

# SURETY BONDING PROGRAM HELPS SMALL AND EMERGING CONTRACTORS

By Lenore Marema

In a classroom in McComb, Mississippi, more than 20 small, mostly minority contractors are sharpening their skills in estimating, bidding, and project management. That same evening in Buffalo, New York, more than 25 small and emerging contractors are attending a kickoff of a similar effort to enhance their capability through workshops and one-on-one counseling. The contractors in both places are participating in an 8-week educational program based on the Model Contractor Development Program (MCDP) of The Surety & Fidelity Association of America (SFAA).

The educational program in Mississippi will be offered in five cities, the result of a Memorandum of Understanding among the Mississippi Development Authority, SFAA, and the National Black Chamber of Commerce to assist Mississippi minority and small businesses in obtaining bonds or increasing their bonding capacity. Mississippi contractors have completed the educational part of the program in Jackson, Tupelo, and Gulfport, and that same program now is under way in Columbus and McComb. This Mississippi initiative is part of SFAA's national effort to assist contractors in becoming "bond-ready."

For small and emerging contractors, their first surety bond is the hardest one to get. Not every contractor has the credit history, experience, and financial capacity to obtain bonds or to qualify for as much bonding as it might want. SFAA's program provides direction on how to become bondable; where to find resources, such as the Bond Guarantee Program of the Small Business Administration; and how to find help from professionals, such as accountants and bankers. The MCDP is a comprehensive program of bonding awareness, education, and support.

## STRATEGIC PLACE TO START

Nowhere is the need for bonding support more apparent than in the Gulf Coast region. Efforts to reconstruct the damaged infrastructure and rebuild the areas devastated by Hurricane Katrina have the potential to provide unique

opportunities for local emerging contractor participation. SFAA believes that what is being done in Mississippi can be a model for bonding assistance programs in other areas.

Thus, the New York State Bonding Initiative was born, in part, out of the Mississippi experience. Having completed a New York City pilot in which several contractors have either been bonded or are in the process of completing their prequalification for bonding, SFAA and its state partner, the New York State Department of Economic Development, have taken the program on the road and have launched efforts in Buffalo, Rochester, Albany, and Syracuse.

With the credit crunch in the economy and the downturn in residential construction, many small and emerging contractors may need to seek public construction jobs for which bonding is mandatory. This makes programs like those in Mississippi and New York even more important.

ABOUT the  
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Since its inception more than 8 years ago, the MCDP has provided education about surety bonds; identified resources available for obtaining a first bond; provided assistance and referrals for obtaining appropriate accounting, project management, and financing expertise; and directly assisted a number of small contractors in achieving bond readiness.

## PROGRAM BASICS

The current MCDP is composed of two distinct components: education and bond readiness. The educational component offers eight comprehensive workshops on topics ranging from construction accounting to bonding and insurance to estimating and bidding. These workshops are designed to assist contractors in improving their company's operations, thereby making it easier for them to obtain surety bonds.

Most of the classes are taught by local volunteers from surety companies, bond producers, CPAs and attorneys with a focus on construction, and senior professionals with area prime contractors. The surety industry has a great incentive to participate in these programs as every company and agent always wants to write more bonds. They look for ways to develop relationships with contractors, so that they are able to qualify for bonds, and will grow and move on to bigger projects. The Construction Financial Management Association (CFMA), the Associated Builders and Contractors (ABC), and the Associated General Contractors of America (AGC) also provide local instructors.

Some of the first Mississippi contractors who completed the program are now in the bond-readiness component. This is where the contractors meet individually with surety bond producers, underwriters, and other professionals to talk about the steps their company needs to take to get bonded. The local agents and underwriters work with the contractors to complete a bond application and address any omissions and/or deficiencies that might deter the successful underwriting of a bond.

Mississippi is the first location in the country in which the education components of the MCDP have been implemented and completed in multiple locations. In addition to New York, the 2007 Chicago program had some immediate success in bonding its contractors, and similar programs are being conducted in Dallas and Cleveland. Plans are in place to implement the MCDP in several more locations, including Boston,

Philadelphia, Indianapolis, and Cincinnati, by the end of the year. SFAA also has used the program to assist individual communities that wanted to include more emerging contractors in public projects. City officials in Savannah, Georgia, for example, wanted to increase minority participation in downtown revitalization and renovation projects. Hillsborough County, Florida, wanted to do the same.

A big part of the surety's job is to assure that there are qualified contractors on public projects. SFAA's MCDP is one way that its surety company members fulfill their obligations to protect project owners, taxpayers, lenders, workers, and suppliers on construction projects, while at the same time addressing the political and social issues of making bonds available to small and emerging contractors. ♦

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