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Good Morning

Chairmen Metcalfe and Bradford, members of the State Government Committee, and guests.

My name is Teri Ooms and I am the Executive Director of The Institute for Public Policy & Economic Development. The Institute is an applied social science research center and economic consulting organization formed out of a unique partnership of 12 colleges and universities and the business community in northeastern Pennsylvania.

My testimony today focuses on community economic vitality and sustainability. Resilient communities have a large, diversified employment base; strong quality of life assets for residents such as schools, recreation, venue, health care, religious offerings, food access, shopping and available and affordable housing. More vulnerable communities have fewer assets. Many communities have an unusually high reliance on public sector employment than others. This is especially the case in many areas in Pennsylvania.

Last year, at the request of State Senator John T. Yudichak, our organization conducted an economic impact study on the effect of the proposed prison closures in northeastern Pennsylvania. An economic impact study is a pure quantitative analysis of the changes in dollars and jobs flowing through the economy as a result of a change in business and industry. It can be the impact of operations of a higher education institution or a concert hall, a new business moving into the area, or in this case the closure of a major employer. In this analysis, for profit or non-profit, public or private doesn't matter. An impact study uses data inputs such as the number of jobs and the average wage or changes in revenue to complete the analysis. The multipliers are the product of a variety of weighted regional statistics so they are geographically specific and change yearly with changes in the local economy. There are a few national providers developing multipliers including the Federal Bureau of Economic Adjustment and they are all very consistent. We use the IMPLAN model.

Using the number of lost correction jobs and their wages, we determined that not only is there a \$52,000 loss of income to the household of the corrections officer, but also another \$49,000 in losses in other sectors of the economy because that household income is not flowing through the economy. There is also the loss of \$7,000 per job in federal and state personal income taxes, sales tax and business taxes. This is an extremely conservative estimate because it does not take into consideration the closing of the prisons themselves — only the job losses. The prisons are businesses that buy goods and services. If they are closed, they are no longer making those purchases, so the direct impact is lost as well as the indirect and induced impact to the economy. This means a further reduction in jobs, revenue to businesses and households and tax dollars. If there are 100 lost prison jobs, the economic impact to the community is \$107,760 per job or over \$1 million dollars for 100 jobs – per year.

To a small community or region, where these public sector facilities are the major employers and usually employers of family sustaining jobs, it is devastating. Even communities with a number of employers may struggle if the employment base is not diversified. Entry and mid-level jobs in many industries do not pay family sustaining wages. This is critical because many employed Pennsylvanians do not earn a family sustaining wage. These “working poor” struggle because they are earning too much to qualify for any assistance program, but are not earning enough to meet basic needs such as food, housing, and medical care. Living wages vary by community and size of family. In northeastern Pennsylvania, a two parent household with one child needs to earn more than \$47,186 to meet basic needs. In Pennsylvania, that number is \$49,914. The data for our living wage study which was published in 2016 used data from 2014 and 2015, so extrapolate that to the \$52,000 prison job in 2017, it meets the criteria.

If communities and households do recover from this type of large scale loss, it could take decades to replace the large number of jobs and the lost family sustaining wages. Thus affecting the households themselves, the broader community, businesses in the community, and even local and state government that will lose tax revenue. Most communities are not likely to recover

While we recognize that a major decision such as a prison closing includes other deciding factors and has other implications, including an analysis of the community should be part of the process.

Respectfully Submitted,



Teri Ooms
Executive Director, The Institute