

# ECONOMIC EFFECTS OF CRIMINAL JUSTICE REFORM

## WEBINAR

### MARCH 20, 2019

# Criminal Justice in U.S.



- Approx. 2.2 million individuals are incarcerated in state or federal prison or local jails (2016, Bureau of Justice Statistics estimates)
  - ▣ 34.3% in jail
  - ▣ 56.9% in state prison
  - ▣ 8.7% in federal prison
- Rate of population in prison or local jail: 860 per 100,000 U.S. adult residents (BJS estimates)
- The U.S. has the highest total prison population and prison population rate in the world (World Prison Brief, Institute for Criminal Policy Research)
- Spending on incarceration rose from approx. **\$17 billion** in 1980 to approx. **\$80 billion** in 2010, with state governments bearing almost 60 percent of the cost (The Hamilton Project, part of The Brookings Institution.)

# Background to Current Debates



*In the 1960s and 1970s, federal and state policy makers adopted punitive measures in response to public fears about rising crime and drug abuse.*



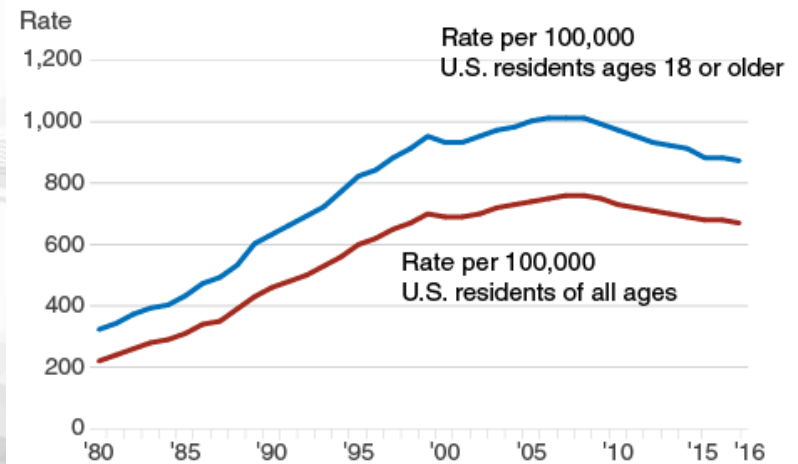
President Lyndon B. Johnson; Photo: Arnold Newman, White House via Wikipedia

- LBJ's "war on crime"
  - ▣ 1965 law created U.S. Justice Department grant-making agency to provide local police with military-grade equipment
- Nixon's "war on drugs"
  - ▣ President declares drug abuse as "public enemy number one" in 1971; DEA created two years later
- State drug laws
  - ▣ In 1973, New York State Gov. Nelson Rockefeller backed mandatory prison sentences of 15 years to life for dealers and addicts
  - ▣ Other states followed with similar laws and prison population rose from 330,000 to a peak of 2.3 million

# Three Decades of Mass Incarceration

- Growth in prison population surged over the decades
  - Incarceration rate more than tripled from early 1980s to before peaking between 2006 and 2008:
    - Rate rose from 310 per 100,000 U.S. adults to 1,000
    - Most of prison population growth on state level
    - 1994 federal crime bill gave states money that maintained these policies
  - The incarceration rate fell since 2009 and is now at its lowest level since 1996

**Incarceration rate, 1980–2016**



Graphic: Bureau of Justice Statistics, Key Statistics, *Incarceration rate, 1980-2016*, via [www.bjs.gov](http://www.bjs.gov) (visited 2/5/19)

Sources: John Gramlich/Pew Research Center; Danielle Kaeble and Mary Cowhig/Bureau of Justice Statistics; James Cullen/Brennan Center



# Trends in Incarceration



- Most of the increase in prison population was due to policy changes, not the crime rate
  - Number of state and federal prisoners fell 4.9 percent since its 2009 peak; violent and property crime rates have fallen by half since 1991
  - Thirty-eight states reduced their prison population between 1999 and 2015 - 16 achieved double-digit declines, while others saw more modest reductions
  - Twelve expanded the number of prisoners between 2010 and 2015
  - Reduced incarceration doesn't appear to impact public safety
    - States with the most significant reductions in prison population often exceed the national average in declining crime
  - Alternative policies:
    - Eliminating mandatory minimum sentences and reducing lengthy sentences
    - Emphasize prevention and treatment for substance abuse
    - Promoting youth development
    - Address racial inequities in the justice system
    - Make it easier for people with records to lead a normal life

Source: The Sentencing Project

# First Step Act



- In December, President Trump signed a bipartisan criminal justice reform bill
- Called “The First Step Act,” the new law makes changes to federal justice system:
  - Allows judges greater flexibility when sentencing drug offenders
  - Reduces life sentences for some drug offenders with “three strike” convictions to 25 years
  - Makes retroactive a 2010 law meant to address sentencing disparity between crack and powder cocaine convictions
    - Approx. 3,000 federal prisoners sentenced for crack offenses before law enacted can now seek a reduction in their sentence
  - Gives some prisoners the opportunity to gain early release to either home confinement or a halfway house, if they participate in programs aimed at reducing recidivism

# Examples of Recent State Reforms



Policy Changes	States
Sentencing reform (repealing or revising mandatory sentences, “three-strikes” rules, etc.)	Alaska, California, Delaware, Florida, Illinois, Iowa, Maryland, Massachusetts Minnesota, Oklahoma
Initiatives to reduce recidivism, improve probation supervisions	Alabama, Arkansas, Idaho, Georgia, North Carolina
Removing barriers that ex-prisoners face in getting jobs, public assistance, etc.	Alabama, California, Connecticut, Hawaii, Illinois, Massachusetts, Minnesota, New Jersey, Oregon, Rhode Island, Vermont, Washington
Marijuana De-criminalization/Legalization	Alaska, California, Colorado, District of Columbia, Florida, Maine, Massachusetts, Michigan, Nevada, Oregon, Vermont, Washington State

# Economic Impacts



- Short-Term Impacts
  - ▣ Increase in labor force participation
  - ▣ Increase in consumer spending
  - ▣ Helping to fill labor shortages (esp. in construction, manufacturing)
  - ▣ Economic impact of legal marijuana industry
    - University of Florida REMI study of Florida medical marijuana industry
- Long-Term Impacts
  - ▣ Expanding magnitude and diversity of economic opportunity
    - 2% of black population is incarcerated, 1% of Latino, 1/3% of white
  - ▣ Shifting spending away from criminal justice to education, etc. (3x)
    - Mississippi IHL REMI study of long term impacts of early childhood development program

Sources: Prison Policy Initiative



# UF Marijuana Study



- In 2016, Florida expanded its Right to Try Act to include medical marijuana
  - ▣ Right to Try laws: “pathway for terminally ill patients who have exhausted their government-approved options and can’t get into a clinical trial to access treatments”
- Researchers at UF College of Pharmacy used REMI to study economic impact during 2017-2025
  - ▣ Include direct impacts on marijuana growing, distribution, and sales; shift in consumption patterns, increase in sales tax revenue
  - ▣ By 2025, find GSP impact of \$48.3 million, employment impact of 434 jobs

# MS IHL Early Ed Study



- Cost Reductions
  - Lowers costs for remedial and special education
  - Lowers criminal justice and incarceration costs
  - Lowers number of people in poverty, state welfare costs
  - Improves health outcomes, lowering state Medicaid costs
- Labor Force Improvements
  - Produces workers with better skills, ability to meet future labor force demands
  - Produces higher personal incomes through better jobs that result in more tax payments
- Using REMI, positive long-term impacts (\$1B, 12K jobs)

# Today's Analysis



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  - ▣ Increase in consumer spending
  - ▣ Helping to fill labor shortages (esp. in construction, manufacturing)
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- Long-Term Impacts
  - ▣ Expanding magnitude and diversity of economic opportunity
    - 2% of black population is incarcerated, 1% of Latino, 1/3% of white
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Sources: Prison Policy Initiative

# Discussion



- Increase in labor force participation
  - ▣ Decrease in incarcerated population adds to labor supply
  - ▣ Puts downward pressure on wages
  - ▣ In isolation, negative economic impact from lower labor income
  
- Look at hypothetical impact of 2009-2016 rate of decline in incarcerated population continuing as a result of First Step Act, state reforms
  - ▣ 15-year study period
  - ▣ Use REMI labor force data and Bureau of Justice Statistics incarceration data



# Discussion



- Increase in consumer spending
  - Labor income when out of prison allows for increased spending relative to prison
    - Study of 3 states found annual per capita commissary spending of \$947
  - In isolation, positive economic impact from increased demand
  
- Generate conservative estimate of consumer spending increase relative to commissary spending while incarcerated
  - Use Prison Policy Initiative data on ex-convict employment rate and prisoner commissary spending
  - Use Brookings Institution data on ex-convict labor earnings

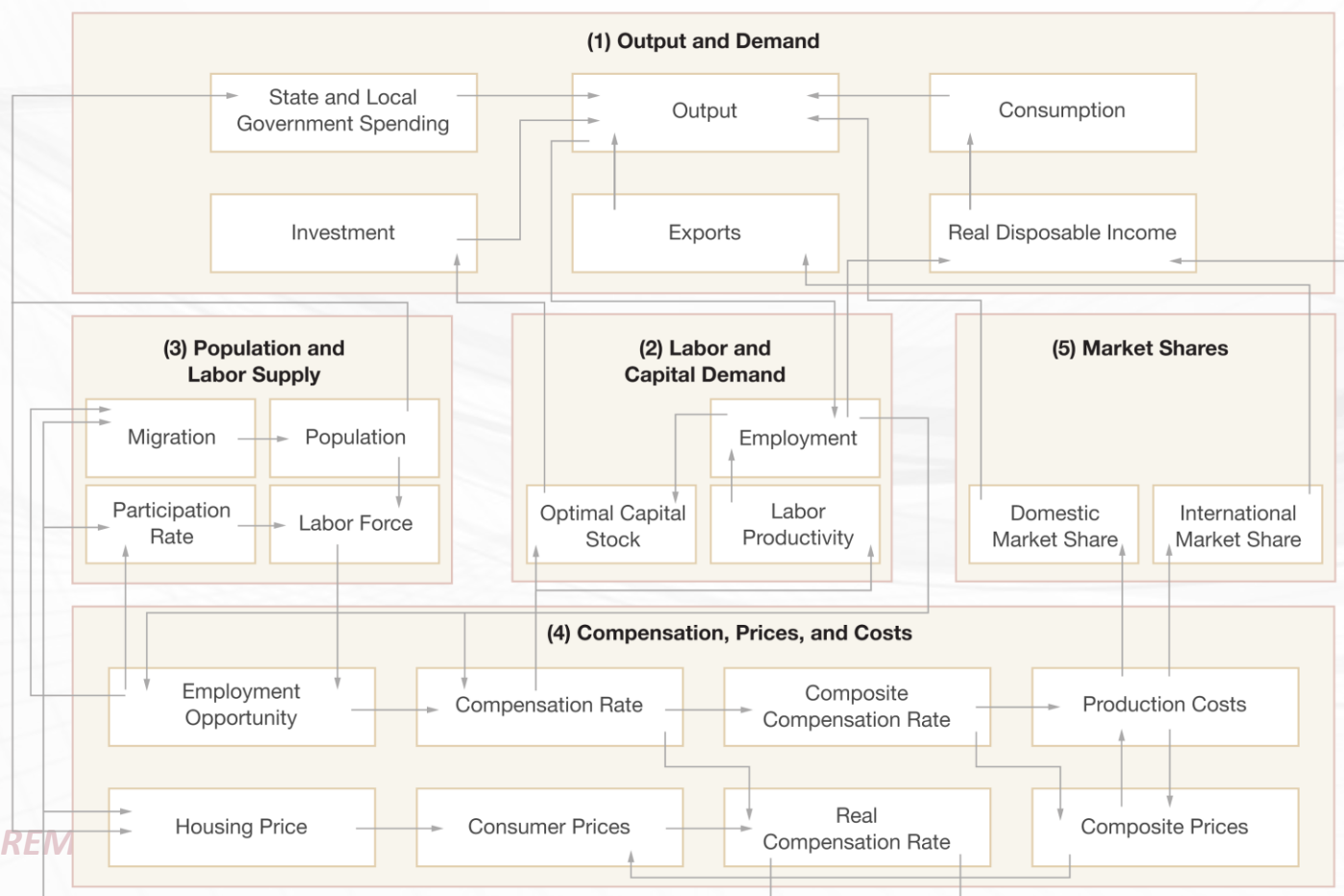
# Discussion



- Helping to fill labor shortages (esp. in construction, manufacturing)
  - Financial Times, 7/3/2018: “Labour shortages in the US Midwest are prompting more employers to hire prisoners, ex-convicts ... especially in the ... manufacturing and construction industries.”
  - Shortages are constraining production, so ex-convicts filling these jobs allows increased production
    - This raises labor demand, putting upward pressure on wages – counteracting the effects of the increase in labor supply
    - Increased production also has indirect impacts on the construction and manufacturing supply chains, and induced impacts from increased demand, including for consumption (spending labor income), investment
  - In isolation, a positive impact (% of new labor force directly fills jobs)

# Model Structure

## REMI Model Linkages (Excluding Economic Geography Linkages)



# Model Demonstration