



SR0199

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SENATE RESOLUTION

2 WHEREAS, Small business growth is at the heart of any
3 economic recovery as most new jobs are created by small
4 businesses; and

5 WHEREAS, Minority-owned and women-owned small businesses
6 (M/WBEs) are particularly important drivers of job growth for
7 African-Americans and Latinos who experience
8 disproportionately high unemployment rates; and

9 WHEREAS, It has long been a strategic objective of the
10 State of Illinois to support the development of minority-owned
11 and women-owned businesses through the M/WBE programs for State
12 procurement, particularly in construction; and

13 WHEREAS, During the recent credit crunch, one of the single
14 largest barriers to growth for women-owned and minority-owned
15 construction businesses has been bonding requirements and the
16 very stringent financial terms imposed upon M/WBE businesses by
17 the bonding companies; and

18 WHEREAS, It is not uncommon for a bonding company to
19 require a construction company to deposit half the amount of
20 the total value of a construction contract in an escrow account
21 in order for the bonding company to sell to the construction

1 company a performance bond for the project; and

2 WHEREAS, As M/WBE construction firms tend not to be heavily
3 capitalized, the rates charged to the M/WBE firms by the
4 bonding companies tend to be far higher than the rates charged
5 to large legacy firms; and

6 WHEREAS, The purpose of a bond requirement is to
7 financially reimburse the State in the event of default by the
8 construction company, not to suppress competition or enrich
9 bond companies; and

10 WHEREAS, There may be more efficient alternative methods to
11 protect the State from any financial loss in the event of lack
12 of performance by M/WBE firms on a construction project; and

13 WHEREAS, The members of the Federation of Women
14 Contractors, the Hispanic American Construction Industry
15 Association, and the Illinois Black Chamber of Commerce believe
16 that the current state of the bond market and the bond
17 requirements are among very significant impediments to growth;
18 therefore, be it

19 RESOLVED, BY THE SENATE OF THE NINETY-SEVENTH GENERAL
20 ASSEMBLY OF THE STATE OF ILLINOIS, that the Department of
21 Commerce and Economic Opportunity consider whether a surety

1 program successfully administered years ago be resurrected in
2 order to provide a financial guarantee to bonding companies for
3 projects conducted by M/WBE firms in order to lower the costs
4 to M/WBE firms and increase their access to capital; and be it
5 further

6 RESOLVED, That the Department of Insurance, which
7 regulates bond issuing companies, consider how it can help
8 identify and encourage bond companies to participate in a
9 program for M/WBE construction firms; and be it further

10 RESOLVED, That the Department of Transportation and the
11 Capital Development Board review their bonding requirements
12 for M/WBE participants in light of the actual number of
13 defaults by M/WBE companies over the last 5 years to determine
14 whether the bonding requirements are more stringent than
15 necessary to protect against risk; and be it further

16 RESOLVED, That the Department of Commerce and Economic
17 Opportunity, the Department of Insurance, the Department of
18 Transportation, and the Capital Development Board report to the
19 General Assembly with recommendations to reform bonding
20 requirements for M/WBE firms in public construction projects by
21 January 15, 2012.