

**STATEMENT OF
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SUBCOMMITTEE ON CONTRACTING OVERSIGHT
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
UNITED STATES SENATE
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SARAH LUKIN TESTIMONY

Quyanaa (Thank You)

Cama'i (hello) Chairwoman McCaskill and Vice Chairwoman Collins, and distinguished Members of this Subcommittee. My name is Sarah Lukin. *Quyanaa* (thank you) for allowing me the opportunity to provide a perspective from some of the Native Community enterprises in this hearing, and to discuss how the 8(a) program has impacted Alaska Natives, Native Americans and Native Hawaiians. I have a short statement to read and would like to submit my longer, written testimony for the record.

INTRODUCTION

I am Alutiiq from the Native Village of Port Lions on Kodiak Island, a remote community of 250 people in the Gulf of Alaska. I am a shareholder of Afognak Native Corporation, my village Corporation, and Koniag Incorporated, my regional Corporation, each of which were created and mandated by the Congress through passage of the Alaska Native Claims Settlement Act (ANCSA) in 1971. I have served on the Native Village of Afognak Tribal Council and the National Congress of American Indians Executive Council. I just started as Executive Director of the Native American Contractors Association (NACA) four short weeks ago, and moved my entire family across the country because I firmly believe that the 8(a) program is critical to their future and that of all our disadvantaged Native communities. The program has made a dramatic difference in my life, my family's and my community, and I am here today to help ensure other disadvantaged Native Americans and Alaska Natives have the same opportunities.

I am here before your Subcommittee on behalf of NACA.

NACA was formed in 2003 as a voice for Tribes, Alaska Native Corporations, and Native Hawaiian Organizations (NHOs) involved in the Native 8(a) program ("Native Enterprises"). Our mission is to increase self-determination through preservation and enhancement of government contracting participation based on the unique relationship between Native Americans and the federal government. NACA represents sixteen (16) ANC, Tribal, and NHO Enterprises. throughout the nation from Hawaii to Maine and Mississippi to Alaska.

CONTEXT

The stated topic of this Subcommittee hearing is "Preferences for Alaska Native Corporations." Labeling the Native 8(a) program as "Preferences" is inaccurate, and does not tell the whole story, and to some may have negative connotations. The Native 8(a) program represents an important policy determination by Congress to recognize the historic obligations of the Congress to Native American tribes, Native Hawaiians and Alaska Natives. These federal policies are an increasingly important economic development program for America's Native peoples.

In fact, today's discussion of the Native community enterprise 8(a) program involves more than federal government contracting policy and its oversight. It represents the confluence of all three major components: federal government procurement policy; federal small and disadvantaged business policy; and longstanding federal policy towards Native communities.

The Native 8(a) program, as the federal government has argued in court, "furthers the federal policy of Indian self-determination, the United State's trust responsibility, and the promotion of economic self-sufficiency among Native American communities." See *AFGE v. United States*, 95 F. Supp.2d4, 36 (D.D.C. 2002), *aff'd* 330 F.3d 513 (D.C.Cir. 2003).

Thus, this discussion here today implicates our Constitution, treaties, land claims settlements, federal statutes and regulations, and court decrees. And it directly engages those policies advanced by Presidents and this body's Committees on Indian Affairs and Small Business.

So it disturbs me when an official press release describes Tribal, ANC and NHO participation in 8(a) as a "federal loophole." The phrase has the connotation that somehow our economic disadvantages are not real.

The fact that these companies are owned by Native communities that are destitute and geographically isolated, decimated by centuries of failed federal policies, yet are still responsible for the health and welfare of hundreds or thousands of people and their descendants and dependents, that is real. When the poverty rate in our Native communities exceeds all other race categories, and is twice the national average, that is real. The fact that wise Members of Congress have tried to keep the promises made by their predecessors in countless treaties, land settlements, and the United States Constitution when taking hundreds of millions of acres of Native lands, that is real. And it is real too that Native women have earned an education because of Native 8(a) benefits, and that our Native children now speak a few words of their traditional language that had been lost for generations, and that our Native elders now receive a dividend to offset their very limited income.

I want to commend the Chairwoman, Vice-Chairwoman and this Subcommittee for the overdue focus on procurement policy and federal contracting reforms. Oversight of government contracting practices is healthy and welcomed as the Congress examines the full range of contracting issues: contracts awarded for the Iraq war, Afghanistan and hurricane Katrina, additional federal efforts responding to the financial crisis and deepening recession, and the very real challenges facing the acquisition workforce.

Notwithstanding the fact that Native Enterprises collectively represent less than 1.3 percent of federal contracting, we get a lot of attention. Sometimes we feel it is disproportionate attention. Nevertheless, we accept that scrutiny because we need this program to be as strong and effective as possible; because our people depend upon it and cannot afford to see it weakened by either unfair criticism or bad actions; and because any waste or abuse or weakening diverts critical resources from our Native people.

NEED

Over the past 500 years in the wake of European settlement of our indigenous continent, Native Americans have suffered from the loss of our land, economic assets and culture. These changes have resulted in the breakdown of many tribal systems, families and communities. By most social and economic indicators, Native Americans are at the lowest rung, struggling with the legacy of rural isolation and stagnant local economies. Nationwide, American Indian, Alaska Natives, and Native Hawaiians have suffered from decades of poverty and neglect. The 25.7% poverty rate in Indian Country with similar poverty rates in rural Alaska and among Native Hawaiians exceeds that of all other race categories, exceeds twice the national average, and contributes to the 40% unemployment rate -- multiples of the national average. Native communities experience many of the social ills associated with poverty: inadequate health care, a rate of suicide double the national average, alcohol and drug abuse, diabetes, and obesity at alarming numbers. Too many Native Americans and Hawaiians are without the resources and tools to build their communities and care for their families.

Remarkably, amid the widespread poverty and social distress found in Indian Country, there are increasingly signs of hope and examples of Tribes and Alaska Natives and Hawaiians in making strides in building strong communities and economies. There are many stories of struggle, such as the village of Chenega Bay that survived an earthquake and tsunami and rebuilt twenty years later only to be devastated by the Exxon Valdez oil spill. One village member said that her generation "had even forgotten the word in our native language for 'hope.'" But there is hope now, as Chenega Corporation has had a big hand in revitalizing this economically and physically distressed community.

SMALL BUSINESS ADMINISTRATION PROGRAMS

Recognizing that small businesses are critical to our economy, the Small Business Administration (SBA) is charged with assisting and protecting their interests. Congress found that small business concerns owned by those who were disadvantaged could develop and grow their businesses by providing access to the federal procurement market. The SBA has created numerous government procurement programs for businesses owned by disadvantaged individuals and groups. These programs include the 8(a) Business Development program (including Community Development Corporations), the Small and Disadvantaged Business ("SDB") program, the Historically Underutilized Business Zone ("HUBZone") program, and the Service-Disabled Veteran-Owned ("SDVOB") program, and promote minority and disadvantaged small business owners to do business with the federal government.

To ensure that small businesses have access to the procurement market, statutory goals have been established for the federal government to contract with small businesses, SDBs, women-owned small businesses, HUBZone businesses and SDVOBs. The federal government has a 23% mandated small business contracting goal and the SBA negotiates with procuring federal agencies to establish agency goals to ensure that the federal government meets these goals.

The statutory goals for the federal government are:

- 23% of prime contracts for small businesses;
- 5% of prime and subcontracts for SDBs;
- 5% of prime and subcontracts for women-owned small businesses;
- 3% of prime contracts for HUBZone small businesses; and
- 3% of prime and subcontracts for SDVOSBs.

America has a long history of using its purchasing power as a means to further the business development and economic development of various individuals and groups who would otherwise be excluded from the huge government contracting market. This furthers social goals, but more importantly it increases competition and expands and diversifies the sources of supplies and products for the government. Native Enterprises are starting to use these procurement programs just as the government intended -- to use business approaches and models to further self reliance and build strong Native communities, partially fulfilling the federal government's obligations to Native Americans.

NATIVE 8(a) PROGRAM

By creating unique Native 8(a) provisions, Congress recognized the special needs and its obligations to Tribes, Alaska Natives and Native Hawaiians. These are both similar to the legitimate policy goals that support business development efforts for other 8(a) program participants (as well as other small business set-asides for woman-owned businesses and service-disabled veteran-owned businesses, and small and disadvantaged businesses), and the unique relationship between Native Americans and the federal government.

In fact, hearings held by the Senate Indian Affairs Committee in 1987 and 1988 found a need to include Tribes and Alaska Native-owned firms in government contracting because President Reagan's "Commission on Indian Reservation Economies" had documented that the government's procurement policies were significant obstacles to economic development. Further, the Commission found that tribally-owned companies had a difficult time qualifying for 8(a) program certification. The Chairman of the Senate Indian Affairs Committee believed that remedial action was necessary to address the low participation of Native American and Alaska Native-owned firms in government contracting. During the 1988 hearing, Chairman Inouye stated that "directing the purchasing power of the federal government to accomplish social goals such as assisting disadvantaged members of society is well established" and he noted that unfortunately, "this public policy goal has not been achieved with respect to the participation of businesses owned by Native Americans."

As the Congress well knows, the federal government's unique obligations to Native Americans are recognized in the Constitution, federal laws, and by the Supreme Court, and those obligations empower Congress to enact legislation that recognizes the status of Native Americans. Indeed, in terms of economic development, this special relationship is embodied in the Indian Commerce Clause of the United States Constitution. In furtherance of this relationship, Congress enacted legislation to encourage the participation of Tribally-owned businesses, Alaska Native

Corporations and Native Hawaiian Organizations in the 8(a) program in a manner that advances the federal government's interest in promoting self-sufficiency and economic development in Indian Country.

Like other 8(a) firms, Native Enterprises can only participate in the 8(a) program through small businesses that are subject to defined program entry eligibility requirements. Native Enterprises have two key unique 8(a) provisions:

1. The competitive thresholds that limit the amount of sole-source contract awards do not apply; and
2. Native Enterprises can participate in the 8(a) program through more than one company as long as they are in a different industry.

This was the intent of Congress, and it makes sense in light of the economic and social disadvantages with which Native communities must contend and the numbers of Native Americans in need. The disadvantages suffered by Native Americans encompass entire communities and villages, as opposed to individuals who are socially or economically disadvantaged. The ability to operate more than one company allows Native Enterprises to provide for hundreds or thousands of their people.

Similarly, Native Enterprises are not subject to caps for a reason. Unlike the typical structure of a small business, with one or a few owners, Native Enterprises are responsible for combating historical disadvantage, rural isolation, and the depressed economies that have resulted from a multi-generational dearth of opportunity. The program rules were purposely drafted and Congressionally-mandated to reflect the social and economic obligations Native Enterprises have to their communities, the size of these communities, and the immensity of the problems we face. The Native 8(a) program is beginning to achieve what Congress intended: an economic development program to help disadvantaged Native American communities that lifts our people with a hand up -- not a hand out.

Native Enterprises provide quality services and cost-effective products to the federal government. It is no secret that the government contracting marketplace is highly concentrated and dominated by a few very large companies. In 2007, the five largest contractors received almost 24% of the total contract dollars awarded, almost 70% from sole source (www.fedspending.org). By providing additional sources of products and suppliers within the market, Native Enterprises give the government alternative procurement vehicles, provide competition to the big companies, and give the taxpayers' more value for their dollars.

Just one example: Integrated Concepts and Research Corporation (ICRC) (at the time, a subsidiary of Koniag Development Corporation, an Alaska Native Corporation) partnered with Qualis, a woman-owned small business, located in Alabama to bid on a NASA contract to provide aerospace materials testing. Over the life of the \$12.3 million five-year contract, the ICRC/Qualis team earned 100 percent of its performance and cost incentive fees. The ICRC/Qualis team has a reputation for consistently running 10 percent under target incentive budgets and through other initiatives has saved NASA close to \$1 million in contract costs.

Simply put, with more sources of supply and services for federal agencies, competition is increased and best value is provided.

NUMBERS AND PERSPECTIVES

The SBA IG Report just released speaks of a 1,386% increase in ANC contracts, and a doubling of the ANC share of 8(a) dollars, with a majority of those contract dollars going to "just a few ANC participants, primarily through sole source awards."

The growth of Native 8(a) contracts indicates the Native 8(a) program is working. Because growth flows in a natural business cycle, those community enterprises that started in the program early are more established and seasoned and are positioned to grow.

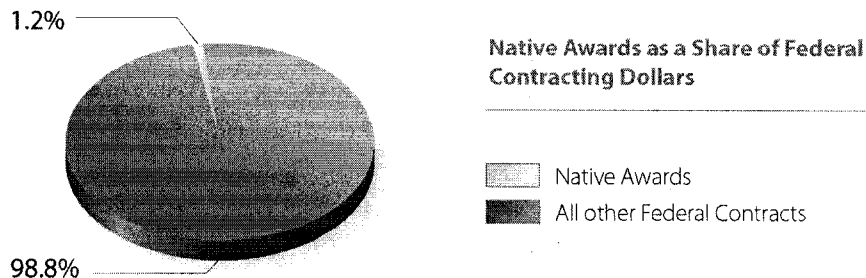
The Laguna Pueblo of New Mexico was the first Native community enterprise to enter the 8(a) program, followed years later by some ANCs, tribes in Montana, Mississippi, Maine, and Oklahoma. Some of these tribes mentioned above were early to the program and its success. Now, about 200 ANC, over 100 tribal, and over a dozen Native Hawaiian community enterprises are at work, vying for federal contracts with over a hundred thousand other federal contractors, and each other.

Frustratingly, now that some Native 8(a)'s are finally succeeding, some would use that success to bar the door to others. Equally frustrating is that some of the same critics argue that lack of success (the fate of many small businesses), or real success distributed in substantial dividends, are also reasons to bar the door.

However, before major judgments and critical policy decisions that are crucial to Native Americans are made, other perspectives using the Eagle Eye data are valuable:

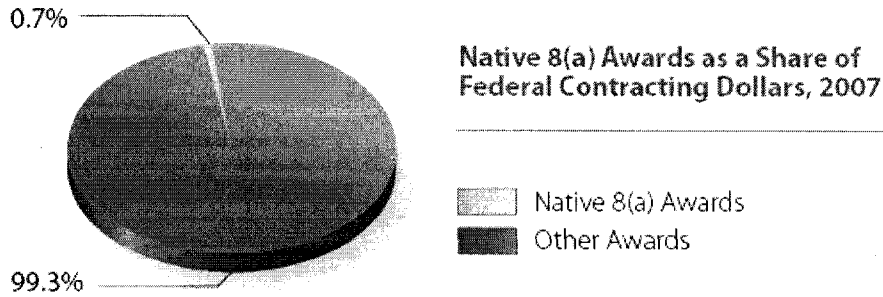
Native Share of Federal Contracting

In fiscal year 2007, the federal government spent a total of \$439.5 billion on procurement contracts. Contracts awarded to Native Enterprises totaled \$5.1 billion, or 1.2 percent.



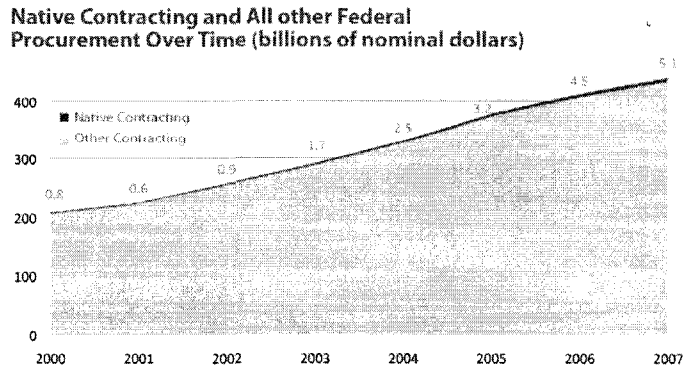
Native 8(a) as a Share of Federal Contracting

In fiscal year 2007, the federal government spent a total of \$439.5 billion on procurement contracts. Contracts awarded to Native Enterprises under Section 8(a) totaled \$3.2 billion, or 0.7 percent.



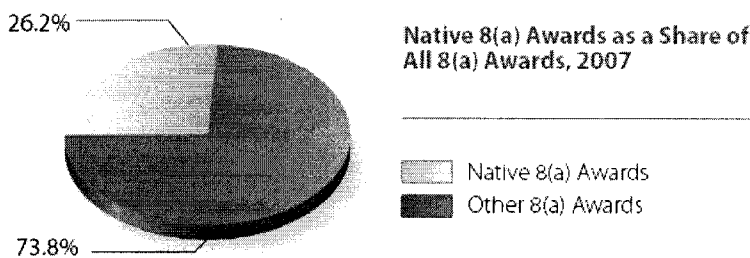
Native Contracting Growth Parallels Overall Contracting Growth

Historically, even though the total amount of Native contracting rose from \$0.8 billion in FY 2000 to \$5.1 billion in 2007, contracting of all other types more than doubled. The share of Native contracting has risen from 0.4 percent of all procurement contracts in fiscal year 2000 to 1.2 percent in fiscal 2007.



Native 8(a) Awards as a Share of All 8(a) Awards

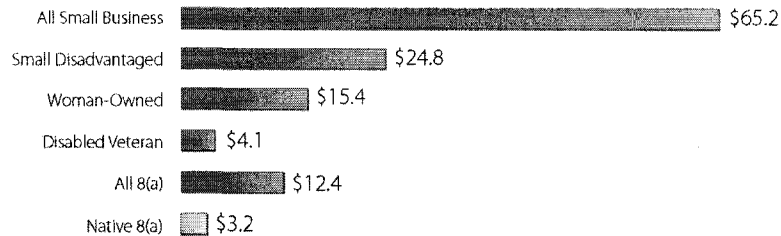
In fiscal year 2007, the federal government spent a total of \$12.4 billion on all 8(a) contracts, or 2.8 percent of all federal contracting. Contracts awarded to Native Enterprises under Section 8(a) totaled \$3.2 billion, or 26.2 percent of all 8(a) contracts.



Procurement Spending by Socioeconomic Category

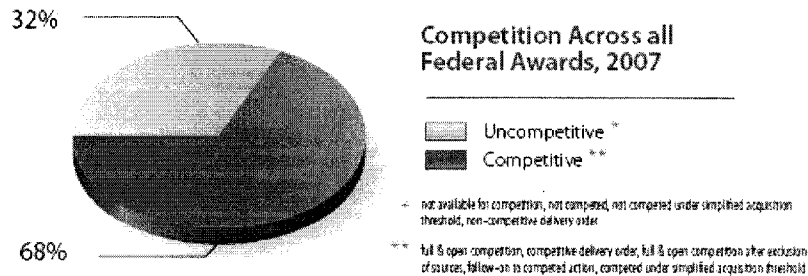
In FY 2007, 8(a) contracts awarded to Native Enterprises totaled \$3.2 billion, or 5 percent of all small business procurement.

Procurement Spending by Socioeconomic Category, 2007 (\$Billions)



Competition Across All Federal Procurement

In fiscal year 2007, \$299 billion in contracts or 68 percent were awarded competitively.



LOCATION

Concern has been raised by some that there is a significant presence of ANC employees in Virginia, Maryland, and other states. Jonathan Taylor, in his testimony to the House Natural Resources Committee, addresses that directly:

....it is not surprising that Alaska has the greatest share of all Native contracting. Virginia and Maryland also figure prominently because so many federal agencies are headquartered in those states, of course. But note also that states with relatively large proportions of Indians (Oklahoma) or large numbers of reservations (New Mexico and Washington) figure prominently in the top states where Native contractors perform their work for the federal government.

Further, when talking of the multiplier effect of a contract dollar on the Native community -- dollars that "would probably not find their way to the Flathead Indian Reservation or the Ahtna region of Alaska at all" without the Native 8(a) program -- Taylor speaks again to the location of the contract:

The Eagle Eye, Inc. data indicate that 20% of the Section 8(a) and 26% of all Native contract dollars in FY 2005 have a state of performance identical to the home state of the corporation. Could the proportion be higher? Perhaps some additional economic activity at the margin could be moved toward the reservations, but supply and demand forces, logistics costs, and geographic synergies create strong incentives for the federal government and the Tribal & ANC 8(a) contractors to operate where it is efficient to do so....

(See Attachment, Jonathan Taylor, "Native American Contracting Under Section 8(a) of the Small Business Act—Economic, Social, and Cultural Impacts," House Natural Resources Committee, September 19, 2007.)

No other 8(a) or small and disadvantaged business, or federal contractor, is restricted to working only in its location of headquarters or incorporation. Just like all industries, it makes sense that government contractors operate their business where, in fact, the government contracts are.

TAKING FROM OTHER 8(a) BUSINESSES

The IG Report makes unsupported conclusions regarding the impact of Native 8(a) contracting on other small and 8(a) businesses. It states that the ability of Native 8(a) firms to obtain unlimited sole-source awards "is arguably one of the most powerful contracting advantages" enjoyed by them, thereby allowing ANCs to capture large contracts. At the same time the IG Report later states that these successes "may have resulted in diminished opportunities for other 8(a) participants." This "possibility" is wholly unsupported by evidence or data or logic. In fact, logic dictates that if the "powerful advantage" for ANCs the ability to pursue contracts over the \$3.5M and \$5M caps, their market competitors would in fact be everyone but the individually-owned 8(a)'s.

The IG Report on this point is contradicted by those who track the 8(a) and Native 8(a) programs, including Calvin Jenkins, SBA Deputy Associate Administrator, before the House Committee on Oversight and Government Reform's subcommittee on September 2007, and Jovita Carranza, Deputy Administrator, U.S. Small Business Administration, who on January 16, 2008, said:

8(a) is an important source of revenue for Native American firms in particular...Indian Reservations are the underserved communities of underserved communities. While it may be challenging to encourage lenders to expand their rural or inner city programs, we all know the challenges are much greater for Indian Reservations. And this, we recognize, is crippling for small business ventures, which need capital to start, to grow and to create jobs and opportunities. Successfully starting a small business under the most auspicious conditions is a Herculean task. But the additional challenges that Native Americans face make it all the more so. Limited access to markets, limited access to an experienced workforce, and limited infrastructure are just a few problems. For these reasons, 8(a) is an essential program for developing Native American economies.

Just four months ago, the Center for Strategic and International Studies (CSIS) issued the attached report entitled "*Structure and Dynamics of the U.S. Federal Professional Services Industrial Base: 1995-2007.*" This report relates to professional services contracting, which comprises a large portion of the federal procurement market, and examines the trends in this sector of federal procurement from 1995 to 2007. While this report does not cover the entire federal procurement market, it covers a substantial section of it. This CSIS Report supports the following conclusions related to Native 8(a)'s, small business contracting, and the role of large business in the federal procurement marketplace:

1. *In terms of market share it is large business which has steadily encroached on the overall market and grown its "share of the pie," principally to the detriment of middle market contractors* (page 25 and 31, Figure 3.17). Large business share of the federal professional services contract market increased from 37% in 1995 to 46% in 2007 (page 27, Figure 3.14). Small business' share has held steady between 19% and 21% during that time. However, medium size business (those that are not "small" by SBA standards, but with less than \$1 billion in revenue) fell from 44% in 1995 to 33% in 2007.

2. *Small Businesses have seen impressive real dollar growth and have held their own as a percentage of the overall market.* As noted in the CSIS Report, contract dollars for professional services contracts increased from just over \$100 billion in 1995 to \$233 billion in 2007 (page 10, Figure 3.1). During this time period small businesses held their own in terms of percentage of prime contracts awarded, generally ranging from 19 to 21% in total prime contract awards (pages 25, 27, Figure 3.14). Assuming a 20% share of prime contracts, this means the dollar value of awards to small business grew from approximately \$20 billion in 1995 to \$46 billion in 2007.

3. *The increase in dollar value of small business prime contracts far outstrips the value of ANC contracts.* As noted above, the dollar value of contracts awarded to small business has increased substantially since 1995, and is now in excess of \$46 billion per year. Small business has seen a Compound Average Growth Rate (CAGR) roughly equal to the overall growth in contracting, or approximately 7% in prime contract dollar value during this time period. While Native 8(a)'s have emerged in the federal procurement market during this time, the growth in the dollar value of awards to small businesses is many multiples of the value of contracts awarded to Native 8(a)'s. In other words, even if one subtracts the dollar value of awards to Native 8(a)'s, small businesses are still seeing substantial growth in contracting dollars. For example, in 2007 Native 8(a) contracts reached several billion dollars in value, whereas the value of awards to small business was ~\$46 billion. [Note: This analysis overstates the Native 8(a)'s' share of this growth in small business contracting dollars because the Native 8(a) figures are for ALL federal procurement, whereas the ~\$46 billion figure only relates to professional services contracts, which represent less than 50% of all federal contracting dollars.]

4. *Most importantly, the data shows that while the use of "minority" business set-asides grew substantially from 2000 to 2007, small business set asides also grew!* Figure 3.15 (page 28) of the CSIS Report dispels the myth that Native 8(a)'s are taking contracts from other small businesses. There are two important facts to be gleaned from this graphic. First, the percentage of small business set-asides (non-8(a)), grew at an 8% CAGR over the past five years. Not only

have small business set-asides not gone down because of awards to Native 8(a)'s -- the opposite is true: they went up. Second, there was a spike in 8(a) set-asides from 2000 to 2002 in which they went from barely a trace to nearly 4%, or from nearly zero to close to \$10 billion a year. While it is true that the Native 8(a) program also emerged at this same time, the value of Native 8(a) awards is only a fraction of the overall 8(a) set-aside market, and the growth of Native 8(a) set-aside contracts is roughly proportionate to those of all 8(a) contracts during this time. Third, the percentage of all set aside contracts grew from 5% of total federal spending on professional services contracts in the period 1995-2001 to 9% in the period 2002-2007. [Note: Again, keep in mind that the CSIS report is focused on only a portion of the federal market, whereas the figures related to Native 8(a)'s are for ALL federal procurement; this means that the dollar value of Native 8(a) set-asides is again overstated in percentage terms. In addition, the figures in the CSIS Report only relate to set-aside contracts, whereas most figures related to Native 8(a) revenues reflect all Native 8(a) contracting dollars, set-aside and non-set-aside.]

5. There are far more contractors, including small businesses and Native 8(a)'s, participating in the federal market place than there were 10 years ago. As noted above, the fact of the matter is that large businesses have been the primary beneficiaries of the federal prime contracting growth in the past 13 years and have gained a very significant amount of market share. Another more likely pressure point for all contractors, including in particular small 8(a) businesses, is the tremendous growth in the number of participants in the federal marketplace. For example, the CSIS Report notes that the number of small businesses nearly tripled from 31,000 in 1999 to more than 90,000 in 2007. While Native 8(a)'s also proliferated during this time, their growth is overshadowed by the enormous growth in the number of contractors in the marketplace.

Clearly, there are structural differences that affect the ability of small businesses, 8(a) or otherwise, to compete against the large government contractors, as some Native 8(a)'s can now do. For example, bonding is mandatory for any contractor. Under SBA limitations for net worth and revenue, individually-owned 8(a)'s often lack the ability to obtain sufficient bonding to perform significant construction contracts.

In the case of contracting generally, individually-owned 8(a)'s do not have the capacity to manage larger contracts given the net worth and size limitations under the 8(a) program as they require significant start-up and financial carrying costs to undertake recruiting, process human resources duties, and maintain payroll while waiting for government payments to kick in.

NACA strongly believes that these issues should be addressed positively, and we specifically support enhanced participation goals, larger thresholds and enhanced guidance and ease of mentoring for individually-owned 8(a)'s, as well as partnering and subcontracting between Native and individually-owned 8(a)'s. We have already seen some extraordinary examples of Native Enterprise/individually-owned 8(a) partnering, and I am sure the subcommittee will hear many success stories from women-owned businesses, service disable veteran-owned businesses, and other small businesses across America.

Further, the IG's comment that ANC success "may have resulted in diminished opportunities for other 8(a) participants" is more than simply unsupported, contradicted by fact and is illogical. It is disheartening because very late in this investigation (June 2009) "in preparation for a July

2009 congressional hearing," a "high importance" request for "information regarding the impact that ANC firms participating in the 8(a) program has had on other 8(a) firms" was made to SBA district directors. According to the email chain I was provided, the desired "information" was specific:

"Name of the ANC firm (if known)
Value of Contract Award (Missed opportunity for 8(a) Firm)
Brief Description of Complaint"

They did not ask for all information or for all impacts that would have provided a balanced review of ANC 8(a)'s. Instead they only asked for information on "missed opportunities" and "complaints."

It is also disheartening on an emotional and historical level. Native communities are intimately familiar with divide and conquer. Having grown up poor in rural Alaska, I am personally familiar with the tactic of pitting one disadvantaged group against another. It is unseemly and nonsensical to divide small businesses from 8(a) businesses, to divide individually-owned 8(a)'s from Native community 8(a)'s, and to divide ANCs from tribal 8(a)'s and those from NHOs.

This is especially exasperating when the needs are so great in Native America and the benefits for all America, and the American taxpayers, will come from growing the opportunities for all small businesses and all individual 8(a)'s and Native 8(a)'s. Large federal contractors need the competition, so it is even more maddening when we are told to spend huge amounts of our time and personnel chasing records for these investigations when, according to Federal Times, "only 12 percent" of what the top ten federal contractors won "came about through full and open competition" (Big Contractors Compete Least, January 14, 2008).

It is beyond my charge, or desire, to get dragged into the "great debate" involving sole source federal contracting. Clearly the 8(a) program is part of the sole source discussion, but its benefits are nominal compared to the contracts and dollars flowing to others, especially large contractors, through sole source and other delimitations of full and open competition. I do know there is an orthodoxy that abhors sole source contracting; mixing logic, rhetoric and substance. The argument against sole source is that the government does not get good value without competition. I must address this argument on behalf of Native 8(a)'s because the IG raises it as an identified concern.

This rhetorical ploy of saying the government "may" not be getting good value attempts to shift the burden to us to prove otherwise. Of course, the IG could have investigated the very issue; they could have gone to the contracting agencies and determined which of the tools available to the contracting officers (described below) were used to ensure "fair and reasonable" pricing from the 8(a)'s, as required by law. Contracting officers take this function very seriously and would have substantial documentation available for the IG – had they been asked.

SOLE SOURCE NEGOTIATION PROCESS

Below are the legal aspects of "Price Analysis" that contracting officers are required to engage in under Federal Acquisition Regulation (FAR) Part 15, Contracting by Negotiation, the process by which most sole source contracts are awarded. The process is open and, as described by others, often results in the agency getting a better deal because the process is more open and flexible than "competition" as described in the FAR.

The FAR requires a contracting officer to ensure they are getting a "fair and reasonable" price in ALL contracts, including sole source contracts. FAR 15.402(a)("contracting officers MUST obtain supplies and services from responsibly sources at prices that are fair and reasonable.") Proposed prices in settings where there is "adequate price competition" are presumed to be fair and reasonable. FAR 15.402(a)(1); 15.404-1(b)(2)(i). However, the FAR specifically contemplates that there will be situations where there is not adequate price competition (most contracts are not fully competitively awarded), and prescribes a variety of tools for contracting officers to use to ensure they are getting a fair and reasonable price.

These are spelled out at FAR 15.404-1(b)(2)(ii)-(vii):

- (ii) Comparison of previously proposed prices and previous Government and commercial contract prices with current proposed prices for the same or similar items, if both the validity of the comparison and the reasonableness of the previous price(s) can be established.
- (iii) Use of parametric estimating methods/application of rough yardsticks (such as dollars per pound or per horsepower, or other units) to highlight significant inconsistencies that warrant additional pricing inquiry.
- (iv) Comparison with competitive published price lists, published market prices of commodities, similar indexes, and discount or rebate arrangements.
- (v) Comparison of proposed prices with independent Government cost estimates.
- (vi) Comparison of proposed prices with prices obtained through market research for the same or similar items.
- (vii) Analysis of pricing information provided by the offeror.

As a last resort, the contracting officer can also require "cost and pricing data" if none of the above techniques are satisfactory. This means they can require the contractor to provide specific estimates, subcontractor and supplier quotes, etc. -- basically open their books. The contracting officer has an obligation under the Truth in Negotiations Act (TINA) to be complete, honest and accurate in the information they provide and to update that information up to the time a final agreement on price is asked for if their estimates, supply costs, etc., change. There can be civil and criminal sanctions for violation TINA.

In addition, the price proposal process is not a "take it or leave it" one. The contracting officer and the 8(a) engage in a negotiation process, based upon the information provided by the

contractor and the information gathered by the agency (estimates, etc.) To call this a "negotiation" is not exactly fair to the contractor as the contractor has to basically lay all their data on the table, which is not how most commercial negotiations occur.

Beyond the legal process that establishes the government's ability/requirement to get a "fair and reasonable" price, there are at least two other arguments as to why the government still gets good value (and maybe even "best value") in the Native 8(a) sole source process.

First, there is often competition for these contracts, just not the formalistic version prescribed in the FAR. It is not uncommon for agencies to negotiate with two or more ANCs or Tribes for the same requirement (these are often referred to as "bake offs" or "beauty pageants"). While it's not the rigid competition called for under the FAR, there is competition, and maybe even more vigorous competition.

Second, because the FAR "competition" process is so rigid, it often prevents the government from getting the best value. The government has to prepare the specifications, etc. for its solicitations well ahead of time and without direct contact with the contractors who will be called upon to provide the solution. Therefore, the government is often not aware of the best possible solutions for a particular requirement when it drafts the specifications. Also, because the FAR-based "competition" puts significant limitations on how, when and what can be discussed with offerors, the government is not always having contractors bid to the statement of work that makes the most sense.

On the other hand, in the "competitive sole source" environment, the government does not have its hands tied the way it does in a "competitive" procurement. They can sit across the table from the vendor and talk openly about their needs and collaborate on the best approach to getting the job done, without all of the restrictions on communication set out in the FAR "competition" process. This results in the government having a better chance to get what it really wants and needs and to address potential innovations with the contractor. The contracting officers also get the Defense Contract Audit Agency (DCAA) involved early on to look at proposed pricing, etc. This process is sometimes referred to as "Alpha contracting," and DoD (and specifically AT&L) has a few documents on their website about the Alpha contracting process that laud its efficiency.

In addition to increasing the likelihood that the government will get what it really needs, there is also an administrative savings that is achieved in the sole source process because it just takes a lot less time to negotiate the deal (vs. drafting specifications, putting out the RFP, waiting 30-60 days, evaluating a host of proposals, potentially dealing with protests, etc.)

BENEFITS

The Native 8(a) program was designed to honor America's word and the contracts made with Native Americans, to empower Native communities to provide for our people, to sustain and expand our economies, and to combat the historic economic and social ills our communities face.

It is also a way for Tribes, ANCs and NHOs to engage outside communities, outside investors, and other expertise in economic activities that benefit Native communities.

As Jonathan Taylor noted in his testimony before the House Natural Resources Committee:

Tribal & ANC 8(a) companies distinctly represent whole communities of Americans. This characteristic means that the social and economic effects of Section 8(a) contracting tend to concentrate in the community of tribal members or ANC shareholders. In some cases, the effect proceeds directly to every individual Indian in the community, say, as a dividend check. Other benefits may be universally available (e.g., college scholarships or burial assistance), but not universally embraced. In other cases, the effect spreads across a community, such as would occur when the 8(a) company improves the community business climate or supports a Native cultural ceremony. Regardless of where in the communities these benefits arrive, they are nearly always needed, and in many cases they were unavailable prior to Section 8(a) contracting...

In addition to profits, jobs, and business experience, 8(a) contracting directly supports efforts underway to address and reverse the social consequences of poverty. Decades on end of below-average income combined with property expropriation, assimilation policy, and paternalistic federal approaches to social problems leave deficits in Indian social indicators ranging from life expectancy and educational attainment to overcrowded housing and criminal victimization. (See Harvard Project on American Indian Economic Development, 2007.) As noted above, federal resources available to address these deficits fall short of what is required and are in decline. To rebuild schools, to prevent late-onset diabetes, to reduce juvenile delinquency, to protect Indian graves, and to maintain Native water quality (among other things), tribes and Alaska Native communities need fiscal resources. Tribal & ANC 8(a) contracts help provide them.

Native enterprises are just now getting a foothold in the federal marketplace after being left out, locked out, and elbowed out for decades. With some modest success, Native 8(a)'s now represent a small slice of the total procurement dollars; yet however small, it is beginning to have a big impact in Native communities.

A 2009 NACA survey of 11 ANCs that supplied benefits data to the Subcommittee and to NACA shows that they alone provided over \$530 million in various categories of shareholder benefits to over 67,000 shareholders in years 2000-2008:

Based on data from 11 ANCs:

More than \$ 341,627,449 total dividends 2000-2008

More than \$ 533,784,813 total shareholder benefits 2000-2008

11 ANCs represent 67, 610 shareholders

More than:

Shareholder Dividends	\$341,627,449
Lands Management Programs	\$26,734,770
Donations, Community Contributions, Sponsorships	\$19,807,900
Scholarships	\$20,726,980
Shareholder Development	\$1,094,930
Death Benefit/Burial Assistance	\$1,330,142
Elder Support & Recognition	\$4,585,566
Total Shareholder Benefits 2000-2008	\$542,642,382

Although the total in benefits flow from 8(a) and non-8(a) federal contracting profits, as well as other business ventures such as resource development, these figures show that Native participation in the 8(a) program is helping some Native communities to compete in the American marketplace, build successful and self-reliant families, develop their tribal member shareholders through training and business supports, provide basic social and community services, and to act as engines of growth in their communities.

Benefits include managing our remaining lands (lands the Native corporation is responsible for and which have great importance in Native culture), coordinating economic development opportunities, providing scholarships for college and vocational training, culture and language preservation programs, and donations to local non-profits that deal with a wide range of social services, educational and cultural issues affecting the region or village. Since there are problems and community obligations that cannot and perhaps should not be directly addressed by Native corporations, the latter--donations to local non-profits--are critical to assisting local communities in dealing with some of the toughest challenges Alaska Native communities face.

Donations to scholarship funds aim to increase the only 6% of Alaska Natives with a bachelor's degree. By increasing the number of Alaska Natives with college degrees, these communities hope to decrease the rate of unemployment in Alaska Native populations, typically twice the national average, and increase the number of Native people employed in Native Enterprises.

In the area of lands management Alaska Native Corporations have a responsibility to manage the lands they own on behalf of their Native people. Native Corporations spend a portion of their revenue ensuring that their communities have access to these lands for subsistence hunting and fishing, which makes up a significant portion of rural Alaskans' diet and has cultural importance as well.

Cultural preservation programs are revitalizing languages and traditions that have been decimated over the last century. These programs not only aim to preserve cultures, but also aim to address the horrible suicide rates that plague Alaska Native communities. According to a

recent study by the State of Alaska, Alaska Natives suffer 32.6 suicides per 100,000 people as compared to the National rate of 10.6 per 100,000 people. Cultural preservation and grounding in our traditional ways strengthens our communities and builds self-worth and cultural pride in our young – those most susceptible to taking their own life.

Bottom line for these few ANCs, some pretty successful, is that a half of a billion of dollars in benefits went to their people and communities. Those benefits are real, and important. Is it enough? No. Are all Alaska Natives benefiting? No. Did all their businesses succeed and their shareholders benefit equally? No. But do all small businesses succeed and their owners benefit equally? A half of a billion of dollars is a lot, and we can tell you that -- one Alaska Native story by one Alaska Native story -- it *truly* matters.

I know the issues our villages face intimately. I am one of those stories. Like so many of our Native children, I was a socio-economic statistic. Probably I am today part of some analyst's denominator divided into some dollar benefits numerator to get a number that says "too few benefits per shareholder." Well, this statistic comes from a broken family that faced substance abuse and poverty. I remember how ashamed I would feel when I had to buy groceries with food stamps and wear second hand clothes. No one in our family had ever earned a degree, but my two sisters and I have been given an opportunity our parents never had -- one that has empowered us to overcome enormous odds and experience our own American Dream.

Scholarships from my Native corporations helped me attend college. I earned a Bachelor's Degree from the University of Alaska Anchorage in 2001, and graduated with a Master's Degree in Rural Development from the University of Alaska Fairbanks in 2005. Both of my sisters have earned Master's Degrees and have worked for various Native organizations to improve the quality of life of our Native people.

My dad had been a carpenter and fisherman his entire life. A few years ago, at age 53, and after our village corporation had begun experiencing success in the 8(a) program, he decided to build his own sports fishing charter business in our village. He received Native corporation scholarships to cover the costs for the required Coast Guard trainings and certification, and he utilized his Native dividends to help purchase a boat and other needed equipment. Today, he's focusing on expanding his business and employing young students, directly impacting the local village economy. His story clearly illustrates the spirit of intent for Alaska Native Corporation and Tribal participation in the 8(a) program – to provide the tools necessary for people like my dad to give back to our communities, in more ways than just employment with our Native corporations.

My family is living proof of the positive impact the Native 8(a) program has had on our village. A paper, published by the Native Nations Law & Policy Center of the UCLA School of Law, titled *Federal Contracting Support for Alaska Natives' Integration into the Market Economy*, states, "Competitive and self-sufficient ANCs will help alleviate economic and social disadvantages of Alaska Native communities, increase tax revenues, and reduce the costs of government support programs to Alaska Natives." (See Attachment) Our Native corporations work hard, providing much needed services to the federal government at good value and, as a

result, it is able to help tribal member shareholders like me and other members of my family achieve a better future.

Alaska Native Corporations are dedicated to advocating for and assisting our Native people in finding employment within our Native corporations and with other organizations. Many ANCs have established Shareholder Development programs to improve shareholders' quality of life through providing our Native people with the training and educational opportunities necessary to improve their life skills and job prospects. Some ANCs have formal Internship Programs to provide tribal member shareholders and descendants with valuable work experience which in turn, will provide them with marketable skills. One Native corporation provides its interns with competitive pay and has had more than 200 students participate in its intern program since it started in 1981; the program has proven to be effective, with corporate headquarters shareholder employment around 70 percent, which includes many executives. This not only increases the quality of life of these Native people, it also provides the Native corporation with a network of capable prospective employees who meet the corporation's requirements and policies for shareholder hire.

Another Native corporation provides a Shareholder Employee Training Program to help shareholders that are currently employed by the Native corporation or one of its subsidiaries to accomplish their career goals by receiving the training they need to excel in the workplace. This corporation sets aside \$500 in training funds for each shareholder/descendent employee. Other shareholder development initiatives this ANC offers its shareholders and descendants include assistance in resume writing, employment applications, career counseling, and a Talent Bank to link qualified shareholders and descendants with employment opportunities within and outside the corporation. The ANC also provides shareholder business supports to help promote shareholder owned businesses and services by encouraging its shareholders, vendors, business partners, and staff to utilize shareholder owned businesses and services – a total of 16 shareholder businesses were listed in the online directory in 2008. It also promotes statewide partnership through its Shareholder Development Action Group to build partnerships between Native corporations and organizations that practice Shareholder and Alaska Native hire.

As noted, scholarships are also a vital component for our future to ensure we have educated, experienced shareholders to lead our corporations. As a result of the emphasis on shareholder employment, Alaska Native Corporations have a vested interest in the progress of their youth and many award scholarships to shareholders, their descendants and even dependents who are pursuing college and post-graduate degrees and post-secondary education. The scholarships enable our people to pursue levels of educational and vocational achievement they might not otherwise have been able to afford. The scholarships are based on a variety of criteria, including demonstrated commitment to the community's values, prior academic performance, financial need, and recommendations from others. Since its program's inception, one Native corporation has awarded scholarships to more than 3,000 recipients, and provided a total of more than \$5.7 million in scholarships from 2000-2008.

One Native scholarship recipient, a descendant of a shareholder, credited scholarship awards for setting her on a path of success and professional achievement. In her personal testimonial on how her Native corporation has benefited her, she explained that the scholarships she received from

both her regional corporation and her village corporation prevented her family from going into debt to pay for her education. She also applied for and received a summer internship with her regional corporation, which the shareholder development department encouraged her to continue full-time at a contract site during the school year. For her last two years of school, her regional corporation paid her tuition and reimbursed her for her textbooks. She also received excellent hourly pay and the opportunity to work at the jobsite level where she saw first-hand the importance of successful contract performance. Upon graduation, she applied for, and received, an apprenticeship with her regional corporation. This shareholder acknowledged that, “were it not for the benefits gained through my native corporation’s participation in the SBA 8(a) program, I probably would not have had any of the experiences mentioned here.”

Alaska Native Corporations created Annual dividends, Shareholder Permanent Funds, and Shareholder Trusts so that future generations will also benefit from today’s business success. These dividends mean a tremendous amount to our members - young families just starting out, elders, and families who live a subsistence lifestyle in traditional villages suffering from poverty and unemployment levels that are an embarrassment to the industrialized nation. One Native corporation paid out a total of \$69,952,680 in dividends to its shareholders between 2000-2008. This corporation’s 2005 shareholder survey found that the average household income of its shareholders was estimated at \$45,000, which is above the 2007 U.S. poverty guideline of \$25,820 for a family of four in Alaska. This data demonstrates that for an average shareholder with 100 shares, the Native corporation’s annual dividends account for roughly 50% of their annual income. Without the support of the Native corporation, many of their Native people would be in poverty. For example, one tribal member shareholder relies on her dividend to help pay her mortgage so she can stay at home and care for her elderly parents, while another is on disability and needs her dividend to offset her very limited income.

The sources of revenue from which dividends are calculated require that an Alaska Native Corporation’s business and investment strategies are well diversified – the 8(a) program for many ANCs is an important point of diversification that enables the Native corporation to maintain its dividends to shareholders and the creation of associated employment, contracting and subcontracting opportunities now and into the future.

In addition to dividends, jobs and scholarships, our Native corporations support a variety of programs run by local organizations to help sustain our culture and values. One of my favorite programs is the Dig Afognak Culture Camps, operated by the Native Village of Afognak. At these camps our children, like my son Kadin, are learning Alutiiq history, culture, language, and traditional ways from elders. Perpetuating Alutiiq traditions is a core value of our people, and keeps our youth grounded in their identity as they move forward in corporate America, strengthening our community.

POLICY STATEMENT ON SMALL BUSINESS CONTRACTING

Let me conclude with a discussion of the strong support by the National Congress of American Indians (NCAI), the National Center for American Indian Enterprise Development (NCAIED) and NACA for direct and immediate Congressional action that will enhance the 8(a) program. NCAI, NCAIED and NACA have been very active for years in pushing, pulling and prodding for reforms and more resources for the SBA. As the GAO study concluded now 3 years ago, Congress needs to focus on enhancing SBA's capacity -- more people, resources, enforcement, guidance, training, and direction to contracting agencies.

We not only want, but need, to make sure the Native 8(a) program is working properly for the sake of our people and our Native community enterprises. That is why we strongly support:

1. getting the SBA rules (that have gone through lengthy Tribal consultation and review) promulgated in 90 days;
2. increasing resources for the SBA Native 8(a) program by at least \$1M (see our joint letter to Senators Durbin and Collins, Appropriations);
3. increasing enforcement, training and compliance guidance; and
4. simplifying 8(a) classification, online transparency and program accountability.

However, many issues raised by the 2006 GAO report and the IG are not specific to Native Enterprises or the 8(a) program, but rather are inherent to the broader federal procurement system. America needs a larger, better trained acquisition workforce; more contract transparency; enhanced online technology; consistency in 8(a) and other classifications; clearer delineation of policies regarding prime/sub, mentor/protégé and directed contracts; and overall increase in accountability. Our three organizations support these efforts.

POLICY POSITIONS

NACA, NCAI, and NCAIED also strongly support policy changes that directly enhance the opportunities for all small businesses and specifically individually-owned 8(a)'s.

A. Expand Small Business Contracting Opportunities

The SBA's regulations and policies have not kept pace with many changes in the Federal contracting market, including: increases in the average size of contracts, now often exceeding the thresholds for individually-owned 8(a)'s and sometimes the capacity or efficiencies of small firms; the prevalence of teaming arrangements and joint ventures; the growth in bundling and consolidation of contracts; growth in emergency/overseas contracts; limited enforcement and lax compliance; downsizing of the procurement workforce and pressures to meet deadlines and small business goals; and the consolidation and merger of government contractors to perform larger contracts. These changes have made it harder for small businesses, particularly 8(a) firms, to compete for government contracts. In reauthorizing the Small Business Act, we support efforts to:

1. Fulfill Congressional intent to further the Indian Self-Determination policy set forth in 25 U.S.C. 450a, by preserving the provisions that promote the competitive viability of Native enterprises, small business concerns certified by SBA as owned by Tribes, ANCs and NHOs that help build stronger, more self-sufficient Native economies.
2. Enhance the ability of individuals to qualify for certification as 8(a) program participants and to pursue larger contracts on a competitive or non-competitive basis; increase and index the caps for individually-owned 8(a)'s.
3. Increase the net worth thresholds, including annual inflationary adjustments, for individuals seeking to qualify and retain eligibility for certification as 8(a) program participants.
4. Better track and monitor Federal agencies' achievement of their 23% small business and 5% minority business contracting goals, and increase these two goals to 30% and 8% respectively.
5. Support provisions that tighten limits on bundling and consolidation of contracts, break up such contracts for award to small businesses or employ procurement procedures to enable teams of Native enterprises and other small businesses to pursue larger contracts. Identify new ways to participate in the concentrated Federal procurement market, including innovative teaming contracts set aside for competition among teams of small businesses.
6. Encourage small businesses with larger contracts to implement subcontracting plans to develop stronger business alliances among all types of small business contractors, including 8(a) and other small disadvantaged concerns, service disabled veteran owned, HUBZone, women-owned and other small businesses.

B. Increase Administrative Oversight and Effective Monitoring

Strong oversight should help good people to do good things. Yet even permissible relationships, such as a mentor-protégé agreement with a large business, can be cast as improper, and doubt thrives on the scarcity of accurate data. Increased SBA and other agencies' oversight of existing requirements would verify that Native Enterprises and other 8(a) companies are good stewards of taxpayer funds.

The following steps can foster better administrative oversight:

1. Improve SBA's implementation of the 8(a) provisions applicable to Tribes, ANCs and NHOs by:
 - a. enhancing existing policies and procedures to improve outreach and assistance to, and oversight of, Native enterprises;
 - b. redesigning and improving the Tribal 8(a) certification process to reflect the unique nature of Tribal enterprises; and

- c. authorizing an Assistant Administrator for Native American Affairs to access the various programs of the SBA to improve the support provided to Native enterprises through contractual, financial and technical assistance.
2. Provide the SBA with sufficient resources to rebuild and train its staff and improve implementation of the 8(a) and other programs to assist all small business contractors in accessing the tools necessary to compete successfully and receive a fair share of Federal contracting opportunities.
3. Design and implement a transparent system to identify and track contract awards to Native enterprises owned by Tribes in Federal procurement data systems.
4. Establish a small business 8(a) training program to provide annual training sessions for both 8(a) contractors and contracting officers.

COMPLIANCE

NCAI, NACA, and NCAIED are deeply committed to ensuring that Native companies fully comply with all of the SBA requirements for the 8(a) program and other federal contracting requirements, both in the spirit and letter of the law and regulations. We strongly believe everyone must play by the rules, and anyone who does not should be held accountable.

To this end, our three organizations drafted recommendations for 8(a) program improvements designed to enhance accountability, improve transparency, and complement SBA's limited resources to engage in more efficient and effective management and oversight of the program.

As part of our ongoing efforts, NACA developed and adopted a best practices guide that emphasizes rigorous compliance with SBA program regulations and requirements. As additional aspects of our joint commitment, we are undertaking initiatives to:

1. Implement best practices through multiple levels of training;
2. Develop an education package for parent board oversight and governance;
3. Facilitate the development and implementation of Ethics Compliance Programs; and,
4. Conduct regular seminars on all aspects of 8(a) and small business contracting and compliance with all federal contracting requirements.

On specific issues, we work with SBA and other interested parties to:

1. Improve transparency/accountability in the disclosure of ownership agreements. Our organizations have already recommended more transparency on ownership in our previous administrative recommendations we submitted to the SBA (ANC GAO Report Comments April 2006 and SBA Consultation November 11, 2007). We have also explored whether a confirmation of ownership and the status of ownership agreements may be required in the annual audited financial statements, or whether a confirmation may be required from the management of the parent Tribe or Alaska Native Corporation.

2. Improve transparency/accountability in disclosures provided on the individual compensation worksheet in SBA Form 1450. We recommend that SBA issue clear and consistent directives on the application of this and other sections of the standard 8(a) Participation Agreement to Alaska Native Corporations and tribal companies. We will work with SBA in developing guidance for completion of the Participation Agreement by 8(a) companies of Tribes and Alaska Native Corporations.

3. Recommend changes to FAR Part 3.4 to clarify the qualifications of a bona fide sales agency. The ability to utilize bona fide sales agents is often crucial for effective business development by any government contractor, not just 8(a) companies and small businesses. The current version of the FAR does not provide guidance or specific factors for contractors to consider when evaluating agents, nor does it establish a ceiling or guidelines as to what fees are considered reasonable. In general, we believe the following principles provide a starting point:

- a. Agreements with bona fide agents should be in writing, established for a reasonable term, and contain appropriate representations and warranties against gratuities, conflicts of interest, and compliance with the Procurement Integrity Act;
- b. Agents should demonstrate adequate knowledge of a contractor's business services and products, as well as other industry qualifications demonstrating their qualifications to act on behalf of the contractor, and;
- c. Compensation paid under the Agreement should not be exorbitant or inequitable, when compared to the services performed or to customary fees for similar services related to commercial businesses.

CONCLUSION

Elders tell us to speak plainly and to the point. After so many words, I will still try.

The Native peoples of America, after centuries of failed federal policies and broken promises, face very harsh economic, social, health, safety and educational challenges. For many of our Native communities, the primary federal policy that offers a chance to embrace America's dream is the Native 8(a) program. Geographically and financially isolated, our people have had to go from 0 to 60 mph, learning corporate structure and culture and, at the same time, maneuvering through the federal contracting system -- all to provide real value to the federal agencies on goods and services that are often low margin and to the taxpayers who hire us all.

There have been wonderful successes. These have been achieved by Native 8(a)'s, our Native and non-Native employees and partners (many of them small and disadvantaged businesses), Native communities, their families and especially the young. The Native 8(a) benefits protect our land, our language, our culture, our elders and children, and our future. They help America keep its word. They build business capacity, work ethic, teachers and nurses and IT specialists, hope and opportunity. The hand-up is replacing the handout.

There have been difficulties too. The SBA is under-staffed and under-funded. Their enforcement, assistance, guidance and training has suffered. The usual small business hurdles,

and most small businesses fail, are exacerbated by the deprivations suffered by Native communities for centuries. So there have been missteps, and there are some problems, some very real problems that we do not minimize because they distract, weaken and take from the very program that many Native Americans literally depend on for survival. We strongly believe everyone must play by the rules, and those who do not should be held accountable.

Yet so much more needs to be done. Our Native people represent 4% of America but Native 8(a)'s still represent less than 1.3% of federal contracting, and our 8(a) awards represent less than 0.8%. The problems in government contracting are systemic and should not be visited on the Native 8(a) or the other small and disadvantaged business programs. Native 8(a)'s do not take business from other 8(a)'s, but we offer real competition to the large contractors and real value to the taxpayer.

We not only want, but need, to make sure the Native 8(a) program is working properly for the sake of our people and our Native Enterprises. That is why our three organizations (NCAI, NCAIED and NACA) have been very active for over 3 years in pushing, pulling and prodding for the GAO recommended reforms, additional reforms, and more resources for the SBA. We strongly support getting the SBA rules promulgated in 90 days, increasing resources for the SBA Native 8(a) program by at least \$1M, increasing enforcement, training and compliance guidance, and simplifying 8(a) classification, online transparency and accountability. As for the broader Federal procurement system, we support the efforts to build a larger, better trained acquisition workforce; increase transparency; utilize online technology; mandate consistency in 8(a) classifications; delineate policies regarding prime/sub, mentor/protégé and directed contracts; and enforcement and accountability.

Let me end where I began, *Quyanaa* (thank you).