



THE SURETY & FIDELITY ASSOCIATION OF AMERICA (SFAA)

MODEL CONTRACTOR DEVELOPMENT PROGRAM

Background

Despite the opportunities and achievements in construction that are being realized by an increasingly diverse group of contractors, there is the perception, and in some instances the reality, that the small and small, disadvantaged sectors of the contractor community still do not have full access to the advantages and benefits of surety bonding. Partially in response to this perception, in recent years the surety industry has reinforced its commitment to increase and promote the availability of surety bonds to those small, minority and women contractors. This effort has involved working with producers and underwriters to make bonds more available and, at the same time, working with these contractors to make them more bondable. More than ten years ago, The Surety & Fidelity Association of America (SFAA), the National Association of Surety Bond Producers (NASBP) and the National Association of Minority Contractors (NAMC) established the Surety Industry Partners (SIP) Program to address issues of bonding access and availability. As part of this program, local chapters of these organizations were encouraged to meet and develop activities and initiatives that increased bond awareness and availability for minority and other contractors. Some associations, such as the Minnesota Surety Association, established more formal efforts of information, outreach and support.

At the same time, SFAA began a concerted effort of outreach and awareness to state and local officials related to the importance of bonding for public sector projects. A positive outcome of these outreach efforts has been the tremendous demand for technical assistance in crafting state and local, government-sponsored bonding support programs. SFAA has been working with these various jurisdictions to tailor the range of potential bonding support strategies to fit the needs, resources and requirements of each local situation.

This SFAA-sponsored Model Contractor Development Program (MCDP) represents an amalgam of the best of these efforts to date and is presented as a

model for other local surety associations, state and local governments, business associations, contractors and contractor organizations to adapt and implement in their locales.

Objectives

The Model Contractor Development Program has as its objectives the following:

- Educating small, minority and women contractors about surety bonds and assisting them in becoming bondable.
- Identifying resources available to small, minority and women contractors in obtaining their first bond, including the SBA Bond Guarantee Program as well as similar state and local programs in their area.
- Providing assistance and referrals to small, minority and women contractors in obtaining appropriate accounting, project management and financing expertise.
- Assisting small, minority and women bondable contractors in increasing their bonding capacity.

Program Components

The Model Contractor Development Program has several components drawn from the earlier efforts of the SFAA/NASPB/NAMC Surety Industry Partners Program and the more recent initiatives of local surety associations and state and local governments who have been actively involved in this type of activity. However, even with this wealth of information and experience, the Model Contractor Development Program remains a work in progress. Throughout the implementation phase of the Model Program, SFAA will continue to monitor and document unanticipated obstacles, innovative approaches and other program aspects that lend themselves to improving the program for better results. Furthermore, local proponents of bonding support programs are encouraged to adapt this model to their specific circumstances. The model program components include:

Networking and Outreach: This component involves identifying and establishing liaisons with local small, minority and women business groups, especially local chapters of contractor associations and working more closely with the various public officials in the area to make them aware of the local Contractor Development Program. Establishing these business liaisons may involve becoming associate members of the local contractor associations and supporting and attending their activities and events. For example, through these

new liaisons in those locales where there is already participation of the surety association, efforts are being made to reinforcement the surety industry's commitment to increasing bonding access and to inform the contractors of the other components of the Contractor Development Program. In addition, on-going networking activities are being undertaken which include sponsoring a quarterly networking breakfast or reception in which surety association members facilitate linking the small, minority and women contractors to members of the contracting, banking, professional and larger construction community.

Education and Information: The cornerstone of this component is the establishment of a series of seminars for small, women and minority contractors on various aspects of surety bonding. Seminar topics in some locales have included a surety bonding overview, tips for obtaining your first bond, the importance of financial and accounting controls, project management techniques that enhance increased bonding accessibility, and legal issues of surety bonding. This component also includes disseminating general information and awareness of surety bonding to local contractors and contractor associations.

Resource Identification and Referral: This component involves establishing a Resource Clearinghouse that will be available to the local contractor community, preferably linked through a web site. These clearinghouses would include information on the Small Business Administration (SBA) Loan and Bond Guarantee Programs, as well as state and local programs of bonding, financing, training, and technical assistance support. This component also would facilitate linking small, minority and women contractors to potential mentors that might assist them in becoming bondable or in increasing their bonding capacity. Lastly, the component would provide referrals for technical support to these contractors in areas such as project management, job costing, finance and accounting.

Assistance in the Bonding Process: A most critical component of the Contractor Development Program is the provision of assistance to the contractor in the actual bonding process. In most instances, this is being done through local surety industry volunteers who work one-on-one with the small, minority and women contractors to review reasons for potential bonding denials and identify factors that would make the contractor bondable. These volunteers, in concert with local technical assistance providers and others with relevant expertise then develop a strategy to address the denial factors, including referring the contractor to specialized project management, accounting or finance assistance, if needed. The local surety volunteers then help the contractor to identify bonding for subsequent projects. A similar approach is being taken for those contractors who need an increase in bonding capacity to bid as prime contractors or to take advantage of larger contracting opportunities.

Advocacy and Policy Development: This component involves the local surety association and other local stakeholders, participating in advocacy and policy initiatives that might include support for legislation that enhances bonding to

small, minority and women contractors; providing technical assistance and advice to jurisdictions on establishing guarantee programs and other bonding support initiatives; and tailoring state and local bonding programs for specific contracting opportunities.

Support from SFAA

In implementing the Model Contractor Development Program, local surety associations and other local entities are receiving the full support of the SFAA national office. In addition to SFAA keeping abreast of the various contractor development initiatives and providing to those in other areas the successes and lessons learned from these efforts, SFAA staff is available to provide assistance in drafting newsletter articles and in preparing workshop and other presentations related to this Program. Also, SFAA is updating a Model Contractor Development Program Handbook that will provide a compendium of materials to support local efforts, including samples workshop topics and outlines.

Conclusion

The members of the Surety & Fidelity Association of America are committed to keeping surety bonds available and accessible to all qualified contractors. They are also committed to increasing the number of small, minority and women contractors who are bondable. The intention of this Model Contractor Development Program is to assist state and local jurisdictions, local trade groups, local surety associations, and other organizations in the implementation of these goals in their respective communities.

Contact

For more information or to find out how to become involved in a local Contractor Development Program in your area, please contact:

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