



## NATIONAL ASSOCIATION OF SURETY BOND PRODUCERS

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Chairman Kenyan McDuffie  
Committee on Business and Economic Development  
John A. Wilson Building, Room 123  
1350 Pennsylvania Avenue  
Washington, DC 20004  
*Submitted via email to:* [bmcclure@DCCOUNCIL.US](mailto:bmcclure@DCCOUNCIL.US)

**RE: Bill 22-0948, the “Small Business Bonding Program Establishment Act of 2018,”**

### **Statement of Joshua Etemadi**

#### **Introductory Remarks**

Chairman McDuffie, and members of the Committee on Business and Economic Development, my name is Joshua Etemadi, I am a licensed surety bond producer with the firm of Construction Bonds, Inc., a Division of Murray Securus located in Herndon, Virginia. I am here today to testify on Bill 22-0948, the “Small Business Bonding Program Establishment Act of 2018,” on behalf of the National Association of Surety Bond Producers (NASBP). 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.

My professional career has been dedicated to helping small construction firms obtain and increase their bonding capacity and grow and mature their businesses, with the goal of moving them from the non-standard surety market such as the U.S. Small Business Administration’s (SBA) Surety Bond Guarantee Program (Program) into the standard surety market (corporate surety programs). I have instructed small contractors on the necessary steps needed to qualify for surety credit at various programs hosted by federal, state and local agencies in the District of Columbia, Virginia, Maryland and elsewhere. These programs have been hosted by the U.S. Small Business Administration’s Office of Surety Guarantees, the U.S. Department of Transportation’s Bonding Education Program and at various local Procurement Technical Assistance Centers (PTAC) as well as others.

#### **Section 2313(a) The “Program”**

NASBP applauds efforts to support and nurture small businesses and believes the legislation is well-intended. As an association, NASBP has a long-standing history of supporting and actively participating in bonding education programs throughout the country. However, the bill sets forth a number of requirements of the Department of Small and Local Business Development (Department), which raise questions about the feasibility of the Program. First, what type of plan would the Department develop to address the factors should the participant not qualify for surety credit? How would the Department be able to determine these factors? Does the Department have the expertise in surety bonding to determine such factors? This role is normally performed by the professional producer who has training and experience to make the determination as to what factors might prohibit a business from qualifying for surety credit.

Although this question may be premature and may not be addressed until the rule-writing process, has the Department considered how bonding workshops would be implemented and or tracked? Would the Department be responsible for monitoring this? Additionally, has the Department considered what metrics it would use to determine if the Program is successful? Would that data be based upon the number of bonds/contracts?

We also note that the Department is required to coordinate with the DC Department of Insurance, Securities and Banking and the Office of Risk Management on the development of the Program. However, the bill does not mention the U.S. SBA Office of Surety Guarantees and the resources that the Program could bring to bear. The Department might learn valuable best practices and experiences from the Office of Surety Guarantees. The SBA Bond Guarantee Program offers a “fast-track” application for bonds under \$400,000, and recently lowered charges for contractors from \$7.29 per thousand dollars to \$6.00 per thousand promoting easier access to the Program for smaller construction firms.

#### **Section 8 (b) Program Eligibility Criteria**

The bill requires participants to meet professional experience, and financial requirements, which may not be tenable for a small and emerging business, in order to be eligible to participate in the Program. In one recent case, we were able to provide bonds for a CBE firm in the District who had \$0 in revenue for the prior two years. During the two years of \$0 in revenue, the applicant was fighting cancer, which brought their score below 600. Per the eligibility criteria, the contractor would not qualify for support.

While credit score is an important underwriting factor, the makeup, and story of the credit report itself, is far more important. On the other hand, a contractor with a credit score of 650, two years of revenues in excess of \$250,000, but has a tax lien with no current payment plan is ineligible for obtaining credit.

#### **Section (d)(3)(b)—Penalties**

We are also concerned about the means to fund and to sustain the Program. The bill amends §2-218.75, “Small Business Capital Access Fund” by assessing a 5% penalty for breach of §2-218.48, “Enforcement and penalties for breach of subcontracting plan,” and directs those fines/penalties to be used for administering the Program. As a word of caution, the contractor community may be reluctant to support the merits of the Bill 22-0948 if the Program is funded by expanding enforcement efforts. The Department may want to reconsider a better method of allocating resources in order to fund the Program rather than increasing enforcement and fines on the contractor community.

Mr. Chairman and members of the Committee thank you for the opportunity for allowing me to share my thoughts on Bill 22-0948. I am available to meet with you and or your staff to answer any questions you might have concerning my statement.