Economic Development Subsidies in Pennsylvania: Do They Fuel Sprawl?

A Background Paper for the Brookings Institution Center on Urban and Metropolitan Policy released in conjunction with *Back to Prosperity: A Competitive Agenda for Renewing Pennsylvania.*

The Keystone Research Center
Harrisburg, Pennsylvania
December 2003

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The Keystone Research Center (KRC) was founded in 1996 to broaden public discussion on strategies to achieve a more prosperous and equitable Pennsylvania economy. Since its creation, KRC has become a leading source of independent analysis of Pennsylvania's economy and public policy.

The Keystone Research Center is located at 412 North Third Street, Harrisburg, Pennsylvania, 17101. Most of KRC's original research is available from the KRC Web site at **www.keystoneresearch.org.** The Keystone Research Center welcomes questions or other inquries about its work at 717-255-7181, or toll free at 888-618-2055.

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Executive Summary

Every year, to create or retain jobs, the state of Pennsylvania gives out roughly $200 million in grants and loans to businesses. To date, the Commonwealth distributes this substantial sum without demanding systematic information and accountability regarding any of its benefits – in terms of jobs actually created (not simply promised), the quality of those jobs, limits on total assistance per job, the proximity of jobs to the people who need them, and whether new businesses fill in vacant lots in older communities or lead to further development of Pennsylvania's open space.

Previously, the Keystone Research Center published one of the only attempts to gauge the quality of jobs created by Pennsylvania economic development programs.[1] This report presents what is, to our knowledge, the first-ever systematic examination of a second dimension of subsidy accountability -- the extent to which business subsidies in Pennsylvania contribute to sprawling land-use patterns and job redistribution.

We focus on the three Pennsylvania Department of Community and Economic Development (DCED) business assistance programs that gave out the most money in grants or loans in the July 1, 1998 to May 6, 2003 period: the Opportunity Grant Program (OGP), the Infrastructure Development Program (IDP), and the PIDA program. Based on a list provided by DCED, we track 1333 business subsidies totaling $719.5 million.

Our geographical analysis examines dollars received by what the Brookings Institution defined in their larger report, *Back to Prosperity*, as "older Pennsylvania" and "outer townships." As the label implies, older Pennsylvania includes older municipalities, established for the most part before the 20th century - cities, boroughs, and first-class townships. Outer townships, or newer parts of Pennsylvania, are the larger second-class townships that comprise the rest of the state (Box 1). Older Pennsylvania contained 58 percent of the state's population in 2000 and outer townships 42 percent.

We examine the distribution of subsidies to older communities and outer townships in the state as a whole and within nine major metropolitan areas -- Allentown-Bethlehem-Easton, Erie, Harrisburg-Lebanon-Carlisle, Lancaster, Philadelphia, Pittsburgh, Reading, Scranton-Wilkes Barre-Hazelton, and York. (While general readers may think of metropolitan areas as consisting entirely of older, developed communities, this is not the case. All of the nine metropolitan areas contain substantial portions that fall in outer townships along with undeveloped farmland and other open space.)

Four findings stand out on the geographical distribution of business subsidies in Pennsylvania as a whole between 1998 and 2003.

- Overall, **Pennsylvania does not use economic development dollars to counteract the outward movement of jobs and the tendency of this to reinforce sprawl**. Statewide, older communities and outer townships receive almost exactly the same amount of subsidy dollars per capita -- about $58 per person. Based on land-use considerations and the goal of creating jobs closer to the communities and people most in need of them, older Pennsylvania should receive much higher levels of per capita economic development assistance.

- **First-class townships – older, inner suburbs – receive very little economic development assistance to help them ward off job and population loss**. In our

Box 1. Municipalities in Pennsylvania

This report examines the distribution of business subsidies in Pennsylvania to four types of municipalities: cities, boroughs, first class townships and second class townships.

According to the Pennsylvania Manual published by the Pennsylvania Department of General Services, there are 56 cities, 963 boroughs, 91 first class townships and 1457 second class townships in the Commonwealth. The number of local government units has remained fairly stable during the past few decades.

Cities. There are 56 cities in Pennsylvania ranging from small towns of 800 residents to Philadelphia with over 1.5 million people. Together, 3.2 million people live in all the cities of Pennsylvania. About 2.9 million live in cities that fall within the nine metropolitan areas that are the focus of this report (see also Table 2).

Boroughs. Boroughs are distinguished by a "weak mayor" form of government, the most common way of governing municipalities in the 19th century. There are 963 boroughs in Pennsylvania ranging from just a few residents to towns of considerable size. The population of Pennsylvania boroughs is over 2.5 million, 21 percent of the total state population.

First Class Townships. The 91 first class townships are urban areas located around the state's metropolitan centers – "inner ring suburbs" -- with a population of 1,489,454, representing 12 percent of the state population.

Taken together, cities, boroughs, and first class townships make up what we (following the Brookings Institution) call older Pennsylvania. Collectively, older Pennsylvania accounts for 58 percent of the state population.

Second Class Townships. The 1547 second class townships in Pennsylvania are more heavily rural areas with a total population of 5,117,696 in 2000 or about 42 percent of the state population.

data base, first-class townships receive only roughly one third (36 percent) of the statewide per capita average level of economic development assistance.

- **Subsidies to industrial and business parks – 135 projects totaling $101.4 million in our data base -- have the greatest bias towards new suburbs**. On a per capita basis, outer townships receive 2.2 times as much in subsidies to industrial parks as older Pennsylvania. To the extent that outlying industrial and business parks trigger or accelerate relocations away from older communities, of professional services as well as manufacturing, they may be especially likely to fuel sprawl.

- **Economic development subsidies appear to play a significant part in the emergence of huge distribution centers that increasingly dot Pennsylvania's rich farmland**. In a subset of our sample for which we have detailed industry information, 13 mega-projects in distribution industries (i.e.,"transportation and wholesale trade") received $44.6 million in subsidies to locate in outer townships. This was almost exactly one half of the $89.2 million total given out to companies for distribution industry projects.

Across the nine metropolitan areas examined separately, great variation exists in the extent to which economic development dollars go to older versus newer areas.

- **Within the Allentown-Bethlehem-Easton and the Philadelphia areas, outer townships receive nearly 50 percent more subsidy dollars per capita than older Pennsylvania.**

- **In the five-county Philadelphia area** (Bucks, Chester, Delaware, Montgomery, and Philadelphia), **the four affluent suburban counties receive two-and-a-half times as much as the city in precious grant dollars to promote economic development.**

- **The Lancaster metropolitan area appears far and away the state's leader in terms of utilizing subsidy dollars consistent with Smart Growth principles**. Almost all of the Lancaster area's subsidy monies go to the city. Nine times as much money on a per capita basis goes to older communities as to new.

- In all the six other metro areas – Erie, the Harrisburg area, Reading, Scranton-Wilkes Barre-Hazelton, York, and Pittsburgh – the older portions of metro areas receive at most 39 percent more subsidy dollars per capita as the outer townships. **This indicates that economic development subsidies are not used on a consistent basis to promote good land-use policies and job creation in struggling older towns and cities**.

The last part of our report makes six recommendations aimed at channeling business subsidies in ways that better encourage revitalization of existing communities and discourage suburban sprawl. An essential first step must consist of improved disclosure, including requiring that DCED collect and make publicly available:

- addresses of the sites where business subsidies are used;

- a uniform and comprehensive system of classifying those sites from a land-use perspective, including identifying undeveloped or "greenfield" land;

- information on other Pennsylvania locations of the business at the subsidized site, including whether any of these other locations closed down or reduced employment in conjunction with the new operation; and

- similar location history for tenants at industrial parks, other multi-site facilities that receive state subsides, and businesses in designated areas with lower tax burdens (such as Keystone Opportunity Zones and Tax Increment Financing districts).

Beyond disclosure, business subsidy and tax incentive programs should more strongly encourage development in previously developed industrial sites (brownfields) and other blighted areas, while prohibiting subsidies to greenfield locations.

In conjunction with this report, KRC is unveiling a new interactive web-based map (www.keystoneresearchmap.org) that makes it possible to look at the subsidies received in any part of Pennsylvania. Viewers can pull up maps and data reports on subsidies received in any area, from the state as a whole down to a few blocks. Data reports on subsidies include the name of the company, the municipality and sometimes the exact address of the business site, the amount of the subsidy, and the program from which the subsidy came. Viewers can also feed back missing or additional information to KRC on specific subsidies.

Introduction

Over the past decade, debate has intensified on the consequences of sprawling land-use patterns, characterized by consumption of previously undeveloped land at rates that far exceed population growth. Social and economic consequences can include the decline of older cities, towns, and inner suburbs, resulting in more concentrated poverty, high rates of joblessness, struggling schools, and family and community breakdown. Other consequences can include more traffic congestion, air and water pollution, loss of critical wildlife habitat, and paved surfaces that diminish the replenishment capacity of underground water reserves (or "aquifers").

One dimension of the land-use debate concerns whether public spending on roads, infrastructure, and economic development lead to sprawl. If they currently do, the obvious follow-up question is whether public policy reform could shift the distribution of these public dollars in ways that instead combat sprawl and revitalize older communities.

Despite increased public attention, little systematic data currently exist on the geographic distribution of public infrastructure and economic development spending. For economic development subsidies, this lack fits an overall pattern of poor disclosure and accountability – for example, basic data do not exist on whether state assistance actually generates promised jobs, on total assistance per job (from all state and local subsidies), and on the quality of jobs created. Further, while a nationwide accountability movement has bolstered disclosure on job generation in a growing number of states and localities – albeit not in Pennsylvania – disclosure on the geographic dimension of subsidies lags.

This report seeks to begin filling the data vacuum for Pennsylvania and to point the way to full transparency on the nexus between business subsidies and sprawl. The report is based on an examination of projects funded by the three Pennsylvania Department of Community and Economic Development programs that gave out the most economic development assistance in the form of grants or loans in the 1998-2003 period: the Opportunity Grant Program (OGP), the Infrastructure Development Program (IDP), and the Pennsylvania Industrial Development Authority (PIDA) Program.

The Brookings Institution in Washington, D.C. commissioned this report, with funds from the William Penn Foundation and Heinz Endowments. The findings of this report are included in Brookings' larger, more comprehensive assessment of how growth patterns in Pennsylvania are affecting the state's overall economic competitiveness. Both reports can be accessed on line at www.brookings.edu/pennsylvania.

Economic Development Programs in Pennsylvania

According to the most recent comparison available, Pennsylvania ranks fifth out of the 50 states in per capita economic development funding, spending $22.59 per capita compared to the national average of $7.76.[2] A substantial portion of this state investment provides loans or grants directly to companies or pays for infrastructure (e.g., roads or industrial parks) that benefits companies.

In 2001-02, Pennsylvania appropriated $67 million for the three programs that this report focuses on -- $35 million on OGP, $29.9 million on IDP, and $2.5 million on PIDA. Since PIDA is a revolving loan program rather than a grant program, moreover, it provides loans that exceed its General Fund

appropriation. (In some years when its revolving fund is running low, PIDA receives much larger General Fund appropriations.)

IDP, OGP, and PIDA are at the heart of Pennsylvania's extensive efforts to outbid other states for manufacturing, distribution, and mobile service companies. The Ridge Administration established IDP and OGP in 1996. The legislation establishing PIDA, the granddaddy of Pennsylvania economic development programs, passed in 1956.

OGP is often used in conjunction with the big and most publicized business recruitment and retention deals in the state. Economic development practitioners report that the identification of OGP recipients is relatively centralized, with state government officials and their key business contacts helping to identify target companies. By contrast, industrial development corporations and other local intermediaries (lawyers, accountants) play a larger role in identifying candidates for PIDA loans. The next few paragraphs provide additional detail on IDP, OGP, and PIDA.

Act 1996-116, the Infrastructure Development Act, created the Infrastructure Development Program, providing grants and loans for public and private infrastructure improvements.[3] In practice, almost all IDP funds distributed are grants, which must be used for publicly owned infrastructure improvements. A typical IDP grant might help pay for water and sewer line installation, or road and rail access to a new or expanding industrial site. Other activities eligible for support include the construction or rehabilitation of drainage systems and energy facilities; the acquisition of land, right-of-ways and easements; demolition of buildings and the clearing and preparation of land. Private companies eligible to benefit from IDP grants include agricultural, industrial (e.g., warehouse and terminal facilities, certain office buildings), manufacturing, research and development, and export service industries. In addition, virtually any for-profit business is eligible for an IDP award if it is on a business site (including a retail or office site) unoccupied and unused for at least one year prior to the IDP application date.

Individual IDP grants cannot exceed $1.25 million. No more than 10 percent of the available funds are to be loaned/granted for greenfield projects not involving private companies. (According to the Pennsylvania Legislative Budget and Finance Committee (PLB&FC), greenfield property is "land which has never been used for other than agriculture, forestry, or recreation.") A minimum of 20 percent of IDP funds must be loaned or granted for projects on former industrial sites. To be eligible for assistance, the private company benefiting from the infrastructure improvements must:

- Create within five years from the project completion date a minimum of 10 full-time equivalent jobs;
- Create at least one FTE job for every $25,000 of assistance;
- Contribute at least $2 of private match for every $1 of assistance;
- Demonstrate that the infrastructure improvements are necessary for the efficient and cost-effective operation of the company or for the successful marketing of the facility: and,
- Show that the project would not be possible without the assistance.

After five years, a jobs/investment audit is to be done to verify that the IDP project delivered on job and private match commitments. Private companies are liable for up to the full amount of the award unless the failure was "beyond the company/developer's control." Since the program only became law in 1996 and most IDP grants were given out from 1998 forward, no study to our knowledge has yet evaluated the effectiveness of the five-year audit or of the "claw-back" provisions for recovering

public dollars from projects that do not meet job and investment promises.

The Job Enhancement Act of 1996 established the Opportunity Grant program.[4] There are no regulations for the program, which is administered based on DCED guidelines. OGP funds may be used for a wide range of purposes including, but not limited to training, site preparation, construction, infrastructure, land acquisition, purchase of machinery and equipment, working capital, environmental assessments, and remediation of hazardous materials. Companies eligible for OGP grants include the same categories as can receive IDP subsidies. Also eligible for OGP grants are municipalities, industrial development authorities/agencies, municipal or redevelopment authorities, and real estate developers developing business locations for more than one company. There is no maximum grant award.

From one vantage point, the flexibility of the OGP program is a major plus. It can be used for whatever needs a particular company has. In addition, while loan programs are suitable for manufacturing companies, which have physical capital that can be used as collateral for a loan, grant programs are better suited to knowledge-based firms whose intellectual property cannot serve as collateral for loans. An alternative perspective is that the flexibility of the OGP program can translate into lack of accountability. One staff member within the Pennsylvania legislature referred to OGP as the "corporate WAM program." (WAM is short for Walking Around Money. The acronym is most commonly used in Pennsylvania to refer to state funds distributed to local organizations at the discretion of state legislators.)

The Pennsylvania Industrial Development Authority (PIDA) was created in 1956 and distributes low-interest loans via local non-profit industrial development corporations (IDCs) to eligible businesses.[5] IDCs are technically responsible for the loans and handle enforcement of the majority of PIDA regulations. There are three categories of PIDA loans:

- Job creation and retention loans,
- Multi-occupancy loans (to finance facilities that will house two or more unrelated PIDA-eligible tenants), and
- Industrial Park Loans.

Loans for job creation and retention are limited to 30–50 percent of the land and building costs and are capped at $1.25 million for a single project. The cap is $1.75 million if the project meets a special designation such as Brownfield or KOZ. Interest rates are fixed at three levels based on the level of unemployment.[6] A PLB&FC study found that PIDA interest rates in 1998-99 were 2-5 percent lower than the interest rates charged to the company by the participating bank. PIDA requires that at least one full-time job be retained or created at the project site within 3 years of loan closing date for every $25,000 loaned. Multi-occupant and industrial park projects are not subject to this requirement.

Failure to meet promised job and wage thresholds can result in PIDA interest rate increases from 1 to 12.5 percent. If the wage threshold is not maintained for at least three years, the interest will "automatically" be increased by 4 percent. In the 10 years before the PLB&FC 2000 audit, PIDA had raised interest rates of 34 companies that failed to meet their job projections. PLB&FC reported that no company failed to maintain the wage threshold (p. 60).

Between its creation in 1956 and 2000, PIDA:

- Gave out 4,078 loans;
- Distributed a total loan amount of $2.074 billion; and,
- Provided loans to companies (via IDCs) that promised to create 329,177 jobs.[7]

IDP, OGP, and PIDA provide assistance for projects promising specific number of new jobs created or, in few cases, retained at a specific business location. Other major Pennsylvania economic development programs – such as Customized Job Training, Ben Franklin Technology Centers, and Industrial Resource Centers – assist companies by subsidizing, respectively, worker training, technological development and modernization, and operational improvements. Assistance from these programs is not always tied to job creation and retention at a specific site.

As a result of the amount of assistance they give out and the link of this assistance to specific business locations, OGP, IDP, and PIDA are a sensible focus for an initial analysis of the spatial implications of Pennsylvania economic development programs.

Methodology

To conduct our analysis, we constructed a data base on projects that received economic development assistance from PIDA, OGP, and IDP between 1998 and the first part of 2003. We included projects listed in an electronic file sent to KRC by DCED on May 7, 2003. We supplemented information in this electronic file with additional data contained in other DCED sources and accessed through the web.

A central challenge was identifying addresses for the business sites at which DCED subsidies were used. Some DCED sources, including the on-line Investment Tracker (accessible through www.inventpa.com), contain addresses for the applicant for business subsidies. Rather than the company site, industrial park, or other multi-company facility that uses the funds, this may be an economic development intermediary or an existing company site or regional headquarters.

The lack of addresses or in some cases the names of companies that benefit from subsidies is symptomatic of the general inadequacy of disclosure requirements and transparency governing

Table 1. KRC Data Base on IDP, OGP, and PIDA Grants and Loans, July 1, 1998- May 6, 2003

	Infrastructure Development Program	Opportunity Grant Program	Pennsylvania Industrial Development Authority Program	All Three
Number of Projects	248	661	424	1333
Amount of Assistance (millions of dollars)	$165.6	$216.1	$337.8	$719.5
Percent of Projects for which Site Address Identified	90%	44%	37%	51%
Percent of Projects for which Municipality Identified or Inferred (to nearest percent)	100%	98%	100%	99%
Percent of Assistance for which Municipality Identified or Inferred (to nearest percent)	100%	98%	100%	99%

Source: Keystone Research Center (KRC) based on Department of Community and Economic Development (DCED) data and other publicly available information from the internet.

Pennsylvania economic development programs. The KRC web site constructed in conjunction with this report (www.keystoneresearchmap.org.) takes a first step towards improving transparency by combining all readily available information into a single publicly accessible and easy-to-use data set. The search feature on the KRC map site looks in all data fields in response to a request. As a result, it finds subsidies connected with a company or location, regardless of whether the company applied for the funds. On the KRC web site, for example, searching on Sheetz yields information on four business subsidies. On the DCED Investment Tracker, by contrast, entering Sheetz pulls up no information.

Table 1 describes our data base. It indicates the share of projects and dollars of assistance for which we obtained site address information and obtained or inferred the site municipality. For those interested, the Appendix provides more details on our data set and its creation.

Findings

The previous two sections profiled the three DCED programs we examine and described our data base. Table 2 contains one more piece of background information – the population by municipality type and for older Pennsylvania and outer townships, in the state as a whole and in nine metropolitan areas. With these preliminaries, we are now ready for the meat of this report – our findings regarding the geographic distribution of business subsidies in Pennsylvania.

Statewide Distribution of Business Subsidies by Municipality Type

Table 3 contains summary statistics for Pennsylvania as a whole regarding the geographic distribution of economic development assistance from the IDP, OGP, and PIDA programs from mid-1998 through early May 2003. The table reveals a number of patterns.

- In Pennsylvania as a whole, each of the three programs supports a similar percentage of projects in older Pennsylvania -- 54 percent for IDP, and 60 percent for OGP and PIDA).

- Each of the three programs also allocates a similar share of dollars to older Pennsylvania – 55 percent from the OGP program, 59 percent from IDP, and 60 percent from PIDA.

- The allocation of funds within older Pennsylvania is also relatively consistent across the three programs.

    - About one fifth of projects under each program are in boroughs and one fifth of dollars go to boroughs.

    - Only 4 to 6 percent of the projects are in first class townships, and only 3 to 6 percent of the dollars go to these communities.

    - A low of 29 percent of the dollars go to cities (under the OGP program).

    - A high of 39 percent of the dollars go to cities (under the PIDA program).

- In the state as a whole, the most striking variation in the spatial distribution of economic development assistance is within the three components of the PIDA program.

Table 2. Distribution of Population, by Municipality Type, Pennsylvania and Nine Metropolitan Areas

A. Population (number)

	Municipal Type					
	City	Borough	Township - 1st		Township - 2nd	Total
Municipal Classification	Old	Old	Old	Older PA Sub-total	Outer-Rural	
Allentown-Bethlehem-Easton (ABE)	275,553	126,307	77,593	479,453	229,834	709,287
Erie	110,551	30,151	4,048	144,750	136,093	280,843
Harrisburg-Lebanan-Carlisle (HLC)	73,411	124,586	133,173	331,170	299,350	630,520
Lancaster	56,348	94,174	33,697	184,219	286,441	470,660
Philadelphia	1,565,242	442,047	686,450	2,693,739	1,160,588	3,854,327
Pittsburgh	529,980	715,492	424,432	1,669,904	702,390	2,372,294
Reading	81,207	79,032	35,391	195,630	179,209	374,839
Scranton-Wilkes Barre-Hazelton (S-WB-H)	171,730	215,974	30,635	418,339	206,437	624,776
York	40,862	67,751	50,203	158,816	222,935	381,751
Nine Metros	2,904,884	1,895,514	1,475,622	6,276,020	3,423,277	9,699,297
Rest of PA	293,701	679,111	13,832	986,644	1,694,419	2,681,063
Total	3,198,585	2,574,625	1,489,454	7,262,664	5,117,696	12,380,360

B. Population – Percent Shares by Municipal Type

	Municipal Type					
	City	Borough	Township - 1st	Older PA Sub-total	Township - 2nd (Outer)	Total
Allentown-Bethlehem-Easton (ABE)	39%	18%	11%	68%	32%	100%
Erie	39%	11%	1%	52%	48%	100%
Harrisburg-Lebanon-Carlisle (HLC)	12%	20%	21%	53%	47%	100%
Lancaster	12%	20%	7%	39%	61%	100%
Philadelphia	41%	11%	18%	70%	30%	100%
Pittsburgh	22%	30%	18%	70%	30%	100%
Reading	22%	21%	9%	52%	48%	100%
Scranton-Wilkes Barre-Hazelton (S-WB-H)	27%	35%	5%	67%	33%	100%
York	11%	18%	13%	42%	58%	100%
Nine Metros	30%	20%	15%	65%	35%	100%
Rest of PA	11%	25%	1%	37%	63%	100%
Total	26%	21%	12%	59%	41%	100%

Source: U.S. Census data provided by the Brookings Institution.

Table 3. Geographic Distribution of Economic Development Assistance from the IDP, OGP, and PIDA Programs in Pennsylvania as a Whole, July 1, 1998- May 6, 2003

Municipality Type	City	Borough	Township 1st Class		Township 2nd Class		Not Listed	All
Brookings Municipal Classification	Older	Older	Older	Older Sub-total	Outer	Outer & Older		
A. Number of Projects								
IDP	77	49	8	134	114	248	0	248
OGP	196	160	41	397	249	646	15	661
PIDA	157	80	16	253	170	423	1	424
Loan	138	70	16	224	142	366	1	367
Industrial Park	3	5	0	8	18	26	0	26
Multi	16	5	0	21	10	31	0	31
All 3 Programs	429	289	66	784	533	1317	16	1,333
B. Percent of Projects								
IDP	31%	20%	3%	54%	46%	100%	0%	100%
OGP	30%	24%	6%	60%	38%	98%	2%	100%
PIDA	37%	19%	4%	60%	40%	100%	0%	100%
Loan	38%	19%	4%	61%	39%	100%	0%	100%
Industrial Park	12%	19%	0%	31%	69%	100%	0%	100%
Multi	52%	16%	0%	68%	32%	100%	0%	100%
All 3 Programs	32%	22%	5%	59%	40%	99%	1%	100%
C. Amount of Assistance (millions of $)								
IDP	$61	$31	$6	$97	$69	$166	$0	$166
OGP	$63	$43	$12	$118	$94	$213	$3	$216
PIDA	$130	$61	$13	$204	$134	$338	$0	$338
Loan	$107	$51	$13	$171	$107	$278	$0	$278
Industrial Park	$4	$5	$0	$9	$17	$26	$0	$26
Multi	$19	$4	$0	$23	$10	$33	$0	$33
All 3 Programs	$254	$135	$31	$419	$297	$716	$4	$720
D. Percent of Assistance								
IDP	37%	19%	3%	59%	41%	100%	0%	100%
OGP	29%	20%	6%	55%	44%	98%	2%	100%
PIDA	39%	18%	4%	60%	40%	100%	0%	100%
Loan	39%	18%	5%	61%	39%	100%	0%	100%
Industrial Park	15%	20%	0%	35%	65%	100%	0%	100%
Multi	58%	13%	0%	70%	30%	100%	0%	100%
All 3 Programs	35%	19%	4%	58%	41%	100%	0%	100%

Source: KRC based on DCED data, internet information, and municipal codes from the Brookings Institution.

- The multi-company projects have an urban orientation, with 52 percent of the projects and 58 percent of the multi-company project dollars going to cities.

- The PIDA industrial park projects, by contrast, have a tendency to fall in new communities – roughly two thirds of these projects, receiving roughly two thirds of the industrial park dollars, are in second-class townships.

- Taken together the spatial orientation of PIDA multi and industrial park projects balance each other so that their combined spatial distribution is similar to that of the other programs.

Per Capita Geographic Distribution of Economic Development Assistance by Metro Area

Tables 4 to 13 and Figures 1 to 5 add three new dimensions to our analysis.

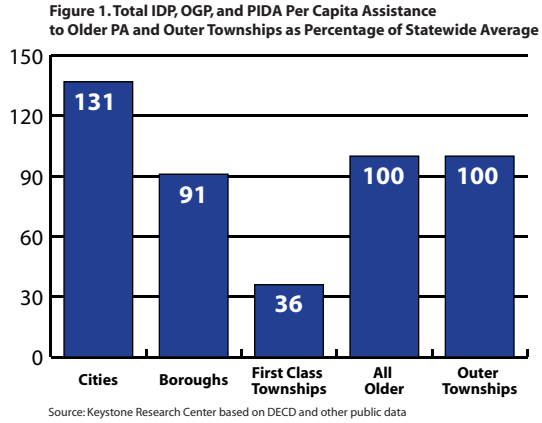


Figure 1. Total IDP, OGP, and PIDA Per Capita Assistance to Older PA and Outer Townships as Percentage of Statewide Average

Source: Keystone Research Center based on DECD and other public data

- They report data separately for the eight metropolitan areas on which the Brookings project focuses plus Reading.

- They divide dollars of assistance by population, providing a common "per capita" measure of the level of support received in each area.

- The tables consider grant assistance and loan assistance separately. In practice, grant assistance is essentially IDP plus OGP assistance (with the only exception being two omitted IDP loans) and loan assistance is essentially all PIDA assistance (with the only exception this time being the addition of the two IDP loans). Considering grant assistance separately from loan assistance is important because a dollar of grant assistance is more valuable than a dollar of loan assistance.

Tables 4 to 13 are actually two groups of five tables each.

- The first five tables (4 to 8) look at dollars of assistance per capita in each part of each geographical area. They do this first for the sum of all three programs, then for grants alone, third for loans alone, fourth for PIDA industrial park loans, and finally for PIDA multi-company loans.

- The second five tables (9 to 13) show assistance per capita in the same five categories as a percent of the statewide average for that category (i.e., Table 9 shows total assistance per capita for each part of each metro area as a percent of the $57.83 figure in the bottom right-hand corner of Table 4). This provides a more easily interpreted measure of the level of assistance in each part of each metropolitan area, relative to each other and compared to the state as a whole.

To make sense of Tables 4 to 13, turn first to the right-hand column of Table 9 and to Figure 1.

Table 4. IDP, OGP, and PIDA Grant and Loan Assistance Per Capita by Municipal Classification and Metro Area (dollars)													
		Metropolitan Area											
Municipal Type	Class-ification	A-B-E	Erie	H-L-C	Lancaster	Philadelphia	Pittsburgh	Reading	Scranton-WB-H	York	Nine Metros	Rest of PA	PA Average
City	Older	$69.16	$124.40	$66.27	$132.34	$46.34	$134.18	$125.43	$70.33	$47.88	$ 73.32	$ 138.10	$79.27
Borough	Older	$12.58	$23.88	$16.05	$14.12	$47.63	$50.94	$ 23.41	$103.41	$12.10	$46.50	$68.66	$52.35
Township - 1st	Older	$0.00	$0.00	$50.02	$0.00	$15.64	$15.74	$ 22.60	$155.60	$22.91	$20.87	$0	$20.68
	Older PA Sub-total	$43.06	$99.98	$40.84	$47.70	$38.73	$68.41	$ 65.61	$93.65	$24.72	$52.89	$88.37	$57.71
Township - 2nd	Outer	$63.90	$71.91	$30.91	$4.98	$56.87	$70.32	$ 53.61	$83.82	$24.76	$53.45	$67.19	$58.00
Total	Older & Outer	$49.81	$86.38	$36.13	$21.70	$44.19	$68.97	$ 59.88	$90.41	$24.74	$53.09	$74.98	$57.83
Source for Tables 4-13: KRC, based on DCED data and Census data by municipality provided by the Brookings Institution.													

Table 5. Grant Assistance Per Capita, by Municipal Classification and Metro Area* (dollars)													
		Metropolitan Area											
Municipal Type	Class-ification	A-B-E	Erie	H-L-C	Lancaster	Philadelphia	Pittsburgh	Reading	Scranton-WB-H	York	Nine Metros	Rest of PA	PA Average
City	Older	$40.36	$27.23	$36.44	$101.28	$13.06	$91.98	$47.99	$23.88	$32.46	$34.78	$76.11	$38.57
Borough	Older	$1.08	$6.63	$16.05	$14.12	$34.38	$20.54	$4.43	$59.73	$12.10	$25.13	$37.09	$28.28
Township - 1st	Older	$0.00	$0.00	$24.96	$0.00	$12.80	$5.27	$0	$89.77	$22.91	$12.36	$0	$12.25
	Older PA Sub-total	$23.48	$22.18	$24.15	$38.20	$16.49	$39.33	$21.71	47.21	$20.76	$26.59	$48.18	$29.53
Township - 2nd	Outer	$24.82	$42.76	$25.23	$4.98	$42.35	$36.55	$18.48	$37.88	$24.76	$32.71	$30.01	$31.82
Total	Older & Outer	$23.91	$32.15	$24.67	$17.98	$24.28	$38.51	$20.16	$44.13	$23.09	$28.75	$36.70	$30.47
*Except for two IDP loans, grants consist of all business assistance given out by IDP and OGP.													

Table 6. Loan Assistance Per Capita, by Municipal Classification and Metro Area* (dollars)													
		Metropolitan Area											
Municipal Type	Class-ification	A-B-E	Erie	H-L-C	Lancaster	Philadelphia	Pittsburgh	Reading	Scranton-WB-H	York	Nine Metros	Rest of PA	PA Average
City	Older	$25.17	$97.17	$13.76	$31.06	$29.77	$26.32	$55.89	$26.06	$15.42	$31.20	$56.34	$33.51
Borough	Older	$11.50	$17.25	$0.00	$0.00	$13.26	$22.86	$18.98	$30.61	$0.00	$17.04	$29.37	$20.29
Township - 1st	Older	$0.00	$0.00	$25.06	$0.00	$2.85	$10.47	$22.60	$65.83	$0.00	$8.51	$0	$8.43
	Older PA Sub-total	$17.50	$77.80	$13.13	$9.50	$20.20	$20.81	$34.96	$31.32	$3.97	$21.59	$36.99	$23.68
Township - 2nd	Outer	$39.07	$29.15	$1.50	$0.00	$14.52	$24.68	$35.14	$14.26	$0.00	$16.60	$29.67	$20.93
Total	Older & Outer	$24.49	$54.23	$7.61	$3.72	$18.49	$21.96	$35.04	$25.68	$1.65	$19.83	$32.36	$22.54

*Loan assistance consists of all PIDA assistance plus two IDP loans.

Table 7. PIDA Loan Assistance Per Capita for Industrial Parks, by Municipal Classification and Metro Area (dollars)													
		Metropolitan Area											
Municipal Type	Class-ification	A-B-E	Erie	H-L-C	Lancaster	Philadelphia	Pittsburgh	Reading	Scranton-WB-H	York	Nine Metros	Rest of PA	PA Average
City	Older	$3.63	$0	$16.07	$0	$0	$0	$21.55	$0.00	$0	$1.35	$0	$1.23
Borough	Older	$0.00	$0	$0.00	$0	$0	$4.23	$0	$8.10	$0	$2.52	$0.94	$2.10
Township - 1st	Older	$0.00	$0	$0.00	$0	$0	$0	$0	$0	$0	$0	$0	$0
	Older PA Sub-total	$2.09	$0	$3.56	$0	$0	$1.81	$8.95	$4.18	$0	$1.39	$0.65	$1.29
Township - 2nd	Outer	$0.00	$0	$4.18	$0	$0	$8.24	$0	$23.20	$0	$3.45	$3.12	$3.34
Total	Older & Outer	$1.41	$0	$3.85	$0	$0	$3.71	$4.67	$10.47	$0	$2.12	$2.21	$2.14

Table 8. PIDA Loan Assistance Per Capita for Multi-Company Projects, by Municipal Classification and Metro Area (dollars)													
		Metropolitan Area											
Municipal Type	Class-ification	A-B-E	Erie	H-L-C	Lancaster	Philadelphia	Pittsburgh	Reading	Scranton-WB-H	York	Nine Metros	Rest of PA	PA Average
City	Older	$0	$0	$0	$0	$3.51	$15.88	$0	$20.38	$0	$5.99	$5.65	$5.96
Borough	Older	$0	$0	$0	$0	$0.00	$3.31	$0	$4.98	$0	$1.82	$1.27	$1.67
Township - 1st	Older	$0	$0	$0	$0	$0.00	$0.00	$0	$0.00	$0	$0	$0	$0
	Older PA Sub-total	$0	$0	$0	$0	$2.04	$6.46	$0	$10.94	$0	$3.32	$2.55	$3.22
Township - 2nd	Outer	$0	$0	$0	$0	$0.00	$0.85	$0	$8.48	$0	$0.69	$4.39	$1.91
Total	Older & Outer	$0	$0	$0	$0	$1.43	$4.80	$0	$10.12	$0	$2.39	$3.71	$2.68

Table 9. IDP, OGP, and PIDA Assistance Per Capita, by Municipal Classification and Metro Area, as Percent of PA Average*													
		Metropolitan Area											
Municipal Type	Class-ification	A-B-E	Erie	H-L-C	Lancaster	Philadelphia	Pittsburgh	Reading	Scranton-WB-H	York	Nine Metros	Rest of PA	PA Average
City	Older	120	215	115	229	80	232	217	122	83	127	239	137
Borough	Older	22	41	28	24	82	88	40	179	21	80	119	91
Township - 1st	Older	0	0	86	0	27	27	39	269	40	36	0	36
	Older PA Sub-total	74	173	71	82	67	118	113	162	43	91	153	100
Township - 2nd	Outer	110	124	53	9	98	122	93	145	43	92	116	100
Total	Older & Outer	86	149	62	38	76	119	104	156	43	92	130	100

*Numbers shown equal entries from Table 4 divided by the bottom right-hand corner of Table 4 times 100 (which converts to a percent of the statewide average).

Table 10. Grant Assistance Per Capita, by Municipal Classification and Metro Area, as Percent of PA Average*													
		Metropolitan Area											
Municipal Type	Class-ification	A-B-E	Erie	H-L-C	Lancaster	Philadelphia	Pittsburgh	Reading	Scranton-WB-H	York	Eight Metros	Rest of PA	PA Average
City	Older	132	89	120	332	43	302	157	78	107	114	250	127
Borough	Older	4	22	53	46	113	67	15	196	40	82	122	93
Township - 1st	Older	0	0	82	0	42	17	0	295	75	41	0	40
	Older PA Sub-total	77	73	79	125	54	129	71	155	68	87	158	97
Township - 2nd	Outer	81	140	83	16	139	120	61	124	81	107	98	104
Total	Older & Outer	78	106	81	59	80	126	66	145	76	94	120	100

*Numbers shown equal entries from Table 5 divided by the bottom right-hand corner of Table 5 times 100 (which converts to a percent of the statewide average).

Table 11. Loan Assistance Per Capita by Municipal Classification and Metro Area, as Percent of PA Average*													
		Metropolitan Area											
Municipal Type	Class-ification	A-B-E	Erie	H-L-C	Lancaster	Philadelphia	Pittsburgh	Reading	Scranton-WB-H	York	Nine Metros	Rest of PA	PA Average
City	Older	112	431	61	138	132	117	248	116	68	138	250	149
Borough	Older	51	77	0	0	59	101	84	136	0	76	130	90
Township - 1st	Older	0	0	111	0	13	46	100	292	0	38	0	37
	Older PA Sub-total	78	345	58	42	90	92	155	139	18	96	164	105
Township - 2nd	Outer	173	129	7	0	64	109	156	63	0	74	132	93
Total	Older & Outer	109	241	34	17	82	97	155	114	7	88	144	100

*Numbers shown equal entries from Table 6 divided by the bottom right-hand corner of Table 6 times 100 (which converts to a percent of the statewide average).

Table 12. PIDA Loan Assistance Per Capita for Industrial Parks by Municipal Class and Metro Area, as Percent of PA Average*

		Metropolitan Area											
Municipal Type	Classification	A-B-E	Erie	H-L-C	Lancaster	Philadelphia	Pittsburgh	Reading	Scranton-WB-H	York	Nine Metros	Rest of PA	PA Average
City	Older	170	0	751	0	0	0	1,007	0	0	63	0	57
Borough	Older	0	0	0	0	0	198	0	379	0	118	44	98
Township - 1st	Older	0	0	0	0	0	0	0	0	0	0	0	0
	Older PA Sub-total	98	0	166	0	0	85	418	195	0	65	30	60
Township - 2nd	Outer	0	0	195	0	0	385	0	1,084	0	161	146	156
Total	Older & Outer	66	0	180	0	0	173	218	489	0	99	103	100

*Numbers shown equal entries from Table 7 divided by the bottom right-hand corner of Table 7 times 100 (which converts to a percent of the statewide average).

Table 13. PIDA Loan Assistance Per Capita for Multi-Company Projects, by Municipal Class and Metro Area, Percent of PA Average*

		Metropolitan Area											
Municipal Type	Classification	A-B-E	Erie	H-L-C	Lancaster	Philadelphia	Pittsburgh	Reading	Scranton-WB-H	York	Eight Metros	Rest of State	PA Average
City	Older	0	0	0	0	131	593	0	760	0	224	211	222
Borough	Older	0	0	0	0	0	124	0	186	0	68	47	62
Township – 1st	Older	0	0	0	0	0	0	0	0	0	0	0	0
	Older PA Sub-total	0	0	0	0	76	241	0	408	0	124	95	120
Township – 2nd	Outer	0	0	0	0	0	32	0	316	0	26	164	71
Total	Older & Outer	0	0	0	0	53	179	0	378	0	89	138	100

*Numbers shown equal entries from Table 8 divided by the bottom right-hand corner of Table 8 times 100 (which converts to a percent of the statewide average).

These show per capita assistance received from all three business assistance programs (OGP, IDP, and PIDA) to each type of municipality across all of Pennsylvania.

- Overall, older Pennsylvania and outer townships receive almost exactly the same per capita amount of grant plus loan assistance.

- Within older Pennsylvania, cities receive substantially more than the statewide average per capita assistance (137 percent of this average), while first-class townships receive much less (36 percent), and boroughs receive a bit less than this average (91 percent).

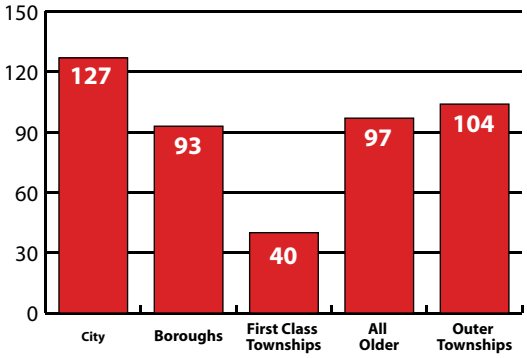
The right-hand column of Tables 10, and Figure 2, isolate grant from loan assistance per capita.

- Cities do less well with respect to grant assistance relative to other areas than they do with respect to loan assistance.

- As a result, older Pennsylvania as a whole receives 3 percent below the state average level of per capita grant assistance whereas outer townships receive 4 percent above the state average.

- With loans, by contrast, older Pennsylvania receives 5 percent above the state average level of per capita assistance, while outer townships receive 7 percent more (Table 11).

Figure 2. Grant Assistance Per Capita to Older PA and Outer Townships as Percent of Statewide Average



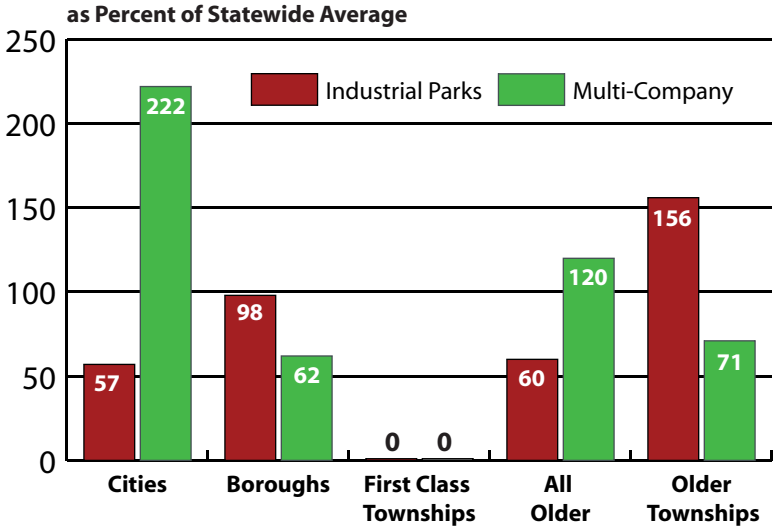
Source: Keystone Research Center based on DECD and other public data

The right-hand column of Tables 12 and 13, and Figure 3, look at the two types of PIDA loans – for industrial parks and multi-company projects -- that develop business sites that house many companies. Here dramatic geographic differences emerge.

- Industrial park PIDA loans go, on a per capita basis, 2.6 times as much to outer townships as to both older Pennsylvania as a whole and cities in particular.

- Multi-company projects, by contrast, go more heavily to older Pennsylvania than the second-class townships, with cities receiving three times as much assistance.

Figure 3. PIDA Loans Per Capita for Industrial Parks and Multi-Company Projects to Older PA and Outer Townships as Percent of Statewide Average



- First-class townships received no PIDA industrial park or multi-company loans in the five years covered by our data base.

The bottom rows of Tables 9, 10, and 11 take our first look at differences across metropolitan areas.

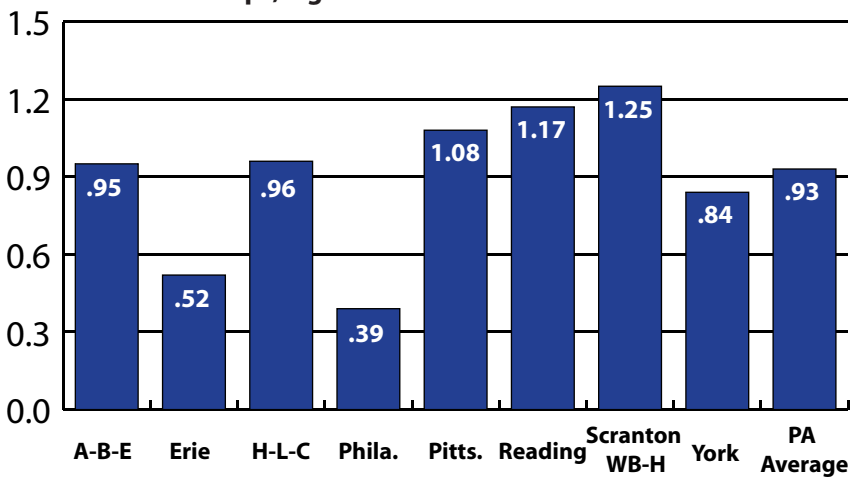
- Table 9 shows that the level of total per capita support across metropolitan areas differ widely. The Scranton-Wilkes Barre-Hazelton metro area receives over four times as much per capita assistance as Lancaster and nearly four times as much as York.

- Tables 10 and 11 shows that much wider differences exist in PIDA loan assistance per capita than in IDP and OGP grant assistance. Scranton-WB-H receives 2.5 times as much grant assistance as Lancaster, and nearly seven times as much loan assistance. Erie receives 14 times as much loan assistance as Lancaster.

It is important to underscore that there is nothing inherently wrong with sizable differences in levels of assistance across metropolitan areas. Regions with higher and more persistent unemployment, in part due to wrenching cutbacks in mining and manufacturing jobs, should receive more economic development dollars.

The differences in economic development assistance by metropolitan regions shown in Tables 10 and 11, furthermore, seem in roughly the right directions. The areas that have had the lowest unemployment in recent years, such as Lancaster, York, and Harrisburg-Lebanon-Carlisle areas, get less assistance per capita. Areas with higher unemployment and slower job growth, such as Erie and Scranton-WB-H, receive more assistance.

Figure 4. Ratio of Per Capita Grant Assistance to Older PA vs. Outer Townships, Eight Metro Areas



Within metro areas, however, the geographic distributions of economic development assistance revealed by our data base are much more troubling. To make it easier to see why, Table 14 shows the total (grant plus loan) dollars per capita going to older portions of each metro region divided by the total dollars per capita going to outer portions of the same metro area. When this ratio exceeds one, older areas are receiving more dollars per capita than newer areas. Table 15 shows the IDP and OGP grant dollars per capita going to older portions of each metro region divided by grant dollars per capita going to outer portions of the same metro area. Once again, when this ratio exceeds one, older portions of a metro region are receiving more grant dollars per capita than outer ones.

Table 14 and 15 reveal the following.

- In two of the nine metro areas – Allentown and Philadelphia – the older portions of the metropolitan area receive only two thirds of the subsidies per capita of outer portions. In the Philadelphia metro area, precious grant dollars go 2.5 times as much to the suburbs as to the city (Figure 4). As a consequence, in Philadelphia and Allentown, economic subsidies act as yet another factor that biases job growth toward outlying communities. This chews up land but

Table 14. Ratio of Grant Plus Loan Assistance Per Capita, Older to Outer Parts of Each Metro Area												
Municipal Type	A-B-E	Erie	H-L-C	Lancaster	Philadelphia	Pittsburgh	Reading	Scranton-WB-H	York	Eight Metros	Rest of State	PA Average
City	1.08	1.73	2.14	26.57	0.81	1.91	2.34	0.84	1.93	1.37	2.06	1.37
Borough	0.20	0.33	0.52	2.84	0.84	0.72	0.44	1.23	0.49	0.87	1.02	0.90
Township - 1st	0.00	0.00	1.62	0.00	0.28	0.22	0.42	1.86	0.93	0.39	0.00	0.36
Older Total	0.67	1.39	1.32	9.58	0.68	0.97	1.22	1.12	1.00	0.99	1.32	1.00
*The figures in this table equal the numbers in the top four rows of Table 4 divided by the number in the same column in the fifth row (which indicates the ratio of total assistance per capita to the older parts of each metro area versus the outer part).												

Table 15. Ratio of Grant Assistance Per Capita, Older to Outer Parts of Each Metro Area												
Municipal Type	A-B-E	Erie	H-L-C	Lancaster	Philadelphia	Pittsburgh	Reading	Scranton-WB-H	York	Eight Metros	Rest of State	PA Average
City	1.63	0.64	1.44	20.34	0.31	2.52	2.60	0.63	1.31	1.06	2.54	1.21
Borough	0.04	0.16	0.64	2.84	0.81	0.56	0.24	1.58	0.49	0.77	1.24	0.89
Township - 1st	0.00	0.00	0.99	0.00	0.30	0.14	0.00	2.37	0.93	0.38	0.00	0.38
Older Total	0.95	0.52	0.96	7.67	0.39	1.08	1.17	1.25	0.84	0.81	1.61	0.93
* The figures in this table equal the numbers in the top four rows of Table 5 divided by the number in the same column in the fifth row (which indicates the ratio of grant assistance per capita to the older parts of each metro area versus the outer part).												

does not generate jobs accessible to the people and communities who need them most.

- In four other metro areas – Pittsburgh, Reading, Scranton, and York — the older parts of the region only receive about the same dollar amount of IDP, OGP, plus PIDA subsidies per capita as the outer parts.

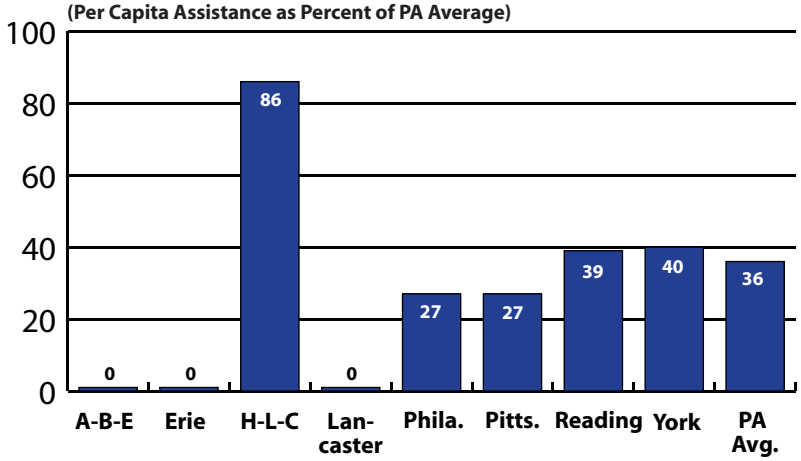
- In two metro areas – Erie and Harrisburg – the older portions of the metro area receive a bit more assistance per capita (32 and 39 percent, respectively) than outer townships. In both areas, however, the older portions of the metropolitan receive fewer grant dollars per capita than the new areas and older portions of Erie receive only half as many grant dollars per capita (Figure 4 again).

- Only in one metropolitan area – Lancaster – do old portions of the metro region receive substantially more assistance per capita (nearly 10 times as much as out townships), a ratio compatible with land conservation and job creation where it is most needed.

- In three of the metropolitan areas, first class-townships received no loans or grants at all, and in two others (Philadelphia and Pittsburgh), first-class townships received only about a quarter as much assistance per capita for every dollar received in second-class townships (Figure 5).

Where $101.4 Million in PA Subsidies for Business and Industrial Parks Went

Figure 5. First-Class Townships in Eight Metro Areas Receive Very Little in Economic Development Grants and Loans (Per Capita Assistance as Percent of PA Average)



Unlike PIDA, the IDP and OGP programs do not separate data on industrial park subsidies from subsidies to individual companies. IDP and OGP project descriptions do, however, tend to include phrases such as "industrial park" and "business park." Using this fact, we separated out all IDP and OGP projects with the word "park" in their project descriptions. This makes it possible to see if these subsidies have the same tilt towards outlying suburbs as PIDA industrial park loans. (This analysis does not include Reading because it was completed before we added Reading to our data base.)

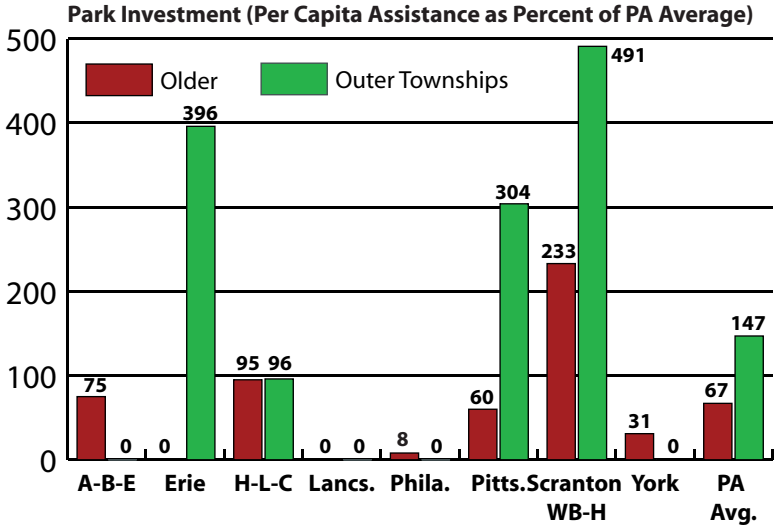
There were a total of 135 projects with the name park, 22 of them PIDA industrial parks. These projects accounted for $101.4 million in assistance or 14 percent of total OGP, IDP, and PIDA assistance. (PIDA industrial park loans account for $26.4 million of this $101.4 million). Worthy of note, the rest of state region (outside the nine metropolitan areas) received 44 percent of the total park investment, $45 million out of $101.4 million in assistance. This compares with 31 percent for the rest of state share of all state investment from the three programs.

The spatial distribution of this larger pool of industrial and business park investment is similar to although somewhat less pronounced than that for PIDA industrial parks alone (Table 16).

Table 16 shows that

- For our full sample of 135 industrial and business parks, outer townships received 147 percent of the statewide average and older Pennsylvania 67 percent.
- For PIDA industrial park per capita investment alone, the same figures are 156 percent and 60 percent.
- Of critical importance, the investment in outer suburban industrial and business parks is NOT a statewide phenomenon (Figure 6). Three metro areas – Pittsburgh, Scranton-WB-H, and Erie – plus "rest of state" account for the overwhelming majority of industrial and business park investments in second-class townships. Put another way, Southeast Pennsylvania, especially Lancaster, the Philadelphia area, and York (and probably Reading based on PIDA industrial park data only – see Table 12) do not invest public money in suburban industrial and business parks as such.

Figure 6. Erie, Pittsburgh and Scranton Drive Suburban Industrial Park Investment (Per Capita Assistance as Percent of PA Average)



- Scranton-WB-H also accounts for virtually all the first-class township park investment. This is largely the result of $2.5 million investment in Phase 1 and Phase II of the Hanover Crossings Business Park in Hanover.

Where $89 Million in Loans for Distribution Industry Projects Went

One dimension of the recent sprawl debate in Pennsylvania has focused on the rise of huge distribution centers, especially in the central part of the state. These distribution centers cluster around the highways that meet in or near Harrisburg – interstates 81, 76, 78, and 83. At distribution centers, trucks bring in goods from a common origin and get reloaded before spanning out to serve the area or larger Northeast market. Some centers also warehouse product. Many new distribution centers locate on converted farm land.

To see how much state economic development programs subsidize distribution industry projects in outer townships, it would be necessary to have industry information for each project. In our data base, we only have detailed industry information for PIDA loans to individual companies. Using this sub-sample, Table 17 documents the geographic distribution of projects in "transportation and wholesale trade" (i.e., Standard Industrial Classifications 4 and 5).

Table 17 shows that older Pennsylvania accounts for four out of every five distribution industry PIDA projects and cities alone for three out of every five projects. The largest distribution industry projects, however, tended to be in second-class townships. Just 13 PIDA loans in outer townships accounted for 50 percent of the total PIDA lending in transportation and wholesale trade. Table 18 lists these projects. (A dozen non-PIDA distribution center projects can be pulled up by entering distribution center into the search feature of the KRC subsidy map at www.keystoneresearchmap.org. We have not systematically analyzed this non-PIDA distribution center sub-sample.)

Table 16. IDP, OGP, and PIDA Grant Plus Loan Assistance for Industrial and Business Parks

A. Assistance Per Capita (dollars)

	Municipal Type					
Metro Area	**City**	**Borough**	**1st-Class Township**	**Older PA Sub-Total**	**Outer Townships**	**Metro Average**
A-B-E	$10.63	$0.00	$0.00	$6.11	$0.00	$4.13
Erie	$0.00	$0.00	$0.00	$0.00	$32.44	$15.72
H-L-C	$33.10	$1.20	$0.00	$7.79	$7.85	$7.82
Lancaster	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Philadelphia	$1.12	$0.00	$0.00	$0.65	$0.00	$0.45
Pittsburgh	$7.40	$4.66	$2.26	$4.92	$24.91	$10.84
Scranton-WB-H	$17.47	$11.58	$81.61	$19.12	$40.21	$26.09
York	$2.45	$0.00	$5.98	$2.52	$0.00	$1.05
Eight Metros	$5.00	$3.29	$2.61	$3.93	$10.04	$6.05
Rest of State	$30.14	$5.97	$0.00	$13.38	$15.56	$14.72
PA Average	$7.95	$4.08	$2.53	$5.47	$12.06	$8.19

B. Assistance Per Capita as Percent of PA Average

	Municipal Type					
Metro Area	**City**	**Borough**	**1st -Class Township**	**Older PA Sub-Total**	**Outer Townships**	**Metro Average**
A-B-E	130%	0%	0%	75%	0%	50%
Erie	0%	0%	0%	0%	396%	192%
H-L-C	40%	15%	0%	95%	96%	95%
Lancaster	0%	0%	0%	0%	0%	0%
Philadelphia	14%	0%	0%	8%	0%	6%
Pittsburgh	90%	57%	28%	60%	304%	132%
Scranton-WB-H	213%	141%	996%	233%	491%	319%
York	30%	0%	73%	31%	0%	13%
Eight Metros	61%	40%	32%	48%	123%	74%
Rest of State	368%	73%	0%	163%	190%	180%
PA Average	97%	50%	31%	67%	147%	100%

Source: KRC, based on DCED data and Census data by municipality provided by the Brookings Institution.

Table 17. Geographic Distribution of PIDA Projects in Transport and Wholesale Industries (SIC codes 4 and 5)

Municipal Type	Number of Projects	Share of Projects	Total Assistance	Share of Assistance
City	39	62%	$35,958,505	40%
Borough	8	13%	$ 6,287,241	7%
First-Class Township	3	5%	$ 2,340,249	3%
Second-Class Township	13	21%	$44,585,995	50%
Total	63		$89,171,990	

Source: KRC, based on DCED data and Census data by municipality provided by the Brookings Institution.

Table 18. List of 13 Transportation and Wholesale Trade Projects that Received $44.6 Million in PIDA Loans				
Applicant	**Project**	**Project County**	**Site Muni.**	**Program Investment**
Altoona-Blair County DC	Smith Transport International, Inc. - warehousing & distribution of food products - construct new building	Blair	Snyder	$ 225,000
RIDC of Southwestern PA	Bell's Wholesale Grocery, Inc.	Greene	Perry	$1,250,000
Mifflin County IDC	Lewistown Paper Co.	Mifflin	Derry	$1,250,000
Greater Hazleton Community Area New Development Organization	Bizmart, Inc.	Schuylkill	East Union	$ 136,000
Greater Berks Development Fund	Shields Corporation/Fromuth Tennis - construct new building	Berks	Spring	$1,750,000
Bucks County Economic DC	Kampi Components Company.	Bucks	Falls	$ 625,000
Northampton County New Jobs Corporation	Famous Smoke Shop - PA, Inc.	Northampton	Forks	$1,750,000
Greater Berks Development Fund	Boscov's, Inc. - PIDA - construct new building	Berks	Exeter	$1,200,000
Altoona-Blair County DC	Techno-Link Corporation - distributor of plastic and paper products – construct new building	Blair	Snyder	$1,250,000
Altoona-Blair County DC	Sheetz, Inc.	Blair	Greenfield	$ 980,000
Pocono Mountains Industries, Inc.	Bestway Enterprises, Inc.	Monroe	Barrett	$ 500,000
Bucks County Economic DC	R. D. Bitzer Co., Inc.	Bucks	Bensalem	$ 749,100
Economic Growth Connection, Westmoreland	Reinhart Food Service	Westmoreland	East Huntingdon	$ 300,000
Source: KRC, based on DCED data and Census data by municipality provided by the Brookings Institution.				

Table 19. IDP Project Site Classifications by Municipal Type						
Municipal Type	**City**	**Borough**	**Township - 1st**	**Older Sub-total**	**Township - 2nd**	**Older & Outer**
Total Number Projects	77	49	8	134	114	248
Number Coded	70	47	8	125	108	233
Project Site Classification (percent of projects coded; seven categories are mutually exclusive)						
Brownfield	42%	34%	44%	39%	21%	31%
Brownfield & Keystone Opportunity Zone	28%	26%	11%	26%	14%	20%
Company Specific	16%	19%	33%	18%	39%	28%
Company Specific & Keystone Opportunity Zone	4%	6%	0%	5%	7%	6%
Greenfield	1%	4%	0%	2%	13%	7%
Greenfield & Keystone Opportunity Zone	3%	2%	0%	2%	3%	3%
Keystone Opportunity Zone	6%	9%	11%	7%	3%	5%
Sub-totals						
Total Brownfield	70%	60%	56%	65%	35%	51%
Total Greenfield	4%	6%	0%	5%	16%	10%
Total Keystone Opportunity Zone	41%	43%	22%	40%	27%	34%
Source: KRC, based on DCED data and Census data by municipality provided by the Brookings Institution.						

IDP Project Site Classifications by Municipal Type

Our final data analysis draws on a project classification scheme maintained by the Department of Community and Economic Development on the IDP program. This is the only internal DCED coding system of which we are aware that explicitly addresses land-use issues. The classification scheme consists of seven codes, including whether projects are "greenfield" or "brownfield."

Table 19 characterizes IDP projects using these codes.

- Eighty-five projects in old municipalities, almost two-thirds of IDP projects in older Pennsylvania (65 percent), are coded brownfield.

- Seventeen projects in second-class townships are coded greenfield, 16 percent of all IDP projects in outer townships.

Without further information on IDP definitions and auditing of the information, it is impossible to know how accurate it is. Even if it underreports developments on greenfield sites, however, the very existence of a coding scheme sensitive to land-use issues is an important step that can built upon in the future.

What Our Data Say

On the surface, the distribution of business assistance in Pennsylvania points to a "one person-one dollar" political logic. Older Pennsylvania obtained $57.71 per capita in assistance from OGP, IDP, and PIDA between 1998 and early 2003. Outer townships obtained a flat $58 per capita.

Beneath the statewide balance in funding between new and old areas lies substantial variation in patterns of business assistance within metropolitan areas. These within-metro area variations seem too large to be the result of chance. Whether they are symptoms of contrasting land-use policies – to which economic development practitioners react – or to different sensitivities among economic development practitioners to the relative needs of older areas, we do not know without further research.

Across metropolitan areas, economic development programs are somewhat targeted to metropolitan areas that had higher unemployment and/or slower job growth during the 1998-2003 period. This is consistent with the explicit legislative intent of the PIDA program and that program's offer of its lowest interest rates to areas of higher unemployment.

But within metropolitan areas, business assistance does not have a strong bias to areas of highest joblessness -- cities and inner suburbs. To be sure, business assistance does not flow entirely with the trend of the private economy, which has led to net job creation only in outer townships and net job loss in older Pennsylvania. However, a great deal of business assistance does support development in outlying areas.

Moreover, our data do not indicate how much business assistance contributes to the relocation of businesses within metropolitan areas from old to new areas, although the suburban bias of industrial parks does underscore this danger. Economic development practitioners acknowledge that public subsidies to new suburban business parks can lead urban companies, including downtown professional

service firms, to relocate outwards. One economic development practitioner in rural Southwest Pennsylvania indicated that the 21 tenants in two nearby industrial parks came from within a 30-50 mile radius – an area entirely within Pennsylvania.[8]

On paper, it might be objected, most Pennsylvania business assistance programs prohibit the use of public dollars to pay for relocation within the state. We do not know, however, how well this provision is enforced. For example, in the late 1990s, Keystone Powdered Metals received six bites at the economic development apple to create about 70 $9 per hour jobs in Lewis Run, McKean County.[9] Meanwhile, in nearby Elk County, the company laid off a similar number of unionized workers earning $14 plus benefits. Even if relocation provisions were well enforced, they do not rule out public subsidies to an industrial park followed by relocation without direct public assistance.

As elaborated below, much better reporting on where new jobs come from is essential to a fuller understanding of how much public subsidies undercut or strengthen older communities in the state.

Behind the Numbers – The Lack of a Smart Growth Policy

In *Back to Prosperity: A Competitive Agenda for Renewing Pennsylvania*, Brookings provides a series of reasons for the importance of ensuring that the state's economic development dollars go mostly to existing communities. Primary among them is that the state must stop undermining its cities, boroughs, and older townships which hold the very assets – convenience, attractive historic neighborhoods, access to amenities – valued by today's economy and talented workers.

A further rationale for an older Pennsylvania tilt to economic development assistance is that public dollars should be reserved for projects generating public benefits that would not go forward without government support. The competitive advantages of greenfield areas -- cheap land, ample space, ready access to interstates, lack of concerns regarding environmental liability, lower taxes, better funded schools and other services – mean that projects there often do not need public dollars to move forward. In conjunction with environmental and socio-economic considerations, this means that projects in outlying areas should not receive public dollars.

Yet our data make abundantly clear that outlying suburban areas do receive public dollars at levels far above what seems justified based on public policy considerations. What drives this result?

Interviews with local and state economic development officials indicate that the overriding issues are (a) the worldview and customary practices of the economic development community and (b) the lack of strong state rules that ensure a stronger bias towards spending subsidies in older places.

At present, the local and state economic development community does not see its primary role as bringing jobs to cities and older communities. Instead, the challenge is seen as using traditional industrial recruitment and retention approaches – subsidies to individual companies -- to attract companies to or keep them in the region. To be sure, many city urban renewal projects are supported by community minded leaders and economic development practitioners. But there is no perception that outlying projects should not be supported, particularly if potential industrial recruits prefer to locate – or relocate -- to greenfield sites. As one economic development practitioner explains, "there is no incentive not to make the deal" when companies or their representatives come forward looking for business subsidies. As long as projects comply with state rules and money is available, projects move forward.

Some economic development practitioners go further, saying that it is generally believed that some greenfield space should be available at all times so that companies who want such space on short notice can be accommodated. Such a view could contribute to the creation of far-outlying industrial parks.

According to one practitioner: "Economic and industrial development is an inherently reactive enterprise. Everyone is in competition with everyone else. You have to be ready when the site developer calls and says, 'we're coming in a couple of weeks and need to be up and running in 18 months.' There is a certain amount of desperation always to make sure you have a portfolio of properties ready to go." This portfolio of properties, according to one perspective, must include greenfield sites if an area is to be "truly competitive."

In some cases, the self-interest of industrial development corporations (IDCs) and other economic development intermediaries may drive the use of public assistance in greenfield locations. These intermediaries support their operations in part through fees charged when business assistance deals go through. They also support themselves by owning and selling land. In some cases, this land is in greenfield areas. Economic development intermediaries may therefore favor a higher volume of transactions as well as development on land they buy, develop, and sell – and not on land they do not own. Without alternative ways of supporting themselves or a strong values-based commitment to older Pennsylvania, some economic development intermediaries are likely to be "enablers" of greenfield development. There are also cases in which industrial development corporations are reported to actively oppose urban projects because they do not own the land involved and they see a deal by a competing intermediary as short-circuiting their livelihood.

Some practitioners point to state policy as responsible for the failure of more economic development dollars to go to older Pennsylvania. This is implicit in the view stated earlier that there is no incentive not to do the deal. Without stronger and well-enforced rules against land-destroying development deals, they won't stop. Several practitioners underscored the large competitive advantage greenfield sites have over brownfield. This gap reinforces the reality that, without strong state policies to overcome it, the current use of economic development dollars in outlying areas will persist. Summing up, according to one practitioner, "Brownfield and infill sites are always going to be at a disadvantage. The state has not done enough to truly level the playing field."

As long as the economic development enterprise is "inherently reactive" and based on developing attractive locations for businesses anywhere in a region, withstanding political pressures to subsidize greenfield development may be extremely difficult. As the old adage goes, you can't beat something with nothing. Politicians need an alternative approach that gains them credit for helping to create good jobs. Practitioners and policymakers both need an alternative approach that gives them incentives for resisting land-destroying business assistance deals.

How to Do It Better: A Road Map to Economic Development Consistent with Smarter, More Competitive Growth

Reversing sprawl and the decline of older Pennsylvania communities will take a comprehensive approach across multiple policy areas. The reform of business assistance programs should be one component of a shift towards higher quality growth. Elements of business assistance reform should include the following.

1. ***Improve disclosure.*** DCED has made considerable strides improving its database on economic development assistance and making data accessible to the public via the Investment Tracker or upon request. Additional upgrades on what the state and localities collect and make publicly available regarding business assistance could make Pennsylvania a leader in the tracking of the geographic impact of economic development programs. More detailed recommendations in this area follow in the next section.
2. ***Change the rules.*** As noted, economic development practitioners concerned about sprawl say that the current rules governing the allocation of economic development assistance are not strongly enough tilted towards old communities. Suggestions made in phone interviews included allocating more funds to brownfield redevelopment or restricting use of some or all subsidies to designated, already-developed regions.[10] One opportunity to follow the guidance of best-practice economic development practitioners would be to tighten the definition of blight in the state law governing Tax Increment Financing (TIF) districts. According to the environmental group PennFuture, the current definition allows trout streams and other pristine rural areas to qualify as blighted. Another approach would be to strengthen incentives for "infill" projects in abandoned industrial space and shopping centers.
3. ***Enact regional tax-base sharing.*** While this report focuses on state subsidies, local subsidies are also an important dimension of the economic development game. In the local subsidy game, older communities operate at a great disadvantage. To land new companies, they may need to give businesses deals so generous that little benefit of new tax base is left to the community. To end the local subsidy wars, Pennsylvania should adopt regional tax-base sharing. Similar to Minnesota, additions to the industrial and commercial tax base could be placed in a regional fund and distributed based on equity considerations and a region-wide economic development strategy. Regional tax-base sharing could thus contribute to a reconceptualization of economic development in terms of regional assets and public goods rather than in terms of making deals with individual companies.
4. ***Implement a third generation economic development strategy*** that capitalizes on high density and "agglomeration" economies. Since the subsidy game with individual companies lends itself to greenfield development, the state needs an alternative so that something (current bad practice) does not beat nothing. KRC has elsewhere termed one alternative "Third Generation" economic development strategy. This is based on the idea that first generation strategy was business subsidies plus deregulation and business tax cutting (think of South Carolina in the 1950s); and that second generation was investment in economy-wide public goods, such as public education, transportation, telecommunications (North Carolina beginning under Governor Terry Sanford in the 1960s). "Third generation" approaches would incorporate investment in economy-wide public goods but also emphasize industry-specific "public goods" – industry training partnerships, technology and commercialization

consortia, marketing collaborations and the like. In the United States, this third-generation approach has been trying to get out of the cradle since the 1980s industrial policy debates. The shift to a focus on industry is aligned with cutting-edge economic development practice nationally – and workforce development thinking in Pennsylvania. Economists such as Harvard's Michael Porter, MIT's Michael Piore, Princeton's Paul Krugman, and Penn State's Amy Glassmeier have recognized that regional economic advantage today builds on concentrations of workers and firms whose knowledge feeds off one another.[11] As we first noted in *The State of Working Pennsylvania 1997* (p. 16), bolstering industry-specific agglomeration economies fits hand-in-glove with land use policies that encourage high density development and healthy older communities.

5. ***Promote a paradigm shift among economic development practitioners***. Past practice and actual or perceived self-interest in the economic development community could be a powerful obstacle to reform. A range of tactics could be considered to promote transformation within the practitioner community. One would be to establish a next generation advisory group of leading economic development practitioners who would interact with and advise state policymakers. Such insiders would be the best guides to strategies for shifting their peers to smarter growth and new economic development approaches. Other tactics could include funding for regional cluster analysis and regional economic development planning and the establishment of continuing education programs, and learning networks, that give Pennsylvania economic development practitioners exposure to the thinking and practice of pioneers of next generation approaches elsewhere.
6. ***Establish the "Let's Not Make a Deal" awards***. In sports, the best trades are often the ones a team does not make. The same is true in economic development. The state could establish an awards program that recognizes communities for saying no to new businesses based on criteria such as land-use, low wages and benefits, too high a price per job, lack of conformity with a regional industry strategy etc. The idea would be to reinforce the notion of being more strategic – to be more choosy, escaping a supplicant "beggars can't be choosers" posture toward business in the practice of economic development.

First Things First: Disclosure Recommendations

As a first step towards new economic development approaches consistent with good land use policy, we recommend that Pennsylvania include the following as required information on projects receiving economic development assistance.

- **Provide each business assistance loan or grant with a unique identifier.** It is currently difficult to determine with confidence if two projects reported in different DCED or DCED-derived sources are the same. A unique project identifier that is included with all reports on business assistance could solve this problem.
- **Provide address of the business site where assistance will be used.** As noted above, site address information was not available from DCED for programs other than IDP. (In addition, it was not available for a small number of IDP programs – 4 percent.) In most cases, the site municipality was available or could be inferred for PIDA or OGP projects. In the future, site address should be made a standard required field for all programs in all Commonwealth departments that provide economic development assistance that benefits individual or multiple companies at particular locations.

- **Establish uniform site codes.** The IDP programs site classifications discussed above begin to track key characteristics of sites receiving assistance from a land-use perspective. The Rendell Administration, in dialogue with land-use experts, economic development practitioners, and business, should establish a uniform set of site classifications that would become required fields for all projects receiving state economic development subsidies. In developing these codes and continuously improving them over time, attention should be paid to subtleties highlighted by case examples. For example, if an industrial park is developed in a second-class township farm field, remains empty for 10 years (which at least saves surrounding farm fields from ancillary development), and then applies for additional state assistance, it should not be reclassified as a brownfield. (For an example, see the Scott Technology Park case in the Brookings report.)
- **Disclose industrial classification**. Industrial classifications were not available except for PIDA loans. Particularly as the state seeks to link workforce and economic development policy to key "industry clusters" in Pennsylvania and its economic regions, tracking the industry classification of recipients of business subsidies will be valuable. Industry classifications are also important in conjunction with wage and benefit data, so that the compensation levels of companies receiving assistance can be compared against peers in the same industry.
- **Provide job quantity and quality.** For some programs, DCED currently collects information on promised job creation and retention. For PIDA it also collects information on promised payroll creation and retention. As recommended in prior reports by the Keystone Research Center and the PLB&FC, job quantity and quality information should be improved. What is needed is not a huge, bureaucratic survey but limited essential information combined with random sample auditing of information required with penalties for failure to meet up-front promises. A sensible starting point would be the "Disclosure Enhancement and Compliance" recommendations contained in Greg LeRoy and Tyson Slocum's evaluation of economic development in Minnesota.[12]
- T**rack when projects receive multiple bites at the economic development apple.** Recipients of assistance from one program should report when other programs have directly or indirectly assisted the same business site. This information should then be made easy to retrieve electronically (as www.keystoneresearchmap.org demonstrates) both within the DCED master data base and on the publicly accessible on-line Investment Tracker. Information should also be gathered on assistance received for the same project by other levels of government, including localities and direct from the federal government.
- **Collect information on the prior location of the business and whether any specific operations were transferred and jobs lost in this location**.
- **Collect similar information to that outlined in the previous bullet from tenants in industrial park and other multiple occupancy sites built with public subsidies**. It is especially important that tenants answer questions about previous locations. Pennsylvania needs baseline information on how much its multi-occupancy site development investments fuel or combat sprawl.

Implementing these disclosure recommendations, and building on the data set and web site created in conjunction with this report, could put Pennsylvania at the forefront of efforts nationally to

track the interaction between economic development policy and land use. Implementing all the recommendations in the previous section could put Pennsylvania on a track to economic development that is not only business friendly but also community, worker, and environment friendly.

Appendix: The KRC Subsidy Data Base

The primary source used to construct the data base for this project was a 119-page electronic file named "PressReport.rtf" sent by DCED to KRC on May 7, 2003. DCED extracted the data from an internal data base on May 6. The pages of the PressReport had five columns entitled "Program Applicant," "Project," "County," "Program Amount," and "SIC" (the last stands for Standard Industrial Classification). The Program Applicant column included, in most cases, a name and address. This name and address, and the SIC code, appeared in some cases to be for the business site receiving assistance. As noted in the text, it was in other cases for an industrial development corporation or other intermediary that applied for the assistance on behalf of an unidentified business and business site.

We augmented the DCED electronic file with information from three other sources.

1. The DCED Investment Tracker, available on the Internet, provided site county, applicant, project, site city (actually municipality), existing jobs, jobs created and investment amounts for IDP, OGP, and PIDA. A primary value of the DCED Investment Tracker was the identification of site city. In many cases, this site municipality corresponded with the municipality in the address in PressReport.rtf. In such cases, as long as the address was not the address of an industrial development corporation or other obvious economic development intermediary, we assumed the address was the actual business site address.

2. In response to a KRC request, DCED provided information on IDP, OGP, and PIDA subsidies in paper format on March 22, 2003. The hardcopies were in different formats and provided some or all of the following information on each project: applicant, project name, site county, site city, type of site, jobs retained, created, retained payroll, new payroll, and purpose.

3. At data base of 312 PIDA loans given out to individual companies between July 1998 and March 2002 was constructed for a previous KRC project and included information on the SIC of the business receiving assistance (as well as some other information not utilized in this report).

The three additional sources agreed with the PressReport.rtf file with respect to IDP and OGP projects listed. In the case of PIDA, our other sources identified 51 additional PIDA loans, one additional PIDA industrial park loan, and one addition PIDA multi loan. Since these 53 PIDA projects, accounting for $50 million in assistance, were not identical in their characteristics to any of the PressReport.rtf PIDA projects, they may be different projects. The plausibility of this possibility was reinforced in cases when additional projects appeared in multiple places – e.g., on the Investment Tracker and on our March 22 hard copy from DCED.

In this report, however, we decided not to include any of the additional 53 projects on the grounds that (a) we could be double counting some PIDA loans and (b) that leaves our data base as consisting entirely of projects from a single source – the PressReport.rtf list. In terms of the statewide and metro level analysis, the basic character of our findings is not sensitive to the inclusion or exclusion of these 53 projects.

To fill in site address gaps in our data base as much as possible, we used web searches and address lookups such as www.google.com, maps.yahoo.com, www.superpages.com, www.infospace.com/info.zip/, www.switchboard.com, www.mapsonus.com, mapsonus.switchboard.com, and

infospace.dogpile.com. Finding addresses proved particularly difficult for multi-occupancy projects somewhere in a city and also for smaller companies.

Finally, we used the Brookings Institution geography files to reconcile different municipal coding and classification information obtained from the Pennsylvania Department of Transportation (PennDOT), the Census Bureau, various map services on the internet and Pennsylvania State University.[13]

The main fields in the database constructed are (simplifying slightly):

- Applicant;
- Applicant Address (including municipality, county, and zip code);
- Project Description;
- Site Address (including municipality, county, metropolitan area, and zip code);
- Site Code (each IDP project was coded by DCED with one of the following codes: Greenfield (GF), Brownfield (BF), Keystone Opportunity Zone (K), BF/K, GF/K, Company Specific (CS), and CS/K);
- Site Municipal Type (i.e., 2 for City, 3 for Borough, 4 for First-Class Township, and 5 for Second Class Township);
- Metro area (A-B-E, Erie, H-L-C, Lancaster, Philadelphia, Pittsburgh, Scranton-WB-H, and York) or Rest of State;
- State Program Investment;
- Private Investment;
- Number of Jobs Retained;
- Number of Jobs Created;
- Pay Retained;
- Pay Created;
- Standard Industrial Classification;
- DCED Program (PIDA, OGP, IDP);
- For PIDA loans, whether the project was an industrial park or multi-company project;
- Site Municipality Population from every decennial Census beginning with 1930; and
- Whether the Project had the name "Park" in the title (as in "business park" or "industrial park").

A final note. The DCED PressReport.rtf electronic file listed amounts of assistance for individual projects and a total amount of assistance for each of IDP, OGP, and PIDA. The total for each program was somewhat less than the sum of the individual projects. Thus assistance for the OGP projects listed summed to $216 million while the total for all OGP programs listed was $199 million. For IDP, the separate project assistance amounts added to $166 million while the total for IDP listed was $158 million. For the all PIDA loans, the separate loans added up to $334 million while the reported total was $329 million.

Endnotes

[1] We compared the payroll for each job promised by companies receiving loans from the Pennsylvania Industrial Development Authority (PIDA) program with the average payroll per job for all jobs in the same industry and county of subsidized projects. In a sample of 312, we found that two out of five projects promised jobs paying less than 80 percent of the industry average payroll per job. See David H. Bradley, *Many Pennsylvania Industrial Development Authority Loans Create Low-Quality Jobs* (Harrisburg, Keystone Research Center, 2002); and Stephen A. Herzenberg, *Create Good Jobs and Promote Higher Performance with Economic Development Dollars* (Harrisburg, Keystone Research Center, 2000). Both on line at www.keystoneresearch.org.

[2] This figure is for Fiscal Year 1997-98. It was generated by Pennsylvania Legislative Budget and Finance Committee staff from a national survey of state economic development agency expenditures for FY 1997-98 and U.S. Bureau of Census data. See Pennsylvania Legislative Budget and Finance Committee (PLB&FC), *Department of Community and Economic Development Programs: A Performance Audit in Response to Act 1996-58* (Harrisburg: PLB&FC, 2000), p. 192.

[3] This discussion of IDP is based on PLB&FC 2000, pp. 28-35.

[4] This discussion of OGP is based partly on PLB&FC 2000, pp.46-54.

[5] This discussion of PIDA is based partly on PLB&FC 2000, pp. 54-70.

[6] For exceptions on loan ceilings and interest rates, see "PIDA Program Guidelines" available online at www.inventpa.com

[7] Includes Multi-Occupancy and Industrial Parks. This job total is promised jobs, not actual.

[8] In one publicly subsidized suburban industrial park in Minnesota, every one of 29 tenants had existing operations further towards the center of the metropolitan area. See Greg LeRoy, *Another Way Sprawl Happens* (Washington, D.C.: Good Jobs First, 2001), on line at www.goodjobsfirst.org.

[9] For a bit more on Keystone Powdered Metals, see Herzenberg, *Create Good Jobs and Promote Higher Performance with Economic Development Dollars.*

[10] The Keystone Opportunity Zone (KOZ) program, which provides tax breaks to companies within the zone, initially directed companies to specific areas generally thought to have been consistent with Smart Growth principles. However, since the initial designation of KOZs, the legislate has several times added new zones, with political discipline and the heavy urban focus of KOZs breaking down over time.

[11] For a bit more on this, see The State of Working Pennsylvania 2003, on line at www.keystoneresearch.org.

[12] Greg LeRoy and Tyson Slocum, *Economic Development in Minnesota: High Subsidies, Low Wages, Absent Standards* (Washington, D.C.: Good Jobs First, 1999). Available at www.goodjobsfirst.org.

[13] In constructing the data base we uncovered a variety of minor discrepancies within different sources

in Pennsylvania municipality names and in the counties within which particular municipalities were reported to be located. To help resolve these discrepancies, we extracted municipality lists from the Penn State Data Center and the Pennsylvania Department of Transportation. While even these two sources had some inconsistencies, using these sources, and through dialogue with Brookings staff (who had some similar discrepancies in his own research, some but not all identical to the ones KRC discovered) we were able to identify what we believe to be accurate municipality names and county locations for each municipality.

Like an East Stroudsberg University team led by Todd Behr, who produced a broader analysis of the seven major DCED programs for the larger Brookings report, we also discovered some ambiguities regarding municipal names attached to particular projects (e.g., whether "Bethlehem" means Bethlehem City or Bethlehem Township). These were resolved through use of multiple sources and, in some cases, through web searches to access addresses.