

Supporting Statement

A. Justification

1. **Necessity of the Consumer Expenditure Surveys**

The purpose of this request is to obtain clearance for the two Consumer Expenditure (CE) Surveys: the Quarterly Interview Survey (CEQ) and the Diary Survey (CED) and to seek clearance for the CEQ Records Study. Many changes will be implemented to the questions and the wording of questions in the Quarterly Interview. These changes will keep the survey current with items that are available in the marketplace and streamline the collection process. Minor changes will be made to the Diary Interview in order to keep the surveys consistent. Additionally, changes will be implemented to the questions and wording of both the CEQ and CED Reinterview.

The Bureau of the Census conducts the CE Surveys for the Bureau of Labor Statistics (BLS) in support of the Consumer Price Index (CPI) program. The continuing CE Surveys provide a constant measurement of changes in consumer expenditure patterns for economic analysis, and obtain data for future CPI revisions.

The Quarterly Interview Survey is a rotating panel survey. The Census Bureau field offices conduct five quarterly interviews with the sample unit over a period of five consecutive quarters. The Quarterly Interview Survey sample for a rotation group consists of three equal parts, with each part designated for interviewing in a particular month of the quarter and every three months thereafter while in sample. The major collection tools used for the Quarterly Interview Survey are the CE Quarterly Interview Computer Assisted Personal Interview (CAPI) instrument and the Interview CAPI Reinterview instrument. These two instruments are documented in attachments B (2011 CEQ Specifications) and D (2011 Final CEQ RI Instrument Specs and Attachments). These instruments collect information about the household and consumer unit (CU) characteristics. The CE Quarterly Interview CAPI instrument also collects the expenditure information for the CU.

The Consumer Expenditure Quarterly Interview Survey has recently undergone a thorough review. The proposed changes from this review fall into two major categories: streamlining the current questions in several sections and updating several questions and sections to reflect the current marketplace. In the streamlining category, the BLS deleted or collapsed obsolete questions. For example, previously clothing purchases were asked separately for those over and under two years old. These questions were combined into one section for all clothing purchases. Sewing products were moved to 'Miscellaneous Expenditures' after 'arts and crafts.'

To keep the survey current and to fulfill the requirements of the Consumer Price Index (CPI), question wording changed and new items were added. For example, additional questions were added to collect more detailed information on whether rental payments include services such as cable, internet, or household furnishings; and to determine whether business properties are residential or commercial. Changes were made to keep the survey current with products and services available in the marketplace and to provide better data for analytical purposes such as the addition of electronic book readers. (See attachment A for a full list of all 2011 Instrument requirements.)

In addition, the BLS proposes the addition of a “research section” to the CEQ CAPI instrument. This section will be used to gather information from respondents on a range of topics being studied. The intent is that any particular set of questions in this section will not be asked for more than one year. Initially this section will be used to collect outlet data for five broad categories of expenditures: electronics, music, clothing, restaurant food, and groceries as well as one question on whether or not the household has a working landline phone. These data are being collected by CE on behalf of the CPI to aid in their research into bias in the Telephone Point of Purchase Survey (TPOPS) given that the TPOPS sample consists of only landline telephone numbers. Respondents will be asked a maximum of twelve questions. These questions will be asked for all interviews for one calendar quarter of data collection, either 2011Q2 or 2011Q3, but not both. Implementation will be dependent on how quickly the Census Bureau can incorporate the questions. This particular test is not intended to determine the feasibility of collecting outlet data in the CE Interview survey on a long term basis. (See attachment T for more details.)

The Diary Survey uses a separate sample and requires each selected sample unit to keep two one week diaries of expenditures over two consecutive weeks. After completing the Week two diary, the household drops out of the sample. The Diary Survey collects information on small, relatively inexpensive items that respondents may not be able to recall in a retrospective interview. Given the nature of the type of data collected, a longer reference period would cause a reduction in accuracy of reporting for the CE Surveys. The Diary Survey uses both a CAPI instrument (see attachment E for the CE Diary CAPI documentation), and the paper CE-801, Record of Your Daily Expenses (attachment F). The Diary CAPI instrument collects information about household and CU characteristics and provides checks for reporting certain types of expenditures. Minor changes to the Diary CAPI instrument are proposed for 2011. The changes include minor updates to the race and origin questions asked of each Consumer Unit member. The CE-801 collects household expenditures on a daily basis. There is also a Diary specific Reinterview Instrument. No changes have been made to the Diary Reinterview Instrument for 2011. (See attachment H, CED RI Instrument Specs and Attachments).

A separate Information Booklet is used for each survey. For the Quarterly Interview Survey and the Diary Survey, Information Booklets CE-305 (attachment C) and CE-805 (attachment G) respectively, are used to aid respondents and field representatives in answering questions. Updates have been made to both documents for 2011 to support the changes made to their respective CAPI Instruments. In addition, some new examples have been included in the Quarterly Interview Survey Information Booklet.

Before the interviewer’s visit, each Quarterly Interview Survey and Diary Survey sample household receives an Advance Letter, the CE-303L1, 2 or 5 or CE-803(L) (Attachment I). These letters explain the nature of the information the BLS wants to collect and the uses of the Quarterly Interview or the Diary Survey data, as appropriate; informs the respondents of the confidential treatment of all identifying information they provide; requests the respondents’ participation in the survey; and describes the survey’s compliance with the relevant provisions of the Privacy Act and the Office of Management and Budget (OMB) disclosure requirements. At the first interview for both the Quarterly Interview Survey and the Diary Survey, the field representative gives the respondent a portfolio filled with information on CE, CPI and the Census Bureau (attachment L). A few changes have been made to the information provided in the portfolio: the brochures “We Measure America: U.S. Census Bureau Demographic Programs” (MSO/05-WMA) and “Tracking Your Spending Behavior” have been removed to reduce the number of materials and their

redundancy. The brochure “Understanding the Consumer Price Index: Answers to Some Questions” has been replaced by a less technical and more respondent-friendly brochure “Facts about the Consumer Price Index (CPI).” Additionally, respondents will no longer receive the pamphlet entitled “Information on Your Participation in the Consumer Expenditure Survey” (CE-303A for the Quarterly Interview Survey or CE-803A for the Diary Survey) to reduce the number of materials given to respondents and the redundancy of the materials. Also available to respondents is a proposed respondent Web page. This page contains information about the CE surveys, frequently asked questions, and links to the most recent CE data. (See Attachment U for more details). Respondents who participate in the Interview Survey are also provided with a “Home File” in which to save their bills and receipts for use at the next CEQ interview.

After each interview for the Quarterly Interview Survey or after completion of the week 2 Diary, each participating household receives a Thank You letter, CE-303(L)6 or CE-803(L)6 (attachment J) as well as a certificate of appreciation, CE-900 (attachment K). As appropriate, Census Field representatives may also provide supplemental flyers on the Quarterly Interview or the Diary Survey (Attachments M and N).

Each of the advance letters and several of the brochures in the portfolio are available in the following languages: Arabic, Chinese, Korean, Spanish, Russian, and Vietnamese. BLS may also introduce Polish letters and brochures in 2011.

A subsample of approximately 10 percent of households in the Quarterly Interview Survey and 9 percent in the Diary Survey will participate in an additional interview, referred to as reinterview, for the purpose of instituting quality control over the performance of the interviewing staff. These instruments contain questions verifying certain items from the CE Quarterly Interview CAPI instrument and the CE Diary CAPI instrument. Beginning in 2011, while still asking the same number of questions of respondents, the Quarterly Interview (CEQ) Reinterview will include questions more tailored to the household being reinterviewed. There are no changes to the Diary Reinterview Instrument for 2011. (See Attachments D and H for full specifications.)

BLS is also requesting clearance to conduct the CEQ Records study. BLS plans to field this study for approximately 7 weeks, from the beginning of April 2011 to late May 2011 using a non-production sample. The study is designed determine the availability of respondent records and the degree of measurement error associated by using respondent recall without records. Additionally, this study will gauge respondent perceptions of burden, expectations, task difficulty, and reaction to the CEQ advanced letter and Information Booklet. (See Attachment W – Records Study Overview for details). The anticipated burden on the non-production test sample for the Records study test is 350 hours.

The BLS conducts the CE Surveys under the authority of Title 29, Section 2 of the United States Code. The Census Bureau collects information in the CE Surveys under the authority of Title 13, United States Code, Section 8b, that allows the Census Bureau to undertake surveys for other agencies.

2. Uses of the Data

The Bureau of the Census conducts the CE Surveys for the Bureau of Labor Statistics (BLS) in support of the Consumer Price Index (CPI) program. The continuing CE Surveys provide a constant measurement of changes in consumer expenditure patterns for economic analysis, and

obtain data for future CPI revisions.

The BLS will use data collected in the CE Surveys to 1) provide data required for updating cost-weights used to calculate the CPI; 2) provide a continuous flow of data on income and expenditure patterns for use in economic analysis and policy formulation; and 3) provide a flexible consumer survey vehicle that is available for use by other Federal Government agencies. Public and private users of price statistics, including Congress and the economic policymaking agencies of the executive branch, rely on data collected in the CPI in their day-to-day activities. Data users and policymakers widely accept the need to regularly update the weights used in the CPI.

3. Collection Methods

Since April 2003, the Quarterly Interview Survey is collected using CAPI (Computer Assisted Personal Interviewing). The CAPI laptop instrument has streamlined the interviewing process and improved accuracy by eliminating the need for interviewers to make difficult decisions about correct branching and skip patterns during the interview. Where appropriate, screening questions in the instrument are used to determine eligibility for the administration of more detailed questions to each respondent. CAPI implementation for the Diary Household Characteristics Survey occurred in January 2004. Edit checks alert the Field Representative to irreconcilable data during the interview so that the correct data can be obtained and verified by the respondent.

4. Efforts to Identify Duplication

To our knowledge, no other Federal agency is collecting this information.

Similar information with or without modifications does not exist. The CPI requires consumer expenditure data in order to produce item cost-weights estimates for the U.S. urban population, and for several major metropolitan areas. Additionally, to estimate cost weights for the population covered by the “CPI for Urban Wage Earners and Clerical Workers,” the BLS needs occupation and income from respondents to determine if we should use their expenditures in this index.

The only data source that approaches the CPI needs is the Personal Consumption Expenditures (PCE) published by the Bureau of Economic Analysis. However, these data do not allow the BLS to tabulate by the demographic characteristics and geography necessary for producing estimates of cost weights for indexes published by the BLS as well as for many other analytical uses of the data. The PCE estimates, in addition to being too aggregated and lacking the statistical qualities, also cover the institutional population that is out-of-scope for the CPI.

5. Impact on Small Businesses

Not applicable: The collection of information on the CE questionnaires involves individuals or households, not small businesses.

6. Consequences of not collecting the data

Before 1979, the BLS collected consumer income and expenditure data every 10 to 15 years as a major component of large-scale periodic projects to update and revise the CPI. By conducting the

consumer expenditure surveys continuously, the BLS is able to provide, more frequently, up to date data thereby increasing the overall quality and efficiency of the CPI revisions. If the BLS does not conduct the CE Surveys on a continuing basis, current information necessary for timely and accurate updating of the CPI would not be available. In addition, the BLS would not be able to respond to the continuing demand—from the public and private sectors—for current information on consumer spending and income.

Data from the CE are the basis for determining the market basket of the CPI. The CPI market basket is updated approximately every two years and the updated market basket is two years old at the time of introduction.

In addition, the current sample sizes for the CE and rapid data processing allow the BLS to produce superlative measures of consumer price trends of an acceptable degree of reliability and on a basis much closer to real time than would be possible in the absence of a large sample. Such indexes are widely regarded as closer approximations to a cost-of-living index than the current CPI.

7. **Special Circumstances**

The Diary Survey requests that each selected sample unit keep two one-week diaries of expenditures over two consecutive weeks. The Diary Survey collects information on small, relatively inexpensive items that respondents may not be able to recall in a retrospective survey. Given the type of data collected, the BLS requests Diary Survey respondents to record responses in fewer than 30 days after receipt of it.

8. **Consultations**

One comment was received as a result of the Federal Register notice published in 75 FR 57817, on September 22, 2010. The comment, which was faxed to BLS on September 22, 2010 expressed the opinion that the survey does not benefit the citizens of the country. The CE Survey is used to regularly update the CPI, also called the inflation rate. Millions of American workers and retirees rely on these adjustments for their day-to-day expenses. Social Security payments are typically adjusted each year based on the responses gathered in the CE survey. The interest rates on many mortgages and consumer loans are adjusted based on the inflation rate and CPI. Additionally, the information gathered is widely used by policymakers and researchers to study the impact of price increases and policy changes.

In the past year, the BLS has consulted with the following persons by correspondence and telephone conversations:

Mr. Howard McGowan
Demographic Surveys Division
Bureau of the Census
(301) 763-5342

Mr. Stephen Ash
Demographic Statistical
Methods Division
Bureau of the Census
(301) 763-4294

Mr. Richard Schwartz
Demographic Surveys Division

Ms. Jennifer Adams
Demographic Statistical

Consultations with these persons continue as specific problems arise.

9. Payment to Respondents

Payment or gift is currently not provided to respondents although as indicated in this clearance package BLS plans to continue to explore providing a \$40 incentive to CEQ respondents and to test the effectiveness of providing promotional materials to increase response rates in both surveys.

10. Assurance of Confidentiality

The Census Bureau interviewers, Census Bureau employees, and BLS employees with access to CE data hold all information that respondents provide in strict confidence in accordance with Title 13, United States Code, Section 9. Census Bureau interviewers, Census Bureau employees, and BLS employees with access to CE data have each taken an oath to this effect, and if convicted of disclosing any information given by the respondent may be fined up to \$250,000 and/or imprisoned up to 5 years. In addition, Title 13 prohibits Census Bureau interviewers, Census Bureau employees, and BLS employees with access to CE data from disclosing information identifying any individual(s) in the CE Surveys to anyone other than sworn Census or BLS employees. Before the interviewer's visit, Quarterly Interview or Diary Survey respondents will receive the CE-303(L) or CE-803(L) Advance Letters respectively, signed by the Director of the Census Bureau and informing them of the confidentiality of the survey data.

11. Justification for the collection of sensitive data

The CE Surveys do not include any questions of a sensitive nature.

12. Burden Estimate

The BLS will conduct the CEQ at approximately 14,725 designated addresses per quarter, which will result in approximately 8,825 completed interviews. That amounts to 35,300 completed interviews per year. Reinterviews will be conducted on a little over 12 percent of the completed interviews, for approximately 4,400 reinterviews per year. The average time to complete the survey is 60 minutes for the regular interview, and 10 minutes for the reinterview. This results in an annual response burden of 36,033 hours.

| Response Burden for the Quarterly Interview Survey | | |
|--|------------|------------------|
| | Interviews | Reinterviews (1) |
| Number of respondents | 8,825 (2) | 4,400 (3) |
| Number of responses per respondent | 4 (4) | 1 |
| Total annual responses | 35,300 | 4,400 |
| Minutes per response | 60 | 10 |

| | | |
|--------------------------------------|--------|-----|
| Total hours | 35,300 | 733 |
| Total Response Burden = 36,033 hours | | |

- (1) Reinterviews are done on a subset of the original respondents.
- (2) 8,825 is the quarterly number of respondents, and it is for all five waves of the survey.
- (3) 4,400 is the annual number of reinterviews. Approximately 4,800 reinterviews will be attempted, of which 4,400 will be successfully completed.
- (4) There are five responses provided per respondent, but only four occur in a 12-month period.

The BLS will conduct the CED at approximately 12,075 designated addresses per year, of which approximately 7,050 will result in completed interviews and diaries. Respondents complete 2 weekly diaries, resulting in 14,100 weekly diaries being completed per year. Reinterviews will be conducted on approximately 10 percent of the weekly diaries for a total of 1,400 reinterviews. Respondents spend approximately 105 minutes completing each weekly diary, for a total of 24,675 hours of record-keeping. In addition to record-keeping, it takes 25 minutes to complete each of the three regular interviews, and 10 minutes to complete the reinterview, for a total of 8,813 hours of interviewing, and 233 hours of reinterviewing. This results in a total response burden of 33,721 hours.

| Response Burden for the Diary Survey | | | |
|--------------------------------------|----------------------|----------------------|----------------------|
| | Record-keeping | Interview | Reinterview |
| Number of respondents | 7,050 ⁽¹⁾ | 7,050 ⁽¹⁾ | 1,400 ⁽²⁾ |
| Number of responses per respondent | 2 | 3 | 1 |
| Total annual responses | 14,100 | 21,150 | 1,400 |
| Minutes per response | 105 | 25 | 10 |
| Total hours | 24,675 | 8,813 | 233 |
| Total Response Burden = 33,721 hours | | | |

(1) The total number of respondents for the Diary Survey is 7,050. The respondents who do the record-keeping are the same people who participate in the interviews.

(2) Reinterviews are done on a subset of the original respondents. Approximately 1,600 reinterviews will be attempted, of which 1,400 will be successfully completed.

The BLS will also conduct the Records Study with 100 respondents from a non-production sample. Each respondent will participate in two interviews. The first for 90 minutes and the second for 120 minutes.

The total response burden for both surveys combined is 70,104 hours. The total annualized cost to respondents, based on burden hours and the federal minimum wage of \$7.25 per hour, is \$508,254.

| Total Response Burden for the Quarterly Interview and Diary Surveys | | | | | |
|---|-----------|--------|--------|---------------|--------|
| | Quarterly | Diary | Both | Records study | Total |
| Number of respondents | 8,825 | 7,050 | 15,875 | 100 | 15,975 |
| Number of responses | 39,700 | 36,650 | 76,350 | 200 | 76,550 |

| | | | | | |
|--|--------|--------|--------|-----|--------|
| Total burden hours | 36,033 | 33,721 | 69,754 | 350 | 70,104 |
| Average burden time per response (minutes) | 54.5 | 55.2 | 54.8 | 105 | 54.9 |

13. Annual Cost to Respondents

There are no capital and start-up costs and no operational, maintenance, or service costs required of respondents.

14. Annual Cost to the Federal Government

The annual cost to the Federal Government of collecting, processing, reviewing, and publishing the data collected in the CE Surveys was approximately \$41.8 million in fiscal year 2010. This included \$32.4 million in costs incurred by the Census Bureau for collecting and processing the data, operational costs associated with maintaining the survey, and development costs. The BLS portion of \$9.4 million was for costs incurred by the BLS in personnel and computer-related costs associated with managing the survey, processing the data upon receipt from the Census Bureau, reviewing, and publishing the data, and for research and development.

The costs of the Consumer Expenditure include the actual costs to collect, and process the data and other operational costs, like printing, postage, and communication costs to maintain the survey within the Census Bureau.

Within the BLS, this includes the actual costs incurred in personnel, computer related costs, training, and other operational costs incurred to manage the survey, process the data upon receipt from the Census Bureau, review, and publish the data.

15. Change in Respondent Burden

Reporting burden has decreased from 76,070 to 70,104 hours. This new number is based on actual data collection times over the last two years adjusted for the 2011 forms changes, in particular changes to Section 9 as well as completion of the Measurement Issues Study and the start up of the Records Study.

16. Publication Plan

Data collection activities for the continuing surveys began in September 1979 for the Diary Survey and in October 1979 for the Quarterly Interview Survey. The Census Bureau delivered the first edited and weighted data tape to the BLS in April 1981. Delivery is now scheduled with Quarterly Interview Survey data to be delivered three weeks after the interview month and Diary Survey data to be delivered two months after the interview month.

In May 1983, the BLS published the first tables from the continuing CE Surveys and selected data from the 1980-81 Diary Surveys. Also, microdata on public use tapes were made available for the first time in June 1983 for the Diary Survey and in October 1984 for the Interview Survey.

The BLS has released Diary and Quarterly Interview Survey public use microdata and integrated summary data up to and including 2009. The BLS will release the 2010 data in September 2011.

17. Reason for not Displaying the OMB Expiration Date

The BLS does not wish to display the assigned expiration date of the information collection because the Quarterly Interview and the Diary Household Characteristics instruments are automated; the respondent, therefore, never sees the date. The OMB control number for the CE Surveys is included in the advance letter given to respondents (see Attachment I). To avoid confusion, the expiration date is not included in the letter. For the Diary CE-801 there is a significant costs savings in printing a large quantity of forms at one time due to the set up costs involved in printing for the survey instrument. By not printing the date on the form the BLS would be able to continue to use forms in stock, assuming no form changes, once the OMB clearance date has expired and a new expiration date has been approved. The BLS would save both time and money by not having to destroy the old questionnaires and printing new ones.

18. Certification Statement

There are no exceptions to the certification statement.