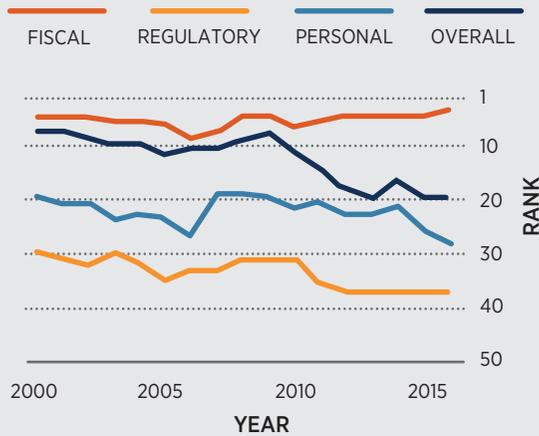


PENNSYLVANIA

2016 RANK
20th



POLICY RECOMMENDATIONS

- **Fiscal:** Reduce spending, especially on parking lots, public buildings, and employee retirement benefits, which are high by national standards. Reduce numerous minor taxes that are relatively high by national standards.
- **Regulatory:** Improve the civil liability system by abolishing punitive damages and joint and several liability, and by ending partisan elections to the state supreme court.
- **Personal:** Privatize and break up the state liquor monopoly.



Population, 2017
12,805,537

Net Migration Rate
-2.0%



State Taxes, Percent of Personal Income, FY 2017
5.30%

Local Taxes, Percent of Personal Income, FY 2015
4.52%

Partisan Lean, 2016
R +0.8



Real Per Capita Personal Income, 2016, in 2009 \$
\$46,672

Real Personal Income Growth, CAGR, 2000-15
2.0%

ANALYSIS

The Keystone State is freer than all its neighbors, but it has declined relative to the rest of the country since the late 2000s.

Fiscal policy is the dimension where Pennsylvania has done best. Pennsylvania's tax burden is about average, but the state is a bit more fiscally decentralized than average, with local governments making up a larger share of the total tax take. The tax burden has declined slightly since 2000. Pennsylvanians have ample choice of local government, with more than 4.4 effective competing jurisdictions per 100 square miles. State and local debt is higher than average (and financial assets lower), but public employment is much lower than average (9.4 percent of the private workforce), and so is government GDP (8.5 percent of adjusted income).

Pennsylvania fell quite a bit on regulatory policy in 2011, but it has improved slightly since then, if we ignore the federal health law. It does reasonably well on land-use freedom, especially for a northeastern state, a fact that economist William Fischel attributes to the state supreme court's willingness to strike down minimum lot sizes and other zoning regulations that have exclusionary intent.¹²⁵ However, our data show slight deterioration on the zoning measures since 2006. The state is not as bad as most other northeastern states on labor-market regulation, but it lacks a right-to-work law, and a new anti-discrimination law was enacted in the 2015-16 session. Pennsylvania has banned managed care health coverage since the 1990s. By most measures, occupational licensing is not very extensive in Pennsylvania, but nurses

enjoy little practice freedom. Insurance freedom is low, with "prior approval" of homeowner's insurance rates and rating classification prohibitions. In 2016, personal automobile insurance rates were slightly liberalized. The state has a general sales-below-cost law and an anti-price-gouging law. The civil liability system is much worse than the national average. The state has partisan judicial elections and has made only timid efforts at tort reform.

Pennsylvania's criminal justice policy has worsened over time, at least as measured by crime-adjusted incarceration rates. Nonviolent victimless crime arrests are down since 2004, however. Civil asset forfeiture is mostly unreformed. Pennsylvania finally enacted a modest medical marijuana law in the 2015-16 session but has not decriminalized low-level possession. Gun rights are much better respected than in many other states, with carry licenses affordable and not terribly restricted, all Class III weapons legal, and a right to defend oneself in public, legally recognized in 2011. Since legalizing casinos in 2007, Pennsylvania has risen to become one of the best states in the country for gambling liberty (except for home poker games). On the other hand, Pennsylvania is one of the worst states for alcohol freedom. A notoriously inefficient state bureaucracy monopolizes wine and spirits. Wine mark-ups are especially high, and even beer is prohibited in grocery stores. However, direct wine shipments were legalized in 2016. On education, Pennsylvania has a long-standing, liberal tax credit scholarship program, but private schools and homeschools are tightly regulated. Smoking bans have gone far but are not total.

125. William A. Fischel, *The Homevoter Hypothesis: How Home Values Influence Local Government Taxation, School Finance, and Land-Use Policies* (Cambridge, MA: Harvard University Press, 2001), p. 282.