Mississippi Parole Reform: Savings & Economic Opportunities

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Executive Summary

Rounds Consulting Group, Inc. (RCG) was retained to quantify the economic impact of specific parole reform proposals in Mississippi. The analyzed bills seek to expand parole opportunities to more people in Mississippi prisons.

In this analysis, we analyzed the impact of two legislative proposals for parole reform, one with broad eligibility (2020's Senate Bill 2123) and one with narrow eligibility (2021's Senate Bill 2795).[1] Because the impact of parole reforms can vary substantially based on the rate at which people are granted release by the Parole Board (the "parole grant rate"), we modeled two different scenarios for each proposal.

 Specifically, the two scenarios include one assuming a low parole grant rate and one assuming a moderate grant rate. This approach provides a window for the potential fiscal impacts, with the most likely result falling somewhere in the middle of the range provided.

Background

Mississippi has the second-highest imprisonment rate in the nation, with 652 people in prison for every 100,000 adults.[2] At the end of 2020, there were more than 17,600 people incarcerated in prisons throughout the state.[3] Significant social and economic improvements are associated with a well-considered reduction in the prison population, including greater public safety, more employment opportunities, higher wages, and new tax revenues.

FWD.us, a bipartisan criminal justice advocacy organization, extensively analyzed Mississippi corrections data and projected the potential prison population reduction for both legislative proposals. This information was then modeled to capture the fiscal savings over a multi-decade period, as well as identifying the extent that the individuals returning to their communities would work and pay taxes. Additional consideration was given to the potential for state policymakers to redeploy these taxpayer funds to economic enhancement programs.

The following summarizes the key findings of the analysis of both legislative proposals under the two modeled scenarios. Keep in mind that taxpayer expenditures on incarceration are based on the duration of the sentence. Two people incarcerated for 10 years will result in the same number of total prison bed years used as one person serving 20 years. This analysis combines the number of people in prison as well as their length of stay.

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[1] This analysis is based on the version of SB 2123 that was enrolled on July 2, 2020 and the version of SB 2795 that passed the Senate on February 9, 2021.

[2] See FWD.us analysis at https://www.fwd.us/wp-content/uploads/2020/03/MSvsOK.pdf

[3] See Mississippi Department of Corrections data at https://www.mdoc.ms.gov/Admin-Finance/Pages/Daily-Inmate-Population.aspx

Key Findings

Parole reforms with broad eligibility, as written in SB 2123, have a significantly larger impact on prison cost savings and increased tax revenue than reforms with narrow eligibility as written in SB 2795. This is true in both the low and moderate parole grant rate scenarios.

Under the low parole grant rate scenario, the provisions in SB 2123 generate a total of $880.2M in combined fiscal benefits for the State of Mississippi over the analyzed 30-year period, while the provisions of SB 2795 generate a total of $584.1M.

Under the moderate parole grant rate scenario, SB 2123 produces a total of almost $1.4B in savings and tax revenues over 30 years. Parole reforms with narrow eligibility, SB 2795, generate a total of $988.4M in savings and tax revenues over 30 years.
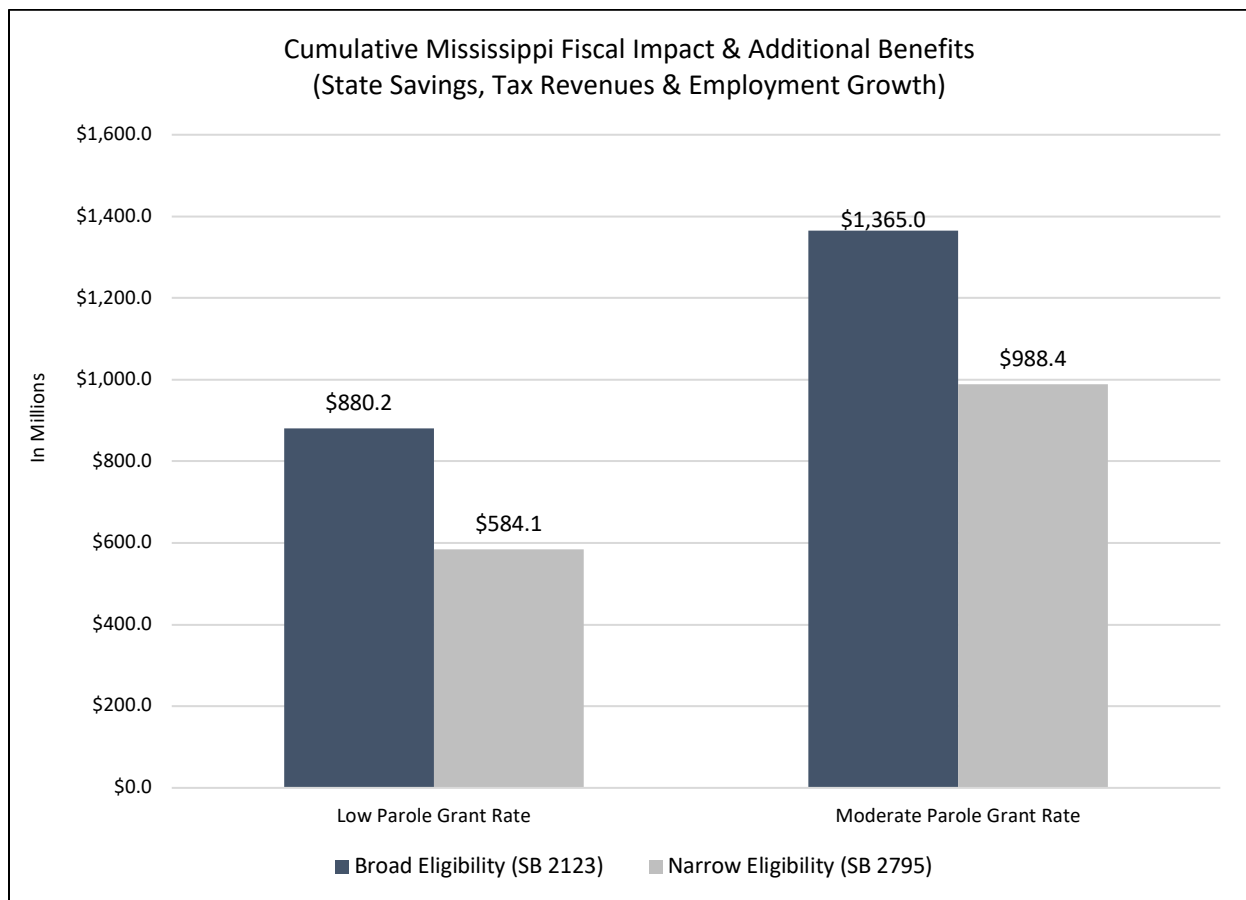
Note: Two legislative proposals for parole reform were modeled, one with broad eligibility (2020's Senate Bill 2123) and one with narrow eligibility (2021's Senate Bill 2795). For each proposal, two scenarios were modeled to provide a range of potential fiscal impacts, with the most likely result falling somewhere in the middle of the range provided. The low parole grant rate scenario assumes a low rate at which people are granted release by the Parole Board while the moderate parole grant rate scenario assumes a moderate rate at which people are granted release.
Source: FWD.us; Rounds Consulting Group, Inc.; Mississippi Department of Corrections

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Introduction

Rounds Consulting Group, Inc. (RCG) was retained to quantify the economic impact of parole reform legislation in Mississippi. The analyzed legislation seeks to expand parole eligibility to more people in Mississippi prisons.

Significant social and economic improvements are associated with a reduced prison population, including greater public safety, more employment opportunities, higher wages, better education and increased productivity.

Using estimated average costs per incarcerated person from the Mississippi Department of Corrections (MDOC) and projected prison population changes from FWD.us, RCG developed an economic model to estimate the savings and additional tax revenues that would be generated by parole reform in Mississippi.

Assumptions used in this analysis were based on currently available information compiled from a variety of sources and subject to uncertainty and variation. Therefore, actual impacts may vary, and some impacts may not materialize due to unanticipated events and changing circumstances. However, RCG has made extensive efforts to confirm the accuracy of the information contained in this analysis.

Prison System Savings & Revenues

FWD.us, a bipartisan criminal justice advocacy organization, has worked extensively with correctional system data in several states, including Mississippi. Before economic impacts could be projected, a separate model was created by FWD.us to estimate the impact of two legislative proposals on Mississippi's prison population over a 30-year period.

This report analyzes the impact of the following proposed legislative measures introduced in Mississippi. Both bills expand parole eligibility but do so differently:

- Senate Bill 2123 (SB 2123): Provisions provide an increase in parole eligibility to individuals convicted of certain crimes who are not currently eligible for parole after they have served 50% of their sentence behind bars.
- Senate Bill 2795 (SB 2795): Provisions provide an increase in parole eligibility to individuals convicted of a narrower group of crimes, and after serving 50% or, in some cases, 70% of their sentence behind bars.

The primary difference between these bills is that SB 2123 would make significantly more individuals eligible for a parole hearing than SB 2795 would. Throughout this analysis, the provisions in SB 2123 are referred to as "broad eligibility" and the provisions in SB 2795 are referred to as "narrow eligibility." A more detailed description of the legislative proposals can be found in Appendix A.

The analysis becomes more complex given the fact that there exists a range of possible outcomes for each bill based on variance in the parole grant rate. Thus, each analyzed bill is "scored" for fiscal savings based on a low and moderate grant rate scenario. This essentially provides a window for the potential fiscal impacts.

- Low Parole Grant Rate: Assumes a low rate (15%-30% depending on the offense) at which people are granted release by the Parole Board.
- Moderate Parole Grant Rate: Assumes a moderate rate (50%-75% depending on the offense) at which people are granted release by the Parole Board.

The two scenarios provide a range of possible outcomes. In the end, the most likely prison population reduction will lie somewhere in between the two scenarios.

Assuming a low parole grant rate, parole reforms with broad eligibility would lead to savings of almost 6,900 prison bed years in Mississippi's prison system, while narrow eligibility would result in a savings of just over 4,400 prison bed years.

Under the scenario that assumes a moderate parole grant rate, parole reforms with broad eligibility would result in a savings of over 20,100 prison bed years, while reforms with narrow eligibility would result in a savings of almost 13,100 prison bed years.

In both scenarios, parole reforms with broad eligibility, namely the provisions outlined in SB 2123, would have a roughly 55% greater impact on the prison population than narrow eligibility as laid out in SB 2795.

Prison Expenditure Savings – Low Parole Grant Rate

All of the estimates shown in the following sections (pages 3-7) assume that the reforms will be implemented with a low parole grant rate. For more information on the assumptions used in this scenario, see Appendix A.

Prison cost savings from reductions in the state's prison population are based on average cost estimates from the MDOC. According to MDOC, the average annual cost per incarcerated person in Mississippi was approximately $14,600 as of 2019 (the most recent year for which data is available).[4] The average cost per person is the full cost to incarcerate a person for a year, which includes prison staffing, facility costs, and all other related expenses.

The estimated cost savings is then applied to the estimated reductions in prison bed years. Parole reforms with broad eligibility yield total prison expenditure savings equal to approximately $100.1M. Approximately 40% of those savings (i.e., $40.0M) are realized in the first 10 years after implementation.

Parole reforms with narrow eligibility yield approximately $64.5M in prison savings. Over the first ten years, 30% of the savings, or roughly $19.3M, are realized. Thus, legislation with narrow eligibility yields fewer overall savings and a smaller share of the savings is realized in the first 10 years after implementation.
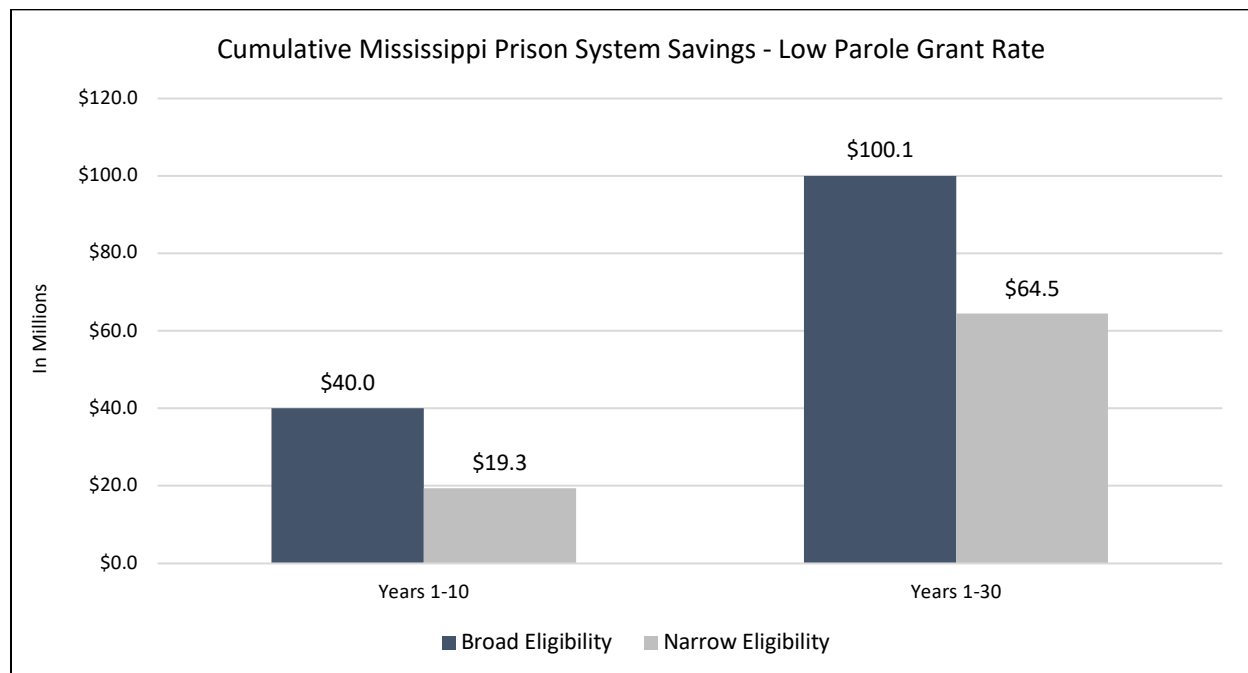
Source: FWD.us; Rounds Consulting Group, Inc.; Mississippi Department of Corrections

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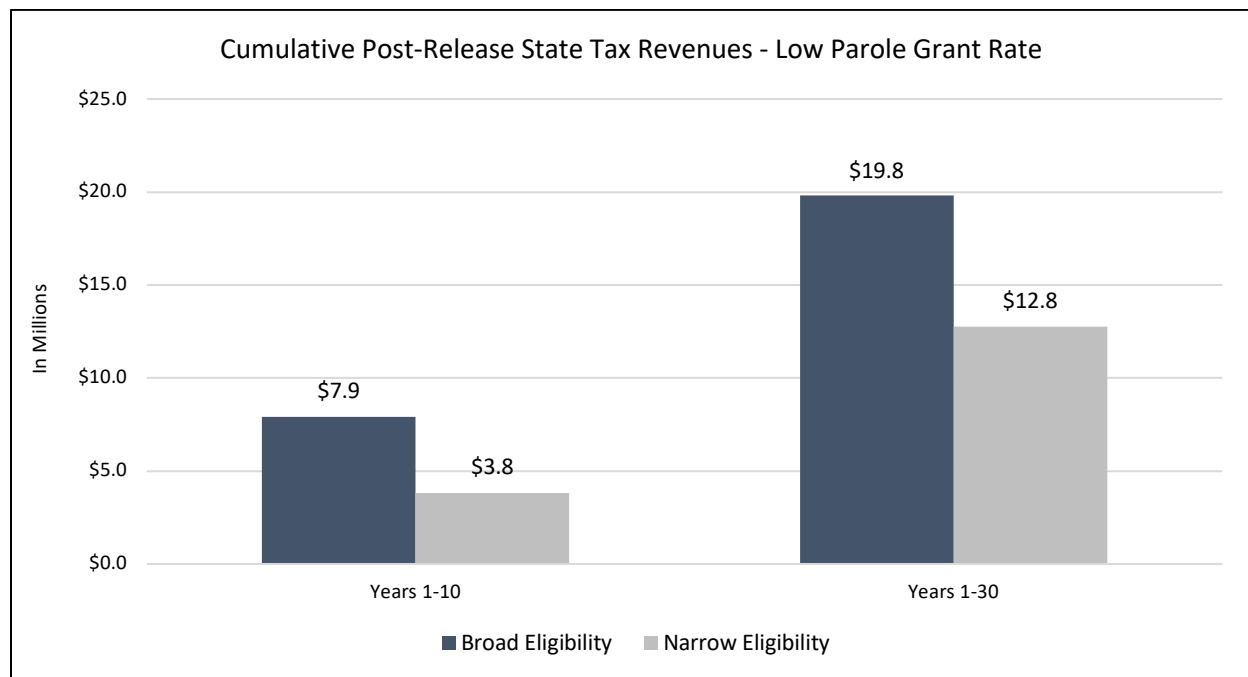[4] Mississippi Department of Corrections 2019 Annual Report

Post-Release Earnings and Tax Revenue Contributions – Low Parole Grant Rate

Those released from prison as a result of the reforms would have more time and resources to enhance their economic productivity and contribute to the local economy instead of remaining in the prison system. According to a comprehensive study on a person's earnings both before and after prison, the approximate average wage of a released individual one year after release is $9,100 per year. That average increases marginally each year thereafter. [5]

With educational and job training participation, the wage of released individuals increases to approximately $18,500 by the fourth year out of prison. For context, in Mississippi, workers with less than a high school diploma earn about $21,900 and those with a high school diploma but no college degree earn approximately $31,800 a year.[6]

Once released and back in the workforce, those individuals generate additional tax revenue benefits to the state that are not included in the previous section. Assuming that released individuals will earn no more than $18,500 per year, the total state tax revenues generated by parole reforms with broad eligibility equal $19.8M.

For reforms with narrow eligibility, the total state tax revenue impact equals $12.8M. These fiscal impacts include the additional state sales taxes, income taxes, and fuel taxes that are generated by the released individuals.

Source: FWD.us; Rounds Consulting Group, Inc.; Mississippi Department of Corrections

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[5] The Brookings Institute
[6] U.S. Census Bureau, American Community Survey 2019

Prison Expenditure Savings and Additional Tax Revenues – Low Parole Grant Rate

When combining the estimated state tax revenues with the estimated incarceration savings, the fiscal benefit (i.e., savings and tax revenues) of reforms with broad eligibility totals $119.9M over the analyzed 30-year period.

For reforms with narrow eligibility, the combined savings and additional tax revenues generated by the released individuals total $77.2M over the 30-year period.

The state savings and additional tax revenues generated by parole reforms with broad eligibility, as written in SB 2123, are approximately 55% greater than the state savings and tax revenues generated by reforms with narrow eligibility as written in SB 2795. Put another way, the state would accrue $42.7M more in savings and revenues if it adopts the reforms with broad eligibility instead of the reforms with narrow eligibility.
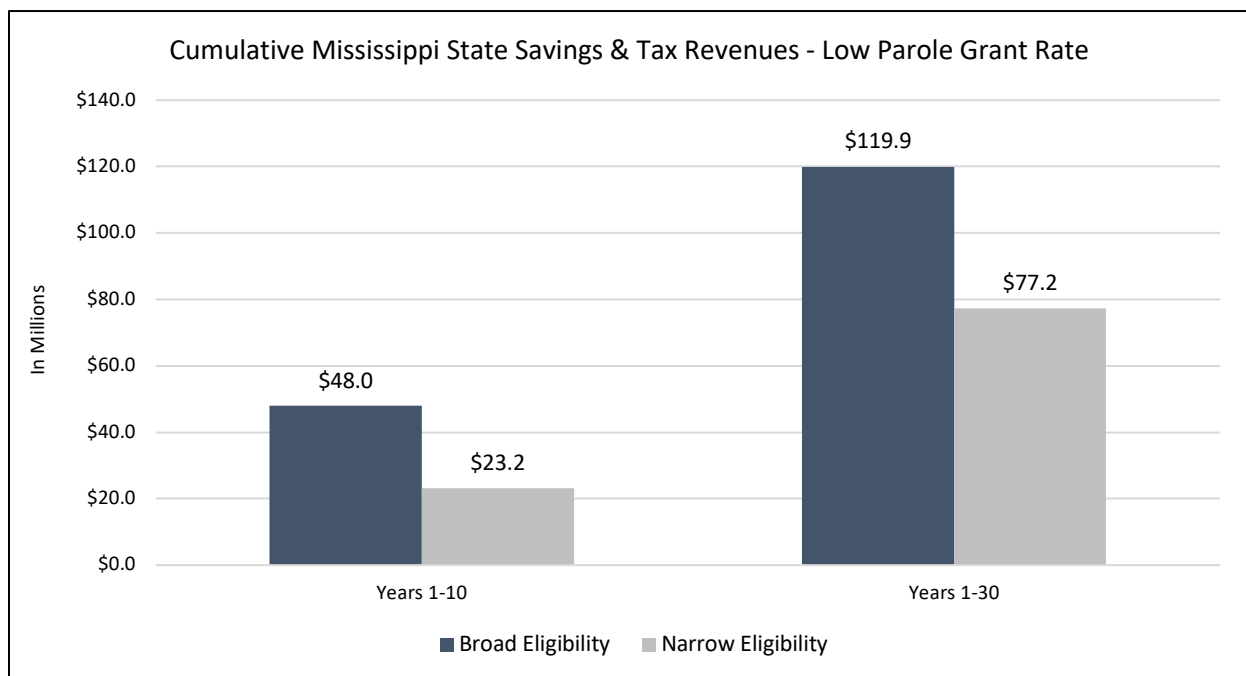
Source: FWD.us; Rounds Consulting Group, Inc.; Mississippi Department of Corrections
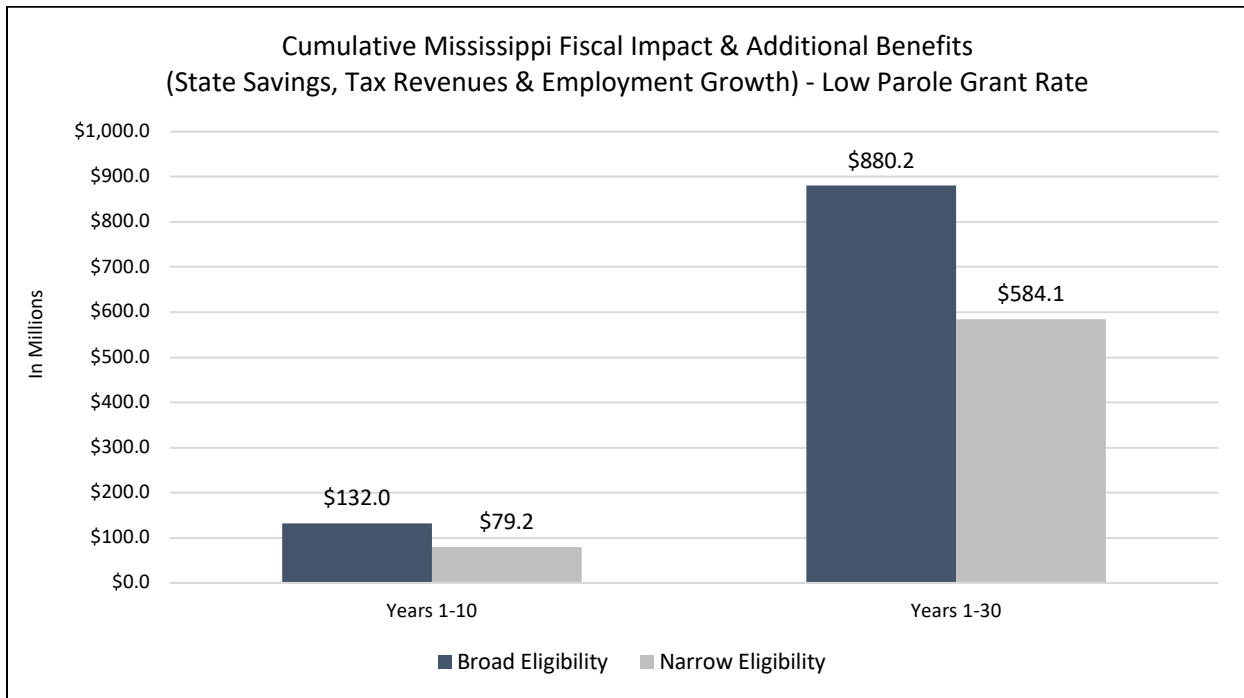
Additional Benefits – Low Parole Grant Rate

The aforementioned fiscal benefits understate true impact comparisons because it does not consider the impacts that occur as a result of a more efficient use of the savings and tax revenues. For example, the state expenditure savings could be used for economic development programs, tax policy reform, targeted workforce/education issues, tourism marketing, or higher education, among others.

There are a number of potential targets for the use of the redeployed funds, but consideration should be given to those programs that will produce a positive return on investment (ROI) for the state. As an example, Mississippi has been considering income tax reform. If the state utilizes parole reform savings, the monies could act as an insurance policy against any revenue estimation deviations in the fiscal impact calculations.

When specific program details are not available, economic models can still estimate fiscal costs and benefits based on incremental changes in the economy. While specific estimates are difficult to model until the economic development programs are identified, a "reasonableness check" can be performed by considering the extent that very small changes in economic growth will impact state tax collections.

For example, if Mississippi's rate of annual job growth improves from 1.0% to between 1.01% and 1.015% as a result of more advanced economic development planning, the state would collect between $506.9M and $760.3M over 30 years. The upper end (i.e., 1.015%) could be reached by using the fiscal savings related to parole reform with broader eligibility, while the lower end (i.e., 1.01%) could be reached under reform with narrow eligibility. Note: This represents an incremental example, albeit an achievable example if the fiscal savings are efficiently redeployed to help boost the economy.

In this low parole grant rate scenario, this improvement to the state's annual job growth rate would take the benefits of the parole reform with broad eligibility to $880.2M over 30 years. For reforms with narrow eligibility, the fiscal benefit aggregates to $584.1M over 30 years. The additional tax revenues generated by parole reforms with broad eligibility, as written in SB 2123 are approximately 50% ($296.1M) greater than the tax revenues generated by reforms with narrow eligibility as written in SB 2795.

Cumulative Mississippi Fiscal Impact & Additional Benefits
(State Savings, Tax Revenues & Employment Growth) - Low Parole Grant Rate

Source: FWD.us; Rounds Consulting Group, Inc.; Mississippi Department of Corrections
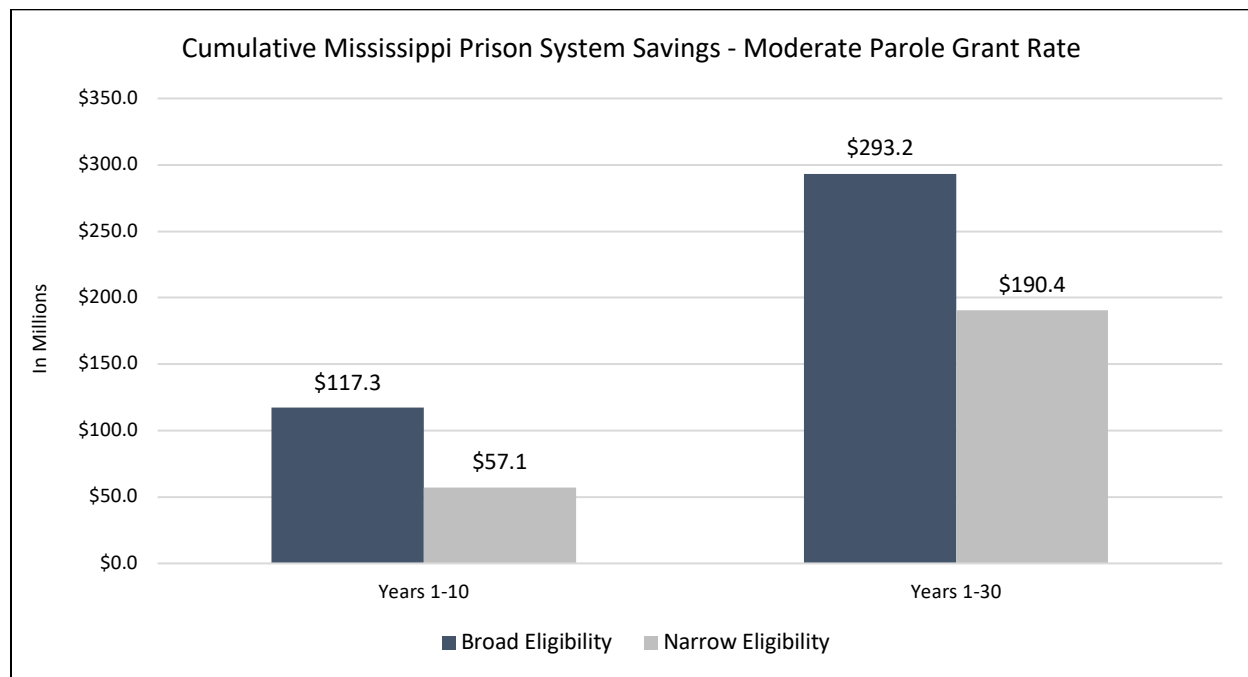
Prison Expenditure Savings – Moderate Parole Grant Rate

All of the estimates shown in the following sections (pages 8-11) assume that the reforms will be implemented with a moderate parole grant rate. For more information on the assumptions used in this scenario, see Appendix A.

Parole reforms with broad eligibility yield total prison expenditure savings equal to approximately $293.2M. Approximately 40% of those savings (i.e., $117.3M) are realized in the first 10 years after implementation.

Parole reforms with narrow eligibility yield approximately $190.4M in prison savings. Over the first ten years, $57.1M in savings are realized (i.e., about 30%). Thus, legislation with narrow eligibility yields fewer overall savings and a smaller share of the savings is realized in the first ten years after implementation.

Cumulative Mississippi Prison System Savings - Moderate Parole Grant Rate

	Years 1-10	Years 1-30
Broad Eligibility	$117.3	$293.2
Narrow Eligibility	$57.1	$190.4

(In Millions)

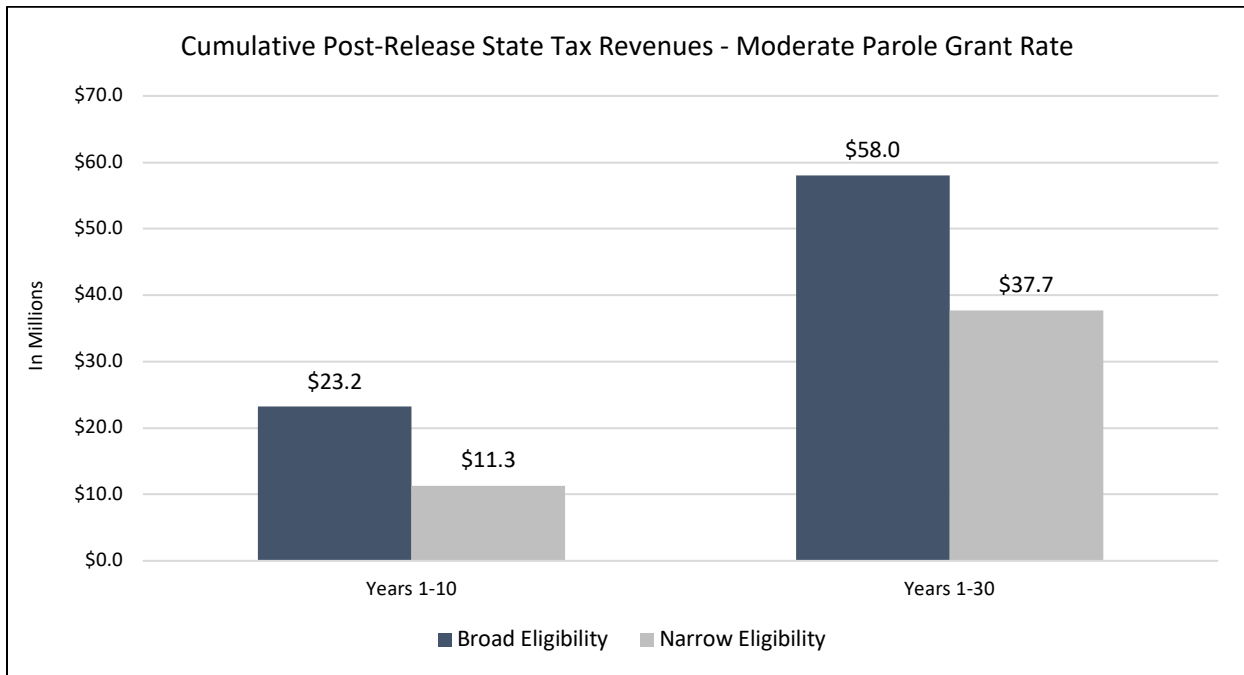Source: FWD.us; Rounds Consulting Group, Inc.; Mississippi Department of Corrections

Post-Release Earnings and Tax Revenue Contributions – Moderate Parole Grant Rate

As previously mentioned, the proposed parole reforms would also help individuals re-enter society, maintain a job, advance their workforce opportunities, and increase their annual earnings – which leads to increases in state tax revenues.

The increase in positive post-release workforce outcomes can generate an additional $58.0M in estimated state tax revenues if parole reforms with broad eligibility are implemented. If reforms with narrow eligibility pass, the state tax revenues generated as a result of released individuals maintaining a job and spending their earnings in the local economy are equal to $37.7M.
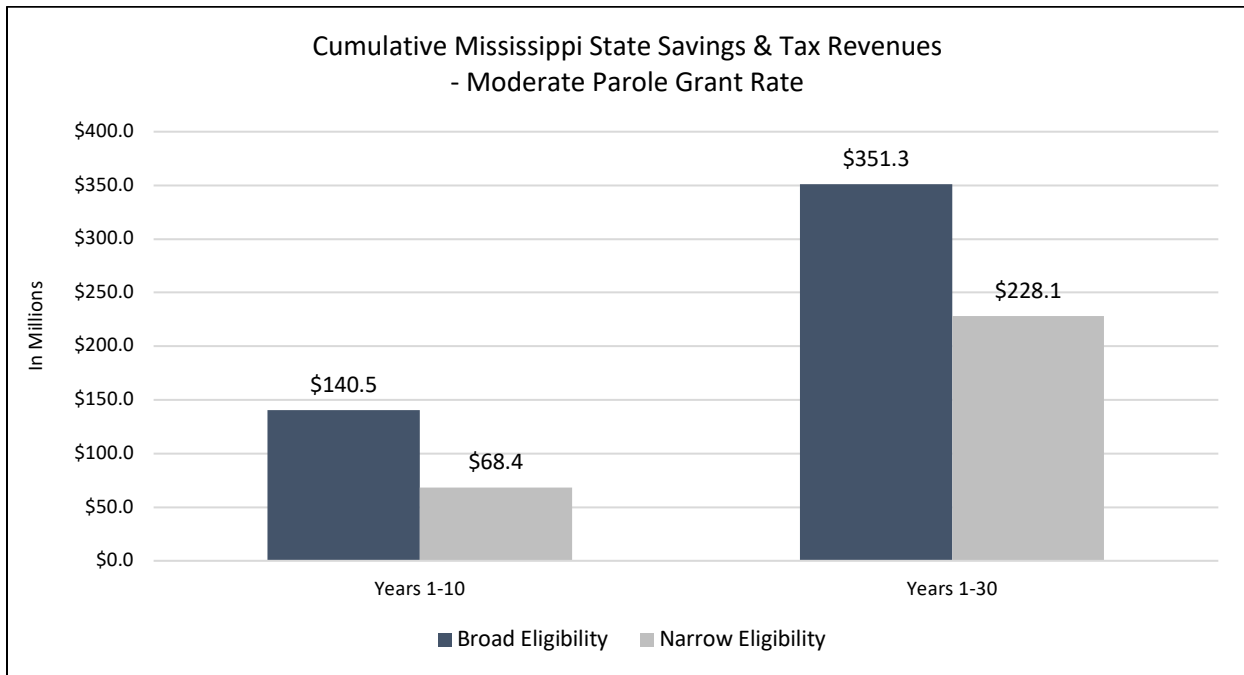
Cumulative Post-Release State Tax Revenues - Moderate Parole Grant Rate

Source: FWD.us; Rounds Consulting Group, Inc.; Mississippi Department of Corrections

Prison Expenditure Savings and Additional Tax Revenues – Moderate Parole Grant Rate

When combining the estimated state tax revenues generated by released individuals with the estimated incarceration savings, the fiscal benefit (i.e., savings and tax revenues) of reforms with broad eligibility total $351.3M over the analyzed 30-year period. For reforms with narrow eligibility, the combined savings and additional tax revenues total $228.1M over the 30-year period.

The state savings and additional tax revenues generated by parole reforms with broad eligibility, as written in SB 2123, are 54% greater than the state savings and tax revenues generated by reforms with narrow eligibility as written in SB 2795. Put another way, the state would accrue $123.1M more in savings and revenues if it adopts the reforms with broad eligibility instead of the reforms with narrow eligibility.

Cumulative Mississippi State Savings & Tax Revenues - Moderate Parole Grant Rate

Source: FWD.us; Rounds Consulting Group, Inc.; Mississippi Department of Corrections

Additional Benefits – Moderate Parole Grant Rate

As previously mentioned, parole reform in Mississippi will have additional benefits beyond prison expenditure savings and the tax revenues generated by the released individuals. The state can realize significant advances in its economic rate of growth if the savings are efficiently reinvested into economic development programs, tax policy reform, workforce development, and education, among others.

If similar economic growth analyses were applied to the moderate parole grant rate scenario, as opposed to the low parole grant rate scenario, one would expect the economic growth opportunities to be more robust than what was calculated in the more conservative analysis.

For example, the additional savings provided under the moderate parole grant rate scenario could advance Mississippi's annual job growth from 1.0% to between 1.015% and 1.02%. The additional state tax revenues generated by this minor advancement in the state's rate of growth totals between approximately $760.3M and $1.0B over 30 years.
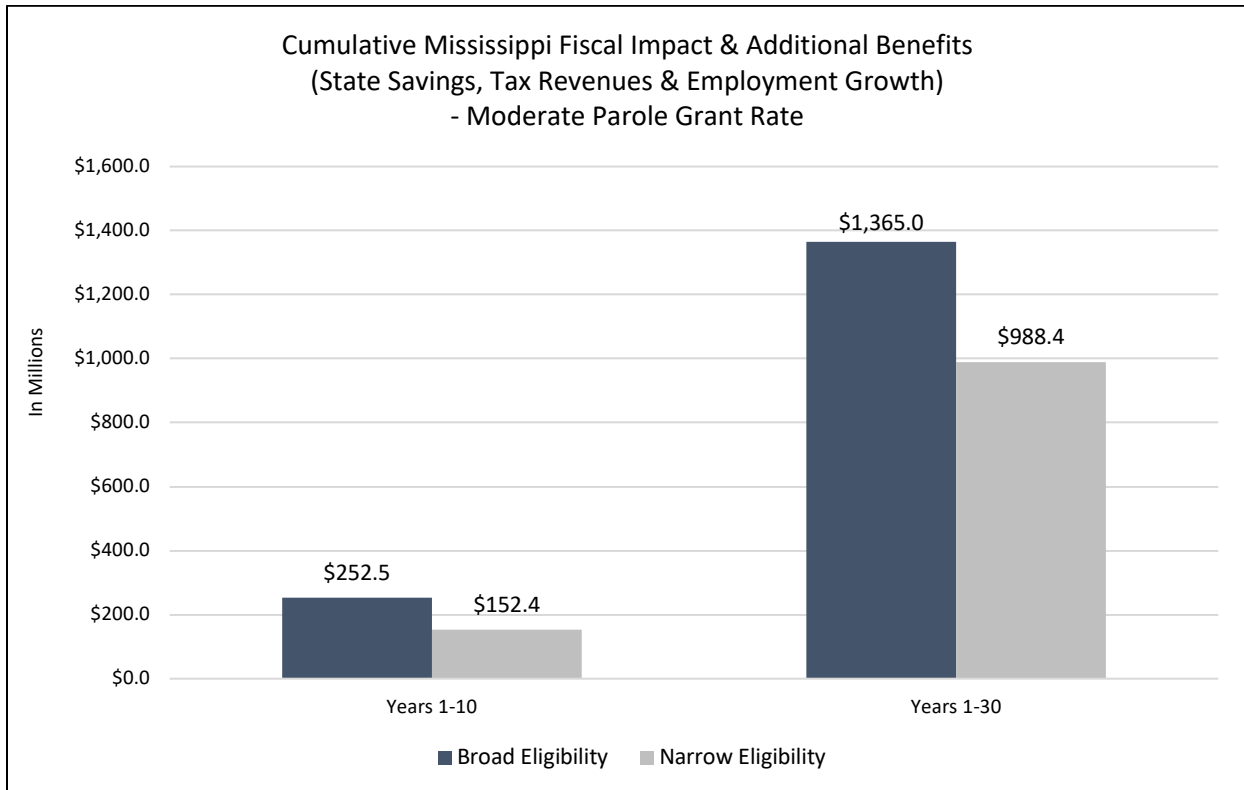
Again, the upper end (i.e., 1.02%) could be reached using the more robust fiscal savings related to parole reform with broader eligibility, while the lower end (1.015%) could be reached under reform with narrow eligibility. These results are not guaranteed and are dependent on how the fiscal savings are redeployed. However, state lawmakers have the ability to implement high ROI economic development projects to realize these economic gains.

When these additional state tax revenues are aggregated with the prison expenditures savings and the tax revenues generated by the released individuals, parole reforms with broad eligibility generate a total

fiscal benefit equal to $1.4B. For reforms with narrow eligibility, the combined savings, tax revenues generated by the released individuals, and the tax revenues generated by the advancement in the state's rate of growth total $988.4M over 30 years.

The state savings and additional tax revenues generated by parole reforms with broad eligibility, as written in SB 2123, are approximately 38% greater than the state savings and tax revenues generated by reforms with narrow eligibility as written in SB 2795. Put another way, the state would accrue $376.6M more in savings and revenues if it adopts the reforms with broad eligibility instead of the reforms with narrow eligibility.

Cumulative Mississippi Fiscal Impact & Additional Benefits
(State Savings, Tax Revenues & Employment Growth)
- Moderate Parole Grant Rate

Source: FWD.us; Rounds Consulting Group, Inc.; Mississippi Department of Corrections

Appendix A: Prison Population Modeling Methodology

FWD.us used data from the Mississippi Department of Corrections (MDOC) to estimate the impact of SB 2123 and SB 2795 on the prison population. The provisions modeled in SB 2123 and SB 2795 are described below.

- <u>SB 2123:</u> This legislation expands parole eligibility to people convicted of violent offenses after serving 50% of their sentence or 20 years (if convicted between July 1995 and June 2014) or 50% of their sentence or 30 years (if convicted after June 2014). People convicted of sex offenses would not become eligible for parole under this legislation.

- <u>SB 2795:</u> This legislation expands parole eligibility to people convicted of some violent offenses after serving 50% of their sentence or 20 years (if convicted between July 1995 and June 2014) or 50% of their sentence or 30 years (if convicted after June 2014). People convicted of armed robbery would become eligible for a parole hearing after serving 75% of their sentence or 30 years. People convicted of murder (excluding people convicted of multiple counts of murder arising out of the same incident) would become eligible for parole after serving 25 years if they were under 26 at the time of their offense. People convicted of human trafficking and sex offenses would not become eligible for parole under this legislation.

People convicted of most violent offenses are currently eligible for various programs (i.e., good time, meritorious earned time, trusty time) that allow them to earn up to 50% off of their sentence. Data indicates that most people eligible for those programs earn substantial time off of their sentences.

However, people convicted of armed robbery, murder, and a small number of other offenses (often referred to as "day-for-day" offenses) are not eligible for those programs and are currently required to serve 100% of their sentence behind bars with no opportunities to earn their release. Thus, the vast majority of the impact of both pieces of legislation would come from extending parole eligibility to people convicted of armed robbery and murder.

FWD.us obtained a list of people currently serving prison sentences for armed robbery, murder, and a small number of other "day-for-day" offenses.[7] This data was used to identify the people who would become eligible for a parole hearing under SB 2123 and SB 2795.

FWD.us also obtained information on the rate at which the Mississippi Parole Board grants people release from the Mississippi Corrections and Criminal Justice Oversight Task Force. The parole grant rate in Mississippi peaked at 83% in 2019, with a yearly average above 70%. However, the vast majority of people

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[7] The MacArthur Justice Project submitted Mississippi Public Records Act requests to the Mississippi Department of Corrections for the demographic, offense, and sentence information for 1) everyone serving a sentence for a crime that is not eligible for good time, meritorious earned time, or trusty time (excluding people serving life sentences) and 2) everyone serving a life sentence. This data was generated by MDOC in March 2017.

who can currently be considered for release by the Parole Board have been convicted of nonviolent offenses. Thus, we assumed the Parole Board would grant release at lower rates to the people who would become eligible for a parole hearing under this legislation. Variance in the parole grant rates would impact the savings estimate, therefore, two scenarios were developed to provide a range of possible outcomes.

For the first scenario, the low parole grant rate scenario, a parole grant rate of 30% was used for people convicted of armed robbery and other "day-for-day" offenses, and a parole grant rate of 15% was used for people convicted of murder. For the second scenario, the moderate parole grant rate scenario, a parole grant rate of 75% was used for people convicted of armed robbery and other "day-for-day" offenses, and a parole grant rate of 50% was used for people convicted of murder. The most likely outcome is likely somewhere in the middle of this range.

The parole grant rate was then applied to the population of people who would become eligible for parole under these legislations. For the subset of people granted parole in each scenario, FWD.us calculated the difference between how much time they would have served in prison under current law and how much time they would serve if granted parole at their new eligibility date (for the purposes of this analysis, FWD.us assumed an average age of death of 80 years old.) The difference between these two figures is the total prison bed years saved.

Total prison bed years saved can then be converted to a fiscal savings figure by applying the average annual cost to incarcerate an individual person as reported most recently by the Mississippi Department of Corrections in their 2019 Annual Report.

Appendix B: Economic Modeling Methodology

Economic and fiscal impact models are an effective way to demonstrate regional implications of a particular project, policy, business, development or other activities in a given area. The study area can range from a single neighborhood or city to an entire state or country. Typically, the level of effects resulting from the activity is estimated in terms of output, earnings, employment, and tax revenues.

RCG created an economic and fiscal impact model to analyze the effects resulting from various projects, policies, developments, and activities in Mississippi. The RCG proprietary model employs an input-output model methodology commonly used by economists to determine impacts. This method is used to estimate the "multiplier" or "ripple" effects caused by the activities being analyzed. Activity is then converted into tax revenues in each of the relevant categories.

Economic Impact Methodology

An economic impact model provides a quantifiable method to estimate the economic activity of a particular activity in a given area. Impacts can be used to measure existing activity and to measure potential expansions/contractions of an area's economy resulting from changes in economic activity. Typically, the level of economic effects resulting from the activity is estimated in terms of *output*, *earnings*, and *employment*. These are defined as:

- *Output* captures the broader level of economic activity, or the total value of goods and services produced in the region, similar to how statistics like gross domestic product (GDP) capture economic volume in individual states and across the country.

- *Earnings*, a component of output, represents income to employees. The earnings component is used to measure the total change in income throughout the economy due to economic or business activity.

- *Employment* is the total number of full-time (or equivalent) jobs created in the economy on an annualized basis.

The economic effects occurring as a direct consequence of the initial activity create additional activity in the regional economy. This relationship is known as the "multiplier" or "ripple" effect. The basis for multiplier effects is the interdependencies between industries, how one industry impacts other sectors, and the cycle of spending and re-spending within the regional economy.

An input-output model is used to generate these multipliers. These multipliers quantify relationships among industries and estimate the extent that the area being analyzed can capture sales, earnings, and job impacts within the region.

Input-output models measure impacts based on their source. *Direct* effects are the result of the initial activity being analyzed. The multiplier effects, or secondary effects, are measured as either *indirect* or *induced impacts*.

- *Direct effects, or impacts,* measure business activity at an individual site or the initial change in the economy attributed to the development under consideration.

- *Indirect impacts* capture additional output, earnings, and employment changes generated as a result of increased demand in the industries which supply services or products to the direct business or development under consideration.

- *Induced impacts* capture additional output, earnings, and employment changes generated as a result of increased spending in the local economy made by the households of both the direct and indirect employees. These induced companies respond by hiring, increasing payroll hours, and increasing wages. For example, the additional wages received by the direct employees and the indirect supplier employees induce spending at grocery stores, gas stations, clothing stores, etc.

A commonly used input-output model used to generate economic multipliers is IMPLAN (short for "impact analysis for planning"). Originally developed by the U.S. Forest Service in the 1970s, the responsibility for developing IMPLAN data sets shifted to the University of Minnesota as demand grew for regional models. Now, IMPLAN runs as a private organization and is the leading provider of nationwide economic impact data and analytical software.

The RCG custom economic impact model employs this input-output model methodology and uses Mississippi-specific IMPLAN multipliers.

Fiscal Impact Methodology

Fiscal impact models provide estimates for the government revenues that are generated by a particular project, policy, business, development, or activity in a given area. Typically, fiscal impacts examine revenues that are likely to result from a project or activity and are determined by the study area's tax structure.

In general, the types of government taxes analyzed include sales taxes, use taxes, and income taxes. The type of activities subject to these taxes include payrolls, and retail sales, to name a few. Fiscal impacts are categorized similar to economic impact studies and are broken down at the direct, indirect, and induced levels in which they are created.

In general, direct revenues can be estimated by definable sources such as sales taxes generated by household retail purchases. Indirect and induced revenues are generated by the wages, residency, and spending of those indirect and induced households who are impacted by the direct economic activity.

The RCG fiscal impact model employs this methodology. The model was designed to produce revenue information for the State of Mississippi.