

March 19, 2021

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Washington, DC 20504

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Dear Acting Director Fairweather and Deputy Administrator Mancini:

Dear Mr. Fairweather and Mr. Mancini,

I am writing to comment on the OMB Recommendations from the Metropolitan and Micropolitan Statistical Area Standards Review Committee to the Office of Management and Budget: Changes to the 2010 Standards for Delineating Metropolitan and Micropolitan Statistical Areas (Federal Register Number 2021-00988). Specifically, I will comment on Section 3 recommendation (1): The minimum urban area population to qualify a metropolitan statistical area should be increased from 50,000 to 100,000.

As the supporting document notes, the threshold change could impact the designation of 144 MSAs, reclassifying them as micropolitan areas. Four of these impacted MSAs are in Arizona: Flagstaff, Lake Havasu City-Kingman, Prescott Valley-Prescott, and Sierra Vista-Douglas.

There are three main ways in which local policy makers and the general public believe that the MSA designation may benefit a region: increased data availability and accuracy, increased access to federal funds, and the marketing value of increased name recognition. Hammond and Osoba (2008) provides more details, but I will summarize the main points here.

Increased data availability and accuracy

The Core Based Statistical Area definitions provided by the OMB are extremely useful to local policy makers, economic development professionals, business leaders, and researchers. They provide a sensible definition of county-based economic areas with urban cores, in this case defined based on commuting patterns. Many of these economic areas are composed of more than one county and sometimes many counties. This makes it particularly valuable when agencies/programs/organizations publish data at the MSA level. The aggregation is already carried out, freeing the analyst to focus in important research questions. Further, in the aggregation to the MSA, disclosure requirements may be less binding, resulting in a finer level of detail available.

Many federal statistical agencies provide data for MSAs, microSAs, and counties. Where this is the practice, there is no loss from a change in designation, as long as the agency maintains consistent time series. Where the agency does not, policymakers, researchers, and the public must waste time creating that consistent time series. This can be a significant cost across 144 areas.



Further, not all federal agencies publish key datasets for the three main local geographies: MSAs, microSAs, and counties. For instance, one of the most important monthly datasets for the U.S., states, and local areas is the BLS Current Employment Statistics (CES) program. This currently publishes data only for states and MSAs. If this practice is maintained, then 144 MSAs (four in Arizona) could disappear from view overnight. While it is true that some states provide CES estimates for non-MSA counties within their borders, the quality of the estimates is likely to degrade significantly without the MSA status. (MSAs are sampled more than non-MSA counties in the development of the estimates). In addition, from a national perspective, researchers looking for a quick download of local labor markets will likely ignore these regions altogether, potentially resulting in lost knowledge and economic opportunities.

In addition to the key CES program, the following is a short list (not meant to be exhaustive) of datasets from which the 144 impacted MSAs could be excluded:

- U.S. BLS: Occupational Employment and Wage Estimates
- U.S. BEA: Regional Price Parities and GDP
- U.S. Census Bureau: Housing Permits
- Federal Housing Finance Agency: House Price Indexes
- National Association of Homebuilders: Housing Opportunity Indexes

Access to Federal Funding

While the OMB is crystal clear that the CBSA definitions are to be used for statistical purposes only, the fact of the matter is that they have taken on a life of their own. Along with the Urban Area definitions, they are used to drive the allocation of federal funds. Within state and local policy circles, as well as the economic development community, there are typically three federal funding sources that rise to the top when discussing the impact of the MSA designation. These are:

- Housing and Urban Development Community Development Block Grants
- Federal transportation and highway funds
- USDA Rural Development funds

For each of these, the relevant eligibility consideration seems to be the Census Urbanized Area designation. It is not clear that the change in the MSA designation (with no change to the Census Urbanized Area methodology) would impact these funds. OMB should reach out to the GAO or other federal research organizations to determine any possible impacts on federal funding before proceeding. Further, given that the Census methods for defining Urban Areas is also proposed to change (Federal Register Document Citation: 86-FR-10237), any impacts on Urban Areas should be considered by OMB before changing the population threshold for the MSA designation.

Finally, there are federal programs and funds that (according to GAO (2004)) depend of the MSA designation. These are:

- Federal Locality Pay Program
- Center for Medicare and Medicaid Service's Medicare Hospital Inpatient Prospective Payment System
- Ryan White CARE Act Program

Possible unintended impacts on these and any other federal programs should be reviewed before proceeding.

Marketing value of increased name recognition

It is common for local policymakers and economic development professionals to point to the marketing value and increased name recognition of the MSA designation. Research organizations like Brookings, the Milken Institute, and others often aggregate, analyze, and publish data for current MSAs. Further, media organizations like the New York Times, Forbes, and others often publish research and rankings for the current MSAs. These analyses are frequently read, cited, and discussed in policy circles and in the general public. Erasing 144 MSAs from those analyses and discussions has the potential to adversely impact economic opportunities in those areas.

Further, economic development professionals sometimes describe national and multi-state site selection searches as beginning with a list of MSAs which are then narrowed down based on relevant criteria. If that is the case, the local areas that are not on the list are at a disadvantage.

Overall, name recognition matters across a variety of dimensions, including local pride, access and visibility in major media and research outlets, and in site selection searches.


In closing, I would like to congratulate the OMB for their stellar work on Core Based Statistical Areas. These are extremely useful tools for local policymakers, economic development professionals, business leaders, researchers, and the general public. I would like to request that the OMB take additional time to investigate the statistical, federal funding, and broader economic impacts of changing the population threshold. OMB should pay particular attention to comments of federal statistical agencies on data impacts and work with the relevant federal research organizations to understand how the allocation of federal funds might be unintentionally impacted.

Supporting Materials

GAO Metropolitan Statistical Areas: New Standards and Their Impact on Selected Federal Programs, June 2004. <https://www.gao.gov/assets/gao-04-758.pdf>

Hammond, George W. and Brian J. Osoba. 2008. "The Growth Impact of the Metropolitan Statistical Area Designation," *Annals of Regional Science*, 42, 307-319.

Best Regards,



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