



Billing Code 8025-01

SMALL BUSINESS ADMINISTRATION

[Docket No.: SBA-2018-0007]

Surety Bond Guarantee Program Fees

AGENCY: U.S. Small Business Administration.

ACTION: Notification of temporary initiative to test lower fees; request for public comments.

SUMMARY: This document announces a temporary decrease in the guarantee fees that the U.S. Small Business Administration (SBA) charges all Surety companies and Principals on each guaranteed bond (other than a bid bond) issued in SBA's Surety Bond Guarantee (SBG) Program.

DATES: *Applicability Date:* The fee decreases described in this document will apply to all SBA surety bond guarantees approved during the one year period beginning October 1, 2018 and ending September 30, 2019.

Comment Date: SBA must receive comments on or before [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

ADDRESSES: You may submit comments, identified by Docket No. SBA-2018-0007, by any of the following methods: (1) Federal eRulemaking Portal: <http://www.regulations.gov>, following the instructions for submitting comments; or (2) Mail/Hand Delivery/Courier: Jerianne Perry, Surety Bond Specialist, U.S. Small Business Administration, Office of Surety Guarantees, 409 Third Street SW, Suite 8600, Washington, DC 20416.

SBA will post all comments on www.regulations.gov. If you wish to submit confidential business information (CBI) as defined in the User Notice at www.regulations.gov, you must submit such information to U.S. Small Business Administration, Jermanne Perry, Office of Surety Guarantees, 409 Third Street SW, Washington, DC 20416 or send an email to jermanne.perry@sba.gov. Highlight the information that you consider to be CBI and explain why you believe SBA should hold this information as confidential. SBA will review your information and determine whether it will make the information public.

FOR FURTHER INFORMATION CONTACT: Jermanne Perry, Surety Bond Specialist, Office of Surety Guarantees, (202) 401-8275; jermanne.perry@sba.gov.

SUPPLEMENTARY INFORMATION: Under its SBG Program, the SBA guarantees bid, payment and performance bonds for small and emerging contractors who cannot obtain surety bonds through regular commercial channels. SBA's guarantee gives Sureties an incentive to provide bonding for small businesses and, thereby, assists small businesses in obtaining greater access to contracting opportunities. SBA's guarantee is an agreement between a Surety and SBA that SBA will assume a certain percentage of the Surety's loss should a contractor default on the underlying contract. Pursuant to its statutory authority "to establish such fee or fees for small business concerns and premium or premiums for sureties as it deems reasonable and necessary," and to administer the SBG Program "on a prudent and economically justifiable basis," 15 U.S.C. 694b(h), SBA assesses a guarantee fee against both the small business concern (the Principal) and the Surety and deposits these fees into a revolving fund to cover the program's liabilities and certain program expenses.

SBA last changed the fees over 12 years ago when the fee charged to the Sureties was increased from 20% to 26% of the bond premium and the fee charged to Principals increased from \$6.00 per thousand dollars of the contract amount to \$7.29 per thousand dollars of the contract amount. Those fees have been in effect since April 3, 2006. At that time, SBA determined that the program's revolving fund was insufficient to cover projected, unfunded liabilities. See 71 FR 9632 (February 24, 2006). SBA increased the guarantee fees to address the projected deficiency. Over the past 12 years, with the increased fee amounts, the revolving fund has accumulated sufficient funds to support the program.

SBA's rules provide that the amount of the fees to be paid by the Surety and the Principal "will be determined by SBA and published in Notices in the Federal Register from time to time." See 13 CFR 115.32(b) and (c) and 115.66. The purpose of this document is to announce that, for the one year period beginning October 1, 2018, the Surety fee will decrease from 26% of the bond premium to 20% of the bond premium and the Principal fee will decrease from \$7.29 per thousand dollars of the contract amount to \$6 per thousand dollars of the contract amount.

As indicated above, the decreases in the fees are temporary and will be in effect for guaranteed bonds approved during the one year period beginning October 1, 2018, and ending September 30, 2019. During the year, SBA will evaluate whether the lower fees will result in an increase in the bond activity level of the SBG Program and, if so, whether any such increased level of activity will generate sufficient revenues to offset the reduced fee amounts. After carefully reviewing program performance during the year,

SBA will determine whether the guarantee fees should remain at these new amounts or if they should revert to the higher amounts or otherwise be changed.

SBA invites public comments on the above stated fee decreases. Please clearly identify paper and electronic comments as “Public Comments on Fee Decreases under the SBG Program Docket No. SBA-2018-0007” and submit them by one of the methods identified in the ADDRESSES section of this document. SBA will consider the comments and determine whether any revisions are necessary.

AUTHORITY: 13 CFR 115.32(b) and (c) and 115.66.

Dated: July 23, 2018.

William Manger,

Associate Administrator,

Office of Capital Access.

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