

# COMMITTING TO PROSPERITY:

*Moving Forward on the Agenda to Renew Pennsylvania*



**METROPOLITAN POLICY PROGRAM  
THE BROOKINGS INSTITUTION**



## Executive Summary

Pennsylvania is at once the same and different, three years after the release of the 2003 Brookings Institution report “Back to Prosperity,” which proposed a new vision for how Pennsylvania might revitalize its cities, towns, and regions in order to compete more energetically in today’s global economy.

The key challenges identified in the first report—slow growth, “hollowing” metropolitan and rural areas, and economic struggles—still persist.

And yet, much has changed in the last three years. Since 2003, the Rendell administration, some members of the Pennsylvania General Assembly, and many local leaders have made substantial progress in ensuring that the state thinks and acts more strategically in its pursuit of prosperity and a great quality of life.

An air of reform has spread. Thoughtful debates have begun over how best to update the local governance system to empower municipalities to innovate in pursuing greater efficiency and fiscal strength. State agencies are spending tax dollars more strategically and working to align community development, economic development, and transportation investment with a new, place-oriented vision of economic success. And for that matter, public opinion has also shifted, as the recent legislative shake ups in Harrisburg show. Survey research, for that matter, now shows that voters are increasingly supportive of common sense thinking on such key issues as empowering local government and prioritizing reinvestment.

But these laudable developments represent only a beginning. Three years after “Back to Prosperity,” Pennsylvania must now truly commit to enacting the next round of deeper-going systemic reform. Quite simply, now is the time for a great state to muster the political will and self discipline to continue moving forward on a comprehensive drive toward economic competitiveness that incorporates such compelling goals as governance reform, reinvestment, and the creation of more quality jobs.

This report, sponsored by the Campaign to Renew

Pennsylvania, an initiative of 10,000 Friends of Pennsylvania, and entitled “**Committing to Prosperity: Moving Forward on the Agenda to Renew Pennsylvania**,” endeavors to assist in that recommitment. Intended to “update” the story told by “Back to Prosperity,” “Committing to Prosperity” revisits the state of the state three years after the earlier report, assesses progress at state policy reform since then, and proposes some ideas for the next push toward lasting systemic reform.

To that end, this report draws three major conclusions about the state as it continues to work at building a more prosperous Pennsylvania:

### **1. Pennsylvania’s trends of slow growth, hollowing metropolitan areas, and anemic economic growth persist, albeit with some improvement.**

“Back to Prosperity” described a series of troublesome growth and economic trends challenging the economy, and for the most part these trends continue to hold sway, albeit with some encouraging new developments:

- **Pennsylvania is still barely growing.** The Commonwealth’s population grew at a rate of just 0.24 percent per year between 2000 and 2005, for a gain of just under 149,000 people or 1.2 percent during that time period. This ranked the state 46th out of the 50 states in percent population growth during this time period, up from 48th in the 1990s. Almost all of the growth occurred in the eastern part of the state. One bright spot: The state’s heavy past out-migration appears to be slowing or reversing. Between 2003 and 2005, the state experienced a net in-migration of 9,600 people
- **The state is still spreading out and hollowing out.** Between 2000 and 2005, cities lost another 3.3 percent of their population and boroughs lost 1.9 percent. Meanwhile, the population of the Commonwealth’s outlying second-class townships grew by 5.9 percent since 2000. These developments continued the long-term outward shift of

the state's population. One more encouraging development, however, was an up-tick in new housing construction and rehabilitation in cities and boroughs. These types of municipalities issued 22.5 percent more housing permits between 2000 and 2004 compared to between 1995 and 1999

- **The state's transitioning economy is still lagging, although signs of greater vitality have appeared recently.** Pennsylvania's job growth continues to trail the nation's, according to the Bureau of Labor Statistics' Current Employment Survey. Between 2000 and 2006, the Commonwealth registered a 1.1 percent increase in jobs at a time when the nation as a whole saw a 3.3 percent increase. This performance ranked the state 37th among the states in job growth between 2000 and 2006, but represented an improvement on the state's ranking of 45th during the 1990s (when the state's job base grew by 10.1 percent). Also encouraging has been the state's faster job growth coming out of the 2000–2003 recession. Between 2003 and 2006, the state added 141,900 jobs in a recovery that ranked 39th among the states for those years. Still, notwithstanding the new growth, the economy remains on balance tepid, constrained by the state's relatively low (although improving) higher-education attainment rates. Those rates and other issues ensure that average annual pay and household income remain slightly below the national average, although they are rising

**2. In light of these continuing realities, the state faces several major challenges that it must address in order to achieve economic prosperity.** In particular, three especially deep-set consequences of the state's development trends could circumscribe the state's ability to renew its economy if they are not dealt with:

- **First, an epidemic of fiscal distress is weakening Pennsylvania municipalities, undercutting their ability to govern effectively and provide top-quality amenities.**

## Pennsylvania by the Numbers

### **Population Growth**

Pennsylvania's percent population growth, 2000–2005 (Rank out of 50 states) 46

Pennsylvania's percent population growth, 1990–2000 (Rank out of 50 states) 48

### **Job Growth**

Pennsylvania's percent job growth, 2000–2006 (Rank out of 50 states) 37

Pennsylvania's percent job growth, 2003–2006 (Rank out of 50 states) 39

Pennsylvania's percent job growth, 1990–2000 (Rank out of 50 states) 45

### **Fiscal decline**

Percent of Pennsylvanian cities experiencing a decline in relative fiscal health, 1970–2003 98

Percent of Pennsylvanian boroughs experiencing a decline in relative fiscal health, 1970–2003 67

Percent of Pennsylvanian second-class townships experiencing a decline in relative fiscal health, 1970–2003 35

### **Change in Land Use**

Number of developable acres changed from rural to non-rural land use in Pennsylvania, 1980–2000 2,857,800

On this front, new research from the Pennsylvania Economy League (PEL) confirms that more and more Pennsylvania cities, boroughs, and even townships are finding themselves radically weakened in their ability to control their fiscal and development destiny. As a result more and more municipalities are slipping into fiscal distress. This matters because Pennsylvania's future economic competitiveness depends on the future competitiveness of its municipalities, as measured by their ability to provide top-flight services, deliver desirable amenities, and promote sound economic development and sustainable land-use planning. Municipalities that are strapped for cash are limited

in their ability to provide the local environment that businesses and households demand when they make the decision to put down roots and create jobs

■ **Secondly, the state's unbalanced development patterns continue to erode the state's rural and urban quality of place, just when those assets matter more.**

Today's economy relies on well-trained workers and productive firms that, in turn, value high-quality communities with plentiful amenities. In this regard, the increasing need to attract and retain more skilled workers and high-value corporations to Pennsylvania points to the need to defend and enhance the Commonwealth's quality of place. However, the state's quality of place is under attack from the continued inroads of the state's erratic and often ill-planned development patterns. Between 2000 and 2005, for example, 51 cities, 774 boroughs, and 48 first-class townships—the majority of each type of municipality—lost population, making more of them vulnerable to residential abandonment, losses of retail business, and urban decay. What is more, between 1980 and 2000, almost 2.9 million acres of Pennsylvania's rural land were converted to more developed uses—a 22 percent loss of rural land. Pennsylvania's unique and historic urban centers, its rural towns, and its pastoral countryside are all under threat just when they matter more than ever before to the attraction of mobile workers and firms

■ **Finally, Pennsylvania is still laboring to revitalize its transitioning economy and make itself globally competitive in more post-industrial sectors.** Significant efforts to stimulate, diversify, and renew a changing economy have been launched in Pennsylvania, but the work of transformation has only begun. Until very recently, the state lacked a commitment to diversify its traditionally manufacturing-oriented economy by investing in the state's most promising high-value "export" sectors—specializations such as the life sciences, education, food processing,

and business and financial services. Only since 2003 has the state developed and begun to implement a sophisticated cluster- and workforce-based strategy for generating better-paying, longer-lasting jobs. A lot of work remains to be done, work that is made more urgent by the fact that the state—as well as the whole nation—may be heading toward a workforce and skills shortage as the well-educated baby boom generation gets ready to retire. By 2029, Pennsylvania will lose to retirement almost one million baby boom workers with college degrees, and will need to replace them

**3. Given these challenges, recent state-level policy changes have enacted important reform, although more needs to be done to lock in lasting systemic renewal.** Along these lines, "Committing to Prosperity"—following up on "Back to Prosperity"—suggests that at least three major areas of policy reform be kept in mind. To that end, "Committing to Prosperity" suggests that the Rendell administration and General Assembly work together to:

- **Empower local governments to better manage change, combat fiscal distress, and invest in the future.** Through its revival of the defunct State Planning Board, the Rendell administration has done a good job engaging a diversity of stakeholders in mapping out a reasonable path toward substantial governance and planning reform. Now, the General Assembly should enact key elements of that agenda by enacting legal changes to make it much easier for local governments to voluntarily collaborate and raise revenue in order to stave off fiscal distress, save money on service provision, and better manage development
- **Continue making reinvestment a priority.** On this front, the Rendell administration has launched a nationally significant drive—epitomized by its Keystone Principles for Growth, Investment, and Resource Conservation—to prioritize investment in existing communities and existing infrastructure as

## Policy Recommendations at a Glance

<u>GOALS</u>	<u>RECOMMENDATIONS</u>
<p style="text-align: center;"><b>Empower Local Governments</b></p> <p><i>Progress to date includes:</i></p> <ul style="list-style-type: none"> <li>• <i>Ongoing work to increase capacity of local governments</i></li> <li>• <i>Revival of State Planning Board</i></li> </ul>	<p><b>Next Steps:</b></p> <ul style="list-style-type: none"> <li>• Make intergovernmental cooperation on service delivery easier</li> <li>• Foster intergovernmental service provision, including quality local and regional land use planning, with more financial and technical assistance</li> <li>• Allow boundary changes</li> <li>• Make planning mean more</li> <li>• Reform Act 47 to make it a more effective emergency measure for distressed localities</li> </ul> <p><b>Deeper Reforms:</b></p> <ul style="list-style-type: none"> <li>• Help municipalities reduce the costs of healthcare and pension liabilities, tax collections, and other activities</li> <li>• Create a larger palette of available tax tools for counties and municipalities</li> <li>• Enhance the role of counties</li> </ul>
<p style="text-align: center;"><b>Continue to Make Reinvestment a Priority</b></p> <p><i>Progress to date includes:</i></p> <ul style="list-style-type: none"> <li>• <i>Revitalized Interagency Land use Team</i></li> <li>• <i>Creation of the Keystone Principles</i></li> <li>• <i>Creation of the Community Action Team</i></li> <li>• <i>Adoption of Growing Greener II</i></li> </ul>	<p><b>Next Steps:</b></p> <ul style="list-style-type: none"> <li>• Support the diffusion of the Keystone Principles and criteria throughout all relevant state agencies</li> <li>• Charge the Economic Development Cabinet with reviewing all community and economic development programs to ensure they meet state priorities</li> </ul> <p><b>Deeper Reforms:</b></p> <ul style="list-style-type: none"> <li>• Link transportation spending to land use and economic development planning</li> <li>• Link water and sewer development to land use planning</li> <li>• Build a culture of fix it first and reinvestment</li> </ul>
<p style="text-align: center;"><b>Continue to Build a Competitive Economy</b></p> <p><i>Progress to date includes:</i></p> <ul style="list-style-type: none"> <li>• <i>Two industry cluster studies</i></li> <li>• <i>Creation of “high priority occupations”</i></li> <li>• <i>Adoption of Jobs Ready PA</i></li> <li>• <i>Adoption of the Economic Stimulus package</i></li> </ul>	<p><b>Next Steps:</b></p> <ul style="list-style-type: none"> <li>• Make clusters the primary client of the Governor’s Action Team</li> <li>• Expand the role of the state’s Industry Partnership Grants</li> </ul> <p><b>Deeper Reforms:</b></p> <ul style="list-style-type: none"> <li>• Create—and then commit to—the Commonwealth Clusters Principles and Criteria</li> <li>• Dissolve barriers between economic and workforce development</li> <li>• Coordinate economic development and land use planning</li> </ul>





a state policy. Still, more work remains to be done to further institutionalize these spending criteria, link transportation investment to land-use planning, and rein in haphazard water and sewer implementation

- **Continue building a competitive economy through strategic investment in key clusters and complementary workforce development.** Since “Back to Prosperity” appeared, the state has taken important steps to develop a clear long-range plan for diversifying its transitioning economy, fostering promising industrial clusters, and “tuning” the workforce training system to the needs of those clusters. Now the state needs to go farther in making regional clusters the central organizing tenet of all of its economic policies even as it dissolves the barriers between economic and workforce development

In the end, Pennsylvania is at once similar to how it was in 2003, yet very different. The same challenges first discussed in “Back to Prosperity” continue to work against the state’s competitive future. But change—much change, especially in government and public policy—is now underway. The state has made notable progress toward addressing its systemic problems since “Back to Prosperity” was released. What is called for now is a strong commitment to carrying through on the work already started and the political will to make the deeper improvements that will yield a more prosperous future for the Commonwealth.



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