

# Tyler Technologies and NIC - Integrate the Platform or Coordinate Around Local Contracts?

**Internal ID:** S&F-STR-555

**Topic:** Mergers & Acquisitions, Pricing Strategy, Business Models

**Industry:** Application Software

**Source:** Strategy & Finance

**Publication date:** 5 October 2026

**License:** Not specified

**Decision date and information cutoff:** 21 April 2021, after close

**Decision scope:** Tyler's operating integration of NIC

**Case convention:** This is an author-created decision exercise based on information available on the acquisition-close date. Proposed alternatives are hypothetical; no subsequent integration results are included.

## The decision

Tyler Technologies announced on 21 April 2021 that it had completed its acquisition of NIC Inc. The companies served different parts of the government market: Tyler emphasized local-government software, while NIC had a substantial state-enterprise digital-services business. Tyler described the combination as an opportunity to connect services and data and use its sales channels to expand access. NIC's CEO was retiring; other NIC leaders were to remain in Olathe. The release said the companies were still working on an integration plan. [P3], paragraphs 1-4.

**Assignment:** Assume you are advising Tyler's post-close integration team. Recommend how Tyler should combine the businesses' operating and commercial capabilities. Which activities should share systems, account planning, payment capabilities or product roadmaps? Which should retain local or contract-specific authority? Set decision rights and an evidence plan for testing cross-selling and coordination opportunities. The task is not whether Tyler should have acquired NIC.

## Two different government-software models

Tyler's 2020 Form 10-K described mission-critical products for local governments, including financial management, courts, public safety, planning, property/tax and related systems. Tyler also provided implementation and support, software-as-a-service subscriptions, e-filing and online payments. Subscriptions and maintenance represented approximately 73.3% of 2020 revenue; customer turnover was about 2%. Subscription revenue grew 18.3%, or 17.2% excluding recent acquisition effects. Management attributed growth to cloud conversion and higher e-filing and online-payment activity. These are Tyler's pre-close reported figures; they do not measure any NIC contribution or combined economics. [P1], Item 1, pp. 3-4; Item 7, lines 701-709.

NIC described two business channels: State Enterprise and software & services. In its 2020 reporting, it had three reportable segments-State Enterprise, Payments and TourHealth. Payments included certain software & services activities, while other software & services

activities were included in All Other. These labels describe different dimensions of NIC's business and reporting, not three equivalent delivery models. [P2], Item 1, lines 138-156.

Within State Enterprise, NIC typically funded development and ongoing operations for digital services under government contracts and earned a share of transaction fees. Individual NIC subsidiaries worked with agencies through statements of work, while oversight authorities approved pricing and revenue shares. NIC reported limited control over transaction fees it could retain. In 2020, interactive government services and driver-history records represented approximately 63% and 26% of state-enterprise revenue, respectively. Not every NIC service or contract used this model. [P2], Item 7, lines 831-837.

The subsidiary structure also reflected jurisdictional relationships. NIC described its local subsidiaries as having substantial autonomy, but this does not mean every subsidiary or state contract had identical terms or operating practices. The filings describe a typical contract framework; the acquisition team had not publicly mapped the specific contracts, approvals, or change-of-control constraints relevant to integration. [P2], Item 1, lines 138-149; Item 7, lines 822-836.

NIC typically owned intellectual property in applications developed under state-enterprise contracts. After a defined contract term, a government partner typically received a perpetual, royalty-free license to use applications developed for its own state. There was an important exception: certain customer-management, billing, payment-processing and other centrally standardized applications provided on a SaaS basis were excluded from that royalty-free license. Actual contract terms may vary. [P2], Item 7, lines 831-835.

## **Potential fit-and what remains a hypothesis**

Tyler's broad local-government customer base and sales channels could create opportunities to introduce NIC services to more agencies. Shared payment capabilities, data interfaces or account planning might connect services across jurisdictions. Tyler's release presented these as strategic opportunities, not realized cross-selling or tested technical interoperability. No customer-overlap analysis, conversion rates, pricing economics, migration cost or quantified synergy estimate was disclosed in the reviewed sources. [P3], paragraphs 2-3.

The operating risks also differed. Tyler's systems were described as mission-critical local-government applications with recurring subscriptions and maintenance. NIC's state-enterprise economics depended on government-approved transaction pricing, fee shares, agency work orders and services funded by NIC. Centralizing product, sales or payments might create leverage, but could also conflict with state-specific obligations or relationships. The public filings did not establish which systems could be combined or which contracts allowed standardized pricing and service changes. [P1], Item 1, pp. 3-4; [P2], Item 7, lines 822-836.

Tyler said NIC's other leaders would remain in Olathe as planning continued. That offered continuity, but retention intentions did not guarantee that key expertise would remain or that governance would be clear. The team had to decide how much authority to centralize while the detailed operating design was still open. [P3], paragraph 4.

## Exhibit 1. Business-model comparison at close

| Dimension                     | Tyler before NIC close                                                                                                      | NIC before acquisition close                                                                                                                                                                                                                                |
|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Primary customer setting      | Local-government departments and agencies using software suites and related services. [P1], Item 1, pp. 3-4.                | Two business channels: State Enterprise and software & services. NIC reported three 2020 segments: State Enterprise, Payments and TourHealth; certain software & services activities were in Payments and others in All Other. [P2], Item 1, lines 138-156. |
| Revenue logic                 | Recurring subscriptions and maintenance, implementation/support, e-filing and online payments. [P1], Item 7, lines 689-709. | State enterprise typically funded development and operations and received transaction-fee revenue shares; other services could use different arrangements. [P2], Item 7, lines 822-837.                                                                     |
| Customer / partner governance | Tyler reported approximately 2% customer turnover in 2020.                                                                  | Government oversight authorities approved transaction prices and revenue shares; NIC said it had limited control over retained fee levels. Specific terms varied by contract.                                                                               |
| Operating design              | Broad product suite, implementation and support capabilities.                                                               | Separate subsidiaries with substantial autonomy in state relationships; not all NIC entities/contracts identical.                                                                                                                                           |

The table compares reported models, not comparable margins or contract-level economics. No combined financial results are calculated.

## Exhibit 2. Possible operating designs

| Alternative                                                                                                                                                                           | Potential advantage                                                                             | Principal concern                                                                                                                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Integrate broadly:</b> unify product roadmaps, payment technology, commercial coverage and common operating controls                                                               | May coordinate related capabilities, reduce duplicated effort and accelerate combined offerings | Can over-standardize state-specific obligations, disturb relationships or assume interoperability and cross-selling that have not been shown |
| <b>Preserve NIC's decentralized model:</b> retain state subsidiaries and contract delivery authority, with Tyler providing portfolio-level direction                                  | Protects jurisdiction-specific knowledge, partner relationships and service continuity          | May leave shared capabilities and commercial reach underused; can preserve avoidable duplication                                             |
| <b>Coordinate selectively:</b> maintain NIC's partner-facing contract accountability while defining shared interfaces, joint account planning and opt-in product/payment coordination | Targets plausible complementarities while allowing variation by contract and jurisdiction       | Requires clear revenue ownership, investment rules and escalation paths; coordination can be slow or costly                                  |

These are classroom options, not a claim about the approved integration plan. A strong recommendation may vary by activity or contract. State what evidence would justify moving from one level of coordination to another.

## Questions for discussion

1. Why might Tyler's subscription-and-software model and NIC's state-enterprise model complement each other? Where do their economics and customer governance differ?
2. Which capabilities should be integrated, coordinated through interfaces, or left under local/contract-specific authority? Explain your boundaries.
3. How should Tyler test cross-selling and shared payment opportunities without assuming customer overlap or uniform state contract rights?
4. What decision rights and governance should apply to pricing, product changes, customer relationships, software/IP, service commitments and shared investment?
5. What operating and customer evidence should trigger deeper integration, continued autonomy or a redesign?

## Sources and conventions

**P1.** Tyler Technologies, Inc., [2020 Form 10-K](#), filed 19 February 2021; year ended 31 December 2020. Item 1, pp. 3-4; Item 7, lines 689-712.

**P2.** NIC Inc., [2020 Form 10-K](#), filed 26 February 2021; year ended 31 December 2020. Item 1, lines 128-154; Item 7, lines 822-837.

**P3.** Tyler Technologies and NIC, ["Tyler Technologies Completes Acquisition of NIC"](#), 21 April 2021, paragraphs 1-4.

Company strategic claims are attributed; all cross-selling, shared-platform and synergy benefits are hypotheses. Financial figures retain their reported periods and definitions. NIC contract and subsidiary terms vary; the SaaS exception to certain perpetual-use licenses is stated explicitly. No post-21 April 2021 outcomes or combined economics are included.