



WYOMING LEGISLATIVE SERVICE OFFICE

Research Memo

04 RM 023

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Re: Economic Impact of a New Correctional Facility in Wyoming

PURPOSE

Describe the likely economic impact (in terms of broad input variables only), that a new correctional facility might be expected to contribute to a community.

RESULTS IN BRIEF

The best available information suggests that a new state correctional facility, meeting the anticipated criteria of the Wyoming Department of Corrections (DOC), would produce 200 to 250 new jobs. The estimated annual operating budget is \$15.2 million. In addition, during the construction phase of a new correctional facility, increased local employment and economic activity is also likely to occur. The most recent estimated construction costs range between \$57,330,000 and \$71,505,000. The DOC is currently developing additional plans with the assistance of an architect and other related professionals for the design and operation of a new correctional facility. As a result, it may be somewhat premature to accurately estimate all variables necessary to complete a thorough economic analysis. Forthcoming studies by DOC will undoubtedly refine the variables directly related to the expected local economic impact of such a project.

CONSTRUCTION COSTS

The most recent information provided to the Legislature by the Department of Corrections suggests that the estimated construction cost of a new correctional facility would be between \$57.3 and \$71.5 million. (The relevant excerpt from DOC testimony to the Joint Appropriations Committee (JAC) is included as Attachment A.) These

estimates assume construction costs of \$182 to \$227 per square foot, with a 20 percent contingency. The reported figures are derived from two architectural estimates prepared in 2001. These studies assume a 650-bed, medium-custody prison. No analysis on the anticipated local economic impact during the construction phase has been prepared.

PERSONNEL

DOC officials have also indicated that the anticipated total employment of a new correctional facility would be between 200 and 250 employees, with a total estimated annual operating cost of \$15.2 million. This analysis was prepared in September 2003.

Based upon the 2005-06 biennial request of the Department of Corrections, personnel expenses account for 85 percent of the most recent budget for the State Penitentiary in Rawlins. Of that amount, 68 percent is classified for salaries and 32 percent is classified for employee benefits and other personnel related expenses. Finally, the average salary for the Rawlins facility is roughly \$36,000 per year based upon the total personnel salaries divided by the total authorized full-time equivalent employees.

Using these limited facts, LSO research staff has calculated that 245 employees, with a similar salary would result in \$8.8 million annual payroll, not including benefits. (This estimate is within the range previously reported by the DOC.) This annual payroll amount can also be reconciled with the proportion of salaries to current operating expenses currently budgeted for the Rawlins

facility. No attempt has been made at this time to designate the type of employees in terms of professional, skilled, semi-skilled, or unskilled labor. Furthermore, only limited efforts have been made to analyze the current labor force in interested communities and surrounding areas to defensibly estimate the likely number of employees that would move to a particular community.

FURTHER ANALYSIS

The Business Council, the Division of Economic Analysis (EAD) within the Department of Administration and Information, and the University of Wyoming all administer various econometric or forecasting models that could be applied to further assess the likely economic impact on a community. The expected economic impact can be separated by two different time periods as well: the impact from construction and the impact of the on-going operation of a correctional facility.

At least two economic models exist within Wyoming state government: the REMI model administered by EAD and UW and the RPAS model operated by the Business Council. The REMI model involves a much more sophisticated analysis and generally requires more input variables. However, the REMI model is not specific to an area of the state. Therefore, the results would only apply to Wyoming generally. In contrast, the RPAS model is specific to each community. (For purposes of example, a copy of the input data page for the RPAS model is included as Attachment B.) Additional considerations allowed by the REMI model, such as reduced government savings, different public sector expenditure choices, different tax requirements, etc. may further impact the analysis from a state perspective. Nonetheless, these impacts would likely have little relevance from a community perspective.

The input variables for both models include several variables that may not apply in the circumstance of a government project. That is, no production, i.e., retail sales, manufactured goods, agriculture production, mineral production, etc. is inherent with a public sector project such as a prison. Nor would a correctional facility contribute to the local property tax base. As a result, several of the variables that normally would be incorporated

within an economic impact analysis for a private business are not relevant.

Finally, in an effort to avoid the perception of any favoritism, the Business Council's position at this point is to run and release the results of the RPAS model for all interested communities, if requested by any community. As of this writing, the Business Council or EAD have not modeled the economic impact of a new correctional facility for any community.