

MSA Designation: Possibilities And Impacts For Fairmont And Marion County West Virginia

Prepared for the
Fairmont-Marion
Metro Government Charter Review Committee

By

George W. Hammond, Ph.D.
Anthony Gregory, Graduate Research Assistant

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Bureau of Business and Economic Research
College of Business and Economics
West Virginia University

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Executive Summary

The MSA Designation and Fairmont

The federal Office of Management and Budget (OMB) utilizes data and analysis from the Census Bureau to produce its designations of metropolitan statistical areas (MSAs). First, the OMB uses urbanized areas – defined by the Census Bureau as urban areas with 50,000 or more residents– to serve as the population core for a metropolitan statistical area. The county in which the urbanized area resides now becomes the core county of the specific metropolitan statistical area. Next, the OMB uses labor force commuting data to incorporate surrounding counties which are highly integrated with the core county. Micropolitan statistical areas are similar in spirit to MSAs, but are based around urban areas, called urban clusters, of between 10,000 and 49,999 residents.

According to the Census Bureau, the city of Fairmont had an estimated 19,049 residents in 2005, down slightly from the 2000 population figure of 19,097. Fairmont city makes up a large part of the Fairmont urban cluster, which had a total population of 36,358 in the 2000 Census. The Fairmont urban cluster encompasses all or portions of several surrounding towns, including: Barrackville, Enterprise, Grant Town, Monongah, Pleasant Valley, Rivesville, Shinnston, and Whitehall. Since Fairmont is classified as an urban cluster by the Census Bureau, Marion County is then identified by the OMB as a micropolitan statistical area. The total population of Marion County in 2000 was 56,598 and an estimated 56,509 in the 2005 population estimates.

OMB's designation of an area as a metropolitan statistical area is first dependent upon the Census Bureau's urban definitions. Therefore the key distinguishing factor for a metropolitan statistical area is the size of the *urban* population, not the total population. An area with a population of 50,000 does not qualify as a metropolitan statistical area unless those 50,000 residents are defined as an urban population through the Census Bureau's technique (see below for details).

Further, urban areas, whether urbanized areas or urban clusters, are built up from contiguous (or nearly contiguous) blocks or block groups with minimum population size and minimum population density. Qualifying blocks typically consist of at least 2,500 residents and 500 people per square mile.

Consolidation of Fairmont city and Marion County would not affect the relevant urban population because the merger would not affect the population density statistics of the blocks or block groups. Therefore, the Fairmont urban cluster would not be directly affected by consolidation.

The Economic Impact of the MSA Designation

The federal Office of Management and Budget's (OMB) periodic release of updated metropolitan statistical area (MSA) definitions frequently garners significant attention from local economic development professionals and policymakers. The interest is grounded in the common belief that the designation of a region as a new MSA will spur its subsequent growth. Arguments supporting this view typically point to three ways in

which the MSA designation may spur growth: 1) the newly designated MSA may be better positioned to draw down federal funds for transportation and economic development, 2) the MSA designation may increase the amount and detail of economic information provided by federal and state statistical agencies on the region, and 3) the MSA designation may raise the marketing profile of the region, particularly with respect to national or multi-state site selection searches.

With respect to federal funding, there are two main funding sources that are frequently cited as being affected by the MSA designation: federal transportation and highway funds, as well as Housing and Urban Development (HUD) funds through the Community Development Block Grant (CDBG) program. However, federal economic development funds from the USDA Rural Development program may be put at risk by the MSA designation.

Empirical results developed in Hammond and Osoba (2007), using a sample of 70 MSAs designated between 1980 and 1999, suggest that there is no long-term impact of the MSA designation on employment growth or per capita personal income growth. However, they do find evidence of a positive employment growth impact that reaches its peak within five years of designation and then fades away. They also find some evidence of long-term impacts for population growth, although they note that it is difficult to pin down causation for this indicator, since it is used in the MSA designation process.

Federal Statistical Classification Systems For Urban/Rural And Metropolitan/Non-metropolitan Areas

The U.S. Census Bureau and Office of Management and Budget (OMB) use different methods to categorize densely populated areas in order to provide Federal statistics and data for use by government agencies to aid program applications.

The Census Bureau relies on an urban versus rural delineation that is based upon population density statistics and distance from a 'core' dense populated area. Moreover, these delineations do not depend on political boundaries. The Office of Management and Budget, on the other hand, focuses on grouping highly integrated areas – defined using commuting data – into a metropolitan versus non-metropolitan distinction that can, by Census standards, encompass both urban and rural lands. Furthermore, the OMB's definition typically follows county boundaries.

While the agencies differ in their classification methods, a relationship does exist between the two approaches. The OMB uses the Census Bureau's urban classification system as the first crucial step in order to designate micropolitan and metropolitan statistical areas.

Census Bureau – Urban vs. Rural

The Census Bureau attempts to separate urban areas from those which are rural. In order to do this, an urban core is first found at the Census 'block' level (a block is a small geographic division) which typically consists of at least 2,500 residents and 500 people per square mile. Then, the Bureau moves outwards in concentric fashion to identify other, contiguous qualifying blocks or block groups that meet their minimum population density requirements per square mile. Non-contiguous blocks up to 2.5 miles away can be added, provided those also meet the required density levels, although several stipulations exist regarding the areas between the core and the non-contiguous area. This procedure is summarized in greater detail in Isserman (2005).

After grouping the blocks and block groups in this fashion, the Census Bureau then classifies the region based upon population levels, which are now considered urban population levels. If an urban area encompasses at least 10,000 and up to 49,999 residents, it is classified as an 'urban cluster.' When the population of the urban area reaches or exceeds 50,000, the urban area becomes an 'urbanized area.' In summary, population density and distance from a dense population core help define the Census Bureau's urban area classification. Any lands not included in this urban area – meaning those which do not meet minimum density requirements – are classified as rural areas, regardless of political boundaries.

Office of Management and Budget – Metropolitan vs. Non-Metropolitan

The Office of Management and Budget utilizes data from the Census Bureau and labor force commuting patterns to distinguish metropolitan areas from non-metropolitan areas. First, the OMB identifies urban areas – as defined by the Census Bureau above – to serve

as the population core for a metropolitan area. An urban area with 50,000 or more residents, which is termed an ‘urbanized area,’ is the starting point of a metropolitan statistical area. An urban area with at least 10,000 but less than 50,000 residents is referred to as an ‘urban cluster,’ and is identified as a micropolitan area. The county in which the urban area resides now becomes the core county of the specific metropolitan or micropolitan area.

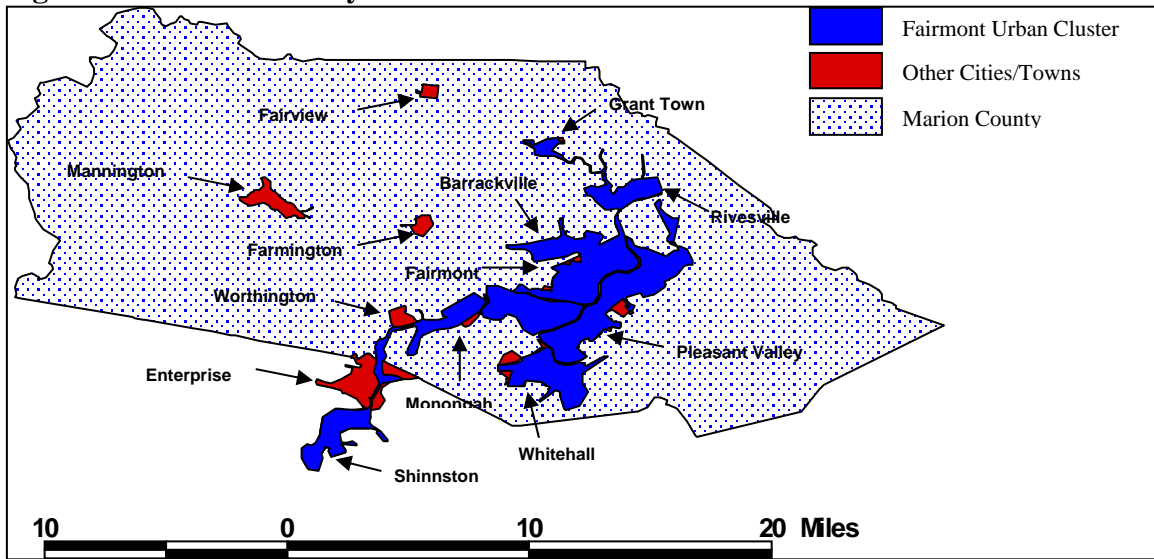
Next, the OMB uses labor force commuting statistics in order to incorporate surrounding counties which are highly integrated with the core county of the metropolitan/micropolitan area. An adjacent county is added if 25% or more of its employed residents work in the metropolitan/micropolitan area, or if 25% or more of the jobs in the adjacent county are filled by commuters from the metropolitan/micropolitan area. Furthermore, other adjacent counties are included, moving in an outward fashion from the core county, until no other counties are able to meet the 25% commuting threshold.

Thus, we now have two distinct delineation procedures: that of the Census Bureau which relies on population density statistics and distances to separate urban and rural areas, and that of the OMB which utilizes the Census’ urban definitions and incorporates employment commuting data in order to identify metropolitan regions which have high levels of integration. Therefore, the Census Bureau separates urban from rural, while the OMB distinguishes metropolitan from non-metropolitan. Moreover, the OMB definition relies upon county boundaries, which is not true of the Census Bureau’s procedure, and can encompass both urban and rural areas.

Population Of Fairmont And Marion County

According to the Census Bureau, the city of Fairmont had an estimated 19,049 residents in 2005, down slightly from the 2000 population figure of 19,097. Fairmont city forms the core of the Fairmont urban cluster, which had a total population of 36,358 in the 2000 Census. As Figure 1 shows, the Fairmont urban cluster encompasses all or portions of several surrounding towns, including: Barrackville, Enterprise, Grant Town, Monongah, Pleasant Valley, Rivesville, Shinnston, and Whitehall. Since Fairmont is classified as an urban cluster by the Census Bureau, Marion County is then identified by the OMB as a micropolitan statistical area. The total population of Marion County in 2000 was 56,598 and an estimated 56,509 in the 2005 population estimates. Table 1 below summarizes population data for Marion County and Fairmont.

Figure 1 – Marion County and the Fairmont Urban Cluster



Fairmont-Marion: Micropolitan Or Metropolitan?

As outlined earlier, the OMB’s designation of an area as a metropolitan or micropolitan area is first dependent upon the Census Bureau’s urban definitions. That is, an urban cluster serves as the basis of a micropolitan area and has an urban population of at least 10,000 but less than 50,000 residents. On the other hand, a metropolitan area begins with an urbanized area which counts an urban population of at least 50,000 residents. Therefore the key distinguishing factor between a micropolitan and metropolitan is the size of the *urban* population, not the total population. An area with a population of 50,000 does not qualify as a metropolitan statistical area unless those 50,000 residents are defined as an urban population through the Census Bureau’s technique.

How would a merger between Fairmont city and Marion County change the current micropolitan designation? In short, it would not. The merger would not affect the urban population of Fairmont, because the merger would in no way affect the population density statistics of the city nor those of the surrounding towns/locations. Therefore, the Fairmont urban cluster would remain unchanged

In order to qualify as a metropolitan area, the Fairmont urban cluster would have to add roughly 14,000 *urban* residents before qualifying as an urbanized area, and subsequently, a metropolitan area. The urban population must grow primarily to satisfy the Census Bureau’s population density and distance requirements, which then affects the area’s micropolitan/metropolitan status. That is not to say that Fairmont’s total population would not change. If the city-county consolidation is structured so that Fairmont’s boundaries encompass part or all of the county, Fairmont’s absolute population would likely increase. However, the urban population, relying on persons per square mile, would be unaffected.

Table 1: Population Data For Marion County

Marion County, W.Va.

2005 Census Population Estimate: 56,509

2000 Census Population: 56,598

Fairmont, W.Va.

2005 Census Population Estimate: 19,049

2000 Census Population: 19,097

Fairmont Urban Cluster

2000 Census Population: 36,358

Fairmont Urban Cluster Locations (2000 Populations)

Barrackville – 1,288

Enterprise – 939

Grant Town – 657

Monongah*- 939

Pleasant Valley – 3,124

Rivesville – 913

Shinnston – 2,295

Whitehall – 595

*-Entire location may not be included within Fairmont Urban Cluster

Other Marion County locations:

Fairview – 435

Farmington – 387

Mannington – 2,124

Worthington – 165

Source: U.S. Census Bureau

Economic Impacts of the Metropolitan Statistical Area Designation

This section is drawn in full from Hammond and Osoba (2007).

The federal Office of Management and Budget's (OMB) periodic release of updated metropolitan statistical area (MSA) definitions frequently garners significant attention from local economic development professionals and policymakers. The interest is grounded in the common belief that the designation of a region as a new MSA will spur its subsequent growth. Arguments supporting this view typically point to three ways in which the MSA designation may spur growth: 1) the newly designated MSA may be better positioned to draw down federal funds, 2) the MSA designation may increase the amount and detail of economic information provided by federal and state statistical agencies on the region, and 3) the MSA designation may raise the marketing profile of the region, particularly with respect to national or multi-state site selection searches.

This widespread perception that the MSA designation influences region growth is reflected in the press and in the efforts of public officials to achieve the designation. Indeed, according to El Nasser and Glamser (1996) the Pocatello, Idaho and Idaho Falls, Idaho went to the trouble of disputing Census population estimates so that the areas could qualify for the MSA designation. The Pocatello appeal was successful and acquired the MSA designation. The Idaho Falls appeal was not successful. In the same article, a representative of the American Marketing Association is quoted: "If I'm running a business and I want to open a regional office in the Southeast, I may begin my search by saying 'Let's look at all the MSAs in five states.' It gives a community prestige." Further, during his July, 1997 testimony before the House Subcommittee on Government Management, Information and Technology, the Executive Director of the Council of Professional Associations on Federal Statistics indicated the following:

"Metropolitan areas are one of the most important geographic constructs used by the private sector. Companies use metropolitan areas to develop sales territories, allocate sales quotas, determine sites for expansion in building new plants and adding stores in an area, allocate print advertising dollars based upon household or population coverage, test new products, and many other uses based on whether an area is, or is not, metropolitan. Rankings of metropolitan areas are used to determine major vs. minor markets and as a means of a cut off for allocating resources such as advertising dollars to the top ten, or top twenty five markets. [...] Of all the types of areas delineated by the government, [...] metropolitan areas are the most widely used for the above applications. Metropolitan areas are also the core geography of trading areas such as those developed by Rand McNally, and radio listening areas developed by Arbitron Ratings." (Spar, 1997)

The metropolitan growth advantage arises from the geographic and socio-economic characteristics of the MSAs and their residents. For instance, MSAs likely attract more investment in productive inputs, like human capital, plant and equipment, and perhaps even public infrastructure capital, which standard growth models suggest will generate faster economic gains (Crihfield and Panggabean (1995), Glaeser, et. al. (1995), Duffy-Deno and Eberts (1991)). The literature has become increasingly focused on the importance of human capital in metropolitan growth (Glaeser and Saiz (2004)). Cities and metropolitan areas also have the advantage of agglomeration economies which reward the large and dense concentrations of people and firms within a labor market (Glaeser, et.al (1992)).

Thus, the metropolitan growth advantage would exist whether or not the OMB produced a list of MSAs. However, the possibility remains that the designation of a county or group of counties as an MSA may on its own spur growth. Indeed, this is a claim often made by local officials. These claims are commonly linked to three main considerations which are affected by the MSA designation.

First, the urbanized area designation, which is linked to the MSA designation, changes the way in which certain federal funds are distributed and can change the amount of federal funds which are distributed to a region. Second, the MSA designation may increase the amount and detail of economic information provided by federal and state statistical agencies on the region. Third, the MSA designation may raise the marketing profile of the region, particularly with respect to national or multi-state site selection searches. Each of these impacts has been cited in professional site selection periodicals and in the popular press during our period of interest. For examples, see Herbers (1980), Carlson (1981), Carlson (1982), Herbers (1981), El Nasser and Glamser (1996), Rhodes (2002), Ruffini (2003), and McCurry (2003).

With respect to federal funding, there are two main funding sources that are frequently cited as being affected by the MSA designation: federal transportation and highway funds, as well as Housing and Urban Development (HUD) funds through the Community Development Block Grant (CDBG) program. These two programs currently make use of the urbanized area designation (and which are thus linked to the MSA designation) when allocating funds. For instance, current federal transportation legislation (Transportation Equity Act for the 21st Century (TEA-21)) requires that a new urbanized area form a Metropolitan Planning Organization (MPO) to formalize and implement a continuing planning process for the local area. Federal funds are provided to states to fund MPO activities. However, the designation of a new urbanized area does not automatically increase the funding available to states for this purpose.

More generally, some transportation funding is allocated based on the urbanized area designation, for example mass transportation grants based on the Federal Transit Administration (FTA) Urbanized Area Formula Program (49 USC 5307). However, it is important to keep in mind that not all of the funds available to a new urbanized area under the FTA Urbanized Area Formula will be new to the region, since regions that do not qualify as urbanized areas are eligible for funds through the FTA Formula Grants for

Other Than Urbanized Areas (49 USC 5311). It is also important to note that funds obtained under the FTA Urbanized Area Formula often involve a state match to the federal funding and that the reporting and administrative requirements on urbanized areas can be higher than for non-urbanized areas. See Zeilinger (2002) for more details on the impact of the urbanized area designation on current FTA funding.

Federal Housing and Urban Development (HUD) funds, through the 1974 Community Development Block Grant (CDBG) program, are distributed to states and local communities in order to provide services, create jobs, and expand business opportunities for economically vulnerable populations. These funds are made available to entitlement communities (which include central cities of MSAs (urbanized areas), cities within MSAs with population of 50,000 or more, and counties within MSAs with population of 200,000 or more, excluding those in entitled cities) and to states based on a formula using population, poverty, age of the housing stock, and other characteristics related to need. States, in turn, distribute funds to smaller, non-entitlement localities. In this case, new urbanized areas gain access to CDBG funds by direct application to HUD. Localities that have not attained urbanized area status must compete with other similarly sized localities for CDBG funds allocated to the state. A city attaining urbanized area status may or may not acquire more funds through direct application to HUD than through state channels.

Finally, the attainment of urbanized area status can also reduce federal funding to regions, as they become ineligible for funding through sources specifically designed to spur rural economic development. This includes some programs administered by USDA Rural Development, including Guaranteed Business and Industry (B&I) Loans, Rural Business Enterprise Grants, Rural Business Opportunity Grants.

The second impact of the MSA designation which is often cited, and the one for which it was specifically designed, is an increase in socio-economic data published by federal agencies. The MSA designation may increase the amount of information available for a region, over and above the data that could be computed simply by summing the component counties. This is because the aggregation of counties to the MSA level may allow the statistical agency to report more industry detail, without violating confidentiality requirements. Further, publishing data at the MSA level may ease the computational burden on novice researchers attempting to learn more about a multi-county region. Overall, increasing the socio-economic information available for a region might translate into improved decision-making and planning by public and private entities, which might improve MSA growth.

Finally, one of the expected benefits of the MSA designation is that it may raise the marketing profile of the region. One variant of this tale is the belief that site selection consultants frequently start their search with a list of MSAs. Then the list is winnowed down, based on analysis of the business climate, wage structure, educational characteristics, transportations linkages, among other factors, to a few surviving MSAs, one of which is finally chosen for the new plant location. Obviously, by attaining MSA status, a region increases its odds of making the final cut.

Thus, we have three commonly cited reasons to suspect that the MSA designation may impact a regional economy. It is typically taken for granted by local officials that these impacts add up to a significantly positive impact on regional growth. However, there is controversy on this score with respect to public capital investment, of which mass transit and highway spending, excluding maintenance, are a part. For instance, Cuihfield and Panggabean (1995) and Glaeser et. al. (1995) find little impact of public capital spending on metropolitan area growth during the 1960-1990 period. Further, several researchers find that street-highway construction tends to raise the level of economic activity in the county the road passes through, although this appears to be at the cost of neighboring counties (Chandra and Thompson (2000), Rephann and Isserman (1994), Boarnet (1998)). These offsetting impacts leave regional growth little changed.

We know of no empirical results on possible metropolitan-level growth impacts of CDBG funds, but Glaeser et.al. (1995) find little correlation between intergovernmental revenues and city growth during the 1960-1990 period. HUD assessments to date, reported in Walker et.al. (2002), focus on neighborhood-level impacts for 17 cities and find positive impacts of “substantial” CDBG investments. We know of no previous empirical research on the metropolitan growth impacts of the marketing of regions or of the increased data availability.

Empirical results developed in Hammond and Osoba (2007), using a sample of 70 MSAs designated between 1980 and 1999, suggest that there is no long-term impact of the MSA designation on employment growth or per capita personal income growth. However, they do find evidence of a positive employment growth impact that reaches its peak within five years of designation and then fades away. They also find some evidence of long-term impacts for population growth, although they note that it is difficult to pin down causation for this indicator, since it is used in the MSA designation process.

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