



Testimony for the Record

On Behalf of

HUBZone Contractors National Council

House Committee on Small Business Subcommittee on
Contracting and Infrastructure Hearing

“Leveling the Playing Field: Fostering Opportunities for Small
Business Contractors”

September 10, 2025

Chairman LaLota, Ranking Member Cisneros, and Members of the Subcommittee:

The HUBZone Contractors National Council submits the following testimony for the record on the important topic of this hearing – fostering opportunity for small business federal contractors around the country.

The HUBZone Council is a non-profit trade association providing information and support for companies and professionals participating in the Small Business Administration's (SBA) Historically Underutilized Business Zones (HUBZone) program. The Council strives to promote economic development in underutilized rural and urban communities, as well as maximize success for companies participating in the HUBZone program. The Council's membership includes HUBZone-certified small businesses, other small businesses, large businesses, and organizations interested in the HUBZone Program.

The HUBZone program is designed to provide economic assistance to underserved areas by awarding federal contracts to small businesses that operate and employ workers in those areas. The underlying principle behind the HUBZone program, enacted by Congress in 1998, remains the same today – to decrease unemployment and revitalize low-income communities by encouraging businesses to locate in these HUBZone areas. Congress, in its creation of the program, stated that the creation of new jobs in economically distressed areas presented a challenge to all levels of government. The HUBZone program was designed to incentivize businesses to locate in these areas, creating wealth creation through much needed jobs.

We thank the Committee for its continued commitment to support small businesses doing business with the federal government. It is because of this Committee's strong commitment to improving the HUBZone program that a substantial modernization effort was signed into law in 2018. However, substantial challenges and barriers continue to impact HUBZone companies. Since the program's inception, the Federal Government has never met its goal to obligate 3% of eligible prime contract dollars to HUBZone small businesses. This represents over 25 years of missed opportunities and unawarded dollars for companies that operate and employ workers in HUBZones. To date, the HUBZone program is the only SBA contracting program where the government continually fails in meeting its established goal.

Therefore, we recommend the following actions to increase awards to HUBZone companies and the communities we serve:

Fully Utilize the HUBZone Program

The Council will continue to advocate for the HUBZone program, ensuring maximum utilization of federal contract awards to HUBZone businesses, because the government has never met its 3% goal. In its quest to update federal buying practices, the Administration has initiated, by executive order, a review of both civilian and defense procurement policies. While the Council applauds changes such as shortening

the period it takes to award a government contract and providing expedited buying for innovative solutions, utilization of small businesses as required by statute should continue to be a priority. The Council will continue to advocate for the HUBZone program, ensuring maximum utilization of federal contract awards to HUBZone businesses, as the government has never met its 3% goal.

Removal of the Arbitrary 20% HUBZone Cap for Designated Areas: Allow All Qualified HUBZone Areas to Participate in the Program

A 20% cap that currently exists on number of HUBZones in each state (or territory). This cap exists because the determination of a HUBZone is associated with how Qualified Census Tracts (QCTs) are designated by the Department of Housing and Urban Development (HUD), based on poverty and household income criteria. QCTs determine which areas are eligible to receive the Low Income Housing Tax Credit. The Credit is based on population – each state receives \$2.60/person or about \$3 million whichever is greater. Since the Credit has a limited amount of money, the goal is to ensure that the lowest income areas receive the funding. The 20% population cap ensures that the locations most in need receive the HUD funding, however, for the purposes of HUBZone area eligibility, it doesn't make sense to limit them. If the cap was removed, then an area meets the statutory unemployment/median income requirement will qualify to be a HUBZone.

Protect the Rule of Two

While the Rule of Two has been in place for decades and confirmed by the courts, the Council supports legislation to ensure the government's acquisition rules continue to allow small businesses to compete for and win a fair proportion of government contracts. In a marketplace that consistently uses large buying vehicles, protecting and empowering small businesses is good policy and essential for their continued participation. For these reasons, the Council supports H.R. 2804, introduced by the Committee's Ranking Member, Nydia Velázquez. Codifying the Rule of Two will both preserve small business competitions and allow small business government contractors to successfully enter, compete, and remain in the industrial base.

Eliminate Double Counting of Contract Awards to Small Businesses

Each year, SBA issues a scorecard that measures agencies' performance in meeting their small business goals. In Fiscal Year (FY) 2024, 2.75%, or \$17.6 billion, of prime contracts were awarded to HUBZone businesses, missing the 3% goal.¹ The Council believes inaccurate reporting, known as double counting, skews the numbers awarded to HUBZone certified companies. Agencies often count the same contract to more than one socioeconomic category. For example, the scorecard counts a general small business award who just happens to be a HUBZone certified company twice. This practice ultimately inflates the data

¹ <https://www.sba.gov/federal-contracting/contracting-data/small-business-procurement-scorecard/scorecard-details>

reported on small business contracting awards. Changing this policy would increase the accuracy of the procurement scorecard and drive more opportunities for small businesses to compete.

Apply the Price Evaluation Benefit to Task Orders

The HUBZone price evaluation benefit helps level the playing field for HUBZone firms in full-and-open competition, as well as affords federal agencies greater opportunity to devote federal spending to HUBZone firms. Regrettably, federal agencies have interpreted FAR 19.1304 as prohibiting the price evaluation preference to task orders when, in fact, it only prohibits commodities. We urge Congress to direct federal agencies to amend their interpretation to follow the law as Congress intended. As the federal government increasingly drives its spending through IDIQ contracts, such as the “Best in Class” (BIC) contracts, a significant opportunity for HUBZone spending is being lost because the HUBZone price evaluation is not being applied in the award of task orders. Included in the House-passed version of the FY2021 National Defense Authorization Act (NDAA), applying the price preference would significantly benefit the SBA, federal agencies, HUBZone firms and the communities they serve. Amend the Criteria for Maintaining HUBZone Status. The HUBZone program provides flexibility for the requirement that 35% of its employees must be in a HUBZone if a company holds a HUBZone contract awarded through the set-aside program. As employees and contracts change, a company may temporarily fall below the 35% threshold. The Council believes this flexibility should be applied to all HUBZone firms, regardless of whether they hold a prime contract awarded through the HUBZone set-aside program. If “attempt to maintain” is redefined to include all contracts, the program will significantly benefit by providing HUBZone companies more stability.

Expand Sole Source Contract Opportunities for HUBZone Companies

As government buying continues to trend toward buying through large contracting vehicles and moving away from direct contracts, the ability for small companies to win sole source awards is more crucial than ever. The Council supports eliminating option years for sole source contracts to allow for \$4.5/\$7 million each year, instead of over the life of the contract – as changed in House-passed H.R. 190 during the 116th Congress. The Council also believes that creating parity among SBA socioeconomic contracting programs, as it relates to sole source contracts, would incentivize agencies to increase their awards. A current impediment to awarding sole source contracts is the requirement that a contracting officer must show that they do not have a reasonable expectation that offers would be received from two or more HUBZone small business concerns. There is confusion around the language “reasonable expectation,” which leaves this interpretation up to each contracting officer. This presents a barrier to awarding a sole source contract to a HUBZone company, as this could open the door to a protest – an action contracting officers seek to avoid. Eliminating this requirement for the HUBZone, WOSB/EDWOSB and SDVOSB programs would increase these awards to small businesses. Additionally, SBA’s Office of Government Contracting and Business Development (GCBD) should develop guidance to clarify how the acquisition workforce can award sole source contracts to small businesses.

Give SBA a Seat on the FAR Council

Small businesses deserve a voice on acquisition policy. Currently, the members of the Federal Acquisition Regulation (FAR) Council include the Administrator for Federal Procurement Policy from the Office of Management and Budget (OMB), the Administrator of General Services from the General Services Administration (GSA), the Secretary of Defense from the Department of Defense (DoD), and the Administrator of National Aeronautics and Space from the National Aeronautics and Space Administration (NASA). The Administration's current effort to rewrite the FAR highlights the importance of having SBA on the Council since Part 19 pertains to small business contracting. Having a seat at the table through SBA representation would result in thoughtful policy changes pertaining to the industrial base.

Adopting the changes suggested in this testimony will benefit both HUBZone businesses and the federal government. Increased opportunities for HUBZone businesses create greater opportunities for utilization of SBA programs and a more efficient procurement system, all of which build resiliency of the industrial base. The HUBZone contractor community is optimistic that the Congressional actions providing more certainty, flexibility, and fair requirements for the program will help companies across the country meet the program's mission. Our member companies and all HUBZone certified firms are ready to compete on federal contracts to bring jobs, innovation, training, and economic empowerment to HUBZones. We appreciate the Committee's leadership on issues related to small business federal contracting and look forward to working with Congress to advocate for procurement policies that benefit HUBZone and other small business federal contractors.

Thank you for holding this important hearing. More information on the Council can be found at www.hubzonecouncil.org. Please contact Council Chair Shirley Bailey at 240-767-6910 or by email at shirley.bailey@summitfederalservices.com.