summit

complexity simplified.

Section 610 Review of the

Small Business Administration’s HUBZone Program

13 Code of Federal Regulations (C.F.R) § 126

August 2020

Table of Contents

1 Introduction 1

2 Program Description 1

2.1 Purpose 1
2.2 Eligibility 2
2.3 Types of Contracts 4
2.4 Services 4
2.5 Stages of the Program 5

3 Affected Universe 5

3.1 Potential Affected Universe 5
3.2 Actual Affected Universe 5

4 Section 610 Review Criteria 9

4.1 Discussion of Continued Need 9
4.2 Complaints, Comments, and Issues 10
4.2.1 Certification, Recertification, and Decertification 10
4.2.2 Program Performance 12
4.2.3 Program Structure 13
4.3 Program Complexity 14
4.4 Overlapping of, Duplication of, and Conflict with Other Programs 14
4.5 Changes in the Market, Economic Factors 15

5 Analytic Review 15

5.1 Market Concentration: Concentration Ratios 15
5.2 Time-Series Analysis 16
5.3 Conclusions and Implications 22

List of Tables

Table 1: Number of HUBZone Certified Firms Listed in SBA Database 5
Table 2: Number of Newly Certified Firms per Year, by 2-Digit NAICS Code 6
Table 3: Market Concentration by Sector, 50-Firm Basis 18
Table 4: Market Concentration by Sector, 20-Firm Basis 19
Table 5: Market Concentration by Sector, Eight-Firm Basis 20
Table 6: Market Concentration by Sector, Four-Firm Basis 21

List of Figures

Figure 1: Total Amount Awarded, by Year 7
Figure 2: Total Amount Awarded, by Year and Sector 7
Figure 3: Prime Contracting Achievement (3% Goal) 8
Figure 4: Average Amount per Firm, by Year 9
Figure 5: Number of HUBZone Site Visits 12
Figure 6: Market Concentration in the Economy, Sectors Weighted by Sales Revenue 22
Figure 7: Market Concentration in the Economy, Sectors Weighted by GDP 22

1 Introduction

Section 610 of the Regulatory Flexibility Act (5 U.S.C. § 610) calls for the implementation of periodic "lookback" reviews for rules affecting small entities. These periodic reviews assemble updated information about the need for regulation; examine retrospective information about the regulatory impacts and performance to determine whether rules need to be changed, amended, or rescinded; and assess whether they are still consistent with their stated objectives. Additionally, these reviews help identify any adverse or unintentional economic impacts that the implemented rule may have had on a substantial number of affected entities and identify any ways to increase the rule's overall effectiveness in the future.

Review of rules under Section 610 is organized around assessment of the following factors:

The continued need for the rule

The nature of complaints and comments about the rule from the public

The complexity of the rule

The extent to which the rule overlaps, duplicates, or conflicts with other federal rules (or, if applicable, with state and local rules)

The length of time since the last review of the rule or the degree to which technology, economic conditions, or other factors have changed the area affected by the rule

Consistent with the wording in Section 610, a plan for a review must be established within 180 days after a rule is published. The actual review of the rule shall be conducted within 10 years of the publication of the final version of the rule. The review is initiated when, each year, every agency submits a list to the *Federal Register* outlining rules that have had a Significant Economic Impact on a Substantial Number of Small Entities (SISNOSE) and which are due for review under Section 610. The rules on this list are reviewed within the following year.

Consistent with this process, this document provides a Section 610 Review that focuses on the Historically Underutilized Business Zone (HUBZone) program. This program was originally codified in the *Code of Federal Regulations* (13 C.F.R. § 121, 125, and 126), promulgated in 1998 (63 Fed. Reg. No. 112, [June 11, 1998], p. 31896–31916).

2 Program Description

2.1 Purpose

The HUBZone program provides participating small businesses located in areas with low income, high poverty, or high unemployment with contracting opportunities in the form of set-asides, sole-source awards, and price-evaluation preferences.[1] The HUBZone program is a place-based contracting assistance program with the primary objective of creating jobs and increasing capital investment in distressed communities. It was authorized in 1997 (P.L. 105-135, the HUBZone Act of 1997; Title VI of the Small Business Reauthorization Act of 1997), and the Small Business Administration (SBA) began accepting applications from interested small businesses on March 22, 1999.[2]

[1] 15 U.S.C. § 657.
[2] 15 U.S.C. § 657.

Senator Christopher S. "Kit" Bond, the legislation's sponsor, described it as a "jobs bill and a welfare-to-work bill" designed to "create realistic opportunities for moving people off of welfare and into meaningful jobs" in "inner cities and rural counties that have low household incomes, high unemployment, and whose communities have suffered from a lack of investment."[3]

2.2 Eligibility

The following eligibility regulations are effective as of January 1st, 2020. For a small business to be eligible for the HUBZone program, it must lie within one of the following designated areas:

- **Qualified census tracts (QCTs)**
    - The term "qualified census tract" refers to any census tract that is designated by the secretary of the U.S. Department of Housing and Urban Development (HUD) and that, for the most recent year for which census data are available on household income in such a tract, meets either of the following criteria:
        - At least 50 percent of the households have an income that is less than 60 percent of the area median gross income for such year
        - The area has a poverty rate (percentage of population living in poverty) of at least 25 percent[4]
- **Qualified nonmetropolitan counties**
    - Areas where:
        - The median household income is less than 80 percent of the nonmetropolitan state median household income[5]
        - The unemployment rate is not less than 140 percent of the average unemployment rate for the United States or for the state in which the county is located, whichever is less[6]
        - The county has been designated by the secretary of HUD as a difficult development area[7]
- **Qualified Indian reservations/Indian Country**
    - Areas including Indian trust lands and other lands covered under the term "Indian Country" as used by the Bureau of Indian Affairs
    - Portions of the state of Oklahoma designated as former Indian reservations by the Internal Revenue Service (Oklahoma tribal statistical areas)
    - Alaska Native village statistical areas
- **Military bases closed under the Base Realignment and Closure (BRAC) Act**
    - Lands within the external boundaries of a military installation closed through a privatization process

[3] U.S. Congress, Senate Committee on Small Business, *Small Business Reauthorization Act of 1997*, report to accompany S. 1139, 105th Cong., 1st sess., August 19, 1997, S. Rept. 105–62 (Washington: GPO, 1997).

[4] 26 U.S.C. § 42(d)(5)(B)(ii)(I)-(III).

[5] Section 143(k)(2)(B) of the Internal Revenue Code of 1986.

[6] 13 C.F.R. § 126.103.

[7] P.L. 109-59, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA), provided HUBZone eligibility in difficult development areas within Alaska and Hawaii, or any territory or possession of the United States outside the 48 contiguous states.

- **Qualified disaster areas**
  - Any census tract or nonmetropolitan county for which the president has declared a major disaster under Section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. § 5170) or located in an area in which a catastrophic incident has occurred (on or after the date of enactment), if such census tract or nonmetropolitan county ceased to be qualified as a HUBZone area[8]

- **Additional Qualified Areas (Governor's Designation)**[9]
  - Governors, starting on January 1, 2020, can petition the SBA each year to designate areas located in nonurban areas, with a population of 50,000 or fewer, and an average unemployment rate at least 120% of the national or state average, whichever is lower, as HUBZones.[10]

To become certified, firms located within one of the areas described above must complete and submit specified HUBZone application forms to SBA online. Each firm must:

- Meet SBA small business size standards for the firm's primary industry classification
- Be at least 51 percent owned and controlled by U.S. citizens, a community development corporation, an agricultural cooperative, or an Indian tribe (including Alaska Native corporations)
- Maintain a principal office located in a HUBZone
- Ensure that at least 35 percent of its employees reside in a HUBZone
- Represent, as provided in the application, that it will "attempt to maintain" having at least 35 percent of its employees reside in a HUBZone during the performance of any HUBZone contract it receives
- Represent, as provided in the application, that it will comply with certain contract performance requirements in connection with contracts awarded to it as a qualified HUBZone small business concern (such as spending at least 50 percent of the cost of the contract incurred for personnel on its own employees or employees of other qualified HUBZone small business concerns and meeting specified subcontracting limitations for nonqualified HUBZone small business concerns)
- Provide an active, up-to-date Dun and Bradstreet profile and Data Universal Numbering System (DUNS) number that represents the business
- Provide an active Central Contractor Registration profile for the business.[11]

[8] 13 C.F.R. § 126.103.

[9] Congressional Research Service, "Small Business Administration, HUBZone Program," July 4, 2020, page 3

[10] Congressional Research Service, "Small Business Administration, HUBZone Program," July 4, 2020, page 3

[11] 13 C.F.R. § 126.306.

On an annual basis, SBA analyzes around 1,500 applications for entry into the HUBZone program. SBA processes 61 percent of the applications it receives within 3 months or less. If SBA approves an application, it sends a written notice to the business and adds the business to the list of certified HUBZone businesses. A decision to deny eligibility must be made in writing and state the specific reason(s) for denial.

2.3 Types of Contracts

The HUBZone program provides three types of contracting opportunities: set-asides, sole-source awards, and price-evaluation services.

- *Set-aside* contracts restrict competition for a federal contract to specified competitors. An entire procurement or just a part of it can be restricted due to a set-aside.

- *Sole-source* contracts are federal contracts awarded, or sometimes proposed, without competition.

- *Price-evaluation services* conditions state that in any full and open competition for a federal contract, "the price offered by a qualified HUBZone small business concern shall be deemed as being lower than the price offered by another offeror (other than another small business concern), if the price offered by the qualified HUBZone small business concern is not more than 10 percent higher than the price offered by the otherwise lowest, responsive, and responsible offeror."[12]

2.4 Services

The primary service of the HUBZone program is business acquisition, i.e., assisting program participants with federal contracting. The HUBZone program provides participating small businesses located in areas with low income, high poverty, or high levels of unemployment with certification of their HUBZone status that allows them to compete for contracting opportunities in the form of set-asides, sole-source awards, and price-evaluation preferences designated for HUBZone certified enterprises. In FY2018, the Federal Government awarded $9.8 billion to HUBZone certified businesses. About $2.3 billion of that amount was awarded with a HUBZone preference. Of this, $2.1 billion was awarded through a HUBZone set-asides, $112.6 million through a HUBZone sole-source awards, and $100.7 million through a HUBZone price-evaluation preferences. The remaining $5.7 billion was awarded based on another small business preference, namely the 8(a) Business Development Program.[13]

By limiting competition for certain contracts to HUBZone certified firms and giving preferential consideration to HUBZone certified firms in full and open competition, the program provides small businesses located in HUBZones with a competitive advantage to better compete for federal contracts. This competitive advantage is especially beneficial in assisting small, startup firms to obtain contracts that they might not otherwise receive.

[12] 15 U.S.C § 657a(b)(3); and Henry Beale and Nicola Deas, "The HUBZone Program Report," Washington, DC: Microeconomic Applications, Inc., prepared for SBA, Office of Advocacy, May 2008, p. i, at https://www.sba.gov/.

[13] Congressional Research Service, "Small Business Administration, HUBZone Program," November 27, 2019, page 2.

2.5 Stages of the Program

The HUBZone program has two main stages for its participants. The first stage is the application process, during which an applicant business located in a designated HUBZone area applies for certification. The second stage is admittance into the program and the ability for firms to compete for federal contracts with HUBZone preference. As long as firms remain compliant with the requirements of the program they can maintain their HUBZone certified status.

3 Affected Universe

3.1 Potential Affected Universe

The HUBZone program has the potential to impact any small business that is located within any of the following types of areas:

- QCTs
- Qualified nonmetropolitan counties
- Qualified Indian reservations/Indian Country
- Military bases closed under the BRAC Act
- Qualified disaster areas
- Additional Qualified Areas (Governor's Designation)

Additionally, as of June 2018:

- Among the nation's census tracts, 20.2 percent (14,980 of 74,002) had QCT status.[14]
- Of the nation's 3,242 counties, 18.9 percent (613) had qualified nonmetropolitan county status.[15]
- There were 619 HUBZone-qualified Indian lands.[16]
- There were 125 HUBZone-qualified base closure areas.
- There were eight designated qualified disaster areas.

3.2 Actual Affected Universe

Over a more than 9-year period, there were an average of 6,248 HUBZone certified firms in the SBA database, as shown in **Table 1**.

Table 1: Number of HUBZone Certified Firms Listed in SBA Database

Date	Number of HUBZone Certified Firms Listed in SBA Database
May 4, 2010	7,567
May 5, 2011	8,533
December 21, 2011	6,900
July 5, 2012	6,602
December 27, 2012	5,637
July 11, 2013	5,788
December 17, 2013	5,799
July 24, 2014	5,808

[14] Small Business Administration, Office of Congressional and Legislative Affairs, correspondence with the author, June 4, 2018.

[15] Small Business Administration, Office of Congressional and Legislative Affairs, correspondence with the author, June 4, 2018.

[16] Small Business Administration, Office of Congressional and Legislative Affairs, correspondence with the author, June 4, 2018.

Date	Number of HUBZone Certified Firms Listed in SBA Database
December 22, 2014	5,510
July 13, 2015	5,207
December 3, 2015	5,397
July 6, 2016	5,476
January 21, 2017	5,930
July 10, 2017	5,741
December 15, 2017	5,961
July 10, 2018	6,335
November 8, 2018	6,558
July 10, 2019	6,854
October 9, 2019	7,107

Source: Congressional Research Service, "Small Business Administration, HUBZone Program," November 27, 2019, page 15. The dynamic database was accessed on the dates listed above, typically every 6 months.

As shown in **Table 2**, between 553 and 2,242 firms were newly certified as HUBZone small businesses each year from 2009 to 2019. These firms covered 679 different six-digit NAICS industry codes. As shown in the table, there was a downward trend between FY2009 and FY2014, and there has been an upward trend in certifications since FY2014.

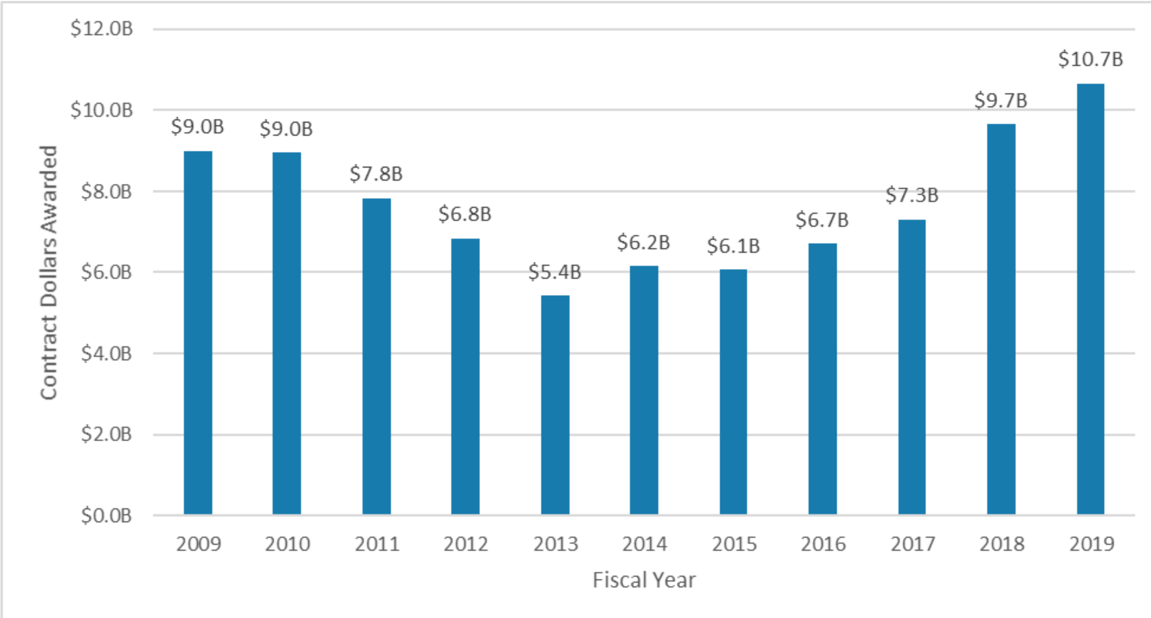
Table 2: Number of Newly Certified Firms per Year, by 2-Digit NAICS Code

Sector	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Unknown	1,127	1,193	568	371	174	147	154	126	111	53	48
23	371	437	161	170	121	76	113	182	263	213	191
54	161	172	105	123	126	184	189	275	378	357	322
33	160	130	36	30	25	29	44	58	120	92	94
56	83	71	35	49	25	38	48	72	97	87	81
42	51	54	27	21	22	23	20	33	58	51	42
11	55	51	18	14	9	7	6	9	9	3	8
32	22	20	19	11	11	8	6	11	25	25	18
31	36	14	6	11	5	6	8	9	20	17	15
48	14	17	14	11	11	6	7	17	23	17	20
51	9	7	3	11	5	6	7	15	23	13	24
61	6	8	3	5	1	9	8	13	18	12	16
81	4	8	4	7	4	4	1	2	13	7	15
53	15	10	7	1	2	1	5	6	14	9	9
44	8	6	8	8	2	-	7	6	9	5	6
62	3	5	2	1	2	2	3	5	10	7	10
21	7	18	4	2	-	-	-	3	5	2	3
45	3	5	3	3	3	1	1	3	5	8	4
22	3	6	2	3	2	2	-	2	3	2	4
72	3	5	-	2	5	-	1	1	2	4	-
49	3	2	-	1	-	3	1	-	8	1	5
52	1	2	-	1	-	1	1	1	5	5	4
71	2	1	-	1	-	-	-	2	-	3	-
55	-	-	-	-	-	-	-	-	1	-	-
Total	**2,147**	**2,242**	**1,025**	**857**	**555**	**553**	**630**	**851**	**1,220**	**993**	**939**

Source: SBA program data.

The total dollars awarded to HUBZone firms between FY2009 and FY2019 can be seen in **Figure 1**. The total dollars awarded have been trending upward since 2015, reaching nearly $11 billion in 2019.

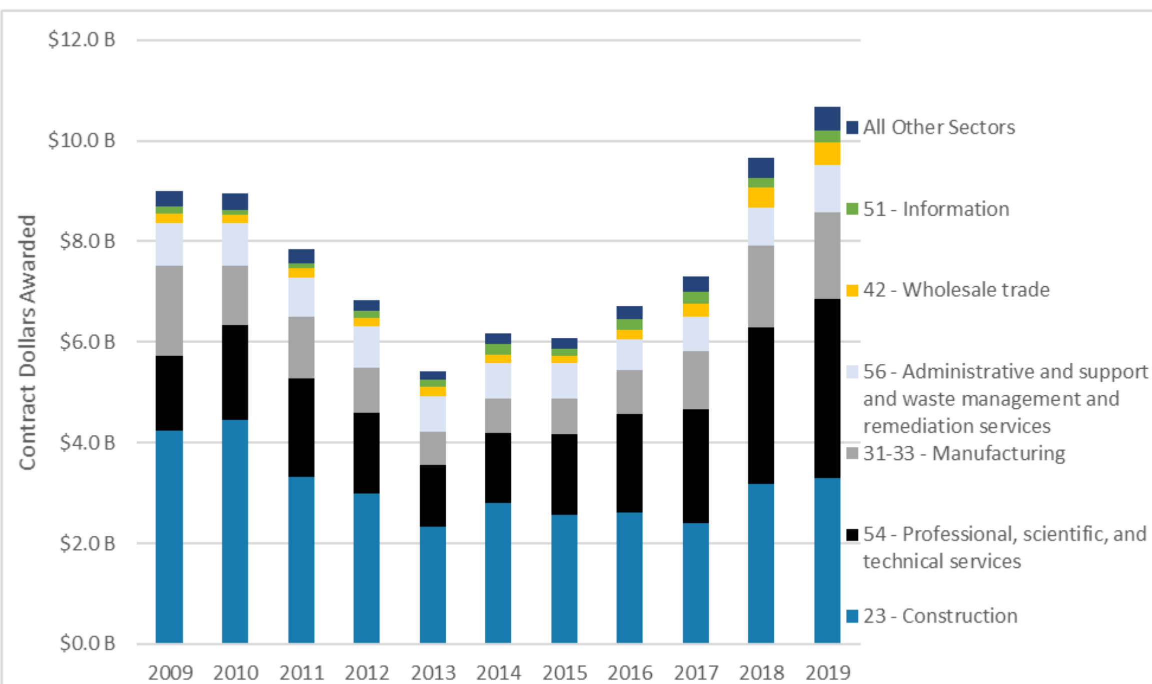
Figure 1: Total Amount Awarded, by Year



Source: SBA program data[17].

Figure 2 shows the contract dollars awarded by sector. Construction and professional, scientific, and technical services were the top 2 sectors.

Figure 2: Total Amount Awarded, by Year and Sector

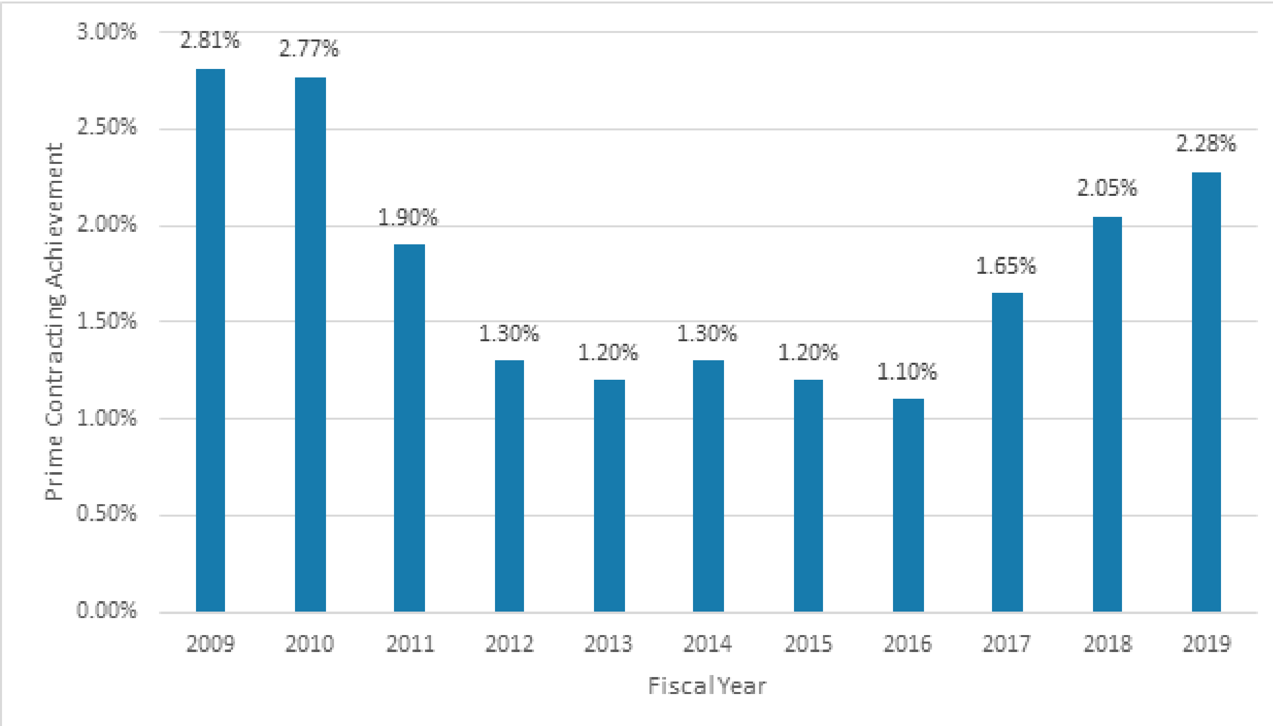


Source: SBA program data.

[17] This data may vary slightly from data reported in SBA's Procurement Scorecards

In terms of prime contracting achievements, HUBZone aims to reach a prime contracting goal of 3%. **Figure 3** depicts the annual progress towards 3% goal attainment. As seen below, HUBZone was closest to its goal in FY2009 and FY2010.

Figure 3: Prime Contracting Achievement (3% Goal)



Source: SBA Scorecard Data

Figure 4 shows the average amount awarded per firm from 2009 to 2019. The number is relatively consistent, hovering around $3 million for the last 10 years. Similar to the total amount awarded to all HUBZone businesses, the average award amount per firm has been increasing since 2013. The largest amount awarded to a vendor in a single fiscal year under the program between 2009 and 2019 was $691 million, in 2011.

Figure 4: Average Amount per Firm, by Year

Source: SBA program data.

4 Section 610 Review Criteria

The purpose of a Section 610 Review is to determine whether a rule should continue unchanged, be discontinued, or be amended. When reviewing a rule, the following criteria are considered:

- The continued need for the rule
- The nature of complaints and comments about the rule from the public
- The complexity of the rule
- The extent to which the rule overlaps, duplicates, or conflicts with other federal rules (or, if applicable, with state and local rules)
- The length of time since the last review of the rule or the degree to which technology, economic conditions, or other factors have changed the area affected by the rule

The findings for each of these criteria are discussed throughout this section.

4.1 Discussion of Continued Need

As discussed in the previous section, there has been an increase in the number of newly certified HUBZone firms since FY2014, indicating continued interest by businesses to participate in the program. The Small Business Act set forth a goal for federal agencies to award 3 percent of all prime contract and subcontract dollars to HUBZone firms. As of FY2018, this goal has not been met. However, in the absence of this program, there would be limited assistance for firms operating in HUBZones in obtaining federal contracts.

4.2 Complaints, Comments, and Issues

Section 610 of the Regulatory Flexibility Act requires a review of any complaints, comments, or other reactions from the public. As part of this component, this review focused on public comments—along with multiple reports from the Government Accountability Office (GAO), the SBA Office of Advocacy, and the Congressional Research Service (CRS)—regarding the HUBZone program.

Over the years, GAO has published a series of reports regarding the need for better processes for certification, recertification, and decertification of HUBZone participants to increase oversight and reduce fraud and abuse. GAO has also cited issues with tracking and reporting program performance. CRS reviewed the program with the intent of examining the arguments for and against having a program that is geared toward assisting a geographic area, rather than specific businesses or people, like other SBA programs.

Generally, the public comments requested clarification of language (which SBA subsequently clarified) or provided recommendations for minor changes, which SBA either adopted or rejected, noting why it could not make the change. There were some recommendations regarding recertification, which are discussed throughout this section.

4.2.1 Certification, Recertification, and Decertification

Originally, businesses became HUBZone certified using a self-certification process. To reduce fraud and abuse, SBA updated this process so that SBA has to review the application and documentation provided by each business prior to its being designated as HUBZone certified. Over the years, GAO has identified multiple issues with SBA's process for certifying, recertifying, and decertifying firms for the HUBZone program. SBA has taken actions to make improvements to the process; however, GAO continued to identify the same or additional issues in subsequent reports.

The public also took issue with the recertification process, saying it is too burdensome and recommending that firms with contracts longer than 5 years should only have to recertify on the 5th year. SBA responded by stating that annual certification of size and status is required for a concern to be identified as a small business, and that recertification was no more burdensome. However, SBA did accept the recommendation for less frequent recertification for longer contracts.[18]

In 2008, GAO found that SBA was not accurately tracking, recertifying, and decertifying firms from the program. To remain in the program, firms need to be recertified every 3 years to confirm they still meet the requirements; however, GAO found that more than 4,600 firms were not monitored, despite being in the program for more than 3 years. Further, SBA did not have an established timeline for decertifying firms, and more than 3,600 were identified for potential decertification but were not processed within 60 days.[19] Additionally, SBA did not have an automated process for notifying firms that needed to undergo the recertification process and was often late sending these messages. As a result of this finding, SBA later implemented an automated process for notifying firms.[20]

---

[18]Federal Register, Vol. 78, No. 125, June 28, 2013, pp. 38813–38814.

[19] U.S. Government Accountability Office, "Small Business Administration: Additional Actions Are Needed to Certify and Monitor HUBZone Businesses and Assess Program Results," June 2008, p. 4.

[20] U.S. Government Accountability Office, "HUBZone Program: Opportunities Exist to Further Improve Oversight," September 7, 2016, p. 7.

In a 2009 report, GAO identified 10 firms in the Washington, DC, metropolitan area alone that did not meet the requirements for participation in the program, in addition to 19 firms in Alabama, California, and Texas. Additionally, GAO acquired certification for four firms using fabricated documentation and employee information.[21] In 2018, GAO continued to find cases in which firms did not meet eligibility requirements or SBA did not follow its stated procedures.[22]

In 2008, SBA revised the certification process to require more documentation to confirm HUBZone eligibility, including lease agreements, maps identifying employees' home addresses, tax returns, and payroll records. These documents are reviewed by a minimum of two SBA staffers and the HUBZone program director before certification is finalized. GAO conducted a review in 2015 and found that SBA had improved the certification process.[23]

GAO also found issues with the clarity of guidelines and the recertification process. For instance, there were changes in policies surrounding the definition of "employee" that were not clearly communicated to the relevant parties, making it difficult for firms to comply.[24] In addition, SBA often becomes backlogged in processing recertifications, and SBA did not follow through with hiring sufficient full-time staff to process the recertification backlog.[25]

In response to backlog issues and as a follow-up to an internal risk assessment, SBA implemented changes to the recertification process in March 2017 to require additional documentation for firms with $1 million or more in HUBZone contracts. However, details of this assessment were not provided to GAO.[26] SBA has since engaged with GAO to inform them about rule changes implemented in 2019 that now require annual recertification of all firms in the HUBZone portfolio as well as documented program reviews that must be conducted for all firms every 3 years. SBA also began conducting site visits of HUBZone firms in FY2008, which increased oversight but resulted in significant delays.

Over time, SBA has been able to reduce processing time and delays.[27] **Figure 5** shows the number of site visits that SBA conducted from FY2008 to FY2018.

[21] U.S. Government Accountability Office, "HUBZone Program: Fraud and Abuse Identified in Four Metropolitan Areas," March 2009, p. 5.

[22] U.S. Government Accountability Office, "Small Business Contracting: Small Business Administration Could Further Strengthen HUBZone Eligibility Reviews in Puerto Rico and Programwide," September 2018, p. 16.

[23] U.S. Government Accountability Office, "HUBZone Program: Opportunities Exist to Further Improve Oversight," September 7, 2016, p. 14.

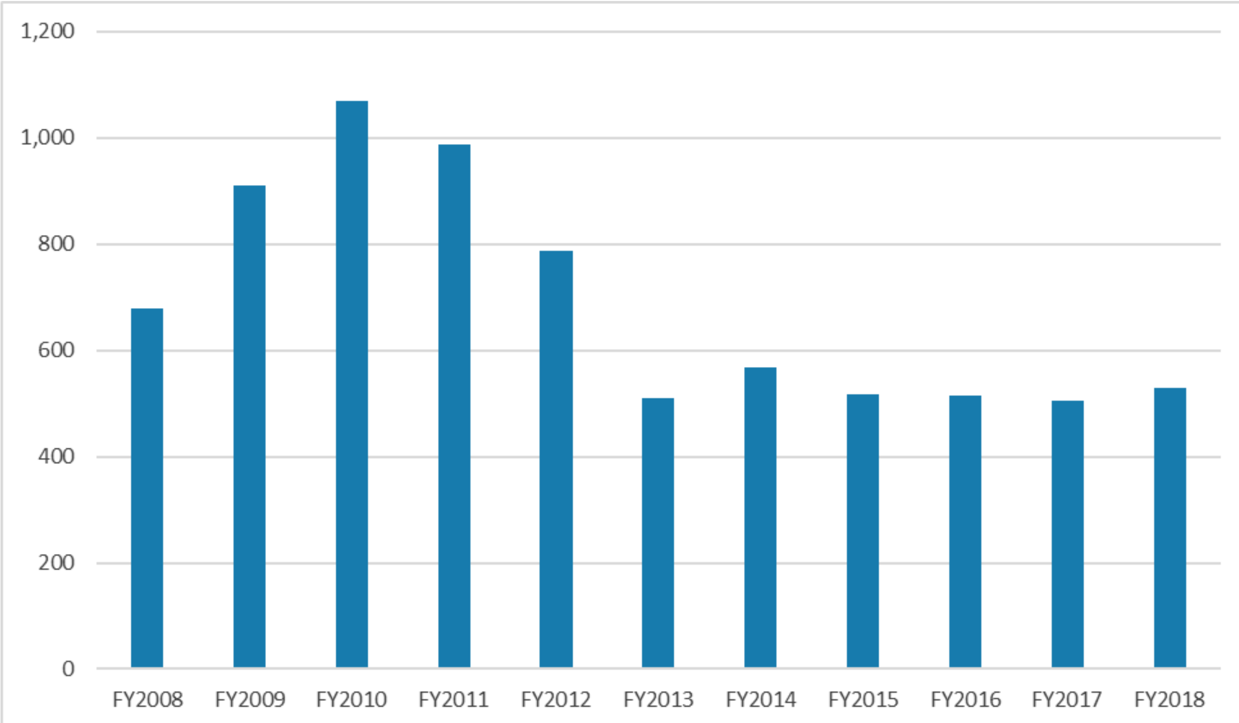
[24] Ibid., p. 17.

[25] Ibid., p. 22.

[26] U.S. Government Accountability Office, "Small Business Contracting: Small Business Administration Could Further Strengthen HUBZone Eligibility Reviews in Puerto Rico and Programwide," September 2018, pp. 12–13.

[27] Congressional Research Service, "Small Business Administration, HUBZone Program," November 27, 2019, p. 24.

Figure 5: Number of HUBZone Site Visits



Source: Congressional Research Service, "Small Business Administration, HUBZone Program," November 27, 2019, page 24.

4.2.2 Program Performance

In 2008, GAO expanded upon SBA issues with tracking HUBZone program performance. GAO found that SBA was not taking the necessary steps to assess the effectiveness of the program and that the program was not meeting its contracting goals. In FY2006, federal agencies awarded 2 percent of contracting dollars to HUBZone firms, short of SBA's 3 percent goal. Agencies cited conflicting guidance regarding the prioritization of SBA program participants, uncertainty in applying guidelines, and difficulty identifying qualified HUBZone firms as reasons for not reaching the benchmark.[28] In FY2016, nine agencies achieved the goal of having 3 percent of dollars for prime contracts awarded to HUBZone small businesses. SBA made efforts to replicate this success by publishing *HUBZones Blueprints for Success,* in which it defined important metrics for measuring success, along with four elements identified as critical to success. In the document, SBA also provided a "Checklist for Success" that agencies could follow.[29] By FY2018, government-wide performance was still below the 3 percent goal, having reached 2.05 percent (an increase from 1.65 percent in FY2017).[30] Scorecard achievement increased again in FY2019.

GAO also noted that SBA's program performance measures were not related to economic development and job creation, i.e., the goals of the HUBZone regulations, but rather focused only on reporting

[28] U.S. Government Accountability Office, "Small Business Administration: Additional Actions Are Needed to Certify and Monitor HUBZone Businesses and Assess Program Results," June 2008, p. 39.

[29]Office of Government Contracting and Business Development, U.S. Small Business Administration, "Blueprints for Success: Achieving the HUBZone 3 Percent Goal," FY2016.

[30] U.S. Small Business Administration, "Government-Wide Performance—FY2018 Small Business Procurement Scorecard."

HUBZone program activities.[31] In response, SBA implemented a survey in FY2005 through FY2006 to determine the number of employees hired by HUBZone firms as a result of their certification, the number of employees residing in a HUBZone hired as a result of certification, and the increase in capital investment as a result of certification. There were several limitations associated with the survey, including low response rates, lack of guidance on definitions of terms, and lack of data from the survey on the effect of this hiring on HUBZone communities. In addition, this survey did not measure whether there was economic development that could be directly tied to the HUBZone program.[32] The program has embarked on a new economic development assessment based on widely accepted economic multipliers.

Because small businesses can qualify for multiple overlapping programs, and contract dollars can thus sometimes be attributed to more than one program, measuring the performance of individual programs poses a challenge. This reality renders it difficult to assess the extent to which a given program—e.g., HUBZone versus 8(a)—has an impact on contract awards.[33]

4.2.3 Program Structure

In response to the original rule, several commenters expressed concern regarding the definition of a HUBZone and the lack of support or benefit their communities would receive based on these definitions. Alternative definitions included the Department of Commerce's "Long Term Economic Deteriorated Areas" or areas where an active SBA Certified Development Company operates.[34] CRS explored the pros and cons of a program that is aimed at benefiting a geographic area versus businesses or people. CRS research found that some supported the concept as an alternative or supplement to traditional government programs, while others preferred that programs and definitions target businesses rather than geographical areas for the sake of efficiency.[35] GAO explored alternative criteria for defining a HUBZone in the 2016 report but recognized that expanding the HUBZone definition may reduce the effectiveness of the program in certain areas.[36]

Regardless of the definition of a HUBZone, SBA has faced many challenges over the years due to the structure of the program. With the list of areas that qualify as HUBZones changing year after year, it remains a constant challenge to track the zones and the firms associated with them to ensure eligibility for the program. This has been addressed by freezing the maps in 2017 and moving to a cycle of updating them every 5 years, starting in 2022, to increase stability. Beyond that, the requirement to have 35 percent of employees reside in the HUBZone also presents a challenge, as firms could easily fall below this threshold if employees were to leave the company. This has been addressed in a recent rule change to add increased ability for firms to achieve and maintain the employment threshold.

[31] U.S. Government Accountability Office, "Small Business Administration: Additional Actions Are Needed to Certify and Monitor HUBZone Businesses and Assess Program Results," June 2008, p. 33.

[32] Ibid., p. 35.

[33] Ibid., p. 41–42.

[34] Federal Register, Vol. 63, No. 112, June 11, 1998, p. 31898.

[35] Congressional Research Service, "Small Business Administration, HUBZone Program," November 27, 2019, p. 5.

[36] U.S. Government Accountability Office, "HUBZone Program: Opportunities Exist to Further Improve Oversight," September 7, 2016, p. 8.

4.3 Program Complexity

There are various characteristics that make a firm eligible to be in the HUBZone program. Besides having its headquarters in a HUBZone area, the firm must meet a benchmark percentage of employees who also reside in a HUBZone. These two components introduce a level of complexity to the program that can make it difficult for participants and SBA to understand, communicate, and keep current. However, the program recently has made strides in streamlining and modifying program participation rules and eligibility criteria, and has improved communication to firms.

HUBZone designations are subject to change. Consequently, new areas can become HUBZones, and existing areas can expire and no longer be considered HUBZones. In addition, the designations can be done at the census tract, county, and Indian land level. As a result, many census tracts in a given county may be designated, but not the whole county. This adds a layer of complexity for firms to understand.[37] When reviewing a map of HUBZones presented by SBA, GAO found that the information was not always accurate, adding more confusion to the situation. [38]

GAO also noted that firms may have difficulty meeting the residency benchmarks for employees, stating that, due to the size of these firms, employees may remain on payroll only if a contract is in place. Small firms may also be at risk of dipping below the benchmark percentage if they were to lose only one or two employees, leading to eventual decertification. [39]

In addition, having to engage in the constant certification and decertification of firms—rather than having a set time- –to -graduation, as is the case in SBA 8(a) programs—can make it difficult to maintain an accurate and current list of participants. Therefore, SBA has faced issues with communication to participants, having been cited for sending important updates on program definitions to an outdated list of firms.[40] These difficulties can also be attributed to issues with antiquated technology.

4.4 Overlapping of, Duplication of, and Conflict with Other Programs

Various sources, including public comments, brought forth the issue of overlap or potential confusion with the HUBZone program and other small business contracting programs, such as the 8(a) program and the Service-Disabled Veteran-Owned Small Business Concerns Program. These programs have similar goals and methods (set-aside and sole-source contracts for qualifying firms), and firms may be eligible for more than one of these programs at once. Agencies have contracting goals for each of these

[37] US Government Accountability Office, "SMALL BUSINESS CONTRACTING Opportunities Exist to Further Improve HUBZone Oversight," February 2015, p. 25.

[38] US Government Accountability Office, "SMALL BUSINESS ADMINISTRATION Status of Efforts to Address Previous Recommendations on the HUBZone Program", March 25, 2009, p. 2.

[39] US Government Accountability Office, "SMALL BUSINESS CONTRACTING Opportunities Exist to Further Improve HUBZone Oversight," February 2015, p. 21.

[40] US Government Accountability Office, "HUBZONE PROGRAM Opportunities Exist to Further Improve Oversight," September 7, 2016, p. 4.

programs, and it can be difficult to understand how to compete contracts to meet these goals and prioritize the different programs. [41,42, 43]

4.5 Changes in the Market, Economic Factors

The market has not changed significantly in any way that would reduce the need for the program to stay in place. Further discussion about the market conditions is included in the Analytic Review section. HUBZone businesses continue to be supported through this program to enter the government contracting field and win contracts. The government-wide goal of awarding 3% of contracts to HUBZone businesses has not yet been met .[44] Further, the HUBZone program is a main factor in helping agencies achieving these goals, and without it, there will not be continued progress toward reaching this goal.

Further, the COVID-19 pandemic may have increased the need for supporting small businesses. Shutdowns and other mitigation strategies have reduced business activity across many sectors. SBA has developed additional programs and administered loans to support these businesses; however, the HUBZone program should continue to be a resource. It is expected that it will be particularly challenging for distressed communities, such as those served by the HUBZone program, to recover economically from the pandemic.

5 Analytic Review

SBA's programs often target specific subsets of the small business universe that are not participating in the market at the levels that would be expected absent structural market limitations. For example, the 8(a) program provides technical assistance and training to businesses owned by socially and economically disadvantaged citizens who have historically had less access to capital and markets, while the HUBZone program provides assistance to businesses located in (and employing workers residing in) historically underutilized business zones. Assessing the effects and successes of each program requires program-specific data and analyses (e.g., comparison of the performance of similar businesses receiving 8(a) assistance versus those not receiving assistance, or tracking the proportion of federal contracting dollars received by HUBZone program participants over time). Program-specific data aside, this section examines potential high-level effects of SBA's entire program portfolio using sector- and economy-level data, assessing the relative performance of small businesses compared to the rest of the economy. This comparison helps establish a baseline for contextualizing trends in the viability and performance of small businesses.

5.1 Market Concentration: Concentration Ratios

In economics, a "concentration ratio" is a numerical representation of the proportion of a given market or sector captured by the biggest firms in that sector. The less concentrated a market or sector, the more competitive it is, and the greater the share of the market held by small businesses. Less concentrated sectors may also have lower barriers to entry and fewer obstacles to financial success than more concentrated sectors. Concentration ratios are defined on a "number of firms" basis (e.g., the

---

[41]Congressional Research Service, "Small Business Administration, HUBZone Program", November 27, 2019, p. 7.

[42] US Government Accountability Office, "SMALL BUSINESS ADMINISTRATION Status of Efforts to Address Previous Recommendations on the HUBZone Program", March 25, 2009, p. 38; Federal Register, Vol. 63, No. 112, June 11, 1998, p. 31898.

[43] https://fas.org/sgp/crs/misc/R41268.pdf, p. 7.

[44] https://www.sba.gov/document/support--small-business-procurement-scorecard-overview

"Four-Firm Concentration Ratio" measures the total market share of the four largest firms in a sector, the "Eight-Firm Concentration Ratio" measures the total market share of the eight largest firms, etc.). Concentration ratios for many (but not all) sectors are available from the Economic Census, which is published every five years: Economic Census data are available for 1997, 2002, 2007, and 2012, with the 2017 data due for release in the immediate future.[31] Market concentration data from the Economic Census is generally available at the two-digit NAICS level, the broadest level possible, although these data are available for the manufacturing sector (NAICS 31-33) at the three-digit level.[32] These data are only available nationally; no additional geographic resolution (e.g., state, county) is available.

Critically, examination of the available data indicates that trends in concentration ratios across sectors generally do not vary by the chosen firm level (i.e., top 50 firms, top 20 firms, top 8 firms), with few exceptions.[34]

Note that the Economic Census does not publish concentration data for some sectors, including:

- Mining, quarrying, and oil and gas extraction (NAICS 21)
- Construction (NAICS 23)
- Management of companies and enterprises (NAICS 55)[35]

Furthermore, the Economic Census does not include agriculture, forestry, fishing, and hunting (NAICS 11) or public administration (NAICS 92), and therefore does not provide concentration data on these sectors.

The sectors considered in this section comprise approximately 75 percent of U.S. gross domestic product (GDP), according to the Bureau of Economic Analysis. The largest omission is public administration (NAICS 92), which comprises 11 percent of U.S. GDP, but is not relevant to assessment of small business performance changes associated with SBA programs. Therefore, across U.S. GDP attributable to sectors for which SBA program participation may influence the viability and performance of small businesses, this analysis covers sectors comprising approximately 84 percent of GDP.

5.2 Time-Series Analysis

As Economic Census data are available only for four points in time, time-series analysis of sector concentrations using these data are relatively limited. However, arraying sector-by-sector concentration ratios allows for high-level analysis of whether industry concentration is increasing (i.e., relatively worse small business performance to the benefit of larger market actors) or decreasing (i.e., relatively better small business performance to the detriment of larger market actors). The temporal horizon of the data, from 1997 to 2012, is reasonably broad with regard to the existence of relevant SBA programs. For example, the HUBZone program was established in 1997 as part of the Small Business Administration Reauthorization Act (Public Law 105–135). Therefore, the Economic Census data roughly capture recent changes in high-level small business performance since major SBA programs have been created.

Table 3 through **Table 6** show concentration ratios by sector across the four Economic Census years for which data are available, starting in 1997. The tables also show the changes between 1997 and 2012 on both a delta and percentage change basis.[45] Each table provides concentration ratio data at a different firm level, though the trends are similar regardless of the firm level examined.

For the majority of sectors, concentration ratios have increased between 1997 and 2012. In these sectors, economic activity has become more concentrated across a handful of larger actors, and small businesses have correspondingly grown less competitive. Only in a few sectors—mainly (1) health care and social assistance; (2) arts, entertainment, and recreation; and (3) other services (except public administration)—have concentration ratios decreased over this time period, indicating increased competitiveness by small businesses. Notably, these three sectors are generally not highly involved in government contracting, suggesting the universe of small businesses that may benefit from SBA programs is more densely concentrated in sectors whose market concentrations have increased since 1997 than in the cross-section of U.S. businesses as a whole.[46]

[45] The concentration ratio is itself a percentage, reflecting the proportion of a sector comprised by the *n* largest companies. Therefore, the delta between 1997 and 2012 reflects the change in this proportion, i.e., a change in concentration ratio from 10 to 15 is a five percent increase in the overall concentration of the sector; meanwhile, the percentage change in concentration ratio from 10 to 15 is 50 percent, indicating that the concentration has increased by 50 percent relative to its previous level.

[46] For example, the U.S. Department of the Treasury's list of major contracting NAICS codes (see https://www.treasury.gov/about/organizational-structure/offices/Documents/NIACS%20Code%20Guide.v4.pdf) identifies 25 six-digit NAICS codes, none of which fall within NAICS 62, 71, or 81. The majority of these codes fall into NAICS 54 (professional, scientific, and technical services), NAICS 56 (administrative and support and waste management and remediation services), NAICS 31-33 (manufacturing), and NAICS 51 (information). Of these, only NAICS 54 has exhibited a decreased concentration ratio between 1997 and 2012 given the data in Tables 3 through 6, and even then, only at the four-firm level. (Concentration has increased in NAICS 54 at all other firm levels.)

Table 3: Market Concentration by Sector, 50-Firm Basis

Sector NAICS Code	Sector NAICS Description	%[47] 1997	%[47] 2002	%[47] 2007	%[47] 2012	Changes 1997-2012 Delta	Changes 1997-2012 % Change
22	Utilities	64.5	69.0	70.1	69.1	4.6	7%
31–33	Manufacturing	49.9	51.3	52.0	51.5	1.6	3%
42	Wholesale trade	20.3	27.2	24.9	27.6	7.3	36%
44–45	Retail trade	25.7	31.7	33.3	36.9	11.2	44%
48–49	Transportation and warehousing	30.7	33.0	42.7	42.1	11.4	37%
51	Information	N/A	62.0	62.0	62.3	0.3	0%
52	Finance and insurance	38.6	44.9	46.0	48.5	9.9	26%
53	Real estate and rental and leasing	19.5	24.4	26.1	24.9	5.4	28%
54	Professional, scientific, and technical services	16.2	16.2	18.3	18.8	2.6	16%
56	Administrative and support and waste management and remediation services	22.1	21.9	23.0	23.7	1.6	7%
61	Educational services	19.6	21.4	22.3	22.7	3.1	16%
62	Health care and social assistance	18.8	14.7	15.1	17.2	-1.6	-9%
71	Arts, entertainment, and recreation	21.8	19.6	19.5	19.6	-2.2	-10%
72	Accommodation and food services	21.1	23.1	23.7	21.2	0.1	0%
81	Other services (except public administration)	12.8	11.2	11.3	10.9	-1.9	-15%

Notes: N/A = Not available; for NAICS 51, changes are shown only for 2002 to 2012.
Delta reflects the difference in concentration ratio between 1997 and 2012. As the concentration ratio is itself a percentage, it reflects the absolute change in the percentage. By comparison, the “% Change” column reflects the proportional change in the concentration ratio between 1997 and 2012.
Shaded rows (rows with a negative change value) reflect sectors in which industry concentration has *decreased* between 1997 and 2012.

[47] Percentage of Total Sales, Receipts, or Revenue

Table 4: Market Concentration by Sector, 20-Firm Basis

Sector NAICS Code	Sector NAICS Description	%[48] 1997	%[48] 2002	%[48] 2007	%[48] 2012	Changes 1997-2012 Delta	Changes 1997-2012 % Change
22	Utilities	40.6	44.9	44.5	48	7.4	18%
31–33	Manufacturing	37.1	39.2	40.2	39.5	2.3	6%
42	Wholesale trade	12.9	18.7	16.6	18.1	5.2	40%
44–45	Retail trade	18.5	23.9	25.4	27.8	9.3	50%
48–49	Transportation and warehousing	21.8	25.2	34.9	33.7	11.9	55%
51	Information	N/A	48.5	49.9	50.7	2.2	5%
52	Finance and insurance	22.6	28.2	28.5	31.6	9.0	40%
53	Real estate and rental and leasing	14.1	17.1	16.3	15.8	1.7	12%
54	Professional, scientific, and technical services	11.6	11.1	12.4	12.3	0.7	6%
56	Administrative and support and waste management and remediation services	14.2	14.9	15.2	16.7	2.5	18%
61	Educational services	13.3	15.6	15.3	15.9	2.6	20%
62	Health care and social assistance	14.2	9	9.2	10.6	-3.6	-25%
71	Arts, entertainment, and recreation	15.1	12.4	12.5	12.8	-2.3	-15%
72	Accommodation and food services	14.8	16.5	17.4	15.1	0.3	2%
81	Other services (except public administration)	8.6	7.1	7.0	7.0	-1.6	-19%

Notes: N/A = Not available; for NAICS 51, changes are shown only for 2002 to 2012.
Delta reflects the difference in concentration ratio between 1997 and 2012. As the concentration ratio is itself a percentage, it reflects the absolute change in the percentage. By comparison, the “% Change” column reflects the proportional change in the concentration ratio between 1997 and 2012.
Shaded rows (rows with a negative change value) reflect sectors in which industry concentration has *decreased* between 1997 and 2012.

[48] Percentage of Total Sales, Receipts, or Revenue

Table 5: Market Concentration by Sector, Eight-Firm Basis

Sector NAICS Code	Sector NAICS Description	%[49] 1997	%[49] 2002	%[49] 2007	%[49] 2012	Changes 1997-2012 Delta	Changes 1997-2012 % Change
22	Utilities	22.9	24.6	22.1	25.7	2.8	12%
31–33	Manufacturing	25.6	27.5	28.2	27.5	2.0	8%
42	Wholesale trade	8.5	11.6	9.6	9.9	1.4	16%
44–45	Retail trade	11.7	15.3	17.5	19.5	7.8	67%
48–49	Transportation and warehousing	14.5	18.3	25.2	26.4	11.9	82%
51	Information	N/A	34.4	37.3	35.5	1.1	3%
52	Finance and insurance	11.8	16.1	15.7	18	6.2	53%
53	Real estate and rental and leasing	9.6	10.4	8.4	9.5	-0.1	-1%
54	Professional, scientific, and technical services	6.8	6.4	6.9	6.9	0.1	1%
56	Administrative and support and waste management and remediation services	8.7	9.0	9.8	11.7	3.0	34%
61	Educational services	8.4	10.6	9.9	10.5	2.1	25%
62	Health care and social assistance	10.1	5.4	5.3	6.2	-3.9	-39%
71	Arts, entertainment, and recreation	10.2	7.7	7.9	7.9	-2.3	-23%
72	Accommodation and food services	9.8	8.9	10.1	9.1	-0.7	-7%
81	Other services (except public administration)	5.4	D	4.0	4.3	-1.1	-20%

Notes: N/A = Not available; for NAICS 51, changes are shown only for 2002 to 2012. D = Withheld to avoid disclosing data of individual companies.
Delta reflects the difference in concentration ratio between 1997 and 2012. As the concentration ratio is itself a percentage, it reflects the absolute change in the percentage. By comparison, the "% Change" column reflects the proportional change in the concentration ratio between 1997 and 2012.
Shaded rows (rows with a negative change value) reflect sectors in which industry concentration has *decreased* between 1997 and 2012.

[49] Percentage of Total Sales, Receipts, or Revenue

Table 6: Market Concentration by Sector, Four-Firm Basis

Sector NAICS Code	Sector NAICS Description	%[50] 1997	%[50] 2002	%[5047]2 007	%[5050] 2012	Changes 1997-2012 Delta	Changes 1997-2012 % Change
22	Utilities	14.7	13.4	12.5	15	0.3	2%
31–33	Manufacturing	18.3	19.3	19.5	19.0	0.7	4%
42	Wholesale trade	6.2	7.5	5.5	5.6	-0.6	-10%
44–45	Retail trade	7.9	11	12.3	13.5	5.6	71%
48–49	Transportation and warehousing	11	14.8	17.2	18.3	7.3	66%
51	Information	N/A	23.2	28.1	26.9	3.7	16%
52	Finance and insurance	6.9	9.9	9.6	10.5	3.6	52%
53	Real estate and rental and leasing	5.3	6.5	4.8	6.1	0.8	15%
54	Professional, scientific, and technical services	4.2	3.9	4.2	4	-0.2	-5%
56	Administrative and support and waste management and remediation services	5.7	6	6.2	7.9	2.2	39%
61	Educational services	5.5	6.5	6.6	7	1.5	27%
62	Health care and social assistance	7.8	3.9	3.5	4.2	-3.6	-46%
71	Arts, entertainment, and recreation	7.2	5.4	5.6	5.4	-1.8	-25%
72	Accommodation and food services	6.5	5.1	5.8	5.1	-1.4	-22%
81	Other services (except public administration)	3.4	D	2.3	3	-0.4	-12%

Notes: N/A = Not available; for NAICS 51, changes are shown only for 2002 to 2012. D = Withheld to avoid disclosing data of individual companies.
Delta reflects the difference in concentration ratio between 1997 and 2012. As the concentration ratio is itself a percentage, it reflects the absolute change in the percentage. By comparison, the "% Change" column reflects the proportional change in the concentration ratio between 1997 and 2012.
Shaded rows (rows with a negative change value) reflect sectors in which industry concentration has *decreased* between 1997 and 2012.

Figure 6 and **Figure 7** aggregate the data in the tables above by weighting each NAICS code by its 2012 sales revenues and 2012 contribution to GDP, respectively. This shows economy-wide trends in concentration in lieu of a sector-by-sector approach. Irrespective of the weighting applied, economy-wide concentration has increased since 1997.

Notably**, Figure 6** and indicate that while economy-wide market concentration has increased in essentially every 5-year period (a marginal decrease between 2002 and 2007 at the four-firm level in **Figure 6** is the only exception), the biggest increases in concentration occurred between 1997 and 2002. It is notable that there were two recessions in the time spanned by the data—in 2001 and 2007 to 2009—though the changes in concentration mostly occurred in the first period between 1997 and 2002. The recession that occurred in the 2007 to 2009 period does not appear to have substantially driven market concentration upward compared to the 2002 to 2007 period, in which no recessions occurred, or to the 1997 to 2002 period, which included the 2001 recession. Alternatively, increases in concentration

[50] Percentage of Total Sales, Receipts, or Revenue

that may have occurred during the 2007 to 2009 recession may have been mitigated by economic expansion between 2010 and 2012, and/or by other factors such as the passage of the Affordable Care Act of 2010.

Figure 6: Market Concentration in the Economy, Sectors Weighted by Sales Revenue

Firm-Level Basis	%[51] 1997	%[51] 2002	%[51]2 007	%[51] 2012	Changes 1997-2012 Delta	Changes 1997-2012 % Change
50-Firm Level	25.5	32.4	32.7	34.5	9.0	35%
20-Firm Level	17.1	22.7	22.9	24.3	7.2	42%
8-Firm Level	10.7	14.3	14.4	15.2	4.5	42%
4-Firm Level	7.3	9.5	9.4	9.8	2.5	34%

Delta reflects the difference in concentration ratio between 1997 and 2012. As the concentration ratio is itself a percentage, it reflects the absolute change in the percentage. By comparison, the "% Change" column reflects the proportional change in the concentration ratio between 1997 and 2012.

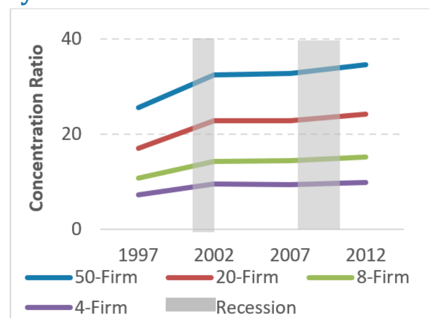
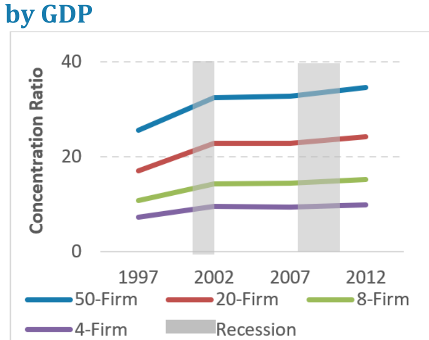


Figure 7: Market Concentration in the Economy, Sectors Weighted by GDP

Firm-Level Basis	%[51] 1997	%[51] 2002	%[51] 2007	%[51] 2012	Changes 1997-2012 Delta	Changes 1997-2012 % Change
50-Firm Level	28.1	34.3	35.5	36.0	7.9	28%
20-Firm Level	19.7	24.7	25.4	25.9	6.2	32%
8-Firm Level	12.8	15.9	16.4	16.9	4.1	32%
4-Firm Level	8.7	10.7	11.0	11.3	2.6	30%

Delta reflects the difference in concentration ratio between 1997 and 2012. As the concentration ratio is itself a percentage, it reflects the absolute change in the percentage. By comparison, the "% Change" column reflects the proportional change in the concentration ratio between 1997 and 2012.



5.3 Conclusions and Implications

The time-series analysis of market concentration suggests that concentration has increased in a majority of the economic sectors that are tracked by the Economic Census, as well as in the economy as a whole. This has occurred despite the presence of SBA programs. Increases in concentration have been relatively modest, with some sector-specific exceptions. While these data suggest that small businesses have become somewhat less competitive over the past 2 decades despite the support offered by SBA programs, they cannot be used to infer what the change in market concentration *would have been* across this period but for the existence of these programs. Therefore, it is possible that, but for the 8(a), HUBZone, and similar SBA programs, the data presented in this section would have indicated an even greater increase of market concentration than the actual increases that have occurred.

The findings in this section are consistent with a 2018 report prepared by Economic Consulting Services for SBA's Office of Advocacy.[52] That report noted:

[51] Percentage of Total Sales, Receipts, or Revenue

[52] Kathryn Kobe, Economic Consulting Services, "Small Business GDP 1998-2014," prepared for U.S. SBA Office of Advocacy, December 2018.

> *The small business share of GDP fell from 48.0% in 1998 to 43.5% in 2014 due to 2.5% real annual growth for large businesses versus only 1.4% for small businesses.*

The report similarly found a decrease in the share of GDP by sector across most sectors between 1998 and 2014, with only management of businesses and utilities as the exceptions.

In the context of the 610 Review, this baseline and economic analysis has implications for two review criteria: (1) continued need and (2) changes in the market. Broadly, the data in this section show a modest increase in economic concentration over the past 2 decades. Therefore, the present analysis has not uncovered evidence that suggests the failure of SBA's programs, nor that the programs are adversely hindering small businesses, given the relatively steady concentration ratios across the economy.

As described throughout this section, market changes relative to small businesses reflect greater concentration across the economy, as well as within most individual economic sectors. This finding suggests a continued need for SBA programs that seek to enhance the viability and economic performance of small businesses. Critically, the increases in economic concentration over the past 2 decades have been fairly modest, suggesting a continued need for SBA programs but perhaps not a strong basis for complete program overhauls that would substantially expand the assistance provided to small businesses. However, the reality of increasing market concentration does suggest a need for programs akin to those currently administered by SBA to prevent or alleviate further erosion of the competitiveness of small businesses across the economy.

This time-series analysis has focused on high-level economic data from the Economic Census. Given the availability of program-specific data, such analyses could be expanded from the top-down, sector-wide, and economy-wide levels to focus on the specific performance of SBA programs in meeting their stated goals. Absent these data, this section indicates a continued need for SBA programs that assist small businesses given the increase in market concentration that has occurred since, and potentially despite, the assistance provided by these programs to date.

Furthermore, targeted analyses of specific SBA programs may benefit from sector-level examinations of concentration, including both the concentration ratios discussed in this section and other measures. Such measures include the number and market share of businesses in each sector meeting certain small business size standards. If deemed relevant, future analyses can examine how the composition of individual sectors and their revenues has changed over time between small businesses and non-small businesses, akin to the GDP-based analyses conducted in Economic Consulting Services' 2018 report for SBA's Office of Advocacy. These analyses may be most useful to support 610 Reviews of programs whose impacts are particularly targeted to a subset of economic sectors.

In summary, this report found the following with respect to the retrospective review of SBA's HUBZone program:

- The program has had thousands of firms in its database of certified firms, with an increasing number of firms becoming newly certified each year since FY2014 and an increasing amount of contract dollars awarded to these firms each year since FY2013.
- Some issues have been identified regarding the process for certification, recertification, and decertification. The program has worked to address many of these issues. Issues with establishing program performance measures that are related to the programmatic goals of

economic development and job creation were also identified. The program has initiated an economic impact study.

- The program's various characteristics that make a firm eligible, most of which are spelled out as requirements in statutes, can be difficult to meet, maintain, and track, introducing a level of complexity to the program.
- Although, broadly, market concentration in the United States has increased over time, which has put additional pressure on small businesses in terms of economic viability, overall concentration growth has been relatively small and sector-specific, and some sectors have actually experienced decreases in concentration over the past 2 decades. Like most other economic indicators, these trends will be substantially disrupted by the COVID-19 pandemic; there may be a greater need for SBA programmatic support in a post-pandemic world, where economic disruption will likely affect small businesses disproportionately.