



# METROPOLITAN POLICY PROGRAM

An aerial photograph of the Philadelphia skyline at sunset. The sky is filled with large, soft clouds illuminated from below, creating a warm, golden glow. The city's buildings are silhouetted against the bright sky, with some windows reflecting the light. The overall mood is serene and hopeful.

# Back to Prosperity

A Competitive Agenda for Renewing Pennsylvania

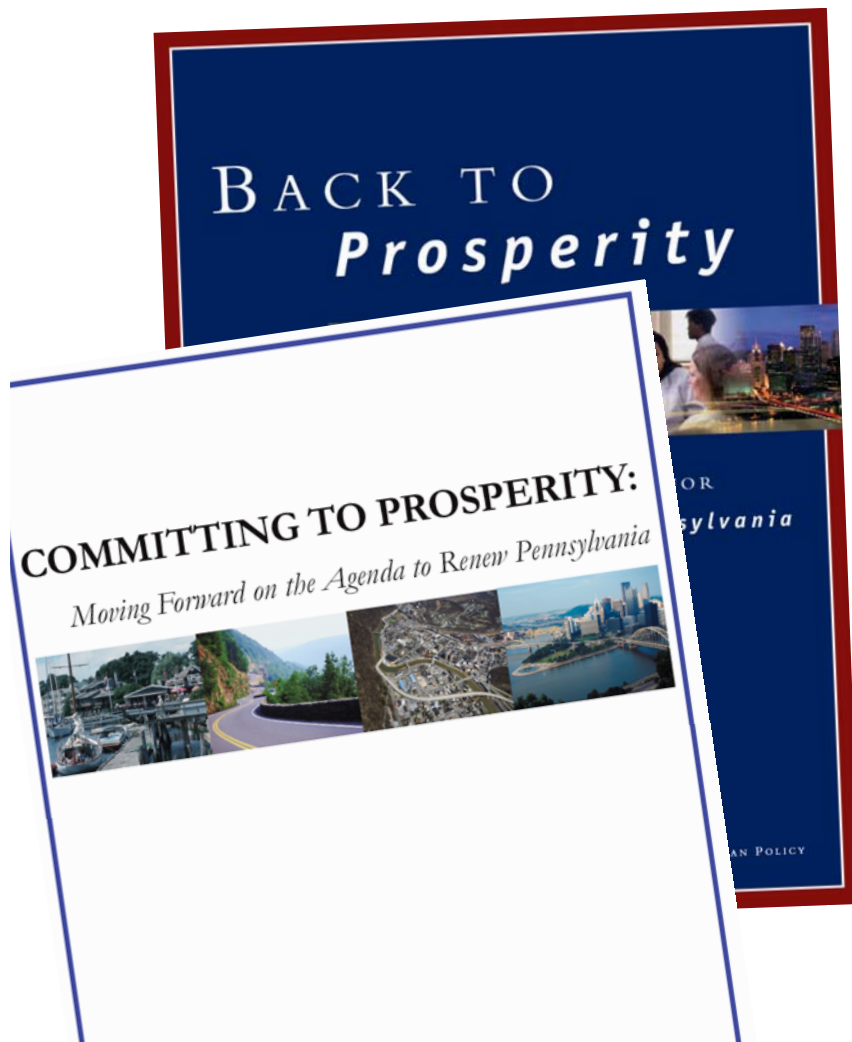
Bruce Katz, Director

THE BROOKINGS INSTITUTION METROPOLITAN POLICY PROGRAM

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

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

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



Both reports highlight tough trends and policy challenges...

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

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

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

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

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

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

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



## Back to Prosperity

I

Pennsylvania faces difficult demographic, economic, and land use trends

II

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

III

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

A stylized, light blue silhouette of a city skyline with various building shapes and heights, serving as a background for the slide.

I

Pennsylvania faces challenging demographic, economic, and land use trends

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

Pennsylvania is not alone in struggling with under-performing cities

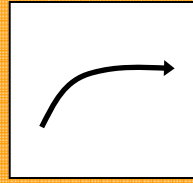
These trends are not inevitable

## Demographics

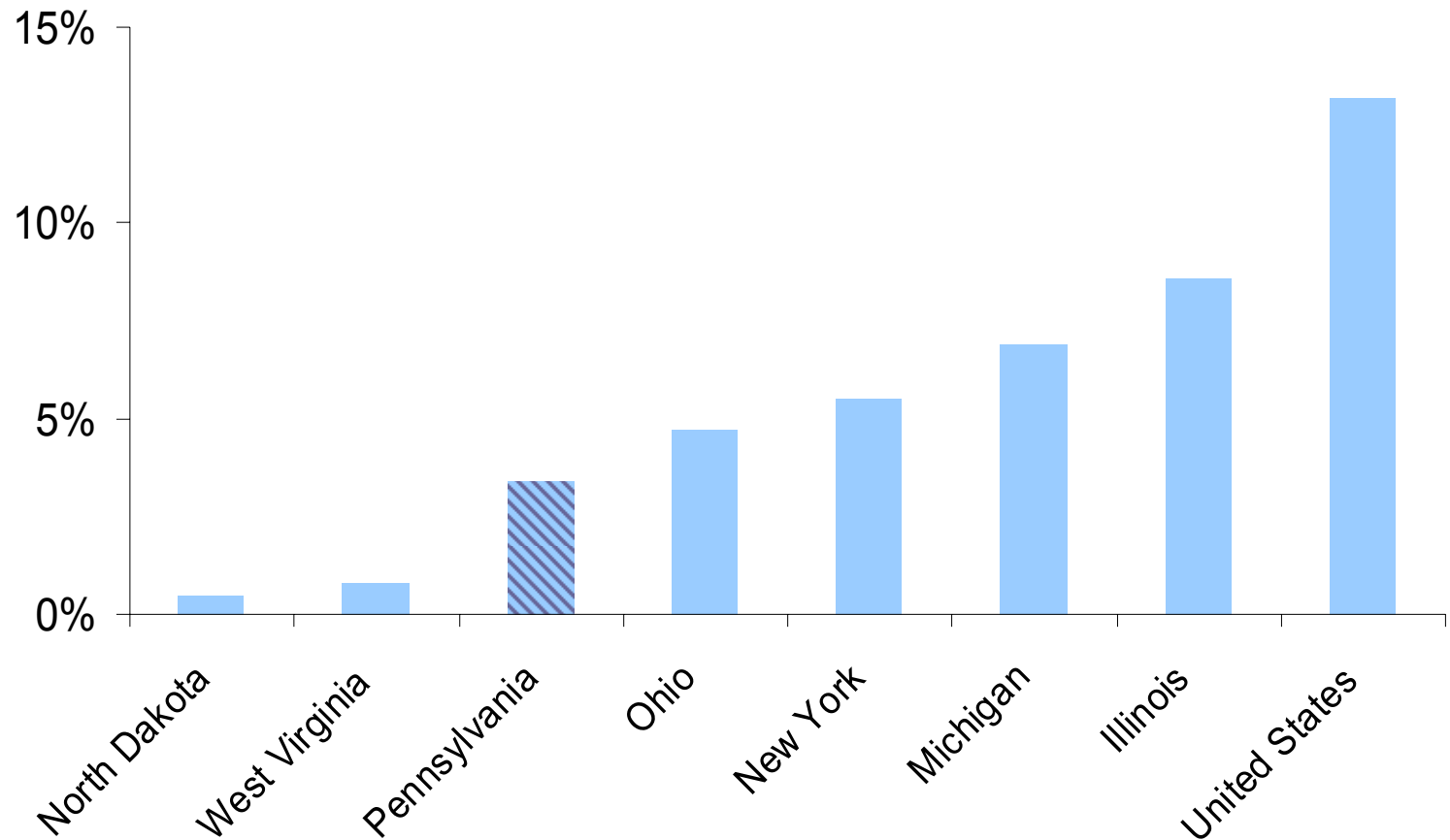
## Economy

## Land Use

Pennsylvania experienced the 3<sup>rd</sup> slowest population growth among states in the 1990s



Percent population change, 1990-2000



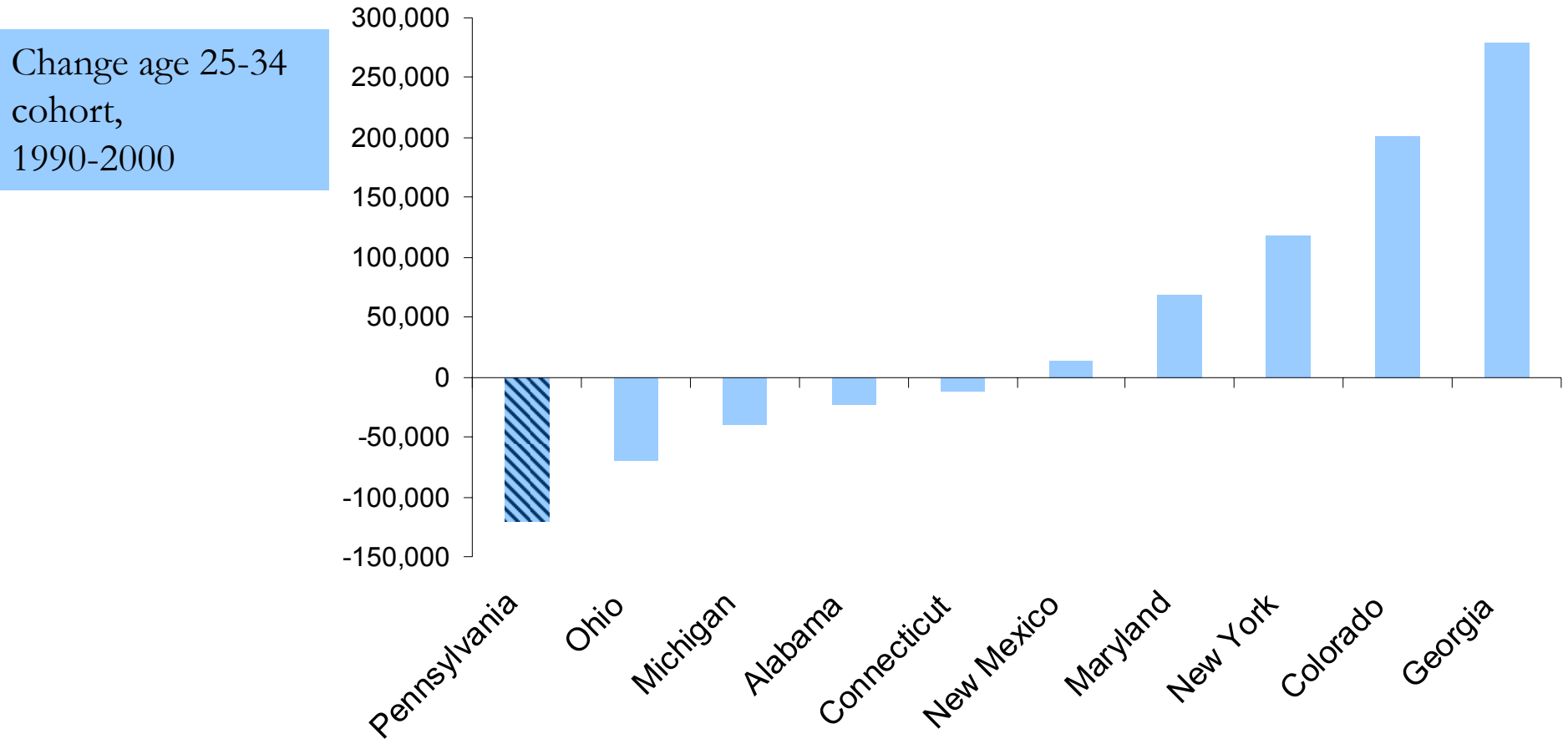


...and continued to grow slowly from 2000-2005

Percent change in population, 2000 to 2005

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

Pennsylvania suffered the largest absolute loss of young people among states



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

Share of  
population 65+,  
2000

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

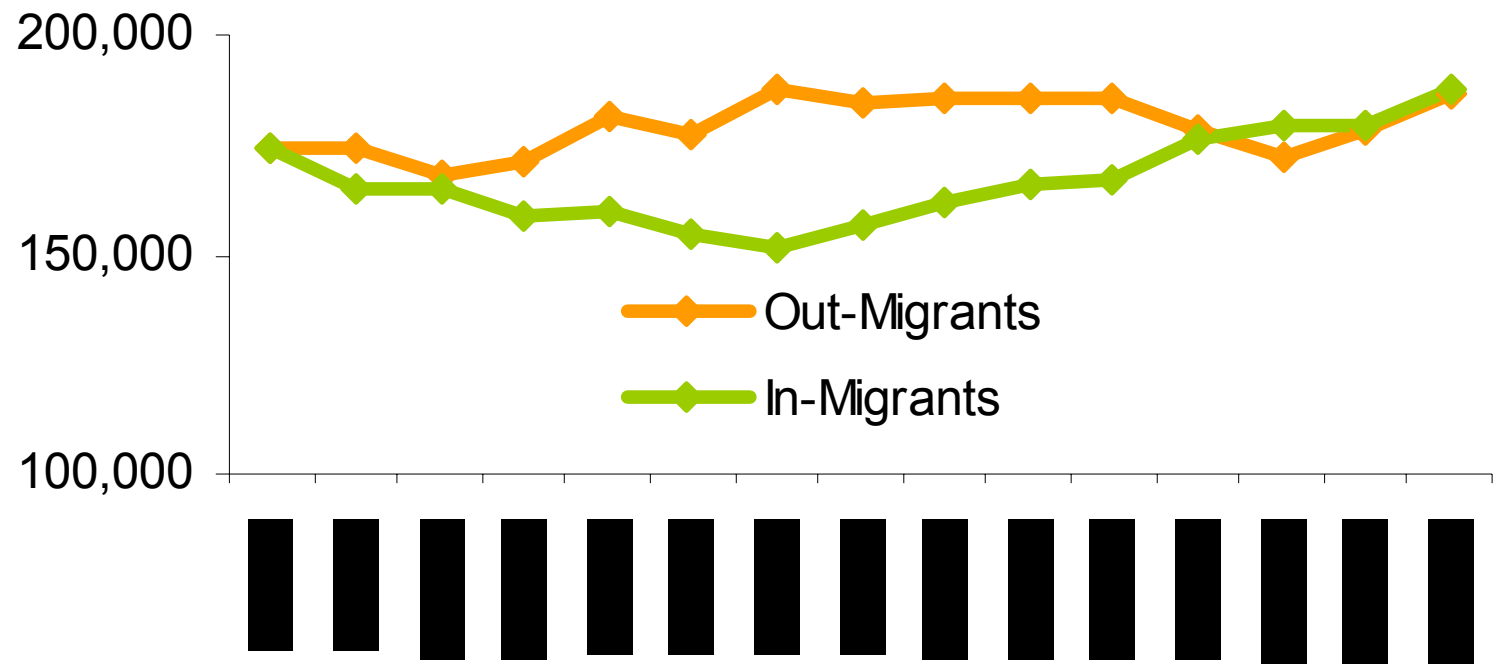
## Demographics

## Economy

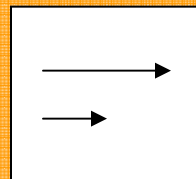
## Land Use

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

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



Pennsylvania's transitioning economy is lagging



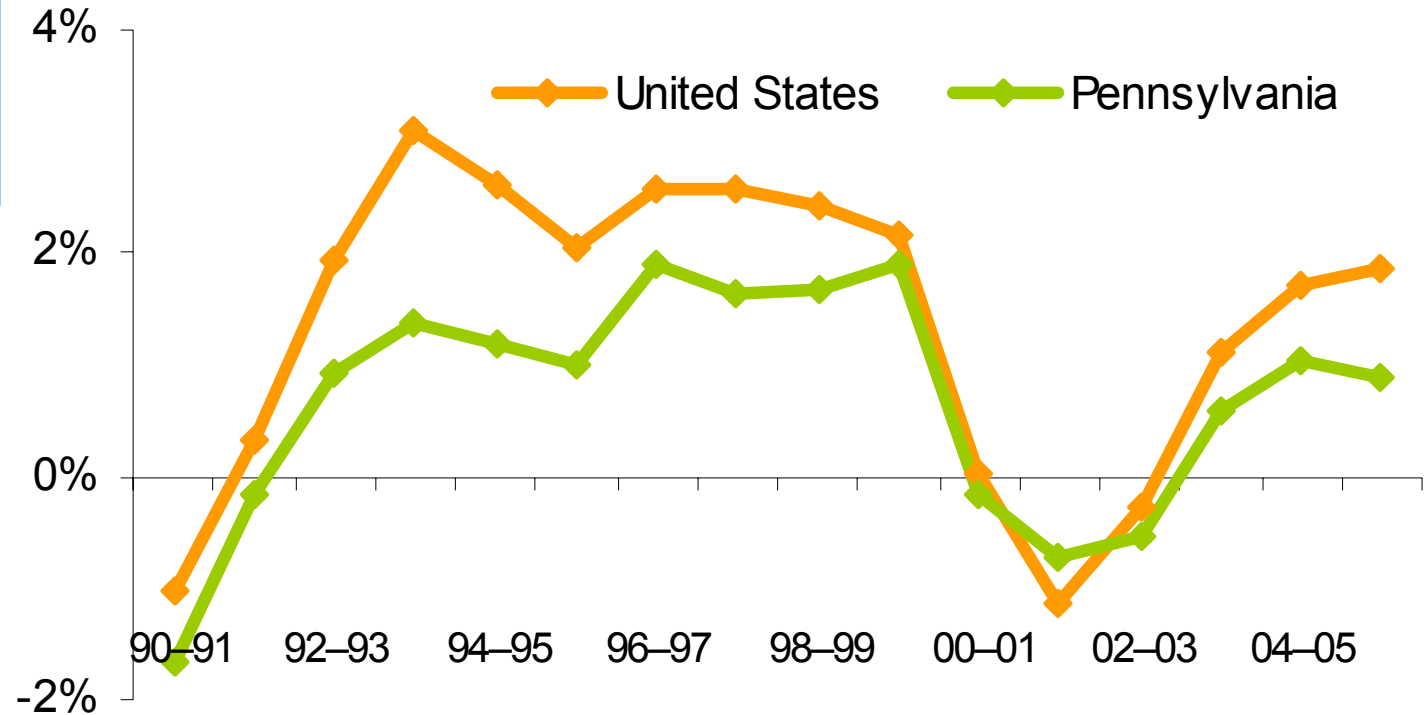
The Commonwealth ranked 47<sup>th</sup> on employment growth between 1992 and 2002

Over 61 percent of workers are employed in low wage jobs

Pennsylvania ranked 31<sup>st</sup> among states in share of population with a BA in 2000

Pennsylvania is experiencing a recovery, but still lags the country

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



Source: Bureau of Labor Statistics, Current Employment Survey

## Demographics

## Economy

## Land Use

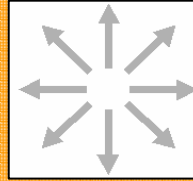
The state added a modest 62,000 jobs from 2000 to 2006, ranking it 37<sup>th</sup> on employment growth (up from 45<sup>th</sup> in the 1990s)

Percent change in non-farm employment, 2000 to 2006

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

Source: Bureau of Labor Statistics, Current Employment Survey

Pennsylvania is sprawling  
and hollowing out



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

### OLDER

Cities	56
Boroughs	962
1st Class Townships	91

### OUTER

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



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

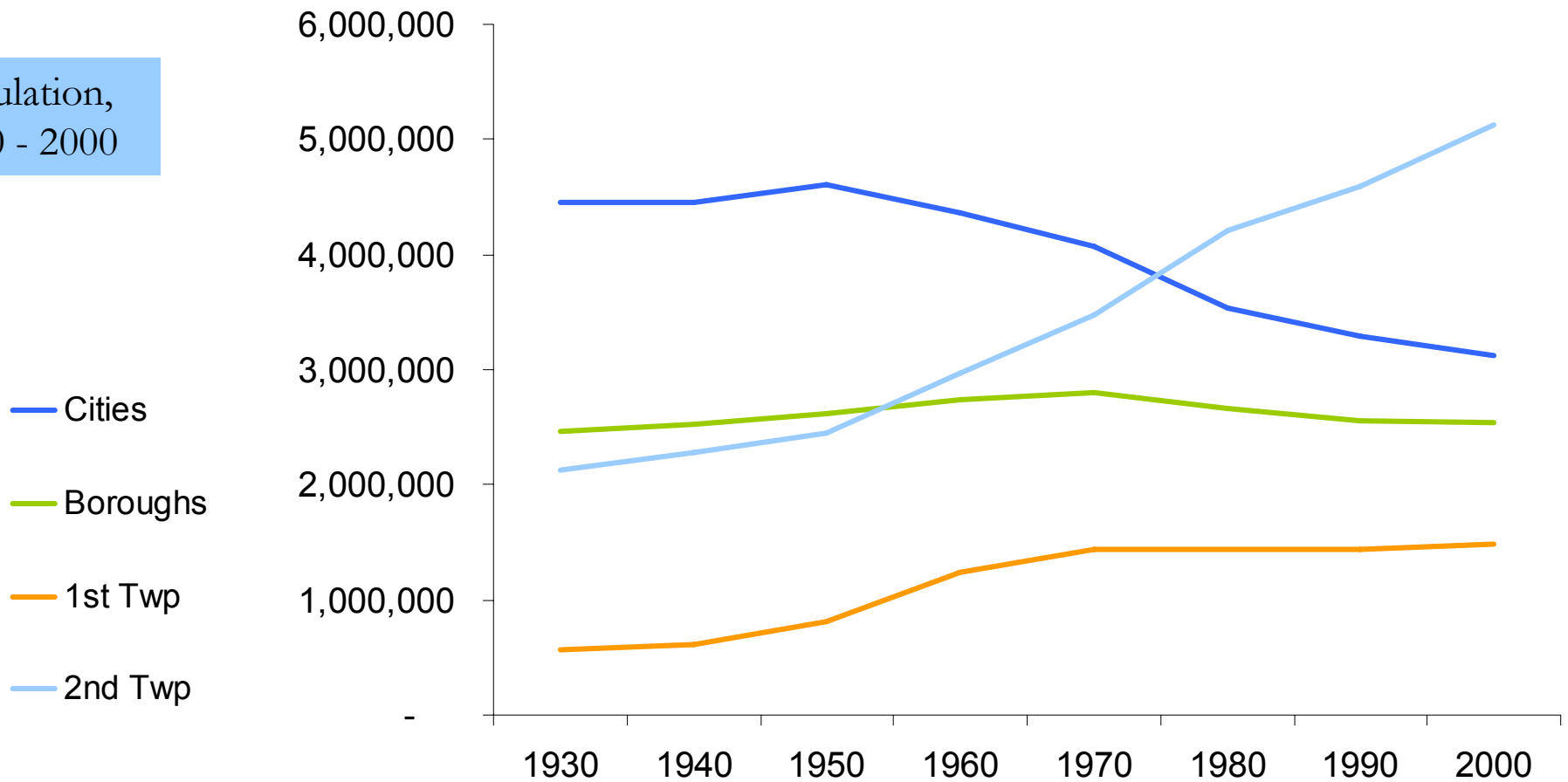
	<b>Average Area (Sq. Mi.)</b>	<b>Average Density (People per Sq. Mi.)</b>
Older Pennsylvania	2.6	2,500
Cities	8.3	6,621
Boroughs*	1.5	1,733
1st-Class Townships	10.1	1,621
2nd-Class Townships	28.3	124
<b>State Total</b>	<b>17.1</b>	<b>278</b>

Source: U.S. Census Bureau

\*Includes one "town"

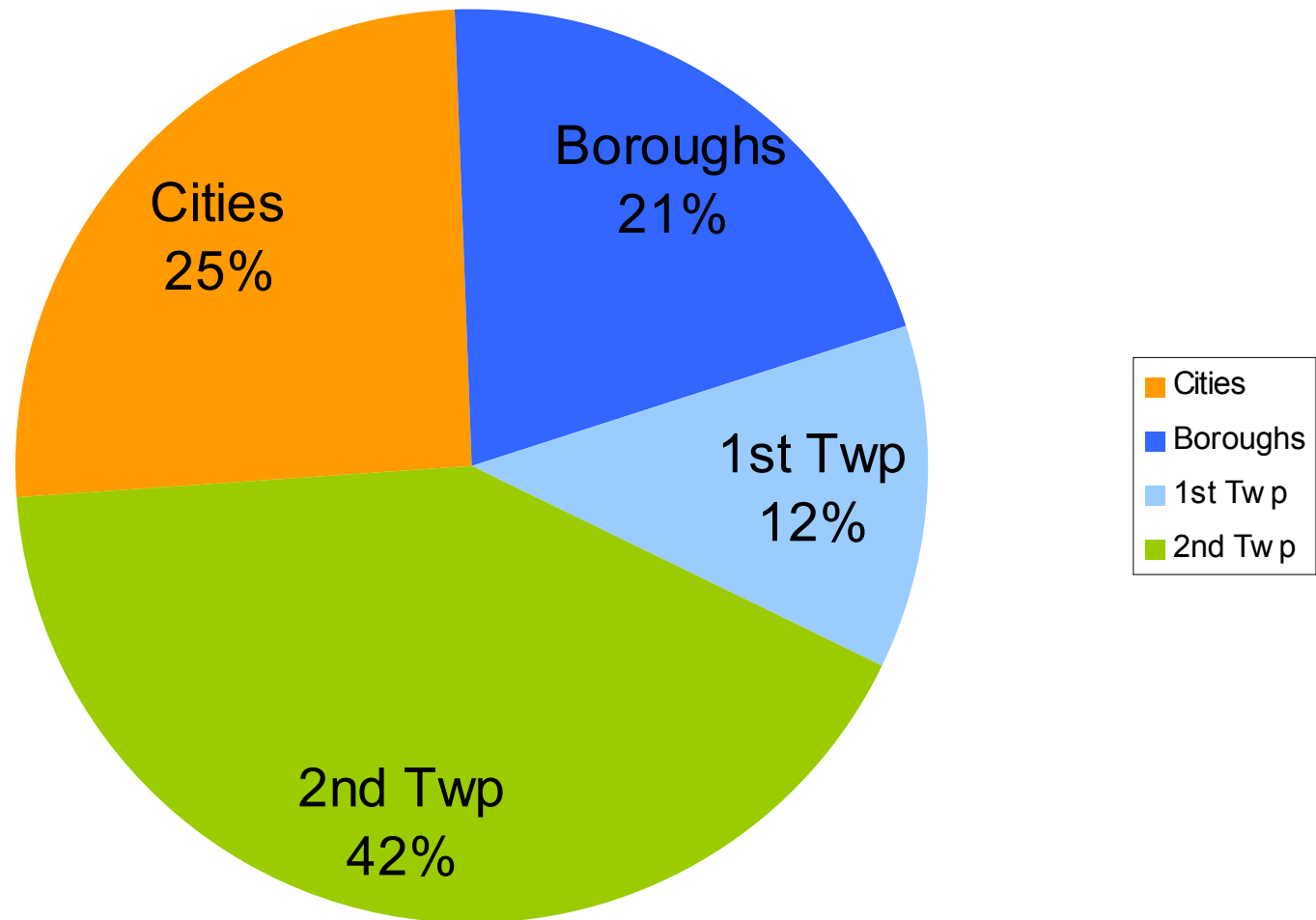
The outer townships have dominated the state's population growth for decades

Population, 1930 - 2000



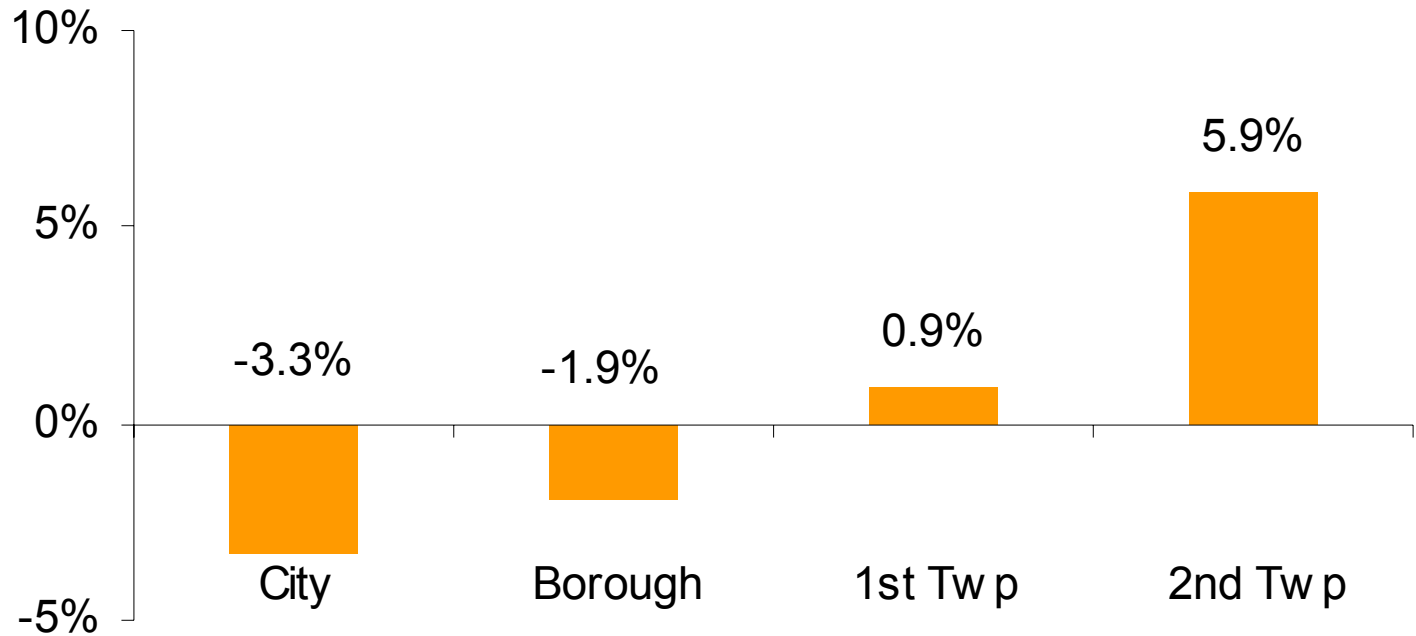
The outer townships now constitute 42 percent of the state's population, up from 23 percent in 1950

Share of total population, 2000

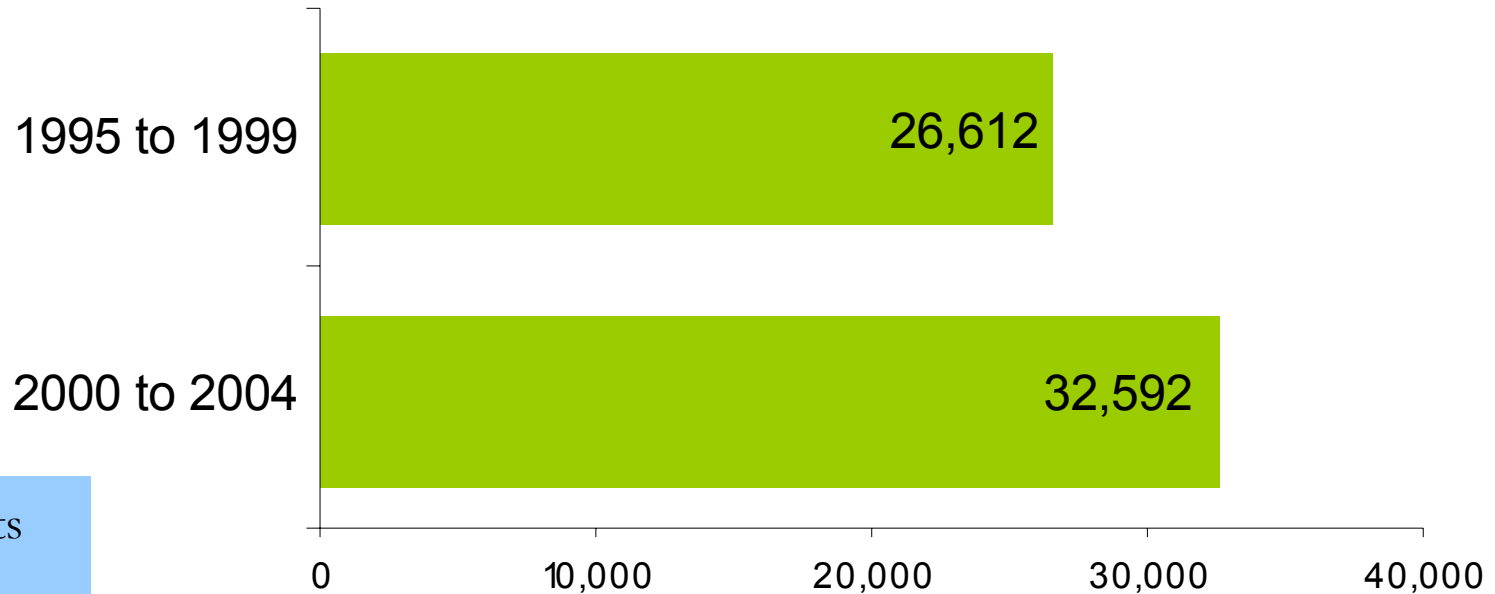


Cities and boroughs continued to lose population while first-class townships barely grew; In contrast, outer townships continued to grow rapidly

Population change by municipal type, 2000 to 2005



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



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

A stylized, light blue silhouette of a city skyline with various building shapes of different heights and widths, serving as a background for the slide.

I

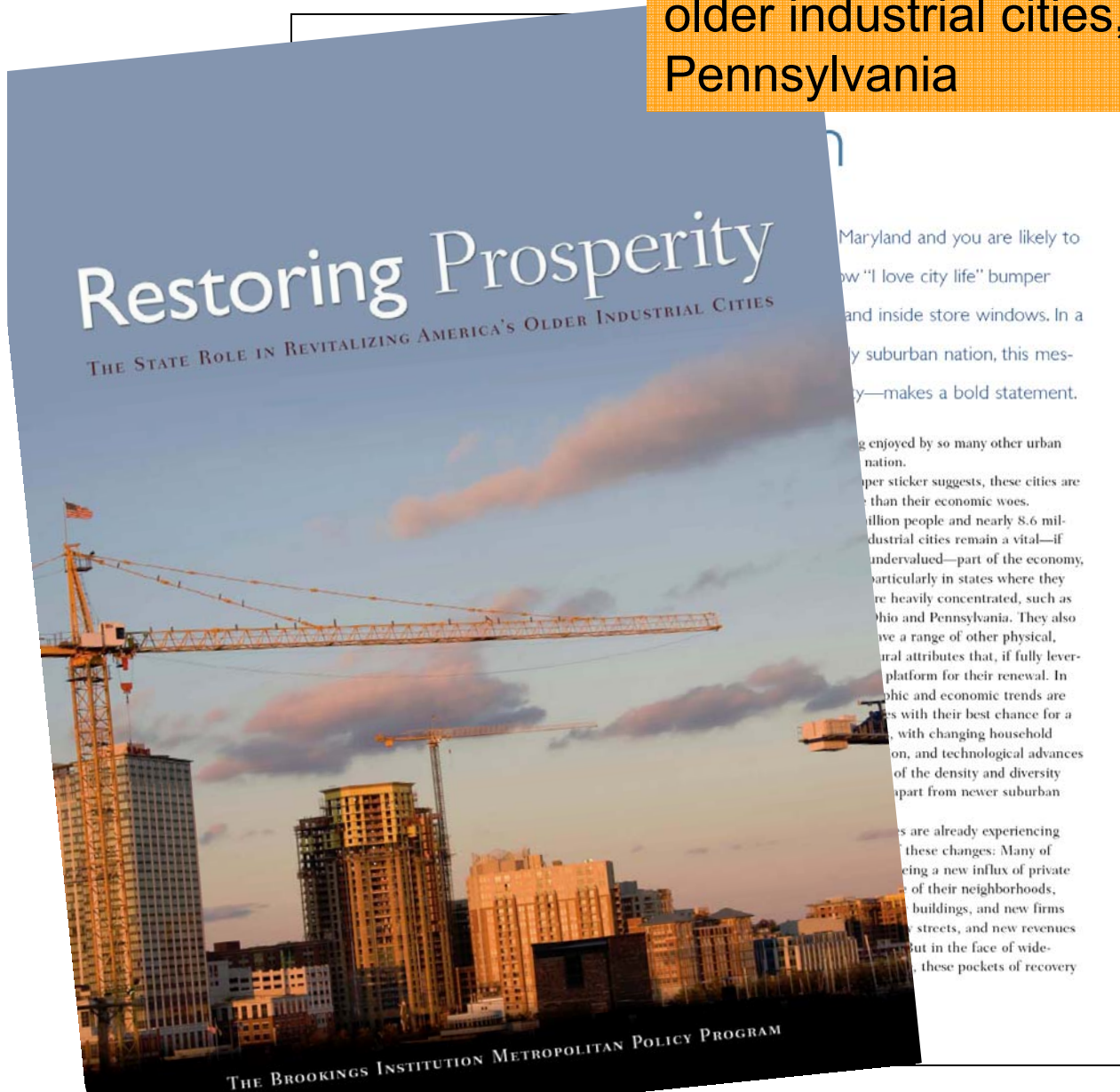
Pennsylvania faces challenging demographic, economic, and land use trends

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

Pennsylvania is not alone in struggling with under-performing cities

These trends are not inevitable

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



Maryland and you are likely to  
low "I love city life" bumper  
and inside store windows. In a  
y suburban nation, this mes-  
y—makes a bold statement.

g enjoyed by so many other urban  
nation.  
per sticker suggests, these cities are  
than their economic woes.  
million people and nearly 8.6 mil-  
dustrial cities remain a vital—if  
undervalued—part of the economy,  
particularly in states where they  
are heavily concentrated, such as  
Ohio and Pennsylvania. They also  
ave a range of other physical,  
atural attributes that, if fully lever-  
platform for their renewal. In  
phic and economic trends are  
es with their best chance for a  
with changing household  
on, and technological advances  
of the density and diversity  
part from newer suburban

es are already experiencing  
these changes: Many of  
eing a new influx of private  
of their neighborhoods,  
buildings, and new firms  
streets, and new revenues  
but in the face of wide-  
these pockets of recovery





A stylized, light blue silhouette of a city skyline with several buildings of varying heights, serving as a background for the slide.

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Haphazard Investments



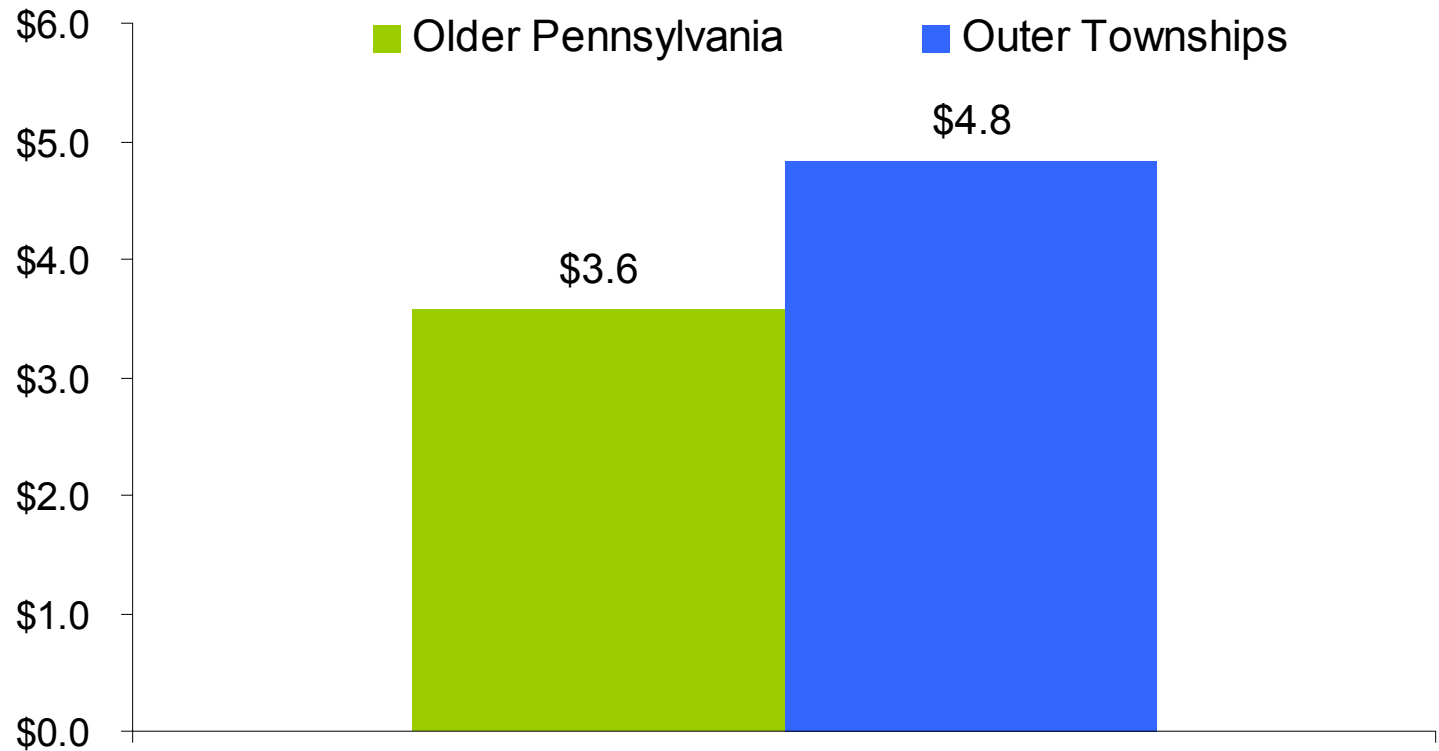
Governmental Fragmentation



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

Total classifiable transportation investment\*, 1999-2002

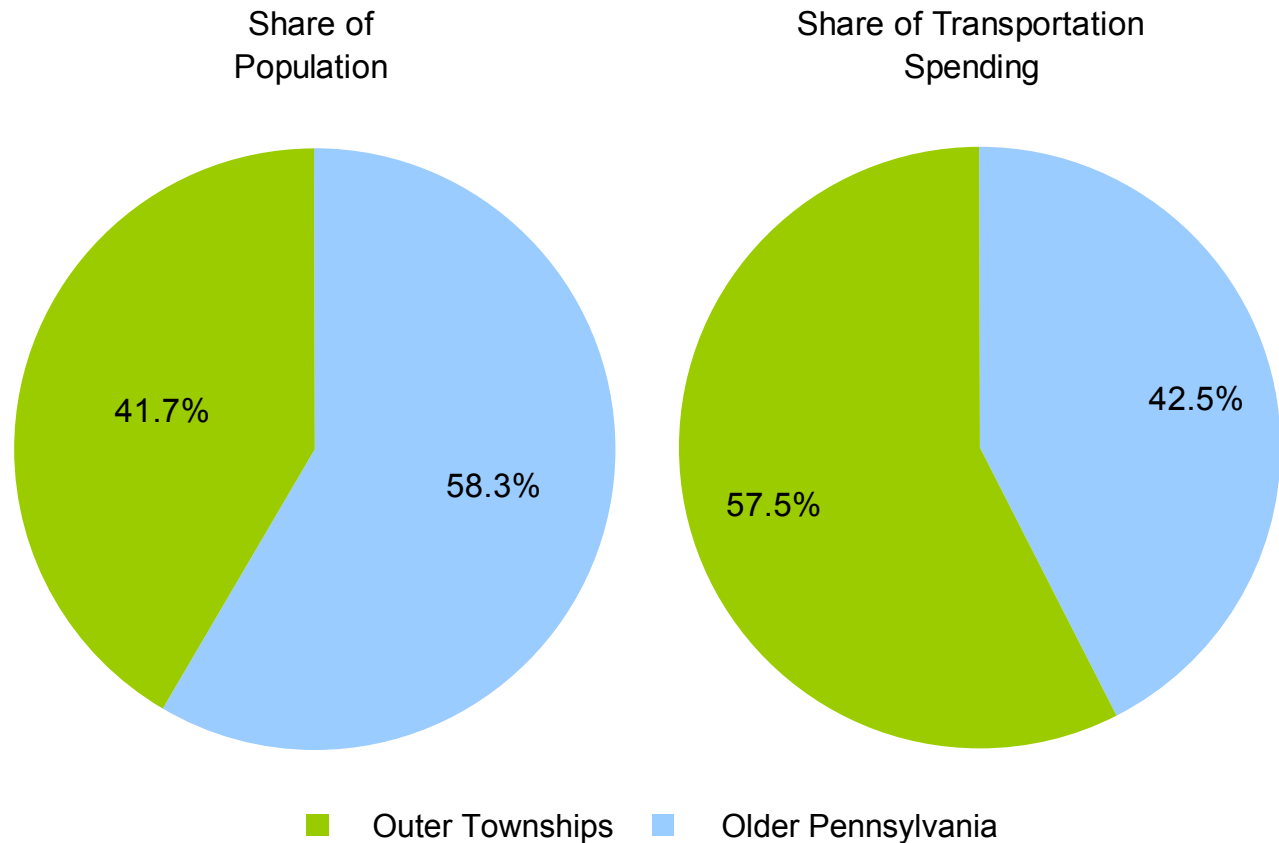
\*In billions



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

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

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



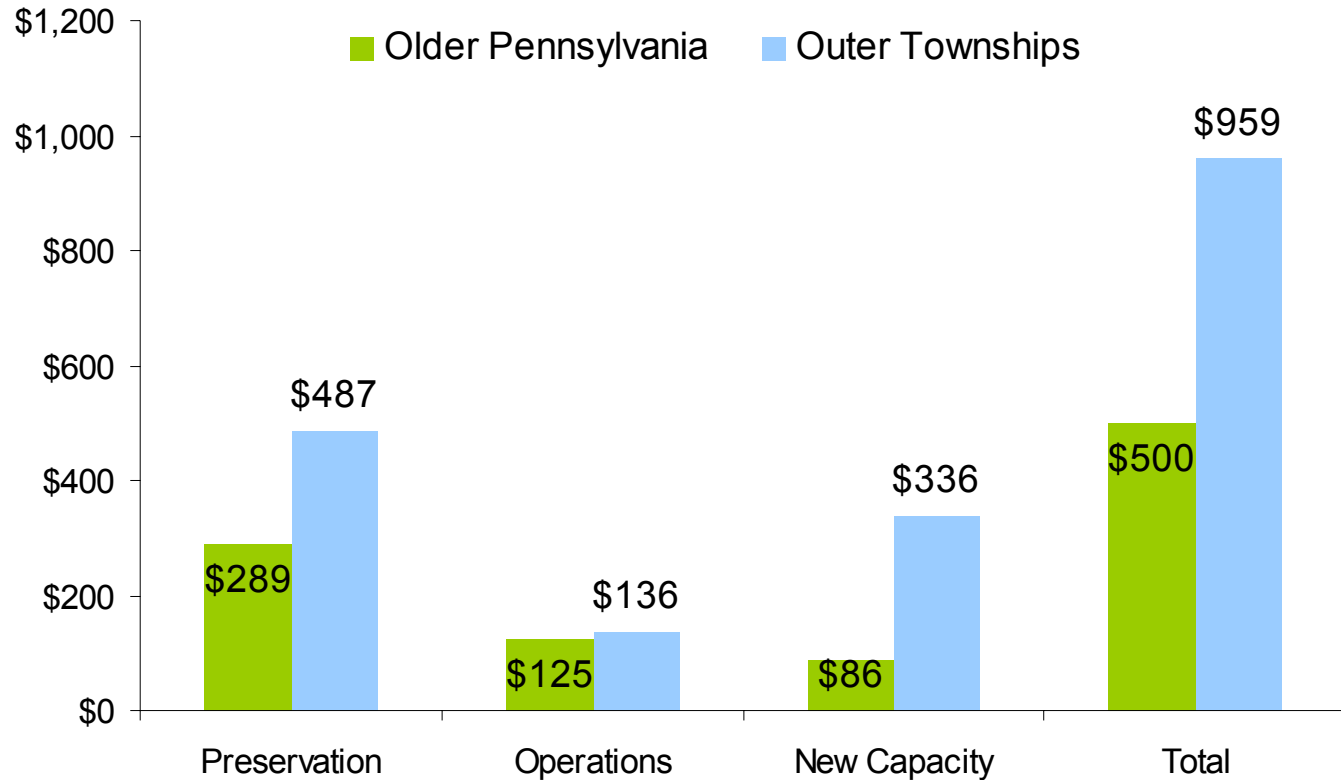
Source: U.S. Census Bureau, Anne Canby and James Bickford, 10,000 Friends of Pennsylvania

## Investment

## Governance

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

Pennsylvania  
Department of  
Transportation per  
capita investment,  
1999-2002



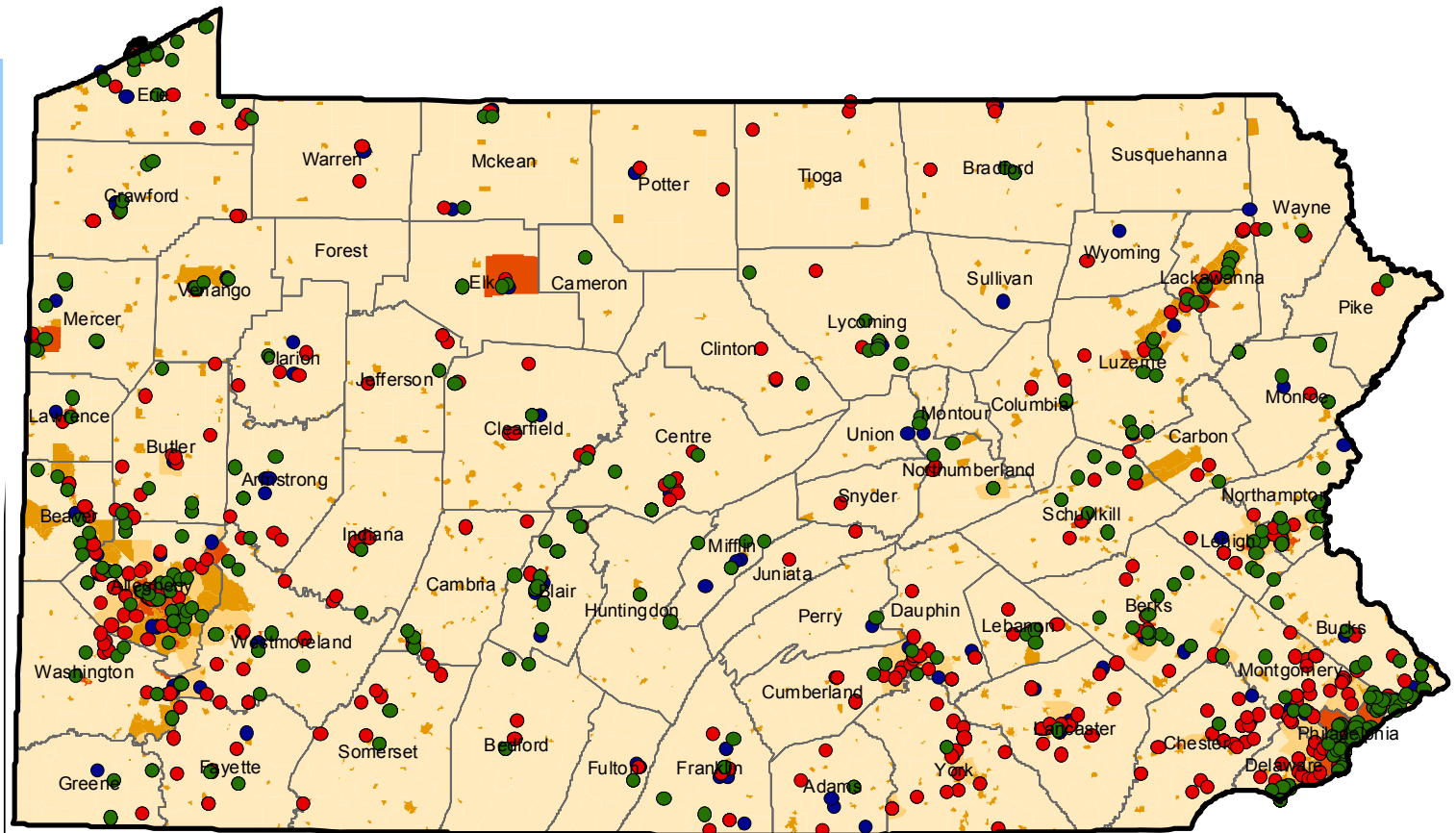
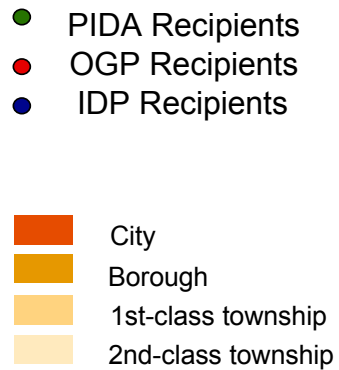
Source: Anne Canby and James Bickford,  
10,000 Friends of Pennsylvania

# Investment

# Governance

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

PIDA, OFP, and IDP investments, 1998-2003



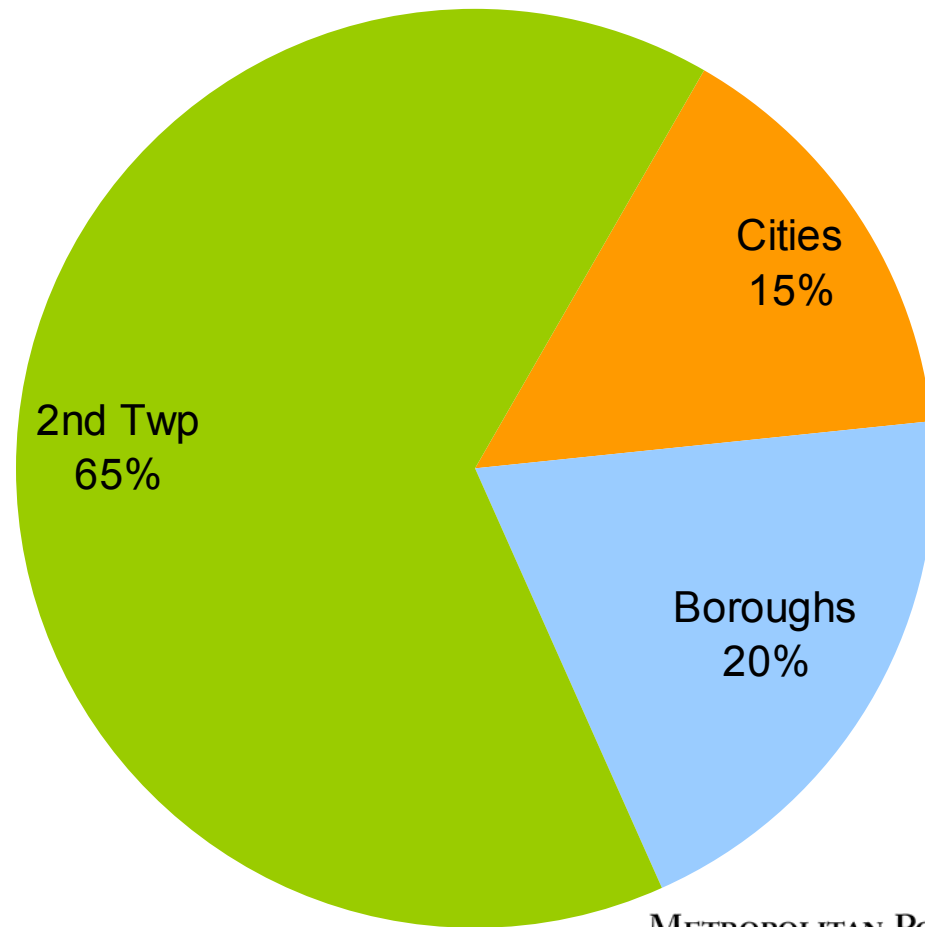
On a per capita basis, DCED provided as much support through three main programs to projects in outer townships as to those in older areas between 1998 and 2003

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

	<b>Per Capita Spending</b>
Older Pennsylvania	\$68.81
Cities	\$88.51
Boroughs	\$68.52
1st-Class Townships	\$28.32
2nd-Class Townships	\$71.11
<b>State Total</b>	<b>\$70.33</b>

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

PIDA investments,  
1998-2003

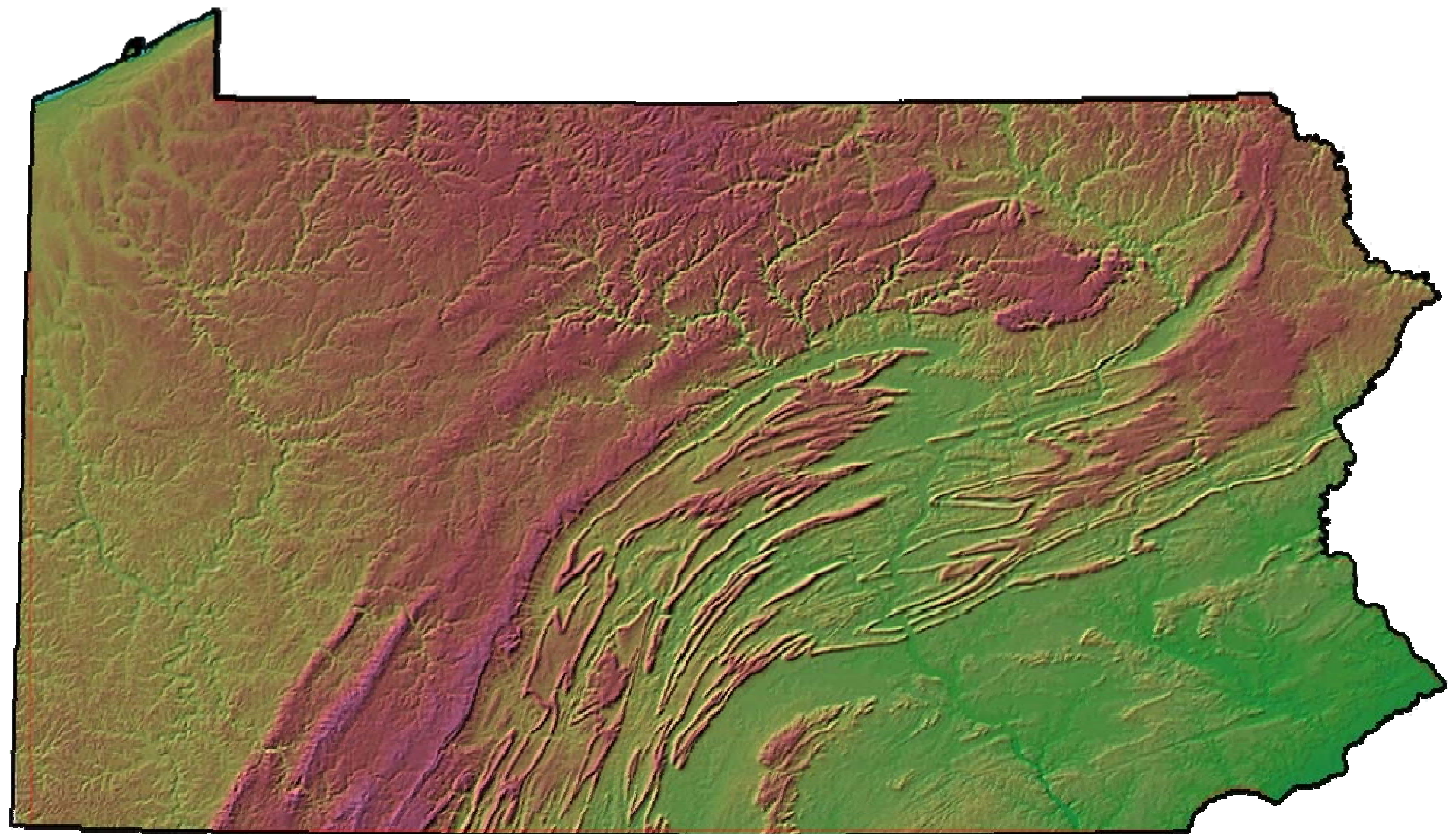


Source: Business Economic Research Group (BERG) analysis of DCED data



The Alleghenies divide the state into three massive topographical regions

State topography image, 2003

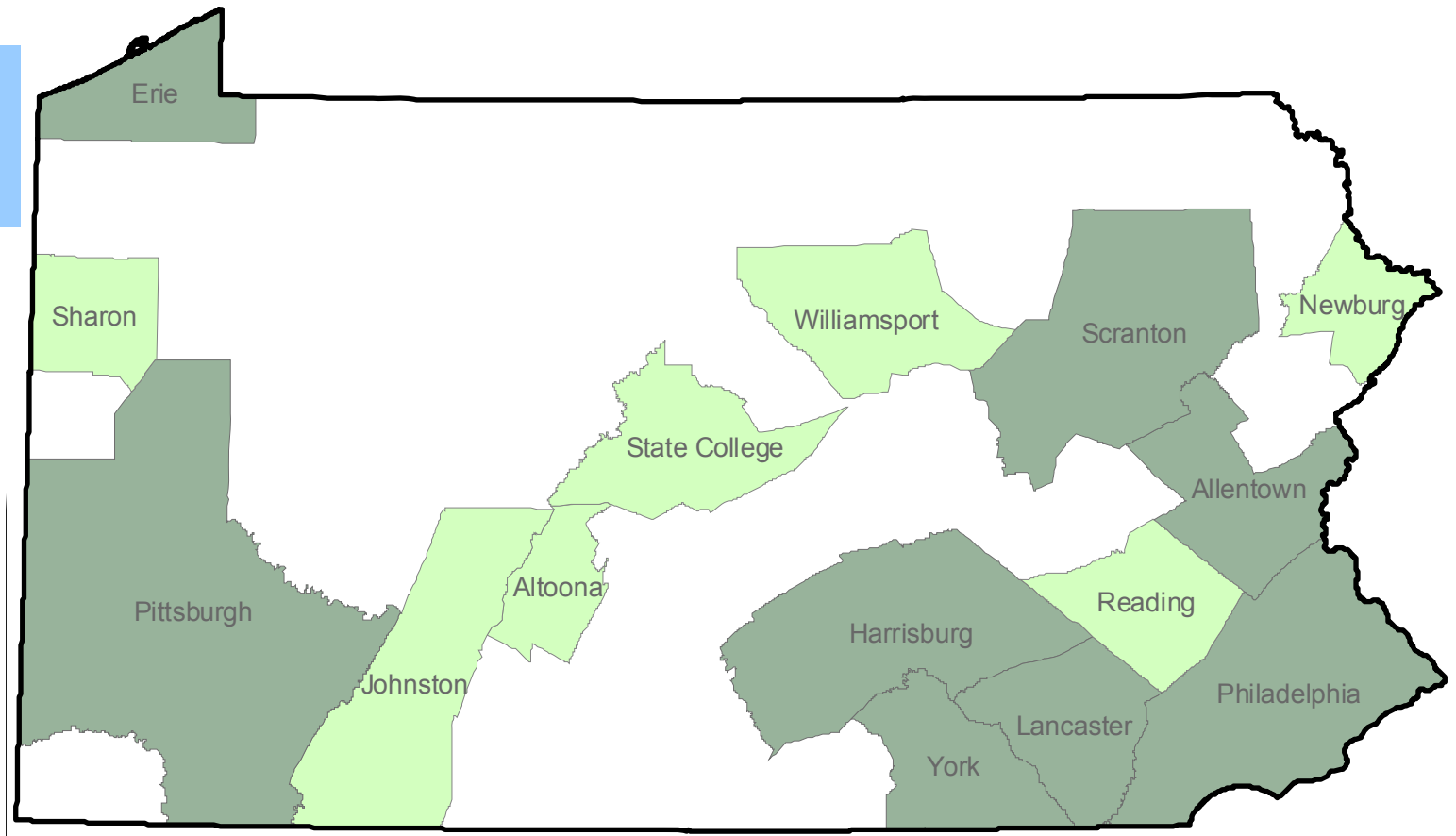


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Source: Ray Sterner, Johns Hopkins University  
Applied Physics Laboratory

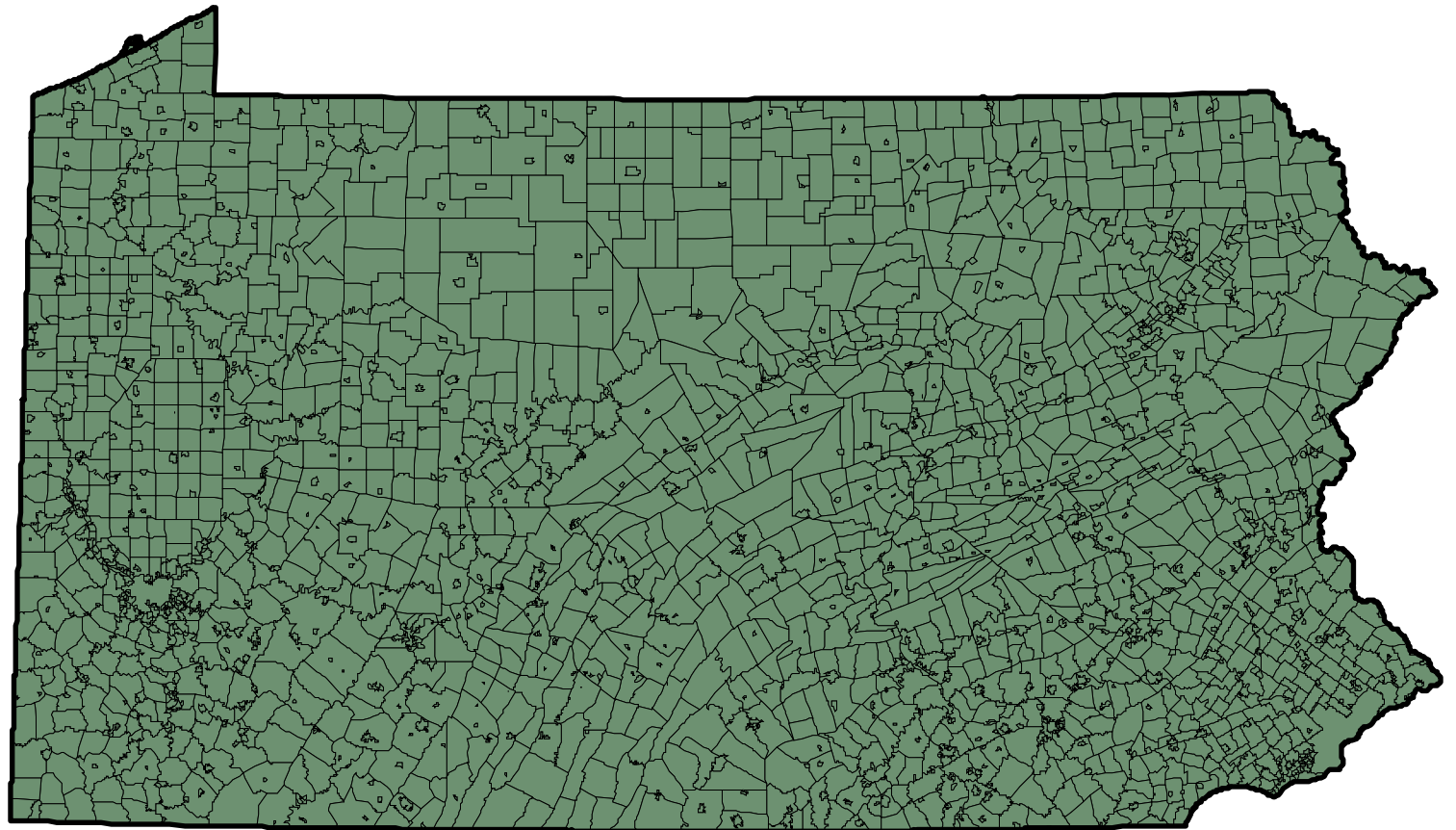
Economically, Pennsylvania is clustered into 14 metropolitan economies

Metropolitan statistical areas, 2003



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

Municipal  
Boundaries,  
2003



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

Total local governments, 2002

\*Includes county governments

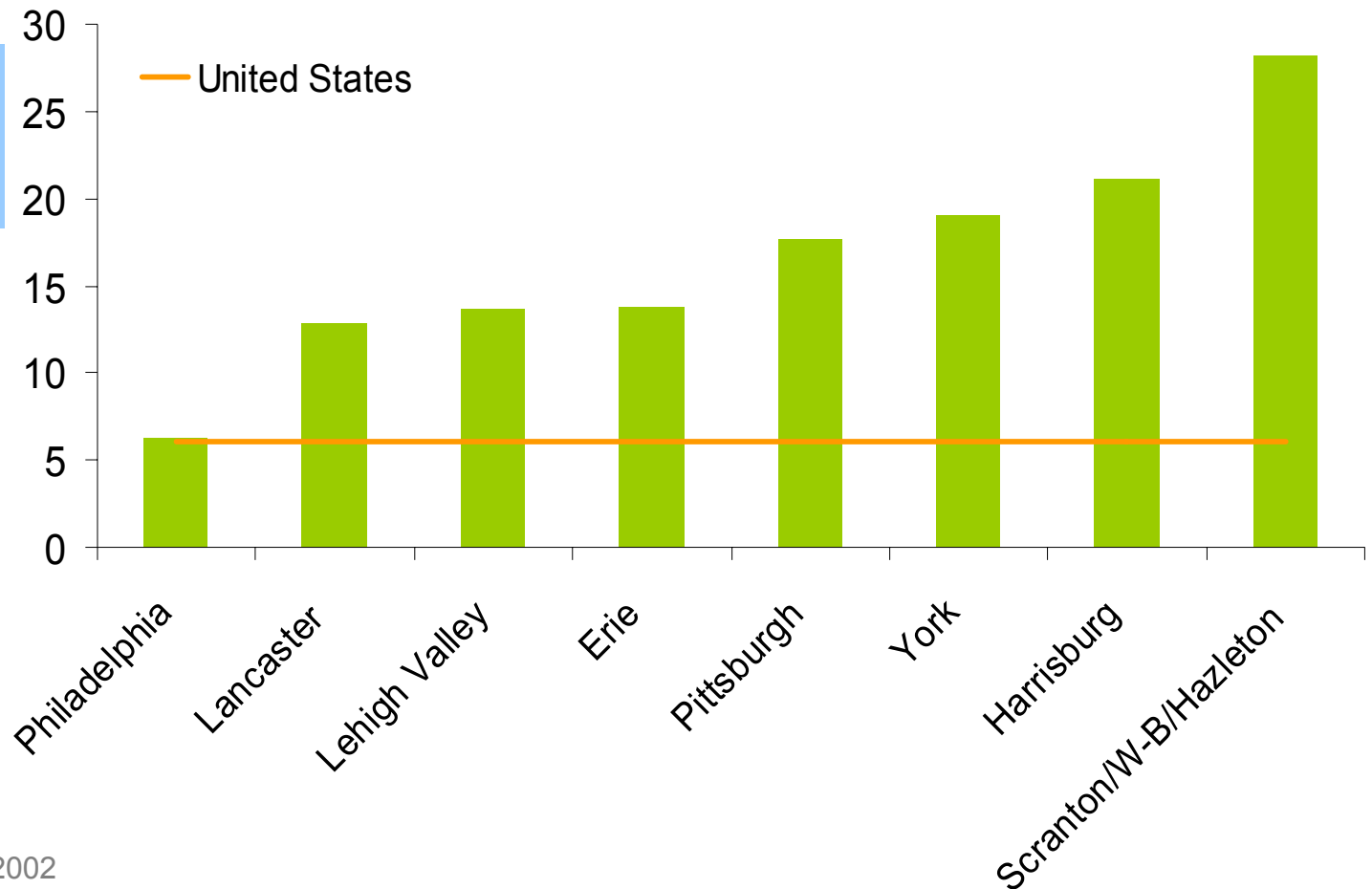
	General Governments*	Rank
Illinois	2,824	1
Minnesota	2,734	2
<b>Pennsylvania</b>	<b>2,633</b>	<b>3</b>
Ohio	2,338	4
Kansas	2,030	5
Wisconsin	1,922	6
Michigan	1,858	7
North Dakota	1,745	8
Indiana	1,666	9
New York	1,602	10

## Investment

## Governance

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

General governments  
per 100,000 residents,  
2002



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

METROPOLITAN POLICY PROGRAM

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

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

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



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

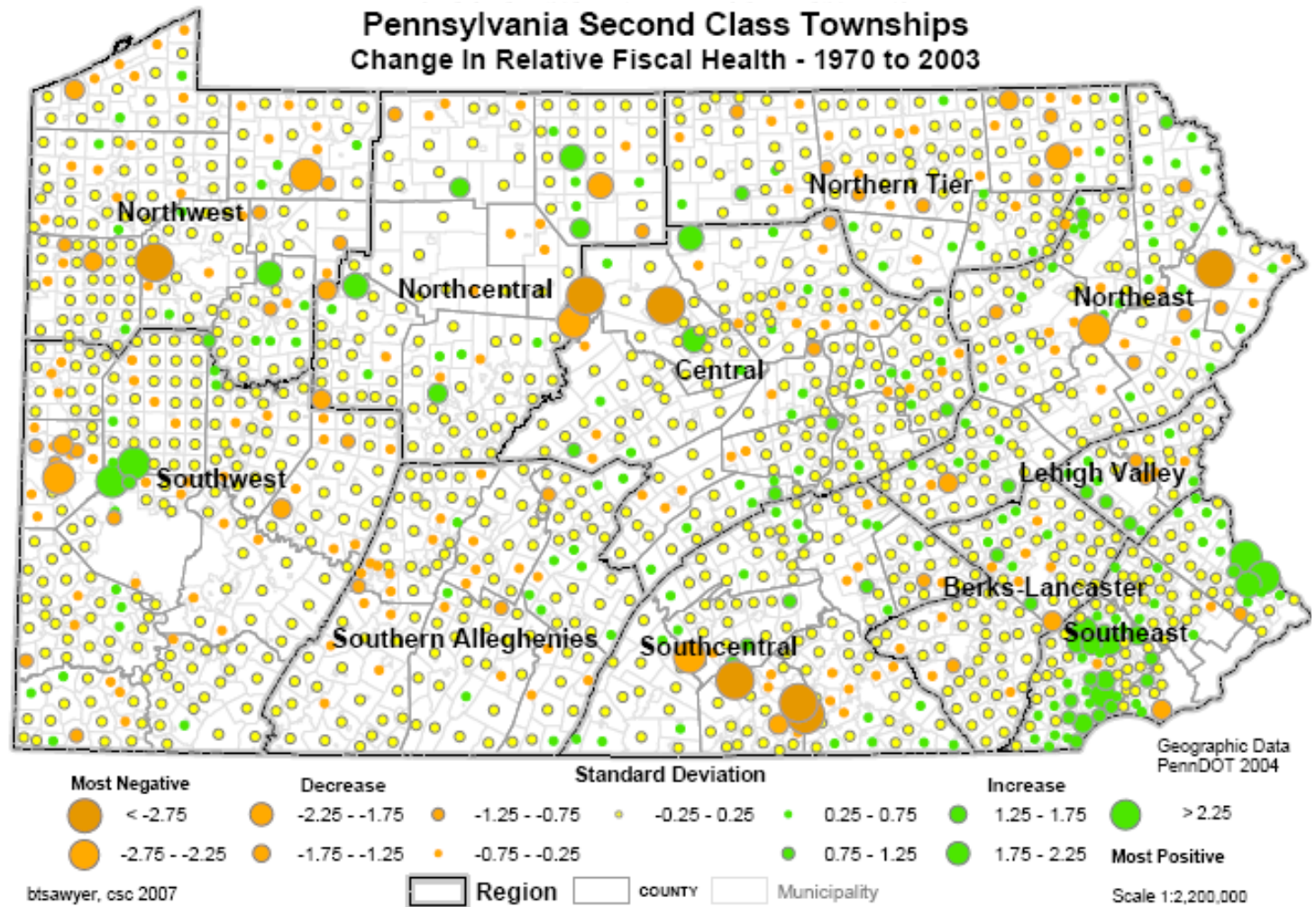
# Fiscal Distress

# Quality of Place

# Workforce

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

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



Source: Pennsylvania Economy League, "Structuring Healthy Communities"



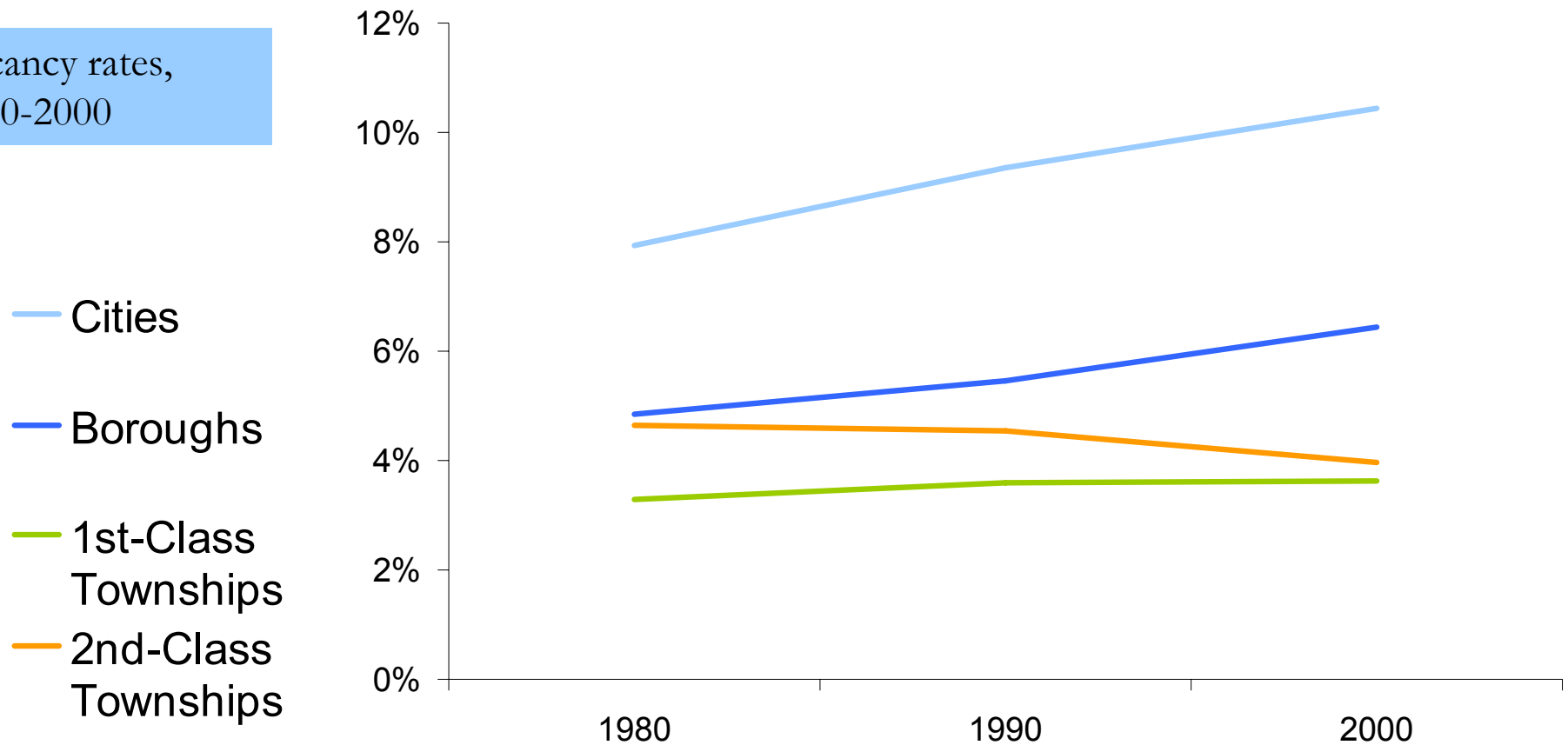
The costs of sprawl are well-researched and widely recognized

Low density development increases demand for: New schools, new roads, new public facilities, sewer and water extensions

Low density development increases the costs of key services: Police, fire, emergency medical

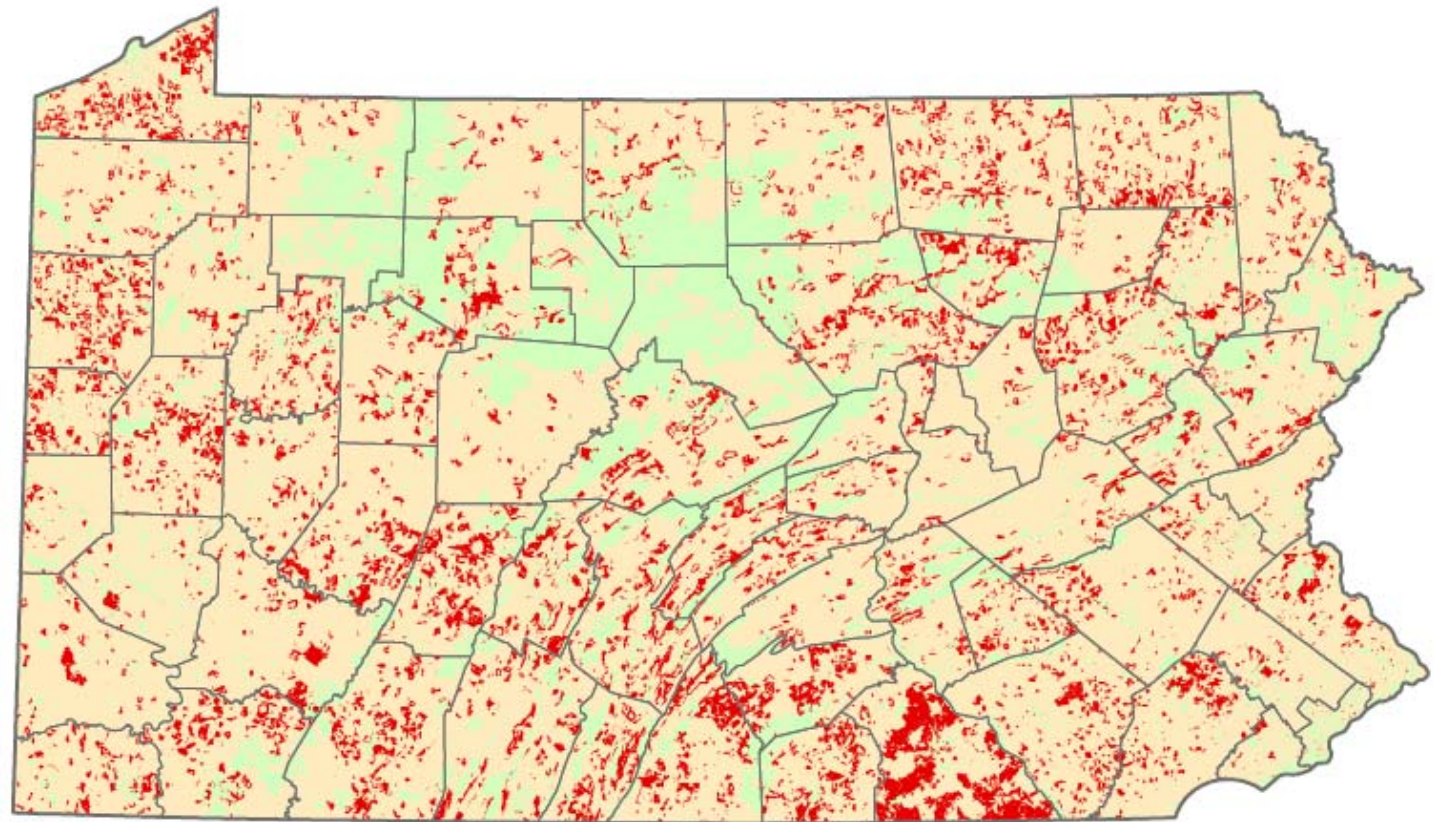
In Pennsylvania, though, another cost of sprawl is urban decline; vacancy rates in older municipalities have increased over the last two decades

Vacancy rates, 1980-2000



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

Land converted out of rural use, 1980 to 2000



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

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

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

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

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

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

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

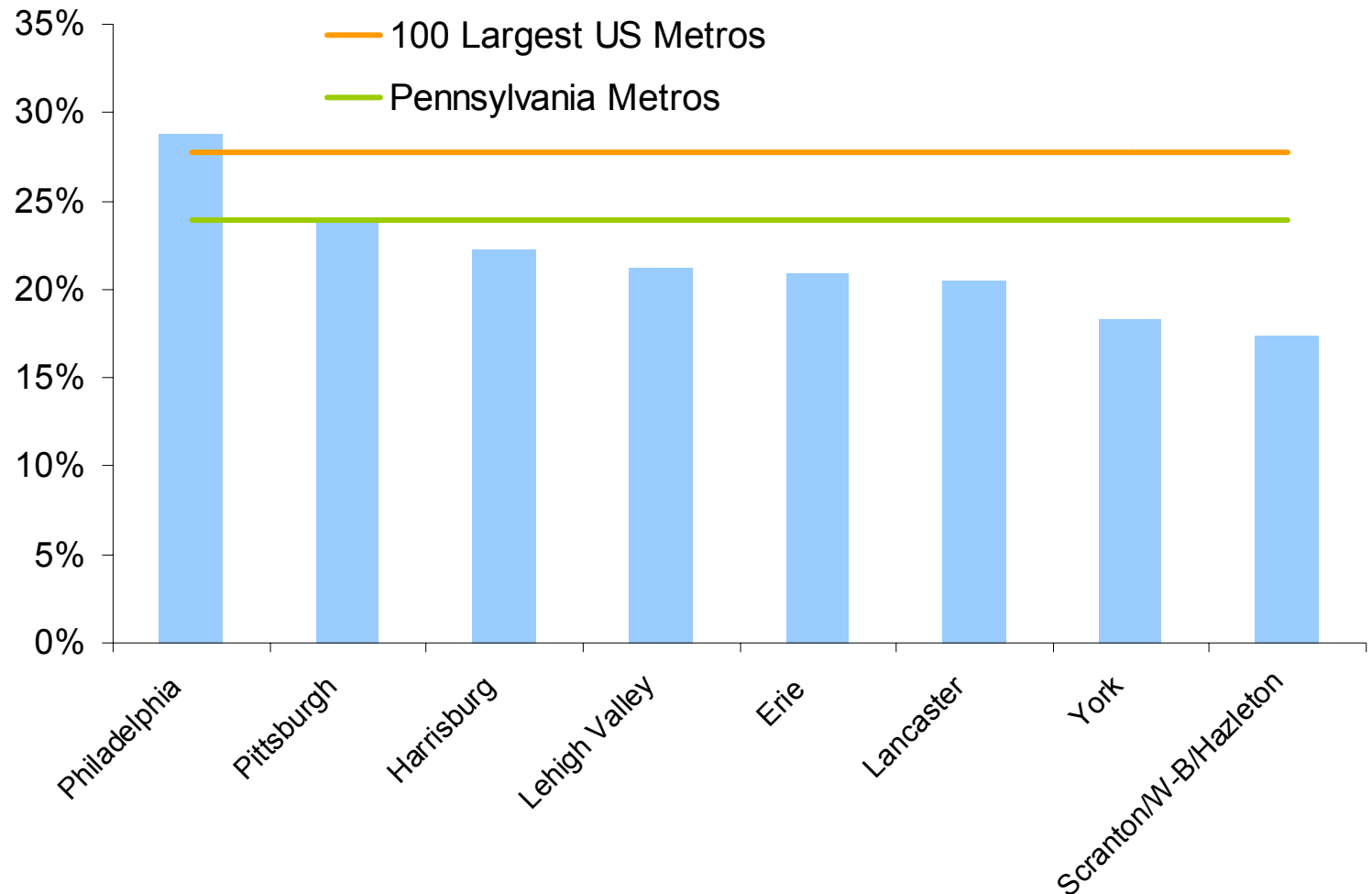
Ideas, innovation, and creativity now drive the economy

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

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

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

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



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

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



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

Thick labor markets

Vibrant and distinctive downtowns

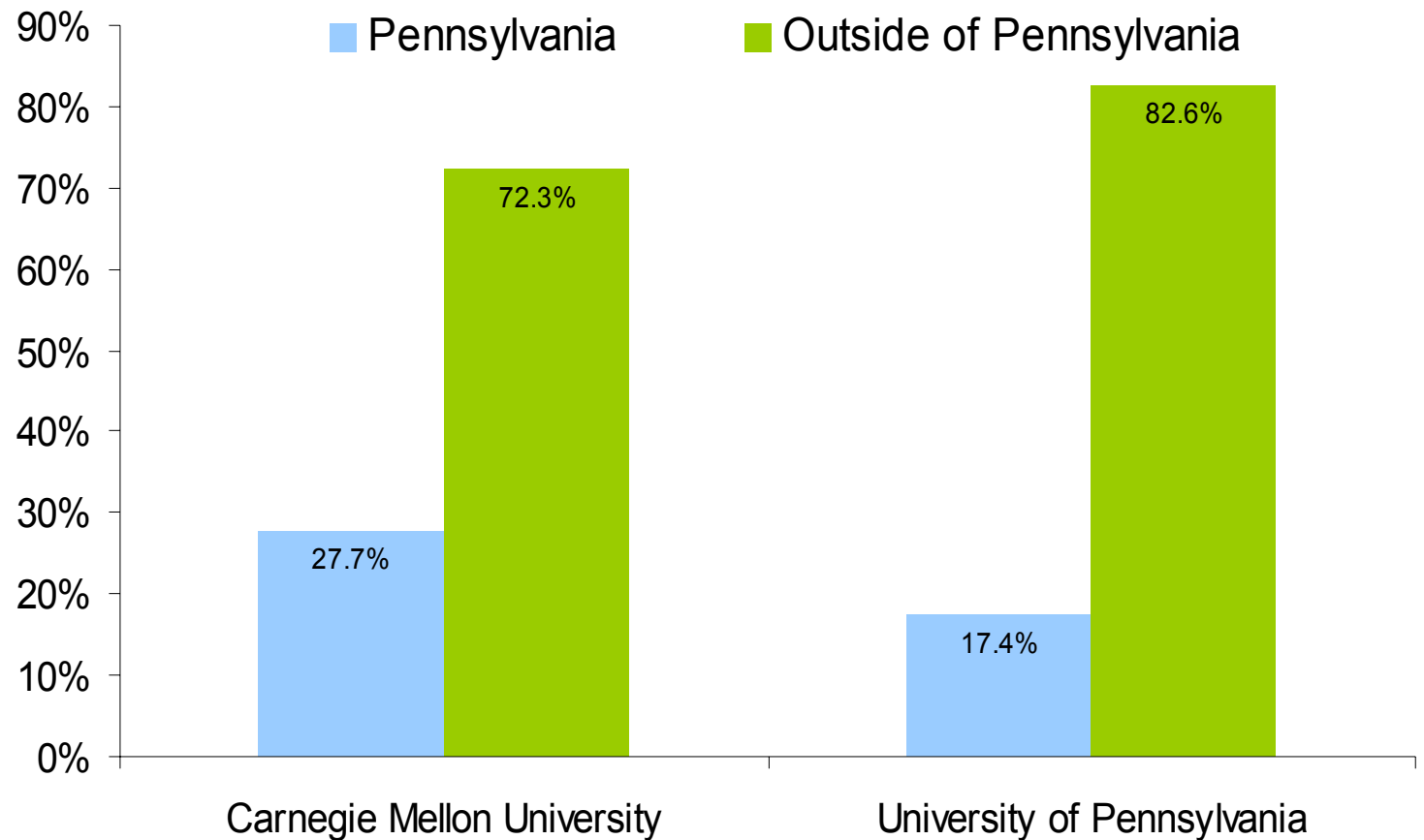
Plentiful amenities

A positive, tolerant culture



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

Current residence of university graduates, classes 1990-2000



Source: Alumni offices of each university



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

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

Making **reinvestment** a priority

**Building a competitive economy** through strategic investment in key industries

**Governance**

**Reinvestment**

**Economic Vision**

**PROGRESS TO DATE:**

*Empowering Local Governments*

**Reactivated State Planning Board**

**Increased the capacity of county and local governments**

THE WAY FORWARD

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

Make intergovernmental collaboration on service delivery easier

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

Allow boundary changes

Make planning mean more

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

THE WAY FORWARD

**Deeper Reforms:** Address underlying problems facing local governments

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

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

Enhance the role of counties

PROGRESS TO DATE:

*Focus the state's investments on redevelopment*

Adoption of the “**Keystone Principles**”

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

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

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

The **Transportation Funding and Reform Commission** report

THE WAY FORWARD

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

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

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



Governance

Reinvestment

Economic Vision

THE WAY FORWARD

**Deeper Reforms:** Address core infrastructure issues

Link transportation spending to land use and economic development planning

Link water and sewer development to land use planning

PROGRESS TO DATE:

*Build a competitive economy through strategic investment in key industries*

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

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

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

THE WAY FORWARD

**Next Steps:** Strengthen existing cluster development

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

Expand the role of the state's Industry  
**Partnership Grants**

THE WAY FORWARD

**Deeper Reforms:** Strengthen and act upon a clear economic vision

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

**Dissolve barriers** between economic and workforce development

Coordinate **economic development and land use planning**

visit metro:

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[www.brookings.edu/metro](http://www.brookings.edu/metro)



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