



Congresswoman Stephanie Murphy
Opening Statement as Prepared for Delivery
House Committee on Small Business
Subcommittee on Contracting and Workforce
“Learning from History: Ideas to Strengthen and Modernize the HUBZone Program”
March 2, 2017

Thank you, Mr. Chairman.

I want to start by expressing my gratitude to Ranking Member Velázquez for giving me the opportunity to serve as the Ranking Member of this Subcommittee.

Chairman Knight, I look forward to working with you and the rest of our colleagues to craft bipartisan legislation that will help our small businesses succeed and our economy grow.

Each year, the federal government procures more than \$400 billion in goods and services from businesses around the country through the vehicle of government contracts.

Recognizing the benefit that these contracts bring to our local communities in terms of economic development and job creation, Congress created a small business contracting program in 1997 aimed directly at helping underserved regions with low employment and high poverty.

The Historically Underutilized Business Zone Program—or HUBZone program—provides federal assistance to firms located in economically-distressed areas by lowering barriers to entry into the federal marketplace for these firms.

Ideally, this would not only provide an incentive for selling goods and services to the government, but would also create jobs and bring revenue to these struggling areas.

However, since its implementation, the HUBZone program has not fulfilled its potential.

From ensuring that only certified businesses enter the program and maintain their eligibility, to informing businesses of their HUBZone status in a timely manner, to even being able to present evidence that the program is meeting its mission—SBA has lagged behind in meeting these basic tasks.

In fact, at one point in time, oversight of the certification process was *so poor* that GAO investigators were able to certify fake businesses that they created where the principal office locations were at *ineligible* locations, including the Alamo landmark in Texas and a Starbucks down the street from the White House. Additionally, the SBA Office of Inspector General found three firms that were certified under the reengineered certification process that did not meet all of the program eligibility criteria.

In addition, for many years, the program's portfolio consisted of businesses that were eligible only because of a grandfathering clause. Once this expired and other areas lost their HUBZone designation, close to 6,000 businesses were decertified.

While GAO's most recent report shows that there have been improvements in the certification process, these improvements are not far enough along to ensure that businesses are adhering to the program's requirements.

The recertification process has—for the most part—become a self-certification with little outreach or follow-up from SBA. I look forward to hearing from our witnesses today about ways in which the program can be improved to provide sufficient oversight for initial certification, recertification, and business development.

Additionally, SBA's outreach efforts have been unsuccessful in getting new businesses to enter the program. Nearly 90 percent of HUBZone areas still do not have a business participating in the program. This low participation rate has resulted in the failure to meet the 3 percent prime and 3 percent subcontracting goals.

The dollars and actions awarded through this program have continually decreased since Fiscal Year 2008—with only 71,000 actions worth \$6.4 billion, or 1.82 percent of prime contracting dollars, awarded to these firms in Fiscal Year 2015. Even then, the program was vastly underutilized, since only 25 percent of these actions were awarded through a HUBZone set-aside or sole source contract.

I know that, last year, the full Committee held a hearing on HUBZones that shed light on the inadequacies of the program and made clear that reforms are needed to get the program on track. Today's hearing will provide the background and ideas needed to guide the Committee as we draft legislation to address these deficiencies.

I thank the witnesses for being here and look forward to gaining more insight as to how we can make the HUBZone program more effective in meeting its mission.

Thank you and I yield back.