Testimony of Major General (AUS, Ret.) Roger R. Blunt, P.E.
Before The Committee on Transportation and Infrastructure Regarding
"Infrastructure Investment: Ensuring an Effective Economic Recovery Program"

Thursday, January 22, 2009
10:00 a.m. Room 2167
Rayburn, House Office Building

MG (AUS,Ret.) Roger R. Blunt, P.E.
President
Essex Construction, LLC
9440 Pennsylvania Ave.
Room 200
Upper Marlboro, MD 20772
240-492-2002 (direct)

Chairman Oberstar and members of the committee, my name is Roger R. Blunt, a resident of Upper Marlboro, Maryland with a business office also in Upper Marlboro. I own a company I have operated primarily in the transportation and infrastructure construction field since its founding in 1971. I am a professional engineer with registration in the District of Columbia. I hold two Master's Degrees from MIT, one of which is in Civil Engineering. My company built and operated an asphalt batching plant which supported my road building company. In the 70s I was a member of the District of Columbia Chapter of the American Road & Transportation Builders Association (ARTBA). I also served the National Asphalt Paving Association (NAPA) as its State Director for the District of Columbia from 1979 to 1984. The projects my company undertook included total replacement of two bridges in the District of Columbia, asphalt runway repairs and concrete apron construction as well as parking lot construction at Dulles International Airport and Washington National Airport (now Reagan). Additionally, my affiliate and commonly owned company performed extensive work as a subcontractor for the Washington Metropolitan Area Transportation Authority building and supplying 10,000 concrete tunnel liners for [illegible] sections of the tunnel system.

My testimony today responds primarily to your interest in how the stimulus package can enhance and thereby ensure participation of small and minority business enterprises in federally funded projects. It also relates to my own mission to optimize participation of Maryland's small and minority businesses in BRAC projects, as Chairman of the Construction Committee of Governor O'Malley's BRAC Small & Minority Business Advisory Board. In my work over the years, I have concluded that the principal impediment to growth of small businesses in the construction arena is undercapitalization and a universal inability to access capital, credit and bonding.

However, adequate technical capability in Maryland's small business community is available today whereby many small firms could engage stimulus package opportunities as prime contractors if they had bonding.

While the stimulus package will bring millions of dollars of improvements in Maryland infrastructure, it is critical that Maryland's small business population be enabled to participate. One dilemma of which I and many others are aware is that the number of certified minority business enterprise contractors in the MDOT database has not grown in proportion to the increased volume of transportation and infrastructure work. I submit that undercapitalization is the principal cause of this problem.

Maryland Department of Transportation, State Highway Administration, Maryland Transportation Authority and all of Maryland's agencies are charged with the responsibility of ensuring that small and minority business enterprises participate in these projects more fully according to applicable state and federal law.

A major part of the underperformance problem is that most of these small firms have been unable to secure bonding and financing for construction projects through conventional channels. The current economic environment has made it more difficult because lenders have provided loans to these firms collateralized by the equity in the

owners' homes. With this weakness in their ability to indemnify the surety in the event of default, particularly in the current economic downturn, they are not bondable without assistance.

What do we need promptly to achieve the results we seek in the state of Maryland? We need an organization chartered by the state to provide bonding and contract financing, as well as technical assistance to increase capacity and the capability of small and minority business enterprises.

A strategy should be devised to enhance the quality and quantity of small, minority and women owned businesses capable of participating in transportation and infrastructure projects.

An effective strategy would include the following:

A revolving, continuous Contract Financing Fund and Surety Bonding Fund to provide working capital lines of credit and bonding to qualifying businesses which will enable them to bid on prime contracts and subcontracts from Maryland agencies using stimulus package funding.

In Maryland I would recommend serious consideration be given to engaging and expanding services of the Maryland Small Business Development Financing Authority (MSBDFA), an agency of the Maryland Department of Business and Economic Development (MDBED). This organization, from my close observations, is equipped to move quickly. MSBDFA assisted my own company in the early 90s with a loan guarantee. Subsequently, I provided advice and counsel in support of MSBDFA's surety services to its clients, following which I served for a short term on MSBDFA's board. The Meridian Management Group (MMG), based on its successful activities in its role as manager of MSBDFA, working with this market segment, has proven experience in providing the support services required. Accordingly, MSBDFA would be an excellent vehicle for moving rapidly to implement this essential initiative.

Thank you for this opportunity to testify before your committee regarding "Infrastructure Investment: Ensuring an Effective Economic Recovery Program".