Diversity, Equity, and Inclusion in Public Spending



Washington State Office of Minority & Women's Business Enterprises

ANNUAL REPORT FY 2022

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OMWBE FY 2022 Annual Report Highlights

- 3,144 businesses were certified with OMWBE as of the end of Fiscal Year 2022.
- 2,615 businesses held OMWBE State Certification, and 1,581 businesses held OMWBE Federal Certification (businesses can be dual-certified).
- Certification analysts responded to 5,338 certification related questions.
- Agencies and Institutions of Higher Education spent a combined \$178,172,216 with OMWBE Certified Businesses, which is 2.96% of total eligible state spending.
- Combined spending rose from 2.78% in Fiscal Year 2021 to 2.96% in Fiscal Year 2022.
- OMWBE welcomed the Office of Equity, the LGBTQ Commission, and the Women's Commission to participate on the Governor's Subcabinet on Business Diversity.
- OMWBE launched Access Equity, an enterprise level business diversity management system, to a Phase 1 pilot group of state agencies and universities in January of 2023.
- Businesses held 290 business loans in the Linked Deposit Loan Program at the end of Fiscal Year 2022 worth a combined total value of \$98,952,340.

All data in this report was collected in Fiscal Year 2022, unless otherwise noted. Fiscal Year 2022 began in July 2021 and ended in June 2022. This report also includes several program updates that occurred after the end of FY 2022.

Message from the Director

Welcome All,

My name is Lekha Fernandes, and I am honored to greet you as the new Director of the Office of Minority and Women's Business Enterprises. Prior to this appointment, I was the Southwest Coastal Regional Director with the Employment Security Department, leading oversight of the agency and WorkSource programs. When Governor Inslee's team selected me in September of 2022 to be the new director at OMWBE, I was thrilled to have the opportunity to make a difference in the lives of our certified minority- and women-owned businesses.



This work is very near and dear to my heart. Before I transitioned to work in State Government, I owned and operated my own small business managing workforce development grants as a subcontractor to the State of Michigan. I know firsthand the barriers small and diverse businesses face working with the state, and also – how rewarding government contracts can be to their growth and success. My experience helps me see both sides of the table, and I use this lens to guide our mission-based work here at OMWBE.

For the 2023-25 biennium, OMWBE has several priorities. We are renewing our focus on accountability, and we are actively working with agencies and educational institutions across the state to improve long-held contracting and procurement practices. We are expanding our reach outside of Puget Sound and the I5 corridor, to encourage diverse businesses in central and eastern Washington to get certified. And we are developing sector based strategies, to provide support services to certified businesses working in a variety of different industries.

To accomplish this work, we have promoted several OMWBE staff to key leadership positions within the agency, and we are continuing to evaluate our shared power structures. Our goal is to foster a culture of innovation, performance, and continuous improvement, and to create a workplace where employees can grow and see their own path to success.

We would also like to highlight our professional partnerships. There are too many to name every organization individually, but integral to achieving our shared goal of equity in public spending are the Office of Equity, the Department of Enterprise Services (DES), and the Washington State Department of Transportation (WSDOT). These agencies work closely with us on the Governor's Subcabinet on Business Diversity, a multi-agency team that OMWBE leads to eliminate barriers to participation in public spending.

In addition to the Subcabinet, OMWBE participates on the Capitol Projects Advisory Review Board (CPARB). Our objective is to bring diverse voices to the table where important decisions are being made concerning public works. CPARB's work guides agencies with public works authority, as well as local governments that coordinate many projects certified businesses are ready and willing to support.

Thank you for taking the time to read our annual report. We look forward to sharing more information with you next year, as we make progress towards our goals.

Sincerely, Lekha Fernandes, Director Office of Minority and Women's Business Enterprises

Purpose of the Report

M/WBE is the collective term for both Minority and/or Women's Business Enterprises, including MWBE, MBE, and WBE certification types. Every year OMWBE submits an annual report to the governor and the legislature outlining the progress of Washington State agencies and institutions of higher education to maximize opportunities for minority- and women-owned business enterprises (M/WBEs) to participate in state contracts for public works projects and goods and services. OMWBE helps state agencies and institutions of higher education create annual supplier diversity plans, and provides additional assistance throughout the year to help them achieve these goals. See **OMWBE RCW 39.19.030**

We measure Washington's progress towards contracting equity by tracking government spending with the private sector and

comparing it to the total amount spent annually with OMWBE certified businesses. This comparison reveals the utilization of M/WBEs in state contracting. Over the past eight years, public spending with OMWBE certified businesses has averaged 3.1% – considerably lower than the number of minority- and women-owned businesses that were available and willing to do work during this period. This indicates M/WBEs do

not enjoy equal access to all aspects of state contracting opportunities, a fact that was documented in the 2019 Washington State Disparity Study.

To shed light on this inequity, OMWBE is implementing Access Equity—an enterprise data collection and monitoring system that allows public institutions to track their annual spending in more detail. We launched Access Equity in January of 2023, with a pilot group of some of the largest state agencies and universities in Washington. Additional agencies and institutions of higher education are being onboarded in 2023, and we are working with contracting and procurement teams at these organizations to adopt the best practices outlined in the Tools for Equity in Public Spending.



This report includes an update on each of OMWBE's four Core Services. Read on for details.

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SUPPLIER DIVERSITY LINKED DEPOSIT GOVERNOR'S SUBCABINET ON BUSINESS DIVERSITY

OMWBE Certification

OMWBE certifies small businesses owned and controlled by minorities, women, and socially and economically disadvantaged persons with the goal of doing more business with the government. We offer two general types of certification, Federal Certification and State Certification, each with their own unique certification types.

State Program

State agencies, higher educational institutions, and some local governments and private companies look for OMWBE certified businesses to meet their supplier diversity goals.

- **MBE** Minority Business Enterprise owned by minority men
- WBE Women's Business Enterprise owned by non-minority women
- MWBE Minority Women's Business Enterprise owned by minority women
- CBE Combination Business Enterprise owned by non-minority women and minority men
- **SEDBE** Socially and Economically Disadvantaged Business Enterprise owned by non-minority men who are found to be socially and economically disadvantaged on a case-by-case basis

Federal Program

Agencies that receive funds from the United States Department of Transportation are required to set and meet supplier diversity goals. Public entities that manage these projects and their prime contractors look to the OMWBE Directory for federally certified businesses.

- **DBE** Disadvantaged Business Enterprise owned by minorities and women and non-minority men who are found to be socially and economically disadvantaged on a case-by-case basis
- ACDBE Disadvantaged Business Enterprise for concessionaires located at airports
- SBE Small Business Enterprise for small businesses. This program is race and gender neutral

Return to In-Person Services & Satellite Offices

OMWBE is headquartered near the Capitol Campus in Olympia, Washington. In April 2022, we reopened our office to the public for in-person technical assistance on Tuesdays and Wednesdays from 8am – 5pm. The Certification Unit recently hired analysts to serve in satellite offices located in Kennewick and the Tabor 100 building in Tukwila, Washington. This expanded presence will allow us to serve the business community across the state with a presence in key locations that are business hubs.





Certification Unit

The Certification Team consists of 10 analysts that are passionate about processing certification applications and renewals, conducting outreach, and providing technical assistance to business owners seeking certification. The team also has one intake analyst that receives applications, triages customer support, and manages the process for businesses that elect not to renew their certification. Key accomplishments include:

- Responded to 5,338 technical assistance inquiries by email, telephone, and in person
- Completed 447 new certification applications and 1,181 renewals
- Removed 68 businesses that no longer qualified for certification through a robust renewal process and denied 36 businesses that were not eligible for certification
- All decisions for denial and decertification were affirmed by the Office of Administrative Hearings and/or the United States Department of Transportation
- Businesses seeking certification found their experiences to be: Excellent 40%, Very good 27%, and Good 19% – Only 14% found the process to be poor or fair

The team saw a large uptick in customers seeking assistance with the certification process. As a result, OMWBE is ramping up technical assistance efforts to ensure businesses are supported and have access to real time assistance to complete their applications. We also increased our presence in Eastern Washington during the pandemic to ensure all businesses have access regardless of their geographic location.

The overall number of applications received and completed during this period decreased by more than 25%. OMWBE conducted less outreach during the pandemic due to events being cancelled and limited staffing to attend virtual events. OMWBE plans to increase outreach efforts to raise awareness of our programs and how we support businesses in contracting with the state of Washington.

Audit & Review Unit

The Audit & Review Unit was established in July 2021 with the passage of House Bill (HB) 1259. The Audit & Review Unit handles all complaints concerning whether a certified business is still eligible for OMWBE state or federal certification, helping to prevent fraud in both programs. The team is staffed with a supervisor and two certification analysts. Key accomplishments include:

- Investigated seven complaints against OMWBE certified businesses
- Removed two certified businesses that are no longer eligible for the program
- Analysts decreased the backlog of federal affidavits and state renewal applications
- Hired an analyst certified for Spanish interpretation in the Yakima/Union Gap area
- Created a convenient online form to collect certification complaints

Federal and State New Files Average Processing Times per Fiscal Year				
	Federal			
FY22 July 2021-2022	Number of Files Completed	Average Processing Days		
In-State Federal	165	97		
Interstate Federal	70	102		
State				
FY22 July 2021-2022	Number of Files Completed	Average Processing Days		
Full State	334	82		
Short Form State	113	99		

FY 2022 - Total Number of Certified Businesses

3144 businesses were certified with OMWBE as of the end of Fiscal Year 2022.

FEDERAL CERTIFICATION

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Disadvantaged Business Enterprise (DBE) 1336



Airport Concession Disadvantaged Business Enterprise (ACDBE) 120

Small Business Enterprise (SBE) 125

STATE CERTIFICATION



Minority Business Enterprise (MBE) 951



Minority Woman Business Enterprise (MWBE) 605



Woman Business Enterprise (WBE) 1026



Combination Business Enterprise (CBE) 23



Socially and Economically Disadvantaged Business Enterprise (SEDBE) 10 The **OMWBE Certified Business Directory** is a publicly available online tool that shows real-time certification status and contact information for all OMWBE certified businesses. The directory is searchable by keywords, descriptions, location, and criteria such as industry NAICS codes.

OMWBE actively promotes the directory when working with agencies, colleges, and prime contractors. Many agencies and political subdivisions seek out certified businesses because they want to do more work with small, local, minority- and women-owned businesses.

FY 2022 - Percent of Certified Businesses by Race/Ethnicity



*The data in this chart was captured on March 16, 2023. OMWBE is unable to provide Race/Ethnicity data from the end of FY 2022.

The OMWBE database includes businesses certified multiple times for every certification type (Example DBE & MBE). The above numbers reflect the group for one unique file number. This data is a combination of both Federal and State Certifications.

The "Other" category includes business owners who are not presumed to be disadvantaged but prove social and economic disadvantage on a case by case basis.

Subcabinet Member Agencies and Commissions

The **Subcabinet** formed in 2015 to identify barriers minority- and women-owned businesses face doing business with the state, and to guide Washington on its path towards contracting equity. To do this, the Subcabinet conducted the 2019 Disparity Study which recommended several process improvements and ways to eliminate barriers to participation. The disparity study allowed us to prioritize the most impactful changes, and we are making significant strides towards that end.

Throughout 2022, the Subcabinet on Business Diversity worked on the implementation of **Executive Order 22-01** for Equity in Public Contracting. OMWBE developed and distributed an EO 22-01 Implementation Guide to agencies, to help them adopt the Tools for Equity in Public Spending and the Access Equity system. The Implementation Guide also covers compliance with the Executive Order and how to receive training and/or technical assistance.

In Fall of 2022, the Subcabinet on Business Diversity started incorporating Pro-Equity, Anti-Racism (PEAR) principles in the development of a Subcabinet Charter. The charter will provide the business community with an opportunity to participate and work within the Subcabinet, bringing diverse perspectives to the table and giving them a voice in the decision making process. We believe the foundation of this charter will bring an inviting and inclusive atmosphere to the Subcabinet on Business Diversity.

To stay up to date on the work of the Subcabinet, and other Supplier Diversity initiatives, please subscribe to our monthly **Supplier Diversity Newsletter.**



Subcabinet Members:

Office of Minority & Women's Business Enterprises

Commission on African American Affairs

Commission on Asian Pacific American Affairs

Commission on Hispanic Affairs

LGBTQ Commission

Women's Commission

Department of Veteran's Affairs

Department of Corrections

Department of Commerce

Department of Enterprise Services

Health Care Authority

Department of Labor and Industries

Department of Social and Health Services

Department of Transportation

Attorney General's Office

Office of Equity

Office of Regulatory Innovation and Assistance

Governor's Office



The signing of Executive Order 22-01 in January 2022 resulted in increased interest to operationalize the **Tools for Equity in Public Spending.** The Supplier Diversity Team conducts regular Toolkit Workshops to connect the concepts and best practices of the Toolkit to the daily work of public servants involved in contracting and procurement. Participation grew throughout 2022, going from about 30 registrations at each workshop to over 70—and growing!

To prepare for this growing need, OMWBE hired a dedicated Toolkit Manager in October 2021 that works with procurement teams across the state to implement the Tools for Equity in Public Spending. This includes managing information sessions, working with procurement teams to incorporate the tools into their processes, and supporting the implementation of our new electronic data collection and monitoring system – Access Equity.

Toolkit Program plans for the 2023 include refreshing the content on our public website, assisting with the wider implementation of Access Equity's Outreach module, and increasing direct consulting with agency procurement teams as the next phase of our change management approach.

OMWBE continued to strengthen working relationships with partner agencies, including the Department of Enterprise Services (DES). OMWBE and DES co-presented information sessions on using a forecasting template, performing and tracking outreach, and complying with both EO 22-01 and DES' Supplier Diversity Policy. Our Supplier Diversity Team connected with representatives from all Executive and Small Cabinet agencies to discuss their use of the Toolkit and understand the current state of their use and readiness to comply with the expectations set out in EO 22-01.

Changing How We Think About Procurement in Washington State







DESIRE

Connect equity in public spending to statewide DEI efforts and our move towards being a pro-equity, anti-racist state.



KNOWLEDGE

Understand how to use the tools in procurement on behalf of the state.

We are HERE in the ADKAR process



Apply the tools to procurement processes as applicable to individuals' roles.



REINFORCEMENT

Follow up to ensure everyone involved in the procurement process uses the tools appropriately and provide support as needed.

Supplier Diversity

#1 Recommendation of the 2019 Disparity Study: Implement an Electronic Data Collection and Monitoring System for All State Agencies. "Perhaps the most critical recommendation is to fully implement an electronic data collection and monitoring system for all State agencies. The ability to track M/WBE participation at the highly detailed level of 6-digit NAICS codes for prime vendors and all subcontractors (not just certified businesses) is the foundation for any efforts to increase opportunities.

"While some departments (WSDOT and DES, for example) have begun this process, others have not. This first step must occur to enable other program elements to be targeted to actual needs and barriers. Failure to do so will undermine all other remedial program initiatives." - 2019 Statewide Disparity Study

ACCESS EQUITY Your Business Diversity Management System

Every year we collect spending data from agencies and colleges to create our annual report. However, the data does not include every subcontractor that worked on a state funded project. This makes it difficult to track M/WBE participation. It is also hard to identify opportunity gaps where certified businesses are underutilized—an important task when you consider M/WBEs make up a large portion of the small businesses that work on state projects as subcontractors.

To remedy this data discrepancy, we have been working diligently to implement Access Equity—a new system that collects spending data with greater



accuracy, even down to the subcontractor level, which was the #1 recommendation from the 2019 Disparity Study. In addition to streamlining data collection, Access Equity reduces errors, standardizes data formats throughout state agencies and institutions of higher education, and provides real-time access to diverse spending reports.

Access Equity was successfully launched in January 2023, to a pilot group of universities and large agencies that represent 2/3rds of Washington State spending in contracts, procurement, and public works. As this group begins to enter live contract data, we are working with over 100 additional organizations to implement Access Equity within the coming year.

Agency and Higher Educational Institution Supplier Diversity Results

State law requires OMWBE to report the amount of money each state agency and higher educational institution spends in contracts and procurements with certified minority- and women- owned businesses.

Below are the FY 2022 results for state agencies and higher educational institutions. This information is also posted on our website under **State Supplier Diversity Reporting**.

State Agency Total FY 2022 Dollars Spent with Certified Businesses as % of all eligible spending [1]			
Certification Type	Total Eligible Spend	Dollars Spent with Certified Businesses	Percentage of Total Spend
Minority Owned Certified Businesses [2]		\$101,013,601	2.73%
Women Owned Certified Businesses	\$3,704,812,501	\$67,157,980	1.81%
Total OMWBE Certified Businesses		\$168,171,581	4.54%

Data from FY 2022, OMWBE

Educational Institutions FY 2022 Dollars Spent with Certified Businesses as % of all eligible spending [1]			
Certification Type	Total Eligible Spend	Dollars Spent with Certified Businesses	Percentage of Total Spend
Minority Owned Certified Businesses [2]	\$2,317,555,723	\$4,628,476	0.20%
Women Owned Certified Businesses		\$5,372,158	0.23%
Total OMWBE Certified Businesses		\$10,000,635	0.43%

Data from FY 2022, OMWBE

[1] View what spending is counted in the report.

[2] Includes businesses owned by a minority woman and by a minority man and a woman.

Combined FY 2022 Dollars Spent with Certified Businesses as % of all eligible spending [1]			
Certification Type	Total Eligible Spend	Dollars Spent with Certified Businesses	Percentage of Total Spend
Minority Owned Certified Businesses [2]	\$6,022,368,224	\$105,642,077	1.75%
Women Owned Certified Businesses		\$72,530,138	1.20%
Total OMWBE Certified Businesses		\$178,172,216	2.96%

Data from FY 2022, OMWBE

Eight Year Look - Percent of Public Spending with Certified Businesses



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FY 2022 - Dollars Spent with Certified Businesses

In FY 2022, the amount spent with OMWBE certified businesses was 2.96% of the overall spend of public contracting and procurement dollars in Washington, a 0.18% increase from FY 2021.



FY 2022 - All Certified Businesses Spend by Race / Ethnicity



FY 2022 - Dollars Spent with Certified Businesses by Industry



Industry description examples

Constru	tion Highway and building related construction, including renovation and demolition, paving, fencing, roofing, flooring, concrete/asphalt, guardrail, utility line, cable laying, plumbing/heating, electrical, mechanical, installation, painting, signage, dump trucking, construction supplies and equipment, and flagging.
Profess Service	nal Specialized services, lawyers, court reporting, counseling, employment services, travel agency, interior design, photography, accounting, real estate/appraisal, reporting, security, interpreter services, telephone answering services, non-medical laboratory testing, and environmental consulting.
Technol Service	Information systems management, development, maintenance, and equipment/software.
Archited Enginee	
Busines Operati	Services, products, and equipment (retail/wholesale) for operations and building services including catering, janitorial, grounds maintenance, automotive parts, cleaning supplies, and window shade/blinds.
Commu	Graphics design/distribution of ad materials, advertising, marketing, web and video production, and broadcasting services.
Manage Consult	resources organizational development, equicational support services, and transportation
Medical	Health Care professionals, equipment, and testing.
Other	Other services not in other categories, such as: child day care, hardware stores, nursery/garden centers, artists, grocery stores, local trucking, moving and storage services and charter bus services.

Linked Deposit Loan Program

Businesses that are state certified by OMWBE and veteran-owned businesses certified by the Department of Veteran's Affairs (DVA) are eligible to participate in the state's Linked Deposit Loan Program. The program allows a certified business to receive an interest rate reduction on a business loan from a participating lender sourced from a pool of funds that are set aside for OMWBE and DVA certified business borrowers. With this program, OMWBE is providing access to affordable capital for historically excluded minority- and women-owned businesses and DVA is providing additional economic opportunities for Veterans and Servicemembers.

LINKED DEPOSIT LOAN PROGRAM



The Office of the State Treasurer is authorized to use up to \$190 million of the state's short- term surplus funds to purchase a certificate of deposit (CD) equivalent to the dollar amount of a financial institution's loan to certified businesses. Up to \$175 million is available for loans for state certified minority- and women-owned businesses, and up to \$15 million for veteran-owned businesses.

During 2022, there were 12 banks and 2 credit unions participating in the program. The 2022 participating lenders included:

- 1st Security Bank of Washington
- Columbia State Bank
- Gesa Credit Union
- Liberty Bank
- RiverBank
- UniBank
- Washington Trust Bank

- Bank of the Pacific
- EastWest Bank
- KeyBank
- Mountain Pacific Bank
- Timberland Bank
- US Bank
- Whatcom Educational Credit Union

Thank you to our participating lenders! OMWBE hopes to continue to expand our Linked Deposit program, providing opportunities for affordable access to capital across Washington State.

OMWBE Certified Businesses with Linked Deposit Loans in FY 2022 by Race/Ethnicity



Data from FY 2021, OMWBE

• As of June 2022, 211 OMWBE certified businesses participating in the program held 290 business loans worth a combined total of \$98,952,340 that are either in repayment or available as lines of credit.

• The number of loans in the program fluctuate on a monthly basis each fiscal year because each month new loans may be enrolled and loans will exit the program if they have reached their loan term, or if the business with the loan is decertified.

• The discounted interest rate provided to Linked Deposit Loan Program participants at the end of FY22 was 2%.

Certification

The Certified Business Directory continues to grow as more businesses obtain OMWBE

certification. This is true in both state and federal certification programs. The number of certified businesses also grew throughout the COVID-19 pandemic, despite adverse nationwide impacts on minority-owned businesses. Over the last three years, the number of certified businesses grew over 8% annually from 2,679 businesses in FY 2020 to 3,144 businesses in FY 2022.

Supplier Diversity

Statewide utilization of minority- and women-owned businesses remains low. For combined spending between state agencies and institutions of higher education, Washington has not risen above 3.6% utilization in over 8 years. This is a trend that has continued since Initiative 200 (I-200) passed in 1998, which led to the underutilization of OMWBE certified businesses. Our Supplier Diversity Team is actively working with all state agencies and colleges to instill equitable and inclusive contracting practices, supported by recent executive orders and the rescission of executive directive 98-01, which provided overly restrictive guidance to agencies on how to interpret I-200.

While agency spending with M/WBEs could be higher, institutions of higher education are utilizing M/WBEs at an even lower percentage. Educational institution spending with OMWBE certified businesses decreased 0.5% from 1.43% in FY 2020 to 0.93% in FY 2021, followed by another 0.5% decrease from 0.93% in FY 2021 to 0.43% in FY 2022. Despite the fact that college spending increased throughout this three-year period, OMWBE certified businesses received less than one half of one percent of those contract dollars in FY 2022.

Black-owned businesses are especially underutilized. After Caucasian women, Black/African American-owned businesses are the largest demographic group that hold OMWBE certifications. Despite their availability, Black-owned businesses received a mere 0.22% of statewide contracting dollars in FY 2022—less than any other racial or ethnic group. This shows that, despite the efforts of African American business owners to get their foot in the door, they are still being excluded from state contracting.

Linked Deposit Loan Program

OMWBE's Linked Deposit Loan Program has funds to spare. The program provides a pool of \$175 million in available loans for state certified minority- and women-owned businesses. However, just under \$100 million is currently being used. This leaves an available pool of \$75 million for businesses entering the program. OMWBE is preparing to hire additional outreach staff, and raising awareness of these funds will be a primary goal.

Within the Linked Deposit Loan Program, Asian/Pacific Islanders and Caucasian women are getting the most out of the program. These two groups hold 53% and 32.7% of all Linked Deposit loans, respectively. Black/African American (4.7%), Hispanic/Latinx (7.5%), and Native American (1.4%) businesses combined hold only 13.6% of Linked Deposit Ioans. We are evaluating the barriers preventing these businesses from obtaining Linked Deposit Ioans, which may include factors such as credit scores and access to capital in general.

Washington State Office of Minority & Women's Business Enterprises

ANNUAL REPORT FY 2022







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