

INDIRECT ECONOMIC IMPACT
ARIZONA CORRECTIONAL INDUSTRIES ACTIVITIES
FY 2016

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At the request of Arizona Correctional Industries (hereafter referred to as ACI), I have estimated the indirect or multiplier effects for the Arizona economy of the operations of ACI for the 2016 fiscal year. These estimates of the indirect economic impacts were calculated using an Arizona-specific version of the U. S. Bureau of Economic Analysis' Regional Input-Output Modeling System (RIMS II).

Employee Compensation

During 2016 fiscal year, wages and salaries paid to ACI staff totaled \$7,738,479. Based upon consumer expenditure information for households living in the western U. S. derived from the U. S. Bureau of Labor Statistics' Consumer Expenditure Survey, the total demand for consumer goods and services generated by salaries paid to ACI staff was \$6,438,000. Those expenditures produced the following additional indirect economic impacts:

Expenditures:	\$4,991,000
Income:	\$3,255,000
Employment:	115 jobs

Direct Expenditures by ACI

During the 2016 fiscal year, inmate labor payments and direct expenditures by ACI for materials, supplies, and services used in production, operations, and capital expenditures provided \$30,317,000 in demand for goods and services. The indirect or multiplier effects of these expenditures resulted in the following economic impacts:

Expenditures:	\$27,597,000
Income:	\$14,953,000
Employment:	460 jobs

Additional Economic Activity Supported by ACI Contract Labor Activities

In addition to the impacts generated directly by ACI expenditures and ACI employee spending, work performed by inmates associated with ACI labor contracts with outside businesses during the 2016 fiscal year supported the following economic activity in the Arizona economy:

Expenditures:	\$130,400,000
Income:	\$39,100,000
Employment:	1,300 jobs

Timothy D. Hogan is Professor Emeritus of Economics and Senior Research Associate in the L. William Seidman Research Institute in the W. P. Carey School of Business at Arizona State University. In past years, Dr. Hogan produced similar estimates of the economic impact of ACI operations as a staff member of the Seidman Institute. These estimates for FY 2016 are based on the same methodology used to calculate the economic impact estimates provided to ACI by the Institute for previous years.

Dr. Hogan received B.A. and M.A. degrees in Economics from the University of California and his Ph.D. degree in Economics from Virginia Polytechnic Institute and State University. He joined the faculty at Arizona State University in 1970 and retired in 2004. Dr. Hogan served as Director of the L. William Seidman Research Institute from 1995 to 2004 and of the ASU Center for Business Research from 1987 to 2004. He served as principal investigator/ project director/co-investigator on numerous funded research projects for a wide variety of sponsors, including the National Science Foundation, the U.S. Department of Housing and Urban Development, the U.S. Forest Service, the U.S. Department of Transportation, the Indian Health Service, the Arizona-Sonora Commission, the Arizona Governor's Office, the Arizona Legislature, the Arizona Department of Commerce, the Arizona Department of Economic Security, the Arizona Department of Corrections, the Arizona Department of Mines and Mineral Resources, the Arizona Office of Tourism, Maricopa County, Maricopa Association of Governments, Central Arizona Association of Governments, the City of Phoenix, Tempe Elementary School District, the Pew Foundation, Intel, Boeing, Raytheon, Alleghany Energy, Sempra Energy, Allied Signal, Ft. Howard Paper, Salt River Project, Phoenix Newspapers Inc. and the Arizona Hospital and Healthcare Association. He has also served as a consultant for both private and public sector clients on a wide variety of issues.