

Essex County



Moriah Shock - Task Force Report

An Economic Analysis of the impact of the proposed closure of the Moriah Shock Incarceration Correctional Facility

We ask this question;

Would you close a facility in Brooklyn, New York if it meant the loss of 76,000 jobs?

Why 76,000 jobs? The 76,000 Jobs represents 1% of the (Nonfarm) Employment in Brooklyn, New York, according to U.S. Census Bureau data sets, <http://quickfacts.census.gov/qfd/states/36000.html>

The proposed closure of Moriah Shock (102 jobs) represents 1% of the 10,077 (Nonfarm) Employment in Essex County, according to the same U.S. Census Bureau data sets.

The reality is that for individuals who live outside of the Adirondack Park it is hard to comprehend how small our populations are and how small a workforce we have. More importantly it is hard to comprehend how significant an impact a loss of any jobs can have on our fragile economy.

..... Essex County Manager, Daniel L. Palmer



Moriah Central Basketball Team

Photo Courtesy of Peggy McCallister

Prepared for:
by:

Governor Paterson and Commissioner Brian Fischer
Essex County Moriah Shock Task Force

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Essex County - Moriah Shock Task Force

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Commissioned by:

Randall T. Douglas, Chairman Essex County Board of Supervisors

Thomas R. Scozzafava, Supervisor Town of Moriah



Photo Courtesy of Richard Carpenter

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Introduction

On January 21, 2010, the Essex County Clerk of the Board of Supervisors received a letter addressed to Essex County Chairman Randall T. Douglas dated January 19, 2010, which served as notification by Commissioner Brian Fischer of the Department of Correctional Services of the intent to close a number of correctional facilities within the north country.

Four facilities were slated for closure; Lyon Mountain Correctional Facility in Clinton County, Butler Correctional Facility in Wayne County, the Ogdensburg Correctional Facility in St. Lawrence County and our Moriah Shock Incarceration Correctional Facility in Essex County.

Closure of the Moriah Shock Incarceration Correctional Facility (Moriah Shock), is scheduled for March 31, 2011. Closure of correctional facilities are governed by Correction Law Section 79-a and Section 79-b.

Section 79-a reads as follows;

§ 79-a. Closure of correctional facilities; notice. Before the closure of any correctional facility, for reasons other than those set forth in paragraph (a) of subdivision eight of section forty-five of this chapter, the commissioner shall take the following actions:

1. confer with the department of civil service, the governor's office of employee relations and any other appropriate state agencies to develop strategies which attempt to minimize the impact of the closure on the state work force;
2. **consult with the department of economic development and any other appropriate state agencies to develop strategies which attempt to minimize the impact of such closures on the local and regional economies; and**
3. provide notice by certified mail to (i) all local governments of any political subdivision in which the correctional facility is located,
 - (ii) all employee labor organizations operating within, or representing employees of, the correctional facility, and (iii) managerial and confidential employees employed within the correctional facility at least twelve months prior to any such closure.

Section 79-b reads as follows;

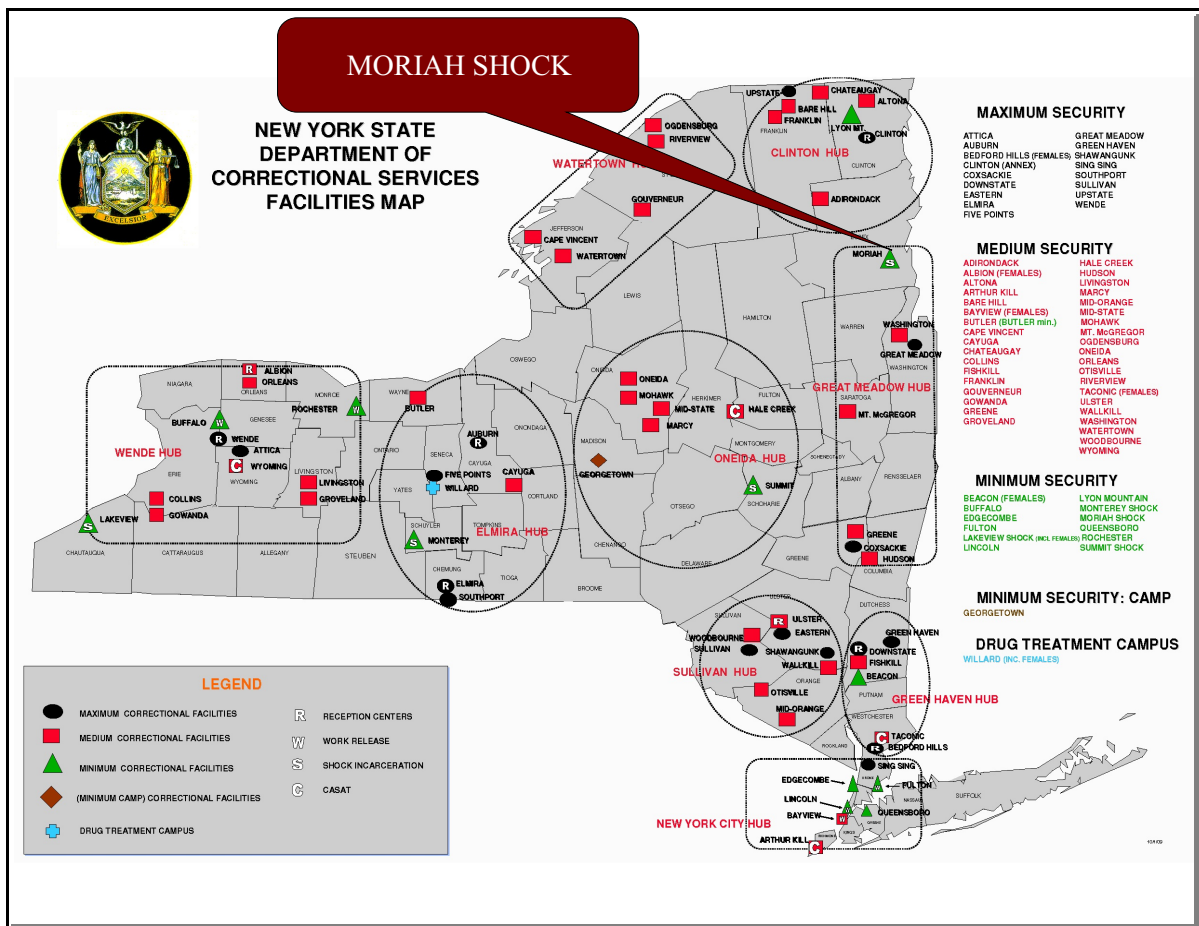
§ 79-b. Adaptive reuse plan for consideration prior to prison closure. Not later than six months prior to the effective date of closure of a correctional facility, the commissioner shall, in consultation with the commissioners of economic development, civil service and the division of criminal justice services and the director of the governor's office of employee relations, **provide a report for an adaptive reuse plan for any facility slated for closure which will evaluate the community impact of the proposed closure** including but not limited to the following factors:

- the potential to utilize the property for another state government purpose,

including for a new purpose as part of the state criminal justice system;

- potential for the sale or transfer of the property to a local government or other governmental entity;
- potential for the sale of the property to a private entity for development into a business, residential or other purpose;
- community input for local development;
- and the condition of the facility and the investments required to keep the structure in good repair, or to make it viable for reuse.

As a physical frame of reference the following map indicates the locations of all New York State Department of Corrections Facilities



It is interesting to view this map as an overview. Based upon the locations it appears clusters of the facilities have been equally distributed in hubs throughout the state. It would seem that some thought may have been taken in the prison system build out in the 1980's to spread the economic impact of these facilities equally across the whole state.

Intent of the Task Force

The formation of the Moriah Shock Task Force by Chairman Douglas is not to be construed as adversarial to the Commissioner or to the State of New York. We recognize and acknowledge the difficulties facing the Governor and the Commissioner as they attempt to deal with the state deficit.

Our intent is to provide factual representations which we feel will demonstrate that the decision to close Moriah Shock is not the best solution for the state. It is easy to understand that as local officials we do not want to see the closure of this facility. Our responsibility is to demonstrate with sound logic, and hard facts that our position is valid and worthy of consideration.

We feel we can demonstrate that this closure has an impact that goes beyond the Town of Moriah or the County of Essex, and that ultimately this will prove to have a negative impact on the state. A chain is only as strong as its weakest link. **The challenge for the State is deciding which location can best absorb the necessary reductions with the least amount of harm.** What we are suggesting is that Essex County is not that location.

Moriah Shock is located in the Town of Moriah in **Essex County which is wholly within the Adirondack Park.** We intend to show that conditions related to doing business within this **unique part of the State of New York** is so problematic that it nearly precludes any reuse or other purpose for the facility as identified under Section 79-b of the Corrections Law.

We also intend to show that the economic conditions which exist in Essex County is fundamentally flawed. We believe we can support our contention that it is unreasonable for the State to expect we can absorb this in addition to our normal hardships associated with life in the Adirondacks.



It is important to note **the recent closure of the Lake Champlain Bridge** has already causes **significant** economic hardship to our region. On October 16, 2009, **the Lake Champlain Bridge**, located at Chimney Point in Crown Point, southern Essex County, New York closed. The

bridge was constructed in the 1920's and until its recent closure, an estimated 4,300 vehicles traveled over the bridge daily. This bridge is only eight miles from the Moriah Shock Incarceration Facility.

Over 200 businesses have located along this highly traveled commercial corridor, which is the access point to and from New York to Vermont, and employ more than 2000 people, in the southern Essex County which is a hub for commercial and transportation access.

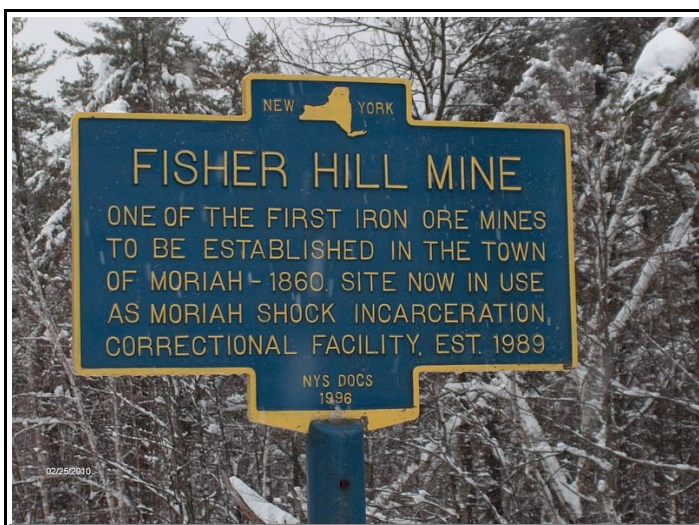
Governor Paterson recognized what a tremendous hardship this closure has had on our region. The Governor was so concerned about the economic impact that he established, **The Champlain Bridge Business Assistance Center** to assist businesses that were impacted by the closing of the Champlain Bridge. This center was opened in the heart of the Town of Moriah.

The center's free services will include financial management, market research, assessment of the impact from the bridge closure, application for the New York State Champlain Bridge Relief Program, cost analysis, finding sources of capital and creating business-growth strategies. They will also guide people who want to start a new business. **The Governor provided \$50,000 to be used for promoting those businesses** that suffered a decline in their sales after the Bridge closed.

In addition, the Governor¹ announced that as part of his **\$2.94 million Lake Champlain Bridge Economic Assistance Program**, the Essex County Industrial Development Agency (IDA) will manage a Community Loan Fund for businesses affected by the bridge closure. **This \$635,000 fund was created to assist businesses** with working capital, purchase of machinery and equipment and refinancing of collateralized debt.

The Essex County IDA will offer and administer the loans to qualifying business owners and not-for-profit organizations and all repaid funds will stay in the community for future business investment and growth. Even with this assistance, some businesses may not survive the bridge closure. It is certain a significant amount of these businesses **will not survive the combined effects of the bridge closure and the loss of Moriah Shock.**

History of Moriah Shock



In order to understand where we are today, we need to understand the history associated with the decision to locate a facility here in the first place. The Moriah Shock Incarceration Correctional Facility was opened in 1989 on the site of the former Republic Steel Fisher Hill Mine operations. The Republic Steel Mine closed in 1972 which, at full operation employed as many as 600 people making it a significant contributor to local economy. Republic Steel ceased all local operations by the late 1970's.

¹ From the Governor's Press Release - http://www.state.ny.us/governor/press/press_01271002.html

The shutdown of the mine and termination of related operations had a significant impact on the local economy as Republic Steel paid nearly 70 percent of the Town's real property tax levy². The loss of these jobs contributed to a general perception that the economy in Essex County was in distress. The evidence of this perception is found in a reference by then Governor Mario Cuomo in his keynote address before the 1984 Democratic National Convention to the "abject poor of Essex County in New York".

In 1982 Governor Cuomo initiated a prison expansion policy that resulted in the construction of 38 prisons in upstate counties, most of these in rural areas³. Twelve of the 38 prisons built were in the 6 rural northern counties along the Canadian border. The Moriah Shock Incarceration Correctional Facility (here after referred to as Moriah Shock) was part of this prison construction era opening in 1989. Moriah Shock is administered under the New York State Department of Correctional Services (NYDOCS).

County-Town Context

The Moriah Shock facility is situated at the northern edge of the Town of Moriah on a 53.68 acre parcel on Burhart Lane. According to the 2007 assessment roll from the Essex County Office of Real Property Services the parcel is classified as "Community Services" with a total assessed value of \$16.39 million. The total assessed value Town-wide is \$197.5 million. Therefore, this single facility constitutes 8.3 percent of the total assessed value in the Town.

According to the US Bureau of Labor Statistics government employment totaled 4,612 positions in Essex County in 2007. These government employees represented 26 percent of the total employment (15,118 positions) in the County. Therefore, the Moriah Shock facility based upon the current staffing, constitutes 2.2 percent of all government employment county-wide.

At the community level, the 102 employees of the facility constitute 5 percent of the Town's workforce of 1,943 workers as reported in the 2000 census. Of this total 385 were reported to be working in the government sector. Therefore, the facility constitutes 31 percent of the government workforce in the Town.

It was the choice of New York State to locate prisons and shock facilities in the North Country based in large part on the economic impact such facilities would have on the local communities. The reality is the North Country's circumstances have not significantly changed to point where our economy can stand on its own without the associated benefits these facilities provide to us. Closure of these facilities will only further de-stabilize our economic health.

Life in the Adirondack Park

In order to understand why the residents of Essex County are at such an economic disadvantage it is important to understand the uniqueness of living within the Adirondack Park.

²Town of Moriah-Village of Port Henry Fire Department Consolidation Case Study, 2006.

³"Big Prisons, Small Towns: Prison Economics in Rural America", February 2003.

The photo below was taken from the Adirondack Park Regional Assessment Project study done in May of 2009. The Adirondack Park Regional Assessment Project (APRAP) is a study by and for park communities. The project was conceived in 2006 by member communities of the Adirondack Association of Towns and Villages in collaboration with the Adirondack North Country Association. Research was conducted to gather information about the park from the perspective of community leaders within the “Blue Line” and from outside data sources. The intent of the project is to provide a factual baseline quantifying various trends for use in strategic planning and assessment updates.

The photo is a composite image of layers provided by NASA and NOAA. Nighttime lights and the **Blue Line** were superimposed on a daylight image of the northeastern United States and the Provinces of Quebec and Ontario.

Seventy million people live within the bounds of the image. **Only 132,000 people live within the Blue Line.**⁴



In addition the study pointed out the following items:

- The Adirondack Park has **doubled in size since its creation in 1892**, to more

⁴ APRAP would like to thank NOAA, NASA and Congressman John McHugh for their assistance in the creation of this photo.

than nine thousand square miles. Private lands were first included in the definition of the park in 1912.

- The Adirondack Park **represents one-fifth of New York's land area**, and includes less than one percent of the state's total population.
- **Two-thirds of all state-owned lands** in New York State are **in the Adirondack Park**.
- **Ninety percent** of the Adirondack Forest Preserve is located in just 40 percent of the Towns in the Adirondack Park.
- The Office of Real Property Services list 76 percent of the Adirondacks as **"Wild Forested, Conservation Lands and Public Parks."**
- Responses from community leaders to the APRAP Community Survey show that while they generally respect DEC & APA staff, they **often disagree with the policies guiding these agencies**.
- From 1980 to 2006, **real property tax** as a portion of total revenue **has decreased in the average Adirondack Park community**.
- Individuals with mailing addresses **outside the park own about 40 percent** of the parcels listed as residential which constitute **half of the total** residential property value.
- Government sector jobs account for more than 30 percent of all employment in Hamilton, Essex, Lewis and Washington counties. In 2007, **an estimated 44 percent of employees worked in the public sector** in Franklin County. These jobs **do not include employment in public education**.
- **The regional economy is highly dependent on correctional services**. One of every 26 people counted as living in the Adirondack Park resides in a correctional facility.
- There are more than **5,000 miles of public roads in the park**, half of which are maintained by the towns and villages. State and county highways make up the remainder in roughly equal amounts. **Nine New York State Scenic Byways traverse the park**.
- **Only 7 park communities have complete cell phone coverage**, while the remainder have limited or no service at all.
- **Park residents average just under 43 years of age**, older than any state for median age. By 2020, only the west coast of Florida will exceed the Adirondacks as the oldest region in America.
- In the park, **K-12 students represent 13.5 percent** of the population, as

compared to 18 percent nationally.

- School enrollments in the park have **decreased by 329 students annually** throughout the current decade, which is equivalent to the loss of one average size Adirondack school district **every 19 months**.
- The Saranac Lake School District (**1,536 students**) covers an area nearly the size of **Suffolk County** (69 districts and 254,629 students).
- From 1970 to 2007, the number of **teachers in Adirondack school districts increased by 34 percent**, while the student population dropped by 31 percent.

Other APA Factors



The Adirondack Park includes all or portions of 12 counties, 92 towns, and 11 villages **encompassing approximately 5.8 million acres of land**. The 103 communities in the Adirondack region are comprised of **70 municipalities that are “wholly” within the park** occupying more than 4.8 million acres or 83 percent of the park’s

total area. Essex County and all of its communities are “wholly” within the park.

The differences between communities wholly within and partially within extend beyond geographic considerations. As a set of communities, those wholly within most closely represent a statistical grouping representative of the Adirondack Park, partly because they all operate under the same set of **regulatory controls administered by the Adirondack Park Agency**.

The report detailed the following Significant Findings;

- As a percentage of total revenue, **revenue from real property taxes** for local governments wholly and partially within the park **has decreased by over 3 percent from 1980 to 2006**. Revenue from real property taxes has increased by 1.4% in local governments within non-MSA (Metropolitan Statistical Areas) counties outside of the Adirondack Park for the same period. This represents 4.4% difference.
- **For local governments wholly within the park, municipal expenses on a per**

capita basis are more than double the per capita expenses of those local governments partially within the park and local governments within non-MSA counties outside of the park.

- When adjusted for inflation, **total outstanding debt for local governments wholly within the park has increased by 180 percent from 1980 to 2006, while total debt for ALL park local governments has increased by 135 percent.** Local governments in non-MSA counties outside the park have experienced a **debt increase of only 20 percent.**
- In local governments wholly within the park, the rate of increase in equipment and capital outlay is outpacing the rate of increase of all other expenditure categories.
- According to the 1990 census, in the 12 counties wholly or partially within the park approximately one out of every four workers was employed in Educational and Health Services and Public Administration. **By the 2000 census this ratio increased to one out of every three workers.** From 2001 to 2007, more workers were employed in these job categories than any other private category.
- Seasonal residency is particularly prevalent among waterfront properties in Essex and Hamilton County (the two counties completely within the park). According to the Adirondack Community Housing Trust, **in 2004 the ratio of seasonal residency to year-round residency among waterfront residential properties was 4:1 in Essex County and 5:1 in Hamilton County.**

Economic Impacts

Within this section we will refer to specific economic data which was prepared by Colin Read, PhD, Professor of Economics at the State University of New York in Plattsburgh. Professor Read used IMPLAN® economic assessment software which is intended to provide the information needed to accurately portray the economic position of the facility in the regional and local economy. Professor Read's complete study is provided as Appendix A., of this document.

Professor Read notes the following items;

- **The closing of the Moriah Shock Treatment facility will result in direct, indirect, and induced labor income losses of \$7,928,970 and 142.7 jobs.** This represents 1.18% of county-wide labor income. The value-added to Essex County will be reduced by \$8,854,463, while the **unemployment rate will rise from 10.3% to 11.1%.**
- In addition to the direct, indirect, and induced jobs, the Moriah facility also provides the equivalent of **47.1 jobs from community service.** At an imputed rate of \$26,180 per full time North Country groundskeeper in 2009, **the value of this service is calculated to be \$1,232,240.**

- The employment loss can also have a substantial effect on Essex County housing. The rise of unemployment can result in a loss of **\$23.076 million in housing value**.
- There will also be a **fall of \$3.384 million in potential state and local tax revenue** and \$2.187 million in federal tax revenue. These total tax revenue **losses totaling \$5,570,953 rivals the \$6,910,698 budget** for the Moriah Shock Treatment facility.
- In 2007, state and local agencies employed 1,431 non-education workers, representing labor income of \$73.984 million. Of this income in 2007, \$7.118 million came from the Moriah Shock facility. **This operation represented 9.62% of state and local non-education payrolls.**

Professor Read's Analysis

Please note: direct comments from Professor Read's Analysis is identified in italics.

IMPLAN 3.0 was employed to measure the local economic impacts of the Moriah Shock corrections facility. However, the proper application of IMPLAN requires the modeler to explicitly treat the peculiarities of the government sector. Because government services are not "priced" in the private sector, we use the total facility budget as a measure of the value to New York arising from the facility.

To properly reflect local spending, we must break the corrections budget into three parts. The first part is non-payroll expenses. These include food, maintenance, energy costs, supplies, etc. To estimate the share of these expenditures that remain in the region, we construct a production function for the corrections sector, and then estimate the capabilities of Essex County in serving the components of the production function.

The second and third sectors are payrolls. These payrolls must be divided into corrections officers and support staff. There were 65 and 46 workers in these categories, with average salaries of \$75,418 and \$43,663, respectively. To measure accurately the patterns of spending for each of these sectors, we must model the spending patterns of two separate household/individual income sectors.

*We begin with the non-payroll sector. This sector is the smallest of the three sectors, and arises because of the \$1,437,044 in non-payroll spending at the facility. **This spending has a direct effect on the local economy of \$324,693 on the local economy.** However, because these local purchases also result in additional income and spending in Essex County, **the net (multiplied) effect is larger, at \$415,147.** This spending also generates an additional 4.0 jobs, as shown below: (see Appendix A.)*

In summary, the total effect of the Moriah Shock facility on local employment and income are:

	<i>Output - Employment</i>	<i>Labor Income</i>	<i>Total Value Added</i>
<i>Total Lost Income and Jobs</i>	<i>\$10,180,738 - 142.7</i>	<i>\$7,928,970</i>	<i>\$8,854,463</i>

The potential loss of employment of 142.7 jobs would increase the unemployment rate by .79 percentage points. The Essex County unemployment rate would rise from 10.3% to 11.1%. Labor income of \$7,928,970 represents 1.18% of the total Essex County-wide employee compensation of \$673,647,000.

Effects on Housing Values

The loss of employment also has some substantial effects on Essex County housing. The assessed total housing stock value is estimated at \$5,354,516,899. Recently, Min and Quigley estimated that a 1% fall in employment results in a .546% fall in housing values. Accordingly, this rise of unemployment is estimated to result in a loss of housing values of \$23,076,180.

Tax Revenue Effects

We next document the loss of local, state, and federal government tax revenue from Essex County that arises as a result of the direct, indirect, and induced effects of a loss of the Moriah Shock facility. The sector and its multiplier effect on state and local taxes for households and corporations sums to \$3.037 million per year. This assumes that the property tax basis for those associated with the Moriah Shock facility are representative of the housing stock on average in Essex County, and the tax burdens in their communities is equally representative.

If the loss of jobs translates into a fall in housing prices of 1.43%, a temporary drop in local tax revenue of \$346,962 may occur until tax levies necessarily rise to account for property value declines.

In addition to the fall of \$3.384 million in potential state and local revenue declines, there is a further decline of \$2.187 million in Federal tax revenue from various sources,(see Appendix A.)

Other Potential Factors

There are a number of additional factors that may be affected by a relatively significant loss of Essex County employment. These include the benefits from the Shock treatment, in lower incarceration times, more effective rehabilitation, an increase in earnings as a result of an improvement in the grade level education of releasees, and subsequent lower crime and recidivism rates. Education attainment translates into higher lifetime earnings of reformed inmates, an increased public tax base, and increased surpluses accruing to employers. For instance, the annual average income of an individual who has not completed high school in 2004 was \$15,168. Those able to obtain a G.E.D. through the Moriah facility can expect to average a salary of \$30,663. The discounted present value of this difference over a forty year career is \$151,526 for each individual in the facility able to achieve a G.E.D. diploma.

In addition, a decline in the level of private and public services may be underestimated by IMPLAN if it is more difficult to sustain economies of scale in such sectors as local education, medical services, etc. These important topics deserve future research and attention.

Requirements of Section 79-b

It is clear from the language within Section 79-b of the Corrections Law that the intent was to compel the Commissioner to carefully consider the impact a proposed closure will have on a community. Inherent within the State's overall responsibility is to balance the needs of the state as a whole and to use care when taking action which may impact an already economically depressed area such as the Adirondacks. We believe we can easily show the economic devastation this closure will have on Essex County.

To a casual observer, the loss of 102 jobs may not sound like economic devastation. In order to understand why this is the case, it is necessary to consider it within a frame of context. The

loss of 102 jobs in a large metropolitan area would hardly register, but in Essex County the difference is easy to demonstrate. It is also important to distinguish that we understand the State is offering to relocate these employees to other facilities.

Given this we understand from the State's perspective these are no loss or limited loss of jobs. However, the nearest location that some of the employee may be eligible to transfer to is more than 65 miles one way from Moriah. **The reality is the employees that transfer will move, the others will lose their jobs and the effect will be that Essex County will lose 102 jobs.**

Census Bureau Data

In information taken directly from US Census Data the following applies;

- The median income level in 2007 for Essex County was \$43,132.00 per year or **23.91% below the statewide average of \$53,448.00.**
- The loss of 102 employees position at Moriah Shock represents 1.01% of the total Nonfarm Employment in Essex County which stood at 10,077 in 2007. 1.01% may not sound like much **but the same 1% of Nonfarm Employment in Brooklyn, NY would represent a loss of over 76,000 jobs.** Would anyone ask Brooklyn to give up 76,000 jobs?
- From 2000 to 2007 Essex County showed a job growth of 1.4%. **The loss of 1.01% of our jobs wipes out nearly all of our job growth over that seven year period.**
- In Moriah the Census Data shows the Median Family **Income \$39,827.00 per year or 34.2% below the statewide average of \$53,448.00**
- In Moriah, the population over 16 years of age stands at 3,932. Of these over 16 year olds, 1,943 are employed, 266 are unemployed and 1,723 are not in the labor force at all.
- **Of the 1,943 employed the loss of 102 jobs represents 5.25% of the total employed.** In Brooklyn that same 5.25% loss would represent 395,318 lost jobs.

We understand that statistical comparisons can be difficult. The reality is that for individuals who live outside of the Adirondack Park it is hard to comprehend how small our populations are and how small a workforce we have. More importantly it is hard to comprehend how significant an impact a loss of any jobs can have on our fragile economy.

Moriah and Essex County Quick Facts

- The population of Essex County according to Census Data numbers is 38,851.
- According to data taken from the Essex County Social Services Department, almost 30% of the population or 11,453 are receiving some kind of income eligible social welfare program such as HEAP, Welfare payments, Medicaid, or Food Stamps.

- The Town of Moriah represents 12% of the total County Population or 4,662 people. Of the 30% caseload that the Social Services Department has for all of Essex County, Moriah makes up 17% of that 30% caseload. **This mean that 1,947 people in Moriah or 41% of the total Town population is receiving some kind of Social Service assistance.**

Understanding our Aging Population and Transfer Payments

Inherent within any population that becomes **dependent upon government payments is a negative effect.** The loss of employment leaves behind elder residents and other residents dependent upon the government for support. It is critical that Essex County maintain good jobs that retain working families.

An example of the generally lower comparative financial rewards-income for living in Essex County is also illustrated by a review of the personal income growth statistics for Essex County during the 1981-2000 time frame.

Essex County's **personal income growth trailed both the State and U.S. averages over the 1981-2000 time period.** Like wages (and since wages represent nearly 65% of total personal income this would be expected), the 1980s and 1990s were studies in contrast, with the 1981-91 period corresponding to a superior period of income growth in Essex County and the 1990s representing a period where Personal Income growth lagged in the county.

Transfer payments in terms of income considerations are defined as payments made by the U.S. Federal Government to individuals through programs such as Social Security, Welfare and Veteran's benefits.

Essex County continues to rank significantly higher than both the state and nation at nearly a three times higher rate and **nationally at roughly 50% higher in transfer payments as a percentage of personal income.** A higher percentage of transfer payments has traditionally been associated with economic distress in a region.

Reflecting the "graying" of the county's population and the population of the entire northern New York region, Essex County's percentage of households with retirement income increased to a much greater degree, **rising from 19.7% of the county's households in 1989 to 24.3% of the county's households in 1999 or more than four times the state or U.S. increases.**

The increase in Essex County's percentage of households with retirement income increased between 1989- 1999 also was accompanied by a higher than average change in the over 65 population as well. Looking at the various components of the county's retired population, Essex County had a higher relative rate of increase in all age subcategories, with the exception of the 85+ Years age sub-category⁵.

⁵ Data extracted from the Essex County Strategic Plan Document published 12-2003

Should a Shock Incarceration be closed ?

The Department of Corrections has indicated the intent to transfer the inmates currently within Moriah Shock to other Shock Incarceration facilities within the state, should the closure of Moriah occur. In the short term this may be an acceptable answer to the state but it raises questions which need to be considered.

Rockefeller Drug Law Reform

On April 7, 2009, Governor Paterson and the Legislature of the State of New York enacted historic revisions to the Rockefeller Drug Laws as part of the 2009-2010 Budget.

Specifically, new sentencing laws for drug crimes became effective under the revisions which contain in part the following;

- First time felony drug and marijuana offenders under Class B now can be ordered by the Court to be directly placed in a Shock Incarceration program.
- The maximum age for Shock Incarceration has been increased to 50 years of age from the previous 40 years of age.
- The sentencing Court can now order Class C, D and E first time offenders directly to a Shock Incarceration.
- The minimum state prison sentence for Class B second felony drug offenders (with a prior non-violent felony) is reduced to 2 years from 3.2 years. Therefore, these Class B second felony offenders who are eligible for release within 3 years are now Shock eligible, and may be directly placed in the program by the Court.
- These same non-violent offenders in Class C, D and E will now have Shock Incarceration as an available sentencing option.
- A separate section of the changes within the revisions authorizes rolling admissions to Shock Incarceration when otherwise eligible inmates serving longer terms are within 3 years of parole or conditional release eligibility, subject to approval of the State Department of Corrections.

Given the short amount of time since the changes under the Rockefeller Drug Laws and the clear direction to reduce sentences by use of Shock Incarceration it may prove over time that there is a need for additional Shock Incarceration space. Closing a Shock Incarceration Facility only to find in five years time you need to reopen it appears to be flawed logic.

Shock Incarceration Works

Shock Incarceration has been acknowledged throughout the nation as a program that works.

In August of 2009, Commissioner Fischer was quoted in an article by the Legislative Gazette⁶ in which he indicated the following;

“The expansion of the shock incarceration marks a significant milestone in New York’s successful efforts to reduce crime,” Fisher said. *“Shock has been one of the most effective strategies in helping the state cut its crime rate 35 percent over the past decade.”*

The article goes on to say, *“The program can cut up to 30 months of incarceration time at a prison facility per inmate, which translates into money for the state and taxpayers. Since shock incarceration began in 1987, it has saved more than \$1.3 billion by reducing the need for traditional prison space for over 40,000 inmates, according to the Department of Corrections.*

In addition the article points out the following;

- *“The program is one of the primary reasons the number of inmates has decreased by close to 11,000, or about 17 percent, since 1999,”* Fisher said.
- More than 92 percent of shock inmates passed their GED in the year ending June 30, 2008, a pass rate nearly 35 percent higher than the state’s general public.
- *“It provides a physical and mental health program that really does work,”* Fisher said. *“It’s a treatment program that changes people a lot and it does it very quickly.”*
- Fisher said he hopes Judges will send inmates into the program. He see a lot of positives in shock incarceration. *“In the end, everybody gets a benefit - the offender, society and taxpayers,”* Fisher said.

Given the obvious benefits of Shock Incarceration we would suggest that the effort by the State to encourage the use of Shock programs may ultimately lead to the increased need for Shock Incarceration.

It would also seem that the more successful shock incarceration is on a statewide basis will ultimately lead to less need for other incarceration space. We believe it makes limited sense to close a facility that has a proven track record of reducing the need for housing inmates longer than necessary.

Shock Benefits

New York State Department of Corrections - (source of information 2007 NYS DOCS Annual Shock Legislative Report)

Economic Savings:

- The Shock Incarceration Program saves the State money, while providing inmates intensive treatment and education programs. For the 35,102 releases

⁶ http://www.doccs.state.ny.us/NewsRoom/external_news/2009-08-24_DOCS_Expands_Shock.pdf

from Shock through September 30, 2006, the Department saved an estimated \$1.18 billion in both operating and capital costs.

- Since its opening 1988 Moriah Shock has graduated 8136 graduates.

Shock Success Rates:

- The Moriah facility has the greatest GED applications and recipients than any other shock facility in NYS.
- Shock graduates are more likely than comparison group parolees to be successful on parole supervision despite remaining at risk for longer periods of time:
 - ▶ After Year 1, Shock success rate 92% of Shock group remained in the community compared to 84% of Eligible but not sent offenders and 81% of the Removal group
 - ▶ After Year 2, Shock success rate 78% is significantly higher than Eligible but not sent offenders and 81% of the Removal group 61%
 - ▶ After 3 years, the success rate for Shock offenders is 69%, while the rate was 60% for the Eligible But Not Sent offenders and 53% for the Removal Group
 - ▶ Shock parolees are the least likely of the groups to have violated within the first 6 months
 - ▶ Shock graduates had a high success rate than comparison group offenders, regardless of age at release
 - ▶ The Shock group contained significantly more drug offenders than the comparison groups. When control for drug crimes were introduced, the Shock group generally achieved higher success rates than any comparison group at 12, 24, or 36 months
 - ▶ Shock parolees are more successful than comparison groups at securing employment. A total of 43% of the Shock parolees were employed, compared to 25% of the Eligible But Not Sent and 24% of the Removals
 - ▶ A total of 92% of the drug tests on Shock parolees indicated an abstinence from drug use

Direct Community Impact

Volunteers

One of the overlooked factors in considering the community impact is the volunteer work

provided by the men and women who are employed within this facility. We asked the employees of the facility to provide us with a list of the volunteer and community work they participate in. The following table is their response;

C.Cross	Volunteer Fireman, Former Town Councilman	J. Monty	Town Councilman, ACAP Board Chair, MVAC Softball Coordinator, Varsity Softball Coach, Little League Coach, Soccer Official, Youth Commission, CPR & AED Instructor, Essex County Stop Domestic Violence, Elks Member
J. Ratliff	Softball Coach, Basketball Coach	J. Ratliff	Baseball Coach, Bus Driver
A. Seerup	Planning Board, Snowboard Instructor	W. Stevens	Westport School Board Member, Varsity Baseball Assistant Coach, Volunteer Fireman, Cold Water Rescue
R. Schreiber	Volunteer Fireman	J. Stahl	School Board Member, Soccer Official, Moriah Youth Softball Coach, Basketball Official.
M. Miron	Fish and Game Club Member	M. Maloney	Youth Commission Football Coach
R. Blaise	Youth Commission Baseball Coach, Keeseville K of C Member, Youth Commission Basketball Coach, Town Councilman, Woodmen for the World Member, AAU Basketball Coach	N. Coley	JV Football Coach, Youth Commission Softball, Member of the Elks
L. Walker	Care For Feral Cat Population, EMT, Advocate Guardian for ARC Client	S. Brace	Volunteer Fireman
J. Belanger	Lodge Officer Elks, High School Volunteer Coordinator	S. Karkoski	Church Volunteer
D. Moore	Ambulance Squad	R. King	Church Volunteer
B. Mowery	School Board Member, Annual Food and Clothes Drive for Families First	R. Beebe	Town Planning Board Member
J. Shovan	Trustee St. Elizabeths Church, Soccer Official, Fish and Game Member, Financial Committee for St. Elizabeths Church	F. Gilbo	Moriah Country Club Board Member, Moriah Youth Commission, Coach
D. Johnson	Volunteer Cook for Fundraisers	M. Coolidge	Holy Name School Board Member, Assistant Coach, American Cancer Society Volunteer
M. Russell	Toys for Kids, SnowMobile Club Treasurer, Fish and Game Club Member	C. Wilson	Youth Commission Skiing, Booster Club Member, Our Lady of Lourdes Church School Treasurer
S. Slycord	Coordinator for Toys for Tots	M. Davis	School Board Member
J. Fariss	Fire and Emergency Squad Member	T. Sprague	Preschool/DayCare Board Member, Youth Basketball, Softball and Soccer Coach, Booster Club member
T. Hopper	Town Justice, EMT Rescue Squad	B. Simpson	Soccer Official, Softball, Basketball Coach, Adopt a Family, Honor Society, Booster Club Member
R. Trombley	Church Lector and Alter Rosary Society	R. Sheffer	Youth Commission Basketball Coach, Food Pantry Food Drive Volunteer, Toys for Tots and School Chaperone
C. Slattery	Adopt a Family, Honor Society, Soccer Official, Soccer Coach, Booster Club Member, Basketball Coach	T. Gregory	PAL Football Coach, Youth Basketball Coach
A. Phillips	Career Exploration Club Advisor, Fire Department Fund Raising Committee	M. Stahl	Foreign Language Club Advisor
T. Breyer	Adopt a Family Program	H. Coolidge	Fire Department Member
G. Dickerson	Stop Domestic Violence Member	J. Palmatier	President Snowmobile Club

E. Waldron	Historical Society Member	L. Duprey	Church Volunteer, Family Promise - Sheltering Homeless, Guild Member, Volunteer Clothing Store for DePaul Church, Food Drive
D. Hansen	Ambulance Squad		

Aside from the fact that the nearly 50% of the employees working at Moriah Shock are participating in volunteer and community efforts, **the greater question becomes the impact we face if they leave our area and these communities have to find a way to replace their efforts.**

Work Crews

*Based upon Professor Read's study (see Appendix A.) The inmates of the Moriah Shock facility completed 94,136 hours of community service in the North Country in 2009. **This rate of community service is equivalent to 47.1 full time equivalent jobs.** The value of these jobs is imputed at the rate received on average by groundskeepers in the North Country in 2009. This rate of \$26,180 per full time equivalent employee translates into an **imputed value of services of \$1,232,240 in 2009.***

Of those 94,136 hours identified by Professor Read, 38,536 of those are spent by the inmates working directly for NYS Department of Conservation. The per hour rate represents \$12.58 per hour or \$484,782 hours of labor time on a yearly basis. The State will have to supplement the lost labor in some fashion within their departmental budgets.

Essex County since 1996 has had a number of natural disasters at significant⁷ costs. Within the cost associated with a natural disaster is mitigation costs, costs for individual assistance, and cost for public assistance. The following events have occurred;

- January 1996 flooding at a total cost of \$2,678,684.00
- November 1996 flooding at a total cost of \$3,911,732
- January 1998 Ice Storm at a total cost of \$3,426,018
- June 1998 flooding at a total cost of \$1,618,104
- September 1999 Hurricane Floyd at a cost of \$434,788
- Spring 2000 flooding at a total cost of \$30,091
- April 2002 Earthquake at a total cost of \$1,162,943
- April 2007 Snowstorms at a total cost of \$1,849,987

In all of these events the front line labor crews for clean up and other disaster related work has been the Moriah Shock crews. The loss of this resource will force a higher cost on to recovery efforts which are in most cases paid for by state and federal funds.

⁷ Data from Essex County Emergency Services Department

Capital Investments by Moriah

Within the context of this process of deciding if a closure of this facility is appropriate or not it is important for the state to fully understand how its role interplays with the locals. Back in December of 1986, an article in the Press Republican quoted Kevin M. Travis, assistant commissioner in the Department of Correctional Services, who said *“This facility, if it’s built in the community, will be around for a long time and we want to do it right.”* Travis went on to say; *“Community support for the project is critically needed if the prison is to be built.”* Without support of town residents, Travis said, *“the prison may not be built.”*

It is clear the community support was there and that it remains even stronger today. We are under no illusions that a promise made by the state 24 years ago somehow commits this administration to that promise. However, a promise made just three years ago should hold more weight. In April of 2007, the State of New York entered into an agreement with the Town of Moriah for wastewater treatment and disposal services.

Since 1989 the total municipal infrastructure investment by the Town of Moriah is at \$12,514,637

- 1989 - Completed wastewater treatment facility upgrade to accommodate the projected additional flow from the Moriah Shock facility at a cost of \$4.2 million
- 2007 - Completed, Town of Moriah Wastewater Treatment Plant: Total Project cost: \$8,314,637
- Current annual sewer fee to single family home is \$420.00
- As a result of Moriah Shock closure, single family house hold users will be charged an additional annual fee of \$144.00
- Total annual single family house hold user fees upon closure of Moriah shock \$564.00

Other Negative Impacts

Recently the closure of the Lake Champlain Bridge which is only **eight miles from Moriah** has already caused Essex County and the Towns along the Champlain corridor significant hardship. The following facts apply to the Champlain Bridge:

On October 16, 2009, the Lake Champlain Bridge, located at Chimney Point in Crown Point, southern Essex County, New York closed. The bridge was constructed in the 1920's and until its recent closure, an estimated 4,300 vehicles traveled over the bridge daily.

- **Over 200 businesses have located along this highly traveled commercial corridor**, which is the access point to and from New York to Vermont, and employ more than 2000 people, in the southern Essex County which is a hub for commercial and transportation access.

- In addition, several hundred people cross the bridge daily for employment, medical appointments and emergencies as well as commercial transportation.
- The closure of the Bridge has re-routed traffic patterns, north and south of the bridge to ferry landings as well as other highways not located in the County. **This has caused severe economic hardship for the businesses located along this corridor as well as the residents.**
- Without access to the bridge, commuters now travel an **additional 1 to 2 hours daily**. With the longer commute for local residents traveling to and from work in Vermont, businesses have seen a significant drop in customers during the week.
- Most of the commuters (to Vermont for employment) are too tired from the long work week (which has added anywhere from an additional 10-25 hours per week in commuting) to patronize local businesses after work.
- Because of the bridge closure businesses have also lost a large amount of business from the residents of Vermont which utilized the bridge for many of the same reasons as New Yorkers.
- Severe economic impact, at the intersection of NYS 9N and NYS Route 74 in the Town of Ticonderoga, **the weekly traffic count has been drastically reduced from 60,000 down to 20,000**. It now has been approximately five months since the closure and the economic loss to businesses are becoming critical to the point that some may have to close their doors.

Conclusion

In summary we believe we have demonstrated that the closure of the Moriah Shock will have such a devastating impact on our area, which in turn will negatively impact the state as a whole.

The Adirondack Park was set up as a state wide resource. A pristine location for all of the state to escape to. According to the Lake Placid Visitors Bureau⁸, it is estimate **2.2 million overnight visitors come to Essex County each year**. The reality is that there is a price associated with maintaining a statewide resource **and that price should not be unduly borne by those of us who choose to live and work here.**

In recap;

- All of us understand shared sacrifice, but when 38,857 residents are asked to carry the load for the benefit of those within the state who live outside the park, then it is no longer shared sacrifice, but rather unreasonably assigned burden.
- Asking any County in the State of New York to give up 1% of their total

⁸ <http://www.lakeplacidmedia.com/fastFacts.php>

employment is an unreasonable burden.

- The closure is predicted to cause a fall of \$3.384 million in potential state and local tax revenue and \$2.187 million in federal tax revenue. These total tax revenue losses totaling \$5,570,953 rivals the \$6,910,698 budget for the Moriah Shock Treatment facility.
- The potential loss of employment of 142.7 jobs (102 Shock and local spinoff loss) would increase the unemployment rate by .79 percentage points. The Essex County unemployment rate would rise from 10.3% to 11.1%.
- Closure of the facility will have a total negative impact of over 8 Million dollars per year to Essex County.
- Essex County is already dealing with the closure of the Champlain Bridge which has already depressed our fragile economy.
- The rate of community service provided by Shock Inmates is equivalent to 47.1 full time equivalent jobs. The yearly rate of \$26,180 per full time equivalent employee translates into an imputed value of services of \$1,232,240 in 2009.
- As a result of Moriah Shock closure, single family house hold users within the Moriah Wastewater disposal districts will be charged an additional annual fee of \$200, resulting in a yearly cost of \$800 per user.
- Of the 30% caseload that the Social Services Department has for all of Essex County, Moriah makes up 17% of that 30% caseload.
- 1,947 people in Moriah or 41% of the total Town population is receiving some kind of Social Service assistance.
- The recent changes to the Rockefeller Drug Laws have not been given adequate time to see if the need for additional shock space may be necessary moving forward.

Although this issue is related specifically to the Town of Moriah, the concern for this closure has extended well beyond the Town. The Town and County have received numerous letters, resolution and calls of support.

The following have provided resolutions and letters of support on our behalf;

- Adirondack Association of Towns
- New York State Association of Towns
- Inter County Legislative Committee of the Adirondacks
- Warren County, Washington County, Franklin County, Clinton County, Hamilton County, North Country Community College

- Numerous Chambers of Commerce
- All 18 Essex County Towns as represented by the following;
 - ★ Gerald H. Morrow, Supervisor Town of Chesterfield
 - ★ Bethany A. Kosmider, Supervisor Town of Crown Point
 - ★ Noel H. Merrihew III, Supervisor Town of Elizabethtown
 - ★ Sharon M. Boisen, Supervisor Town of Essex
 - ★ Randall T. Douglas, Supervisor Town of Jay
 - ★ William B. Ferebee, Supervisor Town of Keene
 - ★ David H. Blades, Supervisor Town of Lewis
 - ★ Sue Montgomery-Corey, Supervisor Town of Minerva
 - ★ Thomas R. Scozzafava, Supervisor Town of Moriah
 - ★ George H. Canon, Supervisor Town of Newcomb
 - ★ Robert T. Politi, Supervisor Town of North Elba
 - ★ Robert D. Dobie, Supervisor Town of North Hudson
 - ★ Joyce W. Morency, Supervisor Town of St. Armand
 - ★ Cathy L. Moses, Supervisor Town of Schroon
 - ★ Debra A. Malaney, Supervisor Town of Ticonderoga
 - ★ Lori Lincoln, Supervisor Town of Willsboro
 - ★ Randy Preston, Supervisor Town of Wilmington

We understand and appreciate how difficult the decisions the Governor and his staff are faced with as they attempt to deal with the problems at the state level. Our position remains that the savings anticipated by the state will be lost due to many factors including loss of tax revenue and the increased benefits necessary for those individuals who will fall further below the poverty line in the Adirondacks. For the reasons stated and the facts presented, we respectfully request reconsideration of the closure of Moriah Shock.

Appendix A - Professor Colin Read's Report

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An Analysis of Economic Impacts in Essex County
Arising From the Moriah Shock Facility

By Colin Read, Ph.D. in Regional Economics
Principal Consultant with Economic Insights
Plattsburgh, New York

February 24, 2010

Executive Summary

This study focuses on the direct, indirect, and induced effects of the Moriah Shock facility on the Essex County economy. I find that the closing of the Moriah Shock Treatment facility will result in direct, indirect, and induced labor income losses of \$7,928,970 and 142.7 jobs. This represents 1.18% of county-wide labor income. The Value-Added to Essex County will be reduced by \$8,854,463, while the unemployment rate will rise from 10.3% to 11.1%.

The Moriah facility also provides the equivalent of 47.1 jobs through inmate community service. At an imputed rate of \$26,180 per full time groundskeeper in the North Country in 2009, the value of these services is calculated to be \$1,232,240.

The employment loss can also have a substantial effect on Essex County housing. I find that the rise of unemployment can result in a loss of \$23.076 million in housing value.

There will also be a fall of \$3.384 million in potential state and local tax revenue and \$2.187 million in federal tax revenue. These total tax revenue losses totaling \$5,570,953 rivals the \$6,910,698 budget for the Moriah Shock Treatment facility.

I do not include here in this brief analysis a number of additional factors that may be affected by a relatively significant loss of Essex County employment. Topics for future analysis should include the benefits from the Shock treatment, in lower incarceration times, more effective rehabilitation, an increase in earnings as a result of an improvement in the grade-level education of releasees, and subsequent lower crime and recidivism rates. For instance, each individual who attains a G.E.D. diploma while at Moriah can expect to earn the present value equivalent of \$151,526 over a 40 year career compared with one without a G.E.D. diploma.

These estimates also may underestimate the decline in the level of private and public services if a fall in economic activity makes it more difficult to sustain economies of scale in such sectors as local education, medical services, etc.

Introduction

The Moriah Shock facility in Essex County, New York, is a novel corrections facility that offers a set of rehabilitation tools for incarcerated individuals that can best benefit from such programs. It is designed to reduce the length of stay of incarcerated individuals and to better prepare these individuals for successful reintroduction into the general population, with a lower recidivism rate. The success of such programs in reducing the length of stay and cost of incarceration, increasing subsequent worker productivity upon release, and reducing the costs of crime by reducing the probability of reoffending are documented elsewhere. This study calculates the total value of output, income, employment, and value added in Essex County arising from the Moriah Shock facility. It also predicts the effect of property values and tax bases in Essex County and New York State should the facility be closed.

Techniques


The principal analytic tool is IMPLAN 3.0, the latest software version of an analytic technique that has become the state-of-the-art in economic impact analysis. IMPLAN performs input/output analysis. While the total budget of a governmental enterprise can offer some measure of the value of the enterprise, it is also relevant to discover the share of the spending that remains local. By using production functions for various types of government agencies, IMPLAN can determine the share of spending that contributes to the local economy, through direct purchases, labor income, etc. In addition, IMPLAN can measure the indirect amount of spending and jobs created by those that supply the operation, and the induced spending that occurs when local workers and suppliers in turn spend their income in the economy.

IMPLAN is capable of measuring these “multiplied” effects county-wide, and hence gives a more accurate measure of the advantages an economy enjoys arising from an enterprise, or the cost to the community should it lose such an operation. However, while the use of IMPLAN is reasonably straightforward for some industries, government agencies are more difficult to analyze. Their product is often not directly measured in the marketplace, and their costs are dominated by labor income. For that reason, it is essential to break the operations into constituent parts so that each sector is properly included.

I also analyze the effect of an increase in unemployment in Essex County, and predict its effect on local housing prices and the property tax base.

The Data

Essex County is part of the North Country of the State of New York. It has a land mass of 1,797 square miles and a population of 38,119 in 2007. The average household income in 2007 was \$43,132 while the 12.4% of the population lived below the poverty line. The 16,140 households had a gross regional product of \$1.131 billion in 2007, and personal income of \$1.158 billion arising from an employed labor force of 18,631 individuals.

 www.IMPLAN.com	Gross Regional Product				
	Value Added		Final Demand		
Model Information Model Year: 2007 Gross Regional Product: \$1,130,746,705 Total Personal Income: \$1,158,053,000 Total Employment: 18,631 Number of Industries: 156 Land Area (Square Miles): 1,797 Area Count: 1 Population: 38,119 Total Households: 16,140 Average Household Income: \$71,750 Trade Flows Method: Trade Flows Model Model Status: Multipliers	Employee Compensation: \$673,647,000 Proprietor Income: \$96,538,380 Other Property Type Income: \$294,409,100 Indirect Business Tax: \$66,152,210 Total Value Added: \$1,130,747,000	Households: \$1,059,348,000 State/Local Government: \$525,198,900 Federal Government: \$73,523,500 Capital: \$166,210,700 Exports: \$1,044,227,000 Imports: (\$1,649,554,000) Institutional Sales: (\$88,206,620) Total Final Demand: \$1,130,747,000			
	Economic Indicators				
	Shannon-Weaver Diversity Index: 0.63305				
	Top Ten Industries <input type="button" value="View By: Employment"/>				
	Sector	Description	Employment	Labor Income	Output
	437	* Employment and payroll only (state & lo...	2,960	\$137,203,600	\$153,329,700
	438	* Employment and payroll only (state & lo...	1,431	\$73,984,380	\$82,737,030
	413	Food services and drinking places	1,319	\$27,345,610	\$76,459,540
	398	Nursing and residential care facilities	987	\$36,917,220	\$59,586,860
	411	Hotels and motels, including casino hotels	702	\$22,753,770	\$64,677,060
	105	Paper mills	647	\$64,212,750	\$445,131,800
	34	Construction of new nonresidential comm...	498	\$21,830,960	\$58,066,440
	324	Retail Stores - Food and beverage	421	\$8,851,510	\$19,561,580
	439	* Employment and payroll only (federal go...	382	\$34,682,180	\$37,669,140
	37	Construction of new residential pemane...	348	\$15,225,820	\$63,121,340
Areas in the Model New York Essex County					

The personal income of \$1.158 billion included employee compensation of \$674 million. Households spent \$1.059 billion in the local economy, and state and local government contributed another \$525 million locally.

The top ten industries, in terms of employment, included state and local government, in education and in other government services, food and beverage services and hotels, nursing and residential care, paper mills, retail stores, construction, and federal government employment. Among the private sector employers, paper mills generate the largest single share of employment income and almost half of the value of private economic activity. This sector represented only 647 employees, of the total employed labor force of 18,631. The salaries in this sector are relatively high, and the value of the productivity of each worker is very high.

In 2007, state and local agencies employed 1,431 non-education workers, representing labor income of \$73.984 million. Of this income in 2007, \$7.118 million came from the Moriah Shock facility. This operation represented 9.62% of state and local non-education payrolls.

The budget for the Moriah Shock facility is as follows in 2007 and 2008:

Moriah Shock Expenditure Summary			2007-08	2008-09
Program: Support Services	Personal Services		\$889,932	\$954,123
	Non-Personal Services		\$1,204,332	\$987,207
Supervision of Inmates	Personal Services		\$5,156,698	\$4,902,191
	Non-Personal Services		\$53,504	\$36,823
Health Services	Personal Services		\$120,666	\$131,392
	Non-Personal Services		\$447,656	\$294,994
Program Services	Personal Services		\$951,113	\$922,992
	Non-Personal Services		\$122,221	\$118,020
Totals	Personal Services		\$7,118,409	\$6,910,698
	Non-Personal Services		\$1,827,713	\$1,437,044
	Grand Totals		\$7,118,409	\$6,910,698

There were 24,440 housing units in Essex County in 2008,¹ with an average recent sale price of \$207,990.² If recent sales are representative of average housing prices, the value of the housing stock is \$5.038 billion in 2008.

¹ Source: US Census Bureau State & County QuickFacts

² Essex County Residential Sales from

<http://www.co.essex.ny.us/downloads/ResidentialSaleStatistics.pdf>

Analysis

IMPLAN 3.0 was employed to measure the local economic impacts of the Moriah Shock corrections facility. However, the proper application of IMPLAN requires the modeler to explicitly treat the peculiarities of the government sector. Because government services are not “priced” in the private sector, we use the total facility budget as a measure of the value to New York arising from the facility.

To properly reflect local spending, we must break the corrections budget into three parts. The first part is non-payroll expenses. These include food, maintenance, energy costs, supplies, etc. To estimate the share of these expenditures that remain in the region, we construct a production function for the corrections sector, and then estimate the capabilities of Essex County in serving the components of the production function.

The second and third sectors are payrolls. These payrolls must be divided into corrections officers and support staff. There were 65 and 46 workers in these categories, with average salaries of \$75,418 and \$43,663, respectively. To measure accurately the patterns of spending for each of these sectors, we must model the spending patterns of two separate household/individual income sectors.

I begin with the non-payroll sector. This sector is the smallest of the three sectors, and arises because of the \$1,437,044 in non-payroll spending at the facility. This spending has a direct effect on the local economy of \$324,693 on the local economy. However, because these local purchases also result in additional income and spending in Essex County, the net (multiplied) effect is larger, at \$415,147. This spending also generates an additional 4.0 jobs, as shown below:

Non-Payroll Spending	Output	Employment	Labor Income	Total Value Added
Direct Effect	\$324,693	3.2	\$130,296	\$162,176
Indirect Effect	\$46,059	0.4	\$15,369	\$25,093
Induced Effect	\$44,395	0.4	\$13,467	\$26,943
Total Effect	\$415,147	4	\$159,132	\$214,212

These effects are concentrated primarily in the ten largest sectors that are routinely affected by corrections service spending:

Non-Payroll Spending

Sector	Description	Total Employment	Total Labor Income	Total Value Added	Total Output
39	Maintenance and repair construction of nonresidential structures	2	\$86,012	\$89,725	\$187,954
413	Food services and drinking places	0.4	\$8,373	\$11,838	\$23,521
432	Other state and local government enterprises	0.1	\$6,419	\$9,114	\$26,549
393	Other private educational services	0.1	\$2,958	\$3,828	\$6,005
414	Automotive repair and maintenance, except car washes	0.1	\$2,254	\$3,072	\$6,715
319	Wholesale trade businesses	0.1	\$3,977	\$6,725	\$10,819
3	Vegetable and melon farming	0.1	\$2,158	\$2,837	\$5,262
427	US Postal Service	0.1	\$4,002	\$4,128	\$5,335
324	Retail Stores - Food and beverage	0	\$1,129	\$1,647	\$2,648
418	Personal and household goods repair and maintenance	0	\$1,026	\$2,267	\$5,436

The second sector is derived from income and spending by corrections officers. These individuals generate a total labor income of \$4,902,191 and 65 jobs in Essex County.

High Salary Payroll

ImpactType	Output	Employment	Labor Income	Total Value Added
Direct Effect	\$4,902,191	65	\$4,902,191	\$4,902,191
Indirect Effect	\$0	0.0	\$0	\$0
Induced Effect	\$2,190,161	21.4	\$659,252	\$1,326,660
Total Effect	\$7,092,352	86.4	\$5,561,443	\$6,228,851

This high wage corrections officer labor sector generates spending primarily in the following sectors:

High Income Payroll

Sector	Description	Total Employment	Total Labor Income	Total Value Added	Total Output
413	Food services and drinking places	3.1	\$68,516	\$96,865	\$192,469
324	Retail Stores - Food and beverage	1.4	\$31,867	\$46,479	\$74,747
398	Nursing and residential care facilities	1.2	\$49,008	\$59,658	\$76,805
329	Retail Stores - General merchandise	1	\$26,103	\$38,983	\$61,219
426	Private household operations	0.8	\$8,539	\$8,539	\$7,689
320	Retail Stores - Motor vehicle and parts	0.7	\$28,632	\$39,119	\$65,758
330	Retail Stores - Miscellaneous	0.7	\$12,041	\$17,533	\$26,638
400	Individual and family services	0.7	\$20,932	\$22,397	\$34,162
409	Amusement parks, arcades, and gambling industries	0.6	\$20,591	\$25,632	\$43,100
394	Offices of physicians, dentists, and other health practitioners	0.6	\$33,813	\$37,973	\$60,411

The last employment sector includes the various services necessary to support the primary correctional function. This sector employs 46 workers with an average salary of \$43,663. The sector generates the following pattern of direct, indirect, and induced output, labor income, jobs, and value added:

Low Salary Payroll	Output	Employment	Labor Income	Total Value Added
Direct Effect	\$2,008,507	46.0	\$2,008,507	\$2,008,507
Indirect Effect	\$0	0.0	\$0	\$0
Induced Effect	\$664,733	6.4	\$199,888	\$402,893
Total Effect	\$2,673,240	52.4	\$2,208,395	\$2,411,400

The spending is concentrated on the following ten most affected sectors:

Low Income Payroll

Sector	Description	Total Employment	Total Labor Income	Total Value Added	Total Output
413	Food services and drinking places	1.1	\$24,526	\$34,674	\$68,895
324	Retail Stores - Food and beverage	0.5	\$10,493	\$15,305	\$24,613
329	Retail Stores - General merchandise	0.3	\$8,595	\$12,836	\$20,158
320	Retail Stores - Motor vehicle and parts	0.2	\$9,425	\$12,877	\$21,645
398	Nursing and residential care facilities	0.2	\$9,623	\$11,715	\$15,082
394	Offices of physicians, dentists, and other health practitioners	0.2	\$12,852	\$14,434	\$22,963
330	Retail Stores - Miscellaneous	0.2	\$3,964	\$5,772	\$8,770
331	Retail Nonstores - Direct and electronic sales	0.2	\$4,003	\$11,984	\$16,469
323	Retail Stores - Building material and garden supply	0.2	\$5,948	\$10,055	\$15,313
327	Retail Stores - Clothing and clothing accessories	0.2	\$3,323	\$6,556	\$9,806

In summary, the total effect of the Moriah Shock facility on local employment and income are:

	Output	Employment	Labor Income	Total Value Added
Total Lost Income and Jobs	\$10,180,738	142.7	\$7,928,970	\$8,854,463

The potential loss of employment of 142.7 jobs would increase the unemployment rate by .79 percentage points. The Essex County unemployment rate would rise from 10.3% to 11.1%.³ Labor income of \$7,928,970 represents 1.18% of the total Essex County-wide employee compensation of \$673,647,000.

Value of Inmate Community Service

The inmates of the Moriah Shock facility completed 94,136 hours of community service in the North Country in 2009. This rate of community service is equivalent to 47.1 full time equivalent jobs. The value of these jobs is imputed at the rate received on average by groundskeepers in the North Country in 2009.⁴ This rate of \$26,180 per full time equivalent employee translates into an imputed value of services of \$1,232,240 in 2009.

3 <https://research.stlouisfed.org/fred2/series/NYESSE1URN?cid=29207>

4 <http://www.labor.state.ny.us/stats/lswage2.asp>, retrieved February 19, 2010.

Effect on Housing Values

The loss of employment also has some substantial effects on Essex County housing. The assessed total housing stock value is estimated at \$5,354,516,899.⁵ Recently, Min and Quigley estimated that a 1% fall in employment results in a .546% fall in housing values.⁶ Accordingly, this rise of unemployment is estimated to result in a loss of housing values of \$23,076,180.

Tax Revenue Effects

I next document the loss of local, state, and federal government tax revenue from Essex County that arises as a result of the direct, indirect, and induced effects of a loss of the Moriah Shock facility.

Local and State Taxes: Description	Employee Compensation	Proprietor's Income	Indirect Business Tax	Household	Corporation	totals
Dividends	\$0	\$0	\$0	\$0	\$175,736	\$175,736
Social Ins Tax- Employee Contribution	\$12,076	\$0	\$0	\$0	\$0	\$12,076
Social Ins Tax- Employer Contribution	\$51,953	\$0	\$0	\$0	\$0	\$51,953
Indirect Bus Tax: Sales Tax	\$0	\$0	\$671,831	\$0	\$0	\$671,831
Indirect Bus Tax: Property Tax	\$0	\$0	\$799,793	\$0	\$0	\$799,793
Indirect Bus Tax: Motor Vehicle Lic	\$0	\$0	\$7,818	\$0	\$0	\$7,818
Indirect Bus Tax: Severance Tax	\$0	\$0	\$0	\$0	\$0	\$0
Indirect Bus Tax: Other Taxes	\$0	\$0	\$137,628	\$0	\$0	\$137,628
Indirect Bus Tax: S/L NonTaxes	\$0	\$0	\$20,949	\$0	\$0	\$20,949
Corporate Profits Tax	\$0	\$0	\$0	\$0	\$154,486	\$154,486
Personal Tax: Income Tax	\$0	\$0	\$0	\$947,596	\$0	\$947,596
Personal Tax: NonTaxes (Fines- Fees	\$0	\$0	\$0	\$47,195	\$0	\$47,195
Personal Tax: Motor Vehicle License	\$0	\$0	\$0	\$4,369	\$0	\$4,369
Personal Tax: Property Taxes	\$0	\$0	\$0	\$4,845	\$0	\$4,845
Personal Tax: Other Tax (Fish/Hunt)	\$0	\$0	\$0	\$912	\$0	\$912
Total State and Local Tax	\$64,029	\$0	\$1,638,019	\$1,004,917	\$330,222	\$3,037,187

The sector and its multiplier effect on state and local taxes for households and corporations sums to \$3.037 million per year. This assumes that the property tax basis for those associated

⁵ From the Essex County database <http://www.co.essex.ny.us/Treasurer/FileCreate.aspx>

⁶ Min, Hwang, and John M. Quigley. "ECONOMIC FUNDAMENTALS IN LOCAL HOUSING MARKETS: EVIDENCE FROM U.S. METROPOLITAN REGIONS." *Journal of Regional Science* 46.3 (2006): 425-453

with the Moriah Shock facility are representative of the housing stock on average in Essex County, and the tax burdens in their communities is equally representative.

If the loss of jobs translates into a fall in housing prices of 1.43%, a temporary drop in local tax revenue of \$346,962 may occur until tax levies necessarily rise to account for property value declines.

In addition to the fall of \$3.384 million in potential state and local revenue declines, there is a further decline of \$2.187 million in Federal tax revenue from various sources:

Federal Taxes: Description	Employee Compensation	Proprietor's Income	Indirect Business Tax	Household	Corporation	totals
Social Ins Tax- Employee Contribution	\$369,127	\$35,994	\$0	\$0	\$0	\$405,121
Social Ins Tax- Employer Contribution	\$478,135	\$8,536	\$0	\$0	\$0	\$486,672
Indirect Bus Tax: Excise Taxes	\$95,043	\$0	\$61,835	\$0	\$0	\$156,878
Indirect Bus Tax: Custom Duty	\$0	\$0	\$43,503	\$0	\$0	\$43,503
Indirect Bus Tax: Fed NonTaxes	\$0	\$0	\$38,342	\$0	\$0	\$38,342
Corporate Profits Tax	\$0	\$0	\$8,840	\$0	\$379,913	\$388,753
Personal Tax: Income Tax	\$0	\$0	\$0	\$561,320	\$106,214	\$667,534
Total Federal Tax	\$942,305	\$44,530	\$152,521	\$561,320	\$486,127	\$2,186,803

Other Potential Factors

There are a number of additional factors that may be affected by a relatively significant loss of Essex County employment. These include the benefits from the Shock treatment, in lower incarceration times, more effective rehabilitation, an increase in earnings as a result of an improvement in the grade-level education of releasees, and subsequent lower crime and recidivism rates. Education attainment translates into higher lifetime earnings of reformed inmates, an increased public tax base, and increased surpluses accruing to employers. For instance, the annual average income of an individual who has not completed high school in 2004 was \$15,168. Those able to obtain a G.E.D. through the Moriah facility can expect to average a salary of \$30,663. The discounted present value of this difference over a forty year career is \$151,526 for each individual in the facility able to achieve a G.E.D. diploma.

In addition, a decline in the level of private and public services may be underestimated by IMPLAN if it is more difficult to sustain economies of scale in such sectors as local education, medical services, etc. These important topics deserve future research and attention.

Conclusions

This study focuses on the direct, indirect, and induced effects of the Moriah Shock facility on the Essex County economy.

I find that the closing of the Moriah Shock Treatment facility will result in direct, indirect, and induced labor income losses of \$7,928,970 and 142.7 jobs. This represents 1.18% of county-wide labor income. The Value-Added to Essex County will be reduced by \$8,854,463, while the unemployment rate will rise from 10.3% to 11.1%.

The Moriah facility also provides the equivalent of 47.1 jobs through inmate community service. At an imputed rate of \$26,180 per full time groundskeeper in the North Country in 2009, the value of these services is calculated to be \$1,232,240.

The employment loss can also have a substantial effect on Essex County housing. We find that the rise of unemployment can result in a loss of \$23.076 million in housing value. There will also be a fall of \$3.384 million in potential state and local tax revenue and \$2.187 million in federal tax revenue.

I do not include here in this brief analysis a number of additional factors that may be affected by a relatively significant loss of Essex County employment. Topics for future analysis should include the benefits from the Shock treatment, in lower incarceration times, more effective rehabilitation, an increase in earnings as a result of an improvement in the grade-level education of releasees, and subsequent lower crime and recidivism rates.

For instance, the annual average income of an individual who has not completed high school in 2004 was \$15,168.⁷ Those able to obtain a G.E.D. through the Moriah facility can expect to average a salary of \$30,663. The discounted present value of this difference over a forty year career is \$151,526 for each individual in the facility able to achieve a G.E.D. diploma.

These estimates also may underestimate the decline in the level of private and public services if a fall in economic activity makes it more difficult to sustain economies of scale in such sectors as local education, medical services, etc.

⁷ <http://www.census.gov/population/socdemo/education/cps2004/tab08-1.pdf>, accessed February 19, 2010.

