SURVEY OF STATE PRACTICES FACT SHEET:

Administrative Fees

A look at the use of administrative fees by state procurement offices as reported in the 2022 NASPO Survey of State Procurement Practices.

Forty-five states and territories participated in the survey.

NASPO
National Association of
State Procurement Officials

Creating and facilitating dynamic, multi-award cooperative contracts requires more time, personnel, and other resources than contracts that would only be used by one public entity. This is true whether the purchasing entity is a state office, federal department, or cooperative organization.

One of the ways public agencies offset these additional costs is by levying administrative fees. Administrative fees are assessed to cover the administrative costs associated with developing, establishing, and managing a contract. Beyond the contracting process, administrative fees can also encompass fees charged by central procurement offices for other services and tools provided to outside entities.

COMMON EXAMPLES OF ADMINISTRATIVE FEES INCLUDE:

- A fee for purchases made on a statewide or cooperative contract as a small percentage of the purchase price
- A flat transaction fee assessed on every purchase through an online catalog or e-procurement platform
- A membership or registration fee for access to specific programs, services, or contracts
- Fees for procurement training or certification services provided by the central procurement office

The Texas Department of Information Resources (DIR) provides a useful example administrative fees are established and adjusted.

DIR undergoes fee setting and establishment on an annual basis for each program—Cooperative Contracts, Communications Technology Service (CTS), and Data Center Service (DCS). However, financial operating results are monitored throughout the year to determine if DIR is generating revenue at levels needed to recover costs. DIR's fee-setting methodology is based on the following process for each program:

1. Determine total operating expenses to be recovered by administrative fees
2. Forecast customer demand for goods and services
3. Set fees at levels that will recover operating costs based on forecasted customer consumption
4. Monitor financial operating results throughout the year to determine if DIR is generating revenue at level needed to recover cost; and take correct action if necessary[1]

Most common among state central procurement offices is the collection of administrative fees associated with a statewide contract or master agreement. Generally, the authority to assess these fees must be covered in statute or code.[2] The fees allow the office to offset the resources spent to develop a contract that can be used to benefit other state offices and entities. Frequently, states allow local governments and public educational entities to purchase from statewide contracts.

NASPO's survey data shows that more than 60% of states allow not-for-profit organizations to purchase from statewide contracts.[3] By establishing these contracts, states provide value to the other public entities that participate, allowing them to leverage purchasing volume for better pricing. Suppliers' participation is rewarded with increased potential sales volume and a broader potential customer base. These principles are essentially the same for national cooperative contracts.

69%

of responding states charge some form of an administrative fee

The use of administrative fees is a long-established practice by the federal government. The General Services Administration's (GSA) Federal Supply Schedules provide a useful example. They include an Industrial Funding Fee (IFF) that awarded suppliers add to their contracted pricing. Suppliers report sales on the contract quarterly and transfer the collected fees (e.g., 0.75% of sales) to the GSA. The solicitation includes this requirement, and the GSA has mandatory provisions and clauses that outline the IFF process (GSAM 552.238-80). Federal fees are occasionally adjusted for inflation using calculation tools like this Bureau of Labor Statistics calculator.

DOES YOUR STATE CHARGE ADMINISTRATIVE FEES FOR THE USE OF STATEWIDE CONTRACTS?

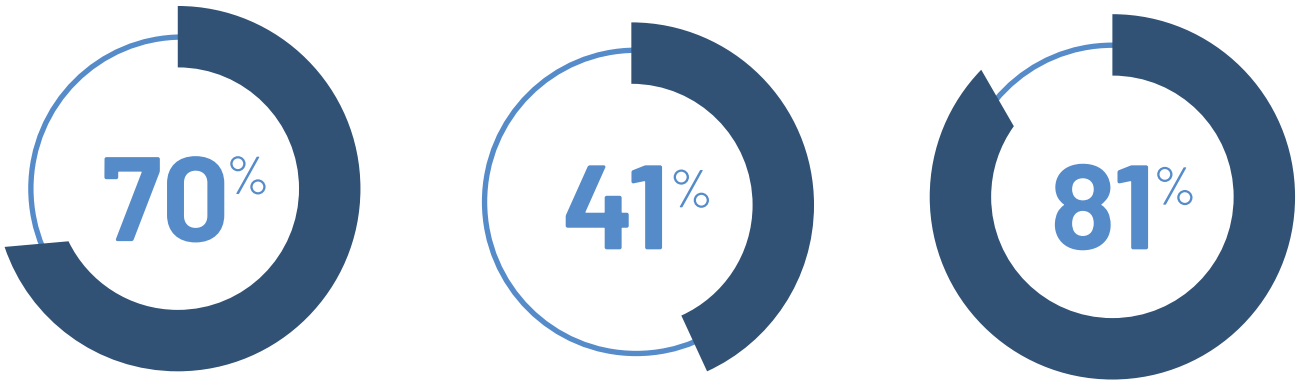
88%

of states that charge fees for the usage of statewide contracts also charge fees for the usage of national cooperative contracts

STATE ADMINISTRATIVE FEES:
By the Numbers

WHO PAYS?

Percentage of States that Charge Administrative Fees to:



STATE AGENCIES	POLITICAL SUBDIVISIONS	SUPPLIERS
26 to 37 Qualifying States	15 to 37 Qualifying States	30 to 37 Qualifying States

FUNDING SOURCES: *State Central Procurement Offices*

13% Completely or mostly funded by state appropriations

11% Completely or mostly self-funded by state appropriations and other fees

10% Funded through a combination of state appropriations and self-funding fees

OTHER NASPO DATA HIGHLIGHTS:

- Suppliers are the most common payers of administrative fees
- Most states that use administrative fees based on contract purchasing assess and collect them quarterly. Annually and monthly were the next most frequent responses
- Purchasing-based fees as a percentage of spend/sales range from 0.4% to 2% among responding states, with 1% being the most common

Read NASPO's 2022 Survey of State Procurement Practices Report for more information on state practices. You can also visit NASPO's Repository of State Practices (RoSP) for an overview of laws, policies, and resources for every state's central procurement office. NASPO's Content Library contains informational resources on a wide range of procurement topics pertinent to all levels of public procurement.

[1] "Administrative Fees," Texas Department of Information Resources, accessed July 7, 2023, https://dir.texas.gov/about-dir/administrative-fees.
[2] NASPO, State & Local Government Procurement: A Practical Guide, 3rd edition (Lexington: J. Ross, 2019), 190.
[3] "2022 Survey of State Procurement Practices Report," NASPO, accessed July 7, 2023, https://cdn.naspo.org/R&I%20Content%20Library/2022%20Survey%20of%20State%20Procurement%20Practices%20Report.pdf