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Prisons and Their Effect on Local Economies: The Colorado Experience

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Director's Note: Earlier in 2001, we published our update to How Colorado Compares. This interim update, State Taxes and Spending, 2001 Edition, showed some interesting trends and comparisons in state spending in Colorado. Most notable among those trends and comparisons was the one on spending for corrections. Compared with the other 49 states, Colorado ranked third per capita and first as a percent of state budget on spending for corrections. At the time I was completing the update to the spending comparisons, I had the opportunity to review this paper written by Christopher Setti, a Master's Degree candidate at the Graduate School of Public Affairs at the University of Colorado. Christopher has graciously permitted CPEC Center for Tax Policy to publish his work on the economic effect of prisons on Colorado's rural counties. Given the state's trend toward increased spending for corrections and the need to increase prison facilities, I think that an in depth look at the economic effects of such facilities is both timely and indispensable.

INTRODUCTION

In *Going Up River*, Joseph Hallinan writes of rural prison communities,

“I saw how the merger of punishment and profit was reshaping this country; how young men ... who might in another generation have joined the Army or gone to work in a factory, were now turning to prison for their livelihood. I saw job-hungry towns, desperate for something to keep their young people from leaving, compete for prisons the way they once had for industries, offering tax abatements and job training and all sorts of municipal goodies.”¹

The expansion of the United States prison industry has grown at an unprecedented rate over the past 20 years. Stiffer sentencing regulations and an increase in drug related arrests and convictions have pushed the number of inmates to incredibly high rates. Before 1970, the US incarceration rate hovered around 110 inmates for every 100,000 citizens; by 2000 that rate has grown to 445 per 100,000 and it is still climbing.² Such an increase has forced state and federal agencies to expand existing prisons and build completely new facilities.

Increasingly, these agencies (and private prison corporations who have learned that there is money to be made by housing inmates) have turned to rural and small-town America for sites to build new prisons. Siting prisons in metropolitan areas has proven very difficult: more citizens mean more complaints. To the contrary, the declining economies in rural areas have enticed local officials to actively court new prisons as a steady source of income. These governments believe that prisons will provide jobs to local citizens as guards, nurses and cooks, as well as foster the development of “prison businesses” (i.e. food suppliers and hotels for convict families) in the area. In addition, towns hope for a multiplier effect that will occur as newly employed residents have more money to spend on homes, durable goods, automobiles and luxuries.

Prison-seeking towns have relied on a number of studies that have shown that prisons have little negative effect on the localities in which they are placed. A 1985 study conducted by Florida International University showed no negative effects on three prison-counties, and demonstrated some positive effects.³ The three prisons studied did not decrease property values of nearby areas (and one area actually increased), nor did the local communities perceive the presence of a prison as a detriment. When individuals did express concern regarding the prison, but then were told of the economic benefits, they overwhelmingly switched positions. A separate study in Wisconsin also showed no negative impact on property values in small communities.⁴

A 1992 brief prepared for the National Institute of Corrections measured seven prisons’ impact on property values, public safety, local economy, quality of life and law enforcement capabilities.⁵ Again, no measurable detriments could be found, except for the lowering, by an average of \$18,000, of property values of one higher-income area located near a prison. The

brief also dismissed the common concern among local residents that families of convicts commit a disproportionate amount of crimes when they come to visit. None of the interviewed law enforcement officials knew of any such cases. In fact, the study showed that some areas showed a lower crime rate.

As advantageous as prisons might seem to a local area, the picture is hardly perfect. There is no doubt that people who live in prison communities feel their lives have improved due to the presence of a prison. Unlike factories, prisons tend not to close and therefore provide a steady source of income. Towns and counties who seek and win prisons assume their economy will be bolstered. But in looking at newer facilities in Colorado, the economies of prison counties rarely outpace those of their non-prison neighbors.

THE COLORADO EXPERIENCE

Since 1985, six prisons have been constructed in six different counties in eastern Colorado's rural plains. State facilities have been erected in Lincoln, Logan and Crowley Counties. Private prisons, all constructed and operated by Corrections Corporation of America (CCA) have opened in Bent, Kit Carson and Huerfano Counties. The counties are remarkably similar in terms of demographics and all have populations of less than 15,000.⁶ Data collected by various Colorado state agencies demonstrate that while prisons do not have a negative effect on these counties, they do not have an overwhelmingly positive effect either.

Table 1

County	Prison	Per Capita Income 1991 ⁷	Per Capita Income 1998 ⁷	Change	Percent Change
Region 5					
Kit Carson	Yes	\$17,750.00	\$26,550	\$8,800	49.58%
Lincoln	Yes	\$14,928.00	\$17,395	\$2,467	16.53%
Cheyenne	No	\$17,842.00	\$25,031	\$7,189	40.29%
Elbert	No	\$17,522.00	\$24,311	\$6,789	38.75%
Region 6					
Bent	Yes	\$15,160.00	\$16,894	\$1,734	11.44%
Crowley	Yes	\$11,233.00	\$16,713	\$5,480	48.78%
Baca	No	\$16,693.00	\$26,120	\$9,427	56.47%
Otero	No	\$14,638.00	\$19,729	\$5,091	34.78%
Region 14					
Huerfano	Yes	\$12,353.00	\$18,743	\$6,390	51.73%
Las Animas	No	\$13,468.00	\$17,561	\$4,093	30.39%

* The Colorado Department of Local Affairs divides the state into 14 regions and groups counties according to similar demographics.

Table 1 shows the change in per capita incomes of both counties with prisons and those without prisons (Logan County and comparisons are not included since the Sterling Correctional Facility did not open until 1999.) The data shows that having a prison does not necessarily mean an economy that outpaces others. All counties, regardless of the presence of a prison, showed increases in per capita income. Considering, however, that correctional jobs are higher paying than agricultural and service jobs, prison county per capita increases often pale in comparison with those of neighboring, non-prison-counties. For example, Lincoln and Bent Counties show dramatically less increase than other counties in their region. Crowley County has been fairly unaffected by the prison. Only Huerfano and Kit Carson show increases greater than their neighbors. It should be noted that these prison counties might be far worse off without the local prison, but having a prison does not seem to guarantee that they are in a better position than non-prison counties.

The future of prison counties appears no better than their non-prison counterparts, either. Table 2 shows projections for 2005 in increased per capita income and unemployment rate.

Table 2

County	Prison	Per Capita Income Increase Projection 2005 ⁸	Unemployment Projection 2005 ⁹
Region 1			
Logan	Yes	5.9	5.8
Morgan	No	5.8	4.1
Phillips	No	5.0	2.5
Region 5			
Kit Carson	Yes	5.6	2.4
Lincoln	Yes	5.7	1.7
Cheyenne	No	6.4	3.7
Elbert	No	2.8	3.5
Region 6			
Bent	Yes	4.7	4.0
Crowley	Yes	5.7	4.5
Baca	No	5.5	2.1
Otero	No	4.8	5.7
Region 14			
Huerfano	Yes	6.9	6.6
Las Animas	No	4.7	6.2

Again, state demographers are not predicting a decrease in per capita income in any of the above counties, but prison counties do not generally fare better than non-prison counties. Only Huerfano County is projected to have better income increases than its neighbor, Las Animas County. Regarding unemployment, except for prison counties in Region 5, all other prison counties are projected to have higher unemployment rates than their non-prison neighbors. Logan County in particular is projected to have an unemployment rate 1.7 points higher than Morgan County and 3.5 points higher than Phillips County, despite having a relatively new prison (opened in 1999).

There are a few reasons why economic indicators do not show a vast improvement in prison counties, at least in comparison to nearby counties without prisons. First, the high paying jobs of

warden, unit supervisors and department heads are almost always filled outside the community. In addition, state-operated prisons require guards to be certified. Since many of these towns lack the educational institutions that might produce such employees, guards often have to be recruited from elsewhere. These individuals may settle in the area eventually, but that has little impact on unemployed county residents. Many of these employees, however, will attempt to live closer to metropolitan areas so that their family members can find work. Guards at the Limon Correctional Facility were required to live within a 30 minute drive of the prison, but those that did not get waivers often lived closer to Colorado Springs and consequently outside both Limon and Lincoln County.¹⁰ Corrections jobs also have a high rate of turnover. Many of a prison's employees will quit their jobs before they save enough money to purchase a home in the community. Private prisons do not have standards as strict as the state, but often pay much lower wages. Burlington (Kit Carson County) is home to one private prison, and the area is so rural that its operator, CCA, is having a difficult time finding enough employees to keep the facility open.¹¹

Secondly, the spin-off industries that local officials hope for rarely materialize. In Limon, the state required that the general contractor for the construction of the prison had to have completed two \$15 million projects, effectively eliminating any local competition for anything but bidding on construction subcontracts.¹² With the rapid expansion of the prison industry over the past twenty years has come the parallel expansion of companies that provide prisons with a variety of goods and services. The *Corrections Yellow Pages* has products for sale by over a thousand different vendors, providing everything from plumbing supplies to bullet-proof vests.¹³ Little is purchased from the local community. The only boon to the local economy is often new hotels, restaurants and gas stations – all industries that pay low wages.

The Limon Correctional Facility again demonstrates other economic liabilities posed by a new prison. Before awarding the prison to the area, the Colorado Department of Corrections required Limon to spend \$90,000 on infrastructure improvements (mostly roads). The entire budget of the town was only \$4 million. In addition, the Colorado Department of Corrections required the city to construct a treatment facility to deal with 150,000 gallons of wastewater from the prison, at a cost to the town of \$252,000.

An issue that all prison-counties must deal with is an increased budget in the county law enforcement and judicial system. While studies have shown that convicts' families commit only a few local crimes, any crimes committed by prisoners are considered local matters. Therefore, if an inmate assaults a guard or another inmate, his or her criminal hearing occurs in the local county courthouse. In addition, inmates are housed at the county jail during their trial. Lincoln County needed to expand both the county jail and courthouse, and financed the expansion by increasing the county sales tax by 2%.¹⁴

Studying data gathered by the Uniform Crime Report shows that crime is a larger problem for prison counties than non-prison counties in the same area.¹⁵

Table 3

	County	Prison	1994 Incidents of Crime (per 1000)	1998 Incidents of Crime (per 1000)	Difference	Percent Change
Region 5	Kit Carson	Yes	31.1	54.8	23.7	76.39%
	Lincoln	Yes	64.7	30.2	-34.4	-53.25%
	Cheyenne	No	16.7	22.0	5.2	31.42%
	Elbert	No	26.4	40.7	14.3	54.20%
Region 6	Bent	Yes	37.5	62.6	25.1	67.11%
	Crowley	Yes	17.4	29.4	12.0	69.24%
	Baca	No	47.8	8.5	-39.3	-82.28%
	Kiowa	No	62.2	2.9	-59.2	-95.27%
	Otero	No	82.0	71.2	-10.8	-13.19%
Region 14	Huerfano	Yes	67.1	70.3	3.2	4.70%
	Las Animas	No	75.0	64.1	-10.8	-14.45%

The data in Table 3 represents all violent and non-violent crimes, except traffic violations, reported by various law enforcement agencies (local, county, state and federal). Except for Lincoln County, all prison counties saw an increase in the crime rate between 1994 and 1998 (Logan County was again eliminated since its prison did not open until 1999). Despite the findings of earlier studies cited in this paper, these increases were greater than similar counties without prisons. In fact, except for Cheyenne and Elbert Counties, crime rates in non-prison counties decreased. The higher number is probably due to crimes committed in prisons but tried locally; nonetheless, counties absorb the cost of this increased crime rate, regardless of root, in additional government costs. A 1998 feasibility study done for the Sterling Correctional Facility in Logan County showed that county sheriffs in other prison counties (Crowley, Bent and Lincoln) reported a combined 60.4% increase in juvenile findings between 1993 and 1997, compared to a 37.9% increase in Logan County. The same study showed an 89.6% increase in misdemeanors in the prison counties, compared with a 16.2% decrease in Logan County.¹⁶

CONCLUSION

The results are mixed on the true economic effect of prisons on rural communities. It is quite possible that the Colorado counties analyzed would be in a much worse situation without their prisons. Most articles, studies and books about prisons are filled with local citizens who praise the decision to build one. Jobs are jobs, and in times of economic decline, individuals and governments will seek solutions, even if they are short-term. There is no doubt that prisons create jobs in a local community, but as data from eastern Colorado counties show, building a prison is not a guarantee of future prosperity. Counties like Baca (which, incidentally, turned down a prison proposal in 1995) and Cheyenne have had economic statistics comparable or better than their neighbors who have chosen the prison industry. Counties seeking some refuge from economic downturns should look seriously at all the effects a prison might bring.