

Beyond Smart Growth

An Economic Development Strategy for 21st Century Maryland: Policy Brief

National Center for Smart Growth
Research and Education
University of Maryland



March 2015

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Acknowledgments

This report suggests a path for the State of Maryland's role in smart growth and economic development. The National Center for Smart Growth Research and Education (NCSG, the Center) at the University of Maryland is solely responsible for its content.

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NCSG gratefully acknowledges the substantial assistance provided by Terry Moore and Alexandra Reese of ECONorthwest, an economic consulting firm headquartered in Portland, Oregon. Important contributions were also provided by graduate students at the University of Maryland: Nick Finio, David Eubanks, Zack Rockwell, and Ting Ma.

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1. Introduction

Maryland is a prosperous state. It has a strong and resilient economy that outperformed the U.S. by six percent in cumulative GDP per capita growth from 1998 to 2013. This economy supports a high employment rate and the second highest median wage in the country. The foundation for this prosperity is a good government, progressive public policies, a well-educated workforce, and proximity to the nation's capitol.

But, four trends threaten Maryland's continued prosperity. These trends and the recommended policy solutions are:

- Maryland's economy has not kept pace with the nation in recent years, in large part due to reductions in federal government spending. To support economic prosperity, Maryland should reduce its reliance on the federal government by first improving the business climate and then supporting its top private sector industries (professional services, education, and health care).
- Although Maryland's economy is strong, prosperity is not shared equally among its racial and ethnic minority groups. To improve equity, minority groups need greater access to opportunity and more workforce training targeted at the unique needs of their populations.
- Providing adequate, well serviced infrastructure is integral to future economic development. Maryland must address growing congestion and housing affordability problems.
- Quality of life is one of the most important factors that businesses take into consideration when making location decisions. Climate change, reduced open space and habitat, and growing inequality decrease quality of life, and may have an adverse impact on continued prosperity.

Although some of these factors are related to the economy, others are social or environmental. To improve its economic outlook, Maryland must focus not only on economic conditions, but also on social and environmental conditions. This vision reflects a broad view of economic development, known as Triple Bottom Line (TBL) development.

The purpose of this report is to join the debate on economic development in Maryland by offering a broad-based, quality of life perspective. It describes how economic prosperity depends in part on the attainment of other goals such as equity and environmental quality. The recommended approach to economic development builds on existing policy strengths and extensive data analysis to offer an integrated approach for achieving both smart growth and economic prosperity.

2. What Are We After? A Broad View of Economic Development

The International Economic Development Council defines economic development as, "a program, group of policies, or activity that seeks to improve the economic well-being and quality of life for a community, by creating and/or retaining jobs that facilitate growth and provide a stable tax base."¹

Jobs and output are important indicators of economic development, but they are not the only indicators of economic and social well-being. Economic *growth* may be a necessary condition for economic *development*, but it alone is not sufficient. Practitioners that embrace the broad view consider how economic growth affects people:

- Are they getting more educated, productive, and able to advance to and succeed at higher-paying jobs?
- Are incomes increasing not just on average, but for various groups that are at or close to poverty levels?

¹International Economic Development Council, 2014.

- Are environmental quality and social services maintained or improved, and thus contributing (independent of income) to a better quality of life?

This broader view is consistent with recent discussion of a TBL framework for evaluating and communicating the efficacy of public policy. In addition to economic value and profit (the original “bottom line” for businesses), a TBL evaluation of economic development considers social and environment value. It does so because these three dimensions are interrelated; an action in one dimension has impacts on the other two dimensions.

Thus, although economic development policies must focus on the economic bottom line by definition, they are likely to achieve the most success for the communities they serve when they address all three bottom lines. The improvement of all three bottom lines is an unambiguous win for public policy: more jobs, a better natural and built environment, better private and public services, and more jobs and wages for people that need them most.

3. What Can Governments Do to Support Economic Development?

Economic development professionals aim to improve well being and quality of life by creating and retaining jobs. The logic of the connection, in summary, runs like this:

- A household’s economic well-being is defined by its economic resources. *Wealth* is a measure of a household’s ability to have and acquire goods and services that contribute to its well-being. *Income* is how a household builds wealth.

- Most income for the majority of households comes in the form of compensation for services provided (i.e., in the form of wages or salaries from *jobs*).
- Businesses provide the majority of jobs.² More business activity correlates with more payments of wages and salaries, and with more jobs.³

This chain of logic illustrates that economic development policy and action should aim to (1) retain and grow new and existing businesses; (2) attract new businesses; and (3) otherwise create opportunities for more job growth, advancement, and income. It should focus on those businesses with strong multiplier effects and higher-paying jobs.

If one accepts that job creation is fundamental to economic development, and that private businesses are responsible for the bulk of job creation, then the government’s role in economic development is clear: help businesses be profitable so that they survive (retain jobs) or grow (create jobs). A business can improve profit, or the difference between revenues and costs, by increasing revenues (the “demand” side of the equation) or reducing costs (the “supply” side of the equation).

Businesses address the demand side through marketing to final and intermediate customers (e.g., advertising, networking, social media). They address the supply side by reducing the cost of the inputs that they need to produce or increasing the value of the goods and services they sell. Economists refer to these inputs as *factors of production*:

- Land and built space
- Local infrastructure and local services
- Labor and entrepreneurship
- Access to suppliers and consumers.

²Government (the public sector) also creates jobs. Estimates of the number of government jobs varies by data sources, assumptions (e.g., does one count the Armed Forces), and methods, but for the purposes of this report we only need a rough estimate. In the U.S. estimates of government employment as a percent of total employment range from about 7% to 20%. Whatever the true number, if it is roughly in that range then (1) the private sector has about 5 to 10 times more jobs than the government sector, and (2) governments at any level typically do not make the argument that creating more government jobs is a good economic development policy.

³Increases in productivity can reduce jobs even as income grows: sophisticated equipment may be substituted for less-skilled labor, but the skilled labor that remains receives higher compensation.

If the government's role in economic development is to help businesses be profitable, that leaves many choices for possible actions. For every aspect of the demand and supply sides of business activity, one can find evidence of government influence. But not all policies are equally effective or efficient, and many raise questions about fairness.⁴

The advice here: *government should focus its economic development efforts on those areas that are important to businesses, and where government has an acknowledged role and clear advantages over market-based approaches.*

4. Key Economic Development Trends in Maryland

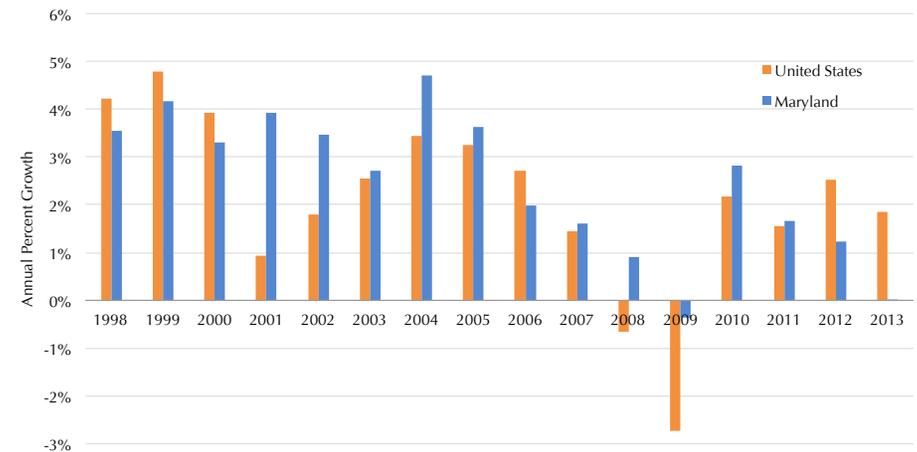
Maryland is a prosperous state. But, four trends threaten its continued prosperity. This section provides more detail on Maryland's economy, with close attention to those trends.

Maryland's economy has consistently outgrown those of neighboring states, but has failed to keep pace with the nation in recent years.

While the Maryland economy suffered during the recent Great Recession, it has grown at a more consistent rate over the long term. In part because of its proximity to D.C., Maryland experienced lower unemployment rates, higher incomes, and less cyclical volatility than most other states. The performance of the Maryland economy is strongly correlated with the performance of the national economy: generally, Maryland's economy grows when the national economy grows.

There are some exceptions. In the early 2000s (2001, 2002, and 2004) and during the recession (2008 and 2009), Maryland's economy grew markedly faster than the national economy. In 2012 and 2013, the rate of growth plummeted. State level GDP data for 2014 were not available at the time of publication.

Figure 4.1 Annual Percentage Growth in Real GDP for Maryland and the U.S., 1998 to 2013



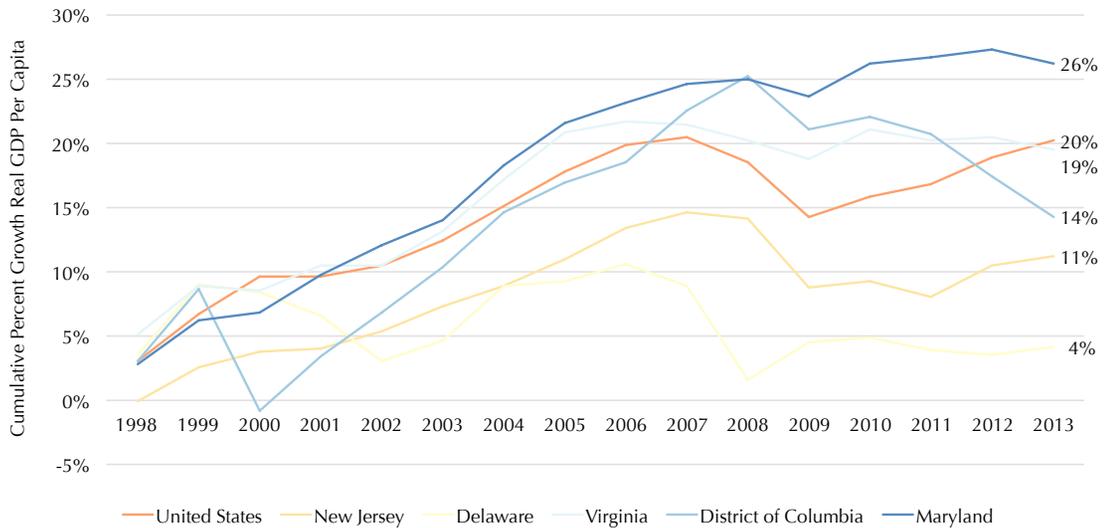
Source: Bureau of Economic Analysis.

⁴And fairness can feed back to efficiency: e.g., congestions tolls can reduce congestion by encouraging people to drive during off peak hours, but they also raise concerns about equity.

In 2013, Maryland's economy grew only 0.01 percent, ranking it 49th in the nation. Declines in government, utilities, manufacturing, and wholesale trade offset increases in health care, agriculture, and information sectors. Government cutbacks had a similar effect on Maryland's neighbors, D.C. and Virginia, which grew -0.5 and 0.1 percent from 2012 to 2013, respectively.

Despite Maryland's weak performance over the past two years, it has exhibited strong performance over the last 15 years. Cumulative growth in Maryland's GDP per capita exceeds the national average by over six percent. It also exceeds cumulative growth among comparison states.

Figure 4.2 Cumulative Percent Growth in Real per Capita GDP for Maryland, Comparison States, and the U.S., 1998 to 2013



Source: Bureau of Economic Analysis.

Although Maryland has a diverse economy, four sectors have driven economic activity in the past: government; professional, scientific, and technical services; health care and social services, and accommodation and food services. Professional and technical services and health care and social assistance are likely to still be top industries by 2040. Construction, management of companies, administrative and waste services, and education services are likely to have grown. Government and accommodation and food services are expected to have declined in relative importance.

Figure 4.3 Projected Employment Trends in Maryland, 2015 to 2040

	Employment 2015	employment 2040	employment share 2040	employment growth 2015- 2040	Percent Increase 2015- 2040
Farm employment	15,800	14,100	0.3%	-1,700	-10.8%
Forestry, fishing, related activities, and other	6,200	6,000	0.1%	-200	-3.2%
Mining	5,000	4,400	0.1%	-600	-12.0%
Utilities	10,400	11,100	0.3%	700	6.7%
Construction	222,600	290,200	7.0%	67,600	30.4%
Manufacturing	110,700	93,900	2.3%	-16,800	-15.2%
Wholesale trade	96,000	106,000	2.5%	10,000	10.4%
Retail trade	347,800	372,700	9.0%	24,900	7.2%
Transportation and warehousing	100,700	116,200	2.8%	15,500	15.4%
Information	52,100	52,300	1.3%	200	0.4%
Finance and insurance	174,400	196,000	4.7%	21,600	12.4%
Real estate and rental and leasing	172,000	188,000	4.5%	16,000	9.3%
Professional and technical services	352,000	435,700	10.5%	83,700	23.8%
Management of companies and enterprises	30,800	49,100	1.2%	18,300	59.4%
Administrative and waste services	226,500	296,400	7.1%	69,900	30.9%
Educational services	97,700	144,000	3.5%	46,300	47.4%
Health care and social assistance	428,400	550,900	13.2%	122,500	28.6%
Arts, entertainment, and recreation	90,000	123,000	3.0%	33,000	36.7%
Accommodation and food services	237,100	290,900	7.0%	53,800	22.7%
Other services, except public administration	211,600	262,800	6.3%	51,200	24.2%
Government and government enterprises 3/	564,400	557,300	13.4%	-7,100	-1.3%
Total Employment	3,552,200	4,161,000	100.0%	608,800	17.1%

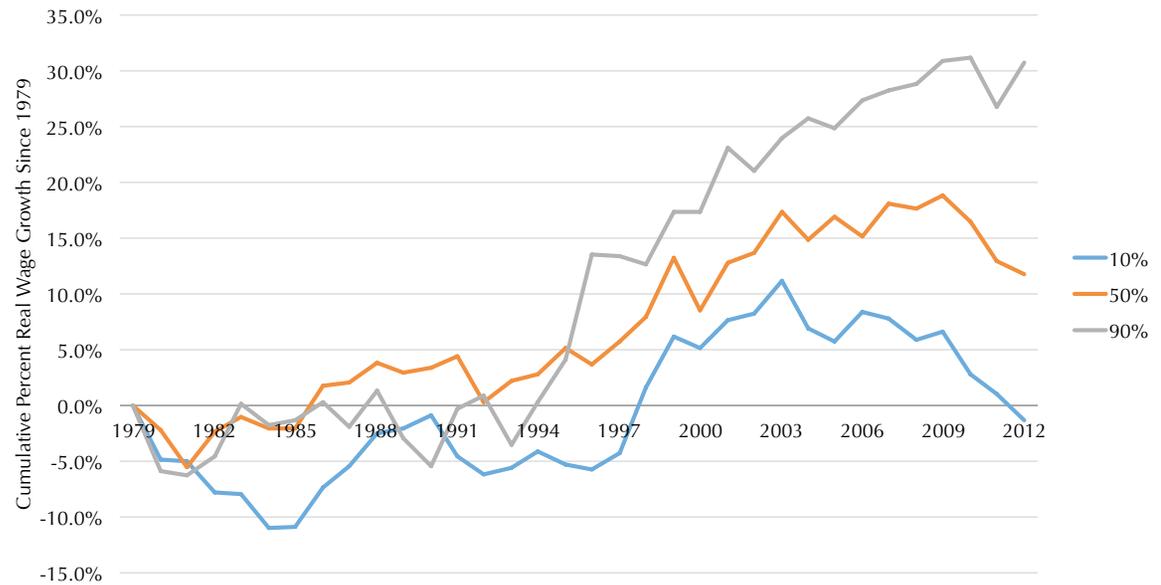
Source: Maryland Department of Planning.

Although Maryland's economy is strong, prosperity is not shared equally.

Although Maryland residents earn high incomes on average, income inequality has increased markedly over the last decade. Wages account for the largest share of income for most households, and real (inflation-adjusted) wages have stagnated or declined for the majority of Maryland workers. The average worker (at the 50th percentile) earned the same real wage in 2012 that she did in 2001, and only 10 percent more than she earned in 1979. The lowest ten percent of wage earners are actually earning less now (in real terms) than they did in 1979, despite substantial gains in the real GDP per capita (Figure 4.1 Cumulative Percent Growth in Real per Capita GDP for Maryland, Comparison States, and the U.S., 1998 to 2013).

Since the mid-1990s, real wages between the top 10 percent of wage earners (the 90th percentile) and everyone else have diverged. Following the most recent recession, the wages of top earners (at the 90th percentile) have exceeded their pre-recession levels. Real wages for most households, however, continued to decline.

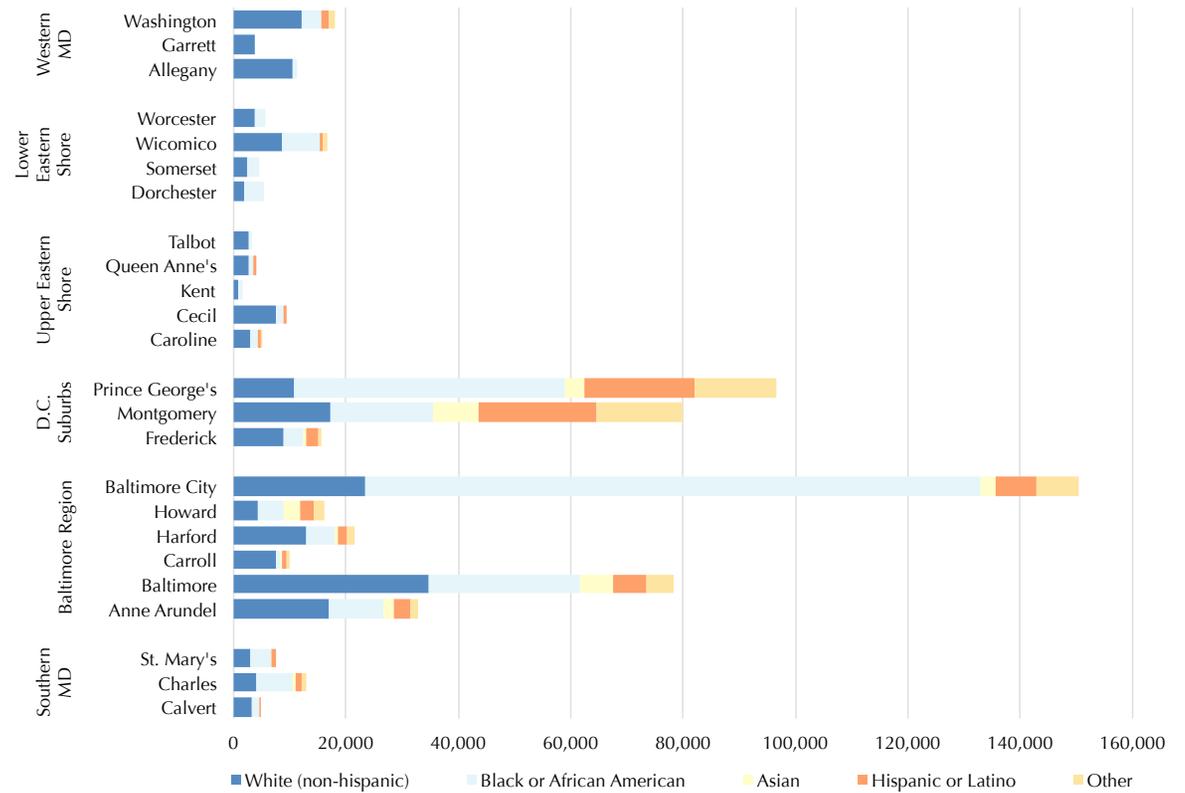
Figure 4.2 Cumulative Percent Real Wage Growth for Selected Percentiles for Maryland Workers, 1979 to 2012



Source: Economic Policy Institute analysis of the Current Population Survey.

The spatial distribution of the poverty population in Maryland is highly uneven. More than three-fourths of Maryland's poor live in Baltimore City, Baltimore County, Montgomery County, and Prince George's counties. Twenty-four percent of Baltimore City residents are in poverty. Seventy-three percent of those in poverty are black.

Figure 4.3 Race and Ethnicity of People below Poverty Level for Maryland Regions, 2013



Source: U.S. Census Bureau, American Community Survey, 2011-13 3-Year Estimates.

A large body of research suggests that the key to breaking the cycle of poverty for low-income families is access to opportunity. Center researchers have accumulated data on educational quality, access to jobs, incomes and economic opportunity, housing, public health and more, and combining them into a statewide opportunity map.

The map portrays access to opportunity in quintiles with the darkest colors depicting the highest level of opportunity. By overlaying

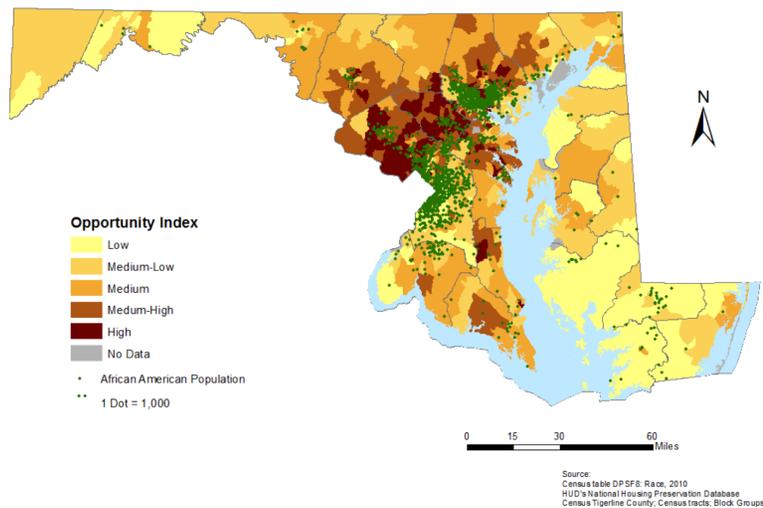
information about where minority residents live it is possible to identify what percentage of black and Hispanic households live in high and low opportunity areas. The results reveal that a large proportion of blacks live in low opportunity areas, primarily in Baltimore and Prince George Counties. Hispanics, however, because they are concentrated in Montgomery County, tend to live in high opportunity areas.

Figure 4.4 Opportunity and the African American and Hispanic Population in Maryland

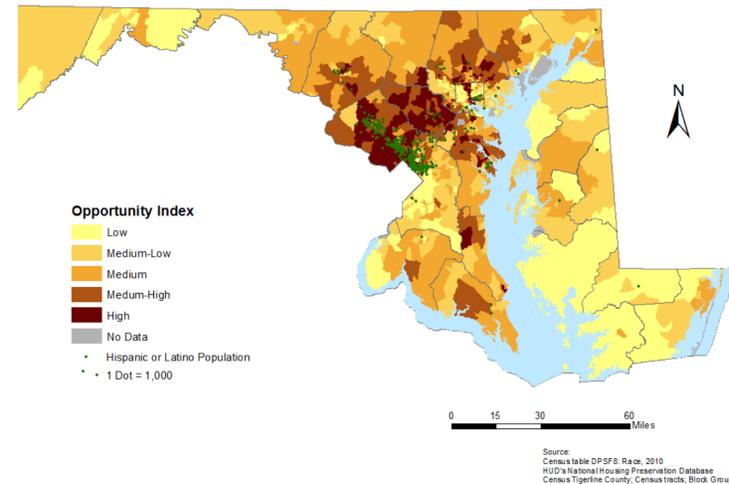
Opportunity Score Quintile	Black Population	Proportion of Black Population
Low	626,175	37%
Medium-Low	379,061	23%
Medium	278,808	17%
Medium-High	207,338	12%
High	170,061	10%

Opportunity Score Quintile	Hispanic Population	Proportion Hispanic of Black Population
Low	50,062	11%
Medium-Low	77,068	16%
Medium	103,712	22%
Medium-High	113,065	24%
High	126,011	27%

Opportunity and the African American Population in Maryland



Opportunity and the Hispanic or Latino Population in Maryland

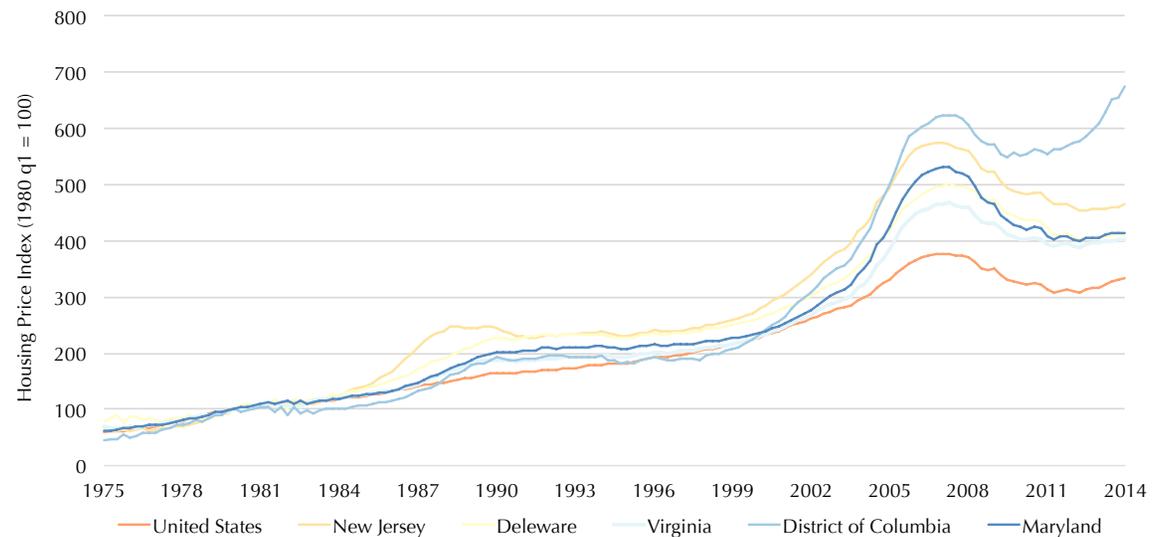


Maryland suffers from growing congestion and housing affordability problems.

Historically, over the long run, housing price trends mirrored wage trends. Until the early 2000s, housing prices for the U.S. as a whole, Maryland, and its neighboring states, increased at steady, comparable rates. In the early 2000s—around the time that income inequality started to grow—housing price growth in Maryland and its neighboring states (where income inequality is also high) diverged from the U.S. as a whole. In all regions, housing prices fell during the recession, but have started to recover. Jurisdictions whose top 10 percent of wage earners have higher wages (D.C. and NJ) have experienced more rapid housing price growth.

As home prices increased, housing affordability (measured as the ratio of median home price to median household income) decreased. That means that housing prices, at least during the housing bubble, increased at a faster pace than wages. Although housing is more affordable than it was right before the housing bubble burst, it is less affordable than it was in the early 2000s.

Figure 4.5 Housing Price Index for Maryland, Comparison States, and the U.S., 1975 to 2013



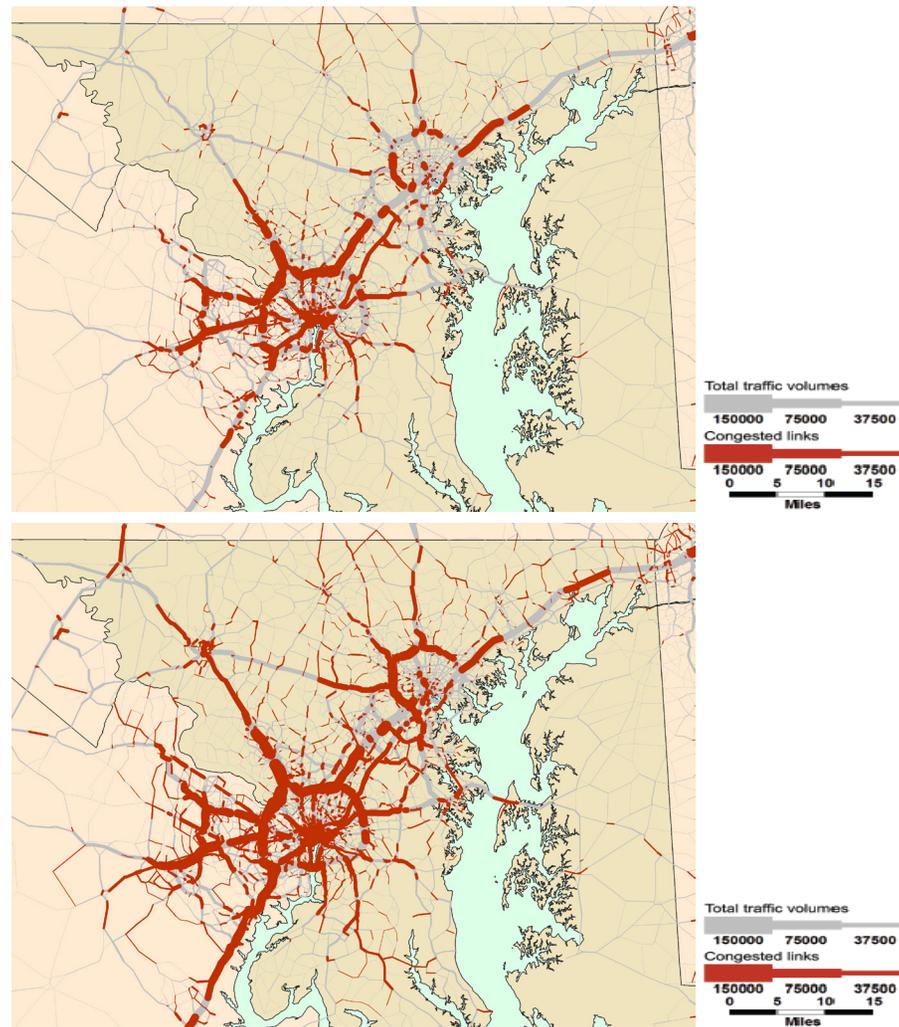
Source: Federal Housing Finance Agency.

Housing affordability is linked to congestion. Those areas with the greatest demand for housing—in particular the D.C. suburbs and the Baltimore Region—lack housing for those who work there. This leads to longer commute times and greater vehicle miles traveled.

Congestion will increase as the population and number of trips grow. According to Center estimates, annual vehicle hours of delay in Maryland will increase 80 percent from 2007 to 2030 and vehicles hours of delay per driver, will increase from 12 to 18 minutes per day. Congestion will rise most rapidly in the Washington suburbs and along the Baltimore beltway.

As congestion rises, the demand for transit will also continue to rise. According to Center estimates, the demand for transit ridership will double by 2030, but due to capacity constraints the transit share of trips from 2007 to 2030 will increase by less than one percent from 4.8 to 5.5 percent.

Figure 4.6 Traffic Volume and Congested Links in the Baltimore-Washington Corridor, 2007 to 2030



Source: Maryland State Transportation Model.

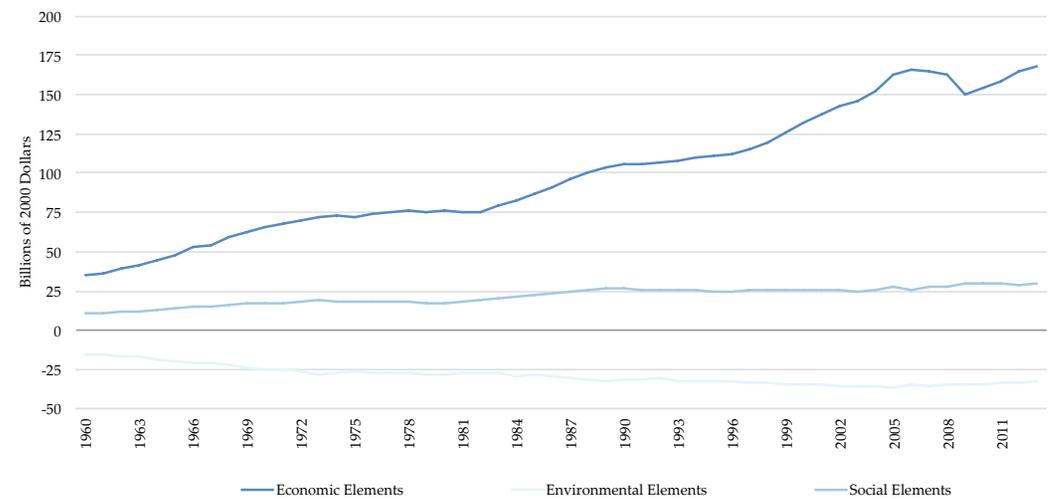
Climate change, reduced open space and habitat, and growing inequality decrease quality of life.

A complete assessment of economic development conditions under a TBL approach requires the consideration of all three bottom lines. Although a detailed analysis of environmental conditions in Maryland is beyond the scope of this report, it offers some measures of environmental quality from the Genuine Progress Indicator.

The Genuine Progress Indicator (GPI) was developed by economists to provide information useful to a triple bottom line approach to economic development. The GPI incorporates environmental and social factors into an economic accounting framework.

In aggregate, Maryland's GPI has grown steadily over time, but the environmental component of GPI has declined. The cost of climate change is the key source of the decline in the environmental component of the GPI. Through regulation, Maryland has made progress on most other indicators. Water quality, air quality, habitat protection, and the consumption of renewables have all shown improvement over the last two decades. Areas for further improvement include particulate matter (via air quality regulation) and forest cover (via land use and urban growth management).

Figure 4.7 Genuine Progress Indicator Components for Maryland, 1960-2013



Source: Maryland Department of Natural Resources.

5. What Should We Do Next? Implications for a Statewide Economic Development Strategy

This report presents information about the growth and structure of Maryland's economy. The information is not comprehensive, and includes limited information on equity and less on the environment. We believe there is sufficient information, however, to draw conclusions and offer recommendations.

5.1 Capitalize on enduring strengths

Maryland ranks among the best in the nation in many typical measures of economic performance and social well-being, such as income, education, productivity, stability, and more.⁵ What's more, Maryland's high rankings have persisted for decades and stem from advantages that are not likely to change anytime soon. These include:

- Location on the eastern seaboard and good connectivity to national and international markets by car, truck, train, ship, and airplane.
- Close proximity to the nation's capital, a substantial federal presence, and an ideal location for firms that do business with the federal government.
- Strong education and health care institutions that provide jobs and support the best-educated workforce in the nation.
- A development pattern enables firms to capture agglomeration economies and is well suited for public transportation.

While Maryland's economy and its prospects for long-term growth remain among the best in the nation, there is always room for improvement.

Grow or maintain federal government employment

There is good reason to believe that Maryland's future economy will look much like it does today. The continuing federal presence will sustain a fertile environment for firms that do business with the federal government, especially those in professional services. While growth of the federal government may slow or end, a significant federal government footprint in Maryland will likely continue. For this reason, the Maryland Economic Development and Business Climate Commission recommended that the state fund new programs and a position in the governor's office specifically to attract and support federal agencies that operate in the state. We concur with these recommendations.

Increasing demand for health care and education will also drive public sector growth. The aging of the population will increase demand for health care services. And, despite the aging of the baby boomers, their offspring will assure that the demand for education at the primary, secondary, and tertiary levels will continue to grow. Almost every forecast for the nation, and certainly for Maryland, includes growth in these industries.

Growth in health care and education are likely to benefit both the economy and the community. These sectors have high shares of minority-owned businesses, and they provide jobs that are high paying and cyclically resilient. So, growth in these industries is likely to improve equity. For this reason, the first order of business for any economic development strategy for Maryland is to assure that the state sustains its strength in these key industries.

Use transportation investments to support economic development

The state can foster economic development by making transportation investments that connect job centers. The state has policies that require the Department of Transportation to invest in PFAs. But the state can further promote economic development by targeting transportation investments—especially transit investments—toward those areas best suited for economic growth.

⁵Department of Legislative Services, Office of Policy Analysis, 2014.

Transportation investments that connect workers to job centers, and that connect job centers to other job centers, not only facilitate economic development but also stimulate transit ridership. A large body of research reveals that the best way to encourage transit ridership is to locate jobs near transit stations.⁶

Transportation-related public policy will further strengthen growth in key industries, including education, health care, and government-related professional services. Jobs in these sectors tend to cluster near transit and are highly responsive to public policy. That is, jobs in education, professional services, and health care, and, of course, government itself, are dependent on government expenditures, and any stipulations with which they come.

Embrace diversity

Maryland is among the most diverse and most rapidly diversifying states in the nation. While such diversity brings new opportunities for economic development, the inevitable growth of minority populations means that educational outcomes must improve for the state's Hispanic and black populations.

The state government has made strides on workforce development policies that address the needs of target industries. During the Ehrlich Administration, the Department of Labor Licensing and Regulation reestablished the Governor's Workforce Investment Board and charged it with preparing residents for jobs in Maryland's leading industries. The EARN program, launched by the O'Malley administration, accomplished this by forming training programs for and with specific industries.

But an effective workforce strategy requires attention to the unique needs of segments of the labor force—that is, a strategy designed specifically to raise the human capital of Maryland's increasingly diverse populations. Without programs targeted at these needs,

the state will lose the educational advantage it has maintained for decades, and will fail to capture the opportunities that diversification can bring.

5.2 Address persistent weaknesses

While capitalizing on its strengths, the state must also recognize its persistent weaknesses and take action to make sure they are overcome.

Improve the tax and regulatory environment

Maryland scores consistently low on its tax and regulatory environment in many business climate indices. Virginia has a consistently higher-ranked business climate and ranks higher than Maryland in many economic indicators. These two facts do not prove causation, but the impact of Maryland's business climate on its regional competitiveness is surely worth exploring.

The Maryland Economic Development and Business Climate Commission recommended a number of "customer service" improvements, third party reviews of new regulations, and further evaluation of the state's tax structure. We defer to the commission for further elaboration of these recommendations.

We note, however, that taxes and regulations serve important purposes and affect more than the state's business climate. Before adopting any major change in tax or regulatory policy, the state must consider its effects. Areas of impact include: business in general, economic clusters, regional economies, transportation facilities, and local communities.

Support diverse and emerging industries

Given persistent budget shortfalls at all levels of government, growth in government and spin-off jobs in professional services may slow or continue to vacillate over the political cycle. The current downturn in

⁶In an efficient transit system, buses and trains are full at all times and when traveling both directions. This suggests that the state should encourage growth in central locations, like downtown Baltimore, but also in job centers located throughout the state. NCSG, "Maryland Scenario Project," <http://www.smartgrowth.umd.edu/marylandscenarioproject.html>.

federal government activity has already slowed Maryland's economic growth and increased competition with neighboring Virginia. This suggests that the state should explore opportunities for diversification.

Determining what industries are most deserving of government support and what forms such support should take will require further analysis. Industrial favorites should not be chosen lightly. What's more, consideration for any such public support must include whether the industry will provide ladders of opportunity and create jobs in places where they are needed most.

Address regional economic disparities

Although the state's economy has performed comparatively well for several decades, the performance of regional economies has varied. While the economies of suburban Baltimore, suburban Washington, and Southern Maryland have grown steadily, the economies of Western Maryland, the Eastern Shore, and Baltimore City have struggled. What's more, the variation among regions in demographics, resource endowments, and industrial composition suggests that uniform economic development policies will not serve all regions well. A strong case can thus be made for crafting economic development strategies for each region of the state.

Developing such strategies should involve multiple state agencies, local governments, and business and community organizations. The Baltimore Opportunity Collaborative, with its 12 coalition members and integrated approach to economic growth, workforce development, and access to opportunity, provides a useful model for replication by other regions.⁷

Remove barriers to affordable housing in high opportunity areas

Maryland has among the highest housing prices in the nation. High housing prices, especially near job centers, make it difficult for businesses to attract and retain employees and force employees to commute long distances to work. Regulatory barriers in high opportunity areas also deprive low-income residents of access to high quality schools and the social networks that enable social mobility—thus perpetuating a cycle of inequality. Removing barriers to affordable housing in high opportunity areas furthers the goals of both economic development and social equity.

Several government agencies and commissions have made important progress on housing affordability. In Reinvest Maryland, the Sustainable Growth Commission identified regulatory barriers to infill and redevelopment and offered strategies for promoting equitable development.⁸ The housing plan recently released by the Baltimore Opportunity Collaborative includes new ideas on how to promote affordability in high opportunity areas.⁹ As in other sectors, regulatory barriers in the housing sector will be more difficult to reduce than identify, but this is an area where substantial work is already underway.

Use prices to help manage road capacity

According to the Census Bureau, Maryland has the longest commute times in the nation.¹⁰ Time spent in traffic is not just inconvenient, but it represents a significant cost of doing business. To remain competitive both regionally and globally, Maryland must address its growing congestion problem.

⁷Opportunity Collaborative, "Regional Plan for Sustainable Development," <http://www.opportunitycollaborative.org/>.

⁸MDP, "Reinvest Maryland: Accelerating infill, redevelopment, and community revitalization," 2014, <http://planning.maryland.gov/YourPart/773/infill.shtml>.

⁹<http://www.opportunitycollaborative.org/housing-plan/>

¹⁰U.S. Census Bureau, *American Community Survey 5-Year Estimates*; Federal Highway Administration, *Highway Statistics Series*; Insurance Institute for Highway Safety.

The most cost-effective solution for addressing congestion over the long run lies in greater use of tolls and congestion fees. Tolls and congestion fees encourage residents to drive less on congested roads, drive less at congested times, and drive less period. A growing body of research shows that tolls and other forms of congestion pricing are better able to lower traffic congestion than either compact growth or transit-oriented development.¹¹

More research is needed to determine how and where tolls, fees, and other forms of incentives are most appropriate, as well as how to mitigate their regressive impacts. But this may be a propitious time to explore a more market-based approach to transportation policy.

Assess the state's economic infrastructure

Infrastructure is the key to economic growth. No matter how favorable the tax and regulatory climate, businesses cannot prosper without adequate roads and public transportation, sewer and water, quality public schools, police and fire protection, communication networks, and more. Currently, there is a dearth of data and information on the condition of the state's infrastructure.

The Maryland Sustainable Growth Commission created a work group to monitor the use of adequate public facilities ordinances. Its work suggests that local governments use these tools to slow or stop growth where certain types of infrastructure are deemed inadequate. The workgroup agenda does not include a comprehensive assessment of whether the state has adequate public facilities or what actions the state should take to assure that inadequate public facilities are not a constraint to growth. But if the state wants to promote economic development, that should be an important next step.

Track the consumption of ecosystem services

Few would dispute that natural resources enhance quality of life and provide valuable ecosystem services. Economic growth without the loss of ecosystem services is possible, but often more costly. Thus, like every other state, Maryland must find a balance between economic growth and resource conservation.

The Genuine Progress Indicator is one tool that allows the comparison of economic and environmental outcomes. Like any other index, the Genuine Progress Indicator is an aggregate of multiple indicators. Because it is very difficult to express environmental quality and social equity in monetary terms, the underlying indicators are perhaps more valuable than the aggregate index. Regardless, the Genuine Progress Indicator is currently the best method of keeping track of the triple bottom line.

Update the state's land use planning tools

The state's role in land use planning in Maryland has changed over time. In 1997, the state adopted the Smart Growth and Neighborhood Conservation Acts that established Priority Funding and Rural Legacy Areas as places to target state spending on urban growth and resource conservation, respectively. The number of planning designations or funding targets has grown significantly, but, PFAs remain the central organizing feature of the state's approach to land use. Most PFAs were adopted in 1998, and have changed little over time. Although state and local governments have developed tools to monitor residential development capacity, they have not developed tools to monitor land needed for commercial, industrial, and institutional uses or residential capacity on infill and redevelopment sites. For these reasons, new tools should be developed and applied to assure PFAs have sufficient land for jobs as well as for households.¹²

¹¹NCSG, "Maryland Scenario Project," <http://www.smartgrowth.umd.edu/marylandscenarioproject.html>.

¹²For an example of this kind of analysis, see: Howland, M., 2011, *Journal of the American Planning Association*, 77, 1: 39-53, <http://www.terpconnect.umd.edu/~dempy/docs/howland%202011.pdf>.

Integrate economic development with smart growth

Economic development is best pursued via an integrated strategy and a coordinated effort. For these reasons, the Economic Development and Business Climate Commission recommends coordinating the state's economic development efforts under a Secretary of Commerce. We support that recommendation. But the premise of this report is that economic development depends not only on the success of the agencies focused specifically on economic development, but also on the success of other agencies that impact the state's triple bottom line. The institution that best represents those agencies in state government is the Smart Growth Subcabinet, the body also charged with oversight of PlanMaryland. Exploring how PlanMaryland can serve as a tool for economic development should be an important agenda item for that body.

