EXECUTIVE SUMMARY

Few states possess either greater potential or a more troubling history of recent underachievement than Pennsylvania.

Even as it weathers a new bout of deindustrialization and global competition, the Commonwealth remains blessed—by its natural beauty, by its proud business traditions and universities, by the high quality-of-life available in many of its towns, cities, and traditional neighborhoods.

And yet, for all its strengths, Pennsylvania must be counted a case of failed promise and dissipated advantage in recent decades.

In many ways the state remained stuck during the 1990s as much of the nation surged.

Population growth has remained minimal. Development is occurring mainly thanks to household shifts out of older places and into new ones. And the economy ranks near the bottom of states in employment growth and below-average on wage growth.

Equally troubling has been the fact that the worst consequences of these trends are being borne by the state's cities, boroughs, and older townships—the established communities that forged the state's past greatness, and will make or break its future prosperity.

Populations in older Pennsylvania are sagging and with them long-vibrant neighborhoods. Tax bases are stagnating. And jobs continue to relocate to the greenfields, leaving deserted factories and abandoned commercial blocks behind. Pennsylvania, quite simply, is squandering the enormous human and material investment it has made in its older communities over three centuries. Frequently, the state's hundreds of municipalities and fragmented state bureaucracy are working at cross-purposes.

This report—funded by The Heinz Endowments and the William Penn Foundation—probes these realities. Intended to help the Commonwealth as it seeks to revive itself, ***Back to Prosperity: A Competitive Agenda for Renewing Pennsylvania*** speaks to the simultaneous desire of Pennsylvanians for vibrant communities and economic revival by offering a sober assessment of the state's current status, some suggestions of how it arrived there, and a policy agenda for renewal.

In keeping with those objectives, this report draws a number of conclusions about the state as it considers how to build a new Pennsylvania:

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

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

- **Pennsylvania is barely growing and it's aging.** During the 1990s, Pennsylvania garnered the third-slowest growth among states, as it grew by just 3.4 percent—or 400,000 residents. That growth at least improved on the declines and stasis of the 1970s and 80s. But the recovery remained anemic. Making these trends starker are the tepid population dynamics they mask. In the latter half of the 1990s the sixth-largest state experienced the fifth-largest net out-migration of residents, and the ninth-largest percentage loss of young people aged 25- to 34-years old in 2000. Meanwhile, the state added relatively few births and captured only modest immigration. Consequently, the Commonwealth now ranks second among states for its share of Americans over age 65. Pennsylvania lacks the vibrant population dynamics usually associated with flourishing economies.

- **Pennsylvania is spreading out—and hollowing out.** Notwithstanding the state's miniscule growth, the Commonwealth decentralized rapidly during the 1990s, extending and accelerating a long-term shift of population outward. During the last decade, some 538,000 people—many of them from within state—poured out into the Commonwealth's outer townships to hike the population there nearly 12 percent. Simultaneously, the population of the state's cities, boroughs, and more established suburbs dwindled by nearly 2 percent, or 139,000 people, collectively. In keeping with these flows, 90 percent of the state's household growth and 72 percent of its new-housing production occurred around the state's outer townships. Job-creation has also shifted outward. The result: Pennsylvania's cities, towns, and older suburbs continue to decline as the locus of the state's growth shifts decisively toward outlying newer communities.

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

3. The consequences of Pennsylvania's trends are fiscally and economically damaging. Most disturbingly, Pennsylvania's trends are undercutting the very places that possess the assets the state needs most to bolster its competitiveness:

- **Slow growth is still bringing fast sprawl.** Pennsylvania's population grew by just 2.5 percent between 1982 and 1997, but its urbanized footprint grew by 47 percent over that time. That meant that the third-slowest-growing state in the country developed the sixth-largest amount of land, as it consumed more farmland and natural space per added resident than every state but Wyoming. The state is squandering a key source of competitive advantage: its superb natural assets.

- **Neighborhood decline is weakening the cities, towns, and older suburbs in which 58 percent of the state's residents live, and where many of its critical intellectual, health, and business assets cluster.** In particular, the Commonwealth's starkly unbalanced growth patterns are taking a drastic toll on the health and real estate markets of the state's original neighborhoods of choice—its city residential blocks, charming rural and urban boroughs, and inner-ring townships. People are moving out. Vacancy is on the rise in older municipalities. And in the worst-affected areas a "vicious-cycle" of social distress, deterioration, and abandonment is destroying the state's neighborhood appeal.

- **Sprawl and urban decline are each burdening taxpayers.** Low-density sprawl is raising tax bills because it frequently costs more to provide infrastructure and services to far-flung communities where longer distances separate houses and businesses. Urban decay, meanwhile, imposes even more painful costs, as decline depresses property values and therefore tax revenues. In Pennsylvania, real property in the state's cities, boroughs, and older townships as a group failed to appreciate between 1993 and 2000 during years when the outer townships gained more than 17 percent in inflation-adjusted market value. Such trends place heavy pressure on older communities to set their property tax rates higher than developing outer areas, weakening their capacity to compete for new residents and investments.

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- **Each of these dynamics is exacerbating the state's loss of young talent, worsening the state's serious workforce problem.** Given its aging population and losses of young adults, Pennsylvania badly needs to attract and retain more highly educated younger workers, including the enviable flow of top students who pass through its many institutions of higher learning. However, sprawl, on the one hand, and urban decline, on the other, each hinder the state's ability to create the kinds of places that attract critical "human capital" and reverse a serious "brain drain." Too rarely do young and mobile educated workers find in Pennsylvania the vibrant downtowns, healthy urban neighborhoods, pristine scenery, and rich close-in job markets to which they gravitate. That makes it harder to build and maintain the skilled and educated workforce necessary to spawn high-paying knowledge jobs and cultivate entrepreneurialism.

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

4. Ultimately, Pennsylvania has the potential to build a very different future—*if* it focuses it efforts; leverages the assets of its cities, towns, and older townships; and overhauls its most outdated and counterproductive policies and practices. Make no mistake, though: Change will require hard thinking and hard choices. Most clearly, it will require a major effort to commit the Commonwealth's disconnected parts to productive collaboration rather than debilitating cross-purposes. To that end, ***Back to Prosperity*** concludes that at least five policy responses can address factors working "behind the trends" and promote "another way" for the state to grow and develop:

- **Plan for a more competitive, higher-quality future.** Currently, weak planning systems and uncoordinated agendas have left the Commonwealth's regions and state government less able than others to project a desired pattern of development and manage change. This weakness has contributed to unfocused state policies and chaotic spread-out development.

  We recommend that Pennsylvania create a statewide vision for economic competitiveness and land-use, and get serious about planning and coordination.

- **Focus the state's investments.** Currently, the state's own uncoordinated spending fails to make the most effective use of scarce resources, and likely exacerbates the state's sprawl and urban-decline woes. State road and economic development investments, in particular, have contributed to the decline of the state's struggling older communities by either directly supporting the dispersal of population and economic activity, or failing to target aid sufficiently on established municipalities.

We recommend that Pennsylvania fully assess the spatial impacts of its programs and make reinvestment in its older cities, boroughs, and older townships its explicit priority.

- **Invest in a high-road economy.** Currently, the state lacks a comprehensive response to the shifting structure of the state and national economy. Moreover, it has not fully realized that in today's changing economy what matters most are education and skills. This gap in strategy has let vast trends of deindustrialization and decentralization alter the state without systematic reaction.

We recommend that Pennsylvania invest heavily in education and training, promote development in key select industries, and focus on industries that promote the revitalization of older communities.

- **Promote large-scale reinvestment in older urban areas.** Currently, the state maintains a strong brownfields reuse program, but in other respects has yet to develop revitalization tools and policies equal to the magnitude of its significant redevelopment needs. Consequently, contamination issues, regulatory and legal barriers, outmoded building codes, and disjointed real estate markets all impede the renewal of older urban Pennsylvania.

We recommend that Pennsylvania make itself a world leader in devising policies and programs to encourage wholesale land reclamation and redevelopment in cities, towns, and older townships.

- **Renew state and regional governance.** Currently, Pennsylvanians are justifiably proud of their profusion of accessible, small-scale governments. However, the intense localism of the state's 2,566 municipalities—compounded by the state bureaucracy's own fragmentation—has often caused Pennsylvania jurisdictions to compete against each other rather than act together on tough problems like land-use planning and economic development. These fractures make it hard for local economies to respond concertedly to modern realities and challenges.

We recommend that Pennsylvania assess its state-local government system, foster more coordination through its own actions and incentives, and make it far easier for governments that want to work together to do so.

Of course, these policy suggestions for enhancing the state's competitiveness represent only a partial agenda for revitalizing the Keystone State. 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, none of these other strategies will succeed unless the state as a whole pulls together, refocuses, and collaborates far more concertedly on leveraging the assets of its cities, towns, and older suburbs to create a new era of prosperity.

In that sense, these pages—far from looking "back" to Pennsylvania's once-prosperous urban heartland in nostalgia—challenge the state to leverage the unique strength of those places to generate a new dynamism. Pennsylvania should turn its focus back to its towns, cities, and older suburbs as a way of reenergizing its future.

Back to *Prosperity*

A Competitive Agenda for *Renewing Pennsylvania*

The Brookings Institution Center on Urban and Metropolitan Policy

BACK TO *Prosperity*

A COMPETITIVE AGENDA FOR *Renewing Pennsylvania*

ACKNOWLEDGMENTS

A project of this scope depends vitally on the efforts of many people and organizations, and the Brookings Institution Center on Urban and Metropolitan Policy has many colleagues, partners, and contacts to thank for contributions to this report.

The center first must acknowledge the generous support of The Heinz Endowments and the William Penn Foundation, which made this report possible. In particular we want to thank Caren Glotfelty of Heinz, whose passionate interest in Pennsylvania's growth and economic development infused our inquiry. We also want to recognize Kathryn Engebretson and Geraldine (Gerry) Wang of William Penn for their sustained attention to this project.

A special note of gratitude also goes to 10,000 Friends of Pennsylvania for its invaluable help with this endeavor. We are especially grateful to Janet Milkman for her tireless assistance and advice over the past year and a half. Janet's focus and judgment serve the state well.

Through the assistance of 10,000 Friends, Brookings was also fortunate to benefit from nine extraordinary "listening" forums convened around the state to inform and guide the research process. The research team profited immensely from observations it received during these sessions from dozens of political and civic leaders, business people, entrepreneurs, community organizations, activists, planners, and others. These dialogues in a very real sense "set" the research agenda. They also gave us insight into state and regional issues that we could not otherwise have attained. Many thanks are owed to the hosts of these important events.

Other debts were accrued in the actual preparation of the report, an unusually collaborative process. To begin with, Brookings particularly wants to express its appreciation and admiration of its core research partners in this endeavor, including James Bickford and Oliver Carley of 10,000 Friends; Myron Orfield and Tom Luce of Ameregis, Inc.; Todd Behr, C.A. Christofides, and Pats Neelakantan of East Stroudsburg University; Stephen Herzenberg, Dennis Bellafiore, and David Bradley of the Keystone Research Center; Charles Bartsch of the Northeast-Midwest Institute; David Rusk; and Anne Canby of the Surface Transportation Policy Project. Each of these groups and individuals produced important new research for this report. Thanks to them Pennsylvania knows substantially more about itself than it did six months ago.

A large number of colleagues also provided invaluable observations, information, or research on a variety of issues. These wise counselors included: Charlie Bacas, Better York; Inc.; Ron Bailey, Lancaster County Planning Commission; Scott Bair, Pennsylvania Economy League; Karen Black, May 8 Consulting; John Brandt, The MPI Group; Susan Cabot, Preservation Pennsylvania; Don Chen, Smart Growth America; Carol DeFries, University of Pennsylvania; Cpl. Anthony Durante, Pennsylvania State Police; Terry Gillen, Pennsylvania Department of Community and Economic Development; Ira Goldstein, The Reinvestment Fund; Chad Helmer, Lehigh Valley Land Recycling Initiative; Kitty Higgins, National Trust for Historic Preservation; Ned Hill, Cleveland State University; Thomas Hylton; Jonathan Johnson and Amy Gimbel, Center for Rural Pennsylvania; John Kromer, Fels Institute of Government, University of Pennsylvania; Alan Kugler, Pennsylvania Futures; Stan Lembeck, Pennsylvania State University; Bernard Lentz, University of Pennsylvania; Greg Leroy, Good Jobs First; Paul Levy, Center City District; Paul Marchetti, PENNVEST; R. Eric Menzer, Wagman Construction; James McElfish, Environmental Law Institute; Karen Miller, Pennsylvania Economy League—Capitol; Jeremy Nowak, The Reinvestment Fund; Beverly Nykwest, National Association of Regional Councils; Jerry Paytas, Carnegie Mellon University; Rob Pfaffman, Pfaffman and Associates; Eric D. Randolph, Committee on Appropriations (D), Pennsylvania House of Representatives; Jack Russell, Jack Russell and Associates; Barry Seymour, Delaware Valley Regional Planning Commission; Anne Shlay, Temple University; Carol Sheman, University of Pennsylvania; Richard J. Schuettler, Pennsylvania League of Cities and Municipalities; P. Michael Sturla, Pennsylvania House of Representatives; David Thornburgh, Pennsylvania Economy League—East; Edward C. Troxell, Pennsylvania State Association of Boroughs; Gordon Whitman, Temple University; and W. Craig Zumbrun, the South Central Assembly for Effective Governance.

In the public sector, numerous elected officials and staff members in state and local government also provided important guidance for this project. Special appreciation goes to Fred Reddig and John Mizerak of the Governor's Center for Local Government Services, Pennsylvania Department of Community and Economic Development, and to Carle Dixon of the Pennsylvania Department of Education. For her part, Joanne Denworth of the Governor's Policy Office provided absolutely invaluable guidance—first as the head of 10,000 Friends of Pennsylvania, then as an expert on the state's planning code, and most recently as a "practitioner" in the Rendell administration.

Likewise, representatives of various state interest groups and associations provided insights, critiques, and advice. Among the groups that met with us were: the Pennsylvania Builders Association; the Pennsylvania Chamber of Business and Industry; the Pennsylvania Downtown Center; the Pennsylvania Environmental Council; the Pennsylvania Local Government Commission; the Pennsylvania League of Cities and Municipalities; the Pennsylvania State Association of Boroughs; and the Pennsylvania State Association of Township Supervisors.

Many thanks go as well to the nearly two dozen experts, agency officials, business and nonprofit leaders, and others who took the time to review and comment upon report drafts. Their thoughts and suggestions substantially improved the accuracy and relevance of the document.

Finally, we are grateful once again to Sese-Paul Design for the design of this publication and to Thomson Communications for its help with communicating the report's findings. Both improved the impact of this report immeasurably. So do the photographs in the report, which come courtesy of the Governor's Center. Additional photos were provided by Corbis, Getty Images, Mark Muro, and Ric Evans for University of Pittsburgh.

In the end, though, final responsibility for the contents of this report rest with the Brookings research team, which consisted of Bruce Katz, Amy Liu, Mark Muro, Jennifer Vey, Kurt Sommer, and Damon Jones, with help from Alan Berube, Robert Puentes, and Audrey Singer. The team's efforts were supported expertly and enthusiastically by Steve Bowers, Caroline Davis, Saundra Honeysett, David Jackson, Elena Sheridan, and Thacher Tiffany. A special thanks goes out as well to our excellent project interns: Leah Brooks, Heidi Karp, Jonathan Shadmon, and Eric Weese. Thank you.

CONTENTS

PREFACE

Pennsylvania's cities, towns, and older suburbs are declining as the state sprawls. Pennsylvania's economy is drifting as it responds incoherently to continued industrial restructuring.

Are these trends related?

This report contends they are, and that both problems can be addressed simultaneously by investing strategically in the state's older communities.

Funded by The Heinz Endowments and the William Penn Foundation and supported by 10,000 Friends of Pennsylvania, ***Back to Prosperity: A Competitive Agenda for Renewing Pennsylvania*** presents the Commonwealth with a new analysis of statewide growth and development trends that attempts to fully connect both the physical and the economic implications of those trends.

Prepared by the Brookings Institution Center on Urban and Metropolitan Policy, ***Back to Prosperity*** provides significant original research on key population, development, economic, fiscal, and state spending patterns in the Commonwealth—particularly as they affect eight of the state's largest metropolitan areas. Fresh work here provides a new look at such key issues as the state's local governance and the spatial distribution of state highway and economic development money.

However, the study's more important service may be its effort to provide a fragmented state a reliable single framework for assessing itself. And in this respect, the pages that follow represent a synthesis—not just of development and economic concerns, but of the abundant previous research that has illuminated the state and deserves broader application.

There has been much outstanding work to build on in Pennsylvania. At the statewide scale, the Brookings team has drawn heavily on a solid set of wide-angle resources, including: the Center for Rural Pennsylvania, the Governor's Center for Local Government Services, the Pennsylvania State Data Center, and the impressive tabulations and reports of the Pennsylvania Economy League (PEL). PEL's IssuesPA awareness campaign alone is a model of its kind and has been an excellent source of statewide intelligence.

More important has been the superb body of pathbreaking research and analysis that has been amassed by scholars and practitioners within the state's major metropolitan areas. In Pittsburgh, for example, the Carnegie Mellon University Center on Economic Development serves as a top-quality hub of economic development thinking. And Sustainable Pittsburgh has produced important research and "visioning" for the region.

For its part, the Philadelphia region possesses one of the nation's most vibrant research and policy communities on growth, development, housing, reinvestment, and economic issues. The Federal Reserve Bank of Philadelphia serves the region as a national leader in its province, for example. So does the Zell-Lurie Real Estate Center at the University of Pennsylvania's Wharton School.

And there has been much more great work in the Philadelphia region. Led by Joanne Denworth and now Janet Milkman, 10,000 Friends of Pennsylvania has become an unusually sophisticated and research-oriented "smart growth" group. Led by Jeremy Nowak, The Reinvestment Fund has emerged as a national leader in using high-quality research on real estate and housing trends to spur sustainable redevelopment and wealth-creation. And PEL's Eastern Division, headed by David Thornburgh, has been a constant focus of research and policy debate on regional competitiveness, "knowledge industries," higher education, tax reform, "brain drain," and regional governance. For its part, the Delaware Valley Regional Planning Commission (DVRPC) has also contributed solid research.

Not surprisingly, this critical mass of brainpower has resulted in a series of noteworthy studies on the Philadelphia region in recent years, including: two DVRPC studies of the stresses straining "first generation suburbs;" TRF's "Choices" report on the state of the region's housing stock; and a major call for smarter growth entitled "Fight Flight: Metropolitan Philadelphia and its Future," produced by TRF, PEL, and 10,000 Friends. Given the continuing relevance of these publications, ***Back to Prosperity*** seeks in part to adapt some of the key insights of this impressive body of work to an analysis of the entire state and its other struggling metropolitan areas.

In this regard, it had been a pleasure to contribute to the state's fine research tradition—and an absorbing challenge.

Brookings, after all, has long wanted to delve more deeply into a series of issues prominently on display in Pennsylvania, including: the simultaneous occurence of slow growth and fast sprawl; the relationship of development patterns and economic performance; and the influence of political fragmentation on development and competitiveness. Moreover, we have relished working in Pennsylvania because we believe that targeted research and policy response in certain key places facing tough, but representative, problems can inform and influence policymakers and practitioners elsewhere.

On both counts, the urban center could have found no better place to work and learn than Pennsylvania this year. It is our hope that this report will challenge policymakers to think anew about the hard choices needed to revive the Commonwealth's older communities and renew its economy.

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- **Each of these dynamics is exacerbating the state's loss of young talent, worsening the state's serious workforce problem.** Given its aging population and losses of young adults, Pennsylvania badly needs to attract and retain more highly educated younger workers, including the enviable flow of top students who pass through its many institutions of higher learning. However, sprawl, on the one hand, and urban decline, on the other, each hinder the state's ability to create the kinds of places that attract critical "human capital" and reverse a serious "brain drain." Too rarely do young and mobile educated workers find in Pennsylvania the vibrant downtowns, healthy urban neighborhoods, pristine scenery, and rich close-in job markets to which they gravitate. That makes it harder to build and maintain the skilled and educated workforce necessary to spawn high-paying knowledge jobs and cultivate entrepreneurialism.

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

4. Ultimately, Pennsylvania has the potential to build a very different future—*if* it focuses it efforts; leverages the assets of its cities, towns, and older townships; and overhauls its most outdated and counterproductive policies and practices. Make no mistake, though: Change will require hard thinking and hard choices. Most clearly, it will require a major effort to commit the Commonwealth's disconnected parts to productive collaboration rather than debilitating cross-purposes. To that end, ***Back to Prosperity*** concludes that at least five policy responses can address factors working "behind the trends" and promote "another way" for the state to grow and develop:

- **Plan for a more competitive, higher-quality future.** Currently, weak planning systems and uncoordinated agendas have left the Commonwealth's regions and state government less able than others to project a desired pattern of development and manage change. This weakness has contributed to unfocused state policies and chaotic spread-out development.

  We recommend that Pennsylvania create a statewide vision for economic competitiveness and land-use, and get serious about planning and coordination.

- **Focus the state's investments.** Currently, the state's own uncoordinated spending fails to make the most effective use of scarce resources, and likely exacerbates the state's sprawl and urban-decline woes. State road and economic development investments, in particular, have contributed to the decline of the state's struggling older communities by either directly supporting the dispersal of population and economic activity, or failing to target aid sufficiently on established municipalities.

We recommend that Pennsylvania fully assess the spatial impacts of its programs and make reinvestment in its older cities, boroughs, and older townships its explicit priority.

- **Invest in a high-road economy.** Currently, the state lacks a comprehensive response to the shifting structure of the state and national economy. Moreover, it has not fully realized that in today's changing economy what matters most are education and skills. This gap in strategy has let vast trends of deindustrialization and decentralization alter the state without systematic reaction.

We recommend that Pennsylvania invest heavily in education and training, promote development in key select industries, and focus on industries that promote the revitalization of older communities.

- **Promote large-scale reinvestment in older urban areas.** Currently, the state maintains a strong brownfields reuse program, but in other respects has yet to develop revitalization tools and policies equal to the magnitude of its significant redevelopment needs. Consequently, contamination issues, regulatory and legal barriers, outmoded building codes, and disjointed real estate markets all impede the renewal of older urban Pennsylvania.

We recommend that Pennsylvania make itself a world leader in devising policies and programs to encourage wholesale land reclamation and redevelopment in cities, towns, and older townships.

- **Renew state and regional governance.** Currently, Pennsylvanians are justifiably proud of their profusion of accessible, small-scale governments. However, the intense localism of the state's 2,566 municipalities—compounded by the state bureaucracy's own fragmentation—has often caused Pennsylvania jurisdictions to compete against each other rather than act together on tough problems like land-use planning and economic development. These fractures make it hard for local economies to respond concertedly to modern realities and challenges.

We recommend that Pennsylvania assess its state-local government system, foster more coordination through its own actions and incentives, and make it far easier for governments that want to work together to do so.

Of course, these policy suggestions for enhancing the state's competitiveness represent only a partial agenda for revitalizing the Keystone State. 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, none of these other strategies will succeed unless the state as a whole pulls together, refocuses, and collaborates far more concertedly on leveraging the assets of its cities, towns, and older suburbs to create a new era of prosperity.

In that sense, these pages—far from looking "back" to Pennsylvania's once-prosperous urban heartland in nostalgia—challenge the state to leverage the unique strength of those places to generate a new dynamism. Pennsylvania should turn its focus back to its towns, cities, and older suburbs as a way of reenergizing its future.

I. Renewing Older Pennsylvania: *Why It Matters*

Few states possess either greater potential or a more troubling recent history of underachievement than Pennsylvania.

Even as it weathers a new bout of deindustrialization and global competition, the Commonwealth remains blessed—by geography, by history, by its own past labors.

Pennsylvania's towns and proud cities founded the nation and drove its rise.

The state possesses an alluring landscape of rolling hills, world-class farms, and stately rivers that draws visitors from far and wide.

And even today the Commonwealth would seem well positioned to compete and prosper, thanks to its superb array of universities and "knowledge" assets, a strategic location bridging the mid-point of the Atlantic Seaboard and the Midwest, and the high quality-of-life available among its many distinctive cities, boroughs, and neighborhoods. Pennsylvania, in short, possesses much of what it needs to flourish.

And yet, Pennsylvania must be counted a case of failed promise and dissipated advantage in recent decades. In fact, notwithstanding a good deal of regional variation, the Keystone State drifted in the 1990s as much of the nation surged:

- ***Pennsylvania's population is barely growing.*** Only North Dakota and West Virginia grew more slowly in the 1990s
- ***The state is spreading out—and hollowing out.*** Population and jobs aren't growing so much as shifting from close-in places to farther-out ones
- ***The state's transitioning economy is lagging.*** Pennsylvania ranks near the bottom of states in employment growth. Pay lags behind both the nation and Mid-Atlantic states. And a large percentage of the state's employees work in low-wage jobs

Sharpening the pain has been the fact that the worst consequences of these trends are being borne by the state's cities, boroughs and older suburbs—the established communities that forged the state's past greatness, and will make or break its future prosperity.

Populations in older Pennsylvania are sagging and with them long-vibrant neighborhoods. Tax bases are stagnating. And jobs continue to relocate to the greenfields, leaving deserted factories and abandoned commercial blocks behind. Pennsylvania, quite simply, is squandering the enormous human and material investment it has made in its older communities over three centuries.

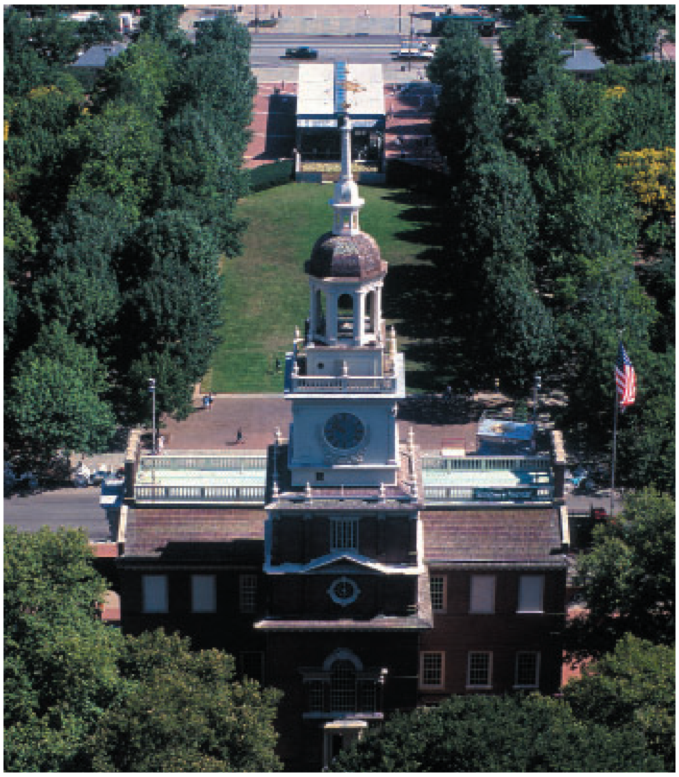
Why does this matter? What beyond nostalgia merits the state's focused concern for its older communities?

The fate of Pennsylvania's cities, towns, and older suburbs matters because, ultimately, the future growth of Pennsylvania depends on it.

Growth matters because growth creates livelihoods, generates tax revenue, and increases the standard of living. Older places matter because they anchor the state.

Most Pennsylvanians—58 percent of them—still live in the Commonwealth's 56 cities, 961 boroughs, and 91 inner-ring townships. Also, and even more crucially, the state's brick-built towns, denser office districts, and leafy older neighborhoods remain the hubs and crucibles of the state's economy.

Granted, the era in which the Commonwealth's older centers monopolized its commercial and entrepreneurial achievement has passed. Still, a potential new role for Pennsylvania's cities and towns has come to the fore in recent years as more and more analysis recognizes that in the "knowledge economy" clusters of skilled people, or "human capital," represent a prime mover of aggregate economic growth.



In this view, centers like Pennsylvania's numerous cities, boroughs, and older townships have a special potential to catalyze growth because they possess assets unavailable elsewhere in such concentration, such as:

- Regional centers of medicine and education
- Major business and high-technology clusters
- Strong road and rail networks and other infrastructure
- A wealth of restaurants, shops, entertainment, and sports facilities that draw people together
- Distinctive, human-scaled, and livable neighborhoods
- A rich and abiding sense of history
- Charming town centers
- Communities of dedicated professionals, researchers, business people, and practitioners who are committed to place and impatient for change

From this perspective, the continuing decline of older Pennsylvania communities—and that of the wider state economy tied to them—looks very much like one of the most critical challenges now facing the Commonwealth. Reversing the decline of older Pennsylvania could be a fine strategy for reviving the state's sluggish economy—and not just in urban areas but in rural areas too.

Hence this report: Funded by The Heinz Endowments and the William Penn Foundation, this analysis probes the present juncture with a frank examination of the developmental and economic challenges facing the Keystone State as the Commonwealth seeks to revive itself.

In this fashion, ***Back to Prosperity: A Competitive Agenda for Renewing Pennsylvania*** speaks to the simultaneous desire of Pennsylvanians for quality places and economic revival by offering a sober assessment of the state's current status, suggestions of how it arrived there, and a policy agenda for renewal.

To that end, the first two sections of the report assemble in one place a multi-dimensional statewide picture of the Commonwealth's development trends and economic health, and the consequences of its slow (but fast-decentralizing) growth. These sections raise serious questions about the state's overall performance, and associate business-as-usual with a series of troubling economic, fiscal, and social costs.

Subsequent sections go beyond trend-spotting to problem-solving. "Behind the Trends" explores some causes of the state's current predicament and shows that the present economic malaise results in part from the state's own past policy and investment decisions. This section argues that while many states are harnessing all of their energies to compete in the global economy, Pennsylvania is dissipating its strengths through internal division, a lack of coordination, and inefficiency.

Back to Prosperity, meanwhile, suggests a set of policy recommendations for returning Pennsylvania to preeminence by leveraging the assets of its cities, towns, and older townships. Which explains this report's title: Far from looking "back" in nostalgia, these pages urge the state to look "back" to its once-dynamic urban heartland as a way of reenergizing its future.

This agenda assumes wholeheartedly that change is possible. But make no mistake: Change will require hard thinking and hard choices. Most clearly, it will require a major effort to:

- Steer investment "back" to places with core assets and established infrastructure

- Bring "back" Pennsylvania's economy by leveraging the state's formidable education and health sectors, holding onto more of the human capital that passes through the state's colleges and universities, and creating desirable neighborhoods that attract the best people

- Go "back" and revise antiquated governance structures, laws, and regulations that condemn Pennsylvania's disconnected parts to cross-purposes and stifle reinvestment

In view of all this, it bears stating as a final note what this report is—and isn't.

Above all, this report is about focus:

- It's about boosting the state's competitiveness by thinking and acting strategically

- It's about concentrating more of the state's efforts on making the most of its established places and strengths

- It's about making the most of limited resources

At the same time, let's be clear what this agenda is not about:

- It's not about impeding development where growth makes sense

- It's not about ignoring rural places; those places will also gain from what is proposed here

- It's not about more rules; actually, it's about simplifying and clarifying and reducing them

In sum, the ultimate topic of this report is the future, rather than the past. Our hope is that these pages will stimulate a frank discussion in Pennsylvania—not just about the challenges the state faces, but also about its limitless potential.

About the Analysis: Regions and Metropolitan Areas

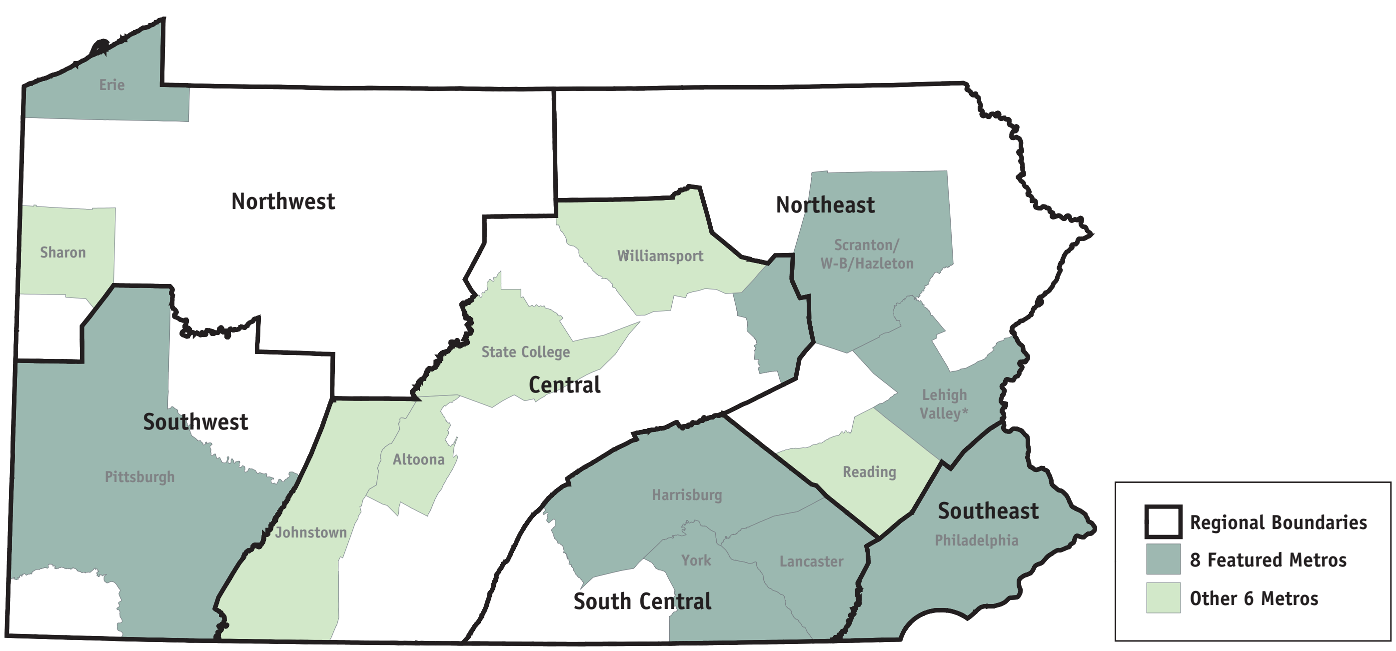
Geography provides a framework for making data meaningful, and many excellent ways exist to organize information about Pennsylvania.

This analysis examines trends affecting the state's municipal classifications (more on those on page 18) as well as two principle wider geographies: Pennsylvania's regions and its metropolitan areas.

Six regions. Key passages of the report discuss how demographic and other characteristics and trends manifest themselves across six major state regions, as defined by the Center for Rural Pennsylvania, an agency of the Pennsylvania General Assembly.[1] Consisting of from five to 16 counties, these six regions provide a simple but widely accepted segmentation of the state's different domains that allows for the identification of sharp variations between large-scale regions. The regions include: southeast, south-central, southwest, northwest, northeast, and central.

Eight metropolitan areas. At a slightly narrower gauge, eight of the state's 14 metropolitan areas provide the main focus of the analysis.[2] Metro areas are established by the federal Office of Management and Budget (OMB) to represent collections of highly-populated communities that exhibit a high degree of economic interdependence. As such, they roughly characterize regional labor markets. For this report, the Commonwealth's seven largest metros were chosen to represent the state's main population and economic agglomerations, and Erie was added to the list for geographic variety. For each area data is presented for the corresponding OMB-defined Metropolitan Statistical Area (MSA)—with the exception of Philadelphia. For that region, data are presented in most circumstances for the Pennsylvania portion of the larger four-state metroplex. That portion consists specifically of Bucks, Chester, Delaware, and Montgomery counties along with the City of Philadelphia, which is also a county. Otherwise, the report frequently shortens the full name of three MSAs. The Allentown/Bethlehem/Easton metropolitan area often becomes Allentown or the Lehigh Valley; the Scranton/Wilkes-Barre/Hazleton area becomes Scranton at times, and the Harrisburg/Lebanon/Carlisle MSA becomes Harrisburg. All told, the eight metropolitan areas examined by this report consist of the state's seven most populous regions plus Erie (the ninth-largest area), to provide regional diversity. These regions contain 75 percent of the state's population.

Pennsylvania Regions and Metropolitan Areas



Source: U.S. Census Bureau, Center for Rural Pennsylvania
**Refers to the OMB-defined Allentown/Bethlehem/Easton metropolitan area*

About the Analysis: The Data and Their Timeliness

The information presented in ***Back to Prosperity: A Competitive Agenda for Renewing Pennsylvania*** derives in large part from the U.S. decennial censuses conducted in April 1990 and April 2000.

This comprehensive data source remains unparalleled in its ability to report detailed characteristics of population, housing, and employment at very small levels of geography. For that reason, this report focuses primarily on how Pennsylvania, its regions, and its municipalities compared to other states and each other on those characteristics in 2000, and how their characteristics changed between 1990 and 2000. Such data come as close to comprehensiveness as any that exists.

Does this make decennial census data definitive? Hardly: Especially at very local scales other sources of information such as local housing inventories or school district enrollment figures may identify interesting sub-trends missed by the census survey. These should be considered in future more localized studies.

Similarly, reliance on decennial census data means much of the data here is nearly four years old. Does this mean this discussion lacks currency?

We do not believe so. We think the trends documented in this report remain stark, relevant, and compelling. The age profile of the population, characteristics of housing stock, and average size of households—none of these are likely to change significantly over a few years. Likewise, the numerous comparisons of regions and aggregations of municipalities likely hold—and did where test analyses could be performed. At the same time, though, the economy did enter a downturn soon after Census 2000 was conducted, and its effects have been significant. Migration has slackened. Unemployment as shown in other data has increased. Poverty has spread. For that reason, we have used post-2000 data, where available, to update a few key indicators, and keep the economic "story" timely.

Finally, it should be noted that in many circumstances numerous other data sources beyond the census were consulted, including the federal Bureau of Labor Statistics, the Bureau of Economic Analysis, and various Commonwealth of Pennsylvania repositories. By utilizing all of these we believe we have assembled a useful portrait of Pennsylvania at a crossroads.

About the Analysis: Pennsylvania's Municipal Classifications and "Older Pennsylvania"

Another level of geography lies at the heart of this report: that of Pennsylvania's longstanding system of classifying its 2,566 municipalities. Using these classifications allows for a fresh analysis of how the state's development patterns and economic trends are affecting the "older" areas of the state.

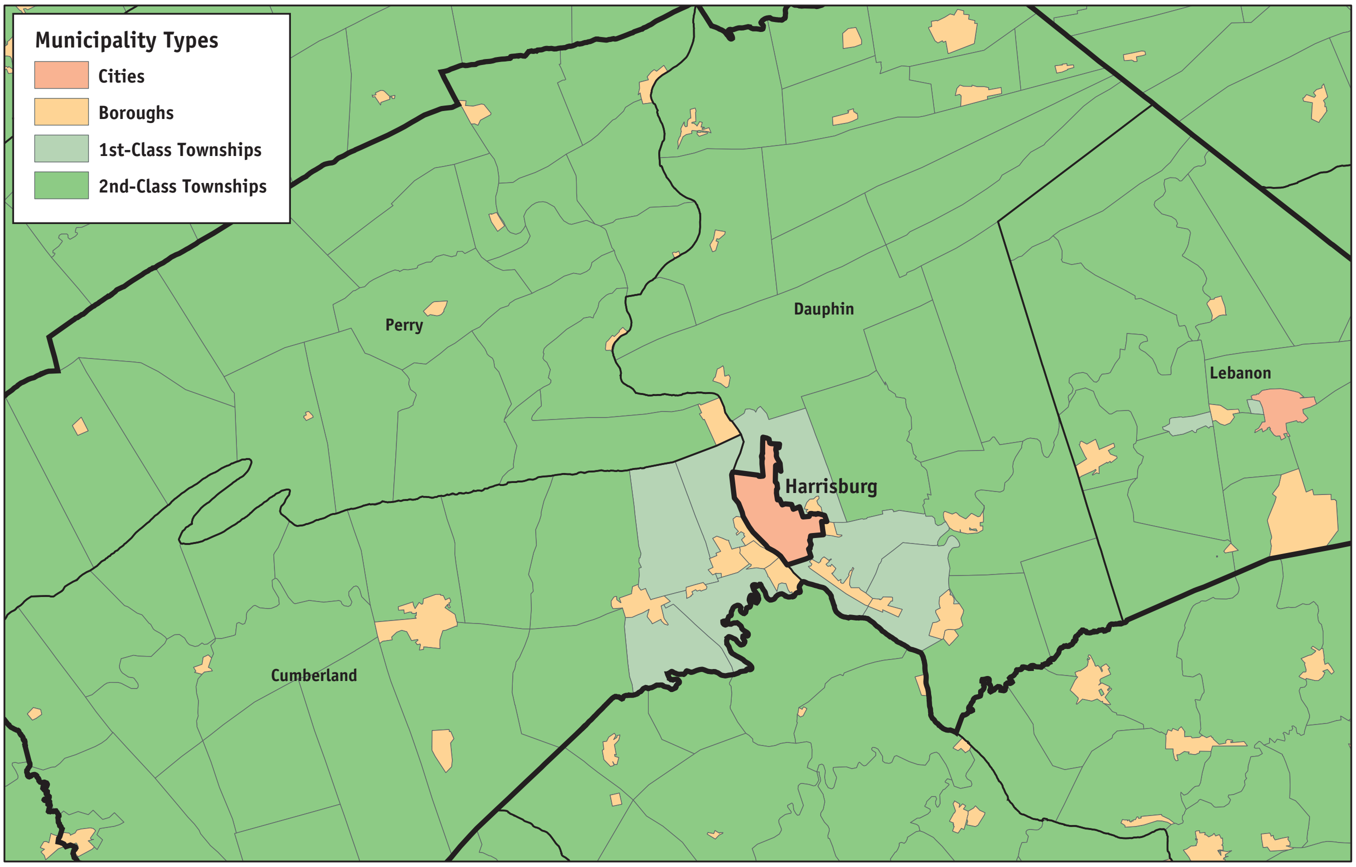
Municipal Classifications

The Commonwealth has three types of municipalities: cities, boroughs, and townships.[3] These designations reflect historic settlement patterns, and every Pennsylvanian lives in a municipality—Pennsylvania has no unincorporated land. Accordingly, these pages frequently present data for four sorts of communities encompassed by the three municipal types (and government types):

Cities. Pennsylvania's 57 cities include Philadelphia and Pittsburgh, as well as dozens of smaller urban areas, such as Scranton, Erie, and York. These dense communities have been the historic centers of industry and commerce across the state. They range in population from 799 in Parker to 1.5 million in Philadelphia.

Boroughs. Boroughs are smaller urban or quasi-urban centers. Largely associated with industrialization, boroughs are compact, and average just one-eighteenth the area of a typical township.[4] Boroughs are also ubiquitous. One-third of the 961 boroughs lie within the state's most developed areas. But more than 600 boroughs are scattered across rural Pennsylvania, where they function as the historic and commercial town centers of numerous non-urban counties.[5] Every county but Philadelphia contains at least one borough; most contain 10 or more. Boroughs range in population from 18 in Green Hills (Washington County) to 38,420 in State College Borough, which anchors that region.

Pennsylvania Municipality Types: Harrisburg Metropolitan Area



Townships. Larger townships govern the vast remainder of the state. Two sub-classifications exist:

- **Townships of the first class (First-class townships).** The Commonwealth classifies 91 first-class townships as the more "urban" of these less-urban jurisdictions. Most first-class townships cluster around the state's urban centers and have rather dense populations: They generally serve established suburban populations.[6] To become first class a township must contain 300 or more people per square mile. South Versailles in Allegheny County (population 351) and Upper Darby (with 81,821 people) in Delaware County are both first-class townships.

- **Townships of the second class (Second-class townships).** By contrast, the 1,457 second-class townships generally serve exurban or rural populations (though many lie within metropolitan areas). On average, second-class townships are almost three times larger than first-class townships and are much less densely populated. Second-class townships contain more than 93 percent of the Commonwealth's land area and typically represent the state's outlying areas, though some are quite populous. These more expansive territories range from East Fork in Potter County (with a population of 14), to Bensalem in Bucks County, which contains 58,434 people.

"Older Pennsylvania"

The state's municipal classification system also provides a ready-made, surprisingly robust framework for examining the state's development patterns. Cities, boroughs, and first-class townships—with population densities more than 10 times those of second-class townships—represent in most cases the historic locus of settlement in Pennsylvania. By contrast, the second-class townships represent in most cases the traditionally less-developed balance of the state.

Hence the core analytic definition of this report: Given their nature and density, the Commonwealth's cities, boroughs, and first-class townships are frequently considered together and referred to as "older Pennsylvania," "the state's cities, towns, and older suburbs," or its "older, more established places." Conversely, the second-class townships are often labeled the "outer townships," or in some cases the "exurbs," and are "newer" in the sense that they have much more recently become the locus of significant development.[7] In this fashion, data are frequently tabulated by municipal type, and grouped to depict the larger trends affecting "older Pennsylvania" and the "outer townships." However, there are exceptions. Economic data in particular were not available at the municipal level. For that reason, metropolitan and region-scaled analyses were provided instead.

One final note: While analyzing the state by municipality type might seem to pit "urban" Pennsylvania against "rural," this analysis does not actually do that. To the contrary: The wide distribution of boroughs across the entire state ensures that every county and every rural region contains numerous bits of "older" Pennsylvania.

Pennsylvania's Municipality Types

	Number	Share of State Population	Average Area (Sq. Mi.)	Average Density (People per Sq. Mi.)
Older Pennsylvania	1,109	58.3%	2.6	2,500
Cities	56	25.4%	8.3	6,621
Boroughs*	962	20.8%	1.5	1,733
1st-Class Townships	91	12.1%	10.1	1,621
2nd-Class Townships	1,457	41.7%	28.3	124
State Total	**2,566**	**-**	**17.1**	**278**

Source: Governor's Center for Local Government Services, U.S. Census Bureau
**Includes one "town"*

II. DEVELOPMENT TRENDS IN PENNSYLVANIA: *THE STATE OF THE COMMONWEALTH*

Pennsylvania possesses many strengths—in its people, in its proud traditions, and in its outstanding universities and livable older neighborhoods. Nevertheless, a series of troublesome growth and economic trends challenge the Commonwealth as it negotiates a tough decade.

This section of ***Back to Prosperity*** describes these dynamics and explores what they mean for the state as it seeks to revive itself.

On balance, the data, charts, maps, and analyses presented here depict a state that is substantially underperforming its competitors, and watching its older more established communities decline. In brief, these materials report that:

- ***Pennsylvania is barely growing***
- ***The state is spreading out—and hollowing out***
- ***The state's transitioning economy is lagging***

THE TREND: PENNSYLVANIA IS BARELY GROWING AND IT'S AGING FAST

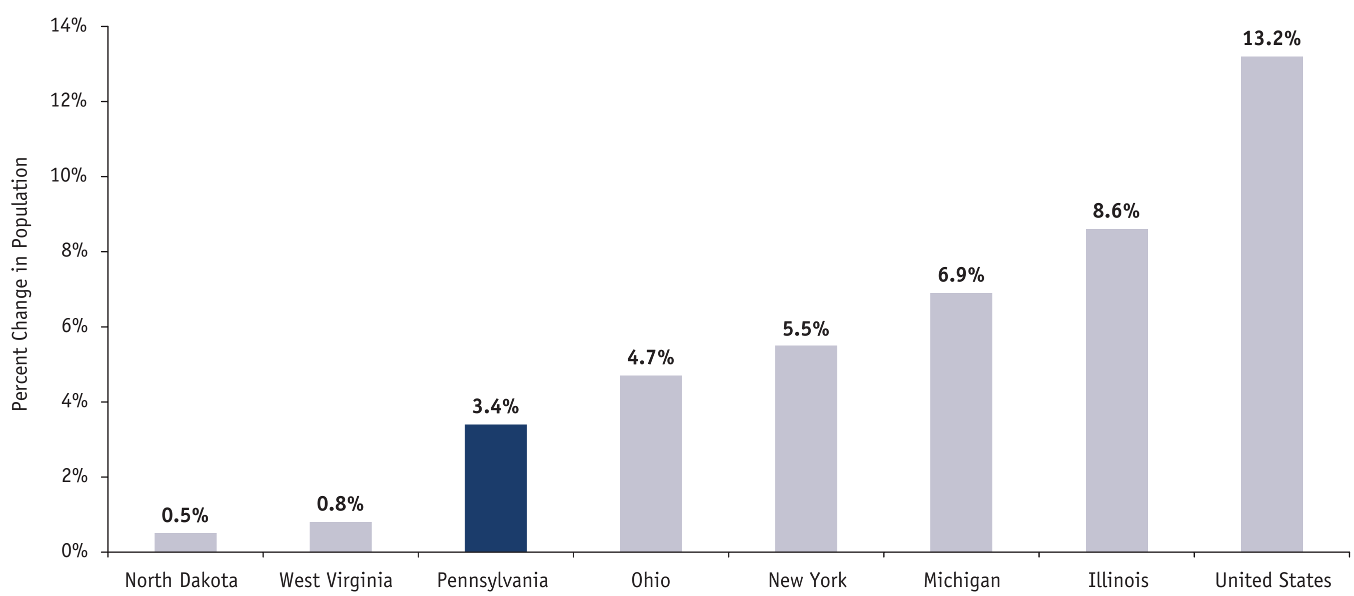
Population growth remains minimal

Pennsylvania remains one of the slowest growing states in the nation. The Commonwealth grew by just 3.4 percent, or 400,000 residents, during the 1990s. That improved on the state's virtually nonexistent growth in the 1980s and brought the state's population to 12.3 million in 2000. Still, the state lagged almost all other states' growth as well as the national growth rate of 13.2 percent. Only North Dakota and West Virginia grew more slowly in the 1990s. And growth remained slow during the last two years. Between 2000 and 2002, Pennsylvania grew by just 0.44 percent, while the nation grew 2.5 percent.

The little growth that did occur, meanwhile, took place almost exclusively in the eastern and south-central portions of the state. Sharp regional variations separate the growing parts of Pennsylvania from the lagging majority. Most notably, virtually all of the state's growth in the last decade took place in the northeast, southeast, and south-central regions, as defined by the Center for Rural Pennsylvania. These regions together added 410,000 people in the 1990s, and continued to grow since 2000. The bulk of this growth took place in the nine counties that border the eastern and southeastern portions of the state: the fast-growing New York/New Jersey bedroom counties of Monroe, Pike, and Wayne; suburban Bucks, Chester, and Montgomery counties in greater Philadelphia; and Adams, **Lancaster**, and **York** counties closer to Maryland. Growth in each of these counties during the 1990s tripled the Commonwealth's 3.4-percent pace. Not surprisingly, most of the metro areas in these counties also outperformed the state in population growth. The Lancaster and York regions, for example, roughly tripled the state growth rate, while the **Allentown/Bethlehem/Easton (Lehigh Valley)** and **Harrisburg** regions doubled the state's pace, growing around 7 percent. Only **Scranton/Wilkes-Barre/Hazleton** lost population among the eastern metros. For its part, the **Philadelphia** region managed to grow by 3.2 percent

By contrast, the western and central sections of the state continued to lag. Growth rates were stagnant or negative across the vast majority of the state during the 1990s. The expansive southwest region of the state, anchored by Pittsburgh, saw its population decline 1.4 percent in the decade. And growth reached just 1 percent and 1.5 percent, respectively, in the huge northwest and central quadrants of the state. Not surprisingly, then, 15 of the 19 counties that lost population in the

Only two states grew more slowly than Pennsylvania in the 1990s



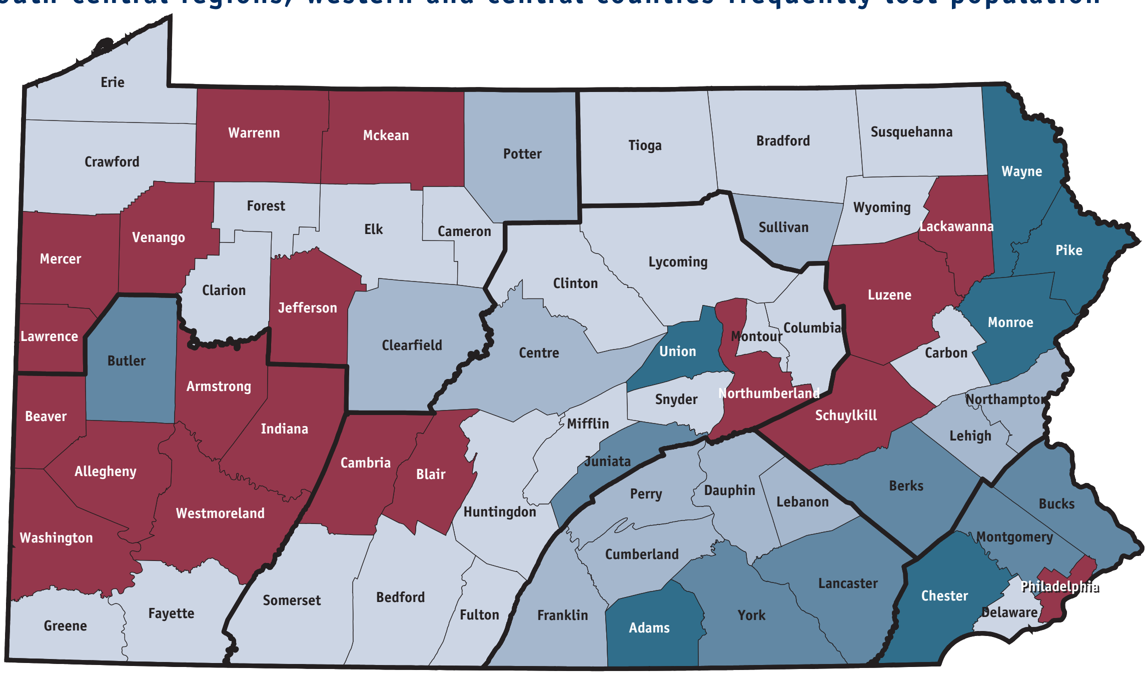
Source: U.S. Census Bureau

state in the 1990s lay in western or central Pennsylvania. Three of the state's largest population losers were Cambria County (with a 6.4 percent population loss); Allegheny County, home of Pittsburgh, which lost 4.1 percent of its population; and Venango County, which gave up 3.1 percent. The two larger metro areas in these regions also slipped or barely grew in population. Metropolitan **Erie** grew by just 1.9 percent in the 1990s. The **Pittsburgh** metropolis lost another 1.5 percent of its population during the decade. On the brighter side, both regions improved somewhat on their 1980s performances.

More people are moving out of the state than moving in

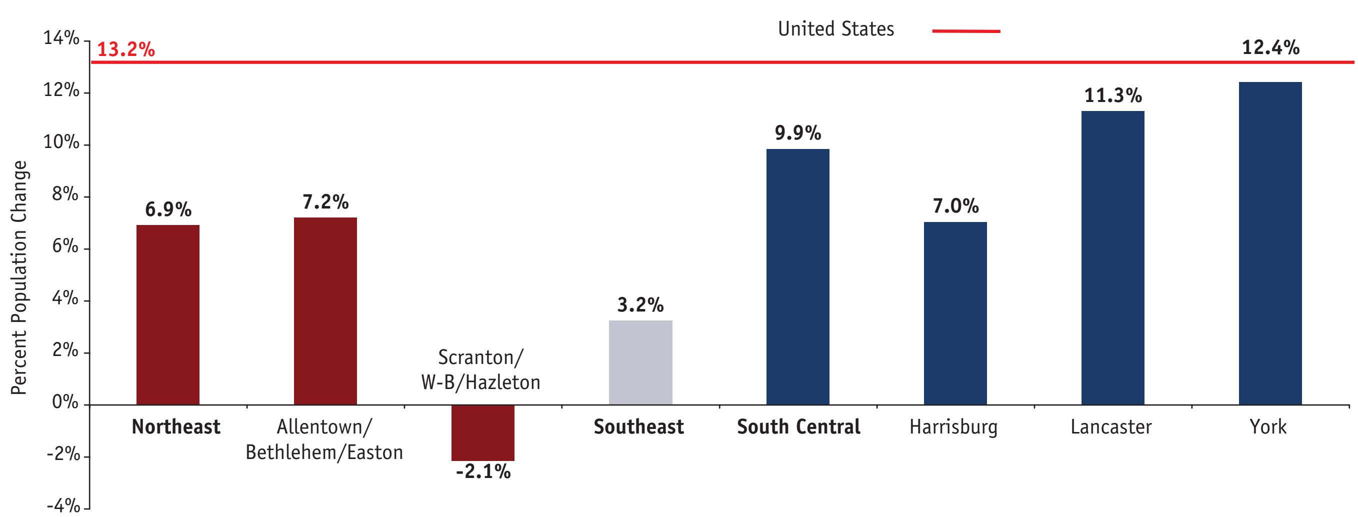
Pennsylvania experienced a net out-migration of people during the late 1990s. Between 1995 and 2000 alone, 688,753 domestic migrants moved into the Commonwealth, while 800,049 moved out, for a net out-flow of 131,296 residents.[1] This exodus saddled Pennsylvania with the 5th-largest net out-migration among states during those years. And the state lost 27,000 more people than moved in between 2000 and 2002. Only natural increase—the state's excess of births over deaths—and modest immigration enabled the state to grow in the 1990s.

Most of Pennsylvania's population growth in the 1990s took place in the eastern and south-central regions; western and central counties frequently lost population



Source: U.S. Census Bureau

Pennsylvania's eastern and south-central regions and metro areas led population growth in the state in the 1990s; Scranton/Wilkes-Barre/Hazleton was the exception



Source: U.S. Census Bureau

Young people were especially likely to leave. During the 1990s, no state lost more young workers than Pennsylvania. Between 1990 and 2000, a net 120,000 Pennsylvanians who were 15- to 24-years-old in 1990—and who became 25- to 34-years old in 2000—left the state.[2] The loss represented 7.2 percent of the age group—and the ninth-largest such percentage lost among states. Meanwhile, the nation as a whole saw this age cohort expand by 8.5 percent.

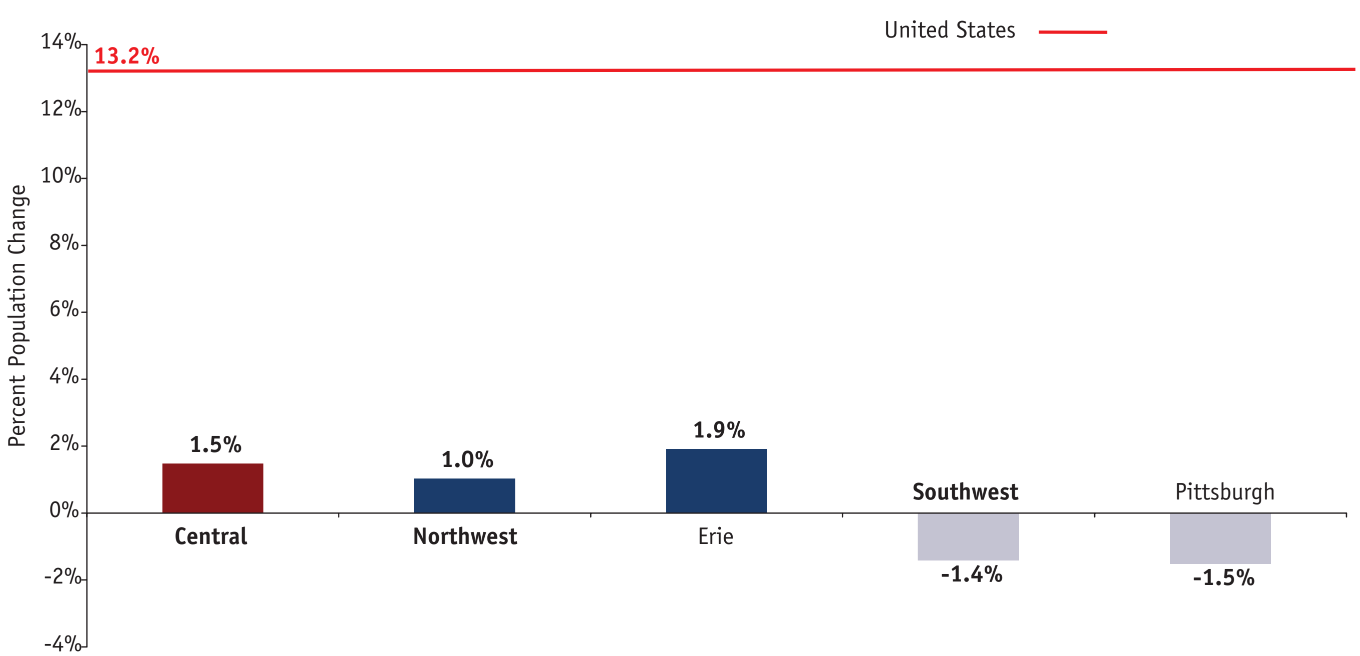
The loss of young working-age adults was nearly universal among the state's major regions and metropolitan areas. Both the Philadelphia region and south-central areas lost about 1 percent of their potential cohort of 25- to 34-year-olds during the 1990s. For its part, the northeast lost 4 percent of its potential young workers. **Scranton/Wilkes-Barre/Hazleton** suffered a massive out-migration in this region, losing 18 percent of its potential young workers while fast-growing Wayne, Pike, and Monroe counties, abutting New York and New Jersey, gained. Like Scranton, the remainder of the state witnessed a dramatic exodus of potential young workers. Some 36,000 25- to 34-year-olds—more than a tenth of the cohort—streamed out of the southwest region and metro **Pittsburgh**, while another 25,000 25- to 34-year-olds—nearly 18 percent of the initial group—left the northwest. A disturbing 23 percent—nearly a quarter—of the central region's young people vacated those counties. The **York** area was the only area that gained residents in this coveted age group.

Slow rates of immigration compound the Commonwealth's migration deficits. In the 1990s, immigration added just 1.2 percent to Pennsylvania's population, as the state's foreign-born population grew by only 139,000 residents in a decade of massive immigration elsewhere.[3] On this score, the sixth-largest state ranked only 19th among the states for its immigration-related growth, with virtually all the most populous states attracting more immigration in the 1990s. On a percentage basis the Commonwealth's foreign-born population growth ranked 36th.

Counties to the east and south-center attracted modest immigration in the 1990s, while the western and central majority of the state received very little. In fact, over 90 percent of the state's modest immigration growth occurred in the northeastern, southeastern, and south-central regions. In keeping with these patterns, most eastern and south-central metropolitan regions (except **Scranton/Wilkes-Barre/Hazleton**) gained more from immigration than their western counterparts. The **Lehigh Valley**, for example, saw its foreign-born population grow by 10,000; **Harrisburg** garnered an 8,500-immigrant increase; and **Lancaster** a gain of 6,000. In contrast, the central and western regions experienced anemic growth in the foreign born.

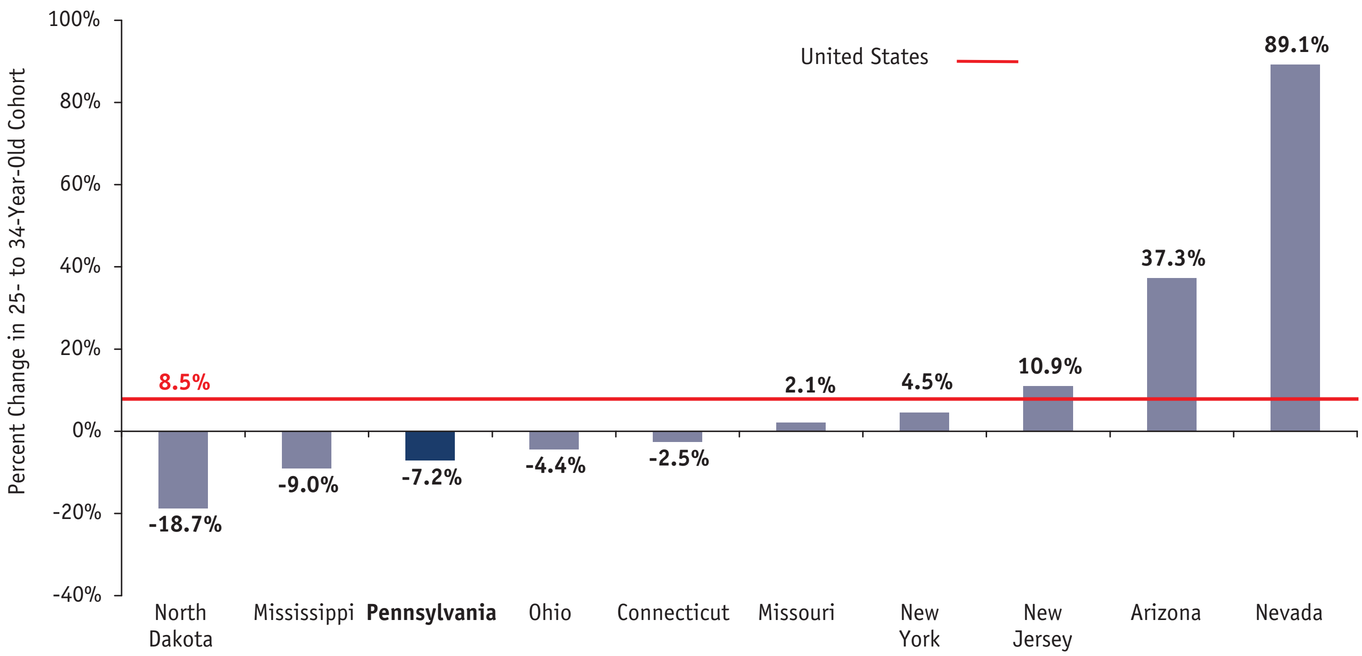
Slow immigration and the net out-flow of residents ensured that Pennsylvania grew mostly through "natural" increase, and retains many long-time natives. A full 78 percent of Pennsylvanians were born in the Commonwealth. In fact, Pennsylvania's high "nativity" rate ranks second among the states. Only Louisiana has a more settled population.

Meanwhile, Pennsylvania's central and western communities barely grew or lost population in the 1990s



Source: U.S. Census Bureau

Pennsylvania suffered one of the largest percentage losses in young workers among states in the 1990s



Source: U.S. Census Bureau

All of Pennsylvania's regions and all but one of the eight metropolitan areas lost 25- to 34-year-olds during the 1990s

Region and Metropolitan Area	15–24 Population in 1990	25–34 Population in 2000	Absolute Change	Percent Change
Northeast	**266,894**	**255,584**	**-11,310**	**-4.2%**
Allentown/Bethlehem/Easton	81,051	78,970	-2,081	-2.6%
Scranton/W-B/Hazleton	90,905	74,865	-16,040	-17.6%
Southeast (Philadelphia)	**529,946**	**525,025**	**-4,921**	**-0.9%**
Central	**176,009**	**134,847**	**-41,162**	**-23.4%**
South Central	**221,154**	**219,197**	**-1,957**	**-0.9%**
Harrisburg	84,343	81,813	-2,530	-3.0%
Lancaster	61,895	59,093	-2,802	-4.5%
York	45,777	50,026	4,249	9.3%
Northwest	**140,224**	**115,404**	**-24,820**	**-17.7%**
Erie	44,633	35,225	-9,408	-21.1%
Southwest	**346,838**	**310,429**	**-36,409**	**-10.5%**
Pittsburgh	312,404	286,697	-25,707	-8.2%
State Total	**1,681,065**	**1,560,486**	**-120,579**	**-7.2%**

Source: U.S. Census Bureau

The state is aging

Slow immigration, heavy out-migration, and light in-migration also explain why Pennsylvania now ranks second among the states for its share of older Americans. In 2000, nearly 2 million Pennsylvanians, or 15.6 percent of them, were aged 65 or older. That compared to a national average of 12.4 percent. It also represents an increase in the 1990 rate of 15.4 percent. Only Florida had a larger share of those aged 65-and-older in 2000.

A relatively small younger or working-age population further skews the average age of the state. In this regard, young adults aged 20–39 make up 29 percent of the total U.S. population but just 26.5 percent of the Commonwealth's, reflecting in part the impact of out-migration of young workers. This relatively small cohort of prime workers, combined with the state's growing senior population, in large part explains why the median age of a Pennsylvanian is 38 years—three years older than the nation's median age of 35 years.

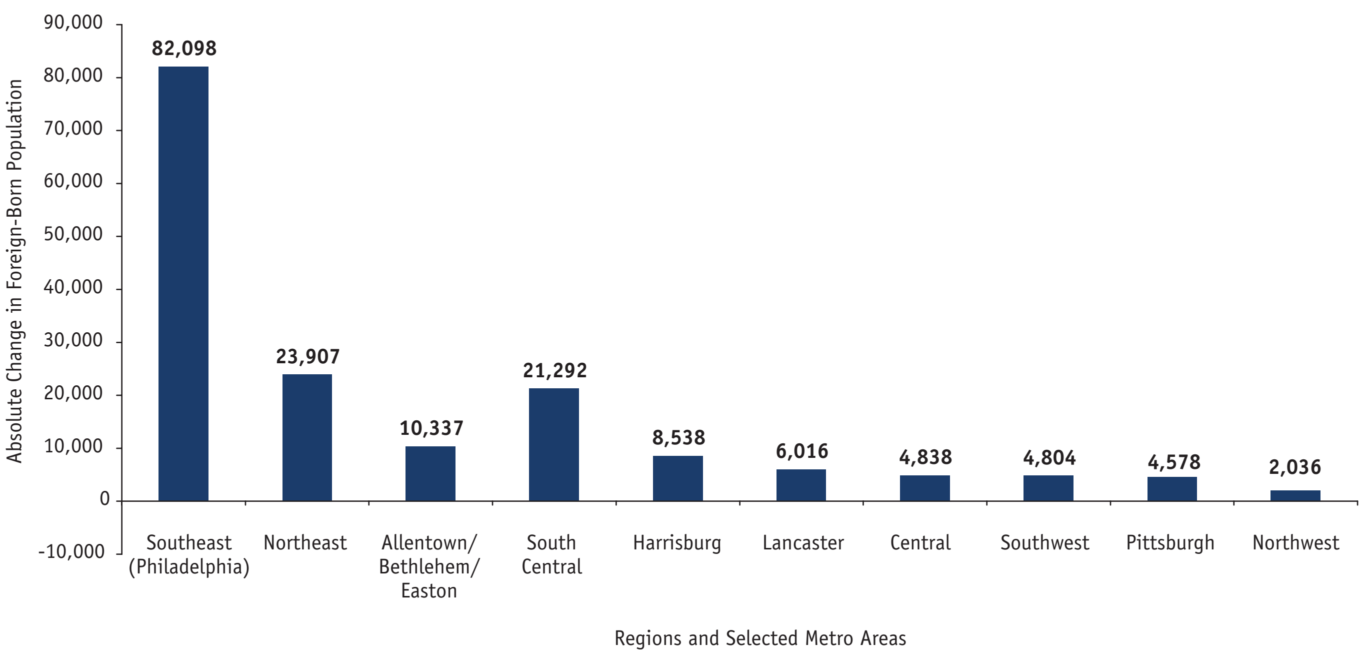
The faster-growing southeastern and south-central portions of the state had relatively low shares of seniors, while the northeastern, western, and central parts of the state are grayer. Not surprisingly, the counties and metro areas in the state that are experiencing population growth and attracting residents from elsewhere within the U.S. and abroad exhibit the lowest shares of seniors—and are relatively younger.

Only Louisiana had a higher nativity rate than Pennsylvania in 2000

Rank		Total Population	Born in State of Residence	Nativity Rate
1	Louisiana	4,468,976	3,546,980	79.4%
2	**Pennsylvania**	**12,281,054**	**9,544,251**	**77.7%**
3	Michigan	9,938,444	7,490,125	75.4%
4	Iowa	2,926,324	2,188,424	74.8%
5	Ohio	11,353,140	8,485,725	74.7%
6	Mississippi	2,844,658	2,113,883	74.3%
7	West Virginia	1,808,344	1,342,589	74.2%
8	Kentucky	4,041,769	2,980,272	73.7%
9	Wisconsin	5,363,675	3,939,488	73.4%
10	Alabama	4,447,100	3,262,053	73.4%

Source: U.S. Census Bureau

The bulk of Pennsylvania's growth in foreign-born population took place in the eastern and south-central regions in the 1990s



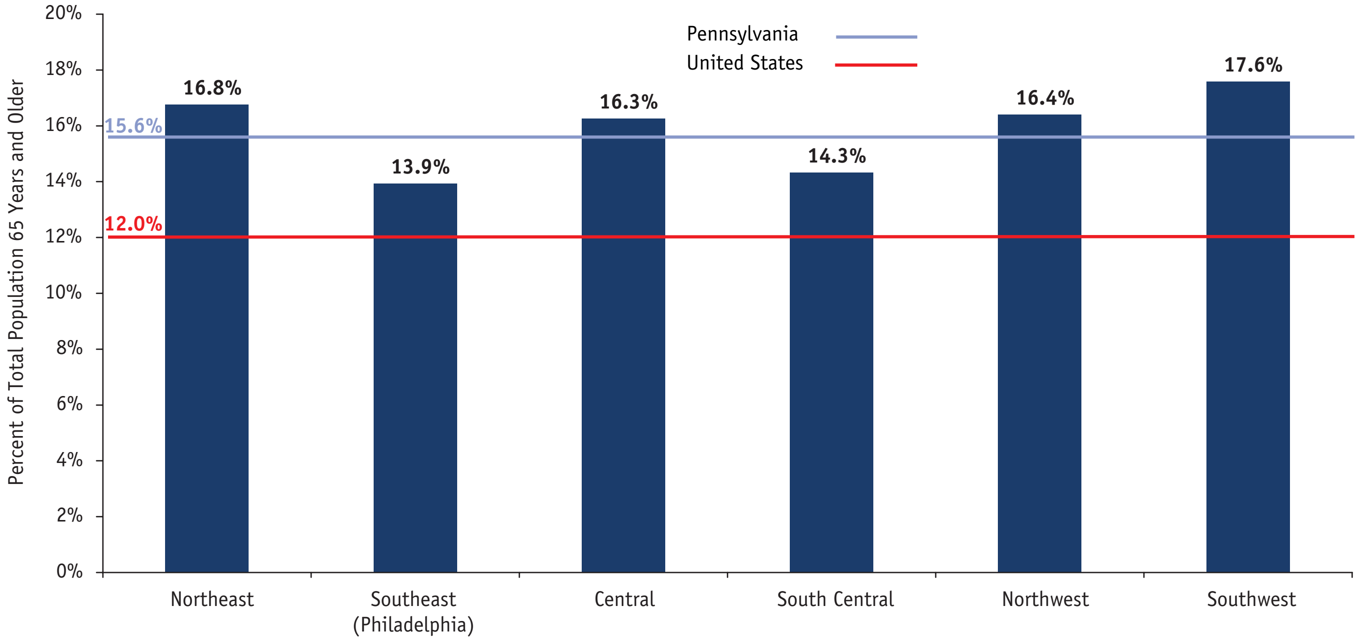
Source: U.S. Census Bureau

In 2000 Pennsylvania had higher proportions of older Americans and smaller shares of younger workers than the nation

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

Source: U.S. Census Bureau

The over-65 population share exceeds the national average in all Pennsylvania regions, although the southeast and south-central regions remain noticeably younger



Source: U.S. Census Bureau

WHAT THIS MEANS:

Pennsylvania lacks the population dynamics fundamental to flourishing economies. Healthy states and regions often exhibit one or more of the following factors: steady immigration; attraction or retention of young professionals; a relatively high churning of population, with a mix of residents moving in and out of the state. Pennsylvania possesses none of these. In fact, to the extent population, migration, and age trends offer a rough "first order" indication of the health of a place, they signal trouble in Pennsylvania. Anemic population growth suggests that the Commonwealth is lagging on the most elemental determinant of economic well-being. Net out-flows of residents and especially young people show citizens "voting with their feet" on the quality of life and economic opportunities the state offers. And while the state's high nativity speaks well of residents' tie to place, the lack of new workers, new talent, and immigrants moving into the state likely depresses diversity, creativity, and entrepreneurialism. For these reasons, the state's aging population foretells a tough economic and fiscal reckoning. Simultaneously, the state must contend with a declining store of workers in their most productive years, a looming retirement population with few workers to replace them, and more older citizens in need of social services, health care, and transportation. These realities impose serious demographic challenges that also present serious economic hurdles.

At the same time, not all of Pennsylvania struggles to the same degree: A dramatic regional divide separates the growing eastern and south-central sections from the stagnant remainder. Reflected in divergent population and demographic trends, this divide defines the state's current reality. To the northeast and east and in the south-central area, Pennsylvania's metropolitan and sub-state regions participate to varying degrees in the enormous multi-state conurbation of the "Bos-Wash Corridor"—so they seem more dynamic. Metropolitan areas in this swath of counties link at least tangentially to a regional growth corridor that stretches north and south of its New York City hub, from Boston through New Jersey to Philadelphia, Baltimore, Washington, D.C., and Norfolk, VA. Thus, regions from the Lehigh Valley to Bucks County, Lancaster, and Harrisburg appear to be performing marginally better on major measures of demographic vitality, such as population growth and migration. By contrast, the vast central and western regions of the state remain geographically and economically isolated from the dynamism of both the Atlantic Seaboard and the Ohio economic region—and so appear to be lagging. These areas west of the Alleghenies may truly be in danger of falling out of the global economy. These two distinct trans-regional realities define the context in which Pennsylvania's older communities seek to grow and flourish.

THE TREND: PENNSYLVANIA IS SPREADING OUT—AND HOLLOWING OUT

Older jurisdictions in Pennsylvania continue to lose out as population moves to the outer townships

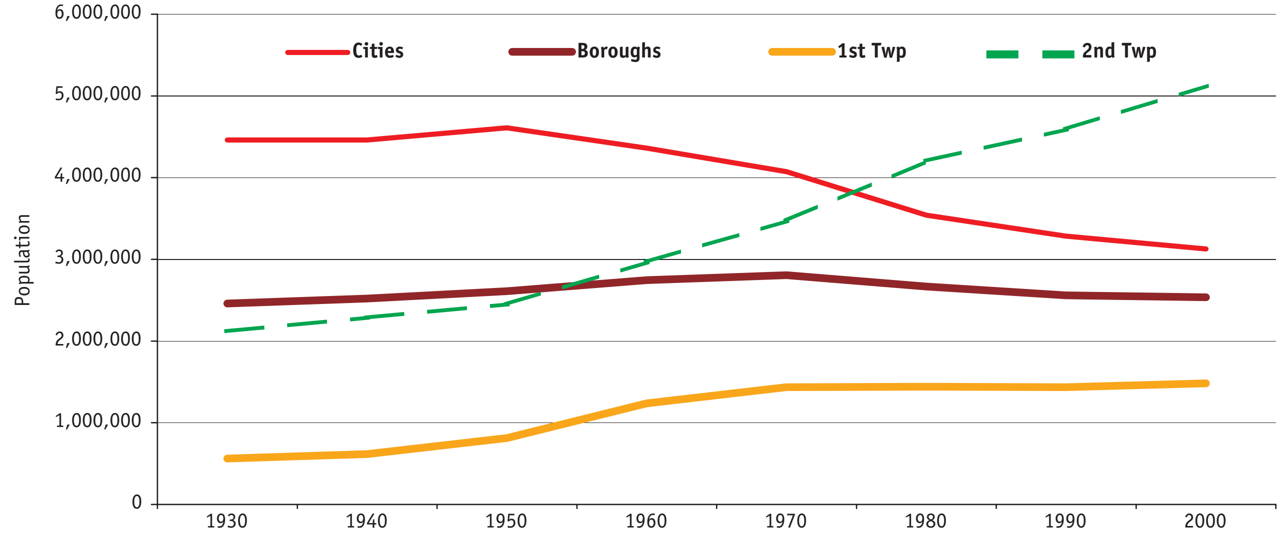
Pennsylvania's newer suburbs and outer townships have dominated the state's population growth for decades, while existing small towns and cities have lost ground. Since 1970, more than 1.6 million new residents have settled in the state's outer townships, defined here as the Commonwealth's second-class townships. Meanwhile, cities, boroughs, and first-class townships have collectively *lost* 1.2 million residents over the last 30 years as residents moved to far-suburban or rural communities. In short, outer townships increased in population by 48 percent between 1970 and 2000 while cities and boroughs lost 23.2 percent and 9.8 percent of their respective populations.

Population decentralization picked up in the 1990s and accelerated more recently. During the decade, second-class townships picked up 538,000 residents, to grow nearly 12 percent—more than three times faster than the state average. That compared with a 9-percent, 388,000-person gain in the 1980s. More recently, between 2000 and 2002, 124,000 residents moved into second-class townships as outer areas grew by an additional 2.4 percent—more than five times the state's overall growth rate.

At the same time, the portion of the state population living in older Pennsylvania has dwindled. In 1970, 71 percent of Pennsylvanians, or 8.3 million of them, lived in the state's cities, boroughs, and first-class townships. By 1990, the share had sagged to 61 percent. And by 2000, older Pennsylvania contained just 58 percent of the state's residents, or around 7.2 million people.

Pennsylvania's older communities lost residents in the 1990s and continued to do so through 2002. During the decade, older Pennsylvania lost nearly 2 percent of its population. That contrasted starkly with the 12-percent gain scored by the farther-flung townships. But it did improve on trends in the 1970s and 1980s, during which older Pennsylvania lost 8 percent and 5 percent of its population, respectively. But even so, older Pennsylvania's losses picked up again between 2000 and 2002. Another 70,000 residents, or 1 percent of the population, left older, more established areas in those years.

Only the state's second-class townships have added significant population since 1970



Source: U.S. Census Bureau, Center for Rural Pennsylvania

Cities and boroughs lost people in the decade, while first-class townships grew only slowly. Between 1990 and 2000, Pennsylvania's cities lost nearly 5 percent of their population (almost 157,000 residents), and its boroughs 1 percent of their population (some 29,000 people).[4] The more suburban first-class townships gained 47,000 new residents to grow a modest 3.3 percent—slower than the state as a whole. However, the trends were not monolithic, as one-third of the boroughs and 12.5 percent of the cities managed to grow.

Taken together, these trends ensure that every metropolitan area in Pennsylvania is decentralizing and "spreading out." In no metro area, for example, did older jurisdictions come near to matching the absolute or percentage growth of the outer townships during the 1990s. In every instance, rather, the innermost urban municipalities badly lagged the newer townships on aggregate population growth, or lost while the periphery gained.

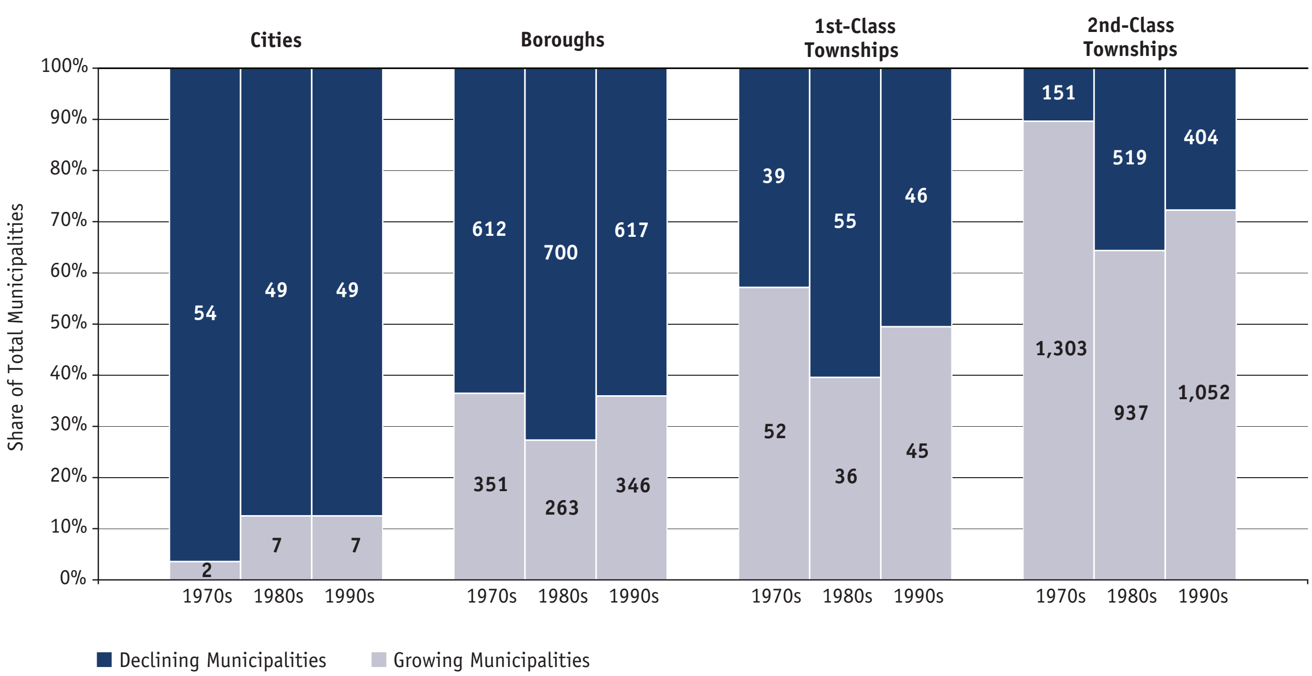
The southeast region represents the starkest example in the state of heavy core population losses and extreme exurban growth. To be sure, Philadelphia's boroughs and inner-ring first-class townships managed to maintain their populations, as they garnered 5,700 and 12,000 new residents, respectively, for slim 1.3 and 1.8 percent gains in the 1990s. But nevertheless, older metro Philadelphia lost population overall as the cities lost 4.5 percent of their population (73,000 people) and the second-class townships grew by a remarkable 17.9 percent and 176,000 residents. Metro Philadelphia in this respect has not just been spreading out—it has "blown out" as its older and denser places declined or stagnated.

Nearly all of the state's population growth in the 1990s took place in the outer townships; older Pennsylvania lost residents

	1990 Population	2000 Population	Absolute Change	Percent Change
Older Pennsylvania	7,302,435	7,163,358	-139,077	-1.9%
Cities	3,274,940	3,118,262	-156,678	-4.8%
Boroughs	2,584,968	2,555,642	-29,326	-1.1%
1st-Class Townships	1,442,527	1,489,454	46,927	3.3%
2nd-Class Townships	4,579,205	5,117,696	538,491	11.8%
State Total	**11,881,640**	**12,281,054**	**399,414**	**3.4%**

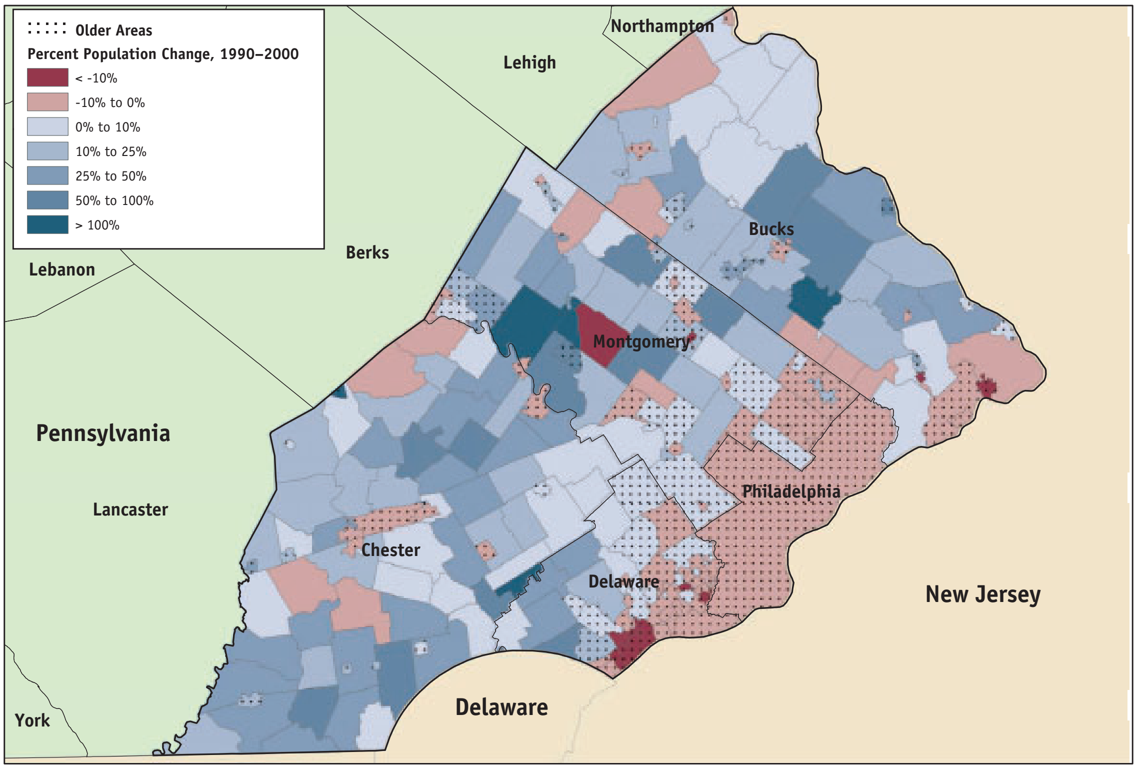
Source: U.S. Census Bureau

Nearly all cities and most boroughs in Pennsylvania lost population in each of the last three decades. First-class townships fared somewhat better, but not as well as the outer townships



Source: Center for Rural Pennsylvania

The City of Philadelphia and other older municipalities lost population while the rest of the metro area grew rapidly in the 1990s



Source: U.S. Census Bureau

The Erie, Pittsburgh, and Scranton/Wilkes-Barre/Hazleton regions "hollowed out" in the 1990s as population growth took place exclusively in their second-class townships

Metropolitan Area	1990 Population*	2000 Population	Absolute Change	Percent Change
Erie				
Older Pennsylvania	150,881	144,750	-6,131	-4.1%
Cities	115,934	110,551	-5,383	-4.6%
Boroughs	30,637	30,151	-486	-1.6%
1st-Class Townships	4,310	4,048	-262	-6.1%
2nd-Class Townships	124,691	136,093	11,402	9.1%
Metro Total	275,572	280,843	5,271	1.9%
Pittsburgh				
Older Pennsylvania	1,735,421	1,656,305	-79,116	-4.6%
Cities	567,604	520,986	-46,618	-8.2%
Boroughs	739,291	710,887	-28,404	-3.8%
1st-Class Townships	428,526	424,432	-4,094	-1.0%
2nd-Class Townships	659,390	702,390	43,000	6.5%
Metro Total	2,394,811	2,358,695	-36,116	-1.5%
Scranton/W-B/Hazleton				
Older Pennsylvania	442,267	418,339	-23,928	-5.4%
Cities	186,378	171,730	-14,648	-7.9%
Boroughs	224,686	215,974	-8,712	-3.9%
1st-Class Townships	31,203	30,635	-568	-1.8%
2nd-Class Townships	196,196	206,437	10,241	5.2%
Metro Total	638,463	624,776	-13,687	-2.1%

Source: U.S. Census Bureau

**Metro totals may differ slightly from 1990 Census figures because municipalities that underwent significant boundary changes during the 1990s were not counted*

For their part, Erie, Pittsburgh, and Scranton/Wilkes-Barre/Hazleton each saw all of their older municipalities lose population while their more rural townships flourished. In the west, metropolitan **Pittsburgh** saw its outer townships grow by 6.5 percent and 43,000 people while its cities, boroughs, and more established townships lost a collective 4.6 percent or 79,000 of its residents as each individual class lost population in the 1990s. To the northwest, the **Erie** area's outer townships grew by 9 percent while each older class of municipality lost residents. And to the northeast, meanwhile, metropolitan **Scranton/Wilkes-Barre/Hazleton** saw its outer townships grow by 5.2 percent even as each of its more established types of jurisdictions lost between 2 and 8 percent of its population. Fringe growth, it bears noting, occurred in each of these metros despite negligible regional growth (Erie) or even significant overall population loss (Pittsburgh and Scranton/Wilkes-Barre/Hazleton). These same growth patterns continued for all three metro areas between 2000 and 2002, with the Erie area actually experiencing a small population loss.

In south-central region metros and the Lehigh Valley area, outer townships dominated overall population growth while the older areas grew modestly. In these regions, the second-class townships of the **Lehigh Valley**, greater **Harrisburg**, metro **Lancaster**, and **York** County grew nearly twice to more than three times faster than did their older, more established jurisdictions. Each metropolitan area added a total of between 41,000 and 48,000 residents during the 1990s and saw their outer areas garner roughly three-quarters of that growth. At the same time, though, older areas in these regions managed, on net, to gain residents, faring somewhat better than elsewhere. Only in the Harrisburg and York areas of the region did cities lose population in the 1990s. Boroughs lost residents in only one area—Harrisburg.

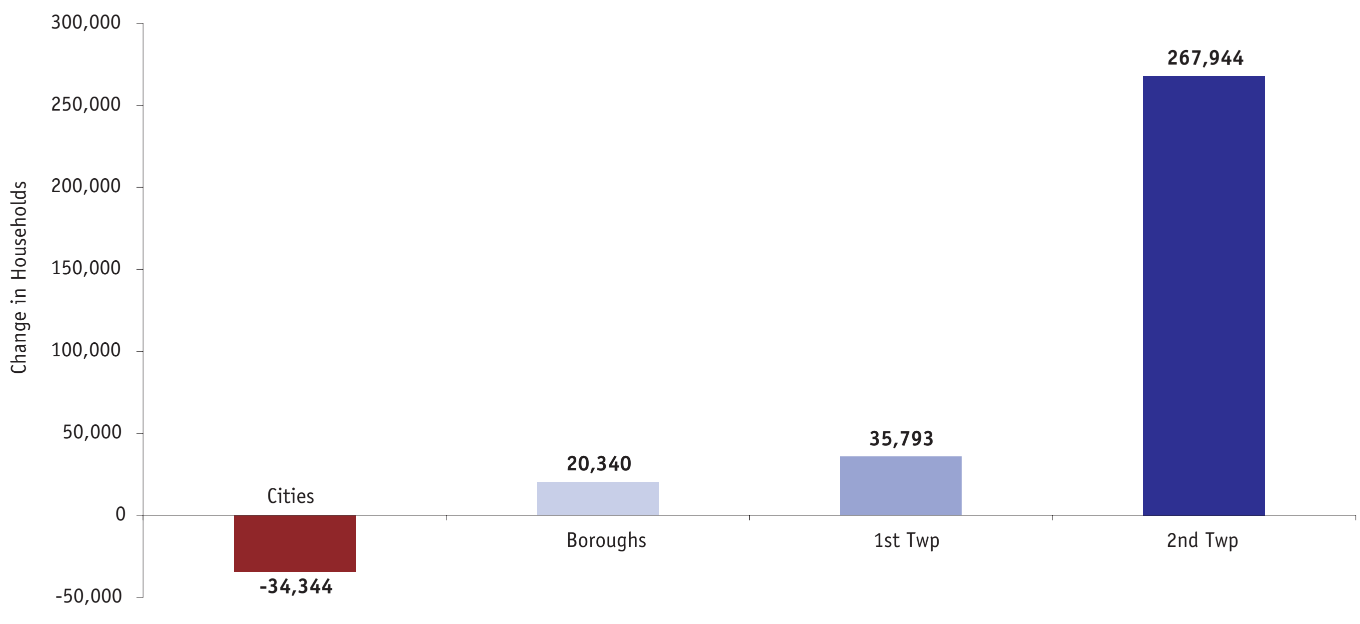
This pattern—of fringe decentralization and core decline—also extends to the state's other metro areas, as well as to rural Pennsylvania. For example, the second-class townships all but monopolized population growth in the state's other metropolitan regions—**Altoona**, **Johnstown**, **Reading**, **Sharon**, **State College**, and **Williamsport**. Specifically, the outer townships in these seven regions grew by 11 percent, or 62,000 residents, while their more urban sections stagnated with a slight 0.8 percent decline in population. Once again, decentralization prevailed as cities lost population and boroughs stagnated. And the same trend has been spooling out across **rural Pennsylvania**. During the 1990s, second-class townships across rural Pennsylvania saw their populations grow by 9 percent as 104,500 people settled around the state's exurban fringes. By contrast, rural outposts of older Pennsylvania lost 2 percent of their population, or 14,000 residents.

Dramatic household changes are transforming the state and influencing development patterns

Pennsylvania added a lot of new households in the 1990s, despite its slow growth. Altogether, Pennsylvanians created a little more than 281,000 new households as the population grew by 400,000 in the decade. That means that the number of households in the state increased at nearly double the rate of population growth, or by 6.3 percent compared to 3.4 percent. Pennsylvania's ratio of household growth to population growth far exceeded that of the nation, moreover. The U.S. added 14.7 percent more households as its population grew by 13.2 percent.

This burst in household growth owes in large part to a proliferation of Pennsylvanians living alone. Commonwealth-wide, nearly 180,000 residents of the state

The outer townships captured nearly all of the state's new households in the 1990s*



Source: U.S. Census Bureau

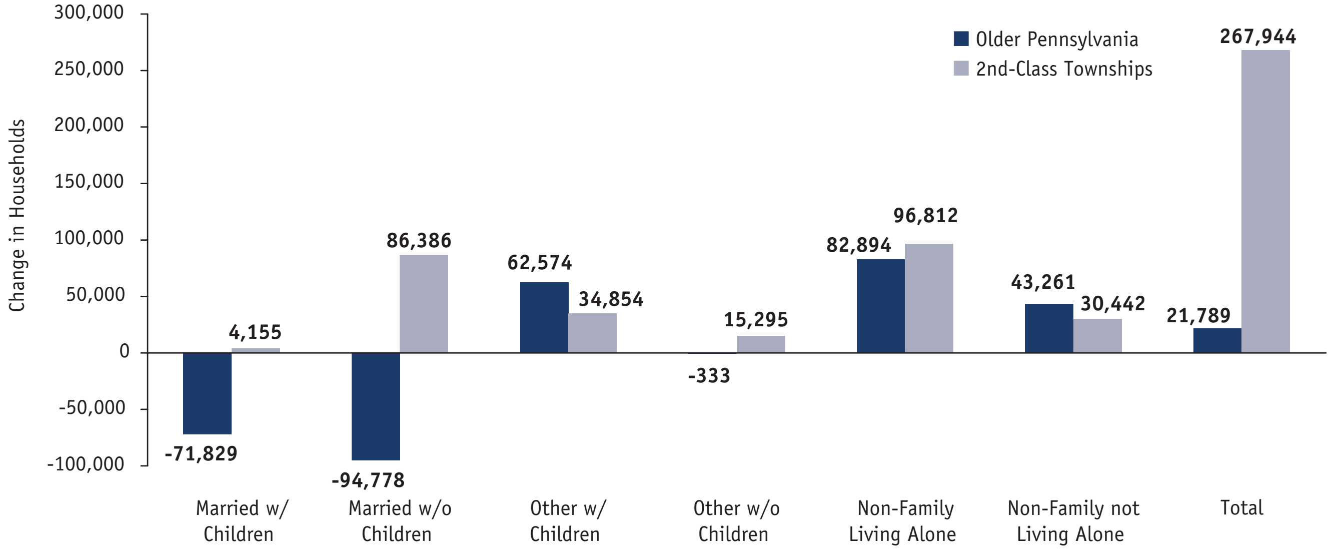
**State totals may differ slightly from Census figures because a few municipalities that underwent significant boundary changes during the 1990s were not counted* set up house alone in the 1990s, to drive a 15-percent increase in the number of Pennsylvanians living by themselves during the 1990s.

The vast majority of new households settled in the outer townships. Just in the 1990s, the number of households in second-class townships increased by 16 percent, or 268,000, during a decade when the number of households statewide increased just the 6.3 percent. In effect, more than 90 percent of the Commonwealth's new households were established in outer townships.[5]

Outer townships saw gains in all types of households, especially married couples and singles living alone and with others. During the 1990s, these townships gained more than 90,000 married households at a time when the state as a whole was losing 76,000 of such households.

By contrast, older, established Pennsylvania's household base barely grew. Although the state's household count increased by more than 6.3 percent and the outer townships by 16 percent, household growth in older, more established Pennsylvania was essentially nil—at .08 percent. This resulted from a net addition of about 22,000 households compared to the 268,000 new households in the outer townships.

Pennsylvania's outer townships attracted all types of households in the 1990s, while older municipalities lost married couples and married couples with children*



Source: U.S. Census Bureau

**State totals may differ slightly from Census figures because a few municipalities that underwent significant boundary changes during the 1990s were not counted*

Especially telling has been the older municipalities' loss of married households as they gained single parents and singles. Pennsylvania cities, boroughs, and denser townships saw their collective number of married couples—both with and without children—decline by some 167,000, or nearly 12 percent, in the 1990s. Consistent with these dynamics, older jurisdictions in every one of the eight metro areas lost married couples—both with and without children—while gaining single parents and non-family households. Most notably, cities, boroughs, and more developed townships added 63,000 single parents, the only household type they gained in greater numbers than did the outer towns and suburbs.

Household and home-building trends are tilting the bulk of new housing construction toward the fringe

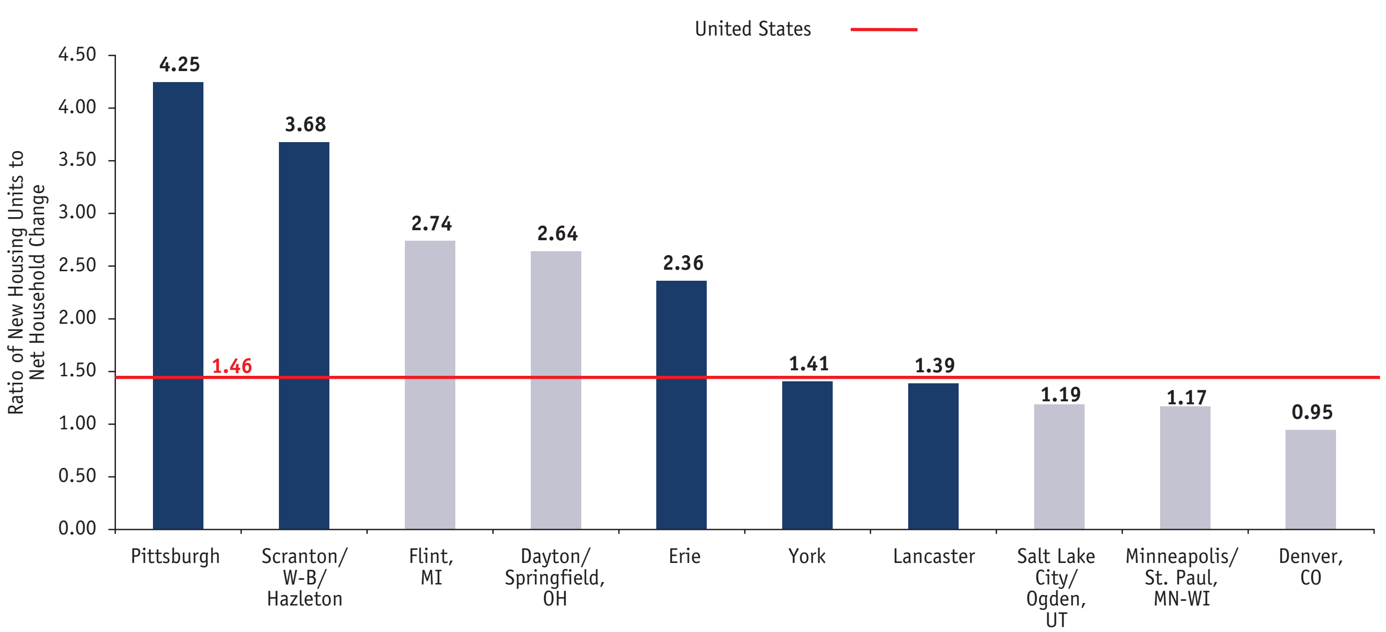
As households have proliferated, so has new housing—at an even faster rate. During the 1990s, Pennsylvanians built 546,000 new housing units even though the state generated just the 281,000 new households. In effect, Pennsylvanians constructed nearly two housing units for every one new household. That energetic construction activity gave the Commonwealth the third-highest homebuilding ratio among states.

Between 1990 and 2000, Pennsylvania built nearly two units of housing for every net new household, the third highest "overproduction" of housing among states

Rank		Ratio of New Housing Units to Net Household Change
1	West Virginia	2.73
2	North Dakota	2.32
3	**Pennsylvania**	**1.94**
4	Alabama	1.92
5	Mississippi	1.90
6	Maine	1.79
7	Iowa	1.78
8	Missouri	1.78
9	Hawaii	1.78
10	Ohio	1.77
	United States	1.46

Source: U.S. Census Bureau

Pennsylvania's biggest population losers built more new homes per household than did most other U.S. metro areas in the 1990s



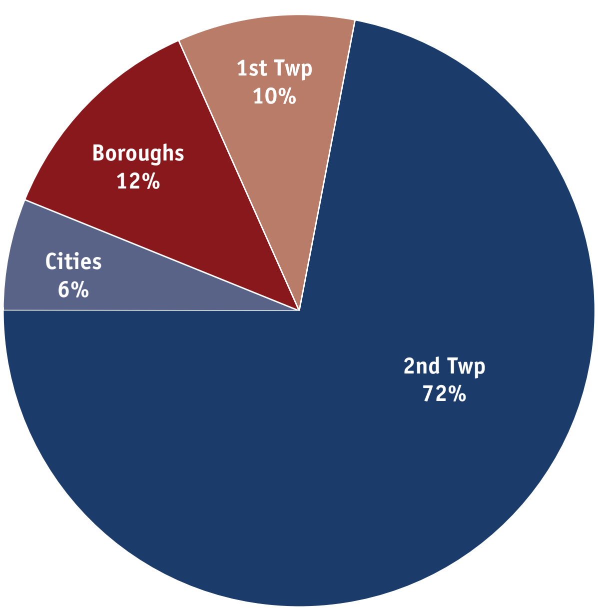
Source: U.S. Census Bureau

This heavy housing production varies by region, with the most dramatic activity taking place in the slowest-growing regions. In general, the smallest "overproduction" of new housing units occurred in the northeast, southeast, and south-central regions, where roughly 1.5 to two new housing units were built during the 1990s for every new household. In fact, areas like the **Lehigh Valley**, **York**, and **Lancaster** all accommodated new households as efficiently, or more efficiently than the nation as a whole, which built 1.46 units per household in the 1990s. On the other hand, home construction outpaced household growth much more in the northwest and central Pennsylvania, where some 2.5 new housing units were built for every new household. Southwest Pennsylvania, for its part, averaged nearly four new housing units for every new household during the 1990s. **Pittsburgh** exemplifies the trend; that metropolitan area saw 4.3 new units of housing built for every one net new household, a building ratio far higher than that in most other U.S. metro areas.

Moreover, nearly three-quarters of the state's newest housing units were constructed in outer townships, signaling decentralization. Altogether, nearly 400,000 new homes—72 percent of the state's new housing units—were constructed in second-class townships during the 1990s. That construction increased the housing stock there by 14.5 percent, after accounting for demolitions and other losses of units. By contrast, older parts of Pennsylvania garnered few new housing units during the 1990s. The state's cities, boroughs, and first-class townships landed just 28 percent (153,000) of the Commonwealth's new housing units, down from 43 percent in the 1970s.

The repercussions of unbalanced housing construction vary across municipal classes. Data on net changes in the number of housing units available across the state, for example, suggest that the vigorous housing market in outer townships coincides with market deterioration in closer-in sections. Around the outer townships, a robust housing market built about 269,000 new homes to serve 268,000 new households. Housing construction there proceeded "in balance" with its outer-suburban market. By contrast, Pennsylvania's cities, and their collapsing housing markets, lost more than 22,000 net units as their household counts declined by more than 34,000. Markets were also anemic in the boroughs and older townships, which added just a net 34,000 and 37,500 units respectively, to serve stagnant household growth. In short, energetic home construction in the rural townships not only serves demand for housing there but—in the context of thousands of households' individual location decisions—facilitates the shift of population out of core communities.

Nearly three-fourths of Pennsylvania's new housing units in the 1990s were built in outer townships



Source: U.S. Census Bureau

Employment has been moving outward, too

Employment has also been decentralizing at every geographic scale. Most notably, more than half of Pennsylvania's new jobs were created outside the Philadelphia and Pittsburgh regions in the 1990s, and nearly 60 percent over the period 1970–2000.

Additionally, employment within the metropolitan regions has been dispersing heavily toward the outer townships. Job location trends in the major metropolises—Philadelphia and Pittsburgh—epitomize the dynamic. In the **Philadelphia** area, employment in the City of Philadelphia grew by 5.4 percent as the city added 31,000 jobs between 1992 and 2000, while the city's suburban job base expanded by 19.5 percent, as the bulk of the region in Pennsylvania and New Jersey added 262,000 jobs. West of the Alleghenies, metro **Pittsburgh** exhibited just slightly less decentralization, with job growth in the city itself reaching 5.5 percent (16,400 jobs) during the 1990s compared with a 13-percent, 83,000-job expansion in the suburbs.[6]

As a result, "suburban" Philadelphia and Pittsburgh continue to increase their share of their regions' employment. In 1992, for example, the City of Philadelphia retained 30 percent of the region's jobs; by 2000, the share had slipped to 27.4 percent. In Pittsburgh the figure slipped from 31.8 percent to 30.4 percent.

Jobs in Philadelphia and Pittsburgh, in fact, have dispersed farther and farther away from the downtown areas. In 1994, 16 percent of **Philadelphia's** jobs lay within three miles of its central business district; by 2001, only 14.5 percent did.[7] Within **Pittsburgh's** more centralized economic region, meanwhile, the initial 25.3-percent share of the jobs located within three miles of downtown ebbed to 24.3 percent in 2001.

Nor does extending the perimeter to ten miles alter the pattern, particularly in Philadelphia. There, job decentralization is so dispersed that only 35.6 percent of the region's jobs were located within 10 miles of the downtown in 2001, down from 39 percent in 1994. That means that nearly 60 percent of the Philadelphia region's jobs now lay more than 10 miles from Center City.

Jobs in the state's other metropolitan areas are also decentralizing. With the exception of **Scranton/Wilkes-Barre/Hazleton** and **State College**, every Pennsylvania metropolitan area saw the share of its jobs located within five miles of the central business district (CBD) decline between 1994 and 2001. The most dramatic out-shift of jobs took place in York, which saw its five-mile share fall from 38.9 percent of the metro area's jobs to 34.8 percent. Overall, however, the metro economies of the **Lehigh Valley**, **Erie**, and Scranton/Wilkes-Barre/Hazleton remain fairly compact with at least 50 percent of the region's private sector jobs located within five miles of downtown.

Jobs have dispersed so much in Pennsylvania, that in half of the state's metro areas, more than half of the commutes to work begin and end in the suburbs. In eight of the 14 metro areas of the state—**Harrisburg**, **Johnstown**, **Lancaster**, **Philadelphia**, **Pittsburgh**, **Scranton/Wilkes-Barre/Hazleton**, **Sharon**, and **York**—more than half of area residents both live and work outside of the central city, according to Census 2000. In fact, no metro area has even half of its residents commuting to jobs in the central city. For instance, just one-quarter of all those living in the **Scranton/Wilkes-Barre/Hazleton**, **Pittsburgh**, **Harrisburg**, and **Lehigh Valley** regions actually works in the central city. In **York** County, meanwhile, more than 26 percent of residents commute to jobs completely outside of their metro area.

The share of private sector jobs located within five and 10 miles of the city center has slipped in seven of the eight featured metro areas; Scranton/Wilkes-Barre/Hazleton is the exception

	Job Location			
	Within 5 Miles of CBD		Within 10 Miles of CBD	
Metropolitan Area	**1994**	**2001**	**1994**	**2001**
Allentown/Bethlehem/Easton*	76.2%	74.4%	94.4%	94.1%
Erie	56.3%	52.6%	83.8%	82.5%
Harrisburg*	41.1%	38.7%	71.9%	71.4%
Lancaster	37.3%	36.2%	66.8%	66.5%
Philadelphia	21.4%	19.1%	39.0%	35.6%
Pittsburgh	35.1%	33.5%	55.5%	54.4%
Scranton/Wilkes-Barre/Hazleton*	56.2%	57.6%	85.5%	86.3%
York	38.9%	34.8%	63.6%	59.4%

Source: U.S. Census Bureau Zip Code Business Patterns
**Combined Central Cities within MSA*

As older Pennsylvania lost white residents in the 1990s, the minority concentration there increased

	White			Black		
	Absolute Change	Share of Total Population 1990	2000	Absolute Change	Share of Total Population 1990	2000
Older Pennsylvania	-510,235	82.0%	76.4%	98,762	13.8%	15.4%
Cities	373,976	66.8%	58.2%	37,910	26.3%	28.8%
Boroughs	-113,058	94.7%	91.4%	31,758	3.5%	4.8%
1st-Class Townships	-23,201	93.5%	89.0%	29,094	3.8%	5.6%
2nd-Class Townships	410,380	96.9%	94.7%	31,214	1.5%	1.9%
State Total	**-99,855**	**87.7%**	**84.1%**	**129,976**	**9.0%**	**9.8%**

Source: U.S.Census Bureau

Minority residents and poverty, meanwhile, remain concentrated in the state's urban cores

The vast majority of the state's minority population resides in the Commonwealth's older communities. Pennsylvania's population remained 84 percent white in 2000. At the same time, the nonwhite share of the population increased from 12.3 percent to 15.9 percent in the 1980s, and its nonwhite population grew by just 3.2 percent in the 1990s. Significant racial change especially affected the state's older municipalities. Taken together, the state's cities, boroughs, and first-class townships lost some 510,000 white residents, while gaining Hispanics, blacks, and Asians. By contrast, the state's second-class townships actually gained 410,000 whites. As a result, nonwhites made up nearly one-quarter of the population in older areas by 2000—up from only 18 percent in 1990—while accounting for only 5 percent of the outer suburbs' population. By decade's end, 86 percent of the state's total minority population was concentrated in older areas, compared to just over half of all whites.

The increasing concentration of minorities in the state's cities and older municipalities has created some of the most segregated communities in the nation. According to analyses conducted by economists Edward Glaeser and Jacob Vigdor, Pennsylvania's metropolitan areas remain some of the most racially segregated regions in the country—even though segregation decreased in the 1990s in every Commonwealth metropolitan area but Erie. Overall, seven of the state's 14 metro areas ranked among the top 50 most segregated metro areas in the nation in 2000, and 10 were in the top 100.[8] Among the most racially separated regions in the state were **Harrisburg** (which ranked 16th); **Philadelphia** (26th); **Pittsburgh** (31st); and **York** (33rd).

At the same time, high poverty continues to plague many older areas and their resident minority families. While just 8.5 percent of the Commonwealth's white population is poor, approximately 27 percent of the state's black residents and 31 percent of Hispanics are. Moreover, these groups are heavily concentrated in Pennsylvania's older areas, guaranteeing that the poverty rate in these communities far exceeds the outer suburbs'. In 2000, for example, 13.3 percent of those living in older communities in 2000 remained poor, compared to only 6.2 percent in the outer suburbs. And the distress appears to be seeping outward: The poverty rate in both the cities and the boroughs actually decreased slightly over the decade, while it rose in the inner-ring first-class townships by nearly 2.6 percentage points, from 4.9 percent to 7.5 percent.

Meanwhile, incomes are stagnating in the state's older communities even as they rise elsewhere. From 1990 to 2000, average household incomes in the state's outer townships rose by 7.4 percent, compared with only 2 percent in older areas.[9] By 2000, average household income in Pennsylvania's older municipalities was only $47,800, over $12,000 less than income levels in second-class townships. This disparity owes in large part to lower income levels in the Commonwealth's boroughs and cities. Most notably, Pennsylvania cities' average household income of less than $40,000 trailed the outer townships' $60,000 figure by a third, while inner-ring townships actually surpassed the outer areas. The city-suburb chasm was particularly acute in the **Philadelphia** region. In 2000, the outer suburbs of Philadelphia had the highest average household income level of all the areas included in this study, at $85,500, while the city and its surrounding towns and boroughs collectively had average household income levels of just $52,500.

Hispanic			Total Non-White		
Absolute Change	Share of Total Population 1990	2000	Absolute Change	Share of Total Population 1990	2000
126,435	2.7%	4.5%	370,839	18.0%	23.6%
96,064	4.9%	8.2%	217,298	33.2%	41.8%
20,585	0.9%	1.7%	83,413	5.3%	8.6%
9,786	0.9%	1.5%	70,128	6.5%	11.0%
35,389	0.8%	1.4%	128,166	3.1%	5.3%
161,824	**2.0%**	**3.2%**	**499,005**	**12.3%**	**15.9%**

Pennsylvania's older municipalities had much lower household incomes and higher poverty levels than the outer townships in 2000

	Average Household Income			Poverty Rate	
	1990*	2000	Percent Change	1990	2000
Allentown/Bethlehem/Easton					
Older Pennsylvania	$47,816.18	$47,307.28	-1.1%	9.3%	11.6%
2nd-Class Townships	$62,960.34	$66,651.39	5.9%	3.8%	3.7%
Metro Total	$52,502.26	$53,987.26	2.8%	7.5%	8.7%
Erie					
Older Pennsylvania	$37,287.89	$37,355.75	0.2%	18.4%	17.8%
2nd-Class Townships	$55,145.29	$55,633.36	0.9%	6.4%	5.9%
Metro Total	$45,075.50	$46,004.87	2.1%	12.8%	12.0%
Harrisburg					
Older Pennsylvania	$48,524.53	$49,795.92	2.6%	10.3%	10.5%
2nd-Class Townships	$54,701.22	$59,132.74	8.1%	5.0%	5.5%
Metro Total	$51,221.58	$54,069.57	5.6%	7.8%	8.1%
Lancaster					
Older Pennsylvania	$48,446.12	$49,364.77	1.9%	10.4%	10.6%
2nd-Class Townships	$57,591.92	$58,746.51	2.0%	6.4%	6.1%
Metro Total	$53,625.59	$54,888.91	2.4%	8.0%	7.8%
Philadelphia					
Older Pennsylvania	$52,702.06	$52,499.32	-0.4%	14.3%	16.1%
2nd-Class Townships	$80,623.67	$85,543.82	6.1%	3.1%	3.6%
Metro Total	$59,643.43	$62,019.13	4.0%	11.4%	12.3%
Pittsburgh					
Older Pennsylvania	$46,388.45	$48,666.60	4.9%	12.9%	11.9%
2nd-Class Townships	$49,486.55	$54,428.46	10.0%	10.0%	8.3%
Metro Total	$47,171.81	$50,259.46	6.5%	12.1%	10.8%
Scranton/W-B/Hazleton					
Older Pennsylvania	$38,754.94	$40,223.32	3.8%	12.3%	12.9%
2nd-Class Townships	$49,963.68	$53,126.69	6.3%	8.0%	7.4%
Metro Total	$41,899.74	$44,189.40	5.5%	11.0%	11.1%
York					
Older Pennsylvania	$47,510.32	$47,918.42	0.9%	9.5%	10.5%
2nd-Class Townships	$55,596.44	$57,710.78	3.8%	3.9%	4.1%
Metro Total	$51,884.07	$53,506.07	3.1%	6.3%	6.7%
Pennsylvania					
Older Pennsylvania	$46,854.52	$47,804.10	2.0%	13.5%	13.3%
2nd-Class Townships	$55,908.24	$60,068.52	7.4%	7.4%	6.2%
State Total	**$50,145.71**	**$52,681.23**	**5.1%**	**11.1%**	**11.0%**

Source: U.S. Census Bureau
**Adjusted for inflation*

WHAT THIS MEANS:

Despite anemic population growth, Pennsylvania is decentralizing while its older communities are declining. At the household level, at the metro level, in fast-growing regions and slow-growing ones, Pennsylvania's population, development, and employment are dispersing across the landscape, farther and farther away from its cores and traditional centers. Residents and households are streaming outward from the cities, boroughs, and close-in townships. Jobs continue to suburbanize. Commuting does too. Consequently, the second-class townships as a whole captured virtually all of the state's population growth, household growth, and nearly three-quarters of its housing construction in the 1990s. In short, the locus of growth in Pennsylvania has shifted decisively outward.

The outward tilt of the state's housing production accommodates the hollowing out of the state's cities and older places. New homes go up in response to local household demand for new or bigger housing. Household demand, in turn, increases when the number of households increases or a limited supply of housing exists to suit local tastes and lifestyles. However, on a metropolitan scale, these local dynamics can and are having deleterious side-effects in older communities. Studies show, for example, that regions where home construction far outpaces household growth, frequently also see the emptying out of homes and neighborhoods at the core.[10] In this fashion, heavy outer-ring development accommodates out-migration from older areas (although it doesn't necessarily cause it). Households tend to move out of existing communities when they move up to newer or bigger homes that are usually located farther out. Left behind in their wake are older homes in the core, with few new families or single buyers to purchase or renovate them. In that fashion, when the production of new housing far exceeds household growth, as it does in many Pennsylvania regions, older communities suffer.

Ultimately, the two patterns—excessive decentralization far out and urban decline close in—are associated phenomena that hurt everyone, but especially older Pennsylvania. Core decline is clearly abetting suburban sprawl, as crime, urban distress, demographic change, and sluggish economies intensify the outward drift of population and jobs. But so too is massive suburbanization making it easy for people and investments to leave. The toll can be seen most easily in the outer townships' gain of 538,000 residents during a decade when the state as a whole added only 400,000 people. These trends ensure that, on net, more than 100,000 people left older places for outer ones in the 1990s, transferring with them a massive increment of buying power, tax revenue, workers, and human capital. Nor was that the extent of the toll. Thanks especially to the selective out-migration of married couples with children, cities and other older communities increasingly must contend with the heaviest burdens of supporting the state's most vulnerable households (such as unwed parents and elderly persons living alone). They also must take the lead on bolstering the state's numerous neighborhoods with abandoned homes and declining property values. The costs of these responsibilities can further alienate families and investment, and so continue the cycle of decline, which ultimately burdens the entire state as negative conditions in older places elevate state service costs there. Ultimately, the simultaneous occurrence of sprawl and disinvestment—if left unchecked—threatens the stability and competitiveness of more and more Pennsylvania communities. Over time, these imbalances could widen the ring of decline and undercut more and more boroughs and the surrounding townships.

THE TREND: PENNSYLVANIA'S TRANSITIONING ECONOMY IS LAGGING

Employment growth is stagnating and trails the nation

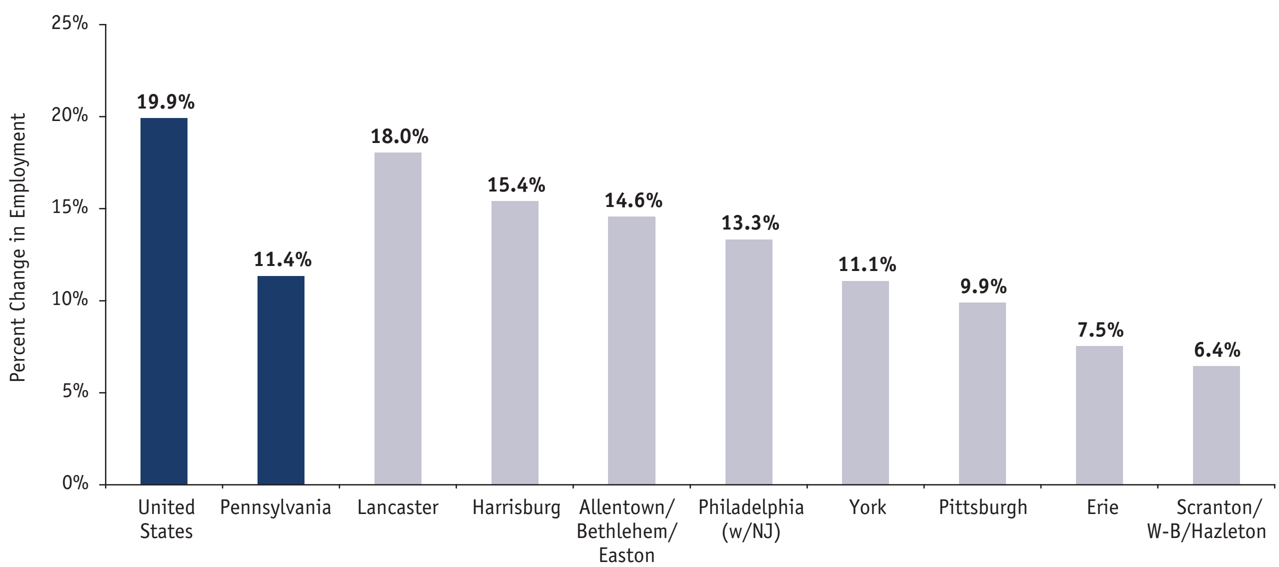
Pennsylvania ranks near the bottom of states in employment growth. Between 1992 and 2002 employment grew by only 11.4 percent in the Commonwealth, just over half the national growth of nearly 20 percent. Growth over this period, in fact, trailed every state in the nation but Hawaii, New York, and Connecticut. Recently, like the majority of other states, employment in the Commonwealth actually declined—by 0.5 percent—between 2001 and 2002, reflecting the national economic downturn.[11]

The state has experienced large numbers of mass layoffs recently. Pennsylvania had a total of nearly 290 mass layoff events in June, July, and August 2003 that affected almost 26,000 workers who filed claims for unemployment insurance. Only California, Indiana, Michigan, and Ohio had larger numbers of claimants during this three-month period.[12]

Unemployment still remains below the national average, but a high number of people have left the labor force. In July 2003, Pennsylvania's unemployment rate was 5.6 percent, compared to 6.2 percent nationally. The lowest unemployment rates in the state were found in the south-central regions of **Harrisburg**, **Lancaster**, and **York**, which boasted rates of 3.8, 3.8, and 4.8 percent respectively. Only **Erie's** unemployment rate (6.8 percent) exceeded the national average.[13] These figures may be somewhat misleading, however, as the actual number of people in the state's labor force declined by 125,000 from December 2002 to July 2003, the third-largest seven-month decline since 1970. These potential workers, many of whom may be discouraged by their employment prospects and no longer searching for a job, are not counted among the unemployed.[14]

Employment growth varies across the state's metropolitan areas. Among the eight featured metropolitan areas, the **Lancaster** and **Harrisburg** metropolitan regions saw the greatest long-term employment growth between 1992 and 2002. Employment increased there by 18 percent and 15.4 percent, respectively. These areas were, in fact, the only two that actually sustained employment growth, albeit at a far slower rate, from

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



Source: Bureau of Labor Statistics

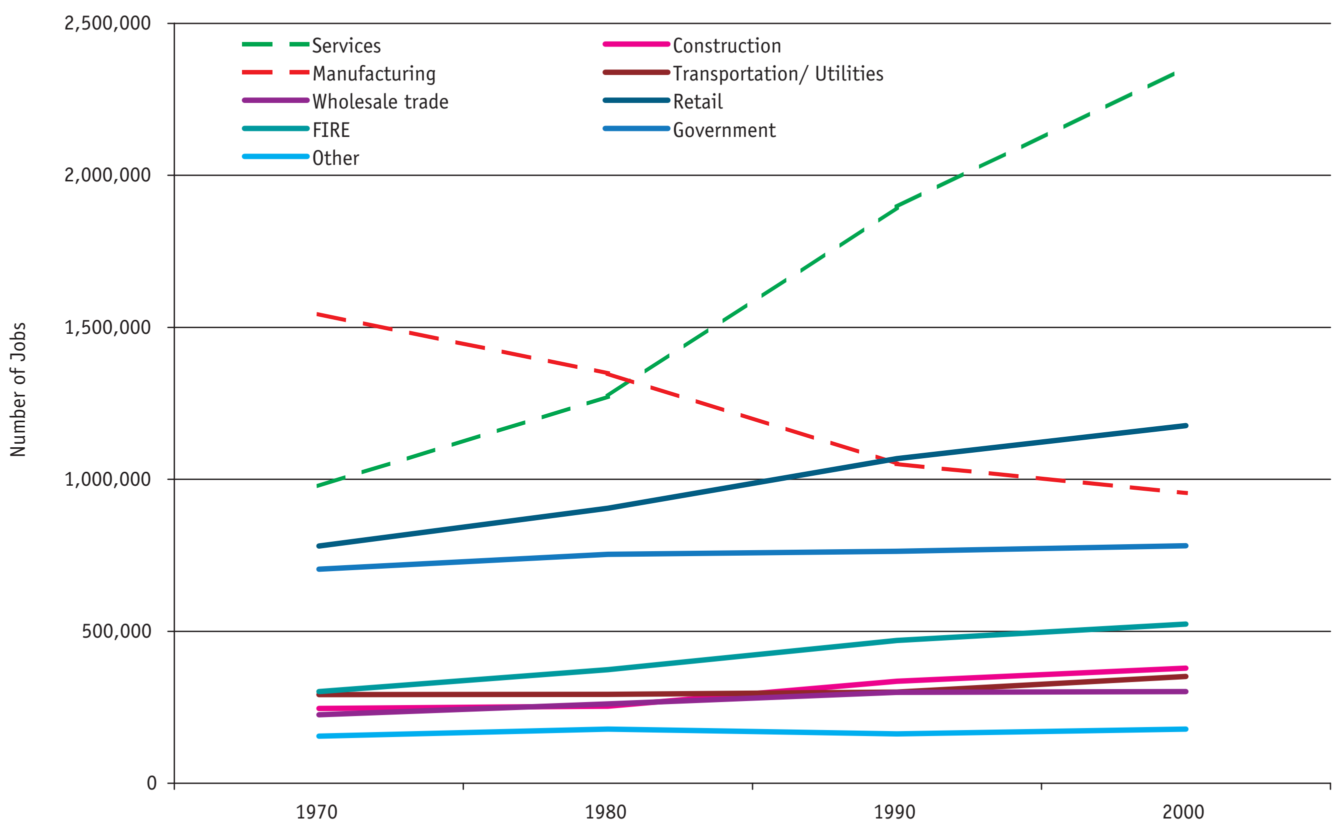
2001 to 2002. **Scranton/Wilkes-Barre/Hazleton**, meanwhile, fared the worst over the 10-year period, as employment grew by only 6.4 percent; it also saw the greatest decrease in employment (1.8 percent) from 2001 to 2002. **York** (with an 11-percent 10-year employment gain), **Pittsburgh** (with a 10-percent gain), and **Erie** (a 7.5 percent gain) also underperformed the state in long-term employment growth.[15]

The state's service sector dominates employment growth; manufacturing has plummeted

The service sector is the fastest growing employment sector in the state and now employs the majority of Pennsylvanians. Between 1970 and 2000, the Commonwealth's service sector grew by nearly 1.4 million jobs, or 142 percent. This rapid growth, coupled with losses in manufacturing jobs, has nearly doubled the state's share of employment in services from 19 percent in 1970 to nearly 34 percent today. This closely mirrors trends nationwide: The country as a whole saw the service sector's overall employment share increase from 19 percent to nearly 32 percent over the last three decades.[16] In 2001, the service sector contributed the highest overall share (23.7 percent) to the Commonwealth's gross state product; this slightly exceeded the sector's contribution nationally (22 percent).[17]

Health care and educational services flourish as strong sub-sectors of the state's service economy. Together, health and educational services constitute nearly 37 percent of the state's service sector jobs, compared to just over 29 percent of this sector nationally. In fact, Pennsylvania ranks fifth among states on its percentage of service jobs that are in education, and sixth in its share in health care. The combined sub-sectors' share of the state's overall employment exceeds 12 percent, compared to 9 percent nationwide.[18] These two sub-sectors also contribute a relatively high percentage to the state's gross product, compared to their contribution nationally. Health care services comprise 7.6 percent of state output, for example, while their share of the nation's gross product remains less than 6 percent. And although they represent a small part of overall output, educational services contribute a much larger share to the state gross product (1.7 percent) than to the U.S. gross product as a whole (0.8 percent).[19] These two segments give the state traction in two critical growth industries.

Service-sector employment has taken off in recent decades as manufacturing ebbed



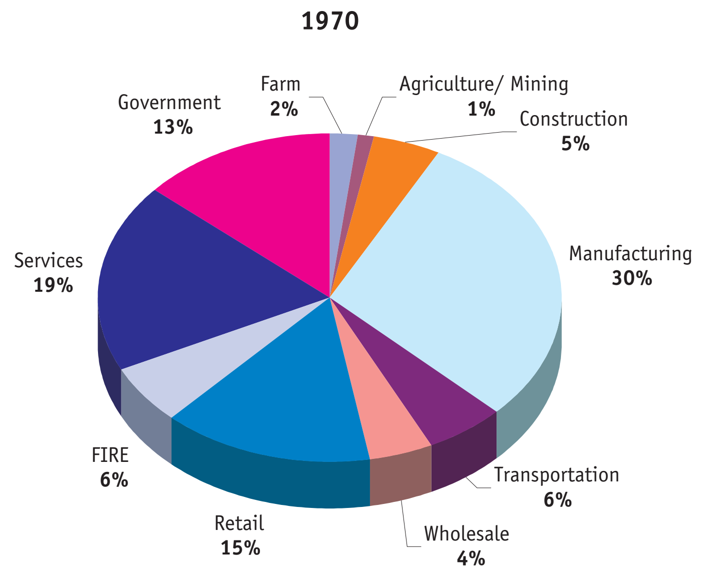
Source: Bureau of Economic Analysis

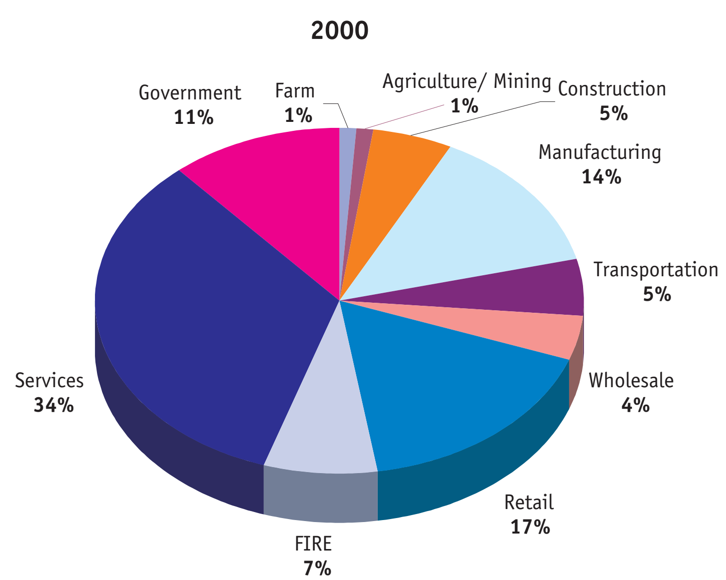
Retail employs the second-largest share of the state's workforce. The overall number of retail jobs in the state increased by almost 51 percent between 1970 and 2000. In 2000, nearly 17 percent of workers in the Commonwealth were working in retail establishments, up from less than 15 percent 30 years earlier. This is comparable to trends nationwide, where, on average over 16 percent of people were employed in the retail sector in 2000.[20] Retail trade makes up 9 percent of both the state's and the nation's total output.[21]

The number of manufacturing jobs in the state has declined dramatically, however. Between 1970 and 2000, Pennsylvania lost over 38 percent of its manufacturing jobs—nearly 600,000 in total—compared with less than a 3-percent drop across the nation. In fact, by 2000, the overall share of employment in manufacturing had slipped from a substantial 30 percent in 1970 to less than 14 percent today. Still, Pennsylvania's share of employment in this sector remains relatively high, as only 11.4 percent of Americans work in manufacturing nationwide.[22] In 2001, the sector's share of overall gross state product (16.7 percent) topped that of the U.S. (14 percent), and was the third highest among the state's major sectors, following services and F.I.R.E.[23]

Pennsylvania's metro areas drive the economic performance of the state. The Commonwealth's 14 metropolitan

The share of Pennsylvania's employment in services nearly doubled between 1970 and 2000; meanwhile, the state's share in manufacturing has been halved



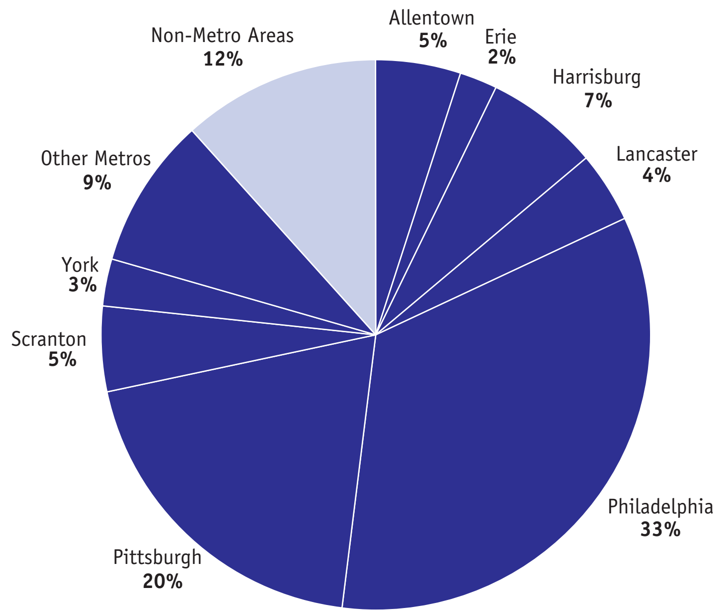


Source: Bureau of Economic Analysis

areas contribute 88 percent of the total gross state product. Combined, the Philadelphia and Pittsburgh regions account for over half of the state's overall output, with the contribution from the other six focus metros ranging from 2 percent (Erie) to 7 percent (Harrisburg).[24]

Metro area trends by economic sector generally reflect those of the state, with some variation. Both the **Philadelphia** and **Pittsburgh** metroplexes, for example, saw steep drops in manufacturing over the past 30 years, and by 2000, their overall share of workers in this sector (11 percent and 10 percent, respectively) was significantly smaller than every metro but **Harrisburg** (10 percent). Among metros, manufacturing's relative share of employment is highest in **York** (23 percent), **Erie** (21 percent), and **Lancaster** (21 percent). **Philadelphia** and **Pittsburgh** employ by far the largest share of workers in the service sector—40 percent and 36 percent respectively—followed by the **Lehigh Valley** (33 percent) and

Pennsylvania's metropolitan areas account for about 88 percent of the gross state product



Source: U.S. Census Bureau

The majority of Pennsylvanians work in occupations with average wages less than $30,000 per year; wages in the state generally lag those of the nation

Selected Occupation	Number Employed in Pennsylvania	Average Wage Pennsylvania	Average Wage United States
Office and Administrative Support	1,001,600	$25,340	$26,300
Sales and Related	592,000	$25,560	$27,990
Production Occupations	570,670	$26,740	$26,450
Education, Training and Library	319,940	$40,390	$37,900
Healthcare Practitioners and Technical	301,740	$46,420	$47,990
Business and Financial Operations	187,350	$44,520	$48,470
Healthcare Support	147,250	$20,780	$21,040
Computer and Mathematical*	105,950	$53,830	$58,050
Architecture and Engineering*	100,490	$50,780	$54,060
Legal*	37,450	$62,100	$68,930

Source: Bureau of Labor Statistics
**Occupations with average wages greater than $50,000 per year*

Scranton/Wilkes-Barre/Hazleton (34 percent). The share of employees in retail varies from over 19 percent in **York**, to 15 percent in **Philadelphia**, while, not surprisingly, **Harrisburg** boasts the largest share of government workers, at nearly 17 percent.[25]

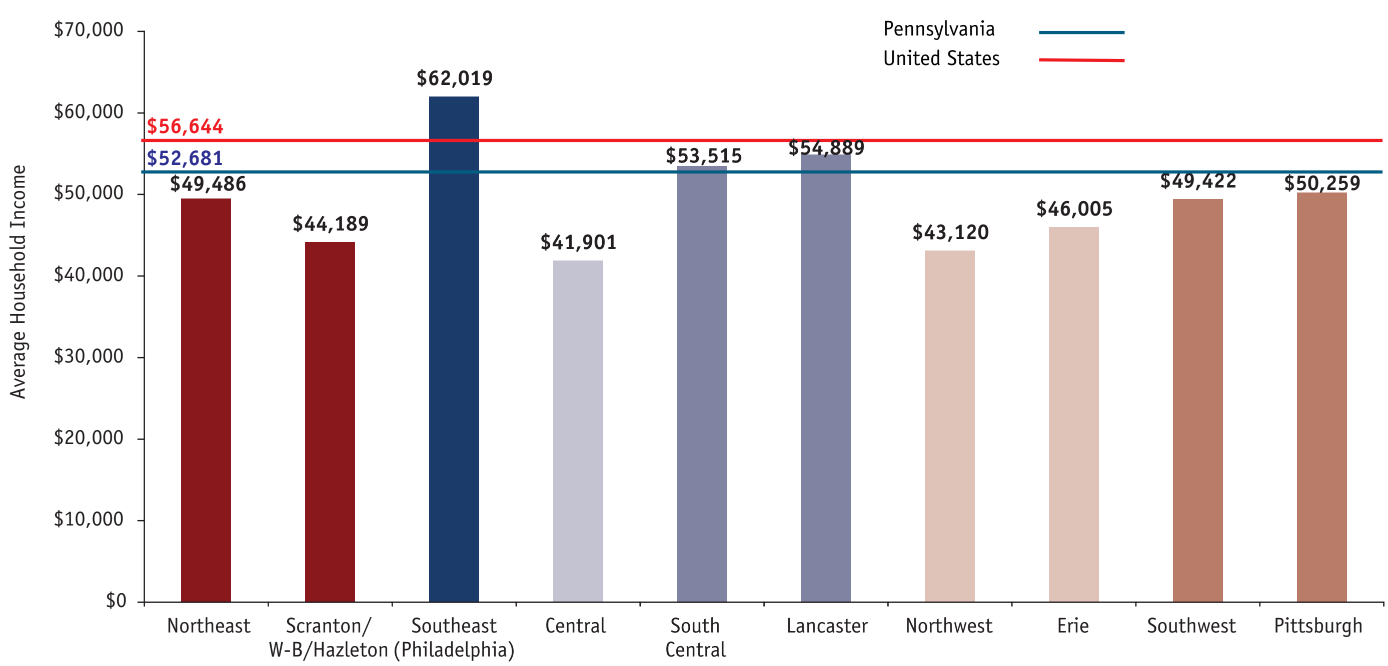
Wage and income levels lag the nation

Pennsylvania's wages, or average annual pay, trail both the nation's and other Mid-Atlantic states'. Employees in Pennsylvania earned an average of $34,976 in 2001, compared to $36,214 across the nation. While Pennsylvania's figure exceeded those in neighboring Ohio ($33,280) and West Virginia ($27,982), the state's pay lagged that in New York ($46,664) New Jersey ($44,285), Delaware ($38,434), and Maryland ($38,237).[26]

And wages are growing slowly. Average annual pay in Pennsylvania increased only 10.2 percent from 1991 to 2001, compared to 13.2 percent nationally, ranking the Commonwealth 32nd on this indicator.[27] More recent trends have shown little improvement. From 2000 to 2001, wages in the state rose only 2.8 percent; while slightly higher than the national average of 2.5 percent, this still ranked Pennsylvania 31st among states based on wage growth over this time period. This marks a substantial shift from the early 1990s. From 1991 to 1992, for example, only 11 states posted pay increases higher than those in the Commonwealth.[28]

A large percentage of the state's employees work in low wage jobs. Average earnings in the state lag thanks in large part to the state's employment makeup. According to data collected by The Reinvestment Fund 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 only 50.5

The southeast and south-central regions boasted the highest average household incomes in the state in 1999



Source: U.S. Census Bureau
**1989 Income is adjusted for inflation.*

percent nationally. These include, for example, jobs in office and administrative support, in which nearly 18 percent of the state's workers are employed, as well as those in food preparation and serving, sales, and healthcare support. Less than 11 percent of the state's employees worked in occupations with average earnings greater than $50,000 a year. This is only part of the story, however: It also bears noting that Pennsylvanians' average salaries across many occupations trail their counterparts nationwide. The average U.S. healthcare practitioner in 2000, for example, made $1,500 more per year than the same worker in Pennsylvania.[29]

Like wages, household income growth during the 1990s also trailed the nation's. As pay in the state lagged, so too did total household income. Average household income grew from $50,135 in 1990 to $52,681 in 2000, a total increase of 5 percent.[30] Only 10 states saw slower income growth over the decade. By comparison, household income grew 7.8 percent nationally during this time, so that in 2000, the average household nationwide enjoyed an income level of $56,644—nearly $4,000 more than the average household in Pennsylvania.

Not surprisingly, the state's two major metropolises enjoy the highest pay; meanwhile, the southeast and south-central regions lead the state in household income. The 2001 average annual pay of workers in the **Philadelphia** area led the state, at $40,222, followed by greater **Pittsburgh**, at $35,021.[31] By this measure, these regions ranked 27th and 65th, respectively, among the nation's 318 metropolitan areas. By comparison, Hartford ($43,882) and Detroit ($42,613) boasted higher average annual salaries than the state's largest employment center, while wages in Baltimore ($37,493) and Cleveland ($35,513) surpassed those in Pittsburgh.[32] However, while Philadelphia also enjoyed the highest household income levels ($62,019) in the state in 2000, Pittsburgh had one of the lowest ($50,259)—only **Erie** and **Scranton/Wilkes-Barre/Hazleton** were lower. But Pittsburgh's income level may be improving: During the decade, income growth in the region outpaced that in the Commonwealth's other metro areas, increasing by 6.6 percent.

College attainment is improving but still trails the nation

Relatively few Pennsylvanians possess college degrees. Many Pennsylvanians have graduated from high school—nearly 82 percent have, compared with 80.4 percent nationally—but relatively few have continued their education. In 2000, only 22.4 percent of the Commonwealth's population held a bachelor's degree, compared to 24.4 percent nationwide. Although B.A. attainment levels in the Commonwealth have improved considerably since 1990 (when only 18 percent of residents had completed college), Pennsylvania's relatively older population ensures the state still ranks 30th among the states in college graduates—lower than all of its neighbors but West Virginia and Ohio. Furthermore, the state ranks even lower—33rd—on the number of its residents that have earned associate's degrees.[33] The share of state residents with graduate or professional degrees is a relative bright spot, though; at 8.4 percent, this share only slightly lags the national average.

Only Philadelphia posted higher shares of college graduates than the national average. In 2000, **Philadelphia** was the only metropolitan area in the state where the percentage of residents with college degrees—29 percent—exceeded the U.S. average. Levels in the **Pittsburgh** (23.8 percent) and **Harrisburg** metro areas (22.6 percent) were higher than those statewide, but still lower than the nation as a whole. The percentage of college graduates was lowest in **Scranton/Wilkes-Barre/Hazleton** (17.4 percent) and **York** (18.4). **Lancaster** had the lowest percentage of residents with high school degrees (77.4 percent), while **Erie** had the highest (84.7 percent).

Finally, education levels are particularly low in the state's cities, badly trailing the state and metro area rates. The percentage of high school graduates living in Pennsylvania's cities is only 74 percent, nearly 8 percentage points lower than the state average. B.A. attainment in the Commonwealth's cities—17.3 percent—also lags. These disparities can be seen across all the state's metro areas. Only 69 percent of York city residents have a high school degree, for example, compared to nearly 81 percent in the region as a whole. And while the percentage of metro Philadelphia's population that holds a B.A. is fairly high (29 percent), levels in the area's cities only average 17.6 percent.

WHAT THIS MEANS:

Pennsylvania's economy is languishing. Based on major indicators such as employment growth and wage levels, Pennsylvania's economy clearly lags behind other states. Comparatively speaking, the state has seen little employment growth over the past decade, wages are low, and increases in average annual pay aren't keeping pace. Given that wages and salaries comprise approximately 75 percent of family income, most Commonwealth households outside of the Philadelphia region do not enjoy the income levels experienced by much of the country.[34] These trends are likely due, in part, to the relatively low percentage of state residents with more than a high school degree, an aging workforce with modest skills, a loss of young workers to other states, and an occupational structure that generates primarily low-paying jobs. In short, Pennsylvania appears stuck in a cycle of malaise: As the state tries to manage the shift from a manufacturing economy to one dominated by services and retail, it is creating more low-wage positions rather than higher wage ones. At the same time, its ability to attract higher wage jobs is compromised by its difficulties in retaining the young, skilled workers required to fill them. Ultimately, as wages and income growth slip, so, too, do the revenues regional economies need to invest in their long-term competitiveness.

"Pennsylvania's ability to attract higher-wage jobs is compromised by its difficulties in retaining young, skilled workers..."

III. THE CONSEQUENCES OF HOW PENNSYLVANIA IS GROWING

Pennsylvania's growth and development trends have their benefits. Slow growth has bred stability and, in some quarters, contentment. Moreover, the shift of population, jobs, and home-building to the fringe reflects the preferences of many Pennsylvanians. This shift has accommodated many Pennsylvanians' choice of where to live, and replenished the state's aging housing stock with an abundance of tidy new suburban homes.

But the fact remains that Pennsylvania's strikingly uneven patterns of fast low-density sprawl, core decline, and slow overall economic growth are likely limiting the state's future prospects. In this fashion, the following pages document that:

- ***Sprawl is degrading the state's original source of competitive advantage—its superb natural landscape***
- ***Decline is weakening the state's pivotal cities, towns, and older suburbs***
- ***Sprawl and core decline are each imposing costs on taxpayers and local governments***
- ***Current demographic and development trends are undercutting the state's economic competitiveness***
- ***Current trends are isolating low-income and minority residents***

Here, then, are five consequences of the state's current growth patterns that Pennsylvanians should keep in mind as they plan their future.

THE CONSEQUENCE: RAPID LAND CONSUMPTION CONTINUES DESPITE SLOW GROWTH

Rampant land conversion is a first consequence of the way Pennsylvania is growing. Quite literally, development-as-usual is consuming the Commonwealth's traditional rural landscape of farmland, forests, wetlands, and open spaces.

But the toll is more than environmental. As the years go by, the state's dispersing, ultra-low-density development patterns are also eroding a key element of the state's economic competitiveness: the productive landscape that William Penn celebrated as "a good and fruitful land."[1] Ultimately, this erosion is squandering the state's original source of competitive advantage: its superb quality-of-place.

Vast tracts of forest, river valley, and pasture have been developed in an increasingly rapid and inefficient manner

Overall, Pennsylvania developed some 1.14 million acres, or 1,800 square miles, of fields, open space, and natural land between 1982 and 1997—the sixth-largest such conversion after Texas, Florida, Georgia, North Carolina, and California.

This also means that fully one-third of all the land that the Commonwealth has ever urbanized since its founding was developed in just 15 recent years.

Put another way, over those 15 years the state consumed land at a rate equivalent to 209 acres a day, or 9 acres an hour, every hour.

Yet, that is merely the extent of recent land-use conversion. Just as disturbing is the inefficiency of this urbanization.

Amazingly, the 47-percent increase in Pennsylvania's urbanized footprint registered between 1982 and 1997 took place at a time when the population grew just 2.5 percent.[2]

Overall, the state developed nearly 4 acres of land for every new resident between 1982 and 1997, versus the national average of 0.60 acres per new resident. This means that Pennsylvania—one of the slowest growing states in the nation—squandered more land per person than every other state except Wyoming.

The extent of this wastefulness varies among the state's metro areas. In general, almost all of the metropolitan areas developed land far less efficiently than the national average. The starkest examples are metropolitan Pittsburgh, Erie, and Scranton/Wilkes-Barre/Hazleton, which all generated some of the most inefficient development in the nation. Metro Pittsburgh was the clear standout in this regard. Among the nation's largest metropolitan regions no area can compete with Pittsburgh for profligate land consumption per household. But Scranton

Pennsylvania urbanized nearly four acres of land for every new resident between 1982 and 1997—more than any other state but Wyoming*

Rank		Land Urbanized per New Resident (Acres)
1.	Wyoming	5.64
2.	**Pennsylvania**	**3.90**
3.	South Dakota	2.33
4.	Ohio	2.11
5.	Kentucky	2.09
6.	Louisiana	2.02
7.	Montana	1.77
8.	Michigan	1.73
9.	Maine	1.69
10.	Alabama	1.53
	United States	0.60

Source: U.S. Department of Agriculture Natural Resources Inventory, U.S. Census Bureau

**Population change between 1982 and 1997 was estimated using deccenial census data. Land use figures are based on USDA NRI samples and are therefore estimates* (which lost population) and Erie (which barely grew) also converted huge amounts of territory to pavement, parking lots, and lawn. In contrast, metropolitan Lancaster grew far more efficiently than the other metropolitan areas. Aided by its well-known regional planning efforts, the region developed a modest 46,400 acres to accommodate 37,000 new households between 1982 and 1997. That meant metro Lancaster needed just 1.26 acres of land to accommodate each new household.

In short: Pennsylvania proves that suburban sprawl isn't about the amount of growth so much as *how* one grows.

Land consumption has been accelerating, moreover

Nor has the pace of land conversion abated. To the contrary: Land development has been gaining speed in Pennsylvania.

Between 1982 and 1987, the state urbanized 182,600 acres to consume 7.5 percent more land. Between 1987 and 1992, it developed 433,500 acres to increase its urban area 16.6 percent. And between 1992 and 1997, the state converted another 529,000 acres as its urban footprint grew by 17.4 percent more despite an only moderate up-tick in population growth.

Inefficiency has also grown at the individual household and lot level. By the 1990s the land-consumption rate hit 3.8 acres per new household—nearly three times what it had been in the 1980s. Once again: Sprawl turns out to owe less to the amount of the state's growth as the manner of it.

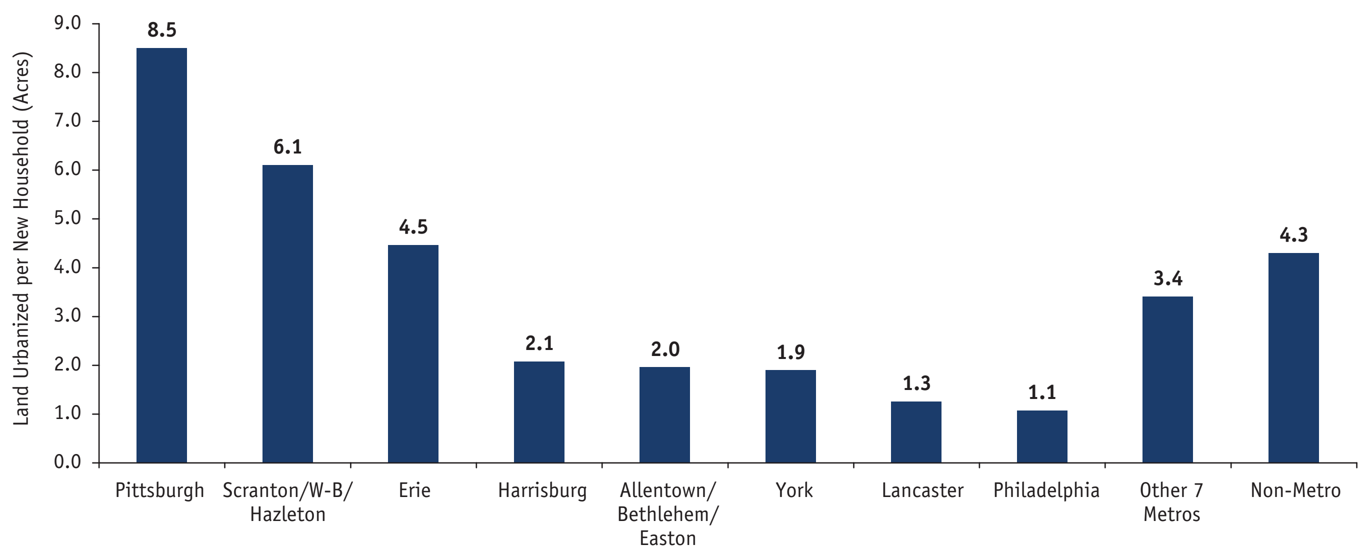
Farmland and pastures are being lost

Also giving way to development has been the state's nationally known farm country—some of the richest agricultural land anywhere. This is the loss many Pennsylvanians regret as they watch the steady march of factory outlets, subdivisions, and industrial parks across the open fields of York, Lebanon, and Lancaster counties.

Between 1982 and 1997, Pennsylvania converted some 420,000 acres of cropland, of which 332,000 acres were designated "prime farmland." Altogether, these declines meant that the state lost 8 percent of its best farmland in the 1980s and 1990s as nearly 40 percent of the state's development took place on cropland. This conversion took place where the pressures of urbanization are greatest—across the faster-growing piedmont counties of the south-central and southeastern regions. There, nearly half of Pennsylvania's population lives on about 16 percent of its land. Not surprisingly, these counties accounted for 40 percent of the state's prime farmland losses over the two decades.

Such land losses coincide with the disappearance of 12,600 farm jobs statewide between 1980 and 2000—a loss of 13 percent of the state's farm employment.[3] Other parts of the rural economy,

Metro Scranton/Wilkes-Barre/Hazleton and Pittsburgh, which both lost population between 1982 and 1997, consumed even more land per new household than other regions

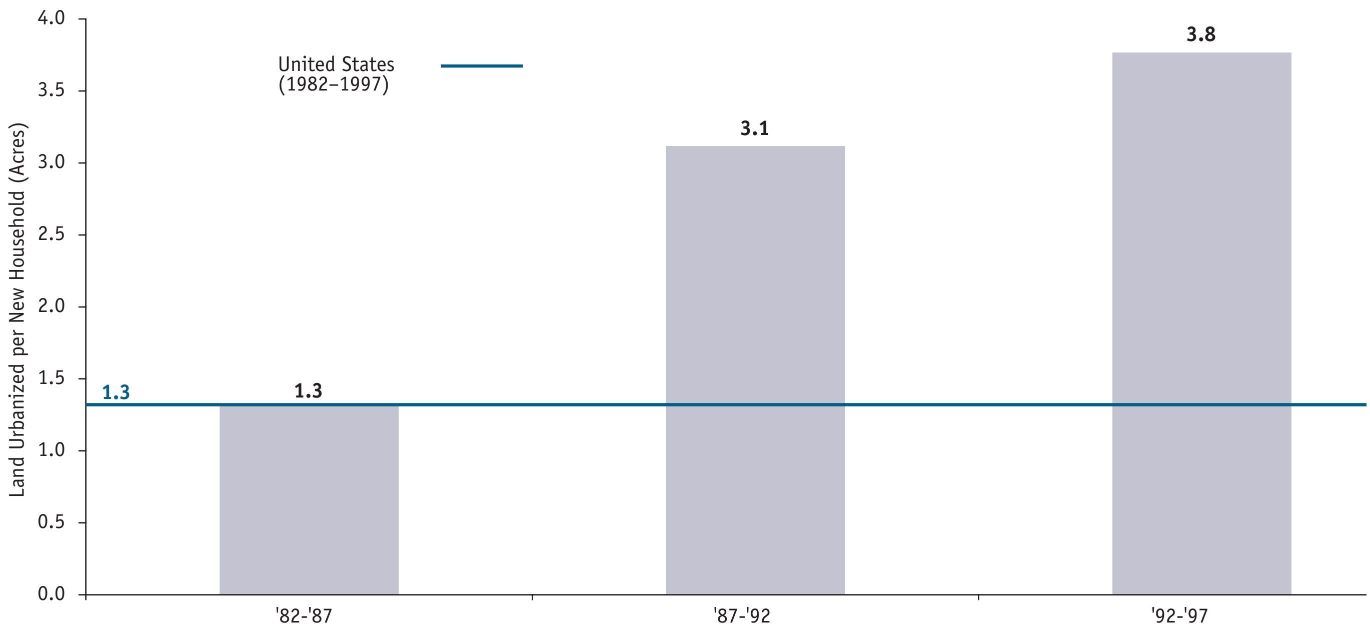


Source: U.S. Department of Agriculture Natural Resources Inventory

Sprawl without Growth: The Pittsburgh Metropolitan Area

The Pittsburgh metropolitan area epitomizes how a region can rapidly urbanize land without growing much—or, in this case, while actually losing population. Metropolitan Pittsburgh developed an astonishing 202,000 acres of land—or 315 square miles of it—even though it lost 166,000 residents between 1982 and 1997 and gained just 24,000 households. This means the region urbanized an astounding 8.5 acres for every new household it added over the 15 years, compared to just 1.3 acres nationally. Implicit in this development has been a drastic reshuffling—and relocation—of the population within the region. Between 1980 and 2000 metro Pittsburgh's older communities lost a total of over 255,000 residents, while exurban townships actually grew by 42,000. However, the region's land consumption also reflects land-use inefficiency. Over time, the region's already-high acres-per-household land urbanization jumped up from 6.3 acres per household in 1982–1987 to 10.3 in 1987–1992 before settling at 8.5 acres in the 1990s. This makes Pittsburgh by far the worst-sprawling large metropolitan area in the country. Astoundingly, Pittsburgh urbanized four times and five times more land per household than Cleveland and Detroit, two of the nation's other leading paragons of sprawl.

Pennsylvania's land consumption per new household has grown more inefficient over the years



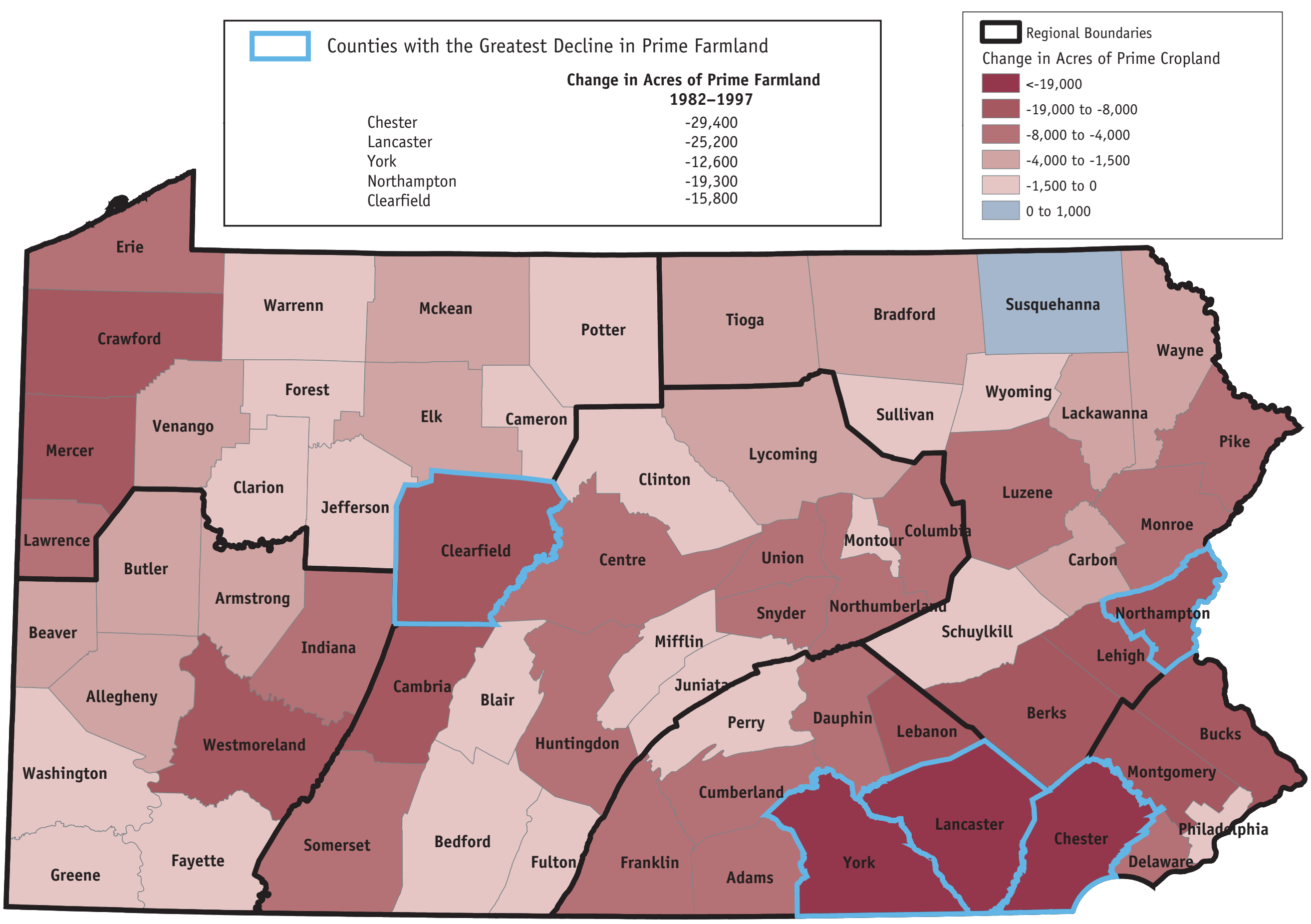
Source: U.S. Department of Agriculture Natural Resources Inventory

such as the state's $10 billion fishing and hunting industries, may also be undercut.[4]

Finally, Pennsylvania's extremely inefficient development patterns impose significant environmental, watershed, and quality-of-life costs on the state as a whole

The paving over of thousands of acres of once-porous surfaces has led to faster flows of water and increased flooding.[5] Run-off from pavement, urban sewer discharges, and other development-related impacts contribute to the impairment of a third to a half of the state's 5,273 miles of officially "impaired" streams, according to data from the U.S. Environmental Protection Agency.[6] And then, too, the steady urbanization of more and more of the state's most beckoning landscapes incrementally subtracts from what is special and distinctive about the Commonwealth. In short, Pennsylvania is losing exactly the scenes and scenery that once made it a sought-after place to live.

The growing southeastern and south-central portions of the state lost the most prime farmland between 1982 and 1997



Source: U.S. Department of Agriculture Natural Resources Inventory

THE CONSEQUENCE: NEIGHBORHOOD DECLINE IS WEAKENING MANY OF THE STATE'S CITIES, BOROUGHS, AND ESTABLISHED TOWNSHIPS

A second consequence of Pennsylvania's current development pattern is a progressive draining of people and vitality from the Commonwealth's older neighborhoods, both rural and urban.

Certainly, Pennsylvania remains a Commonwealth of towns—a state of brick-built row-houses, old-style commercial blocks, and human-scaled streets and hamlets among which generations of Pennsylvanians have walked, shopped, worked, and entertained themselves.

However, a welter of indicators points to malaise. Boards shutter buildings. Once-bustling main streets have grown deserted. And in many places a formerly palpable sense of community has dissolved. In short, the hollowing out of Pennsylvania's urban regions and country boroughs that has accompanied their outward spread has thinned the physical and human fabric of the Commonwealth's cities, boroughs, and older suburban townships. Now, a dynamic of decline prevails that requires urgent action to reverse.

Current development patterns are turning the state's original locations of choice into communities of those left behind

As recently as 1950, nearly 80 percent of Pennsylvanians chose to live in towns, rural and urban boroughs, or inner-ring townships that housed people of varying ages and incomes. Back then, everyone from factory managers and middle-class families to the elderly and young workers sought out close-knit communities that promoted "upward mobility and gave everyone a stake in maintaining public order," as observes the Pottstown author Thomas Hylton, who grew up in an apartment building in Reading.[7]

But those days are gone. Thanks to decades of changing tastes, selective out-migration, demographic shifts, slower immigration, and tilted state and federal policies, Pennsylvania's older municipalities have lost their status as communities of choice. Gradually, the rich demographic mix of older Pennsylvania has thinned as population, households of all types, and especially married couples with kids have chosen the suburbs.

These changes are taking a drastic toll on the homes and market conditions of older neighborhoods

Slow overall growth, combined with the state's suburban-tilted development pattern, ensures that older neighborhoods must contend with soft real estate markets, a lack of newer housing, and elevated vacancy rates. In the worst-hit regions, whole neighborhoods have declined into abandonment and rubble.

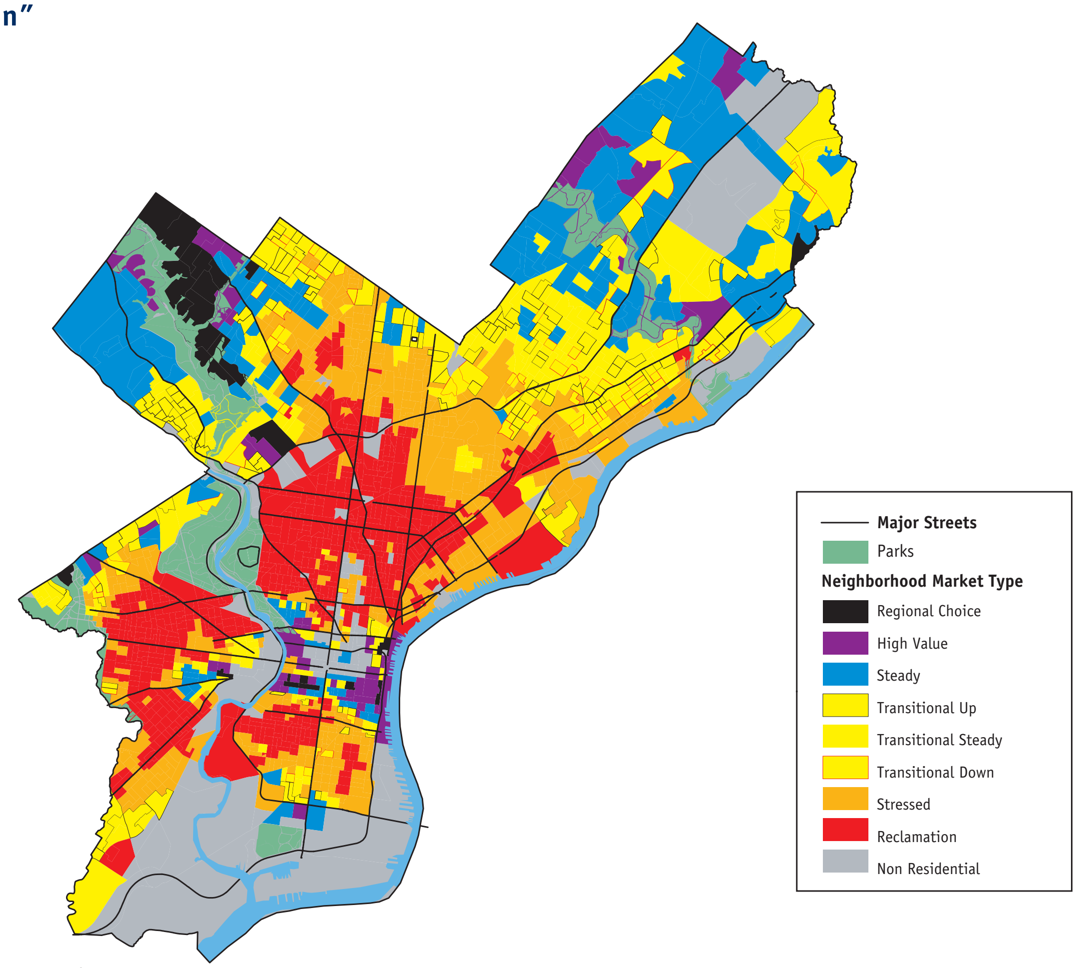
Signs of stress abound:

Homes are aging. Having garnered just 28 percent of the state's new housing units in the 1990s, the established municipalities of Pennsylvania must now make do with a much older collection of structures than the outer townships. Specifically, more than 50 percent of the housing units in older municipalities went up prior to 1950, and 40 percent prior to 1940. In cities, 61 percent of the units are 50 years old or older. By contrast, only 23 percent of the outer townships' housing stood before 1950. There nearly one-fifth—or almost 400,000—of the units went up in the past decade alone.

Housing vacancy is steep and on the rise. Across the more urban municipalities, 7.7 percent of total housing units remained empty in 2000, almost double the 4 percent vacancy rate in the second-class townships. Only first-class townships saw lower vacancy rates than the outer townships statewide, but that pattern held only in a minority of regions. And vacancy rates have worsened over the last two decades in the regions' cores. For instance, the share of vacant homes in the state's cities have jumped from 7.9 percent in 1980 to 10.4 percent in 2000. In the 1990s alone, 706 older jurisdictions-—43 more than in the troubled 1980s—saw their vacancy rates increase, despite the good economic times. By contrast, the outer townships were the only municipality type that saw its vacancy rate improve. There vacancy eased from 4.6 percent to 4.0 percent in the last two decades.

Home values are lagging. Home values generally recovered in the 1990s from their 1980s declines and began to appreciate. But that did not occur everywhere. The average value of owner-occupied homes in cities and first-class townships dropped in the 1990s while statewide boroughs enjoyed modest appreciation. For their part, homes in outer areas appreciated by 3.2 percent. On balance, though, home values in older jurisdictions trailed those in the second-class townships. Statewide, the aver-

Vast swaths of the City of Philadelphia are classified as either "stressed" or in need of "reclamation"



Source: The Reinvestment Fund

age home value of $103,000 in older municipalities trailed the $145,000 outer-suburban figure by nearly 30 percent. In cities and boroughs, home values averaged just $74,000 and $100,000, respectively. Only in the first-class townships did the aggregate average home value statewide exceed that in the outer ring—though once again this was true only within the seven smaller metros and in Lancaster and York. Another sign of softness has been highlighted by The Reinvestment Fund's (TRF's) 2001 "Choices" report, which reported on home-sale trends for homes purchased and sold between 1982–1999.[8] TRF notes that among four cities studied—Philadelphia, Boston, Chicago, and Denver—Philadelphia saw the highest percentage of sales resulting in losses: nearly 57 percent. Overall, the average home in the Philadelphia metropolitan area depreciated during the 1990s, according to TRF.

And whole neighborhoods are being abandoned. Some neighborhoods in the City of Philadelphia epitomize, in drastic fashion, the ultimate stage of decline that plagues urban Pennsylvania: wholesale abandonment of structures and property. There, some 29,000 buildings and 30,000 lots stood vacant in 2000.[9] Such numbers account for more than 5 percent of all the city's buildings and lots. Moreover, they suggest that one out of every four residential blocks in Philadelphia has at least one abandoned house on it.[10] And abandonment has worsened since the 1980s. In 1984, only half as many lots—15,000—lay dormant in Philadelphia.[11] Neighborhood market analysis and mapping by TRF in support of the city's Neighborhood Transformation Initiative corroborates the extent of the malaise. TRF has categorized a full third of the the city's landmass—more than 44 square miles of it—as either "stressed" or in need of "reclamation," on account of deteriorated housing stock, numerous vacancies, and many demolitions.[12]

Abandonment trends in Philadelphia, moreover, provide additional insight into the geographical progress of decline. Important analysis by Research for Democracy, a collaboration between the Eastern Pennsylvania Organizing Project and the Temple University Center for Public Policy, shows that vacancy and abandonment has been spreading far beyond historical "hot spots" into previously healthy neighborhoods. This work demonstrates that even as blight intensified in particularly hard-hit neighborhoods like Logan Triangle the fastest spread of new abandonment is occurring around the next ring of more stable working class and lower middle class neighborhoods in Southwest Philadelphia and the Lower Northeast.[13] Decline is apparently contagious.

In 2000, older jurisdictions in Pennsylvania contained more older homes, more vacant units, and lower home values than the outer townships

	Percent Housing Stock Built before 1950	Vacancy Rate*	Average Home Value
Older Pennsylvania	51.9%	7.7%	$102,776
Cities	61.0%	10.4%	$73,479
Boroughs	52.7%	6.4%	$99,410
1st-Class Townships	29.6%	3.6%	$153,171
2nd-Class Townships	23.0%	4.0%	$145,183
State Total	**40.3%**	**6.2%**	**$120,741**

Source: U.S. Census Bureau
**Seasonal housing is subtracted out*

What is more, neighborhood decline—if left unchecked—can launch a "vicious cycle" of deterioration

Here, again, Research for Democracy has described how neighborhood malaise—once started—has become a "contagious self-sustaining process" in parts of older urban Pennsylvania.[14]

Decline can trigger a slide in property values. Looking at the "neighborhood effects" of blight, Research for Democracy quantified the negative impact of abandoned structures on other nearby structures by studying all 14,526 residential home sales in Philadelphia during 2000. What they found clarifies how distress can radiate and intensify. All else being equal, the researchers found, houses on blocks with abandonment in Philadelphia sold for $6,715 less than houses on blocks without it.[15] More generally, the closer a home stood to an abandoned property, the lower its price fell. The implication: Negative "neighborhood" trends can set more and more streets and then neighborhoods on a downward spiral as chains of depressed sale prices and lower appraisals wipe out property owners' incentives to maintain their properties.

Decline brings negative perceptions. At best, the deserted main streets and threadbare blocks of a Johnstown or an Erie reduce the aesthetic appeal of a town. At worst, dilapidated neighborhoods and empty factory shells are eyesores that depress the morale of residents and visitors alike. Such signs of decline seem to signal, as James Q. Wilson and George Kelling write, that "no one cares."[16] That signal in turn begets more apathy, more flight, more decline.

Decline erodes public health and safety. Abandoned properties and vacant lots also result in health and safety concerns. As many as 10 percent of all fires have been documented to occur in abandoned buildings.[18] Meanwhile, many public officials confirm that vacant lots and derelict buildings frequently degenerate into garbage dumps, plagued by rodent infestation.[19] Toxic waste hazards may also become a problem, whether on a small scale in connection with a single residential building, or as sometimes vast "brownfield sites" associated with the state's thousands of abandoned industrial works. This sort of blight induces more fear and disinvestment.

Decline breeds crime. Finally, neighborhood decline and abandoned buildings promote criminal behavior—the ultimate collapse of social health. For their part, Wilson and Kelling attribute this deterioration to the weakening of social control in distressed neighborhoods where middle-class families with a stake have departed while others turn inward in fear.[20] But other research underscores that dilapidated empty structures can act as literal staging areas or gathering places for criminals. Most notably, an Austin, TX study of crime rates in a distressed neighborhood found that crime rates on blocks with open abandoned buildings were twice as high as rates on similar blocks without them.[21] This association surely contributes to the significantly higher crime rates that afflict Pennsylvania's more urban municipalities. Once again, neighborhood decay initiates a vicious cycle of decline that makes a sagging neighborhood less and less livable. In part thanks to such deterioration, cities and boroughs struggle with significantly higher crime rates than the outer municipalities.

In the end, what Pennsylvania is losing as its older neighborhoods decay and change is something subtle and precious—its unique urban heritage

The Keystone State has no monopoly on strip-mall sprawl, homogenized new subdivisions, or slick office campuses. Every state has those. What Pennsylvania does possess in special measure, though, is character—authentic, human-scaled traditional neighborhoods of a kind they aren't making anymore. These neighborhoods—whether in rural hamlets, older townships, or big cities—possess the compact, convenient "New Urbanist" centers more and more people say they want to inhabit.[22] In these places, whether within Pittsburgh's Strip District or in downtown Pottstown or rural Duncannon, lie an abundance of urban-industrial loft spaces, and closely built historic neighborhoods prized by the nation's best-educated young workers, according to researchers like the Carnegie Mellon University/Brookings Institution economic development expert Richard Florida.[23] Surely, then, for Pennsylvania to lose these places would be to lose something of worth. In that sense, letting decline continue would be to diminish further the state's most authentic communities, its urban heart, its most likely source of competitive advantage.

In Philadelphia, home sale prices drop precipitously near an abandoned house

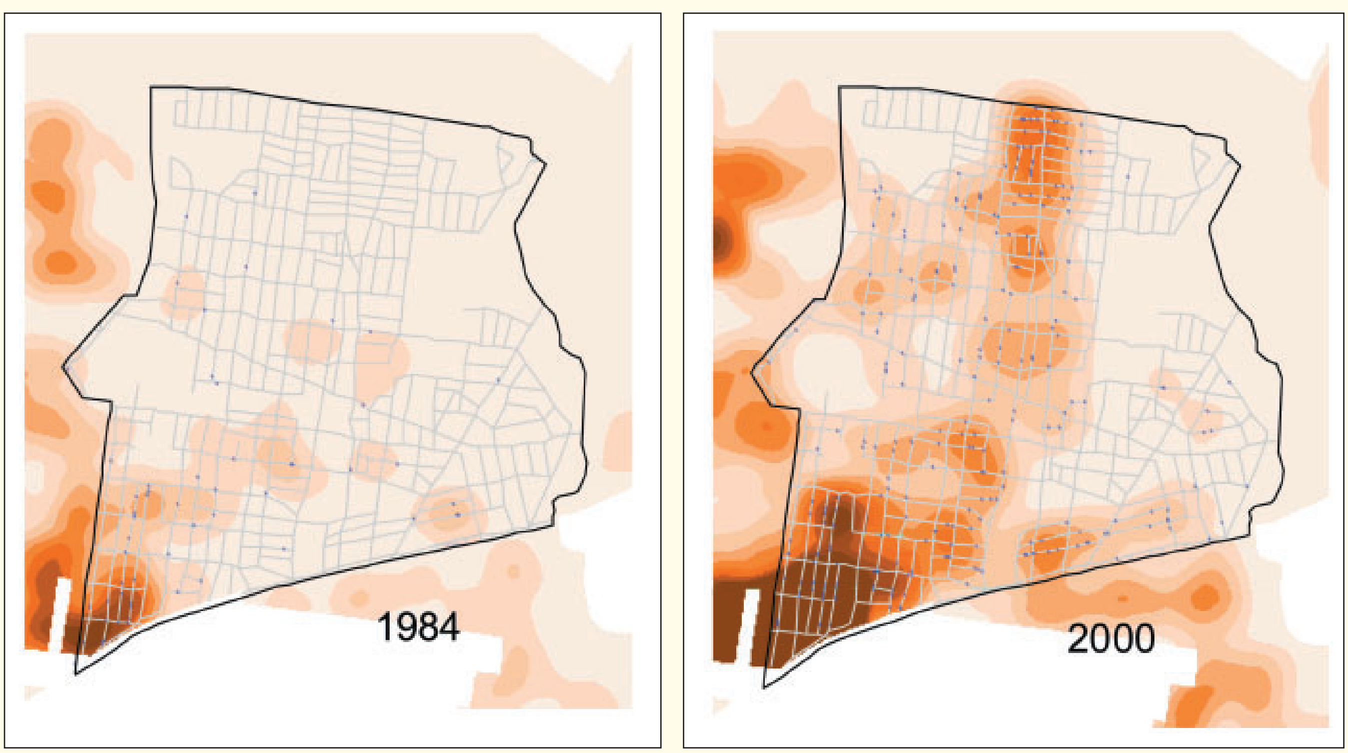
Distance from an Abandoned House	Net Impact on 2000 Sales Price
0 to 149 ft.	-$7,627
150 to 299 ft.	-$6,819
300 to 450 ft.	-$3,542
450 to 600 ft.	NS*

Source: Research for Democracy
**Not statistically significant*

Creeping Blight: Demographic Change and Growing Distress

The Olney neighborhood, in North Philadelphia, illustrates how blight—left unchecked—tends to spread. For many years, Olney has been a magnet for working class and lower middle class families seeking to own a home in a safe neighborhood, as reports Research for Democracy.[17] However, in the last decade white families drifted away, elderly homeowners died or moved into nursing homes, and the neighborhood experienced major population shifts, according to the group's research. Although crime increased, the neighborhood nevertheless became a focal point of immigration. But even so, vacant lots and structures proliferated. Between 1984 and 2000, the number of blighted lots and empty structures in Olney increased 765 percent from 80 to 659. The number of vacant houses alone skyrocketed from 56 in 1984 to 295. By 2000, abandonment had radiated far beyond an initial "hot spot" near Logan Triangle, and spawned an entirely new cluster in upper Olney.

Vacant Property in the Olney Neighborhood, 1984 and 2000*



Source: Research for Democracy
**Each dot represents a vacant residential structure. The colored patterns show the density of all vacant properties (structures and lots).*

THE CONSEQUENCE: SPRAWL AND CORE DECLINE ARE EACH BURDENING TAXPAYERS AND LOCAL GOVERNMENTS

Another consequence of the way Pennsylvania is growing hits rural and urban Pennsylvanians where it counts—in their pocketbooks.

It turns out that the simultaneous "blowing out" and "hollowing out" of Pennsylvania's residential and economic life represents a significantly more costly way to grow than development patterns that cure some of the older areas' ills and foster suburban development that is more compact and planned.

Hence the stark reality: Sprawl often fails to pay. And when it is accompanied by urban decay that motivates people to move away—as in Pennsylvania—it costs even more.

Research on the "costs of sprawl" has repeatedly documented that highly dispersed growth increases taxpayers' infrastructure and service costs

Central to this research is a fundamental insight: It matters where and how development occurs in a region or state. More precisely, it turns out that the geometry and geography of growth heavily determine its fiscal impact, since it frequently costs more to provide infrastructure and services to farther-flung communities where longer distances between houses and businesses increase the length of needed streets, sidewalks, water pipes, or police patrols.

Reflecting these realities, recent work by Robert Burchell and others—including Anthony Downs of the Brookings Institution—has quantified the added costs associated with scattered or sprawling growth. This research compared growth-as-usual to a scenario reflecting a modest 19.4-percent increase in density and a minimal 10-percent increase in floor area ratio (FAR) for non-residential uses—and reports substantial added costs under sprawl.[24] According to this modeling, the cost of local road building under sprawl runs about 13.4 percent more (on average, nationally) than that to support equivalent planned growth. For water and sewer system development, the costs of sprawl run nearly 7 percent more than for more focused development.

For Pennsylvania, maintaining the status quo development pattern over the next 25 years could cost taxpayers and governments nearly $1 billion in avoidable infrastructure outlays

Burchell and Downs conclude that Pennsylvania's highly dispersed development norm will require state and local governments to build 766 more lane-miles of roads and 96,615 more water and sewer laterals over the next 25 years than they might if they shifted to a moderately more compact growth pattern.[26] By national standards, these represent rather small additions to road demand and rather large extensions of water and sewer lines. In any event, the net result is that development-as-usual

Falling Behind: The Cost of Community Services in Rural York County

The manner and pattern by which land gets developed can affect communities' bottom lines—and residents' taxes. Recently, for example, the South Central Assembly for Effective Governance conducted a pair of "costs of community services" studies in rural Hopewell and Shewsbury townships in southern York County and found that in each place residential land development was generating less in revenue than it required in expenditures on services. These analyses, employing a methodology developed by the American Farmland Trust in the mid-1980s, hardly represent the last word on the complicated question of the development's fiscal impacts. However, they do provide a suggestive "snapshot in time" of the varying costs and revenues of different types of land use. And in Hopewell and Shewsbury, the studies found that low-density home development isn't paying it's way. Hopewell Township, for its part, spent $1.27 providing services to residential property for every $1 it took in during Fiscal Year 2000; Shrewsbury expended $1.22. Rarely does residential development pay for itself, and it has not in Hopewell and Shewsbury even as it increases the townships' tax base.[25]

will cost local Pennsylvania governments $580 million more in road construction costs and $393 million more in water and sewer infrastructure than would a more compact approach. That adds up to nearly $1 billion—not a huge amount over 25 years but real money nonetheless.

But the "costs of sprawl" represent only a part of the ledger; even more painful are the fiscal pressures caused by urban decline

Urban decay costs many Pennsylvanians because the decline of older neighborhoods that frequently accompanies suburban sprawl depresses property values, and therefore tax revenues.

Many "costs of development" accountings focus only on the new infrastructure bills coming due in suburban and rural areas, and ignore the additional, separate costs of urban decline. However, recent studies are beginning to establish that no cost exacts a higher toll on the financial stability of municipalities than the depreciation of urban and older-area property values due to decreased housing demand, increased abandonment, and general physical deterioration. This depreciation leads directly to either substantially higher tax rates for residents and businesses, lagging revenues for municipalities, or, most likely, both.

In Pennsylvania, the fiscal and economic costs of urban decline begin with those of abandonment

To be sure, the Commonwealth lacks any real sense of the fiscal cost of abandonment across the state. Nevertheless, Research for Democracy in Philadelphia provides initial insights.

Building on their work quantifying blight's adverse impact on home prices, the Temple researchers estimate the cost of vacant and abandoned properties on one city when they calculate, in their report "Blight Free Philadelphia," the potential fiscal benefits of a proposed public-private renovation and revitalization initiative.[27] That initiative proposes to reclaim virtually all the abandonment in 11 "Blight Free Zones" encompassing perhaps a quarter of the city. In this fashion, the projected growth in tax collections suggests the kind of costs associated with allowing widespread dereliction to persist. Read that way, the analysis confirms that the fiscal impacts of blight on one city's property values and tax collections can be serious. The bottom line: The costs of just the blight targeted for improvement by the "Blight Free" program run to nearly $19 million a year in foregone annual real estate tax collections, with most of the losses resulting from the depressed value of whole neighborhoods.

More broadly, stagnating property values in older communities place substantial pressure on governments and taxpayers

Overall, all classes of municipality saw their property tax bases appreciate in the 1990s, as the economy expanded robustly. However, according to a special analysis of state municipal finance data by Ameregis, Inc., the rates of growth varied substantially by place—and are seriously hampering some municipalities' efforts to raise the revenues they need to maintain services, provide amenities, and fend off further deterioration.

To begin with, property values in the Commonwealth's older, more central places stagnated as the outer townships appreciated between 1993 and 2000. These older areas failed to see their aggregate market value appreciate in inflation-adjusted terms during the decade, compared to the outer areas' $39 billion, 17-percent expansion. Cities lagged especially, and depreciated by more than 11 percent in inflation-adjusted market value, with Philadelphia alone losing $8.3 billion in real terms.

Over the next 25 years Pennsylvania's current growth trajectory could cost taxpayers nearly $1 billion in avoidable infrastructure outlays

Infrastructure Type	Required New Capacity under Sprawl	Added Cost under Sprawl ($ in Millions)
Roads	766 Lane-Miles	$580
Water/Sewer Infrastructure	96,615 Laterals	$393
Total		**$973**

Source: Robert Burchell and others, "The Costs of Sprawl—2000"

At the same time, trends in municipalities' available tax base per household—the truest measure of their ability to raise revenue—worked against older localities. Especially stark was a 10-percent decline in Pennsylvania cities' inflation-adjusted property tax base per household between 1993 and 2000. This resulted in a 3-percent decline in the cities' overall ability to raise revenue from property and earned income taxes combined. But the malaise was broader than that. Toward the periphery, solid income gains and property-value growth ensured that the developing townships' overall tax capacity rose 9.2 percent in inflation-adjusted terms. By contrast, Pennsylvania's older municipalities saw their total tax base per household stagnate. Their capacity to raise revenue increased by just 4.2 percent in constant dollars—less than half as fast as outer areas. The cumulative effect of this kind of disparity is that in 2001, the older municipalities had a tax capacity of just $457 per household, compared to $647 per household in the developing townships.[28] In sum, older Pennsylvania's fiscal capacity lags behind.

Ultimately, these trends—born of Pennsylvania's decentralizing development patterns—depress tax revenues and increase tax rates

Urban decline, in short, hits taxpayers doubly hard at tax time, as declining property values combine with increased municipal expenses to make it harder and harder to raise revenue. Ameregis' calculations quantify the crunch.

Given their slow appreciation in the 1990s, older municipalities would on average have to set their property tax rates more than *50 percent* higher than the outer townships—at .34 percent of market value, compared to .21 percent—to generate the state's average municipal preperty-tax revenue yield. For cities the necessary rate would be .49 percent of market value—more than *double* the outer townships' rate. Such facts describe why a constant upward pressure pushes on urban tax rates. These pressures represent one of the heaviest costs of Pennsylvania's unbalanced growth pattern.

Older communities' aggregate market value appreciated at a much slower pace than did the outer townships' between 1993 and 2000

	Absolute Change (in Billions)*	Percent Change*
Older Pennsylvania	$0.1	0.0%
Cities	-$9.8	-11.3%
Boroughs	$3.9	4.6%
1st-Class Townships	$6.0	7.2%
2nd-Class Townships	$39.3	17.0%
State Total	**$39.3**	**8.1%**

Source: Ameregis, Inc. tabulation of data from the Governor's Center for Local Government Services. Data do not include reports from every municipality
**Adjusted for inflation*

Older Pennsylvania's tax capacity per household grew about half as fast as that of the outer townships

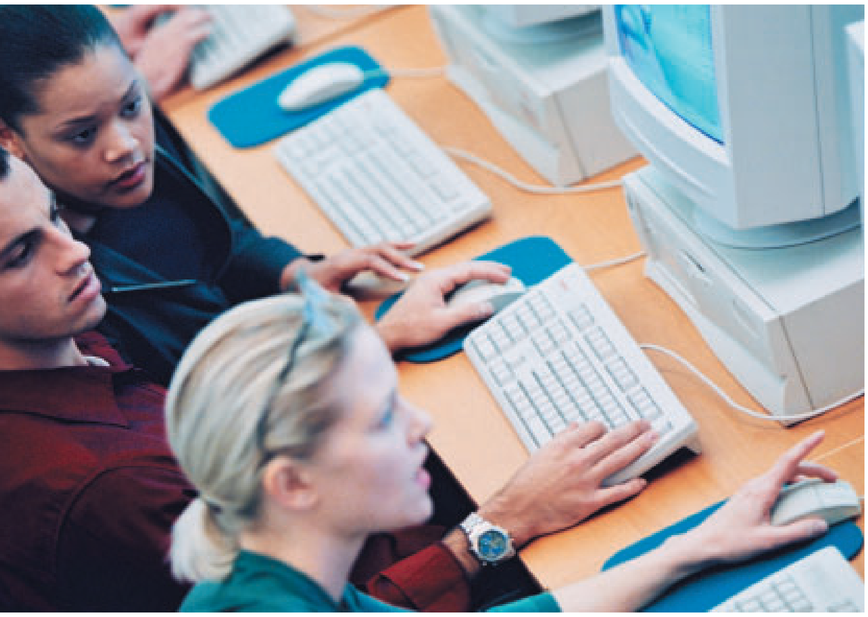
	Tax Capacity per Household		
	1993*	**2000**	**Percent Change***
Older Pennsylvania	$438	$457	4.2%
Cities	$372	$361	-3.0%
Boroughs	$395	$425	7.4%
1st-Class Townships	$671	$722	7.6%
2nd-Class Townships	$593	$647	9.2%
State Total	**$496**	**$532**	**7.3%**

Source: Ameregis, Inc. tabulation of data from the Governor's Center for Local Government Services. Data do not include reports from every municipality
**Adjusted for inflation*

THE CONSEQUENCE: CURRENT DEMOGRAPHIC AND DEVELOPMENT TRENDS ARE UNDERCUTTING THE STATE'S ECONOMIC COMPETITIVENESS

The tough realities of Pennsylvania's growth dynamics—losses of young workers, an aging workforce, shifting economic sectors and wage structures, wasteful use of land, and declining core economies—are also undercutting the state's ability to compete for jobs and talent.

Conventional wisdom on economic development used to be that workers went where there were employment opportunities. But in today's economy, it is becoming increasingly obvious that states and regions must also provide a physical and economic environment that can entice both people and jobs to locate in their communities. Unfortunately, Pennsylvania is struggling to do this—and that failure affects every Pennsylvanian.



Pennsylvania is suffering from a serious "brain drain"

Economists have long considered "human capital"—talented people generating ideas and innovations—a crucial factor of production and a primary driver of regional economic growth.[29] This is particularly true in the growing knowledge economy, as industries become ever more dependant on skilled, creative, and highly educated employees using and developing cutting edge technologies. As summarized by the Progressive Policy Institute, "when the most valuable input for many firms is the skills and talent of their workforce, a pool of skilled workers is the most important locational factor."[30]

Pennsylvania is clearly challenged in this regard. The Commonwealth lingers in the lower half of states based on its percentage of residents with bachelor's and associate's degrees. And while the state does an excellent job of attracting college and graduate students to its many universities and colleges—the state ranked sixth among states based on its number of college students in 2000—it has a markedly more difficult time retaining them after graduation.[31] A recent study by the Pennsylvania State Data Center reveals, for example, that between 1999 and 2001, Pennsylvania experienced a net loss of over 20,000 adults who had college or graduate degrees, over 13,000 of whom were aged 20 to 29.[32] The analysis also concluded that the state lost over 21,000 residents who had some college training.

New Brookings analyses of alumni records from two of Pennsylvania's leading universities corroborate the story: Over 80 percent of those graduating from the University of Pennsylvania between 1990 and 2000, and over 70 percent of Carnegie Mellon University (CMU) graduates, have since left the state. Most fled to such lifestyle and economic hot spots as New York, San Francisco, and Washington, D.C. Their arrival and departure represents a missed opportunity to increase the state's store of youthful talent.

The majority of Carnegie Mellon and Penn graduates leave Pennsylvania for New York, San Francisco, Washington, and other metro hot spots; Pitt and Temple graduates tend to remain in-state*

Current Residence	Carnegie Mellon University	University of Pennsylvania	University of Pittsburgh	Temple University
Pennsylvania	**27.7%**	**17.4%**	**74.2%**	**69.3%**
Philadelphia (PA)	2.6%	14.6%	6.3%	60.9%
Pittsburgh	22.5%	0.9%	46.8%	0.6%
Other	2.6%	1.8%	21.1%	7.7%
Outside of Pennsylvania	**72.3%**	**82.6%**	**25.8%**	**30.7%**
Boston	5.0%	5.3%	0.7%	0.8%
Chicago	2.4%	2.7%	0.7%	0.5%
Cleveland	1.3%	0.6%	0.8%	0.2%
Dallas	0.9%	0.7%	0.3%	0.2%
Detroit	1.5%	0.6%	0.4%	0.2%
Houston	0.9%	0.8%	0.3%	0.2%
Los Angeles	3.5%	5.7%	0.8%	1.2%
New York	15.3%	33.5%	2.8%	6.7%
Philadelphia (NJ)	0.8%	2.6%	0.7%	7.6%
San Francisco	8.4%	5.6%	0.6%	0.7%
Seattle	1.9%	1.0%	0.2%	0.3%
Washington	8.2%	7.6%	4.3%	2.9%
Other	22.3%	15.8%	13.2%	9.4%
Grand Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Alumni offices at each university
**Table shows percentage of undergraduate alumni residing in each area*
Data relfect most recent address of students graduating between 1990 and 2000

"Brain Drain": Young, Talented Workers Tend to Leave Pittsburgh Area

Despite Pittsburgh's transformation from a dingy steel town to white collar business center, the region continues to grapple with a serious "brain drain." From 1990 to 2000, for example, the metro area lost 26,000 young people (defined as the those who were age 15 to 24 in 1990 and 25 to 34 in 2000)—the fourth-highest such loss among metro areas in the nation. And while nearly 14,000 students receive undergraduate and graduate degrees in the Pittsburgh area each year, many of them don't stay after graduation.[33] This has led to a shortage of skilled workers in the region. In 1999, Campos Market Research in Pittsburgh conducted a series of focus group sessions that probed the problem. These sessions solicited the views of young knowledge workers who were either in the process of making or had already made their decisions about where to live, and yielded several findings. The study revealed, that while nearly all participants liked Pittsburgh, many felt "disconnected" from the area, and lamented a lack of particular cultural, natural, and recreational attributes that would encourage them to stay. The sessions also found that young workers don't believe the region offers the "thick" mass of high-tech employment opportunities required to sustain them over a career.[34]

Meanwhile, Pennsylvania's current workforce lacks the education and skills needed to meet the demands of the new economy

Pennsylvania's double whammy of an aging workforce and a net loss of young educated workers is leading to a shortfall of workers prepared to fill high-wage positions in certain key sectors and occupations:

Health Care. The state needs more health care workers. According to a new report by the Milken Institute, the health care workforce in Pennsylvania numbers 683,000, making it the highest concentration of health care employment among states. Greater Philadelphia is the third-most-concentrated "Health Pole" in the nation and Pittsburgh comes in 11th; seven additional Pennsylvania regions rank in the top half of the 317 metropolitan areas ranked.[35] Unfortunately, the Philadelphia and Pittsburgh regions are both experiencing a dearth of nurses, pharmacists, and technicians, for example, while nursing and other fields are experiencing shortfalls across the state.[36] As the state's population ages, moreover, the number of health care jobs—from EMTs to physical therapists—will continue to grow, exacerbating the shortages of trained workers.[37]

High Technology. Technology also represents a challege. Analysis by the Pennsylvania Department of Labor and Industry shows that many of the occupations with the highest expected job growth rates are projected to be in several technology fields, in both the goods- and services-producing sectors.[38] However, the Commonwealth's college graduates may not be attaining the skills necessary for these positions. "Computer and information sciences," for example, ranked only ninth among the top ten areas of study for the state's post-secondary graduates in 2000–2001. Moreover, the state's colleges and universities conferred only 3,563 bachelor's and associate's degrees in these fields of study compared to over 23,000 in business management and administrative services.[39] These trends could exacerbate skills shortfalls and depress growth.

Manufacturing. Skills deficits in heavy industry could even hurt the state despite its tradition of manufacturing prowess. Despite continued job losses, Pennsylvania's manufacturing sector remains a significant part of its overall economy, and still employs over 20 percent of workers in some of the state's metropolitan and rural areas. But technological advancements mean that manufacturers in the Commonwealth and throughout the U.S. will increasingly need better-trained workers over the next several years. [40] A 2001 nationwide study of manufacturers found, in fact, that over 80 percent were experiencing a "moderate to serious shortage" of qualified workers.[41]

The lack of a skilled and educated workforce is undermining the state's ability to attract high-paying knowledge jobs and cultivate entrepreneurialism

In its 2002 State New Economy Index, for example, the Progressive Policy Institute ranked Pennsylvania about average among states—26th in fact—in its share of total technology jobs in industries not considered to be "high tech." This measure is particularly meaningful to an "old economy" state like Pennsylvania, as it provides an indication of how well it is creating IT jobs in traditional industries like manufacturing and health-care administration.[42]

Various indicators also show that Pennsylvania is not among the most entrepreneurial of states. For example, the economic research firm Cognetics ranked the state just 44th in its 2001 "entrepreneurial hotspots" report, which measures the frequency with which new firms start and young firms grow in states and metropolitan areas.[43] Moreover, statewide job growth in new business start ups has been weak: From 1993 to 1998, Pennsylvania experienced less than 18 percent growth in employment in firms less than five years old—compared to 21 percent nationally.[44] Finally, the Commonwealth fell in the middle of the pack based on a 2002 ranking of its share of "gazelle" jobs—jobs in companies with annual sales revenue that grew 20 percent or more for four years in a row.[45]

Pennsylvania's unbalanced patterns of fringe sprawl and core disinvestment, finally, are reducing the choices, opportunities, and amenities attractive to young workers.

Pennsylvania may also be undermining the very qualities that could encourage the young and educated to one day choose the Commonwealth.

A growing body of research, much of it done at CMU, is identifying the locational assets that draw this set. This work shows, for example, that knowledge workers change jobs often and thus are more likely to choose a location that provides plentiful job opportunities, good wages, and an intellectual environment that facilitates "learning" and idea exchange.[46] As stated by CMU's Florida and Brian Knudson: "Creative educated working people will choose to live and work in those locations that enable them to improve upon and take as greatest advantage of their skills as possible."[47] Simply put, the best and brightest gravitate to labor markets that offer a considerable amount of job choice and allow rapid advancement up the career ladder.

Talented workers are looking for more than just a good place to work, however: They also want a good place to live. Richard Florida argues, for example, that "natural, recreational, and lifestyle amenities" are, in fact, essential to attracting the educated workers that new economy firms require.[48] Vibrant downtowns, a diversity of people, ethnic neighborhoods, lots of restaurants and stores, and a lively arts scene are just some of the attributes this group demands when choosing where to settle.

Unfortunately, itinerant young workers do not often enough find these attributes in Pennsylvania. Too rarely do young and mobile educated workers find in Pennsylvania the vibrant dowtowns, healthy urban neighborhoods, and rich, close-in job markets to which they gravitate. For this reason, the Commonwealth's current development and economic tendencies do not bode well for future revival.

THE CONSEQUENCE: CURRENT TRENDS ARE ISOLATING THE STATE'S LOW-INCOME AND MINORITY RESIDENTS

A final consequence of Pennsylvania's heavy decentralization of population and jobs stems from the widening distance that separates the state's dispersing middle class from those living in the Commonwealth's cities and older municipalities.

Throughout the state's metropolitan areas, more affluent and white households continue to push outward, fleeing older areas in pursuit of newer and bigger housing on the fringe. As businesses follow, the neediest families are left behind with increasingly limited access to employment opportunities, quality schools, and basic goods and services. This further impedes their efforts to move themselves and their children out of poverty and into the mainstream economy.

In short, Pennsylvania's growth is physically and socially unbalanced, which ultimately undermines the long-term health of its communities.

The flight of households and jobs away from Pennsylvania's older areas separates poor and minority residents from employment opportunities

In the late 1960s, John Kain first presented the idea that the suburbanization of jobs combined with racial discrimination in housing choice together resulted in joblessness, low wages, and longer commute times for black inner city residents.[49] Since then, many social-scientists have explored this issue, confirming that the "spatial mismatch" between jobs and workers has a profound effect on the ability of poor people and minorities to secure good-paying employment opportunities with possibilities for advancement.

Recent data compiled by Steven Raphael and Michael A. Stoll provide powerful evidence of spatial mismatch in Pennsylvania's metropolitan areas. Overall, Raphael and Stoll found a significant correlation between high levels of black-white segregation nationally, and the isolation of black households from jobs. In keeping with that, unusually wide distances separate Pennsylvania's black residents and available jobs. In fact, no less than six of the 50 metropolitan areas displaying the greatest spatial mismatch nationally were located in Pennsylvania in 2000.[50] In Philadelphia, for example, over 64 percent of black residents would need to relocate in order to remedy their segregation from job opportunities. Over 57 percent of blacks in Erie and Harrisburg would need to do the same.

The problem of spatial mismatch can have a particularly severe effect on welfare recipients, who as a group are disproportionately concentrated in the nation's urban counties.[51] As work requirements compel greater numbers of recipients to find employment, their ability to access entry level job opportunities becomes an issue of increasing concern. In few places is this more acute than in Philadelphia: While Philadelphia County's share of Pennsylvania's population is only 12 percent, it houses nearly 50 percent of the state's welfare caseload, and over 70 percent of its long-term cases. At the same time, the majority of job growth is occurring in the region's outer suburbs, which are often not accessible by public-transit. With only 0.30 cars per capita—the second-lowest rate of ownership in the nation—it is easy to see the struggle many low-income Philadelphia residents face in finding and retaining accessible employment.[52]

Pennsylvania's less-educated workers struggle to compete in today's economy

The increasing premium the economy places on education and "human capital" may also be accentuating another sort of deficit: the skills deficit of the state's least-educated workers, who often live in the Commonwealth's central cities. In this fashion, the continuing isolation of the Commonwealth's lower-income and less-educated workers in cities and older areas places a significant drag on the state's economy and potential for growth. For instance:

- **Low education levels often lead to unemployment.** From 1999 to 2001, the total unemployment rate for high school drop-outs was 11.2 percent and 5.5 percent for those with only a high school degree, according to an analysis by the Pennsylvania State Data Center. Those with college or graduate degrees, on the other hand, confront only 2.6 percent and 2.7 percent unemployment rates, respectively. Unemployment was actually the lowest (1.4 percent) for those with associate's degrees, indicating the positive benefits of training beyond high school.[53]

- **Low education levels often result in low earnings.** From 1999 to 2001, median annual incomes ranged from $64,600 for Pennsylvanians with a graduate or professional degree, to just over $22,000 for those who only completed high school.[54] National data shows that this wage gap has increased over time: In 1975, full-time workers with an advanced degree earned 1.8 times more than those with only a high school diploma. By 1999, this ratio had risen to 2.6—another indication of the increasing demand for highly educated workers.[55]

- **Low education levels increase the chances of being poor.** From 1999 to 2001, on average, 11 percent of Pennsylvania workers with only a high school diploma had earnings under the poverty line—over twice the percentage of those who held an associate's degree, and over 3.5 times the rate for those with a bachelor's degree.[56]

The implications are clear: Without greater training and education, Pennsylvania's less-skilled, frequently more urban workers face an uphill battle to get ahead. What is more, the continuing loss of the higher-wage manufacturing jobs of a previous era—particularly those that required only a high school degree—sharpens the challenge. With attainable good-paying jobs disappearing, workers without advanced skills may find themselves increasingly stuck in the middle between low-end service and retail jobs with limited pay and mobility, and higher paying knowledge economy jobs for which they are unqualified.[57] Over the long haul, thousands of workers, their struggling communities, and ultimately the whole state will suffer the consequences.

The widening social and economic gap between Pennsylvania's older communities and their suburbs has negative implications for the overall health of its regions

It may be tempting to celebrate Pennsylvania's successful pockets of suburban and exurban growth—the booming populations, new jobs, and rising incomes enjoyed by handfuls of municipalities throughout the state—while turning a blind eye to the lackluster, in some cases downright depressing, condition of its older urban areas. Indeed, since World War II, the fast growth of seemingly successful suburbs just miles from sagging core neighborhoods tended (especially to suburban interests) to confirm the suburbs' independence.

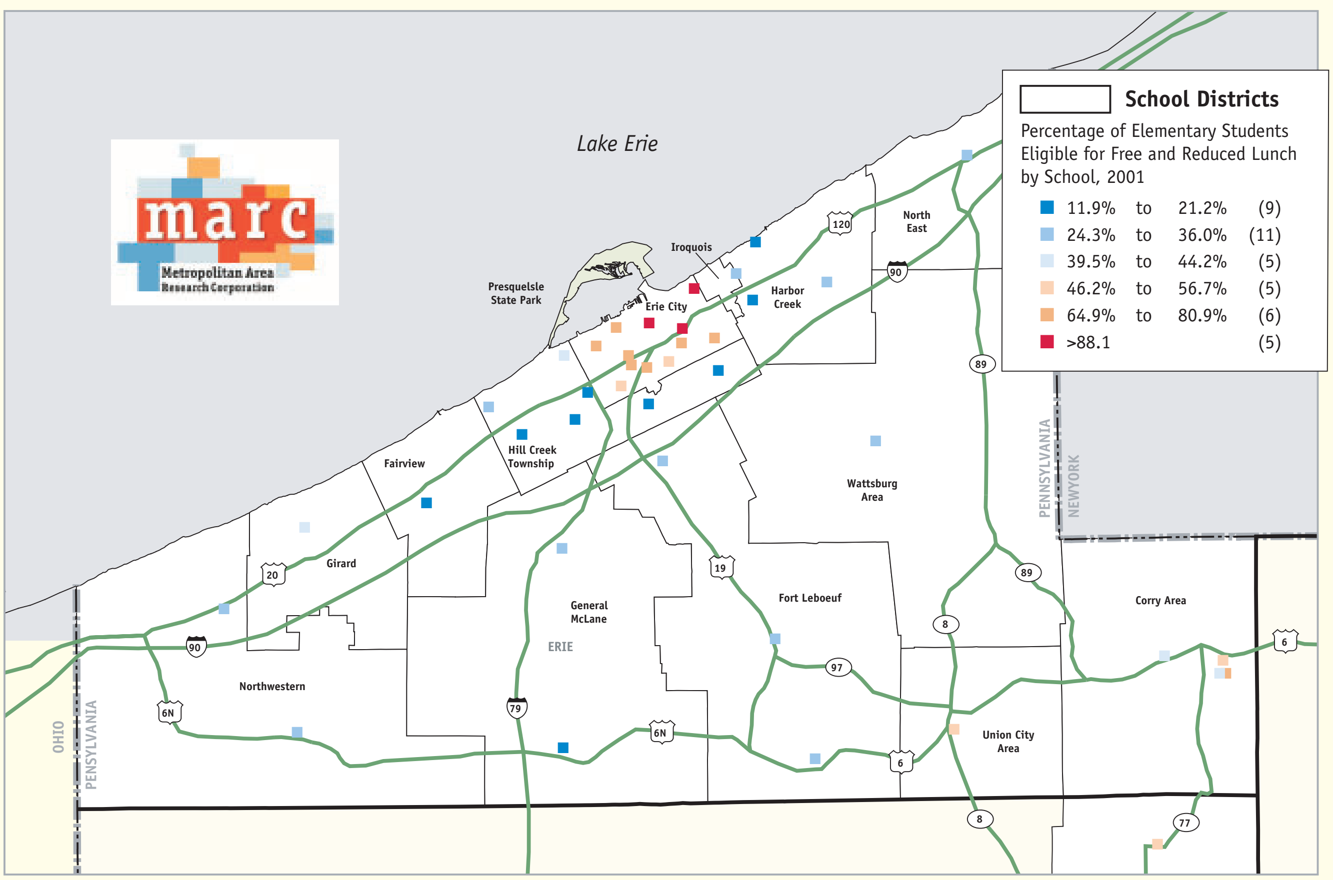
Yet for all that, the recognition that cities and suburbs have become adjacent sub-units of encompassing regional economies has increasingly made clear the "interdependence" of city and suburban fortunes, and the likelihood of substantial negative and positive "spillover" effects from one kind of community to another.[58]

Neal Peirce, for example, has argued that all parts of a region are "in it together" when regions compete as "citistates" in the global economy to train and mobilize the workforce, lure business relocations, and assemble amenities.[59] Myron Orfield has shown that problems once confined to central cities, such as crime, unemployment, and tax-base erosion, tend eventually to undercut the stability of the suburbs.[60] And analyses by Richard Voith, H.V. Savitch and colleagues, and Larry Ledebur and William Barnes have all associated central city decline and wide urban-suburban prosperity gaps with regional stagnation, as measured by slowed income growth.[61] Furthermore, Voith has demonstrated specific negative spillover effects of core economic decline in Pennsylvania's largest metropolitan area. His 1996 examination of home sales in the Philadelphia region found that employment decline in the city negatively affects house values in the surrounding suburbs.[62]

In this fashion, neither suburban nor rural nor downscale nor upscale Pennsylvanians can today ignore the critical importance of Pennsylvania's older places. As the evolving evidence of "interdependence" strongly suggests, urban poverty and decay can undercut the attractiveness of entire regions and states by weakening the region's infrastructure, undercutting its fiscal solidity, degrading its amenities, and imposing high crime and other negative externalities. Simply put, to the extent Pennsylvania's older urban areas continue to falter, so too will the regions and state of which they are a part.

Lasting Impacts: Erie's School Segregation Raises Red Flags

Myron Orfield and his colleagues show how the isolation of poor and minority families is manifested in the high, and growing, percentage of the state's inner-city students receiving free- and reduced-cost meals in 2001. They also note the fiscal binds created by such patterns. In Erie, for example, five of the 14 Erie City School District elementary schools saw the number of students eligible for free- and reduced-cost lunch increase 12 percentage points or more from 1996 to 2001. By 2001, in fact, the eligibility rate for free and reduced cost lunch exceeded 46 percent—the regional average—in every elementary building in the Erie city system. In two schools—Burton and McKinley—nearly every student qualified. Given its needy students, the Erie City School District incurs substantially higher costs than other districts in the region, but its total revenue capacity—and hence its ability to meet student needs at reasonable rates—remains just average for the area. What's more, the city's low tax base requires heavy reliance on state aid. In this fashion, the high concentration of poverty in Erie's city schools—and in urban districts across the state—truly has implications for all Pennsylvanians. In fact, given the strong correlation between economic segregation and poor school performance, Pennsylvania's growth patterns are not just undermining opportunity for many of its citizens today, but also reducing the prospects of those coming of age tomorrow.[63]



Source: Pennsylvania Department of Education

IV. BEHIND THE TRENDS: *HISTORICAL AND POLICY INFLUENCES*

How the Commonwealth is growing in part reflects vast national currents. Decentralization, the general preference for newness and low-density living, the relative decline of cities—all these Pennsylvania trends parallel broader American ones.

However, Pennsylvania remains proudly unique, and a number of state-specific factors have heavily influenced how the Commonwealth has grown. These influences range from fundamental civic traditions and specific state policy decisions to the changing structure of the state's once-storied economy, and in crucial respects they have accentuated how national trends hit home in the Keystone State.

Among these key influences are:

- ***Fragmented governance***
- ***Weak planning***
- ***A history of haphazard investments***
- ***A shifting economy***
- ***Barriers to reinvestment***

Each of these Pennsylvania realities has shaped Pennsylvania's trends in unique ways.

FRAGMENTED GOVERNANCE

How Pennsylvania has grown—or not grown—owes in part to its extraordinary number of local governments.

Granted, the state's segmented agency structure, thousands of longstanding local governments, and over 2,000 additional quasi-governmental authorities have served to keep government intimate. Pennsylvanians are rightly proud of a system that has kept government "close to the people" and fostered a deep sense of commitment to place.

However, the fact remains that the state's "fragmentation of action and authority," as the Pennsylvania Economy League (PEL) has put it, increasingly impedes effective response to modern realities and challenges.[1]

To put it bluntly: Pennsylvania possesses one of the nation's most labyrinthine systems of state and local government—and that has exacerbated unbalanced growth patterns and undercut economic competitiveness.

At the state level, the Commonwealth operates as an ungainly assemblage of 34 departments and agencies, many of which organize their affairs around conflicting "district" maps and uncoordinated agendas. For example, while the state Department of Agriculture spends tens of millions of dollars a year protecting farmland from development, the Department of Education maintains school site rules that in many cases necessitate farmland development. That's because expansive state guidelines suggest campuses encompass at least an acre per 100 students, with an extra 10 acres for an elementary, 20 for a middle school, and 35 for a high school.[2]

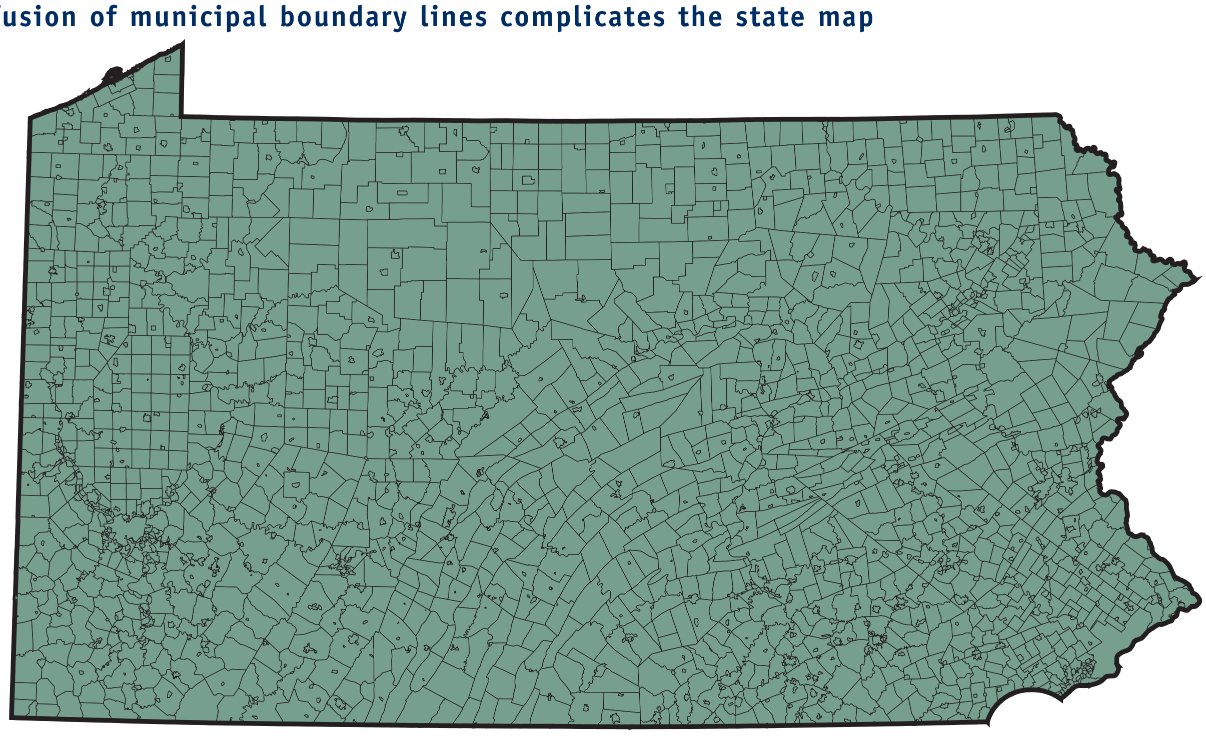
More widely known is the state's local government proliferation. The facts are startling. Currently, Pennsylvania maintains 67 counties, 56 cities, 961 boroughs, 91 first-class townships, and 1,457 second-class townships, along with one town, good for a

Every Pennsylvanian lives within one of 2,566 municipalities

Municipal Type	Count
Cities	56
Boroughs	962
1st-Class Townships*	91
2nd-Class Townships	1,457
Total	**2,566**
Number of Counties	**67**

Source: Governor's Center for Local Government Services
**Includes one "town".*

A profusion of municipal boundary lines complicates the state map



Source: U.S. Census Bureau, Center for Rural Pennsylvania

Eighty percent of Pennsylvania municipalities serve fewer than 5,000 people; 60 percent serve fewer than 2,500

	Municipalities	
Population	Number	Share of Total
Less than 1,000	772	30.1%
1,000 to 2,499	752	29.3%
2,500 to 4,999	502	19.6%
5,000 to 9,999	306	11.9%
10,000 to 14,999	107	4.2%
15,000 to 19,999	51	2.0%
20,000 and Above	76	3.0%
Total	2,566	100.0%

Source: Governor's Center for Local Government Services

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

State	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

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

total of 2,633 general purpose governments, according to the Pennsylvania Governor's Center for Local Government Services.[3] There are also 501 school districts.

Among the municipalities, 80 percent govern fewer than 5,000 people and 60 percent less than 2,500.[4]

Among the states, this proliferation amounts to the third largest number of general governments, according to the 2002 Census of Governments, and it puts the Commonwealth just behind Illinois (2,824 governments) and Minnesota (2,734) for its plethora of major governments. Overall, the state maintains about one unit of general government for every 4,700 people, or about 21 for every 100,000—the second-largest amount of government in the nation among "big" and populous states.

Look to the metropolitan areas and the spectacle blossoms. Currently the Pittsburgh and Philadelphia regions rank first and seventh among the nation's 25 largest metropolitan areas for their numbers of general governments. Metro Pittsburgh maintains an incredible 418 counties, cities, boroughs, and townships, which comes to 17.7 local governments per 100,000 residents. For its part, bi-state Philadelphia retains 442 localities or 7.4 per 100,000 citizens.[5] Elsewhere, the numbers of general governments run from around 13 or 14 per 100,000 residents in the Lehigh Valley, Erie, and Lancaster to 28 or so in Scranton/Wilkes-Barre and more than 40 in Johnstown, Sharon, and Williamsport! These numbers place Pennsylvania in the forefront of governmental proliferation.

Combine this level of fragmentation with the Commonwealth's cumbersome procedures for merging and consolidating municipalities, and Pennsylvania's system of local governance also appears highly resistant to change. Add in that cities and boroughs cannot annex townships in Pennsylvania, and it's fair to say the Commonwealth possesses arguably the most fragmented and inflexible system of local government in the nation, as the urban scholar David Rusk concludes in an assessment prepared as background for this report.[6] (To read the full background paper visit **www.brookings.edu/pennsylvania**.)

* * *

Why does this matter? How has governmental fragmentation influenced how Pennsylvania is growing? Pennsylvania's profusion of local governments, while admirable and often responsive, must be counted a detrimental influence on the Commonwealth's growth patterns and economic competitiveness for at least four reasons:

Pittsburgh and Philadelphia are two of the most fragmented large metropolitan areas in the nation

Metropolitan Area	Total Local Governments	Local Governments per 100,000 Residents
Pittsburgh	**418**	**17.7**
Minneapolis-St. Paul	344	12.3
Cleveland	267	9.2
Philadelphia	**442**	**7.4**
Milwaukee	113	6.9
Detroit	335	6.2
New York	756	3.8
Atlanta	127	3.5
Denver	74	3.2
Washington, D.C.	158	2.2
Tampa	39	1.8
Miami	57	1.6

Source: Myron Orfield, American MetroPolitics: The New Suburban Reality

State and local government fragmentation can undercut economic competitiveness

First off, Pennsylvania's extreme governmental fragmentation hinders the state's ability to mobilize its talents to generate growth.

The problem here is that Pennsylvania's fragmented state government and profusion of local jurisdictions probably spend more time working at cross-purposes than working together to compete in the world economy.

Competitive regions move with alacrity to seize opportunities, mobilize coalitions, and organize resources to pursue common goals. They are flexible and fast.

In Pennsylvania, by contrast, state departments often work in isolation, leading to bureaucratic overlap and mixed signals. Inconsistent and confusing state laws bog down concerted action. And duplicated services, haphazard spending, and wasted tax dollars are all problems at both the state and local levels, as PEL has observed.[7]

Moreover, with state agencies at loggerheads and numerous local interests to please, long-term strategic capacity, in addition to efficiency, suffers. In the short run, Pennsylvania's profusion of players and agendas has made it difficult for the state to adopt a single economic development plan as other states have. In the long run, the state's political structure may ill-equip it to adapt to new economic conditions.

As Jerry Paytas of CMU observes:

> How well a region organizes and utilizes its assets and resources is the key to its ability to compete and to respond to change. Long term competitiveness requires flexibility and fragmented regions are less likely to mobilize the consensus for change. Fragmented regions divide the regional constituency, offering opponents of change more opportunities, forums and even institutional support to resist change. Unification encourages serving the regional constituency rather than parochial interests.[8]

Nor is this merely theory. As it happens, sophisticated new empirical research by Paytas demonstrates that fragmented governance structures *really do* weaken long-term regional economic performance.[9]

To show this, Paytas examined how the metropolitan share of the total income generated in 285 metropolitan areas between 1972 and 1997 varied, using careful regression techniques to test the influence of the regions' varying levels of government fragmentation, as measured by a sophisticated index of metropolitan "power diffusion" developed by David Miller of the University of Pittsburgh.

What Paytas found was clear: More unified regions increased their shares of the total income generated in the 285 areas over the 25 years. Over the long run, dispersed governance inhibits the competitiveness of a metropolitan area. Governmentally simpler regions tend to prevail.

Paytas's conclusion: Long-term competitiveness requires cohesiveness as well as flexibility, yet fragmented regions can be too fissured and parochial to mobilize on a regional scale for change. Nor, Paytas adds, can centralized state power substitute for unified regions. In fact, it can be counter-productive. The implication is troubling: Pennsylvania's fractured regions compete for growth and jobs at a deficit.

Multiple Maps: State Agency Cross-Purposes Complicates Local Efforts

Nothing shows the fragmented nature of Pennsylvania state government so plainly as the inconsistent maps with which Commonwealth agencies organize their activities. Many states have rationalized agency districts to coordinate program administration. But not Pennsylvania: In Pennsylvania, state agencies define numerous incongruent territories, which needlessly complicate the conduct of business. Consider the multiple state offices and regions with which officials and developers in Lancaster County deal. To resolve highway issues developers and officials must deal with PENNDOT's District 8 in Harrisburg. For most but not all economic development issues they talk to the Department of Community and Economic Development's Philadelphia region. And for sewer and water issues the county lies in a third Department of Environmental Protection (DEP) district that includes Berks County to the northeast. Comments Ron Bailey, executive director of the Lancaster County Planning Commission: "It just adds confusion. You're always talking to different people and devising different plan versions for different offices." One result: Instead of "one-stop," concurrent project approvals, Pennsylvania's system necessitates time-consuming consecutive permitting in which applicants must obtain their local and state approvals one at a time. For that reason, the average land development plan takes from 19 to 24 months to obtain, compared to 60 to 90 days in Maryland.

Cop Costs: Savings through Regionalization Highlight Costs of Fragmentation

Evaluations of consolidated police agencies in Pennsylvania in the late 1980s quantified the sort of excess costs that may remain in many municipal systems.[10] Conducted by the old Department of Community Affairs, these studies concluded that full-time service from consolidated police departments cost 24 percent less overall than that provided by traditional departments and 29 percent less per capita.[11] In one case, that of the six-municipality Northern York Regional Police Department, the cost of handling criminal incidents and calls fell as low as half that in the average community going it alone.[12] The implication: Hundreds of Pennsylvania's municipalities are likely spending significantly more than they might on law enforcement. A case in point is Tinicum Township in Bucks County. According to the *Philadelphia Inquirer,* Tincicum is spending $463,000 this year on a force of five officers in a part-time department.[13] Meanwhile, Hatfield Borough, in Montgomery County, contracts for 24-hour service, paying only $301,000 for coverage from Hatfield Township's 23-officer corps, which includes three detectives and a bicycle patrol.

	Northern York County Regional Police Department	Comparison Municipalities	Savings from Regionalization	Percent Savings
Total Police Expenditures	$1,199,170	$1,664,518	$465,348	28.0%
Percent of Budget for Police Services	20.6%	25.2%	4.6%	–
Per Capita Cost of Police Services	$35.59	$48.56	$12.97	26.7%
Cost per Capita Criminal Incident	$357.32	$691.53	$334.21	48.3%
Cost per Call for Services	$89.12	$172.47	$83.35	48.3%

Source: Governor's Center for Local Government Services

Fragmentation can increase the costs of government

Fragmentation can also increase the costs of government. This follows from the fact that political fragmentation sometimes leads competing jurisdictions to duplicate infrastructure, staffing, and services that could otherwise be provided more cost effectively.

Several studies of consolidated police agencies conducted in the late 1980s underscore the excess costs likely remaining in some of the state's municipal systems.[14] But beyond that, assessments of some (though not all) government consolidations in other states document the potential for wider cost savings—and imply the possible inefficiency of at least some of Pennsylvania's "little boxes."[15]

Certainly, the savings of consolidating or merging governments or functions may not be as substantial—or automatic—as some advocates hope. Costs savings tend to be realized in some but not necessarily all functions and departments, and depend upon numerous case-specific details.

Still, several careful analyses of government combinations suggest that multitudinous small governments often miss out on possible economies of scale. These infer the inefficiency of

Bond Bust: Another Cost of Fragmentation

Tax-base fragmentation represents another major cost of governmental fragmentation. To show how, David Rusk compared the tax bases and bond ratings of the City of Charlotte (a unified, "regional" city) and the Allentown-Bethlehem area—both of which encompass similar area and population. What did he find? Rusk found that in 2002 the market value of property in Charlotte was about $54 billion, and that its general obligation bonds carried a blue-chip, Aaa credit rating. By contrast, the Lehigh Valley operates at a disadvantage (although comparing property valuation among states is risky since formal assessment methodology and informal practices vary so widely). Adjusting assessed valuation to market value, Lehigh and Northampton counties had a combined property tax base of about $30 billion in 2002.[16] However, the largest of the region's governments are the city of Allentown (market value of property: just $3.5 billion), and the City of Bethlehem (about $2.7 billion). The result: Allentown and Bethlehem go to the bond market with only A3 and Baa2 bond ratings—six and eight ratings steps below Charlotte. The only local governments that could hope to match resources with the city of Charlotte would be the two county governments themselves, acting jointly and as agents for 62 constituent municipalities. Their broader, deeper tax bases are reflected in their quite respectable bond ratings: Lehigh County (Aa3) and Northampton County (Aa2).

numerous mini-governments in providing capital-intensive services (like water, sewer, and fire protection), and in managing administrative functions, where they may maintain redundant overhead. In this connection, a recent study of one Georgia consolidation may well highlight comparable inefficiency among Pennsylvania's 2,566 municipalities. In that instance, a detailed University of Georgia assessment of the consolidation of Athens, GA, and surrounding Clarke County concluded that expenditures of the combined government declined nearly 10 percent from the budget levels required by the separate governments, once sizable one-time transition costs were incurred.[17] Additional analysis reinforced the verdict: Over an eight-year period, expenditures in Athens-Clarke County increased at a rate noticeably lower than in three comparable unconsolidated pairs of governments.

Fragmentation can worsen sprawl

Fragmentation also can exacerbate sprawl, as demonstrate careful empirical analyses by Paul Lewis and John Carruthers, among others.[18]

For example, Lewis examined 80 metropolitan areas with data from 1980 using a sophisticated measure of political fragmentation, and observed that increased fragmentation resulted in decreased shares of office space for central business districts, less "centrality," longer commuting times, more edge cities, and more sprawl.

Fragmentation, in this connection, not only inhibits coordinated planning to manage growth, but can spawn a sprawl-inducing competition among the Commonwealth's multiple jurisdictions for desirable commercial, industrial, and residential tax base.

Myron Orfield describes this competition compellingly, noting how it drives decentralization and exacerbates disinvestment.[19] Orfield observes that communities inevitably vie to "reap the best fiscal dividends" by limiting the most costly types of land uses within their borders while seeking the most desirable ones. He and others detail, further, how this competition tends to channel growth to the fringe as developing communities simultaneously discourage fiscally undesirable high-density residential development (which forces new population outward) while encouraging more lucrative commercial development (which frequently moves from places closer in).

In Pennsylvania, local governments' autonomy on land use matters combined with their often high property tax dependency increases the pressure. Some municipalities—though not all—depend so heavily upon property taxes to finance services that they often prefer to zone for commercial development because it tends to generate more local revenue than it costs in service needs. In sum, the chase is on in Pennsylvania for such "good ratables" as shopping centers and office parks. As a result, the Commonwealth's extraordinary degree of governmental fragmentation is hastening the flow of development to the periphery and exacerbating community decline in the state's older, more established communities, as concluded a recent report by the Washington, D.C.-based Environmental Law Institute.[20]

Fragmentation limits government capacity

Finally, a proliferation of small governments-—while keeping governments accessible and accountable—can ensure that many of them remain very weak. After all, with the landscape chopped into 2,566 municipalities, hundreds of Pennsylvania governments remain tiny, nearly amateur concerns unequal to the widening challenges of suburbanization, revitalization, and economic development.

In geographic terms, the small land mass of most Pennsylvania municipalities—no more than 4.2 miles on a side on average-—means many remain too small to martial adequate land or resources to promote substantial development.

To that extent, the state remains what Rusk calls a "crazy quilt" of "little box" governments. In every region, scores if not hundreds of horse-and-buggy-era boundaries artificially divide territories that otherwise represent single, interrelated social,

Stiffed: School Tensions in Beaver County

The strange fate of Midland Borough's high school students illustrates some of the self-defeating aspects of Pennsylvania's hard and narrow community lines. Midland School District, in Beaver County near Pittsburgh, had to close its high school in 1986 when the steel economy crashed and enrollment dropped. Initially, Beaver High School accepted the students at a tuition rate of $4,500 per pupil. However, Beaver's school board decided to end the agreement in 1994, without explanation. Consequently, Midland—rejected by Beaver-—sought to merge with another Pennsylvania district so its children would have a stable school system. It found no takers, though. The result: Midland wound up bussing its students out of state to East Liverpool, OH, for high school. Today, most of the borough's 100 high schoolers still attend East Liverpool High School, although for several years they have had the option to attend Beaver County schools, a vocational school, or Midland's flourishing "cyber-school."[21]

economic, and environmental communities. In every region, such divisions complicate efforts to carry out cross-boundary visioning, plan cooperatively, or coordinate economic development across large areas (although many governments do manage to collaborate).

But the "little boxes" limit horizons in more practical terms. Most crucially, the small population base of most municipalities means many localities—both rural and urban—struggle to carry out the most basic activities of government. Most municipalities are essentially small towns, or even rural hamlets, given that 30 percent of all Pennsylvania municipalities—nearly 800 of them—contain less than 1,000 people.[22] Consequently, most retain limited tax bases, depressed bond ratings, and limited human resources to draw on. Many municipal governments find it difficult to recruit adequate numbers of citizens, let alone trained professionals, to serve on their thousands of legislative bodies, boards, and commissions, as observed a 1999 report by the PEL's Northwest Division.[23] In this regard, the manifest dedication of thousands of part-time and full-time municipal officials may not be enough to contend with the complexities of forging multi-municipal land-use solutions, negotiating with developers and businesses, or developing a sophisticated regional transportation plan.

Pennsylvania's "little boxes" create a problem of scale, in short. More and more, the widening geographical reach of Pennsylvania's challenges exceeds the reach and capacity of its traditional governmental machinery.

WEAK PLANNING

A lack of systematic planning compounds the problems of governmental fragmentation in Pennsylvania.

Competitive, livable regions, states, and rural areas plan because planning allows them to project a desired pattern of development and manage change.

Strong planning allows places to optimize economic development. Planning can maintain property values and enhance the quality of life, whether by guarding against haphazard commercial development, or protecting cherished scenery or community character. Planning can even help rural places remain rural even as it saves all communities money by coordinating needed investments.

But Pennsylvania does not plan well. At the state level, no widely shared vision integrates the disparate agendas and activities of the Commonwealth's fragmented set of agencies.

Meanwhile, the Municipalities Planning Code (MPC)—Pennsylvania's main planning statute—and other statutes do not adequately organize the efforts of the state's myriad governmental units.

In Pennsylvania, the power and responsibility to plan and regulate land use lie exclusively with local governments.[24] Unlike in other states, no state-level planning board or office recognizes the importance of planning, advises the executive branch, or convenes inter-agency planning discussions. Unlike in other states, no state, regional, or county oversight of municipal land use regulation has been established, leaving localities free to pursue their own agendas without regard to other jurisdictions.[25]

Consequently, dispersed authority has for decades resulted in fragmented planning—and ultimately sprawl, redundant retail development that undercuts existing businesses, and missed economic development chances.

Counties have been required to produce comprehensive plans since 1988, but in the spirit of localism these have remained "advisory only and much ignored."[26] Meanwhile, the existence of more than 1,400 municipal plans and local zoning codes has impeded efforts to shape countywide patterns of land use.[27] Making matters worse has been the small land area of many municipalities. With the regulatory map balkanized, citizens of one township or borough are easily impacted by the decisions of another.[28] For example, if one township speeds the development of a "big box" retail "power center," nearby cities, boroughs, and townships will experience the side effects regardless of their own land use efforts.

Additionally, state courts have developed doctrines, based on exclusionary zoning and "takings" law, that essentially *require* municipalities to zone for all categories of use, including commercial, exacerbating the tendency toward ubiquitous decentralization of business and residential development. In essence, the system mandates development in many rural places.

Nor did the 2000 "Growing Smarter" amendments to the MPC fundamentally recast this ineffective system—although they enacted important reforms that for the first time made it possible to plan regionally in a legally effective way.

Valuably, the amendments provided municipalities and counties significant new ability to engage in multi-municipal planning and to designate growth areas and rural resource areas using intergovernmental cooperative agreements. New tools now exist to help regions graft an overlay of collaborative land use planning over the fragmentation of the political map. And the approach appears to be catching on. Last year, 10,000 Friends of Pennsylvania published a widely consulted implementation manual for multi-municipal planning entitled, *Planning Beyond Boundaries*.[29] And recently the Governor's Center for Local Government Services counted 160 multi-municipal and joint land use planning efforts ongoing across the state—a veritable explosion of collaboration since the 2000 amendments.

Still, the fact remains that the state has a long way to go before it attains a top-flight planning system equal to the challenges it faces.

* * *

The problems are several:

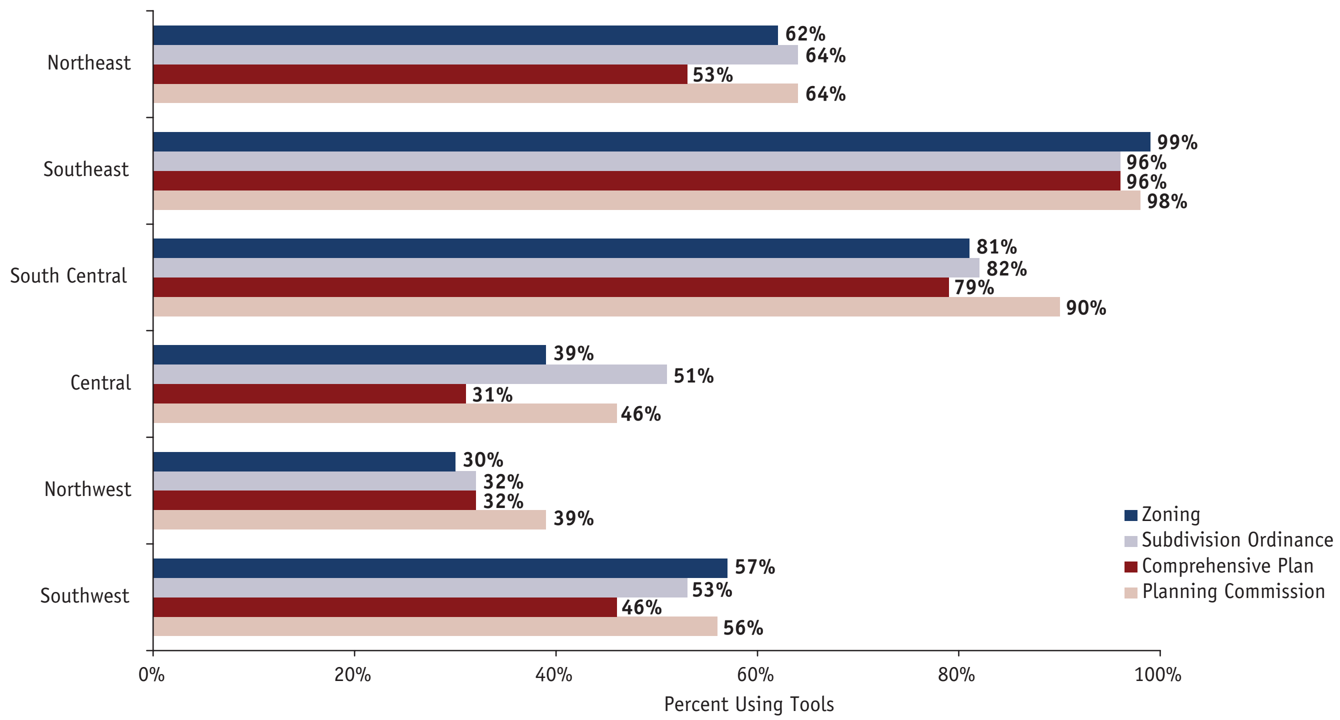
The Commonwealth lacks effective state-level planning, strategizing, and coordination capacity

To begin with, Pennsylvania's intense localism in planning has over time stunted the Commonwealth's own state-level planning and coordination capacity.

Only this fall have efforts begun to revive the Commonwealth's long defunct State Planning Board. And while the Governor's Center established an Interagency Land Use Team in 1999 to promote sound planning and better coordination among agencies after Gov. Ridge's Executive Order 1999-1, only a modest integration of state activities along smart growth lines has been forthcoming.

As a result, projects and policies frequently work at odds. A shortage of professional planners in the government further hobbles sensible direction-setting and contributes to haphazard spending and program implementation.

Counties and municipalities in the south-central and southeastern regions use key planning tools more frequently than the rest of the state; western and central areas use them notably less



Source: Governor's Center for Local Government Services, Center for Rural Pennsylvania

Gaps in the planning map ensure that parts of the state remain essentially unplanned

Meanwhile, the largely voluntary nature of planning in Pennsylvania (counties must develop a comprehensive land-use plan, but not municipalities) guarantees that many Commonwealth localities neither plan nor zone, meaning they lack a settled framework for fostering a desired pattern of development.

Granted, much progress has been made since 2000 in promoting planning across the state. Almost every county now possesses or is producing a comprehensive plan. And each year more municipalities join in planning efforts. Still, only about 60 percent of the state's municipalities have developed a comprehensive plan, and less than 75 percent are covered by a zoning ordinance, according to the Governor's Center for Local Government Services.[30] Altogether, this means that nearly 800 communities in Pennsylvania possess neither a clear vision of their future nor the ordinances to enforce it.

Meanwhile, striking variations in communities' readiness to manage change divide the state. Across the regions, planning and zoning appear nearly universal among eastern municipalities and counties that have been grappling with sprawl for years, but far less prevalent in the slower-growing central and western areas where exurban development nevertheless remains a problem at times. More than 90 percent of the municipalities in southeastern counties both plan and zone, for example, but less than 50 percent do across many western and central counties, according to data assembled by the Governor's Center and the Center for Rural Pennsylvania.[31] Similar variations prevail across municipal classifications. Specifically, while 80 percent of the more established first-class townships planned and zoned, just 49 percent of second-class townships did.[32] Nearly a quarter of these often rural townships reported they employed no planning tools.

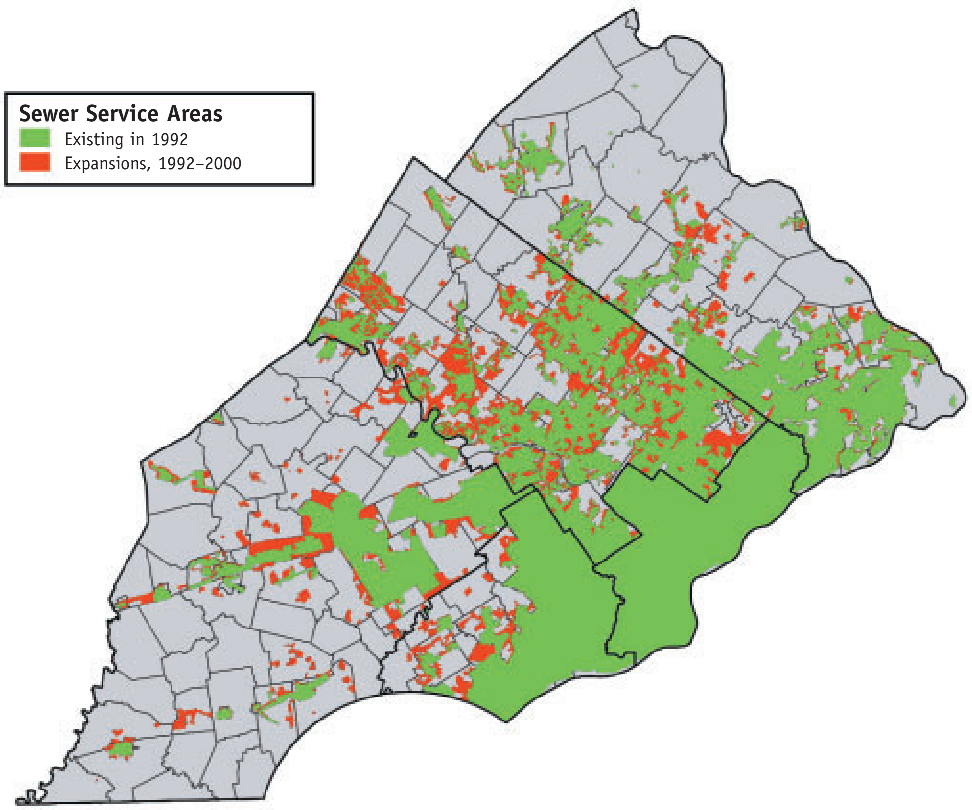
And there are similar human resource gaps: One in five counties recently reported having no professional planning staff other than the director.[33] Four out of five citizen planning commissions lack professional planning staff or consultants.[34] And while 70 percent of the state's 400 or so most experienced and qualified planners—its AICP members—reside in the southeast and south-central regions, only 2 percent and 3 percent do in the northwest and northeast.[35]

In short, many of the state's outlying communities remain ill-equipped to manage the state's continuing dispersal of jobs and population—and some of them have sprawled because of it.

Plans That Don't Bind: Flouting Growth Management in Lancaster County

The controversial siting of a planned new elementary school in Ephrata Township in Lancaster County says a lot about the shortcomings of land use planning in Pennsylvania. Soon, the Ephrata Area School District will close the existing Lincoln Elementary School, which sits on six acres in Ephrata Borough, and move it a half mile outward onto 81 acres of prime farmland in Ephrata Township. There the district has yet to overcome a serious road access issue. Yet even more disturbing than the siting remains the legal and planning context of the decision. Given the state's weak planning rules, nothing barred the school district from barging ahead with its project, even though the new school flouted the region's intricate growth-management system and several local plans. As the county's planners concluded in August: "The school district has disregarded the comprehensive plans and urban growth boundaries of Ephrata Borough, Ephrata Township, and Lancaster County in choosing the location of the new elementary school…" Yet no matter: Construction will proceed on the project, because in the end school district decisions need not conform to local land use plans in Pennsylvania.[36]

The land area served by public sewers increased by 22 percent between 1992 and 2002 in the southeastern region even though the area's population grew just 3.2 percent in the 1990s



Source: Delaware Valley Regional Planning Commission

A lack of consistency requirements ensures land use planning remains essentially optional—and ineffectual

Even more problematic is the fact that planning remains mostly elective in Pennsylvania, which lacks binding requirements that local ordinances and actions conform to larger-view plans.

This matters because consistency—of actions with goals, and ordinances with plans—lies at the heart of effective planning. Only through the consistency of local plans and ordinances with county or regional plans does planning gain the power to bend growth toward logical and desired goals. Only through binding requirements of consistency does planning gain force.

But consistency has not been required in Pennsylvania. Counties are required to have comprehensive plans, but these remain advisory only.[37] Similarly, the MPC states that zoning "shall generally implement" relevant local plans, but then undercuts the link. Even after the 2000 reforms, Section 303(c) of the MPC still specifies that "no action of a governing body shall be invalid or subject to appeal on the ground that it is inconsistent with a comprehensive plan."

As a result, planning in Pennsylvania remains not only optional, but often feeble. Plans, lacking binding importance, are frequently out-of-date or highly vague. Meanwhile, Section 303(c) frees elected officials from worrying much about whether a particular rezoning or development permission runs afoul of any municipal or county land use plan. In this environment zoning and rezoning can easily deteriorate into an arbitrary exercise of deal-making and "ratables" chasing. What can result is the outlet-mall confusion of Springfield Township in Mercer County, or the ill-organized sprawl that prevails along the Route 30 corridor in Westmoreland, where township plans exist but variances are granted as fast as requested when a Wal-Mart or home builder arrives.

Land-use planning also remains divorced from water and sewer development

Another problem stems from the poor coordination of state and local land use planning and regulation with infrastructure planning and permitting.

Along with road-building, the location of water, and especially sewer, facilities plays a major role in shaping the location and amount of development on the landscape. Communities can markedly improve their land use outcomes if they tie facilities planning to land use planning and regulation.

Unfortunately, careful analysis by 10,000 Friends of Pennsylvania has demonstrated that planning laws and policies in Pennsylvania fail to effectively subject infrastructure development to land use plans and ordinances.[38] Sewerage facilities and land use each fall under separate—contradictory—purviews, notes 10,000 Friends.[39] Nothing in the MPC either requires sewerage providers to comply with comprehensive land use plans or authorizes municipalities to regulate new facilities by these providers.[40] And while Act 537—the Pennsylvania Sewage Facilities Act—requires municipalities to develop sewage facilities plans, these plans are routinely amended by "plan revisions" that the Department of Environmental Protection (DEP) cannot deny on the grounds of inconsistency with planning or zoning.

The result: New public sewer lines and individual or community on-lot systems are continuously opening new fringe areas to development even though substantial excess sewer capacity exist in older urban areas. Witness trends in metropolitan Philadelphia, as reported by 10,000 Friends. There, the land area served by public sewers increased an extraordinary 22 percent between 1992 and 2002 even though the region's population grew just 3.2 percent in the 1990s.[41] Of the estimated 97,000 new housing units built in the region during the decade, some 34 percent tapped into expanded public infrastructure. At the same time, for all its planned new sewer construction, the region already has available some 85 million gallons a day in uncommitted capacity—enough to treat 212,500 homes using 400 gallons per day.[42] Strikingly, nearly three-quarters of that capacity exists in older metro Philadelphia—the cities, boroughs, and first-class townships. Once again, ineffective planning processes are permitting costly, haphazard, and redundant development patterns that exacerbate the state's growth and competitiveness problems.

Multi-municipal planning and its implementation need enhancement

A final need has to do with maximizing the benefits of the MPC's promising new provisions for multi-municipal planning.

These rules, without a doubt, represent a major step forward for the state, and hold out a viable process for building up regional networks of land use coordination among balkanized localities. However, serious questions persist about whether adequate incentives, requirements, and oversight now exist to overcome generations of localism and promote widespread, high-quality implementation of the multi-municipal vision.

Cause for optimism comes from the existence of more than 160 collaborative planning efforts involving more than 600 municipalities in 50 counties, and from the steady growth in their number since the Growing Smarter amendments.[43] Also encouraging is the wide dispersal of $6 million in grants to local governments made by the Governor's Center under its Land Use Planning and Technical Assistance Program (LUPTAP) since 2000. So far the center has funded more than 80 large and small planning projects involving nearly 400 municipalities. Sixty-four of those projects were collaborative comprehensive plans involving 274 municipalities.

At the same time, though, questions persist. For their part, local officials question whether the state's LUPTAP grants and hedged promises to give priority consideration to regionally planned areas in state funding will be enough to promote more regional and multi-municipal planning statewide.

Likewise, concerns surround the quality and reach of the joint plans as they head toward implementation. About a quarter of the state's municipalities have begun to plan collaboratively. But that does not ensure that the new multi-municipal plans will be backed up with the adoption of consistent, effective local zoning ordinances. One informal inventory of more than a dozen multi-municipal planning efforts in southwest Pennsylvania recently concluded the plans varied tremendously in quality, with many failing to identify future growth areas.[44]

Moreover, an assessment by David Rusk for this report casts doubt on hopes that multi-municipal planning will bridge the widening older urban/outer-suburban divides that fissure many regions.[45] Rusk finds: few suburban municipalities planning jointly with their central cities; few plans involving inner-ring boroughs; and few efforts that include units of widely different racial or income profiles. His conclusion: Collaborative land use planning in Pennsylvania so far remains largely the province of outer-ring suburbanizing townships and the rural boroughs they enclose. Rarely do the plans include the older urban "core" areas of the major metro areas that remain the ideal locations for infill revitalization within a regionalized framework.

A HISTORY OF HAPHAZARD INVESTMENTS

How Pennsylvania has grown and developed has also been shaped by the Commonwealth's own robust, but haphazard, investments.

Most critically, patterns of direct state spending on roads, basic services like public safety, and economic development (among other efforts) have likely exacerbated the state's sprawl and urban-decline woes without appreciably energizing the economy.

Granted, state investments and infrastructure policies remain but one of many influences on the location and amount of growth in Pennsylvania. Vast national economic trends, consumer preferences, patterns of school quality, and the particular state and regional industrial mix also matter.

Still, abundant research underscores the importance of state spending and policies, and concludes that such spending can and does affect local and statewide development outcomes.[46] State development efforts can and do promote the strategic repositioning of whole state economies when executed with vision and discipline. At the same time, if poorly targeted or uncoordinated, they can distort local economies, shift economic activity around unproductively, and fritter away billions of dollars without seriously improving competitiveness.

Nor has the possibility for distortion been any different in Pennsylvania. State investment policies have for years had the potential either to combat sprawl, disinvestment, and stagnation—or exacerbate them. They have at times supported struggling communities, and helped revitalize them, yet at other times they've seemed to contribute to low-quality job-sprawl in outer places and job loss in older communities. Moreover, the impact of state spending probably plays an even larger role in Pennsylvania—a slow-growing rust belt state with an unusually large state economic development effort.

Unfortunately, though, the sheer number and uncoordinated variety of state investment programs has made it hard to get a handle on what exactly the state is doing with its investment spending or what effect that spending might be having on growth trends.

In this context, new research on infrastructure development and economic subsidies in the Commonwealth prepared for this report provides significant new information on the impact of state initiatives in recent years.

What does it show? Overall, the research documents that key state investments and subsidies have flowed in large amounts to outlying rural and developing townships, as well as to established rural and urban centers—and so likely contributed to decentralization and disinvestment. In short, the state lacks a clear strategic focus in its doling out of billions of dollars of investment money.

* * *

Conducted in the absence of abundant previous assessment, the new research provided by 10,000 Friends of Pennsylvania, Brookings, the Business Economics Research Group (BERG) at East Stroudsburg University, and the Keystone Research Center reflects a major cooperative effort on the part of the Pennsylvania Department of Transportation (PENNDOT), the Pennsylvania State Police (PSP), and the Department of Community and Economic Development (DCED) to make available sensitive and detailed information on their programming. For this the departments deserve praise.

Unfortunately, the new analyses suggest that important state spending programs and policies represent, at best, missed opportunities to more strongly bolster the state's established municipalities. Reporting in three areas merits concern:

State highway spending continues to facilitate sprawl

Forthcoming research by Anne Canby of the Surface Transportation Policy Project and James Bickford of 10,000 Friends indicates that state highway and bridge spending in Pennsylvania are flowing disproportionately into non-urban, outlying townships and away from older, more established parts of the state.[47]

To probe this issue, Canby and Bickford obtained and tabulated municipality-level data for all PENNDOT obligations of federal and state matching funds for highway projects funded between October 1, 1998 and September 30, 2002, designating as "cities and towns" all projects located entirely within cities, boroughs, or first-class townships.[48] In addition, the researchers scored as "cities and towns" half of the state's obligations for bridge projects crossing the border between cities, towns, and older suburbs and non-urban municipalities and as "unclassifiable" other outlays for which a clear location could not be identified. Then they added the outlays up, accepting PENNDOT's input on whether the project consisted of "new capacity," "operations," or "preservation."

What they found was striking. State investments in non-urban, outlying townships outpaced spending in urban municipalities for all categories of spending on a per capita basis and for all categories but "operations" on an absolute basis.

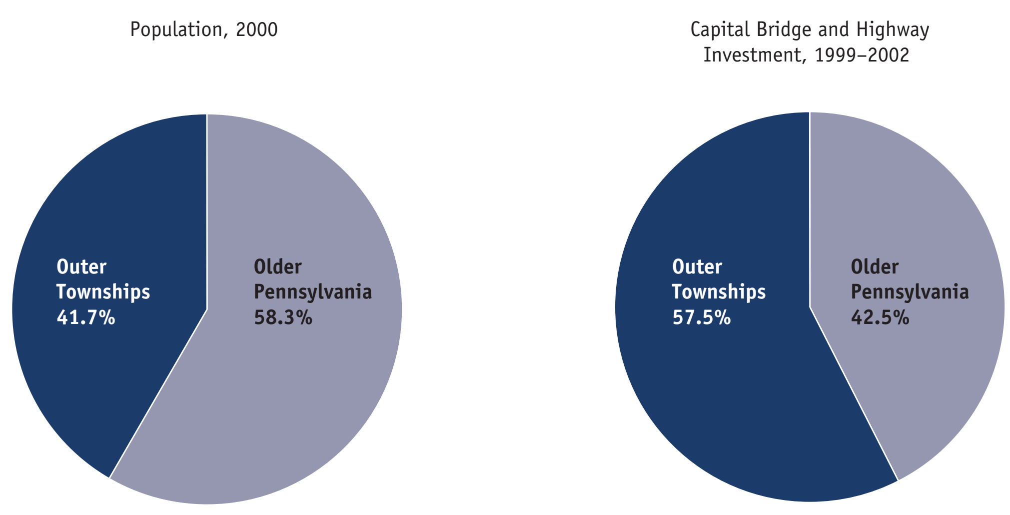
Overall, of the $8.5 billion in total obligations that could be classified, 58 percent of them flowed to outer or rural townships and 42 percent to cities, towns, and more established townships—exactly the reverse of the regions' respective population shares. In per capita terms, these flows created a dramatic discrepancy in transportation investments: The outer townships

Pennsylvania's outer townships received proportionally more state highway spending than did older areas between 1999 and 2002

	Older Pennsylvania	Outer Townships	Unclassifiable	State Total
Total Spending	$3,584,098,700	$4,908,216,615	$2,782,029,704	$11,274,345,018
Population	7,163,358	5,117,696	N/A	12,281,054
Per Capita Spending	$500.34	$959.07	N/A	$918.03
Share of Total State Pending	31.8%	43.5%	24.7%	100.0%
Preservation Spending	$2,070,773,542	$2,490,003,460	$1,119,868,535	$5,680,645,537
Per Capita Spending	$289.08	$486.55	N/A	$462.55
Share of State Preservation Spending	36.5%	43.8%	19.7%	100.0%
Operations Spending	$894,784,715	$698,389,885	$849,536,026	$2,442,710,626
Per Capita Spending	$124.91	$136.47	N/A	$198.90
Share of State Operations Spending	36.6%	28.6%	34.8%	100.0%
New Capacity Spending	$618,540,443	$1,719,823,269	$812,625,143	$3,150,988,855
Per Capita Spending	$86.35	$336.05	N/A	$256.57
Share of State New Capacity Spending	19.6%	54.6%	25.8%	100.0%

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

The outer townships represent 42 percent of the state's population but received 58 percent of 1999-2002 state road and bridge spending that could be clearly assigned



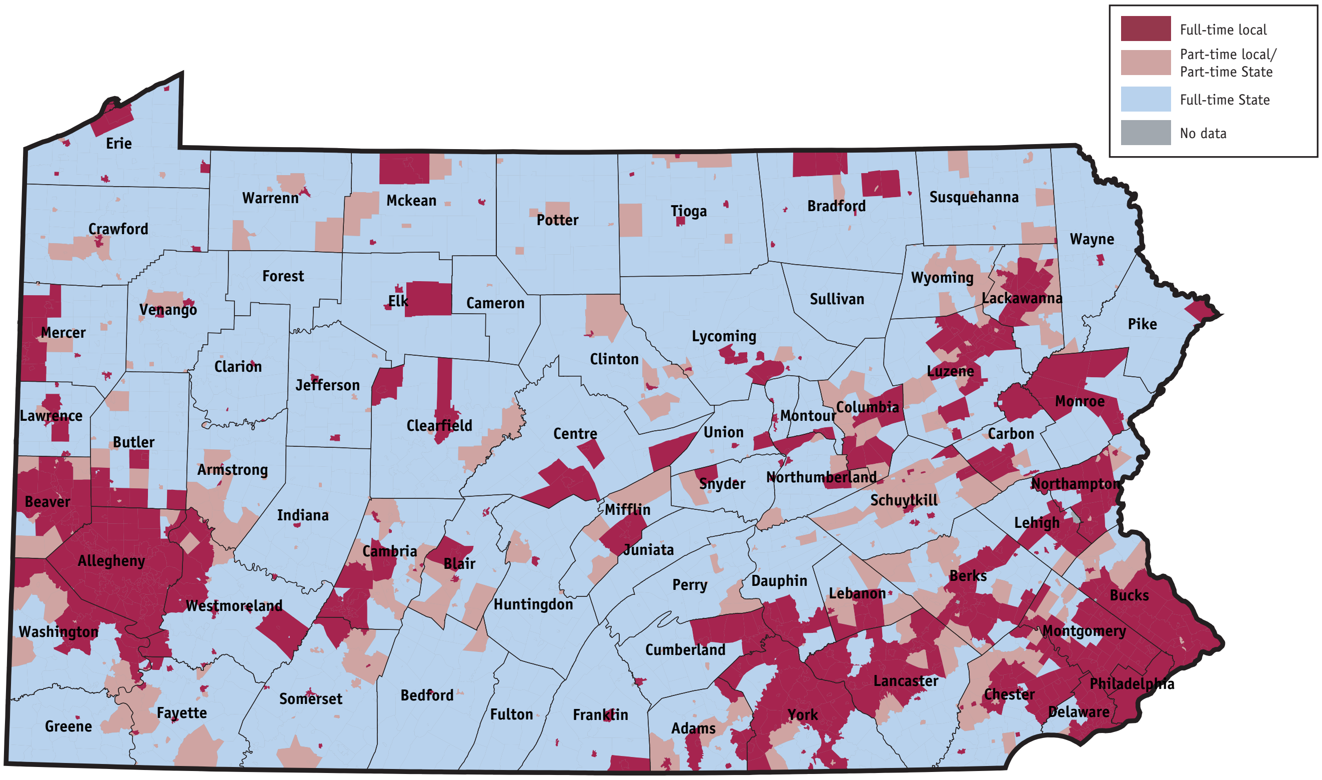
Source: U.S. Census Bureau, Anne Canby and James Bickford, 10,000 Friends of Pennsylvania

received $959 per capita in bridge and highway spending, while older areas received only $500. That meant that total state spending that could be placed in non-urban areas with their numerous lane miles exceeded that in older areas by 37 percent on an absolute basis, and 92 percent on a per capita basis.

Similarly and predictably, the 28 percent of the spending dedicated to "new capacity"— expansions of the system—skewed even more to the periphery. For this category, $1.7 billion in locatable spending flowed to outer townships ($336 per capita) compared with just $618 million ($86 per capita) to more central jurisdictions. Those numbers mean money flowed to the outlying townships four times faster on a per capita basis than it did to more established localities, and more than twice as fast on an absolute basis. Only money for "operations" flowed in a larger volume to cities, boroughs, and first-class townships, though even then the per capita allocation was smaller than in the non-urban townships.

Now to be fair, decision-making on highway and bridge spending has become highly decentralized in Pennsylvania—meaning that the responsibility for dispersed investment goes far beyond

Second-class townships make up nearly 80 percent of the municipalities that receive full-time Pennsylvania State Police coverage



Source: Pennsylvania State Police

PENNDOT. Most notably, regional metropolitan and rural planning organizations (MPOs and RPOs) and their governance boards share the responsibility for undesirable construction and rehabilitation patterns, given their strong role in allocating state and federal transportation spending. Roughly three-quarters of state highway and bridge funding flows to areas covered by MPOs, after all.

It also bears noting that the 10,000 Friends analysis does not include (due to the configuration of PENNDOT's records) the state's significant transit spending, which benefits urban areas more than outer ones.

Still, critics of the spatial biases and decentralizing impact of even today's reformed state transportation governance appear to have a point. Overall, the state's outlying areas received some $1.32 billion more in classifiable highway investments between 1998 and 2002 than did Pennsylvania's more central places, including $1.1 billion more for "new capacity." Such flaws, moreover, represent both an economic distortion and a poor investment strategy. In economic terms, resources generated in large part in older Pennsylvania are hastening the established communities' own economic decline, to the extent they subsidize roads that decentralize job and population growth. As an investment strategy, the state's road spending makes even less sense, as it pours money into new capacity in rural areas even as the conditions of existing roads deteriorate in urban areas. In sum, Pennsylvania's road spending makes sense neither fiscally nor strategically—and is likely harming established communities.

State police spending effectively subsidizes outlying areas

State police coverage represents another example of how the Commonwealth wittingly or unwittingly subsidizes decentralization.

Each year, the Commonwealth spends several hundred million dollars providing primary police coverage at no local cost to areas without forces of their own. In 2001, for example, the department dedicated about 75 percent, or $427 million, of its $570 million budget to furnishing full- and part-time service to more than 1,200 municipalities that lacked forces entirely, and another 420 that maintained only part-time departments.[49] Overall, that activity involved some 4,000 Pennsylvania State Police (PSP) officers and provided an important public service to more than half the state's municipalities.

Build It and They Will Come?

Perry County Business Campus One, not far from Harrisburg, epitomizes much of what's wrong with economic development spending in Pennsylvania. Proposed for a scenic pasture not far from the struggling borough of Duncannon, the fledgling business park sits in rural Penn Township—and has received abundant taxpayer help in its effort to attract tenants. From the state alone the 58-acre project has received in recent years a $400,000 IDP grant to underwrite preliminary grading; a $1.25 million PIDA loan, and a $1.5 million Redevelopment Capital Assistance Program grant. A $1.28 million federal advance has also been forthcoming. The only problem is this largesse absorbs resources that Duncannon and other older boroughs in the area desperately need to revive themselves, as columnist Herb Field of the *Harrisburg Patriot-News* has observed.[50] Just down the hill in Duncannon, for example, the antiquated water infrastructure is so poor that the borough had to import hundreds of thousands of gallons of water from Harrisburg in 2002, imposing rationing as well. Adding insult to injury, the park's target tenants are firms already doing business in Perry County, presumably in established areas. Meanwhile, as of mid-2003, Business Campus One, planned for a cow pasture, remained one. No tenants have been signed.

Yet this service is not spatially neutral. First, taxpayers in denser, more established cities and towns defray a large part of this coverage since they pay a large share of the gasoline taxes and license fees that support two-thirds of the state police budget. What is more, those jurisdictions receiving the state's support consist in large part of outer-ring rural townships. Nearly 80 percent of the municipalities today receiving full-time state police service consist of the sparsely settled second-class townships in which less than 20 percent of the state's population resides, according to PSP data.[51] Similarly, outer townships account for more than 40 percent of towns obtaining part-time service. The net effect: The Commonwealth spends several hundred million dollars a year providing subsidized policing to outlying townships that have elected not to organize departments, even as most older urban jurisdictions tax themselves to provide their own coverage.

Nor is that all. Under current law, 50 percent of PSP fine collections are returned to the municipalities where they were assessed using the same outward-tilting, linear-road-miles-based formula utilized to distribute liquid fuels tax payments. As a result, the state's outlying townships receive a second subsidy: free ticket revenue as well as free police coverage.

Once again, Pennsylvania's current system of spending and investing is making available a key public service to the state's outermost areas at the expense of its urban and suburban areas. State-subsidized PSP service, that is, renders hundreds of outlying townships relatively more attractive and lower-cost than closer-in ones by allowing them to provide top-quality police service without raising taxes.

State economic development spending frequently subsidizes job decentralization and low-quality job-creation

Pennsylvania's dozens of uncoordinated economic development programs represent a final missed opportunity to channel investment and development into the state's established communities.

These programs represent a key opportunity to channel growth in desirable directions as they respond to hundreds of applications for support from around the state. Recently, the Pennsylvania Legislative Budget and Finance Committee ranked Pennsylvania fifth among the states in per capita economic development funding in 1997–1998 for spending $22.59 per capita compared to the national average of $7.76.[52]

Moreover, a substantial portion of the $300 million or more the Commonwealth spends annually on thousands of "grants and subsidies" directly benefits specific companies or subsidizes the provision of new infrastructure, such as roads or industrial parks.[53] For example, new research conducted for this report by BERG estimates the Commonwealth spent nearly $900 million between 1998 and 2003 on just seven big infrastructure and corporate support accounts.[54] Such spending clearly has the power to jump-start established economies and affect development patterns—although the huge number of the programs has made it hard to decipher their impact over the years.

Now, though, BERG's analysis and another produced for this report by the Keystone Research Center (KRC) in Harrisburg suggest that that state's biggest business support programs do not decisively bolster older rural or suburban communities—and may in many cases sponsor job sprawl. A third earlier study by KRC also indicates that a large proportion of the jobs fostered by one of the programs—the Pennsylvania Industrial Development Authority (PIDA)—have been of low-quality.

On a per capita basis seven selected DCED economic development programs slightly favored projects in the outer townships between 1998 and 2003*

	Total Spending	Share of State Spending	Per Capita Spending
Older Pennsylvania	$491,291,625	56.9%	$68.81
Cities	$274,325,044	31.8%	$88.51
Boroughs	$174,787,691	20.2%	$68.52
1st-Class Townships	$42,178,890	4.9%	$28.32
2nd-Class Townships	$363,912,073	42.1%	$71.11
State Total**	**$863,776,421**	**100.0%**	**$70.33**

Source: Business Economic Research Group (BERG) analysis of DCED data, U.S. Census Bureau

**The seven programs studied were the Pennsylvania Industrial Development Authority (PIDA); the Infrastructure Development Program (IDP); the Opportunity Grant Program (OGP); Small Business First (SBF); Customized Job Training (CJT); the Machinery and Equipment Loan Fund (MELF); and the Industrial Sites Reuse Program (ISRF)*

***A small number of cities were not identifiable by municipal type, but were included in the state total calculation*

The "big seven" DCED programs

BERG's assessment demonstrates that seven major state development programs managed by DCED dispensed money literally "all over the map" in Pennsylvania between 1998 and 2003—and on balance slightly favored the outer less-populated townships.[55] (To read the full analyses and access metro-specific data tables visit **www.brookings.edu/pennsylvania**).

This work reveals, above all, wild variations in the total and program-by-program distributions of support that flowed to the state's municipalities, metro areas, and municipal classes. Few consistent patterns seem to explain the many regional and municipal disparities in funding (although the cities in general did well, on a per capita basis, by these programs with the exception of Philadelphia).

Still, the BERG assessment documents that much of DCED's aggregate distribution has been flowing into the outer townships as the agency responds to applications and deals originating in the various regions. In absolute terms, the second-class townships landed about 42 percent, or $364 million, of the nearly $900 million DCED distributed through the seven programs in recent years. In per capita terms, the outer townships garnered $71 per resident from the seven big programs while as a group older Pennsylvania (including its hundreds of rural boroughs) secured $69. For their part, the first-class townships landed just $28—perhaps reflecting their frequently prosperous status as established suburbs. In effect, the state is subsidizing business development at the fast-growing fringe as much or more than it is helping distressed older urban Pennsylvania.

The "big three" subsidy programs

Additional analysis by KRC looks more closely at the geography of spending by examining the three largest and best-known of the seven big DCED business assistance initiatives: the Opportunity Grant Program (OGP), the Infrastructure Development Program (IDP), and PIDA.[56] (To read the full analysis and access a web-based subsidy mapping tool please visit **www.brookings.edu/pennsylvania.**)

These three programs accounted for some $720 million in economic development spending between 1998 and 2003—a significant portion of the state's economic assistance effort during those years. As a group, the programs represent the state's most tangible interventions in business development by providing grants and loans for a wide range of uses, from site preparation, infrastructure, and land acquisition to job-retention and the financing of industrial parks.[57]

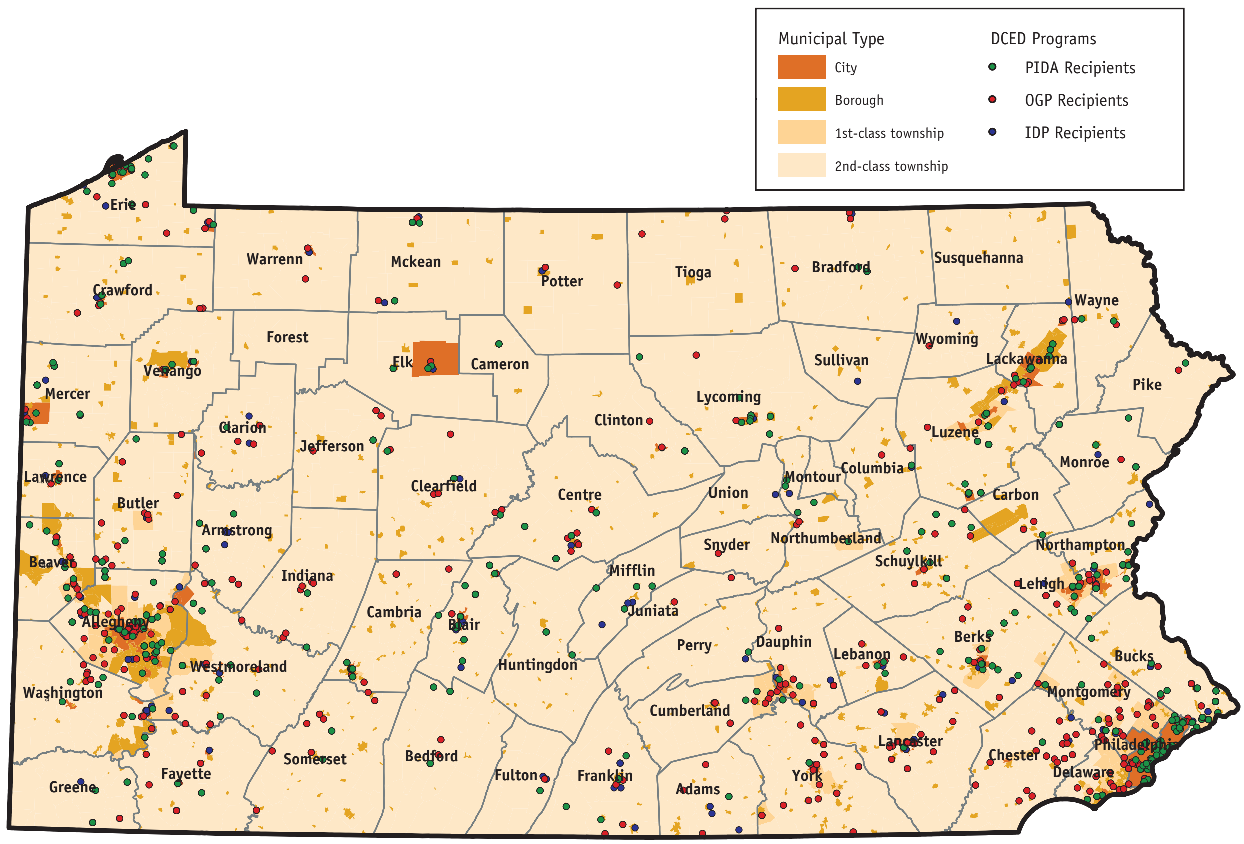
Yet here again the state's subsidies flowed almost equally to established and developing or outlying places, according to KRC's tabulations. In aggregate, assistance flowed proportionally to older and "newer" Pennsylvania, with a statistically insignificant outward tilt. Older Pennsylvania (including the many rural boroughs) obtained $57.71 per capita in assistance from the three programs; the second-class townships obtained $58.
But, for all that, extreme geographical and program variations characterized the distribution of Pennsylvania development subsidies to applicants from various regions between 1998 and 2003. Within older Pennsylvania, for example, the first-class townships landed just $21 per resident and the boroughs $52, while the cities secured $79 per resident. Meanwhile, flows varied sharply by region, with the Pittsburgh-area cities securing support at a rate of $134 per capita, for example, and cities in the Philadelphia region landing just $46 per resident.

Extreme local and regional variation characterized DCED's per capita distribution of aid through three key economic development programs between 1998 and 2003*

	Metropolitan Area								
	Lehigh Valley	Erie	Harrisburg	Lancaster	Philadelphia	Pittsburgh	Scranton	York	State Average
Older Pennsylvania	$43.06	$99.98	$40.84	$47.70	$38.73	$68.41	$93.65	$24.72	$57.71
Cities	$69.16	$124.40	$66.27	$132.34	$46.34	$134.18	$70.33	$47.88	$79.27
Boroughs	$12.58	$23.88	$16.05	$14.12	$47.63	$50.94	$103.41	$12.10	$52.35
1st-Class Townships	$0.00	$0.00	$50.02	$0.00	$15.64	$15.74	$155.60	$22.91	$20.68
2nd-Class Townships	$63.90	$71.91	$30.91	$4.98	$56.87	$70.32	$83.82	$24.76	$58.00
Total	**$49.81**	**$86.38**	**$36.13**	**$21.70**	**$44.19**	**$68.97**	**$90.41**	**$24.74**	**$57.83**

Source: Keystone Research Center analysis of DCED data, U.S. Census Bureau
**The three programs studied were PIDA, the IDP, and the OGP*

PIDA, OGP, and IDP investments were scattered widely across the state's regions between 1998 and 2003



Source: Keystone Research Center analysis of DCED data

And communities along the outskirts did well in several respects:

- OGP grants flowed to second-class townships at a rate of $18 per resident compared to $16 across older, more established locations
- Nearly two-thirds of PIDA industrial park loan money subsidized projects in outer townships
- And overall $297 million (41 percent) of the $716 million disbursed (and for which a site could be discerned) supported developments outside older areas or outside rural boroughs

At the regional level, the outer townships in metropolitan Philadelphia and Allentown received benefits at far faster rates than their distressed older sections. In the Philadelphia region benefits flowed to the outer townships at a rate of $57 per resi-

Investment Confusion: The Deer Creek Crossing TIF Rift

The proposed use of tax increment financing (TIF) to build the planned Deer Creek Crossing shopping mall in Harmar Township, Allegheny County illustrates the Commonwealth's haphazard approach to economic development. TIF holds out a powerful tool for revitalization in Pennsylvania. Under TIF, future tax revenues from a proposed development are pledged to pay down public loans for construction, allowing in principle for the completion of projects in blighted areas that would otherwise not get done. In this fashion, TIF has been successfully used to help reclaim numerous abandoned mill buildings and other difficult sites. However, the proposed Deer Creek TIF is different: It demonstrates how in more and more cases the overly vague criteria for "blight" in the 1945 Urban Redevelopment Law have allowed the tool to be used to build retail development on greenfield sites. At Deer Creek Crossing, for example, a $25 million TIF would finance a new interchange between Routes 28 and 910 to allow a Texas developer to build a "big-box" power center on 243 acres of floodplain forest and functioning wetlands in a second-class township miles from downtown. In other words, a subsidy designed to combat blight has been enlisted to help subsidize a greenfield retail development likely to undercut non-subsidized retailers already in the region. As to the overall efficacy of TIFs in Pennsylvania, meanwhile, it can't be evaluated. DCED, which administers the program, keeps no centralized data on the projects.[58]

dent and to older urban municipalities at a rate of $39 per person. In the Lehigh Valley the outer-ring subsidy rate of $64 per resident far exceeded the older community rate of just $43. By contrast, benefits flowed to older jurisdictions of Lancaster at a rate of $48 per capita and to the second-class townships there at a rate of just $5, suggesting that the region's growth management strategy may be successfully focusing development at the local level.

Job quality

An earlier study by KRC adds another dimension to the discussion, meanwhile, and suggests that many of the new jobs being created with the support of state business subsidies may also be of low quality.

This analysis, released in August of 2002, assessed projected payroll figures for 312 PIDA job-creation and retention projects that received $238.5 million in loans from 1998 to 2002, and concluded that PIDA was producing large numbers of low-quality jobs (defined as having a projected payroll per job less than 80 percent of the industry average).[59] Of the 312 projects, 122, or 39 percent, produced low-quality jobs during the study period, according to KRC. Moreover, for projects in durable manufacturing (which accounts for half of all PIDA jobs), some 45 percent of the loans produced low-quality jobs.

Ultimately, then, two careful reviews of Pennsylvania's business assistance programs in the years 1998–2003 document that state aid likely contributed to the decentralization of economic activity in the Commonwealth. To be fair, the subsidies did not monolithically follow the tendency of the private economy to disperse net job creation to the far suburbs. Indeed, more than half the money flowed to cities, towns, rural boroughs, and older suburbs. Yet even so, the flow of more than 40 percent, or $360 million, of the state's business assistance to the second-class townships clearly has supported development in the outlying areas—some of which would have likely occurred without it. In the bargain, this money effectively enhanced the allure of outlying "greenfield" locations for industrial development to the likely detriment of the state's areas of highest joblessness—the cities, boroughs, and inner suburbs. It may even have catalyzed in some circumstances the actual relocation of businesses from "old" sites to "new" sites through the support of speculative greenfield industrial parks (though the new work did not probe that). Moreover, many of the jobs created with the help of state aid were of low-quality.

To that extent, the state's largest economic development investments stand out as, at best, a tangled portfolio. State intervention through several programs, such as PIDA's multi-company component, has clearly helped the cities and older locations. Other programs, such as PIDA's industrial park element, have just as clearly spurred dispersal and subsidized the production of mediocre-quality jobs. As a result, state economic development policy has in many instances actually undermined established local economies—contrary to newly articulated goals.

A SHIFTING ECONOMY

Economic shifts have left their mark on the Commonwealth's geography and vitality, too. Over the past several decades, Pennsylvania's economy, like the nation's, has undergone profound changes. For Pennsylvania, the downsizing of manufacturing and increasing reliance on retail and services sectors has had a particularly large impact on how the state has grown both economically and physically.

Pennsylvania's wealth of extractable resources fueled the emergence of the iron and steel industries in the 18th and 19th centuries and the industrial revolution at the turn of 20th, establishing its status as a world-class industrial powerhouse. Often, Pennsylvania's industrial might anchored the Commonwealth's cities and boroughs—supporting them with wages and filling them with employees.

Today, manufacturing's share of the state's overall output is high compared to the U.S. as a whole, and it maintains a strong specialization in several industries, including chemicals, especially pharmaceuticals; food, including ketchup, sauces, bakery goods, and candies; computer and electronic products; and primary metals and paper.[60]

However, employment in the sector continues to plummet. According to the National Association of Manufacturers, the 2000–2001 manufacturing recession nationwide was the second-longest in 50 years (after the recession of 1982), and its recovery has been the slowest on record. From July 2000 to June 2003, over 2.6 million factory jobs were lost in the U.S., 136,000—or one out of every six—in Pennsylvania alone.[61]

Meanwhile, the service and retail sectors keep expanding, and are now the two largest employers in both Pennsylvania and the country as a whole. The rapid rise of the suburban "big box" is just one, but perhaps the most visible, manifestation of this shift: By 2002 Wal-Mart had bumped GM from its spot as the nation's largest company by sales, and it now reigns as the largest private employer in 21 states, including Pennsylvania.[62]

Not all those displaced from the factory floor are trading in their light blue collar for a bright blue vest, however. Between 1990 and 2000, employment growth in the majority of service related industries—from "amusement and recreation" to the legal field—outpaced that in most other sectors, both nationally and within Pennsylvania.

The movement away from an economy dominated by manufacturing to one more reliant on other sectors has had both economic and spatial ramifications:

Structural shifts in the economy have weakened Pennsylvania's performance

Pennsylvania's economic growth trajectory over the past several decades is in part a symptom of its historical reliance on traditional industries such as mining, the production of primary metals, and steel-related manufacturing—industries that have been particularly hard hit by declining employment and international competition in recent years.[63]

The state's economy matured at a time when its access to raw materials, dense network of highways, and proximity to markets were clear competitive advantages, allowing the development of a strong manufacturing sector producing goods for local and national needs.[64] Since the end of World War II, however, these old sources of competitive advantage have decreased in importance. Economic, scientific, and geopolitical changes over the past 50-plus years have increased economies' reliance on technological innovation and higher-skilled workers.[65] Yet as these changes occurred, states in the Northeast and Midwest failed to make significant investments in higher education, nor were they providing the cheap labor and lower tax rates offered by the Sunbelt states. In short, states like Pennsylvania failed to cultivate an environment responsive to the shifting demands of firms, and that eroded their competitiveness.[66]

Recent losses in manufacturing, and the reasons behind them, moreover, raise other challenges. Increasingly, many economic observers contend that the sector isn't experiencing another cyclical downturn so much as a fundamental change. Simply put, while factories are producing more, new technological advancements are allowing them to do so with greater efficiency and fewer workers. At the same time, overseas competition and globalization continues to fuel the exodus of many domestic production jobs to countries with cheaper labor.[67]

To that extent, Pennsylvania faces yet another moment of challenge. Over the long term, manufacturers offering distinctive products in the demanding global marketplace will reap the benefits of productivity growth and provide higher wages. In the short term, however, many goods-producing jobs will continue to be permanently eliminated through greater efficiency, import competition, and offshore sourcing by multinational giants. Moreover, a growing portion of what jobs remain will require higher skills than in the past.

Hence the present crisis: Unable to find its niche in a changing economy, the Commonwealth is underperforming. It continues to lose manufacturing jobs. Low-end service and retail jobs dominate job creation. Its young people are leaving. And its aging workforce lacks the skills needed to attract and develop the new growth industries necessary to create a better economic future.

The deconcentration of manufacturing has contributed to the deterioration of older urban areas

Not only has the structure of the economy undergone profound change, but so too has its spatial orientation, as indicates the movement of jobs and businesses away from older urban areas, and the legacy of abandonment and contamination left behind. Indeed, Pennsylvania's urban core has born the brunt of an economy that increasingly favors the new—new technology, new buildings, and new sites—over the old.

Nowhere is this more evident than in manufacturing. In a 1995 publication, the Office of Technology Assessment (OTA) cited three primary reasons for the decentralization of employment in this sector: (1) improvements in transportation that obviated the need to locate in cities and allowed greater choice in location; (2) changes in production technology that created greater demand for horizontal, as opposed to multi-story, factory layouts that require more land; and, (3) the overall maturation of many industries, whereby the entrepreneurial and innovation stages that benefited from the educated workforce found in the cities were completed, allowing the more routine, standardized production process to be undertaken by lower skilled workers in less expensive locales at home and abroad.[68]

These shifts, combined with the overall loss of jobs in this sector, have had a profound impact on Pennsylvania's older urban areas. The city of Philadelphia, for example, lost nearly 184,000—76 percent—of its manufacturing jobs between 1970 and 2000, and its overall share of metropolitan employment in the sector dropped from 43 percent to 19 percent. Over 300 manufacturing establishments left Philadelphia between 1994 and 2001 alone. Allegheny County, home of Pittsburgh, lost 62 percent of its industrial jobs over the 30 years, with 190 firms leaving or closing down from 1994 to 2001.[69]

Statistical analyses comparing many states show that Pennsylvania's and other rust belt states' traditional specialization in manufacturing has indeed stunted later performance. A 1995 study by economist Edward Glaeser of 203 large cities, for example, revealed that those with a significant share of employment in manufacturing in 1960 had slower population, employment, and income growth by 1990 than those less dependent on the sector.[70] An industrial heritage, it appears, can depress later growth.

In that sense, Pennsylvania's past industrial glory has contributed to the current fate of its older urban areas. And the prospects can be bleak: In many cases, older Pennsylvania communities continue to grapple with heavy population losses, dwindling employment, lower incomes, and thousands of abandoned housing units, polluted sites, and dilapidated structures that serve as constant reminders of an era that has long since faded.

The changing economy has abetted metropolitan sprawl

As Pennsylvania's older core has declined, its suburbs have continued to sprawl.

In the Commonwealth and elsewhere, the changing nature of production activities combined with the outward movement of employment and consumers and markets has helped create the ubiquitous "edgeless cities" that define the American suburbia.[71] Granted, state and local economic development and land use policies have certainly contributed to these growth patterns. However, the fact remains that larger, in some cases inevitable, economic forces are also at work.

The rapid growth of big box establishments in recent years is a prime example. These stores now dominate large-scale retailing, and while many communities have fought their arrival, the fact is that many consumers appreciate the low prices and convenience they offer. Unfortunately, these benefits come with trade offs: To begin with, the big box store brings unwanted—often fatal—competition for smaller, local establishments, while its traditional format is the poster child for commercial sprawl. Furthermore, the megastores consume large amounts of land to accommodate massive retail spaces and parking lots that often require new road extensions and other infrastructure. Despite these drawbacks, Pennsylvania's suburban fringe continues to welcome the stores with open arms: The Commonwealth now boasts a Wal-Mart Supercenter or Sam's Club in nearly every county; the company also has three distribution centers in the state and will be building a fourth in the spring of 2004. Pennsylvania, in fact, has emerged in recent years as an ideal big box location: As commented a 2002 *Philadelphia Inquirer* article on Wal-Mart, "Hundreds of state roads through rural areas and suburbs, in addition to plentiful open land for stores and parking lots, were a perfect combination for the chain."[72]

Retail growth in the suburbs is certainly not new, however: Older urban storefronts have been closing their doors for decades as more auto-friendly malls and shopping centers opened on the fringe. From 1970 to 2000, for example, the city of Philadelphia lost 26 percent of its retail jobs, while employment in its surrounding Pennsylvania counties grew nearly 93 percent. Dauphin County, anchored by Harrisburg, saw retail employment grow by less than 56 percent during this period, when it grew nearly 110 percent in outer-suburban counties. And the pattern throughout the state is likely similar.[73]

The story is much the same for the service sector, too. Again, the Philadelphia region provides a window into the trends. Analysis by the Center City District and the Central Philadelphia Development Corporation Growth shows that between 1990 and 2000, employment grew in the suburbs across a selection of office industries—including communications; finance, insurance and real estate (FIRE); and legal services—at the same time that it declined in the city. In several industries where the city did experience growth, such as engineering and management services and healthcare, it was exceeded in the surrounding counties. Only in education services, and several sub-sectors associated with the hospitality sector, did the increase in city employment actually outpace that in the suburbs.[74]

In short, economic change is rearranging the landscape. Although a complete reversal of these growth dynamics is obviously unlikely, the state's leadership needs to understand their impact, and examine how it can help shape an economic future that brings Pennsylvania's towns and cities back to a more prominent place in the economy.

Distributing Growth: The Logistics Industry Moves Outward

Pennsylvania's growing distribution sector exemplifies the rising exurbanization of economic activity. Traditionally metropolitan, the industry is undergoing significant technological changes that are moving it further and further away from urban areas. As information and communications technology speed up the flow of goods, facilities are being increasingly consolidated, resulting in fewer, bigger warehouses designed to serve larger markets. These facilities, in turn, require larger and larger parcels of land with easy access to good transportation networks—sites typically located in exurban or rural areas.[75] As observes one real estate consultant: "[G]eneral urban sprawl is pushing [distribution centers] and other sites to outlying areas…[Y]ou typically can't locate those larger sites in the mainstream distribution markets."[76] In Pennsylvania, distribution centers operate throughout the Commonwealth, but appear to be concentrated in Cumberland, Dauphin, and Luzerne counties.[77] Statewide, many of these projects are located in the outer suburbs, and several have received state funding. In fact, between 1998 and 2003, half of the PIDA loan dollars provided to businesses in transportation and wholesale trade—industries most closely associated with distribution—went to projects located in second-class townships.[78]

BARRIERS TO REINVESTMENT

Just as a number of market and policy forces are speeding the decentralization of jobs and families to the far rural townships, so do regulatory and policy barriers exacerbate the deterioration of Pennsylvania's older communities and deter reinvestment.

The Commonwealth's cities, towns, and inner suburbs have been battling decline for several decades. The necessary response, meanwhile, is obvious: The state and its localities must focus on helping older areas rebound from deindustrialization and its effects, so as to draw development and dollars back to these core communities.

But the reasons that older communities continue to deteriorate are complex. In truth, a multitude of disincentives exist that effectively discourage families and firms from locating there and help drive existing residents and businesses to greener pastures on the fringe. Low-quality schools, real or perceived crime, higher tax rates, outdated zoning ordinances, inefficient permitting processes, uncompetitive labor costs, and "Nimbyism" are all commonly cited examples of local obstacles to infill development and rehabilitation.

Still, cities and older suburbs shouldn't bear the sole responsibility for overcoming impediments to urban redevelopment. State governments must play an important role as well, yet many communities remain hamstrung by state policies and practices that either inhibit local-level reform, or fail to provide adequate resources to help meet specific challenges.[79]

State rules and policies present three main barriers to the revitalization of the Commonwealth's cities, boroughs, and older suburbs. Each contributes to the decline of these communities—and the concomitant growth in outer areas—in different, but related, ways.

Barriers to brownfield redevelopment hinder their productive reuse

Pennsylvania's large number of brownfields sites is both a consequence of its shifting economy—the legacy of a strong industrial heritage that has experienced steady decline—as well as a deterrent to revitalization.[80]

No one knows for sure how many brownfields stain each state, what percentage is rural or urban, or their impact on local economies. Experts, however, have estimated that more than 500,000 sites nationwide show evidence of at least some contamination that inhibit their reuse. With a new 2002 law bringing petroleum contamination under the brownfields umbrella, others have pushed this figure up to 1 million or more. Since the inception of Pennsylvania's much-lauded Land Recycling Program in 1995, more than 1,100 sites have been cleaned up in dozens of counties, which gives some indication of the magnitude of the remaining problem in the state.[81]

While the precise number of brownfields in Pennsylvania hasn't been quantified, a drive through most older areas in the Commonwealth reveals remnants of vacant and closed industrial sites, weed-strewn gas stations, or dying shopping centers.[82] Most of these properties are caught in a vicious cycle of decline, for several reasons:

- Older properties—even those with just small amounts of environmental contamination that could easily be remediated—compete at a considerable disadvantage in the real estate market, compared to clean greenfield locations.

- Some property owners simply abandon their property. Other owners are individuals who died intestate, or businesses that relocated or dissolved years ago. These circumstances undermine the local tax base and make it difficult for the private sector to assemble sites for new development.

- Vacant industrial facilities deteriorate and invite abuse—illegal stripping of parts or material, vandalism or arson, and "midnight" dumping. Untended pollution may worsen and spread, further diminishing property value, adding to its cleanup cost, and threatening the economic viability of adjoining properties.

- The site becomes an unwanted legal, regulatory, and financial burden on the community and its taxpayers.

Addressing the environmental and community development problems stemming from brownfield contamination is widely recognized by both the public and private sector to be a desirable and laudable objective, but doing so is not easy. In practice, reusing these sites boils down to two issues: money and time. The *cost* of cleaning up and preparing an urban site for development, combined with the *delay* associated with securing government approvals—such as building permits, zoning variances, and legislative authorizations—makes many brownfield development ventures infeasible.

In the more rapidly developing areas within a region's outer ring, for example, a prospective developer can acquire an untouched greenfield site, probably in a new industrial or office park far from the central city, and build a facility to suit with relative ease. He or she may also be able to take advantage of less stringent land use laws that make development of farm land and other rural sites easy and cheap.

Closer in, meanwhile, a developer can definitely acquire a previously used site in an old, largely abandoned industrial district. Such a site, almost assuredly saddled with contamination or inadequate infrastructure (such as access roads, and water/sewer lines, and telecommunications), might even be available at little or no cost. However, the prospective purchaser will then need to undertake the complicated, time consuming, and expensive procedural and legal steps of testing, acquiring, cleaning, and redeveloping the site and its surroundings.

In addition, potential brownfield redevelopers will almost certainly need to produce a higher rate of return to their investors or lenders to persuade them to take on a project with greater perceived risk—in some cases, this "brownfield premium" has translated into an extra 10- or 15- percent return on investment, or an additional percentage point or two on a loan rate. Moreover, such a project will often be more expensive in terms of planning, design, and community outreach activities.

These regulatory and financial constraints stigmatize these properties and hamper local efforts to redevelop them into productive, tax-generating uses that serve, rather than undermine, communities.

Barriers to the redevelopment of vacant and abandoned industrial properties keep many idle

Vacant and abandoned land and buildings—even those without real or perceived contamination—blight and burden many urban communities. The potential exists, however, to turn many of these problem properties into economic opportunities that in turn can help stimulate investment and spur revitalization.

In this connection, though, several major barriers to redevelopment keep many of these sites from becoming attractive to would-be developers:

Lack of information. Any municipality wishing to redevelop its vacant and abandoned properties needs to know where the parcels are located, what condition they are in, who owns them, and other basic information. Unfortunately, such knowledge rarely exists.[83]

Most communities are still largely in the dark, in this regard, even though the advent of Geographic Information Systems and other technologies has encouraged some localities across the country to develop sophisticated parcel-based inventories of the land in their boundaries. Even if this information is collected, though, it often remains spotty, and is almost never made publicly available. The state's SiteFinder listing of contaminated properties, for example, represents a good step forward, but submissions of information to it remain voluntary. And while Philadelphia has undertaken an extensive effort to track vacancy and abandonment with support from The Reinvestment Fund, other Pennsylvania municipalities appear to be lagging far behind. As a result, most communities lack the necessary information to plan for the acquisition, assembly, marketing, and ultimate reuse of idle land. Consequently, valuable assets remain liabilities.

Limited marketability. All vacant and abandoned properties are not created equal, meanwhile. The number of sites that are marketable at any given time depends first and foremost on real estate conditions that exist in the region, city, and neighborhood in which they are located. Naturally, properties located in "hot markets" will be of greater interest to private sector developers than those in the throes of decline.

But opportunities for redevelopment are often stymied by other conditions that limit a site's desirability. For example, clustering small parcels with multiple owners into sites large enough for commercial or residential development may be complicated and expensive. In addition, street patterns may need to be reconfigured to suit a new use, and outmoded or deteriorated infrastructure upgraded. Finally, these sites may contain old structures that need to be demolished or, contain contaminants that require treatment or removal, adding time and costs to the project.[84]

Ineffective acquisition processes. In many instances, government acquisition of blighted properties is the most appropriate first course of action for getting them back to a productive use. State law can hinder this process, however, ultimately allowing these sites to further deteriorate.

Tax delinquency and abandonment, for example, often go hand in hand, which means that localities need to have efficient and effective means by which to foreclose on properties and encourage their reuse. These laws are generally established by each state, and vary considerably among them.[85] In Pennsylvania, the Real Estate Tax Sales Law authorizes jurisdictions to foreclose on a property after one year of tax delinquency, at which time the city must offer the property at a tax sale to the highest bidder.[86] The law does not give communities the ability to require new owners to redevelop the property, however, nor allow them to transfer the property directly to a non-profit organization or

The Complications of Brownfield Redevelopment: The Easton Roundhouse Project
The reuse of the former Lehigh Valley Railroad yard site in Easton illustrates just how difficult brownfield reuse can be. Hampered by the presence of derelict structures and the specter of environmental contamination, this former railroad roundhouse sat vacant for approximately 29 years before being redeveloped in 2002. The tremendous expense of demolishing the old rail buildings, combined with the fear of environmental liability, imposed a powerful deterrent to reinvestment. In fact, according the mayor, the city of Easton unsuccessfully tried to redevelop the property for years. After three decades, the 3.3-acre site is now home to Coretech—a manufacturer of core cutting, handling, and printing machinery. Coretech's owner, an Easton resident, was able to relocate the company there last year after receiving help from the state Department of Environmental Protection and several local organizations. Under Pennsylvania's Land Recycling Program, the site was given liability clearance as well as some financing for environmental work. Additional funds came through the city of Easton and the Lehigh Valley Economic Development Corporation. Today the company employs 25 people on the site, and has received wide recognition in the regional press for its new facility. And yet, the success of this, and other similar efforts in the area, shouldn't be overstated: Given the time and expense involved in such projects, it is likely to be some time until Lehigh Valley's approximately 90 brownfield sites become productive again.

other party who has a planned course of action for rehabilitation.[87]

Eminent domain can also be a powerful tool for condemning or rehabilitating blighted properties. Again, though, state procedures that enable eminent domain vary widely, and are often unnecessarily cumbersome. Pennsylvania's Urban Redevelopment Law, for example, requires that multiple municipal agencies be involved for every acquisition that occurs through eminent domain, making the process slow and unpredictable. In addition, the law stipulates that unclaimed compensation for properties reverts indefinitely to the State Treasury Bureau of Unclaimed Property, allowing no opportunity to reinvest it back into communities.[88]

These laws, if amended, could help facilitate the redevelopment of older properties.

Barriers to the rehabilitation of older buildings perpetuate their deterioration

Many of Pennsylvania's cities and towns are dominated by older, often historic, buildings that give them a distinctive charm most newer developments can't rival. But while these structures remain some of the state's greatest assets, they often present serious obstacles to the revitalization of older communities.

To be sure, many people appreciate the interesting facades and unique character reflected in the different architectural styles of buildings and streetscapes constructed over the course of many generations. In fact, a multi-billion dollar heritage tourism industry has bloomed in the Commonwealth out of people's interest in the state's many historic places, from colonial York to old milltowns in greater Pittsburgh.[89]

But not all older urban areas are tourist attractions, and even those that are can't survive on visitor dollars alone. The fact is that over time preferences have changed, and many older buildings simply don't accommodate today's lifestyles and business needs. This has rendered many structures functionally obsolete, evidenced by the growth of suburban housing, office, and industrial space that meets the desire for larger floor plans, more green space, and upgraded systems that can support the latest technologies.

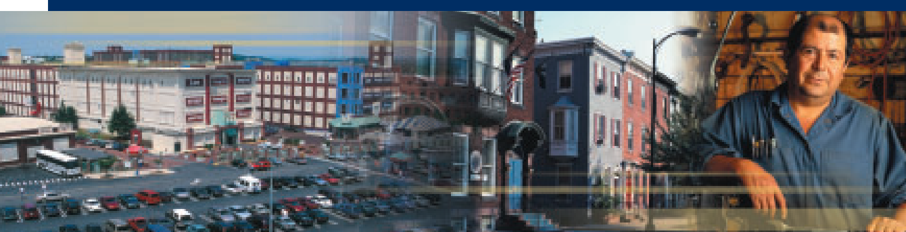
These trends are further exacerbated by outmoded building codes that thwart the rehabilitation or adaptive reuse of older structures. Many of Pennsylvania's existing buildings were built under earlier building standards, for example, or with no codes at all. But until the passage of recent legislation, the state's building codes required that alterations to older buildings meet the same standards as for new construction.[90] These requirements often did little or nothing to improve the soundness of the structure, yet could result in considerable time and expense that made rehabilitation impractical or downright prohibitive. Furthermore, the lack of uniformity among municipalities'—and individual inspectors'—interpretations of the code has added unpredictability and inconsistency to many rehabilitation projects.[91]

Finally, financial constraints impede the rehabilitation of older buildings in the state. Renovation costs for historic structures are considerably higher than construction costs for new buildings, making unsubsidized redevelopment often infeasible. However, public and non-profit resources are only available to support a select few restoration projects in any given year.

* * *

Ultimately, then, Pennsylvania's large stock of older buildings—and the market, regulatory, and financial barriers to their reuse—deters development in the state's older cities and towns at the same time that construction on the fringe proliferates. Only by implementing policies and practices that facilitate redevelopment and market activity in older places will the Commonwealth begin to stem the deterioration that continues to threaten the state's heritage.

V. PULLING IT ALL TOGETHER



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

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

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

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

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

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

   - **Pennsylvania is barely growing and it's aging.** During the 1990s, Pennsylvania garnered the third-slowest growth among states, as it grew by just 3.4 percent—or 400,000 residents. That growth at least improved on the declines and stasis of the 1970s and 1980s, but the recovery remained anemic. Making these trends starker are the tepid population dynamics they mask. In the latter half of the 1990s the sixth-largest state experienced the fifth-largest net out-migration of residents, and the ninth-largest percentage loss of young people aged 25- to 34-years old in 2000. Meanwhile, the state added relatively few births and captured only modest immigration. Consequently, the Commonwealth now ranks second among states for its share of Americans over age 65. Pennsylvania lacks the vibrant population dynamics usually associated with flourishing economies.

   - **Pennsylvania is spreading out—and hollowing out.** Notwithstanding the state's miniscule growth, the Commonwealth decentralized rapidly during the 1990s, extending and accelerating a long-term shift of population outward. During the last decade, some 533,000 people—many of them from within state—poured out into the Commonwealth's outer townships to hike the population there 12 percent. Simultaneously, the population of the state's cities, boroughs, and more established suburbs dwin-

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

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

3. **The consequences of Pennsylvania's trends, are fiscally, economically, and socially damaging—for the state, for communities, and for the families that live in them.** Most disturbingly, Pennsylvania's trends are undercutting the very places that possess the assets the state needs most to bolster its competitiveness:

   - **Slow growth is still bringing fast sprawl.** Pennsylvania's population grew by just 2.5 percent between 1982 and 1997, but its urbanized footprint grew by 47 percent over that time. That meant that the third-slowest-growing state in the country developed the sixth-largest amount of land, as it consumed more farmland and natural space per added resident than every state but Wyoming. In short, the state is squandering a key source of competitive advantage: its beckoning landscape and superb natural assets.

   - **Neighborhood decline is weakening the cities, towns, and older suburbs in which 58 percent of the state's residents live, and where many of its critical intellectual, health, and business assets cluster.** In particular, the Commonwealth's starkly unbalanced growth patterns are taking a drastic toll on the health and real estate markets of the state's original neighborhoods of choice—its city residential blocks, charming rural and urban boroughs, and inner-ring townships. People are moving out. Vacancy is on the rise in older municipalities. And in the worst-affected areas a "vicious-cycle" of social distress, deterioration, and abandonment is destroying the state's neighborhood appeal.

   - **Sprawl and urban decline are each burdening taxpayers.** Low-density sprawl is raising tax bills because it frequently costs more to provide infrastructure and services to far-flung communities where longer distances separate houses and businesses. Urban decay, meanwhile, imposes even more painful costs, as decline depresses property values and therefore tax revenues. In Pennsylvania, real property in the state's cities, boroughs, and older townships failed to appreciate between 1993 and 2000 during years when the outer townships gained more than 20 percent in inflation-adjusted market value. Such trends place heavy pressure on older communities to set their property tax rates higher than developing outer areas, weakening their capacity to compete for new residents and investments.

   - **Each of these dynamics is exacerbating the state's loss of young talent, worsening the state's serious workforce problem.** Given its aging population and loss of young adults, Pennsylvania badly needs to attract and retain more highly educated younger workers, including the enviable flow of top students who pass through its many institutions of higher learning. However, sprawl, on the one hand, and urban decline, on the other, each hinder the state's ability to create the kinds of places that attract critical "human capital," and reverse a serious "brain drain." Too rarely do young and mobile educated workers find in Pennsylvania the vibrant downtowns, healthy urban neighborhoods, pristine scenery, and rich close-in job markets to which they gravitate. That makes it harder to build and maintain the skilled and educated workforce necessary to spawn high-paying knowledge jobs and cultivate entrepreneurialism.

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

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

- **Governmental fragmentation.** Pennsylvanians are justifiably proud of their profusion of accessible, small-scale governments. However, the intense localism of the state's 2,566 municipal governments—compounded by the state bureaucracy's own fragmentation—has often caused jurisdictions to work at cross-purposes rather than together on tough problems like land-use planning and economic development. These fractures have made it hard for the state and its local partners to respond concertedly to modern realities and challenges.

- **Weak planning systems.** Flawed planning structures and uncoordinated agendas have similarly left the Commonwealth's regions and state government less able than others to project a desired pattern of development and manage change. This weakness has contributed to unfocused state policies and chaotic spread-out development.

- **A history of haphazard state investments.** While well-intentioned, the state's own uncoordinated spending has also probably exacerbated the state's sprawl and urban-decline woes without providing a focused lift to the economy. State road and economic development investments, in particular, have likely contributed to the decline of the state's struggling older communities by either directly supporting the dispersal of population and economic activity, or failing to target aid sufficiently on older areas.

- **The shifting structure of the state's (and the nation's) economy.** This too has played a significant role in decentralizing population and jobs and depressing growth. The sheer scale of deindustrialization in the Commonwealth has complicated its search for a new niche, for example. Meanwhile, the state's reliance on manufacturing and big box retailing for jobs and revenue may be contributing to decentralization. And finally, the increasing premium the changing world economy places on high education and skills levels has complicated reinvention for a state with historically low attainment on such measures.

- **Barriers to reinvestment.** Numerous obstacles to redevelopment, finally, have blocked new markets from emerging in older communities, spurred more decentralization, and burdened regional economies. Currently the state maintains a strong brownfields reuse program. But even so, urban contamination, high clean-up costs, substantial regulatory and legal complexities, outmoded building codes, and disjoined real estate markets all impede the revitalization of older urban Pennsylvania. As they do, they have shunted development to the greenfield periphery and placed a costly drag on metropolitan economic development.

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

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 LUPTAP 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.

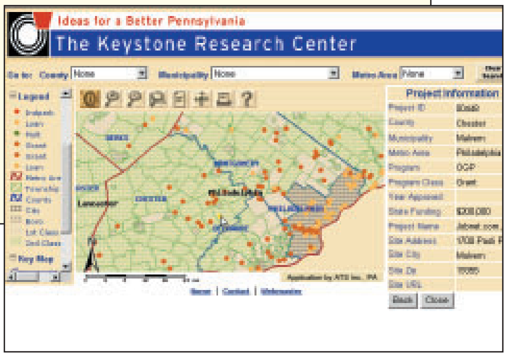
Most broadly, past directives such as Executive Order 1999-1 have remained largely aspirational in favoring previously developed locations, and state agencies have rarely recast their decision-making dramatically. By contrast, a clear and explicit state policy should soon require that all agencies give 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 (CDGB) 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 meaningful 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.

VII. CONCLUSION

In the end, Pennsylvania needs to look "back" to its older, more established centers—but not out of nostalgia.

Instead, the Commonwealth needs to look again at its cities, its rural and urban boroughs, and its older townships with an eye to competitive advantage, and in a spirit of strategy and self-interest.

These brick-built, human-scaled communities represent the historic hubs of the state's past greatness. But they also represent the key to the state's future, and so they must move again to the center of the state's planning, coordinating, and investing.

A majority of Pennsylvanians—58 percent—still live in the Commonwealth's cities, rural and urban boroughs, and older townships. Moreover, these communities possess powerful strategic advantages unavailable elsewhere in the Commonwealth—advantages that give the state its best shot at revival.

Pennsylvania's cities, boroughs, and older townships possess centrality and convenience. They marshal numerous health centers and educational institutions, strong business traditions, and abundant transportation links. And equally important, they offer in abundance the charming town centers, distinctive neighborhoods, and clusters of shops, restaurants, and urban cultural institutions the state requires if it hopes to retain and attract the skilled workers it badly needs.

In that sense, these pages—far from looking "back" to Pennsylvania's once-prosperous older places sentimentally—challenge the state to leverage the unique strength of those places to generate a new dynamism.

Pennsylvania should turn its focus back to its towns, cities, and older townships as a way of reenergizing its future.

ENDNOTES

I. Renewing Older Pennsylvania

1. By the Center for Rural Pennsylvania's definitions, Pennsylvania's northeast region consists of Berks, Bradford, Carbon, Lackawanna, Lehigh, Luzerne, Monroe, Northampton, Pike, Schuylkill, Sullivan, Susquehanna, Tioga, Wayne, and Wyoming counties (15 counties); the southeast region encompasses Bucks, Chester, Delaware, Montgomery, and Philadelphia counties (5); and the south-central region includes Adams, Cumberland, Dauphin, Franklin, Lancaster, Lebanon, Perry, and York counties (8 counties). The center also demarcates the following additional regions: the central region (16 counties)—Bedford, Blair, Cambria, Centre, Clinton, Columbia, Fulton, Huntingdon, Juniata, Lycoming, Mifflin, Montour, Northumberland, Snyder, Somerset, Union; the southwest (8 counties)—Allegheny, Beaver, Butler, Fayette, Greene, Indiana, Washington, Westmoreland; and the northwest (14 counties)—Cameron, Clarion, Clearfield, Crawford, Elk, Erie, Forest, Jefferson, Lawrence, McKean, Mercer, Potter, Venango, Warren.
2. Counting the Pennsylvania side of the Newburgh, NY-PA metro area as a Pennsylvania metro brings the total to 15. We exclude this partial metro and assume the state possesses 14 metro areas.
3. Pennsylvania has one town (Bloomsburg, Columbia County), which is counted with boroughs in this report since it is essentially like them.
4. Anne Canby and James Bickford, "Highway Investment Analysis" (Draft paper, 10,000 Friends of Pennsylvania, 2003).
5. Governor's Center for Local Government Services, "Borough Council Handbook" (Harrisburg: Commonwealth of Pennsylvania Department of Community and Economic Development, 2000), p. 1. Available at www.inventpa.com/docs/Borough_Council.pdf
6. Governor's Center for Local Government Services, "Township Commissioners Handbook" (Harrisburg: Commonwealth of Pennsylvania Department of Community and Economic Development, 2000), p. 1. Available at www.inventpa.com/docs/Borough_Council.pdf
7. Two other definitions of the state's "older," more established areas were also considered: the U.S. Census Bureau's "urbanized area" determinations and the Center for Rural Pennsylvania's recently developed definition of rural and urban municipalities. Careful comparison and mapping of the three possible geographies confirmed that the state's municipal classification system provides a "middle ground" framework that corresponds well with traditional understandings about growth patterns and the political map.

II. Development Trends in Pennsylvania

1. All of the migration data cited here and below come from the U.S. Census Bureau.
2. This report assesses the extent of "brain drain" (or the out-migration patterns of young workers aged 25–34) in the 1990s by tracking the size of the 15- to 24-year-old age cohort over the decade, rather than by simply comparing the changing number of 25- to 34-year-olds in 1990 and 2000. This approach controls for historical fluctuations in the size of generations. It also allows for a more direct examination of the ability of the state to retain this coveted cohort.
3. See William H. Frey, "Census 2000 Reveals New Native-Born and Foreign-Born Shifts across the U.S." (Ann Arbor: Population Studies Center at the Institute for Social Research, University of Michigan, 2002).
4. School enrollment data from several urban school districts—including Reading and Philadelphia—suggest that some cities' populations may be growing more than census data indicate. School enrollment data sometimes detect population change that the census does not, such as growth among the children of undocumented immigrant families.
5. State household change totals in this and the following two paragraphs may differ slightly from Census figures because a few municipalities that underwent significant boundary changes during the 1990s were not counted.
6. Statistics in this paragraph and the next are calculations based on data gathered by Edward Hill from Social Security tax payments by employers.
7. The figures in this paragraph and the next come from Brookings analysis of U.S. Census Bureau Zip Code Business Patterns data for 1994 and 2001. Figures represent private sector jobs only and are considered estimates. Data for metropolitan areas with multiple central cities including Harrisburg-Lebanon-Carlisle, Allentown-Easton-Bethlehem, and Scranton–Wilkes-Barre–Hazelton aggregate data locating jobs' distance from each of the central business districts.
8. See Edward L. Glaeser and Jacob L. Vigdor, "Racial Segregation in the 2000 Census: Promising News" (Washington: Brookings Institution, 2001). Black/non-black segregation is calculated using a "dissimilarity" index, which measures the proportion of blacks that would need to move across census tracts to get an even proportion of black residents across the entire MSA.
9. Census 2000. Numbers are adjusted for inflation.
10. See Thomas Bier and Charlie Post, "Vacating the City: An Analysis of New Homes and Housing Growth" (Washington: Brookings Institution, 2003).
11. Bureau of Labor Statistics. Long-term employment growth measures percentage change annual in non-farm, non-seasonally adjusted employment from 1992 to 2002. Short-term employment growth measures percentage change in annual non-farm, non-seasonally adjusted employment from 2001 to 2002.
12. Bureau of Labor Statistics. See NEWS document, "Mass Layoffs in August 2003," released 9/25/03. The number of mass layoffs includes the number of establishments in the state that have at least 50 initial claims filed against them during a consecutive five-week period. The number of claimants for unemployment insurance is based on an aggregation of the weekly unemployment insurance claims filings for the month in each state.
13. Pennsylvania Department of Labor and Industry, "Pennsylvania Labor Force," September 2003 (seasonally adjusted numbers).
14. See David H. Bradley, Stephen A. Herzenberg, and Peter R. Wiley, "The State of Working Pennsylvania, 2003." (Harrisburg: Keystone Research Center, 2003)
15. Bureau of Labor Statistics.
16. Bureau of Economic Analysis, Total Full-time and Part-time Employment by Industry, 1970–2000.
17. Bureau of Economic Analysis, Gross State Product, 2001.
18. Bureau of Economic Analysis, Total Full-time and Part-time Employment by Industry, 2000.
19. Bureau of Economic Analysis, Gross State Product, 2001.
20. Bureau of Economic Analysis, Total Full-time and Part-time Employment by Industry, 1970–2000.
21. Bureau of Economic Analysis, Gross State Product, 2001.
22. Bureau of Economic Analysis, Total Full-time and Part-time Employment by Industry, 1970–2000. See www.bea.gov/bea/regional/reis/
23. Bureau of Economic Analysis, Gross State Product, 2001. See http://www.bea.doc.gov/bea/regional/gsp/
24. U.S. Conference of Mayors, "Metro Economies Report" (2003).
25. Bureau of Economic Analysis, Total Full-time and Part-time Employment by Industry, 1970–2000.

26. Bureau of Labor Statistics. See NEWS document, "Average Annual Pay by State and Industry," released 9/24/02. Included in annual payroll data are bonuses, cash value of meals and lodging when supplied, tips, and employer contributions to 401(k).
27. Bureau of Labor Statistics. See NEWS documents, "Average Annual Pay by State and Industry," released 9/16/93, 9/24/02. Numbers adjusted for inflation.
28. Bureau of Labor Statistics. See NEWS document, "Average Annual Pay by State and Industry," released 9/16/93.
29. Bureau of Labor Statistics, compiled by The Reinvestment Fund in "Workforce 2002: Measuring What Matters." National numbers from BLS 2000 National Occupational Employment and Wage Estimates table. See http://www.bls.gov/oes/2000/oes_nat.htm
30. Census 2000. Numbers are in constant 1999 dollars.
31. The Philadelphia MSA includes counties in New Jersey, where wages tend to be higher. Thus, the average annual pay in the MSA would likely be lower if only the five PA counties were included.
32. Bureau of Labor Statistics. See NEWS document, "Average Annual Pay in Metropolitan Areas, 2001," released 11/8/02.
33. U.S. Census.
34. Keystone Research Center, "The State of Working Pennsylvania, 2002," p. 11.

III. The Consequences of How Pennsylvania Is Growing

1. David Hackett Fischer, *Albion's Seed: Four British Folkways in America* (New York: Oxford University Press, 1989), p. 452.
2. Land consumption data come from the U.S. Department of Agriculture Resource Conservation Service's Natural Resources Inventory (NRI) for 1982, 1987, 1992, and 1997; population change data reflect intercensal projections scaled by the 1980, 1990, and 2000 censuses. The NRI is a national longitudinal panel survey of land use that allows for analyses of changing trends over a 15-year period. As a sample, the NRI is subject to all the typical errors of sampling, and its figures remain estimates. Another note: The NRI defines "urban" areas to consist of residential and industrial parcels; construction sites; rail yards; cemeteries; airports; golf courses; landfills; water and sewage facilities; small parks within built-up areas; and highways, roads, and railroads. Also included are open tracts of land that are completely surrounded by urban land.
3. Data come from the Bureau of Economic Analysis.
4. See Center for Rural Pennsylvania, "Economic Values and Impacts of Sport Fishing, Hunting, and Trapping Activities in Pennsylvania" (2002).
5. See Pennsylvania 21st Century Environment Commission, "Report of the Pennsylvania 21st Century Environment Commission" (1998).
6. EPA stream-quality data can be found at www.epa.gov/waters/data/downloads.html Development-related impacts contribute some 40 percent of all stream pollution in southeastern Pennsylvania according to the Metropolitan Philadelphia Policy Center, "Fight (or) Flight: Metropolitan Philadelphia and Its Future" (2001). Thirteen percent of that region's 6,450 miles of streams and waterways were classified as polluted in 2001.
7. See Thomas Hylton, "Save Our Land, Save Our Towns: A Plan for Pennsylvania" (Harrisburg: RB Books, 1995), p. 12.
8. The Reinvestment Fund, "Choices: A Report on the State of the Region's Housing Market" (Philadelphia, 2001), p. 33. Available at www.trfund.com/about/publications/book.pdf
9. Philadelphia abandonment and vacant lot data come from the Neighborhood Information System, available at http://cml.upenn.edu/nbase/
10. These figures come from Research for Democracy, "Blight-Free Philadelphia: A Public-Private Strategy to Create and Enhance Neighborhood Value" (Philadelphia, 2001), pp. 6–7.
11. Ibid.
12. Data provided by The Reinvestment Fund. See The Reinvestment Fund's website at www.trfund.com/policy/policy.rema.methodology.htm for additional information.
13. Research for Democracy, "Blight-Free Philadelphia," pp. 9–10.
14. Ibid., pp. 16–25.
15. Ibid., p. 22.
16. See James Q. Wilson and George Kelling, "Broken Windows: The Police and Neighborhood Safety." *Atlantic Monthly* (March, 1982), pp. 29–38. Available at www.the atlantic.com/politics/crime/windows.htm
17. This account draws heavily on Research for Democracy, "Blight-Free Philadelphia," pp. 12–13.
18. G. Sternleib, R. Burchell, J. Hughes, and F. James, "Housing Abandonment in the Urban Core," *Journal of Criminal Justice* 21: 481–495.
19. Mark Setterfield, "Abandoned Buildings: Models for Legislative and Enforcement Reform." Hartford: Trinity Center for Neighborhoods, 1997.
20. James Q. Wilson and George Kelling, "Making Neighborhoods Safe," *Atlantic Monthly* (February, 1979), pp. 46–52. Available at www.atlantapd.org/cpdocs/mns.html
21. William Spelman, "Abandoned Buildings: Magnets for Crime?" *Journal of Criminal Justice* 21: 481–495.
22. Dowell Myers and Elizabeth Gearin, "Current Preferences and Future Demand for Denser Residential Environments," *Housing Policy Debate* 12 (4): 633–659.
23. See, for example, Richard Florida, *The Creative Class: And How It's Transforming Work, Leisure, Community, and Everyday Life.* (New York: Basic Books, 2002). For a discussion focused specifically on the older, urban neighborhoods of one Pennsylvania region, see also Richard Florida, "Quality of Place and the New Economy: Positioning Pittsburgh to Compete." Pittsburgh: R.K. Mellon Foundation, Heinz Endowments, and Sustainable Pittsburgh, 2000.
24. See Robert Burchell and others, *Costs of Sprawl—2000.* (Washington: National Academy Press, 2002).
25. See South Central Assembly for Effective Governance, "Cost of Community Services: Hopewell Township" (2002) and "Cost of Community Services: Shewsbury Township" (2002). Both are available at www.southcentralassembly.org/publications.htm
26. Burchell and others, *Costs of Sprawl*—2000, pp. 228, 250, and 252.
27. See Research for Democracy, "Blight-Free Philadelphia," pp. 48–51.
28. These tax capacities represent the amount of revenue that a place would raise if it assessed statewide average tax rates against its actual property and earned income tax bases.
29. See Glaeser, Sheinkman, and Sheifer (1995), Simon (1998), and Glendon (1998), cited by Ashish Arora and others, "Human Capital, Quality of Place, and Location," Working Paper, Carnegie Mellon University: 2000. See also R. E. Lucas, "On the Mechanics of Economic Development," *Journal of Monetary Economics* 22 (1988): 3-42, and Jane Jacobs, *The Economy of Cities* (New York: Random House, 1969).
30. Progressive Policy Institute, "The 2002 State New Economy Index."
31. U.S. Census Bureau.
32. Gordon F. De Jong and Michele Steinmetz, "Pennsylvania's Brain Drain Migration and Labor Force Education Gap, 2000" (Harrisburg: Pennsylvania State Data Center, 2003).
33. Susan B. Hansen, Carolyn Ban, and Leonard Huggins, "Explaining the 'Brain Drain' from Older Industrial Cities: The Pittsburgh Region," *Economic Development Quarterly* (17) (2003): 132–147.
34. Richard Florida, "Competing in the Age of Talent: Quality of Place and the New Economy" (Pittsburgh version) (Pittsburgh: R.K. Mellon Foundation, Heinz Endowments, and Sustainable Pittsburgh, 2000)
35. Ross C. De Vol and Rob Koepp, "America's Health Care Economy," (Santa Monica: Milken Institute, 2003). This report uses a broad definition of health care, which includes multiple SIC categories.

36. Linda Loyd, "Region Faces Shortage of Science Workers," *Philadelphia Inquirer,* March 7, 2002, and Karen Roebuck, "Worker Shortage Still Plagues the Health Care Industry," *Pittsburgh Tribune-Review,* February 23, 2003.
37. Pennsylvania Center for Workforce Information and Analysis, "Pennsylvania: Workforce 2008" (Harrisburg: Pennsylvania Department of Labor and Industry, 2002).
38. Ibid. The number of computer engineers, computer support specialists, and systems analysts, for example, are expected to grow 109 percent, 97 percent, and 75 percent, respectively.
39. Pennsylvania Department of Education, cited in *Workforce 2002: Measuring What Matters* (Philadelphia: The Reinvestment Fund, 2002).
40. The National Association of Manufacturers, The Manufacturing Institute, and Deloitte and Touche, "Keeping American Competitive: How a Talent Shortage Threatens U.S. Manufacturing" (2003).
41. National Association of Manufacturers, *The Skills Gap 2001: Manufacturers Confront Persistent Skills Shortages in an Uncertain Economy* (2001), cited in The National Association of Manufacturers, The Manufacturing Institute, and Deloitte and Touche, "Keeping American Competitive."
42. Progressive Policy Institute, "The 2002 State New Economy Index."
43. David Birch, Jan Gundersen, Anne Haggerty, and William Parsons, "Entreprenueurial Hotspots: The Best Places in American to Start and Grow a Company," (Waltham, MA: Cognetics Inc., 2001). Ranking is based on the number of firms started in the last 10 years that employ at least five people today, as a percent of all firms, and the percent of firms 10 years old or less four years ago that grew significantly during the last four years. Data collected from Dun and Bradstreet in 2001.
44. David Birch, Jan Gundersen, Anne Haggerty, and William Parsons, "Who's Creating Jobs?" (Cambridge: Cognetics Inc., 1999). Percentages based on job growth from 1994 to 1998 for firms 0–4 years old in 1994.
45. Progressive Policy Institute, "The 2002 State New Economy Index."
46. See Florida, "Competing in the Age of Talent: Quality of Place and the New Economy" (Pittsburgh: R.K. Mellon Foundation, Heinz Endowments, and Sustainable Pittsburgh, 2000). See also Edward L. Glaeser "Learning in Cities," *Journal of Urban Economics* (46) (1999): 254–277.
47. Richard Florida and Brian Knudson, "Beyond Spillovers: The Effects of Creative-Density on Innovation," Working Paper. Carnegie Mellon University, 2003.
48. Florida, "Competing in the Age of Talent."
49. Karen R. Ihlanfeldt and David L. Sjoquist, "The Spatial Mismatch Hypothesis: A Review of Recent Studies and Their Implications for Welfare Reform," *Housing Policy Debate* (9) (4) (1998): 849–892.
50. See Steven Raphael and Michael A. Stoll, "Modest Progress: The Narrowing Spatial Mismatch between Blacks and Jobs in the 1990s" (Washington: Brookings Institution, 2002). The dissimilarity index describes the imbalance between residential and employment distributions for 302 MSAs for the year 2000. The index ranges from 0 to 100; the actual numerical value can be interpreted as the percentage of either jobs or people (in this case blacks) that would have to move to different neighborhoods to completely eliminate any geographic imbalance.
51. Margy Waller and Alan Berube, "Timing Out: Long-Term Welfare Caseloads in Large Cities and Counties" (Washington: Brookings Institution, 2002).
52. Metropolitan Philadelphia Policy Center, "Fight or Flight: Metropolitan Philadelphia and Its Future" (2001).
53. De Jong and Steinmetz, "Pennsylvania's Brain Drain Migration and Labor Force Education Gap, 2000." Data collected from the *Current Population Survey,* 1999–2001. Numbers indicate the unemployment rate of Pennsylvania workers in the labor force ages 18–64 by educational attainment for 1999 to 2001.
54. Ibid.
55. Jennifer Cheeseman Day and Eric C. Newberger, "The Big Payoff: Educational Attainment and Estimates of Work-Life Earnings," *Greater Philadelphia Regional Review,* Spring 2003. Data collected from the *Current Population Surveys,* March 1976–2000.
56. De Jong and Steinmetz, "Pennsylvania's Brain Drain Migration and Labor Force Education Gap, 2000."
57. In 2000, for example, the average annual pay for Pennsylvania's manufacturing sector was $42,597, compared to $32,153 in the services sector and $17,116 in retail (Bureau of Labor Statistics).
58. Manuel Pastor, Jr., and others, *Regions that Work: How Cities and Suburbs Can Grow Together* (Minneapolis: University of Minnesota Press, 2000).
59. Neil Peirce, with Curtis W. Johnson and John Stuart Hall, *Citistates: How Urban America Can Prosper in a Competitive World* (Washington: Seven Locks, Press, 1994).
60. Myron Orfield, *Metropolitics: A Regional Agenda for Community Stability* (Washington and Cambridge: Brookings Institution and Lincoln Institute of Land Policy, 1997).
61. See Richard P. Voith, "City and Suburban Growth: Substitutes or Complements?" *Business Review* (September/October, 1992); Richard Voith, "Do Suburbs Need Cities?" *Journal of Regional Science* (38) (3) (1998): 445–464; H.V. Savitch and others, "Ties That Bind: Central Cities, Suburbs, and the New Metropolitan Region," *Economic Development Quarterly* 7 (4) (1993): 341–357; Larry Ledebur and William R. Barnes. *All In It Together: Cities, Suburbs, and Local Economic Regions* (Washington: National League of Cities, 1993).
62. Richard P. Voith, "The Suburban Housing Market: Effects of City and Suburban Employment Growth," Working Paper 96- 15, Federal Reserve Bank of Philadelphia, 1996.
63. Myron Orfield and Thomas Luce, "Pennsylvania Metropatterns: A Regional Agenda for Community and Stability in Pennsylvania" (Washington: Brookings Institution, 2002).

IV. Behind the Trends

1. Issues PA, "The Puzzle of Fragmentation," *Pennsylvania Economy League,* February 2002. Available online at www.issuespa.net/resources/pdf/The-Puzzle-of-Fragmentation.pdf-
2. Diane Mastrull, "Schools Eat Up Acreage, Fuel Sprawl" *Philadelphia Inquirer,* March 3, 2002, p. A1.
3. Governor's Center for Local Government Services, "Pennsylvania Local Fact Sheet" (Harrisburg: Pennsylvania Department of Community and Economic Development, 2002). Available at http://www.inventpa.com/docs/Document/application/octet-stream/49179d08-f2af-46a5-b4ed-a92cc7cb42d4/pa-fact2003.pdf
4. Ibid.
5. These figures report data from the U.S. Census Bureau's Census of Governments, as compiled and analyzed in Myron Orfield, *American Metropolitics: The New Suburban Reality* (Washington: Brookings Institution, 2002), p. 132.
6. David Rusk, "Little Boxes, Limited Horizons: Local Governance in Pennsylvania" (Background Paper, Brookings Institution, 2003).
7. Issues PA, "The Puzzle of Fragmentation."
8. Jerry Paytas, "Does Governance Matter? The Dynamics of Metropolitan Governance and Competitiveness," Working Paper, Carnegie Mellon Center for Economic Development, 2002. Available on the web at www.smartpolicy.org/publications.smtml
9. Ibid.
10. These studies are reported in Governor's Center for Local Government Services, "Fact Sheet—Consolidated Police Services Study" (undated) and Pennsylvania Bureau of Local Government Services, "A Study of the Cost Effectiveness of the Northern York County Regional Police Department: A Revisit" (Harrisburg: Department of Community Affairs [now Department of Community and Economic Development], undated).

11. Governor's Center for Local Government Services, "Fact Sheet—Consolidated Police Services Study."
12. Pennsylvania Bureau of Local Government Services, "A Study of the Cost Effectiveness of the Northern York County Regional Police Department: A Revisit."
13. Alletta Emeno, Stephanie Arnold, and Sam Wood, "Costly, Unequal Policing a Suburban Quandary." *Philadelphia Inquirer,* September 21, 2003, p. A1.
14. These studies are reported in Governor's Center for Local Government Services, "Fact Sheet—Consolidated Police Services Study," and Pennsylvania Bureau of Local Government Services, "A Study of the Cost Effectiveness of the Northern York County Regional Police Department."
15. Much evidence affirms this claim, but some caution must be exercised on the point, as the research literature on government efficiency issues remains inconclusive in many areas and has produced few generalizable conclusions given the site-specific focus of individual analyses.

    Supporting the claim, significant empirical evidence suggests that, in many cases, the combination of two or more smaller local governments into a larger "regional" one yields service-cost efficiencies over time. Among these investigations are John DeGrove, "The City of Jacksonville: Consolidation in Action," in Advisory Commission on Intergovernmental Relations, *Regional Governance Promise and Performance: Substate Regionalism and the Federal System,* vol. 3 (Washington: Government Printing Office, 1973); James Horan and G. Thomas Taylor, *Experiments in Metropolitan Government* (New York: Praeger, 1977); and Sally Selden and Richard W. Campbell, "The Expenditure Impacts of Unification in a Small Georgia County: A Contingency Perspective of City-County Consolidation," *Public Administration Quarterly* (Summer, 2000): 169–201.

    Other research, however, has failed to identify savings, or even attributed cost increases to consolidations. Highlights of this work are summarized in Alan Altshuler, William Morrill, Harold Wolman, and Faith Mitchell, eds., *The Committee on Improving the Future of U.S. Cities through Improved Metropolitan Government, Governance and Opportunity in Metropolitan America* (Washington: National Academy Press, 1999).

    Still, this review also holds out the potential for cost savings in Pennsylvania. Concludes the study: "The preponderance of the evidence indicates that small local governments (and thus metropolitan areas characterized by fragmentation) are more efficient for labor-intensive services, whereas larger units are more efficient for capital-intensive services (because of economies of scale) and for certain overhead functions" (p. 106).
16. The Pennsylvania State Tax Equalization Board found the Lehigh County's ratio of assessed value to market value was 47.2 percent and Northampton County's was 47.4 percent in 2000.
17. Selden and Campbell, "The Expenditure Impacts of Unification in a Small Georgia County."
18. See, for example, Paul G. Lewis, *Shaping Suburbia: How Political Institutions Organize Urban Development* (Pittsburgh: University of Pittsburgh Press, 1996), pp. 48–73; John I. Carruthers and Gudmundur Ulfarsson, "Fragmentation and Sprawl: Evidence from Interregional Analysis," *Growth and Change* 33: 312–340; and "Growth at the Fringe: The Influence of Political Fragmentation in United States Metropolitan Areas." Papers in *Regional Science* 84 (forthcoming).
19. See Orfield, *American Metropolitics,* pp. 85–96.
20. Environmental Law Institute, "Chesapeake 2000 Tax Policy Study" (Washington, 2003), pp. 82–87.
21. See Milan Simanich, "Midland Students to Continue Ohio Classes," *Pittsburgh Post-Gazette*, February 24, 1998, and Carmen J. Lee, "Troubled Schools Struggle with New Transfer Law," *Pittsburgh Post-Gazette*, August 29, 2002.
22. Governor's Center for Local Government, "Pennsylvania Local Fact Sheet".
23. Alan R. Kugler and Mary C. Bula, "Addressing Needed Changes in Pennsylvania's Local Governance" (Erie: Pennsylvania Economy League, Inc.—Northwest Division, 1999).
24. Governor's Center for Local Government Services, "Local Land Use Controls in Pennsylvania" (Harrisburg: Department of Community and Economic Development, 2001), p. 1. Available at www.inventpa.com/docs/Document/application/pdf/09b26a6d-5167-41a6-b6ca-4e03658bc240/Planning_Series_1.pdf
25. 10,000 Friends of Pennsylvania, "Smart Growth Policies for Sewer Infrastructure" (Philadelphia, 2003), p. 3.1.
26. The quotation comes from Joanne R. Denworth, "Growing Smarter Legislation—New Options for Multi-Municipal Planning and Implementation" (Philadelphia: 10,000 Friends of Pennsylvania, 2001), p. 3. This article provides an excellent, detailed discussion of the planning process in Pennsylvania and recent MPC amendments.
27. This figure reflects unpublished 2003 information collected by the Governor's Center for Local Government Services.
28. This point draws on Wendall Cox, Ronald Utt, and Howard Husock, "How Smart Is 'Smart Growth'?" (Harrisburg: Commonwealth Foundation, 2000), pp. 15–16. Available at www.Commonwealthfoundation.org/environment/env03-01.pdf
29. Joanne Denworth, *Planning Beyond Boundaries: A Multi-Municipal Planning and Implementation Manual for Pennsylvania Municipalities* (Philadelphia: 10,000 Friends of Pennsylvania, 2002).
30. This 2003 data on municipalities' use of planning and zoning comes from the Governor's Center for Local Government Services.
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41. Ibid., pp. 2.5–2.6.
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45. See Rusk, "Little Boxes, Narrow Horizons," pp. 46–49.

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48. Half of the state's obligations for bridge projects crossing the border between older-urban and non-urban municipalities was also assigned to "cities and towns."
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51. Personal communication from Corp. Anthony Durante, PSP Bureau of Research and Development, September 15, 2003.
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53. The annual expenditure levels reflect figures from the 2001–2002 Governor's Executive Budget reported in Dennis Bellafiore, Stephen Herzenberg, Meg Myer, and Allan Rothrock, "Economic Development Subsidies in Pennsylvania: Do They Fuel Sprawl?—A Preliminary Empirical Look" Working Paper. (Washington: Brookings Institution, 2003).
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VI. Back to Prosperity

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14. Pennsylvania's program was adopted by the American Legislative Exchange Council as the national model for industrial site recycling in October of 1996, and received a "Top Ten Innovations in Government" award from the Ford Foundation and John F. Kennedy School of Government at Harvard University in November of 1997, and again in April of 2002. PA SiteFinder received a National Environmental Excellence Award for Environmental Management from the National Association of Environmental Professionals in June of 2002 and was presented with a Business Facilities 2002 Economic Development Achievement Silver Award in December that same year.
15. Pennsylvania's Land Recycling Program, begun in 1995, has been a model for several other states. The law offers clients release from liability for approved remediation; it identifies risk-based standards for cleanup, simplifies the approval process, and limits future liability when standards are attained. The law also contains special provisions that encourage the redevelopment of "special industrial areas," industrial properties where no financially viable responsible party can be found to clean up contamination. The program also includes multiple financial incentives—including the Industrial Sites Reuse Program, the Infrastructure Development Program, and the Brownfields Inventory Grant Program, among others—to spur reuse. A third feature of the program is the PaSiteFinder web site, which is designed for marketing on-line previously used commercial and industrial properties now available for redevelopment. To date, 360 sites have been listed on SiteFinder, 40 of which have been leased or sold. See www.dep.state.pa.us/dep/deputate/airwaste/wm/landrecy/
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Growth Trends and Policies in North Carolina
July 2000

Moving Beyond Sprawl:
The Challenge for Metropolitan Atlanta
March 2000

A Region Divided:
The State of Growth in Greater Washington, D.C.
July 1999

For More Information:
Please visit **www.brookings.edu/pennsylvania** to access the electronic version of this report and profiles of the Commonwealth's nine largest metropolitan areas.

Also available are additional working papers prepared in support of this project. These address Pennsylvania governance, spending, and redevelopment issues, and include comprehensive analyses (with region-specific break-out tables) assessing the spatial distribution of state economic development subsidies.

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