

LOAD UP YOUR BALANCE SHEET WITH CASH



All the states have surplus budgets according to [CNBC](#). How did this occur? It transpired by states receiving various COVID-19 transfer funds and from increases in revenues from income taxes, mineral royalties, sales tax, etc.

- The states received directly and indirectly around \$4 trillion from the federal government to administrate for COVID-19 relief as [USAspending.gov](#) details.
- States' revenues have increased greatly from the expanding economy.
 - Tax revenue in 38 states is greater than pre-pandemic levels according to a [PEW](#) article dated March 10, 2022.
 - States' income tax revenue is up 15% over the last two years. Total state general funds are up 12.8% and state spending has increased by 16.2%, the highest annual jump in 35 years. There are 20 states with [budget surplus](#) of over \$1 billion. And six states have budget surplus of over \$10 billion.

So, what does all this excess cash have to do with infrastructure? Yes, the states will spend money on social programs, but a significant amount of money is going to go into road repair, new roads, utilities, new schools, renovations of government buildings and other infrastructure. A forward-thinking contractor has an opportunity to be able to obtain as much work as the company can handle over the next few years.

Since it takes one year to several years for projects to be designed and put out to bid, now is the time to get your balance sheet beefed up with cash. Why cash? Because sureties rely on working capital to allocate surety for a contractor's work program.

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Here are steps to take to increase your firm's bonding:

1. Meet with your surety agent and CPA to discuss a plan to strengthen the balance sheet over the next couple of years. Also, discuss the possible need to increase the line of credit with the bank.
2. Next, have a meeting with your surety agent, CPA, and surety underwriter to share your plan for improving the balance sheet. This is the time to discuss with the underwriter what your firm will be needing in surety credit. Ask for the underwriter's thoughts and any underwriting pitfalls that need to be addressed over the next few years.
3. Most surety agents have a backup surety in case the current surety has a change in appetite or personnel change. This is the time to bring in the backup surety to share your firm's vision for a work program over the next few years.
4. Ensure your corporate financial statement be published in a timely manner. Your agent and surety can only work as fast as the information is presented to them. Best-in-class construction companies make it a priority to close the prior month by the 15th day of the following month.

If you have questions regarding this article or your current coverage, please contact:



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