



Billing Code 3110-01

OFFICE OF MANAGEMENT AND BUDGET

Request for Comment on the Consumer Inflation Measures Produced by Federal Statistical Agencies

AGENCY: Executive Office of the President, Office of Management and Budget (OMB)

ACTION: Notice of solicitation of comments

SUMMARY: The Office of Management and Budget OMB is seeking comment on the differences among the various consumer price indexes produced by the Bureau of Labor Statistics (BLS) and the Bureau of Economic Analysis (BEA), and in particular how those differences might influence the estimation of the Official Poverty Measure (OPM) and other income measures produced by the Census Bureau. Based on the comments received and internal discussions with experts, OMB will consider the need to update the specific inflation measure used to adjust the OPM, as well as the need for guidance to Federal agencies to communicate the strengths, weaknesses, and best practices for selecting and using the different indexes.

DATES: Comments must be submitted in writing. To ensure consideration of comments, they must be received no later than 45 days from the publication of this notice. Because of delays in the receipt of regular mail related to security screening, respondents are encouraged to send comments electronically (see **ADDRESSES**, below).

ADDRESSES: Comments may be addressed to: Nancy Potok, Chief Statistician, Office of Management and Budget, fax number (202) 395-7245. Email comments may be sent to *Statistical_Directives@omb.eop.gov*, with the subject “Directive No. 14”. Alternatively, comments may also be sent via *www.regulations.gov*—a Federal E-Government website that allows the public to find, review, and submit comments on documents that agencies have

published in the Federal Register and are open for comment. Simply type “OMB-2019-0002” (in quotes) in the Comment or Submission search box, click “Go”, and follow the instructions for submitting comments. Comments received by the date specified above will be included as part of the official record.

Comments submitted in response to this notice may be made available to the public. For this reason, please do not include in your comments information of a confidential nature, such as sensitive personal information or proprietary information. If you send an email comment, your email address will be automatically captured and included as part of the comment that is placed in the public docket. Please note that responses to this public comment request containing any routine notice about the confidentiality of the communication will be treated as public comments that may be made available to the public notwithstanding the inclusion of the routine notice.

Electronic Availability: This notice is available on the internet on the OMB website at <https://www.whitehouse.gov/omb/>. **Federal Register** notices are also available electronically at <https://www.federalregister.gov/>.

FOR FURTHER INFORMATION CONTACT: For information about this request for comments, contact Bob Sivinski, Office of Management and Budget, 9257 New Executive Office Building, 725 17th St. NW, Washington, DC 20006, telephone (202) 395-1205, or *email* Statistical_Directives@omb.eop.gov with the subject “More Info: Directive No. 14”.

SUPPLEMENTARY INFORMATION: Under the *Budget and Accounting Procedures Act* of 1950 (31 U.S.C. 1104(d)) and the *Paperwork Reduction Act* of 1995 (44 U.S.C. 3504(e)), the Office of Management and Budget (OMB) is issuing a request for comment on the differences among the various consumer price indexes produced by the Bureau of Labor Statistics (BLS) and the Bureau of Economic Analysis (BEA).

In its role as coordinator of the Federal statistical system under the *Paperwork Reduction Act*, OMB, among other responsibilities, is required to ensure the system's efficiency and effectiveness. A key method used by OMB to achieve this responsibility is the promulgation, maintenance, and oversight of Government-wide principles, policies, standards, and guidance concerning the development, presentation, and dissemination of Federal statistical products. OMB's Office of Statistical and Science Policy, within the Office of Information and Regulatory Affairs, relies on public comment and subject matter expertise across the Federal government to identify areas where existing OMB policies or guidance may be out of date, lacking clarity, or insufficient for efficient coordination of Federal statistics.

Accordingly, OMB is seeking public comment on the strengths, weaknesses, and best practices for the application of the following consumer inflation measures: the Consumer Price Index for All Urban Consumers (CPI-U), the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), the Chained Consumer Price Index for All Urban Consumers (C-CPI-U), the Consumer Price Index Research Series (CPI-U-RS), and the experimental Consumer Price Index for Urban Elderly Consumers (CPI-E), all produced by BLS, and the Personal Consumption Expenditures Price Index (PCEPI) produced by BEA.

Measuring Inflation

Inflation is defined as a rise in the general level of prices (and deflation as a decline in the general level of prices). Equivalently, inflation represents a decline in the purchasing power of money. As a general matter, adjusting statistics and other data for inflation better reflects consumers' actual experiences over time. There are many different ways in which actual indexes attempt to capture this change in the level of prices. Specifically, the inflation measures produced by BLS and BEA differ in their scope, weighting, and formulas, consistent with their original

purposes. These measures are continually evaluated to ensure they are objective, accurate, relevant, and timely, thereby maintaining the integrity of official government statistics.

Uses of Different Inflation Measures

Congress sometimes requires agencies to use a specific inflation measure for specific programs.

For example, Public Law [115-97](#) directs the IRS to adjust federal income tax brackets for inflation with the C-CPI-U. In other instances, Congressional guidance may be absent or less specific, and agencies exercise their discretion in choosing an index to calculate inflation-adjusted statistics. In cases where Congress has not required a specific methodology, agencies should use the measure of inflation most appropriate for the purpose of the program.

OMB is seeking comment about how the relative strengths and weakness of the measures might affect the estimation of the OPM and other income measures produced by the Census Bureau.

OMB will also consider the need for guidance to Federal agencies on the differences among the indexes.

BLS Consumer Price Indexes

To produce its inflation measures, BLS tracks the change in price of a collection of consumer goods and services over time. Those items are then weighted using survey data to represent the experience of consumers in their day-to-day living expenses, with each of the CPI measures reflecting different item substitution rates, consumer populations, or other attributes. OMB is seeking comment on the following five indexes produced by BLS.

The Consumer Price Index for All Urban Consumers (CPI-U)

The all urban consumer group is designed to be representative of about 93 percent of the total U.S. population. It is based on the expenditures of almost all residents of metropolitan or micropolitan areas. The population scope includes professionals, the self-employed, the

unemployed, retired persons, as well as urban wage earners and clerical workers. Not included in the CPI-U are the spending patterns of people living in rural areas (defined as outside of any metropolitan or micropolitan statistical area), those in farm households, Armed Forces members and their families, and those in institutions such as prisons and mental hospitals.

The CPI-U is used extensively for official purposes such as: to derive the official poverty thresholds, to adjust Treasury inflation-indexed securities, to deflate nominal values in a variety of measures, and until recently, to adjust federal tax brackets.

The Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W)

The CPI-W represents the expenditures of households included in the CPI-U definition that also meet two additional requirements: more than one-half of the household's income must come from clerical or wage occupations, and at least one of the household's earners must have been a full-time worker, that is employed for at least 37 weeks during the previous 12 months. The CPI-W population represents about 29 percent of the total U.S. population and 31 percent of the CPI-U population. The CPI-U and the CPI-W share the same components (item strata) and differ only in population coverage and the weights used to aggregate these components.

The CPI-W is used to adjust Social Security benefits and many other Federal transfer payments.

The percentage of the population within the CPI-W definition has declined over time, and the CPI-U, which was first published in 1978, has become more widely used. The CPI-W corresponds closely to the population used in computing the CPI from its inception during the World War I era through 1978.

The Chained Consumer Price Index for all Urban Consumers (C-CPI-U)

Both the CPI-U and C-CPI-U are indexes designed to measure price changes faced by urban consumers. The C-CPI-U is distinguished from the CPI-U by the expenditure weights and price

index formulas used to produce aggregate measures of price change. The C-CPI-U employs a formula that reflects the effect of substitution that consumers make across component item categories, for example in response to changes in relative prices. The formula used in the CPI-U and CPI-W does not capture consumer spending response to changing relative prices across the component item categories.

The C-CPI-U formula uses expenditure data that is not available until several months after the reference month. Because of this, C-CPI-U estimates produced for the reference month alongside the CPI-U are calculated using estimates of the expenditure data and then revised later when the actual expenditure data are available, usually becoming a final estimate 10 to 12 months after the initial publication. The C-CPI-U was first published in 2002.

The Experimental Consumer Price Index for the Elderly (CPI-E)

The CPI-E uses the same price surveys and formulas as the CPI-U and CPI-W, but uses expenditure weights for households with a reference person or spouse aged 62 years or older. As currently produced, the CPI-E captures the household budgets of the elderly population, which differ from the non-elderly population for notable items such as medical care and shelter. However, the CPI-E does not capture that the elderly population might shop at different places, purchase different specific products and services, or in some cases receive specific price discounts.

The CPI-E is an experimental index and is not currently used for official purposes.

The Consumer Price Index Research Series Using Current Methods (CPI-U-RS)

The CPI-U-RS presents an estimate of the CPI-U from 1978 to present that incorporates most of the improvements made over that time span into the entire series. The CPI-U-RS therefore

provides an estimate of what the CPI-U would have looked like had current methodology been in place since 1978.

The Personal Consumption Expenditures Price Index (PCEPI)

In addition to the BLS CPI measures described above, OMB also seeks comment on the PCEPI chain type price index produced by BEA.

The PCEPI is a measure of the prices that people and nonprofit institutions pay for goods and services. The PCEPI uses mainly CPI series along with some Producer Price Index series, also produced by BLS, as well as price indexes from other Federal agencies. The PCEPI differs from the CPI in weighting, formula, and scope. A summary of these differences can be found at the BEA website: <https://www.bea.gov/help/faq/555>. The PCEPI is compiled monthly and quarterly and both are revised routinely unlike the official CPI-U and CPI-W series, which are not revised.

More information on each of these measures can be found at the BLS website:

<https://www.bls.gov/cpi/> and the BEA website: <https://www.bea.gov/data/personal-consumption-expenditures-price-index>

The Official Poverty Measure

OMB's Statistical Policy Directive No. 14 (Directive No.14), issued in May 1978, specifies the use of the Consumer Price Index (CPI) in the annual adjustments of poverty thresholds (the OPM) calculated and published by the Census Bureau. Specifically, the directive states:

Annual adjustments in Census series are based on changes in the average annual total Consumer Price Index (CPI) instead of changes in the cost of the U.S. Department of Agriculture's Economy Food Plan.

In practice, the CPI-U has been the index used for the annual adjustments. This policy has not been reevaluated since the introduction of new consumer inflation measures, such as the C-CPI-U. OMB is currently reevaluating the appropriateness of the use of the CPI-U for annual adjustment in the OPM. To assist in this reevaluation, OMB assembled an interagency technical working group to study an array of possible price change measures and to make a recommendation to OMB on potentially revising the current method for adjusting the OPM. The comments received under this Notice will be reviewed and considered by the technical working group in developing their recommendation to OMB.

The OPM, also known as the poverty threshold, should not be confused with the poverty guidelines produced annually by the U.S. Department of Health and Human Services. While the poverty thresholds are used for calculating official poverty population statistics, the poverty guidelines are used for administrative purposes. Most commonly the poverty thresholds are used by a number of federal, state, local, and non-profit programs, such as Medicaid and the Supplemental Nutrition Assistance Program (SNAP), to determine income eligibility. The guidelines are based on the previous year's poverty thresholds, and updated for inflation using the CPI-U, based on statutory language in the Community Services Block Grant Act (42 U.S.C. 9902(2)). Because of this, changes to the poverty thresholds, including how they are updated for inflation over time, may affect eligibility for programs that use the poverty guidelines. OMB is not currently seeking comment on the poverty guidelines or their application. More information on the poverty guidelines can be found at: <https://aspe.hhs.gov/poverty-guidelines>.

REQUEST FOR PUBLIC COMMENT:

OMB is seeking comment from the public on: (1) the strengths and weaknesses of the indexes for different applications or uses; (2) the strengths and weaknesses of the use of the CPI-U to

make annual adjustments to the OPM, as established in OMB's Statistical Policy Directive #14, and discussion of potential alternative indexes; (3) the strengths and weaknesses of the different indexes for making annual adjustments to the historical income figures produced by the Census Bureau; (4) the need for and feasibility of guidance from OMB or other Federal source explaining the differences between indexes and best practices for their use; (5) recommendations for the use of the PCEPI and C-CPI-U for the production of official statistics, considering that both measures are revised after initial release.

Nancy Potok,
Chief, Statistical and Science Policy
Office of Information and Regulatory Affairs
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