

SUPPORTING STATEMENT

Consumer Price Index Housing

A. JUSTIFICATION

1. Circumstances that Make the Collection of Information Necessary

Section 2 of Title 29, Chapter 1, Subchapter 1, United States Code Annotated, directs the Bureau of Labor Statistics (BLS), under the direction of the Secretary of Labor, to collect, collate, and report full and complete statistics of the conditions of labor and the products and distribution of the products of the same.

The Consumer Price Index (CPI) is the only index compiled by the U.S. Government that is designed to measure changes in the purchasing power of the urban consumer's dollar. The CPI is a measure of the average change in the prices over time paid by urban consumers for a fixed market basket of goods and services. It is calculated monthly for two population groups, one consisting of all urban consumers (CPI-U), and the other consisting of urban wage earners and clerical workers (CPI-W). The CPI-U represents the buying habits of about 87 percent of the non-institutional population of the United States, while the CPI-W represents approximately 32 percent of that group.

In addition to the above produced indexes, the BLS also produces the Chained Consumer Price Index for all urban consumers (C-CPI-U). The C-CPI-U is a “superlative” index that is designed to be a closer approximation to a “cost-of-living” index than the CPI-U and CPI-W.

2. Uses of the Information

The CPI is used most widely as a measure of inflation, and is used in the formulation of economic policy. It is also used as a deflator of other economic series, that is, to adjust other series for price changes and to translate these series into inflation-free dollars. Examples include retail sales, hourly and weekly earnings, and components of the Gross Domestic Product.

A third major use of the CPI is to adjust income payments. Over 2 million workers are covered by collective bargaining contracts, which provide for increases in wage rates based on increases in the CPI. In addition to private sector workers whose wages or pensions are adjusted according to changes in the CPI, the index now affects the income of almost 106 million persons, largely as a result of statutory action: about 49.6 million social security beneficiaries; about 4.6 million retired military and Federal Civil Service employees and survivors, and about 21.3 million food stamp recipients. Changes in the CPI also affect the 28.4 million children who eat lunch at school. Under the National School Lunch Act and Child Nutrition Act, national average payments for those lunches and breakfasts are adjusted annually by the Secretary of Agriculture on the basis of the

change in the CPI series, "Food away from Home." Since 1985, the CPI has been used to adjust the Federal income tax structure to prevent inflation-induced tax rate increases. Additionally, since 2000, the CPI has been used to adjust the maximum amount disaster survivors seeking financial assistance can receive through the programs administered by the Federal Emergency Management Agency (FEMA).

3. Use of Improved Information Technology

The BLS improves business practices during the Revision process by initiating the continuous replacement (rotation) of the metropolitan area sample and the Housing sample over several years. Currently, the CPI collects data in a sample of 87 metropolitan areas called Primary Sampling Units (PSUs). There are 55 PSUs that are continuing into the new sample design. The sample of renters in the Housing survey is divided into six panels and each panel is priced twice a year. In 2009, the revision will begin by reducing the sample of PSUs by dropping 15 PSUs and adding all six panels in 3 new PSUs. In addition, one panel will be replaced in the 55 continuing PSUs. This clearance package only covers the first year of PSU and Housing sample rotation.

The rotation will continue in 2010 when 3 PSUs will be dropped, 3 PSUs will be added and another panel will be replaced. In 2011, 5 PSUs will be dropped, 5 PSUs will be added and another panel will be replaced. In 2012, 3 PSUs will be dropped, 3 PSUs will be added and another panel will be replaced. In 2013, 3 PSUs will be dropped, 3 PSUs will be added and another panel will be replaced. In 2014, 3 PSUs will be dropped, 3 PSUs will be added and another panel will be replaced. This will end the PSU rotation with 55 continuing PSUs and 20 new PSUs rotated in over 6 years. It will also end the first rotation of the Housing sample with the replacement of 6 panels over 6 years. The panel rotation will continue by replacing 1/6th of the sample each year.

Previously, field representatives had to list all addresses in each segment to provide a sampling frame. There were considerable resources expended in this process, even though there was minimal respondent burden. Resources will be saved through the use of purchased address lists as the sampling frame. These address lists contain telephone numbers when available. Initially, a vendor supplies addresses for each segment with codes that indicate the probability that the address is an owner. Since owners are out of scope for the Housing Survey, addresses that are most certainly owners are removed. Addresses that can be identified as commercial are also removed. The remaining addresses are sampled for a prescreening of prospective renters. Another vendor distributes and collects the mailed prescreening forms. Additional telephone numbers may be collected through the prescreening process. Follow-up telephone interviews are conducted by BLS employees. Non-responses and addresses identified as renters are analyzed by BLS statisticians and potentially good addresses are computerized. Trained BLS economic assistants utilizing computer-assisted data collection (CADC) screen and initiate the pre-selected addresses by making personal visits to those housing units. Once initiated, economic assistants collect all data utilizing CADC by telephone or by personal visit. Respondents may be the renters, managers, or landlords of the selected dwellings.

The Housing Data Collection Manual (HDCM) gives detailed directions for conducting and completing the interview. The HDCM is approximately 600 pages and is revised as there are changes to software or administrative procedures related to data collection. The HDCM also is available on the computers used by economic assistants for quick reference while in the field. With the exception of prescreening, respondents do not fill out any forms, nor are they requested to submit responses at a later time.

4. Efforts to Identify Duplication

The CPI is the nation's chief source of information on retail price changes. The BLS has made extensive efforts to identify, from other government agencies and the scientific literature, other sources of data. To the BLS's knowledge, there is no duplication of indexes and no other series is available which performs the function of the CPI.

The CPI Housing Survey is the nation's primary source of information on residential rent change. In addition to being nationally consistent, CPI Housing data must be timely and available monthly. No other survey is both as timely and geographically comprehensive. The information provided by the American Housing Survey or Current Population Survey do not meet the CPI's timeliness or geographic requirements.

5. Efforts to Minimize Burden on Small Businesses

The Housing Survey is aimed at rental housing. Some respondents are the owners and managers of housing complexes, some of which are small businesses. Prior to the use of CADC, pricing forms for multiple units that were to be collected from a single respondent were printed together based on their Interview Group (IG). However, field representatives had to collect information one unit at a time or use make-shift forms to collect information for the IG. The CADC instrument allows the Interview Group collection to be done more efficiently by using grids or tabs for each unit in the IG. This function in the collection instrument has reduced burden for respondents who give information for several housing units. Burden on small businesses has been reduced especially for respondents (owners, managers or authorized representatives) supplying information for more than one housing unit.

6. Consequences of Less Frequent Collection

If collection of rental data were conducted less frequently, the accuracy of index estimates produced would decrease. Consequently, the quality of the CPI overall would decrease, in that Rent of Primary Residence and Owner's Equivalent Rent or Primary Residence Indexes comprise about 29 percent of the All-items CPI.

7. Consistency with 5 CFR 1320.5 (d) (2)

All data collected for the CPI are collected in a manner consistent with the guidelines.

8. Federal Register Notice Comments and Consultations Outside the Agency

No comments were received as a result of the Federal Register notice published in Volume 71, No. 75 on April 19, 2006.

Consultation with Outside Sources

Due to the CPI's high visibility, data collection, data review and index methodologies used for its construction are under constant scrutiny by individuals and organizations within and outside the U.S. Government. Agencies with which the BLS has had recent contact for the purposes of eliciting comments regarding methodology and procedures include:

- the Council of Economic Advisers (CEA),
- the Office of Management and Budget (OMB),
- the Congressional Budget Office (CBO),
- the Congressional Joint Economic Committee (JEC),
- the Bureau of Economic Analysis (BEA),
- the Federal Reserve Board (FRB),
- the Federal Economic Statistics Advisory Committee (FESAC), and
- the General Accounting Office (GAO).

In addition, the BLS regularly consults with major user groups concerning their needs and uses of our data series. Semiannual meetings with the BLS's Business and Labor Research Advisory Councils are held as part of the program to consult with those affected by the CPI and those from whom information is to be obtained. These committees represent major segments of the business and labor communities--important users of CPI data--as well as the retail trade sector, the source of our data. In the fall of 2005, meetings were held with the price committees of the Business Research Advisory Committee (Chair: Maurine Haver of Haver Analytics, telephone: 212-986-9300) and the Labor Research Advisory Committee (Chair: Frank Parente of AFL-CIO, telephone: 202-637-5312). Current CPI activities and future developments were discussed.

Internationally, the International Working Group on Price Indices (commonly called the Ottawa Group), held a conference in Vancouver, Canada in 2004. Housing price measurements and various methodologies of constructing indices with regard to shelter in various countries were topics of most papers presented. Additionally, information has been supplied to individuals at the International Monetary Fund and the World Bank for the purpose of providing input into Structured Product Descriptions (SPDs). SPDs are the attempt to categorize products and services across Nations, such that codes and structures might be valued similarly for compatible products and services.

More recently, the Federal Economic Statistical Advisory Committee (FESAC) was formed. Issues concerning the CPI have been discussed during these semiannual meetings (Chair: Ernst R. Berndt of the Massachusetts Institute of Technology, telephone: 617-253-2665). In December 2005, a FESAC meeting was hosted by the BLS in the Postal Square Building. CPI staff presented a paper entitled [*Treatment of Owner-Occupied Housing in the CPI*](#).

CPI staff participate in quarterly discussions with the Housing Statistics Users Group, made up of representatives from Federal agencies and private businesses and industries, usually sponsored by the National Association of Home Builders (NAHB: 202-822-0383). The current chair is Don Cotchen (McGraw Hill, telephone: 202-383-3709).

The BLS Commissioner and Associate Commissioners report on a monthly basis to the Congressional Joint Economic Committee (202-224-3121), and they meet as needed with the Council of Economic Advisors (202-395-3000) and the General Accounting Office to discuss BLS issues, and especially the CPI program.

To be filled in with date published in the Federal Register.

9. Paying Respondents

There are no payments or gifts made to respondents.

10. Assurance of Confidentiality

The Commissioner's Order No. 3-04, "Confidential Nature of Bureau Records," explains the policy on confidentiality: "In conformance with existing law and Departmental regulations, it is the policy of the Bureau of Labor Statistics that data collected or maintained by, or under the auspices of, the Bureau under a pledge of confidentiality shall be treated in a manner that will assure that individually identifiable data will be accessible only to authorized persons and will be used only for statistical purposes or for other purposes made known in advance to the respondent."

Special care is taken to ensure data security. Computer Assisted Data Collection (CADC) encrypts data at the time of collection which are then electronically transmitted over telephone lines. Economic Assistants who have collected the data send them to a Remote Access Server (RAS) in Washington, D.C. An image of the CADC-collected data is stored in the CADC system for a month.

The data are stored in computer files where strong provisions for data security and extensive rules for data access make it highly unlikely that the data could be put to unauthorized use. Collected variables are maintained in the Housing microcomputer for five years in the production environment. Thereafter the data are archived. All data remains in the microcomputer client/server environment.

Confidentiality Statement: The Bureau of Labor Statistics, its employees, agents, and partner statistical agencies, will use the information you provide for statistical purposes only and will hold the information in confidence to the full extent permitted by law. In accordance with the Confidential Information Protection and Statistical Efficiency Act of 2002 (Title 5 of Public Law 107-347) and other applicable Federal laws, your responses will not be disclosed in identifiable form without your informed consent.

Voluntary Nature of the Program: This report is authorized by law, 29 U.S.C.2. Your voluntary cooperation is needed to make the results of this survey comprehensive, accurate and timely.

CADC data capture screens do not include the above pledge. The data collection personnel carry a brochure that contains the pledge to be given to respondents (Attachment IV).

11. Sensitive Questions

There are no sensitive questions in this survey.

12. Estimation of Response Burden

The following paragraphs and tables give the derivation of the respondent burden for each activity and project, and totals for all activities for Fiscal Years 2007 through 2009. There are four activities that might be associated with any one project listed below. They are prescreening, screening, initiating and pricing. Successful completion of this four-stage process provides the information required to revise and update the metropolitan area and Housing samples (See Section B) and continue accurate and timely collection of rent information for monthly calculation and publication of the CPI.

Updating the Housing sample begins with CPI economists and statisticians using 2000 Census data to identify selected block groups. They may also use Census American Community Survey (ACS) data as it becomes available. Address lists are then purchased for the pre-selected block groups. The address lists also contain tenure codes. The codes represent the likely tenure—owner/renter—of the addresses within the designated block groups. Addresses are eliminated with a high probability of being owner and that can be identified as commercial. A sample of addresses is selected from the modified lists for each block group. These address samples are sent to a vendor who conducts a mail prescreening survey for the BLS. The vendor receives the returned surveys and transmits the results to BLS. Addresses identified as owners are eliminated; while non-responses and addresses identified as renters are provided to trained BLS economic assistants for additional screening and initiation.

Upon the successful completion of the screening questions, initiation commences smoothly and without interruption. During this phase, questions about the unit, the rent, and what is included in the rent are asked of respondents. The initiation of rental units is a one-time activity, and subsequent visits to these addresses are termed as pricings. Once

a unit is initiated, it is in the sample. Subsequently, an attempt to contact a respondent at that address will be made every six months. The number of respondents for this activity is variable over the three calendar years because the number of initiations depends upon the number of successful screenings.

There are two types of pricing—short and long. With short pricing fewer questions are asked of the respondent. Certain conditions determine a short pricing. If the unit has the same occupant and respondent as was recorded during the last pricing, and there have been no structural changes in the unit, questions for the short pricing are asked. Short pricing questions save time for both our respondent and the Economic Assistant. After two years pass and there been no changes in respondent or the unit, the long pricing questions are asked. When there is a new occupant or certain modifications have been made in the unit, a long pricing interview occurs.

The following statement is on the prescreening instrument (Attachment II):

Prescreening Burden Statement: The time needed to complete this survey was estimated to be less than 5 minutes. If you have comments concerning the accuracy of this time estimate or suggestions for making the survey simpler, you can write to: Office of Prices and Living Conditions, 2 Massachusetts Ave., NE, Rm. 3655, Washington, DC 20212.

CADC data capture screens do not include respondent burden statements. The data collection personnel carry a brochure that contains the burden statements to be handed to respondents at screening/initiation or whenever there is a new respondent as follows (Attachment IV):

Screening/Initiation Burden Statement: We estimate that it will take an average of 7 minutes per respondent to determine eligibility. And then, if eligible, we estimate an average of 5 minutes per respondent to complete this survey.

Initiation Burden Statement: We estimate it will take an average of 5 minutes per respondent to complete this survey.

Pricing Burden Statement: We estimate that it will take an average of 7 minutes to complete this survey.

Revision Rotation - 3 New PSUs and 1 Panel Per Year	FY 2007	FY 2008	FY 2009
Pre-Screening			
Number of respondents	18,265	18,265	18,265
Responses per respondent	1.000	1.000	1.000
Total responses	18,265	18,265	18,265
Hours/Response	0.083	0.083	0.083
Total hours	1,516	1,516	1,516
Screening			
Number of respondents	8,562	35,532	39,578
Responses per respondent	1.000	1.000	1.000
Total responses	8,562	35,532	39,578
Hours/Response	0.100	0.100	0.100
Total hours	856	3,553	3,958
Initiation			
Number of respondents	2,007	8,329	9,277
Responses per respondent	1.140	1.140	1.140
Total responses	2,288	9,495	10,576
Hours/Response	0.150	0.150	0.150
Total hours	343	1,424	1,586
Long Pricing			
Number of respondents		1,055	2,129
Responses per respondent		1.000	1.750
Total responses		1,055	3,726
Hours/Response		0.166	0.166
Total hours		175	619
Short Pricing			
Number of respondents		3,034	7,613
Responses per respondent		1.000	1.750
Total responses		3,034	13,323
Hours/Response		0.083	0.083
Total hours		252	1,106
Total All Questions			
Number of respondents	28,834	66,215	76,863
Responses per respondent	1.010	1.018	1.112
Total responses	29,115	67,381	85,469
Hours/Response	0.093	0.103	0.103
Total hours	2,715	6,920	8,785

Base Sample	FY 2007	FY 2008	FY 2009
Long Pricing			
Number of respondents	8,276	8,044	5,392
Responses per respondent	1.750	1.750	1.750
Total responses	14,482	14,077	9,436
Hours/Response	0.166	0.166	0.166
Total hours	2,404	2,337	1,566
Short Pricing			
Number of respondents	23,800	23,134	15,508
Responses per respondent	1.750	1.750	1.750
Total responses	41,651	40,484	27,139
Hours/Response	0.083	0.083	0.083
Total hours	3,457	3,360	2,252
Total All Questions			
Number of respondents	32,076	31,178	20,900
Responses per respondent	1.750	1.750	1.750
Total responses	56,133	54,561	36,575
Hours/Response	0.104	0.104	0.104
Total hours	5,861	5,697	3,819

New Construction	FY 2007	FY 2008	FY 2009
Screening			
Number of respondents	2,100	315	47
Responses per respondent	1.000	1.000	1.000
Total responses	2,100	315	47
Hours/Response	0.100	0.100	0.100
Total hours	210	31	5
Initiation			
Number of respondents	336	50	8
Responses per respondent	1.140	1.140	1.140
Total responses	383	57	9
Hours/Response	0.150	0.150	0.150
Total hours	57	9	1
Long Pricing			
Number of respondents	865	865	582
Responses per respondent	1.750	1.750	1.750
Total responses	1,513	1,514	1,019
Hours/Response	0.166	0.166	0.166
Total hours	251	251	169
Short Pricing			
Number of respondents	2,487	2,489	1,675
Responses per respondent	1.750	1.750	1.750
Total responses	4,353	4,356	2,930
Hours/Response	0.083	0.083	0.083
Total hours	361	362	243
Total All Questions			
Number of respondents	5,788	3,720	2,312
Responses per respondent	1.442	1.678	1.733
Total responses	8,349	6,242	4,005
Hours/Response	0.105	0.105	0.104
Total hours	880	653	418

Total All Questions

The summary table provides totals for the number of respondents, total responses and total hours for all questions and all projects. The last column is the average over the fiscal years. These figures appear in Item 13 of 83-I.

Total All Projects	FY 2007	FY 2008	FY 2009	3 Yr. Avg.
Pre-Screening				
Number of respondents	18,265	18,265	18,265	
Responses per respondent	1.000	1.000	1.000	
Total responses	18,265	18,265	18,265	
Hours/Response	0.083	0.083	0.083	
Total hours	1,516	1,516	1,516	1,516
Screening				
Number of respondents	10,662	35,847	39,625	
Responses per respondent	1.000	1.000	1.000	
Total responses	10,662	35,847	39,625	
Hours/Response	0.100	0.100	0.100	
Total hours	1,066	3,585	3,963	2,871
Initiation				
Number of respondents	2,343	8,379	9,285	
Responses per respondent	1.140	1.140	1.140	
Total responses	2,671	9,552	10,584	
Hours/Response	0.150	0.150	0.150	
Total hours	401	1,433	1,588	1,140
Long Pricing				
Number of respondents	9,140	9,964	8,104	
Responses per respondent	1.750	1.671	1.750	
Total responses	15,996	16,646	14,182	
Hours/Response	0.166	0.166	0.166	
Total hours	2,655	2,763	2,354	2,591
Short Pricing				
Number of respondents	26,288	28,657	24,796	
Responses per respondent	1.750	1.671	1.750	
Total responses	46,003	47,874	43,392	
Hours/Response	0.083	0.083	0.083	
Total hours	3,818	3,974	3,602	3,798
Total All Questions				3 Yr. Avg.
Number of respondents	66,698	101,113	100,074	89,295
Responses per respondent	1.403	1.268	1.260	1.298
Total responses	93,597	128,185	126,049	115,944
Hours/Response	0.101	0.104	0.103	0.103
Total hours	9,456	13,270	13,022	11,916

13. Estimate of Cost Burden to Respondents

The projected cost to respondents assumes an \$18.09 hourly wage.* The only cost to the respondent is the time it takes to complete the interview.

Projected \$ Estimated Costs (1,000's)	FY 2007	FY 2008	FY 2009
Respondents	\$171.1	\$240.1	\$235.6

*July 2004 mean hourly earnings, from the National Compensation Survey, released August 2005.

14. Estimated Federal Costs

The projected estimated costs to the Federal Government are based on previous budget experience for collecting, processing, and reviewing CPI Housing Survey data.

Projected \$ Estimated Costs (1,000's)	FY 2007	FY 2008	FY 2009
Federal Government	\$ 5,078	\$ 6,110	\$ 5,976

15. Reason for Change in Burden

The previous Information Collection Budget (ICB) based on the average of FY2004, FY2005 and FY2006 reflected 6,581 burden hours. The 2004 Housing Survey Renter Yield Study requested 750 burden hours. The two were combined to reflect 7,331 burden hours. The burden included in this request based on the average of FY2007, FY2008 and FY2009 reflects 11,916 burden hours. Following is an analysis of the differences:

- (a) The addition of burden hours for prescreening in 20 new PSUs and rotation in one-sixth projected sample size in 55 continuing PSUs results in (+766 average annual hours (AAH)).
- (b) The addition of burden hours for screening in three new PSUs, rotation in one-sixth projected sample size in 55 continuing PSUs, and new construction (NC) in the original and augmentation sample results in (+2,659 AAH).
- (c) The addition of burden hours for initiation in three new PSUs, rotation in one-sixth projected sample size in 55 continuing PSUs, and NC in the original and augmentation sample results in (+1,082 AAH).
- (d) The small addition of burden hours for long pricing caused by the rotation in one-sixth projected sample size in 55 continuing PSUs, discontinuation of pricing in fifteen PSUs in the existing sample, a small addition of long pricing in 20 new PSUs and NC results in (+3 AAH).

- (e) The small addition of burden hours for short pricing caused by the rotation in one-sixth projected sample size in 55 continuing PSUs, discontinuation of pricing in fifteen PSUs in the existing sample, a small addition of short pricing in 20 new PSUs and NC results in (+76 AAH).

16. Project Schedule

Mailings of prescreening forms will occur during all three Fiscal Years. Screening and initiation occurs as economic assistants in the field receive their assignments along with pricing assignments for existing sample. Assignments for economic assistants in new PSUs will occur monthly until they screen and initiate sample for all six panels. Pricing for the revised sample begins in third quarter of FY 2008, for publication of January 2009 data.

Data are collected from the first day to the last day of the reference month. (For example, data for the January index are collected during January.) The monthly CPI is first published in a news release between the 15th and 22nd of the month following the month in which the data are collected. (The index for January is published in mid-February.) The release includes a narrative summary and analysis of major price changes, short tables showing seasonally adjusted and unadjusted percentage changes in major expenditure categories, and several detailed tables. Summary tables are also published in the Monthly Labor Review the following month; shortly thereafter, a great deal of additional information appears in the monthly CPI Detailed Report. The information also is found on the CPI public website at: <http://stats.bls.gov/cpi/home.htm#data>.

17. Request Not to Display Expiration Date

The expiration date for OMB approval will be clearly displayed either on the brochure provided for respondent as may be seen in Attachment IV.

18. Exceptions to the Certification

There are no exceptions to the certification statement identified on item 19, "Certification for Paper Work Reduction Act Submissions," of OMB Form 83-I.