Redefining Metropolitan Areas: How It Could Affect Pennsylvania's Federal Funding

Center for Rural Pennsylvania
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Good morning Chairman Yaw and members of the Board of Directors. My name is Ron Grutza and I serve as the Senior Director of Regulatory Affairs at the Pennsylvania State Association of Boroughs (PSAB). Thank you for the invitation to testify today before the Board to share our perspectives on the proposed change to the Metropolitan Statistical Area definition and how this change will impact federal funding for Pennsylvania.

PSAB is a statewide, non-partisan, non-profit organization dedicated to serving 956 borough governments and thousands of elected and appointed borough officials in Pennsylvania. Since 1911, PSAB has represented the interests of boroughs and helped to shape the laws that laid their foundation. With more than 2.6 million Pennsylvanians residing in borough communities, our members strive to deliver quality leadership and service to citizens across the Commonwealth.

On January 19, 2021, the Office of Management and Budget (OMB) issued a request for comments on a proposal to change the definition of Metropolitan Statistical Area (MSA). OMB is proposing to increase the threshold urban area population of MSAs from the current 50,000 to 100,000.

Currently, the US Census Bureau defines an urban area as a densely settled core of census tracts and/or census blocks that meet minimum population density requirements, along with adjacent territory containing non-residential urban land uses as well as territory with low population density included to link outlying densely settled territory with the densely settled core. To qualify as an urban area, the territory identified according to criteria must encompass at least 2,500 people, at least 1,500 of which reside outside institutional group quarters.¹ The US Census Bureau currently categorizes urban areas into either “urban areas” (50,000 or more) or “urban clusters” (2,500 up to 50,000). However, the US Census Bureau recently issued a proposal to change how they categorize urban areas to a more complex metric using housing density and population. This change will certainly leave many areas in our Commonwealth out of the urban category.

The proposed changes by OMB to the 2010 Standards for Delineating Metropolitan and Micropolitan Statistical Areas will have more of an impact on Pennsylvania communities than any other state. The proposed changes to raise the minimum population threshold for MSAs from 50,000 to 100,000 population will impact nine MSAs in Pennsylvania. Included in these MSAs are many of our boroughs that serve as strong anchor communities for commerce, culture, entertainment, and a great place to live.

PSAB is concerned the proposed changes will have a long-lasting impact to our Commonwealth. Contrary to the OMB notice in the Federal Register on January 19, 2021, these changes will go far beyond that of just statistical purposes. Many federal programs rely on the metropolitan designations for policy and funding. Programs such as community development, housing, transportation, Medicare reimbursements to hospitals, and mortgages could all be affected by this proposal.

Our main concern with the proposal is the negative effect on the Community Development Block Grant (CDBG) program administered by the Department of Housing & Urban Development (HUD). The CDBG Program provides annual grants on a formula basis to states, cities, and counties to develop

viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons. Specifically, CDBG typically funds projects such as housing rehabilitation, community facilities, streets and sidewalks, critical infrastructure, and economic development. CDBG has been a successful program not only in Pennsylvania but across the nation.

Under Title 42 US Code, Chapter 69, the CDBG allocations from HUD are based directly on the OMB’s designation of Metropolitan Statistical Areas. To qualify for the direct funding from HUD, a county or municipality must be in a Metropolitan Statistical Area. If these changes were to be made to raise the threshold for MSAs, some boroughs and small cities in Pennsylvania, including State College, Bloomsburg, Berwick, and Chambersburg, could lose their direct CDBG funding from HUD. Consequently, these boroughs would then fall back into the Commonwealth’s allocation of CDBG funds, which could significantly decrease the borough’s allocation. Additionally, a ripple effect could decrease the amount currently available to other entitlement communities under the Commonwealth’s CDBG formula (Act 179 of 1984).

I have compiled examples of several boroughs’ CDBG allocations from before and after receiving direct funding from HUD. As you can see from these examples, the percent change in funding was significant. We are concerned they will lose this direct funding because of OMB’s change. The results could have a ripple effect in the community, especially in the lower income populations.

Related in a similar way to the CDBG formula, the American Rescue Plan utilized a modified CDBG entitlement formula for direct aid to counties and municipalities. That distribution of $45 billion among entitlement municipalities will be much more significant than the non-entitlement $19 billion allocation. For example, under the estimates provided by the US House Oversight Committee for the American Rescue Plan Local Fund Distribution, the City of Williamsport could receive almost $25 million compared to a similar size non-entitlement community, Shaler Township in Allegheny County with $2.7 million. If the OMB changes were in effect before the American Rescue Plan, millions of dollars would have been diverted from Pennsylvania to other municipalities around the nation.

I would also like to bring to your attention the collection and use of the Occupational Employment Statistics (OES) which is administered by the PA Department of Labor and Industry. According to the Department’s website, OES wage data is collected through a semi-annual outreach to approximately 8,000 randomly sampled Pennsylvania employers across a variety of industry sectors. Estimates from the OES program are used as a reference by educators, PA CareerLink® staff, career counselors, Workforce Development Boards, economic developers, program planners, and others. Employers may use this data to make critical business decisions such as setting wage rates, relocating, and investments.

Currently, the OES wage survey results are categorized by counties, Metropolitan Statistical Areas, and Workforce Development Areas. Will the loss of nine MSAs in Pennsylvania affect the quality of data employers rely on to make sound business decisions?

Thank you for your attention to this critical issue for our Commonwealth and its rural communities. PSAB stands ready to assist the Center as you continue the mission of promoting the vitality of Pennsylvania’s rural and small communities. I will be happy to answer any questions you may have.