

Opening Statement of  
Senator Susan M. Collins

“Contracting Preferences for Alaska Native Corporations”

Subcommittee on Contracting Oversight

Committee on Homeland Security & Government Affairs

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Today, the Subcommittee examines the benefits afforded Alaska Native Corporations, or “ANCs,” in the small business contracting program for socially and economically disadvantaged small businesses known as the “8(a) program.”

The recent report of the Small Business Administration (SBA) Inspector General has raised several troubling issues concerning the ANC program, including whether other minority-owned small businesses are being treated fairly given the special benefits afforded ANCs.

As we examine the ANC program, it is important to recognize our

commitment to the growth and prosperity of small businesses and to the well being of our Native Americans, including Alaska Natives. In particular, we should consider how the 8(a) program has helped to support our nation's minority-owned small businesses by giving them the opportunity to participate in federal contracts.

In 1978, Congress established the current 8(a) program. Beginning with protections for "Black Americans, Hispanic Americans, Native Americans, and other minorities," Congress has revised the program over time, including in 1986 when Indian tribes and ANCs were added under the program.

Over the last half century, whether by Executive branch directive or legislative action, the government has acknowledged the value in encouraging the growth and expansion of small businesses and promoting minority-owned small business participation in government contracting.

In passing the Alaska Native Claims Settlement Act in 1971, Congress recognized Alaska Natives' aboriginal land claims to large

portions of Alaska, and in return, permitted Alaska Natives to establish unique corporate structures, the ANCs, to manage their affairs. ANCs were established to be stewards of the land and to help native Alaskans. The ANCs, whether they are large regional entities or smaller village corporations, help to develop the land's natural resources responsibly, provide scholarships, and offer employment opportunities for members of the Alaskan tribes and villages. ANCs are a way for many Alaska Natives to continue to live in Alaska.

Today, however, the SBA IG has produced some disturbing statistics that raise difficult questions regarding the scope of the protections afforded ANCs under the 8(a) program.

First, the IG notes that the total value of 8(a) ANC awards soared from \$265 million in FY 2000 to \$3.9 billion in FY 2008. Of additional concern, the IG found that 82 percent of these ANC contracts were awarded via sole-source procedures; that is, without competition.

Second, the IG's report shows that the dollar value of the ANC "share" of all 8(a) program dollars grew from 13 percent in 2004 to 26

percent in 2008. Yet, ANCs account for only two percent of the 9,500 businesses that participate in the 8(a) program.

Third, the report reveals that 11 of the 20 largest ANCs receive approximately 50 percent of all the 8(a) funds that are awarded to all ANCs.

These statistics show a growing domination by ANCs – particularly of a few ANCs – of the 8(a) program market share at the potential expense and exclusion of other 8(a) minority-owned contractors and perhaps to the detriment of taxpayers given the lack of a cap on the dollar amount of the non-competitive contracts.

While I do not question the fundamental proposition that ANCs provide critical services for an economically and socially disadvantaged group of Americans, we should carefully consider whether the structure of the 8(a) program provides disproportionate benefits to one group of minority-owned businesses at the expense of others.

The Congress must carefully consider the following key questions:

- Do the statutory advantages of the ANC program need to be re-

examined within the context of a more competitive, fair, and transparent overall 8(a) program?

- Should the ANCs continue to receive an exemption from the cap on awards of sole-source contracts to 8(a) program participants – a cap that for most 8(a) participants stands at \$3.5 million for non-manufacturing contracts and \$5.5 million for manufacturing awards?
- Should ANCs continue to be exempt from the limitation on subsidiaries applicable to other 8(a) participants, which permits their indefinite participation in the program?

I look forward to the testimony of the witnesses today to help us understand where the proper balance should be for the growth of small businesses, the growth of minority-owned small businesses, and the growth of ANCs. We must also assess the impact on the value received by the American taxpayer for the services provided by the ANCs.

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