

OFFICE OF THE
**LEGISLATIVE
 FISCAL
 ANALYST**

JONATHAN C. BALL
 DIRECTOR

MEMORANDUM FOR REP. MERRILL NELSON

FROM: Jonathan C. Ball
DATE: July 8, 2015
SUBJECT: Prison Relocation Analysis

You requested that the Legislative Fiscal Analyst (LFA) review and analyze the assumptions and results in the *Master Plan for the Potential Relocation of the Draper Prison* prepared by MGT of America for the Prison Relocation Development Authority. You asked that we test MGT's findings regarding economic benefits from commercially redeveloping the land currently occupied by the state prison at Draper. In addition, you asked that we show a year-by-year impact for that commercial development. You further asked what the cost would be to construct a new prison on the existing prison site. Finally, you asked how reconstruction of a new prison at the Draper site would compare to other sites in economic impact terms. Our responses follow.

1. Regarding commercial redevelopment of the Draper site, we were able to closely approximate MGT's findings for jobs, wages, value added, and revenue using the same statistical modeling program (IMPLAN) and the same stated assumptions used by MGT (see Table 1).
2. We re-ran those assumptions in a different statistical modeling program (REMI), which gave us slightly different results as shown in Table 1. However, the results are not directionally different from MGT's.

	MGT Estimate¹	LFA Validation 1 (IMPLAN)²	LFA Validation 2 (REMI)³
Jobs	18,483	18,744	15,234
Wages	\$833,686,109	\$884,343,680	\$1,288,777,778
Value Added (i.e. GDP)	\$1,187,927,782	\$1,203,572,750	\$1,736,777,778
Tax Revenue⁴	\$94,600,000	\$97,985,094	\$112,890,556

Table 1

(Continued)

¹ MGT results when fully complete
² LFA reproduction of MGT study in IMPLAN
³ LFA reproduction of MGT study in REMI – final year of 10 year analysis (2029)
⁴ Total state and local taxes

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3. In response to your request for a multi-year impact, Table 2 shows a version of our REMI model, year-by-year, from 2019-2029:

	2019	2020	2021	2022	2023	2024
Jobs	704	1,032	1,463	2,042	2,846	3,963
Wages	\$32,666,667	\$53,666,667	\$82,444,444	\$122,111,111	\$178,888,889	\$260,555,556
Value Added (i.e. GDP)	\$52,111,111	\$80,888,889	\$120,555,556	\$175,777,778	\$254,333,333	\$368,666,667
Tax Revenue⁴	\$3,387,222	\$5,257,778	\$7,836,111	\$11,425,556	\$16,531,667	\$23,963,333
	2025	2026	2027	2028	2029	
Jobs	5,504	7,648	10,643	14,825	15,234	
Wages	\$378,000,000	\$546,777,778	\$791,777,778	\$1,148,000,000	\$1,288,777,778	
Value Added (i.e. GDP)	\$532,777,778	\$770,000,000	\$1,114,555,556	\$1,614,666,667	\$1,736,777,778	
Tax Revenue⁴	\$34,630,556	\$50,050,000	\$72,446,111	\$104,953,333	\$112,890,556	

Table 2

4. By recreating MGT’s analysis in both IMPLAN and REMI, we gained insight into some of IMPLAN’s implicit assumptions. For example, IMPLAN assumes:
- New retail development does not compete with existing retail within the state.
 - Retail development creates new households.
 - Induced capital investment occurs in addition to the initial capital investment.
5. When we re-ran the model in REMI, we were able to change those assumptions as follows:
- New retail development *does* compete with existing retail within the state.
 - Retail development *does not* create new households.
 - Induced capital investment *does not* occur in addition to the initial capital investment.

Changing those assumptions significantly impacts resulting economic benefits as shown in Table 3.

	MGT Estimate ¹	LFA Estimate ⁵
Jobs	18,483	3,729
Wages	\$833,686,109	\$315,000,000
Value Added (i.e. GDP)	\$1,187,927,782	\$557,000,000
Tax Revenue⁴	\$94,600,000	\$36,205,000

Table 3

A note about causation - though our models estimate the economic impact of certain assumed investments over a period of time, the models do not predict whether or not the investments will be made. Nothing in this analysis should be construed to suggest that moving the prison alone would cause the above commercial investments and associate economic returns.

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⁵ By calendar year 2029

6. To our knowledge, no study has been done on what the cost would be to construct a new prison on the current Draper site. We are not qualified to make such an estimate in this office without outside expertise.

7. As we don't know the cost of such reconstruction, we cannot complete a specific analysis of how reconstruction of a new prison at the Draper site would compare to other sites in terms of direct economic impact from spending on reconstruction. However, this office performed the prison construction economic analyses used by the Prison Relocation Commission at each of the other proposed sites. On a statewide basis, the analyses did not vary much from site to site. The major differences among the analyses were which locality is impacted. We presume the same would be true for Draper if a facility of similar cost could be built there.