

# Report on Progress and Next Steps

January 31, 2018



**Business Diversity**  
Subcabinet



## Index

[Page 2 – Executive Summary](#)

[Page 3 – Key Progress](#)

[Page 5 – Governor Inslee Formed the Business Diversity Subcabinet](#)

- [Page 6 – Action Item #1 – Complete Disparity Study and Evidence-Based Recommendations for Change](#)
- [Page 7 – Action Item #2 – Legal Framework Clarification to Provide Easy to Understand Policy Implementation and Training](#)
- [Page 8 – Action Item #3 – Populating the Measurement Framework](#)
- [Page 9 – Action Item #4 – Streamlining the Certification Process to Improve Experience](#)
- [Page 10 – Action Item #5 – Removing Barriers with Technical Assistance](#)
- [Page 11 – Action Item #6 – Sharing Knowledge through a Community of Practice](#)

[Page 12 – Community of Practice Framework](#)

[Page 13 – Community of Practice Pilot Programs](#)

- [Page 13 – DSHS client service contractors](#)
- [Page 13 – Inclusion of purchasing card data](#)
- [Page 14 – DES, WSDOT & OMWBE data collection](#)
- [Page 14 – DES veterans outreach pilot](#)
- [Page 14 – WSDOT mentor protégé program](#)
- [Page 15 – DES public works inclusions plans](#)
- [Page 15 – Office of Minority and Women’s Business Enterprises targeted outreach](#)
- [Page 16 – Department of Labor and Industries](#)

[Page 16 – Agency Successes](#)

- [Page 16 – WSDOT participation goals and inclusion plans](#)
- [Page 17 – WSDOT disparity study](#)
- [Page 17 – WSDOT community engagement](#)
- [Page 17 – Office of Minority and Women’s Business Enterprises Outreach to Agencies](#)

[Page 18 – Business Diversity Subcabinet Members](#)



## Executive Summary

Approximately 85 percent of the small certified minority-, women- and veteran-owned firms that do business with the state are located in Washington. Small businesses are the backbone of the state's economy, employing 1.1 million workers – about 40 percent of Washington's workforce. Successful small businesses led by minorities, women and veterans help make our economy and our families more resilient – strengthening our communities and improving the quality of life for all Washingtonians.

There are real financial consequences and community impacts to not meeting Governor Inslee's goals for utilizing certified minority-, women- and veteran-owned businesses. State spending with these firms has steadily declined since the 1998 passage of Washington State Initiative 200 (codified in RCW 49.60.400). For example, in Fiscal Year 2015, state agencies and educational institutions spent \$5.8 billion with private businesses. Only \$162.1 million was spent with certified minority-, women- and veteran-owned firms. If the state had met Governor Inslee's goal of 21 percent utilization, another \$1 billion would have been invested in our small minority-, women- and veteran owned business community. That's why Governor Inslee formed the Washington State Business Diversity Subcabinet in July, 2015.

The state has many responsibilities when spending public funds, including eliminating barriers to participation in public works and contracting by persons who have faced historical discrimination. Access to economic opportunities is not equal. Small minority-, women- and veteran-owned firms face institutional barriers that prevent equitable access to public contracts and procurements, including:

- Access to capital (startup, opportunities, growth, bonding, retainage).
- Access to markets in which the firm can succeed.
- Navigating government contracts and procurements.

Ensuring these businesses have contracting opportunities also gives state government access to a wider array of business solutions, helps drive innovation and strengthens economic growth.

The Legislature finds that minority and women-owned businesses are significantly under-represented and have been denied equitable competitive opportunities in contracting. It is the intent of this chapter to mitigate societal discrimination and other factors in participating in public works and in providing goods and services ...

-Intent section of legislation that formed  
The Office of Minority and Women's  
Business Enterprises

# Business Diversity Subcabinet



The Subcabinet is taking action based on a comprehensive plan to deliver real and sustainable results. This report provides an update on the Subcabinet's work and on progress and next steps.

## Key progress

### DONE

- ✓ Deployed a multi-agency team to hold community listening sessions, diagnose root causes of problems, identify data gaps and obstacles, and recommend short-, mid- and long-term actions.
- ✓ Organized the root cause analysis into six action areas:

Disparity Study



Legal Clarification



Measurement Framework



Improve Certification Experience



Technical Assistance



Community of Practice



- ✓ Worked with stakeholders to design a comprehensive statewide disparity study, launched the study and completed the majority of data collection.
- ✓ Worked with stakeholders to request an opinion from the State Attorney General, which has been delivered. The opinion clarifies the state's contracting and procurement legal framework, including RCW 49.60.400 (Initiative 200).
- ✓ The Washington State Departments of Transportation (WSDOT) and Department of Enterprise Services (DES) successfully instituted inclusion plans. Plans provide a strategic approach to achieve increases in utilization in specific contracting areas, with results that are tracked and measured.
- ✓ Identified initial best practices for agencies to strategically target increases in utilization of minority-, women- and veteran-owned firms.
- ✓ Launched technical teams to accomplish mid-term recommendations. The status of each technical teams' progress and deliverables are outlined in this report.
- ✓ Reduced timelines for certification of small minority- and women-owned businesses.

### DOING

- ✓ Technical teams are meeting to implement the following action items:

# Business Diversity Subcabinet



- Creating a measurement framework to provide a dashboard of measures to drive meaningful change and monitor results.
- Further streamlining certification for small minority- and women-owned businesses.
- Creating centralized online support to help small minority-, women- and veteran-owned businesses access government contracts and technical assistance.
- Forming a Community of Practice to share knowledge and best practices among the state's procurement officials.

## NEXT STEPS

- ✓ Implement technical team action items.
- ✓ Develop and launch action plan for disparity study recommendations, when complete.
- ✓ Finalize guide to assist state agencies regarding Attorney General's Opinion.





## Governor Inslee Formed the Business Diversity Subcabinet

In 2015, Governor Inslee formed the Washington State Business Diversity Subcabinet (Subcabinet) to increase participation by small minority-, women- and veteran-owned businesses in Washington state procurement and contracting.

Washington's diversity is one of its greatest economic and cultural strengths, yet in Fiscal Year 2015, only 2.9 percent of the \$5.4 billion the state spent with the private sector was with small businesses owned by women, minorities or veterans. This is far below Governor Inslee's goal of 21 percent (10% minority-owned, 6% women-owned and 5% veteran-owned businesses).

Diversity in state contracting is good business and good for the state. We need to do better. That's why Governor Inslee formed the Business Diversity Subcabinet.

As Governor, one of my top priorities is to foster a strong economy that works for everyone. That means more opportunity, great prosperity, and better quality of life for all.

-Governor Jay Inslee

The Subcabinet's Action Plan identifies six major action areas:

**Disparity Study**



**Legal Clarification**



**Measurement Framework**



**Community of Practice**



**Improve Certification Experience**



**Technical Assistance**



The Subcabinet is supported by a work group and technical teams. The technical teams are speeding implementation in the following areas:

- Measurement framework
- Community of practice
- Improve certification process
- Technical assistance

The status of each action item is outlined below along with successes achieved to date.



## Action Item #1: Complete Disparity Study and Evidence-Based



### Recommendations for Change

The Subcabinet launched the first comprehensive statewide disparity study. The purpose of the study is to examine whether there are disparities between the contracting dollars the state awards to minority-, women-, and veteran-owned business and the availability of eligible contractors. The disparity study will provide a factual foundation that Washington can use to help ensure that all state agencies are using procurement processes that result in fair and equitable outcomes. See: <http://wastate.disparity-study.com/>

The study looks at goods and services as well as public works contracting and purchasing throughout state agencies. It does not duplicate a 2017 disparity study on transportation-related contracts commissioned by WSDOT.

WSDOT also completed a disparity study in 2017 that analyzed the disparities between utilization and availability of minority- and women-owned firms for transportation-related projects. Federal rule requires WSDOT to conduct periodic disparity studies, which they use as the basis for setting mandatory goals for the inclusion of minority- and women-owned firms on federally funded transportation projects. See: <http://wsdot.disparity-study.com/>

### DONE

- ✓ Developed study scope with help of an advisory committee. Considerable time was needed to understand the problem, discover initial needs and identify our vision for our future and the results we want to achieve.
- ✓ Selected contractor, Colette Holt & Associates, to conduct the study through a competitive process. DES is overseeing the contract on behalf of the state.
- ✓ Launched Disparity Study Website, hosted by the study contractor.
- ✓ Completed Phase 1 and 2 of quantitative data collection: Collected contract data from 33 agencies and selected sample of contracts for further analysis.
- ✓ Completed Phase 1 and 2 of anecdotal data collection: Held public meetings in Eastern and Western Washington and stakeholder meetings throughout six regions of the state.

### DOING

- ✓ Consultant collecting additional data on sample contracts from 33 agencies.



## NEXT STEPS

- ✓ Winter or early Spring of 2018: Phase 3 of contracts data collection – prime contractor engagement to obtain missing data variables.
- ✓ Spring or early Summer of 2018: Phase 3 of anecdotal data collection – business owner meetings across the state.
- ✓ Finalize quantitative and qualitative analyses.
- ✓ By January 31, 2019: Final report and recommendations.

## Action Item #2: Legal Framework Clarification to Provide Easy to Understand Policy Implementation and Training



The Subcabinet received a formal opinion from the Washington State Attorney General regarding RCW 49.60.400 (state initiative I-200). The Subcabinet asked to clarify:

- Whether state law prohibits government entities from implementing race- and gender-conscious measures to address significant disparities in the public contracting sector that are documented in a disparity study, if it is first determined that race- and gender-neutral measures will be insufficient to address those disparities.
- Whether the answer to this question depends on if contracts are awarded by a state agency that receives federal funds and is therefore subject to Title VI of the federal Civil Rights Act.
- Link to Attorney General Opinion: <http://www.atg.wa.gov/ago-opinions/use-race-or-sex-conscious-measures-or-preferences-remedy-discrimination-state>

## DONE

- ✓ Opinion requested and received.

## DOING

- ✓ The Subcabinet is developing a plain-talked guide for state agencies and colleges.

## NEXT STEPS

- ✓ February 2018 - Finalize and publish guide.
- ✓ February 2018 - Review guide with agencies.
- ✓ March 2018 - Incorporate information into contract and procurement training.





## Action Item #3: Populating the Measurement Framework



The Office of Minority and Women's Business Enterprises (OMWBE) reports state agency and educational institution percentage of dollars spent with small minority-, women- and veteran-owned businesses. What other measures do we need to drive results and increase transparency and accountability?

### DONE

- ✓ Asked customers and stakeholders:
  1. Are we counting the right things?
  2. What other measures will drive results and increase transparency?
- ✓ Created a draft suite of measures based on input:
  1. Dollars spent by agencies and educational institutions reported by firm owner's gender, race and ethnicity.
  2. Number of firms certified in what industries.
  3. Number of contracts awarded to certified firms, by industry.
  4. Types of contracts, by industry.
  5. Location of businesses who received contracts.
  6. Dollar amount of contracts.
  7. Data from Disparity Study once available, including firm availability and use.
- ✓ Implemented measures 1 and 2 for Fiscal Year 2017 reporting.
- ✓ Created a technical team to vet measures 3 through 7.

### DOING

- ✓ Vetting measures 3 through 7, including accurate data sources.
- ✓ Evaluating methods to accurately report dollars spent to subcontractors and service providers, and items paid for with state purchase cards.

### NEXT STEPS

- ✓ Next reporting period (December 2018)
  - Start reporting on measures 3 through 7.
  - Implement reporting with inclusion of dollars spent with subcontractors and service providers, and items paid with state purchase cards.
- ✓ Create an easy-to-understand online dashboard for viewing report information.



## Action Item #4: Streamlining the Certification Process to Improve Experience



OMWBE certifies that a business is small and is owned and controlled by a minority, women or a person who is otherwise socially and economically disadvantaged.

Certification ensures public dollars are spent with business owners who have faced historical discrimination and barriers to accessing government contracts.

### DONE

- ✓ Eliminated unnecessary rule requirements to save small businesses time and money. Examples include eliminating notary requirements and allowing affidavits.
- ✓ Streamlined process for persons applying for both state and federal certification. Now one process and one fee.
- ✓ Implemented an online application system that allows applicants to upload all documents to a secure portal and provides online help.
- ✓ Created customer feedback process.
- ✓ Results:
  - Processing times down by 30 percent for state applications and 22 percent for federal over 2016.
  - Customer satisfaction 95 percent.
  - Number of certified firms increased 10 percent (238 firms) in 2017.
  - Backlog of renewals eliminated.

The process was actually easier than I thought it was going to be. Replies were very quick...within 24 hours. Everyone was very nice and very helpful...like they actually like their job!

-OMWBE customer service survey respondent

### DOING

- ✓ Reviewing processes and rules to identify additional efficiencies.

### NEXT STEPS

- ✓ Spring 2018: Make any needed rule changes to implement process improvements.



## Action Item #5: Removing Barriers with Technical Assistance



Small minority-, women- and veteran-owned firms indicate a key barrier to public contracts is a lack of a centralized resource system.

### DONE

- ✓ Worked with customers to identify common barriers where technical assistance is needed:
  - Access to capital.
  - Access to markets in which the firm can succeed.
  - Navigating government contracts and procurements.
  - Administrative side of running a small business, such as required licenses and permits and bidding/estimating.
- ✓ Reviewed small business guide on the Office for Regulatory Innovation and Assistance's (ORIA) web site and identified ways content can be customized to meet needs of small minority-, women- and veteran-owned firms.

The Washington State Department of Transportation provides firms free technical assistance in areas such as estimating and business plan development.

### DOING

- ✓ Identifying content gaps and drafting content.
- ✓ Evaluating format to navigate ORIA's site and enhance usability.
- ✓ Developing resources for access to capital, access to markets, and navigating government contracts.

### NEXT STEPS

- ✓ June 2018 - Develop web support services--persons available to help customers navigate and identify the right questions.
- ✓ June 2018 - Identify any overlap in services to small minority-, women- and veteran-owned firms and create efficiencies to fill in identified service gaps.
- ✓ June 2018 - Create feedback process.



## Action Item #6: Sharing Knowledge through a Community of Practice



As a state, we need a strategic, coordinated approach to improve contracting opportunities for small, minority-, women- and veteran-owned businesses. A key element is establishing a “Community of Practice” where state procurement professionals can access and share supplier diversity best practices.

### DONE

- ✓ OMWBE and DES developed initial supplier diversity best practices guide and distributed to all agencies.
- ✓ 100 percent of agencies submitted plans to increase utilization of small, minority-, women- and veteran-owned businesses.
- ✓ OMWBE and WSDOT are implementing targeted outreach to match small minority- and women-owned firms with contracting opportunities.

### DOING

- ✓ Establish standard templates for results categories/online resource directory for state agencies that will provide access to tools and information on best practices.
- ✓ Form teams within Subcabinet agencies to pilot new programs, and then develop tools and guides for successful programs.
- ✓ DES is developing a tiered plan to continually integrate agency and Subcabinet learning with employee training as well as tracking and accountability measures for achieving results.
- ✓ Create process to track results and update best practices.

### NEXT STEPS

- ✓ February 2018 - Launch online resource directory for state agencies.
- ✓ Spring 2018 - Begin strategically incorporating best practices into state’s procurement training.

WSDOT developed a mentor/protégé program to match small minority- and women-owned firms with prime contractors to help increase capacity. The prime contractor provides technical assistance in areas such as bidding, estimating, scheduling, general management and accounting.



## Community of Practice Framework

Our Community of Practice is a framework to elevate successful strategies across state agencies and incorporate successful supplier diversity procurement ideas into everyday practice.



This is a system that allows an idea to flourish and ultimately be used across the enterprise. Teams within Subcabinet agencies pilot ideas and document successful practices. Ideas that succeed are shared with the work group and Subcabinet for review, and then adopted into the Community of Practice. Then, key guidance and resources are brought to procurement professionals statewide to use in their daily practice.



## Community of Practice Pilot Programs

So far, agency experiments are being prototyped for later development. Highlights of these experiments include:

### DSHS client service contractors

**Challenge:** Client services contractors are currently not included in the OMWBE participation report. In large agencies like DSHS, client service contracts need to be tracked in order to find small minority-, women- and veteran-owned businesses to ensure provision of culturally competent services.

**Innovation:** The Subcabinet Workgroup discussed that client services, categorized in state financial systems as Sub Object NB, may contain a large portion of discretionary spend and should be measured. As an example, 89 percent of DSHS' operational expenditures are spent on client services, thus only 11 percent of operational expenditures are included in the OMWBE utilization report. A subgroup was formed to reconcile data and identify small businesses so that utilization of small minority-, women- and veteran-owned client services businesses can be measured and improved.



**What's next:** Improving the quality of the client service-related data by encouraging self-reporting on the contracted business owner's gender, ethnicity/race, and veteran status, and then analyzing one provider system at a time so that a framework to track utilization and encourage certification can be set up.

### Inclusion of purchasing card data

**Challenge:** The State currently does not have a system in place to collect data on dollars spent by agencies using a state purchasing card. Thus, there is no way to track whether agencies are making such purchases from small minority-, women- and veteran-owned businesses.

**Innovation:** Incorporate agency purchasing card data into agency reporting on spending to create a more accurate picture of total state spending.

**What's next:** DES, OFM and WaTech are working together with US Bank to obtain purchasing card data through an automated feed, and the Subcabinet is analyzing some methodologies





that would enable the state to identify the merchants to include in agencies' FY18 participation reports.

## DES, WSDOT & OMWBE data collection

**Challenge:** Multiple financial reporting systems, which do not communicate with one another, raise the risk of relying upon incomplete data heavy with error. Such data prevents accurate forecasting for upcoming contracting and procurement opportunities that small minority-, women-, and veteran-owned businesses could participate in.

**Innovation:** Obtain centralized diversity management software to track and manage data from agency contracts, including utilization of minority-, women-, and veteran-owned businesses. Monitoring and tracking is being conducted by DES for Public Works contracts, by WSDOT for all construction contracts, and by OMWBE for all certified business applicants.

**What's next:** DES is exploring expansion of the software solution to include DES Goods & Services as a pilot program and potential model for other agencies.

## DES veterans outreach pilot

**Challenge:** Provide the tools to help ensure there is a qualified pool of veteran-owned businesses in specific Construction and Goods & Services market segments, that the businesses are receiving notice of opportunities, and that they are visible to State agencies that are spending money in the market segments.

**Innovation:** DES is cross-referencing D&B Hoovers database and Agency self-identification data with state financial system data to identify veteran-owned businesses that are already doing business with DES, and then encouraging the businesses to become registered in Washington Electronic Business Solution (WEBS) and certified with the Washington Department of Veteran's Affairs (WDVA). Businesses certified in WEBS receive notices of bid opportunities.

**What's next:** Expand the DES pilot to DSHS.

## WSDOT mentor protégé program

**Challenge:** Small minority-, women- and veteran-owned firms face institutional barriers that prevent equitable access to public contracts and procurements, including access to capital and navigating government contracts and procurements.

**Innovation:** WSDOT developed a mentor/protégé program to match small minority- and women-owned firms with prime contractors to help increase capacity. This new program was



established to develop strong protégé firms through mentor-provided business development and technical assistance, and to help protégés successfully compete for government contracts.

The prime contractor provides technical assistance in areas such as bidding, estimating, scheduling, general management and accounting. The focus of this program is to establish, develop and support mentor/protégé relationships.

**What's next:** Share this new practice with other agencies through the Community of Practice.

## DES public works inclusion plans

**Challenge:** Increasing utilization of small minority-, women-, and veteran-owned firms in public works contracting and procurement.

**Innovation:** Require inclusion plans in all public works contracts estimated at over \$500,000, and track results. DES is working to enhance its inclusion plan processes, such as offering



“meaningful” points (20) on applicable bid evaluations, evaluating past performance, and developing staff training programs. DES is also piloting inclusion plans in some goods and services contracts.

**What's next:** Once the public works processes are enhanced, and the goods and services pilots are complete, use of inclusion plans can be expanded to the larger Community of Practice.

## Office of Minority and Women's Business Enterprises targeted outreach

**Challenge:** A common reason given for underutilization of certified minority- and women-owned firms is a lack of firms in needed lines of work.

**Innovation:** OMWBE created a targeted outreach program to match public entities and prime contractors with small minority- and women-owned firms. OMWBE helps locate currently certified firms in the needed areas of work as well as minority- and women-owned businesses who are eligible for certification.

As a result of this and other efforts, the number of certified firms increased 10 percent in 2017.



**What's next:** OMWBE is working with WSDOT and Sound Transit on targeted outreach efforts to help meet their supplier diversity goals for a \$53.8 billion light rail expansion and a \$16 billion enhancement to the statewide transportation system. The agency will expand the effort to other public entities and prime contractors in 2018.

## Department of Labor and Industries

**Challenge:** External and Internal measurements for agency contracting with small minority-, women- and veteran-owned businesses are limited and L&I can look deeper into internal data to understand areas of missed opportunity to remove barriers to access state government contracting.

**Innovation:** L&I's Contracts and Purchasing Office 'casts a wide net' by partnering with L&I's Small Business Office to provide ongoing vendor outreach. Prior to L&I posting a solicitation, L&I provides outreach to known firms who may be interested in the opportunity to become registered in WEBS and actively encourages businesses to seek OMWBE certification. The Small Business Liaison refers potentially certifiable firms to OMWBE.

**What's next:** An internal project is underway to improve visibility of L&I contracting practices with minority-, women- and veteran-owned businesses. Areas of focus include 1) working with DES to consider adjusting the direct buy limits, thereby offering additional opportunity for access to state contracts, 2) using the certified firm directories when making small purchases, 3) analyzing agency spending data specifically for supply purchases, 4) increasing staff awareness of business diversity value through training modules, and 5) tracking small purchase data to further understand opportunities.

## Agency Successes

Below are highlights of agency successes to date.

### WSDOT participation goals and inclusion plans

WSDOT requires contractors to submit inclusion plans, outlining how they will conduct outreach and use minority-, women and veteran-owned firms based on voluntary goals. See:



<http://www.wsdot.wa.gov/sites/default/files/2017/07/14/OEO-Diversity-Roadmap.pdf>



## WSDOT disparity study

WSDOT regularly conducts disparity studies to ensure their federal Disadvantaged Business Enterprise (DBE) program provides equal access to contracting opportunities and remain legally defensible. The most recent study is available at: [www.wsdot.wa.gov/sites/default/files/2017/09/11/OEO-DisparityStudy-2017.pdf](http://www.wsdot.wa.gov/sites/default/files/2017/09/11/OEO-DisparityStudy-2017.pdf). The study also evaluates WSDOT's implementation of the DBE program. WSDOT is analyzing the study's recommendations and how to make the best improvements. The 2017 disparity study identified firms which are not certified but could be. WSDOT and OMWBE have partnered to conduct outreach to these firms and request they become certified.

## WSDOT community engagement

WSDOT has placed its community engagement manager in Eastern Washington to provide targeted and culturally sensitive outreach. WSDOT is focusing on establishing and enhancing the relationship of the department with Washington diverse communities of color by attending community and trade organization meetings. WSDOT has implemented targeted outreach to community and faith-based organizations, youth and Corrections (re-entry program) to interest them in participating our various programs. The outreach team also stops by construction sites to introduce themselves to construction companies and workers.

## Office of Minority and Women's Business Enterprises Outreach to Agencies

State law requires each agency to submit a plan to OMWBE on how they will increase utilization of small minority- and women-owned firms. This year OMWBE worked with DES to develop a set of supplier diversity best practices. OMWBE now reaches out to agencies to discuss their plans, including how the agency can apply the best practices to their specific procurement and contracting needs.

100 percent of agencies submitted supplier diversity plans.





## Business Diversity Subcabinet Members

The Subcabinet consists of the agencies responsible for about two-thirds of state spending, that certify businesses owned and controlled by minorities, women and veterans, and that represent the interests of minority communities throughout the state. Member agencies are:

- Governor's Office
- Commission on African American Affairs
- Commission on Asian Pacific American Affairs
- Commission on Hispanic Affairs
- Washington Department of Veterans Affairs
- Office of Minority and Women's Enterprises
- Department of Corrections
- Department of Enterprise Services
- Health Care Authority
- Department of Labor and Industries
- Department of Social and Health Services
- Washington State Department of Transportation

*To learn more about the Subcabinet or the preparation of this document, please contact Rex Brown (Administrative Director for the Governor's Subcabinet on Business Diversity) by telephone at (360) 407-7926 or by email at [rex.brown@des.wa.gov](mailto:rex.brown@des.wa.gov).*