



STATE OF WASHINGTON  
DEPARTMENT OF COMMERCE

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To Washington State Legislators,

Under ESSB 5883 (2017), the Department of Commerce (Commerce) was required to contract with a consultant to study strategies for increasing the competitiveness of rural businesses in securing local government contracts, and for providing outreach services to employers in rural communities. The Thurston County Economic Development Council's Center for Businesses and Innovation was contracted to conduct this study, and the results of that effort are attached for your review.

Commerce is dedicated to strengthening communities and growing Washington State's economy. The agency aims to stimulate economic development in rural and underserved areas of the state by equitably distributing agency funds, engaging communities to better respond to their needs, and helping them assess and improve resilience.

To better support its outreach services and meet its obligations under this legislation, Commerce hosted a series of trainings on contract law for agency staff. The first training covered contract fundamentals, and was held on October 17 and 24. The training was recorded and put on Commerce's internal website for employees who could not attend. The second set of trainings in this series is scheduled for January, and will take a deeper dive into contract law. Within the next year, Commerce will be hosting a number of other contract law-related trainings in partnership with the Department of Enterprise Services to further improve its outreach services.

Strategies to increase the competitiveness of rural businesses will result in more project opportunities for communities, more awards, and subsequently more investment in rural and underserved regions statewide. As a result, rural communities will experience increased tax revenues and job creation.

We stand ready to assist the Legislature and our partner agencies with this task.

Signed,

Brian Bonlender, Director  
Department of Commerce



# THE IMPACT OF RURAL PROCUREMENT

RFQQ NO. 19-61610-001

SUBMITTED BY:



**Thurston Economic  
Development Council and  
Center for Business &  
Innovation**  
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*October 31, 2018*

## Table of Contents

Executive Summary.....	4
ESSB 5883 S. 128 (40).....	4
Research Methods .....	4
Key Findings .....	5
Recommendations .....	6
Acknowledgements.....	7
Impact of Local Awards.....	9
Overview .....	9
Economic Impact.....	11
Employment Impact.....	11
Surveys of Government Entities .....	14
Overview .....	14
Vendor Survey.....	14
Government Survey .....	16
2015, 2016, 2017 Awards .....	18
Comparison of Rural Bidders to Non-Rural Bidders .....	19
Percentage Spread Between Bidders.....	20
Implications of Federal Spending.....	23
Indirect Federal Spending .....	23
Direct Federal Spending.....	24
Current Regulations and Best Practices .....	28
Overview .....	28
Local preference programs overview .....	29
Benefits and Risks of Local Procurement Preference Programs.....	31
Outreach Activities.....	34
Policy Recommendations.....	37
1. Increase the Participation of Rural Bidders .....	37
2. Encourage Awards to Qualified Local Bidders .....	39
3. Increase Transparency in Public Procurement .....	39

Appendix Items .....	41
Appendix Item A: Substitute Senate Bill 5883 – Page 31-32 .....	42
Appendix Item B: Assessment of Proviso Elements.....	44
Appendix Item C: Assessing Rural Business Competitiveness .....	46
Appendix Item D: Rural County Profiles .....	89
Appendix Item E: Five Percent Preference Case Studies .....	122

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## Executive Summary

Contracting out goods and services to qualified private vendors is one way government entities provide prudent stewardship of public money. When placed locally, these contracts can also be used to consciously stimulate economic growth.<sup>1</sup> Not only do local awards directly contribute to local growth via tax dollars, they indirectly contribute by increasing employment, which spawns local spending. This “ripple” effect can be measured, and the impact on rural communities is especially impressive. For instance, government entities in Washington State’s Whatcom County procured over \$33 million from Whatcom County based suppliers in 2016. Through increased employment and local spending, these contracts sent an economic impact in excess of \$52 million rippling through the county. By coupling outsourced contracts with local suppliers, public entities in rural Washington can be a major force in the economic upturn for their communities.

If the top ten contracts in each county that were placed with **out-of-county** businesses had been placed with **in-county** businesses, the rural workforce would have supported 5,683 workers.

## ESSB 5883 S. 128 (40)

Commissioned by the Washington Department of Commerce in response to ESSB 5883 – Section 128 (40), this report examines rural procurement strategies and identifies how policy changes could help rural businesses secure more government contracts within their county.<sup>2</sup> For an assessment of the proviso elements, see Appendix Item B: Assessment of Proviso Elements.

## Research Methods

Over a span of four months, the research team used several methods of gathering and assessing data. A brief overview of the efforts include:

- Surveys and personal interviews of rural government procurement personnel to gather information on the processes and policies of local governments
- In-depth surveys to gather vendor and local procurement agency data
- Individual contract awards analysis to determine vendor competitiveness
- An econometrics analysis of the net economic and employment impacts of rural procurement in Washington
- Interviews with both state and local regulatory agencies to determine current and upcoming policy changes
- Contract data from state and federal government databases for use as case studies

<sup>1</sup> Appendix Item C: Assessing Rural Business Competitiveness, pg 55

<sup>2</sup> Appendix A: Substitute Senate Bill 5883, pg. 45-46

- Four rural procurement meetings were held across Washington to gauge the challenges both vendors and procurement personnel face when placing contracts locally.

## Key Findings

By studying the available data on rural procurement over the years 2015, 2016, and 2017, we found the following:

- **There is a lack of rural firms participating in the bidding process.** Rural public entities combined purchases average \$2 billion each year for 2015, 2016 and 2017. Three-fourths of this spend was in construction. On average, rural bidders received 28 percent of the \$2 billion each year. The remainder of the spend was awarded to vendors outside the rural community. Of 84 contracts that were studied in detail, 32 solicitations (38 percent) had no rural bidders at all. Forty-one percent of vendors surveyed indicated that they are not selling to public agencies due to a lack of technical expertise on the bidding process and are unaware of how to access bidding opportunities. Vendors also indicated a lack of workforce as a barrier to bidding on larger solicitations.
- **When rural firms do bid, they are typically within the competitive range to win.** Of the solicitations studied that did have rural bidders in the mix, 40 percent of those awards were to a rural bidder, and a significant number of the remainder had a rural bidder in second place. When a rural bidder lost, the percent spread between the winner and the rural firm was 19.5 percent.
- **Rural firms participating in the government marketplace result in measurable economic impacts.** The top 10 spends given to out-of-region firms were studied in each rural county. These totaled \$484 million. If the top 10 highest-value spends that were awarded to out-of-county businesses had been placed within-county, the ripple effects of these spends would have been \$667,135,553 in economic output and would support 5,683 rural workers. If five percent of the leaked impact (approximately \$667 million) were retained in county, the additional economic impact to local, rural communities throughout Washington is estimated at \$33,356,777 in economic output and 284 supported jobs.
- **Current regulations prohibit preferences to local, rural firms.** Additionally, the use of state master contracts is recommended to rural communities. These master contracts lack rural vendors and in many cases do not include any Washington firms. There are many communities around the country that have implemented local preference programs. The risks and benefits of such programs are explored in detail.
  - The primary risks include increased cost, reciprocity policies of other local governments, lack of fairness in the process, diminished competition, cost to maintain, and potential legal challenges.
  - The benefits include increased economic activity in the rural community, strengthening of tax base and employment opportunities. To illustrate the impacts of a local preference program, six contracts were selected that were awarded to a non-local bidder when a local bidder from the rural community was within five percent of winning. In these six cases, a five percent bidding preference program would have resulted in 56 jobs, \$2,877,594 in employee compensation, and \$8,473,946 total economic impact.

Other examples of ways to encourage local participation without price preference are provided including local business participation plans and increasing access to technical assistance.

- **Federal funding has implications on the marketplace.** Federal flow-down requirements include those that require more competition for local purchases that would otherwise be directly purchased from a vendor familiar with the locality. Federally funded transportation opportunities are influenced by the Disadvantaged Business Enterprise (DBE) program that could provide competitive advantages to socially and economically disadvantaged firms in rural communities. However, very few (six percent) of DBE certified firms reside in rural communities.

## Recommendations

The report explores in detail the following policy recommendations based on analysis of spend data in rural communities, interviews and survey data from public agency buyers in rural governments, and vendor surveys collected throughout the state. The recommendations are organized into three themes:

### 1) Increase the participation of rural bidders

- Increase access to technical assistance to attract more rural bidders to participate in the marketplace.
- Establish a statewide procurement portal to help facilitate prime/subcontracting relationships and transparency.
- Establish a statewide public works roster that could be filtered by geographic location of vendor.
- Modify prevailing wage requirements for small, routine projects allowing new vendors fewer barriers to competition.

### 2) Encourage awards to local bidders

- Encourage local inclusion plans.
- Resurrect and modify the Department of Enterprise Service's state contract "Best Buy" policy and apply it to municipalities.
- Modify RFQQ requirements to allow for more local participation on small projects.

### 3) Increase transparency in public procurement.

- Invest in an online statewide procurement portal that allows for the collection and public posting of contract data.



## Acknowledgements

This report was prepared in collaboration between the Washington Department of Commerce, the Thurston County Economic Development Council and academia from The Evergreen State College and Saint Martin's University.<sup>3</sup>

Included in the Appendix of this report is a paper written by a team of academics. This paper titled "Assessment of Rural Competitiveness" was prepared and delivered by the following individuals:

- Dr. Lachezar Anguelov, The Evergreen State College
- Dr. Riley Moore, Saint Martin's University
- Dr. Melissa Nivala, The Evergreen State College
- Dr. Eric Trevan, The Evergreen State College

In addition to the partners listed above, other individuals and organizations contributed information that was used in this report. The contributors include:

- Sue Ownby, City of Yakima
- Washington State Auditor's Office
- Associate Development Organizations (ADO) throughout rural Washington
- David Chenauer, Washington State Department of Transportation (WSDOT)
- Association of Washington Cities
- Municipal Research Services Center (MRSC)
- Stephen Buxbaum, The Evergreen State College

[Back to Table of Contents](#)

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<sup>3</sup> Thurston Economic Development Council reached out to a consortium of academic and research professionals to ensure that the completion of the research was acceptable based on the information available. The research group acknowledges that there were gaps in the accessible data and that proxy processes were used to address these gaps. Additionally the research group provided support to the project efforts to help guide the success of the overall scope. The overall study is finalized and submitted by Thurston Economic Development Council.

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## Impact of Local Awards

### Overview

Each dollar spent by a public entity creates impact as it ripples through the community. When placing contracts within their own community, a rural contracting agency can take advantage of this phenomenon to make a powerful economic impact in its own region. Each contract placed translates to higher employment, higher wages and more spending within the local community. Being aware of these impacts will encourage the participation of both the state and the local public entities to work together to economically strengthen rural Washington.

### Definitions

Government purchasing dollars ripple through an economy and impact it in a variety of ways. It is important that we define economic impact and the government expenditures that were analyzed.

**Economic Impact** - The total economic impact is the summation of the value of production (sales) caused by an organization's spending. Direct spending + indirect spending + induced spending = economic impact.

**Employment Impact** - Increases in full-time employment generated by the additional economic activity. Direct employment + indirect employment + induced employment = employment impact.

### Expenditure Data

Expenditures by rural public entities were analyzed to assess the economic impact of awards being placed inside or outside of county. For the purposes of this report, we focused on expenditures for goods and services that are most likely to be outsourced, as opposed to purchases made from intra- or inter-governmental agencies.

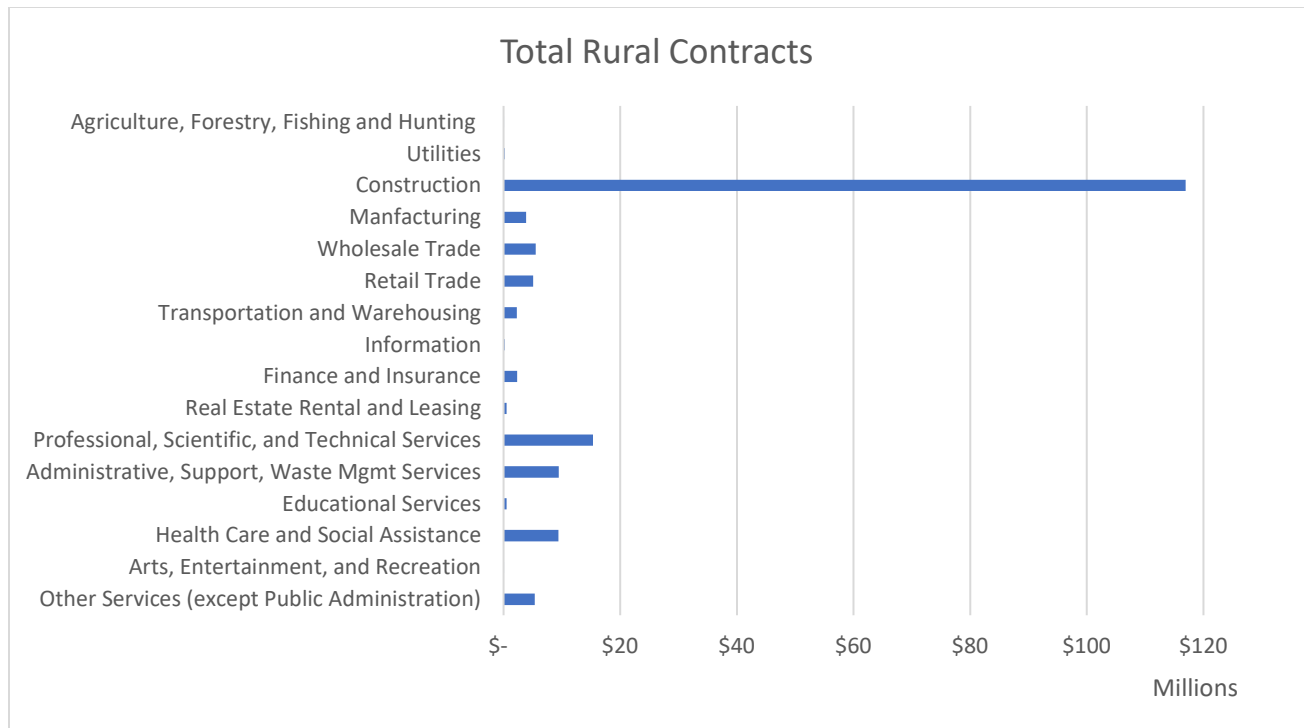
The industry most represented for outsourced purchases was construction, which accounts for approximately 75 percent of the total spend followed by Professional and Scientific Services at 10 percent.

### What makes up the Economic Impact

**Direct Spend/Effect:** Contracts placed directly with suppliers by public agencies for goods, services or public works.

**Indirect Spend/Effect:** The purchases a supplier must make in order to meet the needs of the contract, often referred to as the *supply-chain impact*.

**Induced Spend/Effect:** What individuals and households spend in response to increases in their own salary.



### Methodology

In order to determine the economic impacts of government entity purchases with vendors *in-county* versus *out-of-county*, the input-output analysis software IMPLAN was used.<sup>4</sup>

IMPLAN's 2016 dataset was used for the analysis along with the following information:

- Type of Business (NAICS<sup>5</sup> Code)
- Location of Business (County)
- Gross Proxy Increase in Business Revenue
- Increase (Gross Rural Spend \* Proxy Multiplier-Gross Rural Top Spend per Business)
- Estimated Employees (IMPLAN)
- Estimated Wages (IMPLAN)

To determine the impact of the spend, the top 10 highest-valued local spends (on goods, services or public works) were analyzed and assigned economic impact results.

To determine the value of the top 10 spends for similar services placed *out-of-county*, proxy multipliers were created as a way of adjusting in-region economic impacts and estimating what would have happened if those spends had been placed in county.<sup>6</sup>

<sup>4</sup> IMPLAN® is an economic impact assessment software system widely used by governmental agencies

<sup>5</sup> North American Industry Classification Codes

<sup>6</sup> This multiplier was deemed an appropriate proxy determinant pursuant to similar research and analytics seeking parity estimates for economic reasoning. Each rural county had a different proxy multiplier based on the ratio of rural contracts/all government contracts.

For example, if the 10 highest-value local spends (on goods, services or public works) were valued at \$1 million and the 10 highest-valued non-local spends were valued at \$2 million, the multiplier used to scale impacts would be 2.0.

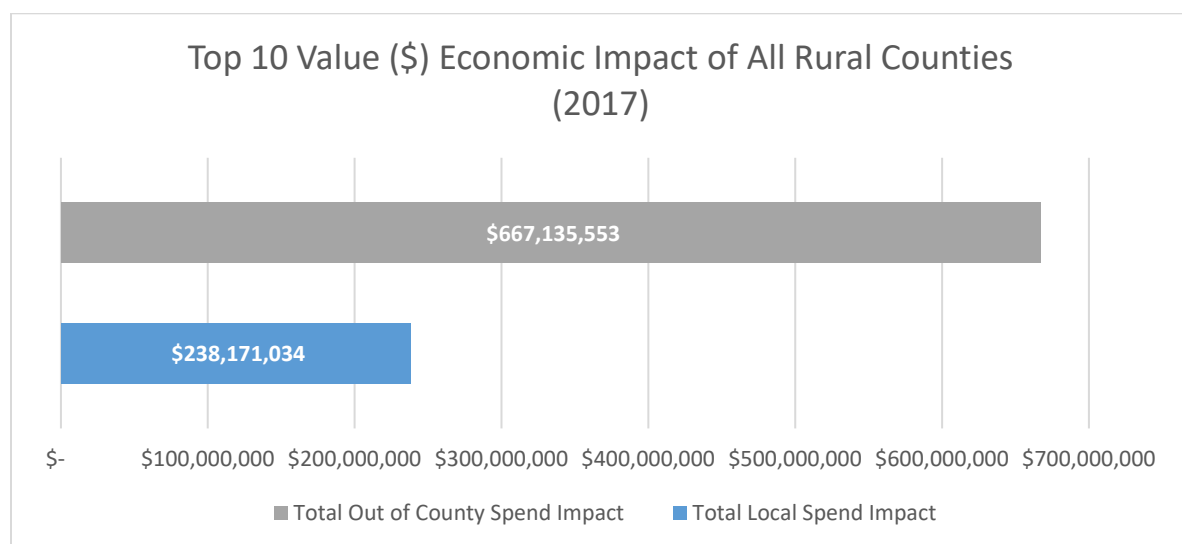
Once the impacts for the 10 highest-value local spends are quantified, they were then scaled using the multiplier to estimate the impacts of the out-of-county spends as if they accrued locally.

## Economic Impact

By using this method, the top 10 outsourced spends that rural public entities spent in their own counties totaled approximately \$177 million.<sup>7</sup> (This is a combined number of all results.)

When taking into consideration the impact of indirect spending by the vendors, as well as the increased personal spending, the resulting economic impact was in excess of \$238 million.

This number, however, is dwarfed by the \$667,135,553 number that represents the economic impact the dollars spent out of county would have had if that money had been spent in-county.



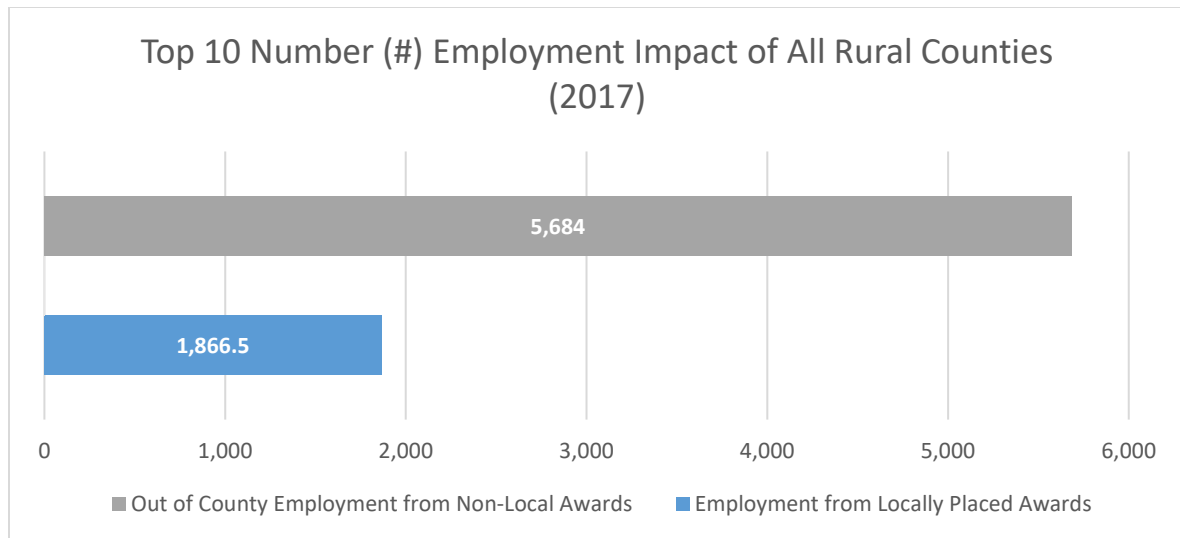
## Employment Impact

In a similar manner, jobs created by government spending in-county can be compared to what would have occurred if out-of-county spend had been placed in-county.

The top 10 expenditures that rural public entities spent in their own counties were assigned a NAICS code which approximated the employment impact those contracts had on the local workforce. In 2017, 1,866 jobs were created by these outsourced spends.

If the top 10 spends placed with out-of-county businesses had been placed with in-county businesses, the rural workforce would have increased by 5,683 workers.

<sup>7</sup> GovSpend.gov



**By county**

These figures represent the summation of impacts of the 10 highest-value contracts in all rural counties (where data was available) combined. To see the impacts broken down by county, please refer to the [Rural Counties Profiles](#) section of this paper.

[Back to Table of Contents](#)

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## Surveys of Government Entities

### Overview

Public entities purchase a wide variety of goods, services and public works services.<sup>8</sup> These purchases can be made directly (no competition) or via a competitive process. Purchasing agents may issue contracts which have deliveries over years (RFPs: Requests for Proposal), or they can place purchase orders for one-time deliveries (RFQs: Requests for Quote). In some cases, price is not a driving factor, but qualifications are (RFQQs: Requests for Qualifications and Quotations). Because of the wide variety of public agencies, coupled with the variety of methods of procuring goods and services, contract award data information was gathered using several methods.

### Methodology - Surveys

Two surveys were employed in order to obtain different data points. One was geared toward vendors (both current vendors and potential vendors) and one toward public entity procurement.

### Vendor Survey

The vendor survey (Vendor Survey, July and September 2018) resulted in 101 responses from suppliers across Washington. The characteristics analyzed included the location of their primary base of operations, the number of operations they had, their industry classification, business structure and assessment of their revenues.<sup>9</sup>

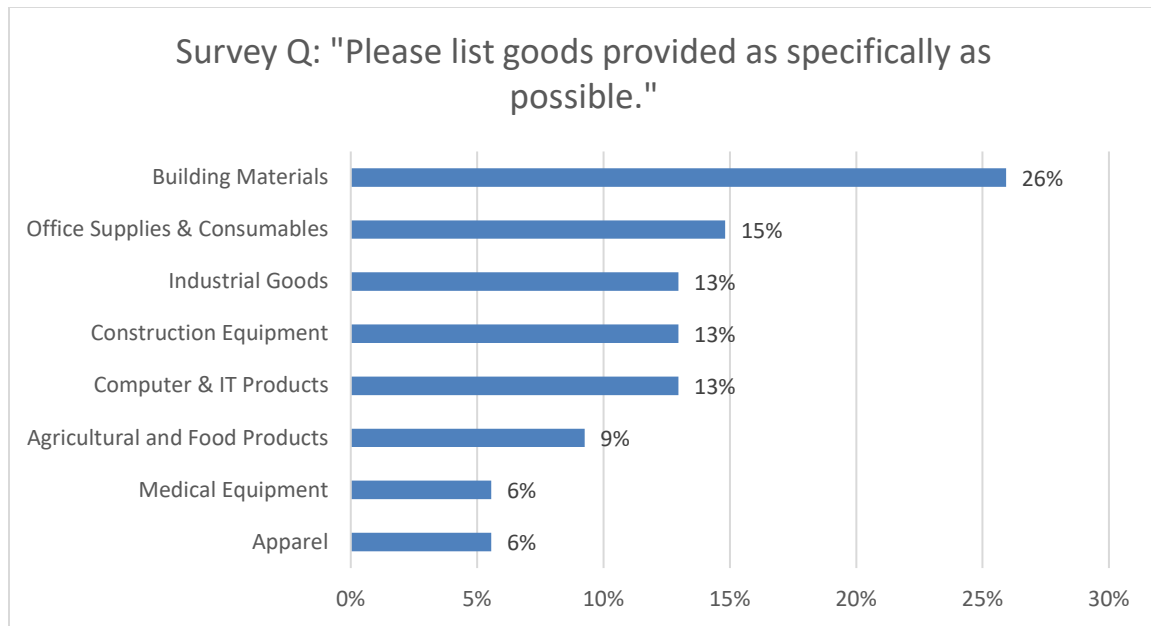
If the respondent was a supplier of goods, they were asked what types of goods they supplied. Interestingly, building materials garnered the most response, which is in line with the industry that has most active contracts placed by government entities (page 14 of this report).

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<sup>8</sup> For the purposes of this report, we are identifying 12 types of public entities: (1) cities/counties/towns; (2) colleges; (3) fire districts; (4) hospitals; (5) housing authorities; (6) libraries; (7) other; (8) parks; (9) ports; (10) schools; (11) utilities; (12) water districts.

<sup>9</sup> Appendix Item C: Assessing Rural Business Competitiveness, pg 62





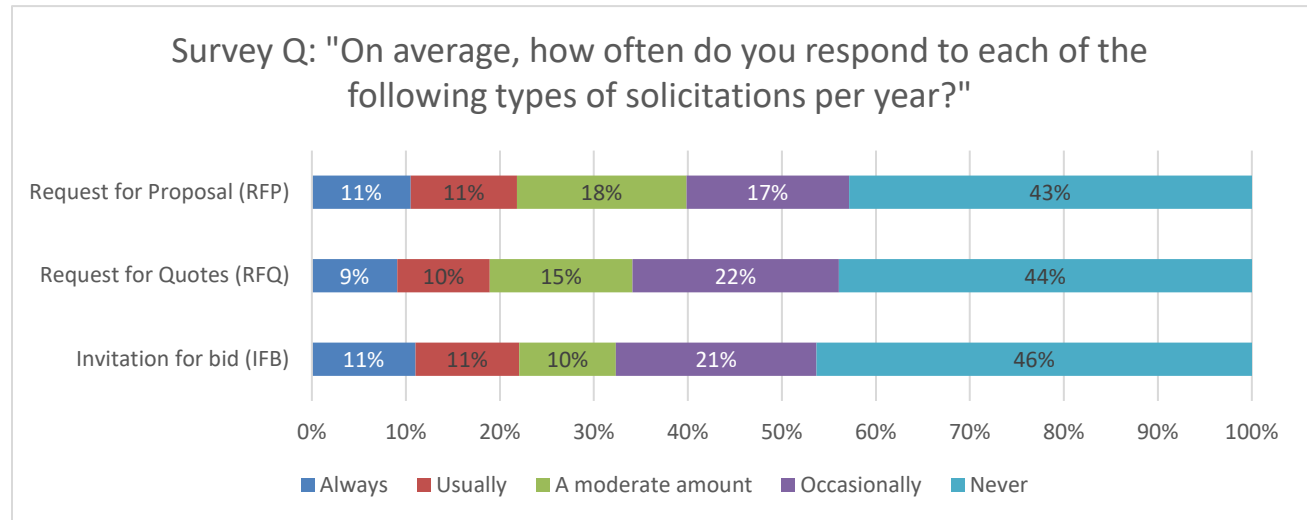
However, when asked if historically the respondents had relied on contracts with public entities for business operations, 41 percent indicated that they had *not* been selling to public agencies.

When asked what top challenges suppliers face when considering government contracts, the lack of a quality workforce topped the list, indicating that vendors have difficulty accessing employees who have the knowledge, education, or training to perform on the contract. A combined 65 percent of the respondents felt that the quality of the local workforce was either poor or very poor. Only a combined 16 percent said their local workforce was good or very good.<sup>10</sup> Thirty-one percent of respondents indicated that a lack of work experience explained the poor quality of the workforce.



<sup>10</sup> Appendix Item C: Assessing Rural Business Competitiveness, pg 67

Finally, the survey indicated that over 40 percent of respondents had never responded to a formal government bid before.



## Government Survey

An emailed public entity survey (Government Survey, July and September 2018) resulted in 45 responses from entities across Washington. In-person interviews were conducted with purchasing representatives in Whitman and Chelan counties, and phone interviews with representatives from Lewis and Yakima counties.

The surveys and personal interview characteristics analyzed included the location and type of the public entity, their use of formal solicitations, a profile of bid responders, and an assessment of the local procurement activities.

### Direct Buys

Many rural public entities take advantage of their ability to place orders directly, without competition, as allowed by their direct-buy threshold policies.<sup>11</sup> The details of these purchases are not formally tracked, but overwhelmingly the respondents indicated that they use local vendors whenever possible when placing these smaller orders.

### Lack of Local Suppliers

When asked what an ideal number of bid responses would be, the majority of the survey respondents said at least three, although a few wanted to see a greater number of bidders, especially for goods. Unfortunately, only one-third of the respondents indicated that local vendors submit bids most of the time. Two-thirds of the responders indicated that local bidders respond "sometimes," "half of the time" or "a little" of the time. Overall, public entities expressed a concern over the lack of local bidders.<sup>12</sup>

<sup>11</sup> MRSC City Bid Book

<sup>12</sup> Appendix Item C: Assessing Rural Business Competitiveness, pg 81

### Moving to the Next Most Qualified Bidder

The proviso required a report of the number of times the local government moved to the next most qualified bidder in a request for qualification out of the total professional service contracts awarded. The research team found no instances of this. Note that professional services are evaluated on qualifications without regard to price. Assuming the bidder was responsive to the Request for Qualification, the government indicated during the survey process that they will choose the most qualified bidder 100 percent of the time. Doing otherwise is contrary to their ethics and professional procurement training.

### Methodology - Databases

To bolster the survey data, information was collected from databases that gather detailed information about contract activity for all public entities. *Govspend*, *SICCODES.com*, *ReferenceUSA* and *FedMine* were used extensively in the creation of this report.<sup>13</sup>

### Methodology - Bid Tabulation Sheets

Formal solicitations that result from federal pass-through funding (page 18 of this report) require tracking the bids received via bid tabulation sheets. Eighty-seven bid tabulations were collected in order to determine the number of contracts where a rural bidder responded but was not the minimum bidder, the number of times the government moved to the next most qualified bidder, and the percentage spread between the non-rural bidder and the next rural bidder. Below is an example of a bid tabulation sheet:

<b>Bid Number:</b>	15-43
<b>Bid Title:</b>	15-43 Street Sweeping & Cleaning Service
<b>Category:</b>	2015 Closed Bids, RFPs, RFQs
<b>Status:</b>	Awarded
<b>Bid Recipient:</b>	Bayside Services

**Description:**

**WHATCOM COUNTY BID OPENING RESULTS**

The following information is a record of bidders and their bid totals as received at the time of the bid opening.

All bids are subject to review by the requesting department and approval by the County Executive and the County Council. A formal award or rejection notice and tabulation will be issued to all participants or to any interested people once the bid has been awarded.

**BID 15-43 Street Sweeping and Cleaning  
Public Works – Maintenance & Operations**

**2:30 PM Tuesday, May 12, 2015**

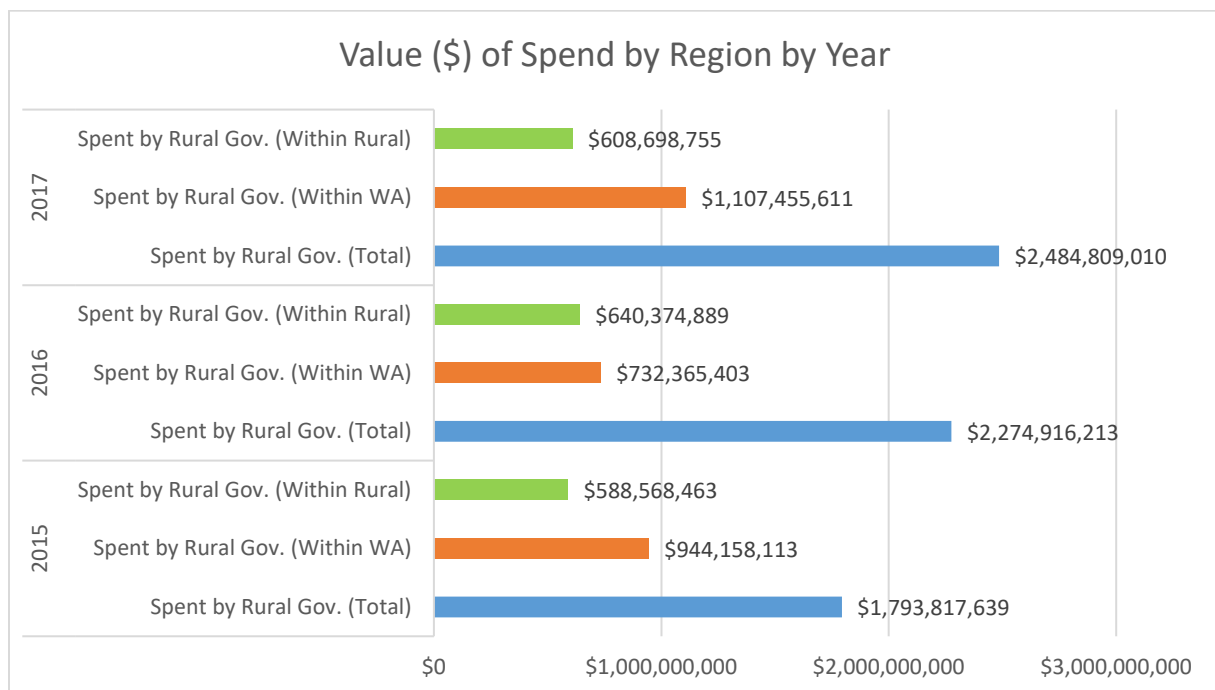
BIDDER	Bond	Addenda	TOTAL
Bayside Services	✓	✓	\$75,000.00
Ram Construction	✓	✓	\$94,000.00
Western Refinery Services	✓	✓	\$96,900.00

<sup>13</sup> Appendix Item C: Assessing Rural Business Competitiveness, pg 58

## 2015, 2016, 2017 Awards

According to *GovSpend*, for the years of 2015, 2016, 2017 public entities in total spent on average \$2 billion per year.<sup>14</sup>

The amount spent in rural counties remained fairly consistent. As far as who is spending the money, school districts top the list as consistent top spenders, followed by county (Benton), public utilities (Chelan) and a port (Bellingham).<sup>15</sup>



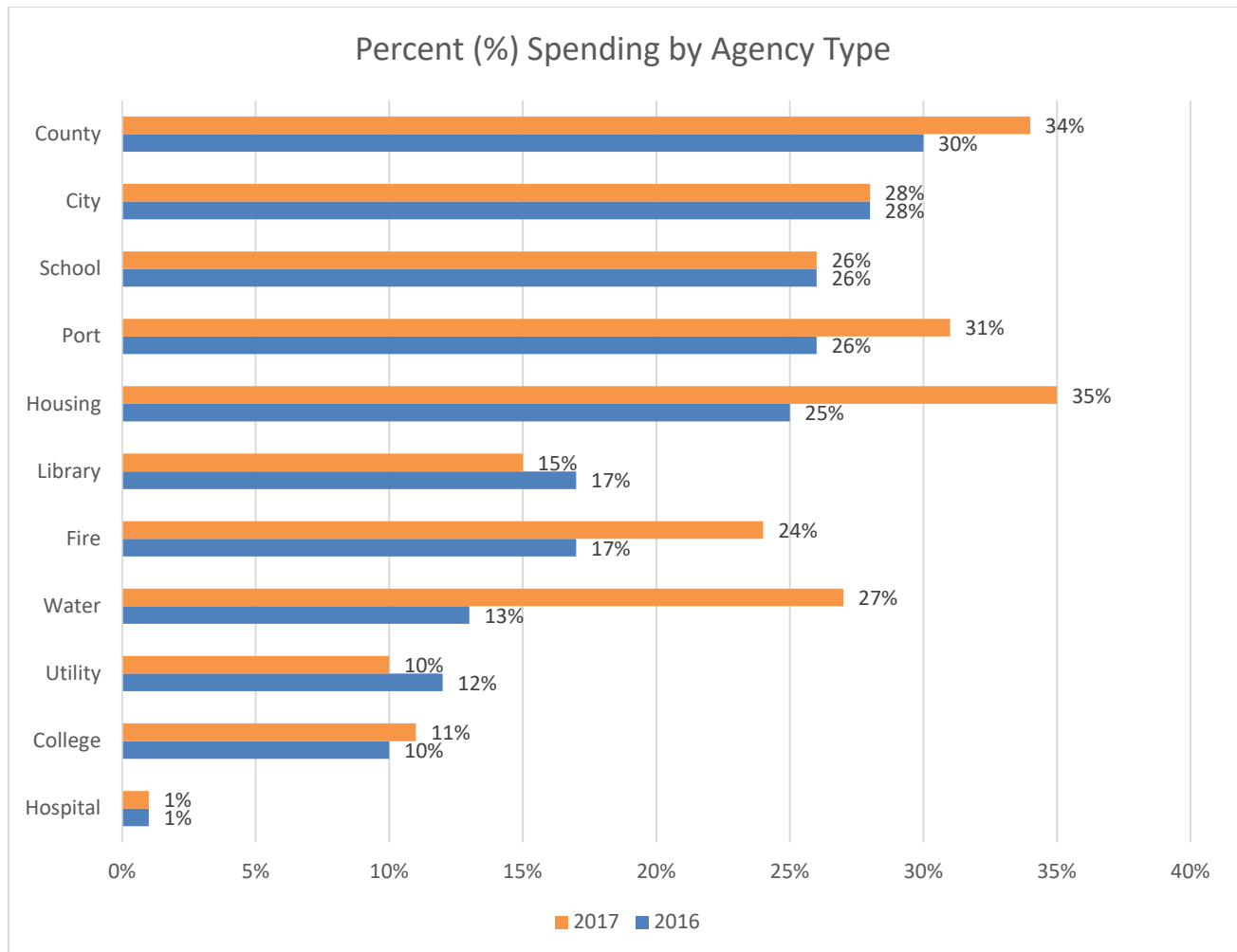
## Spending Locally

On average, 351 agencies spent over \$2 million of their procurement total spending in their own rural counties. Interestingly, although schools districts are the top overall spender, they are third place when spending locally.

Other spenders, such as hospitals, colleges and utilities, are also poor users of local vendors. This is not surprising when you consider the methods these other spenders use when purchasing. Their supplier base might be dominated by a few large national providers who can submit bids lower than local businesses, or there are no local suppliers available for particularly unique purchases. There might also be less construction activity, large national mandated contracts, or other procurement obstacles.

<sup>14</sup> NOTE: An indeterminate number of contracts are awarded to inter or intra governmental agencies, or include mandatory contract obligations out of state. These numbers are for comparison only.

<sup>15</sup> Appendix Item D: Rural County Profiles



*The spending by public agencies differs substantially. The ability of cities and counties to keep contracting dollars in their own jurisdictions is evident. But more importantly, fire districts, housing authorities, ports, schools, and water districts all can contribute substantially to local economies through their contracting practices.*

## Comparison of Rural Bidders to Non-Rural Bidders

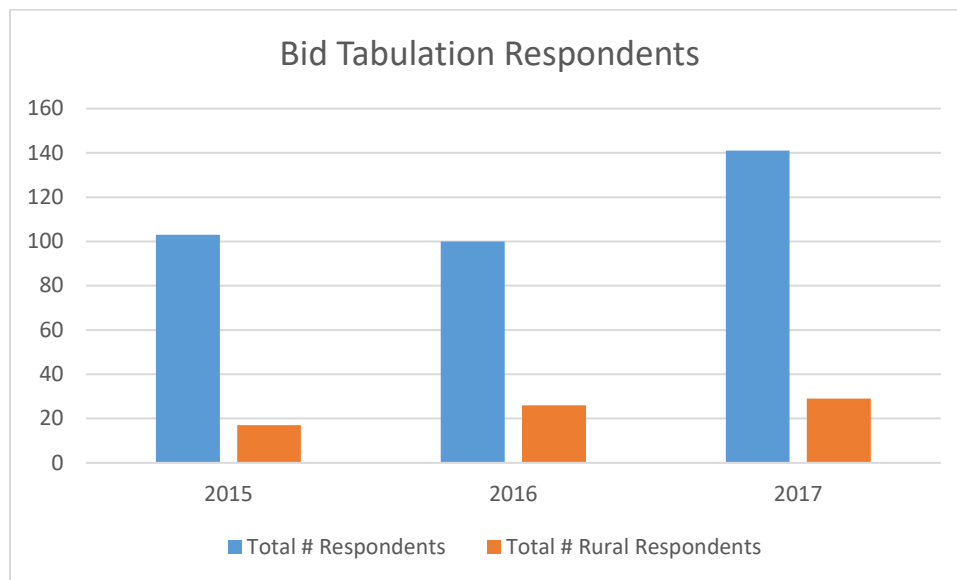
In order to understand specific contract processes and provide data consistent with the intent of ESSB 5883 – Section 129 (40), bid tabulation sheets were analyzed to discover the placement of rural versus non-rural bidders in the contract assessment process.

### Number of Contracts with Rural Bidders

Out of 32 rural counties in the state of Washington, 12 had sufficient information to analyze their bid tabulation sheets that provided information on their awards. Out of the 12, a total of 8 counties had bid tabulation sheets with data that was sufficient in addressing the legislative intent. The following was examined:

- The total award in dollars (\$) of the let contract
- Whether the award recipient was a rural business
- The difference between rural and non-rural award recipients

The bid tabulations sheets mirrored the concern procurement professionals revealed in the government surveys: they lack a deep pool of qualified suppliers. Out of the 84 solicitations that had multiple bidders, 32 of these solicitations had no rural bidders at all.



## Percentage Spread Between Bidders

### Ranking of Bids by Price

When rural vendors do bid, it appears they have the award of government contracts within their grasps. Out of the 84 responses with multiple bidders, 52 of them had local rural bidders in the mix. Out of those 52, 21 (40 percent) local rural businesses were the lowest bidder, and 16 (30 percent) of them had a rural bidder in second place.

The average placement of non-rural bidders who did not win an award is third place. The average placement of rural bidders who did not win an award is 1.05<sup>th</sup>. There is a statistically significant difference between the placements of the two types of bidders, indicating that when rural bidders are not the lowest bidder, they are very close in terms of placement.

When evaluating the competitiveness of rural bidders by rank, the dollar value of the contract did not seem to be a factor. Rural firms were just as competitive on small contracts as they were on bigger ones that they chose to bid on.<sup>16</sup>

### Percentage Spread on Price

When a rural bidder lost, they were more likely than not to be next in line, but the average percent spread between the winner and the rural firm was 19.5%.

<sup>16</sup> Appendix Item C: Assessing Rural Business Competitiveness, pg 81

### **Percentage Spread of the Price**

It's noted above that rural bidders, when they bid, are often next in line to win. However, the price difference is significant. When a rural bidder lost, the average percent spread between the winner and the rural firm was 19.5 percent.

[Back to Table of Contents](#)

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## Implications of Federal Spending

Federal spending in rural communities is divided into two types: indirect spending through grants to state government agencies and direct spending by federal agencies in the form of government contracts and subcontracts directly with vendors. Each is explored in this section.

### Indirect Federal Spending

Federal funds typically come via grants to rural jurisdictions from the U.S. Department of Transportation, Federal Aviation Administration, and the Department of Commerce. They are granted to state agencies (such as the Washington State Department of Transportation or local transit authorities) who then pass the funding through to local governments through sub-recipient agreements.

Crafting a solicitation for a project that has federal funds as part of the funding source means the regulations from the CFR (Code of Federal Regulations) applies.<sup>17</sup> These regulations stipulate that the federal direct buy threshold must be used for awarding contracts. The federal direct buy thresholds are far less than the county or city thresholds: \$3,500 for goods, \$2,000 for construction, or \$2,500 for services. For comparison, most local jurisdictions have a direct buy threshold of \$7,500 or more.<sup>18</sup>

Direct buy policies mean contracts over those amounts must be competitively bid. As a result, public entities are required to publicly post opportunities for smaller purchases, increasing the likelihood that a non-local firm will see the opportunity and bid. The buyers interviewed for this report indicated that they are more likely to buy local when they are able to direct buy rather than publicly post competitive solicitations.

Additionally, any entity that lets over \$250,000 in federal transportation funds to prime contractors must have a Disadvantaged Business Enterprise (DBE) program (49 CFR 26). The DBE program is designed to increase contracts with disadvantaged small businesses by setting goals and creating an outreach plan that will increase transportation-funded contracts with DBE certified firms. Each state has a directory of DBE registered firms. In Washington State, this directory is maintained by the Office of Minority and Women Owned Business Enterprises (OMWBE). These DBE certified firms help agencies and primes satisfy DBE goals that range depending on the project. As of Oct. 12, 2018, Washington State listed a total of 2,215 registered DBE firms in the state database. Of those, 143 (or 6 percent) firms are listed in rural counties.<sup>19</sup>

### 2 CFR 200.331

Full and open competition prohibits geographic preferences except when expressly mandated or encouraged by the Federal statute. An exception may be allowed when procuring Architect and Engineering services, for example, as long as the application of this preference leaves an appropriate number of qualified firms in the bidding pool.

<sup>17</sup> [CFR](#)

<sup>18</sup> *MRSC City Bid Book*

<sup>19</sup> *This number does not include non-rural cities. Full list of DBE Firms in WA in Appendix*

In theory, being a certified DBE firm should provide a competitive advantage in contracting and subcontracting for federally funded transportation projects. However, since a significant number of certified firms are not from rural areas, this potentially could result in awards being made out-of-county in order to satisfy the federal requirement to meet project specific DBE goals. Also, this low rate of DBE-certified firms from rural areas impacts the goal setting; rural governments set DBE goals based on what they think is reasonable to achieve on a given transportation related project. Rural governments set goals low due to low certification numbers. As a result, the DBE program is not providing as much of a competitive advantage as it could be if more rural firms were certified.

## Direct Federal Spending

The federal government spends millions of dollars in rural counties each year.<sup>20</sup> From improving infrastructure to cleaning up nuclear waste, to maintaining the nation's national forests, these funds are a major contributor to the economic growth for rural communities. Businesses that contract directly with the federal government are required to use government registrations and online invoicing systems, abide by federal prevailing wage laws when applicable (Service Contract Act, Davis Bacon Act), along with many other terms and conditions not found in local government contracts nor the private sector. Successful federal vendors become more sophisticated and prepared to succeed in other government marketplaces more so than those vendors not yet set up to handle the increased regulatory and reporting burden. As a result, counties with significant federal spend may have more success in buying local than those without because the business community is ready and willing to participate with government buyers already.

The chart below reflects the values of recent awards placed by the federal government for work to be performed in the state of Washington. Note: we included non-rural counties for comparison (noted in gray):

County	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
King	\$6,579,810,494	\$8,245,473,727	\$4,186,877,626
Benton	\$3,330,355,446	\$3,391,042,540	\$3,037,462,209
Pierce	\$625,257,190	\$574,346,475	\$576,868,659
Kitsap	\$585,720,437	\$633,228,530	\$705,642,265
Klickitat	\$328,595,455	\$341,046,660	\$252,958,112
Snohomish	\$248,180,323	\$128,560,777	\$197,392,285
Spokane	\$193,388,092	\$198,335,759	\$155,024,724
Island	\$122,733,714	\$63,618,492	\$93,193,755
Clark	\$116,947,161	\$99,074,657	\$310,176,132
Clallam	\$62,152,449	\$52,069,894	\$20,881,463
Grant	\$53,917,833	\$63,613,245	\$49,734,189
Skagit	\$53,651,379	\$39,295,196	\$53,917,193
Yakima	\$48,370,677	\$52,356,586	\$32,046,703
Walla Walla	\$40,843,020	\$36,690,111	\$27,732,551
Cowlitz	\$30,624,948	\$15,247,161	\$21,313,627
Chelan	\$24,640,397	\$4,986,393	\$8,475,376
Pacific	\$24,315,443	\$19,383,763	\$13,571,474
Whatcom	\$21,058,863	\$38,025,482	\$191,134,942
Franklin	\$20,854,721	\$32,573,566	\$19,578,626

<sup>20</sup> FedMine.gov

Kittitas	\$19,511,200	\$14,666,681	\$9,140,410
Columbia	\$14,850,457	\$12,407,421	\$3,179,651
Garfield	\$12,307,861	\$14,326,699	\$9,151,415
Thurston	\$11,102,648	\$14,283,353	\$11,062,743
Stevens	\$10,489,392	\$11,263,587	\$12,021,768
Douglas	\$10,210,029	\$9,279,828	\$11,986,653
Okanogan	\$9,823,227	\$10,571,432	\$8,630,713
Lewis	\$9,611,813	\$7,802,024	\$2,264,832
Grays Harbor	\$8,029,718	\$37,853,037	\$12,061,459
Whitman	\$4,675,903	\$5,981,442	\$5,692,063
Skamania	\$4,475,911	\$1,567,121	\$3,952,099
Ferry	\$3,052,945	\$3,969,162	\$1,779,740
Pend Oreille	\$2,778,669	\$1,203,708	\$1,255,636
San Juan	\$2,731,744	\$1,135,301	\$4,862,694
Jefferson	\$2,689,586	\$10,940,452	\$7,132,637
Asotin	\$2,078,329	\$4,288,174	\$12,926,130
Wahkiakum	\$768,523	\$656,974	\$460,551
Mason	\$411,579	\$967,647	\$1,558,542
Lincoln	\$391,474	\$1,965,993	\$1,560,536
Adams	\$66,398	\$108,895	\$42,650

*NOTE: An indeterminate number of contracts are awarded to firms out of state due to lack of local suppliers, previous contract obligations, or specialized services needed.*

Federal contracts that are awarded to suppliers in rural communities increase the economic strength and abilities of that small business community. Some examples include:

**Benton County** - Hanford nuclear clean-up activity. In 2017, the federal government spent \$3.3 billion in Benton County. This money was spent primarily by the Department of Energy with a total of 150 suppliers, 79 of whom were Washington based companies.<sup>21</sup> The top 10 prime contractors accounted for 95 percent of that spend. Approximately half of that number (\$1.7 billion) was awarded as contracts to firms headquartered in Benton County.

One result of this increased federal spending means Benton County has an unusually large pool of qualified suppliers in information technology and engineering.<sup>22</sup> Although most of these firms are located in Richland, a non-rural city, the opportunities these funds offer suppliers throughout the region at all levels of the supply chain cannot be ignored.

<sup>21</sup> FedMine.gov

<sup>22</sup> US Census, 2016

## Buy Local

Bechtel National, a prime contractor for Hanford, has a Buy Local goal in its subcontracting plan:

“The Small Business Subcontracting Plan submitted by the Contractor and approved by the Contracting Officer ..... Has a 35% subcontracting goal for WA or OR based businesses.”

**Island County** – Navy Bases

In 2017, The Department of the Navy spent over \$114 million in the county; \$8 million of that was spent directly with a firm based in Island County, and several millions more were spent via subcontracts.

**Asotin County**

In 2015, the U.S. Army Corps of Engineers spent over \$12 million on construction projects in the county of Asotin. This influx of money helped spur an economic recovery. In 2016, the overall employment rate in Asotin grew by 2.7 percent, and the construction industry grew by 9.6 percent.<sup>23</sup>

[Back to Table of Contents](#)

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<sup>23</sup> Per Employment Security Department, Washington State

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## Current Regulations and Best Practices

### Overview

Rural government entities' purchasing regulations are set by the state of Washington and are complemented by their own government rules and ordinances. Overall, these regulations attempt to promote competition, prohibit conflicts of interest, and reduce risk to the governments as much as possible. These regulations also favor awarding contracts to the lowest responsible bidder with few exceptions. The regulations are specific to the type and size of government entity and the type of procurement.

### Public Works

**Competitive Bidding** - Rural cities and towns must contract out whenever the cost of a public work will exceed \$65,000 if more than one trade is needed to execute the contract and \$40,000 if a single trade is involved. Depending on their individually set bid limits, they can use a minimal competition process, a small works roster, or formal bidding process. Small works rosters are often used for construction valued at under \$300,000. Over that amount, a more open and competitive process is required. Small jurisdictions under 20,000 people must call for bids on non-public work supplies or materials valued at over \$7,500.<sup>24</sup> For nearly all services, there is no requirement to competitively bid the work. Architectural and engineering services must follow RCW 39.80 that requires a city publish its need for this service and request for qualifications.<sup>25</sup> Price is not a factor.

**Small Works Rosters** - Small works rosters are often used for construction valued at under \$300,000. Small works rosters list contactors that are properly licensed in the state of Washington. The government will then solicit quotes from the businesses on the roster. If the cost is over \$150,000, they must notify all the contractors on the roster, but if under that amount they can select at least five, or in the case of "limited public works (under \$35,000), only three contractors need be solicited.

Municipal Research Services Center (MRSC) maintains rosters for 541 agencies around Washington that comprise a large majority of rural jurisdictions. The entities not participating in the MRSC roster often will maintain their own small works roster program. As a result, rural businesses need to register and manage multiple small works rosters in order to be potentially notified of opportunities to bid. It is often difficult for small firms to navigate this process as there is no central location where all rosters are published.

### Master Contracts & Piggybacking

Regulations also allow for purchasing from other governments and piggybacking on existing contracts. Additionally, jurisdictions can use the state master contracts. Department of Enterprise Services maintains several hundred contracts for goods and services. When master contracts are used, the likelihood a rural

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<sup>24</sup> [MRSC City Bid Book](#)

<sup>25</sup> NAICS 541310, **Architectural Services**: This industry comprises establishments primarily engaged in planning and designing residential, institutional, leisure, commercial, and industrial buildings and structures by applying knowledge of design, construction procedures, zoning regulations, building codes, and building materials.

NAICS 541330, **Engineering Services**: This industry comprises establishments primarily engaged in applying physical laws and principles of engineering in the design, development, and utilization of machines, materials, instruments, structures, processes, and systems. The assignments undertaken by these establishments may involve any of the following activities: provision of advice, preparation of feasibility studies, preparation of preliminary and final plans and designs, provision of technical services during the construction or installation phase, inspection and evaluation of engineering projects, and related services.

vendor will be selected is diminished. Some master contracts are nationwide and lack inclusion of Washington businesses altogether.

The benefit of using master contracts is to capitalize on the combined usage and the fact that vendors are often able to offer better pricing. Construction equipment, trucks, road maintenance materials, buses, tires, and police radio equipment are all commonly purchased through the state master contracts. Public schools commonly purchase through a purchasing cooperative called KCDA (King County's Directors' Association), and Office of Superintendent of Public Instruction has master contracts for food and buses. Another food contract is heavily used by state Department of Corrections. As a result of these master contracts, rural firms that could support the supplies and equipment of their local schools are likely **not** selling to the school down the road and the rural food producer is **not** selling to schools or prisons.

### Other Considerations

When making an award, the entity must award to the lowest responsible bidder for public works, materials, equipment, and supplies (RCW 35.23.352). Other criteria also may be evaluated:

- The ability, capacity and skill of the bidder to perform
- Character, integrity, reputation, experience of the bidder
- Timeliness of performance
- Quality of past performance
- Compliance in the performance of past or current contracts
- Other factors

The geographic location of the supplier is not typically one of the evaluation factors, but the door is open to potentially include proximity as a factor if a compelling case can be made for that specific project. For instance, RCW 39.30.040 allows cities to take any sales tax and business and occupation tax that a city will receive from purchasing supplies, materials, and equipment into consideration when determining the lowest responsible bidder. However, the Office of the Attorney General concluded in a 1961 report (AGO 1961 No. 41) that entities could not establish a policy giving local bidders a preference by reducing their bids by some specific percentage amount. To do so would "be in the nature of an arbitrary classification for the benefit of a particular group without regard to the merits of any particular case" and "is contrary to the principle of competitive bidding."<sup>26</sup>

## NASPO

NASPO (National Association of State Procurement Officials) is the nation's largest public cooperative contracting organization.

Washington participates in 38 NASPO contracts.

### Local preference programs overview

As the economic impact findings show, a wide variety of government entities contract out and could potentially contribute more to the economic vibrancy of their communities. Public agencies in other states have attempted to give their firms a competitive edge or preference in their hometowns through the use of Local Purchasing Programs.

<sup>26</sup> <https://www.atq.wa.gov/ago-opinions/municipal-corporations-bids-five-percent-preferential-local-bidders>

Using a local preference program to enhance the competitiveness of the firms in the geographic region has been a tool for governments of all sizes for many years. The federal government has the “Buy America Act” and “Buy American Act,” as well as a goal to buy from firms located and hiring workforce from historically underutilized business zones, known as HUBZones. To achieve the 3 percent goal, federal agencies are able to set aside opportunities and restrict competition so only HUBZone-certified firms can compete.

At the state level, 25 states have local preference programs<sup>27</sup> (NASPO, 2012). Many cities also have adopted similar programs. These geographic preference programs are designed to support firms that are contributing to the tax base of the jurisdiction and create more jobs contributing to the economic vibrancy of the community. However, geographically based preference programs are inherently anti-competition<sup>28</sup>. Critics of such programs believe they violate the basics principles of public purchasing which strives to get the best cost to the taxpayer through a robust competitive process<sup>29</sup>. The following explores the types of preference programs,<sup>30</sup> as well as the risks and benefits of establishing a preference for local businesses for rural government contracts.

There are three types of local preference programs designed to give local firms a competitive advantage when bidding for contracts:

1. **Tie-bid preference** – The local vendor is awarded the contract if a non-local and local vendor’s bids are equal in price. This is an uncommon circumstance, however. The information on bids gathered for this report uncovered no instances of this happening
2. **Price matching** – This approach offers a price-match opportunity to the local vendor that is in a competitive range of the lowest non-local bidder. The local vendor has the opportunity to price match (or beat) their non-local competition. Without this policy, all vendors bid blind and are not aware of each other’s bid price.
3. **Local price preference** – A popular strategy is to award to local firms even if their cost is more as long as their bid falls within a pre-determined amount. Public entities typically use a range between one-to-10 percent with a majority using between three-to-five percent. The risks and benefits of this strategy are discussed in the subsequent section.

## How Phoenix, AZ Does It

**Program:** Local Small Business Enterprise Program

**Approach:** Provide local small businesses that are registered the first chance to submit quotes for goods and services under \$50,000.

**Impact:** In 2011, Phoenix spent just \$50,000 with small local firms. By 2013, a year after launch, that figure jumped to \$2.3 million.

<sup>27</sup> Source: [http://www.naspo.org/dnn/portals/16/documents/1.InstatePreferences8\\_27\\_12Updated.pdf](http://www.naspo.org/dnn/portals/16/documents/1.InstatePreferences8_27_12Updated.pdf) page2

<sup>28</sup> Are you on the local vendor preference train and want to jump off? *Government Procurement* (1078-0769) 2015-11-01.Vol.23,Iss.5;p.8

<sup>29</sup> Marran, Dan. "The Ethics of Preference Programs." *Government Procurement* 18.4 (2010): 10,n/a. ProQuest. Web. 3 Oct. 2018.

<sup>30</sup> Jensen, Kendra. *Assessing the Use of Local Preferences in Local Government Contracting*. The University of North Carolina at Chapel Hill. Spring 2011



## Benefits and Risks of Local Procurement Preference Programs

Benefits	Risks
<ul style="list-style-type: none"><li>• Increased economic activity in rural community</li><li>• Rural/local firms economic multiplier effect</li><li>• Strengthening of tax base</li><li>• Increase employment opportunities</li></ul>	<ul style="list-style-type: none"><li>• Governments pay three to five percent more for goods and services when using a preferred firm.</li><li>• Reciprocity policies of other governments</li><li>• Lack of fairness</li><li>• Diminished competition</li><li>• Expensive to maintain</li><li>• Legal challenges</li></ul>

### Benefits:

The benefits of a local preference in contracting are economic in nature. The extra costs could be outweighed by the economic impact these awards make in the community (see Impact of Local Awards on page 9). Local suppliers are more likely to rely on other local businesses, thus creating a bigger economic multiplier effect in the community compared to larger, non-local firms<sup>31</sup>. Furthermore, those local firms who win contracts then contribute back to the local jurisdiction through increased taxes paid to the locality and higher employment numbers within the community.

Data in this report demonstrates the economic impact associated with government contracts leaking out of the rural community in which the public entity resides. These impacts are available by county in the [Rural County Profiles](#) section of this report.

Examples of leaked impact were examined in earlier in this report. It was estimated that, when combined, the economic impact of the top 10 outsourced contracts made by rural counties in 2017 was \$238,171,034 in output and created 1,866 new full-time jobs. If even five percent of the leaked impact (determined to be approximately \$667 million) were retained in county, the additional economic impact to local, rural communities throughout Washington is estimated at \$33,356,777 in economic output and 284 jobs.

Of the 88 bid tabulation sheets examined, there were six instances of a losing rural bidder that was within five percent of the price of the winning non-rural bidder. In these six cases the impacts to the rural

## How San Diego Does It

**Program:** Small Local Business Enterprise Program

**Approach:** Set aside public works opportunities between \$250,000 - \$500,000 for certified small local businesses. Five percent bid discount for certified firms.

Require a mandatory subcontractor participation plan for certified small local businesses.

**Impact:** In 2016, 32 percent of construction contracts were awarded to certified firms.

<sup>31</sup> Source: <https://ilsr.org/rule/local-purchasing-preferences/>

## How Houston, TX Does It

**Approach:** Provide a 3-5 percent bid preference to firms in the city or within the 10 local counties or has 20 percent of its workforce in the region.

**Impact:** more than 1,300 companies have registered, of which 424 have won city contracts. Fifty of these firms had never won a contract with the city before indicating that the program helped strengthen the overall vendor pool for the City.

community totaled \$8,473,946 in total economic output, \$2,877,594 worth of income and 56 jobs. These contracts are examined more closely in the following pages.

Additionally, buy local programs could increase the pool of available bidders. The programs that are adequately resourced and promoted garner the attention of the business community. This alone could increase local participation and potentially the success of rural firms in the marketplace.

### Challenges

When exploring risks, it should be noted that public procurement professionals are trained and seek to diligently implement fairness in their buying processes. This “level playing field” methodology seeks to ensure the taxpaying public has confidence that funds are being spent in a fair and equitable manner. Preference programs are specifically designed to contradict this methodology by un-leveling the field and providing an advantage to a group perceived as disadvantaged in some way. Preference programs that implement a price preference further upset professional procurement values and ethics by declaring it is acceptable to overpay for a product or service as long as the vendor is “local” or from the same rural region. A position paper on local preference programs published by the National Institute for Public Procurement (NIGP) asserts that local preference programs fundamentally conflict with the public procurement principles of impartiality and full and open competition.

While offering a preference for local firms in rural areas may seem benign, it could end up hurting the very firms the policy intends to help. Many governments have implemented reciprocal preference whereby a business that enjoys a preference in its home geographic base of operations may be penalized by a similar amount when competing in other jurisdictions. Washington RCW 39.26.271 requires state buyers to implement a reciprocity increase on vendors who bid from states who have a local preference. Many states have similar policies in their regulations.

Preference programs of any sort discourage firms that don’t fit the preference criteria from bidding. Rural jurisdictions already have a difficult time achieving adequate levels of competition on some of their procurements, and preference programs of any sort discourage firms that do not fit the preference criteria from bidding.<sup>32</sup>

Programs are also expensive to maintain. An effective local preference programs will require some sort of vetting process as well as a method of maintaining a database of qualified firms. Even if jurisdictions implemented “self-certification,” there is still substantial staff time required to create and maintain a list of local

“Preference programs declare it is acceptable to overpay as long as the vendor is local.”  
- National Institute for Public Procurement

<sup>32</sup> Barrett, Katherine, and Richard Greene. "Purchasing's Weak Link." *Governing* 31.12 (2018): 60. ProQuest. Web. 3 Oct. 2018.

firms, promote the program, and track program usage. Lack of administrative oversight was illustrated in a case involving the city of Punta Gorda in Florida. The city eliminated its local vendor preference program after the council was disappointed that a business with only a condo lease in the city won a contract using a price preference. This business had no employment base in the community. The city council also expressed concern that local vendors could be “front companies” who bid and turn around and subcontract all the work to a non-local firm.

## How Webster City, Iowa Did It

**Program:** Local preference

**Approach:** Provide a 5 percent bid preference to local firms.

**Impact:** The program was discontinued by the city council in August 2018 after a legal opinion issued by the city’s attorney indicated that state law requires the council to do business with the company that offers the “lowest responsive and responsible bid.” The opinion was sparked after the program was used to buy central air conditioning units.

During the literary review process, a few other case studies involving local procurement preference programs were discovered. In *Associated General Contractors v. City & County of San Francisco* the court held that a municipal ordinance requiring percentage bidding preference on contracts violated the city charter requirement that contracts be awarded to the “lowest reliable and responsible bidder.” In *Associated General Contractors v. City and County of San Francisco*, the ninth circuit court considered a city ordinance that gave bidding preference to minority, women, and locally owned businesses on city contracts. The court upheld the local preference program because the city could “rationally allocate its own funds to ameliorate” the local businesses’ disadvantages like higher taxes associated with being located in the city. Two other local preference programs lost in court because it was found they violated the U.S. Equal Protection Clause (*Ray Co Construction Co v. Vorsanger* in Arkansas and *Big D Construction Corp v Court of Appeals* for the State of Arizona, Division 1)<sup>33</sup>.

### Other Considerations and Alternative Approaches

**Local Subcontractor Inclusion** – An alternative approach to enhance the number of local firms participating in the marketplace is to focus on subcontracts. This requires prime contractors to submit a local contractor inclusion plan along with their bid. Tacoma Public Schools requires such a plan on major construction projects. For a recent contract, the prime contractor proposed a 30 percent local subcontractor goal. To meet this goal, the prime conducted significant outreach about subcontracting opportunities in the local community.

**Best Value Buys** – Rather than a local preference program applied widely, NIGP recommends<sup>34</sup> including geography as a one of several criteria in a “best value” evaluation and award process.

Best Value means buying decisions are based on the most advantageous balance of price, quality, and performance identified through competitive procurement methods in accordance with state selection criteria. There is no uniform statutory or regulatory definition, but it generally refers to a source selection based upon a cost/benefit analysis. For example, if a rural jurisdiction applied Best Value selection methods to buying a Ford truck, they may determine that the cost

<sup>33</sup>Ackerman, Amy S. “Buy Healthy, Buy Local: An Analysis of Potential Legal Challenges to State and Local Government Local Purchase Preferences.” *The Urban Lawyer* 43.4 (2011): 1015-34. ProQuest. Web. 15 Oct. 2018.

<sup>34</sup> Local Preference in Public Procurement Position Paper. Issued 2015 and available at <http://www.nigp.org/home/find-procurement-resources/guidance/position-papers>

associated with competing out the buy rather than buying from the state master contract holder is offset by the tax and employment benefits to the rural economy.

**Outreach and Education** – Another alternative to formal local preference program approach may be to simply increase the number of local bidders through quality technical assistance and outreach. A recent review of Procurement Ethics indicated that:

*By offering outreach and education on how to provide responsive and competitive bids, the agency can offer far more assistance to the affected classification of vendor than any preference program might, as this education will help them compete in other jurisdictions as well (Maran, 2018).*

Vendor surveys validate the need for assistance. Forty-one percent (41 percent) of respondents indicate one of their top barriers to success is knowledge of the bid submittal process. This was followed by workforce challenges (32 percent), and sufficient cash flow / access to financing came in third at 28 percent.

The successful outreach and training conducted in partnership with Washington Department of Commerce is described next. The strong attendance and comments during the discussion period highlighted the need for further outreach and training to rural communities.

## Outreach Activities

The Department of Commerce and Washington Procurement Technical Assistance Center (PTAC) co-created and co-presented a series of preliminary trainings for both rural government entities and rural suppliers as a requirement of the proviso. The trainings were designed to educate as well as stimulate a dialogue between the business community and procurement professionals. The purpose of these trainings:

- Identify gaps in the system
- Stimulate dialogue
- Educate suppliers on how to compete for contracts

The topics covered in the presentations included:

1. Overview of the legislative intent of Commerce contract
2. Economic impact of local awards
3. Techniques for public agency procurement personnel
4. Tools and practices

### ***A “What If” Case Study of a Five Percent Local Preference Program in Rural Washington***

The goal of this analysis was to better understand the economic impact lost to rural communities when their local businesses compete, but do not win. Using the 88 collected bid tabulation sheets, we were able to identify six instances where a losing rural bidder was within five percent cost of a non-rural award winner.

In Appendix Item E: Five Percent Preference Case Studies, there are six case studies where a rural bidder was considered price competitive, but was not selected as the lowest responsible bidder. The awarded cost of the six contracts was \$6,887,225. If rural bidders were awarded due to a local preference program, the

## Whom did we visit?

Our tour of rural counties around the state included:

**Aberdeen**, Grays Harbor County

**Wenatchee**, Chelan County

**Colfax**, Whitman County

**Port Angeles**, Clallam County

awarded cost of the contracts would be \$7,016,573, an increase of cost to the local jurisdictions of \$129,347. If a five percent local preference program were implemented at the time of award for these six contracts, the following impacts would have been felt in the awardees' county:

- 56 jobs (primarily in construction)
- \$2,877,594 in employee compensation
- \$8,473,946 in total economic output

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## Policy Recommendations

The following recommendations are based on analysis of spend data in rural communities, interviews and survey data from public agency buyers in rural governments, and vendor surveys collected throughout the state. The recommendations are organized into three themes: 1) Increase the participation of rural bidders, 2) Encourage awards to qualified local bidders and 3) Increase transparency in public procurement.

### 1. Increase the Participation of Rural Bidders

**ISSUE:** Increasing the win rate of rural firms starts with increasing the number of responsible rural firms submitting bids. Many rural firms are unaware of how to find, bid, and win rural government contracts and subcontracts. If they do attempt to venture into government contracting, they find the process cumbersome and complicated.

**RECOMMENDATION 1:** Increase access to procurement technical assistance and expand outreach to rural firms to increase awareness of local procurement opportunities. The vendor survey found that rural vendors would benefit from access to training and one-on-one technical assistance on how to find and bid on rural government contracts and subcontracts. This could be in the form of in-person workshops on how to bid government work, local procurement summits where local buyers connect with the business community, or other forms of outreach to the business community for specific solicitations. No-cost technical assistance is currently provided by the Washington Procurement Technical Assistance Center, a program housed at Thurston Economic Development Council and Center for Business and Innovation.<sup>35</sup> This program has nine locations in Washington, but due to funding limitations it lacks the capacity to adequately serve the demand for services in rural communities.

### How Arizona Does It

Arizona is implementing a new strategic sourcing statewide portal that increases transparency, streamlines the registration process and allows for prompt payments on line. Key features include:

Vendor Portal with policy prompts that clarify business rules

Source to Contract Portal with easy access to bid materials such as bid tabulation sheets, proposals responses and awards

Procure to Pay for catalog management, payments and invoicing

The New AZ Portal - [spo.az.gov](http://spo.az.gov)

<sup>35</sup> Note that Washington PTAC is a program of the Thurston Economic Development Council that was commissioned to conduct this report. The PTAC team assisted in distribution of the vendor survey.

RECOMMENDATION 2: Establish a statewide procurement portal, such as Arizona’s Unified Transportation Registration and Certification System (UTRCS), to actively promote subcontracting activity. It is currently difficult for small vendors to connect with the large prime contractors. Opening up the process through a statewide procurement portal would allow public entities to be transparent about who their prime contractors are, which would allow small subcontractors to connect with prime contractors and pursue subcontracting opportunities.

RECOMMENDATION 3: Establish a statewide public works roster to centralize the procurement process. Allow this roster to be filtered by geographic location of vendor. Currently, vendors seeking to sell to government agencies must register in multiple rosters, never really knowing which one is most beneficial. MRSC maintains a roster for local, rural governments, but usage of MRSC is voluntary and many governments still maintain their own vendor lists. MRSC’s system does not filter by geographic location. This helps ensure no local preference is provided, which would be inappropriate under current law, according to MRSC’s legal team. Establishing a “Statewide Small Works Roster” will help to eliminate the confusion and centralize the process. For instance, one survey respondent from a government agency recommended using data from the Department of Licensing and Department of Labor & Industries to build a roster of licensed small works vendors that can be searched for location and specialty trade.

RECOMMENDATION 4: Modify the “prevailing wage” requirements on small routine projects by creating a simplified form for rural communities that defines the need to pay prevailing wage and has the vendor sign an agreement to do so. Currently, cities find it difficult to find local vendors willing to go through the prevailing wage process for small projects. Some small contractors aren’t able to afford the time and money necessary to perform on prevailing wage contracts, especially in rural areas where internet and cellular access is a problem and online Prevailing wage forms and filing materials are not readily available. Additionally, [RCW 39.04.350](#) that goes into effect July 1, 2019 will add additional burdens of prevailing wage compliance for new firms. For small dollar projects (<\$10,000), administrative and transaction costs affiliated with prevailing wage eat into contractors’ already thin margins.

A simplified process, as described above, could:

- Eliminate the requirement for intents & affidavits
- Allow contractors to complete the new prevailing wage compliance form to ensure that:
  - They understand they are subject to prevailing wage requirements
  - They agree to pay employees the applicable appropriate wages
  - They understand their records are subject to audit
  - They understand they will be subject to a substantial fine if found to have not paid employees appropriately.

This new prevailing wage compliance form could be distributed through rural governments to become part of their contracting package.



## 2. Encourage Awards to Qualified Local Bidders

ISSUE: Some current regulations actually inhibit placing awards locally. We could use the examples of other states that have enacted methods of giving local preference to qualified firms in ways that do not contradict fairness in procurement policies.

RECOMMENDATION 5: Encourage local inclusion plans or local workers programs into locales where there are subcontracting opportunities. If established at a state level, this will open up subcontracting opportunities with prime contractors who work with school districts, state transportation agencies or have master contracts. Prime contractors, wanting to satisfy their government customers, will develop outreach methods to ensure local firms are provided an opportunity to bid on subcontracting opportunities.

RECOMMENDATION 6: Resurrect and modify the Department of Enterprise Services' state contract "Best Buy" policy and apply it to municipalities. In the 1990s the best buy policy was actively promoted. It allowed state master contract users to use and cite state contracts as authority, but to buy from an alternate source if a "better" price could be attained.

This policy could be resurrected and modified to allow public entities in Washington to use and cite state contracts as authority, but to pay higher prices for the contracted goods or services when placing an award with a local rural firm was more favorable when considering other factors. Such factors might be the increased local tax revenue and/or the local economic impact of the award.

RECOMMENDATION 7: Modify the requirement that cities must produce a RFQQ (Request for Quote and Qualifications) to find and award an architecture and engineering firm. This is a barrier to small local engineering vendors who may not be able to afford to participate in a formal solicitation. Cities would prefer to have latitude in this area to include using a formal bid process for complex work. But for usual and customary projects, they seek to directly employ a local engineer or to use in-house expertise.

## 3. Increase Transparency in Public Procurement

ISSUE: The inability to locate detailed information on contracts inhibits the ability to monitor and report on the system and to identify weaknesses or areas that can be strengthened. Such policies would also reduce any perception of unfair buying practices. Transparency also helps attract vendors to the marketplace because businesses are able to quickly discern who buys what they sell and how. Gathering this information can often be a barrier to time-limited small businesses.

RECOMMENDATION 8: Invest in an online statewide procurement portal that allows for the collection and public posting of solicitations, bid tabulations, award notices, the archiving of all submitted bids and other contract related paperwork. A transparent portal for government contracting information will also lead to more efficiencies among rural government buyers who are limited in resources, but could benefit from sharing of RFP language and documents.

[Back to Table of Contents](#)

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## Appendix Items

[Appendix Item A: Substitute Senate Bill 5883 \(Pages 31-32 of bill\)](#)

[Appendix Item B: Assessment of Proviso Elements](#)

[Appendix Item C: Assessing Rural Business Competitiveness](#)

[Appendix Item D: Rural County Profiles](#)

[Appendix Item E: Five Percent Preference Case Studies](#)

## Appendix Item A: Substitute Senate Bill 5883 (Pages 31-32 of Bill)

16       (40) (a) \$250,000 of the public works assistance account—state  
17 appropriation is provided solely for the department to contract with  
18 a consultant to study strategies for increasing the competitiveness  
19 of rural businesses in securing local government contracts within  
20 their same rural county, and for providing outreach services to  
21 employers in rural communities. The consultant must:

- 22       (i) Be a 501(c)(3) nonprofit organization;  
23       (ii) Be located in a county with a population of less than two  
24 million; and  
25       (iii) Provide statewide business representation and expertise  
26 with relevant experience in the evaluation of rural economies.

27       (b) The study must include the following:

28       (i) An analysis of the net economic and employment impacts to  
29 rural communities of awarding local government contracts to  
30 businesses outside the rural county in comparison to awarding local  
31 government contracts to businesses based in the same rural county;

32       (ii) A survey of local government entities to collect relevant  
33 data to include but not be limited to: The total number and amount of  
34 contracts awarded in 2015 and 2016 by local governments in rural  
35 counties; the number and amount of contracts awarded to businesses  
36 based in rural counties in comparison to the number and amounts  
37 awarded to businesses based in nonrural counties; the number of  
38 contracts where a rural business responded to a request for proposal  
39 but was not the minimum bidder; the percentage spread between the  
40 rural business and the lowest bidder; and the number of times the

p. 30

SSB 5883.PL

1 local government moved to the next most qualified bidder in a request  
2 for qualification out of the total professional service contracts  
3 awarded;

4 (iii) A review of current regulations and best practices in other  
5 jurisdictions. The study must identify existing policy barriers, if  
6 present, and potential policy changes to increase the competitiveness  
7 of rural businesses in securing local government contracts within  
8 their same geographic region, including but not be limited to the  
9 risks and benefits of establishing a preference for local businesses  
10 for rural government contracts; and

11 (iv) Discussion on the implications for projects that receive  
12 federal funding.

13 The study must be provided to the office of financial management and  
14 fiscal committees of the legislature by December 31, 2017.

15 (c) The department's external relations division must expand  
16 existing outreach services offered to rural employers to include  
17 training on processes to compete effectively for public works  
18 contracts within their communities. The external relations division  
19 must receive training on contract law to better support their  
20 outreach services. The cost of the training may not exceed \$10,000.

## Appendix Item B: Assessment of Proviso Elements

The proviso outlined a number of data points found throughout this report. To help illustrate the responses to each proviso element, the chart below provides a brief summary of the response with a link to additional details in the full report.

Proviso Element	Response
(i) An analysis of the net economic and employment impacts to rural communities of awarding local government contracts to businesses outside the rural county in comparison to awarding local government contracts to businesses based in the same rural county	The top 10 outsourced spends that rural public entities spent with firms in their own counties totaled approximately \$177 million. The resulting economic impact was in excess of \$238 million. The employment impact was 1,866 jobs. See <a href="#">Impact of Local Awards</a> section.
(ii) A survey of local government entities to collect relevant data to include but not be limited to: <ul style="list-style-type: none"> <li>The total number and amount of contracts awarded in 2015, 2016 and 2017 by local governments in rural counties;</li> </ul>	A survey was conducted to local government entities. Analysis of the results is provided in the <a href="#">Surveys of Government Entities</a> section.
<ul style="list-style-type: none"> <li>The number and amount of contracts awarded to businesses based in rural counties in comparison to the number and amounts awarded to businesses based in nonrural counties;</li> </ul>	Using bid tabulation data, rural firms were awarded the contract 62 percent of the time (52 awards out of 84 solicitations). See section <a href="#">Comparison of Rural Bidders to Non-Rural Bidders</a> .
<ul style="list-style-type: none"> <li>The number of contracts where a rural business responded to a request for proposal but was not the minimum bidder;</li> </ul>	Using bid tabulation data, 60 percent (31 out of 52 solicitations) were not successful in being the lowest bidder on contracts that included rural bidders. See section <a href="#">Comparison of Rural Bidders to Non-Rural Bidders</a> .
<ul style="list-style-type: none"> <li>The percentage spread between the rural business and the lowest bidder</li> </ul>	The percent spread was found to be 19.5 percent. See section <a href="#">Percentage Spread Between Bidders</a> .
<ul style="list-style-type: none"> <li>The number of times the local government moved to the next most qualified bidder in a request for qualification out of the total professional service contracts awarded;</li> </ul>	There were no instances of this found.
The study must identify existing policy barriers,	Policy barriers are highlighted throughout the report. They include state regulations that favor (link to <a href="#">Current Regulations and Best Practices</a> ):

	<ul style="list-style-type: none"><li>- awarding contracts to the lowest responsible bidder with few exceptions</li><li>- the usage of state master contracts that lack rural firm participation.</li></ul> <p>Additional barriers to vendors were uncovered during the vendor survey process. (<a href="#">link to Vendor Survey</a>) They include:</p> <ul style="list-style-type: none"><li>- lack of vendor understanding of the government bid submittal process and prevailing wage complexities on small business vendors.</li></ul>
if present, and potential policy changes to increase the competitiveness of rural businesses in securing local government contracts within their same geographic region,	Found in the <a href="#">Policy Recommendations</a> section are several policy changes for consideration. They are organized into three themes: 1) Increase the Participation of Rural Bidders, 2) Encourage Awards to Qualified Local Bidders and 3) Increase Transparency in Public Procurement.
including but not be limited to the risks and benefits of establishing a preference for local businesses for rural government contracts	The risks and benefits are discussed at length in the <a href="#">Benefits and Risks of Local Preference Programs</a> section. Benefits include increased economic activity. The risks include higher costs, lack of fairness, and potential implications for business due to reciprocity policies.
Discussion on the implications for projects that receive federal funding.	The <a href="#">Implications of Federal Spending</a> section includes exploration of federal flow down clauses, the impact of other federal contract activities in the rural community, and the impact of federal direct spend.

## Appendix Item C: Assessing Rural Business Competitiveness

### **ASSESSING RURAL BUSINESS COMPETITIVENESS RFQQ NO. 19-61610-001**

By

Dr. Lachezar Anguelov, The Evergreen State College  
Dr. Riley Moore, Saint Martin's University  
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OCTOBER 2018



## TABLE OF CONTENTS

<b>LIST OF FIGURES.....</b>	<b>49</b>
<b>LIST OF TABLES .....</b>	<b>51</b>
<b>INTRODUCTION .....</b>	<b>52</b>
<b>CURRENT STATE OF KNOWLEDGE .....</b>	<b>53</b>
Contracting Out Service Delivery .....	53
Limitations .....	53
Evidence from Government Perspective .....	54
Impact on local communities and their economies.....	55
<b>RESEARCH METHODS .....</b>	<b>56</b>
Vendors .....	58
Public Entities.....	58
Net Economic Impacts .....	58
<b>DATA ANALYSIS AND FINDINGS .....</b>	<b>59</b>
<b>VENDORS.....</b>	<b>59</b>
Vendor Operation Characteristics .....	59
<i>Locations of Operations .....</i>	<i>59</i>
<i>Number of locations.....</i>	<i>61</i>
<i>Structure, Industry Classifications and Years in Business.....</i>	<i>62</i>
<i>Market Assessment .....</i>	<i>64</i>
<i>Revenues .....</i>	<i>65</i>
<i>Labor force .....</i>	<i>65</i>
Government Contracting .....	67
<i>Dependence on Purchases by Government Entities.....</i>	<i>67</i>
<i>Government Services and Goods Provided .....</i>	<i>68</i>
<i>Obtaining information on bidding opportunities .....</i>	<i>70</i>
<i>Assessment of Contracting Process.....</i>	<i>72</i>
<i>Contracting Track Record.....</i>	<i>75</i>
<b>PUBLIC ENTITIES.....</b>	<b>76</b>
Total Government Contracting Spending in Local Communities.....	78
Rural and non-rural bids and awards in the state of Washington.....	79
Training and support.....	81
Competition .....	81
Local suppliers.....	81

CONTRACT VALUES BY INDUSTRY.....	82
<b>CONCLUSIONS AND POLICY RECOMMENDATIONS .....</b>	<b>85</b>
Strong Local Economies .....	85
Promotion and Advocacy.....	85
Workforce Development .....	85
Tax Strategies.....	86
Targeted Industries .....	86
<b>BIBLIOGRAPHY.....</b>	<b>88</b>

## LIST OF FIGURES

Figure 1 - Local Governments Served by Washington State's CDBG Program, 2018. ....	56
Figure 2 - Local Washington governments served by the CDBG program, 2018. ....	57
Figure 3 - Number of Vendors by Designated Washington Rural County, Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce, 2018. n=101.....	60
Figure 4 - Number of Vendors by Designated Washington Rural Municipality, Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce, 2018. n=101.....	61
Figure 5 - Number of Locations for your Organization. Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce, 2018. n=101 .....	62
Figure 6 - Vendor Structure. Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce, 2018. n=101 .....	62
Figure 7 - Vendor Respondents by Industry Classification (NAICS). Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce, 2018. n=100 .....	63
Figure 8 - Years in Business. Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce, 2018. n=101 .....	64
Figure 9 - Market Share Trends. Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce, 2018. n=100 .....	64
Figure 10 - Market Scope. Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce, 2018. n=61 .....	65
Figure 11 - Total Revenues for 2017. Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce, 2018. n=95.....	65
Figure 12 - Vendor employee numbers for 2017. Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce, 2018. n=63.....	66
Figure 13 - Percentage of Employees Living in Same County at Vendor Located. Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce, 2018. n=67 .....	66
Figure 14 - Challenges with Recruiting Employees. Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce, 2018. n=80 .....	67
Figure 15 - Quality of Local Workforce. Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce, 2018. n=37.....	67
Figure 16 - Percentage of Total Revenue Resulting from Government Contracts. Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce, 2018. n=79 .....	68
Figure 17 - Historical Reliance of Government Contract Revenue. Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce, 2018. n=86.....	68
Figure 18 - Government Services Provided by Vendors using ICMA Classifications. Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce, 2018. n=105 .....	69
Figure 19 - Goods Provided by Vendors to Government Entities. Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce, 2018. n=54.....	69
Figure 20 - Mechanisms Used to Search for Bidding Opportunities. Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce, 2018. n=83 .....	70
Figure 21 - Included On Any Public Entity Lists for Notifications of Bid Opportunities. Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce, 2018. n=88 .....	71
Figure 22 - Specific Public Entity Lists Mentioned for Notifications of Bid Opportunities. Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce, 2018. n=50 .....	71
Figure 23 – Yearly Frequency of Responding to Government Solicitations. Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce, 2018. n=136.....	72
Figure 24 - Assessment of Bidding Process. Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce, 2018. n=46.....	72
Figure 25 - Vendor Assessment of Bidding Process Local Government Entities for Select Criteria. Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce, 2018. n=28 .....	73

Figure 26 - Vendors Self-Assessment. Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce, 2018. n=28.....	73
Figure 27 - Vendors Self-Assessment. Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce, 2018. n=29.....	74
Figure 28 - Hours per Week Devoted to Contract Performance and Compliance. Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce, 2018. n=24 .....	74
Figure 29 - Bids Won during 2015-2017 period. Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce, 2018. n=19.....	75
Figure 30 - Percentage of Contracting Spending Remaining in County, Compared to All Contracting Spending, by Public Entity for 2016-2017. Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce. P=.012 (2016), P=.021 (2017) .....	79
Figure 31 – 2016 Rural Public Entity Expenditures for Washington State. Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce.....	82
Figure 32 – Economic Impacts. Total Rural Contracts in Washington State. Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce.....	83
Figure 33 - Economic Impacts. Average Rural Contracts in Washington State. Assessing Rural Business Competitiveness, Report for Washington State Department of Commerce.....	84

## LIST OF TABLES

<i>Table 1- Bids and Award Statistics for Vendors Involved with Government Contracting. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018. ....</i>	<i>76</i>
<i>Table 2 - Multiple regression estimation of how public entities' type can explain total contract spending in their own rural communities. Percentage of total contract spending awarded to local rural businesses by public entity type. 2017 .....</i>	<i>77</i>
<i>Table 3 - Analysis of Variance (ANOVA): Single Factor, null hypothesis that total number of rural and non-rural respondents for bids cannot be rejected (p-value 0.08). Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council.....</i>	<i>80</i>
<i>Table 4 - Analysis of Variance (ANOVA): Single Factor ANOVA, placement of next bidder (rural versus non-rural). Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council.....</i>	<i>80</i>
<i>Table 5 - Analysis of Variance (ANOVA): Single Factor ANOVA, award amounts between rural and non-rural contracts. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council.....</i>	<i>81</i>
<i>Table 6 – Economic Impacts for Rural Contracts at the 2-Digit NAICS. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council. ....</i>	<i>82</i>
<i>Table 11 – Economic Impacts for 5 Top Sectors. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council. ....</i>	<i>86</i>
<i>Table 12 - Commodities/Goods Complicated by Other Factors, Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council. 2018.....</i>	<i>87</i>

## INTRODUCTION

This study was commissioned by the Thurston County Economic Development Council (TCEDC)<sup>36</sup> and was conducted between February and October 2018. The impacts of local businesses in rural areas and their competitiveness to obtain contracts from rural local governments were analyzed. There are positive impacts from small businesses and their ability to obtain increased revenue. The purpose of this study was to study strategies for increasing the competitiveness of rural businesses in securing local government contracts within their same rural county with the main objective being to examine methods for strengthening small town and rural communities' success in state competitive procurements. Recognizing that rural areas face unique challenges, this study attempted to conduct an analysis of the net economic and employment impacts to rural communities of awarding local government contracts to businesses outside the rural county in comparison to awarding the same contracts to local businesses.

Research indicates that resident businesses of rural communities often confront limited access to skilled workers, services and transportation options. Rural communities may also lack capacity or access to financial resources. Fewer resources may make it difficult to compete with organizations that exist in larger communities.

The production of public services through external agencies has grown substantially (Boyne, 1998), and contracting out by local governments is increasing (Rehfuss, 1989; Girth, 2014). An important expectation associated with outsourcing public service delivery is that it will lead to cost savings. The scholarly literature studying this hypothesized association is yet to show consistent, systematic, and robust evidence that outsourcing public services will lead to lower government spending. Similarly, the expectations for greater government efficiency and smaller public sector, because of government contracting, are not fully supported in the scholarly literature.

Another important aspect of any outsourcing relationship is the impact on local communities. Theoretical and empirical work on how government outsourcing affects their own business communities is scant. Even rarer is scholarly work on rural communities. Small and rural jurisdictions are traditionally underrepresented in academic studies (Levin & Tadelis, 2010). It is common for scholars to focus their attention on bigger municipalities and jurisdictions as the response rates from surveys tends to be higher. Many local government contracting studies focus on cities with population of 50,000 or more, and others examine cities that have more than 15,000 inhabitants (Brown & Potoski, 2005). Recently there has been increased interest in studying the policy arena of small and rural communities. An example is a recent white paper issued by the International City/County Management Association (ICMA).

This study attempted to address these questions and presents results aimed at understanding how public entities can increase the competitiveness of rural businesses in securing local government contracts within their own rural counties. The report includes analyses from multiple sources to depict the number and amount of contracts awarded to businesses based in rural counties when compared to awards to businesses in non-rural counties. In the following section the literature on public services outsourcing is reviewed to highlight an important gap: absence of scholarly studies on how government contracting affects small and rural economies. Subsequently, preliminary findings from rural counties in the state of Washington are outlined.

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<sup>36</sup> RFQQ NO. 19-61610-001

## CURRENT STATE OF KNOWLEDGE

Research on government services contracting rose to prominence with the New Public Management (NPM) movement and questions focused on “make-or-buy” decisions and vendor selection. NPM entails implementing management ideas from the private sector to the delivery of public services (Haynes 2003). The core elements of the initiatives include introducing market competition into the public sector (Hood, 1991), downsizing (Pollitt & Bouckaert, 2003), introducing private-sector styles of management practices (Osborne & Gaebler, 1992), and outsourcing (Kettl, 2000; Pollit, 2007).

Public services outsourcing is arguably one of the most important initiatives from NPM and can be defined as the delivery of public services by private sector vendors (Minicucci & Donahue, 2004). In other words, governments maintain ownership, decision and control capacities, but private entities provide and manage the outsourced services (Cuadrado-Ballesteros, et al., 2013). Ideally allowing public services to be delivered through competitive markets should result in greater cost savings for governments, and should benefit the local communities. The theoretical logic is outlined in the paragraphs below.

### Contracting Out Service Delivery

From a public choice perspective governments may be inefficient in the provision of public services due to over-staffed public bureaucracies. Arguably, this is the case because both politicians and bureaucrats might be using services provision as a tool to maximize their own utility and power (Savas, 1987; Niskanen, 1971). The solution according to NPM advocates would be to use outsourcing as a means to reduce the public sector size. Through outsourcing, services could be delivered using competitive markets that are subject to different incentives and market discipline (Kettl, 2000; Osborne & Gaebler, 1992). Ultimately the outcome would be competition among potential service suppliers that will lead to lower costs and improved efficiency. As a result, it is expected that government expenditures and staffing numbers will be reduced.

A similar view point is presented in the property rights literature where the focus is on the incentive structures. This literature posits that private sector firms have incentives to reduce costs and generate profit (Alchian & Demsetz, 1972; Hart & Moore, 1990). Thus, incentives to reduce service delivery costs, combined with competition from other potential suppliers might reduce overall government size and costs. Ultimately, the justifications for outsourcing public service delivery is the desire to reduce government costs (Alonso, et al., 2017). This desire is based on the theoretical expectations grounded in public choice and property rights theories as indicated above. Theoretically, it is expected that the spending on services that are exposed to competition and scheme of private property rights will decrease (Alonso, et al., 2017).

### Limitations

NPM initiatives such as the outsourcing of public service delivery have also faced criticism and skepticism. Transaction costs economics (TCE) scholars argue that competition may not always lead to savings if the costs expanded throughout the contracting process outweigh the potential benefits (Williamson, 1979). Costs associated with information asymmetry between partners, management and supervision of contracts, and lack of competition amongst suppliers can negatively impact any potential government savings (Hefetz & Warner, 2012).

Scholars often emphasize the role of service characteristics’ transaction costs in making government outsourcing decisions. TCE has been used extensively as a theoretical framework to explain firms’ boundary decisions which are essentially “make-or-buy” decisions (Holcomb & Hitt, 2007; Poppo & Zenger, 1998; Schepker, Oh, Martynov, & Poppo, 2013; Geyskens, Steenkamp, & Kumar, 2006; Barthélemy & Quélin, 2006;

Levin & Tadelis, 2010). Organizations can decide what services to provide in-house through hierarchical integration and for which ones to rely on market exchanges.

Similarly, in the public sector, governments have the choices to produce services in-house or rely on vendors from the market place to deliver the service on their behalf (Malatesta & Smith, 2012; Warner & Hefetz, 2012; Levin & Tadelis, 2010). Producing services directly would compel governments to hire and train personnel for the specific requirements associated with services' delivery. On the other hand, governments can purchase these skills on the market and have vendors deliver services. When organizations decide to rely on the market, they typically outsource some or all services, or portions of services, to vendors.

### **Evidence from Government Perspective**

Governments all over the world have been relying on outsourcing as a mode of public service provision since the 1980s – because of NPM's promise to reduce public spending. Yet today there is still little consensus in the literature on whether outsourcing is an effective policy to reduce spending (Alonso et al., 2017). A recent meta-regression analysis of all econometric studies examining this important research question yields no support to the hypothesized association between outsourcing public service production and government cost savings. In their study Bel, Fageda, and Warner (2010) examine the privatization of water distribution and solid waste collection and find no systematic support for lower costs association with private production.

Other scholars find a positive association between another NPM initiative and lower government expenditures. Alonso and his coauthors (2013) find that decentralization policies do indeed result in smaller public sector “particularly with regard to government expenditures” (Alonso et al., 2013). It must be pointed out that decentralization may not be a unique NPM initiative, and that it predates the movement (Alonso et al., 2013). Nonetheless decentralization – “a process or reform consisting of a number of public policies that transfer responsibility, resources, or authority from higher to a lower level of government” (Alonso et al., 2013) – has played a central role in public management discourse (Pollitt, 2007).

There is also evidence that NPM initiatives such as outsourcing and decentralization may have a negative impact on government efficiency (Cuadrado-Ballesteros et al., 2013). The association between contracting out public services and government employment is also not as clear. Fernandez, Smith, and Wenger (2007) show that full time government employment decreases when more services are provided by for-profit firms. In their study the authors also find that at the same time part-time employment increases. Overall, their research indicates that the net employment effect on employment is negative when more services are outsourced, and more part-time employment in the public sector becomes likely (Fernandez, Smith, & Wenger, 2007). Other scholars find that outsourcing does not seem to affect the size of the public sector (Alonso et al., 2013).

The literature reviewed in this section does not seem to show consensus on whether NPM's initiative of outsourcing has led to lower government spending over the last 30 years. Some studies have even found that a positive association between outsourcing and higher spending is possible (Alonso et al., 2017). Arguably, sample selection, services examined, settings (international, central, state, local), and operationalizing explanatory variables might be the reason why this answer has alluded scholars.



## Impact on local communities and their economies

The preceding sections outline the importance of competition and contract management capacity for positive outcomes from outsourcing government services. The perspective in the literature is overwhelmingly from the government perspective, and its desire for positive contracting experiences. Nonetheless a focus on local businesses and communities' economic environment is important. Contracting can be a tool to achieve government objectives (as seen above), but it can also be used as a tool to stimulate economic growth. The expectation is that if local businesses are competitive and able to acquire government contracts, they will contribute to the economic development of small and rural communities. Below are findings from rural counties in the state of Washington that outline how government contracting can be used to stimulate investment in local communities.

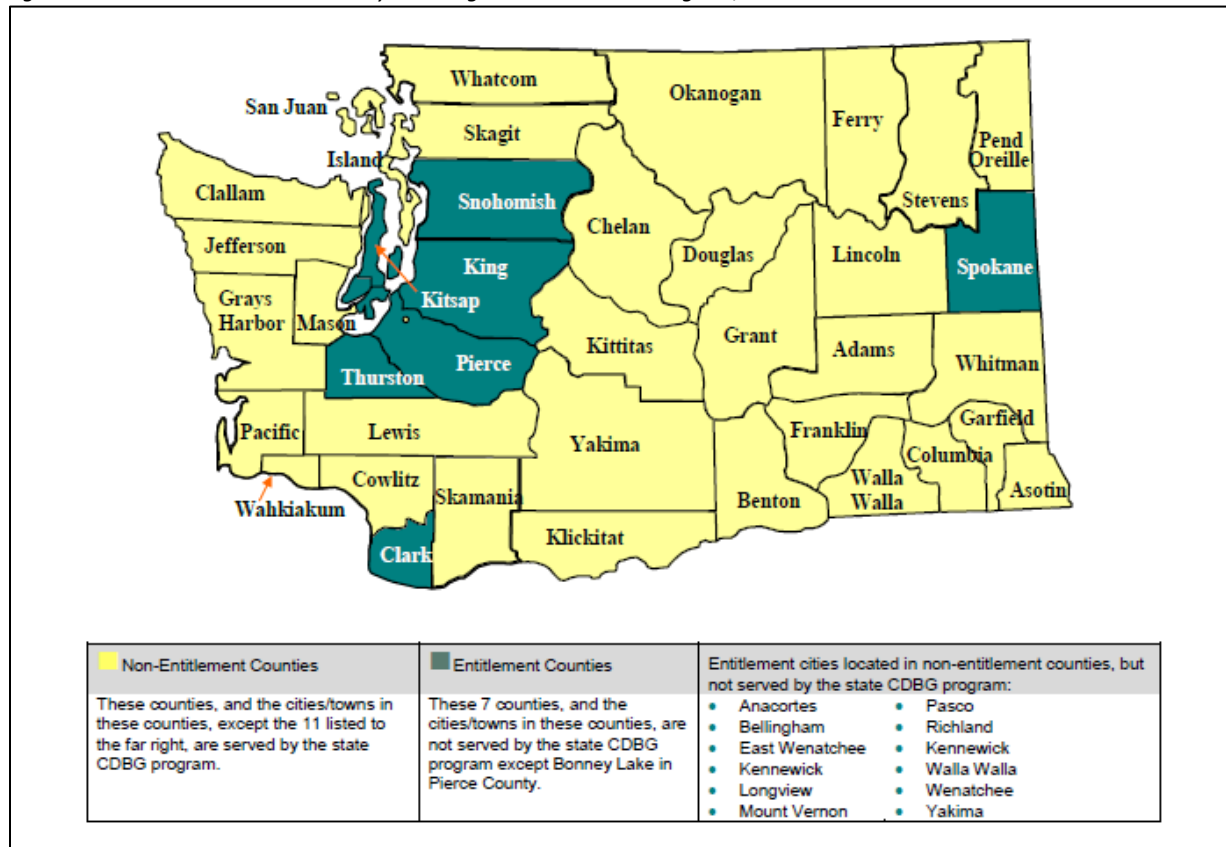
A limitation of the scholarly literature on government contracting is the extensive focus on cities, state, and federal agencies. Governments, or public entities are substantially underrepresented in research studies. In this report we focus on public entities, broadly defined, that can and do engage in contracting for goods and services.

The focus on cities and counties in the local government contracting literature is warranted. These types of governments are likely outsourcing services more frequently than other entities. In rural counties, there are other governments that procure goods and services. Preliminary analyses indicate that there are as many as 15 different types of public entities in rural Washington. For fiscal year 2017, a total of 351 public entities had engaged in procurement activities. These governments self-reported data on how much they spend on procurement for goods and services. Out of this total spent, the amount that is spent in Washington is recorded, and also the amount that is spent in the public entities' own rural county.

## RESEARCH METHODS

Several approaches were used to address the projects goals and to reach the rural-based vendors and public entities. For purposes of this study, rural was defined using the criteria outlined by the U.S. Department of Housing and Urban Development (HUD)'s definition of small, rural cities/towns and counties for their own Community Development Block Grants (CDBG) program. Those included in the study had to be located in a rural county of population of less than 200,000 and city or town with population less than 50,000.<sup>37</sup> Figures 3.1 and 3.2 below illustrate jurisdictions that have historically fallen into those categories for Washington..

Figure 1 - Local Governments Served by Washington State's CDBG Program, 2018.



<sup>37</sup> Source: <https://www.commerce.wa.gov/serving-communities/current-opportunities-2/community-development-block-grants/>. Zip codes were used for spatial assessment using the USPS website: <https://www.unitedstateszipcodes.org/98261/>. Population determinations were assessed by using the U.S. Census American FactFinder website: [https://factfinder.census.gov/faces/nav/jsf/pages/community\\_facts.xhtml](https://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml)

Figure 2 - Local Washington governments served by the CDBG program, 2018.

Cities & Towns:			
Aberdeen	Ephrata	Mesa	Roslyn
Albion	Everson	Metaline	Royal City
Almira	Farmington	Metaline Falls	Sedro Woolley
Asotin	Ferndale	Montesano	Selah
Benton City	Forks	Morton	Sequim
Bingen	Friday Harbor	Moses Lake	Shelton
Blaine	Garfield	Mossyrock	Soap Lake
Bonney Lake	George	Moxee	South Bend
Brewster	Goldendale	Naches	South Cle Elum
Bridgeport	Grand Coulee	Napavine	Sprague
Burlington	Grandview	Nespelem	Springdale
Cashmere	Granger	Newport	St. John
Castle Rock	Hamilton	Nooksack	Starbuck
Cathlamet	Harrah	North Bonneville	Stevenson
Centralia	Harrington	Northport	Sumas
Chehalis	Hartline	Oak Harbor	Sunnyside
Chelan	Hatton	Oakesdale	Tekoa
Chewelah	Hoquiam	Oakville	Tieton
Clarkston	Ilwaco	Ocean Shores	Toledo
Cle Elum	Ione	Odessa	Tonasket
Colfax	Kahlotus	Okanogan	Toppenish
College Place	Kalama	Omak	Twisp
Colton	Kelso	Oroville	Union Gap
Colville	Kettle Falls	Othello	Uniontown
Conconully	Kittitas	Palouse	Vader
Concrete	Krupp	Pateros	Waitsburg
Connell	La Conner	Pe Ell	Wapato
Cosmopolis	La Crosse	Pomeroy	Warden
Coulee City	Lamont	Port Angeles	Washnucna
Coulee Dam	Langley	Port Townsend	Waterville
Coupeville	Leavenworth	Prescott	West Richland
Creston	Lind	Prosser	Westport
Cusick	Long Beach	Pullman	White Salmon
Davenport	Lyman	Quincy	Wilbur
Dayton	Lynden	Raymond	Wilson Creek
Electric City	Mabton	Reardan	Winlock
Ellensburg	Malden	Republic	Winthrop
Elma	Mansfield	Ritzville	Zillah
Elmer City	Marcus	Riverside	
Endicott	Mattawa	Rock Island	
Entiat	McCleary	Rosalia	
Counties:			
Adams	Ferry	Klickitat	Skagit
Asotin	Franklin	Lewis	Skamania
Benton	Garfield	Lincoln	Stevens
Chelan	Grant	Mason	Wahkiakum
Clallam	Grays Harbor	Okanogan	Walla Walla
Columbia	Island	Pacific	Whatcom
Cowlitz	Jefferson	Pend Oreille	Whitman
Douglas	Kittitas	San Juan	Yakima

Both primary and secondary data were used. On the primary data collection side, a hybrid approach of site visits, phone interviews and on-line/email techniques were used to collect the data for the vendor and public entity questionnaires. Each of the approaches is discussed below in more detail.

## Vendors

Two questionnaires were developed and used for reaching this target audience. The initial questionnaire was longer and sent out in July 2018 via email to email lists the Thurston Economic Development Council (EDC) and the Washington Procurement Technical Assistance Center (PTAC) had at their disposal. Those listed in the databases represented firms designated as residing in rural sectors of Washington. It also included both businesses that were already involved in the procurement process as well as those that had never entered into a contract with any public entity. In September 2018, a scaled-down version of the earlier questionnaire was sent out to those that had not already responded to increase response rates. Questionnaire responses were aggregated for those questions that were the same for both questionnaires.

## Public Entities

Two questionnaires were developed for reaching the designated rural public entities in Washington. An initial questionnaire was sent in July 2018 to assess willingness and ability of targeted representative entities. This first questionnaire was also used to bring awareness and identify the appropriate contacts within each public entity for the second full questionnaire that was sent out in August 2018. Both of these questionnaires used a combination of phone calls, email, and personal visits to obtain responses. Further to supplement the primary data collected from the questionnaires, secondary data used was provided databases available to the Thurston Economic Development Council (EDC) and the Washington Procurement technical Assistance Center (PTAC).

## Net Economic Impacts

To assess net economic impacts, data was collected from Thurston Economic Development Council (EDC), the Washington Procurement Technical Assistance Center (PTAC), *Govspend*, *SICCODES.com* and *ReferenceUSA*. These sources enabled the modelling of revenue increases to determine the impacts of increased government contracts to rural businesses and the econometric research conducted analyzed the economic impact of rural businesses in their communities.

Government contracts were also obtained throughout 30 rural counties. In each of these counties, the top 10 businesses, based on the gross total amount of rural government contracts, were used for the year 2016. The total sample was a purposeful sample representing 300 businesses and 30 counties.

To determine the true economic impact of increased revenues through government contracts, a multiplier was created to determine the gross amount of rural contracts, and this was compared to overall contracts awarded by rural governments. This multiplier was deemed an appropriate proxy determinant pursuant to similar research and analytics seeking parity estimates for economic reasoning. Each rural county had a different proxy multiplier based on the ratio of rural contracts/all government contracts.

Further, to determine the economic impacts of policy decisions that impact rural competitiveness of small business and rural local governments, the input/output analysis software IMPLAN was used.<sup>38</sup> IMPLAN's 2016 dataset was used for the analysis along with the following information:

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<sup>38</sup> IMPLAN is a widely used software program that helps identify the direct, indirect and induced economic impacts of additional business development. IMPLAN Short for "Impact Analysis for Planning", IMPLAN is an input-output modeling software created specifically for assessing economic impacts. IMPLAN was originally created exclusively for use by the U.S. government and has been used for more than 30 years of economic planning. It is recognized as a global standard for economic analysis and is trusted by governments, non-profits, educational institutions and the private sector. IMPLAN uses government-verified datasets to calculate economic impact.

- Type of Business (NAICS Code)
- Location of Business (County)
- Gross Proxy Increase in Business Revenue
- Increase (Gross Rural Contract \* Proxy Multiplier-Gross Rural Top Contracts per Business)
- Estimated Employees (IMPLAN)
- Estimated Wages (IMPLAN)

#### DATA ANALYSIS AND FINDINGS

As mentioned in the methods section, two target audiences for this project were vendors and governmental entities residing in Washington. Both had to be located in designated rural areas.

#### VENDORS

A total of 101 completed questionnaires were obtained from vendors based in Washington rural counties and municipalities. A total of 450 entities were identified from a combination of Washington Department of Commerce, Thurston Economic Development Council (EDC), and the Washington Procurement Technical Assistance Center (PTAC) databases. The overall response rate was 22 percent.

##### Vendor Operation Characteristics

Vendor characteristics analyzed included the location of their operations both at the county and municipal levels based on zip codes that were provided by the respondents for their primary base of operations. The number of operations they had, along with their industry classification, business structure, market share, and assessment of revenues were also analyzed and discussed below.

##### Locations of Operations

Of the 39 counties in Washington, 32 have been classified as rural, using the approach discussed in the methods section. This survey of vendors reached businesses in 25 of those 32 counties representing a 78 percent spatial coverage rate.<sup>39</sup> Figure 3 below shows the number of businesses reached in each of the rural counties.

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<sup>39</sup> Seven rural counties were not represented due to no vendors responding. These counties were Ferry, Franklin, Lincoln, Pacific, Skamania, Wahkiakum, and Yakima.

Figure 3 - Number of Vendors by Designated Washington Rural County, Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018. n=101

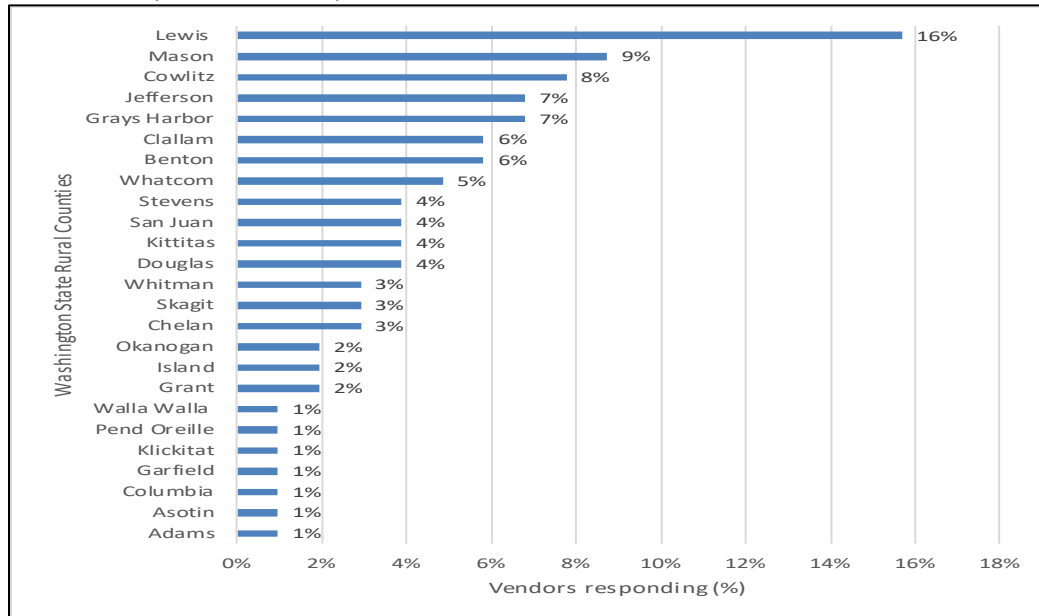
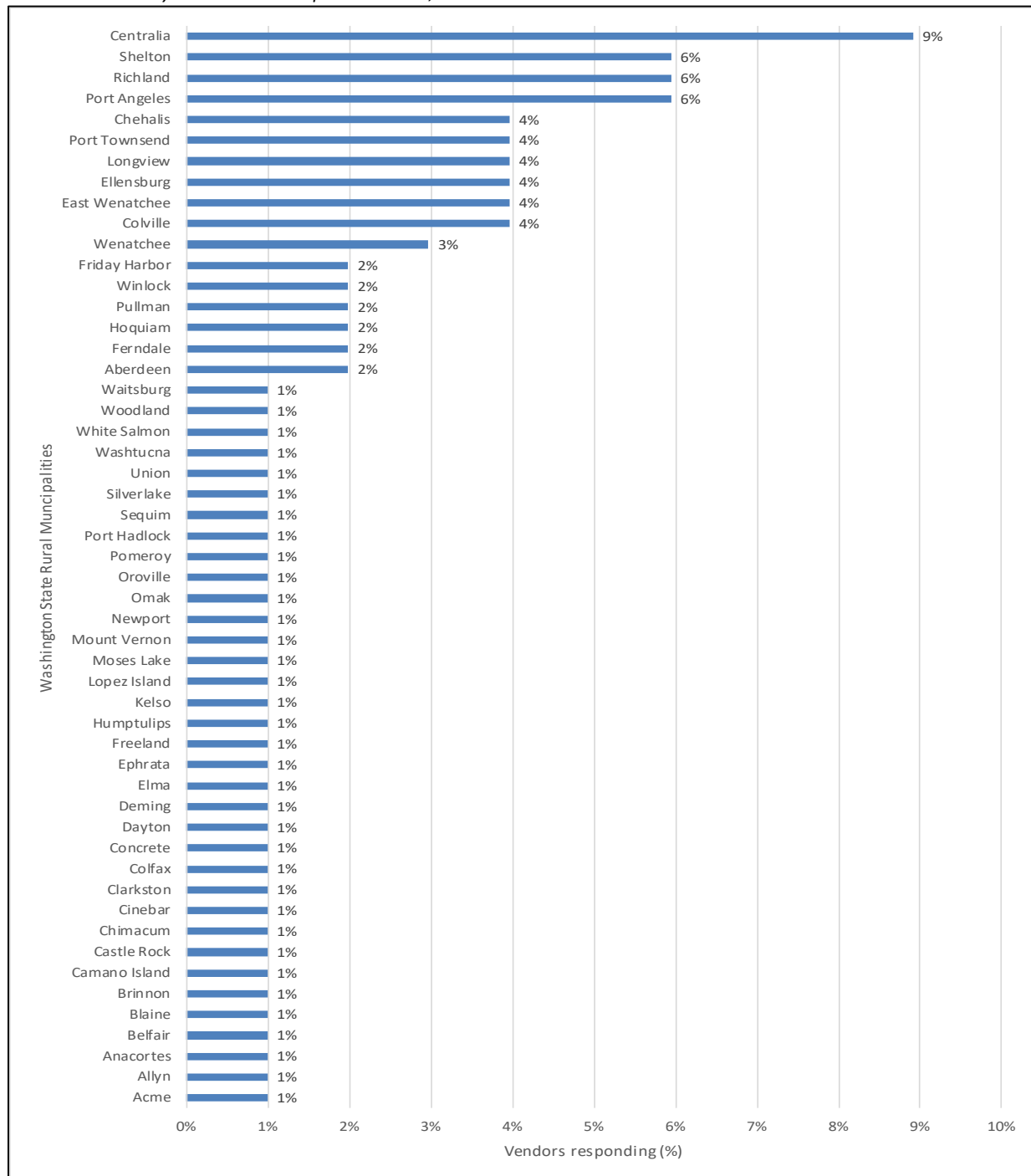


Figure 4 below further illustrates the specific municipality where the vendor was primarily based. A total of 52 rural municipalities are represented. Approximately 161 municipalities have been designated as rural and thus approximately a 32 percent coverage rate is reflected in Figure 4. The highest number of responses were from Centralia representing nine percent of the overall total.

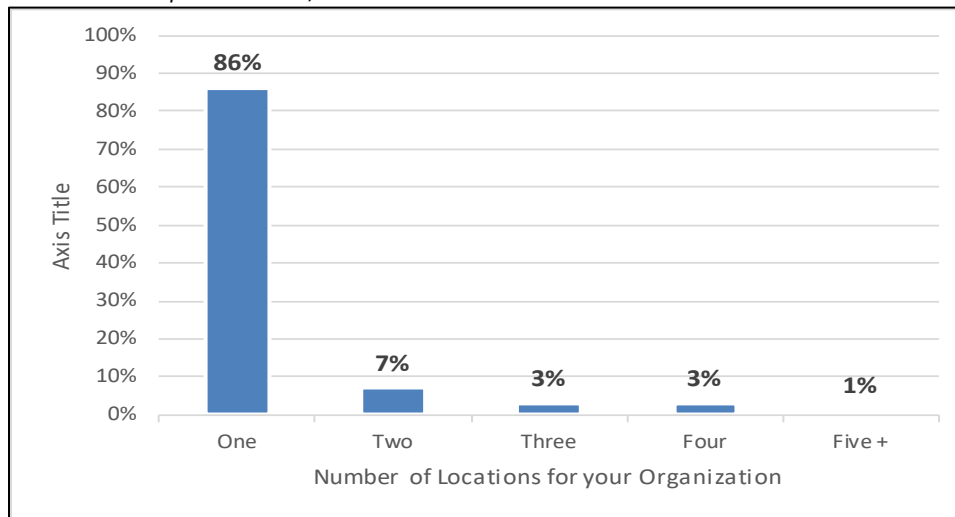
Figure 4 - Number of Vendors by Designated Washington Rural Municipality, Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018. n=101



#### Number of locations

As can be seen from Figure 5, 86 percent of the respondents had only one location. Only 13 percent had between two and four locations. Only one percent had five or more locations.

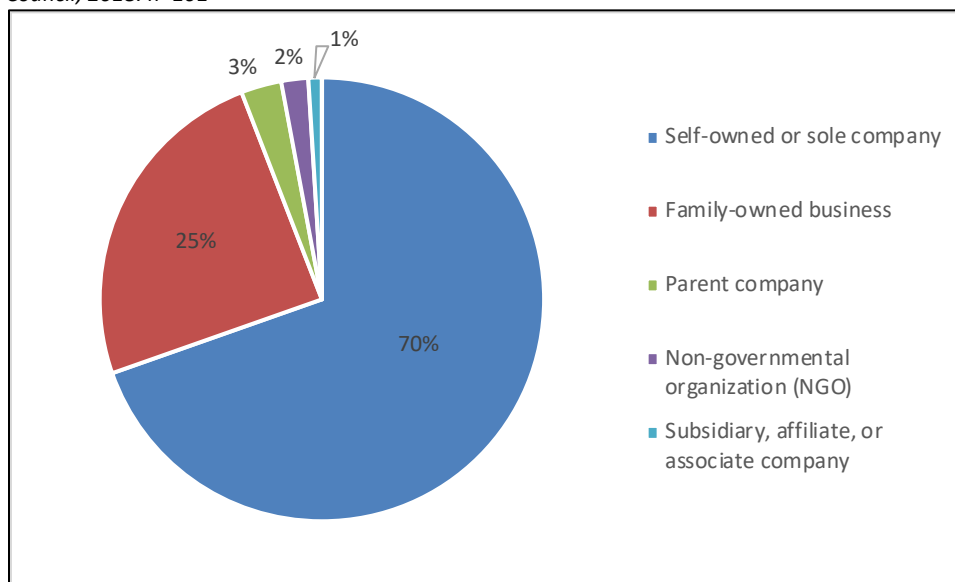
Figure 5 - Number of Locations for your Organization. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018. n=101



#### Structure, Industry Classifications and Years in Business

When respondents were asked about their organization structure, 95 percent indicated that they were either self-owned/sole companies or family-owned businesses. Figure 6 below illustrates the responses for all categories.

Figure 6 - Vendor Structure. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018. n=101



Vendors surveyed were then asked to identify the industry sector that most closely aligned with their particular business. Industry classifications were provided based on the two-digit North American Industry Classification System (NAICS).<sup>40</sup> Figure 7 below illustrates that of the 19 NAICS categories (excluding the public administration category), there were respondents represented in 17 categories or 89 percent of the two-digit NAICS categories.<sup>41</sup> Professional and technical services combined with other services represented

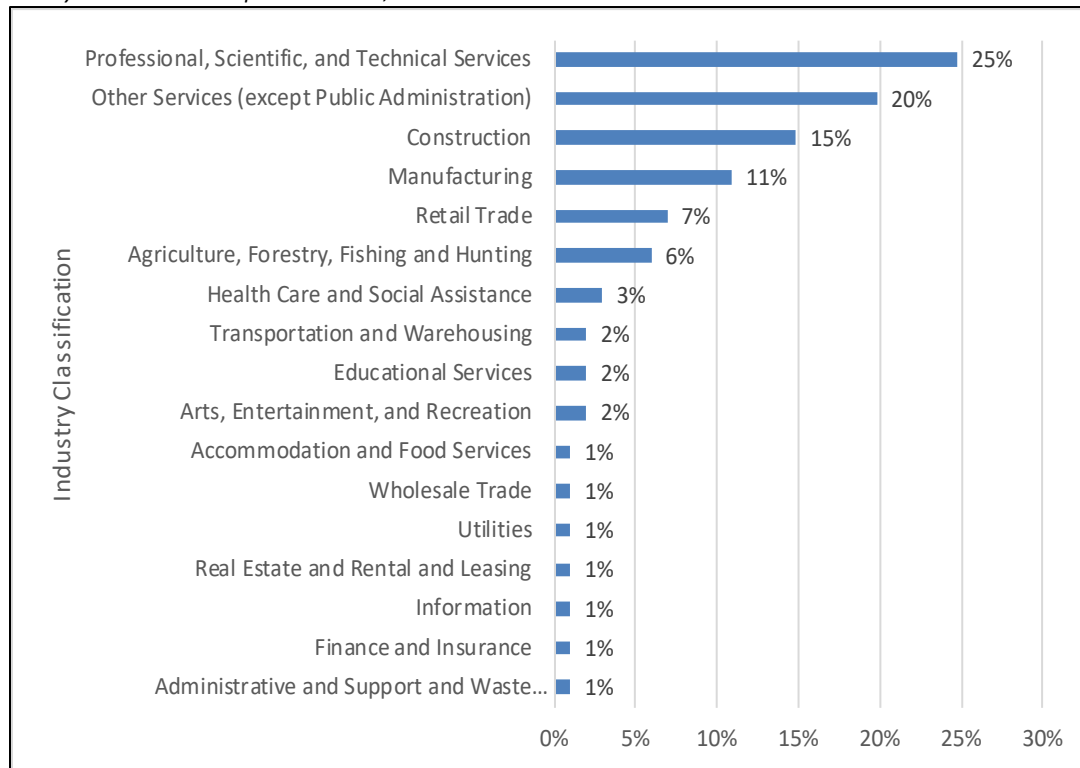
<sup>40</sup> Link to NAICS codes: <https://www.census.gov/cgi-bin/sssd/naics/naicsrch?chart=2017>

<sup>41</sup> Only NAICS categories 21 and 55 were not represented. Category 21 represents Mining, Quarrying, and Oil and Gas Extraction and 55, Management of Companies and Enterprises.



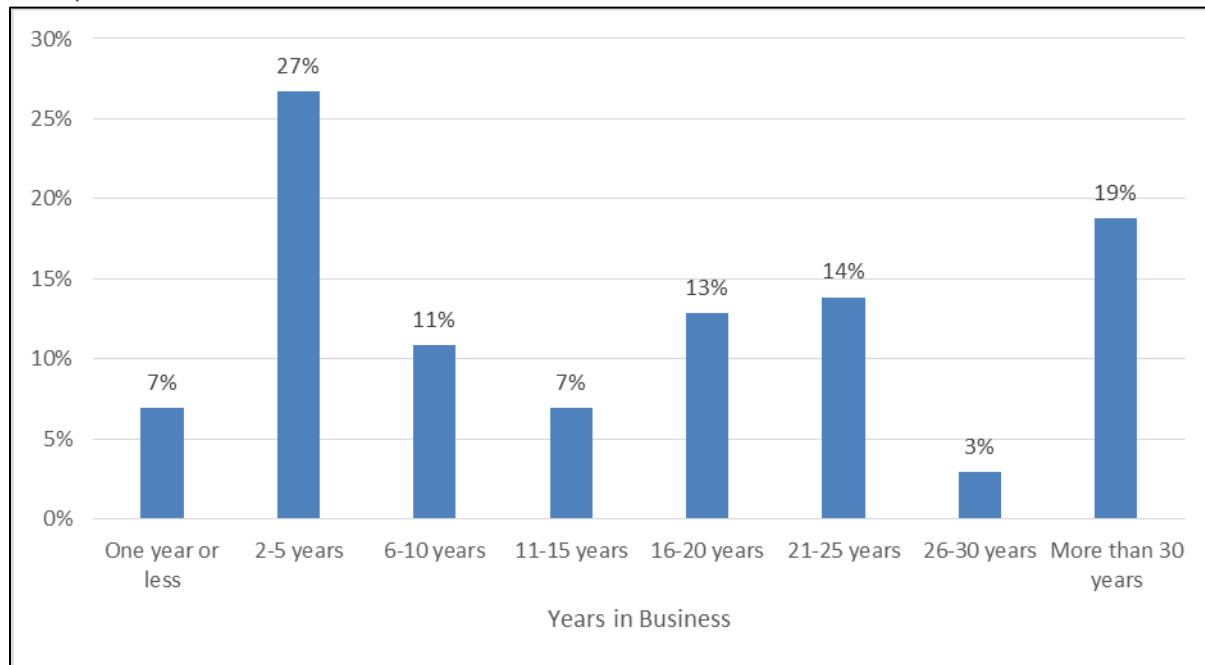
45 percent of the vendor responses. Construction and manufacturing represented a combined 26 percent of the responses.

Figure 7 - Vendor Respondents by Industry Classification (NAICS). Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018. n=100



It is also interesting to note that of the majority of the vendors that responded, most were not new startups since 67 percent of them indicated that they have been in business six years or more. Figure 8 illustrates that only seven percent had been in business one year or less. A total of 27 percent had been in business between two and five years.

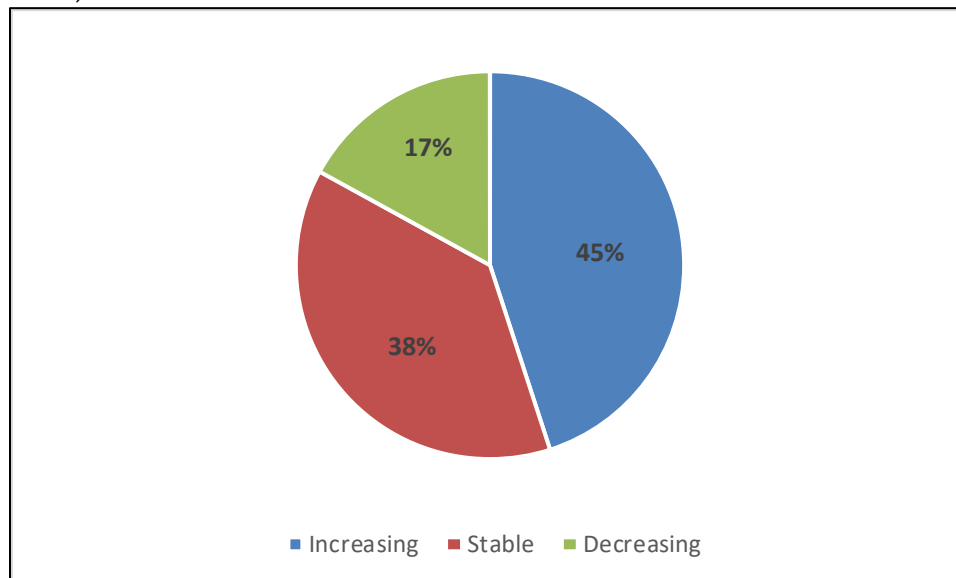
Figure 8 - Years in Business. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018. n=101



#### Market Assessment

Vendors were asked to assess the performance of their firms. Figure 9 illustrates that 45 percent of the respondents indicated that they were experiencing growth, and only 17 percent indicated their business was experiencing decreasing market share.

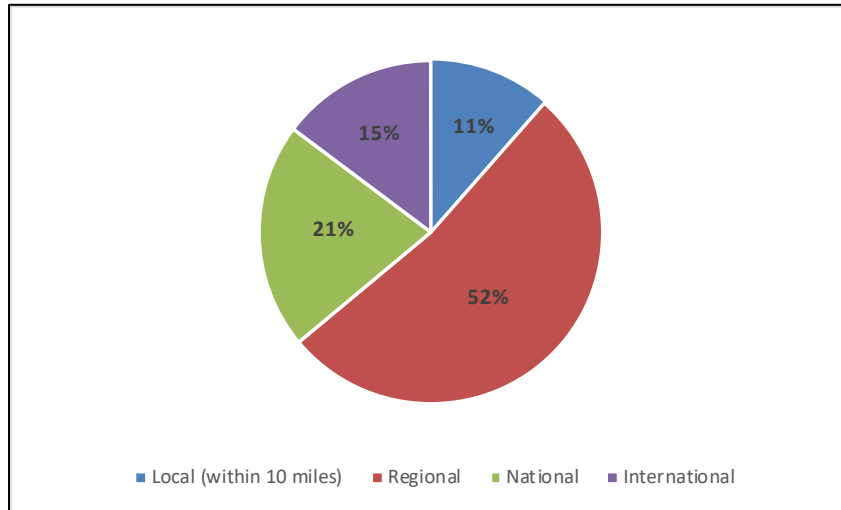
Figure 9 - Market Share Trends. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018. n=100



It can be seen from Figure 10, that of those vendors that responded, 52 percent indicated that their scope and focus was regional, and only 11 percent indicated it was local only. This is likely due to the more limited

opportunities for some firms in rural locations compared to those operating in larger urban locations. It is interesting to note that there was a larger percentage (15 percent) that had an international focus compared to just a local focus only.

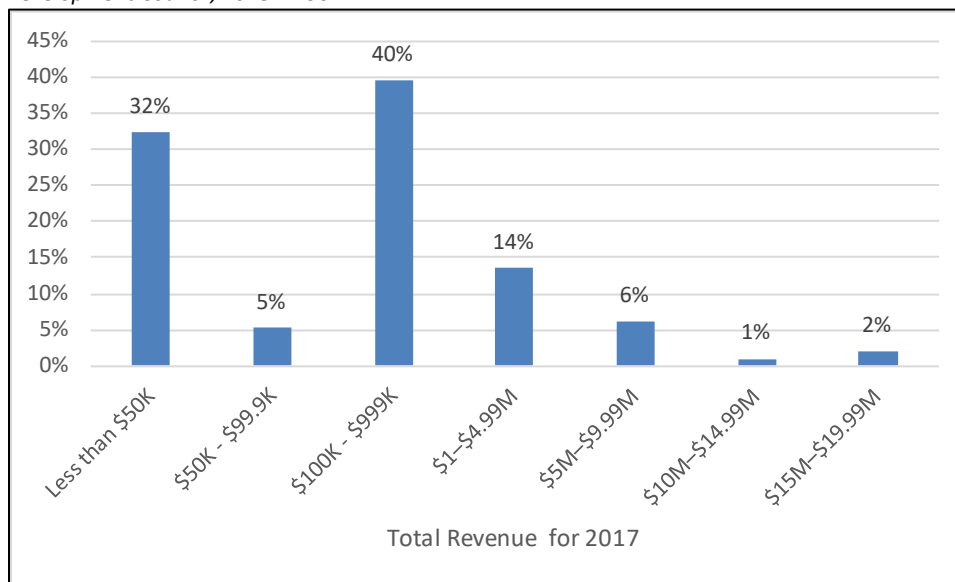
Figure 10 - Market Scope. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018. n=61



#### Revenues

Figure 11 illustrates that almost one third of the respondents said they generated less than \$50,000 for 2017, and 40 percent indicated that their revenues were between \$100,000 and \$999,000. Those making \$1 million or more accounted for only 23 percent of the responses.

Figure 11 - Total Revenues for 2017. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018. n=95



#### Labor force

Vendors having just one employee accounted for 35 percent of the total number of respondents. Only 16 percent had 10 or more employees, as illustrated in Figure 12 below. Thus the vast majority of vendors are limited in the number of employees at their disposal for contracting.

Figure 12 - Vendor employee numbers for 2017. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018. n=63

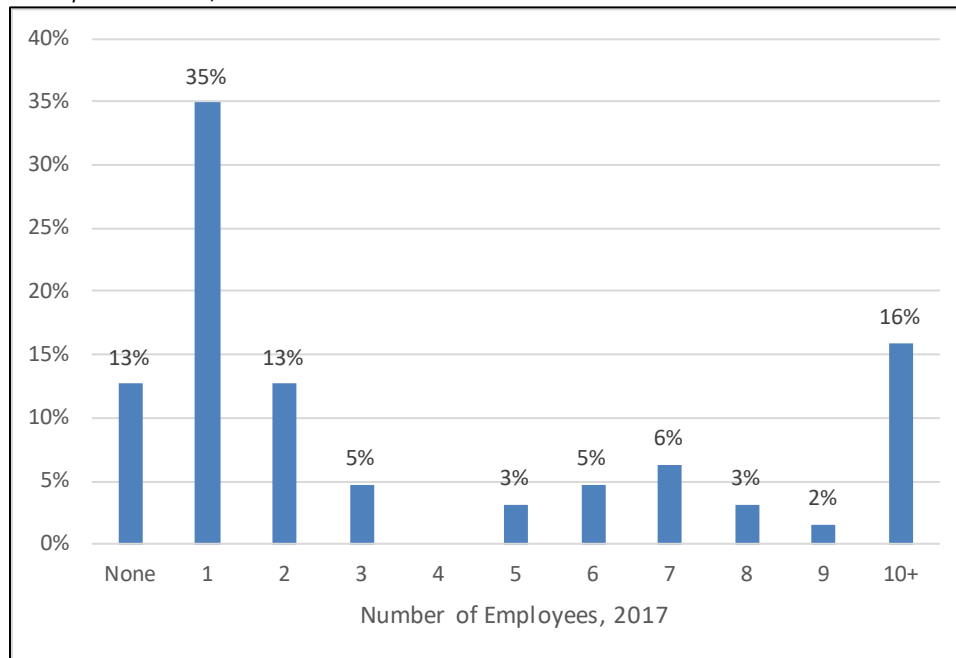
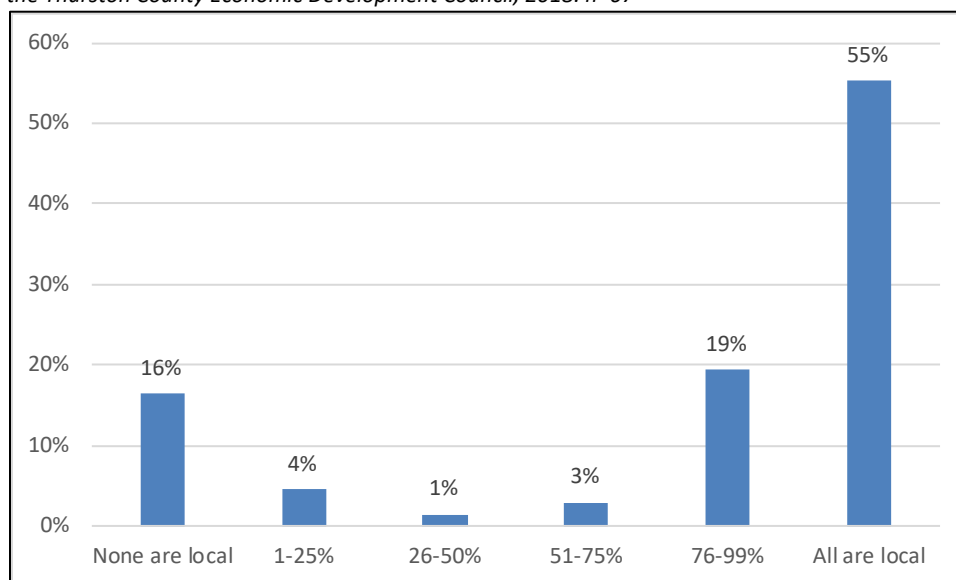


Figure 13 points out that 55 percent of the respondents have hired only locally. It is interesting to note however that 16 percent stated that none of their employees were local.

Figure 13 - Percentage of Employees Living in Same County at Vendor Located. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018. n=67



With most vendors reporting few employees, Figure 14 illustrates responses that might be causal variables as to why the number of employees is on the lower end of the scale shown in Figure 13. It is also possible that firms have been able to substitute capital for labor in the industries they operate. Highest on the list of challenges in recruiting local talent was lack of work experience at 31 percent. Lack of work experience and inadequate training and skill sets combined account for 85 percent of the responses.

Figure 14 - Challenges with Recruiting Employees. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018. n=80

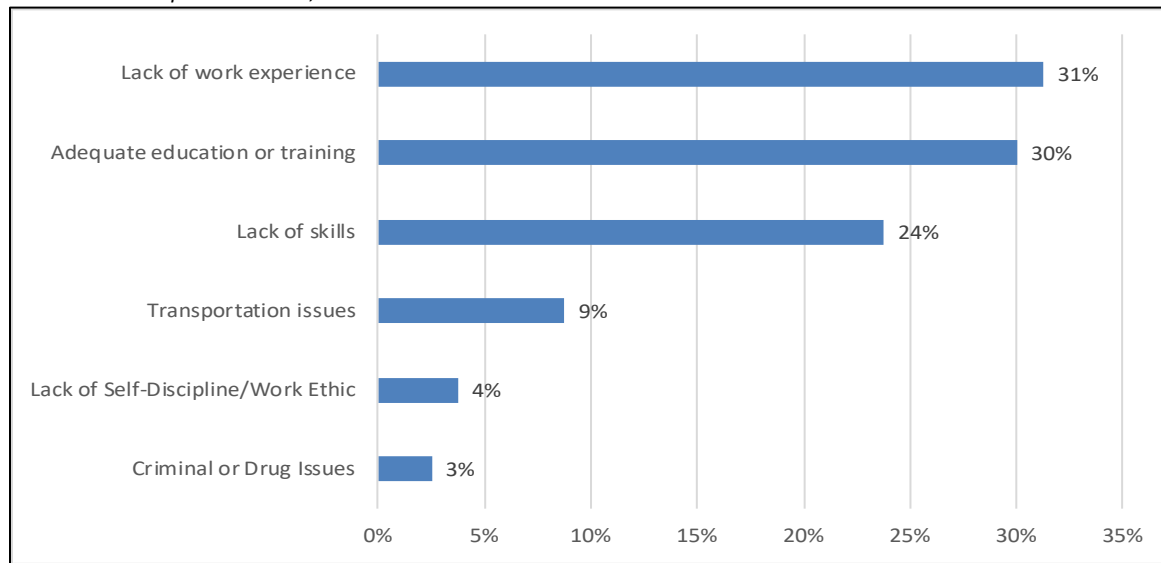
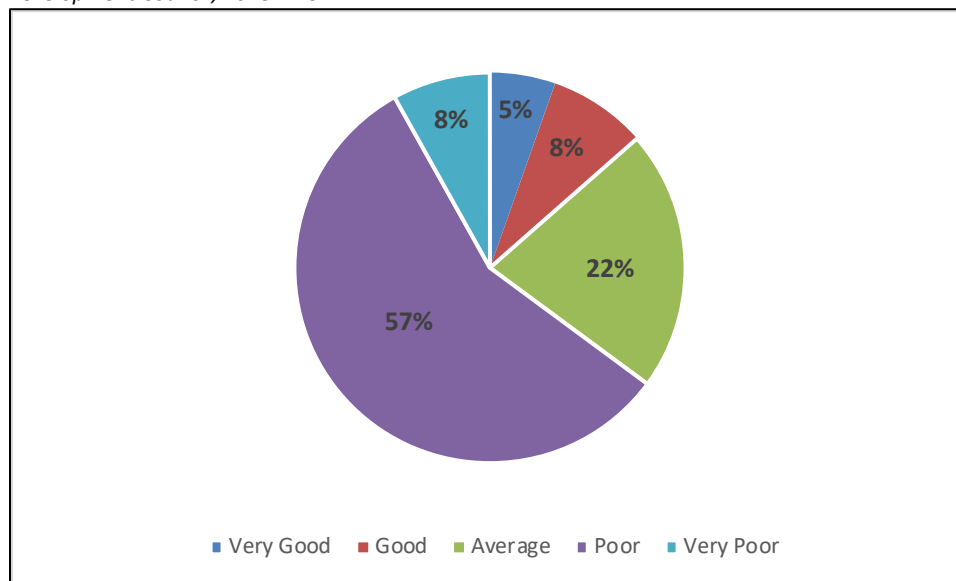


Figure 15 seems to confirm this with a combined 65 percent of the respondents feeling that the quality of the local workforce was either poor or very poor. Only a combined 16 percent said their local workforce was good or very good.

Figure 15 - Quality of Local Workforce. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018. n=37



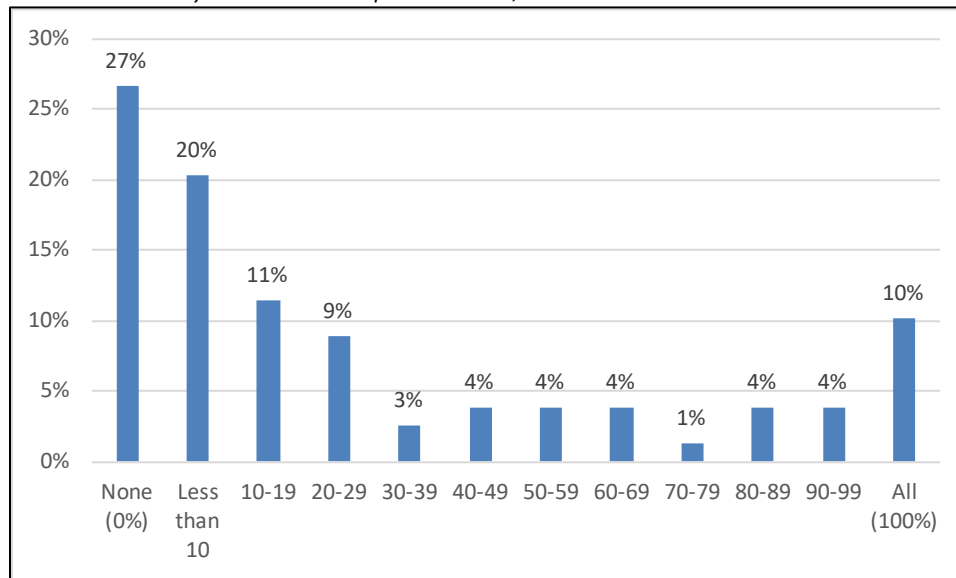
### Government Contracting

Not all vendors of goods and services that responded to this research effort have been involved in government contracting. For those that have, the figures below provide more insight into their experiences dealing with local public entities.

### Dependence on Purchases by Government Entities

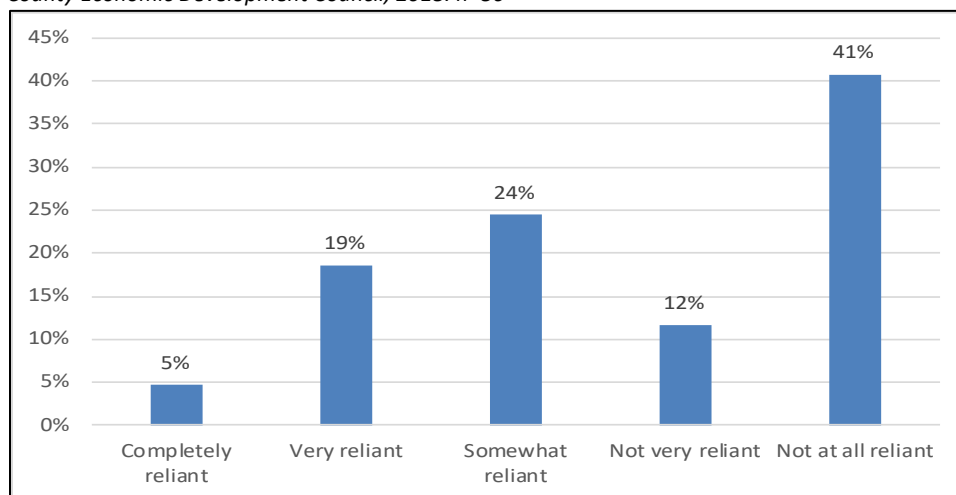
Respondents were asked to assess what percentage of their revenue was derived from contracts with local public entities. Figure 16 below shows that of those that responded, 27 percent indicated that they had revenue coming in from the public sector, and 20 percent indicated that it only represented 10 percent or less of their total revenue. Thus a combined 47 percent, of those queried, stated they had no or little revenue coming in from public sector contracts at the time of the research.

Figure 16 - Percentage of Total Revenue Resulting from Government Contracts. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018. n=79



Respondents were also asked if historically they had relied on contracts with public entities, and Figure 17 below shows that 41 percent indicated that they had not incorporated that sector into their business operations. Only a combined 24 percent were either completely reliant or very reliant on doing business with public entities.

Figure 17 - Historical Reliance of Government Contract Revenue. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018. n=86

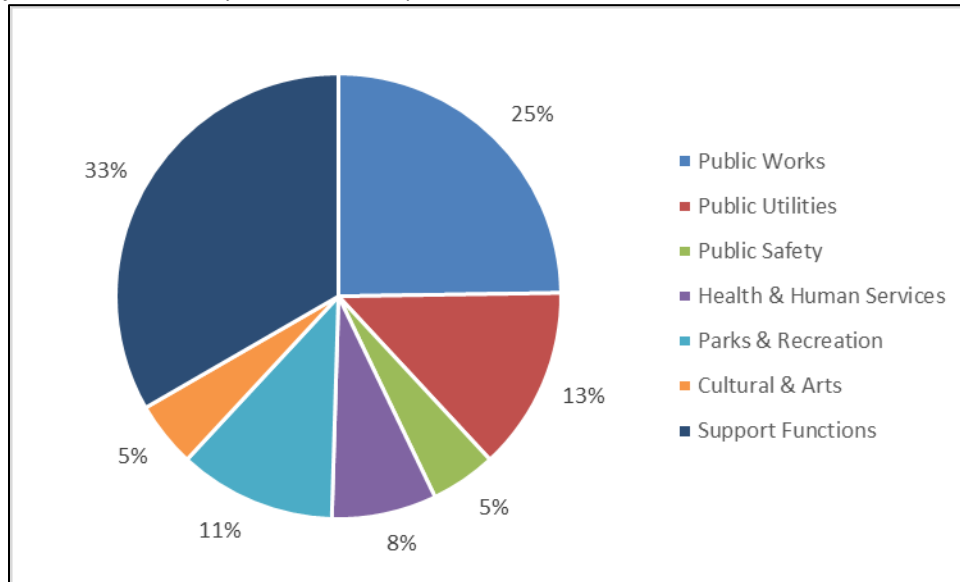


#### Government Services and Goods Provided

For those serving as vendors for rural public entities, they were then asked what services and goods they provided. To develop a manageable list of the numerous services that vendors provide for public entities,

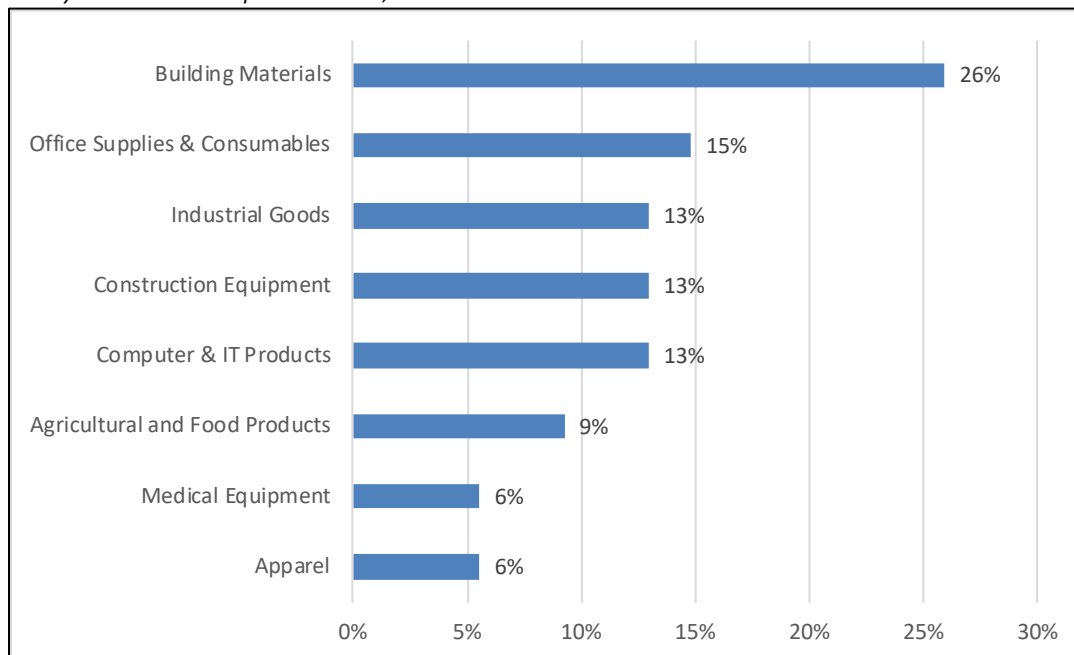
the International City/County Management Association (ICMA) service classifications were used. Responses are shown in Figure 18 below. Note that in many cases, vendors provided more than one type of service function. Support functions, at 33 percent, represented the largest category, which is also in line with the type of industry classifications that respondents indicated their businesses were classified under.

Figure 18 - Government Services Provided by Vendors using ICMA Classifications. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018. n=105



While Figure 18 was focused on services, Figure 19 below illustrates responses for those that have contracted to provide goods or commodities to public entities. Building materials was the largest category at 26 percent, followed by office supplies and consumables at 15 percent.

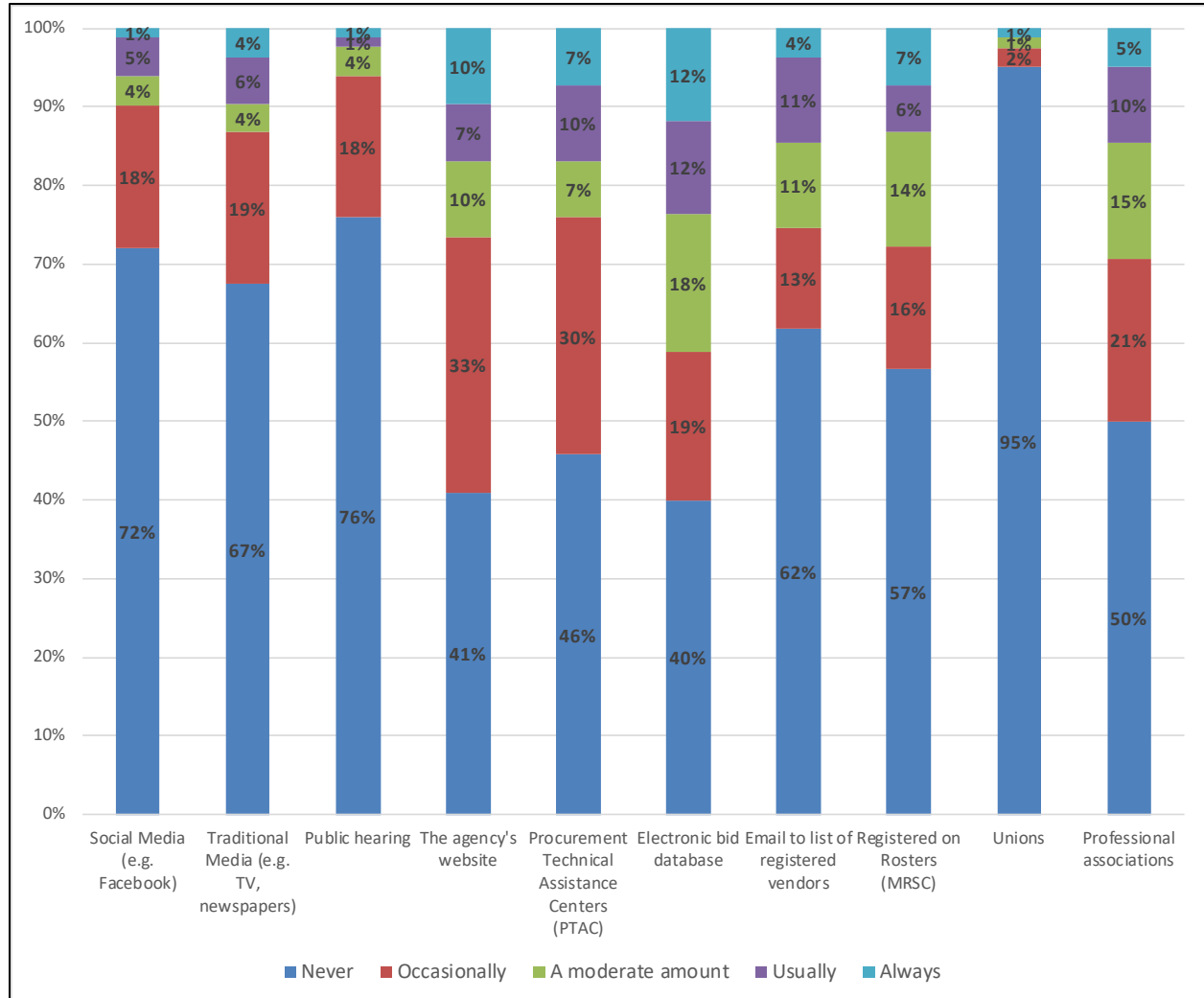
Figure 19 - Goods Provided by Vendors to Government Entities. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018. n=54



### Obtaining information on bidding opportunities

Figure 20 below shows that there does not appear to be one dominate mechanism used by rural vendors to obtain information on government bid opportunities. It is interesting to also note that in addition to the categories below, 18 respondents added (in an open-ended component of the questionnaire) that they became mainly aware of opportunities via referrals and word of mouth.

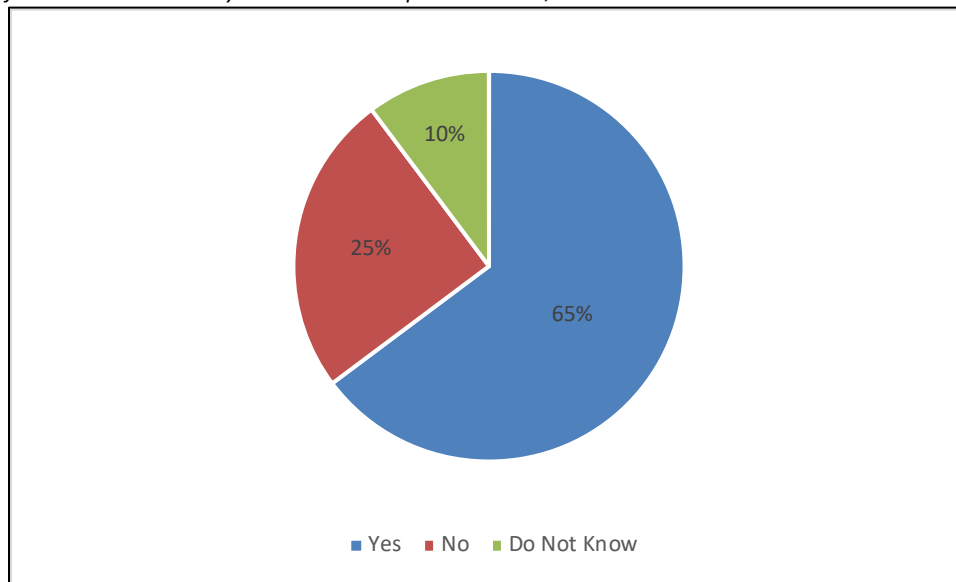
Figure 20 - Mechanisms Used to Search for Bidding Opportunities. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018. n=83



Vendors also were asked if they were currently on any lists for notifications of bid opportunities. Figure 21 indicates that 65 percent of those that responded indicated that they were, while 25 percent indicated that they were not. Interestingly 10 percent indicated that they did not know if they were even on any lists.

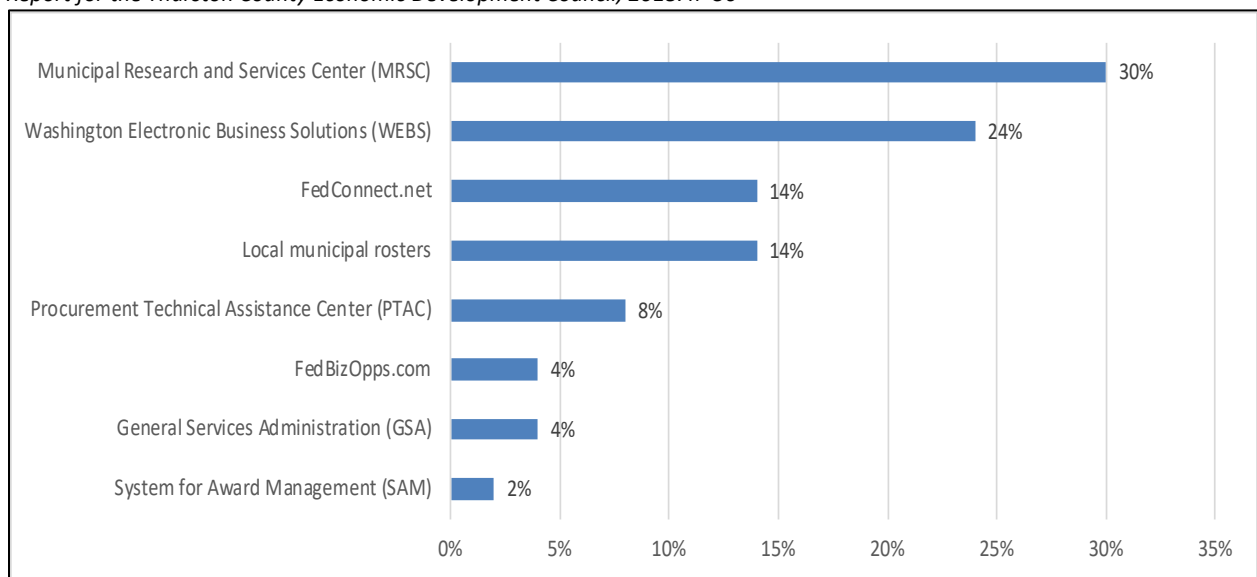


Figure 21 - Included On Any Public Entity Lists for Notifications of Bid Opportunities. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018. n=88



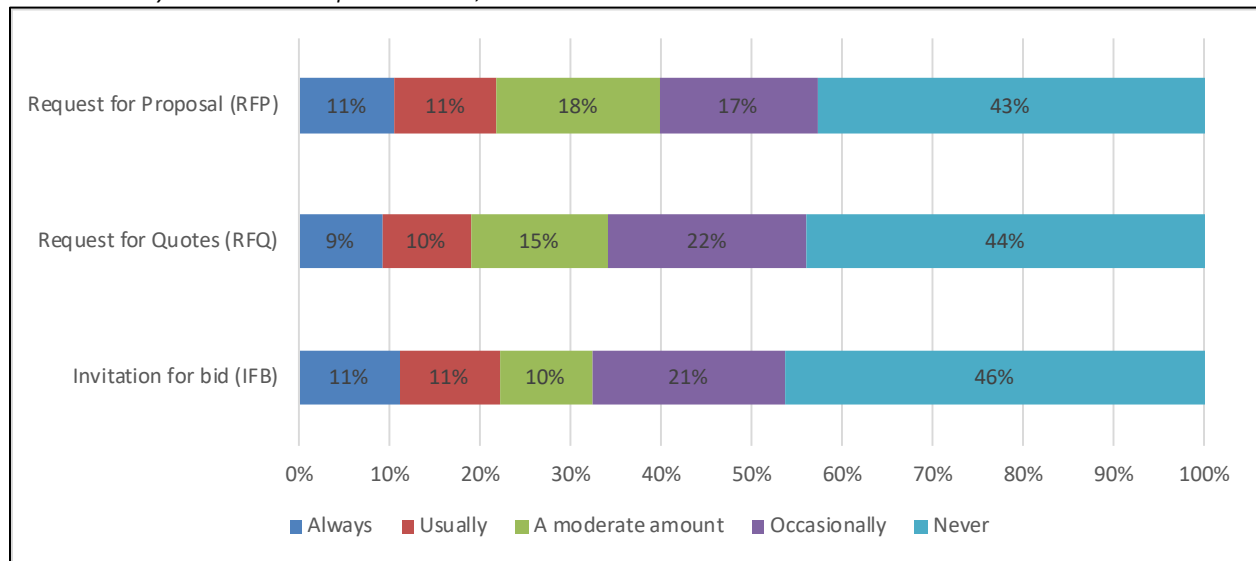
For those that indicated that they were on lists, Figure 22 shows that MRSC and WEBS combined represented 54 percent of the most frequently cited lists.

Figure 22 - Specific Public Entity Lists Mentioned for Notifications of Bid Opportunities. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018. n=50



Respondents were then asked to indicate all the formats (RFP, RFQ, or IFB) that they responded to. Among the three there was a similar pattern in the responses with the 'never' response being the largest response for all three categories illustrated in Figure 23 below.

Figure 23 – Yearly Frequency of Responding to Government Solicitations. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018. n=136



#### Assessment of Contracting Process

For those that have pursued government contracts, Figures 24 and 25 shows their perceptions for multiple factors. The perception that fairness in the contracting process, the appropriate duration for the advertisement bid, and level of competition in the process were all assessed to be average as the largest percentage for each factor.

Figure 24 - Assessment of Bidding Process. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018. n=46

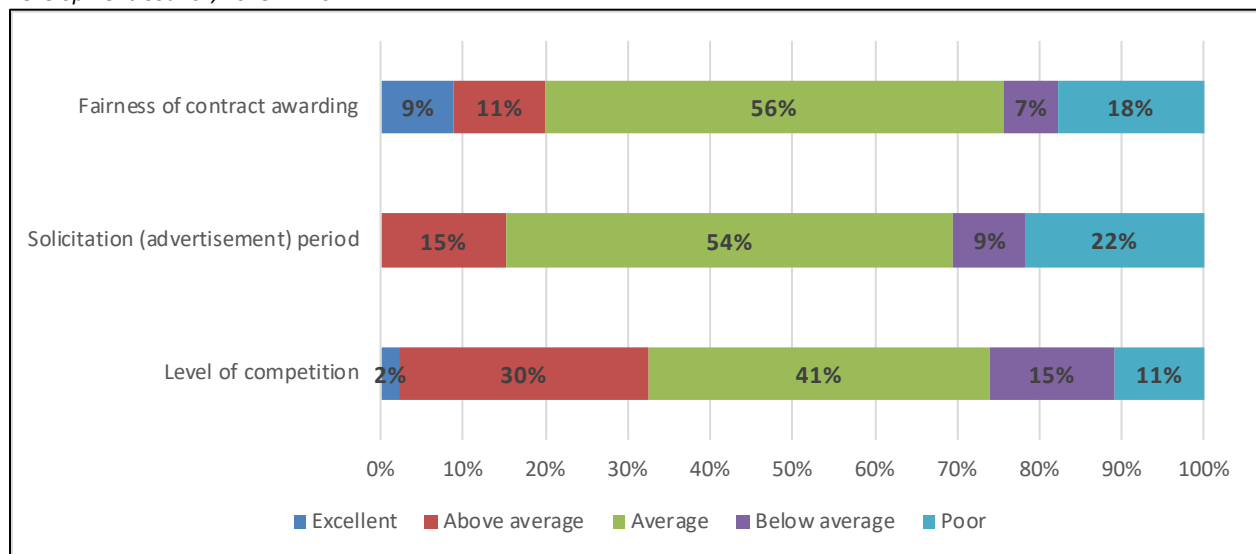


Figure 25 - Vendor Assessment of Bidding Process Local Government Entities for Select Criteria. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018. n=28

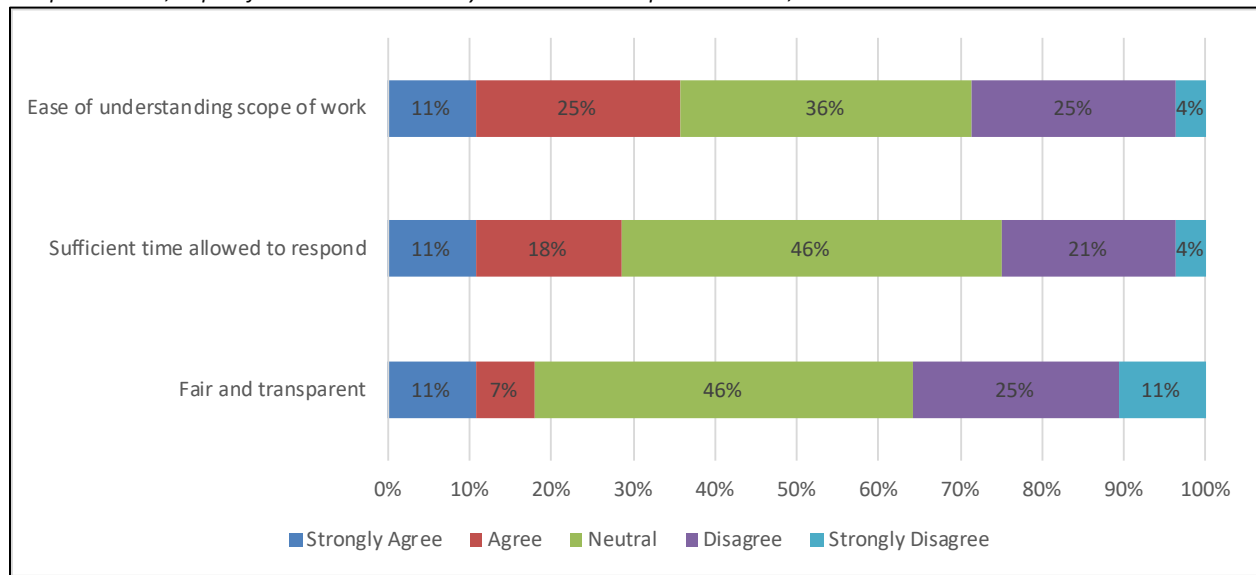


Figure 26 reflects responses vendor's capacities for entering into contractual obligations with public entities. Of those that responded to the question, the 'strongly agree' assessment represented the largest percentage of responses.

Figure 26 - Vendors Self-Assessment. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018. n=28

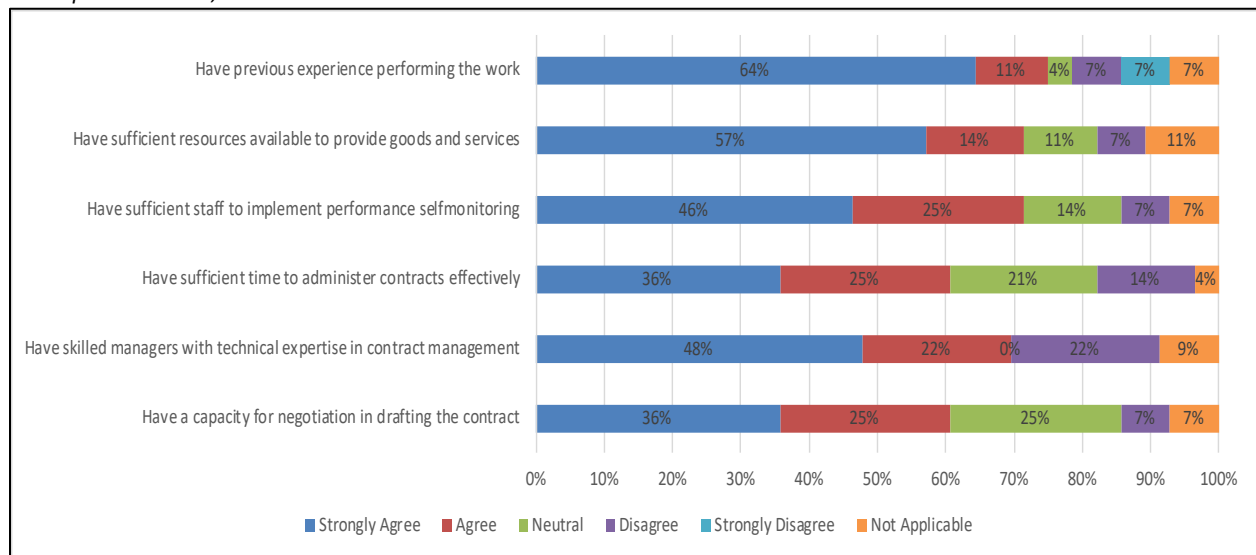


Figure 27 illustrates responses to vendor assessment of additional factors ranging from access to financing to understanding the procurement process. Note there was much more variability in their responses to these factors.

Figure 27 - Vendors Self-Assessment. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018. n=29

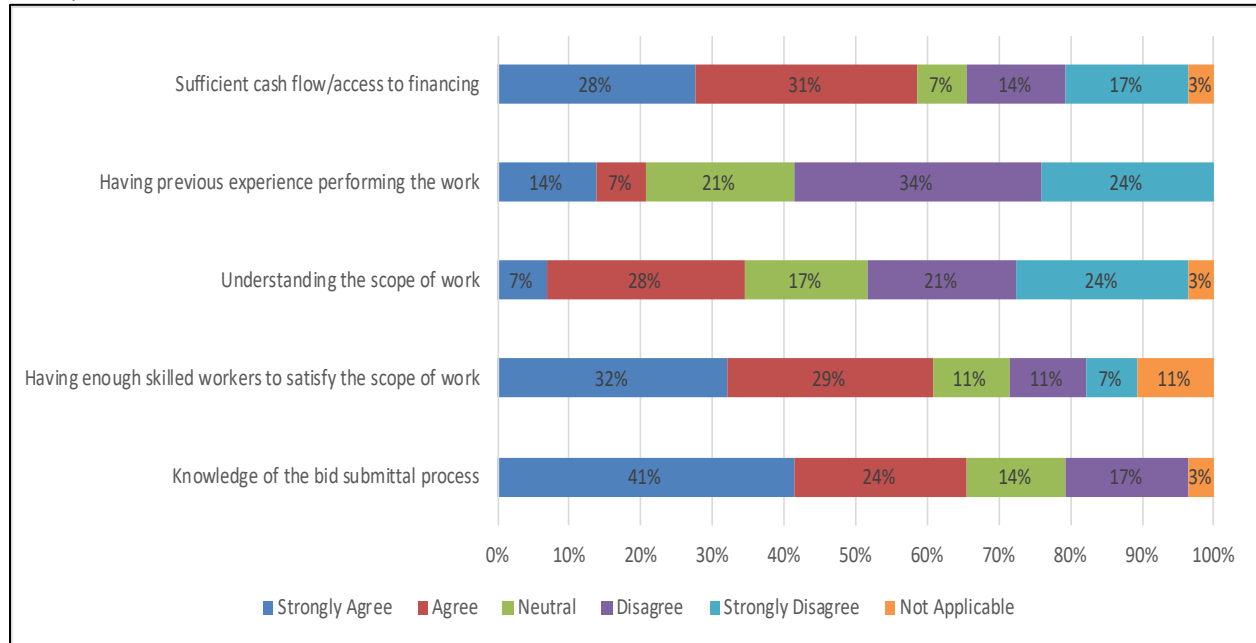
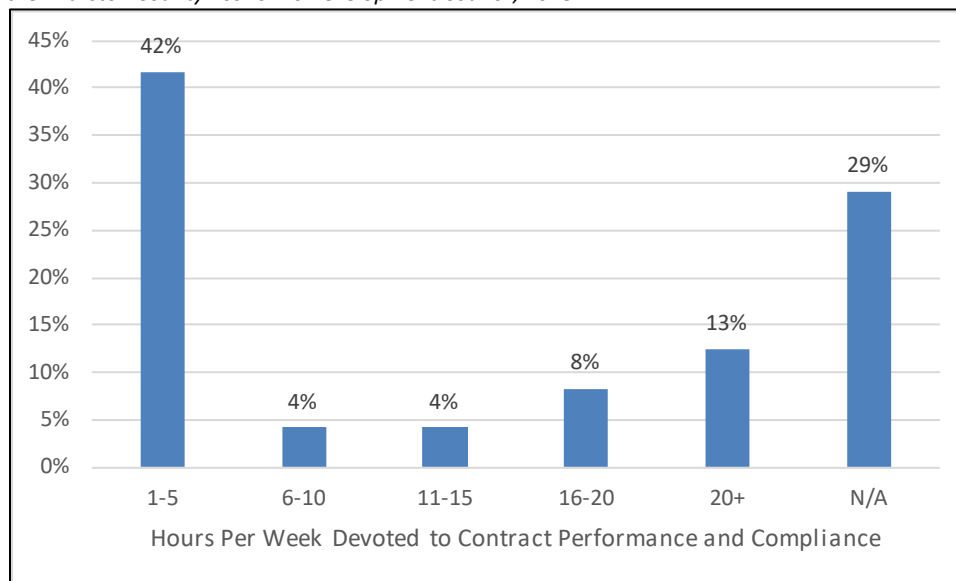


Figure 28 below shows that for those that are under contract, 42 percent devoted between one and five hours a week to meeting the terms of contracts that were awarded to them. Sixteen percent indicated that they spent 20 hours or more to meet performance and grant compliance expectations.

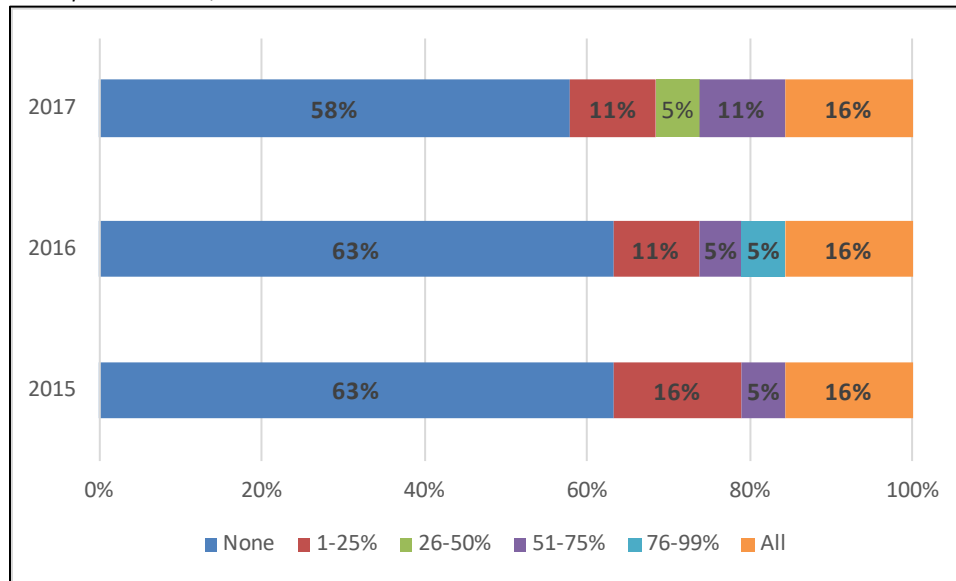
Figure 28 - Hours per Week Devoted to Contract Performance and Compliance. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018. n=24



### Contracting Track Record

Vendors were asked the percentage of bids won over the 2015-2017 timeframe, and Figure 29 shows that only 16 percent indicated that they had been successful in the bidding process for each of the three years in question.

Figure 29 - Bids Won during 2015-2017 period. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018. n=19



It should be noted that unfortunately due to the low response rates to specific quantitative questions on vendors bid and award amounts (see Table 1 counts amounts), it was not possible to develop a meaningful econometric forecasting model or index that might help with assessing likelihood of a successful bid for individual vendors. Thus only a descriptive statistical summary of responses for the few that responded is provided in Table 1.

Table 1- Bids and Award Statistics for Vendors Involved with Government Contracting. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council, 2018.

2015		Mean	Median	Mode	Standard Deviation	Range	Minimum	Maximum	Count
CITIES AND TOWNS	# of bids submitted	14.0	2.0	1	21.9	59	1	60	7
	# awarded	3.7	2.0	-	3.8	7	1	8	3
	Total Amounts (\$)	\$85,000	\$100,000	\$100,000	\$48,132	\$110,000	\$15,000	\$125,000	4
COUNTIES	# of bids submitted	5.7	1.0	1	8.1	14	1	15	3
	# awarded	9.3	2.0	-	13.6	24	1	25	3
	Total Amounts (\$)	\$80,000	\$80,000	-	\$56,569	\$80,000	\$40,000	\$120,000	2
SCHOOL DISTRICTS	# of bids submitted	1.0	1.0	1	0	0	1	1	3
	# awarded	0.0	0.0	0	0	0	0	0	0
	Total Amounts (\$)	0.0	0.0	0	0	0	0	0	0
2016		Mean	Median	Mode	Standard Deviation	Range	Minimum	Maximum	Count
CITIES AND TOWNS	# of bids submitted	12	2	1	21.4	49	1	50	5
	# awarded	3.5	3.5	-	2.1	3	2	5	2
	Total Amounts (\$)	\$65,250	\$65,250	-	\$49,144	\$69,500	\$30,500	\$100,000	2
COUNTIES	# of bids submitted	6.1	1.0	1	13.7	39	1	40	8
	# awarded	1.3	1.0	1	0.5	1	1	2	4
	Total Amounts (\$)	\$52,869	\$40,000	-	\$45,942	\$113,885	\$12,730	\$126,615	5
SCHOOL DISTRICTS	# of bids submitted	2.3	2.0	2	0.6	1	2	3	3
	# awarded	3	3	-	-	0	3	3	1
	Total Amounts (\$)	\$230,500	\$230,500	-	\$321,734	\$455,000	\$3,000	\$458,000	2
2017		Mean	Median	Mode	Standard Deviation	Range	Minimum	Maximum	Count
CITIES AND TOWNS	# of bids submitted	3.5	3.5	-	2.1	3	2	5	2
	# awarded	3.5	3.5	-	2.1	3	2	5	2
	Total Amounts (\$)	\$31,500	\$31,500	-	\$40,305	\$57,000	\$3,000	\$60,000	2
COUNTIES	# of bids submitted	2.3	2.0	2	0.5	1	2	3	4
	# awarded	2.0	2.0	2	0	0	2	2	3
	Total Amounts (\$)	\$276,808	\$120,000	-	\$314,088	\$566,425	\$72,000	\$638,425	3
SCHOOL DISTRICTS	# of bids submitted	1.0	1.0	1	0	0	1	1	1
	# awarded	1.0	1.0	1	0	0	1	1	1
	Total Amounts (\$)	\$732,000	\$732,000	-	-	\$0	\$732,000	\$732,000	1

## PUBLIC ENTITIES

Preliminary analyses indicate that there are as many as 15 different types of public entities in rural counties in the state of Washington. For fiscal year 2017, a total of 351 public entities had engaged in procurement activities. These governments self-reported data on how much they spend on procurement for goods and services. Out of this total spent, the amount that is spent in Washington is recorded, and also the amount that is spent in the public entities' own rural county.

On average, these 351 agencies spent over \$2 million from their procurement total spending in their own rural counties. Though this appears to be staggering, on average this figure represents about 25 percent of the total spending on the procurement of goods and services they engage in. This means that on average, 25 percent of all the funding spent on the procurement of goods and services by rural governments ends up in their own counties. On average, 75 percent of the funding spend on contracting appears to go somewhere else in the state, or the country. In other words, businesses outside of the government jurisdiction are awarded the contracts over businesses within these rural communities. How frequently a public entity awards contracts to businesses in its own rural counties varies from none ever to all the time.

Using data from multiple sources, this report explores the variation in how much of funds expended to government contracting remains in rural communities. First, we report which types of agencies on average are likely to spend more in their own rural counties. The results are consistent with the literature of public services contracting. Table 2 below depicts the results from a regression analysis where the outcome (dependent) variable is the variation of contracting spending that remains in rural communities out of all contracting spending by an agency. The explanatory (independent) variables in this analysis are individual agencies. This categorical variable contains 12 types of public entities<sup>42</sup>. The reference group in the analysis is city/county/towns.

The results demonstrate that on average hospitals, utilities, and the public entities in the category labeled “other” appear to spend a lower portion of their contracting funds within their own county when compared to cities/towns/counties. This is not surprising as many hospital and utilities markets in particular might be dominated by a few large national providers who can submit lower bids than local businesses. An interesting result from this analysis is that cities/towns/counties do not appear to differ statistically from other types of public entities in the amount of contracting funds spent in their rural communities. Therefore, focusing on other public entities’ contracting practices and their rural markets for goods and services appears very important.

*Table 2 - Multiple regression estimation of how public entities’ type can explain total contract spending in their own rural communities. Percentage of total contract spending awarded to local rural businesses by public entity type. 2017*

Rural Public Entities	Coefficient	t-statistic
Colleges	-0.184	(-1.81)
Fire districts	-0.0535	(-0.84)
<b>Hospitals</b>	<b>-0.290**</b>	<b>(-2.61)</b>
Housing	0.137	-1.1
Libraries	-0.163	(-1.71)
<b>Other</b>	<b>-0.168*</b>	<b>(-2.42)</b>
Parks	-0.153	(-1.24)
Ports	0.0147	-0.24
Schools	-0.0328	(-1.04)
<b>Utilities</b>	<b>-0.202***</b>	<b>(-3.39)</b>
Water	-0.0277	(-0.29)
_cons	0.295***	-12.04
n = 351		
Adjusted R-sq. = .048		
* p<0.05 ** p<0.01 *** p<0.001"		

An additional analysis of variance (ANOVA) analysis was performed to further parse out potential differences. The initial regression and ANOVA analyses are insufficient in demonstrating which public entities differ. These analyses only indicate that public entities differ in terms of the percentage of contracting funding spent within their counties. To find out which specific public entities differ, a pairwise comparison of means with equal variances was performed. A total of 66 pairwise comparisons were estimated for all public entities in the sample.

<sup>42</sup> The 12 types of public entities are: (1) cities/counties/towns; (2) colleges; (3) fire districts; (4) hospitals; (5) housing authorities; (6) libraries; (7) other; (8) parks; (9) ports; (10) schools; (11) utilities; (12) water districts. The category “other” includes: transit, clean air agencies, communication centers, economic development districts, state potato commission, tree fruit research commission, and others.

Consistent with the regression analyses from Table 1, hospitals' average contracting funding spent within their counties is significantly lower than cities/towns/counties. The results are similar for utilities as outlined previously. Hospitals' contracting spending in rural communities also appears lower when compared to colleges and fire districts. Similarly, utilities' contracting spending in rural communities is also lower when compared to fire districts. All categories of public entities in the sample appear to spend more of their contracting funding in their own communities when compared to hospitals. Similarly utilities appear to invest less of their contracting funding locally when compared to housing authorities, schools, and ports.

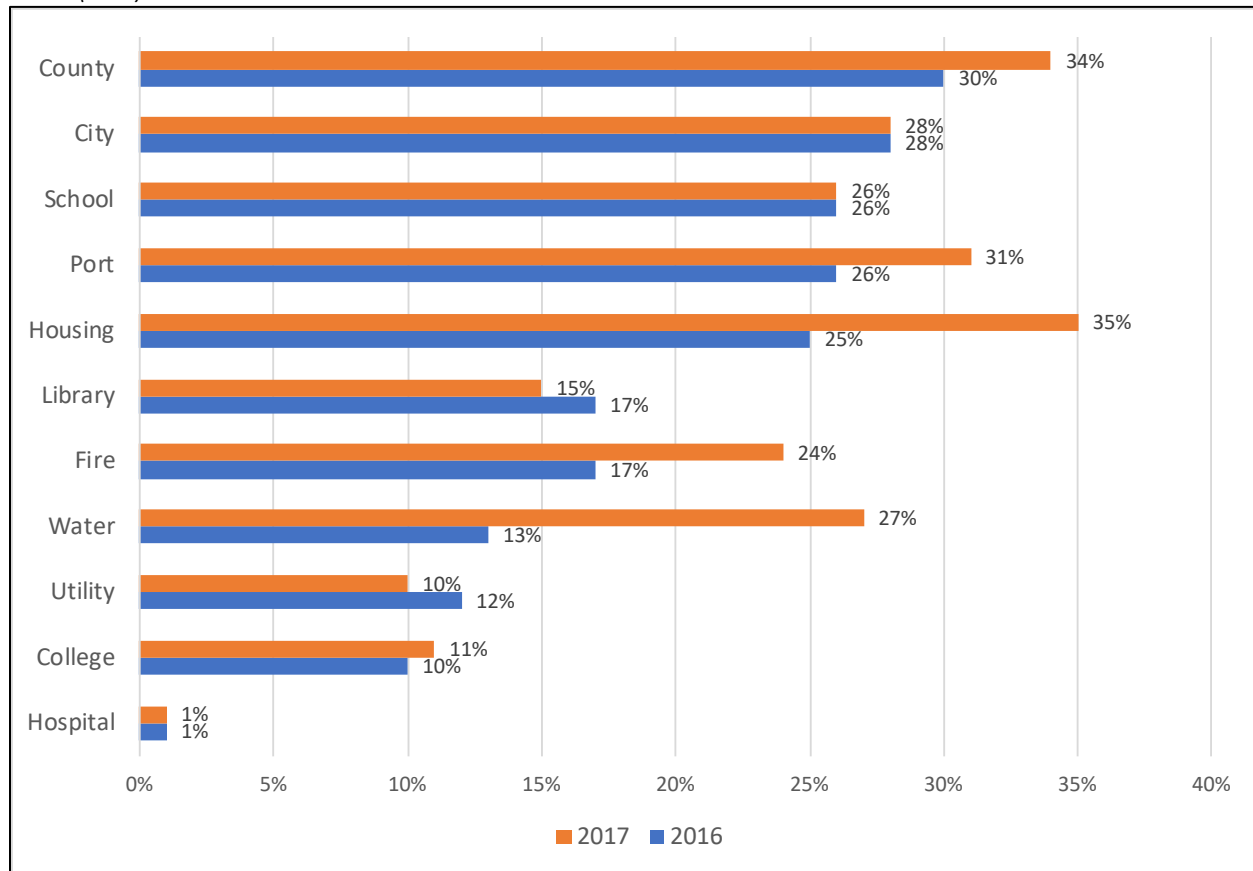
These findings highlight the need to expand the focus on local government contracting to include all public entities that engage in outsourcing and procurement. The analyses conducted for this report demonstrate that housing authorities, ports, fire districts and other agencies do engage in contracting that benefits rural community businesses.

#### **Total Government Contracting Spending in Local Communities**

In this study, it can be seen that focusing on public entities is essential in order to capture the full extent of how government contracting affects local community economic development. Analysis of variance (ANOVA) examination reveals that public agencies differ in how much they can contribute to local economies. Figure 31 below depicts how various public entities differ in what percentage of their total spending on contracting with vendors residing in the rural county compares to their total spending on contracting. In the previous section it was outlined that utilities and hospitals appear to spend less of their contracting funding in their own counties compared to their cities/towns/counties. However, the other public entities did not differ statistically from the reference category. More importantly, it appears that a number of public entities' spending patterns are similar to cities and counties (housing authorities, ports, and schools). Therefore expanding efforts in strengthening the businesses and market competition for these sectors in rural communities appears warranted.



Figure 30 - Percentage of Contracting Spending Remaining in County, Compared to All Contracting Spending, by Public Entity for 2016-2017. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council.  $P=.012$  (2016),  $P=.021$  (2017)



From Figure 30 it can also be seen that public entities' average contracting spending that remains in their own rural county differs substantially<sup>43</sup>. The average spent on contracting in a public entity's own county indicates that the government contract winner is local to the county business. The cities' and counties' abilities to keep contracting dollars in their own jurisdictions is evident. But more importantly, fire districts, housing authorities, ports, schools, and water districts all can contribute substantially to local economies through their contracting practices. In addition, the percentage of their spending that remains in their rural county does not appear to be statistically significant than the "leaders": cities and counties.

### Rural and non-rural bids and awards in the state of Washington

Out of 32 rural counties in the state of Washington, 12 have sufficient information to analyze their bid tabs and awards. We examine the total award in dollars (\$), whether the award recipient is a rural business, the difference between rural and non-rural award recipients, and how many businesses responded to the invitation to bid on public contracts.

<sup>43</sup> ANOVA test's null hypothesis is that the public entities' average spending does not differ substantially. The statistically significant results depicted in the tables show that the alternative hypothesis of difference in average spending by government type is supported ( $p\text{-value} = 0.012$  and  $p\text{-value} = 0.021$ , statistically significant at  $\alpha=0.05$ )

Table 3 shows the results from analysis of variance (ANOVA) suggest that the number of rural and non-rural responders does not vary substantially. In other words, the number of rural and non-rural responders to government invitation for bids are not statistically different at the  $\alpha=0.05$  level.

*Table 3 - Analysis of Variance (ANOVA): Single Factor, null hypothesis that total number of rural and non-rural respondents for bids cannot be rejected (p-value 0.08). Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council.*

<b>SUMMARY</b>						
Groups	Count	Sum	Average	Variance		
Total Respondents - non rural	64	276	4.31	6.69		
Total Respondents - rural	21	68	3.24	3.89		
<b>ANOVA</b>						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	18.25	1	18.25	3.03	0.09	3.96
Within Groups	499.56	83	6.02			
Total	517.81	84				

At the same time, it appears the rural bidders have the award of government contracts within their grasps. When examining the placement of the “next bidder” rural bidders appear to be “next in line” after a government contract has been awarded, while non-rural bidders appear to be substantially farther down the list. In Table 4, ANOVA analysis depicts a statistical difference between the placement of rural and non-rural bidders after an award.

*Table 4 - Analysis of Variance (ANOVA): Single Factor ANOVA, placement of next bidder (rural versus non-rural). Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council.*

<b>SUMMARY</b>						
Groups	Count	Sum	Average	Variance		
Placement Next Rural - non rural	30	107	3.57	5.77		
Placement Next Rural - rural	20	21	1.05	0.05		
<b>ANOVA</b>						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	76.00	1	76.00	21.67	0.00	4.04
Within Groups	168.32	48	3.51			
Total	244.32	49				

The data used to perform the statistical test shows that the average placement of non-rural bidders following an award is 3.56<sup>th</sup> place, whereas the average placement of rural bidders following an award is 1.05<sup>th</sup>. There is statistically significant difference between the placement of the two bidders, and it appears that rural businesses are in a great position to compete for government contracts.

Lastly, it does not appear that rural and non-rural businesses differ in terms of how large are the contract awards that they win. The ANOVA analysis in Table 5 show no statistical difference between non-rural and rural award amounts (p-value = 0.8).

Table 5 - Analysis of Variance (ANOVA): Single Factor ANOVA, award amounts between rural and non-rural contracts. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council.

SUMMARY						
Groups	Count	Sum	Average	Variance		
Award amount - non rural	64	38040103	594376.60	6.97E+11		
Award amount - rural	21	11408343	543254.40	7.14E+11		
ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	4.13E+10	1	4.13E+10	0.06	0.81	3.96
Within Groups	5.82E+13	83	7.01E+11			
Total	5.82E+13	84				

In addition to analyzing the publicly available data on government bids, awards, and contracting spending, the study's findings are also informed by survey data. Three electronic rounds of survey questionnaires were distributed to rural public entities. Altogether 45 responses were collected from the three rounds. Unfortunately, due to many missing data points, meaningful quantitative analysis is not feasible. Nonetheless, some of the responses provide interesting information.

### Training and support

Twenty-two of the responders indicate that they have not received regular training to support their role in purchasing. From the ones who have received regular training, responders indicate that the training was from MRSC and/or American Public Works Association (four total responses). For 19 of the jurisdictions, purchasing is centralized, rather than handled by individual departments.

### Competition

Competition is an integral component of successful outsourcing and procurement. Survey responders were asked: what is an ideal number of bids for goods, services, and public works projects. The responses are consistent with what is often used as a rule of thumb measure of competition in the contracting literature: at least three. Some respondents wanted to see a great number of bidders: 5, 6, even 8 in the case of purchasing goods.

### Local suppliers

When asked, "How often do you have to go to a non-local supplier over a local supplier due to price?", only six responders provided an answer. Three of the responders said "often", two suggested "sometimes", and one indicated "always". Yet local vendors do submit bids for both goods and services. When it comes to bids for goods, four responders indicate that local vendors submit bids "a lot" of bids for goods. Three responders indicate that this happens "often", four that it happens "sometimes", and one indicates that it happens "half of the time". On the other extreme, 7 indicate that this happens "a little" or "not at all". For services, local vendors submit bids "often", "most of the time", or "a lot" according to 8 responders. They do so "sometimes" or "half of the time" according to another eight of the responders, and seven indicate that this occurs "a little" of the time.

Even though local suppliers appear to submit bids for goods and services, frequently they are not awarded these contracts: seven responders indicate that this happens "often" or "a lot" for goods, and five indicate that this happens "often", "usually", or "a lot" of the time. In addition, survey responders indicate the many rural governments do not have a local preference program. Only 10 out of the 45 responders answered whether their department or agency has a local preference program. Out of these 10, eight indicate that such program does not exist. Though the number of responses from the three iterations of the survey

instrument are low, these few responses indicate that there is an opportunity to improve rural businesses competitiveness in winning local government contracts.

## CONTRACT VALUES BY INDUSTRY

Figure 31 – 2016 Rural Public Entity Expenditures for Washington State. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council.

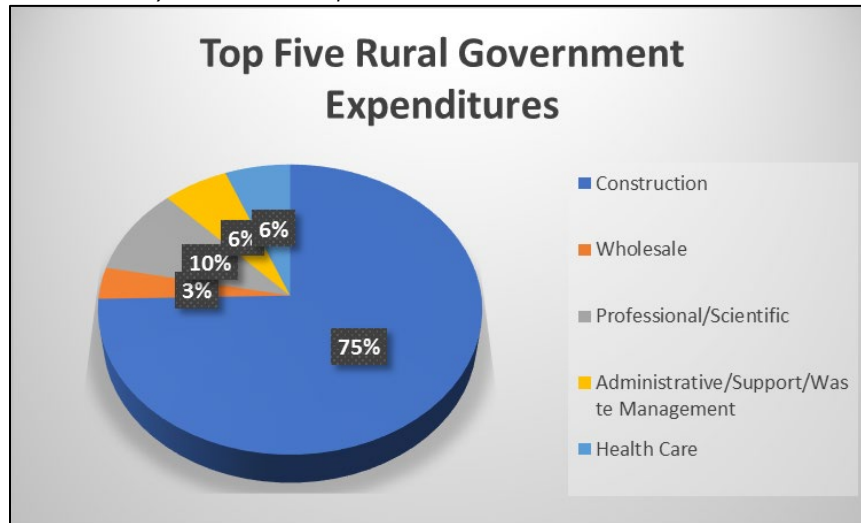


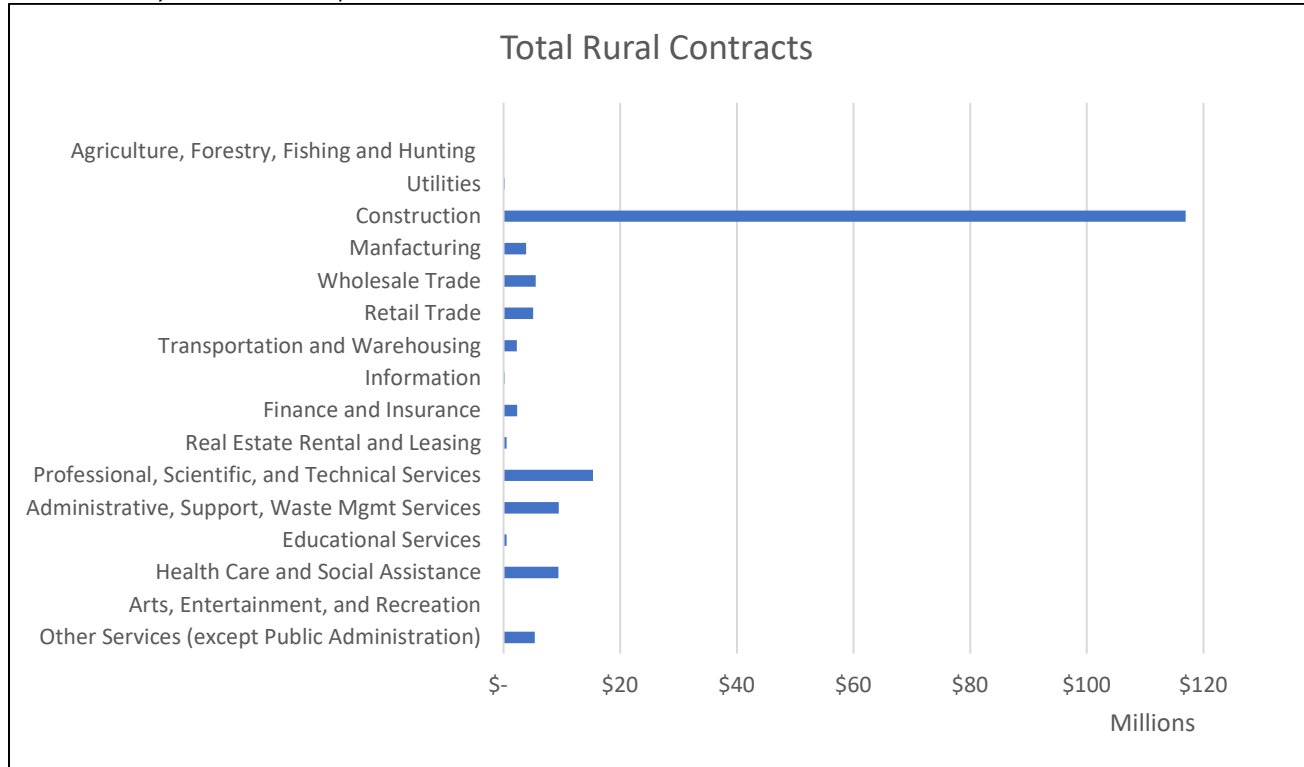
Table 6 below shows the results resulting economic impacts for overall rural contracts for rural entities in Washington at the 2-Digit NAICS level. Based on the total amount of rural contracts, there are trends toward what industries have the most opportunities with rural local government contracting.

Table 6 – Economic Impacts for Rural Contracts at the 2-Digit NAICS. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council.

NAICS 2 - Digit	Industry	Total Rural Contracts	Average Rural Contracts
11	Agriculture, Forestry, Fishing and Hunting	\$ 106,587	\$ 35,529.13
22	Utilities	\$ 191,791	\$ 63,930.20
23	Construction	\$ 116,949,704	\$ 1,244,145.79
31-33	Manufacturing	\$ 3,847,721	\$ 384,772.13
42	Wholesale Trade	\$ 5,528,042	\$ 394,860.15
44-45	Retail Trade	\$ 5,063,326	\$ 281,295.87
48-49	Transportation and Warehousing	\$ 2,255,523	\$ 1,127,761.53
51	Information	\$ 179,508	\$ 44,877.08
52	Finance and Insurance	\$ 2,334,490	\$ 333,498.61
53	Real Estate Rental and Leasing	\$ 496,532	\$ 165,510.60
54	Professional, Scientific, and Technical Services	\$ 15,319,088	\$ 425,530.23
56	Administrative, Support, Waste Mgmt Services	\$ 9,451,039	\$ 393,793.29
61	Educational Services	\$ 518,019	\$ 259,009.38
62	Health Care and Social Assistance	\$ 9,428,238	\$ 314,274.60
71	Arts, Entertainment, and Recreation	\$ 77,208	\$ 38,604.00
81	Other Services (except Public Administration)	\$ 5,355,667	\$ 178,522.22

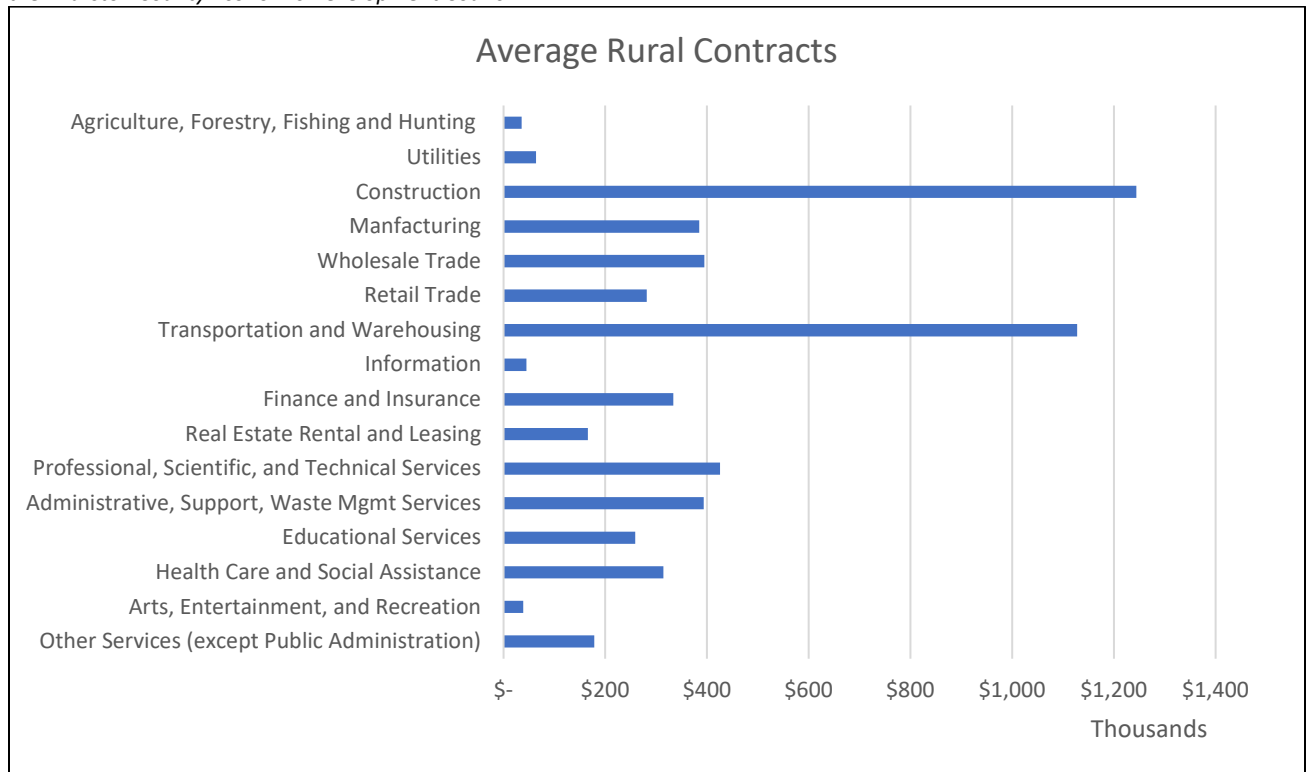
Figure 32 below illustrates that construction has the largest amount of rural government contracts. This is followed by Professional/Scientific Services, Administrative/Support/Waste Management, Health Care and Other Services.

Figure 32 – Economic Impacts. Total Rural Contracts in Washington State. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council.



Comparatively, it is important to analyze the average amount of the contracts as illustrated in Figure 33 below. In contrast to the total amount of rural local government contracts, Wholesale industries by far has the highest average per contract. This is followed by Construction, Transportation, Professional/Scientific Services and Administrative/Support/Waste Management.

Figure 33 - Economic Impacts. Average Rural Contracts in Washington State. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council.



## CONCLUSIONS AND POLICY RECOMMENDATIONS

Rural communities and small towns can thrive only if there are employment opportunities that support a good local standard of living provided by the success of locally based businesses. A robust and resilient economic economy for Washington's rural communities means providing the policy and tools needed for increasing the percentage of locally owned firms to effectively compete for local government contracts in their communities. The results of this study were a step in this direction and shed light on some of the issues. Unfortunately the low response to the primary data collection process limited statistically the ability to make definitive inferences and thus forced more a reliance on secondary data sources. Thus results to the questionnaires were more limited to descriptive summaries. However, despite these limitations, invaluable insights were still gleaned from the outreach to better understand and position Washington's rural entities. Some policy recommendation are outlined below.

### Strong Local Economies

Local economies improve economic wealth and overall quality of life. If the economic conditions improve in local economy, this allows the overall balance to be improved in these economies, economic leakages are reduced and overall economic wealth increases. Since small businesses have higher rates of productivity, increased impact has a positive significant impact for new economic growth, higher rates of entrepreneurship and increased resilience to economic shocks. Policies should be used to not only strengthen rural competitiveness, but connect these businesses with their respective communities. By focusing on a strong balance of industries in rural communities, the rural businesses will support these efforts as well as benefit from the agglomerative benefits focused on the community.

### Promotion and Advocacy

As one of the three pillars of strong local economies, an aggressive promotion and advocacy platform is critical with promoting local economic efforts. This nudges decision makers to find equitable solutions for improving competitiveness with local businesses, integration into the government contracting eco-system and how to gain public support for the adoption of these policies. Events and other ways to improve social capital in rural communities help progress rural businesses and their awareness of local government contracting opportunities.

### Workforce Development

In order for industries to grow in rural communities, there needs to be a readily available, educated and trained workforce. With the specific industries that make up a majority of the government contracting sector, workforce development efforts should be implemented in these key target industries. In reference to the analysis provided, the top five focus areas that should determine if the location quotients have available labor are for the sectors:

- Construction
- Wholesale
- Professional/scientific
- Administrative/support/waste management
- Health care

## Tax Strategies

Since increased contracts to rural businesses increase the amount of overall tax revenue, public expenditures are directly benefiting from the net gain of these improvements. This helps justify the use of taxpayer dollars to benefit the overall programs supporting local economic activity. This could apply to the following programs and support:

- Entrepreneurs
- Small Businesses
- Local Economic Efforts
- Government Contract Training
- Improved Procurement Technology

## Targeted Industries

This provides a platform for economic development strategies for the public and private sector. The increased focus will allow communication to support this strategy, awareness that these are overall policy objectives and provide benchmarks to measure growth in these contracting sectors. A summary of the impacts are shown in Table below.

*Table 7 – Economic Impacts for 5 Top Sectors. Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council.*

1	<b>Construction</b>	\$ 116,949,704.34
2	<b>Wholesale</b>	\$ 5,528,042.05
3	<b>Professional/Scientific</b>	\$ 15,319,088.19
4	<b>Administrative/Support/Waste Management</b>	\$ 9,451,038.89
5	<b>Health Care</b>	\$ 9,428,238.09

In order to support the increased amount of government contracts in specific industries, policies could be implemented to provide special consideration, *keeping all other factors equal*, to provide extra consideration of these industries. With the current competitive position held by these industries, it will provide a multiplier to the rest of the communities and a positive economic impact with overall impact, employment and tax revenue.



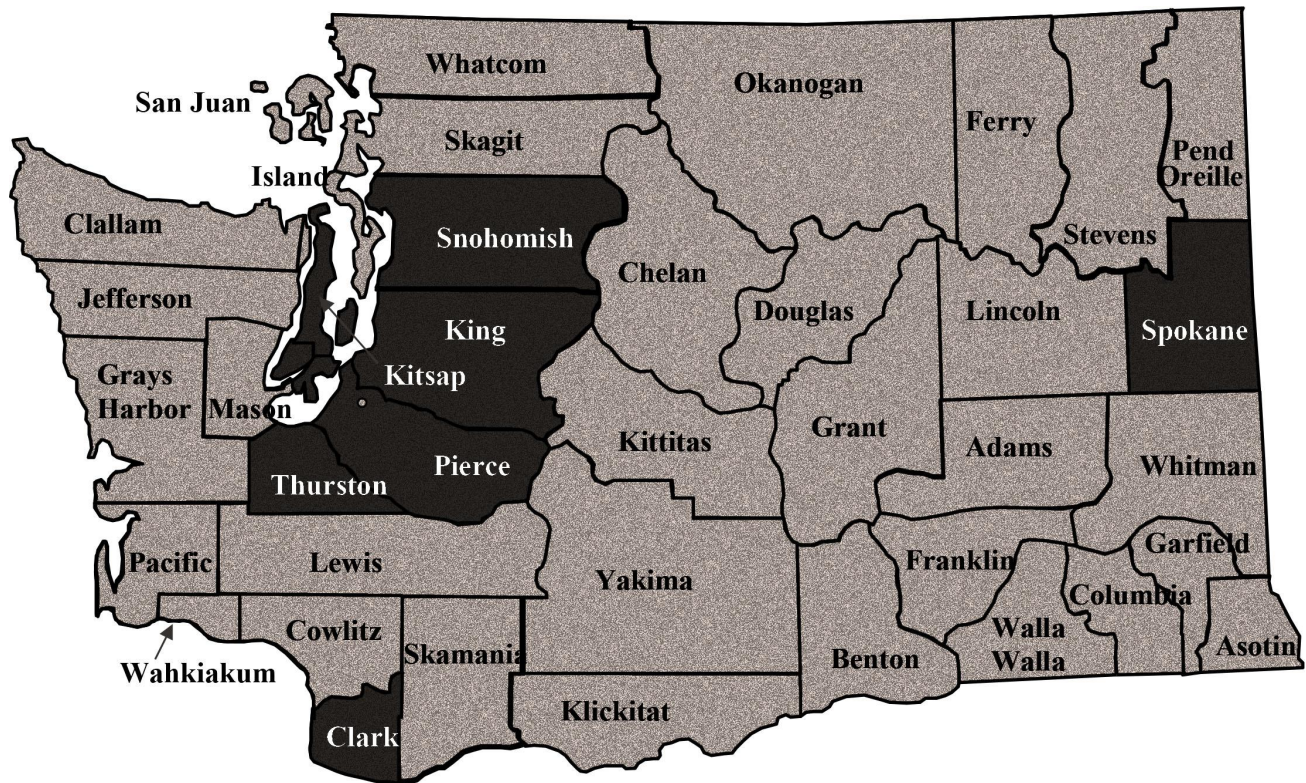
*Table 8 - Commodities/Goods Complicated by Other Factors, Assessing Rural Business Competitiveness, Report for the Thurston County Economic Development Council. 2018.*

Commodity/Goods	Factor	Comment
Autos	State Contract	Optional use, dictates dealer-seller, and dealer location. No local option
Construction equipment <ul style="list-style-type: none"> <li>• Tractors</li> <li>• Lifts</li> <li>• Sweepers</li> <li>• Trucks</li> </ul>	State Contracts	Optional use, dictates dealer-seller, and dealer location. No local option
Road Maintenance Materials <ul style="list-style-type: none"> <li>• Salt</li> <li>• Paint</li> <li>• Guardrail</li> </ul>	State Contracts	Optional use, dictates dealer-seller, and dealer location. No local option
Busses <ul style="list-style-type: none"> <li>• Mass transit</li> <li>• Shuttle</li> </ul>	State Contract	Optional use, dictates dealer-seller, and dealer location. No local option
Books for schools	OSPI Contract	Required use, dictates dealer-seller, and dealer location. No local option
School supplies	KCDA Contracts	Optional use, dictates dealer-seller, and dealer location. No local option
Food for Schools	OSPI Contract	Required use, dictates dealer-seller, and dealer location. Limited local fresh food option
Busses for schools	OSPI Contract	Required use, dictates dealer-seller, and dealer location. No local option
Food for prisons	DOC Contract	Required use, dictates dealer-seller, and dealer location. Limited local fresh food option
Traffic signals and lighting	State Contract	Optional use, dictates dealer-seller, and dealer location. No local option
Tires	State Contract	Optional use, dictates dealer-seller, and dealer location. No local option
Ammunition	State Contract	Optional use, dictates dealer-seller, and dealer location. No local option
Police Radio Equip	State Contract	Required use, dictates dealer-seller, and dealer location. No local option
Utilities <ul style="list-style-type: none"> <li>• Power</li> <li>• Water</li> <li>• Telecommunications</li> <li>• Sewer&amp; Garbage</li> </ul>	Fixed suppliers	Limited options

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## Appendix Item D: Rural County Profiles



<a href="#"><u>Adams County</u></a>	<a href="#"><u>Ferry County</u></a>	<a href="#"><u>Klickitat County</u></a>	<a href="#"><u>Skagit County</u></a>
<a href="#"><u>Asotin County</u></a>	<a href="#"><u>Franklin County</u></a>	<a href="#"><u>Lewis County</u></a>	<a href="#"><u>Skamania County</u></a>
<a href="#"><u>Benton County</u></a>	<a href="#"><u>Garfield County</u></a>	<a href="#"><u>Lincoln County</u></a>	<a href="#"><u>Stevens County</u></a>
<a href="#"><u>Chelan County</u></a>	<a href="#"><u>Grant County</u></a>	<a href="#"><u>Mason County</u></a>	<a href="#"><u>Wahkiakum County</u></a>
<a href="#"><u>Clallam County</u></a>	<a href="#"><u>Grays Harbor County</u></a>	<a href="#"><u>Okanogan County</u></a>	<a href="#"><u>Walla Walla County</u></a>
<a href="#"><u>Columbia County</u></a>	<a href="#"><u>Island County</u></a>	<a href="#"><u>Pacific County</u></a>	<a href="#"><u>Whatcom County</u></a>
<a href="#"><u>Cowlitz County</u></a>	<a href="#"><u>Jefferson County</u></a>	<a href="#"><u>Pend Oreille</u></a>	<a href="#"><u>Whitman County</u></a>
<a href="#"><u>Douglas County</u></a>	<a href="#"><u>Kittitas County</u></a>	<a href="#"><u>San Juan County</u></a>	<a href="#"><u>Yakima County</u></a>

## Adams County

<b>24<sup>th</sup></b> Population – 19,238	<b>23<sup>rd</sup></b> Employment – 10,229
<b>22<sup>nd</sup></b> Gross Regional Product - \$776,464,708	<b>25<sup>th</sup></b> Industries – 156
<b>24<sup>th</sup></b> # of Establishments – 367	<b>12<sup>th</sup></b> Land Area – 1,925 sq miles
<b>16<sup>th</sup></b> Number of Households – 5,733	<b>1<sup>st</sup></b> Average Household Income – \$143,955
<b>26<sup>th</sup></b> Taxes - \$33,603,594	<b>31<sup>st</sup></b> Shannon-Weaver Index – 0.58085
<b>1<sup>st</sup></b> Private Sector Leakage (industry aggregates) – 0%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$1,488,070.80**
- Total value of ten highest out of region spends - **\$4,744,039.67**
- Top spending local entity – **Adams County, \$1,480,206.77**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	14	\$448,990.60	\$1,361,735.63
Indirect Effect	1	\$50,662.14	\$157,168.90
Induced Effect	1	\$30,809.49	\$125,290.83
<b>Total Effect</b>	<b>16</b>	<b>\$530,462.00</b>	<b>\$1,644,195.00</b>
Estimated Leaked Impact	53	\$1,691,137.80	\$5,241,770.96

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Other Educational Services	3	\$13,593.89	\$63,911.95
Business and Professional Assoc	3	\$148,420.66	\$514,911.52
Construction	3	\$167,342.32	\$400,953.75
Advertising and Public Relations	1	\$30,461.76	\$186,663.54
Offices of Physicians	1	\$36,297.00	\$97,002.39

**Additional State and Local Tax Impacts – \$116,457.00**

**Special Considerations:** None

## Asotin County

<b>21<sup>st</sup></b> Population – 22,306	<b>25<sup>th</sup></b> Employment – 8,655
<b>25<sup>th</sup></b> Gross Regional Product - \$554,621,574	<b>23<sup>rd</sup></b> Industries – 159
<b>23<sup>rd</sup></b> # of Establishments – 441	<b>29<sup>th</sup></b> Land Area – 639 sq miles
<b>23<sup>rd</sup></b> Number of Households – 9,362	<b>19<sup>th</sup></b> Average Household Income – \$98,599
<b>23<sup>rd</sup></b> Taxes - \$68,087,718	<b>11<sup>th</sup></b> Shannon-Weaver Index – 0.68478
<b>23<sup>rd</sup></b> Private Sector Leakage (industry aggregate) – 36.45%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$325,418.82**
- Total value of ten highest out of region spends - **\$1,930,613.19**
- Top spending local entity – **Clarkston School District, \$1,705,082.97**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	4	\$132,841.54	\$315,322.95
Indirect Effect	0	\$12,531.21	\$41,270.82
Induced Effect	1	\$20,827.56	\$72,050.30
<b>Total Effect</b>	<b>5</b>	<b>\$166,200.00</b>	<b>\$428,644.00</b>
Estimated Leaked Impact	27	\$986,015.24	\$2,543,017.56

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Business Support Services	2	\$47,504.94	\$83,346.06
Legal Services	1	\$25,638.49	\$96,987.73
Construction	0.4	\$29,752.11	\$66,653.89
Services to buildings	0.4	\$10,785.14	\$18,587.08
Automotive Repair	0.1	\$8,214.95	\$17,208.38

**Additional State and Local Tax Impacts – \$44,150.00**

**Special Considerations:** None

## Benton County

3 <sup>rd</sup> Population – 193,686	3 <sup>rd</sup> Employment – 104,167
2 <sup>nd</sup> Gross Regional Product - \$10,169,409,322	4 <sup>th</sup> Industries – 241
4 <sup>th</sup> # of Establishments – 4,274	19 <sup>th</sup> Land Area – 1,703 sq miles
3 <sup>rd</sup> Number of Households – 70,898	3 <sup>rd</sup> Average Household Income – \$121,945
2 <sup>nd</sup> Taxes - \$921,669,334	7 <sup>th</sup> Shannon-Weaver Index – 0.69785
4 <sup>th</sup> Private Sector Leakage (industry aggregate) – 4.60%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$51,259,691.37**
- Total value of ten highest out of region spends - **\$64,381,224.94**
- Top spending local entity – **Benton County, \$48,669,915.15**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	363	\$21,949,410.02	\$50,712,375.23
Indirect Effect	46	\$2,461,591.65	\$6,730,645.93
Induced Effect	105	\$4,452,761.10	\$13,683,026.86
<b>Total Effect</b>	<b>514</b>	<b>\$28,863,763.00</b>	<b>\$71,126,048.00</b>
Estimated Leaked Impact	646	\$36,252,352.85	\$89,333,001.68

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Construction	308	\$19,977,755.58	\$46,765,444.47
Individual and Family Services	30	\$750,625.10	\$992,433.00
Offices of Other Health Practitioners	13	\$734,691.68	\$1,209,410.73
Grantmaking, giving and social	9	\$193,298.96	\$902,989.98
Retail – Food and Beverage Stores	8	\$262,718.38	\$614,456.15

**Additional State and Local Tax Impacts – \$2,896,589**

**Special Considerations: Kennewick & Richland non-rural city population of 135,000. Hanford site**

## Chelan County

10 <sup>th</sup> Population – 76,338	5 <sup>th</sup> Employment – 54,788
7 <sup>th</sup> Gross Regional Product - \$3,759,875,757	7 <sup>th</sup> Industries – 217
5 <sup>th</sup> # of Establishments – 2,533	3 <sup>rd</sup> Land Area – 2,922 sq miles
10 <sup>th</sup> Number of Households – 28,922	4 <sup>th</sup> Average Household Income – \$120,139
6 <sup>th</sup> Taxes - \$420,773,026	21 <sup>st</sup> Shannon-Weaver Index – 0.65076
5 <sup>th</sup> Private Sector Leakage (industry aggregate) – 4.90%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$8,126,909.37**
- Total value of ten highest out of region spends - **\$27,797,542.16**
- Top spending local entity – **Chelan County PUD, \$13,352,675.96**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	46	\$2,423,771.05	\$6,468,437.96
Indirect Effect	9	\$392,558.72	\$1,276,636.91
Induced Effect	13	\$514,089.55	\$1,642,482.03
<b>Total Effect</b>	<b>68</b>	<b>\$3,330,419.00</b>	<b>\$9,387,557.00</b>
Estimated Leaked Impact	232	\$11,391,472.26	\$32,109,501.87

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Construction	37	\$1,921,061.40	\$4,859,309.76
Legal services	4	\$194,573.94	\$669,123.65
Wholesale trade	3	\$189,841.11	\$692,535.11
Architectural, engineering services	3	\$165,634.05	\$415,195.48
Business and professional associations	2	\$92,838.31	\$316,834.62

**Additional State and Local Tax Impacts – \$590,343**

**Special Considerations: Wenatchee non-rural city population 34,000 (2016), National Forests**



## Clallam County

<b>11<sup>th</sup></b> Population – 74,570	<b>12<sup>th</sup></b> Employment – 31,505
<b>12<sup>th</sup></b> Gross Regional Product - \$2,172,814,408	<b>10<sup>th</sup></b> Industries – 206
<b>7<sup>th</sup></b> # of Establishments – 2,023	<b>17<sup>th</sup></b> Land Area – 1,745 sq miles
<b>7<sup>th</sup></b> Number of Households – 32,706	<b>26<sup>th</sup></b> Average Household Income – \$91,075
<b>12<sup>th</sup></b> Taxes - \$229,340,843	<b>8<sup>th</sup></b> Shannon-Weaver Index – 0.69462
<b>23<sup>rd</sup></b> Private Sector Leakage (industry aggregate) – 29.42%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$4,519,026.73**
- Total value of ten highest out of region spends - **\$21,159,496.07**
- Top spending local entity – **Clallam County, \$15,162,650.73**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	29	\$986,939.85	\$3,444,027.44
Indirect Effect	5	\$186,104.05	\$648,047.02
Induced Effect	4	\$137,577.45	\$529,929.81
<b>Total Effect</b>	<b>39</b>	<b>\$1,310,621.00</b>	<b>\$4,622,004.00</b>
Estimated Leaked Impact	182	\$6,136,737.30	\$21,641,667.86

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Construction	18	\$765,686.42	\$2,139,640.14
Retail - Nonstore retailers	7	\$47,256.10	\$664,135.35
Architectural, engineering, an...	2	\$81,160.58	\$261,287.14
Business and professional asso...	2	\$46,154.40	\$200,065.74
Monetary authorities and depos...	1	\$56,255.91	\$224,094.30

**Additional State and Local Tax Impacts – \$388,586**

**Special Considerations:** Olympic National Forest



## Columbia County

<b>31<sup>st</sup></b> Population – 3,938	<b>30<sup>th</sup></b> Employment – 1,927
<b>30<sup>th</sup></b> Gross Regional Product - \$133,547,932	<b>30<sup>th</sup></b> Industries – 127
<b>29<sup>th</sup></b> # of Establishments – 122	<b>27<sup>th</sup></b> Land Area – 869 sq miles
<b>31<sup>st</sup></b> Number of Households – 1,689	<b>10<sup>th</sup></b> Average Household Income – \$114,309
<b>30<sup>th</sup></b> Taxes - \$8,073,734	<b>25<sup>th</sup></b> Shannon-Weaver Index – 0.62361
<b>18<sup>th</sup></b> Private Sector Leakage (industry aggregate) – 24.44%	

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## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends – **N/A**
- Total value of ten highest out of region spends – **N/A**
- Top spending local entity – **N/A**

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### Economic Impact of 10 highest valued locally awarded contracts

N/A

### Five most locally impacted industries

N/A

**Additional State and Local Tax Impacts** – N/A

### Special Considerations

- No Government procurement data available

## Cowlitz County

5 <sup>th</sup> Population – 105,160	6 <sup>th</sup> Employment – 48,162
5 <sup>th</sup> Gross Regional Product - \$4,350,984,043	5 <sup>th</sup> Industries – 237
7 <sup>th</sup> # of Establishments – 2,150	24 <sup>th</sup> Land Area – 1,139 sq miles
5 <sup>th</sup> Number of Households – 40,794	16 <sup>th</sup> Average Household Income – \$104,630
5 <sup>th</sup> Taxes - \$424,803,948	3 <sup>rd</sup> Shannon-Weaver Index – 0.72406
13 <sup>th</sup> Private Sector Leakage (industry aggregate) – 11.66%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$10,179,628.03**
- Total value of ten highest out of region spends - **\$10,350,249.68**
- Top spending local entity – **City of Kelso, \$8,941,739.22**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	66	\$5,267,291.95	\$10,055,377.85
Indirect Effect	10	\$429,844.83	\$1,364,365.35
Induced Effect	26	\$1,039,229.48	\$3,390,704.98
<b>Total Effect</b>	<b>101</b>	<b>\$6,736,366.00</b>	<b>\$14,810,448.00</b>
Estimated Leaked Impact	103	\$6,849,274.83	\$15,058,687.25

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Construction	42	\$4,228,891.80	\$7,885,719.56
Environmental Technical services	13	\$450,992.40	\$816,866.86
Automotive repair	7	\$368,648.01	\$745,278.98
Architectural, engineering services	4	\$243,188.64	\$581,896.95
Real estate	2	\$35,602.50	\$329,356.51

**Additional State and Local Tax Impacts – \$737,041**

**Special Considerations:** Longview and Woodland non-rural cities population 44,000 (2016)

## Douglas County

19 <sup>th</sup> Population – 41,327	19 <sup>th</sup> Employment – 15,921
18 <sup>th</sup> Gross Regional Product - \$1,109,915,454	22 <sup>nd</sup> Industries – 162
20 <sup>th</sup> # of Establishments – 745	15 <sup>th</sup> Land Area – 1,821 sq miles
20 <sup>th</sup> Number of Households – 14,633	17 <sup>th</sup> Average Household Income – \$103,110
19 <sup>th</sup> Taxes - \$112,552,920	23 <sup>rd</sup> Shannon-Weaver Index – 0.62839
21 <sup>st</sup> Private Sector Leakage (industry aggregate) – 28.66%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$1,940,279.44**
- Total value of ten highest out of region spends - **\$12,931,803.08**
- Top spending local entity – **Douglas County, \$4,527,445.47**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	15	\$756,246.19	\$1,940,348.98
Indirect Effect	3	\$109,044.45	\$355,536.25
Induced Effect	3	\$95,260.54	\$406,081.84
<b>Total Effect</b>	<b>21</b>	<b>\$960,551.00</b>	<b>\$2,701,967.00</b>
Estimated Leaked Impact	140	\$6,401,993.52	\$18,008,388.14

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Construction	13.9	\$677,400.81	\$1,781,093.67
Architectural, engineering, an...	0.8	\$70,654.46	\$131,605.63
Wholesale trade	0.5	\$26,141.23	\$101,781.06
Nursing and community care fac...	0.5	\$13,924.45	\$27,683.52
Services to buildings	0.4	\$6,399.12	\$13,688.40

**Additional State and Local Tax Impacts – \$126,148**

**Special Considerations:** None

## Ferry County

29 <sup>th</sup> Population – 7,614	29 <sup>th</sup> Employment – 2,699
29 <sup>th</sup> Gross Regional Product - \$215,623,191	28 <sup>th</sup> Industries – 137
28 <sup>th</sup> # of Establishments – 140	9 <sup>th</sup> Land Area – 2,204 sq miles
29 <sup>th</sup> Number of Households – 3,237	32 <sup>nd</sup> Average Household Income – \$74,896
28 <sup>th</sup> Taxes - \$16,820,602	30 <sup>th</sup> Shannon-Weaver Index – 0.58993
20 <sup>th</sup> Private Sector Leakage (industry aggregate) – 27.25%	

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## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends – **N/A**
  - Total value of ten highest out of region spends – **N/A**
  - Top spending local entity – **N/A**
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## Economic Impact of 10 highest valued locally awarded contracts

N/A

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## Five most locally impacted industries

N/A

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**Additional State and Local Tax Impacts – N/A**

## Special Considerations

Government procurement data not available.

## Franklin County

7 <sup>th</sup> Population – 90,160	8 <sup>th</sup> Employment – 43,433
8 <sup>th</sup> Gross Regional Product - \$3,347,176,758	11 <sup>th</sup> Industries – 200
# of Establishments – N/A	23 <sup>rd</sup> Land Area – 1,242 sq miles
12 <sup>th</sup> Number of Households – 26,764	9 <sup>th</sup> Average Household Income – \$115,019
8 <sup>th</sup> Taxes - \$311,664,060	14 <sup>th</sup> Shannon-Weaver Index – 0.67194
10 <sup>th</sup> Private Sector Leakage (industry aggregate) – 8.89%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$1,487,783.02**
- Total value of ten highest out of region spends - **\$14,981,547.09**
- Top spending local entity – **Port of Pasco, \$3,336,055.63**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	31	\$1,331,089.62	\$3,148,409.92
Indirect Effect	4	\$164,932.52	\$544,228.10
Induced Effect	5	\$203,641.47	\$669,234.24
<b>Total Effect</b>	<b>41</b>	<b>\$1,699,664.00</b>	<b>\$4,361,872.00</b>
Estimated Leaked Impact	409	\$17,115,127.67	\$43,922,796.60

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Construction	15	\$820,230.76	\$2,087,768.38
Services to buildings	8	\$198,974.14	\$349,550.32
Landscape and horticultural services	5	\$157,926.78	\$299,310.88
Insurance agencies, brokerages	3	\$83,947.90	\$374,828.54
Automotive repair	2	\$91,387.15	\$179,422.13

**Additional State and Local Tax Impacts – \$211,206**

**Special Considerations:** Non-rural city Pasco population 73,000 (2016)

## Garfield County

<b>32<sup>nd</sup></b> Population – 2,247	<b>31<sup>st</sup></b> Employment – 1,324
<b>31<sup>st</sup></b> Gross Regional Product - \$107,671,789	<b>32<sup>nd</sup></b> Industries – 104
<b>31<sup>st</sup></b> # of Establishments – 46	<b>28<sup>th</sup></b> Land Area – 710 sq miles
<b>32<sup>nd</sup></b> Number of Households – 972	<b>15<sup>th</sup></b> Average Household Income – \$106,633
<b>32<sup>nd</sup></b> Taxes - \$5,533,916	<b>32<sup>nd</sup></b> Shannon-Weaver Index – 0.53717
<b>3<sup>rd</sup></b> Private Sector Leakage (industry aggregate) – 0.65%	

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## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends – **N/A**
  - Total value of ten highest out of region spends – **N/A**
  - Top spending local entity – **N/A**
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### Economic Impact of 10 highest valued locally awarded contracts

N/A

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### Five most locally impacted industries

N/A

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### Additional State and Local Tax Impacts – N/A

### Special Considerations

Government procurement data not available.

## Grant County

6 <sup>th</sup> Population – 93,546	7 <sup>th</sup> Employment – 46,058
6 <sup>th</sup> Gross Regional Product - \$4,031,421,644	8 <sup>th</sup> Industries – 214
9 <sup>th</sup> # of Establishments – 1,846	4 <sup>th</sup> Land Area – 2,676 sq miles
8 <sup>th</sup> Number of Households – 31,087	6 <sup>th</sup> Average Household Income – \$116,709
9 <sup>th</sup> Taxes - \$289,273,468	19 <sup>th</sup> Shannon-Weaver Index – 0.6568
2 <sup>nd</sup> Private Sector Leakage (industry aggregate) – 0.48%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$7,036,282.02**
- Total value of ten highest out of region spends - **\$6,669,869.06**
- Top spending local entity – **Moses Lake School District #161, \$5,791,689.12**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	44	\$2,212,024.87	\$6,116,552.56
Indirect Effect	7	\$296,220.26	\$983,783.89
Induced Effect	8	\$271,869.75	\$1,027,492.24
<b>Total Effect</b>	<b>59</b>	<b>\$2,780,115.00</b>	<b>\$8,127,829.00</b>
Estimated Leaked Impact	56	\$2,635,341.07	\$7,704,573.95

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Construction	23	\$1,247,266.73	\$3,132,007.93
Community food, housing, and other	7	\$369,885.70	\$749,714.51
Legal services	6	\$258,386.59	\$959,765.64
Waste management	4	\$229,512.93	\$821,301.79
Real estate	3	\$54,009.78	\$456,234.73

**Additional State and Local Tax Impacts – \$643,950**

**Special Considerations: None**

## Grays Harbor County

<b>12<sup>th</sup></b> Population – 71,628	<b>13<sup>th</sup></b> Employment – 29,861
<b>13<sup>th</sup></b> Gross Regional Product - \$2,150,473,728	<b>12<sup>th</sup></b> Industries – 200
<b>11<sup>th</sup></b> # of Establishments – 1,622	<b>13<sup>th</sup></b> Land Area – 1,917 sq miles
<b>11<sup>th</sup></b> Number of Households – 28,467	<b>27<sup>th</sup></b> Average Household Income – \$90,113
<b>11<sup>th</sup></b> Taxes - \$237,905,692	<b>10<sup>th</sup></b> Shannon-Weaver Index – 0.69205
<b>17<sup>th</sup></b> Private Sector Leakage (industry aggregate) – 23.98%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$5,892,472.27**
- Total value of ten highest out of region spends - **\$3,396,673.72**
- Top spending local entity – **Grays Harbor PUD #1, \$6,669,751.74**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	40	\$2,161,290.31	\$5,938,853.81
Indirect Effect	8	\$282,402.26	\$1,012,103.83
Induced Effect	10	\$329,341.71	\$1,246,609.34
<b>Total Effect</b>	<b>58</b>	<b>\$2,773,034.00</b>	<b>\$8,197,567.00</b>
Estimated Leaked Impact	33	\$1,598,495.72	\$4,725,429.18

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Construction	28	\$1,487,912.49	\$3,733,893.19
Monetary Authorities	5	\$326,673.29	\$1,265,452.27
Real Estate	3	\$25,061.17	\$369,291.37
Architectural, engineering services	3	\$198,616.69	\$416,727.74
Truck Transportation	3	\$168,036.89	\$445,757.18

**Additional State and Local Tax Impacts – \$376,351**

**Special Considerations: None**



## Island County

8 <sup>th</sup> Population – 82,636	10 <sup>th</sup> Employment – 34,366
9 <sup>th</sup> Gross Regional Product - \$2,895,529,558	13 <sup>th</sup> Industries – 200
10 <sup>th</sup> # of Establishments – 1,735	31 <sup>st</sup> Land Area – 209 sq miles
6 <sup>th</sup> Number of Households – 34,239	7 <sup>th</sup> Average Household Income – \$116,620
13 <sup>th</sup> Taxes - \$219,772,669	20 <sup>th</sup> Shannon-Weaver Index – 0.6511
30 <sup>th</sup> Private Sector Leakage (industry aggregate) – 42.38%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$1,442,403.79**
- Total value of ten highest out of region spends - **\$4,299,556.52**
- Top spending local entity – **Oak Harbor School District, \$1,324,836.20**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	21	\$629,259.23	\$1,421,735.49
Indirect Effect	2	\$65,880.90	\$261,626.52
Induced Effect	2	\$61,623.82	\$266,140.55
<b>Total Effect</b>	<b>25</b>	<b>\$756,764.00</b>	<b>\$1,949,503.00</b>
Estimated Leaked Impact	76	\$2,255,782.75	\$5,811,131.65

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Child day care services	12	\$1,487,912.49	\$3,733,893.19
Construction	5	\$326,673.29	\$1,265,452.27
Offices of other health practitioners	2	\$25,061.17	\$369,291.37
Other support services	1	\$198,616.69	\$416,727.74
Landscape	1	\$168,036.89	\$445,757.18

**Additional State and Local Tax Impacts – \$78,520**

**Special Considerations:** Military bases

## Jefferson County

<b>20<sup>th</sup></b> Population – 31,139	<b>20<sup>th</sup></b> Employment – 14,622
<b>20<sup>th</sup></b> Gross Regional Product - \$903,541,378	<b>14<sup>th</sup></b> Industries – 196
<b>15<sup>th</sup></b> # of Establishments – 1,037	<b>16<sup>th</sup></b> Land Area – 1,809 sq miles
<b>21<sup>st</sup></b> Number of Households – 14,577	<b>18<sup>th</sup></b> Average Household Income – \$101,405
<b>18<sup>th</sup></b> Taxes - \$118,805,609	<b>5<sup>th</sup></b> Shannon-Weaver Index – 0.70945
<b>27<sup>th</sup></b> Private Sector Leakage (industry aggregate) – 34.04%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$2,333,800.31**
- Total value of ten highest out of region spends - **\$5,214,632.80**
- Top spending local entity – **Jefferson County, \$5,273,945.46**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	19	\$773,558.68	\$2,346,447.54
Indirect Effect	4	\$98,407.22	\$379,389.36
Induced Effect	3	\$76,982.93	\$331,494.11
<b>Total Effect</b>	<b>26</b>	<b>\$948,949.00</b>	<b>\$3,057,331.00</b>
Estimated Leaked Impact	58	\$2,120,327.33	\$6,831,286.50

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Construction	6	\$307,823.89	\$801,610.91
Legal Services	4	\$160,605.53	\$589,561.81
Grantmaking, giving and social service	4	\$137,492.17	\$544,176.27
Individual and family services	2	\$43,737.40	\$58,563.97
Museums and historical sites	1	\$22,794.32	\$71,710.08

**Additional State and Local Tax Impacts – \$249,835**

**Special Considerations: None**

## Kittitas County

<b>16<sup>th</sup></b> Population – 44,866	<b>16<sup>th</sup></b> Employment – 20,787
<b>16<sup>th</sup></b> Gross Regional Product - \$1,457,551,571	<b>16<sup>th</sup></b> Industries – 191
<b>13<sup>th</sup></b> # of Establishments – 1,220	<b>14<sup>th</sup></b> Land Area – 1,872 sq miles
<b>17<sup>th</sup></b> Number of Households – 18,830	<b>23<sup>rd</sup></b> Average Household Income – \$93,809
<b>15<sup>th</sup></b> Taxes - \$174,838,173	<b>13<sup>th</sup></b> Shannon-Weaver Index – 0.67829
<b>22<sup>nd</sup></b> Private Sector Leakage (industry aggregate) – 28.89%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$2,896,206.91**
- Total value of ten highest out of region spends - **\$6,836,185.53**
- Top spending local entity – **City of Ellensburg, \$5,574,993.55**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	27	\$1,134,577.96	\$2,632,201.54
Indirect Effect	2	\$85,328.92	\$268,720.85
Induced Effect	4	\$117,871.60	\$461,812.17
<b>Total Effect</b>	<b>33</b>	<b>\$1,337,778.00</b>	<b>\$3,362,735.00</b>
Estimated Leaked Impact	78	\$3,157,681.37	\$7,937,375.00

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Construction	15	\$808,722.28	\$2,048,099.38
Individual and family services	9	\$239,388.21	\$315,735.18
Automotive repair	1	\$42,424.38	\$85,177.78
Legal services	1	\$18,648.17	\$81,594.06
Business and professional assoc	0.4	\$15,300.19	\$59,256.16

## Additional State and Local Tax Impacts – \$174,517

## Special Considerations

None

## Klickitat County

<b>22<sup>nd</sup></b> Population – 21,301	<b>21<sup>st</sup></b> Employment – 11,164
<b>21<sup>st</sup></b> Gross Regional Product – \$827,174,660	<b>19<sup>th</sup></b> Industries – 175
<b>22<sup>nd</sup></b> # of Establishments – 524	<b>14<sup>th</sup></b> Land Area – 1,872 sq miles
<b>24<sup>th</sup></b> Number of Households – 8,570	<b>13<sup>th</sup></b> Average Household Income – \$108,169
<b>22<sup>nd</sup></b> Taxes - \$74,961,173	<b>15<sup>th</sup></b> Shannon-Weaver Index – 0.66778
<b>7<sup>th</sup></b> Private Sector Leakage (industry aggregate) – 8.34%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$723,473.85**
- Total value of ten highest out of region spends - **\$910,590.99**
- Top spending local entity – **City of White Salmon, \$925,445.34**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	6	\$262,207.51	\$699,329.61
Indirect Effect	1	\$39,893.31	\$138,489.90
Induced Effect	1	\$21,288.41	\$100,721.39
<b>Total Effect</b>	<b>8</b>	<b>\$323,389.00</b>	<b>\$938,541.00</b>
Estimated Leaked Impact	10	\$3,157,681.37	\$1,181,282.47

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Construction	4.3	\$188,603.79	\$507,401.02
Architectural, engineering services	1.2	\$57,469.46	\$150,317.10
Services to buildings	0.4	\$5,641.30	\$12,182.95
Hospitals	0.2	\$14,398.05	\$30,007.51
Management consulting services	0.2	\$4,370.71	\$12,719.67

## Additional State and Local Tax Impacts – \$42,088

## Special Considerations

None

## Lewis County

9 <sup>th</sup> Population – 77,066	11 <sup>th</sup> Employment – 33,400
10 <sup>th</sup> Gross Regional Product – \$2,867,831,054	6 <sup>th</sup> Industries – 234
8 <sup>th</sup> # of Establishments – 1,849	6 <sup>th</sup> Land Area – 2,408 sq miles
9 <sup>th</sup> Number of Households – 29,896	21 <sup>st</sup> Average Household Income – \$97,146
7 <sup>th</sup> Taxes - \$340,214,484	4 <sup>th</sup> Shannon-Weaver Index – 0.71811
11 <sup>th</sup> Private Sector Leakage (industry aggregate) – 9.73%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$6,135,756.06**
- Total value of ten highest out of region spends - **\$33,465,411.96**
- Top spending local entity – **Chehalis School District, \$4,971,903.67**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	59	\$2,065,534.29	\$6,190,035.43
Indirect Effect	7	\$294,879.36	\$1,020,306.02
Induced Effect	10	\$355,085.19	\$1,183,458.77
<b>Total Effect</b>	<b>77</b>	<b>\$2,715,499.00</b>	<b>\$8,393,800.00</b>
Estimated Leaked Impact	418	\$14,810,773.41	\$45,781,151.04

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Construction	45	\$2,069,081.80	\$5,625,014.34
Satellite and Telecommunications	7	\$215,977.62	\$99,875.82
Individual and family services	5	\$94,170.35	\$140,896.67
Offices of physicians	1	\$101,947.31	\$165,401.49
Legal Services	1	\$35,854.48	\$136,859.50

**Additional State and Local Tax Impacts – \$398,375**

## Special Considerations

None

## Lincoln County

<b>28<sup>th</sup></b> Population – 10,350	<b>26<sup>th</sup></b> Employment – 4,774
<b>27<sup>th</sup></b> Gross Regional Product – \$269,886,087	<b>26<sup>th</sup></b> Industries – 140
<b>25<sup>th</sup></b> # of Establishments – 246	<b>7<sup>th</sup></b> Land Area – 2,311 sq miles
<b>28<sup>th</sup></b> Number of Households – 4,252	<b>12<sup>th</sup></b> Average Household Income – \$110,021
<b>31<sup>st</sup></b> Taxes - \$6,588,716	<b>29<sup>th</sup></b> Shannon-Weaver Index – 0.59744
<b>19<sup>th</sup></b> Private Sector Leakage (industry aggregate) – 25.43%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$2,199,545.38**
- Total value of ten highest out of region spends - **\$2,146,661.38**
- Top spending local entity – **Lincoln County, \$2,321,083.72**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	18	\$881,864.46	\$2,096,405.56
Indirect Effect	2	\$83,847.40	\$265,984.10
Induced Effect	3	\$59,098.71	\$320,341.63
<b>Total Effect</b>	<b>22</b>	<b>\$1,024,811.00</b>	<b>\$2,682,731.00</b>
Estimated Leaked Impact	21	\$1,000,171.31	\$2,618,229.69

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Construction	14	\$816,506.25	\$1,970,567.12
Individual and family services	3	\$50,401.87	\$78,832.06
Wholesale Trade	1	\$38,581.90	\$144,271.18
Real Estate	1	\$9,012.14	\$46,676.05
Retail – Food and Beverage	0.2	\$5,185.28	\$14,093.32

**Additional State and Local Tax Impacts – \$150,309**

## Special Considerations

None

## Mason County

<b>13<sup>th</sup></b> Population – 62,198	<b>17<sup>th</sup></b> Employment – 19,828
<b>17<sup>th</sup></b> Gross Regional Product – \$1,421,699,902	<b>18<sup>th</sup></b> Industries – 182
<b>16<sup>th</sup></b> # of Establishments – 1,037	<b>26<sup>th</sup></b> Land Area – 961 sq miles
<b>13<sup>th</sup></b> Number of Households – 24,719	<b>25<sup>th</sup></b> Average Household Income – \$92,641
<b>17<sup>th</sup></b> Taxes - \$143,678,798	<b>17<sup>th</sup></b> Shannon-Weaver Index – 0.6627
<b>28<sup>th</sup></b> Private Sector Leakage (industry aggregate) – 35.76%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$1,087,708.03**
- Total value of ten highest out of region spends - **\$12,541,911.16**
- Top spending local entity – **Southside School District 42, \$1,717,550.21**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	15.2	\$436,666.79	\$1,095,391.36
Indirect Effect	1.2	\$40,952.51	\$146,428.10
Induced Effect	1.4	\$43,603.46	\$183,599.94
<b>Total Effect</b>	<b>17.8</b>	<b>\$521,223.00</b>	<b>\$1,425,419.00</b>
Estimated Leaked Impact	205	\$6,010,006.70	\$16,435,916.58

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Landscape and Horticultural	9	\$164,009.77	\$394,850.04
Construction	2	\$85,850.73	\$228,307.07
Management Consulting Services	2	\$28,405.93	\$99,514.26
Electronic and Precision Equip	1	\$94,369.87	\$199,665.11
Architectural and engineering services	1	\$18,849.03	\$76,379.62

**Additional State and Local Tax Impacts – \$98,216**

## Special Considerations

None

## Okanogan County

<b>18<sup>th</sup></b> Population – 41,554	<b>15<sup>th</sup></b> Employment – 25,275
<b>15<sup>th</sup></b> Gross Regional Product – \$1,518,327,143	<b>17<sup>th</sup></b> Industries – 187
<b>16<sup>th</sup></b> # of Establishments – 1,152	<b>1<sup>st</sup></b> Land Area – 5,268 sq miles
<b>19<sup>th</sup></b> Number of Households – 16,514	<b>22<sup>nd</sup></b> Average Household Income – \$95,958
<b>16<sup>th</sup></b> Taxes - \$148,934,122	<b>27<sup>th</sup></b> Shannon-Weaver Index – 0.61255
<b>14<sup>th</sup></b> Private Sector Leakage (industry aggregate) – 16.09%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$4,568,828.06**
- Total value of ten highest out of region spends - **\$8,356,287.24**
- Top spending local entity – **Okanogan County, \$8,989,781.60**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	48	\$1,513,264.92	\$3,953,725.39
Indirect Effect	6	\$167,748.07	\$719,661.78
Induced Effect	6	\$195,202.86	\$762,364.35
<b>Total Effect</b>	<b>61</b>	<b>\$1,876,216.00</b>	<b>\$5,435,752.00</b>
Estimated Leaked Impact	112	\$3,431,558.29	\$9,941,872.29

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Individual and family services	25	\$577,081.78	\$783,376.90
Waste management	9	\$415,215.69	\$1,780,785.49
Other ambulatory health care services	5	\$242,585.91	\$445,065.14
Landscape and horticultural services	3	\$70,230.03	\$157,135.85
Construction	2	\$105,998.76	\$280,288.35

**Additional State and Local Tax Impacts – \$517,378**

## Special Considerations

None



## Pacific County

<b>23<sup>rd</sup></b> Population – 21,249	<b>24<sup>th</sup></b> Employment – 9,771
<b>24<sup>th</sup></b> Gross Regional Product – \$595,829,402	<b>24<sup>th</sup></b> Industries – 157
<b>21<sup>st</sup></b> # of Establishments – 561	<b>25<sup>th</sup></b> Land Area – 975 sq miles
<b>22<sup>nd</sup></b> Number of Households – 9,534	<b>24<sup>th</sup></b> Average Household Income – \$93,106
<b>24<sup>th</sup></b> Taxes - \$62,936,858	<b>18<sup>th</sup></b> Shannon-Weaver Index – 0.65846
<b>16<sup>th</sup></b> Private Sector Leakage (industry aggregate) – 23.54%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$1,376,082.08**
- Total value of ten highest out of region spends - **\$5,596,359.75**
- Top spending local entity – **Pacific County, \$3,099,334.54**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	10	\$429,919.28	\$1,308,512.34
Indirect Effect	2	\$52,225.00	\$205,660.43
Induced Effect	2	\$41,512.84	\$189,174.88
<b>Total Effect</b>	<b>14</b>	<b>\$523,657.00</b>	<b>\$1,703,348.00</b>
Estimated Leaked Impact	57	\$2,129,649.83	\$6,927,310.78

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Maintenance and repair construction	5	\$204,446.79	\$645,940.17
Legal Services	1	\$25,882.89	\$147,066.48
Offices of other health practitioners	1	\$50,712.66	\$91,624.82
Businesses and professional assoc	1	\$57,133.10	\$190,320.21
Offices of physicians	1	\$45,089.84	\$87,983.79

**Additional State and Local Tax Impacts – \$125,736**

## Special Considerations

None

## Pend Oreille

<b>26<sup>th</sup></b> Population – 13,123	<b>27<sup>th</sup></b> Employment – 4,614
<b>26<sup>th</sup></b> Gross Regional Product – \$324,694,332	<b>29<sup>th</sup></b> Industries – 132
<b>26<sup>th</sup></b> # of Establishments – 216	<b>21<sup>st</sup></b> Land Area – 1,400 sq miles
<b>26<sup>th</sup></b> Number of Households – 5,437	<b>29<sup>th</sup></b> Average Household Income – \$85,279
<b>27<sup>th</sup></b> Taxes - \$28,755,288	<b>26<sup>th</sup></b> Shannon-Weaver Index – 0.61384
<b>26<sup>th</sup></b> Private Sector Leakage (industry aggregate) – 33.50%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$139,261.72**
- Total value of ten highest out of region spends - **\$1,003,255.46**
- Top spending local entity – **City of Newport, \$975,540.46**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	2	\$41,660.60	\$140,117.81
Indirect Effect	0.2	\$4,712.31	\$18,137.15
Induced Effect	0.1	\$2,351.22	\$12,992.58
<b>Total Effect</b>	<b>2.3</b>	<b>\$48,724.00</b>	<b>\$171,248.00</b>
Estimated Leaked Impact	14	\$351,012.61	\$1,233,687.86

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Labor and civic organizations	1	13,878.91	\$49,818.80
Hospitals	0.3	\$10,769.62	\$31,674.80
Construction	0.3	\$13,086.22	\$34,075.33
Performing arts companies	0.1	\$1,013.18	\$5,615.30
Wired telecommunications	0.05	\$1,895.47	\$15,049.71

## Additional State and Local Tax Impacts – \$11,101

## Special Considerations

None

## San Juan County

<b>25<sup>th</sup></b> Population – 16,339	<b>22<sup>nd</sup></b> Employment – 11,051
<b>23<sup>rd</sup></b> Gross Regional Product – \$649,650,626	<b>21<sup>st</sup></b> Industries – 173
<b>17<sup>th</sup></b> # of Establishments – 1,019	<b>32<sup>nd</sup></b> Land Area – 175 sq miles
<b>25<sup>th</sup></b> Number of Households – 7,760	<b>2<sup>nd</sup></b> Average Household Income – \$140,231
<b>20<sup>th</sup></b> Taxes - \$100,030,301	<b>6<sup>th</sup></b> Shannon-Weaver Index – 0.70488
<b>24<sup>th</sup></b> Private Sector Leakage (industry aggregate) – 30.97%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$376,186.22**
- Total value of ten highest out of region spends - **\$2,631,852.14**
- Top spending local entity – **Port of Friday Harbor, \$184,152.79**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	1	\$59,995.98	\$330,680.64
Indirect Effect	0.4	\$12,085.78	\$48,464.75
Induced Effect	0.2	\$6,145.05	\$28,066.16
<b>Total Effect</b>	<b>1.6</b>	<b>\$78,227.00</b>	<b>\$407,212.00</b>
Estimated Leaked Impact	12	\$547,287.18	\$2,848,912.88

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Waste management	0.4	\$30,426.29	\$97,449.68
Landscape and horticultural	0.3	\$6,909.16	\$14,102.66
Insurance agencies	0.2	\$4,354.83	\$22,077.54
Business and Professional Assoc	0.1	\$2,531.59	\$12,573.23
Electric power transmission	0.1	\$14,949.15	\$186,965.75

**Additional State and Local Tax Impacts – \$54,548**

## Special Considerations

None

## Skagit County

4 <sup>th</sup> Population – 123,681	4 <sup>th</sup> Employment – 65,162
4 <sup>th</sup> Gross Regional Product – \$5,905,301,329	3 <sup>rd</sup> Industries – 255
17 <sup>th</sup> # of Establishments – 3,457	18 <sup>th</sup> Land Area – 1,735 sq miles
4 <sup>th</sup> Number of Households – 47,599	8 <sup>th</sup> Average Household Income – \$116,179
20 <sup>th</sup> Taxes - \$571,925,469	2 <sup>nd</sup> Shannon-Weaver Index – 0.73157
6 <sup>th</sup> Private Sector Leakage (industry aggregate) – 5.67%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$2,585,735.60**
- Total value of ten highest out of region spends - **\$101,817,008.23**
- Top spending local entity – **Sedro-Woolley School District, \$970,101.01**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	26	\$892,527.31	\$2,316,955.36
Indirect Effect	4	\$172,314.59	\$475,637.83
Induced Effect	4	\$141,854.77	\$498,470.87
<b>Total Effect</b>	<b>34</b>	<b>\$1,206,697.00</b>	<b>\$3,291,064.00</b>
Estimated Leaked Impact	1,320	\$47,515,406.52	\$129,590,314.59

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Waste management	11	\$299,147.53	\$459,379.89
Landscape and horticultural	7	\$414,739.04	\$1,011,756.27
Insurance agencies	5	\$118,939.52	\$718,886.28
Business and Professional Assoc	3	\$51,561.23	\$111,696.16
Electric power transmission	1	\$13,941.43	\$100,889.78

## Additional State and Local Tax Impacts – \$168,151

## Special Considerations

None

## Skamania County

<b>27<sup>th</sup></b> Population – 11,510	<b>28<sup>th</sup></b> Employment – 3,266
<b>28<sup>th</sup></b> Gross Regional Product – \$234,654,685	<b>27<sup>th</sup></b> Industries – 140
<b>27<sup>th</sup></b> # of Establishments – 196	<b>20<sup>th</sup></b> Land Area – 1,656 sq miles
<b>27<sup>th</sup></b> Number of Households – 4,593	<b>20<sup>th</sup></b> Average Household Income – \$97,570
<b>25<sup>th</sup></b> Taxes - \$35,072,682	<b>22<sup>nd</sup></b> Shannon-Weaver Index – 0.64853
<b>31<sup>st</sup></b> Private Sector Leakage (industry aggregate) – 42.60%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$2,022,999.58**
- Total value of ten highest out of region spends - **\$2,413,564.58**
- Top spending local entity – **Skamania County, \$3,908,019.09**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	56	\$184,615.66	\$1,955,738.92
Indirect Effect	6	\$156,955.32	\$662,066.95
Induced Effect	1	\$16,821.44	\$91,343.44
<b>Total Effect</b>	<b>63</b>	<b>\$358,392.00</b>	<b>\$2,709,149.00</b>
Estimated Leaked Impact	75	\$427,583.99	\$3,232,183.61

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Transit and ground passenger services	56	\$164,517.71	\$1,898,836.89
Insurance agencies	1	\$2,708.64	\$138,339.13
Management consulting services	1	\$12,167.28	\$38,751.58
Accounting, tax preparation	1	\$10,005.30	\$21,628.21
Maintenance and repair construction	1	\$22,558.01	\$67,376.24

## Additional State and Local Tax Impacts – \$111,295

## Special Considerations

None

## Stevens County

<b>17<sup>th</sup></b> Population – 44,439	<b>18<sup>th</sup></b> Employment – 16,993
<b>19<sup>th</sup></b> Gross Regional Product – \$1,055,949,350	<b>15<sup>th</sup></b> Industries – 193
<b>27<sup>th</sup></b> # of Establishments – 887	<b>5<sup>th</sup></b> Land Area – 2,478 sq miles
<b>18<sup>th</sup></b> Number of Households – 17,308	<b>28<sup>th</sup></b> Average Household Income – \$89,549
<b>14<sup>th</sup></b> Taxes \$175,856,345	<b>12<sup>th</sup></b> Shannon-Weaver Index – 0.682
<b>25<sup>th</sup></b> Private Sector Leakage (industry aggregate) – 33.05%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$384,014.79**
- Total value of ten highest out of region spends - **\$2,672,332.80**
- Top spending local entity – **City of Chewelah, \$653,878.50**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	3	\$127,556.33	\$356,584.59
Indirect Effect	1	\$11,248.13	\$60,055.45
Induced Effect	0	\$14,083.21	\$62,369.08
<b>Total Effect</b>	<b>4</b>	<b>\$358,392.00</b>	<b>\$479,009.00</b>
Estimated Leaked Impact	29	\$1,063,937.20	\$3,333,391.08

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Construction	2.6	\$117,348.05	\$312,367.44
Grantmaking, giving and social service	0.3	\$4,582.57	\$21,555.00
Wholesale Trade	0.2	\$2,129.04	\$28,695.05
Commercial and industrial machines	0.1	\$4,556.18	\$14,155.63
Retail – Sporting goods, hobby stores	0.1	\$1,204.09	\$4,802.33

## Additional State and Local Tax Impacts – \$28,880

## Special Considerations

None

## Wahkiakum County

<b>30<sup>th</sup></b> Population – 4,139	<b>32<sup>th</sup></b> Employment – 1,313
<b>32<sup>nd</sup></b> Gross Regional Product – \$68,149,426	<b>31<sup>st</sup></b> Industries – 117
<b>30<sup>th</sup></b> # of Establishments – 76	<b>30<sup>th</sup></b> Land Area – 264 sq miles
<b>30<sup>th</sup></b> Number of Households – 1,783	<b>31<sup>st</sup></b> Average Household Income – \$84,348
<b>29<sup>th</sup></b> Taxes \$11,757,501	<b>24<sup>th</sup></b> Shannon-Weaver Index – 0.62559
<b>32<sup>nd</sup></b> Private Sector Leakage (industry aggregate) – 48.73%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$382,839.02**
- Total value of ten highest out of region spends - **\$1,188,590.25**
- Top spending local entity – **Wahkiakum County, \$443,179.88**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	4.68	\$180,526.27	\$385,836.33
Indirect Effect	0.36	\$10,993.87	\$40,972.18
Induced Effect	0.30	\$5,242.66	\$46,084.71
<b>Total Effect</b>	<b>5.34</b>	<b>\$196,763.00</b>	<b>\$472,893.00</b>
Estimated Leaked Impact	17	\$610,884.91	\$1,468,178.46

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Landscape and horticultural	2.4	\$71,142.08	\$134,354.75
Construction	1.3	\$61,128.40	\$165,401.90
Support activities for agriculture	0.4	\$31,332.52	\$37,564.96
Commercial logging	0.3	\$11,631.82	\$20,189.07
Waste management	0.1	\$6,226.30	\$26,762.66

## Additional State and Local Tax Impacts – \$27,347

## Special Considerations

None

## Walla Walla County

<b>14<sup>th</sup></b> Population – 60,340	<b>9<sup>th</sup></b> Employment – 37,196
<b>11<sup>th</sup></b> Gross Regional Product – \$2,698,382,793	<b>9<sup>th</sup></b> Industries – 213
<b>12<sup>th</sup></b> # of Establishments – 1,364	<b>22<sup>nd</sup></b> Land Area – 1,270 sq miles
<b>14<sup>th</sup></b> Number of Households – 23,501	<b>11<sup>th</sup></b> Average Household Income – \$111,018
<b>10<sup>th</sup></b> Taxes \$239,614,615	<b>9<sup>th</sup></b> Shannon-Weaver Index – 0.69457
<b>12<sup>th</sup></b> Private Sector Leakage (industry aggregate) – 9.90%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$922,066.36**
- Total value of ten highest out of region spends - **\$3,010,272.03**
- Top spending local entity – **Walla Walla County, \$1,704,542.23**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	4	\$262,532.89	\$915,490.39
Indirect Effect	2	\$44,282.39	\$190,380.94
Induced Effect	1	\$53,521.47	\$179,680.38
<b>Total Effect</b>	<b>7</b>	<b>\$360,337.00</b>	<b>\$1,285,552.00</b>
Estimated Leaked Impact	24	\$1,176,392.98	\$4,196,944.40

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Landscape and horticultural	3.14	\$213,160.46	\$793,147.58
Construction	1.24	\$53,015.90	\$149,865.80
Support activities for agriculture	0.2	\$1,201.87	\$35,434.82
Commercial logging	0.14	\$5,659.05	\$16,726.19
Waste management	0.14	\$3,229.63	\$7,176.33

**Additional State and Local Tax Impacts – \$52,275**

## Special Considerations

None



## Whatcom County

<b>2<sup>nd</sup></b> Population – 216,800	<b>1<sup>st</sup></b> Employment – 120,991
<b>1<sup>st</sup></b> Gross Regional Product - \$10,511,328,958	<b>1<sup>st</sup></b> Industries – 317
<b>1<sup>st</sup></b> # of Establishments – 6,550	<b>11<sup>th</sup></b> Land Area – 2,120 sq miles
<b>1<sup>st</sup></b> Number of Households – 86,870	<b>15<sup>th</sup></b> Average Household Income – \$106,633
<b>1<sup>st</sup></b> Taxes - \$1,002,228,993	<b>1<sup>st</sup></b> Shannon-Weaver Index – 0.75459
<b>8<sup>th</sup></b> Private Sector Leakage (industry aggregate) – 8.83%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$32,946,373.90**
- Total value of ten highest out of region spends - **\$69,356,581.55**
- Top spending local entity – **Port of Bellingham, \$25,868,872.46**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	264.35	\$14,276,104.16	\$34,935,868.83
Indirect Effect	45.88	\$2,150,854.87	\$6,859,776.08
Induced Effect	86.17	\$3,380,200.54	\$10,904,966.72
<b>Total Effect</b>	<b>396.4</b>	<b>\$19,807,160</b>	<b>\$52,700,612</b>
Estimated Leaked Impact	834	\$41,696,755.83	\$110,941,929.62

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Construction	183.88	\$11,010,716.31	\$26,881,768.37
Office administrative services	49.55	\$1,948,745.60	\$3,079,117.68
Legal services	16.07	\$639,938.51	\$2,475,869.20
Grantmaking, giving, and social	12.10	\$440,137.58	\$1,744,774.57
Real estate	9.71	\$166,584.05	\$1,390,307.48

## Additional State and Local Tax Impacts – \$2,777,760

## Special Considerations

- Bellingham (population 87,574, 2016) a non-rural city within Whatcom County.

## Whitman County

<b>15<sup>th</sup></b> Population – 48,851	<b>14<sup>th</sup></b> Employment – 26,035
<b>14<sup>th</sup></b> Gross Regional Product – \$2,000,607,623	<b>20<sup>th</sup></b> Industries – 175
<b>12<sup>th</sup></b> # of Establishments – 826	<b>10<sup>th</sup></b> Land Area – 2,159 sq miles
<b>15<sup>th</sup></b> Number of Households – 21,426	<b>30<sup>th</sup></b> Average Household Income – \$84,612
<b>21<sup>st</sup></b> Taxes \$83,087,393	<b>28<sup>th</sup></b> Shannon-Weaver Index – 0.60654
<b>14<sup>th</sup></b> Private Sector Leakage (industry aggregate) – 19.21%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$7,231,740.33**
- Total value of ten highest out of region spends - **\$21,012,420.21**
- Top spending local entity – **City of Pullman, \$7,032,697.79**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	36	\$1,249,56.23	\$6,734,135.45
Indirect Effect	7	\$210,291.63	\$945,510.99
Induced Effect	4	\$126,186.84	\$519,643.49
<b>Total Effect</b>	<b>47</b>	<b>\$1,586,015.00</b>	<b>\$8,199,290.00</b>
Estimated Leaked Impact	136	\$4,608,297.88	\$23,823,715.86

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Legal Services	25	\$557,014.06	\$2,944,566.95
Asphalt paving	4	\$430,974.46	\$2,941,174.23
Business and professional services	3	\$81,624.11	\$323,916.44
Architectural and engineering services	2	\$120,241.24	\$301,244.43
Real Estate	2	\$36,174.87	\$287,944.96

## Additional State and Local Tax Impacts – \$1,147,277

## Special Considerations

None

## Yakima County

<b>1<sup>st</sup></b> Population – 249,636	<b>1<sup>st</sup></b> Employment – 130,552
<b>3<sup>rd</sup></b> Gross Regional Product – \$9,116,335,879	<b>2<sup>nd</sup></b> Industries – 260
<b>2<sup>nd</sup></b> # of Establishments – 4,674	<b>2<sup>nd</sup></b> Land Area – 4,296 sq miles
<b>2<sup>nd</sup></b> Number of Households – 81,841	<b>5<sup>th</sup></b> Average Household Income – \$118,156
<b>3<sup>rd</sup></b> Taxes \$886,941,762	<b>16<sup>th</sup></b> Shannon-Weaver Index – 0.66344
<b>9<sup>th</sup></b> Private Sector Leakage (industry aggregate) – 8.83%	

## Impact Analysis Snapshot

- Total value of ten highest locally awarded spends - **\$10,450,036.97**
- Total value of ten highest out of region spends - **\$31,670,146.86**
- Top spending local entity – **Yakima School District, \$8,052,609.65**

## Economic Impact of 10 highest valued locally awarded contracts

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	66	\$3,651,628.06	\$9,773,382.48
Indirect Effect	16	\$681,724.91	\$1,922,614.77
Induced Effect	19	\$777,641.70	\$2,401,716.55
<b>Total Effect</b>	<b>101</b>	<b>\$5,110,995.00</b>	<b>\$14,097,714.00</b>
Estimated Leaked Impact	307	\$15,489,510.97	\$42,724,889.30

## Five most locally impacted industries

Description	Employment	Labor Income (\$)	Output (\$)
Legal Services	32	\$1,485,502.22	\$4,377,250.63
Asphalt paving	21	\$1,209,705.76	\$2,903,483.34
Business and professional services	8	\$635,687.10	\$1,245,409.75
Architectural and engineering services	6	\$433,900.17	\$1,454,185.59
Real Estate	2	\$192,474.64	\$563,367.27

## Additional State and Local Tax Impacts – \$716,381

## Special Considerations

None

## Appendix Item E: Five Percent Preference Case Studies

### Introduction

The goal of this analysis was to better understand the economic impact lost to rural communities when their resident businesses are competitive, but not awarded government contracts. To do this a list of “bid tabs” was collected from the websites of municipalities throughout Washington and evaluated to find instances where a losing rural bidder was within 5 percent cost of the winning bidder originating in a non-rural community. Due to the limitation of available data, this analysis represents only a fraction of the total contracts lost to rural bidder and should be seen as an example of the types of impacts that could accrue to rural communities should a rural preference program be implemented.

The following are five cases where a rural bidder was considered price competitive but was not selected. It is unclear why exactly the rural bidder was not selected in these cases and this analysis seeks only to answer the amount of economic impact lost to the local economy of the rural bidder.

All dollars are modeled in the year the contract was awarded (2015, 2016 or 2017) and then adjusted to 2018 dollars. Numbers may not sum due to rounding.

### Definitions

**Location of Public Entity:** The county where the purchasing public entity resides.

**Origin of Winning Bidder:** The city where the winning bidder resides.

**Origin of losing rural bidder:** The city where most competitive losing rural bidder resides.

**Winning Bid Value:** The value of the non-rural bid that received the contract.

**Rural Bid Value:** The value of the most competitive losing rural bid.

**% Difference in Bids:** The percentage difference between the winning bid and the next most competitive rural bid.

**Direct Effect:** The economic impact from the initial contract spending before rippling through the supply chain.

**Indirect Effect:** The economic impact of business-to-business purchasing instigated by the direct effect purchasing. Often referred to as “supply-chain impact” or “secondary effect”.

**Indirect Effect:** The economic impact of increases in employee and proprietor wages caused by business-to-business purchasing calculated. As wages grow so does demand for goods and services like health care, real estate and food. Often referred to as the “tertiary effect”.

**Employment:** The number of additional full-time equivalencies supported by the impact type.

**Labor Income:** The amount of additional income earned by employees and proprietors generated by the impact type.

**Output:** The total value of industry production generated by the impact type.

## Summary

In total, the six case studies below represented forgone local economic impact of 56 jobs, \$2,877,594 in employee compensation and \$8,473,946 in total economic output. The most common industry sector impacted was Construction. Should a 5 percent local preference program be put in place, these impacts could have accrued in the community local to the public entity.

## Case 1: Clarkston Nine Canyon Rd (2015)

The winning bid for the 'Clarkston Nine Canyon Rd' contract was \$1,851,075.15 from a company located in Seattle, WA. The next closest rural bidder was located in Clarkston, WA and was valued at \$1,906,648.60. The difference between these two bids was approximately 3 percent. The forgone impacts to Asotin County were 16.04 jobs, \$930,504 in new labor income and \$2,605,177 in total economic output.

### Details

Location of Public Entity: Benton County  
Origin of winning bidder: Seattle, WA  
Origin of losing rural bidder: Clarkston, WA

Winning bid value: \$1,851,075.15  
Rural bid value: \$1,906,648.60  
% difference in bids: 3.0%

### Economic value lost to Asotin County

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	10.93	\$736,698	\$1,961,739
Indirect Effect	1.74	\$78,140	\$243,653
Induced Effect	3.36	\$115,663	\$399,784
<b>Total Effect</b>	<b>16.04 jobs</b>	<b>\$930,504</b>	<b>\$2,605,177</b>

### Forgone Impact by Industry (Top 5)

Description	Employment	Labor Income (\$)	Output (\$)
Construction	10.94	\$736,698.93	\$1,961,739.56
Hospitals	0.31	\$23,374.27	\$46,379.50
Stone mining and quarrying	0.28	\$15,856.81	\$48,847.36
Wholesale trade	0.26	\$14,833.59	\$54,627.08
Limited-service restaurants	0.23	\$4,693.38	\$22,049.83

## Case 2: Road Surface Treatment (2017)

The winning bid for the 'Road Surface Treatment' contract was \$1,913,899.00 from a company located in Yakima, WA. The next closest rural bidder was located in Moses Lake, WA and was valued at \$1,981,751.30. The difference between these two bids was approximately 3.5 percent. The forgone impacts to Grant County were 10.7 jobs, \$542,777 in new labor income and \$1,577,274 in total economic output.

### Details

Location of Public Entity: Benton County

Origin of winning bidder: Yakima, WA

Origin of losing rural bidder: Moses Lake, WA

Winning bid value: \$1,913,899.00

Rural bid value: \$1,981,751.30

% difference in bids: 3.5%

### Economic Value Lost to Grant County

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	7.58	\$419,662.09	\$1,158,893.26
Indirect Effect	1.62	\$70,054.10	\$217,761.65
Induced Effect	1.51	\$53,061.18	\$200,618.68
<b>Total Effect</b>	<b>10.7</b>	<b>\$542,777</b>	<b>\$1,577,274</b>

### Forgone Impact by Industry (Top 5)

Description	Employment	Labor Income (\$)	Output (\$)
Maintenance & repair of roads	7.58	\$419,662.09	\$1,158,893.26
Retail - Building materials	0.32	\$15,304.15	\$37,465.95
Retail - Miscellaneous stores	0.23	\$3,885.03	\$9,016.23
Real estate	0.18	\$3,129.33	\$26,545.92
Wholesale trade	0.14	\$8,892.12	\$30,811.57

## Case 3: Road Construction (2017)

The winning bid for the 'Road Construction' contract was \$2,827,436.65 from a company located in Richland, WA. The next closest rural bidder was located in Moses Lake, WA and was valued at \$2,828,282.28. The difference between these two bids was approximately 0.03 percent. The forgone impacts to Grant County were 23.68 jobs, \$1,225,948 in new labor income and \$3,886,183 in total economic output.

### Details

Location of Public Entity: Benton County

Origin of winning bidder: Richland, WA

Origin of losing rural bidder: Moses Lake, WA

Winning bid value: \$2,827,436.65

Rural bid value: \$2,828,282.28

% difference in bids: 0.03%

### Economic Value Lost to Grant County

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	17.17080112	\$929,645.33	\$2,850,969.22
Indirect Effect	3.106096011	\$176,432.78	\$582,105.76
Induced Effect	3.402388931	\$119,870.12	\$453,108.08
<b>Total Effect</b>	<b>23.68</b>	<b>\$1,225,948</b>	<b>\$3,886,183</b>

### Forgone Impact by Industry (Top 5)

Description	Employment	Labor Income (\$)	Output (\$)
Construction of new roads	17.17	\$929,645.32	\$2,850,969.21
Wholesale trade	0.57	\$36,814.01	\$127,562.10
Real estate	0.41	\$7,005.43	\$59,426.77
Employment services	0.27	\$8,016.98	\$17,399.70
Limited-service restaurants	0.27	\$4,764.10	\$24,007.62

## Case 4: Pavement Markings (2017)

The winning bid for the 'Pavement Markings' contract was \$53,803.81 from a company located in Kennewick, WA. The next closest rural bidder was located in Clarkston, WA and was valued at \$55,859.23. The difference between these two bids was approximately 3.8 percent. The forgone impacts to Asotin County were 0.51 jobs, \$29,891 in new labor income and \$77,070 in total economic output.

### Details

Location of Public Entity: Columbia County  
Origin of winning bidder: Kennewick, WA  
Origin of losing rural bidder: Clarkston, WA

Winning bid value: \$53,807.81  
Rural bid value: \$55,859.23  
% difference in bids: 3.8%

### Economic value lost to Asotin County

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	0.33	\$23,371.53	\$56,369.95
Indirect Effect	0.07	\$2,788.19	\$7,796.99
Induced Effect	0.11	\$3,731.28	\$12,902.65
<b>Total Effect</b>	<b>0.51</b>	<b>\$29,891</b>	<b>\$77,070</b>

### Forgone Impact by Industry (Top 5)

Description	Employment	Labor Income (\$)	Output (\$)
Road maintenance and repair	0.33	\$23,371.53	\$56,369.95
Retail - Building materials	0.01	\$502.23	\$1,283.17
Retail - Miscellaneous stores	0.01	\$176.09	\$421.59
Hospitals	0.01	\$752.63	\$1,493.38
Limited-service restaurants	0.01	\$147.46	\$692.77



## Case 5: Weed Spray (2016)

The winning bid for the 'Weed Spray' contract was \$121,104.00 from a company located in Spokane, WA. The next closest rural bidder was located in Moses Lake, WA and was valued at \$123,648.00. The difference between these two bids was approximately 2.1 percent. The forgone impacts to Grant County were 2.44 jobs, \$75,230 in new labor income and \$166,316 in total economic output.

### Details

Location of Public Entity: Kittitas County

Origin of winning bidder: Spokane, WA

Origin of losing rural bidder: Moses Lake, WA

Winning bid value: \$121,104.00

Rural bid value: \$123,648.00

% difference in bids: 2.1%

### Economic value lost to Grant County

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	2.13	\$63,672	\$124,481
Indirect Effect	0.10	\$4,202	\$14,031
Induced Effect	0.21	\$7,356	\$27,805
<b>Total Effect</b>	<b>2.44</b>	<b>\$75,230</b>	<b>\$166,316</b>

### Forgone Impact by Industry (Top 5)

Description	Employment	Labor Income (\$)	Output (\$)
Landscape and horticultural services	2.13	\$63,732	\$124,598
Real estate	0.03	\$534	\$4,532
Wholesale trade	0.02	\$1,201	\$4,162
Employment services	0.02	\$542	\$1,176
Limited-service restaurants	0.02	\$303	\$1,527

## Case 6: Weed Spray (2017)

The winning bid for the 'Weed Spray' contract was \$119,903.00 from a company located in Spokane, WA. The next closest rural bidder was located in Moses Lake, WA and was valued at \$120,384.00. The difference between these two bids was approximately 0.4 percent. The forgone impacts to Grant County were 2.38 jobs, \$73,244 in new labor income and \$161,926 in total economic output.

### Details

Location of Public Entity: Kitis County

Origin of winning bidder: Spokane, WA

Origin of losing rural bidder: Moses Lake, WA

Winning bid value: \$119,903.00

Rural bid value: \$120,384.00

% difference in bids: 0.4%

### Economic value lost to Grant County

Impact Type	Employment	Labor Income (\$)	Output (\$)
Direct Effect	2.07	\$61,991	\$121,195
Indirect Effect	0.10	\$4,091	\$13,661
Induced Effect	0.20	\$7,162	\$27,071
<b>Total Effect</b>	<b>2.38</b>	<b>\$73,244</b>	<b>\$161,926</b>

### Forgone Impact by Industry (Top 5)

Description	Employment	Labor Income (\$)	Output (\$)
Landscape and horticultural services	2.08	\$62,049	\$121,309
Real estate	0.03	\$520	\$4,412
Wholesale trade	0.02	\$1,170	\$4,052
Employment services	0.02	\$528	\$1,145
Limited-service restaurants	0.02	\$295	\$1,487