



GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

November 15, 2018

The Honorable Greg Abbott
Governor, State of Texas
P.O. Box 12428
Austin, Texas 78711

The Honorable Dan Patrick
Lieutenant Governor, State of Texas
P.O. Box 12068
Austin, Texas 78711

The Honorable Joseph R. Straus, III
Speaker, Texas House of Representatives
P.O. Box 2910
Austin, Texas 78768

Gentlemen:

We are pleased to submit the *Fiscal 2018 Annual Report for the Statewide Historically Underutilized Business (HUB) Program*.

The HUB program is a component of the Texas Procurement Division of the Comptroller of Public Accounts. Texas Government Code § 2161.121 requires the program to submit this report, which summarizes and analyzes expenditures made to certified HUBs by state agencies and institutions of higher education from Sept. 1, 2017, through Aug. 31, 2018.

During fiscal 2018, 15,667 firms were registered as Texas-certified HUBs with 4,278 of these firms received 13.08 percent, or \$2,682,307,194, of all statewide expenditures.

A comparison between the total HUB expenditures reflected in the fiscal 2017 and 2018 annual tables on page 3 of the Executive Summary shows that the state's total expenditures with HUBs increased in all six categories.

The HUB report includes state agency rankings, expenditure data and supplemental reports and letters from various state agencies documenting their continued efforts to educate HUBs about procurement opportunities.

This report is available online at www.cpa.state.tx.us/procurement/prog/hub/hub-reporting/hub-report-FY18. If you have questions or require additional information, please contact Laura Cagle-Hinojosa, Statewide HUB Manager, at Laura.Cagle-Hinojosa@cpa.texas.gov or 512-463-4583.

Respectfully,

A handwritten signature in blue ink, appearing to read "Tres Lorton".

Tres Lorton
Director, Statewide Procurement Division

Enclosure

Executive Summary

In Texas, certification as a historically underutilized business (HUB) can increase the opportunities of companies owned by minority members, service-disabled veterans and women to do business with the state, thus furthering the Legislature's goal of supporting such businesses. The HUB certification process is administered by the Statewide Procurement Division (SPD) of the Texas Comptroller of Public Accounts.

During fiscal 2018, Texas had 15,667 certified HUBs. About 27.31 percent of them participated in state contracts as prime contractors or subcontractors, collectively receiving 13.08 percent of all statewide expenditures.

State entities must search the Centralized Master Bidders List (CMBL) when planning to buy goods and services that cost more than \$5,000. Based on the results of their searches, they contact vendors directly by mail, fax, email or telephone with invitations for bids. At the end of fiscal 2018, about 21.71 percent of the state's certified HUBs were registered with the CMBL.

The state's overall spending through term contract purchases during fiscal 2018 totaled nearly \$81.4 million less than in the same period of the previous year. The percentage of dollars HUBs received as a result of term contract purchases fell from 3.73 percent to 2.07 percent.

The state's overall spending through group purchases for fiscal 2018 rose by nearly 42.78 percent from the same period in the previous year, from \$100.5 million to about \$175.7 million. Total group-purchasing dollars spent with HUBs, increased by about 85.88 percent.

This report summarizes current HUB status and spending trends.

Total Statewide Expenditures

The state's total spending for fiscal 2018 rose by more than \$236 million compared with the previous fiscal year (or 1.16 percent) during the same period, while the share of statewide expenditures to HUB increased from 11.97 percent to 13.08 percent.

Fiscal Year	Total Statewide Expenditures	Total HUB Expenditures	HUB Percent
Fiscal 2018	\$20,505,202,813	\$2,682,307,194	13.08%
Fiscal 2017	\$20,269,152,162	\$2,426,751,956	11.97%
Fiscal 2016	\$18,898,542,734	\$2,135,516,671	11.30%

Who Owns Texas HUBs

Eligible HUB Groups	Fiscal 2018 – Annual			Fiscal 2017 – Annual		
	Number of Certified HUBs	Males	Females	Number of Certified HUBs	Males	Females
Asian Pacific American	1,207	817	390	1,184	795	389
Black American	3,543	2,088	1,455	3,449	2,058	1,391
Hispanic American	4,968	3,510	1,458	4,931	3,493	1,438
Native American	305	218	87	319	231	88
Woman*	5,483	-	5,483	5,820	-	5,820
Service-Disabled Veteran**	161	161	0	130	130	-
TOTAL	15,667	6,794	8,873	15,833	6,707	9,126

*The "Woman" category does not include women who are Service-Disabled Veterans or of Asian Pacific American, Black American, Hispanic American and Native American ethnicities.

**The "Service-Disabled Veteran" category does not include women or individuals who are of Asian Pacific American, Black American, Hispanic American and Native American ethnicities.

Source: Texas Comptroller of Public Accounts.

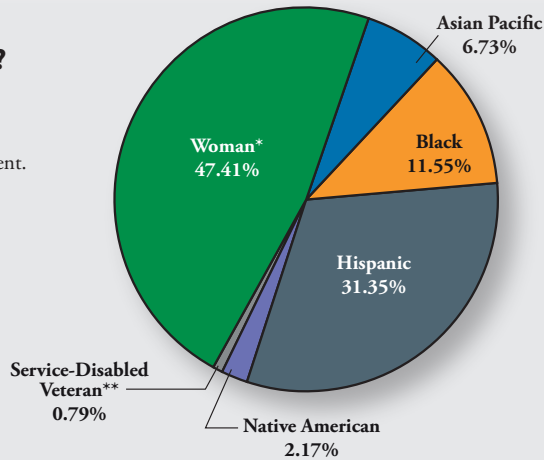
Expenditures with HUB Groups

Between fiscal 2017 and fiscal 2018, state spending with HUBs owned by Asian-Pacific Americans, Black-Americans, Hispanic-Americans, Native Americans, American women and service-disabled veterans increased by 4.00 percent, 7.71 percent, 21.25 percent, 44.33 percent, 4.69 percent and 22.88 percent, respectively. The overall share of money going to HUBs rose by 10.53 percent (approximately \$255.56 million).

Eligible HUB Groups	Fiscal 2018 – Annual		Fiscal 2017 – Annual	
	Number of Awards	Total HUB Expenditures	Number of Awards	Total HUB Expenditures
Asian Pacific American	288	\$361,711,975	277	\$347,805,349
Black American	494	\$289,020,645	461	\$268,336,668
Hispanic American	1,341	\$879,811,807	1,358	\$725,635,080
Native American	93	\$52,046,375	92	\$36,060,421
Woman*	2,028	\$1,088,585,859	2,085	\$1,039,856,438
Service-Disabled Veteran**	34	\$11,130,531	33	\$9,057,997
TOTAL	4,278	\$2,682,307,194	4,306	\$2,426,751,953

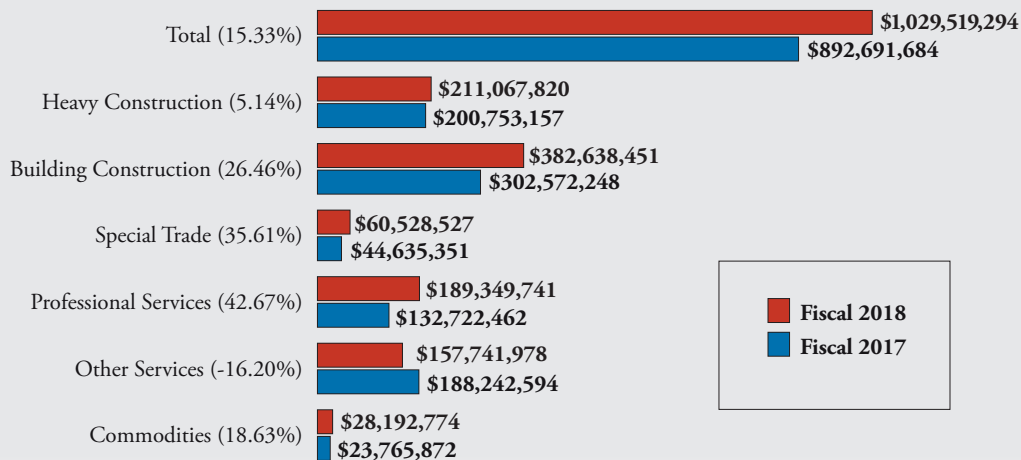
Who Receives HUB Expenditures?

Businesses owned by Anglo women received slightly more than 47 percent of the state expenditures with HUBs in fiscal 2018. Hispanic American-owned businesses came in second at approximately 31 percent.



Subcontracting

The following chart compares subcontracting spending with HUBs for fiscal 2017 and 2018:



Note: The number of awards reflected in the table above are those made to Vendor ID Numbers eligible for HUB credit. Similarly, the percentages reflected in the pie chart above are based on the number of Vendor ID Numbers eligible for HUB credit.

*The "Woman" category does not include women who are Service-Disabled Veterans or of Asian Pacific American, Black American, Hispanic American and Native American ethnicities.

**The "Service-Disabled Veteran" category does not include women or individuals who are of Asian Pacific American, Black American, Hispanic American and Native American ethnicities.

Source: Texas Comptroller of Public Accounts.

Business Categories

From the fiscal 2017 to fiscal 2018, state spending with HUBs increased in all business categories. The increases were 6.42 percent for heavy construction, 17.03 percent for building construction, 12.92 percent for special trade, 39.54 percent for professional services, other services 0.46 percent, and 6.18 percent for commodities industries.

Fiscal 2018

Category	HUB Goals*	Total Expenditures	Total HUB Expenditures	HUB Percent
Heavy Construction	11.20%	\$6,130,813,815	\$387,871,467	6.33%
Building Construction	21.10%	\$2,684,579,011	\$449,573,277	16.75%
Special Trade	32.90%	\$765,405,553	\$200,301,273	26.17%
Professional Services	23.70%	\$1,108,634,928	\$369,619,518	33.34%
Other Services	26.00%	\$4,810,368,102	\$655,069,017	13.62%
Commodities	21.10%	\$5,005,401,403	\$619,872,640	12.38%
TOTAL**		\$20,505,202,813	\$2,682,307,194	13.08%

Fiscal 2017 Statewide HUB Subcontracting Expenditures: \$1,029,519,294

Fiscal 2017

Category	HUB Goals*	Total Expenditures	Total HUB Expenditures	HUB Percent
Heavy Construction	11.20%	\$6,860,140,547	\$364,471,113	5.31%
Building Construction	21.10%	\$2,046,897,725	\$384,135,898	18.77%
Special Trade	32.90%	\$773,138,784	\$177,389,708	22.94%
Professional Services	23.70%	\$1,022,953,287	\$264,879,500	25.89%
Other Services	26.00%	\$4,608,825,330	\$652,071,559	14.15%
Commodities	21.10%	\$4,957,196,486	\$583,804,174	11.78%
TOTAL**		\$20,269,152,162	\$2,426,751,956	11.97%

Fiscal 2017 Statewide HUB Subcontracting Expenditures: \$892,691,684

Fiscal 2016

Category	HUB Goals*	Total Expenditures	Total HUB Expenditures	HUB Percent
Heavy Construction	11.20%	\$6,365,376,337	\$289,396,651	4.55%
Building Construction	21.10%	\$1,740,902,776	\$311,113,532	17.87%
Special Trade	32.90%	\$668,738,256	\$185,921,732	27.80%
Professional Services	23.70%	\$827,422,452	\$187,152,552	22.62%
Other Services	26.00%	\$4,580,467,625	\$616,189,903	13.45%
Commodities	21.10%	\$4,715,635,286	\$545,742,299	11.57%
TOTAL**		\$18,898,542,734	\$2,135,516,671	11.30%

Fiscal 2016 Statewide HUB Subcontracting Expenditures: \$789,307,907

* For HUB reporting purposes, expenditures with all HUBs certified at any time during the current fiscal year are counted toward annual HUB procurement usage goals.

** Slight differences in some totals are due to rounding.

Source: Texas Comptroller of Public Accounts.

Spending on Statewide Term Contracts

Term contracts are developed to consolidate the needs of multiple agencies, providing a simpler purchasing process for commonly used items and yielding lower prices through higher-volume purchases.

During fiscal 2018, the state spent 13.31 percent less (nearly \$81.39 million) through term contracts than in fiscal 2017. Total state spending with HUBs through term contracts declined by approximately 51.90 percent (less than \$11.83 million) between the same period.

Fiscal 2018

Term Contracts	HUB Goals*	Total Spending	Total HUB Spending	HUB Percent
Heavy Construction	11.20%	\$112	\$0	0.00%
Building Construction	21.10%	\$3,933,642	\$14,613	0.37%
Special Trade	32.90%	\$323,127	\$453	0.14%
Professional Services	23.70%	\$1,830,194	\$4,246	0.23%
Other Services	26.00%	\$12,166,791	\$408,924	3.36%
Commodities	21.10%	\$511,924,822	\$10,537,437	2.06%
TOTAL **		\$530,178,688	\$10,965,673	2.07%

Fiscal 2017

Term Contracts	HUB Goals*	Total Spending	Total HUB Spending	HUB Percent
Heavy Construction	11.20%	\$9,831	\$0	0.00%
Building Construction	21.10%	\$506,411	\$17,009	3.36%
Special Trade	32.90%	\$1,101,408	\$122,751	11.14%
Professional Services	23.70%	\$1,812,822	\$23,508	1.30%
Other Services	26.00%	\$19,589,432	\$1,330,334	6.79%
Commodities	21.10%	\$588,545,067	\$21,305,788	3.62%
TOTAL **		\$611,564,971	\$22,799,390	3.73%

Fiscal 2016

Term Contracts	HUB Goals*	Total Spending	Total HUB Spending	HUB Percent
Heavy Construction	11.20%	\$141,329	\$0	0.00%
Building Construction	21.10%	\$159,825	\$632	0.40%
Special Trade	32.90%	\$1,617,693	\$29,271	1.81%
Professional Services	23.70%	\$1,835,907	\$92	0.01%
Other Services	26.00%	\$20,333,314	\$1,140,541	5.61%
Commodities	21.10%	\$639,268,668	\$23,757,621	3.72%
TOTAL **		\$663,356,736	\$24,928,157	3.76%

* For HUB reporting purposes, expenditures with all HUBs certified at any time during the current fiscal year are counted toward annual HUB procurement usage goals.

** Slight differences in some totals are due to rounding.

Source: Texas Comptroller of Public Accounts.

Spending on Statewide Group Purchasing

Group purchasing allows institutions of higher education to coordinate their purchases to maximize their purchasing power.

During fiscal 2018, state spending through group purchasing rose by approximately 42.78 percentage (\$75.17 million) compared with fiscal 2017. State spending with HUBs through group purchasing increased by 85.88 percentage (approximately \$16.58 million).

Fiscal 2018

Group Purchasing	HUB Goals*	Total Spending	Total HUB Spending	HUB Percent
Heavy Construction	11.20%	\$7,815,056	\$2,437,449	31.19%
Building Construction	21.10%	\$11,896,162	\$1,012,636	8.51%
Special Trade	32.90%	\$6,007,440	\$918,164	15.28%
Professional Services	23.70%	\$16,286,709	\$2,907,748	17.85%
Other Services	26.00%	\$16,286,709	\$2,907,748	17.85%
Commodities	21.10%	\$117,398,379	\$25,709,604	21.90%
TOTAL**		\$175,690,455	\$35,893,349	20.43%

Fiscal 2017

Group Purchasing	HUB Goals*	Total Spending	Total HUB Spending	HUB Percent
Heavy Construction	11.20%	\$0	\$0	0.00%
Building Construction	21.10%	\$7,643,965	\$4,482,811	58.65%
Special Trade	32.90%	\$4,039,734	\$151,818	3.76%
Professional Services	23.70%	\$1,429,985	\$666	0.05%
Other Services	26.00%	\$17,140,994	\$6,350,566	37.05%
Commodities	21.10%	\$70,267,993	\$8,324,204	11.85%
TOTAL**		\$100,522,671	\$19,310,065	19.21%

Fiscal 2016

Group Purchasing	HUB Goals*	Total Spending	Total HUB Spending	HUB Percent
Heavy Construction	11.20%	\$20,104	\$20,104	100.00%
Building Construction	21.10%	\$8,360,217	\$3,581,349	42.84%
Special Trade	32.90%	\$19,768,193	\$2,188,291	11.07%
Professional Services	23.70%	\$4,293,676	\$84,033	1.96%
Other Services	26.00%	\$37,194,238	\$4,021,008	10.81%
Commodities	21.10%	\$69,414,316	\$14,767,049	21.27%
TOTAL**		\$139,050,744	\$24,661,834	17.74%

* For HUB reporting purposes, expenditures with all HUBs certified at any time during the current fiscal year are counted toward annual HUB procurement usage goals.

** Slight differences in some totals are due to rounding.

Source: Texas Comptroller of Public Accounts.

State agencies and higher education institutions are responsible for the accuracy of their self-reported data and are required to confirm that they have reported correct information to the Comptroller's Statewide Procurement Division before the division finalizes its semi-annual and annual HUB reports.