

Business Enterprise Resource Office (BERO)



Annual Report Fiscal Year 2025

Submitted pursuant to TCA § 4-26-105 to the Governor and General Assembly



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2. Executive Summary

The Business Enterprise Resource Office (BERO) serves as Tennessee’s statutory voice for small and underutilized businesses and is housed within the Department of Economic and Community Development. Established by T.C.A. § 4-26-101 et seq., BERO advances small and disadvantaged businesses by expanding access to capital, building entrepreneurial capacity, and supporting community resilience across all 95 counties.

During FY2025, BERO focused on three priorities aligned with the state’s economic development mission:

1. Expanding Capital Access and Investment:

Through Fund Tennessee, Tennessee surpassed federal benchmarks with more than 90 percent of loan and investment recipients qualifying as socially and economically disadvantaged individuals ([SEDI](#)).

2. Empowering Communities, Small Businesses and Entrepreneurs:

TN SmartStart prepared to launch its new digital platform offering how-to guides, local resource connectivity, and interactive checklists on registering a business in Tennessee.

3. Building Resilience and Partnerships:

BERO served as a connector for recovery resources in collaboration with the Tennessee SBA, TSBDC, and other government agencies.

Statewide Impact Highlights:

- \$46.8 million in loans and investments (SSBCI + private capital) through Fund Tennessee
- 673 jobs impacted (retained + net new) from Fund Tennessee loans and investments
- 72+ SmartStart Communities
- \$2 million awarded over 19 Placemakers Grants
- 89+ trainings, presentations, and events statewide

Looking Ahead:

BERO will continue modernizing its digital resources and dashboards, expanding capital access, and advancing small and underutilized business competitiveness statewide. Looking ahead, these efforts will broaden opportunity, strengthen support systems, and foster sustainable growth for small businesses, entrepreneurs and local communities alike.

3. Tennessee Small Business Landscape

Key Takeaways

- **Tennessee** ranked **#1 in the Southeast** and **#4 nationally** for small businesses with fewer than 10 employees, posting a **20% job growth increase from 2021 to 2024**. The state also led the region and ranked **#3 nationally** for job growth among firms with **fewer than 5** and **fewer than 50 employees** during the same period. ([Small Businesses in Tennessee Dashboards](#))
 - **Small businesses are central to Tennessee's economy**, making up nearly half the workforce and over 99% of firms.
 - **Women- and minority-owned firms are growing**, but continue to face barriers in revenue, scale, and access to capital.
 - **Veteran-owned businesses are in decline**, reflecting national contraction trends.
-

National Small Business Landscape

- The U.S. is home to **33.3 million small businesses**, making up **99.9% of all firms** and employing **61.7 million people—46% of the private workforce** (U.S. Small Business Administration, 2024).
 - **Microenterprises** (five (5) or fewer employees) account for over **75% of all small businesses** and generate more than **\$4 trillion annually** (Association for Enterprise Opportunity, 2024).
 - **Women-owned businesses**: Nearly **14 million nationwide**, producing **\$2.7 trillion in revenues** and employing **12.2 million people** (Wells Fargo Women-Owned Business Report, 2024).
 - **Black-owned businesses**: Grew by **30% between 2017 and 2021**, now representing more than **161,000 employer firms** ([Pew Research Center, 2024](#)).
 - **Small businesses employ 47.1% of the metropolitan workforce** and **56.6% in rural areas**, though their rural share has steadily trended downward since 2012. ([SBA Rural Areas 2024 Small Business Profile](#))
 - Access gaps remain: In the **2023 Small Business Credit Survey (Federal Reserve)**, only **31% of Black-owned** and **36% of Hispanic-owned employer firms** received all the financing they sought, compared to **54% of white-owned firms**.
-

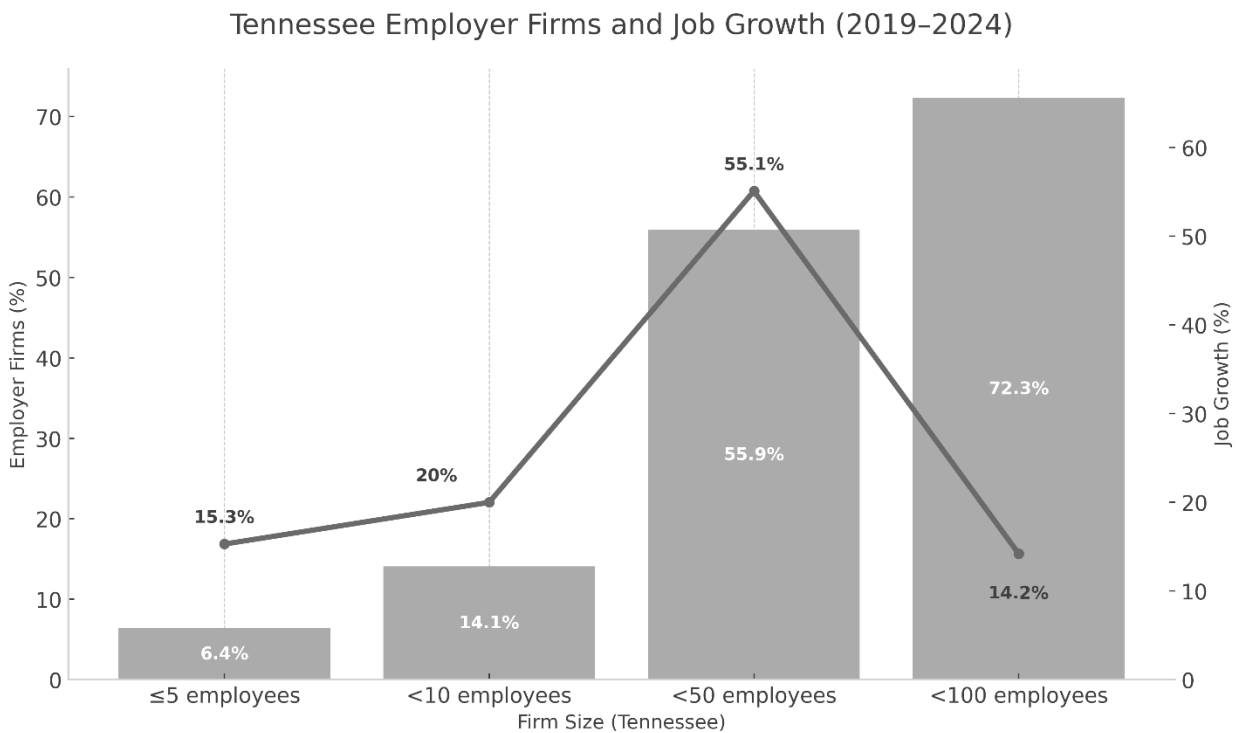
Regional (Southeastern U.S.) Landscape

- The Southeast is one of the fastest-growing small business regions in the nation, with **Florida, Georgia, and Tennessee ranking among the top states for new business filings per capita** (Kauffman Foundation, 2023).

- Small businesses account for more than **43% of private-sector employment** across southeastern states, with a particularly high concentration in rural areas (U.S. Small Business Administration, Region IV Profile, 2023).
- **Rural disparities are stark:** counties in the Appalachian region of Tennessee, Kentucky, and West Virginia remain among the most economically distressed in the nation, highlighting the role of necessity-driven entrepreneurship. ([ARC](#),

Tennessee Snapshot

- **Overall Business Landscape:**
Tennessee has more than **741,196 small businesses**, employing over **1.2 million people**—about **41.5% of the state’s private workforce** ([SBA Tennessee Small Business Profile, 2025](#)). From 2019–2024, businesses with fewer than 100 employees grew jobs by **14%**, and those with fewer than 10 employees grew by **20%** ([Small Businesses in Tennessee Dashboards](#)).



Source: [Small Businesses in Tennessee Dashboards](#)

- 225K+ employer small businesses and 609K+ nonemployers
- **Ownership by Group** (U.S. Census Bureau ABS, 2022 and SBA Profiles [2023](#) and [2025](#)):
 - **Hispanic-owned firms** — 5.7%
 - **Women-owned** — 45%
 - **Veteran-owned** — 6.5%.

- **Nonemployer firms**—businesses with no paid employees—make up the majority of Tennessee’s small business sector, consistent with national trends.

Disparities in Access and Outcomes

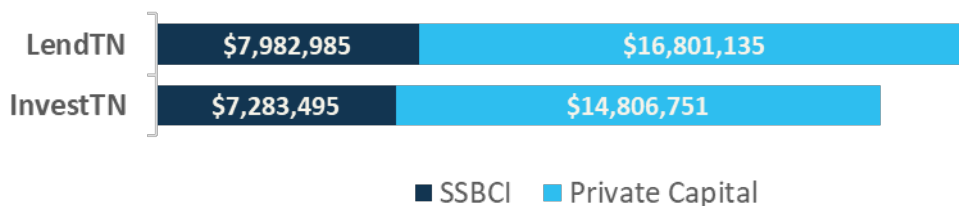
- **Revenue Gap:** Average revenues of minority-owned firms remain **less than half** those of non-minority-owned businesses nationally ([Brookings Institution, 2023](#)). This gap is reflected in Tennessee where minority-owned firms tend to be smaller and less capitalized.
- **Capital Access:**
 - Only **32% of Black-owned and Hispanic-owned small businesses** reported receiving full financing sought in 2023, compared to **56% of white-owned businesses**.
 - In Tennessee, microbusinesses often cite lack of collateral and limited relationships with mainstream lenders as barriers. ([Small Business Credit Survey, Federal Reserve Banks, 2024](#))
- **Veteran-Owned Firms:** Nationally declining, with a **15% drop in employer firms between 2019–2021**. Tennessee mirrors this trend, with fewer veteran-owned businesses operating compared to pre-pandemic levels. ([Small Business Credit Survey, 2023](#))
- **Women-Owned Firms:** Growing in number but still face a **revenue gap of ~25% compared to male-owned firms** ([JP Morgan Chase Institute, 2024](#)).
- Tennessee has a **high firm count share for small-firm exporters (83%)** but a **lower export value share (15.8%)** compared to the U.S. average (33.0%). (SBA Profiles [2023](#) and [2025](#), [FRED](#), [US Global Leadership Coalition](#))

4. Access to Capital



FY2025: \$46.8 million in loans and investments (SSBCI + Private Capital)

- **By program component**



- **Total funding expended through June 2025:**
SSBCI: \$26.3 million | Private Capital: \$55.3 million | Total: \$81.6 million

Fund Tennessee FY2025 Outcomes by Program Component

LendTN and InvestTN



673 Jobs Impacted
(FTEs created and retained)

\$13.4M SEDI*-owned Businesses
(Goal: 52%)



\$8.7M VSB*
(Goal: \$4.5 million)

AssistTN



85 Training Attendees























161 Businesses Served


- 83 SEDI-owned
- 78 VSBs

*[SEDI](#): Socially and Economically Disadvantaged Individuals / [VSB](#): Very Small Businesses
SEDI and VSB per US Treasury must be met to receive the next Tranche of funding.
KPIs are [posted on the dashboard](#) and updated quarterly.

📌 Fund Tennessee is currently administering \$117 million in federal funding to Tennessee small businesses and entrepreneurs as part of the U.S. Department of the Treasury’s SSBCI ([State Small Business and Credit Initiative](#)) program. Fund Tennessee is comprised of InvestTN, the equity component; LendTN, the debt program; and AssistTN, for technical assistance. We believe Tennessee is better when its business community – across all 95 counties – is empowered to grow, create jobs, and transform communities.

Fund Tennessee Timeline

YR	Month	Area	Milestone/Activity
2022	February		Submitted full application to US Treasury
	February		TN approved for \$116.9 million
2023	February		LendTN: “Intent to Participate” period for lenders
	March		Fund Tennessee: Statewide program launch roadshow
	March		InvestTN/LendTN: Received Tranche 1 (\$32.7 million)
	August		LendTN: 1 st loan
	December		InvestTN: 1 st equity investment
	2024	March	
April			Exceeded VSB goal (\$4.5 million)
May			Launched program marketing statewide
July			AssistTN: Received Tranche 1 (\$1.3 million)
August			AssistTN Launched Tri-Star Angel Program (TAP)
September			AssistTN: TAP Cohort 1, Basic/Advanced
October			AssistTN Launched with MTSU/TSBDC
2025	January		1000+ Jobs Impacted (FTEs, created and retained)
	February		AssistTN: TAP – Cohort 2, Basic/Advanced
	March		InvestTN/LendTN: Tranche 2 request submitted
	April		InvestTN/LendTN: Received Tranche 2 (\$41.6 million)
	April		LendTN: Opened 2 nd “Intent to Participate” period
	June		LendTN: New lender added (new total: 6)

 Program Activities |
  Funding |
  Impact Metrics |
  Key Milestone

5. Capacity-Building: Entrepreneurship and Community Capacity

5.1 SmartStart Guide and Community Initiative

■ TN SmartStart Guide



- Introduce the new interactive chatbot, “Ask Iris”
- Roll out “How to Register a Business in Tennessee” step-by-step interactive guide, summer of 2025. (More added by the end of FY2026, including finding funding, doing business with the public and private sectors with certification and mentorship information.)

🔗 Access to support and resources is crucial to business success. Connecting users with the right resources at the right time means they can spend time on making their business grow. Users can learn how to register a business and connect with resources locally and across the state. Visit TNSmartStart.com to learn more.

■ TN SmartStart Community Initiative

- 72 SmartStart Communities established, 22 Communities started, and 15+ are in development
- CY2026 will be used to advance the Initiative by refining delivery methods, strengthening coordination, and expanding outreach statewide

🔗 The TN SmartStart Community Initiative empowers local partners with training, tools, and resources to support small businesses and entrepreneurs right where they live. Together, we **connect business owners to the right resource at the right time**—fueling growth, innovation, and opportunity in every corner of Tennessee. Visit tn.gov/ecd/bero to learn more.

5.2 TN Placemakers Entrepreneurship Fund

- \$2,031,520 awarded through 19 grants to nonprofits, governments, and educational institutions for the support and development of small businesses and entrepreneurs from rural to urban areas statewide in FY2025.
- As of 2025, this program was rolled into the [ThreeStar](#) program.

5.3 Partnerships and Collaborations

- Launch Tennessee
 - \$17,026,116 went directly to 790 startups and founders
 - Launch is a key collaborator with Fund Tennessee and administers the [InvestTN](#) component (see Fund Tennessee section for details).
 - StartupTennessee.org targeting innovators and startups with resources.
 - Launch’s [annual report](#) provides details on how they provide capital, connections and commercialization opportunities for startups in Tennessee.

🔗 Launch Tennessee serves as a hub for startups and innovation. It is a public-private partnership that promotes entrepreneurship, technology advancement, capital formation and

workforce development funded through a grant contract with the State of Tennessee. Visit LaunchTN.org or view LaunchTN metrics on [Transparent Tennessee](#).

- Opportunity Appalachia (OA)
 - Project highlight: The Cordell Hotel broke ground in Gainesboro, a \$7 million project creating 10–12 full-time jobs. The adjacent restaurant, located in the former Bull & Thistle space, will employ 12–15 and provide food service for hotel guests.
 - Find [OA](#) project videos on [the website](#) from Mascot, Monterey, and South Pittsburg.

📌 OA engages a diverse range of investors that prioritize high impact projects in underinvested areas, including Qualified Opportunity Zone Funds, New Markets Tax Credit CDEs, Historic Tax Credit investors, banks, CDFIs, angel investors, crowdfunding platforms, and public funders in Central Appalachia (Kentucky, North Carolina, Ohio, Tennessee, Virginia, West Virginia).

5.4 Federal Initiatives

- [Opportunity Zones](#) (OZ)
 - 4 feasibility reports completed in coordination with development districts
 - Look for a new iteration of OZs in FY2026 and FY2027

📌 OZs are a federal economic development tool providing tax benefits to investors who invest eligible capital gains into economically distressed communities through a Qualified Opportunity Fund (QOF). Detailed information can be found on the [Economic Innovation Group](#) (EIG) and on the [IRS](#) website.

- [Governor's Designated HUBZones](#) (SBA)

Tennessee's selections were approved, covering 23 eligible census tracts—including areas overlapping with Opportunity Zones and key sites near Naval Support Activity (NSA) Mid-South (Millington), Blue Oval City, and the I-24 Industrial Corridor in Middle Tennessee, and among other key projects and sites across the state.

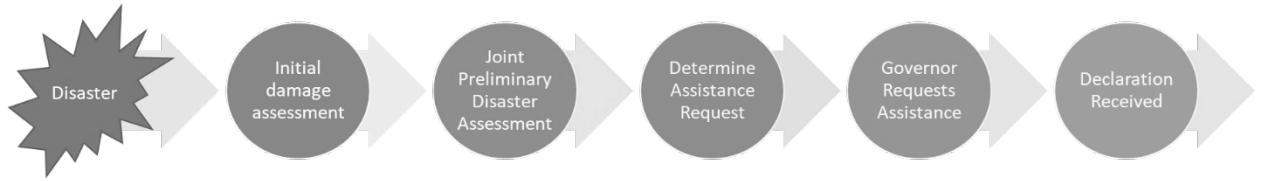
6. Outreach and Resilience

- **A federal and state connector**

BERO serves as Tennessee's conduit to federal initiatives and funding streams for small business support, positioning the state to compete effectively for national resources and maximize federal investments.

By serving as a liaison to SBA and FEMA, and in partnership with the TSBDC network, support is provided by BERO for disaster recovery for small businesses, helping them rebuild quickly after disasters. These efforts reduce economic disruption, preserve jobs, and stabilize communities.

▪ **What is the disaster declaration process?**



- Most emergencies must be borne by the victims of the disaster, but some are large enough to request government assistance. The federal government financially assists local and state governments and its citizens to recover when the emergency is a disaster.
- The SBA can step in with some limited resources even if there is not a presidential declaration.
- No matter what, all businesses impacted by disaster start at the personal, family level.

📌 This year, severe storms, tornadoes, and flooding damaged parts of West and Middle Tennessee April 2-6, 2025; however, it was not declared as a major disaster until June 19-20, 2025. In a Milken Institute article from January 2025, they noted that “The Federal Emergency Management Agency (FEMA) estimates that 40 percent of small businesses never reopen after a natural disaster, and within one year, an additional 25 percent shut down.” ([Improving Small Business Disaster Response and Recovery](#)). The longer a business stays down after a disaster, the greater the risk that it will not reopen, making rapid recovery planning crucial. In a report, [Federal Disaster Assistance for Businesses: Summaries and Policy Options](#), FEMA has noted, “Small businesses may be especially vulnerable to business closure following a disaster due to limited access to emergency capital and other resources.”

7. Statutory Compliance Section

7.1 Statutes and Compliance

Legislative Requirement	Action Required	FY2025 Action
TCA § 4-26-101	BERO is under sunset review, FY2026	October 2025: First Sunset Hearing with Government Operations, Joint Committee
TCA § 4-26-105	Annual report due by December 1	Submitted pursuant to TCA § 4-26-105 by December 1, 2025.
TCA § 4-26-104	Program data maintenance	Found within annual reports as well as part of the BERO’s Small Business and Entrepreneurship (SB&E) dashboard , with the data updated as sources release.

Legislative Requirement	Action Required	FY2025 Action
TCA § 4-26-106	Loan guarantee fund report	<ul style="list-style-type: none"> ▪ Program remains unfunded with TNECD. ▪ See Fund Tennessee for the current access to capital program.
TCA § 4-3-728	CDBG information	BERO advises on changes and continues to partner with the GO-BID to make procurement opportunities available to small and underutilized businesses, through posting contracting opportunities in the Current Procurement Opportunities section of the webpage, presenting to groups on how to access, and providing resources and tools.

7.2 Challenges

- In FY2026, BERO will go through its Sunset Hearing process. Presented in the Sunset response packet, there is a need to modernize statutory language and definitions. The examples below have been identified for potential changes to the Tennessee Code Annotated (TCA). The examples are the following:
 - Modernize definitions to ensure BERO’s code doesn’t require discriminatory preferences and serves all businesses across the state. (TCA § 4-26-102)
 - Remove archaic or potentially exclusionary language (e.g., references discouraging employment of mothers of minor children) and clarify the definition of veterans to include persons who have served honorably in the U.S. Armed Forces, not just for the Vietnam War. (TCA § 4-26-102 (6)(B))
 - Add definitions that reflect entrepreneurship (startups, innovation-based enterprises, digital businesses), ensuring these are explicitly eligible for support. (TCA § 4-26-102)
 - Adjust loan guarantee program with requirements to "minority businesses," substituting language for the authority to administer programs, initiatives, and funds related to education, resources, and tools for small businesses and entrepreneurs as well as the communities in which they are located. This would ensure the office's flexibility to administer funding programs such as Fund Tennessee (SSBCI). (TCA 4-26-106)
- BERO provides critical services in the State, including:
 - Coordinated technical assistance (resources, tools, and education) for microenterprises, small and underutilized businesses and communities.
 - Capital access, including guidance tied to federal SSBCI funding (Fund Tennessee) and partnerships with funders, lenders, and technical assistance providers.
 - Targeted outreach and recovery support in times of disaster.

8. Looking Ahead: Strategic Priorities FY2026

Building on FY2025 momentum, BERO's FY2026 priorities focus on digital transformation, rural inclusion, and sustainable access to capital.

- **Digital Transformation:**
 - Launch new Tennessee SmartStart platform (July 2025).
 - Publish interactive guides
 - How to Register a Business in Tennessee (September 2025); Contracting, Procurement and Mentorship (January 2026); Finding Your Funding (February 2026); Resiliency and Disasters; and Being Small Business Friendly: TN SmartStart Community Guide (2nd Quarter, FY2027)
- **Community and Rural Engagement**
 - Grow SmartStart Communities from 63 to 75 by end of FY2026.
- **Capital Access**
 - Deploy Tranche 2, request Tranche 3 of Fund Tennessee (InvestTN and LendTN); and
 - Request Tranche 2 of technical assistance grant (AssistTN).
- **Small and Disadvantaged/Underutilized Business Monitoring:**
 - Dashboard expansions to address key data—visit the [BERO dashboards](#) and on the [Transparent Tennessee](#) to learn more.

These strategic efforts will guide BERO's continued impact into FY2026 and beyond.

9. Conclusion

Tennessee's small businesses and entrepreneurs remain a key contributor to the state's economy—fueling innovation, community vitality, and job creation across all 95 counties. In FY2025, BERO's efforts through Fund Tennessee, SmartStart, and strategic partnerships strengthened access to capital, entrepreneurship, and resilience statewide. As BERO looks to FY 2026 and the upcoming Sunset Review, the office is committed to modernizing its digital tools, expanding inclusion, and ensuring every Tennessean has the resources to start, grow, and sustain a business. Together with our partners, BERO will continue building a Tennessee where small business and entrepreneurial success drive community prosperity statewide.

10. Appendices

- **Appendix A:** Tennessee Code Annotated References
- **Appendix B:** Sources and Methodology
- **Appendix C:** Contact Directory Inquiries

Appendix A: Tennessee Code References

All Tennessee Code referenced in this report may be found on the free public version of Lexis-Nexis at advance.lexis.com.

Appendix B: Data Sources and Methodology

B.1 Data Sources

The data and analysis in this report draw from a combination of federal, state, and partner datasets current as of October 2025. Primary sources include:

■ Federal and National Data

- **U.S. Small Business Administration (SBA)**
Tennessee Small Business Profile, 2023–2025 editions
(sba.gov/advocacy/small-business-profiles)
Small Business Lending Data, FY2024–FY2025 (Loan-level data via SSBCI Dashboard)
- **U.S. Census Bureau – Annual Business Survey (ABS)**
Ownership by gender, race, veteran status, and geography, 2023 release.
- **Federal Reserve System**
Small Business Credit Survey (2024 National and Southeast Regional Reports)
“Access to Capital in Underserved Communities” Addendum, 2025.
- **Association for Enterprise Opportunity (2024)**
“Microenterprise Data and Impact Report.”
- **JP Morgan Chase Institute (2025)**
“Women Entrepreneurs and Regional Resilience.”
- **Brookings Institution (2024)**
“Bridging the Capital Gap for Minority-Owned Businesses.”
- **Kauffman Foundation (2024)**
“Startup Trends in the Southeast.”
- **Pew Research Center (2024)**
“Black-Owned Business Growth and Recovery Trends.”

■ State and Program Data

- Tennessee Department of Economic and Community Development (TNECD)
BERO internal program data, Fund Tennessee KPIs, SmartStart Community metrics, and Placemakers grant outcomes.
- Fund Tennessee (SSBCI Program)
Quarterly program data as reported to the U.S. Department of the Treasury (Tranches 1–2). Includes InvestTN, LendTN, and AssistTN data through June 2025.
- SmartStart Digital Platform (new 2025 source)
Interactive business registration and resource utilization data, beta analytics dashboard (Q4 FY2025).
- Launch Tennessee (LaunchTN)
FY2024–FY2025 annual reports, including InvestTN and statewide innovation metrics.
- Tennessee Small Business Development Center (TSBDC)
Training, technical assistance, and TAP program participation data.
- Opportunity Appalachia (OA)

FY2025 project pipeline updates and regional investment leverage data.

- Economic Innovation Group (EIG)
Opportunity Zone and Qualified Opportunity Fund data, FY2024–FY2025.
- Transparent Tennessee Data Portal (TNECD Dashboard)
Publicly accessible entrepreneurship, capital, and job creation indicators (updated quarterly).

B.2 Methodology

The analysis and findings in this report were developed using the following approaches:

- **Data Compilation and Verification**
 - Data collected from official federal and state reports and validated through TNECD/BERO program dashboards.
 - Internal KPIs (capital deployed, jobs impacted, SEDI/VSB participation) verified through Fund Tennessee reporting to Treasury.
- **Comparative Analysis**
 - Trends in ownership, access to capital, and revenue gaps were compared against both regional (Southeast) and national datasets for contextual accuracy.
- **Economic Impact Measurement**
 - “Jobs Impacted” includes both **retained and newly created full-time equivalent (FTE)** positions.
 - “Capital Access” metrics represent cumulative loans, investments, and private capital leverage.
- **Timeframes and Updates**
 - Data reflects reporting through **June 30, 2025**, unless otherwise noted.
 - Projections for FY2026 are based on approved strategic priorities and funding commitments as of October 2025.
- **Data Visualization and Accessibility**
 - Dashboards and visualizations are produced through the TNECD/BERO Data Portal and SmartStart Elevate digital platform (in development).
 - Publicly accessible dashboards and metadata are available via: tn.gov/ecd/bero.

B.3 Data Integrity and Limitations

- Some datasets (e.g., 2024–2025 business ownership updates) were provisional at time of publication.
- Revenue and financing statistics are presented in aggregate form to protect respondent confidentiality under federal privacy standards.
- Cross-year comparisons account for definitional updates from SBA and Census Bureau.

Appendix C: Contact for Inquiries

For questions about data, sources, or methodology, contact:

Business Enterprise Resource Office (BERO)

Tennessee Department of Economic and Community Development

ecd.BERO@tn.gov

tn.gov/ecd/bero | fundtennessee.org | tnsmartstart.com