

**The Honorable Don Young**

**Congressman For All Alaska**

**Contracting Preferences for Alaska Native Corporations**

**Ad Hoc Subcommittee on Contracting Oversight, Senate Committee on Homeland  
Security and Governmental Affairs**

**July 16, 2009**

Alaska Native participation in the Small Business Association's 8(a) contracting program has been one of the most successful aspects of Federal Indian policy since we passed the legislation allowing all Lower 48 Indian Tribes, Alaska Native Corporations and Native Hawaiian Organizations to take part in the program. The Alaska Native Claims Settlement Act and the inclusion of Alaska Native Corporations in the 8(a) program have allowed Alaska Natives to begin to realize economic and social self-determination, something that has long been the goal of Federal Indian policy. Congress' decision to allow Alaska Native participation was the correct one, and we are beginning to see the pay off now.

I am sure that, after hearing today's testimony and carefully evaluating the data and history, the Subcommittee will come to the same conclusion I have. And it is important that the Subcommittee examine both the contracting data and the history of this program very carefully. Figures can be easily be taken out of context. And they can be even more misleading if they are looked at in a vacuum, without considering why and how we got to where we are today.

The Alaska Native Claims Settlement Act, or ANCSA, was an attempt to create the first Federal Indian policy that was not exploitive, that did not forcibly remove and relocate Native people and communities and that treated Natives fairly. Congress did not want to repeat the failed reservation policies of the past. And it has been the most successful piece of Federal

Indian policy because of that. In exchange for ceding their aboriginal claim to the 300 million acres of land that is the state of Alaska, the native community received title to 44.5 million acres and a \$962 million settlement fee and the creation and recognition of the 13 Regional Corporations and over 200 Village Corporations. And it is important to understand what these "Corporations" are. They are not the same as Boeing, or Microsoft or Lockheed Martin. They are another example of the new path that Congress was forging with ANCSA. They are the tribal governments of Alaska Natives. Their Shareholders are their citizens. This set up, however, when combined with 8(a) contracting preferences are what have allowed Alaska Natives to push toward the economic self determination that they never would have otherwise had an opportunity to achieve.

The 8(a) preferences are as important a part of Congress' policy toward Alaska Natives, Lower 48 Tribes and Native Hawaiian Organizations as any other. These preferences were created to help these groups provide economic opportunities to their people, as they are mandated to by law. In Alaska, this has helped Alaska Native Corporations overcome the many obstacles they have faced and provide their shareholders with benefits and opportunities to make their lives better. With the help of these preferences, the Regional and Village Corporations have overcome bankruptcies and lack of opportunity to achieve success for their people.

Today, Alaska Natives still face dire poverty in their villages, most of which are not connected by roads and lack many of the modern conveniences we take for granted today. If you have visited rural Alaska, you understand why Congress codified Alaska Native Corporations economic disadvantage. The revenue that Alaska Native Corporations have earned from 8(a) contracts has provided their people opportunities that they would not have otherwise. We are starting to see the fruits of the scholarships, job training and dividends today, and the

Subcommittee will see the benefits first hand during today's second panel of witnesses. The first generation of Alaska Natives with the education, training and experience to run competitive, modern businesses is coming of age today and that is largely due to their Regional and Village Corporations participation in the 8(a) program.

There are some, however, who have not taken this larger picture into consideration, choosing instead to focus narrowly on the different preferences that Native owned contractors have that individually owned 8(a) contractors do not. They focus on the increasing percentage of 8(a) contracting dollars going to ANCs, while ignoring the misleading use of percentage of contracting dollars instead of percentage of contracts and the fact that Native contracting is still less than 2% of all federal contracts. They argue that ANCs receive too many sole source contracts without mentioning that ANCs combined received only 2% of federal non-competitive awards. In fact, 98% of sole source contracts went to for profit companies, with some receiving more than every ANC combined. These companies that received over 98% of non-competitive contracting dollars have no obligation to directly fund their communities, preserve their traditions or provide for their shareholders education and medical expenses, as ANCs do.

And, despite attempts to show that Native participation has adversely impacted individually owned 8(a) businesses, neither the GAO nor the SBA Inspector General has been able to empirically prove that ANC participation has done so. In 2007, approximately 127 ANCs received 8(a) obligations, while over 4,000 non-ANC owned companies received obligations. While the revenue totals may not have been equal, neither were the number of people benefiting. While approximately one quarter of 8(a) contracting obligations went to ANCs, those revenues benefited approximately 80% of the total beneficiaries of the 8(a) program.

When Alaska Native Corporation participation in the 8(a) contracting program is put into the proper context, it becomes clear that Congress' decisions regarding their participation are the correct ones, just as the GAO found the first time Congress examined the issue in 2006. The underlying legislation does not need to be amended and is, in fact, doing exactly what it was supposed to do—provide Alaska Natives, Lower 48 Tribes and Native Hawaiian Organizations the opportunity to earn better lives for themselves while fulfilling negotiated and/or competed contracts to provide services to the Federal Government. It is an important part of Federal Indian policy, a promise that Congress made to Alaska Natives in the Alaska Native Claims Settlement Act and a program that is providing some of the poorest American citizens the opportunity to receive an education and live successful lives. In short, it is working just as intended, something that I know the Subcommittee will agree with.

Thank you.