

**Testimony of
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Hearing
Committee on Natural Resources
Congressman Nick Rahall, II, Chairman
Rep. Don Young, Ranking Member

“Diversifying Native Economies”

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Chairman Rahall, Ranking member Young and distinguished members of the committee, thank you for the opportunity to appear before you today on behalf of the Alaska Federation of Natives (AFN) to talk about the importance of diversifying Native economies, the Small Business Administration's 8(a) program to the Native people of Alaska and other important considerations.

My name is Julie Kitka. I am testifying today in my capacity as President of the Alaska Federation of Natives (AFN), a position I have held for seventeen years.

First, on behalf of the Native people of Alaska, thank you for your many years of service in the Congress, in the House of Representatives, and on this Committee. We are grateful for you and your dedicated staff's hard work over the years. On the ground, at home, your work has made a difference. Our people have greater opportunities. Our Elders live longer, healthier lives. Our children receive better education. Our people live in safer homes. The improvements in our lives are real and measurable. We are grateful.

By way of background, AFN is the largest statewide Native organization in Alaska representing more than 130,000 Alaska Natives. We are a young, growing

population – projected to double in size every 23 years and so our need for a solid economic base is absolutely essential.

The Alaska Native population, although united in AFN, are a very diverse group. We have Yupik, Cupik, and Inupiat Eskimo peoples; Athabascan, Tlingit, Haida and Tsimshian Indian peoples; and Aleuts. Our Native cultures are land-based, and our occupation and use of our land predates Plymouth Rock and the pyramids. And within each cultural group, there is diversity – across generations, across geography, and across gender. Because of this great diversity, there is no “one solution fits all”. We need a cluster of economic, health and educational initiatives which empowers our Native people to be able to maintain our unique land-based cultures and participate fully in the larger society.

Background:

AFN was organized in 1966 to facilitate bringing the various regional and village associations together, to advocate with one voice for a fair settlement of our aboriginal land claims.

With the discovery of oil in Prudhoe Bay-and the need for clear title in order to build a pipeline to bring that world-class discovery on line in order to provide for the energy needs of our country—a sense of urgency created an historic opportunity for the settlement of our land claims. In December 1971, after years of effort by Members of the U.S. Congress and Alaska’s Native leadership, the

Alaska Native Claims Settlement Act, (ANCSA), P.L. 92-203 was signed into law by President Richard Nixon. In extinguishing aboriginal claims, Alaska Natives were compensated with fee simple title to 44 million acres of land and \$962.5 million for lands lost to state, federal and private interests. The Act created 13 regional for-profit corporations and more than 200 village corporations to receive and oversee the land and monetary entitlements.

Native Corporations – Value-based Entities

We have now had thirty-six years working in corporate structures, modifying them over time with your help, to better meet the aspirations of our people. Our corporations continue to be value-driven entities – let me share one small example: NANA Regional Corporation, representing the Inupiat people in Northwest Alaska has as its corporate values the following statements:

Honesty and integrity will govern all activities

All individuals treated with respect

Commitments made will be fulfilled.

This is what the NANA leaders say and believe. This is what they instill in all their employees and strive to be. Other Native corporations have similar statements of values, and they are not just on paper. We are deeply influenced by our cultural values as we go about the hard work of building sustainable economies. It makes for high standards, but in respect for our Elders, we can do nothing less than our very best.

Current Situation: The US Economy is Strong and Expanding, but pockets in the US are still excluded from the economic growth

As Americans, we are fortunate in the last few years to be living within a strong US economy, which continues to expand. But we know this strong US economy is not shared throughout the country and there are pockets of communities still struggling. We in Alaska, live in a homeland full of potential. We need your continued attention and support to ensure that all our Native people have the opportunity to fulfill the promises of both our land settlement and as citizens of the United States, living in the strongest, most powerful country in the world.

The rapid pace of change with technology and globalization requires the United States to look closely at the regional economies in our country. The Congress must provide targeted assistance, as necessary, so we may have access to, and keep up with changing technology, and ensure that the “economic pie” continues to expand, rather than constrict. We need a level playing field and a hand up, to allow Native entities to participate fully and keep the United States competitive in the world economy.

The remainder of my testimony will cover the following areas:

1. 8a Government Contracting and the Special Trust Relationship
2. Alaska Native Participation in the 8a Program – Part of the Solution
3. Other Economic Initiatives - Applying Fifty Years of US Development Experience – A New Demonstration Project (H.R.3351)

4. Recommendations and conclusion.

8(a) Government Contracting and the Special Trust Relationship

Over the years since ANCSA was passed, Congress has enacted many laws to foster self-sufficiency and economic development in Native communities. Among the most successful of these laws are the special provisions implementing Section 8(a) of the Small Business Act. The contracting status offered by the 8(a) program is based on the trust and statutory relationship between Native Americans and the federal government. As you are well aware, there is a special legal and political relationship between the United States and Indian and Alaska Native Tribes, and that special legal and political relationship is grounded in treaties, the United States Constitution, federal statutes, court decisions and a history of negotiations. We also note that this special legal and political relationship between the United States and Native American tribes includes Alaska Natives. Although the legal status of Alaska Native corporations is different than that of Tribes, it has long been recognized that a special legal and political relationship exists between the United States and Alaska Natives.

The federal government has an obligation to foster self-sufficiency and economic development in Native communities. Congress amended ANCSA to help Alaska Natives overcome barriers to economic development in rural Alaska by allowing them to be eligible to participate in the 8(a) program. We consider this an integral part of the original ANCSA economic settlement.

The ANCSA regional and village corporations and tribes in Alaska that have participated in the 8(a) SBA program have achieved success by providing real value and quality work for the government at a fair price. By paying attention to detail, and by being careful stewards of the responsibility entrusted to us by the government, we have delivered a needed service to the government while at the same time providing job opportunities and economic upward mobility opportunities for our Native people.

Since our land base and resources are held by our Native corporations, and are not trust lands held by tribes with reservation status, the financial health of our Native corporations is extremely important to our continued existence as distinct, land-based cultures and peoples living in the United States. Contracting opportunities have allowed us to contribute to our country, gain experience, continue to build capacity, and reinvest profits back into our corporations and people for the future.

As First Americans who have used and occupied our homelands in Alaska for over 10,000 years, and who continue to live in the farthest Northern corner of the United States, we are here to stay. We have a land base, are building our capacity in the use of corporations, and are modifying the corporate structure with the help of the Congress to better meet the needs of our people. Every

Congress since 1971 has had a package of technical amendments to fine-tune various aspects of the original settlement.

As I said, we have 36 plus years enmeshed in capitalism as a result of our 1971 land claims settlement in which you--the Congress--chose the corporate form of governance for our people. We have had a steep learning curve.

Participation in the 8(a) program has enabled our Native-owned businesses to develop the experience, skill and expertise necessary to succeed in the competitive business market. The 8(a) program has helped Alaska Native entities overcome significant economic barriers, create and expand competitive businesses in the private and federal markets, create new business opportunities in remote rural areas of our state and return profits to our communities.

Alaska Native Participation in the 8(a) Program – Part of the Solution

One of the reasons we are here today, with a united voice, is to tell you that we need this program for our people. It is an exceedingly rare example of federal Indian policy that successfully promotes economic development and self-sustainability without large direct federal appropriations.

There have been many examples stated earlier in this hearing from Native participation in the SBA 8a program. Others at this hearing will place into the record statistics and concrete examples. I would like to highlight several areas: capacity building, improving productivity, learning from mistakes and shared best practices.

In my view, participation in the 8a program builds capacity in our people to contribute to US competitiveness in the global economy. This is not a hand-out. We are helping the government by providing quality services which the government wants and needs. It is not all about us and what we want. It is about what the government wants and how we can help.

Participation in the SBA 8a program forces us to be as productive with our resources and manpower as possible. We make improvements continually and this makes for tighter operations and less waste. This makes the government more productive and it builds work practices which are superior and strives to be nothing short of excellence.

Participation in the SBA 8a program and government contracting in general will never be free of errors or mistakes. When we identify areas of improvement, or errors we have systems for self-correcting. This is an important capacity and bodes well for the future. You can look at stacks and stacks of letters of commendation that Native contractors have received for improving services on specific jobs for the government. We are very proud of this.

Participation in the SBA 8a program allows us to learn. We have opportunities to identify and share best practices – basically the unlimited opportunity to marry best practices learned to other endeavors within our Native communities. Incentives must be put in place to drive this experience to other sectors within

our communities. For example: our experiences in logistics in contracting should carry over to our housing and health systems; our experience in growing Native managers and professionals – carry over to governance and not-for-profit sectors; and accountability – applies to all we do. For example, one of the best things I have felt personally about the SBA 8a experience, especially with Department of Defense contracts, is the need for Native leadership and managers to go through the government security process and obtain top security clearances. Nothing tells a Native leader or manager more about the importance of the contracting work than to know your federal government depends on you. You rise to the challenge.

Lastly, the program is the cornerstone of our future and we need to strengthen it for the benefit of all Alaska Natives and American Indians. As less and less funding is available for Indian concerns including health and social benefits, Congress should look more closely at programs like this one that benefit both Alaska Natives and American Indians by helping them attain economic independence.

Other Economic Initiatives: Applying 50 Years of US Development Experience, A Demonstration Project (H.R. 3351)

Earlier in my testimony, I spoke of the diversity within the Native people of Alaska. I also mentioned that no one solution fits all. An exciting new initiative, outlined in H.R. 3351 speaks to testing out another model of building Native

economies. H.R. 3351, the “Native American Challenge Demonstration Project Act” has been introduced by Congressman Young and is pending in this Congress. The Alaska Federation of Natives is very supportive of this bill, which we believe represents a welcome paradigm shift in the way the federal government promotes economic development in Native America. It also represents the fruition of several years of intense discussion within parts of the Alaska Native community on how we can meet the challenge of reducing poverty and promoting sustainable economic growth in our rural villages.

Briefly, the underlying concept of the bill is to apply the lessons learned from decades of American experience in providing foreign aid in the developing world, and applying those lessons domestically in remote parts of Native America. The bill builds heavily on the approach used by the Millennium Challenge Corporation, in that it uses a compacting model to channel a significant amount of development funds for implementing locally designed economic development strategies. As introduced, the bill would authorize \$100 million over five years, for disbursement in five pilot projects nationally, one in Alaska, one in Hawaii, and three in the Lower 48 States.

For the Alaska component, AFN has worked closely with two Native regional organizations in southwest Alaska, the Association of Village Council Presidents and the Bristol Bay Native Association. Together these adjacent Native regions span 96,000 square miles, and contain 87 Native villages and one-quarter of the Native population of Alaska. These regions have a rich cultural heritage, and truly incredible natural resources, yet paradoxically have

among the highest poverty and unemployment rates in the state, and in the country.

We believe that these regions are ripe for this demonstration project. Both regional organizations are experienced with operating federal programs under Indian Self-Determination Act compacts, have a history of collaboration, and have done much of the planning legwork for undertaking economic development using this model.

The experience of the AFN, BBNA and AVCP and others, is that many federal programs that should foster economic development are splintered, suffer from lack of coordination between federal agencies, are often poorly timed, and are complex and poorly understood by their intended beneficiaries. They thus remain under-utilized, as was borne out by the 2001 General Accounting Office report, GAO-12-193, which reviewed the effectiveness of some 100 federal programs that serve Native Americans.

The Alaska Federation of Natives urges Congress to take self-determination to the next level, and to foster – and adequately fund – locally created strategies for reducing poverty and fostering economic growth. H.R. 3351 will do this.

Recommendations and Conclusion:

The following recommendations are offered in the spirit of positive dialogue on the role of the federal government to constantly seek to expand the “economic

pie,” and to share the prosperity of our growing economy to the pockets of people within the United States that are often left out, and left behind.

1. We ask the Committee to closely follow the SBA Administration’s 8a consultation process and support administrative recommendations to strengthen the program. There is no need to enact legislation now. Let’s let the administrative process proceed. AFN, together with the National Congress of American Indians and others are assisting in the consultation process. In fact, the first Alaska meeting is on October 24th in Fairbanks, prior to our Annual AFN Convention. AFN would be pleased to provide the Committee a detailed report and our recommendations following all the consultation meetings.
2. Congress should support and enact this year, HR 3351, a demonstration project applying fifty years of US development experience to Native American communities. Give our project a chance for success.
3. Recognizing that U.S. businesses, including Alaska Native corporations, are not just competing with other states for jobs, but are also competing with China, India, Korea and other countries for the capital to build businesses, and recognizing that the jobs go where the businesses go, Congress should make high-speed telecommunications a national priority to help drive up our country’s productivity and potential for economic growth. We need fast, accurate communication networks to stay competitive in the global economy. Given the geographic breadth of

Alaska, and its strategic location in the growing East-West sphere, we need the most advanced telecommunications services in order to continue to build our capacity and to compete for jobs and capital.

4. Congress should enact legislation to change the investment climate in rural Alaska and within reservation economies across the country. The Congress should support economic development by creating investment guarantees by expanding current US economic policy to offer domestically the same incentives that are offered to investors in China, India and Brazil.
5. Congress should authorize a feasibility study of a demonstration project in Alaska to be the first outsource free trade zone in the United States. Similar feasibility studies should be authorized for other Native American communities, if there is interest. In order for the US to compete worldwide for jobs and capital, we must offer business advantages that can compete with other major out-source suppliers in China, India, and now Dubai in the United Arab Emirates. Recent reports indicate that Dubai is looking at a targeted share of 5 percent of the global outsourcing industry in five years. Dubai has set up a trade zone that offers advantages such as streamlined bureaucratic processes, zero corporate income tax, and zero personal and sales taxes. The country is also funneling a large amount of funds into construction and diversification plans. A feasibility study of a demonstration project in Alaska, and within other Native American communities, would examine the pros and cons of such an approach in the United States, and tell us whether or not it makes sense. If Congress

decided to authorize such a feasibility study, the AFN would like to be a part of it.

6. Congress can enact legislation to create “knowledge economy ecosystems” designed to support the business and government needs of information and communications technology and include other sectors.

Congress is aware that knowledge is the most valuable commodity in the economy of the post-industrial world. Congress can ensure that Alaska Natives are able to participate in the global economy, even among business giants that have tremendous wealth and the ability to innovate beyond what we can now imagine. Congress should note that Dubai is setting up what is called the Dubai Knowledge Village – described as a vibrant, connected learning community that will develop the region’s talent pool and accelerate its move into the knowledge economy. Congress must not allow U.S. businesses to fall behind or be hobbled in their drives to be competitive entities in the global economy.

7. Congress can support multiple demonstration projects on workforce development for the knowledge economy, including one in Alaska. A multi-department initiative including the U.S. Departments of Labor, Education and Commerce is needed immediately.

8. Congress should authorize and fund a knowledge-management/financial entity to capture best practices in government contracting. This entity would foster innovation in developing the capacity of Alaska Native peoples and their organizations. It would identify strategic drivers,

forecast various economic scenarios and trends, and review developing models for promising practices in the delivery of services for both the government and private sector. Most importantly, it would help facilitate expanding mentorship opportunities and breathe fresh air into technical assistance efforts. A focus on improved productivity and best practices would equal savings to the government and improved services. Again, a similar entity to focus on reservation specific contexts should be considered if there is interest.

9. Congress should establish two different financial funds, a Native American Economies Diagnostic Studies Fund and a Native American Incubation Center Fund. The first fund—the Native American Economies Diagnostic Studies Fund—would be designed to provide comprehensive economic analyses of Native economies and, in turn, offer recommendations to remove or ameliorate inhibitors to greater investment and job creation. AFN has recently created an Economic Diagnostic Fund, which is a public-private partnership to begin this needed effort. The support of this Committee, and action by the Congress to ramp up this effort would be very helpful. The second development fund—the Native American Incubation Center Fund—would be designed to encourage the design and implementation of pro-growth economic policies to help stimulate Native economies. AFN strongly supports the underlying rationale behind the establishment of funds designated for these purposes and believes

they would assist economic development throughout Alaska, and within other Native American communities, if they were enacted into law.

In closing, I would like to commend the committee for their commitment to the issue of economic development and for looking at strategies for building healthy Native economies and stronger Native communities. I ask you on behalf of the Alaska Native people to consider the enormous benefits the 8(a) program has provided to Alaska Natives and the role it plays in fulfilling the federal government's obligation to foster self-sufficiency and economic development for our people. The continuation of the program is essential in helping Native people gain control over our future, over our lives, and over our destinies. It is also equally important to support a cluster of new economic initiatives which fosters innovation, economic growth and shared prosperity.

Thank you for the invitation to testify, and I welcome any questions you might have.

Attachments:

- 1) Matrix of Alaska Native Organizations and State and Local Governments
- 2) Matrix on Native Peoples and Languages of Alaska
- 3) Several maps of Alaska for comparison purposes

Native Peoples and Languages of Alaska

The aboriginal affiliation of Alaska Natives is derived from ancestral linguistic groups. The two major Alaska Native language families are the Eska-Aleutian and Na-Dene. Eska-Aleutian languages are further divided into Aleut and Eskimo—the two major languages in Eskimo are Yupik and Inupiaq. The Na-Dene family language includes the Athabaskan languages, Eyak and Tlingit. Other language families in Alaska are Tsimshian and Haida.

Alaska Native Language Groups

Language Family	Language Names
Eskimo-Aleut	
Aleut	Aleut
Eskimo	Alutiiq (Sugpiak) Central Yupik Siberian Yupik Inupiaq
Tsimshian	Tsimshian
Haida	Haida
Athabaskan-Eyak-Tlingit	
Tlingit	Tlingit
Eyak	Eyak
Athabaskan	Ahtna Tanaina Ingalik Holikachuk Koyukon Upper Kuskokwim Tanana Tanacross Upper Tanana Han Kutchin

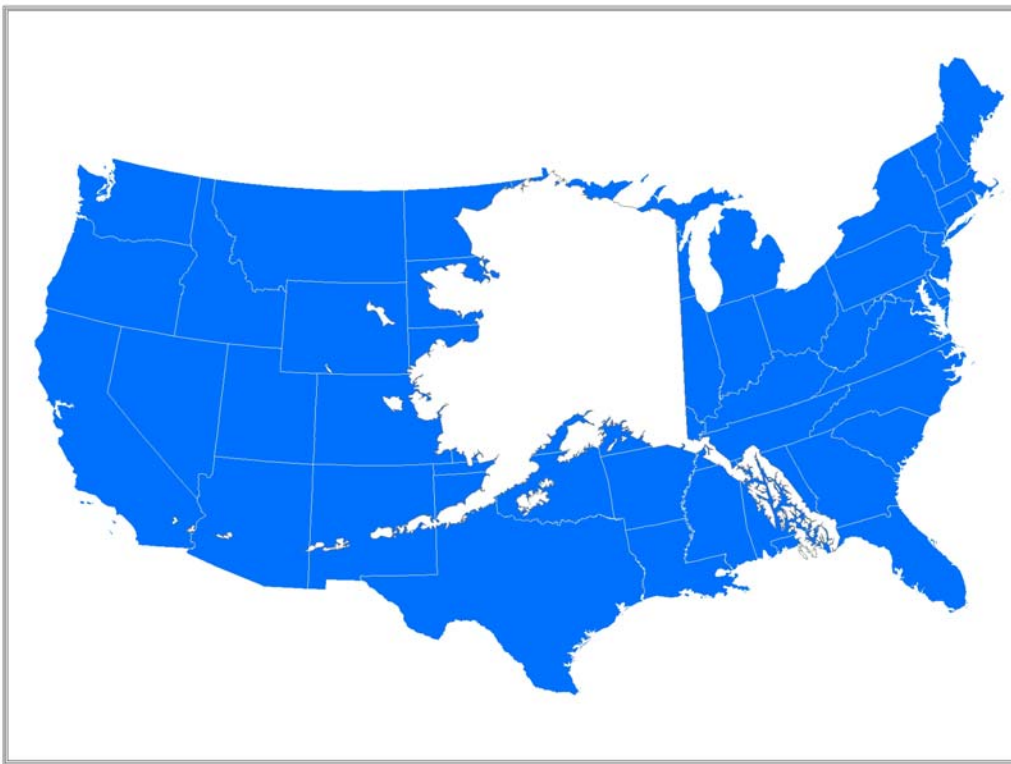
Geographic Divisions The Inupiat live in North Alaska, along the Beaufort and Chuckchi Sea coasts (and inland), along the Kotzebue Sound, and down to Unalakleet in the Norton Sound. The Siberian Yupik (Eskimos) live on St. Lawrence Island, while the Central Yupik can be found along the coast (and inland) of Norton Sound from Unalakleet to Egegik in Bristol Bay. The Alutiiq (Eskimos) are found primarily on the Alaska Peninsula, Kodiak Island, and along the coast into Prince William Sound up to Eyak. The Aleuts live primarily on the Aleutian Islands. Athabaskans (Tanaina, Ahtna, Ingalik, Upper Kuskokwim, Holikachuk, Koyukon, Tanacross, Upper Tanana, Han, and Gwich'in) are found in Interior Alaska. The Eyak, Tlingit, Haida and Tsimshian live primarily in southeast Alaska.



Alaska Native Organizations and State and Local Governments

- 229 Federally recognized tribal governments
- 168 ANCSA village corporations
 - 4 ANCSA urban corporations (Juneau, Kenai, Kodiak and Sitka)
 - 13 ANCSA regional corporations
 - 12 ANCSA regional nonprofit corporations
 - 85 Indian Housing Authorities
 - 22 Alaska Native Regional Health Organizations
 - 8 IHS Independent tribal 638 Compactors/Contractors
- 16 Organized State Boroughs (units of local government similar to counties found in most states), including 3 Unified Home Rule Municipalities (an organized borough which includes all the cities within the borough as a single unit of local government)
 - 1 Unorganized borough encompassing about 2/3 of the State, made up of large areas of sparsely populated land, subdivided into **23 Regional Educational Attendance Areas (REAA's)** charged with administering local schools
- 21 First class cities
- 114 Second class cities

Background: To gain perspective, it is helpful to realize that the United States is about half the size of Russia, about 3/10th the size of Africa, about 1/2 the size of South America, or slightly larger than Brazil, slightly larger than China and about 2 1/2 times the size of Western Europe. Within the United States, Alaska is the largest state, about 2.3 times the size of Texas and about 1/5th the size of the lower 48 states.



Alaska has one of the largest Native populations in the United States. Our people make up about 22 percent of the total population in Alaska and our people are scattered across the entire breadth of the state. Our Native cultures are land-based, and our occupation and use of our land predates Plymouth Rock and the pyramids.

For comparison purposes, the next map is created by overlaying the boundaries of the State of Alaska over Europe. As you study the overlay, you will see how many countries of Europe are totally engulfed, or touched within the boundaries. They include Portugal, Spain, Germany, France, Switzerland, Italy, Austria, Slovenia, Macedonia, Bulgaria, Romania, Ukraine, Hungary, Belarus, Slovakia, and the Czech Republic. If you stop and think about this for a minute, you will understand how large Alaska is as a land mass and how great the logistics and infrastructure needs are in terms of building sustainable economies. To survive and prosper in such an environment requires tremendous effort and supportive government policies.

