



514 10TH STREET NW, SUITE 1000  
WASHINGTON, DC 20004  
TEL: 202.628.0871 - FAX: 202.628.1091  
STAFF@SENTENCINGPROJECT.ORG  
WWW.SENTENCINGPROJECT.ORG

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# **Big Prisons, Small Towns: Prison Economics in Rural America**

Ryan S. King, Marc Mauer and Tracy Huling

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This report was written by: Ryan S. King, Research Associate, The Sentencing Project; Marc Mauer, Assistant Director, The Sentencing Project; and Tracy Huling, an independent consultant whose current work focuses on criminal justice and rural development.

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For further information:

Malcolm C. Young  
Executive Director  
The Sentencing Project  
514 Tenth St. NW, Suite 1000  
Washington, DC 20004  
(202) 628-0871

[www.sentencingproject.org](http://www.sentencingproject.org)

# BIG PRISONS, SMALL TOWNS: PRISON ECONOMICS IN RURAL AMERICA

## Overview

Economic developments of the late 20<sup>th</sup> century have left the agricultural and manufacturing based rural regions of America struggling to maintain financial solvency. While much of the national discussion of poverty has focused on urban areas, poverty in many rural areas has been devastating as well. The last few decades have seen widespread impoverishment reach crisis levels in these communities. Nonmetropolitan poverty remains higher than metro area poverty and only slightly lower than poverty in central cities. Although nonmetropolitan areas shared in the economic boom of the 1990s, income inequality has grown larger in these areas than in urban areas. This manifests itself in states such as Iowa and West Virginia, which witnessed overall drops in poverty, but still suffer from devastating poverty in certain rural communities.<sup>1</sup>

In the 1980s, as a skyrocketing prison population created a demand for prison expansion, prison hosting emerged as a potential catalyst for economic growth. With an average of 35 jobs being created for every 100 inmates being housed, and state prison populations increasing by an annual average of 8.1% from 1985 to 1995, local officials began to consider prisons as an economic development tool.<sup>2</sup> Since rural communities had witnessed a series of failed redevelopment plans, prisons appeared to offer a politically expedient way in which to address the persistent poverty and population out-migration that had plagued them for decades.

In order to attract this construction, local officials have often made generous offers in order to portray their site as an ideal choice. In a prison siting experience in Texas, for example, the town of Abilene offered an incentive package of over \$4 million to the state.<sup>3</sup> The package included a 316-acre site for the prison, as well as over 1,100 acres of farmland adjacent to the facility, capable of generating \$500,000 in cotton per year. Town officials also proposed to build roads into the facility and to provide housing for administrators and corrections officers. Use of a private plane and hangar for state officials, computers, and upgrades to the communications and public works infrastructure were also promised.

Calvin Beale, a demographer at the United States Department of Agriculture, has comprehensively documented the rise in rural prison siting. Since 1980, approximately 350 rural counties have sited prisons.<sup>4</sup> From 1980 to 1991, 213 adult facilities were opened in rural areas,

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<sup>1</sup> Lichter, D.T. & Jensen, L. (2000). "Rural America in Transition: Poverty and Welfare as the Turn of the 21<sup>st</sup> Century." Presented at the conference on *Rural Dimensions of Welfare Reform: A Research Conference on Poverty, Welfare and Food Assistance* sponsored by the Joint Center for Poverty Research.

<sup>2</sup> Bureau of Justice Statistics. (1997). *Correctional Populations in the United States, 1995*. Washington, DC: Bureau of Justice Statistics. (Table 1.5).

<sup>3</sup> Ammons, D.N., Campbell, R.W. & Somoza, S.L. (1992). *Selecting Prison Sites: State Processes, Site-Selection Criteria, and Local Initiatives*. Athens, GA: The Carl Vinson Institute of Government at the University of Georgia.

<sup>4</sup> Beale, C.L. (2001). "Cellular Rural Development: New Prisons in Rural and Small Town Areas in the 1990s." Paper presented at the annual meeting of the Rural Sociological Society, Albuquerque, New Mexico, August 18, 2001 as cited in Huling, T. "Building a Prison Economy in Rural America." In Mauer, M. & Chesney-Lind, M. (Eds.) (2002). *Invisible Punishment: The Collateral Consequences of Mass Imprisonment*. New York: The New Press. (197-213).

housing more than half of all prisoners residing in newly constructed institutions. This is in contrast to the 38 percent of inmates from older facilities located in nonmetro areas, which represent less than one-quarter of the total United States population.<sup>5</sup> From 1992 to 1994, another 83 prisons were opened in nonmetro counties, constituting sixty percent of new prison construction.

Despite the popularity of prison hosting, little empirical analysis has been undertaken to test the validity of using a prison as a tool for economic recovery. Instead, much of the literature has focused upon theoretical modeling of the expected impact of prison siting on such indicators as employment, property values and public safety. The handful of empirical pieces that have been conducted concerning prison siting and economic development have taken a very narrow approach.<sup>6</sup> Those that have directly addressed work creation have simply measured the total expected number of positions, while ignoring how those positions are actually filled.

In order to assess the degree to which prisons aid local economies, this study examines 25 years of economic data for rural counties in New York, covering both counties in which prisons were built and those without any facilities. The State of New York has been among the leaders in rural prison construction. Since 1982, all 38 prisons that have opened in the state have been located in upstate counties, with most of these in rural counties. This study is the first of its kind to use statistical controls to measure the effect of a prison on the local economy, paying particular attention not simply to job accumulation, but to identifying how the prison positions are filled. Data include unemployment and per capita income trends, the two most accurate measures of the impact of prison siting on the residents already living in the host site.

### **Key Findings**

Overall, over the course of 25 years, we find no significant difference or discernible pattern of economic trends between the seven rural counties in New York that hosted a prison and the seven rural counties that did not host a prison. While prisons clearly create new jobs, these benefits do not aid the host county to any substantial degree since local residents are not necessarily in a position to be hired for these jobs. The most significant findings are as follows:

#### Impact on Unemployment

- Residents of rural counties with one or more prisons did not gain significant employment advantages compared to rural counties without prisons. Unemployment rates moved in the same direction for both groups of counties and were consistent with the overall employment rates for the state as a whole. During the period from 1982 to 2001, these findings are consistent for the three distinct economic periods in the United States, and in fact, the non-prison counties performed marginally better in two of the timeframes.
  - During the economic recovery from 1982 to 1988, also coinciding with the beginning of the prison building trend in New York, unemployment dropped 44% in counties without

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<sup>5</sup> Beale, C.L. (1996). "Rural Prisons: An Update." *Rural Development Perspectives*, 11, (2), 25-27.

<sup>6</sup> McShane, M.D., Williams, F.P. & Wagoner, C.P. (1992). "Prison Impact Studies: Some Comments on Methodological Rigor." *Crime & Delinquency*, 38, (1), 105-120.

prisons and 42% in counties that hosted a prison.<sup>7</sup> Overall, the state experienced a 51% drop in unemployment rates.

- During the downturn spanning from 1988 to 1992, unemployment rose 55% in counties without prisons, 64% in counties with prisons, and 105% across the state of New York.
- During the economic boom lasting from 1992 to 2001, unemployment dropped 38% in counties without a prison, 41% in counties with a prison, and 43% in the state as a whole.

### Impact on Per Capita Income

- Counties that hosted new prisons received no economic advantage as measured by per capita income.
  - From the inception of the prison building boom in 1982 until 2000, per capita income rose 141% in counties without a prison and 132% in counties that hosted a prison. Per capita income for the state as a whole rose 160%.

### Assessing Prison Impact

There are a number of possible factors that explain why prisons provide few economic benefits to local communities:

- Employees not living in the host county.
- Residents ineligible for employment due to union requirements or lack of necessary skills.
- Residents unable to compete for employment in local facility due to hiring requirements, department standards for transfer eligibility, and the popularity of working in upstate facilities.
- Local businesses and infrastructure unable to provide prison services necessary to keep state money in the locality.
- Multiplier effect not present, as prisons fail to generate linkages into the local economy.

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<sup>7</sup> In this section, when we refer to counties with and without prisons, we are only referring to counties included in this research design.

### Rural Prison Siting in New York State

Prior to 1982, the State of New York had 32 adult correctional facilities, dating back as far as 1817 with the construction of the first state prison in the city of Auburn. Over the subsequent eighteen years, New York would open another 38 adult prisons, more than had existed over the preceding 165 years. This prison-building boom was a reflection of a larger national trend in which the U.S. prison population experienced a three-fold increase during the twenty-year period from 1980 to 2000. Governor Mario Cuomo, in response to prison overcrowding due in large part to the state's Rockefeller drug laws, sought a means to expand the state's prison capacity that did not require public review or approval. Previously, in 1981, New Yorkers had voted against a \$500 million prison construction bond.<sup>8</sup> In an effort to circumvent taxpayers' reluctance to use public funds to build new prisons, Gov. Cuomo used a loophole in the Urban Development Corporation's (UDC) structure. Incorporated in 1968, the UDC was designed to provide funding for rebuilding New York cities in the wake of rioting and other economic despair. The UDC did not require public support to issue bonds, and thus became the tool Cuomo would use over the remainder of his term in office to undertake the largest prison expansion in New York state history.<sup>9</sup>

What is qualitatively distinct about this development in prison construction is that all of the 38 prisons built during the post-1982 construction binge were sited in upstate counties, with most of these prisons built in rural counties. Following the closure of a maximum-security men's facility in the New York City metropolitan area in 1984, the state no longer sought to site prisons downstate. This ushered in an era of massive prison expansion in the areas of upstate New York previously dependent on timber, tourism and manufacturing. "Prisons are viewed as the anchor for development in rural areas" stated New York Corrections Commissioner Thomas Coughlin in 1990. "We give our list to the Legislature, and the next day I get back the list of where our prisons are going to be. They pick'em."<sup>10</sup> New York's assistant corrections commissioner acknowledged the Catch-22 in which the state had found itself. "If we had our druthers, we'd locate all of our facilities in the metropolitan area, because that's where most of our inmates come from, . . . but why spend thousands of dollars in scarce state resources trying to convince a community to take a facility?"<sup>11</sup>

Instead of having to convince rural counties to allow the state to build a prison, local officials were now engaged in lobbying to gain the expected economic benefits of a prison. The instrumental figure associated with encouraging this prison development in upstate New York was senior State Senator Ronald Stafford. There are now over a dozen correctional facilities in his district, representing six counties along the Canadian border. According to Sen. Stafford, "We have to be sure the community wants them, . . . but in effect, it's an economic development tool. Other areas are learning this, and they're coming after them, too."<sup>12</sup>

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<sup>8</sup> Schlosser, E. (1998, December). "The Prison-Industrial Complex." *The Atlantic Monthly*, Volume 282, No. 6, pp. 51-77.

<sup>9</sup> Ibid.

<sup>10</sup> Smith, R. "Upstate: Give Us All the Prisons." *Newsday*, (Nassau and Suffolk Edition), October 8, 1990.

<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

At first glance, courting a prison seems like a sensible investment with guaranteed long-term payoffs. For instance, the New York State Department of Correctional Services estimated that the construction of the Upstate Correctional Facility in Malone, N.Y. would bring in \$56 million in wages. After the opening in 1999, 367 jobs in the facility and another 55 expected to be created in the community were estimated to bring in an annual prison-related payroll of nearly \$13 million. Moreover, the New York State Department of Correctional Services had pledged to spend nearly \$11 million to upgrade water and sewer systems in the city.<sup>13</sup>

With capital investments of this proportion, it is not surprising that a veritable sweepstakes emerged in upstate New York. By the 1990s, whenever Governor Pataki would announce the construction of a prison, political representatives of potential rural sites would go to great lengths to try to convince state officials to select their communities. This included actions ranging from letter writing campaigns to communities cordoning off parcels of land to demonstrate their commitment to hosting a prison.<sup>14</sup>

Former New York State Assemblyman and chair of the Assembly Committee on Correction Daniel Feldman noted, “So many communities very, very much want them, and it is clearly a factor, ... they will tell their legislator, ‘You get me a prison.’”<sup>15</sup> A relative handful of legislators have taken full advantage of bringing these projects to rural communities in upstate New York. A 2000 report by the City Project determined that nearly four in ten New York prisons were located within three Republican Senators’ districts.<sup>16</sup> Clearly, the perceived political wisdom was that prison construction was a highly beneficial form of economic development for local communities.

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<sup>13</sup> New York Department of Correctional Services Press Release. *New Prison at Malone, formally named “Upstate,” is 30 percent complete.* August 13, 1998.

<sup>14</sup> Hernandez, R. “Give them the Maximum; Small Towns Clamor for the Boon a Big Prison Could Bring.” *The New York Times*, February 26, 1996.

<sup>15</sup> Metzgar, S. “Prisons? Rural Towns Want In.” *The Times Union*. April 19, 1996.

<sup>16</sup> Freeman, L. & Gangi, R. (2000). *Following the Dollars: Where New York State Spends Its Prison Moneys*. New York, NY: City Project.

## Do Prisons Bring Rural Development?

Despite assertions by prison proponents of dramatic economic growth, there has been little systematic analysis of the impact of prisons on communities. The primary expected benefit has been that prison construction and operation would bring jobs to the hosting community. For instance, in the late 1990s the state of New York announced plans to open a residential treatment center and correctional facility for juvenile offenders in rural Seneca County. Once the facility was in operation, it was expected to employ over 600 people, with a payroll of \$25 million.<sup>17</sup> Governor Pataki promised: “We can look with confidence to the future, . . . it’s happening. Those jobs are going to be here in Seneca County.”<sup>18</sup>

Governor Pataki was accurate when he stated that “those jobs are going to be here in Seneca County.” But in examining the relationship between prisons and employment, a key question regards *who* will be filling the jobs. If workers are imported from other regions to fill positions in the new facility, this will provide little assistance to current residents of the county and does not necessarily lead to long-term sustainable development.

In order to explore this issue, we have analyzed a range of data to evaluate the economic effects of a prison on the host community. If prison proponents are correct, and prison siting can be counted on for rural development, we should see these effects when looking at economic trends prior to, during, and after prison construction. In order to conduct this analysis, economic data on unemployment and per capita income was obtained from the state of New York. The time frame 1976-2001 was chosen for analysis because it fully encompasses the period of the state’s rapid prison expansion, and allows ample time to analyze economic trends in the five years before expansion began.

Geographically, New York is comprised of a stark division between the urban south and the rural north, which is broken up only by the Albany, Buffalo, Rochester and Syracuse metropolitan areas. In the absence of a standard used by the Census for the county level, the Rural-Urban Continuum Area codes (R-UCAC) established by the Economic Research Service Division of the United States Department of Agriculture were used to select counties for study. The ERS standard is a ten-point scale running from metropolitan to nonmetropolitan, with county scores based upon their degree of urban influence. The strength of this standard, and why it is more effective than simply relying upon population density, is that the R-UCAC takes into account how urban areas adjacent to rural areas create a different living and working environment than in counties not adjacent to urban areas. For our purposes, the counties chosen are all of those classified 4 through 9, which encompass all of the nonmetropolitan regions.

Twenty-four counties in New York State qualify as rural based on the R-UCAC, and of those, fourteen were chosen for this study. Several criteria were used in order to choose a representative sample. The first seven counties were chosen because they had a facility that had opened since 1982<sup>19</sup> (see Table 1), a total of 14 prisons among the counties. Another seven

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<sup>17</sup> *Associated Press*. “New Prison, Youth Treatment Center Bring Jobs to Rural Seneca County.” May 13, 1999.

<sup>18</sup> *Ibid*.

<sup>19</sup> These counties are: Essex, Franklin, Greene, Jefferson, St. Lawrence, Sullivan and Wyoming.



counties, the control group, were rural counties that have never had a prison sited.<sup>20</sup> The remaining ten rural counties were disqualified either because they did not have a prison sited during this period, despite having a pre-existing facility, or they only had a juvenile facility.<sup>21</sup>

**Table 1: Prison Openings in Rural New York State Since 1982**<sup>22</sup>

<i>County</i>	<i>Prison</i>	<i>Year Open</i>
Essex	Moriah	1989
Franklin	Camp Gabriel	1982
Franklin	Franklin	1986
Franklin	Bare Hill	1988
Franklin	Chateaugay ASACTC	1990
Franklin	Upstate	1999
Greene	Greene	1984
Jefferson	Watertown	1982
Jefferson	Cape Vincent	1993
St. Lawrence	Ogdensburg	1982
St. Lawrence	Gouverneur	1990
St. Lawrence	Riverview	1992
Sullivan	Sullivan	1985
Wyoming	Wyoming	1984

After identifying the year when the prison opened, that information was plotted over a 25-year line graph to examine how the prison opening affected unemployment rates and per capita income. These measures were used as a means of assessing the impact of prison on people living in the county prior to the siting. Data for the rural counties in New York that do not have prisons has been plotted on the same graph.

In addition to the graphical representation of unemployment and per capita income trends, a statistical technique called a *fixed-effects* regression model was chosen in order to control for potential intervening effects such as a historical trend or the existence of unobservable and county-specific factors that could potentially distort our conclusions. The fixed-effects model was used for the sample of prison hosting counties, via an interrupted time series design, in order to measure the movement of unemployment and per capita income both pre- and post-prison siting.<sup>23</sup>

<sup>20</sup> These counties are: Allegany, Cortland, Hamilton, Lewis, Otsego, Steuben and Yates.

<sup>21</sup> Assessing the impact of juvenile facilities is an area of future research, since there may be differences between adult and juvenile facilities in terms of scale or other issues. Due to the possible incongruity between adult and juvenile facilities, counties hosting only juvenile facilities were not included in the sample.

<sup>22</sup> Information provided by New York State Department of Correctional Services. Current as of December 31, 2001.

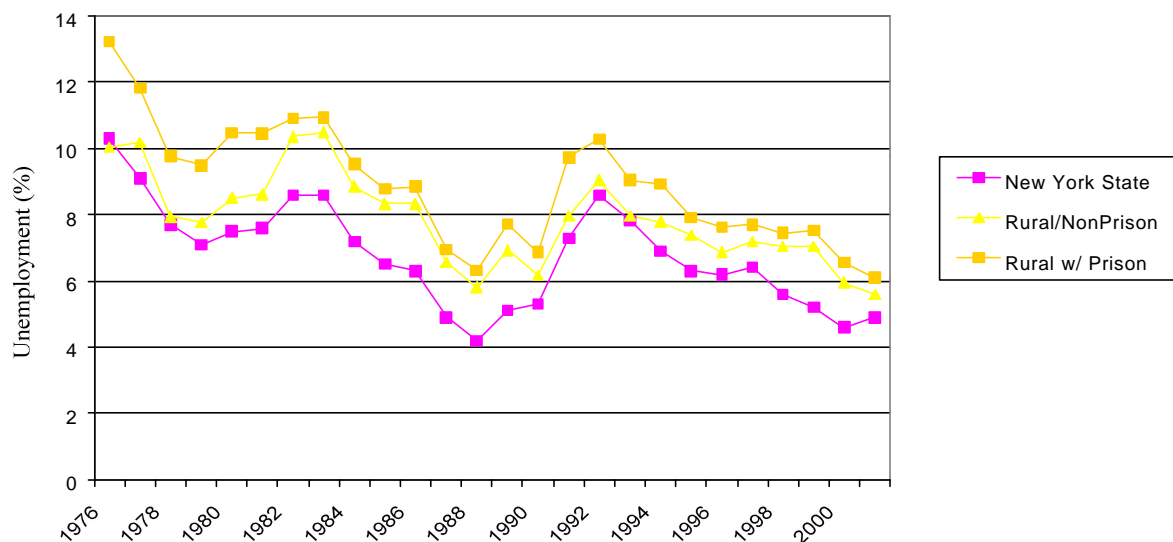
<sup>23</sup> See Appendix for a more explicit description of the methodology used in this study.

Our main findings are as follows:

### **Impact on Unemployment**

As seen in Figure 1, over a 25-year period there is no significant difference in unemployment rate trends between the prison and non-prison counties. The chart displays a comparison between rural counties that have built prisons since 1982 and rural counties that have not. For the three distinct economic periods following prison construction (1982-88, 1988-92, and 1992-2001) there is no significant difference between prison and non-prison counties and in fact, during two of the timeframes, unemployment trends in the non-prison counties were marginally superior to the prison counties.

**Figure 1: New York State Unemployment Rates, 1976-2001**



Overall, in 1976, unemployment rates for both groups of counties were above 10%. By 1982, the year the prison boom began, the unemployment rate for counties without prisons remained flat at 10.4%, while counties that would eventually site prisons had an unemployment rate of 10.9%. From 1982 through 1988, all rural counties in New York State experienced a significant decline in unemployment, as did the state as a whole. But the employment trend in counties that were hosting a prison mirrors that in counties without prisons, with no significant deviation. Over this seven-year period, counties without prisons experienced a 44% drop in unemployment rates, counties that were hosting prisons had a 42% decline, and the state as a whole registered a 51% decrease. Moreover, during the recession that began in the late 1980s and lasted until 1992, unemployment rose at a sharper rate in counties with prisons (64%) than in counties without

prisons (55%). From 1992 through 2001, unemployment in non-prison counties dropped 38%, while in counties hosting a prison, unemployment dropped 41%. For the state as a whole, unemployment declined by 43%.

**Table 2: Prison Siting and Unemployment, 1982-2001**

	Change in Unemployment		
	1982-1988	1988-1992	1992-2001
Rural counties, no prisons	-44%	+55%	-38%
Rural counties, prisons	-42%	+64%	-41%
New York State	-51%	+105%	-43%

Since the counties may be qualitatively different from one another, and these differences could potentially influence our results, we also employed statistical means in order to control for issues of history, maturation and the potential influence of other factors. A regression equation was designed, applying the fixed effects model, that was able to control for inter-county differences, and to isolate the singular influence of prison on the economic indicators of unemployment and income.

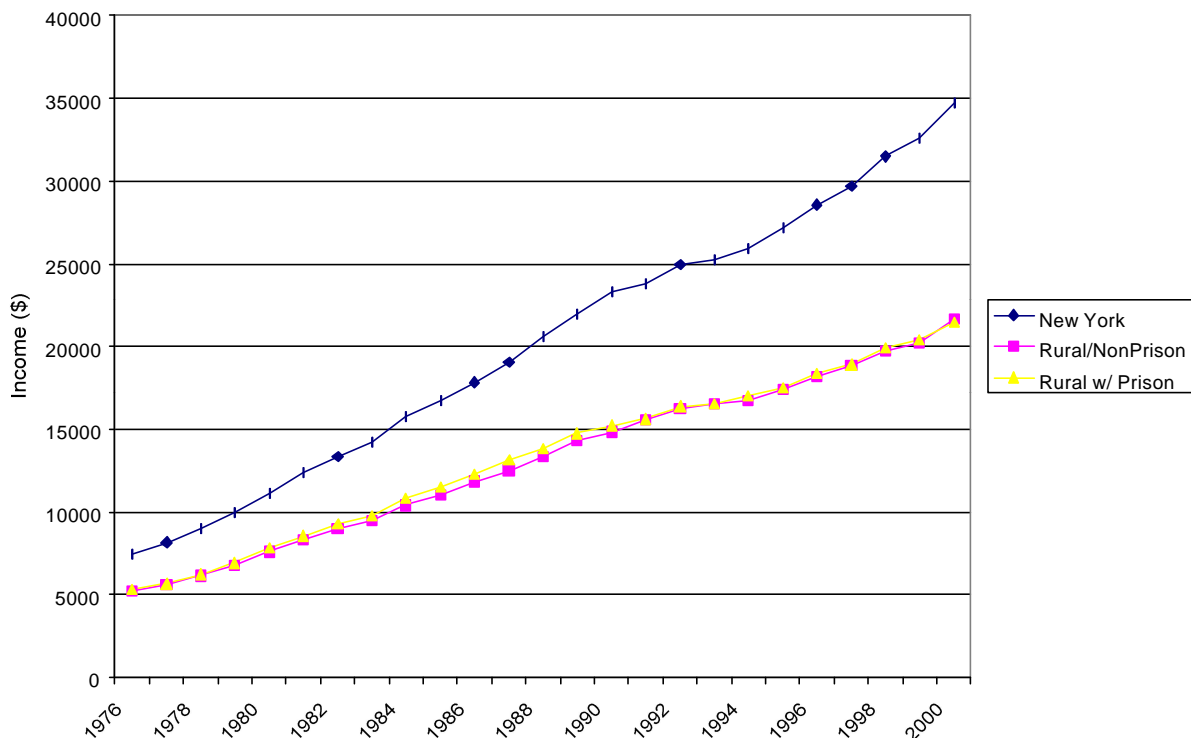
Our analysis incorporates 25 years of data that evaluates the relative strength of various factors in contributing to fluctuations in unemployment. This allows us to measure the effect of a prison opening on employment, while controlling for other factors that may affect these trends. An important element we include in our equation, in addition to the prison variable, controls for the potential of a pre-existing trend in unemployment. This permits us to identify the degree to which the movement of unemployment rates after the opening of a prison facility may be an extension of a trend that was occurring prior to the siting of the prison.

Overall, we find no substantive or statistically significant impact of prison siting on unemployment (see Appendix for complete statistical output). Instead, general trends in unemployment, existing in all New York counties, are the single largest predictor of unemployment rates. While the identification of the underlying factors that drive prevailing statewide economic trends is a complex process, the results of this study demonstrate that the siting of a prison is not one of these components.

### Impact on Income

As with employment, our analysis finds few benefits of prison hosting on the per capita income of a county. Figure 2 illustrates that there is virtually no difference between the per capita income of rural counties hosting a prison and those without a facility. Over the course of the twenty-five years leading up to and encompassing the New York prison construction boom, rural counties without prisons actually raised their per capita income at a slightly faster rate than counties hosting prisons. From the beginning of the prison building boom until 2000, per capita income rose 141% in counties without a prison and 132% in counties that hosted a prison. Statewide, per capita income rose 160%.

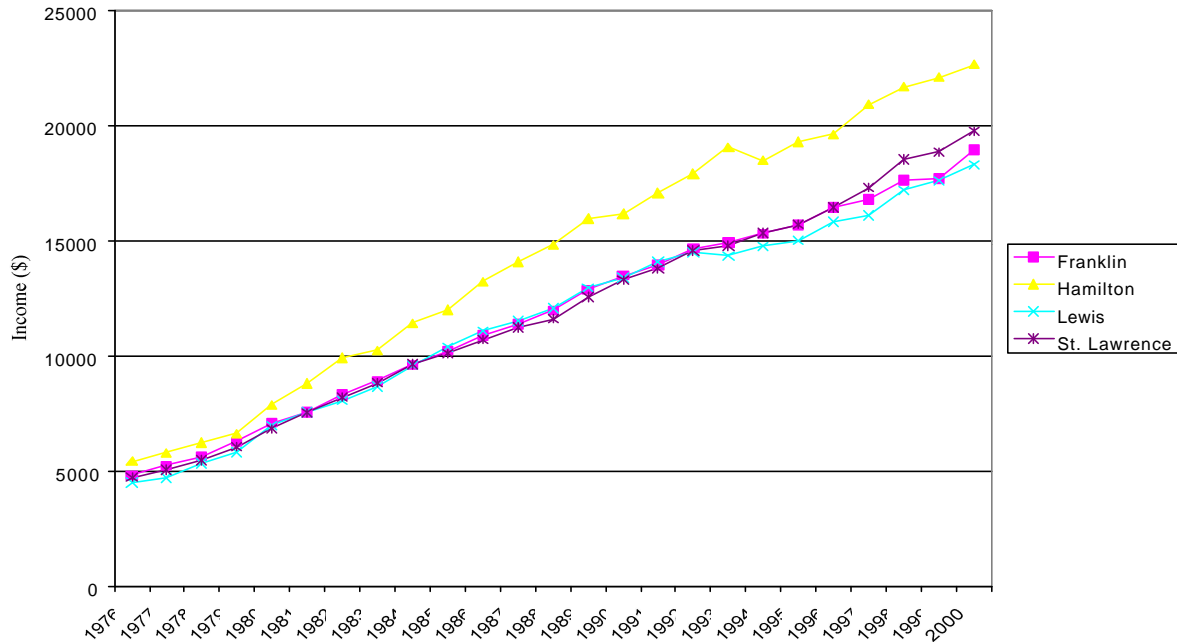
**Figure 2: New York State Per Capita Income, 1976-2000**



Breaking this down geographically, Figure 3 shows similar trends in the North Country region of New York. We select this region because of its geographical distinction. The counties within the region are located north of and adjacent to the Adirondacks and along the Canadian border and are subject to similar economic forces. Here too, there is no demonstrable pattern of differing economic performance as measured by per capita income. Hamilton and Lewis County, each of which do not host a prison, experienced roughly a three-fold increase in per capita income, while Franklin and St. Lawrence County, hosts to multiple facilities, experienced approximately the same three-fold increase in per capita income. As a means of comparison, the per capita income for the entire State of New York increased about three and one-half fold

during this same period. Clearly there are larger trends at play that are influencing the economy of the state as a whole.

**Figure 3: Per Capita Income-North Country, 1976-2000**



In the same manner as the inquiry into unemployment rates, 25 years of statistics were analyzed in order to determine the relative impact of certain variables that influence per capita income fluctuations. Again, we constructed an equation which accounted for annual trends and county specific characteristics, as well as the point at which a prison was sited. As was the case with unemployment, the results of the regression indicate that the introduction of one or more prisons into a county demonstrates no substantive or statistically significant impact on per capita income. Pre-existing per capita income trends, present in all of New York State, are the most influential determinant of future per capita income.

## Prior Research

There have been a relatively modest number of examinations of prison impact elsewhere; however, most either have not directed the research to determine how prison jobs are filled, or have neglected to use proper statistical controls, leaving the conclusions vulnerable to missing factors.

A report by the Joint Center for Environmental and Urban Problems in Florida, in the most often cited study concerning prison siting, concluded that hosting a prison will have a positive effect on the economy through the creation of jobs, with no negative impacts such as decreased property values or increased crime.<sup>24</sup> There is little dispute concerning property values or crime rates as they pertain to prison siting; the research is relatively consistent in a prison having little discernible effect upon these indicators. However, the means by which prisons create jobs is a key question.

When prisons are promoted to a community as a savior from economic distress, the belief by the community is that not only will the prison bring jobs, but also that the *existing* citizens will be filling these jobs. The flaw in many of the works dealing with prison siting is that they have stopped once they establish that a prison will indeed provide new employment.

A Texas study attempted to measure the economic effects of prison hosting by measuring consumer spending before and after a prison had been located in a community. The researcher found no impact of the siting in almost three-quarters of the forty-two localities studied.<sup>25</sup> Although consumer spending is a reliable indicator of economic impact on the whole, it is not sensitive enough to accurately identify the specific recipients of any economic benefit.

A study conducted in Colorado is one of the only pieces of research that directly tests the effects of prison siting on the residents living in the host county. The researcher used unemployment and per capita income in Colorado as indicators of the effect of a prison. Breaking the state up into regions and comparing counties with and without prisons, he found no evidence to suggest that counties with a prison performed better than counties without a prison.<sup>26</sup> However, the report lacked statistical controls for the existence of intervening variables, intercounty differences, or historical trends.

An in-depth study of the rural town of Potosi, Missouri, which hosted a new prison, permitted a unique view into the complex and multi-directional ways in which a prison can affect a community. The qualitative and quantitative design of the research allowed the author to distinguish the impact of the prison on the local residents from that of the area economy as a whole. Although the prison did indeed bring employment to the region, the majority of jobs

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<sup>24</sup> Abrams, K.S. & Lyons, W. (1987). *Impact of Correctional Facilities on Land Values and Public Safety*. North Miami, FL: FAU-FIU Joint Center for Environmental and Urban Problems.

<sup>25</sup> Chuang, Su Chong (1998). *The Distribution of Texas State Prisons: Economic Impact Analysis of State Prison Siting on Local Communities*. {Dissertation}.

<sup>26</sup> Setti, C. (2001). "Prisons and Their Effects on Local Economies: The Colorado Experience." Vol. XLVII, #3, December. CPEC Center for Tax Policy Research: University of Denver.

went to those from outside the town.<sup>27</sup> Modest positive effects were seen on unemployment and economic development, but the author only relied upon one other county as a control with which to compare the growth of the prison hosting county, and was unable to ascertain to what degree the prison was responsible for these developments. Moreover, there was no direct effect of the prison on poverty or per capita income, most likely due to the fact that the county's poorest residents were not eligible for employment. The author concluded "whatever spin-off employment opportunities there may have been, these also did not significantly improve the opportunities for the working poor of Potosi."<sup>28</sup>

Another work which examined the impact of prison siting on the host community is University of California, Berkeley geographer Ruth Gilmore's dissertation.<sup>29</sup> Within her thesis is a case study of an experience in Corcoran, California. Gilmore interviewed residents of the community and examined first-hand how the placement of a prison changed the community. The results of her work corroborate our findings. The majority of jobs in the prison were filled by individuals who did not live in the host county. A number of people commute from distances in excess of 50 miles. Local residents had difficulty completing the cumbersome application process and were, therefore, unable to fill many of the jobs. Job fairs in which local residents were encouraged to apply still elicited only a small fraction of new hires. Corcoran was ideal as a prison host not because many employees wished to settle there, but because it was a site which workers could easily reach from great distances.

In the town of Berlin, New Hampshire, an economically depressed town devastated by the closure of a paper mill, some leaders began to lobby the Bureau of Prisons when it solicited for a community to host a federal prison. Part of the package to convince local townspeople was a forecast analysis conducted by RKG Associates, Inc.<sup>30</sup> Although RKG concluded that a positive economic impact could be expected, they warned "the extent of this impact is dependent on the relative size of the community and the level of goods and services available in the local market." They could make no guarantees of how many of the local residents would be able to fill the positions because they had no adequate indicator of their eligibility for employment. They acknowledged, as well, that transfers from other facilities would fill a number of the prison jobs.

Even reports that advocate for the siting of prisons as a tool for economic development are cautious in how far they go in promising employment. A National Association of Development Organizations (NADO) briefing paper lauded the benefits that new facilities brought to Minnesota and Virginia, but provided no empirical evidence to support its claims.<sup>31</sup> The report cited community development officials making general claims about their experiences with prisons as a tool for economic growth, but failed to make any specific reference to how those jobs affect residents living in the area.

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<sup>27</sup> Thies, J.S. (1998). *The Big House in a Small Town: The Economic and Social Impacts of a Correctional Facility on its Host Community*. {Dissertation}

<sup>28</sup> Ibid., 101.

<sup>29</sup> Gilmore, R.W. (1998). *From Military Keynesianism to Post Keynesian Militarism: Finance Capital, Land, Labor, and Opposition in the Rising California Prison State*. {Dissertation}

<sup>30</sup> Gsottschneider, R. (2002). Berlin Prison Study. Performed for Androscoggin Valley Economic Recovery Corporation. RKG Associates, Inc.

<sup>31</sup> Doyle, Z. (2002). "Does Crime Pay? Pros and Cons of Rural Prisons." *Economic Development Digest*. Washington, DC: National Association of Development Organizations.

## Assessing the Limited Impact of Prisons on Economic Development

This trend analysis of unemployment data over the last twenty-five years indicates that constructing and operating a prison in a rural county produces no significant influence on aggregate employment rates in the immediate county. The relative movement of employment figures from year to year remains identical in counties with and without prisons. This is first seen during the construction period leading up to the opening of the facility, despite the substantial influx of capital to build the prison. Identical trends continue during the months leading up to the prison opening, as well as during full capacity operations in the ensuing years. These findings seem counterintuitive, given the substantial number of employees required to build and staff a prison. Further analysis reveals that the dynamics of the labor market and other factors suggest an explanation for these results.

### 1. Correctional Officers Do Not Live in the Host County

If the majority of prison workers are living in neighboring counties, their employment or income will not produce any benefits in the prison county itself. While we do not have data on the residential patterns of New York State corrections employees, other research has found that a substantial portion of rural prison employees do not live in the host county. A study of a host county in Missouri, for example, found that 58% of the jobs were filled by individuals living in counties bordering the host county and another 10% were filled by persons living in counties not immediately adjacent to the host county.<sup>32</sup> Thus, over two-thirds of tax revenue and other economic benefits leak out of the host county. Similar settlement patterns were evident in the Corcoran, California prison experience, with only 40% of jobs in the new prison taken by residents of the host county.

### 2. Local Residents May Not Qualify for Construction Jobs

Prison construction jobs impose a variety of requirements that local applicants may not meet. Studies have shown that low levels of local hiring can often be attributed to individuals not being eligible for employment.<sup>33</sup> Additionally, in the high-stakes competition between towns to host a prison, oftentimes negotiators for the locality are unwilling to impose any demands on the state, such as a local hiring quota. Specific impediments to construction jobs include:

- *Union Membership* - Depending on which companies submit the winning bid, membership in a trade union may be a prerequisite for construction employment. It is estimated that 80% of upstate New Yorkers are not members of trade unions.<sup>34</sup> Depending on the agreement that has been worked out during the drawing up of the contract, this may require construction workers to be imported from other areas of the state or from out of state. The Empire State chapter of the Associated Builders and Contractors has documented that in many cases, workers had to be imported from outside the region, and local non-unionized workers were barred from employment. In the case of a prison being constructed in Missouri, many

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<sup>32</sup> Thies, 83.

<sup>33</sup> Carlson, K.A. (1992). "Doing Good and Looking Bad: A Case Study of Prison/Community Relations." *Crime & Delinquency*, 38, (1), 56-69.; Thies, J.S., p. 85

<sup>34</sup> Estimate from the Associated Builders and Contractors: Empire State Chapter.



workers were reluctant to pay the dues to join a union because the work was temporary; therefore, they were disqualified from working certain construction jobs.<sup>35</sup>

- *Lack of Skills* - Many large-scale construction projects require skilled workers with specific talents. In rural areas, particularly if agriculture and light manufacturing have predominated in the labor market prior to prison construction, it is not likely that local workers will have the experience necessary to qualify for highly specialized construction jobs. This leaves them eligible primarily for working in low-skill and low-wage laborer jobs, notorious for dangerous working conditions.

These dynamics were seen in a prison siting case in Washington State. A prison in Clallam Bay became a contentious issue for local citizens when they discovered that they were not being hired for many of the construction jobs. Many were ineligible for the jobs, and temporary jobs to set up initial operations were filled by transfers from another local prison.<sup>36</sup> Moreover, entry-level positions at the prison were also enticing to individuals living in other parts of the state, leaving local residents to compete for the relatively few positions with the rest of the state. In Fremont County, Colorado, host to thirteen prisons, the skills required for construction jobs were too sophisticated for local tradesmen and required bringing in outside contractors and workers to build the facilities.<sup>37</sup>

An examination of construction job bid data from the New York Office of General Services demonstrates that much of the money from prison construction flows out of the host county. For instance, our analysis of the major bids accepted for the construction of the Upstate Maximum Security Correctional Facility that opened in Malone in July 1999 shows that none were from the host Franklin County. The construction contract, worth over \$21 million, went to a firm located in Syracuse, heating and ventilation (\$8.2 million) to a firm from Albany, and plumbing (\$2.1 million) also to a Syracuse firm. No firms that offered the lowest bids for construction of the prison were from counties anywhere near Franklin County. The same situation arose in the case of the Five Points facility opened in August 2000, where none of the bids went to firms in the host Seneca County. This is also the case with contracts awarded to add bed space or to maintain ailing equipment at state prisons. In the overwhelming majority of cases, the winning bidder is not from the host or neighboring county.

### **3. Local Residents May Not Be Able to Compete for Corrections Jobs**

Research on rural prison siting in California, Washington State and Missouri found that local residents did not fill most of the jobs in the new prisons. There are a number of reasons why this may be the case in New York as well.

Correctional officer jobs are the most sought after in the New York Department of Correctional Services, and also the most abundant. They pay a good salary — \$32,432 after the first year of training — particularly in comparison to the average income in rural New York.

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<sup>35</sup> Thies, 81-2.

<sup>36</sup> Carlson, 62.

<sup>37</sup> Wielgosz, R., Brown, T., & Lategola, A.R. (2000). *Rural Boomtowns: The Relationship Between Economic Development and Affordable Housing*. Washington, DC: Housing Assistance Council.

But the employment limitations for small-town workers are related to issues of seniority in job classifications. According to the New York DOCS, initial assignment for Correctional Officers can only be to a facility in which there is no pre-existing reassignment list, and “This generally means that new Officers are placed at facilities in the lower and mid Hudson Valley area.”<sup>38</sup> More often than not, this means an assignment at the highly undesirable Sing Sing. As noted by Ted Conover, in his book *Newjack* which recounted the experiences of being a prison guard in New York, most younger officers spend their early years transferring from facility to facility until their seniority builds up and they can get into the prison of their choosing.

The problem for persons living in upstate New York is that jobs in rural prisons are highly desirable, and so these prisons can have seniority waiting lists of many years.<sup>39</sup> Working conditions in Sing Sing are so stressful that many new officers turn in their transfer sheet the first day they clock-in to Sing Sing.<sup>40</sup> This creates a long waiting list at the upstate prisons. For instance, in 2000, when Conover was going through training, the waiting list at the Clinton Correctional facility in Clinton County was 219 officers, at Ogdensburg in St. Lawrence County the wait was 279 officers, and even at Attica the wait was 140 officers. This would translate into waits of three to five years.<sup>41</sup>

Sing Sing and Bedford Hills (a female maximum-security prison) are the only two facilities in the state without a waiting list. Even DOCS notes in its information sheet that transfer may take “several years” and “all reassignments are by seniority.” As of 2001, there were 2,300 correctional officers working in downstate prisons and 1,500 were on a transfer list to prisons up north.<sup>42</sup> This creates a massive backlog for residents seeking to work locally. Meanwhile, waiting for a transfer can be a trying experience, as many officers are forced to live in trailers or cars because they cannot afford to live in Westchester County on a correctional officer’s salary.<sup>43</sup>

Obtaining the relatively high-paying jobs at state prisons carries with it a variety of stresses for families as well. First, new hires must leave their hometown and move to Albany for basic training. After extensive training, they will be assigned to a downstate facility where the need is greatest. This will most likely mean enduring lengthy periods of living with economic hardships downstate and transferring from prison to prison in an effort to work one’s way back home.

Thus, the employment effects of a local prison for residents of the host community are complex. The job creation effect of a prison in a community is largely artificial in nature and amounts to an employment transplant. Essentially, if twenty residents leave town to join the training academy, the community is trading away these workers and importing correctional officers from other areas. This may indeed improve the appearance of economic health in the short-run, but

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<sup>38</sup> From an information sheet on the Position of a Correction Officer distributed by the New York Department of Correctional Services.

<sup>39</sup> Conover, T. (2000). *Newjack*. New York: Random House. (p. 27).

<sup>40</sup> *Ibid.*, 55.

<sup>41</sup> *Ibid.*, 55.

<sup>42</sup> LeDuff, C. “The Call it Tobacco Road, Sing Sing-Style; Struggling to Make Ends Meet, Guards see Trailer Park as Symbol.” *The New York Times*, February 22, 2001.

<sup>43</sup> *Ibid.*

does not necessarily provide sustainable growth for the long-term, or represent the type of economic development that prison supporters had been anticipating.

#### **4. Local Businesses May Not Stock the Necessary Materials**

For a local community to benefit from the provision of raw materials for the construction and operation of a prison, it must have a reasonable ease of access to those materials. In the case of many rural communities, due in large part to their geographic isolation, they lack access to the manufacturing and construction components necessary to build a prison. The heavy equipment and materials associated with projects of this size will most likely need to be imported from out of the area. Moreover, food, linens, medicines, and other substances need to be readily available for the locality to truly maximize the benefit from the prison being located in the community. With a high likelihood that rural towns will not be able to provide these products locally, the projected benefits will not materialize.

Departments of Corrections will generally contract out many of their support services to the lowest bidder. In order to create an economy of scale, different large contractors will bid with the state to take on projects ranging from routine maintenance of plumbing or electrical wiring to daily linen laundering and foodstuff provisions. Because states will choose the lowest bidder, a local company seeking to fill the contract of a nearby prison is going to have to go head-to-head in a bidding war with other larger providers; and the size of the larger business means that they will more than likely be able to provide the product or service at a lower cost. An examination of New York State contract records from the Office of General Services for routine prison maintenance and upgrade supports this conclusion. Local businesses are seldom getting contracts with the prison, thereby reducing economic linkages with the community.

#### **5. Limited Multiplier Effects**

Prison proponents contend that rural prisons will produce a *multiplier effect*, or what the New York Department of Correctional Services projects as “spin-off” jobs, that result from a prison becoming embedded in the local economy and becoming a development lynchpin. Prisons have been promoted to rural localities as a center of a plan of *cluster based economic development*. In an ideal situation, a prison would act as an engine of economic growth, spinning off industries that would compete with one another to provide the services necessary to operate the prison. This private enterprise, the multiplier effect, is touted as the real generator of employment and economic growth in a prison town.

An *economic multiplier* measures the cumulative effect of every dollar generated in the local economy. Put simply, it follows each dollar through successive rounds of use, identifying the portion of the original dollar that remains in the local economy and the portion that “leaks” out to other areas.<sup>44</sup> Researchers looking at industry sectors in New York have concluded that agricultural industries produce the largest economic multipliers for both income and employment. Agricultural manufacturing industries and production agriculture industries

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<sup>44</sup> Jack, K.J., Bills, N., & Boisvert, R. (1996). “Economic Multipliers and the New York State Economy.” *Policy Issues in Rural Land Use*, Vol. 9, (2). Ithaca, NY: Department of Agricultural, Resource, and Managerial Economics; Cornell Cooperative Extension.

produce income and employment multipliers that are in many cases twice as large as those in sectors such as construction, mining, retail, and government.<sup>45</sup> A recent study concludes “that food and agriculture exerts a relatively large generative effect on the New York economy. This means that efforts to enhance production in these sectors produce relatively large secondary and tertiary benefits for industries linked to farm and food production.”<sup>46</sup> Keeping this income in the locality, the necessary guarantor of economic development, is not done nearly as efficiently when the community relies upon government jobs to create an economic development cluster.

Rural economist Thomas Johnson suggests that these results should not come as a surprise. He claims that “prisons generate very few linkages to the economy.”<sup>47</sup> Claiming that prisons are not good economic development tools, Johnson notes that prisons are unlikely to bring about associated industries in the same way as a manufacturing plant.<sup>48</sup> This is particularly worrisome when comparing data concerning the growth of government jobs versus jobs in the agriculture sector over the period from 1982 to 2000. Prison hosting counties like Franklin have seen a drop in farm employment by 50% while witnessing an increase of 82% in government employment.

## **6. Inmates Fill Low-wage Jobs**

Not only do prisons not lower the unemployment rate of host counties, but they may actually pit local residents in competition for employment with inmates. This can occur both inside the prison as well as outside its walls. For instance, many of the low wage jobs in the prison, such as custodial, will be filled by inmates working for less than a dollar an hour. Therefore, in addition to many residents being ineligible for employment as correctional officers, the most abundant job in the corrections system, they may also find it difficult to find work in one of the few areas of the prison for which they are qualified.

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<sup>45</sup> The “other industry” category is comprised almost entirely of government employees, which would include corrections officers.

<sup>46</sup> Jack, et al.

<sup>47</sup> Clement, D. (2002, January). “Big House on the Prarie.” *FedGazette: A Publication of the Federal Reserve Bank of Minneapolis*.

<sup>48</sup> *Ibid.*

## Conclusion

In the wake of an economic restructuring in the latter half of the 20<sup>th</sup> Century that has paralyzed much of rural America, policy analysts and politicians alike began to seek out an industry that would be immune to the perils of the newly ordained postindustrial economy. By the early 1980s, as the prison population was doubling by the decade, rural economic development teams began to look to the siting of prisons as a potential savior. At first blush, this was an ideal match. Rural America could offer up seemingly endless tracts of inexpensive land and an able and willing workforce. The prison would offer hundreds of jobs, millions in payroll, and the hope of a small cluster of economic development, as other businesses would locate nearby in order to serve the needs of the prison. This would mean increased tax revenue, a further improvement of the infrastructure of the host community, and a release from decades of persistent unemployment and poverty.

Theoretically this made good sense, and many entrepreneurial politicians moved in quickly to seek a piece of this political pork. Prisons also provide immediate benefits to politicians, as the construction projects are highly visible. Costs are diffused throughout the state, meaning that the host district need not be wholly responsible for covering the total price.

Unfortunately, the contention that prisons are a valuable economic tool has not been grounded in any empirical evidence. Moreover, much of the work that has been undertaken to examine the impact of prison siting has been fraught with problems of validity. Most models of prison impact have simply sought to measure job growth, without consideration to whom these jobs were being awarded. Simple job growth is an inaccurate measure of a prison as a tool of economic growth. Significant economic development in a host county can only be deemed successful if it is found to impact those living in the county prior to the siting of the prison. Mere transfer and replacement of workers is not sound economic development.

Results of this analysis of prison siting in rural counties in New York State since 1982 indicate that reliance upon a prison as a means of economic development is short sighted and not providing any long-term growth. The siting of a prison did not significantly influence either unemployment or per capita income. Moreover, once a town hosts a prison and becomes known as a “prison town,” discussion of other means of economic development is likely to evaporate. This is the real danger for the community. Potential host counties need to be particularly wary of viewing a prison as the panacea for their economic woes. Although the pitch may be enticing, the results indicate that there is little substance behind these claims. There is a high likelihood that these counties could be closing themselves off to other options of sustainable development.

## Appendix: Methodology

An interrupted time series research design has been chosen as the means of testing the hypothesis that prisons exhibit a significant economic effect upon the host county. This was chosen, rather than using a comparison group, in order to avoid potential selection issues. The unit of analysis is counties in New York State<sup>49</sup> that have had at least one prison sited since 1982. The county was chosen rather than the host community in order to compensate for those commuting from out of town. Using the town as the unit of analysis would be far too narrow, considering that realistically many workers might commute from nearby towns and would not be represented in the town data. County data should alleviate this problem.

The regression equation used a series of variables. A YEAR variable was included in the equation in order to account for trend, reducing the threat of maturation. A one-year lag of the dependent variable has also been included, recognizing that a prison opening in  $t_{-1}$  would not be expected to have an effect until  $t$ . A PRISON variable was included with a zero specifying no prison, a 1 indicating the year that the first facility was opened, a 2 if the county was the site of a second prison, etc.

One of the difficulties in doing time series research over an extended period of time is being able to gather all the necessary control variables, running the risk of an instrumentation problem regarding whether measurement was conducted in the same manner. It is because of this issue that the poverty rate was excluded as an indicator variable. In the end, the risk of instrumentation, as well as a lack of access to many important variables, led to the use of a *fixed-effects* design to control for potential history problems.

In the fixed effects model, dummy variables were used for six counties, with Franklin County as the reference county. This is possible because we can safely assume that the counties included in this study represent the entire population of units we are interested in examining. The county dummies were included in the equation to act as a control for any county-specific differences that might have played a role in any variance we see in the dependent variable.

The value of this research design is that the indicator variables chosen are sensitive enough to measure whether employment associated with a prison is going to the existing residents of the host area, or being filled by transfers in from other areas. In the case of unemployment, if workers employed in prison jobs are from out of county, we would not see a dramatic drop in the rate because, although more people are working, more people are also living in the surrounding communities, leaving the unemployment rate relatively unchanged.

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<sup>49</sup> New York State was chosen for a number of reasons. It had a significant number of facilities open in rural areas since 1982, allowing the accumulation of many observations. New York State also has a large urban and rural population, and the number of prisons spread throughout the rural counties make for an ideal site to study.

**APPENDIX TABLE 1: INFLUENCE OF PRISON SITING ON UNEMPLOYMENT RATES: 1977-2000\***

<i>Variable</i>	<i>Unstandardized Coefficient (SE)</i>	<i>Standardized Coefficient</i>	<i>Significance</i>
Prison	-.001135 (.147)	-.001	.994
Lagged Unemployment*	.586 (.057)	.630	P<.001
Year*	-.05080 (.021)	-.165	P<.02
CD-Essex	.01828 (.431)	.003	.966
CD-Greene*	-.885 (.436)	-.145	P<.05
CD-Jefferson	.187 (.374)	.031	.618
CD-St. Lawrence	-.371 (.349)	-.061	.289
CD-Sullivan*	-1.242 (.464)	-.204	P<.01
CD-Wyoming	-.821 (.441)	-.135	.064

Adjusted r-square = .740

F = 53.826

N = 167

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\* Because a lagged variable was used as a control in the equation, one year had to be removed from the analysis, giving us a time series spanning 1977 to 2000.

**APPENDIX TABLE 2: INFLUENCE OF PRISON SITING ON PER CAPITA INCOME: 1977-2000**

<i>Variable</i>	<i>Unstandardized Coefficient (SE)</i>	<i>Standardized Coefficient</i>	<i>Significance</i>
Prison	- 46.192 ( 40.884)	-.011	.260
Lagged Per Capita Income*	.881 ( .035)	.877	P<.001
Year*	85.559 ( 24.974)	.122	P<.002
CD-Essex	218.724 (125.254)	.016	.083
CD-Greene*	343.268 (131.018)	.025	P<.02
CD-Jefferson*	271.334 (114.255)	.020	P<.02
CD-St. Lawrence	- 4.699 ( 93.190)	.000	.960
CD-Sullivan*	522.806 (159.684)	.038	P<.002
CD-Wyoming	- 22.608 (112.303)	-.002	.841

Adjusted r-square = .996

F = 4933.330

N = 167