



JOINT UrbanStudies CENTER

Volume 5 Issue 1

Fall 2008

From the Executive Director:

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The Joint Urban Studies Center is pleased to announce that it will change its name to The Institute for Public Policy & Economic Development. The name change comes as a result of research extending beyond the limits of the urban environment. The Institute has been involved in sponsored research of the Marcellus Shale play and in a number of client driven proprietary projects in Central Pennsylvania for an organization called the Forum for Pennsylvania's Heartland which is comprised of 11 counties, mostly rural.

The Institute has also been ramping up its public policy analysis and recommendations on a variety of issues facing Pennsylvania and the region.



Since its inception, The Institute has promoted regionalism as a way to collaboratively solve problems and plan for the future. Lackawanna & Luzerne County have been actively engaged as an economic region for the past 70 years and through the regional indicators initiative and task forces since 2006. A number of other initiatives (outside of The Institute's work) have also developed during the same time period. In light of the bi-county higher education institution involvement, it only makes sense that an office is established in Lackawanna County. Thanks to the generosity of GreenSpace Properties LLC, an office will open in November at 120 Wyoming Avenue. Approximately 900 square feet of space will house a student lab, meeting room, and staff offices.

Marcellus Shale Symposium - November 19, 2008

JUSC is bringing together experts from the Barnett Shale play in Texas and industry experts to talk about the incredible opportunity that lays before Pennsylvania and several other states. These speakers plan a candid discussion on potential opportunities and challenges. They draw upon their experiences of the Barnett Shale play in Texas and present us with information and suggestions to plan our own future. Representatives from Chesapeake Appalachia LLC will also be present to identify where this company is and where it is going. They will talk about the role of natural gas in energy policy and the needs of natural gas companies when it comes to employees, education, infrastructure, and other community services.

This half-day event will take place on November 19, 2008 at The Woodlands Inn on Route 315 in Wilkes-Barre PA.

Additional event information and a registration form can be found in this newsletter and at: www.urbanstudies.org/shalesymposium .

Register early. Seating is limited.

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*Soon to be: **THE INSITUTE 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, University of Scranton, & Wilkes University

The Marcellus Shale Symposium

The symposium is designed to educate the local governments, elected officials, economic and workforce development providers, educators, social service agencies, and business and civic leaders about the incredible opportunity the Marcellus Shale play can have in the region and state. Marcellus Shale can transform the economy by increasing wealth, social equity, and quality of life. However, proper regulation and taxation will provide safeguards that protect our environment, water, and infrastructure to minimize risks and issues.

Will Brackett — Managing Editor of the weekly *Powell Barnett Shale Newsletter*, the most widely read and respected industry source of current news and well information analysis on natural gas drilling in the Barnett Shale and other similar formations. Brackett will provide an overview of the Barnett Shale play in Texas and its fiscal, social, and economic development impact upon the state and provide a brief overview of the status of the Marcellus Shale.

John S. Baen, Ph.D. — Professor of Real Estate at the University of North Texas in Denton, Texas, as well as a practicing commercial real estate broker, author and expert witness / consultant in oil and gas leases, litigation and research. Dr. Baen will discuss the regulatory environment needed to monitor the industry that will aide in maximizing benefits while minimizing risks.

Scott Rotruck and Matt Sheppard — Vice President Corporate Development and Director of Corporate Development respectively, Chesapeake Appalachia LLC. Rotruck and Sheppard will talk about his company's investments in Appalachia, their expectations, experiences, and the value of natural gas playing a significant role in energy policy.

A Q&A session will follow the presentations.

Additional information and registration information attached.

Visit www.urbanstudies.org for JUSC sponsored research on Marcellus shale.

Speakers sponsored by Chesapeake Appalachia, LLC

November 19, 2008 8:00 am—12:00 pm The Woodlands Inn Cost: \$30

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WEDNESDAY, NOVEMBER 19, 2008

Marcellus Shale Symposium

Cost: \$30 **Time:** 8:00 am – 12:00 pm
(Program begins at 8:00 am - Registration opens at 7:45 am)

Location: The Woodlands Inn
Route 315 Wilkes-Barre, Pennsylvania

REGISTRATION FORM

Name: _____

Title: _____

Company: _____

Address: _____

Phone: _____

Fax: _____

Email: _____

Method of Payment (circle one):

Check American Express MasterCard Visa Discover

Name: _____

(as it appears on credit card)

Card Number: _____

Exp. Date: _____

Signature : _____

(for credit card transaction)

Fee includes full breakfast, instruction, and materials.

Seating is limited. Reservations and payment must be received by November 12. For reservations after November 12, please contact Marla Doddo at: doddo@urbanstudies.org for space availability and cost. No refunds will be issued after November 12. Prior to November 12, refunds will be issued with a \$10 service charge deducted from each cancelled registration.

A block of rooms has been reserved at the Woodlands for \$105 (government rate available) until November 10. For information and room reservations, call The Woodlands at 1.800.762.222 and mention the JUSC event.

Phone: (570) 408-9850

Fax: (570) 408-9854

Mail: JUSC 7 South Main St., Suite 201 Wilkes-Barre, PA 18701

Please note: No refunds will be issued after November 12, 2008

RECENT RESEARCH

Luzerne County Migration Study

For decades, Luzerne County's population has been declining and northeastern Pennsylvania's future has been unclear. In JUSC's annual Luzerne County Migration Study, we investigate historical population declines through migration data examination. Our findings reveal that there is reason to be hopeful about Luzerne County's future. Upon review of Internal Revenue Service (IRS) data from 1990 to 2007, we found that currently Luzerne County is experiencing more in-migration than out-migration, and a significant percentage of that in-migration is coming from neighboring states. The following states/counties contribute most significantly to Luzerne County's population increase:

- In Pennsylvania: Lackawanna, Columbia, Schuylkill, Monroe and Carbon Counties
- In New York: Kings, Queens and New York Counties
- In New Jersey: Passaic, Hudson and Essex Counties

Look for a December release of this report.

Lackawanna County Migration Study

Like Luzerne County, for decades Lackawanna County has also been experiencing population declines. JUSC's annual Lackawanna County Migration Study focuses on annual migration data from 1990 to 2006. In the study, JUSC pinpoints three states, and fifteen respective counties, that are the largest contributors to Lackawanna County's population increases, including:

- In Pennsylvania: Luzerne, Wayne, Wyoming, Susquehanna and Monroe Counties
- In New York: Kings, Broome, Queens, Suffolk and Nassau Counties
- In New Jersey: Middlesex, Morris, Essex, Bergen and Hudson Counties

Look for a December release of this report. The 2007 data will be released shortly afterwards.

County Business Patterns

JUSC's annual County Business Patterns report examines county business pattern data for Lackawanna and Luzerne Counties, as well as for the Commonwealth of Pennsylvania as a whole. The report studies the counties' similarities, differences, and relationships to state business patterns. Data was broken down into three specific years of activity: 1998, 2002 and 2006; JUSC discovered some interesting trends. Between 1998 and 2006, Luzerne and Lackawanna Counties, as well as the state as a whole, experienced noticeable annual payroll increases. Luzerne County, for example, reported a payroll increase of \$918,954, while Lackawanna County's payroll increased by \$771,748. Over the nine-year period, Pennsylvania as a whole reported a \$54 million increase in payroll.

This report is posted on the JUSC website at www.urbanstudies.org.

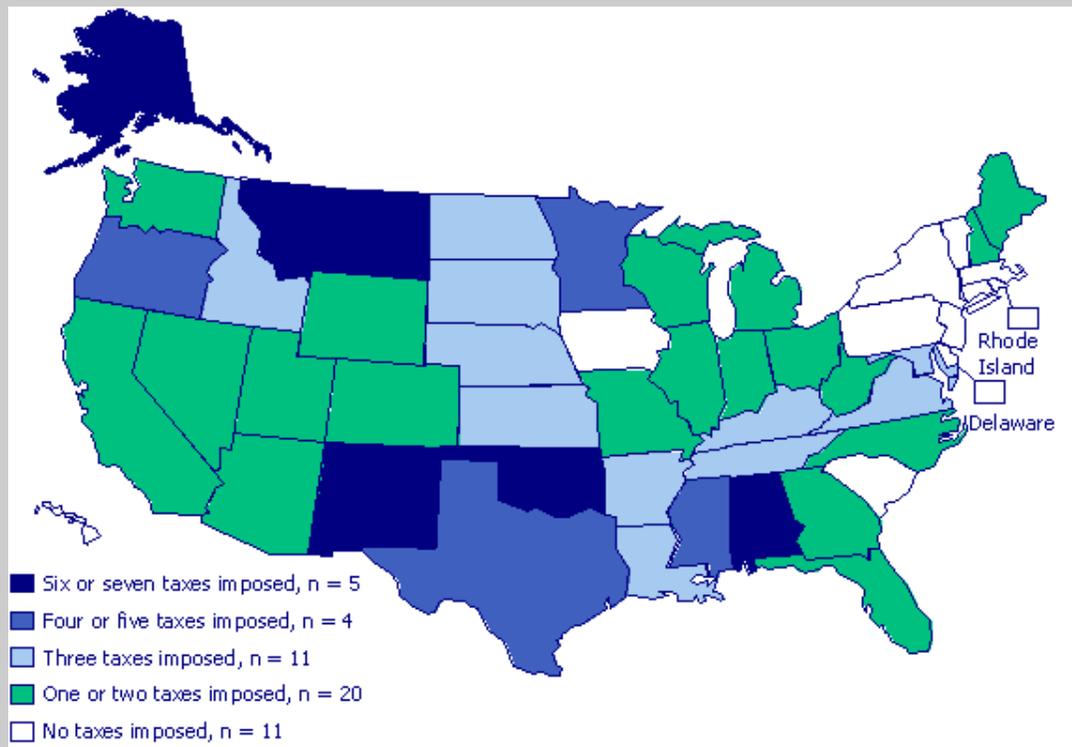
Severance Tax

In our Spring 2008 newsletter, JUSC reported on natural gas exploration in the region’s shale deposits, and the opportunities challenges that come with this discovery. In June, JUSC issued two reports detailing the importance of Marcellus shale to our region and the economic impact similar natural gas findings have had in other parts of the country. In continuing our efforts to research this subject, in this newsletter we examine “severance tax” – the latest buzz term surrounding Marcellus shale.

A severance tax is a levy on natural resources “severed” from the land. Most of the country’s largest natural gas producing states, including Texas, Arkansas, and West Virginia, among others, institute a severance tax. In Pennsylvania, however, the State Legislature, has not yet considered legislation to allow for such tax. JUSC believes that Pennsylvania should enact a severance tax on natural gas commodities in order to reap all the benefits of the Marcellus shale play. Further, implementation of a severance tax will allow for appropriate regulations to allow for environmental and other protections.

There are two schools of thought on the severance tax issue. On one side, some believe that Pennsylvania should reap the benefits of and collect a tax on this natural resource extracted from the land. On the flip side, others believe the severance tax would hinder exploration activities and drive away natural gas companies. It should be noted, however, that the latter scenario has not been the case in other states where shale exploration has occurred.

The map below demonstrates the states, which impose a severance tax. As illustrated, Pennsylvania is one of few states that does not impose a severance tax.



Source: National Conference of State Legislatures

Severance Tax *continued*

Many states dedicate severance tax revenues to specific purposes. Below are some of the most common benefactors:

- Counties and other local governments (Colorado, Florida, Kansas, Kentucky, Louisiana, Mississippi, Montana, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Tennessee, West Virginia, Wyoming)
- Conservation, reclamation and remediation (California, Colorado, Florida, Louisiana, Montana, New Mexico, Ohio, Oklahoma, West Virginia, Wyoming)
- Schools (Minnesota, Montana, Nebraska, North Dakota, Oklahoma, Oregon, Texas, Utah).

Texas and Arkansas shale have been highlighted in prior JUSC reports. Both states contain shale similar to Marcellus shale, and each provides solid examples of severance tax laws and regulations.

Texas

Because it is such a large oil and natural producer, Texas has had a severance tax system in place for decades. Texas has restructured its severance tax system several times in an effort to pursue tax incentives or exemptions for natural gas drilling. The Texas Railroad Commission is the state's oil and natural gas industry regulator; the commission believes that reduction or elimination of state severance taxes provides operators with various economic incentives to produce oil and gas resources that otherwise might remain uncovered. Providing such severance tax reductions or exemptions, in effect, lowers production costs. These incentives are factored into decisions regarding whether or not to drill a well, initiating an enhanced recovery project, or servicing a well to increase its production.

Texas' natural gas severance tax code places a 7.5% levy on the market value of natural gas. Natural gas market value is determined at the mouth of the well from which it is produced. Natural gas tax receipts are expected to total \$3.5 billion in 2008-09 — down 15.1% from \$4.1 billion collected in 2006-07. In addition to billions of dollars in economic activity, the Texas received an estimated \$165.4 million in 2006 and \$212.1 million in 2007 in severance taxes from Barnett shale activity.

Arkansas

Due to its Fayetteville shale play, for the first time in 50 years, the Arkansas Legislature recently increased the state's natural gas production severance tax. The tax was raised from .3% per 1,000 cubic feet of natural gas to 5% of the market value of the natural gas; in addition, Arkansas implemented severance tax reductions for some natural gas wells.

The increase, which becomes effective Jan. 1, is expected to generate about \$57 million next year and an estimated \$100 million by 2013.

Current Pennsylvania Legislation under Consideration for Marcellus Shale

House Bill 2453:

HB 2453 clarifies issues surrounding leases and royalty payments pertaining to natural gas production, and includes Marcellus shale under provisions of the Oil and Gas Act of 1984. The bill calls for the establishment of a more comprehensive definition of oil and gas leases and the requirement of a royalty payment of at least one-eighth of the market value of natural gas produced by a well to the property owner. The legislation would prevent energy companies from subtracting operating costs prior making royalty payments. The bill would ensure that companies are not authorized to horizontally drill and extract natural gas or other minerals from beneath unleased land parcels.

House Bill 2620:

HB 2620 requires installation of a meter at each natural gas well site so that property owners have more information regarding the amount of natural gas produced on their property. Currently in Pennsylvania, production reports for a well do not have to be submitted for five years, whereas in Texas this period is only 30 days. No activity reported.

Scholarly News

Intern Update

During the fall 2008 semester, JUSC staff has had the pleasure to work with interns from Keystone College, Kings' College, and Wilkes University.

John Craunakis, from Keystone is currently engaged in graphic design projects for Center publications. A May 2008 graduate, John majored in Visual Art and Graphic Design.

Hailing from King's College are: Kristy Cerullo, a English major with a writing concentration, has worked on assessment reports for a client based project; Kathleen Dorsey, a Marketing major, is conducting research for the Center's annual indicators report; Robert Jordan, a Business Administration major, has conducted research for a client based project and also has worked on assessment reports; and Drew McLaughlin, a Professional Writing major, is conducting research for the indicators report.

Wilkes University students, Amy Fusco, a Communications major, is working on a client based project; Felipe Queiroz, an Entrepreneurship major, is conducting research for the indicators report; and Monica Turner, a Communications major, is also conducting research for the indicators report.

Each student is engaged in their assignment (s) and represent their college or university well.

Thank you fall interns!

JUSC is currently interviewing students for internship positions for the spring, summer and fall 2009 semesters. A student of any academic discipline is welcome. The Center is looking for students that have exceptional research and writing skills, database experience, graphic design experience, and web development expertise.

Contact Marla Doddo at 570.408.9850 or doddo@urbanstudies.org for information regarding internships at JUSC.

Visiting Scholar Initiative – JUSC seeking Visiting Scholars

JUSC is currently seeking visiting scholars from its member higher education institutions to join its Visiting Scholar Program. The objectives of the program are to:

- Enhance JUSC's research capabilities by recruiting faculty from diverse disciplines and methodological skills
 - Allow faculty to engage in applied research
 - Permit faculty to conduct and follow their personal research agenda
 - Provide faculty the opportunity to network with local, regional, and state government officials, as well as business and community leaders
 - Produce research that improves Northeast Pennsylvania's quality of life
- Generate reports that contain recommendations that will bring best practices to local and county governments and non-profit organizations

For more information on the Visiting Scholar Program, please contact JUSC's Marla Doddo at 570.408.9850 or via email to doddo@urbanstudies.org.

RFP-The Northeast Quarterly Bulletin

Attention all faculty members! JUSC has released an RFP for faculty submissions to the first issue of the Northeast Quarterly Bulletin (QB) – a scholarly newsletter designed to inform and educate business and civic leaders about the facts, issues, and opportunities facing our region.

The newsletter will contain four sections:

- Jobs & the Economy
- Education & Workforce Development
- Housing & Community Development
- Land Use, Transportation, Infrastructure, and Planning

For information about the QB or to receive the RFP please contact:

Marla Doddo at: doddo@urbanstudies.org for more information.

INSIGHTS



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The opinions or findings in this newsletter do not necessarily reflect those of the sponsoring organization, individuals, or institutions, their officers or boards, or the JUSC advisory board.

JUSC Mission Statement

JUSC's mission is to assist in the revitalization of small to mid-sized cities and counties through the utilization of the center's expertise and resources. These include its member universities, colleges, and their respective faculties and students. JUSC serves as a resource and consultant for communities to develop more effective and efficient government, best practices, preparation of applied research, strategy development, and the process for its implementation. Based upon these efforts, JUSC develops models for replication by other municipalities confronting similar challenges.



Housing Task Force Update

JUSC's Housing Task Force, along with its members and partners, the Lackawanna County Housing Coalition and the Luzerne County Housing Partnership, are developing a Housing Education website. Through funding from the Pennsylvania Department of Community & Economic Development (PADCED), the task force hired BlackOut Design, of Scranton, to design and develop the site.

The creation of this website fulfills one of the Housing Task Force's strategic goals — to provide education, resources, and technical assistance to homebuyers and homeowners. The purpose of this strategic goal is to increase homeownership, decrease foreclosures, reduce rental occupancy, and help homeowners to properly maintain properties — inside and out.

The website will go live on November 15, 2008.

JUSC Advisory Board and Founder

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