

SUPPORTING STATEMENT
Consumer Price Index Housing

A. JUSTIFICATION

1. Circumstances that Make the Collection of Information Necessary

Section 2 of Title 29, Chapter 1, Subchapter 1, United States Code Annotated directs the Bureau of Labor Statistics (BLS), under the direction of the Secretary of Labor, to collect, collate, and report full and complete statistics of the conditions of labor and the products and distribution of the products of the same. 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. Uses 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 nearly 80 million persons, largely as a result of statutory action:

about 51.5 million social security beneficiaries; about 3.8 million retired military and Federal Civil Service employees and survivors, and about 28.4 million food stamp recipients. Changes in the CPI also affect the 30.5 million children who eat lunch at school. Under the National School Lunch Act and Child Nutrition Act, national average payments for those lunches and breakfasts are adjusted annually by the Secretary of Agriculture on the basis of the change in the CPI series, "Food away from Home." Since 1985, the CPI has been used to adjust the Federal income tax structure to prevent inflation-induced tax rate increases. Additionally, since 2000, the CPI has been used to adjust the maximum amount disaster survivors seeking financial assistance can receive through the programs administered by the Federal Emergency Management Agency (FEMA).

3. Use of Improved Information Technology

The CPI collects data in a sample of 87 metropolitan areas called Primary Sampling Units (PSUs). The current sample was selected and augmented in the late 1990's. Sample selection was based on 1990 Census data. The intention to rotate in sample, thereby slowly replacing the current one gradually over time, has changed due to budgetary constraints. It has become of paramount importance to update the sample in Primary Sampling Units (PSUs) with 2000 Census data and slowly replace existing sample. Rotation of the updated sample would not commence until fiscal year 2016. The sample has experienced measurable attrition. There are 32,000 rental units where 50,000 units are required. Sample augmentation is the means by which we will produce sufficient, consistent and efficient rent change statistics.

The sample frame is updated to use 2000 Census data. BLS Statisticians create segments within the 87 PSUs to augment the existing segments necessary for expenditure weighting and variance purposes. Previously, BLS-trained Economic Assistants (EAs) had to list all addresses in each segment to provide a sampling frame. There were considerable resources expended in this process, even though the reduction in respondent burden was minimal. Resources are saved through the use of purchased address lists. The address lists were evaluated by Westat.

Initially, a vendor supplies addresses for each newly-created segment with codes that indicate the probability that the address is an owner. Since owners are out of scope for the Housing Survey, addresses that are most certainly owners are removed. Addresses that can be identified as commercial are also removed. The remaining addresses are sampled for a prescreening of prospective renters. Another vendor distributes and collects the mailed prescreening forms. Additionally, telephone numbers may be collected through the prescreening process. Follow-up telephone interviews are conducted by BLS employees. Non-responses and addresses identified as renters are analyzed by BLS statisticians. Potentially good addresses are computerized. Utilizing computer-assisted data collection (CADDC), EAs screen and initiate the pre-selected addresses by making personal visits to those housing units. 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.

5. Efforts to Minimize Burden on Small Businesses

The Housing Survey is aimed at rental housing. Some respondents are the owners and managers of housing complexes, some of which are small businesses. 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 EA's 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 2010 through 2012, 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. The CPI is the nation's chief source of information on retail price changes.

6. Consequences of Not Collecting or 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. Preclearance Consultation Federal Register and Consultation with Outside Sources

Federal Register Notice

No comments were received as a result of the Federal Register Notice published in 74 FR 28726 on June 17, 2009.

Consultation with Outside Sources

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

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

In addition, the BLS consults with major user groups concerning their needs and uses of our data series. Semiannual meetings with the BLS's Business and Labor Research Advisory Councils were held to consult with those affected by the CPI and those from whom information is to be obtained. These committees represent major segments of the business and labor communities--important users of CPI data--as well as the retail trade sector, the source of our data. In the fall of 2005, meetings were held with the price

committees of the Business Research Advisory Council and Labor Research Advisory Committee. Current CPI activities and future developments were discussed.

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

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

CPI staff participate in quarterly discussions with the Housing Statistics Users Group, made up of representatives from Federal agencies and private businesses and industries, usually sponsored by the National Association of Home Builders (NAHB: 202-822-0200).

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 General Accounting Office to discuss BLS issues, and especially the CPI program.

9. Respondent Payments

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.

The Commissioner's Order No. 1-06, "Confidential Nature of BLS Statistical Data," explains the Bureau's policy on confidentiality: "In conformance with existing law and Departmental regulations, it is the policy of the BLS that respondent identifiable information collected or maintained by, or under the auspices of, the BLS for exclusively

statistical purposes and under a pledge of confidentiality shall be treated in a manner that will ensure that the information will be used only for statistical purposes and will be accessible only to authorized persons.”

Special care is taken to ensure data security. Data collected by Economic Assistants using CADC 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 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, see below:

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

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

11. Sensitive Questions

There are no sensitive questions in this survey.

12. Estimation of Response Burden

The following paragraphs and tables give the derivation of the respondent burden for each activity and project, and totals for all activities for Fiscal Years 2010 through 2012. There are four activities that might be associated with any one project listed below. They are prescreening, screening, initiating and pricing. Successful completion of this four-stage process provides the information required to revise and update the metropolitan area and Housing samples (See Section B) and continue accurate and timely collection of rent information for monthly calculation and publication of the CPI.

Updating the Housing sample begins with CPI economists and statisticians using 2000 Census data to identify selected block groups. They may also use Census American Community Survey (ACS) data as it becomes available. Address lists are then purchased for the pre-selected block groups. The address lists also contain tenure codes. The codes

represent the likely tenure—owner/renter—of the addresses within the designated block groups. Addresses with a high probability of being owner or that can be identified as commercial are eliminated. A sample of addresses is selected from the modified lists for each block group. These address samples are sent to a vendor who conducts a mail prescreening survey for the BLS. The vendor receives the returned surveys and transmits the results to BLS. Addresses identified as owner or commercial are eliminated; while non-responses and addresses identified as renter are provided to trained BLS 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 calendar years because the number of initiations depends upon the number of successful screenings.

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

The following statements are on the collection instrument(s):

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

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

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

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

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

Base Sample	FY 2010	FY 2011	FY 2012
Long Pricing			
Number of respondents	10,370	10,080	9,798
Responses per respondent	1.750	1.750	1.750
Total responses	18,148	17,640	17,146
Hours/Response	0.117	0.117	0.117
Total hours	2,123	2,064	2,006
Short Pricing			
Number of respondents	21,706	21,098	20,507
Responses per respondent	1.750	1.750	1.750
Total responses	37,985	36,922	35,888
Hours/Response	0.083	0.083	0.083
Total hours	3,153	3,064	2,979
Total All Questions			
Number of respondents	32,076	31,178	30,305
Responses per respondent	1.750	1.750	1.750
Total responses	56,133	54,561	53,034
Hours/Response	0.094	0.094	0.094
Total hours	5,276	5,128	4,985

Current Rent Sample Augmentation	FY 2010	FY 2011	FY 2012
Pre-Screening			
Number of respondents	38,293		
Responses per respondent	0.250		
Total responses	9,573		
Hours/Response	0.083		
Total hours	795		
Screening			
Number of respondents	31,925	36,669	5,500
Responses per respondent	1.000	1.000	1.000
Total responses	31,925	36,669	5,500
Hours/Response	0.100	0.100	0.100
Total hours	3,193	3,667	550
Initiation			
Number of respondents	7,483	8,595	1,289
Responses per respondent	1.140	1.140	1.140
Total responses	8,531	9,798	1,470
Hours/Response	0.150	0.150	0.150
Total hours	1,280	1,470	220
Long Pricing			
Number of respondents		2,485	3,594
Responses per respondent		1.000	1.750
Total responses		2,485	6,289
Hours/Response		0.117	0.117
Total hours		288	730
Short Pricing			
Number of respondents		7,147	15,888
Responses per respondent		1.000	1.750
Total responses		7,147	27,805
Hours/Response		0.083	0.083
Total hours		593	2,308
Total All Questions			
Number of respondents	77,701	54,896	26,272
Responses per respondent	0.644	1.022	1.563
Total responses	50,029	56,099	41,064
Hours/Response	0.105	0.107	0.093
Total hours	5,267	6,021	3,814

Existing Rent Sample Replacement	FY 2010	FY 2011	FY 2012
Pre-Screening			
Number of respondents		42,405	42,405
Responses per respondent		0.250	0.250
Total responses		10,601	10,601
Hours/Response		0.083	0.083
Total hours		880	880
Screening			
Number of respondents			35,196
Responses per respondent			1.000
Total responses			35,196
Hours/Response			0.100
Total hours			3,520
Initiation			
Number of respondents			8,250
Responses per respondent			1.140
Total responses			9,405
Hours/Response			0.150
Total hours			1,411
Long Pricing			
Number of respondents			
Responses per respondent			
Total responses			
Hours/Response			
Total hours			
Short Pricing			
Number of respondents			
Responses per respondent			
Total responses			
Hours/Response			
Total hours			
Total All Questions			
Number of respondents		42,405	85,851
Responses per respondent		0.250	0.643
Total responses		10,601	55,202
Hours/Response		0.083	0.105
Total hours		880	5,810

Total All Projects	FY 2010	FY 2011	FY 2012	3 Yr. Avg.	
Pre-Screening					
Number of respondents	38,293	42,405	42,405	41,034	
Responses per respondent	0.250	0.250	0.250		
Total responses	9,573	10,601	10,601	10,259	
Hours/Response	0.083	0.083	0.083		
Total hours	795	880	880	851	\$16,927
Screening					
Number of respondents	31,925	36,669	40,696	36,430	
Responses per respondent	1.000	1.000	1.000		
Total responses	31,925	36,669	40,696	36,430	
Hours/Response	0.100	0.100	0.100		
Total hours	3,193	3,667	4,070	3,643	\$72,423
Initiation					
Number of respondents	7,483	8,595	9,539	8,539	
Responses per respondent	1.140	1.140	1.140		
Total responses	8,531	9,798	10,875	9,735	
Hours/Response	0.150	0.150	0.150		
Total hours	1,280	1,470	1,631	1,460	\$29,029
Long Pricing					
Number of respondents	10,370	12,565	13,391	12,109	
Responses per respondent	1.750	1.602	1.750		
Total responses	18,148	20,125	23,435	20,569	
Hours/Response	0.116	0.116	0.116		
Total hours	2,105	2,334	2,718	2,386	\$47,434
Short Pricing					
Number of respondents	21,706	28,245	36,396	28,782	
Responses per respondent	1.750	1.560	1.750		
Total responses	37,985	44,069	63,692	48,582	
Hours/Response	0.083	0.083	0.083		
Total hours	3,153	3,658	5,286	4,032	\$80,162
Total All Questions				3 Yr. Avg.	
Number of respondents	109,777	128,479	142,428	126,895	
Responses per respondent	0.967	0.944	1.048	0.990	
Total responses	106,162	121,262	149,300	125,575	
Hours/Response	0.099	0.099	0.098	0.099	
Total hours	10,543	12,029	14,609	12,394	\$246,384
	\$ 209.6	\$ 239.1	\$ 290.4	\$ 246.4	

The projected cost to respondents assumes a \$19.88 hourly wage.* The only cost to the respondent is the time it takes to complete the interview.

Projected \$ Estimated			
Costs (1,000's)	FY 2010	FY 2011	FY 2012
Respondents	\$ 209.6	\$ 239.1	\$ 290.4

*July 2007 mean hourly earnings, from the National Compensation Survey, released August 2008.

13. Estimate of Cost Burden to Respondents

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

14. Estimated Federal Costs

For fiscal year 2009, the collection and publication of data for the CPI will cost \$82 million.

15. Reason for Change in Burden

The previous Information Collection Budget (ICB) based on the average of FY2007, FY2008 and FY2009 reflected 11,916 burden hours. The burden included in this request based on the average of FY2010, FY2011 and FY2012 reflects 12,394 burden hours. Following is an analysis of the differences:

- (a) The addition of burden hours for prescreening to augment sample into new segments in 87 existing PSU's results in (-665 average annual hours (AAH)). Prescreening results from our previous submittal of estimates for this activity were overestimated.
- (b) The addition of burden hours for screening to augment sample in new segments in 87 existing PSU's results in (+772 AAH).
- (c) The addition of burden hours for initiation to augment sample in new segments in 87 existing PSU's results in (+320 AAH).
- (d) The addition of burden hours for long pricing for existing and augmented sample in 87 PSU's results in (-184 AAH).
- (e) The addition of burden hours for short pricing for existing and augmented sample in 87 PSU's results in (+234 AAH).

16. Project Schedule

Mailings of prescreening forms will occur during all three Fiscal Years. Screening and initiation in new segments occur as EAs in the field receive their assignments along with pricing assignments for existing sample. Assignments occur monthly until they screen and initiate sample for all six panels. Pricing for the updated sample begins January 2010.

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

18. Exceptions to the Certification

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