Office of Personnel Management

§591.221 How does OPM compute the consumer expenditure weights it uses to combine price indexes?

OPM uses the following ten-step process to compute consumer expenditure weights:

(a) Step 1. OPM obtains the latest BLS tabulated CES data nationwide and for the Washington, DC area.

(b) Step 2. In both the nationwide and DC area tabulated data, OPM replaces the homeowners’ expenditures for shelter with estimated rental values of owned homes that are available elsewhere in tabulated CES data. Note: These replacements are consistent with the rental equivalence approach described in §591.219.

(c) Step 3. OPM selects the central income groups in the nationwide CES tabulation.

(d) Step 4. OPM calculates the expenditure shares (i.e., percentages) for each central income group by dividing each of its DEC expenditures by total expenditures for the income group. OPM also calculates expenditure shares for total nationwide expenditures by dividing each nationwide DEC expenditure by total nationwide expenditures.

§591.220 How does OPM calculate shelter price indexes?

(a) In addition to rental and rental equivalence prices and/or estimates, OPM obtains for each unit surveyed information about the important characteristics of the unit, such as size, number of bathrooms, and other amenities that reflect the quality of the unit.

(b) OPM then uses these characteristics and rental prices and/or estimates in hedonic regressions (a type of multiple regression) to compute for each COLA survey area the price index for rental and/or rental equivalent units of comparable quality and size between the COLA survey area and the Washington, DC, area.

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