



## **WHITE PAPER: Empower Historically Underutilized Business Zone (HUBZone) Entities to Compete and Grow Education and Training Needed to Debunk the Myths**

**NACA Policy:** HUBZone is an underutilized contracting opportunity particularly for Native enterprises. The first step to increasing utilization is education and training – of Native enterprises and federal contracting officers.

**Ask:** To continue to fund SBA Outreach efforts that include HUBZone education and training for Native enterprises.

**Abstract:** The HUBZone contracting program is well intended to provide economic and employment opportunities in otherwise low income, high unemployment areas, must connect HUBZone firms with government contracts, the overwhelming majority of which are not located within a HUBZone. If HUBZone firms are to experience growth, they will need to utilize the local labor force residing in the HUBZone adjacent to where the contract is to be performed, in addition to utilizing the labor force residing in their HUBZone to perform indirect labor functions.

**Background:** The HUBZone Empowerment Act became law as part of the Small Business Reauthorization Act of 1997. The Small Business Administration (SBA) regulates and implements the program, determines which businesses are eligible to receive HUBZone contracts, maintains a database of qualified HUBZone businesses, and adjudicates protests of eligibility to receive HUBZone contracts. The HUBZone Contracting encourages small businesses to locate in and hire employees from economically disadvantaged areas of the United States. Companies participating in the program can receive competitive advantages in winning federal contracts.

The HUBZone program was created to promote economic development and grow employment opportunities in metropolitan or rural areas with low income, high poverty rates, and/or high unemployment rates, by targeting federal contracts to small businesses that are in these areas. This shows a philosophical shift where contracting preference is targeted at geographic areas with specified characteristics, as opposed to targeting it to people or businesses with specified characteristics.

There are five classes of HUBZones: qualified census tracts; qualified counties; Indian reservations; difficult development areas; and military bases closed under Base Realignment and Closure Act. The program uses three mechanisms for targeting contracts to HUBZone businesses: set-asides, sole source awards, and a 10% price preference; with set-asides being the preferred method of matching HUBZone businesses with federal opportunities.

The government-wide goal for most agencies to award at least 3% of their eligible federal contracting dollars to HUBZone-certified firms is in 15 USC 644 (g). Although several individual agencies have met or exceeded this goal, it has never been achieved government-wide. Almost all federal agencies participate in the HUBZone program; however, first, the provisions of the Small Business Act apply only to procurements made in the US, and second, most procurements made by the Postal Service, the FAA, the Federal Deposit Insurance Corporation, and the Congress.

The following table shows the performance of HUBZone against other small business goals in fiscal year 2015.

## Small Business Contract Spending by Federal Agencies (FY15) Eligible Dollars - Excludes Some Special Programs

20 Largest Spending Agencies  
\*Millions of Dollars (rounded)

Revised January 2017; Fiscal 2016 data will not be official until mid-2017

AGENCY / DEPARTMENT	ELIGIBLE DOLLARS*	ALL	SDB	WOSB	SDVO	HUBZONE
	Goals >	23%	5%	5%	3%	3%
		<b>Percentage of Eligible Dollars Spent</b>				
<b>ALL AGENCIES</b>	<b>\$354,200</b>	<b>25.81%</b>	<b>10.07%</b>	<b>5.07%</b>	<b>3.96%</b>	<b>1.83%</b>
<b>Defense</b>	\$213,500	24.67%	9.53%	4.44%	3.46%	1.87%
<b>Energy</b>	\$23,000	5.49%	2.54%	1.18%	0.70%	0.39%
<b>HHS</b>	\$21,500	23.29%	10.67%	7.40%	1.30%	0.72%
<b>Veterans Affairs</b>	\$20,200	31.30%	7.58%	2.95%	17.23%	1.68%
<b>NASA</b>	\$14,400	17.39%	8.71%	3.43%	0.71%	0.62%
<b>Homeland Security</b>	\$13,900	34.13%	14.76%	7.37%	5.38%	4.06%
<b>Justice</b>	\$7,200	30.17%	9.42%	6.09%	3.67%	0.85%
<b>Agriculture</b>	\$6,400	50.24%	14.98%	9.75%	3.56%	2.99%
<b>Commerce</b>	\$4,200	43.16%	18.42%	13.39%	4.94%	1.48%
<b>GSA</b>	\$3,900	43.12%	20.82%	9.116%	4.64%	4.47%
<b>State</b>	\$3,900	43.89%	23.43%	9.77%	5.81%	3.22%
<b>Interior</b>	\$2,800	55.76%	23.75%	12.96%	4.60%	5.28%
<b>Treasury</b>	\$2,700	34.96%	15.39%	9.07%	3.96%	4.27%
<b>Education</b>	\$2,600	28.47%	5.49%	9.03%	0.90%	0.22%
<b>Labor</b>	\$2,000	35.15%	21.48%	9.94%	3.58%	2.30%
<b>USAID</b>	\$1,900	17.49%	11.30%	3.64%	3.38%	0.16%
<b>Social Security Admin</b>	\$1,700	39.49%	9.64%	12.71%	2.85%	1.31%
<b>Transportation</b>	\$1,600	50.36%	22.46%	9.08%	3.76%	10.82%
<b>EPA</b>	\$1,600	39.93%	15.23%	7.08%	4.36%	1.34%
<b>HUD</b>	\$1,200	38.61%	25.10%	12.65%	2.49%	0.69%

*ALL = All Small Businesses; SDB = Small Disadvantaged Businesses [including 8(a)]; WOSB = Women-Owned Small Businesses; SDVO = Service- Disabled Veteran-Owned Small Businesses; HUBZONE = HUBZone-Certified Small Businesses. Source: [smallbusiness.data.gov](http://smallbusiness.data.gov).*

Clearly, HUBZone has tremendous potential for growth. Early critics of the program questioned if such regulations would offer enough incentive for business to choose to locate/relocate in areas they would otherwise avoid. Peaking in 2009, the HUBZone program nearly reached its 3% goal, finishing just short at 2.7%. Since 2011, as funding for the program has decreased, so has the use of HUBZone businesses, falling to levels seen in the early 2000s, with an average of 1.74% between 2013-16.

Update: NACA established a HUBZone Working Group composed of NACA Members who have been successful in implementing and sustaining their HUBZone enterprises. The group also invited a former SBA appointee whose responsibilities included the HUBZone program. The group developed a HUBZone Briefing to educate Native enterprises. The briefing includes proactive suggestions to help advance a HUBZone, particularly on Native Reservations, and use the HUBZone rules to the enterprise's competitive advantage. This briefing has been given at a NACA webinar, at four different Native conferences, and will be presented to the House Small Business Committee at a future date.