



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

April 15, 2014

**H.R. 776
Security in Bonding Act of 2014**

As ordered reported by the House Committee on Small Business on March 5, 2014

H.R. 776 would increase the portion of a bid, performance, or contract bond that could be guaranteed by the Small Business Administration (SBA) under the Surety Bond Guarantee program. Under current law, SBA guarantees 70 percent of the value of bonds written by surety companies that participate in the SBA's Preferred Surety Bond Guarantee (PSBG) program. H.R. 776 would raise the guaranteed portion to 90 percent of the bond value. Under the PSBG program, participating surety companies are authorized to issue, monitor, and service bonds without prior approval from the SBA.

Expenses for this program are recorded in the budget on a cash basis and SBA collects fees sufficient to offset those costs. In fiscal year 2012, SBA recorded \$10.5 million in fees and recoveries of defaulted amounts. Based on information from SBA, CBO estimates that implementing H.R. 776 would not have a significant effect on discretionary spending because we expect the agency would raise fees to cover any additional costs arising from the higher guarantee percentage. Enacting the bill would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

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.

The CBO staff contact for this estimate is Susan Willie. The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.