

**WASHINGTON STATE OFFICE OF
MINORITY AND WOMEN'S BUSINESS ENTERPRISES**

**FUND 453
OFFICE OF MINORITY & WOMEN'S BUSINESS ENTERPRISES ACCOUNT
BUSINESS PLAN
2007-2009 BIENNIUM**



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JUNE 1, 2006**

TABLE OF CONTENTS

Executive Summary	3
Business Description.....	5
Marketing Plan.....	7
Operational Production Plan.....	12
Performance Assessment	20
Strategic Assessment	22
Value Chain	23
Distribution of Certified Firms – Table	24
Certified Firms Doing Business with the State – Chart.....	25
State of Washington Expenditures with WBEs (Compared to Participation Base) – Chart.....	26
State of Washington Expenditures with WBEs – Chart	27
State of Washington Expenditures with MBEs (Compared to Participation Base) – Chart.....	28
State of Washington Expenditures with MBEs – Chart.....	29

EXECUTIVE SUMMARY

Agency Vision Statement

To contribute to a vital Washington economy which includes minority, women and socially and economically disadvantaged businesses.

Agency Mission

To create and sustain a competitive and fair business environment for contracting and procurement opportunities that includes small businesses that are owned by minority, women, and socially and economically disadvantaged people.

We achieve this through:

- Providing prompt and courteous customer service.
- Protecting individual privacy and business proprietary information.
- Informing citizens of our services and public responsibility.
- Conducting our business fairly.
- Being efficient and cost-effective.
- Enhancing office operations through technology.
- Being knowledgeable and well-trained.

In support of these efforts, we value:

- Responsible public service.
- Being part of the communities we serve.
- Quality in everything we do.
- Diversity in the workplace and in the services we deliver.
- Leadership to meet the opportunities of the future.
- An environment in which employees can successfully meet the challenges of continual change.
- Our employees and their contributions to the agency.

Statutory Authority

OMWBE was created and empowered by Chapter 512, Washington Laws, 1983, which is codified in Chapter 39.19 of the Revised Code of Washington. The rules by which OMWBE exercises its authority are set forth in Title 326 of the Washington Administrative Code.

Background

By serving the community of small businesses owned by ethnic minorities, women, and socially and economically disadvantaged persons, the Office of Minority and Women's Business Enterprises (OMWBE) has a direct impact on Washington State's economy.

- Self-identified minority and women-owned businesses account for over 40.2 percent of all Washington businesses. They employ over 200,000 residents and have an annual payroll of approximately \$5.09 billion.
- During Fiscal Year 2006 109 certified minority and women-owned businesses obtained loans that were enrolled in the Linked Deposit Loan Program. These firms received over \$44.9 million packaged in 152 loans. The average loan amount was approximately \$295,000.
- Businesses owned by people who are minorities, women, or socially and economically disadvantaged can receive services from OMWBE. The agency provided business development services and outreach to 5,976 representatives of Washington businesses in Fiscal Year 2006.
- Strategic partnerships with the private sector have increased the agency's ability to serve certified firms without increasing costs.
- OMWBE provides services to buyers in the public and private sectors, including outreach, sourcing for MWBE suppliers, goal-setting and buyer training.

BUSINESS DESCRIPTION

Market Niche

The agency's market niche is to provide services to improve the contributions of certified minority, women, and socially and economically disadvantaged small businesses to the Washington State economy. Small businesses have been defined by the U.S. Small Business Administration and DBE program size standards using average gross revenues or average number of employees by industry.

Services

OMWBE provides services in the following areas:

Business Development Services

OMWBE's business development services build capacity and helps qualified certified firms to compete and obtain public and private sector contracts.

Certification Services

OMWBE's certification services provide a pool of small businesses that have been verified as being owned and controlled by minority, women, or socially and economically disadvantaged persons according to eligibility rules defined by the state of Washington and the U.S. Department of Transportation's Disadvantaged Business Enterprise (DBE) Program.

Agency Technical Assistance

OMWBE provides consulting services to agency management, procurement, and contracting staff in the deployment of best practice strategies for inclusion of certified firms in public sector contracting and procurement. These services include buyer training, plan development, outreach, sourcing, monitoring, dispute resolution, and reporting of participation. These services are also provided to general contractors, prime suppliers, and local jurisdictions that request our assistance in improving their participation.

The nature of OMWBE's business product and/or services is as follows:

Business Development Services

OMWBE's business development services are comprised of classroom training, one-on-one consultations, and Internet based financial management tools for certified firms.

Certification Services

OMWBE's certification services include analysis of potentially eligible firms, written verification of status, and an electronic, searchable directory of certified firms.

Agency Technical Assistance

OMWBE's agency technical assistance is comprised of classroom training, one-on-one consultations, MWBE plans reviews, goal-setting, availability reviews, potential vendor lists, participation reports, and dispute resolution assistance. An automated tool is available in the Contract Management and Tracking System (CMATS).

OMWBE's services are provided as follows:

Determinations of eligibility are provided to firms in written letter. Certification staff review applications and supporting documents to determine ownership, control, size, independence, and capacity or commercially usefully function.

Certified firms are listed on the www.omwbe.wa.gov in the BIZNET link.

Contract Management and Tracking System (CMATS) provides a number of automated services for contracting and procurement staff such as subcontract tracking and reporting, federal government reporting, availability studies, etc.

OMWBE has professional staff that provide 40 hours per week "hot line" support for the general public.

OMWBE has professional Agency Support staff available to work with contracting staff, prime suppliers and general contractors to design and implement effective supplier diversity strategies into the procurement and subcontracting process.

OMWBE has professional Business Development Support staff, consultants and trainers available to deliver a variety of technical services to certified firms to improve their marketing, management and financial viability.

OMWBE has professional staff and consultants to provide training in Supplier Diversity Best Practices for procurement and contracting officers.

MARKETING PLAN

OMWBE is uniquely qualified to provide services to the market:

Certification

OMWBE is the only government agency in the state of Washington to provide DBE certification. Maintenance of this certification program is required for Washington State to obtain federal transportation funding for federally assisted highway, aviation, transit construction and airport concessionaire projects. OMWBE is the designated Uniform Certification Program (UCP) recipient that has resulted in federal DBE compliance.

In accordance with RCW 39.19, OMWBE is the sole certification entity for the state of Washington for minority, women, and socially and economically disadvantaged small businesses.

The National Minority Supplier Development Council through its Northwest Minority Business Council (NMBC) provides national certification to ethnic minority firms. The Women's Business Enterprise National Council (WBENC), through its local affiliate Astra International, certifies women-owned businesses. To reduce paperwork for the firms, OMWBE accepts the certification applications from NMBC and WBENC as one of the documents needed for state certification. NMBC and WBENC's certification programs have no size standards and therefore have many firms who do not meet the small business size standard. OMWBE certification is less expensive than NMBC and WBENC certification and is more suited to local Washington firms who do not need national certification. Most private sector corporations recognize OMWBE certification as part of their Supplier Diversity program; including Microsoft, Starbucks, Washington Mutual, Bank of America, etc.

The U.S. Small Business Administration offers federal certifications: 8(a) program, Small Disadvantaged Business (SDB) program, HUB Zone, and self-identification registration for women-owned business enterprises and disabled veteran-owned businesses. Currently in Washington State, SBA refers all women-owned business enterprise to OMWBE for certification. Both 8(a) and SDB programs are presumptive only for ethnic minorities. HUB Zone is a geographic based program for businesses located in the most economically distressed areas within a state.

Agency Technical Support Services

Agency Support Services and training in supplier diversity is available from private professional service firms and from other private sector professionals in the field. Many of these professionals do not have the expertise in public sector contracting to tailor these services to the laws and regulations surrounding state contracting, including I-200. In addition, their fees begin at \$130/hour.

Business Development Services

Other private and public sector entities provide technical assistance and training to small businesses. Examples are: the U.S. Small Business Administration, SCORE (Service Corps of Retired Business Executives), Small Business Development Centers, Procurement and Technical Assistance Centers (PTACs), processors of federally-guaranteed loans (e.g., Community Capital Development, Evergreen Development Association), and non-profits (e.g., William Factory and Metropolitan Development Council). The training is often a condition of qualifying for a fee or specific federally supported financing or a particular solicitation. However, most of these entities do not assist start-up businesses. Moreover, the training is often nonspecific and/or ceases after the firm obtains the financing or is not awarded the opportunity. Regardless, with the reduction in funding at the federal level for entities themselves, the availability of this training is likely to be greatly reduced in the future. For example, the SBA's three Business Information Centers in Washington are not scheduled for federal funding in the next federal budget. Private sector groups, such as Associated General Contractors, offer training (for a fee) to their members and a limited number of scholarships to businesses through their non-profit affiliates. Small businesses have typically not been able to afford or access this training.

OMWBE's business development training is unique in that it is customized to the firm's own business plan, focusing particularly on the firm's needs for bonding and conforming financing during its life cycles. Firms learn how to develop and maintain the sustained relationships they will need in order to compete in their market arena.

OMWBE, in conjunction with the Office of the State Treasurer and the Department of Community, Trade and Economic Development administers the Washington State Linked Deposit Program ("LDP"). Given the State's constitutional prohibition on the lending of its credit, the LDP is the only state-funded business financing program. It is the only state-administered financing program directed at minority and women's business enterprises (MWBEs), and is the only state-administered financing program with the stated goal of improving access to capital for MWBEs.

The LDP allows OMWBE certified firms to receive a two percent interest rate reduction on their business loans for loans carried by participating certificated public depositories. Since the LDP's inception in 1993, it has funded interest rate reductions for 332 certified firms on \$141 million of business loans. Since 1998, over 4,000 jobs have been created or retained, either directly or indirectly, by firms participating in the LDP. The LDP is recognized as a valuable and highly sought after benefit by certified firms, and participating lenders actively utilize the LDP to diversify their customer base.

Target Market

The target market for OMWBE are Washington State based minority, women, and socially and economically disadvantaged persons who own small business enterprises and meet the eligibility criteria of ownership, control, size, independence, and capacity or commercially usefully function.

Public contracts for which these firms can compete are controlled and managed by public agency buyers, contracting officers, general contractors, and major suppliers.

Marketing Plan

OMWBE's marketing plans need to be revisited and updated due to changes in management and processes. This is included in the strategic plan.

Benefits and Features of OMWBE Services

OMWBE's services have many benefits and features, including:

Certification:

DBE Certification provides opportunities for firms to compete for federally funded highway, aviation, transit construction projects and airport concessionaires. These contracts require race conscious or race neutral goals.

Private sector corporations, as part of their Supplier Diversity programs, recognize Washington State Certification.

State Certification is recognized by local jurisdictions, political subdivisions and state agencies as counting towards laudatory goals and can provide businesses with bid opportunities at both the direct and subcontract levels.

Certification allows firms to apply for services such as Business Support Services and the LDP.

Both State and DBE certification is the least costly of the certifications offered for firms.

Business Development Services:

Business Development Services provides free or reduced cost consulting and training to business owners and their management.

Business owners are better able to qualify for SBA, Linked Deposit, and other small business lending programs if their financial management is in compliance with standard accounting practices and business management strategies.

Marketing and sales training is helpful to business owners and their staff to help them make the best use of their time in planning and executing a sales strategy.

Agency Technical Services:

Assists buyers and their management in the successful deployment of supplier diversity best practices without violating I-200 or Fair Contracting rules.

Agency Technical Assistance also increases procurement opportunities for small businesses through "right sizing" contracts and sub contracts.

The development of MWBE plans and goal setting tailors supplier diversity to the type of contract and availability of firms. This helps procurement staff and contracting professionals to be successful and meet laudatory goals.

Sales or Demand Forecast

OMWBE's workload increases both when the economy is vibrant and when it is stagnant. In good economic times, the state spends more money – especially on capital improvements. Businesses apply for certification to increase their likelihood of securing public works contracts. In a slow economy, many workers are unable to secure outside employment and instead decide to start their own business. These new business owners request business support services and apply for certification because they believe these services are a key component for their success and will increase the probability their new company will be able to secure government contracts.

Business Development Services:

The nationwide recession that started in 2001 has disproportionately affected Washington State and has resulted in a significantly increased workload for OMWBE. In FY 2002, OMWBE provided assistance and business services to 589 firms. In FY 2003, this number increased to 1,239. OMWBE staff also conducted 35 training workshops for 414 businesspersons in FY 2002. In FY 2003, the agency conducted 105 trainings workshops for 1,006 businesspersons. In FY 2004, levels dropped to 37 training workshops for 358 businesspersons. Changes to eligibility requirements for firms that could participate and what curricula could be offered were made that fiscal year. In FY 2005 and FY 06, OMWBE increased outreach, resulting in 110 training workshops serving 2,000 businesspersons and 110 training workshops serving 5,976 businesspersons, respectively.

Business support services requests and certification application rates are expected to remain relatively steady throughout the 2007-2009 biennium. However, a new economic downturn could cause the agency's workload to increase even further during the biennium.

Certification Services:

The total number of firms certified in FY 2004 and FY 2005 was 2,541 and 2,449, respectively. The number of certified firms in each ethnic group except Asians decreased during FY 2005. (See Distribution of Certified Firms by Ethnicity/Gender.) The forecast for the number of certified firms for FY 2007 – FY 2009 is expected to grow slowly. Although outreach will continue to draw more new applications for certification, this will be offset by retention rates. Retention rates will continue to be impacted by the number of firms obtaining government contracting and procurement opportunities.

Agency Technical Support:

State agencies' utilization of certified firms has continued to decrease for both minority and women-owned firms since 1998. FY 2005 utilization was at 1.9% of the statewide expenditure base. This translates into approximately \$54.6 million in expenditures to certified firms. New and continuing strategies to assist state agencies are being employed to mitigate against further declines. (See State of Washington Expenditures with WBEs and MBEs and attached historical trends).

Key Changes in Market Trends or Opportunities

OMWBE has identified the following key changes in market trends or opportunities:

- Self-identified minority and women-owned businesses account for over 40.2 percent of all Washington businesses. They employ over 200,000 residents and have an annual payroll of approximately \$5.09 billion. Source: US Census Bureau.
- Women-owned businesses contribute more than \$17.4 billion in sales and over \$3.2 billion in payroll annually to Washington's economy. Source: U.S. Census Bureau.
- Minority-owned businesses contribute more than \$30 billion in sales and \$5 billion in payroll annually to Washington's economy. Source: UW Business School "Small Business Growth Opportunities in Washington."
- Firms receiving assistance from OMWBE grew over 400 percent from FY 2002 to FY 2006. Number of business people receiving training grew over 1,300 percent from FY 2002 to FY 2006.
- Firms requesting certification began to decline: 22 percent increase in FY 2000; 8 percent increase in FY 2001; 51 percent increase in FY 2002; and 1 percent increase in FY 2003. FY 2005 resulted in a net increase of 34.2 percent since FY 1999.
- Firms maintaining certification decline: 340 percent increase in FY 2000; 24 percent increase in FY 2001; and 67 percent increase in FY 2002. FY 2003, FY 2004, FY 2005, and FY 2006 saw a net drop of 47 percent.

OPERATIONAL PRODUCTION PLAN

Facilities Assessment

Although the present facility in Olympia is sufficient to maintain current operations, building, roof and insect infestation problems persist. If the landlord, working with GA, is unable to correct the problems, OMWBE will need to locate new office space and move, incurring additional rent and moving expenses

Key Equipment and Technology Requirements (separate from IT portfolio)

Current equipment and technology are not satisfactory. In 2007, the personal computers will need to be replaced. The office will need new printers, a new copier, and a new telephone system. All licenses and maintenance for software will need to be reviewed and purchased/upgraded to meet DIS requirements.

With the full deployment of CMATS, there will be a need for additional servers and Citrix licenses. Maintenance charges for CMATS are expected to increase. OMWBE works with Business Innovations Plus for the software and Rights Systems for server and hardware maintenance. Additional interface software may need to be developed to provide electronic interfaces for other agency and university systems.

Labor Requirements

Due to ongoing recruitment and retention issues among OMWBE's professional staff, OMWBE has submitted its plan (including budget impact) to OFM to upgrade the Program Specialist 3 class to Management Analyst 4.

Management Requirements

No additional requirement at this time.

Key Supplies Requirements

No additional requirement at this time.

Shipping/Transportation Requirements

No additional requirements at this time.

Quality Control Requirements

New quality control requirements will be defined with revised processes.

Special Workforce Plans/Programs

Business Development: OMWBE will seek additional funding to provide its customized business development training promoting a sound financial management infrastructure and increased operational capacity to more of Washington's minority and small businesses so that they may better qualify for conforming financing and successfully compete for the State's procurement and contracting opportunities.

OMWBE continues to be a national leader for DBE certification. Continued training in this DBE Certification and Fraud prevention is required to maintain staff proficiency.

Outline of Daily Operations

Daily operations consist of general certification activities and directory updates, agency support activities, and technical assistance to the general public, state agencies, and local jurisdictions.

Significant Changes, Challenges, or Opportunities Related to Business Operations

Public Perception and Expectations

Despite OMWBE's continued targeted outreach and education efforts, many Washington State residents continue to hold misperceptions about the impact of Initiative 200 (passed in 1998 and codified under RCW 49.60.400). Because of this misperception, many certified firms allowed their certification to be removed. Immediately after I-200's passage, the number of certified firms dropped by approximately one-third. By the end of the first three-year certification cycle following I-200's passage, the number of certified firms had dropped by more than 50 percent. OMWBE has devoted significant staff time to educating firms and increasing the number of certified firms available.

OMWBE also continues to devote significant staff time to educating state procurement officers, prime contractors, potential applicants, and the general public as to OMWBE's mission and what practices are permitted or prohibited by the passage of I-200. By correcting common misperceptions, fewer firms mistakenly allow their certifications to lapse.

Changes in Washington State's Ethnic Makeup

According to U.S. Census Bureau data and the Washington State Office of Financial Management, the ethnic makeup of Washington's citizens is changing. Minority groups (including Hispanics of all races) currently account for more than 20 percent of Washington's population. Of residents who identify themselves as a single race, Hispanics are the fastest growing population in Washington. In U.S. Census 2000, the Hispanic population comprised 7.5 percent of the state population. In 2000, Washington ranked tenth among the states in total Hispanic/Latino population. Asian and Pacific Islander and African American continue to increase. The percentage of Washington residents who consider themselves "white" and not of Hispanic heritage has fallen significantly over the last decade.

The U.S. Census Bureau data also reveals that the Native American proportion of the Washington State population has fallen slightly over the past decade. The Governor's Office of Indian Affairs reports Washington has 29 federally recognized tribes. However, two other tribes (the Chinook and Duwamish Tribes) have applied for and are currently pending federal recognition; six other tribes have requested inclusion on the Washington State Tribal Directory.

Based on U.S. Census Bureau data, Washington's minority population is projected to increase at a rate exceeding that of the current fiscal growth factor. Over the next twenty years, Washington's minority population is predicted to increase 63.52 percent, or approximately 3.18 percent per year.

Minorities in Business

As the number of minorities increases, the number of businesses owned by minorities also increases. The U.S. Census Bureau reports that in 1982, 6.8 percent of businesses were owned by minorities. That percentage has grown steadily: in 1987, 9.3 percent of businesses were owned by minorities; in 1992 – 12.5 percent; and in 1997, minorities owned 14.6 percent of all businesses. In 2002, there are over 4.1 million minority-owned businesses, or over eighteen percent of all businesses in the country.

According to the U.S. Small Business Administration's publication, "2005 The Small Business Economy, A Report to the President," minority-owned businesses continue to be an important part of the U.S. small business sector. African-Americans and Hispanics have lower rates of business ownership and success than Caucasians and Asians. These businesses have lower sales, hire fewer employees, and have smaller payrolls than Caucasian and Asian-owned businesses. African-American and Hispanic-owned businesses also have lower profits and higher closure rates than Caucasian and Asian-owned businesses. The relatively smaller number and weaker performance should be a major concern.

The federal government and many states are promoting self-employment as a way for some families to leave unemployment insurance and social services program rolls. Business ownership provides a path out of poverty and is an alternative to unemployment. As globalization of the marketplace continues to impact our national economy, higher paying jobs will continue to concentrate in jobs that require an extensive education with technical expertise that requires a physical presence. This is especially true of Washington, the third most trade dependent state in the country. Therefore, business ownership is a viable option under these circumstances for these individuals in those industries that require minimal licensing, minimal capital, and minimal education. Several immigrant groups have experienced economic success in part because of small business ownership.

Minority-owned businesses hired more than 4.2 million employees nationally during 1997. A significant number of these employees are minorities. Self-employed business ownership is a major alternative to wage-and-salary employment that can exert political influence that comes with small business success. African-American and Caucasian business owners have more upward mobility and less downward mobility in wealth distribution than wage-and-salary workers. This has important implications for earning power and wealth inequity. Minorities with low levels of assets are limited to begin businesses and are more likely to close their businesses. African-Americans and Hispanics have lower levels of family, business and human capital to start businesses.

Discrimination also plays a factor in business ownership entry and success. Labor market discrimination increases the rate of minority workers becoming business owners. However, discrimination due to limited opportunities to enter industry networks, such as construction, and less favorable terms in credit, such as higher interest rates, can reduce business ownership entry and success. Barriers to business entry and success for minority-owned businesses contribute to a large efficiency loss in the overall economy.

The U.S. Census Bureau data shows that Washington's population is becoming more diverse. This increased diversity has led to an increase in the diversity of business ownership. Between 1992 and 2002, the number of minority-owned businesses increased 92 percent from 25,935 to 50,599.

Over the same period, the number of minority-owned businesses with employees increased more than 100 percent from 5,734 to 12,749. The University of Washington Business School "Small Business Growth Opportunities in Washington" report indicates these minority-owned firms contribute more than \$30 billion in sales and more than \$5 billion in payrolls to Washington's economy.

According to the U.S. Census Bureau, in 2002 there were 27,611 Asian and Pacific Islander-owned businesses with revenues over \$7.77 billion, 6,985 African-American-owned businesses with revenues over \$1.05 billion, 10,269 Hispanic-owned businesses with revenues over \$1.54 billion, and 5,734 Native American and Alaska Native-owned businesses with revenues over \$938 million, or 12.3 percent of the total businesses in Washington.

While not all minority and women-owned firms will seek business support services or certification from OMWBE, we expect the number of firms requesting services will continue to increase in accordance with the total number of potentially eligible firms in the marketplace.

Women in Business

The U.S. Census Bureau reports that in 2004, there are an estimated 6.7 million women-owned businesses, or 30 percent of all businesses in the country. These businesses employ 9.8 million workers and generate \$1.19 trillion in sales. Nationally, 85 percent of women-owned businesses are sole proprietorships compared to 68 percent of all other owner sole proprietorships. An estimated 1.4 million minority women-owned businesses employ 1.3 million workers and generate \$147 billion in revenues. The workforce for women-owned businesses shows more gender equity with a balanced workforce. 51 percent of women-owned businesses are in the service sector, compared to fifteen percent in retail trade and nine percent in finance, insurance, or real estate.

Between 1997 and 2004, the number women-owned businesses grew by 23 percent, compared to nine percent total business growth. Employment increased 39 percent compared to twelve percent nationally. Revenues rose by 46 percent compared to 34 percent for all U.S. businesses. During this same period, 424 new women-owned businesses were started every day, accounting for 55 percent of all new business start-ups.

One of the key issues for women business owners is access to capital. Most women business owners rely on the earnings of their business and their own private resources for ongoing financial needs. In 2003, women-owned businesses received 4.2 percent of the \$19 billion in venture capital invested that year. The majority of these funds went to women-owned health-care-related businesses with one third located in or near San Francisco.

Women-owned businesses have made gains in two markets: federal government and large corporations. The Department of Defense, which accounts for 59 percent of all federal spending, spent 2.5 percent of their FY 2003 procurement dollars with women-owned firms. In 2002, 72 percent of women owners reported revenues earned from large corporation contracts and procurements.

In a 2003 study conducted by the National Women's Business Council, women-owned businesses received the most benefit from specific types of training in three stages of development:

- Pre-start-ups or start-ups benefit from entrepreneurial training.
- Start-ups or second-stage benefit from mentor-protégé programs.
- Second-stage or established firms benefit from peer-to-peer networking.

According to the U.S. Census Bureau, there are approximately 137,475 women-owned businesses in Washington State generating \$17,471,191,000 in revenues. Over 22,000 of these women-owned businesses employ 127,053 workers with annual payroll of \$3,210,600,000. As of 2002, Washington State ranks ninth place for the greatest number of Asian and Pacific Islander women-owned businesses. The State also ranks in eighth place for Asian and Pacific Islander women-owned businesses comprising the greatest share (eight percent) of all minority women-owned businesses within the state. Washington State also ranks tenth place with the highest survival rate (77 percent) from 1997 to 2000 among African American women-owned employer businesses. As of 2002, Seattle ranked tenth place as the city for the most women-owned businesses as compared to its state. Fifteen percent of women-owned businesses (19,945 businesses) were located in Seattle generating eighteen percent of the receipts (\$3,106 million) of women-owned businesses.

By providing business services and certification to women-owned firms, OMWBE helps these businesses to grow and expand. As they do, they will contribute even more to Washington's economy.

Expanded Customer Base

In addition to businesses owned by minorities and women, OMWBE also provides services to other businesses owned by socially and economically disadvantaged owners. In accordance with the legislature's instructions in SJM 8015 and the agency's statutory authority (RCW 39.19.120), OMWBE added a new status for disadvantaged business owners who are not women or minorities. Business owners who are disabled may now apply for business services and certification from OMWBE.

OMWBE also assists the Department of General Administration's ("GA") "Vendor In Good Standing" program pursuant to SHB 1813, a bill designed to expand employment opportunities for people with disabilities. OMWBE has not received any certification applications from GA for this program to date.

Emphasis on Contracting and Procurement Accountability

Accountability and fraud prevention are issues that have been emphasized by the Washington State Legislature and the U.S. Department of Transportation. OMWBE's methods and workload are affected by both these efforts.

The Washington State Legislature has recently emphasized increasing government accountability, decreasing government waste, and preventing unnecessary financial liability. OMWBE has made significant efforts to further the Legislature's intent by implementing the Contract Monitoring and Tracking System ("CMATS"). OMWBE will continue expanding the number of state agencies, educational institutions, and local jurisdictions utilizing this tool to prevent contract and procurement irregularities and decrease wasteful government spending. CMATS can also be used by state agencies and local jurisdictions to locate firms, conduct availability studies, and track subcontracting. Expanded use of this system will allow the state improved reporting and compliance with federal and state contracting plans.

The U.S. Department of Transportation has also placed an emphasis on contract and procurement fraud, especially as it applies to the USDOT Disadvantaged Business Enterprise ("DBE") program. As the sole certifying entity for Washington State DBEs, OMWBE has made significant progress in detecting DBE certification fraud attempts. OMWBE has become a nationwide leader in its efforts to detect and prevent DBE certification fraud and the resulting waste of taxpayer dollars on transportation public works projects. OMWBE will continue to lead the country in this area and serve as a model for other jurisdictions.

Changes in State Vendor Identification and Procurement Methods

Washington State's commitment to web-based vendor identification and procurement systems represents an efficient and sound business practice in the new millennium. To assist this practice, OMWBE is deploying CMATS.

Access to Capital

Since its inception in 1993, the Linked Deposit Program has funded interest rate reductions for 332 certified firms on \$141 million of business loans. The Linked Deposit Program has proven popular with certified firms and is a proven attraction to state certification for potentially certifiable firms. OMWBE continues to work closely with the Office of the State Treasurer ("OST") to administer this valuable program.

Unfortunately, the Linked Deposit Program does not adequately address key issues identified in its authorizing statute. The program does not alter lending criteria for participating banks, nor does it require that the banks report on their lending decision process. During fiscal year 2006, the amount of available short-term surplus fund deposits have doubled to \$100 million with a \$1 million per-loan limit. Still, OMWBE estimates that all the funds will be tied up in loans, resulting in a waiting period for certified firms before the end of fiscal year 2007.

In an effort to explore innovative methods for increasing the availability of capital to certified firms, OMWBE will partner with the financial and banking community during the 2007-2009 biennium to explore alternative financing for qualified firms.

Operational Strategy

Evolution of the agency's operational strategy resulted in a realignment of OMWBE's operating divisions and efforts. OMWBE has three divisions: certification, agency support and business development, and information services, with satellite offices in Seattle and Tacoma. The shift from a "compliance" division to an "agency support and business development" division reflects the agency's fundamental commitment to assist state agencies in identifying profitable contracting and procurement opportunities for minority and women small businesses. This underscores the agency's recognition that certified firms play a significant role in the state's economy. By assisting minority and women-owned small businesses to develop their businesses and expand their ability to successfully perform on public works and procurement contracts, the firms and the state as a whole benefit.

Labor Requirements

OMWBE does not contemplate any noteworthy changes to its workforce. Civil service reform has not had any significant impact on agency staffing. Because no other entity provides the same services as OMWBE, we do not expect any of the agency's services will be subject to competitive contracting. However, we do expect to have continued difficulty filling vacancies since the few individuals who have direct experience in our program areas would come from out-of-state, need to relocate or commute from larger urban areas, and/or agree to reduced salary and benefits to accept employment.

Technology Strategies

OMWBE's technology strategy focuses on providing sufficient internal technological resources to meet our customer's needs. The agency will continue to expand the deployment of CMATS to assist state agencies and local jurisdictions in identifying certified firms in the marketplace of available vendors and will also continue to provide database vendor searches for prime contractors. OMWBE's certification division will expand its use of technological resources to detect and prevent certification fraud.

OMWBE's participation with the State's Business Portal interface will also help provide better service to all small businesses in the state of Washington.

PERFORMANCE ASSESSMENT

Upon review of OMWBE's most recent performance measure information, performance measures were linked to the Government Management Accountability and Performance (GMAP) goal statement of agency concern:

Improve the contributions of certified minority, women, and socially and economically disadvantaged small businesses to the Washington State economy through their increased utilization in public contracting and procurement

OMWBE GMAP initiatives were developed to continue to pursue OMWBE's goal in Fiscal Year 2006. These same GMAP initiatives will remain during the 2007 – 2009 fiscal biennium:

- Continue to reduce certification processing time with a goal of issuing final determination within 45 days.
- Streamline the recertification process to make it quicker and easier.
- Increase outreach to Washington's diverse communities, including language assistance and translation.
- Work with state agencies to increase purchases from minority and women owned firms by facilitating access to opportunities and increasing the capacity of certified firms.

OMWBE's strategic goals to accomplish the OMWBE GMAP initiatives in the 2007 – 2009 fiscal biennium include the addition of the sixth strategic goal:

- Increase number of certified firms.
- Issue certification determination within 45 days from receipt.
- Increase outreach to diverse communities.
- Increase number of firms doing business with state agencies.
- Increase revenue earned by certified firms.
- Complete integration of CMATS with other construction and project tracking systems.

The organizations similar to OMWBE that provide business development assistance are limited to non-profit organizations, the U.S. Small Business Administration ("SBA"), and state and local agencies in other states. Those states and local jurisdictions that have mandatory goal programs for public contracting and procurement for minority and women's business enterprises have been able to obtain their overall goals, unlike Washington State. Few of these states have had their mandatory goal programs derailed through legislation or initiatives and lawsuits as has occurred in Washington State. In those states whose mandatory goal programs were discontinued, they, like Washington, have seen dramatic declines in the utilization of minority and women-owned certified firms without recovery. However, OMWBE expects the performance gap in Washington can begin to be closed during the next biennium by implementing new supplier diversity strategies and requiring establishment of performance measures based on agency-specific activities.

The certification process redesign begun during Fiscal Year 2005 was not sufficient to compensate for the unforeseen reduction of staff OMWBE experienced. During Fiscal Year 2006, OMWBE completed a redesign of its Recertification, Renewal, and Annual Update applications. This also facilitates closure of performance gaps.

Organizations similar to OMWBE that perform certification services are limited to a few non-profit entities that provide certification services for the private sector, the SBA, a few local jurisdictions that have unique small business programs, and state and local agencies in other states. Of these entities, only California from the 14 Western States (Region IX of the U.S. Department of Transportation) has a larger federal certification program (measured according to number of certified firm directory). OMWBE has the largest state certification program of the 14 Western States, SBA and regional non-profit entities. OMWBE's federal Disadvantaged Business Enterprise certification program has also developed a positive reputation for its staff technical expertise.

Other core services are addressed in the OMWBE Business Plan. The OMWBE GMAP is contained in the OMWBE Business Plan.

STRATEGIC ASSESSMENT

The key problem facing OMWBE continues to be the impact of I-200 and the continued decline of certified firms in public contracting. Many of the States Buyers and Contracting Officers do not believe that a MWBE plan is required or that successful strategies are available to plan and meet laudatory goals. The 2003 plan to disband the OMWBE office further caused the problem to increase.

At the Diversity Business Symposium held in June 2003, Governor Locke directed state agencies to work harder at improving state contracting opportunities for businesses owned by diverse peoples. Over the next six months, the Commissions on African American Affairs, Asian Pacific American Affairs, and Hispanic Affairs, and the Governor's Office of Indian Affairs, and the Office of Minority and Women's Business Enterprises, in collaboration with the Departments of General Administration and Community, Trade and Economic Development, began a series of meetings with stakeholders to identify initiatives to increase participation of diverse businesses in public contracting. Fifteen initiatives for Increasing Opportunities for Minority, Native American and Women Owned Businesses were identified. Many of those initiatives are included in the OMWBE Strategic Plan.

In the Director Crowson's 2005 confirmation letter, Governor Gregoire directed OMWBE to focus on the following initiatives:

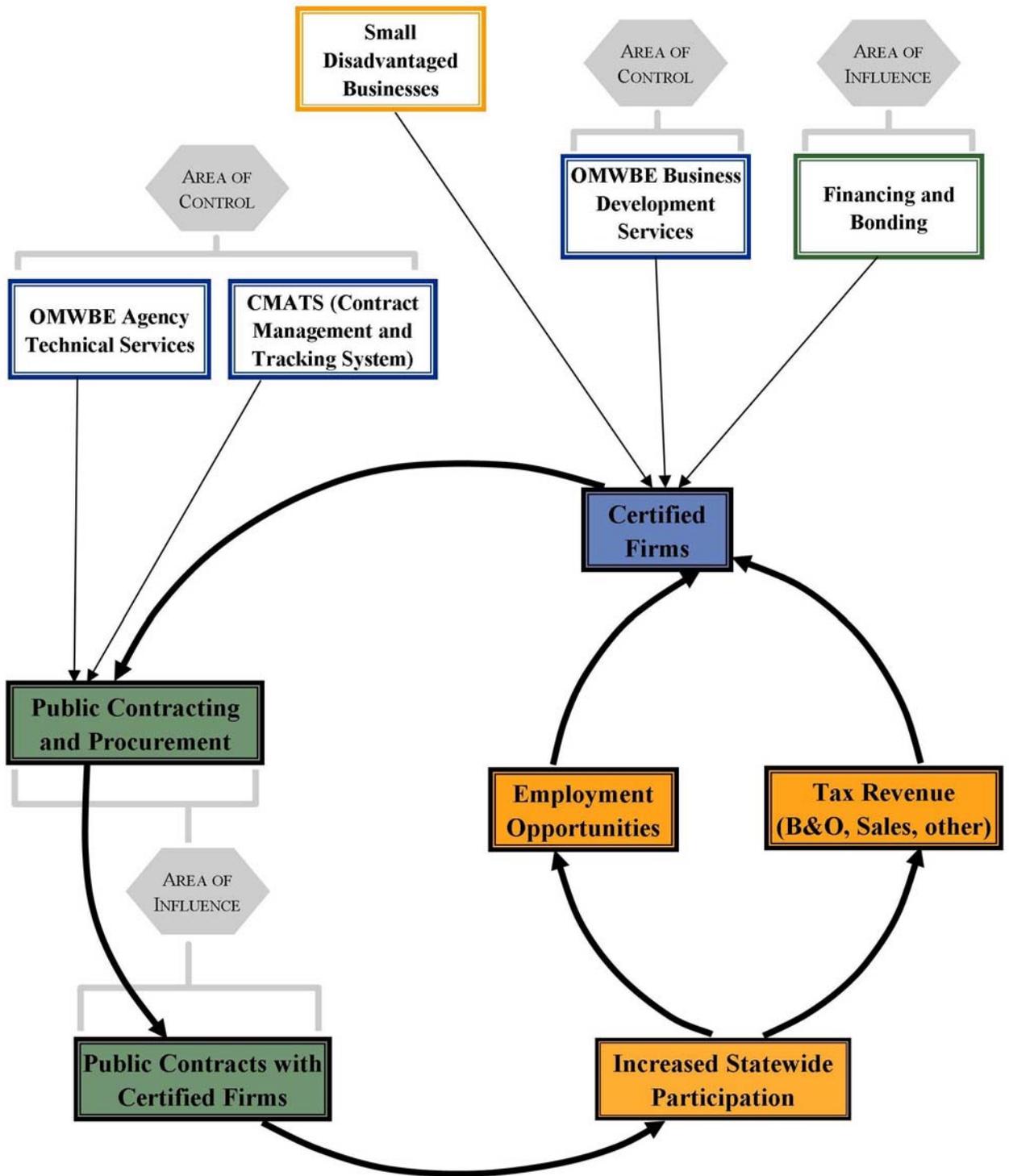
- Work with state agencies to increase purchases from minority and women owned firms by facilitating access to opportunities and increasing the capacity of certified firms.
- Continue to reduce certification processing time with a goal of issuing final determination within 45 days.
- Streamline the recertification process to make it quicker and easier.
- Increase outreach to Washington's diverse communities, including language assistance and translation.

These initiatives are a critical part of the OMWBE Strategic Plan and Government Management Accountability and Performance (GMAP) initiatives.

The new strategic plan includes initiatives to correct the existing barriers through education and buyer training.

OMWBE has adopted a number of new strategies to provide better services to a larger customer base with fewer staff and financial resources.

VALUE CHAIN: OMWBE AREA OF CONCERN

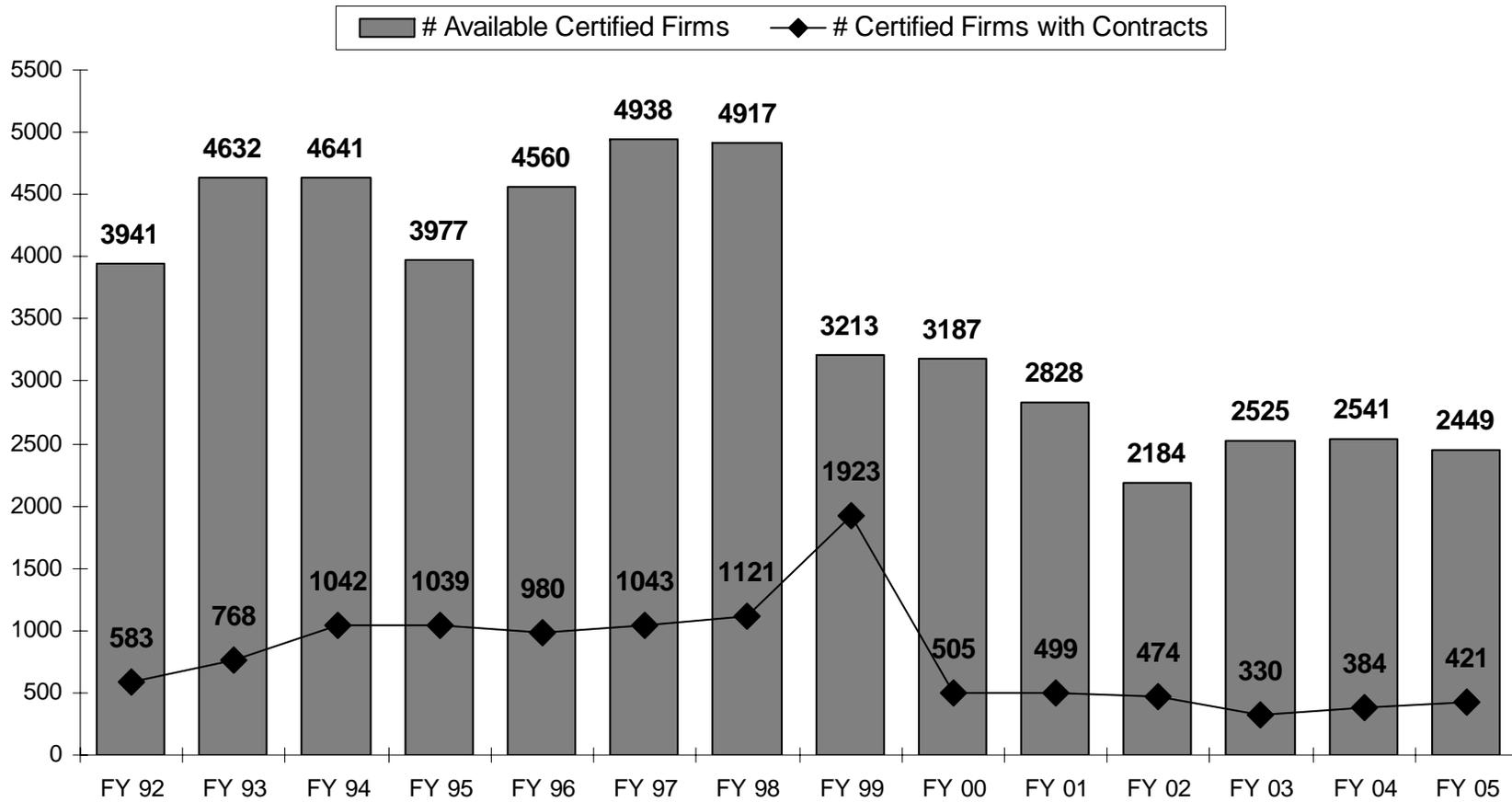


DISTRIBUTION OF CERTIFIED FIRMS BY ETHNICITY/GENDER

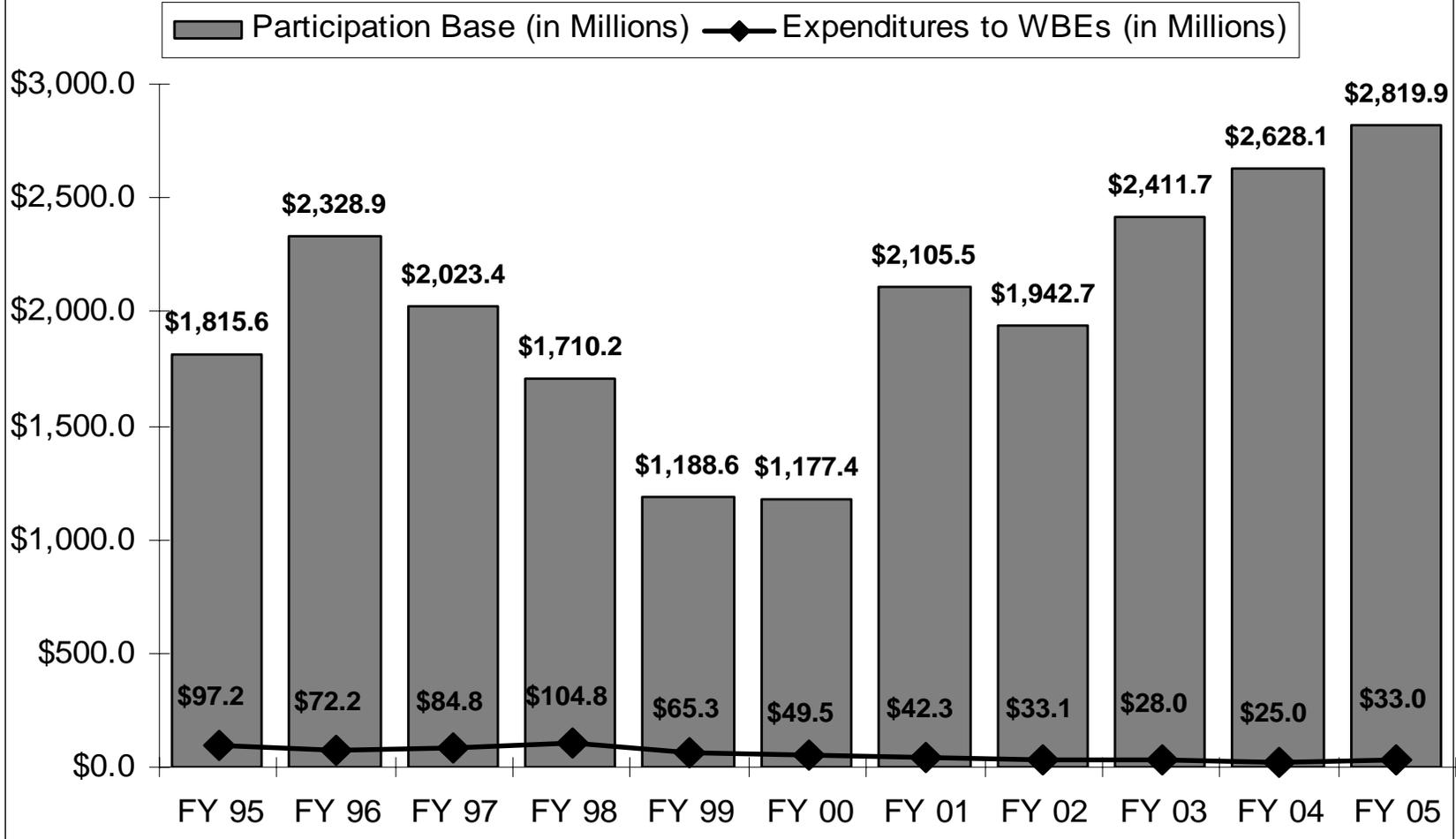
Fiscal Year	African American	Asian Pacific American	Hispanic American	Native American	Caucasian*	Total
1994	711	655	381	279	2615	4641
1995	609	577	331	223	2237	3977
1996	622	623	386	244	2685	4560
1997	771	742	456	284	2685	4938
1998	735	717	438	271	2756	4917
1999	418	503	289	187	1816	3213
2000	399	516	294	186	1792	3187
2001	392	458	250	169	1559	2828
2002	316	389	193	147	1139	2184
2003	363	452	225	172	1313	2525
2004	459	393	221	168	1300	2541
2005	364	454	207	165	1259	2449

*Includes firms owned by non-minority men determined to be socially and economically disadvantaged as well as non-minority women.

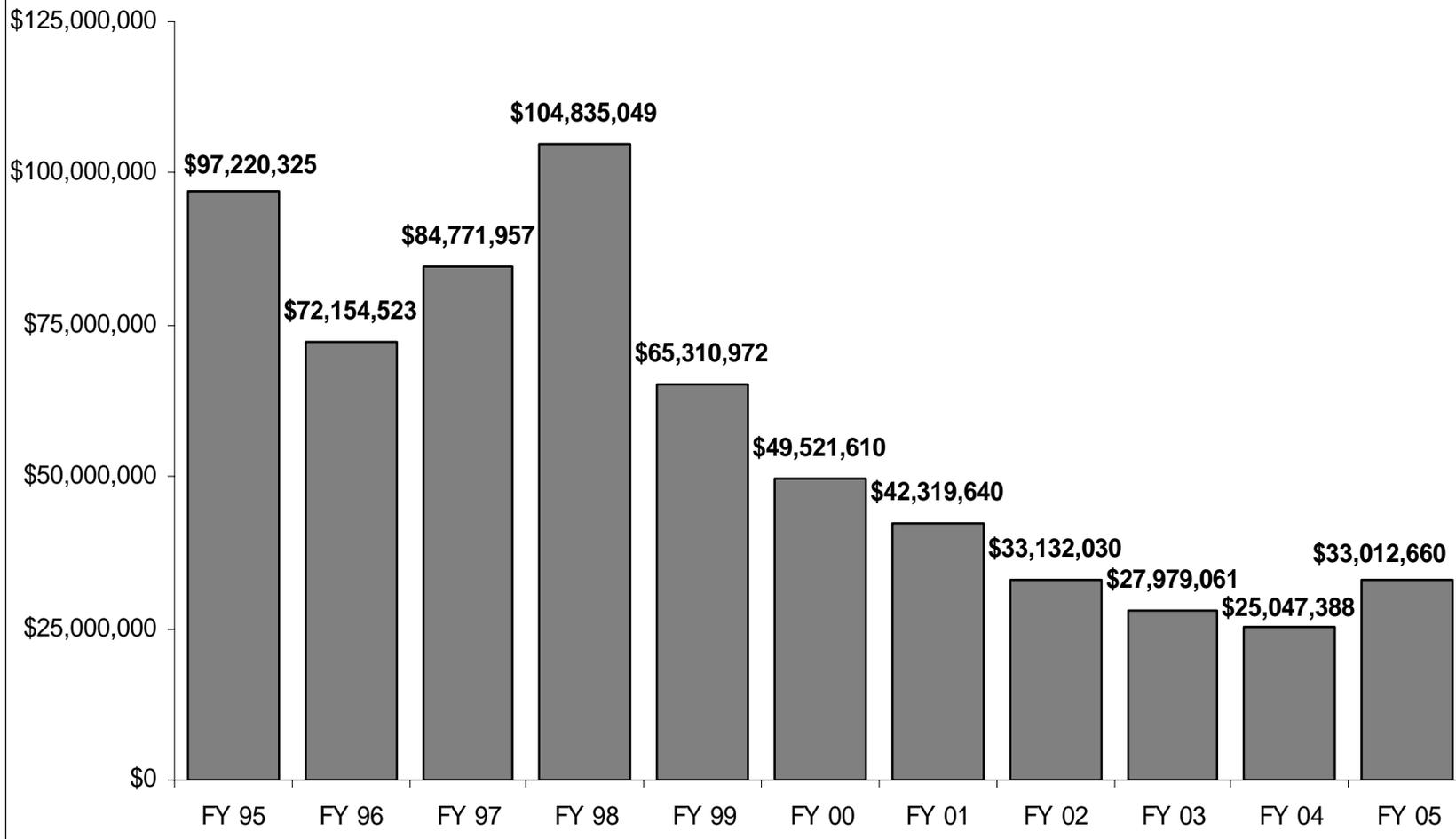
OMWBE CERTIFIED FIRMS DOING BUSINESS WITH THE STATE FY 92 - FY 05



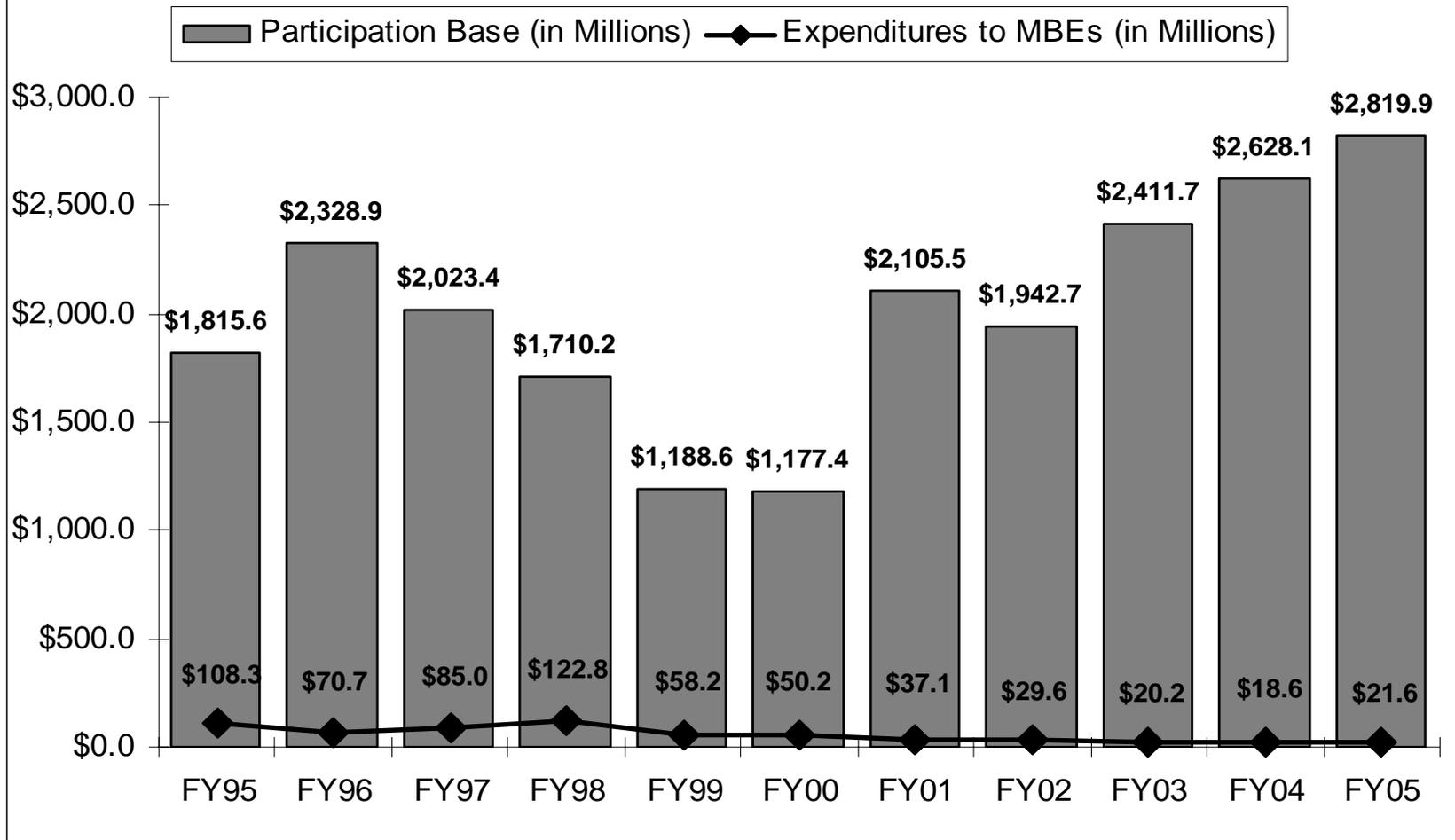
OMWBE STATE OF WASHINGTON EXPENDITURES WITH WBEs (COMPARED TO PARTICIPATION BASE) FY95 - FY05



OMWBE STATE OF WASHINGTON EXPENDITURES WITH WBEs FY95 - FY05 (in Dollars)



OMWBE STATE OF WASHINGTON EXPENDITURES WITH MBEs (COMPARED TO PARTICIPATION BASE) FY95 - FY05



OMWBE STATE OF WASHINGTON EXPENDITURES WITH MBEs FY95 - FY05 (in Dollars)

