

MAKING SMARTER STATE INVESTMENTS: A Metro Analysis of the Geographic Distribution of Business Subsidies Erie, Pennsylvania



This Metro Analysis is being released in conjunction with a statewide report by Keystone Research Center (KRC), examining the extent to which state economic development funds are directed towards older urbanized areas and to outlying areas. Our hope is that this new localized information will offer new insights to the role of business subsidies locally and suggest opportunities for change in how they promote economic development. The report looks at three state-funded programs administered by the Department of Community and Economic Development: the Infrastructure Development Program (IDP), the Opportunity Grant Program (OGP), and the Pennsylvania Industrial Development Authority (PIDA) program. Covering grants and loans made between May 2003 and November 2008, the report defines cities, boroughs, and first-class townships as older urbanized areas and defines second-class townships as outer areas. Nine metropolitan areas are ranked based on their distribution of funds between older urbanized and outer areas. Those that distribute a greater share of funds to older urbanized areas receive a higher ranking in this analysis. The report and an interactive map, which identifies the location of each subsidy project, may be found at keystoneresearchmap.org.

Keystone Research Center • 412 N. 3rd Street, Harrisburg, PA 17101 • 717-255-7181 • keystoneresearch.org

Region at a glance

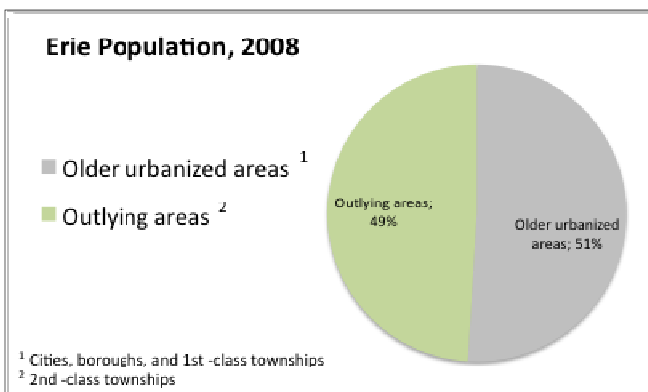
| Location | Population 2008 ⁱ | Population Change 2000–08 |
|-----------------------|------------------------------|---------------------------|
| Older urbanized areas | 142,266 | -1.7% |
| Outlying areas | 136,909 | 0.6% |
| Erie Metro | 279,175 | -0.6% |

No population growth in Erie. Since 2000, the Erie metro region, defined as Erie County, has seen little change in population. Since 2000, the older urbanized areas have lost about 2,500 people, a 1.7% decrease, while outlying areas of the region have gained less than 1,000 people, an increase of 0.6%. Poverty is almost three times higher in the City of Erie than in the rest of the metro region.

| Location | Poverty 2007 |
|--------------------|--------------------|
| City of Erie* | 25.5 ⁱⁱ |
| Rest of Erie Metro | 9.3 ⁱⁱⁱ |

*Note. Poverty data exist for City of Erie but not for all older urbanized areas.

More than half of Erie residents live in older urbanized areas



Half of the population of Erie still lives in older urbanized areas. These older urbanized areas include cities, boroughs, and 1st-class townships in the metro region. If business subsidies are targeted to older urbanized areas, they can help maintain the vitality and the health of the region as a whole. About 49% of residents live in outlying areas, which include 2nd-class townships in the metro region.

Dollar for dollar, Erie directs more subsidies to older urbanized areas

On a per person basis, for each \$1 received by outlying areas from 2003 to 2008 . . .



older urbanized areas received \$1.38.



In the 2010 statewide report, *In the Public Interest? The Geographic Distribution of Business Subsidies in Pennsylvania*, KRC found that from May 2003 to November 2008, PIDA, OGP, and IDP contributed nearly \$28 million to the Erie metropolitan region. On a per person basis, **for every \$1 that outlying areas received, older urbanized areas received \$1.38.** The graphic to the left illustrates the tilt of business subsidies toward older urbanized areas in the Erie region.

Erie receives more subsidies per person than do most PA regions

Erie received **230% of the state average in business subsidies in older urbanized areas and 166% of the average in outlying areas** from 2003 to 2008. These subsidies come in the form of grants (OGP, IDP) and loans (PIDA). Older and outlying areas of Erie received more than the state average in *grants* and *loans* except for outlying areas, which received 64% of, the state average in *loan* dollars.

Business subsidies received per capita as a percentage of the Pennsylvania average: Erie

| | Total | Grant | Loan |
|-----------------------|--------------|--------------|-------------|
| State average | 100% | 100% | 100% |
| Older urbanized areas | 230% | 183% | 268% |
| Outlying areas | 166% | 64% | 250% |

Statewide, Erie targets business subsidies to older urbanized areas the most

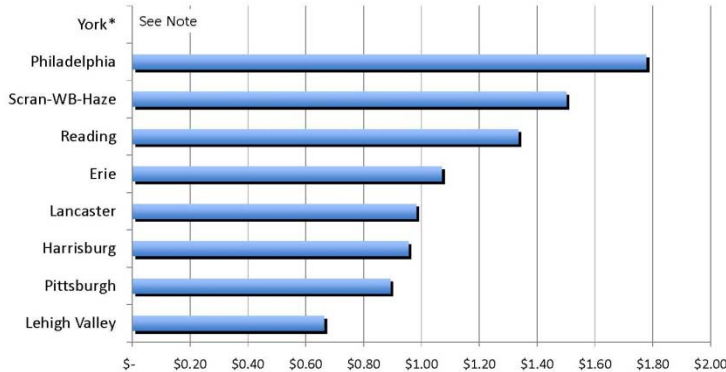
| Business Subsidy Targeting to Older Communities | |
|--|-----------|
| Erie | #1 |
| Reading | #2 |
| Harrisburg-Lebanon-Carlisle | #3 |
| Philadelphia | #4 |
| Scranton-Wilkes-Barre-Hazleton | #5 |
| Pittsburgh (tie) | #6 |
| Lancaster (tie) | #6 |
| York | #8 |
| Lehigh Valley | #9 |

Suburban sprawl consumes scarce land while endangering older communities by reducing jobs and population, weakening tax bases, and concentrating poverty. Targeting subsidies to older communities can combat sprawl by promoting well-planned, concentrated development using existing infrastructure. In a comparative ranking of business subsidy targeting in nine Pennsylvania metro regions, Erie ranked first. This ranking takes into account both the business subsidies that go to older urbanized areas versus outlying areas and the grant dollars received by outlying areas.^{iv} The rankings for the components of our comparative analysis follow on the next page.

Erie targets grant dollars the most to older urbanized areas

Erie Ranks Fifth in Loan Assistance to Older Urbanized Areas

On a per person basis, loan assistance to older urbanized areas per dollar distributed to outlying areas, 2003 - 2008



Note: York distributed \$6.80 in loan assistance per person to older urbanized areas and zero to outlying areas.

Erie ranks fifth based on the distribution of *loan assistance* to older urbanized areas versus outlying areas

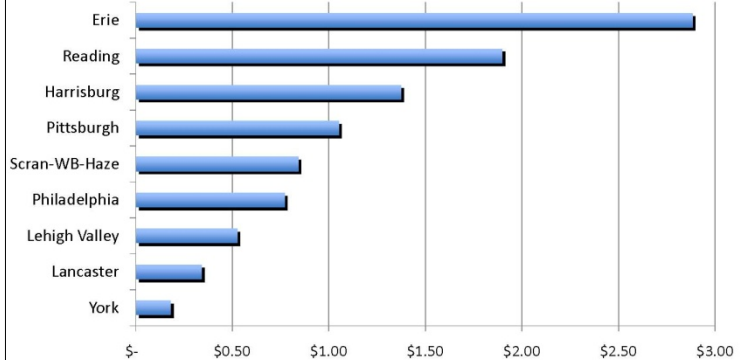
On a per person basis, **older urbanized areas received \$1.07 for every loan dollar received by outlying areas.**

Erie ranks first based on the distribution of *grant assistance* to older urbanized areas versus outlying areas

Grant assistance (as opposed to loan assistance) is the most valuable form of business subsidy because it does not have to be repaid. On a per person basis, **Erie distributed nearly three times many grant dollars to older urbanized areas as to outlying areas**, more than any other metro. Reading distributed almost twice as many dollars to older urbanized areas as to outlying areas.

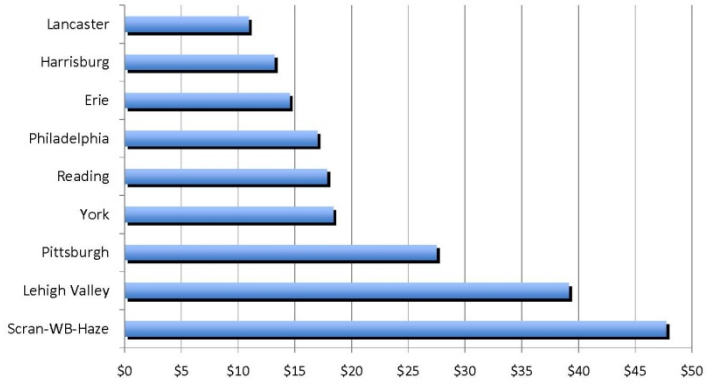
Erie Ranks First in Grant Assistance to Older Urbanized Areas

On a per person basis, grant assistance to older urbanized areas per dollar distributed to outlying areas, 2003 - 2008



Erie Distributes Modest Amount to Outlying Areas

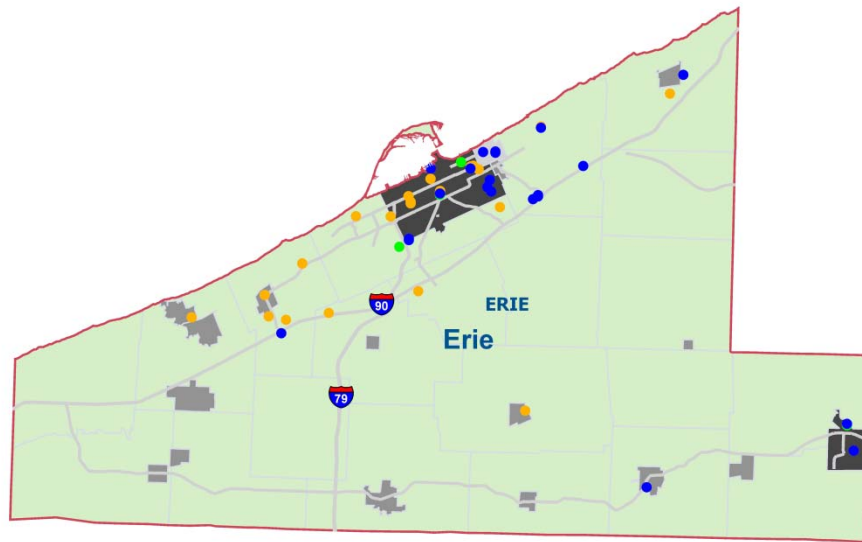
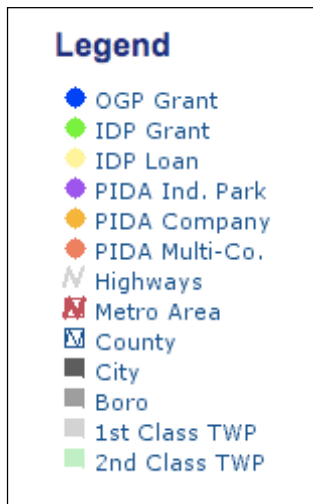
Grant assistance on a per person basis to outlying areas, 2003 - 2008



Erie received small amounts of grant dollars in outlying areas

Outlying areas in Erie receive less grant assistance per person than six other Pennsylvania metro areas. **At approximately \$15 per person, Erie outer areas receive less than half of what Lehigh Valley and Scranton receive.** Outer areas in Lehigh Valley receive \$39 per person, while Scranton's outer areas receive \$48 per person.

Erie, Pennsylvania



The figure at the right represents the entire Erie metro region defined as Erie County. As the map demonstrates, most business subsidies in the region are targeted to older urbanized areas, represented here in three shades of gray.

On a per person basis, older urbanized areas received \$116.29 as compared to \$84.06 in outlying areas. To view the map in more detail and to leave feedback, please visit www.keystoneresearchmap.org.

As part of its data analysis of business subsidies in Pennsylvania, the Keystone Research Center has made its data available at www.keystoneresearchmap.org where viewers can see the location of all PIDA, OGP, and IDP business subsidies in the last 10 years by county, municipality, metro region, and school district. Viewers can also pull up summary reports with the name of each company receiving subsidies and the amount of each subsidy.

The Keystone Research Center is a nonprofit, nonpartisan research organization that promotes a more prosperous and equitable Pennsylvania economy. Learn more online: www.keystoneresearch.org

ⁱ U.S. Census Data 2008 Estimate, <http://www.census.gov/popest/cities/SUB-EST2008-5.html>

ⁱⁱ *Source.* Poverty Status in the Past 12 Months, 2006-2008 American Community Survey 3-Year Estimates, <http://factfinder.census.gov/servlet/DatasetMainPageServlet?_lang=en&_ts=278606458090&_ds_name=ACS_2008_3YR_G00_&_program=>>. The poverty figure shown is for the City of Erie only. No data exist for the entire older urbanized areas of the Erie metropolitan region.

ⁱⁱⁱ *Source.* Keystone Research Center estimate for poverty in the Erie metropolitan region *excluding* the City of Erie

^{iv} *Note.* Methodology: The smart-growth ranking is a composite score based on three rankings: 1) ratio of loan assistance per capita to older urbanized areas versus outlying areas; 2) ratio of grant assistance per capita to older urbanized areas versus outlying areas; 3) grant assistance per capita to outlying areas. (For the third component, the area with the lowest amount of grant assistance per capita going to outlying areas received a rank of one.) Ranks based on the second measure (ratio of grant assistance per capita), were weighted double.