

**Illinois**  
Department of  
**Corrections**

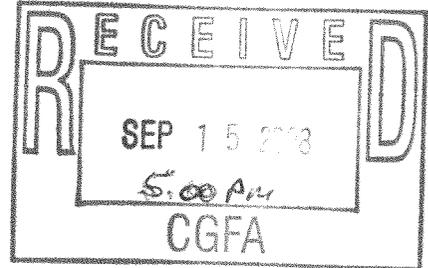
**Rod R. Blagojevich**  
Governor

**Roger E. Walker Jr.**  
Director

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September 15, 2008

The Honorable Jeffrey M. Schoenberg, Co-Chairman  
The Honorable Richard P. Myers, Co-Chairman  
Commission on Government Forecasting and Accountability  
703 Stratton Office Building  
Springfield, IL 62706



Re: Response to Economic Impact Analysis  
for Pontiac Correctional Center Closure

Dear Gentlemen:

As you are aware, a primary issue regarding compliance with the State Facilities Closure Act to close Pontiac Correctional Center (CC) is completion of a study determining the "economic impact on surrounding communities at both the current and proposed locations." The study was commissioned to the Institute of Rural Affairs (IRA) at Western Illinois University. The results of that study were included within the Department's official recommendation for closure submitted July 15<sup>th</sup>.

IRA generally concluded that the overall impact to the Pontiac CC area would be an output activity loss of \$45 million, while the Thomson CC area would experience an increase of economic activity totaling more than \$47.5 million. An informal agreement was made between IRA, Department, and COGFA staff to approve the methods utilized to conduct analyses so that there would be one, independent economic impact analysis. However, in the end, IRA determined the economic impact regions based on their professional experience to reduce Department bias.

At a later date, COGFA requested that IRA revisit the economic impact analysis without input from the Department, and that analysis was submitted to the Department one day prior to the closure hearing held August 20<sup>th</sup>. Subsequently, the Department has had an opportunity to review the analysis.

The State Facilities Closure Act requires an economic impact analysis on the "surrounding communities," yet does not provide a definition. This is the crux of our concern. The definition used by IRA for "surrounding communities" changed between the first and second analyses they submitted. There was no articulated rationale for the change in definition; the changed definition was inconsistently applied; and this leads to anomalous results.

1. The Changed Definition of “Surrounding Communities” Was Inconsistently Applied. In the initial analysis submitted by IRA, the Thomson CC area’s “surrounding communities” consisted of six local counties versus an impact region near Pontiac CC totaling four counties. The original analysis described the economic impact based primarily on two factors: 1) the loss of staff income and 2) the loss of contracts and commodities. The result was that 100% of the Thomson CC staff were estimated to live within their designated impact region, while the impact region for Pontiac CC included 84% of their staff. The staff income impact was much greater than the commodities and contracts impact.

Within the follow-up analyses again conducted by IRA, the “surrounding community” definition was expanded to include all statewide counties where Pontiac CC staff reside. This extended the analysis by another eleven counties to total fifteen counties. At the same time, the Thomson CC analysis was revised to estimate an economic impact based on a reduced percentage of staff residing within the six-county region. The results showed that adding eleven counties to the original four-county region would affect the Pontiac CC economic impact by another \$9 million to total more than \$54 million (see attachment). At the same time, the Thomson CC benefit declined to as low as \$37 million with 75% of staff estimated to live within the six-county region. By expanding the “surrounding communities” to include 100% of the Pontiac staff in the analysis, while limiting the Thomson “surrounding communities” to less than 100% of the staff undermines the integrity of the analysis because of the varying definitions.

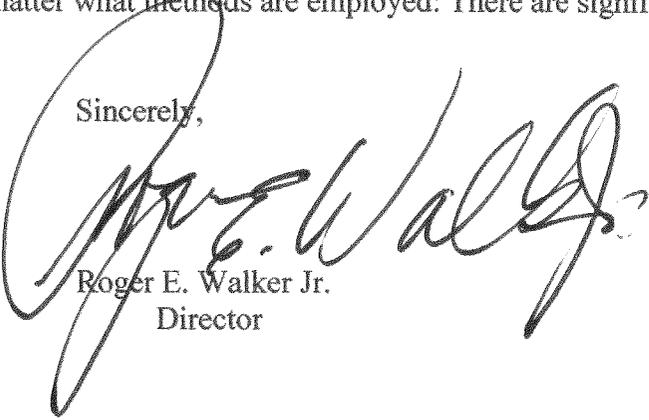
2. Expanding the analysis to include all Pontiac CC employees, no matter the county of residence, means that the analysis no longer applies to “surrounding communities.” This definition brings into question where actual income dollars are spent. Given some of the county locations, there is little likelihood that staff living within the extended impact region would be spending significant sums of money within the Pontiac CC locality. In fact, property taxes, home purchases and improvements, utilities, food and clothing expenditures, etc. will be localized to the surrounding downstate towns for which they live.
3. The analysis regarding the contracts and commodities was also extended to the same eleven additional counties. The rationale for this is confusing given that the definition should then apply to every statewide contract and commodity purchase because there is no relationship between these expenditures and staff salaries. Note that in order to be included within the analysis, a Pontiac CC staff had to work in any State county; so the same should apply to the contracts and commodities purchases. The Department is not suggesting that the analysis be further amended to reflect this point; rather, we state this to show again the inconsistent application of the “surrounding communities” definition and the anomalous results.

4. Expanding the analysis to another eleven counties actually helps support the Department's intention to transfer Pontiac CC staff to other correctional facilities as a number of the additional counties added to the analysis include prisons or are located nearer to counties having prisons. This means that many of these staff could have employment opportunities closer to their homes and they would not have to move. For example, the Department conducted a brief review of correctional centers within 90 miles of Pontiac CC and now the analysis has been extended to Will and Logan counties where Dwight, Logan, Lincoln, and Stateville correctional centers or their satellite facilities reside. This means that again, the amended analysis leads to anomalous results.
5. Most studies attempt to make the variables being analyzed mutually exclusive; that is not the case with the amended analysis and so double-counting may occur. In extending the impact region, the analyses could actually apply to counties within another impact region. For example, Fulton and Peoria counties have been selected as within the Pontiac CC impact region. However, once Thomson CC opens, there is a possibility that a Thomson CC staff will live in those same counties; therefore the cases would cancel out. Moreover, if the Thomson CC addendum was going to reduce the economic impact by applying reduction factors associated with staff living in areas outside of the original economic impact region, then the analysis should have displaced the benefit to other State counties where staff will potentially reside. As noted above, adding another eleven counties to the Pontiac CC analysis brings a host of issues related to which region is actually affected.

In summary, every study or analysis has limitations, especially when short deadlines are involved. However, the Department was told that we would be notified of proposed changes to the analysis prior to conducting revised analyses, and we were not, so that some of these issues that may have been resolved were not.

While reviewing all four documents prepared by IRA, the Department believes that the best method for comparison would have been to utilize the format of the Thomson CC addendum, whereby the impacts were determined based on varying percentages of employees working within the impact region, and applying that same format to the Pontiac CC analysis. For the most part, the original IRA analysis was objective; however, the addendum takes part of the objectivity away considering the rationale detailed in the report as to why the Pontiac CC impact region was redefined to a statewide impact as opposed to a "surrounding community" impact. The major point remains the same no matter what methods are employed: There are significant impacts to both regions.

Sincerely,



Roger E. Walker Jr.  
Director