



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

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

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**Majority Staff Analysis**  
**Prepared for Chairman Claire McCaskill**

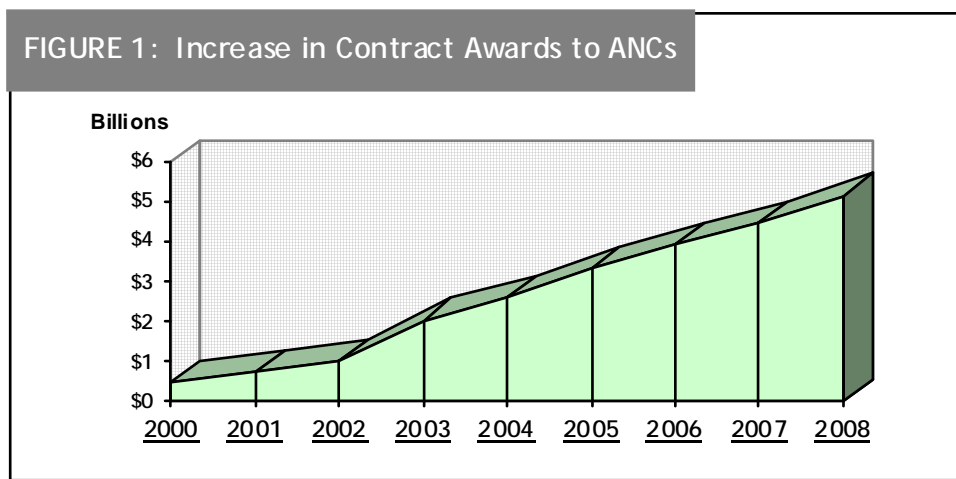
On July 16, 2009, the Subcommittee on Contracting Oversight will hold a hearing entitled, “Contracting Preferences for Alaska Native Corporations.” The purpose of the hearing is to examine concerns relating to the award of contracts to Alaska Native Corporations (ANCs) through the Small Business Administration’s 8(a) program. 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.

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 916%, 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.

### New Data About ANC Contracts

Over the last nine years, ANC spending has increased dramatically.<sup>1</sup> Between 2000 and 2008, contract awards to Alaska Native Corporations increased by \$4.7 billion, from \$508.4 million to \$5.2 billion. See Figure 1.



<sup>1</sup> All information is based on data 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.

In percentage terms, ANC contract spending increased 916% from 2000 to 2008, an average increase of 33.6% per year. In total, ANCs received \$23.7 billion in federal contracts between 2000 and 2008.<sup>2</sup>

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 916% 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 4.4%) and the Department of Homeland Security (\$980 million or 4.1%).

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.

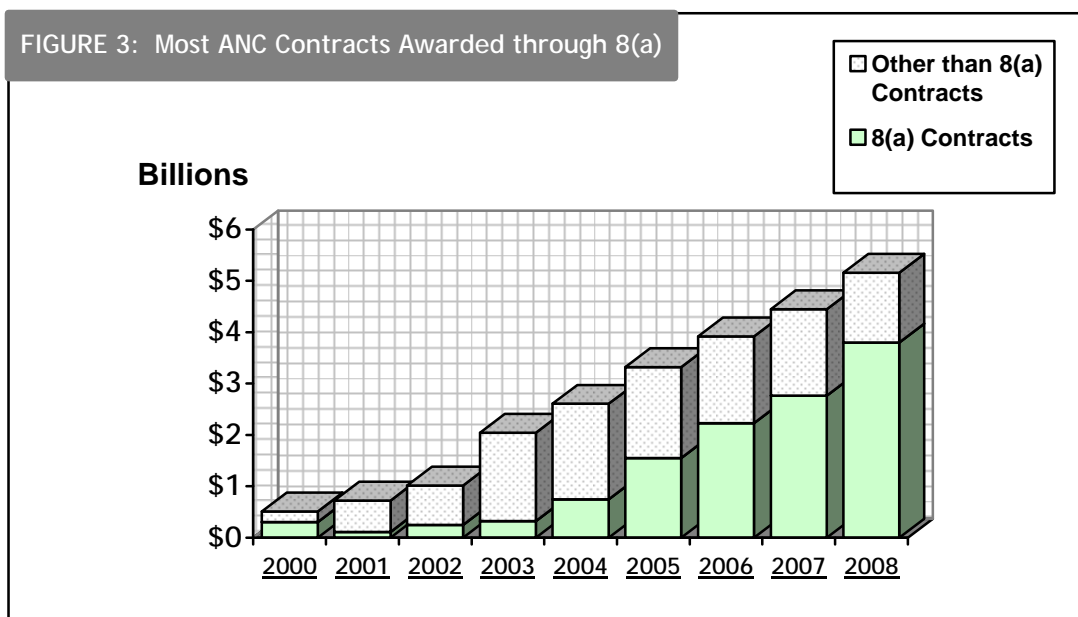
State	2008 Spending	Number of Contract Awards
Virginia	\$1,136,850,593.91	3,575
Alaska	\$1,008,654,385.95	2,395
Maryland	\$303,097,042.15	1,830
Texas	\$269,426,603.04	461

<sup>2</sup>The Subcommittee has learned of and corrected two errors in its June 23, 2009 Part I Analysis. Eagle Eye originally included 65 contract awards totaling \$23.9 million for the 2007 and 2008 fiscal years that were erroneously counted as ANC awards. The Subcommittee has removed these figures from its data set. A second error, compiling total ANC sole-source awards has also been corrected. Total ANC federal contract awards between 2000 and 2008 were \$23.7 billion not \$23.8 billion and ANCs received \$6.3 billion in 8(a) contracts valued at more than \$3.5 million between 2000 and 2008 not \$17.2 billion, as earlier reported. These changes and the related increase in percentages and decrease in figures have been corrected herein.

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	661
Alabama	\$122,600,966.78	493
Georgia	\$117,379,153.61	428
Colorado	\$108,851,568.48	843

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 (\$4.2 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 18% of all 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 \$6.3 billion in 8(a) contracts valued at more than \$3.5 million each between 2000 and 2008.

## **Conclusion**

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.