

## Federal Reserve Bank of Richmond Region Focus

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### Are prisons an economic development tool for rural communities?

By Betty Joyce Nash

Virginia's newest prison is slated for Grayson County, amid the rolling hills and mountains of the Blue Ridge. For political reasons, prisons tend to be located in rural areas where jobs and industry are scarce. The county's per-capita personal income, for example, ranked 96th among the state's 105 counties in 2005.

The debate over where to put prisons has centered on two issues: Do officials use these prisons as an economic development tool, and is this a useful strategy? While some Grayson County residents welcome the prison's estimated 300 to 340 jobs and \$23 million annual budget, others believe the prison may undermine the bucolic county's image and budding tourism industry.

The United States has the highest incarceration rate in the industrialized world because of changes in sentencing policy and practice. Prison construction has boomed as a result.

Virginia's rate of incarceration ranked 15th among states in 2005, according to the Bureau of Justice Statistics. The state has built prisons to house 18,274 inmates since 1990, and four additional facilities with 21,122 beds are slated for completion by 2010, including the proposed Grayson County prison.

While new industry has popped up here and there in Grayson — including a Nautilus manufacturer — there are many workers who drive long distances to work every day, says Kate Irwin. She runs the Duck Roost Inn in Cox's Chapel, adjacent to the New River. Many there opposed having the prison in their farming community before it was moved to another part of the county. The prison controversy "opened up a very big divide in the county," Irwin describes, because "jobs close to home are highly competitive and hard to come by."

Regan Delp, who owns Country Treasures in Independence, Va., says her father drove 60 miles a day roundtrip when he worked as a correctional officer at a prison in neighboring Smyth County. She believes the county needs the jobs the prison will provide and doesn't view the prison as a negative.

Economists Todd Cherry of Appalachian State University and Mitch Kunce of the University of Wyoming studied California's immense prison construction program between 1982 and 1994. They wanted to find out whether policymakers actively considered circumstances such as a depressed economy when choosing locations for prisons.

Their results confirmed that prisons are more likely to be placed in economically lagging communities like Grayson County where the financial benefits may overcome the negative effects, real and perceived. "Policymakers consequently appear to use prisons as a form of economic development," Cherry and Kunce wrote in a 2001 article published in the journal *Growth and Change*.

Grayson County's proposed prison was championed by the area's delegation in the Virginia General Assembly. Lawmakers pointed to the prison's payroll, estimated at \$6 million annually, as an economic boon.

But this strategy may not work, judging from various studies on prisons and rural development. For instance, a 2004 study by sociologists at Washington State University and Ohio State University found evidence that prison construction interfered with economic growth in rural counties that had been growing, albeit slowly.

There's another wrinkle in the economic impact of prisons. The jobs may not go to local workers. "Most rural workers do not have the education and experience required for the higher-paying managerial and correctional officer jobs," noted University of Arkansas economist Deborah Tootle in her 2004 working paper on the role of prisons in rural development.

But turnover among prison employees in southwest Virginia is lower than elsewhere in the state, according to Paul Broughton, assistant director of human resources at the Virginia Department of Corrections. "We do expect to hire the majority of the folks from the local area," he adds, referring to the proposed prison.

However, there is growing concern in Virginia about future prison sites, partly because of staffing needs especially in areas like Southside, where there are about a dozen prisons already. Turnover among corrections officers statewide reached 19 percent in 2006, prompting the legislature to approve salary increases effective in November.

Finally, most rural prisons are either run by the state government or private companies. Either way, purchases for facilities are likely made through state or national contracts, leaving little in the way of spending within the local economy.

Cherry, Todd and Mitch Kuncie. "[Do Policymakers Locate Prisons for Economic Development?](#)" *Growth and Change*, Fall 2001, vol. 32, no. 4, pp. 533-547.