

SUPPORTING STATEMENT  
Consumer Price Index Housing

A. JUSTIFICATION

**1. Necessity of the Information Collection.**

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. A copy of the relevant section of Title 29 is attached.

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 consumer's dollar. The CPI is a measure of the average change in prices over time in a 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 population of the United States, while the CPI-W represents approximately 32 percent of that group.

In addition to the above produced indexes, BLS also produces the Chained Consumer Price Index for all urban consumers (C-CPI-U). The C-CPI-U is a "superlative" type index that is designed to be a closer approximation to a "cost-of-living" index than the CPI-U and CPI-W. The C-CPI-U is distinguished from the CPI-U and CPI-W by the expenditure weights and formula used to produce aggregate measures of price change. Expenditure data required for the calculation of the C-CPI-U are available only with a time lag. Thus, the C-CPI-U is being issued first in preliminary form using the latest available expenditure data at that time and is subject to two subsequent revisions. The C-CPI-U is issued for national averages only and is not seasonally adjusted.

**2. Use of the Information.**

The CPI is used most widely as a measure of inflation and serves as an indicator of the effectiveness of government 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.

Another major use of the CPI is to adjust income payments. Almost 2 million workers are covered by collective bargaining contracts, which provide for increases in wage rates based on increases in the CPI. Similarly, nine states have laws that link the adjustment in state minimum wage to the changes in the CPI. In addition to private sector workers whose wages or pensions are adjusted according to changes in the CPI, the index also affects the income of millions of persons, largely as a result of statutory action including: social security beneficiaries; retired military and Federal Civil Service employees and survivors; and food stamp recipients. 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 Electronic Collection Methods.**

Non-responses and addresses identified as renters are analyzed by BLS statisticians. Potentially good addresses are computerized. At this point, trained BLS Economic Assistants (EAs) begin the screening and initiation processes. Utilizing computer-assisted data collection (CADC), EAs determine if the pre-selected addresses are eligible for the Housing Survey (screening) by making personal visits or using the telephone numbers collected during the prescreening process. If the units are eligible, they are initiated into the sample by collecting the rent that is paid and specific housing services that are associated with the unit. Once initiated, EAs collect all data utilizing CADC by telephone or by personal visit. Respondents may be the renters, managers, or landlords of the selected dwellings. This process greatly reduces the amount of time EAs spend collecting and transmitting data to Washington.

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 is available on the computers used by EAs 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, Current Population Survey or American Community Survey do not meet the CPI's timeliness or geographic requirements.

### **5. Impact 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. The respondents in these situations are Authorized Representatives and their designation as a small business is not collected.

Through software developed for the use of CADDC, a pricing module for multiple-unit addresses enables data to be collected from a single respondent for several units. This pricing pod is called the Interview Group (IG). IG collection from one respondent is more efficient in that respondent burden is reduced. IGs are formed over time as EAs become more familiar with their address collection assignments. Since FY 2007, the number of interview groups has increased by 4.8 percent 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. We estimate that the total response time for the survey has been reduced by approximately three hours.

For the time period of this submittal, FY 2013 through 2015, the savings through the establishment of interview groups would not be established until sometime after the augmented sample has been established. Consequently, we are unable to estimate future burden savings through IG formulations.

## **6. Consequences of Less Frequent Data Collection.**

If the information on prices of rental units were not collected, all the programs discussed in items (1) and (2) above could not function properly. Federal fiscal and monetary policies would be hampered due to the lack of information on price changes in a major sector of the U.S. economy and estimates of the real value of GDP could not be made. The consequences to both the Federal and private sectors would be far-reaching and would have serious repercussions on Federal government policy and institutions.

If collection were conducted less frequently, the timeliness and accuracy of the CPI would be significantly decreased.

## **7. Special Circumstances.**

All data are collected in a manner consistent with the guidelines in 5 CFR 1320.5.(d)(2).

## **8. Federal Register Notice and Consultation Outside the BLS.** Federal Register Notice

One comment was received as a result of the Federal Register Notice published in 77 FR 36296 on June 18, 2012.

The Bureau of Economic Analysis (BEA) commented that it “*strongly supports the extension and sample update of the Consumer Price Index Housing Survey since it is the only data source used to deflate key components of BEA’s economic statistics. BEA uses information from this survey to estimate gross domestic product (GDP) in the national income and product accounts, and to prepare the input-output (I-O) accounts and GDP by industry accounts. The CPI’s for rent and owners’ equivalent rent are used to prepare real (inflation-adjusted) estimates of the*

*housing services component of personal consumption expenditures (PCE) in GDP and the rental income component of national income.*”—Dennis Fixler, Chief Statistician

### 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 Government Accountability Office (GAO).

The BLS is a full partner with the Census Department and the Bureau of Economic Analysis in the resumption of the Federal Economic Statistics Advisory Committee (FESAC). The committee advises the Directors of Economics and Statistical Administration's two statistical agencies, the Bureau of Economic Analysis (BEA) and the U.S Census Bureau (Census), and the Commissioner of the BLS on statistical methodology and other technical matters related to the collection, tabulation, and analysis of federal economic statistics.

In past years, members of the CPI staff in Washington have participated in meetings of the National Bureau of Economic Research, American Economic Association, the Conference of European Statisticians, the International Working Group on Price Indices (the Ottawa Group) and the American Statistical Association to discuss various aspects of the CPI survey, including methodological and procedural aspects of the data collection process.

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: 202-822-0200).

The BLS Commissioner and Associate Commissioners report on a monthly basis to the Congressional Joint Economic Committee, and they meet as needed with the Council of Economic Advisors and the Government Accountability Office to discuss BLS issues, and especially the CPI program.

### **9. Payment to Respondents.**

Cooperation by the respondents to supply data for the CPI is voluntary and no remuneration, payment or gift is provided.

### **10. Assurance of Confidentiality.**

The Confidential Information Protection and Statistical Efficiency Act of 2002 (CIPSEA) safeguards the confidentiality of individually identifiable information acquired under a pledge of confidentiality for exclusively statistical purposes by controlling access to, and uses made of, such information. CIPSEA includes fines and penalties for any knowing and willful disclosure of individually identifiable information by an officer, employee, or agent of the BLS.

Based on this law, the BLS provides respondents with the following confidentiality pledge/informed consent 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.*

BLS policy on the confidential nature of respondent identifiable information (RII) states that “RII acquired or maintained by the BLS for exclusively statistical purposes and under a pledge of confidentiality shall be treated in a manner that ensures the information will be used only for statistical purposes and will be accessible only to authorized individuals with a need-to-know.”

Special care is taken to ensure data security. Data collected by EAs using CADDC is encrypted and transmitted over telephone lines to a Remote Access Server (RAS) in Washington D.C.

The data are stored in computer files which have provisions for data security and extensive rules for data access to protect the data from unauthorized use. Collected variables are maintained in the Housing server database for a period of 60 months. After that timeframe the data are moved to an archive database.

Although the CADDC data capture screens do not include a statement regarding confidentiality or burden, the data collection staff do provide respondents a pamphlet that contains confidentiality and burden statements.

#### **11. Justification for 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 2013 through 2015. 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 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 with a high probability of being owner or that can be identified as commercial or post office boxes are eliminated. A sample of addresses is selected from the modified lists for each block group. These sampled addresses 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 owner or commercial are eliminated; while non-responses and addresses identified as renter are provided to EAs 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 fiscal 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 interview. If the unit has the same occupant and respondent as was recorded during the last pricing and there have been no changes in the unit, questions for the short pricing interview are asked. Short pricing questions save time for both our respondent and the EA. After two years pass and there have 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.

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):

**Prescreening burden statement:** The time needed to complete this survey was estimated to be less than 2 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.

**Public burden statement:** The survey interview can be completed in an estimated 7-12 minutes.

- \* To determine your eligibility – 7 minutes
- \* If eligible, to complete the interview – 5 minutes
- \* Follow-up just twice per year – 7 minutes

<b>Base Sample (1990)</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
Long Pricing			
Number of respondents	11,475	6,285	1,239
Responses per respondent	1.750	1.750	1.750
Total responses	20,081	10,999	2,168
Hours/Response	0.11667	0.11667	0.11667
Total hours	2,343	1,283	253
Short Pricing			
Number of respondents	24,018	13,155	2,594
Responses per respondent	1.750	1.750	1.750
Total responses	42,032	23,021	4,540
Hours/Response	0.08333	0.08333	0.08333
Total hours	3,503	1,918	378
Total All Questions			
Number of respondents	35,493	19,440	3,833
Responses per respondent	1.750	1.750	1.750
Total responses	62,113	34,020	6,708
Hours/Response	0.09411	0.09411	0.09411
Total hours	5,845	3,202	631
<b>Rent Sample Augmentation (2010-2011)</b>			
Long Pricing			
Number of respondents	10,200	10,056	9,914
Responses per respondent	1.000	1.000	1.000
Total responses	10,200	10,056	9,914
Hours/Response	0.11667	0.11667	0.11667
Total hours	1,190	1,173	1,157
Short Pricing			
Number of respondents	21,350	21,048	20,752
Responses per respondent	1.000	1.000	1.000
Total responses	21,350	21,048	20,752
Hours/Response	0.08333	0.08333	0.08333
Total hours	1,779	1,754	1,729
Total All Questions			
Number of respondents	31,550	31,104	30,666
Responses per respondent	1.000	1.000	1.000
Total responses	31,550	31,104	30,666
Hours/Response	0.09411	0.09411	0.09411
Total hours	2,969	2,927	2,886

<b>Rent Sample Replacement (2012-2015)</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Pre-Screening</b>			
Number of respondents	42,400	42,400	48,000
Responses per respondent	0.250	0.250	0.250
Total responses	10,600	10,600	12,000
Hours/Response	0.03333	0.03333	0.03333
Total hours	353	353	400
<b>Screening</b>			
Number of respondents	35,192	35,192	39,840
Responses per respondent	1.000	1.000	1.000
Total responses	35,192	35,192	39,840
Hours/Response	0.100	0.100	0.100
Total hours	3,519	3,519	3,984
<b>Initiation</b>			
Number of respondents	8,249	8,249	9,338
Responses per respondent	1.140	1.140	1.140
Total responses	9,404	9,404	10,645
Hours/Response	0.150	0.150	0.150
Total hours	1,411	1,411	1,597
<b>Long Pricing</b>			
Number of respondents	5,260	10,370	15,334
Responses per respondent	1.000	1.000	1.000
Total responses	5,260	10,370	15,334
Hours/Response	0.11667	0.11667	0.11667
Total hours	614	1,210	1,789
<b>Short Pricing</b>			
Number of respondents	11,008	21,704	32,098
Responses per respondent	1.000	1.000	1.000
Total responses	11,008	21,704	32,098
Hours/Response	0.08333	0.08333	0.08333
Total hours	917	1,809	2,675
<b>Total All Questions</b>			
Number of respondents	102,109	117,915	144,610
Responses per respondent	0.700	0.740	0.760



Total responses	71,464	87,270	109,917
Hours/ Response	0.09535	0.09513	0.09502
Total hours	6,814	8,302	10,445

<b>Total All Projects</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>3 Yr. Avg.</b>	
Pre-Screening					
Number of respondents	42,400	42,400	48,000	44,267	
Responses per respondent	0.250	0.250	0.250		
Total responses	10,600	10,600	12,000	11,067	
Hours/Response	0.03333	0.03333	0.03333		
Total hours	353	353	400	369	\$7,713
Screening					
Number of respondents	35,192	35,192	39,840	36,741	
Responses per respondent	1.000	1.000	1.000		
Total responses	35,192	35,192	39,840	36,741	
Hours/Response	0.100	0.100	0.100		
Total hours	3,519	3,519	3,984	3,674	\$76,826
Initiation					
Number of respondents	8,249	8,249	9,338	8,612	
Responses per respondent	1.140	1.140	1.140		
Total responses	9,404	9,404	10,645	9,818	
Hours/Response	0.150	0.150	0.150		
Total hours	1,411	1,411	1,597	1,473	\$30,793
Long Pricing					
Number of respondents	26,935	26,711	26,487	26,711	
Responses per respondent	1.320	1.176	1.035		
Total responses	35,541	31,425	27,416	31,461	
Hours/Response	0.11667	0.11667	0.11667		
Total hours	4,146	3,666	3,199	3,670	\$76,748
Short Pricing					
Number of respondents	56,376	55,907	55,444	55,909	
Responses per respondent	1.320	1.176	1.035		
Total responses	74,390	65,773	57,390	65,851	
Hours/Response	0.08333	0.08333	0.08333		
Total hours	6,199	5,481	4,782	5,488	\$114,745
<b>Total All Questions</b>				<b>3 Yr. Avg.</b>	
Number of respondents	169,152	168,459	179,109	172,240	

Responses per respondent	0.97620	0.90463	0.82235	0.89954	
Total responses	165,127	152,394	147,291	154,937	
Hours/Response	0.09465	0.09469	0.09479	0.09471	
<b>Total hours</b>	<b>15,629</b>	<b>14,430</b>	<b>13,962</b>	<b>14,674</b>	<b>\$306,826</b>
	\$326.8	\$301.7	\$291.9	\$306.8	

### 13. Estimate of Cost Burden.

The projected cost to respondents assumes a \$20.91 hourly wage.\* The only cost to the respondent is the time it takes to complete the interview.

Projected \$ Estimated			
Costs (1,000's)	FY 2013	FY 2014	FY 2015
Respondents	\$ 326.8	\$ 301.7	\$ 291.9

\*BLS News Release, USDL-11-1718; *Employer Costs for Employee Compensation-September 2011*, released December 7, 2011.

### 14. Cost to the Federal Government.

CPI total cost for FY 2012 is approximately \$85 million. Housing is estimated at about \$21 million, or 25% of the total cost for the collection, production and publication of Housing Survey data.

### 15. Changes in Response Burden.

The previous Information Collection Budget (ICB) based on the average of FY2010, FY2011 and FY2012 reflected 12,394 burden hours. The burden included in this request based on the average of FY2013, FY2014 and FY2015 reflects 14,674 burden hours. Following is an analysis of the differences:

- (a) The addition of burden hours for prescreening to replace the base sample with new segments in 87 existing PSU's results in (-493 average annual hours (AAH)). Prescreening response hours from our previous submittal of estimates for this activity were overestimated.
- (b) The addition of burden hours for screening to replace the base sample with new segments in 87 existing PSU's results in (+31 AAH).
- (c) The addition of burden hours for initiation to replace the base sample with new segments in 87 existing PSU's results in (+13 AAH).

- (d) The addition of burden hours for long pricing for replacement sample in 87 PSU's results in (+1,284 AAH).
- (e) The addition of burden hours for short pricing for replacement sample in 87 PSU's results in (+1,445 AAH).

**16. Plans for Publication.**

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 13th and 17th 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://www.bls.gov/cpi/publications.htm> .

**17. Request Not to Display Expiration Date.**

The Consumer Price Index Housing Program requests authorization to not display the expiration date for OMB approval on the survey materials, to save printing costs and personnel time.

**18. Exceptions to the Certification Statement.**

There are no exceptions to the certification statement, "Certification for Paper Work Reduction Act Submissions."