NIC Marks 20 Years of Creating State Portals

David Raths | June 15, 2012

The trajectory of Mississippi's state Web portal may be emblematic of how e-government service organizations have evolved over the last decade.

Like many states, Mississippi made its first push into e-government in the 2000-2001 time frame. The project was awarded to IBM because the state sought a fixed-price agreement to develop a payment engine. The website was deemed successful, and the Mississippi.gov portal won a Best of the Web award from e.Republic's Center for Digital Government in its second year.

But over the next decade, the nature and value of portals changed. " They became much more important, expectations increased, and we weren't keeping up with what people expected in terms of new and new technologies," said state CIO Craig Orgeron. "The pace of technology development — with mobile and social media and multilingual offerings — has changed. It's challenging for states to keep up."

When Mississippi put out an RFP in 2010, it awarded the contract to NIC Inc., an Olathe, Kan., company that specializes in e-government and deploys a business model

that requires no up-front expenditure on the state's part. (NIC gets paid a percentage of transaction fees for certain online services such as license and registration renewals.) "NIC has come a long way in refining its model and making it repeatable and successful," Orgeron said. "Its business model funds the ongoing effort, and features developed in other states can be leveraged here. We now have features such as live chat, which is a great leap forward. Heretofore, we had never been able to do that kind of thing. I already feel like it is a successful partnership."

In the 20 years since NIC was founded by a group of Kansas businesspeople who wanted faster access to state government records, few private organizations have had a greater influence on how states conduct e-government. The company's self-funded portal model is used by 23 states, giving them a mechanism for financing technology improvements even when up-front IT funds are hard to come by.

Among other things, the company and its customers have pioneered point-of-purchase solutions that allow citizens to buy government licenses or make payments at private retail locations, electronic service suites that provide comprehensive services to business owners through a single portal, and secure mobile payment applications that let citizens purchase government services via cellphone. Furthermore, applications developed for one customer generally become available to the rest of the company's client base, making the NIC model an engine for innovation across nearly half of the states in the nation.

NIC has grown into a publicly traded company with 700 employees and revenue of $180.9 million in 2011. Last year, the company processed $17.8 billion on behalf of its government customers, which include 27 states and two federal agencies. And to date, none of the states that have signed up for its self-funded transaction fee services has opted to change vendors. Even 20 years later, Kansas is still a customer.

Yet as successful as it has been, NIC is not a household name. In fact, Chairman and CEO Harry Herington calls NIC something of a " stealth" company. "We don't step out front," Herington said. "We like to shine a light back on the partners as they embrace online transactions as a better way of doing business."

Herington said NIC actually was the brainchild of Brad Bradley, the company's current executive vice president, chief administrative officer and general counsel. "There was demand for online services by business that government was unable to provide at the time," he said. "Brad looked at a frustrating situation and figured out a way to make it work, not just for his firm, but for others as well. He spent five years to figure out how to get it done. That was quite an accomplishment."

In the late 1980s, Bradley was a Kansas attorney. He started thinking it would be valuable to have timelier access to laws that were passed, and started working with the state bar association to see what could be done. "I worked with state agencies and a coalition of business associations, such as insurance agents," he recalled. "It took two years to get a law passed and signed, another year to constitute an oversight board, and then nine months to craft the first RFP. Then a company called KIC, which later became NIC, bid on it."

Of course, more than 20 years ago it was largely universities and libraries that had Internet access. Businesses had modems and peer-to-peer access. "Even state agencies couldn't see their own information," Bradley said. But once workplace PC usage skyrocketed, businesses created much more demand. In 1992, the Web took off and NIC was created.

At that time, most states didn't have the Web tools or in-house skills to provide services that businesses were asking for. They started reaching out to NIC. "One tipping point was in 1995 when Nebraska and Indiana came to us and said, 'We need a solution for business and government transactions,'" Herington said. "By 1996, everybody needed a Web presence."

Growth has been steady ever since, and the company went public in 1999. Meanwhile, other vendors that targeted the enterprise state portal space have largely ceded the territory to NIC.

"What's happened is that they have developed deep expertise in a line of business and that provides a differential as a player in the market," said P.K. Agarwal, CEO of TiE Global, a nonprofit organization that promotes entrepreneurship through mentoring, networking and education. "Most of the competitors in this market — IBM, Accenture, BearingPoint — tried, but nobody was willing to take the degree of risk that NIC was willing to take," added Agarwal, who served as NIC's CIO before serving as California's CTO. "Many stepped out of the market. Now when states contract for this, there may be a local company or two bidding, but NIC has the expertise on how to do this right."

Dozens of companies sprouted up during the dot-com boom to try to offer e-government services, noted Rishi Sood, a Gartner vice president focused on the public sector. "Most of them tried to disintermediate," he said. "That is, they tried to take the citizen to a completely separate website to offer them services. NIC early on realized they were all in on partnerships with the states, and the states had to be front and center in the joint partnership decision-making. That proved to be a smart strategic move."

Agarwal also noted that NIC has tried to break into local and federal markets, but with less success so far. "The self-funded model doesn't really work on the local and federal levels, so then you're just a service provider competing with others," he said. " You've lost your big differentiator."

And on the federal level, NIC is competing with very established system integrators, Agarwal noted.

An early decision, Herington said, was to offer online access to information that regular citizens need, with or without an attached fee. (Most transaction fees are targeted at high-volume business users, not individual citizens.) "It was a risk, especially initially, to have a large percentage of the work at no cost to the states," he said.

The services provided through NIC's state portal partners have grown to include:

- access to driver records;
- renewing a driver's license or vehicle registration;
- paying a speeding/parking ticket;
- applying for a permit;
- providing documentation related to election laws;
- filing and paying taxes;
- filing a court document;
- doing criminal history searches; and
- registering/incorporating a new business.

So what's the secret sauce? How has NIC been so successful at winning and retaining state portal contracts?

Herington said that from day one, NIC executives told themselves they must focus on efficiencies. "These aren't transaction fees; they are fees for making something more efficient for businesses and citizens," he stressed, "and they have to perceive that value or we don't get paid. So it is part of our DNA. And if they pay that fee, it has to be because it is saving time and money."

Another early key decision was to hire and locate a dedicated team in each state. "We had heard frustration from states that hired a solution provider and all the work was done somewhere else. They ran into communication issues," Herington said. "We wanted a strong manager in each state who can respond to a CIO or governor and try to get them what they want. And their only responsibility is that state."

Mississippi's Orgeron appreciates that local flavor. "They hire workers who live and work in Mississippi," he said. "That is one of the perks. It means not having to get on a plane every other week to go see the developers."

Another differentiator is that NIC and the state partner set up a local oversight board with representation from state government and the public. "Lots of software companies can do portal development work, but NIC has done a nice job of partnering with government entities and have developed a nice governance model," said Bill Kilmartin, Accenture's finance and administration director for state and local government.

Maine was an early customer, starting work with NIC in 1999. "We were intrigued by this model they were beginning to implement," said Dick Thompson, current CIO of the University of Maine and former state CIO. "We understood the benefits of their approach, and we didn't have internal funds at the time to create an elaborate portal of our own. It was a decision to take a bit of a risk for both parties, because the model wasn't quite proven yet."

According to current Secretary of State Charlie Summers, the service that's still used the most is the one that was set up first: renewing registrations online rather than venturing to the physical town hall and waiting in line. (There have been more than 700,000 online renewal transactions through the service.) "We all realize the enormous cost savings," Summers said. "In the area of corporate filings alone, we have been able

to eliminate several positions in the department and keep the same service levels just because so much of it is now self-service."

One portal oversight board member, Ann Schink, who represents the Maine League of Women Voters, said the board has been very pleased with NIC's efforts in terms of both e-democracy and the section of the site pertaining to finding out about voting and election laws. " We were interested in all the transparency and sunshine possibilities of getting the public information about government services," she said, "but it's been interesting to see that a balance has to be maintained between free services and paid ones to fund the ongoing development work."

Texas, which had a portal development partnership with BearingPoint for several years, switched to NIC in 2009 and rebranded from Texas Online to Texas.gov at that time. "One of the main things that NIC offers is a fairly sophisticated payment engine that has back-end screens and reports that track transactions and refunds," said Janet Gilmore, assistant director of e-gov services. "It may not be one of the more glamorous features, but it is important."

Texas.gov now hosts more than 1,000 online services and processes more than 1.8 million transactions each month.

Karen Robinson, executive director of the Texas Department of Information Resources (DIR) and state CIO, said her philosophy is to actively engage with vendors. She wants to pick up the phone and bounce ideas off their execs. "We have been able to do that with NIC. They were great at partnering with the DIR on the transition plan and working with agency partners, and the work was extensive," she said. "We had to do a changeover to the new payment engine, the rebranding and move to PCI compliance all at once. It was a real challenge."

Back in Kansas, where NIC has its headquarters and origins, the state still finds the partnership valuable, said Jim Hollingsworth, executive director of the Information Network of Kansas. "The evolution has been fascinating," he said. "NIC has been an asset in helping us stay abreast of technology changes. As one of the oldest portals in the nation, we offer so many services that it's a challenge to find the balance between doing the maintenance on all of them and looking at new developments. But the self-funded model still works, and people who use the services wouldn't do it if they didn't perceive the value in paying for them."

Herington said NIC plays the role of research and development arm for state governments. It devotes considerable resources to how new technologies such as mobile devices will enhance portal offerings. " When Apple came out with the iPad, we had e-gov apps ready to go as soon as it was available," he said. "That is forward thinking." The states may not have time to look at these technologies, he added, " but we are thinking two to three years out."

Whether NIC will sustain its stronghold on the state portal market and can expand into federal and local markets remains to be seen. " There are always new technologies they will have to evolve their solutions to take advantage of, including cloud and mobile

technologies," said Gartner's Sood. "But governments also tend to value relationships over the latest technology. If you are invested in a trusting, long-term relationship with them, that usually trumps the technology issues."

NIC's dominance in the market might make some state IT leaders nervous that they don't have a lot of competitive options if they ever became unhappy with the relationship. But Mississippi's Orgeron said that as with any vendor relationship, you must have an exit strategy, and language in the contract about termination and taking your applications and data back. "And part of that is proactively managing the relationship so you don't end up there," he added. "NIC has a long-range track record, and I've met with their execs at NASCIO meetings. They have no complacency. In fact, I would say the opposite is true. They exhibit an excitement about new technologies and the possibilities they offer."

http://www.govtech.com/pcio/NIC-Marks-20-Years-of-Creating-State-Portals.html