

Testimony of
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Chairman Rahall, Ranking Member Young, distinguished members of the Committee, thank you for inviting me here today to discuss "Diversifying Native Economies" and the Small Business Administration's efforts along these lines.

My name is Bill Largent and I am the Assistant Administrator of the Small Business Administration (SBA) Office of Native American Affairs. The Office of Native American Affairs' goal is to promote and support economic activities for Native Americans, Native Alaskans, and Native Hawaiian entrepreneurs. We engage in numerous activities including tribal consultations, developing tools to support economic development and participating in national economic development conferences. Other offices within SBA oversee loan programs, individual entrepreneurial training opportunities and business development and government contracting programs.

Since the Office of Native American Affairs (ONAA) is not the program office responsible for administering the 8(a), I will limit my discussion of the program to a brief overview of 8(a) and comment briefly on the April 2006 GAO report concerning Alaska Native Corporations' use of the 8(a) program. I will also address other issues and projects important to enhancing and diversifying native economies that ONAA is working on.

Before I talk about what ONAA is doing with respect to economic development and business ownership it might be helpful for the Committee to know a little about my own experiences. I was appointed to the position of Assistant Administrator of the Office of Native American Affairs in February of last year. I am a member of the Keweenaw Bay Indian Community, Lake Superior Band of Chippewa, Marten clan in Michigan's Upper Peninsula. I started my first business on the Reservation in 1976. My business was not sophisticated or high tech, but a small commercial janitorial service that allowed me to support myself and my family.

When we started it was just me and my partner but it grew to 15 employees doing commercial janitorial, carpet cleaning, and fire restoration along with equipment and supply sales. I sold it in 1986 and moved to Detroit where I continued my entrepreneurial endeavors in various fields of business.

After I started my first company, members of my Tribe and even family members often asked me how I knew how to start a business and what made me believe I could own and run a business. I tell you this to make a simple point. In 1976 the concept of owning and running businesses was unfamiliar to my people, and Keweenaw Bay is not, and was not then, entirely isolated. Since then the Tribes are much more aware of the value of sustainable economic development. However, there is more to do, especially for potential small business owners, and that is where the SBA and the Agency's Office of Native American Affairs come in.

The 8(a) Business Development Program

Since the Committee has specifically expressed an interest in the SBA's 8(a) Business Development Program or the 8(a) program, as it is commonly known, I will begin with a quick overview of that program. The 8(a) program was enacted during the 1960s to assist eligible small disadvantaged business concerns to compete in the American economy through business development. The Small Business Act authorizes SBA to develop business ownership programs for people whose ability to compete in the free enterprise system has been impaired due to diminished credit and capital opportunities. Individual applicants must demonstrate social and economic disadvantage. Although some groups are presumed to be socially disadvantaged, they, as well as all other applicants, must also demonstrate economic disadvantage. Alaskan Native Corporations (ANCs), Native Hawaiian Organizations (NHOs), Community Development Corporations (CDCs) and Tribally-owned 8(a) firms are deemed by statute to be socially and economically disadvantaged. In addition, all U.S. citizens who can demonstrate social and economic disadvantage as well as compliance with the other eligibility requirements are welcome to apply for participation in the 8(a) program. Besides the management and technical assistance provided under the program, firms that are certified for 8(a) program participation may be eligible to receive contracts that Federal Agencies offer to SBA for the 8(a) program through either sole source or restricted competition.

In 1986, Congress enacted legislation that allowed ANCs, NHOs, CDCs and Tribally-owned firms to participate in the 8(a) program. Congress intended this legislation to foster economic development to these respective communities.

Under the Alaska Native Claims Settlement Act, Congress extended certain procurement advantages to 8(a) ANC firms, such as the ability to win sole-source contracts for any dollar amount. In comparison, non ANC-owned 8(a) firms can receive sole-source contracts for up to \$5 million for manufacturing or \$3 million for all other contracts; contracts above those amounts must be competed.

Additionally, for non-ANC 8(a) firms, procurements must be competed whenever possible before being accepted on a sole-source basis while for ANC-owned 8(a) firms, procurements need not be competed before being accepted on a sole-source basis. Another way ANC-owned firms differ from non-ANC 8(a) firms: there is no limit on the number of firms an ANC 8(a) participant may own as long as each business is in a different primary industry. Moreover, the president or CEO of a non-ANC 8(a) must be a disadvantaged individual, whereas the management of an ANC-owned 8(a) firm need not be a disadvantaged individual.

The primary difference between ANC-owned 8(a) firms and non ANC-owned firms lies in the intent of their participation in the 8(a) program. The 8(a) program design anticipates that organization owned firms, including ANCs, will utilize the program to provide economic development to their respective communities. All other 8(a) participant firms utilize the program to receive individual business development, as was the initial intent of Congress. Again, I must emphasize that as the law is currently written, the 8(a) program is simultaneously providing a business development program to disadvantaged individuals while also providing regional or community economic development to organization owned firms including ANCs.

In April 2006 GAO published a report entitled "Increased Use of Alaska Native Corporations' Special 8(a) Provisions Call for Tailored Oversight" to addresses some of the differences I just mentioned. The report notes that Federal contract dollars awarded to firms owned by ANCs grew from \$265 million in Fiscal Year 2001 to \$1.1 billion in Fiscal Year 2004. While there is no indication within this report of wrongdoing by any participants in this program, the report did find that ANCs are increasingly utilizing the special advantages Congress has provided them. The report also found that contracting officers often need guidance on how to effectively use the program to ensure taxpayer dollars are spent wisely, and SBA could make improvements to its oversight of the program.

Also, significant increases in Federal contract dollars went to other groups during the same period of time. From Fiscal Year 2001 to Fiscal Year 2004, contract awards to women-owned small business grew from \$5.5 billion to \$9.1 billion, service-disabled veteran-small businesses grew from \$554 million to \$1.2 billion, HUBZone firms grew from \$1.6 billion to \$4.8 billion, and overall small business grew from \$50.1 billion to \$69.2 billion. The Federal Government achieved its goal during Fiscal Year 2003 and Fiscal Year 2004 that 23 percent of its prime contracting dollars were awarded to businesses that qualified as small businesses, including ANCs. Although there is a small disadvantaged business contracting goal which includes the 8(a) program; there is no separate goal for 8(a). However, in Fiscal Year 2004, 8(a) firms were awarded \$8.4 billion of the SDB achievement of \$18.5 billion.

SBA takes its oversight responsibility over Federal procurement programs very seriously. Even before the release of the GAO Report, the Agency had taken a number of steps to improve the oversight of the 8(a) concerns owned and controlled by ANCs, NHOs, and Indian Tribes and the Agency has continued to look at ways to strengthen the program and increase SBA's oversight capabilities. For instance, the Agency is exploring possible additions to the Business Development Management Information System (BD-MIS) being built to electronically manage all aspects of the 8(a) operations. SBA's efforts also include addressing the staffing levels in the Alaska district office.

Additionally, SBA's Office of Government Contracting and Business Development has been holding meetings with all Agencies to discuss our concerns with Partnership Agreements, which delegate 8(a) contracting authority from SBA to various Federal procuring agencies, to clarify their roles and responsibilities for monitoring contract compliance of and performance by 8(a) firms. SBA has also increased training to field staff responsible for working on 8(a) issues and created a roundtable with the seven largest contracting Agencies to specifically discuss ANC and 8(a) issues.

Office of Native American Affairs and Native American Economic Development

While the Office of Government Contracting and Business Development is working with Federal Agencies, the President has tasked SBA-ONAA (through Executive Order 13175) to host tribal consultations to allow tribes to provide insight into how SBA can better manage the program and address concerns.

As I mentioned earlier in my testimony, when I started my first business there was a lack of awareness of business principles. I saw much of the same situation through my work as a Board Member of the Native American Business Alliance (NABA). When NABA expanded its mission to include businesses located on reservations, both tribally owned and individual entrepreneurs, I was asked to travel to Indian Country to determine the interest of tribes and the best method for representing their interest. It was during this period that I had come to fully appreciate the unenviable position of Tribal Leaders for identifying, creating and running the economic engines that would create jobs and revenue streams, without the basic resources available to virtually every other government in the United States.

Traveling around Indian Country, I came to understand that much if not most of Indian Country was not ready to be in business. The key barriers to success are more than just remote locations, lack of capital, absence of Internet, or even basic utilities, but an unawareness of how business is conducted. The speed, competitiveness, demand and measures of quality are little understood or even discussed.

The unique nature of the Native governance and culture make business creation in Indian Country especially challenging. Because of this I came to the realization that what Indian Country needs is a tool that will provide a comprehensive checklist, assessment and inventory of assets so that decision makers can pursue businesses that are consistent with their unique governance, culture, vision, internal capabilities and resources available to them.

To assist business development in Indian Country I envision a web-based system that will be available to anyone with internet access, though we anticipate that hard copies will be utilized in some areas. This tool is being developed by ONAA with the help of over 25 well respected volunteer private sector attorneys, economists, Tribal leaders and small and large businesspersons of Native descent who are well versed in Indian issues.

Topics in the tool range from the highly technical to the practical, including issues such as:

- Constitutional reform,
- Development of judicial codes,
- The role of government in business,
- Inventorying assets and resources such as hard assets, natural resources, workforce education and skill,
- Assessing relationships with states, local governments, non-tribal members, tribal members living off the reservation,
- Assessing how business practices like hiring, bereavement, compensation and decision making work within the Tribal way of life,
- How does expanding a business economy impact traditional culture,
- Assessing organizational, physical and technical infrastructure.

It is important to note that the tool will not be a magic box, nor will it recommend specific solutions. It will only reflect the value, culture, strengths and weaknesses of the communities that utilize it. Whether it is gaming or other tourism and entertainment endeavors, manufacturing, technology, natural resources, energy or alternative energy, retail or building entrepreneurial environments, the decision is theirs.

While ONAA has other responsibilities and numerous other initiatives, projects and ad hoc tasks the Tribal self assessment tool is our priority. The goal is to provide decision making tools that will enable Tribes to create a positive business environment where they can compete effectively in the private sector. After basic assessments have been made and a business environment that fits the Tribe's culture has been developed, issues such as the SBA loan guarantee programs and entrepreneurial technical assistance will be of greater value. This is why ONAA believes that focusing on providing the basics through the self assessment tool is the first, and most important, course of action in developing, enhancing and diversifying Native economies.

Again, thank you for inviting me to testify on this important subject. I will be happy to address questions you might have about ONAA's work.