



Testimony of Mr. Ralph Pulver
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The House Committee on Small Business

“Leveraging the Infrastructure Investment and Jobs Act: The Role of the SBA’s Bond Guarantee Program”

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Good afternoon. My name is Ralph Pulver, and I am employed by Travelers Bond & Specialty Insurance in Hartford, Connecticut, where for the past 20 years, I have served as a Regional Underwriting Officer in our Construction Services business unit. My day-to-day responsibilities include underwriting contract surety bonds for our construction clients. This includes management of the department at Travelers that services our small contractor clients, including those that are underwritten through the SBA Bond Guarantee Program.

I am here today on behalf of the Surety and Fidelity Association of America, or SFAA, a non-profit organization based right here in Washington D.C., whose members are primarily insurance companies that provide over 98% of the surety bonds in the United States.

Today, I will be addressing **three main topics**:

- **Background on surety bonding and operation of the SBA bond guarantee program**
- **How the SBA program helps small and emerging contractors grow their companies and contribute to the economic strength of their communities**
- **Positive improvements to the program**

1) Background on Surety Bonding and Operation of the SBA Bond Guarantee Program

As you may already know, contract surety bonds are generally required by federal statute since 1935 and laws in every state to guarantee the completion of federal, state, and municipal construction projects. My role is to prequalify the project contactors, which includes reviewing their ability to perform the project and ensuring the suppliers, subcontractors, and laborers are paid.

The U.S. Small Business Administration, or SBA, established the Surety Bond Guarantee Program in the early 1970s to assist small and emerging contractors who are unable to obtain bonding in the traditional surety market. The program guarantees individual contracts of up to \$6.5 million for state and municipal projects. For federal projects, contracts of up to \$10 million may be considered if a federal contracting officer certifies that such a guarantee is necessary.

The SBA Surety Bond Guarantee Program currently consists of the Plan A (or Prior Approval) program and Plan B (or the Preferred Surety Bond) program. Travelers

participates in the Plan B program. This means the SBA has reviewed our underwriting and administrative practices and financial strength and made a determination as to the aggregate limit of bonds that Travelers can write. Under the Plan B program, Travelers does not have to submit individual bonds to the SBA for approval, which streamlines the process. The SBA has given us the authority to underwrite and issue the bonds on the SBA's behalf. As a "Preferred Surety," Travelers must also agree to periodic review and audit of SBA bonds.

As of the most recent update from the SBA, Travelers is the third largest writer of bonds in the Plan B program, averaging 262 bonds annually for an average of 86 small businesses since 2019. It should be noted that this ranking is determined by the number of bonds written rather than by the amount of surety premium.

Under the Plan A and Plan B programs, the emerging contractor must qualify as a small business as classified under the SBA's Office of Size Standards. The size standard is determined by the gross revenues of the company and all affiliates, averaged over the last five years, as well as the company's industry or class of work.

The SBA's regulations provide that a bond must be required in the contract to be eligible for a guarantee. Also, the contractor must certify that they have tried and failed to obtain bonding in the standard market.

The SBA Bond Guarantee Program provides an effective tool for surety companies to favorably underwrite small and emerging contractors that otherwise would not qualify for surety support. Although these emerging contractors may not have balance sheets that reflect the financial strength of larger contractors, the surety will still undertake a rigorous pre-qualification process focused on the contractor's ability to complete the obligation.

2) How the SBA program helps Small and Emerging Contractors Grow their Companies and Contribute to the Economic Strength of their Communities

Providing an initial opportunity for small and emerging contractors to participate in the public bid market is critical to their future success. While there is no time restriction for a contractor regarding how long the SBA supports them, most growth-oriented contractors aim to meet the underwriting requirements of a traditional surety market and graduate from the SBA program.

During what I refer to as the "groom and grow" period, the small and emerging contractor receives coaching and advice from their surety bond professionals on how to position their company better to obtain surety bond credit support in the traditional surety marketplace. Undoubtedly, the Infrastructure Investment and Jobs Act will increase opportunities for small and emerging contractors, including minority- and women-owned businesses. For some contractors new to the surety bond market, the SBA Surety Bond Guarantee Program will help make that opportunity a reality.

3) Positive reforms to the program

Under the leadership of Peter Gibbs and currently, Jennifer Vigil, significant, positive operational and programmatic improvements have been made in the SBA Program, including enhancements to the Mentor-Protégé Program, increasing the contract size for

eligible projects, increasing the guarantee percentage, permanently decreasing fees for contractors and sureties and increasing the quick application contract limit to reflect market practices. All these improvements have increased the number of participating small and emerging contractors, surety bond producers, and surety companies, now the largest number of sureties ever participating in the program.

I commend the SBA for making these improvements to the program and would like to thank the Committee for your support and leadership on this issue.

Thank you for the opportunity to appear before you today.