



METROPOLITAN POLICY PROGRAM



Back to Prosperity

A Competitive Agenda for Renewing Pennsylvania

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by cjeili

THE BROOKINGS INSTITUTION METROPOLITAN POLICY PROGRAM

Brookings has released two reports on Pennsylvania's competitive prospects and policy challenges. Both provide:



BACK TO *Prosperity*



COMMITTING TO PROSPERITY: *Moving Forward on the Agenda to Renew Pennsylvania*

A **state policy agenda** linking the state's economic competitiveness to the revitalization of older places

Bold recommendations, focusing on **fundamental, structural change**

Both reports highlight tough trends and policy challenges...

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

These trends **undermine Pennsylvania's competitiveness** and are fiscally wasteful

These trends can be ameliorated, but it will take **aggressive action** by the state to revive its cities, boroughs, and older townships with more strategic state policy choices

...but also conclude that Pennsylvania can build a competitive future

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

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



Back to Prosperity

I

Pennsylvania faces difficult demographic, economic, and land use trends

II

These trends undermine competitiveness and are fiscally wasteful, creating three major challenges

III

New state policies are moving in the right direction, but there is more work to be done



I

Pennsylvania faces challenging demographic, economic, and land use trends

The state faces challenging demographic and economic trends and ranks high on sprawl and abandonment

Pennsylvania is not alone in struggling with underperforming cities

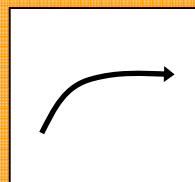
These trends are not inevitable

Demographics

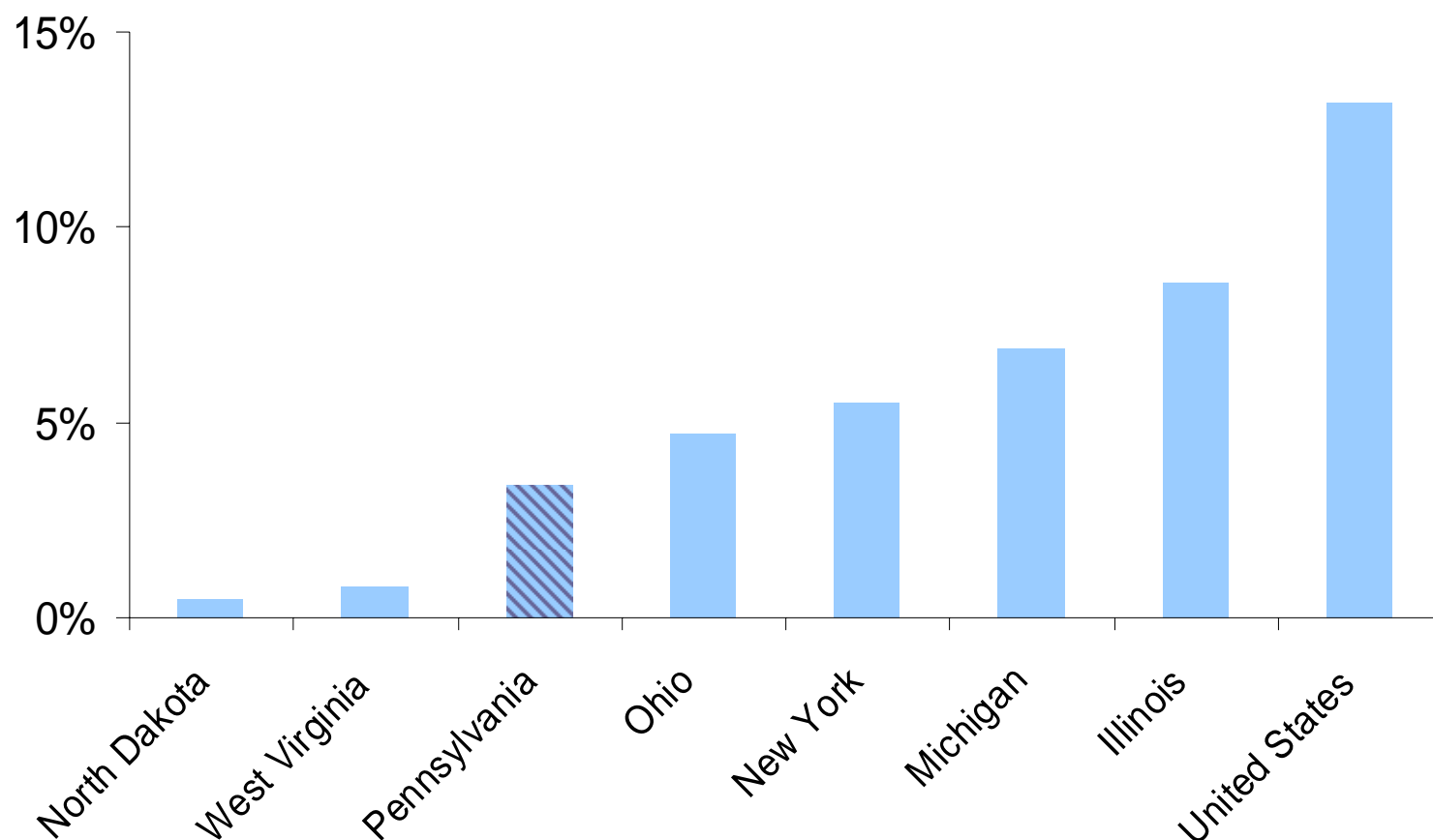
Economy

Land Use

Pennsylvania experienced the 3rd slowest population growth among states in the 1990s



Percent
population
change,
1990-2000



...and continued to grow slowly from 2000-2005

Percent change in population, 2000 to 2005

	Population Change	Rank
Kansas	2.1%	41
Michigan	1.8%	42
New York	1.5%	43
Iowa	1.4%	44
Louisiana	1.1%	45
Pennsylvania	1.2%	46
Ohio	1.0%	47
Massachusetts	0.8%	48
West Virginia	0.5%	49
North Dakota	-0.9%	50
United States	5.3%	

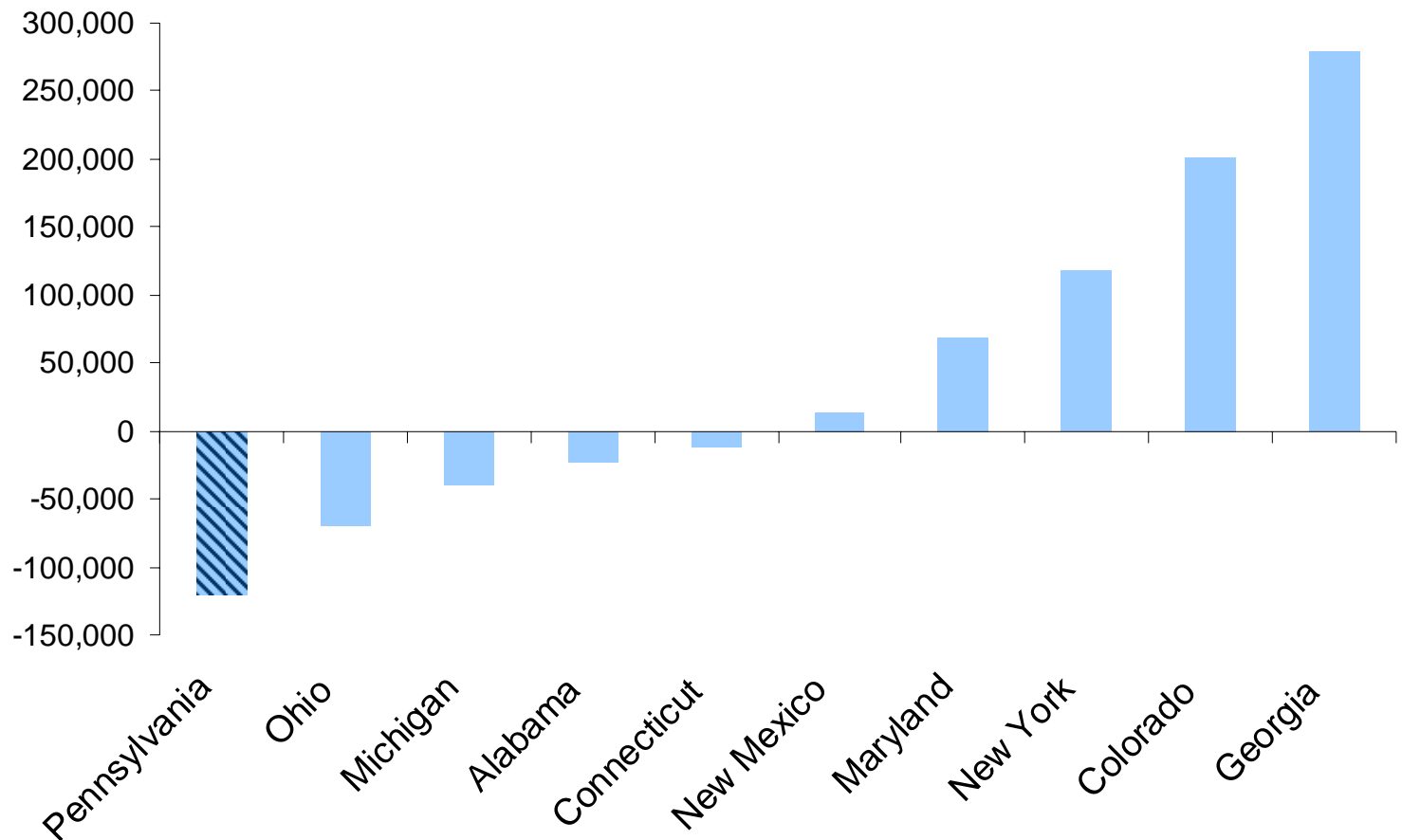
Demographics

Economy

Land Use

Pennsylvania suffered the largest absolute loss of young people among states

Change age 25-34 cohort,
1990-2000



...and has the second largest share of elderly residents among states

Share of
population 65+,
2000

	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%	

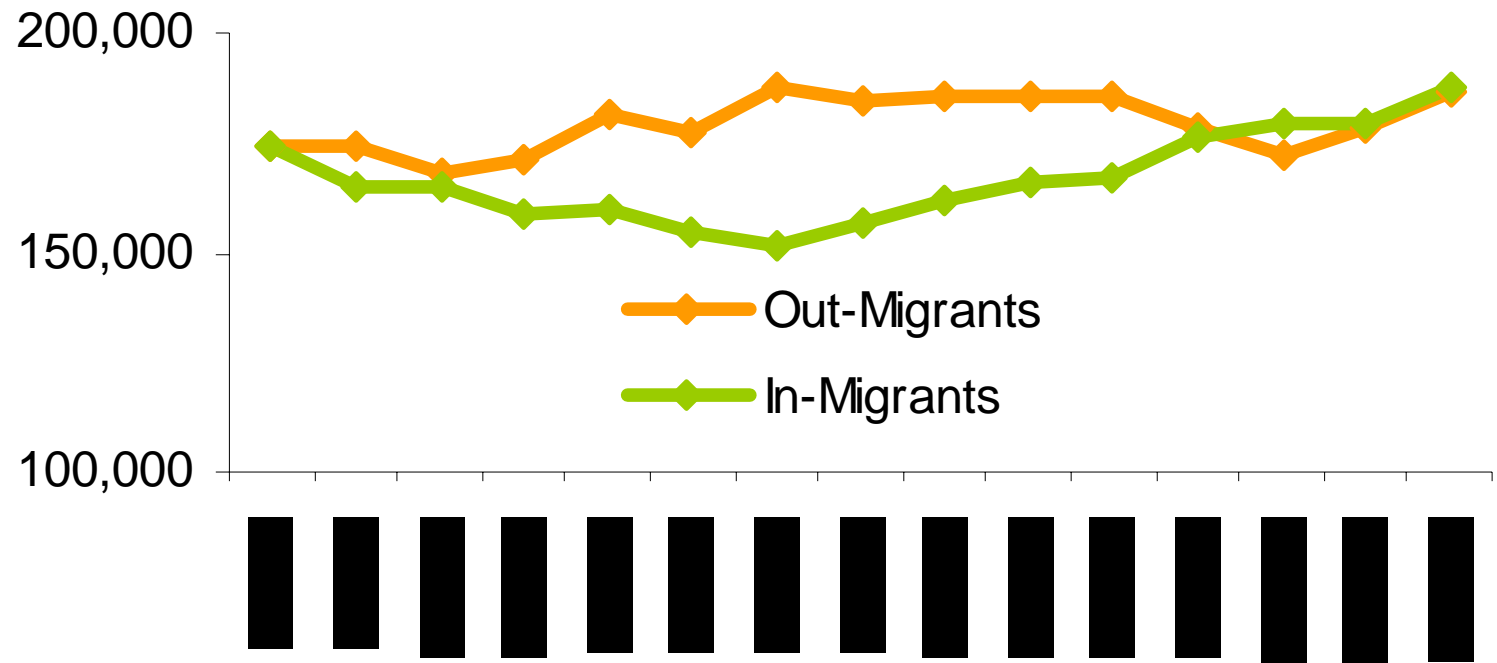
Demographics

Economy

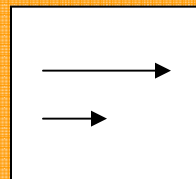
Land Use

But there are some positive signs: in recent years, the state has had more people moving in than moving out

Number of out-migrants and in-migrants, 1990-1991 to 2004-2005



Pennsylvania's transitioning economy is lagging



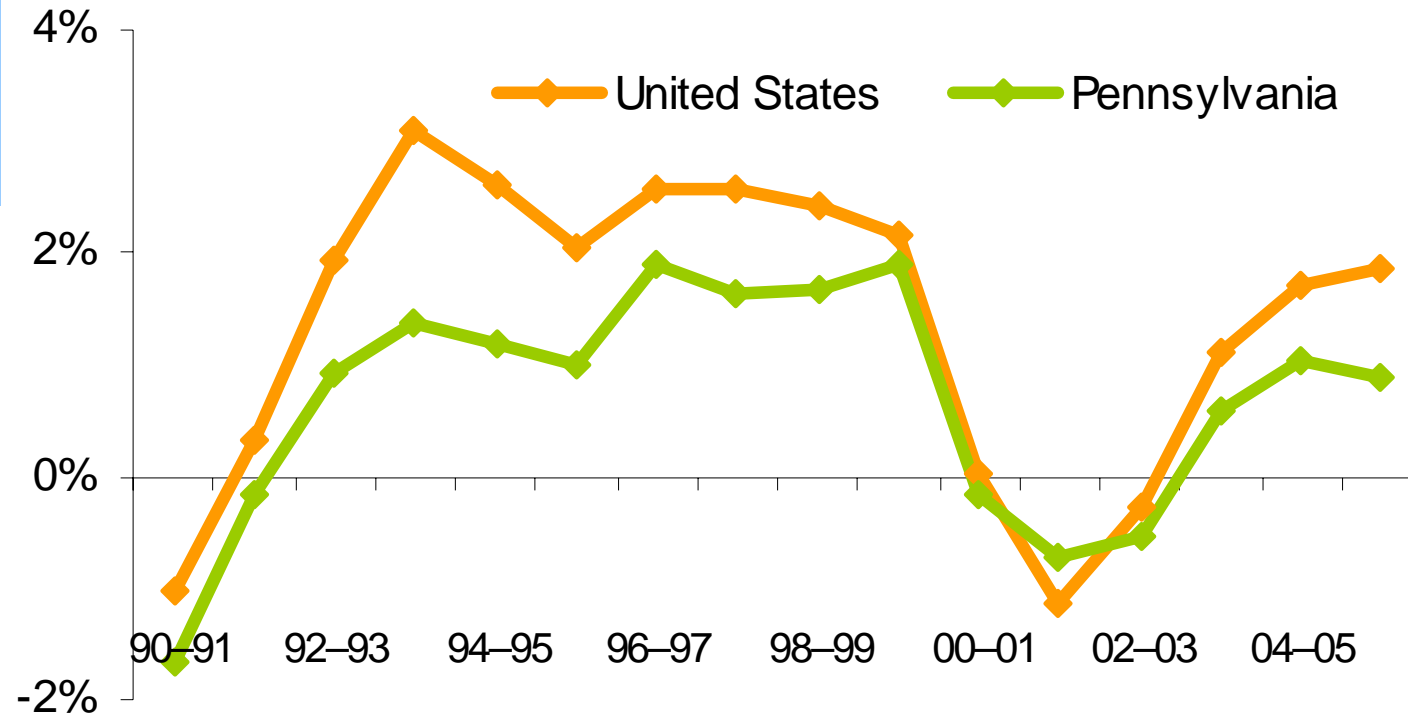
The Commonwealth ranked 47th on employment growth between 1992 and 2002

Over 61 percent of workers are employed in low wage jobs

Pennsylvania ranked 31st among states in share of population with a BA in 2000

Pennsylvania is experiencing a recovery, but still lags the country

Year-to-year percent employment change, 1990-2006



Source: Bureau of Labor Statistics,
Current Employment Survey

Demographics

Economy

Land Use

The state added a modest 62,000 jobs from 2000 to 2006, ranking it 37th on employment growth (up from 45th in the 1990s)

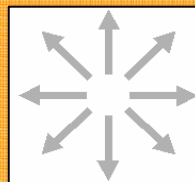
Percent change in
non-farm
employment, 2000
to 2006

State	Percent Change	Rank
New Jersey	2.0%	33
Tennessee	2.0%	34
Maine	1.9%	35
Iowa	1.7%	36
Pennsylvania	1.1%	37
Kentucky	1.0%	38
Wisconsin	0.9%	39
Missouri	0.9%	40
Kansas	0.6%	41
New York	-0.3%	42
U.S.	3.3%	

Source: Bureau of Labor Statistics,
Current Employment Survey

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Pennsylvania is sprawling
and hollowing out



We divided Pennsylvania's 2,566
municipalities into "older" and "outer" areas

OLDER

Cities	56
Boroughs	962
1st Class Townships	91

OUTER

<u>2nd Class Townships</u>	<u>1,457</u>
	2,566

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

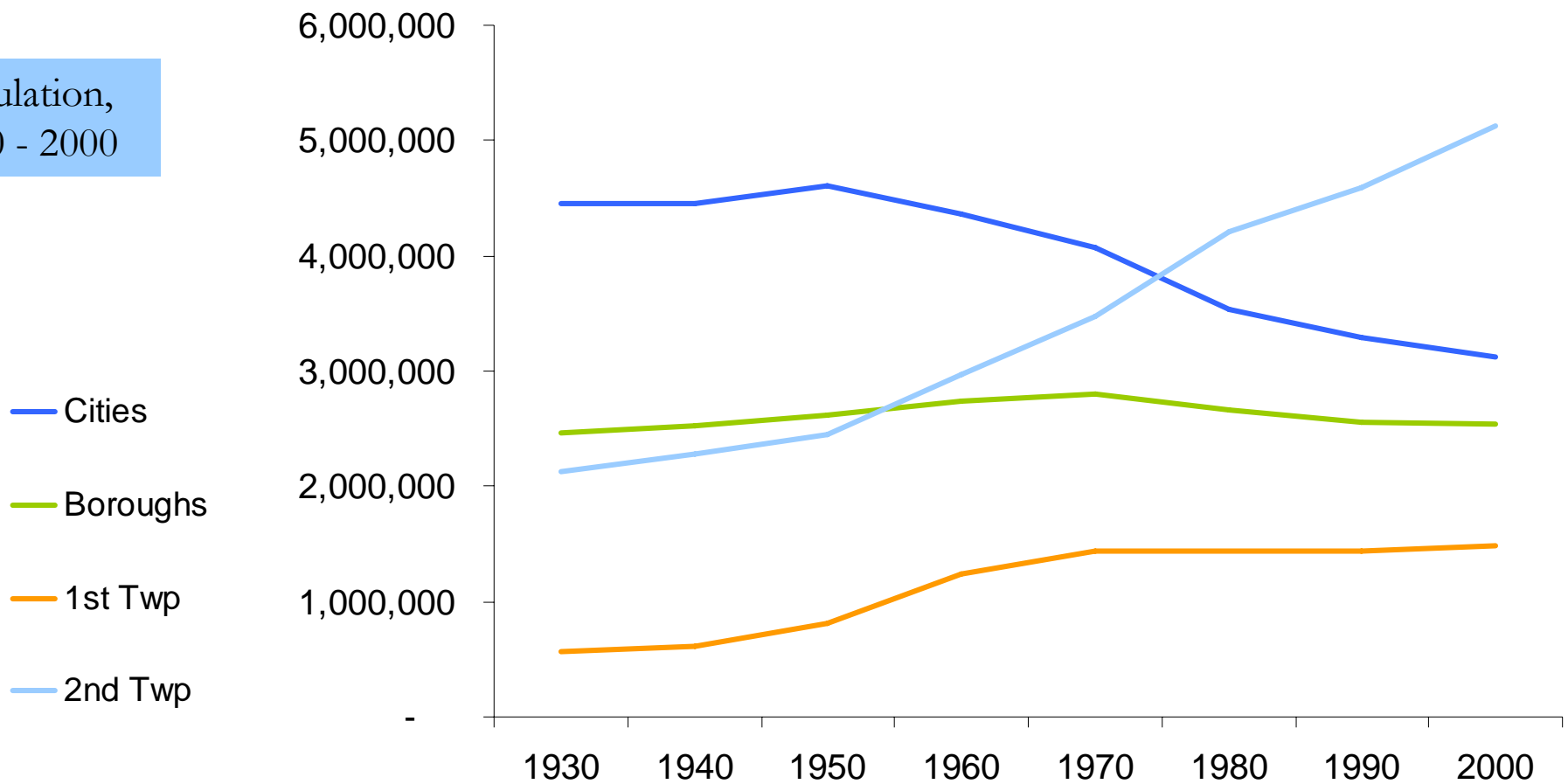
	Average Area (Sq. Mi.)	Average Density (People per Sq. Mi.)
Older Pennsylvania	2.6	2,500
Cities	8.3	6,621
Boroughs*	1.5	1,733
1st-Class Townships	10.1	1,621
2nd-Class Townships	28.3	124
State Total	17.1	278

Source: U.S. Census Bureau

*Includes one "town"

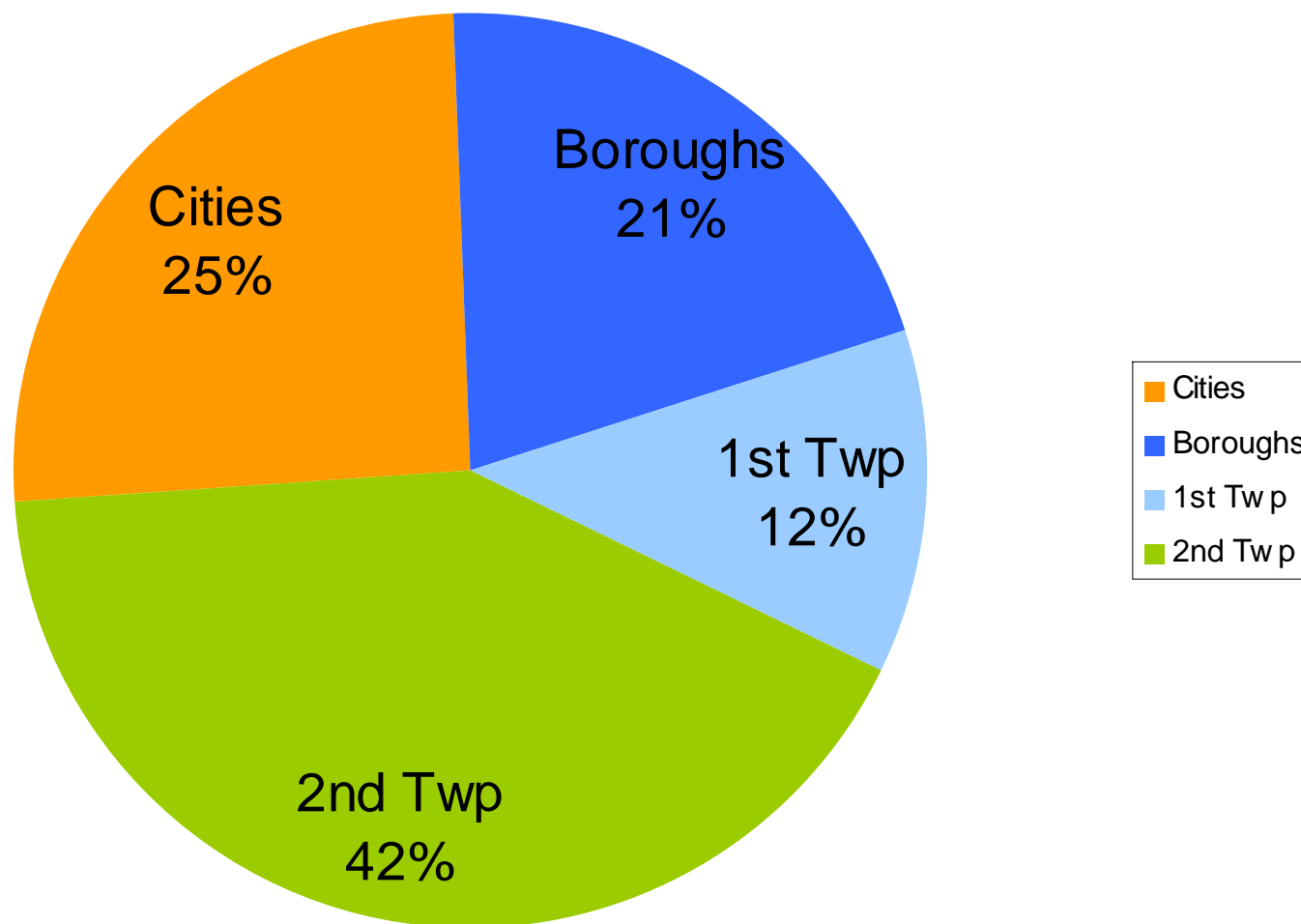
The outer townships have dominated the state's population growth for decades

Population,
1930 - 2000



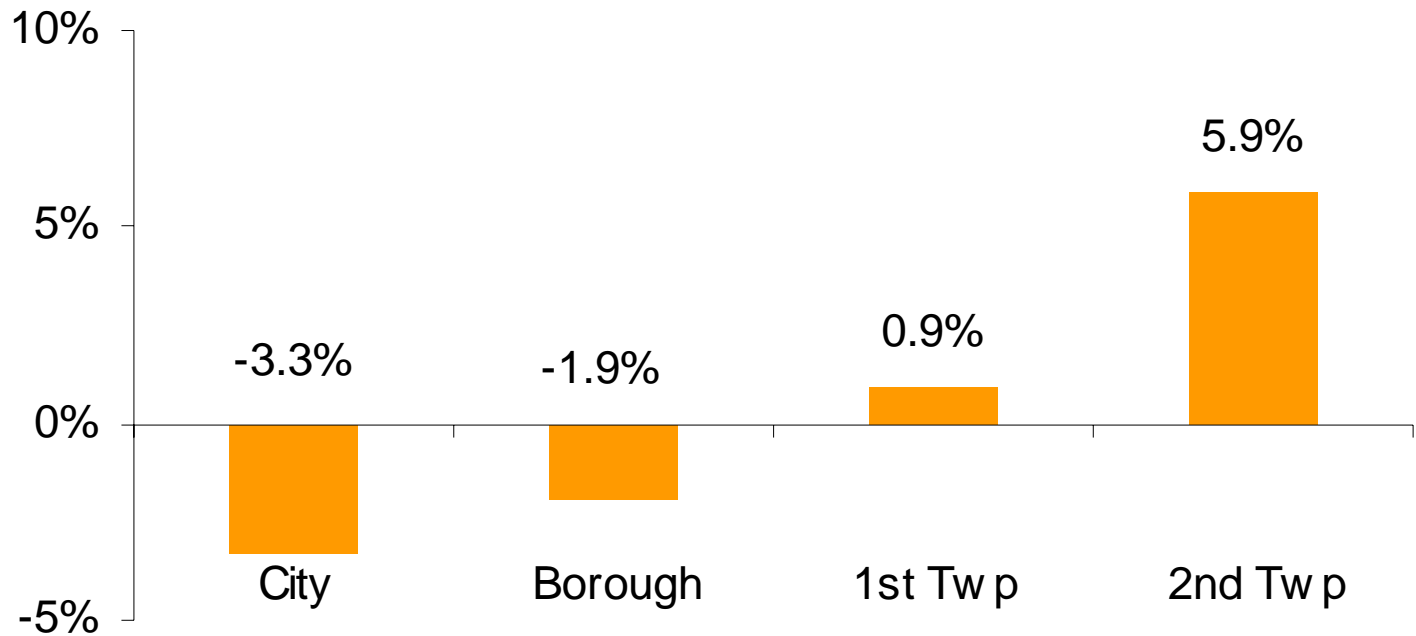
The outer townships now constitute 42 percent of the state's population, up from 23 percent in 1950

Share of total
population,
2000

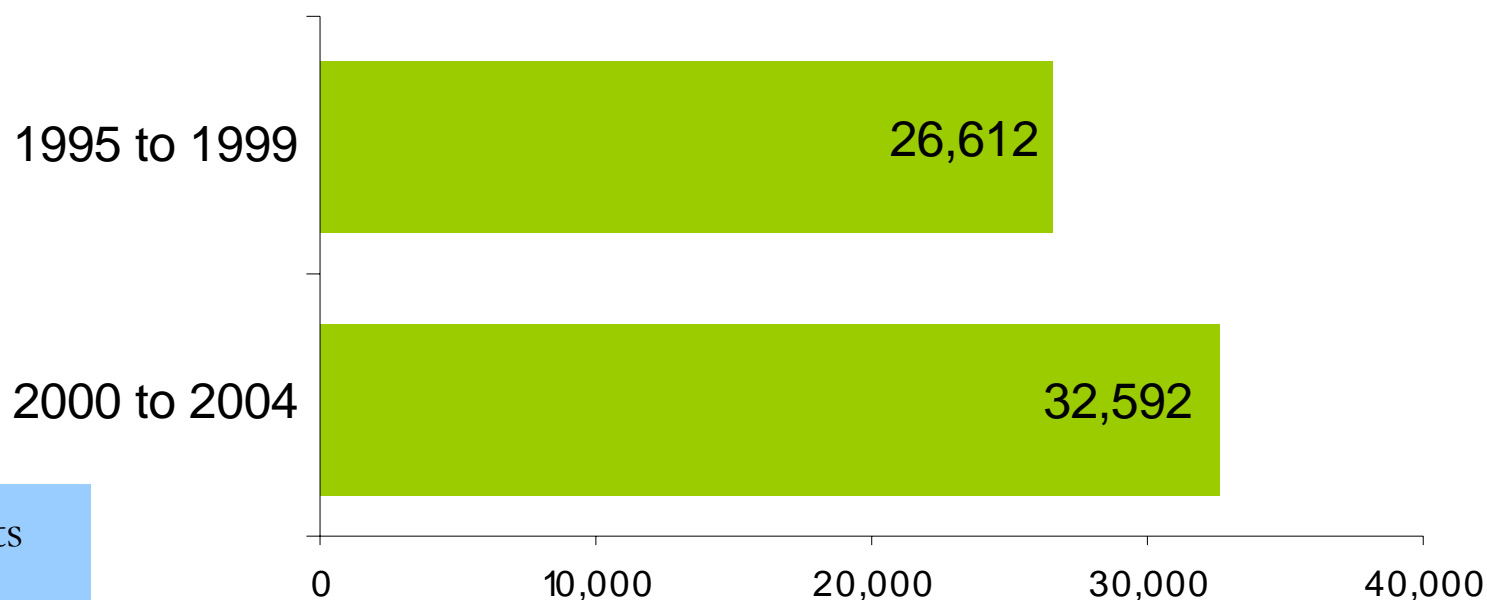


Cities and boroughs continued to lose population while first-class townships barely grew; In contrast, outer townships continued to grow rapidly

Population
change by
municipal type,
2000 to 2005



But cities and boroughs did see a 22.5 percent increase in the number of housing construction permits issued over the 1995-1999 period



Housing permits
for cities and
boroughs, by 5-
year increments



I

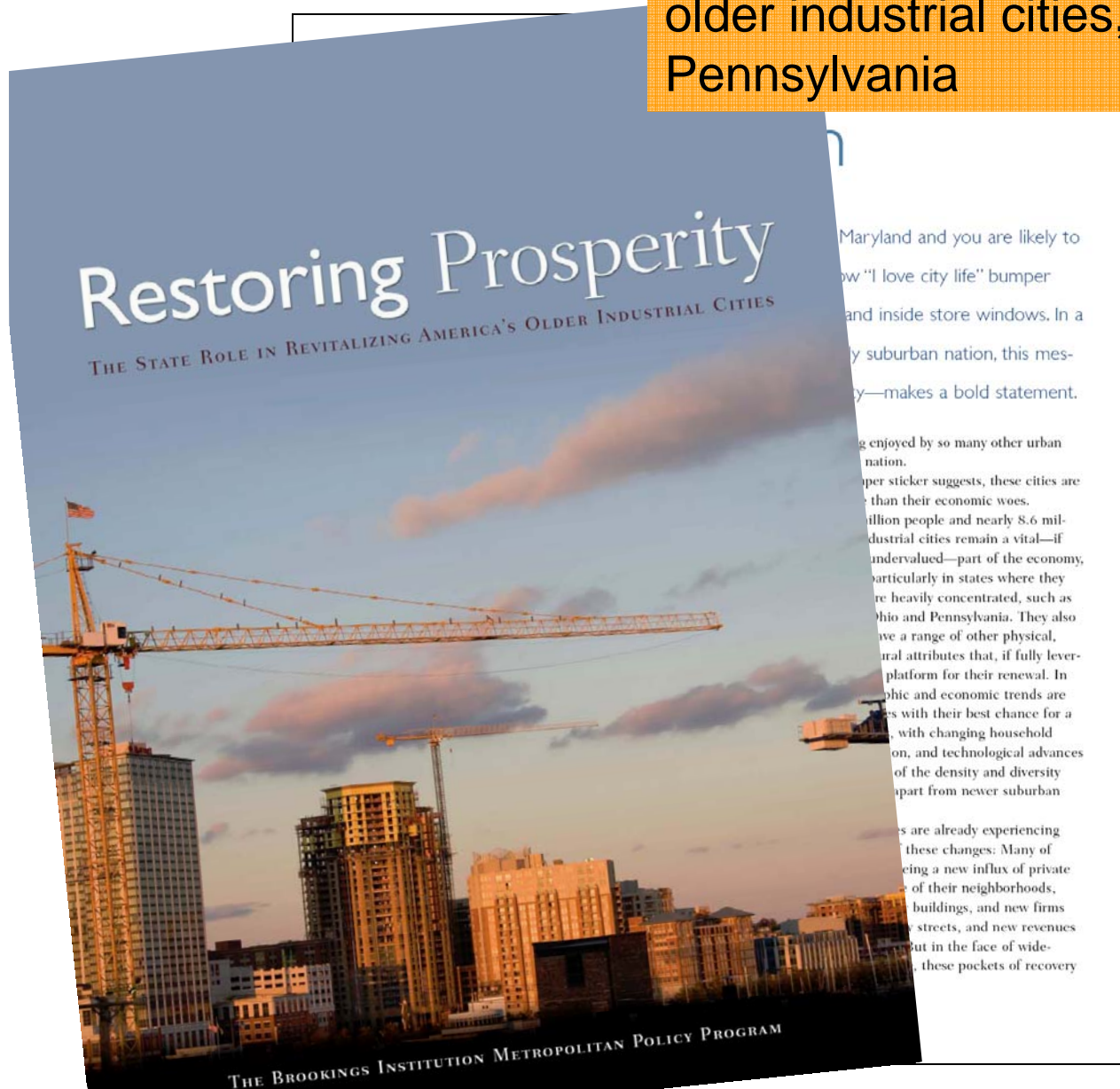
Pennsylvania faces challenging demographic, economic, and land use trends

The state faces challenging demographic and economic trends and ranks high on sprawl and abandonment

Pennsylvania is not alone in struggling with under-performing cities

These trends are not inevitable

Brookings recently released a report on 80 older industrial cities, 11 of which are in Pennsylvania







I

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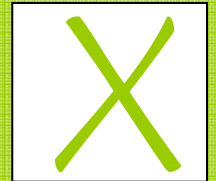
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Haphazard Investments



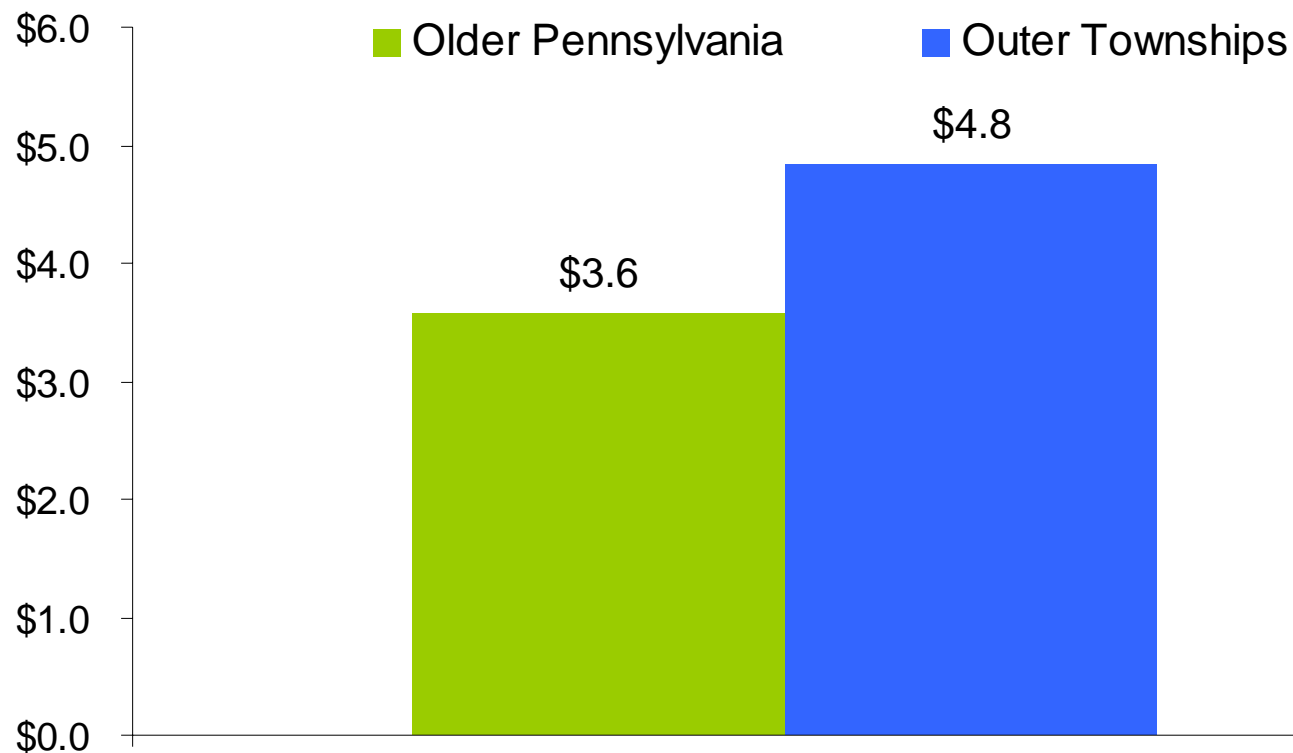
Governmental Fragmentation



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

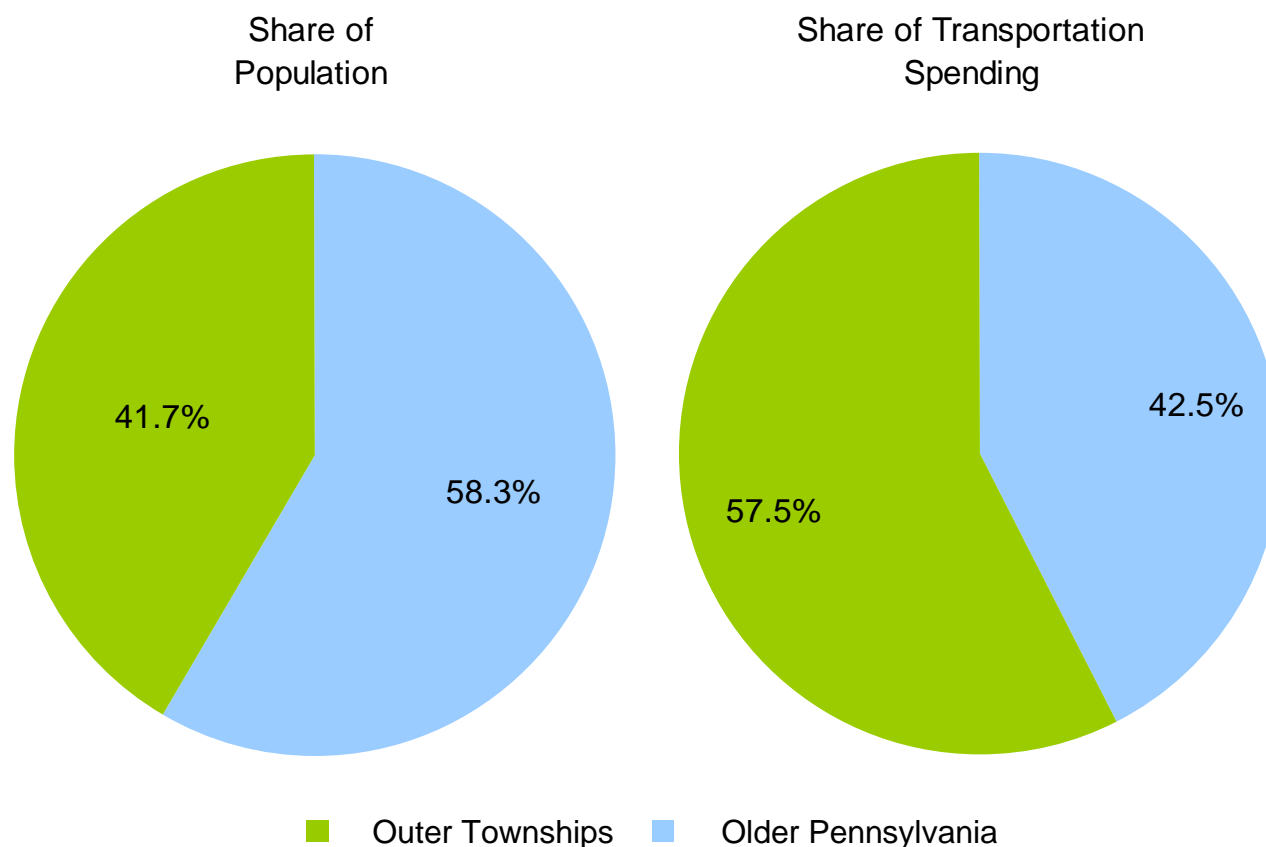
Total classifiable transportation investment*, 1999-2002

*In billions



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

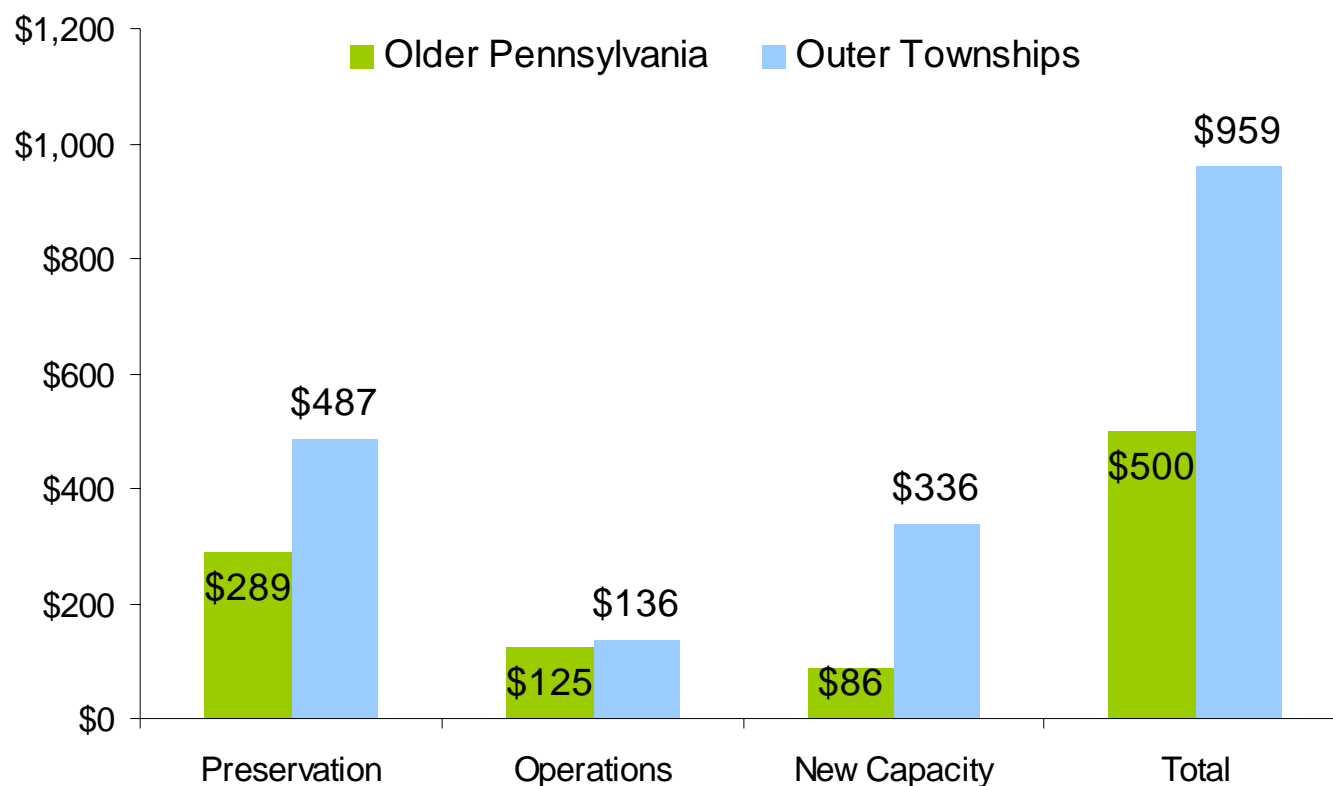
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Investment

Governance

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

Pennsylvania
Department of
Transportation per
capita investment,
1999-2002



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

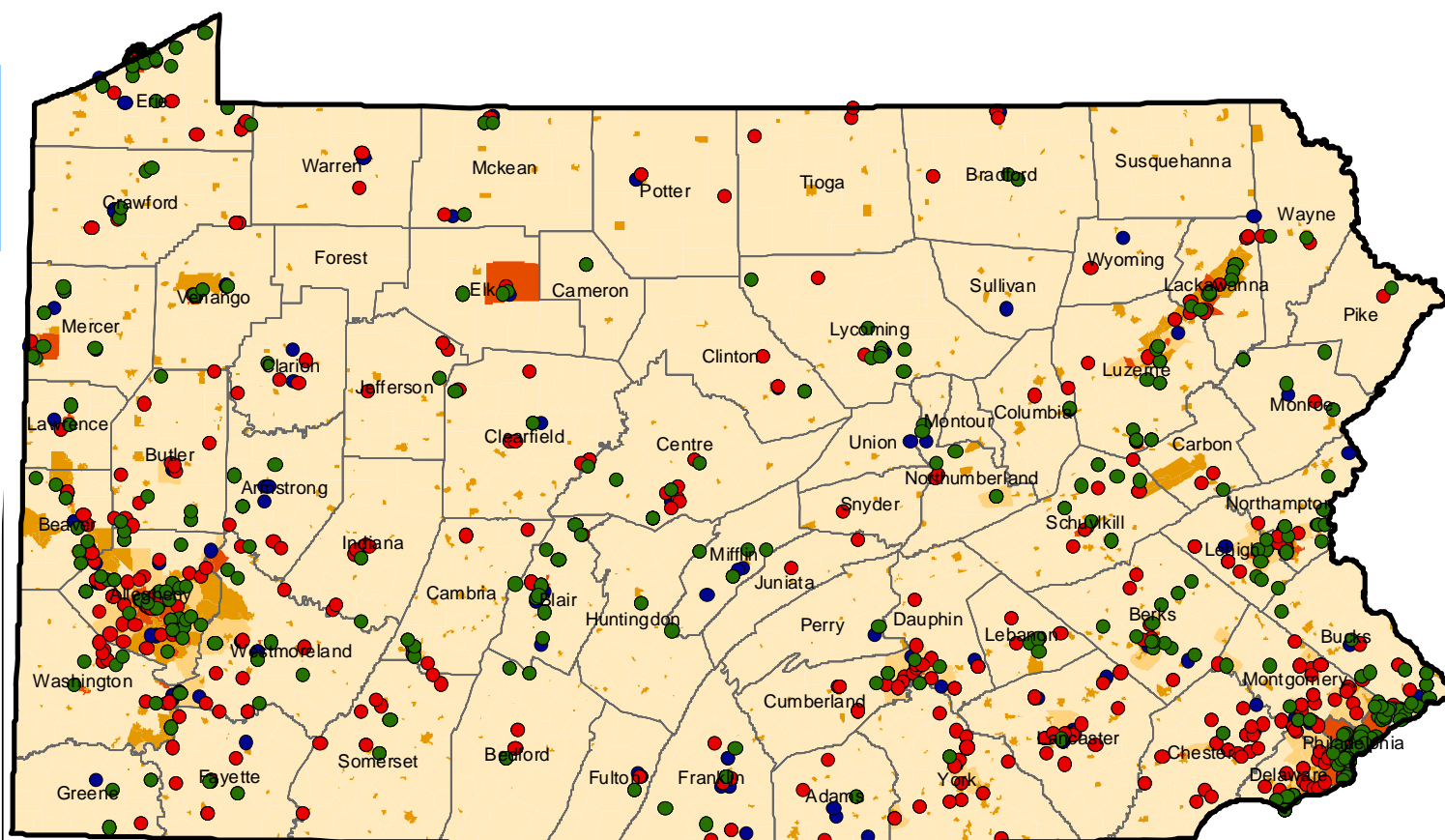
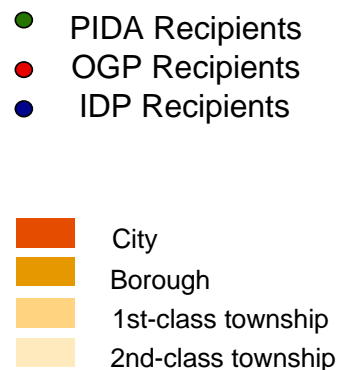
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Investment

Governance

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

PIDA, OFP, and
IDP investments,
1998-2003



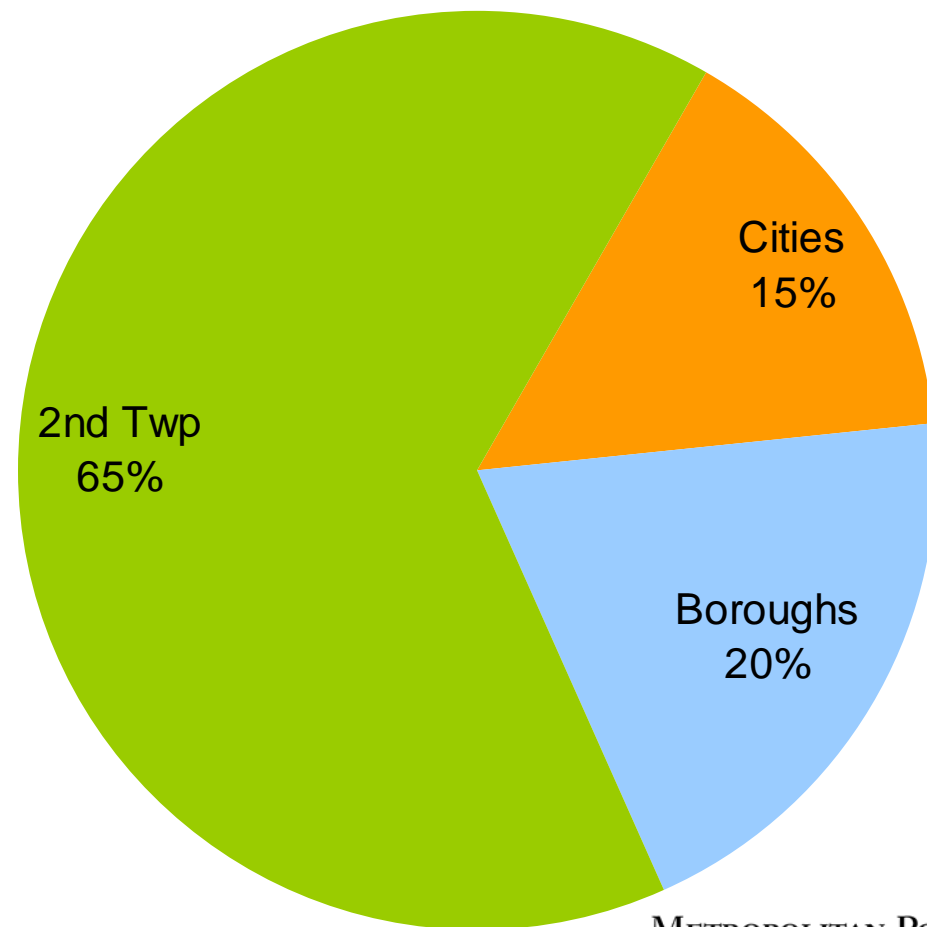
On a per capita basis, DCED provided as much support through three main programs to projects in outer townships as to those in older areas between 1998 and 2003

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

	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

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

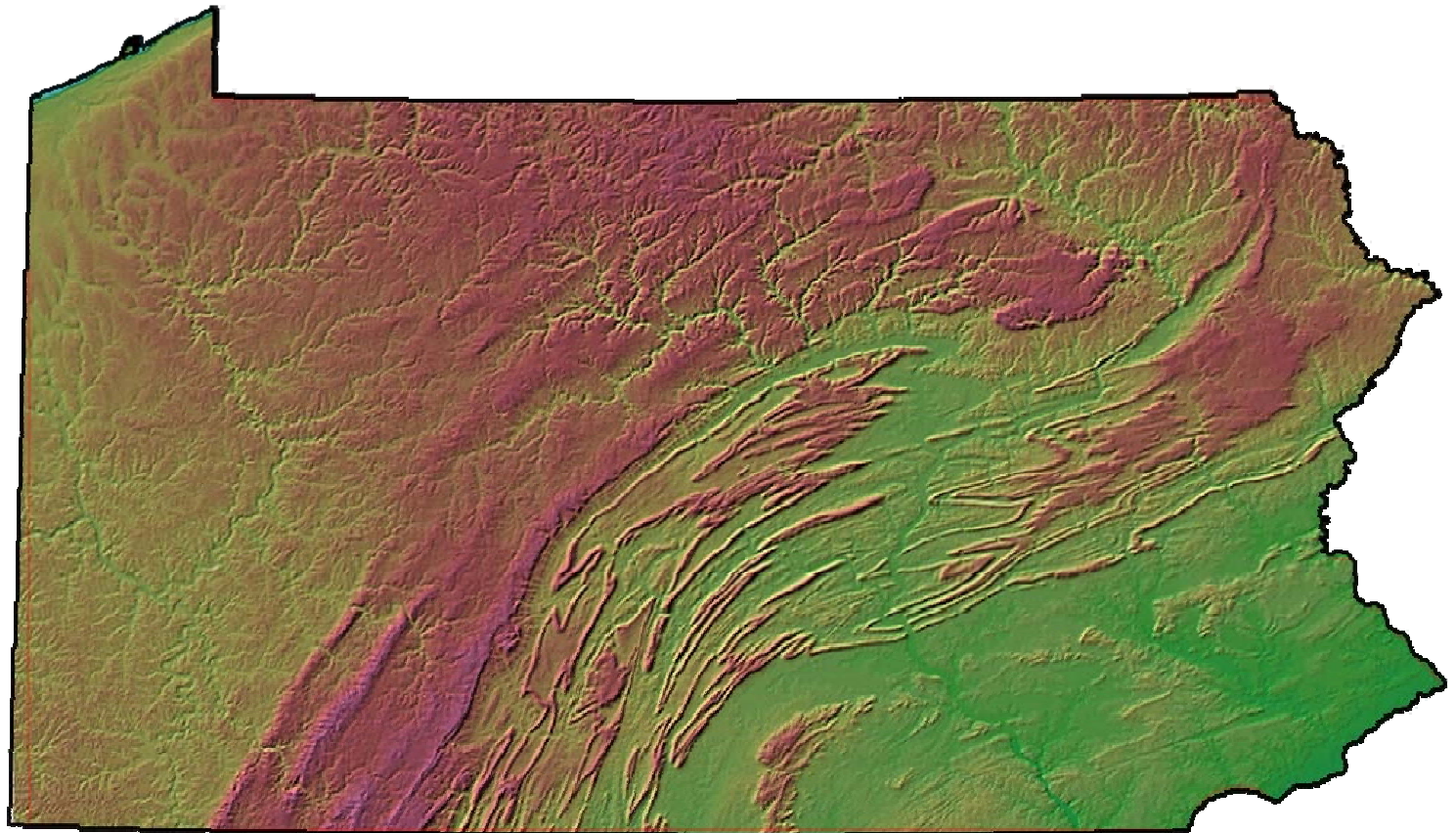


Source: Business Economic Research
Group (BERG) analysis of DCED data

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The Alleghenies divide the state into three massive topographical regions

State topography
image,
2003



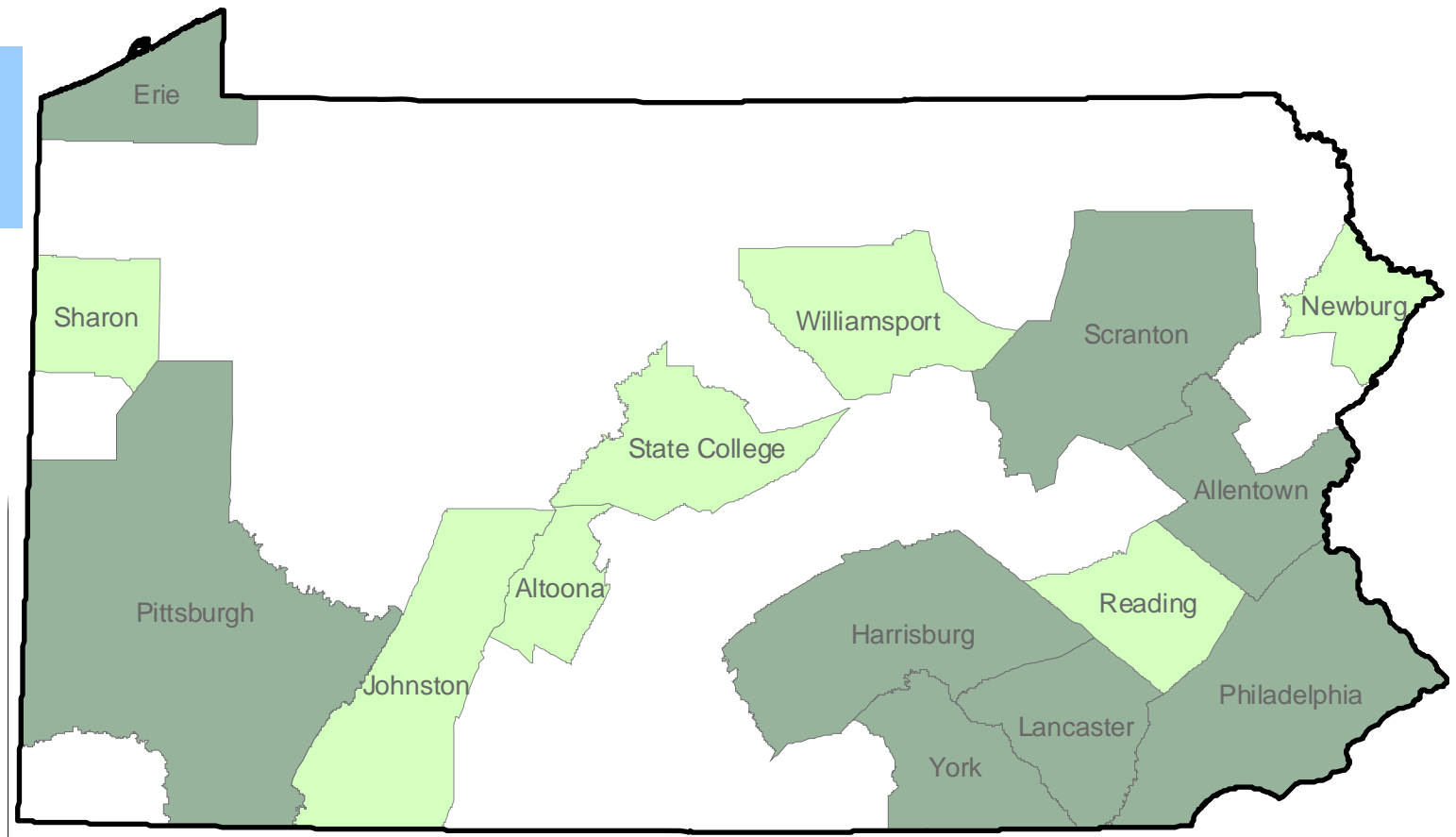
Copyright North Star Science and Technology, LLC

Source: Ray Sterner, Johns Hopkins University
Applied Physics Laboratory

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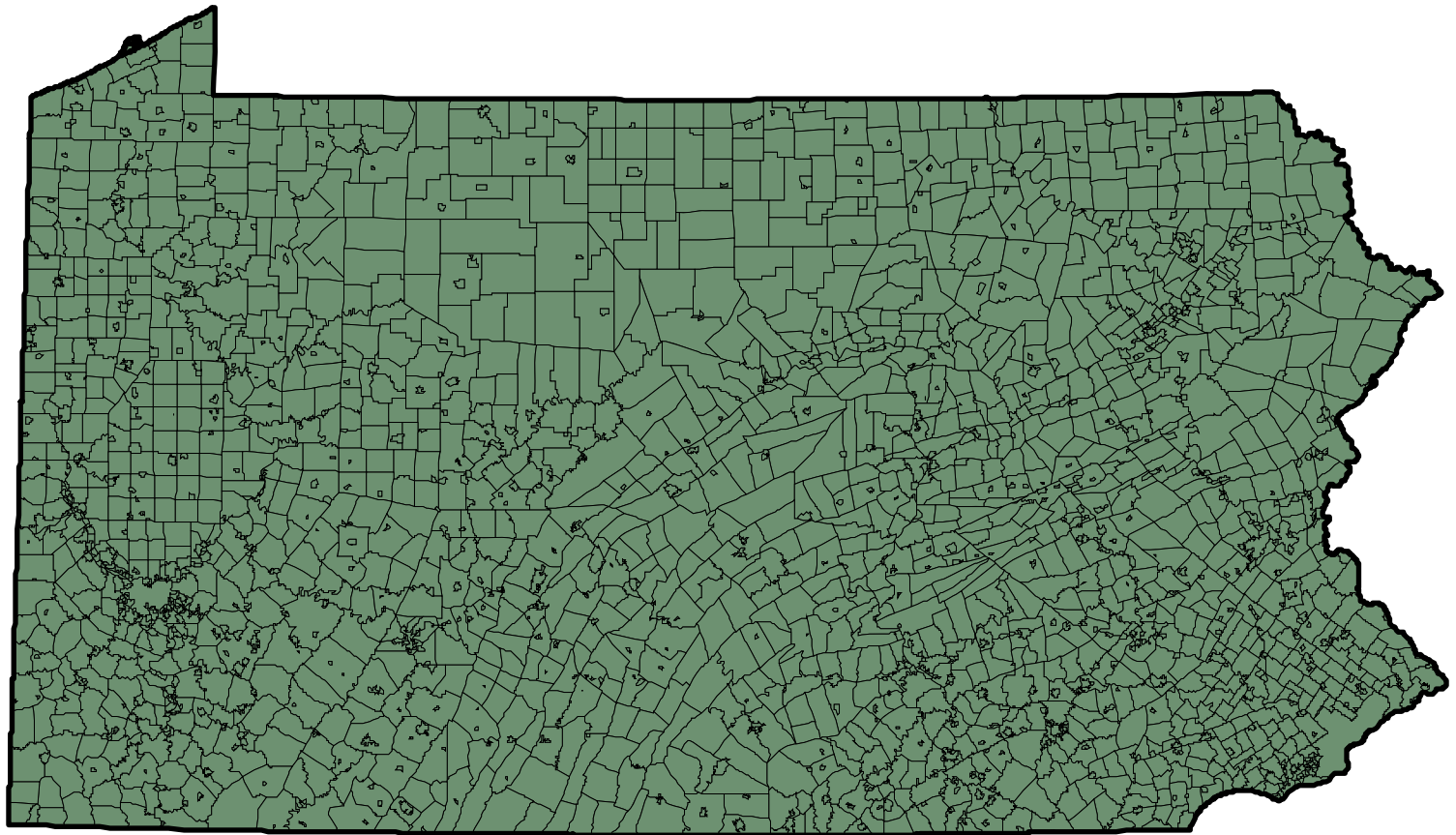
Economically, Pennsylvania is clustered into 14 metropolitan economies

Metropolitan
statistical areas,
2003



However, Pennsylvania's 2,566 municipalities are completely inconsistent with today's economic realities

Municipal
Boundaries,
2003



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

Total local governments, 2002

*Includes county governments

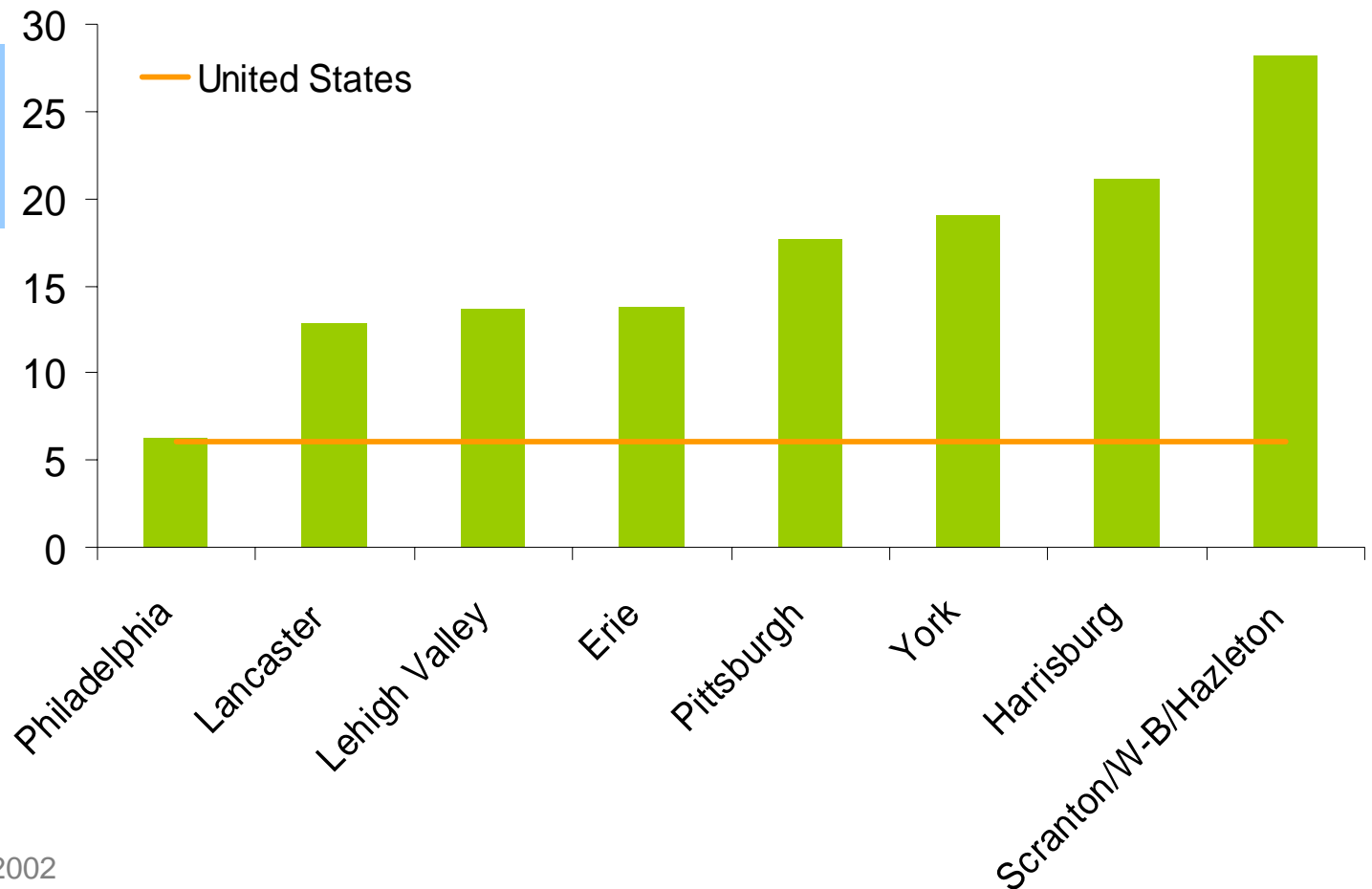
	General Governments*	Rank
Illinois	2,824	1
Minnesota	2,734	2
Pennsylvania	2,633	3
Ohio	2,338	4
Kansas	2,030	5
Wisconsin	1,922	6
Michigan	1,858	7
North Dakota	1,745	8
Indiana	1,666	9
New York	1,602	10

Investment

Governance

The Commonwealth's metropolitan areas remain some of the most fragmented in the nation. Pittsburgh ranks #1 among the nation's 25 largest metros

General governments
per 100,000 residents,
2002



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

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

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

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



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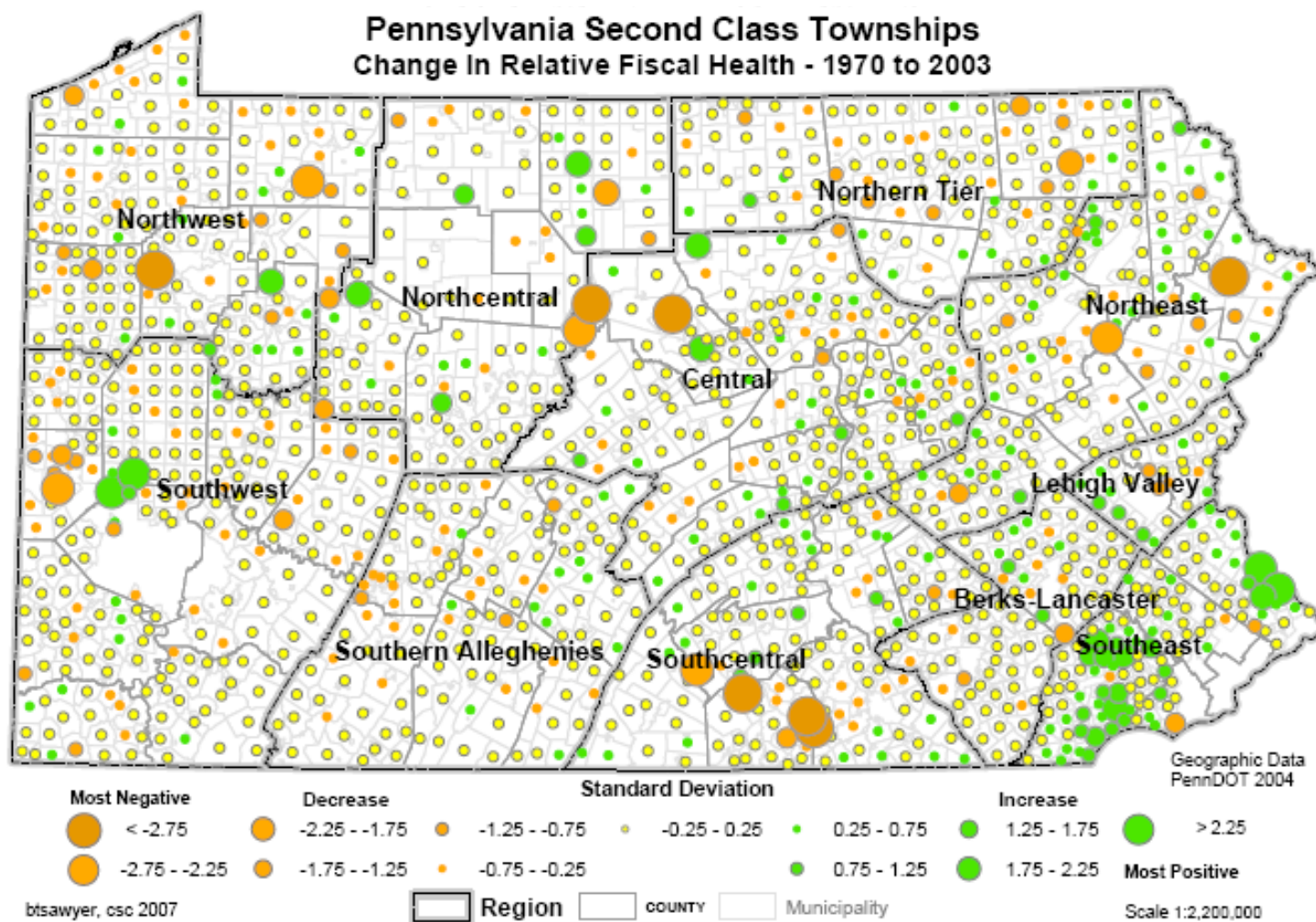
Fiscal Distress

Quality of Place

Workforce

About one-third of second-class townships saw declines in relative fiscal health between 1970 and 2003, as did the majority of cities, boroughs, and first-class townships

Change in second-class townships' relative fiscal health, 1970-2003



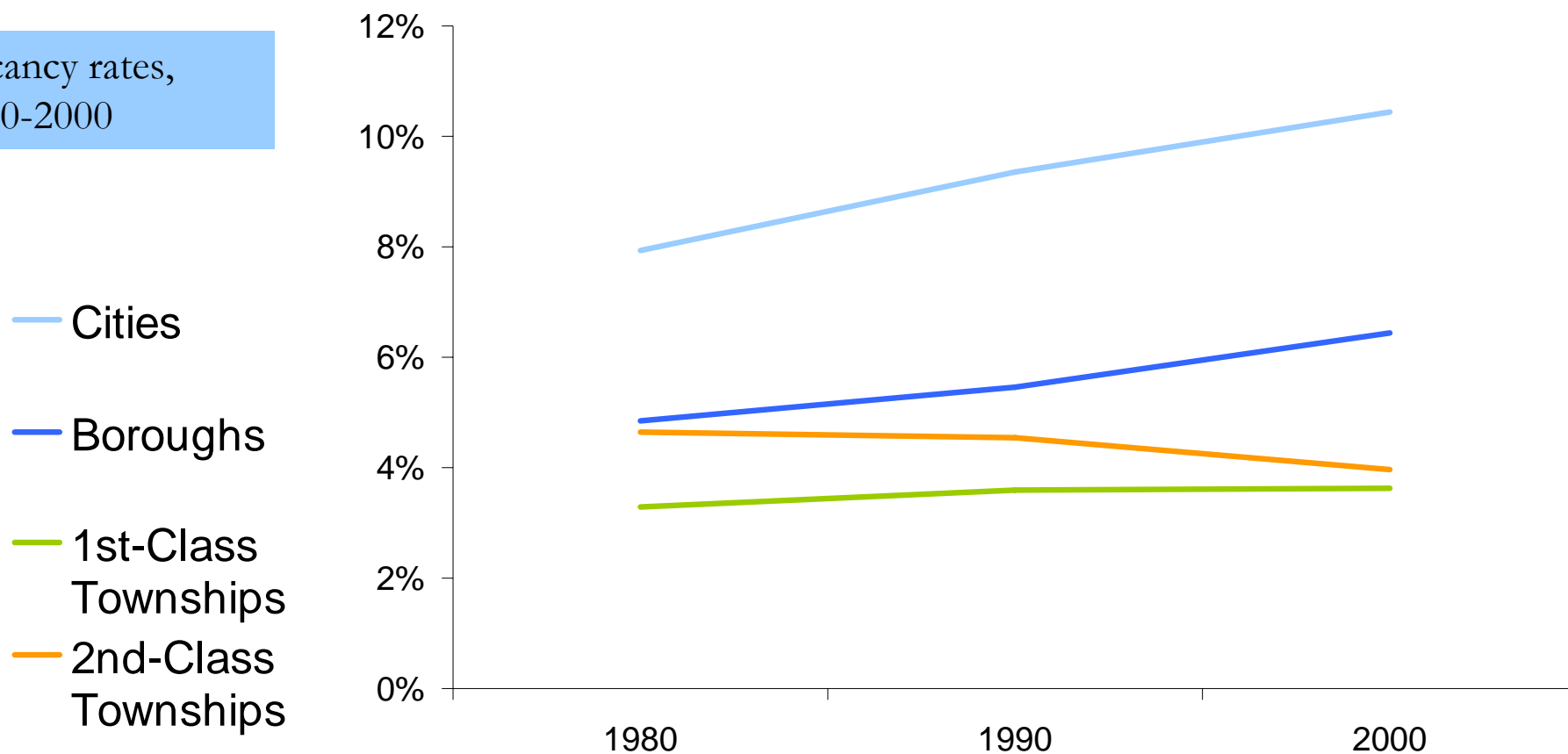
The costs of sprawl are well-researched and widely recognized

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

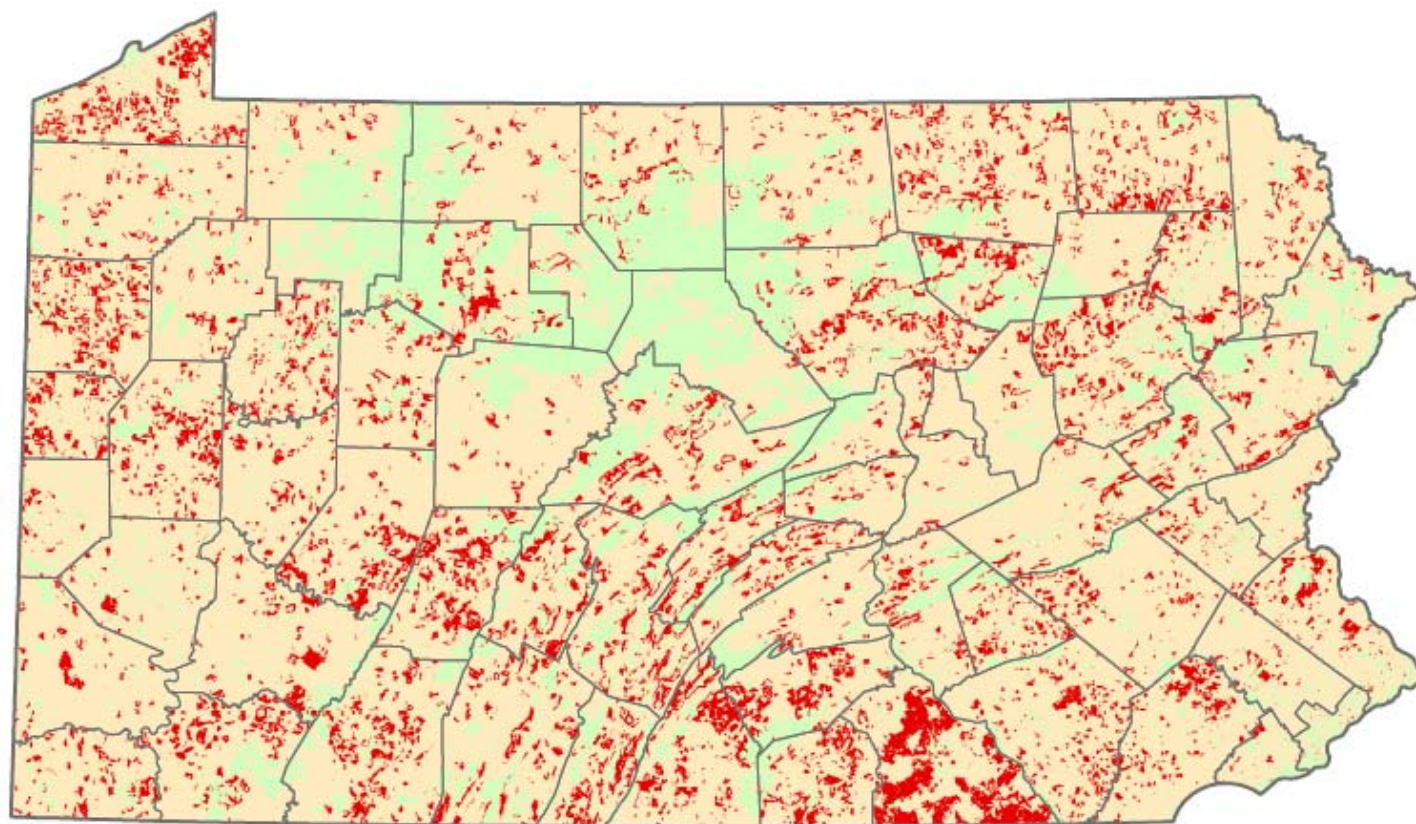
In Pennsylvania, though, another cost of sprawl is urban decline; vacancy rates in older municipalities have increased over the last two decades

Vacancy rates,
1980-2000



Older communities are still hollowing out, and rural land continues to be lost; since 1980, the state has converted 2.9 million acres (22 percent) of its rural land to other uses

Land converted
out of rural use,
1980 to 2000



Source: Brookings analysis of housing density data from David Theobald, Colorado State University.

■ Land converted from rural to non-rural, 1980–2000
■ Undevelopable land

A historic lack of focus on economic diversification and newer “knowledge” industries, and a looming workforce shortage pose serious challenges

Pennsylvania boasts a portfolio of important high-value “export” specializations, but until 2003 **lacked a systematic commitment** to investing in these sectors and others

Double bind: Without good jobs in dynamic industries, skilled workers will continue to leave the Commonwealth. And yet, without a strong pool of workers, it will be hard to build dynamic clusters and attract quality firms

The state may be heading toward a **workforce shortage** as the well-educated baby boom generation gets ready to retire. By 2029, Pennsylvania will lose to retirement almost one million baby boom workers with college degrees

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

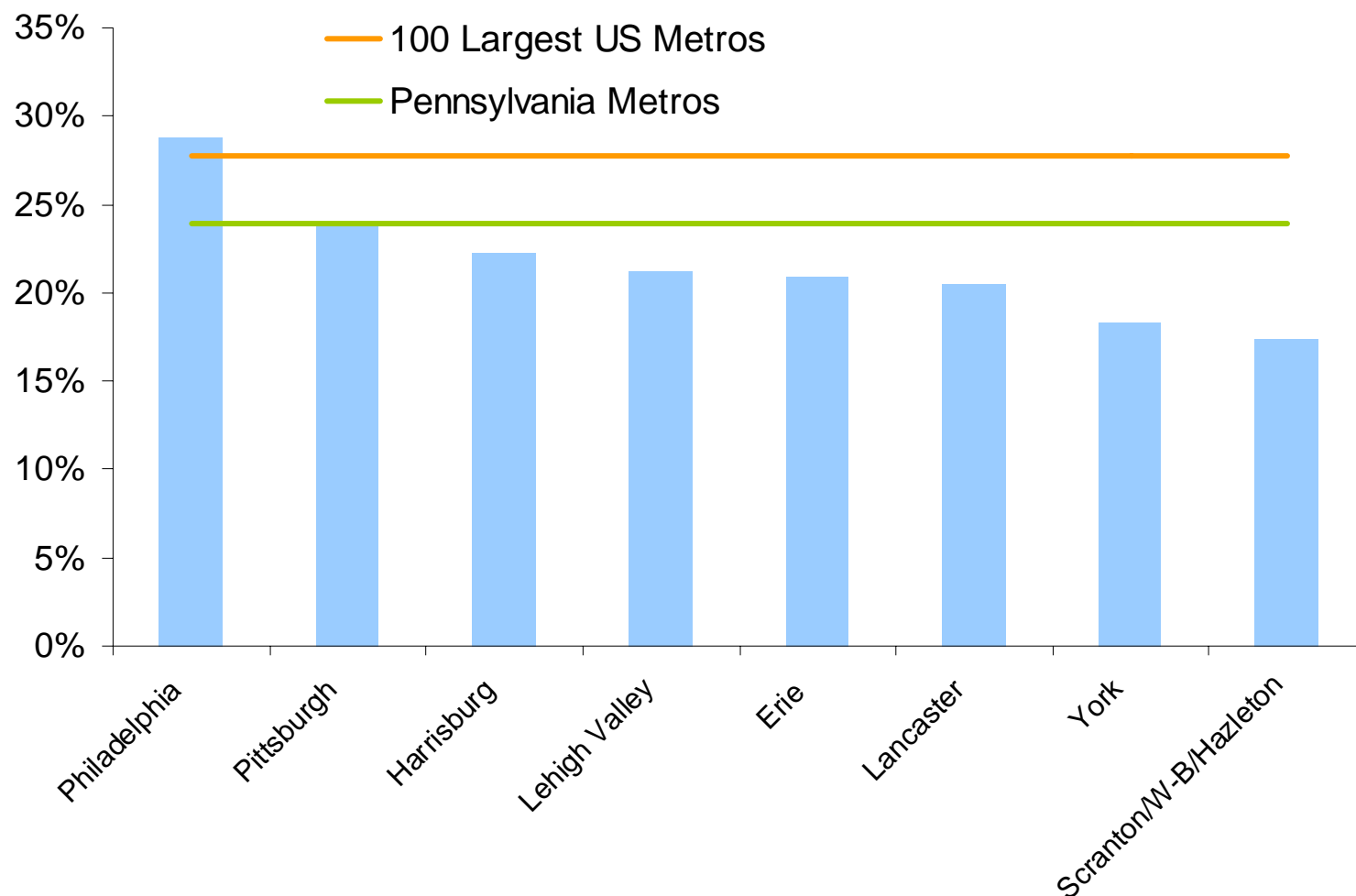
Ideas, innovation, and creativity now drive the economy

Success requires large numbers of people with a college education and high skills

Income grew about 1% for every 2% growth in a metro's share of college graduates, during the 1990s

Unfortunately, most Pennsylvania metros lag the average of the top 100 metro areas in educational attainment

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



A serious “BA gap” holds back Pennsylvania cities, although Pittsburgh itself and other area cities do better

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



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

Thick labor markets

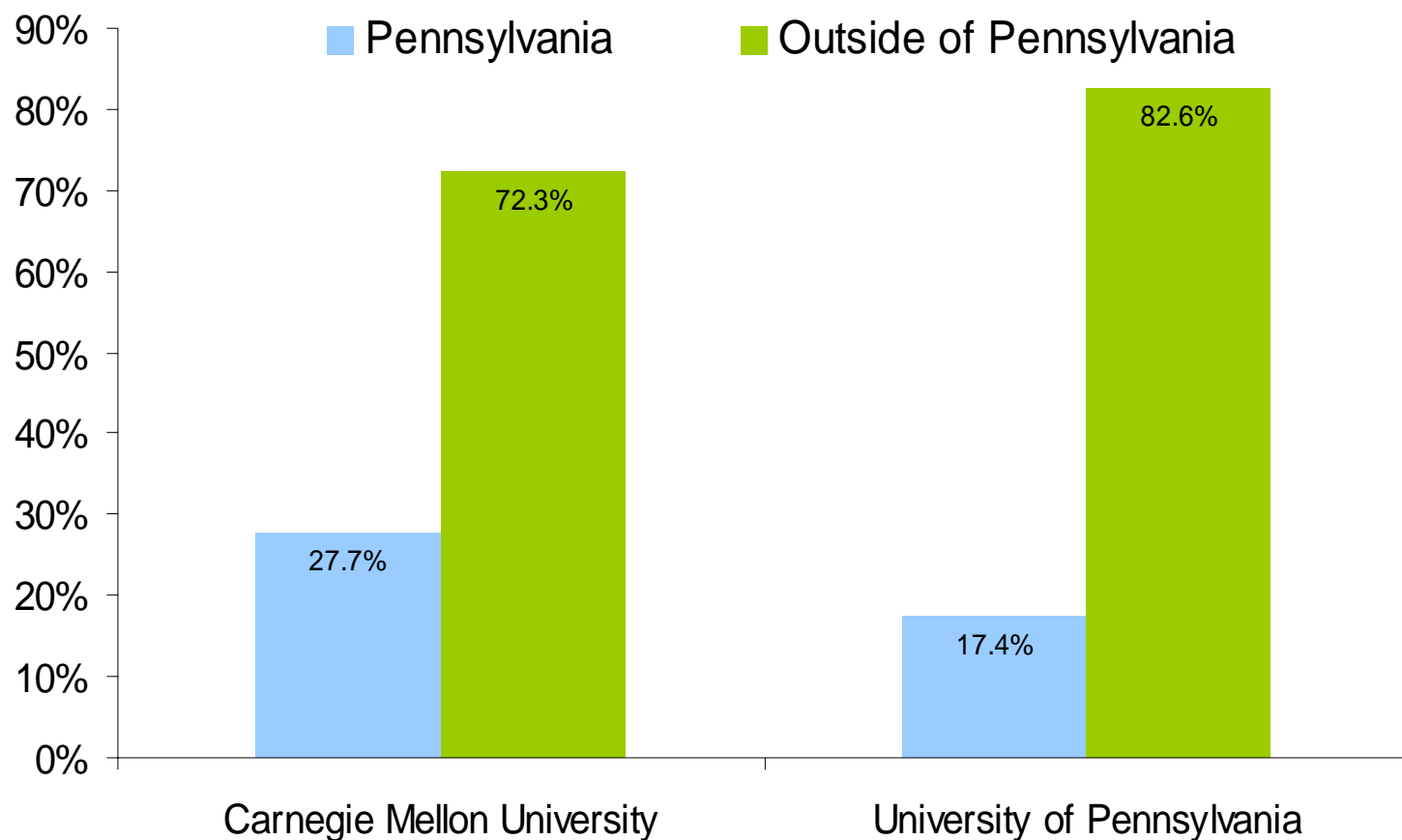
Vibrant and distinctive downtowns

Plentiful amenities

A positive, tolerant culture

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

Current residence
of university
graduates,
classes 1990-2000





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New state policies are moving in the right direction, but there is more work to be done

Looking at three key areas of concern, the state has made important initial strides, but naturally has more work to do on the following:

Empowering local governments to better manage change, combat fiscal distress, and invest in the future

Making **reinvestment** a priority

Building a competitive economy through strategic investment in key industries

Governance

Reinvestment

Economic Vision

PROGRESS TO DATE:

Empowering Local Governments

Reactivated State Planning Board

Increased the capacity of county and local governments

THE WAY FORWARD

Next Steps: Foster multi-municipal collaboration and stave off distress

Make intergovernmental collaboration on service delivery easier

Foster intergovernmental service provision, including quality local and regional land-use planning, with more financial and technical assistance

Allow boundary changes

Make planning mean more

Reform Act 47 to make it a more effective emergency measure for distressed localities

THE WAY FORWARD

Deeper Reforms: Address underlying problems facing local governments

Help municipalities reduce the costs of healthcare and pension liabilities, tax collections, and other activities

Create a larger palette of available tax tools for counties and municipalities

Enhance the role of counties

PROGRESS TO DATE:

Focus the state's investments on redevelopment

Adoption of the “**Keystone Principles**”

The reenergized **Inter-Agency Land Use Team**

The creation of the Governor's **Community Action Team**

\$625m **Growing Greener II** invests urban redevelopment as well as conservation

The **Transportation Funding and Reform Commission** report

THE WAY FORWARD

Next Steps: Intensify the commitment to reinvesting in existing communities to mitigate decades of decline

Support the complete integration and use of the Keystone Principles and Criteria throughout all relevant state agencies

Charge the Economic Development Cabinet with reviewing all community and economic development programs to ensure they meet state priorities

THE WAY FORWARD

Deeper Reforms: Address core infrastructure issues

Link transportation spending to land use and economic development planning

Link water and sewer development to land use planning

PROGRESS TO DATE:

Build a competitive economy through strategic investment in key industries

The state commissioned two cluster-based projects. Labor & Industry identified 9 priority clusters in its study, and DCED commissioned **IBM** to identify economic clusters by region with an eye toward business attraction

The state passed an economic **stimulus package** that focuses on creating new jobs

The Commonwealth's **Job Ready Pennsylvania** program focuses on training workers and matching them to employers

THE WAY FORWARD

Next Steps: Strengthen existing cluster development

Make clusters the primary client of the
Governor's Action Team

Expand the role of the state's Industry
Partnership Grants

THE WAY FORWARD

Deeper Reforms: Strengthen and act upon a clear economic vision

Create—and then commit to—the
Commonwealth Clusters Principles and Criteria

Dissolve barriers between economic and workforce development

Coordinate **economic development and land use planning**

visit metro:

www.brookings.edu/metro



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