



**NATIONAL ASSOCIATION OF SURETY BOND PRODUCERS**

1828 L Street, NW, Suite 720

Washington, DC 20036-5104

Tel: 202.686.3700

Fax: 202.686.3656

[www.nasbp.org](http://www.nasbp.org)

*Sent via US mail and e-mail at [mbrinck@mail.house.gov](mailto:mbrinck@mail.house.gov)*

September 29, 2009

Mike Brinck  
Staff Director  
Committee on Veterans' Affairs  
Subcommittee on Economic Opportunity  
US House of Representatives  
335 Cannon House Office Building  
Washington, DC 20515

Dear Mr. Brinck:

As a follow-up to our brief conversation after the hearing on H.R. 294 by the Subcommittee on Economic Opportunity, I am forwarding to you information about the Bonding Assistance Program (BAP) of the Department of Economic Development of the State of Louisiana. Under this program, eligible small and emerging construction businesses first receive educational training and coursework through the Louisiana Contractors Accreditation Institute (LCAI). Completion of the coursework is a prerequisite for contractor eligibility for BAP. The coursework covers critical contracting business topics, such as bidding, estimating, scheduling, and contract, financial, and risk management and is taught in partnership with industry professionals. Such an approach is not dissimilar to the Model Contractor Development Program mentioned by Lynn Schubert, President of the Surety & Fidelity Association of America, at the recent subcommittee hearing.

Eligible construction businesses completing the coursework then can participate in BAP, which provides them collateral in the form of an irrevocable letter of credit not to exceed 25 percent of the contract or \$200,000 for any single contract. The letter of credit is provided to the surety company to enhance the credit standing of the eligible small construction business. BAP is available for eligible companies who have never been bonded, and for companies that have been bonded but are seeking to increase their bonding capacity. I have attached for your reference information sheets published by the Louisiana Department of Economic Development that provide a brief overview of LCAI and BAP.

As NASBP posited in its written testimony on H.R. 294 submitted for the subcommittee hearing, Section 3 of H.R. 294 does nothing to benefit veteran-owned small businesses seeking to perform Department of Veterans Affairs construction contracts, since reduction in the bond amount to 50% or less of the contract amount neither lessens the underwriting scrutiny of the contractor nor makes the cost of the bond less expensive. However, an approach similar to LCAI and BAP would provide significant benefits to such businesses. Such an approach could be developed in partnership with the surety

Letter to Mr. Brinck  
September 29, 2009  
Page 2 of 2

community and would provide needed education and collateral assistance for these worthy firms, which otherwise may not possess the knowledge base or the capital needed to qualify for surety credit. NASBP also notes that the bond guarantee program offered by the US Small Business Administration provides assistance to small businesses, including those that are veteran-owned, and NASBP has worked and continues to work with the SBA to enhance the outreach of this program.

NASBP would be happy to discuss the above suggestions further with you. Please feel free to contact me at 202-464-1173 or Larry LeClair, Assistant Director of Federal and State Relations, at 202-464-1217 should you have questions or wish additional information.

Thank you for your time and attention.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Mark H. McCallum", with a long horizontal flourish extending to the right.

Mark H. McCallum  
General Counsel & Director of Government Relations

cc: Larry LeClair, NASBP

enclosures