

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 90 percent of the population of the United States, while the CPI-W represents about 30 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.

BLS periodically issues a report on its experimental index for the elderly. The CPI for the elderly or CPI-E is calculated monthly and is available on request. The CPI-E is a reweighting of the CPI basic indexes using expenditure weights from households headed by someone 62 years of age or older

**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

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wage to the changes in the CPI. Over 57 million Social Security beneficiaries, and millions of military and Federal Civil Service retirees, have cost-of-living adjustments tied to the CPI. In addition, eligibility criteria for millions of Supplemental Nutrition Assistance Program recipients and millions of children who eat lunch at school are affected by changes in the CPI. 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.**

Utilizing computer-assisted data collection (CADDC), trained BLS Economic Assistants (EAs) determine if selected addresses are eligible for the Housing Survey (screening) by making personal visits or telephone interviews. Eligible rental units 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 CADDC 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.

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**5. Impact on Small Businesses.**

The Housing Survey is aimed at rental housing. Some respondents are the owners, managers, or authorized representatives of housing complexes, some of which are small businesses. Their designation as a small business is not collected.

Through software developed for the use of CAD/C, 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. This function in the collection instrument has reduced burden for respondents who give information for several units.

**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 at 80 FR 41093 on July 14, 2015.

The Bureau of Economic Analysis (BEA) commented that it “*strongly supports the extension proposed by the Bureau of Labor Statistics (BLS) for the Consumer Price Index (CPI) Housing Survey. This survey is the basis for two BLS price indexes that are used to deflate key components of BEA’s economic statistics.*”—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

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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 BLS Data Users Advisory Committee (DUAC),
- the BLS Technical Advisory Committee (BLSTAC),
- 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 also 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.

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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 Economic Assistants using CADC is encrypted and transmitted by a Virtual Private Network (VPN). A VPN is a secure, private communication tunnel between two or more devices across a public network (like the Internet). Even though data can travel across the Internet, it is secure because of the strong encryption algorithm used. If an unauthorized user attempts to intercept data across the VPN tunnel, the intruder will not be able to decipher the transmitted data because the data will be encrypted. In addition, VPN software monitors connections such that transmissions are ensured to be unaltered while traveling across the public network.

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 data 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 CADC 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.

A letter from the Regional Commissioner of Labor Statistics is sent to potential respondents. The letter introduces the CPI and explains our mission. The letter assures that information collected will be used for statistical purposes only and contains a confidentiality assurance.

**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 for Fiscal Years 2016 through 2018. There are four activities that might be associated with any one project listed below. They are prescreening, screening, initiating and pricing.

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Successful completion of this four-stage process provides the information required to revise and update the Housing samples (See Supporting Statement 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 American Community Survey (ACS) data to sample block groups within CPI PSUs. Address lists are then purchased for the 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.

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 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. A long pricing interview occurs if there is a new occupant, certain modifications have been made to the unit, or it has been two or more years since a long interview has been completed.

CADC data capture screens do not include respondent burden statements. The data collection personnel carry a pamphlet 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 twice per year – 7 minutes

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Housing Survey Activity	FY 2016	FY 2017	FY 2018	3 Yr. Avg.	Cost/Year
<u>Prescreening</u>					
Number of respondents	36,500	34,500	33,000	34,667	
Hours/Response	0.033	0.033	0.033		
Total hours	1,205	1,139	1,089	1,144	\$24,848 <sup>1</sup>
<u>Screening</u>					
Number of respondents	22,900	28,600	27,200	26,233	
Hours/Interview	0.100	0.100	0.100		
Total hours	2,290	2,860	2,720	2,623	\$56,979
<u>Initiation</u>					
Number of respondents	7,375	9,225	8,750	8,450	
Hours/Interview	0.150	0.150	0.150		
Total hours	1,106	1,384	1,313	1,268	\$27,530
<u>Long Pricing</u>					
Number of respondents	34,150	34,100	31,000	33,083	
Hours/Interview	0.117	0.117	0.117		
Total hours	3,996	3,990	3,627	3,871	\$84,073
<u>Short Pricing</u>					
Number of respondents	68,300	68,200	62,000	66,167	
Hours/Interview	0.083	0.083	0.083		
Total hours	5,669	5,661	5,146	5,492	\$119,283
<b><u>Total All Activities</u></b>					
Number of respondents	169,225	174,625	161,950	168,600	
Hours/Response	0.084	0.086	0.086		
<b>Total hours</b>	<b>14,265</b>	<b>15,033</b>	<b>13,895</b>	<b>14,397</b>	<b>\$312,712</b>
<b><u>Annual Burden Cost</u></b>	<b><u>\$309,840<sup>2</sup></u></b>	<b><u>\$326,507</u></b>	<b><u>\$301,789</u></b>	<b><u>\$312,712</u></b>	

**13. Estimate of Cost Burden.**

The projected cost to respondents assumes a \$21.72 hourly wage.\* The only cost to the respondent is the time it takes to complete the interview.

\*BLS News Release, USDL-15-0386; *Employer Costs for Employee Compensation* - December 2014, released March 11, 2015.

**14. Estimated Federal Government Cost.**

CPI total cost for FY 2015 is approximately \$95 million. The Housing Survey cost is estimated at about \$23,750,000 or 25 percent of the total cost for the CPI. This figure reflects the full cost of conducting the Housing part of the CPI, including space rent and telecommunications.

<sup>1</sup> Three-year average total Prescreening hours (1,144) times the hourly wage estimated cost of burden (\$21.72).

<sup>2</sup> Total hours for All Activities by year times the hourly wage estimated cost of burden (\$21.72).

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**15. Changes in Response Burden.**

The previous Information Collection Budget (ICB) is based on the average of FY2013, FY2014 and FY2015 and it reflected 14,674 burden hours. The burden included in this request is based on the average of FY2016, FY2017 and FY2018 and it reflects 14,397 burden hours as shown in the table.

Factors which contributed to the decrease in estimated burden hours for FY2016-2018 compared with FY2013-2015 are the following:

- The target sample size is being reduced from 50,000 rental units to 43,000 units during FY2018.
- The entire samples in 19 Primary Sampling Units (PSUs) are being dropped during FY2018.
- For the 19 PSUs being dropped during FY2018, ongoing screening and initiation of new samples is ending in FY2015.
- For 9 additional PSUs that will be dropped during FY2019, ongoing screening and initiation of new samples will be ending during FY2016.

One factor increasing estimated burden hours is the need to screen and initiate entire new samples for 18 PSUs which are being added to the area sample. Screening and initiation will start for 6 new PSUs each year for FYs 2016-2018. These new PSUs will be used in CPI calculations starting in FY2018, FY2019, and FY2020 respectively.

**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 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://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.**



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