MILKEN INSTITUTE

METHODOLOGY AND COMPONENTS OF THE BPC INDEX

The BPC report uses the geographic boundaries of cities defined by the Office of Management and Budget (OMB) delineations of metropolitan statistical areas adopted in April of 2018.[1] The OMB defines a metropolitan statistical area (MSAs) as having "at least one urbanized area of 50,000 or more population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting ties."[2] Certain metropolitan statical areas with a single urban core of at least 2.5 million people are further divided into metropolitan divisions (MDs)[3]. As of April of 2018, the OMB identifies 383 metropolitan statistical areas across the 50 states, of which 11 are further divided into 31 metropolitan divisions. We define cities using the smaller unit of analysis when available, meaning that the BPC ranking includes 372 MSAs and 31 MDs. The resulting 403 metropolitan areas are divided into 200 large and 203 small cities according to the population size as of 2021.

The BPC index and rankings are based on scores calculated with a combination of short- and medium-term measures of growth in jobs, wages, and technology output. The index also includes housing affordability and households' access to broadband internet. These two components of the index capture access to economic opportunities that drive well-being of populations across US cities. A full list of the 12 components of the BPC index with their respective weights is shown in Table 3.

Table 3. Components of the Best-Performing Cities Index

Component	Weight
Job growth (I=2016)	0.118
Job growth (I=2020)	0.118
Wage and salary growth (I=2016)	0.118
Wage and salary growth (I=2020)	0.118
Short-term job growth (Oct. 2021-Oct. 2022)	0.118
High-tech GDP growth (I=2016)	0.0585
High-tech GDP growth (I=2020)	0.0585
High-tech GDP location quotient (2021)	0.0585
Number of high-tech industries with GDP LQ>1 (2021)	0.0585
Household Access to Broadband (2021)	0.0585

[1] The delineations of metropolitan statistical areas and metropolitan divisions used in the 2023 BPC edition correspond to those outlined in OMB Bulleting No. 18-03, released on April 10, 2018. Since then, the OMB has updated its definition of metropolitan statistical areas and metropolitan divisions as described in OMB Bulletin No. 18-04, released on September 14, 2018. However, the Bureau of Labor Statistics (BLS) continues to use the geographic definitions based on OMB Bulletin No. 18-03. Since the BPC index is calculated using measures based on BLS data, the geographic definitions used throughout the report and in the index correspond to the April 2018 definitions used by the BLS.

[2] 0MB BULLETIN NO. 18-03 (whitehouse.gov), Appendix, p.2.

[3] For more information, see Part IX Office of Management and Budget, "Standards for Defining Metropolitan and Micropolitan Statistical Areas; Notice," Federal Registrer, December 27, 2000, available at https://www.govinfo.gov/content/pkg/FR-2000-12-27/pdf/00-32997.pdf

Households with Affordable Housing Costs (2017-21)	0.0585
Households with Affordable Housing Costs (2021)	0.0585

Note: "I" refers to the beginning year of the period to which data is indexed, with end year being 2021. Weights do not add up to 1, due to rounding.

Given the BPC's focus on economic growth and employment, short- and medium-term job and wage growth are assigned a higher weight in the index. These measures are used to evaluate the extent to which cities are successful at leveraging their resources to promote economic growth and maintain a thriving work environment. Reflecting the growing importance of the high-tech sector, the BPC index also includes four measures of high-tech industries' growth and concentration in metropolitan areas relative to the national average. The nine indicators of growth in jobs, wages, and performance of the high-tech industries in cities are based on Moody's Analytics' data sourced from the Bureau of Labor Statistics.

To provide a comprehensive assessment of cities' performance and the economic well-being of their residents, the BPC index also includes measures of access to economic opportunities. The two measures of housing affordability included in the BPC index capture the extent to which cities have been successful in providing a high supply of affordable housing to guarantee their attractiveness in the eyes of future generations of workers. Finally, the percent of households with access to broadband internet captures cities' abilities to provide the essential digital services required by their residents to access high-quality jobs, healthcare, and other determinants of economic prosperity. The three measures of housing affordability and broadband access are based on American Community Survey one-year (2021) and five-year (2017-2021) data.

To facilitate interpretation of the BPC rankings, cities are divided into five tiers based on their BPC index scores. The tiers are created by dividing the full range of the BPC scores (i.e., the difference between the highest and lowest score) into five consecutive sub-segments of equal length. Cities are classified into these tiers depending on which of the five sub-segments their scores fall into. This methodology implies that the number of cities in each tier depends on the distribution of scores along the full range of the index.[4] The classification of cities into tiers is done separately for large and small cities.

[4] As an example, if BPC index scores fell between 10 and 60, Tier 1 would include all cities with scores between 10 and 20, Tier 2 would include cities with scores between 20.01 and 30, and so on, consecutively until Tier 5 which would include cities with scores between 50.01 and 60.