

HEARING ON CONTRACTING PREFERENCES FOR ALASKA NATIVE CORPORATIONS

July 16, 2009

Senator Claire McCaskill

Opening Statement

Today's hearing examines the contracting preferences for Alaska Native Corporations.

Federal contracting laws create a limited privilege for economically and socially disadvantaged small businesses: under the Small Business Administration's 8(a) program, these businesses can receive no-bid contracts for up to \$3.5 million for services and \$5.5 million for manufacturing.

In the 1980s and 1990s, Congress created special preferences for the Alaska Native Corporations that allow them to participate in the 8(a) program. But Congress said that Alaska Native Corporations don't have to prove that they're socially or economically disadvantaged. They don't have to be small businesses. And they can receive no-bid contracts worth billions of dollars.

Nobody begrudges giving small, disadvantaged businesses a chance to win federal contracts. We have programs like 8(a), HUBZone, and the Service-Disabled Veteran-owned businesses because we want these small businesses to be able to get their foot in the door.

But the Alaska Native Corporations have used their special preferences to bust the door down.

To get to the real facts at issue in this hearing, I requested detailed information from 19 Alaska regional and village corporations. My staff has prepared an analysis of this information and a separate analysis of publicly-available contracting information, and without objection I will enter both analyses into the hearing record.

The Subcommittee staff's analysis shows that Alaska Native contract awards have skyrocketed since 2000. Alaska Native Corporations are now among the largest federal contractors, with hundreds of millions in annual revenues and hundreds of subsidiaries and joint ventures.

The Alaska Native Corporations may also be passing work through to their subcontractors. They employ relatively few of their shareholders and rely heavily on non-Native managers.

We'll hear today from representatives of the Alaska native people and the Alaska Native contractors, who will tell us that sole-source contracting is needed to provide important benefits to impoverished people.

But if we take a hard look at the numbers, only about \$615 a year in money, scholarships, and other benefits goes back to each member of the Alaska Native community.

The American people are looking to Congress to cut back wasteful spending and make sure that every single federal dollar is spent wisely. And there must be a strong bias in favor of competitive contracts that only compelling rationale should ever overcome, and then in limited circumstances.

As we hold hearings in this Subcommittee on waste, fraud, and abuse in government contracts, we're not going to give anyone a free pass.

The Alaska Native Corporations have a vocal, well-financed lobby. But our responsibility is to look out for the taxpayers – not the Alaska Native Corporations and their profit margins, other federal contractors, or any other influential special interests.

And from the taxpayer perspective, it's hard to see why the Alaska Native Corporations should be able to receive enormous contracts without any competition at all.

When this Subcommittee was formed, we made a commitment to the taxpayer. Our priority will be promoting efficiency, transparency, and accountability. Our goal is to make sure that every taxpayer dollar is spent responsibly.

By taking a hard look at contracting loopholes like those for the Alaska Native Corporations, we can take the first step towards ensuring that our contracting system provides the best possible value for the taxpayer.

Eliminating waste, fraud, and abuse in government contracting is not a partisan issue. And on this Subcommittee, I am particularly grateful to have Susan Collins as Ranking Member. Senator Collins shares my commitment to promoting competition in contracting and ensuring the best value for the taxpayer.