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**The Governor's Job Program**

A careful look at the Governor's business stimulus plan, which involves borrowing \$2 billion, suggests that it is a certainty that jobs will be created. Unfortunately, the only sure new employees will be working for the government or government agencies that will administer and monitor the additional programs. For one thing, there has been no mention of plans to eliminate or cut back any of the myriad of existing initiatives. Ergo, there will have to be new hires to handle all the new paperwork. Unless, of course, the Governor has discovered that the people who are currently working in economic development are underemployed and have a lot of time on their hands.

Pennsylvania's experience in government driven economic development has not been very successful. As we have noted before, over the past several years Pennsylvania has led the nation in spending on development programs and yet job growth in the Commonwealth has lagged far behind the national average.

A 2003 Allegheny Institute study found that Pennsylvania was one of the biggest spenders on economic development in the nation with expenditures of nearly \$23 per resident while other states spent an average of \$8 per resident. In addition, the state's outlays on economic development grew an astounding 337 percent from 1993 to 2002 and stood at \$1.2 billion that year. Nonetheless, Pennsylvania fell behind the rest of the nation in growth of population, personal income, and jobs over the past few years.

Lastly, and most important, even the state's officials aren't sure that they can accurately measure the results of economic development programs. A 2000 report of the Legislative Budget and Finance Committee found that reporting requirements of the Department of Community and Economic Development ranged from "rigorous to none", that the projection of jobs created or retained were based on what the applicant for state dollars anticipated to be created rather than actual jobs created, and that DCED often failed to verify the accuracy of the jobs data. The state's first responsibility should be to get a handle on the programs it has now and find out why they have failed to spur the economy before launching a bunch of expensive new programs.

That's not to say that all the plans are bad. Money for legitimate public infrastructure--water and sewer systems, in particular--will be slated for \$250 million in funding. Although we would question why the state needs to take tax dollars out of communities to help fund sewer construction in those same communities. It just adds layers of bureaucracy and cost. A loan guarantee program for communities facing financial difficulties would be better.

Among other new initiatives:

- \$300 million for local governments and economic development agencies to acquire and prepare key sites for development.
- An increase of \$640 million to the Redevelopment Assistance program, which was the funding mechanism for new sports stadiums, museums, and cultural developments.
- \$250 million for a new program guaranteeing the investments of fund managers who provide venture capital for up-and-coming Pennsylvania companies.

Those are just some of the new state-driven initiatives that are aimed at revitalizing the Commonwealth's communities.

The Governor's plan also calls for the state to play a role in tax increment financing (TIF)--currently the province of local governments--by assisting all municipalities (except Philadelphia and Pittsburgh) with identifying and creating TIF districts, assessing revenue impacts, and even providing a state-level authority to issue the bonds.

Apparently, the extensive ten-year experience of TIF usage in Allegheny County has failed to raise red flags about this funding scheme. The use of TIF has morphed from helping attract high-value added activity to truly blighted sites in urban areas to developing retail venues in suburban greenfields. This change is counter-productive and destructive, and the state's involvement in promoting the use of TIF will undoubtedly encourage further drift from the original intent of the TIF legislation. The entire state could be designated as a blighted area in a few years as municipalities stretch the definition of blight to cover any place where a developer wants to put a new building.

Sadly, the Commonwealth could grow a lot faster and produce higher quality jobs if the emphasis was placed on cutting taxes, making changes to improve the business climate, insisting on accountability for performance in public schools, adopting Right-to-Work, and so on. Instead, we will rely on extremely dubious plans such as blanketing the state with slot machines and embarking on government-driven development programs that have failed to produce in the past.

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