

# HOUSE BILL REPORT

## HB 1095

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**As Reported by House Committee On:**  
Community & Economic Development & Trade

**Title:** An act relating to increasing small business access to state contracting opportunities.

**Brief Description:** Increasing small business access to state contracting opportunities.

**Sponsors:** Representatives Hasegawa, Green, Nelson, Kelley, Kenney, Chase, Conway and Hudgins.

**Brief History:**

**Committee Activity:**

Community & Economic Development & Trade: 1/21/09, 1/28/09 [DPS].

**Brief Summary of Substitute Bill**

- Requires state agency solicitations of purchased goods and services, personal services, information services, and printing services be posted on the state's common vendor registration and bid notification system.
- Requires the state's central services agencies to develop procurement policies and procedures which encourage and facilitate state agency purchases of products and services from Washington small businesses.

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### HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Kenney, Chair; Maxwell, Vice Chair; Smith, Ranking Minority Member; Chase, Lias, Orcutt and Probst.

**Minority Report:** Do not pass. Signed by 1 member: Representative Parker.

**Staff:** Meg Van Schoorl (786-7105)

**Background:**

State Procurement.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

Washington agencies contract with individuals and companies outside of state government to provide certain goods and services. The state's purchasing authority is generally organized into categories based on the type of service. Among these categories, and the lead agency for each, are:

- *Purchased goods and services (Department of General Administration)*. These goods and services are ones provided by a vendor to accomplish routine, continuing and necessary functions.
- *Personal services (Office of Financial Management)*. This term refers to professional or technical expertise provided by a consultant to accomplish a specific study or project.
- *Information services (Department of Information Services/Information Services Board)*. These services include data processing, telecommunications, office automation, and computerized information systems.
- *Printing services (State Printer)*. This term refers to the production of the state's printed materials.

#### Electronic Vendor Registration and Notification System.

The Washington Electronic Business Solutions (WEBS) is the state's online portal through which government purchasers can post bid opportunities and vendors can register to automatically receive electronic notification of such solicitations. Effective November 1, 2008 the Office of State Procurement within the Department of General Administration issued a policy directive requiring state agencies to use WEBS as the minimum and common approach to notifying vendors of certain business opportunities. The policy applies to those solicitations that are required by rule to be advertised because they exceed specified dollar limits. These include:

- for the General Administration, any solicitation exceeding \$46,200;
- for the Department of Information Systems, any solicitation exceeding \$249,999; and
- for the Office of Financial Management, any solicitation exceeding \$19,999.

Agencies are encouraged, but not required, to follow this policy for procurements that do not require advertising.

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#### **Summary of Substitute Bill:**

The Legislature finds state government procurement of goods and services to be a largely untapped market for Washington small businesses. Increasing small business awareness of and access to state contracting opportunities is in the state's economic interest. In addition, broadened competition for state procurement awards will result in more competitive pricing of public contracts. The Legislature intends to require state agencies to use the common vendor registration and bid notification system for publishing all procurement notices. The Legislature also intends to direct the state's central services agencies to develop policies, procedures and materials that facilitate state procurement from small businesses.

"Small business" is defined as an in-state business, independently owned and operated that, together with affiliates, has 50 or fewer employees and average annual gross receipts of \$10 million or less over the previous three years. "In-state business" is defined as a business having a principal office and its officers in Washington. "Common vendor registration and bid notification system" is defined as an Internet-based system maintained by and housed within the Department of General Administration.

The Department of General Administration, the Office of Financial Management, the Information Services Board, and the State Printer are required to develop procurement policies and procedures such as unbundled contracting and subcontracting which encourage and facilitate state agency purchases of products and services from Washington small businesses to the maximum extent practicable and consistent with international trade commitments.

Competitive solicitations for purchased goods and services, personal services over \$5,000 and sole source personal services, information services, and printing services must be posted on the state's common vendor registration and bid notification system.

The Department of General Administration must convene a working group (State Printer, Department of Information Services, and the Office of Financial Management) to develop common policies and procedures to facilitate state government purchases from Washington small businesses. The working group must provide a written progress report to the Governor and Legislature by December 1, 2009.

**Substitute Bill Compared to Original Bill:**

Definitions of "small business," "in-state business," and "common vendor registration and bid notification system" are added. References to "second tier contracting" are replaced with "subcontracting." Agencies must develop policies and procedures such as unbundled contracting and subcontracting in order to facilitate state purchasing from small businesses. The Department of General Administration must convene a working group (composed of the State Printer, Department of Information Services, and the Office of Financial Management) to develop common policies and procedures and the working group must provide a written progress report to the Governor and Legislature by December 1, 2009.

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**Appropriation:** None.

**Fiscal Note:** Requested on January 30, 2009.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) Small businesses do not feel they have access to state contracts. It is very frustrating because thousands of businesses register on WEBS but they are not seeing

opportunities to compete for state contracts. Last year, only 1 percent of all state contracts were awarded to women and minority-owned businesses. This is pathetic.

(With concerns) The Department of General Administration (GA) shares a common interest with the Committee in increasing state procurement contracts to small businesses. This bill is consistent with steps the GA and six other state departments are taking administratively to meet this goal. The director of the GA has charged us with procurement reform within dollars available. For clarification, we would recommend that the bill include definitions of "small business" and "second tier contracting." The State Printer is in a unique situation in that it uses the WEBS for larger bids. However, if the State Printer were required to use it for smaller bids, there would be an estimated 5,000 printing jobs per year advertised on WEBS, with an estimated 20 responses per bid. The State Printer would have to increase staffing to handle the resulting workload and then pass the increased costs on to other state agencies. Increasing the number of technology-related bids on WEBS would require additional department staffing.

**Persons Testifying:** (In support) Representative Hasegawa, prime sponsor; and Velma Valoria.

(With concerns) Sharon Case and Howard Cox, Department of General Administration; Tamara Jones, Department of Information Services; and Dan Swisher, Office of the State Printer.

**Persons Signed In To Testify But Not Testifying:** None.