

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 675 - HB 1450

April 1, 2019

**SUMMARY OF ORIGINAL BILL:** Authorizes the Chief Procurement Officer of the Department of General Services to submit the currently required annual report regarding contracts awarded to minority, women, service-disabled veteran, and disability-owned businesses in electronic format.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

**SUMMARY OF AMENDMENT (004271):** Deletes and rewrites all language after the enacting clause. Effective January 1, 2020, through December 31, 2023, creates a Tennessee Small Business Reserve pilot program by giving priority access to minority-owned businesses for the state contract procurement process through a sheltered market. State governmental entities must offer contracts to only eligible businesses if any are available that are capable to complete the service. Eligible businesses must be certified as a minority-owned business with the Governor's Office of Diversity Business Enterprises (Go-DBE) and have an average of less than \$1,000,000 in gross receipts each year over the previous three years. Go-DBE must determine eligible businesses and produce a list for all state governmental agencies. Agencies must consider if a project could be separated into multiple contracts in order to utilize an eligible business.

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Increase State Expenditures - \$26,800/FY19-20  
\$53,700/FY20-21  
\$53,700/FY21-22  
\$53,700/FY22-23  
\$26,800/FY23-24**

Assumptions for the bill as amended:

- The proposed legislation does not alter the current application process for minority-owned businesses to become certified through Go-DBE.

**SB 675 - HB 1450**

- Pursuant to Tenn. Code Ann. § 12-3-1103(b), criteria and standards for eligibility (of certification) shall include, but not be limited to, the number of employees, the total gross receipts or annual sales volume, including ownership and control.
- Tax returns are currently included in information submitted by minority-owned businesses seeking certification, or renewal, every three years.
- Pursuant to Tenn. Code Ann. § 12-3-1102(9), small businesses are the only minority category in which gross receipts are factored into certification prerequisites. Such businesses must not have total gross receipts over \$10,000,000 averaged over a three-year period. Small businesses' gross receipts are reviewed on a three-year basis.
- The proposed legislation would require any certified minority-owned business (minority, woman, service-disabled veteran, persons with disabilities, and small businesses) who wish to participate in the sheltered market to submit tax returns for review annually in order for Go-DBE to determine a rolling average for eligibility.
- Due to the increased volume of business eligibility reviews, the Department of General Services (DGS), which houses Go-DBE, will require one additional Administrative Services Assistant 5 position during the course of the pilot program.
- An annual cost of \$53,663 (\$40,392 salary + \$13,271 benefits) for the additional employee.
- The pilot program is active January 1, 2020, through December 31, 2023.
- Due to half year impacts, FY19-20 and FY23-24 will have increased expenditures of fifty percent of the full expense, or \$26,832 (\$53,663 x .50).
- FY20-21, FY21-22, and FY22-23 will each have increased expenditures of \$53,663.
- No additional significant fiscal impact is estimated for state governmental entities from higher contract prices. The proposed legislation states that if a responsive and responsible bid is not received for a contract, or the low bid is determined to be too high, the contract may be removed from the sheltered market.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

/agr