



DEPARTMENT OF ADMINISTRATIVE SERVICES

STATE OF CONNECTICUT

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**Committee Bill 736**  
**An Act Concerning a Surety Bond Guarantee Program for Emerging Contractors**

**Joint Committee on Labor & Public Employees**  
**February 17, 2011**

The Department of Administrative Services (DAS) thanks the Committee for the opportunity to provide comments on Committee Bill 736, An Act Concerning a Surety Bond Guarantee Program for Emerging Contractors.

DAS believes the proponents of this bill have identified a genuine problem for small contractors seeking to secure state construction contracts - the inability of many of these businesses to secure bonding. We commend the proponents for raising this issue and seeking solutions to this very real problem.

This proposal would require the Commissioner of Administrative Services to establish a Surety Bond Guarantee Program for emerging contractors. Companies that participate in this Guarantee program would not have to satisfy other statutory bonding requirements to bid on state contracts - participation in this Program would fulfill any such bonding requirements.

DAS does not currently administer, and to our knowledge has never administered, any program that provides surety bonds or similar financial or liability guarantees to contractors or others. Should this bill move forward, DAS respectfully submits that such a program would be more appropriately developed and administered by an agency or entity with expertise in economic development and/or actuarial functions. Additionally, since DAS administers the Construction Contractor Prequalification program, which reviews - among other things - the bonding capacity of contractors applying for DAS certification, it would be a potential conflict for DAS to assess bonding capacity established by another unit within the agency. Furthermore, should DAS merge with the Department of Public Works and become the agency that awards state construction contracts, a further conflict would exist in that DAS would be both the agency that requires a construction company to secure a bond, and the agency that issues the bond to the company (and, if necessary, files a claim against the bond).

However, it is our understanding that a program such as the one the proponents seek to create, already exists. We understand that the General Assembly created a surety bond

guarantee program within the Department of Economic & Community Development (DECD) in 1979, and that such program was later extended to minority-owned contractors. We further understand that there is a bond item on the upcoming Bond Commission agenda that references this allocation and seeks to expand this minority bonding guarantee program at DECD with an allocation of \$2 million. Therefore, it appears this issue is being addressed through the Governor's recent bond allocation request and the existing program.

As mentioned above, DAS does recognize this very real obstacle to small companies seeking to work on state projects and we strongly support measures that will allow more companies to participate in our prequalification and contracting processes. Please know that DAS is currently working to identify solutions to this and other obstacles faced by businesses seeking to participate on state contracts. We would be happy to meet with the Committee or the proponents of this bill at any time to discuss our ideas.

Again, thank you for giving DAS the opportunity to provide testimony on this important concept.