

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 314 – HB 415

January 28, 2021

SUMMARY OF BILL: Effective July 1, 2021 through June 30, 2026, creates a Tennessee Small Business Reserve pilot program by giving priority access to minority-owned businesses for the state contract procurement process. Requires state governmental entities to offer contracts to only eligible businesses, if any are available, that are capable to complete the service. Requires state governmental entities to contract, if practicable, a minimum 15 percent of the total dollar value of contracts with minority-owned businesses in specific categories. Requires eligible businesses to 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. Requires Go-DBE to determine eligible businesses and produce a list for all state governmental agencies. Requires agencies to consider if a project could be separated into multiple contracts in order to utilize an eligible business.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$53,700/Each FY21-22 through FY25-26

Assumptions:

- The proposed legislation does not alter the current application process for minority-owned businesses to become certified through Go-DBE.
- 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 \$1,000,000 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 wishes to participate in the program 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 July 1, 2021, through June 30, 2026.
- An increase in state expenditures of \$53,663 in each FY21-22 through FY25-26.
- 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.

A handwritten signature in black ink that reads "Bojan Savic". The signature is written in a cursive, slightly slanted style.

Bojan Savic, Interim Executive Director

/jj