

March 27, 2017

Contract Vendor Management Fee Change Implementation Plan

Department of Enterprise Services (DES) is in the process of implementing a vendor management fee (VMF) rate change, pursuant to state contract terms. The new VMF rate will be up to 1.5 percent with some exceptions (for example: PCard, Fuel, Infant Formula, and potentially Federal Transit Authority funded contracts).

Amendments initiating the new VMF rate are being sent to state contract vendors in a phased approach, with start dates effective April 1, July 1, and October 1, 2017. [View the effected contracts listed by phase](#). These dates align with the next three quarters for billing purposes.

The new rate is consistent with other states' rates, helps DES meet federal fiscal requirements and is essential for cost-recovery (as required by state law).

We are working with vendors to ensure they have the flexibility necessary to manage this change, and are here to answer any questions vendors, or our customer agencies, may have. A copy of this communication and the [list of contracts](#) will be posted on the [Purchasing from Washington State Contracts webpage](#) on the DES website.

Frequently Asked Questions

1. ***Which suppliers have been sent this notification?*** The first round of [contracts](#) (i.e., those which take effect on April 1, 2017) have been notified. Additional suppliers will be notified in coming months as their contracts are amended in the next two phases (effective July 1 and October 1), as identified in the [contract list](#).
2. ***What should we tell suppliers when they call us about price increases?*** Should you receive any questions please direct them to the DES Contracts & Procurement representative listed on their letter, or Brent Duncan - VMF Coordinator - at (360) 407-8778 or brent.duncan@des.wa.gov. As of today only 18 vendors of 225 notified have requested price increases.
3. ***Why is this change occurring in the last quarter of a biennium?*** The DES fee process lags a quarter behind the sales. For revenue to begin with the new biennium, the amendments must be executed in the last quarter of the previous biennium. Recognizing the impracticality of amending all contracts in the last quarter, DES used a phased approach with one wave of amendments in the last quarter of the biennium. Thus far about 8 percent (18 of 225) have requested to negotiate a price increase.
4. ***What cost recovery requirements does this fee meet?*** [RCW 39.26.050](#) requires DES to ensure full cost recovery for making goods and services contracts available to state agencies, local and federal government entities and public benefit nonprofit organizations.