



## Proposal would end Alaska native contracting advantages

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The battle over the special contracting privileges afforded Alaska native corporations is resuming.

On Thursday, Sen. Claire McCaskill, D-Mo., announced that when Congress returns from recess next month she plans to introduce a [sweeping reform bill](#) that would put the Alaskan firms on equal footing with other small disadvantaged businesses operating in the Small Business Administration's 8(a) Business Development Program.

Most notably, the bill would eliminate the ability of ANCs to receive sole-source contracts of unlimited value. All other 8(a) firms have their noncompetitive contracts capped at \$3.5 million, or \$5.5 million for manufacturing.

"We've seen that a very small portion of these companies' profits are reaching native Alaskans, so it's time to acknowledge the fact that this program is not effective for either native Alaskans or taxpayers," McCaskill said.

But, the senator will face stiff opposition to the legislation, including pushback from within her own party. On Friday, Sen. Mark Begich, D-Alaska, blasted the bill as poorly conceived and criticized McCaskill for failing to consult him before proposing it.

"This bill is misguided, misinformed and shows a clear lack of understanding for how important the program is for the people of Alaska," Begich told *Government Executive*.

Begich, who concedes the ANC program could use some "tweaking," said he is planning a "full-court press" to stop the legislation. And, in a reflection of how contentious the issue is likely to become, Begich argued repeatedly that McCaskill has failed to voice similar opposition to millions of dollars in sole-source contracts that have been awarded in recent years to Boeing Co., a Missouri-based contractor.

McCaskill's proposal contains a number of provisions that could affect the viability of many ANCs. The firms would be required to exit the 8(a) program after nine years -- just like other participants. Alaska native firms would no longer be automatically designated as socially and economically disadvantaged. The corporations would have to prove individually that they are at a social disadvantage by providing evidence of "racial or ethnic prejudice or cultural bias within American society because of their identities as members of groups."

Arguably more difficult, the bill would require ANCs and their managers to demonstrate they are at an economic disadvantage upon entering the 8(a) program. According to a [March 2009 Government Executive analysis](#), five ANC parent corporations have brought in \$2 billion or more in contracts since 2000, with Anchorage-based Chugach Alaska Corp., leading the way with \$4.5 billion.

ANC supporters argue it is unfair to compare them to other small businesses that operate under a model designed to benefit individual entrepreneurs. ANCs reinvest some of their profits in the native population through their shareholders. The corporations also spend millions of dollars on cultural and social programs that benefit the larger Alaskan community, proponents said.

"Since the formation of ANCs, the Alaska native high school graduation rate has tripled, inflation-adjusted household income has risen by 50 percent and the proportion of Alaska native people living below the poverty line decreased by roughly 50 percent," said Sarah Lukin, president of the Native American Contractors Association, a Washington group that advocates for the ANC program. Lukin added McCaskill's bill would "sever a long-standing congressional promise to promote economic self-sufficiency for Alaska native people."

Begich said he has invited McCaskill to visit Alaska and to meet privately with the corporations to get a better understanding of the poverty and economic challenges the native population faces, but she

has yet to accept that offer. "It's outrageous that she is taking these sweeping measures without ever coming to Alaska," Begich said.

The proposed legislation comes on the heels of a series of reports in *The Washington Post* that uncovered potential statutory and regulatory violations by some ANCs. The reports included allegations that some corporations might have served as pass-through stops for large non-native businesses -- a practice McCaskill's bill would prohibit.

This is not the first time McCaskill has called for major reforms of the controversial program. Last year, she proposed an amendment to the fiscal 2010 Defense authorization bill that would have stopped ANCs from winning Defense Department contracts of unlimited value without any competition. The amendment also would have lifted a provision that allows Alaska native corporations to earn a bonus when they subcontract with their own subsidiary. But McCaskill [dropped the provision](#) after a debate with Begich on the Senate floor.

"This bill is very different than the amendment she considered offering in 2009," McCaskill spokeswoman Maria Speiser said. "She didn't offer it at the time because she felt it wasn't the right time to successfully push legislation through. Since that time, it's been clear the SBA is not taking the steps necessary to bring the ANC program under control, and with even more information about the program exposed by *The Washington Post*, she felt it was a good time to move forward with reform legislation."

On Wednesday, McCaskill also [asked SBA Inspector General Peggy Gustafson](#) to "investigate the multiple instances of potential waste, fraud and abuse" referenced in the *Post* series, as well as the agency's "lax oversight" of the ANC program. The senator asked the IG to refer all relevant findings to the Justice Department.

SBA, which has proposed its own set of [modest reforms](#) for the ANC program, declined to comment on McCaskill's bill.

"The timing of Sen. McCaskill's proposal -- while Congress is out of session, the changes to the SBA rules are still pending, and legislation would be placed before a lame duck Congress -- is sensationalist," Native 8(a) Works, an Alaska-based advocacy group, said in a statement. "She appears to be driven by headlines, not good public policy."