

The request is for a 3 year extension of the Consumer Price Index Housing Survey information collection. There are no substantive changes to the collection forms or methodology of this collection.

**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 included (Attachment I).

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 93 percent of the population of the United States, while the CPI-W represents about 29 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 wage to the changes in the CPI. The index affects the income of almost 80 million people as a result of statutory action: 47.8 million Social Security beneficiaries, about 4.1 million military and Federal Civil Service retirees and survivors, and about 22.4 million food stamp recipients. In addition, eligibility criteria for millions of Supplemental Nutrition Assistance Program recipients and 26.7 million 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).

Shelter accounts for 32.8% of the CPI's Relative Importance. Included in Shelter is Rent of primary residence (7.8% relative importance) and Owners' equivalent rent of residences (23.8% relative importance).

## **3. Use of Electronic Collection Methods.**

Utilizing computer-assisted data collection (CADC), trained BLS Economic Assistants (EAs) determine if selected addresses are eligible for the Housing Survey (screening) by mailing contact materials (Attachments IV, V, VI), making personal visits, or conducting telephone interviews. Eligible rental units are initiated into the sample by collecting information on the rent that is paid and specific housing services that are associated with the unit. Once initiated, EAs collect all data utilizing CADC by contacting respondents primarily by telephone or by personal visit. There are special circumstances when data can be collected by email or fax using a form (Attachments IX and X) that the respondent can complete and return. 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 300 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.

#### **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 there is no other series 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, the 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 does 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, 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 CADC, 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

A letter of support has been received from BEA as a result of the Federal Register Notice published in 83 FR 30980 on July 2, 2018.

### 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 Bureau of Economic Analysis (BEA),
- the BLS Technical Advisory Committee (BLSTAC),
- the Congressional Budget Office (CBO),
- the Council of Economic Advisers (CEA),
- the BLS Data Users Advisory Committee (DUAC),
- the Federal Economic Statistics Advisory Committee (FESAC),
- the Federal Reserve Board (FRB),
- the Government Accountability Office (GAO)
- the Congressional Joint Economic Committee (JEC), and
- the Office of Management and Budget (OMB).

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 with the Bank of Korea, National Association of Business Economics (NABE), Federal Computer Assisted Survey Information Collected (FedCASIC) workshops, American Statistical Association, National Association for Business Economics (NABE), United Nations Economic Commission for Europe, National Council of Chain Restaurants, and Mexico National Institute of Statistics 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 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 CEA 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 (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 (44 U.S.C. 3572) and other applicable Federal laws, your responses will not be disclosed in identifiable form without your informed consent. Per the Cybersecurity Enhancement Act of 2015, Federal information systems are protected from malicious activities through cybersecurity screening of transmitted data.*

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 (Attachment III) 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 2019 through 2021. There are three activities that might be associated with any one project listed below. They are screening, initiating and pricing. Successful completion of this three-stage process provides the information required to revise and update the Housing samples (See Part 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 Primary Sampling Units (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 occupied or that can be identified as commercial or post office boxes are eliminated. The remaining addresses are transmitted to the field for the EAs to begin the screening and initiation process.

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. The short pricing interview is the most frequently conducted interview type. Short pricing is an abbreviated interview that confirms the unit's eligibility for the survey,

verifies respondent information, and collects rent data. 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 short pricing interview reverts to a long pricing interview if there is a change in occupancy. 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.

CPI plans to implement some question word updates and new leasing questions to the CADC collection system in FY2020. The proposed changes will clarify question wording and response options as well as provide greater insight into the reasons for the rent price change. These updates were cognitively tested and underwent expert review by the BLS Office of Survey Methods Research. The proposed updates are included in attachment XI. When ready for implementation final screenshot versions of these updates will be submitted to OMB via a nonsubstantive change prior to implementation. The proposed revisions will not have an impact on respondent burden.

**Public burden statement:** The survey interview can be completed in an estimated 5-15 minutes.

- \* To determine your eligibility (Screening) – 6 minutes
- \* If eligible, to complete the interview (Initiation) – 9 minutes
- \* Long pricing – 7 minutes
- \* Short pricing – 5 minutes

### Housing Survey Activity

	Number of Respondents (Housing Units)	Number of Visits to Respondent per Year	Total Responses	Hours Per Response	Total Hours	Cost
Screening	27,880	1	27,880	6/60	2,788	\$67,832.04
Initiation **	6,120	1	6,120	9/60	918	\$22,334.94
Long Pricing	15,967	2	31,934	7/60	3,726	\$90,653.58
Short Pricing	31,922	2	63,844	5/60	5,320	\$129,435.60
<b>Grand Total</b>	<b>75,769</b>		<b>129,778</b>		<b>12,752</b>	<b>\$310,256.16</b>

The projected cost to respondents assumes a \$24.33 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 - September 2017*, released December 15, 2017.

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\*\* Initiation activity of 6,120 is included in the Screening number.



### **13. Estimate of Cost Burden.**

Not applicable. There are no start-up or operations and maintenance costs associated with the collection for the respondent.

### **14. Estimated Federal Government Cost.**

CPI total cost for FY 2018 is approximately \$88 million. The Housing Survey cost is estimated at about \$22 million 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.

### **15. Changes in Response Burden.**

The previous Information Collection Budget (ICB) is based on the average of FY2016, FY2017 and FY2018 and it reflected 14,397 burden hours. The burden included in this request is based on the average of FY2019, FY2020 and FY2021 and reflects 12,752 hours as shown in the table above.

Factors which contributed to the decrease in estimated burden hours for FY2019-2021 compared with FY2016-2018 are the following:

- The target sample size is being reduced from 50,000 rental units to 43,000 units during FY2019-2021.
- The housing mail pre-screening survey was no longer cost effective and was dropped. BLS determined that it was less costly to screen potential respondents in person rather than by mail.
- The entire samples in 3 PSUs are being dropped during FY2020.
- For the 3 PSUs being dropped during FY2020, ongoing screening and initiation of new samples will end in FY2019.
- For 9 additional PSUs that will be dropped during FY2020-2021, ongoing screening and initiation of new samples will be ending during FY2019.

One factor increasing estimated burden hours is the need to screen and initiate entire new samples for 15 PSUs which are being added to the area sample. Screening and initiation will start for 6 new PSUs each year for FY2019 and FY2020 and 3 new PSUs for FY2021. These new PSUs will be used in CPI calculations starting in FY2020, FY2021, and FY2022 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 1-31.) The monthly CPI is first published in a news release between the 10<sup>th</sup> and 14<sup>th</sup> of the month following the month in which the data are collected (for example, 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. 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."