

Regional Forum: “In the Public Interest? An Assessment of the Geographical Distribution of Pennsylvania Business Subsidies”  
EVENT SUMMARY

On June 4, 2010, Sustainable Pittsburgh and the Keystone Research Center (KRC) hosted a forum in which business leaders, social scientists, government officials, and others were invited to discuss issues related to business subsidy distribution in the state of Pennsylvania. The forum was appropriately titled "In the Public Interest? An Assessment of the Geographical Distribution of Pennsylvania Business Subsidies," and it began with a presentation by Dr. Stephen Herzenberg, Executive Director of the KRC, who explained and elaborated upon research findings made by the KRC in its recently released report entitled “Making Smarter State Investments.” The full report can be accessed at:

<http://keystoneresearch.org/publications/research/making-smarter-state-investments>

The KRC report compared data collected over two five-year periods: 1998-2003 and 2003-2008. One key finding of the KRC report is that a gradual shift is occurring whereby older and more densely populated parts of Pennsylvania now receive more funding from the state, both in per-capita terms and in the aggregate, than do newer, less populated areas. The initial conclusion is that this movement to targeted investment is in step with the Governor's Keystone Principles and is dually in accordance with the “Fix-It First” approach to updating and restoring existing infrastructure rather than building additional infrastructure that promotes sprawl. In addition, the report also indicates that more detailed information was available for the 2003-2008 period, suggesting gradual improvements in transparency as well. The report discussed three of the most important DCED subsidy programs: the Pennsylvania Industrial Development Authority (PIDA), the Opportunity Grant Program (OGP), and the Infrastructure Development Program (IDP). The report noted that loans from the PIDA tended to go more often to older parts of Pennsylvania, whereas newer parts tended to receive more grants from the other two programs, especially the OGP. These three programs, however, represent only 10-12% of state economic and community development spending, and data for the remainder of this portfolio is not publicly available, meaning that much of state spending in this area is as of yet unaccounted for and thus cannot be analyzed.

The KRC also produced an interactive map with information about state subsidies on the community level, available here:

[www.keystoneresearchmap.org](http://www.keystoneresearchmap.org)

The forum continued with a panel session in which many issues related to the KRC's findings were discussed and debated. Some of the general topics explored and issues discussed were as follows:

- How can the impact of state-funding in support of economic development be properly analyzed?
  - Job creation itself may not be a sufficient basis for measurement – the type of job being created (i.e. ratio of service to manufacturing) needs to also be considered, including the resulting variety of workforce (entry vs. senior level positions), and possible ancillary employment generated by those jobs created. Wage rates should also be considered.
  - With regard to capital investment, it is important to consider the long-term usefulness of facilities and equipment even after the subject business is long gone.
  - Corporate citizenship of the company relative to its involvement in the community is key.
  - A disinterested third party is necessary for the measurement of outcomes to avoid bias.
  - The failure of certain projects is not necessarily a bad thing, as much can be learned from failures and applied to other situations in the future.
  - The DCED Investment Tracker is useful for finding information regarding business subsidies, but could and should be improved in the future to include information about the purpose of projects and other pertinent information if possible. (DCED Investment Tracker available online at <http://www.dced.state.pa.us/investmenttracker/default.aspx> ).
  
- How can the relationship between the private and public sectors be manipulated to the advantage of both?
  - A more holistic approach is needed in which investments are made in human capital as well as physical capital.
  - The dynamic of the communities in which businesses operate needs to be understood by the businesses in order for proper coordination and implementation of any social projects that businesses may want to undertake. Community Benefits Agreements (CBAs) are an indicator of mutually shared appreciation for reality of the symbiosis between corporate and community needs and success.
  
- Other Reforms
  - Government subsidy should not be confined to "first funds in" to jump start (ribbon cutting events) but rather also "last money in" in order to sustain proven businesses as they grow.
  - As new subsidy programs are added, a commensurate number of ineffective ones should be eliminated.

The panel session was followed by a lunch session focused on government accountability and transparency in providing business subsidies. It was proposed that there is a paradigm shift that is taking place with regard to these subsidies in the sense that, in the past, every job created was considered a “good” job. Today, policy is much more focused on *sustainable development* and, with limited resources given current financial constraints in the public sector, it has become necessary to exploit not just any opportunity to potentially create jobs and stimulate the economy, but only those opportunities that are projected to yield the best long term results when compared to all other options. As such, it has become increasingly important to figure out how to work with and through the system in order for business subsidies to be as efficient and equitable as possible, or to change the system if necessary. In fact, recently proposed legislation in the Pennsylvania state House and Senate regarding business subsidy reform may indeed help to increase transparency and effectiveness of these subsidies. The forum concluded with a discussion of this act, the Economic Development and Fiscal Accountability Act (SB1279 and HB2340), in which it was generally agreed upon that the act contains provisions that would in fact lead to a more transparent and effective public subsidization system.

The Senate version of the bill is available here:

<http://www.legis.state.pa.us/cfdocs/billinfo/billinfo.cfm?year=2009&sind=0&body=S&type=B&BN=1279>

The House version of the bill is available here:

<http://www.legis.state.pa.us/cfdocs/billinfo/billinfo.cfm?year=2009&sind=0&body=H&type=B&BN=2340>

Other opportunities for civic engagement in initiatives relevant to accountability, transparency, and sustainable development include:

- Advocacy efforts to restore funding for the Land Use Planning and Technical Assistance Program.
- Power of 32 regional visioning initiative.
- Updating of the region's Long Range Transportation and Development Plan by SPC with a focus on creating a regional sustainable development plan per the federal interagency Partnership for Sustainable Communities.
- Advocacy to the gubernatorial candidates.