



How the 2006 Best Cities Were Selected

A look at the methodology behind this year's rankings.

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This year's rankings incorporate a new methodology that emphasizes the robustness of a region's growth and expands the rankings to include all of the MSAs for which the Bureau of Labor Statistics reports employment data. They are derived from three-month rolling averages of U.S. Bureau of Labor Statistics "state and area" unadjusted employment data reported from January 1994 to September 2005.

The data reflect the North American Industry Classification System categories, including total nonfarm employment, manufacturing, financial services, business and professional services, educational and health services, information, retail and wholesale trade, transportation and utilities, leisure and hospitality, and government.

Because of new baseline calculations instituted by the BLS in the first quarter of 2005, sectoral detail for the 393 MSAs was not available for enough regions to develop the balance component used in years past by *Inc.*

This year's rankings use four measures of growth to rank all areas for which full data sets were available from the past 10 years -- 393 regions in total. Because of the change in approach, this year's rankings cannot be directly compared to last year's, but rankings for last year are provided using the new methodology.

"Large" areas include those with a current nonfarm employment base of at least 450,000 jobs. "Medium" areas range from 150,000 to 450,000 jobs. "Small" areas have as many as 150,000 jobs.

The index is calculated from a normalized, weighted summary of: 1) recent growth trend: the current and prior year's employment growth rates, with the current year emphasized (two points); 2) mid-term growth: the average annual 2000-2005 growth rate (two points); 3) long-term trend: the sum of the 2000-2005 and 1994-1999 employment growth rates multiplied by the ratio of the 1994-1999 growth rate over the 2000-2005 growth rate (two points); and 4) current year growth (one point).

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