

**SBA Project Plan**  
**Section 508: Surety Bond Programs**

**June 16, 2010**

**PROGRAM PURPOSE**

The SBA guarantees (up to 90 percent) surety bonds for small businesses, allowing them to compete for contract dollars, including construction projects supported by Recovery Act funds. Through the Recovery Act, the SBA has temporarily raised the Surety Bond limit for small business contracts from \$2 million to \$5 million dollars. Under certain circumstances (with certification from a Federal contracting officer), that limit can be raised to \$10 million.

**PUBLIC BENEFITS**

Increasing the contract ceiling for a bond guarantee ensures that more small businesses can bid on and receive contracts. This new program increases small contractors’ access to bonding and contract awards, as well as surety company participation. In turn, this leads to stronger job creation while stimulating the economy.

**PROGRAM DETAILS**

- The Recovery Act raises the maximum contract amount that can be covered by a SBA guaranteed surety bond from \$2 million to \$5 million.
- Under certain circumstances, the maximum contract amount can be raised to \$10 million.
- Increases size standard.

<b>QUICK PROJECT FACTS</b>	
<b>Project Description</b>	Section 508: Surety Bond Program
<b>Appropriated Funds</b>	\$15 million
<b>Implementation Timeline</b>	2/17/09 – 6/30/09
<b>Program Sunset</b>	9/30/10
<b>RESOURCES</b>	
<b>Exec. Sponsor</b>	Eric Zarnikow
<b>Team Lead</b>	Frank Lalumiere
<b>Offices Involved</b>	OCA, OCIO, OCFO, DFC, OGC, OCPL, OFO, M&A, ORM <sup>1</sup>

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<sup>1</sup> See Glossary of Office Names

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**PROJECT PLAN**

Milestones for this project are listed below. Progress will be measured against the planned delivery dates. The due dates listed below for notices and other major documents to be issued by the Agency incorporate a two to three week period between the initial drafting of the document and final clearance and publishing. During that period, the document must be cleared by all major offices in the Agency and by OMB.

<b>Milestones (Accountable Office[s])</b>	<b>Due Date</b>	<b>Status</b>	<b>Comment</b>
<b>Planning Phase</b>			
Define and implement IT requirements for \$5 million surety bond guaranty (OCIO, OCFO, DFC)	3/4/09	Completed	
Define and complete IT requirements for \$10 million surety bond guaranty (OCIO, OCFO, DFC)	4/15/09	Completed	
Complete risk assessment (ORM, OCA)	4/15/09	Completed	
Develop risk mitigation plan (ORM, OCA)	5/29/09	Completed	Completed 7/15/09
Define plan for termination of Recovery Act provisions (OCA, Workgroup)	6/30/09	Completed	Completed 9/30/09
<b>Execution Phase</b>			
Issue Information Notice for \$5 million bond guarantee (OGC, OCA)	3/27/09	Completed	
Communications: Issue press release on \$5 million bond guarantee and implementation plan for balance of Section 505 (OCPL)	3/27/09	Completed	
Initiate hiring process	5/31/09	Completed	
Submit Regulations for OMB Approval	6/1/09	Completed	Submitted: 6/11/09
Publish Regulations for \$10 million bond guarantee and other changes (OGC, OCA)	6/15/09	Completed	Published 7/23/09
Communications: Issue press release on \$10 million bond (OCPL)	6/15/09	Completed	Issued: 7/23/09
Implement automated budget processes (Budget and Funds Control)	6/30/09	Completed	Implemented: 9/7/09
Publish Surety Bond Report and submit to Congress	8/17/09	Completed	
<b>Evaluation Phase</b>			
Monitor spending of appropriated funds and program performance (OCFO, PMO, Steering Committee, Workgroup)	9/30/10	Ongoing	

Dates in the chart above are subject to change based on final policy decisions and external factors. These factors may include the need to execute third-party contracts; recruit, hire and train additional staff; obtain necessary external approvals; and create or modify required systems. Project Plans will be re-baselined and updated as necessary.

**TRANSPARENCY AND ACCOUNTABILITY**

To report progress on the implementation of this project, SBA updates the Project Plan to report on the status of milestone attainment. SBA also generates a monthly Program Performance Report that is used to measure progress against agency-wide performance targets.

In addition, SBA generates a Recovery Report which contains detailed financial and performance information pertaining to SBA Recovery Loan programs, with cross-year outcome and performance comparisons.

Information contained in the Program Performance Report and Recovery Report Card will be updated monthly and published on SBA’s Recovery web site:

<http://www.sba.gov/recovery/agencyplans>.

Targeted Outcomes	Metrics
Expanded opportunities for small businesses to bid on and perform contracts	<ul style="list-style-type: none"> <li>Dollar value of bid bonds issued over \$2 million</li> <li>Dollar value of final bonds issued over \$2 million</li> </ul>
Facilitate job retention and job creation	<ul style="list-style-type: none"> <li>Number of jobs created or retained</li> </ul>

Metrics	Dollar value of bid bonds issued over \$2 million		Dollar value of final bonds issued over \$2 million		Number of jobs created or retained	
Measure Type	Output		Output		Outcome	
Measure Frequency	Monthly		Monthly		Monthly	
Unit of Measure	Dollars		Dollars		Number	
Year	FY2009	FY2010	FY2009	FY2010	FY2009	FY2010
Original Program Target	0	0	0	0	0	0
Revised Full Program Target	\$42 million	\$72 million	\$12 million	\$21 million	80	140
Target (incremental change in performance)	\$42 million	\$72 million	\$12 million	\$21 million	80	140

A bid bond guarantees that a bidder will enter into a contract, if awarded, and furnish the required payment and performance bonds. In the metrics above, the dollar value of a bid bond is the estimated contract amount for which the bond is issued. Payment and performance bonds are called final bonds. A payment bond guarantees payment from the contractor to persons who furnish labor, materials, or supplies that are used in the performance of the contract. A performance bond guarantees that the contractor will perform the contract according to its terms.

In the metrics above, the dollar value of a final bond is the contract amount for which the bond is issued.

SBA will generate Program Performance Reports that will contain metrics showing outcomes, usage, borrower and lender characteristics, and risk parameters.

In addition, SBA will generate a Program Performance Overview Report, which will contain detailed financial and performance information about all SBA Recovery Act programs with cross-year outcome and performance comparisons. This report will be used to measure progress against agency-wide performance targets. Information contained in the Program Performance Overview Report and each Program Performance Report will be updated periodically and published on SBA's Recovery web site.

#### **MONITORING AND EVALUATION**

The SBA developed an agency-wide framework to ensure timely and effective implementation of Recovery Act projects to support America's small businesses. In the implementation and execution phases, the SBA Recovery Act Steering Committee, comprised of senior SBA leadership, met every week to review, evaluate and assess the status and results of each SBA-related Recovery Act project.

The Surety Bond project is managed by a team. Project teams and supporting offices are held accountable for on-time completion of project milestones and deliverables. Project teams met regularly with the Performance Management Office to track metrics and milestones, which were reported weekly to the Steering Committee.

The Steering Committee reviewed reports to identify:

- Progress made toward each project milestone
- Factors that have the potential to slow implementation or decrease effectiveness
- Effectiveness of each project measured against expected outcomes
- Success of any implemented adjustments made to strategies, services and project
- Effectiveness of risk mitigation strategies

In the evaluation phase, the Performance Management Office creates a weekly Performance Management Dashboard that summarizes progress and performance towards each program's goals. SBA's Operations Committee reviews this report and uses it to identify performance issues and opportunities for improvement. The Performance Management Office also produces a Monthly Report Card that provides a deeper dive into performance data.

Quarterly review meetings are chaired by the Chief Performance Officer and attended by the executives and staff of the program offices. The meetings are goal-oriented, future focused discussions that drive performance towards achieving the agency's strategic goals.

These reporting tools enable the Agency to identify issues and improve programs and policies to ensure that SBA's programs will help small business succeed.

**BARRIERS TO EFFECTIVE IMPLEMENTATION**

- Effectively marketing the program to targeted participants
- Implementation and effect of Recovery Act restricted use provisions
- Contracting Officer certification requirement for increased limit to \$10m
- Resource constraints (timeliness of new hire to meet increased demand)
- Systems changes

**GLOSSARY OF OFFICE NAMES**

CLA	=	Office of Congressional & Legislative Affairs
DFC	=	Denver Finance Center
M&A	=	Office of Management & Administration
OCA	=	Office of Capital Access
OCFO	=	Office of the Chief Financial Officer
OCIO	=	Office of the Chief Information Officer
OCPL	=	Office of Communications & Public Liaison
OCRM	=	Office of Credit Risk Management
OED	=	Office of Entrepreneurial Development
OFA	=	Office of Financial Assistance
OHCM	=	Office of Human Capital Management
OFO	=	Office of Field Operations
OGC	=	Office of General Counsel
OPGM	=	Office of Procurement & Grant Management
OPP	=	Office of Policy & Strategic Planning
ORM	=	Office of Risk Management
PMO	=	Performance Management Office