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## **Pa. Makes Progress Incorporating Smart Growth Policies into Economic Development**

*Interactive online map tracks where business subsidies dollars are going locally*

HARRISBURG, PA (June 9, 2010) – Pennsylvania has made progress in applying smart growth policies toward the distribution of economic development assistance, according to a new report from the Keystone Research Center (KRC). The report is available online at <http://keystoneresearch.org/21st-century-economic-development>.

Between May 2003 and November 2008, the Commonwealth directed more economic development aid per capita from three major programs to businesses in older towns and cities than to businesses in less densely populated “outer townships,” a marked improvement from the prior five-year period.

“Our new data show that Pennsylvania’s towns and cities are increasingly recognized as valuable economic assets,” said economist Dr. Stephen Herzenberg, the report’s co-author. “Smart targeting of economic development assistance to these assets can build them into regional economic engines, at the same time protecting Pennsylvania’s open space, streams, and forests from out-of-control sprawl.”

Dr. Herzenberg added that “established communities with existing infrastructure are found in every part of Pennsylvania. Our data show that more rural regions are leading Pennsylvania’s shift to smart economic development, bolstering the vitality and small-town feel of established places while preserving their natural beauty.”

Across the country, meaningful disclosure of where business subsidies go remains a rare exception. The new KRC report is unprecedented in providing not only a comprehensive snapshot but a comparison of the targeting of subsidies at two points in time – the periods of 2003-2008 and 1998-2003. An interactive online map, [www.keystoneresearchmap.org](http://www.keystoneresearchmap.org), allows users to delve deeply into the local distribution of business subsidies during both periods. The KRC report and map provide a taste of how much comprehensive, ongoing transparency could make visible the use of public funds and boost the smart growth movement.

KRC also released short reports on the geographic distribution of business subsidies in Pennsylvania’s nine largest metropolitan areas. KRC ranked the metro areas based on how focused business subsidy assistance was on older communities:

Erie	#1
Reading	#2
Harrisburg-Lebanon-Carlisle	#3
Philadelphia	#4
Scranton-Wilkes Barre-Hazleton	#5
Pittsburgh & Lancaster (tie)	#6
York	#8
Allentown-Bethlehem-Easton	#9

Read full analyses for each metro region at <http://keystoneresearch.org/21st-century-economic-development>.

## Targeting of Business Assistance to Older Areas Varies by Region

The new Keystone report focused on three of the most important business assistance programs administered by the Pennsylvania Department of Community and Economic Development: the Opportunity Grant Program, the Infrastructure Development Program, and the Pennsylvania Industrial Development Authority. Researchers surveyed 1,157 subsidies between 2003 and 2008, worth a total of \$631 million.

During 2003-2008, older communities received 25% more assistance on a per capita basis than outer areas, the report found. Older communities received a larger share of both grant and loan assistance than during the 1998-2003 period, when KRC conducted a similar study for the Brookings Institution.

Across the state's major metropolitan areas, there was significant variation in how business subsidies were distributed. Five of the metros examined – Erie, Reading, Harrisburg-Lebanon-Carlisle, Philadelphia and Scranton-Wilkes Barre-Hazleton – distributed more subsidies per capita to older areas. Three areas – Erie, Reading, and Harrisburg-Lebanon-Carlisle – distributed substantially more grant assistance to older areas, whereas the reverse was true in the Lehigh Valley, Lancaster, York, and, to a lesser degree, Philadelphia and Scranton-Wilkes Barre-Hazleton. Grant assistance is more valuable than loans because grants don't have to be repaid.

Smaller metro areas and rural regions, which have higher rates of joblessness, received more business subsidies per capita than larger metro areas. Rural regions also focused more than twice as much investment per capita on older areas.

## Embracing Smart Growth

The state has shifted toward investing more in older areas over outlying areas in a relatively short period of time. Part of this progress, the report suggests, is a result of more local economic development experts embracing the idea of targeting subsidies to older communities. Also a factor may have been the state's adoption of a set of 10 smart growth guidelines known as the Keystone Principles.

“There is increased buy in within the economic development community that more assistance should go to already-developed areas with existing infrastructure,” Dr. Herzenberg said.

Given the strength of the pressures driving sprawl and the decline of older communities – which lost 320,000 people statewide between 2000 and 2008 – Pennsylvania needs to keep building on the progress made toward adopting smart growth principles. With that goal in mind, the KRC report made two recommendations:

1. Strengthen public disclosure about where business subsidies go so that policymakers, economic developers and land-use planners all have the transparency needed for informed local discussion about the best way to focus public investments.
2. In distributing funds, Pennsylvania and local regions should continue to strengthen priority given to communities with existing infrastructure, higher joblessness, and access to public transit.

“Greater public disclosure of where subsidies go, combined with strategies to make smarter investments, will result over time in healthier communities and stronger economies,” Dr. Herzenberg said.

*The Keystone Research Center is a nonprofit, nonpartisan research organization that promotes a more prosperous and equitable Pennsylvania economy. Full report, metro reports & map: <http://keystoneresearch.org/21st-century-economic-development>.*

**Regional Events:** KRC staff will present the findings of this research at regional forums across Pennsylvania over the course of the coming months. The next event, hosted by Sustainable Pittsburgh, will take place on Monday, June 14, from 10 a.m. until noon, on the 31st Floor of the Regional Enterprise Tower, 425 Sixth Avenue, Pittsburgh. Learn more: <http://www.sustainablepittsburgh.org/>.