Congressional Research Service
Informing the legislative debate since 1914

# The National Directory of New Hires: In Brief

Updated October 1, 2019

**Congressional Research Service**
https://crsreports.congress.gov
RS22889

**CRS REPORT**
Prepared for Members and
Committees of Congress

# Contents

System Components and Data Processes ..... 1
Components ..... 1
Data Verification ..... 2
Reporting Time Frames ..... 3
Child Support Enforcement Time Frames ..... 3
Data Deletion ..... 4
Entities That May Receive NDNH Data ..... 4
Selected Policy Issues ..... 8
Use of NDNH Data for Program Integrity and Research ..... 8
Privacy and Data Security ..... 9
Non-wage Workers ..... 11
NDNH Proposals in the FY2020 President's Budget ..... 11

## Tables

Table 1. Non-CSE Entities Authorized to Receive NDNH Data, and Purposes ..... 5

## Contacts

Author Information ..... 12
Acknowledgment ..... 13

The National Directory of New Hires (NDNH) is a national database of personal, wage, and employment information on American workers.[1] Although the authority for the NDNH was originally established as part of the 1996 welfare reform law (P.L. 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996; PRWORA), more than two dozen states had established new hires reporting programs at their own initiative prior to its enactment.[2] Historically, the primary purpose of the NDNH has been to aid in efforts by state child support enforcement (CSE) agencies to locate parents and enforce child support orders. (According to HHS, an estimated 7.7 million noncustodial parents and putative fathers[3] were located through the NDNH in FY2018, up from 2.8 million in FY1999.[4]) However, federal law also permits NDNH data to be shared with other specified programs and agencies (mostly for program integrity and policy evaluation research purposes).

The NDNH is part of the Federal Parent Locator Service (FPLS).[5] It is maintained by the federal Office of Child Support Enforcement (OCSE),[6] which is a component of the Administration of Children and Families (ACF) at the Department of Health and Human Services (HHS). The data in this system come from information that is reported by the State Directories of New Hires, State Workforce Agencies, and federal agencies to OCSE. HHS estimates that about 793 million records were posted to the NDNH during FY2018.[7]

The first section of this report provides an overview of the NDNH system components and data processes. The second and third sections discuss the entities that may receive NDNH data and selected policy issues associated with the system (including proposals in the FY2020 President's budget submission).

# System Components and Data Processes

## Components

The NDNH contains data from three different sources (or "files"): the new hires file, the quarterly wage file, and the Unemployment Insurance file.

[1] Federal law provisions related to the State Directory of New Hires are in Section 453A of the Social Security Act. Federal law provisions specifically related to the NDNH (i.e., the national system) are in Sections 453(i) and (j) of the act. The NDNH, together with the State Directories of New Hires and the federal and state Child Support Case Registries, was enacted as part of the 1996 welfare reform law. Other provisions in Section 453 governing the Federal Parent Locator Service (FPLS), of which the NDNH is a component system, may also be relevant.

[2] U.S. Department of Health and Human Services (HHS), Administration for Children and Families (ACF), Office of Child Support Enforcement (OCSE), *15 Facts on Employer New Hire Reporting Child Support Enforcement: A Compilation of Evidence and Experience from the States*, February 12, 1997, pp. 1-2.

[3] A putative father is "the person alleged to be the father of the child but who has not yet been medically or legally declared to be the legal father" (HHS, ACF, OCSE, *Glossary of Common Child Support Terms*, 2013, https://www.acf.hhs.gov/sites/default/files/programs/css/child_support_glossary.pdf).

[4] HHS, ACF, OCSE, *Preliminary Data Report for FY2018*, Table P-97, https://www.acf.hhs.gov/css/resource/fy-2018-preliminary-data-report.

[5] For a summary of FPLS components, see CRS Report RS22380, *Child Support Enforcement: Program Basics*, by Jessica Tollestrup.

[6] The NDNH system itself is housed in the Social Security Administration's (SSA's) enterprise data infrastructure.

[7] HHS, ACF, OCSE, *Preliminary Data Report for FY2018*, Table P-97, https://www.acf.hhs.gov/css/resource/fy-2018-preliminary-data-report.

The *new hires (NH) file* contains information from each employee's W-4 form.[8] Employers are required by Section 453A of the Social Security Act to send NH reports to the appropriate State Directory of New Hires (SDNH), which then compiles and sends the required information to the NDNH. (The state directories may be housed in a state or local child support agency, the state workforce agency, the state revenue department, or a private vendor under contract with the state.[9]) Federal employers (i.e., agencies) send their NH reports directly to the NDNH.[10] An NH report contains six data elements: the name, address, and Social Security number of each new employee; and the employer's name, address, and tax identification number. (Some states require or request additional information.)

The *quarterly wage (QW) file* contains quarterly wage information on individual employees in Unemployment Insurance (UI)-covered employment.[11] This information comes from the records of the State Workforce Agencies (SWAs; sometimes called State Employment Security Agencies) and the federal government. The SWAs and federal government employers must submit the name, Social Security number, and wage amount for each employee, and the employer's name, address, and tax identification number. All of these data must be delineated by quarterly reporting period. Separate quarterly wage records are established for each job held by an individual.

The *Unemployment Insurance (UI) file* contains information pertaining to persons who have received or applied for unemployment benefits, as reported by the SWAs.[12] With respect to this file, the state can only submit information that is already contained in the records of the state agency that administers the UI program (generally the SWA).[13] The required data elements are the claimant's name, Social Security number, address, benefit amount, and reporting period.

## Data Verification

The names and Social Security numbers in the NH, QW, and UI data received from the states are transmitted by HHS to the SSA for verification. To the extent necessary, HHS also has the authority to transmit additional information on employees (dates of birth) and employers (tax identification numbers) contained in the NH reports to be verified by the SSA as well. The SSA is required to verify the accuracy of, correct, or supply missing data to the extent possible.[14]

According to OCSE, all Social Security numbers in NH reports and UI files are verified by the SSA before the information is added to the NDNH database. Some state's QW files, however, do

[8] The W-4 form, also called the Employee's Withholding Allowance Certificate, is the form all employees must complete so that employers can withhold the correct federal income tax from each person's paycheck. Since the enactment of P.L. 112-40, the requirement to report "newly hired employees" has been expanded to include rehired employees who have been separated from employment for at least 60 days.

[9] HHS, ACF, OCSE, *National Directory of New Hires Guide for Data Submission*, Version 13.3, February 8, 2019, pp. 2-1 and 2-2, https://www.acf.hhs.gov/sites/default/files/ocse/ndnh_guide_for_data_submission.pdf.

[10] States have the option of imposing a civil monetary penalty for the failure of employers to report the required new hire information. The penalty cannot exceed $25 per failure to meet the requirements with respect to each newly hired employee, or $500 if under state law the failure is the result of a conspiracy between the employer and the employee not to supply the required report or to supply a false or incomplete report. Section 453(n) of the Social Security Act allows certain employees of a federal or state agency performing intelligence or counterintelligence functions not to be reported to the new hires directories.

[11] For information on the federal-state UI system, including coverage issues, see CRS Report RL33362, *Unemployment Insurance: Programs and Benefits*, by Julie M. Whittaker and Katelin P. Isaacs.

[12] HHS, ACF, OCSE, *A Guide to the National Directory of New Hires*, March 10, 2017, p. 2.

[13] Ibid.

[14] Social Security Act §453(j).

not include all of the elements necessary for a successful verification. In such situations, the information is transmitted to the NDNH but is flagged to indicate that the SSA was not able to verify the Social Security number and name combination.[15]

## Reporting Time Frames

In general, each of the three files that comprise the NDNH have different time frames for reporting and matching. Selected elements of these time frames are summarized below.[16]

NH data generally are reported on an ongoing basis in the days and weeks after the hire occurs:

- Generally within 20 days after the employee is hired, employers and federal agencies must provide an NH report on him or her to the SDNH.
- Within five business days of receipt from an employer, the NH report must be entered into the database maintained by the SDNH.
- Within three business days after the new hire information from the employer has been entered into the SDNH, the SDNH must submit its NH reports to the NDNH.
- Within two business days after the NH information is received from the SDNH, the information must be entered into the computer system of the NDNH.

In contrast, QW and UI reporting from the states generally occurs on a less frequent basis:

- Within four months of the end of a reporting quarter, QW information on existing employees must be transmitted to the NDNH from the SWAs. (For example, January through March data are due no later than July 31.)[17] While most states follow this quarterly schedule, some states report QW data on a monthly or weekly basis.
- Within one month of the end of a reporting quarter, UI information (which comes from SWAs) must be transmitted to the NDNH. (For example, January through March data are due no later than April 30.)

## Child Support Enforcement Time Frames

The NDNH is used routinely for various child support enforcement-related purposes. To locate individuals in a paternity establishment case or assist in a case involving the establishment, modification, or enforcement of child support, the HHS Secretary must compare information in the NDNH against information in the child support abstracts in the Federal Child Support Case Registry (another component system of the FPLS) at least every two business days. If a match is found, the HHS Secretary must report the information to the appropriate state CSE agency within two business days.

In addition to locating absent parents, the NDNH can be used to identify wages that could be subject to income withholding. About three-quarters of child support is collected via this

[15] HHS, ACF, OCSE, *National Directory of New Hires Guide for Data Submission*, Version 13.3, February 8, 2019, pp. 1-5 and 1-6, https://www.acf.hhs.gov/sites/default/files/ocse/ndnh_guide_for_data_submission.pdf.

[16] For a full list of time frames for reporting and matching, see ibid., pp. 2-1, 3-1, and 4-1.

[17] Federal agencies are required to transmit QW information on federal employees to the NDNH no later than one month after the end of a calendar quarter.

method.[18] In each case where a CSE agency identifies such wages, it is required to instruct the appropriate employer to withhold child support obligations from the employee's paycheck within two business days (unless the employee's income is not subject to withholding).

### Data Deletion

All NDNH data must be deleted from the database no later than 24 months after the date of entry. These deletion requirements, coupled with the reporting schedules outlined in the previous section, result in a constant cycling of wage and employment data into and out of the NDNH.

For CSE purposes, access to QW and UI reports is prohibited starting 12 months after they have been entered if no match has occurred as part of information comparison procedures.

Non-CSE programs and agencies that enter into data matching agreements with OCSE are required to delete the NDNH data that are shared with them on a timeline that is negotiated with OCSE based on the purpose for which the match will be used (e.g., recertification of benefit eligibility). In addition, the HHS Secretary may keep samples of data entered into the NDNH for research purposes that are specified in Section 453(j)(5) of the Social Security Act, but without personal identifiers.

## Entities That May Receive NDNH Data

The original purpose of the NDNH was to help states locate child support obligors who were working in other states so that child support could be withheld from the noncustodial parent's paycheck. It is estimated that about one-quarter of child support cases involve noncustodial parents who either live outside the state in which their children reside or have unknown whereabouts.[19] The benefit of using the NDNH (as opposed to an individual state's data) is that the system provides nationwide information about noncustodial parents who have obtained work or claimed unemployment insurance benefits, or who are employed by the federal government. Moreover, because many noncustodial parents are in temporary employment or move from job to job, the quick reporting of information on new hires greatly increases the likelihood that the NDNH will be able to locate a noncustodial parent and pass on the information to states so that the CSE agencies can pursue support orders and collect child support via income withholding before the noncustodial parent changes jobs.[20]

While the NDNH is primarily intended to be a CSE tool that aids in the location of noncustodial parents, several additional programs and agencies have the authority to receive data from it to verify program eligibility, prevent or end improper payments, collect overpayments or ensure that program benefits are properly paid, or conduct research. Although the directory is considered effective, concerns about data security and the privacy rights of employees remain a part of debates regarding expanded access to NDNH data. (These are discussed in the next section.) To safeguard the privacy of individuals in the NDNH, federal law requires that OCSE restrict access to the NDNH database to "authorized" persons. Moreover, the NDNH cannot be used for any

[18] HHS, ACF, OCSE, *Preliminary Data Report for FY2018*, Table P-29, https://www.acf.hhs.gov/css/resource/fy-2018-preliminary-data-report.

[19] Kye Lippold and Elaine Sorensen, *Characteristics of Families Served by the Child Support (IV-D) Program: 2010 Census Survey Results*, Urban Institute, October 2013, p. 13, https://www.urban.org/sites/default/files/publication/24056/412926-Characteristics-of-Families-Served-by-the-Child-Support-IV-D-Program—Census-Survey-Results.PDF.

[20] Section 454(17) of the Social Security Act requires that all state CSE programs have in effect agreements with HHS for the use of the FPLS, which includes the NDNH.

purpose not authorized by federal law. Thus, the enactment of law is required for any entity not mentioned in this section to receive NDNH data.

The non-CSE entities authorized to receive NDNH data and the purposes for which it can be received (as of the date of this report) are summarized in **Table 1**.[21]

**Table 1. Non-CSE Entities Authorized to Receive NDNH Data, and Purposes**

| Statutory Citation | Entity | Purpose(s) | Legislative History |
|---|---|---|---|
| 42 U.S.C. §§653(i)(3) and (j)(9)<br>*Social Security Act §453(j)(3) and (j)(9)* | Secretary of the Treasury | To administer Section 32 (earned income tax credit; EITC) of the Internal Revenue Code (IRC), including verification in order to make an advanced payment of the EITC.<br>To verify a claim of employment in a tax return.<br>To collect delinquent nontax debt owed to the federal government (e.g., small business loans, Department of Veterans Affairs loans, agricultural loans, etc.) when the debt has been referred to the Secretary of the Treasury in accordance with 31 U.S.C. §3711(g). | EITC and employment verification: P.L. 104-193 (enacted August 22, 1996)<br>Nontax debt: P.L. 108-447 (enacted in December 8, 2004) |
| 42 U.S.C. §653(j)(3)<br>*Social Security Act §453(j)(3)* | State Welfare (Title IV-A or "Temporary Assistance for Needy Families") Agencies | To carry out state responsibilities under programs funded under Title IV, Part A of the Social Security Act. | P.L. 104-193 (enacted August 22, 1996) |
| 42 U.S.C. §653(j)(3)<br>*Social Security Act §453(j)(3)* | State Child and Family Services (Title IV-B) Agencies | To carry out state responsibilities under programs funded under Title IV, Part B of the Social Security Act. | P.L. 110-351 (enacted October 7, 2008) |
| 42 U.S.C. §653(j)(3)<br>*Social Security Act §453(j)(3)* | State Foster Care and Adoption Assistance (Title IV-E) Agencies | To carry out state responsibilities under programs funded under Title IV, Part E of the Social Security Act. | P.L. 110-351 (enacted October 7, 2008) |
| 42 U.S.C. §653(j)(4)<br>*Social Security Act §453(j)(4)* | Commissioner of the Social Security Administration (SSA) | The NDNH "shall provide the Commissioner of Social Security with all information in the National Directory."[a] | P.L. 104-193 (enacted August 22, 1996) |
| 42 U.S.C. §653(j)(5)<br>*Social Security Act §453(j)(5)* | HHS Researchers/others | To conduct research found by the HHS Secretary to be likely to contribute to achieving the purposes of Part A or Part D of the Social Security Act (without personal identifiers). | P.L. 104-193 (enacted August 22, 1996) |
| 42 U.S.C. §653(j)(6)<br>*Social Security Act §453(j)(6)* | Secretary of Education | To collect debt from individuals who have defaulted on student loans or owe an obligation to refund an overpayment of a grant.<br>To conduct analyses of student loan defaults (after removal of personal identifiers). | P.L. 106-113 (enacted November 29, 1999) |

[21] The Children's Health Insurance Program (CHIP) Reauthorization Act of 2009 (P.L. 111-3), in Section 1942(e), directed the HHS Secretary to enter into data exchange agreements as necessary to permit state programs that meet certain criteria to receive data from the NDNH "relevant to eligibility determinations and determining the correct amount of benefits under a State child health plan under CHIP or a State plan under Medicaid." It does not appear that this provision was ever implemented.

| Statutory Citation | Entity | Purpose(s) | Legislative History |
|---|---|---|---|
| 42 U.S.C. §653(j)(7)<br>*Social Security Act §453(j)(7)* | Secretary of Housing and Urban Development (HUD) | To verify the employment and income of individuals participating in certain enumerated HUD housing programs.<br>To conduct analyses of the employment and income reporting of those individuals (after removal of personal identifiers). | P.L. 108-199 (enacted January 23, 2004) |
| 42 U.S.C. §653(j)(8)<br>*Social Security Act §453(j)(8)* | State Workforce Agencies (SWAs) | To administer an unemployment compensation program under federal or state law. | P.L. 108-295 (enacted August 9, 2004) |
| 42 U.S.C. §653(j)(10)<br>*Social Security Act §453(j)(10)* | State Supplemental Nutrition Assistance Program (SNAP) Agencies | To administer SNAP under the Food and Nutrition Act of 2008. | P.L. 109-250 (enacted July 27, 2006)<br>P.L. 110-246 (enacted June 18, 2008)<br>P.L. 113-79 (enacted February 7, 2014)[b] |
| 31 U.S.C. §721 note | Government Accountability Office (GAO) | To discharge the duties of the Comptroller General under 31 U.S.C. §716.[c] | P.L. 115-3 (enacted January 31, 2017) |
| P.L. 115-334, §6417 | Secretary of Agriculture (USDA) | To verify the income of individuals participating in certain enumerated USDA housing programs.<br>To conduct analyses of the employment and income reporting of those individuals (after removal of personal identifiers).[d] | P.L. 115-334 (enacted December 20, 2018) |

**Source:** Adapted from U.S. Department of Health and Human Services (HHS), Administration for Children and Families (ACF), Office of Child Support Enforcement (OCSE), *A Guide to the National Directory of New Hires*, pp. 4-5, https://www.acf.hhs.gov/sites/default/files/programs/css/a_guide_to_the_national_directory_of_new_hires.pdf, with additional CRS legislative analysis.

a. The SSA uses NDNH data (pursuant to this authority) to establish or verify eligibility or payments under the Supplemental Security Income program, to establish or verify eligibility or continuing entitlement under the Disability Insurance program, to administer the Ticket-to-Work and Self-Sufficiency program, and to determine eligibility of applications for Extra Help (low-income subsidy assistance) under the Medicare Part D Prescription Drug Coverage Program. For further information, see SSA matching agreements 1074, 1098, and 1306, https://www.ssa.gov/privacy/computer_matching_programs.html.

b. P.L. 109-250 allowed state agencies that administer the "Food Stamp program" to receive NDNH data. P.L. 110-246 changed program references to the "Supplemental Nutrition Assistance Program." P.L. 113-79 required all state SNAP agencies (rather than giving them the option) to data-match with the NDNH at the time of SNAP certification for the purposes of determining eligibility to receive SNAP benefits and determining the correct amount of those benefits.

c. 31 U.S.C. §721 provides that "no provision in the Social Security Act, including Section 453(l) of that Act, shall be construed to limit, amend, or supersede the authority of the Comptroller General to obtain any information or to inspect any record under section 716 of this title."

d. P.L. 115-334 granted the USDA "the same access to information and subject to the same requirements applicable to the Secretary of Housing and Urban Development as provided in Section 453 of the Social Security Act … to verify income for individuals participating in [enumerated programs]." These USDA authorities were intended to align the treatment of the rural housing programs with similar HUD programs, as well as to address the Improper Payments Act. They were originally enacted on a temporary basis in Section 749 the FY2018 Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act (P.L. 115-141, Division A).

When the authority for the NDNH was established as part of the PRWORA in 1996, it specified that certain entities (in addition to state CSE agencies) could receive data from the NDNH, namely

- State Welfare (Title IV-A or "Temporary Assistance for Needy Families" (TANF)) Agencies (to carry out their responsibilities under the TANF program);
- the Secretary of the Treasury (to administer the EITC and conduct employment verification for tax returns); and
- entities conducting research found by the HHS Secretary to be likely to contribute to achieving the purposes of Part A (i.e., the TANF program) or Part D (i.e., the CSE program) of the Social Security Act.

The PRWORA also required the NDNH to provide the Social Security Commissioner with "all information in the directory." NDNH data are currently used by the SSA (pursuant to this authority) for purposes that include determinations of eligibility and payment amounts for the Supplemental Security Income (SSI) program, the Disability Insurance (DI) program, the Ticket-to-Work and Self-Sufficiency (Ticket) program, and Extra Help (low-income subsidy assistance) under the Medicare Part D Prescription Drug Coverage Program.[22]

Subsequent to the enactment of the PRWORA, the list of entities that can receive NDNH data has been expanded to include

- in 1999, the Secretary of Education (to collect student loan debt or grant overpayments, and to conduct analyses of student loan defaults);
- in 2004, the Secretary of HUD (for employment and income verification for certain HUD housing programs, and to conduct analyses of the employment and income reporting);
- in 2004, SWAs (to administer a UI program);
- in 2006, State SNAP Agencies (to administer a SNAP program);[23]
- in 2008, the Secretary of the Treasury (to collect delinquent nontax debt owed to the federal government under specified circumstances);
- in 2008, State Child and Family Services (Title IV-B) Agencies and State Foster Care and Adoption Assistance (Title IV-E) Agencies (to carry out state responsibilities under these titles);
- in 2017, GAO (to discharge the duties of the Comptroller General under 31 U.S.C. §716);[24] and

[22] For further information, see SSA matching agreements 1074, 1098, and 1306, https://www.ssa.gov/privacy/computer_matching_programs.html.

[23] The original authority referenced the "Food Stamp" program. P.L. 110-246 changed program references to the "Supplemental Nutrition Assistance Program" (SNAP). P.L. 113-79 required all state SNAP agencies (rather than giving them the option) to data-match with the NDNH at the time of SNAP certification for the purposes of determining eligibility to receive SNAP benefits and determining the correct amount of those benefits. For further information about SNAP data matching with the NDNH, see CRS Report R45147, *Errors and Fraud in the Supplemental Nutrition Assistance Program (SNAP)*, by Randy Alison Aussenberg.

[24] For background, see Department of Justice, *Whether the Department of Health and Human Services May Provide the Government Accountability Office Access to Information in the National Directory of New Hires*, Memorandum Opinion for the Acting General Counsel, August 23, 2011, https://www.justice.gov/opinion/file/833541/download.

- in 2018, the Secretary of Agriculture (for income and employment verification for certain USDA housing programs, and to conduct analyses of the employment and income reporting).

Readers should note that NDNH data that are used by HHS, ED, HUD, and USDA to conduct research or analyses of certain topics (as authorized under the Social Security Act) generally does not contain personal identifiers.[25]

In addition to the above authorities, the Secretary of Veterans Affairs (VA) has previously been required during two separate time periods to provide the HHS Secretary with information for comparison with the NDNH to determine eligibility for certain veterans' benefits and services.[26] The original matching requirements under P.L. 110-157 (enacted December 26, 2007) were to terminate September 30, 2011, but were subsequently extended through November 18, 2011 (P.L. 112-37, enacted on October 5, 2011). During the period from November 19, 2011, through September 29, 2013, the requirements were not in effect. The matching requirements were again effective on September 30, 2013, and for 180 days thereafter (P.L. 113-37, enacted September 30, 2013), but have not been since that time. According to GAO, the VA and OCSE never reached an agreement, reportedly due to "limited financial and workforce resources," that allowed for data sharing outside of either of the time periods when the matching requirements were in effect.[27]

# Selected Policy Issues

The policy issues historically associated with the NDNH generally can be divided into three categories: the use of NDNH data for program integrity and research, privacy and data security, and workers outside the scope of the system (i.e., non-wage workers). These issues are briefly summarized below, along with relevant NDNH proposals in the FY2020 President's budget.

## Use of NDNH Data for Program Integrity and Research

The federal government and states administer numerous benefit programs that provide aid to persons with limited income. As discussed above, some of these programs have been given statutory authority to use NDNH data for the purposes of improving program integrity or conducting policy research related to those programs (see "Entities That May Receive NDNH Data" for a list of these authorities).

Many programs that have piloted or fully implemented the use of NDNH data to prevent improper payments have reported significant savings as a result.[28] For example, a FY2005 NDNH pilot initiated by the Department of Labor for UI programs in three states found that "using the

[25] See HHS, ACF, OCSE, "A Guide to the National Directory of New Hires," pp. 4-5.

[26] See Social Security Act §453(j)(11). For background on how the VA anticipated that the requirement to match data with the NDNH might overlap with existing income-verification processes, see the testimony of Daniel L Cooper, Under Secretary for Benefits, U.S. Department of Veterans Affairs, before the Senate Committee on Veterans' Affairs, May 9, 2007, https://www.va.gov/OCA/testimony/svac/07050920.asp.

[27] U.S. Government Accountability Office (GAO), *Veterans Disability Benefits: VA Can Better Ensure Unemployability Decisions Are Well Supported*, GAO-15-464, June 2015, p. 23, https://www.gao.gov/assets/680/670592.pdf.

[28] See, for example, the discussion of the use of NDNH data to locate TANF recipient workers with unreported income, Wade F. Horn, Assistant Secretary for Children and Families, U.S. Department of Health and Human Services, *Testimony before the Human Resources Subcommittee*, July 14, 2005, https://www.acf.hhs.gov/olab/resource/wade-f-horn-on-ndnh-and-tanf.

national cross-match along with the statewide cross-match helped detect 50 percent more cases of potential fraud in one quarter than it would have detected otherwise."[29] In addition, SSA estimated in FY2015 that the use of NDNH data (at a cost of about $175 million) for program integrity purposes associated with the SSI, DI, and Ticket programs resulted in program savings of about $923 million.[30] Some, however, have raised concerns that programs that might more effectively detect improper payments through the use of NDNH data lack the computer capacity or capability to use that type of automated system.[31] Agencies and programs that are administered at the local level might have a limited or nonexistent ability to exchange data regularly with OCSE. Moreover, many of the privacy protections and strict security requirements tied to the NDNH may be administratively burdensome for such agencies.

NDNH data also have been used by policy researchers to help determine the effectiveness of new or existing programs. For example, NDNH wage data were used in a recent study commissioned by HHS to examine whether youths who had participated in the Year Up workforce program experienced increased earnings over a 12-quarter period.[32] Some observers, however, have noted that the usefulness of NDNH data for research is limited by its data deletion and de-identification requirements. For example

> A one or two year time span provides a relatively limited window for observing earnings before, during, and after the time of program participation. Data of particular interest may have already been deleted before a research agreement can be reached. In the absence of identifiers, it is impossible for researchers to incorporate additional years or sources of administrative data into their research sample or correct problems with prior linkages once the de-identified file with NDNH data has been returned. While it is possible to construct a longitudinal research sample in the future, this requires greater involvement by OCSE (since only OCSE has access to the identifiers needed to continue updating the earnings data), increasing the cost and complexity of the project.[33]

## Privacy and Data Security

The sensitivity of the information contained in the NDNH—personal and financial data on millions of working Americans, as well as those receiving UI benefits—necessitates that precautions be taken with regard to the security of the system.[34] Access to the NDNH system

---

[29] GAO, *Improper Payments: Federal and State Coordination Needed to Report National Improper Payment Estimates on Federal Programs*, GAO-06-347, April 2006, p. 59, https://www.gao.gov/assets/250/249728.pdf.

[30] See SSA-OCSE Quarterly Match Agreement 1704, p. 46, https://www.hhs.gov/sites/default/files/cma-1704.pdf.

[31] See, for example, the findings with regard to SWA utilization of the NDNH in Department of Labor, Office of Inspector General—Office of Audit, *Improved Oversight of States' Use of New Hire Tools Would Help Reduce Improper Payments*, report to the Employment and Training Administration, September 27, 2018, 04-18-003-03-315, https://www.oig.dol.gov/public/reports/oa/2018/04-18-003-03-315.pdf.

[32] David Fein and Jill Hamadyk, *Bridging the Opportunity Divide for Low-Income Youth: Implementation and Early Impacts of the Year Up Program*, HHS, ACF, Office of Planning, Research, and Evaluation, Report #2018-65 (Washington, DC: Office of Planning, Research, and Evaluation, May 2018), https://www.acf.hhs.gov/sites/default/files/opre/pace_8_year_up_narrative_6_1_18_508.pdf.

[33] Christin Durham and Laura Wheaton, *Investigating Alternative Sources of Quarterly Wage Data: An Overview of the NDNH, LEHD, WRIS, and ADARE*, Urban Institute, October 18, 2012, p. 3, http://www.urban.org/sites/default/files/publication/25971/412688-Investigating-Alternative-Sources-of-Quarterly-Wage-Data-An-Overview-of-the-NDNH-LEHD-WRIS-and-ADARE.PDF.

[34] The NDNH is subject to security and privacy requirements under Sections 453(l) and (m) of the Social Security Act. It also is considered to be a system of records under the Privacy Act, and thus is subject to the requirements under that act for administrative, technical, and physical safeguards for both the records matched and any results of those matches (see 5 U.S.C. 552a).

(housed at a secure SSA facility) is limited to authorized personnel. In addition, according to the OCSE *Guide to the National Directory of New Hires*, recipients of NDNH information must agree to comply with security safeguards, such as

> Operational safeguards that ensure NDNH information is secure from unauthorized entities and unauthorized uses at all times;
>
> Technical safeguards that ensure NDNH information is processed, stored, and transmitted in a secure manner and that information is processed using methods that protect the confidentiality and integrity of the information; and
>
> Management safeguards that are tailored to the information system environment and require written security agreements, policies, and procedures which must include: notification to OCSE of any breach of NDNH information, and provision that OCSE has the right to request a site visit or assessment to ensure compliance with security requirements.[35]

In addition to requirements related to the security of the NDNH data while they are in the system or shared outside OCSE, the Social Security Act includes provisions that require the removal or deletion of certain information in the NDNH after specified time periods (see the section on "Data Deletion").

Nevertheless, the size and scope of the NDNH has caused some to be concerned that individual privacy protections might be insufficient and that the type of data that are gathered might gradually be expanded.[36] Some have observed that, as an increasing number of federal and state programs have obtained access to the system, wider access to and use of NDNH data could potentially lead to privacy and confidentiality breaches, financial fraud, identity theft, or other crimes.[37] Others have expressed related apprehensions that allowing NDNH data to be shared with a variety of federal programs could lead to new reporting requirements that are not necessary to carry out the core CSE mission of the system.[38] Those new requirements could be difficult or costly to implement at the state and employer levels, and might cause additional burdens on employers that lead to reduced reporting.[39]

---

[35] HHS, ACF, OCSE, *A Guide to the National Directory of New Hires*, p. 8. See also HHS, ACF, OCSE, *Accuracy of Data Maintained by the National Directory of New Hires and the Effectiveness of Security Procedures*, Report to the House of Representatives Committee on Ways and Means and Senate Committee on Finance, July 31, 2002.

[36] See, for example, Cato Institute, "'Deadbeat Dad' Database Endangers Everyone," by Doug Bandow, April 30, 1998, https://www.cato.org/publications/commentary/deadbeat-dad-database-endangers-everyone.

[37] GAO, *National Sex Offender Registry: New Hires Data Has Potential for Updating Addresses of Convicted Sex Offenders*, GAO-06-766, July 2006, p. 26, https://www.gao.gov/products/GAO-06-766. See also U.S. Department of the Treasury, Inspector General for Tax Administration, Hearing before the House Committee on Oversight and Government Reform, Subcommittee on Government Organization, Efficiency, and Financial Management, *Problems at the Internal Revenue Service: Closing the Tax Gap and Preventing Identity Theft*, Testimony of the Honorable J. Russell George, Treasury Inspector General for Tax Administration, April 19, 2012, https://www.treasury.gov/tigta/congress/congress_04192012.pdf.

[38] See, for example, the proposal to expand access to and the data collected by the NDNH in Center for Law and Social Policy, *CLASP Comments on a Proposed Postsecondary Institution Rating System, Submitted to the U.S. Department of Education*, January 31, 2014. p. 5, http://www.clasp.org/resources-and-publications/publication-1/CLASP-Comments-on-PIRS-2-4.pdf.

[39] Vicki Turetsky, Preserve the Child Support System: Don't Let the New Hire Database Be Hijacked for Immigrant Employment Verification, Center for Law and Social Policy, May 6, 2008; National Women's Law Center, Impact of the New Employee Verification Act (HR 5515) on Child Support Enforcement, written statement of Joan Entmacher to the Subcommittee on Social Security, House Committee on Ways and Means, May 8, 2008, https://nwlc.org/wp-content/uploads/2015/08/NWLConNEVAandChild%20Support.pdf.

## Non-wage Workers

As a child support tool, the NDNH can be used to locate noncustodial parents and identify wages that could be subject to income withholding. (As previously mentioned, about three-quarters of child support is collected by the CSE program via income withholding.[40])

With regard to non-wage employment, the NDNH generally does not gather information on self-employed workers (e.g., independent contractors), which are a growing proportion of the working adult population, according to various estimates.[41] A 2019 study identified 16 states that require employers to report the income of independent contractors in some form (in many cases, to the SDNH).[42] That study also found low employer compliance with those reporting requirements, and that it was "virtually impossible" to successfully withhold child support from one-time payments to non-wage workers.[43] Nevertheless, the CSE staff interviewed for the study felt that independent contractor reporting could improve certain outcomes, such as when that reporting enabled them to locate those parents or attach income withholding orders to regular payments.[44]

## NDNH Proposals in the FY2020 President's Budget

The FY2020 President's budget requested a number of changes to NDNH authorities. With regard to CSE, the budget proposes that businesses or government entities that receive services from non-employees (such as independent contractors) be required to report information about those individuals to the appropriate SDNH. In addition, the budget would allow state CSE programs access to the NDNH for evidence building-related activities (see below for related requested authorities).[45]

The budget also includes a number of proposed expansions to NDNH data sharing authorities for non-CSE purposes, primarily for "evidence building" (i.e., research) and "program integrity." The research-related proposals include

- access for unspecified federal agency units that carry out "research, statistical activities, and/or performance measurement that would otherwise require costly surveys, state-by-state memoranda of understanding, or other agreements to obtain the same data contained in NDNH";[46]

[40] Ibid., Table P-29.

[41] Lawrence F Katz and Alan B. Krueger, "The Rise and Nature of Alternative Work Arrangements in the United States, 1995–2015," *ILR Review*, vol. 72, no. 2 (March 2019), pp. 382-416; and CRS Report R44365, *What Does the Gig Economy Mean for Workers?*, by Sarah A. Donovan, David H. Bradley, and Jon O. Shimabukuro.

[42] These state-level requirements have differing income thresholds and a variety of other qualifying criteria for the reporting. See Asaph Glosser and Justin Germain, *Independent Contractors and Nontraditional Workers: Implications for the Child Support Program*, HHS, Office of the Assistant Secretary for Planning and Evaluation, May 10, 2019, https://aspe.hhs.gov/system/files/pdf/261736/IndependentWorkersChildSupportProgram.pdf.

[43] Ibid., p. 6.

[44] Ibid., pp. 7-8. See also National Child Support Enforcement Association, "Resolution Supporting New Hire Reporting and Income Withholding Changes for Independent Contractors," August 10, 2019.

[45] HHS, ACF, *Justification of Estimates for Appropriations Committees FY2020*, p. 227, 228, and 330, https://www.acf.hhs.gov/sites/default/files/olab/acf_congressional_budget_justification_2020.pdf.

[46] Office of Management and Budget, *Fiscal Year 2020 Budget of the U.S. Government*, "Analytical Perspectives," p. 63, https://www.whitehouse.gov/wp-content/uploads/2019/03/spec-fy2020.pdf.

- access for the U.S. Department of Labor and U.S. Departments of Education to evaluate employment and training programs;[47] and
- access for state agencies that administer workforce or vocational rehabilitation programs to improve program administration, including oversight and evaluation.[48]

The program integrity-related proposals include

- access for the Treasury's Do Not Pay Business Center to reduce improper payments when acting on behalf of agencies with statutory NDNH access;[49]
- access for the Railroad Retirement Board (RRB) to determine disability benefit eligibility;[50] and
- access for Centers for Medicare and Medicaid Services within HHS for program integrity purposes.

The FY2020 budget request also would mandate that state UI programs conduct cross-matches with the NDNH (instead of giving them the option, as under current law[51]) to identify individuals who continue to claim UI benefits after returning to work.[52]

## Author Information

Jessica Tollestrup
Specialist in Social Policy

[47] Ibid., p. 63.

[48] HHS, ACF, *Justification of Estimates for Appropriations Committees*, pp. 228 and 330.

[49] Department of the Treasury, Bureau of the Fiscal Service, *Congressional Budget Justification and Annual Performance Report and Plan FY2020*, p. 10, https://home.treasury.gov/system/files/266/14.-FISCAL-FY-2020-CJ.pdf.

[50] RRB, *Justification of Budget Estimates FY2020*, p. 72, https://rrb.gov/sites/default/files/2019-03/JBE20.pdf.

[51] While no statutory requirement under current federal law specifically mandates the use of NDNH by state UI programs, in 2011 DOL issued program guidance to states mandating the use of NDNH for this purpose (citing several existing statutory authorities). For details, see DOL, Employment and Training Administration (ETA), *Unemployment Insurance Program Letter*, UIPL 19-11, "National Effort to Reduce Improper Payments in the Unemployment Insurance (UI) Program," June 10, 2011, https://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=3036.

[52] This proposal would also require state UI programs to use two additional data sources to confirm an individual's eligibility for UI benefits: the State Information Data Exchange System (SIDES, administered by Information Technology Support Center [ITSC] and DOL) and the Prisoner Update Processing System (PUPS, administered by the Social Security Administration). Office of Management and Budget, *Fiscal Year 2020 Budget of the U.S. Government*, "Analytical Perspectives," p. 88, https://www.whitehouse.gov/wp-content/uploads/2019/03/spec-fy2020.pdf; and DOL, *FY2020 Congressional Budget Justification for the Employment and Training Administration: State Unemployment Insurance and Employment Service Operations*, p. 21, https://www.dol.gov/sites/dolgov/files/general/budget/2020/CBJ-2020-V1-07.pdf.

## Acknowledgment

An earlier version of this report was authored by Carmen Solomon-Fears, a retired Specialist in Social Policy at the Congressional Research Service.

## Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.