



Small or emerging contractors may feel like it's a constant uphill battle when bidding on federal government projects. However, there are ways in which growing contractors can strengthen their position to be more competitive and secure larger government contracts. A significant opportunity is to upgrade bonding capacity from a Fast-Track Program to a Standard Program. A Standard Program provides contractors financial credibility, access to a broader range of government opportunities, and substantial cost savings.

PROGRAM DIFFERENCES

Fast-Track Programs are suitable for small, infrequent, or one-off construction performance and payment bonds under \$500,000. This simple application process only requires the applicant's credit, with the surety company approving within 24 hours. Bonds exceeding \$500,000, however, will need larger or Standard Bond Programs. This involves more detailed financial information from the applicant so the surety can develop a clear picture of the contractor's stability. This could include a financial statement that is internally prepared for jobs up to \$2MM or a CPA Reviewed Statement for jobs more than \$2-3MM. The surety must be satisfied that the contractor can meet both current and future obligations. The reputation of the contractor will also be evaluated along with the contractor's previous, the size of work staff, equipment, and the processes in place that are necessary to perform the work.

Unlike a Fast-Track Program, a Standard Program will enable contractors to take on larger government projects that require construction bonds, bid bonds, payment and performance bonds, or supply bonds. Under the *Miller Act*, construction bonds are a requirement for contractors providing services on federal projects over \$100,000. Similarly, each state has its own "Little Miller Act" specifying the contract amount above which construction bonds are required.

Another benefit of establishing a Standard Program is the potential for sizeable cost savings. Fast-Track bonds often come with higher premium rates, varying limits, and aggregate terms, compared with lower rates on standard programs.

SUCCESSFUL TRANSITIONING

To successfully maximize from a Fast-Track to a Standard bond program as a federal contractor, follow a series of essential steps:

1. Collaborate with Expert Surety Agents & Financial Advisors

Build a strong connection with a knowledgeable surety agent specializing in construction bonds, with access to various surety markets suitable for federal needs. This partnership thrives on commitment, trust, and most of all, communication. The agent can negotiate the best programs and rates on the contractor's behalf, and act as an advocate during both prosperous and challenging situations. Additionally, the surety agent will have a trusted network of industry partners and can offer recommendations.

2. Enhance Financial Statement Presentation

Prepare a CPA Financial Statement, specifically a CPA Review. While this might come with additional expenses, the savings from a reduced bond rate usually offsets these expenses. Additionally, the surety will anticipate financial statements to be organized based on a

percentage-of-completion basis, which offers a more precise financial picture. This will help the contractor maximize surety capacity on the single and aggregate basis.

3. Strengthen the Balance Sheet

Increase working capital and net worth by retaining profits in the company. A solid balance sheet showcases the company's financial strength and capacity to support a bond program.

4. Establish a Bank Line of Credit

Qualifying for the largest possible line of credit enhances bonding capacity. Having access to additional liquidity, even if gone unused, can reduce the contractor's risk in the eyes of the surety. This bank line helps improve the capital base and increase single and aggregate bonding limits.

5. Demonstrate Strong Internal Controls

Having evidence of robust internal control systems for tracking job costs, receivables, expenses, and inventory control reflects your efficiency and reliability as a contractor. Clear protocols, documented inspections of sites, change orders, contracts, insurance policies, safety rules, and employee incentives all contribute to enhancing the surety's trust in the company.

6. Provide Comprehensive Job Information

Complete bond request forms in their entirety and provide the necessary job information accurately and promptly. Failing to do so could lead to delays or even denial of the bond approval process.

NAVIGATING FEDERAL CONTRACTING

For small and emerging federal contractors, the upgrade to a Standard Bond Program can be a game-changer. It offers a strategic path to navigate the complexities of federal contracting while enhancing competitiveness, providing financial stability, and giving access to more bond capacity.

While the Standard Program requires a more comprehensive application process, the benefit of securing more federal work in the pipeline, improved cost savings, and better profit margins make the transition worth it.