What a bid bond is, and what it is not

Public work asks for bonds, and the words get used loosely. Here is what each one actually does, in the order you meet them.

1 Bid bond

Guarantees that if you win, you will sign the contract at the price you bid.

It protects the owner from a bidder who wins and walks away. Usually 5–10% of the bid.

2 Performance bond

Guarantees the work gets finished if you cannot finish it.

The surety either funds a replacement contractor or completes it. Usually 100% of the contract.

3 Payment bond

Guarantees your subs and suppliers get paid.

It exists because a sub cannot lien public property. This is why it is nearly always required.

4 Maintenance or warranty bond

Covers defects for a period after completion.

Often one or two years.

5 What none of them is

Insurance for you.

A bond protects the owner. If the surety pays out, it comes after you for the money. That is the single most misunderstood thing on this page.

6 What a surety actually looks at

Working capital, your bonding history, and who runs the company.

Get bonding capacity established before you need it — not in the week a solicitation closes.

> **Every public bid we find is free to read at nesohq.com** — no account, no key, no limit. This sheet is not legal advice; your surety and your attorney are.