

MEMO Published July 13, 2023 · 4 minute read

Five Q&A on the HUBZone Program

Jazzelynn Hawkins



While families across the nation were mapping out barbeques, picnics, and fireworks for the Fourth of July, the federal government was preparing far different maps of its own. On July 1, the US Small Business Administration released the updated 2023 HUBZone maps, a key federal effort to help small businesses in disadvantaged communities. Below, we examine five common questions about the program, the communities affected, and what's changed with this latest map.

1. What is the HUBZone program?

The Historically Underutilized Business Zones (HUBZones) program was established in 1997 as part of the Small Business Reauthorization Act and is housed within the US Small Business Administration.[#] The program provides small businesses located in low income, high poverty, or high unemployment communities with targeted contracting opportunities. These include:

- Set asides, where contracts are reserved for HUBZone firms;
- Sole-source awards, where HUBZone firms receive a contract because the federal government deems the firm as the only source available that can meet the government requirements; and
- Price-evaluation preferences where small businesses receive an added boost in competing for contracts. Even if a HUBZone firm charges more than a non-HUBZone firm to fulfill the contract, it will still receive preference in being awarded the contract.

This allows government assistance to flow to targeted geographic areas with specified characteristics and assist small businesses and individuals within that area.

2. How are areas designated?

For a community to become a HUBZone, the area must be classified as a *distressed area* based on economic and population data from the Census Bureau and other federal agencies.[#] Once designated, a small business (as classified by the Small Business Administration) with its main location and at least 35% of its employees in a HUBZone can be designated with HUBZone status. The business must also have at least 51% of the business owned and controlled by US citizens, a Community Development Corporation, an agricultural cooperative, an Alaska Native corporation, a Native Hawaiian organization, or an Indian tribe.[#]

3. What percentage of federal contract awards went to HUBZone recipients?

HUBZone small businesses received 2.44% of federal contracts in 2020, followed by 2.53% in 2021, totaling \$14.3 billion in funding—the highest level in about 10 years. And yet, that modest bump still falls short of the government’s 3% statutory goal.#

Top 10 Agencies Awarding HUBZone Contracts

Federal Department	% of Contracts Awarded to HUBZones
Small Business Administration	28.6%
Department of Commerce	8.9%
Department of the Interior	8.6%
Department of Labor	7.6%
Office of Personnel Management	7.1%
Department of State	7.0%
Department of Housing and Urban Development	6.5%
Department of Agriculture	6.3%
Nuclear Regulatory Commission	6.2%
Department of Homeland Security	5.5%

Source: Hubzone Small Business FY2021 Prime Contracting, www.sba.gov/sites/sbagov/files/2022-07/FY2021-HUBZone.pdf. Accessed 6 July 2023.



4. How often do designations change, and why is a change necessary?

Originally, maps were updated every year, but recent changes have lengthened the time between map updates.

Most recently, the SBA released an updated HUBZone mapping tool on July 1, 2023, which is meant to update the previous version based on 2017-2018 census tract designations. Initially, the map was going to be updated in 2021, but the National Defense Authorization Act for Fiscal Year 2018 mandated a map freeze until June 30, 2023, so data from the 2020 Census could be included.# This allowed for certified HUBZone small businesses to retain their status for an additional 16 months.

The SBA also issued a rule that mandated the maps to be updated every five years as opposed to annually, allowing stability and a greater chance to achieve federal contracting for small businesses.# Small businesses may now plan and invest in their HUBZone communities without fear that their designation may change from one year to the next.#

5. What's different?

While it will take time to fully unpack the magnitude of changes in the July 2023 map, some initial trends are noted below:

- 13 states didn't see changes in their HUBZone areas, but the rest did. Of those, 30 states had a net loss of HUBZone areas with Arkansas, Louisiana, North Dakota, South Dakota, and Tennessee being the top states. Four states had a net gain of HUBZone areas: Florida, Kansas, Michigan and North Carolina. And 3 states had the same number of HUBZone areas but saw changes in which areas were designated: Indiana, Iowa, Missouri.#
 - The new map has 165 fewer HUBZones areas than the previous map, excluding two in Puerto Rico. Of those, 77 previously qualified by income, 73 by unemployment, and 15 by both income and unemployment.
 - 20 areas set to lose their HUBZone status in 2023 regained their status. Initially, during recertification, these areas experienced a change in income and unemployment levels putting them above the threshold for HUBZone qualification. However, the rates were unsustainable, eventually falling and allowing for requalification.
 - 73 areas in the previous map that did not have HUBZone status will now qualify as a HUBZone area. Of those, 69 are qualified because of income rates and 4 qualified because of unemployment rates.#
-