

TRAINING AND EMPLOYMENT NOTICE	NO. 37-07
	DATE March 27, 2008

TO: ALL STATE WORKFORCE AGENCIES
ALL STATE WORKFORCE ADMINISTRATORS
ALL ONE-STOP CENTER SYSTEM LEADS
ALL ONE-STOP CENTER SYSTEM STAFF

FROM: Brent R. Orrell /s/
Acting Assistant Secretary

SUBJECT: Updated List of State Federal Bonding Program Coordinators

- 1. Purpose.** To provide an updated list of State contacts for the Federal Bonding Program and to encourage its use in the workforce system.
- 2. Background.** In 1966, the U.S. Department of Labor 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 six months of employment. There is no cost to the job applicant or the employer. In most states the bonds are made available through the state agency responsible for workforce matters. Fidelity Bonding is insurance to protect the employer against employee dishonesty. It covers any type of stealing, including theft, forgery and embezzlement.
- 3. Employers and Jobs that May be Covered.** Bonds can be issued to (a) cover any at-risk worker on any job, full or part-time, and (b) any employer regardless of whether the company has or has not purchased a commercial Fidelity Bond. Most of the time the key reason for bond issuance will be to overcome an employer's fear that an at-risk applicant will be an untrustworthy worker regardless of the specific job. Some jobs, particularly where money and small tools/goods are handled routinely and can very easily be stolen, have traditionally mandated worker bonding. The organization purchasing the bonds is free to choose to issue bonds for only certain classes of jobs. Technical assistance on this matter can be provided to staff by a call to the Federal Bonding Programs toll-free hotline 1-800-233-2258.
- 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), welfare recipients, and other persons having poor financial credit, economically disadvantaged youth and adults who lack a work history, individuals dishonorably discharged from the military, and others. Ex-Offenders

have been the primary target group for using this service. All persons bonded must meet the legal working age set by the state in which the job exists. Self-employed persons are not eligible for bonding services. Covered workers must be an employee who earns wages with federal taxes automatically deducted from their paycheck. Bonds also can be issued to cover already employed workers who need bonding in order to (a) prevent being laid off, or (b) secure a transfer or promotion to a new job at the company.

5. **Purchasing Fidelity Bonds.** Almost all States have federal bonding coordinators, and in these States One-Stop Career Centers and other placement agencies can purchase bonds directly from the State Coordinator. An updated list of State Federal Bonding Program Coordinators is attached. Kentucky, Oregon, Nevada, and Virginia do not have State Federal Bonding Program Coordinators, and in these States One-Stop Career Centers and other placement agencies can purchase bonds directly from the Federal Bonding Program at the McLaughlin Company by contacting either Ron Rubbin 1-800-233-2258 ext. 246 or Roland Brack at 1-800-233-2258 ext.271, e-mailing them at rrubbin@McLaughlin-online.com, Brack4bonds@aol.com, or mailing in the attached Fidelity Bond Purchase Agreement.

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

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

Bond units purchased must be issued to employers within 24 months following the date of bond package purchase. Once issued, each unit of bonding provides the employer with 6-months insurance coverage starting the first day of work for the bondee (i.e., the individual worker at a specific employer who is covered by the bond).

The McLaughlin Co. in Washington, D.C., a private insurance brokerage firm, is the exclusive U.S. agent of St. Paul Travelers Insurance Company for the fidelity bonds issued under the Federal Bonding Program. "Guidelines on the Purchase & Use of Fidelity Bonds" can be found in the official Federal Bonding Program website at 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.** One bond unit provides \$5,000 of coverage for six months. 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 level of risk at the job. Issuance of larger bond amounts (not to exceed five bond units or \$25,000 coverage) should be limited only to workers who can readily steal, at one time, more than \$5,000 in money or property. Program staff has discretion in determining the appropriate level of bond coverage, but it should be based upon reasonable justification by the employer as to the theft risk of the job.
8. **Continuing Fidelity Bonds past the initial six months of employment.** Once the six months 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 One-Stop Career 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 employee from St. Paul's Travelers Insurance.
9. **Allowability of paying for bonding services under the Workforce Investment Act (WIA).** Under WIA, "Core Services" required at each One-Stop Career Center includes placement assistance. The purchase of Fidelity Bonds as a support service at One-Stop Career Centers can be delivered as either a staff assisted "Core Service," or in conjunction with case managed "Incentive Services." For programs authorized outside WIA, the cost of bonding also may be a legitimate expenditure as a support service associated with the delivery of job placement activities.
10. **Action Required.** WIA and other employment and training delivery systems are encouraged to continue to incorporate the fidelity bonding employer incentive into the delivery of job placement services to assist ex-offenders and other at-risk job seekers.
11. **Inquiries.** Questions regarding this TEN should be directed to Michelle Lee-Jones of the Office of Youth Services at (202) 693-3932 or at jones.michelle@dol.gov. Or visit the Federal Bonding Program website at www.bonds4jobs.com.

Attachments. List of Federal Bonding Program State Coordinators and Fidelity Bond Purchase Agreement with Explanatory Information.