

HUBZone Economic Impact Report

Final Report

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REAL-TIME DATA-DRIVEN DECISION MAKING

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The statements, findings, and conclusions in this study are those of the contractor and do not necessarily reflect the views of Office of the HUBZone Program, the United States Small Business Administration, or the United States Government.

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EXECUTIVE SUMMARY

Program Description

The Historically Underutilized Business Zone (HUBZone) program is a program of the Small Business Administration (SBA) program that 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 and maintaining a “principal office” in one of these specially designated areas.

Description of the Study

The goal of this task order is to evaluate the economic impact of the HUBZone program using an input-output (I/O) model to assess the inflow of economic activity brought on by federal contracts won by HUBZone businesses to the distressed HUBZone communities. The HUBZone procurements, almost \$10.3 billion in FY 2019, include all contracts awarded as prime contracts to HUBZone firms including full and open, HUBZone sole sources, HUBZone competition (set-asides), and price-evaluation services, as well as other types of set-asides awarded to firms with multiple certifications including HUBZone.

This study conducted the economic impact assessment using the Regional Input-Output Modeling System (RIMS II) model produced by the U.S. Bureau of Economic Analysis. RIMS II is one of the most widely used I/O models in the nation and is regularly used to assess the impacts of federal spending programs. To estimate the HUBZone program’s effect on each state and selected counties, this study used data on federal purchases of goods and services from identified HUBZone firms from a composite of the Federal Procurement Data System–Next Generation (FPDS-NG) as the input to the economic impact modeling process. The study analyzed these data using RIMS II multipliers data to calculate estimates of the economic impact of the dollar value of contracts awarded to HUBZone firms in specific industries for the last 11 fiscal years (FY 2009 through FY 2019). The study estimated the total employment, earnings, value added, as well as gross output impacts of the identified contract awards to HUBZone firms.

The study presents the unit of analyses and results for the states and selected counties. Thirty (30) counties were selected with guidance from the SBA to provide a glance at the diversity in HUBZones in terms of the size of the local economy (economic activity and employment) and geography. State results are provided for global impact estimates. The study uses an interactive platform that utilizes dashboards to present the results and findings via a Power BI compatible system.

Summary of Key Findings

This study analyzed the economic activity supported by HUBZone procurement over an 11-year period between FY 2009 and FY 2019 for each of the 50 states and the District of Columbia and for the 30 selected HUBZone counties. The results focused on these 30 counties A summary of our key findings is as follows:

State-Level Analysis

- From FY 2009 through FY 2019, contract dollars awarded to HUBZone firms ranged from a low of \$5.7 billion in FY 2013 to a high of \$10.3 billion in FY 2019.
- Each dollar of federal procurements to HUBZone firms contributed approximately two dollars to the gross output state-wide.
- In FY 2019, the \$10.3 billion in procurements to HUBZone firms supported an estimated \$20.5 billion in aggregate economic activity across the 50 states and the District of Columbia, supported approximately 138,000 jobs earning \$7.1 billion in employee earnings, and \$11.7 billion in value added or gross state product (GSP).

County-Level Analysis (30 Selected Counties)

- From FY 2009 through FY 2019, contract dollars awarded to HUBZone firms in the selected counties ranged from a low of \$506 million in FY 2013 to a high of \$1.6 billion in FY 2019.
- At the county level, each dollar of federal procurement to HUBZone firms contributed a little over one dollar in the gross output county-wide.
- In FY 2019, the \$1.6 billion in procurement to HUBZone firms supported an estimated \$2.4 billion in aggregate economic activity across the 30 selected counties, supported approximately 9,700 jobs earning \$545 million in employee earnings, and \$1.4 billion in value added or gross county product (GCP).

Conclusions

Through the HUBZone program, federal procurement spending is directed into underutilized areas. This analysis measures the economic activities supported by this spending at the state and selected county levels regardless of where the indirect impact occurred.

Although the findings from the 30 selected counties are not representative of all contract awards to the universe of HUBZone firms, the findings are consistent in terms of the impact of the contract awards to HUBZone firms on large and small local economies. The HUBZone program has a moderate impact on all 30 counties in terms of value added and employment supported by contract awards to HUBZone firms, particularly when measured against the GCP and the total employment at the county. Dollars to HUBZone firms are also the main source of federal procurement in one-third of the counties.

To further the findings and understanding of some of the drivers of the economic impacts of HUBZone procurement, we recommend the following:

- case studies impact analysis (at zip code level);
- periodically update HUBZone analysis datasets;
- monitoring tool for HUBZone program;
- track economic impact nationally and drill-down locally;
- gauge effectiveness of program interventions, and
- uncover HUBZone success stories.

Furthermore, there is a significant potential for a detailed and rigorous evaluation of the HUBZone program. The lessons from an impact evaluation could result in tailored approaches for procurements on specific profiles of HUBZones, urban and rural communities, and where there is a high impact on economic activity and employment.

INTRODUCTION

Program Description

The Historically Underutilized Business Zone (HUBZone) program is designed to “promote job growth, capital investment, and economic development to historically underutilized business zones referred to as HUBZones by providing contracting assistance to small businesses located in these economically distressed communities.”¹ Businesses located in a HUBZone are eligible for certification that allows them to receive preferences for federal contract awards. One criterion for receiving certification is that businesses must employ workers who live in the HUBZone and maintain a “principal office” in one of these specially designated areas. In 1997, Congress enacted the Small Business Administration Reauthorization Act (P.L. 105-135, 111 Stat. 2592), designed to promote economic development and employment opportunities in low-income metropolitan or rural areas with high poverty and unemployment rates. Title VI of the Act established the HUBZone program with a goal to award federal contracts to small businesses located in these areas. In 2004 and 2005, Congress designated two additional classes of HUBZones: Indian lands and military bases closed under the Base Realignment and Closure (BRAC) Act. As a result of these changes, there are now six classes of HUBZone areas:

- qualified census tracts (QCTs);
- qualified nonmetropolitan counties;
- qualified Indian reservations/Indian Country;
- difficult development areas (DDAs);
- military bases closed under the Base Realignment and Closure Act (BRAC); and
- qualified disaster areas.

The HUBZone program uses three mechanisms for specifically procuring goods and services from HUBZone businesses:

- set-asides for competition restricted to a HUBZone business if there is a reasonable expectation of two qualified HUBZone bidders and a fair market price;
- sole-source contracts to qualified HUBZone businesses; and
- price preferences can be offered to a qualified HUBZone business in any full and open competition.

Study Objectives

The goal of this study is to evaluate the economic impact of the HUBZone program using an input-output (I/O) model to assess the inflow of economic activity brought on by federal contracts won by HUBZone businesses to the distressed HUBZone communities. The economic activity generated in a city, county, region, or state is greater than the simple total of spending associated with the event or activity being studied. As this money is earned, it is in turn, spent, earned, and re-spent by other businesses and workers in the local economy through successive cycles of spending, earning, and spending. However, the spending in each successive cycle is less than in the preceding cycle because a certain portion of spending “leaks” out of the economy in each round of spending. Leakages occur through savings, purchases of goods or services from

¹ HUBZone. (2018). *HUBZone Success Stories*. HUBZone Contractors National Council. <https://hubzonecouncil.org/page-18229>

outside of the region, and federal taxation. The Regional Input-Output Modeling System (RIMS II) model produced by the U.S. Bureau of Economic Analysis is one of the most widely used I/O models in the nation. The RIMS II model used in this study captures the effects of these multiple rounds of spending based on economic multipliers.

DATA SOURCES AND ANALYSIS

Description of the RIMS II Model

I/O analysis is generally accepted as the “gold standard” in economic impact measurement. I/O analysis uses a matrix representation of national, state, or local economies allowing for detailed assessments of the impact of changes in employment and economic output in one sector of the economy to be projected onto other sectors of the economy and the economy as a whole. Using the RIMS II regional I/O model, this study estimated the employment, earnings, value added, and economic output generated by federal procurement awards to HUBZone firms. The study conducted I/O analysis at two levels of geography: 1) the state level for federal HUBZone procurement occurring in each state; and 2) the county level for 30 counties selected with guidance from the SBA to showcase the diversity in HUBZone counties in terms of the size of the local economy (economic activity and employment) and geography.

The RIMS II model provided the Type I and Type II multipliers of economic activity supported by HUBZone procurement spending. Type I multipliers account for the direct and indirect impacts of a final-demand change. The direct impact related to the first round of inputs purchased by the final-demand industry. The indirect impact related to the subsequent rounds of inputs purchased by supporting industries. The interindustry effect is the sum of the direct and indirect impacts. Type II multipliers not only accounted for the interindustry effect, but also accounted for the induced impact of a final-demand change. The induced impact related to the spending of workers whose earnings were affected by a final-demand change. This impact is the household-spending effect. In order to calculate the broadest impacts, this study used Type II multipliers in estimating the economic impacts associated with federal procurement spending on an annual basis to HUBZone firms.

Datasets

To provide detailed and actionable results, the interactive dashboard is designed to analyze, visualize, and report the results. The dashboard integrated the following data sources:

- *HUBZone Portfolio*: Data contains business characteristics information of all HUBZone businesses with their respective status in the program as of October of the reference year. Key indicators include the number of HUBZone firms by selected geographic scope (county, state) and by fiscal year.
- *Composite Federal Procurement Data System (FPDS)*: Data converted from the Federal Procurement Data System –Next Generation (FPDS-NG) contains information on federal government procurement and provided the data on small business eligible prime contracting dollars obligated to HUBZone businesses. Key indicators include contract award (obligated) amount; date of award; establishment characteristics; contract characteristics, e.g., type of product or service purchased—identified using each contract’s North American Industry Classification System (NAICS) code, type of contract, and subcontracting plan.

- *System for Award Management (SAM)*: This database provided additional information of business characteristics that were incomplete or not available from the HUBZone portfolio, including information on additional SBA certifications and socioeconomic program designations.
- *RIMS II*: This data provided the Type I and Type II multipliers of economic activity supported by the HUBZone procurements.

Calculating Gross Economic Impact

The following methodology estimated the economic impacts/multiplier effects of HUBZone procurement activity.

Economic Impact Direct Effect Estimation—The input to this analysis of the economic impacts of federal procurement to HUBZone firms was the level of federal procurement dollars spent in each state and county analyzed by the type of product or service purchased. As described above, the study identified federal procurement to HUBZone firms on an annual basis for the FY 09 through FY 19 period from the composite FPDS database. These data represent the input to the RIMS II economic impact modeling analysis.

State and County Economic Impact Estimation— Once the study identified the level of federal procurement activity to HUBZone firms occurring in each state and county, the study estimated the level of state/county economic activity supported by this procurement using the RIMS II multipliers. The study analyzed annual federal goods and services procurement to HUBZone firms by NAICS code. NAICS code data were converted into the detailed RIMS II industry codes for which multipliers are available by utilizing the *Industry List A. RIMS II 372 Detailed Industry Codes* list.² In instances where these NAICS codes did not match, for instance, because older NAICS codes were used, data were allocated into the best match industry based on the determination of the study team.

As described in the RIMS II user guide, “RIMS II multipliers are ratios of total changes to initial changes in regional economic activity—for example, a total change in jobs to an initial change in sales. When one of these ratios is multiplied by an initial change, the result is an estimate of a total change in a regional economy.”³ RIMS II multipliers are only meaningful for analyzing the impact of a final-demand change in a region with government purchases listed as an appropriate final demand change. The level of federal purchases in each jurisdiction was multiplied by each RIMS II multiplier (gross output, value added, earnings, and employment) to yield the estimated economic impact, which for this analysis included the following:

1. **Gross output**—Or the total market value of industry output (sales). It equals intermediate inputs plus value added. Gross output is not the same as gross domestic product (GDP), which only includes value added.
2. **Value added**—Or the total value of income generated from production. This income consists of payments to labor (compensation of employees), payments to government (taxes on production and imports), and returns on investment (gross operating surplus). It is equivalent to GDP. Similar measures of the GDP at the state and county are referred to as GSP and GCP, respectively.

² See <https://apps.bea.gov/regional/rims/rimsii/download/372IndustryListA.pdf>.

³ Bureau of Economic Analysis. (2018). *RIMS II User Guide*. U.S. Department of Commerce. https://www.bea.gov/sites/default/files/methodologies/RIMSII_User_Guide.pdf

3. **Earnings**—Or the compensation of employees plus the net earnings of sole proprietors and partnerships. In the RIMS II model, earnings exclude personal contributions to social insurance programs, such as Social Security and Medicare, and employee pension plans.
4. **Employment**—Or the number of full- and part-time employees.

KEY FINDINGS

Locations of HUBZone Firms – via Dashboard

Out of the 6,909 HUBZone firms, five states concentrate one-third of all HUBZone firms: Virginia (574), California (571), Texas (474), Maryland (387), and Florida (357). The District of Columbia-Maryland-Virginia (DMV) area represents 18 percent of all HUBZone firms.

The selected 30 counties represent 11.6 percent of all HUBZone firms (803).

Federal Prime Contract Awards to HUBZone Firms – via Dashboard

As expected, HUBZone contract revenues follow the number of HUBZone businesses, which increase with population size. Contract award dollars to HUBZone firms tend to be concentrated in California and the DMV area.

The FY 09 through FY 19 prime contract obligated amounts to HUBZone firms is above \$88.0 billion. The DMV region accounts for close to 29 percent of all FY 2019 contract awards amounts to HUBZone firms.

The selected 30 counties represent 15.8 percent of the federal prime contract obligated amounts to HUBZone firms in FY 2019.

Gross Economic Impact

Table 1 presents the summary of the RIMS II generated economic impact estimates at the state level, and Table 2 presents the summary of the RIMS II generated economic impact estimates for the 30 counties in the study. Several caveats are important to note here. First, Table 1 presents the aggregate estimates of the RIMS II state-level impact. These figures represent the level of state economic activity supported by HUBZone spending, not necessarily the national-level impacts. Second, the county-level impact estimates presented in Table 2 are the subset of the state-level impacts that is attributable to the portion of total HUBZone procurement occurring in each of the counties analyzed; they are not additive to the state-level estimates presented in Table 1. Finally, and most importantly, it is critical to note that the economic impact measures presented in this report represent the impacts associated with all prime contracts awarded to HUBZone firms, including full and open contracts, small business set-asides, HUBZone set-asides, sole-source awards, and price-evaluation services. In both the state and county-level analyses, these impacts represent the overall level of state or county economic activity supported by HUBZone procurement across the entire state or county analyzed, not the impacts occurring only within the HUBZone area or companies. Also, since the HUBZone program redirects

federal procurement activities into underserved communities, this spending is likely to occur, especially at the state levels, in other geographic areas. As a result, this analysis represents the linkages between this spending and the broader state or county economies and not the true economic impact of this procurement spending. Tables 1 and 2 present these results and they are also available in the dashboard.

The results of the RIMS II model for the HUBZone gross economic impact at the state level revealed that each dollar spent on federal procurement to HUBZone firms generated approximately two dollars in the gross output statewide. Federal procurements to HUBZone firms generated a value added comparable to the dollar value of the federal awards (Table 1).

The estimated economic impact results of the RIMS II model at the county level were relatively smaller than at the state level. These lower estimates are a result of the smaller RIMS II multipliers at the county level. At the county level, federal procurements to HUBZone firms contributed a little over one dollar in gross output county-wide. Federal procurement at these counties also generated value added of about 84 percent for the amount spent (Table 2).

Furthermore, at both state and county levels, HUBZone procurements generated substantial employee earnings and jobs.

Table 1. HUBZone Economic Impact—State Impacts (Aggregated Values)

FY Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Dollar value of awards to HUBZone firms	\$10,234,171,137	\$9,670,529,322	\$8,148,234,880	\$6,910,161,141	\$5,744,852,093	\$6,318,158,424	\$6,143,976,865	\$6,525,858,910	\$7,115,136,689	\$8,542,244,955	\$10,320,257,220
Multiplier impact metric											
Gross output	\$21,112,506,904	\$19,927,921,799	\$16,606,978,455	\$14,014,148,087	\$11,674,065,172	\$12,895,325,510	\$12,433,621,488	\$13,129,647,438	\$14,245,176,491	\$17,127,096,808	\$20,545,097,357
Value added	\$11,472,797,238	\$11,017,899,027	\$9,239,215,104	\$7,797,900,906	\$6,572,066,400	\$7,265,389,324	\$7,037,015,745	\$7,454,340,481	\$8,038,779,761	\$9,835,426,643	\$11,694,553,191
Earnings	\$7,303,404,576	\$7,046,190,032	\$5,866,627,850	\$4,927,994,707	\$4,126,510,648	\$4,557,348,617	\$4,365,493,761	\$4,569,405,996	\$4,859,365,848	\$6,035,055,119	\$7,051,961,382
Employment	149,146	144,669	122,483	101,808	85,207	92,591	88,310	90,820	95,814	116,793	138,072

Note: Dollar amounts were adjusted for inflation and presented in 2018 dollars.

Table 2. HUBZone Economic Impact—Selected County Impacts (Aggregated Values)

FY Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Dollar value of awards to HUBZone firms	\$872,216,229	\$786,178,772	\$658,463,154	\$516,854,899	\$505,732,463	\$662,992,930	\$766,561,258	\$984,463,594	\$1,039,742,960	\$1,376,933,419	\$1,641,960,532
Multiplier impact metric											
Gross output	\$1,382,864,139	\$1,246,708,665	\$1,031,831,448	\$810,936,989	\$755,546,625	\$1,017,047,280	\$1,160,934,053	\$1,451,521,409	\$1,519,036,037	\$1,983,391,492	\$2,365,603,848
Value added	\$794,888,073	\$710,671,504	\$592,670,952	\$465,123,795	\$410,650,302	\$561,529,270	\$622,575,880	\$810,552,280	\$839,295,766	\$1,104,757,934	\$1,379,380,709
Earnings	\$383,879,665	\$344,597,432	\$279,246,200	\$223,514,196	\$190,523,558	\$279,025,029	\$302,019,406	\$356,341,396	\$367,272,730	\$482,092,878	\$545,064,441
Employment	8,034	7,211	5,844	4,675	3,921	5,618	5,981	6,641	6,815	8,710	9,708

Note: Dollar amounts were adjusted for inflation and presented in 2018 dollars.

Tables 3 and 4 present the results of the RIMS II model for the HUBZone gross economic impact for each state and the selected counties for FY 2019 (Tables 3 and 4). Listed first are the states and counties with the largest dollar value of awards to HUBZone firms. The top listed states (Virginia, California, Maryland, Texas, and the District of Columbia) have the largest number of HUBZone contracts and HUBZone firms and thus, are at the top of the (absolute) rankings.

Contract award dollars to HUBZone firms impacts GCP, boosts earnings, and supports jobs. These awards materially impact some economically distressed rural counties (Table 4).

Table 3. HUBZone Economic Impact—State Absolute Rankings by Dollar Value of Awards to HUBZone firms in FY 2019

State	Dollar value of awards to HUBZone firms	Gross output	Value added	Earnings	Employment
Virginia	\$1,326,387,023	\$2,629,840,807	\$1,580,098,283	\$911,956,542	16,149
California	\$1,277,676,074	\$2,753,417,821	\$1,525,881,265	\$977,100,656	16,497
Maryland	\$942,067,101	\$1,784,663,332	\$1,147,711,965	\$661,815,129	11,058
Texas	\$687,329,650	\$1,601,062,933	\$818,242,458	\$511,892,472	9,935
District of Columbia	\$682,018,190	\$907,295,307	\$581,357,868	\$119,650,334	2,042
Oklahoma	\$555,939,790	\$1,070,668,506	\$593,523,792	\$367,236,537	8,390
Florida	\$516,125,576	\$1,014,743,707	\$577,104,537	\$347,085,806	8,043
Louisiana	\$403,128,863	\$828,467,011	\$448,415,440	\$316,947,665	6,487
North Carolina	\$350,505,038	\$794,096,919	\$442,894,213	\$297,027,638	7,070
Alaska	\$315,804,970	\$526,219,826	\$292,611,627	\$190,993,166	3,526
New Mexico	\$258,639,832	\$439,989,455	\$253,993,139	\$165,783,329	3,385
Ohio	\$250,159,600	\$535,396,036	\$290,650,362	\$167,816,861	3,633
Alabama	\$247,723,948	\$521,027,879	\$284,223,941	\$195,037,833	4,069
Georgia	\$209,004,175	\$474,346,306	\$280,091,571	\$173,945,691	3,747
Arizona	\$200,779,984	\$431,008,243	\$245,626,714	\$163,324,069	3,880
Michigan	\$196,602,423	\$428,801,133	\$233,852,666	\$158,046,640	3,083
Nebraska	\$168,613,419	\$307,879,451	\$181,451,960	\$110,115,307	2,431
Kentucky	\$132,626,776	\$279,484,805	\$147,907,940	\$97,665,200	2,081
New York	\$128,701,238	\$234,734,844	\$129,974,493	\$76,316,844	1,631
Washington	\$127,135,436	\$255,823,314	\$140,112,268	\$95,930,183	1,659
Oregon	\$114,330,807	\$225,656,415	\$133,940,149	\$85,233,007	1,833
Pennsylvania	\$112,130,197	\$225,616,184	\$135,842,477	\$71,522,402	1,540
Colorado	\$100,578,495	\$220,120,376	\$131,144,424	\$82,982,092	1,633
Tennessee	\$98,091,947	\$223,024,263	\$122,304,775	\$73,710,907	1,519
Illinois	\$84,987,963	\$205,164,142	\$96,839,064	\$61,960,729	1,166
Hawaii	\$70,175,400	\$130,071,120	\$73,450,985	\$52,310,701	991
Missouri	\$68,290,192	\$143,074,839	\$78,068,842	\$48,346,255	1,010
New Jersey	\$66,959,790	\$144,765,661	\$78,081,137	\$49,841,653	872
Montana	\$63,441,841	\$93,275,831	\$41,917,928	\$28,879,535	615
Mississippi	\$61,495,785	\$118,512,196	\$60,905,566	\$38,305,448	817
Massachusetts	\$54,188,891	\$107,450,636	\$61,207,470	\$40,998,137	696
South Carolina	\$53,095,080	\$108,693,045	\$59,911,626	\$36,274,130	819
Nevada	\$53,010,426	\$99,507,692	\$57,038,892	\$37,964,037	735
Utah	\$50,259,097	\$116,025,328	\$63,983,223	\$45,302,325	921
Idaho	\$44,689,561	\$84,521,217	\$46,850,755	\$33,040,891	746
Wisconsin	\$39,061,721	\$81,983,139	\$44,624,528	\$30,562,345	584

State	Dollar value of awards to HUBZone firms	Gross output	Value added	Earnings	Employment
West Virginia	\$32,500,096	\$52,856,002	\$32,669,206	\$19,978,742	394
Arkansas	\$26,515,658	\$60,192,788	\$24,355,862	\$16,415,712	395
Kansas	\$25,499,576	\$58,032,570	\$26,771,572	\$15,658,193	382
Minnesota	\$25,038,583	\$50,052,029	\$28,296,933	\$16,973,864	287
Indiana	\$22,223,501	\$43,278,883	\$24,751,401	\$14,208,755	306
Iowa	\$17,155,368	\$29,213,539	\$17,475,565	\$10,215,706	208
Maine	\$16,118,493	\$31,148,460	\$17,325,955	\$12,209,211	272
New Hampshire	\$8,042,700	\$13,475,564	\$8,836,457	\$3,996,422	60
Wyoming	\$7,722,199	\$12,015,379	\$7,018,119	\$4,284,014	133
Delaware	\$6,660,554	\$10,779,665	\$5,594,766	\$3,060,912	68
South Dakota	\$6,113,536	\$10,924,358	\$6,146,840	\$4,283,333	96
North Dakota	\$5,141,993	\$9,328,977	\$4,116,381	\$2,346,142	59
Connecticut	\$5,009,273	\$9,039,626	\$4,181,345	\$2,061,760	36
Vermont	\$4,733,028	\$8,282,257	\$5,150,249	\$3,333,228	81
Rhode Island	\$26,366	\$47,541	\$24,199	\$12,893	0

Table 4. HUBZone Economic Impact—County Absolute Rankings by Dollar Value of Awards to HUBZone Firms in FY 2019

County (State)	Dollar value of awards to HUBZone firms	Gross output	Value added	Earnings	Employment
Prince George's (MD)	\$505,851,668	\$663,218,807	\$462,819,971	\$111,057,044	1,545
Orleans (LA)	\$253,036,564	\$348,375,000	\$195,104,659	\$61,656,681	1,240
Charlottesville + Albemarle (VA)	\$147,448,124	\$223,185,317	\$133,911,381	\$67,992,711	1,012
Page (VA)	\$117,678,392	\$123,169,680	\$16,695,070	\$10,637,963	263
Fulton (GA)	\$84,503,874	\$136,493,408	\$85,599,105	\$25,402,371	483
Maricopa (AZ)	\$79,190,826	\$168,315,681	\$96,875,758	\$62,282,123	1,335
Matanuska-Susitna (AK)	\$77,333,333	\$113,546,239	\$61,182,102	\$45,764,795	790
Madison (AL)	\$57,120,953	\$85,288,853	\$50,771,467	\$27,467,780	493
Oklahoma (OK)	\$47,496,288	\$81,657,200	\$46,274,249	\$23,201,018	497
Sacramento (CA)	\$42,214,033	\$67,406,646	\$38,792,137	\$19,542,692	352
Tarrant (TX)	\$38,768,743	\$68,396,846	\$37,050,981	\$17,897,911	327
Brevard (FL)	\$27,976,263	\$43,118,299	\$23,299,421	\$13,213,782	280
Worcester (MA)	\$22,377,774	\$39,175,721	\$21,871,270	\$12,538,669	208
Garrett (MD)	\$21,918,202	\$29,414,148	\$14,597,380	\$7,776,617	159
Greene (TN)	\$17,569,739	\$22,055,980	\$7,676,605	\$2,964,362	47
Philadelphia (PA)	\$14,850,244	\$21,570,582	\$12,166,010	\$4,485,001	96
Hamilton (OH)	\$13,676,769	\$22,311,656	\$13,376,435	\$5,078,467	109
Adams (CO)	\$11,570,041	\$16,209,771	\$10,669,138	\$3,475,529	48
Bronx (NY)	\$11,122,045	\$12,338,274	\$3,057,781	\$994,691	19
Hennepin (MN)	\$10,107,413	\$16,999,429	\$11,497,178	\$4,641,183	70
Will (IL)	\$9,776,603	\$16,183,157	\$8,742,585	\$3,827,645	63
Jefferson (AL)	\$9,236,784	\$14,687,040	\$9,067,361	\$3,702,409	90
Marion (OR)	\$6,164,678	\$9,401,886	\$5,325,946	\$2,994,659	56
San Bernardino (CA)	\$5,343,162	\$9,443,161	\$5,124,143	\$2,593,763	43
Wyandotte (KS)	\$3,398,264	\$4,483,520	\$2,658,952	\$529,163	18
Aroostook (ME)	\$2,893,878	\$4,130,145	\$2,197,234	\$1,695,303	35

County (State)	Dollar value of awards to HUBZone firms	Gross output	Value added	Earnings	Employment
Hidalgo (TX)	\$2,423,645	\$3,850,745	\$2,203,712	\$1,507,606	27
Durham (NC)	\$873,498	\$1,133,451	\$748,588	\$132,597	2
Jefferson (MS)	\$19,900	\$21,295	\$11,864	\$4,915	0
Russell (VA)	\$18,831	\$21,912	\$12,225	\$4,992	0

Relative Economic Impacts⁴

Next, we discuss the relative rankings of the HUBZone impacts (value added and employment supported) to the GCP and county employment for the 30 counties in the study (Table 5).

The estimated value added of the procurements to HUBZone firms for the selected counties is approximately \$1.4 billion. This value added represents 0.11 percent of the total aggregated GCPs for these counties. There are large differences at the county level. The share of the HUBZone value added to individual GCPs ranges from 0.00 percent to 3.15 percent with a median of 0.05 percent. Four out of 9 counties with a low GCP (under \$10 billion) had the largest impact on their GCP from the HUBZone investment (awards to HUBZone firms), the value added represented 1 percent or more of the GCP. It is worth noting that Prince George's, Maryland with above \$10 billion in GCP had also a value added share of the GCP above 1 percent (1.21 percent, respectively). The rest (18) of the counties with over \$10 billion in GCP had very modest value added impacts as a share of the GCP.

Another impact from the procurements to HUBZone firms is the share of employment supported in the county. In general, the impact on local employment as a share of the total county employment, 0.09 percent, is lower than the impact on the share of the GCP (0.11 percent). The median HUBZone employment supported as a share of county employment is 0.05 percent (similar to the relative impact on the GCP). In some of the selected counties, the number of jobs supported resulting from contract awards to HUBZone firms in FY 2019 accounted for a noticeable share of county employment level given the level of the HUBZone investment. Page, Virginia (VA) (one of the counties with the lowest GCP out of the selected counties) stands out with a 2.27 percent of the county employment supported by procurements to HUBZone firms. Four out of 9 counties with less than \$10 billion in GCP had a relative high share (above 1 percent) of the county employment supported by procurements to HUBZone firms.

In general, procurement awards to HUBZone firms in the selected counties represented less than 2.5 percent of the total federal procurements (median 4.06 percent). For 12 out of the 30 counties, procurements to HUBZone firms represented above 10 percent of the total federal awards for that county. In fact, HUBZone investment represented above 50 percent of total federal procurement in five counties in FY 2019.

Four counties (Page, VA; Garrett, Maryland (MD); Charlottesville + Albemarle, VA, and Matanuska Susitna, Alaska (AK) were among the top five ranked counties in terms of HUBZone

⁴ This section uses two decimals to capture the nuances in the relative impacts.

impact (value added) as a share of GCP, HUBZone employment supported as a share of county employment, *and* the contract awards to HUBZone firms as a share of total contract awards. These four counties had local economies under \$10 billion in their GCP.

As expected, counties with the largest employment and GCP in FY 2019 (Maricopa, Arizona (AZ); Fulton, Georgia (GA); Hennepin, Minnesota (MN); Philadelphia, Pennsylvania (PA) and Tarrant, Texas (TX)) had the smallest HUBZone impact in terms of the value added to the GCP and in terms of the employment generated by HUBZone investment.

Table 5. HUBZone Economic Impact—Relative Rankings FY 2019.

County*	State	Dollar value of HUBZone awards (2019)	Ranking	HUBZone value added as a share of GCP	Ranking	HUBZone employment supported as a share of county employment	Ranking	HUBZone investment as a share of total federal contract awards	Ranking
<i>Page</i>	<i>VA</i>	<i>\$117,678,392</i>	<i>4</i>	<i>3.15%</i>	<i>1</i>	<i>2.27%</i>	<i>1</i>	<i>96.21%</i>	<i>2</i>
<i>Matanuska Susitna</i>	<i>AK</i>	<i>\$77,333,333</i>	<i>7</i>	<i>2.80%</i>	<i>2</i>	<i>1.81%</i>	<i>2</i>	<i>57.10%</i>	<i>5</i>
<i>Charlottesville + Albemarle</i>	<i>VA</i>	<i>\$147,448,124</i>	<i>3</i>	<i>1.38%</i>	<i>3</i>	<i>1.80%</i>	<i>3</i>	<i>57.36%</i>	<i>4</i>
<i>Garrett</i>	<i>MD</i>	<i>\$21,918,202</i>	<i>14</i>	<i>1.25%</i>	<i>4</i>	<i>1.05%</i>	<i>4</i>	<i>89.07%</i>	<i>3</i>
Prince George's	MD	\$505,851,668	1	1.21%	5	0.31%	7	10.75%	12
Orleans Parish	LA	\$253,036,564	2	0.97%	6	0.73%	5	36.23%	7
<i>Adams</i>	<i>CO</i>	<i>\$11,570,041</i>	<i>18</i>	<i>0.84%</i>	<i>7</i>	<i>0.33%</i>	<i>6</i>	<i>10.79%</i>	<i>11</i>
<i>Greene</i>	<i>TN</i>	<i>\$17,569,739</i>	<i>15</i>	<i>0.38%</i>	<i>8</i>	<i>0.16%</i>	<i>9</i>	<i>15.39%</i>	<i>10</i>
Madison	AL	\$57,120,953	8	0.24%	9	0.27%	8	0.61%	24
Brevard	FL	\$27,976,263	12	0.10%	10	0.10%	12	0.35%	28
<i>Aroostook</i>	<i>ME</i>	<i>\$2,893,878</i>	<i>26</i>	<i>0.10%</i>	<i>11</i>	<i>0.12%</i>	<i>11</i>	<i>37.50%</i>	<i>6</i>
Oklahoma	OK	\$47,496,288	9	0.08%	12	0.13%	10	2.47%	17
Worcester	MA	\$22,377,774	13	0.06%	14	0.05%	16	7.69%	13
Fulton	GA	\$84,503,874	5	0.06%	13	0.09%	13	5.77%	14
Sacramento	CA	\$42,214,033	10	0.05%	15	0.05%	15	1.13%	20
Maricopa	AZ	\$79,190,826	6	0.05%	16	0.06%	14	0.90%	21
Tarrant	TX	\$38,768,743	11	0.04%	18	0.03%	19	0.19%	29
Marion	OR	\$6,164,678	23	0.04%	17	0.04%	17	1.45%	18
Will	IL	\$9,776,603	21	0.03%	19	0.02%	23	4.72%	15
Wyandotte	KS	\$3,398,264	25	0.03%	20	0.02%	22	0.45%	27
Jefferson	AL	\$9,236,784	22	0.02%	21	0.03%	20	0.50%	26
Hamilton	OH	\$13,676,769	17	0.02%	22	0.03%	21	0.72%	22
Hidalgo	TX	\$2,423,645	27	0.01%	23	0.01%	26	22.66%	9
Philadelphia	PA	\$14,850,244	16	0.01%	24	0.01%	24	3.40%	16

County*	State	Dollar value of HUBZone awards (2019)	Ranking	HUBZone value added as a share of GCP	Ranking	HUBZone employment supported as a share of county employment	Ranking	HUBZone investment as a share of total federal contract awards	Ranking
<i>Jefferson</i>	<i>MS</i>	<i>\$19,900</i>	<i>29</i>	<i>0.01%</i>	<i>26</i>	<i>0.00%</i>	<i>29</i>	<i>100.00%</i>	<i>1</i>
Hennepin	MN	\$10,107,413	20	0.01%	25	0.01%	25	0.55%	25
Bronx	NY	\$11,122,045	19	0.01%	27	0.00%	27	35.46%	8
San Bernardino	CA	\$5,343,162	24	0.01%	30	0.03%	18	1.23%	19
Durham	NC	\$873,498	28	0.00%	28	0.00%	28	0.05%	30
<i>Russell</i>	<i>VA</i>	<i>\$18,831</i>	<i>30</i>	<i>0.00%</i>	<i>29</i>	<i>0.00%</i>	<i>30</i>	<i>0.64%</i>	<i>23</i>

Note: * Counties Sorted by HUBZone Value Added as a Share of GCP

Italics indicate (9) counties with less than \$10 billion in GCP. The 9 counties are: Page, Matanuska Susitna, Charlottesville + Albemarle, Garrett, Adams, Greene, Aroostook, Jefferson and Russell.

Attachment A presents examples of the state and the county profiles (including top federal contractors) in the interactive dashboards.

CONCLUSIONS

Through the HUBZone program, federal procurement spending is directed into underutilized areas. This analysis measures the economic activities supported by the HUBZone spending at the state level and for selected counties regardless of where the indirect or multiplier impacts occur. This study focused on 30 counties given the size of their local economy and geography.

The discussion of the economic impact of these counties is not representative of all HUBZone awards in all HUBZones. The findings are, however, consistent in terms of the impact of the awards to HUBZone firms on urban and rural economies. HUBZone investment has a moderate impact on all counties in terms of value added and employment supported by HUBZone investment, particularly when measured against the GCP and the total employment at the county. Dollars to HUBZone firms are also the main source of federal procurement in one-third of the counties.

The study did not use (purchase) all county RIMS II multipliers. A broader and more comprehensive study will require all RIMS II multipliers and/or the purchase of the IMPLAN national package. To further the findings and understanding of some of the drivers of the economic impacts of procurement awards to HUBZone firms, we recommend the following:

- case studies impact analysis (at zip code level);
- periodically update HUBZone analysis dataset;
- monitoring tool for HUBZone program;
- track economic impact nationally and drill-down locally;
- gauge effectiveness of program interventions, and
- uncover HUBZone success stories.

Furthermore, there is a significant potential for a detailed and rigorous evaluation of the HUBZone program. The lessons from an impact evaluation could result in tailored approaches for procurements on specific profiles of HUBZones, urban and rural economies, and where there is a high impact on the GCP and employment.

Appendix 1. HUBZone Economic Impact Dashboard

This appendix presents additional results available in the interactive dashboard of the RIMS II model's analysis for state and selected counties. The study constructed these interactive dashboards using Power BI. The dashboard could be updated in near real time if an Application Programming Interface (API) to Federal Procurement Data System – Next Generation is enabled.

HUBZone Firm Contract Obligation

Source: Federal Procurement Data System – Next Generation (FPDS - NG)⁵— Demographic Analysis

Key metric: Number of HUBZone firms (proportionate to the size of the bubble)

Unit of observation: Geographic scope (county) and (state) | fiscal year

Filter options: Time period;⁶ other certifications

HUBZone Firms with Contract Awards with RIMS II Multiplier Calculations

Source: Federal Procurement Data System - Next Generation, RIMS II Multipliers— Demographic Analysis and HUBZone Prime Contracts—Obligated Amount

Key metric: Number of HUBZone firms by contract award during fiscal year animation: Count number of firms with cumulative contract awards in each fiscal year ≤ 0 (yellow/orange bubble); count number of firms with cumulative awards in each fiscal year > 0 (red bubble)

Unit of observation: Geographic scope (county) | fiscal year

Filter: Time period; multipliers result for states and 30 selected counties

⁵Based on converted data from the FPDS-Next Generation (FPDS-NG) from October of each year.

⁶Fiscal year:

FY 2009: 10/1/2008 – 9/30/2009

FY 2010: 10/1/2009 – 9/30/2010

FY 2011: 10/1/2010 – 9/30/2011

FY 2012: 10/1/2011 – 9/30/2012

FY 2013: 10/1/2012 – 9/30/2013

FY 2014: 10/1/2013 – 9/30/2014

FY 2015: 10/1/2014 – 9/30/2015

FY 2016: 10/1/2015 – 9/30/2016

FY 2017: 10/1/2016 – 9/30/2017

FY 2018: 10/1/2017 – 9/30/2018

FY 2019: 10/1/2018 – 9/30/2019

Calendar year:

CY 2009: 1/1/2009 – 12/31/2009

CY 2010: 1/1/2010 – 12/31/2010

CY 2011: 1/1/2011 – 12/31/2011

CY 2012: 1/1/2012 – 12/31/2012

CY 2013: 1/1/2013 – 12/31/2013

vs. CY 2014: 1/1/2014 – 12/31/2014

CY 2015: 1/1/2015 – 12/31/2015

CY 2016: 1/1/2016 – 12/31/2016

CY 2017: 1/1/2017 – 12/31/2017

CY 2018: 1/1/2018 – 12/31/2018

CY 2019: 1/1/2019 – 12/31/2019