

## Supporting Statement

### A. Justification

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

The purpose of this request is to obtain clearance for the two Consumer Expenditure (CE) Surveys: the Quarterly Interview Survey (CEQ) and the Diary Survey (CED). As part of an ongoing effort to improve data quality, maintain or increase response rates, and reduce data collection costs several changes will be made to the surveys. These changes include implementing a new sample, eliminating the bounding interview, and updating and deleting several questions to reflect the current marketplace. Additionally, CE is seeking clearance to field a Proof of Concept test for a new survey design.

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

Every ten years the CE survey updates its sample of primary sampling units (PSUs) based on the latest decennial census in order to make sure its sample accurately reflects the latest geographic shifts in the American population. The 2015 sample design implements new geography for CE. This involves dropping PSUs, adding PSUs, and dropping and adding counties within existing PSUs. The new sample will be phased in for the CEQ beginning in February 2015. The last sample month for the old sample design will be March 2015 as this is the last sample month with any 2014 months in the reference period. For CED, implementation will begin in January 2015 with no phase in required. (See Supporting Statement Part B for additional information on the CE sample design.)

The CEQ is a rotating panel survey. Beginning in 2015, the first wave bounding interview will be phased out and a four wave survey will be implemented. All four waves will have a three month reference period and data from all waves will be used in the final, published data. In previous years, the Census Bureau field offices conducted five quarterly interviews with the sample unit over a period of five consecutive quarters, the first of which served as the bounding interview. The expenditure data collected in the first wave bounding interview had a reference period that was one month while the subsequent waves have a three month reference period. Additionally, expenditure data collected in the bounding interview was not included in the final, published expenditure data. The decision to eliminate the bounding interview was based on substantial research on the ineffectiveness of the bounding interview, and its negative impact on respondent burden and survey costs. (See Attachment A - Bounding Interview Elimination.) The last bounding interviews under the old structure will take place in 2014 quarter four, and these cases' final – 5th – interviews will take place in 2015 quarter four.

The major collection tool used for the CEQ is the CE Quarterly Interview Computer Assisted Personal Interview (CAPI) instrument. This instrument collects information about the household and consumer unit (CU) characteristics and the expenditure information for the CU. To keep the survey current and to fulfill the requirements of the Consumer Price Index (CPI), question wording was simplified, some items were deleted, and other items were added. In the Interview

instrument, those change are as follows: 1) new screeners including a business expense screener that will screen out households who do not have any business expenses from the business expense questions and a detailed phone bill screener that will screen out breakout questions for TV, internet, etc., when a bill is not available; 2) questions added on Tricare and on health care exchanges; 3) questions and screeners deleted including the alcohol screener question, a question on if anything else is included in a package trip, a question on the number of trips purchased for non CU members, and questions on federal and state/local income taxes and refunds; and 4) simplified question wording. (See Attachment B for a full list of all 2015 Interview Instrument requirements.)

The CED requires each selected sample unit to keep two one week diaries of expenditures over two consecutive weeks. The CED collects information on small, relatively inexpensive items that respondents may not be able to recall in a retrospective interview. Given the nature of the type of data collected, a longer reference period would cause a reduction in accuracy of reporting for the CE Surveys. The CED uses both a CAPI instrument (see Attachment C for the 2015 Diary Instrument requirements), and the paper CE-801, Record of Your Daily Expenses (Attachment D). The Diary CAPI instrument collects information about household and CU characteristics and provides checks for reporting certain types of expenditures. In the 2015 Diary instrument, questions on regular grocery expenses and expenses for food from places other than a grocery store were reworded to match Interview.

A subsample of approximately 10 percent of households in the Quarterly Interview Survey and 9 percent in the Diary Survey will participate in an additional CAPI interview, referred to as reinterview, for the purpose of instituting quality control over the performance of the interviewing staff. The 2015 Interview CAPI Reinterview instrument will include slight modifications to the specific items listed in each question while still asking the same number of questions of respondents. (See Attachment E - 2015 Final CEQ RI Instrument Specs and Attachments.) The Diary Reinterview Instrument for 2015 will not change, nor have changes been made since 2004. (See Attachment F - CED RI Instrument Specs and Attachments).

A separate Information Booklet is used for each survey. Updates have been made to the Quarterly Interview Survey Information Booklet CE-305 (Attachment G) for 2015 to support the changes made to its CAPI Instrument. The Diary Interview Survey Information Booklet CE-805 has not been changed. (See Attachment H - Diary Interview Survey Information Booklet CE-805.)

Before the interviewer's visit, each CEQ and CED sample household receives an Advance Letter, the CE-303L1, 2 or 5 (Attachment I(a)) or CE-803(L) (Attachment I(b)). These letters explain the nature of the information the BLS wants to collect and the uses of the CEQ or the CED data, as appropriate; informs the respondents of the confidential treatment of all identifying information they provide; requests the respondents' participation in the survey; describes the survey's compliance with the relevant provisions of the Privacy Act and the Office of Management and Budget (OMB) disclosure requirements; and provide a link to the address of the respondent's informational webpage. At the first interview for both the CEQ and the CED, the field representative gives the respondent a portfolio filled with information on CE, CPI and the Census Bureau (Attachment J). Also available to respondents is the respondent Web page. This page contains information about the CE surveys, frequently asked questions, and links to the most recent CE data. Respondents who participate in the Interview Survey are also provided with a "Home File" in which to save their bills and receipts for use at the next CEQ interview.

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

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

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

CE is also seeking clearance to field a Proof of Concept test for a redesign of the CE surveys. The objective of the redesign is to improve the quality of the survey estimates through a verifiable reduction in measurement error while improving or maintaining response rates and with no increase in budget. A proof-of-concept test will be fielded to ensure that the basic underlying structure and components of the new design are feasible. The proof-of-concept test will mirror the first wave of the proposed design. This will consist of a Visit 1 recall interview that includes the collection of household roster and recall expense questions for five sections of the current CE Interview; instructions on collection of records for the Visit 2 interview; an introduction to the Diary-keeping week and training of individuals on how to complete the web or paper diary; a Visit 2 interview consisting of a review of the individual diaries, collection of an additional 8 sections of the CEQ, relying heavily on the records that the FR instructed the respondent to gather during the Visit 1 interview; and a respondent debriefing of the Visit 1, Diary week, and Visit 2 processes. Additionally, the design will use incentives in order to motivate respondents; this is expected to result in a reduction in the number of required contact attempts. The expected starting sample size for this study is 1,250 cases; the study should yield 470 complete cases. BLS estimates that this study will require approximately 1,371 burden hours. The field period is scheduled for three months beginning in July 2015. A Non-Substantive Change Request (NCR) will be submitted for the proposed study prior to fielding. (See Attachment O - Gemini Proof of Concept Test Overview for additional information regarding this test.)

## **2. Uses of the Data**

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

The BLS will use data collected in the CE Surveys to 1) provide data required for updating cost-weights used to calculate the CPI; 2) provide a continuous flow of data on income and expenditure patterns for use in economic analysis and policy formulation; and 3) provide a flexible consumer survey vehicle that is available for use by other Federal Government agencies.

Public and private users of price statistics, including Congress and the economic policymaking agencies of the executive branch, rely on data collected in the CPI in their day-to-day activities. Data users and policymakers widely accept the need to regularly update the weights used in the CPI.

### **3. Collection Methods**

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

### **4. Efforts to Identify Duplication**

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

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

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

### **5. Impact on Small Businesses**

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

### **6. Consequences of not collecting the data**

Before 1979, the BLS collected consumer income and expenditure data every 10 to 15 years as a major component of large-scale periodic projects to update and revise the CPI. By conducting the consumer expenditure surveys continuously, the BLS is able to provide, more frequently, up to date data, thereby increasing the overall quality and efficiency of the CPI revisions. If the BLS does not conduct the CE Surveys on a continuing basis, current information necessary for timely and accurate updating of the CPI would not be available. In addition, the BLS would not be able

to respond to the continuing demand—from the public and private sectors—for current information on consumer spending and income.

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

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

## 7. **Special Circumstances**

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

## 8. **Consultations**

One comment supporting the continued collection of Consumer Expenditure data was received on the Federal Register Notice published in 79 FR 38071 on July 3, 2014.

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

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

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

Mr. Richard Schwartz  
Demographic Surveys Division  
Bureau of the Census  
(301) 763-7491

Ms. Emily Krutsch  
Demographic Statistical  
Methods Division  
Bureau of the Census  
(301) 763-6832

Consultations with these persons continue as specific problems arise.

## 9. **Payment to Respondents**

Payment or gift is currently not provided to respondents although as indicated in this clearance

package BLS plans to test the effectiveness of providing incentives as part of the Proof of Concept test, which is described in more detail in Attachment O.

**10. Assurance of Confidentiality**

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

**11. Justification for the collection of sensitive data**

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

**12. Burden Estimate**

The BLS will conduct the CEQ at approximately 50,400 designated addresses in the calendar year 2015, which will result in approximately 27,942 completed interviews. Reinterviews will be conducted on approximately 11 percent of the completed interviews, for a total of 3,075 completed reinterviews. The average time to complete the survey is 55 minutes for the regular interview, and 10 minutes for the reinterview. This results in an annual response burden of 26,126 hours in 2015.

As the old sample is phased out, BLS will conduct the CEQ at approximately 48,000 designated addresses, which will result in approximately 27,562 completed interviews. Reinterviews will be conducted on approximately 11 percent of the completed interviews, for a total of 3,030 completed reinterviews yearly after 2015. The average time to complete the survey is 55 minutes for the regular interview, and 10 minutes for the reinterview. This results in an annual response burden of 25,770 hours in 2016 and 2017.

Response Burden for the Quarterly Interview Survey				
	Interviews		Reinterviews*	
	2015	After 2015	2015	After 2015
Total number of completed interviews	27,942	27,562	3075	3030
Minutes per response	55	55	10	10
Total Response Burden hours	25,613	25,265	513	505

\*Reinterviews are done on a subset of the original respondents

The BLS will conduct the CED at approximately 12,000 designated addresses per year, of which approximately 6,890 will result in completed interviews and diaries. Respondents complete 2 weekly diaries, resulting in 13,780 weekly diaries being completed per year. Reinterviews will be conducted on approximately 10 percent of the weekly diaries for a total of 1,380 reinterviews. Respondents spend approximately 105 minutes completing each weekly diary, for a total of 24,115 hours of record-keeping. In addition to record-keeping, it takes 24 minutes to complete each of the three regular interviews, and 10 minutes to complete the reinterview, for a total of 8,268 hours of interviewing, and 230 hours of reinterviewing. Total burden hours for the Diary Survey per year is 32,613.

Response Burden for the Diary Survey			
	Record-keeping	Interview	Reinterview
Number of respondents	6,890 <sup>(1)</sup>	6,890 <sup>(1)</sup>	1,380 <sup>(2)</sup>
Number of responses per respondent	2	3	1
Total annual responses	13,780	20,670	1,380
Minutes per response	105	24	10
Total hours	24,115	8,268	230
Total Response Burden = 32,613 hours			
<p>(1) The total number of respondents for the Diary Survey is 6,890. The respondents who do the record-keeping are the same people who participate in the interviews.</p> <p>(2) Reinterviews are done on a subset of the original respondents. Approximately 1,600 reinterviews will be attempted, of which 1,380 will be successfully completed.</p>			

The total response burden for both surveys combined is 58,739 hours. The total response burden for both surveys after the sample redesign is fully implemented is 58,383. The total annualized cost to respondents, based on burden hours and the federal minimum wage of \$7.25 per hour, is \$425,858 in 2015, and \$423,277 thereafter.

Total Response Burden for the Quarterly Interview and Diary Surveys					
	Quarterly 2015	Quarterly (After 2015)	Diary	Total (2015)	Total (After 2015)
Number of responses	31,017	30,592	35,830	66,847	66,422
Total burden hours	26,126	25,770	32,613	58,739	58,383

### **13. Annual Cost to Respondents**

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

### **14. Annual Cost to the Federal Government**

The annual cost to the Federal Government of collecting, processing, reviewing, and publishing the data collected in the CE Surveys was approximately \$41 million in fiscal year 2014. This included approximately \$30 million in costs incurred by the Census Bureau for collecting and processing the data, operational costs associated with maintaining the survey, and development costs. The BLS portion of approximately \$11 million was for costs incurred by the BLS in personnel and other related costs associated with managing the survey, processing the data upon receipt from the Census Bureau, reviewing, and publishing the data, and for research and development.

### **15. Change in Respondent Burden**

Reporting burden has decreased from 68,546 to 60,874 and will continue to decrease because of the completion of the individual diary feasibility test, elimination of the bounding interview, and the new sample implementation. This new number is based on actual data collection times over the last two years.

### **16. Publication Plan**

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

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

The BLS has released Diary and Quarterly Interview Survey public use microdata up to and including 2012. The newest published tabular data cover July 2012 through June 2013. The BLS will release the annual 2013 data tables and public use microdata in September 2014.

### **17. Reason for not Displaying the OMB Expiration Date**

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

money by not having to destroy the old questionnaires and printing new ones.

**18. Certification Statement**

There are no exceptions to the certification statement.