



Agenda Item Report

Legislative Board: City Council
Date: January 20, 2026
Contact: Nicole Turner
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ITEM TITLE: Workshop on the Texas State Comptroller Historically Underutilized Businesses (HUB) Program (Purchasing Manager Nicole Turner)

1. EXECUTIVE SUMMARY

The purpose of this item is to brief City Council on recent State action affecting the Texas Historically Underutilized Business (HUB) Program and the City of Buda's corresponding interim procurement posture. On October 28, 2025, the Texas Comptroller temporarily suspended new HUB certifications and renewals and issued guidance pausing the use of HUB preference points in procurement evaluations. In response, and after consultation with the City Attorney's Office, the City has temporarily paused the use of HUB preference points in award evaluations to maintain legal compliance and reduce audit and funding risks. Importantly, this action does **not** suspend the City's solicitation outreach efforts to minority or women owned businesses, the new VetHUB, small, or local businesses, which remains active and ongoing.

2. BACKGROUND/HISTORY

Historically Underutilized Businesses (HUBs) are minority-, women-, and service-disabled veteran-owned firms certified by the Texas Comptroller of Public Accounts. The HUB Program was established to promote equitable access to public contracting opportunities.

Historically, the City of Buda has supported HUB participation by:

- Utilizing the Texas Comptroller's HUB directory to identify and directly solicit HUB vendors for informal procurements in accordance with Texas Local Government Code §252; and
- Allowing HUB participation to be considered as part of evaluation criteria—up to a defined percentage—in certain formal solicitations.

On October 28, 2025, the Texas Comptroller temporarily suspended new HUB certifications and renewals while reviewing HUB rules for compliance with the U.S. and Texas Constitutions. This action was driven by recent U.S. Supreme Court decisions and Executive Order GA-55, which prohibit race- and sex-based preferences in state programs. The comptroller's emergency rule renames the program the Veterans Heroes United in Business

(VetHUB) program and only allows for HUB certification for small business owned and operated by veterans with a minimum 20 % service-connected disability. The Comptroller issued guidance indicating that procurement activities must use race- and sex-neutral criteria and that HUB preference points should be paused during the review period.

3. ANALYSIS

In December 2025, after consultation with the City Attorney's Office, the City of Buda adopted a cautious interim posture by temporarily pausing the use of HUB preference points in procurement award evaluations. This approach aligns with actions taken by other jurisdictions, including the City of Austin, and is intended to ensure legal compliance and audit readiness.

This pause applies only to the use of preference points in evaluation scoring and does **not** affect:

- VetHUB certified vendor direct solicitation outreach efforts;
- Notification of VetHUB certified vendors of bidding and quoting opportunities; or
- Support for small, local, and HUB businesses in navigating the procurement process.

The City's approach is particularly important for projects that may involve State or Federal funding (e.g., grants, FEMA reimbursements), where continued use of preference points during the suspension period could increase the risk of audit findings, funding challenges, or compliance issues.

4. FINANCIAL IMPACT

There is no direct fiscal impact associated with the temporary pause of HUB preference points. However, the action mitigates potential financial risk related to audit findings, grant compliance issues, or funding clawbacks on projects receiving State or Federal assistance. Staff time will continue to be allocated toward vendor outreach, education, and procurement support activities.

5. STRATEGIC PLAN/GOALS

EXCEPTIONAL CITY SERVICES

6. STRATEGIC PLAN OBJECTIVES

Deliver City services consistent with our City of Buda mission and core values.

7. PROS AND CONS

Pros

- Ensures compliance with current State guidance and constitutional requirements
- Limit future audit and funding risks, particularly for State- and Federally-funded projects
- Maintains transparency and consistency in procurement practices

Cons

- May create uncertainty for HUB vendors accustomed to preference-based scoring
- Limits the mechanism previously used to encourage HUB participation

8. ALTERNATIVES

1. Issue VetHUB Preference Points

2. Suspend All HUB-Related Outreach

This alternative is not recommended, as it would unnecessarily reduce vendor engagement and contradict the City's commitment to supporting HUB, small, and local businesses.

3. Interim Approach (Preferred)

9. REQUESTED ACTION / SUGGESTED MOTION / RECOMMENDATION

Receive the presentation and provide direction, if any. Staff recommends pausing issuing preference points while maintaining robust, race- and sex-neutral outreach and support efforts, proceeding with utilization of the Comptroller VetHUB database in support of vendor outreach efforts, and returning to Council with updates as additional State or Federal guidance becomes available.

Attachments:

j2 HUB Program Workshop Update-Final.pdf
Texas State Comptroller HUB Guidance.pdf