

Sunset Public Hearing Questions for
Office of Business Enterprise
Created by Section 4-26-101, *Tennessee Code Annotated*
(Sunset termination June 2020)

1. Provide an overview of the Office of Business Enterprise, including information about its purpose, statutory duties, staff and administrative attachment.

Response

BERO provides critically placed connectivity and advocacy that supports the successful growth and expansion of DBEs, small businesses, microenterprises and aspiring entrepreneurs across Tennessee.

Did you know...?

- Tennessee ranks No. 2 in Small Business Friendliness. *Source: Thumbtack, 2018 Small Business Friendliness Survey*
- Tennessee ranked No.1 in Small Business Growth in 2017. *Source: PAYCHEX - IHS SMALL BUSINESS JOBS INDEX*

About BERO

The Office of Business Enterprise, otherwise known and referred to as the Business Enterprise Resource Office (BERO), was created in the Department of Economic and Community Development (TNECD) by Chapter 135 of the Public Acts of 1977, codified as TCA §4-26-101 et seq.

BERO | Business Enterprise Resource Office

- serves as a voice for and advocate of economic inclusion*;
- analyzes, disseminates and promotes best practices and access to capital to service providers; and
- reports on the status of DBEs statewide (disadvantaged businesses or **DBEs).

*Economic inclusion describes the efforts made to bring DBEs into the economic mainstream.

**For the purposes of BERO, DBE refers to businesses owned by women, minorities, veterans and persons with disabilities; as well as those in areas of chronic high unemployment and low income, which includes urban core and rural areas.

Staffing

The office is composed of a dedicated director charged with managing the statutory duties of the office.

2. What were the office's revenues and expenditures for Fiscal Years 2018 and to date in Fiscal Year 2019?

Response

FY2018

Revenues:

- State: \$244,182.80
- Federal: \$27,351.87

Expenditures: \$271,535

FY2019, to date

Revenues:

- State: \$137,172.75
- Federal: \$122,140.74

Expenditures: \$259,313

3. What procedures does the office have for disclosure of potential conflicts of interest by office staff?

Response

TNECD maintains departmental policies regarding *Ethics, Conflicts of Interest, and Acceptance of Gifts, Fraud Waste and Abuse, and Confidential Treatment of Information*. The policies are affirmed annually by staff. The new Executive Order 3 – openness, transparency and accountability within the executive branch – was recently addressed through online training via DOHR.

4. Describe the nature and extent of the office’s activities and any major accomplishments during the past two fiscal years. How did the office’s activities address each of the powers and duties listed in Section 4-26-103, *Tennessee Code Annotated*?

Response

The attached annual reports address the activities and accomplishments of the office as well as how the powers and duties of the office have been carried out. The following three items are of particular relevance as it relates to BERO’s powers and duties:

- Tennessee SmartStart

The Tennessee SmartStart Guide (SmartStart) is a small business and entrepreneur guide with statewide resources; a simplified flowchart on How to Start a Business (register your business in Tennessee); and a blank Business Model canvas. SmartStart refers to both the original print/PDF version and the more recent online interactive version. In September 2017, the print version, was awarded the gold award by the International Economic Development Council in the “special purpose print brochure” category and is recognized as a national best practice. The online version interactive and provides users with a checklist on how to register a business, connects users to resources, and enables user to create a tailored business model canvas. As a point of reference, just over 50K users accessed BERO resources at tn.gov/e.cd/bero during the first quarter of FY2018. The first full month of the interactive guide at tnsmartstart.com, was October 2017. Resources continue to be added and updated as well as become more localized.

- LiftTN: Microenterprise

LiftTN: Microenterprise, Rural and Urban Core Editions (LiftTN), began as an initiative to foster microenterprise development in rural and urban core areas of the state. Grantees provide education, tools and resources to underserved and underrepresented existing and future microenterprises located in and/or whose current/future owners reside in eligible areas of Tennessee. Grantee organizations may include existing nonprofits, governments and educational institutions.

Overview of all grants:

Category	Projects	Dollars awarded	%Gender (Female: Male)	%Race (Minority: White)	%Ethnicity (Hispanic: Not Hispanic)
All total	34	1,254,860.00	62%:38%	59%:41%	67%:33%
All Rural	13	\$899,860.00	65%:35%	16%:84%	2%:98%
All Urban Core	21	\$355,000.00	61%:39%	81%:19%	80%:20%
(these percentages are over all grants reported at the end FY2018)					
FY Breakdown					
FY2018 Rural Edition	8	\$499,860.00	Will complete in FY2020		
FY2018 Urban Core Edition	15	\$161,900.00	Complete early FY2019		
FY2017 Urban Core (pilot)	6	\$125,000.00	Completed		
FY2015 Rural (pilot)	5	\$400,000.00	Completed		

LiftTN grantees, FY2018 Rural and Urban Core Editions and their work:

Urban - Rural	Grantee: Organization	Use of Funds
R	Knoxville Entrepreneur Center (KEC)	Rolling out Etsy into rural areas; develop micros
R	Knoxville Chamber of Commerce	Multi-regional approach (covers Northeast, East and into Southeast TN regions) partnering with the TSBDC in Kingsport, contracting and mentor-protégé programs in the rural areas
R	Cocke Co. Partnership	DBE, small business and entrepreneurship development in county, focus on creatives
R	First TN Development District	DBE, small business and entrepreneurship development, focus on creatives, tourism and food businesses
R	Entrepreneur Development Center Southwest TN, Inc. d/b/a theCO	STEM, coding and robotics, curricula development and distribution for youth
R	United Way of Coffee and Moore Counties	Build small business and entrepreneurship education and resources in area in partnership with chamber of commerce
R	Roane State Community College	DBE, small business and entrepreneurship development, focus on makers, maker's space, and contracting in partnership with the Cumberland Business Incubator
R	Upper Cumberland Development District	DBE, small business and entrepreneurship development, focus on economic inclusion for startups in the Upper Cumberland and a coworking space in Sparta; UCDD partners with IMAPCT Leadership on the economic inclusion portion and Biz Foundry relative to the coworking space in Sparta
U	Knoxville Chamber of Commerce	Contracting/mentor-protégé program in partnership with the Chattanooga Chamber; contracting/mentor-protégé program in partnership with the TSBDC in Kingsport
U	LAUNCH, Inc.	DBE, small business and entrepreneurship development, focus on areas of low income and high unemployment and high school(s)
U	Clarksville Entrepreneur Center/LEAP	DBE, small business and entrepreneurship development, focus on veterans

U	Knoxville Area Urban League	DBE, small business and entrepreneurship development, focus on areas of very low income and high unemployment; pitch competition
U	Advance Memphis	DBE, small business and entrepreneurship development, focus on areas of low income and high unemployment
U	River City Investment Corporation	DBE, small business and entrepreneurship development, focus on areas of very low income and high unemployment
U	City of Memphis	DBE and small business development through contracting: Sub-to-Prime program (government focus, certification)
U	Corner to Corner	DBE, small business and entrepreneurship development, focus on areas of low income and high unemployment
U	Conexion Americas	DBE, small business and entrepreneurship development, focus on food enterprises; bilingual approach
U	Growth Enterprises /NBIC	DBE and small business development through contracting (construction and government focus in professional areas such as IT, engineering, etc.)
U	Social Enterprise	DBE, small business and entrepreneurship development, focus on social enterprises
U	Johnson City Development Authority/Downtown Development	DBE, small business and entrepreneurship development, focus on retail
U	Metropolitan Government of Nashville and Davidson County	Establishment of crowdfunding/crowdlending no interest loan program for DBEs, small businesses and entrepreneurs

Note: Urban Core Edition: projects completed recently, and the Rural Edition projects are still in process; all focus on microenterprises, a business with 5 or fewer employees including the owners

In FY2019 TNECD’s entrepreneurship and small business development initiatives were consolidated into a single fund, the Tennessee Placemakers Entrepreneurships Fund (including TNECD’s Main Entrepreneur Grants and LiftTN: Microenterprise, Rural and Urban Core Editions). This increased the overall customer experience by streamlining and simplifying the application process, and reduce time spent on applications to multiple programs over multiple time periods.

- Rural Focus

BERO co-facilitated the Agriculture, Small Business and Entrepreneurship subcommittee for the Governor’s Rural Task Force along with the Commissioner of Agriculture. The capacity building and placemaking initiatives funded as a result of the subcommittee’s recommendations included, the mobile platforms, expansion of the Rural Opportunity Fund and TN SmartStart, as well as No Wrong Door and the AG Enterprise Fund.

- Rural Opportunity Fund (ROF)

Administered by Pathway Lending, ROF was expanded with an additional investment from TNECD. From FY18 to FY20, TNECD is investing a total of \$7.5M to be matched with at least \$11.25M in private capital creating an \$18.75M revolving loan fund. This investment provides access to capital to support the growth and expansion of rural business that would not have been able to access capital from other sources. As of March 31, 2019, 26 loans have been awarded totaling nearly \$8.46M. In 2018, 317 jobs were created or retained in rural communities due to this funding. (pathwaylending.org)

- Mobile Platforms

TNECD partnered with theCo, a regional entrepreneurship center in Jackson, to create three mobile platforms, also referred to as buses or coaches, that travel the state to provide education, resources and tools related to DBE, small business and entrepreneurship development to rural communities. Each bus has a specific target such as STEAM education, business innovation, and community support. Two of the buses are fully operational, theLab and theVenture, and the third bus, called theAMP, launches late Spring 2019. As of December 2018, theLab and theVenture buses have made 12,276 connections at 65 different events impacting 94 counties. (tndrivinginnovation.com)

Please see the attached annual reports for additional information on BERO's work.

5. Has the office submitted annual reports to the Governor, both Speakers, the Chair of the Commerce and Labor Committee of the Senate, the Chair of the Business and Utilities Committee of the House, and any Governor's advisory committee on minority economic development, at least once each year, no later than December 1, as required by Section 4-26-105, *Tennessee Code Annotated*? If so, please attach copies of the reports for the last two fiscal years that the reports were made. Does the office prepare any other reports concerning its activities? If so, please attach copies of those reports for the last two fiscal years that the reports were made.

Response

Yes, BERO has submitted reports annually and on time. For FY2018, the annual report was sent via email to the recipients listed below, and posted online at tn.gov/eecd/bero in the "About BERO" section.

FY2018 annual report recipients:

- Honorable Bill Haslam, Governor of Tennessee
- Lt. Governor Randy McNally, Speaker of the Senate
- Honorable Beth Harwell, Speaker of the House of Representatives
- Honorable Jack Johnson, Senate Commerce and Labor Committee, Chair
- Honorable Pat Marsh, House Business and Utilities Committee, Chair
- Honorable Raumesh Akbari, Black Caucus, Chair
- Ms. Yolanda Arnold, Office of Minority Affairs, Executive Director

Complete reports attached for FY2018 and FY2017.

6. Has the office annually submitted to the Governor and both Speakers "a complete and detailed report setting forth the operations, transactions and accomplishments of the disadvantaged business loan guarantee fund" as required by Section 4-26-106(d), *Tennessee Code Annotated*? If so, please attach copies of the reports covering the last two fiscal years for which the reports were made.

Response

This report requirement has been noted in the previously mentioned BERO annual reports. This loan program remains unfunded within TNECD.

7. Describe any items related to the office that require legislative attention and your proposed legislative changes.

Response

While no changes are required in order to continue to carry out the mission of the office, several changes are recommended to bring the statute current to the present language and function of government. Enabling statute is attached as part of the annual reports for reference.

Given the era of BERO's establishment and the changes that have taken place in the 42 years since, revisions are recommended in the following two sections:

- Tenn. Code Ann. § 4-26-102. Chapter definitions.
(6)(B) Impeded from normal entry into the economic mainstream because of past practices of discrimination based on race, religion, ethnic background, sex or service in the armed forces during the Vietnam war; provided, that it is not the policy of this state to encourage employment outside the home of mothers of minor children;
- Tenn. Code Ann. § 4-3-728. Community development block grants to disadvantaged businesses.
TNECD awards Community Development Block Grants (CDBG) to rural municipalities and communities for infrastructure, health and safety projects, and downtown improvement. The communities, in turn, contract with a company for its CDBG project performance.

While the federal guidelines, under Section 570.491 of the State CDBG Rule, require states to submit to the U.S. Housing and Urban Development (HUD) data on the racial, ethnic, and gender characteristics of persons who are applicants for, participants in or beneficiaries of CDBG programs, it is only for to rural municipalities and communities and not entitlement areas. Entitlement areas include, Shelby County and Memphis, Jackson, Clarksville, Davidson County, Murfreesboro, Franklin, Hendersonville, Oak Ridge, Knox County and Knoxville, Chattanooga, Cleveland, Morristown, Kingsport, Bristol and Johnson City. As the data compiled does not include the entitlement communities, it is not an accurate representation of the total DBE participation in projects funded through HUD CDBG dollars statewide.

BERO partnered with the Governor's Office of Diversity Business Enterprise (Go-DBE) to make CDBG opportunities available to a larger number of DBEs by posting contracting opportunities in the Current Procurement Opportunities section of Go-DBE's webpage.

8. Should the office be continued? To what extent and in what ways would the absence of the office endanger the public health, safety or welfare?

Response

Yes, the Office of Business Enterprise, or BERO, should be continued. BERO provides critically placed connectivity and advocacy to a constituency of Tennessee's DBEs, small

businesses and entrepreneurs that face distinct market challenges and unmet development needs.

A few data items of interest:

On Economic Inclusion of Businesses in Tennessee:

- 105,234 Minority-owned Businesses
- 13,743 Hispanic-owned Businesses
- 195,694 Female-Owned Businesses
- 59,379 Veteran-Owned Businesses

Source: *BERO, Business Data*

On Minority-owned Businesses:

11% of minority-owned firms have paid employees, compared to 22% for nonminority firms.

MBEs are twice as likely to export compared to non-minority-owned businesses.

Source: *MBDA, U.S. Minority-Owned Firms Fact Sheet*

On Hispanic-owned Businesses:

Hispanic-owned business saw 46% growth from 2007 to 2012.

Source: *MBDA, U.S. Minority-Owned Firms Fact Sheet*

On Veteran-owned business:

Nationally, there is about one veteran-owned firm for every ten veterans, and veteran-owned firms employ 5.8 million individuals. A recent SBA study also found that military service exhibits one of the largest marginal effects on self-employment, and veterans are 45% more likely to be self-employed than non-veterans.

Source: *SBA, Facts on Veteran Entrepreneurship*

On Women-owned Businesses:

Tennessee tied for 4th place with South Carolina for states with the fastest growth rate in terms of the number of women-owned firms between 2007 and 2018.

Four out of every 10 businesses (40%) in the United States are now women-owned. These businesses employ 8% of the total private sector workforce and contribute 4.3% of total revenues. The combination of women-owned businesses and firms equally owned by men and women — 14,622,700 — account for 48% of all businesses. These firms employ 16,155,900 people or 14% of the workforce and generate \$3.1 trillion or 7% of revenues.

Source: *American Express, 2018 State of Women-owned Business*

On Access to Capital for Minority and Women-owned Businesses:
[There is] a trillion-dollar marketplace inefficiency: The funding gap facing businesses owned by women and people of color in the United States.

Despite a portion of investors who think minority-owned businesses are more risky than nonminority businesses, the majority of investors perceive [Women and Minority-owned Businesses] as equally capable of delivering returns as businesses in general. More than nine in 10 (92%) investors say that women-owned businesses achieve at-or above-market returns, while 81% say the same of minorities.

Source: Morgan Stanley, Report: The Growing Market Investors Are Missing

Tennessee's data are generally reflective of national landscape. The continuance of BERO and its unique deliverables is vital to ensuring the access, placement and utilization of resources, which is integral to the State's economic health.

Closing note

Please don't hesitate to contact the office for additional information on any area. While the questions herein were addressed as concisely as possible, a lot of information, details, stories and resources are found in the attachments to this document as well on the BERO website at tn.gov/ecd/bero.

Inquiries may be directed through TNECD's legislative liaison, Grant Minchew, at grant.minchew@tn.gov or at 615.924.4824.

SUNSET PUBLIC HEARING QUESTIONS FOR OFFICE OF BUSINESS ENTERPRISE
CREATED BY SECTION 4-26-101, TENNESSEE CODE ANNOTATED

BERO ANNUAL REPORTS FOR FY2018, FY2017

SUNSET PUBLIC HEARING QUESTIONS FOR OFFICE OF BUSINESS ENTERPRISE
CREATED BY SECTION 4-26-101, TENNESSEE CODE ANNOTATED

BERO ANNUAL REPORTS FOR FY2018



Tennessee Department of
Economic and Community Development

BERO | Business Enterprise Resource Office
Annual Report , Fiscal Year 2018



STATE OF TENNESSEE
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT
STRATEGY DIVISION
312 ROSA L. PARKS AVENUE, TWENTY-SEVENTH FLOOR
NASHVILLE, TENNESSEE 37243
TELEPHONE: 615.741.1888
TN.GOV/ECD/BERO

November 26, 2018

Greetings:

Pursuant to Tennessee Annotated Code Section 4-26-105, the Department of Economic and Community Development, Business Enterprise Resource Office (BERO), "shall make a written report to the governor, the speaker of the senate, the speaker of the house of representatives, the chair of the commerce and labor committee of the senate, the chair of the business and utilities committee of the house of representatives, and any governor's advisory committee on minority economic development, at least once each year, such report to be made no later than December 1."

Herein, please find the BERO annual report for FY2018. In an effort to conserve resources and to access resources within more easily online, this report is distributed in a digital version. If you have any questions regarding this report, please do not hesitate to contact Wisty Pender, state director, at 615-741-8914 or wisty.pender@tn.gov.

Respectfully submitted,

Wisty Pender
State Director, BERO

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BERO Annual Report | Index

Tennessee has ranked in the top 10 for small business friendliness in the last four out of five years (2014-2018). *Source: Thumbtack Small Business Friendliness Survey*

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BERO Annual Report | Foreword

Tennessee ranked No.1 in Small Business Growth in 2017. *Source: PAYCHEX - IHS SMALL BUSINESS JOBS INDEX*

The report herein addresses a range of topics specifically regarding disadvantaged businesses (DBE) in Tennessee. The following highlights align with Gov. Haslam's priorities of jobs and efficient and effective government.

The highlights for consideration:

Tennessee SmartStart

With one of the country's best business climates, there's no better place to start or grow a business than in Tennessee. In September 2017, the Tennessee SmartStart guide, the print version, was awarded the gold award by the [International Economic Development Council](#) in the "special purpose print brochure" category. The SmartStart interactive version, launched in FY2018. It guides a user through establishing a business, locating resources and creating a tailored business model canvas. Visit tnsmartstart.com to try it.

Employer and Nonemployer and Economic Inclusion Dashboards

On BERO's website, there are three dashboards that provide key DBE and small business data at the fingertips of the user. The data includes user friendly tools to see the employment at small businesses, job growth occurring among small businesses, and the age of Tennessee's small businesses and nonemployers. The dashboard, "Economic Inclusion of Businesses in Tennessee," includes data that may sorted not only by owners by race, ethnicity, gender and/or veteran status, but also by industry (NAICS codes), geographic area (statewide, MSA, or county) and by year (2012, 2007, 2002).

There are many exciting things happening across Tennessee's DBE and small business landscape!

LiftTN: Microenterprise

LiftTN: Microenterprise, Rural and Urban Core Editions (LiftTN), is an initiative to foster microenterprise development in rural and urban core areas of the state. Grantees provide education, tools and resources to underserved and underrepresented existing and future microenterprises located in and/or whose current/future owners reside in eligible areas of Tennessee. Grantees organizations may include existing nonprofits, city/county governments and educational institutions.

From its launch in FY2015 to the end of FY2018, \$1,254,860.00 have been awarded. At the time of its launch, Tennessee was the only state using this approach with HUD's Community Development Block Grants (CDBG) dollars. In FY2017, the Urban Core Edition launched its first pilot round of funding, which was made available through state dollars. While projects vary, the majority center around mentor-protégé programs, contracting and procurement programs and entrepreneurial training. The Tennessee Placemakers Entrepreneurship Fund launches in FY2019, and the programs a part of it include TNECD's Main Entrepreneur Grants and LiftTN: Microenterprise, Rural and Urban Core Editions.



About BERO | Business Enterprise Resource Office



BERO is housed within the state of Tennessee Department of Economic and Community Development (TNECD).

BERO | Business Enterprise Resource Office

- serves as a voice for and advocate of economic inclusion*;
- analyzes, disseminates and promotes best practices and access to capital to service providers; and
- reports on the status of DBEs statewide (disadvantaged businesses or **DBEs).

*Economic inclusion describes the efforts made to bring DBEs into the economic mainstream.

**For the purposes of BERO, DBE refers to businesses owned by women, minorities, veterans and persons with disabilities; as well as those in areas of chronic high unemployment and low income.

BERO was legislatively established within the department of economic and community development in 1977 by Title 4, Chapter 26 as the office of business enterprise.

TN.GOV/ECD/BERO

Inquires

BERO addresses direct information requests received for business information and assistance made through telephone, email, postal service and referrals from communities, elected officials, resource partners, other businesses, etc. Individuals and companies can submit requests for business information through TNECD's website at tnecd.com/about/contact. BERO also serves as a go-to resource on DBE topics to TNECD's business development staff statewide. The most requested topics are related to elements involved in steps to startup or move a business, access to capital, certification and procurement.

Presentations and Events

Below is an abbreviated sample list of the events in which BERO was represented through participation, presentation and/or a booth during FY2017.

- The Think Tank, Memphis, TN
- 23rd Annual USDA Rural Development Conference, Murfreesboro
- 2018 National Interagency Community Reinvestment Conference, Federal Reserve, Miami, FL
- Global Action Summit, Nashville
- BEST, Cohort 4, TN Women's Prison, Nashville
- CO.STARTRES Summit, Birmingham, AL
- Community and Rural Development Listening Tour, multiple rural locations
- #Appalachia Works, Gatlinburg
- TDOT Annual DBE Meeting, Franklin

Contact Information

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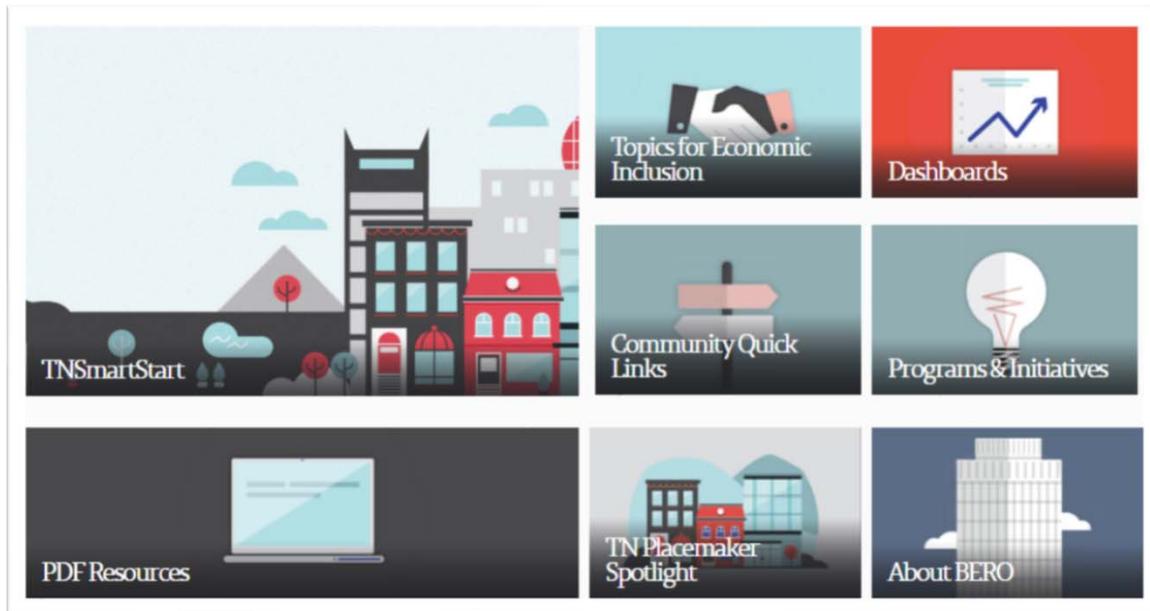
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TNECD.com
TNSmartStart.com





BERO | Website

Tennessee ranks No. 2 in Small Business Friendliness. *Source: Thumbtack, 2018 Small Business Friendliness Survey*



Here's what you'll find...

- Interactive guide for starting a business, including how register, referrals to entrepreneur support organizations for assistance locally, and a dynamic business model canvas, all of which are tailored to the user's responses (*TN SmartStart*)
- Static, PDF/hardcopy resources: (1) TN SmartStart Guide, a guide for new and existing small businesses and entrepreneurs, (2) a visual flowchart "How to Start a Business," and (3) a blank Business Model Canvas (*PDF Resources*)
- Procurement, certification, policy information and resources for small and DBE business owners (*Topics in Economic Inclusion*)
- Access to current data for businesses that have employees or have no employees as well as data based on business ownership by race, ethnicity, gender and veteran status. (*Dashboards*)
- Resources to help businesses and communities deliver better, with topics from advocacy to data collection, art to agriculture to tech. (*Community Quick Links*)
- Funding opportunities for rural and urban core from the TN Placemakers Entrepreneurship Fund and Rural Opportunity Fund, and access to resources for communities and businesses through "No Wrong Door" and "TN Driving Innovation's" mobile platforms (*Programs & Initiatives*)
- Placemakers leverage local assets (human and natural) in a way that impacts the cultural, economic and social aspects of their community to intentionally create a good sense of place, and enhance a strong sense of community and well-being. (*TN Placemaker Spotlight*)
- General information and annual reports (*About BERO*)



Dashboards | (Non)Employer and Economic Inclusion Data

Small Business Employment

This dashboard includes employment at small businesses, job growth occurring among small businesses, and the age of Tennessee's small businesses. The dashboard reflects private sector employers, thereby excluding nonemployers and government or other public sector organizations.

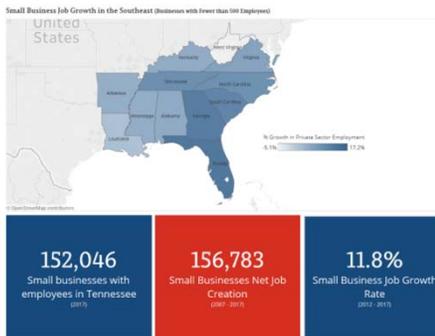
Nonemployer Firms

Businesses classifying as "nonemployers" have annual receipts of \$1,000 or more and are subject to federal income taxes. Most nonemployers are self-employed individuals ... The majority of all business establishments are nonemployers, but due to their small economic impact, these firms are excluded from most other federal business statistics.

Economic Inclusion of Businesses

This dashboard represents information on the economic inclusion of business owners by race, ethnicity, gender and veteran status in Tennessee. It includes data on businesses with and without employees. Data may be further sorted by industry (NAICS codes), geographic area (statewide, MSA, or county) and by year (2012, 2007, 2002).

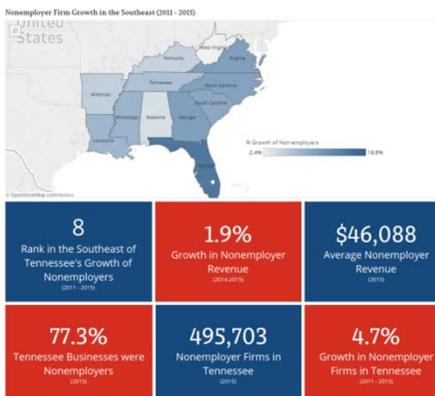
Small Business Employment



Economic Inclusion of Businesses



Nonemployer Firms



Locate all dashboards located [here](#).



Tennessee SmartStart | Hardcopy and Interactive

Tennessee ranked No.1 in Small Business Growth in 2017. Source: PAYCHEX - IHS SMALL BUSINESS JOBS INDEX

The Tennessee SmartStart Guide™ (SmartStart) refers to the original print/PDF version, and more recently, to the online interactive version. The print version is distributed throughout TNECD's nine regions and to its resource partners and stakeholders including, but not limited to, elected officials, chambers of commerce, development districts, state agencies (such as the Office of the Small Business Advocate, Revenue, Secretary of State, Human Services and Labor and Workforce Development), UT-CIS, TN Small Business Development Centers, the US Small Business Administration, USDA Rural Development, SCORE, the Federal Reserve Banks of Atlanta and St. Louis, regional entrepreneur centers, coworking spaces, business incubators, among many others.

In September 2017, SmartStart, the print version, was awarded the gold award by the [International Economic Development Council](#) for the "special purpose print brochure" category.

The SmartStart interactive version guides a user through more than establishing a business. With one of the country's best business climates, there's no better place to start or grow a business than in Tennessee.

SmartStart Usage

Hard copy: Approximately 10,000 hard copies were printed and distributed in a 10-month period. The hard copy version continues to be in high demand.

Online: As a point of reference, just over 50K users accessed BERO resources at tn.gov/ecd/bero during the first quarter of FY2018. The first full month of the interactive guide, at tnsmartstart.com, was October 2017. From October 2017 to May 2018 there were 163,693 pageviews for 37,274 users during 48,185 sessions. In March 2018 advertising was introduced, and from March 2018 to May 2018, 14.5% of all accounts created were referred through it, and overall, there was a 74 percent increase in pageviews.

Hard Copy/PDF



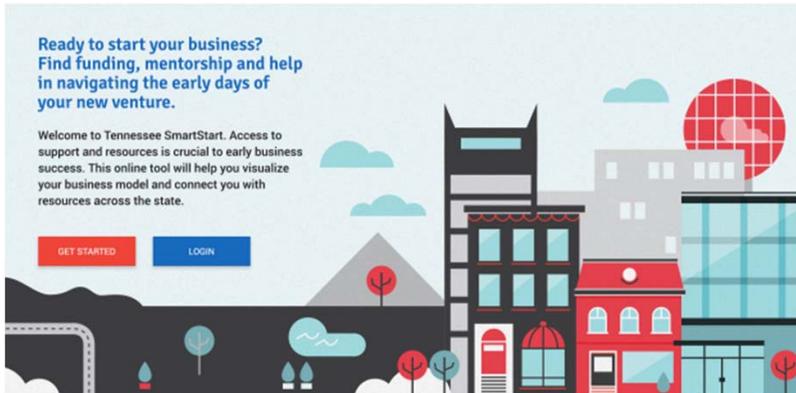
Interactive version

Tennessee SmartStart™
tnsmartstart.com



Tennessee SmartStart | Access to Resources

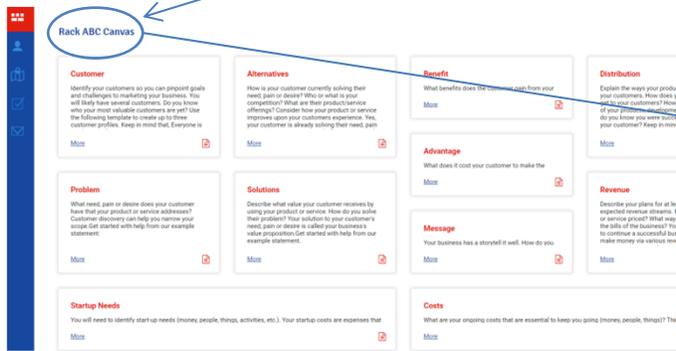
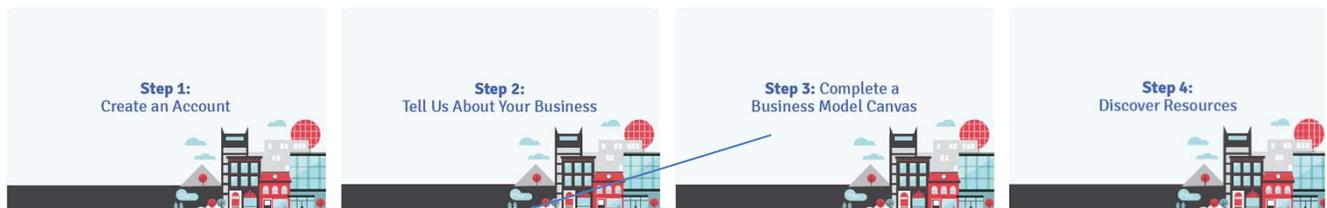
Smart Businesses Start Here



Smart Businesses Start Here

Watch this video to learn how to use the app, and/or visit the website at tmsmartstart.com to get started now.

Tennessee SmartStart™



Customer

Identify your customers so you can pinpoint goals and challenges to marketing your business. You will likely have several customers. Do you know who your most valuable customers are yet? Use the following template to create up to three customer profiles. Keep in mind that, "Everyone is our (potential) customer" isn't narrow enough to help you market your business. Get started with help from our example statement:

Canvas Starter

Our target customer is primarily between the ages of with an average income of and they work in the business/industry.

Details

Business Model Canvas

Users complete a canvas that may be customized to the specific business.



Tennessee SmartStart | Checklist to Guide

Smart Businesses Start Here

Tennessee SmartStart™



- STEP ONE: Choose a name**
- What is your business name?

- STEP TWO: Choose a Legal Structure**
- Recommendation: Consult an attorney, CPA, business counselor

- STEP THREE: Obtain Your Taxpayer ID Number**
- SSN or FEIN: Sole Proprietor/General Partnership (Social Security Administration or IRS)
- FEIN: Corporation, LLC, LLP, LP (IRS)

- STEP FOUR: Taxes**
Identify the basic tax obligations of operating your business in Tennessee.
- Register: TN Dept. of Revenue
- County Tax Assessor, possibly others...

- STEP FIVE: Register Your Business**
- Sole Proprietor/General Partnership (Municipal/County Clerk)
- Corporation, LLC, LLP, LP (TN Secretary of State and Municipal/ County Clerk)

- STEP SIX: Employees**
- Will your business employ additional staff?
- Yes/No: TN Dept. of Labor and Workforce Development

- STEP SEVEN: Regulations/Licensures**
Is your business required to register with other departments or agencies?
- Based on business: ABC, Ag, Commerce and Insurance, TDEC, Health, Labor WFD, ATF, USDA, etc

This information is a general guideline for registering your business. Aspects of your business may require additional steps, registrations and/or licenses. You may need to consult an attorney, CPA or business counselor.

Checklist

It provides a simplified step-by-step guide to registering a business in Tennessee. As it develops, this portion of the interactive guide will continue to become more tailored to user.

The simplified version from the hard copy/PDF version serves as a quick reference visual guide and is easy to access.

Tennessee SmartStart | Next Steps

Resources continue to be added and updated as well as become more localized.

This tool is part of the mobile platforms (see Governor's Rural Task Force Update) as well as the No Wrong Door/Front Door approach to reach the new and existing entrepreneurs and small business in Tennessee.

The development is an ongoing process. Other steps that are under consideration are soft referrals and virtual mentorship.



This information is a general guideline for registering your business. Aspects of your business may require additional steps, registrations or licenses. You may need to consult an attorney, CPA or business counselor.

tn.gov/ecid/bero



LIFTTN: Microenterprise | Rural and Urban Core

LiftTN: Microenterprise, Rural and Urban Core Editions (LiftTN), is an initiative to foster microenterprise development in rural and urban core areas of the state. Grantees provide education, tools and resources to underserved and underrepresented existing and future microenterprises located in and/or whose current/future owners reside in eligible areas of Tennessee. Grantees organizations may include existing nonprofits, city/county governments and educational institutions.

TNECD launched the Rural Edition as a pilot program in February 2015 with \$400,000 in total grant money awarded over a two-year contract to five grantees. The program, funded through the United States Department of Housing and Urban Development (HUD) chose to meet the national objective of low to moderate income (LMI). At the time of its launch, Tennessee was the only state using this approach with HUD’s Community Development Block Grants (CDBG) dollars. In FY2017, the Urban Core Edition launched its first pilot round of funding, which was made available through state dollars. LiftTN is a reimbursable grant program. The first fully competitive rounds of application for both Rural and Urban Core Editions opened in FY2018.

For reference:

- A microenterprise is a business with five (5) or fewer employees including its owners.
- Underserved and underrepresented populations may include women, minorities and veterans; individuals with disabilities; previously incarcerated individuals; and areas of low- to moderate income (LMI), as determined by the Housing and Urban Development Agency (HUD).

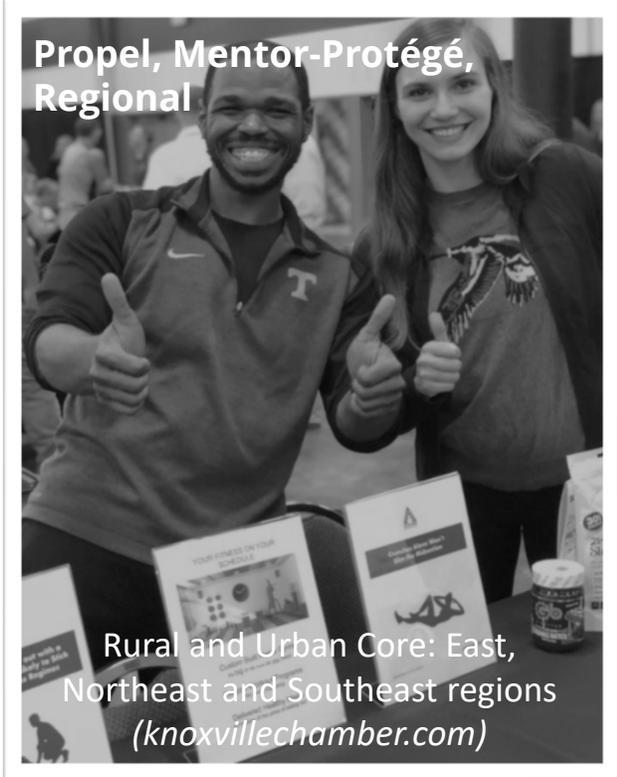
Category	Projects	Dollars awarded	%Gender (Female: Male)	%Race (Minority: White)	%Ethnicity (Hispanic: Not Hispanic)
All total	34	1,254,860.00	62%:38%	59%:41%	67%:33%
All Rural	13	\$899,860.00	65%:35%	16%:84%	2%:98%
All Urban Core	21	\$355,000.00	61%:39%	81%:19%	80%:20%
FY Breakdown			Note: These percentages reflect all grants reported up to the end FY2018.		
FY2018 Rural					
Edition	8	\$499,860.00	Will complete in FY2020		
FY2018 Urban Core					
Edition	15	\$161,900.00	Complete early FY2019		
FY2017 Urban Core					
(pilot)	6	\$125,000.00	Completed		
FY2015 Rural (pilot)					
	5	\$400,000.00	Completed		

Note: There is a slight variance in the total dollar amounts on the fiscal year breakdown due to a contract termination and an addition.

Find the full list of grantees at [here](#) under the Entrepreneurship category.



LIFTTN: Microenterprise | Good Business



Placemaking is about Connections



Placemaking is about Capacity Building



TN Placemakers Entrepreneurship Fund | Next

Tennessee ranked No.1 in Small Business Growth in 2017. Source: PAYCHEX - IHS SMALL BUSINESS JOBS INDEX

Etsy, Regional (east)



Rural: Northeast, East, Southeast
and Upper Cumberland regions
(knoxec.com)

Casa Azafran, Nashville



Urban Core: Nashville
(conexionamericas.org)

Placemaking is about Creative Emergence

Next Steps

For FY2019, the Tennessee Placemakers Entrepreneurship Fund launched. Upon reviewing TNECD's entrepreneurship and small business development initiatives, the department chose to consolidate and streamline its resources into a single fund. This consolidation increases the overall customer experience by streamlining and simplifying the application process. From a customer service perspective, this approach reduces time spent on applications to multiple programs over multiple time periods. The programs a part of TN Placemakers includes TNECD's Main Entrepreneur Grants* and LiftTN: Microenterprise, Rural and Urban Core Editions.

For FY2019 the funds available are \$1,000,000 at a maximum of \$100,000 per grant with a 10% match is required.

To learn more about TN Placemaker, visit [here](#).

*"Talent is everywhere, opportunity is not."
Nicholas Kristoff*

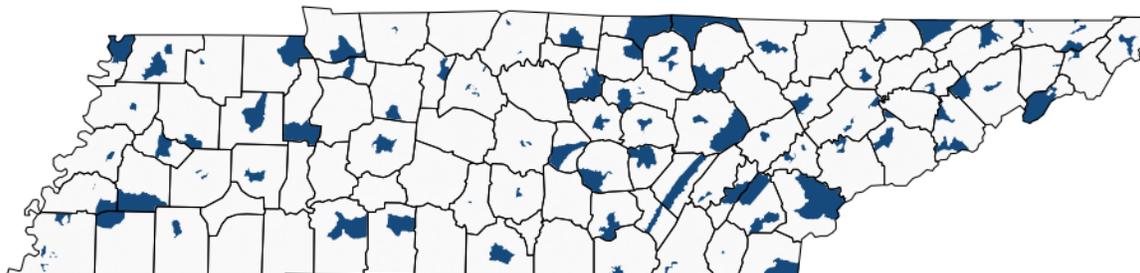
Placemakers leverage local assets (human and natural) in a way that impacts the cultural, economic and social aspects of their community to intentionally create a good sense of place and enhance a strong sense of community and wellbeing.





Initiatives to Know About | Small Business Focus

Tennessee ranked No.1 in Small Business Growth in 2017. *Source: PAYCHEX - IHS SMALL BUSINESS JOBS INDEX*



Opportunity Zones

They are a new community development tool established by Congress in the Tax Cuts and Jobs Act of 2017. This new tool is designed to drive long-term capital to low-income communities. The new law provides a federal tax incentive for investors to re-invest their capital gains into Opportunity Funds, which are specialized vehicles dedicated to investing in designated low-income areas, specifically 176 census tracts. Links to locate OZ tracts and other resources are maintained online.

tn.gov/e cd /opportunity-zones.html



Rural Opportunity Fund

Access to at least \$18.75M over the next five years for Tennessee's rural small businesses.

(pathwaylending.org)



Mobile Labs

theLab: A mobile resource for youth & adults designed to create awareness, and *theVenture*: provides technical assistance for future and existing small businesses.

(tndrivinginnovation.com)

Update | Governor's Rural Task Force



Recommendations from the Governor's Rural Task Force (RTF), began in FY2016, are in the execution process.

Refresher

RTF was a year-long planning and engagement process, begun with initial meetings, followed by input sessions after which six committees were created to develop specific action steps. One of the six was the Agriculture, Entrepreneurship and Small Business subcommittee, which met regularly from March 2016 to June 2016. The subcommittee was comprised of 29 members including elected officials, stakeholders, service/resource providers, entrepreneurs, farmers, bankers, government agencies and nonprofits, among others representing all parts of the state. The subcommittee made recommendation to the RTF, and several of those recommendations at various stages of execution. The subcommittee continues to provide valuable input and support as the projects have launched and evolve. Most recently, they participated in program planning for theVenture.

The capacity building and placemaking initiatives mentioned previously, including [the mobile platforms](#), as well as expansions to [the Rural Opportunity Fund](#) and TN [Smart Start](#) were tied to the subcommittee's recommendations. [No Wrong Door](#) and the [AG Enterprise Fund](#) also emerged from that same subcommittee.



What is a "No Wrong Door" Community?

It is a community that partners with BERO to support a thriving entrepreneurial environment by being trained in the utilization of available tools and resources for local entrepreneurs.

(tn.gov/ecd/bero)



Agriculture Enterprise Fund

A competitive grant for starting or expanding agricultural, food and forestry businesses; farmers, nonprofits, local governments, and other entities in or will be in Tennessee.

(tn.gov/agriculture)



BERO | Program Data and Reports

Program Data

The department shall maintain complete and consistent program data. (TCA §4-26-104(C)(b)(2))

Data continues to be organized in a similar fashion as is presented here. BERO is housed within the strategy division of TNECD.

Reports

The enabling statute for the Office of Business Enterprise, otherwise known and referred to as the Business Enterprise Resource Office (BERO) requires several written reports. The reports fall under the following:

- TCA [§4-26-105](#). Reports.
- TCA [§4-26-106](#). Disadvantaged business loan guarantee program.
- TCA [§4-26-107](#). Guidelines and reports to the government operations committees of the senate and house of representatives.
- TCA [§4-3-728](#). Community development block grants to disadvantaged businesses.

TCA [§4-26-105](#) Reports.

(a) The department shall make a written report to the governor, the speaker of the senate, the speaker of the house of representatives, the chair of the commerce and labor committee of the senate, the chair of the business and utilities committee of the house of representatives, and any governor's advisory committee on minority economic development, at least once each year, such report to be made no later than December 1.

(b) The report shall advise the officials and committees mentioned in subsection (a) on the administration and operation of this chapter.

The Office of Business Enterprise, otherwise known and referred to as the Business Enterprise Resource Office (BERO), was created in the Department of Economic and Community Development (TNECD) by Chapter 135 of the Public Acts of 1977, codified as TCA §4-26-101 et seq.

Update

During FY2015, BERO went through sunset hearings and was unanimously continued for five years.

Given the era of BERO's establishment and the changes that have taken place in the 40 years since its original statute, suggested revisions for consideration were submitted to the department by BERO prior to the issuance of this report.

Staffing

The office is composed of a dedicated director charged with managing the statutory duties of the office.



BERO | Program Data and Reports

Reports – 2 (continued)

TCA §4-26-106. Disadvantaged business loan guarantee program.

(d) The commissioner shall annually submit to the governor and the speakers of the senate and house of representatives, within ninety (90) days after the end of the fiscal year, a complete and detailed report setting forth the operations, transactions and accomplishments of the disadvantaged business loan guarantee fund.

HISTORY: Acts 1990, ch.1071, § 1.

Comment

This loan program remains unfunded within TNECD.

TCA §4-26-107. Guidelines and reports to the government operations committees of the senate and house of representatives.

The office of business enterprise shall provide guidelines to address any impediments by other state agencies to the conduct of the office of business enterprise to the members of the government operations committees of the senate and the house of representatives. The office of business enterprise shall also provide periodic reports to the government operations committees of the senate and house of representatives relative to the audit findings of the office of the comptroller. [Acts 2006, ch. 935, § 3.]

Comment:

There is nothing to report relative to this section.

TCA §4-3-728. Community development block grants to disadvantaged businesses.

BERO shall annually report on advisements regarding disadvantaged businesses and the number of or amount of community block grants received by disadvantaged businesses.

Community Development Block Grants (CDBG)

TNECD awards CDBGs to rural municipalities and communities for infrastructure, health and safety projects, and downtown improvement. The communities in turn contract with a company for its CDBG project performance.

Per federal guidelines under Section 570.491 of the State Community Development Block Grant (CDBG) Rule requires states to submit to HUD data on the racial, ethnic, and gender characteristics of persons who are applicants for, participants in or beneficiaries of CDBG programs. The following shows what the participation report reflected for the applicants, and *does not include* entitlement communities. Entitlement areas are Shelby County and Memphis, Jackson, Clarksville, Davidson County, Murfreesboro, Franklin, Hendersonville, Oak Ridge, Knox County and Knoxville, Chattanooga, Cleveland, Morristown, Kingsport, Bristol and Johnson City.

BERO | Program Data and Reports



Reports – 3 (continued)

As the following data does not include the entitlement communities data, it is not an accurate representation of the total DBE participation in projects funded through HUD CDBG dollars statewide.

Contract Awards for Federal FY2018

In the U.S. Department of Housing and Urban Development (HUD) report, Contract and Subcontractor Activity for non-entitlement communities, the CDBG awards were reported for the federal fiscal year, October 1, 2017 to September 30, 2018. There were 199 total contracts made to 126 firms totaling \$40,493,366.00. Of the 199 contracts, 24 contracts (or 12 percent) totaling \$3,289,360.00 (or 8.1 percent) were awarded to firms classified as women-owned and none went to businesses classified as minority-owned. Of the 199 total contracts 74 (37.1 percent) contracts totaling \$26,429,687.00 (65.3 percent) were “new construction” projects; 123 (61.8 percent) contracts totaling \$14,055,139.00 (34.7 percent) were “repair” projects; and one contract each were categorized as “project management” or “architecture/engineer appraisal” (0.5 percent each) totaling 0.01 percent respectively of the total contract dollars. Additionally there were 42 total subcontracts totaling \$2,897,228.00. Of the 42 contracts, 4 for a total of \$299,200.00 were awarded to firms classified as women-owned and none went to businesses classified as minority-owned.

HUD uses the following racial and ethnic designations for its reporting: White Americans, Black Americans, Native Americans, Hispanic Americans, Asian/Pacific Americans and Hasidic Jews.

[\(CDBG\)](#)

Comment:

BERO partnered with the Governor’s Office of Diversity Business Enterprise (Go-DBE) to make CDBG opportunities available to a larger numbers of DBEs by posting contracting opportunities in the Current Procurement Opportunities section of [Go-DBE’s webpage](#).



BERO | Recommended Reading

Note: Look over the Recommended Reading in the annual report as well as the articles provided in the newsletters over the course of the last year for further DBE-related information.

- Entrepreneurial Ecosystems in Appalachia, a suite of research reports and resources (Collaboration: EntreWorks Consulting, the Center for Regional Economic Competitiveness, and the Center for Rural Entrepreneurship, September 2018), arc.gov/research/researchreportdetails.asp?REPORT_ID=147.
- Fetsch, Emily, Including People of Color in the Promise of Entrepreneurship, Educational Policy Brief (Kansas City, MO: Entrepreneurship Policy Digest, Ewing Marion Kauffman Foundation, December 5, 2017), kauffman.org/what-we-do/resources/entrepreneurship-policy-digest/including-people-of-color-in-the-promise-of-entrepreneurship.
- GEM 2017/18 Global Report (London, UK: Global Entrepreneurship Research Association, June 2018), gemconsortium.org/report.
- Global Economic Forecast Q3 2018 (London, UK, Euromonitor International, November 2018), consulting-analytics.euromonitor.com/Production/Content/MacroIndicatorsModel/Content/MacroScenarioPdf/Global-Economic-Forecast.pdf
- Guillies, W., Hwng, V.W., et. al., 2018 State of Entrepreneurship Address, (Kansas City, MO: Ewing Marion Kauffman Foundation, February 28, 2018), kauffman.org/what-we-do/entrepreneurship/policy/state-of-entrepreneurship-2018.
- Kerr, Sari Pekkala and Kerr, William, HBS Working Paper: Immigrant Entrepreneurship in America: Evidence from the Survey of Business Owners 2007 & 2012 (Boston, MA: Harvard Business School, April 2018), hbs.edu/faculty/Pages/item.aspx?num=54377.
- Klein, Joyce, Entrepreneurship as a re-entry strategy primer (Washington, D.C.: Field at the Aspen Institute, June 14, 2018), aspeninstitute.org/podcasts/joyce-klein-talks-reentry-and-entrepreneurship-on-the-own-it-podcast.
- Main Street Marshall Plan, State of Black America 2017 (New York, NY: National Urban League, May 2017), stateofblackamerica.org.
- Puente, Lucas, 2012-2018 Thumbtack Small Business Friendliness Surveys: Methodology & Analysis, (Thumbtack.com, August 2018), <https://www.thumbtack.com/survey#/2018/1/states>
- Seeds of Growth: Building Your Local Economy By Supporting Immigrant Entrepreneurs, Welcoming America and Global Detroit (Decatur, GA: Welcoming America), welcomingamerica.org/sites/default/files/SeedsofGrowth_FINAL_web.pdf.
- The State of Women-Owned Businesses, 2018 (American Express OPEN, April 2018), about.americanexpress.com/files/doc_library/file/2018-state-of-women-owned-businesses-report.pdf
- Still, Ashlyn and Spicer, Jonathan, Poorer Americans buckling as U.S. economy booms (New York, NY: Federal Reserve Bank of New York, July 2018), fingfx.thomsonreuters.com/gfx/rngs/USA-ECONOMY-CONSUMERS/010071CJ2NK/index.html.
- Understanding the Landscape: Access to Capital for Women Entrepreneurs, (Washington, D.C.: Federal Research Division, Library of Congress, March 2018), nwb.gov/2018/03/01/understanding-the-landscape-access-to-capital-for-women-entrepreneurs/
- The Tapestry of Black Business Ownership in America: Untapped Opportunities for Success (Washington, D.C.: Association for Enterprise Opportunity, February 2017), aeoworks.org/images/uploads/fact_sheets/AEO_Black_Owned_Business_Report_02_16_17_FOR_WEB.pdf.

BERO ANNUAL REPORT FY2018

Enabling Statute



Title 4 State Government
Chapter 26 Business Enterprise Office (2018)

4-26-101. Establishment.

There is established within the department of economic and community development an office of business enterprise.

HISTORY: Acts 1977, ch. 135, § 1; T.C.A., § 4-2601.

4-26-102. Chapter definitions.

As used in this chapter, unless the context otherwise requires:

- (1) "Bid bond" means a bond conditioned upon the entering into a contract by a bidder, if the bidder receives the award thereof, and furnishing the prescribed payment bond and performance bond;
- (2) "Commissioner" means the commissioner of economic and community development;
- (3) "Department" means the department of economic and community development;
- (4) "Director" means the director of the office of business enterprise;
- (5) "Disability" means a physical impairment that, in the written opinion of a person's licensed physician, substantially limits one (1) or more of the major life activities of such person and is expected to continue to exist for more than five (5) years. As used in this subdivision (5), "major life activities" means caring for oneself and performing manual tasks, which includes writing, walking, seeing, hearing, speaking, and breathing;
- (6) "Disadvantaged business" means a business that is solely owned, or at least fifty-one percent (51%) of the outstanding stock of which is owned, by a person who is either:
 - (A) By reason of social background unable to obtain technical, business or financial assistance of a quality or quantity similar to that available to the average business;
 - (B) Impeded from normal entry into the economic mainstream because of past practices of discrimination based on race, religion, ethnic background, sex or service in the armed forces during the Vietnam war; provided, that it is not the policy of this state to encourage employment outside the home of mothers of minor children;
 - (C) Unable to compete effectively because of tendencies of regular financing and commercial organizations to restrict their services to established businesses;
 - (D) In a state of chronically low income because of long residence in an urban area with high unemployment and low income; or
 - (E) Impeded from normal entry into the economic mainstream because of a disability;
- (7) "Obligee" means:
 - (A) In the case of a bid bond, the person requesting bids for the performance of a contract; or
 - (B) In the case of a payment bond or performance bond, the person who has contracted with a principal for the completion of the contract and to whom the obligation of the surety runs in the event of a breach by the principal of the conditions of a payment bond or performance bond;
- (8) "Payment bond" means a bond conditioned upon the payment by the principal of money to persons under contract with the principal;

(9) "Performance bond" means a bond conditioned upon the completion by the principal of a contract in accordance with its terms;

(10) "Prime contractor" means the person with whom the obligee has contracted to perform the contract;

(11) (A) "Principal" means:

(i) In the case of a bid bond, a person bidding for the award of a contract; or

(ii) The person primarily liable to complete a contract for the obligee, or to make payments to other persons in respect of such contract, and for whose performance of such person's obligation the surety is bound under the terms of a payment or performance bond.

(B) A principal may be a prime contractor or a subcontractor;

(12) "Subcontractor" means a person who has contracted with a prime contractor or with another subcontractor to perform a contract; and

(13) "Surety" means the person who:

(A) Under the terms of a bid bond, undertakes to pay a sum of money to the obligee in the event the principal breaches the conditions of the bond;

(B) Under the terms of a performance bond, undertakes to incur the cost of fulfilling the terms of a contract in the event the principal breaches the conditions of the contract; or

(C) Under the terms of a payment bond, undertakes to make payment to all persons supplying labor and material in the prosecution of the work provided for in the contract if the principal fails to make prompt payment.

HISTORY: Acts 1977, ch. 135, § 2; T.C.A., § 4-2602; Acts 1987, ch. 369, § 2; 1993, ch. 488, § 1; 1994, ch. 767, §§ 1, 2.

4-26-103. Powers and duties.

The department is authorized to:

(1) Provide assistance to disadvantaged businesses by advising and counseling on all phases of procurement policies, by obtaining information concerning prime contractors in letting subcontracts and by encouraging the letting of subcontracts by prime contractors to disadvantaged businesses;

(2) Receive funding from sources other than the state;

(3) Make studies and conduct workshops, conferences and seminars, with owners and employees of disadvantaged businesses to enhance their understandings of business management, bidding, licensing procedures, procurement procedures and any other activities incident to their positions in business;

(4) Develop training and educational programs in cooperation with institutions, associations, and other state, local and federal agencies, and coordinate the training efforts of the various organizations presently providing technical assistance to disadvantaged businesses;

(5) Encourage and provide the direction and coordination necessary to secure franchises and dealerships from private firms for disadvantaged businesses;

(6) Review and evaluate legislation and determine its effect upon disadvantaged businesses and make appropriate

recommendations to the governor and the general assembly;

(7) Employ such personnel as may be required to implement and administer this chapter; and

(8) (A) Develop sources of capital for minority entrepreneurs;

(B) Assist in setting up new minority banks, small business investment companies, as defined in 15 U.S.C. § 681(a), and minority enterprise small business investment companies, being the companies authorized in 15 U.S.C. § 681(d) [repealed]; and

(C) Develop loan packages to assist minority business persons in the start-up or expansion of businesses, or any other financial counseling necessary to enable minority business operations to operate on a sound financial basis.

(b) (1) The department shall continually evaluate the progress of disadvantaged businesses through monitoring and techniques of evaluation, such as surveys and feasibility studies.

(2) The department shall maintain complete and consistent program data.

HISTORY: Acts 1977, ch. 135, § 3; T.C.A., § 4-2603; Acts 1988, ch. 532, §§ 3, 4.

4-26-104. Purpose and construction.

This chapter shall be liberally construed to carry out the following purposes and objectives that:

(1) Disadvantaged businesses share in the American economic system of private enterprise through free and vigorous competition;

(2) Such competition be fostered through the encouragement and development of disadvantaged businesses; and

(3) The state aid, counsel and assist in every practical manner disadvantaged businesses in order to preserve free competition on equal terms with those businesses constituting the major part of the business community.

HISTORY: Acts 1977, ch. 135, § 4; T.C.A., § 4-2604.

4-26-105. Reports.

(a) The department shall make a written report to the governor, the speaker of the senate, the speaker of the house of representatives, the chair of the commerce and labor committee of the senate, the chair of the business and utilities committee of the house of representatives, and any governor's advisory committee on minority economic development, at least once each year, such report to be made no later than December 1.

(b) The report shall advise the officials and committees mentioned in subsection (a) on the administration and operation of this chapter.

HISTORY: Acts 1977, ch. 135, § 5; T.C.A., § 4-2605; Acts 2013, ch. 236, § 14.

4-26-106. Disadvantaged business loan guarantee program.

(a) (1) The general assembly finds that conventional funding sources for emerging and expanding disadvantaged businesses are limited or nonexistent.

(2) The general assembly further finds that promoting and encouraging economic opportunity and development within the state's minority community is a worthy public purpose.

(3) Such economic opportunity and development serve the health, safety and welfare of all citizens through creation of long-term employment opportunities, reduction of unemployment, diminished demand for costly social services and increased revenue collections.

(b) (1) There is created within the state treasury a restricted account not to exceed fifty thousand dollars (\$50,000) to be known as the "disadvantaged business loan guarantee account."

(2) Amounts in the account at the end of any fiscal year shall not revert to the general fund but shall remain available to the department for the purposes set forth in this section.

(3) Amounts in the account shall be invested for the benefit of the account by the state treasurer pursuant to § 9-4-603. The account shall be administered by the commissioner.

(c) (1) There is created within the department the disadvantaged business loan guarantee program.

(2) The purpose of the loan guarantee program is to ensure the availability of conventional financial resources to emerging and expanding disadvantaged businesses by guaranteeing loans for disadvantaged businesses.

(3) To qualify for a loan guarantee, a disadvantaged business must demonstrate to the satisfaction of the commissioner that the loan will be fully repaid and will produce economic benefit for the community and state.

(4) The department is authorized to determine the total dollar amount of loans to be guaranteed, subject to a maximum of five (5) times the balance of appropriated funds within the loan guarantee account, plus income, less expenses associated with the program.

(5) The department is authorized to charge a premium to the borrower to help defray the cost of administering the program.

(6) The department may establish other terms and conditions for guarantees of loans.

(7) The total aggregate amount of the loan guarantee may not exceed eighty percent (80%) of any loan.

(8) All documentation evidencing a loan guarantee shall clearly state that such guarantee is an obligation of the disadvantaged business loan guarantee account and not of the general fund or the state of Tennessee, and that any amounts required to be paid pursuant to the loan guarantee are subject to the availability of sufficient funds within the guarantee account.

(d) The commissioner shall annually submit to the governor and the speakers of the senate and house of representatives, within ninety (90) days after the end of the fiscal year, a complete and detailed report setting forth the operations, transactions and accomplishments of the disadvantaged business loan guarantee fund.

HISTORY: Acts 1990, ch. 1071, § 1.

4-26-107. Guidelines and reports to the government operations committees of the senate and house of representatives.

The office of business enterprise shall provide guidelines to address any impediments by other state agencies to the conduct of the office of business enterprise to the members of the government operations committees of the senate and the house of representatives. The office of business enterprise shall also provide periodic reports to the government operations committees of the senate and house of representatives relative to the audit findings of the office of the comptroller.

HISTORY: Acts 2006, ch. 935, § 3.

Additional TCA relative to BERO:**Title 4 State Government****Chapter 3 Creation, Organization and Powers of Administrative Departments and Divisions****Part 7 Department of Economic and Community Development****4-3-728. Community development block grants to disadvantaged businesses.**

(a) Notwithstanding any provision of the law to the contrary, in the allocation and use of community development block grants it is the policy of this state that a substantial portion of such grants shall be utilized whenever reasonably possible for the development of contracts with disadvantaged businesses as defined in § 4-26-102.

(b) The office of business enterprise in the department of economic and community development shall advise the commissioner, or any other official with authority to allocate or disperse community block grants, of disadvantaged businesses that should be considered as recipients of such block grants.

(c) The office of business enterprise shall annually report not later than December 1, to the general assembly, of all such advisements regarding disadvantaged businesses and the number of or amount of community block grants received by disadvantaged businesses.

HISTORY: Acts 1984, ch. 873, § 1.

4-3-732. Enhanced policymaking role for minority business.

Notwithstanding the provisions of any law to the contrary, the director of the office of business enterprise, created by § 4-26-101, may, in the discretion of the commissioner, serve as a full, voting member of each committee, board, task force, group or other entity that is formally or informally attached to or established within the department for the purpose of formulating, adopting or recommending state policies to enhance economic and community development. The general assembly urges the department of economic and community development to develop an enhanced policymaking role for minority business.

HISTORY: Acts 1996, ch. 976, § 1.

Title 7 Consolidated Governments and Local Governmental Functions and Entities Local Government Functions**Chapter 53 Industrial Development Corporations****Part 3 Operation and Powers****7-53-313. Purpose.**

(b) To assist industrial development corporations in achieving such purposes and objectives, the department of economic and community development and the office of business enterprise, established by § 4-26-101, shall be available to provide technical assistance and consultation.

HISTORY: Acts 1999, ch. 298, § 1.

SUNSET PUBLIC HEARING QUESTIONS FOR OFFICE OF BUSINESS ENTERPRISE
CREATED BY SECTION 4-26-101, TENNESSEE CODE ANNOTATED

BERO ANNUAL REPORTS FOR FY2017



Tennessee Department of
Economic and Community Development

BERO | Business Enterprise Resource Office
Annual Report, Fiscal Year 2017

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STATE OF TENNESSEE
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT
STRATEGY DIVISION
312 ROSA L. PARKS AVENUE, TWENTY-SEVENTH FLOOR
NASHVILLE, TENNESSEE 37243
TELEPHONE: 615.741.2626
WWW.TN.GOV/ECD/BERO

November 29, 2017

Greetings:

Pursuant to Tennessee Annotated Code Section 4-26-105, the Department of Economic and Community Development, Business Enterprise Resource Office (BERO) shall make a written report to the governor, the speaker of the senate, the speaker of the house of representatives, the chair of the commerce and labor committee of the senate, the chair of the business and utilities committee of the house of representatives, and any governor's advisory committee on minority economic development, at least once each year, such report to be made no later than December 1.

Herein, please find the BERO annual report for FY2017. In an effort to conserve resources and to access resources within more easily online, only a [digital version](#) is being distributed this year. If you have any questions regarding this report, please do not hesitate to contact Wisty Pender, state director, at 615-741-8914 or wisty.pender@tn.gov.

Respectfully submitted,

Wisty Pender
State Director, BERO



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BERO Annual Report | Foreword

The report herein addresses a range of topics specifically regarding disadvantaged businesses (DBE) in Tennessee. The following highlights align with Gov. Haslam's priorities of Jobs and Economic Development, Education and Workforce Development, and Fiscal Strength.

The following areas are highlights for consideration:

Employer and Nonemployer and Economic Inclusion Dashboards

Housed on TNECD's Performance Metrics website are three dashboards that provide key DBE and small business data at the fingertips of the user. The data includes user friendly tools to see the employment at small businesses, job growth occurring among small businesses, and the age of Tennessee's small businesses and nonemployers. The newest dashboard, "Economic Inclusion of Businesses in Tennessee," includes data that may be sorted not only by owners by race, ethnicity, gender and/or veteran status, but also by industry (NAICS codes), geographic area (statewide, MSA, or county) and by year (2012, 2007, 2002).

Tennessee SmartStart

From FY2015 to FY2016 the usage of BERO's key online resources, Tennessee Smart Start Guide (PDF format) and How to Start a Business, a simplified step-by-step guide to registering a business in Tennessee, averaged a combined total of approximately 10,000 unique pageviews per month. The resources were in demand and plans to create Tennessee SmartStart™, an interactive guide, began in FY2016. In FY2017, the process of combining those two key resources into a decision tree model application with mobile accessibility began. The design and early testing occurred during FY2017 with the official release taking place in September 2017, during FY2018. Also of note is that Smart Start (hard copy version) was submitted (in FY2017) and awarded (in FY2018) the gold award by the [International Economic Development Council](#).

LiftTN: Microenterprise

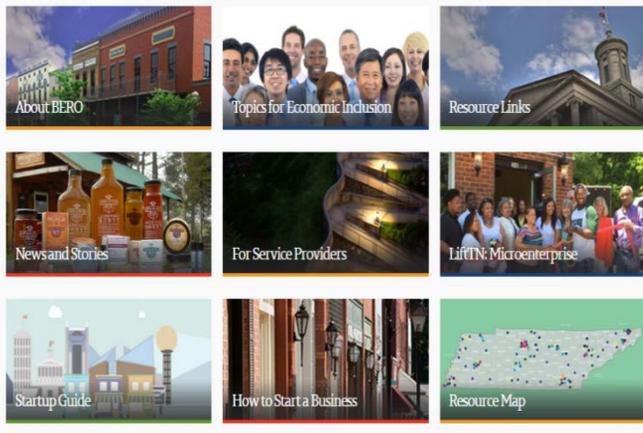
"LiftTN: Microenterprise," a program to expand microenterprise development across the state. TNECD launched the Rural Edition as a pilot program in February 2015 with \$400,000 in total grant money awarded over a two-year contract to five grantees. The program, funded through the United States Department of Housing and Urban Development (HUD) chose to meet the national objective of low to moderate income (LMI). At the time of its launch, Tennessee was the only state using this approach with HUD's Community Development Block Grants (CDBG) dollars. In FY2017, the Urban Core Edition launched its first pilot round of funding, which was made available through state dollars. LiftTN is a reimbursable grant program.

The first fully competitive round of application for both Rural and Urban Core Editions opened in early FY2018 tn.gov/ecd/topic/liftn.

There are many exciting things happening across Tennessee's DBE and small business landscape!



About BERO | Business Enterprise Resource Office



BERO is housed within the state of Tennessee Department of Economic and Community Development (TNECD).

BERO | Business Enterprise Resource Office

- serves as a voice for and advocate of economic inclusion*;
- analyzes, disseminates and promotes best practices and access to capital to service providers; and
- reports on the status of DBEs statewide (disadvantaged businesses or **DBEs).

*Economic inclusion describes the efforts made to bring DBEs into the economic mainstream.

**For the purposes of BERO, DBE refers to businesses owned by women, minorities, veterans and persons with disabilities; as well as those in areas of chronic high unemployment and low income.

BERO was legislatively established within the department of economic and community development in 1977 by Title 4, Chapter 26 as the office of business enterprise.

Inquires

BERO addresses direct information requests received for business information and assistance made through telephone, email, postal service and referrals from communities, elected officials, resource partners, other businesses, etc. Individuals and companies can submit requests for business information through TNECD's website at tnecd.com/about/contact. BERO also serves as a go-to resource on DBE topics to TNECD's business development staff statewide. The most requested topics are related to elements involved in steps to startup or move a business, access to capital, certification and procurement.

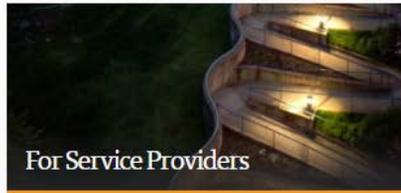
Presentations and Events

Below is an abbreviated sample list of the events in which BERO was represented through participation, presentation and/or a booth during FY2016.

- USDA Rural Development Conference, Murfreesboro
- Memphis Demo Day, Memphis
- Global Action Summit, Nashville
- BEST, Cohort 3, TN Women's Prison, Nashville
- SBA Emerging Leaders Program, Nashville
- CO.STARTRES Summit, Chattanooga
- IEDC Federal Forum, Arlington, VA
- LiftTN: Microenterprise grand openings, Bolivar
- SBA Federal procurement Conference, Nashville
- Diversify 2017, Chattanooga
- TDOT Annual DBE Meeting, Franklin

Contact Information

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tn.gov/ecd/bero
TNECD.com
TNSmartStart.com



Here's what you'll find...

- The numbers and distribution, educational attainment, industries and more on DBEs in the state through annual reports (*About BERO*)
- Procurement, certification, policy information and resources for businesses owned by women, minorities, veterans, persons with disabilities, previously incarcerated and youth (*Topics in Economic Inclusion*)
- State and federal resources for all businesses, including information on grants (*Resource Links*)
- Newsletters that highlight best practices, access to capital, opportunities for funding, articles from the previous quarter geared towards resources partners, service providers, EDs, chambers, etc. (*News and Stories*)
- Resources for communities, services providers (*For Service Providers*)
- Funding opportunities for rural and urban core microenterprises (*LiftTN: Microenterprise*)
- Tennessee Smart Start Guide, in PDF format, a guide for new and existing small businesses and entrepreneurs (*Startup Guide*)
- Starting a business in Tennessee from resources to help with ideas to how register it legally (*How to Start a Business*)

Note:

As of November 2017, the BERO website is undergoing a change with the addition of the Tennessee SmartStart™ application as well as the additions to the Key Performance Indicators (KPI) dashboard with employer and nonemployer business and economic inclusion data, among others items.



Performance Metrics | Employer and Nonemployer and Economic Inclusion Data

Tennessee has ranked #1 in Small Business Job Growth from January 2017 to June 2017 and continues to hold the #1 spot as of October 2017. *Source: PAYCHEX - IHS SMALL BUSINESS JOBS INDEX*

Small Business Employment

View the dashboard [here](#).

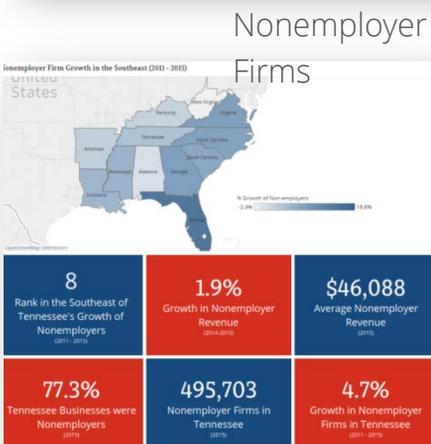
This dashboard includes employment at small businesses, job growth occurring among small businesses, and the age of Tennessee's small businesses. The dashboard reflects private sector employers, thereby excluding nonemployers and government or other public sector organizations.



Nonemployer Firms

View the dashboard [here](#).

Businesses classifying as “nonemployers” have annual receipts of \$1,000 or more and are subject to federal income taxes. Most nonemployers are self-employed individuals ... The majority of all business establishments are nonemployers, but due to their small economic impact, these firms are excluded from most other federal business statistics.



Economic Inclusion of Businesses

View the dashboard [here](#).

This dashboard represents information on the economic inclusion of business owners by race, ethnicity, gender and veteran status in Tennessee. It includes data on businesses with and without employees. Data may be further sorted by industry (NAICS codes), geographic area (statewide, MSA, or county) and by year (2012, 2007, 2002).

Key screenshots of dashboards located [here](#).

Economic Inclusion of Businesses





Tennessee SmartStart | Hardcopy to Interactive

The Tennessee Smart Start Guide (Smart Start), the print version, is distributed throughout TNECD's nine regions and to its resource partners and stakeholders including, but not limited to, elected officials, chambers of commerce, development districts, state agencies (such as the Office of the Small Business Advocate, Revenue, Secretary of State, Human Services and Labor and Workforce Development), UT-CIS, TN Small Business Development Centers, the US Small Business Administration, USDA Rural Development, SCORE, the Federal Reserve Banks of Atlanta and St. Louis, regional entrepreneur centers, coworking spaces, business incubators, among many others. Approximately 10,000 hard copies were printed and distributed in a 10-month period.

From FY2015 to FY2016 the usage of BERO's key online resources, Smart Start (PDF format) and How to Start a Business, a simplified step-by-step guide to registering a business in Tennessee, averaged a combined total of approximately 10,000 unique pageviews per month. The resources were in demand and plans to create an interactive guide began in FY2016. In FY2017 the process of combining those two key resources into Tennessee SmartStart™, a decision tree model application with mobile accessibility began. The design and early testing occurred during FY2017 with the official release taking place in September 2017, during FY2018. Also of note, is that Smart Start, the print version, was submitted (in FY2017) and was awarded (in FY2018) the gold award by the [International Economic Development Council](#) for the "special purpose print brochure" category.

* * *

From the September 2017 [press release](#)...

TNECD LAUNCHES NEW ONLINE TENNESSEE SMARTSTART GUIDE

Interactive guide provides resources crucial to early stage businesses

...Tennessee SmartStart™ provides resources through an interactive, step-by-step guide designed to assist early stage business owners establish a business in Tennessee and navigate rules and regulations.

...Continue reading [here](#).

Hard Copy/PDF

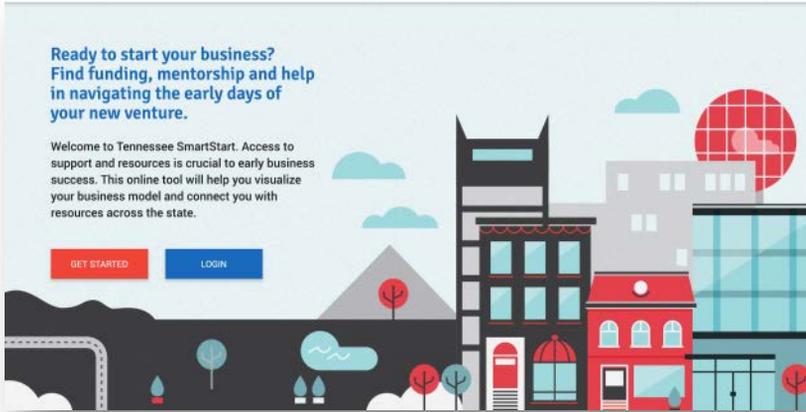


Online tool





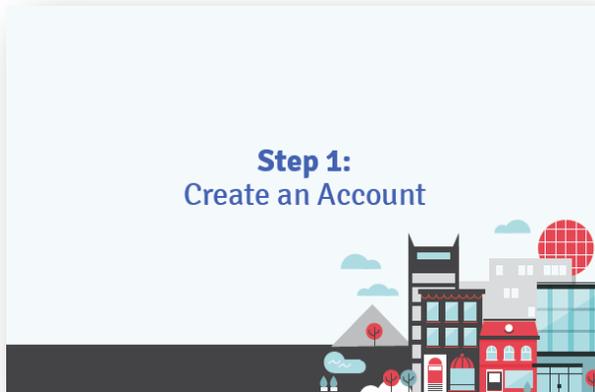
Tennessee SmartStart | Screenshots 1



Smart Businesses Start Here

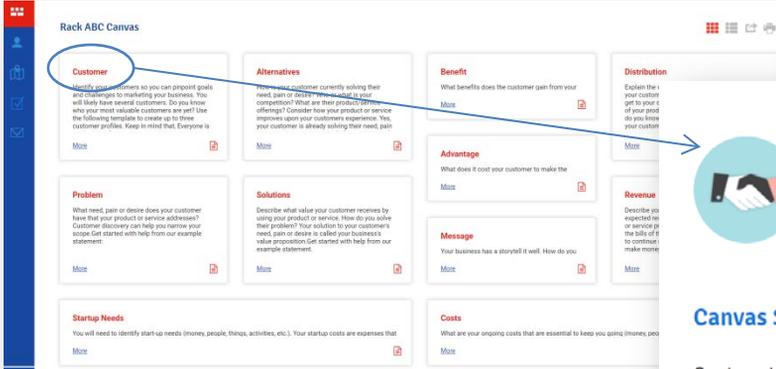
Watch this video to learn how to use the app, and/or visit the website at tnsmartstart.com to get started now.

Tennessee SmartStart™





Tennessee SmartStart | Screenshots 2



Customer



Identify your customers so you can pinpoint goals and challenges to marketing your business. You will likely have several customers. Do you know who your most valuable customers are yet? Use the following template to create up to three customer profiles. Keep in mind that, "Everyone is our (potential) customer!" isn't narrow enough to help you market your business. Get started with help from our example statement:

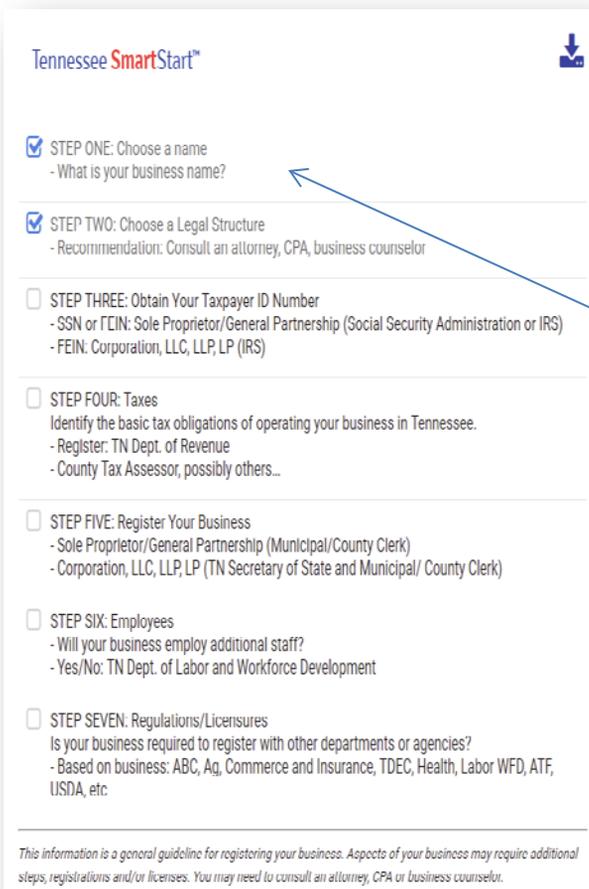
Canvas Starter

Our target customer is primarily between the ages of with an average income of and they work in the business/industry.

Details

Business Model Canvas

Users complete a canvas that may be customized to the specific business.



Checklist

It provides a simplified step-by-step guide to registering a business in Tennessee.

Tennessee SmartStart | Next Steps

This is Phase I of development. Resources will continue to be added and updated as well as become more localized. This tool is part of the mobile platforms (see Governor's Rural Task Force Update) as well as the No Wrong Door/Front Door approach to reach the new and existing entrepreneurs and small business in Tennessee.

Other steps that are under consideration are soft referrals and virtual mentorship.



LIFTTN: Microenterprise | A rural and urban core microenterprise development program

About LiftTN: Microenterprise, Rural and Urban Core Editions

“LiftTN: Microenterprise,” a program to expand microenterprise* development across the state. TNECD launched the Rural Edition as a pilot program in February 2015 with \$400,000 in total grant money awarded over a two-year contract to five grantees. The program, funded through the United States Department of Housing and Urban Development (HUD) chose to meet the national objective of low to moderate income (LMI). At the time of its launch, Tennessee was the only state using this approach with HUD’s Community Development Block Grants (CDBG) dollars. In FY2017, the Urban Core Edition launched its first pilot round of funding, which was made available through state dollars. LiftTN is a reimbursable grant program.

What’s next?

The first fully competitive round of application for both Rural and Urban Core Editions opened in early FY2018.

*“Microenterprise” is a business with five (5) or fewer employees including its owners.

Original Rural program press release [here](#). Learn more about the grantee’s respective programs visit the website [here](#).

Rural Edition, pilot program, 2015-2017 Grantees and Projects

[Communities Unlimited](#)
(west)



[altShops](#), a business incubator program for popup retail shops

Knoxville Chamber
(east)



[Propel](#), a mentor-protégée program

Growth Enterprises Nashville
(middle and statewide)



[Incubator Without Walls](#), virtual business incubation program

Sonnenschein Green Initiative
(community-based)



[Hohenwald Marketplace](#), a place for local vendors to operate and sell services and goods

[TN Code Academy](#), BizFoundry
(youth)



Apps and Entrepreneurship, teaching youth to make an app and how to monetize it



LIFTTN: Microenterprise | A rural and urban core microenterprise development program

Urban Core Edition, pilot program, FY2017

Grantees and Projects

City of Memphis, [Office of Business Diversity & Compliance](#)
(Memphis)



Expansion of Sub-to-Prime pilot procurement program initiative. Sub-to-Prime works with businesses through offering bid training, scaling assistance and reducing certification costs.

Memphis BioWorks Foundation/[EPIcenter](#)
(Memphis)



Establish and sustain successful entrepreneurship training and support in partnership with MCUTS (Memphis Center for Urban Theological Studies) and Alcy Ball CDC.

[Greater Memphis Chamber](#)
(Memphis)



Support for the research, development and launch of the Memphis Chamber's mentor-protégé program.

[Greater Knoxville Chamber of Commerce](#)
(Knoxville)



Two initiatives: (1) the Propel Mentor-Protégé program, through the utilization of distance learning options, as well as provide program fees support to enable protégé businesses to participate in the Propel program, and (2) increase participation in the Young Entrepreneurs Academy (YEA!) that teaches middle and high school students how to start their own business.

[LEAP Organization](#)
(Clarksville)



Two program initiatives: (1) a youth career readiness program (for 15-18 year olds) that incorporates entrepreneurship modules, provides internships and has a juvenile court referral component, and (2) to operate an education and technical assistance program for entrepreneurs.

[LAUNCH](#), Inc.
(Chattanooga)



Two program initiatives : (1) entrepreneurial education through startup training and (2) increased participation in public and private procurement (in partnership with Chattanooga Chamber of Commerce Office of Diversity and Inclusion)

Update | Governor's Rural Task Force Rural Businesses

Recommendations from the Governor's Rural Task Force (RTF), began in FY2016, are in the execution process.

Refresher:

RTF was a year-long process begun with initial meetings, followed by input sessions after which six committees were created to develop specific action steps. One of the six was the Agriculture, Entrepreneurship and Small Business committee, which met from March 2016 to June 2016.

The Agriculture, Entrepreneurship and Small Business committee was comprised of 29 members including elected officials, stakeholders, service/resource providers, entrepreneurs, farmers, bankers, government agencies and nonprofits, among others representing all parts of the state. It was a truly an engaged working committee that invested their time and brought the breadth of their knowledge and talents to bear. The committee submitted five (the maximum number) proposals on topics related to access to capital, including grants, loans and tax incentives, as well as, branding, access to markets, education and technical assistance. The recommendations from the Agriculture, Entrepreneurship and Small Business are robust. Take a moment to check them out.

From the final report:

The report on the RTF was released on October 10, 2016. There were 22 proposals outlined in it. Over 120 individuals participated in the six committees, and the two main areas that emerged were capacity building and placemaking. Capacity building speaks to the process of increasing the community's ability to take advantage of resources and achieve its goals. Placemaking deals with the planning and design of community places to promote the overall well-being of an area.

The capacity building recommendations for the State's rural businesses that expand access to resources and capital, and which are currently in process are the following:

- Rural Small Business and Entrepreneur Education and Technical Assistance (p.33-36) includes:
 - Gap Analysis
 - Buildout of Smart Start Guide/Tennessee SmartStart™
 - Front door/No Wrong Door
 - Mobile Bus Tour
- Access to Capital for Agricultural and Rural Businesses through Rural Opportunity Fund (p. 42)
- AgEnterprise Adjustment Fund (p. 46)

Page numbers are for the Governor's Rural Task Force recommendations [here](#).

The Agriculture, Entrepreneurship and Small Business committee continues to provide input and support as the mentioned projects are launched and evolve.

BERO | Program Data and Reports



Program Data

The department shall maintain complete and consistent program data. (TCA §4-26-104(C)(b)(2))

Data continues to be organized in a similar fashion as is presented here. BERO is housed within the strategy division of TNECD.

Reports

The enabling statute for the Office of Business Enterprise, otherwise known and referred to as the Business Enterprise Resource Office (BERO) requires several written reports. The reports fall under the following:

- TCA [§4-26-105](#). Reports.
- TCA [§4-26-106](#). Disadvantaged business loan guarantee program.
- TCA [§4-26-107](#). Guidelines and reports to the government operations committees of the senate and house of representatives.
- TCA [§4-3-728](#). Community development block grants to disadvantaged businesses.

TCA [§4-26-105](#) Reports.

(a) The department shall make a written report to the governor, the speaker of the senate, the speaker of the house of representatives, the chair of the commerce and labor committee of the senate, the chair of the business and utilities committee of the house of representatives, and any governor's advisory committee on minority economic development, at least once each year, such report to be made no later than December 1.

(b) The report shall advise the officials and committees mentioned in subsection (a) on the administration and operation of this chapter.

The Office of Business Enterprise, otherwise known and referred to as the Business Enterprise Resource Office (BERO), was created in the Department of Economic and Community Development (TNECD) by Chapter 135 of the Public Acts of 1977, codified as TCA §4-26-101 et seq.

Update

During FY2015, BERO went through sunset hearings and was unanimously continued for five years.

Given the era of BERO's establishment and the changes that have taken place in the 40 years since its original statute, suggested revisions for consideration were submitted to the department by BERO prior to the issuance of this report.

Staffing

The office is composed of a dedicated director charged with managing the statutory duties of the office.



Reports (continued)

TCA §4-26-106. Disadvantaged business loan guarantee program.

(d) The commissioner shall annually submit to the governor and the speakers of the senate and house of representatives, within ninety (90) days after the end of the fiscal year, a complete and detailed report setting forth the operations, transactions and accomplishments of the disadvantaged business loan guarantee fund.

HISTORY: Acts 1990, ch.1071, § 1.

Comment

This loan program remains unfunded within TNECD.

TCA §4-26-107. Guidelines and reports to the government operations committees of the senate and house of representatives.

The office of business enterprise shall provide guidelines to address any impediments by other state agencies to the conduct of the office of business enterprise to the members of the government operations committees of the senate and the house of representatives. The office of business enterprise shall also provide periodic reports to the government operations committees of the senate and house of representatives relative to the audit findings of the office of the comptroller. [Acts 2006, ch. 935, § 3.]

Comment:

There is nothing to report relative to this section.

TCA §4-3-728. Community development block grants to disadvantaged businesses.

BERO shall annually report on advisements regarding disadvantaged businesses and the number of or amount of community block grants received by disadvantaged businesses.

Community Development Block Grants (CDBG)

TNECD awards CDBGs to rural municipalities and communities for infrastructure, health and safety projects, and downtown improvement. The communities in turn contract with a company for its CDBG project performance.

Per federal guidelines under Section 570.491 of the State Community Development Block Grant (CDBG) Rule requires states to submit to HUD data on the racial, ethnic, and gender characteristics of persons who are applicants for, participants in or beneficiaries of CDBG programs. The following shows what the participation report reflected for the applicants, and *does not include* entitlement communities. Entitlement areas are Shelby County and Memphis, Jackson, Clarksville, Davidson County, Murfreesboro, Franklin, Hendersonville, Oak Ridge, Knox County and Knoxville, Chattanooga, Cleveland, Morristown, Kingsport, Bristol and Johnson City.



Reports (continued)

As the following data does not include the entitlement communities data, it is not an accurate representation of the total DBE participation in projects funded through HUD CDBG dollars statewide.

Contract Awards for Federal FY2016

In the U.S. Department of Housing and Urban Development (HUD) report, Contract and Subcontractor Activity for non-entitlement communities, the CDBG awards were reported for the federal fiscal year, October 1, 2016 to September 30, 2017. There were 109 total prime contracts made to 61 firms totaling \$23,750,128.25. Of the 109 contracts, 15 contracts (or 13.7 percent) totaling \$1,696,370.00 (or 7.1 percent) were awarded to firms classified as women-owned and none went to businesses classified as minority-owned. Of the 109 total contracts 40 (36.7 percent) totaling \$18,141,660.25 (76.4 percent) were construction projects and 69 (63.3 percent) were categorized as professional services/other. Additionally there were 53 total subcontracts made to 50 firms totaling \$2,661,784.00. Of the 53 contracts, five (9.4 percent) for a total of \$202,653.00 were awarded to firms classified as women-owned and none went to businesses classified as minority-owned. Of the 53 total subcontracts 28 (52.8 percent) totaling \$1,129,634.00 (42.4 percent) were construction projects, and 20 (47.2 percent) totaling \$1,532,159.00 (57.6 percent) were categorized as professional services/other.

HUD uses the following racial and ethnic designations for its reporting: White Americans, Black Americans, Native Americans, Hispanic Americans, Asian/Pacific Americans and Hasidic Jews.

tn.gov/ecd/CDBG

Comment:

BERO partnered with the Governor's Office of Diversity Business Enterprise (Go-DBE) to make CDBG opportunities available to a larger numbers of DBEs by posting contracting opportunities in the Current Procurement Opportunities section of [Go-DBE's webpage](#).



BERO | Recommended Reading

Note: Look over the Recommended Reading in the annual report as well as the articles provided in the newsletters over the course of the last year for further DBE-related information.

- Ezell, S., Andes, S., Localizing the economic impact of research and development: Policy proposals for the Trump administration and Congress (Washington D.C., Brookings Institute, December 2016), itif.org/publications/2016/12/07/localizing-economic-impact-research-and-development-policy-proposals-trump.
- Fetsch, Emily, Including People of Color in the Promise of Entrepreneurship, Educational Policy Brief (Kansas City, MO: Entrepreneurship Policy Digest, Ewing Marion Kauffman Foundation, December 5, 2017), kauffman.org/what-we-do/resources/entrepreneurship-policy-digest/including-people-of-color-in-the-promise-of-entrepreneurship.
- From Struggle to Resilience: The Economic Impact of Refugees in America (New American Economy: newamericaneconomy.org, June 2017), research.newamericaneconomy.org.
- Kelley, D., Singer, S., et. al. GEM 2015/16 Global Report (London, UK: Global Entrepreneurship Research Association, June 2016), gemconsortium.org/report.
- Kerr, Sari Pekkala and Kerr, William, Working Paper: Immigrant Entrepreneurship (Boston, MA: Harvard Business School, July 2016), hbs.edu/faculty/Pages/item.aspx?num=51304.
- Main Street Marshall Plan, State of Black America 2017 (New York, NY: National Urban League, May 2017), stateofblackamerica.org
- Minority Business Development Oversight Committee, Executive Summary (Memphis, TN: City of Memphis, August 2015), memphistn.gov/Portals/0/pdf_forms/Minority%20Business%20Development%20Oversight%20Committee%20Report.pdf.
- Prison to Proprietor: Entrepreneurship as a Re-entry Strategy (Washington, D.C.: Field at the Aspen Institute, September 2016), aspeninstitute.org/publications/prison-proprietor-entrepreneurship-re-entry-strategy.
- Puente, Lucas, 2016 Thumbtack Small Business Friendliness Survey: Methodology & Analysis (Thumbtack.com, June 15, 2016), thumbtack.com/blog/2016-methodology.
- Seeds of Growth: Building Your Local Economy By Supporting Immigrant Entrepreneurs, Welcoming America and Global Detroit (Decatur, GA: Welcoming America), welcomingamerica.org/sites/default/files/SeedsofGrowth_FINAL_web.pdf.
- The State of Women-Owned Businesses, 2016 (American Express OPEN, April 2016), womenable.com/content/userfiles/2016_State_of_Women-Owned_Businesses_Executive_Report.pdf.
- The State of Women-Owned Businesses, 2017 (American Express OPEN, November 8, 2017) about.americanexpress.com/news/docs/2017-State-of-Women-Owned-Businesses-Report.pdf.
- The Tapestry of Black Business Ownership in America: Untapped Opportunities for Success (Washington, D.C.: Association for Enterprise Opportunity, February 2017), aeoworks.org/images/uploads/fact_sheets/AEO_Black_Owned_Business_Report_02_16_17_FOR_WEB.pdf.
- Wilmoth, Daniel, The Ascent of the Senior Entrepreneur (Washington, D.C.: SBA Office of Advocacy, August 18, 2016), sba.gov/sites/default/files/advocacy/Ascent-Senior-Entrepreneur.pdf.

BERO ANNUAL REPORT FY2017

ATTACHMENT



**Tennessee Department of Economic & Community Development
Business Enterprise Resource Office (BERO)
Enabling Statute: Attachment A**

**Title 4 State Government
Chapter 26 Business Enterprise Office (2017)**

4-26-101. Establishment.

There is established within the department of economic and community development an office of business enterprise.

HISTORY: Acts 1977, ch. 135, § 1; T.C.A., § 4-2601.

4-26-102. Chapter definitions.

As used in this chapter, unless the context otherwise requires:

(1) "Bid bond" means a bond conditioned upon the entering into a contract by a bidder, if the bidder receives the award thereof, and furnishing the prescribed payment bond and performance bond;

(2) "Commissioner" means the commissioner of economic and community development;

(3) "Department" means the department of economic and community development;

(4) "Director" means the director of the office of business enterprise;

(5) "Disability" means a physical impairment that, in the written opinion of a person's licensed physician, substantially limits one (1) or more of the major life activities of such person and is expected to continue to exist for more than five (5) years. As used in this subdivision (5), "major life activities" means caring for oneself and performing manual tasks, which includes writing, walking, seeing, hearing, speaking, and breathing;

(6) "Disadvantaged business" means a business that is solely owned, or at least fifty-one percent (51%) of the outstanding stock of which is owned, by a person who is either:

(A) By reason of social background unable to obtain technical, business or financial assistance of a quality or quantity similar to that available to the average business;

(B) Impeded from normal entry into the economic mainstream because of past practices of discrimination based on race, religion, ethnic background, sex or service in the armed forces during the Vietnam war; provided, that it is not the policy of this state to encourage employment outside the home of mothers of minor children;

(C) Unable to compete effectively because of tendencies of regular financing and commercial organizations to restrict their services to established businesses;

(D) In a state of chronically low income because of long residence in an urban area with high unemployment and low income; or

(E) Impeded from normal entry into the economic mainstream because of a disability;

(7) "Obligee" means:

(A) In the case of a bid bond, the person requesting bids for the performance of a contract; or

(B) In the case of a payment bond or performance bond, the person who has contracted with a principal for the completion of the contract and to whom the obligation of the surety runs in the event of a breach by the principal of the conditions of a payment bond or performance bond;

(8) "Payment bond" means a bond conditioned upon the payment by the principal of money to persons under contract with the principal;

(9) "Performance bond" means a bond conditioned upon the completion by the principal of a contract in accordance with its terms;

(10) "Prime contractor" means the person with whom the obligee has contracted to perform the contract;

(11) (A) "Principal" means:

(i) In the case of a bid bond, a person bidding for the award of a contract; or

(ii) The person primarily liable to complete a contract for the obligee, or to make payments to other persons in respect of such contract, and for whose performance of such person's obligation the surety is bound under the terms of a payment or performance bond.

(B) A principal may be a prime contractor or a subcontractor;

(12) "Subcontractor" means a person who has contracted with a prime contractor or with another subcontractor to perform a contract; and

(13) "Surety" means the person who:

(A) Under the terms of a bid bond, undertakes to pay a sum of money to the obligee in the event the principal breaches the conditions of the bond;

(B) Under the terms of a performance bond, undertakes to incur the cost of fulfilling the terms of a contract in the event the principal breaches the conditions of the contract; or

(C) Under the terms of a payment bond, undertakes to make payment to all persons supplying labor and material in the prosecution of the work provided for in the contract if the principal fails to make prompt payment.

HISTORY: Acts 1977, ch. 135, § 2; T.C.A., § 4-2602; Acts 1987, ch. 369, § 2; 1993, ch. 488, § 1; 1994, ch. 767, §§ 1, 2.

4-26-103. Powers and duties.

The department is authorized to:

(1) Provide assistance to disadvantaged businesses by advising and counseling on all phases of procurement policies, by obtaining information concerning prime contractors in letting subcontracts and by encouraging the letting of subcontracts by prime contractors to disadvantaged businesses;

(2) Receive funding from sources other than the state;

(3) Make studies and conduct workshops, conferences and seminars, with owners and employees of disadvantaged businesses to enhance their understandings of business management, bidding, licensing procedures, procurement procedures and any other activities incident to their positions in business;

(4) Develop training and educational programs in cooperation with institutions, associations, and other state, local and federal agencies, and coordinate the training efforts of the various organizations presently providing technical assistance to disadvantaged businesses;

(5) Encourage and provide the direction and coordination necessary to secure franchises and dealerships from private firms for disadvantaged businesses;

(6) Review and evaluate legislation and determine its effect upon disadvantaged businesses and make appropriate

recommendations to the governor and the general assembly;

(7) Employ such personnel as may be required to implement and administer this chapter; and

(8) (A) Develop sources of capital for minority entrepreneurs;

(B) Assist in setting up new minority banks, small business investment companies, as defined in 15 U.S.C. § 681(a), and minority enterprise small business investment companies, being the companies authorized in 15 U.S.C. § 681(d) [repealed]; and

(C) Develop loan packages to assist minority business persons in the start-up or expansion of businesses, or any other financial counseling necessary to enable minority business operations to operate on a sound financial basis.

(b) (1) The department shall continually evaluate the progress of disadvantaged businesses through monitoring and techniques of evaluation, such as surveys and feasibility studies.

(2) The department shall maintain complete and consistent program data.

4-26-104. Purpose and construction.

This chapter shall be liberally construed to carry out the following purposes and objectives that:

(1) Disadvantaged businesses share in the American economic system of private enterprise through free and vigorous competition;

(2) Such competition be fostered through the encouragement and development of disadvantaged businesses; and

(3) The state aid, counsel and assist in every practical manner disadvantaged businesses in order to preserve free competition on equal terms with those businesses constituting the major part of the business community.

HISTORY: Acts 1977, ch. 135, § 4; T.C.A., § 4-2604.

4-26-105. Reports.

(a) The department shall make a written report to the governor, the speaker of the senate, the speaker of the house of representatives, the chair of the commerce and labor committee of the senate, the chair of the business and utilities committee of the house of representatives, and any governor's advisory committee on minority economic development, at least once each year, such report to be made no later than December 1.

(b) The report shall advise the officials and committees mentioned in subsection (a) on the administration and operation of this chapter.

HISTORY: Acts 1977, ch. 135, § 5; T.C.A., § 4-2605; Acts 2013, ch. 236, § 14.

4-26-106. Disadvantaged business loan guarantee program.

(a) (1) The general assembly finds that conventional funding sources for emerging and expanding disadvantaged businesses are limited or nonexistent.

(2) The general assembly further finds that promoting and encouraging economic opportunity and development within the state's minority community is a worthy public purpose.

(3) Such economic opportunity and development serve the health, safety and welfare of all citizens through creation of long-term employment opportunities, reduction of unemployment, diminished demand for costly social services and increased revenue collections.

(b) (1) There is created within the state treasury a restricted account not to exceed fifty thousand dollars (\$50,000) to be known as the "disadvantaged business loan guarantee account."

(2) Amounts in the account at the end of any fiscal year shall not revert to the general fund but shall remain available to the department for the purposes set forth in this section.

(3) Amounts in the account shall be invested for the benefit of the account by the state treasurer pursuant to § 9-4-603. The account shall be administered by the commissioner.

(c) (1) There is created within the department the disadvantaged business loan guarantee program.

(2) The purpose of the loan guarantee program is to ensure the availability of conventional financial resources to emerging and expanding disadvantaged businesses by guaranteeing loans for disadvantaged businesses.

(3) To qualify for a loan guarantee, a disadvantaged business must demonstrate to the satisfaction of the commissioner that the loan will be fully repaid and will produce economic benefit for the community and state.

(4) The department is authorized to determine the total dollar amount of loans to be guaranteed, subject to a maximum of five (5) times the balance of appropriated funds within the loan guarantee account, plus income, less expenses associated with the program.

(5) The department is authorized to charge a premium to the borrower to help defray the cost of administering the program.

(6) The department may establish other terms and conditions for guarantees of loans.

(7) The total aggregate amount of the loan guarantee may not exceed eighty percent (80%) of any loan.

(8) All documentation evidencing a loan guarantee shall clearly state that such guarantee is an obligation of the disadvantaged business loan guarantee account and not of the general fund or the state of Tennessee, and that any amounts required to be paid pursuant to the loan guarantee are subject to the availability of sufficient funds within the guarantee account.

(d) The commissioner shall annually submit to the governor and the speakers of the senate and house of representatives, within ninety (90) days after the end of the fiscal year, a complete and detailed report setting forth the operations, transactions and accomplishments of the disadvantaged business loan guarantee fund.

HISTORY: Acts 1990, ch. 1071, § 1.

4-26-107. Guidelines and reports to the government operations committees of the senate and house of representatives.

The office of business enterprise shall provide guidelines to address any impediments by other state agencies to the conduct of the office of business enterprise to the members of the government operations committees of the senate and the house of representatives. The office of business enterprise shall also provide periodic reports to the government operations committees of the senate and house of representatives relative to the audit findings of the office of the comptroller.

HISTORY: Acts 2006, ch. 935, § 3.

Additional TCA relative to BERO:**Title 4 State Government****Chapter 3 Creation, Organization and Powers of Administrative Departments and Divisions****Part 7 Department of Economic and Community Development****4-3-728. Community development block grants to disadvantaged businesses.**

(a) Notwithstanding any provision of the law to the contrary, in the allocation and use of community development block grants it is the policy of this state that a substantial portion of such grants shall be utilized whenever reasonably possible for the development of contracts with disadvantaged businesses as defined in § 4-26-102.

(b) The office of business enterprise in the department of economic and community development shall advise the commissioner, or any other official with authority to allocate or disperse community block grants, of disadvantaged businesses that should be considered as recipients of such block grants.

(c) The office of business enterprise shall annually report not later than December 1, to the general assembly, of all such advisements regarding disadvantaged businesses and the number of or amount of community block grants received by disadvantaged businesses.

HISTORY: Acts 1984, ch. 873, § 1.

4-3-732. Enhanced policymaking role for minority business.

Notwithstanding the provisions of any law to the contrary, the director of the office of business enterprise, created by § 4-26-101, may, in the discretion of the commissioner, serve as a full, voting member of each committee, board, task force, group or other entity that is formally or informally attached to or established within the department for the purpose of formulating, adopting or recommending state policies to enhance economic and community development. The general assembly urges the department of economic and community development to develop an enhanced policymaking role for minority business.

HISTORY: Acts 1996, ch. 976, § 1.

Title 7 Consolidated Governments and Local Governmental Functions and Entities Local Government Functions**Chapter 53 Industrial Development Corporations****Part 3 Operation and Powers****7-53-313. Purpose.**

(b) To assist industrial development corporations in achieving such purposes and objectives, the department of economic and community development and the office of business enterprise, established by § 4-26-101, shall be available to provide technical assistance and consultation.

HISTORY: Acts 1999, ch. 298, § 1.