



Montana Department of LABOR & INDUSTRY

1
2 Division: Workforce Services Division
3 Category: Programs
4 Effective Date: 7/6/2016
5 Last Revised: 7/19/2017
6 Policy No.: 02-16

7 Federal Bonding Policy

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

17 **Scope:** This policy applies to all Workforce Services Division.

18 Policy:

- 19 • The bond will be issued to an employer free-of-charge.
- 20 • The Federal Bonding Program does not require an approval process or an employer or employee to
21 complete forms or paperwork to be issued a bond.
- 22 • Any at-risk job seeker is eligible for bonding services including: ex-offenders, recovering substance
23 abusers (alcohol or drugs), welfare recipients, persons with poor credit, dishonorably discharged from
24 the military and youth or adults who lack work history.
- 25 • Self-employed persons are not eligible for coverage by a Federal Bond.
- 26 • Bonding coverage may be issued when all requirements are met:
 - 27 ○ Worker meets Montana’s legal age for working;
 - 28 ○ Worker is paid a minimum of Montana’s minimum wage; and
 - 29 ○ Federal taxes are automatically deducted from paycheck.
- 30 • Federal Bonding Insurance does not cover liability due to poor workmanship, job injuries or work
31 accidents. Federal Bonding is not a contract bond, performance bond or license bond often needed to
32 be self-employed. Additionally, Federal Bonding is not a bail bond or court bond for the legal system.
- 33 • Federal Bonds will be issued to an employer for the first 6 months of employment. The bond may be
34 extended an additional 6 months to cover a total of 1 years’ employment upon approval of the Program
35 Manager.
- 36 • Federal Bonds are typically issued for \$5,000 of coverage with no deductible. Larger bond amounts to a
37 maximum of \$25,000 may be issued to the employer if the Program Manager determines a larger bond
38 amount is appropriate.

- 1 • Bonds may be accessed and issued by an employer contacting the Program Manager. The employer
- 2 must provide the name and social security number of employee to be covered, date of hire, business
- 3 name and business contact information to initiate the bond.

4 Funding:

- 5 • Workforce Services Division purchases packages of bonds on an as needed basis using ESA funding.
- 6 Bonds must be issued to an employer within 24 months to avoid expiration.

7 References:

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