



U.S. SMALL BUSINESS ADMINISTRATION.
WASHINGTON, D.C. 20416

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To: Chief Acquisition Officers, Senior Procurement Executives, Offices of Small and Disadvantaged Business Utilization

From: Joseph G. Jordan, Associate Administrator, Government Contracting and Business Development, U.S. Small Business Administration *JS*

Subject: Update on the Historically Underutilized Businesses Zone (HUBZone) Program

HUBZone Overview

The HUBZone program was created in 1997 as part of the Small Business Reauthorization Act. The program falls under the auspices of the U.S. Small Business Administration (SBA) and encourages economic development in historically underutilized business zones (HUBZones) by providing increased access to federal contracting opportunities. Each year the federal government works to meet the statutory goal of awarding 3% of federal prime contracting dollars to HUBZone-certified small businesses.

In order for a small business to participate in the HUBZone program, it must be certified by the SBA as meeting four key criteria (with certain exceptions for tribally-owned concerns):

1. The business must be considered small under the size standard corresponding to the business's primary NAICS code.
2. At least 51% of the business must be owned by U.S. citizens, or it must be owned in whole or partly by a Community Development Corporation, agricultural cooperative, an Indian Tribe or an Alaska Native Corporation.
3. The business's principal office must be located within a HUBZone.
4. At least 35% of the business's employees must reside within a HUBZone.

The benefit of the program is that it allows HUBZone certified firms to compete exclusively for and win federal prime contracts, and compete in full and open competition and receive a 10% price evaluation preference. This positively impacts employment in HUBZone areas and promotes the overall economic health of our nation community-by-community.

Recent Changes to HUBZone Designations

Due to the release of the 2010 data from the Census Bureau, the HUBZone program underwent some changes. Effective October 1st, 2011, a number of areas previously designated as HUBZones no longer qualify for HUBZone designation. Roughly 2,600 firms whose principal office is not in a currently qualified HUBZone area have been proposed for

decertification. In response to this notice of proposed decertification, these firms may voluntarily decertify from the program or may respond within 30 days and provide evidence to show they meet HUBZone program eligibility requirements. At that time, SBA will evaluate the information and either decertify the business concern or determine it is eligible for the program.

SBA wants to ensure your agency is aware of these changes and has clear guidance on what these changes mean for both existing contracts your agency may have with HUBZone firms, as well as future contracts your agency may enter into with HUBZone firms. Therefore, below is a list of frequently asked questions to help you and your agency navigate these changes more effectively.

SBA is firmly committed to ensuring the success of the HUBZone program and assisting agencies through this transitional period. If you have any questions concerning the impact of the changes to the HUBZone program because of the decennial census, or any questions in general about the program, please feel free to contact the HUBZone Help Desk at (202) 205-8885 - HUBZone@sba.gov, or your agency's Procurement Center Representative (PCR). You may find a list of PCRs at <http://www.sba.gov/content/government-contracting-field-staff-directory>.

Thank you for your continued support of small business contracting.

Frequently Asked Questions

What happens to existing contracts my agency has with a HUBZone prime contractor that has been proposed decertification or has been decertified as a result of the 2010 decennial census? Will we continue to receive HUBZone credit for goaling purposes with these contracts?

If the award was made prior to October 1, 2010, and at the time of award the apparent successful offeror was a certified HUBZone small business, the contract will be considered an award to a HUBZone small business. Therefore, agencies may continue to issue orders against or exercise options on the contract, and the dollars obligated will continue to count towards your agency's HUBZone and small business federal prime contracting goals for the life of the contract. There is one exception to this general rule: if the contract extends beyond five years or there has been a merger or acquisition, then the business must re-certify its small business size status. If it is other than small at the time of re-certification, then the agency can no longer count the options or orders issued pursuant to the contract, from that point forward, towards its small business or its HUBZone goals.

If a HUBZone firm was certified at the time of offer, but prior to award was proposed for decertification because of 2010 census data, can they be eligible for the award?

A HUBZone firm must be certified at the time of offer and the time of award. The SBA has proposed a number of certified HUBZone small businesses for decertification as a result of the change in HUBZone status of many areas. These small businesses are still certified HUBZone small businesses and will remain as such until they are decertified from the program. However, these small businesses are required to notify the SBA and the contracting officer if, for example, its principal office is no longer in a HUBZone or if it no

longer meets the 35% HUBZone residency requirement pursuant to FAR clause 52.219-3, "Notice of Total HUBZone Set-Aside or Sole Source Award" and [52.219-4, "Notice of Price Evaluation for HUBZone Small Business Concerns"](#). If the contracting officer receives this notification on a solicitation that had been set-aside for HUBZone small businesses or where the contracting officer applied the HUBZone price evaluation preference, he or she would be required to file a HUBZone status protest on the apparent successful offeror.

If the business has been decertified prior to the award of the contract, the contracting officer may not make an award of a HUBZone contract (i.e., HUBZone set-aside or where the contracting officer applied the HUBZone price evaluation preference) to that business concern and may not count any award to that business as an award to a HUBZone small business concern.

How does the 2010 data from the Census Bureau and the proposed decertifications impact future contracts my agency will enter into with a HUBZone firm?

Going forward, contracting officers need to ensure that only currently certified HUBZone firms are awarded HUBZone set-aside contracts or are given the price evaluation preference. SBA is taking steps to ensure only eligible firms remain in the program. Contracting officers and agency officials can utilize the Dynamic Small Business Search (<http://web.sba.gov/dsbs/>) to verify the status of any HUBZone firm.