



NEWS RELEASE -- FOR RELEASE ON NOVEMBER 30, 2015

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NOVEMBER 30, 2015, WASHINGTON, D.C. – When President Obama signed the NDAA into law today, two key surety bond provisions were included. One provision increases the SBA’s bond guarantee to sureties in its bond guarantee program from 70% to 90%. The second provision requires individual sureties to pledge known and reliable assets to back their bonds, and to relinquish control of those pledged assets to the federal contracting officer. These surety provisions were part of S. 1526, a larger construction procurement bill that the entire construction industry supported.

Subcontractors on federal public construction projects have no control over the general contractor’s choice of security provided to the federal government, but they suffer the most harm financially if the provided security proves illusory. Under the newly signed law, small contractors, contractors, and suppliers on federal construction projects will know that adequate and reliable security is in place to guarantee that they will be paid. There will be either a corporate surety bond from a company approved by the U.S. Treasury or assets from an individual surety with readily identifiable value pledged and relinquished to the federal government while the construction project is ongoing. All persons and entities providing collateral to the federal government will now have to play by the same rules.

The SBA Surety Bond Guarantee Program was created to ensure that small and emerging contractors who do not qualify for surety bonds in the standard market get the bonds needed to participate in federal construction projects. The sureties bring such contractors to the SBA, and with the SBA’s guarantee, they bond such contractors. The new law will help more small contractors participate in federal public works projects and grow their businesses by giving incentives to more surety companies and bond producers to participate in this SBA program.

The Construction Industry Procurement Coalition expects Congress to take action on additional provisions from its legislation in the near future. S. 1526, the Coalition-supported legislation sponsored by Senators Rob Portman and Mazie Hirono, is a series of simple procurement reforms that will increase small business participation in federal construction projects that can be done with no cost to the federal government. There is no known opposition to the Coalition bill.

Members of the Coalition are: American Council of Engineering Companies; The American Institute of Architects; American Society of Civil Engineers; American Subcontractors Association, Inc.; The Associated General Contractors of America; Construction Management Association of America; Council on Federal Procurement of Architectural and Engineering Services; Design-Build Institute of America; Independent Electrical Contractors; Management Association for Private Photogrammetric Surveyors; National Association of Surety Bond Producers; National Society Professional Surveyors; National Electrical Contractors Association; The Surety & Fidelity Association of America; Sheet Metal and Air Conditioning.