The Brookings Institution

Center on Urban and Metropolitan Policy

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Back to Prosperity: A Competitive Agenda for Renewing Pennsylvania

Pittsburgh
December 9th, 2003

The Purpose

→ **Summarize the latest demographic and market trends affecting the Commonwealth**
  - **6 regions**
  - **8 metropolitan areas**

→ **Provide new analysis of trends affecting "older" and newer "outer" communities in the state**

→ **Present a state policy agenda that links the state's competitiveness to the revitalization of older places**

The Process

→ **Held listening sessions in the 8 metro areas**

→ **Gathered new data from Census and other federal and state data sources, updating to 2002 where possible**

→ **Synthesized existing research**

→ **Generated new analysis, with key research partners, on local government structures and the location of state spending**

→ **Worked closely with dozens of experts and practitioners throughout the state at every stage**

Overview

We conclude:

- Pennsylvania ranks low on demographic and economic performance and high on sprawl and abandonment
- These twin patterns undermine the state's competitiveness and are fiscally wasteful
- These patterns are not inevitable; state policies facilitate sprawl and promote abandonment

Overview

We also conclude Pennsylvania can build a competitive future:

•The state has enviable assets – strong “eds and meds” sector, large numbers of “imported” students, historic communities, affordable living, and natural resources

•Yet Pennsylvania must revive its cities, boroughs, and older townships to leverage these assets

•State policies must change to revitalize older communities and set a new economic course for the Commonwealth

Main Findings

I The state ranks low on demographic and economic trends and high on sprawl and abandonment

II These trends undermine competitiveness and are fiscally wasteful

III These trends are not inevitable

IV Pennsylvania can build a competitive future

I

The state ranks low on demographic and economic trends and high on sprawl and abandonment

Pennsylvania is barely growing and it's aging fast

Pennsylvania's transitioning economy is lagging

Pennsylvania is spreading out and hollowing out

Barely Growing

Pennsylvania remains the 6th largest state in the union

Population, 2000

Source:
U.S. Census Bureau

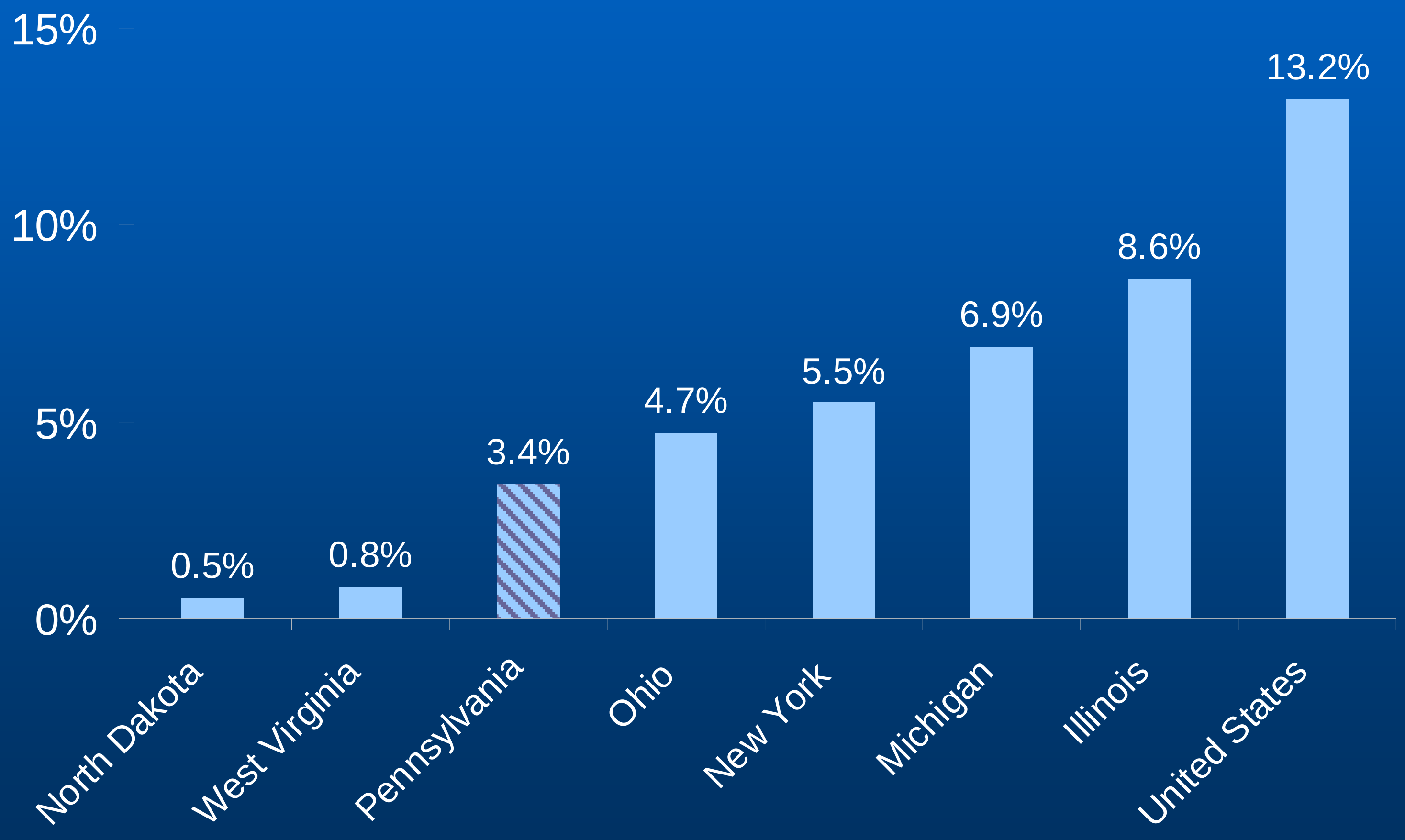
	Total Population 2000	Rank
California	33,871,648	1
Texas	20,851,820	2
New York	18,976,457	3
Florida	15,982,378	4
Illinois	**12,419,293**	**5**
Pennsylvania	12,281,054	6
Ohio	11,353,140	7
Michigan	9,938,444	8
New Jersey	8,414,350	9
Georgia	8,186,453	10

Barely Growing

However, Pennsylvania was the third-slowest growing state during the 1990s

Percent population change, 1990-2000

Source:
U.S. Census Bureau



Barely Growing

It experienced the 5th-largest domestic outflow between 1995 and 2000

Domestic migration, 1995-2000

Source:
U.S. Census Bureau

	Domestic Migration	
	Net Change	**Rank**
New York	-874,248	1
California	-755,536	2
Illinois	-342,616	3
New Jersey	-182,829	4
Pennsylvania	**-131,296**	**5**
Ohio	-116,940	6
Michigan	-91,930	7
Hawaii	-76,133	8
Louisiana	-75,759	9
Connecticut	-64,610	10

Barely Growing

And the Commonwealth's foreign-born population grew only modestly compared to the nation

Percent change in foreign born, 1990 - 2000

Source: U.S. Census Bureau

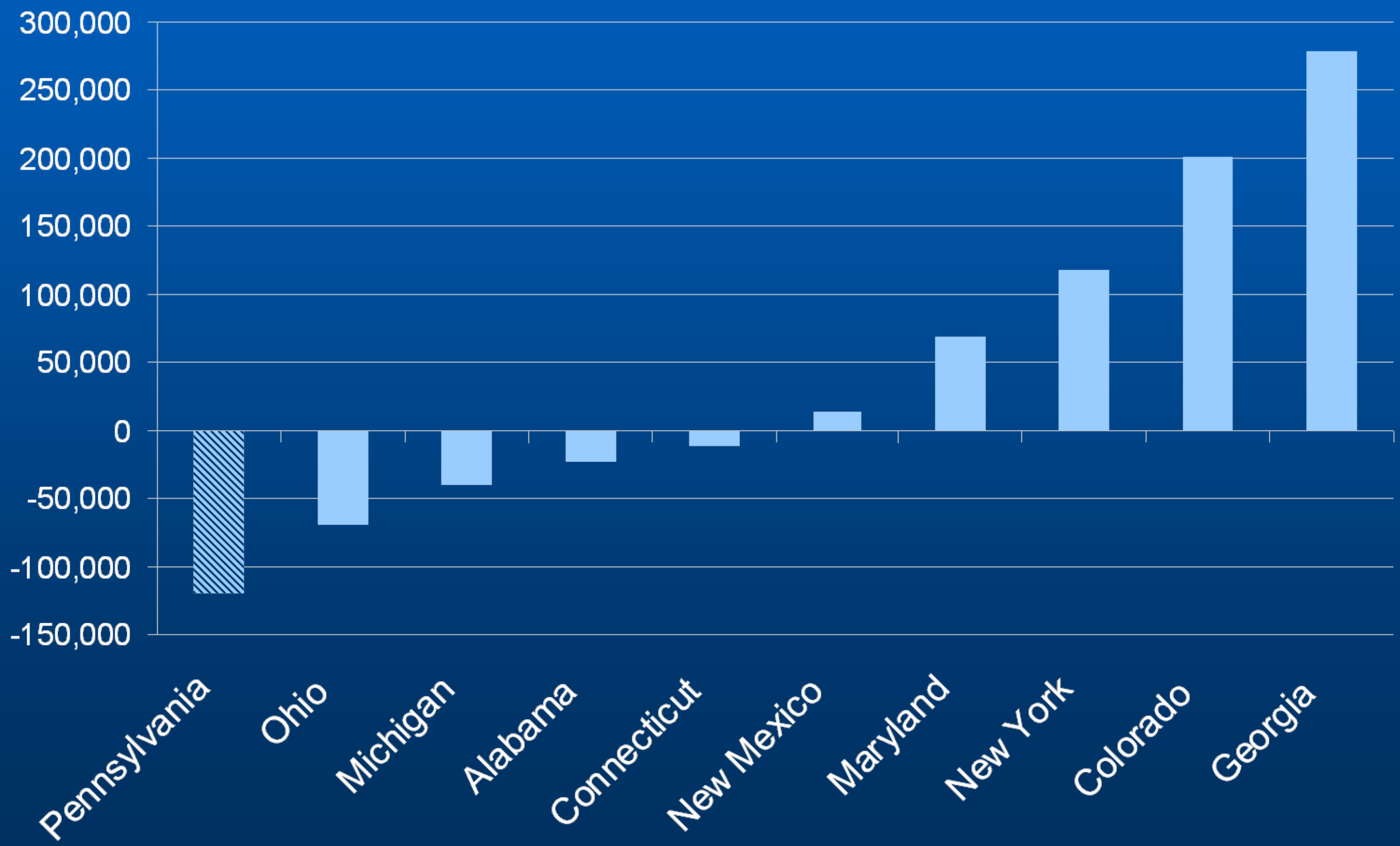
	Foreign Born	
	Percent Change	Rank
New Jersey	52.7%	32
Alaska	49.8%	33
Michigan	47.3%	34
Wyoming	46.5%	35
Pennsylvania	**37.6%**	**36**
California	37.2%	37
New York	35.6%	38
Massachusetts	34.7%	39
Louisiana	32.6%	40
United States	57.4%	

Barely Growing

Pennsylvania also suffered the largest absolute loss of young people among states

Change age 25 - 34 cohort,
1990 - 2000

Source:
U.S. Census Bureau



Aging

Pennsylvania's share of elderly residents meanwhile ranks second only to Florida

Share of population 65+, 2000

Source:
U.S. Census Bureau

	Population over 65	
	Share	Rank
Florida	17.6%	1
Pennsylvania	**15.6%**	**2**
West Virginia	15.3%	3
Iowa	14.9%	4
North Dakota	14.7%	5
Rhode Island	14.5%	6
Maine	14.4%	7
South Dakota	14.3%	8
Arkansas	14.0%	9
Connecticut	13.8%	10
United States	12.4%	

Aging

In sum Pennsylvania has a smaller share of young people and a higher share of the elderly than the nation

Share of population by age, 2000

Source:
U.S. Census Bureau

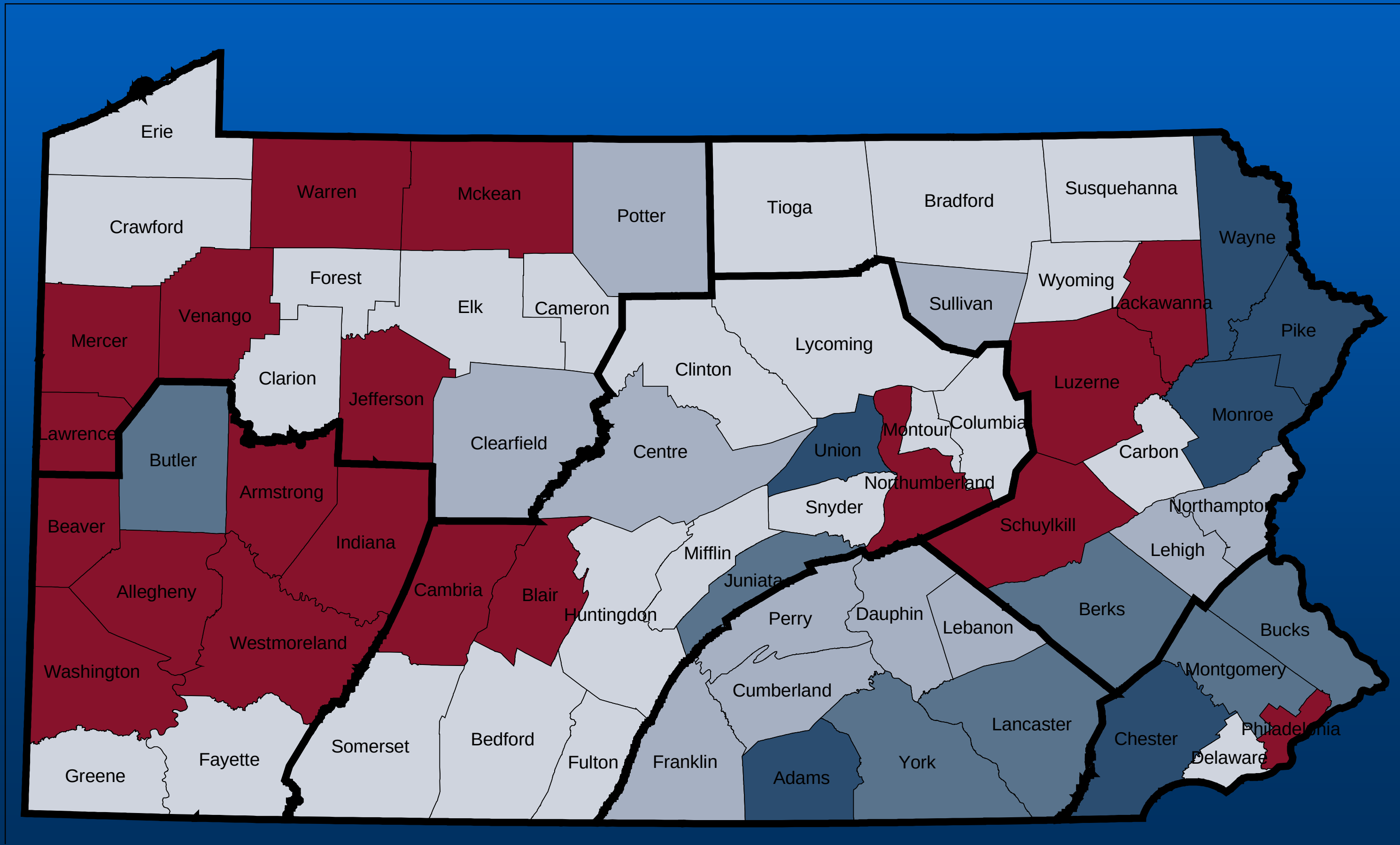
	Share of Total Population	
Age Bracket	United States	Pennsylvania
20-29	13.6%	12.0%
30-39	15.4%	14.5%
40-49	15.1%	15.5%
50-59	11.0%	11.5%
60-69	7.2%	8.1%
70-79	5.8%	7.4%

Barely Growing

Regionally, Pennsylvania's growth took place in the eastern and south-central regions; western and central counties lost population

Percent population change, 1990-2000

Source:
U.S. Census Bureau



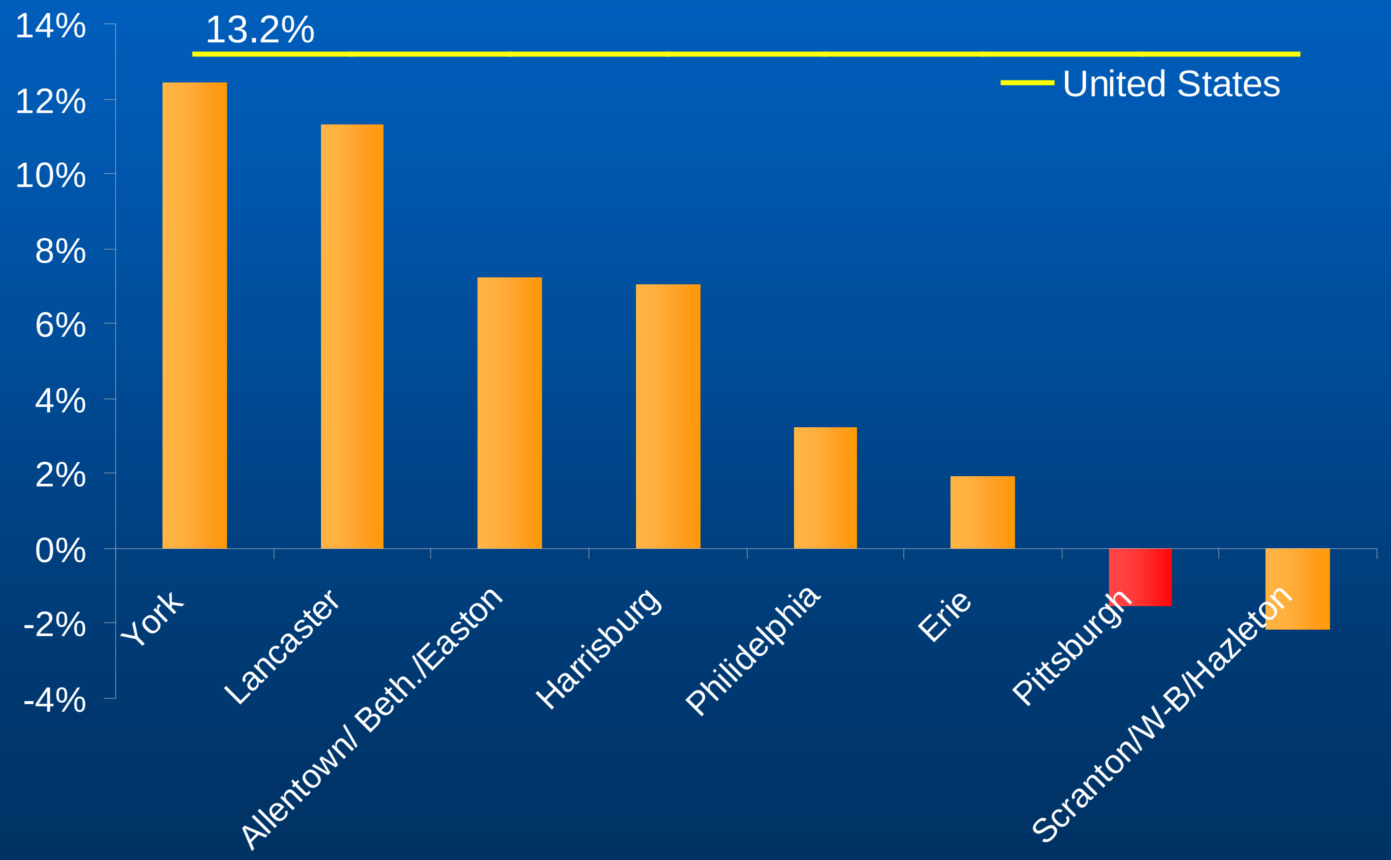
Regional Boundaries
-10% to 0%
0% to 5%
5% to 10%
10% to 15%
> 15%

Barely Growing

Nevertheless, even York–the fastest growing metro–grew more slowly than the nation as a whole

Percent population change, 1990-2000

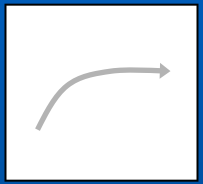
Source:
U.S. Census Bureau



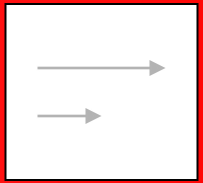
I

The state ranks low on demographic and economic trends, and high on sprawl and abandonment

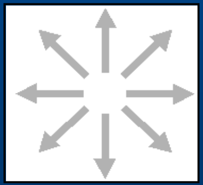
Pennsylvania is barely growing
and its aging fast



Pennsylvania's transitioning
economy is lagging



Pennsylvania is spreading out
and hollowing out



Lagging Economy

From 1992 to 2002, Pennsylvania ranked 47th among states on employment growth

Percent change in employment, 1992 - 2002

Source:
U.S. Census Bureau

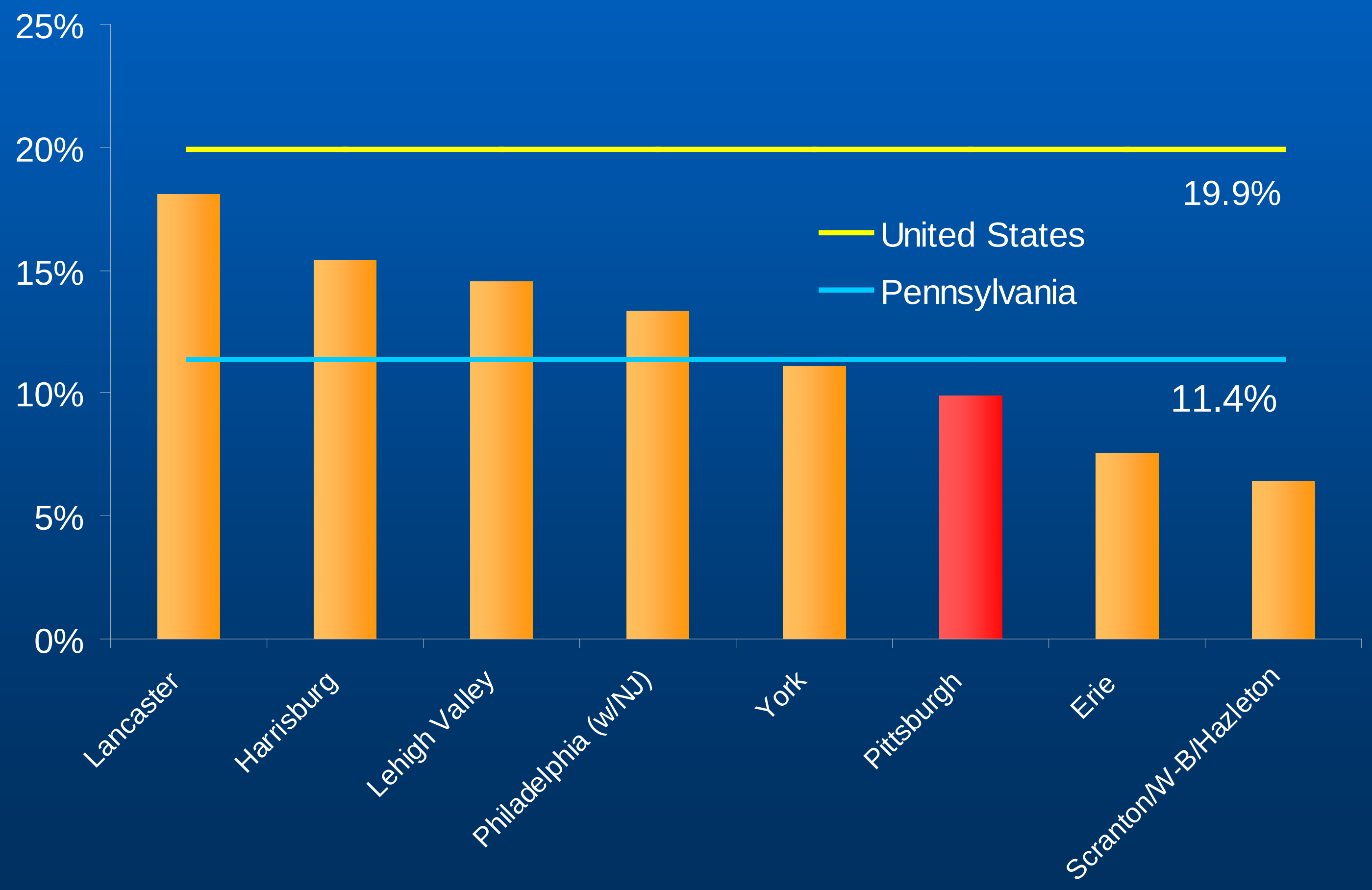
	Employment Growth	
	Percent Change	**Rank**
Indiana	13.2%	42
Rhode Island	12.8%	43
Alabama	12.7%	44
Illinois	12.6%	45
Ohio	**12.3%**	46
Pennsylvania	11.4%	47
Connecticut	9.3%	48
New York	9.2%	49
Hawaii	2.3%	50
UNITED STATES	20.0%	

Lagging Economy

All of Pennsylvania's metro areas under-performed the nation in employment growth between 1992 and 2002

Change in employment, 1990 - 2000

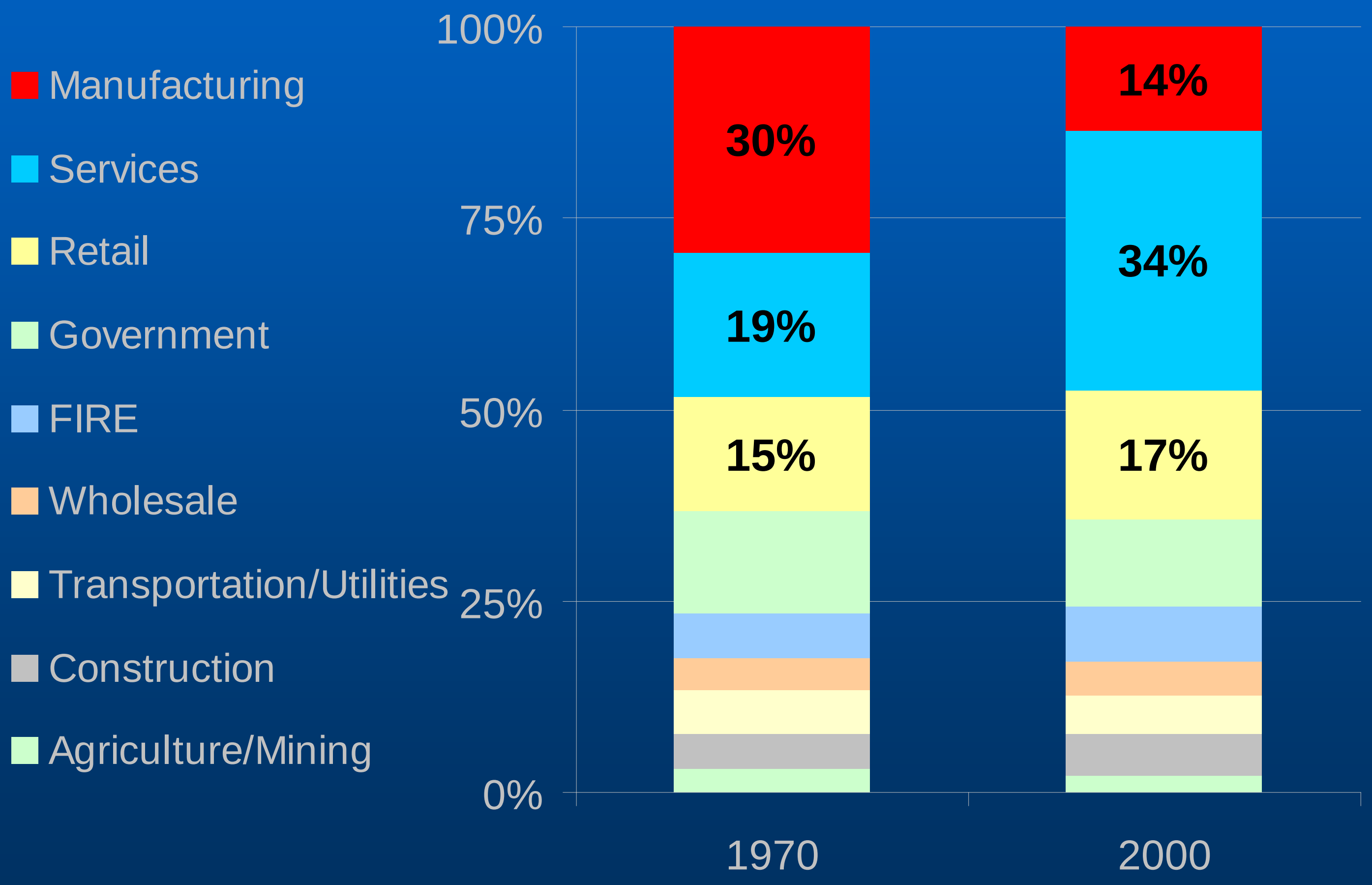
Source:
U.S. Census Bureau



The transition to a service economy is well underway in Pennsylvania

Employment share by industry, 1970 - 2000

Source: U.S. Census Bureau



The transition could be positive for Pennsylvania because of its traction in desirable service sectors …

Employment by selected industry, 2000

Source: Bureau of Labor Statistics

- **Pennsylvania ranks 5th among states in its share of service jobs in education**

- **Pennsylvania ranks 6th among states in its share of service jobs in healthcare**

But the transition appears to be overly oriented towards low wage sectors

- Wal-Mart is now the largest private employer in the state
- In 2000, over 61 percent of Pennsylvania's workers were employed in occupations with average wages of less than $27,000 per year compared to 50 percent nationally
- For example, 1.6 million people are employed in either administrative support or sales

Lagging Economy

As a result, Pennsylvania landed in 40th place among states on growth in average household income

Percent change in average household income, 1989-1999

Source:
U.S. Census Bureau

	Average Household Income	
	Percent Change	Rank
Massachusetts	6.8%	36
Oklahoma	6.5%	37
Vermont	5.7%	38
New Hampshire	5.2%	39
Pennsylvania	**5.1%**	**40**
Delaware	4.7%	41
New Jersey	4.6%	42
California	3.8%	43
Maine	3.2%	44
UNITED STATES	7.8%	

Lagging Economy

The leap to a high-road economy will be difficult since the state ranks 31st on educational attainment

25+ with a BA diploma or higher, 1990-2000

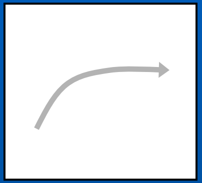
Source:
U.S. Census Bureau

	BA Attainment	
	Share	**Rank**
New Mexico	23.5%	26
Texas	23.2%	27
Maine	22.9%	28
North Carolina	22.5%	29
Wisconsin	22.4%	30
Pennsylvania	22.4%	31
Florida	22.3%	32
North Dakota	22.0%	33
Wyoming	21.9%	34
Michigan	21.8%	35
UNITED STATES	24.4%	

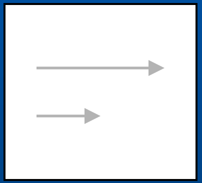
I

The state ranks low on demographic and economic trends, and high on sprawl and abandonment

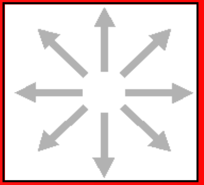
Pennsylvania is barely growing and its aging fast



Pennsylvania's transitioning economy is lagging



Pennsylvania is spreading out and hollowing out



Decentralization

Pennsylvania has 2,566 municipalities: cities, boroughs, first-class townships, and second-class townships

OLDER	
Cities	56
Boroughs	962
1st Class Townships	91
OUTER	
2nd Class Townships	1,457
	2,566

Decentralization

Compared to older municipalities, second-class townships are larger in land mass and lower in residential density

	Average Area (Sq. Mi.)	Average Density (People per Sq. Mi.)
Older Pennsylvania	2.6	2,500
Cities	8.3	6,621
Boroughs*	1.5	1,733
1st-Class Townships	10.1	1,621
2nd-Class Townships	28.3	124
State Total	**17.1**	**278**

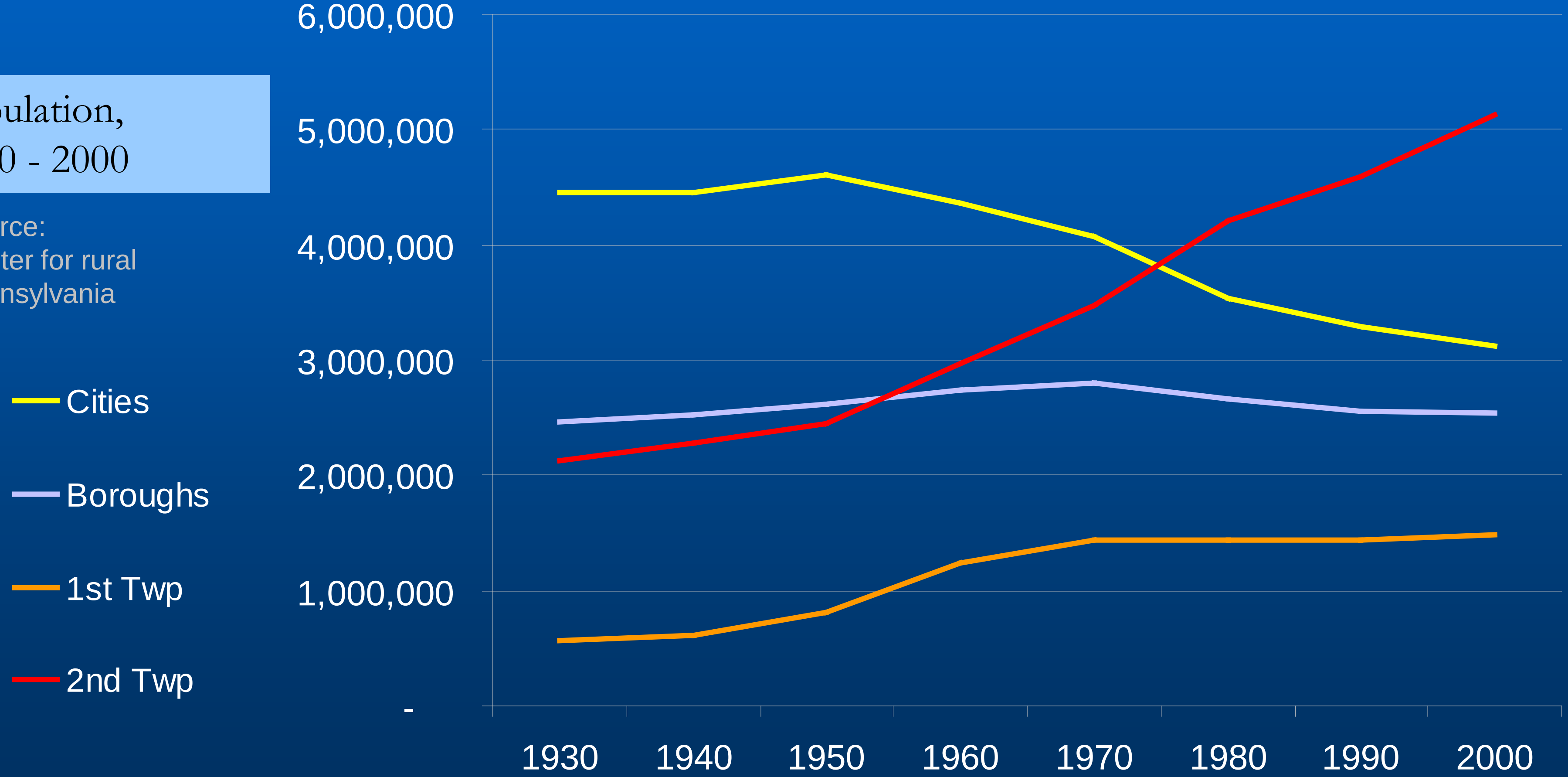
Source:
U.S. Census Bureau
*Includes one "town"

Decentralization

The outer townships have dominated the state's population growth for decades

Population, 1930 - 2000

Source: Center for rural Pennsylvania

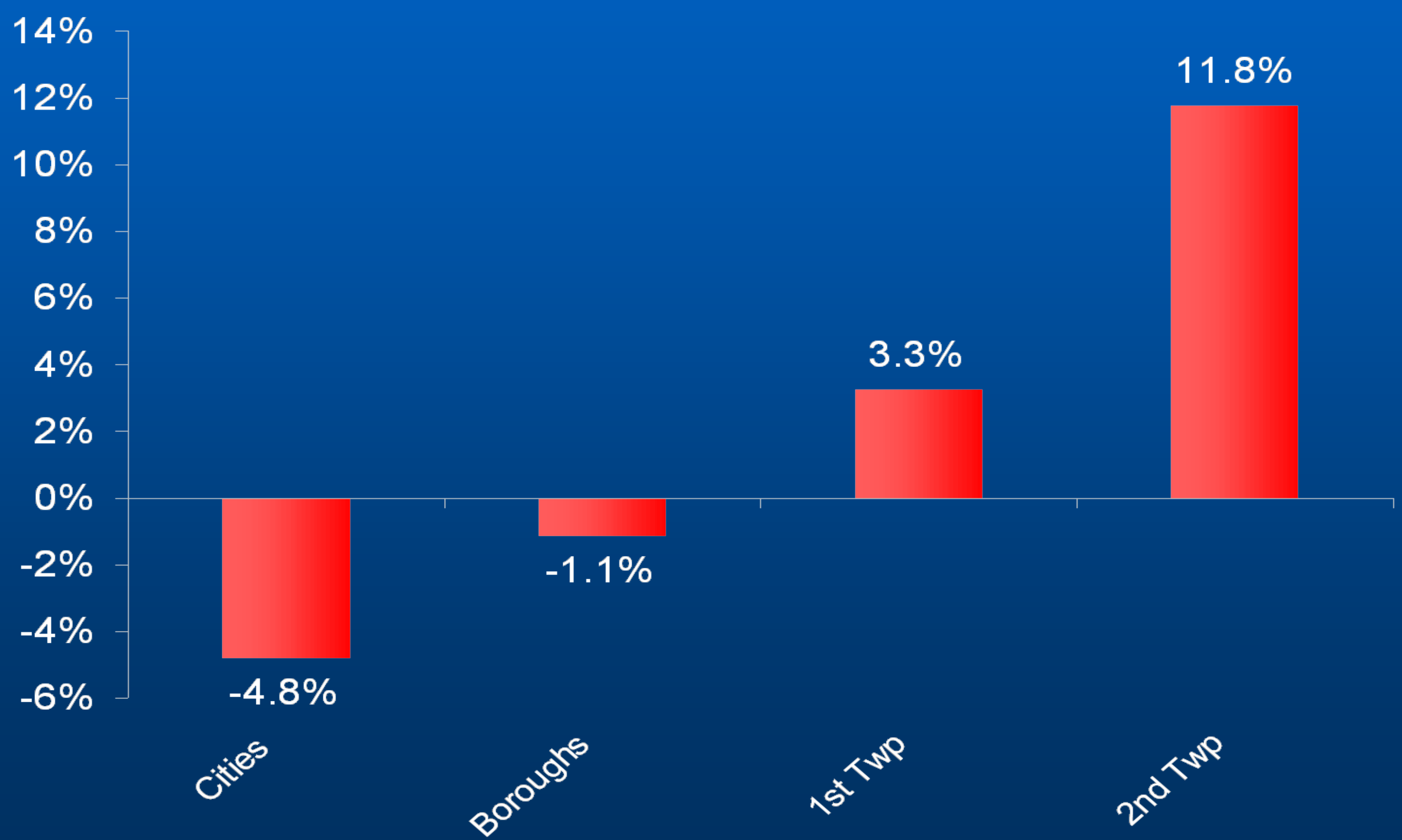


Decentralization

During the 1990s the second-class townships dominated population growth in state

Change in population, 1990 - 2000

Source:
U.S. Census Bureau

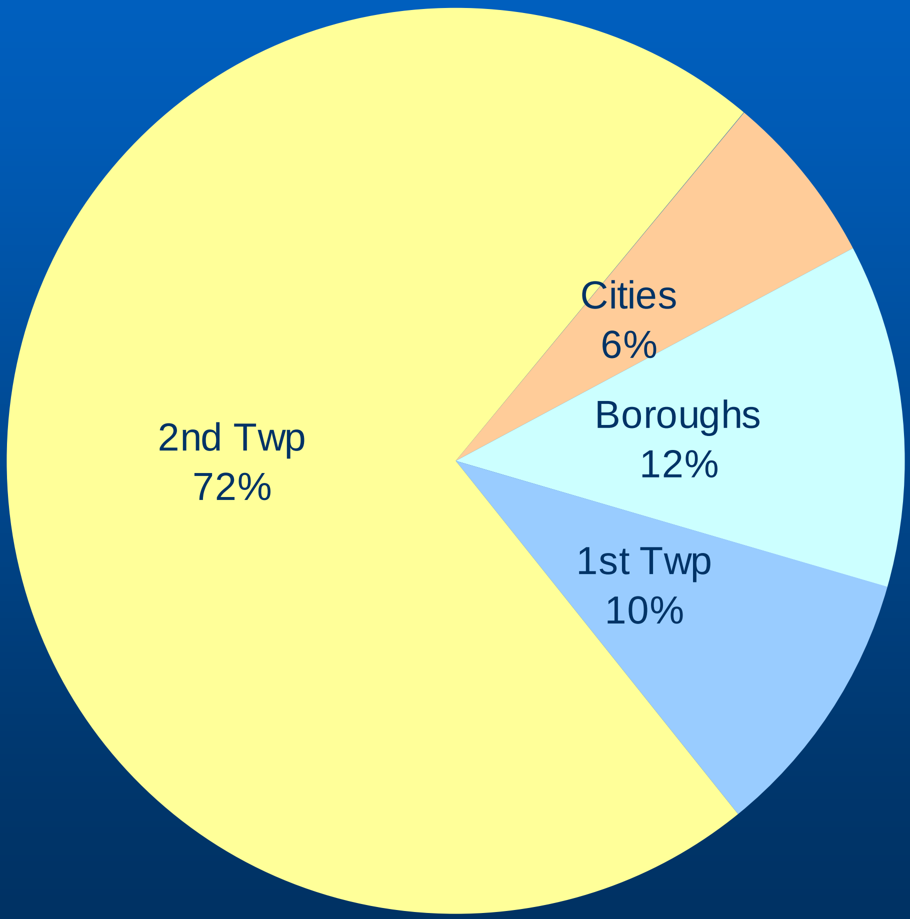


Decentralization

Second-class townships captured the lion's-share of new housing units . . .

Share of new housing units by municipality type, 2000

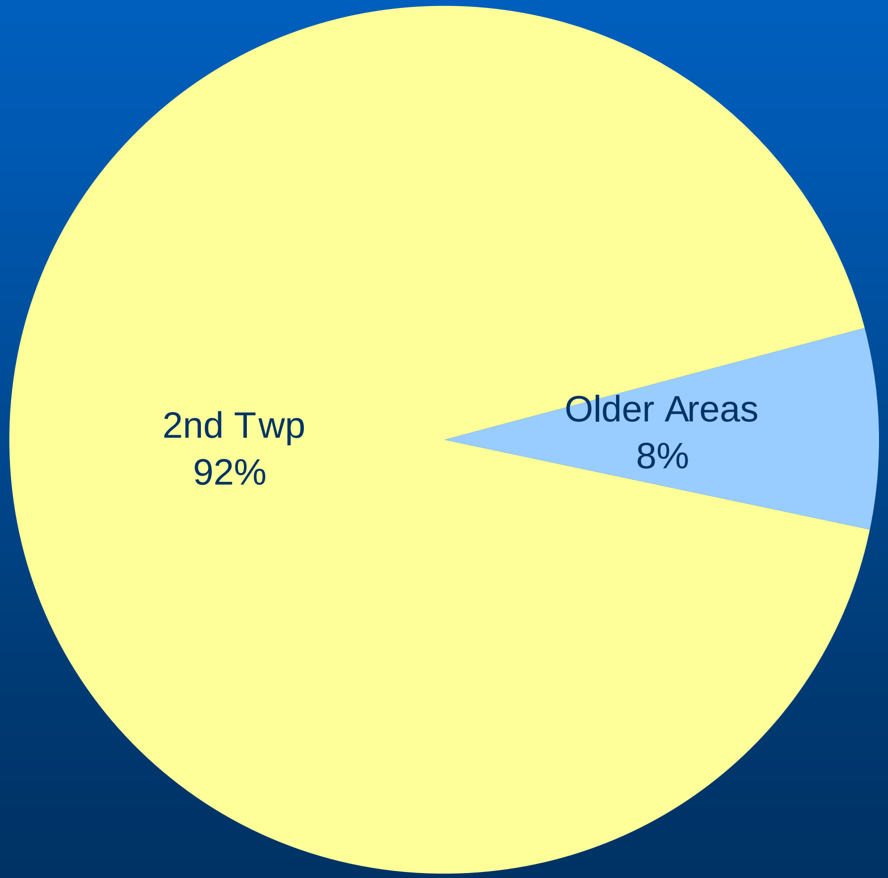
Source:
U.S. Census Bureau



And almost all of the household growth in the state

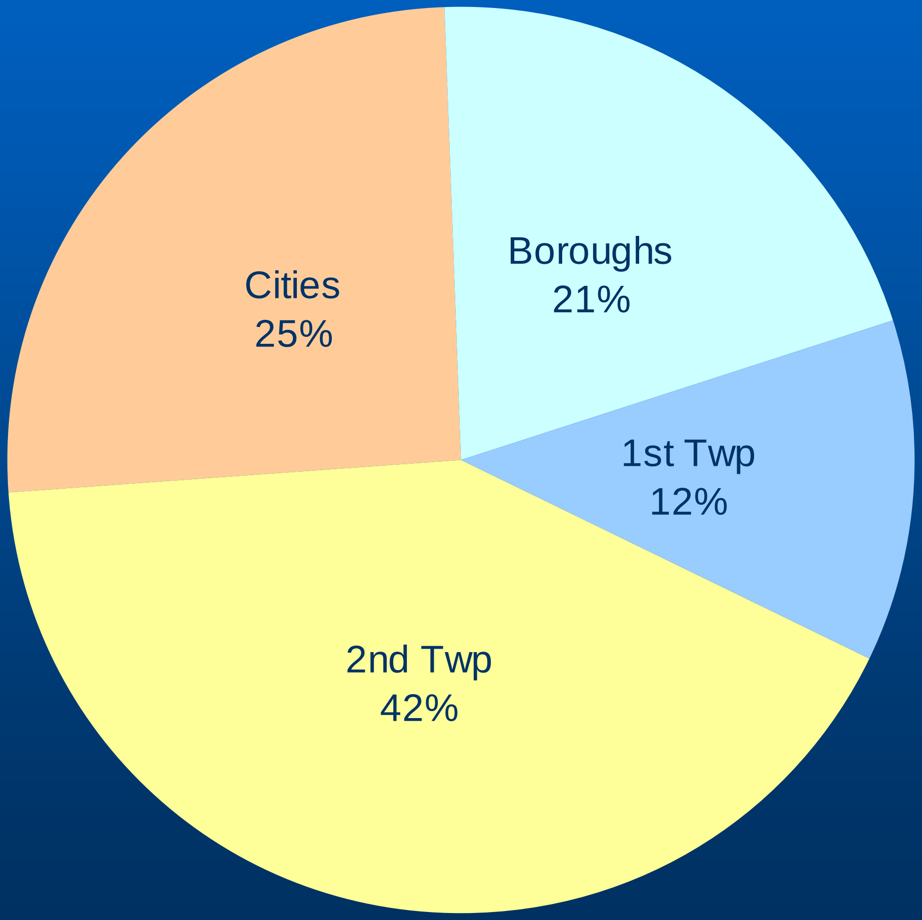
Share of household growth, 1990-2000

Source:
U.S. Census Bureau



The “outer” townships now constitute 42 percent of the state’s population, up from 23 percent in 1950

Share of total population, 2000



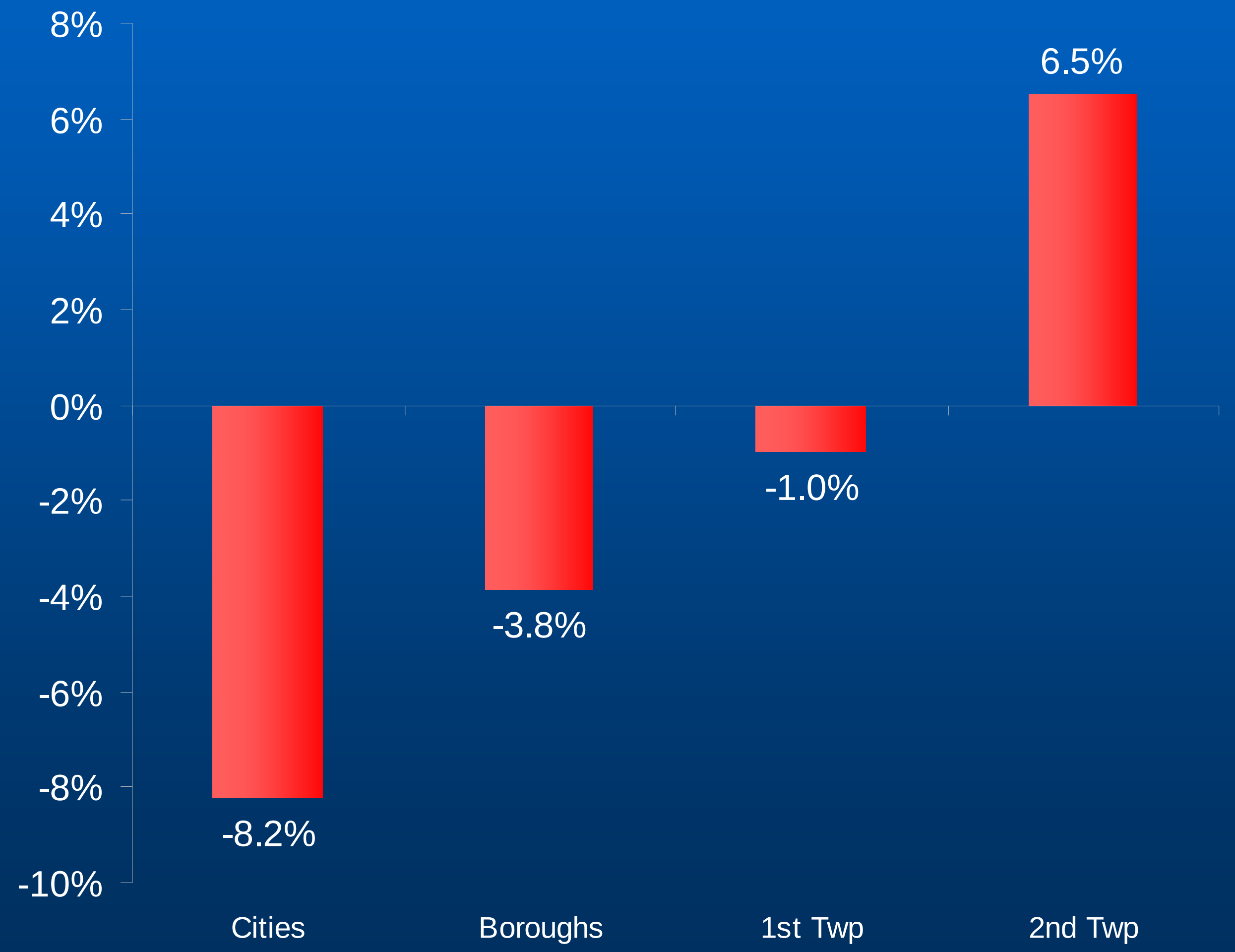
Source:
U.S. Census Bureau

Decentralization

The trend followed the same pattern in Pittsburgh, with cities suffering sever losses during the 1990s

Change in population, Pittsburgh Metropolitan Area 1990 - 2000

Source:
U.S. Census Bureau

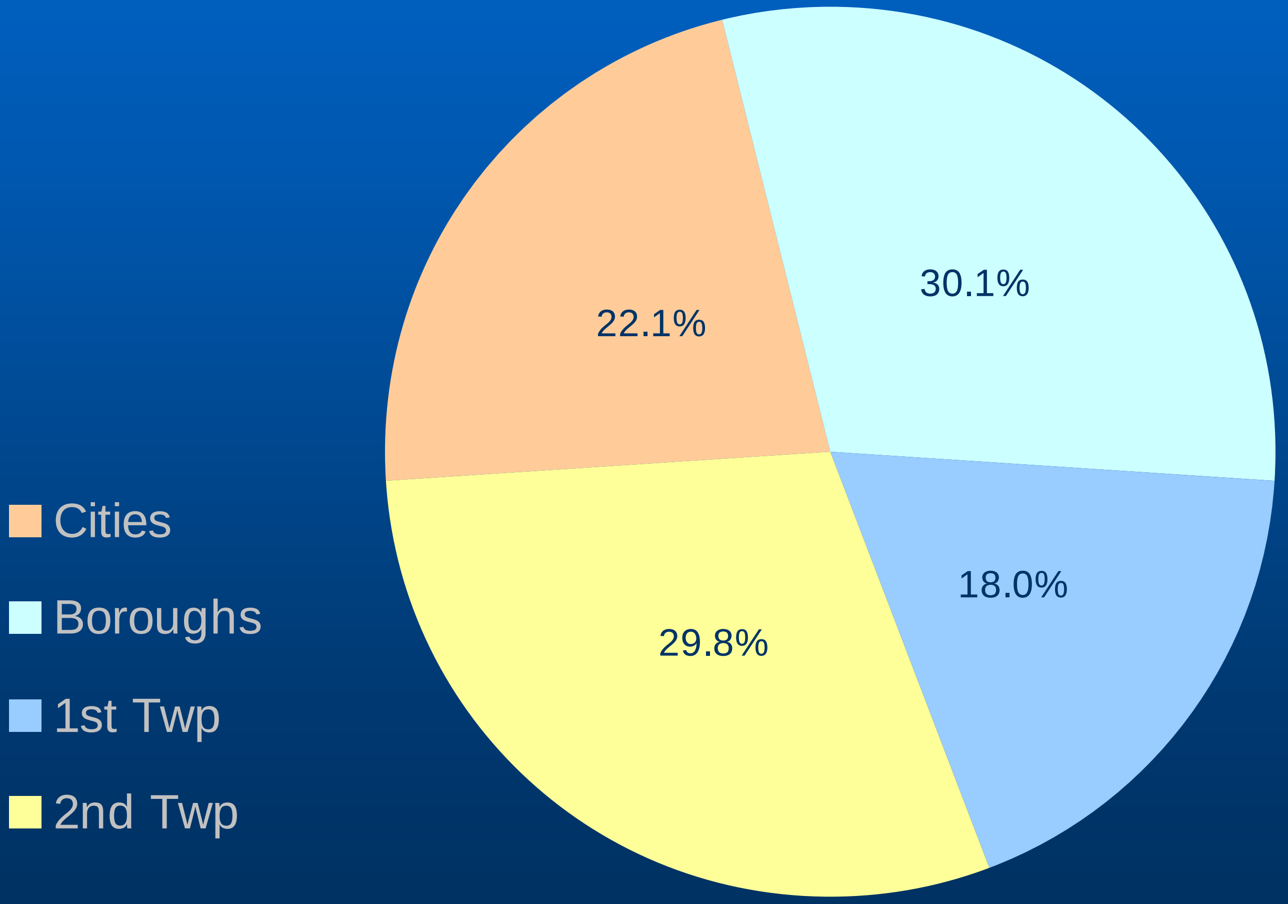


Decentralization

Nevertheless, Pittsburgh's population is distributed fairly evenly among municipal types

Share of total population, Pitsburgh Metropolitan Area, 2000

Source:
U.S. Census Bureau



Decentralization

Overall, Pennsylvania built 2 new housing units for every 1 new household, the 3rd-highest ratio in the country

Ratio of new housing units to net household change, 2000

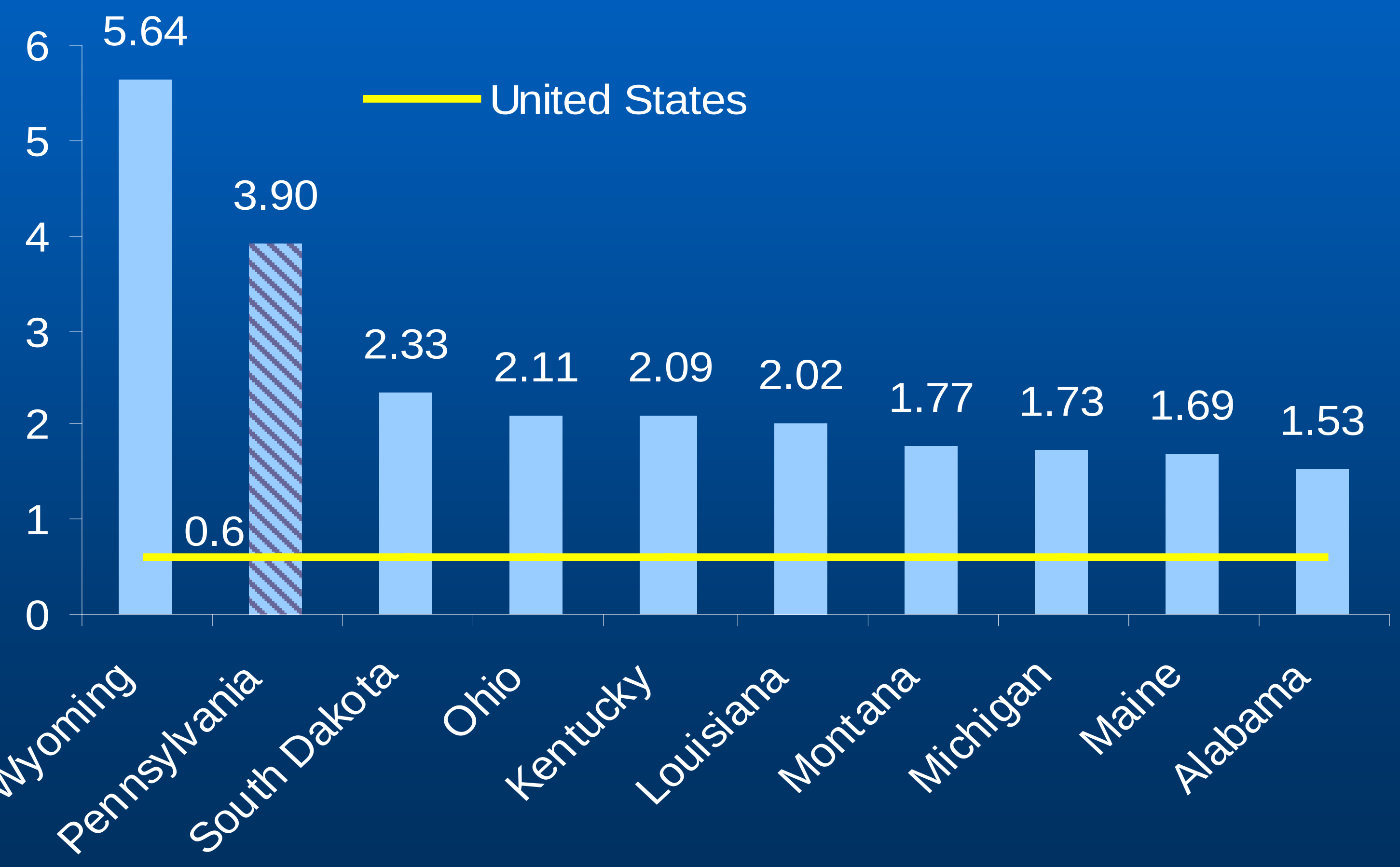
Source:
U.S. Census Bureau

	New Housing Units : Net HH Change	
		Rank
West Virginia	2.73	1
North Dakota	2.32	2
Pennsylvania	**1.94**	**3**
Alabama	1.92	4
Mississippi	1.90	5
Maine	1.79	6
Iowa	1.78	7
Missouri	1.78	8
Hawaii	1.78	9
Ohio	1.77	10

In fact, Pennsylvania has the second-highest ratio of land consumption to population growth among the 50 states

Urbanized acres per new resident , 1982-1997

Source:
USDA Natural Resources Inventory,
U.S. Census Bureau



Main Findings

I — The state ranks low on demographic and economic trends and high on sprawl and abandonment

II — These trends undermine competitiveness and are fiscally wasteful

III — These trends are not inevitable

IV — Pennsylvania can build a competitive future

II These trends undermine competitiveness and are fiscally wasteful

Sprawl and urban decline hinder the state's ability to compete for educated workers

Sprawl and urban decline are burdening taxpayers

Economic success increasingly turns on attracting and retaining highly-educated people

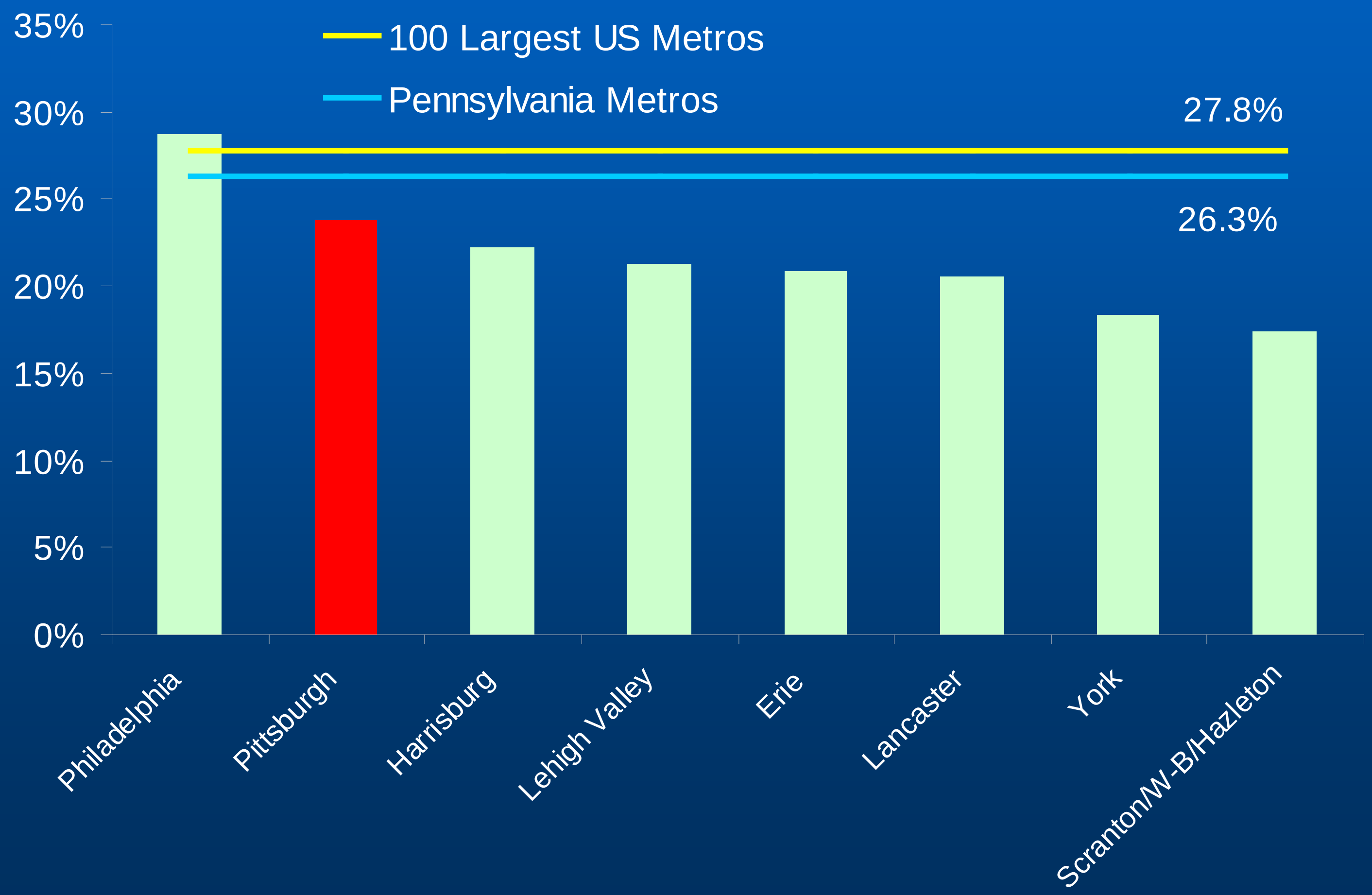
- Ideas, innovation, and creativity now drive the economy
- Success requires large numbers of people with a college education and high skills
- For every 2% growth in a metro’s share of college graduates, income grew about 1% during 1990s

Workforce

Pennsylvania's metropolitan areas lag the national metro average in educational attainment, with Philadelphia being the exception

Metropolitan population 25+ with a BA degree or higher, 2000

Source:
U.S. Census Bureau



Workforce

In Pennsylvania cities, the “BA gap” is even more pronounced

City population 25+ with a BA degree or higher, 2000

Source:
U.S. Census Bureau

Across the nation, the cities and metros with highest shares of educated workers have common qualities:

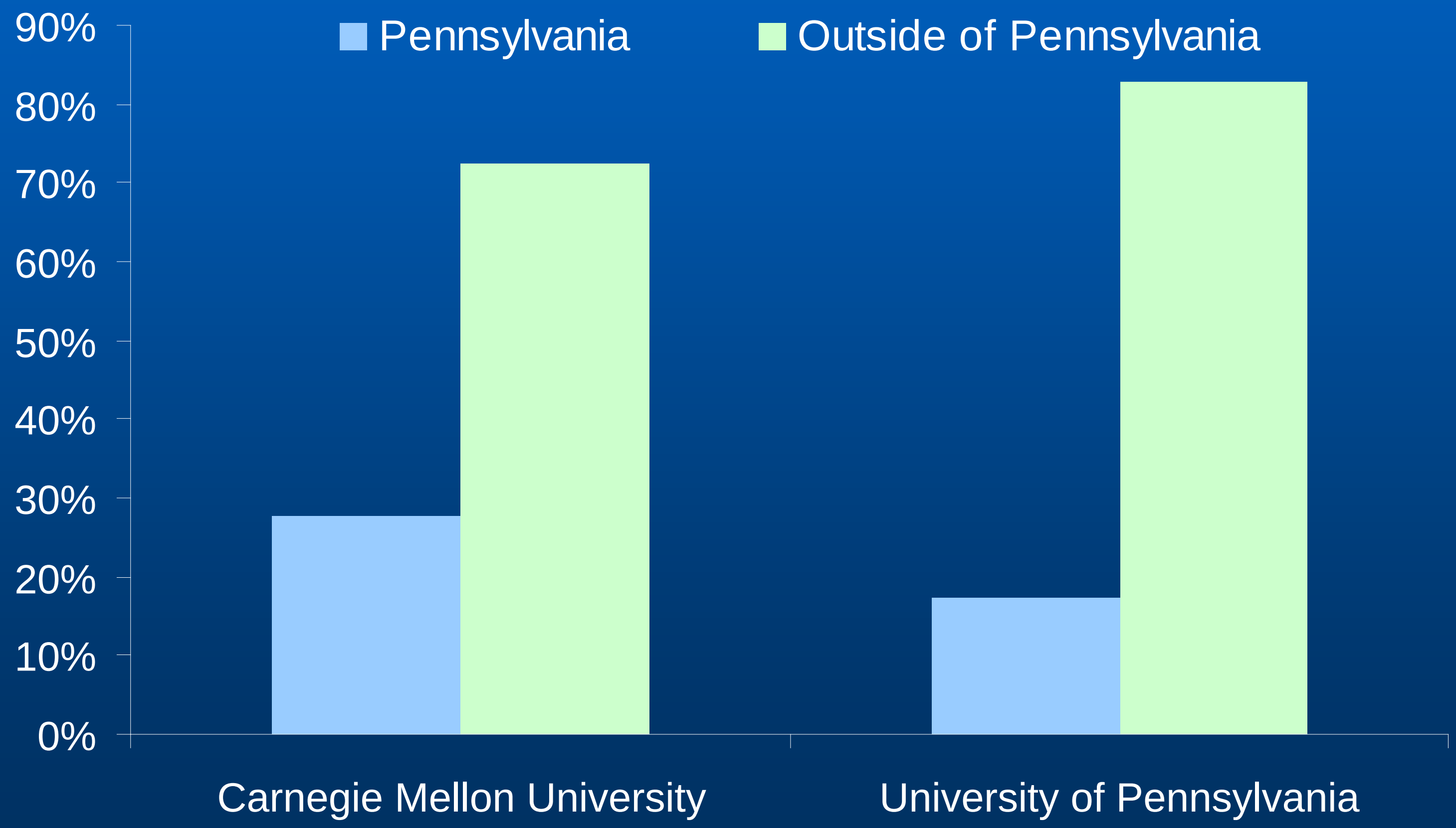
- Thick labor markets
- Vibrant and distinctive downtowns
- Plentiful amenities
- A positive, tolerant culture

Workforce

However, in Pennsylvania, sprawl and decline limit the state's ability to retain college graduates from its top universities

Current residence of university graduates, classes 1990-2000

Source:
Alumni offices of each university



Workforce

Pennsylvania lost more migrants than it gained in all educational categories as it entered the new millennium

Migration by educational attainment, 1999-2001

Source:
Gordon F. De Jong, "Pennsylvania's Brain Drain Migration and Labor Force Education Gap, 2000"

- Between 1999 and 2001 more than 20,000 adults who had college and graduate or professional degrees left

- An additional 21,400 adults with some college training also left

II These trends undermine competitiveness and are fiscally wasteful

Sprawl and urban decline hinder the state’s ability to compete for educated workers

Sprawl and urban decline are burdening taxpayers

Tax Burden

The costs of sprawl are well-researched and well-recognized

Low density development increases demand for:

- New schools
- New roads
- New public facilities
- Sewer and water extensions

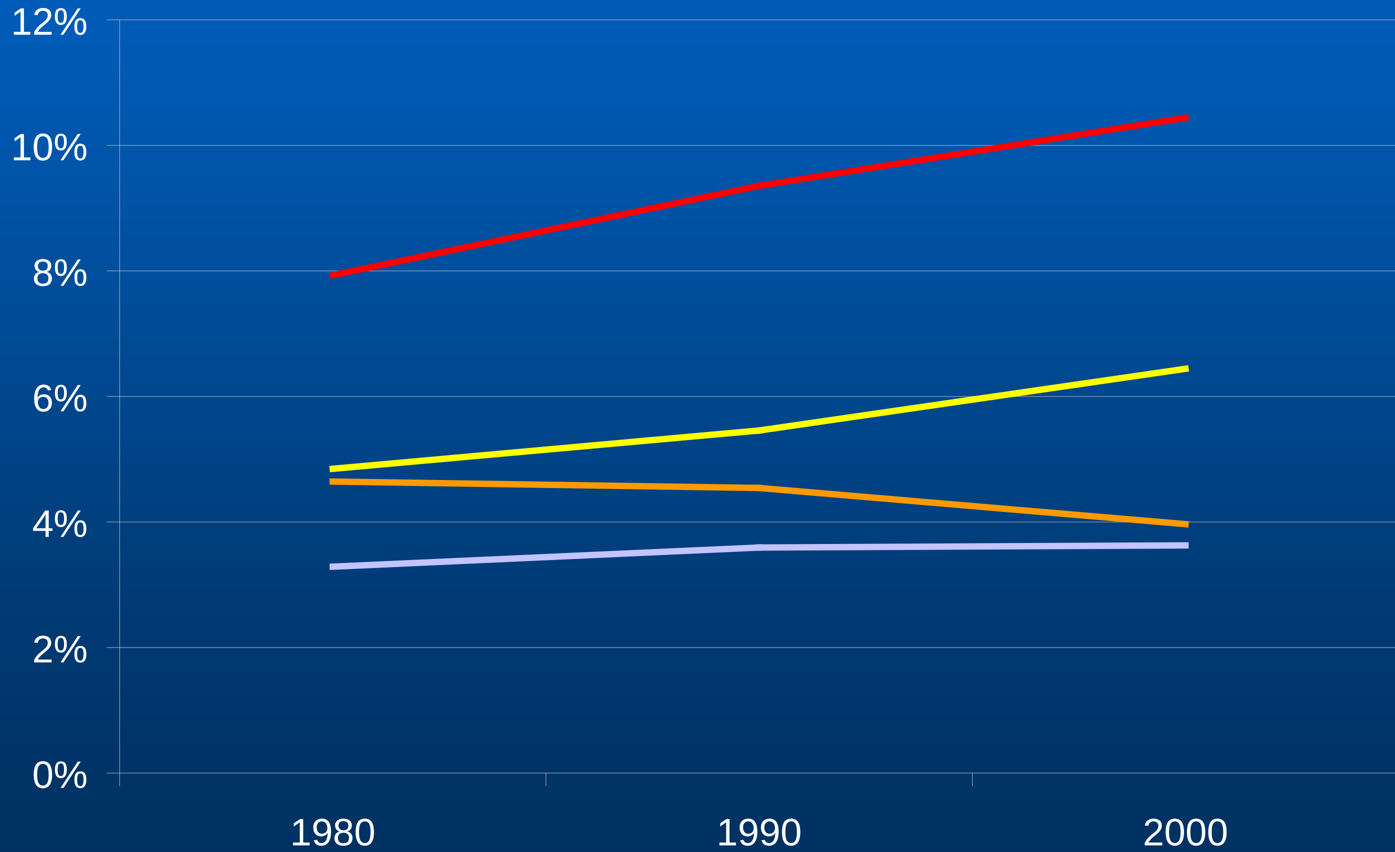
Low density development increases the costs of key services:

- Police
- Fire
- Emergency medical

In Pennsylvania, the flip side of sprawl is abandonment; vacancy rates in older municipalities have worsened over the last two decades

Vacancy rates, 1980-2000

Source:
U.S. Census Bureau



As a consequence, home values in older municipalities generally trail those in outer townships

Average home value, 2000

Source:
U.S. Census Bureau

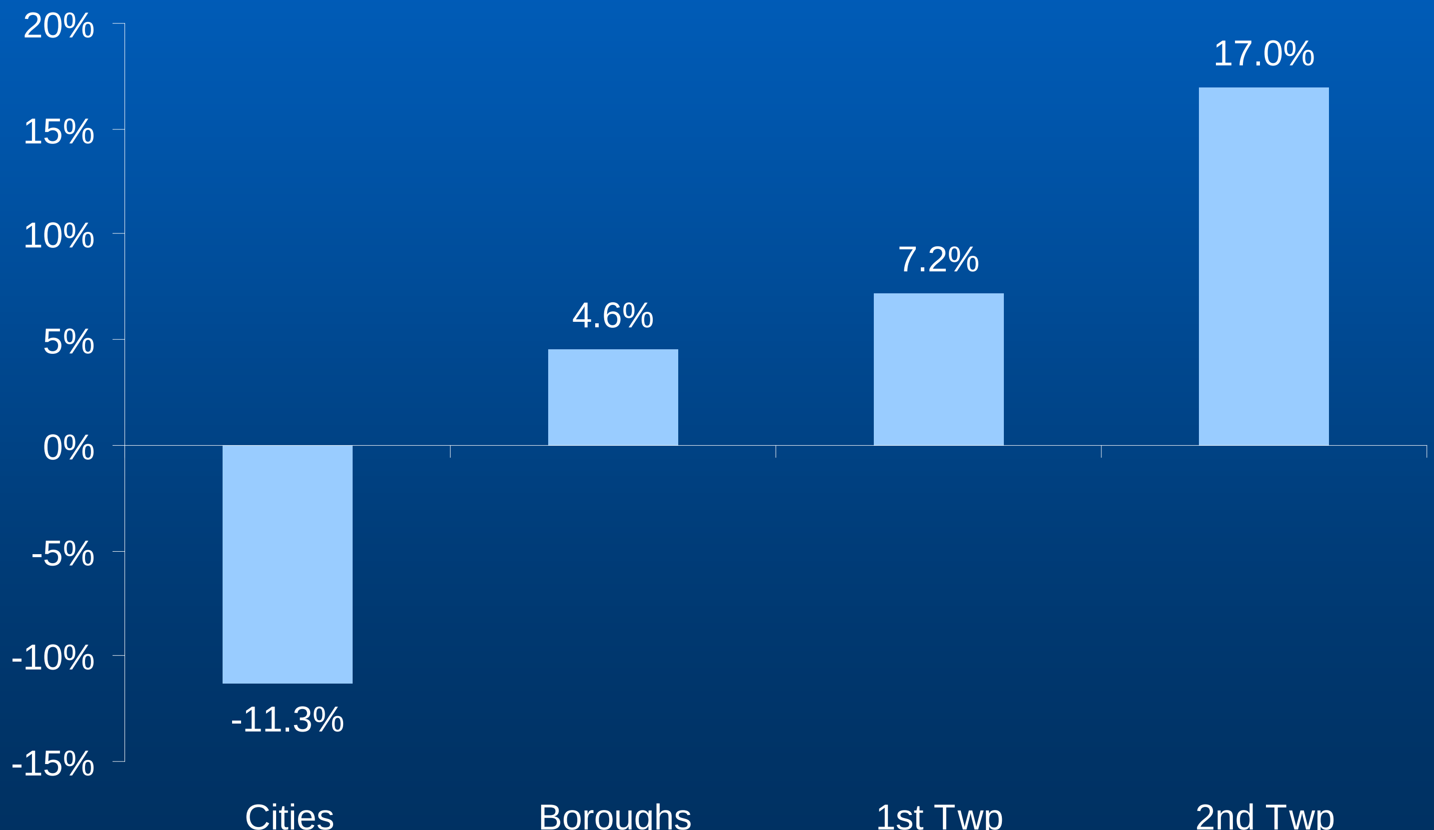
	2000 Average Home Value
Older	$102,775.72
Cities	$73,479.03
Boroughs	$99,410.47
1st-Class Townships	$153,170.52
2nd-Class Townships	$145,183.17
State Total	**$120,741.27**

Tax Burden

In fact, deterioration in older areas slowed appreciation and even eroded property values in the 1990s, especially in Pennsylvania's cities

Percent change in market value property, 1993-2000

Source:
Ameregis Inc. tabulation of data from the Governor's Center for Local Government Services



Ultimately, these factors lead to reduced revenues and higher tax rates for older municipalities

Main Findings

I The state ranks low on demographic and economic trends and high on sprawl and abandonment

II These trends undermine competitiveness and are fiscally wasteful

III These trends are not inevitable

IV Pennsylvania can build a competitive future

III

These trends are not inevitable

- Haphazard Investments ☒
- Weak Planning ☐
- Barriers to Reinvestment ☐
- Governmental Fragmentation ☐

Haphazard Investments

Major state spending programs have either skewed funding to outer townships or failed to follow a strategic, competitive vision

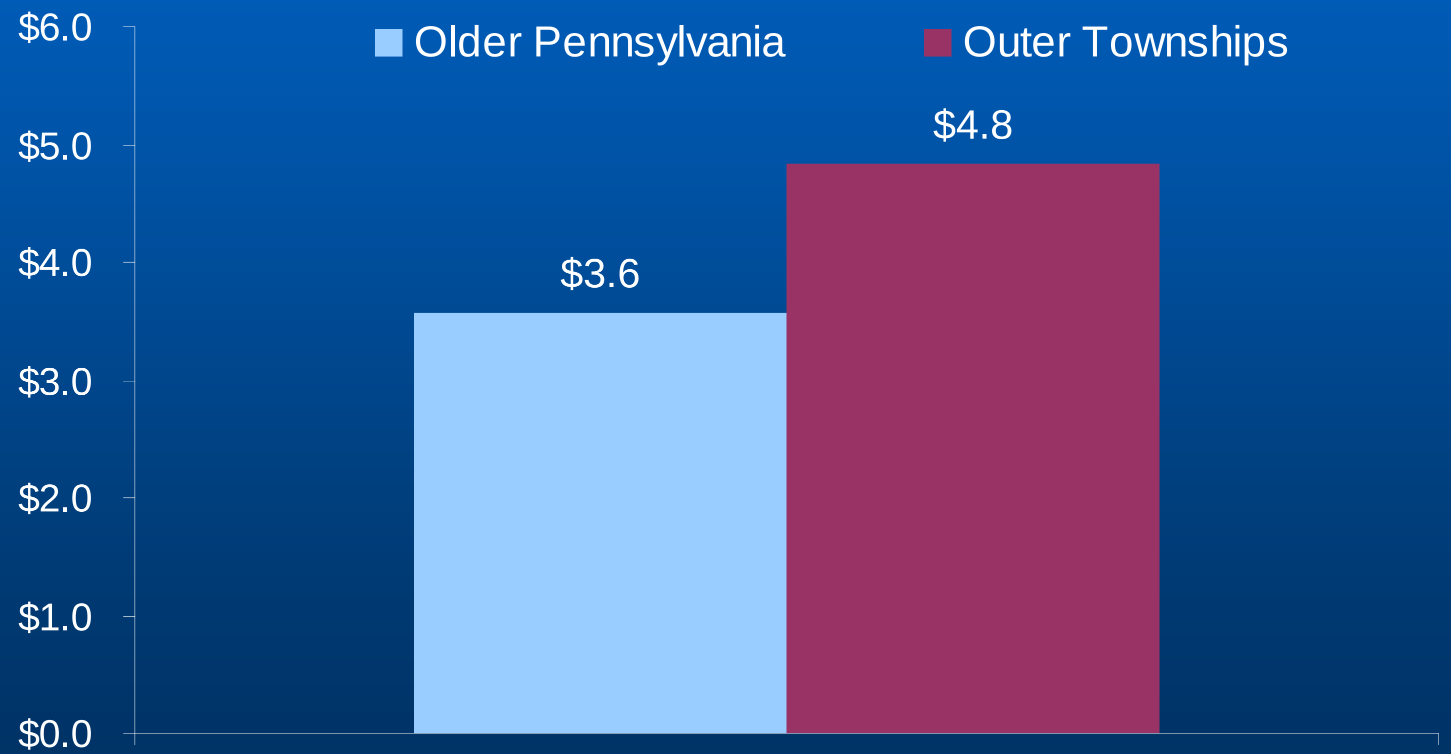
Haphazard Investments

Between 1999 and 2002, outer townships received $1.2 billion more in classifiable road and bridge spending than older areas

Total classifiable transportation investment*, 1999-2002

Source:
U.S. Census Bureau, Anne Canby and James Bickford, 10,000 Friends of Pennsylvania

*In billions

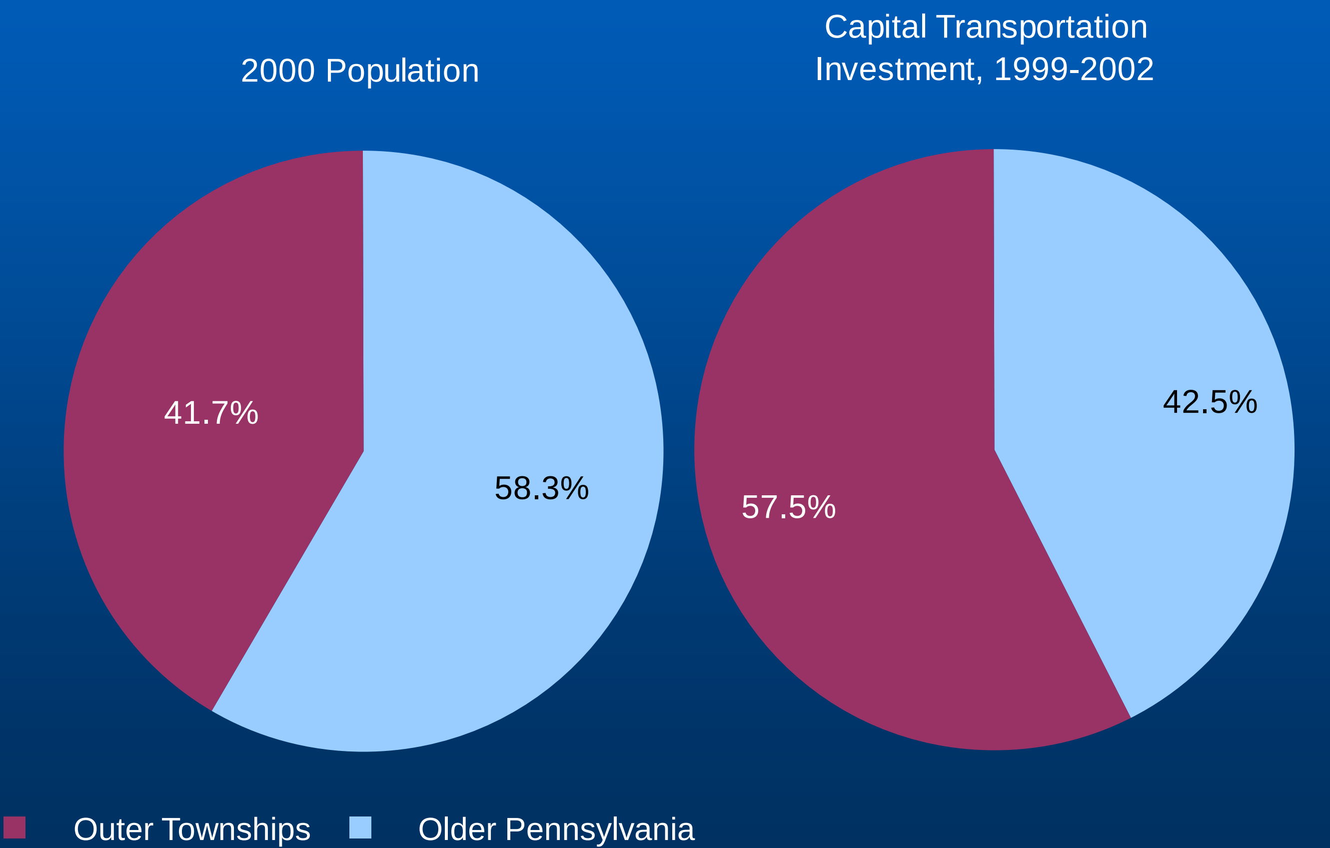


Haphazard Investments

As a consequence, outer townships received 58 percent of classifiable spending during this period, although they represent only 42 percent of the state's population

Share of population versus share of transportation investment, 1999-2002

Source:
U.S. Census Bureau,
Anne Canby and James Bickford, 10,000 Friends of Pennsylvania

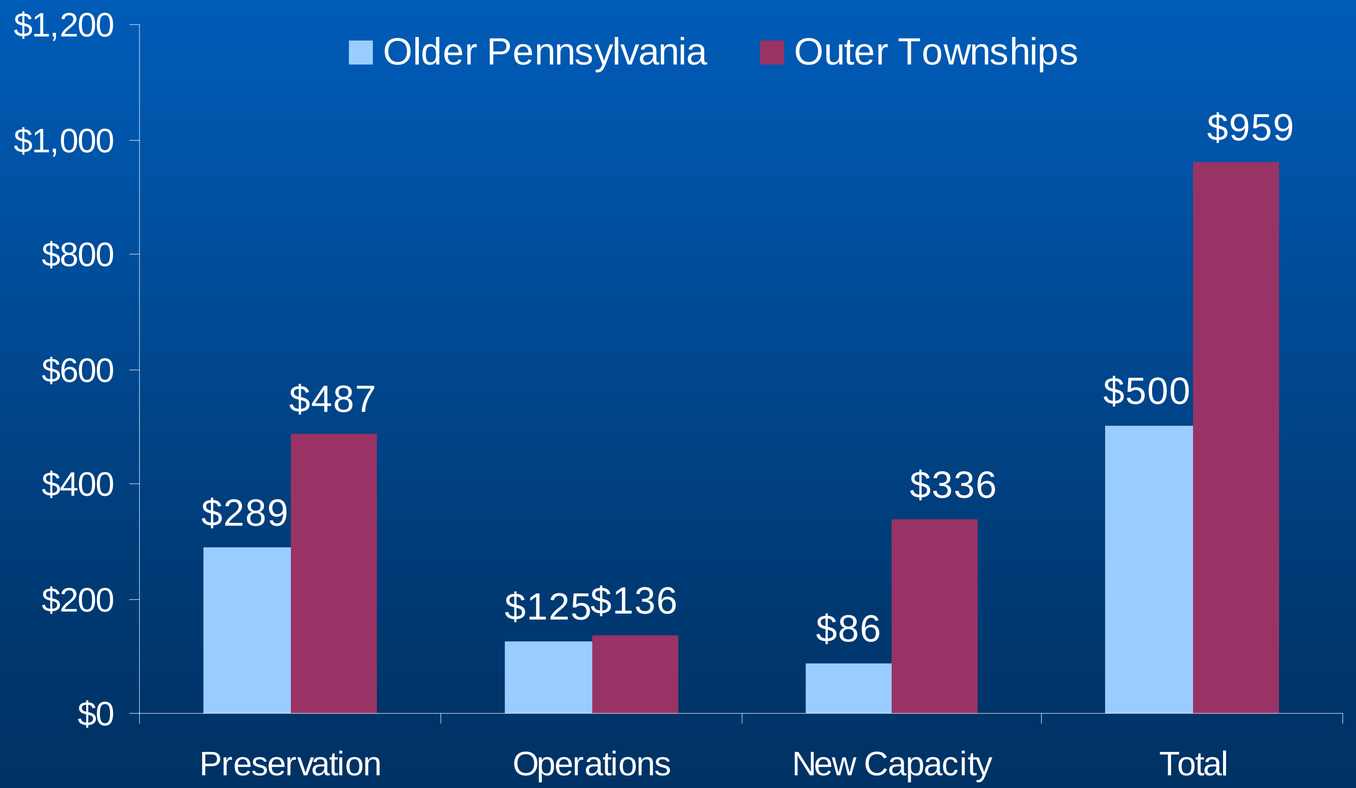


Haphazard Investments

On a per capita basis, outer townships received almost double the amount of total classifiable spending that older municipalities received

Pennsylvania Department of Transportation per capita investment, 1999-2002

Source:
Anne Canby and James Bickford, 10,000 Friends of Pennsylvania

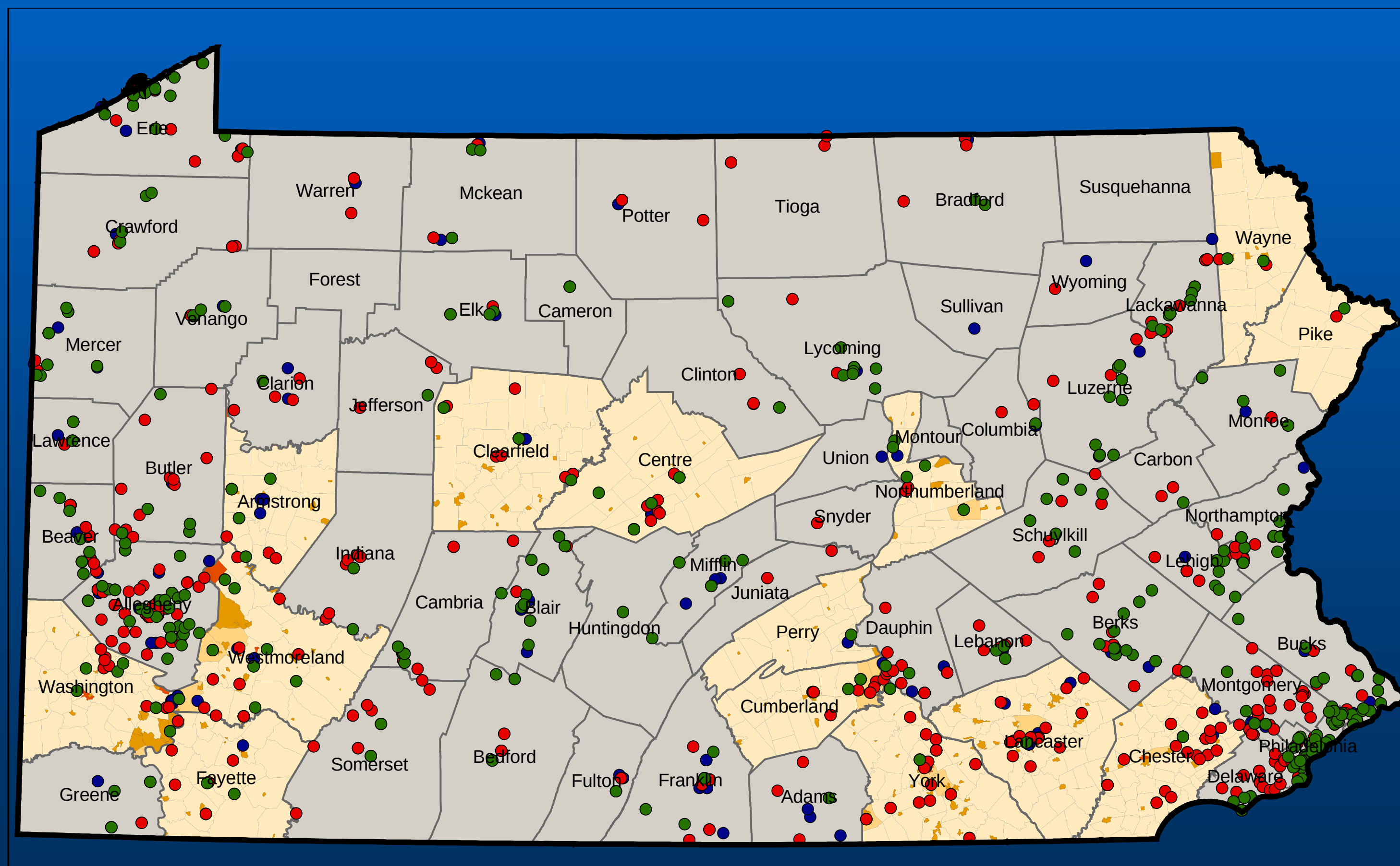


Haphazard Investments

At the same time, Pennsylvania is spreading its economic development money “all across the map”

PIDA, OFP, and IDP investments, 1998-2003

Source:
Keystone Research Center



DCED Programs

- PIDA Recipients
- OGP Recipients
- IDP Recipients

Municipal Type

- City
- Borough
- 1st-class township
- 2nd-class township

Haphazard Investments

On a per capita basis, DCED provided as much support through three main programs to projects in outer townships as to those in older areas between 1998 and 2003

PIDA, OFP, and IDP investments per capita, 1998-2003

Source:
Business Economic Research Group (BERG) analysis of DCED data

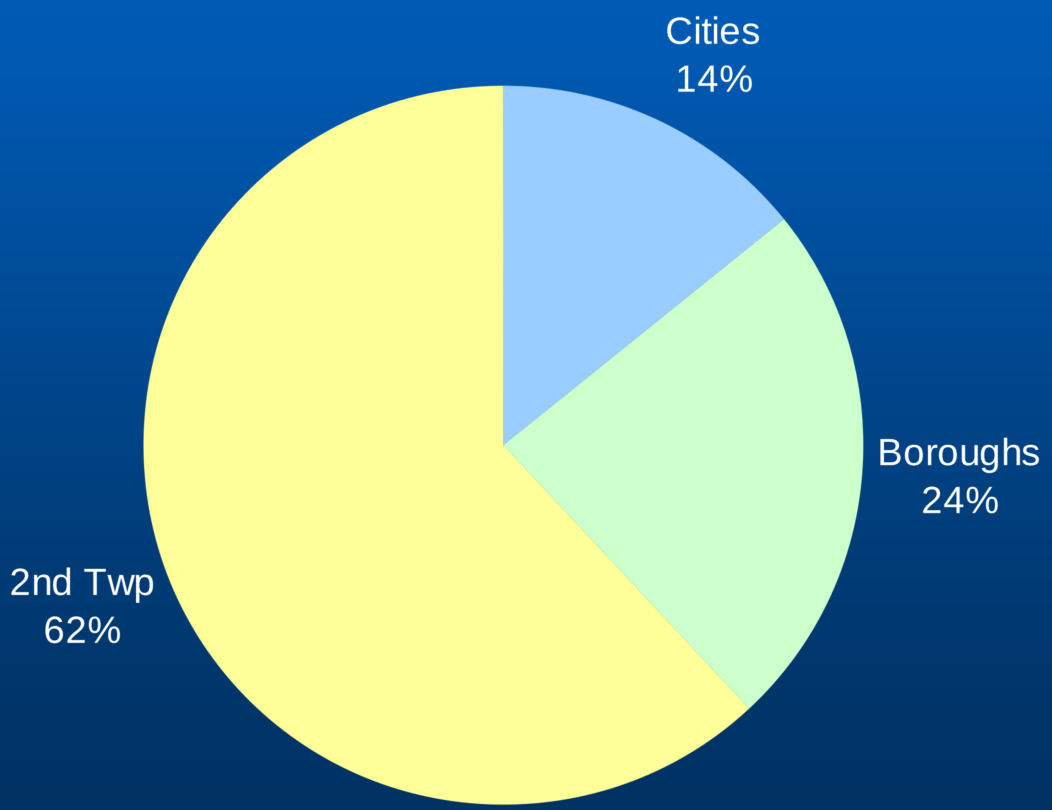
	Per Capita Spending
Older Pennsylvania	$68.81
Cities	$88.51
Boroughs	$68.52
1st-Class Townships	$28.32
2nd-Class Townships	$71.11
State Total	**$70.33**

Haphazard Investments

At one extreme the PIDA industrial park program distributed 65 percent of its total subsidy spending to projects in outlying townships

PIDA investments, 1998-2003

Source:
Business Economic Research Group (BERG) analysis of DCED data



III These trends are not inevitable

Haphazard Investments ☒

Weak Planning ☒

Barriers to Reinvestment ☐

Governmental Fragmentation ☐

Planning

The Commonwealth lacks effective state-level planning, strategizing, and coordination capacity

- Disparate state agencies do not plan in accordance with a coherent, unified vision
- Disparate state agencies plan separately and often act at cross-purposes
- As a consequence, there is a lost opportunity to use policies to generate markets and create wealth

Planning

A lack of consistency requirements ensures land use planning remains essentially optional and frequently uncoordinated

- Municipalities Planning Code does not yet require zoning ordinances to conform to local or regional plans
- Required county plans remain advisory

III

These trends are not inevitable

Haphazard Investments ☒

Weak Planning ☒

Barriers to Reinvestment ☒

Governmental Fragmentation ☐

Barriers to reinvestment

- Barriers to brownfield development hinder their productive reuse
- Information gaps, limited marketability, and ineffective acquisition processes keep many vacant and abandoned industrial properties idle
- Barriers to the rehabilitation of older buildings perpetuate their deterioration

III	These trends are not inevitable

Haphazard Investments

Weak Planning

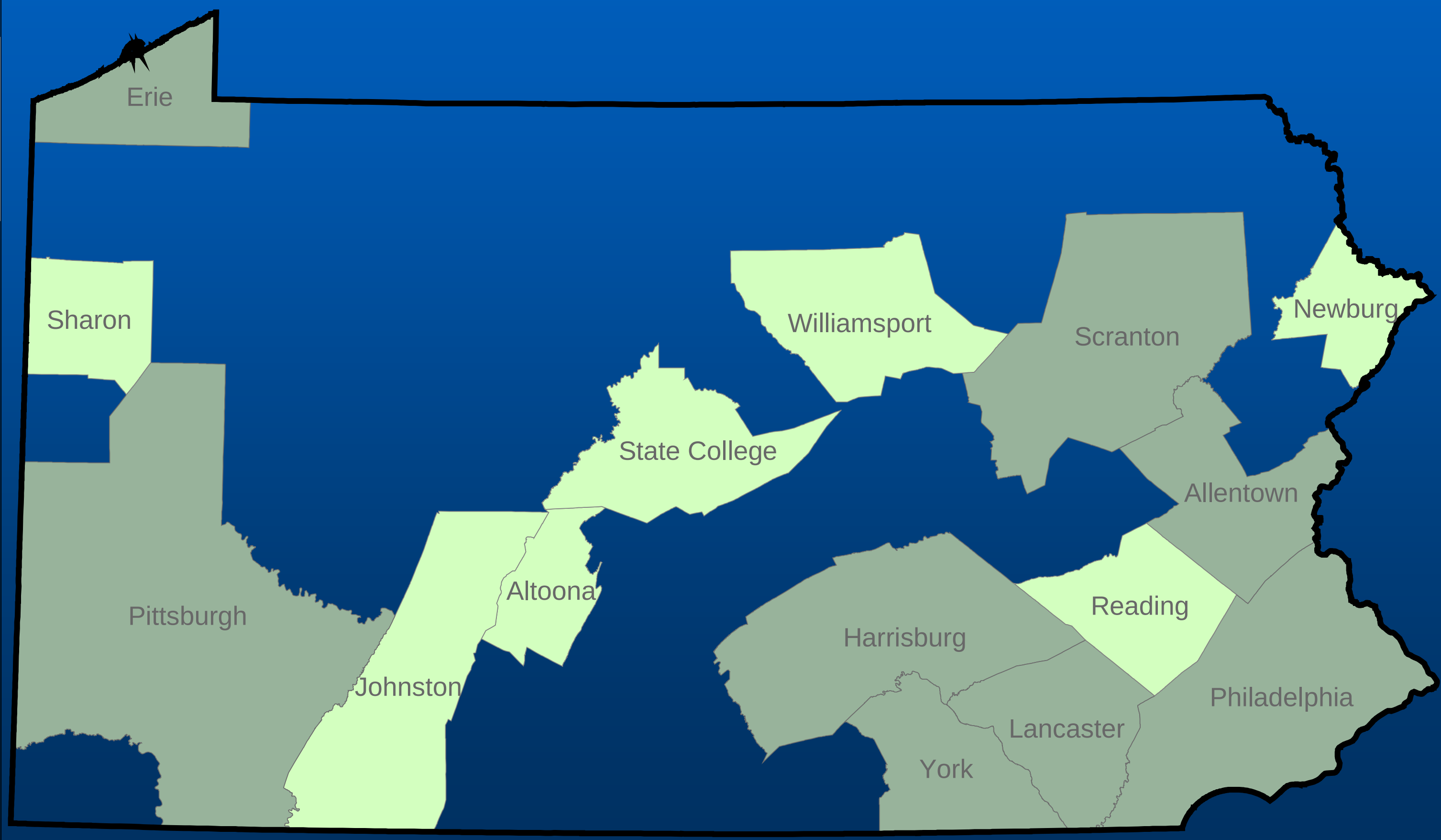
Barriers to Reinvestment

Governmental Fragmentation

Governance

Over time economic activity has clustered into one of 14 metropolitan economies

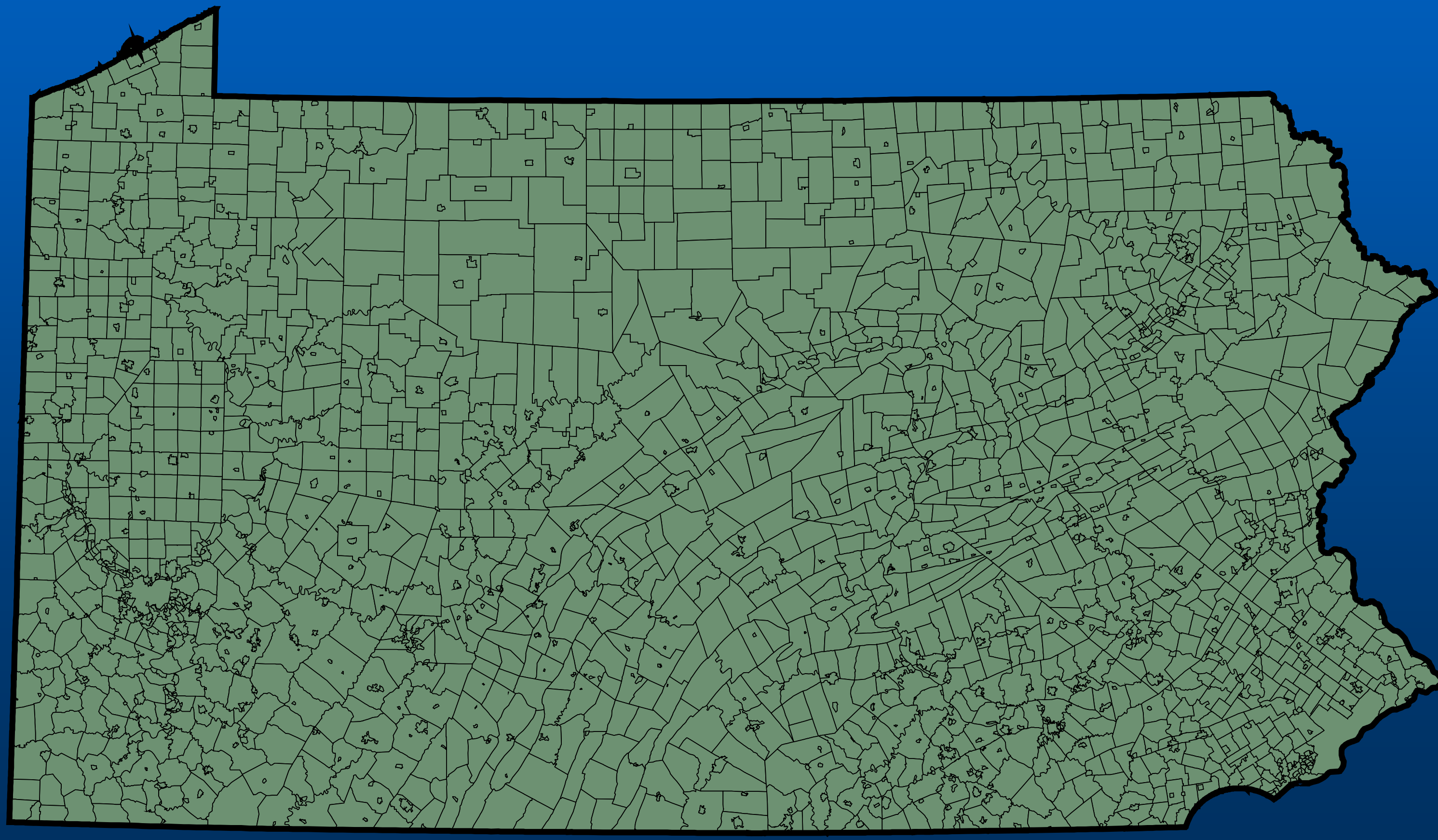
Metropolitan statistical areas, 2003



Governance

However, Pennsylvania's 2,566 municipalities drastically complicate the state's current landscape

Municipal Boundaries, 2003



Governance

Pennsylvania has the third-largest number of general government in the country

Total local governments, 2003

Source:
U.S. Census Bureau, 2002 Census of Governments

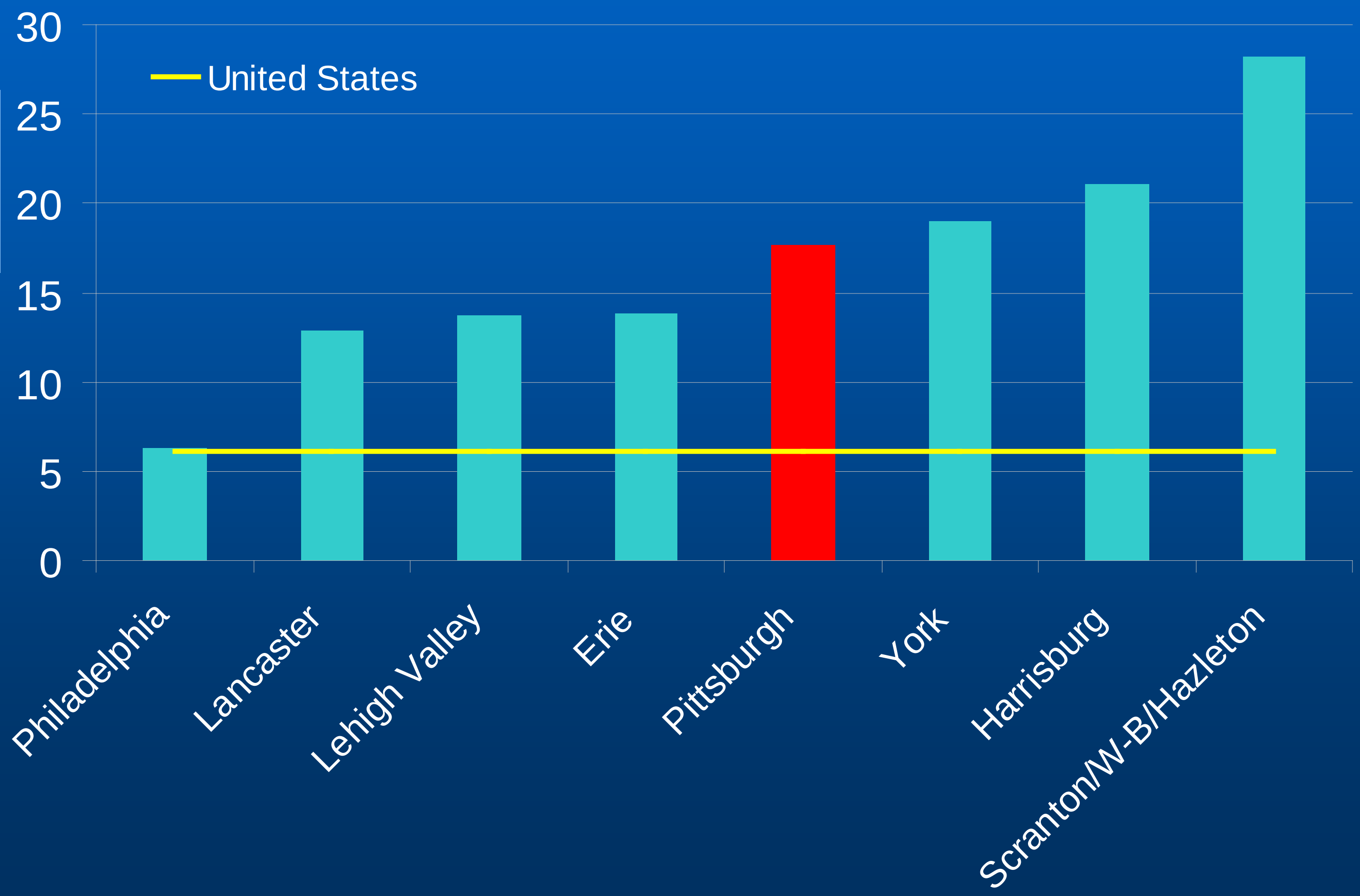
	General Governments in 2002	Rank
Illinois	2,824	1
Minnesota	2,734	2
Pennsylvania	**2,633**	**3**
Ohio	2,338	4
Kansas	2,030	5
Wisconsin	1,922	6
Michigan	1,858	7
North Dakota	1,745	8
Indiana	1,666	9
New York	1,602	10

Governance

The Commonwealth’s metropolitan areas remain some of the most fragmented in the nation

General governments per 100,000 residents, 2002

Source:
U.S. Census Bureau, 2002 Census of Governments



Pennsylvania’s profusion of local governments hobbles the state’s competitiveness in several ways

- CMU’s Jerry Paytas concludes that between 1972 and 1997 fragmented regions saw their share of the total income generated in 285 metro areas slip

- Paul Lewis concludes fragmentation results in decreased shares of office space in central business districts, less “centrality,” longer commute times, more “edge cities,” and more sprawl

Main Findings

I	The state ranks low on demographic and economic trends and high on sprawl and abandonment
II	These trends undermine competitiveness and are fiscally wasteful
III	These trends are not inevitable
IV	Pennsylvania can build a competitive future

IV

Pennsylvania can build a competitive future

Set a Competitive Vision

The Challenge:

The state lacks a coherent strategy for growth and development

Competitive Vision

The Goal:

Pennsylvania should develop a clear, unified vision for economic success and quality development

The Policy:

- Establish "Pennsylvania's Vision for a Competitive Future"
- Make state agencies plans and actions conform to competitive vision
- Foster more and better regional and local planning

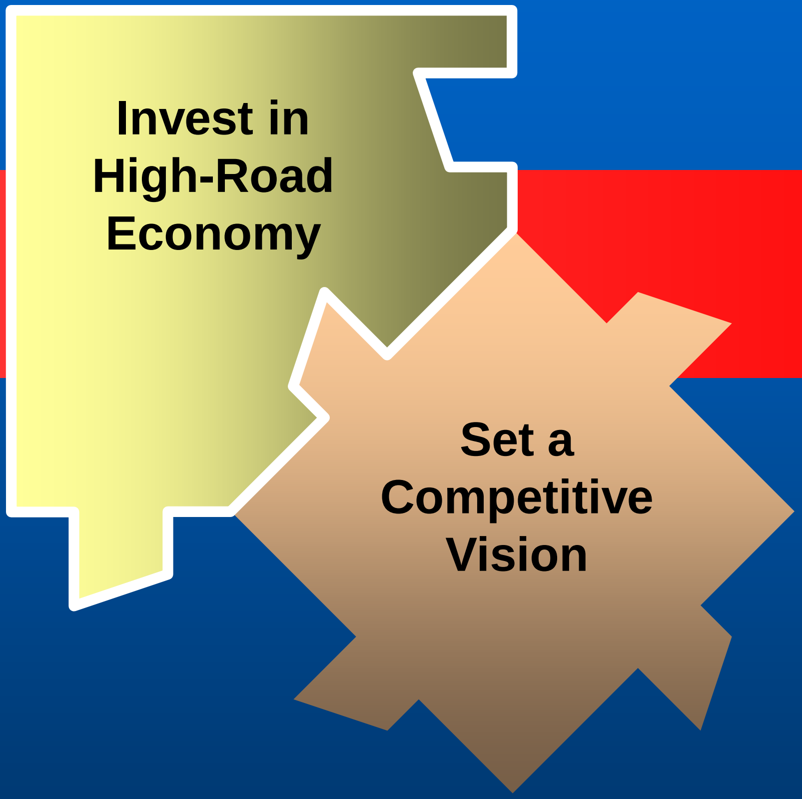
Example: Massachusetts' Commonwealth Coordinating Council

- Governor Mitt Romney has instituted a council that seeks to unite disparate state functions under a new mission of supporting revitalization, discouraging wasteful land use, and encouraging regional solutions
- Initiatives include: linking housing investments to transit stations, reusing urban land in economic development activity, and acquiring open space as a part of larger smart growth plans

IV

Pennsylvania can build a competitive future

Invest in a High-Road Economy



The Challenge:

Pennsylvania has not responded adequately to structural shifts in the economy

High-Road Economy

The Goal:

Pennsylvania should invest in workers and sectors that will help the state produce a more competitive, higher wage future

The Policy:

- Set a state goal for higher education and align policies to achieve goal
- Reform workforce system
- Leverage sectors (e.g. “Eds and Meds”) that build a high-road economy

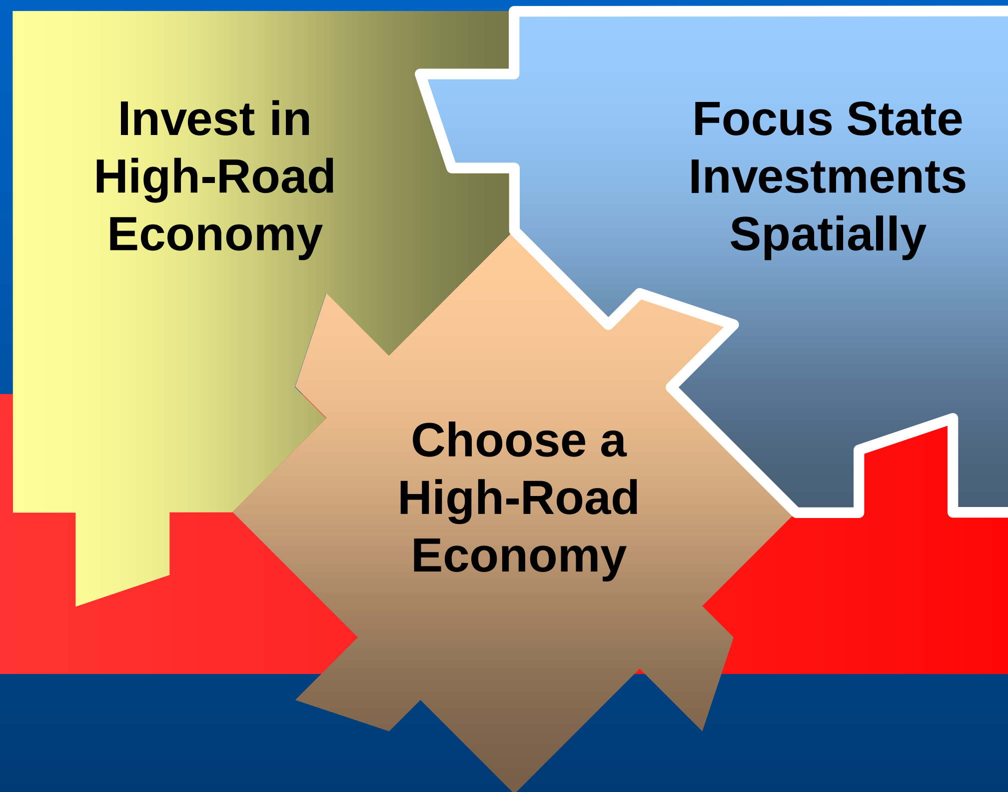
Example: Michigan's New Economic Development Agenda

- In 2003, Gov. Jennifer Granholm signed an executive order centralizing and streamlining job, workforce, and economic development functions into a single Department of Labor and Economic Growth
- Initiatives include convening mayors to discuss how to make Michigan more attractive for new jobs and residents, and engaging universities on what would encourage students to remain after graduation

IV

Pennsylvania can build a competitive future

Focus State Investments Spatially



Focused Investment

The Challenge:

State spending programs are not strategically focused

Focused Investment

The Goal:

Pennsylvania should make reinvestment in older, established communities a priority

The Policy:

- Have competitive vision drive investment decisions
- Invest in assets that drive innovation (e.g. downtowns, main streets, historic preservation)
- Disclose the location and impact of key investments

Focused Investment

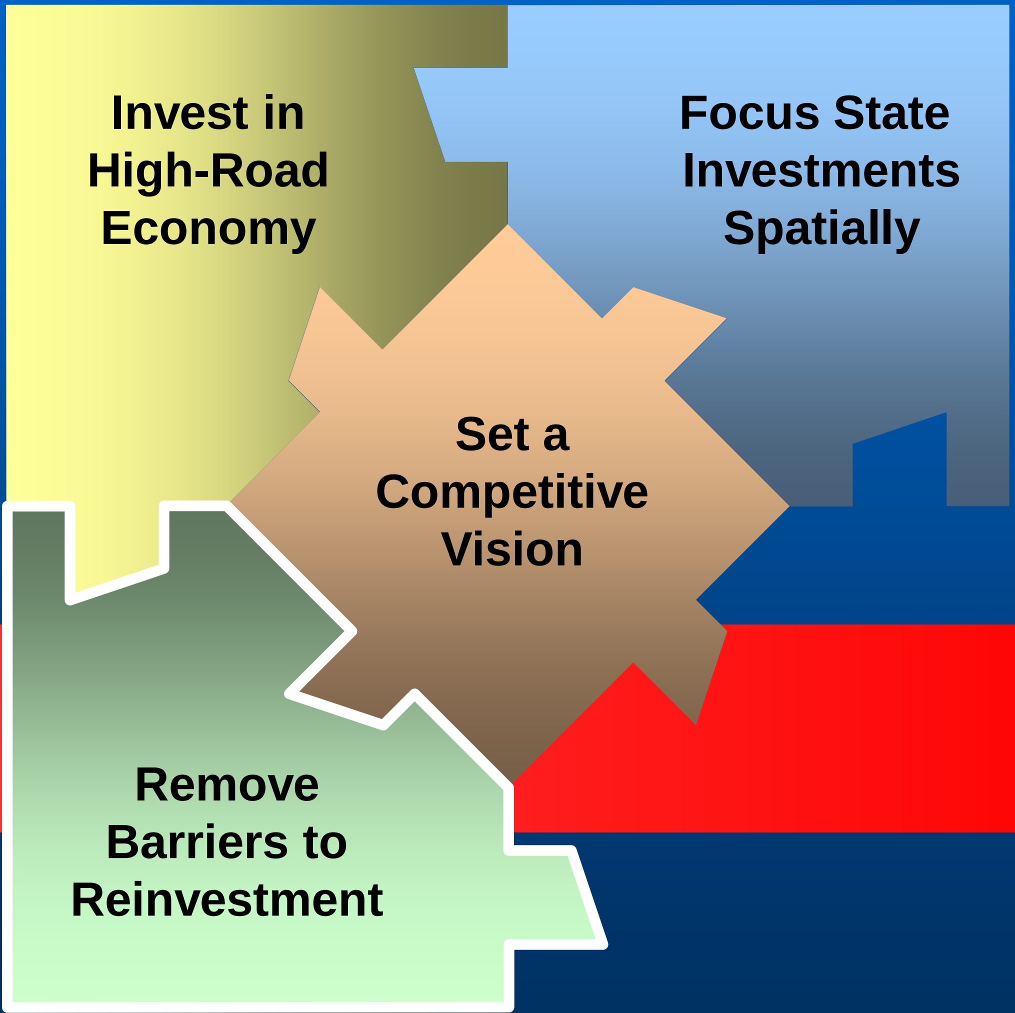
Example: Maryland’s Priority Funding Areas

- In 1997, Maryland enacted several “smart growth” laws designed to steer funds into “priority funding areas” in established places where infrastructure already existed
- Withdraws state support from inconsistent or or disruptive projects and channels aid to places that most need and can best support new development
- Similar initiatives have been adopted in California and New Jersey

IV

Pennsylvania can build a competitive future

Promote large-scale reinvestment in older areas



The Challenge:

State rules and policies present numerous barriers to the revitalization of the commonwealth's cities, boroughs, and older suburbs

Reinvestment

The Goal:

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

The Policy:

- Create a state inventory of vacant and abandoned properties
- Improve the state's brownfield program
- Create a legal climate that enables redevelopment to be timely, efficient, and profitable

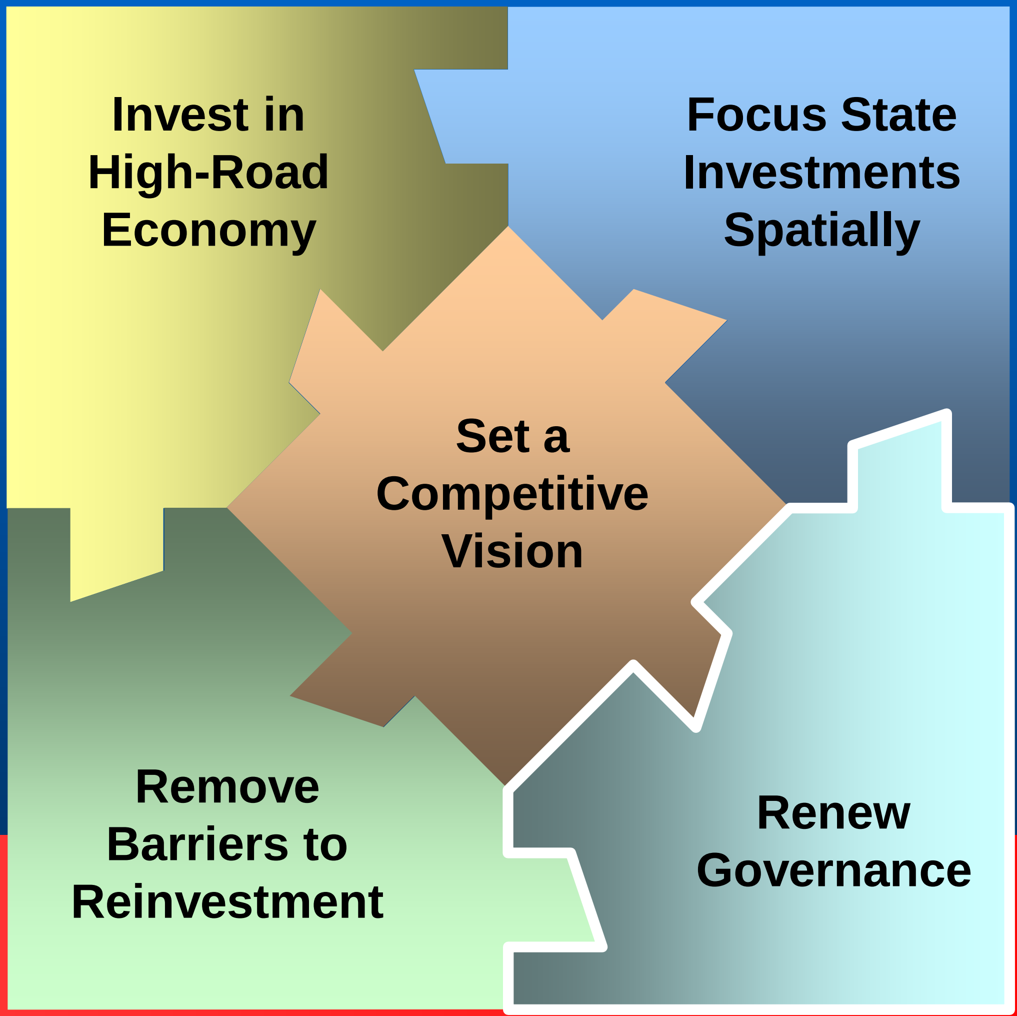
Reinvestment

Example: Urban Redevelopment in the United Kingdom

- Launched in 1998, the United Kingdom's Previously-Developed Land (PDL) project is working to inventory all vacant and derelict land in England and Wales
- In addition, the national government has set a target that 60 percent of all the country's new housing should be built on previously-used sites by 2008
- In 2001, 61 percent of housing built was constructed on brownfields or through the conversion of existing buildings

IV

Pennsylvania can build a competitive future



Renew state and regional governance

The Challenge:

Pennsylvania's extreme government fragmentation has exacerbated unbalanced growth patterns and undercut economic competitiveness

Governance

The Goal:

Pennsylvania should promote more regional collaboration and cohesion

Governance

The Policy:

- **Convene a Pennsylvania local government commission**
- **Use regional actors to implement state programs**
- **Consider reapportioning some local, county, and regional functions**
- **Adopt reforms to ease voluntary restructuring**

Governance

Example: Texas’ Distribution of CDBG Money

- 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
- COGs prioritize projects based in large part on the regional value of each project
- This ensures that a regional perspective governs how funds are spent, avoiding a more disconnected, overly localized distribution system

IV Pennsylvania can build a competitive future

www.brookings.edu/urban

www.brookings.edu/pennsylvania