

**Supporting Statement For
OMB Clearance**

**National Directory of New Hires
OMB No. 0970-0166**

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A. JUSTIFICATION

1. Circumstances Making the Collection of Information Necessary

The information collection activities associated with The National Directory of New Hires (NDNH) are necessary to fulfill federal child support enforcement requirements. The information maintained in the NDNH is collected and used to assist child support agencies locate parents and enforce child support orders. Congress has also authorized specific state and federal agencies to receive NDNH information for authorized purposes to assist in administering certain programs.

The NDNH is authorized under 42 U.S.C. §653(i)(1) and operated by the U.S. Department of Health and Human Services (HHS), Office of Child Support Enforcement (OCSE). The information collection activities pertaining to the NDNH are authorized by: (1) 42 U.S.C. §653A, which requires employers to report all newly-hired employees to the State Directory of New Hires (SDNH), requires the SDNH to transmit the new hire information to the NDNH within three business days of the data being entered in the SDNH, and requires federal government employers to report new hires directly to the NDNH; and (2) 42 U.S.C. §653A(g)(2)(B), 26 U.S.C. §3304(a)(16)(B), 42 U.S.C. §503(h)(1)(A), and 42 U.S.C. §653(n), which require the SDNH, state IV-A agencies, state unemployment agencies, and federal agencies to report wage and unemployment information to the NDNH on a quarterly basis.

2. Purpose and Use of the Information Collection

2.1 How will the information be used

The primary purpose of the information reported to the NDNH is to assist the child support agencies (including courts, parents, certain agents, and attorneys) to locate information on the address, employment, income, and unemployment compensation benefits of parents with child support obligations who reside and work in other states. Child support agencies use this information to locate these parents, their income, and their employers to either establish, modify, or enforce a child support order. NDNH information is matched with child support case abstracts transmitted by child support agencies to the Federal Case Registry of child support orders within two business days. The results of the comparisons are transmitted to the appropriate state child support agency.

Additional state and federal agencies, researchers, and data matching partners use the NDNH information for:

- enforcement of state and federal law for unlawful taking or restraint of a child or making or enforcing a child custody or visitation determination (42 U.S.C. §653(b)(1)(A))
- administration of the Earned Income Tax Credit program (42 U.S.C. §653(i)(3))
- data comparisons among different components of the Federal Parent Locator Service to facilitate the administration of Temporary Assistance to Needy Families (TANF), child and family services, child support, foster care, and adoption (42 U.S.C. §653(j)(3))
- administration of the Social Security program (42 U.S.C. §653(j)(4))
- research for purposes that would contribute to TANF or child support programs. Any data provided to researchers would not include personal identifiers (42 U.S.C. §653(j)(5))
- matching individuals who are borrowers of student loans that are in default or have an obligation to refund an overpayment of a grant (42 U.S.C. §653(j)(6))

- verification of the employment and income of individuals who are participating in certain federal housing programs (42 U.S.C. §653(j)(7))
- administration of the unemployment compensation program (42 U.S.C. §653(j)(8))
- collection of federal (non-tax) debts (42 U.S.C. §653(j)(9))
- administration of the Supplemental Nutrition Assistance Program (42 U.S.C. §653(j)(10))
- verification of the employment and income of individuals who are applying for, or receiving, certain VA benefits, compensation, or services (42 U.S.C. §653(j)(11))
- administration of the child support programs by foreign reciprocating countries (42 U.S.C. §659a(c)(2))
- location of a parent for purposes of the International Child Abduction Remedies Act (42 U.S.C. §666(e))

2.2 By whom will the information be used

NDNH information is used by child support agencies, state agencies, federal agencies, and foreign reciprocating countries administering programs mentioned in Section 2.1. The NDNH may also be used by entities for certain blanket purposes, such as law enforcement, the Department of Justice, courts and other adjudicative bodies, contractors, and those required in the event of a security breach.

3. Use of Improved Technology and Burden Reduction

The new hire, quarterly wage, and unemployment insurance information is transmitted from the states to the NDNH electronically through high-speed, secure communication lines. Employers are strongly encouraged to transmit their new hire data electronically to the SDNH. Most federal agencies report data electronically to the NDNH.

Multistate employers, those with employees in two or more states, are required to notify the Secretary of Health and Human Services in writing if they choose to report all of their new hires to one state. These employers register via the Internet, e-mail, fax, or the U.S. Postal Service. OCSE developed a form that multistate employers may use to report this information. The form is available in hard copy and through a website that has been created for this purpose. The majority of multistate employers choose to notify the Secretary electronically to identify the state where they will report their new hires.

4. Efforts to Identify Duplication and Use of Similar Information

No similar information currently exists in any other consolidated national database.

The statute includes specific provisions to avoid duplication within state reporting. Multistate employers may designate one state (in which the employer has employees) for reporting new hires. This provision is intended to simplify the reporting of new hires for those employers that have employees in two or more states.

States determine where to house the SDNH so that only one state agency collects and reports the new hire data to the NDNH. Most frequently, this is the child support agency, the state workforce

agency, or the revenue department.

5. Impact on Small Businesses or Other Small Entities

To minimize the impact on small businesses, the information that the states are required to report to the NDNH is limited to seven data elements. The mandated data elements are: name, address, Social Security number and date of hire of the employee, and the name, address, and Federal Employer Identification Number of the employer.

States have the authority to enact laws requiring information in addition to the federally-mandated data elements. To accommodate employers and state requests, the NDNH is able to accept the employee's state of hire, date of birth, and employer's secondary and foreign address.

The quarterly wage and unemployment insurance claim data are already collected at the state level, so this requirement poses no additional burden on employers.

Most small businesses and other small entities are not affected by the requirement to register as a multistate employer.

6. Consequences of Collecting the Information Less Frequently

Federal legislation requires OCSE to operate the NDNH under section 453(a)(1) and 452(a)(9) of the Act. The information collected is vital for child support agencies to efficiently and effectively collect support across state lines.

7. Special Circumstances Relating to the Guidelines of 5 C.F.R. §1320.5

Employers are required to report new hires more frequently than quarterly to fulfill statutory requirements and to ensure timely establishment and enforcement of child support orders.

8. Comments in Response to the Federal Register Notice and Efforts to Consult Outside the Agency

A notice of the information collection was published in the *Federal Register* at 80 FR 64004 on October 22, 2015, which allowed a 60-day comment period for the public to submit in writing any comments about this information collection. On December 21, 2015, the Oregon Department of Justice submitted comments supporting the value of the NDNH to the child support program.

9. Explanation of Any Payment or Gift to Respondents

No payments or gifts were made to respondents.

10. Assurance of Confidentiality Provided to Respondents

The Secretary of Health and Human Services is required by subsection 453(m) of the Social Security Act to establish and implement safeguards to restrict access to and use of confidential information in the NDNH to authorized persons. The NDNH is housed at the secure Social

Security Administration (SSA) facility with access limited to authorized personnel. Data extracts authorized by legislation are made by batch processes and transmitted securely to recipients. To protect the NDNH data, all data recipients must agree to comply with the security provisions contained in the OCSE Memorandum of Understanding and Security Addendum. When used for research purposes (as authorized by the Secretary of Health and Human Services), disclosure is limited and provided without child support agency personal identifiers under subsection 453(j)(5) of the Social Security Act. In addition, each state must have in effect safeguards designed to protect personally identifying information and other data releases. All state data is transmitted over secure lines to the NDNH.

11. Justification for Sensitive Questions

OCSE is required by law to operate the Federal Parent Locator Service (FPLS) for the primary purpose of assisting state child support agencies establish, modify, and enforce child support orders. Collection of sensitive information, such as an individual's Social Security number, is justified because it helps to ensure that state child support agencies are identifying the correct individuals when working a case.

12. Estimates of Annualized Burden Hours and Costs

12.1 Respondents' Hour Burden

The estimates of burden and costs to respondents are based on the following assumptions:

- The NDNH collects an estimated 60 million new hire reports per year.
- Employers in all 50 states, as well as the District of Columbia, Guam, the Virgin Islands, and Puerto Rico are required to report the hiring of all employees to the SDNH.
- There are approximately 5.7 million employers in the United States.
- States are required to enter new hire data in the SDNH within five days of receipt of the information from employers and to transmit data to the NDNH within three business days of data entry.
- Approximately 10 percent of employers report all new hires electronically.
- Approximately 88 percent of all of the nation's employees are employed by 10 percent of the employers mentioned above.
- Employers who report new hires electronically usually transmit their reports in a batch file, thus significantly reducing the per-response hour burden.
- There is no incremental burden at the employee level for the new hire data collection, as employees are already required to report their name, address, and Social Security number on the IRS W-4 Form. Even if the state chooses to report one or all of the optional data elements (employee's date of birth, state of hire, and employer's secondary and foreign address), no incremental burden would be placed on the employees because these data elements could all be accounted for by the employer.
- Quarterly wage and unemployment insurance data are treated as one information collection for the purposes of this clearance request, as they are received from the same source.
- Quarterly wage and unemployment insurance data are furnished to the NDNH by the states on a quarterly basis.
- There is no incremental burden at the employer level for the quarterly wage and unemployment compensation data collection, as employers are already required to submit this information to

the states. Because this data will be reported from the SDNH to the NDNH electronically, the burden on the states is minimal.

- The Multistate Employer Registration Form is a one-time submission. OCSE has received the majority of the multistate registrations. For fiscal year 2015, 5,127 new registrations were received.

12.1.1 Estimated Annual Burden Hours

| Instrument | Number of Respondents | Rounded Number of Responses per Respondent | Average Burden Hours per Response | TOTAL |
|--|------------------------------|---|--|----------------|
| New Hire: Employers Reporting Manually | 5,130,348 | 1.40 | .025 hours (1.5 minute) | 179,562.18 |
| New Hire: Employers Reporting Electronically | 595,812 | 88.62 | .00028 hours (1 second) | 14,784.24 |
| New Hire: States | 54 | 133,333.33 | .016667 hours (1 minute) | 120,002.40 |
| QW & UI | 53 | 26.00 | .00028 hours (1 second) | 0.39 |
| Multistate Employer Form | 5,127 | 1.00 | .050 hours (3 minutes) | 256.35 |
| Estimate Total Annual Burden Hours | | | | 314,606 |

Estimated Total Annual Burden Hours: 314,606 hours

12.2 Respondents' Cost for Hour Burden

Multistate employers complete the Multistate Employer Notification Form to register as a multistate employer with HHS. The burden calculation in the table above includes a multistate employer completing the form for the first time and updating its information including removing itself from the multistate employer registry.

The annualized costs to respondents for the hour burdens are based on an average wage rate of \$19.56 per hour for state employees transmitting data and \$18.30 per hour for employers reporting data to the states.¹

The assumptions for calculating the “Respondents’ Cost for Hour Burden” are that the average hourly wage rate for state employees transmitting data is \$19.56 and the average hourly wage rate for employers reporting data to the states is \$18.30.

The total burden hours for “New Hire: Employers Reporting Manually” is estimated to be 179,562.18 hours. The total cost for these burden hours is \$3,285.987.89 (179,562.18 x

¹ Based on Bureau of Labor Statistics May 2014 National Compensation Survey Hourly wages

\$18.30). Because there are 5,130,348 employers submitting records, this works out to \$0.64 per employer (\$3,285,984 / 5,130,348).

The total burden hours for “New Hire: Employers Reporting Electronically” is estimated to be 14,784.24 hours. The total cost for these burden hours is \$270,551.59 (14,784.24 x \$18.30). Because there are 595,812 employers submitting records, this works out to \$0.45 per employer (\$270,551.59 / 595,812).

The total burden hours for “New Hire: States” is estimated to be 120,002.40 hours. The total cost for these burden hours is \$2,347,246.94 (120,002.40 x 19.56). Because there are 54 states submitting records, this works out to \$43,467.54 per state (\$2,347,246.94 / 54).

The total burden hours for “Quarterly Wage & Unemployment Compensation” are estimated to be .39 hours. The total cost for these burden hours is \$7.63 (.39 x \$19.56). Because there are 53 states submitting records, this works out to \$.14 per state (\$7.63 / 53).

The total burden hours for “Multistate Employers’ Notification Form” are estimated to be 256.35 hours. The total cost for these burden hours is \$4,691.21 (256.35 x \$18.30). Because there are 5,127 respondents submitting records, this works out to \$0.92 per respondent (\$4,691.21 / 5,127).

| Reporting Requirement | Average Annualized Cost Per Respondent | Total Annualized Cost |
|--|---|------------------------------|
| New Hire: Employers (Manual) | \$0.64 | 3,285,987.89 |
| New Hire: Employers (Electronic) | \$0.45 | 270,551.59 |
| New Hire: States | \$43,467.54 | 2,347,246.94 |
| Quarterly Wage & Unemployment Compensation | \$0.14 | 7.63 |
| Multistate Employers’ Notification Form | \$0.92 | 4,691.21 |
| Total | | \$5,908,485 |

13. Estimate of Other Total Annual Cost Burden to Respondents and Record Keepers

Respondents use systems already in place to provide information to the NDNH, so there is no capital or start-up cost burden to respondents. There are also no incremental costs associated with collecting this information. There are no ongoing operations and maintenance costs attributable to the requirement to submit to the NDNH.

There are no ongoing maintenance costs for respondents for the Multistate Employer Registry;

OCSE bears all of the maintenance costs.

14. Annualized Cost to the Federal Government

The annualized cost to the federal government is estimated to be \$5.5 million. This includes the system enhancement and technical assistance contracting costs, telecommunications, security, data quality, and software and hardware costs incurred by OCSE in association with the NDNH.

15. Explanation for Program Changes or Adjustments

There are several adjustments to this information collection. The estimated number of new hire reports collected increased from 59 million to 60 million. Based on OCSE and SSA's review, more new hire reports are now received electronically. This increase in electronic reporting, which takes less burden hours to complete, has resulted in a decreased burden estimate 135,871 hours.

There is also an increase in the average number of new registrations received from Multistate Employer Notification Forms from an average of 386 per month to an average of 427 a month (5,127 per year). As a result of internal data quality analysis of the multistate employer registry, and subsequent cleanup of the registry, OCSE has conducted outreach to states and employers to encourage them to add and/or correct their multistate employer information. As a result, this increases the total burden hours for the Multistate Employer Notification Form from 231.60 hours to 256.35 hours.

The decrease in cost to the federal government from the previous OMB approval is due to shifting priorities of major IT projects, as identified in #14.

The NDNH record specifications were simplified and new links inserted, which constitute a program change. These revisions do not impact the burden hour for the respondents.

16. Plans for Tabulation and Publication and Project Time Schedule

There is no planned analysis or publication of the data collected.

17. Reason(s) Display of OMB Expiration Date is Inappropriate

Not applicable.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

There are no exceptions.

SUPPORTING STATEMENT:

**PART B – COLLECTION OF INFORMATION EMPLOYING
STATISTICAL METHODS**

The information collection requirements outlined in this report do not employ the use of statistical methods.