Brian K. Jensen: We must not leave financially stressed communities behind

Nov 20, 2017, 8:15am EST **Updated: Nov 20, 2017, 12:10pm EST**

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Our region has pivoted from managing decades of decline to building upon recent economic growth. This is something to celebrate, and Pittsburgh has rightfully received much positive national attention for its turnaround. But we should not be satisfied with a growing economic prosperity that is limited by geography to particular neighborhoods and communities. It is crucial that we promote growth from a position of broad regional stability. Promoting economic security in all of our communities will help us foster growth and attract businesses, residents and continuing favorable national recognition.

A report issued by the Pennsylvania Economy League earlier this year highlights the significant financial challenges that Pennsylvania municipalities face. The *Communities in Crisis* report warns of the negative consequences of state inaction in the face of deteriorating municipal financial health.

The report tracks municipal financial stress statewide for 2,387 Pennsylvania municipalities in 1970, 1990 and 2014. Financially stressed municipalities are those with high tax rates and low per capita tax bases. The report illustrates the overall poor municipal financial health of urban centers and inner ring suburbs and shows that the financial sustainability of struggling communities has only worsened and spread over time.

Cities and inner ring suburbs lose population (Pittsburgh in recent years has been an exception) and wealth to exurban townships. Tax revenue falls as the tax base erodes. Municipal councils raise tax rates to bolster revenue. These municipalities are thus trapped in a negative feedback loop as tax bases decline, tax rates increase and new investment is deterred. The competitiveness of the urban core and inner ring suburbs weakens further.

The Economy League report shows that in 1990, 276 municipalities in the 10-county region were suffering from financial stress. That figure grew to 290 municipalities in 2014. Conversely, in 1990, 121 were financially healthy, while in 2014 only 110 were financially healthy. The 1990 to 2014 increase in stressed municipalities (+14) and decrease in healthy municipalities (-11) shows the overall 24-year decline in municipal financial health for southwestern Pennsylvania municipalities.

Financial stress is painful for those municipalities themselves, but it also weakens their neighbors. Financial stress tends to group in urban and inner ring geographic municipal clusters. Increased blight, crime and public health problems that often accompany and exacerbate financial stress tend over time to cross municipal boundaries and spread. Municipalities that shifted from financially healthy to unhealthy tended to share boundaries with municipalities that were already stressed. For example, the townships of Forward and South Versailles, both situated in the financially stressed Mon Valley, shifted from healthy to stressed between 1990 and 2014.

Financial stress also affects the region as a whole from a marketing standpoint. As businesses and job seekers place greater weight on quality of life factors, it will be increasingly difficult to attract them to a region where large pockets of struggling municipalities linger. The Economy League report states: “The growing incidence of municipal financial distress, with its resulting decline in the ability of local government to deliver services necessary for a good quality of life, has a chilling effect on the ability of the state to present itself as a healthy community that can attract and keep businesses and residents."

If we leave financially stressed communities behind, we jeopardize our region's overall ability to prosper. As a region and commonwealth, it would serve us well to strive for a broad, solid base for economic growth.