

Frequently Asked Questions – C2ER Cost of Living Index

- **How do I interpret the Cost of Living Index?**
- **What is the difference between Section 1 and Section 2 in the Annual Average Dataset?**
- **Why isn't my city included?**
- **Are small towns covered in the publication?**
- **What's an MSA?**
- **Are taxes part of the Cost of Living Index calculation?**
- **Can I make "historical" Cost of Living Index comparisons using back issues?**
- **How are the averages weighted and what constitutes "mid-management?"**
- **When is the Index published?**
- **Can I obtain back issues?**
- **How long has the Cost of Living Index been published?**
- **Where can I find that information?**
- **Can I reprint portions of the Cost of Living Index?**
- **Who compiles the data and how are they compiled?**
- **What formula is used to compute cost differentials?**
- **Is the Cost of Living Index the same thing as inflation?**
- **What is the Consumer Price Index? Where can I get CPI data?**
- **Is a subscription to the Cost of Living Index a benefit of C2ER membership?**
- **Is the Cost of Living Index a federal government publication?**
- **In the Excel publication, what is the difference between Section 1 and Section 2?**

How do I interpret the Cost of Living Index?

The *Cost of Living Index* measures relative price levels for consumer goods and services in participating areas. The national average for all participating places in each quarter equals 100, and each participant's index is read as a percentage of the average for all participating places.

What is the difference between Section 1 and Section 2 in the Annual Average Dataset?

The Annual Average Index includes cities who participated in at least two of the three quarterly collections of the year (Section 1). Whereas, the Section 2 data shows all cities that participated in the year, estimating the missing quarters for cities who only submitted data once. The values in the two sections are very close as you would expect.

Why isn't my city included?

The *Cost of Living Index* covers more than 250 cities every quarter, but we rely on voluntary participation for data collection in the local communities. We utilize a network of chambers of commerce, economic development agencies, and universities in the survey process. Some areas simply choose not to participate and others participate sometimes but not always. Thus, there is some fluctuation in the communities covered by the Index. C2ER has no data for areas that do not appear in the report.

Are small towns covered in the publication?

Generally, no. Only cities with populations above 50,000 are eligible for participation. Areas with populations below this threshold were "grandfathered" when the population criterion was adopted; and must report at least in alternate quarters to remain eligible. In general, the Index is intended to measure differences among urban areas.

What's an MSA?

MSA, or Metropolitan Statistical Area, is a designation created by the U.S. Office of Management and Budget. C2ER uses these definitions in presenting the Index data. More than one city within an MSA may participate. Sometimes, only a suburban city in an MSA reports.

Are taxes part of the Cost of Living Index calculation?

No. C2ER does not take taxes into consideration in compiling the *Cost of Living Index*. Largely because it is prohibitively expensive to determine effective (as opposed to claimed) tax rates on residential property. Three C2ER committees over the past 25 years have recommended that the Index remain a measure of after-taxes differences in living costs.

Can I make "historical" comparisons using back issues?

No. The "meaning" of 100- the average for all participating places- changes from quarter to quarter. Assume, for example, that 320 places report in one quarter, and that 319 of those report in the next quarter. Assume further that no prices change anywhere, and that the missing place had the highest costs in the first quarter. All index numbers for all places will be higher in the second quarter, than in the first. (Note, however that percentage differences between places reporting in both quarters will not change.)

How are the averages weighted and what constitutes "midmanagement"?

Each item priced is a surrogate for an entire category of consumer expenditures. Chicken, for example, represents poultry purchases. The weights assigned to each item come from the Consumer Expenditures Survey conducted by the U.S. Bureau of Labor Statistics. C2ER uses the proportional distribution of spending by households in the top quintile of income and by households where the reference person is professional or managerial to assign weights representing a midmanagement standard of living.

When is the Index published?

The *Cost of Living Index* is published on a quarterly basis. The date on the issue reflects the data collection period, not the publication period. For example, the issue with data for the second quarter normally appears in September.

Can I obtain back issues?

Yes. the back issues are available since 1980. Issues from 1980-1989 are available in PDF format only and issues from 1990 to current are available in Excel format.

How long has the *Cost of Living Index* been published?

Continuously since 1968.

Can I reprint portions of the *Cost of Living Index*?

Each issue is copyrighted, and reproduction without permission is prohibited. Media organizations are allowed to use Index data in editorial form, and are permitted to reproduce tables to illustrate text, provided credit is given to C2ER. All requests should be forwarded to the Subscriptions Office.

Who compiles the data and how are they compiled?

Volunteers from chambers of commerce, economic development organizations, and other similar institutions collect the data. All items are priced in each place at a specified time and according to standardized specifications. C2ER then stringently reviews all prices reported, and attempts to eliminate errors and noncompliance with specifications. Persons wishing to participate should contact the Subscription Office.

What formula is used to compute cost differentials?

The simple shorthand formula for computing relative cost differential is: Index of the city one is going TO minus the Index of the city one is coming FROM; divided by the Index of the city one is coming FROM; multiplied by 100. This will give you a percentage differential that can be used to compute the after-taxes income needed in the target city to maintain your standard of living where you are now.

Is the Cost of Living Index the same thing as inflation?

No. Inflation measures price change over time within a single geographic area, but provides no gauge of how prices compare among areas. The Cost of Living Index measures differences in prices among areas at a single point in time, but provides no information about how rapidly prices are changing within any area.

What is the Consumer Price Index? Where can I get CPI data?

The Consumer Price Index is a measurement of inflation. These data are compiled by and available from the U.S. Department of Labor's Bureau of Labor Statistics.

Is a subscription to the Cost of Living Index a benefit of C2ER membership?

No. Organizations that collect and report data for the Cost of Living Index receive a

free copy of the published report for each quarter in which they submit data, whether or not they are C2ER members. Nonparticipants must purchase the reports.

Is the Cost of Living Index a federal government publication?

No. C2ER is a nonprofit organization that is not affiliated with any agency of the United States Government. The U.S. Government does, however, use the Index in its Statistical Abstract of the United States.

In the Excel publication, what is the difference between Section 1 and Section 2?

In the Annual Average publication, Section 1 includes all cities that participated in that specific quarter. Section 2 includes any city that participated in one of the three quarterly collections that year.