

*Enlightened, Inc.  
White Paper Series for  
Government Agency  
Officials*



**Enlightened, Inc.**  
**White Paper Series**

**Topic:**

***How Government Agency Officials  
Can Utilize the HUBZone Program***

**September 2017**

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## SECTION 1: WHAT IS THE HUBZONE PROGRAM?

The Historically Underutilized Business Zones (HUBZone) program helps small businesses in urban and rural communities gain preferential access to federal procurement opportunities. These preferences go to small businesses that obtain HUBZone certification in part by employing staff who live in a HUBZone. The company must also maintain a "principal office" in one of these specially designated areas.

### 1.1 QUALIFICATION

To qualify for the program, a business (except tribally-owned concerns) must meet the following criteria:

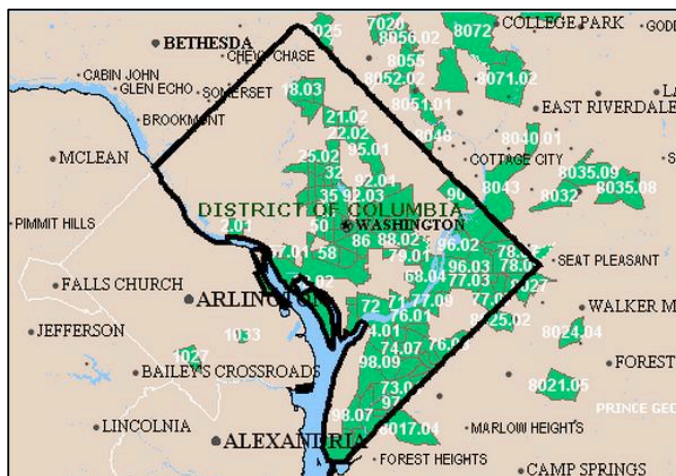
- ☞ It must be a small business by SBA standards
- ☞ It must be owned and controlled at least 51% by U.S. citizens, or a Community Development Corporation, or an agricultural cooperative or an Indian tribe
- ☞ Its principal office must be located within a “Historically Underutilized Business Zone,” which includes lands considered “Indian Country” and military facilities closed by the Base Realignment and Closure Act
- ☞ At least 35% of its employees must reside in a HUBZone

Enlightened recognizes that some contracting opportunities have requirements that the vendor be within a certain radius of the government agency where work is to be performed. As illustrated in *Figure 1* above, there are many HUBZones in the District from which companies can employ staff and qualify. As such, contracting officers should be able to meet their location requirements with a company such as Enlightened that is both qualified to do the work and HUBZone certified as a result of hiring personnel that live in the District’s HUBZones. It should be noted however, as long as a firm has its “principal office” in a HUBZone, its HUBZone employees can be residents of any HUBZone in the nation.

### 1.2 PROGRAM HISTORY

The HUBZone program was enacted into law as part of the Small Business Reauthorization Act of 1997 and falls under the auspices of the United States Small Business Association. The SBA regulates and implements the program, determines which businesses are eligible to receive HUBZone contracts, maintains a listing of qualified HUBZone businesses that federal agencies can use to locate prospective vendors.

The program encourages economic development in Historically Underutilized Business zones, “HUBZones”—through the establishment of preferences and by providing access to more Federal contracting opportunities.



**Figure 1: The map of HUBZones in the District of Columbia, highlights that there are several HUBZones in the District that from which certified companies can employ personnel.**

## SECTION 2: TYPES OF HUBZONE CONTRACTS

Contracting officers have several options through which to award HUBZone contracts.

AWARD TYPE	DESCRIPTION
<b><i>Competitive</i></b>	A <b>competitive</b> HUBZone contract can be awarded if the contracting officer has a reasonable expectation that at least two qualified HUBZone small businesses will submit offers and that the contract can be awarded at a fair market price.
<b><i>Sole Source</i></b>	A <b>sole source</b> HUBZone contract can be awarded if the contracting officer does not have a reasonable expectation that two or more qualified HUBZone small businesses will submit offers, determines that the qualified HUBZone small business is responsible, and determines that the contract can be awarded at a fair price. The government estimate cannot exceed \$7.5 million for manufacturing requirements or \$4 million for all other requirements.
<b><i>Full and Open Competition</i></b>	A <b>full and open competition</b> contract can be awarded with a price evaluation preference. The offer of the HUBZone small business will be considered lower than the offer of a non-HUBZone/non-small business-providing that the offer of the HUBZone small business is not more than 10 percent higher.

It has been widely reported that the Small Business Jobs Act of 2010, amended the Small Business Act (15 U.S.C. 657a(b)(2)(B)) to remove the language that the Court of Federal Claims relied upon in finding that HUBZone set-asides have “precedence.” Specifically, P.L. 111-240 struck “a contract opportunity shall” and replaced it with “a contract opportunity may”. Before this change, the word “shall” made the HUBZone program a mandatory program whereas the use of the word “may” in sections referencing other socioeconomic programs (including 8(a)) made them discretionary, and mandatory programs take precedence over discretionary ones.

However, the “shall” language still remains for the price evaluation preference for HUBZone companies. Specifically, Section 19.1307(a) of the FAR states: “*The price evaluation preference for HUBZone small business concerns shall be used in acquisitions conducted using full and open competition.*” As such, contracting officers are **required** to ensure the price evaluation preference is given to all HUBZone companies in full and open procurements.

*COs are required by FAR 19.1307(a) to give price evaluation preference to HUBZone companies in full and open procurements*

## SECTION 3: SMALL BUSINESS GOALING

Each year the federal government purchases from private firms billions of dollars in goods and services that range from paperclips to complex space vehicles. It is the policy of the United States, as stated in the Small Business Act, that all small businesses have the maximum practicable opportunity to participate in providing goods and services to the government.

*The Current SBA Small Business Goals are:*  
 23% - Small Business  
 5% - Woman-Owned  
 5% - Small Disadvantaged  
 3% - Service Disabled  
 3% - HUBZone

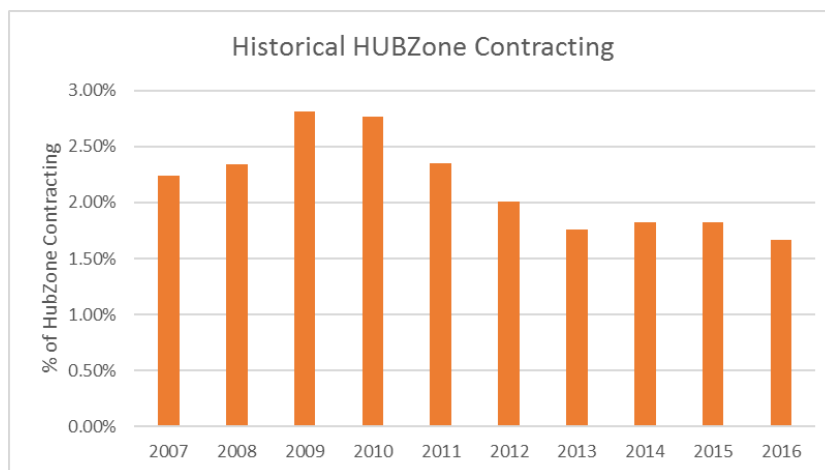
To foster an equitable federal procurement policy, government-wide small business goals are established for federal agencies as percentages of annual expenditures. Each agency submits its proposed goals to the SBA which ensures that the aggregate government-wide statutory goals are met.

SBA negotiates with Federal departments concerning their prime contracting goals and achievement with small businesses to ensure that small businesses have the maximum practicable opportunity to provide goods and services to the Federal government.

Further, the negotiation ensures that the Federal government will achieve not less than 23 percent to small businesses, not less than 5 percent to woman-owned small businesses, small disadvantaged businesses, and not less than 3 percent to service disabled veteran-owned small businesses and certified HUBZone small businesses. The Small Business Goaling Report documents the achievement by each department.

### 3.1 HUBZONE GOALS ARE NOT BEING MET

As illustrated in *Figure 2*, since 2007, the federal government has not met its HUBZone contracting goal of 3%. The data from the Government-wide Performance Small Business Procurement Scorecards over the last 10 years, indicates a steady decline in HUBZone contracting.



**Figure 2: The goal of 3% has never been met and the future does not look promising.**

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## SECTION 4: ABOUT ENLIGHTENED

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Enlightened, Inc. is a leading provider of Information Technology (IT) consulting services founded in 1999 and headquartered in Washington, DC. We are certified as a small, HUBZone business; and one of the few to achieve Capability Maturity Model Integration (CMMI) Development Level 3 and CMMI Service Level 2 appraisals.

Enlightened develops and delivers strategic IT and management solutions to complex business problems of global, national and local significance. Enlightened provides expertise in the following capabilities:

- ☞ Management Consulting
- ☞ System Integration
- ☞ Information Assurance
- ☞ Business Process Outsourcing

Enlightened serves Federal (Defense and Civilian), state and local government agencies and private sector entities that face daunting challenges in achieving their mission.

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