
CaRDI Reports

ISSUE NUMBER 2/SEPTEMBER 2007

Losing and Gaining Metropolitan Status: Implications for Program Eligibility, Community Image, and Local Development

By K. Whitney Mauer and David L. Brown



CaRDI Reports

ISSUE NUMBER 2/SEPTEMBER 2007

Losing and Gaining Metropolitan Status: Implications for Program Eligibility, Community Image, and Local Development

K. Whitney Mauer and David L. Brown

Table of Contents

Introduction and Objectives	1
Background	1
Comparative Profile of Counties that Gained, Lost and Retained Metro Status	2
Regional Distribution.....	2
Population Growth.....	2
Age and Race/Ethnic Composition.....	3
Socioeconomic Status.....	4
Labor and Force and Employment.....	5
Why Gaining or Losing Metro Status is Thought to Matter	7
Review of Government Studies Examining Federal Program Impacts	7
GAO's Report on Metropolitan Statistical Areas and Federal Program Administration.....	7
GAO Report on Rural Housing.....	8
HUD's CDBG Report.....	9
Concerns Voiced in Person to Person Interview with County Officials	10
Program Eligibility.....	10
Economic Impacts.....	11
Community Impacts.....	11
Data Collection.....	12
Interviews with CDBG Officials in HUD and USDA Rural Development Officials	13
Conclusions	14
References	15



Introduction and Objectives

Demographic changes experienced during the 1990s, in combination with OMB's adoption of a new core-based system for delineating metropolitan and micropolitan areas, resulted in the reclassification of 298 counties from the nonmetropolitan to the metropolitan category, and the movement of 46 previously metropolitan counties in the opposite direction (USDA-ERS, 2004). This paper examines some of the public policy implications of gaining or losing metropolitan status. As a first step in examining this question we (a) compare demographic and socioeconomic characteristics, and changes therein, of counties that lost and gained metropolitan status, (b) review literature on how metropolitan status is used to target and administer federal programs, and (c) report the results of a series of structured interviews with public officials in New York whose counties gained or lost metropolitan status between 1990 and 2000, and with federal officials responsible for administering two of the programs of particular interest. Because a county's metropolitan or nonmetropolitan status is sometimes used to determine whether it is eligible for various federal government programs, we are particularly interested in how being switched from one residential category to another affects federal program eligibility and administration. Future research might also investigate whether metropolitan status affects a county's prospects for private sector development, and in particular the attraction and/or retention of economic activities.

Background

Metropolitan expansion is a dynamic process, and official classification systems have to be flexible enough to accurately represent changes in a nation's settlement structure (Fuguitt et al., 1988). Accordingly, the U.S. metropolitan statistical areas system has been reviewed periodically since the county-based metro-

politan area concept was first introduced in 1950. The system's first review was completed in 1958, and subsequent studies have typically followed each decennial census. In 1990, the U.S. Office of Management and Budget initiated the latest and most fundamental review of its standards for classifying the nation's population with respect to metropolitan residence. The Metropolitan Concepts and Statistics Project was prompted by concerns that the existing classification system was overly complex, and burdened by ad hoc criteria. Moreover, there was concern that the existing standards were poorly understood and frequently used in inappropriate ways. A decade of study, including extensive research by the U.S. Census Bureau, commissioned papers by several well known social scientists, and abundant public comment culminated in December 2000 with the OMB's announcement of its new standards (Office of Management and Budget, 2000).

Counties were retained as the basic geographic building block even though many social scientists recommended compiling metropolitan areas from sub county units (Morrill et al., 1999). In contrast, OMB instituted a new core based statistical system which significantly changed other aspects of the nation's statistical geography. As Fitzsimmons and Ratcliffe (2004:354) have noted, "large urban centers have both form and function," and the new core-based system marginally changed the way form is determined by population size and density, while significantly changing how the extent of a city's integrative function is measured.

As of 2000, metropolitan statistical areas must have an urbanized area with at least 50,000 population. In one way, this standard is slightly more restrictive than in the past because "twin cities," neither of which has 50,000 population in its own urbanized area, but which exceed the 50,000 minimum together, are no longer eligible. In contrast, the new standards make

it easier for relatively small places to qualify as new metro central cities because the minimum density of outlying building blocks in their urbanized areas has been relaxed. Accordingly, it is now easier for such places to satisfy the 50,000 urbanized area minimum. The biggest difference between previous practice and the 2000 standards, however, involves the designation of outlying metropolitan counties. In 1990, outlying counties were determined to be part of a larger metropolitan area if they satisfied various measures of “metropolitan character,” and if at least 15 percent of their employed workers commuted to jobs in the central county (20 percent if commuting is computed in both directions).

The 2000 standard, in contrast, no longer uses the metropolitan character measures, but increases the commuting rate from 15 percent to 25 percent. Moreover, recognizing the increased importance of employment in the metropolitan periphery, an outlying county qualifies as metropolitan if 25 percent of its employed workers either commute to the central county or vice versa. In some ways this new standard is more restrictive than before, but dropping the measures of metropolitan character and recognizing the importance of “reverse commuting” provides opportunities for more outlying counties to be recognized as functionally integrated within a metropolitan area.

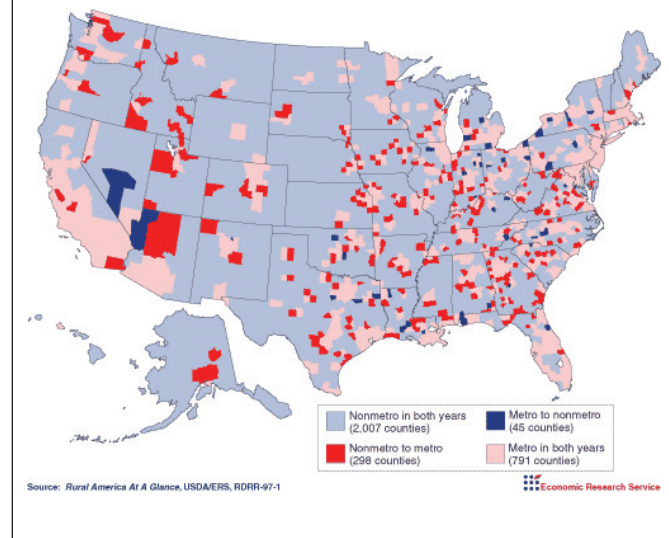
In addition, transition to the new classification system provided OMB with sufficient leverage to “demote” several pre-existing metropolitan areas whose central counties no longer fulfill the minimum population size and density criteria, or where commuting fails to reach the 25 percent minimum. As indicated earlier, 298 counties switched from nonmetropolitan to metropolitan between 1990 and 2000 while 45 previously metropolitan counties reverted to the nonmetropolitan category (Brown et al., 2004).

Comparative Profile of Counties that Gained, Lost and Retained Metro Status

Regional Distribution

In this section we describe and compare the demographic, socioeconomic and economic characteristics of counties that gained and lost metropolitan

Figure 1: Changes in Metropolitan Status, 1993 and 2003 Classifications



status between 1990 and 2000, partly as a result of OMB’s new classification system. The data in table 1 show that 8 out of 10 new metro counties qualified as metro by satisfying the commuting criteria, not because they were central counties of their own MSA’s. Peripheral metropolitan expansion was especially notable in the southern region, but almost 1/3 of new peripheral counties were in the midwest as well. In contrast, the development of new metro areas is concentrated in the south and west, with less than 1 in 5 new areas being in the midwest and northeast.

Nine out of 10 counties that lost metro status are now classified as micropolitan rather than as non-core based areas. Similar to the new metropolitan counties, they are concentrated in the south and midwest. Most of these counties were reclassified because of changes in the commuting criteria, and only a few had previously been central counties of MSA’s in their own right. Still, the fact that most transitioned to the micropolitan category indicates that they are reasonably urbanized, containing settlements with at least 10,000 population.

Population growth

Switching 298 counties from the nonmetro to metro category while only 45 counties were reclassified in the opposite direction resulted in over 7 million persons being subtracted from the nonmetropoli-

Table 1: Population Size, Change, and Regional Distribution; 2000

	Metropolitan				Nonmetropolitan			
	Ongoing		New Metro		Ongoing		Lost Metro	
	Central	Outlying	Central	Outlying	Micro	Non-Core	Micro	Non-Core
Number of Counties	598	185	62	236	630	1366	41	4
Regional Distribution								
Northeast	100	16	4	3	46	42	6	0
Midwest	155	53	8	69	227	530	13	0
South	264	108	28	143	264	582	18	4
West	79	8	22	21	93	212	4	0
Population (000)	205,843	13,440	5,258	5,014	25,946	19,696	2,856	99
Population Change (%)	15.3	25.7	21.5	14.5	1.2	1.9	4.4	14.6
Average Population (000)	344.2	72.6	84.8	21.2	41.1	14.4	69.7	24.8

Source: U.S. Census of Population, 1990-2000

tan category. Moreover, the 298 new metro counties experienced population growth far in excess of the nonmetropolitan counties left in that category during the 1990s (18% vs. 1.7%). In fact, if the new metro counties had remained in the nonmetro category, it would have grown more than twice as rapidly during the decade as it did. Comparing new metro counties with counties that were metro in both 1990 and 2000 indicates that new peripheral counties grew much slower than their counterparts that were in the cat-

egory in both decades while the opposite is true of new vs. ongoing central counties.

Age and Race/ethnic Composition

Table 2 shows data on the demographic composition of populations living in the various residential categories. These data show that both median age and percent 65+ are higher in nonmetro vs. metro counties. In addition, the age data indicate that new metro counties have a higher percent 65+ than counties

Table 2: Demographic Attributes; 2000

	Metropolitan				Nonmetropolitan			
	Ongoing		New Metro		Ongoing		Lost Metro	
	Central	Outlying	Central	Outlying	Micro	Non-Core	Micro	Non-Core
Median Age	34.7	35.9	34.7	36.8	36.6	38.4	37.4	35.6
% 65 years +	11.9	11.6	12.6	13.2	14.3	15.9	14.7	11.6
Black Population (000)	27,010	943	333	555	2,215	1,635	199	20
% Black	13.1	7.0	6.3	11.1	8.5	8.3	7.0	19.7
Hispanic Population (000)	30,775	918	433	212	1,650	846	103	2
% Hispanic	15.0	6.8	8.2	4.2	6.4	4.3	3.6	1.6
% Change Black	18.1	24.3	23.8	2.4	-6.6	-0.9	-12.1	9.8
% Change Hispanic	67.9	101.6	101.9	76.4	-14.8	30.7	105.5	230.9

Source: U.S. Census of Population, 1990-2000

that have been metro since at least 1990, and a lower median age and percent 65+ than the nonmetro population from which they were taken. This is especially true of new central counties. Moving them to the metro category undoubtedly contributed to the relatively older age structure of the current nonmetro category.

Metropolitan areas have a greater representation of racial and ethnic population than is true of nonmetro areas. While the 298 new metro counties do not contain sufficient population to alter the demographic composition of the much larger metro category, the data in table 2 show that they differ significantly from both the nonmetro category they were moved from and the metro category to which they were added. New metro central counties have a lower percent Black than is true of ongoing metro central counties, while new outlying metro counties have a much higher percent Black than counties that have been in the outlying metro category for at least a decade.

New metro counties also differ from counties remaining in the nonmetro category. For example, new central counties have a lower percent Black than micropolitan counties while new outlying metro counties have a higher percent Black. Given the relatively large number of Black persons transferred from nonmetro to metro (almost 900,000), the shift of these counties undoubtedly affected the nonmetro category's racial composition. Moreover, the new nonmetro counties have a lower percent Black than the category they have joined.¹

The distribution of Hispanic persons among the metro/nonmetro residence categories was probably not affected very much by the reclassification. About 650,000 Hispanics were moved from the nonmetro to metro category while 100,000 Hispanics were reclassified from metro to nonmetro. This exchange was not sufficient to change the Hispanic representation in metro areas unless the Hispanic representation in the new metro counties was substantially higher or lower than the category they joined.

Hispanics comprise a lower percentage of the population in new metro counties than in counties

that were already metro in 1990, but the difference is not sufficiently large to affect the category's overall composition. In contrast, withdrawing 500,000 Hispanics from the nonmetropolitan category could change that sector's ethnic composition if the percent Hispanic in the counties that were switched out is sufficiently different from the origin category. In this case, new metro central counties have a higher percent Hispanic than either ongoing micropolitan or non-core areas, but the new outlying metro areas have a smaller percentage than ongoing micropolitan counties, and an equal percentage as ongoing non-core counties. Accordingly, these excesses and deficits can be expected to counterbalance each other, resulting in little change in the nonmetro category's Hispanic composition.

It is also important to compare the relative rates of Black and Hispanic population change in the counties that were transferred into and out of the various residence categories to get a sense of what the future might bring. New metro central counties experienced relatively high rates of both Black and Hispanic growth compared with the longer term metro counties they joined, and much higher growth among both Blacks and Hispanics than the nonmetro category they left. Accordingly, moving these counties from the nonmetro category will almost surely diminish the rate at which ongoing nonmetro counties diversify their race and ethnic compositions. In contrast, the 45 new nonmetro counties experienced high rates of Hispanic growth but a steep decline in the number of Blacks. New outlying metro counties had lower rates of both Black and Hispanic change than counties that were outlying metro counties in 1990.

Socioeconomic Status

The data in table 3 show that educational attainment is somewhat higher in metropolitan than in nonmetropolitan counties, especially with respect to completion of college. However, while new central metro counties are quite similar to longer term metro counties in educational attainment, new outlying counties have markedly lower levels of education than their longer term counterparts. Educational attainment in counties reclassified from metro to nonmetro, in con-

¹ Since only 4 counties joined the nonmetro category as non-core areas it is hard

Table 3: Socioeconomic Status; 2000

	Metropolitan				Nonmetropolitan			
	Ongoing		New Metro		Ongoing		Lost Metro	
	Central	Outlying	Central	Outlying	Micro	Non-Core	Micro	Non-Core %
% Less than High School	18.8	18.3	18.8	24.3	22.2	25.5	21.3	27.7
% College Grad	26.9	21.2	22.0	13.3	16.5	13.2	15.4	14.1%
% White Collar Occupation¹	63.0	57.5	55.9	48.6	51.0	47.9	49.7	50.4
Per Capita Income²	\$20,490	\$19,225	\$18,569	\$16,670	\$16,713	\$15,807	\$17,772	\$17,272
Median Family Income²	\$50,036	\$49,361	\$45,058	\$41,258	\$40,483	\$36,878	\$42,449	\$46,613
% Families in Poverty³	8.9	6.6	9.0	10.2	10.5	12.2	8.9	12.4

Source: U.S. Census of Population

¹White collar includes management, professional, sales, office and related occupations.

²Average of county averages

³1999

trast, seem quite similar to counties that have been nonmetro over the longer term. Compared with the metro category they were extracted from, however, their education level is relatively low.

Differences in white collar employment across counties reflect the differences in educational attainment described above. This indicator is substantially lower in new metro counties than in counties that have had metro status for a decade or more, and the difference is especially pronounced between ongoing and new outlying counties (48.6% vs. 57.5% respectively). Counties that lost metro status are comparable to their new nonmetro counterparts, although their percent white collar lags behind that of the ongoing metro category from which they were taken.

Income differences between new metro counties and metro counties that have held that status for at least a decade reflect the above described differences in educational attainment and occupational status. Both new central and outlying metro counties have lower income than their longer term counterparts. Interestingly, however, while the poverty rate of new central counties is equal to that of ongoing central counties, poverty is substantially more prevalent in new outlying counties than in longer term peripheral areas. Counties that lost their metro status have somewhat higher income than longer term nonmetro counties as well as lower poverty rates.

These data show that of all the counties that switched categories, new metro outlying counties are the most dissimilar from the category they joined as a result of OMB's reclassification. They are much smaller (21,200 vs. 72,600), more slowly growing (14.5% vs. 25.7%), have almost double the percentage Black population ((13.1 vs. 7.0), have lower education, occupational status, and income, and higher poverty. *These are not typical "suburban" counties.* In contrast, counties that lost metropolitan status and joined the micropolitan category compare quite favorably with their new counterparts even though their measures of demographic composition and socioeconomic status show them to be somewhat disadvantaged in comparison with counties in their previous metropolitan category.

Labor Force and Employment

The data in table 4 focus on labor force and employment status, and dependence on various industrial categories of employment. Labor force participation and unemployment do not vary systematically across the county classes, but dependence on industrial sectors does. Compared with pre-existing metro counties, new metro counties depend more highly on extractive and manufacturing jobs, and depend less on finance. Dependence on services, retail trade and public administration is not markedly different.

Table 4: Labor Force and Employment Status; 2000

	Metropolitan				Nonmetropolitan			
	Ongoing		New Metro		Ongoing		Lost Metro	
	Central	Outlying	Central	Outlying	Micro	Non-Core	Micro	Non-Core
% Civilian Labor Force	64.2	65.5	62.1	61.2	60.6	57.7	61.1	59.3
% Unemployed¹	3.7	3.0	3.7	3.2	3.8	3.6	3.4	3.5
Industry								
% Agriculture	1.0	1.9	2.9	5.0	4.4	8.0	2.6	3.1
% Manufacturing	13.0	15.9	15.2	19.2	18.3	18.1	21.6	13.5
% Retail Trade	11.7	12.1	12.5	11.5	12.3	11.4	12.2	11.4
% Finance	7.6	6.2	4.8	4.6	4.3	3.9	4.3	4.6
% Services	43.2	38.6	42.7	34.5	38.9	35.8	37.4	36.5
% Public Admin.	4.6	4.9	4.9	5.2	5.0	5.1	4.3	8.7
% Change in Industry ('90-'00)								
% Agriculture	-92.8	-60.7	-27.5	-35.2	-35.1	-33.8	-47.9	-56.1
% Manufacturing	-15.0	0.1	-2.3	-1.2	-7.8	-5.3	-5.7	-9.2
% Retail Trade	-28.3	-7.9	-17.6	-9.7	-37.5	-32.7	-31.4	-10.7
% Finance	11.0	24.7	22.6	25.1	-1.7	1.8	11.3	25.3
% Services	30.6	40.0	37.7	35.8	24.7	25.7	28.3	31.4
% Public Admin.	9.6	22.8	21.9	22.3	14.2	15.4	9.8	24.1

Source: U.S. Census of Population

¹Unemployment is the proportion of unemployed civilians in the population of 16 and older.

Counties that recently joined the nonmetro category depend less on extractive employment than longer term nonmetro areas and depend slightly more heavily on manufacturing. Otherwise, their industrial composition of employment looks very similar to that of the category they have joined. Compared with counties that maintained their metropolitan status, those that lost theirs depend more on extractive and manufacturing jobs, have a lower percentage working in finance, and compare quite well with respect to services, retail trade and public administration.

The bottom panel of Table 4 displays data on employment change in the various industrial sectors. New central counties of MSA's seem to be retaining manufacturing and retail trade less rapidly than pre-existing central counties, and they appear to be losing employment in finance and services at a higher rate

as well. Changes in the industrial composition of new outlying counties reflect changes being experienced by longer term outlying metro counties. Comparing the two groups of micropolitan counties shows that those that are new to the category experienced stronger growth in finance, slightly higher growth in services, and lower growth in public administration. Changes in manufacturing and retail trade are quite comparable.

In summary, the characteristics of new metropolitan counties differ in important ways from the non-metropolitan category they left and the metropolitan category they joined. For example, the 236 new outlying metro counties tend to have lower indicators of socioeconomic status than pre-existing metro peripheries and new metro central counties are far less ethnically diverse than ongoing metro central areas.

However, given the number of persons transferred as a result of metro reclassification category versus category differences are seldom large enough to alter the characteristics of either origin or destination categories. Such alteration would require either a high volume of population transfer in relation to both categories, or far larger demographic differences.

Why Gaining or Losing Metro Status is Thought to Matter

Because OMB's new classification system uses different criteria than in 1990 for determining which areas are statistically classified as metropolitan, some counties were shifted from one status to another, regardless of their demographic experience during the decade of the 1990s. This gaining or losing of metropolitan status potentially affects an area's eligibility for various federal programs, development decision-making, and community identity. A number of federal programs administered by the Departments of Housing and Urban Development, Agriculture, and Health and Human Services, for example, specifically target areas that are characterized as "metropolitan," "urban," and/or "rural." In some cases, agencies are statutorily bound to use OMB metropolitan criteria for determining program eligibility. Even when statutes do not require the use of OMB's criteria, some agencies choose to employ it. Additionally, agencies frequently use metropolitan or nonmetropolitan status in determining the differential levels of funding allocated for services, programs, wages, and/or reimbursements.

An area's metropolitan status is not only relevant simply to federal agency decision makers and program administrators. Private sector economic decisions may also be informed by an area's official metropolitan status which is often seen as an indicator of overall development, effective demand, and/or as evidence that producer services and other complementary inputs are present. The citing of industries and businesses may be influenced by an area's metropolitan status or even by its proximity to a metropolitan area. Moreover, as counties and communities are shifted from category to category, the degree to which

the metropolitan status is perceived to be "gained" or "lost" may present challenges to a community's collective identity as "rural" or "urban," or as "winners" or "losers."

Review of Government Studies Examining Federal Program Impacts:

While the range of impacts resulting from OMB's new metro classification system is not yet fully known, research by the Government Accountability Office (2004) and HUD examine the new criteria's potential impacts on eligibility and administration of four different federal programs. One important conclusion is that the impact on communities that rely on federal programming based on metropolitanization or rurality is still uncertain, and will remain so until agencies decide whether and/or how to implement the OMB criteria in their program's administration.

GAO's Report on Metropolitan Statistical Areas and Federal Program Administration

After the OMB standards became effective in 2000, GAO (2004a) released a report describing the impact of the new standards on four federal programs:

- (a) HUD's Community Development Block Grant (CDBG),
- (b) The Office of Personnel Management Locality Pay Program for General Schedule Employees,
- (c) HHS's Medicare Hospital Reimbursement System, and
- (d) HHS's Ryan White CARE Act Program.

We review major findings of each study in turn.

The **CDBG** program is designed to enhance housing, economic opportunities, and living environments for low to moderate income people living in urban areas. Communities that meet HUD criteria for entitlement receive an allocation of money from the agency without having to compete with other communities. The criteria used to determine entitlement eligibility are statutory and contain reference to a city or county's inclusion in an OMB-defined metropoli-

tan statistical area. Predictably, the GAO report indicates that the number of cities and counties eligible for CDBG entitlement funding has increased since the new standards were announced. Moreover, the report indicates that cities that had established eligibility for two years would *remain eligible regardless of whether they currently fulfill the standards*. However, since CDBG appropriations have not increased, the amount of funds available to each entitlement community has decreased. Of course, this would have been the case even if the metro area classification had not changed because many of the new metro counties would have undoubtedly been reclassified under the existing rules.² In contrast, some would have remained in the nonmetro category, and their inclusion as metro has exacerbated this problem.

The **Locality Pay Program** which adjusts federal employee pay according to local pay rates will use the revised metropolitan statistical areas to determine the pay rates of federal employees working in metropolitan statistical areas. It will not use micropolitan areas for this determination. The GAO report indicates that over 5000 employees would be added to existing locality pay areas, but it did not address whether employees in areas that lost metropolitan status would have their pay reduced to conform with lower overall wage rates in nonmetropolitan areas.

Medicare reimbursements are determined by hospital wage indices calculated for specific geographic areas, and are intended to reflect variations in labor costs across the country. Consequently, because nonmetropolitan areas tend to have lower wage rates, hospital reimbursement rates are lower in nonmetropolitan areas than in their metropolitan counterparts. As such, HHS payments to hospitals in counties that changed metro categories are likely to be affected by the new standards since the gain or loss of metropolitan status may affect wage indices used to determine their prices for services. However, the program contains procedures to adjust reimbursement wage indices to account for proximity to higher wage areas

so that hospitals in lower wage areas are competitive for labor. Hence, this report does not necessarily anticipate an automatic downgrade in reimbursement simply because a hospital is now located outside of a metropolitan area. In other words, while new metro areas are likely to see their reimbursement levels rise, previous *outlying* metro areas that are now nonmetro areas will probably not experience any change because they are still located near to a metropolitan area. In contrast, the four nonmetro counties that had previously been central counties of their own metropolitan area may experience a decline in reimbursement levels.

Of the four programs that GAO examined, the **Ryan White CARE Act** was the only one that is not likely to be affected by the OMB change. The Act provides funds for health and support services for individuals and families in urban areas. Since 1996, the Act has established its own criteria, resulting in 51 fixed eligible metropolitan areas whose eligibility will remain unaffected by the new OMB standards. Additionally, no new areas have become eligible for the funds under the new standards.

GAO Report on Rural Housing

In December 2004, GAO conducted a study to examine the effects of changing definitions of “rural” on USDA’s Rural Housing Service programs. Although the statutory conditions for eligibility focus on population size, there is also a requirement that the community not be included in an OMB-defined metropolitan statistical area. The report indicates that this regulation excludes areas that are part of an MSA, even if they are otherwise similar to eligible areas. However, the report also indicates that the program allows for the “grandfathering” of communities up to 25,000 that are “rural in character” and have a lack of credit criteria. The RHS requirement is only one example of the inconsistent use of multiple definitions of “rural” eligibility and administration standards throughout the USDA’s Rural Development programs. The report also points out that OMB cautions against the use of MSAs for funding formulae. GAO further recommends that USDA use density measures based on the

² Todd Gardner at the Census Bureau is applying metro area standards to past census data to determine which counties would have been reclassified under the old rules, and which counties that were reclassified would not have been if the rules had not changed.

Census Bureau's urbanized areas and urban clusters to provide more consistent determinations of rurality in administering its programs.

HUD's CDBG Report

In 2005, HUD prepared a report assessing how well the current CDBG formula, and three alternative formulae, identify community need. HUD uses the OMB's classification of metropolitan and nonmetropolitan counties to determine entitlement eligibility and to determine allocation levels. As such, the new metropolitan classification is likely to affect all of the formulae iterations. According to the GAO publication, the major impact for CDBG will be on the determination of eligibility. The report notes that while the new metro area criteria created new eligible areas for entitlement, not all of them have elected to become entitlement communities. Additionally, while more grantees have entered the pool for the 70% of CDBG funds available for entitlement grantees, the remaining 30% of CDBG funding is available on a competitive basis for non-entitlement communities that now serve fewer people as a result of OMB's reclassification of some previously ineligible nonmetropolitan counties into the entitled metropolitan category. In other words, some newly eligible communities are *betting* that they will do better competing for the non-entitlement funds than from obtaining a guaranteed share of a shrinking pool.

The impact on CDBG entitlement funds is particularly significant in New England where towns have given way to counties as the basis for determining metropolitan status. This means that there are several counties in New England that now meet the CDBG eligibility requirements for entitlements. The report indicates that the new criteria as applied to 2000 census data creates no other new counties eligible for the entitlement, "but because the New England counties are so large, a potential exists for their inclusion in the formula to have a major effect" (p. 86). In other words, since the total funds available for all entitlement communities has not changed, some communities would see a decrease in the amount they receive from CDBG in order to provide funds for the newly eligible New England counties. While none of

the newly eligible New England counties had become CDBG entitlement grantees by FY 2004, 72 other newly eligible counties have assumed their entitlement status, 62 of which became entitlement grantees in 2004. This increase is a result of OMB's shift from using "central cities" as an organizing concept for metropolitan areas to the use of urbanized areas and urban clusters.³ The increase in the number of entitlement cities has resulted in a relatively high collective negative impact on the average amount of CDBG funds available to any particular city for a single year.

Even before the new OMB metro area changes were instituted, the CDBG program was actively "grandfathering" communities that have lost entitlement eligibility if their population size dipped below the threshold set in the entitlement eligibility. Accordingly, counties losing entitlement eligibility because of the OMB's new metro area rules may also be able to remain an entitlement grantee even though they no longer meet the current standards for eligibility. The report indicates that four cities will be grandfathered, while nine will be considered "principal cities" in micropolitan areas, and two will be considered part metropolitan and part micropolitan.

The final impact of the OMB change on the CDBG program is on the mechanics of the CDBG formula. Since poverty, population, housing, and overcrowding are computed based on an area's share of the OMB-defined metropolitan area, they are affected by any change in the OMB definition. Overall, each community would expect a decrease in available funds as long as the CDBG appropriations remain constant. However, the exact effect on each community will depend upon the formula alternative adopted by HUD. The report notes that the factor upon which each

³ Under the 2000 standards, OMB began to use the term "principal cities" rather than "central cities" to name MSAs. According to the Final Report and Recommendations from the Metropolitan Area Standards Review Committee to the OMB, the term "principal cities" was preferred over "central cities" to avoid confusion since "central city" has been associated with "inner city". Additionally, the committee recommended that principal cities be used to name MSAs in recognition of certain cities functioning as centers for employment and trade, despite the new focus on urban clusters and areas for qualification as an MSA.

community is funded can help predict how the new OMB standards will affect their share of entitlement funds since the variable acts as a denominator for determining allocations. For example, communities funded primarily based on overcrowding (smallest denominator) would receive increased funding while those based on poverty (largest denominator) would experience a decrease.

All three of these reports indicate that the new OMB standards for classifying metropolitan areas may effect federal program eligibility determinations and benefit levels. However, the impact itself may be minimized since programs all contain administrative procedures, such as grandfathering, to adjust for counties and cities that were reclassified as a result of the new standards. Overall, since procedures for statutory change may be more complex than those guiding regulatory change, the potential effects of the OMB change are probably more salient for programs that are statutorily bound to use the official metropolitan area categories for eligibility and benefit determinations. In contrast, the effects will probably be less for programs bound by regulations. Furthermore, the impacts may be differentially experienced among counties gaining or losing metropolitan status because while some will gain or lose eligibility others will succeed in being grandfathered. The chances of grandfathering, however, will be a possibility in some programs but not in others.

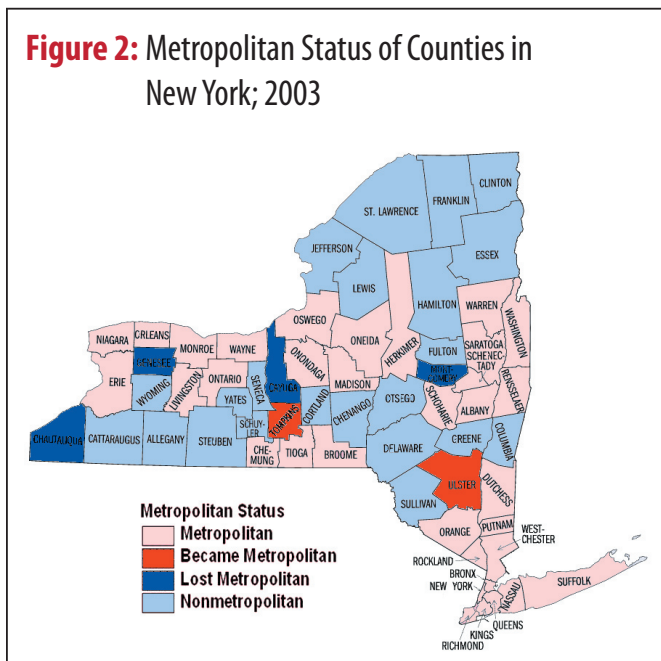
Concerns Voiced in Person to Person Interview with County Officials

In May 2005, we conducted face to face interviews with elected and appointed officials in the six New York counties that had gained or lost metropolitan status as a result of the 2000 census. Four of the counties lost metropolitan status, one of which was previously a central county. The other two counties gained metropolitan status, both as new central counties. (See figure 2) We spoke with county executives and administrators, as well as with planners and other county staff. For the most part, planners and professional staff members were more aware of the OMB changes to metropolitan classification than were executives, administrators, or elected officials. Since staff were involved in program implementation, they were better equipped to envisage and comment on the potential impacts of the change on their counties. A number of themes emerged in the interviews regardless of whether the particular county had gained or lost metro status. Exact concern, of course, varied between communities. As might be expected, officials in the new metro counties were generally more positive about their changed status than were those who lost metropolitan status.

Program Eligibility

Our interviews confirmed that county officials were apprehensive about how the new OMB standards might affect their eligibility for and amount of funds and services received from government agencies. Interestingly, these apprehensions were somewhat less pronounced among professional county staff than among county executives, administrators, and elected officials. Perhaps the symbolic value of gaining or losing status is more salient to the latter, especially those who must stand for election or promote the area to outside interests. Communities that had lost metropolitan status were particularly concerned about the effect on CDBG entitlements. They were generally uncertain if they would be grandfathered or if the amount of money they received would change. Counties that lost metropolitan status were also concerned if their new designation would communicate a lowering of status and affect competitiveness for other programs or grants from states, the federal

Figure 2: Metropolitan Status of Counties in New York; 2003



government, or private sources. Officials in new metropolitan counties voiced some concern about losing eligibility and allocations from USDA's Rural Development programs, but all of these officials believed that the *rural areas within their counties* would continue to receive RD funds. In the counties that lost metropolitan status there was hope that the change would benefit their RD eligibility and funding. Officials of all the counties expressed concern that the new OMB standards would affect Medicaid reimbursement, since the local match in New York comes directly from counties.

Economic Impacts

County officials also speculated that the new metropolitan standards could have economic impacts if used by corporate or private interests in industrial or business location decisions. For counties that lost metropolitan status this impact was generally assumed to be negative. In contrast, in Ulster County, a new metropolitan area in the Hudson Valley, the impact was thought to be potentially in their favor. In Tompkins County, another new metropolitan area, there was more concern about how to increase rural incomes than for creating new jobs in the county. In counties that lost metropolitan status, there were concerns that a loss of metropolitan status might negatively affect advertising rates if the change is assumed to reflect changes in newspaper readership.

Most of the county officials we interviewed indicated that the social and economic forces affecting their county's development trajectory would affect their county's well being regardless of any changes in their statistical designation as a metropolitan or non-metropolitan area. According to the county officials, *the pace and direction of growth or decline had been occurring before the OMB standards became effective and would continue regardless of their metropolitan status or change therein*. For example, in the areas that lost metropolitan status, county leaders indicated that jobs were oriented away from their counties, but not toward a single metropolitan statistical area. The two new metropolitan areas differed in patterns of growth, but officials in both places agreed that their futures depended on long term development trends not on government programs or regulations. In Ulster County, officials indicated that even though

their county is a new MSA central county, most of its growth was oriented toward New York City because of its proximity, the availability of mass transit, and with an influx of new residents post-9/11. Tompkins County, another new MSA central county, is experiencing internally oriented growth, not metropolitan spillover.

The linkage to other communities as indicated by Ulster County's connection with New York City, was shared by most of the counties that lost metropolitan status. Three of these counties lost status because of changes in the commuting criteria, but of course their change of metro status does not signify any change in where their residents work. Unlike Ulster County with its influx of residents from the New York MSA, counties that lost metro status indicated that their commuting was split between multiple labor markets, thereby reducing their rate below the 25 percent criteria with any particular MSA. Moreover, in the three peripheral counties, and the new metropolitan Ulster County, officials described their counties' cost of living being directly affected by the cost of living and housing costs as in surrounding metropolitan counties.

Community Impacts

In terms of community image and identity, most county leaders indicated that their community had an independent identity that was not related to their linkages with surrounding counties. The exception was Montgomery County, which identified itself as a "bedroom community" to the nearby Albany MSA, and marketed this identity to attract residents and business. For this community, the loss of metropolitan status diminished its sense of being part of the greater Albany area. Similarly, Chautauqua County had been an MSA central county and was reclassified as micropolitan. The Chautauqua County officials we interviewed were displeased with the reclassification, seeing it as a "downgrade". The county was described as having an "urban flavor" that the new standards failed to recognize. Ironically, the loss of metropolitan status was received as an affirmation of autonomous community identity in other instances. Cayuga and Genesee County leaders described the new micropolitan status as better reflecting their unique character as something distinct from nearby Roches-

ter and Syracuse MSA's. This sentiment was shared by the new MSA county officials. Each county described itself as a being composed of a mixture of urban and rural qualities, and loss or gain of metro status is not likely to change these images.

Data Collection

One important concern mentioned by almost every county was the impact that the new classification system would have on how data are collected by the Census Bureau's American Community Survey (ACS). The two counties that gained metropolitan status believed that their new status would benefit them because they would receive population survey data every year. Since both counties are central to their own MSA's, the data will be specific to their communities. Officials in counties that lost metropolitan status had mixed reactions on data issues. In counties that had been peripheral parts of MSA's, there were positive reactions to the prospect of receiving ACS data for their

counties that would not be combined with surrounding larger MSA counties. However, there was also a concern that the ACS would only provide data every three years instead of the yearly population survey data they would have received as part of a MSA. A related concern was the effects that the data would have on economic and policy decisions and outcomes. For example, the availability of county level ACS labor statistics may affect labor negotiations in a county. It is important to note that we did not attempt to steer the conversation toward these data availability issues. The data issue was clearly on the county officials, and especially the planners, agendas, and we did not have to encourage them to start the conversation.

In conclusion, in the six New York counties where we conducted interviews, there is an awareness of both the change in OMB's criteria for metropolitan classification and its potential for impacts within the county. Those officials, such as planners, who are directly responsible for implementing programs were

Figure 3: County Officials' Perceptions of Implications of Gaining or Losing Metropolitan Status

	Gained Metro Status		Lost Metro Status	
	Concerns	Possible Opportunity	Concerns	Possible Opportunity
Program Eligibility	Some concerns about losing USDA Rural Development Eligibility	Possibly new sources of funds	Concerns about CDBG Entitlements	
Funding Levels	More claims on stagnant pool of funds	Confidence that RD funds will not be affected	Concerns about declines in funding levels	New eligibility for funding from USDA Rural Development
Community Image		Higher status Affirmation of community Identity as metropolitan	Viewed as a downgrade	Reflects unique community character and independent status
Economic Development		Greater purchasing power to attract new business/industries and residents	Diminished competitiveness with metro counties Negative effects on the citing of businesses/industries Reduced advertising rates	Market to particular niche
Data Availability		Yearly data from ACS Community specific data	Less frequent data Effects of data on labor negotiations	Community specific data

much more likely to be familiar with statistical designation of metropolitan status and its uses for eligibility determinations, benefit levels, and data collection than were the executives, administrators, or elected officials. Some anxiety was expressed regarding the potential impacts of the changes, but county officials were unable to foresee the range or degree of the effects. As Figure 3 demonstrates, county officials believed that reclassification into or out of the metropolitan category may have some impacts at the margins of some functional areas. The concerns and potential opportunities varied according to whether the county had gained or lost metro status, with officials in counties that lost metro status voicing the most concerns, and officials in counties that gained metro status anticipating the most potential benefits. *Nevertheless, the metro reclassification issue did not seem to be a high priority for the counties.* The issues of most importance to county leaders seemed to be quality of life, cost of living, jobs and income, patterns of growth or decline, and community character. While these issues overlapped with county officials' perceived effects of OMB's metro classification system, they believed that metro reclassification was unlikely to affect the general development trends in their counties.

Interviews with CDBG Officials in HUD and USDA Rural Development Officials

Our review of government studies, and the county interviews conducted in New York, revealed a number of general concerns about changes in the OMB criteria that reflect the potential for impacts on eligibility determinations, benefits, and data availability. The literature indicates that program impacts may be limited by the procedures that programs have in place for grandfathering or adjusting benefit levels for those counties reclassified as a result of the new standards. While the OMB metropolitan area changes are on counties' *radar screens*, other concerns take primacy over reclassification as it is viewed as having only limited impacts in some program areas. To examine more closely this preliminary assessment of the OMB impacts on federal programs, we spoke with officials at HUD and USDA Rural Development

in August 2005 to find out more about how they anticipate using the new OMB criteria to administer their programs.

HUD's Technical Assistance Policy Director reiterated the GAO report's findings. She emphasized that new counties and cities would become eligible for entitlement funds each year despite any changes to the OMB criteria because of population growth in urban areas. She believed that those areas create the majority of the impact of CDBG allocations, rather than those that were added because of the OMB classification. When asked about the "grandfathering" mechanism for areas that have lost metro area status, she replied that for a city or county to retain continued designation as an entitlement grantee, the communities must have been an entitlement grantee for two years prior to losing eligibility status. She explained that entitlement programs for counties are administered on a three-year basis, meaning that any county that has been a grantee will be able to retain entitlement eligibility. She remarked that *loss of entitlement eligibility is more likely to be affected by population decline than by the OMB changes to metropolitan classification.* Furthermore, communities that are no longer eligible for entitlement funds can apply through their states for competitive CDBG funds. As indicated earlier, they may actually be better off doing so than obtaining a guaranteed share of a constant sized pool of funds with an increased number of entitled claimants.

In reference to changes in data generated through the American Community Survey, the HUD official indicated that the ACS data, despite community concerns, could be beneficial if they reveal community needs that are not being addressed. She stressed that identifying disparities between community needs and program provisions can enable communities and program administrators to better target local needs. She explained that since the CDBG eligibility criteria are mandated statutorily, changing them would prove difficult. Accordingly, the OMB changes will not have a significant impact on the CDBG because MSA status matters less than population levels in determining eligibility and funding.

Another HUD official from Systems Development and Evaluation further elaborated on the effects of the new OMB standards on CDBG allocations. She indi-

cated that while population was indeed the primary criteria for determining eligibility, the new standards for metropolitan status could affect the annual income limits set for determining what is considered “low” or “moderate” income. Since the CDBG program targets low to moderate income urban areas, OMB criteria changes may have indirect impacts on reclassified areas if annual income limits are changed. This change would be felt more in areas where annual income limits for eligibility are low relative to the area’s fair market rent. Annual income limits for FY 2005 did not reflect the new OMB standards, but this could change in the future.

We also interviewed a program administrator with the USDA Rural Development office. He observed that the OMB criteria should have little effect on Rural Development programming or eligibility. However, it is important to note that the GAO Rural Housing report indicated inconsistencies throughout RD’s programs in defining “rural”. In some cases, programs used MSA status to determine ineligibility while others used criteria that did not reference any of the statistical categories affected by the OMB changes (metropolitan, micropolitan, non-core based). This official stated that at present rurality is often based on population thresholds that do not accurately reflect the rural or urban character of areas. However, RD is in the process of reassessing the measures used to define “rural” in an attempt to develop more consistent, “objective, scientific, and equitable” measures. He pointed out that in some RD programs criteria are statutorily defined whereas others are defined through agency regulations. Those with statutory criteria are much more difficult to alter than those that have been defined through regulation. He also cautioned that even new regulatory criteria proposed would ultimately need to be approved by OMB. Nevertheless, he observed that there is always some “wiggle room” permitting communities to retain eligibility for various programs.

The interviews with HUD and USDA officials further substantiated much of what we had already learned in our literature review and in our interviews with New York county leaders, e.g., that OMB’s new metropolitan classification system may have some impacts, limited by each program’s ability to make adjustments for areas that have been reclassified

based on the new standards. Like the county officials, HUD and USDA officials were unable to predict the extent to which the changes would affect programs or individual communities. The representatives for both agencies downplayed concerns about eligibility, with one HUD representative focusing more on the potential effects on program allocations. At the present time, HUD’s CDBG program has not chosen which formula alternative to implement further hindering our ability to forecast the impacts associated with the new metropolitan classification system. Within USDA’s Rural Development programs, the changes may be less salient, particularly in those programs that are not statutorily bound to use the OMB metropolitan category for eligibility determinations. In both agencies, it is unclear how or even if the OMB categories will be used to formulate allocations to grantees. Nevertheless, there are potential impacts for communities arising from the OMB changes to designation of metropolitan status, but these impacts will vary from program to program and community to community. Just as county officials believed that their counties’ futures would be more affected by current development trends than by metropolitan classification, eligibility and allocations for HUD’s CDBG program and for USDA’s Rural Development programs may also be more strongly affected by the trends in communities than by how they are statistically classified.

Conclusions

We began this research to examine how the most recent changes in OMB’s metropolitan area standards might be affecting places that were reclassified from nonmetropolitan to metropolitan or vice versa between 1990 and 2000. This is a recurring question because metropolitan reclassification is a continuing process reflecting the nation’s ongoing urbanization. (Fuguitt et al., 1988). However, it is particularly salient at the present time because OMB’s new metropolitan area standards came after a decade of study that resulted in a fundamental alteration of the criteria used to determine whether areas are classified as metropolitan or nonmetropolitan.

The metropolitan category increased by 253 counties as a result of this regulatory change (298 non-metro to metro and 45 metro to nonmetro), and over

7 million persons were added to the metro category (10.3 million switched from nonmetro to metro, and about 3 million reverted from metro to nonmetro). However, it is important to remember that many of these counties would have transferred categories regardless of changes in OMB's rules because of their underlying patterns of demographic and economic change. Accordingly, while OMB's new rules are important, they reflect underlying patterns of urban expansion [or urban decline], and are not a fundamental cause of it. This observation is essential for understanding how localities are being affected by the new OMB classification system. The system is on their radar screens, but it is not a particularly high priority. Local planners and officials understand that their current and future quality of life is contingent on fundamental economic development processes that produce and retain employment and enhance incomes. In addition, they recognize that quality of life is affected by changes in social structure that generate and retain social surplus that can be invested in infrastructure and effective institutions, include diverse populations in community affairs, and provide widespread access to human capital enhancing institutions

such as education and health care. They understand that changing metro status may alter their eligibility for one or another program, affect the amount of money they receive from certain programs, increase or decrease the amount, frequency and nature of data they receive to support their planning and decision making activities, and even change their images in ways that may affect their prospects for attracting or retaining businesses. We do not want to underestimate the importance of these potential changes for local planning, management and development, but they are not typically the most critical factors affecting an area's development trajectory. Nor are they the most salient aspects of community identity. County officials' perceptions of their communities appear more contingent on their observations of the local area than on any statistical classification system. Accordingly, while we conclude that social scientists should continue to examine how the process of metropolitan reclassification affects local growth and development, we believe that such study should be considered as one part of a broader investigation of factors associated with uneven development and spatial inequality. ♦

References

- Brown, D.L., J. Cromartie and L.J. Kulcsar. 2004. "Micropolitan Areas and the Measurement of American Urbanization." *Population Research and Policy Review*. 23(3): 319-418.
- Fitzsimmons, J and M. Ratcliff e. 2004. "Reflections on the Review of Metropolitan Area Standards in the United States, 1990-2000." Pp. 347-362 in T. Champion and G. Hugo (eds.) *New Forms of Urbanization: Beyond the Urban-Rural Dichotomy*. Aldershot: Ashgate.
- Fuguitt, G. T. Heaton, and D. Lichter. 1988. "Monitoring the Metropolitanization Process." *Demography*. 25(1): 115-128.
- Morrill, R., J. Cromartie, G. Hart. 1999. "Metropolitan, Urban and Rural Commuting Areas: Toward a Better Depiction of the United States Settlement System." *Urban Geography*. 20(8): 727-748.
- Office of Management and Budget. 2000. "Standards for Defining Metropolitan and Micropolitan Statistical Areas; Notice. *Federal Register*. 65(249):82228-82238.
- USDA-ERS. 2004. *Rural America at a Glance*. RDRR 97-1. available at <http://www.ers.usda.gov/publications/rdr97-1/changesnonmetrometrostatus>.
- U.S. Department of Housing and Urban Development. 2005. *CDBG Formula Targeting to Community Development Need*. Washington, D.C.: Office of Policy Development and Research.
- U.S. Government Accountability Office. 2004a. *Metropolitan Statistical Areas: New Standards and Their Impact on Selected Federal Programs*. (GAO-04-758) Washington, D.C.: USGPO.
- U.S. Government Accountability Office. 2004b. *Rural Housing: Changing Definition of Rural Could Improve Eligibility Requirements*. (GAO-05-110) Washington, D.C.: USGPO.

Acknowledgements

This research was supported by USDA Multi-State Research Project W-1001, "Rural Population Change."

