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Senate Committee on Small Business & Entrepreneurship  
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Washington, D.C. 20515

**Hearing Date:** Friday, June 29, 2018

**Hearing Title:** Opportunities & Challenges with the Small Business Administration's Federal Contracting Programs

Chairman James E. Risch and Members of the Committee:

My name is Gabriel Kompkoff and I am Chief Executive Officer of Chugach Alaska Corporation (Chugach). Chugach is the Regional Native Corporation organized under the Alaska Native Claims Settlement Act (ANCSA) for Alaska Natives historically residing in the Chugach Region. Chugach currently has approximately 2,600 Alaska Native shareholders.

It is my privilege to submit the attached testimony regarding the opportunities and challenges associated with the Small Business Administration's federal contracting programs.

We appreciate the discussion of this important topic and the opportunity to share Chugach's perspective.

Sincerely,

Gabriel Kompkoff

CEO



June 29, 2018

## Opportunities & Challenges with the Small Business Administration's Federal Contracting Programs

### Short (Oral) Testimony

Thank you Senator Risch, Senator Sullivan, Senator Murkowski, Associate Administrator Robb Wong and the delegation that has come all this way to participate in this important discussion. It is my privilege to testify before you discussing opportunities and challenges with the Small Business Administration's (SBA) federal contracting programs – in particular, the 8(a) Business Development program.

My name is Gabriel Kompkoff and I am Chief Executive Officer of Chugach Alaska Corporation (Chugach). Chugach is a regional Alaska Native Corporation organized under the Alaska Native Claims Settlement Act – also known as ANCSA. Today, Chugach has approximately 2,600 Alaska Native shareholders.

The SBA's 8(a) business development program is the missing link to ANCSA in that it provides an economic engine for ANCs to generate profits that benefit entire communities of Alaska Native shareholders. Further, these programs are serving their intended purpose to be a stepping stone, affording small-disadvantaged businesses the opportunity to compete in the federal market and access specialized training, development and counseling. In 2016 the twelve ANCSA Regional Corporations brought in \$8.2 billion in revenue; only 24% of the revenue was derived from Federal 8(a) contracting showing that ANCSA Regional Corporations are responsibly utilizing the 8(a) contracting mechanism to mature and diversify our businesses and position ourselves to compete in both the set-aside and the full and open competitive marketplaces thereby continuing to contribute to the U.S. economy.

The 8(a) Program is an economic tool for not only individuals, but tribes of people whose social and economic well-being is enriched by revenue generated by their corporations. For example, in 2017, Chugach's shareholder distributions included:

- \$9.7 million in dividends and Elder distributions;
- \$11.5 million donation to the Chugach Heritage Foundation (CHF) Endowment, which provides educational and scholarship opportunities to shareholders;
- \$974,000 for cultural program, including Nuuciq Spirit Camp;
- \$706,000 in scholarships for shareholders and their descendants seeking college or university degrees, vocational certificates, and job training;
- \$633,000 for intern and apprenticeship programs; and
- \$8.0 million in wages to shareholders, spouses and descendants.

We would like to thank the SBA for their continued work in supporting and advocating for small business enterprises. In support of the SBA mission, we'd like to highlight some areas that are impacting ANC's viability within the SBA's federal contracting assistance programs.



1. We have seen an increase in bundled contracts over the past several years, which ultimately removes the contracts from the small business program. As a result, we have experienced our contract periods being shortened on existing contracts, despite quality performance, in order to align contract awards for bundling. Further, the bundled contract is often better suited to larger companies with a broader array of offerings, removing the focus on specialized services the smaller businesses are competitive in. We implore the SBA to more strongly advocate to protect against bundling, keeping contracts within the scope of the small business programs.
2. We commend the SBA's commitment to be a partner and resource for small businesses through the Procurement Center Representatives (PCRs). We have enjoyed working with several engaged PCRs. We encourage the SBA to continue to support and strengthen the PCR program to ensure a fully engaged and consistently trained PCR group.
3. We encourage swiftly filling the role of Administrator for the Office of Native American Affairs. This role is a critical one to ensure the unique challenges and program complexities for native communities with respect to federal contracting are addressed.

While the SBA's federal contracting programs are a success story for our Native communities, our U.S. economy and the agencies we serve through this vehicle, ANCs still have a long way to go in helping to more fully address the serious economic and social issues and problems among our people. We believe maintaining a healthy federal contracting assistance program for small and disadvantaged business is critical to our success and we commend the efforts of the committee and advocates such as Senator Sullivan, Senator Murkowski and Congressman Young to keep the SBA moving in the right direction. In particular, we believe that protecting small business set-aside contracts from bundling, strengthening the PCR program and ensuring leadership is in place for the SBA Office of Native American Affairs are important pillars to moving in the right direction. As you know, supporting and empowering small businesses and entrepreneurship is a part of the fabric of this country; we are proud to be a part of its legacy.



## Long (Written) Testimony

My name is Gabriel Kompkoff. I am Chief Executive Officer of Chugach Alaska Corporation (Chugach). Chugach is a regional Alaska Native Corporation organized under the Alaska Native Claims Settlement Act – also known as ANCSA. I also serve on the board of directors for ANCSA Regional Association. Today, Chugach represents around 2,600 shareholders, and collectively Alaska Native Regional Corporations serve more than 127,000 Alaska Native shareholders.

It is my privilege to testify before you to discuss opportunities and challenges with the Small Business Administration's (SBA) federal contracting programs – and in particular, the 8(a) Business Development program.

Native small business contractors, like subsidiaries of Chugach, participate in the SBA's federal contracting programs to facilitate economic development and growth in our communities. Our communities are comprised of people committed to the continuation of our Native heritage; and they are committed to the success and prosperity of our country. A little-known fact – Alaska Native people have the highest rate of military service of any ethnic group in the U.S. Therefore, we are proud of the service and value we, and other Alaska Native Corporations provide to the U.S. Government.

Further, ANCSA Regional Corporations like Chugach have a significant impact on the U.S. economy by creating jobs and business activities. As reported in the 2017 Economic Report from the ANCSA Regional Association, in 2016 the regional corporations employed 49,771 people worldwide. While Alaska is the largest payroll for regional corporations, it is only 35% of the total labor expense, meaning nearly two-thirds of our labor impact is made through the U.S. and worldwide. The states in ANCSA Regional Corporations' top ten list for payroll includes Alaska, Maryland, Virginia, Alabama, California, Texas, Louisiana, Florida, New Jersey, and Maine, accounting for 36,763 employees and \$2.1 billion in payroll. CIRI also manages an environmental, natural resource and construction services company based in Idaho.

We are empowered to proudly serve our country through professional services, because of the Small Business Administration's federal contracting Program that allows socially and economically disadvantaged individuals and businesses a level playing field in access to government contracting.

For Chugach, the SBA's federal contracting programs are a unique part of our company's story as a critical element to helping us overcome adversity. In March of 1989, an oil tanker called the Exxon Valdez grounded beside the Native Village of Tatitlek in the heart of our region and spilled 11 million gallons of crude oil in the waters of Prince William Sound. Virtually overnight, Chugach lost all our fishing and cannery operations, our timber and logging operations, and we were forced to declare bankruptcy. It is impossible to overstate the consequences of this event on Chugach's shareholders and region. Our businesses, region and communities were devastated. In order to continue fulfilling our critical mission to serve our people, we had to find new ways of generating revenue and providing value-added service.

The SBA's 8(a) business development program is the missing link to ANCSA in that it provides an economic engine for ANCs to generate profits that benefit entire communities of Alaska Native



Shareholders. Further, these programs are serving their intended purpose to be a stepping stone, affording small-disadvantaged businesses the opportunity to compete in the federal market, access specialized training, development, and counseling. In 2016 the twelve ANCSA Regional Corporations brought in \$8.2 billion in revenue. Only 24% of that revenue was derived from federal 8(a) contracting, demonstrating that ANCSA Regional Corporations are responsibly utilizing the 8(a) contracting mechanism to mature and diversify our businesses and position ourselves to compete in both the set-aside and the full and open competitive marketplaces thereby continuing to contribute to the U.S. economy.

The 8(a) Program is an economic tool for not only individuals but tribes of people whose social and economic well-being is enriched by revenue generated by their corporations. For example, in 2017, Chugach's shareholder distributions included:

- \$9.7 million in dividends and Elder distributions;
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- \$633,000 for intern and apprenticeship programs; and
- \$8.0 million in wages to shareholders, spouses and descendants.

In fact, I, as a Chugach shareholder was shaped in significant ways by the support of Chugach. I received a scholarship for my undergraduate degree from the Chugach Heritage Foundation, and eventually served on the Board of Directors before being appointed as a leader in the organization.

We would like to thank the SBA for their continued work in supporting and advocating for small business enterprises. In support of the SBA mission, we'd like to highlight some areas that are impacting ANC's viability within the SBA's federal contracting assistance programs.

1. We have seen an increase in bundled contracts over the past several years, which ultimately removes the contracts from the small business program. As a result, we have experienced our contract periods being shortened on existing contracts, despite quality performance, in order to align contract awards for bundling. Further, the bundled contract is often better suited to larger companies with a broader array of offerings, removing the focus on specialized services the smaller businesses are competitive in. We are concerned about the apparent trend of bundling which is hurting small businesses. We implore the SBA to more strongly advocate to protect against bundling, keeping contracts within the scope of the small business programs.
2. We commend the SBA's commitment to be a partner and resource for small businesses through the Procurement Center Representatives (PCRs). We have enjoyed working with several engaged PCRs. We encourage the SBA to continue to support and strengthen the PCR program to ensure a fully engaged and consistently trained PCR group. We believe that there are a group of engaged PCRs that take their mission very seriously and truly help our small businesses. However, we have experienced many that just see it as an additional duty



and don't seem to embrace the spirit of what they are charged to do. We request the SBA take a hard look at the performance of all PCRs so that we can truly utilize these assets as intended.

3. We highly encourage swiftly filling the role of Administrator for the Office of Native American Affairs. This role is a critical one to ensure the unique challenges and program complexities for native communities with respect to federal contracting are addressed.

While the SBA's federal contracting programs are a success story for our Native communities, our U.S. economy and the agencies we serve through this vehicle, ANCs still have a long way to go in helping to more fully address the serious economic and social issues and problems among our people. We believe maintaining a healthy federal contracting assistance program for small and disadvantaged business is critical to our success and we commend the efforts of the Committee and advocates such as Senator Sullivan, Senator Murkowski, and Congressman Young to keep the SBA moving in the right direction. We believe that protecting small business set-aside contract from bundling, strengthening the PCR program and ensuring leadership is in place for the SBA Office of Native American Affairs are important pillars to moving in the right direction. As you know, supporting and empowering small businesses and entrepreneurship is a part of the fabric of this country; we are proud to be a part of its legacy.