



THE SURETY &
FIDELITY ASSOCIATION
OF AMERICA



April 22, 2026

Dear Chair Cummings, Vice Chair Chittenden, and Members of the Committee:

The Surety & Fidelity Association of America (SFAA) is a non-profit association whose member companies collectively write over 98% of the surety and fidelity bonds in the United States. SFAA is a licensed rating/ advisory organization in all states and is designated by state insurance departments as a statistical agent for the reporting of fidelity and surety experience. The American Property Casualty Insurance Association (APCIA) is a national property and casualty insurer trade association representing more than 72% of the Vermont P/C insurance market.

Together, SFAA and APCIA strongly oppose the Agency of Transportation (AOT) surety bond threshold increase from \$100,000 to \$250,000 in House (H) 944 on Page 5, Line 15.

The increased threshold weakens longstanding protections for public owners, taxpayers, workers, subcontractors, and suppliers on AOT projects.

- **Public Owners and Infrastructure Projects** — Surety bonds ensure contractors are appropriately vetted in the prequalification process to confirm that they have relevant experience with similar projects, sufficient workforce and expertise to undertake the work, as well as the financial stability required to cash flow a project through completion while paying workers, subcontractors, and suppliers.
- **Workers, Contractors, and Suppliers** — This bill weakens payment bond protections for workers, subcontractors, and suppliers in the event of a prime contractor default or non-payment. That risk falls especially hard on small, trade, minority, and women-owned businesses. By law, these businesses cannot place liens on public projects to secure payment; payment bonds are therefore the critical protection.
- **Taxpayers** — Ernst & Young's (EY) 2022 study "*The Economic Value of Surety Bond*" shows that unbonded projects will increase costs for state and local governments, and ultimately taxpayers, because of contractor defaults, delayed completion, and the loss of the cost-saving and risk-mitigation benefits that bonds provide.

A recent study by EY found:

- **Bonded projects cost less than unbonded projects.** 75% of public project owners report that surety bonding reduces contractor pricing by an average of 3.2%.
- **Bonds pay for themselves.** The cost savings on bonded projects outweigh the costs of bonds.





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American Property Casualty
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- **Unbonded projects default 2.5–10 times more often** than bonded projects.
- **Bonded projects have a lower cost of completion upon default.** Unbonded projects cost 85% more and take at least twice as long to complete.
- 100% of construction default experts interviewed reported that **sureties have the expertise, tools, and resources to complete a project after a default occurs, and public owners do not.**
- Five times more public project owners reported that **bonded projects are more likely to be completed on time or ahead of schedule,** and that contractors prioritize bonded projects over unbonded projects.

In short, surety bonds protect taxpayer dollars, strengthen contractor vetting, support successful project completion, and provide critical payment protections for workers, subcontractors, and suppliers. For these reasons, SFAA respectfully urges the Committee to preserve the current \$100,000 bond threshold and reject the proposed AOT bond threshold increase to \$250,000 in H.944, Page 5, Line 15. Thank you for your consideration of this important issue.

Sincerely,

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