



UNITED STATES DEPARTMENT OF COMMERCE
Economics and Statistics Administration
U.S. Census Bureau
Washington, DC 20233-0001
OFFICE OF THE DIRECTOR

APR 19 2007

The Honorable Carolyn B. Maloney
U.S. House of Representatives
Washington, DC 20515-3214

Dear Representative Maloney:

This is in response to your jointly signed letter of March 27, 2005, regarding your continued support of the U.S. Census Bureau's programs and expressing your concerns regarding the reengineering of the Survey of Income and Program Participation (SIPP) to the Dynamics of Economic Well-Being System (DEWS).

The Census Bureau continually reevaluates all programs and resources to see how it can best meet the needs of policymakers, businesses, and the public. For the past two decades, the SIPP has been the leading source of data on the economic well-being of Americans. Its longitudinal design provides many advantages; however, it also makes data processing and analysis difficult, leading to long delays before the data can be analyzed and understood. While the goals of SIPP are worthwhile, the methodology is burdensome and the legacy computer programs are obsolete. Therefore, a determination was made in 2005 to design a new data collection system called DEWS, which would provide a more effective, useful, and less burdensome means of collecting longitudinal data. Given the problems with SIPP and overall budget constraints, the Census Bureau proposed to design a new data collection and processing system on the dynamics of economic well-being that would replace the SIPP.

For many years SIPP has been used to evaluate the effectiveness of government programs. SIPP provides a nationally representative sample for evaluating annual and subannual dynamics of income, movements into and out of government transfer programs, family and social context of individuals and households, and the interactions between these items. It does this by interviewing a sample of households every four months for three to four years, asking questions on such subjects as "do you receive Medicare;" "how much income did you receive from your job or business in each of the previous four months;" and "were you covered by employer-provided health insurance?" Currently, SIPP is disseminating data from prior years when the sample size was 45,700 households. The SIPP has had an average cost of \$46 million per year from 2004 to 2006, including \$10 million in mandatory funding from the Survey of Program Dynamics (SPD).

However, several difficulties in implementation of the SIPP have been experienced over time. These include high attrition rates, which can affect the accuracy of the estimates produced; long lag times from collection to data release, especially at the beginning of a SIPP panel; difficulty in data accessibility, meaning that the data can be difficult to use; and finally, its costliness. Therefore, the decision was made to transition to DEWS.

We planned to end SIPP data collection at the end of FY 2006 and concentrate our efforts on DEWS, which will result in a data gap. Due to concerns about this gap in data, SIPP has been continued through September 2007 at \$25.4 million (including \$10 million from the SPD), with a reduced sample size of 21,800. It should be noted that there have been gaps in the SIPP series before. For example, to enable the Census Bureau to initiate a new panel in February 2001 and process data more recently collected, data collected from February to September 2000 were never released, and data from October 2000 to January 2001 were never collected.

SIPP Costs and Sample Size 2004–2007			
Dollars in millions (includes \$10 million in SPD funding each year)			
Year	Sample Size	Cost	Response Rate
2004	45,700	\$46.3	72%
2005	45,700	\$47.0	85%
2006	45,700	\$44.7	79%
2007	21,800	\$25.4	Not yet available
2008*	N/A	\$10.0	N/A

*The \$10 million in SPD funding in FY 2008 will be used to disseminate data already collected.

The DEWS will provide information on wealth, income, health insurance, and program participation, which is the same basic data provided by SIPP.

The goals of the reengineering are to reduce costs, improve accuracy, deliver data on a timely basis, improve accessibility, and improve relevance. The reduction in costs, respondent burden, and attrition will come from fewer household interviews. The SIPP interviewed households three times a year for three to four years. The DEWS will interview households up to two times a year for three years. Early research shows that interviewing twice a year results in similar estimates to interviewing three times a year.

The DEWS is currently in the development stage. The FY 2007 funding of \$9.2 million for DEWS is being used to design the new instrument, develop survey content, and evaluate administrative data linkages. Survey content is being developed with the help of major stakeholders. FY 2009 will be the initial year of data collection for DEWS, which will cover calendar year 2008. The initial eligible sample for DEWS is planned to be 45,000 households. As a result of the stakeholder involvement during the design process, DEWS is expected to meet key stakeholder data requirements, while achieving the goals of the reengineering.

DEWS Costs 2007-2008	
Dollars in millions	
Year	Cost
2007	\$9.2
2008	\$15.9

Below are the answers to your questions:

QUESTION 1: How much is the Census Bureau spending to collect and disseminate SIPP data in FY 2007?

ANSWER: The Census Bureau will spend \$25.4 million in FY 2007. This includes \$15.4 million to continue SIPP data collection, with a reduced sample size of 21,800 households and \$10.0 million from the SPD to continue disseminating earlier waves of the 2004 Panel data.

QUESTION 2: How much is the Census Bureau spending to develop and test the DEWS in FY 2007?

ANSWER: The Census Bureau has been appropriated \$9.2 million in FY 2007 to begin the design and development of a new data collection system on the dynamics of economic-well being.

QUESTION 3: How much will it cost to field test the DEWS? How large will the sample size be? For how long will it be fielded? Will the test compare six- and twelve-month recall windows?

ANSWER: The current budget includes funds for a small-scale cognitive test of the viability of 12-month recall. However, there has been no funding requested for a full field test of DEWS. We estimate that the field portion of a field test of 20,000 households would cost approximately \$6.0 million in FY 2008 and could be accomplished over a one-month period. With this data, we would evaluate the estimates from 12-month recall against SIPP estimates. We will also be able to evaluate the quality of 12-month recall against 6-month recall, by comparing the data from the last six months of data collected to the full 12 months of data collected during this test.

QUESTION 4: What is a full cost estimate for the completion of the 2004 SIPP Panel with 12 Waves, including topical modules?

ANSWER: The full cost estimate in FY 2008 for the completion of the 2004 Panel with 12 Waves, topical modules, and reduced sample would be \$19.0 million (including \$2.3 million for topical modules), which assumes \$10.0 million from the SPD. This is less than projected for FY 2007 because it would only include Wave 12, which covers data collection from October 2007 through December 2007.

QUESTION 5: What is a full cost estimate for the completion of the 2004 SIPP Panel with 12 Waves and no topical modules?

ANSWER: The full cost estimate in FY 2008 for the completion of the 2004 SIPP Panel, with 12 Waves (4 years, 2008-2011), no topical modules and reduced sample, would be \$16.7 million, which assumes \$10.0 million from the SPD.

QUESTION 6: What is a full cost estimate for conducting a 2008 SIPP Panel with 12 Waves, topical modules and a full sample?

ANSWER: The full cost estimate for conducting a 2008 SIPP Panel with 12 Waves over four years (2008-2011), with topical modules, and a full sample is \$180 million.

QUESTION 7: What is a full cost estimate for conducting a 2008 SIPP Panel with 12 Waves, topical modules and a reduced, but significant sample? How large would this sample need to be?

ANSWER: The full cost estimate for conducting a 2008 SIPP Panel with 12 Waves (four years, 2008-2011), topical modules, and a reduced but significant sample of 20,000 households is \$148 million.

With a sample size of 20,000 household interviews, we can estimate the characteristics of small subgroups reasonably well, and this generally provides enough sample to keep the Coefficient of Variation below 10 percent for subgroups as small as 2 percent of the population. However, many stakeholders feel that this sample size is not sufficient for the small subgroups they are evaluating.

QUESTION 8: How much time will be needed to evaluate the results from the DEWS?

ANSWER: The evaluations of DEWS estimates will begin as soon as some first version of a comprehensive instrument is available, when test data can be entered into both the DEWS and SIPP systems to see if similar results are derived. As this process continues, we will make corrections and improvements until September 2009, when DEWS is fielded. Longer-term projects and improvements will be undertaken at future dates as resources permit.

QUESTION 9: How much time will be needed to incorporate the recommendations of the National Academy of Sciences panel into the DEWS?

ANSWER: We expect that the National Academy of Sciences' panel will publish their recommendations in June 2008. Discussions to date indicate that they will have a set of short-term and long-term recommendations for the DEWS project. It may be possible and, in fact, beneficial to implement some short-term recommendations in September 2009. Remaining short-term recommendations, as well as long-term recommendations, can be evaluated for their feasibility and inclusion in plans for future iterations of the DEWS base product.

QUESTION 10: How much time would be needed to compare the DEWS findings to the 2008 SIPP findings, and create a "bridge" for researchers?

ANSWER: The DEWS would be fielded in September 2009, collecting data for calendar year 2008. Currently, no SIPP data collection is planned for 2008. However, a 2008 SIPP Panel, beginning collection in February 2008 and continuing until May 2009, could provide data for calendar year 2008. The data sets for

comparisons of estimates of the two sources of data could be available internally in January 2010. The iterative activity of evaluation and correction or improvement could begin at that time, and a product could be released to the public at some time during calendar year 2010. Future DEWS' waves would allow us to incorporate lessons learned.

QUESTION 11: How much funding would be required for both SIPP and DEWS in FY 2008 and each subsequent fiscal year until 2011, which is a reasonable estimate of when the DEWS might be ready?

ANSWER: The President's budget provides no funding for SIPP in FY 2008, other than the \$10 million in SPD funding. Current funding for DEWS allows continued development of the system during that fiscal year. The DEWS funding requested in FY 2008 is \$15.9 million, and estimated at approximately \$38 million annually after FY 2008, which includes \$10.0 million in funding provided by the SPD. Estimated additional costs for continuing SIPP with a full SIPP 2008 Panel, scheduled to end in 2012, as suggested in the previous questions, are shown in the following table.

	FY 2008 Estimate	FY 2009 Estimate	FY 2010 Estimate	FY 2011 Estimate
SIPP	\$45M	\$45M	\$45M	\$45M

We hope this information addresses all of your concerns. If you would like to discuss these programs further, please have a member of your staff contact our Congressional Affairs Office at (301) 763-6100.

Sincerely,

*Preston Jay Waite
for*

Charles Louis Kincannon
Director