

TRAINING AND EMPLOYMENT NOTICE	<b>NO.</b> 14-13
	<b>DATE</b> December 9, 2013

**TO:** STATE WORKFORCE ADMINISTRATORS  
 STATE WORKFORCE LIAISONS  
 STATE AND LOCAL WORKFORCE BOARD CHAIRS AND DIRECTORS  
 STATE LABOR COMMISSIONERS  
 STATE UNEMPLOYMENT INSURANCE DIRECTORS  
 AMERICAN JOB CENTERS

**FROM:** ERIC M. SELEZNOW /s/  
 Acting Assistant Secretary

**SUBJECT:** Promoting the Use of the Federal Bonding Program as a Valuable  
 Job Placement Tool When Assisting At-Risk Job Seekers

1. **Purpose:** To inform and encourage American Job Center staff and State Workforce Agencies to use the Federal Bonding Program as an employer incentive when providing job placement services to assist ex-offenders and other at-risk job seekers. States may use Workforce Investment Act (WIA) funds and their own resources to supplement Federal funding to provide these services.

2. **Background:** In 1966, the U.S. Department of Labor (the Department) established the Federal Bonding Program to provide fidelity bonds that guarantee honesty for at-risk job seekers, particularly ex-offenders. The bonds cover the first 6 months of employment. There is no cost to the job applicant or the employer. Bonds in most states are available through the state agency responsible for workforce and cover any type of loss because of dishonesty.

3. **Employers and Jobs that May be Covered:** States purchase bonds to cover at-risk full or part-time workers on jobs for any employer. The key reason for issuing bonds is to help employers overcome their fear that at-risk applicants will be untrustworthy workers. The organization purchasing the bonds can choose to issue bonds for certain classes of jobs. For assistance in making selections, please call the Federal Bonding Program's toll-free hotline at 1-800-233-2258 or the Department's toll-free helpline at 1-877-872-5627 or the TTY number at 1-877-889-5627.

4. **Persons Eligible for Bonding Services:** Any at-risk job applicant is eligible for bonding services including ex-offenders; recovering substance abusers (alcohol or drugs); Temporary Assistance for Needy Families recipients and persons with poor financial credit; economically disadvantaged youth and adults who lack work histories and individuals dishonorably discharged from the military. Ex-Offenders have been the primary targets for this service. All bonded persons must meet the legal working age. Self-employed persons are not eligible for bonding services.

Covered workers must be employees who earn wages with Federal taxes automatically deducted from their paychecks. In addition, organizations can issue bonds to cover employed workers who need bonding to prevent a layoff or secure a transfer or promotion to a new job at the company.

5. **Purchasing Fidelity Bonds:** All States have a state bonding coordinator and make bonds available to American Job Centers (formerly One-Stop Career Centers) and other public and private placement agencies. States may purchase bond packages directly from The McLaughlin Company by contacting Ron Rubbin or Roland Brack at: 1-800-233-2258, or via email at: [ron4bonds@aol.com](mailto:ron4bonds@aol.com) or [brack4bonds@aol.com](mailto:brack4bonds@aol.com). The McLaughlin Company in Rockville, MD, a private insurance brokerage firm, is the exclusive U.S. agent of Travelers Insurance Company for the fidelity bonds issued under the Federal Bonding Program. For additional information on bond package purchasing, visit the Federal Bonding Program official website at [www.bonds4jobs.com](http://www.bonds4jobs.com).

6. **Cost of Fidelity Bonds:** States may purchase fidelity bonds in packages of 25, 50, 75, and 100 bond units. Each bond unit provides \$5,000 employee dishonesty insurance for a 6-month period. Bond package costs are as follows:

No. Bond Units	Total Package Cost	Cost Per Unit
25	\$ 2,450	\$ 98
50	\$ 4,600	\$ 92
75	\$ 6,550	\$ 87
100	\$ 8,400	\$ 84

States must issue bond units to employers within 24 months following the date of bond package purchase. Once issued, each unit of bonding provides the employer with 6 months of insurance coverage starting the first day of work for the bonded individual worker covered by the bond.

You can find guidelines on the purchase and use of fidelity bonds on the official Federal Bonding Program Web site at: [www.bonds4jobs.com](http://www.bonds4jobs.com). In addition, there is a self-training video/CD available upon request by calling 1-800-233-2258.

7. **Determining the Bond Amount to Cover the Bondee:** Our past experience shows that \$5,000 of coverage is sufficient to facilitate most job placements. However, coverage amounts for individual employees can be either -- \$5,000, \$10,000, \$15,000, \$20,000, or \$25,000 -- depending on the job's risk level. Issuance of larger bond amounts (not to exceed five bond units or \$25,000 coverage) should be limited to workers who have greater access to cash or valuable property. You should make the decision based upon reasonable justification by the employer as to the theft risk of the job.

8. **Continuing Fidelity Bonds Past the Initial 6 Months of Employment:** Once the 6 month initial employment period covered by the fidelity bonds is over, continued bond coverage can be provided either through: a) an additional bond issued by the American Job Center or placement agency, or b) if no claim has been paid due to employee dishonesty, a bond purchased at the regular commercial rate by the employer from Travelers Insurance Company.

9. **Allowability of Paying for Bonding Services Under WIA:** American Job Centers provide WIA Core Services, including placement assistance. The purchase of fidelity bonds as a supportive service at American Job Centers is either a staff-assisted “Core Service,” or is in conjunction with case-managed “Intensive Services.” For programs authorized outside WIA, the cost of bonding may be a legitimate expenditure as a supportive service associated with the delivery of job placement activities.

10. **Action Requested:** The workforce system is encouraged to continue to incorporate or expand the use of the fidelity bonding employee incentive into the delivery of job placement services to ex-offenders and other at-risk job seekers.

11. **Inquiries:** Please direct questions regarding this Training Employment Notice to Mallery Johnson in the Office of Workforce Investment, Division of Youth Services by phone at 202-693-3497 or 202-693-3030 or email at [johnson.mallery@dol.gov](mailto:johnson.mallery@dol.gov). Detailed information is available at the Federal Bonding Program Web site at: [www.bonds4jobs.com](http://www.bonds4jobs.com).

12. **Attachment:** List of Federal Bonding Program State Coordinators