

# Public Hearing Summary

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

April 2021

The following highlights testimony presented at the April 7, 2021, Center for Rural Pennsylvania hearing on redefining Metropolitan Statistical Areas (MSAs). The Center's Board of Directors conducted the hearing to understand the implications of the federal Office of Management and Budget's (OMB) proposed changes to its definition of MSAs. Pennsylvania currently has 20 MSAs and the proposed definition change would eliminate nine.

### Key Takeaways

- Changing the definition of MSAs may have important financial implications for many Pennsylvania municipalities in terms of federal reimbursements for health care, funding for housing, and investments in transportation.
- Pennsylvania would have the most people impacted of any state, with almost 1.2 million people living in counties that would be reclassified from metro to nonmetro.
- The proposed changes are under review by OMB and action is pending.

### Background

Established by OMB in 1950, MSAs were established for statistical purposes to identify the economic and social links between metropolitan centers and their surrounding region. Central to this definition is having a core area of 50,000 or more residents. In 2020, a committee of federal statisticians recommended increasing the core area definition from 50,000 to 100,000 residents or more. They have justified this definition by citing the fact that the U.S. population has more than doubled since 1950.

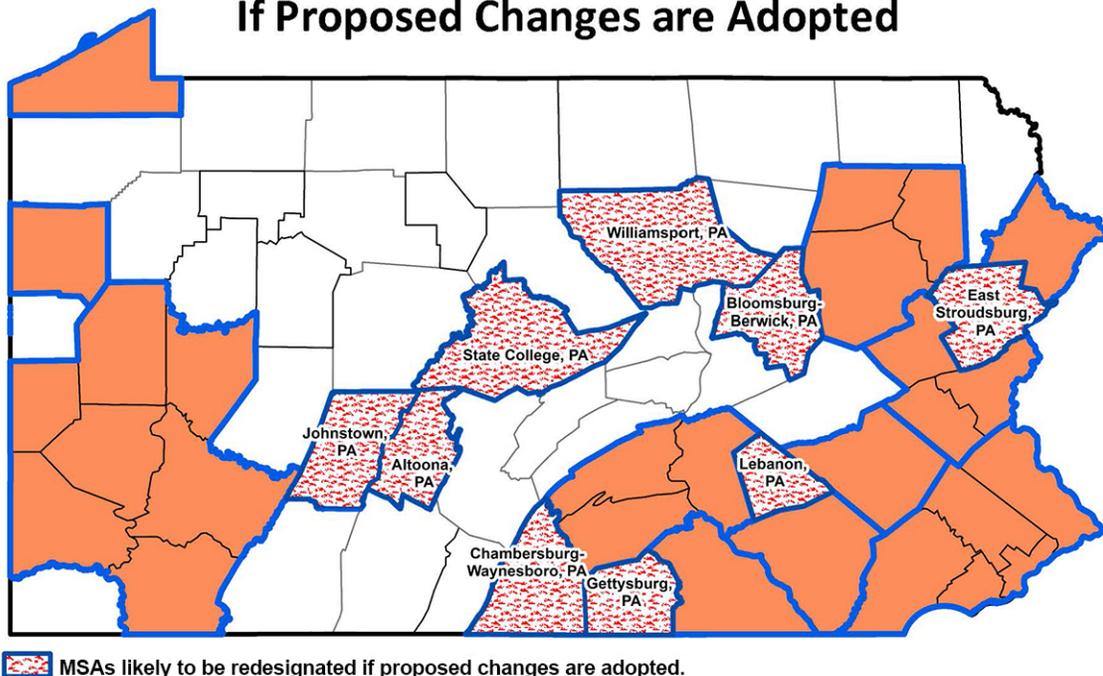
While OMB uses MSA designations for statistical data collection, some government agencies use it for program and funding delivery. Private businesses and organizations use the designation for investment decisions.

By increasing the size of the core areas, nine of Pennsylvania's 20 MSA's would lose their metropolitan status. This change will affect about 1.2 million people living in these areas. These affected metropolitan areas will be reclassified as non-metropolitan.

### Potential Impact of Definition Changes in Pennsylvania

- Unknown Net Funding Impact: OMB established MSAs solely for data collection and analysis purposes. However many public agencies have used the definition for program and funding determinations. The total number of programs and federal dollars tied to MSA designation is unknown. In 2004 and 2014, the Government Accountability Office (GAO) and Congressional Research Service (CRS) were unable to deter-

## 9 Pennsylvania MSAs Likely to be Redesignated If Proposed Changes are Adopted



mine the number of programs that rely on the metropolitan designation.

- **Increase in Non-Metro Population:** Pennsylvania's non-metropolitan population would increase by nearly 1.2 million people if this change were adopted.
- **More Competitive Funding Environment:** With a potential increase in non-metropolitan counties, more counties will be competing for the same amount of resources. Programs like the Community Development Block Grant (CDBG) are allocated to MSAs or "entitlement" communities directly by the federal Department of Housing and Urban Development. A smaller allocation of CDBG money is allocated to the state for non-entitlement areas. Entitlement communities, like Bloomsburg and Berwick, could see a significant reduction in vital CDBG money if they are no longer part of an MSA.
- **Shifts in Transportation Planning:** The definition change, if adopted, may change currently designated Metropolitan Planning Organizations (MPOs) to Rural Planning Organizations (RPOs). This change may mean fewer resources for planning and transportation improvements. It also may limit regional transportation planning and coordination.
- **Change in Healthcare Funding:** According to the Hospital and Healthsystem Association of Pennsylvania, the definitional change could affect Medicare patient reimbursement rates to hospitals. Preliminary analysis shows that there could be 24 Pennsylvania hospitals impacted and 17 would see a negative impact. Statewide, Medicare reimbursement to hospitals could drop by \$43 million.
- **Change in Understanding of Community Needs:** By shifting formerly metropolitan areas into the non-metropolitan category, there will be two effects: increase of non-metropolitan areas and obscuring their needs. As previously noted, Pennsylvania's non-metropolitan population will increase by 1.2 million people. Many of these newly defined non-metropolitan areas are more prosperous than current non-metropolitan areas. This increase may statistically obscure many of the socioeconomic needs in these areas.
- **Potential Reduction in Private Investment:** The Pennsylvania Department of Labor and Industry publishes wage data sorted by MSA. Many companies use this and other information to inform investment decisions. The nine MSAs, which act as hubs for their region, could be overlooked

**Thank you** to the following individuals who presented information at the public hearing: Anthony Pipa, Senior Fellow, Global Economy and Development, Brookings; Kim E. Wheeler, AICP, Executive Director, SEDA-Council of Governments; and Ronald Grutza, Senior Director of Regulatory Affairs and Assistant Director of Government Affairs, Pennsylvania State Association of Boroughs.

**Thank you** to the Hospital and Healthsystem Association of Pennsylvania for submitting written comments.

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if redefined as non-metro, and any loss of investment in these areas could have widespread negative impacts.

## Definition Status

Currently, OMB is reviewing more than 860 comments on this change. An analysis by the Center for Rural Pennsylvania found that approximately 90 percent of the comments were not in favor of the definition change. At the Center's hearing, presenters noted that there is no core constituency advocating for such a change. Many respondents argued for additional analysis and research to consider reevaluating MSAs.

Along with the OMB, the U.S. Census Bureau is also proposing to change its definition of urban. Its proposed definition would increase the housing and population thresholds for an area to be identified as urban. Like OMB's proposed definition changes, the Census Bureau changes would reduce the number of urban areas.

As the hearing demonstrated, definitions are important. The proposed definitions have the potential to change the flow of federal resources to areas within Pennsylvania.

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