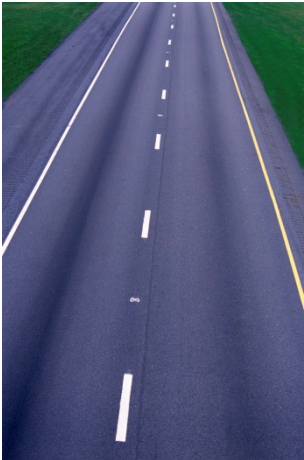


The **INSTITUTE** for
Public Policy & Economic Development

*A partnership among Keystone College, King's College, Luzerne County Community College,
Marywood University, Misericordia University, Penn State Wilkes-Barre,
The Commonwealth Medical College, University of Scranton, & Wilkes University*

2012 Task Force Reports

May 2012



Indicators 2012 is dedicated to
Tim Gilmour, Ph.D. creator and Chairman and to
William B. Sordoni III, founding member and Vice Chairman

Thank you for everything!

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Agenda

8:00 am Registration

8:35 am Welcome – Teri Ooms, The Institute

Opening Remarks – Tim Gilmour, Ph.D., Chairman The Institute and
President & CEO, Wilkes University

8:45 am Indicators 2012 – Sherry Tracewski and
Teri Ooms, The Institute

9:30 am Task Force Chair Presentations – Moderator Bobby Soper, President
& CEO of Mohegan Sun Casino

Bill Sordoni – Energy

Karen Murphy – Health & Health Care

Charles Kasko – Housing

Tim Gilmour, Ph.D. – Education & Workforce Development

Tom Lawson – Planning, Land Use, Transportation & Infrastructure

Moderated Q&A

11:15 am Closing Remarks – Teri Ooms

2012 Indicators Report & Forum

Speakers' Biographies

(in order of presentation)

Dr. Joseph E. (Tim) Gilmour

Dr. Joseph E. (Tim) Gilmour became President of Wilkes University June 1, 2001. Dr. Gilmour has over 35 years of experience in senior administrative positions in higher education. He served as Provost at Northwest Missouri State University from 1995-2001, Vice President for Strategic Planning at Georgia Tech from 1989 to 1995, and in senior administrative positions at the University of Maryland, The Washington State Council of College and University Presidents, and the Pennsylvania State University. Dr. Gilmour received his Ph.D. in higher education from the University of Michigan and an M.Ed. in student personnel and a B.A in history from the University of Delaware.

Robert J. Soper

Since January 2005, Robert J. Soper (“Bobby”) has served as the President of Mohegan Sun at Pocono Downs, a harness racetrack, casino and entertainment complex in Plains, PA. Prior to his current position, he served as a Senior Vice President and Chief Legal Officer at Mohegan Sun in Uncasville, Connecticut where he managed various divisions within the company and participated in the opening of the \$1 billion dollar expansion of Mohegan Sun. Bobby serves on various non-profit Boards, including the Scranton Chamber of Commerce, Wilkes-Barre Chamber of Commerce, Misericordia University and United Way of Wyoming Valley.

William E. Sordoni

William E. Sordoni is the President of Sordoni Construction Services, Inc. In this capacity he is responsible for all aspects of the business including business development, operations and management. Prior to joining Sordoni, Bill worked with Accenture in New York, NY and Philadelphia, PA as a management consultant, and for Saucon Technologies in Bethlehem, PA as the Director of Business Development. Bill holds a Bachelor of Science degree in Business Administration from Susquehanna University. Bill serves as a board member for Susquehanna University, the Greater Wilkes-Barre Chamber of Business and Industry, the Greater Wilkes-Barre Chamber Industrial Fund, the Sordoni Foundation, Hunters Sharing the Harvest, the United Way of Wyoming Valley, the Greater Scranton Chamber of Commerce, and the King’s College Family Business Forum.

Speakers' Biographies

Continued

Karen M. Murphy, Ph.D.

Karen M. Murphy, Ph.D., currently serves as the Interim President & CEO of The Moses Taylor Foundation. Dr. Murphy began her career as a registered nurse at Moses Taylor Hospital. Holding multiple positions at the hospital, she was appointed President and CEO of The Moses Taylor Health Care System in October, 2009. She was also the founder and CEO of Physicians' Health Alliance, a multi-specialty physicians' group. Dr. Murphy earned a Doctor of Philosophy in Business Administration from Temple University's Fox School of Business, with a concentration in Risk, Insurance and Healthcare Management. In addition, she received a Master of Business Administration from Marywood University and a Bachelor of Science from the University of Scranton.

Charles L. Kasko

After a tour in the United States Marine Corp, Charles Kasko became involved in the home building industry where he has spent the last 25 years. He currently is the Vice President of business development for Signature Building Systems of PA, LLC in Moosic, PA. Signature Building Systems is a modular home manufacturer that produces single and multi-family housing that is sold through a network of independent builders in nine states throughout the northeast. Charlie is involved in all aspects of sales, marketing, contract negotiations and management for the company.

Thomas E. Lawson

Thomas E. Lawson, is a registered Professional Engineer in five states and a registered Land Surveyor in Pennsylvania. He is currently Vice President of Borton-Lawson, a 200 person multi-discipline Architectural / Engineering firm with five offices in Pennsylvania and one in Canton, Ohio. A graduate of Penn State University with a Bachelor of Science Degree in Civil Engineering, he has served on the boards of many professional and community organizations including the Professional Engineering Society, the American Society of Highway Engineers, the Pennsylvania Highway Information Association, Associated Pennsylvania Constructors; the Metropolitan Planning Organization for Luzerne and Lackawanna Counties; the American Consulting Engineers Council; and the American Society of Civil Engineers.

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About The Energy Task Force

Mission

To convene community resources to strategically plan and promote the sustainable economic development of regional natural gas resources across business, education, political and community stakeholders.

Strategic Priorities

Convene and Facilitate – Conduct meetings with stakeholders from the natural gas industry as needed for information sharing, issue identification, policy implications, consensus, and research outcomes.

- Roundtable – Industry leaders, MSC representatives and The Institute’s Energy Task Force. Discuss opportunities, issues, and expectations
- Business Expo, Supply Chain and Education events - Coordinate or find regional partners to conduct events as needed based on feedback from the roundtable.

Research - Prepare a regional strategic economic development plan to harness the economic opportunity generated by the natural gas industry for the benefit of businesses in Lackawanna and Luzerne Counties.

Prepare other research as needed.

Task Force Members

Bill Sordoni, President Sordoni Construction—Chair

Dave Capitano, Managing Partner Parente Beard

Jody Cordaro, President SCE Environmental Group, Inc.

Frank Joanlanne, President Borton Lawson

Scott Lynett, CEO The Times Shamrock Companies and Publisher The Scranton Times

Bobby Soper, President Mohegan Sun Casino

Bob Stoyko, Vice President Northern Region UGI Utilities, Inc.

About The Jobs, Economy and Economic Development (JEED) Task Force

Mission

To improve the quality of life and standard of living for the residents of northeastern Pennsylvania through Pre-K-20+ educators and workforce development professionals partnering with business to create seamless, high quality NEPA education system.

Purpose 2010 - 2012

The task force is comprised of diverse groups of professionals to convene and participate in creating strategies, plans, policy solutions based on evidence, and best practices that have the potential to positively influence local and statewide economies and economic development in order to increase jobs, attract talent, and develop a more sustainable economic environment.

Task Force Members

Robert Luciani, Vice President Prudential Retirement Services - Chair

Fran Calpin, Senior Director Keystone College

John Cognetti, President & Broker of Record, Hinerfeld Realty

Vito Forlenza, Ph.D. Director, Regional Education Labs

Nancy Perri, Center Services Manager, Carbondale Technology Transfer Center

Income Tax Policy Statement

Introduction

The Institute for Public Policy & Economic Development has created a policy statement to focus on the economic impacts of corporate tax loopholes in Pennsylvania. The Commonwealth faces budget shortfalls that threaten funding to social services, education, and health care. Local municipalities are struggling to provide basic services and residents' cost of living has increased faster than income. An effective means of stabilizing revenue is preventing the use of legal loopholes to avoid taxation. This policy statement will present the issue of tax loopholes and possible means of addressing corporate tax law weaknesses.

Findings

Net Corporate Tax in Pennsylvania

According to the Pennsylvania Department of Revenue:

Domestic and foreign corporations are subject to the corporate net income tax for the privilege of doing business; carrying on activities; having capital or property employed or used in Pennsylvania; or owning property in Pennsylvania.

This tax is levied at the rate of 9.99 percent on federal taxable income, without the federal net operating loss deduction and special deductions, and modified by certain additions and subtractions.

Entities exempt from the corporate net income tax include certain qualifying:

- not-for-profit organizations
- homeowners' associations
- membership organizations
- agricultural cooperatives
- business trusts
- non-PA companies that limit business activity to solicitation of sales of tangible personal property in PA

Further, corporations subject to bank and trust companies shares tax, gross premiums tax, mutual thrift tax and title insurance company shares tax are exempt from corporate net income tax.

Any entity classified as a corporation for federal income tax purposes is considered a corporation in Pennsylvania.

Three loopholes present in the Pennsylvania business tax structure are presented here.

I. Delaware Corporate Tax Loophole

Businesses that do not conduct business in Delaware are not required to file a Delaware Corporate Income Tax Return, regardless if incorporated under the laws of Delaware.¹ One well-known tax loophole, nicknamed the "Delaware loophole," is routinely utilized by multi-state corporations. It is a way of circumventing Pennsylvania's corporate net income tax, which sits at a flat rate of 9.99 percent of

¹ Filing Corporate Income Tax. The State of Delaware.
http://revenue.delaware.gov/services/Business_Tax/FilingCIT.shtml

all taxable income. Multistate corporations can avoid paying Pennsylvania's Corporate Net Income Tax by incorporating in Delaware to hold copyrights, patents and trademarks. Multistate corporations that do business in Pennsylvania pay this out of state company to use the copyrights, patents and trademarks, reducing its taxable income in the Commonwealth.² In order to do this, first, a multi-state corporation creates a subsidiary in a state with little or no corporate income tax, such as Delaware or Nevada (respectively). Ownership of patents and trademarks is transferred to the subsidiary, which is often simply a P.O. Box. These subsidiaries are termed passive income investment companies, or PICs. The corporation then “pays” to use this intellectual property, the cost of which becomes a business expense and lowers the taxable income of the company. Corporations, through tax loopholes, often escape paying any net income tax. Over 70 percent of multistate corporations in Pennsylvania paid no corporate net income tax in 2011, with an additional 10 percent paying \$1,000 or less. This is the amount paid by a family earning \$33,000 annually.³ Stated in terms of lost revenue, the current corporate tax structure in Pennsylvania foregoes an estimated \$500 million annually.⁴

The below map demonstrates the number of state that have taken action towards closing the loophole.

35 of 45 States with Corporate Taxes Have Taken Steps to Close Loopholes (2012)



² Press release. (2011)Mundy, House Democratic leaders call for true tax fairness <http://www.pahouse.com/PR/120030712.asp>

³ Press release. (2011). Mundy introduces bill to close Delaware Loophole, lower corporate tax rate. Retrieved June 3, 2011, from <http://www.pahouse.com/pr/120042711.asp>

⁴ Ibid.

Pending Legislation

There are two pieces of pending legislation both aimed at closing the Delaware loophole. The first, House Bill 1396, which was drafted in April 2011, was sponsored by Representative Phyllis Mundy. The bill would close many corporate tax avoidance methods by requiring businesses and their subsidiaries to jointly file one tax return and pay taxes according to the amount of business activity in Pennsylvania. Democrats have pushed for this approach in the past. Republicans and business leaders opposed it because they felt it would have resulted in higher taxes for many companies.⁵

The second, House Bill House Bill 2150, drafted in January 2012 is sponsored by Representative David Reed. The legislation's supporters describe it as a revenue-neutral tax reform that cuts corporate taxes and closes the Delaware loophole to pay for it.

The sponsors of each bill belong to different political parties setting the stage for a political battle over closing the loophole. The reform would force payment and make up for an estimated annual revenue hole of \$500 million. The Delaware loophole enables businesses to avoid paying the 9.9 percent corporate net income tax, the highest flat rate in the nation, while small state-based companies that don't have shell companies are forced to carry more of the tax burden along with individual taxpayers.⁶

2. Transfer Pricing

Another loophole is the practice of transfer pricing. This is the act of several companies, owned by a single corporation, selling goods to each other at sub-market prices. In such corporations, subsidiaries complete transactions with one another to shift large amounts of income from high-tax to low-tax states. This gives conglomerates the ability to determine what stage of product production and distribution is most profitable. Generally, through transfer pricing, corporations will complete inter-subsidary transactions (such as from manufacturer to retailer) at a low price and the retailer will sell it at a regular market rate in a tax haven. Thus, the retail division of the conglomerate will pay few taxes. The company as a whole pays less in corporate income tax, as the retailer will be located in a tax haven where the bulk of taxable profit has been "transferred." Currently there are no proposals or pending legislation to outlaw the practice.

3. Nowhere Income

Related to transfer pricing is what some economists call the problem of "nowhere income." Under Public Law 86-272, a federal law, states are limited in issuing a corporate income tax on the measure of state presence. A corporation can sell its products in a state where it has no or limited physical presence and not be taxed the same as transactions made within its home state. Often, corporations exploiting this loophole are not subject to taxes from any state. Currently there are no proposals or pending legislation to outlaw the practice.

Issues

Funding Cuts

As of January 2011, the Pennsylvania state budget deficit hovered around \$4 billion dollars. In contrast, the budget deficit for Pennsylvania as of May 2010 was slightly over \$1 billion.⁷ The state faces massive

⁵ Scott, Jason. Pa. Dems eyeing new proposal to close Delaware loophole. (2012), [Retrieved from http://www.centralpennbusiness.com/article/20120224/FRONTPAGE/120229893?highlight=Delaware+loophole+on+April+20,+2012](http://www.centralpennbusiness.com/article/20120224/FRONTPAGE/120229893?highlight=Delaware+loophole+on+April+20,+2012)

⁶ Ibid.

⁷ Barnes, Tom. Pennsylvania budget deficit \$1 billion and growing. (2010). Retrieved June 14, 2011. from <http://www.post-gazette.com/pg/10124/1055323-454.stm>

spending cuts in the area of health care, education, and social services. Corporate income tax contributes to the general fund, the main source of funding for the abovementioned government programs. A lack of proper corporate income taxation leads to the reallocation of funds from services and programs, listed below, assisting the most vulnerable populations. The current administration considers itself pro-business and

Education

Under the House 2011-2012 budget, higher education funding is cut by \$265 million. Funding for the state higher education system is cut by 15 percent, with state-affiliated schools such as Penn State and the University of Pittsburgh losing 21-25 percent of funding. For basic education (K-12), education funding returned to 2008-09 levels. The proposed 2012-2013 budget cuts education further, especially higher education. For example, The State System of Higher Education appropriation, supporting 14 state universities, is reduced by 20 percent to \$330 million.

Health Care

Under the House 2011-12 budget, Medical assistance funding is cut by \$295 million. The Long-term care line of medical assistance is reduced by \$315 million. The Attendant Care and Services to Persons with Disabilities lines are altogether cut. While there are some additions to healthcare in the proposed 2012-2013 budget, there are significant cuts in medical assistance, and

Social Services

Under the House 2011-12 budget, Child welfare services face a \$43.4 million dollar cut. Child care services for working families enrolled in TANF is cut by \$38 million. In general, programs in the human services section of the budget receive a 9.1 percent decrease in funding.

Policy Guidelines

Combined Reporting

The highly technical nature of tax laws requires effective reform to be broad, as changes with narrow scope may be easily circumvented. Combined reporting effectively addresses the Delaware Loophole and transfer income. It requires all subsidiaries of a conglomerate to file taxes as a unified entity and pay taxes based on income earned in Pennsylvania. It has been upheld by the Supreme Court and effectively implemented in 23 states. Additionally, it more accurately reflects the business decisions of corporations with many subsidiaries. House Bill 1396 seems to address this more adequately.

The Throwback Rule

The issue of nowhere income can be ameliorated in a piecemeal fashion if all states institute a “throwback rule.” This would require corporations with little or no presence in other states to “throw back” a tax to their home state for all business transactions. When all states adopt this law, taxes earned through interstate commerce would be more equally distributed among all states. Twenty-five states with a corporate income tax currently have a version of the throwback rule in effect. Pennsylvania still lacks any such legislation.⁸ There is no current legislation to address this.

⁸ Mazerov, Michael. (2003). Closing Three Common Corporate Income Tax Loopholes Could raise Additional Revenue for Many States. Center of Budget and Policy Priorities.
<http://www.cbpp.org/cms/index.cfm?fa=view&id=1868>

Policy Statements

1. The Institute for Public Policy and Economic Development supports policies that result in a fairer, equitable, and transparent tax system.
2. The Institute for Public Policy and Economic Development supports policies that improve the existing tax code by closing corporate tax loopholes that deprive the state of valuable revenue and disportion the tax burden on fewer people.
3. The Institute for Public Policy and Economic Development supports policies that make corporations more accountable when filing corporate taxes.
4. The Institute for Public Policy and Economic Development supports combined reporting which requires companies to combine revenues including those of subsidiaries to ensure that their share of taxes are paid.

Fragmentation

Regionalization

Pennsylvania is a state that exhibits fragmentation on a number of levels, which affects both its public and non-profit sectors. Such fragmentation results in duplicitous efforts, undermining of economic stabilization and wasteful spending. In northeastern Pennsylvania (NEPA), residents often do not work in the same town in which they live in, nor do they buy all their goods and services in a single jurisdiction. While the region has changed, its governmental framework has not kept pace.

NEPA is a region that consists of a multitude of local governments that share a common market and depend on one another for the free flow of goods, services, consumers and ideas. The region, however, is divided into hundreds of small political jurisdictions that often compete for residents, businesses and property tax revenues.

Every borough, township, city and county in NEPA requires investments in roads, physical infrastructure and money to support public services, safety, schools, social services and non-profit organizations. All of these services rely on local government, in full or in part, to fund such initiatives. Currently, local government is not able to fully fund public safety and public services to the desired levels, including 24 hour coverage and enough officers to conduct ongoing criminal investigations and complaints. Schools continue to raise property taxes, with the increasing costs of education, including facilities, salaries, benefits, and pensions, all while state support is decreasing. Tough economic times have reduced philanthropy and increased the need for various social services to address increased poverty, homelessness and the uninsured and underinsured.

No longer can we look at single jurisdictions as islands, or allow for isolation between business, government, non-profits and institutions. While geographic boundaries and political districts matter for certain activities, they impede progress and innovation in other areas, the most common of which include:

- Police
- Fire
- Public education / school districts
- Government
- Economic Development
- Planning

Police

Local governments are struggling to pay for public safety services. Some jurisdictions survive with no full-time staff, while others rely on state police to fill gaps during evening hours. Some jurisdictions have just one officer on duty at a time, which can result in many incidents remaining unmonitored. This also reduces police time needed to investigate crimes, and therefore results in a lower number of crimes solved. None of these factors benefit community residents.

However, if two or more communities join together to support a regional police force, then crime fighting power is increased. Depending on the nature of the agreement, regional efforts can save money over time and result in improved public safety.

While this approach makes sense, the process involve in getting there isn't easy. Planning must occur and choices must be made. Decisions concerning unions, benefits, organizational structure and leadership are critical.

There have been many attempts in NEPA to regionalize policing, but all have failed. There are cases where leadership doesn't want it, as well as where compromises cannot be reached. Five Luzerne County planning committees representing various contiguous communities began the planning phase of regional policing in the mid-2000s; all failed.

Documented success stories pertaining to regional policing, both within and outside of Pennsylvania, should be evaluated as potential models. Numerous case studies present important best practices.

Fire

Very few municipalities in NEPA have paid firefighters on active duty 24/7, with most relying on volunteers. From community to community, this results in varying levels of coverage, response times and overall service reliability.

Public Education / School Districts

The sheer number of school districts within each county, given the size of the region and its population, is disproportionate. Many states have one school district per county, which allows for the sharing of property tax revenue that evens the playing field among school districts, regardless of the socio-economic status. Cost savings in salaries, benefits and pensions, as well as increased buying power for negotiating the costs of needed goods and services, is a strong reason to regionalize, as cost savings realized could be used toward bettering education itself.

Government

Similar to school district regionalization, the government playing field could be leveled by more collaboration/consolidation among communities. The same economies of scale referenced above apply to government. Consolidating health and pension plans to reduce administrative costs, hiring professional managers or additional staff to fill in gaps, less major equipment purchases and/or better utilization of existing equipment are all opportunities to improve buying power.

All of the aforementioned areas have the ability to improve quality and depth of service while reducing tax payer burdens. In addition, socio-economic imbalances could be reduced. While these would all be considered wins, the process to regionalize government would not be easy. It would take time, cost money, and perhaps everyone would have to make some concessions, but in the end the average resident reaps the benefits.

Economic Development

Economic development is another area which could benefit from a regional approach. There are a number of area organizations involved in economic development and many compete with each other. There is also a lack of understanding that economic development is more than business attraction, it is also the creation, expansion, and retention of business while working to create an environment conducive to business growth and sustainability. Successful economic development deals not only with the business regulatory environment, but also encompasses every aspect of quality of life.

Planning

In NEPA, there now exists a Regional Use Plan to help guide future development. It is critical for the plan to be implemented and followed. A challenge the region faces is the decline of retail in its downtowns. The once vibrant Steamtown Mall, in Scranton, is now working to reinvent itself after a

number of stores relocated to The Shoppes at Montage, in Moosic. Likewise, some stores at The Shoppes at Montage have closed and now only operate at regional malls in Dickson City (Viewmont Mall) and Wilkes-Barre Township (Wyoming Valley Mall); and so the problem continues. A regional plan may have helped to identify niche retailers that would be successful in the local market while at the same time complementing the region's existing retail establishments.

Conclusion

NEPA is at a cross roads. As the recession lifts, there remains relatively high unemployment, with incomes not keeping pace with the increasing cost of living, population increases, and nearby Marcellus Shale development. However, more and more studies identify that economic regions are performing better and in a stronger position to address issues and capture new opportunities.

With the state and federal government at a loss to assist municipal governments as their own fiscal issues take center stage, communities around the country are working together as regions to harness their collective power to solve problems. For example, regions in California, New York, and Ohio are working together to attract new business and industry. Other regions in California, Colorado, and Oregon are working on regional smart growth/green strategies to increase efficiency and improve the environment. Still others are working on regional transportation networks. There is recognition that quality of life factors that are maintained and improved attract talent. Talent attracts jobs!

Policy

The Institute for Public Policy & Economic Development supports Lackawanna and Luzerne Counties implementing a unified regional approach to regional problems in an effort to increase economic growth, sustainability and social equity. As such:

- The Institute supports the formation of regional police and fire forces.
- The Institute supports and encourages collective implementation of the Bi-County Comprehensive Plan.
- The Institute supports regional transportation and infrastructure planning to make targeted investments to improve all forms of infrastructure.
- The Institute supports collaboration among non-profits to reduce duplicity to direct more funds to initiatives that address problems.
- The Institute supports housing initiatives that encourage mixed use, infill, redevelopment, transit oriented development and fair housing initiatives that reduce segregation and concentrated poverty.
- The Institute supports collaboration amongst local government in terms of public services, public safety; back office operations; group benefit and pension programs that allow communities to reduce administrative costs and take advantage of pricing economies of scale; investment in machinery and equipment; purchasing coalitions; code enforcement; aesthetics; and infrastructure investment.
- The Institute supports regional tax base sharing.

About The Health and Healthcare Task Force

Mission

To improve the quality of life and standard of living for the residents of northeastern Pennsylvania through examination of health status, health care delivery, health care costs and insurance.

Purpose 2010 - 2012

The task force is comprised of diverse groups of professionals to convene and participate in creating policy solutions based on evidence and best practices that have the potential to impact legislation and beyond.

With Institute support, the task force will examine a variety of issues related to provider reimbursement, access, and other issues included in the health care reform act.

The task force will provide insight into the health and healthcare indicators as appropriate to ensure a comprehensive, high quality set of benchmarks of health and healthcare status.

The task force will work with staff to generate funding for a market study of patients and their appraisal of health care and providers in northeastern Pennsylvania to assess why millions of dollars are spent on accessing healthcare outside the region on an annual basis.

Task Force Members

Karen Murphy, President & CEO, Moses Taylor Foundation - Chair

Cornelio Catena, President & CEO, Wilkes-Barre General Hospital

Denise Cesare, President & CEO, Blue Cross of Northeastern Pennsylvania

John Cagnetti, Principal Hinerfeld Realty

William Conaboy, President & CEO, Allied Services

Jim DePolo, President, Covington Forge, Ltd.

Margaret Lois Nora, MD, President & Dean, The Commonwealth Medical
College

Debra Pellegrino Ed.D Dean of the Panuska College of Professional Studies,
University of Scranton

Ellen Schindler, Director of Community Relations, Sanofi Pasteur

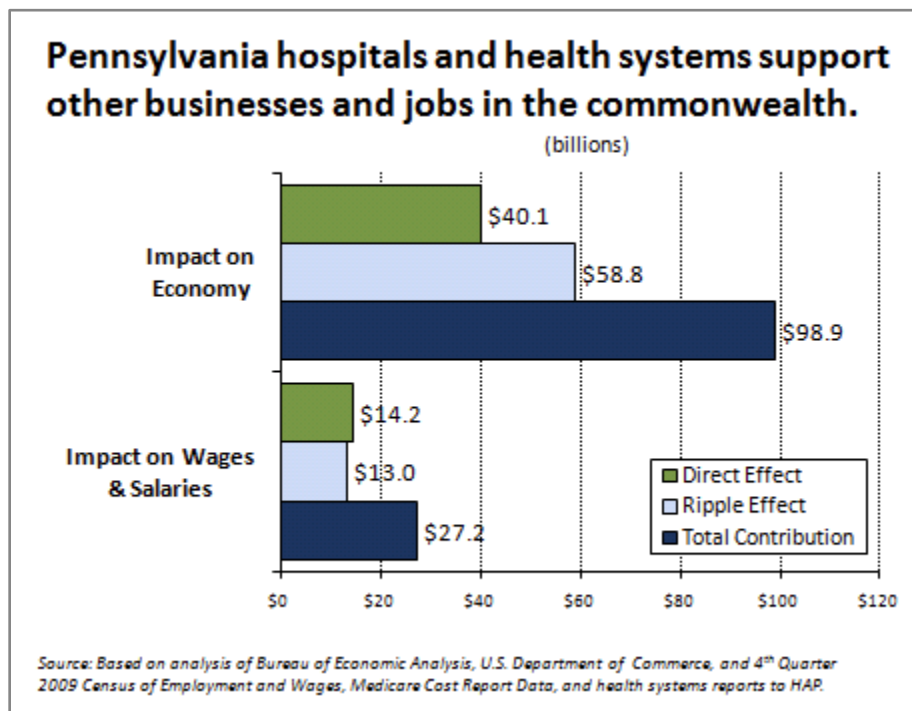
Connie Schintz, Vice President for Community Relationships, Geisinger Health Systems

Susan Sordoni, MD – Private Practice & Volunteers in Medicine

John Wiercinski, Chief Administrative Officer, Geisinger Health Systems

Health Care Delivery System Impact & Patient Migration

Hospitals are a vital part of the economy in Lackawanna and Luzerne Counties. According to the Pennsylvania Department of Health, in 2010 hospitals in Lackawanna County employed over 5,000 full and part time workers. While Luzerne community hospitals employ over 7,000. The direct, indirect, and induced benefit of their employment to northeastern Pennsylvania would be in the millions of dollars. There is a significant opportunity for further economic development in health care. Over the past year, the hospital industry in Northeastern Pennsylvania has become regionalized. Community Health Systems (CHS) a for profit hospital corporation has acquired Regional Hospital in Scranton (former Mercy Hospital) and Moses Taylor Hospital. CHS has committed to investing over \$120 million in the next 5 years in Lackawanna County Facilities. Geisinger Health System has expanded its footprint through the acquisition of Community Medical Center in Scranton. Geisinger has committed to invest “\$158.6 million over seven years to enhance clinical programs, increase physician recruitment, expand and improve facilities, and implement new information systems.”⁹ Collectively, the health systems have committed to investing over \$270 million in Lackawanna County. In addition, Both Geisinger and CHS have made considerable investments in Luzerne County hospitals over the past 5 years. Geisinger Wyoming Valley has almost doubled in size recently adding a \$10.2 million neonatal intensive care unit and a \$60 million critical care addition.¹⁰ Community Health Systems committed to investing \$135 million over 7 years in Wilkes Barre, and has construction underway for a \$53 million hospital expansion.¹¹ The new ownership and commitment to invest in health care in the region presents new medical, health care, and economic opportunities in the region.



⁹ Community Medical Center. Media Release. July 19, 2011. Website. May 1, 2012, < <http://cmccare.org/media-release>>

¹⁰ Allabaugh, Denise. “Geisinger Wyoming Valley Breaks Ground for Neonatal Intensive Care Unit.” Citizen’s Voice. June 16, 2011. All. Print.

¹¹ Citizens Voice September 16, 2011

According to a report prepared by the Hospital and Health system Association of Pennsylvania published in 2011¹²:

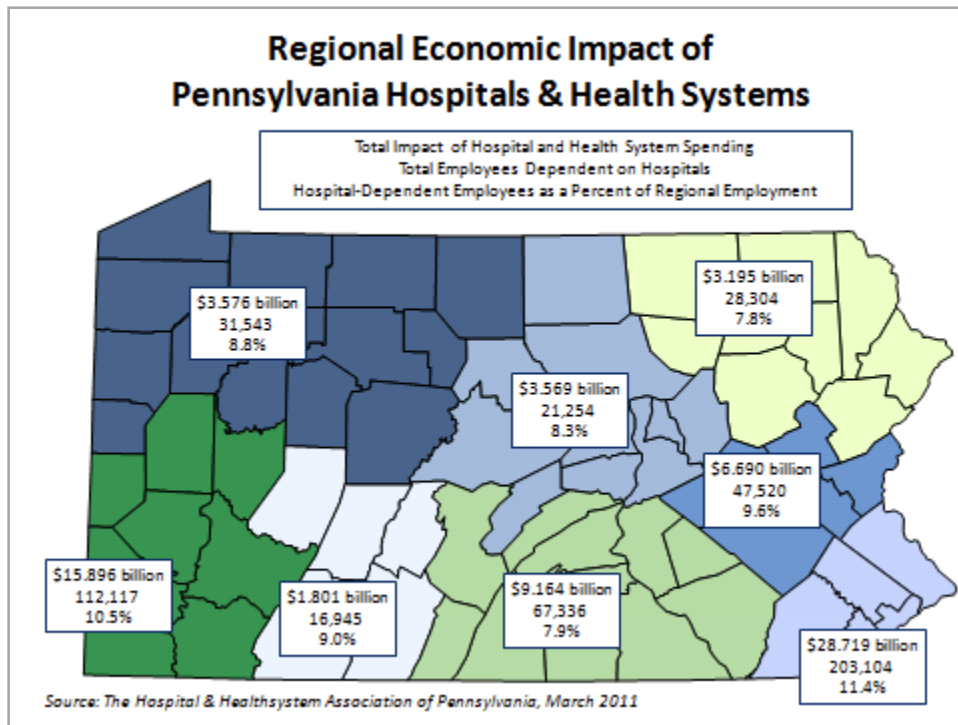
- Pennsylvania hospitals and health systems provide a total of \$40.1 billion in direct spending to the state's economy.
- Pennsylvania hospitals and health systems make a total direct and secondary contribution of \$98.9 billion to the state's economy.
- More than 584,000 Pennsylvanians depend on hospitals for their jobs through direct employment and the ripple effect of hospital employment

In Northeastern Pennsylvania, there are an estimated 28,304 residents employed by hospitals. Approximately 7.8% of the regions employment is hospital dependent.

The commitment for investment in regional hospitals and health care systems present an economic growth opportunity to increase services. According to the Pennsylvania Health Care Cost Containment Council (PHC4) in the first three quarters of 2011, residents of Lackawanna and Luzerne Counties made over 11,000 visits to facilities outside of their respective counties. Hospitals in Lackawanna County treated more Luzerne County residents than facilities in any other county that year. Philadelphia County treated the second highest amount. Hospitals in Luzerne County treated more Lackawanna County patients than facilities in any other county. Again, Philadelphia County treated the second highest amount. A separate report from PHC4 states that, in 2009, over \$200 million in revenue was created by Lackawanna County residents who received healthcare services in other regions.¹³ The outmigration of health care services presents an opportunity to the regional health care systems to focus their investments on recapturing these services, ultimately leading to economic benefit to our region. With this in mind, The Institute for Public Policy and Economic Development set up a pilot study to determine the attitudes of Lackawanna County residents who have sought care outside the area.

¹² PA Hospitals Critical to State Economy. Published 2011 by HAP

¹³ 2011 Task Force Policy Statements. 13.



Agenda

A small pilot survey was completed in 2011 to determine why many Lackawanna County residents choose to travel outside the region for healthcare services. If local hospitals are able to gain insight into the outmigration, they can make changes to attract those patients. This insight is especially critical for the region with the recent changes in the health care delivery system.

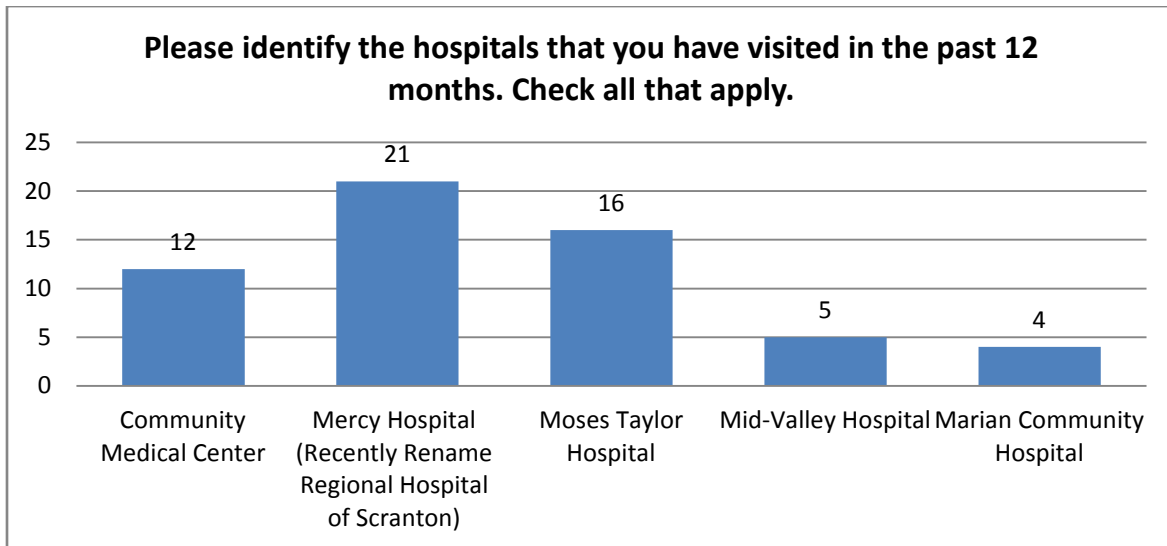
The survey was done to collect initial data in order to prepare and plan for a larger survey that would include a random sampling of households in counties served by Lackawanna and Luzerne County hospitals.

This survey consisted of 14 multiple choice questions, with several allowing the option to write in responses. A fifteenth question was used for additional comments. Selected questions and analysis are summarized below.

The data confirmed that Lackawanna County is losing patients to other regions, with 82% of respondents having sought healthcare outside the county in the past twelve months. The data also point to hospital/doctor performance and reputation as the reasons patients are seeking care elsewhere. Only 13% of respondents rated healthcare in Lackawanna County as “Excellent.” An overwhelming number, 84%, felt that even though the services were available in Lackawanna County the quality of care would be better elsewhere.

The majority of respondents were Caucasian females between the age of 51 and 60 years old (39%). The respondents were treated at Mercy Hospital (Regional Hospital of Scranton) more than any other in Lackawanna County in the past 12 months. In all, 41 of the 48 respondents visited local hospitals in the

past 12 months. Of the 41, there were 20 or 50% who visited only one of the local hospitals. Remaining respondents visited two or more.



Over 33% of respondents felt that the local hospital environments were “good,” while only 12.8% thought they were “excellent”. More than half of the respondents, over 53%, felt the hospitals were “fair,” “average,” or “poor.”

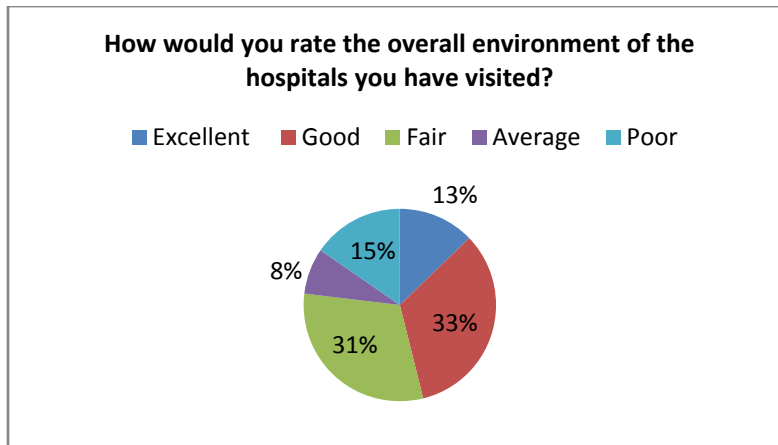
Seventy-one of the respondents received doctor services outside of the region while 31% went to hospitals outside the region and 29% saw doctors and went to hospitals outside the region. The same respondents received the radiation and chemotherapy treatment outside the region. The respondents in the “other” category received the following services: dental surgery, consults and second opinions, neurosurgery and neuro-oncology, radiological services, and orthopedic surgery. Ideally, three out of five of these services should be included in the doctor visit, hospitalization, and inpatient surgery categories.

Type	Responses
Doctor visit	71%
Hospitalization	31%
Inpatient surgery	35%
Outpatient surgery	27%
Medical testing	40%
Radiation	6%
Chemotherapy	6%
Other	10%

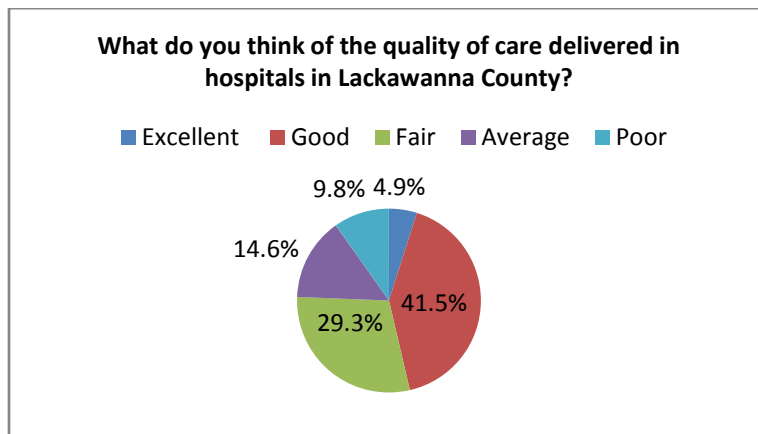
A review of the PCH4 outmigration study indicates that there are a large percentage of inpatient cases leaving Lackawanna County for services. Without total raw numbers, it is impossible to correlate exact percentages, but both studies support each other with responses to this question.

The most predominant services procured outside the area were orthopedics (23%), internal medicine (21%), oncology (17%), ophthalmology (15%) and neurology (13%). The PHC4 study also shows high incidences of neurology and orthopedic cases migrating outside the region. Obstetrics and gynecology were also highlighted in the PCH4 study; however, the respondents in this study did not identify this as a

service received outside the area. This is primarily due to the median age of the respondent in The Institute study.

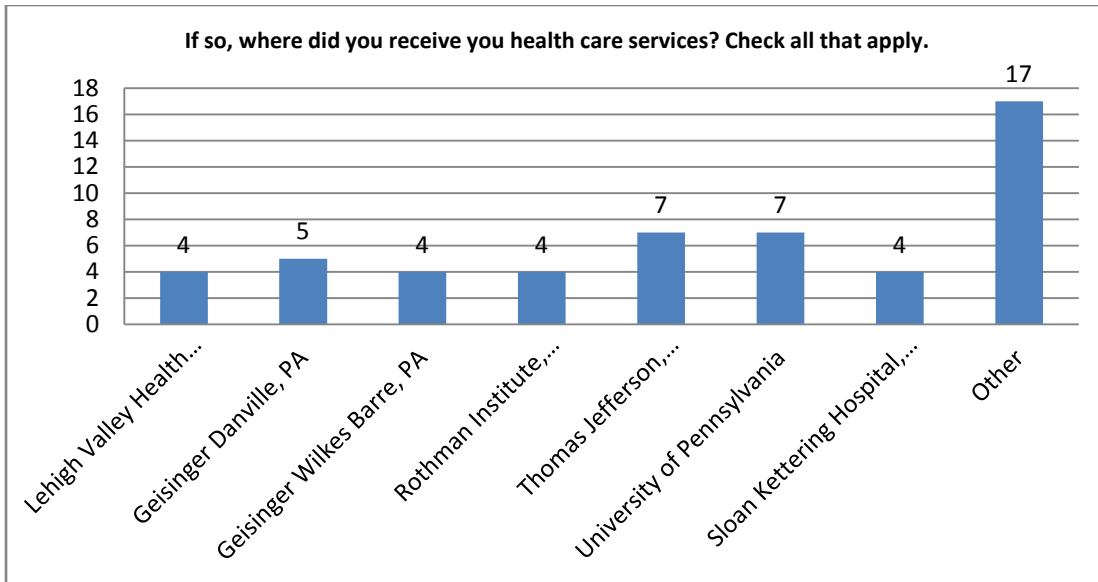


The respondents were less than positive about the quality of care they received at Lackawanna County hospitals. While the number of those who thought they received “good” care was slightly higher, at 41.5%, the number of those who felt the care was “excellent” fell to just 4.9%. Again, over 53% of the respondents felt that the quality of care was “fair,” “average,” or “poor.”



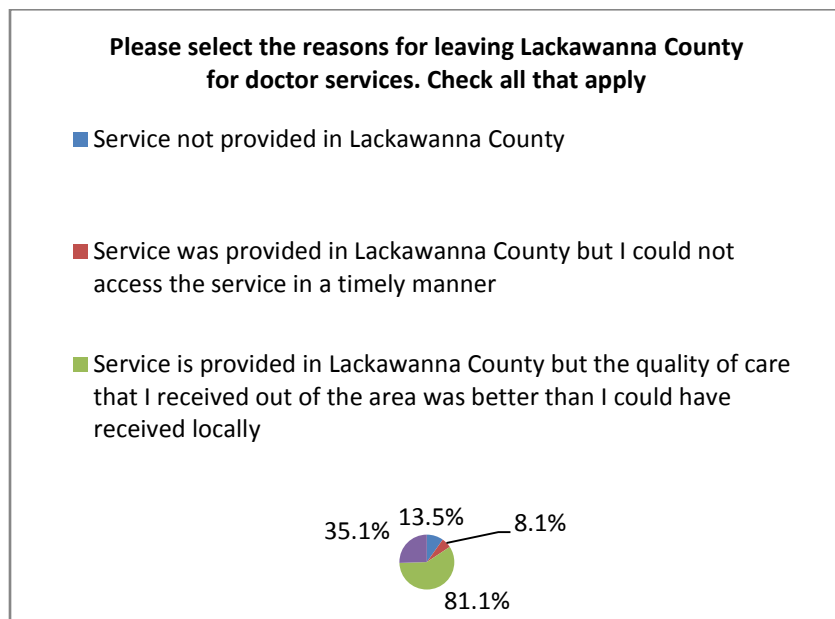
Over 82% of the respondents sought healthcare outside the region in the last five years. The chart below shows which hospitals they chose. Respondents who chose “other” were asked to write in the name of the hospital. Some of the hospitals that respondents added were Wills Eye (2), The Hospital for Special Surgery, New York City (2), Hershey Medical Center (2), Fox Chase Cancer Center (2), New York University, Duke University, and Wilkes-Barre General.

Like the PCH4 study, healthcare services from the Philadelphia area (Rothman, Jefferson and University of Pennsylvania) comprise the majority. PCH4 shows Geisinger followed by Lehigh Valley as rounding out the top three. The Institute responses correlate with PCH4 with the two Geisinger facilities (Danville and Wilkes-Barre) in the number two slot followed by Lehigh Valley.

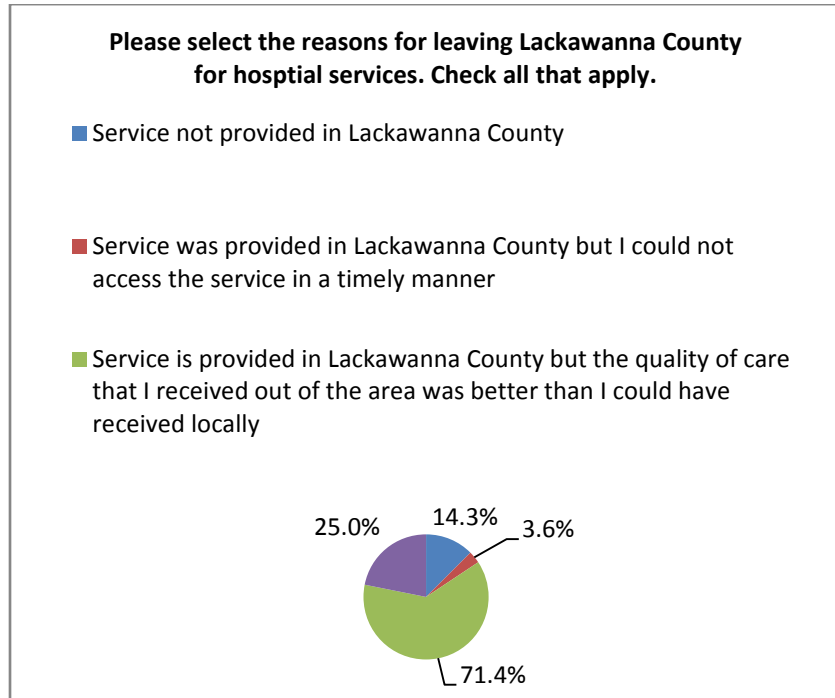


In order to attract local patients, healthcare providers need to understand the reasons people choose to leave Lackawanna County for treatment. Respondents chose their reasons for leaving Lackawanna County to see a doctor. Those who chose “other” were asked to write in their reasons. These reasons included misdiagnosis and/or identification that there were no treatment options in Lackawanna County (5) [this reflects 33% of the respondents who answered this question], local doctor referred patient to specialist out of town (3) and the attitude of local doctors toward their patients (2). Additionally, there were comments that “state of the art” treatment was not available. One patient indicated that they had a poor result from surgery here and went elsewhere to get it corrected and another indicated there was a lack of specialists.

This is perhaps the most important question and set of responses to the survey. Specifically, 33% had misdiagnosis or were given no treatment options. However, upon visiting providers out of the region, not only were there treatments available, respondents noted that they were successful.



The reasons that respondents gave for choosing hospitals outside Lackawanna County differed slightly. Respondents who chose “other” gave different answers as well. Those answers include the lack of available specialists or techniques/treatments in Lackawanna County in handling a particular disease/surgery (5) and a recommendation from a local physician.



Data gathered by the survey shows that Lackawanna County residents do not feel they will receive the same quality of care at local hospitals that they will elsewhere, even when the same services are provided. Many of the respondents referred to misdiagnoses and the attitudes of hospital staff, as factors in their decisions to leave the county. Respondents stated that doctors in Lackawanna County often referred them to hospitals/doctors in other parts of the state.

About The Housing Task Force

Mission

To improve the quality of life and standard of living for the residents of northeastern Pennsylvania through examination of housing stock and housing affordability.

Purpose 2010 - 2012

The task force is comprised of diverse groups of professionals to convene and participate in creating policy solutions based on evidence and best practices that have the potential to impact legislation and beyond.

The task force examines a variety of issues related to housing planning and zoning, affordability, housing stock, and homelessness. Key data and trends concerning these factors as well as case studies and best practices are considered.

The task force will maintain a bilingual education-information best website to assist new and existing homebuyers.

The task force produces newsletters and coordinates events related to housing.

Task Force Members

Charlie Kasko, Vice President Signature Building Systems – Chair

Athena Aardweg, Self-Determination Housing Project of Pennsylvania

Jodi Baden, Lackawanna Neighbors

Joe Boylan, State Senator John Yudichak

Jesse Ergott, Executive Director, Neighborhood Housing

Steven Farrell, Owner, Classic Properties

Lyn Kirschenbaum, HUD

Steve Nocilla, Catholic Social Services

Nancy Perri, Carbondale Technology Transfer Center

Joe Terrana, Terrana Law PC

Ellen Watkins, KNBT

Inclusionary Zoning

Introduction

Inclusionary zoning (IZ) is a policy tool that is used to encourage the construction of moderate and/or low income housing. The Center for Housing Policy and the Furman Center for Real Estate & Urban Development at New York University estimate that “over 300 jurisdictions – cities, towns and counties – have an inclusionary zoning ordinance on the books.”¹⁴ States and municipalities often use IZ to combat exclusionary zoning. Exclusionary Zoning (EZ) refers to local laws and ordinances, which encourage or require the construction of single family homes. While municipalities or developments may be attempting to keep a certain esthetic, EZ can put housing out of reach for the average worker. IZ practices aim to bring a variety of housing options to the areas where they are implemented. While there have been some successes, IZ does not always work according to plan. And in some cases, IZ has had disastrous consequences on development as a whole. Here we look at three of the major factors contributing to the success or failure of most IZ ordinances.

Builder’s Remedy

The controversial aspect of IZ is often the way it is enforced and what type of housing is required. While most IZ ordinances ask that city and county planners allow for a variety of housing in their original plans, it is difficult for the state to enforce directly. The state may not know of an issue with EZ until a builder brings it their attention by way of the courts. This is where the “builder’s remedy” comes into play. In some areas, developers are mandated to follow IZ ordinances. In other areas, developers are given incentives to build affordable housing.

Pennsylvania and New Jersey illustrate this difference well. A 1969 Pennsylvania Supreme Court ruling made it possible for a developer to challenge an EZ ordinance if he believed there was a market for housing beyond what the zoning allowed. If the state found in the developers favor, then he would be allowed to proceed. This type of IZ was based on market economics. The state did not provide any subsidies or take any money from the municipality. The developer was responsible for all the costs of the structure because he felt it would be profitable. Developers have to take into consideration the costs of building higher density units, such as adding parking lots. While the Developer was not required to include any low income or section 8 housing, he had to make sure the higher density homes would sell at the price he required. The court’s decision in a case like this could not be overturned for any reason, which gave builders another incentive to go after EZ ordinances.

New Jersey took a different approach to IZ. A document called the Mount Laurel Doctrine, which was produced in 1983 after the Court’s frustration with continued use of EZ ordinances throughout the state, stated that any developer in New Jersey, who challenged an EZ ordinance and won, “was entitled to proceed with a project provided that at least 20 percent of the units were affordable by low- and moderate income families.”¹⁵ New Jersey ruled ordinances to be exclusionary if the municipalities were not meeting their “fair share obligation.”¹⁶ Each municipality’s “fair share” was based on an examination of low and moderate income housing data from the region.

A study titled *Will Empowering Developers to Challenge Exclusionary Zoning Increase Suburban Housing Choice?* was published in 2004. The study looked at the outcome of judicial intervention in both

¹⁴ http://www.nhc.org/media/documents/IZ_in_SF_DC_Boston.pdf

¹⁵ <http://www.jstor.org/stable/3326194> *Will Empowering Developers to Challenge Exclusionary Zoning Increase Suburban Housing Choice?* Page 123

¹⁶ <http://www.jstor.org/stable/3326194> *Will Empowering Developers to Challenge Exclusionary Zoning Increase Suburban Housing Choice?* Page 123

Pennsylvania and New Jersey from 1970 to 1990. They found that Pennsylvania ended up with more “less-expensive housing units – townhouses, apartments and mobile homes.”¹⁷ Beyond the structure of the builder’s remedy, a few significant differences between the states may account for this. The first is that New Jersey’s builder’s remedy was not fully enforced until 1983 and suspended from 1985 to 1990, while the legislature examined it. This gave New Jersey less time to enforce its Mount Laurel Doctrine. The second difference, which might be the root cause of New Jersey’s lack of housing diversity, is that municipalities did everything they could to evade the IZ requirements.

In Pennsylvania, there is evidence that zoning officials bowed to the IZ ordinances because they had no choice. Once the court ruled in favor of a builder, he essentially had control over the zoning of the land being developed. It appears that many Pennsylvania municipalities worked within the IZ guidelines in order to have more control.¹⁸ In New Jersey, court rulings could be overturned based on municipal planning changes, etc. This made the process longer and more difficult for builders. The third important difference between New Jersey and Pennsylvania came from New Jersey’s low income requirement. In the end residents who fell below the income needed for a single family home and above the low income requirements were left without housing. This was not the case in Pennsylvania because there were no income requirements.

Density Bonuses

In areas like San Francisco, IZ has been moderately successful. In *The Effects of Inclusionary Zoning on Local Housing Markets: Lessons from the San Francisco, Washington, DC and Suburban Boston Areas*, The Center for Housing Policy and The Furman Center for Real Estate & Urban Policy attributes the success of certain programs in San Francisco in part to “density bonuses.”¹⁹ Density bonuses are incentives provided to developers who agree to build low and moderate income multi-family housing. The most common incentive is to allow a developer to build more units on a site than the zoning allows. This reduces land and administrative cost per unit for the developer. Generally, density bonuses are offered to developers who include affordable units, green space or infrastructure improvements. The report also says that the longer an IZ program is on the books, the more affordable housing units are built. This shows that IZ ordinances do not work overnight. One of the most popular examples of successful IZ has both of these elements. Montgomery County, MD, which is a suburb of Washington, DC, enacted mandatory IZ in the early 1970’s, which included density bonuses. The law requires “12.5 and 15 percent of the total number of units in every subdivision or high-rise building of 20 or more units be moderately priced.”²⁰ Bonuses are then calculated based on the amount of density that the developer achieves. Montgomery County estimates that it produces 250 affordable units per year.²¹ The County also retains the ability to control resale on certain properties, giving it up to 30 years.

Economic Conditions

One of the biggest factors in the success or failure of IZ is the economic climate. Madison, WI repealed its IZ ordinance after 5 years on the books.²² The ordinance was adopted in 2004. Between 2004 and 2009 173 affordable homes were produced. As of May 2011, only 33 of those homes have sold. ²³ The glut of homes currently on the market has brought the price of average homes down. This allows those

¹⁷ <http://www.jstor.org/stable/3326194> Will Empowering Developers to Challenge Exclusionary Zoning Increase Suburban Housing Choice? Page 131

¹⁸ <http://www.jstor.org/stable/3326194> Will Empowering Developers to Challenge Exclusionary Zoning Increase Suburban Housing Choice? Page 131 -132

¹⁹ http://www.nhc.org/media/documents/IZ_in_SF_DC_Boston.pdf

²⁰ http://www.montgomerycountymd.gov/dhctmpl.asp?url=/content/dhca/housing/housing_P/mpdu/summary.asp

²¹ http://www.montgomerycountymd.gov/dhctmpl.asp?url=/content/dhca/housing/housing_P/mpdu/summary.asp

²² www.nahb.org/housingaffordability Update on Inclusionary Zoning, May 2011

²³ www.nahb.org/housingaffordability Update on Inclusionary Zoning, May 2011

who are qualified to purchase a home that may have been \$20,000-\$40,000 above their price range before the economic downturn. The banks have gone through a period of tightening up requirements for mortgages as well. This leaves many with low or moderate income without the ability to purchase even the most affordable home. On the other hand, developers do not want to work in areas with IZ on the books knowing that their low income properties will likely not sell. This can mean little to know development takes place.

Policy Guidelines

The Institute for Public Policy and Economic Development supports the use of fair zoning practices on the local level. While the state of Pennsylvania does not have a law on the books which mandates the use of inclusionary zoning, the State Supreme Court has set a precedent allowing the builder's remedy. If counties and municipalities do not adopt fair zoning practices, developers have the right to challenge and potentially change the zoning of particular areas. In order to spur development, The Institute supports the use of "workforce housing bonuses," to encourage developers to build high density, low cost housing in areas close to transportation, schools, and work to support more transit oriented development, infill and reduction in sprawl. The Institute feels that the term "workforce housing bonus" illustrates the goal of the incentive more clearly than "density bonus."

Policy Statement

While the Marcellus Shale Counties are experiencing the most growth in the region, shortages of affordable housing are affecting Lackawanna and Luzerne Counties as well. Some evidence suggests that residents of shale counties who have been priced out of the housing market are moving into Lackawanna and Luzerne Counties. The imbalances in salaries between gas workers and average residents have caused many, who may have lived comfortably two or three years ago, to be priced out of rental properties, coupled with migration from the west influencing cost of living, the housing crisis, and the recession – the cost of housing compared to incomes is problematic for many. Those who own land in the shale counties are hesitant to sell or want to sell the surface property, while retaining the mineral rights. This has led to stagnation in land sales. Data also shows there was a shortage of low income housing in the shale counties before Marcellus development. As development continues, the problem is likely to worsen and push more residents to surrounding counties.

There are some elements that can be taken from successful IZ ordinances. Counties and municipalities, which may be unaware of potential exclusionary zoning ordinances on their books, should be made aware of how to make changes that would benefit low and middle income residents. In the cases where counties and municipalities do not work to improve the diversity of housing options through zoning, developers should be made aware of the builder's remedy. Information and support should be provided to guide them through the process. This will not be the key to spurring high density workforce housing but it will ensure that it can continue.

Because much of the population growth has come from temporary or out of state workers, developers have hesitated to commit time and money in the shale counties. The high density bonus should be used with the title "workforce housing bonus," since the goal would be to build housing that is affordable for the average working adult/family. This would give developers an incentive to build middle income housing for those who have been priced out of the market, while sparking some development. Counties can use the money set aside in county trust funds to fund the bonuses. Additionally, the Act 13, the Marcellus Impact fee legislation has provisions to assist communities with increased housing costs and currently there is proposed legislation in the state to fund land banks which could serve as another vehicle to assist with the development of affordable housing.

About The Education and Workforce Development Task Force

Mission

To improve the quality of life and standard of living for the residents of northeastern Pennsylvania through Pre-K-20+ educators and workforce development professionals partnering with business to create seamless, high quality NEPA education system.

Purpose 2010 - 2012

The task force is comprised of diverse groups of professionals to convene and participate in creating policy solutions based on evidence and best practices that have the potential to impact statewide education policy.

The task force examines a variety of issues related to connecting educators to workforce development and business.

The task force will provide insight into methods to increase higher education attainment in NEPA.

The task force will work to educate the community on how education and an educated workforce is the most effective economic development tool the region has.

Task Force Members

Tim Gilmour, Ph.D., President & CEO, Wilkes University – Chair

Richard Caruso, Author

John Cognetti, President & Broker of Record, Hinerfeld Realty

Alexander Dawoody, Ph.D., Assistant Provost, Marywood University

Vito Forlenza, Ph.D., Director, Regional Education Labs

Sue Kuhl, Alternative Learning Center, LIU I8

Jo Ann Orcutt, Director, Community Outreach, Lackawanna College

Nancy Tkatch, Administrative Director, West Side Career &

Technical Education Center

Lucy Ann Vierling, Director, Luzerne –Schuylkill Workforce Investment Board

School Assessments

Introduction

The purpose of standardized tests is to compare the abilities and skills of students from different schools and backgrounds. They are designed to be a neutral and fair examination of test participants. Standardized tests are used to measure aptitude or knowledge across a multitude of schools or contexts. This means that an entity outside of the school or education system is responsible for determining how well students and schools are doing relative to other students and schools. The importance and consequences of standardized tests have been increasing over the last ten years. The focus of this paper - the No Child Left Behind (NCLB) law is largely responsible for this focus on standardized testing.

NCLB was signed into law in 2001 by President George W. Bush. The law requires each state to develop tests to measure basic skills, such as reading and math comprehension. Such tests are administered at specific grade intervals. The primary purpose of NCLB is to ensure that students in every public school achieve important learning goals, while being educated in safe classrooms by well-prepared teachers. As such, there has been much debate surrounding the most effective way to increase test scores. There has also been significant debate concerning the validity of the state-issued standardized tests.

NCLB requires that states administer tests to all public school students. The states set proficiency standards, called adequate yearly progress, that progressively increase the percentage of students in a district that must meet the proficiency standard. If a school district does not meet these proficiency levels, the law mandates that requirements be met and corrective actions applied. Usually, the law mandates incentives like increased or decreased funding based on test results. This means that the government could cut funding to a school if it does not perform well on the test. This is very controversial, as it calls into question the overall purpose and effectiveness of NCLB and standardized tests.

In recent years, there has been a push to reform NCLB. President Obama has proposed more in depth testing. He has also granted several states waivers from the law, allowing for more control over assessments. The Forum on Educational Accountability also identified several NCLB reforms, which fall under three categories: “Educationally Helpful Assessments,” “Rational Expectations for Improvement” and “Support Instead of Punishment.”

Most standardized tests consist of multiple choice and short essay answers. There are many arguments supporting the effectiveness and need for standardized tests in the school system. However, there are just as many arguments supporting why standardized tests are ineffective for students, schools, and education itself. Fortunately, there are alternatives that can take the place or aid the validity of standardized testing. Most of these alternatives call for more interaction with the assessors and a sharper focus on student improvement rather than student comparison.

Selected Arguments for Standardized Tests

Standardized tests are designed to compare. They are designed to see how a student, school, technique or region compares to others in the same category. Although there is debate as to what these tests actually compare (intelligence, knowledge, test taking abilities), it is important to note that such tests are consistent in their measuring and do offer some valid comparisons.

Standardized tests are reliable and objective measures of student achievement. Without them, policy makers would have to rely on tests scored by individual schools and teachers, who have a vested

interest in producing favorable results. In other words, the government cannot rely just on student grades to determine a student's performance compared with every other student in an area (i.e., city, county, state, region, country).

For example, if school offers two American History courses and each class is taught by a different teacher, the teachers likely have different tests, education techniques, and possibly a different grading scale. One could conclude that one American History course should be slightly more difficult than the other based on all the variables. If Student A is in the first class and Student B is the second class receive the same grade at the end of the year, but Student A's class is more difficult than Student B's class, is it right to assume that they know the same amount of material? What if Student B received a higher grade than Student A? Would it be safe to say that Student B was smarter than Student A in American History even though Student A was in the more difficult class? Clearly, it is easy to see the complications of just using grades to compare students. Note that the above example compares two students in the same school. This problem is compounded when you examine any two students in the country. Since standardized tests, by definition, are standard, there is no confusion about how two students compare to each other.

It is also important to note that standardized tests provide useful information at a very low cost, and consume little class time. Standardized tests cost less than 0.1% of K-12 education spending, totaling \$5.81 per student per year. Students are expected to take and do well in standardized tests throughout their whole academic career, and are the most popular way to evaluate students at a snapshot in time. The U.S. Department of Education stated, "Although testing may be stressful for some students, testing is a normal and expected way of assessing what students have learned." Students are expected to be able to communicate what they have learned in a test. As such, this is what they are doing when they take a standardized test; it simply focuses on more generalized material.

There are three levels of standardized testing that a student could face even if high school and grade school assessment testing were eliminated. The first level is the college/graduate entry test, including, for example SATs and GREs. These are tests used to compare students with other students when a student is looking to further his/her academic career. Student test results are compared to other students seeking the same level of education. Colleges and universities use these scores as an important admissions factor.

The second level of standardized testing is the professional entry test, intended for those who wish to go to a professional school. Examples include MCATS (medical school) and LSATS (law school). Although these tests can be topic specific, they are still standardized. Individual results are compared against every other student who takes the test. Professional schools use these scores as an important admissions factor.

The third level of standardized testing is the professional certification test. Examples include the PRAXIS and BAR exam. Professional certification tests are designed to ensure that students know enough information about a certain profession so they can legally perform the job they are seeking. Physicians, lawyers, real-estate brokers and pilots all take high-stakes standardized tests to ensure they have the necessary knowledge for their professions. If standardized tests were an unreliable source of data, their use would not be so widespread.

As a side note, in order to become a naturalized citizen in this country, foreign citizens must pass a standardized test.

Selected Arguments against Standardized Tests

Education encompasses a wide range of ideas, concepts and information. It is nearly impossible to test a student on every aspect of his/her education. This means that a lot of subjects are excluded from standardized testing.

In order to receive a diploma, students must take a variety of classes in different subjects, including history, social studies, geography, arts and physical education. While these subjects are not included on standardized assessment tests, students are required to pass them in order to graduate. Mathematics and reading are the only two subjects tested in every state. Other subjects, like science and writing, are tested in some, but not all, states. Countless other subjects are not tested through standardized assessments.

Educator Bill Ayers said, "Standardized tests can't measure initiative, creativity, imagination, conceptual thinking, curiosity, effort, irony, judgment, commitment, nuance, good will, ethical reflection, or a host of other valuable dispositions and attributes. What they can measure and count are isolated skills, specific facts and functions, the least interesting, and least significant aspects of learning."

Imagine a student who excels in writing historical fiction. Such student is able to show vast knowledge in history to remain accurate in his/her writings. Also, this student shows excellence in the area of creativity and imagination - to continually write stories at a high level. In fact, the student looks to further his/her career in this field. With standardized tests in most states, the student will not even be assessed in what makes him/her a good student. If the student's math skills are poor, then he/she may be considered a below average student.

Who is responsible for low or high student test scores? The assessment system says that test scores are teacher and school responsibilities. Although education comes from the teachers, parents, and students themselves, the consequences of this high stakes testing falls mainly on the shoulders of teachers and schools. If a school fails to meet the level of proficiency that is required under NCLB, the school could face major consequences, including the loss of funding and being mandated to teach for longer hours and stay after school to provide free tutoring. If a school continues to fail to meet the level of proficiency required by NCLB, the school may be forced to replace its teaching staff, school administration, or, in the most extreme case, it may be forced to close.

It is universally known that parents are the best teachers and help children learn throughout their lives. Under NCLB, parents or guardians are not required to attend any parent-teacher conferences to discuss their child's progress. And while parents are not punished when their child does poorly, they are neither rewarded when their child does well. In fact, parents play no role in the standardized test system. This is unusual since few people would argue that a large majority of what students learn takes place in the home or through homework.

Likewise, students who have actually taken standardized tests face few consequences for poor performance. In fact, only twenty three states have graduation requirements in place, which require a student to pass a standardized test. This means that a student who fails a standardized test in which teachers' and school administrators' jobs are at stake, may still graduate without knowing the material that the laws requires such student to know. A teacher can be fired before the student is held back for failing such test.

Education is a three legged stool. In addition to schools and teachers being responsible for education of children in the U.S., parents are as well. As such, it makes no sense that all of the responsibility of such education is placed on standardized testing.

Another issue with standardized testing is the amount of time it takes for schools to receive assessor feedback. In Pennsylvania, test scores are not released to schools until September. By this time, students who have taken the tests have already scheduled their classes and been participating for almost a month in the classes they selected. Meanwhile, those students at the grade level below are now learning the same curriculum in math and reading as the student before them. One can easily see an issue in this situation if the first set of students did not perform well on a certain part of the standardized test.

To help illustrate this point, consider a set of students (Students A) take a standardized test. Students A do not get their test results back until they have scheduled and started taking the next year's classes. The next set of students (Students B) starts their school year with the same curriculum as Students A in the prior year. The school gets test results back and Students A did not meet the level of proficiency required in mathematics. It is now very difficult for Students A to learn what they struggled with in the previous year since they are already enrolled in a new course. It is also difficult for teachers to change the curriculum once it is underway. While teachers can change little things in the curriculum, major changes must wait until the following school year. Thus, Students B will learn from the "bad" curriculum.

The following school year brings in Students C. The curriculum has changed and this set of students is learning the areas of mathematics that Students A struggled with. The school gets the results back and, because they were unable to make major changes to the curriculum, Students B failed to meet their proficiency level, too. The school hopes that the changes will increase test scores but it will not find it such changes have done so until the following school year with Students D. This means that if a school fails to meet a proficiency level in one subject, it would take at least four years to know whether or not the school is able to fix the problems in that subject because of the length of time between the test and the results. It is also important to remember that during these four years, another subject might fall under the proficiency level and require more time to address.

The standardized testing system creates the idea of winners and losers. If a student passes the test, he/she is a winner. If a student fails the test, he/she is a loser. It doesn't matter how many points the student scored over or under the proficiency level, it simply matters on which side of the pass/fail line he/she falls. This creates an attention gap among students. According to Daniel Koretz's study, *What Do Standardized Tests Really Tell Us About Students and Schools?*, "It creates really bad incentives. And we're now beginning to slowly accumulate research confirming that when you reward teachers for getting kids across one line, they focus on the kids who are near the line to the detriment of others." This means that students who are above the proficiency level may be ignored. Likewise, those who are below the proficiency level may not receive much attention because schools realize that there are not enough resources to bring these students up to the proficiency level. This leaves the most resources and attention going to students who are close to the proficiency line.

The study also stated that teachers and schools have "figured out what's now called the bubble kids, who the bubble kids are, the kids right on the cusp, and moves a bunch of them from just below that cut score to just above will look like they're making huge progress."

Alternatives to Standardized Tests

With so much debate over standardized testing, many alternatives have been proposed. One such alternative is the use of portfolios - a collection of evidence, prepared by the student and evaluated by the faculty member, to demonstrate mastery, comprehension, application, and synthesis of a given set of concepts. To create a high quality portfolio, students must organize, synthesize, and clearly describe their achievements and effectively communicate what they have learned.

The government can still assess students using portfolios by establishing criteria for the materials that all students must include. The government could mandate items such as an essay on literary text, a geometry math proof, and biology lab report, music interpretation and whatever else it feels is appropriate for the grade level being assessed. Each student can complete his/her portfolio and submit it for assessment.

There are several benefits to this alternative. Portfolios put the responsibility of demonstrating knowledge and integration across concepts on students. They also provide a structure for long-duration assignments. Portfolios encourage student creativity and allow them to emphasize the aspects of a concept most relevant to them in meaningful ways. Finally, portfolios engender self-reflection and self-assessment. This means that they help to solve the “can’t test everything” problem of standardized tests. Government officials are able to choose exactly what they feel is important to assess.

Portfolios, however, also have their problems. They take longer to score than machine graded multiple-choice exams. This may cause a greater time lag than previously discussed regarding standardized tests. Portfolios involve student work outside of class. Although this would put responsibility on parents, it might put too much responsibility on parents. Portfolios do not easily demonstrate students’ knowledge-recall abilities. Finally, students who have been successful at memorizing their way to an “A” initially find portfolios intimidating. So while the portfolio solves the issue of standardized testing not being able to test everything, they present both time and responsibility concerns.

Another alternative to standardized testing is the interview. An interview is a face-to-face assessment that consists of a series of well-chosen questions (and often a set of tasks or problems), which are designed to elicit a portrait of a student's understanding about a scientific concept or set of related concepts. The interview may be videotaped or audio taped for later analysis.

Government officials can use this alternative to standardized testing by establishing criteria for the subjects and concepts it wants each student to know at each grade level. The government might even choose to mandate a strict set of questions to be asked of each student. Each student might go through three sets of interviews – one of which is with a teacher from the school the student attends. This offers immediate feedback to the school and student. The second interview might be given by a teacher from another school district (preferably a close by district). This may eliminate bias that may occur with a teacher that a student knows and still allows for quick feedback to the school and student. The third interview might be given by a government assessor. This could offer the national comparison sought, while completely eliminating any bias.

There are many benefits to the interview assessments. Structured interviews enable instructors to examine the degree of understanding a learner has on a scientific concept or closely related group of concepts. Interviews offer instructors a vehicle for focusing on how instruction is interpreted and internalized by the learner. Faculty can use structured interviews as a powerful type of formative assessment to improve courses and teaching methods. Collaborative analysis of interviews allows faculty groups to develop shared understandings of typical difficulties students have with key concepts. Not only do interviews help eliminate the time lag issue, but they also help solve the “can’t test everything” problem of standardized tests.

Drawbacks to the interview assessment is that they are designed to elicit how a student understands a scientific concept. As such, they should be used in addition to, not instead of, other forms of evaluation. Interviews are quite time-consuming. Faculty members should interview a broad sample of students in a class in order determine how they are reacting to and understanding the concepts presented. The

usefulness of the interview technique is largely determined by the nature and quality of the probes and follow-up questions. Thus, a substantial amount of planning may be required to design an informative interview.

Like portfolios, interviews allow for assessors to assess a wide range of topics, subjects and concepts. Interviews also help solve the time issue of standardized tests by encouraging somewhat immediate feedback. However, the most difficult part of interviews is the student comparison. This is why interviews should be used with another form of assessment instead of a replacement.

Case Studies on the Measurement of Student Performance

This section outlines case studies that demonstrate why student performance should be based on more than one measurement.

Case Study 1: High-Stakes Testing and Mathematics Performance of Fourth Graders in North Cyprus

The authors attempted to determine the effects of a high-stakes standardized testing on mathematical performance. They developed a multiple-choice mathematics performance test for 1,000 fourth grade students in 28 schools. Overall results show that the fourth graders' performances in routine mathematics items were better than their performances in non-routine mathematics items. Although the amount of time that students spent preparing for a high-stakes standardized test was an important factor in their mathematics performances, the differences favoring the students who were instructed with a test-driven approach resulted from their answering mostly routine number, operation and story problems. However, relatively small effect sizes indicates that a test-driven instructional approach has little to do with improving higher order skills like solving non-routine story problems. Overall, students who were taught only to perform well on standardized tests showed little ability to perform well on anything outside of testing such as critical thinking math problems. This case study shows not only that teaching to standardized tests does not improve student performance, but is an impediment to critical thinking.

Case Study 2: Dropout Rates after High Stakes Testing in Elementary School

One concern about high stakes student assessment policies is that they could increase dropout rates. Those who support such policy say that adverse effects of grade retention should be more than offset by beneficial effects of rising achievement. Using data from Chicago, this study examines dropout rates after implementation of an eighth-grade promotion standard. The results indicate that retention by the policy did have adverse effects on dropout rates, but the relationship was smaller than seen with traditional teacher-initiated retention and was unrelated to the timing of dropping out. System-wide, slight decreases in dropout rates among the 90% of students who were not retained counterbalanced the higher dropout rates among those retained.

In Chicago, the implementation of an eighth grade promotional standard was not accompanied by a massive rise in overall dropout rates, as feared by policy opponents. However, overall dropout rates also did not decline for several years, despite substantial improvements in student achievement.

Case Study 3: Foundations for Success - Case Studies of How Urban School Systems Improve Student Achievement

This report examines the experiences of three urban school districts that have raised academic performance within their district. The research is based on case studies of these districts and comparisons of their experiences with other districts that have not yet seen similar improvements. The case study districts are used to develop hypotheses about the reasons for achievement improvements.

The comparison districts provide a partial test of the hypotheses emerging from the analysis of the case study districts.

The case study districts' approaches to reform had the following in common:

- They focused on student achievement and specific achievement goals, on a set schedule with defined consequences; they aligned curricula with state standards; and they helped translate these standards into instructional practice.
- They created concrete accountability systems that went beyond what the states had established in order to hold district leadership and building-level staff personally responsible for results.
- They supported district-wide strategies at the central office through professional development and support for consistent implementation throughout the district.
- They committed themselves to data-driven decision-making and instruction. They gave early and ongoing assessment data to teachers and principals, as well as trained and supported them as the data were used to diagnose teacher and student weaknesses and make improvements.
- They started their reforms at the elementary grade levels instead of trying to fix everything at once.

Policy Recommendations

Currently, too much emphasis is placed on standardized testing. It has become the mechanism to determine a school's funding, to compare students, and evaluate overall school performance. Given the narrow parameters of standardized tests, this tool should not be the single determining factor in funding, school or teacher evaluation or student performance. This emphasis could cause schools to "teach to the test" as oppose to teaching content. This is a losing proposition for all involved.

Standardized testing should be a component of evaluating progress or for use in comparisons. Emphasis should be on student performance, not comparisons. Student performance should also be a component of teacher evaluation. It should be noted that teacher evaluation is the second policy brief in this series, as the two topics are interdependent.

Policy Statements

The Institute for Public Policy & Economic Development supports student performance being based on more than one form of measurement.

The Institute for Public Policy & Economic Development supports legislation that includes additional methods of performance measurement.

The Institute for Public Policy & Economic Development supports school districts taking a proactive approach to performance measurement

Conclusion

Although the purpose and intention of standardized testing are pure, the true effects of such tests remain uncertain. After careful analysis, there seem to be many challenges with the effectiveness of such tests. Some might argue that many of the problems associated with standardized tests are enough to outweigh the benefits, and, hence, call for the elimination of standardized tests.

Standardized tests are designed to compare. They consistently compare students, school, regions and areas of the nation. They also prepare students for the multitude of standardized tests that they may

face while furthering their academic career. If people believe that “practice makes perfect,” then it makes sense that students are exposed to standardized tests early and often.

However, standardized tests are not able to test and measure everything. There are aspects of education, like motivation and creativity, which standardized tests cannot measure. As the system currently operates, too much responsibility is placed on teachers and schools. That is, there is not enough responsibility on students or their parents and guardians. Another issue is the amount of time it takes to receive test results. It could take up to four years to fix a problem in one subject, once a problem is identified and addressed. Standardized tests also promote an attention gap among teachers and students. Students receive help based on close they are to the proficiency line.

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About The Planning, Land Use, Transportation, and Infrastructure Task

Mission

To improve the quality of life and standard of living for the residents of northeastern Pennsylvania through examination of best practices and policy in planning, land use, transportation, and infrastructure development.

Purpose 2010 - 2012

The task force is comprised of diverse groups of professionals to convene and participate in creating policy solutions based on evidence and best practices that have the potential to impact legislation and beyond.

The task force examines a variety of issues related to planning, land use, and transportation systems.

The task force provided information and served on the advisory committee to the Bi-County Comprehensive Plan

Task Force Members

Tom Lawson, Vice President, Borton Lawson – Chair

Austin Burke, Greater Scranton Chamber of Commerce

Robert Luciani, Vice President, Prudential Retirement Services

Lawrence Malski, Director, Pennsylvania Northeast Regional Railroad Authority

Kevin O'Donnell, President, CAN DO

Steve Pitoniak, Lackawanna County Planning Commission

Nancy Snee, Senior Planner, Luzerne County Planning Commission

Stanley Strelish, Director, Luzerne County Transportation Commission

Marleen Troy, Ph.D., Professor, Wilkes University

Regional Transportation Authority Policy Statement

Introduction

In Pennsylvania, Regional Transportation Authorities (RTAs) plan, develop and coordinate the regional transportation system within the geographic area it is legislated to serve. RTAs have the power to acquire, construct, operate or lease any part of the public transportation system under their domain. RTAs can apply to the state and federal government for funding operations and capital expenditures, and they collect passenger revenue. RTAs have a board of directors and the members are identified in the enabling legislation.

Background

Northeast Pennsylvania includes three public transportation (busing) organizations, an airport board and two rail authorities, a rail corporation, and a metropolitan planning organization.

In Lackawanna County, the County of Lackawanna Transit System (COLTS) provides county-wide bus services, shuttle services, and paratransit services. COLTS was formed and certified as a municipal authority in 1972 under the Municipal Authorities Act of 1945. COLTS replaced the Scranton Transit Company, which had provided electric trolley service and bus service since 1954. COLTS operates under a board of directors that establishes policies and guidelines. Board members are appointed by the County Commissioners to serve five-year terms.²⁴

On June 23, 1972, local bus service in Luzerne County came to a halt in the wake of Hurricane Agnes floods. Within two (2) years the bus system was reconstituted under public sponsorship to become a model for bus systems nationwide. The transition from flood-emergency to normal transit service was due to the culmination of a Demonstration Project funded by the following agencies:

- Urban Mass Transportation Administration (UMTA)
- Pennsylvania Department of Transportation (PennDOT)
- City Demonstration Agency of Wilkes-Barre (CDA)
- Federal Disaster Assistance Administration (FDAA)
- Economic Development Administration (EDA)

The most unusual aspect was the provision of free bus service for a 101-day period following the devastating flood. This action, taken by the FDAA to relieve traffic congestion and to provide mobility for people housed in temporary mobile home parks, represented the first time in United States history when a free bus system operated for a sustained period throughout an urbanized area.

The Luzerne County Transportation Authority (LCTA) was established by the Board of Commissioners in order to administer this Demonstration Project, and to sustain transit beyond the Demonstration period. The LCTA, in turn, made arrangements with the area's two private transit operators, White Transit Company and Wilkes-Barre Transit Corporation, to continue operations under purchase-of-service agreements.

Today, in Luzerne County, the LCTA services forty-six (46) municipalities that include three cities (Wilkes-Barre, Nanticoke and Pittston). The LCTA consolidated services with the Luzerne/Wyoming County Transportation Department (LWCTD) on January 01, 2012, providing shared-ride service. The LCTA is divided into two divisions:

²⁴ <http://www.coltsbus.com>

Fixed Route

- Service provided on a repetitive, fixed-schedule basis along a specific route with vehicles stopping to pick up and deliver passengers to specific locations

Shared Ride

- Non-fixed route service utilizing vans with passengers boarding and alighting at prearranged times at any location within the system's service area.
-

Like COLTS, LCTA continues to be a Municipal Authority and operates under a similar governance structure. There are nine (9) Board members. Board members will be appointed by the newly formed Luzerne County Council

COLTS and LCTA presently share bi-county bus routes. The LCTA is working with PennDOT for a possible with Hazleton Public Transit. Additionally, LCTA is studying the feasibility of building a compressed natural gas (CNG) fueling station.

Hazleton Public Transit (HPT) is part of the City of Hazleton's Department of Public Services. The system provides bus service in Hazleton and nine adjacent communities.²⁵

The Wilkes-Barre Scranton International Airport (AVP) is governed by an airport board consisting of the three Lackawanna County Commissioners and three members of the Luzerne County Council. The airport has a full-time staff that operates the facility and also owns an adjacent business park.²⁶

The Pennsylvania Northeast Regional Railroad Authority (PNRRA) is the result of a merger between the former Monroe County Railroad Authority and the Lackawanna County Railroad Authority. PNRRA's rail system stretches from Carbondale to Scranton and from Scranton to the Delaware Water Gap. The rail line includes both passenger and freight services. The rail authority owns the property and the rail assets and contracts with railroad companies to operate the rail.²⁷

Rail service in Luzerne County is provided by the Luzerne County Rail Corporation (LCRC). The LCRC was assigned operating rights by the Luzerne County Redevelopment Authority (LCRA) in 1994. Incorporating the LCRC was done to shield the redevelopment authority from any liability in case of an accident or other type of incident. The LCRA owns the assets (trackage and the Right-Of-Way), and the LCRC solicits and selects the rail operator.

The Lackawanna/Luzerne Metropolitan Planning Organization (MPO), in conjunction with PENNDOT District 4-0 and Central Offices, decides which transportation projects receive federal funding in Lackawanna and Luzerne Counties. The MPO membership includes representatives from transit, rail, and aviation who work together to provide a safe and efficient transportation network for the 2-county region.

Issues

COLTS and LCTA are in the process of evaluating potential bi-county bus routes. This move toward regional transportation planning is a step in the right direction. With multiple organizations and boards of directors, the current system is fragmented. Such fragmentation results in limited or no coordination among service providers, which prohibits the development of a convenient and connected

²⁵ <http://www.ridehpt.com>

²⁶ <http://www.flyavp.com>

²⁷ <http://www.pnrra.org>

transportation system. A fragmented system is also a weak competitor for scarce transportation funding. Many of Pennsylvania's other larger and regional transportation systems are more competitive for funding - both at the state and federal levels.

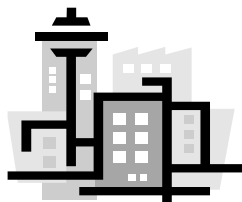
Additionally, with so many organizations providing complementary and connected services, overhead costs are high. Facilities and staff could, to some degree, consolidate and/or deploy into underserved areas. Regional systems can also benefit from economies of scale in purchases of capital equipment. In a time when energy costs are so high that it becomes prohibitive for vehicle owners to drive, there is an opportunity to reinvent public transportation to increase ridership. Further, the emergence of the natural gas drilling industry in Pennsylvania presents an opportunity to convert fleets and build fueling stations. This will make transit systems more competitive from a cost standpoint and also reduce environmental impacts.

Policy Guidelines

Essentially, The Institute for Public Policy & Economic Development supports the development and implementation of an RTA that would deliver a coordinated and connected regional transportation system and transit planning at an efficient cost. Quality of service, economies of scale, innovation, expansion (air travel and passenger rail) and facilitating connections to bike and pedestrian trails should serve as the basis for a regional transportation policy. An RTA should work collaboratively with the regional MPO.

Policy Statement

The Institute for Public Policy & Economic Development supports the formation of an RTA that encompasses the airport, bus lines, and rail. Given the economic interdependence of Lackawanna and Luzerne County, the commuter patterns of residents between the two counties, the number of residents who leave the region daily for employment, and the continued challenge of attracting more air carriers and flights, an RTA designation would enhance the integration of all modes of transit under which would be a combined transit authority and a stronger competitor for state and federal funding. The RTA should not only include representatives from the different modes of transportation, but also have geographical balance (from Carbondale in the north to Hazleton in the south), work collaboratively with the MPO and provide service to meet consumer demand. A regional RTA would also allow for increased operating efficiencies and create a regional system that addresses Northeast Pennsylvania's workforce needs.



The INSTITUTE for Public Policy & Economic Development

A partnership among Keystone College, King's College, Luzerne County Community College, Marywood University, Misericordia University, Penn State Wilkes-Barre, The Commonwealth Medical College, University of Scranton, & Wilkes University

The Institute at a Glance . . .

The Institute for Public Policy & Economic Development (The Institute), formerly known as the Joint Urban Studies Center (JUSC) is a collaborative effort of nine regional colleges and universities, including: Keystone College, King's College, Luzerne County Community College, Marywood University, Misericordia University, Penn State Wilkes-Barre, The Commonwealth Medical College, University of Scranton, and founder and manager, Wilkes University.

Formed in 2004, The Institute emerged as a regional entity providing community based research for informed planning and decision-making and became a premier resource for public, private, and non-profit sectors to use in developing feasibility, strategy, programs, initiatives, and policy. The Institute is a research based think tank and consultancy organization. The Institute produces research, but also identify specific strategies, plans, and an implementation process to initiate reform.

Competencies

quantitative and qualitative data analysis
regional economies and economic development
strategies & practices
forecasting
survey design and social science research
input-output analysis
convening & facilitation
market and feasibility analysis

Our Team

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Executive Director Research & Policy Analyst

Kathryn Wassel
Research Assistant

Faculty and students from our higher education partnerships collaborate on the research through a variety of cooperative relationships.

Our Services

The Institute has completed projects for a number of public, private, and non-profit organizations, and the federal government.

Research areas include:

- demographics
- economic development projects and planning
- community development
- education
- workforce development
- health and healthcare
- best practices
- innovation indicators
- economic indicators
- tourism and arts & culture

The Institute prepares the following products:

- Indicators/Benchmarks/Wealth/Prosperity Indexes
- Health Assessments
- HUD AI Studies
- Market and Feasibility Analyses
- Economic Development Strategies
- Economic and Tax Impact Studies
- Industry Studies
- Workforce Studies
- Education Studies
- Economic and Demographic Profiles
- Policy Analysis and Program Evaluation Support
- Research Validation and Peer Review
- Site Selection Research
- Stimulus Project Analyses and Monitoring
- Arts & Culture Studies
- Tourism Strategic Plans
- Comprehensive Plans
- Community Issue Resolution
- Asset Maps