



April 3, 2020

Representative Mike Turzai
Speaker
PA House

Representative Bryan Cutler
Majority Leader
PA House

Representative Stan Saylor
Appropriations Chairman
PA House

Dear Representatives Turzai, Cutler, and Saylor,

I write today regarding Rep. Gaydo's HB 885 that would amend the Public Works Contractors' Bond Law of 1967 (P.L.869, No.385) by increasing the financial security threshold from \$10,000 to \$50,000 and clarify the acceptable types of financial securities for public works projects.

Specifically, our Association is strongly opposed to the first amendment of Section 3.1. (a), which would raise the threshold for financial security requirements from \$10,000 to \$50,000. We support the bill's other amendments to Section 3.1. (a) (1) and (2), which clarify the types of acceptable financial securities.

By increasing the threshold amount, HB 885 would expose the Commonwealth and local jurisdictions to new and unnecessary financial risks on construction projects under \$50,000. Our Association supports the existing financial security threshold because it requires that almost all public construction projects have securities to protect the government in case a contractor does not properly perform.

I witness firsthand the importance of financial securities such as performance bonds on construction projects. These bonds assure that a contractor is qualified to perform the obligations in the award and serve as protection for the public agencies in case the contractor fails to meet their obligations under the contract.

Increasing these thresholds would allow bidding on public construction projects by contractors without the wherewithal to obtain appropriate securities. These contractors would not undergo a surety's comprehensive vetting process; thereby, exposing public entities to greater risk, gambling with taxpayer money, and burdening subcontractors with the possibility of nonpayment.

Increasing security thresholds does not necessarily mean that small and emerging contractors would obtain more public construction business. Instead, financially unstable contractors who could not obtain financial securities would now bid and win public construction jobs under \$100,000. A small and emerging contractor could act as a subcontractor on one of these projects, which would expose them to the same risk the government agency incurs from an unsecured contractor. Over time, raising security thresholds would harm small and emerging contractors and suppliers by substantially increasing their risk of nonpayment if they operate as subcontractors without proper security requirements.

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I would be happy to further discuss this legislation or the importance of financial securities on construction projects, as would several of my Members. Respectfully, we do not want the Public Works Contractors' Bond Law of 1967 to be amended. Thank you for your attention to this important legislation. Please do not hesitate to call upon me if you have any questions.

Sincerely,

Loni Warholic

Loni A. Warholic
Executive Director