

National Directory of New Hires

**OMB Information Collection Request
0970 - 0166**

**Supporting Statement Part A - Justification
May 2019**

Submitted by:
Office of Child Support Enforcement
Administration for Children and Families
U.S. Department of Health and Human Services

SUPPORTING STATEMENT (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 help child support agencies locate parents and enforce child support orders. Congress also authorized specific state and federal agencies to access 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(b)(2)(A), which requires employers to report all newly hired employees to the State Directory of New Hires (SDNH) within 20 days after hiring; 2) 42 U.S.C. § 653a(e), which requires states to enter the new hire information into the SDNH within five days of receipt from the employer; 3) 42 U.S.C. § 653a(g)(2)(A), which requires the SDNH to transmit the new hire information to the NDNH within three business days of the data being entered in the SDNH; 4) 26 U.S.C. § 3304(a)(16)(B) and 42 U.S.C. § 503(h)(1)(A), which requires state unemployment compensation agencies to report wage and claim information to the NDNH; 5) 42 U.S.C. § 653a(g)(2)(B), which requires the SDNH to report wages and other compensation to the NDNH quarterly; and 6) 42 U.S.C. § 653(n) and 42 U.S.C. § 653a(b)(1)(C), which requires federal employers to report all newly hired employees to the NDNH within 20 days after hiring.

This request is a revision, with changes, to the approved information collection. (See A.15. for an explanation about the changes.)

2. Purpose and Use of the Information Collection

Information reported to the NDNH is used by state agencies, courts, parents, certain agents, attorneys, and foreign reciprocating countries 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. 42 U.S.C. §§ 653(a)(2), and 653a(h)(1) and (f)(2).__

NDNH information is also used by state and federal agencies, researchers, and data matching partners with legal authority to 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(a)(3).
- 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 (FPLS) 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) and (3).
- Location of a parent for purposes of the International Child Abduction Remedies Act. 22 U.S.C. § 9006(d) and 42 U.S.C. § 659(c)(3).

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 a secure, high-speed, managed file transfer method. Employers are strongly encouraged to transmit their new hire data electronically to the SDNH. Federal agencies electronically report data directly to the NDNH.

To ease the reporting requirement burden, multistate employers that do business in two or more states may choose to report all new hires to one state versus reporting to each state in which their employees work. Multistate employers must notify HHS, using OCSE's Multistate Employer Registration (MSER) form, if they choose to report all of their new hires to one state. These employers may register via the internet, email, fax, or the U.S. Postal Service. The MSER form is available in hard copy via each state's child support website and OCSE's website. 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, which are found on the IRS Form W-4. The mandated data elements are name, address, Social Security number and date of hire of the employee; the name and address, which are provided by the employee; and the Federal Employer Identification Number, which is provided by 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

Employers are required to submit new hire information to their respective SDNH, and the SDNH is to submit the information to OCSE, within federally required time frames. Collecting the information less frequently puts the employers and states in jeopardy of violating federal law. Collecting less frequently will also impair the ability of child support agencies to efficiently and effectively locate an obligor and collect child and spousal support, thereby negatively impacting the families in need of support.

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

Information is collected more frequently than quarterly in accordance with the Personal Responsibility and Work Opportunity Act (PRWORA). As provided in the response to item one, the PRWORA provides the legal authority to collect information and sets forth the time frames within which respondents are to submit new hire, quarterly wage, and unemployment insurance information.

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

OCSE published a notice in the Federal Register at 84 FR 10828 on March 22, 2019, announcing the information collection activities pertaining to the federal offset and passport denial programs. The notice allowed a 60-day comment period for the public to submit in writing any comments about this information collection. OCSE did not receive comments.

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 HHS 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 HHS), 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 FPLS for the primary purpose of assisting state child support agencies with establishing, modifying, and enforcing 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

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

- The NDNH collects an estimated 70 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 5.9 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% of employers report all new hires electronically.
- Approximately 83% of all of the nation's employees are employed by 10% 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 MSER form is a one-time submission. OCSE has received the majority of the multistate registrations. For fiscal year 2018, 4,075 new registrations were received.

Multistate employers complete the MSER form to register with HHS as a single-state reporter. The burden calculation in the table in A.12 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 hourly wage rate of \$21.34 per hour for state employees transmitting data and \$18.87 per hour for employers reporting data to the states.¹ These wage rates are then doubled to account for overhead costs and fringe benefits.

The total burden hours for “New Hire: Employers Reporting Manually” is estimated to be 182,982.45 hours. The total cost for these burden hours is \$6,905,757.64 (182,982.45 x \$37.74). Because there are 5,265,682 employers submitting records, this is \$1.31 per employer (\$6,905,757.64 / 5,265,682).

The total burden hours for “New Hire: Employers Reporting Electronically” is estimated to be 18,396.61 hours. The total cost for these burden hours is \$694,287.97 (18,396.61 x \$37.74). Because there are 635,049 employers submitting records, this is \$1.09 per employer (\$694,287.97 / 635,049).

The total burden hours for “New Hire: States” is estimated to be 124,100 hours. The total cost for these burden hours is \$5,296,588.19 (121,100 x \$42.68). Because there are 54 states submitting records, this is \$98,084.97 per state (\$5,296,588.19 / 54).

The total burden hours for “Quarterly Wage & Unemployment Compensation” are estimated to be .39 hours. The total cost for these burden hours is \$16.47 (.39 x \$42.68). Because there are 53 states submitting records, this is \$0.31 per state (\$16.47 / 53).

The total burden hours for “Multistate Employer Registration Form” are estimated to be 203.75 hours. The total cost for these burden hours is \$7,689.53 (203.75 x \$37.74). Because there are 4,075 respondents submitting records, this is \$1.89 per respondent (\$7,689.53 / 4,075).

Information Collection Instrument	Total Number of Respondents	Total Number of Responses	Average Burden Hours per	Total Burden Hours	Average Hourly Wage	Total Annual Cost
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¹ Based on Bureau of Labor Statistics May 2017 National Compensation Survey Hourly wages

		per Respondent	Response			
New Hire: Employers Reporting Manually	5,265,682	1.39	.025 hours (1.5 minute)	182,982.45	\$37.74	\$6,905,757.64
New Hire: Employers Reporting Electronically	635,049	103.46	.00028 hours (1 second)	18,396.61	\$37.74	\$694,287.97
New Hire: States	54	135,185.19	.017 hours (1 minute)	124,100.00	\$42.68	\$5,296,588.19
QW & UI	53	26.00	.00028 hours (1 second)	0.39	\$42.68	\$16.47
Multistate Employer Registration Form	4,075	1.00	.050 hours (3 minutes)	203.75	\$37.74	\$7,689.53
Estimated Annual Burden Total:				325,683	Estimate d Annual Cost Total:	\$12,904,340

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 \$6.5 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

The estimated number of new hire reports increased from 60 million to 73 million. There are 135,334 more employers reporting manually and 39,237 more employers reporting electronically since the previous approval thereby increasing the respective burden hours. States reported 1,851.86 more new hires than the previous approval, which increased the burden hour by 4,097.6 hours annually. There were no changes to the quarterly wage and unemployment insurance. However, the average annual number of new MSER forms decreased from 5,127 to 4,075, which results in a decrease in hourly burden by 52.6 hours annually. The adjustments to the number of employers reporting manually and electronically and the adjustment to the number of multistate employer registrations constitutes a program change.

The overall respondent burden increases led to increases in the estimated annual hourly costs. Increases are also the result of compliance with the OMB requirement to double the average wage rate to account for benefits and overhead. The total cost increased to \$12,904,340.

OCSE simplified the NDNH record specifications and inserted new links, which constitutes a program change; however, these revisions do not impact the respondents' burden. OCSE also made minor changes to the MSER form and renamed it from "Multistate Registration Notification." These program changes did not impact the burden.

The increase in cost to the federal government from the previous OMB approval is due to an expanded outreach to employers and states, more respondents submitting information, and the general operational and maintenance costs of the NDNH.

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.