



## Master Contracts Fee Change

The consolidation of dozens of activities from five agencies into the Department of Enterprise Services (DES) provided an opportunity to streamline the rate structure for our services. In the summer of 2012, the Department conducted a review to confirm the kind of rate structure it should use to cover the costs of the services we provide.

The review began with setting principles that guided DES in establishing rates, researching how other service organizations structure their rates, and developing alternatives.

The rate principles set by DES are:

- The rate is clear, easy to understand and easy to explain
- Customers feel confident about the accuracy of the charges
- Customers feel the rate structure will ensure they are paying a fair and equitable share of the total cost
- Charges are predictable, consistent and timely
- Rates should not create disincentives or barriers for the robust use of enterprise systems or services or enterprise policy when they would be in the state's best interest

The current master contracting fee structure is very complicated, with some vendor fees that are set dollar amounts, and others are based on varying percentages of sales. Some fees are by agency allocation and some are agency transaction fees. Yet other fees charge local governments based on the amount of their annual budgets. To simplify this, DES is adopting a single vendor management fee model for all contracting activity. There are no variable percentages and tiers; it is fair and equitable for all contract users.

State contract vendors will pay the state .74% of the total spent on contracts. Vendor management fees are a common practice in the public and private sector (19 other states currently have vendor management fees). The new fee model will take effect July 1, 2013.

By moving from the current complicated and confusing model to a single management fee for contract use, DES is meeting the rate principles and agency mission to deliver innovative business solutions to meet the needs of those we serve. By removing barriers to contract use like the current complicated rates, more state agencies and local governments will utilize master contracts, increasing the potential sales pool for contract holders.

DES is making the process of reporting sales consistent with the process most contract holders are currently familiar with, while making improvements to the system. Training will be provided to those not familiar with the online sales reporting system.

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