

Finally, the tax policies' and direct subsidy programs' design details will elicit different usage rates. For example, a tax credit that is available only after premiums are paid may not help individuals who do not have the funds to pay up front costs. A subsidy that directs people to an insurance policy with a small co-payment may be desirable to prevent over-utilization by the insured. However, for individuals at low-income levels, even such modest costs may dramatically decrease enrollment and utilization. This may especially affect families without health problems, who may choose to forgo health insurance to pay for items such as food and housing. In addition, a complex application process designed to determine eligibility for government-provided health insurance may have the unintended side effect of inhibiting participation by otherwise qualified individuals. Tax deductions, because they provide only limited benefits to those with low income, are not likely to lead to a significant expansion of health insurance coverage.

Meeting the challenge of covering more people

The Administration has taken steps to extend coverage to more people. Particularly noteworthy successes have been the expanded eligibility for Medicaid and the creation of the SCHIP. In addition, the Health Insurance Portability and Accountability Act of 1996 limits exclusions for pre-existing conditions in employer health insurance plans and for people converting to individual insurance. The health continuation rules enacted under COBRA (Consolidated Omnibus Budget Reconciliation Act of 1986) enable workers to purchase continued coverage for a limited time when they change jobs or lose eligibility for health

insurance. The Administration's Family Care proposal would extend publicly provided insurance to the parents of children covered by SCHIP, covering more low and moderate income families.

Although much has been done to ensure access to health care for millions of individuals, a number of challenges lie ahead. Prescription drugs have become a significant health care expenditure for many, particularly for the elderly. Helping individuals afford needed prescription medications is a priority. We must also contend with the growing elderly population and the forecasted increase in the need for long-term care. And finally, we must continue to work towards providing access to the health care system for the millions of Americans who remain uninsured.

Building Livable Communities

As the new economy presents greater options and opportunities for Americans, it also poses critical challenges for ensuring the livability of our existing and developing communities. Throughout much of the 20th century the population has shifted from central cities to suburbs, and this trend has accelerated in the last decade.¹³¹ From 1990 to 1999 the suburban population grew by nearly 19 percent, compared to population growth of only 6 percent for central cities. This rate of increase is striking, relative to rates of growth during the 1980s: 15 percent in the cities and only 13 percent in the suburbs. However, the new economy has witnessed a change in

the pattern of job location as well. While central cities still face the challenges of growth, they are no longer the source of the majority of job growth. Rather, new jobs and new industries are also springing up on the fringes of cities, often in “technology parks” or “research corridors.” In 1997, 57 percent of metropolitan-area jobs were located in suburbs, up from 55 percent in 1992.

These suburbs have the potential to offer the best of both worlds to American families: the amenities and quality of life people seek beyond the central cities, and the availability of jobs formerly associated with the central city.¹³² However, there are also drawbacks to this trend, and communities must invest now in developing plans to channel this growth to ensure that rapid growth does not spoil the attractive aspects of the area.¹³³ With new growth comes the need to grow in a manner consistent with social well being and environmental quality.

Economic Forces Driving Suburbanization

Economists have noted the positive relationship between the density of economic activity and productivity.¹³⁴ In the past, many gains from agglomeration were due to access to natural resources and means of transportation. In contrast, the agglomeration economies of today are often based on the clustering¹³⁵ of firms in the same industry which gain from sharing ideas, consumers, and specialized pools of skilled workers. Familiar examples include the mutual funds cluster in Boston, the oil and gas cluster in Houston, and the electronics cluster in Silicon Valley. Often freer from traditional ties to specific locations, new economy firms are able to choose from a wider array of potential business sites.¹³⁶ It is important to recognize that rapid

growth does have to be unplanned growth; rather, smart growth principles can accompany and inform this economic development strategy.

With current development occurring on the outskirts of cities, rather than in the central cities themselves, development is now consuming land at a rate twice that of population growth. An average of 2.3 million acres of land is being consumed annually, and a significant share of this is residential development on lots of one acre or more in fringe suburbs or smaller cities. Such growth is commonly known as “sprawl.”

Given the outward expansion of these new suburbs, it is not surprising that rural areas just beyond the edge of urban settlement have seen high growth. In metropolitan counties that were primarily rural in 1990, population rose by 20 percent from 1990-99--a much higher rate than that in any other type of county. Such areas are becoming low-density urban areas as farmland is converted to other uses. This process is not new, but contributes greatly to the average annual loss of 4.4 million acres of farmland since 1990, much of it in highly productive areas such as California's Central Valley or the Florida Peninsula.

Several economic explanations exist for this form of suburbanization. First, for many of these young, growing firms, urban areas may exhibit diseconomies that offset any benefits associated with the central city. The building stock in most central cities is old, and it may be costly to upgrade existing facilities to current technological standards. Although efforts are underway to deal with these problems, such as the President's Partnership to Advance Technology in Housing (PATH) which works with the building industry to develop provisions

that make building codes more receptive to rehabilitation, rents in revitalized or redeveloped urban areas may still be too expensive for new firms to afford to locate there. Similarly, the unintended consequences of environmental cleanup laws may also have discouraged reusing urban properties due to fear of cleanup liability.¹³⁷ Despite the more than \$2.3 billion in leveraged economic development occurring at brownfields through the national Brownfields Initiative,¹³⁸ designed to support the cleanup and reuse of sites where expansion or redevelopment is complicated by real or perceived environmental contamination.

For these reasons it may be more cost-effective to “start from scratch” in outlying areas. For example, firms in new “edge cities” may be more attractive to workers seeking to live near work and avoid the congestion and pollution of an urban area. Also, by locating near similar firms, firms can generate new externalities and benefit from shared resources. In the most well-known examples, firms in Silicon Valley, California; Cambridge, Massachusetts; and the Research Triangle of North Carolina benefit from access to pools of specialized high-tech labor.

Sprawl, defined as dispersed development beyond metro centers, often stretches along established highways and throughout rural areas. Identified by low-density residential and commercial settlements, sprawl often requires reliance on automobiles for transportation, including long-distance commutes. Jurisdiction over transportation routes and systems are often fragmented among different local and state governments, resulting in little coordinated influence on land use decisions. Facing such problems may require regional commissions concerned with the spillover effects that community decisions have on neighboring municipalities. Often, sprawling communities are divided by great fiscal disparities and distinctly zoned land uses.¹³⁹

Planners with an interest in regional growth may be better able to work with communities to accommodate new growth collaboratively.

Challenges of new growth.

The rapid economic growth of technology centers in edge cities and suburban areas provides benefits to local communities in terms of jobs and tax revenues. For example, between 1995 and 1999 sales tax revenues in the city of San Jose increased by 40 percent. However, this growth can also bring significant costs.¹⁴⁰ Many suburban communities are becoming increasingly congested and are in danger of losing the very attributes that make them attractive places to live and work. Increasing population strains public resources like schools and parks. Affordable housing is moving farther away from jobs, increasing average commuting distances. However, commuting is only one factor in increasing congestion. Four out of five household trips are now for non-commuting purposes, and distances between home, shopping, schools, recreation, etc. are increasing¹⁴¹. The resulting traffic problems, worsened by limited public transportation, often make driving difficult and time-consuming and increase the demand for new road construction; however, transit-oriented development can help.

Unplanned growth affects environmental quality,¹⁴² as evidenced by water quality, air quality, and land use patterns.¹⁴³ Increases in paved surfaces, including roads, buildings, and parking lots, can contribute to deterioration of water quality and an overall loss of greenspace. This loss of greenspace leads to less effective natural drainage, poorer water quality, and a dramatic increase in the potential for flooding in some areas. For example, residents along

California's Russian River experienced four major floods in 3 consecutive years. Hydrologists attribute such events in part to urbanization's effects on stream flow: downstream runoff into streams and rivers increases as impervious surfaces from development increase.¹⁴⁴ Impervious surfaces can be defined as any impenetrable material that prevents infiltration of water into the soil. Increased traffic not only affects commuting and quality of life, but also ambient air quality, as emissions can lead to elevated levels of ozone and particulate matter. While national air quality trends have improved over the last 10 years, as of September 1999, 121 metropolitan areas still did not meet the national standards for air pollutants. This pollution affects the health of residents, especially those in sensitive segments of the population. For example, incidence of pediatric asthma, aggravated by particulate matter, sulfur dioxide, and ozone, has increased 55 percent between 1982 and 1996.

Economic Dimensions and Solutions

One of the difficulties with ensuring appropriate development is that the costs and benefits of development are typically borne by different entities; decisions benefiting private individuals may have adverse public effects, but private decision makers are unlikely to weigh these social costs. For example, individuals may prefer homes on large private lots, distant from both city centers and major highways. However, these homes require new roads, more driving, and the installation of public utilities. If a large number of individuals chose to live in such homes, the negative externalities that the decision generates – increased traffic, air pollution, and impervious surfaces, and increased local property taxes – can outweigh the benefits individual

receive. The results of such decisions are evident in many areas of the country, and are particularly vivid in Atlanta Georgia, despite planning efforts to remedy them.

Atlanta, Georgia: Challenges to Smart Growth

Ranked by some as the nation's most sprawl-threatened large city, Atlanta continues to expand at a phenomenal pace. From 1980 to 1998 the Atlanta area's population grew almost 68 percent, with almost all of this growth occurring beyond the city limits. According to some studies, the Atlanta metropolitan area loses 500 acres of greenspace, forest, and farmland each week. This means that greenspace is disappearing to development faster than in any metropolitan area in history, and the city is suffering its consequences: water quality of the Chattahoochee River and Lake Allatoona is deteriorating, and air quality is in violation of clean air standards. Traffic congestion costs from lost time and wasted fuel are estimated at an overwhelming \$1.5 billion a year. With an average work commute by car of 37 minutes (which is estimated to stretch to 45 minutes in 20 years, given continued growth), Atlanta residents may enjoy new economy benefits, but are clearly suffering the resulting costs of seemingly boundless sprawl. Motorists in Atlanta lead the nation in miles driven per person per day, totaling over 100 million miles logged daily by its drivers.

The Atlanta Regional Commission (ARC) is attempting to limit and coordinate this expansive growth. To help this coalition of regional governments, the Georgia Regional Transportation Authority (GRTA) was created by the state government in 1999, with broad powers to manage transportation and air quality projects and land use in air pollution non-attainment areas, and

particularly Atlanta. Atlanta metro governments are opposing a perimeter highway proposal for the reason that it threatens urban investment and encourages further sprawl. The ARC, supported by the state government, is trying hard to provide and encourage alternatives to single-motorist car transportation. The ARC and GRTA are also seeking to encourage development that incorporates elements of smart growth by revitalizing older community and emerging activity centers to promote greater livability, introducing modal choices, and advocating increased mixtures of land uses and housing types¹⁴⁵.

However, the momentum of sprawl continues and Atlanta faces a serious challenge to channel future growth toward building sustainable, attractive communities.¹⁴⁶

The true economic cost of building a new home should include the costs of the associated externalities created by developers and homeowners, but quantifying these social and environmental burdens more difficult than identifying the private costs of development. There are, however, positive steps that can be taken in this direction. For instance, the additional tax revenue received from new development does not cover the installation of roads and water utilities and the provision of public services to new residents. If new development were required to bear the full cost of services, including infrastructure, the resulting pattern of development would be less like urban sprawl. Many governments have begun to assess impact fees on new construction so that the financial burdens of infrastructure and public service provision are included in development decisions.

Communities are beginning to use other kinds of economic incentives¹⁴⁷ to achieve outcomes more consistent with smart growth. For example, some communities, such as South

Bend, Washington, have imposed fees on impervious surface area to encourage development with less detrimental effects on water quality and flooding potential. Other communities are using road pricing to improve traffic patterns. San Diego charges solo drivers in the express lanes of I-15 higher prices during congested times than during off-peak hours. The use of electronic transponder technology to identify motorists and collect tolls makes this system possible without the significant slowdowns caused by toll collection plazas. Other communities use transferable development rights to provide incentives for maintaining land in agriculture and other uses that maintain open space and provide ecological benefits.

The Clinton-Gore Administration's 30-point Livable Communities Initiative¹⁴⁸ is encouraging "smart growth." It sets forth several principles to align Federal policy efforts with smart growth priorities, and to encourage greater planning and coordination over larger regions to resolve existing negative externalities. The Livable Communities Initiative seeks to sustain prosperity, expand economic opportunity, enhance the quality of life, and build a stronger sense of community. Dedicating funds for regional smart growth efforts, including Better America Bonds for state, local, and tribal governments; the initiative aims to preserve green spaces, ease traffic congestion, restore senses of community, promote collaboration among neighboring municipalities through regional governance, and enhance economic competitiveness. In addition, such smart growth efforts attempt to counter various socially undesirable effects of sprawl: racial segregation, concentrated poverty, decreased personal interaction, and a less active civil society. Initiatives on the state and local levels are beginning to have real impacts on communities. Examples of such progress are found in the State of Maryland¹⁴⁹ and the City of Chattanooga, Tennessee.¹⁵⁰

Examples of Smart Growth

Many governments are making significant efforts to encourage smart growth. For example, Maryland has established the following goals in its smart growth program: to preserve its most valuable remaining natural resources, to support existing communities and neighborhoods by targeting state resources to development in areas where the infrastructure is already in place, and to save taxpayer dollars by avoiding the unnecessary cost of building the infrastructure required to support sprawl. The program also ensures that the State will regularly evaluate the program's effectiveness. Earning Federal grant money, reprioritizing within the state budget, and designing financial incentives for businesses, local governments, and homeowners, the State has been able to leverage funds necessary to emerge as a leader in the smart growth community, while preserving local decision-making authority.

Similarly, the smart growth success of Chattanooga, Tennessee, affirms the conviction that Americans can enjoy both economic prosperity and a high quality of life. Chattanooga's economy had historically been based on iron foundries, textile mills, and chemical plants, which were not providing the growth and employment the city required. However, through thoughtful economic development efforts, Chattanooga has become a model for other cities seeking environmentally sound urban renewal. Through extensive grants from private foundations, along with Federal and local public funds, Chattanooga has relied upon successful public-private partnerships throughout their visionary redevelopment process. The city now prides itself as a

“laboratory” for sustainable development projects involving rezoning, reclamation, revitalization, and redevelopment. Illustrating how older cities can thrive in the new economy, Chattanooga boasts a 22-mile “Riverwalk” with picnic areas, the world’s largest freshwater aquarium, a sculpture garden, waterfront housing developments, an electric-bus public transit system, footbridges, and an arts district.

Many of the areas of new and rapid growth are characterized by the combination of an educated workforce that places emphasis on the quality of life, and favorable economic conditions. Therefore, they have both the constituency to demand change, and the resources necessary to implement it. There is evidence that business and community leaders are already recognizing the costs and impacts of sprawl and acting to mitigate the negative effects. In areas such as the Washington, DC Beltway, Boston, San Francisco, and Seattle, leaders are acting to improve land use and transportation decisions and enhance environmental quality. The success of these endeavors will depend on the ability of these communities to make hard choices and find creative solutions to the challenges of urban sprawl.

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¹³⁸ EPA comments

¹³⁹ Planning Commissioners Journal transportation rsch conference's "Sprawl Guide"

¹⁴⁰ Center for Agriculture in the Environment. 1999. "Living on the Edge: The Costs and Risks of Scatter Development. Also Snyder & Bird's "Paying the Costs of Sprawl: Using Fair-Share Costing to Control Sprawl."

¹⁴¹ WH Task Force on Livable Communities

¹⁴² Ross C. DeVol. 1999. America's High Technology Economy: Growth, Development, and Risks for Metropolitan Areas. Milken Institute.

¹⁴³ Smart and dumb growth cycles from RochesterEnvironment.com

¹⁴⁴ Albion Monitor

¹⁴⁵ DoT comments

¹⁴⁶ Source: Sierra Club's 1998 Sprawl report, Atlanta Regional Commission, Turner Foundation, CNN review of NALGEP study, Demographia, US News, WRAL

¹⁴⁷ Congestion, etc. paper

¹⁴⁸ Administration report, Center for Neighborhood Technology's Strategies for Livable Communities, and Congress for the New Urbanism

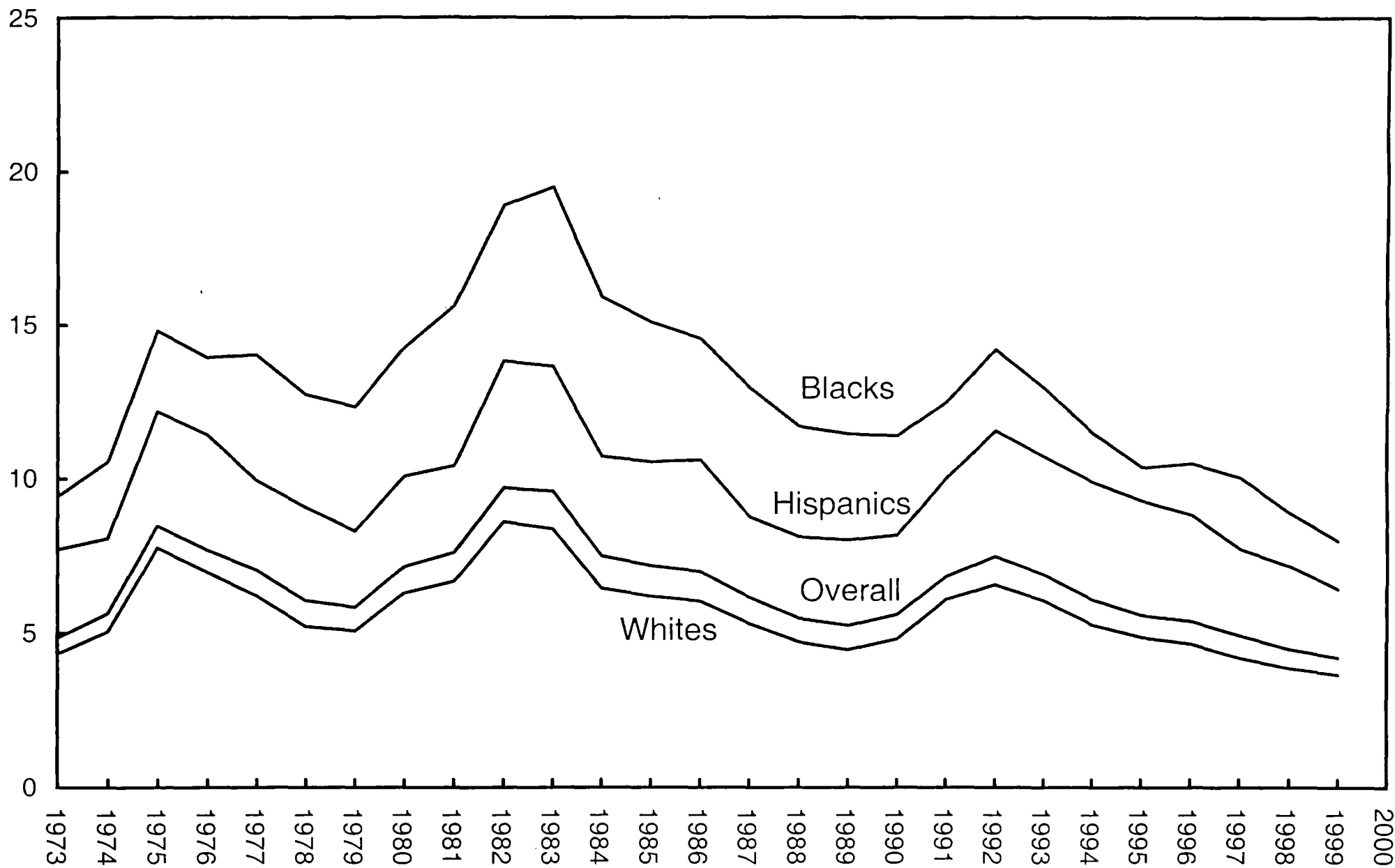
¹⁴⁹ Maryland data (state site, etc.)

¹⁵⁰ Chattanooga data (Chamber of Commerce, city site, etc.) and interview with mayor's COS

Chart 5-x **Unemployment Rate by Race, 1975-2000**

Everyone is finding jobs now. The Black unemployment rate is the lowest it has ever been.

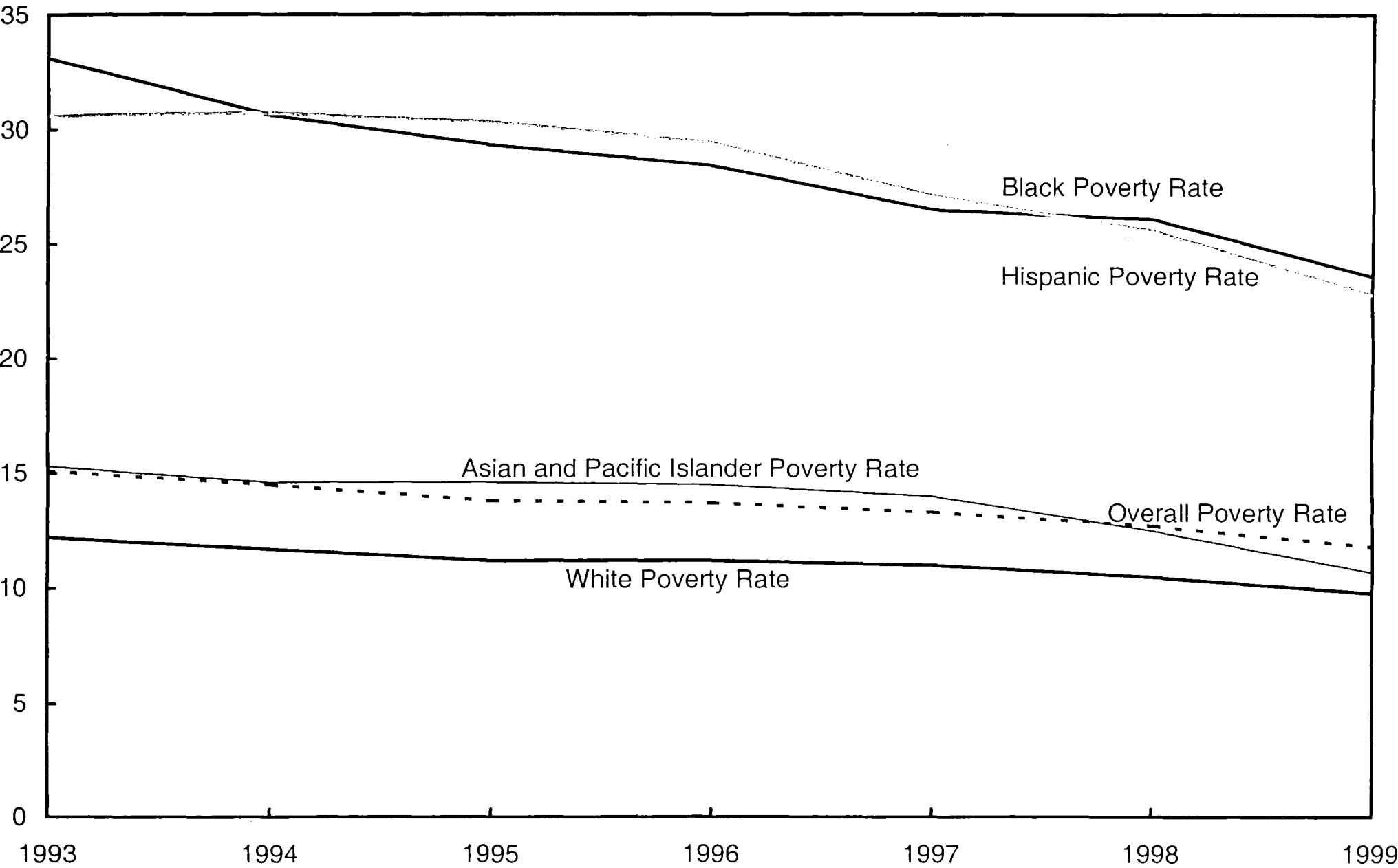
Percent of Labor Force Unemployed



Source: Department of Labor (Bureau of Labor Statistics)

Chart 5-x **Poverty Rates by Race, 1993-1999**
Fewer people are poor now. Poverty reductions have been most dramatic for Blacks.

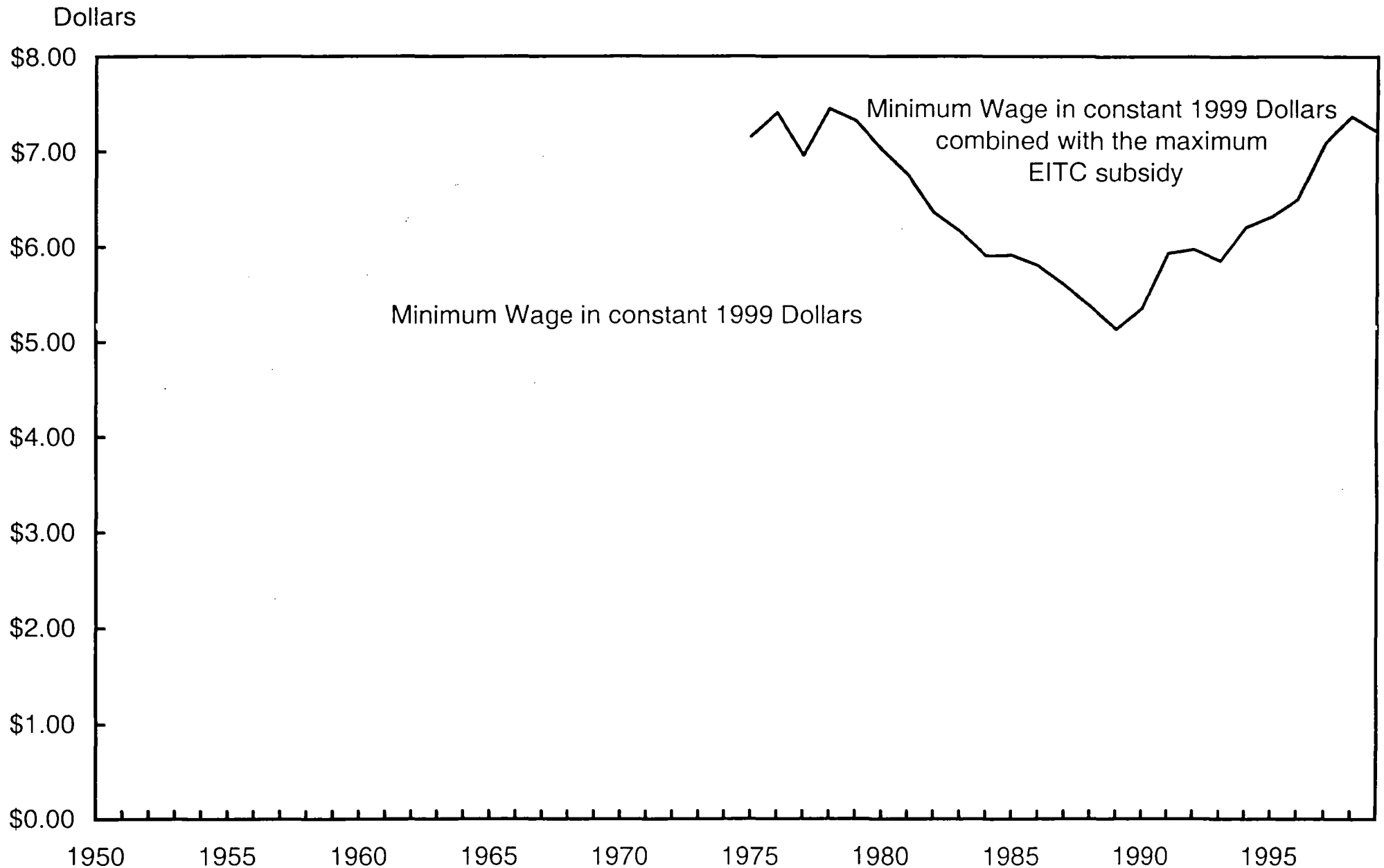
Percent of Population in Poverty



Source: Department of Commerce (Census Bureau)

Chart 5-x The Minimum Wage over time, combined with the EITC

The Minimum Wage is nearly as high as it has ever been, when combined with the maximum EITC subsidy (for people with 2 or more qualifying children).

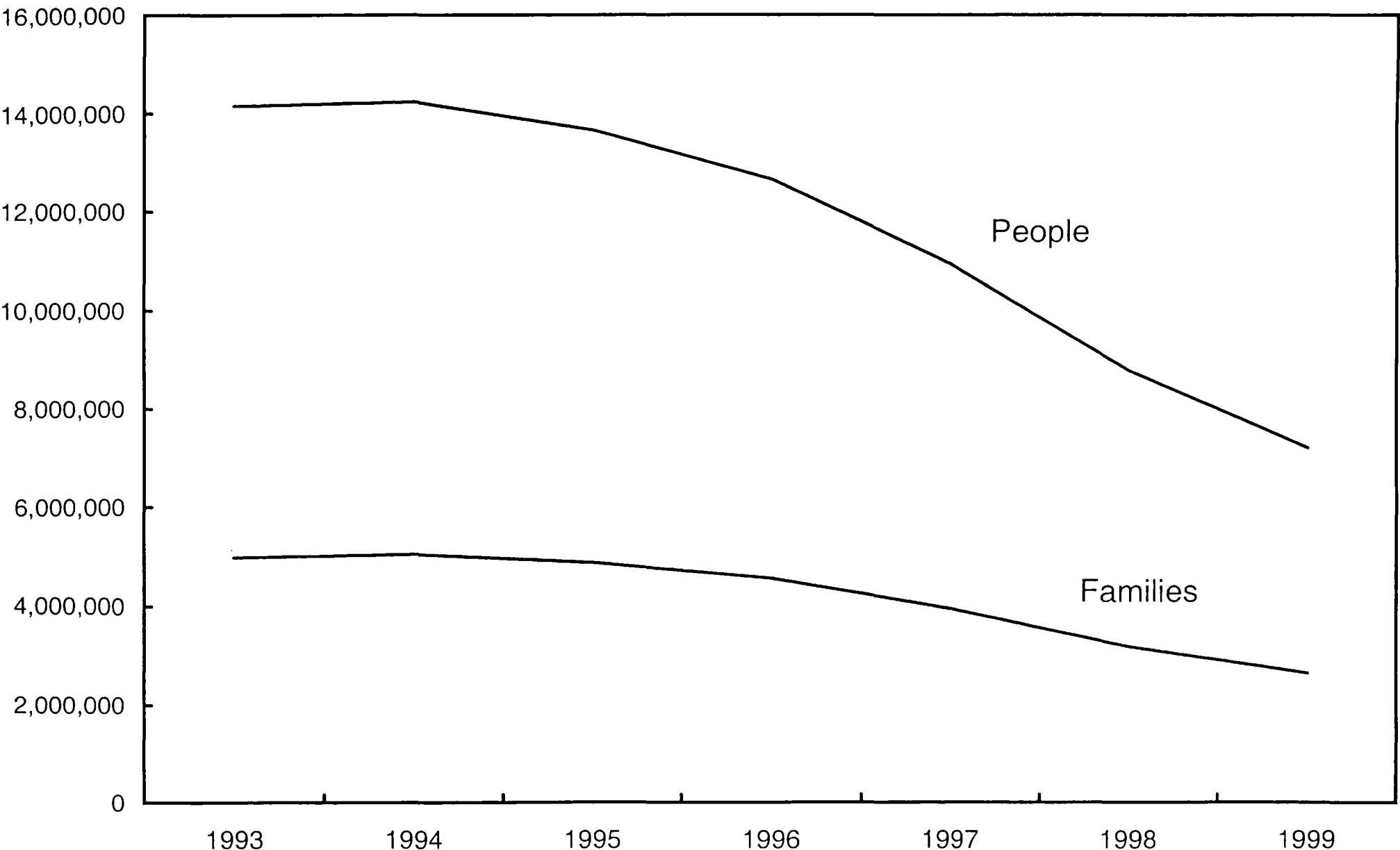


Source: Joint Committee on Taxation

Chart 5-x AFDC and TANF Recipients, 1993-1999

The number of total families and people receiving AFDC/TANF has been dropping rapidly.

Number of families/recipients

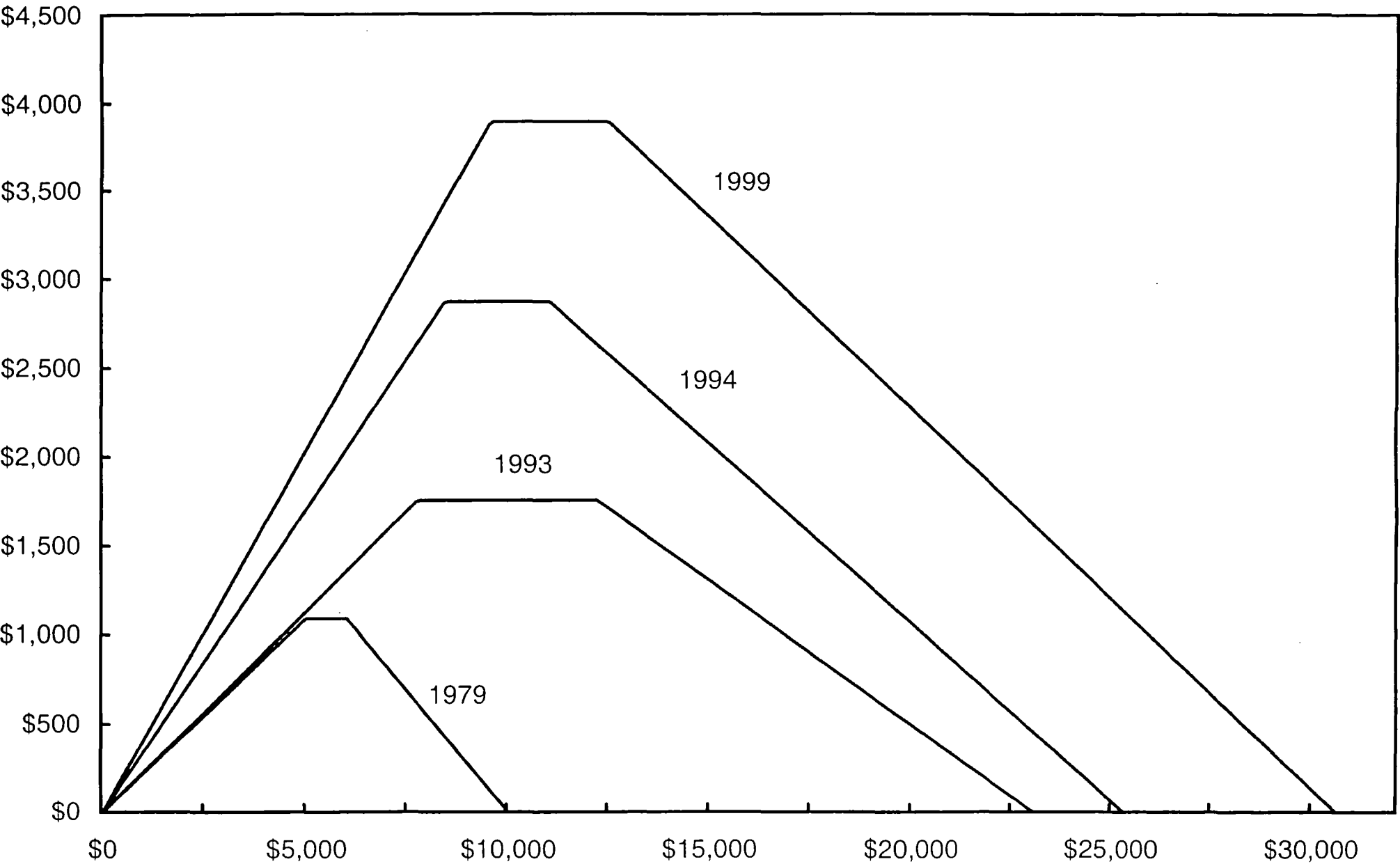


Source: Department of Health and Human Services

Chart 5-x **Maximum EITC Benefit by Current-Year Earnings, Selected Years**

The EITC has expanded over time, especially in this administration.

Benefit Level for a family with two eligible children, in constant dollars



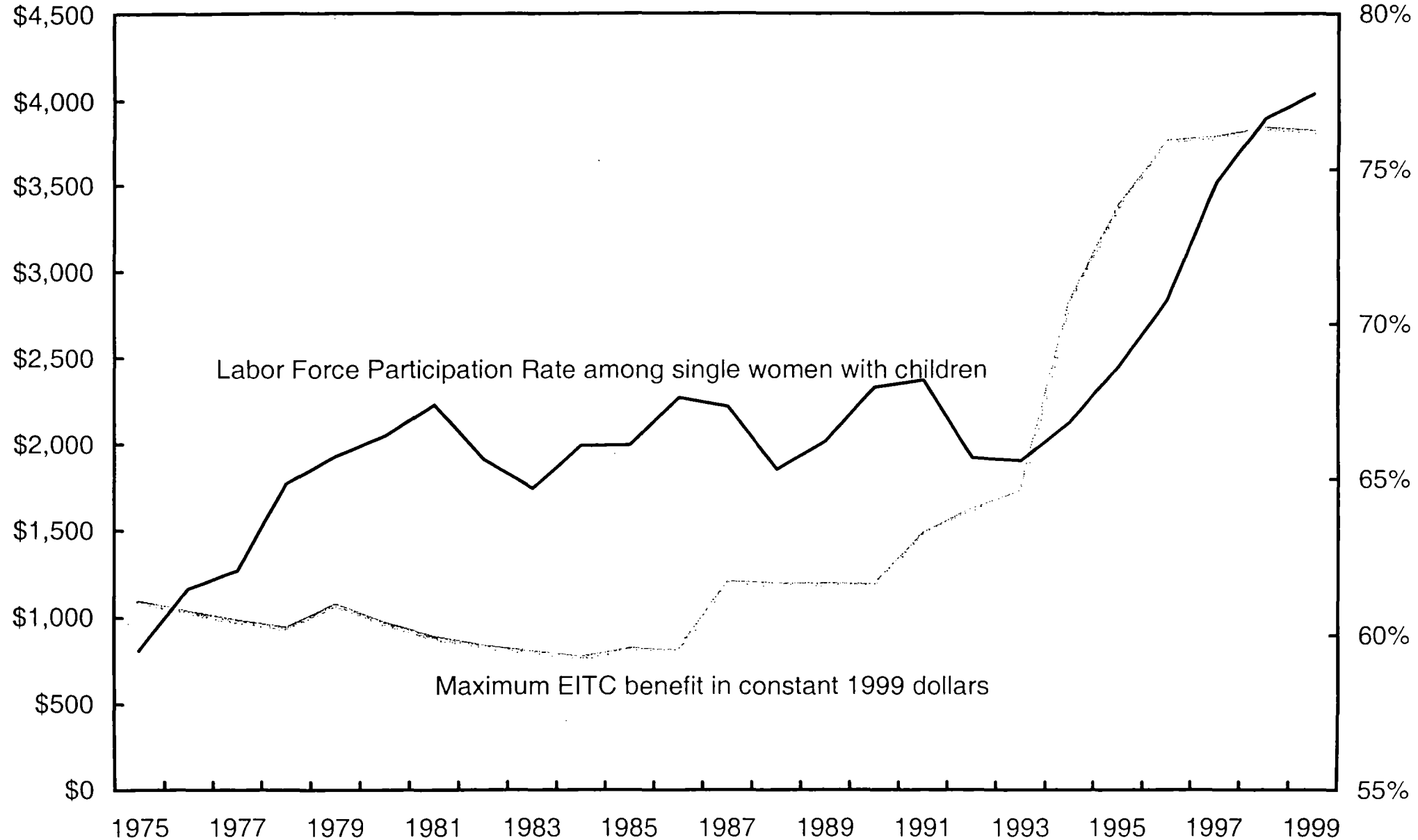
Earnings, in current-year dollars
Source: Joint Committee on Taxation

Chart 5-x Maximum EITC Benefits and the Labor-Force Participation of Single Mothers

The leap in the labor force participation of single women with children closely followed the increase in the Maximum EITC benefit.

Maximum EITC Benefit in 1999 dollars

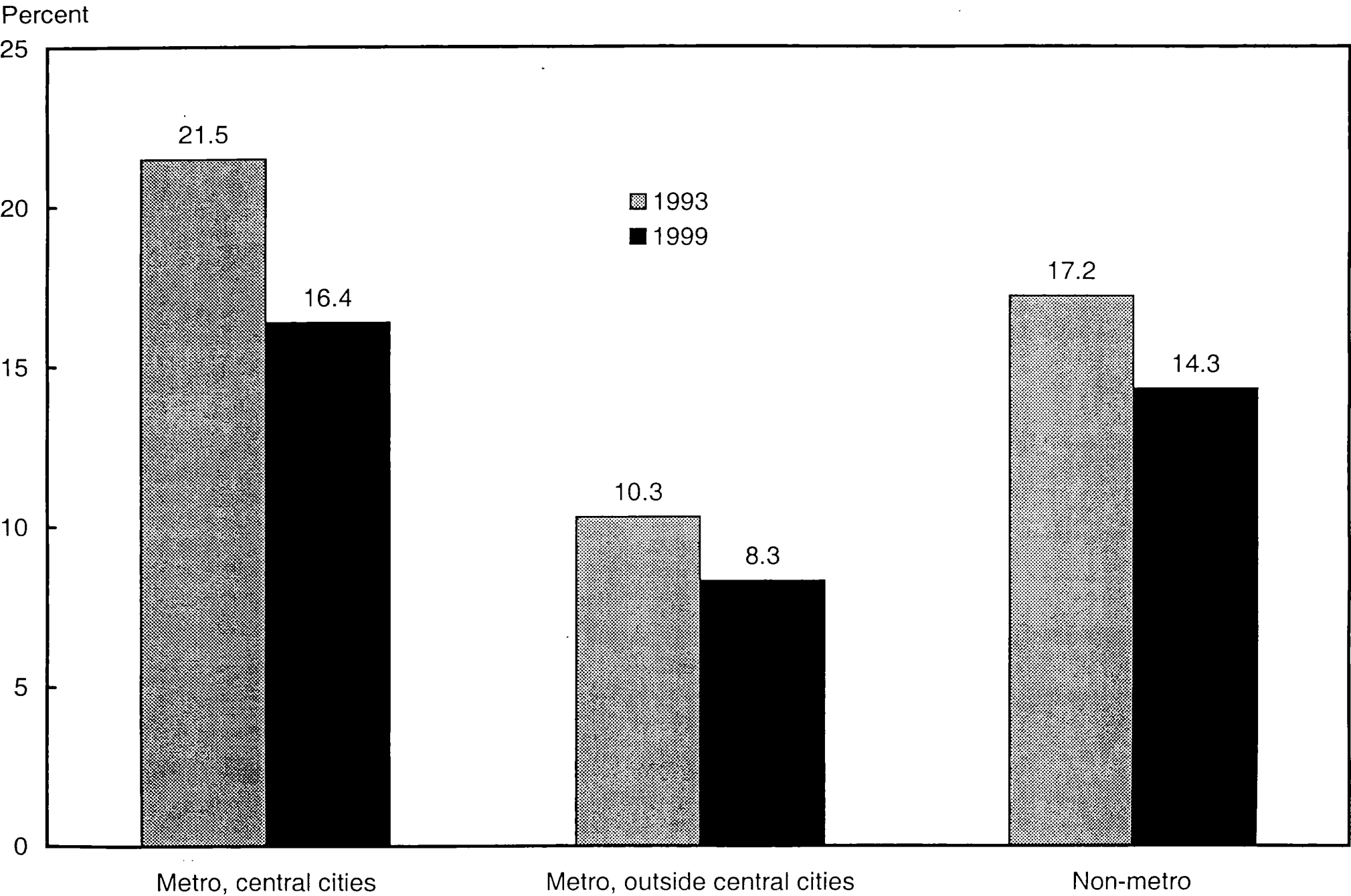
Percent of single mothers in the labor force



Sources: Department of Labor (Bureau of Labor Statistics), Joint Committee on Taxation

Chart 5-x Poverty Rates, by Type of Area, 1993 and 1999

The decline in poverty rates has been especially dramatic in Central City areas.

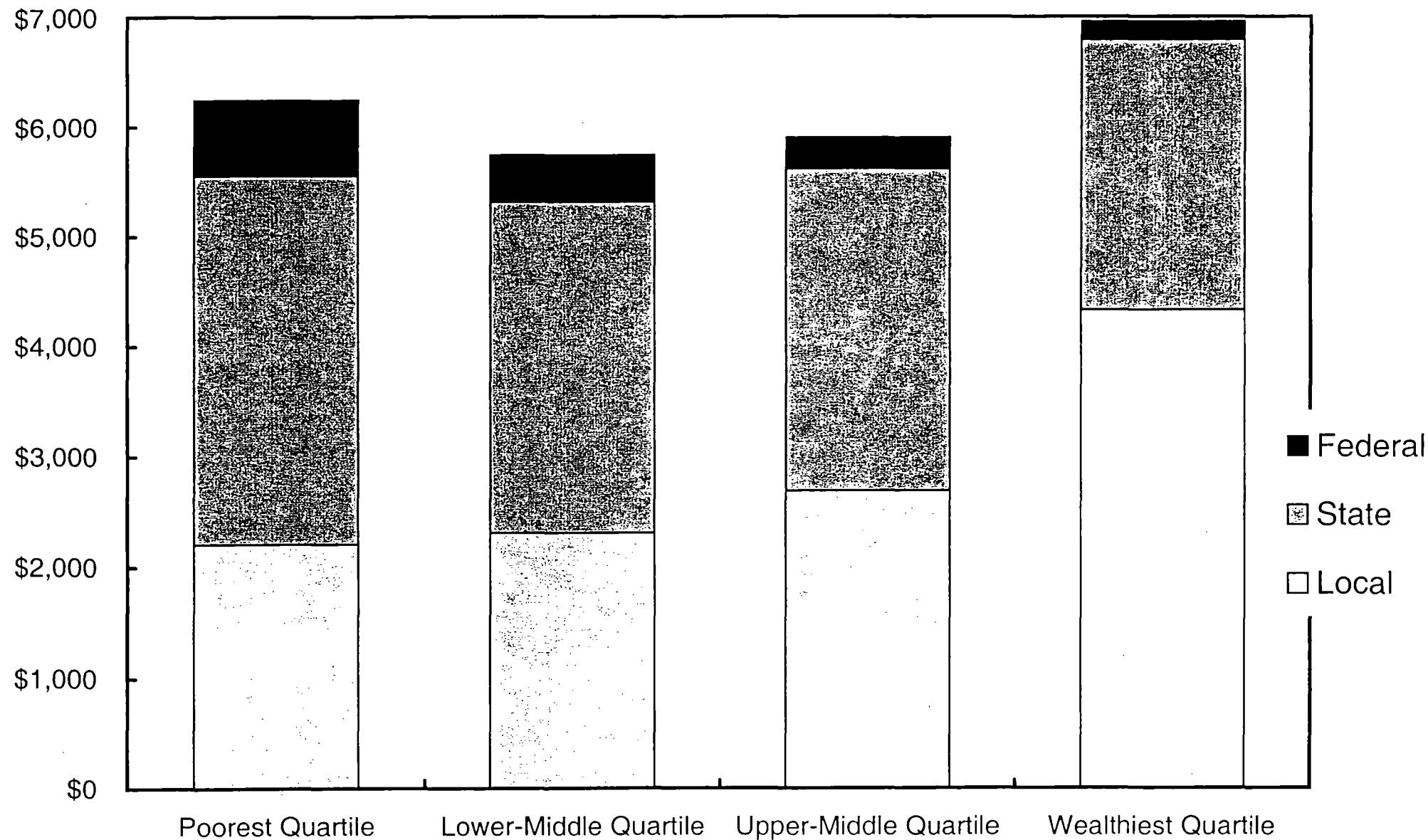


Source: Commerce Department (Census Bureau)

Chart 5-x **Revenues per pupil by school district poverty quartile, 1994-1995**

Rich school districts get money from local governments. Poor school districts rely more on state and federal government money.

Revenue per pupil

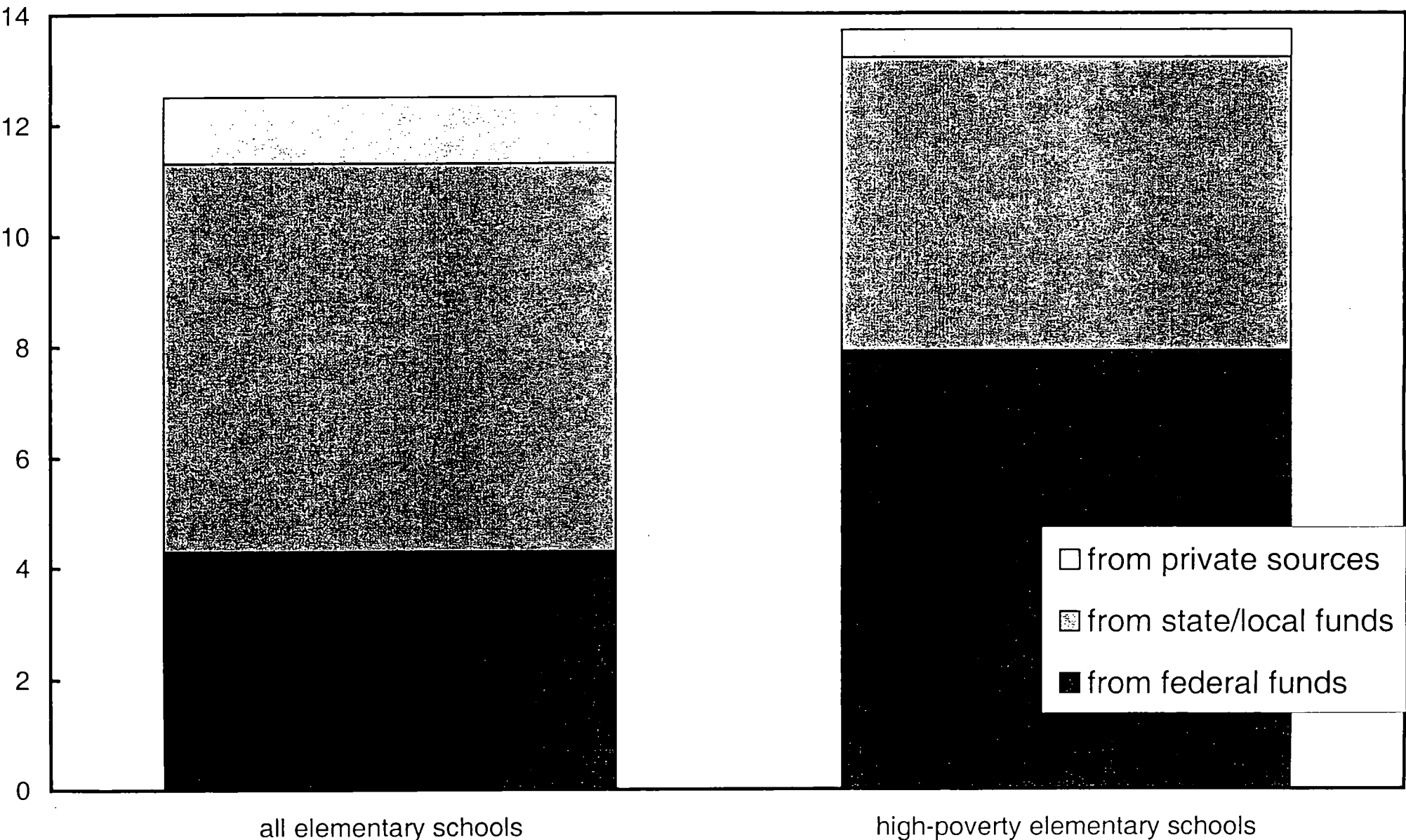


Source: Education Department

Chart 5-x Number of New Computers Received by Elementary Schools in 1997-98

High-poverty elementary schools get fewer computers from private sources. They get more computers from the federal government.

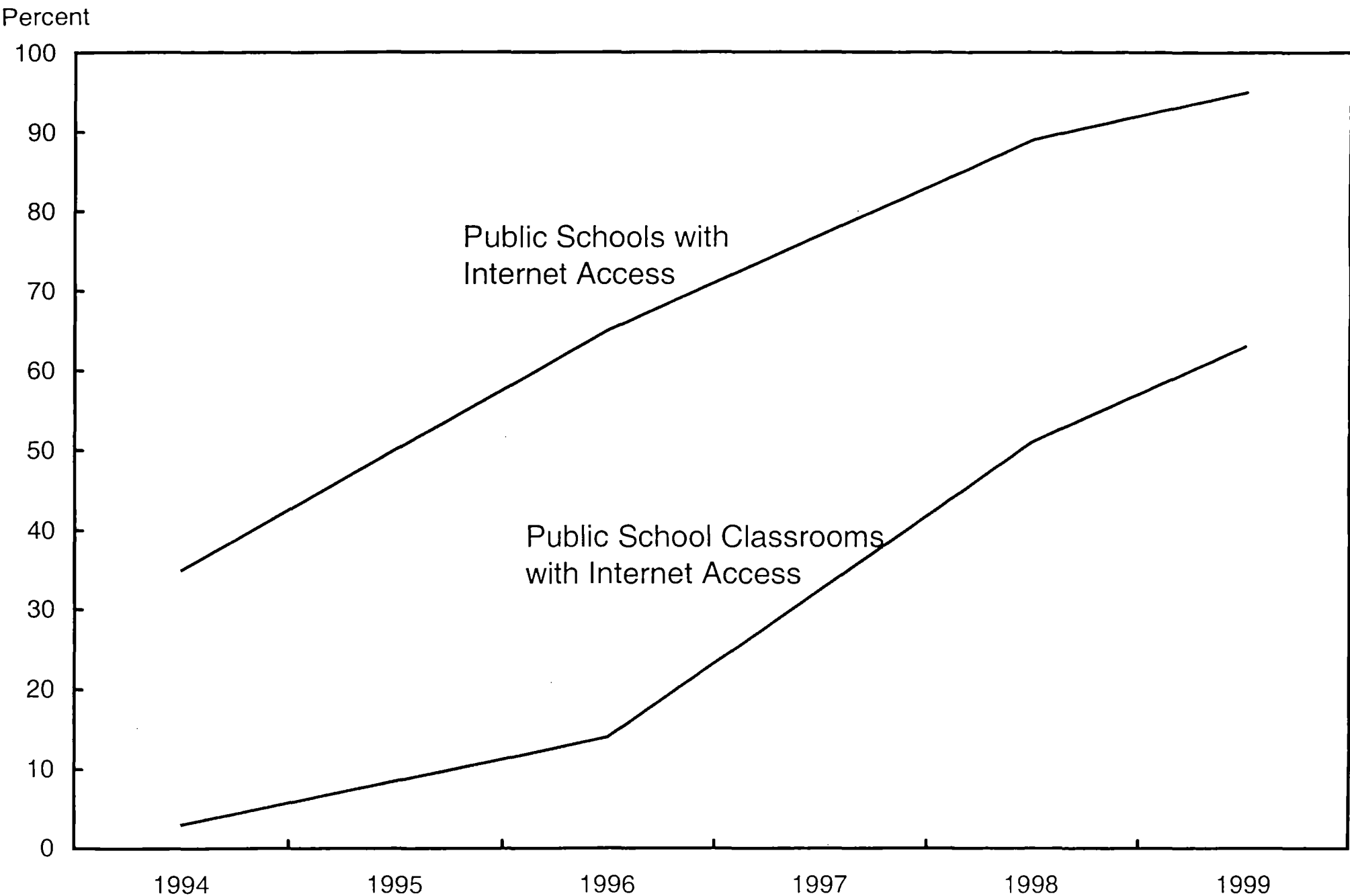
Number of Computers per school of 500 students



Source: Education Department

Chart 5-x **Internet Access in US Public Schools, 1994-1999**

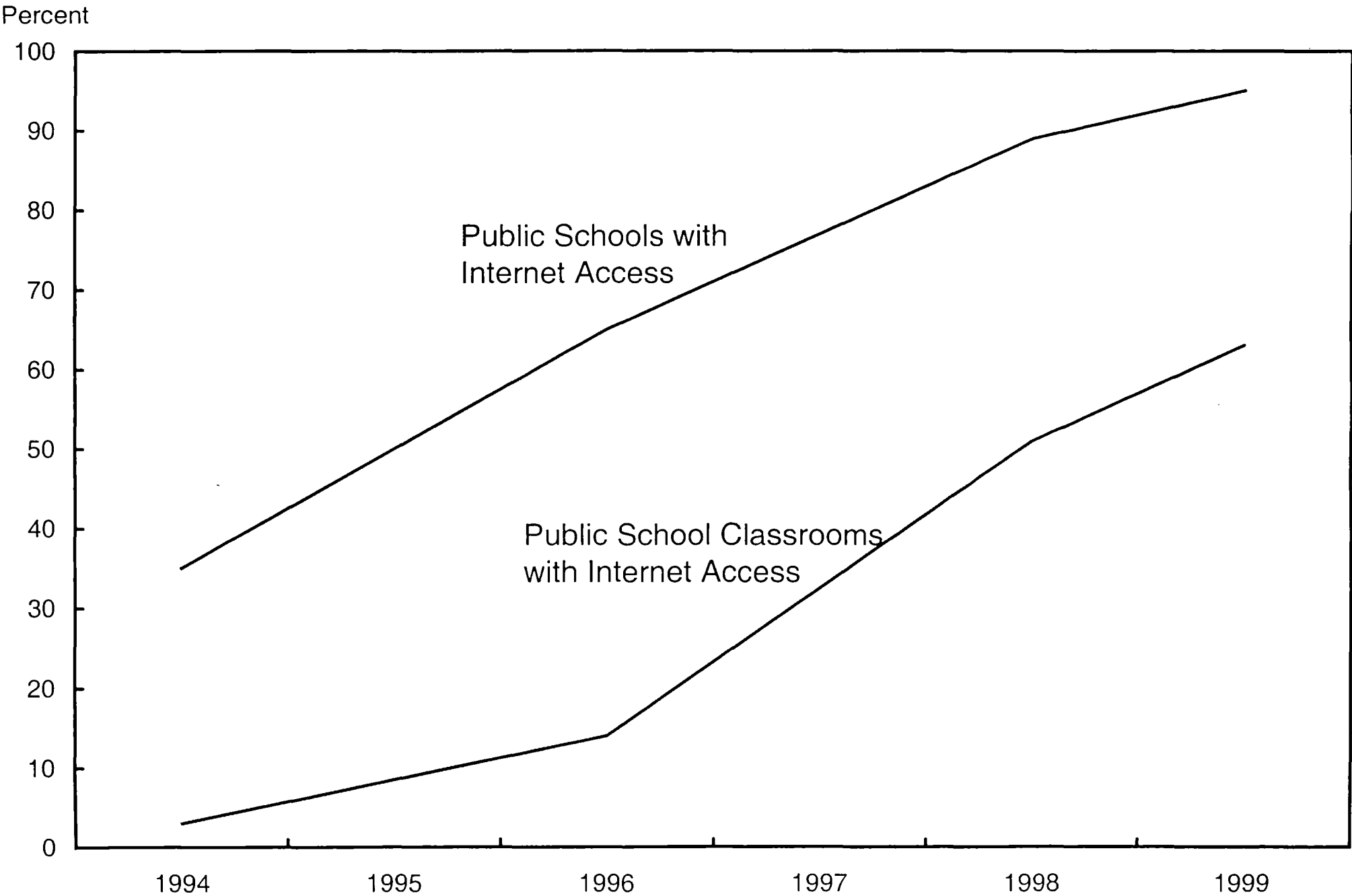
Access to the internet has been growing in schools.



Source: National Center for Education Statistics

Chart 5-x Internet Access in US Public Schools, 1994-1999

Access to the internet has been growing in schools.

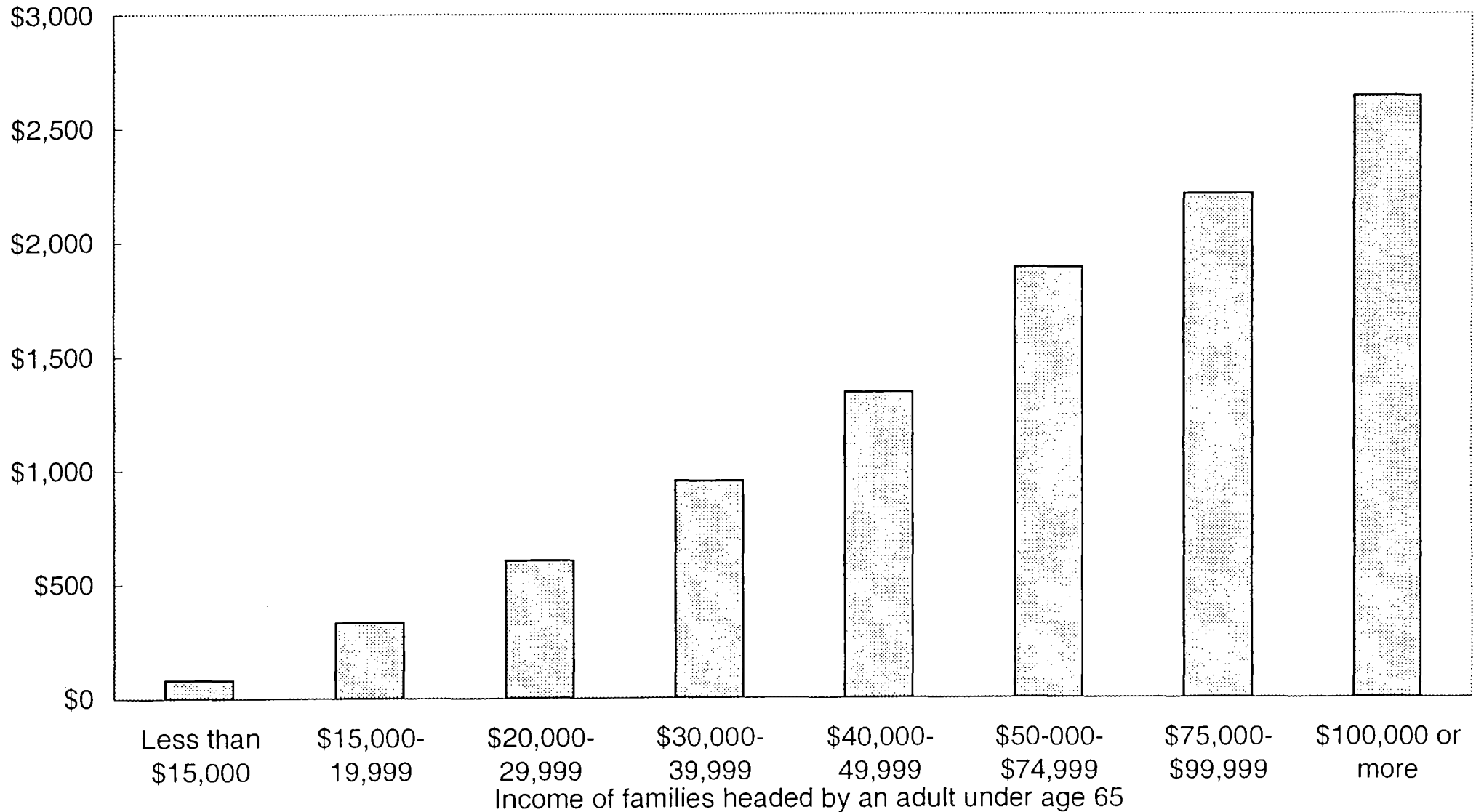


Source: Education Department (National Center for Education Statistics)

Chart X. Average Federal Tax Benefit from Health Insurance Exemption, 2000

Wealthier people benefit more from health provisions in the Federal Tax Code.

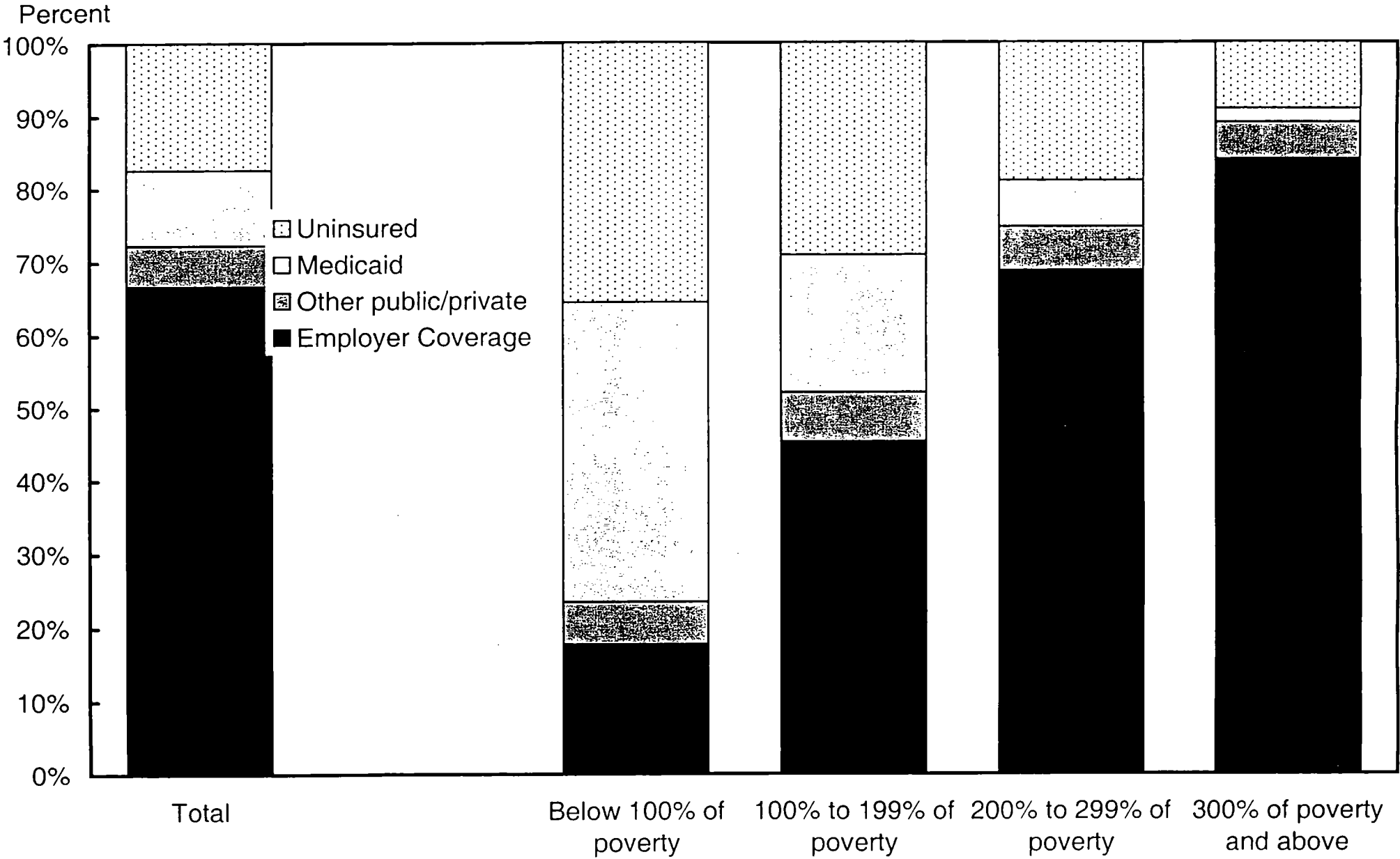
Dollars per family



Note: Calculations incorporate likelihood of receiving employer-provided health benefits and the value of the tax benefit of employer-provided health insurance

Source: John Sheils, Paul Hogan and Randall Haught, "Health Insurance and Taxes: The Impact of Proposed Changes in Current Federal Policy," October 1999, The Lewin Group, Inc.

Chart 5-x Health Insurance Coverage of Non-elderly People by Family Income, 1999
Rich people get Health Insurance through their jobs. Poor people get Health Insurance from the government, or not at all.



Source: Commerce Department (Census Bureau)