



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 9, 2014

H.R. 776 **Security in Bonding Act of 2013**

As ordered reported by the House Committee on the Judiciary on April 30, 2014

H.R. 776 would amend federal laws related to surety bonds. Surety bonds provide financial guarantees that contracts will be completed according to mutual terms; if a contract is not completed the bond covers the losses. The legislation would affect surety activities in two ways. First, the bill would change collateral requirements for individual sureties who provide bonds for contractors on federal construction projects. Second, H.R. 776 would allow the Small Business Administration (SBA) to guarantee a larger portion of certain bonds, which can be obtained for federal and nonfederal contracts, under the Surety Bond Guarantee Program. Finally, the legislation would require the Government Accountability Office (GAO) to prepare a report on the use of surety bonds by federal contractors over the past 10 years.

CBO estimates that implementing H.R. 776 would cost less than \$500,000, subject to the availability of appropriated funds for GAO to produce the required report. Enacting the bill would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

Under current law and regulation, contractors on federal construction projects are required to insure their performance using surety bonds. Based on information from the General Services Administration, private contractors, and bond providers, CBO expects that provisions of H.R. 776 that would change some collateral requirements for surety bonds would not affect the cost of procuring construction services.

In addition, CBO estimates that provisions of the bill that would raise the portion of certain surety bonds that the SBA can guarantee from 70 percent to 90 percent would not have a significant effect on discretionary spending because we expect the agency would increase fees to cover any additional costs.

H.R. 776 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

On April 15, 2014, CBO provided a cost estimate for H.R. 776, as ordered reported by the House Committee on Small Business on March 5, 2014. Both versions of the bill contain similar provisions regarding increasing the value of the bond guarantee, but H.R. 776 as ordered reported by the House Committee on the Judiciary has an additional provision regarding collateral requirements. The estimated costs of the two versions of H.R. 776 are the same.

The CBO staff contacts for this estimate are Matthew Pickford and Susan Willie. This estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.