

# *Addendum to the Report:*

## **The Economic Impacts of Closure of Pontiac Correctional Center**

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*The following is an addendum to the analysis of economic impacts associated with the proposed closing of Pontiac Correctional Center (PCC), dated July 11, 2008. The study, conducted by the Rural Economic Technical Assistance Center (RETAC) - Illinois Institute for Rural Affairs, was based on a specific question: What are the economic impacts of the closure on Pontiac, Livingston County, and surrounding areas? Accordingly, the region for the analysis encompassed LaSalle, Livingston, McLean, and Woodford Counties. While this area contained the residences of 84 percent (466 of 569) of the PCC workforce, it did not represent the complete region to be affected nor did it report the total impacts that would result with the facility's closure.*

*Despite this, the results of the earlier study have been compared with those from an analysis of impacts associated with opening the Thomson Correctional Center (TCC) in Carroll County. The TCC study was based on a different question and examined the impacts associated with the facility's entire workforce of 540 employees. Since the two studies were based on two different questions, the results are not really comparable. To improve public discourse and decision-making, RETAC has conducted additional economic impact analyses for the two projects. These include:*

- An analysis of the total effects stemming from PCC's closure on an 11-county region from which the remaining 16 percent of PCC workers commute as well for the entire 15-County PCC labor-shed;*
- A second analysis, the results of which are to be provided in a separate report, examined possible reductions in gains to be realized by NW Illinois in relation to potential interstate commuting behaviors by the workforce of the Thomson facility.*

### **1. Introduction**

The following study will identify impacts resulting from the loss of the facility's entire workforce including the cohort of 103 commuting employees not considered in the original study. Members of this group travel to Pontiac for employment from counties other than the 4 in the earlier study. Economic impacts of commuting employees are generally realized within and around their counties of residence. Accordingly, the area of study for the new analysis consists of the following counties: Champaign, Ford, Fulton, Grundy, Iroquois, Kankakee, Logan, Marshall, Peoria, Will, and Tazewell Counties. In addition to this group's earnings, the analysis examined the effects

generated by PCC's purchases of commodities and contractual services from vendors within this area.

The economic impacts to be experienced within the 11-County study area are significant, ranging from an annual loss of \$9.2 million in economic output and a reduction of more than 53 jobs, to almost \$1 million in lost public revenues. However, they pale when added to those anticipated for the 4-County area. This total affected region, containing more than 14 percent of the State's population and stretching from Will County to Champaign County and from Vermillion County to Fulton County, will experience substantial negative impacts.

### **15-County Region**

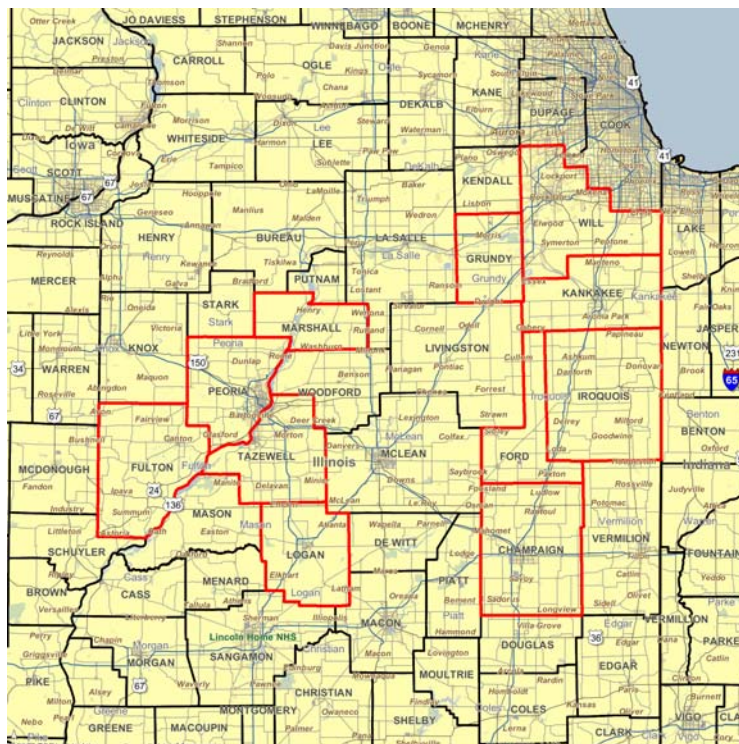
#### **Direct losses**

<b>Loss of PCC Employees:</b>	569 positions
<b>Annual reduction in Spendable Income:</b>	\$36.5 million
<b>Local contractual/commodity purchases</b>	\$6.4 million

#### **Related losses**

<b>Decline in FT/PT employment:</b>	419 positions
<b>Annual loss of Labor Income:</b>	\$14.3 million
<b>Annual loss in Output:</b>	\$54.4 million
<b>Annual loss in public (local/state/federal) revenues:</b>	\$6.73 million

**Figure 1 Counties in Expanded Study Area**



## **2. Data and Methodology**

As with the earlier study, this project was conducted using the IMPLAN economic impact input-output model. The model is based on an assumption that an area's businesses are connected through supply and consumption interactions. Thus, when a shock is introduced to one industry, it is also experienced by those other industries thus connected. In this analysis, we measured the effects associated with two "shocks":

- The loss of annual expenditures and spendable income of the 103 PCC employees residing in the 11-County area.
- The loss of PCC's annual commodity and contractual purchases made from vendors within the 11-County area.

The economic impacts generated in IMPLAN modeling are reported as annualized changes in a variety of categories, including

- **Output**: represents the value of production. **Output= Sales +/- Inventory Change** (note: only local operating costs and purchases were included as PCC's Output);
- **Employment**: full-time and part-time employment;
- **Labor Income**: Employee compensation (Total payroll costs including salaries, wages, bonuses, benefits and employer-paid retirement), proprietor (self-employed) income;
- **Total Value-Added**: Include Employee Compensation, Proprietors Income, Other Property Type Income, and Indirect Business Taxes;
- **Public Revenues/Tax Impact**: Include payroll taxes, property taxes, sales taxes, and other business taxes at local/state and federal levels.

## **3. Study Area**

The study area for this analysis represents counties of residence for the majority of the employees not included in the earlier PCC study. The region includes Champaign, Ford, Fulton, Grundy, Iroquois, Kankakee, Logan, Marshall, Peoria, Will, and Tazewell Counties (see figure 1)<sup>1</sup>. This area is continuing to experience significant growth in population and earnings. In 2000, the population stood at 1.26 million with a median household income of slightly more than \$48K (2000 US. Census). 2008 estimates for the same area have reached 1.52 million and close to \$64K in median household Income<sup>2</sup>. The entire 15-County area affected by the potential closure contains approximately 14 percent of the population for the state of Illinois.

## **4. Results**

The study area benefits from two groups of inputs associated with the Pontiac Correctional Center. Each year, more than \$5.4 million of PCC employees' earnings is introduced as regional household expenditures. A second benefit originates from PCC's intra-regional purchases of commodities and contractual services. In 2007-2008,

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<sup>1</sup> Four other counties, each containing a single PCC employee residence, were excluded from this study area.

<sup>2</sup> Source: ESRI Business Analyst Online: <http://bao.esri.com/>

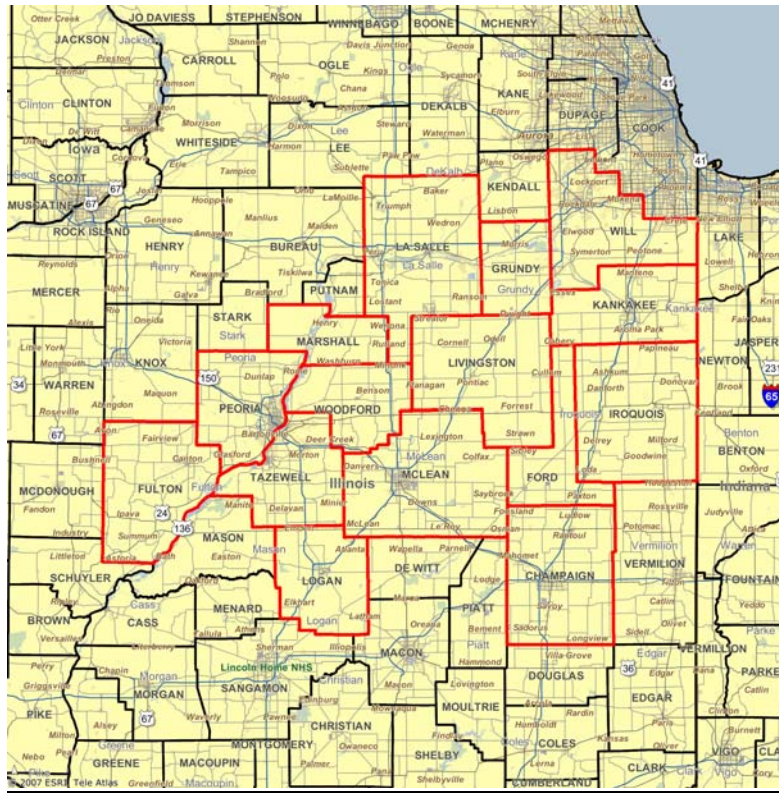
purchases were typical for past years, totaling approximately \$686K. Should the facility close, none of this money would be available to the regional economies. Excluding Pontiac Correctional Center employees and the related labor income, the resulting impacts on businesses and households linked through supply chain interactions would include the following annual losses:

- -\$9.2 million in economic output;
- 53.3 jobs lost;
- \$2.2 million in lost income; and
- \$989K in reduced public revenues.

These impacts are for the region, not in immediate proximity to the facility. The total economic impacts associated with the prison's closure would need to include those for this region and those for the four-county area examined in the earlier study. When combined, the true nature of the prison's importance and the consequences of its closure become apparent. Should the facility be closed, the region encompassing much of central and north central Illinois (see Figure 2) would face the following annual economic losses (excluding the loss of PCC employees and their labor income):

- -\$54.4 million in economic output;
- 419.3 jobs lost;
- \$14.3 million in lost income; and
- \$4.1 million in reduced public revenues

**Figure 2 Map of area impacted by Closure of PCC**



**Appendix: Tables of Impacts on 11-County and 15-County Regions**

**Table 1 Related Economic Impacts on 11-County region**

<b>Industry</b>	<b>Loss of Commodity &amp;Contractual Purchases</b>	<b>Loss of spendable income</b>	<b>Total Regional losses*</b>
<b>Output</b>	-\$1,005,941	-\$8,161,165	-\$9,167,106
<b>Employment</b>	-6.4	-46.9	-53.3
<b>Labor Income</b>	-\$330,151	-\$1,885,671	-\$2,215,822
<b>Total Value- Added</b>	-\$597,777	-\$3,638,790	-\$4,236,567
<b>Public Revenues</b>	-\$156,483*	-\$832,183**	-\$988,666
*Commodity and Contractual: Local/State: -\$62,549 and Federal: -\$93,934			
**Spendable Income: Local/State: -\$369,409 and Federal: -\$462,774			

**Table 2 Related Economic impacts on entire 15-County region**

	<b>Direct</b>	<b>Indirect</b>	<b>Induced</b>	<b>Total</b>
<b>Output</b>	-\$41,476,611	-\$5,390,560	-\$7,546,448	-\$54,413,619
<b>Employment</b>	-302.4	-43.1	-70.8	-419.3
<b>Labor Income</b>	-\$10,205,031	-\$1,829,129	-\$2,291,891	-\$14,326,052
<b>Total Value-Added</b>	-\$18,086,645	-\$2,887,695	-\$4,525,267	-\$25,499,608
<b>Public Revenues</b>	Local/State:- \$2,791,650		Federal: -\$3,949,821	-\$6,741,471