

Testimony of Peter C. Gibbs
Before the U.S. House Small Business Committee
On
“Leveraging the Infrastructure Investment and Jobs
Act: The Role of the SBA’s Bond Guarantee
Program”
July 27, 2022

On behalf of National Association of Surety Bond
Producers (NASBP)¹



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¹ NASBP is a national trade association whose membership includes firms employing licensed surety bond producers placing bid, performance, and payment bonds throughout the United States and its territories.

Opening Remarks

I wish to extend sincere appreciation to Chairwoman Velazquez, Ranking Member Luetkemeyer, and the members of the Committee for the opportunity to provide written and oral testimony on issues of importance concerning the U.S. Small Business Administration's (SBA) Surety Bond Guarantee Program (Program).

My name is Peter C. Gibbs. I am a small business owner and the founder and President of [Foundation Surety and Insurance Solutions](#), a licensed insurance agency which positions small construction companies to qualify for surety bonding. My agency is a member of NASBP. Prior to starting my agency, I served as the Director of the Office of Surety Guarantees of the U.S. Small Business Administration. I retired in August 2021 after service at the agency for over 30 years. I also am retired from the U.S. Army Reserves, having attained the rank of Lieutenant Colonel, and, from 2006 through 2010, I served on active military duty in the Middle East.

I believe without question that the SBA Surety Bond Guarantee Program is a valuable resource to small and emerging contractors which, for various reasons, otherwise may fail to qualify for surety credit in the standard market. I commend the SBA Surety Bond Guarantee Program for initiating a number of meaningful changes in recent years that have expanded business opportunities for many small businesses with contracts that require surety bonds with reasonable terms.

Recent Program Enhancements

While working collaboratively with the surety industry, the Program has gone through a dramatic transformation. These transformative enhancements have greatly bolstered the Program's participation among small and emerging contractors, surety bond producers, and surety companies, which in turn has created greater opportunities for small and emerging contractors in obtaining bonding to bid on public and private projects and to grow their respective businesses. Such enhancements include:

- Increasing the contract size bond amount from \$2 million to \$6.5 million, and up to \$10 million for federal contracts with the contracting officer's certification,
- Granting the SBA Administrator with statutory discretion to determine the portion of liability assumed by the SBA and the surety;
- Increasing the guarantee up to 90% for participating surety companies,
- Instituting a paper-less application process while approving bond applications in less than two days;
- Raising the streamlined Quick Bond Application from \$250,000 to \$400,000; and
- Reducing the fees charged to sureties and contractors which secure surety bonds through the Program to create greater opportunities for small and emerging contractors to grow their businesses and stimulate greater corporate surety and surety bond producer participation in the Program.

Results from Program changes

These changes are the direct result of an increase in surety company partnerships, which rose from 23 to 42 companies. For Fiscal Year 2021, the SBA guaranteed bid and final bonds totaled more than \$6.8 billion in overall contract value. With the work of the SBA's top-performing surety partners and bond agencies, over 1,600 small businesses were assisted, and over 34,000 jobs were supported [according to the SBA OSG](#).

But more can be done. I believe that further beneficial changes can be made to the Program to better position it for the likelihood of increased Program usage resulting from the passage of the Infrastructure Investment Jobs Act (IIJA).

Additional Enhancements

For your consideration, I suggest the following Program enhancements:

- Ensure adequate staffing levels for the OSG Program, as natural attrition and retirements have reduced staffing levels significantly and position replacements have not been made;
- Dedicate resources for the investment in information technology infrastructure to increase program efficiency;
- Explore techniques to manage, mitigate, and transfer risk which may attract participation from the reinsurance industry;
- Consider adding other surety bond products to the Program, which may be difficult for small businesses to obtain in the marketplace;
- Establish parity with and internal coordination and communications between the SBA Bond Guarantee Program and other SBA Small Business programs, such as those relating to loan guarantees and business assistance;
- Enhance the marketing resources and budget available to the Program;
- Provide marketing resources to and incentives for federal and state procuring agencies to make small construction businesses aware of the Program;
- Consider a temporary suspension of Program fees paid by small businesses to access the Program; and
- Consider raising the current contract guarantee amounts (as proposed in Section 100102 in the Build Back Better Plan) from \$10 million (with the contracting officer certifying that guarantee is necessary) to \$20 million, and on non-federal contracts from \$6.5 million to \$10 million.

To better fulfill its mandate to help more small businesses, especially in the current economic period, the Program cannot be viewed as a “well-kept secret” and impediments to access, such as adequate staffing levels, available marketing resources, and fee reductions, must be thoroughly examined.

Surety Industry Resources of Note

It is worth noting a recent surety industry resource that now is in place. In January 2022, NASBP and The Surety & Fidelity Association of America (SFAA) launched a free online course, consisting of interactive educational modules, to educate small construction businesses on the means by which to achieve surety bonding. [The Contractor Bonding Education & Mentoring Program](#) guides such businesses on the exact steps that can be taken to qualify for construction surety bonds. The online course includes two components: 1) a set of eLearning modules available online 24/7, which can be taken on demand at the learner’s pace, and 2) an optional mentor program with industry professionals (bond producers and surety underwriters) who provide practical advice and recommendations for mentees to follow in their efforts to achieve bonding. This educational resource is an important compliment to the many resources offered by the U.S. SBA to small construction businesses.

On behalf of NASBP, I appreciate the opportunity to address the House Small Business Committee to raise awareness about the importance of the SBA Surety Bond Guarantee Program and of the need for further Program enhancements to maximize the opportunities of small construction businesses afforded by the IIJA. I hope this testimony is informative, and I welcome any questions or inquiries the Committee may have of me concerning my testimony or on matters pertinent to small businesses and surety bonding.