



**TESTIMONY OF THE
NATIVE HAWAIIAN ORGANIZATIONS ASSOCIATION (NHOA)**

**BY
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**BEFORE THE
U.S. HOUSE COMMITTEE ON SMALL BUSINESS
SUBCOMMITTEE ON INVESTIGATIONS, OVERSIGHT AND REGULATIONS
HEARING ON “NATIVE 8(A) CONTRACTING: EMERGING ISSUES”**

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Introduction

Thank you, Chairwoman Chu, Ranking Member Spano and Members of the Subcommittee for inviting the Native Hawaiian Organizations Association (NHOA) to testify this morning. My name is Edwin (Skip) Vincent and I am pleased to testify on behalf of NHOA where I have served as an active member of the Board of Directors since 2012. NHOA appreciates this opportunity to present to the Subcommittee our experiences with the U.S. Small Business Administration's 8(a) Business Development Program as it relates to Native Hawaiian Organizations (NHOs) and Federal contracting generally.

Founded in March 2007, NHOA is headquartered in Honolulu, Hawaii and is a 501(c)(6) trade association that represents NHOs, as defined by SBA regulations, and their 8(a) subsidiaries. NHOA's mission is "to protect, promote, and advance the preservation of Federal contracting for NHOs." Our current membership is comprised of twenty-four (24) members, ten (10) of whom are newer members of NHOA who are not yet 8(a) certified. The NHO 8(a) program has enabled our fourteen (14) members who are active in the program to support Federal agencies across the country while creating jobs and providing financial resources to address specific needs of the Native Hawaiian community.

Native Hawaiians, the indigenous people of the Hawaiian islands, disproportionately suffer from poor socioeconomic conditions. While the root causes of these conditions are complex, many of them are related to limited economic opportunities. I along with all NHOA members have a deep passion to help the Native Hawaiian people. We firmly believe that as participants of the NHO 8(a) program we have a responsibility to our communities. Further, we are dedicated to ensuring the long-term success of the NHO 8(a) program, which we believe will enable us to enhance economic viability and create a self-sufficient, thriving Native Hawaiian community.

NHOA's testimony will provide: a general synopsis of the Native 8(a) program, including the differences between the 8(a) program for individuals, Alaska Native Corporations (ANCs), Tribes, and NHOs; an overview of the NHO 8(a) program as well as some of the contributions our NHOA members have made in the Native Hawaiian community; and, a summary of programmatic and legislative issues important to NHOA. With this testimony, NHOA seeks to illustrate the necessity of preserving and improving Native economic development programs, such as the Native 8(a) program.

A Synopsis of the Native 8(a) Business Development Program

Initially created by Section 8(a) of the Small Business Act of 1953, and later amended in 1978, the SBA 8(a) Business Development Program provides eligible small businesses with training, technical assistance and contracting opportunities in the form of set-aside and sole-source awards, all of which are designed to ultimately enable these businesses to successfully compete in the marketplace.

In general, to qualify for the 8(a) program, a small business must be "unconditionally owned and controlled by one or more socially and economically disadvantaged individuals who are of good character and citizens of and residing in the United States" and demonstrate potential for success.

Small businesses owned by Community Development Corporations (CDCs), Alaska Native Corporation (ANCs), Indian Tribes, and Native Hawaiian Organizations (NHOs), which are often referred to as “entity-owned” firms, are also eligible to participate in the 8(a) program under special rules. Small businesses that are owned by Native entities, such as ANCs, Tribes and NHOs, that participate in the 8(a) program make up the “Native 8(a) program.” While the program rules and structures vary among Native entities, due to the various statutes that created them, the intent of the Native 8(a) program is to provide Native communities with the ability to develop self-sufficient economic ventures that support their Native communities. As a result of this distinction, Native 8(a) program participants are subject to different rules than individual-owned 8(a) program participants.

The Native 8(a) program has several significant features that distinguish it from the 8(a) program for individual business owners, including:

- 1) Small Businesses Unconditionally Owned and Controlled by a Qualified Native Entity:** In order to qualify for the 8(a) program, firms owned by ANCs, Tribes and NHOs must be small businesses, as defined by SBA. These small businesses must be unconditionally owned and controlled by a qualified Native entity.
- 2) Social and Economic Disadvantage:** ANCs, Tribes and NHOs are presumed to be socially disadvantaged. While ANCs are deemed economically disadvantaged by statute, Tribes and NHOs must establish that they are economically disadvantaged based on the Native communities that they support.
- 3) Potential for Success:** To be eligible for the 8(a) program, a small business must demonstrate that it has potential for success. Generally, this means it has been in business for at least two (2) years in its primary industry, as reported on its tax returns, immediately prior to applying for the 8(a) program. Small businesses owned by Native entities can request a waiver of this two-year-in-business requirement if the Native entity makes a firm, written commitment to support the firm and has the financial ability to do so.
- 4) Community Give Back:** Unlike small businesses owned by individuals, the profits generated by Native 8(a) program participants are used to benefit their Native communities. A portion of those profits may also be retained as working capital and invested in further developing their economic ventures. This in turn creates sustainable sources of revenues to support their Native communities. By comparison, the profits earned by individual-owned small businesses benefit their individual owners.
- 5) Sole-Source Thresholds:** The sole-source thresholds which apply to individual-owned 8(a) firms - \$4 million for services and \$7 million for manufacturing - do not apply to firms owned by Native entities. Firms owned by ANCs and Tribes are able to receive awards in excess of the sole-source threshold(s) from any Federal agency. Firms owned by NHOs are able to receive awards in excess of the sole-source threshold(s) only from

the Department of Defense.¹ Additionally, recent legislation made NHOs eligible to receive awards in excess of the sole-source thresholds from the Department of Veterans Affairs.²

- 6) Multiple Entities:** In the individual-owned context, there is a one-time program eligibility for the socially and economically disadvantaged individual(s) upon whom 8(a) eligibility was based. Although firms owned by Native entities are still subject to the 9-year program term that applies to individual-owned firms, Native entities are permitted to have multiple firms in the 8(a) program at any given time, provided that those firms have different primary NAICS codes or industries.

An Overview of the NHO 8(a) Program

Native Hawaiians are the aboriginal, indigenous, native people of Hawaii. Pursuant to 13 CFR§ 124.3, Native Hawaiian “means any individual whose ancestors were natives, prior to 1778, of the area which now comprises the State of Hawaii.” According to the U.S. Census Bureau, in 2010, there were 289,970 Native Hawaiians in the State of Hawaii comprising roughly one-fifth (21.3 percent) of the state’s total population and 527,077 Native Hawaiians total in the United States.³

Data shows that Native Hawaiians consistently fall behind non-Native Hawaiians in key economic indicators and experience institutionalized inequalities that limit opportunities, which negatively impacts overall well-being. While I do not have the time to adequately provide the history of Native Hawaiians that has contributed to their poor socioeconomic conditions, it is important to summarize a few findings that illustrate the need for the NHO 8(a) program. Troubling problems that afflict Native Hawaiians in the State of Hawaii include:

- 1) Native Hawaiians are economically disadvantaged:** Compared to the statewide population of Hawaii, Native Hawaiians in Hawaii have:
- a) The highest unemployment rate of any major ethnic group in the State of Hawaii;⁴
 - b) The lowest per capita income of any major ethnic group in the State of Hawaii;⁵
 - c) The highest percentage of individuals living below the poverty level of any major ethnic group in the State of Hawaii;⁶ and,
 - d) Lower access to capital based on having “a higher loan denial rate” for mortgages and more mortgage loan denials “because of a poor credit history.”⁷

¹ In 2006, through P.L. 109-148, §8020, 119 Stat. 2702-03 (December 30, 2005), NHOs were provided permanent authority to receive sole-source awards in excess of 8(a) sole-source contract thresholds from the Department of Defense.

² Consolidated Appropriations Act, 2018 (P.L. 115-141)

³ Kamehameha Schools, Ka Huaka'i: 2014 Native Hawaiian Educational Assessment (Honolulu: Kamehameha Publishing, 2014). Accessed October 16, 2019, http://www.ksbe.edu/assets/spi/pdfs/kh/Ka_Huakai_2014.pdf.

⁴ Kamehameha Schools, Ka Huaka'i: 2014 Native Hawaiian Educational Assessment (Honolulu: Kamehameha Publishing, 2014). Accessed October 16, 2019, http://www.ksbe.edu/assets/spi/pdfs/kh/Ka_Huakai_2014.pdf.

⁵ Office of Hawaiian Affairs. (2014). Native Hawaiian Data Book. Accessed October 15, 2019, <http://ohadatabook.com/T02-75-15u.pdf>

⁶ Office of Hawaiian Affairs. (2017). Native Hawaiian Data Book. Accessed October 15, 2019, <http://ohadatabook.com/T02-112-15u.pdf>

⁷ Miriam Jorgensen and Randall K.Q. Akee, Access to Capital and Credit in Native Communities: A Data Review (Tucson: Native Nations Institute, 2017). P.18.

- 2) Native Hawaiians suffer many other socioeconomic disadvantages:** In addition to disparities in poverty and unemployment rates, per capita income, and access to capital, Native Hawaiians show disparities in many other indicators of socioeconomic well-being. These include, but are not limited to:
- a) The highest rate of homelessness of any major ethnic group in the State of Hawaii;⁸
 - b) Double the statewide rate for use of public assistance;⁹
 - c) The highest rate of single parent households of any major ethnic group in the State of Hawaii;¹⁰
 - d) The highest rates of child abuse and children in foster care of any major ethnic group in the State of Hawaii;¹¹
 - e) Significantly lower proficiency rates in math and reading than non-Native Hawaiians students;¹²
 - f) Substantially lower rates of earning a bachelor's degree or higher compared to other ethnic groups;¹³ and,
 - g) The lowest life expectancy of any major ethnic group in the State of Hawaii.¹⁴

Limited economic opportunities is one of the root causes of the various problems that plague Native Hawaiians. While the issues are complex and there is no simple solution, the NHO 8(a) program provides a way for Native Hawaiians to create jobs while providing financial resources to address specific needs of the community.

In recognizing the importance of economic development in the Native Hawaiian community, the term NHO was first established and defined by Congress in 1988.¹⁵ NHO 8(a) program regulations were not codified until 1998, and the first NHO-owned firm received its 8(a) certification in 2004. NHOs were granted permanent authority to receive sole source awards from the Department of Defense valued over 8(a) program contract thresholds in 2006.¹⁶

Pursuant to 13 CFR§124.3, an NHO is defined as:

⁸ Partners in Care. (2017). Statewide 2017 Point in Time Count Analysis. Accessed October 15, 2019,

<http://www.partnersincareoahu.org/sites/default/files/2017%20PIT%20-%20Statewide%20%26%20Oahu%20Dashboard.pdf>

⁹ Kamehameha Schools, Ka Huaka'i: 2014 Native Hawaiian Educational Assessment (Honolulu: Kamehameha Publishing, 2014). Accessed October 16, 2019, http://www.ksbe.edu/assets/spi/pdfs/kh/Ka_Huakai_2014.pdf

¹⁰ Kamehameha Schools, Ka Huaka'i: 2014 Native Hawaiian Educational Assessment (Honolulu: Kamehameha Publishing, 2014). Accessed October 16, 2019, http://www.ksbe.edu/assets/spi/pdfs/kh/Ka_Huakai_2014.pdf

¹¹ Honolulu Star Advertiser. (2016). Hawaiians at risk: Keiki locked in cycle of foster care system. Accessed October 15, 2019, <https://www.staradvertiser.com/2016/01/10/hawaii-news/special-report-hawaiians-at-risk-keiki-locked-in-cycle-of-foster-care-system/>

¹² Office of Hawaiian Affairs. (2017). A Native Hawaiian Focus on the Hawaii Public School System, SY 2017, Accessed October 16, 2019, <https://19of32x2y133s8o4xza0gf14-wpengine.netdna-ssl.com/wp-content/uploads/A-Native-Hawaiian-Focus-on-the-Hawaii-Public-School-System.pdf>

¹³ Kamehameha Schools, Ka Huaka'i: 2014 Native Hawaiian Educational Assessment (Honolulu: Kamehameha Publishing, 2014). Accessed October 16, 2019, http://www.ksbe.edu/assets/spi/pdfs/kh/Ka_Huakai_2014.pdf

¹⁴ Kamehameha Schools, Ka Huaka'i: 2014 Native Hawaiian Educational Assessment (Honolulu: Kamehameha Publishing, 2014). Accessed October 16, 2019, http://www.ksbe.edu/assets/spi/pdfs/kh/Ka_Huakai_2014.pdf

¹⁵ P.L. 100-656, §207, 102 Stat. 3861 (1988) (codified at 15 U.S.C. §637(a)(4))

¹⁶ P.L. 109-148, §8020, 119 Stat. 2702-03 (December 30, 2005)

“any community service organization serving Native Hawaiians in the State of Hawaii which is a non-profit organization chartered by the State of Hawaii, is controlled by Native Hawaiians, and whose business activities will principally benefit such Native Hawaiians.”

An NHO is a non-profit organization that may or may not elect to pursue 501(c)(3) status with the Internal Revenue Service. Pursuant to Hawaii law, the NHO must have a minimum of three (3) directors, and in accordance with SBA regulations, a majority of the directors must be Native Hawaiian. In order for an NHO-owned firm to successfully obtain 8(a) certification, the NHO must:

- 1) Identify in its governing documents the specific Native Hawaiian community that it serves;
- 2) Discuss the activities it has done to benefit that community; and,
- 3) Provide a detailed plan showing how revenues earned by the NHO will principally benefit Native Hawaiians by outlining specific goals, how it will achieve those goals and how revenues will be allocated to each goal.

In addition to the NHO structural and community benefits requirements, a small business owned by an NHO must meet all other 8(a) program requirements established in 13 CFR§124.101 through 124.108, provided they do not conflict with NHO specific regulations in section 13 CFR§ 124.110. Specifically, as with individual-owned firms, an NHO-owned firm must be a small business, demonstrate potential for success, and have good character.

While Native Hawaiians share commonalities with American Indians and Alaska Natives as displaced indigenous peoples living in the U.S., Native Hawaiians are fundamentally different from other Native populations due to differences in political status, geographic distribution, and demographics. These differences are reflected in the 8(a) program for Tribes, ANCs, and NHOs. Importantly, Tribes and ANCs were eligible for the 8(a) program many years before NHOs and have been afforded benefits not yet extended to NHOs. For example, Tribes and ANCs are able to have holding companies that own their subsidiaries that then participate in the 8(a) program, which allows for separation between their government and economic operations. NHOs are not able to have holding companies, instead the non-profit organizations must have direct ownership and control of its subsidiaries that participate in the 8(a) program. In addition, Tribes and ANCs are able to get sole source awards above the established 8(a) contract thresholds for all Federal agencies unlike NHOs that are only able to receive such contracts from the Department of Defense.

The NHO 8(a) model is not perfect. It is difficult managing a non-profit organization while establishing and developing profitable for-profit subsidiaries, especially since these organizations and Native Hawaiians do not have assets or an established land base to fund business endeavors. As non-profit organizations, NHOs have had challenges with finding qualified, Native Hawaiians to serve on their Boards of Directors; getting access to capital, particularly with their complex, unique organizational structures; and, complying with all applicable regulations.

Additionally, while the 8(a) program offers valuable technical and contract assistance, Federal government contracts and profitability are not guaranteed program benefits. Business success requires a lot of hard work and commitment, and among many other factors, an understanding of the Federal procurement process and a strong business development strategy. NHOA applauds the NHOs that have navigated these and many other challenges to create successful enterprises. The path to success has not been fast nor easy. Nonetheless, NHOs are passionate about serving and elevating the Native Hawaiian community. This commitment drives us to utilize the NHO 8(a) program to the best of our ability to make a difference.

The Impact of NHOA Members on the Native Hawaiian Community

NHOA's current membership is comprised of a diverse group of NHOs. A few of our members have been in the NHO 8(a) program since its inception and have multiple subsidiaries. However, a majority of our NHOA members are new to the 8(a) program and are still developing their first small businesses. Additionally, it is important to note that NHOA membership is voluntary and not all NHOs that participate in the NHO 8(a) program are members of our advocacy organization.

While we have twenty-four (24) current members, ten (10) members are not active in the 8(a) program. The fourteen (14) NHOA members who are active in the NHO 8(a) program have unique non-profit missions that range across social and community objectives including youth programs, access to legal defense, leadership development, innovative youth education, specialized job training, health, financial literacy, business development, cultural engagement, community development, and other community needs. These NHOs fulfill their missions by developing community programs within their non-profit organizations, funding other Native Hawaiian serving organizations, or both.

The community impact presented in NHOA's testimony is not a complete report of the impact all NHOs are making in the Native Hawaiian community. Instead, this testimony provides highlights of the work our NHOA members are doing in the Native Hawaiian community. While collectively NHOA members have funneled millions of dollars in funding to the Native Hawaiian community, the impact is not just in dollars spent. As illustrated in the following examples, NHOA members have created networks of economic, educational, and cultural opportunities. These opportunities address many of the underlying issues related to the poor conditions plaguing the community. By addressing these issues and providing opportunities, NHOA members are contributing to self-sufficiency and self-determination in the Native Hawaiian community.

Economic Related Support

These examples of community support provided by NHOA members address the underlying issues related to Native Hawaiian disparities in poverty and unemployment rates, per capita income, and access to capital.

- 1) Financial Literacy Education and Job Training:** Native Hawaiian students, at the high school and college levels, receive a unique financial education and on-the-job training

because of the support of one of our NHOA members. This includes a sponsored trip to the New York Stock Exchange and other financial institutions in New York City for 150 high school students. The finance education program is focused on providing high school and college aged students with hands-on training related to finance. This program selects annual class cohorts for training. Students are then hired by the NHO and its subsidiaries as financial analysts and develop a transferable track record of real-world work experience by applying financial concepts learned to actual businesses in need of assistance. This approach is consistent with the traditional Native Hawaiian learning modality known as "Ma Ka Hana Ka Ike" or "from the doing, comes the knowledge."

- 2) **Chaminade University Hogan Entrepreneur Program:** Chaminade University's Hogan Entrepreneur Program builds a foundation for tomorrow's leaders. Through components such as coursework, internships, and community service, Hogan Entrepreneur Program participants gain first-hand experience from Hawaii entrepreneurs. Undergraduate and graduate students selected for the Hogan program are enthusiastic, creative and service-oriented people who will add value to the community. One of our NHOA members provides financial support to Native Hawaiians who participate in the Hogan program.
- 3) **Native Hawaiian Law School Students:** Native Hawaiian students in the University of Hawaii Law School have benefitted from a legal program administered by a NHOA member. The NHO's program offers paid internships, which involves mentorship and guidance of legal professionals on staff at the NHO. Interns are tasked with a variety of challenges that provide them with exposure to legal issues affecting Native Hawaiians and the community at-large.
- 4) **Native Hawaiian Entrepreneur Support:** Native Hawaiian entrepreneurs have also benefitted from one of our NHOA member's financial program by receiving training, technical assistance, and capital via the NHO's strategic relationship and financial support of the AKAMAI Foundation. The AKAMAI Foundation provides entrepreneurs with advisory and capital markets services that would be otherwise unattainable for small businesses in the target group, which primarily consists of companies either owned by Native Hawaiians or serving socioeconomically distressed communities with historically high concentrations of Native Hawaiians. Since Spring 2012, the program has provided training, technical assistance, and/or capital to a variety of Native Hawaiian entrepreneurs ranging from a Native Hawaiian man on Maui who hand sews traditional Hawaiian "throw-nets," to a one-woman Native Hawaiian language-immersion day-care company, and to a Native Hawaiian-owned manufacturer trying to take his products to the global markets.
- 5) **Construction Industry Classes:** An NHOA member has hosted free classes for over 100 Native Hawaiian men and women who are currently employed in or are seeking employment in the construction industry. Classes include Occupational Safety and Health Administration (OSHA), First Aid/CPR, Confined Space, Forklift, Man Lift, and Fall Protection training. This training provides attendees with a better opportunity to stay employed and/or gain new employment if unemployed.

- 6) **Waiwai Collective:** A contemporary Hawaiian space where community, culture and commerce intersect, Waiwai Collective is a group of Native Hawaiian entrepreneurs who share kuleana (responsibility) and a passion for uplifting the Native Hawaiian community. Through their work, the organization has seen the extraordinary power of physical community when people come together with purpose and aloha. One of our NHOA members provides annual financial support to this organization.
- 7) **Lua Inc.:** In recognizing the importance of culture and leadership training and its connection to economic well-being, one of our NHOA members financially supports Lua Inc. This program provides leadership training for young Native Hawaiian men and women through the incorporation of traditional Native Hawaiian values.

Socioeconomic Related Support

These examples of community support provided by NHOA members address the underlying issues related to Native Hawaiian disparities in other indicators of socioeconomic well-being, including education, homelessness, use of public assistance, and life expectancy.

- 1) **Digital Bus:** One of our NHOA members created and manage the Digital Bus program. The Digital Bus is a mobile digital learning laboratory, which operates on the islands of Maui and Molokai supporting grades K-12. The curriculum was developed by Education Coordinators and meets Hawaii State Department of Education and Next Generation Science Standards. The program provides state-of-the-art equipment, supplies, and curriculum at no cost to teachers and students. The NHO also provides busing for teachers and students to transport them from their schools to a field location and back. Education Coordinators train the school teachers to use all of the equipment provided by the program as a science course extender. School teachers on Molokai also receive Continuing Education Credits for participating in the program. Since inception, the program has reached over 34,000 students on Maui and Molokai.
- 2) **Purple Maia:** As described by Mr. Donovan Kealoha, Director, Purple Maia, “The Purple Maia Foundation is a technology education non-profit whose mission is to inspire and educate the next generation of culturally grounded, community serving technology makers. As we increase access to tech education, we also ground students in the knowledge that their ancestors were indigenous innovators who used their skills and perspectives to serve their communities and lands...”. At locations on multiple Hawaiian Islands, Purple Maia teaches coding and computer science through after school and elective classes to Native Hawaiian students and low-income youth, who are underrepresented in the technology industry. A couple of our NHOA members support Purple Maia’s innovative technology education programs. One of these NHOs is currently working to expand their partnership with Purple Maia to develop a program to provide relevant training and certifications that will help with job placement.
- 3) **Educational Pathway Pueo Scholarship Program:** In partnership with the Hawaii Department of Education and the University of Hawaii West Oahu, one of our NHOA

members financially supports the Educational Pathway Pueo Scholarship Program. This program is a comprehensive effort to alleviate teacher shortages that have plagued West Oahu for many years. Teacher retention continues to be a significant issue facing schools in West Oahu, which has a high concentration of Native Hawaiians. Many teachers are “emergency hires” who do not possess adequate training, negatively impacting student success through chronic teacher turnover. The pathway program’s goals include increasing the number of students from West Oahu entering the field of education, expanding the number of students at UH West Oahu pursuing a teaching degree, and increasing the number of UH West Oahu graduates teaching at area schools. This effort is inspiring future programs that address additional critical occupation shortages such as nurses and other medical professionals.

- 4) **STARBASE:** One of our NHOA members supports STARBASE, a Department of Defense program affiliated with the National Guard Armory located in Keaau, Hawaii. It focuses on elementary students, primarily fifth graders. The goal is to motivate students to explore Science, Technology, Engineering and Math (STEM) as they continue their education. The academies serve students that are historically under-represented in STEM. Students who live in inner cities or rural locations, those who are socioeconomically disadvantaged, low in academic performance or have a disability are in the target group. The program encourages students to set goals and achieve them. During the NHO’s support, a number of Native Hawaiian children who attended had never used a computer. Within a week, these children were not only operating the computers but working in CAD programs to produce objects printed on a 3D printer. Over 5,000 elementary students have graduated from Hawaii’s STARBASE program.
- 5) **Hui Aloha:** An NHOA member has provided support for Hui Aloha, a volunteer organization seeking to address the homeless crisis of Native Hawaiians through direct involvement and through legislative advocacy.
- 6) **Malama Loko Ea:** Since 2011, Malama Loko Ea has conducted Hawaiian cultural education programs to over 15,000 local students centered around the sacred space of the Loko Ea fishpond, located in Haleiwa, Hawaii. One of our NHOA members donates funds to the Kupuohi Education Program, which teaches students about Hawaiian culture and language arts, sustainability, science, and land stewardship through hands-on, experiential activities. Mr. James Kainoa Estores, Director, states the NHO’s support “enables Malama Loko Ea to reach new heights in STEM. Students learn aspects of the marine environment, from water chemistry to the diverse plant and animal inhabitants, that create this vibrant and productive estuary. We continue to expand our STEM footprint to more guest learners...”.
- 7) **Bishop Museum:** The Bishop Museum was founded in 1889 by Charles Reed Bishop in honor of his late wife, Princess Bernice Pauahi Bishop, the last descendant of the royal Kamehameha family. The Museum was established to house the extensive collection of Hawaiian artifacts and royal family heirlooms of the Princess, and has expanded to include millions of artifacts, documents and photographs about Hawaii and other Pacific island cultures. It is the largest museum in Hawaii and is recognized throughout the

world for its cultural collections, research projects, consulting services and public educational programs. Serving and representing the interests of Native Hawaiians is a primary purpose of the Museum. Several of our NHOA members provide financial contributions to the Bishop Museum so it can fulfill its purpose.

- 8) Scholarships:** Many of our NHOA members fund scholarships for Native Hawaiian students pursuing post-secondary education, including trade and vocational training. While there are multiple scholarships and each varies in amount and administration, NHOA members have contributed several millions of dollars to support the educational needs of young Hawaiians. For instance, our NHOA members established:
- a. A \$1 million endowment with Chaminade University of Honolulu, Hawaii for degrees in areas other than STEM.
 - b. A \$526,000 non-endowed scholarship with the University of Hawaii Foundation and its seven Community Colleges Program for (with a preference for Native Hawaiian) students pursuing degrees in 34 selected vocations and trades. The first cohort class of 95 students across all seven Community College campuses receiving these scholarships began this academic year 2019-20.
 - c. A \$1.5 million endowment with the Pauahi Foundation to support Native Hawaiian students attending four-year accredited schools on the mainland to study in a STEM field.
 - d. An endowment with the Pauahi Foundation that provides undergraduate scholarships to Native Hawaiian students in the health care industry. This partnership seeks to produce health care professionals needed to improve the well-being and health of Native Hawaiians.
 - e. Scholarships for Native Hawaiian students attending the University of Hawaii-Manoa.
- 9) Senior Individual Home Assistance:** One of our NHOA Members assisted Native Hawaiian seniors with upgrading or renovating their homes to ensure they were ADA compliant. This included building wheelchair ramps for easy access in and out of their homes and renovating their bathrooms.
- 10) Lunalilo Home:** Established by King William Charles Lunalilo, Lunalilo Home's mission is to "provide respectful, quality and caring services for the poor, disadvantaged and frail kūpuna (elders) of Hawaiian ancestry." One of our NHOA members assisted with renovating the Administrator's House and constructing twelve (12) garden plots to grow food for the elderly residents of the care home.
- 11) Queen's Medical Center:** An NHOA member provides financial contributions to the Queen's Medical Center. The medical center was founded by Queen Emma and King Kamehameha IV to provide in perpetuity quality health care services to improve the well-being of Native Hawaiians and all the people of Hawaii.
- 12) Ahahui o Na Kauka:** Ahahui o Na Kauka, The Association of Native Hawaiian Physicians, is a non-profit organization that was established in 1998 to provide a way for

Hawaiian doctors to improve the health and well-being of Native Hawaiians. One of our NHOA members provides funds to this organization.

13) Hookuaaina: Hookuaaina is a non-profit organization using Hawaiian traditions of kalo (taro) cultivation to improve the lives of today's youth and build a healthy community. Through its programs, Hookuaaina empowers youth to realize the meaning and purpose of their lives by helping them develop life strategies and skills through the cultivation of kalo and Hawaiian values-based coaching. An NHOA member provides cash contributions to this organization.

14) Polynesian Voyaging Society: An NHOA member provides financial support to the Polynesian Voyaging Society (PVS). PVS seeks to perpetuate the art and science of traditional Polynesian voyaging and the spirit of exploration through experiential education programs that inspire students and their communities to respect and care for themselves, each other, and their natural and cultural environments.

The SBA's Administration of the NHO 8(a) Program

At this time, NHOA does not have specific issues with SBA's administration of the 8(a) program that it would like to raise with the Subcommittee. The Native 8(a) program, and the NHO program in particular, is a well-established program which requires an NHO and its for-profit subsidiaries to go through a rigorous application process in order to participate in the program. NHOA acknowledges the importance of this stringent screening and rigorous application process which seeks to ensure that only eligible firms are accepted into the program.

In addition, these same entities, once admitted to the program, are subject to annual reviews which are designed and intended to ensure continued eligibility and compliance with all program regulations. During this annual review process, an NHO-owned firm is required to provide SBA with information regarding its NHO's community giveback. Similarly, NHOA acknowledges the importance of the annual review process in ensuring that only eligible firms remain in the program and that those firms comply with all regulations.

With respect to ongoing compliance, one area that SBA monitors is the issue of follow-on contracts. Pursuant to 13 CFR § 124.110(e), an NHO-owned firm may not receive an 8(a) sole source contract that is a follow-on contract to an 8(a) contract that was performed immediately previously by another Participant (or former Participant) owned by the same NHO. From our perspective and the experiences of NHOA members, there have been no issues with SBA's monitoring and enforcing of the prohibition on follow-on contracts.

We appreciate that SBA has invested a significant amount of time to learn more about NHOs in order to improve and streamline certification, annual review, and ongoing compliance processes. Nonetheless, NHOA would like to raise a specific concern as it relates to these processes. Our members have observed and experienced inconsistencies in the interpretation, application, and enforcement of rules, regulations and SBA's Standard Operating Procedures (SOPs). These inconsistencies occur between SBA offices and even among personnel in the same District Office. To that end, and in order to assist with improving consistency, NHOA would like to see

an increase in training of SBA personnel with respect to the Native 8(a) program and in particular on the unique aspects of NHOs.

NHOA Legislative Priorities

NHOA's legislative priorities are determined by our members. NHOA would like to highlight a couple of these priorities that directly impact Native 8(a) contracting.

1) Category Management

Category Management (CM) is a strategic sourcing concept in which the range of products and services purchased by a business organization or sold by a retailer is broken down into discrete groups of similar or related products, known as product categories. The idea behind the concept is to encourage collaboration between the retailer and the supplier.

CM is utilized by the Federal government for the management of contracts to procure products and services. The goal of CM is to eliminate redundancies and achieve cost savings in the government's acquisition programs. However, in doing so, CM fails to support meaningful competition, which is harmful to small business procurement opportunities. The main problem with this method of procurement is that it severely limits the number of small businesses that have access to CM contracting vehicles. For example, all 8(a) businesses are able to compete for 8(a) set aside contracts. When these contracts are moved into a CM vehicle, only companies with the ability and capacity to successfully navigate the infrequent "on-ramping" process to the CM contracting pools will be able to participate. Those unsuccessful will be excluded and, therefore, have no further possibility to be chosen as a vendor. This has had a detrimental effect on NHOs and other small businesses that are not in the CM contracting pools. Furthermore, CM hinders the Federal government's ability to access small businesses, which have been proven to be more agile, innovative, and affordable, among other benefits.

NHOA supports an exemption for all SBA small business contracting programs, including the Native 8(a) program, from CM. It is imperative that firms participating in small business contracting programs be exempt from the CM strategic sourcing concept to ensure that the intent and goals behind all such programs are safeguarded in a manner that maintains access to contracting opportunities that results in a win-win scenario for the Federal government and small business Federal contractors. Even with a small business exemption, the Federal government could still achieve the goals of CM through enhanced, well-structured, rapid procurements with clear evaluation factors and better best-value trade off analysis while benefitting from contracting with small businesses.

2) SBA Reauthorization

The Small Business Act has been essential to our nation's small businesses, providing the economic engines of our economy with the support and resources they need to grow and develop. For instance, through the 8(a) program, small and disadvantaged businesses receive important business development, management and technical assistance as well as access to Federal government contracts. NHOA staunchly supports the Small Business Act and the small

business contracting programs created through the Act. Further, we believe the Native 8(a) program is fulfilling the intent of Congress, promoting economic development and encouraging self-sufficiency in Native communities.

This year, the House and Senate have begun to consider the reauthorization of the Small Business Act. During the course of these efforts, we have seen both the House and Senate consider legislation that would inadvertently have a detrimental effect on Native 8(a) businesses: a bill passed by the House and language considered in the Senate included provisions that would increase opportunities for women-owned, service-disabled veteran-owned and HUBZone small business, but would have a detrimental impact on Native-owned 8(a) companies.¹⁷ We applaud efforts to increase opportunities for these individual-owned companies, but urge you to consider the unintended consequences on Native 8(a) enterprises. Therefore, as Congress further considers the reauthorization of the Small Business Act, we encourage you to uphold the Native 8(a) program and reject provisions that would diminish the ability of Tribes, ANCs and NHOs to grow their economies and support their communities.

Conclusion

Despite progress made in recent years, Native communities across the United States face immense challenges and remain one of the country's most economically disadvantaged populations. As with American Indians and Alaska Natives, Native Hawaiians face significant obstacles in improving the conditions of their community. Economic development is crucial to addressing these problems. The Native 8(a) program enables Tribes, ANCs, and NHOs to promote economic stability and mobility while enabling self-determination in Native communities across the country. For these reasons, NHOA ardently supports the 8(a) program. NHOs have an important responsibility in our communities and with the NHO 8(a) program we have been able to make progress toward economic growth and greater self-sufficiency for Native Hawaiians; however, there is still much work to be done.

Thank you for inviting NHOA to participate in today's hearing and to provide testimony on Native 8(a) contracting. NHOA commends the Committee for your commitment to small businesses and ensuring disadvantaged communities, such as Native communities, have access to the support and tools they need to promote sustainable economic growth and self-sufficiency.

¹⁷ H.R. 190/S. 673, Expanding Contracting Opportunities for Small Businesses Act of 2019, and the Senate Small Business and Entrepreneurship Committee Chairman's Mark