

September 13, 2007

**SUPPORTING STATEMENT FOR PAPERWORK REDUCTION ACT
SUBMISSION 1510-0074**

A. Justifications

1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information.

In 2003, the Financial Management Service (FMS), a bureau of the Department of the Treasury (Treasury), requested the Federal Reserve Bank (FRB) of St. Louis (acting as Treasury's Fiscal Agent) to conduct research with Social Security Title II (SSA) and Supplemental Security Income (SSI) benefit payment recipients to identify barriers to significant increases in electronic funds transfer (EFT) for beneficiary payments. To perform this task, the FRB of St. Louis contracted with a national marketing firm and a research firm. The original study approved by OMB focused on Federal beneficiaries who receive their payments via checks. It was designed to uncover barriers to EFT use, probe preferred instruments for receiving payments and test product development, delivery mechanisms, and potential policy changes that may facilitate conversion to electronic payment instruments, primarily direct deposit. Follow up studies included qualitative testing of television and other types of communications materials designed for the Social Security check recipient audience, and a telephone survey concerning attitudes toward direct deposit among general audience consumers.

We are requesting a non-material change to expand the number of burden hours and respondents to accommodate FMS' goals to increase EFT participation. The need for market research continues to arise from Congressional directive that accompanied legislation enacted in 1996, as part of the Debt Collection Improvement Act (Pub. L. No. 104-134), expanding the scope of check recipients required to use direct deposit to receive Federal benefit payments (see 31 U.S.C. 3332). Congress directed Treasury to "study the socioeconomic and demographic characteristics of those who currently do not have Direct Deposit and determine how best to increase usage among all groups." 142 Cong. Rec. H4090 (daily ed. April 25, 1996). To this point, FMS has 2 business lines that both focus on the same strategic goal of increasing use of electronic payments. These business lines are FMS' Federal Benefit and Merchant Payments programs and FMS' Revenue Collection programs.

With FMS' Federal benefit payments programs, FMS has obtained OMB approval to conduct a survey designed to find out what motivated Social Security check recipients to sign up for the Direct Express Debit Card program which is another electronic option for benefit recipients to receive their monthly payments (July 2007). While there has been increased use of EFT for federal benefit payments over the past several years, the growth rate has been superseded by an increase in the total volume of benefit payments, keeping the EFT percentage stagnant. Further, FMS's campaign is critical given the expected increase in Social Security payments as a result of the upcoming retirement of the baby boomer generation, beginning in 2008. With other upcoming

EFT programs such as Universal Direct Deposit (UDD). UDD is a regulatory initiative which will require benefit recipients to receive direct deposit if applying for benefits during the summer of 2008. Further research may also be needed to improve the Direct Express debit card program. The Direct Express card is targeted to benefit recipients with out bank accounts. (FMS & SSA's program designed to get new benefit applicants to select an EFT option to receive benefits), continued research will increase EFT usage. Also, FMS' Navy Cash Program received OMB's approval to survey Naval merchants, who provide Navy personnell on Navy fleet with goods and services for monetary exchange. This debit card program was developed to reduce cash and coinage on Navy fleet. The Navy Cash Survey was developed to get merchants perspective on the Navy Cash program and get insight on improving the program.

In addition to increasing EFT payment of benefits, FMS has revenue collection programs that desires to eliminate or significantly reduce use of paper payment of Federal employment taxes. This is part of FMS's goal of providing timely collection of Federal government receipts, at the lowest cost, through an all-electronic Treasury. The Electronic Federal Tax Payment System (EFTPS), launched in November 1996 by FMS and the Internal Revenue Service (IRS), is the world's largest electronic tax collection system. This free service, available via the Internet or by telephone, enables tax preparers, businesses, and individuals to pay Federal taxes electronically, including corporate, excise and employment taxes, and 1040 quarterly estimated tax payments. Since its launch, EFTPS has collected more than \$16 trillion. Total payments exceed 692 million. There was research in 2005 and 2004 that focused on message testing for a marketing campaign and whether changes in the enrollment process and monetary incentives would influence behavior. The research proposals here call for determining whether functionality changes would increase usage; attitudes about state pilot functionality; and identification of sole proprietors within the 1040-ES filer population.

Survey #1

Businesses with employment tax liabilities below \$50,000 account for 90 percent of the FTD coupons processed. About 35 million FTD coupons will be processed in FY07. In general, an electronic payment transaction costs the Federal government 53 cents less than a paper transaction. FMS is very interested in determining what actions short of a government mandate could be taken to persuade these small businesses to adopt electronic employment tax deposits and desires to conduct focus groups that will inform formulation of a national quantitative survey.

Survey #2

Meanwhile, in December 2006 FMS in partnership with the Illinois Department of Revenue (ILDOR) launched a one-year pilot program under which businesses were able to make Illinois withholding tax payments using the EFTPS online channel. The pilot's goals were to determine whether this was technically possible and whether this functionality would reduce paper FTD coupons. While IRS data ultimately will show whether the pilot resulted in an FTD coupon decline rate in Illinois higher than the national average, FMS also is interested in the satisfaction level of those small businesses that used EFTPS for payment of Illinois withholding taxes. The survey also will inform any expansion of the pilot.

Survey #3

Separate from FTD coupons, one of the subgroups that generate a significant proportion of paper Federal tax payments are Form 1040-ES filers, who account for about 30 million paper payments annually. Currently, the IRS does not have information on the incidence of sole proprietors who file 1040-ES papers. FMS desires through research to determine the cost and feasibility of conducting more extensive research on awareness and attitudes toward electronic tax payment systems among sole proprietors who file 1040-ES. Once we know the incidence, we can determine whether it is cost effective to conduct additional in-depth research among this audience. A secondary objective would be to include a few questions to help us understand this audience's awareness and attitudes toward EFTPS.

2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.

For the Federal benefit payment programs, the information collected pursuant to this collection of information has been, and will continue to be, used by FMS to increase the efficiency of FMS's marketing campaign (known as *Go Direct*) to persuade check recipients to switch to direct deposit and to inform its education and marketing efforts under UDD, Direct Express, and Navy Cash program. The research has been used by FMS to target key markets and hone in on the types of communications and messages that will move the most benefit recipients to direct deposit. In the first year of the *Go Direct* campaign (July 2005-July 2006), more than 612,000 conversions from check to direct deposit were attributed to the campaign's efforts. FMS/Treasury estimates that these conversions will save the government \$18.3 million over the next seven years.

For the revenue collection programs, the information collected regarding electronic tax payments will be used to develop strategic plans aimed at eliminating or significantly reducing use of paper payment of Federal employment taxes. This is part of FMS's goal of providing timely collection of Federal government receipts, at the lowest cost, through an all-electronic Treasury.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden.

For currently approved collections, respondents will be surveyed by telephone. Future collections may be done via focus groups, telephone, mail and/or electronically.

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.

For the Federal benefit payment programs, to the best of FMS/Treasury's knowledge, other federal government agencies have not conducted similar qualitative and quantitative research of individual federal benefit check recipients. Therefore, no duplication exists. FMS conducts no

more than two to three studies per year. The studies are used to obtain new information, for example, either to update previous research, or in the case of one previous study, to study beneficiaries who switched to direct deposit as a result of the *Go Direct* campaign. One of the upcoming studies is among an existing target audience for which no research has been conducted. Because FMS's focus is on federal check recipients, private sector research involving check recipients of non-federal payments is not useful.

5. If the collection of information impacts small businesses or other small entities (Item 5 of OMB Form 83-I), describe any methods used to minimize burden.

For the Federal benefit payment programs, FMS's *Go Direct* studies to date, and most of those in the future, involve individuals only. The survey among Institutional Representative Payees, which could include small nursing homes, long term care facilities, social service agencies, and similar entities, will have created no burden to small businesses. The survey planned is among a small sample size (300 interviews), will take only about 15 minutes to complete over the phone, will be scheduled at the respondent's convenience, and participation is voluntary.

For the revenue collection programs, the proposed electronic tax payment research does involve small businesses. It is generally accepted as a standard industry practice to offer an incentive to individuals who participate in focus groups such as the one for small businesses that pay their employment taxes via paper. Since participants are giving their personal time and have to commute to and from the facility, providing them with an incentive is a way to compensate them for their time and participation. In addition, offering an incentive increases participation rates and in turn reduces recruiting costs. This also minimizes the burden small businesses face in participating in the research project. Our experience with similar groups of very busy small business owners has shown that a \$250 incentive yields the number of participants desired for the focus groups.

The other proposed electronic tax collection research involves short, voluntary surveys that will have minimal impact on the small businesses given the opportunity to participate.

6. Describe the consequence to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.

For the Federal benefit payment programs, without the continued collections requested or anticipated in the future, FMS/Treasury, the FRB of St. Louis and its selected contractor will continue to develop an EFT marketing/communications plan and subsequent EFT educational communications, public relations and marketing campaign without the benefit of data from the target audiences of federal benefit check recipients. The lack of qualitative and quantitative information will impair the effectiveness of the educational and marketing campaign intended to significantly accelerate the use of EFT for federal benefit payments. There are no technical or legal obstacles to reducing the burden of the study but the development of the marketing/communications plan and the results and effectiveness of the subsequent campaign will be lessened.

For the revenue collection programs, without the continued collections requested or anticipated in

the future, FMS and its selected contractors will continue to develop strategies to increase electronic Federal tax collection. The lack of qualitative and quantitative information will impair the effectiveness of these efforts intended to assist in achieving the goal of an all-electronic Treasury and decision making on the future of the Federal Tax Deposit coupon process.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner: requiring respondents to report information to the agency more often than quarterly; requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it; requiring respondents to submit more than an original and two copies of any document; etc.

There are no such special circumstances.

8. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.

FMS/Treasury published a Federal Register notice on August 7, 2006, [Vol. 71 No. 151 pp. 44766-44767] soliciting comments on the information collection prior to this submission to OMB. FMS/Treasury did not receive any comments in response to the notice. The comment period closed on October 6, 2006.

9. Explain any decision to provide any payment or gift to respondents, other than reenumeration of contractors or grantees.

For the Federal benefit payment programs, survey respondents will not receive any payments or gifts from FMS/Treasury, the FRB of St. Louis, or Weber Shandwick or KRC Research.

For the revenue collection programs, it is generally accepted as a standard industry practice to offer an incentive focuseto individuals who participate in focus groups such as the one proposed for small businesses currently paying employment taxes by paper. Since participants are giving their personal time and have to commute to and from the facility, providing them with an incentive is a way to compensate them for their time and participation. In addition, offering an incentive increases participation rates and in turn reduces recruiting costs. This also minimizes the burden small businesses face in participating in the research project. Our experience with similar groups of very busy small business owners has shown that a \$250 incentive yields the number of participants desired for the focus groups.

10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.

For the benefit programs, respondents are told that responses will remain confidential, the research is for statistical purposes only; and that their responses will not be shared individually with anyone, but will be grouped with other respondents. KRC Research assures the respondents that

they will receive no solicitation as a result of their participation in the survey. It is standard procedure for KRC Research to not release information on specific respondents to its clients or to any other party. Upon completion of their research for electronic benefit payments, the FRB of St. Louis, Weber Shandwick and KRC Research provide FMS/Treasury with a data diskette, containing a string of responses for each respondent, but does not include the respondents' name, address, telephone number or other identifying information. Therefore, it will not be possible for FMS/Treasury or the FRB of St. Louis to attribute any particular responses to a given individual.

As for revenue collection programs, in the case of electronic tax collection research, respondents are told that responses will remain confidential, the research is for statistical purposes only; and that their responses will not be shared individually with anyone, but will be grouped with other respondents. KRC Research assures the respondents that they will receive no solicitation as a result of their participation in the survey. It is standard procedure for KRC Research to not release information on specific respondents to its clients or to any other party. Upon completion of their research for electronic benefit payments, the Bank of America as financial agent, Weber Shandwick and KRC Research provide FMS/Treasury with a data diskette, containing a string of responses for each respondent, but does not include the respondents' name, address, telephone number or other identifying information. Therefore, it will not be possible for FMS/Treasury or BOA to attribute any particular responses to a given individual. The same is the case with the proposed state pilot research project, in which the State of Illinois will provide a single set of paper labels with the state taxpayer's name and address. It will not be possible to attribute any particular responses to a given individual.

11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.

FMS's studies do not require answers to any questions of a sensitive nature.

12. Provide estimates of the hour burden of the collection of information. The statement should: *indicate the number of respondents, frequency of response, annual hour burden; and an explanation of how the burden was estimated.

The current estimated total annual burden is 2,500 hours for a total of 6,500 respondents. FMS is requesting that these be increased to reflect 7,500 burden hours for a total of 19,500 respondents.

First, with the success of the *Go Direct* campaign in converting existing check recipients to direct deposit, and the fact a large proportion of current check recipients do not have bank accounts, many of the new surveys include the unbanked where we plan to test receptivity to receiving federal benefit payments on a debit card currently being piloted in Illinois. FMS plans to launch this debit card nationally in the near future and this research will greatly assist in communicating the benefits of the debit card to existing unbanked federal benefit recipients and new Social Security enrollees.

Second, FMS is issuing a Notification for a Proposed Rule Making to require new Social Security and SSI benefit recipients who have a bank account to receive their payment by direct deposit (UDD). One of the surveys, among those soon retire and be eligible for SSA benefits, explores attitudes toward this proposed rule and will help FMS communicate about the rule the audience most impacted by it.

Third, a not insubstantial number of benefit checks are received by Institutional Representative Payees on behalf of people in their care. FMS plans to conduct a short survey among this audience to understand the barriers to EFT usage among this group and explore ways, both through communications and possibly operational changes, to encourage EFT usage

These estimates incorporates the most recently approved survey for the Direct Express program which involved 300 respondent and 50 burden hours. To complete 300 telephone surveys at 10 minutes per survey gives a total of 3000 minutes which equates to 50 burden hours. The number of burden hours and respondents are increased due to Navy Cash program, FMS' Universal Direct Deposit (UDD) and other EFT initiatives. All of FMS's surveys require one-time responses only.

Program	# of Respondent	# of Burden Hours	Government Cost
Go Direct	4,400	923	\$205,000
EFTPS	960	351	\$154,000
Direct Express	300	50	\$19,500
Navy Cash	940	235	\$19,870
UDD	TBD	TBD	\$85,000
Totals	6,600	1,559	\$483,370

	Respondents	Hours
Total Available	0	514
Total Needed	11,360	5,514

In developing the total burden hour estimate, FMS/Treasury, the FRB of St. Louis and Weber Shandwick and KRC Research used standard research calculations from the number and complexity of the questions. In addition, they have conducted other surveys for FMS and have experience in pre-testing surveys, which aided in calculating the burden hours.

13. Provide an estimate for the total annual cost burden to respondents or recordkeepers resulting from the collection of information. (Do not include the cost of any hour burden shown in Items 12 and 14).

There are no costs to the respondents.

14. Provide estimates of annualized costs to the Federal government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), and

any other expense that would not have been incurred without this collection of information. Agencies may also aggregate cost estimates from Items 12, 13, and 14 in a single table.

The total cost to the federal government for the most recently approved Direct Express and Navy Cash survey totals approximately \$39,370. With the surveys that we plan to do with the Go Direct, UDD, and EFTPS programs, the cost totals approximately \$444,000. This cost includes: survey design, pre-testing, translations, professional services, computer programming, data collection, data processing, analysis, report preparation and report presentation for all of the phases of the studies. See chart in number 12 for further breakdown.

15. Explain the reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB Form 83-I.

We are increasing the number of respondents to 19,500 and total number of burden hours to 7,500. In our most recent extension for collection of information, October 2006, we requested 2,500 burden hours annually; however, we would like to change the number of hours to 7,500. By surveying additional recipients, FMS hopes to obtain more reliable results for use in better targeting key markets and honing its messages to Federal benefit check recipients and other Federal payments. The original estimate of respondents and burden hours was based on a single survey and we anticipate conducting several one-time surveys over the next two years.

There are three key reasons we are requesting an increase in burden hours and the additional research, all resulting from new efforts at FMS to promote EFT usage.

First, with the success of the *Go Direct* campaign in converting existing check recipients to direct deposit, and the fact a large proportion of current check recipients do not have bank accounts, many of the new surveys include the unbanked where we plan to test receptivity to receiving federal benefit payments on a debit card currently being piloted in Illinois. FMS plans to launch this debit card nationally in the near future and this research will greatly assist in communicating the benefits of the debit card to existing unbanked federal benefit recipients and new Social Security enrollees.

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16. For collections of information whose results will be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.

The results of the studies will be analyzed by the FRB of St. Louis, Weber Shandwick, and KRC Research, on behalf of FMS/Treasury. The FRB of St. Louis and Weber Shandwick and KRC Research will develop and submit a comprehensive report with an executive summary, including the results from the segmentation, driver analysis, ranking exercises and cross tab analyses. Weber Shandwick and KRC Research will present the results to FMS/Treasury and FRB of St. Louis team with a management summary and strategic imperatives, based upon identification of key audiences, their defining characteristics and the factors that drive EFT acceptance. Depending on the research, a study report may be published for general distribution.

Additional information regarding analytical techniques and time schedules are provided to OMB with each request for survey clearance under this generic survey approval.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

FMS is not seeking approval to not display the expiration date for OMB approval of information collection.

18. Explain each exception to the certification statement identified in Item 19, “Certification for Paperwork Reduction Act Submissions,” of OMB Form 83-I.

There are no exceptions to the certification statement in Form 83-1, Item 19.