



WHITE PAPER

SOVRA's Fee Optimization Program: A Smarter Way To Drive Revenue and Fund Procurement Transformation

As state and local governments adjust to an environment with fewer federal resources, procurement departments are uniquely positioned to drive value strategically.



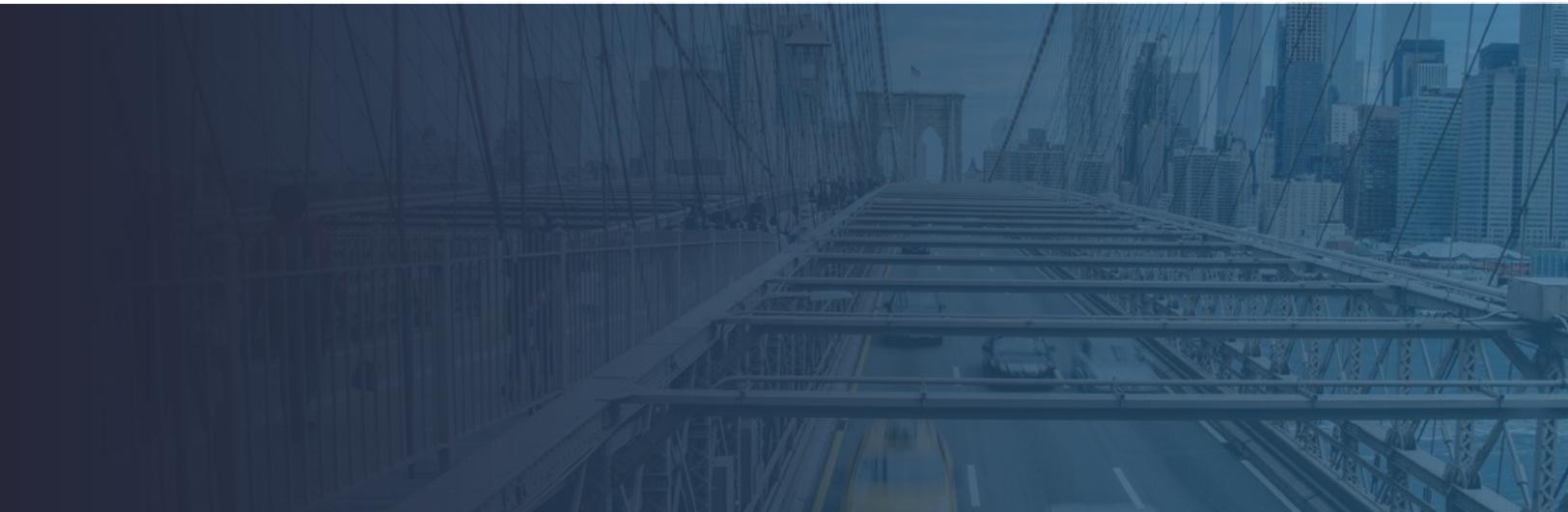
Statewide contracts are an excellent way for procurement departments to reap the benefits of collaborative purchasing and drive more engagement with local agencies. That said, due to challenges with awareness and collaboration, statewide purchasing is frequently underutilized without the proper support.

To combat these challenges, SOVRA has developed a free Fee Optimization Program that provides states with the strategy, tools, and support they need to capitalize on statewide contracts and vendor fees.

The program offers a tailored solution to each state that focuses on getting buy-in from vendors and local agencies, accurately tracking spend, and building on data-driven insights.

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Why Shift Towards Vendor Admin Fees

A Strategy for Navigating Budget Constraints

Implementing vendor admin fees is an effective way for state and local procurement departments to adjust to budget constraints and fewer federal resources. At the time of writing, 37 out of 50 states have already implemented or begun implementing this strategy.

The increased use of a vendor admin fee structure reflects the greater shift towards recognizing procurement's potential to create value beyond just savings by generating revenue. Leveraging these programs also underscores the importance of increased communication and collaboration to foster procurement benefits for state and local agencies.

How It Works

The basic foundation of this structure is that government vendors pay an admin fee in return for being able to participate in statewide contracts.

When done successfully, vendor admin fees support all parties involved by providing the following benefits:

- **State procurement** departments can generate more revenue.
- **Local procurement** agencies get access to streamlined purchasing and discounts.
- **Suppliers** lower their cost of sale and receive opportunities for larger contracts.

However, how you implement your vendor admin fee program can significantly impact its overall effectiveness and outcomes.

The Challenge: Moving from Ideation to Implementation

Once a vendor admin program is up and running, it can [provide states with a revenue stream](#) that allows them to work towards becoming self-funded and invest in **procurement optimization** initiatives. However, moving from idea to reality comes with a few potential roadblocks.

For many states, obstacles that can get in the way of successful vendor admin fee program implementation include:

- **Supplier buy-in and compliance:** Lack of communication about supplier benefits can limit vendor engagement. At the same time, inconsistent reporting and fee remittance hinder revenue collection and put states at risk for selective enforcement.
- **Local government engagement:** Up to 50–60% of statewide contract spend often originates from local governments. Yet, states lack visibility and strategies to fully engage this segment and maximize the impact of a vendor admin fee program.
- **Limited resources:** Procurement offices often operate with constrained budgets and staffing, leaving them ill-equipped to enforce compliance and promote contract utilization.
- **Contract awareness:** Limited awareness and engagement around statewide contracts reduces overall spend and hinders the potential for strategic sourcing. As a result, states miss opportunities to consolidate spending, streamline processes, and drive better outcomes.

- **Data visibility:** A lack of visibility into contract spend can lead to challenges in enforcing compliance and reassuring suppliers that a fair and transparent fee structure is being used.
- **Payment facilitation:** Without tools and processes in place to facilitate fee collection, states can't collect revenue from vendors to support investment in growth.

The good news is that these challenges can be addressed with the right strategies and support. They don't have to stop states from reaping the benefits of a vendor admin fee program.

How SOVRA's Fee Optimization Program Promotes Successful Implementation

At SOVRA, we've seen firsthand how vendor admin fees benefit the overall procurement ecosystem within a state.

That's why we've developed our unique [Fee Optimization Program](#), which empowers states to successfully move from ideation to implementation. SOVRA's program doesn't require upfront investment; instead, it's funded by a fee from the increased revenue it drives.

As a result, state procurement teams become empowered to generate revenue that [supports modernization](#) and investment into new technology solutions that drive government efficiency.

Vendor Admin Fees as a Smarter Approach to Procurement Process Improvement

Traditionally, state procurements modernize by investing upfront in major overhauls of their technology and processes. Because of the high cost, procurement professionals must wait for legislation and budget approvals before moving forward.

Even after they have a budget, the RFP and contract negotiation processes are time-consuming. Not to mention, it can take several years to encourage engagement and see a return on investment.

With the help of our Fee Optimization Program, states can overcome the challenges of optimizing a vendor admin fee program and begin collecting revenue in a matter of months. This can enable states to self-fund their technology investments without relying on legislation or waiting to build up a budget.

They also have the choice to upgrade tools incrementally if that's more feasible than an all-in-one overhaul.





Components of Successful Vendor Admin Fee Implementation

SOVRA's Fee Optimization Program offers key features that empower states to overcome the challenges of launching a vendor admin program.

1. Supplier Success Support

As the program relies on fees paid by vendors, their support and engagement is crucial. Our team achieves this by fostering strong relationships with suppliers and clearly communicating how they'll benefit from a lower cost of sale and access to larger contracts.

We take a collaborative approach that involves listening to suppliers and giving them the support they need to meet their obligations and maximize success.

2. Local Government Enablement

Local governments often account for a significant portion of statewide contract spend, yet they can lack the information and guidance needed to maximize their participation.

Our Local Government Managers work directly with these entities, promoting contracts, demonstrating their benefits, and providing tailored support to increase utilization. This engagement drives measurable results, boosting both local and statewide revenue.

3. Sales Report and Fee Collection

We streamline the collection of sales reports and fees from suppliers through a centralized, efficient process. This ensures that all funds owed are captured and accounted for, reducing administrative burdens on state staff while maximizing revenue collection. Our systematic approach eliminates inefficiencies and delivers consistent results.

4. Data-Driven Strategies

Gaining insight into existing processes makes it possible for states to understand and address gaps in their fee collection systems effectively. Our program begins with a comprehensive data-driven analysis of procurement workflows, which allows us to tailor our program to each state's unique needs.

This approach is powered by our team's actuarial expertise and allows us to engage key stakeholders and drive tangible results faster than the traditional approach.

5. Supplier Compliance Monitoring

Consistent and objective compliance enforcement is a cornerstone of our program. We ensure all suppliers adhere to contract terms, including timely fee payments, by implementing transparent escalation processes and maintaining open communication.

This approach alleviates the need for state staff to manage enforcement directly, preserving positive supplier relationships while ensuring accountability.

6. Contract Marketing

Our strategic marketing initiatives, which include targeted campaigns, webinars, newsletters, and supplier promotional materials, increase the visibility of statewide contracts. These efforts ensure contracts are well-publicized and readily accessible to the appropriate audiences, driving increased usage and supplier participation.



7. Marketplace

The Marketplace Program serves as an optional channel for promoting statewide contracts. By offering a centralized platform, we increase the visibility and accessibility of these contracts, encouraging broader utilization. This drives more value for participating suppliers and generates additional revenue for the state.

8. Program Optimization

Our team stays on to provide support and continually optimize the program to ensure your state achieves maximum value from its statewide contracts and earns the highest possible revenue.

Through data-driven analysis, we identify the best strategy for improving performance, whether it's refining fee structures, optimizing contract portfolios, or strengthening supplier relationships.

Benefits of SOVRA's Fee Optimization Program

1. Revenue Generation/Recovery

SOVRA's transparent compliance-driven approach generates buy-in from vendors and tracks government spending to capture fees accurately. As a result, state procurement departments can begin generating revenue and see a return on their time investment in a matter of months.

2. Optimized for Local Engagement

The Program's Local Government Managers (LGMs) work with community procurement departments to ensure program success by educating and engaging with local agencies. Promoting contracts and demonstrating their benefits increases utilization and drives more value for local agencies.

3. Increased Efficiency

The program reduces administrative burden and increases efficiency by providing centralized fee collection and [compliance enforcement](#). By supporting statewide contracts and purchasing, the program also drives efficiency for local procurement departments.

4. Data-Driven Insights

The increased data visibility from the Fee Optimization Program allows states to make more strategic decisions that benefit state and local agencies. These data-driven insights can also be used to continually optimize the program by identifying gaps in performance and opportunities to improve outcomes.

5. Improved Supplier Relationships

SOVRA's consistent and transparent fee structure and processes build and maintain trust with participating vendors. Beyond that, SOVRA's team actively nurtures supplier relationships through in-person interactions and our dedication to understanding and supporting supplier needs.



Success Stories: The Program in Action

Vendor admin fees have the potential to drive significant change in a short amount of time for state procurement departments. Here's a closer look at how SOVRA's Fee Optimization Program helped two states successfully implement vendor admin fees, maximize engagement, and increase department revenue.

Uncovering Hidden Revenue

The Situation

The state procurement department had an existing internal fee program and wanted to expand it to the entire state as a way to become self-funded and streamline procurement.

SOVRA's Approach

1. **Leverage a data-driven review:** Our team performed a data-driven analysis of the existing processes to find gaps in the current system and develop a consistent and transparent fee structure.
2. **Engage key stakeholders:** We used collaborative workshops to educate key stakeholders on areas for improvement and provided the state with an enhanced risk mitigation strategy designed to prevent service interruptions.
3. **Ensure compliance:** SOVRA implemented a systematic three-stage approach to track supplier activity, identify non-compliance, and provide vendors with the information and support needed to achieve compliance.

The Results

The department saw a **50% increase in revenue from supplier fees within a few quarters**, and additional revenue allowed the state's procurement office to become self-funded and invest in further improvements.

Transforming Local Spend into Statewide Revenue

The Situation

The state procurement department was already using an eProcurement solution but faced challenges in maximizing the use of statewide contracts. They wanted to shift away from an internal fee structure and implement vendor admin fees.

SOVRA's Approach

1. **Help pass legislation:** SOVRA collaborated with the state to pass the required regulations to implement a vendor admin fee structure.
2. **Amend existing contracts:** After the regulations were passed, our team actively amended existing contracts to reflect fees.



1. **Engage with vendors and local buyers:** We maintained proactive and open communication with vendors, highlighting the program’s benefits and ensuring they felt supported during the transition. Our team also promoted statewide contracts with local agencies and provided education on consistent fee collection.

The Results

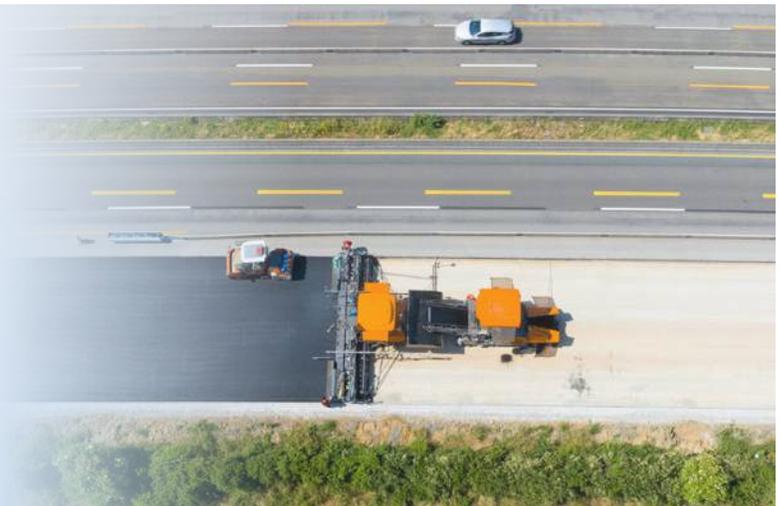
Local government spending on statewide contracts **increased from \$6–8 million to over \$100 million per quarter**. By providing data visibility, the state also demonstrated the state’s commitment to transparent and accountable procurement practices.

Chart a Smarter Path Forward with SOVRA’s Fee Optimization Program

The SOVRA Fee Optimization Program empowers states to unlock the power of statewide contracts, opening the path toward hidden revenue and streamlining procurement operations. With a proven track record of real-world success, the program is uniquely positioned to address the challenges of modern procurement.

Discover how this free **Fee Optimization Program** can help your state department modernize effectively and drive value.

[See it in action!](#)



SOVRA

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