

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

2018 Annual Report

Tennessee Department of General Services | December 11 2018



December 11, 2018

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 from small businesses and those owned by minorities, women, persons with disabilities, or service-disabled veterans.

The Governor’s Office of Diversity Business Enterprise is pleased to report over \$530 million in diversity spend over the past year with diversity business enterprises. This represents an increase of 7.97% above the previous year’s diversity spend. We continue to expand our commitment to maximize economic opportunities for these business enterprises.

This fiscal year, we certified one hundred ninety-eight (198) new businesses as small businesses and those owned by minorities, women, persons with disabilities, or service-disabled veterans.

Presented herein is the annual report on diversity spend.

Sincerely,

Michael F. Perry
Chief Procurement Officer

Contents

Go-DBE SUMMARY	1
Creation of the Governor’s Office of Diversity Business Enterprise.....	1
Mission Statement.....	1
Vision.....	1
Program Definitions.....	1
PROGRAM ACCOMPLISHMENTS	3
Contracts and Payments.....	3
Awarded Diversity Dollars FY 2005 to 2018	3
Contracts and Payments by Category and Ethnicity	4
Diversity Solicitations and Responses	5
MBE Subcategories Solicitations and Responses	5
Certification.....	6
Certifications By Industry.....	7
Distressed and At Risk Counties	8
Sub-Contracting.....	9
Top Agencies and Departments with Diversity Spend	10
Agency and Departmental Goals	11
CONTACT INFORMATION	12
Go-DBE Contacts.....	12
Agency Diversity Liaisons	12

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, persons with disabilities, 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, persons with disabilities, 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, persons with disabilities 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

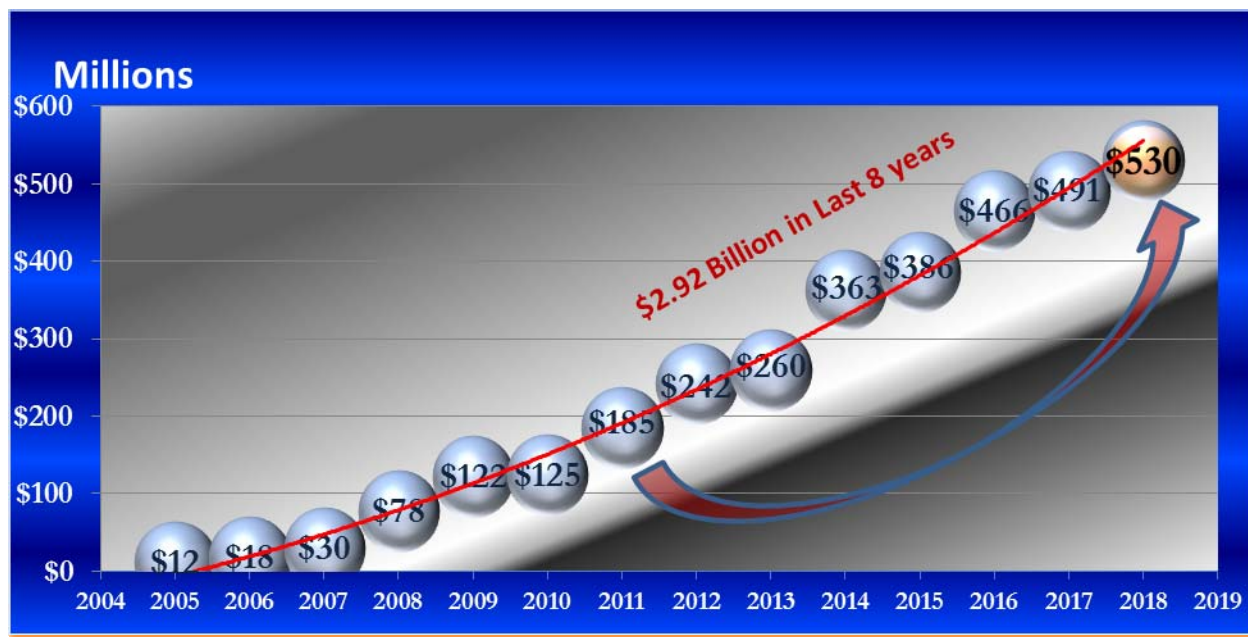
Contracts and Payments

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.

For 14 years running, agencies have increased spend with diversity businesses. As illustrated in the chart below, purchases to certified diversity businesses for Fiscal Year (FY) 2018 increased to **\$530,458,463**, a 7.97% increase over the previous fiscal year.

Go-DBE is now able to report more than \$3.3 billion in diversity contracts and payments to certified diversity businesses from FY 2005 through FY 2018.

Awarded Diversity Dollars FY 2005 to 2018



To provide context, total spend for the State of Tennessee in FY 2017, as reported by Edison, was \$2,998,482,607 with all businesses regardless of diversity business certification. With the inclusion of UT and TBR, the overall spend is \$3,648,103,202.

The \$530 million includes diversity spend by the State of Tennessee, UT, and TBR. From the overall spend, \$375,071,953 diversity spend originated from state agencies, with the remaining \$155,386,510 in diversity spend originating from UT and TBR. Therefore, approximately 14.5% of state spend went toward certified diversity businesses.

Currently, there are 226,518 registered suppliers in the State of Tennessee’s “Edison” System, of which 1,780 are certified with Go-DBE. This represents only 0.79% of the total suppliers obtaining 14.5% of the state spend.

Highlights in Contracts and Payments by Category and Ethnicity

The information below reflects the categories for minority-owned, woman-owned, service-disabled veteran-owned, persons with disabilities and small businesses with total dollar spend of \$530,458,463. Considerable increases were shown in three categories. The minority-owned category increased 24.31% from \$154,909,708 to \$192,560,745; the service-disabled veteran-owned category increased 397.47% from \$3,896,105 to \$19,381,784; and women-owned businesses increased 2.54% from \$155,334,481 to \$159,285,754.

Also identified for this fiscal year, are the subcategories of ethnicity. African-American spend increased 73.3% from \$75,616,598 to \$131,040,034 and Asian-American spend increased 20.85% from \$39,966,779 to \$48,300,458.

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.

FY2017-2018

Category & Ethnicity	MBE Spend	WBE Spend	SDVBE Spend	SBE Spend	Ethnicity Totals
<i>African American</i>	\$130,792,320	\$141,559	\$84,756	\$21,400	\$131,040,035
<i>Asian American</i>	\$48,266,829	\$33,629	0	0	\$48,300,458
<i>Hispanic American</i>	\$12,166,527	\$227,714	0	0	\$12,394,241
<i>Native American</i>	\$1,335,069	0	0	0	\$1,335,069
<i>Non-Minority Female</i>	0	\$158,882,852	\$1,400,730	\$14,001,415	\$174,284,997
<i>Non-Minority Male</i>	0	0	\$17,896,298	\$145,207,365	\$163,103,663
Totals:	\$192,560,745	\$159,285,754	\$19,381,784	\$159,230,180	\$530,458,463

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 engage proactively 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	4,576	2,636
WBE	8,846	5,551
SDVBE	348	155
SBE	26,307	30,168

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	2,570	1,015	1,534
Asian American	1,272	928	2,048
Hispanic American	441	174	225
Native American	742	557	2,263

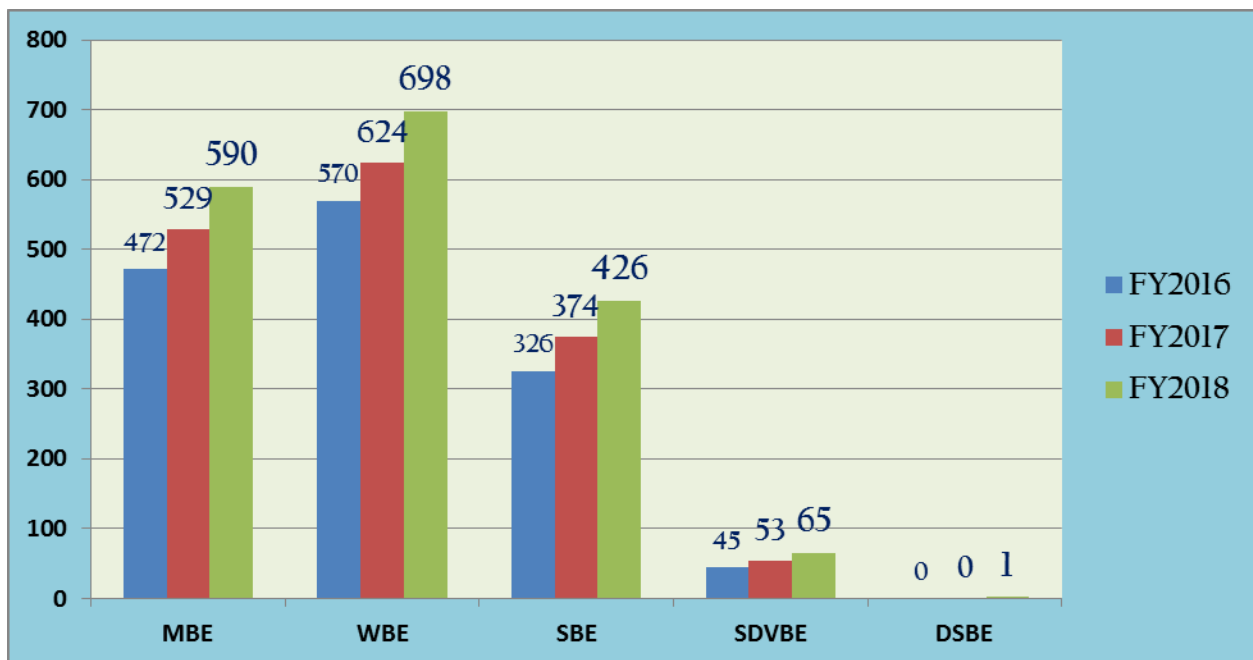
* *Notes for both charts above: Bids Received and Number of Solicitations includes data from solicitations done in Edison, and reported by UT and TBR. Number of Awards includes purchase orders and contracts and represents the most accurate picture as it captures all awards regardless of whether or not 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, persons with disabilities, service-disabled veteran-owned or small business enterprises. The certification application is entirely an on-line application. FY 2018 saw a 12.66% increase from 1,580 to 1,780 in the number of certified businesses from the previous year.

Eligible businesses seeking certification as a Minority Business Enterprise, Woman Business Enterprise, Persons with Disabilities or a Service-disabled Veteran owned business must be independently owned and operated and must also prove that at least 51% of the business is owned and controlled by a minority, a person of female gender, a disabled individual or service-disabled owned veteran within the meaning of T.C.A. §12-3-1102(2), (5), (7), (8) and (10) and related guidelines.

Certified Diversity Businesses As of End of FY 2018

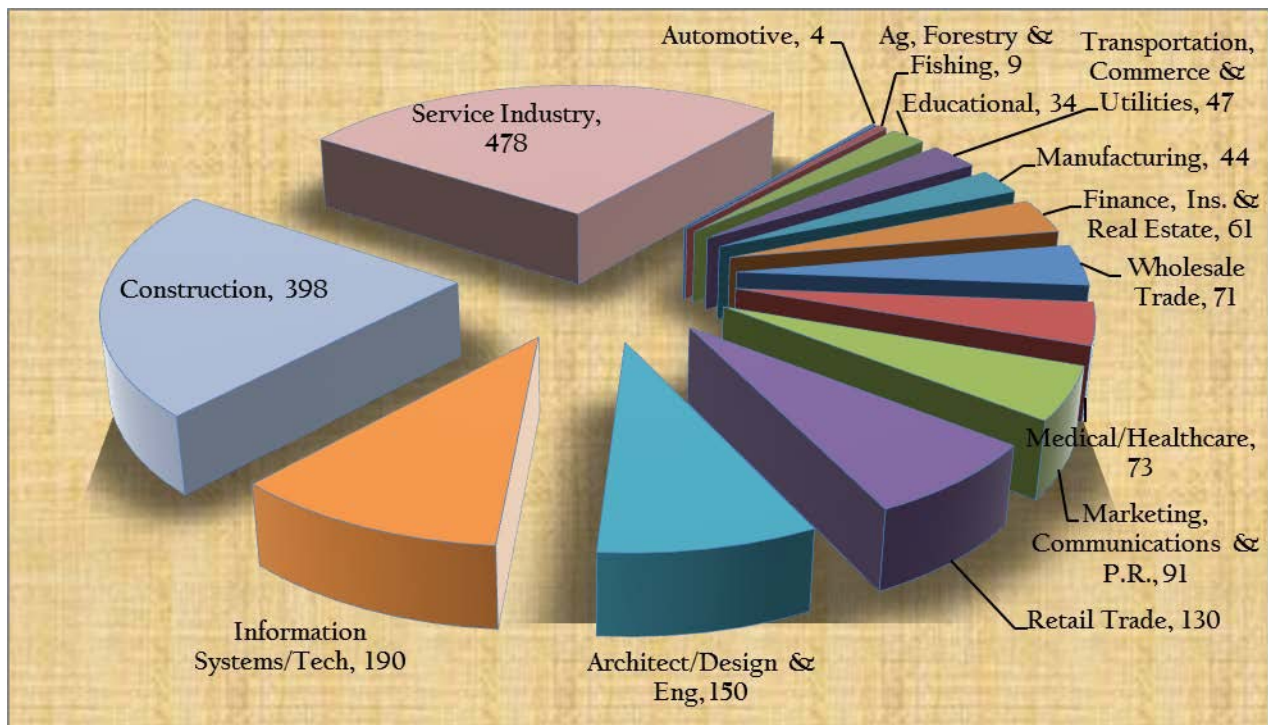


Go-DBE does not limit its diversity participation to just Tennessee businesses, as there are thirty-eight (38) states and the District of Columbia outside of Tennessee that are represented. Go-DBE has certified 418 businesses outside of Tennessee, with 134 businesses in bordering states to Tennessee. Currently, 43 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.

Certifications by Industry

Go-DBE continues to monitor the certifications by Industry each year. All state departments and agencies are encouraged to utilize the Go-DBE website to access the directory to identify certified businesses for sourcing of bid events and proposals. The industry information is also valuable to the local government and private sector companies looking to identify diversity suppliers as both prime and subcontractors. The Service, Construction and Information Systems industries continue to garner the largest participation.

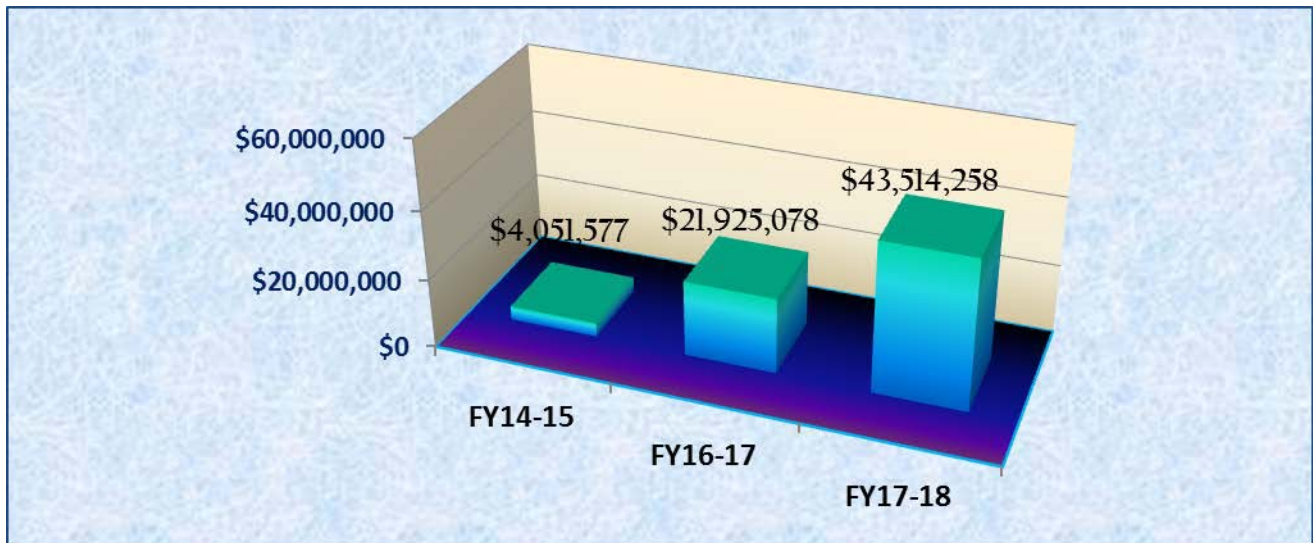
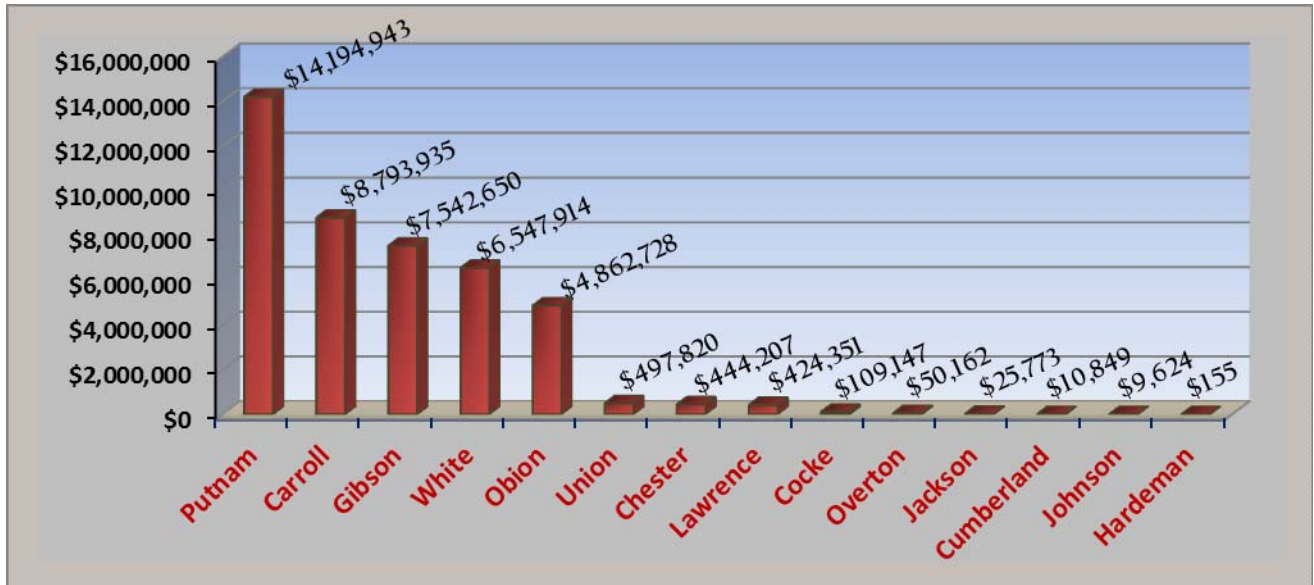
The graph below depicts the number of certified diversity businesses by industry as of the end of FY 2018.



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 89 diversity businesses in Distressed or At Risk counties, representing 33 counties in Tennessee. From those businesses, the state procured \$43.5 million in goods and services last fiscal year. See the graphs below indicating the county diversity dollars and a three (3) year comparison.



Sub-Contracting Opportunities

Each year, the governor’s Office of Diversity Business Enterprise participates in numerous Pre-Bid and Pre-Response conferences. Go-DBE’s role is to educate state agencies and industries about the state’s diversity program. In doing so, majority owned firms are encouraged to subcontract and/or partner to include certified diversity businesses in their procurement.

Sub-contracting has proven to be a successful method in assisting state agencies in reaching their diversity internal goals. This past year saw an unprecedented increase in the utilization of subcontractors, particularly in the construction and professional services areas. The total sub-contracting dollars for FY17-18 was \$265.8 million. This represents 50% of the overall diversity spend for the year.

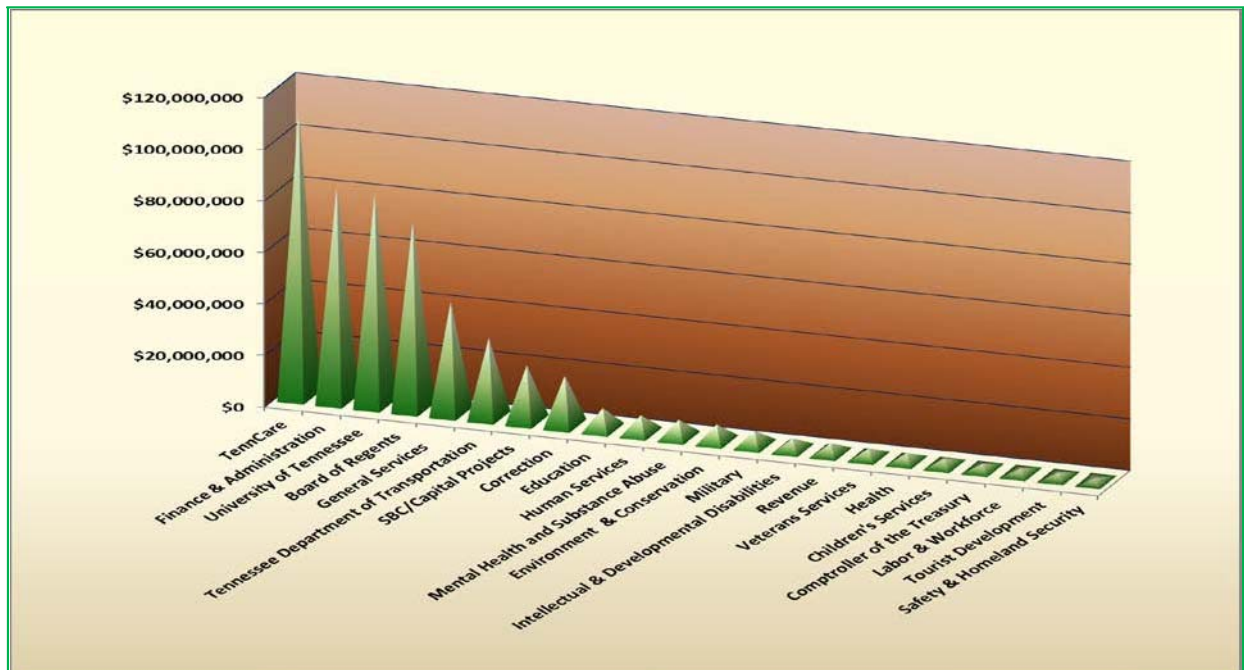
The chart below indicates the increase in diversity subcontracting participation with the State of Tennessee.



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

FY 2018 saw 22 state agencies achieving diversity spend of over \$1 million. The \$1 million plateau remains an elevated goal each year for many agencies.

Agency	Dollars
TennCare	\$111,698,678
Finance & Administration	\$83,494,323
University of Tennessee	\$82,497,477
Board of Regents	\$72,889,033
General Services	\$43,196,223
Tennessee Department of Transportation	\$30,660,540
SBC/Capital Projects	\$21,607,628
Correction	\$19,037,025
Education	\$8,013,383
Human Services	\$6,822,461
Mental Health and Substance Abuse	\$6,570,493
Environment & Conservation	\$6,365,749
Military	\$5,493,607
Intellectual & Developmental Disabilities	\$4,059,220
Revenue	\$3,743,471
Veterans Services	\$3,281,648
Health	\$3,087,554
Children's Services	\$2,689,785
Comptroller of the Treasury	\$2,038,608
Labor & Workforce	\$1,828,855
Tourist Development	\$1,788,931
Safety & Homeland Security	\$1,150,623



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, DSBE, 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 Meeting Their Goal:

As illustrated in the chart at right, 21 agencies and departments met their goals established by Go-DBE during FY 2018. Those that did not meet their goals will be provided targeted assistance for the next fiscal year. With dedicated diversity software, Go-DBE will be able to determine which agencies are falling short on a monthly basis. The following agencies did not meet their goal for FY2018: Agriculture, Commerce & Insurance, Human Resources, Safety, Tennessee Bureau of Investigation, Tennessee Board of Regents, Tennessee Department of Transportation, Tennessee Wildlife Resources Agency and TRICOR.

* Percentages shown as % of total agency spend

Agency	Goal	Actual
Children's Services	4.50%	13.08%
Correction	3.50%	8.45%
Intellectual & Developmental Disabilities	25.00%	39.12%
Economic & Community Development	6.00%	13.74%
Education	3.00%	10.41%
Environment & Conservation	6.50%	14.56%
Finance and Administration	3.50%	15.61%
Financial Institutions	5.78%	33.68%
General Services	17.50%	30.15%
Health	4.00%	4.41%
Higher Education	6.50%	82.45%
Human Services	5.41%	11.85%
Labor & Workforce	6.50%	13.59%
Mental Health	13.50%	26.69%
Military	5.00%	30.58%
Revenue	10.25%	29.15%
SBC/Capital Projects	9.50%	11.18%
TennCare	23.00%	33.37%
Tourist Development	10.50%	10.93%
University of Tennessee	8.00%	17.67%
Veterans Services	15.00%	83.99%

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
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Sylvia Chunn	Diversity Business Liaison	615-532-9013	Sylvia.D.Chunn@tn.gov
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Agency Diversity Liaisons

Department	Name	Phone No.	E-mail Address
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Children's Services	Donovan Haynes	615-741-8422	Donovan.Haynes@tn.gov
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Comptroller of Treasury	Richard Wilson	615-401-7746	Richard.Wilson@cot.tn.gov
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Economic & Community Development	Sherri Mays	615-770-3837	Sherri.Mays@tn.gov
Education	Joanna E. Collins	615-770-3869	Joanna.Collins@tn.gov
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Health Care Finance and Administration	Matt Brimm	615-687-5811	Matt.Brimm@tn.gov
Higher Education	Brett Gipson	615-253-5335	Brett.Gipson@tn.gov
Human Resources	Cindy Hobbs	615-741-6199	Cindy.Hobbs@tn.gov
Human Services	Robin Dietrich	615-313-2270	Robin.Dieterich@tn.gov
Intellectual and Developmental Disabilities	Jordan Mullinix	615-532-6535	Jordan.M.Mullinix@tn.gov
Labor and Workforce Development	Shanna Brake	615-741-0054	Shanna.Brake@tn.gov
Mental Health	Cynthia Tyler	615-532-6586	Cynthia.Tyler@tn.gov
Military	Chris Benson	615-313-0858	Chris.T.Benson@tn.gov
Office of the Governor	Daphne Cooper	615-532-4582	Daphne.Cooper@tn.gov
Revenue	Amanda McGraw	615-253-8950	Amanda.McGraw@tn.gov
Safety and Homeland Security	Shoney Naquin	615-251-5238	Shoney.Naquin@tn.gov
Real Estate Asset Management (STREAM)	Jennifer Murphy	615-426-7192	Jennifer.Murphy@tn.gov
Tennessee Bureau of Investigation	Russell Tipton	615-744-4134	Russell.Tipton@tn.gov
Tennessee Board of Regents	Richard Pence	615-365-1556	Richard.Pence@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
Transportation	David Neese	615-741-0699	David.Neese@tn.gov
Treasury	Dawn Rochelle	615-253-8770	Dawn.Rochelle@tn.gov
TRICOR	James Bickmore	615-741-1806	James.Bickmore@tn.gov
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