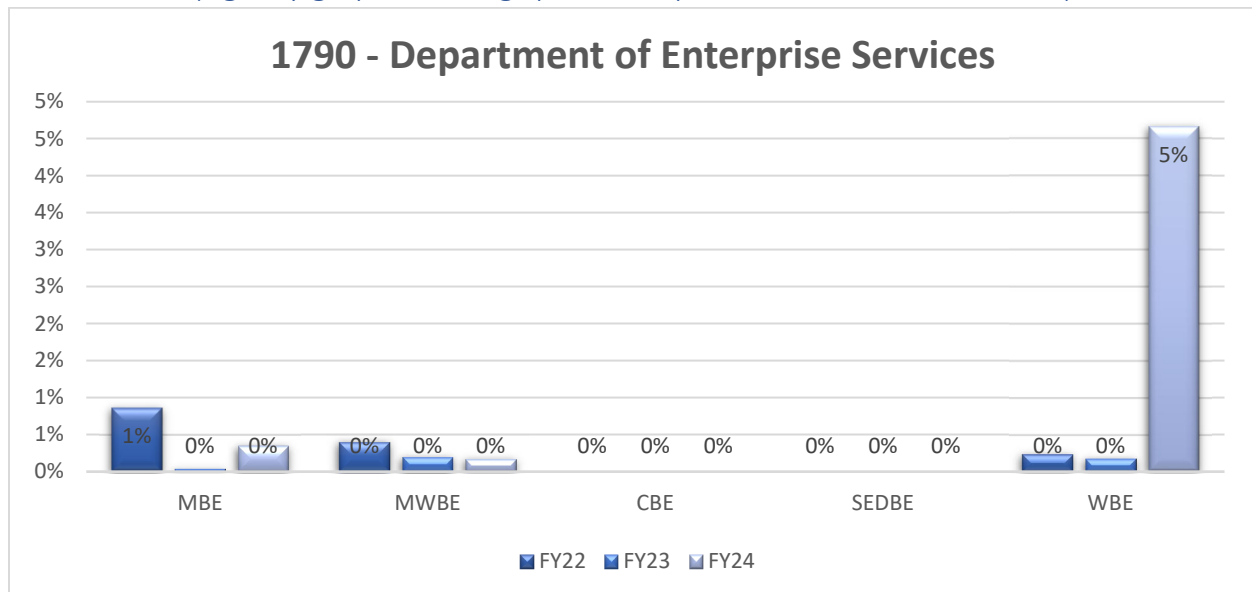


FY25 Business Diversity Spending Goal Plan
Department of Enterprise Services
Governor's Supplier Diversity Subcabinet approved best practices

(Agency graph showing spend comparison from FY23 and FY24)



FY 2023 – No spending goal established

FY 2023 – 0.88%

FY24 Spending Goal – 6.40%

FY24 Actual Spend – 1.04%

Data reflected above:

- Does not match what is reflected in the state's Agency Financial Reporting System report.
- Does not include purchase card spend.
- Includes spend with OMWBE certified businesses.
- Does not capture spend with self-identified women or minority businesses.
- Spending goals are calculated based on data used in the 2019 Washington State Disparity Study, which included both certified minority women business enterprises (MWBE) and MWBEs that are not certified. The data used for the Disparity Study was from 2016 & 2017.

DES contacts:

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FY25 Spending Goal: 2.97%

Summary Statement:

DES supports the backbone of Washington’s economy — small businesses — both at an agency level and at an enterprise level. Many small businesses are women-, minority-, and veteran-owned. Supplier diversity is central to the work DES does.

Work that is continuing:

- **Enterprise-wide supplier diversity policy:** As the Washington state procurement authority, DES created the state’s first mandatory statewide [policy](#) and a [handbook](#) of strategies to boost spending with small and certified Washington veteran-owned and diverse businesses.
 - DES delivered training to all agencies and created a [supplier diversity community of practice](#) to support agency purchasers in achieving supplier diversity goals. The community currently includes 271 procurement practitioners from:
 - 42 state agencies.
 - 7 institutions of higher education.
 - 13 external jurisdictions (cities, counties, school districts, PUDs, etc.).
 - To monitor compliance, DES updated the enterprise procurement risk assessment process, which determines the delegation of goods and services purchasing authority to agencies, to incorporate compliance with this policy.
- **Unbundling:** DES divided all new or renewing statewide contracts since 2022 into smaller parts to increase opportunities for small businesses. This process is called “[unbundling](#)” and increases the availability of small and diverse businesses to agency purchasers.
- **Reserved awards for small and veteran businesses on statewide contracts:** DES expanded its longstanding approach of awarding multiple businesses on statewide contracts by setting aside awards specifically for small and veteran-owned businesses. This effort, driven by the supplier diversity policy, ensures contract opportunities are reserved exclusively for these businesses, providing them with more access to state procurement opportunities and creating a more inclusive and equitable contracting environment.
- **Awards under \$150K to small and/or veteran businesses:** DES awards procurements valued at \$150K or less to the highest-ranked responsive and responsible small or veteran-owned business, as required by the supplier diversity policy.
- **Bolstering small works opportunities and roster process:**
 - **Small works rulemaking:** DES updated [public works contracting rules](#) to improve opportunities for small firms by streamlining the registration process, providing clear guidance to prevent favoritism, and introducing measures to ensure a fair and transparent contracting environment.

- **Centralized, online bidding:** DES led the way for state agencies by moving DES small works bidding from physical bid submissions to online bidding through the statewide platform hosted by the municipal research and services center (MRSC).

Additional work this fiscal year:

- DES is developing [rules to create a formal small business program](#) to boost state use of Washington small businesses by making sure contracting and spending benefits are going to small businesses as intended by the Legislature in RCWs [39.26.090](#), [43.19.011](#), and [43.19.725](#).
- DES will launch the [EDGE program](#), designed to increase opportunities for public works businesses with annual gross receipts of \$5 million or less in Washington.
- DES will continue supporting prompt pay initiatives.

Other commitments:

- DES will infuse equitable practices into every [statewide procurement policy](#).
- DES will continue promoting the [State Contracts Assistance Network \(SCAN\)](#).
 - Supports small, diverse, and veteran businesses to help navigate state contracting.
 - Provides a support network by partnering with more than 30 community organizations to deliver technical assistance to certified businesses, ensuring they find state opportunities, successfully bid on those opportunities, and become successful vendors to the state.
- DES will continue growing the monthly [business diversity updates bulletin](#), which started in 2022 with 32 subscribers. By 2024, the subscriber list surpassed 2,000.
- DES will prioritize recommendations for goods and services contracts from the [Business Diversity Advisory Group \(BDAG\)](#).
 - BDAG members are the first group of stakeholders giving direct feedback on new policies, procedures, and setting best practices. During the past year, BDAG provided feedback on several issues including:
 - Sole-source.
 - Non-discrimination clause requirement.
 - Evaluation criteria and bias.
 - Polychlorinated biphenyls (PCBS) purchasing preference policy.
 - Convenient contracts policy.
 - Online small works roster.
 - Supplier diversity toolkit.
 - Direct buy limit.
 - EDGE program.
 - BDAG members were regularly informed about the implementation progress of the supplier diversity policy, ongoing subcabinet activities, and proposed enhancements to the self-certification within the WEBS system.
- DES will continue growing the community of practice, providing a support network and technical assistance to agency purchasers. This community grew from 20 participants at the launch of the supplier diversity policy to 271 participants, reflecting its value and impact.
- DES will continue updating the direct buy policy to maximize opportunities for small, diverse, and veteran businesses.

- DES will be researching supplier diversity best practices around the country to include political subdivisions and municipalities to gauge efficacy and inform future efforts as well as future procurement policies.

Steps your agency has completed to prepare for forecasting and steps remaining:

- DES uses the annual budget planning process and meets with all DES programs to forecast purchases for the upcoming fiscal year. In accordance with the supplier diversity policy, DES posted [expected FY25 purchases](#) in September 2024.
- DES forecasts for public works projects and statewide contracts as well as internal purchases.
- DES is compiling all state agency forecasting documents and will be posting to a centralized location to provide efficiencies to small, diverse, and veteran businesses.

How are supplier diversity efforts managed within your agency:

Supplier diversity is central to the work DES does.

- At DES, every employee understands that supplier diversity is a state and DES priority. The agency's goals and commitment are reinforced through consistent communication from leadership.
- As the state's procurement authority and with the ability to establish contracts on behalf of the state, DES leads by example with the Procurement, Inclusion, and Equity (PIE) Program for goods and services contracting. The program focuses on supporting procurement professionals in implementing the supplier diversity policy and building a pipeline of small, diverse, and veteran-owned businesses to collaborate with DES and other government entities across Washington.
- DES also has a public works supplier diversity team that plays a crucial role by sharing information about upcoming public works contracting and training opportunities throughout the state, ensuring more equitable access to these projects.

In 2024, DES undertook the following supplier diversity initiatives:

- DES director established an internal steering committee on supplier diversity comprised of DES leaders within the agency who meet weekly to share information, monitor progress, and drive change in purchasing practices. A formal charter and long-term approach is being finalized to ensure this work is integrated across the agency.
- DES began [publishing data on our website](#) about how the agency is doing in its efforts to boost availability of small businesses in WEBS and increase the number of small, diverse and veteran businesses on statewide contracts.
- DES is working to publish a data dashboard on our website that will provide detail on DES' spending within each goods and service category, public works spending, purchase card spending, and where there is availability to spend with OMWBE-certified businesses and self-identified small, women, and minority businesses.
- DES formed a cross-divisional data team to provide deeper analysis of DES' spending data, improve data integrity, and make recommendations on methods to obtain data that is not readily available without extensive manual processes that impact data integrity.

- The objective to increase spend with small and diverse businesses is one of five strategic initiatives to be prioritized in our strategic plan for the next two years.
- DES director and leaders brought together all purchasers across the agency to emphasize the importance of supplier diversity and share examples of what works. Members of this group continue to meet on a regular basis as part of the community of practice to ensure they stay up to date with best practices.
- DES leaders established specific goals for each program within DES to include all business lines and internal service providers, using a methodology accounting for spending in prior years, considering the availability of certified businesses and upcoming forecasted purchases. Compliance with these goals is an expectation of program leads within DES.
- DES Chief Procurement Officer released a new and updated statewide small purchasers training with an intentional focus on supplier diversity best practices. To date, over 50,000 purchasers have been trained.
- PIE Team organized the Washington Procurement Connect, a large-scale procurement connect event, bringing together small, veteran, and diverse businesses with state agency procurement professionals. Approximately 600 people attended.
- PIE Team coordinated outreach via more than 150 other events across Washington as well as parts of Oregon, reaching approximately 8,000 people.

Is your agency currently using the Outreach Module in Access Equity for marketing and connecting with Diverse Businesses?

DES piloted the outreach module but did not adopt it for consistent use because it does not align with the agency's focus on supporting in-state Washington businesses. While the outreach module in access equity includes out-of-state businesses, DES efforts prioritize outreach within Washington to better serve local businesses.

Additionally, the DES PIE and Communications programs work together to engage with diverse businesses in the following ways:

- DES' monthly business diversity newsletter features free training, technical assistance, and bid opportunities for small, diverse, and veteran-owned businesses. The newsletter launched in August 2022 and now reaches over 2,800 subscribers, with consistent monthly growth.
- DES hosts a monthly virtual open house to introduce small, diverse, and veteran-owned businesses to state contracting contracts.
- The DES State Contracting Assistance Network (SCAN) trains more than 30 business advocacy organizations, giving small, diverse, and veteran-owned businesses technical assistance to help them win government contracts.
- DES offers training and information to business owners who speak English, Korean, and Spanish.
- DES shares content with partner organizations that communicate directly with small, diverse, and veteran-owned businesses.

Are you using the Contract Compliance module in Access Equity to report your contract & purchase orders that include subcontractors (including statewide contracts)?

DES is using access equity for internal DES contracts and if/when purchase orders are created from a statewide contract.

How does your agency track efforts to notify businesses about purchasing and opportunities to bid on contracts?

DES tracks notification for all competitive solicitations via [Washington's Electronic Business Solution \(WEBS\)](#), the state enterprise bid notification system. The information tracked includes the businesses certification status as well as the demographic information of businesses.

Outreach efforts go much further beyond the required notifications, and while not easily tracked, include the following:

- DES conducts additional direct outreach to businesses outside WEBS to increase competition and expand the bidder pools for small, diverse, and veteran-owned businesses using phone calls and direct emails.
- DES creates and circulates a one-page advertisement throughout the diverse business community to announce a bid opportunity immediately after it goes live in WEBS. DES shares or posts this advertisement in several ways.
 - DES PIE Program: despieprogram@des.wa.gov.
 - Yolonda Brooks, Department of Transportation: BrooksY@wsdot.wa.gov.
 - [The Office of Minority and Women's Business Enterprises \(OMWBE\) website](#).
 - [Apex Accelerator website](#).
 - Via email directly to businesses identified in the research phase, and all prior contractors on a current/past contract.
 - All 30+ SCAN partners, including Tabor 100, which includes opportunities in its newsletter.
 - DES is partnering with the Black Collective to leverage their newsletter via direct mail.

Your agency plan according to EO 22-01 should already be implemented. How has your plan aided in your efforts to increase your agency plan from last year?

- DES' agency plan according to EO 22-01 is fully implemented and ongoing.
- DES' extensive outreach and engagement with businesses, with the intention to build a pipeline, is the most fruitful effort.
- DES continues to implement all related or respective recommendations in the [2019 disparity study](#).
- DES is doing a deep analysis of the agency's spending to identify areas (subobject codes) for which there are more opportunities to spend with small, diverse, and veteran-owned businesses. This effort has been initiated at the DES director level and is being implemented across every program with the establishment of internal goals.

Did your agency's spend decrease for FY24? If so, what was the reason(s)? What perceived barriers did you face?

DES agency spend did not decrease for FY24. DES' spend with OMWBE-certified firms increased from 0.88% in FY23 to 1.04% in FY24 and from \$1.35M in FY23 to \$2.3M in FY24.

Similarly, spend with small businesses increased from 10.9% in FY23 to 10.16% in FY24 and from \$16.8M in FY23 to \$22.47M in FY24.

Analysis of WEBS system data revealed that many minority- and women-owned businesses DES works with are not OMWBE-certified. While DES encourages certification, many businesses opt out for a variety of reasons, leading to unrecognized diverse spending. To address this, DES has begun reporting spending with both certified businesses and those who self-identify as minority- and/or women-owned.

DES' spend with self-identified minority- and women-owned businesses decreased from 14.8% in FY23 to 10.8% in FY24 and from \$20M in FY23 to \$17.8M in FY24.

However, DES still experienced significant barriers in further increasing spend with certified and small businesses:

- It is a barrier that purchase card spend is not being counted. Through purchase card transactions, DES has spent an additional \$228,000 in FY23 and \$380,000 in FY24 with OMWBE-certified businesses. Similarly, spend with small businesses increased from \$670,000 in FY23 to \$1.2M in FY24.
- DES identified high areas of spend where there is limited or zero availability of small and/or OMWBE-certified firms:
 - Payments for postage, which go to the U.S. Postal Service. DES worked with OMWBE to remove these purchases from being counted going forward.
 - Payouts for legal settlements through law firms. DES also worked successfully with OMWBE to remove these purchases from being counted going forward.
 - Fleet spending for vehicle purchases, vehicle maintenance, fuel, and gas cards.
 - Printing and imaging paper and printing-related spend. DES seeks certified vendors who can supply the type and volume of paper needed to meet the needs of state agencies and customers.
 - Large public works projects. These large projects cause the spend denominator to go up, which, in turn, causes the DES diverse spend percentage to go down. DES requires inclusion plans for subcontractor spend but does not have the authority to enforce them. In addition, subcontractors seldom have the labor required to work on a project the size and scale of a new building.
- DES has made significant progress in other areas of spend, such as successfully adding certified businesses to the computer equipment, peripherals, and related services contract after five+ years of outreach to bring small and diverse businesses onto the contract. DES purchases from these vendors first.
- However, this presents two challenges:
 - Vendors have limited capacity to support the volume of DES purchases.

- DES is able to achieve significant increases in spending within this subobject code, but since this is not among the agency's highest areas of subobject spend, it does not influence the percentage of overall spend significantly in comparison to the denominator.
- DES continues to seek areas to make improvements within subobject areas to seek a cumulative effect.

What new efforts are you going to implement to try to increase your spending with small-minority and women owned businesses?

- DES will target outreach to businesses that sell the things the agency is buying and encourage them to consider selling with the state, and to become OMWBE-certified.
- DES will conduct rulemaking to establish a formal model program for small businesses with the intent to boost spend with those businesses, many of which are diverse.
- DES is currently reviewing a list of 4,000 self-identified minority businesses that includes information about the ownership, what they sell, and demographic detail. Businesses that have self-identified are those indicating they are minority- and/or woman-owned in their WEBS profile. DES will contact businesses to see if they are selling goods or services that the state buys and will encourage those businesses to register in WEBS and attend state contracting opportunities and open houses to assist them in their state contracting journey.
- DES will continue to be a supplier diversity role model by creating and implementing new supplier diversity best practices.
 - Supply chain diversity inclusion plan.
 - [HUBzone](#) points.
 - Micro and mini points.
 - Workforce diversity inclusion plan.
 - Small and certified Washington veteran-owned and diverse business (SDVB) utilization goals for statewide contracts.
 - Start to score subcontractor inclusion plans.
 - Scoring the effort of the business to use SDVBs.
 - Score the number of small or veteran businesses.
- DES will continue to add equity to procurement policies and practices.
- DES is also surveying those businesses that download solicitations but don't bid to find out why they are not bidding.



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January 6, 2025

Date