Public Schools, which grew its spending with Amazon 77 percent from 2016 to 2017, from about \$1.6 million to \$2.8 million. Like other agencies, Denver Schools' largest spend was for books through

Kindle, but its records also show many purchases of calculators, printer cartridges, dry-erase boards, post-it notes, and other commonly available goods.

This shift is likely to accelerate as the contract ages, as Amazon’s representatives continue to sell it, and as public agencies’ existing contracts expire. Although U.S. Communities estimates the value of the contract to be \$500 million annually, or \$5.5 billion over a potential 11-year term, the extent of local governments’ existing spending with Amazon – assuming the data sampled here is broadly representative – suggests that this estimate could be low.

All of this has implications for the economic health of cities. One of the impacts is, crucially, to local governments’ own tax base. Local and regional companies pay the local sales and property taxes on which cities, counties, and school districts rely. Amazon, meanwhile, still does not collect local sales taxes in some cities, and does not collect sales tax on goods sold by third-party sellers on its site in most states; a motion recently filed by South Carolina estimated that it will lose \$500 million over five years in uncollected sales tax on sales from third-party sellers in Amazon’s Marketplace.³²

The story is similar when it comes to property taxes, which are the leading source of revenue for state and local governments.³³ Amazon, however, doesn’t have a physical presence in most of the places where it does business, and as it grows, it’s displacing sales at brick-and-mortar stores and contributing to growing retail vacancy.³⁴ A report from the firm Civic Economics, for instance, estimates that land use changes triggered by Amazon resulted in a drop of \$528 million in property tax revenue in 2015.³⁵

Local governments are feeling the impact of these shifts. A recent report from the Center on Budget and Policy Priorities found that despite the growing economy, state and local governments continue to face revenue shortfalls, for reasons including below-average growth in sales tax collections.³⁶ Yet, few local governments are grappling with the impact that Amazon’s rise is having on tax models that are built around place-based commerce.

Now, as cities shift their spending away from local and regional companies, or even national companies with local locations, and to Amazon, they’re contributing to the erosion of their own tax base.

TABLE 3: LOCAL GOVERNMENT SPENDING AT AMAZON, INCREASE 2016-2017

		2016		2017		
		Total Amazon Spending in 2016	Amazon Spending Per Capita in 2016	Total Amazon Spending in 2017	Amazon Spending Per Capita in 2017	Change
Denver City and County	Colorado	\$548,419	\$0.83	\$837,588	\$1.23	49%
Denver Public Schools	Colorado	\$1,560,726	\$2.29	\$2,766,060	\$4.05	77%
Hennepin County	Minnesota	\$233,819	\$0.19	\$292,632	\$0.24	25%
Kansas City	Missouri	\$107,768	\$0.22	\$106,914	\$0.22	-1%
Total		\$2,450,732	\$0.80	\$4,003,194	\$1.31	63%



Inside an Amazon warehouse. Credit: Released by Amazon.

For its part, Amazon has shown no scruples about going after public sector spending even as its own growth and tax strategies erode the revenue on which that spending is based. Indeed, in its initial proposal to U.S. Communities, Amazon declined to serve public agencies in four states: Hawaii, Iowa, Maine, and Vermont. “These states have been excluded for corporate tax reasons,” Amazon explained to the U.S. Communities Evaluation Committee, adding, “We cannot presently commit to a timetable for the inclusion of these states in our Proposal.”

Amazon has shown no scruples about going after public sector spending even as its own growth and tax strategies erode the revenue on which that spending is based.

At the time, Amazon was still not collecting sales tax in these four states.³⁷ Presumably the company’s attorneys feared that, by supplying local governments in these states, Amazon could trigger a legal standard known as “nexus,” which would compel it to begin collecting sales tax on orders shipped to residents of these states. In other words, even as Amazon was making a bid for a stream of public spending worth an estimated \$5.5 billion, it was seeking to safeguard a tax strategy that minimizes its obligation to fund public services, effectively shifting that responsibility to other businesses and individuals.



SECTION 3

Some Cities Aren't Buying Amazon's Deal

City Hall in Savannah, Ga.
Credit: DXR via Wikimedia.

As Amazon pushes into the public sector, cities can push back.

We're not suggesting that local governments never buy from Amazon: At times, it may offer the most convenient and cost-effective option. We are, however, suggesting that cities pay attention to the shift in public purchasing that's occurring as Amazon is becoming a bigger force in the public sector, and do so in a way that accounts for the full costs of shifting a share of their spending to the company.

Local governments have several options for how to do this. One is to simply keep a close eye on their purchasing, and especially for smaller-value purchases that are made on p-cards, communicate clear standards that any vendor has to meet.

The city of Savannah, Ga., offers one example. The city spent just \$7,418 with Amazon in 2016, or \$0.05 per capita, among the lowest spends in our sample of 60. That low spend is thanks in part to a city purchasing policy that says that purchases over \$25,000 go out for a formal bid or offer, purchases between \$25,000 and \$1,000 require three quotes, and purchases under \$1,000 are up to the department's discretion, though three quotes is still considered best practice.

To Molly Huhn, the city purchasing director, the purpose of the policy is to make the city's purchasing as competitive and transparent as possible – and by doing

so, to best serve the city's citizens. "I think everyone takes seriously the fact that we're stewards of taxpayer dollars," Huhn says, "so you want to make sure that you're getting the best deal possible and having the most competition possible."

Savannah is a member of U.S. Communities, but Huhn says that the city doesn't do a lot of cooperative purchasing; its contract for office supplies is with Staples, and as of February, the city hasn't signed on to the Amazon-U.S. Communities contract. "I prefer to bid things out," Huhn says. "I think that's much more transparent for the community... I'm in favor of including everybody, because that's how we get the best possible deal and best use of taxpayer dollars."

At Virginia Commonwealth University, departments that purchase through Amazon "must take into account the negative impact the purchase(s) have on the university."

Another example of what this can look like comes from Los Angeles County. There, the county's low spend with Amazon in 2016, along with records obtained by data request that include notes about why the county chose Amazon for certain items, suggest that county employees have a high bar to clear to purchase at Amazon. The library system, for instance, purchased from Amazon only in cases in which there was either no comparable option (i.e., its purchases for Kindle Whispercast), or in which, per the library's notes, "Amazon offered a significant cost savings over other vendors," which was the case for three purchases in 2016.

Virginia Commonwealth University offers a third example of this tactic. There, the procurement office's policies on how employees can use p-cards include this description of purchasing from Amazon: "While not expressly prohibited, departments that order through Amazon are accountable for compliance with the following requirements and must take into account the negative impact the purchase(s) have on the university."³⁸

The policies go on to specify that those negative impacts include that the university can't get tax-exempt status with Amazon because doing so requires it to accept Amazon's terms and conditions; that the university is committed to purchasing from diverse suppliers; and that Amazon does not offer the university discounted pricing or free shipping. With this policy, the university allows employees to purchase from Amazon when need be, but also communicates clearly about the downsides of doing so.

A second option that cities can use is to institute a policy that explicitly creates a preference for local or regional companies. Local governments have long recognized the value in using their spending to advance other public aims, including local economic development and access to opportunity, and many states and cities have adopted purchasing policies that codify that value. These policies give a preference to businesses that meet certain characteristics, including, in some cases, a preference for businesses that are small and/or local.³⁹



A delivery truck for Wist Office Products, which holds the office products contract for the city of Phoenix, outside of Phoenix City Hall. Credit: Kimber Lanning

The benefits are tangible: A 2009 study from California State University at Sacramento, for instance, found that the state of California generated approximately \$4.2 billion in additional economic activity and 26,000 new jobs between 2006 and 2007 by contracting with disabled veteran-owned businesses and local small businesses instead of larger companies.⁴⁰

Most of these policies, however, apply only to larger awards that go through a bid or RFP process. While they may help local governments assess a contract with Amazon in the future, they generally don't cover the type of small-value purchases that comprise part of local governments' spending with the company.

The city of Phoenix offers one example of a city that does. Phoenix's purchasing records show that the city spent just \$700 with Amazon in 2016 – a fraction of a penny per capita. Phoenix is also the only local government from which we received data with records that show a contract in which it's Amazon that's paying the city: Amazon pays the city \$12,313 per month to park its delivery trucks in a city-owned parking lot near the airport.

“We’re looking for price competition,” says Capion.

This low spend is owed in part to the city's Local Small Business Enterprise Program. Though blocked by Arizona law from having a purchasing preference for its formal procurements, in 2012, Phoenix created the LSBE program for “informal” procurements, defined as those below \$100,000. Through the program, registered small and local businesses get the first opportunity to submit quotes for all purchases below that threshold; if fewer than three locally owned businesses submit a quote, vendors with a principle place of business in the state get the next opportunity.

Thanks to the program, the city's spending with small, local businesses jumped from \$50,000 in 2011 to \$2.3 million in 2013.⁴¹ “Our politicians are very dedicated to small businesses,” says Jim Capion, the deputy finance director in the city's procurement division, citing Phoenix Mayor Greg Stanton and the city council in particular. “We’re one of the few cities that has a small business program for the informal process.”

Capion also credits the city's low spend with Amazon to another factor: Phoenix's generally tight watch on its spending. In Phoenix, any single payment over \$8,600 gets approved by the city council, which offers one check. In addition, Capion says, the city makes a lot of effort to ensure that goods that are part of a contract are being bought through a contract.

“We do competitive processes and try to drive business toward them,” Capion explains. He gives the example of the city's contract for office supplies, which was won by a locally owned company, Wist Office Products. The contract has features that the city negotiated, like desktop delivery, and Phoenix also partnered with its neighboring cities on the contract to get volume pricing and lower the cost. Along with the advantageous terms, Capion says, the city's deal with Wist is just convenient: “Having a contract makes it easier for people to buy things.”

Phoenix is open to participating in contracts through purchasing organizations like U.S. Communities, but the city carefully reviews the process and terms, Capion says. “We like to look at cooperatives that do a process similar to our own,” he says. “We’re looking for price competition. We want to make sure that the contracts we jump on were competed. And there's the transparency factor too, to know that there was a competitive process and that it wasn't just given to some vendor.” These steps are important, Capion adds, because, “That's how we feel we're getting the best discounts.”



EPILOGUE

How Guernsey Sees the Stakes

Credit: Emily Berl,
Wall Street Journal

As the discussion about Amazon’s growing economic and political power has become increasingly loud, that discussion has largely centered around the federal level. Now, as Amazon pushes into public sector purchasing, local governments also have the opportunity to take action. They will face a choice: Whether to use public money to further Amazon’s monopoly power, or to take steps to limit their spending with the company and instead cultivate a diverse economy.

Among the benefits of this last option, one is illustrated by Guernsey. In the 47 years since he started his company, David Guernsey has seen it grow to have an impact in his home state of Virginia. Part of this impact is concrete and measurable: When Guernsey’s company delivers an order to a school district, it’s a school district that the business knows well. “We put kids through those schools,” Guernsey says. He goes on to hire the schools’ graduates. “All of our employees come out of those localities,” Guernsey says. And unlike a company with owners

and executives concentrated elsewhere, Guernsey's payroll, from its delivery drivers to its managers, goes to those localities too. "All of the profitability of our company stays within those borders," says Guernsey.

Along with this economic impact, Virginia also benefits from something that's harder to measure. It's the value of opportunity, of entrepreneurship, of the ability to start and grow one's own businesses. It's also the value of belonging to a community that possesses its own economic capacity and power to steer its own future. When Guernsey talks about his company, it's this idea that's on his mind, too.

Being based in Virginia means that Guernsey's payroll stays in the state, from its delivery drivers to its managers.



top-line business, then pretty soon you're beginning to cut out the heart of what you do in a competitive program. If we were to lose 20 percent of our business, we'd be far less of a competitor than we are today."

As Amazon uses its market power – with the help of U.S. Communities – to warp the process of local government procurement, local governments and their citizens are being exposed to new risks. There are concrete issues like fewer safeguards to ensure low prices and tax dollars leaving the community that generated them. Looming underneath that, though, there's also something else, as the example of Guernsey illustrates: An economy in which, increasingly, there's less competition and less opportunity, and where the only way to participate is by going through Amazon.

"If you end up with the American economy being run only by Amazon and the Fortune 250, how does that change the face of opportunity for our people in general?" he asks. To Guernsey, starting his business involved hard work and risk, but at the same time, he adds, "the opportunity existed." He worries that Amazon and other dominant corporations are eliminating people's options. "If the world of commerce is dominated by the chosen few, I think the consumer is not always getting the best available deal," he says, "but career opportunities are greatly diminished as well."

Amazon won't win away the loyal customers of local office supply companies overnight. But for any company, losing even a portion of its customers impacts its ability to innovate, reinvest, and overall, remain competitive. David Guernsey, for instance, points to the overhead costs of his company's e-commerce site and other information technology expenses. "That's expensive infrastructure to have in place," he says. "If you start losing large chunks of your

Appendix A

Local Government Spending at Amazon, 2016

Jurisdiction	State	Type	Total 2016 Amazon Purchases	Amazon Purchases Per Capita
Denver Public Schools	Colorado	School District	\$1,560,726	\$2.29
Iowa City School District	Iowa	School District	\$216,534	\$2.95
Portland School District	Maine	School District	\$140,209	\$2.10
Baltimore School District	Maryland	School District	\$9,541	\$0.02
Grand Rapids School District	Michigan	School District	\$172,507	\$0.89
Minneapolis School District	Minnesota	School District	\$183,783	\$0.45
Guilford County School District	North Carolina	School District	\$11,397	\$0.02
Portland School District	Oregon	School District	\$629,031	\$1.02
Pittsburgh School District	Pennsylvania	School District	\$289,128	\$0.95
Burlington School District	Vermont	School District	\$69,329	\$1.64
Phoenix	Arizona	City	\$700	\$0.00
Oakland	California	City	\$0	\$0.00
Boulder	Colorado	City	\$142,272	\$1.32
Denver City and County	Colorado	City and County	\$548,419	\$0.83
Hartford	Connecticut	City	\$26,417	\$0.21
Smyrna	Delaware	City	\$1,170	\$0.10
St. Petersburg	Florida	City	\$197,924	\$0.78
Savannah	Georgia	City	\$7,418	\$0.05

Coeur d'Alene	Idaho	City	\$44,698	\$0.93
South Bend	Indiana	City	\$1,582	\$0.02
Iowa City	Iowa	City	\$38,917	\$0.53
Topeka	Kansas	City	\$17,837	\$0.14
Louisville-Jefferson County	Kentucky	City and County	\$108,000	\$0.18
New Orleans	Louisiana	City	\$34,497	\$0.09
Portland	Maine	City	\$103,945	\$1.56
Concord	Massachusetts	City	\$0	\$0.00
Springfield	Massachusetts	City	\$0	\$0.00
Worcester	Massachusetts	City	\$119,750	\$0.65
Grand Rapids	Michigan	City	\$83,581	\$0.43
Duluth	Minnesota	City	\$55,613	\$0.64
Minneapolis	Minnesota	City	\$54,934	\$0.13
Kansas City	Missouri	City	\$107,768	\$0.22
St. Louis	Missouri	City	\$6,159	\$0.02
Lincoln	Nebraska	City	\$91,539	\$0.33
Reno	Nevada	City	\$47,182	\$0.19
Albuquerque	New Mexico	City	\$47,296	\$0.08
Asheville	North Carolina	City	\$89,211	\$1.02
Greensboro	North Carolina	City	\$147,756	\$0.52
Raleigh	North Carolina	City	\$118,889	\$0.27

Fargo	North Dakota	City	\$22,093	\$0.18
Oklahoma City	Oklahoma	City	\$10,093	\$0.02
Portland	Oregon	City	\$493,677	\$0.80
Charleston	South Carolina	City	\$45,182	\$0.34
Austin	Texas	City	\$501,724	\$0.55
Salt Lake City	Utah	City	\$115,378	\$0.60
Rutland	Vermont	City	\$2,824	\$0.16
Anacortes	Washington	City	\$45,377	\$2.77
Madison	Wisconsin	City	\$163,226	\$0.66
Laramie	Wyoming	City	\$27,286	\$0.84
Los Angeles County	California	County	\$217,850	\$0.02
Cumberland County	Maine	County	\$34,885	\$0.12
Montgomery County	Maryland	County	\$455,011	\$0.44
Kent County	Michigan	County	\$42,943	\$0.07
Hennepin County	Minnesota	County	\$233,819	\$0.19
Ravalli County	Montana	County	\$15,500	\$0.37
Dutchess County	New York	County	\$51,147	\$0.17
Buncombe County (Asheville)	North Carolina	County	\$55,052	\$0.22
Travis County	Texas	County	\$25,812	\$0.02
Salt Lake County	Utah	County	\$515,686	\$0.47

Notes

- 1 In April 2018, OMNIA Partners purchased Communities Program Management, LLC, which had previously managed U.S. Communities. "OMNIA Partners Announces Purchase of U.S. Communities," *BusinessWire*, April 16, 2018.
- 2 "Missouri investigates Office Depot contract prices," *Reuters*, Feb. 3, 2009.
- 3 See: "State staff's handling of Office Depot contract may have cost taxpayers millions," Matt Clark, *Naples Daily News*, July 24, 2010; "Office Depot overcharged Houston millions, auditors say," Mike Morris, *Houston Chronicle*, Dec. 7, 2012; "Office Depot CEO to Resign," Ann Zimmerman, *Wall Street Journal*, Oct. 26, 2010.
- 4 "Office Depot to pay \$68.5 million settlement to whistleblower's estate and California cities," Shaun Bevan, *South Florida Business Journal*, Jan. 14, 2015.
- 5 "U.S. Communities Frequently Asked Questions," *U.S. Communities*, accessed March 2018.
- 6 "What Makes Us Different," *U.S. Communities*, accessed May 2018.
- 7 "Amazon Business's \$5.5 billion public-sector land-grab," Andy Braithwaite, *OPI*, February 8, 2017.
- 8 Below is Amazon's full written statement:

"In September of 2016, Prince William County Public Schools issued a formal request for proposals (RFP), subject to full and open competition, for an online marketplace covering ten purchase categories. Amazon Business was one of 12 suppliers that responded and, after formal evaluation, which included performance and cost criteria, we were awarded the contract. As a result, we signed a multi-year contract whereby U.S. Communities-participating agencies can now take advantage of Amazon Business' dynamic marketplace pricing, helping to ensure competitiveness and best-value pricing for education and public sector organizations.

"The competitively-solicited contract helps education and public sector organizations purchase directly from the Amazon Business marketplace, which includes small, local and socio-economically diverse businesses. More than 90,000 public sector organizations, from individual schools to school districts to higher education institutions across the nation, can now access multiple purchasing categories in an online marketplace, as well as be confident that they are receiving dynamic and competitive pricing. We have seen great progress to date and look forward to continuing to work with Prince William County Public Schools and U.S. Communities."
- 9 Below is U.S. Communities' full reply regarding the question about the benefits of this contract to its members:
 - Lower Total Cost of Procurement: value is delivered through lower prices paid, streamlined end-user discovery and buying experience, and an expedited procure to pay solution
 - Improved Compliance and Reporting: Registered agencies have access to tools that help adhere to public sector procurement regulations, and controls that drive adherence to organizational policies and preferences
 - Supports Supplier Diversity: Enables agencies to find sellers and report on purchases from local, small, and socio-economically diverse suppliers to meet sourcing diversity requirements.
 - Complimentary Shipping: Complimentary access and use of Business Prime Shipping through December 31, 2018."
- 10 These documents were obtained via Freedom of Information Act request by the National Office Products Alliance, and shared with ILSR.
- 11 See, for instance, the widely cited paper: "Desiderata: Objectives for a System of Government Contract Law," Steven L. Schooner, *Public Procurement Law Review*, 2002.
- 12 "New Contract Webinar: Online Marketplace," *U.S. Communities*, February 2017.
- 13 "Amazon Says It Puts Customers First. But Its Pricing Algorithm Doesn't," Julia Angwin and Surya Mattu, *ProPublica*, Sep. 20, 2016.
- 14 "Nike Thought It Didn't Need Amazon—Then the Ground Shifted," Laura Stevens and Sara Germano, *Wall Street Journal*, June 28, 2017.
- 15 "Competing with Complementors: An Empirical Look at Amazon.com," Feng Zhu and Qihong Liu, *Harvard Business School*, Working Paper 15-044, April 28, 2015; "Upstream Commerce Retail Intelligence Research Finds Amazon Muscles In On Its Own Vendors' Best Sellers," *News Release*, Oct. 28, 2014.
- 16 Amazon's quarterly reports.
- 17 See also: "Taking the Battle to Amazon," Sandy Grodin, *Independent Dealer*, March 2018.
- 18 "Amazon Business and GSA Advantage: A Comparative Analysis," Holland D. Canter and Tabitha J. Gomez, *Naval Postgraduate School*, December 2017.

- 19 "Event Schedule," 2018 Spring Conference, *Iowa Association of School Business Officials*, accessed April 25, 2018.
- 20 "Amazon's business marketplace hits \$1 billion in sales," Nandita Bose, *Reuters*, May 4, 2016.
- 21 "Anne Rung," LinkedIn profile, accessed March 2018.
- 22 "Marion Marin," LinkedIn profile, accessed March 2018.
- 23 Section 801 of H.R. 2810—FY18 National Defense Authorization Bill, Chairman's Mark, June 26, 2017.
- 24 "Amazon Vies for Federal Business, Denies Crowding Competitors," Sam Skolnik, *Bloomberg Government*, April 20, 2018.
- 25 "Contractors Set to Protest Major JEDI Cloud Solicitation," Sam Skolnik & Daniel Seiden, *Bloomberg Government*, May 8, 2018.
- 26 See above at note 24.
- 27 See above at note 24.
- 28 In a February 2017 webinar presentation by Amazon Business for U.S. Communities members, for instance, the presenter for Amazon, Daniel Smith, said, "Anne Rung, who leads our government practice, has very much been a part of this process as well." As another example, on a March 2018 document outlining a modification to the contract, Rung signed for Amazon.
- 29 We submitted 90 data requests in all. The 60 requests contained in this report are those of the communities from which we heard back, the communities that waived fees or that have low fees to access public records, and the communities that made clear what their search of records encompassed. Our methodology is not randomized; we made decisions on where to submit requests based on which communities have straightforward data request processes, which communities waive fees for access to public records, and also, simply, which communities responded. Similarly, we strove to submit requests in communities that are diverse in geography and size, but this is not a representative sample.
- 30 AuthorEarnings via "Apple's Getting Back Into the E-Books Fight Against Amazon," Mark Gurman, *Bloomberg*, Jan. 25, 2018.
- 31 The full statement from the City of Portland: "The City of Portland offered this statement on its purchasing from Amazon: "In regards to all procurement, the City of Portland has a very strong Purchasing Policy and procurement ordinance. With limited exceptions, all purchases of \$25,000 or more go through a formal competitive process (typically a Request for Proposals). For purchases between \$5,000 and \$24,999 the policy calls for a minimum of three quotes to be obtained before an item may be purchased. For purchases between \$1,000 and \$5,000, a purchasing card may be used and Departments are strongly encouraged to obtain the minimum three price quotes. Purchases below \$1,000 may be made at the discretion of the individual Departments, within our approved budget amounts. The City of Portland has preferred pricing with a variety of local Maine vendors (Maine Hardware for example), New England vendors (WB Mason for example) and national vendors (Office Depot, Amazon for example). While \$100,000 (the total on the spreadsheet we sent you) is a significant amount of money, we budgeted \$7.25 million for supplies in FY16. Ordering online in some cases saves time and productivity."
- 32 "South Carolina slaps a \$500 million price tag on Amazon's sales tax obligations over five years," Eugene Kim, *CNBC*, Nov. 9, 2017.
- 33 "What are the sources of revenue for local governments?," *Tax Policy Center*, accessed March 2018.
- 34 "Amazon and Empty Storefronts," *Civic Economics*, Sept. 2016.
- 35 *Ibid.*
- 36 "States Faced Revenue Shortfalls in 2017 Despite Growing Economy," Elizabeth McNichol and Samantha Waxman, *Center on Budget and Policy Priorities*, Oct. 4, 2017.
- 37 Amazon has since begun collecting sales tax in these states (though only on its own direct sales, not on its third-party sales). As its tax policy changed, Amazon also extended its U.S. Communities contract to serve public agencies in these states.
- 38 "Know What I Can and Cannot Purchase," Office of Procurement Services, *Virginia Commonwealth University*, accessed March 2018.
- 39 "Procurement Can Be a Powerful Tool for Local Economies, but Takes More Than a Policy Change to Work," Olivia LaVecchia, *Institute for Local Self-Reliance*, Aug. 27, 2015.
- 40 "The Economic Impact of the Small Business and Disabled Veteran Business Enterprise Programs on the State of California," Sanjay B. Varshney and Dennis H. Tootelian, *California State University at Sacramento*, June 2009.
- 41 See above at note 39.