

SUPPORTING STATEMENT
Federal-State Unemployment Insurance Program Data Exchange Standardization
OMB Control No. 1205-0510

A. Justification.

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.*

The Department of Labor (DOL) Employment and Training Administration (ETA) makes use of regulation data exchange standards, developed in consultation with an interagency work group established by the Office of Management and Budget (OMB), for Unemployment Insurance (UI) administration as required by amendments to Title IX of the Social Security Act (SSA) made by the Middle Class Tax Relief and Job Creation Act of 2012 (the Act). On February 22, 2012, the President signed the Act. Section 2104 of the Act amends Title IX, SSA (42 U.S.C. 1111 *et seq.*) by adding a new section 911, which requires the Department to issue rules, developed in consultation with an interagency workgroup established by the OMB, that establish data exchange standards for certain functions related to administration of the UI program.

To improve UI program operations by states, the Department has been the facilitating entity for development and implementation of automated systems that states may adopt for efficiently processing claims and improving program integrity. These automated systems, which have been developed through a collaborative effort with states and the National Association of Workforce Agencies (NASWA), have replaced manual paper processing with automated exchanges of information between states as well as those between states and employers. The Department provides funding to facilitate the development and implementation of these automated systems, and encourages the use of these systems by states.

As part of this regulation, the Department requires use of eXtensible Markup Language (XML¹) as the data exchange standard for three categories of information implemented through these automated systems:

- Interstate Connection (ICON) network: Three real-time applications on ICON which support state to state exchanges. ICON is operated by the State of Maryland on behalf of the states;
- State Information Data Exchange System (SIDES): All current and future SIDES information modules support the information exchanges between

¹ XML is a nonproprietary, searchable, computer-readable format, and has the capacity to be upgraded continually, as necessary. Interoperability helps information technology systems more readily interface to carry out shared functions and manage communications.

states and employers. SIDES is operated by NASWA on behalf of the states;
and

- Implementation of the standards identified for ICON and SIDES in major Information Technology (IT) modernization projects to upgrade UI Benefits and Tax systems by State Workforce Agencies (SWAs) using Federal funds.

The use of these systems by states is voluntary and data exchanges are between states and/or employers.

The information shared through these exchanges between states and/or employers is not reported to the Department. Additionally, while the rule imposes standards that might impose burden, no new information is required to be exchanged as a result of this regulation.

The data exchange standards help improve the interoperability of these systems that collect and exchange information for UI administrative purposes.

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.*

Through this regulation, the Department makes use of data exchange standards for ICON and SIDES.

ICON Network: The regulation applies to three real-time applications on ICON that support state to state exchanges. These applications are currently used by all SWAs to support the processing of Unemployment Compensation (UC)² claims:

- Interstate Wages and Benefits Inquiries/Responses, which supports online transmission of interstate wages and benefits inquiries and responses between SWAs;
- Withdrawn/Invalid Claims, which allows for the posting and viewing of withdrawn or invalid claim information for SWAs; and
- State Identification Inquiry, which allows SWAs to inquire about wages reported to other SWAs by SSN.

The information shared between states over the ICON network is not reported to the Department.

SIDES: The regulation applies to all current and future SIDES information modules that support the exchange of information between states and employers. SIDES is an automated information exchange and reporting system to standardize SWAs' delivery

²The Department's Office of Unemployment Insurance uses the term Unemployment Compensation (UC) when referring to UC benefits paid or UC laws and to use the term Unemployment Insurance (UI) to refer to the UI program, administration and operations.

of information to employers and collection of information by SWAs from employers and Third Party Administrators (TPAs). Currently, three exchanges for SIDES has been developed and implemented.

- Employee separation information: This exchange of information by SWAs with employers or their TPAs on the circumstances underlying individual UI claimants' job separations will reduce UI payments to ineligible claimants, yield administrative cost savings to both employers and taxpayers, and promote more timely benefit determinations;
- Wages/Earnings verification: This exchange of data by SWAs with employers or their TPAs is to verify claimant wages; and
- Monetary and Potential Charges: This exchange is to notify employers electronically, rather than on paper, of SWA decisions on the eligibility of their former workers who quit or were let go for cause. This will improve the timeliness of employer appeals and allow for quicker appeal decisions, halting improper payments faster if the employer prevails in the appeal.

Additionally, several other data exchange modules are under consideration for the expansion of SIDES including UI Benefit Charge Notices, Non-Monetary Determinations Exchange, and Appeals Decisions.

The information shared between the SWAs and employers or their TPAs using SIDES is not reported to the Department.

The Department believes that the data exchange standards help improve the interoperability of certain State, Federal, and employer-operated systems that collect and exchange information for UI administrative purposes.

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 bias for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden.*

ICON and SIDES are automated systems which act as a hub for electronic transactions between states and/or with employers. All transactions between these systems are electronic.

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.*

No duplication exists.

5. *If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden.*

ICON supports state to state exchanges. Employers including small businesses are not involved.

SIDES is necessary to effectuate the Standard for Claim Determinations—Separation Information, codified in regulation at 20 CFR part 625 Appendix B. This standard is based significantly on the “methods of administration” requirement in section 303(a) (1), SSA, and includes a requirement that a State promptly obtain information from the worker, employer, or other source that is sufficient to reasonably insure payment of UC when due.

Currently, SWAs request information from employers (including small business) by mail or by other electronic means. SWAs participating in SIDES use this system to send requests to employers for critical information required to make prompt and accurate eligibility determinations. SIDES provides for the exchange of information using an automated, standardized, secure mechanism with data validations that are strictly enforced to prevent the transfer of incomplete or incorrectly formatted data. The benefits of using SIDES for employers include:

- Reduced postage and handling costs;
- Fewer follow-up efforts from the SWA to the employer’s staff to obtain complete and correct employer UI information (reducing employer’s staff time on phone with SWA);
- Reduction in improper benefit payments (improved quality because of standardized questions and in some cases a more detailed request for UI information) and improper benefit charging to the employer account;
- Reduced need for employers to file appeals due to lack of quality information by the SWAs to make an eligibility determination; and
- Easier/better control and management of UI information request workload;

Thus, the use of the SIDES by SWAs promotes efficient collection of information and minimizes the burden on employers, including small businesses. However, the participation by employers in SIDES is voluntary.

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.*

The principle consequence if these data exchange standards are not established is the Department’s clear failure to comply with provisions spelled out in the Act. As described above, the Act requires the Department to issue rules, developed in consultation with an interagency workgroup established by the OMB, that establish data exchange standards for certain functions related to administration of the UI program. Failure to accomplish this would place the Department out of compliance with these requirements.

The inability of the Department to mandate that states transition from the Extended Binary Coded Decimal Interchange Code (EBCDIC) format to the Web Services Description Language (WSDL) format will prevent moving to a single platform for ICON and the estimated cost savings. It will require the Department to continue to fund dual platforms for which funds may no longer be sufficient to support.

7. *Explain any special circumstances that would cause an information collection to be conducted in a manner that requires further explanation pursuant to regulations 5 CFR 1320.5.*

There are no 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.*

Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every 3 years - even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.

In accordance with the Paperwork Reduction Act of 1995, the public was allowed 60 days to comment through the Federal Register Notice posted on September 2, 2016 (81 FR 60747). The Department received one comment, from the Bureau of Labor Statistics on October 25, 2016. The commenter proposed that the Secretary of Labor, by rule, designate the Standardized UI Extract (aka QUEST Extract) input file format as the data exchange standard to govern the reporting of data by state unemployment insurance agencies to state workforce agency's Quarterly Census of Employment and Wages (QCEW) offices and BLS. UI-Tax system modernization and redesign projects shall deliver files to QCEW using the Standardized UI Extract format in addition to legacy formats such as EXPO IMT or WIN, as requested by state workforce agency's QCEW offices.

The legacy formats often have state-specific differences in how the files are constructed. These state-specific attributes have caused inefficiencies and

difficulties in maintenance. In addition to minimizing these issues, the Standardized UI Extract format would enable state workforce agency's QCEW offices to obtain improved predecessor/successor information that includes transfer dates and other state-use fields.

This standard will help ensure the consistency, integrity, and accuracy of certain measures of unemployment insurance system performance as well as the accuracy of UI employment and wages used in principal federal economic indicators.

BLS submitted an attachment they use for their Standardized UI Extract specification.”

DOL ETA agrees with BLS's assessment. As noted above, the intention of the standardization was to identify a data exchange, in this case designating eXtensible Markup Language (XML) as the data exchange standard for three categories of information implemented through the following automated systems:

- Interstate Connection (ICON) network: Three real-time applications on ICON which support state to state exchanges. ICON is operated by the State of Maryland on behalf of the states;
- State Information Data Exchange System (SIDES): All current and future SIDES information modules support the information exchanges between states and employers. SIDES is operated by NASWA on behalf of the states; and
- Implementation of the standards identified for ICON and SIDES in major Information Technology (IT) modernization projects to upgrade UI Benefits and Tax systems by State Workforce Agencies (SWAs) using Federal funds.

Our intent was not to unilaterally enforce an exchange standard across the entire Department of Labor. Our intent was to establish data exchange standards for certain functions related to administration of the UI program. The function BLS alludes to, although related to UI employment and wages, are unique to UI-Tax / BLS data exchanges and was not one of the identified applications listed above. Thus, there should be no conflict with the data exchange standardization addressed in this Supporting Statement and BLS's QCEW Standardized UI Extract format.

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

There is no payment or gift to respondents.

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

No assurance of confidentiality is provided for in the requirements covered by this ICR.

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.*

There are no questions of a sensitive nature.

12. *Provide estimates of the hour burden of the collection of information.*

For states currently using the EBCDIC format for ICON, there may be burden incurred to comply with this regulation. SWAs differ considerably in terms of hardware platforms and software used to develop their ICON applications, so the costs may vary from State to State. The Department estimates that the burden of making the changes required to bring these systems into compliance with requirements of the Act will take 120 hours per SWA. We are assuming that states will use a phased approach for this implementation over a period of 5 years, so the burden estimate per year has been pro-rated by dividing the totals by 5. Further, it has been assumed an equal split (50%- 50%) of states will use in-house state and contract programming staff. Thus, the estimated burden associated with bringing states into compliance with this new Federal requirement is split between labor performed by state employees and startup costs (discussed in item 13) for labor performed by contract programming staff and materials, with the majority associated with labor to make programming changes to state systems. In monetizing the estimates, we are using the ETA’s FY 2016 program planning rate (estimated hourly wage which includes fringe) for state employees of \$47.20³.

The following table can be used as a guide to calculate the total burden of an information collection.

Estimated Annualized Respondent Hour and Cost Burdens

Type of Respondent – Activity	Number of Respondents	Number of Responses per Respondent	Total Number of Responses	Avg. Burden per Response	Total Burden Hours	Hourly Wage Rate*	Total Cost Burden
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³ Source: The hourly rate is computed by dividing the FY 2016 national average PS/PB annual salary for state staff as provided for the distribution of state UI administrative grants (http://wdr.doleta.gov/directives/attach/UIPL/UIPL_21-15.pdf) by the average number of hours worked in a year 1,711. For FY2016, this calculation was: \$80,756 / 1,711 = \$47.20.

				(in Hrs.)			
Federal-State UI Program Data Exchange Standardization ⁴	53	1	53	120	6,360	\$47.20	\$300,192

*Source: The hourly rate is computed by dividing the FY 2016 national average PS/PB annual salary for state staff as provided for through the distribution of state UI administrative grants (http://wdr.doleta.gov/directives/attach/UIPL/UIPL_21-15.pdf) by the average number of hours worked in a year (1,711). For FY2016, this calculation was: \$80,756 / 1,711 = \$47.20.

The regulation concerns the 53 SWAs that comprise the UI system, and requires changes to their software programming. There are no additional steps that the SWAs need to take and there are no other parties who are impacted by this change.

The SIDES information modules were developed by states for their use, through a collaborative effort between states and NASWA. The Department provided funding to help facilitate this effort; however, ETA believes the underlying data exchange would have occurred, regardless of DOL funding, as a customary and routine business practice. Since the SIDES interfaces have been designed using XML, the states and employers participating in SIDES automatically comply with the data exchange standard included in this regulation. So, there is no additional cost burden due to this regulation.

Also, note that there is no recordkeeping burden as a result of this regulation. The regulation concerns the specific format that will be used for electronic transfers of information through a hub, so there is no retention concern whatsoever.

As previously indicated, SIDES is currently operated and maintained by NASWA on behalf of the states. SIDES was developed by a consortium of states to improve the communication of states with employers i.e. primarily to request claimant separation information with employers. The information collected by states from employers via paper and other means were not timely and incomplete. States approached USDOL for funding to pilot test the SIDES concept and the results were positive. Additional funding was provided for complete SIDES development and implemented in FY 2010.

ETA does not claim burden for the information that employers provide that ends up on SIDES. The primary reasons are: (1) states developed SIDES for their use and USDOL only provided funding for it and (2) SIDES only replaces what the states already collect by mail and other means. Furthermore, (1) ETA does not have access or use SIDES and (2) the use of SIDES is voluntary by the state and employers,

⁴ This action is envisioned to occur over a 5-year period of time; thus, the values shown are for a 5-year conversion process.

The UI program is Federal-State partnership program where USDOL only sets the framework but the state administers the program under state law. The eligibility criteria for benefits vary by state and the data collected by states from claimants and employers also vary.

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

As explained in item 12, we estimate half of the labor will be performed by contractor staff; therefore we anticipate each state will average 120 contract programming staff hours each year. For contract programming staff, an hourly wage very close to \$150.00 per hour is used. In addition, we are assuming that there may be needs for materials, hardware and software that run to approximately \$10,000 per SWA (\$2,000 per year).

120 annual contract programmer hours x \$149.58 = \$17,949.60 estimated contract staff time per respondent per year.

\$17,949.60 contract staff time + 2,000 materials = \$19,949.60 estimated costs in contract programming and support services per respondent per year.

19,949.60 x 53 state respondents = 1,057,328.80 total estimated costs.

14. *Provide estimates of annualized cost 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.*

No direct Federal costs are associated with this effort.

15. *Explain the reasons for any program changes or adjustments reported on the burden worksheet.*

There is no change in burden.

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.*

There are no plans to publish data.

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.

The expiration date for OMB approval is displayed.

18. Explain each exception to the topics of the certification statement identified in “Certification for Paperwork Reduction Act Submissions.”

There are no exceptions.

B. Collections of Information Employing Statistical Methods

This information collection does not employ statistical methods.