



Governor's Office of Diversity Business Enterprise (Go-DBE)

2017 Annual Report

Tennessee Department of General Services | December 2017



December 7, 2017

The Honorable Bill Haslam, Governor
and Members of the Tennessee General Assembly
First Floor, State Capitol
Nashville, TN 37243

Dear Governor Haslam and Members of the Tennessee General Assembly:

Tenn. Code Ann. §12-3-1101, *et seq.*, known as the "*Tennessee Minority-Owned, Woman-Owned and Small Business Procurement and Contracting Act*" requires the Chief Procurement Officer of the Department of General Services to report annually to the Governor and each member of the General Assembly concerning State agency purchases to minority-owned, woman-owned, service-disabled veteran-owned, and small business enterprises.

The Governor's Office of Diversity Business Enterprise is proud to report more than \$491 million in diversity spend over the past year with business enterprises owned by minorities, women, service-disabled veterans, and small business enterprises. This represents an increase of 5.4% above the previous year's diversity spend. We continue to expand our commitment to maximize opportunities for these business enterprises.

This fiscal year, we assisted two hundred thirty-six (236) new businesses with getting certified as minority-owned, woman-owned, service-disabled-veteran-owned and small business enterprises. This represents an increase of 19% over the previous performance year for the number of newly certified businesses with the State of Tennessee.

Presented herein is the annual report on diversity spend.

Sincerely,

Michael F. Perry
Chief Procurement Officer

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Go-DBE SUMMARY

Creation of the Governor's Office of Diversity Business Enterprise

The Governor's Office of Diversity Business Enterprise (Go-DBE) was created by Executive Order Number 14, on December 8, 2003, in an effort to expand economic opportunities for small businesses and businesses owned by minorities and women.

The office is charged with coordinating and directing the Executive Branch's efforts to increase participation by small businesses and businesses owned by minorities, women, or service-disabled veterans in the state's procurement and contracting processes. With the assistance of a strong legislature, we have crafted one of the best programs in the nation for expanding opportunities to diversity business enterprises.

Mission Statement

To coordinate the state's efforts to facilitate greater participation by minority-owned, woman-owned, service-disabled veteran-owned, and small businesses in the state's procurement and contracting opportunities.

Vision

To be the best program in the nation for expanding meaningful economic opportunities to business enterprises owned by Tennessee small businesses including minority, women and service-disabled veteran-owned businesses.

Program Definitions

Go-DBE is charged with verifying and certifying diversity businesses using one of the following categories:

Minority Business Enterprise (MBE):

A continuing, independent, for profit business which performs a commercially useful function, and is at least fifty-one percent (51%) owned and controlled by one (1) or more minority individuals who are impeded from normal entry into the economic mainstream because of past practices of discrimination based on race or ethnic background. Recognized minority ethnicities include:

African American:

A person having origins in any of the Black racial groups of Africa.

Hispanic American:

A person of Mexican, Puerto Rican, Cuban, Central or South American, or other Spanish culture or origin, regardless of race.

Native American:

A person having origins in any of the original peoples of North America.

Asian American:

A person having origins in any of the original peoples of the Far East, Southeast Asia, the Indian subcontinent, or the Pacific Islands.

Woman Business Enterprise (WBE):

A continuing, independent, for profit business that performs a commercially useful function, and is at least fifty-one percent (51%) owned and controlled by one (1) or more women; or in the case of any publicly-owned business, at least fifty-one percent (51%) of the stock of which is owned and controlled by one (1) or more women and whose management and daily business operations are under the control of one (1) or more women.

Disabled Small Business Enterprise (DSBE):

A continuing, independent, for-profit business that performs a commercially useful function, and is at least fifty-one percent (51%) owned and controlled by one (1) or more persons with a disability; or, in the case of any publicly owned business, at least fifty-one percent (51%) of the stock of which is owned and controlled by one (1) or more persons with a disability and whose management and daily business operations are under the control of one (1) or more persons with a disability.

Service-Disabled Veteran Business Enterprise (SDVBE):

A continuing independent, for profit business located in the State of Tennessee that performs a commercially useful function, and

- o Is at least fifty-one percent (51%) owned and controlled by one (1) or more service-disabled veterans;
- o In the case of a business solely owned by (1) service-disabled veteran and such person's spouse, is at least fifty percent (50%) owned and controlled by the service-disabled veteran; or
- o In the case of any publicly-owned business, at least fifty-one percent (51%) of the stock of which is owned and controlled by one (1) or more service-disabled veteran and whose management and daily business operations are under the control of one (1) or more service-disabled veteran.

Tennessee service-disabled veterans include any person who served honorably on active duty in the Armed Forces of the United States with at least a twenty percent (20%) disability that is service-connected, meaning that such disability was incurred or aggravated in the line of duty in the active military, naval or air service.

Small Business Enterprise (SBE):

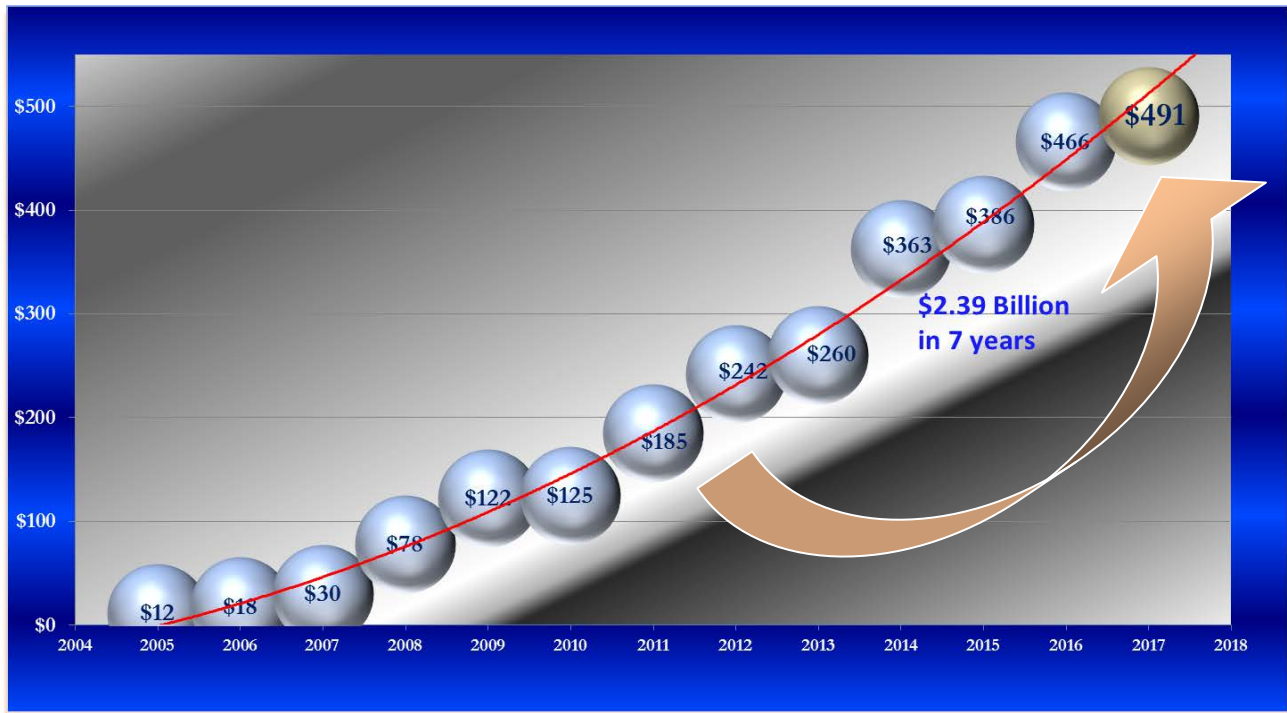
A continuing, independent, for-profit business that performs a commercially useful function and has total gross receipts of no more than ten million dollars (\$10,000,000) averaged over a three-year period or employs not more than ninety-nine (99) employees on a full time basis.

PROGRAM ACCOMPLISHMENTS

Contracts and Payments

Go-DBE is charged with the monitoring of purchases made to certified diversity businesses by state agencies and departments. Due to the nature of the procurement process, using awarded dollar amounts, as defined by the procurement office, can be misleading as awarded dollars are estimated amounts and are not guaranteed. Therefore, for the purposes of producing the most accurate report possible, all dollar values are based on actual spend to diversity businesses. In addition, the spend dollars throughout this report represent purchases from all state agencies, the University of Tennessee System (UT) and Tennessee Board of Regents (TBR). The UT and TBR data is reported to Go-DBE on a quarterly basis; state agency data is collected and reported by the state's Enterprise Resource System (Edison). For conciseness, this report will use the term agencies to mean state departments, UT, and TBR, unless otherwise noted.

Awarded Diversity Dollars FY 2005 to 2017



For thirteen years running, agencies have increased spend with diversity businesses. As illustrated in the chart below, purchases to certified diversity businesses for Fiscal Year (FY) 2017 increased to \$491,296,494, a 5.4% increase over the previous fiscal year.

Go-DBE is now able to report more than \$2.7 billion in diversity contracts and payments to certified diversity businesses from FY 2005 through FY 2017. To provide context, total spend for the State of Tennessee in FY 2017, as reported by Edison, was \$2,759,922,653 with all businesses

regardless of diversity business certification. With the inclusion of UT and TBR, the overall spend is \$3,736,855,201.

The \$491 million includes diversity spend by the State of Tennessee, UT, and TBR. From the overall spend, \$388,894,895 diversity spend originated from state agencies, with the remaining \$102,401,599 in diversity spend originating from UT and TBR. Therefore, approximately 13.2% of state spend went toward certified diversity businesses.

Contracts and Payments by Category and Ethnicity

The information below reflects the categories for minority-owned, woman-owned, service-disabled veteran-owned and small businesses with total dollar spend of \$491,296,494. Considerable increases were shown in three categories. The minority-owned category increased 7.5% from \$144,102,540 to \$154,909,708; the service-disabled veteran-owned category increased 315% from \$938,841 to \$3,896,105; and small businesses increased 14.8% from \$154,353,199 to \$177,156,200.

Also identified for this fiscal year, are the subcategories of ethnicity. Asian-American spend increased 278.8% from \$10,551,217 to \$39,966,779, and Hispanic-American spend increased 20% from \$10,917,864 to \$13,098,021.

Please note that a business may meet multiple criteria, but Go-DBE can only certify a company for one category and subcategory. For example, if a minority service-disabled female owns a business, the owner technically qualified for three categories. The office works in conjunction with the owner to determine the most applicable and appropriate category.

Certification Category & Ethnicity	MBE Spend	WBE Spend	SDVBE Spend	SBE Spend	Ethnicity Totals
<i>African American</i>	\$74,241,740	\$388,571	\$941,007	\$45,280	\$75,616,598
<i>Asian American</i>	\$39,937,039	\$29,740	\$0	\$0	\$39,966,779
<i>Hispanic American</i>	\$12,976,022	\$121,999	\$0	\$0	\$13,098,021
<i>Native American</i>	\$27,754,907	\$1,506,202	\$0	\$0	\$29,261,109
<i>Non-Minority Female</i>	\$0	\$153,287,970	\$0	\$14,467,542	\$167,755,512
<i>Non-Minority Male</i>	\$0	\$0	\$2,955,098	\$162,643,378	\$165,598,475
Totals:	\$154,909,708	\$155,334,481	\$3,896,105	\$177,156,200	\$491,296,494

Diversity Solicitations and Responses

Go-DBE makes considerable efforts to ensure diversity businesses receive as many opportunities to participate in state procurement as possible. Every year, the office releases an upcoming procurements report that depicts likely procurement opportunities over the next year. Also, the office's Diversity Business Liaisons engage all bidders at pre-response conferences handled by the Central Procurement Office. These are just two methods the office uses to proactively engage with the diversity business community. The office uses Edison to monitor and track the following diversity solicitation opportunities. The numbers below also include UT and TBR, which self-report their data. State agency data is collected from Edison. The number of solicitations represents the number of bid opportunities given to each category of diversity business. The number of bids received represents how many of those businesses provided a response in each category.

Category	Number of Solicitations	Number of Bids Received
MBE	4,603	2,424
WBE	7,777	5,761
SDVBE	229	70
SBE	26,731	21,689

MBE Subcategories Solicitations and Responses

Further analysis was conducted using just the minority business category.

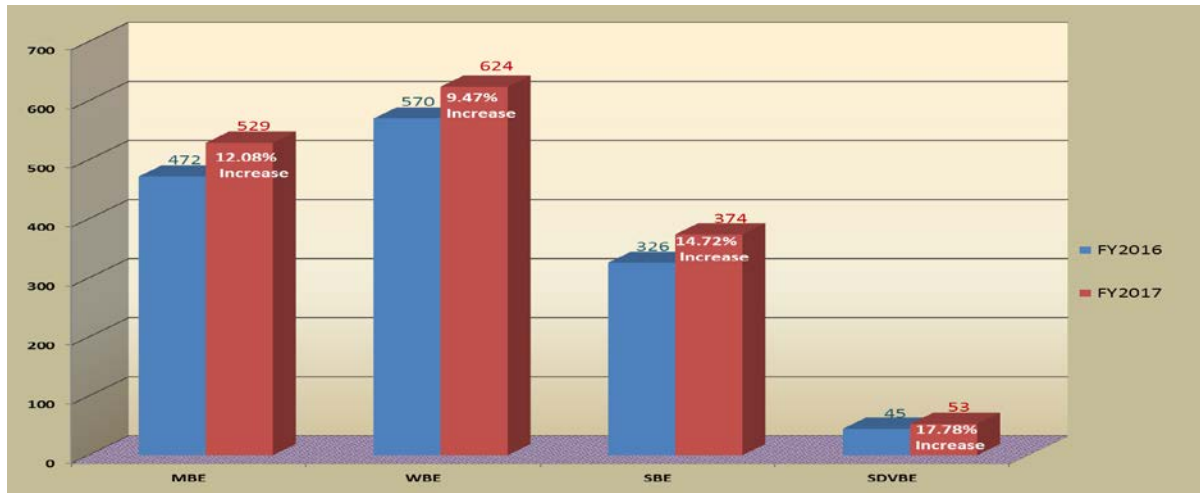
Category	Number of Solicitations	Number of Bids Received	Number of Awards
African American	2,540	1,094	1,323
Asian American	920	615	1,184
Hispanic American	474	216	238
Native American	669	499	538

* *Notes for both charts above: Bids Received and Number of Solicitations includes data from solicitations done in Edison, and reported by UT & TBR. Number of Awards includes purchase orders and contracts and represents the most accurate picture as it captures all awards regardless of whether or not the solicitation was done in Edison. This explains why the Number of Awards may appear higher than the Number of Bids Received. Number of Awards is defined as any one-time purchase order or contract awarded to a certified diversity business; it does NOT count the thousands of purchase orders issued under an existing contract; it only counts new contracts or single purchase orders for non-contract items.*

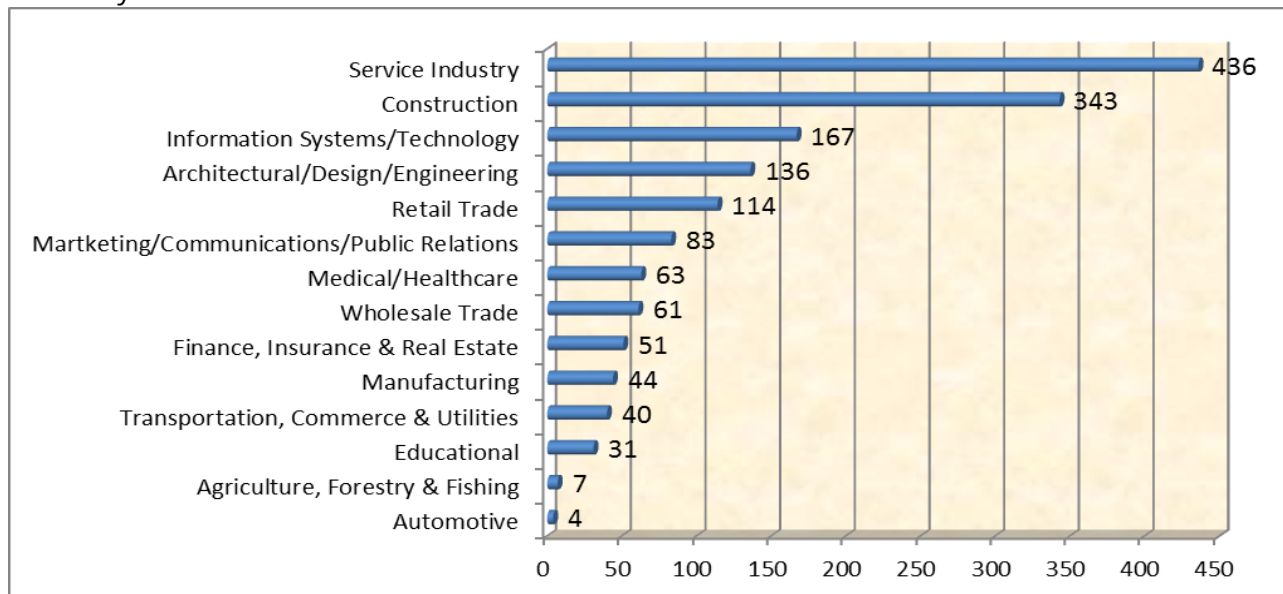
Certification

Go-DBE certifies diversity businesses as minority- owned, woman-owned, service-disabled veteran-owned or small business enterprises. The certification application is entirely an on-line application. FY 2017 saw an 11.8% increase from 1,413 to 1,580 in the number of certified businesses from the previous year.

**Number of Certified Businesses
As of End of FY 2017**



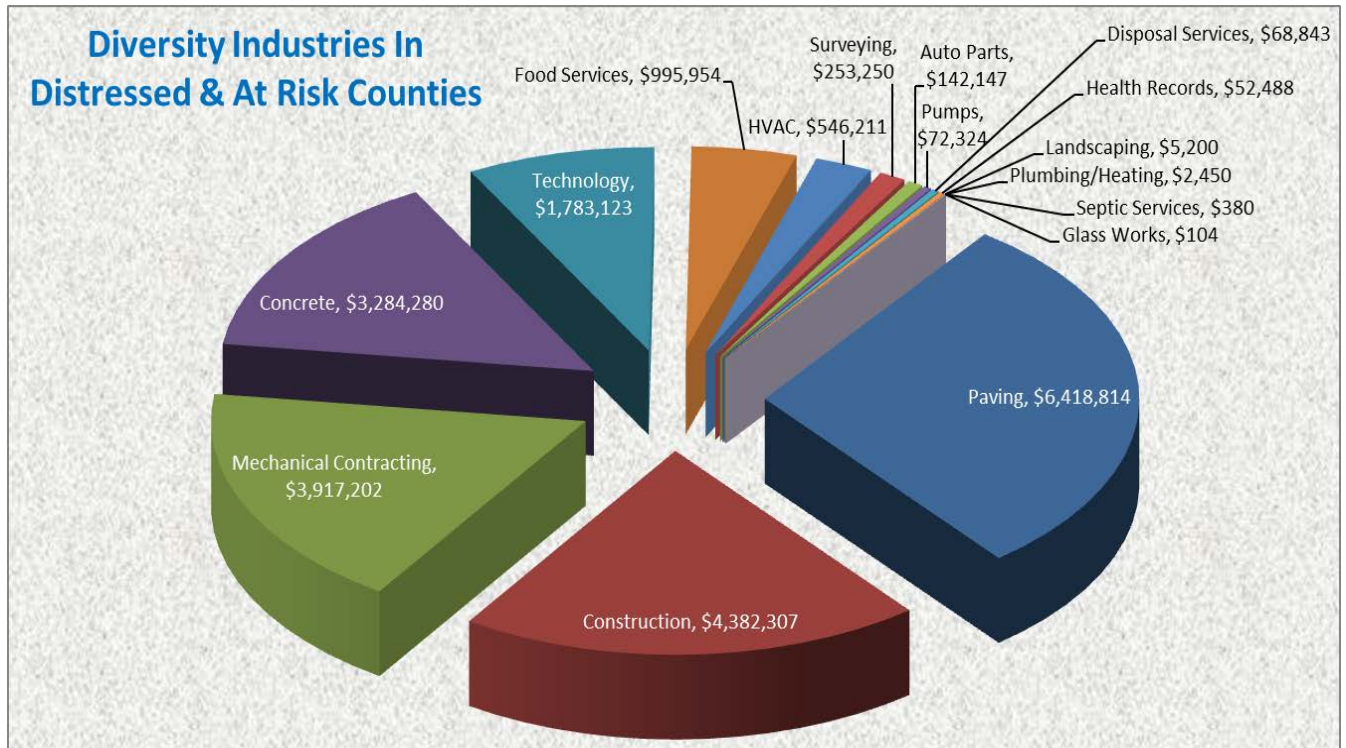
Go-DBE does not limit its diversity participation to just Tennessee businesses, as there are thirty-six (36) states outside of Tennessee that are represented. Go-DBE has certified 315 businesses outside of Tennessee, 37 of which come from the State of Georgia. Go-DBE also strives to find diversity businesses across a wide range of industries in order to best meet the needs of agencies. The graph below depicts the number of certified diversity businesses by industry as of the end of FY 2017.



Distressed and At Risk Counties

Go-DBE has a continuing focus and emphasis on improving the opportunities and success of businesses in Distressed and At Risk counties. Distressed counties are in the lowest 10 percent economically in the nation, while At Risk counties rank between the lowest 10 percent and 25 percent of the nation's counties. The system compares each county's averages for three economic indicators – three-year average unemployment rate, per capita market income, and poverty rate with national averages.

Go-DBE has now certified 75 diversity businesses in Distressed or At Risk counties, representing 32 counties in Tennessee. From those businesses, the state procured \$21.9 million in goods and services this last fiscal year.



Top Agencies and Departments with Diversity Spend Greater than \$1 Million

FY 2017 saw a record 25 agencies achieving diversity spend of over \$1 million. The \$1 million plateau is still a lofty goal each year for many agencies.

Congratulations also goes out to the following agencies that made great strides in increasing diversity dollars in their procurement processes over the previous year:

Agency	Dollars
Finance & Administration	\$75,322,650
TennCare	\$73,545,322
University of Tennessee	\$66,804,761
Tennessee Department of Transportation	\$66,673,388
General Services	\$49,993,651
Board of Regents	\$35,596,837
SBC/Capital Projects	\$25,920,653
Correction	\$17,491,547
Military	\$9,929,113
Human Services	\$7,398,555
Education	\$7,103,676
Mental Health & Substance Abuse	\$6,418,273
Revenue	\$5,917,504
Intellectual & Developmental Disabilities	\$5,557,387
Environment & Conservation	\$5,205,369
Health	\$5,167,487
Veterans Services	\$4,682,861
Tennessee Wildlife Resources Agency	\$4,601,946
Comptroller of the Treasury	\$3,151,981
Children's Services	\$2,679,313
Safety & Homeland Security	\$2,262,848
Tourist Development	\$1,620,894
Commerce & Insurance	\$1,397,926
Tennessee Bureau of Investigation	\$1,371,083
Labor & Workforce	\$1,238,694

Agency	Increase
Finance & Administration	\$22,834,677
General Services	\$22,012,589
SBC/Capital Projects	\$20,683,505
TennCare	\$17,623,725
Military	\$8,819,557
Veterans Services	\$4,674,425
Human Services	\$4,284,140
Tennessee Wildlife Resources Agency	\$3,497,777
Environment & Conservation	\$2,958,925
Revenue	\$2,428,335
Comptroller of the Treasury	\$1,847,404
Safety & Homeland Security	\$1,827,399
Health	\$1,063,450
Education	\$1,045,737

Agency and Departmental Goals

Efforts by agencies to achieve diversity in contracting are monitored by Go-DBE throughout the year. Go-DBE uses spend history from each agency to establish diversity spend goals for the following fiscal year.

Each agency is given a goal by category: MBE, WBE, SDVBE and SBE. However, the Diversity Spend Goal and Actual columns to the right represent the sum of these categories. The individual category goals and spend have been left out of the chart to communicate more concisely whether an agency met its overall goal. Please note that some agencies may have met a category goal, but were unable to meet their total agency goal.

Agencies that met their total goal are highlighted.

As illustrated in the chart, 25 out of 30 departments and agencies met their goals established by Go-DBE during FY 2017. Those that did not meet their goals will be provided targeted assistance for the next FY. With dedicated diversity software, Go-DBE will be able to determine which agencies are falling short on a monthly basis.

Agency	Diversity Goal	Diversity Actual
Agriculture	16.1%	2.3%
Board of Regents	26%	14%
Children's Services	4.5%	11.9%
Commerce & Insurance	3.5%	6.5%
Correction	3.5%	8%
Economic & Community Development	6%	13.8%
Education	3%	9.5%
Environment & Conservation	6.5%	14.1%
Finance & Administration	3.5%	55.1%
Financial Institutions	5.8%	64.8%
General Services	17.5%	38.1%
Health	4%	7.5%
Higher Education	6.5%	38.6%
Human Resources	12.5%	16.4%
Human Services	5.4%	11.1%
Intellectual & Developmental Disabilities	25%	33.9%
Labor & Workforce	6.5%	10.5%
Mental Health and Substance Abuse	13.5%	27.6%
Military	5%	62.5%
Revenue	10.2%	45.1%
Safety & Homeland Security	5%	6.6%
SBC/Capital Projects	12.5%	14.5%
TennCare	23%	27.7%
Tennessee Bureau of Investigation	12.3%	9.2%
Tennessee Department of Transportation	4%	7%
Tennessee Wildlife Resources Agency	6.5%	26.3%
Tourist Development	17.5%	8.4%
TRICOR	12.5%	33.9%
University of Tennessee	25.5%	9.2%
Veterans Services	15%	87.5%

* Percentages shown as % of total agency spend

CONTACT INFORMATION

Go-DBE and the Central Procurement Office are committed to increasing diversity spend and participation in the state's procurement process. In that effort, please find contact information for Go-DBE and Diversity Liaisons below if you have any questions regarding the program.

Go-DBE Contacts

Name	Title	Phone No.	E-mail Address
Shelia J. Simpson	Director	615-253-4634	Shelia.J.Simpson@tn.gov
Richard Van Norman	Diversity Business Liaison	615-253-4654	Richard.VanNorman@tn.gov
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Sylvia Chunn	Diversity Business Liaison	615-532-9013	Sylvia.D.Chunn@tn.gov

Agency Diversity Liaisons

Department	Name	Phone No.	E-mail Address
Agriculture	Larry Maxwell	615-837-5175	Larry.Maxwell@tn.gov
Children's Services	Suzanne White	615-741-0581	Suzanne.G.White@tn.gov
Commerce & Insurance	Gary West	615-532-5754	Gary.West@tn.gov
Comptroller of Treasury	Richard Wilson	615-401-7746	Richard.Wilson@cot.tn.gov
Correction	Wes Landers	615-253-8250	Wes.Landers@tn.gov
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Tennessee Board of Regents	Amy Watts	615-365-1555	Awatts@tbr.edu
Tourist Development	Alicia Widrig	615-741-9065	Alicia.Widrig@tn.gov
Tennessee Wildlife Resource Agency	Clyde Hicks	615-781-6604	Clyde.Hicks@tn.gov
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