

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

**STRATEGIC PLAN
2007-2009 BIENNIUM**



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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

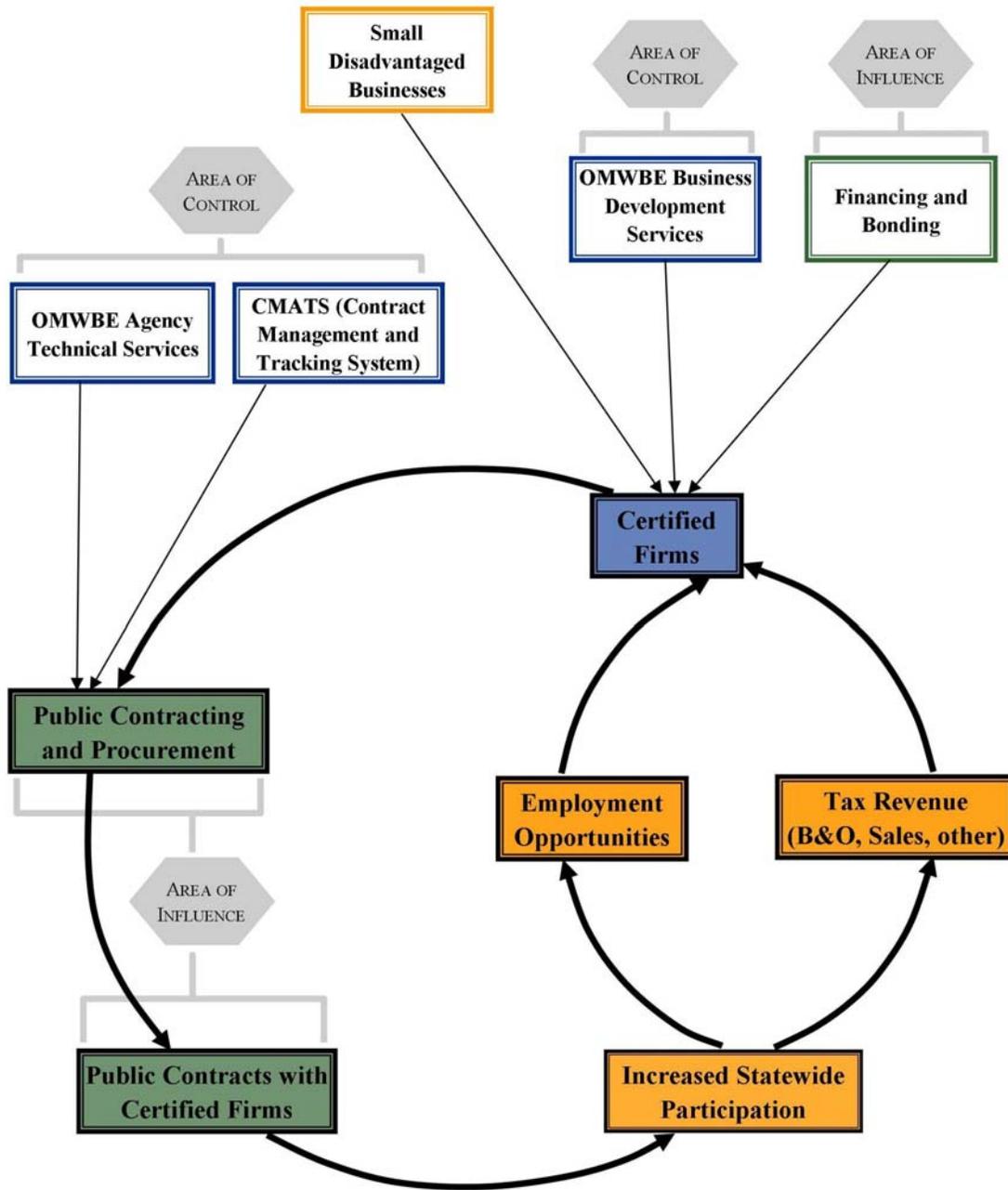
By serving the community of small businesses owned by ethnic minorities, women, and socially and economically disadvantaged persons, the Office of Minority and Women's Business Enterprises (OMWBE) has a direct impact on Washington State's economy.

- 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.

The following explains how OMWBE contributes to “Priorities of Government” Statewide Result Six, “Improve the economic vitality of businesses and individuals” and Result 11, “Improve the ability of state government to achieve its results efficiently and effectively.”

VALUE CHAIN: OMWBE AREA OF CONCERN



PRIORITY OF GOVERNMENT SIX: GOAL, OBJECTIVES, AND STRATEGIES

Priority of Government Six

Improve the economic vitality of businesses and individuals.

OMWBE Goal 1

Improve certified minority, women, and socially and economically disadvantaged small businesses' contribution¹ to the Washington State economy.

OMWBE Objective 1

Increase utilization of certified minority, women, and socially and economically disadvantaged small businesses in contracting and procurement.

OMWBE Strategy 1

Partner with state agencies, universities, local governments, private corporations, and community-based organizations to increase participation of certified businesses in procurement opportunities.

OMWBE Activity 1

Promote agency performance agreements to include M/WBE goals and outreach.

OMWBE Activity 2

Participate in MWBE outreach events.

OMWBE Activity 3

Identify firms with sufficient capacity to compete for specific opportunities.

OMWBE Strategy 2

Integrate inclusion strategies for contracting and procurement opportunities.

OMWBE Activity 4

Identify "Supplier Diversity" best practices in the private and federal government sectors that can be shared in state contracting and procurement.

OMWBE Activity 5

Provide technical assistance to each agency's M/WBE Plan.

OMWBE Activity 6

Train buyers and contracting officers from targeted agencies and institutions in recommended supplier diversity best practices.

¹The economic contribution is providing employment opportunities and tax revenue. See the OMWBE Value Chain.

OMWBE Strategy 3

Expand the usage of the OMWBE shared information technologies to support and assist businesses using the one-stop business portal.

OMWBE Activity 7

Integrate CMATS with other construction and project tracking systems.

OMWBE Activity 8

Provide comprehensive and accurate statistical data to agency decision-makers to facilitate goal setting based upon the availability of qualified, certified firms.

OMWBE Activity 9

Maintain OMWBE's client information database that identifies all certified firms.

OMWBE Strategy 4

Build a team of well-trained professional staff of subject matter experts in certification, public contracting, supplier diversity and business development.

OMWBE Activity 10

Provide staff with continuous learning opportunities.

OMWBE Activity 11

Develop appropriate job descriptions and pay scale for recruiting and retention of specialists.

OMWBE Activity 12

Provide management with leadership training and development.

OMWBE Objective 2

Expand the number of qualified, certified minority, women, and socially and economically disadvantaged small businesses.

OMWBE Strategy 5

Improve state Minority and Women's Business Enterprises (MWBE) and federal Disadvantaged Business Enterprises (DBE) certification programs.

OMWBE Activity 13

Streamline the OMWBE certification process and forms.

OMWBE Strategy 6

Involve communities in deployment of outreach, training and education programs.

OMWBE Activity 14

Redesign and implement a training and education program for potentially eligible firms.

OMWBE Strategy 7

Maximize the ability of certified firms to participate in other certification programs.

OMWBE Activity 15

Collaborate with other certification programs to establish uniform, coordinated, and/or integrated eligibility review processes with neighboring states on a regional and national level.

OMWBE Strategy 8

Identify statutes and regulations that negatively affect the economic development of certified firms.

OMWBE Activity 16

Participate in initiatives to waive or reduce performance bonds and insurance requirements for contracts.

OMWBE Activity 17

Conduct comprehensive inventory of contracting and procurement rules affecting certified firms and recommend revisions.

OMWBE Objective 3

Increase the performance capacity and income earned by certified minority, women and socially and economically disadvantaged small businesses.

OMWBE Strategy 9

Provide certified firms with access to comprehensive integrated entrepreneurial, financial, technical and technological services customized to their individual developmental and growth plans.

OMWBE Activity 18

Develop certified firm “performance capacity” activity profiles.

OMWBE Activity 19

Improve access to affordable capital for certified firms.

OMWBE Activity 20

Continue implementing and monitoring the Linked Deposit Program according to the program data collection plan.

PRIORITY OF GOVERNMENT ELEVEN: GOAL, OBJECTIVES, AND STRATEGIES

Priority of Government 11

Improve the ability of state government to achieve its results efficiently and effectively.

OMWBE Goal 2

In accordance with GMAP, OMWBE will continue to develop and improve its performance measures.

OMWBE GMAP initiatives were developed to continue to pursue OMWBE's goal 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.

GMAP Strategic Goals that will accomplish these GMAP initiatives are:

- 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 agency construction and project tracking systems.

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.

APPRAISAL OF EXTERNAL ENVIRONMENT

The National, State, or Local Economy

According to the Washington State Office of Financial Management, national economic indicators point to the growth increase slowing down and credit tightening. Although there is a continuing decrease in the unemployment rate and an increase in hiring, fewer jobs are being advertised. Although not primary indicators, these factors do contribute to lower consumer confidence in the economy.

The small business sector is critical to the U.S. economy. According to Evergreen Community Development, a small business finance and economic development non-profit organization serving the Pacific Northwest, small businesses represent 99 percent of all employer firms. They employ half of all private sector employees. These businesses pay 45 percent of total U.S. private payrolls. They have generated 60 to 80 percent of net new jobs annually over the last decade. They create more than 50 percent of non-farm private gross domestic product.

The Washington State economic recoveries and recessions have always lagged behind national economic trends. At the time of the published February 2006 economic and revenue forecast, Washington wage and salary employment rose. The State's unemployment rate decreased to 4.7 percent, its lowest rate since 1999. The State's initial claims for unemployment continue to drop. In all, the vast majority of economic indicators point to a strengthening and growing economy for the state. In fact, the only indicator pointing to economic weakness is the decline in the number of housing permits requested, one of the indicators of a slowing housing market.

Population, Demographics, Client Characteristics, and Caseload Trends

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 in 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.

Assessment of Trends in the Service Area, Market, or Industry

Changes in Washington State's Economy

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 and private sector 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.

The nationwide recession that started in 2001 had disproportionately affected Washington State and has resulted in a significantly increased workload for OMWBE. Current data and projections through fiscal year 2009 are contained in the table below.

Table 1 – BUSINESS SUPPORT SERVICES

FISCAL YEAR	BUSINESS OUTREACH, TRAINING, & WORKSHOPS	ATTENDEES
2002	35	414
2003	105	1,006
2004	37*	358
2005	110	2,000
2006	181	5,976
2007	185	6,000
2008	190	6,250
2009	195	6,500

*Changes in business support services eligibility criteria resulted in a drop in the number of workshops offered and attendees.

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

Business Demographics Across the State

The traditional urban-rural distinction is particularly noticeable in the area of construction activity. Certified firms located in Eastern Washington, whose primary activities are construction, architecture, and engineering are especially burdened by the fact that construction activity is not as vibrant in Eastern Washington as in the Puget Sound area of Western Washington. Moreover, contracts for work in Eastern Washington are reportedly more likely to be awarded to firms located in urban Western Washington, where larger firms are located. Measures of a firm's performance capacity (*e.g.*, time in business, number of employees, project size capable of performing) are often given greater weight in the firm selection process than a firm's geographical location to the project site, even though the project itself does not require the resources of the larger urban firm.

To mitigate these problems, OMWBE will continue to perform outreach to underserved firms, especially those in Eastern Washington. OMWBE will also continue to work with state procurement officers to eliminate unnecessary barriers to certified firms in contracting and procurement.

Changes in Various Environments

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.

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.

Table 2 – NUMBER OF CERTIFIED FIRMS RENEWING CERTIFICATION

FISCAL YEAR	FIRM RENEWALS
1999	106
2000	520
2001	647
2002	1,078
2003	941
2004	486
2005	726
2006	570
2007	625
2008	700
2009	750

OMWBE will continue its outreach and education efforts related to I-200 and will continue to increase the number of qualified certified firms available to perform on public contracting and procurement opportunities.

Major Partners

State Agencies

OMWBE has two interagency agreements with the Washington State Department of Transportation (“WSDOT”). One of these agreements is to provide specialized certification services for the U.S. Department of Transportation’s DBE Program; the other is to administer the USDOT DBE Supportive Services Program. These agreements contribute significantly to OMWBE’s ability to achieve its goals.

Recognizing GA’s role as the State’s lead procurement agency, OMWBE works with the Office of State Procurement to develop and maintain an electronic vendor list of certified firms. Updates of this list are electronically transmitted to GA each month. OMWBE will continue to work with GA and the Office of Financial Management to create a system that links CMATS with other state purchasing and procurement systems (e.g., GA’s “WEBS” system).

OMWBE works with OST to administer the State’s Linked Deposit Program pursuant to RCW 43.86A.060. This partnership requires ongoing reporting, program monitoring and marketing efforts to be accomplished by these agencies in a collaborative cost-effective manner, as the statute provides no program administration budget.

Other Private and Non-Profit Organizations

The Northwest Minority Business Council (“NMBC”) seeks to identify and encourage private sector procurement opportunities for its membership, many of whom are certified minority suppliers. OMWBE has actively pursued partnering opportunities with this nonprofit organization to assist the private sector in identifying certified firms available to compete for particular procurement opportunities.

Likewise, OMWBE has actively pursued partnering opportunities with Astra Women’s Business Alliance (“Astra”), an affiliate of the Women’s Business Enterprise National Council. Astra seeks to provide personal, professional and income development skills for women business owners throughout the Pacific Northwest. OMWBE is working with Astra to identify certified firms available to compete for particular procurement opportunities.

Local Jurisdictions

Since the passage of I-200, a number of local jurisdictions in Western Washington established small business and HUB-zone programs (as an alternative to firms certified by OMWBE). However, these programs have failed to attract the number of minority and women businesses that were participating in their previous programs and the levels of expenditures with businesses owned by minorities and women in these new programs have not reached their targets. In addition, these programs have not been provided adequate support from their local jurisdictions to effectively manage the firms participating. As a result, OMWBE has the opportunity to partner with local jurisdictions and to lead a coordinated regional effort toward equity in public contracting and procurement. Also, OMWBE will solidify its role as a direct service provider to the common clientele of multiple jurisdictional programs.

Federal Agencies

OMWBE’s partnership with the U.S. Small Business Administration has been very productive over the past five years. Office co-location agreements between OMWBE and the SBA’s locations in Seattle and Tacoma allowed OMWBE to open and maintain offices in locations where most certified firms are located without incurring any cost for office space or overhead. Without this arrangement, OMWBE would have had to spend more than \$75,000 to provide the same services and additional locations to our customers. Maintaining these satellite locations also allowed the agency to redirect support services funds from administrative expenses to actual services to certified firms. This partnership has also facilitated more comprehensive service delivery to the firms in these locations, as well as firms in Eastern Washington by encouraging firm referrals and co-sponsored business development events.

Because of its role as the Washington State certifying entity for the DBE program, OMWBE is also closely connected to the U.S. Department of Transportation Department of Civil Rights, the Federal Highway Administration, Federal Transit Administration, and the Federal Aviation Administration. OMWBE will continue its efforts to maintain beneficial relationships with each of these agencies to further benefit the transportation system in Washington State.

Tribal Entities

OMWBE will continue to expand business development services to firms owned by Native Americans through the Tribal Employment Rights Offices (“TERO”) of various Northwest tribes. This initiative also includes assisting TERO to develop a uniform certification application for the 29 TERO offices for their use, as well as potential integration of the TERO application with the USDOT DBE certification application.

ASSESSMENT OF INTERNAL CAPACITY AND FINANCIAL HEALTH

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

OMWBE's 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.

OMWBE's Workforce and Staffing

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.

Financial Health Assessment

OMWBE is a fee-for-service agency and receives payments from state agencies and institutions, political subdivisions, certification applicants, and grants. OMWBE also entered into WSDOT interagency agreements to provide business development assistance to a select group of firms certified as Disadvantaged Business Enterprises (DBE) that are engaged in highway-related activities and CMATS expansion. The term of the DBE Support Services contract will expire September 30, 2006. OMWBE has been only marginally successful in obtaining small grants from the private sector to provide technical assistance to certified firms. Successful grant application requires well-established relationships with funding sources which OMWBE has yet to fully develop.

According to OMWBE's budget appropriation instructions, OMWBE restructured the proportion of fees paid by state agencies as compared to other service recipients and increased application fees for applicants. As a result, the fees paid by state agencies will increase during the 2005-2007 biennium; the fees paid by some local jurisdictions increased. Effective May 6, 2004, the processing fee for certification applications increased from \$20 to \$25-\$100 (depending on the type of certification requested and the legal structure of the applicant business). The certification application fees collected during fiscal year 2005 more than tripled. However, there was a small decline in collected DBE fees during fiscal year 2006 in part due to the 9th District Court of Appeals decision against WSDOT concerning the Disadvantaged Business Enterprises (DBE) program. Data collected by OMWBE shows an increase in the number of new applications received for processing, but a greater decrease in the number of renewal and Annual Update applications returned for recertification and renewal. This resulted in the net decrease of fees collected during fiscal year 2006. To compensate for this negative impact, OMWBE is focusing on its outreach and education programs to increase the number of applications received.

Table 3 – APPLICATION FEES COLLECTED BY FISCAL YEAR

FISCAL YEAR	APPLICATION FEES
FY 04	\$ 22,505
FY 05	\$ 69,855
FY 06	\$ 78,960*
FY 07	\$ 80,000
FY 08	\$ 80,000
FY 09	\$ 80,000

* Estimate through June 30, 2006.

While the agency does expect the number of businesses requesting services will increase at a rate exceeding the fiscal growth factor, we expect the agency's income to remain stable and not significantly increase.

Issues related to the "Office of Minority & Women's Business Enterprises Account" are addressed separately in the agency's Business Plan.

Cost Reduction Strategies

OMWBE has instituted a number of cost reduction strategies over the last several years. Some of these strategies include:

- Publication of the directory of certified firms has been transferred from a print format to an on-line format which is more user-friendly and efficient. By the end of the 2005-2007 biennium, the agency will have saved approximately \$89,000 in direct costs and approximately 216 staff hours since implementing this change.
- Transferring computer network support services from an outside consultant to in-house IT staff allowed OMWBE to eliminate the need to have a professional services contract for these services. The elimination of this contract saved the agency more than \$53,000.
- The agency has made efforts to streamline and consolidate its technology and telecommunications expenditures. By the end of the 2007-2009 biennium, these efforts will result in the savings of approximately \$5,250.
- The agency's Certification Unit underwent a process redesign for the "new certification applications" process. The process has eliminated several steps in the certification review process and will result in the considerable reduction of staff time necessary to process a certification application. This time savings will be used to meet the increased workload demands of processing more certification applications at a faster rate. The Recertification, Renewal, and Annual Update applications have been redesigned to streamline the process for both applicants and staff. The Recertification and Annual Update forms were reduced to one page forms. The Renewal forms for the federal DBE program have been reduced to three page forms.
- The Certification Unit has also adopted a new process for handling federally mandated Annual Updates of DBE certified firms. The new process significantly reduces the administrative and professional staff time required to process these updates. Over the 2007-2009 biennium, the new process is expected to save approximately \$650 in direct costs and over 450 FTE hours. This time savings will be used to meet the increased workload demands of processing more certification applications at a faster rate.
- Agency has 17 FTEs.

APPENDIX 1: OMWBE ACTIVITY INVENTORY FY 07 – FY 09

Priority of Government Six

Improve the economic vitality of businesses and individuals.

Goal 1

Improve the contributions of certified minority, women, and socially and economically disadvantaged small businesses to the Washington State economy.

OBJECTIVE	STRATEGY	ACTIVITY	PERFORMANCE MEASURE	MILESTONE
1 - Increase utilization of certified minority, women, and socially and economically disadvantaged small businesses in contracting and procurement.	1 - Partner with state agencies, universities, local governments, private corporations, and community-based organizations to increase participation of certified businesses in contracting and procurement opportunities.	1 - Promote agency performance agreements to include M/WBE goals and outreach.	Increase participation of certified firms.	On going.
		2 - Participate in M/WBE outreach.	Increase outreach to diverse communities.	On going.
		3 - Identify firms with sufficient capacity to compete for specific opportunities.	Increase participation of certified firms.	On going.
	2 - Integrate inclusion strategies for contracting and procurement opportunities.	4 - Identify “Supplier Diversity” best practices in the private and federal government sectors that could be successful in state contracting and procurement.	Increase participation of certified firms.	On going.
		5 - Provide technical assistance to each agency’s M/WBE Plan.	Increase participation of certified firms. Increase agencies receiving technical assistance.	On going.
		6 - Train buyers and contracting officers in recommended supplier diversity best practices.	Increase participation of certified firms. Increase number of agencies receiving technical assistance.	On going.
	3 - Expand the usage of the	7 -Integrate CMATS with other construction and project tracking systems.	Increase participation of certified firms.	June 30, 2007.

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	OMWBE shared information technologies to support and assist businesses using the one-stop business portal.	8 - Provide comprehensive and accurate statistical data to agency decision-makers to facilitate goal setting based upon the availability of qualified, certified firms.	Timely reports.	# of agencies trained on CMATS.
		9 - Maintain OMWBE’s client information database that identifies all certified firms.	Reduce database error rate.	Ongoing.
	4 - Build a team of well-trained professional staff of subject matter experts in certification, public contracting, supplier diversity and business development.	10 - Provide staff with continuous learning opportunities.	Increase the number of core class work completed.	Ongoing.
		11 - Develop appropriate job descriptions and pay scale for recruiting and retention of specialists.	Decreased turnover.	Approved budget.
	12 - Provide management with leadership training and development.	Increase the OMWBE overall rating of the DOP HR survey.	Ongoing.	
2 - Expand the number of qualified, certified minority, women, and socially and economically disadvantaged small businesses.	5 - Improve state Minority and Women’s Business Enterprises (MWBE) and federal Disadvantaged Business Enterprises (DBE) certification programs.	13 - Streamline the OMWBE certification process and forms.	Increase applications processed within 45 days. Increase certification retention rate. Reduce firms decertified or removed. Reduce certification denial rate.	Ongoing.
	6 - Involve communities in deployment of outreach, training and education programs.	14 - Redesign and implement a training and education program for potentially eligible firms.	Increase outreach to diverse communities. Increase training attendance rate. Increase training classes provided to businesses. Increase business support services rate. Increase business-building capacity.	

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	7 - Maximize the ability of certified firms to participate in other certification programs.	15 - Collaborate with other certification programs to establish uniform, coordinated, and/or integrated eligibility review processes with neighboring states on a regional and national level.	MOU's with agencies & entities.	End of 2007 – 2009 biennium.
	8 - Identify statutes and regulations that negatively affect the economic development of certified firms.	16 - Participate in initiatives to waive or reduce performance bonds and insurance requirements for contracts.	Number of public hearings.	End of 2007 – 2009 biennium.
		17 - Conduct comprehensive inventory of contracting and procurement rules affecting certified firms and recommend revisions.	Number of public hearings.	End of 2007 – 2009 biennium.
3 - Increase the performance capacity and income earned by certified minority, women and socially and economically disadvantaged small businesses.	9 - Provide certified firms with access to comprehensive integrated entrepreneurial, financial, technical and technological services customized to their individual developmental and growth plans.	18 - Develop certified firm “performance capacity” activity profiles.	Increase participation of certified firms.	June 30, 2009
		19 - Improve access to affordable capital for certified firms.	Increase number of LDP loans executed.	Ongoing.
		20 - Continue implementing and monitoring the Linked Deposit Program according to the program data collection plan.	Increase outreach to diverse communities. Increase number of LDP loans executed.	Ongoing.

Priority of Government 11

Improve the ability of state government to achieve its results efficiently and effectively.

Goal 2

In accordance with GMAP, OMWBE will continue to improve and develop its performance measures.

OBJECTIVE	STRATEGY	ACTIVITY	PERFORMANCE MEASURE	MILESTONE
1 - Increase utilization of certified minority, women, and socially and economically disadvantaged small businesses in	3 -Expand the usage of the OMWBE shared information technologies to support and assist businesses using the one-stop business portal.	7 -Integrate CMATS with other construction and project tracking systems.	Increase participation of certified firms.	June 30, 2007.
		8 - Provide comprehensive and accurate statistical data to agency decision-makers to facilitate goal setting based upon the availability of qualified, certified firms.	Timely reports.	# of agencies trained on CMATS.

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contracting and procurement.		9 - Maintain OMWBE’s client information database that identifies all certified firms.	Reduce database error rate.	Ongoing.
	4 - Build a team of well-trained professional staff of subject matter experts in certification, public contracting, supplier diversity and business development.	10 - Provide staff with continuous learning opportunities.	Increase the number of core class work completed.	Ongoing.
		11 - Develop appropriate job descriptions and pay scale for recruiting and retention of specialists.	Decreased turnover.	Approved budget.
		12 - Provide management with leadership training and development.	Increase the OMWBE overall rating of the DOP HR survey.	Ongoing.
2 - Expand the number of qualified, certified minority, women, and socially and economically disadvantaged small businesses.	5 - Improve state Minority and Women’s Business Enterprises (MWBE) and federal Disadvantaged Business Enterprises (DBE) certification programs.	13 - Streamline the OMWBE certification process and forms.	Increase applications processed within 45 days. Increase certification retention rate. Reduce firms decertified or removed. Reduce certification denial rate.	Ongoing.
	6 - Involve community leaders in deployment of outreach, training and education programs.	14 - Redesign and implement a training and education program for potentially eligible firms.	Increase outreach to diverse communities. Increase training attendance rate. Increase training classes provided to businesses. Increase business support services rate. Increase business-building capacity.	