



News Release

PRESS OFFICE

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SBA Offers \$10 Million Surety Bond Guarantee *Aids Recovery in Construction and Service Sectors*

WASHINGTON – Building on Recovery Act provisions implemented earlier this year, the U.S. Small Business Administration announced today it can now provide surety bond guarantees on federal contracts valued at up to \$10 million, if the contracting officer certifies that the guarantee is in the best interests of the government. An Interim Final Rule is available for public inspection at *The Federal Register*.

Currently, under a related provision of the Recovery Act that was implemented in March, SBA can provide bond guarantees up to \$5 million through September 2010 on all public and private contracts and subcontracts. SBA partners with the surety industry to help small businesses that would otherwise be unable to obtain bonding in the traditional commercial marketplace. Under the partnership, SBA provides a guarantee to the participating surety company of between 70 and 90 percent of the bond amount.

“Raising the surety bond limit is a critical step in making sure small businesses in the construction and service sector have access to federal contracting opportunities that will help drive economic recovery,” SBA Administrator Karen Mills said. “These changes support small and emerging businesses nationwide, particularly construction contractors who have seen their markets hurt by a poor economy and lagging construction.”

Additional program enhancements published in the rule include:

- a new small business size standard for this program;
- authorization for SBA to exercise discretion in deciding bond liability issues; and,
- a definition of “Order” issued under an Indefinite Delivery Contract.

The new size standard (which will be in effect until Sept. 30, 2010) temporarily replaces the current size standard for the surety bond guarantee program. It states that a business is small if the business, combined with its affiliates, does not exceed the size standard designated for the primary industry of the business combined with its affiliates. The North American Industry Classification System (NAICS) Codes contained in 13 CFR Part 121 establishes size standards for all industries

http://www.sba.gov/contractingopportunities/owners/basics/GC_SMALL_BUSINESS.html.

Through its Bond Guarantee program, SBA will also help by guaranteeing bid, payment and performance bonds to protect the project owner against financial loss if a contractor defaults or fails to perform.

(more)

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Finally, the rule adds a definition for an “Order” issued under an Indefinite Delivery Contract to clarify that SBA bond guarantees apply to individual orders, as well as contracts.

SBA assistance in locating a participating surety company or agent, and completing application forms, is available online. For more information on SBA’s Surety Bond Guarantee Program, including Surety Office contacts, go online to <http://www.sba.gov/osg/> , or call 1-800-U ASK SBA.

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