



DEPARTMENT OF GENERAL SERVICES
OFFICE OF STATE PROCUREMENT
ACTION AGENDA
December 18, 2024



SUPPLEMENTAL

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40-IT-MOD. INFORMATION TECHNOLOGY
Department of General Services

Contract ID: Self-Funded eGovernment Services; *CTR015984*
ADPICS No.COK78193

Contract Approved: DGS 58-IT, 12/13/2023

Contract Description: Self-funded eGovernment services, including hosting of eGov applications for use by multiple agencies, including all hardware, software, project management, design, application development and maintenance, hosting, payment processing, marketing, and customer support necessary for the success of the eGovernment services.

Modification Description: Extend the transition period by an additional 12 months; and include the option of transaction costs for certain services identified as incompatible with the convenience fee model

Awards: NIC USA, Inc. (d/b/a Tyler Technologies); Overland Park, KS

Contract Term: 1/04/2024 – 12/31/2028

Modification Term: 12/19/2024 – 12/18/2025

Original Amount: \$18,173,076

Modification Amount: \$50,000.00

Prior Options/Mods: N/A

Total Contract Amount: \$18,223,076

Percent +/- Change (this item): 0.28%

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Procurement Method: Competitive Seal Proposals

Living Wage Eligible: Yes

MBE/VSBE Participation: 0% / 0%



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MBE/VSBE Compliance: 0% / 0%

Performance Security: None

Hiring Agreement Eligible: N/A

Requesting Agency Remarks: The original contract for Self-Funded eGovernment Services, contract No. 060B7400004, contained two principal payment mechanisms for customer services: a Transaction Cost Model and a Convenience Fee Model. Under the Convenience Fee Model, service is provided as a direct charge to the customer per transaction. For example, if a license cost \$10.00, the customer seeking the license would pay an additional “convenience fee” on top of the charge for the license—resulting in a higher price to the customer. Under the Transaction Cost Model, service is provided as a direct charge to the agency, with the contractor invoicing the State on a monthly basis for each customer transaction—resulting in lower revenue to the State. For example, if a license cost \$10.00, the contractor receives (through the State’s invoice process) a certain percentage of that charge and the customer seeking the license would not pay any additional amount on top of the \$10.00 charge for the license.

To ensure continuity of service, and with BPW approval, the original contract was extended until December 14, 2023, to allow time for completion of a competitive procurement for the successor contract. The procurement process was successfully completed, and the Current Contract took effect on December 13, 2023.

Under the Current Contract, the State sought to transition to a fully self-funded model and eliminated the Transaction Cost model. As mentioned above, the Current Contract does not include the Transaction Cost model, and as such, there are no State funds available for payments of any kind under this contract. The transition to a fully self-funded model and elimination of the Transaction Cost Model requires a transition of all services under that model to the Convenience Fee model.

The Current Contract provides for a 12-month transition period to implement the Convenience Fee Model. However, this shift to an end-user-funded approach has proven much more complex than anticipated. To date, of the 17 services that use the Transaction Cost model, three services have successfully transitioned to the Convenience Fee model, eight are scheduled to transition at the end of November 2024, three will be processed through Truist using the State Treasurer’s Office (STO) Merchant Services Contract, two are awaiting agency decisions, and one is scheduled to transition to the convenience model at the end of December 2024. At all times during the transition period, Tyler Technologies has continued to provide services to the State in good faith while working towards the complete transition.



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During the ongoing transition of services to the Convenience Fee model, DGS identified, at a minimum, two services that justify maintaining the Transaction Cost model. MDH offers a service that provides eligible constituents discounted healthcare based on their income, and charging a convenience fee for this service would be counterproductive, i.e., it would serve to increase the cost to those obtaining healthcare through this program. Similarly, the Maryland State Police (MSP) offers a firearm permit application service, and by law, it cannot charge more than the \$10 statutory fee. Adding a convenience fee would exceed this amount and raises concerns about the lawfulness of the additional charge. Both MDH and MSP wish to continue covering these fees on behalf of their customers under a Transaction Cost Model.

As mentioned above, the Current Contract is intended to be fully self-funded. Section 2.1.2 of the RFP states: The funding to support the services is based on various fees leveraged by the contractor for use of these services. In its proposal, the Offeror will propose a fee structure that results in the system being entirely self-funded, that is, the State will not provide any additional funding to the contractor beyond what is collected through the system.” Notwithstanding the foregoing, the contractor did propose using the Transaction Cost Model in its Technical Proposal. However, no pricing for this model was included in the financial proposal, and the use of the Transaction Cost Model was not before the Board when the contract was brought for its approval, i.e., there is no mention of it in the related agenda item.

Based on the newly apparent need for a Transaction Cost Model for certain services, DGS requests a modification of the current contract to include the Transaction Cost Model for limited services based, in part, on the Offeror’s technical proposal. At the State’s request, Tyler Technologies has provided historical transaction cost amounts for prior work and estimated transaction costs for the few services that are inappropriate for the Convenience Fee Model. Future transaction costs under the proposed modification will be consistent with the costs under the old contract.

There are no MBE or VSBE goals because this is a cloud-based platform; therefore, there are no subcontracting opportunities available.

Fund Source: 100% Special Funds (User Fees)

Approp. Code: User Funded

Resident Business: No

BOARD OF PUBLIC WORKS

THIS ITEM WAS:

APPROVED

DISAPPROVED

DEFERRED

WITHDRAWN

WITH DISCUSSION

WITHOUT DISCUSSION