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SENATE

{ REPORT
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THE HUBZONE REVITALIZATION ACT OF 2015

MAY 26, 2016.—Ordered to be printed

Mr. VITTER, from the Committee on Small Business and
Entrepreneurship, submitted the following

R E P O R T

[To accompany S. 1292]

The Committee on Small Business and Entrepreneurship, to which was referred the bill (S. 1292) to amend the Small Business Act to treat certain qualified disaster areas as HUBZones and to extend the period for HUBZone treatment for certain base closure areas, and for other purposes, having considered the same, reports favorably thereon, without amendment and recommends that the bill do pass.

I. INTRODUCTION

The HUBZone Revitalization Act of 2015 (S. 1292) was introduced by Senator Vitter with Senator King on May 12, 2015.

The HUBZone Revitalization Act of 2015 seeks to extend HUBZone status to qualified businesses in disaster-affected areas. This bill will allow the SBA to designate areas hit by major or catastrophic disasters as HUBZones.

The HUBZone Revitalization Act of 2015 also deals with small businesses within Base Realignment and Closure affected areas. The bill would allow small businesses under the HUBZone program located within base closure areas to draw employees from surrounding areas in order to meet the program's 35 percent residency requirement. These surrounding areas are defined by census tract designations and include the census tracts that intersect with the base as well as the census tracts that are contiguous to the intersecting tracts.

The bill was also approved unanimously by voice vote. Identical language later became law as part of the National Defense Authorization Act of 2016, S. 1356 (Public Law No. 114-92).

II. HISTORY (PURPOSE & NEED FOR LEGISLATION)

The United States has consistently recognized the need to encourage entrepreneurship as a means to combat unemployment and promote economic development. The HUBZone program was enacted into law as part of the Small Business Reauthorization Act of 1997. The program, run by the Small Business Administration, seeks to encourage economic development in historically underutilized business zones (HUBZones). This is done through the establishment of preferences. After Hurricanes Katrina and Rita and other natural disasters imposed tremendous needs and burdens on economies throughout the Gulf Coast, Congress began considering ways for federal agencies to provide additional resources to assist impacted communities in recovering after a natural disaster.

Congress added “base closure areas” to the list of HUBZone classes in the Consolidated Appropriations Act of 2005 and defined a base closure area as land within the boundaries of a military installation closed through privatization processes, including Base Realignment and Closure. Such base closure areas would be designated as HUBZones for 5 years following the date of the base closure.

The extensive time associated with transferring land from former bases to local redevelopment authorities as well as the narrow geographic boundaries of base closure HUBZones soon emerged as barriers to effective use of the HUBZone program. In 2012, Senator Collins and Senator Snowe introduced the HUBZone Expansion Act to expand the boundaries of base closure HUBZones, and in 2013 and 2015, Senators Collins and King introduced similar legislation to expand the area from which HUBZone employees could be drawn and extend the base closure HUBZone designation from 5 years to 8 years. Senator King secured the inclusion of the legislation in the Senate Armed Services Committee’s markups of both the FY15 and FY16 National Defense Authorization Act.

III. HEARINGS & ROUNDTABLES

In the 109th Congress:

In the 109th Congress, the Senate Committee on Small Business and Entrepreneurship held a hearing entitled “The Impact of Hurricane Katrina on Small Business” on September 22, 2005 to assess the current relief programs of various federal agencies. This hearing discussed possible ideas to help revitalize the Gulf coast. One topic that came up was the topic of HUBZones. These zones could be used to help in the economic development of the areas affected by Hurricane Katrina.

In the 110th Congress:

In the 110th Congress, the Senate Committee on Small Business and Entrepreneurship held a hearing entitled “Increasing Government Accountability and Ensuring Fairness in Small Business Contracting” on July 18, 2007. This hearing discussed among other things, the use of HUBZone businesses as contractors. The HUBZone program was designed to create jobs where they are needed the most. At the hearing, testimonies concerning HUBZones focused on the benefits of the HUBZone program, and how its shortcomings can be improved.

114th Congress:

Identical language later became law as part of the National Defense Authorization Act of 2016, S. 1356 (Public Law No. 114-92).

IV. DESCRIPTION OF BILL

The HUBZone Revitalization Act of 2015 works to ensure the continued success of current and graduated HUBZones after major disasters. The bill allows the SBA to designate areas that have been hit by major disasters as HUBZones. This will only apply to areas located within major disaster areas as declared by the president which cease to be qualified as HUBZones within 5 years prior to, or 2 years after, the disaster.

The HUBZone Revitalization Act of 2015 also works to help small businesses remain operable within a Base Realignment and Closure. These small businesses do not have a sufficient amount of residents to meet the 35% employee requirement to be qualified under the HUBZone program. This bill would allow small businesses located within base closure areas to draw employees from surrounding areas in order to qualify for the HUBZone program. These surrounding areas would either border the base, or border the area bordering the base. The bill would also extend base closure HUBZone eligibility from 5 years to 8 years.

V. COMMITTEE VOTE

In compliance with rule XXVI (7)(b) of the Standing Rules of the Senate, the following vote was recorded on June 3, 2015.

A motion to adopt the HUBZone Revitalization Act of 2015, a bill to amend the Small Business Act to treat certain disaster areas as HUBZones and to extend the period for HUBZone treatment for certain base closure areas, and for other purposes, was approved unanimously by voice vote with the following Senators present: Vitter, Risch, Scott, Fischer, Gardner, Ernst, Ayotte, Enzi, Shaheen, Cantwell, Cardin, Heitkamp, Markey, Booker, Coons, Hirono, and Peters.

VI. COST ESTIMATE

In compliance with rule XXVI (11)(a)(1) of the Standing Rules of the Senate, the Committee estimates the cost of the legislation will be equal to the amounts discussed in the following letter from the Congressional Budget Office:

JULY 31, 2015.

Hon. DAVID VITTER,
Chairman, Committee on Small Business and Entrepreneurship,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for S. 1292, the HUBZone Revitalization Act of 2015.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Susan Willie.

Sincerely,

KEITH HALL.

Enclosure.

S. 1292 HUBZone Revitalization Act of 2015

Small businesses operating in areas designated as historically underutilized business zones (HUBZones) are eligible for preferences when seeking contracts from the federal government. S. 1292 would increase the number of geographic areas that would qualify as HUBZones. Under the bill, businesses in areas that are declared a major disaster area or that suffered a catastrophic incident would be eligible for HUBZone benefits. Further, areas surrounding closed military bases would be eligible for HUBZone designation for a longer period of time.

Based on information from the Small Business Administration, the agency that operates the HUBZone program, CBO estimates that implementing S. 1292 would cost less than \$500,000 over the 2016–2020 period, assuming appropriation of the necessary amounts. Those additional costs would be incurred to update the program’s maps to encompass the newly eligible areas. Enacting S. 1292 would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

S. 1292 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact for this estimate is Susan Willie. The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.

VII. EVALUATION OF REGULATORY IMPACT

In compliance with rule XXVI (11)(b) of the Standing Rules of the Senate, it is the opinion of the Committee that no significant additional regulatory impact will be incurred in carrying out the provisions of this legislation. There will be no additional impact on the personal privacy of companies or individuals who utilize the services provided.

VIII. SECTION-BY-SECTION ANALYSIS

Section 1: Short title

This section provides the title, the “HUBZone Revitalization Act of 2015”.

Section 2: HUBZone qualified disaster areas

Amends section 3(p) of the Small Business Act to include a definition of a qualified disaster area. Section 3(p) of the Small Business Act is also amended to describe the treatment of qualified disaster areas as HUBZones.

Section 31(c)(3) is also amended. The amendments made by subsection (a) shall apply to a major disaster declared by the president or a catastrophic incident occurring on or after the enactment date of this act.

Section 3: Base closure HUBZones

Amends section 3(p)(5)(A)(i)(I) of the Small Business Act by allowing employees residing in bordering census tracts to be counted for the purpose of being a qualified HUBZone small business concern.

This section also changes the period for base closure areas from 5 to 8 years in Section 152(a)(2) of title I of division K of the Consolidated Appropriations Act, 2005, as well as Section 1698(b)(2) of National Defense Authorization Act for Fiscal Year 2013.

It is also stated in section 3 when the amendments made in paragraph (1) shall take effect, and to what they shall apply to.

