

DES

Washington State
**DEPARTMENT OF
ENTERPRISE SERVICES**



NOVEMBER 2023

State purchasing: **Small business participation**

JANUARY 2021 — DECEMBER 2022

**Contracts & Procurement
Division**

Report to the Legislature

Agency Overview

The Department of Enterprise Services (DES) provides centralized services to state government agencies; to other public entities such as cities, counties, and tribes; and to Washington residents.

DES' mission is to strengthen the business of government.

We do this by creating overall operating efficiencies so our state's government entities can focus on their core missions. Our buying power, economies of scale and years of experience help government get the best value for the products and services they need to support their missions.

Key Services

- Capitol Campus management
- Construction & public works
- Contracts & procurement
- Employee Assistance Program
- Energy efficiency
- Engineering & architectural services
- Facilities management
- Fleet management & EVs
- Parking management
- Print & mail services
- Property management
- Real estate services
- Risk management
- Small agency support
- Surplus property
- Training & workforce development



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Contents

- Executive Summary 1
 - Statutory Directives..... 1
- Findings/Results.....2
 - Number of small businesses that registered in WEBS.....2
 - Number of Registered Small Businesses That Are Awarded State Contracts for Goods and Services.....3
 - Percentage of Total State Dollars Spent on Goods and Services Purchased from Registered Small Businesses5
- Conclusions and Next Steps6

Executive Summary

State law requires Department of Enterprise Services (DES) to report every two years the effect of the technical assistance they offer small businesses on the number that are awarded state contracts for goods and services purchased by the state.

DES is required to develop a model plan for state agencies to increase:

1. The number of small businesses that register in Washington Electronic Business Solution (WEBS), the enterprise vendor registration and bid notification system.
2. The number of registered small businesses that are awarded state contracts for goods and services each year.
3. The percentage of state dollars spent on goods and services purchased from registered small businesses.

The goal of the plan is to improve these numbers over those reported in fiscal year 2011:

- By at least 50 percent in fiscal year 2013.
- By at least 100 percent in fiscal year 2015.

These goals were reached, based on data we previously reported.

Statutory Directives

RCW 43.19.727 requires DES to submit a report to the appropriate committees of the Legislature providing verifiable information regarding the effects of technical assistance every other year beginning Nov. 15, 2013. This report examines the influence technical assistance has on WEBS registrations, the number of contracts awarded to small businesses, and the total amount spent with small businesses from fiscal years 2017 through 2022.

Subsection (3)(a) requires the development and implementation of a web-based information system to capture data, track outcomes, and provide accurate and verifiable information regarding the effects of technical assistance under RCW 43.19.725(3).

DES uses WEBS to capture data about:

- The number of small businesses that register.
- The number of registered small businesses that are awarded state contracts for goods and services each year.

The Office of Financial Management uses Agency Financial Reporting System (AFRS) to capture data about:

- What percentage of state goods and services purchases is spent with registered small businesses.

Findings/Results

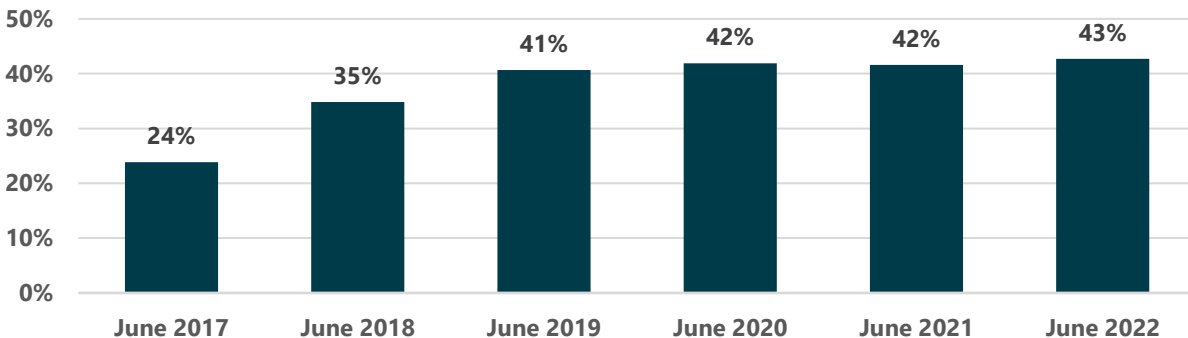
Number of small businesses that registered in WEBS

Fiscal Year	June 2017	June 2018	June 2019	June 2020	June 2021	June 2022
Total WEBS Registered Users	43,516	22,531	18,774	19,706	19,414	19,142
Washington State Small Businesses Registered	10,387	7,844	7,639	8,255	8,077	8,173
Small Business %	24%	35%	41%	42%	42%	43%

In 2017, DES audited WEBS and deactivated accounts for businesses that had not logged into their accounts for at least 12 months. As a result, the number of WEBS registered users, including small business accounts, greatly decreased from 2017 to 2018.

In 2018, DES implemented a policy to WEBS that deactivates accounts that have not been logged into within 12 months. This new policy reduced the number of active accounts from 2018 to 2019 and remains in place today.

Small Businesses Registered in WEBS



In 2018, the percentage of small businesses that registered in WEBS increased by 11% and has increased incrementally every year since.

Fiscal Year	June 2018	June 2019	June 2020	June 2021	June 2022
Business Removed Small Identifier #	92	79	57	274	165
Business Removed Small Identifier %	1%	1%	1%	3%	2%

This table shows the number of registered businesses in WEBS that removed the small business identifier from their accounts and remained active. In WEBS, businesses that have a primary location in Washington, have 50 or fewer employees OR a gross annual revenue of less than \$7 million can attest they are a small business. Removing that attestation indicates the businesses outgrew the criteria for being a small business.

In 2021, 3% of businesses removed their small business attestation. In 2022, the number was 2%. The previous three years had 1% removal rate.

Number of Registered Small Businesses That Are Awarded State Contracts for Goods and Services

The table and chart below show the number and percentages of registered small businesses that were awarded statewide contracts for goods and services.

Definitions for each column are:

Unique Vendors Any Contract: Total number of unique WEBS vendors that were on any active contract during that calendar year.

Total Vendors All Contracts: Total number of WEBS vendors that were on any active contract during that calendar year; since some vendors are on multiple contracts, this number is larger than the unique vendors column.

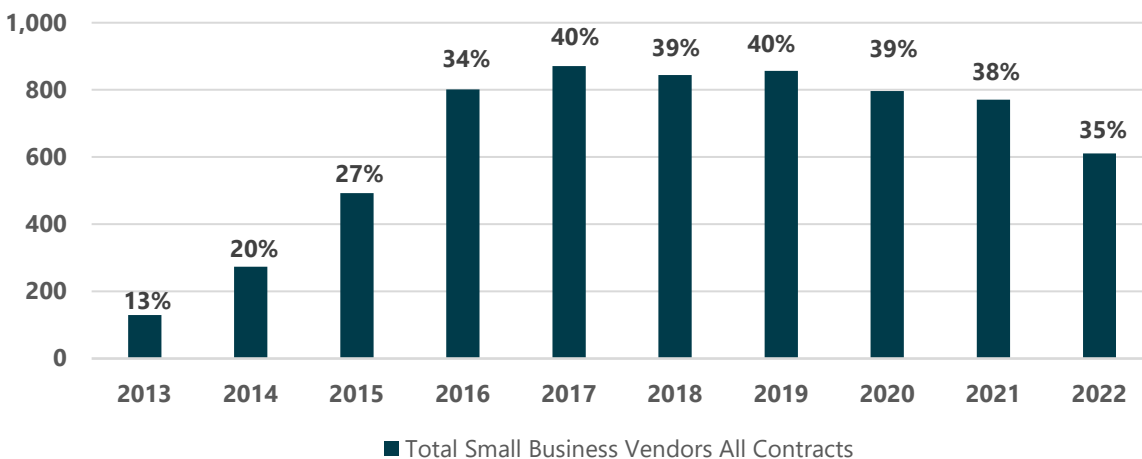
Unique Small Business Vendors Any Contract: Total number of unique small businesses in WEBS that were on any active contract during that calendar year.

Total Small Business Vendors All Contracts: Total number of small businesses in WEBS that were on any active contract during that calendar year; since some vendors are on multiple contracts, this number is larger than the previous column.

Year	Unique Vendors Any Contract	Total Vendors All Contracts	Unique Small Business Vendors Any Contract	Total Small Business Vendors All Contracts	Percentage of Small Businesses Any Contract	Percentage of Small Businesses All Contracts
2013	819	1,015	112	130	14%	13%
2014	1,088	1,381	211	273	19%	20%
2015	1,373	1,826	343	493	25%	27%
2016	1,678	2,369	540	801	32%	34%
2017	1,740	2,183	673	871	39%	40%
2018	1,752	2,156	669	844	38%	39%
2019	1,739	2,157	670	857	39%	40%
2020	1,639	2,019	629	797	38%	39%
2021	1,670	2,024	625	771	37%	38%
2022	1,510	1,765	531	611	35%	35%

- The percentage of small businesses on statewide contracts more than doubled from 2013 to 2017 and held steady through 2021.
- In 2022, the percentage decreased 3%, which could be due to several factors including outgrowing small business requirements.

Small Businesses on All Contracts

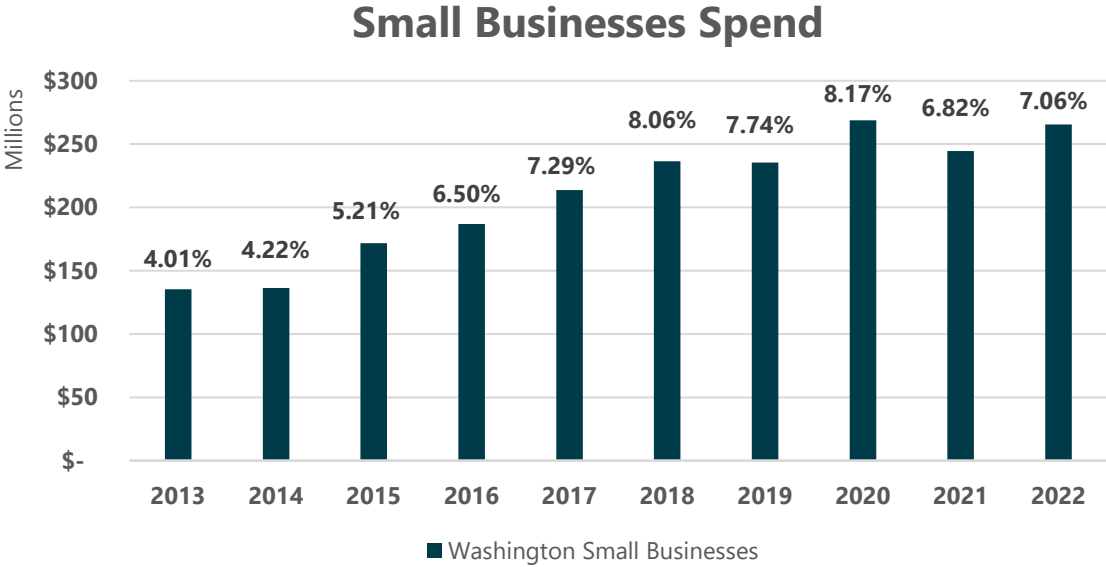


Percentage of Total State Dollars Spent on Goods and Services Purchased from Registered Small Businesses

The table and chart below display the amounts and percentages of total state government dollars spent on goods and services with registered small businesses. The percentage has held steady around 7-8% since 2017.

Year	2017	2018	2019
Total percent	7.29%	8.06%	7.74%
Washington State Small Businesses	\$213,734,619	\$236,557,652	\$235,323,078

Year	2020	2021	2022
Total percent	8.17%	6.82%	7.06%
Washington State Small Businesses	\$268,797,724	\$244,496,143	\$265,576,219



We obtained the information from the Diversity Participation Report, which pulls information from AFRS.

Conclusions and Next Steps

The new [enterprise Supplier Diversity Policy](#) for goods and services purchases took effect April 1, 2023. The purpose of the policy is to ensure that all procurement professionals and those with acquisition responsibilities use approved, legally compliant strategies that encourage and facilitate the purchase of goods and services from small, diverse, and veteran-owned businesses to the maximum extent possible.

The policy requires agencies to use procurement practices that remove barriers for small, diverse, and veteran-owned businesses to sell their goods and services to the state. Examples include:

- Providing priority points for small businesses.
- Conducting specific outreach to small businesses.
- Awarding contracts with an estimated worth of \$150,000 or less to the highest scoring responsible and responsive small businesses.

The policy also addresses several state laws, executive orders, and recommendations from the 2019 State of Washington Disparity Study. Many of the metrics in the disparity study will help measure the success of the policy.

DES is also providing small business with support and technical assistance.

- DES partners with organizations that support small businesses in Washington state with technical assistance and training about how to bid on state contracts.
- DES is contracting with small businesses to provide technical support to other small businesses to help find solicitations to bid on and ensure their success in contracting with the state.

DES completed several enhancements to give agencies better ability to complete the solicitation process within WEBS for accurate reporting:

- The ability to announce Apparent Successful Bidder (ASB) and make changes to the final awarded vendors before archiving the solicitation. Previously, agencies could not make alterations once awarded vendors were selected.
- The ability to view a vendor's status pertaining to Small Business, Veteran, and OMWBE certification; this eliminates additional steps of searching and verifying a vendor's status.

DES has several enhancements being reviewed by stakeholders to create email notification reminders and a report that would be sent to agency procurement leads to improve accurate reporting. In support of the new enterprise Supplier Diversity Policy, DES is working with agency stakeholders to implement [nine enhancements in WEBS](#) that will take place over the next year in two phases to increase visibility between agencies and the vendor community around

opportunities for Small Businesses. These enhancements are anticipated to be completed by the next reporting cycle.

