

OFFICE OF WORKFORCE SECURITY

REQUEST FOR OMB CLEARANCE OF INFORMATION COLLECTION  
UNDER THE PAPERWORK REDUCTION ACT OF 1980

JUSTIFICATION: PART A

**A-1. Circumstances that make the collection of information necessary.**

The Social Security Act (SSA), Sec. 303(a)(1), gives the Secretary of Labor several responsibilities toward the Unemployment Insurance (UI) system. Among these is to oversee the performance of the system, and so ensure that it provides "full payment of unemployment compensation when due". In general, this includes ensuring that states are in substantial compliance with their laws, which must embody the requirements of Federal law. The Secretary must also "certify from time to time to the Secretary of the Treasury for payment to each state which has an unemployment compensation law approved by the Secretary of Labor under the Federal Unemployment Tax Act, such amounts as the Secretary determines to be necessary for [the law's] proper and efficient administration" [SSA, Sec. 302(a)]. To carry out these responsibilities, the law gives the Secretary authority to require "such methods of administration...reasonably calculated to insure full payment of unemployment compensation when due" [SSA, Sec. 303 (a)(1)] and to require the making of reports [SSA, 303 (a) 6)].

The Department has interpreted these requirements to allow it to require all states to have and properly operate a Benefits Accuracy Measure (BAM) program. Since October 5, 1987, the regulation, at 20 CFR 602, published September 3, 1987, has required all entities considered states for UI purposes (except the Virgin Islands) to operate a BAM program. Section 602.1 of the regulation specifies that the purpose of the program is to "assess the timeliness and accuracy of state administration of the UI program" including both "claims processes and revenue

collections." The accuracy of certain benefit payment operations is reviewed by the BAM program which has been approved by the OMB Information Collection Review under OMB Control No. 1205-0245 with clearance through August 31, 2009. The Department is also reviewing the timeliness, accuracy, and completeness of certain tax collection (revenue) operations in the states utilizing the Tax Performance System (TPS). This request is for an extension of the TPS program. The Handbook 407 prescribes the operation of this program.

### **The UI Tax Operation and Tax Functions**

Most UI benefits are financed through a state payroll tax on covered employers. The tax is experience-rated; i.e., the rate charged each employer reflects the system's "experience" with paying benefits to the firm's former employees. Most employers are subject to the UI tax, the conditions of liability varying from state to state. (A small percentage of employers--mostly governmental and nonprofit entities--do not pay a payroll tax but reimburse the state UI agency dollar for dollar for benefits paid to their former employees.)

Each quarter, subject employers must report their contributions due and send them, along with the funds, to the state agency. The Agency deposits the funds into a clearing account from which they are deposited into the state's account in the Unemployment Trust Fund which the U.S. Treasury invests. Trust funds are drawn out daily to match projected benefit payments. Nearly all states require employers also to report the wages paid to each employee; this information, kept in automated wage record files, is accessed to determine claimants' monetary eligibility for benefits.

Managing this system is usually described in terms of the following functions:

1. Status Determination. The agency must identify employers, determine which are liable, and process changes of status as firms go out of business, leave the state, or change ownership.

2. Cashiering. This function involves receiving and depositing contributions into the Clearing Account and crediting them to the appropriate employer's account.

3. Delinquent Reports. Contribution reports not received when due from employers in the state's employer file must be secured, or the Agency must determine that no report is due.

4. Collections. This is the function by which the Agency retrieves accounts receivable or declares them uncollectible. It is closely associated with the delinquent reports function.

5. Field Audit. This is the tax system's primary enforcement function. Subject employers are audited to determine whether contribution reports are filed completely and accurately and promote compliance with the tax code. It is often closely associated with delinquent reports and collections.

6. Benefit Charging. This process links the tax collection and benefit payment sides of the UI system. It involves determining whether the benefits paid to each claimant are chargeable to former employer(s), allocating chargeable benefits to the correct employer(s) and allocating any non charged benefits to the social or pool account.

7. Experience Rating. In most states the tax rate for the "contributions" which fund UI benefit payments reflects in part contributory employers' history of contributions paid and benefits paid out to their former employees. In addition to the "experience" factor the tax rate may also contain components whose sizes depend on the present and projected status of the state's trust fund.

8. Accounting. The core of the tax system, touching all of the above functions, is the accounting or accounts maintenance function. It either receives information from or triggers actions by all of the above functions, or both. The maintenance of accounts by employer is considered a tax function; the maintenance of accounts by claimant or covered employee is a benefit payment function.

## **Overview of the Design**

The quality of most of the above functions is examined. To do so in a cost-effective manner, the design combines several methodologies. "Computed Measures" are indicators of timeliness and completeness based on data from automated reports, most of which states are already reporting for other reasons. "Program Reviews" assess accuracy through a 2-part examination. "Systems Reviews" examine tax systems for the existence of internal controls; small samples of those systems' transactions are then examined to verify the effectiveness of the controls. Through voluntary Methods Surveys, states would document the methods and procedures used in collections, field audits, status determinations and delinquent reports. Once every four years this data could be gathered and used to identify which methods seemed most promising in improving performance. TPS employs the various methodologies to measure the pertinent dimensions of quality for the tax functions it assesses.

TPS was pilot tested in eight states during 1991 through 1992. Various aspects of that pilot test were evaluated by Abt Associates, Inc., the Department's technical consultant. The evaluation concluded that the design is effective and efficient. The Executive Summary of the evaluation was included in the original OMB request.

### **A-2. Intended users, uses, and consequences of not collecting the information.**

The findings are of extensive use to both state and Federal UI staff. The various measures were developed very systematically, taking as the starting point the requirements of Federal law, and implied quality dimensions the law and regulations require. Many of the measures were totally new, assessing aspects of performance previously unmeasured in most states. In pilot testing TPS, pilot state tax administrators were asked to indicate what kinds of deficiencies in their programs the instrument should expect to find. Eighty percent of findings were **not** expected by state administrators--but their staffs

agreed that real deficiencies had been identified. Thus, TPS ensures both state administrators and Federal UI staff now know whether state programs are being operated in accordance with the quality implied by Federal law. This information enables state managers to make informed program decisions, and give Federal staff the information they need to exercise oversight by providing technical assistance, sharing information, or persuading a state to take action in a particular area.

TPS data now are an integral part of UI PERFORMS, the performance management system for the UI program. UI PERFORMS incorporates a strategic planning process of identifying priorities; ongoing collection and monitoring of valid data to measure performance; identification of areas of potential improvement; and development of specific action steps to improve performance, followed by use of available data to determine whether the action steps are successful.

If TPS data are not collected, information relative to UI tax performance according to the requirements of Federal law will not be produced, and many deficiencies in state tax operations will go unnoticed.

### **A-3 Use of improved information technology to reduce burden.**

In order to comply with the Government Paperwork Elimination Act, maximum use has been made of computer technology to limit burden. States are able to enter data using the Sun computers already in service for UIS. The Department has provided them with the appropriate database software, as well as software for their mainframes to create files and draw acceptance samples, and toll-free hotline support. The Department picks up data at night through autodial procedures entailing no burden on state staff. The Department is not aware of any obstacles to the use of these technologies.

### **A-4 Describe efforts to identify duplication.**

TPS was designed to replace the Quality Appraisal (QA) tax measures. Very little of what is now being measured was being collected previously. When TPS was approved, the QA tax measures were dropped to eliminate redundancy.

**A-5 Methods used to minimize the burden on small businesses.**

There is no burden on small businesses: the program reviews state tax operations only.

**A-6 Consequences for Federal program/policy activities of less frequent data collection.**

The Department believes that the proposed schedule is a reasonable frequency given the normal state of UI tax operations. The cycle of systems review once every four years is sufficient for validation of changes in processing structure or patterns while not allowing deviation from patterns of proper control. Drawing small samples once every year is an inexpensive way to alert state and Federal staff if something has gone amiss before the next scheduled systems review. The Computed Measures indicators are based on quarterly reports data, but the real conclusions based on them are actually based on annual data. Reviewing programs on less than an annual cycle allows excessive time to elapse between the onset of problems and their identification.

**A-7 Special circumstances requiring data collection inconsistent with the guidelines in 5 CFR 1320.5.**

The program will not collect any data inconsistent with the guidelines.

**A-8 Description of efforts to consult with persons outside the agency on this data collection.**

Since it first began the development of TPS in 1988, the Department has consulted extensively, both formally and informally, on its design. All the parties at interest--the major UI stakeholders--have been consulted or briefed at various points in the program's design. A Notice for sixty days' public comment was published in the Federal Register August 18, 2008 (vol. 73, #160, page 48243). No comments were received.

**A-9 Payments to respondents.**

Respondents to this program are state staff and do not receive gifts.



**A-10 Assurances of confidentiality.**

The program produces no data on individual beneficiaries or business establishments and thus is not affected by Privacy Act considerations.

**A-11 Questions of a Sensitive Nature.**

There are no questions of a sensitive nature.

**A-12 Estimates of respondents' hour burden.**

The burden of this activity is the time required to conduct the investigations and provide the information to the Department of Labor.

The following continuing effort is involved: conducting Systems Review every fourth year and the accompanying samples every year; and data entry of the findings into the Sun computer. The actual transmission of data requires no time and effort to the states; the Department polls their computer systems periodically to update all records, including TPS records.

1. Continuing Activities. The Department provides one staff year per state for the conduct of this program's activities. The average hours worked per state averages about 1739 per person. This is the estimate of burden per state.

Program Review. Every fourth year, the state conducts a complete Program Review, which comprises a Systems Review and examination of Acceptance Samples. In the subsequent years in which states do not conduct Systems Reviews, they still draw and evaluate the samples. As noted, in "off years" when no Systems Reviews are done in their own states, staff may help staff in other states conduct their own systems reviews.

Average Annual Burden: **1734 hours**

Data Entry. Each year, sampling results are entered into the database and once every four years, the results of the Systems Reviews are entered.

Average Annual Burden: **5 hours**

Total Annual (Continuing) Burden: **1739 hours** per state  
**(90,428 hours for 52 states).**

Every year, funding for one full-time staff is provided to each state. Responsibilities include generating findings on the quality of the state's UI tax operation and providing these data electronically to the Department. A projected average rate of \$77,106 per year for each of 52 state agencies results in a total of \$4,009,512 in annual costs.

**A-13 Annual cost to respondents**

No additional operating costs other than what is noted in A-12 above.

**A-14 Annual Federal cost**

Federal costs are associated with the staff required for handling, maintaining, and verifying data. Costs are estimated to be the following:

Mathematical Statistician, GS-14/5	
0.1 Staff Year	\$ 11,110
UI Program Specialist, GS-13/5	
1 Staff Year	\$94,025
Total--Salaries	<b>\$105,135</b>

**A-15 Reason for changes in burden.**

There have been no changes in the hour burden.

**A-16 Information on programs to be published for statistical use.**

Data from this program are not intended to be published for general statistical use.

**A-17 Reasons for not displaying OMB expiration date.**

The Department intends to display approval information.

**A-18 Exceptions to Certification.**

There are no exceptions.