

# NATIVE 8(a) WORKS

FOR AMERICA



- COMPETITIVE
- EXCEPTIONAL VALUE
- OPPORTUNITIES FOR ALASKANS

## FACT SHEET: CALCULATING BENEFITS TO SHAREHOLDERS

Native 8(a) contracting has proven transformational for many Alaska Native Corporations (ANCs) and their shareholders, some of whom live a subsistence lifestyle without running water and flush toilets. 8(a) profits have significantly improved the lives of shareholders and provided educational opportunities that will pay dividends for decades.

Calculating the exact benefits to shareholders is much more complex than dividing \$720 million by 130,000 to reach \$615 per person per year. This simplistic and inaccurate calculation (performed by Majority staff analysts for the Subcommittee on Contracting Oversight in 2009) has several flaws:

As explained in detail below, the Congressional staff estimate does not account for:

- Stock dilution through shareholder growth
- Double-counting of shareholders
- Non-share-holding Alaska Natives
- Benefits by ANCs not included in the 19 that provided data
- Growth in shareholders' equity (meaning the underlying increased value in the corporations)
- Number of shareholders in ANCs not engaged in 8(a) contracting.

There were 79,044 initial ANC shareholders in 1971. Through inheritance, gifting and stock granted to lineal descendants, that number has now grown to 112,686.

Original ownership is diluted by the addition of 42 percent new shareholders. While original shareholders

received 100 shares of stock, it is now estimated that the average regional ANC shareholder holds 70 shares. That means any per-shareholder calculation of benefits utilizing the current number of shareholders is understated by at least 42 percent.

This dilution factor would raise the Congressional staff's calculation to \$877. Again, however, this calculation does not account for the increased value in ANCs as a result of economic efforts in the last 30 years.

- There are only 112,686 regional ANC shareholders, not 130,000. Since virtually every village and urban ANC shareholder is also a regional ANC shareholder, it appears that Congressional staff double counted about 17,000 shareholders.
- Most Native homes have two shareholders meaning the economic impact of 8(a) per household is double that of Congressional calculations.
- Much of the \$720 million has come in recent years as successful ANC utilization of Native 8(a) has increased significantly.
- Dozens of ANCs participate in the 8(a) program in varying degrees of business development. Some are long-time, successful participants with significant portfolios. Others are just beginning to develop 8(a) capability.
- Much of the \$720 million goes to scholarships and other educational benefits, which results in long-term, permanent improvement in the economic and social

## NATIVE 8(a) WORKS

Learn more at [www.native8aworks.org](http://www.native8aworks.org).

---

well-being of Alaska Native people. ANCs awarded more than \$11 million in scholarships in 2008 alone.

- In addition to educational scholarships, ANCs provide a wide variety of shareholder benefits, including such things as insurance, death benefits and burial assistance, reforestation, elder benefits, spirit camps, small business grants, subsistence programs and travel scholarships to cultural events.

### **Gross Revenues versus Net Profits**

- Some Native 8(a) critics artificially minimize shareholder benefits by using gross revenues of a contract to calculate the trickle down to recipients. But corporations, Native and non-Native alike, pay shareholder benefits out of net profits, not gross revenue and 8(a) contract margins tend to be slim, typically in the low to middle single digits. An analysis of 2008 8(a) profits from selected ANCs found that while 8(a) gross income totaled \$221 million, net 8(a) profit was \$9.1 million or 4.1 percent.