



United States Senate
Committee on Homeland Security & Governmental Affairs
SUBCOMMITTEE ON CONTRACTING OVERSIGHT

**NEW INFORMATION ABOUT CONTRACTING
PREFERENCES FOR ALASKA NATIVE
CORPORATIONS (PART I)**

Majority Staff Analysis
Prepared for Chairman Claire McCaskill

On July 16, 2009, the Subcommittee on Contracting Oversight will hold a hearing entitled, “Contracting Preferences for Alaska Native Corporations.” As one part of the Subcommittee’s review of preferences provided to Alaska Native Corporations under the Small Business Administration’s 8(a) program, the Subcommittee will examine the growth of ANCs within the 8(a) program over the last nine years.

In preparation for the hearing, Subcommittee majority staff reviewed publicly available data about contracts awarded to ANCs from 2000-2008. The data show that contract awards to Alaska Native Corporations increased by 915%, from \$508.4 million in 2000 to \$5.2 billion in 2008. In 2008, approximately 80% of the contract dollars awarded to ANCs was performed outside of Alaska. In 2004, 2006, 2007, and 2008, more contracts were performed in Virginia than Alaska.

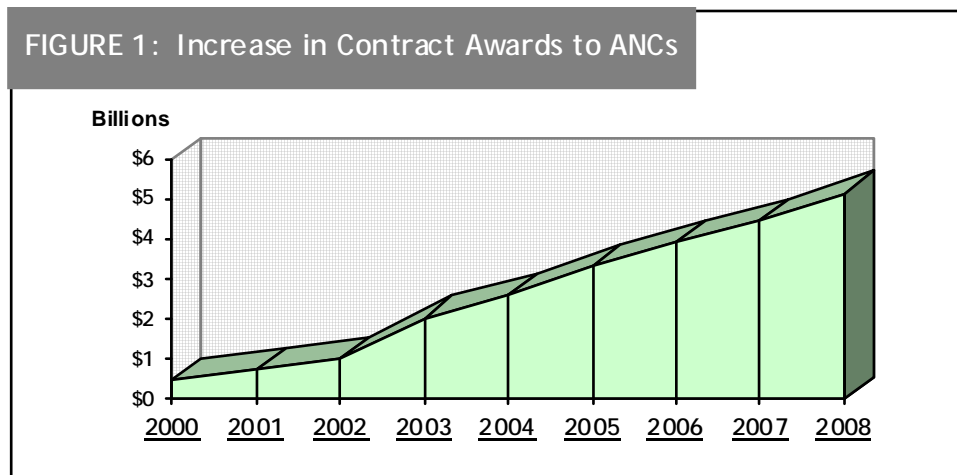
Background

The Alaska Native Claims Settlement Act was enacted in 1971 to resolve the claims of Alaska’s indigenous populations to their aboriginal lands and foster economic development in Alaska. The Act apportioned money and lands among thirteen regional Alaska Native Corporations and approximately 180 village, urban, and group corporations. The corporations are for-profit entities with direct control over their lands, assets, and income. Although the shareholders are Alaska Natives, neither the employees nor the officers of the corporations are required to be.

In 1986, Congress made Alaska Native Corporations eligible, as “minority and economically disadvantaged” businesses, for participation in the Small Business Administration’s section 8(a) program, under which firms can be awarded federal contracts on a sole-source basis. Generally, sole-source 8(a) contracts must be valued under \$5.5 million for goods or \$3.5 million for services. However, the 1986 law provided that this restriction does not apply to Alaska Native Corporations. These firms are thus eligible to receive sole-source federal contracts of any value. Moreover, joint ventures and partnerships between Alaska Native Corporations and non-Native companies are eligible for sole-source contracts so long as the Alaska Native Corporation controls a majority of the total equity and total voting power of the joint venture or partnership. Alaska Native Corporations are free to subcontract work to non-minority and non-economically disadvantaged corporations, provided the Alaska Native Corporation performs at least 50% of the contract work.

New Data About ANC Contracts

Over the last nine years, ANC spending has increased dramatically.¹ Between 2000 and 2008, contract awards to Alaska Native Corporations increased by \$4.6 billion, from \$508.4 million to \$5.2 billion. See Figure 1.



In percentage terms, ANC contract spending increased 915% from 2000 to 2008, an average increase of 33.6% per year. In total, ANCs received \$23.8 billion in federal contracts between 2000 and 2008.

ANC spending has increased faster than overall federal contract spending. Between 2000 and 2008, ANC contract spending increased at a rate six times greater than that of overall federal contract spending. Overall federal contract spending increased 149% between 2000 and 2008, while ANCs have increased by 915% during the same period.

The Department of Defense is by far the largest user of ANC contracts. In total, the Department of Defense spent \$16.9 billion on contracts with ANCs from 2000 to 2008, more than 70% of ANC spending overall. The agencies with the next highest proportion of ANC contracts are the Department of the Interior (\$1 billion or 4.1%) and the Department of Homeland Security (\$980 million or 4%).

The Subcommittee's investigation has shown that most contracts with Alaska Native Corporations are performed outside Alaska. Between 2000 and 2008, only 21% of all contract dollars awarded to ANCs (\$5 billion) were performed in the state of Alaska. The state with the next highest percentage of contract dollars is Virginia (\$4.4 billion or 19%), followed by Maryland (\$1.6 billion or 6.7%), Florida (\$1.4 billion or 5.7%), and California (\$1.1 billion or 4.7%). In 2004, 2006, 2007, and 2008, more ANC contract dollars were performed in Virginia than in Alaska. See Figure 2.

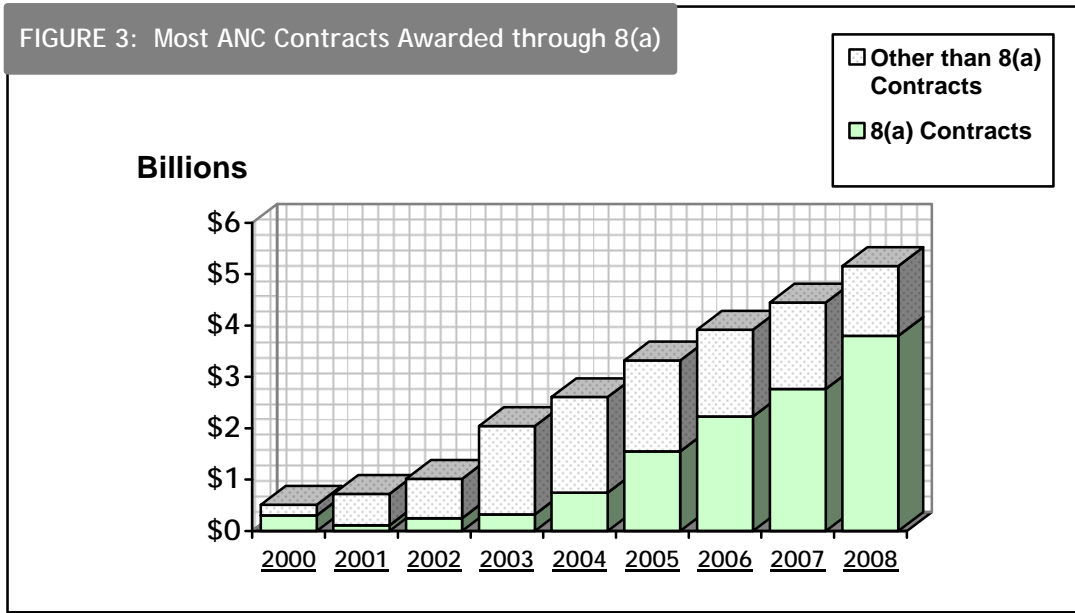
¹ All data are based on information compiled by Eagle Eye, Inc., from the Federal Procurement Data System, the federal contract tracking system established by the General Services Administration. Unless otherwise noted, years cited denote fiscal years.

Figure 2: States with More Than \$100 Million in ANC Contracts in 2008

State	2008 Spending	Number of Contract Awards
Virginia	\$1,140,143,492.91	3,576
Alaska	\$1,008,654,385.95	2,395
Maryland	\$303,097,042.15	1,830
Texas	\$269,426,603.04	461
Florida	\$269,108,533.65	1,059
District of Columbia	\$207,465,047.88	626
California	\$200,832,441.74	1,325
Washington	\$158,851,442.04	662
Alabama	\$123,634,281.65	496
Georgia	\$117,378,191.21	433
Colorado	\$108,851,436.48	844

Many ANC contractors are located outside Alaska. Between 2000 and 2008, approximately 40% of all ANC contract dollars was awarded to companies located outside of Alaska. Approximately 18% of all ANC contract dollars (\$4.3 billion) was awarded to companies based in Virginia.

ANCs receive a disproportionate share of 8(a) contracts. Between 2000 and 2008, ANCs received \$12.1 billion in federal contracts through the 8(a) program. In 2008, awards to ANCs constituted 19% of all the federal contract dollars awarded through 8(a) prime contracts. In 2008, 74% of contract dollars awarded to ANCs were awarded through the 8(a) program. See Figure 3.



Generally, sole-source 8(a) contracts must be valued under \$5.5 million for goods or \$3.5 million for services. ANCs, which are exempt from this restriction, received \$17.2 billion in 8(a) contracts valued at more than \$3.5 million each between 2000 and 2008.

Conclusion

The preference given to Alaska Native Corporations in federal procurement was intended to provide economic opportunities for impoverished Alaskan communities. In recent years, however, critics have identified these preferences as a vehicle for avoiding competition and passing work through to large, non-Native contractors.

In preparation for the Subcommittee’s hearing on July 16, 2009, Chairman McCaskill requested information from 20 Alaska Native Corporations regarding their 8(a) subsidiaries, contracts, financial data, and benefits provided to shareholders. This information is highly relevant to assessing the impact of contracting preferences for ANCs. The Subcommittee will address its review of this material at the hearing.