



Montana Department of LABOR & INDUSTRY

1 Division: Workforce Services Division
2 Category: Programs
3 Effective Date: 7/6/2016
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5 Policy No.: 02-16

Federal Bonding Policy

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7 **Background:** In 1966, the U.S. Department of Labor (USDOL) established the Federal Bonding Program
8 (Fidelity Bond) as an employer job-hire incentive that guaranteed the job honesty of at-risk job seekers. Fidelity
9 Bonds are an insurance that businesses purchase commercially, protecting the employer in case of any loss of
10 money or property due to employee dishonesty. The bond insurance will insure the employer for any type of
11 stealing by theft, forgery, larceny or embezzlement. Generally, commercially purchased Fidelity Bonds do not
12 cover anyone who has already committed a fraudulent or dishonest act. Ex-offenders and other job applicants
13 with questionable backgrounds are designated as “not bondable”. The Federal Bonding Program will issue
14 bonds to employers to cover anyone who is usually “not bondable”. As a result, the Federal Bonding Program
15 eliminates this barrier to employment and serves as a job placement tool.

16 **Scope:** This policy applies to the Workforce Services Division.

17 Policy:

- 18 • The bond will be issued to an employer free-of-charge.
- 19 • Federal Bonds will be issued to an employer for the first 6 months of employment. The bond may be
20 extended an additional 6 months to cover a total of one (1) year of employment upon approval of the
21 Program Manager.
- 22 • To initiate the bond, an employer will contact Montana Labor & Industry’s (MDLI) Federal Bonding
23 Program Manager. The employer must provide the employee’s name, address, date of hire, job title,
24 wage/hour, and ethnicity (if known). In addition, the employer must provide the business name and
25 contact information.
- 26 • The Federal Bonding Program does not require an approval process or an employer or employee to
27 complete forms or paperwork to be issued a bond.
- 28 • Any at-risk job seeker is eligible for bonding services, including: ex-offenders; recovering substance
29 abusers (alcohol or drugs); welfare recipients; persons with poor credit; individuals dishonorably
30 discharged from the military; and youth or adults who lack work history.
- 31 • Self-employed persons are not eligible for coverage by a Federal Bond.
- 32 • Bonding coverage may be issued when all requirements are met:
 - 33 ○ Worker meets Montana’s legal age for working;
 - 34 ○ Worker is paid a minimum of Montana’s minimum wage; and
 - 35 ○ Federal taxes are automatically deducted from paycheck.
- 36 • Federal Bonding Insurance does not cover liability due to poor workmanship, job injuries, or work
37 accidents. Federal Bonding is not a contract bond, performance bond, or license bond often needed to
38 be self-employed. Additionally, Federal Bonding is not a bail bond or court bond for the legal system.

- 39 • Federal bonding falls under federal rule which stipulates that the following industries are not eligible:
- 40 ○ Gun shops
- 41 ○ Cannabis-related businesses (growers, manufacturers, or retailers)
- 42 • Federal Bonds are typically issued for \$5,000 of coverage with no deductible. Larger bond amounts to a
- 43 maximum of \$25,000 may be issued to the employer if the Program Manager determines a larger bond
- 44 amount is appropriate.
- 45 • Bonds may not be backdated and are made effective on the date of request.

46 Funding:

- 47 • MDLI's Workforce Services Division may purchase packages of bonds on an as needed basis using ESA
- 48 funding. Federal Bonds purchased by Workforce Services Division do not have an expiration date.
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50 References:

- 51 • Federal Bonding Program - <http://www.bonds4jobs.com>