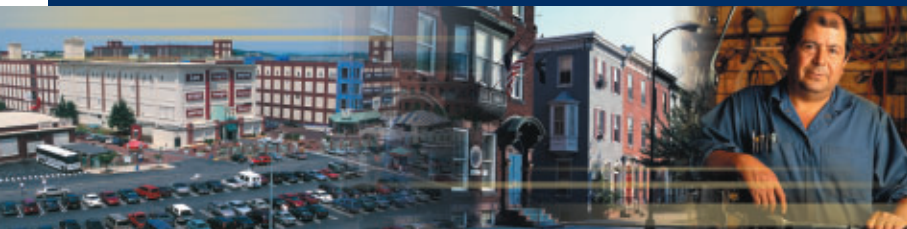


# V. PULLING IT ALL TOGETHER



The trends, charts, and maps presented in this report tell a troubling story about the current state of Pennsylvania.

Despite the state's woes, that story clearly includes the undeniable strengths of a proud state with a rich heritage of economic might; superb colleges, universities, and health facilities; and a unique array of distinctive older neighborhoods.

However, the view of Pennsylvania here remains, on balance, a tough one. Pennsylvania is drifting. Population is growing only slowly. Residents are dispersing far and wide across the landscape and out of older communities. And meanwhile the economy is stagnating, unable to transition fully from the downsizing of its manufacturing sectors to dominance in the next era.



In keeping with that assessment, this report draws a number of conclusions that set out the challenges for the state as it considers how to build a new Pennsylvania:

**1. Pennsylvania possesses fundamental assets.** Going back decades, the state's metropolitan areas, world-class farm regions, and small towns embody a unique heritage of success. The state's mountains and rivers maintain their appeal. Its cities and other older communities retain top universities, superb hospitals, major business and technology clusters, and distinctive, human-scaled neighborhoods. And the state's manufacturing sector, while constantly tested, still contributes mightily. Even more important, Pennsylvania's towns, cities, and boroughs (both rural and urban) boast a core strength few communities elsewhere can tap: an extraordinarily committed, rooted citizenry. Nearly 80 percent of Pennsylvania's residents were born and raised in the state. Pennsylvanians consequently love their state and are unusually committed to making sure it flourishes. Perhaps for that reason the Commonwealth invests some of the most dollars per capita of any state on job creation and business expansion. With such effort and so many assets, Pennsylvania possesses much of what it needs to flourish.

**2. However, the Commonwealth ranks low among states on demographic and competitive trends, even as it undergoes one of the nation's most radical patterns of sprawl and abandonment.** In this regard, the trends are stark, and pose serious challenges:

- **Pennsylvania is barely growing and it's aging.** During the 1990s, Pennsylvania garnered the third-slowest growth among states, as it grew by just 3.4 percent—or 400,000 residents. That growth at least improved on the declines and stasis of the 1970s and 1980s, but the recovery remained anemic. Making these trends starker are the tepid population dynamics they mask. In the latter half of the 1990s the sixth-largest state experienced the fifth-largest net out-migration of residents, and the ninth-largest percentage loss of young people aged 25- to 34-years old in 2000. Meanwhile, the state added relatively few births and captured only modest immigration. Consequently, the Commonwealth now ranks second among states for its share of Americans over age 65. Pennsylvania lacks the vibrant population dynamics usually associated with flourishing economies.
- **Pennsylvania is spreading out—and hollowing out.** Notwithstanding the state's miniscule growth, the Commonwealth decentralized rapidly during the 1990s, extending and accelerating a long-term shift of population outward. During the last decade, some 533,000 people—many of them from within state—poured out into the Commonwealth's outer townships to hike the population there 12 percent. Simultaneously, the population of the state's cities, boroughs, and more established suburbs dwindle.



dled by nearly 2 percent, or 133,000 people, collectively. In keeping with these flows, 90 percent of the state's household growth and 72 percent of its new-housing production occurred around the state's outer townships. Job creation has also shifted outward. The result: Pennsylvania's cities, towns, and older suburbs continue to decline as the locus of the state's growth shifts decisively toward outlying newer communities.

- **The state's transitioning economy is lagging.** Nor has Pennsylvania's once-formidable economy come to terms with the downsizing of its manufacturing sector. Instead, the Commonwealth ranks near the bottom of states in employment growth. Pay lags behind both the nation and other Mid-Atlantic states. And while the state's top-flight health care and education specialties flourish as the service sector grows, an unusually large percentage of the state's workers (60 percent of them) toil in lower-pay jobs with wages of less than \$27,000 per year. Darkening the prospects for a quick reinvention is Pennsylvania's relatively low level of higher education. In 2000, only 22.4 percent of Pennsylvanians possessed a bachelor's degree, compared to 24.4 percent nationwide. Although that number has been improving, the Commonwealth still ranks just 30th among the states on this key indicator—lower than all its neighbors but West Virginia and Ohio. Pennsylvania does not yet excel on this or other critical indices of competitiveness.

### 3. The consequences of Pennsylvania's trends, are fiscally, economically, and socially damaging—for the state, for communities, and for the families that live in them.

Most disturbingly, Pennsylvania's trends are undercutting the very places that possess the assets the state needs most to bolster its competitiveness:

- **Slow growth is still bringing fast sprawl.** Pennsylvania's population grew by just 2.5 percent between 1982 and 1997, but its urbanized footprint grew by 47 percent over that time. That meant that the third-slowest-growing state in the country developed the sixth-largest amount of land, as it consumed more farmland and natural space per added resident than every state but Wyoming. In short, the state is squandering a key source of competitive advantage: its beckoning landscape and superb natural assets.
- **Neighborhood decline is weakening the cities, towns, and older suburbs in which 58 percent of the state's residents live, and where many of its critical intellectual, health, and business assets cluster.** In particular, the Commonwealth's starkly unbalanced growth patterns are taking a drastic toll on the health and real estate markets of the state's original neighborhoods of choice—its city residential blocks, charming rural and urban boroughs, and inner-ring townships. People are moving out. Vacancy is on the rise in older municipalities. And in the worst-affected areas a "vicious-cycle" of social distress, deterioration, and abandonment is destroying the state's neighborhood appeal.
- **Sprawl and urban decline are each burdening taxpayers.** Low-density sprawl is raising tax bills because it frequently costs more to provide infrastructure and services to far-flung communities where longer distances separate houses and businesses. Urban decay, meanwhile, imposes even more painful costs, as decline depresses property values and therefore tax revenues. In Pennsylvania, real property in the state's cities, boroughs, and older townships failed to appreciate between 1993 and 2000 during years when the outer townships gained more than 20 percent in inflation-adjusted market value. Such trends place heavy pressure on older communities to set their property tax rates higher than developing outer areas, weakening their capacity to compete for new residents and investments.
- **Each of these dynamics is exacerbating the state's loss of young talent, worsening the state's serious workforce problem.** Given its aging population and loss of young adults, Pennsylvania badly needs to attract and retain more highly educated younger workers, including the enviable flow of top students who pass through its many institutions of higher learning. However, sprawl, on the one hand, and urban decline, on the other, each hinder the state's ability to create the kinds of places that attract critical "human capital," and reverse a serious "brain drain." Too rarely do young and mobile educated workers find in Pennsylvania the vibrant downtowns, healthy urban neigh-

borhoods, pristine scenery, and rich close-in job markets to which they gravitate. That makes it harder to build and maintain the skilled and educated workforce necessary to spawn high-paying knowledge jobs and cultivate entrepreneurialism.

- **Current trends, finally, are also isolating the state's growing numbers of low-income and minority residents from opportunity.** Most notably, the movement of jobs and middle-class families away from the state's cities, boroughs, and older townships and into the outer townships means that low-income and minority workers have become spatially separated from economic opportunities. In fact, no less than six of the 50 metropolitan areas displaying the greatest physical separation of black workers from jobs were located in Pennsylvania in 2000. This physical isolation, compounded by serious skills shortfalls among urban workers, represents a serious drag on the state's productivity and social health.

**4. These trends and consequences are not inevitable.** This report suggests, in particular, that at least five factors working “behind the trends” have influenced the state's recent course. Fortunately, many of these factors can be addressed to bend the state's trends toward higher-quality growth. These influences include:

- **Governmental fragmentation.** Pennsylvanians are justifiably proud of their profusion of accessible, small-scale governments. However, the intense localism of the state's 2,566 municipal governments—compounded by the state bureaucracy's own fragmentation—has often caused jurisdictions to work at cross-purposes rather than together on tough problems like land-use planning and economic development. These fractures have made it hard for the state and its local partners to respond concertedly to modern realities and challenges.
- **Weak planning systems.** Flawed planning structures and uncoordinated agendas have similarly left the Commonwealth's regions and state government less able than others to project a desired pattern of development and manage change. This weakness has contributed to unfocused state policies and chaotic spread-out development.
- **A history of haphazard state investments.** While well-intentioned, the state's own uncoordinated spending has also probably exacerbated the state's sprawl and urban-decline woes without providing a focused lift to the economy. State road and economic development investments, in particular, have likely contributed to the decline of the state's struggling older communities by either directly supporting the dispersal of population and economic activity, or failing to target aid sufficiently on older areas.
- **The shifting structure of the state's (and the nation's) economy.** This too has played a significant role in decentralizing population and jobs and depressing growth. The sheer scale of deindustrialization in the Commonwealth has complicated its search for a new niche, for example. Meanwhile, the state's reliance on manufacturing and big box retailing for jobs and revenue may be contributing to decentralization. And finally, the increasing premium the changing world economy places on high education and skills levels has complicated reinvention for a state with historically low attainment on such measures.
- **Barriers to reinvestment.** Numerous obstacles to redevelopment, finally, have blocked new markets from emerging in older communities, spurred more decentralization, and burdened regional economies. Currently the state maintains a strong brownfields reuse program. But even so, urban contamination, high clean-up costs, substantial regulatory and legal complexities, outmoded building codes, and disjointed real estate markets all impede the revitalization of older urban Pennsylvania. As they do, they have shunted development to the greenfield periphery and placed a costly drag on metropolitan economic development.

Ultimately, these trends, consequences, and influences “behind the trends” make this a time of decision for Pennsylvania. Pennsylvania needs to reject drift and turn its future “back to prosperity.”