

RESEARCH MEMO

To: Prowers County Residents, Interested Parties

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Date: April 22, 2003

Re: Economic Impacts of Rural Prisons

Overview

While correctional facilities are often touted as healthy tools for economic development in rural communities, many claims of prison-driven economic growth are exaggerated. This memo provides a brief overview of some typical collateral impacts that can accompany a prison to town. The attachments examine some economic indicators from Bent County, which is home to the Bent County Correctional Facility (owned and operated by Corrections Corporation of America) in Las Animas. This memo is in no way meant to be an exhaustive compilation of the many factors which must be considered when considering the siting of a prison. I would, however, be happy to work with any Prowers County residents to further explore relevant topics.

Prisons have been advertised as environmentally friendly, recession-proof industries. Neither of these claims is true. Former state Department of Corrections' (DOC) director John Suthers once told the legislature's Capital Development Committee that "wastewater management has been a major issue at every new prison we have built." Water usage, wastewater treatment, light pollution, and traffic patterns can all result in negative environmental impacts from prison construction. Limon and Sterling (home to 953 and 2,445 bed prisons, respectively) have seen their wastewater treatment facilities overwhelmed by the opening of new prisons. Subsequently, both cities' treatment facilities have been out of compliance with environmental law, requiring taxpayer-funded upgrades in order to accommodate the prisons needs.¹ In addition, since private prisons typically pay property tax, they have historically been unwilling to fund infrastructure improvements as has been the case with some state prisons. While prison property taxes do have the potential to generate local government revenues, such revenues may not be sufficient to cover the costs of infrastructure improvements, particularly if tax-financed incentives are given to the prison operator.

Nor are prisons (state or private) "recession proof." Current cuts in private prison reimbursement rates and the DOC budget are testimony to the fact that corrections sustains a hit when economic activity slows. It is true that the DOC's budget cuts are less in magnitude than those in other areas of state government; however, to say that prisons are recession proof is

¹ Brian T. Atkinson, "Town may pay for pair of waste water violations," *The Limon Leader* February 2, 2001 and Community Matters, Inc., *Sterling Area Land Use Plan* (October 1995).

misleading. Prison budget cuts tend to focus on two areas: inmate programs (which leaves prisoners with more idle time, thus increasing the likelihood of facility disturbances) and staffing (which leaves fewer officers to work more shifts at a time when the inmate population is increasing). So, while hiring freezes and staff cuts lessen the DOC payroll, those employees still working in prisons are left to confront more turbulent working conditions.

Another impact on local government is increased court activity. During the construction of the Sterling Correctional Facility in Logan County, local officials realized the impending need for a new county criminal justice center. The county hired Public Administration Consulting/Training (PACT) to devise a Criminal Justice Master Plan for Logan County. In their report, the researchers found that other demographically similar counties which had relatively new prisons (Lincoln, Bent, and Crowley Counties), had increased rates of incarceration (in the county jail) and court filings. In fact, research showed that

Sheriff's Offices in the comparison [Lincoln, Bent, and Crowley] counties all reported that civil filings and the delivery of civil papers increases after the prisons are in operation....[the sheriffs] also reported increased problems with juveniles and juvenile drug use. The data shows that juvenile filings increased by 60.4% in the prison counties...²

Bent County's experience after the 1993 opening of the privately operated Bent County Correctional Facility (BCCF) should serve as a stern warning. In the four years following the opening of BCCF, County Court filings in Bent County increased an astonishing 98.9%. A private prison in Prowers County would be accompanied by an increased burden on the local criminal justice system, considering the fact that civil actions which involve prisoners are processed by local officials and "[c]rimes caused by inmates not handled by prison officials as disciplinary actions are filed in the county's district or county courts,"³ thus suggesting that the number of prison-related filings is directly proportional to the number of prisoners in a given jurisdiction.

There is also the fact that state law allows private prisons to import inmates from other states to fill vacant beds. This poses serious problems since, in the event of a disturbance or escape, state and local law enforcement personnel can be left with the task of "cleaning up" when there is a problem caused by non-Colorado inmates. This happened in 1999 at the Correctional Service Corporation's Crowley County Correctional Facility (CCCF, now owned by Corrections Corporation of America) in Olney Springs when inmates from Wyoming started a riot over inadequate foodservice and state employees were called in to restore order.⁴ State investigators found that CCCF employees were not trained to detect possible problems, handle disturbances, or even properly use their radios.⁵

When disturbances occur in Colorado's private prisons, state *and local* law enforcement officers are called on to respond to the incident. Thus, any private prison in Lamar would entail the possibility of county and city law enforcement workers putting themselves at risk to solve problems created by the prison operator.

² "Criminal Justice Master Plan" (Logan County: PACT, 1998) III-7 – III-10.

³ *Ibid.* III-2.

⁴ Carla Crowder, "To quell riot, state help was called in," *Denver Rocky Mountain News* March 17, 1999.

⁵ "Crowley prison adapting to state-ordered changes," *AP State and Local Wire* April 30, 1999.

Private prisons' primary method to turn a profit comes from underpaying staff. This leads to inexperienced and untrained people working as correctional officers. These people frequently quit their jobs to either seek employment in a new field, or to get a better paying job with a state or county correctional facility—resulting in an astounding 53% annual staff turnover rate in private prisons.⁶

The job-related stress of working in a prison can take its toll on employees and their families, particularly in the case of private correctional facilities. According to the laws of economics, a private, for-profit prison operator's first and foremost goal is to make money. Thus, by definition, the safety of the staff, inmates, and the surrounding community are secondary. It should not be surprising, then, that when Professor James Austin of George Washington University conducted a study of prison assaults, he found that assaults on staff are 49% higher and inmate-on-inmate assaults are 66% higher in private prisons, as compared to government-run correctional facilities.⁷

Attachments

I have chosen Bent County for a comparison both because the Prowers County ad hoc private prison committee is meeting with Bent County representatives and because Bent County is a useful case study since it is located in the Lower Arkansas Valley and is home to one private prison—the same scenario that Prowers County is currently considering.

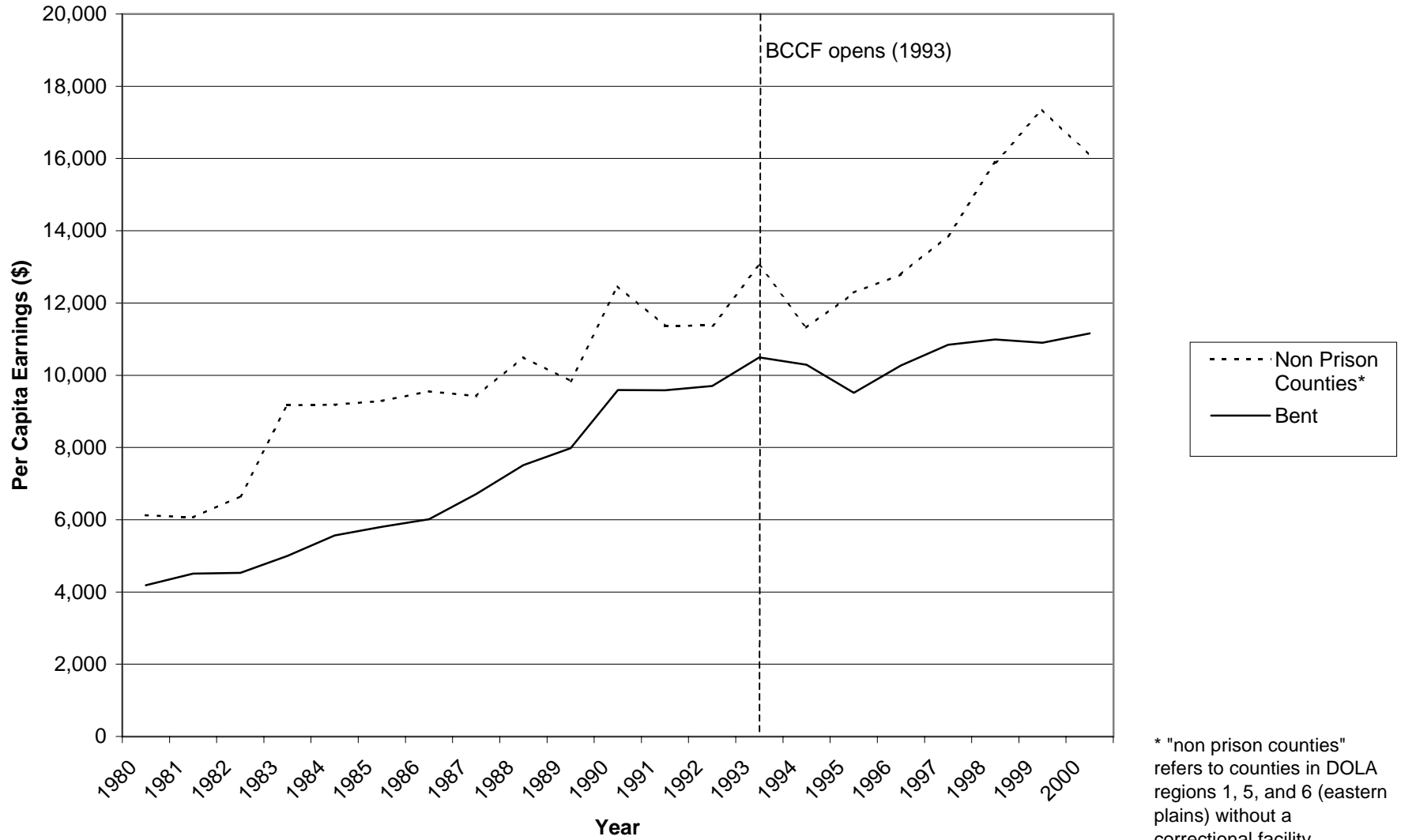
The four economic indicators examined in the attachments show a pronounced lack of measurable economic benefit to Bent County resulting from BCCF. Per capita income has remained essentially stagnant in Bent County while comparable counties have experienced increases in the last half of the 1990s. Similarly, retail sales in Bent County appear unaffected by the prison. Law enforcement expenses have risen sharply in recent years, apparently due to the necessitated expansion of the Bent County jail. Finally, changes in the local unemployment rate are as erratic as the years before the prison opened. More information can be found in the appendix on methodology.

High numbers of commuters, high staff turnover rates, and low private prison wages are the likely culprits behind Bent County's lack of economic revival.

⁶ Camille and George Camp, eds, *The 2000 Corrections Yearbook: Private Prisons* (Middletown, CT: Criminal Justice Institute, 2000) 101.

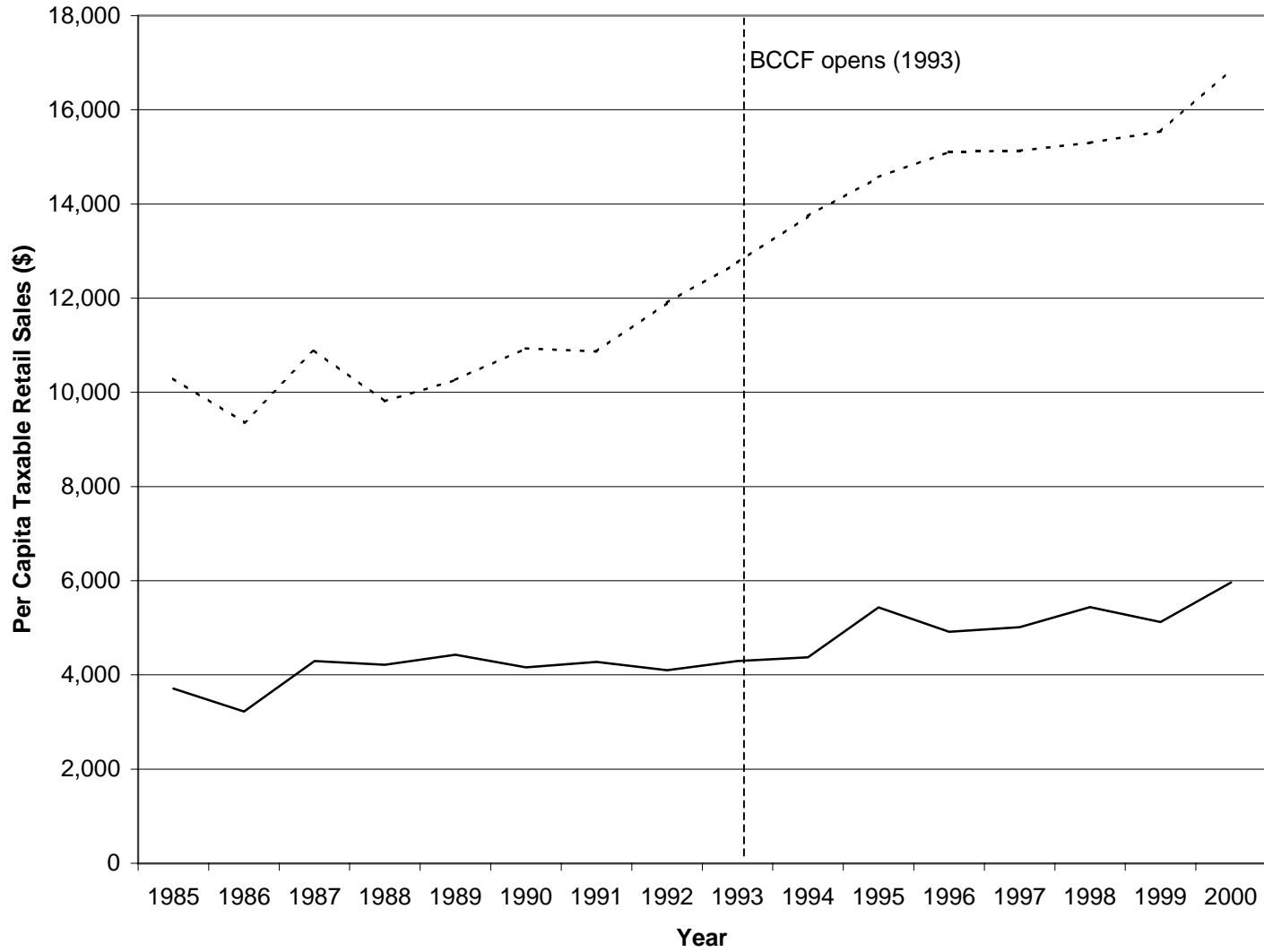
⁷ Cited in Brian Dawe, "An Analysis of the Issues" (Corrections USA, February 20, 2003).

Per Capita Earnings - Bent County



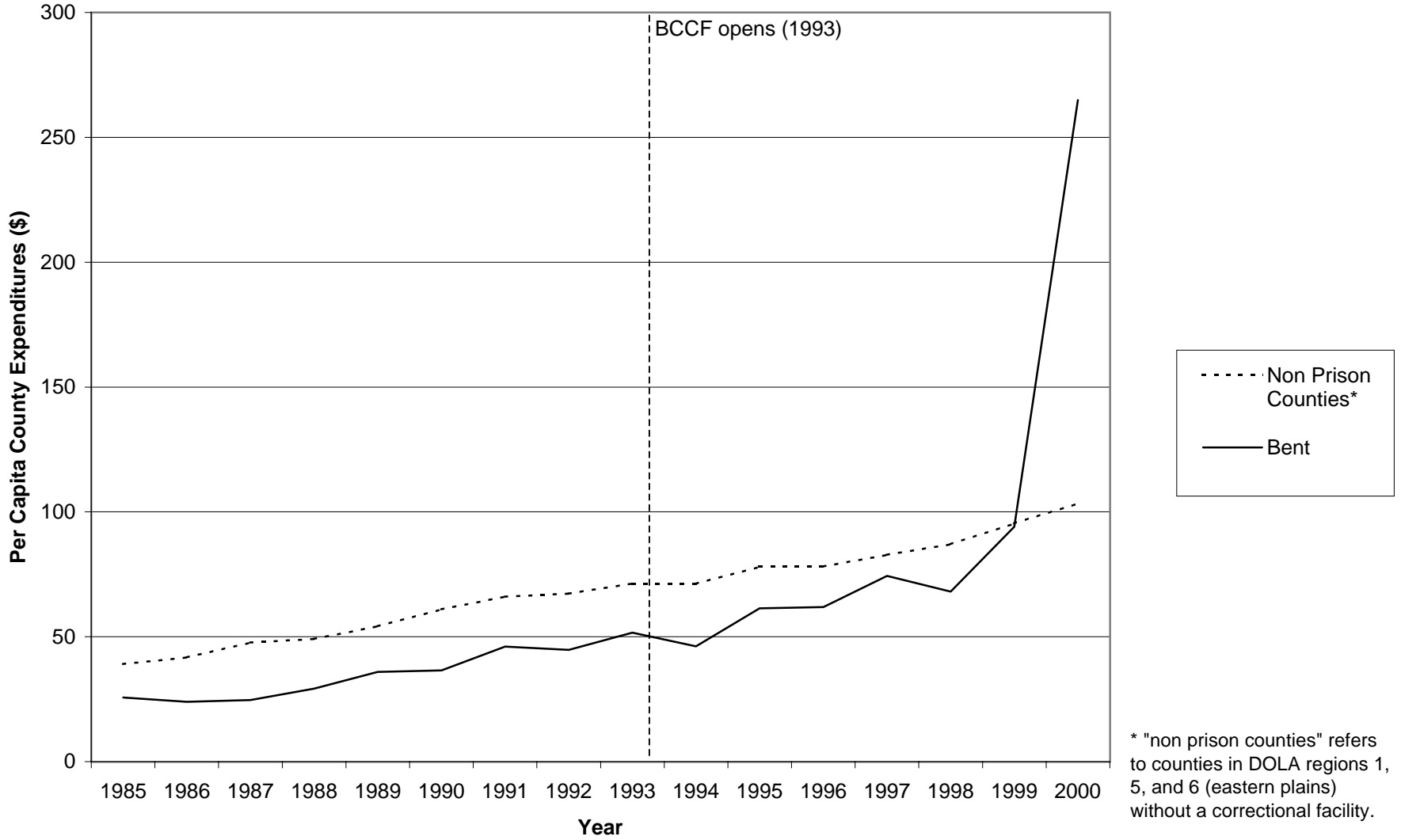
* "non prison counties" refers to counties in DOLA regions 1, 5, and 6 (eastern plains) without a correctional facility.

Retail Sales

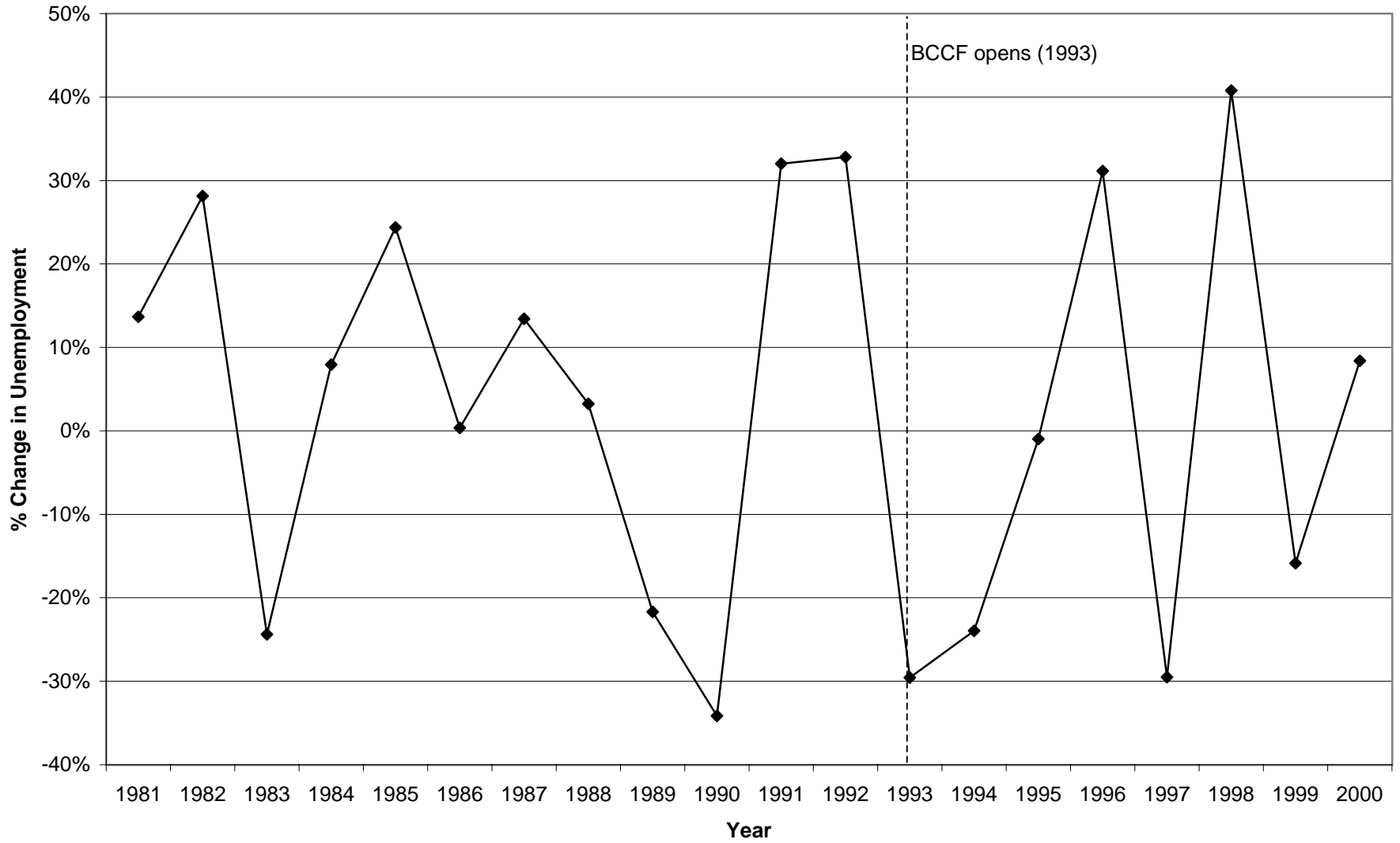


* "non prison counties" refers to counties in DOLA regions 1, 5, and 6 (eastern plains) without a correctional facility.

Law Enforcement, Judicial, and Jail Expenses



Unemployment Rate Trends - Bent County



Methodological Notes

Population

County populations are based on census data from 1980, 1990, and 2000 as well as Census Bureau annual population estimates. For purposes of financial and economic data, we have adjusted population totals to factor out prisoners, who do not receive significant income. To accomplish this, we subtracted institutionalized group quarters populations from the total county population. Group quarters population (GQP) totals by county are available for each decennial census, and county GQP estimates are available for annual population estimates during the 1990s. Since total GQP includes noninstitutionalized populations (college students in dorms, military personnel in barracks, and people residing in shelters) who are more likely to contribute to the economy, we have subtracted the actual or estimated institutionalized GQP (correctional facilities, nursing homes, psychiatric facilities, juvenile facilities) and subtracted only that segment of the GQP from the total county population.

Since the Census Bureau's annual population estimates for the 1980s do not account for changes in GQP, we have taken the 1980 and 1990 census total GQP and estimated intercensal institutionalized GQP totals for 1981-1989 using linear interpolation. For 1991-1999, we have used the GQP estimates provided in annual population estimates produced by the Census Bureau.

Group quarters population data from the decennial censuses are listed by institutionalized and noninstitutionalized populations. Our method for estimating institutionalized GQP for intercensal years is as follows:

We calculated the percentage of institutionalized persons from the decennial censuses. In counties where small (i.e., 1-5 percentage points) changes occurred between two censuses, we used a mean average of the decennial institutionalized GQP to arrive at intercensal estimates of institutionalized GQP. In counties where more substantive changes occurred, we have used three methods:

- ⇒ In counties where large percentage changes occurred due to new prison construction, we used the percentage of institutionalized persons from the previous census for the years in that decade leading up to the prison opening. For the remaining years in the decade, we used percentages from the following decennial census to estimate the percentage of GQP that were institutionalized.
- ⇒ In counties where large percentage changes occurred for reasons other than a prison, we estimated intercensal percentages of institutionalized persons using linear interpolation.
- ⇒ In counties where large percentage changes were apparently due to Census Bureau methodological changes implemented in the 2000 Census, we used past percentages for all years leading up to the 2000 Census.

Per Capita Earnings

Per capita earnings data is based on county-level income figures compiled by the U.S. Department of Commerce's Bureau of Economic Analysis (BEA). The BEA tracks personal income components in the Local Area Personal Income section of the BEA's Regional Accounts

Data. The figures we use come from Table CA05, line 045. Line 045 aggregates wage and salary income, proprietors' income, and other labor income while subtracting personal contributions to social security and Medicare and income which is earned by employees who do not live in their county of employment. Earnings in line 045 do not include transfer payments, rents, interest, or dividends. To calculate per capita earnings, we divided the amount on line 045 by the noninstitutionalized population of the county (see above).

Retail Sales

Retail sales figures were obtained from the Colorado Department of Local Affairs' Colorado Economic and Demographic Information System (CEDIS). CEDIS reports all retail sales per county, as gathered from Department of Revenue sales tax returns. Sales tax data is based on calendar year sales. To calculate per capita retail sales, we divided the total annual county sales by the noninstitutionalized county population (see above).

Law Enforcement, Judicial, and Jail Expenses

County spending on law enforcement, judicial, and jail functions is tracked in CEDIS based on information provided in annual local government financial statements (either an audit or exemption). Our figure is arrived at by adding two spending categories: judicial and law enforcement/jail. CEDIS spending categories use standard definitions. To calculate per capita law enforcement, judicial, and jail expenditures, we divided the total amount by the noninstitutionalized county population (see above).

Unemployment Rate Trends

Employment data is obtained from CEDIS, based on reports by the Labor Market Information (LMI) section of the Colorado Department of Labor and Employment. County-level employment figures are based on data obtained from the Current Population Survey (a joint project of the Census Bureau and the U.S. Bureau of Labor Statistics), federally collected establishment records, and LMI regression models. Our data is a direct reporting of employment figures published in LMI's Local Area Unemployment Series.

Non Prison Counties

Three of the four indicators examined rely on comparisons with "non prison counties." While comparisons could be made to Colorado as a whole, the economic conditions of Colorado's eastern plains are unique to the region. Therefore we have used averages of the non prison eastern plains counties for comparison purposes. We have defined the eastern plains using Department of Local Affairs regions 1 (Logan, Morgan, Phillips, Sedgwick, Washington, and Yuma Counties), 5 (Cheyenne, Elbert, Kit Carson, and Lincoln Counties) and 6 (Baca, Bent, Crowley, Kiowa, Otero, and Prowers Counties). "Non prison" counties are defined as those that do not currently have a state or private adult correctional facility. For purposes of this research, we have counted Washington County (which intentionally overbuilt its county jail to lease beds to federal agencies) and Morgan County (which houses the vacant High Plains Correctional Facility) as non prison counties. We averaged data for non prison counties by calculating an unweighted mean average for the eleven non prison counties of eastern Colorado.