

National Directory of New Hires

OMB Information Collection Request

0970 - 0166

Supporting Statement Part A - Justification

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

1. Circumstances Making the Collection of Information Necessary

The National Directory of New Hires (NDNH) is a federally mandated national repository of employment, unemployment insurance, and quarterly wage information submitted by state directories of new hires (SDNH), state workforce agencies (SWA), and federal employers. Collecting-NDNH information is necessary to fulfill the federal child support enforcement requirements and to assist congressionally authorized state and federal agencies administer certain benefit programs.

The U.S. Department of Health and Human Services (HHS), Office of Child Support Enforcement (OCSE) operates the NDNH under 42 U.S.C. § 653(i)(1). 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 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 require 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; 6) 42 U.S.C. § 653(n) and 42 U.S.C. § 653a(b)(1)(C), which require federal employers to report all newly hired employees to the NDNH within 20 days after hiring; 7) 42 U.S.C. § 653(n), which requires federal agencies to submit quarterly wages paid to employees during the previous quarter to the NDNH, except for those employees performing intelligence or counterintelligence functions, if the head of the agency determines that such report would endanger the employee or compromise an investigation or intelligence mission; and (8) 42 U.S.C. § 653a(b)(1)(B), which requires multistate employers to notify the HHS Secretary about the state it designates for submissions.

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

2. Purpose and Use of the Information Collection

State child support agencies, courts, parents, certain agents, attorneys, and foreign reciprocating countries use information reported to the NDNH to obtain locate, employment, and unemployment compensation benefits information pertaining to parents with child support obligations who reside and work in other states. Child support agencies use this information to 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).__

Legally authorized state and federal agencies, researchers, and data matching partners also use NDNH information to:

- Enforce state and federal law for unlawfully taking or restraining a child or making or enforcing a child custody or visitation determination. 42 U.S.C. § 653(a)(3).
- Administer the Earned Income Tax Credit program. 42 U.S.C. § 653(i)(3).
- Compare data among different components of the Federal Parent Locator Service (FPLS) to facilitate Temporary Assistance to Needy Families (TANF), child and family services, child support, foster care, and adoption. 42 U.S.C. § 653(j)(3).
- Administer the Social Security program. 42 U.S.C. § 653(j)(4).
- Conduct research 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).
- Match individual student loan borrowers who are in default or have an obligation to refund an overpayment of a grant. 42 U.S.C. § 653(j)(6).
- Verify the employment and income of individuals participating in certain federal housing programs. 42 U.S.C. § 653(j)(7).
- Administer the unemployment compensation program. 42 U.S.C. § 653(j)(8).
- Collect federal (non-tax) debts. 42 U.S.C. § 653(j)(9).
- Administer the Supplemental Nutrition Assistance Program. 42 U.S.C. § 653(j)(10).
- Verify the employment and income of individuals applying for, or receiving, certain Veterans Administration benefits, compensation, or services. 42 U.S.C. § 653(j)(11).
- Administer child support programs by foreign reciprocating countries. 42 U.S.C. § 659a(c)(2) and (3).
- Locate 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 such as law enforcement, the Department of Justice, courts, other adjudicative bodies for critical issues pertaining to legal matters and national security, and by contractors who are required to have access in the event of a security breach.

3. Use of Improved Technology and Burden Reduction

OCSE strongly encourages employers that manually report new hire information to the SDNH to transition to electronic reporting using existing technology and state systems. Doing so will improve information security, and reduce the hourly and cost burdens associated with manual reporting. The burden for each SDNH, SWA and federal agency to submit new hire, quarterly wage, and unemployment insurance information electronically to the NDNH is minimal because transmission is done using automated secure managed file transfer method.

To ease the reporting requirement burden, multistate employers that do business in two or more states may report all new hires to one state versus reporting to each state in which their employees work. To report to a single state, multistate employers must notify the Secretary of HHS by completing the Multistate Employer Registration (MSER) form. These employers may register via the internet, email, 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 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

The NDNH is unique. There is no other national database of wage and employment information. 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-with employees in two or more states.

States determine where to house the SDNH so 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 states must report to the NDNH is limited to seven mandated data elements found on the IRS Form W-4: the employee name, address, Social Security number, date of hire, the employer's name, address, and Federal Employer Identification Number.

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 can 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.

The requirement to register as a multistate employer does not affect most small businesses and other small entities because they may not operate in multistates.

6. Consequences of Collecting the Information Less Frequently

Employers must submit new hire information to their respective SDNH within 20 days, and the SDNH must submit the information to OCSE for the NDNH within three days. 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 locate an obligor and to collect child and spousal support effectively and efficiently for families needing support. Less frequent collection will also negatively impact authorized federal and state agencies that use NDNH information to administer their benefit programs and to detect improper use of benefits.

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 explained in the response to item one, the PRWORA provides the legal authority to collect information and sets forth the time frames within which respondents must 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

In accordance with the Paperwork Reduction Act of 1995 (Pub. L. 104-13) and Office of Management and Budget (OMB) regulations at 5 CFR Part 1320 (60 FR 44978, August 29, 1995), OCSE published a notice in the Federal Register at 86 FR 73294 on December 27, 2021. The notice announced the OCSE’s intention to seek OMB approval of collection of information and to provide a 60-day comment period for the public to submit written comments about this information collection activity. OCSE did not receive comments.

9. Explanation of Any Payment or Gift to Respondents

No payments or gifts are made to respondents.

10. Assurance of Confidentiality Provided to Respondents

Subsection 453(m) of the Social Security Act requires the Secretary of HHS to establish and implement safeguards to restrict access to and use of confidential information in the NDNH to authorized persons. The Social Security Administration (SSA) houses the NDNH at a secure 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 information, all recipients must demonstrate that their systems’ security posture meets federal requirements to access and receive NDNH information; enter into agreements that contain the terms and conditions for accessing, receiving, and using the NDNH information; and, comply with the agreement and security provisions drawn from applicable sections of the Social Security and Privacy Acts, the National Institute of Standards and Technology, and OMB requirements. When used for research purposes (as authorized by the Secretary of HHS), disclosure is limited and provided without personal identifiers under subsection 453(j)(5) of the Social Security Act. In addition, each state must have safeguards 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

Federal law requires OCSE to operate the FPLS for the primary purpose of assisting state child support agencies to establish, modify, and enforce child support orders. Collecting sensitive

information, such as an individual's Social Security number, is justified because it helps child support case workers to correctly identify individuals named in a child support order. It also helps authorized federal and state agencies administer their benefit programs to ensure program integrity and to detect fraud and abuse.

12. Estimates of Annualized Burden Hours and Costs

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

- The NDNH received approximately 74 million new hire submissions in Fiscal Year (FY) 2021.
- 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 6.1 million employers in the United States.
- States must 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 11% of employers report all new hires electronically.
- Approximately 84% of the nation's employees are employed by 11% of the employers.
- 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 reports 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 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.

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.

Information Collection Instrument	Total Number of Respondents	Total Number of Responses per Respondent	Average Burden Hours per Response	Total Burden Hours	Average Hourly Wage	Total Annual Cost
New Hire: Employers Reporting Manually	5,411,180	1.29	.025 hours (1.5 minute)	174,510.56	\$40.78	\$7,116,540.64
New Hire: Employers Reporting Electronically	664,757	94.77	.00028 hours (1 second)	17,639.73	\$40.78	\$719,348.19
New Hire: States	54	129,629.63	.017 hours (1 minute)	119,000.00	\$46.56	\$5,540,640.00
QW & UI	53	28.00	.00028 hours (1 second)	0.42	\$46.56	\$19.56
Multistate Employer Registration Form	1,118	1.00	.050 hours (3 minutes)	55.90	\$40.78	\$2,279.60
Estimated Annual Burden Total:				311,206.61	Estimated Annual Cost Total:	\$13,378,827.99

OCSE calculated the cost to respondents using the Bureau of Labor Statistics (BLS) wage data from May 2020. The average hourly wage rate of \$23.38 (Child, Family, and School Social Worker [21-1021]) was used for state employees transmitting data and \$20.39 per hour (Bookkeeping, Accounting, and Auditing Clerks [43-3031]) for employees reporting data to the states. To account for fringe benefits and overhead, these rates were multiplied by two.

The total burden hours for “New Hire: Employers Reporting Manually” is estimated to be 174,510.56 hours. The total cost for these burden hours is \$7,116,540.64 (174,510.56 x \$40.78). Because 5,411,180 employers submit records, this is \$1.32 per employer (\$7,116,540.64 /5,411,180).

The total burden hours for “New Hire: Employers Reporting Electronically” is estimated to be 17,639.73 hours. The total cost for these burden hours is \$719,348.19 (17,639.73 x \$40.78). Because there are 664,757 employers submitting records, this is \$1.08 per employer (\$719,348.19 /664,757).

The total burden hours for “New Hire: States” is estimated to be 119,000 hours. The total cost

for these burden hours is \$5,540,640.00 (119,000 x 46.56). Because 54 states submit records, this is \$102,604.44 per state (\$5,540,640.00 /54).

The total burden hours for “Quarterly Wage & Unemployment Compensation” are estimated to be .42 hours. The total cost for these burden hours is \$19.56 (.42 x \$46.56). Because there are 53 states submitting records, this is \$0.37 per state (\$19.56 /53).

The total burden hours for “Multistate Employer Registration” form are estimated to be 55.90 hours. The total cost for these burden hours is \$2,279.60 (55.90 x \$40.78). Because 1,118 respondents submit records, this is \$2.04 per respondent (\$2,279.60 /1,118).

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 startup 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 the maintenance costs.

14. Annualized Cost to the Federal Government

The annualized cost to the federal government is estimated to be \$5.6 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 new hires reported by employers increased since the previous approval, resulting in adjustments to the burden. There are 145,498 more employers reporting manually and 29,708 more employers reporting electronically since the previous approval; however, there are fewer responses per respondent, thereby decreasing the respective burden hours by 8,472 and 757 respectively. States reported 5,556 fewer new hires than the previous approval, which decreased the burden hour by 5,100 hours annually. The number of quarterly wage and unemployment insurance responses per respondent increased by two, which resulted in a burden increase of 0.03, and the average annual number of new MSER forms decreased from 4,075 to 1,118, which resulted in a decrease of 148 to the annual hourly burden. These adjustments constitute program changes.

The overall respondent burden changes led to a decrease in the estimated annual burden hours; however, labor changes and compliance with the OMB requirement to double the average wage rate to account for benefits and overhead resulted in the total estimated annual burden

costs to increase to \$13,378,827.99.

OCSE revised the Multistate Employer Registration form to clarify who may use the form, to change the option for sending the form via fax to email or postal service, to allow employers to confirm if the address provided is where Income Withholding Orders should be sent, and to remove the subsidiary information table and replace it with a link to the form on OCSE's website. These program changes do 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

Not applicable.

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

Not applicable.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

Not applicable.