



News Release

PRESS OFFICE

Release Date: March 30, 2011
Release Number: 11-23

Contact: Dennis Byrne (202) 205-6567
Internet Address: <http://www.sba.gov/news>

Higher Surety Bond Guarantees will Help Small Businesses Secure Larger Contracts to Assist in Recovery Efforts Following Disasters

Changes to Regulations also Affect Timber Sales Contracts

WASHINGTON – The U.S. Small Business Administration has made regulatory changes to its Surety Bond Guarantee (SBG) program, including higher surety bond guarantee limits that will help construction and service sector firms secure larger contracts for work in areas impacted by disasters.

The changes are related to the Small Business Disaster Response and Loan Improvements Act of 2008, which increases the eligible amount for contracts or orders related to a major disaster area.

The changes, which were originally published as part of a Proposed Rule in *The Federal Register* in April 2010, are now final and include:

- For a non-federal contract or order up to \$5 million, a bond guarantee may be issued if the products will be manufactured or the services performed in the disaster area.
- For a federal contract or order up to \$5 million, the performance site can be outside the disaster area if the contract or order will directly assist the disaster recovery efforts.
- For a federal contract or order, the amount of the guarantee can be as much as \$10 million at the request of the head of an agency that is involved in reconstruction efforts.

“SBA is committed to mobilizing resources as quickly as possible following disasters to help begin economic recovery for communities, businesses and families,” SBA Administrator Karen Mills said. “These changes to the Surety Bond Program will have a two-fold impact. Helping small businesses compete for and win contracting opportunities gives them the chance to grow and create jobs, while at the same time jump-starting economic activity and rebuilding efforts following a disaster when communities and regions need it most.”

The increased amounts would apply during the 12 months following the disaster declaration, unless SBA provides for an extension related to a particular disaster.

(more)

In addition to the disaster related changes, other changes clarify SBA's position that it does not cover any costs related to insurance or indemnification requirements that may be contained in the bonded contract. It specifically excludes from the losses covered by SBA any costs that arise from the principal's failure to secure and maintain insurance that result from any claims or judgments that exceed the amount of insurance coverage, and that arise from an agreement by the principal to indemnify the contractor or any other persons.

Surety Bond Guarantee (SBG) program regulations also have been amended to allow SBA to guarantee bid and performance bonds for timber sale contracts. Under these contracts, the small business pays the project owner an agreed amount to harvest the lumber or other forest products, such as biomass. A bond is often required to ensure compliance with contract terms and conditions associated with forest management, including the protection of natural resources, erosion control, and road maintenance. This change applies to contracts administered by the U.S. Forest Service and other public and private entities.

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

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.

###