

VI. BACK TO PROSPERITY: A *POLICY AGENDA* FOR PENNSYLVANIA



Pennsylvania must seize this moment and make some tough choices. To renew itself, a proud and cautious state needs to summon the wherewithal to survey its present predicament, reject drift, and bend an array of stark trends back toward prosperity.

Of course, this won't be easy.

Without doubt, Pennsylvania remains stuck in a tough spot.

Entrenched trends of slow population increase, tepid migration, and aging tend to depress growth. Vast national and international tendencies toward decentralization and deindustrialization also contribute to malaise. And closer to home, the state's profusion of governments and departments, and its deep-set commitment to localism, have tended to hobble efforts to mobilize a consensus for either regional or statewide change. Nothing will come easily to Pennsylvania.

Still, the fact remains that the Commonwealth boasts a potent array of underutilized, under-leveraged assets that could—with proper coordination and focus—allow the state to transcend its predicament.



Slow population change and accessible local government mean, on the positive side, that the state possesses a highly rooted citizenry with an unusual commitment to making sure the state flourishes.

The state's cities and other older municipalities retain numerous educational institutions, strong medical centers, major business and technology clusters, and distinctive traditional neighborhoods that can anchor resurgence.

Moreover, significant existing state efforts signal both the capacity and the potential of the Commonwealth to reinvent itself. The state's award-winning brownfields redevelopment program proves Pennsylvania can respond boldly and intelligently to tough problems, for example. The 2000 "Growing Smarter" reforms demonstrated that progressive planning reform could be squared with a respect for local autonomy. Likewise, the state's high per capita spending on economic development demonstrates Pennsylvania's willingness to invest heavily in building a better future.

Pennsylvania, in short, already possesses much of what it needs to return to preeminence. But make no mistake: Success will require hard thinking and hard choices.

Most clearly, the state needs to embark on a major campaign to commit the Commonwealth's disconnected, under-leveraged parts to compete together rather than against each other in the world economy.

At a time of tough national and global competition, the state needs a clear plan and focused priorities instead of blurry agendas and cross-purposes.

During years of budgetary stress, the state needs to reduce the wastefulness of its haphazard welter of programs and jurisdictions and spending to deploy scarce resources in a strategic and thoughtful way.

Of course, strategies for improving schools and attracting venture capital are also critical. So, too, must substantial tax reform continue to reduce business taxes as well as provide greater relief to the residents of struggling cities and boroughs, where declining property values and increasing school and other taxes are devastating older communities and driving residents away.

But for all that, no strategy will succeed in Pennsylvania until the state as a whole pulls together, refocuses its efforts, and begins to collaborate far more concertedly on leveraging the assets of its people and their cities, towns, and older townships to create a new era of prosperity.

To that end, this last major section of *Back to Prosperity* urges the Commonwealth to embrace the following five strategies for organizing and focusing the conduct of government and development in Pennsylvania:

- **Plan for a more competitive, higher-quality future**
- **Focus the state's investments**
- **Invest in a high road economy**
- **Promote large-scale reinvestment in older communities**
- **Renew state and regional governance**

Action along these lines will allow the state to leverage its genuine assets—particularly those of its once-prosperous older municipalities—to generate a secure and vibrant future.

PLAN FOR A MORE COMPETITIVE, HIGHER-QUALITY FUTURE

THE GOAL: Pennsylvania should improve its capacity to plan so it can better promote sound land use and greater competitiveness on a regional basis

To grow differently and better, the state and its diverse localities must first improve their planning system.

The reason is simple: States, regions, and local communities need strong planning systems if they want to manage the process of change, develop in desirable ways, and respond strategically to new economic realities.

Strong planning systems will allow the state and its local partners to craft the kinds of business districts, retail centers, gathering places, and neighborhoods that lead to high-quality economic growth. Strong planning is the only way the state can ensure that it marshals its own finite resources intelligently to promote higher-quality economic development and better-paying jobs.

And yet, despite the progress made with Act 67 of 2000, the Commonwealth's state-local land-use and investment planning framework cannot yet be deemed strong.

The Commonwealth itself does not plan well, and lacks significant planning oversight or capability. Planning remains spotty across the state. And the MPC remains flawed by its lack of consistency requirements or mechanisms for coordinating the plans and actions of multiple state agencies, counties, local governments, school districts, and special purpose authorities. The result is that troubling cross-purposes confuse the interaction of land-use and infrastructure planning—further weakening the system's ability to rationally channel development.

So the state must act: Together, the governor, the General Assembly, and local citizens should build on the progress made in 2000 to develop a truly robust state-local land-use and policy planning system to steer and promote the state's future growth and quality-of-life.

To do this, the state should pursue three main objectives. First, the state needs to completely reform its own fractured planning efforts. Second, the Commonwealth needs to step up the urgency with which it fosters the voluntary spread of planning to local communities through the current state-local framework. And third, the state must make land-use planning more meaningful in Pennsylvania by introducing more requirements of consistency, conformity, and quality to the system.

The time has come, in short, to make planning “real” in Pennsylvania.

Upgrade the State's Own Planning Capacity

1. Create a state vision for economic competitiveness and development and then apply it across state programs.

The first need for planning reform is cultural and intellectual—and doesn't require elaborate legislation. The governor must lead in focusing the state's own efforts better.

Planning and strategizing cannot be separated, yet the state does neither well now. No widely shared vision pervades the government's departments. Few specific principles inform decision-making and orchestrate disparate agendas and activities. And frequently the state's own multiple departments and programs work in counterproductive ways. Accordingly, the governor needs to articulate, codify, and relentlessly promote a sharp-edged new strategy of community and economic development in Pennsylvania. This strategy should explicitly link quality economic development to quality land-use practices. Moreover, it should formally link the state's economic development efforts to the revitalization of Pennsylvania's cities, boroughs, and older townships, while emphasizing planning and targeting at every turn. Once promulgated, the new vision should be applied energetically to all of the state's actions.

2. Revive the State Planning Board and get serious about state-level interagency coordination.

The state should also build up its own diminished planning and coordination capacity. Strategy requires planning—and planning requires sophistication and the technical capacity to do it. So the state should energize two nominally existing but under-utilized forums: the until-recently defunct State Planning Board, and the newer Interagency Land Use Team.

Recent steps taken to revive the planning board, for example, should move ultimately to create a truly high-level, activist panel within the governor's office for promoting the importance of planning at all levels of government. This board would reassert in a visible way the importance of planning at the state level, and promote good planning and coordination both within and outside the government. More specifically, it

could in tandem with a reconstituted State Planning Office provide professional planning, top-quality research, and analysis to state agencies that frequently lack it.

At the same time, the Interagency Land Use Team—a good idea that has drifted—should be reinvented as a far more dynamic forum for integrating the often uncoordinated activities of the Commonwealth's 24 agencies, many commissions, and other authorities. To this end, the governor should task the team with a clear mission of codifying sound land use principles and promoting their application to all state spending and permitting. The team should become a leading forum for hashing out the program reforms needed to better focus the state's investments and other activities on revitalizing the state's older communities and jump-starting its regional economies.

Foster More Local Planning

3. Increase the incentives to plan. Beyond reforming its own haphazardness, the state should do even more than it already does to promote the voluntary adoption of planning across the state. To do that, the governor and legislature should expand recent efforts to provide better incentives to plan right.

Fortunately, the spread of some sort of planning to almost every county and more municipalities in the last few years suggests the value of recent efforts to foster planning with positive encouragements—grants, technical assistance, training sessions, and incentives. The state should therefore redouble these efforts.

That the Governor's Center turned away nearly as many proposals for its LUPAT planning grants as it fulfilled last year suggests the potential, first, of investing more in that program. Similarly, the continued lack of planning and planning capacity in hundreds of smaller or rural communities argues for augmenting the center's training programs for local officials. Clearly more education and more direct financial assistance could make a large impact.

But then the state should go further: It should tie all future funding awards and permitting by state agencies to the existence of a local municipal plan and zoning ordinances that conform to a county or multi-municipal comprehensive plan. Now, agencies "must consider and may rely" on consistent planning and zoning in their decisionmaking. However, that hedged language leaves room for too much uncertainty. Given that, a legislative act or an executive order should make the principle binding: The state should now require that all of its agencies make grants or give permits *only* to projects in places where the local ordinances conform to county plans. With millions of dollars of DCED subsidies or sewer grants at stake, such a step would catalyze an explosion of planning activity in Pennsylvania.

Promoting a Vision: Massachusetts's Commonwealth Coordinating Council

Recent initiatives implemented by Massachusetts's new Republican governor show a state moving to organize its agencies around a positive new vision. There, one of Gov. Mitt Romney's first actions upon taking office in 2003 was to begin uniting disparate state functions under a new mission of supporting revitalization, discouraging wasteful land use, and encouraging regional solutions, among other objectives. To do that, Romney spoke forcefully of his new agenda and took positive action. What resulted was a new Commonwealth Development Coordinating Council designed to manage housing and community development, environmental issues, energy policy, transportation and construction, and economic development policies in a way that explicitly recognizes the interrelationships these policies have on the physical and economic growth of Massachusetts. Douglas Foy, who was appointed chair of the council, now holds one of the most powerful positions in the governor's office. Under his supervision, the council works with teams of agency representatives to make the state's new vision a reality by ensuring, for example, that housing investments are made near transit stations, that economic development activities reuse urban land, and that open space acquisitions are made as part of larger smart-growth plans.

For more information: See www.state.ma.us/legis/04budget/outside.pdf at Section 14 for the Massachusetts Fiscal Year 2004 Budget Conference Report describing the new council.

Make Planning Mean More

4. Require that state and local infrastructure plans and development conform to land-use plans. Finally, the state should push beyond simply promoting more planning within the current framework. It should also improve that framework. Specifically, the state should make planning more meaningful in Pennsylvania by addressing several major legal and procedural flaws that contort and weaken the states' planning statutes. A good place to begin would be to close the rift between infrastructure planning and land-use planning.

Not only does the MPC hedge its direction to state agencies about considering comprehensive plans in permitting and funding decisions. Also, the code fails to require water and sewer providers to comply with comprehensive plans—and in several respects it conflicts with the sewer main facilities law (Act 537), as on the approval process for sewage facilities. As a result, a strong need exists to integrate infrastructure planning and comprehensive planning. To that end, the state should supplement a requirement that state agencies conform their grants for roads, water and sewer lines, and other facilities to local comprehensive plans with further changes to state law. Most notably, the General Assembly should amend both the MPC and Act 537 to provide for the true integration of sewage facilities planning and municipal, multi-municipal, and county comprehensive planning. With these changes, Pennsylvania infrastructure investment would finally be made to support—rather than distort—Pennsylvanians' chosen patterns of development.

5. Require that local zoning ordinances conform to county and local comprehensive plans. Another planning-law flaw sorely in need of correction is the current lack of a definitive requirement in the MPC that local zoning ordinances conform to regional or county plans. This seriously undermines the effectiveness of all planning in Pennsylvania.

With Section 303 (c) in place, no absolute consistency requirement binds local actions to regional visioning. Moreover, the lack of a process for determining whether local actions conform to wider regional goals means no penalty exists for non-conformity. Consequently, plans are frequently ignored in the state.

To remedy this, the General Assembly needs to make planning “real” in the Commonwealth by:

- eliminating Section 303 (c), and providing an alternate due process procedure for challenges to zoning decisions that does not undercut planning
- requiring that zoning actions and other regulatory and infrastructure decisions conform to adopted land-use plans
- setting up some process for determining consistency between local plans and ordinances and regional plans

Counties, moreover, should come to the fore in a reformed planning system just as they should in governance reform. As units of the Commonwealth's most “regional” local governments, county planning agencies should become the main regional coordinators and overseers of local planning—and they should emphasize channeling growth toward desired growth areas in more established places.

To this end, county comprehensive planning should be strengthened. County planning agencies should be mandated to plan for municipalities that don't themselves. And most importantly, the MPC should require that local zoning ordinances conform to county comp plans. Do all this, and Pennsylvania would gain a truly sound, uniquely Pennsylvanian system for managing land use at the local level.

6. Promote quality in multi-municipal planning. Finally, the state needs to ensure that multi-municipal planning delivers on its promise.

To an extent, continued outreach and education should encourage more groups of municipalities to embrace the true spirit of the law, with its signal opportunity for cooperating localities to plan together and designate growth areas and rural areas on a regionalized basis. In particular, more education may help move more outer-ring communities to join with “core” cities and boroughs so as to channel new development into established areas.

But beyond that the state needs to consider developing some basic mechanisms for quality control. Right now few requirements govern the qualifications of those preparing a multi-municipal comprehensive plan, a plan's content, or its implementation. The result could become a stack of meaningless plans. And so the state should establish some sort of review process or accountability for the new plans. At a minimum, the Governor's Center should require a quality multi-municipal process and product as a condition for receiving LUPTAP and other planning assistance. Involved officials should be required to undertake training about the MPC and the benefits of sound planning. A truly collaborative process and qualified professional support should be insisted upon. And the expectation should be that the plan will be backed up through the adoption of genuine new zoning ordinances. This too would enhance planning in Pennsylvania.

FOCUS THE STATE'S INVESTMENTS

THE GOAL: Pennsylvania should make the most of its significant infrastructure and economic development spending by targeting its resources on the state's older, already established places

The Commonwealth should also re-channel its investments as it strengthens its planning system—this too to build a more competitive future.

Currently, few states spend more per capita on economic development, and that's a positive comparison—a sign of commitment to improving the future. However, the evidence suggests that this strong commitment needs to be focused.

Even recently, as this report has shown, more than 40 percent of the DCED funding dispersed through the state's largest seven economic development programs subsidized projects in the state's outer townships despite acute need and potential in established cities, towns, rural boroughs, and older suburbs. Meanwhile, a significant portion of the state's highway distributions have been flowing into developing or rural areas rather than inward to established ones.

As a result, state investment spending—along with creating some new jobs and economic activity in the short run—represents a sizable missed opportunity for the Commonwealth to leverage investments it has already made in its older communities by renovating and enhancing the decaying infrastructure, distinctive but struggling neighborhoods, existing resources, and existing businesses already there.

In this regard, the state has made redundant new investments while earlier efforts fade, instead of proceeding efficiently and strategically. Rather than upgrading what is declining, it has built anew what will eventually require maintenance. Meanwhile, the Commonwealth has perpetuated economic distortions—road projects that can open up rural areas for sprawl and business subsidies that contribute to the unproductive shifting of existing economic activity from one place to another.

Consequently, Pennsylvania needs to reprioritize. Specifically, the Commonwealth should rethink its investment strategy so as to give first priority in its many development-related spending decisions to the state's older, more established cities, rural and urban boroughs, and older suburbs. In this fashion, the state can leverage as never before the many assets the state's older places possess—assets increasingly critical to attracting the best new businesses and workers.

Two main approaches hold promise for achieving the needed retargeting. First, the state needs to assess its own programs and make available a far richer stream of information about the use and geographic distribution of its spending. Second, the state should “draw the line” on “investment sprawl” by using geographical, eligibility, and planning targets to prioritize most investments to established communities.

Know the Location and Impact of Key Investments

1. Improve information disclosure. Strategy—and reform—require information. Yet Pennsylvania often lacks it. In fact, despite strides in several key departments, Harrisburg remains in many respects opaque when it comes to disclosing how its activities affect both land-use and economic performance. For that reason, the Commonwealth should move strongly to ensure legislators, public officials, and citizens all gain a full, objective, picture of the geography of state spending.

Currently, the formats and detail with which the state presents information about infrastructure, development subsidy, and other programs resist or defy analysis. Important PENNDOT information on transportation investments was at least available to researchers this summer. Likewise, research for this report found that DCED has significantly improved its database on economic development assistance in recent years, and now makes it available to the public via the web-based Investment Tracker. Still, much state-level information remains unavailable or highly general—useless for fine-grained analysis of how state resources are allocated. No statewide repository of information about the proliferating use of TIF exists, for example, despite a statutory requirement that one be kept. Data on other programs frequently omit the precise address and municipality where investments were utilized. And rarely are data available in user-friendly, web-accessible formats.

In view of that, the state should strive to make itself a leader in tracking the allocation of state investments of all kinds. Municipality-level spending reports should become electronically available on all fronts, since the state remains organized on those lines. Precise address data of projects should be disclosed whenever possible. And in general far more detailed

standards for transparency about investments should be promulgated throughout the government. In this fashion the state would for the first time gain an objective and detailed basis for ascertaining how its own spending may or may not affect land-use and development patterns across the Commonwealth.

- 2. Assess the spatial impact of state programs.** Lacking the relevant information, the state really knows little about how its own activities actually affect land-use and development patterns—notwithstanding excellent academic and non-profit inquiries in several metro areas.

To fill that gap, the Commonwealth should initiate a stringent new analysis of all growth-influencing state government programs, building on the program review conducted following Gov. Ridge's Executive Order 1999-1. First, an inventory should be compiled of all programs with likely development implications, ranging from urban transit spending and tax provisions to economic development subsidies and PSP coverage. This would seek to identify which do—and do not—influence development outcomes, and how. Once that scan has been completed, programs with significant sway should then be subjected, item by item, to systematic spatial assessment—preferably utilizing the richer data yielded by improved disclosure. Ultimately, the resulting set of thorough statewide analyses could be used to structure a far sharper discussion of equity issues, how and where the state should be growing, and which policy adjustments might help the state grow differently.

Channel Spending toward Reinvestment

- 3. Make reinvestment the explicit priority.** To accelerate the turn from dispersal to revitalization the Commonwealth should also announce its new priority in no uncertain terms. This should happen in both a general and a program-specific way.

Most broadly, past directives such as Executive Order 1999-1 have remained largely aspirational in favoring previously developed locations, and state agencies have rarely recast their decision-making dramatically. By contrast, a clear and explicit state policy should soon require that all agencies give priority in funding and permitting decisions to infill projects and those involving the redevelopment, reuse, or revitalization of previously developed land.

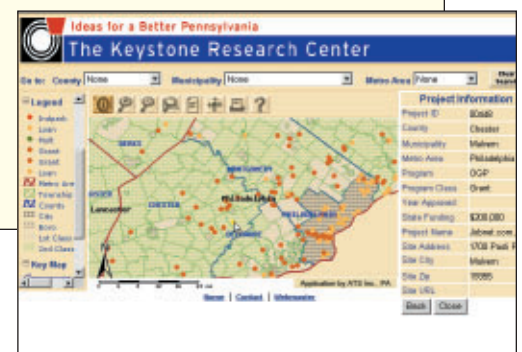
This would set the state on the right course, and help it make the turn to renewal. Eventually, the state's individual agencies would follow through by setting their own new rules for giving priority to older established locations in their own activities.

Making Subsidies Visible: Keystone Research Center's Online Investment Mapping Application

Harrisburg's Keystone Research Center (KRC), working with Lancaster's Advanced Technology Solutions, Inc. and DCED, shows the way toward top-quality investment disclosure with a new online subsidy tracking application it developed in support of this report. Designed to make available detailed spatial information on the distribution of DCED's PIDA, OGP, and IDP program grants between 1998 and 2003, the interactive web-based tool allows the public to select geographic areas around the state and obtain detailed geographic information about the location and type of projects receiving funding at their desktop. A mapping function will return a list of projects in a selected area and display them as dots on a regional map. In addition, a full report on any identified project will be available containing the full recipient company's name, site address, the organization's address, and additional data. Pennsylvania's economic development investments have now been made visible.

For more information and to access the mapping application:

Visit www.keystoneresearch.org



Focusing State Spending: Maryland's Priority Funding Areas

No state offers a more relevant model for systematically retargeting state spending than Pennsylvania's southern neighbor, Maryland. In 1997, Maryland enacted several "smart growth" laws designed to steer state road, sewer, and school investments away from farms and open spaces and into "priority funding areas" (PFAs) in established places where infrastructure already existed. Certain areas of the state are legislatively designated as PFAs, including the city of Baltimore, all municipalities, and areas inside the Baltimore and Washington beltways. Meanwhile, the law also allows counties to designate other areas for priority investment if they meet certain guidelines. Such rules make sense for Pennsylvania. They neither stop far-flung development from taking place nor trample on local autonomy. They simply withdraw state support from inefficient or disruptive projects and channel taxpayer investments into the places that most need and can best support new development. Several states—including California and New Jersey—have adopted variations of this strategic approach.

For more information: See www.mdp.state.md.us/smartintro.htm

4. Tighten the criteria. Agencies and the General Assembly should back up a new embrace of reinvestment by refocusing the criteria the state employs for awarding grants, incentives, and loans.

In this regard, only case-by-case self-discipline exerted by individual departments will restrain dispersed spending and start adding value to existing communities. For that reason, every state agency should sharpen the targeting of its development-related programs by sharpening the programs' eligibility criteria.

PENNDOT, for example, should give greater weight to population in the formula it uses for distributing transportation money to the regional planning entities—which would direct more resources to populous established communities.

Likewise, eligibility and selection criteria for numerous economic development programs should be tightened. Currently, many of these initiatives remain either wide open for greenfield use and abuse (one legislative aide derides the Opportunity Grant Program as the "corporate WAM program," for "walking around money") or so flexible as to lack sharp targeting. A case in point of the latter problem is the Keystone Opportunity Zone program, which requires locations applying for revitalization tax reductions to meet just two of 12 main selection criteria that run from the appropriately specific ("At least 20 percent of the population is below poverty level") to the vague ("The area has experienced severe job loss") to the open-ended ("The area has substantial real property with adequate infrastructure and energy to support new or expanded development").¹ Far better would be a series of overlapping, objective, and restrictive criteria focusing zones on areas of true distress in previously developed older municipalities. In this fashion, the rules should be adjusted to help the state make the turn to reinvestment.

5. Require consistency with county, local, or multi-municipal plans. Finally, the governor and General Assembly should insist that all state agencies conform their permitting decisions, infrastructure grants, business subsidy awards, and other investments to local and county planning preferences.

Currently, the "must consider and may rely on" language from the Growing Smarter amendments to the MPC leaves too much to discretion—and investments frequently drift outwards despite local preferences. A more urgent directive would go farther, and order state compliance with all adopted local, county, or multi-municipal comprehensive plans. Such a requirement would at once confer meaning to local and regional planning and ensure that state investments are made where they will conform to local and county objectives.

As planning in the Commonwealth grows stronger, moreover, such a policy would grow more meaningful. In particular, the new power of cooperating municipalities to designate preferred growth areas in and around cities, boroughs, or rural centers will in time provide important guidance to state agencies about local and regional priorities. Agencies should begin now to take these expressed priorities into account.

INVEST IN A HIGH-ROAD ECONOMY

THE GOAL: Pennsylvania should invest in workers and industries that will help the state produce a more competitive, higher wage future

Pennsylvania also needs to sharpen its economic strategy.

Over the past several decades, Pennsylvania's economy has undergone profound changes. But while the Commonwealth's lagging competitive position among states has been a long time in the making, the job losses of recent years, particularly in manufacturing, underscores the urgency of change. The time is now for the state to focus on investing in a new long-range plan for its economic future.

Without a doubt, Pennsylvania has many key assets on which it can build. It has an extensive system of colleges and universities, with over 700,000 students enrolled in 2000, and substantial research capability.² It supports a sizable range of economic development programs that aim to better prepare the state's industries and workforce to gain—and retain—a strong foothold in the new economy. And it has strengths in several key industries—health care and manufacturing, most notably—that it can leverage for quality economic growth.

In order to maximize these assets, though, Pennsylvania's leaders need to make some tough decisions about the state's goals and priorities, and how to best achieve them. In doing so, they should focus on three broad objectives: They must work to create good opportunities for workers of all skill levels, while ensuring that they are adequately prepared to take advantage of them. They must examine the changing needs of businesses, and create a climate that fosters entrepreneurialism and innovation. And they must encourage growth in industries that support the reinvestment of older urban parts of the state.

Invest in Education and Workforce Training

Pennsylvania's changing economy, aging population, and continued "brain drain" ensure that many Pennsylvania workers lack the education and skills needed to meet the demands of higher-wage new economy jobs. Given the unstable economy, moreover, individual firms—in Pennsylvania and throughout the country—are less willing to invest in training and education programs aimed at filling these gaps. And so the state faces a serious potential shortfall of qualified workers in such key occupations and sectors as health care, technology, and manufacturing.

Clearly, Pennsylvania needs to find ways to address these shortages, or it will continue to lose many of its high-wage jobs to those states and regions that can. To date, however, the state's investments in education and workforce haven't been adequate to the task.

Here are some ways to attack this problem:

- 1. Make investment in education a priority.** Despite its large number of colleges and universities, for example, Pennsylvania's investment in higher education lags its competitors (the 12 largest states plus Maryland). The state's 1997 per pupil spending for higher education ranked it 11th out of the 13, for example, and in 2000, its public four-year institutions had the highest tuition rates among this group. At the same time, tuition rates at its four-year and two-year institutions were 69 percent and 68 percent above the national average, respectively.³ In fact, in 2002, the Commonwealth received only a D+ for affordability in the National Center for Public Policy and Higher Education's state report card.⁴ Such trends must not continue. Pennsylvania's leaders need to examine ways to make higher education a more affordable option for young adults and their families, as well as those already in the workforce who want to expand their knowledge and skills.
- 2. Reform the workforce training system.** "Pennsylvania's workforce development system needs a major reinvention," declares one recent review.⁵ According to the Pennsylvania Economy League, the state distributes approximately \$1.2 billion annually in state and federal funds for workforce development, but less than 5 percent supports specific employer-driven programs. Instead, the funds are allocated among dozens of government departments, workforce investment boards, and other organizations, leading to a largely uncoordinated approach to workforce training.⁶ Furthermore, these programs have largely sought to help disadvantaged or dislocated workers find new jobs, rather than aiming to develop the state's workforce to meet long-term economic development objectives.⁷

In implementing the 1998 federal Workforce Investment Act (WIA), Pennsylvania has begun to focus on these issues. The state should expand upon these efforts by:

- Identifying and monitoring the education and skills demanded by key industries through research and partnerships
- Providing targeted resources to all types of post-secondary institutions—including vocational and technical schools, community colleges, and four-year colleges and universities—to create or expand programs dedicated to helping students develop skill-sets required for jobs in growing industries and fast growing firms in all sectors
- Supporting formal collaborations among business leaders, private sector intermediaries, workforce training organizations, Industrial Resource Centers, and educational institutions to continually evaluate workforce needs and sponsor activities—including internship, apprenticeship, and re-training programs—designed to meet them

Promote Key Industries

Improving the state's competitiveness must also include efforts aimed at fostering innovation, improving business productivity, and creating an environment that encourages entrepreneurialism. But these efforts must go beyond simply investing in individual firms through tax credits, loans, grants, and other funding mechanisms. Instead, they should seek to broadly support the growth of entire high-wage, high-quality industries.

Such an approach should have several components:

3. Know the landscape. A strategic approach to long-term economic development requires a sophisticated understanding of the state's assets and weaknesses. This includes not only knowledge of the skills and deficits of the workforce, but also the regulatory, technological, physical, and market obstacles to business growth and development faced by certain industries. Simply put, state and regional economic development practitioners must support research aimed at ascertaining what sectors and businesses are thriving in their communities, which aren't, and why.⁸

4. Appoint a task force to identify potential industry clusters and niches the state should cultivate.

Knowing the lay of the land is only a first step, however. The state then needs to parlay this knowledge into concrete action steps to capitalize on its economic strengths. To this end, the governor, in partnership with business organizations around the state, should appoint a task force charged with researching and designing a long-range strategy to nurture the competitiveness of certain industries in the state. This panel should focus on the manufacturing sector, and move to identify existing and potential regional niches that have established agglomerations, smart leadership, skilled workers,

market proximity, or other comparative advantages from which strong industry clusters could be expanded and developed.

5. Develop partnerships and programs designed to facilitate innovation. Pennsylvania also needs to partner with existing organizations to help businesses embrace the latest technologies and sharpen their competitive edge. State leaders should begin by building the capacity of several existing programs aimed at fostering industry development. The Ben Franklin Technology Partners (BGTP) program, for example, provides crucial technical and financial assistance to promote technology-based development across sectors, while the state's Industrial Resource Centers are a key resource for small manufacturers seeking to enhance their competitiveness through modernization and product innovation. The state should assist these and other entities—including universities—to work more closely together to ensure that innovative research and ideas get embedded efficiently and effectively into the operations of new and existing firms. This ultimately will help Pennsylvania grow and retain the benefits of advanced technologies in the form of stronger companies that offer secure, high-wage jobs.

Leverage Industries that Promote Revitalization

Any statewide economic development plan should also focus explicitly on reinvigorating the state's cities, towns, and older suburbs. These communities still possess many advantages created by their history, density, infrastructure, and regional "centeredness." At the same time, they are hindered by a host of social and market barriers to their redevelopment. The Commonwealth should thereby conduct a careful assessment of the unique opportunities and challenges associated with business development in its older areas, and work with regional leaders to develop targeted strategies to address them.

Several strategies appear appropriate:

6. Focus on "eds and meds." Pennsylvania's institutions of higher learning and medical facilities are fixed assets that help fuel economic growth in myriad ways. They wield substantial purchasing power. They invest heavily in real estate and infrastructure. They generate significant revenues for their surrounding communities. They employ large—and growing—numbers of people across a range of occupational skill levels, and are essential in helping to spur innovation and business development.⁹ But while these institutions' impact on local and regional economies can be significant, they are often overlooked. The state should work with academic, public, private, and community leaders to evaluate the benefits of these tremendous resources, and find ways they can be fully leveraged to create jobs, income, and wealth in the state's older areas.¹⁰

A Vision for Growth: Michigan's New Economic Development Agenda

Michigan Gov. Jennifer Granholm is making it clear that fostering economic growth is the state's major priority. In September 2003, the governor signed an executive order to centralize and streamline the state's job, workforce, and economic development functions under a single, new Department of Labor and Economic Growth (DLEG). This reorganization abolishes the Department of Career Development, and places its functions—including job training, vocational-technical education services, and the Workforce Investment Board—alongside those related to commercial and business development. In addition, the governor has inaugurated a specific program to help cities become more powerful engines of growth. The "Cool Cities" initiative will create a statewide advisory panel of 30 mayors that will provide input on how the state can assist in making cities more attractive for new jobs and residents. As part of the process, the governor is also asking university presidents to launch a discussion with students on what might encourage them to stay in the state and its cities after graduation. "We have to stop the brain drain... [a] talented, well-educated workforce is the trump card for many companies looking to locate a new business in this state." Together, these steps move smartly toward building a more comprehensive economic development system that recognizes the importance of creating competitive urban areas.

For more information: See www.michigan.gov/emi/0,1303,7-102--75290--,00.html and www.michigan.gov/gov/0,1607,7-168--75516--,00.html

- 7. Support manufacturing in older areas.** Tremendous losses of factories have taken their toll on the Commonwealth's older areas. Still, manufacturing retains an important presence in these communities, providing quality jobs for residents that ripple throughout many sectors of the local economy. And though many, particularly larger, plants have moved to suburban or exurban locations, cities possess several attributes—including a high density of workers, a large number of diverse suppliers, sizable markets, and available land—that make them attractive to many smaller manufacturing firms.¹¹ State and local economic developers need to understand what unique industry niches might indeed benefit from urban locations, and invest in developing the partnerships and programs needed to cultivate them.
- 8. Invest in "consumption amenities."** No urban economic development strategy can ignore, finally, the important role that retail and services play in local economies.¹² Restaurants, entertainment, shopping, hotels, and cultural institutions—as well as financial, business, and legal services—are essential components of thriving urban areas, offering both entry and high level jobs for area residents, as well as producing opportunities for local entrepreneurs. At the same time, these amenities are key to attracting the young professionals on which the new economy depends. Creating a broader market for higher-density, mixed-use development requires state and local leaders to invest in strategies aimed at making Pennsylvania's older urban communities desirable places to live, work, and visit. At the end of the day, those places with a healthy mix of industrial and service oriented jobs—from health care to hospitality—will have the best chance of growth and recovery in the years to come.

PROMOTE LARGE-SCALE REINVESTMENT IN OLDER COMMUNITIES

THE GOAL: Pennsylvania should reform policies and programs to encourage land reclamation and redevelopment in cities, towns, and older suburbs

Just as the Commonwealth needs to rethink where and how it makes strategic investments, it also needs to ensure that Pennsylvania's older communities have the tools they need to embrace new market activity and make the most of new investments.

One strength of Pennsylvania's older communities remains the sizable inventory of land and buildings they have available for development and redevelopment—properties that, with the right attention, can attract new commercial and residential uses.

However, by leaving in place numerous legal and regulatory barriers to real estate redevelopment, the state has been complicit in deterring developers from doing business in many established areas. And by failing to provide sufficient resources to support revitalization, the state has further hindered these communities' ability to break free from an ongoing cycle of disinvestment and disrepair.

To encourage investment in the state's older neighborhoods and commercial centers, then, state leaders should undertake several policy and programmatic initiatives specifically aimed at promoting the re-use of vacant, abandoned, and contaminated properties.

Improve upon the State's Strong Brownfields Program

The precipitous decline of Pennsylvania's manufacturing sector has scarred many urban and rural areas with contaminated and decrepit properties that blight neighborhoods and hinder investment.¹³ To its credit, the state has responded by developing an award-winning brownfields redevelopment effort, which is widely viewed as one of the most progressive in the country,¹⁴ with several features—including liability relief, financial assistance, and a marketing program—that set it apart among states.¹⁵ Given the sweeping magnitude of the problem, however, the state's leaders need to mount an even greater effort to get to these sites back into productive use. There are several next steps Pennsylvania should consider to build on the successes of this vital program and maintain leadership in this key field:

1. Identify new brownfield uses for old financing tools.

States such as Pennsylvania, with a strong tradition of public support for economic development activities, are especially well-positioned to promote brownfield reuse projects by giving a new twist to their traditional economic development finance programs. The state might provide better access to affordable capital by exploring a number of strategies currently being used in other states, including:

- Establish a targeted loan guarantee program, as Florida has done, to provide collateral guarantees or loan loss reserves for primary lender loans made at brownfield sites for redevelopment projects
- Adopt a Brownfield Redevelopment Authority program, as Michigan has done, which would charter quasi-public development authorities specifically focused on brownfield revitalization
- Channel capital to small city and town efforts, as Wisconsin has done, by earmarking some of the state portion of its HUD small cities CDBG allocation to brownfield assessment and cleanup activities

2. Apply more tax-code incentives to brownfield projects.

Pennsylvania, like all states, has used its tax code to attract and channel investment capital in ways that serve broader public purposes. Brownfield revitalization is clearly such an appropriate purpose, and more and more states have adapted their tax incentives to support site cleanup and reuse. Pennsylvania could consider several different approaches:

- Provide single-year cost recovery of some or all remediation costs borne by new site owners, as New Jersey has done, which would help small businesses in planning their capital needs over the short term
- Expedite the transfer of tax delinquent properties, as Wisconsin has done, to discourage “mothballing” in part by giving new owners tax forgiveness on these properties
- Make cleanup-focused tax incentives transferable from developer to new owner, to broaden their appeal and usefulness for housing and commercial projects

- Adopt a “menu” approach to tax incentives, as Missouri has done, to allow new site owners and developers the flexibility of choosing from a variety of property, income, and job creation incentives (up to a prescribed cap) to fit the specific parameters of their project

3. Examine other innovative tools for brownfields redevelopment. New tools to address the difficult financing issues surrounding brownfield site assessment and cleanup are constantly emerging. Pennsylvania might explore a number of these to further its current efforts:

- Create an environmental insurance program, as Massachusetts has done, which can help prospective purchasers quantify risks related to cleanup cost obligations, and provide lenders with the comfort they want to maintain collateral values
- Place a surcharge on dry cleaning services, as Connecticut has done, to fund remediation and pollution prevention at this type of facility; similarly, use some portion of state vehicle registration fees to fund gas station cleanups
- Develop a review system, perhaps through the state university system, to promote innovative and cost-effective cleanup technologies
- Adopt a type of environmental remediation TIF that includes delinquent taxes as an eligible project cost, as well as costs of demolition and removal of all types of contaminants, including lead paint, asbestos, and petroleum

While Pennsylvania obviously can't implement all these tools, the bottom line is that it must continually push the envelope on brownfield revitalization and make these transformations one of the state's top economic development priorities.

Create a Comprehensive Approach for Reusing Vacant and Abandoned Properties

While local governments play a significant role in enabling, or impeding, the re-use of vacant and abandoned property, the state usually creates the legal and regulatory framework in which they operate. Yet few states provide the full array of tools and resources necessary to facilitate local redevelopment efforts. Pennsylvania has an opportunity to be a leader, then, in making land a key part of its economic competitive strategy. Here are a few ideas for how to get started:

4. Develop a statewide inventory system for vacant and abandoned properties. Pennsylvania has an opportunity to become the first state to create a comprehensive inventory of vacant and abandoned properties. To this end, the state should provide targeted funding to municipal governments for the on-going collection of parcel-based information on these sites, including data on their location, zoning, tax status, market value, ownership and other information relating to their condition and redevelopment potential. The state

should establish common definitions and data collection criteria—modeled, perhaps, on those used by Philadelphia—to promote standardization and enable cross-comparisons among jurisdictions. It can then use this information to make policy decisions regarding economic development, housing, and community revitalization, and to create a publicly available, web-based tool—similar to the PA SiteFinder initiative—for marketing properties to private and non-profit sector developers.

The state university system could play an invaluable role in providing technical assistance to municipalities that are interested in organizing a database of consolidated public real estate records linked to computer-mapping software. With the support of state government, state-affiliated universities should begin exploring opportunities to support data collection, computerization, and reporting projects in adjacent or nearby municipalities.

5. Reform state tax foreclosure laws. In many states, it can take many years to foreclose on tax-delinquent properties and make them available for development or new ownership. However, in recent years, several states—including New York, Ohio, Rhode Island, Georgia, and Michigan—have undertaken efforts to modernize their tax lien foreclosure laws to expedite the acquisition and disposition of delinquent properties, and better ensure their subsequent re-use. Pennsylvania should examine these states' efforts, and revamp their own laws to permit the conveyance of properties directly to municipalities without going through the tax sale process. The municipality can then choose to offer them at a tax sale, land bank them for future use, or sell them to a non-profit or for-profit third party that has specific plans for redevelopment.¹⁶

6. Reform eminent domain laws. The state's Urban Redevelopment Law should be amended to streamline the process by which Redevelopment Authorities (RDAs) can acquire individual properties. In neighborhoods already targeted for redevelopment, and where vacancy and abandonment exceeds a certain percentage threshold, one local body should have the authority to offer automatic approval of takings. This would eliminate the need for multiple agencies to review each individual property the RDA seeks to acquire.¹⁷

7. Assist localities in their efforts to acquire, assemble, and redevelop land. The Commonwealth needs to recognize vacancy and abandonment as both a significant problem and a potential opportunity in older areas, and provide the financial and technical assistance needed to help localities grapple with the issue. Many municipalities simply don't have the capacity—either the monetary resources or the professional staff—to effectively administer an efficient redevelopment system. The state should thus offer informational materials and training to ensure that local agency staff understand the state legal tools available to them. The state should also provide localities with needed dollars for acquisition, demolition, remediation, site assembly, infrastructure improvements and other activities to make sites marketable for development.

Leveraging Land: Urban Redevelopment in the UK

To find an aggressive approach to land redevelopment, Pennsylvania's leaders might look across the Atlantic. Launched in 1998 as a key part of its National Land Use Database, the United Kingdom's Previously-Developed Land (PDL) project is working to create and maintain an updated inventory of all previously developed vacant and derelict land throughout England and Wales. This database includes both vacant sites that are ready for redevelopment, as well as land and buildings that require environmental remediation. The national government has laid out specific data collection guidelines for local and regional authorities that outline how information should be gathered, as well criteria for determining the marketability of sites for future use. This redevelopment strategy involves more than just data gathering, however. The national government's planning policy mandates the re-use of empty properties for housing, setting a target that 60 percent of all the country's new housing should be built on previously-used sites by 2008. It appears that this policy is beginning to work: Sixty-one percent of housing built in 2001 was constructed on brownfields or through the conversion of existing buildings.

For more information: See www.nlud.org.uk/ and www.odpm.gov.uk/stellent/groups/odpm_control/documents/contentservertemplate/odpm_index.hcst?n=3383&l=3

Encourage the Rehabilitation of Older Buildings

In addition to their traditional competitive advantages as centers of cultural and economic activity, Pennsylvania's older areas possess a rich stock of distinctive buildings and classic neighborhoods that make them unique relative to their newer suburbs. These buildings also represent competitive advantage. The state needs to ensure that these assets are being maintained and showcased by enacting programs that foster their rehabilitation, beginning with the following two steps:

8. Provide training on new building codes. Adoption of the 2003 International Existing Building Codes (IEBC) is a key first step in modernizing the standards by which buildings in Pennsylvania are redeveloped. But state leaders will need to go further to ensure that the codes are implemented successfully throughout the Commonwealth. These codes will profoundly change redevelopment in the state, requiring building codes officials to adapt to a new set of rules and procedures. In order to achieve consistent, predictable utilization of the codes across municipalities, and among individual inspectors, it is essential that the state provide resources to educate and train officials on the code. In addition, the state will need to develop an efficient system by which architects and developers can appeal code enforcement decisions they deem inappropriate.

9. Pass legislation authorizing a state historic preservation tax credit. While Pennsylvania has had considerable success with the federal Historic Tax Credit Program—according to the National Park Service, \$441 million in certified new investment was generated over the past five years—it remains one of 29 states that does not currently offer any state-level credits. But this may soon change: As of this writing, two historic tax credits bills—for residential and commercial properties, respectively—are currently in the State House of Representatives, and a combined bill has been proposed in the Senate. These bills would offer, among other incentives, a 20-percent credit to homeowners or developers who restore a historically significant structure. Pennsylvania's legislature should act on these bills, and help stem the substantial loss in income, tax, and investment dollars being lost each year as these properties continue to sit vacant and idle.¹⁸

10. Provide incentives for home improvements. The amount of new housing construction in Pennsylvania's outer suburbs, and the simultaneous rise in residential vacancies in many older communities, underscores a growing preference for newer, more modern homes. The state might thus examine ways to encourage owners of older homes to renovate and modernize their properties instead of leaving them behind. Minnesota's recently sunsetted "This Old House" Program, for example, was a 10-year initiative aimed at providing homeowners with an incentive to renovate their older properties. Administered through each county assessor's office, the program allowed qualifying homeowners to defer paying property taxes on the increased value of their homes for up to ten years, at which time the value that was excluded is added back to the assessment. Such a program could help revive the housing markets of Pennsylvania's established neighborhoods, while reigning in over-development at the fringe.

Make Main Street and Small Town Revitalization Central to Economic Development

Finally, the state's economic development needs to be tuned to the specific needs of older neighborhoods and commercial districts. The Main Street Program, and the currently proposed Elm Street Program, are laudable examples of initiatives aimed at injecting needed resources into fading communities. But these programs remain only a very small component of the state's quite large economic development system, which has tended to operate in its own orbit. To truly be successful, all of these efforts must be integrated—coordinated with other state investment efforts, all of which, in turn, must be integrated within a long-term, comprehensive strategy for increasing the marketability and overall competitiveness of older areas. For example, one opportunity that could be addressed more effectively through a better-coordinated state approach is the potential to support the development of smaller mixed-use properties—particularly three- and four-story buildings with first-floor storefronts and upstairs residential space, the latter of which is often vacant. Small-scale mixed-use development is an important link between Main Street and Elm Street, as well as between what Pennsylvania has and what could become genuinely alluring.

RENEW GOVERNANCE

THE GOAL: Pennsylvania should promote much more regional collaboration and state cohesion

In the end, though, the most well-thought-out and administered economic and development reforms will fail if Pennsylvania's many parts continue to work at cross-purposes, or toward narrow ends. For this reason, Pennsylvania should do more to help its many local governments work together more effectively.

The problem here is not the commitment or competence of the state's thousands of dedicated local officials but the antiquated, overly complex governmental structures within which they work. Government "close to the people" clearly has strong merits, but too many little governments with too little capacity, inadequate revenues, and limited economic wherewithal does not well serve most Pennsylvanian's desire for a more ambitious economic development campaign and a brighter future.

Change, and optimal outcomes, meanwhile, are hard to affect given the sheer number of the state's own agencies and programs, and the sheer number of cities, boroughs, townships, counties, school districts, and other governmental units in Pennsylvania.

Consolidating townships into one another is not viable, as townships cannot be annexed under state law. Moreover, Pennsylvania's laws only allow mergers or consolidations between two or more municipalities through a cumbersome procedure of municipal ordinances, joint agreements, petitions, and referendum votes that has resulted in only a handful of combinations since the state's new constitution was adopted in 1968.

So the state must act here too. Working together, the General Assembly and the executive branch should move to rework state and local governance in the Keystone State to allow Pennsylvania's regions to respond more coherently to the challenges of unbalanced growth and economic stagnation. Pennsylvania, that is to say, must make itself a national leader in fostering cooperation within its regions.

How should the assembly and governor do this? Four areas of action appear critical. The state should first prepare the ground for reform by studying the present system and fostering more collaboration between governments within it. It should also use regional actors to implement state programs whenever possible. It should consider reapportioning government powers within the present system (functional reform). And finally, the state should ultimately consider both incremental and more ambitious rearrangement of the very nature of the system (structural reform).

Prepare the Ground for Reform

To begin fostering more cohesion the state should study the present system and promote more collaboration within the existing framework:

1. Convene a "Renovating Local Pennsylvania" commission to probe the state's fragmented system of local governance and identify ways to promote more regional collaboration. The sheer complexity of Pennsylvania's local government framework, the sensitivity of adjusting it, and the lack of broad understanding about its costs all underscore the need for a systematic, high-profile inquiry into the system's strengths and weaknesses, its impact on economic performance, and potential reforms.

Too few Pennsylvanians understand the connections between governmental fragmentation, poor land-use planning, and the decline of the state's regional and metropolitan economies. Moreover, even fewer grasp how the state's simultaneously restrictive and vague statutes on border changes and governance impede voluntary realignments and effectively lock in the present regime. Consequently, the state lacks an objective, detailed, and widely accepted basis for reforming local governance.

To fill the gap, a Commonwealth commission or task force should undertake a methodical review of the state's local government system, and how regional cooperation can be fostered more strongly. This review should expand upon an earlier recommendation made by the Pennsylvania Economy League, Inc. (PEL) in 1999, and include local citizens and business people as well as government professionals.¹⁹

First, a careful inquiry should assess both the benefits and consequences of having 2,566 individual municipalities making decisions on land-use, urban revitalization, and the economy. After that, the new panel should undertake what PEL urged in 1999: a detailed inventory of all laws, policies, and practices that empower, impede, or influence the state's local governments with an eye toward identifying changes that would encourage them to act more cohesively. In addition, the commission should prepare a menu of potential functional and structural reforms. With this in hand, serious thought about reinventing local governance would be able to proceed more deliberately. Convening such a deliberation would make the state a national leader in reevaluating and reforming government structures for achieving quality land-use practices and economic development.

Promoting Regional Collaboration: Texas's Distribution of CDBG Money

Texas' distribution of Community Development Block Grant (CDBG) money shows how a localistic state can foster regional collaboration by embracing regional actors for program administration. With nearly 3,000 local governments, Austin turned to its 24 regional councils of government (COGs) to rationalize fund allocation and promote multi-municipal cooperation. CDBG funds a variety of community development projects benefiting low- and moderate-income people, from parks and economic development to housing. Rather than work with each jurisdiction individually, Texas sub-allocates the portion of CDBG funds that do not go directly to large municipalities to the 24 COGs. The COGs then prioritize projects based in large part on the regional value of each project. In this way, Texas avoids the disconnected, overly localized distribution system of states like Pennsylvania and instead works to ensure that a regional perspective governs how funds are spent.

For more information: See www.orca.state.tx.us/CDBG

2. Create more incentives for governments to collaborate with each other and sweep away existing barriers to collaboration or even consolidation. Debates about governmental reform frequently turn on merging or abolishing governments—and that surely may become part of Pennsylvania's future. However, much can be done without wholesale changes. For example, the state can and should deploy positive incentives to encourage localities to work together or get together under the current system.

Current laws do in fact provide opportunities for ameliorating the state's balkanized governance if municipalities seize them. The Intergovernmental Cooperation Act and the Growing Smarter amendments to the MPC (Acts 67 and 68) make available genuine opportunity for municipalities and counties to collaborate in service-delivery and land-use planning across an entire county or within an area of contiguous localities.²⁰ Likewise, Acts 62 (on home rule) and 90 (the Municipal Consolidation or Merger Act) hold out the possibility of localities actually merging or consolidating governments through public votes.

However, significant legal and procedural ambiguity clouds both pathways, while too few direct incentives motivate local governments to use them. For example, neither Act 62 nor Act 90 adequately answers key questions about how to design, certify, and operate a consolidation or merger.²¹ At the same time, numerous officials complain that the immediate gains of working out a collaboration often do not outweigh the expense in time, consulting, and planning involved.

For these reasons, the state needs to better define the existing legal processes for regional cooperation and then boost the incentives to undertake it. At the least, the Commonwealth should become still more insistent that multi-municipal cooperatives, joint efforts, or consolidation or merger projects should obtain priority consideration under any state grant, funding, or permitting program. But beyond that the state should become more aggressive in promoting change. Does a \$50-million pension liability accumulated by the City of Erie prior to state laws requiring consistent funding complicate a consolidation there? Then the state should help restructure the burden, and so remove a prohibitive obstacle from mean-

ingful simplification. Does the Shenango Valley need tens of millions of dollars to upgrade its sewers? Then let the state put the region at the top of the list for funding, provided the region gets its governments together. In short, the Commonwealth should put its substantial spending and permitting leverage to encourage its regions to collaborate or consolidate. Without a doubt more citizens and elected officials would rearrange their political maps voluntarily if they could pick up millions of dollars in sewer facilities, infrastructure, and transition support in doing it.

Empower Regional Actors to Implement State Programs

Another relatively easy step the state can take would be to promote regional collaboration and governance by employing regional actors to implement its own programs:

3. Pennsylvania should seek out and utilize regional organizations for the delivery of services and implementation of programs. Despite its fragmentation, Pennsylvania has built up an array of viable region-scaled entities—regional planning councils, metropolitan planning organizations (MPOs), and councils of government (COGs) that knit their regions together. The Delaware Valley Regional Planning Commission (DVRPC), for example, provides an important organizing influence in the Philadelphia region, while COGs like the Lehigh Valley Planning Commission, the Southwest Pennsylvania Commission, and the SEDA--COG in the Susquehanna watershed have emerged as key agents of transportation planning, economic development, and community revitalization.

Pennsylvania should embrace these entities (as it has not to date) and use them as a viable organizing system for all sorts of state programs.

PENNDOT shows the way here. Among state agencies, PENNDOT has gone much farther than others in relying on COGs and MPOs. PENNDOT has defined all COGs across the state as "planning partners," and in 1999 it began devolving to them a greater role in deciding how approximately 80 percent of its capital funds are spent. Now, other agencies

should follow this practice, and make regional organizations their lead agents, whether it be for DCED economic development and Main Street programs or “brownfield” reuse efforts and state building code administration. In this fashion, Harrisburg will at once bolster the Commonwealth’s regional and metropolitan governments and better organize its own haphazard activities.

Enable Communities and Counties to Collaborate Across Boundaries

But the state can do more. For example, the state possesses sufficient constitutional latitude to update how the state apportions key functions and responsibilities among the different levels of government. Several initiatives show promise of modernizing the “rules of the game:”

5. Allow groups of municipalities to forge “compacts” to act and govern as regional “communities of common interest.” David Rusk has proposed at least one attractive new way for groups of municipalities to get their acts together if they want to: He suggests the General Assembly empower county commissions to designate special sub-county, multi-municipal “communities of common interest” that would reallocate certain government functions and responsibilities within their boundaries.²² Such compacting would allow groups of like-minded localities to come together voluntarily to carry out extensive bundles of activities, much as they sometimes collaborate now in the EMS/911 system.

How would this work? Rusk proposes that the new law build on the existing Intergovernmental Cooperation Act to allow counties, by their own initiative or in response to citizen petition, to develop “compacts” between the county and participating localities for a specified period (say, 20 or 25 years). Under the compacts, any assemblage of cities, boroughs, or townships could transfer certain agreed-upon local functions or activities to the county as the compact’s operational agent, which would carry them out in a regional manner. Once framed, the compact would be put to a public vote in which all voters within the designated area would vote on it up or down, with voters in no single jurisdiction holding individual power to remain outside the compact.

What responsibilities might the compact cover? As Rusk writes: “County government would not supplant municipal governments; county government would merely act as an agent on those issues that clearly transcend municipal boundaries and where traditional inter-municipal arrangements (like mutual aid agreements for police and fire protection) cannot get the job done.”²³ Probably of most benefit would be the establishment of regional land-use and transportation planning on this basis. So might a compact help with the creation of an area-wide system or local tax abatement and other development subsidies.

Either way, compacting to create “communities of common interest” represents a promising new approach for Pennsylvania’s “micro-governments” to manage their affairs at a more coherent, regionalized scale. Through such voluntary compacts, local governments could collaborate substantively without having to formally merge or consolidate.

6. Strengthen the role of counties to carry out activities that transcend municipal boundaries, including land use and zoning. Another promising approach for promoting regional cohesion involves enhancing the powers of counties, which are relatively limited now. County government is not some “higher” or more remote level of government in Pennsylvania. Instead, counties simply provide a very appropriate wider scale for the execution of a number of critical local government responsibilities.

Moreover, expanding the role of counties would continue a trend already underway. For example, the Governor’s Center for Local Government Services already looks to the state’s 67 counties to play a key coordinating role among the numerous multi-municipal projects blossoming under the Growing Smarter amendments. And for more than two decades counties have taken the lead in developing the watershed-based storm drainage plans to which local ordinances and developers must comply.

In view of that, the governor and General Assembly should seriously consider enlarging the responsibilities and capacity of Pennsylvania’s counties. Perhaps county planning agencies should take the lead role in overseeing and coordinating the various regional and municipal plans. Perhaps counties should be given the authority to raise revenue so they can provide municipal-type services in a more efficient and coherent way than individualistic or tiny municipalities. Whatever the choice, the legislature has the power to make significant beneficial changes.



Adopt Reforms to Ease Voluntary Restructuring

Finally, the state should not shy away from pressing for fundamental structural reforms that may result in fewer governmental units in Pennsylvania. Here are two ideas:

7. Make it easier for municipalities to merge or consolidate. Boundary-change consultant Alan Kugler, co-author of the PEL report with Mary Bula, recommends a wide range of technical amendments to the Consolidation or Merger Act to make it substantially easier for communities to restructure themselves if they wish. Kugler notes that too many gaps and obstacles pervade the law for it to be truly useful. Consequently, he would add provisions to Act 90 to, among other things:

- allow voter-initiated consolidation votes to include a new home rule charter in a single step
- allow votes on consolidations to include parts of municipalities, not just entire ones
- allow approving municipalities in a regional vote to consolidate even if others vote to stay out

Changes like these would set out a clearer procedural roadmap for obtaining the electorate's approval of each consolidation or merger.

8. Allow municipalities to dissolve themselves. A final approach: Allow small or struggling localities to vote to disband, as they cannot now. Currently, hundreds of boroughs and townships remain too small or too poor to maintain viable governments. So why not allow voters to dissolve boroughs and revert their tax base back into the surrounding township? Similarly, struggling townships and even cities should be permitted to dissolve themselves, with the local county assuming both their revenue base and the responsibility of providing local services. Such a provision would provide a needed mechanism for the elimination of micro-governments that are not fiscally viable.