

Metro metrics

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The 1984 edition of an influential survey by *Sales and Marketing Management* ranked St. Louis, Mo., 20th in the nation in buying power. Today St. Louis would rank tenth. Such an astonishing jump should be classed as an economic miracle—especially for an aging midwestern city like St. Louis. But St. Louis' sudden rise actually was accomplished by an Act of Congress, when Senator John C. Danforth, (R., Mo.) attached an amendment to an omnibus spending bill to change the census designation of St. Louis from Primary Metropolitan Statistical Area (PMSA) to Metropolitan Statistical Area (MSA). With the stroke of a pen, the city regained its suburbs and satellite cities and its national ranking. It was a triumph of metropolitan statistical facts of life over the misplaced municipal pride that had led St. Louis to ask to be counted alone in 1983.

Most urban Americans will identify themselves to strangers by their city—as a Bostonian or a Chicagoan—with no further precision. It means little to others whether you come from a central city, Chicago, say, or Hoffman Estates, miles north and west of the Loop. Among themselves, Bostonians and Chicagoans may be more precise. They may name their neighborhood, or their suburban community. They will retain community allegiances and rivalries but they will also have a metropolitan pride. Their real estate taxes, schools, and zoning laws are likely to be local. Their weather and traffic reports and professional sports scores are metropolitan. So are their transportation networks and their business and commercial lives.

But while these Americans acknowledge their membership in “Chicagoland,” or the “Quad Cities,” or “Greater St. Louis,” they would be hard-pressed to define these metropolitan notions exactly. They might be surprised to learn that a detailed system for defining metropolitan areas has existed since 1910. The system has undergone numerous changes over the years and its use by government and business planners often means economic benefits for the communities involved.

A major revision in the system occurred in 1983. Old designations—the Standard Metropolitan Statistical Area (SMSA) and the Standard Consolidated Statistical Area (SCSA) were dropped. Replacing them were the MSA, the PMSA, and a new category, the Consolidated Metropolitan Statistical Area (CMSA).

It was during this overhaul that St. Louis came to statistical grief. By choosing to become a PMSA, it fell from 10th to 20th in marketing power nationwide. Senator Danforth's economic miracle was simply a restoration of the status quo ante, with a new acronym.

A similar action by Senator Robert Dole (R., Ka.) reunited the Kansas City, MO, and Kansas City, KA, PMSAs, ranking 49th and 84th among metropolitan areas, into a single MSA that stood 28th in the *Sales and Marketing Management* survey. The improved statistical rankings represent increased attractiveness in terms of sales, marketing, business relocations, and investments, which translate into economic development, jobs, and revenue.

The metropolitan statistical area designation itself is an application criterion for certain government regulations (e.g., the Federal Reserve Board's Regulation L, which controls management interlocks among depository organizations, and the Home Mortgage Disclosure Act and the Fed's Regulation C, which require loan-related data for depository organizations in metropolitan areas) and an eligibility criterion for federal aid in social and economic programs (e.g., HUD Community Block Grants). Indeed the association between metropolitan area status, federal funds, and potential economic growth was the driving force behind the Benton Harbor, Mich., push to alter the central city criteria for twin cities in defining metropolitan statistical areas.¹

Pressures by cities to gain possible monetary benefits and the perceived prestige associated with metropolitan status, along with more general social, demographic, economic, and political forces, have been the impetus behind changes in the function and definition of met-

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ropolitan areas. It is important to understand these changes and their impact on metropolitan areas, not only in their definition, but more important, in their characteristics. MSA classifications and redefinitions are much more than a numbers game. The metropolitan statistical area designation was developed to provide a consistent uniform standard intended primarily for statistical purposes and the presentation of census data. The factors contributing to the designation of metropolitan areas, such as their population growth, employment/residence ratios, and commuting patterns reflect underlying structural, social, and economic characteristics of an area. The correct interpretation of such data reflecting changes in MSA designations is essential to appropriate public policy and business decisions. Endless volumes of data are gathered by the government and the private sector to track the social and economic well-being of our metropolitan (and nonmetropolitan) areas. The significance of metropolitan areas and their rankings is apparent by the fact that in 1980 74.8 percent of the nation's 226.5 million people lived in metropolitan areas. (See Table 1 for a list of major District MSAs.)

The purpose of this article is to provide an understanding of metropolitan areas and their characteristics. First, it explains the numerous acronyms and terminology of metropolitan areas, and then the effect of the 1983 metropolitan redefinitions on the metropolitan areas of the states comprising the Seventh Federal Reserve District: Illinois, Indiana, Iowa, Michigan and Wisconsin. Finally, it looks at the effect of the redefinitions on the administration of government regulations and social and economic programs.

Metropolitan areas: Component parts

Prior to any description or analysis of metropolitan areas, it is imperative to clarify the terminology and acronyms which refer to the geographic components and characteristics of these areas. In general, a metropolitan area consists of one or more counties (or county equivalents) which have a significant degree of social and economic integration.² Each metropolitan area must have a large population nucleus and have at least one central city.

The preliminary population criterion for the population nucleus is a city (central city)

Table 1
Seventh District MSAs in the Top 50*

Rank	Area	Population	
		1983 (thousands)	Percentage change 1980-83 (%)
3	Chicago, IL (PMSA)	6,028.5	-0.5
5	Detroit, MI (PMSA)	4,346.9	-3.1
10	St. Louis, MO-IL (MSA)**	2,375.8	0
29	Cincinnati, OH-KY-IN (PMSA)**	1,395.0	-0.5
31	Milwaukee, WI (PMSA)	1,389.2	-0.6
37	Indianapolis, IN (MSA)	1,180.4	1.2
46	Louisville, KY-IN (MSA)**	964.7	.9

*Rank is among the nation's MSAs and PMSAs. Population data are estimates as of December 31, 1983. Percentage changes are from census data 1980 to December 31, 1983.

**Partially within the Seventh District.

SOURCE: 1985 Rand McNally Commercial Atlas and Marketing Guide, 116th Edition, Rand McNally & Co., Chicago.

of at least 50,000 people or an urbanized area (UA) with the same population and a total metropolitan area population of at least 100,000.³ Central cities of a qualifying metropolitan area are determined based on the city's total population, total number of workers and percentage of employed residents working in the city.⁴ An urbanized area (UA) has at least one incorporated city, and a population concentration of at least 50,000 with a density of at least 1,000 persons per square mile. The UA usually comprises a central city and its surrounding suburbs, the urban fringe.

The metropolitan area also has one or more central counties in which the area's population is concentrated. To be a central county the county must have at least 50 percent of its population residing in the area's qualifying UA; or it must contain a central city or a significant portion of a central city. Additional counties are included as part of the metropolitan area if they are deemed to have a metropolitan character and strong social and economic ties to the central county.

In general, the criteria to qualify an outlying county as part of a metropolitan area are a combination of factors reflecting metropolitan character and economic integration. Metropolitan character is measured by population density, decennial population growth,

and percentage of urban population. Economic integration with the central county is determined by worker commuting patterns between the counties, particularly out-commuting to the central county. A trade-off is allowed in the mix of these factors: the more economically integrated the counties, the less metropolitan the outlying county needs to be.

MSAs, PMSAs and CMSAs

Currently, metropolitan areas are referred to as either metropolitan statistical areas (MSAs), primary metropolitan statistical areas (PMSAs) or consolidated metropolitan statistical areas (CMSAs).⁵ (See Figure 1.)

Each county is first analyzed as to its qualification in an MSA as either a central or an outlying county. Two adjacent MSAs are analyzed further to determine if they may be combined as a single MSA. Factors affecting this adjustment are similar to those for adding outlying counties. They are total population, percentage of urban population, commuting interchange, residence of employed workers and the proximity of the MSAs' urbanized areas and central cities. MSAs are relatively independent areas with no close affiliation with other MSAs. These MSAs are then classified by population size as follows:

- Level A = 1,000,000 or more
- Level B = 250,000 to 1,000,000
- Level C = 100,000 to 250,000
- Level D = less than 100,000.

Level A MSAs are analyzed further to determine if they are made up of PMSAs. PMSAs are composed of counties that meet additional requirements for determining socially and economically integrated counties within an initially designated Level A MSA.⁶ Within MSAs for which at least one PMSA is designated, the remaining counties not meeting the PMSA requirements are also given a PMSA classification, even though they may not be 'true' PMSAs per the designated requirements. PMSAs, like MSAs, are given classification levels based on total population.

If a Level A MSA is found to be composed of PMSAs, the MSA is redesignated as a CMSA unless local opinion disfavors separate recognition of the PMSAs, as became the case with the St. Louis and Kansas City PMSAs. CMSAs, made up of various level PMSAs, are not given a population level classification. Yet

by definition they all have population of at least one million.

Titles

The titles given to MSAs, PMSAs, and CMSAs are more than just names; they reflect information about the designated areas. The MSA title includes the names of one to three of the area's central cities in descending order of population (provided the cities have at least one-third the population of the MSA's largest city or meet other specified criteria) and the name of each state which the MSA covers (e.g., Davenport-Rock Island-Moline, IA-IL MSA). CMSAs, PMSAs, and MSAs, although based on county boundaries, may cross state lines.

Similarly, PMSA titles consist of up to three of the names of the central cities qualified as the initial Level A MSA's central cities (e.g., Gary-Hammond, IN PMSA) or the names of one to three counties in the PMSA (e.g., Lake County, IL PMSA), all listed in descending order of population. CMSA titles also have up to three names, the first being the largest central city in the area and the next two being the first names (cities or counties) in the titles of each of the next two most populated PMSAs. For example, the Chicago-Gary-Lake County, IL-IN-WI CMSA crosses three states, Chicago is its largest central city and the Gary-Hammond and Lake County PMSAs are its next two most populated PMSAs.

Urban/rural distinction

A rural resident may also be a resident of a MSA (PMSA). (As a matter of convenience throughout the remainder of this article the term MSA will be used generically to refer to MSAs and PMSAs.) This apparent disparity is resolved with an understanding of the concepts of rural and urban population. (See Table 2.) These concepts are used to refer to area types based on population size and population density. They are independent of MSA designations. Thus, metropolitan and nonmetropolitan area counties may be composed of both urban and rural areas. For example, the level C Eau Claire, WI MSA has a 42.2 percent rural population. As a group, District MSAs have a 16 percent rural population.

The rural population consists of persons residing in places with a population of less than

2,500. Places with a population of 2,500 or more have an urban population. The urban population includes persons inside and outside of urbanized areas. Every MSA is associated with at least one UA. However, UAs do not necessarily have to be part of an MSA. For instance, a UA may be in a county of less than 100,000 inhabitants.

Changes in definitions

At the time of each decennial census, the official criteria for metropolitan areas are reviewed. (See Box 1 for the major changes of the past 75 years.) Technical changes in metropolitan area definitions have resulted from increased data availability, national trends, and comments of federal and state officials and data users.

The initial purpose for metropolitan areas was the presentation of census data. The expanded statistical use of these areas by federal agencies resulted in a change of the definitional unit from township to county. The advantage of more refined and accurate definitions achieved with the use of the smaller township unit was outweighed by the greater extent of data available at the county level and the need

of other federal, state, local, and private agencies to compile related data for the defined areas.

Other major changes in metropolitan area definitions prior to 1983 related to the question of how large a city should be to qualify for metropolitan area classification. The interpretation of a city with a population of at least 50,000 was broadened to take into account twin cities and the central cities' surrounding incorporated and unincorporated areas (e.g., the Poughkeepsie rule, see box).

In general, the cumulative effect of these definitional changes from 1910 to 1983 resulted in liberalized standards, creating increased numbers of MSAs and some MSAs without demographically dominant central cities. (The number of SMSAs increased from 215 in 1960 to 335 [MSAs] in 1983.) Thus, the increase in metropolitan areas over time is not entirely attributable to an increase in the metropolitan character of our cities and counties. The diversity of metropolitan character across metropolitan areas was tested by USDA demographer Calvin L. Beale. He rated MSAs based on the presence (absence) of nine functions, facilities, and conditions. The largest 31 areas, each with one million or more residents, scored 100 percent but the areas with central city populations between 25,000 and 50,000 scored 67 percent and the areas having a central city of 25,000 scored only 40 percent, a failing grade by most standards.⁷

Definitional changes and the growth of urban population have not only increased the number of metropolitan areas, but also their variety and complexity. Total MSA populations range from a low of 62,820 (Enid, OK MSA) to a high of 8.3 million (New York, NY PMSA). Population density ranges from 12,108 persons per square mile (Jersey City, NJ PMSA) to 13.4 persons per square mile (Casper, WY MSA) and the percentage of urban population of MSAs ranges from 42 percent (Hickory, NC MSA) to 100 percent (Jersey City, NJ PMSA). The variance in economic and social functions between large urban centers and smaller central cities resulted in a need to maintain MSA uniformity through the differentiation of MSAs by population size (Levels A-D) and the use of a two-tier data system incorporating CMSAs and their component PMSAs.

Table 2

Types of Areas

Urban	
Urbanized Area (UA):	Population ≥ 50,000 and at least one incorporated city Population Density ≥ 1,000/sq. mile
Central City (CC)	
Central Business District (CBD)*	
Remainder of Central City	
Urban Fringe (Non CC portion of UA)	
Outside Urbanized Area & Population ≥ 2,500	
Rural: Outside Urbanized Area & Population < 2,500	
Non farm	
Farm	

*CBDs are designated, with the city's cooperation, for central cities of MSAs and other cities of 50,000 or more population. As defined by the Bureau of the Census, they are based on census tract boundaries and are characterized by: a high concentration of retail and service businesses, hotels, theaters, and offices; high traffic flows; and high land valuation.

Box 1

Major changes in metropolitan area definitions and terminology

- 1910 *Metropolitan districts* officially defined for presentation of census data. Defined along MCD boundaries and based primarily on population density. Described as a concentration of urban development with internal commuting ties and weak ties to other densely settled areas. Used to compare urban centers without disparities of central city boundaries.
- Qualification for metropolitan districts
 - 1910 city population of at least 200,000
 - 1930 city population of at least 50,000 and total metropolitan population of at least 100,000
 - 1940 city population of at least 50,000 and total metropolitan population requirement dropped.
- 1949 *Standard Metropolitan Area (SMA)* established for use by all federal statistical agencies, not just for census purposes. To be defined by the Bureau of the Budget (later renamed Office of Management and Budget) with the advice of an interagency committee. SMA concept same as metropolitan district only definitional unit became the county. Criterion of city population of at least 50,000 remained and criterion of 15% out commuting from outlying county to central county added for inclusion of outlying counties.
- 1950 172 SMAs defined. Statistical Policy responsibility assigned to *Bureau of the Budget* in the Budget and Accounting Procedures Act of 1950.
- 1950 SMA renamed to *Standard Metropolitan Statistical Area (SMSA)*
- 1960s 215 SMSAs defined. Place of work question on 1960 census form provided *uniform national commuting data*. Previous data from state and local employment agency surveys were not uniform nationwide. 2 *Standard Consolidated Areas (SCAs)* were defined for census purposes for New York City and Chicago.
- Late 1960s *Poughkeepsie exception*: Poughkeepsie, New York, a city with no annexation ability under state law, argued it would qualify as metropolitan with over 50,000 persons if adjacent unincorporated 'places' were added to the city population of 38,000. Resulted in liberalization of standards to include such areas as long as the area has at least one incorporated central city of at least 25,000 persons.
- 1970 247 SMSAs defined with 21 areas qualifying under the Poughkeepsie exception. 252 UAs defined. *Twin City exception*: UA to include not only city population of 50,000 or more, but also twin cities with combined population of 50,000 or more with the smaller city having at least 15,000 persons. (e.g., Champaign-Urbana, IL)
- 1973 101 of the 247 1970 SMSAs were redefined based on 1970 census commuting data.
- 1973-1979 33 new SMSAs defined based on current population estimates.
- 1974 *Liberalization* for qualification for metropolitan status for certain cities with *population between 25,000 and 50,000*. As a result, 27 new UAs created.
- 1975 Criteria adopted for defining *Standard Consolidated Statistical Areas (SCSAs)*. 13 SCSAs defined.
- 1977 Statistical policy responsibility delegated by President Carter to the *Department of Commerce*, wherein it was implemented by the Office of Federal Statistical Policy and Standards (OFSPS).
- 1980 Official publication of changes in SMSA definitions and terminology, *Federal Register* 1/3/80, Vol. 45, No. 2. (Final approval on the changes was received on January 31, 1979 from the Statistical Policy Coordination Committee.)
- Benton Harbor rule* created 9 new SMSAs with central city populations less than 25,000. (Neither Benton Harbor, MI nor St. Joseph, MI, twin cities, had a population of 15,000 yet argued that combined with contiguous unincorporated areas, they would have a population of 50,000.) As a result, no minimum population is required for the central city of the qualifying UA of the SMSA and contiguous unincorporated population (Poughkeepsie rule) need not be in census defined 'places'.
24 new SMSAs created with central city populations between 25,000 and 49,000.
Total of 287 SMSAs defined (including the 101 redefinitions and 33 new SMSAs of 1973-1979).
- 1981 Responsibility for metropolitan designations redelegated to Office of Management and Budget. 36 new SMSAs defined based on 1980 population counts for a total of 323 SMSAs.
- 1983 23 *Consolidated Metropolitan Statistical Areas (CMSAs)*, 78 *Primary Statistical Areas (PMSAs)*, and 257 *Metropolitan Statistical Areas (MSAs)* created (effective June 30, 1983) as a result of a re-evaluation of SMSA boundaries using 1980 census data and new criteria and terminology of January 1980.
- Recognition of a *two-tier data need* for users of metropolitan area data resulted in use of CMSA, PMSA, and MSA categories.
 - Use of population size *Levels (A-D)* for MSAs (PMSAs) reflects complexity of MSAs and need to maintain uniformity among metropolitan areas by differentiating among metropolitan sizes. Allows data user ease in applying population standards.

1983 redefinitions of metropolitan areas: Their effect on District areas

The District states account for 14.9 percent of the U.S. population and 7.3 percent (258,920 square miles) of its land area. Yet, 21.7 percent (5), and 18.2 percent (60) of the nation's defined CMSAs and MSAs (PMSAs), respectively, are partially or entirely in these five states wherein 14.7 percent of the U.S. metropolitan population resides. The distribution of these areas throughout the District states is presented in Figure 2.

The net effect of the 1983 MSA redefinitions should be to increase the number of central cities, MSAs, CMSAs and their component PMSAs, and decrease the number of metropolitan counties. All but one of these expected effects of the 1983 redefinitions held true for the District. The District gained central cities, CMSAs, and component PMSAs, and lost metropolitan counties but did not increase its number of MSAs.⁸

Central city changes

The new central city criteria, although stricter in terms of central city character requirements, allows for the inclusion of less populated central cities (e.g., 15,000 to 25,000).

The rule changes for central city qualification added 23 central cities in the District, which was 23 percent of the total gained nationwide. The effect of the one-third size rule deletion is greatest in Illinois where 11 of the 12 added central cities were in the Chicago or St. Louis SMSA. With relatively high out-commuting and relatively few jobs for their residents, four District cities, three of which are in Michigan, lost central city status. These cities more resembled suburban areas than central cities, and size alone was not enough to retain them as central cities. (See Table 3.)

Consolidated areas changes

A lower percentage urban population requirement (60 percent rather than the previous 75 percent) and a more lenient total population requirement (population of at least one million that applies to the total CMSA rather than at least one component part, as previously) should result in more CMSAs and additional PMSAs

in existing consolidated areas under the new rules.

Although the District gained six newly defined metropolitan areas (1 CMSA and 5 PMSAs), all in Illinois, it lost one potential CMSA. The Anderson, IN MSA and the level A Indianapolis, IN MSA failed the economic integration test of the less restrictive 1983 requirements for combining MSAs. Thus the Anderson, IN MSA, previously part of the Indianapolis SCMSA, failed to qualify as part of the potential CMSA. Moreover, the Indianapolis MSA was one of nine Level A MSAs nationwide that did not meet the PMSA requirements.

The St. Louis SMSA with the addition of Jersey County, IL passed the 1983 CMSA standards of percentage urban population and economic integration to become the St. Louis-East St. Louis-Alton, MO-IL CMSA composed of three PMSAs, two of which were newly defined. (Subsequently, local opinion altered this designation.)

The biggest change in consolidated areas was the reorganization of the Chicago-Gary, IL-IN SCMSA into the Chicago-Gary-Lake County, IL-IN-WI CMSA. The Kenosha SMSA became a PMSA of this new CMSA and three new PMSAs were created within the old Chicago SMSA.

The other three District CMSAs have remained unchanged from their old SCMSA counterparts in terms of their component PMSAs (SMSAs). They are the Cincinnati-Hamilton, OH-KY-IN, Detroit-Ann Arbor, MI, and Milwaukee-Racine, WI CMSAs.

MSAs and their component counties

The elimination of a minimum city population requirement for a UA and the inclusion of contiguous unincorporated areas should increase the number of MSAs centered around smaller cities (less than 50,000) with a significant urban fringe, as long as the total MSA population is at least 100,000. The change in rules to qualify as a central county should have a net result of adding central counties and increasing the number of *potential* outlying MSA counties.

But the criteria to qualify outlying counties as MSA counties have become more stringent. These rule changes for metropolitan character aim at deleting sparsely populated

Table 3
Changes in 7th District Central Cities*

Population >50,000	Additions (23)		Deletions (4)**	
	Population 25,000-50,000	Population <25,000	Population 25,000-50,000	Population <25,000
ILLINOIS: Aurora E. St. Louis Elgin Evanston Joliet Waukegan	ILLINOIS: Alton Belleville Chicago Hts. Granite City North Chicago Pekin	INDIANA: Goshen** WISCONSIN: Neenah**	MICHIGAN: Portage	INDIANA: W. Lafayette MICHIGAN: Muskegon Hts. Norton Shores
IOWA: Council Bluffs	INDIANA: Mishawaka** New Albany			
MICHIGAN: Dearborn Pontiac	MICHIGAN: Holland Midland Port Huron			
WISCONSIN: Waukesha				

*Changes are based on criteria effective June 30, 1983 using 1980 decennial census data. All additions (except Goshen and Neenah) were due to the elimination of the rule that a central city of 25,000 must be at least one-third the size of the area's largest central city. (Each of these 21 cities was larger than 25,000 in 1970 but was not one-third the size of the largest central city in its respective SMSA.) Goshen and Neenah became central cities under the new 15,000-25,000 size class of central cities. All deletions were of cities under 50,000 that failed the commuting requirements of economic integration.

**City name was added to its respective MSA(PMSA) title.

***Each deleted city was dropped from the title of its respective MSA(PMSA).

NOTE: Although E. Chicago, IN and Superior, WI maintained central city status, they were dropped from MSA(PMSA) titles because each failed to be one-third the size of its area's largest central city for two consecutive censuses.

or rural counties that previously qualified as MSA counties based solely on high out-commuting to a central county, perhaps from only a few townships. Thus, the minimum 15 percent out-commuting criterion, which remains unchanged, combined with the new, more restrictive, criteria of character (i.e., population density, population growth, and urban population) is likely to decrease the number of outlying counties attaining MSA status.

The reasons for changes in metropolitan area boundaries (addition, deletion, or transfer of counties) have been grouped into three categories: economic integration, metropolitan character, and rule changes. Economic integration refers to the minimum requirement of 15 percent out-commuting to the central county. Metropolitan character consists of population density, UA population, and percentage urban population. (See Table 4.)

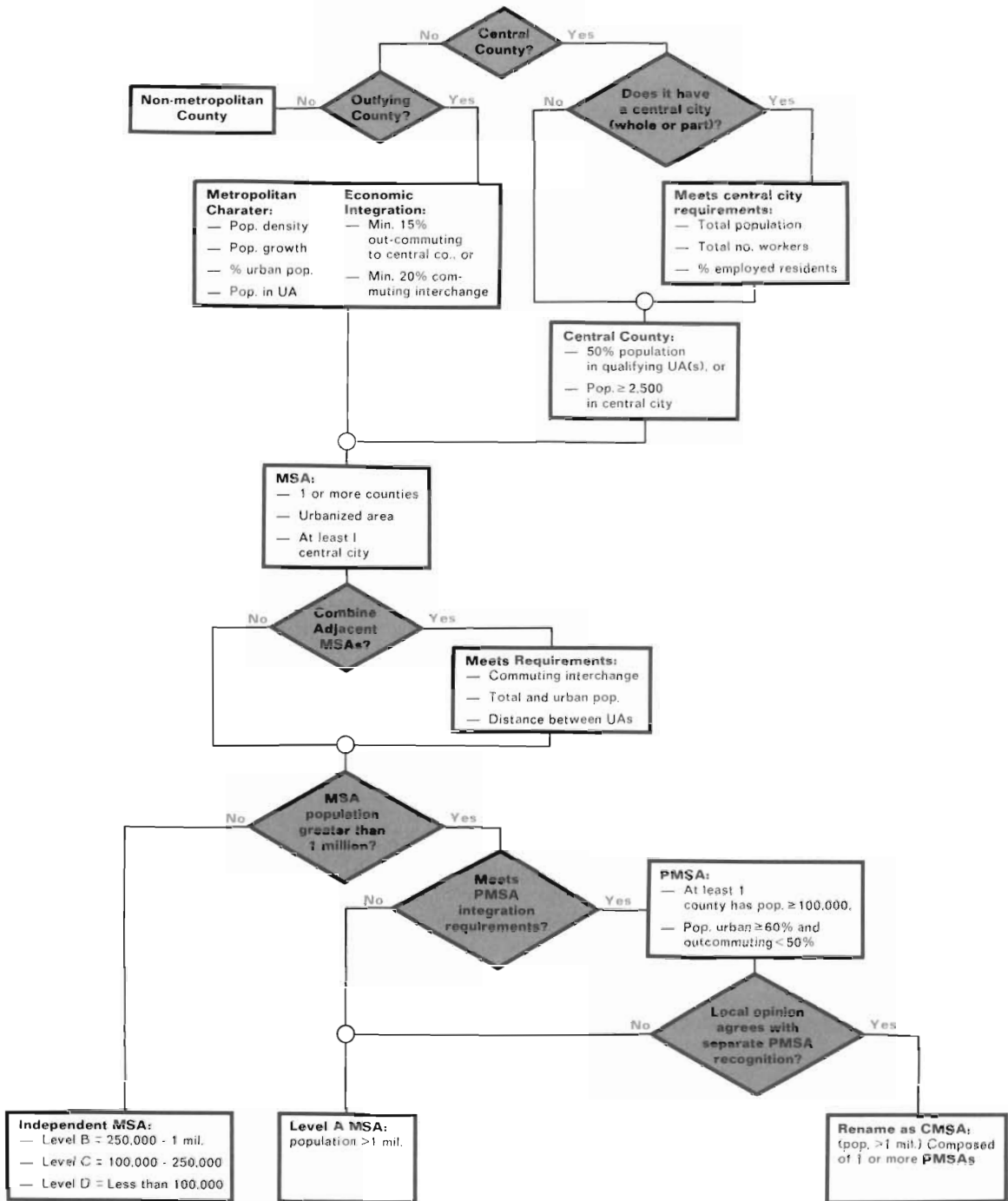
The 1983 MSA redefinitions left the District with one less (S)MSA and a net loss of

three counties from metropolitan status. Illinois gained the most metropolitan counties by adding three while Iowa added two. Wisconsin had no change in the number of metropolitan counties. Indiana and Michigan each had a net loss of four metropolitan counties. However, 9 of the District's 19 counties that changed status were added or deleted from metropolitan status not because of changes in their urban character or economic ties to a central county but solely as a result of rule changes.

Deleted counties

Although economically tied to the metropolitan area's central county, 7 of the District's 11 deleted counties did not have enough urban population or population growth to maintain metropolitan area status. They qualified under the minimum 15 percent out-commuting rule but failed to meet the more rigorous 1983 metropolitan character requirements. However, Sullivan

Figure 1
How metropolitan is your county?
 (generalization of MSA definitions)



NOTE: This is a generalization of the MSA definition process for county-based MSAs. For a precise and detailed explanation and list of qualifying criteria involved in this 35-step definitional process see: *Statistical Reporter*, August 1980, pp. 335-384. Examples of typical MSAs are noted on Figure 2.

Figure 2
The metropolitan Midwest

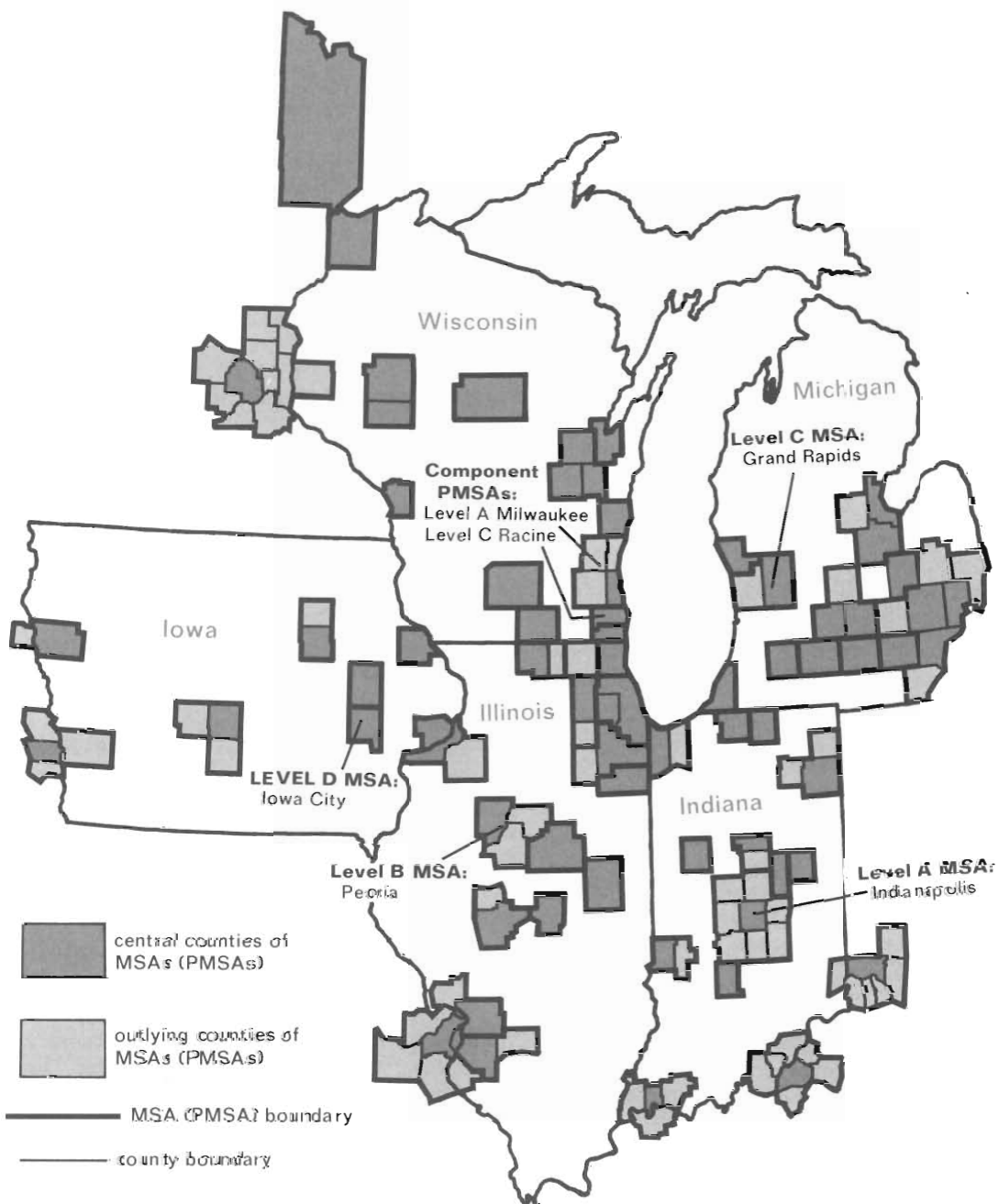


Table 4
Changes in 7th District Metropolitan Counties*

Counties added (8)		Counties deleted (11)	
Rule change	Real change	Rule change	Real change
<i>Metropolitan Character</i> INDIANA: Whitley	<i>Metropolitan Character</i> ILLINOIS: Jersey*** IOWA: Dallas	<i>Metropolitan Character</i> INDIANA: Vermillion, Wells MICHIGAN: Ionia, Oceana, Shiawassee,** Van Buren	<i>Metropolitan Character</i> INDIANA: Sullivan
<i>Economic Integration</i> MICHIGAN: Midland	<i>Economic Integration</i> IOWA: Bremer		<i>Economic Integration</i> INDIANA: Adams, Gibson MICHIGAN: Barry
<i>Metropolitan Character & Economic Integration</i> ILLINOIS: Kendall, Grundy, Jersey***	<i>Metropolitan Character & Economic Integration</i> INDIANA: Harrison		<i>Metropolitan Character & Economic Integration</i> INDIANA: Marshall

*Re-designations are based on criteria effective June 30, 1983 using 1980 decennial census data.
 **Even with its decline in metropolitan character from 1970 to 1980 this county would have met the 1980 standards but failed the 1983 requirements.
 ***This county would not have become an outlying metropolitan county under the central city and central county rule changes without its increase in metropolitan character since 1970.

County, IN was the only one to be deleted for a real decline in metropolitan character. The other six counties would have qualified were the old metropolitan character requirements maintained. (43 counties elsewhere in the U.S. were also deleted due to these rule changes.) The remaining four District counties were deleted from MSA status *due to a real decline in economic integration*. They failed the minimum out-commuting requirement and except for Marshall County, IN would otherwise have met both the old and new metropolitan character criteria needed with a 15 percent out-commuting ratio.

Added counties

Rule changes relaxing central city and central county requirements created four new central counties (Kane, Lake, Madison, and Will Counties, Illinois), which, in turn, changed three outlying counties (Grundy, Jersey, and Kendall Counties, Illinois) into metropolitan counties due to their economic and social ties to the newly defined central county. Kendall and Grundy Counties met the 1970 metropolitan criteria but failed to have significant economic integration with Cook County, the central county in 1970. However, Jersey County's metropolitan character had to in-

crease from 1970 to 1980 (while its commuting to Madison County remained about the same) for it to meet the 1983 rules.

Other rule changes added Whitley County, IN and Midland County, MI to MSA status. The new classification of higher out-commuting percentages with lower metropolitan character criteria added Whitley County (with no change in its 28.2 percent out-commuting to its central county, Allen County). The rule change for combining MSAs created the Saginaw-Bay City-Midland MSA, with the central counties of Bay and Saginaw, which then qualified Midland County as a metropolitan county based on the commuting interchange between it and the central counties. Thus, the District lost one independent MSA (the Bay City, MI MSA) but not its metropolitan county.

Three other counties, two in Iowa, were added based not on rule changes but on *changes in their metropolitan character and economic ties to central counties*. Commuting from Bremer County, IA to its central county, Black Hawk County, increased from 14.8 percent in 1970 to 25.1 percent in 1980 to qualify it in the Waterloo-Cedar Falls MSA. Dallas County's high level of out-commuting to its central county of Polk, IA allowed it to qualify as a metropolitan county by barely meeting only one of four metropolitan character criteria, that

of population density of 50 persons per square mile. Harrison County, IN is the only county that significantly changed in terms of commuting to its central county, and metropolitan character to become a MSA county.

Transferred counties

As noted above, Bay County was transferred to the Saginaw-Bay City-Midland MSA due to a rule change on combining adjacent MSAs. The transfer of Monroe County, MI from the Toledo, OH-MI SMSA to the Detroit PMSA was based upon the rule change that allows for the consideration of local opinion, through the appropriate congressional delegation, in certain borderline cases.⁹ Monroe County qualified on the basis of commuting to the central county (Lucas County, OH) of the Toledo MSA and the central counties (Macomb, Oakland, and Wayne Counties, MI) of the Detroit PMSA. Such commuting percentages were within 5 points of each other, thus instead of being assigned to the area to which the commuting was greatest, local opinion was considered in choosing the assigned metropolitan area. Hence, Monroe County is associated with the Detroit PMSA, although it has slightly more commuting to the Toledo MSA. (Monroe County had been added to the Toledo OH-MI SMSA in October 1963.)

The 1983 MSA redefinitions caused a heavy loss of metropolitan counties in Michigan and Indiana resulting in a net loss of metropolitan population (154,495) and land area (1,690 sq. miles) in the District. The remainder of the nation (excluding New England where metropolitan areas are not defined on a county basis) had a net gain of metropolitan counties (11) and metropolitan population (2.4 million), and a net loss of metropolitan land area (7,042 sq. miles). That is, the nation lost large sparsely populated counties and gained smaller densely populated counties. Nevertheless, the District provides approximately the same percentage of the nation's total population as metropolitan population.

The effects of the MSA redefinitions on the metropolitan character and economic integration of the District's metropolitan areas were negligible, as counties at the margin of metropolitan qualification were deleted and added. The metropolitan counties under the new designations have a slightly more dense

population and greater percentage of urban population than those under the old rules.

Effect on regulations & funding

A more significant effect of the MSA re-designations is the impact on regulated institutions from changes in the administration of certain regulations, and the ability of certain areas to receive federal funds through Federal Grant-In-Aid programs. Particularly affected are depository organizations and entitlement grant recipients under the Community Development Block Grant Program (CDBG).

Regulation L: Management Interlocks

The Federal Reserve Board's Regulation L implements the Depository Institution Management Interlocks Act.¹⁰ The purpose of the regulation is to foster competition by generally prohibiting management interlocks among unaffiliated depository organizations that are of substantial size (total assets of \$500 million or more) or located in the same local area. The Board's Regulation L applies to state member banks, bank holding companies, and their nonbank affiliates. Other depository institution regulatory agencies have similar regulations implementing the Interlocks Act for their respective regulated institutions.

Generally, Regulation L prohibits persons from serving as management officials for unaffiliated depository organizations in the same metropolitan area. Thus the MSA redefinitions have made some previously permissible interlocks impermissible as well as creating permissible interlock opportunities for what would have been impermissible associations under the old SMSA definitions. The District's 184 depository organizations located in the counties added or deleted from MSA status may be affected by these regulatory changes regarding management interlocks.

A previously prohibited interlock may now be permissible if a county has been deleted from a MSA or changed MSA affiliation.

For example: The Fort Wayne, IN SMSA was defined as Adams, Allen, DeKalb, and Wells Counties, Indiana. The Fort Wayne, IN MSA is now defined as Allen, DeKalb, and Whitley Counties, Indiana. Thus, all else remaining the same, a management interlock between unaffiliated depository

organizations in Adams and Allen Counties which was previously prohibited is now permissible.

On the other hand, *a previously permissible interlock may have become prohibited*. This would occur if a county gained MSA status or a county changed MSA affiliation.

For example: A management interlock between unaffiliated depository organizations in Whitley and DeKalb Counties was permissible prior to June 30, 1983 because Whitley was not a metropolitan county. That interlock or the establishment of a similar one is now prohibited.

Regulation C: Home Mortgage Disclosure

Another effect of the MSA redefinitions on bank-related regulations is its impact on the reporting burdens of the Board's Regulation C which is issued pursuant to the Home Mortgage Disclosure Act of 1975, as amended. One reason behind the Act was the finding by Congress that some depository institutions have sometimes contributed to the decline of certain geographic areas by their failure pursuant to their chartering responsibilities to provide adequate home financing to qualified applicants on reasonable terms and conditions. The purpose of this regulation is to provide the public with loan data to determine whether depository institutions are serving the housing needs of the communities in which they are located.

Home mortgage disclosure (HMDA) statements must be filed annually by all depository institutions with total assets of more than \$10 million that make federally related mortgages and have a home office or a branch office in a MSA.¹¹ The 1983 MSA redesignations have eliminated this reporting requirement for, at most, 112 of the District's organizations (59 commercial banks, 29 savings and loan associations, and 24 credit unions) which have an office in the 11 counties deleted from MSA status. This number may be less if an organization has offices in other counties that are part of an MSA. Likewise, the redefinitions may add a reporting requirement for, at most, 72 depository organizations (43 commercial banks, 14 savings and loan associations, and 15 credit unions) in the District's 8 counties added to MSA status.

A depository institution's HMDA statement must contain data on the number and total dollar amount of home purchase and home improvement loans (for single family and multi-family housing) that the institution originates or purchases. Aggregate data are available for each MSA by census tract for all reporting depository institutions. This information shows aggregate lending patterns for various categories of census tracts grouped according to location, age of housing stock, income level, and racial characteristics.

Community Reinvestment Act

Such aggregate data are useful for regulatory agency examinations under the Community Reinvestment Act (CRA). This Act and the Board's Regulation BB, which implements the Act, are to encourage regulated financial institutions to meet the depository and credit needs of their local community consistent with safe and sound banking practices. The institution's record of doing so, as partially reflected in its HMDA statements, is taken into account in the evaluation of an application submitted by the institution to its regulatory agency (e.g., bank merger applications). Poor performance under the CRA may be grounds for denial of an application.

Federal funding

Under the CDBG program, MSA central cities and counties are entitlement recipients which as a group receive 80 percent of CDBG funding. (See Box 2 for description of CDBG program.) Nonmetropolitan and other non-entitlement units are allocated the remaining 20 percent of funding on a competitive basis. Thus, the District's central cities and metropolitan counties dropped from MSA status lost their CDBG entitlement privilege. Likewise, cities and counties that gained MSA status became entitlement recipients. In the aggregate the District experienced a net addition of 23 qualifying entitlement central cities, a net loss of 3 metropolitan counties, and the loss of one independent MSA. However, what is good for the whole may not be good for each of its parts. As the number of MSAs and central cities increase nationwide, less funds are available per MSA or central city (given no change in the total funding under the CDBG).

Box 2
Community Development Block Grant Program (CDBG)

Authorized under Title I of The Housing and Community Development Act of 1974, as amended, the CDBG program annually allocates funds to local areas on the basis of a formula. The formula considers population, poverty (weighted double), and overcrowding of housing. It is designed to give local control over community development funds.

The primary purpose of the CDBG program is to develop viable urban communities, provide decent housing and a suitable living environment, and expand economic opportunities, principally for low and moderate income individuals. Although its major goals are aimed at preventing slums and urban blight and conserving and expanding the nation's housing stock, its other goals include the improvement of local services, the rational utilization of land and natural resources, and the restoration of special value properties for esthetic, architectural, or historic reasons.

The distributional formula for CDBG funds is 80 percent to MSAs and

20 percent to nonmetropolitan areas. The funds are then allocated on an entitlement or discretionary basis. The entitlement areas are: MSA cities of 50,000 or more persons; cities with populations of less than 50,000 which are central cities of MSAs; and metropolitan counties of 200,000 or more persons (minus the population in the entitlement cities of the county). The amount of funds received by each metropolitan county is determined by a statutory formula, intended to measure housing needs based on total population, poverty and overcrowding. (In FY 1983, 716 grants were approved for 790 eligible units of local government.) Nonentitlement areas received funds based on the same statistical factors and formula. Such areas are ranked nationally based on these factors. To the extent funds are available these areas receive funds based on their ranking. (In FY 1983 there were 84 approvals under the CDBG Small Cities Program for nonentitlement areas.)

For the majority of formula and formula-project Grant-in-Aid programs, MSA designation alone does not directly determine funding recipients. Rather, the major factors are an area's: 1) population characteristics, (i.e., total population, percentage urban population and decennial population growth); 2) income characteristics, (i.e., per capita income, median family or median household income, and the number and percentage of persons or families below the poverty level or in low- to moderate-income areas); and, 3) housing characteristics (i.e., age of housing and housing conditions). These conditions, as measured by statistical factors using decennial census data, are used to determine need and the eligibility for and the amount of federal assistance.

General Revenue Sharing as well as 8 of the 12 Block Grant programs for FY 1984 used population or per capita income as eligibility criteria. Also 32.1 percent of all FY 1984

categorical grants to state and local governments were formula or formula-project grants allocated based on factors of total population (or the population of a special group, e.g., school age population) or per capita income (or per capita income of a special group or used to modify other formula factors, e.g., number of persons below poverty level).¹² Typically the larger metropolitan areas have larger, older cities and hence have more problems of urban blight. This is not to say that rural areas are immune from problems of poverty and inadequate housing. Indeed they are not and there are federal assistance programs designed specifically for rural areas, (e.g., Farm Home Administration low-income home loans). Yet, the fastest growing metropolitan areas (Level D areas) and rural areas are most likely to need CDBG funds to solve problems related to urban growth.

For the MSA redesignations to have significantly affected the funding for federal aid programs (except in the case of CDBGs), the redefinitions would have had to alter significantly the population, income, and housing factors upon which aid is based. Data for selected statistical factors calculated under the old and new designations for District MSAs reveal that this was not the case. The major losers were the counties in Indiana and Michigan dropped from CDBG entitlement because they lost metropolitan status, particularly those losing status as a result of rule changes rather than any metropolitan character change. Similarly, the most likely gainers are the new, relatively small metropolitan counties which have become entitlement recipients. This is particularly true if the addition was based solely on rule changes. In this case Illinois would be the greatest beneficiary. Illinois is also the District's greatest beneficiary in terms of cities gaining entitlement status.

Nonetheless, census statistics are important in tracking the social and economic well-being of both metropolitan and nonmetropolitan areas. Census data assist in the allocation of limited resources to areas of greatest need or with the greatest number of beneficiaries. The FY 1984 budget allotted \$90.8 billion dollars for Grant-In-Aid to state and local governments. A portrait of the District's population, income, and housing characteristics gives an indication of the relative impact of public policy changes, such as federal budget cuts on areas within the District. For example, (Chicago) Cook County, IL; (Milwaukee) Milwaukee County, WI and (Des Moines) Johnson County, IA would be most severely hurt by cuts to public transportation. Illinois with 83.3 percent urban population would be significantly affected by changes to the Urban Mass Transportation program. District areas with the lowest per capita income (Menominee and Delta Counties WI; and Lake County, MI) would be most affected by cuts in aid to low income individuals. Illinois and Michigan rank among the top ten states in terms of numbers of individuals or families below the poverty level.

Conclusion

MSAs provide uniformity and continuity in the presentation of census data. The tabu-

lation of such data aids in the analysis of social, demographic, and economic trends of local economies, such as metropolitan areas. It also provides a basis for public and private sector policy decisions, i.e., urban development or the location of production and sales facilities.

The use of a standardized unit of measure is of prime importance in any time series analysis. Amidst decades of changing demographics, decennial MSA criteria revisions have been aimed at maintaining uniformity in the analysis of local areas. For example, to aid in the comparison across the universe of diverse metropolitan areas, MSA size level classifications were created with the 1983 standards.

For District MSAs, the 1983 redesignations had a negligible impact on aggregate metropolitan characteristics and selected federal aid factors. Michigan and Indiana had the greatest loss of metropolitan counties while Illinois not only gained the most metropolitan counties but also the most central cities.

As MSAs lost and gained counties, the people and institutions within the MSAs were affected to varying degrees. Changes in Federal Grant-In-Aid funds (i.e., CDBG funds) to local governments will affect the social and economic well-being of the county's residents. Regulatory requirements for certain types of institutions (e.g. depository organizations) may have changed for those located in counties gaining or losing MSA status. Finally, as evidenced by the legislative actions taken in the St. Louis and Kansas City cases, there is a perceived prestige and attractiveness associated with a MSA's relative rank in terms of buying power or population—an attractiveness that may translate into an area's prospects for future growth and economic viability.

¹ "Benton Harbor Speaks", Charles Eckenstahler, (Executive Director, Southwestern Michigan Commission, St. Joseph, Michigan), *American Demographics*, May 1984, p. 8.

² Parishes in Louisiana, boroughs and census areas in Alaska, and independent cities in Georgia, Maryland, Missouri, and Nevada are county equivalents for metropolitan designations. Cities and towns are administratively more important than counties in the six New England states and thus are used as the basic metropolitan area unit in these states. The official standards for metropolitan areas are developed by the interagency Federal Committee on Metropolitan Statistical Areas.

Based on these standards, metropolitan areas are designated and defined by the Office of Information and Regulatory Affairs, Office of Management and Budget (OMB).

³ A few MSAs do not meet these population requirements, but are still recognized as MSAs because they qualified as such under previously used population standards for SMSAs.

⁴ Central cities are those cities with: 1) the largest population in the metropolitan area or 2) 250,000 or more persons; or 3) 100,000 or more persons employed in the city; or 4) 25,000 or more persons, an employment/residence ratio of 75 percent or greater, and less than 60 percent of its employed residents working outside of the city; or 5) 15,000 to 25,000 persons and at least one-third the size of the largest central city, an employment/residence ratio of 75 percent or more, and less than 60 percent of its employed residents working outside of the city.

⁵ This terminology, effective June 30, 1983, replaced the previous terms: Standard Metropolitan Statistical Area (SMSA)—now MSA; Standard Consolidated Statistical Area (SCSA)—now CMSA. The term PMSA was added to specify the components of CMSAs.

For the specific conditions needed to qualify as MSAs, PMSAs, or CMSAs: see “The Metropolitan Statistical Area Classification,” Federal Committee on Standard Metropolitan Statistical Areas, *Statistical Reporter*, December 1979, pp. 33-45 and “Documents Relating to the Metropolitan Area Classification for the 1980’s,” *Statistical Reporter*, August 1980, pp. 335-384.

⁶ The initial criteria for a PMSA county are: 100,000 or more population, at least 60 percent urban population, and less than 50 percent resident workers working in a different county. Then, specific commuting interchange requirements and local opinion through the congressional delegation are used to designate single county or grouped county PMSAs.

⁷ “Poughkeepsie’s Complaint, or Defining Metropolitan Areas”, Calvin L. Beale, *American Demographics*, January 1984, pg. 29.

⁸ *NEW AREAS*: St. Louis-East St. Louis-Alton (MO-IL) CMSA, Aurora-Elgin PMSA, Joliet PMSA, Lake County PMSA, Alton-Granite City PMSA and East St. Louis-Belleveille PMSA. *NEW COUNTIES*: IL: Aurora-Elgin PMSA – Kendall; Joliet PMSA – Grundy; Alton-Granite City PMSA – Jersey; IN: Fort Wayne MSA – Whitley; Louisville KY-IN MSA – Harrison; IA: Des Moines MSA – Dallas; Waterloo-Cedar Falls MSA – Bremer; and MI: Saginaw-Bay City-Midland – Midland. *DELETED COUNTIES*: IN: Evansville MSA – Gibson; Fort Wayne MSA – Adams and Wells; South Bend-Mishawaka MSA – Marshall; Terre Haute MSA – Sullivan and Vermillion; MI: Flint MSA – Shiawassee; Lansing-East Lansing MSA – Ionia; Battle Creek MSA – Barry; Kalamazoo MSA – Van Buren; Muskegon MSA – Oceana.

⁹ Local opinion is considered in several cases: 1) approximately equal commuting (within 5 percentage points) to two different areas; 2) central cities within 25 miles of each other may be combined into a single MSA, without meeting the 15 percent commuting requirement, or left as parts of two separate MSAs; 3) the establishment of separately recognized PMSAs versus only inclusion in the Level A MSA and; 4) selecting appropriate PMSA and CMSA titles.

¹⁰ The Interlocks Act was enacted as Title II of the Financial Institutions Regulatory and Interest Rate Control Act of 1978.

¹¹ Depository institutions include commercial banks, savings banks, savings and loan associations, building and loan associations, and credit unions.

¹² *A Catalog of Federal Grant-In-Aid to State and Local Governments: Grants Funded FY 1984*, Advisory Commission on Intergovernmental Relations, Washington, D.C.